LBI ehf.

Management Accounts

1 April to 30 June 2016

LBI ehf.
Álfheimar 74
104 Reykjavík
Reg. No. 540291-2259

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Contents

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 Álfheimar 74, 104 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 instrument, 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. 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 provides 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. Information related to the Company’s expectations for Additional Stability Contributions is provided in Note 17 to the Management Accounts.

Pursuant to the Composition Agreement, LBI made de minimis cash payments (the “DMP”) to each of its recognised creditors on 8 February 2016. 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 stated 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 the Management Accounts for further information on the Convertible Notes.

The Company has placed in escrow DMP, Convertible Notes and Convertible Note redemption payments pending the resolution of disputed and contingent claims. LBI is furthermore obligated to issue new shares for any disputed or contingent 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 claims is provided in Notes 19 and 20 to the Management Accounts.

The Company continued to be managed by the Winding-up Board between the Composition Effective Date and 14 April 2016, when the Winding-up Board was replaced by a new Board of Directors elected at a shareholders’ meeting held in Reykjavik.

During the second quarter of 2016, LBI actively managed its asset portfolio and worked on the resolution of disputed and contingent claims. Net cash inflow from assets during the period amounted to EUR 50.0 million. On 14 April 2016, the Company redeemed EUR 16.5 million of the Convertible Notes pro-rata to their nominal amount outstanding. On 30 June 2016, the Company redeemed EUR 43.6 million of the Convertible Notes pro-rata to their nominal amount outstanding.

As of 30 June 2016 the Company's total assets amounted to EUR 1,435.4 million (31 March 2016: EUR 1,492.2 million) and total liabilities amounted to EUR 1,435.4 million (31 March 2016: EUR 1,492.2 million). The profit for the period amounted to EUR 4.5 million which is reflected in the adjustments to the stated value of the Convertible Notes.

Endorsement by the Board of Directors and the CEO

The Company's share capital is divided into two classes of shares, being 1,600,000,000 Class A Shares and, initially, 0 Class B Shares. The shares are denominated in ISK and each share is in the nominal amount of ISK 1. As LBI maintains and prepares its accounts in EUR, the Company's share capital is recognised in the balance sheet at the EUR equivalent of the nominal value based on the CBI selling rate as of 23 March 2016 (the date the shares were issued). 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. To give a true and fair view of the financial position, the book value of the Convertible Notes is adjusted in line with the net realisable value of the Company's assets at the end of each financial reporting period, resulting in assets being equal to liabilities and causing the equity of the Company to be nil. On 30 June 2016, 565 shareholders were registered in the Company's share registry.

The management of LBI has decided to reclassify the Company's assets into new categories. The new classification has been implemented to better reflect the nature and similarities of exposures included in each asset category and the manner in which they are managed. A reconciliation of the reclassification between the old and new asset categories is provided in Note 23 to the Management Accounts. As any value attributable to certain litigation against third parties is highly uncertain and as such disclosure could be commercially prejudicial to LBI, the Company has decided to reclassify such exposures as off-balance-sheet items. Accordingly, no value is reflected in the current Management Accounts for these items despite value having been attributed to such items in recent Management Accounts. Information related to certain ongoing litigation pursued against third parties is provided in Note 28 to the Management Accounts.

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

The Board of Directors and the CEO have today discussed and approved the Management Accounts for the period 1 April to 30 June 2016.

Reykjavík, 25 August 2016

The Board of Directors

Chief Executive Officer

Income Statement for the period 1 April to 30 June 2016

	Notes	2016 1/4 - 30/6	2016 1/1 - 31/3
Interest, dividend and fee income	4	10,178	9,832
Net change in impairment	5	(1,101)	7,705
Net exchange difference		6,012	(37,900)
Off-balance-sheet reclassification effect	23, 24	(4,001)	0
Operating income		11,088	(20,363)
Salaries and related expenses	6	(2,450)	(1,544)
General and administrative expenses	6	(3,666)	(8,426)
Operating expenses		(6,116)	(9,969)
Adjustment of value of the Convertible Notes relating to net asset value	15	(4,506)	32,790
Profit before Stability Contribution and taxes		467	2,458
Stability Contribution	17	(467)	(2,458)
Taxes	16	0	0
Profit for the period		0	0

All amounts are in EUR thousands,
unless otherwise stated

Balance Sheet as at 30 June 2016

Assets	Note	30/06/2016	31/03/2016
Cash	7	45,711	62,003
Restricted cash	8	63,744	65,230
Landsbankinn term deposit	9	143,403	90,875
Landsbankinn bonds	10	856,018	866,364
Loans to customers	11	204,039	292,469
Equities and bonds	12	5,170	4,734
Claims on bankrupt estates	13	71,688	71,553
Other assets	14	45,577	39,006
Total assets		1,435,350	1,492,232

Liabilities			
Convertible Notes	15	1,390,006	1,445,556
Tax liabilities	16	19,852	19,312
Stability Contribution	17	23,912	22,807
Other liabilities		1,579	4,558
Total liabilities		1,435,350	1,492,232
Equity			
Share capital		11,339	11,339
Accumulated deficit		(11,339)	(11,339)
Total equity	18	0	0
Total liabilities and equity		1,435,350	1,492,232

All amounts are in EUR thousands,
unless otherwise stated

Statement of Cash Flows for the period 1 April to 30 June 2016

	2016 1/4 - 30/6	2016 1/1 - 31/3
Cash flows (to) from assets		
Interest received on cash	11	91
Landsbankinn term deposit - principal payments inflow (outflow)	(54,576)	0
Landsbankinn term deposit - interest income	394	0
Landsbankinn bonds - principal payments	20,000	0
Landsbankinn bonds - interest income	7,082	6,716
Loans to customers - principal payments inflow (outflow)	65,538	13,886
Loans to customers - interest/fee income	2,063	1,858
Equities and bonds - net cash inflow (outflow)	336	3,436
Claims on bankrupt estates - net cash inflow (outflow)	479	510
Other assets - net cash inflow (outflow)	8,647	0
Net cash (to) from assets	49,974	26,498
Cash flows (to) from other operating activities		
Fee income	0	1,902
Salaries and related expenses	(1,754)	(1,303)
General and administrative expenses	(5,767)	(7,310)
Net cash (to) from other operating activities	(7,521)	(6,711)
Cash flow (to) from financing activities		
DMP	0	(20,789)
Priority claims	0	(1,488,936)
Redemption of Convertible Notes	(60,056)	0
Net cash (to) from financing activities	(60,056)	(1,509,725)
Increase (decrease) in cash	(17,603)	(1,489,938)
Effects of foreign exchange rate adjustments on cash	1,311	(4,253)
Cash at the beginning of the period	62,003	1,556,194
Cash at the end of the period	45,711	62,003

All amounts are in EUR thousands,
unless otherwise stated

Notes

General information

1. Reporting entity

LBI ehf. is a company domiciled in Iceland. The Company's registered office is at Álfheimar 74, 104 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 due to the purpose of the Company to liquidate/sell subsidiaries in the short/medium term.

Going concern

The Management Accounts are prepared on the basis that the Company will be able to manage effectively the timing of asset realisations. External events (political, economic, regulatory and/or legal) could affect the time scale, ability and process for such realisations.

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:

2. Basis of preparation (cont.)

Balance sheet item	Valuation methodology
Cash and restricted cash	Recognised at nominal value based on bank statements.
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 any 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 realisable value 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.
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 Management Accounts are presented in EUR, which is the Company's functional currency. All amounts have been rounded to the nearest thousand, except where otherwise stated. From the year 2016, the Company´s functional currency is EUR instead of ISK. Upon making this change in the functional currency all Balance Sheet comparative amounts were converted to EUR at the prevailing ISK / EUR exchange rate on 31 March 2016 and all Income Statement comparatives were converted at the average ISK / EUR exchange rate for the period 1 January to 31 March 2016. 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 Management Accounts 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.

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.

2. Basis of preparation (cont.)

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 when reported by the relevant financial institution.

Dividend income is recognised when received.

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. The amount of the reversal is recognised in the Income Statement.

Stability Contribution

As part of the Composition Agreement confirmed by the 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:

2. Basis of preparation (cont.)

(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 into a separate account for the settlement of disputed ISK-denominated priority claims lodged under Art. 109-111 of the Icelandic Act on Bankruptcy etc., to the extent that such claims are finally recognised, and for the payment of the special financial administration tax for 2015 (see note 16). 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; 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. ISK proceeds received from these Retained Assets are reflected in the Income Statement as an increased value and is then expensed for the same amount as an Additional Stability Contribution. ISK proceeds received by LBI which have not been transferred to the CBI at the end of each reporting period are recorded as an asset under restricted cash and then fully offset by an increase in Additional Stability Contribution under other liabilities.

Offsetting

Amounts subject to set-off included in the Balance Sheet represent an estimate of the effect of both legal netting and creditor set-off, based on an interpretation and assessment of the potential rights of the Company and its counterparties. If the rights of the Company and its counterparties were ultimately to differ from that assumed, the estimated value of the Company's assets and the computation of its liabilities could be materially impacted.

3. Currency exchange rates

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

	Balance Sheet date	
	30/06/2016	31/03/2016
ISK	0.0073	0.0071
USD	0.8965	0.8783
GBP	1.2066	1.2645
CAD	0.6933	0.6789
DKK	0.1344	0.1342
NOK	0.1072	0.1062
SEK	0.1061	0.1084
CHF	0.9188	0.9144
JPY	0.0087	0.0078

All amounts are in EUR thousands, unless otherwise stated

Notes

Notes to the Income Statement

4. Interest, dividend and fee income

	2016 1/4 - 30/6	2016 1/1 - 31/3
Cash and restricted cash balances	(10)	91
Landsbankinn term deposit	964	0
Landsbankinn bonds	6,804	6,406
Loans to customers	2,421	1,432
Fee income	0	1,902
Total	10,178	9,832

Accrued interest on Landsbankinn term deposit for both Q1 and Q2 2016 is recognised in Q2 2016.

An increase of EUR 1.0 million from loans to customers is primarily driven by changes in the terms of the largest exposure.

Fee income of EUR 1.9 million in Q1 2016 consists of court-ordered reimbursement of legal expenses.

5. Net change in impairment

	2016 1/4 - 30/6	2016 1/1 - 31/3
Loans to customers	(17,462)	6,999
Equities and bonds	902	706
Claims on bankrupt estates	508	0
Other assets	14,951	0
Total	(1,101)	7,705

Net change in impairment reflects both regular reassessments of value and revisions to the Company´s overall asset valuation methodology (see Note 2).

6. Operating expenses

Salaries and related expenses

	2016 1/4 - 30/6	2016 1/1 - 31/3
Salaries	2,047	1,257
Salary related expenses	403	287
Total	2,450	1,544
Of which: ISK	1,702	1,065
Of which: non-ISK	748	479
Total	2,450	1,544
Average number of full time positions during the period	23	30
Number of full time positions at the end of the period	18	27

During the period, the number of Company employees was reduced by nine. The increase in salaries and related expenses resulted primarily from redundancy payments. The Company's total management salaries and related expenses amounted to EUR 579 thousand for the period 1 April to 30 June 2016.

All amounts are in EUR thousands,
unless otherwise stated

Notes

6. Operating expenses (cont.)

General and administrative expenses

	2016 1/4 - 30/6	2016 1/1 - 31/3
External advisors	2,594	6,996
Administrative expenses	139	425
Premises expenses	123	103
Other expenses	810	902
Total	3,666	8,426
Of which: ISK	2,409	2,719
Of which: non-ISK	1,257	5,707
Total	3,666	8,426

All amounts are in EUR thousands,
unless otherwise stated

Notes

Notes to the Balance Sheet

Assets

7. Cash

	30/06/2016	31/03/2016
Non-ISK	30,160	43,771
ISK Opex Reserve Fund	15,551	18,231
Total	45,711	62,003

The non-ISK cash balance includes funds retained for budgeted operating expenses and asset support. As of 30 June 2016, funds retained for budgeted operating expenses amounted to the equivalent of EUR 5.4 million (primarily in EUR, GBP and USD) whereas the equivalent of EUR 24.8 million was retained for asset support (primarily in CAD, USD and GBP).

As of 30 June 2016, the balance in the ISK Opex Reserve Fund amounted to ISK 2.1 billion (of an initial allocation of ISK 3.0 billion). 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 by mid-year 2017.

8. Restricted cash

	30/06/2016	31/03/2016
ISK Priority Claims Reserve Fund	43,765	42,700
Indemnity Fund	19,979	20,000
ISK cash with respect to an Additional Stability Contribution	0	2,530
Total	63,744	65,230

The ISK Priority Claims Reserve Fund amounts to ISK 6.0 billion (EUR 43.8 million), which is held in a separate account for the settlement of certain ISK-denominated claims against the Company. Of this amount, ISK 2.72 billion (EUR 19.9 million) will be used to pay the special financial administration tax for 2015 (see Note 16). The remaining balance is retained for the settlement of disputed priority claims lodged under Art. 109-111 of the Icelandic Act on Bankruptcy etc., to the extent that such claims are finally recognised. Pursuant to the terms of the Assignment Agreement, any funds remaining in the ISK Priority Claims Reserve Fund on 31 December 2018 must be transferred to the CBI and will therefore not be available for distribution to the Company's stakeholders (see Note 2).

All amounts are in EUR thousands,
unless otherwise stated

Notes

8. Restricted cash (cont.)

The Indemnity Fund consists of EUR 19.98 million (of an initial allocation of EUR 20 million), which 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. 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. No claims have been made on the Indemnity Fund to date.

LBI received ISK 348 million (EUR 2.5 million) in respect of a Retained Asset in Q1 2016. The amount was transferred to the CBI in Q2 as an Additional Stability Contribution.

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 Act on Bankruptcy etc.

9. Landsbankinn term deposit

	30/06/2016	31/03/2016
Term deposit with Landsbankinn EUR	72,819	45,375
Term deposit with Landsbankinn GBP	58,689	38,253
Term deposit with Landsbankinn USD	11,895	7,246
Total	143,403	90,875

LBI maintains a term deposit denominated in EUR, GBP and USD with Landsbankinn hf. ("Landsbankinn") in an amount equivalent to EUR 143.4 million as of 30 June 2016. The term deposit matures on 9 October 2018 and bears interest at 1.5% over 3-month EUR EURIBOR / GBP LIBOR / USD LIBOR. Further to an agreement between LBI and Landsbankinn, LBI was permitted to defer a contractual commitment to deposit EUR 27.2 million, GBP 18.2 million and USD 5 million into the term deposit during Q1 2016 to facilitate payments under the Company's composition. These amounts were ultimately deposited by LBI in Q2 2016.

10. Landsbankinn bonds

LBI holds all the bonds issued to it by Landsbankinn in the four series detailed below:

	30/06/2016	31/03/2016
Series 2020	244,934	239,961
Series 2022	172,976	193,221
Series 2024	244,934	239,961
Series 2026	193,174	193,221
Total	856,018	866,364

All amounts are in EUR thousands,
unless otherwise stated

10. Landsbankinn bonds (cont.)

Series	Currency	Outstanding Principal	Base rate	Margin	Step up margin from 9.10.2018	Maturity
Series 2020	USD	271,000	3 m Libor	2.90%	3.50%	09/10/2020
Series 2022	EUR	172,000	3 m Euribor	2.90%	3.65%	09/10/2022
Series 2024	USD	271,000	3 m Libor	2.90%	3.95%	09/10/2024
Series 2026	EUR	192,000	3 m Euribor	2.90%	4.05%	09/10/2026

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 across the four series.

The Landsbankinn bonds are callable at par at any time and are not subject to prepayment penalty. On 15 April 2016, Landsbankinn prepaid EUR 20 million of the principal amount outstanding under Series 2022.

Landsbankinn has the option until 25 March 2017 to convert the bonds, in part or in full, into senior unsecured bonds under Landsbankinn's EMTN programme, subject to Landsbankinn having a long-term credit rating in foreign currency of at least BB+ from Standard & Poor's or Ba1 from Moody's at the time the option is exercised. In the event of a conversion, the terms of the senior unsecured bonds will be determined by reference to market terms as supported by a fairness opinion from an internationally-recognised investment bank.

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. ln 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.

11. Loans to customers

Loans to customers comprise exposures to both corporate and individual counterparties.

The largest exposure is to a corporate borrower and is denominated in CAD, accounting for EUR 106.4 million, or 52%, of total loans to customers as of 30 June 2016. The ten largest exposures accounted for EUR 191.5 million, or 94%, of the total.

Corporate loans are primarily in the form of asset-based and leveraged lending. Aside from the CAD-denominated credit exposure, corporate loans represent exposures to borrowers who are domiciled in the United Kingdom or continental Europe.

Loans to individual borrowers are primarily in the form of mortgages secured by residential real estate almost exclusively in the United Kingdom and continental Europe.

All amounts are in EUR thousands,
unless otherwise stated

Notes

11. Loans to customers (cont.)

Loans to customers fall into the sector and country groupings set forth below:

Loans to customers by sector	30/06/2016	31/03/2016
Fishery	106,365	97,406
Food Production		70,000
Services	37,964	50,640
Real Estate	35,413	38,345
Industrial Products	13,172	14,449
Retail	8,157	13,874
Other	2,968	7,754
Total	204,039	292,469

Loans to customers by country	30/06/2016	31/03/2016
Canada	106,365	97,406
UK	50,452	69,246
France	26,331	32,497
Germany	4,963	5,835
Netherlands	4,901	3,020
Other Europe	11,027	84,465
Total	204,039	292,469

The increase of EUR 9.0 in the Fishery sector is due to seasonal drawings. The reduction of EUR 70.0 million in the Food Production sector is due to a payment received from a Czech company. The reduction of EUR 12.7 million in the Services sector is mainly due to reassessment of value. The reduction of EUR 3.0 million in the Real Estate sector is mainly due to valuation changes of underlying collateral. The reduction of EUR 5.7 million in the Retail sector is mainly due to valuation changes. Other loans are mainly reduced by a reclassification of EUR 4.0 million which was moved off-balance-sheet.

12. Equities and bonds

All equity and bond positions are unlisted and have primarily arisen from past restructuring of credit exposures.

All amounts are in EUR thousands,
unless otherwise stated

13. Claims on bankrupt estates

	30/06/2016	31/03/2016
Claim against the Landsbanki Luxembourg estate	61,000	61,000
Claims against other bankrupt estates	10,688	10,553
Total	71,688	71,553

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 the assets and 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 in France and Spain. All loans are secured by first-lien mortgages on residential property owned by the respective borrowers.

The liquidation proceedings of Landsbanki Luxembourg and the collection of outstanding loans have been subject to delay due to legal actions brought by the borrowers against the liquidator of the estate and Landsbanki Luxembourg's former management alleging, among other things, fraud and money laundering.

Legal proceedings under the jurisdiction of the Criminal Court in Paris are ongoing and a final ruling is expected in late 2017. 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.

About half of the borrowers domiciled in Spain are parties to criminal complaints filed against the liquidator of the Landsbanki Luxembourg estate with the Public Prosecutor’s Office in Luxembourg.

At 30 June 2016, LBI’s claims against the Landsbanki Luxembourg estate amounted to EUR 353.5 million whereas the aggregate balance of outstanding equity release loans amounted to EUR 283.4 million with an estimated recoverable value of EUR 61.0 million.

Subsequent to the reporting period, the Company received EUR 5.4 million from the Landsbanki Luxembourg estate.

Other bankrupt estates

The value attributed to LBI’s claims against other bankrupt estates mainly relates to expected non-ISK recoveries on LBI’s finally accepted claims against the estate of Baugur hf., which is subject to liquidation proceedings in Iceland. Final distributions from the Baugur estate are anticipated by the end of 2016. Pursuant to the terms of the Company’s Stability Contribution, any ISK distributions received from the Baugur estate must be paid to the CBI (see Notes 2 and 17).

LBI’s claims against entities which have concluded their winding-up proceedings in Iceland by way of a composition are categorised under Other assets.

All amounts are in EUR thousands,
unless otherwise stated

14. Other assets

Other assets primarily consist of real estate, unsettled derivative contracts and claims against entities which have concluded their respective winding-up proceedings in Iceland by way of a composition. As a number of these assets are subject to ongoing disputes, Company management is of the view that additional disclosures could be commercially prejudicial to LBI.

An out-of-court settlement was reached shortly after 30 June 2016 regarding an unsettled derivative contract. The settlement level was consistent with the valuation for such contract used at 30 June 2016. Payment from the settlement has subsequently been received.

Notes

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:

	30/06/2016	31/03/2016
Nominal amount outstanding at the beginning of the period	2,041,382	0
Convertible Notes issued	0	2,041,382
Convertible Notes redeemed	(60,056)	0
Nominal amount outstanding at the end of the period	1,981,326	2,041,382

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 redemptions is determined by the realisation of the Company's assets. Under the terms of the Convertible Notes, LBI is required to make redemptions on 30 June and 31 December of each year equal to all available non-ISK cash held by the Company on such dates, to the extent that its aggregate non-ISK cash balances exceeds 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 Act on Bankruptcy etc. LBI has the option of making early redemptions at any time, subject to prior notification.

The Company exercised its option of early redemption and redeemed EUR 16.5 million of Convertible Notes pro-rata to their outstanding nominal amounts on 14 April 2016. In addition, EUR 43.6 million of Convertible Notes were redeemed pro-rata to their outstanding nominal amounts on 30 June 2016.

As of 30 June 2016, Convertible Notes in the aggregate nominal amount of EUR 55.3 million were held in escrow on account of disputed and contingent Art. 113 claims pursuant to the Composition Agreement (see Note 20).

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 stated value of the Convertible Notes is adjusted in line with the Company´s net asset value at the end of each financial reporting period. Increase in net asset value can later lead to an increase in the stated value of the Convertable Notes. Such increase can never lead to a higher stated value than the nominal amount outstanding.

LBI ehf. 19 All amounts are in EUR thousands,
Management Accounts 30/6/2016 - unaudited unless otherwise stated

15. Convertible Notes (cont.)

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

	30/06/2016	31/03/2016
Stated value of the Convertible Notes at the beginning of the period	1,445,556	0
Convertible Notes issued	0	2,041,382
Convertible Notes redeemed	(60,056)	0
Adjustment of value of the Convertible Notes in prior periods	0	(563,037)
Adjustment of value of the Convertible Notes relating to net asset value	4,506	(32,790)
Stated value of the Convertible Notes at the end of the period	1,390,006	1,445,556

16. Taxes

Special financial administration tax

The Company is liable for special financial administration tax for the year 2015, which is estimated at the equivalent of EUR 19.9 million (ISK 2.72 billion). This tax payment is due in the fourth quarter of 2016 and will be 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	622,398
2009	2019	90,917
2010	2020	0
2011	2021	68,019
2012	2022	86,218
2013	2023	53,029
2014	2024	110,886
2015	2025	0
	Total	**1,031,467**

All amounts are in EUR thousands,
unless otherwise stated

17. Stability Contribution

The Company has fully expensed the ISK Priority Claims Reserve Fund of ISK 6.0 billion (EUR 23.9 million) as a Stability Contribution (EUR 23.4 million in 2015 and the remaining EUR 467 thousand in Q2 2016) and a tax liability of EUR 19.9 million for the 2015 financial year. The cash has been allocated on the following bases:

ISK Priority Claims Reserve Fund	43,765
Special financial administrative tax for the 2015 financial year	(19,852)
Allocated cash for Stability Contribution	23,912

Any Additional Stability Contribution relating to the Retained Assets will be reflected in the Income Statement as an increased value under net change in impairment and is then expensed for the same amount, as an Additional Stability Contribution.

During the period, the Icelandic Supreme Court ruled in favour of LBI in a case against a former CEO of LBI. In accordance with the Assignment Agreement a confirmed claim of ISK 36 million (EUR 0.3 million) was transferred to the CBI.

During Q1 2016 LBI received ISK 348 million (EUR 2.5 million) on account of a Retained Asset which was transferred to the CBI in Q2 2016 as an Additional Stability Contribution and the value of which was not recorded in Company's Balance Sheet.

Equity

18. Changes in Equity

Change in equity is specified as follows:

	Share capital	Accumulated deficit	Total equity
Equity as at 1 January 2015	75,247	(10,198,492)	(10,123,246)
Share capital written off	(75,247)	75,247	0
Issued new share capital	11,339	0	11,339
Translation difference	0	(54,880)	(54,880)
Profit for the year 2015	0	10,166,787	10,166,787
Equity as at 1 January 2016	11,339	(11,339)	0
Equity as of 1 April 2016	11,339	(11,339)	0
Equity as of 30 June 2016	11,339	(11,339)	0

On 23 March 2016, LBI issued new shares pursuant to its approved Composition Agreement. The Company's new share capital is divided into two classes of shares, i.e. 1,600,000,000 Class A Shares and, initially, 0 Class B Shares. Formal issuance of new shares and cancelation of the old shares according to the Composition Agreement was finalised in Q1 2016 but both transactions were recognised in the Balance Sheet for 31 December 2015. It was the view of the management that a presentation of this transaction by its substance, not its legal form, would give a complete, relevant and accurate picture of the transaction and reflect the overall financial position of the Company.

The shares are denominated in ISK and each share is in the nominal amount of ISK 1. As LBI maintains and prepares its accounts in EUR, the share capital of the Company has been converted into EUR according to the CBI selling rate as of 23 March 2016, this being the date the shares were issued. On this basis, the share capital of the Company is equivalent to EUR 11,338,672.

All amounts are in EUR thousands,
unless otherwise stated

Notes

18. Changes in Equity (cont.)

In accordance with its Articles of Association, the Company can under certain circumstances redeem its Class A shares or convert Class A shares into Class B shares. The rights of shareholders in each class are the same apart from the fact that shareholders holding Class B Shares do not enjoy voting rights except as set out in the Company's Articles of Association. Pursuant to its Articles of Association, the Company is furthermore both authorised and obligated to issue new Class A shares up to a maximum equivalent of EUR 379 thousand to cover any disputed or contingent claims lodged under Art. 113 of the Icelandic Act on Bankruptcy etc. which may become recognised claim under LBI's Composition Agreement. No Class A shares were issued, redeemed or converted into Class B shares during the quarter ended 30 June 2016.

Information relating to claims not reflected in the Balance Sheet

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

	30/06/2016	31/03/2016
Disputed Art. 113 claims at the beginning of the period	349,957	376,859
Contingent claims	31,587	31,587
Finally rejected claims	(13,530)	(26,748)
Finally accepted claims	(30)	(154)
Total	367,985	381,544

During the course of Q2 2016, disputed claims in the aggregate amount of EUR 19.0 million (ISK 2.7 billion) were withdrawn. With the final recognition of four disputed claims from one claimant, the remaining disputed amount of these claims of EUR 1.3 million (ISK 186 million) became finally rejected. The total rejected amount was, however, partially offset by an increase in the lodged amount of a disputed claim of EUR 6.8 million (ISK 955 million), resulting in a net change of EUR 13.5 million.

All disputed Art. 113 claims have been referred to the Icelandic courts for resolution. The ten largest cases of disputed Art. 113 claims represent 81% of the total amount of disputed claims. Court rulings which will resolve most cases are expected within 18 months from the reporting date.

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

	30/06/2016	31/03/2016
DMP	2,537	3,050
Convertible Notes	55,342	59,300
Convertible Note redemption payments	1,677	0
Authorised unissued shares	367	379
Total	59,923	62,728

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

As stated in the Company's Articles of Association, LBI is authorised and obligated to issue and allocate new shares up to a maximun of ISK 53.4 million or EUR 379 thousand in proportion to any disputed or contingent claims which may become recognised under the Composition Agreement.

All amounts are in EUR thousands, unless otherwise stated

21. Disputed priority claims

	30/06/2016	31/03/2016
Disputed priority claims at the beginning of the period	534,159	804,982
New filed priority claims during the period	0	0
Finally rejected priority claims	(20,794)	(271,815)
Finally accepted priority claims	0	0
FX difference	(45,274)	991
Total	468,090	534,159

Priority claims from six claimants for a total of EUR 20.8 million were withdrawn or finally rejected following court rulings during the period. Currently, a GBP denominated claim lodged by Glitnir equivalent to EUR 314.4 million is the only remaining disputed Art. 109 claim. Of four disputed Art. 110 claims, an ISK denominated claim lodged by Kaupthing equivalent to EUR 81.1 million is by far the largest. Rejected Art. 111 claims lodged by an individual in EUR and GBP for an equivalent of EUR 72.3 million remain in dispute before the courts in Iceland.

All amounts are in EUR thousands,
unless otherwise stated

Notes

Other information

22. Assets specified by currencies

	30/06/2016						
	EUR	USD	GBP	CAD	ISK	Other	Total
Cash	3,073	6,310	5,206	14,193	15,551	1,378	45,711
Restricted cash	19,979				43,765		63,744
Landsbankinn term deposit	72,819	11,895	58,689				143,403
Landsbankinn bonds	366,150	489,868					856,018
Loans to customers	35,871	8,115	43,859	106,365		9,829	204,039
Equities and bonds	3,681		1,489				5,170
Claims on bankrupt estates	70,678		1,010				71,688
Other assets	27,288	17,258	1,031				45,577
Total	599,540	533,445	111,282	120,558	59,316	11,207	1,435,350
% of total assets	42%	37%	8%	8%	4%	1%	100%

	31/03/2016						
	EUR	USD	GBP	CAD	ISK	Other	Total
Cash	5,409	9,454	11,227	16,030	18,231	1,652	62,003
Restricted cash	20,000				45,230		65,230
Landsbankinn term deposit	45,375	7,246	38,253				90,875
Landsbankinn bonds	386,442	479,922					866,364
Loans to customers	112,230	8,907	56,461	97,406		17,464	292,469
Equities and bonds	3,173		1,560				4,734
Claims on bankrupt estates	70,968		585				71,553
Other assets	26,080	12,926					39,006
Total	669,677	518,455	108,087	113,436	63,461	19,116	1,492,232
% of total assets	45%	35%	7%	8%	4%	1%	100%

All amounts are in EUR thousands,
unless otherwise stated

Notes

23. Change in asset classification

In these Management Accounts, management have decided to reclassify its assets into categories different from the categorisation used in its previous financial presentations (the "Financial Information"). The new classification has been implemented to better reflect the nature and similarities of exposures included in each asset category and the manner in which they are managed. A reconciliation of this reclassification between the old and new asset categories is set out below:

Historical classification	New classification	30/06/2016	31/03/2016
Cash	-	**252,858**	**218,107**
	Cash	45,711	62,003
	Restricted cash	43,765	45,230
	Restricted cash (Indemnity Fund)	19,979	20,000
	Landsbankinn term deposit	143,403	90,875
Loans to financial institutions	-	**82,958**	**75,247**
LI Lux	Claims on bankrupt estates	61,000	61,000
Project Global exposure	Other assets	19,146	13,662
Other	Other assets	2,285	
	Claims on bankrupt estates	527	585
LB financing	Landsbankinn bonds	**856,018**	**866,364**
Loans to customers	-	**229,648**	**313,140**
	Loans to customers	203,526	287,931
	Claims on bankrupt estates	10,160	5,247
	Off-balance-sheet		4,001
	Other assets	15,961	15,961
Equities	-	**5,501**	**5,271**
	Equities and bonds	4,989	4,734
	Loans to customers	512	537
Other assets	-	**8,367**	**14,104**
Non current assets	Other assets	8,185	9,383
Derivatives	Claims on bankrupt estates		4,720
Subsidiaries	Equities and bonds	181	
	Total	**1,435,350**	**1,492,232**

Certain exposures previously classified as loans to customers have been reclassified as off-balance-sheet items. This change is in line with the Company's decision not to assign any value to certain litigation against third parties due to the high level of uncertainty associated with valuing such exposures and as any related disclosure could be commercially prejudicial to LBI.

Damage and voiding cases previously reported in the Company's Q1 2016 Financial Information at an estimated value of EUR 48.1 million remain classified as off-balance-sheet items.

All amounts are in EUR thousands,
unless otherwise stated

23. Asset reclassification (cont.)

Historical Classification in Q1 2016 Financial Information			New Classification in Q2 2016 Management Accounts						
Recorded value as of 30 June 2016	No. of exposures	Total amount of reclass.	Loans to customers	Landsbank-inn Bonds	Claims on bankrupt estates	Other assets	Restricted cash	Landsbank-inn term deposit	Off-balance-sheet
Cash	N/A	(207,147)					63,744	143,403	
Loans to Financial Institutions	11	(82,958)			61,527	21,431			
Loans to customers	3	(29,639)			9,678	15,961			4,001
Equities	1	(512)	512						
LB Financing	1	(856,018)		856,018					
Derivatives	1	(4,720)			4,720				
Non current assets	2	(8,185)				8,185			
Total	19	(1,189,181)	512	856,018	75,925	45,577	63,744	143,403	4,001

All amounts are in EUR thousands,
unless otherwise stated

24. Drivers of change

Asset categories	31/03/2016	Net cash received	FX change	Value-change	Income	Op ex. and Additional Stability Contrib.	Note redemption	Taken off-balance-sheet	30/06/2016
Cash	62,003	49,963	1,311		11	(7,521)	(60,056)		45,711
Restricted cash	65,230		993		(21)	(2,458)			63,744
Landsbankinn term deposit	90,875	54,182	(2,618)		964				143,403
Landsbankinn bonds	866,364	(27,082)	9,933		6,804				856,018
Loans to customers	292,469	(67,601)	(1,787)	(17,462)	2,421			(4,001)	204,039
Equities and bonds	4,734	(336)	(129)	902					5,170
Claims on bankrupt estates	71,553	(479)	105	508					71,688
Other assets	39,006	(8,647)	268	14,951					45,577
Total	1,492,232	0	8,075	(1,101)	10,178	(9,979)	(60,056)	(4,001)	1,435,350

Net cash received is offset by net EUR 54.2 million deposited by LBI into the Landsbankinn term deposit pursuant to the deposit agreement between the parties.

Certain exposures previously reported in Loans to customers with a EUR 4.0 million valuation have been reclassified as off-balance-sheet items in line with the Company's decision not to assign any value to certain litigation against third parties due to the high level of uncertainty associated with valuing such exposures and as any related disclosure could be commercially prejudicial to LBI.

Damage and voiding cases referenced in the Company's Q1 2016 Financial Information at an estimated value of EUR 48.1 million, but not recorded in LBI's Management Accounts for the quarter ended 31 March 2016, similarly remain classified as off-balance-sheet items.

All amounts are in EUR thousands,
unless otherwise stated

Notes

25. Assets, classification and measurement

Asset categories	30/06/2016 Balance	30/06/2016 Value	31/03/2016 Balance	31/03/2016 Value
Cash	45,711	45,711	62,003	62,003
Restricted cash	63,744	63,744	65,230	65,230
Landsbankinn term deposit	143,403	143,403	90,875	90,875
Landsbankinn bonds	856,018	856,018	866,364	866,364
Loans to customers	791,474	204,039	909,137	292,469
Equities and bonds	11,567	5,170	6,806	4,734
Claims on bankrupt estates	1,138,664	71,688	1,558,596	71,553
Other assets	510,972	45,577	575,949	39,006
Total	3,561,553	1,435,350	4,134,959	1,492,232

Loans to customers include aggregate balances of EUR 418.9 million for which the Company expects zero recovery and which are not reflected in the tables below:

Loans to customers by sector	30/06/2016 Balance	30/06/2016 Value	31/03/2016 Balance	31/03/2016 Value
Fishery	106,365	106,365	97,406	97,406
Food Production			70,023	70,000
Services	104,151	37,964	106,845	50,640
Real Estate	115,508	35,413	117,868	38,345
Industrial Products	14,636	13,172	14,449	14,449
Retail	18,597	8,157	19,010	13,874
Other	13,367	2,968	23,053	7,754
Total	372,623	204,039	448,654	292,469

Loans to customers by country	30/06/2016 Balance	30/06/2016 Value	31/03/2016 Balance	31/03/2016 Value
Canada	106,365	106,365	97,406	97,406
UK	86,305	50,452	90,936	69,246
France	29,981	26,331	37,717	32,497
Germany	55,686	4,963	55,777	5,835
Netherlands	10,428	4,901	11,955	3,020
Other Europe	83,858	11,027	154,864	84,465
Total	372,623	204,039	448,654	292,469

All amounts are in EUR thousands, unless otherwise stated

26. Actual cash flow versus previously expected cash flow

Asset categories	Actual cash flow 1/4 - 30/6 2016	Expected Cash flow 1/4 - 30/6 2016
Cash	11	
Restricted cash		
Landsbankinn term deposit	(54,182)	(54,283)
Landsbankinn bonds	27,082	6,879
Loans to customers	67,601	77,798
Equities and bonds	336	
Claims on bankrupt estates	479	
Other assets	8,647	
Total	49,974	30,395

Amounts by currency stated in EUR equivalent	Actual cash flow 1/4 - 30/6 2016	Expected Cash flow 1/4 - 30/6 2016
USD	(2,186)	(115)
GBP	(20,017)	(20,619)
EUR	72,152	48,396
CAD	(1,649)	1,527
Other	1,674	1,205
Total	49,974	30,395

Individual assets monetised over the period with a value in excess of EUR 10 million comprised a EUR 70 million repayment of a loan to a Czech food production company recorded in loans to customers and a EUR 20 million prepayment of the principal amount outstanding under Series 2022 of the Landsbankinn bonds.

Higher actual cash flow in EUR than expected is mainly due to the EUR 20 million prepayment of the Landsbankinn bond on 15 April 2016.

The above USD and CAD figures include cash currency conversion of USD 60 million (EUR 53 million) in CAD 77.2 million (EUR 53 million).

All amounts are in EUR thousands,
unless otherwise stated

27. Asset monetisation plan for the next 12 months

Asset categories	2016 Q3	2016 Q4	2017 Q1	2017 Q2
Restricted cash		(19,852)		
Landsbankinn term deposit	594	587	581	594
Landsbankinn bonds	6,699	6,852	6,852	6,703
Loans to customers	8,914	107,403	14,276	798
Equities and bonds	936	3,033	500	
Claims on bankrupt estates	5,400	11,288		
Other assets	10,203			
Total	32,746	109,310	22,208	8,094

Amounts by currency stated in EUR equivalent	2016 Q3	2016 Q4	2017 Q1	2017 Q2
USD	14,134	4,588	4,587	4,492
GBP	1,099	1,414	10,861	303
EUR	14,249	16,226	6,243	2,782
CAD	1,690	106,365		
ISK		(19,852)		
Other	1,574	569	516	516
Total	32,746	109,310	22,208	8,094

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 of the reporting date.

Restricted cash, which relates to the ISK Priority Claims Reserve Fund, will be used to pay the special financial administration tax. The payment is due in the fourth quarter of 2016 (see Note 16).

All amounts are in EUR thousands,
unless otherwise stated

Notes

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.

A. Claims for Damages

LBI has brought six cases claiming damages against third parties. Four out of these six 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 large amounts to an investment company including a loan maturing on 18 June 2008. The loan was secured in part with a guarantee from Kaupthing. That loan was not paid at maturity, and the bank guarantee was not enforced. The borrower was subsequently declared insolvent, and only a small fraction of LBI's claim against the estate was paid.

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.

Notes

28. Litigation against Third Parties (cont.)

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) Purchase of Shares in LBI Trading Book

A case has been brought before the Reykjavik District Court against a former CEO of LBI, a former managing director of Securities and Treasury and a former head of Brokerage. The principal of the claim against the defendants is approximately ISK 1.2 billion.

This case concerns the purchase by LBI's Brokerage of own shares and shares in two other companies during the period from April to July 2008 for its so-called equity Trading Book II, which was intended to hold assets for brokering to LBI's customers. The claims are based on the contention that in these purchases the defendants exceeded their authorisations to acquire shares for the Trading Book and failed to comply with the obligation to dispose of the shares when the violation was realised. In so doing they caused a loss, as the shares were worthless upon the collapse of the bank.

The Reykjavík District Court pronounced its judgement in the case on 30 June 2015, ordering the former CEO and the former managing director of Securities and Treasury to pay ISK 237,678,000 plus interest. The District Court's verdict has been appealed to the Supreme Court and is before the Court as case no. 641/2015. A judgement can be expected from the Supreme Court by the end of this year.

(v) Auditing and Consulting Services

A case has been brought before the Reykjavik District Court against Price Waterhouse Coopers ("PwC") in Iceland, which served as LBI's external auditor, and PwC in London, which provided advice on auditing and financial reporting. The principal of the claim is ISK 83.2 billion, USD 11.2 million and EUR 64.9 million.

28. Litigation against Third Parties (cont.)

The case is based on the contention that the auditing of annual financial statements, the review of Management Accounts, and advice on auditing and financial reporting was insufficient. The suit alleges that the auditors also neglected to disclose to shareholders and competent authorities certain violations in LBI's activities and as a result, the annual financial statements and Management Accounts did not provide a true picture of LBI's financial position and activities, which resulted in losses to the bank and its creditors.

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 years.

(vi) 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.

B. Claims for Voiding

(i) Redemption of Bonds and Bills prior to Maturity

LBI has brought 19 voiding actions before the Reykjavik District Court against foreign financial undertakings, legal entities and individuals demanding voiding of purchases by LBI of its own notes during the last six months preceding the reference date of the winding-up proceedings. The total amount of the claims is approximately EUR 42.3 million, USD 641,700 and CHF 25,476.

LBI's claims are based primarily on the fact that LBI paid, during the period from 15 May to 6 October 2008, a debt to the defendants earlier than normal, since the above-mentioned note claims were paid before they matured. It is maintained that the payments are voidable on the basis of Art. 134 of Act No. 21/1991, on Bankruptcy etc.

It is expected that precedent-setting judgements on these cases may be available from the Supreme Court prior to the end of this year.

(ii) Payment of Salaries, Bonuses, Premia and Stock Options

During the period the Supreme Court ruled in favour of LBI in a case against a former CEO of LBI. In accordance with the Stability Contribution agreement, a confirmed claim of EUR 0.25 million (ISK 36 million) was transferred to the CBI.

29. New litigation

No new litigations was brought by/against LBI in Q2 2016.