

LBI

Management Accounts 1 July to 30 September 2017

LBI ehf
Ármúli 21
108 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 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, 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 17 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 15 of these Financial Statements for further information on the Convertible Notes.

LBI has placed in escrow DMP, Convertible Notes and Convertible Note redemption payments pending the resolution of disputed and contingent claims lodged under Art. 113 of the Icelandic Bankruptcy Act during the Company's winding-up proceedings. LBI is furthermore obligated to issue new shares for any disputed or contingent Art. 113 claims which may become recognised claims under the Composition Agreement. Additional information about the reserves placed in escrow on account of disputed and contingent Art. 113 claims is provided in Notes 19 and 20 to these Financial Statements.

During the third quarter of 2017, LBI actively managed its asset portfolio and worked to resolve disputed and contingent claims. On 21 July 2017, the Company exercised its option of early redemption and redeemed EUR 146.6 million of Convertible Notes pro-rata to their outstanding nominal amount.

Net cash inflow from assets during the period amounted to EUR 4.2 million, resulting primarily from the repayment of exposures in loans to customers and the sale of an unlisted equity position.

During the quarter, the Company finally rejected EUR 12.9 million of disputed claims lodged under Art. 113 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 19-21.

As of 30 September 2017, the Company's total assets amounted to EUR 332.3 million and total liabilities also amounted to EUR 332.3 million. The profit for the period amounted to EUR 13.4 million, which is reflected in the adjustments to the stated value of the Convertible Notes.

On 30 September 2017, 581 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 July to 30 September 2017.

Reykjavík, 28 November 2017

The Board of Directors

Richard Katz
Chairman

Kolbeinn Árnason

Christian Digemose

Chief Executive Officer

Ársæll Hafsteinsson

Income Statement for the period 1 July to 30 September 2017

	Notes	2017 1/7 - 30/9	2017 1/4 - 30/6
Interest, dividend and fee income	4	1,186	2,149
Net change in value	5	16,382	2,777
Net exchange difference		(1,360)	(13,532)
Operating income		<u>16,208</u>	<u>(8,606)</u>
Salaries and related expenses	6	(2,579)	(3,665)
General and administrative expenses	7	(2,097)	(2,395)
Operating expenses		<u>(4,676)</u>	<u>(6,060)</u>
Reversal of reserves held in escrow	19, 20	1,824	2,360
Adjustment to value of the Convertible Notes	15	(13,356)	13,306
Financing activities		<u>(11,532)</u>	<u>15,666</u>
Profit before Stability Contribution and taxes		<u>0</u>	<u>1,000</u>
Stability Contribution	17	0	(1,000)
Taxes	16	0	0
Profit for the year		<u>0</u>	<u>0</u>

Balance Sheet as at 30 September 2017

Assets	Notes	30/09/2017	30/06/2017
Cash	8	23,540	170,076
Restricted cash	9	36,662	37,637
Landsbankinn term deposit	10	138,617	139,207
Loans to customers	11	31,341	32,320
Equities and bonds	12	982	1,415
Claims on bankrupt estates	13	85,278	71,925
Other assets	14	14,374	13,504
Other receivables		1,487	1,427
Total assets		<u>332,282</u>	<u>467,512</u>
Liabilities			
Convertible Notes	15	314,163	447,789
Stability Contribution	17	16,546	17,490
Other liabilities		1,573	2,233
Total liabilities		<u>332,282</u>	<u>467,512</u>
Equity			
Share capital		11,286	11,286
Accumulated deficit		(11,286)	(11,286)
Total equity	18	<u>0</u>	<u>0</u>
Total liabilities and equity		<u>332,282</u>	<u>467,512</u>

Statement of Cash Flows for the period 1 July to 30 September 2017

	2017 1/7 - 30/9	2017 1/4 - 30/6
Cash flows (to) from assets		
Interest received on cash	313	(24)
Landsbankinn term deposit - interest income	547	549
Landsbankinn bonds - principal payments	0	143,260
Landsbankinn bonds - interest income	0	1,621
Loans to customers - principal payments inflow	2,391	7,562
Loans to customers - interest/fee income	0	182
Equities and bonds - net cash inflow	1,111	1,273
Claims on bankrupt estates - net cash inflow	0	3,385
Other assets and other sources - net cash inflow	108	36,459
Net cash from assets	<u>4,470</u>	<u>194,266</u>
Cash flows (to) from other operating activities		
Salaries and related expenses	(2,927)	(3,409)
General and administrative expenses	(2,156)	(3,505)
Net cash (to) from other operating activities	<u>(5,083)</u>	<u>(6,914)</u>
Cash flow (to) from financing activities		
Reversal of reserves held in escrow	1,403	1,603
Redemption of Convertible Notes	(146,562)	(342,783)
Net cash (to) from financing activities	<u>(145,159)</u>	<u>(341,179)</u>
(Decrease) increase in cash	(145,773)	(153,827)
Effects of foreign exchange rate adjustments on cash	(764)	(3,135)
Cash at the beginning of the period	170,076	327,038
Cash at the end of the period	<u>23,540</u>	<u>170,076</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, 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 19-21 for further information on disputed claims and their potential impact on the Company's liabilities.

Interest, dividend and fee income

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

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

Impairment

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

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

Stability Contribution

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

to be retained by LBI, the Retained Assets, subject to Additional Stability Contributions under certain circumstances. The Retained Assets currently held by LBI are as follows:

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

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

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

3. Currency exchange rates

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

	Balance Sheet date	
	30/09/2017	30/06/2017
ISK	0.0080	0.0085
USD	0.8464	0.8767
GBP	1.1327	1.1367

At the end of the reporting period, the Company held assets in additional currencies totalling the equivalent of EUR 7.1 million (see Note 22).

Notes to the Income Statement

4. Interest, dividend and fee income

	2017 1/7 - 30/9	2017 1/4 - 30/6
Cash and restricted cash balances	290	(47)
Landsbankinn term deposit	547	543
Landsbankinn bonds	0	1,328
Loans to customers	350	326
Total	1,186	2,149

5. Net change in value

	2017 1/7 - 30/9	2017 1/4 - 30/6
Loans to customers.....	1,127	2,922
Equities and bonds.....	678	(32)
Claims on bankrupt estates.....	13,356	211
Other assets.....	1,221	(324)
Total	16,382	2,777

The estimated recoverable value reported under claims on bankrupt estates has been increased by EUR 13.4 million due to a reassessment of expected collections on claims into Landsbanki Luxembourg's estate following a favourable ruling by the Criminal Court in Paris on 28 August 2017. Net change in reported value of EUR 1.2 million for other assets consists of an increase by EUR 2.3 million due to settlement of three disputes reported under unsettled derivatives, offset by a decrease in reported value of a real estate exposure of EUR 1.1 million. Net change in reported value for equities and bonds is attributable to a EUR 0.7 million increase in value resulting from the sale of an equity position during the quarter at an amount above the value reported at the end of the previous period.

6. Salaries and related expenses

	2017 1/7 - 30/9	2017 1/4 - 30/6
Salaries.....	2,147	3,117
Pension fund.....	266	325
Other salary related expenses.....	167	223
Total	2,579	3,665
Of which: ISK.....	1,555	1,097
Of which: non-ISK.....	1,024	2,568
Total	2,579	3,665

Average number of full-time positions during the period	12	12
Number of full-time positions at the end of the period	9	12

7. General and administrative expenses

	2017 1/7 - 30/9	2017 1/4 - 30/6
External advisors.....	1,932	2,121
Premises expenses.....	41	102
Other expenses.....	124	171
Total	2,097	2,395
Of which: ISK.....	887	1,031
Of which: non-ISK.....	1,210	1,364
Total	2,097	2,395

Notes to the Balance Sheet

8. Cash

	30/09/2017	30/06/2017
Non-ISK.....	22,045	166,327
ISK Opex Reserve Fund.....	1,495	3,749
Total	23,540	170,076

As of 30 September 2017, the Company's non-ISK cash balance stood at EUR 22 million which, to the extent not distributed, is being retained for future operating expenses and asset support.

As of 30 September, the remaining balance in the ISK Opex Reserve Fund amounted to ISK 186.7 million (EUR 1.5 million). These funds are retained by LBI in a separate account for the payment of ISK-denominated operating expenses. Pursuant to the terms of the Assignment Agreement, any ISK funds remaining on 31 December 2018 must be paid to the CBI and will therefore not be available for distribution to the Company's stakeholders (see Note 2). The Company expects that the ISK Opex Reserve Fund will be depleted during 2017.

9. Restricted cash

	30/09/2017	30/06/2017
ISK cash with respect to an Additional Stability Contribution.....	16,546	17,490
Indemnity Fund.....	19,883	19,906
Trustee Indemnity Fund.....	233	241
Total	36,662	37,637

In March 2017 LBI reached an agreement with the CBI to retain a payment received from Brim hf. of ISK 2.1 billion (EUR 16.5 million) further to a ruling by the Supreme Court of Iceland. The payment received from Brim hf. remains classified as a Retained Asset and a corresponding amount is allocated for Additional Stability Contribution. The payment received from Brim hf. was made with reservations, demanding recourse to LBI for reimbursement of the amount paid. Brim hf. has summoned LBI to the Reykjavik District Court claiming damages and partial repayment of the ISK 2.1 billion in restricted cash held as a reserve against Brim's claim. A procedural hearing in the case was held on 24 November 2017 regarding LBI's request for dismissal with the District Court ruling

expected on 8 December 2017. This ISK-denominated payment will eventually be transferred to the CBI to the extent not reimbursed by LBI to Brim hf.

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

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

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

10. Landsbankinn term deposit

	<u>30/09/2017</u>	<u>30/06/2017</u>
Term deposit with Landsbankinn (EUR).....	72,607	72,607
Term deposit with Landsbankinn (GBP).....	54,834	55,025
Term deposit with Landsbankinn (USD).....	11,176	11,575
Total	<u>138,617</u>	<u>139,207</u>

LBI maintains a term deposit denominated in EUR, GBP and USD with Landsbankinn in an amount equivalent to EUR 138.6 million as of 30 September 2017. The term deposit matures on 9 October 2018 and bears interest at 1.5% over 3-month EUR EURIBOR / GBP LIBOR / USD LIBOR.

On 27 November 2017, LBI was notified that the full amount of the Landsbankinn term deposit will be made available for withdrawal by a date certain; such date will permit that amount to be included in the scheduled redemption payment of the LBI Convertible Note on 15 December 2017.

11. Loans to customers

As of 30 September 2017, the estimated recoverable value in the loan to customer portfolio was primarily accounted for by mortgages to individuals secured by residential real estate and to Danish limited liability structures known as Kommanditselskaber ("K/S").

Loans to customers by sector	30/09/2017	30/06/2017
Real Estate.....	28,450	28,014
Services.....	325	325
Retail.....	1,161	1,364
Other.....	1,405	2,616
Total	31,341	32,320

Loans to customers by country	30/09/2017	30/06/2017
UK.....	20,882	21,068
France.....	6,270	6,270
Germany.....	25	25
Netherlands.....	21	896
Other Europe.....	4,144	4,061
Total	31,341	32,320

As of 30 September 2017, the ten largest exposures in the portfolio by estimated recoverable value accounted for EUR 29.7 million, or 96.2% of the estimated recoverable value of all loans to customers, whereas the aggregate outstanding balance for these ten exposures amounted to EUR 91.6 million, or 94.8%, of the entire portfolio.

Counterparty	Type of Exposure	Collateral	Balance
Individual	Mortgage / equity loan	Residential real estate	37,173
Individual	Mortgage	Residential real estate (sold / in contract)	25,677
Corporate / Individual	K/S	Commercial property lease	13,400
Corporate	Mortgage	Commercial real estate	6,630
Corporate	Leveraged lending	Senior unsecured	3,432
Corporate / Individual	K/S	Commercial property lease	1,483
Individual	K/S	Personal guarantees	1,440
Corporate / Individual	K/S	Commercial property lease	1,219
Corporate	K/S	Commercial property lease	883
Corporate	K/S	Commercial property lease	265
		Total	91,604

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 the latter case, the Company expects that the very substantial majority of the outstanding balance will ultimately be uncollectible. The outstanding balance against this individual was reduced in the period by EUR 32.7 in line with the amount of LBI's general unsecured claim accepted by the liquidator of the bankrupt estate.

During the period, LBI revised its expected recoveries on several small exposures resulting in an upward adjustment of net EUR 0.6 million mainly based on realised cash collections.

12. Equities and bonds

The remaining equity positions as of 30 September 2017 are all unlisted and have primarily arisen from the past restructuring of credit exposures. During the period, one equity position was sold for an amount exceeding the previously reported value by EUR 0.7 million. LBI did not hold any bond positions as of 30 September 2017.

13. Claims on bankrupt estates

	30/09/2017	30/06/2017
Landsbanki Luxembourg.....	84,311	70,955
Baugur.....	159	159
Heritable bank.....	809	812
Total	85,278	71,925

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. Loan balances shown below have been updated as of 30 September 2017 and include interest accruals at full default rates. Information shown below related to collateral values, except in limited circumstances, has not been updated since 31 December 2016. 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
<i>France</i>	66	59.5	149.1	119.6	57.6	108.4
<i>Spain</i>	204	62.8	144.4	102.6	54.8	96.2
<i>Other</i>	2	.7	.9	.6	.4	.6
Total	272	122.9	294.4	222.9	112.9	205.2

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. 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 most of the borrowers in question appealed the judgement.

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

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

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

At 30 September 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 294.4 million with an estimated recoverable value, net of certain costs expected to be incurred in connection with their monetisation, of EUR 84.3 million. The estimated recoverable value has been increased by EUR 13.4 million in the period due to a reassessment of expected collections following the favourable ruling by the Criminal Court in Paris.

Baugur

LBI holds accepted claims against the estate of Baugur hf, which is subject to liquidation proceedings in Iceland. Only a small residual expected recovery is 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 80 million) and a finally recognised subordinated claim in the amount of GBP 7 million (EUR 8 million) against the Heritable Bank estate. To date, the Heritable Bank estate has made aggregate distributions to holders of general unsecured creditors equal to 98% of their finally admitted claims. LBI's estimated recoveries assume that the cumulative distributions will be 99% of admitted general unsecured claims (and nil on the subordinated claims) based on reports from the administrators of the Heritable Bank estate.

Under a subsidiary guarantee provided by LBI to Heritable Bank prior to its bankruptcy proceedings, 67 holders of unsecured claims against Heritable Bank lodged contingent Art. 113 claims against LBI to the extent that these claims would not be fully satisfied by the Heritable Bank estate. LBI has fully reserved against these contingent Art. 113 claims and has placed into escrow an aggregate EUR 3.9 million in sufficient DMP, Convertible Notes and Convertible Note redemption payments to cover its maximum potential obligations (see Note 20). While these escrows will be returned to LBI in their

entirety if the Heritable Bank estate's general unsecured claims recover 100% of their principal amount, only half of the escrows will be returned if the general unsecured claims recover 99% of their principal amount.

In addition, the UK Financial Services Compensation Scheme (FSCS) has lodged a claim against LBI based on the same subsidiary guarantee, seeking compensation of its interest expense in the period from 8 October 2008 until 22 April 2009. This claim is disputed by LBI and has been referred to the Icelandic Courts for resolution. LBI has fully reserved against this disputed Art. 113 claims and has placed into escrow EUR 13.8 million in sufficient DMP, Convertible Notes and Convertible Note redemption payments to cover its maximum potential obligations (see Note 20). On 9 October 2017, the District Court of Reykjavik ruled in the favour of LBI dismissing the claim. The ruling has since been appealed to the Supreme Court of Iceland and a decision is expected before the end of the year.

14. Other assets

Other assets primarily consist of real estate, exposures to foreign financial institutions and corporate entities.

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

Counterparty	Contract	Unresolved matter	Jurisdiction	Balance
Raffaelsen 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

After the end of the reporting period, LBI settled its disputes with Commerzbank. LBI also settled its dispute with a foreign financial institution with a reported balance of EUR 2.2 million. The settlements of these disputes resulted in a net value increase of EUR 2.3 million and is reflected in the reporting period. These settlements will also result in net cash receipts of EUR 4.4 million and reversals to LBI of Convertible Notes in the nominal amount of EUR 4.8 million in the fourth quarter, constituting a release of all reserves held in escrow on account of both disputed and previously-allowed claims lodged by the two counterparties against LBI. These reversals will result in the recognition of income in the fourth quarter, currently estimated at EUR 1.8 million based on book value of the Convertible Notes on 30 September 2017.

Liabilities

15. Convertible Notes

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

	Noteholders	LBI	Total
Nominal amount outstanding at the beginning of the period..	962,645	154	962,799
Convertible Notes redeemed.....	(146,562)		(146,562)
Convertible Notes cancelled.....	(1,091)	(154)	(1,245)
Nominal amount outstanding at the end of the period.....	814,992	0	814,992

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.

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

During the period, Convertible Notes in the nominal amount of EUR 1.1 million were returned to LBI from escrow and subsequently cancelled due to the final rejection of a disputed Art. 113 claim.

As of 30 September 2017, Convertible Notes in the nominal amount of EUR 36.8 million and EUR 4.8 million (including Convertible Note redemption payments) were held in escrow to cover disputed and contingent Art. 113 claims, respectively, pursuant to the Composition Agreement.

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

	30/09/2017	30/06/2017
Book value outstanding at the beginning of the period.....	447,789	804,635
Convertible Notes redeemed.....	(146,562)	(342,783)
Adjustment of value relating to net asset value.....	13,356	(13,306)
Convertible Notes cancelled.....	(421)	(756)
Book value of the Convertible Notes at the end of the period.....	<u>314,163</u>	<u>447,789</u>

The Convertible Notes allocated to LBI and subsequently cancelled during the quarter are recognised in the income statement at their book value of EUR 421 thousand as at 30 September 2017.

A total of EUR 4.9 million of Convertible Notes in nominal amount will be reversed to LBI from escrow in the fourth quarter due to disputes settled after 30 September 2017 which includes EUR 4.8 million referenced in Note 14.

16. Taxes

Income tax

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

Income year	Expires	Tax loss
2008	2018	671,890
2009	2019	99,819
2010	2020	0
2011	2021	74,679
2012	2022	94,660
2013	2023	58,221
2014	2024	121,744
	Total	<u>1,121,013</u>

17. Stability Contribution

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

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

	30/09/2017	30/06/2017
ISK cash with respect to an Additional Stability Contribution.....	16,546	17,490
Allocated cash for Stability Contribution.....	16,546	17,490

As of 30 September 2017, the amount allocated for Additional Stability Contributions totalled the equivalent of EUR 16.5 million.

In March 2017 LBI reached an agreement with the CBI to retain a payment received from Brim hf. of ISK 2.1 billion (EUR 16.5 million) further to a ruling by the Supreme Court of Iceland. The payment received from Brim hf. remains classified as a Retained Asset and a corresponding amount is allocated for Additional Stability Contribution. The payment received from Brim hf. was made with reservations, demanding recourse to LBI for reimbursement of the amount paid. Brim hf. has summoned LBI to the Reykjavik District Court claiming damages and partial repayment of the ISK 2.1 billion in restricted cash held as a reserve against Brim's claim. A procedural hearing in the case was held on 24 November 2017 regarding LBI's request for dismissal with the District Court ruling expected on 8 December 2017. This ISK-denominated payment will eventually be transferred to the CBI to the extent not reimbursed by LBI to Brim hf.

Equity

18. Changes in Equity

The Share capital of the Company as of 30 September 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)
	<u>1,128,632,849</u>	<u>99.5%</u>	<u>11,286,328</u>

Change in equity is specified as follows:

	Share capital	Accumulated deficit	Total equity
Equity as of 1 April 2017	11,286	(11,286)	0
New share capital issued			0
Profit for the period			0
Equity as of 30 June 2017	<u>11,286</u>	<u>(11,286)</u>	<u>0</u>
New share capital issued			0
Profit for the period			0
Equity as of 30 September 2017	<u>11,286</u>	<u>(11,286)</u>	<u>0</u>

Information relating to claims not reflected in the Balance Sheet

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

Disputed Art. claims	2017	2017
	1/7 - 30/9	1/4 - 30/6
Claims at the beginning of the period.....	233,189	251,836
Finally rejected claims.....	(12,871)	(18,647)
Finally accepted claims.....	0	0
Disputed Art. 113 claims at the end of the period	220,318	233,189

During the reporting period, LBI withdrew ten recession cases resulting in the final rejection of EUR 12.9 million in provisional and disputed claims lodged by the counterparties against the Company.

Contingent Art. claims	2017	2017
	1/7 - 30/9	1/4 - 30/6
Claims at the beginning of the period.....	31,587	31,587
Finally rejected claims.....	0	0
Finally accepted claims.....	0	0
Contingent Art. 113 claims at the end of the period	31,587	31,587

Contingent Art. 113 claims remained unchanged during the period. EUR 22.0 million of these claims are contingent on no further payments being made by the Heritable Bank estate towards general accepted claims (see Note 13). 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 99% of their allowed amount (as described in Note 13), EUR 11.0 million of such EUR 22.0 million contingent claims would be finally rejected.

20. 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 1.7.2017	18,720	20,408	2,417	41,545
Partially accepted claims	0	0	0	0
Redemption payments	(2,691)	2,691	0	0
Reversed DMP to LBI	0	0	(36)	(36)
Reversed from notes to LBI	(1,091)	(1,199)	0	(2,290)
Reserves 30.09.2017	14,938	21,900	2,381	39,219

LBI's withdrawal of the recession cases referred to in Note 19 has resulted in the reversal of Convertible Notes in the nominal amount of EUR 1.1 million (recognised in the Income Statement at the book value of 421 thousand) and EUR 1.2 million in cash during the reporting period. Note that reversals of reserves recorded in the income statement and cash flow statement for the quarter ended 30 September 2017 include cash of EUR 168 thousand related to disputed claims cancelled in prior periods.

Reserves for Contingent Art. 113 claims

	Convertible notes	Conv. notes redemption	DMP	Total reserves
Reserves 1.7.2017	2,289	2,495	810	5,594
Redemption payments	(349)	349	0	0
Reversed DMP to LBI	0	0	0	0
Reversed from notes to LBI	0	0	0	0
Reserves 30.09.2017	1,940	2,844	810	5,594

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

21. Disputed priority claims

	2017 1/7 - 30/9	2017 1/4 - 30/6
Disputed Priority claims at the beginning of the period.....	68,775	373,686
New filed Priority claims during the period.....	0	0
Finally rejected Priority claims.....	0	(303,488)
Finally accepted Priority claims.....	0	0
FX difference.....	(197)	(1,423)
Disputed Priority claims at the end of the period	68,578	68,775

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

As of 30 September 2017, the disputed priority claims comprised (i) two Art. 110 claims in the aggregate amount of EUR 20 thousand and (ii) two Art. 111 claims lodged by an individual in the amounts of EUR 11.9 million and GBP 50.0 million (EUR 56.6 million).

Other Information

22. Assets specified by currencies

	30/09/2017					Total
	EUR	USD	GBP	ISK	Other	
Cash	15,206	2,410	1,843	1,495	2,586	23,540
Restricted cash	19,883	233	0	16,546	0	36,662
Landsbankinn term deposit	72,607	11,176	54,834	0	0	138,617
Loans to customers	9,375	0	17,410	0	4,556	31,341
Equities and bonds	0	0	982	0	0	982
Claims on bankrupt estates	84,311	0	967	0	0	85,278
Other assets	8,618	5,756	0	0	0	14,374
Other receivables	0	0	0	1,487	0	1,487
Total	210,001	19,574	76,036	19,529	7,142	332,282
% of total assets	63%	6%	23%	6%	2%	100%

	30/06/2017					Total
	EUR	USD	GBP	ISK	Other	
Cash	16,276	143,382	4,843	3,749	1,826	170,076
Restricted cash	19,906	241	0	17,490	0	37,637
Landsbankinn term deposit	72,607	11,575	55,025	0	0	139,207
Loans to customers	10,478	0	17,669	0	4,172	32,320
Equities and bonds	1,111	0	305	0	0	1,415
Claims on bankrupt estates	70,955	0	971	0	0	71,925
Other assets	6,491	7,014	0	0	0	13,504
Other receivables	0	0	0	1,427	0	1,427
Total	197,823	162,212	78,812	22,667	5,998	467,512
% of total assets	42%	35%	17%	5%	1%	100%

Other Information

23. Drivers of change for the period 01/07/2017-30/09/2017

Asset categories	30/06/2017	Net cash received	FX change	Value-change	Income	Operating expenses	Stability Contrib. and Tax	Note Redemption	Reserve and other reversals	30/09/2017
Cash	170,076	4,157	(764)	0	313	(5,083)	0	(146,562)	1,403	23,540
Restricted cash	37,637	0	(952)	0	(23)	0	0	0	0	36,662
Landsbankinn term deposit	139,207	(547)	(590)	0	547	0	0	0	0	138,617
Loans to customers	32,320	(2,391)	(64)	1,127	350	0	0	0	0	31,341
Equities and bonds	1,415	(1,111)	(1)	678	0	0	0	0	0	982
Claims on bankrupt estates	71,925	0	(3)	13,356	0	0	0	0	0	85,278
Other assets	13,504	(108)	(242)	1,221	0	0	0	0	0	14,374
Other receivables	1,427	0	60	0	0	0	0	0	0	1,487
Total	467,512	0	(2,556)	16,382	1,186	(5,083)	0	(146,562)	1,403	332,282

Other Information

24. Assets, classification and measurement

Asset categories	30/09/2017		30/06/2017	
	Balance	Value	Balance	Value
Cash	23,540	23,540	170,076	170,076
Restricted cash	36,662	36,662	37,637	37,637
Landsbankinn term deposit	138,617	138,617	139,207	139,207
Loans to customers	100,571	31,341	135,128	32,320
Equities and bonds	3,486	982	3,995	1,415
Claims on bankrupt estates	354,807	85,278	354,842	71,925
Other assets	40,479	14,374	44,241	13,504
Other receivables	1,487	1,487	1,427	1,427
Total	699,650	332,282	886,553	467,512

The balance of loans to customers has been reduced in the period by EUR 32.7 million on account of an exposure to an individual which is subject to bankruptcy proceedings in the United Kingdom and in line with the amount of a general unsecured claims accepted by the liquidator of the bankrupt estate.

The balance of loans to customers as of 30 September 2017 and 30 June 2017 include aggregate exposures of EUR 4 million and EUR 4.2 million, respectively, for which the Company expects zero recovery and which are not reflected in the tables below:

Loans to customers by sector	30/09/2017		30/06/2017	
	Balance	Value	Balance	Value
Services	4,432	325	4,440	325
Real Estate	73,754	28,450	107,248	28,014
Retail	13,400	1,161	13,410	1,364
Other	5,029	1,405	5,874	2,616
Total	96,615	31,341	130,972	32,320

Loans to customers by country	30/09/2017		30/06/2017	
	Balance	Value	Balance	Value
UK	41,740	20,882	48,519	21,068
France	5,927	6,270	5,927	6,270
Germany	1,000	25	1,000	25
Netherlands	205	21	500	896
Other Europe	47,743	4,144	75,027	4,061
Total	96,615	31,341	130,972	32,320

Other Information

25. Actual cash flow versus previously expected cash flow

Asset categories	Actual cash flow	Expected Cash flow
	1/7 - 30/09 2017	1/7 - 30/09 2017
Landsbankinn term deposit	547	549
Loans to customers	2,391	2,390
Equities and bonds	1,111	1,111
Other assets and other sources	108	170
Total	4,157	4,220

Amounts by currency stated in EUR equivalent	Actual cash flow	Expected Cash flow
	1/7 - 30/09 2017	1/7 - 30/09 2017
USD	13	83
GBP	552	352
EUR	2,726	3,603
Other	865	182
Total	4,157	4,220

26. Asset monetisation plan for the next 12 months

Asset categories	2017		2018	
	Q4	Q1	Q2	Q3
Landsbankinn term deposit	139,007	0	0	0
Loans to customers	1,838	2,902	275	23,946
Equities and bonds	925	57	0	0
Claims on bankrupt estates		500	1,309	659
Other assets and other sources	4,431	6,626	0	5,756
Total	146,201	10,084	1,584	30,360

Amounts by currency stated in EUR equivalent	2017		2018	
	Q4	Q1	Q2	Q3
USD	11,233	0	0	5,756
GBP	56,108	1,246	979	15,558
EUR	77,852	7,606	500	8,690
Other	1,008	1,232	105	356
Total	146,201	10,084	1,584	30,360

Other Information

27. Budget for 2018

	2018			
	Q1	Q2	Q3	Q4
Salaries and related expenses				
Salaries	1,104	1,980	628	1,280
Pension fund	168	286	88	165
Other salary related expenses	99	150	50	94
Total	1,371	2,415	766	1,539
General and administrative expenses				
External advisors	842	763	618	613
Premises expenses	25	13	13	13
Other expenses	95	80	80	80
Total	962	856	711	706
Operating expenses total	2,333	3,271	1,477	2,245

28. Litigation against third parties

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

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

Claim for Damages

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

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

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

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

Other Information

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 3-4 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 3-4 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 to be 3-4 years. The next procedural hearings in the above cases is scheduled for 28 November 2017.

(iv) Other

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

Claims for Voiding

Redemption of Bonds and Bills prior to Maturity

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

Other Information

Following the judgement, LBI withdrew ten similar rescission cases that were pending before the Icelandic courts. In five cases, reserves had been placed in escrow on account of provisional claims having been lodged against LBI by the counterparties. Four of these reserve allocations were reversed and cancelled before the redemption of the Convertible Notes on 21 July 2017. In one case, the allocation of reserves in escrow were reversed and the associated Convertible Notes cancelled shortly before the end of the reporting period.

LBI has after the end of the reporting period withdrawn a further two cases, one of which had an allocation on escrow of EUR 166 thousand in cash and EUR 105 thousand in Convertible Notes which will be reversed in the fourth quarter.

LBI's six remaining court cases regarding claims for voiding were heard by the Reykjavik District Court in early November and verdicts are expected before the end of the year. These six respective cases have seven reserve allocations in escrow as there are two reserve allocations in one instance.

Retained asset, damage case lodged against LBI

In March 2017 LBI reached an agreement with the CBI to retain a payment received from Brim hf. of ISK 2.1 billion (EUR 16.5 million) further to a ruling by the Supreme Court of Iceland. The payment received from Brim hf. remains classified as a Retained Asset and a corresponding amount is allocated for Additional Stability Contribution. The payment received from Brim hf. was made with reservations, demanding recourse to LBI for reimbursement of the amount paid. Brim hf. has summoned LBI to the Reykjavik District Court claiming damages and part repayment of the ISK 2.1 billion Restricted cash held as a reserve against Brim's claim. A procedural hearing in the case was held on 24 November 2017 regarding LBI's request for dismissal with the District Court ruling expected on 8 December 2017. This ISK-denominated payment will eventually be transferred to the CBI to the extent not reimbursed by LBI to Brim hf.

29. Events after the Balance Sheet Date

On 9 October 2017, the District Court of Reykjavik ruled in favour of LBI, dismissing FSCS's claim for interest under a subsidiary guarantee. The ruling has since been appealed to the Supreme Court of Iceland which is expected to announce its decision before the end of the year.

On 16 November 2017, LBI and Commerzbank settled all outstanding disputes on claims and counterclaims resulting in the reversal of all escrow allocations towards the disputed claims. See Note 13.

On 22 November 2017, LBI settled its outstanding dispute with a foreign financial institution resulting in an increased reported value under other assets in the reporting period and increased cash collection in the fourth quarter. See Note 13.

On 27 November 2017, LBI was notified that the full amount of the Landsbankinn term deposit will be made available for withdrawal on a date certain; such date will permit that amount to be included in the scheduled redemption payment of the LBI Convertible Note on 15 December 2017.