

LBI

Financial Statements 2018

LBI ehf
Ármúli 21
108 Reykjavík
Reg. No. 540291-2259

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Independent Auditors report

To the Board of Directors and the Shareholders of LBI ehf.

Opinion

We have audited the Financial Statements of LBI ehf. for the year ended December 31, 2018 which comprise the report of the Board of Directors and the CEO, the income statement, the balance sheet, the statement of cash flows, and the notes to the Financial Statements, including a summary of significant accounting policies.

In our opinion, the accompanying Financial Statements give a true and fair view of the financial position of LBI ehf. as at December 31, 2018, and its financial performance and its cash flows for the year then ended in accordance with the Icelandic Financial Statement Act.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of LBI ehf. in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and Icelandic Institute of State Authorized Public Accountants, Code of Ethics (FLE Code) and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to Note 12 to the Financial Statements which describes the uncertainty related to the value of LBI's claims against the Landsbanki Luxembourg estate. Our opinion is not qualified in respect of this matter.

Other information

The Board of Directors and the CEO are responsible for the other information. The other information comprises the supplemental information.

Our opinion on the Financial Statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the CEO for the Financial Statements

The Board of Directors and the CEO are responsible for the preparation and fair presentation of the Financial Statements in accordance with the Icelandic Financial Statement Act, and for such internal control as the Board of Directors and the CEO determines is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, the Board of Directors and the CEO are responsible for assessing LBI ehf.'s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors and the CEO either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of LBI ehf.'s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Kópavogur, 19 March 2019

Deloitte ehf.

Signý Magnúsdóttir

State Authorized Public Accountant

Jón Kristinn Lárusson

State Authorized Public Accountant

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 Ármúli 21, 108 Reykjavík.

LBI's main activity is the management and controlled monetisation of its asset portfolio, which includes, among other things, cash, loans, 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 Bankruptcy Act were concluded on 25 December 2015 according to the terms of the composition agreement approved (the "Composition Agreement") following which LBI issued new shares and convertible notes (the "Convertible Notes") to its composition creditors in settlement of their claims on 23 March 2016.

Operations in 2018

During the financial year 2018, LBI actively managed its asset portfolio and worked to resolve disputed and contingent claims. Net cash inflow from assets during the year amounted to EUR 50.4 million, derived primarily from EUR 25.6 million from loans to customers and EUR 14.6 million from other assets and other sources.

During the year, the Company redeemed an aggregate EUR 73.0 million of Convertible Notes pro-rata to their outstanding nominal amount.

Over the year, EUR 118.9 million in disputed Art. 113 claims were finally resolved, all of which was finally rejected. Contingent Art. 113 claims remained unchanged. All remaining disputed priority claims in the total amount of EUR 68.3 million were finally rejected during the year.

As of 31 December 2018, the Company's total assets amounted to EUR 132.8 million (2017: EUR 183.8 million) and total liabilities amounted to EUR 132.8 million (2017: EUR 183.8 million). The profit for the year was nil after adjusting the value of the Convertible Notes by EUR 24.6 million so as to equal the estimated net realisable value of the Company's assets. No dividends were paid during the year.

Risk Factors and Risk Management

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 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.

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.

Other Matters

The Financial Statements for the year ended 31 December 2018 have been prepared in accordance with the Icelandic Act on Annual Accounts No. 3/2006 (the "Act on Annual Accounts") and are presented in EUR, which the Company adopted as its functional currency from 2016.

Share Capital and Shareholders

On 31 December 2018, 580 shareholders were registered in the Company's share registry. The ten largest shareholders of the Company and their respective ownership stake as of 31 December 2018 were as follows:

#	Shareholder / Control	Number of shares	% Ownership	Aggregate control
1	Anchorage Capital Group LLC			45.8%
	ACMO S.a.r.l.	486,663,432	42.9%	
	AIO IV S.a.r.l.	14,922,178	1.3%	
	ACMO Finance (Ireland) Limited	11,875,360	1.0%	
	PCI Fund LLC	5,686,841	0.5%	
2	Taconic Capital Advisors LP.			8.2%
	TCA Opportunity Investments Sarl	83,759,649	7.4%	
	TCA Event Investements Sarl	9,306,627	0.8%	
3	Goldman Sachs International	33,042,477	2.9%	7.9%
	ELQ Investors II Ltd.	56,075,428	4.9%	
4	Deutsche Bank AG, London Branch	85,829,424	7.6%	7.6%
5	Burlington Loan Management Limited	84,162,553	7.4%	7.4%
6	CarVal Investors			3.9%
	CVF Lux Securities Trading Sarl	26,094,760	2.3%	
	CVIC Lux Securities Trading Sarl	7,206,410	0.6%	
	CVI AA LUX Securities S.A.R.L.	5,415,475	0.5%	
	CarVal GCF Lux Securities Srl.	2,954,122	0.3%	
	CVI AV Lux Securities Srl	2,293,287	0.2%	
7	Southpaw Credit Opportunity Master Fund LP	38,527,937	3.4%	3.4%
8	Citigroup Global Markets Ltd.	13,756,356	1.2%	1.2%
9	One Tusk Master Fund LP	11,713,471	1.0%	1.0%
10	Ríkisábyrgðasjóður	11,144,341	1.0%	1.0%
Total		990,430,128	87.3%	87.3%

Statement by the Board of Directors and the CEO

The Financial Statements for the year ended 31 December 2018 have been prepared in accordance with the Act on Annual Accounts.

It is the opinion of the Board of Directors and the Chief Executive Officer that the Financial Statements of LBI for the year 2018 give a true and fair view of the financial performance of the Company and describe the principal risks and uncertainties faced by the Company.

The Board of Directors and the Chief Executive Officer hereby endorse the Financial Statements of LBI for the year 2018 and recommend that they be approved at the Annual General Meeting of the Company.

Reykjavík, 19 March 2019

The Board of Directors

Richard Katz

Chairman

Kolbeinn Árnason

Christian Digemose

Chief Executive Officer

Ársæll Hafsteinsson

Income Statement 2018

	Notes	2018	2017
Interest, dividend and fee income	4	362	8,267
Net change in value	5	19,574	57,948
Net exchange difference		5	(25,429)
Operating income		<u>19,941</u>	<u>40,787</u>
Salaries and related expenses	6	(7,022)	(10,722)
General and administrative expenses	7	(5,178)	(8,617)
Operating expenses		<u>(12,200)</u>	<u>(19,339)</u>
Reversal of reserves held in escrow	14/19	16,809	8,341
Adjustment to value of the Convertible Notes	14	(24,550)	(28,737)
Financing activities		<u>(7,741)</u>	<u>(20,396)</u>
Profit before Stability Contribution and taxes		<u>0</u>	<u>1,052</u>
Stability Contribution	16	0	(1,052)
Taxes	15	0	0
Profit for the year		<u>0</u>	<u>0</u>

Balance Sheet as at 31 December 2018

Assets	Notes	31/12/2018	31/12/2017
Cash	8	13,958	34,752
Restricted cash	9	15,172	20,090
Loans to customers	10	10,631	32,021
Equities	11	171	186
Claims on bankrupt estates	12	82,003	85,274
Other assets	13	10,382	10,956
Other receivables		478	505
Total assets		<u>132,795</u>	<u>183,785</u>
Liabilities			
Convertible Notes	14	131,433	181,292
Other liabilities		1,363	2,493
Total liabilities		<u>132,795</u>	<u>183,785</u>
Equity			
Share capital		11,262	11,262
Accumulated deficit		(11,262)	(11,262)
Total equity	17	<u>0</u>	<u>0</u>
Total liabilities and equity		<u>132,795</u>	<u>183,785</u>

Statement of Cash Flows 2018

	2018	2017
Cash flows (to) from assets		
Interest received on cash	48	699
Restricted cash- net cash inflow (outflow)	4,861	0
Landsbankinn term deposit - principal payments inflow (outflow)	0	138,850
Landsbankinn term deposit - interest income	0	2,065
Landsbankinn bonds - principal payments	0	407,268
Landsbankinn bonds - interest income	0	7,576
Loans to customers - principal payments inflow	25,562	23,174
Loans to customers - interest/fee income	387	1,086
Equities - net cash inflow	224	6,917
Claims on bankrupt estates - net cash inflow	4,772	7,988
Other assets and other sources - net cash inflow	14,562	54,722
Other receivables - net cash inflow	0	1,237
Net cash from assets	<u>50,415</u>	<u>651,582</u>
Cash flows (to) from other operating activities		
Salaries and related expenses	(7,827)	(14,850)
General and administrative expenses	(5,777)	(9,922)
Net cash (to) from other operating activities	<u>(13,604)</u>	<u>(24,772)</u>
Cash flow (to) from financing activities		
Reversal of reserves held in escrow	15,409	5,225
Redemption of Convertible Notes	(73,009)	(629,809)
Net cash (to) from financing activities	<u>(57,600)</u>	<u>(624,584)</u>
(Decrease) increase in cash	(20,789)	2,227
Effects of foreign exchange rate adjustments on cash	(4)	(9,900)
Cash at the beginning of the period	<u>34,752</u>	<u>42,425</u>
Cash at the end of the period	<u><u>13,958</u></u>	<u><u>34,752</u></u>

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 Ármúli 21, 108 Reykjavík.

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

2. Basis of preparation

Statement of compliance

These Financial Statements have been prepared in accordance with the Act on Annual Accounts.

The Financial Statements were approved and authorised for issue by the Board of Directors and CEO on 19 March 2019.

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 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.
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.
Equities	All equities 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, 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 is the Company's functional currency. All amounts have been rounded to the nearest thousand, except where otherwise stated. A proportion of the Company's assets are denominated in currencies other than EUR. As a result, the estimated values presented herein may be 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 18-19 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 contribution to the Icelandic State (the "Stability Contribution") and entered into an agreement with the Central Bank of Iceland ("CBI") whereby the Company undertook to transfer ISK cash balances and certain assets to the CBI (the "Assignment Agreement"). 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. 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 held by LBI during the reporting period 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. The ISK funds in the account were fully depleted in the first quarter of 2018;

(ii) 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. Any cash received on account of a Retained Asset is held off balance sheet until returned to CBI as Additional Stability Contribution.

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	
	31/12/2018	31/12/2017
ISK	0.0075	0.0080
USD	0.8728	0.8347
GBP	1.1129	1.1270

At the end of the reporting period, the Company held assets in additional currencies totalling the equivalent of EUR 3.3 million (see Supplemental Information A.).

Notes to the Income Statement

4. Interest, dividend and fee income

	2018	2017
Cash and restricted cash balances	(5)	611
Landsbankinn term deposit	0	2,040
Landsbankinn bonds	0	4,863
Loans to customers	366	753
Total	362	8,267

5. Net change in value

	2018	2017
Loans to customers.....	4,071	8,243
Equities.....	210	1,424
Claims on bankrupt estates.....	1,499	13,569
Other assets and other sources.....	13,793	34,713
Total	19,574	57,948

The net increase in estimated recoverable value reported under loans to customers of EUR 4.1 million over the year (2017: 8.2 million) is explained by an increase in the expected value from a syndicated loan exposure as further explained in Note 10. A net increase of EUR 13.8 million in the reported value for other assets and other sources (2017: 34.7 million) is primarily driven by a settlement reached with 24 of 26 insurers in respect of claims filed by LBI under certain directors' and officers' liability insurance policies, as well as settlements reached with counterparties to two separate derivative contract disputes.

6. Salaries and related expenses

	2018	2017
Salaries.....	5,827	9,004
Pension fund.....	754	1,040
Other salary related expenses.....	441	678
Total	7,022	10,722

Average number of full-time positions during the period	6	10
Number of full-time positions at the end of the period	5	7

Total salaries and fees paid to the Company's directors and management for the year 2018 amounted to EUR 3.1 million (2017: EUR 6.3 million).

7. General and administrative expenses

	2018	2017
External advisors.....	4,733	7,759
Premises expenses.....	72	192
Other expenses.....	373	666
Total	5,178	8,617

Notes to the Balance Sheet

8. Cash

	31/12/2018	31/12/2017
Cash.....	13,958	34,223
ISK Opex Reserve Fund.....	0	529
Total	13,958	34,752

9. Restricted cash

	31/12/2018	31/12/2017
Indemnity Fund.....	14,932	19,861
Trustee Indemnity Fund.....	240	230
Total	15,172	20,090

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 composition. The term deposit bears floating interest rates which are currently negative. 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"). The first of four equal instalments in the amount of USD 275 thousand has been deposited into the Trustee Indemnity Fund which could 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. Loans to customers

During 2018, EUR 21.6 million held in escrow by a UK court was released to LBI pursuant to a settlement agreement reached with Kevin Stanford in relation to a case brought against LBI in the District Court of Reykjavik.

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, which was written down to a balance of EUR 1 million in the third quarter of 2016 and until the fourth quarter of 2018 carried with limited recovery expectations.

As of 31 December 2018, the estimated recoverable value in the loan to customer portfolio was accounted for by leveraged and syndicated lending, mortgage exposures to an individual secured by residential real estate and exposures to Danish limited liability structures known as Kommanditselskaber ("K/S").

Loans to customers by sector	31/12/2018	31/12/2017
Real Estate.....	5,535	28,998
Services.....	4,700	325
Retail.....	0	1,054
Other.....	396	1,645
Total	10,631	32,021

Loans to customers by country	31/12/2018	31/12/2017
UK.....	2,335	20,976
France.....	0	6,270
Germany.....	4,400	25
Netherlands.....	21	21
Other Europe.....	3,875	4,730
Total	10,631	32,021

As of 31 December 2018, the four largest exposures in the portfolio by estimated recoverable value accounted for EUR 10.0 million, or 94.2% of the estimated recoverable value of all loans to customers, whereas the aggregate outstanding balance for these four exposures amounted to EUR 41.8 million, or 57.9%, of the entire portfolio. The largest exposure is to an individual who has filed for bankruptcy in the United Kingdom. The Company is the largest creditor of the individual's estate, but expects that a very substantial majority of the outstanding balance will ultimately be uncollectible. As noted above, the syndicated loan exposure with an estimated value of EUR 4.4 million only has a reported balance of EUR 1 million.

Counterparty	Type of Exposure	Collateral	Balance
Individual	Mortgage / equity loan	Residential real estate	36,075
Corporate	Leveraged lending	Senior unsecured	3,365
Corporate	K/S	Commercial property lease	1,404
Corporate	Syndicated lending	Senior unsecured	1,000
Total			41,845

K/S entities are tax-transparent and efficient property-owning vehicles targeted towards high net worth and high income-generating Danish individuals. At origination, the investors had to fulfil certain criteria for income and net worth to qualify as an investor into the K/S structure. Senior lending to these entities was provided by local banks (from the country of the origination of the underlying asset) whereas the second lien (junior positions) is held by LBI with estimated recoverable value based on real estate value, lease payments and guarantees of the individuals owning the respective K/S structure. A combination of tenant defaults, declining property values in some markets, distressed senior and junior banks, inability to secure refinancing of maturing debt obligations and weakening strength of K/S investors financial capacity, have put pressure on recovery values. As of 31 December 2018, the Company's loan to customers portfolio comprised sixteen K/S exposures where recovery is expected with an aggregate balance of EUR 2.9 million, of which two are against solvent K/S entities and fourteen are against individual investors who guaranteed the obligations of failed K/S entities.

11. Equities

The remaining equity positions as of 31 December 2018 are all unlisted and have primarily arisen from the past restructuring of credit exposures.

12. Claims on bankrupt estates

	31/12/2018	31/12/2017
Landsbanki Luxembourg.....	81,979	84,311
Baugur.....	0	158
Heritable bank.....	23	805
Other.....	1	1
Total	82,003	85,274

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 mainly 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. LBI has not received updated information from the Landsbanki Luxembourg estate on the equity release loans since 31 March 2018.

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. A ruling from the Criminal Court of First Instance in Paris was announced on 28 August 2017 where Landsbanki Luxembourg and nine former directors, executives and wealth management advisors were acquitted of all charges. On 1 September 2017, the Public Prosecutor and the borrowers in question appealed the judgement. The main hearing for the Paris Appeal Court is now scheduled for May 2019.

Landsbanki Luxembourg is also subject civil proceedings in Spain. 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.

During 2018, LBI received EUR 4.1 million in distributions from the Landsbanki Luxembourg estate and increased expected recovery by EUR 1.8 million.

At 31 December 2018, LBI's claims against the Landsbanki Luxembourg estate amounted to EUR 335.0 million, with an estimated recoverable value of EUR 82.0 million, net of certain costs expected to be incurred in connection with their monetisation.

Baugur

LBI holds accepted claims against the estate of Baugur hf., which is subject to bankruptcy proceedings in Iceland. In November 2018, LBI received a final distribution from the Baugur estate amounting to GBP 162 thousand. The liquidation of the Baugur estate is expected to formally close before end of Q2 2019 with no further distributions to creditors expected.

Heritable Bank

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 79.9 million) and a finally recognised subordinated claim in the amount of GBP 7 million (EUR 8.0 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.

Under a subsidiary guarantee provided by LBI to Heritable Bank prior to its bankruptcy proceedings, 68 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 de minimis cash payments (the "DMP"), Convertible Notes and Convertible Note redemption payments to cover its maximum potential obligations (see Note 19). 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 a minimal part of the escrow amounts is expected to be returned to LBI.

In addition, the UK Financial Services Compensation Scheme (the "FSCS") 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. On 11 September 2018, LBI and the UK Financial Services Compensation Scheme ("FSCS") agreed to discontinue proceedings at the District Court of Reykjavik resulting in a release of all reserves held in escrow towards this claim.

13. Other assets

During 2018, the Company collected payments of EUR 14.6 million and increased the estimated recoverable value from other assets and other sources by EUR 13.8 million, primarily attributable to a settlement reached with 24 of 26 insurers in respect of claims filed by the Company under certain directors' and officers' liability insurance policies.

On 5 October 2018, the Company accepted an offer for the sale of a certain real estate property reported under other assets. The sale was finalised and USD 5.3 million was received during Q1 2019. An additional USD 1 million, currently held on escrow due tax withholding requirements, is expected to be received by the end of Q1 2020.

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.

After the reporting date, 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 estimated recoverable value as of 31 December 2018 has been increased by EUR 1.3 million to reflect the effect of the settlement.

As of 31 December 2018, other assets consist of exposures to foreign financial institutions in the form of unsettled derivative contracts and nostro account balances which remain subject to resolution and collection. As of 31 December 2018, a total balance of EUR 9.9 million was unresolved with three counterparties as summarised in the table below:

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
Total				9,891

Balances reported in the table above may not incorporate all amounts that LBI may be legally eligible to obtain should it prevail in the applicable legal disputes.

The Company filed litigation against HSBC Milan Branch in Italy in March 2017. The dispute arises from the withdrawals of funds by HSBC from bank accounts in the name of LBI at the HSBC Milan Branch. The main hearing in the case has been scheduled for December 2020.

In 2015, LBI reached an agreement with BNP Paribas, as the successor to Fortis in Belgium, regarding a bank account held in the name of LBI. As part of the agreement, certain funds are held on escrow account until 19 March 2020 to cover potential claims from third parties against BNP Paribas.

Liabilities

14. 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 1 January 2018.....	668,764	0	668,764
Convertible Notes redeemed.....	(73,009)	0	(73,009)
Convertible Notes cancelled.....	(6,126)	0	(6,126)
Nominal amount outstanding 31 December 2018.....	589,629	0	589,629

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.

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 asset value of the Company's, at the end of each financial reporting period. Increase in 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.

During 2018, the Company redeemed an aggregate EUR 73.0 million of Convertible Notes pro-rata to their outstanding nominal amount: On 15 June 2018, the Company redeemed EUR 41.2 million of Convertible Notes pro-rata to their outstanding nominal amount. On 18 July 2018 and 5 October 2018, the Company exercised its option of early redemption and redeemed EUR 6.3 million and EUR

9.5 million, respectively, of Convertible Notes pro-rata to their outstanding nominal amount. On 17 December 2018, the Company redeemed EUR 16.0 million of Convertible Notes pro-rata to their outstanding nominal amount.

During the year 2018, Convertible Notes in the nominal amount of EUR 6.1 million (book value of EUR 1.4 million) were returned to LBI from escrow following the final rejection of disputed and contingent Art. 113 claims.

As of 31 December 2018, Convertible Notes in the nominal amount of EUR 3.5 million and Convertible Note redemption payments in the amount of EUR 8.3 million were held in escrow to cover disputed and contingent Art. 113 claims pursuant to the Composition Agreement.

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

	2018	2017
Book value outstanding at beginning of year.....	181.292	785.479
Convertible Notes redeemed.....	(73.009)	(629.809)
Adjustment of value relating to net asset value.....	24.550	28.737
Convertible Notes cancelled by book value.....	(1.400)	(3.115)
Book value outstanding at end of year.....	<u>131.433</u>	<u>181.292</u>

15. 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
2009	2019	93,319
2010	2020	0
2011	2021	69,816
2012	2022	88,496
2013	2023	54,430
2014	2024	113,816
2015	2025	0
2016	2026	0
2017	2027	0
	Total	<u>419,877</u>

16. Stability Contribution

Pursuant to its Composition Agreement and the Assignment Agreement entered into with the CBI, the Company undertook to make certain voluntary contributions to the Icelandic State in the form of Additional Stability Contributions (ISK cash proceeds from the monetisation or release of Retained Assets realised from 1 January 2016 onwards).

Any cash received on account of a Retained Asset is held off balance sheet until returned to CBI as Additional Stability Contribution.

Equity

17. Changes in Equity

The Company's share capital is divided into two classes of shares, being 1,134,170,953 Class A Shares and nil Class B Shares as of 31 December 2018. The rights of shareholders in each class are the same apart from the fact that shareholders holding Class B Shares do not enjoy voting rights except as set out in the Company's Articles of Association.

Pursuant to its Articles of Association, the Company is both authorised and obligated to issue 36.7 million new Class A shares each of EUR 0.01 to cover any disputed or contingent claims lodged under Art. 113 of the Icelandic Bankruptcy Act which may become finally recognised under LBI's Composition Agreement.

The Share capital of the Company as of 31 December 2018 is specified as follows:

	Shares	Ratio	Amount
Total share capital at year-end	1,134,170,953	100.0%	11,341,710
Own shares held at year-end	(7,958,319)	-0.7%	(79,583)
	<u>1,126,212,634</u>	<u>99.3%</u>	<u>11,262,126</u>

Change in equity is specified as follows:

	Share capital	Accumulated deficit	Total equity
Equity as at 1 January 2018	11,262	(11,262)	0
Shares allocated to LBI	0	0	0
New share capital issued	0	0	0
Profit for the period	0	0	0
Equity as of 31 December 2018	<u>11,262</u>	<u>(11,262)</u>	<u>0</u>

Information relating to claims not reflected in the Balance Sheet

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

Disputed Art. 113 claims	2018	2017
Claims at the beginning of the period.....	169,840	258,379
Finally rejected claims.....	(118,945)	(85,541)
Finally accepted claims.....	0	(2,998)
Disputed Art. 113 claims at the end of the period	50,895	169,840

All disputed Art. 113 claims have been referred to the Icelandic courts for resolution.

During the year, EUR 118.9 million of disputed Art. 113 claims were finally rejected of which the rejected FSCS claim was EUR 78.9 millions and the rejected voiding case claims amounted to an additional EUR 20.0 million. 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. As the ruling was not appealed to the Supreme Court, a further 188 money market claims were finally rejected at the end of 2018 for an aggregate claim amount of EUR 19.3 million.

Contingent Art. 113 claims	2018	2017
Claims at the beginning of the period.....	21,992	31,587
Finally rejected claims.....	0	(9,594)
Finally accepted claims.....	0	0
Contingent Art. 113 claims at the end of the period	21,992	21,992

The resolution of all remaining contingent claims depends on the extent to which further payments are made by the Heritable Bank estate towards general accepted claims (see Note 12). Any further payments from the Heritable Bank estate towards its general unsecured claims will lower the contingent claims on LBI causing a reversal of reserves held against those claims. Based on LBI's current assumption that general unsecured claims against the Heritable Bank estate will receive a cumulative 98% of their allowed amount (as described in Note 12), only a small part of the EUR 22.0 million contingent claims would be finally rejected.

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

Pursuant to the Composition Agreement, the Company has fully reserved against all disputed and contingent Art. 113 claims by placing into escrow sufficient DMP, Convertible Notes and Convertible Note redemption payments to cover its maximum potential obligation on such claims.

The reserves for disputed and contingent Art. 113 claims are held off balance sheet. To the extent disputed Art. 113 claims are finally rejected or contingent Art. 113 claims are ultimately reduced, the corresponding amount of DMP, Convertible Notes and Convertible Note redemption payments will

be returned to LBI. Upon receipt, the Company recognises such reversal of reserves in the Income Statement and on the Balance Sheet.

As stated in the Company's Articles of Association, LBI is authorised and obligated to issue and allocate new shares up to a maximum amount of EUR 376 thousand of which EUR 66 thousand effectively remain authorised in proportion to any disputed and contingent claims which may become finally accepted under the Composition Agreement.

Reserves for Disputed Art. 113 claims	Convertible notes	Conv. notes redemption	DMP	Total reserves
Reserves 1.1.2018	9,438	18,687	2,333	30,457
Partially accepted claims	0	0	0	0
Redemption payments	(709)	709	0	0
Reversed to LBI	(6,126)	(13,313)	(2,096)	(21,535)
Reclass	(11)	11		
Reserves 31.12.2018	2,592	6,094	237	8,922

During the year, total reserves of EUR 21.5 million in the form of Convertible Notes with a nominal value of EUR 6.1 million (book value of EUR 1.4 million), Convertible Note Redemption Payments (EUR 13.3 million) and DMP (EUR 2.1 million) were released from escrow and returned to LBI due to the final rejection of disputed Art. 113 claims.

Reserves for Contingent Art. 113 claims	Convertible notes	Conv. notes redemption	DMP	Total reserves
Reserves 1.1.2018	1,050	2,083	786	3,920
Redemption payments	(115)	115	0	0
Reversed to LBI	0	0	0	0
Reserves 31.12.2018	935	2,198	786	3,920

Total reserves for Contingent Art. 113 claims remained unchanged, reflecting a reduction in Convertible Notes equal to the pro-rate Convertible Note redemption payments during 2018.

20. Disputed priority claims

	2018	2017
Disputed Priority claims at the beginning of the year.....	68,269	459,070
New filed Priority claims during the period.....	0	0
Finally rejected Priority claims.....	(68,269)	(389,133)
Finally accepted Priority claims.....	0	0
FX difference.....	0	(1,668)
Disputed Priority claims at the end of the year	0	68,269

As a result of the settlement reached with Kevin Stanford during 2018, all disputed priority claims have been resolved.

21. 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

In 2011 and 2012, LBI initiated three court cases before the District Court of Reykjavik (cases no. E-3826/2011, E-3827/2011, and E-991/2012) against four former employees of LBI, four former directors of the company (case no. E-991/2012 only) and 26 insurers of directors' and officers' liability insurance policies which were purchased by LBI in 2008.

In November 2018, LBI reached a settlement agreement with 24 of the 26 insurers, which represented 47,8% of the amount underwritten under the above directors' and officers' liability insurance policies. The 24 insurers which were part of the settlement was discharged from the three ongoing court cases.

The terms of the above settlement are confidential.

As part of the proceedings of the case, but unrelated to the above settlement, LBI withdrew its claims against four former directors of LBI in case no. 991/2012.

All three court cases continued against four former employees of LBI and the two remaining insurers. The main hearing started on 29 October 2018 and concluded on 3 December 2018

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 and has a six-month window to relaunch the two cases which were dismissed by the District Court of Reykjavik.

Claims for Voiding

LBI lost its six remaining court cases regarding claims for voiding at the Reykjavik District Court in December 2017. As LBI did not appeal the judgement in any of these cases, the decisions became final in January 2018.

22. Events after the Balance Sheet Date

On 22 January 2019, LBI settled its dispute with KAS Bank related to the closeout of a GMSLA agreement which had been referred to the District Court of Reykjavik. As a result of the settlement, LBI received EUR 1.7 million in proceeds from the sale of certain securities and listed shares in a UK company with a market value of EUR 450 thousands. As part of the settlement, KAS Bank furthermore withdrew its disputed Art. 113 claims lodged against LBI with the effect that amounts held on escrow towards this disputed claim were reversed to the Company. The reversals from escrow comprise Convertible Bonds with a nominal value of EUR 382 thousands and EUR 910 in cash on account of Convertible Note redemption payments and DMP.

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.

Supplemental Information

A. Assets specified by currencies

	31/12/2018				Total
	EUR	USD	GBP	Other	
Cash	10,465	1,603	1,143	747	13,958
Restricted cash	14,932	240	0	0	15,172
Loans to customers	9,330	0	0	1,301	10,631
Equities	0	0	171	0	171
Claims on bankrupt estates	81,979	0	24	0	82,003
Other assets	4,530	5,112	0	740	10,382
Other receivables	0	0	0	478	478
Total	121,235	6,955	1,338	3,267	132,795
% of total assets	91%	5%	1%	2%	100%

	30/09/2018				Total
	EUR	USD	GBP	Other	
Cash	20,189	1,666	1,334	1,250	24,439
Restricted cash	14,948	237	0	0	15,185
Loans to customers	3,846	0	1,122	1,459	6,427
Equities	0	0	203	0	203
Claims on bankrupt estates	81,979	0	182	0	82,161
Other assets	4,297	5,052	0	765	10,114
Other receivables	0	0	0	485	485
Total	125,258	6,955	2,841	3,959	139,013
% of total assets	90%	5%	2%	3%	100%

Supplemental Information

B. Drivers of change for the period 01/01/2018-31/12/2018

Asset categories	31/12/2017	Net cash received	FX change	Value-change	Income	Operating expenses and other liability	Note Redemption	Reserve and other reversals	31/12/2018
Cash	34,752	50,367	(4)	0	48	(13,604)	(73,009)	15,409	13,958
Restricted cash	20,090	(4,861)	10	0	(52)	(16)	0	0	15,172
Landsbankinn term deposit	0	0	0	0	0	0	0	0	0
Landsbankinn bonds	0	0	0	0	0	0	0	0	0
Loans to customers	32,021	(25,949)	121	4,071	366	0	0	0	10,631
Equities	186	(224)	(1)	210	0	0	0	0	171
Claims on bankrupt estates	85,274	(4,772)	1	1,499	0	0	0	0	82,003
Other assets and other sources	10,956	(14,562)	193	13,793	0	1	0	0	10,382
Other receivables	505	0	0	0	0	(28)	0	0	478
Total	183,785	0	321	19,574	362	(13,647)	(73,009)	15,409	132,795

Supplemental Information

C. Drivers of change for the period 01/09/2018-31/12/2018

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)	0	47	(2,627)	(25,535)	3,401	13,958
Restricted cash	15,185	0	3	0	0	(16)	0	0	15,172
Loans to customers	6,427	(332)	(1)	4,511	27	0	0	0	10,631
Equities	203	(162)	(0)	131	0	0	0	0	171
Claims on bankrupt estates	82,161	(182)	0	24	0	0	0	0	82,003
Other assets and other sources	10,114	(13,577)	35	13,809	0	1	0	0	10,382
Other receivables	485	0	(0)	0	0	(7)	0	0	478
Total	139,013	0	17	18,475	74	(2,649)	(25,535)	3,401	132,795

The increase of EUR 4.5 million under loans to customers is mainly due to a reassessment of expected value from certain syndicated loans. An increase in reported value of EUR 13.8 million for other assets and other sources is primarily driven by a settlement reached with 24 of the 26 insurers in respect of claims filed by the Company under certain directors' and officers' liability insurance policies, as well as the settlement of two separate derivative disputes with Greif International and KAS Bank.

Supplemental Information

D. Assets, classification and measurement

Asset categories	31/12/2018		30/09/2018	
	Balance	Value	Balance	Value
Cash	13,958	13,958	24,439	24,439
Restricted cash	15,172	15,172	15,185	15,185
Loans to customers	72,221	10,631	72,679	6,427
Equities and bonds	1,291	171	1,434	203
Claims on bankrupt estates	344,705	82,003	345,001	82,161
Other assets	16,648	10,382	17,537	10,114
Other receivables	478	478	485	485
Total	464,473	132,795	476,760	139,013

The balance of loans to customers as of 31 December 2018 include aggregate exposures of EUR 28.6 million for which the Company expects zero value and which are not reflected in the tables below:

Loans to customers by sector	31/12/2018		30/09/2018	
	Balance	Value	Balance	Value
Services	4,365	4,700	4,389	325
Real Estate	37,730	5,535	43,775	5,641
Other	1,481	396	1,766	460
Total	43,575	10,631	49,931	6,427

Loans to customers by country	31/12/2018		30/09/2018	
	Balance	Value	Balance	Value
UK	36,044	2,335	36,144	2,441
Germany	1,000	4,400	1,000	25
Netherlands	205	21	205	21
Other Europe	6,326	3,875	12,582	3,940
Total	43,575	10,631	49,931	6,427

Supplemental Information

E. Actual cash flow versus previously expected cash flow

Asset categories	Actual cash flow	Expected Cash flow
	1/10 - 31/12 2018	1/10 - 31/12 2018
Loans to customers	332	293
Equities	162	203
Claims on bankrupt estates	182	0
Other assets and other sources	13,577	900
Total	14,253	1,395

Amounts by currency stated in EUR equivalent	Actual cash flow	Expected Cash flow
	1/10 - 31/12 2018	1/10 - 31/12 2018
USD	0	0
GBP	316	203
EUR	13,605	900
Other	332	293
Total	14,253	1,395

The primary reason for the higher than expected cash flow during the fourth quarter of 2018 is the settlement reached with 24 of the 26 insurers in respect of claims filed by the Company under certain directors' and officers' liability insurance policies.

F. Asset monetisation plan for the next 12 months

Asset categories	2019			
	Q1	Q2	Q3	Q4
Loans to customers	467	10,008	16	16
Equities	268	150	150	4
Claims on bankrupt estates	0	0	23	801
Other assets and other sources	6,350	0	0	366
Total	7,085	10,158	189	1,186

Around EUR 400 thousands reported under equities were received after the reporting date as a result of a settlement with KAS Bank which is reported under other assets.

Amounts by currency stated in EUR equivalent	2019			
	Q1	Q2	Q3	Q4
USD	4,530	0	0	366
GBP	268	150	173	4
EUR	1,820	9,330	0	800
Other	467	679	16	16
Total	7,085	10,158	189	1,186

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

	2018 1/10 - 31/12	2018 1/7 - 30/9
Disputed Art. claims		
Claims at the beginning of the period.....	70,201	149,303
Finally rejected claims.....	(19,306)	(79,102)
Finally accepted claims.....	0	0
Disputed Art. 113 claims at the end of the period	50,895	70,201

Reductions in disputed Art. 113 of EUR 19.3 million during the fourth quarter of 2018 is due to final rejection of 188 money market cases following court rulings or subsequent withdrawal by the claimants.

	2017 1/10 - 31/12	2017 1/7 - 30/9
Contingent Art. claims		
Claims at the beginning of the period.....	21,992	21,992
Finally rejected claims.....	0	0
Finally accepted claims.....	0	0
Contingent Art. 113 claims at the end of the period	21,992	21,992

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

Reserves for Disputed Art. 113 claims	Convertible notes	Conv. notes redemption	DMP	Total reserves
Reserves 1.10.2018	3,364	7,442	2,167	12,973
Partially accepted claims	0	0	0	0
Redemption payments	(122)	122	0	0
Reversed to LBI	(650)	(1,470)	(1,931)	(4,051)
Reserves 31.12.2018	2,592	6,094	237	8,922

The final rejection of 188 money market cases resulted in the reversal of EUR 4.1 million in reserves from escrow during the fourth quarter of 2018.

Reserves for Contingent Art. 113 claims	Convertible notes	Conv. notes redemption	DMP	Total reserves
Reserves 1.10.2018	976	2,158	786	3,920
Redemption payments	(40)	40	0	0
Reversed to LBI	0	0	0	0
Reserves 31.12.2018	935	2,198	786	3,920