



**LBI**

2018 Q1 Management Accounts – Investor Call

13:00 GMT – 29 MAY 2018

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## KEY DEVELOPMENT IN Q1 2018

- As LBI decided in January 2018 not to appeal the unfavourable ruling of the District Court from 22 December 2017 in respect of the last six rescission cases, EUR 20.1 million in disputed Art. 113 claims became finally rejected and total reserves of EUR 2.3 million were released from escrow and returned to LBI, and in addition EUR 1.2 million in Convertible Notes were returned and cancelled.
- In January 2018, the Indemnity Fund for former Winding-up board members was reduced to EUR 15 million, and EUR 4.9 million returned to LBI.
- 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. The proceeds from the sales of residential properties in the United Kingdom and continental Europe had previously been placed on escrow accounts by the English Courts pending on the outcome of the case brought by Kevin Stanford against LBI in Iceland. Resulting from the Icelandic case being discontinued and finally determined, LBI has received the majority of funds equivalent of EUR 21.6 million to be released from escrow.

# DRIVERS OF FINANCIAL CHANGE IN Q1 2018

ASSET CATEGORIES	31/12/2017	Net cash received	FX change	Value-change	Income	Operating expenses	Note Redemption	Reserve and other reversals	31/03/2018
Cash .....	34,752	10,874	(132)			(4,327)		2,298	43,466
Restricted cash .....	20,090	(4,861)	(8)		(19)				15,203
Loans to customers .....	32,021	(2,148)	217	(430)	183				29,843
Equities .....	186	(0)	2	40					228
Claims on bankrupt estates ..	85,274	(2,900)	12	1,768					84,155
Other assets .....	10,956	(966)	(239)	(403)					9,348
Other receivables .....	505		(2)			(13)		48	539
<b>TOTAL</b>	<b>183,785</b>	<b>0</b>	<b>(149)</b>	<b>975</b>	<b>164</b>	<b>(4,340)</b>		<b>2,346</b>	<b>182,782</b>

- Net cash of EUR 10.9 million was realised over the quarter, the largest contributors were:
  - Release from indemnity fund of EUR 4.9 million
  - Loans to customers with receipts of EUR 2.1 million
  - Dividends from Landsbanki Luxembourg estate of EUR 2.9 million

## KEY EVENTS AFTER THE BALANCE SHEET DATE

- 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 11 April 2018, the UK Courts of Appeal ruled against the Company in its appeal of a UK Commercial Court decision in LBI's case against Raiffeisen Zentralbank. No expected recoverable value was assigned to the outcome of the appeal so this final ruling will not affect previously reported recoveries on other assets.
- On 18 April 2018, the Reykjavik District Court announced its ruling regarding a disputed Art. 113 claim from Goldman Sachs against the Company. The ruling accepted around two thirds of the disputed claim but LBI has since appealed the ruling to Landsrettur.
- On 4 May 2018, the Company received a EUR 1.2 million distribution payment from the Landsbanki Luxembourg estate.
- In May 2018, the Company has received the majority of funds equivalent of EUR 21.6 million to be released from escrow in respect of a settlement of the Kevin Stanford case.

## PRO FORMA BOOK VALUE OF THE OUTSTANDING CONVERTIBLE NOTES

TOTAL ASSET VALUE AS OF 31 MARCH 2018	182,782
LESS: OTHER LIABILITIES	(1,155)
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CONVERTIBLE NOTE BOOK VALUE AS OF 31 MARCH 2018	181,626
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NOMINAL VALUE OF CONVERTIBLE NOTES AS OF 31 MARCH 2018	667,605
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<b>IMPLIED RECOVERY OF CONVERTIBLE NOTES OUTSTANDING</b>	<b>27.2%</b>
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- The numbers include cash that is expected to be spent on operational expenses.

# OPERATIONAL EXPENSES

<b>EXPENSES VERSUS BUDGET</b>	<b>Q1 2018</b>	<b>Q4 2017</b>
Budgeted operating expenses ..	2,333	3,933
Actual operating expenses .....	2,833	3,724
<b>DIFFERENCE</b>	<b>(500)</b>	<b>209</b>

<b>SALARIES AND RELATED EXPENSES</b>	<b>Q1 2018</b>	<b>Q4 2017</b>
Salaries.....	1,050	2,271
Pension fund.....	123	280
Other salary related expenses.	79	177
<b>TOTAL</b>	<b>1,253</b>	<b>2,579</b>

<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>	<b>Q1 2018</b>	<b>Q4 2017</b>
External advisors.....	1,440	626
Premises expenses.....	23	6
Other expenses.....	118	333
<b>TOTAL</b>	<b>1,580</b>	<b>965</b>

- Operational streamlining and cost reductions continue at pace with asset monetisation.
- Excluding the CEO, the number of full-time employees decreased to 6 by year end and further to 5 in Q1 2018.
- Increase in external advisors’ expenses is mainly explained by foreign legal costs related to litigation settlements finalised in the fourth quarter of 2017 and during the reporting period.

# CASH AND RESTRICTED CASH

CASH	31/03/2018	31/12/2017	RESTRICTED CASH	31/03/2018	31/12/2017
Cash.....	43,466	34,223	Indemnity Fund.....	14,981	19,861
ISK Opex Reserve Fund.....		529	Trustee Indemnity Fund....	222	230
<b>TOTAL</b>	<b>43,466</b>	<b>34,752</b>	<b>TOTAL</b>	<b>15,203</b>	<b>20,090</b>

- Cash
  - Cash at end of Q1 2018 amounted to EUR 43.5 million.
  - ISK Opex Reserve Fund was depleted during Q1 2018.
  
- Restricted cash
  - The Indemnity Fund was reduced to EUR 15 million after the end of the reporting period and EUR 4.9 million was returned to LBI.



# LOANS TO CUSTOMERS

LOANS BY SECTOR	31/03/2018	31/12/2017	LOANS BY COUNTRY	31/03/2018	31/12/2017
Real Estate.....	28,656	28,998	UK.....	18,974	19,937
Services.....	325	325	France.....	6,270	6,270
Retail.....	23	1,054	Germany.....	25	25
Other.....	840	1,645	Netherlands.....	21	21
<b>TOTAL</b>	<b>29,843</b>	<b>31,341</b>	Other Europe.....	4,554	5,769
			<b>TOTAL</b>	<b>29,843</b>	<b>31,341</b>

- On 15 March 2018, Kevin Stanford’s case against LBI at the District Court of Reykjavik was discontinued and finally determined. LBI has received the majority of funds equivalent of EUR 21.6 million to be 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
<b>TOTAL</b>	<b>266</b>	<b>122.3</b>	<b>293.6</b>	<b>215.7</b>	<b>112.2</b>	<b>200.7</b>

Numbers in EUR millions

- Loan balances shown above have been updated as of 31 March 2018 and include interest accruals at full default rates. 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 February 2018, the Company received a EUR 2.9 million distribution payment and in May 2018, the Company furthermore received an additional EUR 1.2 million distribution from the Landsbanki Luxembourg estate.

## OTHER ASSETS - UNSETTLED DERIVATIVES

COUNTERPARTY	CONTRACT	UNRESOLVED MATTER	JURISDICTION	BALANCE
Raiffeisen Zentralbank	GMRA / GMSLA	Valuation / Close-out	UK	14,751
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
			<b>TOTAL</b>	<b>26,133</b>

- On 11 April 2018, the UK Courts of Appeal ruled against the Company in its appeal against Raiffeisen Zentralbank which by this became final. No expected recoverable value was assigned to the results of the appeal so this ruling will not affect previously reported expected value of assets.
- 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.
- In Q1 2018, BNP Paribas paid EUR 1.1 million as a partial release of the amounts held on escrow shown above.
- 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.

## 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		9,181	4,629	13,810	Next procedural hearing expected in Q2 2018
Money Market claims (223 cases)	2,274	3,180	1,603	7,057	LBI won 11 cases, 1 of these was appealed
Goldman Sachs		3,187	1,607	4,794	2/3 of claim accepted by District Court, appealed to Landsrettur
Contingent Heritable claims (68)	786	2,083	1,050	3,920	Awaiting final distribution by the Heritable's estate
KAS Bank	12	851	429	1,292	Next procedural hearing expected in Q2 2018
<b>TOTAL CONTINGENT</b>	786	2,083	1,050	<b>3,920</b>	
<b>TOTAL DISPUTED</b>	2,285	16,399	8,268	<b>26,953</b>	
<b>TOTAL RESERVES</b>	3,072	18,483	9,319	<b>30,873</b>	

- The table above shows the status of reserves on escrow at the end of Q1 2018
  - Reserves under Contingent Heritable claims will be reversed to the extent that claimants receive further distributions from the Heritable estate.
  - On 18 April 2018, the Reykjavik District Court announced its ruling regarding a disputed Art. 113 claim from Goldman Sachs against the Company. The ruling accepted around two thirds of the disputed claim but LBI has since appealed the ruling to Landsrettur.

## 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 (223 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. Due to one of these cases being appealed, the remaining cases will remain unresolved.

# MONETISATION PLAN FOR NEXT 12 MONTHS

ASSET CATEGORIES	2018			2019	TOTAL
	Q2	Q3	Q4	Q1	
Loans to customers .....	23,128	1,592	4,046	93	28,860
Equities .....	148		57		205
Claims on bankrupt estates .	1,200		2,016		3,216
Other assets .....			5,080		5,080
<b>TOTAL</b>	<b>24,477</b>	<b>1,592</b>	<b>11,200</b>	<b>93</b>	<b>37,361</b>

AMOUNTS IN EUR EQUIVALENT	2018			2019	TOTAL
	Q2	Q3	Q4	Q1	
USD .....			5,080		5,080
GBP .....	15,507		873		16,380
EUR .....	7,685	1,457	4,741		13,883
Other .....	1,285	134	506	93	2,018
<b>TOTAL</b>	<b>24,477</b>	<b>1,592</b>	<b>11,200</b>	<b>93</b>	<b>37,361</b>

- EUR 21.6 million of the reported amounts in Q2 is due to release of funds from escrow following the discontinuation and final determination of the case against Kevin Stanford.
- EUR 5.2 million is expected to be received in Q3 and Q4 on the largest exposure in loans to customers
- EUR 5.1 million reported in Q4 is due to the expected sale of real estate in the US.

## UPCOMING KEY EVENTS

- Scheduled redemption payment on 15 June 2018 is expected to be around EUR 40 million

# Q&A