LBI

Management Accounts

1 January to 31 March 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 17 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 Company's obligations to issue new shares and reserves placed in escrow on account of disputed and contingent Art. 113 claims is provided in Notes 21 and 22 to these Financial Statements.

During the first quarter of 2017, LBI actively managed its asset portfolio and worked to resolve disputed and contingent claims. Net cash inflow from assets during the period amounted to EUR 299.7 million, resulting primarily from a 14 March 2017 prepayment of certain series of bonds issued by Landsbankinn. On that date, Landsbankinn prepaid in full the remaining principal amount of

USD 170 million (EUR 159.7 million) outstanding under Series 2020 and prepaid a principal amount of USD 111 million (EUR 104.3 million) towards the principal outstanding under Series 2024. In addition, Landsbankinn paid accrued interest on these notes for a total of USD 3.1 million (EUR 2.9 million).

During the quarter, the Company resolved EUR 6.5 million of disputed Art. 113 claims and EUR 86.7 million in disputed priority claims lodged under Art. 110 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 21-23.

As of 31 March 2017, the Company's total assets amounted to EUR 824.5 million and total liabilities amounted to EUR 824.5 million. The profit for the period amounted to EUR 19.5 million, which is reflected in the adjustments to the stated value of the Convertible Notes.

On 31 March 2017, 592 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 January to 31 March 2017.

Reykjavík, 23 May 2017

The Board of Directors

Richard Katz
Chairman

Kolbeinn Árnason | Christian Digemose

Chief Executive Officer

Ársæll Hafsteinsson

Income Statement for the period 1 January to 31 March 2017

	Notes	2017 1/1 - 31/3	2016 1/10- 31/12
Interest, dividend and fee income	4	4,107	9,753
Net change in value	5	29,954	41,539
Other operating income (expense)	6	0	7,022
Net exchange difference		(10,256)	35,435
Operating income		23,805	93,749
Salaries and related expenses	7	(1,749)	(8,725)
General and administrative expenses	8	(3,160)	(5,817)
Operating expenses		(4,909)	(14,541)
Reversal of reserves held in escrow	21,22	706	9,999
Adjustment to value of the Convertible Notes	17	(19,531)	(61,942)
Financing activities		(18,824)	(51,942)
Profit before Stability Contribution and taxes		71	27,265
Stability Contribution	19	(71)	(27,265)
Taxes	18		
Profit for the year		0	0

All amounts are in EUR thousands,
unless otherwise stated

Balance Sheet as at 31 March 2017

Assets	Notes	31/03/2017	31/12/2016
Cash	9	327,038	42,425
Restricted cash	10	37,251	89,757
Landsbankinn term deposit	11	141,375	141,540
Landsbankinn bonds	12	150,067	420,197
Loans to customers	13	37,451	48,194
Equities and bonds	14	2,727	5,763
Claims on bankrupt estates	15	76,149	80,789
Other assets	16	51,316	32,412
Other receivables		1,113	1,097
Total assets		824,486	862,175

Liabilities	Notes	31/03/2017	31/12/2016
Convertible Notes	17	804,635	785,479
Tax liabilities	18	0	19,525
Stability Contribution	19	17,064	50,023
Other liabilities		2,787	7,147
Total liabilities		824,486	862,175
Equity			
Share capital		11,286	11,283
Accumulated deficit		(11,286)	(11,283)
Total equity	20	0	0
Total liabilities and equity		824,486	862,175

All amounts are in EUR thousands, unless otherwise stated

Statement of Cash Flows for the period 1 January to 31 March 2017

	2017 1/1 - 31/3	2016 1/10- 31/12
Cash flows (to) from assets		
Interest received on cash	3	1,093
Landsbankinn term deposit - interest income	548	560
Landsbankinn bonds - principal payments	264,008	72,566
Landsbankinn bonds - interest income	5,955	4,093
Loans to customers - principal payments inflow	10,777	144,811
Loans to customers - interest/fee income	870	1,629
Equities and bonds - net cash inflow	3,612	129
Claims on bankrupt estates - net cash inflow	4,603	350
Other assets and other sources - net cash inflow	9,329	755
Net cash from assets	299,703	225,988
Cash flows (to) from other operating activities		
Salaries and related expenses	(6,823)	(3,312)
General and administrative expenses	(2,850)	(5,779)
Allocation of Convertible Notes from DBTCA		3,290
Net cash (to) from other operating activities	(9,673)	(5,801)
Cash flow (to) from financing activities		
Reversal of reserves held in escrow	331	5,409
Redemption of Convertible Notes		(657,252)
Net cash (to) from financing activities	331	(651,843)
(Decrease) increase in cash	290,360	(431,656)
Effects of foreign exchange rate adjustments on cash	(5,747)	2,836
Cash at the beginning of the period	42,425	471,244
Cash at the end of the period	327,038	42,425

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 21-23 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, any ISK funds remaining in this separate account, after all such claims have been resolved and such tax payment has been made, must be transferred to the CBI as an Additional Stability Contribution; 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	
	31/03/2017	31/12/2016
ISK	0.0083	0.0084
USD	0.9361	0.9467
GBP	1.1651	1.1657
CAD	0.7013	0.7028

All amounts are in EUR thousands, unless otherwise stated

Notes to the Income Statement

4. Interest, dividend and fee income

	2017 1/1 - 31/3	2016 1/10 - 31/12
Cash and restricted cash balances	(17)	3,115
Landsbankinn term deposit	548	564
Landsbankinn bonds	3,534	4,462
Loans to customers	42	1,612
Total	4,107	9,753

5. Net change in value

	2017 1/1 - 31/3	2016 1/10 - 31/12
Loans to customers	979	(1,619)
Equities and bonds	650	3,418
Claims on bankrupt estates	0	26,143
Other assets	28,326	13,596
Total	29,954	41,539

The increased value of exposures recorded under other assets reflect a settlement reached with PricewaterhouseCoopers during the quarter, and a revaluation of exposures to Glitnir hf. and Kaupthing hf. following settlements reached with each of the parties after the balance sheet date.

6. Other operating income (expense)

	2017 1/1 - 31/3	2016 1/10 - 31/12
Allocation of Convertible Notes to LBI from DBTCA	0	7,022
Total	0	7,022

7. Salaries and related expenses

	2017 1/1 - 31/3	2016 1/10 - 31/12
Salaries	1,469	7,724
Pension fund	169	718
Other salary related expenses	111	283
Total	1,749	8,725
Of which: ISK	1,024	3,342
Of which: non-ISK	725	5,383
Total	1,749	8,725
Average number of full-time positions during the period	12	15
Number of full-time positions at the end of the period	12	12

All amounts are in EUR thousands, unless otherwise stated

8. General and administrative expenses

	2017 1/1 - 31/3	2016 1/10 - 31/12
External advisors	3,079	5,340
Premises expenses	43	97
Other expenses	39	379
Total	3,160	5,817
Of which: ISK	1,195	2,122
Of which: non-ISK	1,965	3,695
Total	3,160	5,817

Notes to the Balance Sheet

9. Cash

	31/03/2017	31/12/2016
Non-ISK	321,147	31,420
ISK Opex Reserve Fund	5,891	11,005
Total	327,038	42,425

As of 31 March 2017, the Company´s non-ISK cash balance stood at EUR 321.3 million. 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 based on available EUR equivalent cash as of 23 March 2017. The remaining non-ISK cash balance represents funds retained for budgeted operating expenses and asset support.

As of 31 March 2017, the remaining balance in the ISK Opex Reserve Fund amounted to ISK 713.4 million (EUR 5.9 million). These funds are retained by LBI in a separate account for the payment of ISK-denominated operating expenses. The EUR 5.1 million reduction is partially explained by cost accrued in prior periods but paid during the quarter ended 31 march 2017. 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.

10. Restricted cash

	31/03/2017	31/12/2016
ISK Priority Claims Reserve Fund	0	52,283
ISK cash with respect to an Additional Stability Contribution	17,064	17,265
Indemnity Fund	19,929	19,949
Trustee Indemnity Fund	257	260
Total	37,251	89,757

All amounts are in EUR thousands, unless otherwise stated

On 3 March 2017, Kaupthing withdrew a claim lodged against LBI under Art. 110 of the Icelandic Bankruptcy Act in the amount of ISK 11.1 billion (equivalent of EUR 86.7 million as of 31 December 2016). Following the withdrawal of Kaupthing's claim, all ISK-denominated disputed priority claims lodged against LBI under Art. 109-111 of the Icelandic Bankruptcy Act have been finally resolved. On this basis, and pursuant to the Assignment Agreement, LBI transferred the residual balance in the ISK Priority Claims Reserve Fund to the CBI on 8 March 2017 after paying the Special Financial Administrative Tax for the 2015 financial year.

During the period, 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. 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 31 March 2017, the balance of the Indemnity Fund amounted to EUR 19.93 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.

11. Landsbankinn term deposit

	31/03/2017	31/12/2016
Term deposit with Landsbankinn (EUR)	72,609	72,610
Term deposit with Landsbankinn (GBP)	56,405	56,431
Term deposit with Landsbankinn (USD)	12,360	12,500
Total	141,375	141,540

LBI maintains a term deposit denominated in EUR, GBP and USD with Landsbankinn in an amount equivalent to EUR 141.4 million as of 31 March 2017. The term deposit matures on 9 October 2018 and bears interest at 1.5% over 3-month EUR EURIBOR / GBP LIBOR / USD LIBOR.

12. Landsbankinn bonds

LBI held the entirety of the bonds issued by Landsbankinn and outstanding as of 31 March 2017 under each of the two series detailed below, which amounted to the equivalent of EUR 150.1 million at the end of the reporting period:

	31/03/2017	31/12/2016
Series 2020 (USD)		161,390
Series 2024 (USD)	150,067	258,807
Total	150,067	420,197

The Landsbankinn bonds have senior ranking and are secured by a pledge on part of Landsbankinn's loan portfolio, subject to a minimum coverage ratio of 115% on the aggregate principal amount outstanding. The Landsbankinn bonds are callable at par at any time and are not subject to prepayment penalty.

During the period, Landsbankinn prepaid the remaining USD 170 million balance outstanding under Series 2020 and prepaid USD 111 million towards the principal outstanding under Series 2024. The total payment received amounted to USD 284.1 million including accrued and unpaid interest.

As of 31 March 2017, the outstanding principal amount was USD 160 million under Series 2024 of the Landsbankinn bonds subject to the terms as set out below:

Series	Currency	Outstanding Principal	Base rate	Margin	Step up margin from 9.10.2018	Maturity
Series 2024	USD	160,000	3 m Libor	2.90%	3.95%	09/10/2024

On or after 9 October 2018, LBI can require Landsbankinn to convert all of the bonds into Eurobonds that shall, with certain defined exceptions, have substantially the same terms and conditions as the bonds prior to such conversion. In the event that Landsbankinn and LBI are unable, within a defined time limit, to reach an agreement on the terms and conditions of the Eurobonds other than previously agreed, a panel of three experts in such Eurobonds and Eurobonds Secondary Documents shall be formed to determine the terms of the Eurobonds and the Eurobond Secondary Documents. Landsbankinn shall, at its own expense, make a reasonable effort to list such Eurobonds on the London Stock Exchange, Bourse de Luxembourg or the Dublin Stock Exchange (or such other exchange as may be agreed by LBI) on or as soon as practicable following such conversion.

All amounts are in EUR thousands, unless otherwise stated

13. Loans to customers

As of 31 March 2017, the estimated recoverable value in the loan to customer portfolio was primarily accounted for by mortgages to individuals secured by residential real estate, leveraged lending to corporate counterparties, and to Danish limited liability structures known as Kommanditselskaber ("K/S").

Loans to customers by sector	31/03/2017	31/12/2016
Real Estate	28,190	29,518
Services	5,725	10,882
Retail	2,034	6,017
Other	1,501	1,778
Total	37,451	48,194

Loans to customers by country	31/03/2017	31/12/2016
UK	20,503	26,988
France	6,250	6,250
Germany	661	4,643
Netherlands	20	20
Other Europe	10,017	10,293
Total	37,451	48,194

Two of the ten largest exposures by estimated recoverable value as of 31 December 2016 were monetised during the quarter ended 31 March 2017; one, in the form of leveraged lending to a service company in the United Kingdom, was repaid in full and another, in the form of a syndicated loan to a company in the German retail sector, was sold.

As of 31 March 2017, the ten largest exposures in the portfolio by estimated recoverable value accounted for EUR 35.1 million, or 93.7% of the estimated recoverable value of all loans to customers, whereas the aggregate outstanding balance for these ten exposures amounted to EUR 128.6 million, or 89.6%, of the entire portfolio.

Counterpary	Type of Exposure	Collateral	Balance
Individual	Mortgage / equity loan	Residential real estate	70,267
Individual	Mortgage	Residential real estate (sold / in contract)	26,242
Corporate / Individual	K/S	Commercial property lease	13,408
Corporate	Mortgage	Commercial real estate	7,113
Corporate	Leveraged lending	Second lien in all assets	6,064
Corporate / Individual	K/S	Commercial property lease	1,514
Individual	K/S	Personal guarantees	1,446
Corporate / Individual	K/S	Commercial property lease	1,314
*Corporate	Syndicated loan	Unsecured	636
Corporate / Individual	K/S	Commercial property lease	616
		Total	128,619

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.

(*) During the second quarter of 2017, one syndicated loan was monetised and the recovery realised by the monetisation is reflected in carrying value for the loan as of end of Q1 2017.

14. Equities and bonds

The EUR 3.0 million reduction in equities and bonds during the period reflects the sale of one equity position and a valuation increase of two positions of EUR 650 thousand. The remaining equity and bond positions as of 31 March 2017 are all unlisted and have primarily arisen from the past restructuring of credit exposures. One equity position was sold after the reporting period for an amount consistent with its carrying value of EUR 1.3 million as of 31 March 2017.

15. Claims on bankrupt estates

	31/03/2017	31/12/2016
Landsbanki Luxembourg	74,355	74,355
Baugur	163	4,803
Heritable bank	1,631	1,632
Total	76,149	80,789

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.

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 are scheduled to end on 24 May 2017. Ruling from the Court of First Instance could be expected in Q3 2017 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 31 March 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 after the reporting period.

Baugur

LBI holds accepted claims against the estate of Baugur hf, which is subject to liquidation proceedings in Iceland. During the period, LBI received distributions from the Baugur estate in the amount of GBP 3.9 million (EUR 4.6 million) leaving only a small residual expected recovery outstanding.

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 60 million) and a finally recognised subordinated claim in the amount of GBP 7 million (EUR 6 million) against the Heritable Bank estate.

All amounts are in EUR thousands, unless otherwise stated

To date, the Heritable Bank estate has made aggregate distributions to holders of general unsecured creditors equal to 98% of their finally admitted claims. The estimated recovery as of 31 March 2017 is based on the expectation that the remaning balance of LBI's general unsecured claim of GBP 1.4 million (EUR 1.6 million) will be paid in full.

16. 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 31 March 2017, a total balance of EUR 34.7 million was in 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**

During the reporting period, a ruling was handed down in 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 as LBI has sought permission to appeal the judgment.

On 10 March 2017, LBI and PricewaterhouseCoopers ("PwC") announced that an agreement had been reached with the effect that LBI's case against PwC pursued before the Icelandic courts has been settled. Terms of the settlement are subject to a confidentiality agreement but an amount received by LBI was received and recognised in the period.

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 an increase in estimated recovery of other assets by EUR 6.1 million reflected in the period.

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, the estimated recovery of other assets was increased by EUR 13.1 million reflected in 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.

All amounts are in EUR thousands, unless otherwise stated

Liabilities

17. 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:

	31/03/2017	31/12/2016
Nominal amount outstanding at the beginning of the period	1,307,516	1,979,042
Convertible Notes redeemed		(657,252)
Convertible Notes cancelled		(1,802)
Convertible Notes allocated to LBI	(610)	(12,471)
Nominal amount outstanding at the end of the period	1,306,906	1,307,516

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 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.

During the period, Convertible Notes in the nominal amount of EUR 610 thousand and EUR 331 thousand in cash were returned to LBI due to the final rejection of disputed Art. 113 claims.

As of 31 March 2017, Convertible Notes in the nominal amount of EUR 42.4 million and EUR 4.8 million (including redemption payments) were held in escrow to cover disputed and contingent Art. 113 claims, respectively, pursuant to the Composition Agreement.

All amounts are in EUR thousands,
unless otherwise stated

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

	31/03/2017	31/12/2016
Book value outstanding at the beginning of the period	785,479	1,389,181
Convertible Notes redeemed		(657,252)
Adjustment of value relating to net asset value	19,531	61,942
Convertible Notes cancelled		(1,082)
Convertible Notes allocated to LBI	(376)	(7,309)
Book value of the Convertible Notes at the end of the period	804,635	785,479

On 5 April 2017, LBI exercised its option of early redemption and redeemed EUR 299.2 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 14.8 million.

18. Taxes

Special Financial Administration tax

The Company was liable for Special Financial Administration Tax for the year 2015, which amounted to ISK 2.3 billion (EUR 19.5 million) at year-end 2016 after the recognition of ISK 389 million (EUR 3.2 million) in tax credits. The tax was paid during the period and funded from the ISK Priority Claims Reserve Fund. LBI will not be liable for Special Financial Administration Tax thereafter.

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	696,845
2009	2019	102,943
2010	2020	0
2011	2021	77,016
2012	2022	97,623
2013	2023	60,043
2014	2024	125,554
	Total	**1,160,023**

19. 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).

All amounts are in EUR thousands,
unless otherwise stated

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.

	31/03/2017	31/12/2016
ISK Priority Claims Reserve Fund	0	52,283
Special financial administrative tax for the 2015 financial year	0	(19,525)
ISK cash with respect to an Additional Stability Contribution	17,064	17,265
Allocated cash for Stability Contribution	17,064	50,023

As of 31 March 2017, the amount allocated for Additional Stability Contributions totalled the equivalent of EUR 17.1 million.

Further to a ruling by the Supreme Court of Iceland on 6 October 2016, LBI received ISK 2.1 billion (EUR 17.1 million as at end Q1 2017) from Brim hf. as payment for a Retained Asset. Brim hf. made the payment with reservations, demanding recourse to LBI for reimbursement. The payment received from Brim hf. remains classified as a Retained Asset and a corresponding amount is allocated for Additional Stability Contribution at the end of the quarter, as the ISK denominated payment is to be transferred to CBI to the extent not reimbursed by LBI to Brim hf.

Following the final resolution of all ISK-denominated disputed priority claims lodged against LBI under Art. 109-111 of the Icelandic Bankruptcy Act, LBI transferred the residual balance of the ISK Priority Claims Reserve to the CBI on 8 March 2017 after paying the Special Financial Administrative Tax for 2015.

All amounts are in EUR thousands,
unless otherwise stated

Equity

20. Changes in Equity

The Share capital of the Company as of 31 March 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 2016	11,339	(11,339)	0
Own shares allocated back	(55)	55	0
New share capital issued	0	(0)	0
Profit for the year 2016	0	0	0
Equity as of 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 31 March 2017	11,286	(11,286)	0

During the period, the Company settled a disputed claim and in connection therewith undertook to issue 301,003 new Class A Shares on account of the finally accepted part of the claim.

Information relating to claims not reflected in the Balance Sheet

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

Disputed Art. 113 claims	2017 1/1 - 31/3	2016 1/10 - 31/12
Claims at the beginning of the period	258,378	336,385
Finally rejected claims	(3,544)	(78,007)
Finally accepted claims	(2,998)	
Disputed Art. 113 claims at the end of the period	251,836	258,378

During the period, LBI settled a disputed Art. 113 claim pursuant to which EUR 3.0 million of the claim was accepted and the remaining EUR 3.5 million was finally rejected.

All amounts are in EUR thousands, unless otherwise stated

Contingent Art. 113 claims	2017 1/1 - 31/3	2016 1/10 - 31/12
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 15). 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.

22. 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 1.1.2017	28,432	15,412	2,417	46,261
Partially accepted claims	(340)	(185)		(525)
Redemption payments				0
Reversed DMP to LBI				0
Reversed from notes to LBI	(610)	(331)		(941)
Reserves 31.03.2017	27,482	14,897	2,417	44,795

Pursuant to a settlement reached during the period in respect of a disputed claim, LBI released from reserves and delivered to the claimant Convertible Notes in the nominal amount of 340 thousand and EUR 185 thousand in cash. Reserves comprised of Convertible Notes in the nominal amount of EUR 610 thousand (recognised in the income statement at the book value of EUR 375 thousand) and EUR 331 thousand in cash were reversed from escrow on account of the rejected part of the settled claim and another claim which was finally rejected in prior periods.

Reserves for Contingent Art. 113 claims

	Convertible notes	Conv. notes redemption	DMP	Total reserves
Reserves 1.1.2017	3,102	1,682	810	5,594
Redemption payments				0
Reversed DMP to LBI				0
Reversed from notes to LBI				0
Reserves 31.3.2017	3,102	1,682	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 2016.

All amounts are in EUR thousands, unless otherwise stated

23. Disputed priority claims

	2017 1/1 - 31/3	2016 1/10 - 31/12
Disputed Priority claims at the beginning of the period	459,070	458,929
New filed Priority claims during the period		
Finally rejected Priority claims	(86,658)	(82)
Finally accepted Priority claims		
FX difference	1,273	223
Disputed Priority claims at the end of the period	373,686	459,070

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

During the period, Kaupthing hf. withdrew a claim lodged against LBI under Art. 110 of the Icelandic Bankruptcy Act in the amount of ISK 11.1 billion (EUR 86.7 million).

As of 31 March 2017, the disputed priority claims comprised (i) an Art. 109 claim lodged by Glitnir hf. in the amount of GBP 260.5 million (EUR 303.5 million); (ii) two Art. 110 claims in the aggregate amount of EUR 20 thousand and (iii) two Art. 111 claims lodged by an individual in the amounts of EUR 11.9 million and GBP 50.0 million (EUR 58.3 million).

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).

All amounts are in EUR thousands,
unless otherwise stated

24. Assets specified by currencies

	31/03/2017						
	EUR	USD	GBP	CAD	ISK	Other	Total
Cash	311,229	3,006	5,002	295	5,891	1,615	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		0	4,442	37,451
Equities and bonds	2,473		254		0		2,727
Claims on bankrupt estates	74,355		1,794		0	0	76,149
Other assets	21,012	16,486	10,468		0	3,350	51,316
Other receivables					1,113		1,113
Total	516,758	182,177	91,780	295	24,068	9,407	824,486
% of total assets	63%	22%	11%	0%	3%	1%	100%

	31/12/2016						
	EUR	USD	GBP	CAD	ISK	Other	Total
Cash	22,341	2,595	3,267	306	11,005	2,912	42,425
Restricted cash	19,949	260			69,548		89,757
Landsbankinn term deposit	72,610	12,500	56,431				141,540
Landsbankinn bonds		420,197					420,197
Loans to customers	19,125	15	23,240			5,815	48,194
Equities and bonds	1,837		3,926				5,763
Claims on bankrupt estates	74,355		6,434				80,789
Other assets	23,208	8,047	1,157				32,412
Other receivables					1,097		1,097
Total	233,424	443,615	94,455	306	81,649	8,727	862,175
% of total assets	27%	51%	11%	0%	9%	1%	100%

All amounts are in EUR thousands,
unless otherwise stated

25. Drivers of change for the period 01/01/2017-31/03/2017

Asset categories	31/12/2016	Net cash received	FX change	Value-change	Income	Operating expenses	Stability Contrib. and Tax	Reserve and other reversals	31/03/2017
Cash	42,425	299,700	(5,747)		3	(9,673)		331	327,038
Restricted cash	89,757		1,552		(20)		(54,039)		37,251
Landsbankinn term deposit	141,540	(548)	(165)		548				141,375
Landsbankinn bonds	420,197	(269,962)	(3,702)		3,534				150,067
Loans to customers	48,194	(11,646)	(118)	979	42				37,451
Equities and bonds	5,763	(3,612)	(75)	650					2,727
Claims on bankrupt estates	80,789	(4,603)	(37)						76,149
Other assets	32,412	(9,329)	(93)	28,326					51,316
Other receivables	1,097		16						1,113
Total	862,175	0	(8,369)	29,954	4,107	(9,673)	(54,039)	331	824,486

All amounts are in EUR thousands, unless otherwise stated

26. Assets, classification and measurement

Asset categories	31/03/2017 Balance	31/03/2017 Value	31/12/2016 Balance	31/12/2016 Value
Cash	327,038	327,038	42,425	42,425
Restricted cash	37,251	37,251	89,757	89,757
Landsbankinn term deposit	141,375	141,375	141,540	141,540
Landsbankinn bonds	150,067	150,067	420,197	420,197
Loans to customers	143,699	37,451	155,071	48,194
Equities and bonds	5,292	2,727	8,346	5,763
Claims on bankrupt estates	1,000,663	76,149	1,005,777	80,789
Other assets	529,402	51,316	534,809	32,412
Other receivables	1,113	1,113	1,097	1,097
Total	2,335,899	824,486	2,399,020	862,175

The balance of loans to customers as of 31 March 2017 and 31 December 2016 include aggregate exposures of EUR 4.6 million, for which the Company expects zero recovery and which are not reflected in the tables below:

Loans to customers by sector	31/03/2017 Balance	31/03/2017 Value	31/12/2016 Balance	31/12/2016 Value
Services	10,568	5,725	15,727	10,882
Real Estate	108,778	28,190	109,660	29,518
Retail	14,044	2,034	19,187	6,017
Other	5,678	1,501	5,873	1,778
Total	139,067	37,451	150,447	48,194

Loans to customers by country	31/03/2017 Balance	31/03/2017 Value	31/12/2016 Balance	31/12/2016 Value
UK	49,272	20,503	55,428	26,988
France	5,927	6,250	5,927	6,250
Germany	1,636	661	6,772	4,643
Netherlands	500	20	500	20
Other Europe	81,732	10,017	81,820	10,293
Total	139,067	37,451	150,447	48,194

All amounts are in EUR thousands,
unless otherwise stated

27. Actual cash flow versus previously expected cash flow

Asset categories	Actual cash flow 1/1 - 31/03 2017	Expected Cash flow 1/1 - 31/03 2017
Landsbankinn term deposit	548	552
Landsbankinn bonds	269,962	271,980
Loans to customers	11,646	12,046
Equities and bonds	3,612	3,673
Claims on bankrupt estates	4,603	4,639
Other assets and other sources	9,329	9,224
Total	299,700	302,114

Amounts by currency stated in EUR equivalent	Actual cash flow 1/1 - 31/03 2017	Expected Cash flow 1/1 - 31/03 2017
USD	279,209	281,052
GBP	14,071	13,904
EUR	5,286	5,793
Other	1,134	1,366
Total	299,700	302,114

Actual cash flow during the period was EUR 2.4 million less than expected, largely attributable to foreign exchange movements as expected cash flow is reported on rates at the beginning of the period and actual cash flow on the rate at the payment date.

Individual assets monetised over the period with a value in excess of EUR 10 million are comprised of USD 281 million in aggregate prepayments received towards principal amounts outstanding under Series 2020 and Series 2024 of the Landsbankinn bond (EUR 264 million).

28. Asset monetisation plan for the next 12 months

	2017			2018
Asset categories	Q2	Q3	Q4	Q1
Landsbankinn term deposit	557	557	551	545
Landsbankinn bonds	423	1,480	1,496	1,496
Loans to customers	1,745	7,042	1,519	2,607
Equities and bonds	2,473		254	
Claims on bankrupt estates	3,400	0	163	1,631
Other assets	37,039	7,957		
Total	45,636	17,037	3,984	6,279

All amounts are in EUR thousands,
unless otherwise stated

Amounts by currency stated in EUR equivalent	2017 Q2	2017 Q3	2017 Q4	2018 Q1
USD	9,036	9,521	1,579	1,578
GBP	11,366	495	1,352	2,353
EUR	21,352	6,625	210	2,243
Other	3,883	396	843	105
Total	45,636	17,037	3,984	6,279

The asset monetisation plan for the next 12 months includes interest collections on the Landsbankinn term deposit, the Landsbankinn bonds and performing credit exposures categorised as loans to customers with 100% estimated recoverable value. 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

29. 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.

All amounts are in EUR thousands,
unless otherwise stated

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.

(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.

(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 2017.

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.

30. Events after the Balance Sheet Date

On 5 April 2017, LBI exercised its option of early redemption and redeemed EUR 299.2 million of Convertible Notes pro-rata to their outstanding nominal amount.

On 18 April 2017, LBI and Kaupthing hf. settled a long-running claim dispute resulting in an increase in estimated recovery of other assets by EUR 6.1 million.

On 11 May 2017, LBI lost its rescission case against LGT Bank Ltd.

On 12 May 2017, LBI and Glitnir hf. settled a dispute surrounding certain claims and counterclaims related to guarantees provided to LBI in respect of a loan to a third party. As a result of this settlement, the estimated recovery of other assets was increased by EUR 13.1 million. The settlement furthermore involved the withdrawal of a priority claim lodged by Glitnir hf. against LBI under Art. 109 of the Icelandic Bankruptcy Act.