



2018 Financial Statements – Investor Call

14:00 GMT – 27 MARCH 2019

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## KEY DEVELOPMENTS IN Q1 to Q3 2018

- In February 2018, the Company received a EUR 2.9 million distribution payment from the Landsbanki Luxembourg estate.
- On 15 March 2018, Kevin Stanford's case against LBI at the District Court of Reykjavik was discontinued and finally determined. Resulting from the Icelandic case being discontinued and finally determined, LBI received funds during Q2 equivalent to EUR 21.6 million from escrow.
- 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.
- 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 EUR 9.5 million, and Convertible Notes of EUR 4.3 million which were subsequently cancelled.

## KEY DEVELOPMENTS IN Q4 2018

- 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 derivative dispute with Greif International which had been referred to the UK Courts for resolution earlier in the year.
- On 12 November 2018, the Company reached a settlement agreement with 24 of 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 terms of the settlement are confidential.
- On 17 December 2018, LBI made a scheduled Convertible Note redemption payment of EUR 16.0 million
- On 28 December 2018, the Reykjavik District Court handed down decisions in the three D&O-cases. In two of the cases the court dismissed LBI's claims. In the third case, the Reykjavik District Court handed down a judgement by which the individual defendants, the two former CEOs and a managing director, were acquitted.

## DRIVERS OF FINANCIAL CHANGE IN Q4 2018

ASSET CATEGORIES	30/09/2018	Net cash received	FX change	Value-change	Income	Operating expenses	Note Redemption	Reserve and other reversals	31/12/2018
Cash .....	24,439	14,253	(20)		47	(2,627)	(25,535)	3,401	13,958
Restricted cash .....	15,185		3			(16)			15,172
Loans to customers .....	6,427	(332)	(1)	4,511	27				10,631
Equities .....	203	(162)	(0)	131					171
Claims on bankrupt estates ..	82,161	(182)		24					82,003
Other assets .....	10,114	(13,577)	35	13,809		1			10,382
Other receivables .....	485					(7)			478
<b>TOTAL</b>	<b>139,013</b>	<b>0</b>	<b>17</b>	<b>18,475</b>	<b>74</b>	<b>(2,649)</b>	<b>(25,535)</b>	<b>3,401</b>	<b>132,795</b>

- The Company redeemed Convertible Notes on 17 December 2018 for EUR 16.0 million.
- The Company redeemed Convertible Notes on 5 October 2018 for EUR 9.5 million.
- The increase in estimated recoverable value from loans to customers in the services sector is primarily attributable to higher than expected recovery on a syndicated loan secured by an equity position in a German financial institution.

## KEY EVENTS AFTER THE BALANCE SHEET DATE

- On 22 January 2019, LBI settled a dispute with KAS Bank over closeout calculations of a GMSLA agreement which had been referred to the District Court of Reykjavik.
- On 23 January 2019 LBI appealed to Landsréttur Court of Appeal the Reykjavik District Court judgement from 28 December 2018 in one of the D&O-cases, where the individuals defendants, the two former CEOs and a managing director, were acquitted.
- On 13 February 2019, the Landsrettur Court of Appeal announced its ruling on a disputed Art. 113 claim lodged by Goldman Sachs against LBI. The ruling overturned the decision of the District Court and awarded Goldman Sachs a total claim of USD 24.6 million or approximately 55% of the claim lodged against LBI. On 26 February 2019, Goldman Sachs applied for a permission to appeal the ruling to the Icelandic Supreme Court.
- On 13 February 2019, the sale of a certain real estate was finalised resulting in LBI receiving USD 5.3 million during the first quarter of 2019. An additional USD 1.0 million, currently held on escrow due to tax withholding requirements, is expected to be received by the end of Q1 2020.

## PRO FORMA BOOK VALUE OF THE OUTSTANDING CONVERTIBLE NOTES

TOTAL ASSET VALUE AS OF 31 DECEMBER 2018	132,795
LESS: OTHER LIABILITIES	(1,363)
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CONVERTIBLE NOTE BOOK VALUE AS OF 31 DECEMBER 2018	131,433
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NOMINAL VALUE OF CONVERTIBLE NOTES AS OF 31 DECEMBER 2018	589,629
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<b>IMPLIED RECOVERY OF CONVERTIBLE NOTES OUTSTANDING</b>	<b>22.3%</b>
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- The numbers include cash that is expected to be spent on operational expenses.

# OPERATIONAL EXPENSES

EXPENSES VERSUS BUDGET	Q4 2018	Q3 2018
Budgeted operating expenses ..	1,826	1,554
Actual operating expenses .....	2,531	2,313
<b>DIFFERENCE</b>	<b>(704)</b>	<b>(759)</b>

SALARIES AND RELATED EXPENSES	Q4 2018	Q3 2018
Salaries.....	1,104	849
Pension fund.....	140	107
Other salary related expenses.	85	64
<b>TOTAL</b>	<b>1,329</b>	<b>1,020</b>

GENERAL AND ADMINISTRATIVE EXPENSES	Q4 2018	Q3 2018
External advisors.....	1,118	1,223
Premises expenses.....	14	12
Other expenses.....	71	58
<b>TOTAL</b>	<b>1,202</b>	<b>1,293</b>

- 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.
- Salaries and related expenses are higher in Q4 is mainly due to incentive payments.



# OPERATIONAL EXPENSES 2018

EXPENSES VERSUS BUDGET	Actual	Budget	Difference
<b>TOTAL OPERATING EXPENSES</b>	<b>12.200</b>	<b>10.009</b>	<b>(2.191)</b>
<b>Salaries and related expenses.....</b>	<b>7.022</b>	<b>6.303</b>	<b>(719)</b>
<b>General and administrative expenses..</b>	<b>5.178</b>	<b>3.705</b>	<b>(1.473)</b>
<b>External advisors.....</b>	<b>4.733</b>	<b>3.108</b>	<b>(1.625)</b>
Domestic legal service.....	2.094	1.655	(439)
Domestic other service.....	241	99	(142)
Foreign legal service.....	1.967	897	(1.070)
Foreign other service.....	431	457	26
<b>Premises expenses.....</b>	<b>72</b>	<b>63</b>	<b>(8)</b>
<b>Other expenses.....</b>	<b>373</b>	<b>534</b>	<b>161</b>
IT and related expenses.....	219	197	(23)
Other operational costs.....	154	337	184

- Budget for operational expenses in 2018 excluded salaries and related expenses for CEO and board of directors post Q1 2018, as well as discretionary incentive payments to staff.
- Higher than budgeted expenses for domestic legal/other service is mainly related to the D&O cases.
- Increase in Foreign legal service is mainly explained by higher than budgeted costs related to litigation proceedings which was settled in Q3.

# CASH AND RESTRICTED CASH

CASH	31/12/2018	30/09/2018	RESTRICTED CASH	31/12/2018	30/09/2018
Cash.....	13,958	24,439	Indemnity Fund.....	14,932	14,948
<b>TOTAL</b>	<b>13,958</b>	<b>24,439</b>	Trustee Indemnity Fund....	240	237
			<b>TOTAL</b>	<b>15,172</b>	<b>15,185</b>

- Cash
  - Cash at end of Q4 2018 amounted to EUR 14.0 million.
  
- Restricted cash
  - The Indemnity Fund of EUR 14.9 million is scheduled to be released to LBI in December 2025.

## LOANS TO CUSTOMERS

LOANS BY SECTOR	31/12/2018	30/09/2018	LOANS BY COUNTRY	31/12/2018	30/09/2018
Real Estate.....	5,535	5,641	UK.....	2,335	2,441
Services.....	4,700	325	Germany.....	4,400	25
Other.....	396	460	Netherlands.....	21	21
<b>TOTAL</b>	<b>10,631</b>	<b>6,427</b>	Other Europe.....	3,875	3,940
			<b>TOTAL</b>	<b>10,631</b>	<b>6,427</b>

- 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 Q2 2019.
- An increase of EUR 4.4 million in estimated recoverable value from loans to customers in the services sector is attributable to higher than expected recovery on a syndicated loan secured by an equity position in a German financial institution.
- 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.

## 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
			<b>TOTAL</b>	<b>9,891</b>

- On 10 October 2018, the Company settled its derivative dispute with Greif International which had been referred to the UK Courts for resolution earlier in the year.
- On 22 January 2019, LBI settled a dispute with KAS Bank over the closeout of a GMSLA agreement which had been referred to the District Court of Reykjavik.
- The Company filed litigation against HSBC Milan Branch in Italy in March 2017. The main hearing in the case has been scheduled for December 2020.
- The remaining balance 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 (24 cases)	225	1.832	779	2.837	14 cases expected to be remaining at the end of Q1 2019
Goldman Sachs		3.363	1.431	4.794	Permission for appeal has been sent to the Supreme Court
Contingent Heritable claims (68)	786	2.198	935	3.920	Awaiting final distribution by the Heritable's estate
KAS Bank	12	898	382	1.292	Now fully reversed to LBI following a settlement in Q1 2019
<b>TOTAL CONTINGENT</b>	786	2.198	935	<b>3.920</b>	
<b>TOTAL DISPUTED</b>	237	6.094	2.592	<b>8.922</b>	
<b>TOTAL RESERVES</b>	1.023	8.292	3.527	<b>12.842</b>	

- The table above shows the status of reserves on escrow at the end of Q4 2018
  - On 2 October 2018, the Landsrettur Court of Appeal ruled in favour of LBI in a test case for certain disputed money market claims lodged against LBI under Art. 113 of the Icelandic Bankruptcy Act. The ruling led to the cancellation of 188 of the money market cases and the release of reserves on escrow to LBI during Q4.
  - LBI expects that EUR 1.7 million in cash and Convertible Notes with a nominal value of EUR 0.7 million will be reversed from escrow due from the cancellation of a further 10 money market cases during Q1 2019 leaving 14 money market remaining.
  - On 13 February 2019, the Landsrettur Court of Appeal announced its ruling on a disputed Art. 113 claim lodged by Goldman Sachs against LBI. The ruling overturned the decision of the District Court and awarded Goldman Sachs a total claim of USD 24.6 million or approximately 55% of the claim lodged against LBI. On 26 February 2019, Goldman Sachs applied for a permission to appeal the ruling to the Icelandic Supreme Court.
    - Reserves under Contingent Heritable claims will be reversed to the extent claimants receive further distributions from the Heritable estate. Only a small part of the escrow amount is expected to be returned to LBI.
  - Reserves for KAS Bank will be fully reversed before end of Q1 2019 following a settlement in February.

## OTHER LEGAL DISPUTES BEFORE COURTS

- Damages cases (D&O cases)
  - On 28 December 2018, the Reykjavik District Court handed down decisions in the three above referenced D&O-cases. In two of the cases, E-3826/2011 and E-991/2012, the court dismissed LBI's claims due to uncertainty around whether the loss incurred by LBI had already been compensated by a settlement of a court case that LBI had initiated against its former auditors.
  - In the third case, E-3827/2011 the Reykjavik District Court handed down a judgement by which the individual defendants, the two former CEOs and a former managing director were acquitted. The judgement was based on the conclusion that legitimate premises are insufficient to hold the employees liable for damages suffered by their employer. The insurers were acquitted on the grounds that the former two CEOs and a former managing director were not considered liable for LBI's losses.
  - LBI has appealed the judgement in case E-3817/2011 to the Landsrettur Court of Appeal.
- Disputed Art. 113 claims
  - Money Market cases (24 cases). On 2 October 2018, the Landsrettur Appeals Court ruled in favour of LBI in a test case for certain disputed money market claims lodged. As the ruling was not appealed to the Supreme Court, a further 188 money market claims were finally rejected at the end of 2018.
  - A settlement agreement was reached to discontinue three money market cases during Q1 2019 and a further eight cases are expected to be finally rejected by the end of the quarter.

# MONETISATION PLAN FOR NEXT 12 MONTHS

ASSET CATEGORIES	2019				TOTAL
	Q1	Q2	Q3	Q4	
Loans to customers .....	467	10.008	16	16	10.506
Equities .....	268	150	150	4	571
Claims on bankrupt estates .	0	0	23	801	824
Other assets .....	6.350	0	0	366	6.717
<b>TOTAL</b>	<b>7.085</b>	<b>10.158</b>	<b>189</b>	<b>1.186</b>	<b>18.618</b>

AMOUNTS IN EUR EQUIVALENT	2019				TOTAL
	Q1	Q2	Q3	Q4	
USD .....	4.530	0	0	366	4.896
GBP .....	268	150	173	4	595
EUR .....	1.820	9.330	0	800	11.950
Other .....	467	679	16	16	1.177
<b>TOTAL</b>	<b>7.085</b>	<b>10.158</b>	<b>189</b>	<b>1.186</b>	<b>18.618</b>

- USD proceeds in the equivalent of EUR 4.5 million was received in Q1 2019 from the sale of a certain real estate in the US.
- EUR 10 million is expected to be received in Q2 2019 from loans to customers, thereof EUR 4.6 million from the largest exposure and EUR 4.4 from an exposure to a German financial institution.

# OPERATIONAL BUDGET FOR 2019

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

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

\* The Q2 numbers are higher due to redundancies. From 1 April 2019 number of LBI’s employees will reduce to two.



# Q&A