



2018 Q2 Management Accounts – Investor Call

13:00 GMT – 28 AUGUST 2018

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KEY DEVELOPMENT IN Q2 2018

- On 27 June 2018, Landsrettur Appeal Court referred LBI's case against Goldman Sachs back to the Reykjavik District Court as the previous ruling did not address specific arguments put forward during the initial hearing. Date for this re-hearing has been set for 31 August 2018.
- On 15 June 2018 LBI made a scheduled Convertible Note redemption payment of EUR 41.2 million.
- On 4 May 2018, the Company received a EUR 1.2 million distribution payment from the Landsbanki Luxembourg estate.
- In May and June 2018, funds equivalent to EUR 21.6 million held in escrow were released to LBI pursuant to a settlement reached with Kevin Stanford.

DRIVERS OF FINANCIAL CHANGE IN Q2 2018

ASSET CATEGORIES	31/03/2018	Net cash received	FX change	Value-change	Income	Operating expenses	Note Redemption	Reserve and other reversals	30/06/2018
Cash	43,466	24,879	211			(4,046)	(41,174)	199	23,535
Restricted cash	15,203		14		(17)				15,201
Loans to customers	29,843	(23,143)	(94)	(65)	123				6,666
Equities	228	(57)	(2)	40					210
Claims on bankrupt estates ..	84,155	(1,660)	(11)	(307)					82,176
Other assets	9,348	(19)	358	19					9,706
Other receivables	539		4			(8)		(48)	487
TOTAL	182,782	0	480	(312)	107	(4,054)	(41,174)	152	137,980

- Net cash of EUR 24.9 million was realised over the quarter, the largest contributors were:
 - Loans to customers with receipts of EUR 23.1 million
 - Dividends from Landsbanki Luxembourg estate of EUR 1.2 million
- Scheduled Convertible Note redemption on 15 June 2018 of EUR 41.2 million.

KEY EVENTS AFTER THE BALANCE SHEET DATE

- 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.

PRO FORMA BOOK VALUE OF THE OUTSTANDING CONVERTIBLE NOTES

TOTAL ASSET VALUE AS OF 30 JUNE 2018	137,980
LESS: OTHER LIABILITIES	(1,675)
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CONVERTIBLE NOTE BOOK VALUE AS OF 30 JUNE 2018	136,305
LESS: 18 JULY REDEMPTION PAYMENT	(6,300)
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PRO FORMA BOOK VALUE AS OF 18 JULY 2018	130,005
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NOMINAL VALUE OF CONVERTIBLE NOTES AS OF 30 JUNE 2018	626,414
LESS: 18 JULY REDEMPTION PAYMENT	(6,300)
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PRO FORMA NOMINAL VALUE AS OF 18 JULY 2018	620,114
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IMPLIED RECOVERY OF CONVERTIBLE NOTES OUTSTANDING	21.0%
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- Above numbers are on pro forma basis only and do not adjust for post Q2 2018 events other than the 18 July 2018 Convertible Note redemption.
- The numbers include cash that is expected to be spent on operational expenses.

OPERATIONAL EXPENSES

EXPENSES VERSUS BUDGET	Q2 2018	Q1 2018
Budgeted operating expenses	4,100	2,529
Actual operating expenses	4,524	2,833
DIFFERENCE	(424)	(304)

SALARIES AND RELATED EXPENSES	Q2 2018	Q1 2018
Salaries.....	2,823	1,050
Pension fund.....	384	123
Other salary related expenses....	213	79
TOTAL	3,421	1,253

GENERAL AND ADMINISTRATIVE EXPENSES	Q2 2018	Q1 2018
External advisors.....	953	1,440
Premises expenses.....	23	23
Other expenses.....	127	118
TOTAL	1,102	1,580

- Budgeted operational expenses are based on a quarterly breakdown of the annual budget expenses presented with LBI’s 2017 Financial Statements investor presentation.
- An updated annual operational budget for 2019 will be presented as part of LBI Q3 2018 Management Accounts.
- Salaries and related expenses for Q2 2018 exceeded the prior quarter due to employee incentive and redundancy payments.

CASH AND RESTRICTED CASH

CASH	30/06/2018	31/03/2018	RESTRICTED CASH	30/06/2018	31/03/2018
Cash.....	23,535	43,466	Indemnity Fund.....	14,964	14,981
TOTAL	23,535	43,466	Trustee Indemnity Fund....	236	222
			TOTAL	15,201	15,203

- Cash
 - Cash at end of Q2 2018 amounted to EUR 23.5 million.

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

LOANS TO CUSTOMERS

LOANS BY SECTOR	30/06/2018	31/03/2018	LOANS BY COUNTRY	30/06/2018	31/03/2018
Real Estate.....	5,872	28,656	UK.....	2,664	18,974
Services.....	325	325	France.....	0	6,270
Retail.....	11	23	Germany.....	25	25
Other.....	457	840	Netherlands.....	21	21
			Other Europe.....	3,957	4,554
TOTAL	6,666	31,341	TOTAL	6,666	31,341

- On 15 March 2018, Kevin Stanford's case against LBI at the District Court of Reykjavik was discontinued and finally determined. During Q2 2018, LBI received funds equivalent to EUR 21.6 million released from escrow.
- 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.
- 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.
- In May 2018, the Company received EUR 1.2 million distribution from the Landsbanki Luxembourg estate.

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
Greif International Holding	ISDA	Suspended payment	UK	1,490
BNP Paribas	Deposit Account	Potential 3rd party claims	Belgium	643
			TOTAL	11,381

- LBI has filed its claim against HSBC with the Milan Court in March 2017. The first procedural hearing took place on 6 February 2018 and the next hearing is scheduled for 13 September 2018.
- The main hearing in the KAS Bank case is expected before end of 2018.
- On 28 February 2018, LBI lodged a claim for declaratory relief against Greif International Holding B.V., as subsidiary of Greif, Inc, (NYSE: GEF) with the UK High Court of Justice. The next procedural hearing is scheduled for 13 September 2018.
- 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
FSCS - Interest on Heritable		9,467	4,344	13,810	Next procedural hearing expected before the end of 2018
Money Market claims (213 cases)	2,155	3,244	1,488	6,888	LBI won 11 cases, 10 became final and 1 was appealed
Goldman Sachs		3,286	1,508	4,794	Rehearing before District Court on 31 August 2018
Contingent Heritable claims (68)	786	2,148	986	3,920	Awaiting final distribution by the Heritable's estate
KAS Bank	12	877	403	1,292	Next procedural hearing expected before the end of 2018
TOTAL CONTINGENT	786	2,148	986	3,920	
TOTAL DISPUTED	2,167	16,874	7,742	26,784	
TOTAL RESERVES	2,954	19,022	8,728	30,704	

- The table above shows the status of reserves on escrow at the end of Q2 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.
 - On 27 June 2018, Landsrettur Appeal Court referred LBI's case against Goldman Sachs back to the Reykjavik District Court as the previous ruling did not address specific arguments put forward during the initial hearing. Date for this re-hearing has been set for 31 August 2018.

OTHER LEGAL DISPUTES BEFORE COURTS

- Damages cases (D&O cases)
 - LBI has brought three cases 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 is EUR 50 million.
 - On 27 February 2018, the result of a procedural hearing at the District Court of Reykjavik was that the main hearing of the three cases would start on 29 October 2018. The main hearings are expected to last for 3-6 weeks.

- Disputed Art. 113 claims
 - **FSCS.** On 9 October 2017, the District Court of Reykjavik ruled in the favour of LBI dismissing the claims. The ruling has since been reversed by the Supreme Court of Iceland. Following a submission of an assessors report requested by FSCS the date of the next procedural hearing before the District Court will be decided.
 - **Money Market cases (213 cases).** On 28 March 2018, the Reykjavik District Court announced its judgment in 11 Money Market test cases rejecting all claims against LBI but not awarding any legal cost. These rulings were subject to a two week appeal window, where one of the 11 cases was appealed to Landsrettur but the other 10 cases became finally rejected resulting in reversals of funds from escrow for around EUR 150 thousand. On 29 May 2018 the Landsrettur Appeal Court returned the case to Reykjavik District Court, which ruled again in LBI's favour on 19 June 2018. This ruling was again appealed to Landsrettur Appeal Court resulting in that 209 (including the appealed case) of the 213 remaining money market cases will remain unresolved.

MONETISATION PLAN FOR NEXT 12 MONTHS

ASSET CATEGORIES	2018		2019		TOTAL
	Q3	Q4	Q1	Q2	
Loans to customers	1,255	4,277	99	166	5,797
Equities	147	56	6		210
Claims on bankrupt estates .	15	1,201		24	1,240
Other assets		5,412		163	5,575
TOTAL	1,416	10,947	105	353	12,821

AMOUNTS IN EUR EQUIVALENT	2018		2019		TOTAL
	Q3	Q4	Q1	Q2	
USD		5,412			5,412
GBP	161	58	6	24	249
EUR	1,125	5,041		163	6,329
Other	130	437	99	166	832
TOTAL	1,416	10,947	105	353	12,821

- EUR 5.5 million is expected to be received in Q3 and Q4 in loans to customers, thereof EUR 4.6 million from the largest exposure.
- EUR 5.4 million reported in Q4 is due to the expected sale of real estate in the US.

Q&A