

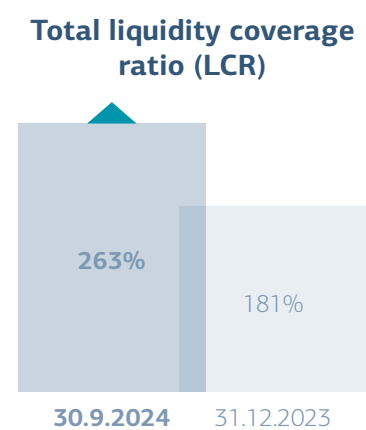
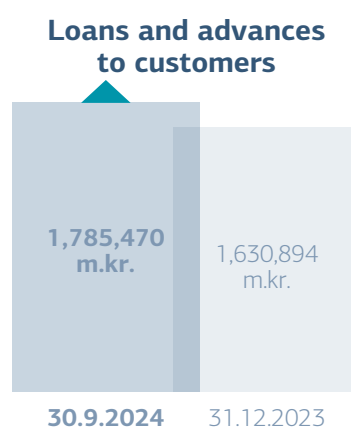
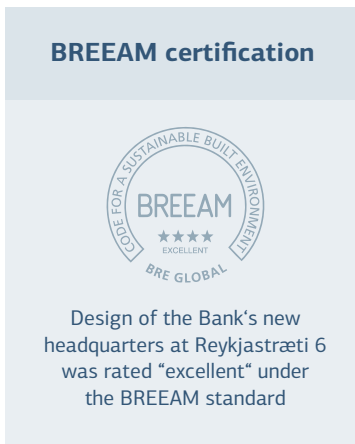
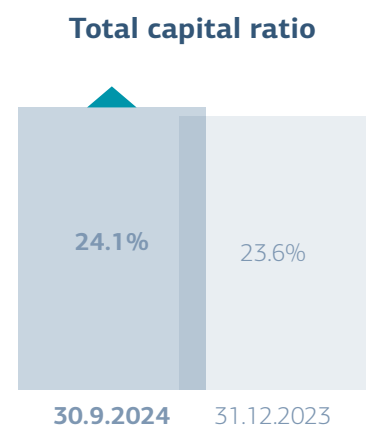
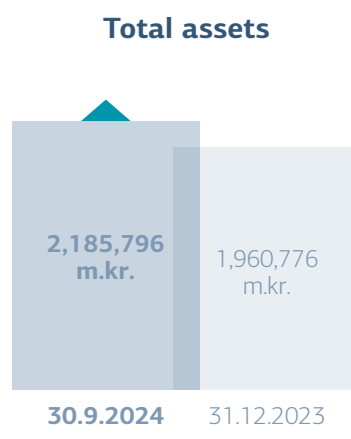
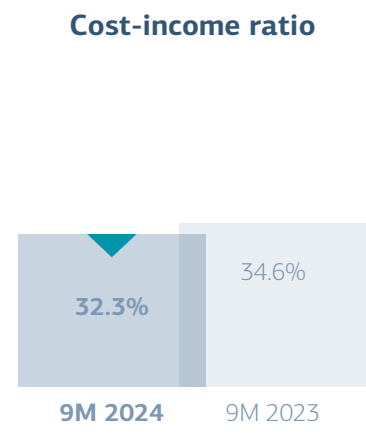
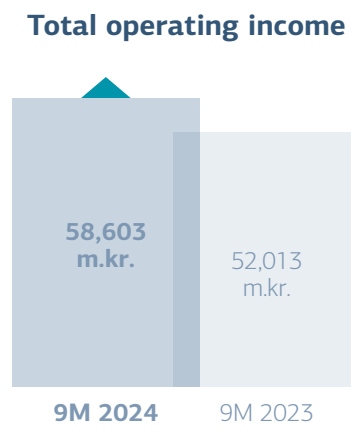
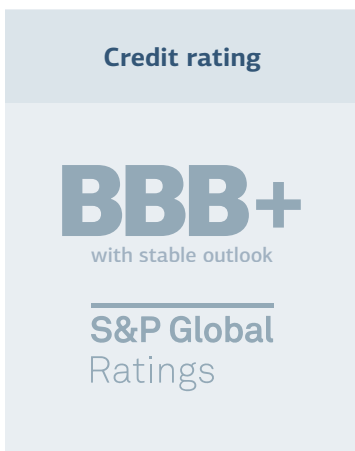
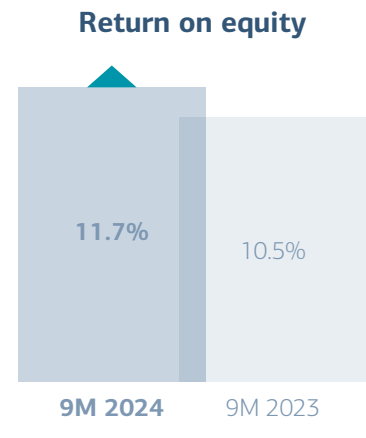
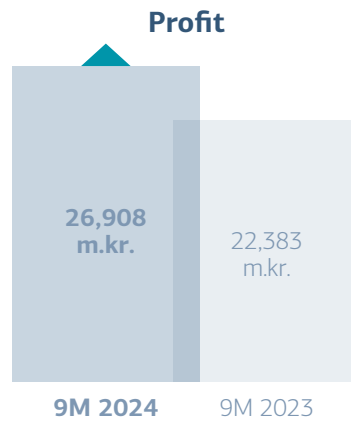


Condensed Consolidated Interim Financial Statements

For the nine months ended 30 September 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 nine months of 2024, which include the accounts of the Bank and its subsidiaries (the “Group”).

Financial performance

Consolidated profit amounted to ISK 26,908 million in the first nine months of 2024 (9M 2023: ISK 22,383 million). Return on equity (ROE) was 11.7% (9M 2023: 10.5%) and the Bank expects ROE for the financial year to range between 11-13%. The Bank’s cost-income ratio was 32.3% (9M 2023: 34.6%). Net interest income for the period was ISK 44,090 million and continues to grow based on good returns from liquid assets in a high interest rate environment and in line with an expanding balance sheet. The increase in net interest income amounts to 3.1% between years. Net fee and commission income was ISK 8,068 million, decreasing by 0.2% between years. Net profit on financial assets and liabilities at fair value was ISK 7,502 million (9M 2023: ISK 2,251 million net profit) due to an increase in the fair value of both equities and bonds. Net impairment charges on financial assets amounted to ISK 2,018 million during the period (9M 2023: ISK 1,839 million net impairment charges). Salaries and related expenses were ISK 12,005 million, up by 4.1% between years, mainly as a result of contractual wage increases. The average number of full-time equivalent positions during the period was 807 (9M 2023: 816).

Consolidated total equity amounted to ISK 314,049 million at the end of the third quarter of 2024. The Group’s capital adequacy ratio, calculated according to the Act on Financial Undertakings, was 24.1% at the end of the period (year-end 2023: 23.6%). Total assets were ISK 2,186 billion, increasing by 11.5% from the beginning of the year. Lending growth is robust, or 9.5% in the first nine months of the year, with corporate loans increasing by ISK 101 billion and loans to retail customers by ISK 54 billion. Inflation-indexed loans increased by ISK 167 billion. Total deposits amounted to ISK 1,218 billion at the end of the third quarter of 2024, increasing by ISK 170 billion, or 16%, from the beginning of the year. The carrying value of market funding increased by ISK 32 billion during the same period.

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. It was further approved that the dividend be paid in two equal instalments, each of ISK 0.35 per share. The former instalment was paid on 24 April 2024 and the latter on 16 October 2024. The total dividend amounts to ISK 16,530 million.

On 9 September 2024, the Bank concluded the sale of floating-rate bonds in SEK in the amount of ISK 13,314 million (SEK 1,000 million) and NOK in the amount of ISK 3,207 million (NOK 250 million). The bonds have a 4-year tenor, with an issuer call option after 3 years. Senior non-preferred bonds rank below traditional unsecured bonds yet take precedence over subordinated bonds. The issuance is the first of its type by an Icelandic bank and the expected credit rating from S&P Global Ratings is BBB.

On 30 September 2024, the Bank finalised the sale of senior preferred green notes in EUR in the amount of ISK 45,150 million (EUR 300 million). The issuance was highly over-subscribed and the terms reflect improved access to international credit markets as compared to recent quarters. Settlement of the transactions took place 8 October 2024, and the issuance is not recorded in these financial statements as transactions of this nature are recognised on a settlement date basis. Alongside the sale, the Bank launched a tender offer for the Bank’s EUR note series due in 2025 and accepted valid tenders in the amount of ISK 18,772 million (EUR 124.7 million).

Risk factors

The overall quality of the Bank’s credit portfolio is high, its liquidity position strong and market risk well within risk appetite. Delinquency in the Bank’s loan book remains low and has not increased substantially from the beginning of the year. The Bank’s indexation imbalance has grown considerably this year to date, as customer demand for indexed loans has exceeded the Bank’s new indexed funding. 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 loan book 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.

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 third quarter of 2024, accessible on the Bank’s website, www.landsbankinn.is.

Economic outlook

Gross domestic product (GDP) contracted by 1.9% in the first half of the year. A setback in export sectors affected the first half of the year, with a capelin catch failure and slower growth in the travel sector causing a contraction alongside the cooling impact of high interest rates on demand, which nevertheless remains strong. The pace of the economy has slowed notably in recent months, with private consumption decreasing by 0.9% in the second quarter and export by 2.2%. Capital formation grew by 4.6%, driven by increased investment in business and industry. Landsbankinn Economic Research forecasts a 0.1% contraction in GDP this year.

Inflation averaged 5.9% in the third quarter and had fallen to 5.4% in September. Housing prices have surged, rising by 9.5% over the past 12 months. Economic Research expects inflation to recede to 4.2% by January 2025.

Report of the Board of Directors and the CEO

Economic outlook (continued)

The Central Bank of Iceland cut the policy rate by 0.25 percentage points in early October, following a period of unchanged rates at 9.25% since August of 2023. Economic Research expects the policy rate to stand at 8.75% at year end and further cuts to follow alongside receding inflation. Tension in the labour market appears to have eased in recent months and demand for labour has stabilized. Wage increases are somewhat lower than last year, in line with the more moderate provisions of the new collective agreements, and unemployment is slightly higher than at the same time last year.

Governance

The Board of Directors is comprised of Jón Th. Sigurgeirsson (Chairman), Eva Halldórsdóttir (Vice-chairman), Kristján Th. Davíðsson, Rebekka Jóelsdóttir, Steinunn Thorsteinsdóttir, Thór Hauksson and Örn Guðmundsson. Alternates are Sigurður Jón Björnsson and Stefánía Halldórsdóttir.

In addition to serving as Directors of the Board, Steinunn chairs the Risk Committee and Örn chairs the Audit Committee, both sub-committees of the Board. In addition to serving as Chairman of the Board, Jón chairs its Remuneration Committee.

Sustainability

Landsbankinn's Sustainability Forum was held for the third time in early September with a focus on challenges and opportunities for corporates related to sustainability. The Bank's green bonds, sold at the end of September, were issued under the Bank's updated Sustainable Finance Framework.

Other matters

Landsbankinn and Kvika Bank signed an agreement providing for the purchase by Landsbankinn of TM tryggingar hf. ("TM") on 30 May 2024, following a binding offer made by Landsbankinn on 15 March 2024. On 23 September 2024, the Financial Supervisory Authority of the Central Bank of Iceland announced its conclusion that Landsbankinn is qualified to hold an active ownership stake in TM and its subsidiaries. The acquisition remains subject to approval by the Icelandic Competition Authority. The purchase price of TM is ISK 28.6 billion, although the final consideration for TM depends on a closing adjustment on the date the Bank assumes operation of the company.

At the end of the third quarter, the majority of the Bank's mortgage holders in Grindavík have elected to sell their real estate to Fasteignafélagið Thórkatla ehf. ("Thórkatla"). While the transactions between these parties have not been fully settled during the quarter, the mortgages of 464 of the Bank's retail customers had been paid off and Thórkatla had been provided credit in the amount of ISK 12.4 billion. The final amount of the loan to Thórkatla is not yet known, nor is the total value of mortgages held by the Bank's customers who elect not to take advantage of this solution.

Changes to the availability of inflation-indexed housing mortgages entered into effect in September. Indexed housing mortgages with equal payments are now only available to first-time buyers. This change was made in response to considerable growth in demand for indexed mortgages this year. Deposits to indexed bank accounts have not grown in tandem with indexed mortgages, causing the Bank to rely increasingly on the issuance of indexed bonds to finance indexed mortgages, the cost of which has risen. This change is expected to reduce demand for indexed mortgages and allow the Bank to raise interest rates less. This change to the availability of inflation-indexed mortgages is considered to have a milder impact on the majority of customers.

The Bank is assessing the option of initiating an open sale process in the fourth quarter of its 47.9% holding in Greiðslumiðlun Íslands ehf., whose asset portfolio includes subsidiary Motus.

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 nine 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 of 30 September 2024, its consolidated financial performance and consolidated cash flows for the first nine 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 nine months of 2024 with their electronic signatures.

Reykjavík, 23 October 2024

Board of Directors

Jón Th. Sigurgeirsson, Chairman

Kristján Th. Davíðsson

Rebekka Jóelsdóttir

Stefanía Halldórsdóttir

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 30 September 2024 which comprise of Report of the Board of Directors and the CEO, Condensed Consolidated Statement of Financial Position as of 30 September 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 nine-months period then ended 30 September 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, 23 October 2024

PricewaterhouseCoopers ehf

Arna G. Tryggvadóttir
State Authorized Public Accountant

Condensed Consolidated Income Statement for the nine months ended 30 September 2024

Notes	2024	2023	2024	2023	
	1.7-30.9	1.7-30.9	1.1-30.9	1.1-30.9	
	Interest income	42,669	38,134	128,751	111,120
	Interest expense	(27,714)	(22,893)	(84,661)	(68,344)
6	Net interest income	14,955	15,241	44,090	42,776
	Fee and commission income	4,292	3,600	12,327	11,643
	Fee and commission expense	(1,602)	(1,264)	(4,259)	(3,556)
7	Net fee and commission income	2,690	2,336	8,068	8,087
8	Net gain (loss) on financial assets and liabilities at FVTPL	1,767	(292)	7,502	2,251
	Net foreign exchange gain	190	372	643	476
9	Net impairment changes	1,442	(248)	(2,018)	(1,839)
10	Other income and (expenses)	172	127	318	262
	Net other operating income	3,571	(41)	6,445	1,150
	Total operating income	21,216	17,536	58,603	52,013
11	Salaries and related expenses	(3,582)	(3,221)	(12,005)	(11,534)
	Other operating expenses	(2,492)	(2,388)	(7,569)	(7,113)
	Tax on liabilities of financial institutions	(719)	(643)	(1,955)	(1,763)
	Total operating expenses	(6,793)	(6,252)	(21,529)	(20,410)
	Profit before tax	14,423	11,284	37,074	31,603
12	Income tax	(3,636)	(3,374)	(10,166)	(9,220)
	Profit for the period	10,787	7,910	26,908	22,383
	Profit for the period attributable to:				
	Owners of the Bank	10,787	7,910	26,908	22,383
	Non-controlling interests	0	0	0	0
	Profit for the period	10,787	7,910	26,908	22,383
	Earnings per share:				
29	Basic and diluted earnings per share from operations (ISK)	0.46	0.33	1.14	0.95

Condensed Consolidated Statement of Comprehensive Income for the nine months ended 30 September 2024

Notes	2024	2023	2024	2023	
	1.7-30.9	1.7-30.9	1.1-30.9	1.1-30.9	
	Profit for the period	10,787	7,910	26,908	22,383
	Other comprehensive income for the period, after tax	0	0	0	0
	Total comprehensive income for the period	10,787	7,910	26,908	22,383

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

Condensed Consolidated Statement of Financial Position as at 30 September 2024

Notes		30.9.2024	31.12.2023
	Assets		
17, 48	Cash and balances with Central Bank	124,093	75,350
18	Bonds and debt instruments	138,175	148,182
19	Equities and equity instruments	24,162	19,012
20	Derivative instruments	6,885	7,459
21, 48	Loans and advances to financial institutions	77,197	54,101
22, 48	Loans and advances to customers	1,785,470	1,630,894
	Investments in equity-accounted associates	1,766	1,849
	Property and equipment	14,523	14,768
	Intangible assets	1,380	1,472
23	Other assets	10,629	6,828
	Assets classified as held for sale	1,516	861
	Total assets	2,185,796	1,960,776
	Liabilities		
	Due to financial institutions and Central Bank	11,942	29,968
	Deposits from customers	1,218,394	1,048,537
20	Derivative instruments and short positions	6,509	2,788
24, 48	Borrowings	546,103	513,687
25	Tax liabilities	18,230	14,647
26	Other liabilities	33,384	27,219
27	Subordinated liabilities	37,185	20,176
	Total liabilities	1,871,747	1,657,022
28	Equity		
	Share capital	23,615	23,621
	Share premium	120,516	120,593
	Reserves	10,946	11,432
	Retained earnings	158,972	148,108
	Total equity attributable to owners of the Bank	314,049	303,754
	Non-controlling interests	0	0
	Total equity	314,049	303,754
	Total liabilities and equity	2,185,796	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 nine months ended 30 September 2024

Notes

Change in equity for the nine months ended 30 September 2024	Attributable to owners of the Bank								Non- controlling interests	Total
	Share capital	Share premium	Statutory reserve	Reserves*			Retained earnings	Total		
				Unrealised gains in subsidiaries and equity-accounted associates reserve	Fair value changes of financial assets designated at FVTPL	Total				
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						26,908	26,908		26,908	
Transferred (from) to restricted reserves				(131)	(355)	486	0		0	
Purchase of own shares	(6)	(77)					(83)		(83)	
Dividends allocated						(16,530)	(16,530)		(16,530)	
28 Balance as at 30 September 2024	23,615	120,516	6,000	3,446	1,500	158,972	314,049	0	314,049	
Change in equity for the nine months ended 30 September 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						22,383	22,383		22,383	
Transferred (from) to restricted reserves				(56)	(1,234)	1,290	0		0	
Dividends allocated						(8,504)	(8,504)		(8,504)	
28 Balance as at 30 September 2023	23,621	120,593	6,000	2,718	1,979	138,060	292,971	0	292,971	

*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 nine months ended 30 September 2024

Notes	2024 1.1-30.9	2023 1.1-30.9
Operating activities		
Profit for the period	26,908	22,383
Adjustments for non-cash items included in profit for the period	(37,422)	(31,198)
Changes in operating assets and liabilities	(71,560)	(39,284)
Interest received	112,698	93,738
Interest paid	(30,765)	(16,254)
Dividends received	343	300
Income tax and special income tax on financial institutions paid	(8,538)	(6,528)
Net cash (to) from operating activities	(8,336)	23,157
Investing activities		
Purchase of property and equipment	(734)	(1,904)
Proceeds from sale of property and equipment	-	10
Purchase of intangible assets	(94)	(43)
Investing activities	(828)	(1,937)
Financing activities		
24 Proceeds from borrowings	92,725	121,900
24 Repayment of borrowings	(67,110)	(70,031)
Rent paid	(338)	(451)
27 Proceeds from subordinated liabilities	15,000	12,000
27 Repayment of subordinated liabilities	-	(14,400)
28 Purchase of own shares	(83)	-
28 Dividends paid	(8,265)	(8,504)
Financing activities	31,929	40,514
Cash and cash equivalents as at the beginning of the period	67,475	52,636
Net change in cash and cash equivalents	22,765	61,734
Effect of exchange rate changes on cash and cash equivalents held	72	(630)
Cash and cash equivalents as at the end of the period	90,312	113,740
Investing and financing activities not affecting cash flows		
Approved dividend to shareholders	(8,265)	-
Unpaid dividend to shareholders	8,265	-
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	124,093	114,774
21 Bank accounts with financial institutions	12,078	22,338
17 Mandatory and special restricted balances with Central Bank	(45,859)	(23,372)
Cash and cash equivalents as at the end of the period	90,312	113,740

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

Condensed Consolidated Statement of Cash Flows for the nine months ended 30 September 2024

Notes	2024 1.1-30.9	2023 1.1-30.9
Adjustments for non-cash items included in profit for the period		
6	(44,090)	(42,776)
8	(7,502)	(2,251)
	(714)	154
	2,018	1,839
10	(52)	(55)
10	(124)	(13)
	1,025	1,010
10	(104)	(89)
	1,955	1,763
12	10,166	9,220
	(37,422)	(31,198)
Changes in operating assets and liabilities		
	(20,163)	(12,032)
	12,510	(2,876)
	(27,887)	(53,361)
	(140,907)	(50,412)
	(4,587)	(11,902)
	(43)	277
	(17,842)	24,252
	129,038	64,258
	47	79
	(1,726)	2,433
	(71,560)	(39,284)

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 35 branches and service points at the end of the reporting period.

The Condensed Consolidated Interim Financial Statements of the Bank for the nine months ended 30 September 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 nine months 30 September 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 23 October 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 of the Bank's customers in Grindavík. This cancellation is limited to interest and indexation on loans in the maximum total 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, the Bank has in the first three quarters of 2024 recognised a provision of ISK 252 million and no further provision is expected.

The Bank also offered retail customers the option of deferring payments on their mortgages for up to 6 months in the first half of the year. Cancellation of interest and indexation for 6 months in addition to the deferral of payments for 6 months has been applied to the largest part of Grindavík housing mortgages.

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)

The majority of these mortgages has now been paid up and the accompanied risk transferred to the Bank's loan to Fasteignafélagið Thórkatla ehf. A part of the Bank's Grindavík-based corporate customers sought temporary forbearance measures from the Bank, and a part of these measures still apply.

In the first quarter of the year, Landsbankinn along with other banks and pension funds, agreed to participate in the State's establishment of real estate company Fasteignafélagið Thórkatla ehf. ("Thórkatla") established by the State for the purpose of purchasing residential housing in Grindavík and giving individuals who are legally domiciled in Grindavík the option of selling their properties to the company with pre-emption.

There is still uncertainty about the development and final impact of the seismic and volcanic activity. Consequently, there is considerable uncertainty about the impact on the Bank's Grindavík customers and the Bank's credit portfolio. In the third quarter, the Bank performed a detailed risk assessment of loans to larger corporates in Grindavík and staging is based on that assessment. Loans to smaller Grindavík-based corporates are classified as stage 2. Housing mortgages to retail customers in Grindavík remain stage 2 loans.

The majority of customers in Grindavík who hold mortgages with the Bank have elected to sell their real estate assets to Thórkatla. While the transactions between these parties have not been fully settled as at the end of Q3, the mortgages of 464 of the Bank's retail customers had been paid off and Thórkatla had been extended credit in the amount of ISK 12.4 billion. The final amount of the loan to Thórkatla is not yet known, nor is the total amount of mortgages held by the Bank's customers who elect not to take advantage of this solution. These measures have significantly reduced the Bank's credit risk from residential mortgages in Grindavík; the credit risk is transferred to lending to Thórkatla.

The Bank's loan to Thórkatla is recognised at fair value. Changes to the fair value of the loan are entered in the income statement under "Net gain on financial assets and liabilities at fair value". The valuation method takes into account available market information such as the value of underlying collateral and probability of default.

The Bank has assessed the need for provisions for impairment for loans to corporates other than Thórkatla and loans to retail customers in response to the volcanic and seismic activity in and around Grindavík and has made an ISK 1,725 million provision at the end of the third quarter of 2024. Of this amount, ISK 836 million is a collective allowance made against increased risk not adequately captured under general impairment assessment. Assessment of the collective allowance is based on a detailed analysis of loans to Grindavík customers whereby 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 value of underlying collateral.

Credit risk on Grindavík customers

The majority of corporate loans are to the travel & hospitality industry and the fisheries & seafood sector, in addition to the loan to Fasteignafélagið Thórkatla ehf. Retail lending to Grindavík customers consist firstly of housing mortgages and secondly of other loans, e.g. car loans, overdraft credit and payment cards.

The table shows the gross carrying amount of loans and advances and the related expected credit losses for Grindavík at the end of the third quarter of 2024 by customer type:

	Stage 1			Stage 2		Stage 3		Allowance for impairment		Carrying amount
	Gross carrying amount	Gross carrying amount	12-month ECL	Gross carrying amount	Lifetime ECL	Gross carrying amount	Lifetime ECL	Fair Value	Fair Value	
As at 30 September 2024										
Public entities	-	-	-	-	-	-	-	-	-	0
Individuals	1,201	461	(1)	671	(187)	69	(6)	(194)	-	1,007
Mortgages	665	-	-	605	(184)	60	(2)	(186)	-	479
Other	536	461	(1)	66	(3)	9	(4)	(8)	-	528
Corporates	52,079	33,231	(77)	8,446	(681)	1,433	(724)	(1,482)	8,969	50,597
Samtals	53,280	33,692	(78)	9,117	(868)	1,502	(730)	(1,676)	8,969	51,604

	Stage 1			Stage 2		Stage 3		Allowance for impairment		Carrying amount
	Gross carrying amount	Gross carrying amount	12-month ECL	Gross carrying amount	Lifetime ECL	Gross carrying amount	Lifetime ECL	Fair Value	Fair Value	
As at 31 December 2023										
Public entities	-	-	-	-	-	-	-	-	-	0
Individuals	14,331	13,452	(942)	849	(75)	30	(5)	(1,022)	-	13,309
Mortgages	12,965	12,266	(774)	678	(48)	21	(1)	(823)	-	12,142
Other	1,366	1,186	(168)	171	(27)	9	(4)	(199)	-	1,167
Corporates	36,959	35,541	(546)	1,175	(173)	243	(6)	(725)	-	36,234
Samtals	51,290	48,993	(1,488)	2,024	(248)	273	(11)	(1,747)	0	49,543

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 -0,1% 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 September 2024.

	Upside scenario		Base case senario		Downside scenario	
	Remainder of the		Remainder of the		Remainder of the	
	Next 12 Months	Forecast Period	Next 12 Months	Forecast Period	Next 12 Months	Forecast Period
As at 30 september 2024						
GDP growth	7.1%	9.5%	2.2%	2.2%	(2.8%)	(5.0%)
Unemployment rate	1.9%	1.0%	3.5%	3.4%	5.2%	6.6%
Base rate	6.6%	1.5%	8.3%	5.8%	10.1%	10.0%
Inflation	2.0%	(0.6%)	4.5%	3.6%	7.0%	7.8%
EUR/ISK exchange rate, average	135.2	109.4	151.4	149.2	167.7	189.1
Housing Price index, y/y change	17.6%	20.6%	10.3%	7.8%	3.0%	(5.1%)
Household indebtedness	35.6%	21.4%	44.6%	39.4%	53.6%	60.4%

	Upside scenario		Base case senario		Downside scenario	
	Remainder of the		Remainder of the		Remainder of the	
	Next 12 Months	Forecast Period	Next 12 Months	Forecast Period	Next 12 Months	Forecast Period
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 rate, average	133.1	106.8	149.3	146.5	165.6	186.1
Housing Price index, y/y change	11.3%	17.2%	3.9%	4.4%	(3.4%)	(8.4%)
Household indebtedness	42.5%	31.2%	51.6%	52.6%	60.8%	73.9%

	As at 30 September 2024			As at 31 December 2023		
	Upside scenario	Base senario	Downside senario	Upside scenario	Base senario	Downside senario
Allowance for impairment (Stage 1 and Stage 2)	2,663	3,781	5,676	4,335	5,882	8,336
Proportion of assets in Stage 2	3.0%	3.3%	4.0%	3.7%	4.2%	5.2%

	Reported under IFRS 9	
	As at 30 September 2024	As at 31 December 2023
	Allowance for impairment (stage 1 and stage 2)	4,048

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 30 September 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 - 30 September 2024							
Net interest income	16,173	21,413	371	5,802	408	(77)	44,090
Net fee and commission income	2,590	1,970	3,809	(284)	107	(124)	8,068
Net impairment changes	(1,980)	(37)	1	(1)	(1)	-	(2,018)
Other net operating income (expenses)	119	(904)	285	8,707	259	(3)	8,463
Total operating income (expenses)	16,902	22,442	4,466	14,224	773	(204)	58,603
Operating expenses	(5,544)	(2,564)	(1,809)	(688)	(9,093)	124	(19,574)
Tax on liabilities of financial institutions	(803)	(426)	(11)	(711)	(4)	-	(1,955)
Profit (loss) before cost allocation and tax	10,555	19,452	2,646	12,825	(8,324)	(80)	37,074
Allocated expenses	(3,610)	(2,439)	(964)	(884)	7,897	-	0
Profit (loss) before tax	6,945	17,013	1,682	11,941	(427)	(80)	37,074
Income tax	(2,081)	(4,669)	(627)	(2,857)	68	-	(10,166)
Profit (loss) for the period	4,864	12,344	1,055	9,084	(359)	(80)	26,908
Net revenue (expenses) from external customers	23,862	43,804	5,218	(14,387)	310	-	58,807
Net revenue (expenses) from other segments	(6,960)	(21,362)	(752)	28,611	463	-	0
Total operating income (expenses)	16,902	22,442	4,466	14,224	773	0	58,807
As at 30 September 2024							
Total assets	919,224	854,469	16,841	768,517	21,426	(394,681)	2,185,796
Total liabilities	852,440	705,317	12,719	679,167	16,785	(394,681)	1,871,747
Allocated capital	66,784	149,152	4,122	89,350	4,641		314,049
	Personal Banking	Corporate Banking	Asset Management & Capital Market	Treasury and Market Making	Other divisions	Recon- ciliation	Total
1 January - 30 September 2023							
Net interest income	14,199	16,370	400	11,470	251	86	42,776
Net fee and commission income	2,485	2,152	3,662	(222)	122	(112)	8,087
Net impairment changes	(616)	(1,226)	-	3	-	-	(1,839)
Other net operating income (expenses)	80	(16)	(51)	2,842	148	(14)	2,989
Total operating income (expenses)	16,148	17,280	4,011	14,093	521	(40)	52,013
Operating expenses	(5,323)	(2,525)	(1,692)	(716)	(8,515)	124	(18,647)
Tax on liabilities of financial institutions	(687)	(377)	(5)	(687)	(7)	-	(1,763)
Profit (loss) before cost allocation and tax	10,138	14,378	2,314	12,690	(8,001)	84	31,603
Allocated expenses	(3,385)	(2,269)	(890)	(779)	7,323	-	0
Profit (loss) before tax	6,753	12,109	1,424	11,911	(678)	84	31,603
Income tax	(1,914)	(3,221)	(469)	(3,747)	131	-	(9,220)
Profit (loss) for the period	4,839	8,888	955	8,164	(547)	84	22,383
Net revenue (expenses) from external customers	27,312	38,038	4,326	(17,827)	204	-	52,053
Net revenue (expenses) from other segments	(11,164)	(20,758)	(315)	31,920	317	-	0
Total operating income (expenses)	16,148	17,280	4,011	14,093	521	0	52,053
As at 30 September 2023							
Total assets	862,196	735,740	8,422	765,098	22,448	(411,501)	1,982,403
Total liabilities	808,849	610,390	4,671	658,402	18,621	(411,501)	1,689,432
Allocated capital	53,347	125,350	3,751	106,696	3,827		292,971

Notes to the Condensed Consolidated Interim Financial Statements

Notes to the Consolidated Income Statement

6. Net interest income

	1.7-30.9.2024			1.7-30.9.2023		
	Amortised cost	Designated at FVTPL	Total	Amortised cost	Designated at FVTPL	Total
Interest income						
Cash and balances with Central Bank	1,740	-	1,740	2,269	-	2,269
Loans and advances to financial institutions	595	-	595	474	-	474
Loans and advances to customers	39,327	1,007	40,334	34,959	339	35,298
Other interest income	(33)	33	0	69	24	93
Total	41,629	1,040	42,669	37,771	363	38,134
Interest expense						
Due to financial institutions and Central Bank	(43)	-	(43)	(271)	-	(271)
Deposits from customers	(19,234)	-	(19,234)	(15,742)	-	(15,742)
Borrowings	(5,211)	(2,047)	(7,258)	(5,065)	(433)	(5,498)
Other interest expense	(80)	(276)	(356)	(17)	(767)	(784)
Subordinated liabilities	(823)	-	(823)	(598)	-	(598)
Total	(25,391)	(2,323)	(27,714)	(21,693)	(1,200)	(22,893)
Net interest income	16,238	(1,283)	14,955	16,078	(837)	15,241

	1.1-30.9.2024			1.1-30.9.2023		
	Amortised cost	Designated at FVTPL	Total	Amortised cost	Designated at FVTPL	Total
Interest income						
Cash and balances with Central Bank	5,086	-	5,086	4,946	-	4,946
Loans and advances to financial institutions	1,853	-	1,853	1,200	-	1,200
Loans and advances to customers	119,639	2,006	121,645	103,689	1,084	104,773
Other interest income	69	98	167	112	89	201
Total	126,647	2,104	128,751	109,947	1,173	111,120
Interest expense						
Due to financial institutions and Central Bank	(340)	-	(340)	(569)	-	(569)
Deposits from customers	(57,721)	-	(57,721)	(44,416)	-	(44,416)
Borrowings	(16,955)	(5,675)	(22,630)	(17,578)	(1,803)	(19,381)
Other interest expense	(149)	(1,155)	(1,304)	(48)	(2,110)	(2,158)
Subordinated liabilities	(2,666)	-	(2,666)	(1,820)	-	(1,820)
Total	(77,831)	(6,830)	(84,661)	(64,431)	(3,913)	(68,344)
Net interest income	48,816	(4,726)	44,090	45,516	(2,740)	42,776

Net interest income, calculated based on the effective interest rate method, amounted to ISK 44,090 million in the first nine months of 2024 as compared with ISK 42,776 million for the same period in 2023.

7. Net fee and commission income

	1.7-30.9.2024			1.7-30.9.2023		
	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	1,306	(183)	1,123	1,349	(168)	1,181
Loans and guarantees	501	-	501	302	-	302
Payment cards	1,637	(925)	712	1,357	(822)	535
Collection and payment services	254	(54)	200	254	(39)	215
Other	594	(440)	154	338	(235)	103
Total	4,292	(1,602)	2,690	3,600	(1,264)	2,336

Notes to the Condensed Consolidated Interim Financial Statements

7. Net fee and commission income (continued)

	1.1-30.9.2024			1.1-30.9.2023		
	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	4,303	(545)	3,758	4,606	(501)	4,105
Loans and guarantees	1,300	-	1,300	924	-	924
Payment cards	4,668	(2,519)	2,149	4,416	(2,239)	2,177
Collection and payment services	755	(167)	588	778	(143)	635
Other	1,301	(1,028)	273	919	(673)	246
Total	12,327	(4,259)	8,068	11,643	(3,556)	8,087

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

	2024	2023	2024	2023
	1.7-30.9	1.7-30.9	1.1-30.9	1.1-30.9
Net gain (loss) on financial assets and liabilities at FVTPL				
Bonds and debt instruments	1,267	869	5,525	4,034
Equities and equity instruments	1,149	(1,098)	2,026	(2,258)
Derivatives and underlying hedges	286	27	732	510
Loans and advances to customers	(1,014)	(55)	(788)	(9)
Net gain (loss) on fair value hedges	79	(35)	7	(26)
Total	1,767	(292)	7,502	2,251

9. Net impairment changes

	2024	2023	2024	2023
	1.7-30.9	1.7-30.9	1.1-30.9	1.1-30.9
Net impairment changes of loans to customers	1,451	(245)	(2,098)	(1,682)
Net impairment changes of other financial assets and provision for litigations	(9)	(3)	80	(157)
Net impairment changes of financial assets	1,442	(248)	(2,018)	(1,839)
Net impairment changes by customer type				
Public entities	-	(1)	2	(6)
Individuals	342	(278)	(1,956)	(622)
Corporates	1,100	31	(64)	(1,211)
Net impairment changes of financial assets	1,442	(248)	(2,018)	(1,839)

10. Other income and (expenses)

	2024	2023	2024	2023
	1.7-30.9	1.7-30.9	1.1-30.9	1.1-30.9
Share of gain of equity-accounted associates	93	48	104	89
Gain on sale of property and equipment	17	19	52	55
Net income (expenses) on repossessions	10	(6)	124	13
Other	52	66	38	105
Total	172	127	318	262

11. Salaries and related expenses

	2024	2023	2024	2023
	1.7-30.9	1.7-30.9	1.1-30.9	1.1-30.9
Salaries	2,649	2,349	9,239	8,856
Contributions to defined pension plans	474	441	1,411	1,364
Social security contributions	230	216	681	658
Special financial activities tax on salaries	198	187	589	570
Other related expenses	31	28	85	86
Total	3,582	3,221	12,005	11,534

Average number of full-time equivalent positions during the period	809	816	807	816
Number of full-time equivalent positions at the end of the period	813	818	813	818

Notes to the Condensed Consolidated Interim Financial Statements

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
	1.1-30.9	1.1-30.9
Current tax expense	(7,964)	(7,116)
Special income tax on financial institutions	(2,155)	(2,025)
Origination and reversal of temporary differences due to deferred tax assets/liabilities	(47)	(79)
Total	(10,166)	(9,220)

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
		1.1-30.9		1.1-30.9
Profit before income tax		37,074		31,603
Income tax calculated using the domestic corporate income tax rate	21.0%	(7,786)	20.0%	(6,321)
Special income tax on financial institutions	5.8%	(2,155)	6.4%	(2,025)
Effect of different tax rates	0.0%	(7)	0.0%	-
Income not subject to tax	(0.5%)	201	(0.2%)	54
Non-deductible expenses	1.1%	(418)	2.9%	(928)
Other	0.0%	(1)	0.0%	-
Effective income tax	27.4%	(10,166)	29.2%	(9,220)

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 30 September 2024:

As at 30 September 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	-	17,502	120,673	-	138,175	137,308	25	842	138,175
Equities and equity instruments	19	-	11,038	13,124	-	24,162	12,340	-	11,822	24,162
Derivative instruments	20	-	6,885	-	-	6,885	-	6,885	-	6,885
Loans and advances to customers	22	-	45,620	-	-	45,620	-	-	45,620	45,620
		0	81,045	133,797	0	214,842	149,648	6,910	58,284	214,842
Financial assets not measured at fair value										
Cash and balances with Central Bank	17	124,093	-	-	-	124,093	-	124,093	-	124,093
Loans and advances to financial institutions	21	77,197	-	-	-	77,197	-	77,197	-	77,197
Loans and advances to customers	22	1,739,850	-	-	-	1,739,850	-	1,753,265	-	1,753,265
Other financial assets		9,551	-	-	-	9,551	-	9,551	-	9,551
		1,950,691	0	0	0	1,950,691	0	1,964,106	0	1,964,106
Financial liabilities measured at fair value										
Derivative instruments	20	-	1,654	-	-	1,654	-	1,654	-	1,654
Short positions	20	-	4,855	-	-	4,855	4,855	-	-	4,855
		0	6,509	0	0	6,509	4,855	1,654	0	6,509
Financial liabilities not measured at fair value										
Due to financial institutions and Central Bank		-	-	-	11,942	11,942	-	11,942	-	11,942
Deposits from customers		-	-	-	1,218,394	1,218,394	-	1,217,721	-	1,217,721
Borrowings	24	-	-	-	546,103	546,103	-	536,346	-	536,346
Other financial liabilities		-	-	-	17,241	17,241	-	17,241	-	17,241
Subordinated liabilities	27	-	-	-	37,185	37,185	-	36,631	-	36,631
		0	0	0	1,830,865	1,830,865	0	1,819,881	0	1,819,881

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				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	-	18,105	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 30 September 2024 and 1 January to 30 September 2023, there were no transfers between Level 1 and Level 2. The following tables show the reconciliation of fair value measurement in Level 3 for the nine months ended 30 September 2024 and for the year 2023:

	Bonds and debt instruments	Equities and equity instruments	Loans and advances to customers	Total financial assets
1 January - 30 September 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	43	1,697	(788)	952
Net foreign exchange loss	-	-	(62)	(62)
Purchases	49	167	244,683	244,899
Sales	-	(95)	-	(95)
Settlements	(151)	-	(213,643)	(213,794)
Transfers out of Level 3	-	-	(174)	(174)
Dividend received	-	(115)	-	(115)
Carrying amount as at 30 September 2024	842	11,822	45,620	58,284

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 30 September 2024 and 30 September 2023 were recognised:

	Bonds and debt instruments	Equities and equity instruments	Loans and advances to customers	Total
1 January - 30 September 2024				
Net gain on financial assets and liabilities at FVTPL realised	10	540	(788)	(238)
Net gain on financial assets and liabilities at FVTPL unrealised	31	1,157	-	1,188
Net foreign exchange gain	-	-	(62)	(62)
Total	41	1,697	(850)	888
1 January - 30 September 2023				
Net gain on financial assets and liabilities at FVTPL realised	15	277	(8)	284
Net gain (loss) on financial assets and liabilities at FVTPL unrealised	6	(2,281)	-	(2,275)
Net foreign exchange loss	(1)	(1)	(55)	(57)
Total	20	(2,005)	(63)	(2,048)

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 30 September 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 30 September 2024	Level 3 Significant unobservable Assets inputs	Valuation technique	Higher	Lower	Favourable	Unfavourable
Bonds and debt instruments	12 Recovery rates	See 1) below	5%	-5%	1	(1)
	830 Bond prices	See 1) below	5%	-5%	42	(42)
Equities and equity instruments						
Equities - Banking book	11,822 Instrument Price	See 2) below	5%	-5%	882	(882)
Loans and advances to customers	36,651 Probability of default	See 3) below	1%	-1%	310	(323)
	8,969 Recovery rates	See 3) below	5%	-5%	1,092	(1,092)
Total	58,284				2,327	(2,340)

As at 31 December 2023	Level 3 Significant unobservable Assets 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 customers	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, value of underlying collateral, probability of default and liquidity spread.

16. Expected credit loss

	30.9.2024			
	Stage 1	Stage 2	Stage 3	Total
Cash and balances with Central Bank	-	-	-	0
Loans and advances to customers	(1,851)	(1,903)	(6,405)	(10,159)
Other financial assets	(70)	-	(1)	(71)
Expected credit loss, off-balance sheet items	(254)	(40)	(150)	(444)
Total	(2,175)	(1,943)	(6,556)	(10,674)
	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

	30.9.2024	31.12.2023
Cash on hand	5,460	5,052
Unrestricted balances with Central Bank	72,774	44,602
Total cash and unrestricted balances with Central Bank	78,234	49,654
Restricted balances with Central Bank - fixed reserve requirement	38,683	23,797
Cash and balances pledged as collateral to the Central Bank	7,176	1,899
Total restricted balances with Central Bank	45,859	25,696
Total cash and balances with Central Bank	124,093	75,350

18. Bonds and debt instruments

Bonds and debt instruments	30.9.2024			31.12.2023		
	Trading book	Banking book	Total	Trading book	Banking book	Total
Domestic						
Listed	17,502	55,943	73,445	15,138	53,178	68,316
Unlisted	-	1,286	1,286	-	1,443	1,443
	17,502	57,229	74,731	15,138	54,621	69,759
Foreign						
Listed	-	63,444	63,444	2,967	75,456	78,423
	0	63,444	63,444	2,967	75,456	78,423
Total bonds	17,502	120,673	138,175	18,105	130,077	148,182

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

19. Equities and equity instruments

Equities and equity instruments	30.9.2024			31.12.2023		
	Trading book	Banking book	Total	Trading book	Banking book	Total
Domestic						
Listed	5,887	671	6,558	7,374	366	7,740
Unlisted	-	12,142	12,142	-	10,429	10,429
	5,887	12,813	18,700	7,374	10,795	18,169
Foreign						
Listed	5,151	286	5,437	560	258	818
Unlisted	-	25	25	-	25	25
	5,151	311	5,462	560	283	843
Total equities	11,038	13,124	24,162	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 30 September 2024, outstanding commitments of the Group in share subscriptions amounted to ISK 423 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

	30.9.2024			31.12.2023		
	Notional amount	Fair value		Notional amount	Fair value	
		Assets	Liabilities		Assets	Liabilities
Foreign exchange derivatives						
Currency forwards	41,642	55	328	48,317	319	378
	41,642	55	328	48,317	319	378
Interest rate derivatives						
Total return swaps	13,830	56	47	5,458	16	7
	13,830	56	47	5,458	16	7
Equity derivatives						
Equity forwards	111	-	7	276	1	1
Total return swaps	5,834	16	331	4,091	-	260
Equity options	596	5	36	63	-	5
	6,541	21	374	4,430	1	266
Total derivative instruments	62,013	132	749	58,205	336	651
Short positions						
Listed bonds	4,884	-	4,855	1,501	-	1,255
Total short positions	4,884	0	4,855	1,501	0	1,255
Total	66,897	132	5,604	59,706	336	1,906

Risk management

	30.9.2024			31.12.2023		
	Notional amount	Fair value		Notional amount	Fair value	
		Assets	Liabilities		Assets	Liabilities
Foreign exchange derivatives						
Currency forwards	52,760	352	225	71,020	2,454	304
	52,760	352	225	71,020	2,454	304
Interest rate derivatives						
Interest rate swaps	2,000	-	680	2,000	-	578
	2,000	0	680	2,000	0	578
Fair value hedging						
Interest rate swaps	135,450	6,401	-	90,054	4,669	-
	135,450	6,401	0	90,054	4,669	0
Total	190,210	6,753	905	163,074	7,123	882
Total derivative instruments and short positions	257,107	6,885	6,509	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 30 September 2024, the slope of the regression line was in all cases within the range of 0.94 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 30 September 2023, the slope of the regression line is in all cases within the range of 0.89 and 0.98 (for a 95% confidence level) and the regression coefficient was at least 1.00 (R^2). In all cases the effectiveness is within limits during the first nine 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 30 September 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	45,150	-	45,150	-	2,581	-	(403)
Interest rate swaps - EUR	45,150	-	45,150	-	2,452	-	796
Interest rate swaps - EUR	45,150	-	45,150	-	1,368	-	1,374
Total	135,450	0	135,450	0	6,401	0	1,767

Average fixed interest rate - EUR 5.21%

As at 30 September 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 4.25 3/28 CB	-	47,702	-	1,625	376
LBANK 6.375 3/27	-	47,618	-	1,009	(813)
LBANK 5.0 5/28	-	46,710	-	832	(1,336)
Total EMTN hedged borrowings	0	142,030	0	3,466	(1,773)

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

	30.9.2024	31.12.2023
Bank accounts with financial institutions	12,078	17,821
Money market loans	64,118	35,164
Other loans	1,001	1,116
Allowance for impairment	-	-
Total	77,197	54,101

22. Loans and advances to customers

	30.9.2024	31.12.2023
Loans and advances to customers at amortised cost	1,750,009	1,626,664
Allowance for impairment	(10,159)	(11,374)
Total	1,739,850	1,615,290
Loans and advances to customers at FVTPL	45,620	15,604
Total	1,785,470	1,630,894

Loans and advances to customers at amortised cost

	30.9.2024			31.12.2023		
	Gross carrying amount	Allowance for impairment	Carrying amount	Gross carrying amount	Allowance for impairment	Carrying amount
Public entities	13,091	(2)	13,089	11,453	(4)	11,449
Individuals	874,130	(1,718)	872,412	821,480	(2,382)	819,098
Mortgage lending	788,622	(576)	788,046	732,230	(1,246)	730,984
Other	85,508	(1,142)	84,366	89,250	(1,136)	88,114
Corporates	862,788	(8,439)	854,349	793,731	(8,988)	784,743
Total	1,750,009	(10,159)	1,739,850	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

	30.9.2024	31.12.2023
Unsettled securities trading	6,264	2,205
Other accounts receivable	1,461	1,160
Right-of-use assets	1,826	1,898
Sundry assets	1,078	1,565
Total	10,629	6,828

Notes to the Condensed Consolidated Interim Financial Statements

24. Borrowings

Secured borrowings

Currency, outstanding nominal amount	Maturity	Maturity		30.9.2024	31.12.2023
		type	Terms of interest		
LBANK CBI 24, ISK 29,200 million	15.11.2024	At maturity	Fixed 3.0%, CPI-indexed	43,107	52,712
LBANK CB 25, ISK 39,660 million	17.09.2025	At maturity	Fixed 3.4%	39,516	39,704
LBANK CBI 26, ISK 11,120 million	20.11.2026	At maturity	Fixed 1.5%, CPI-indexed	15,167	14,373
LBANK CB 27, ISK 35,280 million	20.09.2027	At maturity	Fixed 4.6%	32,947	32,752
LBANK CBI 28, ISK 50,200 million	04.10.2028	At maturity	Fixed 3.0%, CPI-indexed	76,090	71,432
LBANK 4.25 3/28 CB, EUR 300 million*	16.03.2028	At maturity	Fixed 4.25%	47,702	47,945
LBANK CB 29, ISK 12,020 million	27.09.2029	At maturity	Fixed 8.2%	12,010	8,853
LBANK CBI 30, ISK 28,700 million	22.02.2030	At maturity	Fixed 3.5%, CPI-indexed	30,473	-
Total covered bonds				297,012	267,771
Other secured loans				4,931	5,060
Total secured borrowings				301,943	272,831

Unsecured borrowings

Currency, outstanding nominal amount	Maturity	Maturity		30.9.2024	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 168 million	20.05.2024	At maturity	FIXED 0.5%	-	25,266
LBANK FLOAT 08/24, NOK 300 million	12.08.2024	At maturity	NIBOR + 2.0%	-	4,047
LBANK FLOAT 01/25, NOK 452 million	20.01.2025	At maturity	NIBOR + 0.79%	5,854	6,757
LBANK FLOAT 01/25, SEK 850 million	20.01.2025	At maturity	STIBOR + 0.8%	11,412	11,571
LBANK 0.375 5/25 GB, EUR 200 million	23.05.2025	At maturity	FIXED 0.375%	30,082	45,004
LBANK FLOAT 08/25, NOK 350 million	18.08.2025	At maturity	NIBOR + 2.35%	4,521	4,716
LBANK FLOAT 08/25, NOK 1,000 million	21.08.2025	At maturity	NIBOR + 3.05%	12,918	13,473
LBANK FLOAT 08/25, SEK 450 million	25.08.2025	At maturity	STIBOR + 3.5%	6,021	6,101
LBANK 0.75 5/26 GB, EUR 300 million	25.05.2026	At maturity	FIXED 0.75%	45,126	45,023
LBANK 6.375 3/27, EUR 300 million*	12.03.2027	At maturity	FIXED 6.375%	47,618	46,671
LBANK 5.000 5/28, EUR 300 million*	13.05.2028	At maturity	FIXED 5.0%	46,710	-
Total senior preferred bonds				210,262	220,203
Other unsecured loans				17,377	20,653
Total unsecured borrowings				227,639	240,856

Senior non-preferred bonds

Currency, outstanding nominal amount	Maturity	Maturity		30.9.2024	31.12.2023
		type	Terms of interest		
LBANK 1.8 9/28, SEK 1.000 million	13.09.2028	At maturity	STIBOR + 1.8%	13,314	-
LBANK 1.83 9/28, NOK 250 million	13.09.2028	At maturity	NIBOR + 1.83%	3,207	-
Total senior non-preferred bonds				16,521	0
Total borrowings				546,103	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.

On 30 September 2024, Landsbankinn finalised the sale of senior preferred green notes in the amount of EUR 300 million. The notes have a 5-year tenor, bear 3.75% fixed rates and were sold at terms equivalent to a 155 basis point spread above mid-swap market rates. The transactions were settled on 8 October 2024, and the issuance is not recorded in these financial statements as transactions of this nature are recognised on a settlement date basis.

Alongside the sale, the Bank launched a cash tender offer for the Bank's EUR note series due in 2025. On 8 October 2024, the Bank announced the results of the tender offer. Valid tenders were received in the amount of EUR 124.7 million, all of which were accepted. The tenders were settled on 9 October 2024.

Notes to the Condensed Consolidated Interim Financial Statements

24. Borrowings (continued)

Change in liabilities due to financing activities

	As at 1.1.2024	Cash flow	Non-cash changes			As at 30.9.2024
			Accrued interest	Foreign exchange	Change in the fair value	
Secured borrowings	219,826	19,429	10,055	-	-	249,310
Secured borrowings held to hedge long-term	47,945	(1,673)	1,698	108	(376)	47,702
Other secured loans	5,060	(184)	82	(27)	-	4,931
Senior preferred bonds	173,532	(55,948)	250	(1,900)	-	115,934
Senior preferred bonds held to hedge long-term borrowings	46,671	38,875	5,922	711	2,149	94,328
Other unsecured loans	20,653	(4,580)	1,363	(59)	-	17,377
Senior non-preferred bonds	-	16,646	42	(167)	-	16,521
Subordinated liabilities	20,176	14,365	2,644	-	-	37,185
Total	533,863	26,930	22,056	(1,334)	1,773	583,288

	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 preferred bonds	190,252	(15,356)	2,102	(3,466)	-	173,532
Senior preferred bonds held to hedge long-term borrowings	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

	30.9.2024		31.12.2023	
	Assets	Liabilities	Assets	Liabilities
Tax liabilities	-	18,045	-	14,509
Deferred tax liabilities	-	185	-	138
Taxes in the Statement of Financial Position	0	18,230	0	14,647

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

	30.9.2024			31.12.2023		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Property and equipment	-	(179)	(179)	-	(162)	(162)
Intangibles	-	(130)	(130)	-	(141)	(141)
Exchange rate-indexed assets and liabilities	-	(680)	(680)	-	(634)	(634)
Deferred foreign exchange differences	-	(59)	(59)	34	-	34
Other assets and liabilities	862	-	862	764	-	764
Tax losses carried forward	1	-	1	1	-	1
	863	(1,048)	(185)	799	(937)	(138)
Set-off of deferred tax assets together with liabilities of the same taxable entities	(863)	863	0	(799)	799	0
Deferred tax liabilities total	0	(185)	(185)	0	(138)	(138)

Notes to the Condensed Consolidated Interim Financial Statements

25. Deferred tax assets and liabilities (continued)

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

	Recognised in income statement			Recognised in income statement		
	Balance 1.1.2024	Tax income (expense)	Balance as at 30.9.2024	Balance 1.1.2023	Tax income (expense)	Balance as at 31.12.2023
Property and equipment	(162)	(17)	(179)	(95)	(67)	(162)
Intangibles	(141)	11	(130)	(157)	16	(141)
Foreign currency assets and liabilities	(634)	(46)	(680)	(487)	(147)	(634)
Deferred foreign exchange differences	34	(93)	(59)	(10)	44	34
Other assets and other liabilities	764	98	862	748	16	764
Tax losses carried forward	1	-	1	1	-	1
Total	(138)	(47)	(185)	0	(138)	(138)

26. Other liabilities

	30.9.2024	31.12.2023
Unsettled securities trading	13,699	6,723
Withholding tax	1,481	8,884
Accounts payable	1,560	1,939
Non-controlling interests - Funds	1,927	2,020
Lease liabilities	1,982	2,056
Provision for litigations	39	159
Sundry liabilities	12,696	5,438
Total	33,384	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 type	Terms of interest	30.9.2024	31.12.2023
LBANK T2I 29, ISK 5,520 million	11.12.2029	At maturity	Fixed 3.85%, CPI-indexed	7,592	7,053
LBANK T2I 33, ISK 12,000 million	23.03.2033	At maturity	Fixed 4.95%, CPI-indexed	13,561	13,123
LBANK T2I 35, ISK 12,000 million	07.03.2035	At maturity	Fixed 5.70%, CPI-indexed	12,891	-
LBANK T2 35, ISK 3,000 million	07.03.2035	At maturity	Fixed 9.60%	3,141	-
Total subordinated liabilities				37,185	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 30 September 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.

Notes to the Condensed Consolidated Interim Financial Statements

28. Equity (continued)

Share capital (continued)

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:

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 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.

Notes to the Condensed Consolidated Interim Financial Statements

Other notes

29. Earnings per share

	2024	2023	2024	2023
	1.7-30.9	1.7-30.9	1.1-30.9	1.1-30.9
Profit for the period				
Profit for the period attributable to owners of the Bank	10,787	7,910	26,908	22,383
	2024	2023	2024	2023
	1.7-30.9	1.7-30.9	1.1-30.9	1.1-30.9
Weighted average number of shares				
Weighted average number of ordinary shares issued	24,000	24,000	24,000	24,000
Weighted average number of own shares	(385)	(379)	(384)	(379)
Weighted average number of shares outstanding	23,615	23,621	23,616	23,621
Basic and diluted earnings per share from operations (ISK)	0.46	0.33	1.14	0.95

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.

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. The main hearing before the Appeal Court will be on 14 November 2024. 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 around ISK 39 million as regards the Bank's loan portfolio with the same interest rate provision. The Bank has recognised a provision in the same amount with respect to this loan portfolio.

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. The main hearing of the case before the District Court was on 17 September 2024. A judgment is expected to be delivered in October 2024.

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 4 November 2022, the District Court of Reykjavík requested an advisory opinion from the EFTA-Court on whether the interest rate provision is contrary to the Mortgage Credit Directive 2014/17/EU and the Consumer Credit Directive 2008/48/EC.

Notes to the Condensed Consolidated Interim Financial Statements

30. Litigation (continued)

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

On 23 May 2024, the EFTA Court delivered a judgment in the case, that had been joined with a comparable case against Íslandsbanki, where an advisory opinion was given on the interpretation of the Mortgage Credit Directive and Directive 93/13/EEC on unfair terms in consumer contracts. The judgment in the joined cases E-13/22 and E-1/23 is published on the Court's website, <https://eftacourt.int>. It is concluded, inter alia, in the advisory opinion that it is for the national court to determine whether a term in a variable-rate mortgage loan agreement meets the requirements of good faith, balance and transparency laid down by Directive 93/13/EEC, whether such terms must be declared unfair according to the Directive and the consequences if such terms are declared unfair. The procedure of the case before the District Court of Reykjavík will now recommence. It is expected that the oral proceeding of the case will be on 5 November 2024 and that a judgment will be given in December 2024. It is the Bank's preliminary assessment of the potential impact of an adverse final 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 21.2 billion. This is an update of the assessment in light of the current interest rate environment. 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 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. The Bank has not recognised a provision in relation to the case.

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 and it is expected that the oral proceedings will be in January 2025.

31. Interest in subsidiaries

The main subsidiaries held directly or indirectly by the Group as at 30 September 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 30 September 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 30 September 2024.

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	30.9.2024		31.12.2023	
	Gross carrying amount	Highest amount outstanding during the period	Gross carrying amount	Highest amount outstanding during the period
Key management personnel	448	616	556	636
Parties related to key management personnel	60	261	256	282
Associates	182	296	184	947
Other	275	316	288	825
Total	965	1,489	1,284	2,690

Notes to the Condensed Consolidated Interim Financial Statements

32. Related party transactions (continued)

Transactions with other related parties (continued)

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:

	30.9.2024		31.12.2023	
	Carrying amount	Highest amount outstanding during the period	Carrying amount	Highest amount outstanding during the period
Deposits in ISK million				
Key management personnel	157	288	82	191
Parties related to key management personnel	78	241	134	279
Associates	301	1,553	483	1,279
Other	42	95	14	126
Total	578	2,177	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:

	Gross carrying amount as at 30 September 2024	Gross carrying amount as at 31 December 2023
Guarantees in ISK million		
Key management personnel	-	-
Parties related to key management personnel	-	-
Associates	-	-
Other	551	539
Total	551	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.

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 nine months ended 30 September 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), 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 30 September 2024	CET1	Tier 1	Total
Pillar I	4.5%	6.0%	8.0%
Pillar II-R	1.4%	1.9%	2.5%
Minimum requirement under Pillar I and Pillar II-R	5.9%	7.9%	10.5%
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	9.9%	9.9%	9.9%
Total capital requirement	15.8%	17.8%	20.4%

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	30.9.2024
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 period 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	30.9.2024	31.12.2023
Share capital	23,615	23,621
Share premium	120,516	120,593
Reserves	10,946	11,432
Retained earnings	158,972	148,108
Total equity attributable to owners of the Bank	314,049	303,754
Intangible assets	(4)	(7)
Forseeable dividends*	(13,454)	(16,584)
Fair value hedges	(2,936)	(4,669)
Adjustment under IFRS 9 transitional arrangements	-	595
Insufficient coverage for non-performing exposures	(559)	(1,291)
Common equity Tier 1 capital (CET1)	297,096	281,798
Non-controlling interests	-	-
Tier 1 capital	297,096	281,798
Subordinated liabilities	37,185	20,176
Tier 2 capital	37,185	20,176
Total capital base	334,281	301,974
Risk-weighted exposure amount (RWEA)	30.9.2024	31.12.2023
Credit risk	1,252,410	1,144,477
Market risk	22,891	20,559
Operational risk**	114,400	114,400
Total risk-weighted exposure amount	1,389,701	1,279,436

*Pursuant to the Bank's dividend policy, the foreseeable dividend corresponds to 50% of interim net profits for the first nine months of 2024.

**The amounts are updated on a yearly basis.

CET1 ratio	21.4%	22.0%
Tier 1 capital ratio	21.4%	22.0%
Total capital ratio	24.1%	23.6%
CET1 Ratio as if IFRS 9 transitional arrangements were not applied	21.4%	22.0%
Tier 1 capital ratio as if IFRS 9 transitional arrangements were not applied	21.4%	22.0%
Total capital ratio as if IFRS 9 transitional arrangements were not applied	24.1%	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 4 October 2024 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 21.0% of MREL funds, as a percentage of the Bank's Total Risk-weighted Exposure Amount (TREA) and a minimum of 6.0% as a percentage of the Bank's Total Exposure Measure (TEM).

The decision also introduces a new 13.5% MREL subordination requirement, as a percentage of the Bank's Total Risk-weighted Exposure Amount (TREA).

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.

	30.9.2024		31.12.2023	
	Amount	Percentage of RWEA	Amount	Percentage of RWEA
Own funds and eligible liabilities				
Common Equity Tier 1 (CET1)	297,096	21.4%	281,798	22.0%
Additional Tier 1 capital (AT1)	-	0.0%	-	0.0%
Tier 2 capital	37,185	2.7%	20,176	1.6%
Eligible Senior Non-Preferred bonds	16,521	1.2%	-	0.0%
Sum of Subordinated MREL funds	350,802	25.2%	301,974	23.6%
Eligible Senior Preferred liabilities	143,092	10.3%	182,851	14.3%
Sum of MREL funds	493,894	35.5%	484,825	37.9%
MREL Subordination Requirement				
Recurring Subordination Requirement	187,610	13.5%		
Combined Buffer Requirement (CBR)	137,580	9.9%		
Sum of MREL Subordination and Combined	325,190	23.4%		
MREL Total requirement				
Recurring MREL requirement	291,837	21.0%	276,358	21.6%
Combined Buffer Requirement (CBR)	137,580	9.9%	120,267	9.4%
Sum of MREL Total and Combined Buffer Requirements	429,417	30.9%	396,625	31.0%

The Maximum Distributable Amount related to MREL (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.

	30.9.2024		31.12.2023	
	Amount	Percentage of RWEA	Amount	Percentage of RWEA
Subordinated MREL funds above MREL Subordination Requirement	25,612	1.8%		
Total MREL funds above MREL Total requirement	64,476	4.6%	88,200	6.9%
Maximum Distributable Amount related to MREL (M-MDA)	25,612	1.8%	88,200	6.9%

Notes to the Condensed Consolidated Interim Financial Statements

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.

Leverage ratio	30.9.2024	31.12.2023
- On-balance sheet exposure (excluding derivatives and SFTs)	2,159,868	1,942,770
- Derivative instrument exposure	11,650	21,757
- Securities financing transaction exposures	19,043	11,598
- Off-balance sheet exposure	116,130	118,051
- Regulatory adjustments to Tier 1 capital	(16,953)	(20,665)
Total leverage exposure	2,289,738	2,073,511
Tier 1 capital	297,096	281,798
Leverage ratio	13.0%	13.6%
Leverage ratio as if IFRS 9 transitional arrangements were not applied	13.0%	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 30 September 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.

	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	Agriculture	Other			
As at 30 September 2024																
Cash and balances with Central Bank	-	124,093	-	-	-	-	-	-	-	-	-	-	-	124,093	124,093	
Bonds and debt instruments	152	119,191	-	-	-	-	-	1,273	-	45	12	-	-	120,673	138,175	
Equities and equity instruments	208	-	-	-	28	-	3	4,604	1	358	7,922	-	-	13,124	24,162	
Derivative instruments	6,784	-	-	19	-	-	-	4	4	2	48	-	24	6,885	6,885	
Loans and advances to financial institutions	77,197	-	-	-	-	-	-	-	-	-	-	-	-	77,197	77,197	
Loans and advances to customers	-	13,089	872,709	197,759	208,657	152,465	111,716	71,759	70,447	42,330	37,367	7,171	1	1,785,470	1,785,470	
Other assets	23,596	6	286	3	1,829	-	606	2,391	-	7	-	-	1,086	29,810	29,814	
Total on-balance sheet exposure	107,937	256,379	872,995	197,781	210,514	152,465	112,325	80,031	70,452	42,742	45,349	7,171	1,111	2,157,252	2,185,796	
Off-balance sheet exposure	37	9,939	40,156	19,647	31,355	82,874	12,885	20,965	25,999	37,801	4,315	652	27	286,652		
Financial guarantees and underwriting commitments	-	235	678	5,289	1,713	7,331	2,273	4,971	5,015	791	418	10	-	28,724		
Undrawn loan commitments	-	-	115	12,328	28,191	71,610	7,905	5,302	14,532	32,289	3,461	-	-	175,733		
Undrawn overdraft/credit card facilities	37	9,704	39,363	2,030	1,451	3,933	2,707	10,692	6,452	4,721	436	642	27	82,195		
Maximum exposure to credit risk	107,974	266,318	913,151	217,428	241,869	235,339	125,210	100,996	96,451	80,543	49,664	7,823	1,138	2,443,904		
Percentage of maximum exposure to credit risk	4.4%	10.9%	37.4%	8.9%	9.9%	9.6%	5.1%	4.1%	3.9%	3.3%	2.0%	0.3%	0.0%	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.

Notes to the Condensed Consolidated Interim Financial Statements

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 30 September 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	-	-	77,197	-	77,197
Public entities	21	275	20	-	316	1,620	812	11,155	(2)	13,089
Individuals	97,058	339,202	361,818	29,457	827,535	4,572	2,604	42,320	(1,718)	872,709
Mortgages	89,686	326,910	346,089	23,451	786,136	2,390	1,173	96	(576)	788,046
Other	7,372	12,292	15,729	6,006	41,399	2,182	1,431	42,224	(1,142)	84,663
Corporates	73,930	277,064	305,370	155,855	812,219	72,862	59,354	23,030	(8,439)	899,672
Fisheries	39,660	102,050	49,695	2,433	193,838	4,591	3,733	2,115	(2,785)	197,759
Real estate companies	6,553	33,833	101,153	50,548	192,087	15,553	13,272	1,664	(647)	208,657
Construction companies	4,700	40,000	50,476	52,147	147,323	4,993	3,504	1,237	(1,088)	152,465
Travel industry	2,325	20,586	38,865	26,473	88,249	20,650	18,496	4,670	(1,853)	111,716
Services, IT and communications	4,542	18,334	20,060	10,239	53,175	13,978	11,152	5,097	(491)	71,759
Retail	9,732	32,406	18,871	6,591	67,600	2,579	1,939	582	(314)	70,447
Manufacturing and energy	2,619	4,473	22,199	2,207	31,498	4,446	2,667	7,064	(678)	42,330
Holding companies	2,503	22,923	1,897	4,731	32,054	5,495	4,189	389	(571)	37,367
Agriculture	1,296	2,459	2,154	485	6,394	577	402	212	(12)	7,171
Other	-	-	-	1	1	-	-	-	-	1
Total	171,009	616,541	667,208	185,312	1,640,070	79,054	62,770	153,702	(10,159)	1,862,667

*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 30 September 2024	Real estate	Vessels	Deposits	Securities	Other*	Total
Financial institutions	-	-	-	-	-	0
Public entities	1,107	-	-	-	20	1,127
Individuals	813,260	35	200	1,028	15,614	830,137
Mortgages	782,033	10	127	71	5,067	787,308
Other	31,227	25	73	957	10,547	42,829
Corporates	486,398	143,599	4,817	97,546	139,199	871,559
Fisheries	10,460	140,574	566	20,576	25,395	197,571
Real estate companies	193,183	93	480	6,299	5,304	205,359
Construction companies	143,555	4	362	790	6,114	150,825
Travel industry	69,374	230	126	1,030	35,983	106,743
Services, IT and communications	28,340	2,637	1,483	9,488	22,378	64,326
Retail	20,155	-	236	15,217	33,926	69,534
Manufacturing and energy	11,891	61	553	12,269	9,390	34,164
Holding companies	3,126	-	1,005	31,876	233	36,240
Agriculture	6,314	-	6	-	476	6,796
Other	-	-	-	1	-	1
Total	1,300,765	143,634	5,017	98,574	154,833	1,702,823
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 30 September 2024	Gross carrying amount					Unrated	Allowance for impairment	Fair value	Carrying amount
	10-7	6-4	3-1	0					
Financial institutions	77,197	-	-	-	-	-	-	-	77,197
Public entities	11,445	1,641	5	-	-	-	(2)	-	13,089
Individuals	645,812	203,731	17,451	5,482	1,654	(1,718)	297	872,709	
Mortgages	611,670	159,484	12,421	3,791	1,256	(576)	-	788,046	
Other	34,142	44,247	5,030	1,691	398	(1,142)	297	84,663	
Corporates	157,580	653,561	30,454	21,193	-	(8,439)	45,323	899,672	
Fisheries	57,958	130,467	771	4,204	-	(2,785)	7,144	197,759	
Real estate companies	4,284	181,298	8,422	1,318	-	(647)	13,982	208,657	
Construction companies	9,908	134,293	6,040	2,907	-	(1,088)	405	152,465	
Travel industry	12,843	84,677	5,357	10,692	-	(1,853)	-	111,716	
Services, IT and communications	18,711	43,615	5,302	721	-	(491)	3,901	71,759	
Retail	38,172	29,924	2,083	454	-	(314)	128	70,447	
Manufacturing and energy	10,477	19,314	917	798	-	(678)	11,502	42,330	
Holding companies	1	28,164	1,421	91	-	(571)	8,261	37,367	
Agriculture	5,226	1,809	140	8	-	(12)	-	7,171	
Other	-	-	1	-	-	-	-	1	
Total	892,034	858,933	47,910	26,675	1,654	(10,159)	45,620	1,862,667	

As at 31 December 2023	Gross carrying amount					Unrated	Allowance for impairment	Fair value	Carrying amount
	10-7	6-4	3-1	0					
Financial institutions	54,101	-	-	-	-	-	-	-	54,101
Public entities	9,759	1,689	1	4	-	-	(4)	-	11,449
Individuals	610,054	189,653	15,114	4,855	1,804	(2,382)	53	819,151	
Mortgages	574,015	145,057	9,144	2,600	1,415	(1,246)	-	730,985	
Other	36,039	44,596	5,970	2,255	389	(1,136)	53	88,166	
Corporates	180,885	554,965	40,407	17,474	-	(8,988)	15,551	800,294	
Fisheries	66,456	116,099	1,052	3,637	-	(2,771)	5,760	190,233	
Real estate companies	2,541	159,053	9,216	2,588	-	(930)	3,960	176,428	
Construction companies	14,692	109,362	6,638	2,285	-	(1,172)	372	132,177	
Travel industry	24,562	67,645	11,327	6,657	-	(2,498)	-	107,693	
Services, IT and communications	24,790	30,097	6,982	607	-	(725)	349	62,100	
Retail	32,792	28,828	2,192	365	-	(330)	331	64,178	
Manufacturing and energy	9,167	22,079	1,546	126	-	(382)	-	32,536	
Holding companies	-	20,484	1,439	1,201	-	(164)	4,779	27,739	
Agriculture	5,885	1,318	15	8	-	(16)	-	7,210	
Other	-	-	-	-	-	-	-	0	
Total	854,799	746,307	55,522	22,333	1,804	(11,374)	15,604	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 30 September 2024		1-5	6-30	31-60	61-90	over 90		
Financial institutions	77,197	-	-	-	-	-	-	77,197
Public entities	13,088	-	3	-	-	-	(2)	13,089
Individuals	860,204	4,390	5,621	420	1,223	2,569	(1,718)	872,709
Mortgages	781,271	-	4,525	221	1,002	1,603	(576)	788,046
Other	78,933	4,390	1,096	199	221	966	(1,142)	84,663
Corporates	891,974	2,771	7,271	1,159	1,116	3,820	(8,439)	899,672
Fisheries	197,823	79	475	18	-	2,149	(2,785)	197,759
Real estate companies	207,115	177	1,342	98	190	382	(647)	208,657
Construction companies	153,059	257	108	58	8	63	(1,088)	152,465
Travel industry	106,750	252	4,607	671	654	635	(1,853)	111,716
Services, IT and communications	70,941	275	332	176	258	268	(491)	71,759
Retail	68,710	1,563	218	13	6	251	(314)	70,447
Manufacturing and energy	42,832	53	120	-	-	3	(678)	42,330
Holding companies	37,751	65	53	-	-	69	(571)	37,367
Agriculture	6,992	50	16	125	-	-	(12)	7,171
Other	1	-	-	-	-	-	-	1
Total	1,842,463	7,161	12,895	1,579	2,339	6,389	(10,159)	1,862,667

	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 30 September 2024										
Financial institutions	77,197	77,197	-	-	-	-	-	-	-	77,197
Public entities	13,091	13,049	(2)	42	-	-	-	(2)	-	13,089
Individuals	874,427	844,310	(175)	24,338	(561)	5,482	(982)	(1,718)	297	872,709
Mortgages	788,622	768,871	(53)	15,960	(331)	3,791	(192)	(576)	-	788,046
Other	85,805	75,439	(122)	8,378	(230)	1,691	(790)	(1,142)	297	84,663
Corporates	908,111	791,583	(1,674)	50,012	(1,342)	21,193	(5,423)	(8,439)	45,323	899,672
Fisheries	200,544	187,585	(108)	1,611	(72)	4,204	(2,605)	(2,785)	7,144	197,759
Real estate companies	209,304	187,923	(314)	6,081	(127)	1,318	(206)	(647)	13,982	208,657
Construction companies	153,553	141,022	(419)	9,219	(116)	2,907	(553)	(1,088)	405	152,465
Travel industry	113,569	99,033	(352)	3,844	(272)	10,692	(1,229)	(1,853)	-	111,716
Services, IT and communications	72,250	61,376	(145)	6,252	(173)	721	(173)	(491)	3,901	71,759
Retail	70,761	66,592	(118)	3,587	(93)	454	(103)	(314)	128	70,447
Manufacturing and energy	43,008	27,664	(128)	3,044	(46)	798	(504)	(678)	11,502	42,330
Holding companies	37,938	13,442	(87)	16,144	(437)	91	(47)	(571)	8,261	37,367
Agriculture	7,183	6,946	(3)	229	(6)	8	(3)	(12)	-	7,171
Other	1	-	-	1	-	-	-	-	-	1
Total	1,872,826	1,726,139	(1,851)	74,392	(1,903)	26,675	(6,405)	(10,159)	45,620	1,862,667

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 30 September 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	(615)	(369)	(465)	(1,449)
Reversals due to financial assets that have been derecognised	1,558	842	869	3,269
Transfer to Stage 1 - 12-month ECL	(78)	77	1	0
Transfer to Stage 2 - Lifetime ECL	881	(911)	30	0
Transfer to Stage 3 - Lifetime ECL	611	915	(1,526)	0
Expected cancellation as a result of natural disaster	77	3	-	80
Changes in models/risk parameters	(490)	(340)	(223)	(1,053)
Provisions used to cover write-offs	-	8	445	453
Balance as at 30 September 2024 - Loans and advances to customers	(2,105)	(1,943)	(6,555)	(10,603)
- thereof classified as deduction from gross carrying amounts	(1,851)	(1,903)	(6,405)	(10,159)
- thereof classified as liabilities	(254)	(40)	(150)	(444)

	1.1-30.9.2024				
	Financial institutions	Public entities	Individuals	Corporates	Total
Net impairment on loans and advances					
New financial assets originated	-	-	(223)	(1,226)	(1,449)
Reversals due to financial assets that have been derecognised	-	-	1,119	2,150	3,269
Changes due to financial assets recognised in the opening balance	-	2	(424)	(631)	(1,053)
Impact of natural hazard	-	-	(2,507)	-	(2,507)
Write-offs	-	-	(339)	(595)	(934)
Provisions used to cover write-offs	-	-	190	263	453
Recoveries	-	-	100	31	131
Translation difference	-	-	-	(8)	(8)
Total	0	2	(2,084)	(16)	(2,098)

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 1 million in the third period (31.12.2023: 245 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				Total
	Financial institutions	Public entities	Individuals	Corporates	
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)
Impact of natural hazard	-	-	(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 30 September 2024, the Group had three 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 9.7% as at 30 September 2024.

		Ratio of Tier 1 capital		Ratio of Tier 1 capital
	Gross		Net	
As at 30 September 2024				
Group 1	61,215	20.6%	220	0.1%
Group 2	37,787	12.7%	28,518	9.6%
Group 3	29,879	10.1%	-	0.0%
Total	128,881	43.4%	28,738	9.7%

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 30 September 2024 and at year-end 2023 are shown in the following table:

Liquidity coverage ratio as at 30 September 2024	ISK		EUR		Liquidity coverage ratio total (LCR)	
	Unweighted	Weighted	Unweighted	Weighted	Unweighted	Weighted
Level 1 liquid assets	174,265	174,265	57,596	57,596	239,639	239,639
Level 2 liquid assets	11,504	8,053	220	187	11,725	8,240
Information items	-	-	-	-	-	-
Total liquid assets	185,769	182,318	57,816	57,783	251,364	247,879
Deposits	761,457	128,035	64,896	32,844	901,229	191,510
Borrowing	8,267	8,267	-	-	12,095	12,095
Other outflows	195,641	28,639	21,192	1,884	251,013	34,388
Total outflows (0-30 days)	965,365	164,941	86,088	34,728	1,164,337	237,993
Loans and advances to financial institutions	694	215	28,150	26,949	77,676	74,825
Other inflows	54,577	28,747	42,901	35,376	106,382	68,793
Limit on inflows	-	-	-	(36,278)	-	-
Total inflows (0-30 days)	55,271	28,962	71,051	26,047	184,058	143,618
Liquidity coverage ratio		134%		666%		263%

Liquidity coverage ratio as at 31 December 2023	ISK		EUR		Liquidity coverage ratio total (LCR)	
	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%		1,499%		181%

Notes to the Condensed Consolidated Interim Financial Statements

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.

	ISK	Foreign currencies	Total
Liquidity reserves as at 30 September 2024			
Cash and balances with the Central Bank	114,987	1,930	116,917
Domestic bonds and debt instruments eligible as collateral with the Central Bank	70,782	220	71,002
Foreign government bonds with 0% risk weight	-	63,444	63,444
High quality liquidity assets	185,769	65,594	251,363
Cash and balances with the Central Bank	479	-	479
Loans and advances to financial institutions	215	76,982	77,197
Total liquidity reserves	186,463	142,576	329,039
Liquidity reserves as at 31 December 2023			
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 30 September 2024 and 31 December 2023.

	As at 30 September 2024	As at 31 December 2023
Net stable funding ratio FX	136%	145%
Net stable funding ratio total	121%	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.

	Run off rate	0-30 days	Over 30 days	Guaranteed	Unguaranteed	Total
As at 30 September 2024						
Individuals	5% - 100%	478,963	172,780	467,114	184,628	651,743
Small and Medium Sized Corporates	5% - 100%	104,127	17,484	67,800	53,812	121,611
Operational deposits	5% - 25%	-	-	-	-	0
Large Corporates	20% - 40%	210,728	64,344	13,343	261,728	275,072
Public entities	20% - 40%	60,338	10,012	-	70,350	70,350
Financial customers	100%	44,337	40,102	-	84,439	84,439
Other*		24,953	2,168	2,206	24,916	27,121
Total deposits		923,446	306,890	550,463	679,873	1,230,336
As at 31 December 2023						
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
Other*		18,201	1,211	2,742	16,671	19,412
Total deposits		796,047	282,458	506,866	571,639	1,078,505

*Pledged deposits are not included in the Group's LCR but are included in the Group's consolidated financial statement.

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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 30 September 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 30 September 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	(10,527)	-	(65)	-	-	-	(10,592)	(11,942)
Deposits from customers	(910,900)	(233,894)	(58,808)	(12,957)	(12,403)	-	(1,228,962)	(1,218,394)
Short positions	-	-	(248)	(1,810)	(7,862)	-	(9,920)	(4,855)
Borrowings	(5,798)	(44,171)	(125,320)	(400,802)	(44,375)	-	(620,466)	(546,103)
Other financial liabilities	(17,241)	-	-	-	-	-	(17,241)	(17,241)
Subordinated liabilities	-	(7,755)	(1,690)	(21,615)	(19,358)	-	(50,418)	(37,185)
Total	(944,466)	(285,820)	(186,131)	(437,184)	(83,998)	0	(1,937,599)	(1,835,720)
Derivative financial liabilities								
Trading								(749)
Inflow	24,546	7,457	241	30	-	-	32,274	
Outflow	(25,078)	(7,631)	(279)	(32)	-	-	(33,020)	
Risk management								(905)
Inflow	8,726	7,559	4,122	2,033	-	-	22,440	
Outflow	(8,793)	(7,663)	(4,041)	(2,889)	-	-	(23,386)	
Total	(599)	(278)	43	(858)	0	0	(1,692)	(1,654)
Non-derivative financial assets								
Cash and balances with								
Central Bank	124,093	-	-	-	-	-	124,093	124,093
Bonds and debt instruments	15,984	36,144	42,529	46,947	6,031	-	147,635	138,175
Equities and equity instruments	-	-	-	-	-	24,162	24,162	24,162
Loans and advances to financial institutions	77,197	-	-	-	-	-	77,197	77,197
Loans and advances to customers	97,939	107,303	350,506	690,327	2,148,070	-	3,394,145	1,785,470
Other financial assets	9,551	-	-	-	-	-	9,551	9,551
Total	324,764	143,447	393,035	737,274	2,154,101	24,162	3,776,783	2,158,648
Derivative financial assets								
Trading								132
Inflow	9,224	458	465	-	-	-	10,147	
Outflow	(9,179)	(446)	(454)	-	-	-	(10,079)	
Risk management								6,753
Inflow	11,133	4,364	24,259	153,736	-	-	193,492	
Outflow	(10,928)	(6,229)	(21,757)	(147,437)	-	-	(186,351)	
Total	250	(1,853)	2,513	6,299	0	0	7,209	6,885
Off-balance sheet items								
Financial guarantees and underwriting commitments	(386)	(1,374)	(6,537)	(11,682)	(8,322)	(423)	(28,724)	
Undrawn loan commitments	(175,733)	-	-	-	-	-	(175,733)	
Undrawn overdraft/credit card commitments	(82,195)	-	-	-	-	-	(82,195)	
Total	(258,314)	(1,374)	(6,537)	(11,682)	(8,322)	(423)	(286,652)	
Net liquidity position	(878,365)	(145,878)	202,923	293,849	2,061,781	23,739	1,558,049	328,159

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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

Notes to the Condensed Consolidated Interim Financial Statements

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 30 September 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 30 September 2024 and 31 December 2023:

	Collateral pledged against		Un-encumbered	Total
	Covered bonds	Other		
As at 30 September 2024				
Cash and balances with Central Bank	12,730	7,176	104,187	124,093
Bonds and debt instruments	-	2,947	135,228	138,175
Equities and equity instruments	-	-	24,162	24,162
Derivative instruments	-	-	6,885	6,885
Loans and advances to financial institutions	-	787	76,410	77,197
Loans and advances to customers	452,482	-	1,332,988	1,785,470
Investments in equity-accounted associates	-	-	1,766	1,766
Property and equipment	-	4,930	9,593	14,523
Intangible assets	-	-	1,380	1,380
Other assets	-	-	10,629	10,629
Assets classified as held for sale	-	-	1,516	1,516
Total	465,212	15,840	1,704,744	2,185,796

	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 30 September 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	30.9.2024	31.12.2023
	% of RWEA	% of RWEA
Equity price risk	0.6%	0.4%
Interest rate risk	0.2%	0.6%
CVA of derivatives	0.1%	0.2%
Foreign exchange risk	0.7%	0.3%
Total	1.6%	1.6%

Notes to the Condensed Consolidated Interim Financial Statements

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 30 September 2024	Up to 3 months	3-12 months	1-5 years	Over 5 years	Carrying amount
Financial assets					
Cash and balances with Central Bank	124,093	-	-	-	124,093
Bonds and debt instruments	52,643	40,744	39,184	5,604	138,175
Derivative instruments	366	117	6,402	-	6,885
Loans and advances to financial institutions	77,197	-	-	-	77,197
Loans and advances to customers	1,327,314	245,199	198,063	14,894	1,785,470
Other financial assets	9,551	-	-	-	9,551
Total	1,591,164	286,060	243,649	20,498	2,141,371
Financial liabilities					
Due to financial institutions and Central Bank	(11,942)	-	-	-	(11,942)
Deposits from customers	(1,208,334)	(5,858)	(4,202)	-	(1,218,394)
Derivative instruments and short positions	(936)	(38)	(680)	(4,855)	(6,509)
Borrowings	(115,614)	(76,575)	(323,441)	(30,473)	(546,103)
Other financial liabilities	(17,241)	-	-	-	(17,241)
Subordinated liabilities	(7,592)	-	(13,561)	(16,032)	(37,185)
Total	(1,361,659)	(82,471)	(341,884)	(51,360)	(1,837,374)
Net on-balance sheet position	229,505	203,589	(98,235)	(30,862)	303,997
Derivatives held for hedging	(135,450)	-	135,450	-	-
Net off-balance sheet position	2,000	-	(2,000)	-	-
Total interest repricing gap	96,055	203,589	35,215	(30,862)	-

Notes to the Condensed Consolidated Interim Financial Statements

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 30 September 2024 and 31 December 2023, where CPI-linked financial assets and liabilities are disclosed by maturities at their carrying amounts.

As at 30 September 2024	Up to 3 months	3-12 months	1-5 years	Over 5 years	Carrying amount
Financial assets					
Bonds and debt instruments	-	-	32,751	3,116	35,867
Derivative instruments	20	-	-	-	20
Loans and advances to customers	407	13,710	57,172	477,171	548,460
Total	427	13,710	89,923	480,287	584,347
Financial liabilities					
Deposits from customers	(103,393)	(65,988)	(7,087)	(6,302)	(182,770)
Derivative instruments and short positions	(29)	-	(679)	(2,536)	(3,244)
Borrowings	(43,107)	-	(91,257)	(30,473)	(164,837)
Subordinated liabilities	(7,592)	-	(13,561)	(12,891)	(34,044)
Total	(154,121)	(65,988)	(112,584)	(52,202)	(384,895)
Total on-balance sheet position	(153,694)	(52,278)	(22,661)	428,085	199,452
Off-balance sheet position					
Interest rate swaps	-	-	(2,000)	-	(2,000)
Total return swaps	1,159	-	-	-	1,159
Total off-balance sheet position	1,159	0	(2,000)	0	(841)
Total CPI indexation balance	(152,535)	(52,278)	(24,661)	428,085	198,611

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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 30 September 2024 was +2.75% 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 30 September 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 30 September 2024	EUR	GBP	USD	NOK	SEK	Other	Total
Assets							
Cash and balances with Central Bank	883	156	493	-	10	388	1,930
Bonds and debt instruments	56,945	-	6,731	-	-	-	63,676
Equities and equity instruments	42	18	2,258	62	-	-	2,380
Derivative instruments	6,712	35	35	25	2	-	6,809
Loans and advances to financial institutions	28,150	3,315	15,489	14,966	9,421	5,640	76,981
Loans and advances to customers	226,734	2,023	71,861	53	29	7,846	308,546
Other assets	183	2	10	2	1	52	250
Total	319,649	5,549	96,877	15,108	9,463	13,926	460,572
Liabilities							
Due to financial institutions and Central Bank	(6,446)	(8)	(62)	-	-	-	(6,516)
Deposits from customers	(61,015)	(4,917)	(75,084)	(5,260)	(652)	(7,159)	(154,087)
Derivative instruments and short positions	(306)	(9)	(341)	(38)	(1)	(3)	(698)
Borrowings	(217,238)	-	(22,236)	(26,500)	(30,747)	-	(296,721)
Other liabilities	(3,012)	(348)	(2,747)	(281)	(150)	(908)	(7,446)
Subordinated liabilities	-	-	-	-	-	-	0
Total	(288,017)	(5,282)	(100,470)	(32,079)	(31,550)	(8,070)	(465,468)
Net on-balance sheet position	31,632	267	(3,593)	(16,971)	(22,087)	5,856	(4,896)
Net off-balance sheet position	(24,857)	309	4,516	17,895	21,325	(5,112)	14,076
Net currency position	6,775	576	923	924	(762)	744	9,180

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 30 September 2024	As at 31 December 2023	% change	Average for 1.1-30.9 2024	Average for 1.1-30.9 2023
EUR/ISK	150.50	150.09	0.3%	149.86	148.68
GBP/ISK	180.93	173.21	4.5%	176.34	170.86
USD/ISK	135.03	135.88	(0.6%)	137.77	137.63
JPY/ISK	0.9427	0.9635	(2.2%)	0.9178	0.9941
CHF/ISK	159.92	161.49	(1.0%)	157.09	151.90
CAD/ISK	99.92	103.03	(3.0%)	101.64	102.23
DKK/ISK	20.188	20.135	0.3%	20.096	19.961
NOK/ISK	12.818	13.379	(4.2%)	12.955	13.179
SEK/ISK	13.312	13.487	(1.3%)	13.163	13.001

Notes to the Condensed Consolidated Interim Financial Statements

Consolidated Key Figures

56. Operations by quarters

Operations	2024				2023		
	Q3	Q2	Q1	Q4*	Q3	Q2	Q1
Interest income	42,669	44,993	41,089	39,728	38,134	38,407	34,579
Interest expense	(27,714)	(30,241)	(26,706)	(24,945)	(22,893)	(23,938)	(21,513)
Net interest income	14,955	14,752	14,383	14,783	15,241	14,469	13,066
Fee and commission income	4,292	4,004	4,031	4,334	3,600	3,851	4,192
Fee and commission expense	(1,602)	(1,362)	(1,295)	(1,268)	(1,264)	(1,148)	(1,144)
Net fee and commission income	2,690	2,642	2,736	3,066	2,336	2,703	3,048
Net gain (loss) on financial assets and liabilities at FVTPL	1,767	2,783	2,952	4,468	(292)	(714)	3,257
Net foreign exchange gain	190	218	235	84	372	40	64
Net impairment changes	1,442	(746)	(2,714)	(1,281)	(248)	520	(2,111)
Other income and (expenses)	172	177	(31)	715	127	139	(4)
Net other operating income (expenses)	3,571	2,432	442	3,986	(41)	(15)	1,206
Total operating income	21,216	19,826	17,561	21,835	17,536	17,157	17,320
Salaries and related expenses	(3,582)	(4,190)	(4,233)	(4,332)	(3,221)	(4,194)	(4,119)
Other operating expenses	(2,492)	(2,491)	(2,586)	(2,979)	(2,388)	(2,370)	(2,355)
Tax on liabilities of financial institutions	(719)	(636)	(600)	(527)	(643)	(550)	(570)
Total operating expenses	(6,793)	(7,317)	(7,419)	(7,838)	(6,252)	(7,114)	(7,044)
Profit before tax	14,423	12,509	10,142	13,997	11,284	10,043	10,276
Income tax	(3,636)	(3,544)	(2,986)	(3,213)	(3,374)	(3,326)	(2,520)
Profit for the period	10,787	8,965	7,156	10,784	7,910	6,717	7,756
Balance sheet	30.9.2024	30.6.2024	31.3.2024	31.12.2023	30.9.2023	30.6.2023	31.3.2023
Cash and cash balances with Central Bank	124,093	111,224	114,598	75,350	114,774	106,299	96,986
Bonds and debt instruments	138,175	140,235	119,496	148,182	131,605	116,515	117,798
Equities and equity instruments	24,162	22,815	22,543	19,012	15,785	15,504	17,561
Loans and advances to financial institutions	77,197	32,511	76,410	54,101	83,244	31,628	78,355
Loans and advances to customers	1,785,470	1,738,585	1,667,343	1,630,894	1,599,871	1,595,392	1,576,589
Other assets	35,183	28,357	30,846	32,376	36,793	30,542	29,199
Assets classified as held for sale	1,516	1,736	1,200	861	331	489	505
Total assets	2,185,796	2,075,463	2,032,436	1,960,776	1,982,403	1,896,369	1,916,993
Due to financial institutions and Central Bank	11,942	8,219	5,079	29,968	30,263	22,132	23,907
Deposits from customers	1,218,394	1,148,431	1,103,350	1,048,537	1,065,210	1,012,482	1,001,580
Borrowings	546,103	529,137	533,197	513,687	529,809	493,201	532,691
Other liabilities	58,123	50,051	44,732	44,654	44,195	48,796	46,532
Subordinated liabilities	37,185	36,363	35,250	20,176	19,955	34,698	33,940
Equity	314,049	303,262	310,828	303,754	292,971	285,060	278,343
Total liabilities and equity	2,185,796	2,075,463	2,032,436	1,960,776	1,982,403	1,896,369	1,916,993

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

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Consolidated Key Figures

57. Key figures and ratios

	2024				2023		
	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Return on equity after taxes	14.0%	11.7%	9.3%	14.5%	10.9%	9.5%	11.1%
Cost-income ratio	30.7%	32.5%	33.6%	31.6%	31.5%	39.5%	33.3%
Operating expenses as a ratio of average total assets	1.1%	1.3%	1.4%	1.5%	1.2%	1.4%	1.4%
Return on assets	2.0%	1.7%	1.4%	2.2%	1.6%	1.4%	1.7%
Interest spread as ratio of average total assets	2.8%	2.9%	2.9%	3.0%	3.1%	3.0%	2.8%
Earnings per share	0.46	0.38	0.30	0.46	0.33	0.28	0.33
	30.9.2024	30.6.2024	31.3.2024	31.12.2023	30.9.2023	30.6.2023	31.3.2023
Total capital ratio	24.1%	24.4%	24.9%	23.6%	23.7%	25.3%	25.3%
CET1 ratio	21.4%	21.7%	22.2%	22.0%	22.2%	22.6%	22.6%
Leverage ratio	13.0%	13.4%	13.6%	13.6%	13.5%	13.9%	13.6%
Sum of MREL funds	35.5%	36.4%	39.6%	37.9%	37.8%	35.5%	39.4%
Sum of Subordinated MREL funds	25.2%			23.6%			
Loans / deposits	146.5%	151.4%	151.1%	155.5%	150.2%	157.6%	157.4%
Deposits / total assets	55.7%	55.3%	54.3%	53.5%	53.7%	53.4%	52.2%
Liquidity coverage ratio total (LCR)	263%	177%	272%	181%	238%	165%	235%
Net stable funding ratio FX (NSFR)	136%	138%	157%	145%	150%	136%	145%
Average number of full-time equivalent positions	807	824	824	849	816	807	826
Number of full-time positions at end of the period	813	824	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 as ratio of average total assets	(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
Leverage ratio	Tier 1 capital / (total assets + off balance sheet items)
Sum of MREL funds	Total capital base + eligible liabilities / Total risk-weighted exposure amount
Sum of Subordinated MREL funds	Total capital base + Eligible Senior Non-Preferred bonds / Total risk-weighted exposure amount
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
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Undirritað af
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