LBI

Management Accounts

1 July to 30 September 2016

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 holdings, 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 Act on Bankruptcy”) 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 18 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.

During the third quarter of 2016, LBI actively managed its asset portfolio and worked to resolve disputed and contingent claims. Net cash inflow from assets during the period amounted to EUR 432.6 million, resulting primarily from a 15 September 2016 prepayment, in the aggregate principal amount of EUR 385.3 million, of certain series of bonds issued by Landsbankinn. On that date, Landsbankinn prepaid in full the principal amount outstanding under Series 2022 (EUR 172.0 million) and Series 2026 (EUR 192.0 million), and prepaid USD 24.0 million (EUR 21.5 million) towards principal outstanding under Series 2024. In addition, Landsbankinn paid accrued interest on these notes for a total of EUR 1.8 million and USD 1.8 million (EUR 1.6 million).

As of 30 September 2016 the Company's total assets amounted to EUR 1,437.1 million and total liabilities amounted to EUR 1,437.1 million. The profit for the period amounted to EUR 731 thousand which is reflected in the adjustments to the stated value of the Convertible Notes.

On 12 October 2016, the Company exercised its option of early redemption and redeemed EUR 418.7 million of Convertible Notes pro-rata to their outstanding nominal amount.

At an extraordinary general meeting held on 16 September 2016, the shareholders of LBI unanimously approved the conversion of the Company’s share capital from ISK into EUR. The share capital of LBI has thus changed from ISK 1,600,000,000 (1,600,000,000 Class A Shares each with a nominal value of ISK 1) to EUR 11,338,671.96 (1,133,867,196 Class A Share each with a nominal value of EUR 0.01).

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 Company's 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 September 2016, 623 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 2016.

Reykjavík, 28 November 2016

The Board of Directors

Chief Executive Officer

Income Statement for the period 1 July to 30 September 2016

	Notes	2016 1/7 - 30/9	2016 1/4 - 30/6
Interest, dividend and fee income	4	9,916	10,178
Net change in impairment	5	3,133	(1,101)
Net exchange difference		(5,074)	6,012
Off-balance-sheet reclassification effect		0	(4,001)
Operating income		7,974	11,088
Salaries and related expenses	6	(2,041)	(2,450)
General and administrative expenses	7	(5,810)	(3,666)
Operating expenses		(7,850)	(6,116)
Reversal of reserves held in escrow	21	2,091	0
Adjustment to value of the Convertible Notes	16	(731)	(4,506)
Financing activities		1,360	(4,506)
Profit before Stability Contribution and taxes		1,484	467
Stability Contribution	18	(1,484)	(467)
Taxes	17	0	0
Profit for the period		0	0

All amounts are in EUR thousands,
unless otherwise stated

Balance Sheet as at 30 September 2016

Assets	Notes	30/09/2016	30/06/2016
Cash	8	471,244	45,711
Restricted cash	9	67,006	63,744
Landsbankinn term deposit	10	140,587	143,403
Landsbankinn bonds	11	465,714	856,018
Loans to customers	12	192,722	204,039
Equities and bonds	13	2,468	5,170
Claims on bankrupt estates	14	61,056	71,688
Other assets	15	36,345	45,577
Total assets		1,437,143	1,435,350

Liabilities			
Convertible Notes	16	1,389,181	1,390,006
Tax liabilities	17	19,786	19,852
Stability Contribution	18	27,010	23,912
Other liabilities		1,165	1,580
Total liabilities		1,437,143	1,435,350
Equity			
Share capital		11,339	11,339
Accumulated deficit		(11,339)	(11,339)
Total equity	19	0	0
Total liabilities and equity		1,437,143	1,435,350

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Statement of Cash Flows for the period 1 July to 30 September 2016

	2016 1/7 - 30/9	2016 1/4 - 30/6
Cash flows (to) from assets		
Interest received on cash	18	11
Restricted cash- net cash inflow (outflow)	(246)	0
Landsbankinn term deposit - principal payments inflow (outflow)	0	(54,576)
Landsbankinn term deposit - interest income	1,004	394
Landsbankinn bonds - principal payments	385,342	20,000
Landsbankinn bonds - interest income	10,157	7,082
Loans to customers - principal payments inflow (outflow)	13,381	65,538
Loans to customers - interest/fee income	2,388	2,063
Equities and bonds - net cash inflow (outflow)	4,031	336
Claims on bankrupt estates - net cash inflow (outflow)	6,086	479
Other assets - net cash inflow (outflow)	10,442	8,647
Net cash (to) from assets	432,603	49,974
Cash flows (to) from other operating activities		
Salaries and related expenses	(2,055)	(1,754)
General and administrative expenses	(5,162)	(5,767)
Net cash (to) from other operating activities	(7,217)	(7,521)
Cash flow (to) from financing activities		
Reversal of reserves held in escrow	535	0
Redemption of Convertible Notes	0	(60,056)
Net cash (to) from financing activities	535	(60,056)
Increase (decrease) in cash	425,921	(17,603)
Effects of foreign exchange rate adjustments on cash	(388)	1,311
Cash at the beginning of the period	45,711	62,003
Cash at the end of the period	471,244	45,711

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 holdings, 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 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:

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 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.
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 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 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 exists 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 the object of legal disputes. The value of those assets is based on judgements regarding various factors deemed appropriate. Considerable judgement has been applied in determining and recognising the value of those assets.

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

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

Interest, dividend and fee income

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

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

Impairment

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

Where the cost of assets has been impaired, and the reasons for the impairment no longer applies, the previously recognised impairment loss is reversed. 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 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 in the future 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 Act on Bankruptcy, to the extent that such claims are finally recognised, and to pay the special financial administration tax for 2016. Pursuant to the

Assignment Agreement, any ISK funds remaining in this separate account, after all such claims have been resolved and such tax payment has been made, must be transferred to the CBI as an Additional Stability Contribution no later than 31 December 2018; 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 denominated 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. ISK denominated 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.

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	
	30/09/2016	30/06/2016
ISK	0.0078	0.0073
USD	0.8945	0.8965
GBP	1.1603	1.2066
CAD	0.6800	0.6933

All amounts are in EUR thousands,
unless otherwise stated

Notes to the Income Statement

4. Interest, dividend and fee income

	1/7 - 30/9	1/4 - 30/6
Cash and restricted cash balances	3	(10)
Landsbankinn term deposit	455	964
Landsbankinn bonds	6,386	6,804
Loans to customers	3,072	2,421
Total	9,916	10,178

Interest income on the Landsbankinn term deposit in the previous period reflects a recognition of interest accrual for both the first and second quarter of 2016.

5. Net change in impairment

	1/7 - 30/9	1/4 - 30/6
Loans to customers	5,137	(17,462)
Equities and bonds	1,386	902
Claims on bankrupt estates	(4,506)	508
Other assets	1,115	14,951
Total	3,133	(1,101)

6. Salaries and related expenses

	1/7 - 30/9	1/4 - 30/6
Salaries	1,708	2,047
Salary related expenses	333	403
Total	2,041	2,450
Of which: ISK	1,146	1,702
Of which: non-ISK	895	748
Total	2,041	2,450

Average number of full-time positions during the period	18	23
Number of full-time positions at the end of the period	15	18

During the period, the number of full-time Company employees was reduced by three.

All amounts are in EUR thousands, unless otherwise stated

7. General and administrative expenses

	1/7 - 30/9	1/4 - 30/6
External advisors	4,945	2,733
Premises expenses	56	123
Other expenses	808	810
Total	5,810	3,666
Of which: ISK	3,488	2,409
Of which: non-ISK	2,322	1,257
Total	5,810	3,666

The increase in expenses to External advisors quarter-over-quarter mainly reflects EUR 1.3 million of Icelandic value added tax paid in the third quarter in relation to amounts expensed in prior periods, related to the Company's composition. Expenses incurred in the third quarter additionally includes EUR 0.5 million relating to services provided in connection with the Company's composition.

Notes to the Balance Sheet

8. Cash

	30/09/2016	30/06/2016
Non-ISK	459,256	30,160
ISK Opex Reserve Fund	11,989	15,551
Total	471,244	45,711

As of 30 September 2016, the Company's non-ISK cash balance stood at EUR 459.3 million. On 12 October 2016, the Company exercised its option of early redemption and redeemed EUR 418.7 million of Convertible Notes pro-rata to their outstanding nominal amount based on available EUR equivalent amounts as of 26 September 2016. The remaining non-ISK cash balance represents funds retained for budgeted operating expenses and asset support.

As of 30 September 2016, the balance in the ISK Opex Reserve Fund amounted to ISK 1.5 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 during 2017.

All amounts are in EUR thousands,
unless otherwise stated

9. Restricted cash

	30/09/2016	30/06/2016
ISK Priority Claims Reserve Fund	46,796	43,765
Indemnity Fund	19,964	19,979
Trustee Indemnity Fund	246	0
Total	67,006	63,744

The ISK Priority Claims Reserve Fund amounts to ISK 6.0 billion (EUR 46.8 million), which is held in a separate account for the settlement of certain ISK-denominated claims against the Company. Of this amount, ISK 2.5 billion (EUR 19.8 million) will be used to pay the special financial administration tax for 2015 (see Note 17). The remaining balance is retained for the settlement of certain disputed priority claims lodged under Art. 109-111 of the Icelandic Act on Bankruptcy, 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 must be transferred to the CBI when these claims have been resolved or at the latest on 31 December 2018. This ISK Priority Claims Reserve Fund will therefore not be available for distribution to the Company's stakeholders (see Note 2).

The Indemnity Fund consists of EUR 19.96 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.

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 Note (the "Trustee Indemnity Fund"). During the quarter, 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 Act on Bankruptcy.

All amounts are in EUR thousands, unless otherwise stated

10. Landsbankinn term deposit

	30/09/2016	30/06/2016
Term deposit with Landsbankinn EUR	72,607	72,819
Term deposit with Landsbankinn GBP	56,170	58,689
Term deposit with Landsbankinn USD	11,810	11,895
Total	140,587	143,403

LBI maintains a term deposit denominated in EUR, GBP and USD with Landsbankinn in an amount equivalent to EUR 140.6 million as of 30 September 2016. The decrease of EUR 2.8 million from the prior period is reflective of foreign exchange movements (EUR 2.3 million) and a lower amount of accrued interest at the end of this quarter due payments received over the period. The term deposit matures on 9 October 2018 and bears interest at 1.5% over 3-month EUR EURIBOR / GBP LIBOR / USD LIBOR.

11. Landsbankinn bonds

	30/09/2016	30/06/2016
Series 2020	221,290	244,934
Series 2022		172,976
Series 2024	244,424	244,934
Series 2026		193,174
Total	465,714	856,018

On 15 September 2016, Landsbankinn prepaid in full the principal amount and accrued interest outstanding under Series 2022 (EUR 172.8 million) and Series 2026 (EUR 192.9 million) , and prepaid USD 25.8 million (EUR 23.1 million) towards principal and accrued interest outstanding under Series 2024. The Landsbankinn bonds are callable at par at any time and are not subject to prepayment penalty.

Series	Currency	Outstanding Principal	Base rate	Margin	Step up margin from 9.10.2018	Maturity
Series 2020	USD	247,000	3 m Libor	2.90%	3.50%	09/10/2020
Series 2024	USD	271,000	3 m Libor	2.90%	3.95%	09/10/2024

The Landsbankinn bonds have senior ranking and are secured by a pledge on loans in Landsbankinn's loan portfolio, subject to a minimum coverage ratio of 115% on the aggregate principal amount outstanding across the four series.

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. The conversion is 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.

All amounts are in EUR thousands,
unless otherwise stated

On or after 9 October 2018, LBI can require Landsbankinn to convert all of the bonds into Eurobonds which shall, with certain defined exceptions, have substantially the same terms and conditions as the bonds prior to such conversion. In the event that Landsbankinn and LBI are unable, within a defined time limit, to reach an agreement on the terms and conditions of the Eurobonds, a panel of three experts in such Eurobonds and Eurobonds Secondary Documents shall be formed to determine the terms. Landsbankinn shall, at its 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.

12. Loans to customers

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

Loans to customers by sector	30/09/2016	30/06/2016
Fishery	96,200	106,365
Services	41,570	37,964
Real Estate	29,636	35,413
Industrial Products	14,204	13,172
Retail	8,252	8,157
Other	2,860	2,968
Total	192,722	204,039

Loans to customers by country	30/09/2016	30/06/2016
Canada	96,200	106,365
UK	50,934	50,452
France	29,261	26,331
Germany	4,931	4,963
Netherlands	20	4,901
Other Europe	11,376	11,027
Total	192,722	204,039

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

Corporate loans are primarily in the form of asset-based and leveraged lending. 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.

The largest exposure is to a corporate borrower and is denominated in CAD, accounting for EUR 96.2 million, or 50%, of total loans to customers as of 30 September 2016 with the decrease from the previous period attributable to seasonal reductions in the balance of a revolving credit facility. This exposure was repaid in full after the reporting period (see Note 31).

All amounts are in EUR thousands,
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The ten largest exposures accounted for EUR 183.6 million, or 95%, of total estimated recoverable value of loans to customers. Shortly before the end of the reporting period, the Company contracted to sell three of the ten largest exposures, but proceeds were not received by the end of the reporting period. Total contracted-for proceeds from the sale of the three exposures amounted to EUR 45.1 million, representing a EUR 3.8 million increase in estimated recoverable value (net of foreign exchange movements and accrued interest) recognised in the quarter ended 30 September 2016:

Sector (Country)	30/09/2016	30/06/2016
Services (UK)	22,134	19,486
Industrial Products (France)	14,204	13,172
Services (France)	8,807	8,477
Total	45,145	41,135

13. Equities and bonds

All equity and bond positions are unlisted and have primarily arisen from past restructuring of credit exposures. Changes over the quarter are primarily attributable to the partial monetisation of one equity position (EUR 3.5 million) and an increase in the estimated recoverable value of the remaining part of that position (EUR 1.0 million).

14. Claims on bankrupt estates

	30/09/2016	30/06/2016
Claim against the Landsbanki Luxembourg estate	55,600	61,000
Claims against other bankrupt estates	5,456	10,688
Total	61,056	71,688

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. The information set forth below regarding the assets and legal matters of 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 almost exclusively 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.

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unless otherwise stated

During the quarter, LBI received a EUR 5.4 million distribution from the Landsbanki Luxembourg estate, reducing the estimated recoverable value accordingly. At 30 September 2016, 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 283.4 million with an estimated recoverable value of EUR 55.6 million.

Other bankrupt estates

The value attributed to LBI's claims against other bankrupt estates mainly relate 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. Estimated recoverable value decreased by EUR 4.5 million quarter-over-quarter as a greater part of the recoveries from the Baugur hf. estate is now expected to be received in ISK and therefore may be subject to an Additional Stability Contribution (see Notes 2 and 18). Non-ISK distributions from the Baugur estate are anticipated by the end of 2016. Distributions from another bankrupt estate in the amount of EUR 0.7 million were received during the period.

15. 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 several of these assets are the object of ongoing disputes, Company management is of the view that additional disclosures could be commercially prejudicial to LBI.

During the period, an out-of-court settlement was reached and a corresponding payment received in respect of unsettled derivative contracts. The payment was consistent with the estimated recoverable value for such contracts as of 30 June 2016.

Liabilities

16. Convertible Notes

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

	30/09/2016	30/06/2016
Nominal amount outstanding at the beginning of the period	1,981,326	2,041,382
Convertible Notes issued		
Convertible Notes redeemed		(60,056)
Held by LBI	(2,285)	
Nominal amount outstanding at the end of the period	1,979,042	1,981,326

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

All amounts are in EUR thousands, unless otherwise stated

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 30 June and 31 December of each year (or, subject to a pending amendment to the Convertible Notes, on 15 June and 15 December) equal to all available non-ISK cash held by the Company on such dates 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 Act on Bankruptcy. 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 stated 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 stated value of the Convertible Notes. Such increase can never lead to a higher stated value than the nominal amount outstanding.

As of 30 September 2016, Convertible Notes in the nominal amount of EUR 55.3 million and EUR 4.8 million were held in escrow to cover disputed and contingent Art. 113 claims, respectively, pursuant to the Composition Agreement. During the period, Convertible Notes in the nominal amount of EUR 2,285 thousand were returned to LBI due to the final rejection of disputed Art. 113 claims in the previous quarter and the stated value of Convertible Notes as of 30 September 2016 adjusted accordingly by EUR 1,556 thousand.

On 12 October 2016, the Company exercised its option of early redemption and redeemed EUR 418.7 million of Convertible Notes pro-rata to their outstanding nominal amounts.

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

	30/09/2016	30/06/2016
Stated value of the Convertible Notes at the beginning of the period	1,390,006	1,445,556
Convertible Notes redeemed		(60,056)
Adjustment to value of the Convertible Notes	731	4,506
Held by LBI at stated value	(1,556)	
Stated value of the Convertible Notes at the end of the period	1,389,181	1,390,006

All amounts are in EUR thousands, unless otherwise stated

17. Taxes

Special financial administration tax

The Company is liable for special financial administration tax for the year 2015, which is estimated at ISK 2.5 billion (EUR 19.8 million). The estimated tax liability was reduced during the period following recognition of ISK 190 million (EUR 1.5 million) in tax credits. The 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 carried forward from previous years to offset future taxable income.

18. Stability Contribution

The Company has fully expensed the ISK Priority Claims Reserve Fund of ISK 6.0 billion (EUR 46.8 million) as an Additional Stability Contribution after deducting and recognising as a separate expense the estimated special financial tax liability for the year 2015. As of 30 September 2016, the special financial administrative tax for the year 2015 was estimated at ISK 2.5 billion (EUR 19.8 million) and ISK 3.5 billion (EUR 27.0 million) allocated as cash for Additional Stability Contribution.

	30/09/2016	30/06/2016
ISK Priority Claims Reserve Fund	46,796	43,765
Special financial administrative tax for the 2015 financial year	(19,786)	(19,852)
Allocated cash for Stability Contribution	27,010	23,912

During the period, the estimated special financial tax liability for the year 2015 was reduced by ISK 190 million (EUR 1.5 million) in tax credits causing the allocated cash for Additional Stability Contribution to increase accordingly. The Euro equivalent amount of the ISK Priority Claims Reserve Fund increased over the period by EUR 3.1 million on account of foreign exchange movements.

Any Additional Stability Contribution relating to the Retained Assets will be reflected in the Income Statement as an increased value under the net change in impairment and is then expensed for the same amount, as a Stability Contribution (see Note 2).

All amounts are in EUR thousands,
unless otherwise stated

Equity

19. 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	
Issued new share capital	11,339		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 1 July 2016	11,339	(11,339)	0
Equity as of 30 September 2016	11,339	(11,339)	0

At an extraordinary general meeting held on 16 September 2016, the shareholders of LBI unanimously approved to convert the Company's share capital from ISK into EUR. The share capital of LBI has thus changed from ISK 1,600,000,000 (1,600,000,000 Class A Shares each with a nominal value of ISK 1) to EUR 11,338,671.96 (1,133,867,196 Class A Share each with a nominal value of EUR 0.01).

No additional Class A shares were issued, redeemed or converted into Class B shares during the quarter ended 30 September 2016.

All amounts are in EUR thousands,
unless otherwise stated

Information relating to claims not reflected in the Balance Sheet

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

	30/09/2016	30/06/2016
Disputed Art. 113 claims at the beginning of the period	336,398	349,957
Contingent claims	31,587	31,587
Finally rejected claims	(13)	(13,530)
Finally accepted claims		(30)
Total	367,972	367,985

All disputed Art. 113 claims have been referred to the Icelandic courts for resolution. The ten largest disputed Art. 113 claims represent 81% of the total amount of claims in dispute. During the course of the quarter, two disputed Art. 113 claims in the aggregate amount of EUR 13 thousand were finally rejected.

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

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

The reserves for disputed and contingent Art. 113 claims are held off balance sheet. To the extent disputed Art. 113 claims are finally rejected or contingent Art. 113 claims are ultimately reduced, the corresponding amount of DMP, Convertible Notes and Convertible Note redemption payments will be returned to LBI. Upon receipt, the Company recognises such reversal of reserves in the Income Statement and on the Balance Sheet.

As stated in the Company's Articles of Association, LBI is authorised and obligated to issue and allocate new shares up to a maximum amount of EUR 379 thousand in proportion to any disputed and contingent claims which may become finally accepted under the Composition Agreement.

Reserves for Disputed Art. 113 claims	30/09/2016	30/06/2016
DMP	3,003	3,003
Convertible Notes (Nominal Value)	57,627	57,627
Convertible Notes redemption payments	1,746	1,746
Authorised unissued shares	367	367
Subtotal	62,743	62,743
Reserves held for claims finally rejected during the period		(2,820)
Reserves reversed to LBI during the period	(2,820)	
Authorised unissued shares allocated to Contingent Claims	(27)	
Total	59,896	59,923

All amounts are in EUR thousands,
unless otherwise stated

During the quarter ended 30 September 2016, total reserves amounting to EUR 2,820 thousand and comprised of DMP (EUR 466 thousand), Convertible Notes (EUR 2,285 thousand in nominal value) and Convertible Note redemption payments (EUR 69 thousand) were returned to LBI on account of disputed claims which were finally rejected during the previous period. The reversal of reserves are reflected in the Income Statement and the Balance Sheet on the basis of the stated value of the Convertible Notes (EUR 1,556 thousand) returned to LBI.

Reserves in the amount of EUR 27 thousand in authorised unissued shares were reallocated towards contingent Art. 113 claims.

Reserves for Contingent Art. 113 claims	30/09/2016	30/06/2016
DMP Contingent	810	810
Convertible Notes Contingent	4,784	4,784
Convertible Notes redemption payments Contingent	141	141
Authorised unissued shares	27	27
Total	5,762	5,762

22. Disputed priority claims

	30/09/2016	30/06/2016
Disputed priority claims at the beginning of the period	468,090	534,159
New filed priority claims during the period		
Finally rejected priority claims	(223)	(20,794)
Finally accepted priority claims		
FX difference	(8,938)	(45,274)
Total	458,929	468,090

A claim lodged by Glitnir (in GBP) totalling EUR 302.2 million is the only remaining disputed Art. 109 claim. One disputed Art. 110 claim equivalent to EUR 223 thousand was finally rejected during the period. Of the few remaining disputed Art. 110 claims, Kaupthing's claim in ISK equivalent to EUR 86.7 million is by far the largest. Rejected Art. 111 claims lodged by an individual in EUR and GBP for an equivalent of EUR 69.9 million remain in dispute before the courts in Iceland.

All amounts are in EUR thousands,
unless otherwise stated

Other Information

23. Assets specified by currencies

	30/09/2016						
	EUR	USD	GBP	CAD	ISK	Other	Total
Cash	387,062	55,392	4,912	10,105	11,989	1,785	471,244
Restricted cash	19,964	246			46,796		67,006
Landsbankinn term deposit	72,607	11,810	56,170				140,587
Landsbankinn bonds		465,714					465,714
Loans to customers	34,013	8,747	47,403	96,200		6,359	192,722
Equities and bonds	1,837		631				2,468
Claims on bankrupt estates	55,600		5,456				61,056
Other assets	27,639	7,603	1,103				36,345
Total	598,722	549,512	115,674	106,306	58,785	8,143	1,437,143
% of total assets	42%	38%	8%	7%	4%	1%	100%

	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%

All amounts are in EUR thousands, unless otherwise stated

24. Drivers of change

Asset categories	30/06/2016	Net cash received	FX change	Value-change	Income	Operating expenses	Stability Contrib.	Note Redemption	Reserve Reversals	30/09/2016
Cash	45,711	432,585	(388)		18	(7,217)			535	471,244
Restricted cash	63,744	246	3,033		(15)		(2)			67,006
Landsbankinn term deposit	143,403	(1,004)	(2,267)		455					140,587
Landsbankinn bonds	856,018	(395,499)	(1,191)		6,386					465,714
Loans to customers	204,039	(15,769)	(3,757)	5,137	3,072					192,722
Equities and bonds	5,170	(4,031)	(57)	1,386						2,468
Claims on bankrupt estates	71,688	(6,086)	(40)	(4,506)						61,056
Other assets	45,577	(10,442)	95	1,115						36,345
Total	1,435,350	0	(4,572)	3,133	9,916	(7,217)	(2)	0	535	1,437,143

EUR 8.1 million of net cash received from Loans to customers relate to seasonal reductions in the balance of a revolving credit. EUR 3.8 million in increased value change and EUR 1.3 million in accrued income on Loans to customers over the period relate to three exposures which were contracted to be sold shortly before, but the proceeds were not yet received by, the end of the reporting period.

All amounts are in EUR thousands,
unless otherwise stated

25. Assets, classification and measurement

Asset categories	30/09/2016 Balance	30/09/2016 Value	30/06/2016 Balance	30/06/2016 Value
Cash	471,244	471,244	45,711	45,711
Restricted cash	67,006	67,006	63,744	63,744
Landsbankinn term deposit	140,587	140,587	143,403	143,403
Landsbankinn bonds	465,714	465,714	856,018	856,018
Loans to customers	426,489	192,722	791,474	204,039
Equities and bonds	6,231	2,468	11,567	5,170
Claims on bankrupt estates	1,093,362	61,056	1,138,664	71,688
Other assets	517,822	36,345	510,972	45,577
Total	3,188,455	1,437,143	3,561,553	1,435,350

The net decrease in the balance of Loans to Customers during the quarter is primarily driven by EUR 373.5 million in final write-offs on outstanding exposures for which no value was reported and no recovery was expected.

The balance of Loans to Customers with no expected recovery increased by EUR 24.5 million over the period on account of foreign exchange movements. The balance of Loans to Customers as of 30 September 2016 and 30 June 2016 include aggregate exposures of EUR 69.9 million and EUR 418.9 million, respectively, for which the Company expects zero recovery and which are not reflected in the tables below:

Loans to customers by sector	30/09/2016 Balance	30/09/2016 Value	30/06/2016 Balance	30/06/2016 Value
Fishery	96,200	96,200	106,365	106,365
Services	103,573	41,570	104,151	37,964
Real Estate	109,881	29,636	115,508	35,413
Industrial Products	14,615	14,204	14,636	13,172
Retail	19,155	8,252	18,597	8,157
Other	13,122	2,860	13,367	2,968
Total	356,547	192,722	372,623	204,039

Loans to customers by country	30/09/2016 Balance	30/09/2016 Value	30/06/2016 Balance	30/06/2016 Value
Canada	96,200	96,200	106,365	106,365
UK	84,982	50,934	86,305	50,452
France	29,967	29,261	29,981	26,331
Germany	55,738	4,931	55,686	4,963
Netherlands	5,547	20	10,428	4,901
Other Europe	84,112	11,376	83,858	11,027
Total	356,547	192,722	372,623	204,039

All amounts are in EUR thousands,
unless otherwise stated

Shortly before the end of the reporting period, the Company contracted to sell three of the ten largest exposures, but proceeds were not received by the end of the reporting period. Total contracted-for proceeds from the sale of the three exposures amounted to EUR 45.1 million, representing a EUR 3.8 million increase in estimated recoverable value (net of foreign exchange movements and accrued interest) recognised in the quarter ended 30 September 2016:

	30/09/2016		30/09/2016	
Sector (Country)	Balance	Value	Balance	Value
Services (UK)	29,789	22,134	29,978	19,486
Industrial Products (France)	14,615	14,204	14,636	13,172
Services (France)	9,424	8,807	9,419	8,477
Total	53,828	45,145	54,033	41,135

26. Actual cash flow versus previously expected cash flow

	Actual cash flow	Expected Cash flow
Asset categories	1/7 - 30/9 2016	1/7 - 30/9 2016
Cash	18	
Restricted cash	(246)	
Landsbankinn term deposit	1,004	594
Landsbankinn bonds	395,499	6,699
Loans to customers	15,769	8,914
Equities and bonds	4,031	936
Claims on bankrupt estates	6,086	5,400
Other assets	10,442	10,203
Total	432,603	32,746

	Actual cash flow	Expected Cash flow
Amounts by currency stated in EUR equivalent	1/7 - 30/9 2016	1/7 - 30/9 2016
USD	50,048	14,134
GBP	1,515	1,099
EUR	384,325	14,249
CAD	(3,694)	1,690
Other	408	1,574
Total	432,603	32,746

Actual cash flow during the period exceeded expectations by EUR 399.9 million, primarily resulting from a EUR 385.3 million prepayment towards the Landsbankinn bonds and to a lesser degree the monetisation of certain exposures in loans to customers and equities and bonds.

The above figures include cash currency conversions of USD 30.7 million (EUR 27.5 million) into CAD 39.3 million (EUR 27.1 million) and GBP 0.35 million (EUR 0.4 million).

All amounts are in EUR thousands, unless otherwise stated

Individual assets monetised over the period with a value in excess of EUR 10 million comprised a EUR 385.3 million prepayment towards the Landsbankinn bond (Series 2020: USD 24 million, Series 2022: EUR 172 million and Series 2026: EUR 192 million) and a EUR 10 million payment in settlement of derivative contracts.

Shortly before the end of the reporting period, the Company contracted to sell three of the ten largest exposures in loans to customers, but proceeds were not received by the end of the reporting period. Aggregate contracted-for consideration was EUR 45.1 million and was comprised of: (i) GBP 19.1 million (EUR 22.1 million) for an exposure to a UK company in the service sector; (ii) EUR 5.3 million and USD 9.9 million (EUR 8.9 million) for exposures to a French company in the industrial products sector and (iii) EUR 8.8 million for an exposure to a French company in the service sector.

27. Asset monetisation plan for the next 12 months

	2016		2017	
Asset categories	Q4	Q1	Q2	Q3
Landsbankinn term deposit	552	546	558	558
Landsbankinn bonds	36,023	3,226	4,065	4,110
Loans to customers	143,912	7,551	7,695	5,628
Equities and bonds		400	1,837	200
Claims on bankrupt estates	5,456			
Other assets	713	4,473	484	7,800
Total	186,656	16,197	14,640	18,297

	2016		2017	
Amounts by currency stated in EUR equivalent	Q4	Q1	Q2	Q3
USD	44,969	3,166	4,136	11,784
GBP	28,734	6,644	446	646
EUR	15,717	4,963	8,551	5,378
CAD	96,750			
Other	485	1,424	1,507	490
Total	186,656	16,197	14,640	18,297

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. Expected interest payments on Landsbankinn bond in Q4 2016 are lower than subsequent periods due to prepayment of accrued interest for this period on 15 September 2016. 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.

All amounts are in EUR thousands,
unless otherwise stated

28. Budget for 2017

	2017			
	Q1	Q2	Q3	Q4
Operating expenses	4,420	3,352	3,231	3,933

The Company anticipates maintaining a cash fund of EUR 5 million during 2017 to support, preserve, protect and maintain the value of remaining assets. This fund may be adjusted up or down, or eliminated entirely, as circumstances warrant throughout the year.

29. Litigation against third parties

As stated in the Management Accounts for Q2, 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 reference is made to the Management Accounts for Q2 for further description of these cases.

During the period the Supreme Court pronounced its judgement in the case concerning the purchase of Shares in LBI Trading Book. The case was 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 concerned 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 were 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 was appealed to the Supreme Court.

A judgement was pronounced in the Supreme Court case no. 641/2015 on 22 September 2016. The Supreme Court ruled against LBI in the case and no damages were awarded to LBI.

All amounts are in EUR thousands,
unless otherwise stated

30. New litigation

No new litigations occurred in Q3 2016.

31. Events after the Balance Sheet date

On 12 October 2016, the Company exercised its option of early redemption and redeemed EUR 418.7 million of Convertible Notes pro-rata to their outstanding nominal amount.

On 18 November 2016, the largest exposure in Loans to Customers was repaid in full and an amount of CAD 137 million received by the Company (EUR 93.3 million at the exchange rate of 30 September 2016) in settlement of outstanding principal and accrued interest.

On 25 November 2016, Landsbankinn partially prepaid Bond Series 2020 in the amount of USD 36 million principal, together with interest accrued and unpaid a total of USD 37.2 million (EUR 33.3 million at the exchange rate of 30 September 2106).

Management of the Company have evaluated other subsequent events from 30 September through 28 November, 2016, the date the Management Accounts were issued, and concluded that no subsequent events have occurred that would require additional recognition or disclosure in the Management Accounts.