LBI

Management Accounts

1 April to 30 June 2017

LBI ehf
Sóltún 26
105 Reykjavík
Reg. No. 540291-2259

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Endorsement by the Board of Directors and the CEO

LBI ehf. (hereafter "LBI" or the “Company”) is a private limited liability company incorporated and domiciled in Iceland. The Company's registered office is at Sóltún 26, 105 Reykjavík.

LBI's main activity is the management and controlled monetisation of its asset portfolio, which includes, among other things, cash, loans, bond and equity instruments, claims on bankrupt estates, real estate, unsettled derivative contracts and litigation claims against third parties.

LBI’s winding-up proceedings under the Icelandic Act on Bankruptcy etc. (the “Icelandic Bankruptcy Act”) were concluded on 25 December 2015 (the “Composition Effective Date”) following final confirmation by the Icelandic Courts of the Company’s composition, which was approved by LBI’s composition creditors on 23 November 2015 (the "Composition Agreement"). On 6 January 2016, the Central Bank of Iceland (the “CBI”) granted LBI an exemption from capital controls in Iceland as a precondition for the Company’s ability to implement the Composition Agreement.

As provided for under the Composition Agreement, LBI made a voluntary contribution to the Icelandic State (the “Stability Contribution”) and entered into an agreement with the CBI whereby the Company undertook to transfer ISK cash balances and certain assets to the CBI (the “Assignment Agreement”). These assets were transferred to the CBI during the first quarter of 2016. The Assignment Agreement furthermore provided for specific assets to be retained by LBI (the “Retained Assets”), subject to additional Stability Contributions (the "Additional Stability Contributions") in the future under certain circumstances. Additional Stability Contributions made during the period and information related to the Company’s expectations for Additional Stability Contributions going forward are provided in Note 19 to these Financial Statements.

Pursuant to the Composition Agreement, LBI repaid in full the remaining balance of recognised claims held by priority creditors on 11 January 2016. On 8 February 2016, LBI made de minimis cash payments (the “DMP”) to each creditor with recognised claims subject to the Company's composition. On 23 March 2016, LBI furthermore issued new shares and convertible notes (the "Convertible Notes") to its composition creditors in settlement of their claims, the Company’s existing share capital was cancelled and new Articles of Association were adopted.

The Convertible Notes are linked to the value of the Company’s assets as LBI’s payment obligations thereunder are determined by the net cash ultimately realised from the monetisation of the Company’s assets. The book value of the Convertible Notes is therefore adjusted in line with net asset value at the end of each reporting period. Reference is made to Note 16 of these Financial Statements for further information on the Convertible Notes.

LBI has placed in escrow DMP, Convertible Notes and Convertible Note redemption payments pending the resolution of disputed and contingent claims lodged under Art. 113 of the Icelandic Bankruptcy Act during the Company’s winding-up proceedings. LBI is furthermore obligated to issue new shares for any disputed or contingent Art. 113 claims which may become recognised claims under the Composition Agreement. Additional information about the reserves placed in escrow on account of disputed and contingent Art. 113 claims is provided in Notes 20 and 21 to these Financial Statements.

During the second quarter of 2017, LBI actively managed its asset portfolio and worked to resolve disputed and contingent claims. On 5 April 2017, the Company exercised its option of early redemption and redeemed EUR 299.2 million of Convertible Notes pro-rata to their outstanding nominal amount. On 15 June 2017, the Company exercised its option of early redemption and redeemed EUR 43.6 million of Convertible Notes pro-rata to their outstanding nominal amount.

Net cash inflow from assets during the period amounted to EUR 194.3 million, resulting primarily from a 22 June 2017 prepayment of certain series of bonds issued by Landsbankinn. On that date, Landsbankinn prepaid in full the remaining principal amount of USD 160.0 million (EUR 143.3 million) outstanding under Series 2024. In addition, Landsbankinn paid accrued interest on these notes for a total of USD 1.3 million (EUR 1.2 million). As a result of this prepayment, the Company no longer owns any Landsbankinn bonds, although it still retains cash in Landsbankinn term deposits, as described in Note 10.

During the quarter, the Company finally rejected EUR 18.6 million of disputed Art. 113 claims and EUR 303.5 million in disputed priority claims lodged under Art. 109 of the Icelandic Bankruptcy Act. Additional information about the development in disputed and contingent claims lodged against the Company under the Icelandic Bankruptcy Act is provided in Notes 20-22.

As of 30 June 2017, the Company's total assets amounted to EUR 467.5 million and total liabilities amounted to EUR 467.5 million. The loss for the period amounted to EUR 13.3 million, which is reflected in the adjustments to the stated value of the Convertible Notes.

On 21 July 2017, LBI exercised its option of early redemption and redeemed EUR 146.6 million of Convertible Notes pro-rata to their outstanding nominal amount.

On 30 June 2017, 591 shareholders were registered in the Company's share registry.

LBI's holding of financial and other assets gives rise to various risks. The Company proactively manages risk by ensuring that an appropriate governance framework and internal controls are in place. The Convertible Notes are directly linked to the value of the Company's assets. Any changes to the valuation of the Company's assets due to market developments or perceived risk will therefore have a direct effect on the value of the Convertible Notes. A significant portion of LBI's assets is denominated in currencies other than the functional currency of the Company and the currency denomination of the Convertible Notes, which gives rise to foreign exchange risk. LBI does not utilise forward contracts, derivatives or other forms of financial hedging.

The Board of Directors and the CEO have today discussed and approved the Management Accounts for the period 1 April to 30 June 2017.

Reykjavík, 25 August 2017

The Board of Directors

Richard Katz
Chairman

Kolbeinn Árnason

Christian Digemose

Chief Executive Officer

Ársæll Hafsteinsson

Income Statement for the period 1 April to 30 June 2017

	Notes	2017 1/4 - 30/6	2017 1/1 - 31/3
Interest, dividend and fee income	4	2,149	4,107
Net change in value	5	2,777	29,954
Net exchange difference		(13,532)	(10,256)
Operating income		(8,606)	23,805
Salaries and related expenses	6	(3,665)	(1,749)
General and administrative expenses	7	(2,395)	(3,160)
Operating expenses		(6,060)	(4,909)
Reversal of reserves held in escrow	20, 21	2,360	706
Adjustment to value of the Convertible Notes	16	13,306	(19,531)
Financing activities		15,666	(18,824)
Profit before Stability Contribution and taxes		1,000	71
Stability Contribution	18	(1,000)	(71)
Taxes	17		
Profit for the year		0	0

All amounts are in EUR thousands,
unless otherwise stated

Balance Sheet as at 30 June 2017

Assets	Notes	30/06/2017	31/03/2017
Cash	8	170,076	327,038
Restricted cash	9	37,637	37,251
Landsbankinn term deposit	10	139,207	141,375
Landsbankinn bonds	11	0	150,067
Loans to customers	12	32,320	37,451
Equities and bonds	13	1,415	2,727
Claims on bankrupt estates	14	71,925	76,149
Other assets	15	13,504	51,316
Other receivables		1,427	1,113
Total assets		467,512	824,486
Liabilities			
Convertible Notes	16	447,789	804,635
Stability Contribution	18	17,490	17,064
Other liabilities		2,233	2,787
Total liabilities		467,512	824,486
Equity			
Share capital		11,286	11,286
Accumulated deficit		(11,286)	(11,286)
Total equity	19	0	0
Total liabilities and equity		467,512	824,486

All amounts are in EUR thousands,
unless otherwise stated

Statement of Cash Flows for the period 1 April to 30 June 2017

	2017 1/4 - 30/6	2017 1/1 - 31/3
Cash flows (to) from assets		
Interest received on cash	(24)	3
Landsbankinn term deposit - interest income	549	548
Landsbankinn bonds - principal payments	143,260	264,008
Landsbankinn bonds - interest income	1,621	5,955
Loans to customers - principal payments inflow	7,562	10,777
Loans to customers - interest/fee income	182	870
Equities and bonds - net cash inflow	1,273	3,612
Claims on bankrupt estates - net cash inflow	3,385	4,603
Other assets and other sources - net cash inflow	36,459	9,329
Net cash from assets	194,266	299,703
Cash flows (to) from other operating activities		
Salaries and related expenses	(3,409)	(6,823)
General and administrative expenses	(3,505)	(2,850)
Net cash (to) from other operating activities	(6,914)	(9,673)
Cash flow (to) from financing activities		
Reversal of reserves held in escrow	1,603	331
Redemption of Convertible Notes	(342,783)	
Net cash (to) from financing activities	(341,179)	331
(Decrease) increase in cash	(153,827)	290,360
Effects of foreign exchange rate adjustments on cash	(3,135)	(5,747)
Cash at the beginning of the period	327,038	42,425
Cash at the end of the period	170,076	327,038

All amounts are in EUR thousands,
unless otherwise stated

General information

1. Reporting entity

LBI ehf. is a private limited liability company incorporated and domiciled in Iceland. The Company's registered office is at Sóltún 26, 105 Reykjavík.

LBI's main activity is management and controlled monetisation of its asset portfolio which includes, among other things, cash, loans, bond and equity instruments, real estate, unsettled derivative contracts and litigation claims against third parties.

2. Basis of preparation

Statement of compliance

The Management Accounts have been prepared on the basis that LBI is able to manage the realisation of its assets and transact its ongoing business with appropriate regard to the interests of all its stakeholders. Accordingly, the estimate of value attributed to each asset is dependent on the realisation strategy presently pursued for such asset. As such, asset value does not necessarily represent the price at which an orderly transaction could take place between market participants on the reporting date. Rather, such values are intended to represent the value of assets based on a longer-term estimate of recoverable value.

In these Management Accounts, interest in subsidiaries and associates are measured at fair value as the intention of the Company is to liquidate or sell subsidiaries in the short to medium term.

Going concern

The Financial Statements have been prepared on the basis that the Company will be able to effectively manage the timing of asset realisations. External events (whether political, economic, regulatory and/or legal in nature) could affect the time scale, ability and process for such realisations. Due to the nature of its operations, the Company has a finite life. The Convertible Notes will be fully converted into equity when all recoverable assets of the Company have been realised and all available non-ISK cash has been applied toward the redemption of outstanding Convertible Notes. Following the full conversion of the Convertible Notes into equity, the Company will be dissolved.

Valuation methodology

The valuation methodology underlying each asset category is based on the application of the Company's present asset realisation strategy. The methodology does not represent an exhaustive attempt to take into account all factors that the Company or other market participants would consider when performing an in-depth valuation exercise. Further information regarding the valuation methodology for each asset is as follows:

Balance sheet item	Valuation methodology
Cash and restricted cash..........	Recognised at nominal value.
Landsbankinn term deposit....	Recognised at nominal value plus accrued interest.
Landsbankinn bonds..............	Recognised at amortised cost, applying the effective interest rate method, with estimates made for impairment.

Loans to customers..................	Recognised at amortised cost, applying the effective interest rate method, with estimates made for impairment reflecting the creditworthiness of the borrower, underlying collateral if any and other relevant factors. Assessment of the impairment on syndicated facilities is in part informed by market quotations but does not rely exclusively on such quotations.
Equities and bonds..................	All equities and bonds are valued at estimated recoveries. To the extent such assets are subject to market quotations, the Company reviews such quotations in assessing its recoveries but does not rely exclusively on such quotations.
Claims on bankrupt estates.....	Realisable value is based on best estimate of recoverability, in part reflecting information provided by the administrator of the relevant estate.
Other assets............................	Real estate is valued at realisable value. Unsettled derivative contracts which are disputed claims, and claims against entities which have concluded their winding-up proceedings in Iceland by way of a composition agreement, are valued based on best estimate of recoverability. Value derived from settlement of disputes reported off balance sheet are reported under this category.
Other receivables....................	Valued at nominal amount.
Convertible Notes...................	Recognised at the lesser of net asset value or nominal amount outstanding at the end of the period.
Other liabilities........................	Valued at nominal amount.

Functional currency

These Financial Statements are presented in EUR, which the Company adopted as its functional currency from the year 2016. All amounts have been rounded to the nearest thousand, except where otherwise stated. A significant proportion of the Company's assets are denominated in currencies other than EUR. As a result, the estimated values presented herein may be materially impacted by exchange rate movements.

Uncertainties / use of estimates and judgements

The preparation of the Financial Statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported values. The estimates and underlying assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Reasonable prudence is exercised in the valuation of individual assets and foreseeable losses are taken into account. Actual results may nonetheless differ materially from these estimates and assumptions made.

The Financial Statements have been prepared on the basis that LBI is able to manage the realisation of its assets and transact its ongoing business with appropriate regard to the interests of all its stakeholders. Accordingly, the estimate of value attributed to each asset is dependent on the realisation strategy presently pursued for such asset. As such, asset value does not necessarily represent the price at which an orderly transaction could take place between market participants on the reporting date. Rather, such values are intended to represent the value of assets based on a longer-term estimate of recoverable value.

Limited active markets exist for some of the assets held by the Company. To the extent that the estimated asset values are based on inputs that are less observable or unobservable in the market, estimation of value requires a more subjective judgement. Accordingly, management has been required to apply such judgement considerably in estimating values for certain assets.

The Company holds assets for which limited or no observable market data is available and/or which are subject to legal disputes. The value of those assets is based on judgements regarding various factors deemed appropriate. Considerable judgement has been applied in determining and recognising the value of those assets.

The realisable value of the Company's assets may differ at various points in time, as some of the non-cash assets are complex, illiquid and non-standardised, and subject to a number of material uncertainties, including general economic and market conditions and legal outcomes which have been and may continue to be volatile. Changes in the underlying assumptions used for measurement could materially affect these stated values.

Although the majority of claim disputes have been settled, it should be noted that the definitive amount of the Company's liabilities cannot be finally determined until all disputed claims have been resolved. Reference is made to Notes 20-22 for further information on disputed claims and their potential impact on the Company's liabilities.

Interest, dividend and fee income

Interest and fee income is recognised on an accrual basis except interest income on cash held at bank which is recognised from account statements.

Dividend income is recognised when the shareholder's right to receive payment has been established (provided that the economic benefits are expected to flow to the Company and the amount of income can be measured reliably).

Impairment

Assets measured at amortised cost are reviewed at each reporting date to determine whether there is any indication of impairment. Impairment is determined by evaluating exposures on a case-by-case basis. Reasonable prudence is exercised in the valuation of individual assets and potential losses which may arise in the course of the financial year or in respect of previous financial years are taken into account. Impairment losses are recognised in the income statement when losses are either incurred or foreseeable.

Where the cost of assets has been impaired and the reasons for the impairment no longer applies, the previously recognised impairment loss is reversed. Income from assets classified off balance sheet is recognised as reversal of impairment. The amount of the reversal is recognised in the income statement.

Stability Contribution

As part of the Composition Agreement confirmed by the District Court of Reykjavik on 18 December 2015 (which became final and binding under Icelandic law on 25 December 2015), LBI made a voluntary Stability Contribution to the Icelandic State and entered into the Assignment Agreement with the CBI. The Assignment Agreement provides for the Company to transfer certain specific assets to the CBI or such entity as the CBI may designate. The majority of these assets were transferred during the first quarter of 2016. The Assignment Agreement furthermore provided for specific assets to be retained by LBI, the Retained Assets, subject to Additional Stability Contributions under certain circumstances. The Retained Assets currently held by LBI are as follows:

(i) A cash amount initially of ISK 3.0 billion (the "ISK Opex Reserve Fund") which was deposited into a separate account to be used for payments of ISK-denominated operating expenses incurred by the Company during the period of 1 January 2016 to 31 December 2018. Pursuant to the Assignment Agreement, any ISK funds remaining in this separate account on 31 December 2018 must be transferred to the CBI as an Additional Stability Contribution;

(ii) A cash amount initially of ISK 6.0 billion (the "ISK Priority Claims Reserve Fund") which was deposited to a separate account for the settlement of disputed ISK-denominated priority claims lodged under Art. 109-111 of the Icelandic Bankruptcy Act, to the extent that such claims are finally recognised, and to pay the Special Financial Administration Tax for 2015. Pursuant to the Assignment Agreement, the ISK funds remaining in this separate account, after all such claims were resolved and such tax payment was made, were transferred to the CBI as an Additional Stability Contribution in the first quarter of 2017; and

(iii) Certain assets, rights and litigation where a realisation would result solely in ISK proceeds or combined ISK and non-ISK proceeds; any ISK proceeds must be transferred to the CBI as an Additional Stability Contribution if and when realised. No value is assigned to prospective ISK proceeds from these assets in LBI's Balance Sheet. Cash received from these zero-value assets is reflected in the income statement as an increased value and is then expensed for the same amount as an Additional Stability Contribution. Cash received by LBI which has not been transferred to the CBI at the end of each reporting period is furthermore listed as an asset under Restricted Cash and then fully offset by an increase in Stability Contribution under liabilities. -

3. Currency exchange rates

Transactions in foreign currencies are initially recorded at the rates of exchange prevailing on the date of each transaction. Monetary assets and liabilities denominated in foreign currency are converted using the selling rates published by the CBI on the Balance Sheet date. Profit and loss resulting from exchange rate movements are included in profit/loss for the reporting period.

	Balance Sheet date	
	30/06/2017	31/03/2017
ISK	0.0085	0.0083
USD	0.8767	0.9361
GBP	1.1367	1.1651

All amounts are in EUR thousands,
unless otherwise stated

Notes to the Income Statement

4. Interest, dividend and fee income

	2017 1/4 - 30/6	2017 1/1 - 31/3
Cash and restricted cash balances	(47)	(17)
Landsbankinn term deposit	543	548
Landsbankinn bonds	1,328	3,534
Loans to customers	326	42
Total	2,149	4,107

5. Net change in value

	2017 1/4 - 30/6	2017 1/1 - 31/3
Loans to customers	2,922	979
Equities and bonds	(32)	650
Claims on bankrupt estates	211	0
Other assets	(324)	28,326
Total	2,777	29,954

Net change in reported value for loans to customers is primarily explained by a EUR 0.7 million increase in value of a loan repaid in the period, an aggregate EUR 0.9 million increase in the reported value of residential real estate exposures and a net increase of EUR 1.3 million in revaluation of other loan exposures.

6. Salaries and related expenses

	2017 1/4 - 30/6	2017 1/1 - 31/3
Salaries	3,117	1,469
Pension fund	325	169
Other salary related expenses	223	111
Total	3,665	1,749
Of which: ISK	1,097	1,024
Of which: non-ISK	2,568	725
Total	3,665	1,749

Average number of full-time positions during the period	12	12
Number of full-time positions at the end of the period	12	12

All amounts are in EUR thousands, unless otherwise stated

7. General and administrative expenses

	2017 1/4 - 30/6	2017 1/1 - 31/3
External advisors	2,121	3,079
Premises expenses	102	43
Other expenses	171	39
Total	2,395	3,160
Of which: ISK	1,031	1,195
Of which: non-ISK	1,364	1,965
Total	2,395	3,160

Notes to the Balance Sheet

8. Cash

	30/06/2017	31/03/2017
Non-ISK	166,327	321,147
ISK Opex Reserve Fund	3,749	5,891
Total	170,076	327,038

As of 30 June 2017, the Company´s non-ISK cash balance stood at EUR 170.1 million. On 21 July 2017, the Company exercised its option of early redemption and redeemed EUR 146.6 million of Convertible Notes pro-rata to their outstanding nominal amount based on available EUR equivalent cash as of 30 June 2017. The remaining non-ISK cash balance represents funds retained for budgeted operating expenses and asset support.

As of 30 June, the remaining balance in the ISK Opex Reserve Fund amounted to ISK 443.0 million (EUR 3.7 million). These funds are retained by LBI in a separate account for the payment of ISK-denominated operating expenses. Pursuant to the terms of the Assignment Agreement, any ISK funds remaining on 31 December 2018 must be paid to the CBI and will therefore not be available for distribution to the Company's stakeholders (see Note 2). The Company expects that the ISK Opex Reserve Fund will be depleted during 2017.

9. Restricted cash

	30/06/2017	31/03/2017
ISK cash with respect to an Additional Stability Contribution	17,490	17,064
Indemnity Fund	19,906	19,929
Trustee Indemnity Fund	241	257
Total	37,637	37,251

All amounts are in EUR thousands, unless otherwise stated

In March 2017 LBI reached an agreement with the CBI to retain a payment received from Brim hf. of ISK 2.1 billion (EUR 17.5 million) further to a ruling by the Supreme Court of Iceland. The payment received from Brim hf. remains classified as a Retained Asset and a corresponding amount is allocated for Additional Stability Contribution. The payment received from Brim hf. was made with reservations, demanding recourse to LBI for reimbursement of the amount paid. During the period, Brim hf. summoned LBI to the Reykjavik District Court claiming damages and partial repayment of the ISK 2.1 billion in restricted cash held as a reserve against Brim's claim. The first procedural hearing in the case was held at the end of June 2017 and LBI is scheduled to file its reply in Q3. This ISK-denominated payment will eventually be transferred to the CBI to the extent not reimbursed by LBI to Brim hf.

An indemnity fund (the "Indemnity Fund") has been placed in a term deposit account with a foreign bank under the terms of the indemnification provided by the Company in favour of various parties in relation to the winding-up proceedings and the composition. As of 30 June 2017, the balance of the Indemnity Fund amounted to EUR 19.9 million (of an initial allocation of EUR 20 million). The term deposit bears floating interest rates which are currently negative. In the event that the Indemnity Fund is drawn prior to 25 December 2017, LBI is required to top-up the balance to EUR 20 million. The Indemnity Fund will be reduced by EUR 5 million and such amounts returned to LBI if no qualifying claims have been made, threatened or alleged against the beneficiaries on or before 25 December 2017. In the event that the Indemnity Fund is drawn on between 26 December 2017 and 25 December 2019, LBI is required to top-up the balance to EUR 15 million. Any balance remaining in the Indemnity Fund on 25 December 2025 will be returned to LBI.

An indemnity fund has been placed with Wilmington Trust in its capacity as trustees under the trust deed executed in relation to the issuance of the Convertible Notes (the "Trustee Indemnity Fund"). During 2016, the first of four equal instalments in the amount of USD 275 thousand was deposited into the Trustee Indemnity Fund which will total USD 1.1 million when fully funded. The Trustee Indemnity Fund will be held for the benefit of Wilmington Trust and any remaining funds released under certain conditions three months after the Convertible Notes are redeemed, cancelled or converted.

Neither cash nor restricted cash includes reserves placed in escrow pursuant to the Composition Agreement to cover disputed and contingent claims lodged under Art. 113 of the Icelandic Bankruptcy Act.

10. Landsbankinn term deposit

	30/06/2017	31/03/2017
Term deposit with Landsbankinn (EUR)	72,607	72,609
Term deposit with Landsbankinn (GBP)	55,025	56,405
Term deposit with Landsbankinn (USD)	11,575	12,360
Total	139,207	141,375

LBI maintains a term deposit denominated in EUR, GBP and USD with Landsbankinn in an amount equivalent to EUR 139.2 million as of 30 June 2017. The term deposit matures on 9 October 2018 and bears interest at 1.5% over 3-month EUR EURIBOR / GBP LIBOR / USD LIBOR.

11. Landsbankinn bonds

On 22 June 2017, Landsbankinn fully repaid the outstanding balance under bond Series 2024 of USD 160 million (EUR 150.1 million at 31 March 2017):

	30/06/2017	31/03/2017
Series 2024 (USD)	0	150,067
Total	0	150,067

All amounts are in EUR thousands,
unless otherwise stated

12. Loans to customers

As of 30 June 2017, the estimated recoverable value in the loan to customer portfolio was primarily accounted for by mortgages to individuals secured by residential real estate and to Danish limited liability structures known as Kommanditselskaber ("K/S"). One of the three largest exposures by estimated recoverable value as of 31 March 2017, in the form of leveraged lending to a services company categorised by country as Other Europe, was repaid in full during the period. The full repayment of the loan resulted in an upward valuation adjustment of EUR 0.7 million relative to its 31 March 2017 estimated carrying value of EUR 5.4 million.

Loans to customers by sector	30/06/2017	31/03/2017
Real Estate	28,014	28,190
Services	325	5,725
Retail	1,364	2,034
Other	2,616	1,501
Total	32,320	37,451

Loans to customers by country	30/06/2017	31/03/2017
UK	21,068	20,503
France	6,270	6,250
Germany	25	661
Netherlands	896	20
Other Europe	4,061	10,017
Total	32,320	37,451

As of 30 June 2017, the ten largest exposures in the portfolio by estimated recoverable value accounted for EUR 30.2 million, or 93.5% of the estimated recoverable value of all loans to customers, whereas the aggregate outstanding balance for these ten exposures amounted to EUR 121.8 million, or 90.14%, of the entire portfolio.

Counterpary	Type of Exposure	Collateral	Balance
Individual	Mortgage / equity loan	Residential real estate	69,851
Individual	Mortgage	Residential real estate (sold / in contract)	25,746
Corporate / Individual	K/S	Commercial property lease	13,410
Corporate	Mortgage	Commercial real estate	6,630
Corporate / Individual	K/S	Commercial property lease	1,499
Individual	K/S	Personal guarantees	1,441
Corporate / Individual	K/S	Commercial property lease	1,267
Corporate	K/S	Commercial property lease	895
Corporate / Individual	K/S	Commercial property lease	601
Corporate	Leverage lending	Unsecured (now in bankruptcy)	500
		Total	121,841

All amounts are in EUR thousands, unless otherwise stated

The two largest exposures by outstanding balance are in the form of loans to individuals, which are secured by mortgages on residential properties in the United Kingdom and continental Europe. In one instance, the Company has sold or contracted to sell the mortgaged properties. However, the release of proceeds is subject to ongoing court proceedings in Iceland related to a claim filed by the individual against LBI. In the other instance, the individual has filed for bankruptcy in the United Kingdom and the Company is the largest creditor of the estate. In this latter case, the Company expects that the very substantial majority of the outstanding balance will ultimately be uncollectible. Due to revised valuation of the residential properties during the period the estimated recovery for these two cases was increased in the period by EUR 0.9 million.

During the period, LBI revised its expected recoveries on several exposures resulting in an upward adjustment of net EUR 1.3 million based on realised cash collections.

13. Equities and bonds

The remaining equity and bond positions as of 30 June 2017 are all unlisted and have primarily arisen from the past restructuring of credit exposures. The reduction in reported balance under equities and bonds of EUR 1.3 million is due to the collection of proceeds from an equity position sold in the reporting period at an amount consistent with its carrying value as of 31 March 2017.

14. Claims on bankrupt estates

	30/06/2017	31/03/2017
Landsbanki Luxembourg	70,955	74,355
Baugur	159	163
Heritable bank	812	1,631
Total	71,925	76,149

Landsbanki Luxembourg

LBI is the sole remaining creditor of the Landsbanki Luxembourg estate, which has been subject to liquidation proceedings in Luxembourg since late 2008. Information set forth below regarding legal matters pertaining to the Landsbanki Luxembourg estate is based on communications from that estate's liquidator, and not all of such information has been independently verified by LBI management.

The residual assets of the Landsbanki Luxembourg estate consist of equity release loans to individuals domiciled mainly in France and Spain. All loans are secured by first-lien mortgages on residential property owned by the respective borrowers. As a general matter, when an equity release loan was originally advanced, a portion of the proceeds was made available to the applicable borrower in cash or in the form of a repayment on an existing mortgage; other proceeds may have been invested in securities. The aggregate amounts of the cash or mortgage-repayment, inclusive of accrued interest thereon, are shown in the table below as "Cash release".

The table below shows the breakdown of the loans as estimated by LBI in EUR millions. There is considerable uncertainty regarding the estimated collateral value shown below. Amounts shown do not take into account continuing administrative and legal expenses, expected cost of enforcements and sales, discount for distressed sales or potential claims from third parties. The numbers are prepared as of 31 December 2016 and are not being updated quarterly.

Location	# Clients	Outstanding Loan Balance		Estimated Collateral Value	Lesser of Balance or Collateral Value	
		Cash release	Total	Total	Cash release	Total
France	66	58.1	143.8	111.2	56.4	99.1
Spain	207	58.5	142.7	106.2	51.0	98.4
Other	2	.7	.9	.6	.4	.6
Total	275	117.3	287.4	218.0	107.9	198.2

French debtors have brought criminal actions against the Landsbanki Luxembourg estate and the Criminal Court in Paris has ordered a stay on the collection and enforcement of outstanding loans to borrowers domiciled in France until the legal proceedings are concluded. This action impedes the expected cash flow in the form of dividend payments from the Landsbanki Luxembourg estate to LBI and will delay collection of these loans and the liquidation process as a whole. Legal proceedings under the jurisdiction of the Criminal Court in Paris started on 2 May 2017 and finished on 24 May 2017. Ruling from the Court of First Instance is expected on 28 August 2017, following the date of the finalization of these accounts, and could impact the recoveries on the Landsbanki Luxembourg stake materially.

Landsbanki Luxembourg is also subject to criminal complaints and civil proceedings in Spain made by several groups of customers. These proceedings, too, may impact the timing and amounts of recoveries on the portfolio.

In November 2012, several customers in France and Spain brought a criminal complaint in Luxembourg against the liquidator, alleging that the former activities of Landsbanki Luxembourg are criminal and thus that the estate's liquidator should be convicted for money laundering by trying to execute the mortgages. Other criminal complaints have been filed in Luxembourg in 2016 and 2017 based on the same grounds against the liquidator personally.

Collections on Landsbanki Luxembourg's loans may take several years due to the time requirements of criminal proceedings and enforcement procedures. Because of this, LBI's presented estimated recovery numbers are subject to great uncertainty, both in timing and amount.

At 30 June 2017, LBI's claims against the Landsbanki Luxembourg estate amounted to EUR 348.1 million, whereas the aggregate balance of outstanding equity release loans amounted to EUR 287.4 million with an estimated recoverable value, net of certain costs expected to be incurred in connection with their monetisation, of EUR 74.4 million.

LBI received a dividend payment of EUR 3.4 million from the Landsbanki Luxembourg estate in the reporting period, resulting in the estimated recoverable value being lowered accordingly.

Baugur

LBI holds accepted claims against the estate of Baugur hf, which is subject to liquidation proceedings in Iceland. During the period, LBI received an ISK-denominated payment from the Baugur estate in the amount of ISK 119.6 million (EUR 1.0 million) which was subsequently transferred to the CBI as Additional Stability Contribution. Only a small residual expected recovery is outstanding.

Heritable Bank

All amounts are in EUR thousands, unless otherwise stated

Heritable Bank is a former financial institution and a former subsidiary of LBI, which has been subject to bankruptcy proceedings in Scotland since October 2008. LBI was awarded a finally recognised general unsecured claim in the amount of GBP 70 million (EUR 80 million) and a finally recognised subordinated claim in the amount of GBP 7 million (EUR 8 million) against the Heritable Bank estate. To date, the Heritable Bank estate has made aggregate distributions to holders of general unsecured creditors equal to 98% of their finally admitted claims. At 31 March 2017, LBI estimated the recovery of its general unsecured claim on the basis that the Heritable Bank estate would pay 100% of amounts due and estimated the recovery of its subordinated claim at zero. Based on new information received in the period from the administrators of the Heritable Bank estate, LBI has revised the expected recoveries on the balance of its general unsecured claim from GBP 1.4 million (EUR 1.6 million) to GBP 0.7 million (EUR 0.8 million), reflecting a general unsecured recovery of 99% of their principal amount rather than the 100% assumed at 31 March 2017.

Under a subsidiary guarantee provided by LBI to Heritable Bank prior to its bankruptcy proceedings, 67 holders of unsecured claims against Heritable Bank lodged contingent Art. 113 claims against LBI to the extent that these claims would not be fully satisfied by the Heritable Bank estate. LBI has fully reserved against these contingent Art. 113 claims and has placed into escrow an aggregate EUR 3.9 million in sufficient DMP, Convertible Notes and Convertible Note redemption payments to cover its maximum potential obligations (see Note 21). While these escrows will be returned to LBI in their entirety if the Heritable Bank estate's general unsecured claims recover 100% of their principal amount, only half of the escrows will be returned if the general unsecured claims recover 99% of their principal mount.

In addition, the UK Financial Services Compensation Scheme (FSCS) has lodged a claim against LBI based on the same subsidiary guarantee, seeking compensation of its interest expense in the period from 8 October 2008 until 22 April 2009. This claim is disputed by LBI and has been referred to the Icelandic Courts for resolution. LBI has fully reserved against this disputed Art. 113 claims and has placed into escrow EUR 13.8 million in sufficient DMP, Convertible Notes and Convertible Note redemption payments to cover its maximum potential obligations (see Note 21).

15. Other assets

Other assets primarily consist of real estate, exposures to foreign financial institutions and corporate entities, and claims against entities which have concluded their respective winding-up proceedings in Iceland by way of a composition.

The exposures to foreign financial institutions and corporate entities are in the form of unsettled derivative contracts and nostro account balances which in both cases remain subject to resolution and collection. As of 30 June 2017, a total balance of EUR 34.7 million was unresolved with eight counterparties as summarised in the table below:

Counterparty	Contract	Unresolved matter	Jurisdiction	Balance
Raffeisen Zentralbank	GMRA / GMSLA	Valuation / Close-out	UK	14,751
HSBC	Nostro Account	Set-off	Italy	6,158
Commerzbank	GMRA / Nostro Account	Valuation / Set-off	Iceland / Germany	4,946
KAS Bank	GMSLA	Valuation	Iceland / UK	3,091
Financial Institution	GMSLA	Rescission Claim / Set-off	Iceland / UK	2,180
BNP Paribas	Deposit Account	Potential 3rd party claims	Belgium	1,768
Corporate Entity	ISDA	Suspended payment	UK	1,490
Commerzbank (Dresdner)	ISDA / Nostro Account	Valuation / Set-off	Iceland / Germany	339
			Total	**34,723**

All amounts are in EUR thousands,
unless otherwise stated

During the reporting period, LBI was granted permission and subsequently appealed a prior ruling by the UK Royal Courts of Justice against LBI in its suit against Raiffeisen Zentralbank. No estimated recovery is assigned to this matter, although the balance is still reported outstanding.

On 18 April 2017, LBI and Kaupthing hf. settled a dispute related to an Article 113 claim filed by Kaupthing hf. which, if allowed, would have been satisfied by means of set-off against allowed claims in Kaupthing hf.'s estate held by LBI. The settlement resulted in the collection of cash equivalent to EUR 7.4 million in the period including proceeds from the sale of bonds received.

On 12 May 2017, LBI and Glitnir hf. settled a dispute surrounding certain claims and counterclaims related to guarantees provided by Glitnir hf. on a loan made by LBI to a third party. As a result of this settlement, LBI collected cash equivalent to EUR 29.0 million in the reporting period. LBI still held a residual balance of a Glitnir bond with an estimated recovery of EUR 0.1 million at the end of the period. The settlement furthermore involved the withdrawal of a priority claim lodged by Glitnir hf. against LBI under Art. 109 of the Icelandic Bankruptcy Act.

On 26 June 2017, the District Court of Reykjavik ruled after a procedural hearing that counterclaims lodged by LBI on Commerzbank and KAS Bank would be part of the Icelandic proceedings. In the two cases against Commerzbank, LBI is counterclaiming funds received into deposit accounts after 8 October 2008 as such funds were not eligible for set-off. In the case against KAS Bank, LBI is counterclaiming that certain securities delivered by LBI to under GMSLA agreement to KAS Bank need to be valued above zero or alternatively returned to LBI.

Liabilities

16. Convertible Notes

Pursuant to the Composition Agreement the Company issued Convertible Notes on 23 March 2016 in an aggregate nominal amount of EUR 2,041,382 thousand. The nominal amount of the Convertible Notes is specified as follows:

	Noteholders	LBI	Total
Nominal amount outstanding at beginning of the period....	1,306,906	610	1,307,517
Convertible Notes redeemed..	(342,636)	(147)	(342,783)
Convertible Notes cancelled..	(1,626)	(309)	(1,935)
Nominal amount outstanding at the end of the period........	962,645	154	962,799

The Convertible Notes are unsecured, non-interest bearing, convertible into equity in certain circumstances and contain certain restrictions related to the Company's assets.

The final maturity of the Convertible Notes is 30 November 2035. The timing and amount of any early redemptions are determined by the realisation of the Company's assets. Under the terms of the Convertible Notes, LBI is required to make redemptions on 15 June and 15 December of each year equal to all available non-ISK cash held by the Company on such dates. Redemptions are made to the extent that its aggregate non-ISK cash balances exceed the equivalent of EUR 10 million after deduction of funds retained for budgeted operating expenses, asset support and settlement of priority claims lodged under Art. 109-111 of the Icelandic Bankruptcy Act. LBI has the option of making early redemptions at any time, subject to prior notification.

All amounts are in EUR thousands,
unless otherwise stated

The Convertible Notes are convertible into equity on the final maturity date, in part or in full, or on a conversion date as defined in their terms. The Convertible Notes will be fully converted into equity when all recoverable assets of the Company have been realised and all available non-ISK cash has been applied toward the redemption of outstanding Convertible Notes. Following the full conversion of the Convertible Notes into equity, the Company will be dissolved.

Pursuant to LBI's Articles of Association, the Convertible Notes are contractually stapled to the Company's share capital on a pro-rata basis, which requires any transfer of the two instruments to occur simultaneously.

LBI's payment obligations under the Convertible Notes cannot exceed the net realisable value of the underlying assets of the Company, except upon acceleration following an event of default. As such, the book value of the Convertible Notes is adjusted in line with the net asset value of the Company's, at the end of each financial reporting period. Increase in net asset value can later lead to an increase in the book value of the Convertible Notes. Such increase can never lead to a higher book value than the nominal amount outstanding.

On 5 April 2017 and on 15 June 2017, the Company exercised its option of early redemption and redeemed EUR 299.2 million and EUR 43.6 million of Convertible Notes pro-rata to their outstanding nominal amount, respectively.

During the period, Convertible Notes in the nominal amount of EUR 1.6 million were returned to LBI from escrow and subsequently cancelled due to the final rejection of a disputed Art. 113 claim.

As of 30 June 2017, Convertible Notes in the nominal amount of EUR 39.1 million and EUR 4.8 million (including Convertible Note redemption payments) were held in escrow to cover disputed and contingent Art. 113 claims, respectively, pursuant to the Composition Agreement.

The book value of the Convertible Notes is specified as follows:

	30/06/2017	31/03/2017
Book value outstanding at the beginning of the period	804,635	785,479
Convertible Notes redeemed	(342,783)	
Adjustment of value relating to net asset value	(13,306)	19,531
Convertible Notes allocated to LBI for cancellation at book value	(757)	(376)
Book value of the Convertible Notes at the end of the period	447,789	804,635

The Convertible Notes allocated to LBI during the quarter are recognised in the income statement at their book value of EUR 757 thousand as at 30 June 2017. The Convertible Notes held by LBI as of 30 June 2017 with a nominal value of EUR 154 thousand were allocated to the Company in the first quarter and recognised in the income statement for that period.

On 21 July 2017, LBI exercised its option of early redemption and redeemed EUR 146.6 million of Convertible Notes pro rata to their outstanding amount. Prior to this redemption payment, and after the balance sheet date, LBI cancelled Convertible Notes held by the Company in the nominal amount of EUR 1.2 million – including EUR 1.1 million of Convertible Notes reversed to LBI from escrow after the reporting period as referenced in Notes 20 and 21.

All amounts are in EUR thousands,
unless otherwise stated

17. Taxes

Income tax

The Company is subject to general corporate income tax in Iceland at the rate of 20%. The Company has tax loss carry-forwards from previous years to offset future taxable income as set out below:

Income year	Expires	Tax loss
2008	2018	714,242
2009	2019	105,513
2010	2020	0
2011	2021	78,939
2012	2022	100,060
2013	2023	61,542
2014	2024	128,688
	Total	**1,188,985**

18. Stability Contribution

Pursuant to its Composition Agreement and the Assignment Agreement entered into with the CBI, the Company has undertaken to make certain voluntary contributions to the Icelandic State in the form of a Stability Contribution (ISK cash balances and ISK assets as of 31 December 2015) and Additional Stability Contributions (ISK cash proceeds from the monetisation or release of Retained Assets realised from 1 January 2016 onwards).

No balance sheet value is assigned to prospective ISK proceeds from Retained Assets. Cash received from these zero-value assets is reflected in the income statement as an increase in value and expensed for in the same amount as an Additional Stability Contribution during the relevant reporting period. Cash received by LBI which has not been transferred to the CBI at the end of each reporting period is listed as an asset under Restricted Cash and then fully offset by an increase in the allocation for Additional Stability Contributions under liabilities.

	30/06/2017	31/03/2017
ISK cash with respect to an Additional Stability Contribution	17,490	17,064
Allocated cash for Stability Contribution	17,490	17,064

As of 30 June 2017, the amount allocated for Additional Stability Contributions totalled the equivalent of EUR 17.5 million.

In March 2017 LBI reached an agreement with the CBI to retain a payment received from Brim hf. of ISK 2.1 billion (EUR 17.5 million) further to a ruling by the Supreme Court of Iceland. The payment received from Brim hf. remains classified as a Retained Asset and a corresponding amount is allocated for Additional Stability Contribution. The payment received from Brim hf. was made with reservations, demanding recourse to LBI for reimbursement of the amount paid. During the period, Brim hf. summoned LBI to the Reykjavik District Court claiming damages and partial repayment of the ISK 2.1 billion in restricted cash held as a reserve against Brim's claim. The first procedural hearing in the case was held at the of June 2017 and LBI is scheduled to file its reply in Q3. This ISK-denominated payment will eventually be transferred to the CBI to the extent not reimbursed by LBI to Brim hf.

All amounts are in EUR thousands,
unless otherwise stated

During the period, LBI received an ISK-denominated payment from the Baugur estate in the amount of ISK 119.6 million (EUR 1.0 million) which was subsequently transferred to the CBI as Additional Stability Contribution.

Equity

19. Changes in Equity

The Share capital of the Company as of 30 June 2017 is specified as follows:

	Shares	Ratio	Amount
Total share capital at the end of period	1,134,170,960	100.0%	11,341,710
Own shares at year at the end of period	(5,538,111)	-0.5%	(55,381)
	1,128,632,849	99.5%	11,286,328

Change in equity is specified as follows:

	Share capital	Accumulated deficit	Total equity
Equity as at 1 January 2017	11,283	(11,283)	0
New share capital issued	3	(3)	0
Profit for the period	0	0	0
Equity as of 1 April 2017	11,286	(11,286)	0
New share capital issued	0	0	0
Profit for the period	0	0	0
Equity as of 30 June 2017	11,286	(11,286)	0

All amounts are in EUR thousands, unless otherwise stated

Information relating to claims not reflected in the Balance Sheet

20. Disputed and contingent Art. 113 claims pursuant to the Composition Agreement

Disputed Art. claims	2017 1/4 - 30/6	2017 1/1 - 31/3
Claims at the beginning of the period	251,836	258,378
Finally rejected claims	(18,647)	(3,544)
Finally accepted claims		(2,998)
Disputed Art. 113 claims at the end of the period	233,189	251,836

On 11 May 2017, LBI lost its rescission case against LGT Bank resulting in a provisional claim lodged by LGT Bank for EUR 18.6 million becoming finally rejected. Eight rescission cases were cancelled before the redemption payment on 21 July 2017 resulting in provisional claims of EUR 12.9 million becoming finally rejected after the reporting period.

Contingent Art. claims	2017 1/4 - 30/6	2017 1/1 - 31/3
Claims at the beginning of the period	31,587	31,587
Finally rejected claims		
Finally accepted claims		
Contingent Art. 113 claims at the end of the period	31,587	31,587

Contingent Art. 113 claims remained unchanged during the period. Around 70% of these claims by amount are contingent on no further payments being made by the Heritable Bank estate towards general accepted claims (see Note 14). Any further payments from the Heritable estate towards its general unsecured claims will lower the contingent claims on LBI causing a reversal of reserves held against those claims.

21. Reserves for disputed and contingent Art. 113 claims pursuant to the Composition Agreement

	Convertible notes	Conv. notes redemption	DMP	Total reserves
Reserves 1.4.2017	27,482	14,897	2,417	44,795
Partially accepted claims				0
Redemption payments	(7,136)	7,136		0
Reversed DMP to LBI				0
Reversed from notes to LBI	(1,626)	(1,625)		(3,250)
Reserves 30.06.2017	18,720	20,408	2,417	41,545

Pursuant to the ruling on the recession case against LGT Bank, reserves comprised of Convertible Notes in the nominal amount of EUR 1.6 million (recognised in the income statement at the book value of EUR 735 thousand) and EUR 1.6 million in cash were reversed from escrow. The 21 July 2017 cancellation of recession cases referred to in Note 20 has resulted in reversals of EUR 1.2 million in cash and EUR 1.1 million in Convertible Notes cancelled after the end of the reporting period.

All amounts are in EUR thousands, unless otherwise stated

Reserves for Contingent Art. 113 claims

	Convertible notes	Conv. notes redemption	DMP	Total reserves
Reserves 1.4.2017	3,102	1,682	810	5,594
Redemption payments	(813)	813		0
Reversed DMP to LBI				0
Reversed from notes to LBI				0
Reserves 30.6.2017	2,289	2,495	810	5,594

Total reserves for Contingent Art. 113 claims remained unchanged over the period but reflect a reduction in Convertible Notes equal to the pro-rata Convertible Note redemption payments made during the period.

22. Disputed priority claims

	2017 1/4 - 30/6	2017 1/1 - 31/3
Disputed Priority claims at the beginning of the period	373,686	459,070
New filed Priority claims during the period		
Finally rejected Priority claims	(303,488)	(86,658)
Finally accepted Priority claims		
FX difference	(1,423)	1,273
Disputed Priority claims at the end of the period	68,775	373,686

All disputed priority claims lodged under Art. 109-111 of the Icelandic Bankruptcy Act during LBI's winding-up proceedings have been referred to the Icelandic courts for resolution

On 12 May 2017, LBI and Glitnir hf. settled a dispute surrounding certain claims and counterclaims related to guarantees on a loan provided by LBI to a third party. Pursuant to this settlement, Glitnir hf. withdrew its Art. 109 priority claim lodged against LBI in the amount of GBP 260.5 million (EUR 303.5 million).

As of 30 June 2017, the disputed priority claims comprised (i) two Art. 110 claims in the aggregate amount of EUR 20 thousand and (ii) two Art. 111 claims lodged by an individual in the amounts of EUR 11.9 million and GBP 50.0 million (EUR 56.8 million).

All amounts are in EUR thousands, unless otherwise stated

Other Information

23. Assets specified by currencies

	30/06/2017					
	EUR	USD	GBP	ISK	Other	Total
Cash	16,276	143,382	4,843	3,749	1,826	170,076
Restricted cash	19,906	241		17,490		37,637
Landsbankinn term deposit	72,607	11,575	55,025			139,207
Loans to customers	10,478		17,669		4,172	32,320
Equities and bonds	1,111		305			1,415
Claims on bankrupt estates	70,955		971			71,925
Other assets	6,491	7,014				13,504
Other receivables				1,427		1,427
Total	197,823	162,212	78,812	22,667	5,998	467,512
% of total assets	42%	35%	17%	5%	1%	100%

	31/03/2017					
	EUR	USD	GBP	ISK	Other	Total
Cash	311,229	3,006	5,002	5,891	1,910	327,038
Restricted cash	19,929	257		17,064		37,251
Landsbankinn term deposit	72,609	12,360	56,405			141,375
Landsbankinn bonds		150,067				150,067
Loans to customers	15,152		17,857		4,442	37,451
Equities and bonds	2,473		254			2,727
Claims on bankrupt estates	74,355		1,794			76,149
Other assets	21,012	16,486	10,468		3,350	51,316
Other receivables				1,113		1,113
Total	516,758	182,177	91,780	24,068	9,702	824,486
% of total assets	63%	22%	11%	3%	1%	100%

All amounts are in EUR thousands,
unless otherwise stated

24. Drivers of change for the period 01/04/2017-30/06/2017

Asset categories	01/04/2017	Net cash received	FX change	Value-change	Income	Operating expenses	Stability Contrib. and Tax	Note Redemption	Reserve and other reversals	30/06/2017
Cash	327,038	194,291	(3,135)		(24)	(6,914)		(342,783)	1,603	170,076
Restricted cash	37,251		410		(23)					37,637
Landsbankinn term deposit	141,375	(549)	(2,162)		543					139,207
Landsbankinn bonds	150,067	(144,881)	(6,514)		1,328					(0)
Loans to customers	37,451	(7,743)	(635)	2,922	326					32,320
Equities and bonds	2,727	(1,273)	(6)	(32)						1,415
Claims on bankrupt estates	76,149	(3,385)	(50)	211			(1,000)			71,925
Other assets	51,316	(36,459)	(1,030)	(324)						13,504
Other receivables	1,113		314							1,427
Total	824,486	0	(12,807)	2,777	2,149	(6,914)	(1,000)	(342,783)	1,603	467,512

All amounts are in EUR thousands, unless otherwise stated

25. Assets, classification and measurement

Asset categories	30/06/2017 Balance	30/06/2017 Value	31/03/2017 Balance	31/03/2017 Value
Cash	170,076	170,076	327,038	327,038
Restricted cash	37,637	37,637	37,251	37,251
Landsbankinn term deposit	139,207	139,207	141,375	141,375
Landsbankinn bonds			150,067	150,067
Loans to customers	135,128	32,320	143,699	37,451
Equities and bonds	3,995	1,415	5,292	2,727
Claims on bankrupt estates	354,842	71,925	1,000,663	76,149
Other assets	44,241	13,504	529,402	51,316
Other receivables	1,427	1,427	1,113	1,113
Total	886,553	467,512	2,335,899	824,486

The reduction in outstanding balance reported under Claims on bankrupt estates results from the final write-off of a previously reported balance on an exposure of EUR 645.8 million to the Baugur Group. Reductions in balance reported under Other assets of EUR 485.2 is primarily driven by a reduction of EUR 480.8 million resulting from settlements reached with Kaupthing and Glitnir during the reporting period.

The balance of loans to customers as of 30 June 2017 and 31 April 2017 include aggregate exposures of EUR 4.2 million, for which the Company expects zero recovery and which are not reflected in the tables below:

Loans to customers by sector	30/06/2017 Balance	30/06/2017 Value	31/03/2017 Balance	31/03/2017 Value
Services	4,440	325	10,568	5,725
Real Estate	107,248	28,014	108,778	28,190
Retail	13,410	1,364	14,044	2,034
Other	5,874	2,616	5,678	1,501
Total	130,972	32,320	139,067	37,451

Loans to customers by country	30/06/2017 Balance	30/06/2017 Value	31/03/2017 Balance	31/03/2017 Value
UK	48,519	21,068	49,272	20,503
France	5,927	6,270	5,927	6,250
Germany	1,000	25	1,636	661
Netherlands	500	896	500	20
Other Europe	75,027	4,061	81,732	10,017
Total	130,972	32,320	139,067	37,451

All amounts are in EUR thousands, unless otherwise stated

26. Actual cash flow versus previously expected cash flow

Asset categories	Actual cash flow 1/4 - 30/06 2017	Expected Cash flow 1/4 - 30/06 2017
Landsbankinn term deposit	549	557
Landsbankinn bonds	144,881	423
Loans to customers	7,743	1,745
Equities and bonds	1,273	2,473
Claims on bankrupt estates	3,385	3,400
Other assets and other sources	36,459	37,039
Total	194,291	45,636

Amounts by currency stated in EUR equivalent	Actual cash flow 1/4 - 30/06 2017	Expected Cash flow 1/4 - 30/06 2017
USD	155,331	9,036
GBP	9,075	9,199
EUR	26,316	23,518
Other	3,568	3,883
Total	194,291	45,636

Actual cash flow during the period was EUR 148.7 million more than expected primarily due to prepayment of the Landsbankinn bonds on 22 June 2017 and the early repayment of an exposure in the loans to customer portfolio.

Individual assets monetised over the period with a value in excess of EUR 10 million are comprised of USD 160 million in aggregate prepayments received towards principal amounts outstanding under Series 2024 of the Landsbankinn bond (EUR 144.9 million including interest).

27. Asset monetisation plan for the next 12 months

	2017		2018	
Asset categories	Q3	Q4	Q1	Q2
Landsbankinn term deposit	549	543	537	549
Loans to customers	2,390	2,397	619	23,584
Equities and bonds	1,111		305	
Claims on bankrupt estates		159		812
Other assets	170	7,014		
Total	4,220	10,113	1,461	24,945

All amounts are in EUR thousands, unless otherwise stated

Amounts by currency stated in EUR equivalent	2017 Q3	2017 Q4	2018 Q1	2018 Q2
USD	83	7,095	81	83
GBP	352	1,429	833	16,344
EUR	3,603	236	348	8,387
Other	182	1,353	199	132
Total	4,220	10,113	1,461	24,945

The asset monetisation plan for the next 12 months includes interest collections on the Landsbankinn term deposit and interest paying loans to customers. Interest collections on performing credit exposures categorised as loans to customers with less than 100% estimated recoverable value are included in the asset monetisation plan to the extent that (i) the loan has been performing for the past 24 months or (ii) other circumstances give rise to the reasonable expectation that the borrower will make scheduled interest payments on the loan over the period, unless the Company expects to monetise the credit exposure by way of a sale in the secondary market within 12 months

28. Litigation against third parties

LBI has initiated a number of legal cases against third parties to recover losses due to actions of LBI's former management and Board of Directors. These cases include suits for damages against individuals and/or LBI's insurers as well as actions against foreign financial undertakings, legal entities and individuals demanding voiding of purchases by LBI of its own notes.

Pursuant to the Assignment Agreement, all recoveries in ISK from Retained Assets are to accrue to the CBI (with the exception of court costs awarded) while recoveries in foreign currencies accrue to LBI. It is LBI which holds final decision-making powers on pursuing cases with potential recovery in ISK and/or foreign currency, whether a settlement is reached, and if so how, in consultation with CBI representatives; however, it may not dispose of the asset (claim) without the CBI's consent. In the case of assets where the potential recovery is only in ISK, the CBI holds final decision-making power.

Claim for Damages
LBI has brought the four below cases claiming damages against third parties. Three out of these four cases involve claims made against individuals who held a management or Board position with LBI before it became insolvent. In three out of these four cases (i-iii), damages are additionally sought from the liability insurers of LBI. It should be noted that the total sum that can be sought from the liability insurers from all of these three cases combined is EUR 50 million.

(i) Bank Guarantees Not Enforced - damages also sought from the liability insurers

A case has been brought before the Reykjavik district court against the two former CEOs of LBI and the Managing Director of the Corporate Banking division, as well as the liability insurers of LBI. The principal of the claim against parties other than the insurers is ISK 16.2 billion, while the principal of the claim against the insurers is limited to the maximum benefit under the policy which amounts to a total of EUR 50 million.

LBI loaned an Icelandic financial undertaking ISK 19 billion on 2 October 2008 without any collateral being provided. The loan was not paid at maturity, the entity was taken over by the Financial

LBI ehf. 29 All amounts are in EUR thousands,
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Supervisory Authority and thereafter was placed in winding-up proceedings which concluded with composition. Only a portion of the loan was paid under the composition.

It is not possible to say when this action can be expected to conclude with a final court judgement, but the time frame can be estimated as at least 3-6 years.

(ii) Loans to an Icelandic Financial Undertaking- damages also sought from the liability insurers

A case has been brought before the Reykjavik district court against the two former CEOs of LBI as well as its liability insurers. The principal of the claim against parties other than the insurers is ISK 11.6 billion, while the principal of the claim against the insurers is limited to the maximum benefit under the policy which amounts to a total of EUR 50 million.

LBI loaned an Icelandic financial undertaking ISK 19 billion on 2 October 2008 without any collateral being provided. The loan was not paid at maturity, the entity was taken over by the Financial Supervisory Authority and thereafter was placed in winding-up proceedings which concluded with composition. Only a portion of the loan was paid under the composition.

It is not possible to say when this action can be expected to conclude with a final court judgement, but the time frame can be estimated as at least 3-6 years.

(iii) Disbursements on 6 October 2008- damages also sought from the liability insurers

A case has been brought before the Reykjavik district court against the two former CEOs of LBI, the head of Treasury and four Directors, as well as the liability insurers of LBI. The principal of the claim against parties other than the insurers is ISK 14.1 billion, USD 10.5 million and EUR 10.8 million, while the principal of the claim against the insurers is limited to the maximum benefit under the policy which amounts to a total of EUR 50 million.

This case concerns events which took place on 6 October 2008, on the last day LBI operated before a Resolution Committee was appointed for the bank. On that day, and in part after its general business had closed, LBI disbursed substantial amounts to two domestic financial undertakings and one of its subsidiaries; a substantial portion of these funds were lost.

It is not possible to say when this action can be expected to conclude with a final court judgement, but the time frame can be estimated as at least 3-6 years. The next procedural hearings in the above cases is scheduled for 18 September 2017.

(iv) Other

A case has been brought in France against two French individuals seeking to recover EUR 8 million improperly taken from LBI. It is expected that a French court may pronounce a judgement in early 2018.

Claims for Voiding
Redemption of Bonds and Bills prior to Maturity

On 11 May 2017, LBI lost its rescission case against LGT Bank Ltd. The Court found that the payment appeared ordinary under the circumstances as the terms of the bonds stated that LBI could buy back securities without limitation, that LBI did so to a substantial degree between 2006 and 2008. The Court furthermore supported its decision on the basis that financial institutions routinely purchase their own bonds before maturity. Cost was not awarded to either side.

Following the judgement LBI withdrew eight cases similar cases that were pending before the Icelandic courts.

Ten cases regarding claims for voiding are still pending before the Icelandic courts and work is ongoing with respect to these cases. The cases in question are materially different from the case against LGT Bank Ltd.

Retained asset, damage case lodged against LBI
In March 2017 LBI reached an agreement with the CBI to retain a payment received from Brim hf. of ISK 2.1 billion (EUR 17.1 million) further to a ruling by the Supreme Court of Iceland. The payment received from Brim hf. remains classified as a Retained Asset and a corresponding amount is allocated for Additional Stability Contribution. The payment received from Brim hf. was made with reservations, demanding recourse to LBI for reimbursement of the amount paid. During the period, Brim hf. summoned LBI to the Reykjavik District Court claiming damages and part repayment of the ISK 2.1 billion Restricted cash held as a reserve against Brim's claim. The first procedural hearing in the case was by end of June 2017 and LBI is scheduled to file its reply in Q3. This ISK-denominated payment will eventually be transferred to the CBI to the extent not reimbursed by LBI to Brim hf.

29. Events after the Balance Sheet Date

On 21 July 2017, LBI exercised its option of early redemption and redeemed EUR 146.6 million of Convertible Notes pro-rata to their outstanding nominal amount.