



2019 Q3 Management Accounts – Investor Call

14:00 GMT – 29 OCTOBER 2019

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- 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 DEVELOPMENTS IN Q3 2019

- In August 2019, a final payment of EUR 453 thousand was collected on a loan to customer exposure increasing the estimated recovery by EUR 433 thousand.
- In September 2019, a dividend payment of GBP 274 thousand was received from an individual's bankrupt estate.
- In September 2019, court proceedings on three disputed Art. 113 money market cases were discontinued and EUR 23 thousand in reserves held on escrow reversed to the company.
- Following an update report from the liquidator of the Heritable Bank estate, LBI increased the estimated recovery of its claims from EUR 89 thousand to EUR 732 thousand.
- In September 2019, the first procedural court hearing before the Reykjavik District Court was held in "the new D&O case". The defendants demanded that the case is dismissed. The next procedural hearing will be held in November 2019. It can be expected that main hearing on the dismissal of the claim will be held in Q1 2020.

DRIVERS OF FINANCIAL CHANGE IN Q3 2019

ASSET CATEGORIES	30.6.2019	Net cash received	FX change	Value-change	Income	Operating expenses	Note Redemption	Reserve and other reversals	30.9.2019
Cash	11.860	906	220			(1.089)		23	11.920
Restricted cash	15.140		10			(16)			15.134
Loans to customers	2.692	(962)	(0)	200					1.931
Claims on bankrupt estates and other assets ..	86.018	56	39	641					86.754
TOTAL	115.711	0	269	841	0	(1.105)	0	23	115.739

- The Company received payments of EUR 906 thousand, mainly from loans to customers
- Net increase in estimated value of EUR 841 thousand is mainly from reassessments of expected recoveries on the Company's claims against Heritable Bank estate and loans to customers
- Reversals from escrow of EUR 23 thousand is from three money market cases which were discontinued and cancelled in the period.

KEY EVENTS AFTER THE BALANCE SHEET DATE

- As provided for under the terms and conditions of the Convertible Notes, LBI is preparing for a partial conversion of the Convertible Notes into equity in order to utilise tax loss carry-forwards from previous years that are due to expire at the end of 2019.
- The Company is in the process of exploring potential financing should the need arise to support asset value.

PRO FORMA BOOK VALUE OF THE OUTSTANDING CONVERTIBLE NOTES

TOTAL ASSET VALUE AS OF 30 SEPTEMBER 2019	115.739
LESS: OTHER LIABILITIES	(703)
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CONVERTIBLE NOTE BOOK VALUE AS OF 30 SEPTEMBER 2019	115.036
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NOMINAL VALUE OF CONVERTIBLE NOTES AS OF 30 SEPTEMBER 2019	571.015
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IMPLIED RECOVERY OF CONVERTIBLE NOTES OUTSTANDING	20,1%
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- Asset value includes cash that is expected to be spent on operational expenses.

OPERATIONAL EXPENSES

EXPENSES VERSUS BUDGET	Q3 2019	Q2 2019
Budgeted operating expenses ..	510	2.082
Actual operating expenses	937	2.310
DIFFERENCE	(427)	(227)

SALARIES AND RELATED EXPENSES	Q3 2019	Q2 2019
Salaries.....	496	1.629
Pension fund.....	78	272
Other salary related expenses.	31	45
TOTAL	605	1.946

GENERAL AND ADMINISTRATIVE EXPENSES	Q3 2019	Q2 2019
External advisors.....	271	264
Premises expenses.....	9	14
Other expenses.....	52	85
TOTAL	332	363

- The EUR 427 thousand difference between budget and actual operating expenses is mainly explained by deferred final employee incentive payments and the fact that board salaries were not included in the presented budget.

CASH AND RESTRICTED CASH

CASH	30.9.2019	30.6.2019	RESTRICTED CASH	30.9.2019	30.6.2019
Cash.....	11.920	11.860	Indemnity Fund.....	14.882	14.899
TOTAL	11.920	11.860	Trustee Indemnity Fund....	252	241
			TOTAL	15.134	15.140

- Cash
 - Cash at end of Q3 2019 amounted to EUR 11.9 million.

LOANS TO CUSTOMERS

LOANS BY SECTOR	30.9.2019	30.6.2019	LOANS BY COUNTRY	30.9.2019	30.6.2019
Real Estate.....	1.835	2.274	UK.....	1.835	2.574
Services.....	0	300	Netherlands.....	0	21
Other.....	96	118	Other Europe.....	96	98
TOTAL	1.931	2.692	TOTAL	1.931	2.692

Loans by Sector

- Remaining recovery for Real Estate sector lending is mainly on loans to K/S structure exposures and claims against an individual who has filed for bankruptcy in the United Kingdom.
- Remaining recovery for the Service sector has been reduced to zero due to reassessment of recovery on a leverage lending exposure to a holding company.

Loans by Country

- Remaining recovery for UK is mainly related to loans to K/S structure exposures and an individual in bankruptcy proceedings.

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 (9 cases)	59	10	4	73	Expected to be resolved/cancelled before end of 2019
Contingent Heritable claims (67)	786	2.225	909	3.920	Awaiting final distribution by the Heritable's estate
TOTAL CONTINGENT	786	2.225	909	3.920	
TOTAL DISPUTED	59	10	4	73	
TOTAL RESERVES	846	2.235	913	3.993	

- The table above shows the status of reserves on escrow at the end of Q3 2019
- Disputed Art. 113 claims:
 - At the end of Q3 2019, 9 small money market cases remained outstanding. Currently all these claims are expected to be resolved and/or cancelled before the end of 2019 with the associated reserves on escrow being returned to LBI.
- Contingent Art. 113 claims:
 - Reserves for contingent Heritable claims will be reversed to the extent claimants receive further distributions from the Heritable estate. It is expected that approximately 47% of the reserves will be returned to LBI.

OTHER LEGAL DISPUTES BEFORE COURTS

- Damages cases (D&O cases)
 - In January 2019 LBI appealed the judgement in case E-3817/2011 (“Grettir-case”) to the Landsrettur court of appeal. Next procedural hearing hasn’t been scheduled but is expected in Q4 2019.
 - At the extraordinary general meeting (EGM) of LBI held on 17 May 2019, the shareholders decided to bring actions against former CEOs of Landsbanki Íslands hf. (now LBI ehf.) and insurers to obtain compensation for lending to Straumur-Burðarás Investment Bank hf. in October 2008. These claims are for the same events as previously brought in above two cases that were dismissed by the Reykjavik District Court on 28 December 2018 (and not appealed). In late May 2019, LBI served its summons on the defendants. In September 2019 the first procedural court hearing before the Reykjavik District Court was held in “the new D&O case”. The defendants demanded that the case is dismissed. Next procedural hearing will be held in November 2019. It can be expected that main hearing on the dismissal claim will be held in Q1 2020.

MONETISATION PLAN FOR NEXT 12 MONTHS

ASSET CATEGORIES	2019	2020			TOTAL
	Q4	Q1	Q2	Q3	
Loans to customers	48	862	48	48	1.005
Claims on bankrupt estates and other assets .	0	732	325	1.676	2.733
TOTAL	48	1.594	373	1.724	3.739

AMOUNTS IN EUR EQUIVALENT	2019	2020			TOTAL
	Q4	Q1	Q2	Q3	
USD	0	0	0	879	879
GBP	0	732	4	0	736
EUR	0	814	321	0	1.135
Other	48	48	48	845	989
TOTAL	48	1.594	373	1.724	3.739

- EUR 0.9 million is expected to be received in Q1 2020 from loans to customers, thereof EUR 0.8 million from the estate of an individual who has filed for bankruptcy in the UK.
- EUR 0.7 million expected from Claims on bankrupt estates and other assets in Q1 2020 is dividend payment from Heritable Bank estate.
- EUR 1.7 million expected from Claims on bankrupt estates and other assets in Q3 2020 is mainly from cash released from escrow which is held as a reserve for potential tax claims related to a sale of real estate in the US.

OPERATIONAL BUDGET FOR 2020

		2020			
		Q1	Q2	Q3	Q4
SALARIES AND RELATED EXPENSES					
Salaries.....		317	239	239	239
Pension fund.....		43	32	32	32
Other salary related expenses.....		24	18	18	18
	TOTAL	384	289	289	289
GENERAL AND ADMINISTRATIVE EXPENSES					
External advisors.....		440	277	205	369
Premises expenses.....		9	9	9	9
Other expenses.....		59	251	43	43
	TOTAL	508	537	256	421
OPERATING EXPENSES	TOTAL	891	826	545	710

Q&A