



2018 Q3 Management Accounts – Investor Call

13:30 GMT – 28 NOVEMBER 2018

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- LBI ehf. (formerly Landsbanki Íslands hf.) (“LBI”) was in winding-up proceedings in accordance with the provisions of Act no. 161/2002 on Financial Undertakings as amended until 25 December 2015, when a composition agreement between LBI ehf. and its creditors became effective and binding in accordance with Icelandic law (the “Composition Agreement”).
- This document (“Information”) contains a summary of some of the principal issues concerning the Company but is not necessarily and should not be regarded as an exhaustive list of all developments which Noteholders may consider material.
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KEY DEVELOPMENT IN Q3 2018

- On 18 July 2018, the Company exercised its option of early redemption and redeemed EUR 6.3 million of Convertible Notes pro-rata to their outstanding nominal amount.
- On 11 September 2018, LBI and the UK Financial Services Compensation Scheme (“FSCS”) agreed to discontinue proceedings at the District Court of Reykjavik. The agreement released from reserves held on escrow for disputed article 113 claims, cash of €9.5 million, and Convertible Notes of €4.3 million which were subsequently cancelled.

DRIVERS OF FINANCIAL CHANGE IN Q3 2018

ASSET CATEGORIES	30/06/2018	Net cash received	FX change	Value-change	Income	Operating expenses	Note Redemption	Reserve and other reversals	30/09/2018
Cash	23,535	361	(63)			(2,604)	(6,300)	9,511	24,439
Restricted cash	15,201		1		(17)				15,185
Loans to customers	6,666	(326)	(1)	55	33				6,427
Equities	210	(5)	(1)	(1)					203
Claims on bankrupt estates ..	82,176	(29)	(0)	14					82,161
Other assets	9,706		39	369					10,114
Other receivables	487		(2)						485
TOTAL	137,980	0	(27)	437	17	(2,604)	(6,300)	9,511	139,013

- The Company redeemed Convertible Notes on 18 July 2018 for EUR 6.3 million.
- EUR 9.5 million were released from reserves held on escrow on account of disputed Art. 113 claims due to an agreement with FSCS to discontinue proceedings.

KEY EVENTS AFTHER THE BALANCE SHEET DATE

- On 5 October 2018, the Company exercised its option of early redemption and redeemed EUR 9.5 million of Convertible Notes pro-rata to their outstanding nominal amount.
- On 10 October 2018, the Company settled its dispute filed with the UK Courts in February 2018 against Greif International.
- On 12 November 2018, the Company reached a settlement agreement with 24 of the 26 insurers of directors' and officers' liability insurance policies (the 24 insurers representing 47,8% of the total policies) under which the Company had claimed for damages. The 24 insurers which are part of the settlement have subsequently been discharged from the ongoing court cases. The terms of the settlement are confidential. Some or all of the net funds received in connection with the settlement will be included in the Available Cash which LBI will use in making its next scheduled payment on the Convertible Notes.

PRO FORMA BOOK VALUE OF THE OUTSTANDING CONVERTIBLE NOTES

TOTAL ASSET VALUE AS OF 30 SEPTEMBER 2018	139,013
LESS: OTHER LIABILITIES	(1,368)
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CONVERTIBLE NOTE BOOK VALUE AS OF 30 SEPTEMBER 2018	137,645
LESS: 5 OCTOBER REDEMPTION PAYMENT	(9,500)
PRO FORMA BOOK VALUE AS OF 5 OCTOBER 2018	128,145
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NOMINAL VALUE OF CONVERTIBLE NOTES AS OF 30 SEPTEMBER 2018	615,815
LESS: 5 OCTOBER REDEMPTION PAYMENT	(9,500)
PRO FORMA NOMINAL VALUE AS OF 5 OCTOBER 2018	606,315
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IMPLIED RECOVERY OF CONVERTIBLE NOTES OUTSTANDING	21.1%
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- Above numbers are on pro forma basis only and do not adjust for post Q3 2018 events other than the 5 October 2018 Convertible Note redemption.
- The numbers include cash that is expected to be spent on operational expenses.

OPERATIONAL EXPENSES

EXPENSES VERSUS BUDGET	Q3 2018	Q2 2018
Budgeted operating expenses ..	1,554	4,100
Actual operating expenses	2,313	4,524
DIFFERENCE	(759)	(424)

SALARIES AND RELATED EXPENSES	Q3 2018	Q2 2018
Salaries.....	849	2,823
Pension fund.....	107	384
Other salary related expenses.	64	213
TOTAL	1,020	3,421

GENERAL AND ADMINISTRATIVE EXPENSES	Q3 2018	Q2 2018
External advisors.....	1,223	953
Premises expenses.....	12	23
Other expenses.....	58	127
TOTAL	1,293	1,102

- Budgeted operational expenses are based on a quarterly breakdown of the annual budget expenses presented with LBI’s 2017 Financial Statements investor presentation.
- The difference in the operating expenses against budget in the period are primarily explained by higher than expected costs for external advisors related to litigation proceedings which have now discontinued.

CASH AND RESTRICTED CASH

CASH	30/09/2018	30/06/2018	RESTRICTED CASH	30/09/2018	30/06/2018
Cash.....	24,439	23,535	Indemnity Fund.....	14,948	14,964
			Trustee Indemnity Fund....	237	236
TOTAL	24,439	23,535	TOTAL	15,185	15,201

- Cash
 - Cash at end of Q3 2018 amounted to EUR 24.4 million.

- Restricted cash
 - The Indemnity Fund of EUR 15 million is scheduled to be released to LBI in December 2025.

LOANS TO CUSTOMERS

LOANS BY SECTOR	30/09/2018	30/06/2018	LOANS BY COUNTRY	30/09/2018	30/06/2018
Real Estate.....	5,641	5,872	UK.....	2,441	2,664
Services.....	325	325	Germany.....	25	25
Retail.....		11	Netherlands.....	21	21
Other.....	460	457	Other Europe.....	3,940	3,957
TOTAL	6,427	6,666	TOTAL	6,427	6,666

- Remaining recovery for Real estate lending (loans by Sector) is mainly on loans where collateral and unpledged assets have been, or will be sold by a UK bankruptcy trustee before end of Q1 2019.
- Estimated payments for Other Europe (loans by Country) are based mainly on loans where pledged real estate in Spain will be sold by a UK bankruptcy trustee and on K/S loans.

CLAIMS ON BANKRUPT ESTATES - LANDSBANKI LUXEMBOURG

- Cash release in the table represents the portion of the original proceeds which were made available in cash or in the form of a repayment on an existing mortgage.

LOCATION AND CLIENTS		OUTSTANDING LOAN BALANCE		ESTIMATED COLLATERAL VALUE	LESSER OF BALANCE OR COLLATERAL VALUE	
LOCATION	# CLIENTS	CASH RELEASE	TOTAL	TOTAL	CASH RELEASE	TOTAL
France	66	60.4	152.7	119.6	58.5	108.9
Spain	198	61.3	140.0	95.5	53.3	91.2
Other	2	.7	.9	.6	.4	.6
TOTAL	266	122.3	293.6	215.7	112.2	200.7

Numbers in EUR millions

- As LBI has not received updated information in the period from Landsbanki Luxembourg estate so the loan balances above are as of 31 March 2018. Information shown above related to collateral values, except in limited circumstances, has not been updated since 31 December 2016.
- The table above does not take into account continuing administrative and legal expenses, expected cost of enforcements and sales, discounts for distressed sales, or potential claims from third parties. Some of such costs may be covered by existing cash reserves held by the administrator.

OTHER ASSETS - UNSETTLED DERIVATIVES

COUNTERPARTY	CONTRACT	UNRESOLVED MATTER	JURISDICTION	BALANCE
HSBC	Nostro Account	Set-off	Italy	6,158
KAS Bank	GMSLA	Valuation	Iceland / UK	3,091
BNP Paribas	Deposit Account	Potential 3rd party claims	Belgium	643
			TOTAL	9,891

- On 10 October 2018, the Company settled its dispute filed with the UK Courts in February 2018 against Greif International.
- LBI has filed its claim against HSBC with the Milan Court in March 2017. In a procedural hearing on 13 September 2018, the main hearing of the case was scheduled for December 2020.
- The main hearing in the KAS Bank case has been scheduled for January 2019.
- The remaining amount of EUR 643 thousand with BNP Paribas is expected to be released from escrow in March 2020.

RESERVES ON ESCROW TOWARDS DISPUTED AND CONTINGENT ART. 113. CLAIMS

CASE OR CASE GROUP	DMP ON ESCROW	REDEMPTIONS ON ESCROW	OUTSTANDING NOMINAL	TOTAL RESERVES	COMMENTS
Money Market claims (212 cases)	2,155	3,259	1,473	6,888	The majority of funds will be released to LBI in Q4 2018
Goldman Sachs		3,301	1,493	4,794	Second appeal to Landsrettur awaiting hearing date
Contingent Heritable claims (68)	786	2,158	976	3,920	Awaiting final distribution by the Heritable's estate
KAS Bank	12	881	399	1,292	Main hearing scheduled for January 2019
TOTAL CONTINGENT	786	2,158	976	3,920	
TOTAL DISPUTED	2,167	7,442	3,364	12,973	
TOTAL RESERVES	2,954	9,600	4,340	16,894	

- The table above shows the status of reserves on escrow at the end of Q3 2018
 - Following a ruling favourable for LBI by the Landsrettur Appeals Court in a test case concerning Money Market claims, the majority of pending cases are expected to be cancelled during Q4 2018 and reserves on escrow reversed to LBI.
 - On 12 September 2018, the Reykjavik District Court mostly re-affirmed its previous ruling in the case against Goldman Sachs accepting approximately 80% of the lodged claim. The ruling was subsequently appealed to the Landsrettur Appeals Court with a decisions expected before end of 2018.
 - Reserves under Contingent Heritable claims will be reversed to the extent claimants receive further distributions from the Heritable estate. Only minimal part of the escrow amount is now expected to be returned to LBI.
 - The main hearing in the case against KAS Bank has been scheduled for January 2019.

OTHER LEGAL DISPUTES BEFORE COURTS

- Damages cases (D&O cases)
 - The main hearing started on 29 October 2018 in the three cases LBI brought against individuals who held a management or Board position with LBI before it became insolvent. In these cases, damages are additionally sought from the liability insurers of LBI. The total principal sum that can be sought from the liability insurers from all of these three cases combined was EUR 50 million.
 - On 12 November 2018, the Company reached a settlement agreement with 24 of the 26 insurers, which represent 47.8% of the directors' and officers' liability insurance policies. The 24 insurers which are part of the settlement have been discharged from the ongoing court case.
 - LBI has furthermore discharged four individuals who held Board positions with LBI before it became insolvent from the Disbursements on 6 October 2008 case, which was the only case they were involved in.
 - All three court cases will continue against four former employees of LBI and the two remaining insurers.
 - If these cases become subject to appeals to both Landsrettur Appeals Court and to the Icelandic Supreme Court, final ruling can be expected before end of 2021.
- Disputed Art. 113 claims
 - **FSCS**. On 11 September 2018, LBI and the UK Financial Services Compensation Scheme ("FSCS") agreed to discontinue proceedings at the District Court of Reykjavik.
 - **Money Market cases (212 cases)**. On 2 October 2018, the Landsrettur Appeals Court announced its ruling to reject claims against LBI in the Money Market test case. The ruling was not appealed to the Supreme Court resulting in that around 208 of the 212 remaining money market cases are expected to be finally rejected before the end of 2018.

MONETISATION PLAN FOR NEXT 12 MONTHS

ASSET CATEGORIES	2018		2019		TOTAL
	Q4	Q1	Q2	Q3	
Loans to customers	293	5,625	51	229	6,197
Equities	203				203
Claims on bankrupt estates .				824	824
Other assets	900	3,847	163	758	5,668
TOTAL	1,395	9,471	214	1,810	12,891

AMOUNTS IN EUR EQUIVALENT	2018		2019		TOTAL
	Q4	Q1	Q2	Q3	
USD		3,847		758	4,605
GBP	203	1,122		24	1,349
EUR	900	3,800	184	825	5,709
Other	293	702	30	204	1,229
TOTAL	1,395	9,471	214	1,810	12,891

- EUR 5.6 million is expected to be received in Q1 2019 from loans to customers, thereof EUR 4.6 million from the largest exposure.
- EUR 4.6 million reported in USD received over the next 12 months is from an expected sale of a certain real estate in the US which is currently subject to due diligence by the buyer.

OPERATIONAL BUDGET FOR 2019

		2019			
		Q1	Q2	Q3	Q4
SALARIES AND RELATED EXPENSES*					
Salaries.....		664	1,384	249	293
Pension fund.....		83	191	26	31
Other salary related expenses.....		50	109	19	22
	TOTAL	797	1,684	294	345
GENERAL AND ADMINISTRATIVE EXPENSES					
External advisors.....		467	301	171	199
Premises expenses.....		12	6	6	6
Other expenses.....		55	92	40	40
	TOTAL	534	398	216	245
OPERATING EXPENSES	TOTAL	1,331	2,082	510	590

* Board fee post Q1 2019 has not been determined and is therefore excluded from Salaries and related expenses.

Q&A