



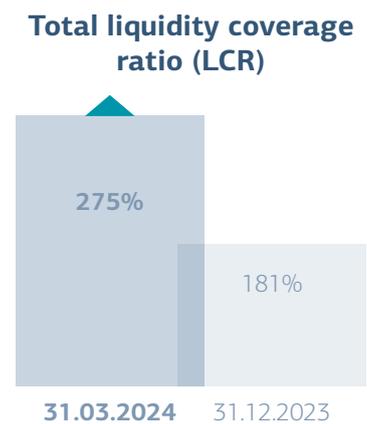
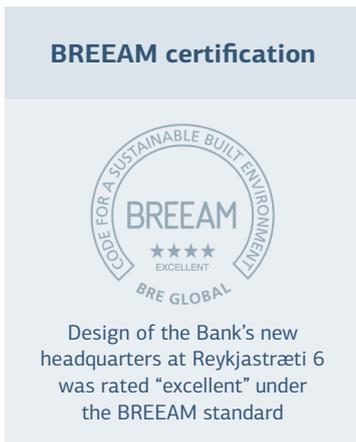
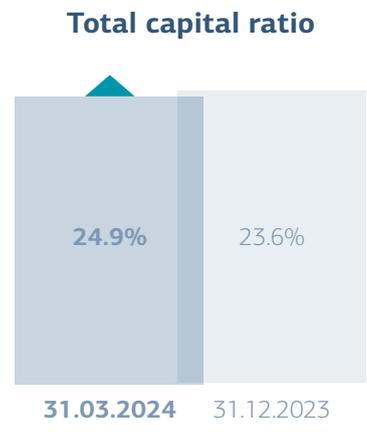
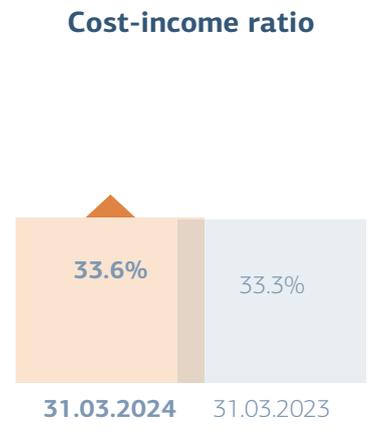
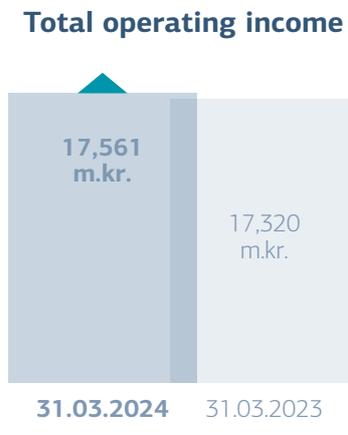
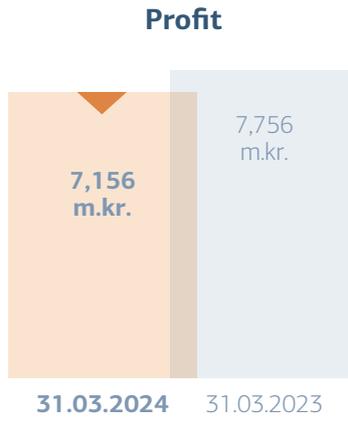
Condensed Consolidated Interim Financial Statements

For the three months ended 31 March 2024

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Highlights



Report of the Board of Directors and the CEO

The Board of Directors and the CEO of Landsbankinn hf. (“Landsbankinn” or the “Bank”) submit this report together with the reviewed Condensed Consolidated Interim Financial Statements of Landsbankinn hf. for the first three months of 2024, which include the accounts of the Bank and its subsidiaries (the “Group”).

Financial performance

Consolidated profit amounted to ISK 7,156 million for the first three months of 2024 (3M 2023: ISK 7,756 million). Return on equity was 9.3% (3M 2023: 11.1%) and the Bank’s cost-income ratio was 33.6% (3M 2023: 33.3%). Net interest income for the period was ISK 14,383 million, increasing by 10.1% between years. Net fee and commission income was ISK 2,736 million, down by 10.2% between years. Net profit on financial assets and liabilities at fair value was ISK 2,952 million (3M 2023: ISK 3,257 million net profit). Net impairment charges on financial assets were ISK 2,714 million during the period (3M 2023: ISK 2,111 million net impairment charges). A major part of the impairment charges in the quarter arises from an increased collective allowance made in response to the uncertainty linked to the economic consequences of natural disaster on the Reykjanes peninsula. Salaries and related expenses were ISK 4,233 million, up by 2.8% between years, mainly as a result of contractual wage increases. The average number of full-time equivalent positions during the period was 824 (3M 2023: 826).

Consolidated total equity amounted to ISK 310,828 million at the end of the first quarter of 2024. Total assets were ISK 2,032,436 million, increasing by 3.7% from the beginning of the year. The Group’s capital adequacy ratio, calculated according to the Act on Financial Undertakings, was 24.9% at the end of the period (year-end 2023: 23.6%).

The Bank anticipates that return on equity will be 11-13% in 2024. Main risks are described in the section on Risk factors below.

Funding

Total deposits amounted to ISK 1,103 billion at the end of the first quarter of 2024, an increase of ISK 55 billion since the beginning of the year, or 5.2%. Market funding increased by ISK 19.5 billion in the quarter, with new green bonds issued in the amount of EUR 300 million (equiv. to about ISK 45 billion), sold at a 225 basis point spread. These terms are the most favourable achieved in any EUR-denominated issuance by an Icelandic bank since 2022. Subscriptions were more the six times the size of the issuance. The overdemand and terms reflect the Bank’s good access to international financial markets. Also in March, the Bank finalised issuance of two subordinated bond series under Tier 2 capital, one non-indexed series in the amount of ISK 3 billion and one inflation-indexed series in the amount of ISK 12 billion.

Credit rating

In early April, S&P Global Ratings announced an upgrade of Landsbankinn’s credit rating by one notch, from BBB/A-2 with positive outlook to BBB+ /A-2 with stable outlook. S&P’s announcement mentions that the upgrade reflects expectations that Landsbankinn will maintain its leading domestic franchise and sound business operations. S&P further considers the Icelandic economy stronger than most European peers. An improved credit rating further strengthens the Bank’s access to domestic and international financial markets.

Risk factors

The overall quality of the Bank’s credit portfolio is high, its liquidity position strong and market risk comfortably within risk appetite. There is some uncertainty about the on-going and final effect of the seismic and volcanic activity on the Reykjanes peninsula on the Bank’s credit portfolio and operations, yet the overall scope of the impact is limited. The impact of natural disaster on the Reykjanes peninsula is addressed further in Note 3.

In general, the Bank’s risk measurements and assessment of material risk factors are positive with a stable outlook for most risk factors. Loans past due in the Bank’s portfolio remain low, its capital ratio is strong and well above regulatory requirements. All key risk factors are generally within risk appetite as at 31 March 2024, having developed positively or remained stable during the quarter.

Further information on the Group’s risk and capital management is included in the notes to the Consolidated Financial Statements and the Pillar III report for the year 2023, supplemented with Pillar III additional disclosures for the first quarter of 2024, accessible on the Bank’s website, www.landsbankinn.is.

Equity and dividend

The 2024 AGM of Landsbankinn, held on 19 April, approved the motion of the Board of Directors to pay shareholders a dividend of ISK 0.70 per share for the fiscal year 2023. The dividend shall be paid in two equal instalments, each of ISK 0.35 per share. The first instalment was paid on 24 April 2024 and the latter will be paid on 16 October 2024. The total dividend amounts to ISK 16,530 million.

In February, the Board of Directors of Landsbankinn decided to exercise an authorisation, granted by the Bank’s AGM on 23 March 2023, to buy back own shares. During the buy-back period, the Bank purchased a total of 6,4 million own shares priced at 12.8595, in the total amount of ISK 82.6 million. Following this purchase, the Bank holds around 385 million own shares, or around 1.61% of issued share capital.

Report of the Board of Directors and the CEO

Economic outlook

Economic growth measured 4.1% in 2023, rather stronger than preliminary figures had suggested. Demand dwindled significantly as the year progressed, a trend that is not unlikely to have continued in the first quarter of this year.

Inflation exceeded forecasts in early 2024 and was 6.0% in April. Residential housing prices have risen in recent months, fuelling inflation, most likely as a result of increased demand for housing by the population of Grindavík. Landsbankinn Economic Research expects inflation to recede slowly in the near term and to fall to 5.9% in July. The policy rate has been unchanged at 9.25% since August 2023 and Economic Research expects unchanged rates until the fall.

Despite high interest rate levels, there is still considerable tension in the labour market and demand for workers appears to have increased slightly in early 2024. In March, 4-year collective bargaining agreements were signed for a large portion of the labour market and wage increases are likely to be lower in coming years than in the recent past. In order to secure conservative wage demands, the Government promised an action packet with a price tag of ISK 20 billion per annum over the next 4 years.

Governance

The Annual General Meeting of Landsbankinn on 19 April 2024 elected a new Board of Directors. Jón Th. Sigurgeirsson was elected Chairman of the Board of Directors. Other Directors of the Board are: Eva Halldórsdóttir, Kristján Th. Davíðsson, Rebekka Jóelsdóttir, Steinunn Thorsteinsdóttir, Thór Hauksson and Örn Guðmundsson. Elected Alternates are: Sigurður Jón Björnsson, who was re-elected, and Stefanía Halldórsdóttir.

Sustainability

Landsbankinn's goals to reduce greenhouse gas emissions were verified by the Science Based Targets initiative (SBTi) in February. Landsbankinn is the first Icelandic bank to achieve this milestone. The Bank's goals are aligned with the aims of the Paris Climate Agreement to limit global warming to below 1.5°C on average. The Bank's main impact is through financed indirect emissions under Scope 3, i.e. emissions from that occur in the value chain. Indirect emissions from the Bank's lending activities fall under Scope 3.

Other matters

Landsbankinn and Kvika Bank agreed to enter into exclusive negotiations for the purchase by Landsbankinn of TM tryggingar hf. ("TM") based on a purchase offer the Bank made on 15 March. The Bank has offered an ISK 28.6 billion purchase price; the final consideration for TM depends on a closing adjustment on the date the Bank assumes operation of the company. The proposed acquisition is contingent on such factors as due diligence and approval by the Icelandic Competition Authority, as well as the Financial Supervisory Authority of the Central Bank of Iceland, and as such has no impact on the financial statements for the quarter.

Also in the first quarter, Landsbankinn along with other banks and pension funds, agreed to participate in funding of real estate company Fasteignafélagið Þórkatla ehf., established by the State for the purpose of purchasing residential housing in Grindavík and giving individuals the option of selling their properties to the company with pre-emption.

Report of the Board of Directors and the CEO

Statement by the Board of Directors and the CEO

The Condensed Consolidated Interim Financial Statements of Landsbankinn hf. for the first three months of 2024 have been prepared on a going-concern basis in accordance with International Financial Reporting Standards as adopted by the European Union and applicable Icelandic laws and regulations.

In our opinion, the Condensed Consolidated Interim Financial Statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2024, its consolidated financial performance and consolidated cash flows for the first three months of 2024. Furthermore, the Condensed Consolidated Interim Financial Statements, including the report of the Board of Directors and the CEO, describe the principal risks and uncertainties faced by the Group.

The Board of Directors and Chief Executive Officer of the Bank endorse the Condensed Consolidated Interim Financial Statements of Landsbankinn hf. for the first three months of 2024 with their electronic signatures.

Reykjavík, 2 May 2024

Board of Directors

Jón Th. Sigurgeirsson, Chairman

Eva Halldórsdóttir

Kristján Th. Davíðsson

Rebekka Jóelsdóttir

Steinunn Thorsteinsdóttir

Thór Hauksson

Örn Guðmundsson

Chief Executive officer

Lilja Björk Einarsdóttir

Report on Review of Condensed Consolidated Interim Financial Statements

To the Board of Directors and Shareholders of Landsbanki hf.

Introduction

We have reviewed the accompanying Condensed Consolidated Interim Financial Statements of Landsbankinn hf. as of 31 March 2024 which comprise of Report of the Board of Directors and the CEO, Condensed Consolidated Statement of Financial Position as of 31 March 2024 and the related Condensed Consolidated Income Statement, Condensed Consolidated Statement of Comprehensive income, Condensed Consolidated Statement of Changes in Equity and Condensed Consolidated Statement of Cash Flows for the three-months period then ended 31 March 2024 and other explanatory notes. The Board of Directors and CEO are responsible for the preparation and presentation of this Condensed Consolidated Interim Financial Statements in accordance with International Accounting Standard 34, "Interim Financial Reporting" as adopted by the EU and articles in Icelandic law on annual accounts that are applicable. Our responsibility is to express a conclusion on these Condensed Consolidated Interim Financial Statements based on our review.

Scope of Review

We conducted our review in accordance with International Standards on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying Condensed Consolidated Interim Financial Statements are not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting", as adopted by the EU.

Reykjavík, 2 May 2024

PricewaterhouseCoopers ehf

Arna G. Tryggvadóttir
State Authorized Public Accountant

Condensed Consolidated Income Statement for the three months ended 31 March 2024

		2024	2023
Notes		1.1-31.3	1.1-31.3
	Interest income	41,089	34,579
	Interest expense	(26,706)	(21,513)
6	Net interest income	14,383	13,066
	Fee and commission income	4,031	4,192
	Fee and commission expense	(1,295)	(1,144)
7	Net fee and commission income	2,736	3,048
8	Net gain on financial assets and liabilities at FVTPL	2,952	3,257
	Net foreign exchange gain	235	64
9	Net impairment changes	(2,714)	(2,111)
10	Other income and (expenses)	(31)	(4)
	Net other operating income	442	1,206
	Total operating income	17,561	17,320
11	Salaries and related expenses	(4,233)	(4,119)
	Other operating expenses	(2,586)	(2,355)
	Tax on liabilities of financial institutions	(600)	(570)
	Total operating expenses	(7,419)	(7,044)
	Profit before tax	10,142	10,276
12	Income tax	(2,986)	(2,520)
	Profit for the period	7,156	7,756
	Profit for the period attributable to:		
	Owners of the Bank	7,156	7,756
	Non-controlling interests	0	0
	Profit for the period	7,156	7,756
	Earnings per share:		
29	Basic and diluted earnings per share from operations (ISK)	0.30	0.33

Condensed Consolidated Statement of Comprehensive Income for the three months ended 31 March 2024

		2024	2023
Notes		1.1-31.3	1.1-31.3
	Profit for the period	7,156	7,756
	Other comprehensive income for the period, after tax	0	0
	Total comprehensive income for the period	7,156	7,756

The accompanying notes are an integral part of these Condensed Consolidated Interim Financial Statements.

Condensed Consolidated Statement of Financial Position as at 31 March 2024

Notes		31.3.2024	31.12.2023
Assets			
17, 48	Cash and balances with Central Bank	114,598	75,350
18	Bonds and debt instruments	119,496	148,182
19	Equities and equity instruments	22,543	19,012
20	Derivative instruments	2,339	7,459
21, 48	Loans and advances to financial institutions	76,410	54,101
22, 48	Loans and advances to customers	1,667,343	1,630,894
	Investments in equity-accounted associates	1,787	1,849
	Property and equipment	14,413	14,768
	Intangible assets	1,415	1,472
23	Other assets	10,892	6,828
	Assets classified as held for sale	1,200	861
	Total assets	2,032,436	1,960,776
Liabilities			
	Due to financial institutions and Central Bank	5,079	29,968
	Deposits from customers	1,103,350	1,048,537
20	Derivative instruments and short positions	4,337	2,788
24, 48	Borrowings	533,197	513,687
25	Tax liabilities	15,031	14,647
26	Other liabilities	25,364	27,219
27	Subordinated liabilities	35,250	20,176
	Total liabilities	1,721,608	1,657,022
28	Equity		
	Share capital	23,615	23,621
	Share premium	120,516	120,593
	Reserves	11,677	11,432
	Retained earnings	155,020	148,108
	Total equity attributable to owners of the Bank	310,828	303,754
	Non-controlling interests	0	0
	Total equity	310,828	303,754
	Total liabilities and equity	2,032,436	1,960,776

The accompanying notes are an integral part of these Condensed Consolidated Interim Financial Statements.

Condensed Consolidated Statement of Changes in Equity for the three months ended 31 March 2024

Notes

Change in equity for the three months ended	Attributable to owners of the Bank								Non-controlling interests	Total
	Share capital	Share premium	Statutory reserve	Reserves*		Retained earnings	Total	Total		
				Unrealised gains in subsidiaries and equity-accounted associates reserve	Fair value changes of financial assets designated at FVTPL					
31 March 2024										
Balance as at 1 January 2024	23,621	120,593	6,000	3,577	1,855	148,108	303,754		303,754	
Profit for the period						7,156	7,156		7,156	
Transferred to (from) restricted reserves				148	97	(245)	0		0	
Purchase of own shares	(6)	(77)					(83)		(83)	
28 Balance as at 31 March 2024	23,615	120,516	6,000	3,725	1,952	155,020	310,828	0	310,828	
Change in equity for the three months ended 31 March 2023										
Balance as at 1 January 2023	23,621	120,593	6,000	2,774	3,212	122,891	279,091		279,091	
Profit for the period						7,756	7,756		7,756	
Transferred to (from) restricted reserves				358	(6)	(352)	0		0	
Dividends allocated						(8,504)	(8,504)		(8,504)	
28 Balance as at 31 March 2023	23,621	120,593	6,000	3,132	3,206	121,791	278,343	0	278,343	

*In accordance with Act. No. 2/1995, on Public Limited Companies and Act No. 3/2006, on Annual Financial Statements.

The accompanying notes are an integral part of these Condensed Consolidated Interim Financial Statements.

Condensed Consolidated Statement of Cash Flows for the three months ended 31 March 2024

Notes	2024 1.1-31.3	2023 1.1-31.3
Operating activities		
Profit for the period	7,156	7,756
Adjustments for non-cash items included in profit for the period	(10,971)	(10,851)
Changes in operating assets and liabilities	(21,274)	(38,219)
Interest received	35,275	27,637
Interest paid	(8,335)	(6,845)
Dividends received	46	54
Income tax and special income tax on financial institutions paid	(3,202)	(2,422)
Net cash from (to) operating activities	(1,305)	(22,890)
Investing activities		
Purchase of property and equipment	(261)	(546)
Purchase of intangible assets	(6)	(11)
Investing activities	(267)	(557)
Financing activities		
24 Proceeds from borrowings	47,690	56,250
24 Repayment of borrowings	(27,554)	(17)
Rent paid	(110)	(190)
27 Proceeds from subordinated liabilities	15,000	12,000
28 Purchase of own shares	(83)	-
28 Dividends paid	-	(4,252)
Financing activities	34,943	63,791
Cash and cash equivalents as at the beginning of the period	67,475	52,636
Net change in cash and cash equivalents	33,371	40,344
Effect of exchange rate changes on cash and cash equivalents held	(3)	11
Cash and cash equivalents as at the end of the period	100,843	92,991
Investing and financing activities not affecting cash flows		
Approved dividend to shareholders	-	(4,252)
Unpaid dividend to shareholders	-	4,252
Reclassification of Property and equipment	(436)	-
Assets classified as held for sale	436	-
Cash and cash equivalents is specified as follows:		
17 Cash and balances with Central Bank	114,598	96,986
21 Bank accounts with financial institutions	13,667	13,739
17 Mandatory and special restricted balances with Central Bank	(27,422)	(17,734)
Cash and cash equivalents as at the end of the period	100,843	92,991

The accompanying notes are an integral part of these Condensed Consolidated Interim Financial Statements.

Condensed Consolidated Statement of Cash Flows for the three months ended 31 March 2024

Notes	2024 1.1-31.3	2023 1.1-31.3
Adjustments for non-cash items included in profit for the period		
6	(14,383)	(13,066)
8	(2,952)	(3,257)
	(232)	(75)
	2,714	2,111
10	(18)	(18)
10	(89)	11
	341	332
10	62	21
	600	570
12	2,986	2,520
	(10,971)	(10,851)
Changes in operating assets and liabilities		
	(1,725)	(6,394)
	28,561	10,759
	(26,784)	(59,156)
	(32,366)	(33,435)
	146	(3,456)
	203	(7)
	(24,666)	17,708
	39,618	30,115
	(27)	(6)
	(4,234)	5,653
	(21,274)	(38,219)

The accompanying notes are an integral part of these Condensed Consolidated Interim Financial Statements.

Notes to the Condensed Consolidated Interim Financial Statements

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Notes to the Condensed Consolidated Interim Financial Statements

General

1. Reporting entity

Landsbankinn hf. (hereinafter referred to as the "Bank" or "Landsbankinn") was founded on 7 October 2008. The Bank is a limited liability company incorporated and domiciled in Iceland. The Bank operates in accordance with Act No. 161/2002 on Financial Undertakings. The Bank is subject to supervision of the Financial Supervisory Authority of the Central Bank of Iceland (FSA) in accordance with Act No. 87/1998, on Official Supervision of Financial Activities. The registered address of the Bank's office is Reykjastræti 6, Reykjavík. Landsbankinn operates an extensive branch network in Iceland, comprised of 34 branches and service points at the end of the reporting period.

The Condensed Consolidated Interim Financial Statements of the Bank for the three months ended 31 March 2024 include the Bank and its subsidiaries (collectively referred to as the "Group" and individually as "Group entities"). The Group's primary lines of business are corporate and personal banking, markets, asset management and other related financial services. The Group operates solely in Iceland.

2. Basis of preparation

These Condensed Consolidated Interim Financial Statements for the three months 31 March 2024 have been prepared in accordance with International Accounting Standard (IAS) 34 Interim Financial Reporting, as adopted by the European Union. The Condensed Consolidated Interim Financial Statements have, furthermore, been prepared in accordance with Act No. 3/2006, on Annual Financial Statements, Act No. 161/2002, on Financial Undertakings, and Rules No. 834/2003, on Accounting for Credit Institutions.

The Condensed Consolidated Interim Financial Statements were approved and authorised for publication by the Board of Directors and the CEO of Landsbankinn on 2 May 2024.

The Condensed Consolidated Interim Financial Statements do not include all the information required for full annual financial statements and should be read in conjunction with the Consolidated Financial Statements of the Group as at and for the year ended 31 December 2023, which are available on the Bank's website, www.landsbankinn.is.

Going concern

The Bank's management has assessed the Group's ability to continue as a going concern and it has a reasonable expectation that the Group has adequate resources to continue its operations. Accordingly, these Condensed Consolidated Interim Financial Statements have been prepared on a going concern basis.

Functional and presentation currency

The functional currency of the Bank and its individual Group entities is Icelandic króna (ISK) and all amounts are presented in ISK, rounded to the nearest million unless otherwise stated.

Use of estimates and judgements

The preparation of the Condensed Consolidated Interim Financial Statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Accounting estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

3. Critical accounting estimates and judgements in applying accounting policies

The Condensed Consolidated Interim Financial Statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances. The accounting policies are the same as those applied in the Consolidated Financial Statements as at and for the year ended 31 December 2023.

Effect of natural disaster on the Reykjanes peninsula on the financial statements

The Bank has responded to the impact of seismic and volcanic activity on the township of Grindavík by being party to an agreement, concluded under the auspices of the Icelandic Financial Services Association, to cancel interest and inflation-indexation on housing mortgages to the inhabitants of Grindavík. This cancellation is limited to interest and indexation on loans in the maximum amount of ISK 50 million and includes interest and indexation on payments as well as accrued indexation on the total loan amount for a 6-month period. As a result of these measures, the Bank has in the first quarter of 2024 recognised a provision of ISK 223 million (31.12.2023: 245 million).

The Bank has also offered retail customers the option to defer payments on their mortgages for up to 6 months.

Notes to the Condensed Consolidated Interim Financial Statements

3. Critical accounting estimates and judgements in applying accounting policies (continued)

Effect of natural disaster on the Reykjanes peninsula on the financial statements (continued)

There is considerable uncertainty about seismic and volcanic activity going forward, as well as the final impact of such events. This uncertainty also applies to the final impact on customers and the Bank's loan portfolio. As a result, the Bank decided in the first quarter to reclassify all housing mortgages in the area, along corporate loans rated 6 or lower, as Stage 2 loans.

In the quarter, Landsbankinn along with other banks and pension funds, agreed to participate in the funding of real estate company Fasteignafélagið Þórkatla ehf., established by the State for the purpose of purchasing residential housing in Grindavík and giving individuals the option of selling their properties to the company with pre-emption.

The Bank has assessed the need for impairment in response to natural disaster in the Grindavík area and has made allowance in the amount of ISK 3,752 million at the end of the first quarter of 2024. Of this amount, ISK 3,653 million is a collective allowance made for increased risk not adequately captured under general impairment evaluation. For the purpose of the collective allowance assessment of loans to Grindavík customers, loans are grouped on the basis of similar risk characteristics. The assessment is based on expert judgement that considers the potential impact on payment capacity and collateral value.

Credit risk on Grindavík customers

The majority of corporate loans are to the travel and hospitality sector, and the fisheries and seafood sector. Retail lending is mainly in the form of mortgages secured on real estate in Grindavík. The table shows by customer type the Bank's maximum exposure to credit risk for Grindavík at the end of the first quarter of 2024.

	Book value	Off balance sheet	Maximum credit risk exposure
As at 31 March 2024			
Public entities	-	3	3
Individuals	11,477	708	12,185
Mortgages	9,991	-	9,991
Other	1,486	708	2,194
Corporates	38,632	1,807	40,439
Total	50,109	2,518	52,627
	Book value	Off balance sheet	Maximum credit risk exposure
As at 31 December 2023			
Public entities	-	3	3
Individuals	13,308	608	13,916
Mortgages	12,141	-	12,141
Other	1,167	608	1,775
Corporates	36,234	4,129	40,363
Total	49,542	4,740	54,282

Collateral types securing the above loans are disclosed in the table below. The value of each underlying collateral cannot exceed the gross carrying amount of loans secured by the collateral.

	Real estate*	Vessels	Deposits	Securities	Other	Total
As at 31 March 2024						
Public entities	-	-	-	-	-	0
Individuals	13,104	-	25	-	334	13,463
Mortgages	12,723	-	25	-	115	12,863
Other	381	-	-	-	219	600
Corporates	16,861	16,624	343	4,578	972	39,378
Total	29,965	16,624	368	4,578	1,306	52,841
	Real estate*	Vessels	Deposits	Securities	Other	Total
As at 31 December 2023						
Public entities	-	-	-	-	-	0
Individuals	13,147	-	1	-	362	13,510
Mortgages	12,735	-	1	-	136	12,872
Other	412	-	-	-	226	638
Corporates	16,700	14,439	291	4,363	960	36,753
Total	29,847	14,439	292	4,363	1,322	50,263

* Real estate valuation is based mainly on official property valuation at the end of Q1 2024, published by the Icelandic Housing and Construction Authority, or purchase price. In most cases, the fire insurance value of real estate is higher than the aforementioned valuation.

Notes to the Condensed Consolidated Interim Financial Statements

4. Economic forecasts

Landsbankinn Economic Research Department provides scenarios with forecasts on relevant economic variables and presents them to the Bank's Valuation Team. Economic Research creates a baseline scenario as well as a optimistic and pessimistic scenario, with the last two showing impact on impairment. In the optimistic scenario, economic indicators are altered to lessen the Bank's credit losses compared with the baseline scenario; to increase credit loss in the pessimistic scenario.

The following table shows certain key economic variables used to calculate the ECL allowance. At the reporting date, the baseline forecast of Landsbankinn Economic Research projects 2,1% GDP growth in 2024. The forecasts for the upside, baseline and downside scenarios show averages for the 12-month outlook and to the medium-term forecast horizon. The upside scenario is given 10% weight (31 December 2023: 10%), the baseline 70% weight (31 December 2023: 70%) and the downside scenario 20% weight (31 December 2023: 20%). The scenarios were approved by the Bank's Valuation Team on 25 March 2024.

	Upside scenario		Base case senario		Downside scenario	
	Next 12	Remainder of	Next 12	Remainder of	Next 12	Remainder of
	Months	the Forecast	Months	the Forecast	Months	the Forecast
As at 31 March 2024						
GDP growth	7.3%	9.6%	2.4%	2.5%	(2.5%)	(4.6%)
Unemployment rate	2.5%	1.2%	4.2%	4.2%	5.8%	7.5%
Base rate	6.7%	1.7%	8.5%	5.9%	10.3%	10.1%
Inflation	2.8%	0.1%	5.3%	4.3%	7.8%	8.5%
EUR/ISK exchange	131.0	105.8	147.0	145.1	162.9	184.5
Housing Price index,	10.9%	17.4%	3.5%	4.6%	(3.9%)	(8.2%)
Household indebtedness	42.2%	25.5%	51.3%	46.7%	60.4%	67.9%

	Upside scenario		Base case senario		Downside scenario	
	Next 12	Remainder of	Next 12	Remainder of	Next 12	Remainder of
	Months	the Forecast	Months	the Forecast	Months	the Forecast
As at 31 December 2023						
GDP growth	7.0%	9.5%	2.1%	2.5%	(2.8%)	(4.6%)
Unemployment rate	2.2%	1.2%	3.9%	4.3%	5.5%	7.5%
Base rate	7.0%	2.0%	8.8%	6.2%	10.5%	10.3%
Inflation	4.0%	1.0%	6.5%	5.3%	9.1%	9.5%
EUR/ISK exchange	133.1	106.8	149.3	146.5	165.6	186.1
Housing Price index,	11.3%	17.2%	3.9%	4.4%	(3.4%)	(8.4%)
Household	42.5%	31.2%	51.6%	52.6%	60.8%	73.9%

	As at 31 March 2024			As at 31 December 2023		
	Base senario	Downside senario		Upside senario	Base senario	Downside senario
Allowance for impairment (Stage 1 and Stage 2)	6,265	7,671	9,960	4,335	5,882	8,336
Proportion of assets in Stage 2	3.5%	3.8%	4.7%	3.7%	4.2%	5.2%

	Reported under IFRS 9	
	As at 31 March 2024	As at 31 December 2023
Allowance for impairment (stage 1 and stage 2)	8,035	6,217

Notes to the Condensed Consolidated Interim Financial Statements

5. Operating segments

Segment information for the Group is presented in accordance with internal reporting to the CEO and the managing directors, who are responsible for allocating resources to the reportable operating segments and assessing their financial performance.

The Bank is organised into seven divisions: Personal Banking, Corporate Banking, Asset Management & Capital Markets, Finance, Risk Management, IT and Communication & Culture. The Group's operating segments are divided into four main business segments and other divisions. The business segments were as follows at the end of the reporting period:

- **Personal Banking** offers individuals and small and medium-sized companies outside the capital city region comprehensive financial services and advice. The emphasis is on digital service channels and self-service solutions, both through online banking and Bank's app, together with conventional service through the Bank's branch network and Customer Service Centre.
- **Corporate Banking** offers municipalities, institutions, larger companies and SMEs in the capital region financial service and advice, emphasising digital service channels and self-service solutions such as corporate online banking and Bank's app.
- **Asset Management & Capital Markets** offers brokerage service in securities, currencies and derivatives, in addition to comprehensive asset management. Landsbréf hf., the Bank's subsidiary, is included in Asset Management & Capital Markets' segment reporting.
- **Treasury and Market Making** are units under the **Finance** division. These units are responsible for the Bank's funding, liquidity management, internal pricing of capital and market-making in currency, bonds and equities. Treasury also manages the FX, interest rate and indexation risk of the Bank within the parameters of its risk appetite.

Other divisions are Finance (with the exception of Treasury and Market Making), Risk Management, IT and Communication & Culture. Also under other operating segments are the CEO's Office and Internal Audit.

Reconciliation consists of eliminations of internal transactions and operating items that cannot be allocated to any one segment.

Administrative expenses of the Group's other segments are allocated to appropriate business segments based on the underlying cost drivers. Expenses are allocated to the business units at market price level. Other divisions supply services to business units and transactions are settled at unit prices or, if possible, on an arm's-length basis by use and activity. Income tax is allocated to appropriate business segments based on the prevailing income tax rate. Tax on the Bank's liabilities is allocated to the income generating divisions based on the debt ratio.

The following table summarises each segment's financial performance as disclosed in the internal management reports on segment profits (loss). In these reports, all income statement items are reported on a net basis, including the total interest income and expense. Inter-segment pricing is determined on an arm's-length basis.

Revenue from transactions with any single external customer was within 10% of the Group's total revenue during the period from 1 January to 31 March 2024 and the corresponding period in 2023.

Notes to the Condensed Consolidated Interim Financial Statements

5. Operating segments (continued)

	Personal Banking	Corporate Banking	Asset Management & Capital Market	Treasury and Market Making	Other divisions	Recon- ciliation	Total
1 January - 31 March 2024							
Net interest income	5,451	6,733	114	1,870	135	80	14,383
Net fee and commission income	688	660	1,425	(132)	137	(42)	2,736
Net impairment changes	(2,472)	(240)	-	(2)	-	-	(2,714)
Other net operating income (expenses)	(73)	(22)	(164)	3,384	32	(1)	3,156
Total operating income (expenses)	3,594	7,131	1,375	5,120	304	37	17,561
Operating expenses	(1,799)	(850)	(610)	(246)	(3,356)	42	(6,819)
Tax on liabilities of financial institutions	(242)	(132)	(2)	(223)	(1)	-	(600)
Profit (loss) before cost allocation and tax	1,553	6,149	763	4,651	(3,053)	79	10,142
Allocated expenses	(1,182)	(787)	(306)	(275)	2,550	-	0
Profit (loss) before tax	371	5,362	457	4,376	(503)	79	10,142
Income tax	(126)	(1,444)	(393)	(1,096)	73	-	(2,986)
Profit (loss) for the period	245	3,918	64	3,280	(430)	79	7,156
Net revenue (expenses) from external customers	5,900	13,596	1,580	(3,694)	142	-	17,524
Net revenue (expenses) from other segments	(2,306)	(6,465)	(205)	8,814	162	-	0
Total operating income (expenses)	3,594	7,131	1,375	5,120	304	0	17,524
As at 31 March 2024							
Total assets	881,883	775,850	11,505	758,139	21,023	(415,964)	2,032,436
Total liabilities	819,808	655,689	7,756	637,127	17,192	(415,964)	1,721,608
Allocated capital	62,075	120,161	3,749	121,012	3,831		310,828
	Personal Banking	Corporate Banking	Asset Management & Capital Market	Treasury and Market Making	Other divisions	Recon- ciliation	Total
1 January - 31 March 2023							
Net interest income	5,040	5,346	145	2,489	50	(4)	13,066
Net fee and commission income	767	935	1,342	(106)	148	(38)	3,048
Net impairment changes	(457)	(1,654)	-	-	-	-	(2,111)
Other net operating income (expenses)	54	(3)	87	3,177	9	(7)	3,317
Total operating income (expenses)	5,404	4,624	1,574	5,560	207	(49)	17,320
Operating expenses	(1,694)	(864)	(558)	(213)	(3,189)	44	(6,474)
Tax on liabilities of financial institutions	(215)	(118)	(3)	(232)	(2)	-	(570)
Profit (loss) before cost allocation and tax	3,495	3,642	1,013	5,115	(2,984)	(5)	10,276
Allocated expenses	(1,148)	(761)	(302)	(254)	2,465	-	0
Profit (loss) before tax	2,347	2,881	711	4,861	(519)	(5)	10,276
Income tax	(671)	(769)	(158)	(1,020)	98	-	(2,520)
Profit (loss) for the period	1,676	2,112	553	3,841	(421)	(5)	7,756
Net revenue (expenses) from external customers	9,660	10,712	1,649	(4,785)	133	-	17,369
Net revenue (expenses) from other segments	(4,256)	(6,088)	(75)	10,345	74	-	0
Total operating income (expenses)	5,404	4,624	1,574	5,560	207	0	17,369
As at 31 March 2023							
Total assets	847,612	722,876	15,036	752,443	20,153	(441,127)	1,916,993
Total liabilities	789,414	596,369	9,183	667,082	17,729	(441,127)	1,638,650
Allocated capital	58,198	126,507	5,853	85,361	2,424		278,343

Notes to the Condensed Consolidated Interim Financial Statements

Notes to the Consolidated Income Statement

6. Net interest income

	1.1-31.3.2024			1.1-31.3.2023		
	Amortised cost	Designated at FVTPL	Total	Amortised cost	Designated at FVTPL	Total
Interest income						
Cash and balances with Central Bank	1,682	-	1,682	982	-	982
Loans and advances to financial institutions	708	-	708	299	-	299
Loans and advances to customers	38,126	447	38,573	32,911	362	33,273
Other interest income	93	33	126	6	19	25
Total	40,609	480	41,089	34,198	381	34,579
Interest expense						
Due to financial institutions and Central Bank	(249)	-	(249)	(125)	-	(125)
Deposits from customers	(18,441)	-	(18,441)	(13,228)	-	(13,228)
Borrowings	(5,190)	(1,573)	(6,763)	(6,674)	(359)	(7,033)
Other interest expense	(18)	(486)	(504)	(21)	(664)	(685)
Subordinated liabilities	(749)	-	(749)	(442)	-	(442)
Total	(24,647)	(2,059)	(26,706)	(20,490)	(1,023)	(21,513)
Net interest income	15,962	(1,579)	14,383	13,708	(642)	13,066

Net interest income, calculated based on the effective interest rate method, amounted to ISK 14,383 million in the first three months of 2024 as compared with ISK 13,066 million for the same period in 2023.

7. Net fee and commission income

	1.1-31.3.2024			1.1-31.3.2023		
	Fee and commission income	Fee and commission expense	Net fee and commission income	Fee and commission income	Fee and commission expense	Net fee and commission income
Capital Markets	1,697	(173)	1,524	1,999	(170)	1,829
Loans and guarantees	368	-	368	290	-	290
Payment cards	1,423	(844)	579	1,390	(719)	671
Collection and payment services	248	(206)	42	255	(52)	203
Other	295	(72)	223	258	(203)	55
Total	4,031	(1,295)	2,736	4,192	(1,144)	3,048

8. Net gain (loss) on financial assets and liabilities at FVTPL

	2024 1.1-31.3	2023 1.1-31.3
Net (loss) gain on financial assets and liabilities at FVTPL		
Bonds and debt instruments	2,419	1,899
Equities and equity instruments	612	1,010
Derivatives and underlying hedges	39	293
Loans and advances to customers	(20)	-
Net (loss) gain on fair value hedges	(98)	55
Total	2,952	3,257

Notes to the Condensed Consolidated Interim Financial Statements

9. Net impairment changes

	2024	2023
	1.1-31.3	1.1-31.3
Net impairment changes of loans to customers	(2,714)	(1,953)
Net impairment changes of other financial assets and provision for litigations	-	(158)
Net impairment changes of financial assets	(2,714)	(2,111)
Net impairment changes by customer type		
Public entities	-	(1)
Individuals	(2,357)	(374)
Corporates	(357)	(1,736)
Net impairment changes of financial assets	(2,714)	(2,111)

10. Other income and (expenses)

	2024	2023
	1.1-31.3	1.1-31.3
Share of loss of equity-accounted associates	(62)	(21)
Gain on sale of property and equipment	18	18
Net income (expenses) on repossessions	89	(11)
Other	(76)	10
Total	(31)	(4)

11. Salaries and related expenses

	2024	2023
	1.1-31.3	1.1-31.3
Salaries	3,288	3,238
Contributions to defined pension plans	452	448
Social security contributions	218	217
Special financial activities tax on salaries	189	188
Other related expenses	86	28
Total	4,233	4,119
Average number of full-time equivalent positions during the period	824	826
Number of full-time equivalent positions at the end of the period	826	825

12. Income tax

Income tax is recognised based on the tax rates and tax laws enacted by the end of the period, according to which the domestic corporate income tax rate was 21.0% (2023: 20.0%). An additional special income tax on financial institutions is recognised at a rate of 6% on an income tax base exceeding ISK 1,000 million in accordance with Act No. 165/2011, on Financial Activity Tax. Income tax recognised in the income statement is specified as follows:

	2024	2023
	1.1-31.3	1.1-31.3
Current tax expense	(2,362)	(2,011)
Special income tax on financial institutions	(598)	(515)
Origination and reversal of temporary differences due to deferred tax assets/liabilities	(26)	6
Total	(2,986)	(2,520)

The tax on Group profit differs to the following extent from the amount that would theoretically arise by the domestic corporate income tax rate:

	2024		2023	
		1.1-31.3		1.1-31.3
Profit before income tax		10,142		10,276
Income tax calculated using the domestic corporate income tax rate	21.0%	(2,130)	20.0%	(2,055)
Special income tax on financial institutions	5.9%	(598)	5.0%	(515)
Effect of different tax rates	(0.3%)	(7)	0.0%	-
Income not subject to tax	(0.8%)	78	(2.4%)	248
Non-deductible expenses	3.2%	(328)	1.9%	(197)
Other	0.0%	(1)	0.0%	(1)
Effective income tax	29.0%	(2,986)	24.5%	(2,520)

Notes to the Condensed Consolidated Statement of Financial Position

13. Classification and fair values of financial assets and liabilities

Under IFRS 9, financial assets must be classified into categories that reflects the cash flow characteristic of the assets and the objective of business model for managing the assets. Subsequent measurement of each category is specified below:

- Financial assets measured at amortised cost.
- Financial assets measured at fair value through profit or loss.
- Financial liabilities measured at amortised cost.
- Financial liabilities measured at fair value through profit or loss.

The following table shows the classification of the Group's financial assets and liabilities according to IFRS 9 and their fair values as at 31 March 2024:

As at 31 March 2024	Notes	Carrying amount					Fair value			
		Amortised cost	Trading book	Banking book	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value										
Bonds and debt instruments	18	-	18,308	101,188	-	119,496	118,545	26	925	119,496
Equities and equity instruments	19	-	10,470	12,073	-	22,543	11,752	-	10,791	22,543
Derivative instruments	20	-	2,339	-	-	2,339	-	2,339	-	2,339
Loans and advances to customers	22	-	19,981	-	-	19,981	-	-	19,981	19,981
		0	51,098	113,261	0	164,359	130,297	2,365	31,697	164,359
Financial assets not measured at fair value										
Cash and balances with Central Bank	17	114,598	-	-	-	114,598	-	114,598	-	114,598
Loans and advances to financial institutions	21	76,410	-	-	-	76,410	-	76,410	-	76,410
Loans and advances to customers	22	1,647,362	-	-	-	1,647,362	-	1,656,764	-	1,656,764
Other financial assets		9,572	-	-	-	9,572	-	9,572	-	9,572
		1,847,942	0	0	0	1,847,942	0	1,857,344	0	1,857,344
Financial liabilities measured at fair value										
Derivative instruments	20	-	1,147	-	-	1,147	-	1,147	-	1,147
Short positions	20	-	3,190	-	-	3,190	3,190	-	-	3,190
		0	4,337	0	0	4,337	3,190	1,147	0	4,337
Financial liabilities not measured at fair value										
Due to financial institutions and Central Bank		-	-	-	5,079	5,079	-	5,079	-	5,079
Deposits from customers		-	-	-	1,103,350	1,103,350	-	1,102,965	-	1,102,965
Borrowings	24	-	-	-	533,197	533,197	-	521,193	-	521,193
Other financial liabilities		-	-	-	16,608	16,608	-	16,608	-	16,608
Subordinated liabilities	27	-	-	-	35,250	35,250	-	35,098	-	35,098
		0	0	0	1,693,484	1,693,484	0	1,680,943	0	1,680,943

13. Classification and fair values of financial assets and liabilities (continued)

The following table shows the classification of the Group's financial assets and liabilities according to IFRS 9 and their fair values as at 31 December 2023:

As at 31 December 2023	Notes	Carrying amount				Total	Fair value			
		Amortised cost	Trading book	Banking book	Other financial liabilities		Level 1	Level 2	Level 3	Total
Financial assets measured at fair value										
Bonds and debt instruments	18	-	18,105	130,077	-	148,182	147,255	26	901	148,182
Equities and equity instruments	19	-	7,934	11,078	-	19,012	8,844	-	10,168	19,012
Derivative instruments	20	-	7,459	-	-	7,459	-	7,459	-	7,459
Loans and advances to customers	22	-	15,604	-	-	15,604	-	-	15,604	15,604
		0	49,102	141,155	0	190,257	156,099	7,485	26,673	190,257
Financial assets not measured at fair value										
Cash and balances with Central Bank	17	75,350	-	-	-	75,350	-	75,350	-	75,350
Loans and advances to financial institutions	21	54,101	-	-	-	54,101	-	54,101	-	54,101
Loans and advances to customers	22	1,615,290	-	-	-	1,615,290	-	1,598,034	-	1,598,034
Other financial assets		5,263	-	-	-	5,263	-	5,263	-	5,263
		1,750,004	0	0	0	1,750,004	0	1,732,748	0	1,732,748
Financial liabilities measured at fair value										
Derivative instruments	20	-	1,533	-	-	1,533	-	1,533	-	1,533
Short positions	20	-	1,255	-	-	1,255	1,255	-	-	1,255
		0	2,788	0	0	2,788	1,255	1,533	0	2,788
Financial liabilities not measured at fair value										
Due to financial institutions and Central Bank		-	-	-	29,968	29,968	-	29,968	-	29,968
Deposits from customers		-	-	-	1,048,537	1,048,537	-	1,048,265	-	1,048,265
Borrowings	24	-	-	-	513,687	513,687	-	498,074	-	498,074
Other financial liabilities		-	-	-	10,718	10,718	-	10,718	-	10,718
Subordinated liabilities	27	-	-	-	20,176	20,176	-	19,673	-	19,673
		0	0	0	1,623,086	1,623,086	0	1,606,698	0	1,606,698

Notes to the Condensed Consolidated Interim Financial Statements

14. Fair value of financial assets and liabilities

Valuation framework

The Bank's Risk & Finance Committee oversees the Group's overall risk and is responsible for fair value measurements of financial assets and liabilities classified as Level 2 and 3 instruments. The Bank's Valuation group reports its valuation results to the Risk & Finance Committee for verification. The Valuation group is comprised of personnel from Risk Management, Treasury and Finance. The Valuation group holds monthly meetings to determine the value of Level 2 and Level 3 financial assets and liabilities.

Transfers between Levels

During the period from 1 January to 31 March 2024 and 1 January to 31 March 2023, there were no transfers between Level 1, Level 2 and Level 3. The following tables show the reconciliation of fair value measurement in Level 3 for the three months ended 31 March 2024 and for the year 2023:

	Bonds and debt instruments	Equities and equity instruments	Loans and advances to customers	Total financial assets
1 January - 31 March 2024				
Carrying amount as at 1 January 2024	901	10,168	15,604	26,673
Net gain (loss) on financial assets and liabilities at FVTPL	24	624	(20)	628
Net foreign exchange gain	-	-	93	93
Purchases	-	6	63,952	63,958
Settlements	-	-	(59,648)	(59,648)
Dividend received	-	(7)	-	(7)
Carrying amount as at 31 March 2024	925	10,791	19,981	31,697

1 January - 31 December 2023

Carrying amount as at 1 January 2023	1,013	10,841	17,964	29,818
Net gain (loss) on financial assets and liabilities at FVTPL	44	(906)	29	(833)
Net foreign exchange loss	-	-	(78)	(78)
Purchases	28	1,129	220,048	221,205
Sales	(200)	(743)	-	(943)
Settlements	16	-	(222,359)	(222,343)
Dividend received	-	(153)	-	(153)
Carrying amount as at 31 December 2023	901	10,168	15,604	26,673

The following table shows the line items in the Consolidated Income Statement where gains (losses) on financial assets and liabilities categorised in Level 3 and held by the Group as at 31 March 2024 and 31 March 2023 were recognised:

	Bonds and debt instruments	Equities and equity instruments	Loans and advances to customers	Total
1 January - 31 March 2024				
Net (loss) gain on financial assets and liabilities at FVTPL realised	(1)	7	(19)	(13)
Net gain on financial assets and liabilities at FVTPL unrealised	25	616	-	641
Net foreign exchange gain	-	-	93	93
Total	24	623	74	721
1 January - 31 March 2023				
Net gain on financial assets and liabilities at FVTPL realised	-	101	-	101
Net gain on financial assets and liabilities at FVTPL unrealised	6	857	-	863
Net foreign exchange loss	-	-	(32)	(32)
Total	6	958	(32)	932

Notes to the Condensed Consolidated Interim Financial Statements

15. Unobservable inputs in fair value measurement

The following table summarises the valuation techniques together with the significant unobservable inputs used to calculate the fair value of Level 3 assets as at 31 March 2024 and 31 December 2023. The range of values indicates the highest and lowest level input used in the valuation technique and, as such, only reflects the characteristics of the instruments as opposed to the level of uncertainty in their valuation.

As at 31 March 2024	Level 3 Assets	Significant unobservable inputs	Valuation technique	Higher	Lower	Favourable	Unfavourable
Bonds and debt instruments	13	Recovery rates	See 1) below	5%	-5%	1	(1)
	912	Bond prices	See 1) below	5%	-5%	46	(46)
Equities and equity instruments							
Equities - Banking book	10,791	Instrument Price	See 2) below	5%	-5%	847	(849)
Loans and advances to custome	19,981	Probability of default	See 3) below	1%	-1%	5	(5)
Total	31,697					899	(901)

As at 31 December 2023	Level 3 Assets	Significant unobservable inputs	Valuation technique	Higher	Lower	Favourable	Unfavourable
Bonds and debt instruments	15	Recovery rates	See 1) below	5%	-5%	1	(1)
	886	Bond prices	See 1) below	5%	-5%	44	(44)
Equities and equity instruments							
Equities - Banking book	10,168	Instrument Price	See 2) below	5%	-5%	836	(849)
Loans and advances to custome	15,604	Probability of default	See 3) below	1%	-1%	5	(19)
Total	26,673					886	(913)

A further description of the financial instruments categorised in Level 3 are as follows:

1. Fair value of corporate bonds and claims on financial institutions in winding-up proceedings and other insolvent assets is estimated on expected recovery. Reference is also made to prices in recent transactions.
2. Equities and equity instruments classified as Level 3 assets, are unlisted and not traded in an active market and therefore subject to unobservable inputs for fair value measurements. Valuation using discounted cash flows, comparison of peer companies' multiples, analysis of financial position and results, outlook and recent transaction or intrinsic value after haircut, are the methods or inputs used to estimate fair value of investments in equities and equity instruments.
3. Loans and advances to customers carried at FVTPL are classified as financial assets in Level 3. The valuation technique is based on significant non-observable inputs as loans and advances are unlisted and not traded in an active market. The valuation technique is based on available market data such as interest and inflation curves, probability of default and liquidity spread.

16. Expected credit loss

	31.3.2024			
	Stage 1	Stage 2	Stage 3	Total
Cash and balances with Central Bank	-	-	-	0
Loans and advances to customers	(2,152)	(5,489)	(6,156)	(13,797)
Other financial assets	(47)	-	(1)	(48)
Expected credit loss, off-balance sheet items	(308)	(86)	(114)	(508)
Total	(2,507)	(5,575)	(6,271)	(14,353)

	31.12.2023			
	Stage 1	Stage 2	Stage 3	Total
Cash and balances with Central Bank	-	-	-	0
Loans and advances to customers	(3,670)	(2,122)	(5,582)	(11,374)
Other financial assets	(47)	-	(1)	(48)
Expected credit loss, off-balance sheet items	(379)	(46)	(104)	(529)
Total	(4,096)	(2,168)	(5,687)	(11,951)

Notes to the Condensed Consolidated Interim Financial Statements

17. Cash and balances with Central Bank

	31.3.2024	31.12.2023
Cash on hand	4,888	5,052
Unrestricted balances with Central Bank	82,288	44,602
Total cash and unrestricted balances with Central Bank	87,176	49,654
Restricted balances with Central Bank - fixed reserve requirement	23,557	23,797
Cash and balances pledged as collateral to the Central Bank	3,865	1,899
Total restricted balances with Central Bank	27,422	25,696
Total cash and balances with Central Bank	114,598	75,350

18. Bonds and debt instruments

	31.3.2024			31.12.2023		
	Trading book	Banking book	Total	Trading book	Banking book	Total
Bonds and debt instruments						
Domestic						
Listed	15,135	56,371	71,506	15,138	53,178	68,316
Unlisted	-	1,770	1,770	-	1,443	1,443
	15,135	58,141	73,276	15,138	54,621	69,759
Foreign						
Listed	3,173	43,047	46,220	2,967	75,456	78,423
	3,173	43,047	46,220	2,967	75,456	78,423
Total bonds	18,308	101,188	119,496	18,105	130,077	148,182

Bonds are classified as "domestic" or "foreign" according to issuers' country of incorporation.

19. Equities and equity instruments

	31.3.2024			31.12.2023		
	Trading book	Banking book	Total	Trading book	Banking book	Total
Equities and equity instruments						
Domestic						
Listed	7,428	729	8,157	7,374	366	7,740
Unlisted	-	11,056	11,056	-	10,429	10,429
	7,428	11,785	19,213	7,374	10,795	18,169
Foreign						
Listed	3,042	263	3,305	560	258	818
Unlisted	-	25	25	-	25	25
	3,042	288	3,330	560	283	843
Total equities	10,470	12,073	22,543	7,934	11,078	19,012

Equities are classified as "domestic" or "foreign" according to issuers' country of incorporation.

Part of the Bank's investments in equities are comprised of alternative investments in private equity funds, often established based on the assumption that they will be wound up within a set time frame (pre-determined lifetime). Within each fund's lifetime, there is a defined investment period during which the fund identifies suitable investments and draws on subscribed capital from its shareholders, including the Bank, followed by a transformation period during which the fund implements its value-enhancing changes for the companies it has invested in. When the lifetime period of a fund expires it is wound up and dissolved and shareholders realise their investment.

As at 31 March 2024, outstanding commitments of the Group in share subscriptions amounted to ISK 440 million (31 December 2023: ISK 441 million) altogether in six entities (31 December 2023: six entities). The entities invested in by the Group are required to redeem its shareholders with proceeds from the sale of assets.

Notes to the Condensed Consolidated Interim Financial Statements

20. Derivative instruments and short positions

Trading

	31.3.2024			31.12.2023		
	Notional amount	Fair value		Notional amount	Fair value	
Foreign exchange derivatives		Assets	Liabilities		Assets	Liabilities
Currency forwards	41,341	209	188	48,317	319	378
	41,341	209	188	48,317	319	378
Interest rate derivatives						
Total return swaps	7,175	16	25	5,458	16	7
	7,175	16	25	5,458	16	7
Equity derivatives						
Equity forwards	888	14	-	276	1	1
Total return swaps	6,008	628	10	4,091	-	260
Equity options	354	-	2	63	-	5
	7,250	642	12	4,430	1	266
Total derivative instruments	55,766	867	225	58,205	336	651
Short positions						
Listed bonds	3,952	-	3,190	1,501	-	1,255
Total short positions	3,952	0	3,190	1,501	0	1,255
Total	59,718	867	3,415	59,706	336	1,906

Risk management

	31.3.2024			31.12.2023		
	Notional amount	Fair value		Notional amount	Fair value	
Foreign exchange derivatives		Assets	Liabilities		Assets	Liabilities
Currency forwards	23,383	109	289	71,020	2,454	304
	23,383	109	289	71,020	2,454	304
Interest rate derivatives						
Interest rate swaps	2,000	-	633	2,000	-	578
	2,000	0	633	2,000	0	578
Fair value hedging						
Interest rate swaps	134,874	1,363	-	90,054	4,669	-
	134,874	1,363	0	90,054	4,669	0
Total	160,257	1,472	922	163,074	7,123	882
Total derivative instruments and short positions	219,975	2,339	4,337	222,780	7,459	2,788

Fair value hedging

Currently the Group applies hedge accounting only for fair value hedges of fixed interest risk on borrowings. The Group designates interest rate swaps as hedging instruments to hedge its interest rate exposure of fixed-rate EUR borrowings. The interest rate swaps and the borrowings have identical cash flows and under the interest rate swap the Group pays floating rates while receiving fixed rates. Thus the interest rate swaps hedge the fixed interest rate risk of the borrowings.

Linear regression is the method used to assess the effectiveness of each hedge. The relationship between daily fair value changes of an interest rate swap on the one hand and a borrowing on the other hand is examined.

During the period from 1 January 2024 to 31 March 2024, the slope of the regression line was in all cases within the range of 0.91 and 0.98 (for a 95% confidence level) and the regression coefficient was at least 1.00 (R^2). During the period from 1 January 2023 to 31 March 2023, the slope of the regression line is in all cases within the range of 0.89 and 1.00 (for a 95% confidence level) and the regression coefficient was at least 0.85 (R^2). In all cases the effectiveness is within limits during the first three months of 2024 and 2023.

Notes to the Condensed Consolidated Interim Financial Statements

20. Derivative instruments and short positions (continued)

Fair value hedging (continued)

As at 31 March 2024	Notional amount of the hedging instrument	Maturity date			Fair value of the hedging derivatives		Gains (losses) on changes in fair value used for calculating hedge ineffectiveness
		3-12 months	1-5 years	>5 years	Assets	Liabilities	
Interest rate swaps - EUR	44,958	-	44,958	-	937	-	(2,046)
Interest rate swaps - EUR	44,958	-	44,958	-	389	-	(1,269)
Interest rate swaps - EUR	44,958	-	44,958	-	37	-	37
Total	134,874	0	134,874	0	1,363	0	(3,278)

Average fixed interest rate - EUR 5.21%

As at 31 March 2024	Carrying amount of the hedged item		Accumulated amount of fair value hedge adjustments on the hedged item		Gains (losses) on changes in fair value used for calculating hedge ineffectiveness
	Assets	Liabilities	Assets	Liabilities	
LBANK 6.375 3/27	-	45,863	-	956	2,016
LBANK 4.25 3/28 CB	-	45,408	-	461	1,207
LBANK 5.0 5/28	-	45,006	-	93	(43)
Total EMTN hedged borrowings	0	136,277	0	1,510	3,180

As at 31 December 2023	Notional amount of the hedging instrument	Maturity date			Fair value of the hedging derivatives		Gains (losses) on changes in fair value used for calculating hedge ineffectiveness
		3-12 months	1-5 years	>5 years	Assets	Liabilities	
Interest rate swaps - EUR	-	-	-	-	-	-	322
Interest rate swaps - EUR	45,027	-	45,027	-	1,669	-	1,685
Interest rate swaps - EUR	45,027	-	45,027	-	3,000	-	2,985
Total	90,054	0	90,054	0	4,669	0	4,992

Average fixed interest rate - EUR 5.31%

As at 31 December 2023	Carrying amount of the hedged item		Accumulated amount of fair value hedge adjustments on the hedged item		Gains (losses) on changes in fair value used for calculating hedge ineffectiveness
	Assets	Liabilities	Assets	Liabilities	
LBANK 1.00 5/23	-	-	-	-	(301)
LBANK 6.375 3/27	-	46,671	-	955	(1,623)
LBANK 4.25 3/28 CB	-	47,945	-	1,534	(2,953)
Total EMTN hedged borrowings	0	94,616	0	2,489	(4,877)

Notes to the Condensed Consolidated Interim Financial Statements

21. Loans and advances to financial institutions

	31.3.2024	31.12.2023
Bank accounts with financial institutions	13,667	17,821
Money market loans	61,651	35,164
Other loans	1,092	1,116
Allowance for impairment	-	-
Total	76,410	54,101

22. Loans and advances to customers

	31.3.2024	31.12.2023
Loans and advances to customers at amortised cost	1,661,159	1,626,664
Allowance for impairment	(13,797)	(11,374)
Total	1,647,362	1,615,290
Loans and advances to customers at FVTPL	19,981	15,604
Total	1,667,343	1,630,894

Loans and advances to customers at amortised cost

	31.3.2024			31.12.2023		
	Gross carrying amount	Allowance for impairment	Carrying amount	Gross carrying amount	Allowance for impairment	Carrying amount
Public entities	11,771	(3)	11,768	11,453	(4)	11,449
Individuals	829,302	(4,401)	824,901	821,480	(2,382)	819,098
Mortgage lending	741,699	(3,399)	738,300	732,230	(1,246)	730,984
Other	87,603	(1,002)	86,601	89,250	(1,136)	88,114
Corporates	820,086	(9,393)	810,693	793,731	(8,988)	784,743
Total	1,661,159	(13,797)	1,647,362	1,626,664	(11,374)	1,615,290

Further disclosure on loans and advances to customers is provided in the risk management notes to these Condensed Consolidated Interim Financial Statements.

23. Other assets

	31.3.2024	31.12.2023
Unsettled securities trading	6,543	2,205
Other accounts receivable	1,178	1,160
Right-of-use assets	1,851	1,898
Sundry assets	1,320	1,565
Total	10,892	6,828

Notes to the Condensed Consolidated Interim Financial Statements

24. Borrowings

Secured borrowings

Currency, outstanding nominal amount	Maturity	Maturity		31.3.2024	31.12.2023
		type	Terms of interest		
LBANK CBI 24, ISK 38,080 million	15.11.2024	At maturity	Fixed 3.0%, CPI-indexed	53,902	52,712
LBANK CB 25, ISK 39,660 million	17.09.2025	At maturity	Fixed 3.4%	40,091	39,704
LBANK CBI 26, ISK 11,120 million	20.11.2026	At maturity	Fixed 1.5%, CPI-indexed	14,648	14,373
LBANK CB 27, ISK 35,280 million	20.09.2027	At maturity	Fixed 4.6%	33,358	32,752
LBANK CBI 28, ISK 50,200 million	04.10.2028	At maturity	Fixed 3.0%, CPI-indexed	73,026	71,432
LBANK 4.25 3/28 CB, EUR 300 million*	16.03.2028	At maturity	Fixed 4.25%	45,863	47,945
LBANK CB 29, ISK 12,020 million	27.09.2029	At maturity	Fixed 8.2%	12,500	8,853
LBANK CBI 30, ISK 10,100 million	22.02.2030	At maturity	Fixed 4.25%, CPI-indexed	10,288	-
Total covered bonds				283,676	267,771
				31.3.2024	31.12.2023
Other secured loans				5,260	5,060
Total other secured loans				5,260	5,060
Total secured borrowings				288,936	272,831

Unsecured borrowings

Currency, outstanding nominal amount	Maturity	Maturity		31.3.2024	31.12.2023
		type	Terms of interest		
LBANK FLOAT 01/24, SEK 850 million	19.01.2024	At maturity	STIBOR + 0.65%	-	11,574
LBANK 0.5 5/24, EUR 84 million	20.05.2024	At maturity	FIXED 0.5%	12,647	25,266
LBANK FLOAT 08/24, NOK 300 million	12.08.2024	At maturity	NIBOR + 2.0%	3,875	4,047
LBANK FLOAT 01/25, NOK 500 million	20.01.2025	At maturity	NIBOR + 0.79%	6,467	6,757
LBANK FLOAT 01/25, SEK 850 million	20.01.2025	At maturity	STIBOR + 0.8%	11,145	11,571
LBANK 0.375 5/25 GB, EUR 200 million	23.05.2025	At maturity	FIXED 0.375%	29,965	45,004
LBANK FLOAT 08/25, NOK 350 million	18.08.2025	At maturity	NIBOR + 2.35%	4,515	4,716
LBANK FLOAT 08/25, NOK 1,000 million	21.08.2025	At maturity	NIBOR + 3.05%	12,898	13,473
LBANK FLOAT 08/25, SEK 450 million	25.08.2025	At maturity	STIBOR + 3.5%	5,879	6,101
LBANK 0.75 5/26 GB, EUR 300 million	25.05.2026	At maturity	FIXED 0.75%	45,060	45,023
LBANK 6.375 3/27, EUR 300 million*	12.03.2027	At maturity	FIXED 6.375%	45,408	46,671
LBANK 5.000 5/28, EUR 300 million*	13.05.2028	At maturity	FIXED 5.0%	45,006	-
Total senior unsecured bonds				222,865	220,203
				31.3.2024	31.12.2023
Other unsecured loans				21,396	20,653
Total other unsecured loans				21,396	20,653
Total unsecured borrowings				244,261	240,856
Total borrowings as at 31 March 2024				533,197	513,687

* The Group applies hedge accounting to these bond issuances and uses for this purpose certain foreign currency denominated interest rate swaps as hedging instruments, see Note 20. The interest rate swaps are hedging the Group's exposure to fair value changes of these fixed-rate EUR denominated bonds arising from changes in interest rates. The Group applies fair value hedge accounting to the hedging relationship.

Issued under the Bank's Sustainable Finance Framework.

Change in liabilities due to financing activities

	As at 1.1.2024	Cash flow	Non-cash changes			As at 31.3.2024
			Accrued interest	Foreign exchange	Change in the fair value	
Secured borrowings	219,826	13,548	4,439	-	-	237,813
Secured borrowings held to hedge long-term	47,945	(561)	578	(83)	(2,016)	45,863
Other secured loans	5,060	-	89	111	-	5,260
Senior unsecured bonds	173,532	(38,093)	(393)	(2,595)	-	132,451
Senior unsecured bonds held to hedge long-term	46,671	42,977	1,692	238	(1,164)	90,414
Other unsecured loans	20,653	(126)	419	450	-	21,396
Subordinated liabilities	20,176	14,327	747	-	-	35,250
Total	533,863	32,072	7,571	(1,879)	(3,180)	568,447

Notes to the Condensed Consolidated Interim Financial Statements

24. Borrowings (continued)

Change in liabilities due to financing activities (continued)

	As at 1.1.2023	Cash flow	Non-cash changes			As at 31.12.2023
			Accrued interest	Foreign exchange	Change in the fair value	
Secured borrowings	223,214	(21,077)	17,689	-	-	219,826
Secured borrowings held to hedge long-term	-	43,282	1,364	346	2,953	47,945
Other secured loans	-	5,689	(7)	(622)	-	5,060
Senior unsecured bonds	190,252	(15,356)	2,102	(3,466)	-	173,532
Senior unsecured bonds held to hedge long-term	45,283	(4,839)	3,053	1,250	1,924	46,671
Other unsecured loans	18,115	1,649	1,374	(485)	-	20,653
Subordinated liabilities	21,753	(3,189)	2,379	(767)	-	20,176
Total	498,617	6,159	27,954	(3,744)	4,877	533,863

25. Deferred tax assets and liabilities

	31.3.2024		31.12.2023	
	Assets	Liabilities	Assets	Liabilities
Tax liabilities	-	14,866	-	14,509
Deferred tax liabilities	-	165	-	138
Taxes in the Statement of Financial Position	0	15,031	0	14,647

Recognised deferred tax assets and liabilities are attributable to the following:

	31.3.2024			31.12.2023		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Property and equipment	-	(165)	(165)	-	(162)	(162)
Intangibles	-	(142)	(142)	-	(141)	(141)
Exchange rate-indexed assets and liabilities	-	(668)	(668)	-	(634)	(634)
Deferred foreign exchange differences	3	-	3	34	-	34
Other assets and liabilities	806	-	806	764	-	764
Tax losses carried forward	1	-	1	1	-	1
	810	(975)	(165)	799	(937)	(138)
Set-off of deferred tax assets together with liabilities of the same taxable entities	(810)	810	0	(799)	799	0
Deferred tax liabilities total	0	(165)	(165)	0	(138)	(138)

The movements in temporary differences during the period were as follows:

	Recognised in income statement			Recognised in income statement		
	Balance	Tax income	Balance	Balance	Tax income	Balance
	1.1.2024	(expense)	as at 31.3.2024	1.1.2023	(expense)	as at 31.12.2023
Property and equipment	(162)	(3)	(165)	(95)	(67)	(162)
Intangibles	(141)	(1)	(142)	(157)	16	(141)
Foreign currency assets and liabilities	(634)	(34)	(668)	(487)	(147)	(634)
Deferred foreign exchange differences	34	(31)	3	(10)	44	34
Other assets and other liabilities	764	42	806	748	16	764
Tax losses carried forward	1	0	1	1	-	1
Total	(138)	(27)	(165)	0	(138)	(138)

Notes to the Condensed Consolidated Interim Financial Statements

26. Other liabilities

	31.3.2024	31.12.2023
Unsettled securities trading	11,942	6,723
Withholding tax	1,387	8,884
Accounts payable	2,655	1,939
Non-controlling interests - Funds	1,785	2,020
Lease liabilities	2,011	2,056
Provision for litigations	29	159
Sundry liabilities	5,555	5,438
Total	25,364	27,219

Unsettled securities transactions were settled in less than three days from the reporting date.

27. Subordinated liabilities

Currency, outstanding nominal amount	Maturity	Maturity		31.3.2024	31.12.2023
		type	Terms of interest		
LBANK T2I 29, ISK 5,500 million	11.12.2029	At maturity	Fixed 3.85%, CPI-indexed	7,236	7,053
LBANK T2I 33, ISK 12,000 million	23.03.2033	At maturity	Fixed 4.95%, CPI-indexed	12,858	13,123
LBANK T2I 35, ISK 11,980 million	07.03.2035	At maturity	Fixed 5.70%, CPI-indexed	12,158	-
LBANK T2 35, ISK 2,980 million	07.03.2035	At maturity	Fixed 9.60%	2,998	-
Total subordinated liabilities				35,250	20,176

The subordinated Tier 2 bond series the Bank has issued are callable by the issuer in different years. The bond series LBANK T2I 29 is callable in December 2024. LBANK T2I 33 is callable in March 2028 and on each subsequent interest payment date. The bond series LBANK T2I 35 and LBANK T2 35 are callable in March 2030 and on each subsequent interest payment date.

28. Equity

Share capital

As at 31 March 2024, issued shares in the Bank number 24 billion in total, with outstanding shares numbering 23.6 billion, with a nominal value of ISK 1 per share. Own shares at the end of the period were 385 million, or 1.61% of issued share capital. Each share entitles the owner to one vote at a shareholders' meeting. All shares are fully paid up.

The AGM of Landsbankinn, held on 19 April 2024, renewed the authorisation of the Bank to acquire own shares of up to 10% of the nominal value of its share capital and at a price determined by the internal value of the Bank's shares, according to its most recently published consolidated interim or annual financial statements prior to share buyback.

The Bank has launched a share buyback programme which allows for the maximum repurchase of 54 million shares during each buyback period, or 0.23% of issued shares.

On 15 February 2024, the Board of Directors of Landsbankinn announced its decision to exercise an authorisation to purchase the Bank's own shares during a buyback period extending from 19 February up to and including 24 March 2024. The authorisation is consistent with a resolution of the Annual General Meeting held on 23 March 2023 and the Bank's buyback programme. During the buyback period, the Bank acquired a total of 6,423,476 own shares at a share price of 12.8595, for a total purchase price of ISK 82.6 million.

Share premium

Share premium represents the difference between the ISK amount received by the Bank when issuing share capital and the nominal amount of the shares issued, less costs directly attributable to issuing the new shares.

Statutory reserve

The statutory reserve is established in accordance with the Public Limited Companies Act, No. 2/1995, which stipulates that the Bank must allocate profits to the statutory reserve until the reserve is equal to one-quarter of the Bank's share capital.

Retained earnings

Act No. 3/2006, on Annual Financial Statements, with subsequent amendments, require *inter alia* the separation of retained earnings into two categories: restricted and unrestricted retained earnings. Unrestricted retained earnings consist of undistributed profits and losses accumulated by the Group since the foundation of the Bank, less transfers to the Bank's statutory reserve and restricted retained earnings. Restricted retained earnings are split into two categories:

Notes to the Condensed Consolidated Interim Financial Statements

28. Equity (continued)

Retained earnings (continued)

1. Unrealised gains in subsidiaries and equity-accounted associates reserve; if the share of profit from subsidiaries or equity-accounted associates is in excess of dividend received, the Group transfers the difference to a restricted reserve in equity. If the Group's interest in subsidiaries or equity-accounted associates is sold or written off, the applicable amount recognised in the reserve is transferred to retained earnings.

2. Financial assets designated at fair value through profit or loss reserve. The Group transfers fair value changes arising from financial assets designated at fair value through profit or loss, from retained earnings to a restricted reserve. Amounts recognised in the reserve are transferred back to retained earnings upon sale of the financial asset.

Dividend

The 2024 AGM of Landsbankinn, held on 19 April, approved the motion of the Board of Directors to pay shareholders a dividend of ISK 0.70 per share for the fiscal year 2023 in two instalments. It was further approved that the dividend be paid in two equal instalments, each of ISK 0.35 per share. The first instalment was paid on 24 April 2024 and the latter will be paid on 16 October 2024. The total dividend amounts to ISK 16,530 million.

Dividend policy

Landsbankinn's current dividend policy provides that the Bank aims to pay regular dividends to shareholders amounting in general to around 50% of the previous year's profit. To achieve the Bank's target capital ratio, special dividend payments may also be made to optimise its capital structure. In determining the amount of dividend payments, the Bank's continued strong financial position shall be ensured. Regard shall be had for risk in the Bank's internal and external environment, growth prospects and the maintenance of a long-term, robust equity and liquidity position, as well as compliance with regulatory requirements of financial standing at any given time.

Restriction of dividend payments

According to the Public Limited Companies Act, No. 2/1995, it is only permissible to allocate as dividend profit in accordance with approved annual financial statements for the immediate past financial year, profit carried forward from previous years, and free funds after deducting loss which has not been met, and the funds which according to law or Articles of Association must be contributed to a reserve fund or for other use. Furthermore, under the amendment to Act No. 3/2006, on Annual Financial Statements, from June 2016 it is only permissible to allocate as dividend profit from unrestricted retained earnings.

Additionally, according to the Act on Financial Undertakings, No. 161/2002, the FSA can impose proportionate restrictions on the Bank's dividend payments, if the Bank's capital adequacy ratio falls below the total capital requirement plus capital buffers, see Note 34 Capital requirements.

Other notes

29. Earnings per share

	2024	2023
Profit for the period	1.1-31.3	1.1-31.3
Profit for the period attributable to owners of the Bank	7,156	7,756
	2024	2023
Weighted average number of shares	1.1-31.3	1.1-31.3
Weighted average number of ordinary shares issued	24,000	24,000
Weighted average number of own shares	(381)	(379)
Weighted average number of shares outstanding	23,619	23,621
Basic and diluted earnings per share from operations (ISK)	0.30	0.33

Diluted earnings per share, whether positive or negative, are calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

The Bank's basic and diluted earnings per share are equal as the Bank has not issued any options, warrants, convertibles or other potential sources of dilution.

30. Litigation

Material litigation cases against the Bank and its subsidiaries

The Bank and its subsidiaries are from time to time party to litigation cases which arise in the ordinary course of business and the operational procedures of the Bank or the Group, as the case may be. Some of these cases are material in the sense that management considers that they may have a significant impact on the amounts disclosed in the Group's financial statements and are not comparable to other, previously closed, cases.

Notes to the Condensed Consolidated Interim Financial Statements

30. Litigation (continued)

Material litigation cases against the Bank and its subsidiaries (continued)

In August 2021, a former owner of a payment card company brought a case against the Bank and certain other financial institutions claiming tort liability in the amount of around ISK 923 million, plus interest, due to an alleged breach of competition rules in the determination of payment card interchange fees. This is the sixth case that has been brought before the courts for this purpose, but all previous cases have been dismissed. On 30 September 2022 the District Court of Reykjavík dismissed the case on grounds of insufficient substantiation. On 10 January 2023 the Appeal Court partly annulled the dismissal and ordered the District Court to hear the case in substance. The timing of a final judgment is uncertain and whether it will have a financial impact on the Bank. Should the plaintiff's claims be acknowledged in a final court ruling, it is to be expected that a potential payment obligation will be divided between the defendants.

In December 2021, two individuals commenced litigation against the Bank claiming that an interest rate provision in two credit agreements, issued in 2006, should be deemed illegal and void since the provision allegedly does not stipulate under which circumstances the interest rate changes, as provided for in the Consumer Credit Act No. 121/1994, applicable at the time. The disputed interest rate provision was used in the Bank's consumer credit agreements until around 2013. The plaintiffs demand primarily that interests be recalculated in accordance with Article 4 of the Act on Interest and Indexation, and that the Bank repays the plaintiffs around ISK 3,5 million plus interest. On 7 February 2023 the District Court accepted the plaintiffs' claims of last resort of repayment based on the initial contractual interest rate and taking into account limitation years for claims, in the amount of around ISK 230,000 plus interest. The case has been appealed to the Appeal Court where the Bank submits that all claims by the plaintiffs should be rejected. It is the Bank's assessment that should the judgment of the District Court be confirmed in a final judgment the maximum potential loss resulting from such an outcome will be ISK 29 million as regards the Bank's loan portfolio with the same interest rate provision. In 2023, the Bank recognised a provision in the amount of ISK 159 million with respect to this loan portfolio, which corresponded to the Bank's assessment in 2023. Following the reassessment, the amount of the provision has been adjusted to ISK 29 million.

In December 2022, an individual commenced litigation against the Bank in a case which is similar to the above mentioned case. On 23 February 2023 the Bank delivered its written statement claiming that all claims by the plaintiff should be rejected.

In December 2021 two individuals commenced litigation against the Bank claiming that an interest rate provision in a mortgage credit agreement, issued in 2019, should be deemed illegal and void since the provision allegedly does not stipulate conditions and procedure for interest rate changes, as provided for in the Consumer Mortgage Act No. 118/2016. The disputed interest rate provision in this case has been used in the Bank's consumer and mortgage credit agreements from around 2013. The plaintiffs demand that interests be recalculated in accordance with Article 4 of the Act on Interest and Indexation, and that the Bank repays the plaintiffs around ISK 83,000 plus interest. In February 2022 the Bank submitted its written statement claiming that all claims by the plaintiffs should be rejected. On 23 March 2023, a hearing was held before the EFTA Court on a request by the District Court of Reykjavík for an advisory opinion as to whether the interest rate provision is contrary to the Mortgage Credit Directive 2014/17/EU and the Consumer Credit Directive 2008/48/EC. It is expected that the opinion will be delivered on the second quarter of 2024. The case will then be brought again before the District Court. It is the Bank's preliminary assessment of the potential impact of an adverse ruling on the Bank's loan portfolio with the same interest rate provision that the Bank's financial loss, taking different scenarios into account, could amount to around ISK 15.7 billion. This is an update of the assessment in light of the current interest rate environment. In 2023, the assessment was in the amount of ISK 8 billion. The preliminary assessment does not include an assessment of the impact on the Bank's interest rate risk should an adverse final court ruling be that the initial contractual interest rates should be applied throughout the duration of the respective loans. Such a ruling, which the Bank regards as unlikely, would significantly increase the Bank's interest rate risk and could have a considerable negative financial impact on the Bank in times of increased market interest rates.

Proceedings relating to the sale of the Bank's shareholding in Borgun hf.

In January 2017, the Bank commenced proceedings before the District Court of Reykjavík against BPS ehf., Eignarhaldsfélagið Borgun slf., Borgun hf., now Teya Iceland hf. (the Company), and the then CEO of the Company. The Bank maintains that when the Bank sold its 31.2% shareholding in the Company in 2014, the defendants were in possession of information about the shareholding of the Company in Visa Europe Ltd. that they failed to disclose to the Bank. The Bank demands acknowledgement of the defendants' liability for losses incurred by the Bank on these grounds. By judgment of 27 April 2023, the District Court acquitted the defendants of the claims made by the Bank. The Bank has appealed the case to the Appeal Court.

31. Interest in subsidiaries

The main subsidiaries held directly or indirectly by the Group as at 31 March 2024 were as detailed in the table below. This includes those subsidiaries that are most significant in the context of the Group's business.

Main subsidiaries as at 31 March 2024

Company	Ownership	
	interest	Activity
Eignarhaldsfélag Landsbankans ehf. (Iceland)	100%	Holding company
Landsbréf hf. (Iceland)	100%	Fund management company
Hömlur ehf. (Iceland)	100%	Holding company
Hömlur fyrirtæki ehf. (Iceland)	100%	Holding company

The Group does not have significant restrictions on its ability to access or use its assets and settle its liabilities other than those resulting from the supervisory framework. The Group did not have any material non-controlling interests as at 31 March 2024.

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32. Related party transactions

Transactions with the Icelandic government and government-related entities

The Group's products and services are offered to the Icelandic government and government-related entities in competition with other vendors and under generally accepted commercial terms. In a similar manner, the Bank and other Group entities purchase products and services from government-related entities at market price and otherwise under generally accepted commercial terms. The nature of and amounts outstanding with public entities are disclosed in Note 38 under Public entities.

Transactions with other related parties

The following table presents the total amounts of loans to key management personnel and parties related to them, loans to associates of the Group and other related parties:

Loans in ISK million	31.3.2024		31.12.2023	
	Gross carrying amount	Highest amount outstanding during the period	Gross carrying amount	Highest amount outstanding during the period
Key management personnel	547	561	556	636
Parties related to key management personnel	250	260	256	282
Associates	183	186	184	947
Other	294	296	288	825
Total	1,274	1,303	1,284	2,690

No new guarantees were granted to related parties during the period. The Bank concluded no lease contracts with related parties during the period.

The following table presents the total amounts of deposits received from key management personnel and parties related to them and associates of the Group:

Deposits in ISK million	31.3.2024		31.12.2023	
	Carrying amount	Highest amount outstanding during the period	Carrying amount	Highest amount outstanding during the period
Key management personnel	93	112	82	191
Parties related to key management personnel	163	204	134	279
Associates	522	1,271	483	1,279
Other	15	81	14	126
Total	793	1,668	713	1,875

The following table presents the total amount of guarantees to key management personnel and parties related to them and associates of the Group:

Guarantees in ISK million	Gross carrying amount as at 31 March 2024	Gross carrying amount as at 31 December 2023
Key management personnel	-	-
Parties related to key management personnel	-	-
Associates	-	-
Other	545	539
Total	545	539

All of the above transactions were made in the ordinary course of business and on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with third party counterparties.

Changes to the Board of Directors

The AGM of Landsbankinn on April 19 2024 elected a new Board of Directors. Transactions of new board members are not considered transactions of related parties during the period.

33. Events after the reporting period

No events have arisen after the reporting period of these financial statements that require amendments or additional disclosures in the Condensed Consolidated Financial Statements for the three months ended 31 March 2024.

Notes to the Condensed Consolidated Interim Financial Statements

Capital management

34. Capital requirements

The Group's capital management policies and practices aim to ensure that the Group has sufficient capital to cover the risks associated with its activities on a consolidated basis. The capital management framework of the Group comprises four interdependent areas: capital assessment, risk appetite/capital target, capital planning, and reporting/monitoring. The Group regularly monitors and assesses its risk profile in key business areas on a consolidated basis and for the most important risk types. The Bank's risk appetite sets out the level of risk the Group is willing to take in pursuit of its business objectives.

The Act on Financial Undertakings No 161/2002, implementing the Capital Requirements Directive 2013/36/EU (CRD IV), and Regulation (EU) No 575/2013 (CRR), as incorporated into Icelandic legislation and as amended, set out the legal requirements for the Group's capital. The regulatory minimum capital requirement under Pillar I is 8% of Risk Weighted Exposure Amount (RWEA) for credit risk, market risk and operational risk. In conformity with Pillar II-R requirements, the Bank annually assesses its own capital needs through the Internal Capital Adequacy Assessment Process (ICAAP). The ICAAP results are subsequently reviewed by the FSA in the Supervisory Review and Evaluation Process (SREP). The Group's minimum capital requirement, as determined by the FSA, is the sum of Pillar I and Pillar II-R requirements.

In addition to the minimum capital requirement, the Bank is required by law to maintain certain capital buffers determined by the Financial Stability Committee (FSC) of the Central Bank of Iceland. The FSC has defined the Bank as a systematically important financial institution in Iceland.

The Group's most recent capital requirements are as follows (as a percentage of RWEA):

As at 31 March 2024	CET1	Tier 1	Total
Pillar I	4.5%	6.0%	8.0%
Pillar II-R	1.6%	2.1%	2.8%
Minimum requirement under Pillar I and Pillar II-R	6.1%	8.1%	10.8%
Systemic risk buffer (SRB)	2.9%	2.9%	2.9%
Capital buffer for systematically important institutions (O-SII)	2.0%	2.0%	2.0%
Countercyclical capital buffer (CCyB)	2.5%	2.5%	2.5%
Capital conservation buffer (CCB)	2.5%	2.5%	2.5%
Combined buffer requirement (CBR)	9.9%	9.9%	9.9%
Total capital requirement	16.0%	18.0%	20.7%

On 15 March 2023 the Financial Stability Committee decided to increase the value of the countercyclical capital buffer to 2.5%, from 2.0%, taking effect twelve months thereafter. As of the following dates, the countercyclical capital buffer on domestic exposures will therefore be, ceteris paribus:

	31.12.2023	15.3.2024	31.3.2024
Countercyclical capital buffer on domestic exposures	2.0%	2.5%	2.5%

The Bank aims to maintain at all times capital ratios well above FSA's minimum capital requirements. The Bank's target capital ratio includes a management buffer, in addition to FSA's capital requirements, that is defined in the Bank's risk appetite. The Bank also aims to be in the highest category for risk-adjusted capital ratio, as determined and measured by the relevant credit rating agencies.

35. Capital base, risk-weighted exposure amount and capital ratios

The following table shows the Group's capital base, risk exposure amount and capital ratios. The calculations are in accordance with Regulation (EU) No. 575/2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms, as amended and made part of the Icelandic legal order.

In accordance with EU Regulation No. 575/2013, the FSA has granted permission for verified interim profits and audited year-end profits to be included in the Group's capital base, net of any foreseeable charge or dividend. The permission is, *inter alia*, subject to the condition that an interim statement has been verified by the Group's auditors or that an annual statement has been audited by the Groups auditors.

Also in accordance with the aforementioned laws and regulations, the FSA has granted permission for the Group to apply IFRS 9 transitional arrangements. The Bank applies the dynamic approach in terms of the IFRS 9 transitional arrangement, whereby the transitional adjustment amount throughout the transition year is determined by recalculating it periodically to reflect the evolution of the Group's expected credit loss provisions within the transition period.

Notes to the Condensed Consolidated Interim Financial Statements

35. Capital base, risk-weighted exposure amount and capital ratios (continued)

The Group uses the standardised approach to calculate the risk exposure amount for credit risk and market risk, and the basic indicator approach for operational risk.

Capital base	31.3.2024	31.12.2023
Share capital	23,615	23,621
Share premium	120,516	120,593
Reserves	11,677	11,432
Retained earnings	155,020	148,108
Total equity attributable to owners of the Bank	310,828	303,754
Intangible assets	(6)	(7)
Forseeable dividends*	(20,108)	(16,584)
Fair value hedges	147	(4,669)
Adjustment under IFRS 9 transitional arrangements	625	595
Insufficient coverage for non-performing exposures	(1,379)	(1,291)
Common equity Tier 1 capital (CET1)	290,107	281,798
Non-controlling interests	-	-
Tier 1 capital	290,107	281,798
Subordinated liabilities	35,250	20,176
Tier 2 capital	35,250	20,176
Total capital base	325,357	301,974

Risk-weighted exposure amount (RWEA)	31.3.2024	31.12.2023
Credit risk	1,173,963	1,144,477
Market risk	20,245	20,559
Operational risk**	114,400	114,400
Total risk-weighted exposure amount	1,308,608	1,279,436

*Pursuant to the Bank's dividend policy, the foreseeable dividend corresponds to around 50% of interim net profits for the first three months of 2024 in addition to a dividend payment of ISK 16,530 million for the operating year 2023, approved by Landsbankinn's AGM on 19 April 2024.

**The amounts are updated on a yearly basis.

CET1 ratio	22.2%	22.0%
Tier 1 capital ratio	22.2%	22.0%
Total capital ratio	24.9%	23.6%
CET1 Ratio as if IFRS 9 transitional arrangements were not applied	22.1%	22.0%
Tier 1 capital ratio as if IFRS 9 transitional arrangements were not applied	22.1%	22.0%
Total capital ratio as if IFRS 9 transitional arrangements were not applied	24.8%	23.6%

Notes to the Condensed Consolidated Interim Financial Statements

36. Minimum Requirement for own funds and Eligible Liabilities (MREL)

The Act on Recovery and Resolution of Credit Institutions and Investment Firms No. 70/2020, as amended, implementing the Bank Recovery and Resolution Directive 2014/59/EU (BRRD) and Directive 2019/879 (BRRD II), provides for the determination by the Central Bank of Iceland's Resolution Authority of minimum requirement for own funds and eligible liabilities (MREL).

On 17 October 2023 the Resolution Authority announced its latest annual MREL decision for the Bank. The decision entails that the Bank must at all times maintain a minimum of 21.6% of MREL funds, as a percentage of the Bank's Total Risk-weighted Exposure Amount (TREA). The Bank also expects the Resolution Authority to introduce a 13.5% Subordination Requirement in the second half of 2024.

Both the MREL and the Subordination Requirement must be met without regards to the combined buffer requirement (CBR), which must be separately fulfilled alongside MREL and the Subordination Requirement.

The Bank must also maintain a minimum of 6,0% of MREL funds, as a percentage of the Bank's Total Exposure Measure (TEM), which is equal to two times the Bank's minimum leverage ratio.

	31.3.2024		31.12.2023	
	Amount	Percentage of RWEA	Amount	Percentage of RWEA
Own funds and eligible liabilities				
Common Equity Tier 1 (CET1)	290,107	22.2%	281,798	22.0%
Additional Tier 1 capital (AT1)	-	0.0%	-	0.0%
Tier 2 capital	35,250	2.7%	20,176	1.6%
Eligible liabilities	192,467	14.7%	182,851	14.3%
Sum of own funds and eligible liabilities	517,823	39.6%	484,825	37.9%
Recurring MREL requirement	(282,659)	(21.6%)	(276,358)	(21.6%)
Combined buffer requirement (CBR)	(129,552)	(9.9%)	(120,267)	(9.4%)
Sum of MREL and Combined Buffer Requirements	(412,212)	(31.5%)	(396,625)	(31.0%)
MREL Maximum Distributable Amount (M-MDA)	105,611	8.1%	88,200	6.9%

The MREL Maximum Distributable Amount (M-MDA) is the maximum amount that the bank is allowed to distribute via various actions, including dividend payments to shareholders, buy-back of own shares and payments of variable remuneration. These MREL restrictions are in addition to other own funds requirements.

37. Leverage ratio

The following table shows the Group's leverage ratio. The calculations are in accordance with Regulation (EU) No. 575/2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms, as amended and made part of the Icelandic legal order. A minimum leverage ratio of 3.0% is required.

	31.3.2024	31.12.2023
Leverage ratio		
- On-balance sheet exposure (excluding derivatives and SFTs)	2,015,347	1,942,770
- Derivative instrument exposure	13,727	21,757
- Securities financing transaction exposures	14,751	11,598
- Off-balance sheet exposure	110,292	118,051
- Regulatory adjustments to Tier 1 capital	(20,721)	(20,665)
Total leverage exposure	2,133,396	2,073,511
Tier 1 capital	290,107	281,798
Leverage ratio	13.6%	13.6%
Leverage ratio as if IFRS 9 transitional arrangements were not applied	13.6%	13.6%

Notes to the Condensed Consolidated Interim Financial Statements

Credit risk

38. Maximum exposure to credit risk and concentration by industry sectors

The following tables show the Group's maximum credit risk exposure as at 31 March 2024 and 31 December 2023. For on-balance sheet assets, the exposures are based on net carrying amounts as reported in the Consolidated Statement of Financial Position. Off-balance sheet amounts are the maximum amounts the Group might have to pay for guarantees, undrawn loan commitments, and undrawn overdraft and credit card facilities.

As at 31 March 2024	Corporates													Maximum exposure	Carrying amount
	Financial institutions	Public entities *	Individuals	Fisheries	Real estate companies	Construction companies	Travel industry	Services, ITC	Retail	Manufacturing and energy	Holding companies	Agri-culture	Other		
Cash and balances with Central Bank	-	114,598	-	-	-	-	-	-	-	-	-	-	-	114,598	114,598
Bonds and debt instruments	132	99,269	-	-	-	-	-	1,757	-	17	13	-	-	101,188	119,496
Equities and equity instruments	222	-	-	8	21	-	3	4,487	9	298	7,025	-	-	12,073	22,543
Derivative instruments	1,485	-	1	20	16	5	1	2	6	35	80	-	688	2,339	2,339
Loans and advances to financial institutions	76,410	-	-	-	-	-	-	-	-	-	-	-	-	76,410	76,410
Loans and advances to customers	-	11,768	824,967	193,652	181,685	137,238	111,911	62,642	69,960	37,428	28,894	7,197	1	1,667,343	1,667,343
Other assets	23,645	20	21	3	1,865	39	601	2,173	-	7	-	-	1,327	29,701	29,707
Total on-balance sheet exposure	101,894	225,655	824,989	193,683	183,587	137,282	112,516	71,061	69,975	37,785	36,012	7,197	2,016	2,003,652	2,032,436
Off-balance sheet exposure	3	10,030	38,727	20,467	30,710	85,879	11,376	19,816	24,801	19,707	3,994	579	2,457	268,546	
Financial guarantees and underwriting commitments	-	341	647	5,724	1,829	6,824	2,204	4,367	4,575	839	416	10	-	27,776	
Undrawn loan commitments	-	-	123	11,873	27,826	75,688	7,181	5,789	13,661	14,769	3,228	5	2,430	162,573	
Undrawn overdraft/credit card facilities	3	9,689	37,957	2,870	1,055	3,367	1,991	9,660	6,565	4,099	350	564	27	78,197	
Maximum exposure to credit risk	101,897	235,685	863,716	214,150	214,297	223,161	123,892	90,877	94,776	57,492	40,006	7,776	4,473	2,272,198	
Percentage of maximum exposure to credit risk	4.5%	10.4%	38.0%	9.4%	9.4%	9.8%	5.5%	4.0%	4.2%	2.5%	1.8%	0.3%	0.2%	100%	

* Public entities consist of central government, state-owned enterprises, Central Bank and municipalities.

Notes to the Condensed Consolidated Interim Financial Statements

38. Maximum exposure to credit risk and concentration by industry sectors (continued)

As at 31 December 2023	Corporates													Maximum exposure	Carrying amount
	Financial institutions	Public entities *	Individuals	Fisheries	Real estate companies	Construction companies	Travel industry	Services, ITC	Retail	Manufacturing and energy	Holding companies	Agri-culture	Other		
Cash and balances with Central Bank	-	75,350	-	-	-	-	-	-	-	-	-	-	-	75,350	75,350
Bonds and debt instruments	128	128,479	-	-	-	-	-	1,429	-	26	15	-	-	130,077	148,182
Equities and equity instruments	82	-	-	9	22	-	3	3,269	9	196	7,488	-	-	11,078	19,012
Derivative instruments	7,151	-	5	84	14	-	1	6	16	-	172	-	10	7,459	7,459
Loans and advances to financial institutions	54,101	-	-	-	-	-	-	-	-	-	-	-	-	54,101	54,101
Loans and advances to customers	-	11,449	819,151	190,233	176,428	132,177	107,693	62,100	64,178	32,536	27,739	7,210	-	1,630,894	1,630,894
Other assets	19,175	28	31	3	1,914	-	602	2,438	-	7	-	-	1,573	25,771	25,778
Total on-balance sheet exposure	80,637	215,306	819,187	190,329	178,378	132,177	108,299	69,242	64,203	32,765	35,414	7,210	1,583	1,934,730	1,960,776
Off-balance sheet exposure	3	10,158	38,251	21,281	33,715	87,246	12,903	20,673	26,687	34,908	2,427	638	2,405	291,295	
Financial guarantees and underwriting commitments	-	191	594	5,945	2,006	6,676	2,210	4,436	4,696	707	416	10	-	27,887	
Undrawn loan commitments	-	-	142	12,459	30,467	76,920	9,090	6,861	13,507	30,009	1,634	18	2,378	183,485	
Undrawn overdraft/credit card facilities	3	9,967	37,515	2,877	1,242	3,650	1,603	9,376	8,484	4,192	377	610	27	79,923	
Maximum exposure to credit risk	80,640	225,464	857,438	211,610	212,093	219,423	121,202	89,915	90,890	67,673	37,841	7,848	3,988	2,226,025	
Percentage of maximum exposure to credit risk	3.6%	10.1%	38.5%	9.5%	9.5%	9.9%	5.4%	4.0%	4.1%	3.0%	1.7%	0.4%	0.2%	100.0%	

* Public entities consist of central government, state-owned enterprises, Central Bank and municipalities.

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39. Collateral and loan-to-value

The loan-to-value (LTV) ratio expresses the gross carrying amount of loans and advances as a percentage of the total value of the collateral. Loan-to-value is one of the key risk factors assessed when qualifying borrowers for a loan. The risk of default is always at the forefront of lending decisions, and the likelihood of a lender absorbing a loss in the foreclosure process increases as the collateral value decreases. A high LTV ratio indicates that there are smaller buffers to protect against price falls of a collateral or increases in a loan balance when repayments are not made and unpaid interest is added to the outstanding balance of the loan.

As at 31 March 2024	LTV ratio - Fully collateralised					LTV ratio - Partially collateralised		Without collateral	Allowance for impairment	Carrying amount
	0% - 25%	25% - 50%	50% - 75%	75% - 100%	Total	>100%	Collateral value*			
Financial institutions	-	-	-	-	0	-	-	76,410	-	76,410
Public entities	22	272	20	0	314	1,560	814	9,897	(3)	11,768
Individuals	95,739	321,021	333,276	30,331	780,367	3,373	1,674	45,628	(4,401)	824,967
Mortgages	86,425	307,567	316,782	25,117	735,891	1,740	687	4,068	(3,399)	738,300
Other	9,314	13,454	16,494	5,214	44,476	1,633	987	41,560	(1,002)	86,667
Corporates	88,353	277,547	222,775	171,351	760,026	56,164	37,991	23,811	(9,393)	830,608
Fisheries	44,548	110,537	33,173	5,745	194,003	353	239	2,223	(2,927)	193,652
Real estate companies	6,798	42,824	86,527	41,665	177,814	2,889	2,023	1,963	(981)	181,685
Construction companies	3,667	28,223	29,829	50,639	112,358	25,188	16,954	1,039	(1,347)	137,238
Travel industry	2,430	23,659	32,029	36,896	95,014	14,188	9,538	5,372	(2,663)	111,911
Services, IT and communications	8,529	15,941	16,472	14,186	55,128	2,821	2,211	5,239	(546)	62,642
Retail	9,050	31,537	13,474	8,487	62,548	7,048	4,540	741	(377)	69,960
Manufacturing and energy	7,454	6,572	7,068	8,819	29,913	1,255	754	6,622	(362)	37,428
Holding companies	4,676	15,633	1,728	4,624	26,661	1,985	1,479	422	(174)	28,894
Agriculture	1,201	2,621	2,475	290	6,587	437	253	189	(16)	7,197
Other	-	-	-	-	0	-	-	1	-	1
Total	184,114	598,840	556,071	201,682	1,540,707	61,097	40,479	155,746	(13,797)	1,743,753

*If LTV is less than 100% the loan is considered fully secured. If LTV is greater than 100% the loan is partially collateralised and the respective collateral value is shown in the table.

Notes to the Condensed Consolidated Interim Financial Statements

39. Collateral and loan-to-value (continued)

As at 31 December 2023	LTV ratio - Fully collateralised					LTV ratio - Partially collateralised		Without collateral	Allowance for impairment	Carrying amount
	0% - 25%	25% - 50%	50% - 75%	75% - 100%	Total	>100%	Collateral value*			
Financial institutions	-	-	-	-	0	-	-	54,101	-	54,101
Public entities	21	261	17	20	319	1,518	763	9,616	(4)	11,449
Individuals	74,396	273,436	395,171	34,227	777,230	3,320	2,095	40,983	(2,382)	819,151
Mortgages	67,684	259,198	374,457	29,501	730,840	1,125	578	265	(1,246)	730,984
Other	6,712	14,238	20,714	4,726	46,390	2,195	1,517	40,718	(1,136)	88,167
Corporates	87,827	282,255	221,194	157,537	748,813	37,221	26,702	23,248	(8,988)	800,294
Fisheries	49,564	103,956	14,463	22,255	190,238	550	380	2,216	(2,771)	190,233
Real estate companies	7,095	40,985	87,081	36,840	172,001	3,498	2,500	1,859	(930)	176,428
Construction companies	5,533	33,919	42,832	36,338	118,622	13,478	8,269	1,249	(1,172)	132,177
Travel industry	2,050	24,216	35,651	33,704	95,621	9,356	7,426	5,214	(2,498)	107,693
Services, IT and communications	7,756	21,217	11,604	12,946	53,523	3,283	2,520	6,019	(725)	62,100
Retail	9,276	34,398	12,078	5,841	61,593	2,011	1,406	904	(330)	64,178
Manufacturing and energy	1,415	5,032	11,788	5,148	23,383	4,383	3,852	5,152	(382)	32,536
Holding companies	4,165	15,664	3,524	3,767	27,120	369	205	414	(164)	27,739
Agriculture	973	2,868	2,173	698	6,712	293	144	221	(16)	7,210
Other	-	-	-	-	0	-	-	-	-	0
Total	162,244	555,952	616,382	191,784	1,526,362	42,059	29,560	127,948	(11,374)	1,684,995

*If LTV is less than 100% the loan is considered fully secured. If LTV is greater than 100% the loan is partially collateralised and the respective collateral value is shown in the table.

Notes to the Condensed Consolidated Interim Financial Statements

40. Collateral types

The following tables disclose the assignments of collateral values to claim values, whereby the value of each individual collateral item held cannot exceed the gross carrying amount of the corresponding individual claim. Changes in collateral value amounts between years result either from changes in the underlying value of collateral or changes in the gross carrying amount of claim.

As at 31 March 2024	Real estate	Vessels	Deposits	Securities	Other*	Total
Financial institutions	-	-	-	-	-	0
Public entities	1,105	-	1	-	22	1,128
Individuals	762,506	44	158	2,593	16,604	781,905
Mortgages	730,517	15	129	76	5,707	736,444
Other	31,989	29	29	2,517	10,897	45,461
Corporates	423,198	145,767	5,457	75,834	147,745	798,001
Fisheries	8,319	142,606	510	17,714	25,091	194,240
Real estate companies	168,145	95	445	5,531	5,622	179,838
Construction companies	123,438	3	303	341	5,225	129,310
Travel industry	64,384	208	121	961	38,877	104,551
Services, IT and communications	23,037	2,775	872	9,496	21,158	57,338
Retail	15,963	-	196	16,063	34,860	67,082
Manufacturing and energy	11,786	80	2,681	-	16,116	30,663
Holding companies	2,027	-	325	25,728	59	28,139
Agriculture	6,099	-	4	-	737	6,840
Other	-	-	-	-	-	0
Total	1,186,809	145,811	5,616	78,427	164,371	1,581,034
As at 31 December 2023	Real estate	Vessels	Deposits	Securities	Other*	Total
Financial institutions	-	-	-	-	-	0
Public entities	1,058	-	1	-	22	1,081
Individuals	757,315	48	149	3,897	17,695	779,104
Mortgages	724,692	11	120	64	6,315	731,202
Other	32,623	37	29	3,833	11,380	47,902
Corporates	411,923	142,083	5,562	73,827	142,125	775,520
Fisheries	8,457	138,894	600	17,325	25,344	190,620
Real estate companies	163,430	96	372	4,907	5,696	174,501
Construction companies	120,641	3	273	349	5,626	126,892
Travel industry	59,954	179	72	988	41,855	103,048
Services, IT and communications	24,445	2,828	405	8,446	19,919	56,043
Retail	15,433	-	147	15,955	31,465	63,000
Manufacturing and energy	12,373	83	3,373	-	11,405	27,234
Holding companies	1,110	-	319	25,857	39	27,325
Agriculture	6,080	-	1	-	776	6,857
Other	-	-	-	-	-	0
Total	1,170,296	142,131	5,712	77,724	159,842	1,555,705

*Other includes collateral like financial claims, invoices, liquid assets, vehicles, machines, aircrafts and inventories.

Notes to the Condensed Consolidated Interim Financial Statements

41. Credit quality of loans and advances

The following tables show the credit quality of loans and advances, measured by rating grade.

As at 31 March 2024	Gross carrying amount					Allowance for impairment	Carrying amount
	10-7	6-4	3-1	0	Unrated		
Financial institutions	76,409	1	-	-	-	-	76,410
Public entities	10,046	1,724	1	-	-	(3)	11,768
Individuals	602,555	203,267	17,624	4,239	1,683	(4,401)	824,967
Mortgages	569,189	156,082	12,262	2,872	1,294	(3,399)	738,300
Other	33,366	47,185	5,362	1,367	389	(1,002)	86,667
Corporates	187,449	592,377	41,308	18,867	-	(9,393)	830,608
Fisheries	68,116	123,562	1,094	3,807	-	(2,927)	193,652
Real estate companies	2,722	168,866	8,343	2,735	-	(981)	181,685
Construction companies	13,006	117,329	5,790	2,460	-	(1,347)	137,238
Travel industry	25,011	70,681	10,449	8,433	-	(2,663)	111,911
Services, IT and communications	20,681	32,955	8,683	869	-	(546)	62,642
Retail	37,189	30,748	2,103	297	-	(377)	69,960
Manufacturing and energy	14,912	21,039	1,678	161	-	(362)	37,428
Holding companies	-	25,817	3,155	96	-	(174)	28,894
Agriculture	5,812	1,380	12	9	-	(16)	7,197
Other	-	-	1	-	-	-	1
Total	876,459	797,369	58,933	23,106	1,683	(13,797)	1,743,753

As at 31 December 2023	Gross carrying amount					Allowance for impairment	Carrying amount
	10-7	6-4	3-1	0	Unrated		
Financial institutions	54,101	-	-	-	-	-	54,101
Public entities	9,759	1,689	1	4	-	(4)	11,449
Individuals	610,078	189,683	15,113	4,939	1,720	(2,382)	819,151
Mortgages	574,016	145,056	9,143	2,634	1,381	(1,246)	730,984
Other	36,062	44,627	5,970	2,305	339	(1,136)	88,167
Corporates	181,215	568,546	42,047	17,474	-	(8,988)	800,294
Fisheries	66,457	121,858	1,052	3,637	-	(2,771)	190,233
Real estate companies	2,541	162,952	9,277	2,588	-	(930)	176,428
Construction companies	14,692	109,734	6,638	2,285	-	(1,172)	132,177
Travel industry	24,562	67,645	11,327	6,657	-	(2,498)	107,693
Services, IT and communications	24,815	30,421	6,982	607	-	(725)	62,100
Retail	33,096	28,855	2,192	365	-	(330)	64,178
Manufacturing and energy	9,167	22,079	1,546	126	-	(382)	32,536
Holding companies	-	23,684	3,018	1,201	-	(164)	27,739
Agriculture	5,885	1,318	15	8	-	(16)	7,210
Other	-	-	-	-	-	-	0
Total	855,153	759,918	57,161	22,417	1,720	(11,374)	1,684,995

Notes to the Condensed Consolidated Interim Financial Statements

42. Loans and advances by past due status

The following tables show the gross carrying amount of loans and advances by past due status.

	Gross carrying amount						Allowance for impairment	Carrying amount
	Not past due	Days past due						
As at 31 March 2024		1-5	6-30	31-60	61-90	over 90		
Financial institutions	76,370	-	40	-	-	-	-	76,410
Public entities	11,771	-	-	-	-	-	(3)	11,768
Individuals	817,985	2,780	813	5,132	110	2,548	(4,401)	824,967
Mortgages	735,036	-	461	4,555	36	1,611	(3,399)	738,300
Other	82,949	2,780	352	577	74	937	(1,002)	86,667
Corporates	817,931	5,392	4,229	2,419	1,246	8,784	(9,393)	830,608
Fisheries	191,355	2,517	189	331	3	2,184	(2,927)	193,652
Real estate companies	179,300	426	1,267	649	62	962	(981)	181,685
Construction companies	136,309	979	523	105	242	427	(1,347)	137,238
Travel industry	106,108	298	1,785	816	906	4,661	(2,663)	111,911
Services, IT and communications	61,964	284	198	389	6	347	(546)	62,642
Retail	69,288	649	149	120	14	117	(377)	69,960
Manufacturing and energy	37,595	59	113	7	13	3	(362)	37,428
Holding companies	28,841	151	-	2	-	74	(174)	28,894
Agriculture	7,170	29	5	-	-	9	(16)	7,197
Other	1	-	-	-	-	-	-	1
Total	1,724,057	8,172	5,082	7,551	1,356	11,332	(13,797)	1,743,753

	Gross carrying amount						Allowance for impairment	Carrying amount
	Not past due	Days past due						
As at 31 December 2023		1-5	6-30	31-60	61-90	over 90		
Financial institutions	54,101	-	-	-	-	-	-	54,101
Public entities	11,417	35	1	-	-	-	(4)	11,449
Individuals	809,837	2,869	1,422	4,302	1,021	2,082	(2,382)	819,151
Mortgages	725,346	-	1,048	3,699	791	1,346	(1,246)	730,984
Other	84,491	2,869	374	603	230	736	(1,136)	88,167
Corporates	790,377	2,499	6,383	3,584	2,917	3,522	(8,988)	800,294
Fisheries	190,697	140	64	104	1,962	37	(2,771)	190,233
Real estate companies	174,107	205	1,667	448	296	635	(930)	176,428
Construction companies	131,710	1,068	43	144	13	371	(1,172)	132,177
Travel industry	102,003	246	2,776	2,527	556	2,083	(2,498)	107,693
Services, IT and communications	60,020	669	1,657	268	70	141	(725)	62,100
Retail	64,096	91	103	27	13	178	(330)	64,178
Manufacturing and energy	32,764	42	62	39	7	4	(382)	32,536
Holding companies	27,784	17	2	27	-	73	(164)	27,739
Agriculture	7,196	21	9	-	-	-	(16)	7,210
Other	-	-	-	-	-	-	-	0
Total	1,665,732	5,403	7,806	7,886	3,938	5,604	(11,374)	1,684,995

Notes to the Condensed Consolidated Interim Financial Statements

43. Loans and advances by stage allocation

The tables below show both the gross carrying amount of loans and advances and the related expected credit losses (ECLs) by industry sector and the three-stage criteria under IFRS 9.

	Stage 1			Stage 2		Stage 3		Allowance for impairment	Fair Value	Carrying amount
	Gross carrying amount	Gross carrying amount	12-month ECL	Gross carrying amount	Lifetime ECL	Gross carrying amount	Lifetime ECL			
As at 31 March 2024										
Financial institutions	76,410	76,410	-	-	-	-	-	-	-	76,410
Public entities	11,771	11,717	(3)	54	-	-	-	(3)	-	11,768
Individuals	829,368	784,362	(229)	40,701	(3,325)	4,239	(847)	(4,401)	66	824,967
Mortgages	741,699	707,454	(103)	31,373	(3,089)	2,872	(207)	(3,399)	-	738,300
Other	87,669	76,908	(126)	9,328	(236)	1,367	(640)	(1,002)	66	86,667
Corporates	840,001	749,818	(1,920)	51,401	(2,164)	18,867	(5,309)	(9,393)	19,915	830,608
Fisheries	196,579	185,193	(182)	1,536	(168)	3,807	(2,577)	(2,927)	6,043	193,652
Real estate companies	182,666	168,764	(271)	6,885	(250)	2,735	(460)	(981)	4,282	181,685
Construction companies	138,585	128,508	(674)	7,235	(329)	2,460	(344)	(1,347)	382	137,238
Travel industry	114,574	95,560	(319)	10,581	(653)	8,433	(1,691)	(2,663)	-	111,911
Services, IT and communications	63,188	53,423	(143)	5,749	(325)	869	(78)	(546)	3,147	62,642
Retail	70,337	66,282	(155)	3,339	(134)	297	(88)	(377)	419	69,960
Manufacturing and energy	37,790	31,848	(98)	5,781	(248)	161	(16)	(362)	-	37,428
Holding companies	29,068	13,039	(67)	10,291	(57)	96	(50)	(174)	5,642	28,894
Agriculture	7,213	7,200	(11)	4	-	9	(5)	(16)	-	7,197
Other	1	1	-	-	-	-	-	-	-	1
Total	1,757,550	1,622,307	(2,152)	92,156	(5,489)	23,106	(6,156)	(13,797)	19,981	1,743,753

Notes to the Condensed Consolidated Interim Financial Statements

43. Loans and advances by stage allocation (continued)

	Stage 1			Stage 2		Stage 3		Allowance for impairment	Fair Value	Carrying amount
	Gross carrying amount	Gross carrying amount	12-month ECL	Gross carrying amount	Lifetime ECL	Gross carrying amount	Lifetime ECL			
As at 31 December 2023										
Financial institutions	54,101	54,101	-	-	-	-	-	-	-	54,101
Public entities	11,453	11,372	(4)	77	-	4	-	(4)	-	11,449
Individuals	821,533	787,521	(1,119)	29,020	(482)	4,939	(781)	(2,382)	53	819,151
Mortgages	732,230	711,881	(839)	17,715	(241)	2,634	(166)	(1,246)	-	730,984
Other	89,303	75,640	(280)	11,305	(241)	2,305	(615)	(1,136)	53	88,167
Corporates	809,282	722,593	(2,547)	53,664	(1,640)	17,474	(4,801)	(8,988)	15,551	800,294
Fisheries	193,004	182,930	(346)	678	(16)	3,637	(2,409)	(2,771)	5,759	190,233
Real estate companies	177,358	164,189	(341)	6,621	(152)	2,588	(437)	(930)	3,960	176,428
Construction companies	133,349	124,181	(617)	6,511	(203)	2,285	(352)	(1,172)	372	132,177
Travel industry	110,191	93,418	(352)	10,116	(793)	6,657	(1,353)	(2,498)	-	107,693
Services, IT and communications	62,825	58,097	(554)	3,772	(110)	607	(61)	(725)	349	62,100
Retail	64,508	60,700	(164)	3,111	(61)	365	(105)	(330)	332	64,178
Manufacturing and energy	32,918	20,119	(82)	12,673	(289)	126	(11)	(382)	-	32,536
Holding companies	27,903	11,752	(82)	10,171	(16)	1,201	(66)	(164)	4,779	27,739
Agriculture	7,226	7,207	(9)	11	-	8	(7)	(16)	-	7,210
Other	-	-	-	-	-	-	-	-	-	0
Total	1,696,369	1,575,587	(3,670)	82,761	(2,122)	22,417	(5,582)	(11,374)	15,604	1,684,995

Notes to the Condensed Consolidated Interim Financial Statements

44. Impairment allowance on loans and advances

The following tables show changes in the impairment allowance on loans and advances during the period.

	12-months ECL	Lifetime ECL	Lifetime ECL	Total
	Stage 1	Stage 2	Stage 3	
Balance as at 1 January 2024 - Financial institutions	0	0	0	0
Changes in models/risk parameters	-	-	-	0
Balance as at 31 March 2024 - Financial institutions	0	0	0	0
- thereof classified as deduction from gross carrying amounts	-	-	-	0
- thereof classified as liabilities	-	-	-	0

	12-months ECL	Lifetime ECL	Lifetime ECL	Total
	Stage 1	Stage 2	Stage 3	
Balance as at 1 January 2024 - Loans and advances to customers	(4,049)	(2,168)	(5,686)	(11,903)
New financial assets originated	(326)	(382)	(59)	(767)
Reversals due to financial assets that have been derecognised	450	70	130	650
Transfer to Stage 1 - 12-month ECL	(59)	58	1	0
Transfer to Stage 2 - Lifetime ECL	3,535	(3,549)	14	0
Transfer to Stage 3 - Lifetime ECL	139	380	(519)	0
Expected cancellation as a result of natural disaster	32	1	-	33
Changes in models/risk parameters	(2,182)	13	(265)	(2,434)
Provisions used to cover write-offs	-	2	114	116
Balance as at 31 March 2024 - Loans and advances to customers	(2,460)	(5,575)	(6,270)	(14,305)
- thereof classified as deduction from gross carrying amounts	(2,152)	(5,489)	(6,156)	(13,797)
- thereof classified as liabilities	(308)	(86)	(114)	(508)

1.1-31.3.2024

	Financial institutions	Public entities	Individuals	Corporates	Total
Net impairment on loans and advances					
New financial assets originated	-	-	(126)	(641)	(767)
Reversals due to financial assets that have been derecognised	-	-	102	548	650
Changes due to financial assets recognised in the opening balance	-	-	(2,103)	(331)	(2,434)
Cancellation as a result of natural disaster	-	-	(223)	-	(223)
Write-offs	-	-	(133)	(9)	(142)
Provisions used to cover write-offs	-	-	108	8	116
Recoveries	-	-	16	26	42
Translation difference	-	-	-	44	44
Total	0	0	(2,359)	(355)	(2,714)

The impact of cancellation of interest and inflation-indexation on mortgages effected in response to the natural disaster on the Reykjanes peninsula is in the amount of ISK 223 million in the first period (31.12.2023: 245 million). A collective allowance of ISK 46 million has been charged under liabilities to meet the remainder of the cancellation for payments due in May 2024 (31.12.2023: 80 million).

Notes to the Condensed Consolidated Interim Financial Statements

44. Impairment allowance on loans and advances (continued)

The following tables show changes in the impairment allowance of loans and advances during the year 2023.

	12-months ECL	Lifetime ECL	Lifetime ECL	Total
	Stage 1	Stage 2	Stage 3	
Balance as at 1 January 2023 - Financial institutions	0	0	0	0
Changes in models/risk parameters	-	-	-	0
Balance as at 31 December 2023 - Financial institutions	0	0	0	0
- thereof classified as deduction from gross carrying amounts	-	-	-	0
- thereof classified as liabilities	-	-	-	0

	12-months ECL	Lifetime ECL	Lifetime ECL	Total
	Stage 1	Stage 2	Stage 3	
Balance as at 1 January 2023 - Loans and advances to customers	(4,006)	(1,609)	(5,005)	(10,620)
New financial assets originated	(895)	(422)	(888)	(2,205)
Reversals due to financial assets that have been derecognised	696	219	1,008	1,923
Transfer to Stage 1 - 12-month ECL	(108)	103	5	0
Transfer to Stage 2 - Lifetime ECL	674	(845)	171	0
Transfer to Stage 3 - Lifetime ECL	858	489	(1,347)	0
Expected cancellation as a result of natural disaster	(77)	(3)	-	(80)
Changes in models/risk parameters	(1,191)	(108)	(843)	(2,142)
Provisions used to cover write-offs	-	8	1,213	1,221
Balance as at 31 December 2023 - Loans and advances to customers	(4,049)	(2,168)	(5,686)	(11,903)
- thereof classified as deduction from gross carrying amounts	(3,670)	(2,122)	(5,582)	(11,374)
- thereof classified as liabilities	(379)	(46)	(104)	(529)

1.1-31.12.2023

	Financial institutions	Public entities	Individuals	Corporates	Total
Net impairment on loans and advances					
New financial assets originated	-	(2)	(420)	(1,783)	(2,205)
Reversals due to financial assets that have been derecognised	-	-	159	1,764	1,923
Changes in models	-	10	134	1,570	1,714
Changes due to financial assets recognised in the opening balance	-	(5)	(1,064)	(2,787)	(3,856)
Cancellation as a result of natural disaster	-	-	(245)	-	(245)
Write-offs	-	-	(385)	(1,332)	(1,717)
Provisions used to cover write-offs	-	-	134	1,087	1,221
Recoveries	-	-	196	1	197
Translation difference	-	-	-	(4)	(4)
Total	0	3	(1,491)	(1,484)	(2,972)

45. Large exposures

Exposures to a client or a group of connected clients are classified as large exposures if their total exposures exceed 10% of the Group's Tier 1 capital. Large exposures are measured before (gross) and after (net) application of exemptions and credit risk mitigation. The legal maximum for a large exposure is 25% of Tier 1 capital, net of eligible credit risk mitigation.

As at 31 March 2024, the Group had two large exposures compared to three large exposures at year-end 2023. The largest exposure before credit risk mitigation is the Icelandic sovereign. The total ratio of large exposures, net of credit risk mitigation, was 9.3% as at 31 March 2024.

		Ratio of Tier 1 capital		Ratio of Tier 1 capital
	Gross		Net	
As at 31 March 2024				
Group 1	58,618	20.2%	215	0.1%
Group 2	33,240	11.5%	26,803	9.2%
Total	91,858	31.7%	27,018	9.3%

Notes to the Condensed Consolidated Interim Financial Statements

45. Large exposures (continued)

As at 31 December 2023	Gross	Ratio of Tier 1 capital	Net	Ratio of Tier 1 capital
Group 1	54,663	19.3%	216	0.1%
Group 2	50,650	17.9%	-	0.0%
Group 3	32,785	11.6%	26,298	9.3%
Total	138,098	48.8%	26,514	9.4%

Liquidity risk

46. Liquidity risk management

The Group follows guidelines No. 2/2010 from the Financial Supervisory Authority (FSA) of the Central Bank of Iceland (CBI) on best practice for managing the liquidity of financial undertakings. The CBI's liquidity Rules No. 1520/2022 require the Group to maintain a total minimum total liquidity coverage ratio (LCR) of 100%, a minimum LCR of 80% in euros, and a minimum LCR of 50% in Icelandic króna. Net stable funding ratio (NSFR) requirements are in accordance with the provisions of Regulation (EU) 575/2013 (CRR), as it was amended with Regulation (EU) 2019/876 (CRR II). The CBI's rules on the NSFR of credit institutions, most recently Rules No. 750/2021, were repealed in 2023. The Group is required at all times to maintain a minimum 100% NSFR in total in all currencies. The Group submits monthly reports on its liquidity position to the CBI and quarterly NSFR reports.

The LCR is the key indicator for short-term liquidity risk, measuring the ratio of high-quality liquid assets to expected total net cash outflows over the next 30 days under a specified stress scenario. Financial institutions can at a maximum assume 75% of their estimated inflow net to their estimated outflow. This is intended to prevent their over-reliance on estimated inflow under stressed conditions. Calculations of the LCR as at 31 March 2024 and at year-end 2023 are shown in the following table:

Liquidity coverage ratio as at 31 March 2024	Liquidity coverage ratio total (LCR)					
	ISK		EUR			
	Unweighted	Weighted	Unweighted	Weighted	Unweighted	Weighted
Level 1 liquid assets	171,267	171,267	43,710	43,710	215,787	215,787
Level 2 liquid assets	11,054	7,738	216	183	11,270	7,921
Information items	-	-	-	-	-	-
Total liquid assets	182,321	179,005	43,926	43,893	227,057	223,708
Deposits	682,604	110,225	45,820	17,304	808,960	160,852
Borrowing	-	-	-	-	477	477
Other outflows	174,837	23,071	13,351	1,228	226,065	28,458
Total outflows (0-30 days)	857,441	133,296	59,171	18,532	1,035,502	189,787
Loans and advances to financial institutions	468	173	16,750	16,161	76,706	74,892
Other inflows	36,353	18,838	9,079	4,984	61,991	32,549
Limit on inflows	-	-	-	(7,247)	-	-
Total inflows (0-30 days)	36,821	19,011	25,829	13,898	138,697	107,441
Liquidity coverage ratio		157%		947%		272%

Liquidity coverage ratio as at 31 December 2023	Liquidity coverage ratio total (LCR)					
	ISK		EUR			
	Unweighted	Weighted	Unweighted	Weighted	Unweighted	Weighted
Level 1 liquid assets	130,995	130,995	73,323	73,323	207,939	207,939
Level 2 liquid assets	15,203	10,602	216	183	15,418	10,785
Information items	-	-	-	-	-	-
Total liquid assets	146,198	141,597	73,539	73,506	223,357	218,724
Deposits	656,678	106,437	44,460	18,222	781,352	157,638
Borrowing	-	-	-	-	11,967	11,967
Other outflows	173,209	24,187	16,770	1,391	230,529	30,047
Total outflows (0-30 days)	829,887	130,624	61,230	19,613	1,023,848	199,652
Loans and advances to financial institutions	296	-	12,856	12,361	54,316	52,865
Other inflows	39,086	20,464	6,126	3,809	47,781	25,837
Limit on inflows	-	-	-	(1,461)	-	-
Total inflows (0-30 days)	39,382	20,464	18,982	14,709	102,097	78,702
Liquidity coverage ratio		129%		1499%		181%

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46. Liquidity risk management (continued)

The following table shows the composition of the Group's liquidity reserve which is comprised of high-quality liquid assets as defined in liquidity Rules No. 266/2017, as well as readily available loans and advances to financial institutions.

Liquidity reserves as at 31 March 2024	ISK	Foreign currencies	Total
Cash and balances with the Central Bank	109,260	1,473	110,733
Domestic bonds and debt instruments eligible as collateral with the Central Bank	73,061	216	73,277
Foreign government bonds with 0% risk weight	-	43,047	43,047
High quality liquidity assets	182,321	44,736	227,057
Cash and balances with the Central Bank	296	-	296
Loans and advances to financial institutions	172	76,238	76,410
Total liquidity reserves	182,789	120,974	303,763

Liquidity reserves as at 31 December 2023	ISK	Foreign currencies	Total
Cash and balances with the Central Bank	71,964	1,487	73,451
Domestic bonds and debt instruments eligible as collateral at the Central Bank	74,234	216	74,450
Foreign government bonds with 0% risk weight	-	75,457	75,457
High quality liquidity assets	146,198	77,160	223,358
Loans and advances to financial institutions	296	54,020	54,316
Total liquidity reserves	146,494	131,180	277,674

The Group measures the net stable funding ratio (NSFR) as another key indicator of liquidity risk up to 12 months. The following table shows the values of the NSFR for foreign currencies and NSFR total as at 31 March 2024 and 31 December 2023.

	As at 31 March 2024	As at 31 December 2023
Net stable funding ratio FX	157%	145%
Net stable funding ratio total	127%	123%

The following table shows the Group's deposits categorised using the methodology of liquidity Rules No. 266/2017 on calculation of LCR, together with the division of guaranteed and unguaranteed deposits, in accordance with the Act on Deposit Guarantees and Investor-Compensation Scheme, No. 70/2020, amending Act No. 98/1999. Payments to each depositor shall equal the total amount of eligible deposits yet never a higher amount than the equivalent of EUR 100,000 in Icelandic króna. The deposit groups are categorised by maturity and applied run-off rate, which indicates their level of stickiness. Analysis of stickiness is the Bank's preferred method of measuring the stability of deposits under stressed conditions.

As at 31 March 2024	Run off rate	0-30 days	Over 30 days	Guaranteed	Unguaranteed	Total
Individuals	5% - 100%	435,465	163,546	443,875	155,137	599,011
Small and Medium Sized Corporates	5% - 100%	97,345	13,495	62,459	48,381	110,840
Operational deposits	5% - 25%	-	-	-	-	0
Large Corporates	20% - 40%	189,910	52,964	11,774	231,100	242,874
Public entities	20% - 40%	54,811	7,791	-	62,602	62,602
Financial customers	100%	28,221	37,613	-	65,834	65,834
Pledged deposits		25,613	1,657	1,858	25,411	27,270
Total deposits		831,365	277,066	519,966	588,465	1,108,431

As at 31 December 2023	Run off rate	0-30 days	Over 30 days	Guaranteed	Unguaranteed	Total
Individuals	5% - 100%	423,132	153,040	430,169	146,001	576,172
Small and Medium Sized Corporates	5% - 100%	94,770	11,511	61,717	44,565	106,281
Operational deposits	5% - 25%	-	-	-	-	0
Large Corporates	20% - 40%	174,958	57,620	12,238	220,340	232,578
Public entities	20% - 40%	51,204	6,608	-	57,812	57,812
Financial customers	100%	33,782	52,468	-	86,250	86,250
Pledged deposits		18,201	1,211	2,742	16,671	19,412
Total deposits		796,047	282,458	506,866	571,639	1,078,505

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47. Maturity analysis of financial assets and liabilities

The following tables only consider the contractual maturity of the Group's assets and liabilities but do not account for measures that the Group could take to convert assets into cash at hand, either through sale or participation in Central Bank operations. Further information on the Group's liquidity management can be found in Note 46.

The amounts in the maturity analyses as at 31 March 2024 and as at year end 2023 are allocated to maturity buckets in respect of remaining contractual maturity (i.e. based on the timing of future cash flows according to contractual terms). For loans and advances in moratorium or in the process of liquidation, the Group estimates the amounts from the historical recovery rate. For bonds issued by companies in moratorium or in the process of liquidation the amounts presented are future cash flows estimated as their fair value at the reporting date. These bonds and loans all fall in the time span of 1-5 years.

Amounts presented in the maturity analyses are the undiscounted future cash flows receivable and payable by the Group, including both principal and interest cash flows. These amounts differ from the carrying amounts presented in the statement of financial position, which are based on discounted rather than undiscounted future cash flows. If an amount receivable or payable is not fixed, such as for floating rate and inflation-linked cash flows, the amount presented in the maturity analysis has been determined by reference to the relevant interest rates curves, exchange rates and inflation prevailing at the reporting date. When there is a choice of when an amount shall be paid, future cash flows are calculated based on the earliest date at which the Group can be required to pay. This applies, *inter alia*, to demand deposits which are included in the earliest time span. Where the Group is committed to have amounts available in instalments, each instalment is allocated to the earliest year in which the Group might be required to pay. Thus, undrawn loan commitments are included in the time span together with the earliest date at which such loans may be drawn. For financial guarantee contracts issued by the Group, the amount included is the maximum amount of guarantees, allocated to the earliest year in which the guarantees might be called.

The Group's expected cash flows on demand deposits vary significantly from the amounts presented in the maturity analysis. Demand deposits from customers have short contractual maturities but are considered a relatively stable financing source with expected maturity exceeding one year; also, every committed loan is not expected to be drawn down immediately. The Group conducts a monthly stress test to estimate the impact of fluctuating market conditions and deposit withdrawals.

Amounts presented in non-derivative financial assets and non-derivative financial liabilities include all spot deals. When managing liquidity risk, the Group regards spot deals as non-derivative assets or liabilities.

Notes to the Condensed Consolidated Interim Financial Statements

47. Maturity analysis of financial assets and liabilities (continued)

The following table shows a maturity analysis of the Group's financial instruments as at 31 March 2024:

	0-1 month	1-3 months	3-12 months	1-5 years	Over 5 years	No maturity	Total	Carrying amount
Non-derivative financial liabilities								
Due to financial institutions and								
Central Bank	(3,792)	(1,259)	(28)	-	-	-	(5,079)	(5,079)
Deposits from customers	(825,824)	(213,220)	(40,311)	(25,668)	(11,750)	-	(1,116,773)	(1,103,350)
Short positions	-	-	(119)	(1,264)	(5,077)	-	(6,460)	(3,190)
Borrowings	(231)	(14,035)	(99,837)	(469,476)	(34,713)	-	(618,292)	(533,197)
Other financial liabilities	(16,608)	-	-	-	-	-	(16,608)	(16,608)
Subordinated liabilities	-	-	(9,507)	(22,001)	(19,599)	-	(51,107)	(35,250)
Total	(846,455)	(228,514)	(149,802)	(518,409)	(71,139)	0	(1,814,319)	(1,696,674)
Derivative financial liabilities								
Trading								(225)
Inflow	14,162	3,696	922	-	-	-	18,780	
Outflow	(14,340)	(3,754)	(929)	-	-	-	(19,023)	
Risk management								(922)
Inflow	10,495	2,931	128	2,107	-	-	15,661	
Outflow	(10,677)	(3,004)	(40)	(2,951)	-	-	(16,672)	
Total	(360)	(131)	81	(844)	0	0	(1,254)	(1,147)
Non-derivative financial assets								
Cash and balances with								
Central Bank	114,598	-	-	-	-	-	114,598	114,598
Bonds and debt instruments	8,296	42,445	28,067	49,400	4,532	-	132,740	119,496
Equities and equity instruments	-	-	-	-	-	22,543	22,543	22,543
Loans and advances to financial institutions	76,410	-	-	-	-	-	76,410	76,410
Loans and advances to customers	83,093	97,807	339,105	683,236	1,955,113	-	3,158,354	1,667,343
Other financial assets	9,572	-	-	-	-	-	9,572	9,572
Total	291,969	140,252	367,172	732,636	1,959,645	22,543	3,514,217	2,009,962
Derivative financial assets								
Trading								867
Inflow	14,828	7,351	1,371	-	-	-	23,550	
Outflow	(14,067)	(7,309)	(1,376)	-	-	-	(22,752)	
Risk management								1,472
Inflow	6,022	4,113	4,777	155,330	-	-	170,242	
Outflow	(5,950)	(5,530)	(5,630)	(151,264)	-	-	(168,374)	
Total	833	(1,375)	(858)	4,066	0	0	2,666	2,339
Off-balance sheet items								
Financial guarantees and underwriting commitments	(846)	(1,337)	(5,734)	(10,631)	(8,787)	(441)	(27,776)	
Undrawn loan commitments	(162,573)	-	-	-	-	-	(162,573)	
Undrawn overdraft/credit card commitments	(78,197)	-	-	-	-	-	(78,197)	
Total	(241,616)	(1,337)	(5,734)	(10,631)	(8,787)	(441)	(268,546)	
Net liquidity position	(795,629)	(91,105)	210,859	206,818	1,879,719	22,102	1,432,764	314,480

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47. Maturity analysis of financial assets and liabilities (continued)

The following table shows a maturity analysis of the Group's financial instruments as at 31 December 2023:

	0-1 month	1-3 months	3-12 months	1-5 years	Over 5 years	No maturity	Total	Carrying amount
Non-derivative financial liabilities								
Due to financial institutions and								
Central Bank	(13,232)	(15,706)	-	-	-	-	(28,938)	(29,968)
Deposits from customers	(782,741)	(175,379)	(66,113)	(25,990)	(11,237)	-	(1,061,460)	(1,048,537)
Short positions	(48)	(51)	(24)	(783)	(4,009)	-	(4,915)	(1,255)
Borrowings	(11,846)	(3,886)	(101,783)	(447,842)	(18,832)	-	(584,189)	(513,687)
Other financial liabilities	(10,718)	-	-	-	-	-	(10,718)	(10,718)
Subordinated liabilities	-	(636)	(7,749)	(17,758)	-	-	(26,143)	(20,176)
Total	(818,585)	(195,658)	(175,669)	(492,373)	(34,078)	0	(1,716,363)	(1,624,341)
Derivative financial liabilities								
Trading								(651)
Inflow	18,538	8,684	1,226	-	-	-	28,448	
Outflow	(18,994)	(8,913)	(1,239)	-	-	-	(29,146)	
Risks management								(882)
Inflow	6,591	16,260	126	2,140	-	-	25,117	
Outflow	(6,691)	(16,471)	(40)	(2,935)	-	-	(26,137)	
Total	(556)	(440)	73	(795)	0	0	(1,718)	(1,533)
Non-derivative financial assets								
Cash and balances with								
Central Bank	75,350	-	-	-	-	-	75,350	75,350
Bonds and debt instruments	9,900	48,837	41,200	50,108	7,069	-	157,114	148,182
Equities and equity instruments	-	-	-	-	-	19,012	19,012	19,012
Loans and advances to financial institutions	54,101	-	-	-	-	-	54,101	54,101
Loans and advances to customers	71,773	112,544	306,125	681,066	1,921,460	-	3,092,968	1,630,894
Other financial assets	5,263	-	-	-	-	-	5,263	5,263
Total	216,387	161,381	347,325	731,174	1,928,529	19,012	3,403,808	1,932,802
Derivative financial assets								
Trading								336
Inflow	13,316	6,246	787	-	-	-	20,349	
Outflow	(13,083)	(6,146)	(784)	-	-	-	(20,013)	
Risks management								7,123
Inflow	22,189	29,375	2,307	106,320	-	-	160,191	
Outflow	(21,155)	(26,025)	(5,801)	(99,758)	-	-	(152,739)	
Total	1,267	3,450	(3,491)	6,562	0	0	7,788	7,459
Off-balance sheet items								
Financial guarantees and underwriting commitments	(661)	(701)	(6,330)	(10,706)	(9,048)	(441)	(27,887)	
Undrawn loan commitments	(183,485)	-	-	-	-	-	(183,485)	
Undrawn overdraft/credit card commitments	(79,923)	-	-	-	-	-	(79,923)	
Total	(264,069)	(701)	(6,330)	(10,706)	(9,048)	(441)	(291,295)	
Net liquidity position	(865,556)	(31,968)	161,908	233,862	1,885,403	18,571	1,402,220	314,387

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48. Encumbered assets

The Bank has pledged part of its loan portfolio as collateral to secure the covered bonds issued by the Bank in accordance with Icelandic laws and FSA rules. The Bank has also pledged assets as collateral to the Central Bank of Iceland to secure settlement in the Icelandic clearing systems, pledged assets as collateral to secure trading lines and credit support for GMRA and ISDA master agreements, as well as other pledges of similar nature.

The Bank issues covered bonds in ISK and EUR for own use that can be sold later or used for securities lending and repurchase agreements. As at 31 March 2024, these bonds amounted to ISK 15 billion and EUR 250 million. Pledged assets against the bonds amounted to ISK 66 billion (31.12.2023: ISK 66 billion).

The following tables show the Group's total encumbered and unencumbered assets as at 31 March 2024 and 31 December 2023:

	Collateral pledged against		Un-encumbered	Total
	Covered bonds	Other		
As at 31 March 2024				
Cash and balances with Central Bank	7,189	3,865	103,544	114,598
Bonds and debt instruments	-	2,910	116,586	119,496
Equities and equity instruments	-	-	22,543	22,543
Derivative instruments	-	-	2,339	2,339
Loans and advances to financial institutions	-	921	75,489	76,410
Loans and advances to customers	424,079	-	1,243,264	1,667,343
Investments in equity-accounted associates	-	-	1,787	1,787
Property and equipment	-	5,260	9,153	14,413
Intangible assets	-	-	1,415	1,415
Other assets	-	-	10,892	10,892
Assets classified as held for sale	-	-	1,200	1,200
Total	431,268	12,956	1,588,212	2,032,436

	Collateral pledged against		Un-encumbered	Total
	Covered bonds	Other		
As at 31 December 2023				
Cash and balances with Central Bank	8,328	1,899	65,123	75,350
Bonds and debt instruments	-	2,857	145,325	148,182
Equities and equity instruments	-	-	19,012	19,012
Derivative instruments	-	-	7,459	7,459
Loans and advances to financial institutions	-	1,035	53,066	54,101
Loans and advances to customers	403,637	-	1,227,257	1,630,894
Investments in equity-accounted associates	-	-	1,849	1,849
Property and equipment	-	5,060	9,708	14,768
Intangible assets	-	-	1,472	1,472
Other assets	-	-	6,828	6,828
Assets classified as held for sale	-	-	861	861
Total	411,965	10,851	1,537,960	1,960,776

Market risk

49. Market risk management

The following table summarises the Group's exposure to market risk as a percentage of RWEA as at 31 March 2024 and 31 December 2023. The Group uses the standardized approach to calculate risk-weighted exposure amounts of derivatives for credit valuation adjustment (CVA), according to capital requirement regulations.

Market risk factor	31.3.2024	31.12.2023
	% of RWEA	% of RWEA
Equity price risk	0.5%	0.4%
Interest rate risk	0.5%	0.6%
CVA of derivatives	0.2%	0.2%
Foreign exchange risk	0.4%	0.3%
Total	1.5%	1.6%

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50. Equity price risk

Equity price risk is the risk of equity value fluctuations due to open positions in equity instruments.

The Group's equity trading portfolio is comprised of proprietary trading positions and exposures due to market making, including equity derivatives and their hedging positions. The Group's banking book portfolio consists of domestic and foreign listed and unlisted equities as part of asset and liability management. Further details are disclosed in Note 19.

51. Interest rate risk

Interest rate risk is the risk that the fair value or future cash flow of financial instruments will fluctuate due to changes in market interest rates.

Changes in interest rates for the Group's assets and liabilities, other than those in its trading portfolios, have an impact on its interest rate margin. This risk results primarily from duration mismatches between assets and liabilities. Interest rate risk is managed principally by monitoring interest rate gaps. Interest rate risk is managed centrally within the Group by Treasury and is monitored by Market Risk.

The following tables summarise the Group's exposure to interest rate risk. The tables include interest-bearing financial assets and liabilities at their carrying amounts, while off-balance sheet amounts are the notional amounts of the derivative instruments, see Note 20. The amounts presented are categorised by the earlier of either the contractual repricing or the maturity date.

As at 31 March 2024	Up to 3 months	3-12 months	1-5 years	Over 5 years	Carrying amount
Financial assets					
Cash and balances with Central Bank	114,598	-	-	-	114,598
Bonds and debt instruments	44,089	26,558	44,836	4,013	119,496
Derivative instruments	961	15	1,363	-	2,339
Loans and advances to financial institutions	76,410	-	-	-	76,410
Loans and advances to customers	1,163,548	247,080	241,527	15,188	1,667,343
Other financial assets	9,572	-	-	-	9,572
Total	1,409,178	273,653	287,726	19,201	1,989,758
Financial liabilities					
Due to financial institutions and Central Bank	(5,079)	-	-	-	(5,079)
Deposits from customers	(1,097,527)	(4,087)	(1,736)	-	(1,103,350)
Derivative instruments and short positions	(504)	(11)	(1,354)	(2,468)	(4,337)
Borrowings	(76,839)	(61,076)	(372,494)	(22,788)	(533,197)
Other financial liabilities	(16,608)	-	-	-	(16,608)
Subordinated liabilities	-	(7,236)	(12,858)	(15,156)	(35,250)
Total	(1,196,557)	(72,410)	(388,442)	(40,412)	(1,697,821)
Net on-balance sheet position	212,621	201,243	(100,716)	(21,211)	291,937
Derivatives held for hedging	(134,874)	-	134,874	-	-
Net off-balance sheet position	2,000	-	(2,000)	-	-
Total interest repricing gap	79,747	201,243	32,158	(21,211)	

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51. Interest rate risk (continued)

As at 31 December 2023	Up to 3 months	3-12 months	1-5 years	Over 5 years	Carrying amount
Financial assets					
Cash and balances with Central Bank	75,350	-	-	-	75,350
Bonds and debt instruments	59,115	39,604	44,311	5,152	148,182
Derivative instruments	2,723	67	4,669	-	7,459
Loans and advances to financial institutions	54,101	-	-	-	54,101
Loans and advances to customers	1,113,528	221,782	280,317	15,267	1,630,894
Other financial assets	5,263	-	-	-	5,263
Total	1,310,080	261,453	329,297	20,419	1,921,249
Financial liabilities					
Due to financial institutions and Central Bank	(29,968)	-	-	-	(29,968)
Deposits from customers	(1,043,506)	(4,058)	(973)	-	(1,048,537)
Derivative instruments and short positions	(934)	(21)	(578)	(1,255)	(2,788)
Borrowings	(65,135)	(96,725)	(342,974)	(8,853)	(513,687)
Other financial liabilities	(10,718)	-	-	-	(10,718)
Subordinated liabilities	-	(7,053)	(13,123)	-	(20,176)
Total	(1,150,261)	(107,857)	(357,648)	(10,108)	(1,625,874)
Net on-balance sheet position	159,819	153,596	(28,351)	10,311	295,375
Derivatives held for hedging	(90,054)	-	90,054	-	-
Net off-balance sheet position	2,000	-	(2,000)	-	-
Total interest repricing gap	71,765	153,596	59,703	10,311	-

52. CPI indexation risk (all portfolios)

The consumer price index (CPI) indexation risk is the risk that the fair value or future cash flows of CPI-linked financial instruments may fluctuate due to changes in the Icelandic CPI. To mitigate imbalance in the Group's CPI-linked assets and liabilities, the Bank offers non-CPI-linked loans, CPI-linked deposits, CPI-linked covered bonds as well as CPI-linked interest rate swaps.

The following tables summarize the Group's CPI exposure by maturity dates as at 31 March 2024 and 31 December 2023, where CPI-linked financial assets and liabilities are disclosed by maturities at their carrying amounts.

As at 31 March 2024	Up to 3 months	3-12 months	1-5 years	Over 5 years	Carrying amount
Financial assets					
Bonds and debt instruments	-	-	31,347	1,826	33,173
Derivative instruments	2	-	-	-	2
Loans and advances to customers	4	1,106	51,362	361,618	414,090
Total	6	1,106	82,709	363,444	447,265
Financial liabilities					
Deposits from customers	(110,544)	(48,387)	(20,250)	(6,106)	(185,287)
Derivative instruments and short positions	(15)	-	(633)	(1,456)	(2,104)
Borrowings	-	(53,902)	(87,674)	(10,288)	(151,864)
Subordinated liabilities	-	(7,236)	(12,858)	(12,158)	(32,252)
Total	(110,559)	(109,525)	(121,415)	(30,008)	(371,507)
Total on-balance sheet position	(110,553)	(108,419)	(38,706)	333,436	75,758
Off-balance sheet position					
Interest rate swaps	-	-	(2,000)	-	(2,000)
Total return swaps	(795)	-	-	-	(795)
Total off-balance sheet position	(795)	0	(2,000)	0	(2,795)
Total CPI indexation balance	(111,348)	(108,419)	(40,706)	333,436	72,963

Notes to the Condensed Consolidated Interim Financial Statements

52. CPI indexation risk (all portfolios) (continued)

As at 31 December 2023	Up to 3 months	3-12 months	1-5 years	Over 5 years	Carrying amount
Financial assets					
Bonds and debt instruments	29	-	31,672	3,220	34,921
Derivative instruments and short positions	3	-	-	-	3
Loans and advances to customers	756	597	50,028	329,986	381,367
Total	788	597	81,700	333,206	416,291
Financial liabilities					
Deposits from customers	(96,763)	(55,228)	(21,631)	(5,993)	(179,615)
Derivative instruments and short positions	(4)	-	(578)	(340)	(922)
Borrowings	-	(52,712)	(85,805)	-	(138,517)
Subordinated liabilities	-	(7,053)	(13,123)	-	(20,176)
Total	(96,767)	(114,993)	(121,137)	(6,333)	(339,230)
Total on-balance sheet position	(95,979)	(114,396)	(39,437)	326,873	77,061
Off-balance sheet position					
Interest rate swaps	-	-	(2,000)	-	(2,000)
Total return swaps	(310)	-	-	-	(310)
Total off-balance sheet position	(310)	0	(2,000)	0	(2,310)
Total CPI indexation balance	(96,289)	(114,396)	(41,437)	326,873	74,751

Currency risk

53. Currency risk (all portfolios)

The Group complies with Central Bank Rules No. 784/2018, on Foreign Exchange Balances. The Bank submits daily reports to the Central Bank on its foreign exchange balance and the Group submits these reports on monthly basis.

The Group's combined net foreign exchange balance as at 31 March 2024 was +1.49% of the Group's total capital base (31.12.2023: +1.00%).

54. Concentration of currency risk

The following tables summarise the Group's exposure to currency risk as at 31 March 2024 and 31 December 2023. The off-balance sheet amounts shown are the notional amounts of the Group's derivative instruments. Amounts presented under assets and liabilities include all spot deals. When managing currency risk, the Group regards spot deals as non-derivative assets or liabilities.

As at 31 March 2024	EUR	GBP	USD	NOK	SEK	Other	Total
Assets							
Cash and balances with Central Bank	663	143	298	-	29	341	1,474
Bonds and debt instruments	43,275	-	-	-	-	-	43,275
Equities and equity instruments	105	-	2,138	67	-	-	2,310
Derivative instruments	1,511	14	567	5	1	-	2,098
Loans and advances to financial institutions	16,750	4,277	9,005	22,108	15,582	8,516	76,238
Loans and advances to customers	206,299	2,053	81,208	55	27	5,358	295,000
Other assets	2,029	4	41	2	2	29	2,107
Total	270,632	6,491	93,257	22,237	15,641	14,244	422,502
Liabilities							
Due to financial institutions and Central Bank	(1,279)	(9)	(96)	-	-	-	(1,384)
Deposits from customers	(46,504)	(5,980)	(82,034)	(4,357)	(781)	(5,930)	(145,586)
Derivative instruments and short positions	(420)	(5)	(10)	(42)	-	-	(477)
Borrowings	(223,949)	-	(26,586)	(27,756)	(17,023)	-	(295,314)
Other liabilities	(2,654)	(160)	(1,053)	(456)	(73)	(952)	(5,348)
Subordinated liabilities	-	-	-	-	-	-	0
Total	(274,806)	(6,154)	(109,779)	(32,611)	(17,877)	(6,882)	(448,109)
Net on-balance sheet position	(4,174)	337	(16,522)	(10,374)	(2,236)	7,362	(25,607)
Net off-balance sheet position	6,286	(12)	17,962	10,625	2,290	(6,686)	30,465
Net currency position	2,112	325	1,440	251	54	676	4,858

Notes to the Condensed Consolidated Interim Financial Statements

54. Concentration of currency risk (continued)

As at 31 December 2023	EUR	GBP	USD	NOK	SEK	Other	Total
Assets							
Cash and balances with Central Bank	578	138	343	43	36	350	1,488
Bonds and debt instruments	72,974	-	2,712	-	-	-	75,686
Equities and equity instruments	79	-	305	-	-	-	384
Derivative instruments	6,703	30	661	47	1	1	7,443
Loans and advances to financial institutions	12,856	2,198	20,600	12,952	20	5,392	54,018
Loans and advances to customers	199,310	1,972	73,293	58	32	5,090	279,755
Other assets	64	2	18	2	2	59	147
Total	292,564	4,340	97,932	13,102	91	10,892	418,921
Liabilities							
Due to financial institutions and Central Bank	(21,013)	(8)	(1,278)	-	-	-	(22,299)
Deposits from customers	(39,512)	(5,888)	(72,132)	(3,551)	(989)	(5,764)	(127,836)
Derivative instruments and short positions	(518)	(6)	(146)	(1)	(1)	(10)	(682)
Borrowings	(209,909)	-	(25,642)	(28,993)	(29,246)	-	(293,790)
Other liabilities	(1,374)	(184)	(1,548)	(92)	(86)	(598)	(3,882)
Subordinated liabilities	-	-	-	-	-	-	0
Total	(272,326)	(6,086)	(100,746)	(32,637)	(30,322)	(6,372)	(448,489)
Net on-balance sheet position	20,238	(1,746)	(2,814)	(19,535)	(30,231)	4,520	(29,568)
Net off-balance sheet position	(17,461)	2,269	2,356	19,808	30,335	(4,705)	32,602
Net currency position	2,777	523	(458)	273	104	(185)	3,034

55. Foreign exchange rates used

The following foreign exchange rates were used by the Group for the accounting period presented in these Financial Statements.

	As at 31 March 2024	As at 31 December 2023	% change	Average for 1.1-31.3 2024	Average for 1.1-31.3 2023
EUR/ISK	149.86	150.09	(0.2%)	149.44	151.50
GBP/ISK	175.45	173.21	1.3%	174.32	171.91
USD/ISK	138.86	135.88	2.2%	137.36	140.92
JPY/ISK	0.9183	0.9635	(4.7%)	0.9349	1.0619
CHF/ISK	153.97	161.49	(4.7%)	157.87	152.60
CAD/ISK	102.54	103.03	(0.5%)	102.41	104.34
DKK/ISK	20.091	20.135	(0.2%)	20.045	20.356
NOK/ISK	12.808	13.379	(4.3%)	13.073	13.883
SEK/ISK	12.994	13.487	(3.7%)	13.262	13.528

Notes to the Condensed Consolidated Interim Financial Statements

Consolidated Key Figures

56. Operations by quarters

Operations	2024		2023		
	Q1	Q4*	Q3	Q2	Q1
Interest income	41,089	39,728	38,134	38,407	34,579
Interest expense	(26,706)	(24,945)	(22,893)	(23,938)	(21,513)
Net interest income	14,383	14,783	15,241	14,469	13,066
Fee and commission income	4,031	4,334	3,600	3,851	4,192
Fee and commission expense	(1,295)	(1,268)	(1,264)	(1,148)	(1,144)
Net fee and commission income	2,736	3,066	2,336	2,703	3,048
Net gain (loss) on financial assets and liabilities at FVTPL	2,952	4,468	(292)	(714)	3,257
Net foreign exchange gain	235	84	372	40	64
Net impairment changes	(2,714)	(1,281)	(248)	520	(2,111)
Other income and (expenses)	(31)	715	127	139	(4)
Net other operating income (expenses)	442	3,986	(41)	(15)	1,206
Total operating income	17,561	21,835	17,536	17,157	17,320
Salaries and related expenses	(4,233)	(4,332)	(3,221)	(4,194)	(4,119)
Other operating expenses	(2,586)	(2,979)	(2,388)	(2,370)	(2,355)
Tax on liabilities of financial institutions	(600)	(527)	(643)	(550)	(570)
Total operating expenses	(7,419)	(7,838)	(6,252)	(7,114)	(7,044)
Profit before tax	10,142	13,997	11,284	10,043	10,276
Income tax	(2,986)	(3,213)	(3,374)	(3,326)	(2,520)
Profit for the period	7,156	10,784	7,910	6,717	7,756
Balance sheet	31.3.2024	31.12.2023	30.9.2023	30.6.2023	31.3.2023
Cash and cash balances with Central Bank	114,598	75,350	114,774	106,299	96,986
Bonds and debt instruments	119,496	148,182	131,605	116,515	117,798
Equities and equity instruments	22,543	19,012	15,785	15,504	17,561
Loans and advances to financial institutions	76,410	54,101	83,244	31,628	78,355
Loans and advances to customers	1,667,343	1,630,894	1,599,871	1,595,392	1,576,589
Other assets	30,846	32,376	36,793	30,542	29,199
Assets classified as held for sale	1,200	861	331	489	505
Total assets	2,032,436	1,960,776	1,982,403	1,896,369	1,916,993
Due to financial institutions and Central Bank	5,079	29,968	30,263	22,132	23,907
Deposits from customers	1,103,350	1,048,537	1,065,210	1,012,482	1,001,580
Borrowings	533,197	513,687	529,809	493,201	532,691
Other liabilities	44,732	44,654	44,195	48,796	46,532
Subordinated liabilities	35,250	20,176	19,955	34,698	33,940
Equity	310,828	303,754	292,971	285,060	278,343
Total liabilities and equity	2,032,436	1,960,776	1,982,403	1,896,369	1,916,993

*The result for the first quarter of the year 2024 and for the first three quarters of the year 2023 were reviewed by the Group's independent auditors.

Notes to the Condensed Consolidated Interim Financial Statements

Consolidated Key Figures

57. Key figures and ratios

	2024		2023		
	Q1	Q4	Q3	Q2	Q1
Return on equity after taxes	9.3%	14.5%	10.9%	9.5%	11.1%
Cost-income ratio	33.6%	31.6%	31.5%	39.5%	33.3%
Operating expenses as a ratio of average total assets	1.4%	1.5%	1.2%	1.4%	1.4%
Return on assets	1.4%	2.2%	1.6%	1.4%	1.7%
Interest spread as ratio of average total assets	2.9%	3.0%	3.1%	3.0%	2.8%
Earnings per share	0.30	0.46	0.33	0.28	0.33
	31.3.2024	31.12.2023	30.9.2023	30.6.2023	31.3.2023
Total capital ratio	24.9%	23.6%	23.7%	25.3%	25.3%
CET1 ratio	22.2%	22.0%	22.2%	22.6%	22.6%
Minimum Requirement for Own Funds and Eligible Liabilities (MREL)	39.6%	37.9%	37.8%	35.5%	39.4%
Leverage ratio	13.6%	13.6%	13.5%	13.9%	13.6%
Loans / deposits	151.1%	155.5%	150.2%	157.6%	157.4%
Deposits / total assets	54.3%	53.5%	53.7%	53.4%	52.2%
Liquidity coverage ratio total (LCR)	272%	181%	238%	165%	235%
Net stable funding ratio FX (NSFR)	157%	145%	150%	136%	145%
Average number of full-time equivalent positions during the period	824	849	816	807	826
Number of full-time positions at end of the period	826	817	818	801	825

Key figures and ratios

Definition

Return on equity after taxes	Profit (loss) after taxes / average total equity
Cost-income ratio	(Total operating expenses - tax on liabilities of financial institutions) / (total net operating income - net valuation adjustments)
Operating expenses as a ratio of average total assets	(Total operating expenses - tax on liabilities of financial institutions) / average total assets
Return on assets	Profit (loss) for the period / average total assets
Interest spread	(Interest income - interest expenses) / average total assets
Earnings per share	Profit (loss) for the period attributable to owners of the Bank / Weighted average number of shares outstanding
Total capital ratio	Total capital base / risk-exposure amount
CET1 ratio	Common equity tier 1 capital (CET1) / Risk exposure amount
Common equity Tier 1 capital (CET1)	Total equity - adjustments according to CRR II
Additional common equity Tier 1 capital (AT1)	Capital instruments under Tier 1 other than (CET1)
Tier 1 capital (T1)	Common equity Tier 1 capital + additional common equity Tier 1 capital
Tier 2 capital (T2)	Subordinated liabilities - regulatory amortisation
Total capital base	CET1 + AT1 + T2
Minimum Requirement for Own Funds and Eligible Liabilities (MREL)	Total capital base + eligible liabilities / Total risk-weighted exposure amount
Leverage ratio	Tier 1 capital / (total assets + off balance sheet items)
Loans/ deposits	Loans and advances to customers/ deposits from customers
Deposits / total assets	Deposits from customers/ total assets
Liquidity coverage ratio (LCR)	High quality liquid assets / total net liquidity outflows over 30 days under stressed conditions
Net stable funding ratio FX (NSFR)	Available amount of stable funding / required amount of stable funding
Average number of full-time equivalent positions during the period	The average number of full-time employees in work during the period
Number of full-time positions at end of the period	Number of full-time equivalent positions at end of the period

Undirritunarsíða

Undirritað af
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Undirritað af
Jón Þorvarður Sigurgeirsson

Undirritað af
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Undirritað af
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