**Notice from LBI ehf. regarding its
EUR 2,041,382,201 convertible bonds due 2035
(the “Bonds”)**

**This notice is important and requires the attention of all holders of the Bonds (the “Bondholders”). If Bondholders are in any doubt as to the action they should take, they should consult with their own independent professional advisors.**

As announced on 28 December 2015, the composition agreement of LBI ehf. (“**LBI**” or the “**Company**”), which was confirmed by the District Court of Reykjavik on 18 December 2015, became final and binding under Icelandic law on that date (the “**Composition**”). Documents relating to the historic Composition process are available to view at <http://www.lbi.is/documents/composition>.

As part of the Composition, it was agreed (amongst other things) that LBI would release the winding-up board of LBI (the “**Winding-up Board**”) and certain other officers, employees and advisors of LBI (together with the Winging-up Board, the “**Released Persons**”) from any personal liability in relation to the Composition and related matters. It was also agreed that LBI would indemnify the Released Persons in relation to certain potential liabilities. That indemnity was secured by an indemnity fund in an account maintained by Wilmington Trust (London) Limited (the “**Trustee**”) as security for LBI’s obligations under the indemnity (the “**Indemnity Arrangements**”).

LBI and the Winding-up Board have now agreed to terminate the Indemnity Arrangements, on the following key terms:

* the payment of consideration to certain of the Released Persons (the “**Beneficiaries**”) of an aggregate amount equal to €2,578,000, which includes approximately €1,100,000 of other amounts due (including VAT), an amount of at least €700,000 which LBI attributes to the cost of insurance to replace the Indemnity Arrangements and a supplemental amount (together, the “**Beneficiaries’ Payment**”).  Arsaell Hafsteinsson will not receive any payment in connection with the Beneficiaries’ Payment;
* the amendment of certain confidential consultancy agreements, which LBI considers to be immaterial in light of the wider arrangements;
* a refreshed release by LBI in favour of the Released Persons releasing them from any liability arising from the Composition and related matters (the “**Deed of Release**”);
* a new, more limited, indemnity (the “**New Indemnity**”) in favour of the Beneficiaries on the following key terms:
	+ the New Indemnity covers (i) amounts incurred by the Beneficiaries relating to any third party claims arising in connection with the Beneficiaries’ involvement in the Composition, (ii) amounts paid to settle any such third party claims, and (iii) any defence costs and expenses associated with defending any such claims, in each case attributable to any action taken in the period up to 14 April 2016;
	+ the New Indemnity does not cover (i) any actions taken in the period after 14 April 2016, (ii) any amount paid or due to be paid to any Beneficiary or his related party, (iii) any other costs (save for any defence costs incurred to defend a claim against the Beneficiaries relating to the Composition), (iv) any defence costs or other obligations to make payments in respect of claims brought by the Icelandic government entities (including, without limitation, the Central Bank of Iceland), and (v) any costs incurred in connection with the implementation of the deed of settlement (at item 1 below);
	+ the obligation to indemnify only arises if and when the aggregate monetary value of the liabilities exceeds €15,000,000 (and such indemnification obligation only applies to any excess over €15,000,000);
	+ the New Indemnity shall automatically lapse and cease to have any effect if Bondholders holding (as at any given time) at least two thirds in nominal value of the total amount of outstanding Bonds execute Deeds of Adherence (defined below) (the “**Release Threshold**”). LBI may, at its option, reduce the Release Threshold to at least 60% by paying to the Beneficiaries collectively (apart from Arsaell Hafsteinsson) an amount equal to €10,000 per every desired percentage point reduction to the Release Threshold;
	+ in the event LBI decides to make prepayments under the Bonds, LBI shall not be required to make a reserve for any contingent liability relating to the New Indemnity (and in the event such contingent liability arises, the claim under the New Indemnity giving rise to such contingent liability shall automatically lapse); and
	+ any contingent liability affecting LBI in relation to the New Indemnity will automatically lapse immediately prior to the board of LBI effecting a final winding up and dissolution of LBI.

The key benefits to LBI from the arrangements described above are that the indemnity fund will be returned to it, potentially substantial ongoing costs relating to the original Indemnity Arrangements will be avoided, and LBI will be able to expedite the final winding up of the estate. The balance of the indemnity fund, prior to completion of the arrangements described herein, was €14,140,898.57. Following payment of the Beneficiaries’ Payment, the Trustee’s expenses and other banking expenses, LBI expects to receive a net payment of €11,553,338.57.

Since it is in LBI’s interests for the New Indemnity to come to an end, the Company is now requesting that each Bondholder executes a deed of adherence agreeing to be bound by Deed of Release (the “**Deed of Adherence**”) and a Release Fee Letter (as defined below). In consideration for each EligibleBondholder (as defined below) executing and returning to LBI’s Investor Relations team (at ir@lbi.is) a Deed of Adherence, and thereby releasing the Released Persons from any liability arising from the Composition and related matters, LBI is offering to pay that Eligible Bondholder a release fee (being a share of an aggregate amount of €1,000,000 to be allocated to Eligible Bondholders in proportion to their holdings of Bonds as at the Record Time (as defined below)) (the “**Release Fee**”), on the terms set out in a letter from LBI (and to be signed by Eligible Bondholders) (the “**Release Fee Letter**”).

A redacted copy of the Deed of Release can be found [here](http://lbi.is/Media/lbi-deed-of-release-redacted.pdf) and bondholders who wish to execute a Deed of Adherence should email LBI’s Investor Relations team (at ir@lbi.is) for an original, unredacted copy of the Deed of Release prior to executing its Deed of Adherence and Release Fee Letter. Templates of the Deed of Adherence to be executed can be found [here](http://lbi.is/Media/deed-of-adherence-template.docx) and Release Fee Letter to be executed can be found [here](http://www.lbi.is/Media/release-fee-letter-template.docx); each Bondholder should ensure it populates all outstanding items in square brackets. LBI will sign each Release Fee Letter received from Eligible Bondholders and will send each Eligible Bondholder a fully signed copy of its Release Fee Letter.

A Bondholder will be an “**Eligible Bondholder**”if that Bondholder (i) is registered as a holder of Bonds in the register maintained on behalf of LBI by U.S. Bank National Association at **5p.m. (London time) on 26 October 2020 (the** “**Record Time**”), and (ii) delivers to LBI’s Investor Relations team (at ir@lbi.is) its executed copies of its Deed of Adherence and Release Fee Letter by no later than the Record Time. For the avoidance of doubt, a Bondholder will not be an Eligible Bondholder in relation to any holding of Bonds for which a Deed of Adherence has already been executed.

At the request of the Winding-up Board, certain Bondholders, together representing 46.01% of the Release Threshold, have already executed and delivered to LBI Deeds of Adherence and Release Fee Letters and, accordingly, have been paid their Release Fees.

**Accordingly, LBI hereby invites all Eligible Bondholders to complete and execute a Deed of Adherence and a Release Fee Letter, and to deliver copies of its executed Deed of Adherence and Release Fee Letter to LBI‘s Investor Relations team (at ir@lbi.is) as soon as possible and in any event by no later than the Record Time in order to qualify for its receipt of a Release Fee. Eligible Bondholders should be aware that in completing the Deed of Adherence and the Release Fee Letter, each Eligible Bondholder will be required to represent to LBI the amount of Bonds held by it on the date on which it has executed the Deed of Adherence (which LBI will corroborate by reference to the register of Bondholders maintained on behalf of LBI by U.S. Bank National Association).**

**U.S. Bank National Association holds bank account details for Bondholders on its systems and, accordingly, the Release Fee will be paid into such bank accounts of Eligible Bondholders (unless an Eligible Bondholder notifies LBI (at** **ir@lbi.is****) of an alternative bank account to which the Release Fee should be paid by no later than 2 business days prior to the Record Time) by no later than 5 business days following the Record Time.**

**Please note that each Bondholder's executed Deed of Adherence AND executed Release Fee Letter (including the information required of it by LBI, as stated therein) must be submitted to LBI by no later than the Record Time in order for that Eligible Bondholder to be entitled to receive the Release Fee. All Eligible Bondholders shall be entitled to receive a Release Fee. However, if a Bondholder delivers to LBI an executed Deed of Adherence and an executed Release Fee Letter prior to the Record Time, but then trades the Bonds (to which the executed Deed of Adherence and Release Fee Letter are subject) prior to the Record Time, such Bondholder shall not be entitled to receive a Release Fee.**

Eligible Bondholders should be aware that LBI will not withhold or remit any taxes that could be associated with the Release Fee payable to Eligible Bondholders. Each Eligible Bondholder shall be independently liable for any tax payable or tax consequences that might be associated with its Release Fee. Eligible Bondholders are advised to consult with their own tax advisors as to the tax consequences associated with its Release Fee.

**LBI ehf.**

**24 September 2020**