



# Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2024

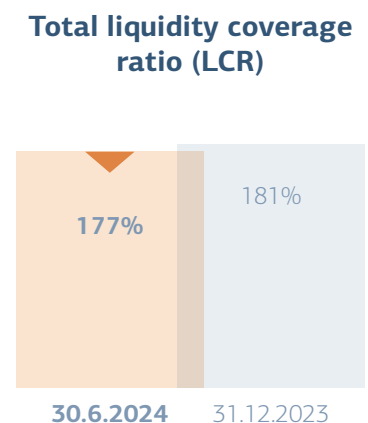
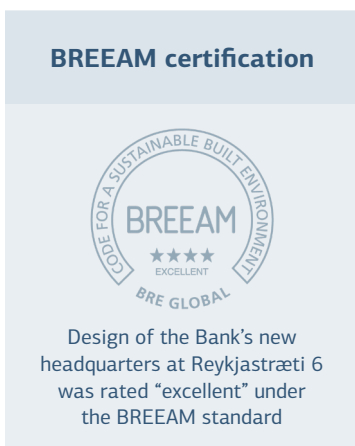
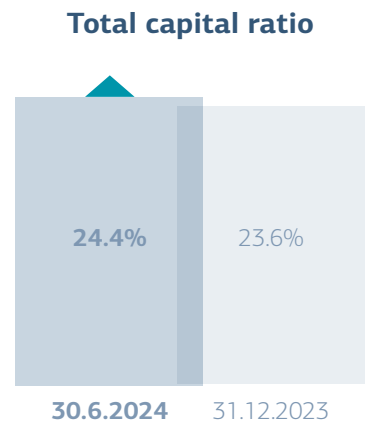
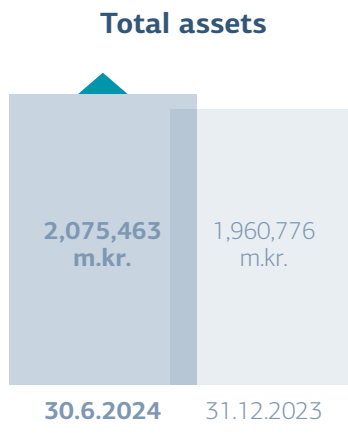
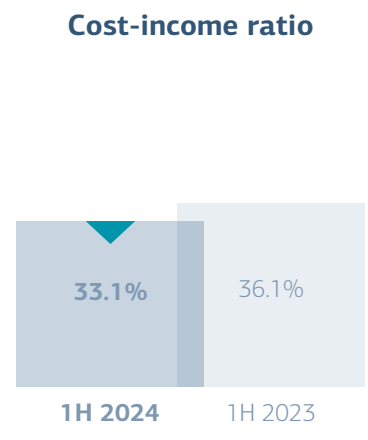
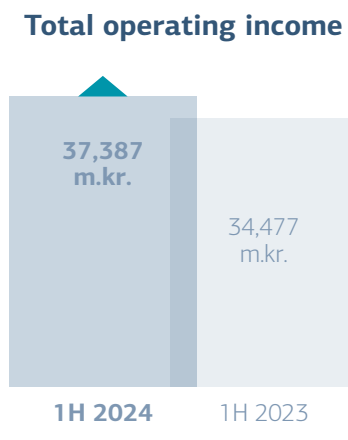
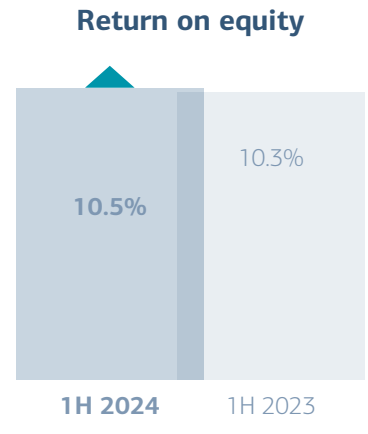
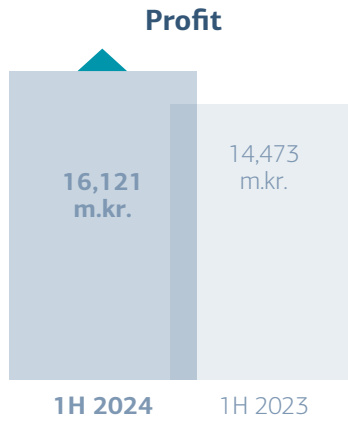
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# Highlights





## 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 half of 2024, which include the accounts of the Bank and its subsidiaries (the “Group”).

### Financial performance

Consolidated profit amounted to ISK 16,121 million in the first half of 2024 (H1 2023: ISK 14,473 million). Return on equity (ROE) was 10.5% (H1 2023: 10.3%) and the Bank expects an annualised ROE of 11-13%. The Bank’s cost-income ratio was 33.1% (H1 2023: 36.1%). Net interest income for the period was ISK 29,135 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 amounts to 5.8% between years. Net fee and commission income was ISK 5,378 million, decreasing by 6.5% between years. Net profit on financial assets and liabilities at fair value was ISK 5,735 million (H1 2023: ISK 2,543 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 3,460 million during the period (H1 2023: ISK 1,591 million net impairment charges). A major part of the impairment charges during the period are caused by uncertainty about the economic consequences of natural disaster on the Reykjanes peninsula. Salaries and related expenses were ISK 8,423 million, up by 1.3% between years, mainly as a result of contractual wage increases. The average number of full-time equivalent positions during the period was 824 (H1 2023: 816).

Consolidated total equity amounted to ISK 303,262 million at the end of the first half of 2024. The Group’s total capital ratio, calculated according to the Act on Financial Undertakings, was 24.4% at the end of the period (year-end 2023: 23.6%). Total assets were ISK 2,075,463 million, increasing by 5.9% from the beginning of the year. Lending growth is robust, or 6.6% in the first half of the year, with corporate loans increasing by ISK 81.7 billion and loans to retail customers by ISK 23.6 billion. The main growth is in inflation-indexed loans which increase by ISK 103 billion. Total deposits amounted to ISK 1,148 billion at the end of the first half of 2024, increasing by ISK 100 billion, or 9.5%, from the beginning of the year. The carrying value of market funding increased by ISK 15.5 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 first instalment was paid on 24 April 2024 and the latter will be paid on 16 October 2024. The total dividend amounts to ISK 16,530 million.

### Risk factors

The overall quality of the Bank’s credit portfolio is high, its liquidity position strong and market risk comfortably within risk appetite. There is some uncertainty about the on-going and final effect of the seismic and volcanic activity on the Reykjanes peninsula on the Bank’s credit portfolio and performance, yet the overall scope of the impact is limited. The Bank’s risk from 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 second quarter of 2024, accessible on the Bank’s website, [www.landsbankinn.is](http://www.landsbankinn.is).

### Economic outlook

Gross domestic product (GDP) contracted by 4% in the first quarter. The contraction is largely attributable to a capelin catch failure. The economy has cooled notably in recent months, with private consumption increasing by only 0.2% in the first quarter and investment growing by 2.4%. Landsbankinn Economic Research forecasts less than 1% economic growth this year.

Inflation averaged 6.0% in the second quarter, roughly in line with expectations. Housing prices have surged, rising by 9.1% over the past 12 months. Economic Research expects inflation to remain nearly unchanged until October. The Central Bank’s policy rate has been 9.25% since August 2023 and, considering the inflation outlook, Economic Research believes that rates will not be lowered until there are clear signs of sustained inflation reduction, in the fourth quarter at the earliest.

Tension in the labour market appears to have eased slightly in recent months and demand for labour has stabilised. 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 of Landsbankinn was elected by the Annual General Meeting on 19 April 2024. Jón Th. Sigurgeirsson is the Chairman of the Board of Directors. Other Directors of the Board are Eva Halldórsdóttir, who was elected Vice-chairman following the AGM, Kristján Th. Davíðsson, Rebekka Jóelsdóttir, Steinunn Thorsteinsdóttir, Thór Hauksson and Örn Guðmundsson. Elected Alternates are Sigurður Jón Björnsson and Stefánía Halldórsdóttir.

In addition to being 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.

## Report of the Board of Directors and the CEO

### Sustainability

In June 2024, Reitun published its ESG rating of the Bank with an unchanged score of 90 out of 100, resulting in the grade A3 (highest A1). No company has currently achieved a higher rating from Reitun. These results underline the success of the Bank's focus on sustainability in its operation.

### 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. The initial offer by Landsbankinn was subject to the outcome of a now completed due diligence process. This is a strategic investment. The goal of the acquisition is to broaden the service base for customers and diversify the Bank's income streams for the long term. There are opportunities in Landsbankinn's country-wide branch network and its popular digital service platform, among other things. Collaboration between the companies is expected to enhance operating efficiencies and achieve synergies in both income and expense. The acquisition remains subject to approval by the Icelandic Competition Authority and the Financial Supervisory Authority of the Central Bank of Iceland. The purchase price of TM is ISK 28.6 billion, although the final consideration depends on a closing adjustment on the date the Bank assumes operation of the company.

At the end of the second quarter, the majority of customers in Grindavík who hold mortgages with the Bank 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 398 of the Bank's retail customers had been paid off and Thórkatla had been extended credit in the amount of ISK 10.3 billion.

In May 2024, the EFTA Court issued an advisory opinion on the interpretation of certain provisions of European Union directives regarding mortgage credit and terms in consumer agreements. The opinion was provided at the behest of Icelandic district courts in two lawsuits, one of which was brought against Landsbankinn, concerning contractual provisions on the conditions for interest rate changes of mortgage loan agreements. The proceedings in the case against Landsbankinn will now continue before the Reykjavík District Court. The final ruling of the Icelandic court may set a precedent for other loans beyond those discussed in this case. The case and its potential financial impact is addressed further in Note 30.

### Statement by the Board of Directors and the CEO

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

In our opinion, the Condensed Consolidated Interim Financial Statements give a true and fair view of the consolidated financial position of the Group as at 30 June 2024, its consolidated financial performance and consolidated cash flows for the first half 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 half of 2024 with their electronic signatures.

Reykjavík, 18 July 2024

#### Board of Directors

Jón Th. Sigurgeirsson, Chairman  
Eva Halldórsdóttir, Vice-chairman  
Kristján Th. Davíðsson  
Rebekka Jólisdóttir  
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 June 2024 which comprise of Report of the Board of Directors and the CEO, Condensed Consolidated Statement of Financial Position as of 30 June 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 six-months period then ended 30 June 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, 18 July 2024

***PricewaterhouseCoopers ehf***

Arna G. Tryggvadóttir  
State Authorized Public Accountant

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## Condensed Consolidated Income Statement for the six months ended 30 June 2024

Notes	2024	2023	2024	2023	
	1.4-30.6	1.4-30.6	1.1-30.6	1.1-30.6	
	Interest income	44,993	38,407	86,082	72,986
	Interest expense	(30,241)	(23,938)	(56,947)	(45,451)
6	<b>Net interest income</b>	<b>14,752</b>	<b>14,469</b>	<b>29,135</b>	<b>27,535</b>
	Fee and commission income	4,004	3,851	8,035	8,043
	Fee and commission expense	(1,362)	(1,148)	(2,657)	(2,292)
7	<b>Net fee and commission income</b>	<b>2,642</b>	<b>2,703</b>	<b>5,378</b>	<b>5,751</b>
8	Net gain (loss) on financial assets and liabilities at FVTPL	2,783	(714)	5,735	2,543
	Net foreign exchange gain	218	40	453	104
9	Net impairment changes	(746)	520	(3,460)	(1,591)
10	Other income and (expenses)	177	139	146	135
	<b>Net other operating income</b>	<b>2,432</b>	<b>(15)</b>	<b>2,874</b>	<b>1,191</b>
	<b>Total operating income</b>	<b>19,826</b>	<b>17,157</b>	<b>37,387</b>	<b>34,477</b>
11	Salaries and related expenses	(4,190)	(4,194)	(8,423)	(8,313)
	Other operating expenses	(2,491)	(2,370)	(5,077)	(4,725)
	Tax on liabilities of financial institutions	(636)	(550)	(1,236)	(1,120)
	<b>Total operating expenses</b>	<b>(7,317)</b>	<b>(7,114)</b>	<b>(14,736)</b>	<b>(14,158)</b>
	<b>Profit before tax</b>	<b>12,509</b>	<b>10,043</b>	<b>22,651</b>	<b>20,319</b>
12	Income tax	(3,544)	(3,326)	(6,530)	(5,846)
	<b>Profit for the period</b>	<b>8,965</b>	<b>6,717</b>	<b>16,121</b>	<b>14,473</b>
	<b>Profit for the period attributable to:</b>				
	Owners of the Bank	8,965	6,717	16,121	14,473
	Non-controlling interests	0	0	0	0
	<b>Profit for the period</b>	<b>8,965</b>	<b>6,717</b>	<b>16,121</b>	<b>14,473</b>
	<b>Earnings per share:</b>				
29	Basic and diluted earnings per share from operations (ISK)	<b>0.38</b>	<b>0.28</b>	<b>0.68</b>	<b>0.61</b>

## Condensed Consolidated Statement of Comprehensive Income for the six months ended 30 June 2024

Notes	2024	2023	2024	2023	
	1.4-30.6	1.4-30.6	1.1-30.6	1.1-30.6	
	Profit for the period	8,965	6,717	16,121	14,473
	Other comprehensive income for the period, after tax	0	0	0	0
	<b>Total comprehensive income for the period</b>	<b>8,965</b>	<b>6,717</b>	<b>16,121</b>	<b>14,473</b>

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



## Condensed Consolidated Statement of Financial Position as at 30 June 2024

Notes		30.6.2024	31.12.2023
<b>Assets</b>			
17, 48	Cash and balances with Central Bank	111,224	75,350
18	Bonds and debt instruments	140,235	148,182
19	Equities and equity instruments	22,815	19,012
20	Derivative instruments	3,346	7,459
21, 48	Loans and advances to financial institutions	32,511	54,101
22, 48	Loans and advances to customers	1,738,585	1,630,894
	Investments in equity-accounted associates	1,673	1,849
	Property and equipment	14,450	14,768
	Intangible assets	1,388	1,472
23	Other assets	7,500	6,828
	Assets classified as held for sale	1,736	861
	<b>Total assets</b>	<b>2,075,463</b>	<b>1,960,776</b>
<b>Liabilities</b>			
	Due to financial institutions and Central Bank	8,219	29,968
	Deposits from customers	1,148,431	1,048,537
20	Derivative instruments and short positions	4,256	2,788
24, 48	Borrowings	529,137	513,687
25	Tax liabilities	17,075	14,647
26	Other liabilities	28,720	27,219
27	Subordinated liabilities	36,363	20,176
	<b>Total liabilities</b>	<b>1,772,201</b>	<b>1,657,022</b>
28	<b>Equity</b>		
	Share capital	23,615	23,621
	Share premium	120,516	120,593
	Reserves	10,412	11,432
	Retained earnings	148,719	148,108
	<b>Total equity attributable to owners of the Bank</b>	<b>303,262</b>	<b>303,754</b>
	Non-controlling interests	0	0
	<b>Total equity</b>	<b>303,262</b>	<b>303,754</b>
	<b>Total liabilities and equity</b>	<b>2,075,463</b>	<b>1,960,776</b>

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

## Condensed Consolidated Statement of Changes in Equity for the six months ended 30 June 2024

### Notes

Change in equity for the six months ended	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					
<b>30 June 2024</b>										
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						16,121	16,121		16,121	
Transferred (from) to restricted reserves				(573)	(447)	1,020	0		0	
Purchase of own shares	(6)	(77)					(83)		(83)	
Dividends allocated						(16,530)	(16,530)		(16,530)	
<b>28 Balance as at 30 June 2024</b>	<b>23,615</b>	<b>120,516</b>	<b>6,000</b>	<b>3,004</b>	<b>1,408</b>	<b>148,719</b>	<b>303,262</b>	<b>0</b>	<b>303,262</b>	
<b>Change in equity for the six months ended 30 June 2023</b>										
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						14,473	14,473		14,473	
Transferred (from) to restricted reserves				(197)	24	173	0		0	
Dividends allocated						(8,504)	(8,504)		(8,504)	
<b>28 Balance as at 30 June 2023</b>	<b>23,621</b>	<b>120,593</b>	<b>6,000</b>	<b>2,577</b>	<b>3,236</b>	<b>129,033</b>	<b>285,060</b>	<b>0</b>	<b>285,060</b>	

\*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 six months ended 30 June 2024

Notes	2024 1.1-30.6	2023 1.1-30.6
<b>Operating activities</b>		
Profit for the period	16,121	14,473
Adjustments for non-cash items included in profit for the period	(23,727)	(21,103)
Changes in operating assets and liabilities	(51,720)	(22,848)
Interest received	73,393	58,622
Interest paid	(17,422)	(10,809)
Dividends received	314	228
Income tax and special income tax on financial institutions paid	(5,337)	(4,843)
<b>Net cash (to) from operating activities</b>	<b>(8,378)</b>	<b>13,720</b>
<b>Investing activities</b>		
Purchase of property and equipment	(478)	(1,679)
Proceeds from sale of property and equipment	-	1
Purchase of intangible assets	(40)	(23)
<b>Investing activities</b>	<b>(518)</b>	<b>(1,701)</b>
<b>Financing activities</b>		
24 Proceeds from borrowings	69,279	59,656
24 Repayment of borrowings	(55,241)	(45,019)
Rent paid	(225)	(340)
27 Proceeds from subordinated liabilities	15,000	12,000
28 Purchase of own shares	(83)	-
28 Dividends paid	(8,265)	(4,252)
<b>Financing activities</b>	<b>20,465</b>	<b>22,045</b>
Cash and cash equivalents as at the beginning of the period	67,475	52,636
Net change in cash and cash equivalents	11,569	34,064
Effect of exchange rate changes on cash and cash equivalents held	151	72
<b>Cash and cash equivalents as at the end of the period</b>	<b>79,195</b>	<b>86,772</b>
<b>Investing and financing activities not affecting cash flows</b>		
Approved dividend to shareholders	(8,265)	(4,252)
Unpaid dividend to shareholders	8,265	4,252
Reclassification of Property and equipment	(436)	-
Assets classified as held for sale	436	-
<b>Cash and cash equivalents is specified as follows:</b>		
17 Cash and balances with Central Bank	111,224	106,299
21 Bank accounts with financial institutions	11,877	10,744
17 Mandatory and special restricted balances with Central Bank	(43,906)	(30,271)
<b>Cash and cash equivalents as at the end of the period</b>	<b>79,195</b>	<b>86,772</b>

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

## Condensed Consolidated Statement of Cash Flows for the six months ended 30 June 2024

Notes	2024	2023	
	1.1-30.6	1.1-30.6	
<b>Adjustments for non-cash items included in profit for the period</b>			
6	Net interest income	(29,135)	(27,535)
8	Net gain on financial assets and liabilities at FVTPL	(5,735)	(2,543)
	Net foreign exchange gain	(604)	(177)
	Net impairment changes	3,460	1,591
10	Gain on sale of property and equipment	(35)	(36)
10	Net income on repossessions	(114)	(19)
	Depreciation and amortisation	681	691
10	Share of gain of equity-accounted associates	(11)	(41)
	Tax on liabilities of financial institutions	1,236	1,120
12	Income tax	6,530	5,846
		<b>(23,727)</b>	<b>(21,103)</b>
<b>Changes in operating assets and liabilities</b>			
	Change in reserve requirement with Central Bank	(18,210)	(18,931)
	Change in bonds and equities	9,028	12,979
	Change in loans and advances to financial institutions	16,075	(15,556)
	Change in loans and advances to customers	(99,196)	(45,250)
	Change in other assets	3,712	(5,294)
	Change in assets classified as held for sale	(290)	39
	Change in due to financial institutions and Central Bank	(21,549)	16,017
	Change in deposits from customers	70,633	27,461
	Change in deferred tax liability	5	(23)
	Change in other liabilities	(11,928)	5,710
		<b>(51,720)</b>	<b>(22,848)</b>

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

## Notes to the Condensed Consolidated Interim Financial Statements

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# Notes to the Condensed Consolidated Interim Financial Statements

## General

### 1. Reporting entity

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

The Condensed Consolidated Interim Financial Statements of the Bank for the six months ended 30 June 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 six months 30 June 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 18 July 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](http://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 half of 2024 recognised a provision of ISK 251 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. 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. The Bank has also offered Grindavík-based corporate customers temporary forbearance measures.



## 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)*

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 second quarter, the Bank performed a more 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 Q2, the mortgages of 398 of the Bank's retail customers had been paid off and Thórkatla had been extended credit in the amount of ISK 10.3 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 1,998 million provision at the end of the second quarter of 2024. Of this amount, ISK 1,121 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 Bank's maximum exposure to credit risk for Grindavík at the end of the second quarter of 2024 by customer type:

	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			
<b>As at 30 June 2024</b>										
Public entities	-	-	-	-	-	-	-	-	-	0
Individuals	3,379	748	(1)	2,612	(556)	19	(7)	(564)	-	2,815
Mortgages	2,492	-	-	2,492	(553)	-	-	(553)	-	1,939
Other	887	748	(1)	120	(3)	19	(7)	(11)	-	876
Corporates	50,892	33,549	(81)	7,852	(632)	1,422	(721)	(1,434)	8,068	49,457
<b>Samtals</b>	<b>54,271</b>	<b>34,297</b>	<b>(82)</b>	<b>10,464</b>	<b>(1,188)</b>	<b>1,441</b>	<b>(728)</b>	<b>(1,998)</b>	<b>8,068</b>	<b>52,272</b>

	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			
<b>As at 31 December 2023</b>										
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)	-	13,309
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
<b>Samtals</b>	<b>51,290</b>	<b>48,993</b>	<b>(1,488)</b>	<b>2,024</b>	<b>(248)</b>	<b>273</b>	<b>(11)</b>	<b>(1,747)</b>	<b>-</b>	<b>49,543</b>

## 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 0,6% 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 24 June 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
<b>As at 30 June 2024</b>						
GDP growth	7.1%	9.6%	2.2%	2.5%	(2.8%)	(4.7%)
Unemployment rate	2.4%	1.2%	4.1%	3.9%	5.8%	7.2%
Base rate	6.7%	1.7%	8.5%	5.9%	10.3%	10.1%
Inflation	2.9%	(0.1%)	5.4%	4.1%	7.9%	8.3%
EUR/ISK exchange rate, average	132.1	106.9	148.0	146.1	164.0	185.3
Housing Price index, y/y change	15.9%	20.7%	8.6%	7.8%	1.3%	(5.0%)
Household indebtedness	38.2%	22.0%	47.3%	41.3%	56.3%	62.4%

	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
<b>As at 31 December 2023</b>						
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 June 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)	3,604	5,007	7,263	4,335	5,882	8,336
Proportion of assets in Stage 2	3.2%	3.6%	4.2%	3.7%	4.2%	5.2%

	Reported under IFRS 9	
	As at	As at
	30 June 2024	December 2023
Allowance for impairment (stage 1 and stage 2)	5,318	6,217

## Notes to the Condensed Consolidated Interim Financial Statements

### 5. Operating segments

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

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

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

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

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

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

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

Revenue from transactions with any single external customer was within 10% of the Group's total revenue during the period from 1 January to 30 June 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
<b>1 January - 30 June 2024</b>							
Net interest income	10,696	13,863	251	4,023	260	42	29,135
Net fee and commission income	1,700	1,296	2,600	(243)	108	(83)	5,378
Net impairment changes	(2,269)	(1,190)	-	(1)	-	-	(3,460)
Other net operating income (expenses)	51	140	88	5,904	153	(2)	6,334
<b>Total operating income (expenses)</b>	<b>10,178</b>	<b>14,109</b>	<b>2,939</b>	<b>9,683</b>	<b>521</b>	<b>(43)</b>	<b>37,387</b>
Operating expenses	(3,656)	(1,719)	(1,214)	(463)	(6,531)	83	(13,500)
Tax on liabilities of financial institutions	(512)	(262)	(6)	(454)	(2)	-	(1,236)
<b>Profit (loss) before cost allocation and tax</b>	<b>6,010</b>	<b>12,128</b>	<b>1,719</b>	<b>8,766</b>	<b>(6,012)</b>	<b>40</b>	<b>22,651</b>
Allocated expenses	(2,421)	(1,626)	(642)	(574)	5,263	-	0
<b>Profit (loss) before tax</b>	<b>3,589</b>	<b>10,502</b>	<b>1,077</b>	<b>8,192</b>	<b>(749)</b>	<b>40</b>	<b>22,651</b>
Income tax	(1,109)	(2,863)	(634)	(2,055)	131	-	(6,530)
<b>Profit (loss) for the period</b>	<b>2,480</b>	<b>7,639</b>	<b>443</b>	<b>6,137</b>	<b>(618)</b>	<b>40</b>	<b>16,121</b>
Net revenue (expenses) from external customers	15,308	28,688	3,397	(10,178)	215	-	37,430
Net revenue (expenses) from other segments	(5,130)	(14,579)	(458)	19,861	306	-	0
<b>Total operating income (expenses)</b>	<b>10,178</b>	<b>14,109</b>	<b>2,939</b>	<b>9,683</b>	<b>521</b>	<b>0</b>	<b>37,430</b>
<b>As at 30 June 2024</b>							
<b>Total assets</b>	<b>901,989</b>	<b>823,843</b>	<b>15,461</b>	<b>748,824</b>	<b>22,098</b>	<b>(436,752)</b>	<b>2,075,463</b>
<b>Total liabilities</b>	<b>835,860</b>	<b>694,654</b>	<b>10,213</b>	<b>650,220</b>	<b>18,006</b>	<b>(436,752)</b>	<b>1,772,201</b>
<b>Allocated capital</b>	<b>66,129</b>	<b>129,189</b>	<b>5,248</b>	<b>98,604</b>	<b>4,092</b>		<b>303,262</b>
	Personal Banking	Corporate Banking	Asset Management & Capital Market	Treasury and Market Making	Other divisions	Recon- ciliation	Total
<b>1 January - 30 June 2023</b>							
Net interest income	9,489	11,083	277	6,516	138	32	27,535
Net fee and commission income	1,811	1,546	2,502	(158)	125	(75)	5,751
Net impairment changes	(294)	(1,300)	-	3	-	-	(1,591)
Other net operating income (expenses)	44	48	50	2,562	91	(13)	2,782
<b>Total operating income (expenses)</b>	<b>11,050</b>	<b>11,377</b>	<b>2,829</b>	<b>8,923</b>	<b>354</b>	<b>(56)</b>	<b>34,477</b>
Operating expenses	(3,494)	(1,701)	(1,156)	(485)	(6,289)	87	(13,038)
Tax on liabilities of financial institutions	(445)	(227)	(6)	(439)	(3)	-	(1,120)
<b>Profit (loss) before cost allocation and tax</b>	<b>7,111</b>	<b>9,449</b>	<b>1,667</b>	<b>7,999</b>	<b>(5,938)</b>	<b>31</b>	<b>20,319</b>
Allocated expenses	(2,256)	(1,508)	(595)	(511)	4,870	-	0
<b>Profit (loss) before tax</b>	<b>4,855</b>	<b>7,941</b>	<b>1,072</b>	<b>7,488</b>	<b>(1,068)</b>	<b>31</b>	<b>20,319</b>
Income tax	(1,370)	(2,106)	(275)	(2,303)	208	-	(5,846)
<b>Profit (loss) for the period</b>	<b>3,485</b>	<b>5,835</b>	<b>797</b>	<b>5,185</b>	<b>(860)</b>	<b>31</b>	<b>14,473</b>
Net revenue (expenses) from external customers	19,255	24,705	3,017	(12,614)	170	-	34,533
Net revenue (expenses) from other segments	(8,205)	(13,328)	(188)	21,537	184	-	0
<b>Total operating income (expenses)</b>	<b>11,050</b>	<b>11,377</b>	<b>2,829</b>	<b>8,923</b>	<b>354</b>	<b>0</b>	<b>34,533</b>
<b>As at 30 June 2023</b>							
<b>Total assets</b>	<b>853,534</b>	<b>737,796</b>	<b>12,555</b>	<b>737,873</b>	<b>19,906</b>	<b>(465,295)</b>	<b>1,896,369</b>
<b>Total liabilities</b>	<b>799,098</b>	<b>620,463</b>	<b>8,558</b>	<b>631,760</b>	<b>16,725</b>	<b>(465,295)</b>	<b>1,611,309</b>
<b>Allocated capital</b>	<b>54,436</b>	<b>117,333</b>	<b>3,997</b>	<b>106,113</b>	<b>3,181</b>		<b>285,060</b>

## Notes to the Condensed Consolidated Interim Financial Statements

### Notes to the Consolidated Income Statement

#### 6. Net interest income

	1.4-30.6.2024			1.4-30.6.2023		
	Amortised cost	Designated at FVTPL	Total	Amortised cost	Designated at FVTPL	Total
<b>Interest income</b>						
Cash and balances with Central Bank	1,664	-	1,664	1,695	-	1,695
Loans and advances to financial institutions	550	-	550	427	-	427
Loans and advances to customers	42,186	552	42,738	35,819	383	36,202
Other interest income	9	32	41	37	46	83
<b>Total</b>	<b>44,409</b>	<b>584</b>	<b>44,993</b>	<b>37,978</b>	<b>429</b>	<b>38,407</b>
<b>Interest expense</b>						
Due to financial institutions and Central Bank	(48)	-	(48)	(173)	-	(173)
Deposits from customers	(20,046)	-	(20,046)	(15,446)	-	(15,446)
Borrowings	(6,554)	(2,055)	(8,609)	(5,839)	(1,011)	(6,850)
Other interest expense	(51)	(393)	(444)	(10)	(679)	(689)
Subordinated liabilities	(1,094)	-	(1,094)	(780)	-	(780)
<b>Total</b>	<b>(27,793)</b>	<b>(2,448)</b>	<b>(30,241)</b>	<b>(22,248)</b>	<b>(1,690)</b>	<b>(23,938)</b>
<b>Net interest income</b>	<b>16,616</b>	<b>(1,864)</b>	<b>14,752</b>	<b>15,730</b>	<b>(1,261)</b>	<b>14,469</b>
	1.1-30.6.2024			1.1-30.6.2023		
	Amortised cost	Designated at FVTPL	Total	Amortised cost	Designated at FVTPL	Total
<b>Interest income</b>						
Cash and balances with Central Bank	3,346	-	3,346	2,677	-	2,677
Loans and advances to financial institutions	1,258	-	1,258	726	-	726
Loans and advances to customers	80,312	999	81,311	68,730	745	69,475
Other interest income	102	65	167	43	65	108
<b>Total</b>	<b>85,018</b>	<b>1,064</b>	<b>86,082</b>	<b>72,176</b>	<b>810</b>	<b>72,986</b>
<b>Interest expense</b>						
Due to financial institutions and Central Bank	(297)	-	(297)	(298)	-	(298)
Deposits from customers	(38,487)	-	(38,487)	(28,674)	-	(28,674)
Borrowings	(11,744)	(3,628)	(15,372)	(12,513)	(1,370)	(13,883)
Other interest expense	(69)	(879)	(948)	(31)	(1,343)	(1,374)
Subordinated liabilities	(1,843)	-	(1,843)	(1,222)	-	(1,222)
<b>Total</b>	<b>(52,440)</b>	<b>(4,507)</b>	<b>(56,947)</b>	<b>(42,738)</b>	<b>(2,713)</b>	<b>(45,451)</b>
<b>Net interest income</b>	<b>32,578</b>	<b>(3,443)</b>	<b>29,135</b>	<b>29,438</b>	<b>(1,903)</b>	<b>27,535</b>

Net interest income, calculated based on the effective interest rate method, amounted to ISK 29,135 million in the first six months of 2024 as compared with ISK 27,535 million for the same period in 2023.

#### 7. Net fee and commission income

	1.4-30.6.2024			1.4-30.6.2023		
	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	1,300	(189)	1,111	1,258	(163)	1,095
Loans and guarantees	431	-	431	332	-	332
Payment cards	1,608	(750)	858	1,669	(698)	971
Collection and payment services	253	(56)	197	269	(52)	217
Other	412	(367)	45	323	(235)	88
<b>Total</b>	<b>4,004</b>	<b>(1,362)</b>	<b>2,642</b>	<b>3,851</b>	<b>(1,148)</b>	<b>2,703</b>

## Notes to the Condensed Consolidated Interim Financial Statements

### 7. Net fee and commission income (continued)

	1.1-30.6.2024			1.1-30.6.2023		
	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	2,997	(362)	2,635	3,257	(333)	2,924
Loans and guarantees	799	-	799	622	-	622
Payment cards	3,031	(1,594)	1,437	3,059	(1,417)	1,642
Collection and payment services	501	(113)	388	524	(104)	420
Other	707	(588)	119	581	(438)	143
<b>Total</b>	<b>8,035</b>	<b>(2,657)</b>	<b>5,378</b>	<b>8,043</b>	<b>(2,292)</b>	<b>5,751</b>

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

	2024 1.4-30.6	2023 1.4-30.6	2024 1.1-30.6	2023 1.1-30.6
<b>Net gain (loss) on financial assets and liabilities at FVTPL</b>	<b>1,839</b>	<b>1,266</b>	<b>4,258</b>	<b>3,165</b>
Bonds and debt instruments	1,839	1,266	4,258	3,165
Equities and equity instruments	265	(2,170)	877	(1,160)
Derivatives and underlying hedges	407	190	446	483
Loans and advances to customers	246	46	226	46
Net gain (loss) on fair value hedges	26	(46)	(72)	9
<b>Total</b>	<b>2,783</b>	<b>(714)</b>	<b>5,735</b>	<b>2,543</b>

### 9. Net impairment changes

	2024 1.4-30.6	2023 1.4-30.6	2024 1.1-30.6	2023 1.1-30.6
Net impairment changes of loans to customers	(835)	516	(3,549)	(1,437)
Net impairment changes of other financial assets and provision for litigations	89	4	89	(154)
<b>Net impairment changes of financial assets</b>	<b>(746)</b>	<b>520</b>	<b>(3,460)</b>	<b>(1,591)</b>
<b>Net impairment changes by customer type</b>				
Public entities	2	(4)	2	(5)
Individuals	59	30	(2,298)	(344)
Corporates	(807)	494	(1,164)	(1,242)
<b>Net impairment changes of financial assets</b>	<b>(746)</b>	<b>520</b>	<b>(3,460)</b>	<b>(1,591)</b>

### 10. Other income and (expenses)

	2024 1.4-30.6	2023 1.4-30.6	2024 1.1-30.6	2023 1.1-30.6
Share of gain of equity-accounted associates	73	62	11	41
Gain on sale of property and equipment	17	18	35	36
Net income (expenses) on repossessions	25	30	114	19
Other	62	29	(14)	39
<b>Total</b>	<b>177</b>	<b>139</b>	<b>146</b>	<b>135</b>

### 11. Salaries and related expenses

	2024 1.4-30.6	2023 1.4-30.6	2024 1.1-30.6	2023 1.1-30.6
Salaries	3,243	3,269	6,590	6,507
Contributions to defined pension plans	476	475	937	923
Social security contributions	229	225	451	442
Special financial activities tax on salaries	198	195	391	383
Other related expenses	44	30	54	58
<b>Total</b>	<b>4,190</b>	<b>4,194</b>	<b>8,423</b>	<b>8,313</b>
Average number of full-time equivalent positions during the period	824	807	824	816
Number of full-time equivalent positions at the end of the period	824	801	824	801



## 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:

	<b>2024</b>	<b>2023</b>
	<b>1.1-30.6</b>	<b>1.1-30.6</b>
Current tax expense	(5,156)	(4,590)
Special income tax on financial institutions	(1,379)	(1,279)
Origination and reversal of temporary differences due to deferred tax assets/liabilities	5	23
<b>Total</b>	<b>(6,530)</b>	<b>(5,846)</b>

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

		<b>2024</b>		<b>2023</b>
		<b>1.1-30.6</b>		<b>1.1-30.6</b>
Profit before income tax		22,651		20,319
Income tax calculated using the domestic corporate income tax rate	21.0%	(4,757)	20.0%	(4,064)
Special income tax on financial institutions	6.1%	(1,379)	6.3%	(1,279)
Effect of different tax rates	(0.1%)	(7)	0.0%	-
Income not subject to tax	(0.4%)	83	(0.2%)	48
Non-deductible expenses	2.1%	(469)	2.7%	(551)
Other	0.0%	(1)	0.0%	-
<b>Effective income tax</b>	<b>28.7%</b>	<b>(6,530)</b>	<b>28.8%</b>	<b>(5,846)</b>

## 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 June 2024:

As at 30 June 2024	Notes	Carrying amount				Fair value				
		Amortised cost	Trading book	Banking book	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
<b>Financial assets measured at fair value</b>										
Bonds and debt instruments	18	-	19,118	121,117	-	140,235	139,386	26	823	140,235
Equities and equity instruments	19	-	10,399	12,416	-	22,815	11,532	-	11,283	22,815
Derivative instruments	20	-	3,346	-	-	3,346	-	3,346	-	3,346
Loans and advances to customers	22	-	42,014	-	-	42,014	-	-	42,014	42,014
		<b>0</b>	<b>74,877</b>	<b>133,533</b>	<b>0</b>	<b>208,410</b>	<b>150,918</b>	<b>3,372</b>	<b>54,120</b>	<b>208,410</b>
<b>Financial assets not measured at fair value</b>										
Cash and balances with Central Bank	17	111,224	-	-	-	111,224	-	111,224	-	111,224
Loans and advances to financial institutions	21	32,511	-	-	-	32,511	-	32,511	-	32,511
Loans and advances to customers	22	1,696,571	-	-	-	1,696,571	-	1,709,413	-	1,709,413
Other financial assets		6,176	-	-	-	6,176	-	6,176	-	6,176
		<b>1,846,482</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,846,482</b>	<b>0</b>	<b>1,859,324</b>	<b>0</b>	<b>1,859,324</b>
<b>Financial liabilities measured at fair value</b>										
Derivative instruments	20	-	1,533	-	-	1,533	-	1,533	-	1,533
Short positions	20	-	2,723	-	-	2,723	2,723	-	-	2,723
		<b>0</b>	<b>4,256</b>	<b>0</b>	<b>0</b>	<b>4,256</b>	<b>2,723</b>	<b>1,533</b>	<b>0</b>	<b>4,256</b>
<b>Financial liabilities not measured at fair value</b>										
Due to financial institutions and Central Bank		-	-	-	8,219	8,219	-	8,219	-	8,219
Deposits from customers		-	-	-	1,148,431	1,148,431	-	1,147,817	-	1,147,817
Borrowings	24	-	-	-	529,137	529,137	-	517,717	-	517,717
Other financial liabilities		-	-	-	12,077	12,077	-	12,077	-	12,077
Subordinated liabilities	27	-	-	-	36,363	36,363	-	36,271	-	36,271
		<b>0</b>	<b>0</b>	<b>0</b>	<b>1,734,227</b>	<b>1,734,227</b>	<b>0</b>	<b>1,722,101</b>	<b>0</b>	<b>1,722,101</b>

### 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
<b>Financial assets measured at fair value</b>										
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
		<b>0</b>	<b>49,102</b>	<b>141,155</b>	<b>0</b>	<b>190,257</b>	<b>156,099</b>	<b>7,485</b>	<b>26,673</b>	<b>190,257</b>
<b>Financial assets not measured at fair value</b>										
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
		<b>1,750,004</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,750,004</b>	<b>0</b>	<b>1,732,748</b>	<b>0</b>	<b>1,732,748</b>
<b>Financial liabilities measured at fair value</b>										
Derivative instruments	20	-	1,533	-	-	1,533	-	1,533	-	1,533
Short positions	20	-	1,255	-	-	1,255	1,255	-	-	1,255
		<b>0</b>	<b>2,788</b>	<b>0</b>	<b>0</b>	<b>2,788</b>	<b>1,255</b>	<b>1,533</b>	<b>0</b>	<b>2,788</b>
<b>Financial liabilities not measured at fair value</b>										
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
		<b>0</b>	<b>0</b>	<b>0</b>	<b>1,623,086</b>	<b>1,623,086</b>	<b>0</b>	<b>1,606,698</b>	<b>0</b>	<b>1,606,698</b>

## 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 June 2024 and 1 January to 30 June 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 six months ended 30 June 2024 and for the year 2023:

	Bonds and debt instruments	Equities and equity instruments	Loans and advances to customers	Total financial assets
<b>1 January - 30 June 2024</b>				
Carrying amount as at 1 January 2024	901	10,168	15,604	26,673
Net gain on financial assets and liabilities at FVTPL	24	1,208	226	1,458
Net foreign exchange gain	-	-	90	90
Purchases	49	43	162,887	162,979
Sales	-	(50)	-	(50)
Settlements	(151)	-	(136,619)	(136,770)
Transfers out of Level 3	-	-	(174)	(174)
Dividend received	-	(86)	-	(86)
<b>Carrying amount as at 30 June 2024</b>	<b>823</b>	<b>11,283</b>	<b>42,014</b>	<b>54,120</b>

#### 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)
<b>Carrying amount as at 31 December 2023</b>	<b>901</b>	<b>10,168</b>	<b>15,604</b>	<b>26,673</b>

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 June 2024 and 30 June 2023 were recognised:

	Bonds and debt instruments	Equities and equity instruments	Loans and advances to customers	Total
<b>1 January - 30 June 2024</b>				
Net gain on financial assets and liabilities at FVTPL realised	10	511	226	747
Net gain on financial assets and liabilities at FVTPL unrealised	14	697	-	711
Net foreign exchange gain	-	-	90	90
<b>Total</b>	<b>24</b>	<b>1,208</b>	<b>316</b>	<b>1,548</b>
<b>1 January - 30 June 2023</b>				
Net gain on financial assets and liabilities at FVTPL realised	15	277	47	339
Net gain (loss) on financial assets and liabilities at FVTPL unrealised	12	(1,320)	-	(1,308)
Net foreign exchange loss	-	-	(34)	(34)
<b>Total</b>	<b>27</b>	<b>(1,043)</b>	<b>13</b>	<b>(1,003)</b>

## 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 June 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 June 2024	Level 3 Assets	Significant unobservable inputs	Valuation technique	Higher	Lower	Favourable	Unfavourable
Bonds and debt instruments	13	Recovery rates	See 1) below	5%	-5%	1	(1)
	810	Bond prices	See 1) below	5%	-5%	41	(41)
Equities and equity instruments							
Equities - Banking book	11,283	Instrument Price	See 2) below	5%	-5%	849	(863)
Loans and advances to customers	33,946	Probability of default	See 3) below	1%	-1%	314	(321)
	8,068	Recovery rates	See 3) below	5%	-5%	761	(957)
<b>Total</b>	<b>54,120</b>					<b>1,966</b>	<b>(2,183)</b>

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

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

	30.6.2024			
	Stage 1	Stage 2	Stage 3	Total
Cash and balances with Central Bank	-	-	-	0
Loans and advances to customers	(2,245)	(2,726)	(7,255)	(12,226)
Other financial assets	(78)	-	(1)	(79)
Expected credit loss, off-balance sheet items	(327)	(20)	(126)	(473)
<b>Total</b>	<b>(2,650)</b>	<b>(2,746)</b>	<b>(7,382)</b>	<b>(12,778)</b>

	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)
<b>Total</b>	<b>(4,096)</b>	<b>(2,168)</b>	<b>(5,687)</b>	<b>(11,951)</b>

## Notes to the Condensed Consolidated Interim Financial Statements

### 17. Cash and balances with Central Bank

	30.6.2024	31.12.2023
Cash on hand	5,302	5,052
Unrestricted balances with Central Bank	62,016	44,602
<b>Total cash and unrestricted balances with Central Bank</b>	<b>67,318</b>	<b>49,654</b>
Restricted balances with Central Bank - fixed reserve requirement	36,448	23,797
Cash and balances pledged as collateral to the Central Bank	7,458	1,899
<b>Total restricted balances with Central Bank</b>	<b>43,906</b>	<b>25,696</b>
<b>Total cash and balances with Central Bank</b>	<b>111,224</b>	<b>75,350</b>

### 18. Bonds and debt instruments

	30.6.2024			31.12.2023		
	Trading book	Banking book	Total	Trading book	Banking book	Total
<b>Bonds and debt instruments</b>						
<b>Domestic</b>						
Listed	16,079	81,443	97,522	15,138	53,178	68,316
Unlisted	-	1,206	1,206	-	1,443	1,443
	<b>16,079</b>	<b>82,649</b>	<b>98,728</b>	<b>15,138</b>	<b>54,621</b>	<b>69,759</b>
<b>Foreign</b>						
Listed	3,039	38,468	41,507	2,967	75,456	78,423
	<b>3,039</b>	<b>38,468</b>	<b>41,507</b>	<b>2,967</b>	<b>75,456</b>	<b>78,423</b>
<b>Total bonds</b>	<b>19,118</b>	<b>121,117</b>	<b>140,235</b>	<b>18,105</b>	<b>130,077</b>	<b>148,182</b>

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

### 19. Equities and equity instruments

	30.6.2024			31.12.2023		
	Trading book	Banking book	Total	Trading book	Banking book	Total
<b>Equities and equity instruments</b>						
<b>Domestic</b>						
Listed	6,793	578	7,371	7,374	366	7,740
Unlisted	-	11,541	11,541	-	10,429	10,429
	<b>6,793</b>	<b>12,119</b>	<b>18,912</b>	<b>7,374</b>	<b>10,795</b>	<b>18,169</b>
<b>Foreign</b>						
Listed	3,606	272	3,878	560	258	818
Unlisted	-	25	25	-	25	25
	<b>3,606</b>	<b>297</b>	<b>3,903</b>	<b>560</b>	<b>283</b>	<b>843</b>
<b>Total equities</b>	<b>10,399</b>	<b>12,416</b>	<b>22,815</b>	<b>7,934</b>	<b>11,078</b>	<b>19,012</b>

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 June 2024, outstanding commitments of the Group in share subscriptions amounted to ISK 439 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

	30.6.2024			31.12.2023		
	Notional amount	Fair value		Notional amount	Fair value	
		Assets	Liabilities		Assets	Liabilities
<b>Foreign exchange derivatives</b>						
Currency forwards	38,297	37	377	48,317	319	378
	<b>38,297</b>	<b>37</b>	<b>377</b>	<b>48,317</b>	<b>319</b>	<b>378</b>
<b>Interest rate derivatives</b>						
Total return swaps	12,343	13	27	5,458	16	7
	<b>12,343</b>	<b>13</b>	<b>27</b>	<b>5,458</b>	<b>16</b>	<b>7</b>
<b>Equity derivatives</b>						
Equity forwards	129	1	2	276	1	1
Total return swaps	7,447	668	25	4,091	-	260
Equity options	6	-	-	63	-	5
	<b>7,582</b>	<b>669</b>	<b>27</b>	<b>4,430</b>	<b>1</b>	<b>266</b>
<b>Total derivative instruments</b>	<b>58,222</b>	<b>719</b>	<b>431</b>	<b>58,205</b>	<b>336</b>	<b>651</b>
<b>Short positions</b>						
Listed bonds	3,355	-	2,723	1,501	-	1,255
<b>Total short positions</b>	<b>3,355</b>	<b>0</b>	<b>2,723</b>	<b>1,501</b>	<b>0</b>	<b>1,255</b>
<b>Total</b>	<b>61,577</b>	<b>719</b>	<b>3,154</b>	<b>59,706</b>	<b>336</b>	<b>1,906</b>

#### Risk management

	30.6.2024			31.12.2023		
	Notional amount	Fair value		Notional amount	Fair value	
		Assets	Liabilities		Assets	Liabilities
<b>Foreign exchange derivatives</b>						
Currency forwards	46,520	765	59	71,020	2,454	304
	<b>46,520</b>	<b>765</b>	<b>59</b>	<b>71,020</b>	<b>2,454</b>	<b>304</b>
<b>Interest rate derivatives</b>						
Interest rate swaps	2,000	-	679	2,000	-	578
	<b>2,000</b>	<b>0</b>	<b>679</b>	<b>2,000</b>	<b>0</b>	<b>578</b>
<b>Fair value hedging</b>						
Interest rate swaps	133,830	1,862	364	90,054	4,669	-
	<b>133,830</b>	<b>1,862</b>	<b>364</b>	<b>90,054</b>	<b>4,669</b>	<b>0</b>
<b>Total</b>	<b>182,350</b>	<b>2,627</b>	<b>1,102</b>	<b>163,074</b>	<b>7,123</b>	<b>882</b>
<b>Total derivative instruments and short positions</b>	<b>243,927</b>	<b>3,346</b>	<b>4,256</b>	<b>222,780</b>	<b>7,459</b>	<b>2,788</b>

#### 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 June 2024, the slope of the regression line was in all cases within the range of 0.91 and 0.98 (for a 95% confidence level) and the regression coefficient was at least 1.00 ( $R^2$ ). During the period from 1 January 2023 to 30 June 2023, the slope of the regression line is in all cases within the range of 0.91 and 0.98 (for a 95% confidence level) and the regression coefficient was at least 0.91 ( $R^2$ ). In all cases the effectiveness is within limits during the first six 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 June 2024	Notional amount of the hedging instrument	Maturity date			Fair value of the hedging derivatives		Gains (losses) on changes in fair value used for calculating hedge ineffectiveness
		3-12 months	1-5 years	>5 years	Assets	Liabilities	
Interest rate swaps - EUR	44,610	-	44,610	-	1,013	-	(1,966)
Interest rate swaps - EUR	44,610	-	44,610	-	849	-	(807)
Interest rate swaps - EUR	44,610	-	44,610	-	-	364	(368)
<b>Total</b>	<b>133,830</b>	<b>0</b>	<b>133,830</b>	<b>0</b>	<b>1,862</b>	<b>364</b>	<b>(3,141)</b>

Average fixed interest rate - EUR 5.21%

As at 30 June 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	-	45,579	-	539	1,950
LBANK 6.375 3/27	-	45,495	-	174	763
LBANK 5.0 5/28	-	44,482	276	-	356
<b>Total EMTN hedged borrowings</b>	<b>0</b>	<b>135,556</b>	<b>276</b>	<b>713</b>	<b>3,069</b>

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
<b>Total</b>	<b>90,054</b>	<b>0</b>	<b>90,054</b>	<b>0</b>	<b>4,669</b>	<b>0</b>	<b>4,992</b>

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)
<b>Total EMTN hedged borrowings</b>	<b>0</b>	<b>94,616</b>	<b>0</b>	<b>2,489</b>	<b>(4,877)</b>

## Notes to the Condensed Consolidated Interim Financial Statements

### 21. Loans and advances to financial institutions

	30.6.2024	31.12.2023
Bank accounts with financial institutions	11,877	17,821
Money market loans	19,350	35,164
Other loans	1,284	1,116
Allowance for impairment	-	-
<b>Total</b>	<b>32,511</b>	<b>54,101</b>

### 22. Loans and advances to customers

	30.6.2024	31.12.2023
Loans and advances to customers at amortised cost	1,708,797	1,626,664
Allowance for impairment	(12,226)	(11,374)
<b>Total</b>	<b>1,696,571</b>	<b>1,615,290</b>
Loans and advances to customers at FVTPL	42,014	15,604
<b>Total</b>	<b>1,738,585</b>	<b>1,630,894</b>

#### Loans and advances to customers at amortised cost

	30.6.2024			31.12.2023		
	Gross carrying amount	Allowance for impairment	Carrying amount	Gross carrying amount	Allowance for impairment	Carrying amount
Public entities	13,864	(2)	13,862	11,453	(4)	11,449
Individuals	844,742	(2,097)	842,645	821,480	(2,382)	819,098
Mortgage lending	757,136	(1,049)	756,087	732,230	(1,246)	730,984
Other	87,606	(1,048)	86,558	89,250	(1,136)	88,114
Corporates	850,191	(10,127)	840,064	793,731	(8,988)	784,743
<b>Total</b>	<b>1,708,797</b>	<b>(12,226)</b>	<b>1,696,571</b>	<b>1,626,664</b>	<b>(11,374)</b>	<b>1,615,290</b>

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

	30.6.2024	31.12.2023
Unsettled securities trading	3,079	2,205
Other accounts receivable	1,286	1,160
Right-of-use assets	1,811	1,898
Sundry assets	1,324	1,565
<b>Total</b>	<b>7,500</b>	<b>6,828</b>

## Notes to the Condensed Consolidated Interim Financial Statements

### 24. Borrowings

#### Secured borrowings

Currency, outstanding nominal amount	Maturity	Maturity		30.6.2024	31.12.2023
		type	Terms of interest		
LBANK CBI 24, ISK 33,160 million	15.11.2024	At maturity	Fixed 3.0%, CPI-indexed	48,169	52,712
LBANK CB 25, ISK 39,660 million	17.09.2025	At maturity	Fixed 3.4%	40,477	39,704
LBANK CBI 26, ISK 11,120 million	20.11.2026	At maturity	Fixed 1.5%, CPI-indexed	14,970	14,373
LBANK CB 27, ISK 35,300 million	20.09.2027	At maturity	Fixed 4.6%	33,981	32,752
LBANK CBI 28, ISK 50,200 million	04.10.2028	At maturity	Fixed 3.0%, CPI-indexed	74,864	71,432
LBANK 4.25 3/28 CB, EUR 300 million*	16.03.2028	At maturity	Fixed 4.25%	45,579	47,945
LBANK CB 29, ISK 12,020 million	27.09.2029	At maturity	Fixed 8.2%	12,748	8,853
LBANK CBI 30, ISK 21,760 million	22.02.2030	At maturity	Fixed 3.5%, CPI-indexed	22,752	-
<b>Total covered bonds</b>				<b>293,540</b>	<b>267,771</b>
				<b>30.6.2024</b>	<b>31.12.2023</b>
Other secured loans				4,984	5,060
<b>Total other secured loans</b>				<b>4,984</b>	<b>5,060</b>
<b>Total secured borrowings</b>				<b>298,524</b>	<b>272,831</b>

#### Unsecured borrowings

Currency, outstanding nominal amount	Maturity	Maturity		30.6.2024	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%	3,941	4,047
LBANK FLOAT 01/25, NOK 500 million	20.01.2025	At maturity	NIBOR + 0.79%	6,577	6,757
LBANK FLOAT 01/25, SEK 850 million	20.01.2025	At maturity	STIBOR + 0.8%	11,230	11,571
LBANK 0.375 5/25 GB, EUR 200 million	23.05.2025	At maturity	FIXED 0.375%	29,672	45,004
LBANK FLOAT 08/25, NOK 350 million	18.08.2025	At maturity	NIBOR + 2.35%	4,590	4,716
LBANK FLOAT 08/25, NOK 1,000 million	21.08.2025	At maturity	NIBOR + 3.05%	13,119	13,473
LBANK FLOAT 08/25, SEK 450 million	25.08.2025	At maturity	STIBOR + 3.5%	5,923	6,101
LBANK 0.75 5/26 GB, EUR 300 million	25.05.2026	At maturity	FIXED 0.75%	44,481	45,023
LBANK 6.375 3/27, EUR 300 million*	12.03.2027	At maturity	FIXED 6.375%	45,495	46,671
LBANK 5.000 5/28, EUR 300 million*	13.05.2028	At maturity	FIXED 5.0%	44,482	-
<b>Total senior unsecured bonds</b>				<b>209,510</b>	<b>220,203</b>
				<b>30.6.2024</b>	<b>31.12.2023</b>
Other unsecured loans				21,103	20,653
<b>Total other unsecured loans</b>				<b>21,103</b>	<b>20,653</b>
<b>Total unsecured borrowings</b>				<b>230,613</b>	<b>240,856</b>
<b>Total borrowings</b>				<b>529,137</b>	<b>513,687</b>

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

Issued under the Bank's Sustainable Finance Framework.

#### Change in liabilities due to financing activities

	As at 1.1.2024	Cash flow	Non-cash changes			As at 30.6.2024
			Accrued interest	Foreign exchange	Change in the fair value	
Secured borrowings	219,826	20,533	7,602	-	-	247,961
Secured borrowings held to hedge long-term	47,945	(1,125)	1,115	(406)	(1,950)	45,579
Other secured loans	5,060	(186)	178	(68)	-	4,984
Senior unsecured bonds	173,532	(51,243)	(84)	(2,672)	-	119,533
Senior unsecured bonds held to hedge long-term	46,671	40,923	3,877	(375)	(1,119)	89,977
Other unsecured loans	20,653	(1,010)	835	625	-	21,103
Subordinated liabilities	20,176	14,366	1,821	-	-	36,363
<b>Total</b>	<b>533,863</b>	<b>22,258</b>	<b>15,344</b>	<b>(2,896)</b>	<b>(3,069)</b>	<b>565,500</b>

## Notes to the Condensed Consolidated Interim Financial Statements

### 24. Borrowings (continued)

#### Change in liabilities due to financing activities (continued)

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

### 25. Deferred tax assets and liabilities

	30.6.2024		31.12.2023	
	Assets	Liabilities	Assets	Liabilities
Tax liabilities	-	16,941	-	14,509
Deferred tax liabilities	-	134	-	138
<b>Taxes in the Statement of Financial Position</b>	<b>0</b>	<b>17,075</b>	<b>0</b>	<b>14,647</b>

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

	30.6.2024			31.12.2023		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Property and equipment	-	(171)	(171)	-	(162)	(162)
Intangibles	-	(135)	(135)	-	(141)	(141)
Exchange rate-indexed assets and liabilities	-	(601)	(601)	-	(634)	(634)
Deferred foreign exchange differences	-	(75)	(75)	34	-	34
Other assets and liabilities	847	-	847	764	-	764
Tax losses carried forward	1	-	1	1	-	1
	<b>848</b>	<b>(982)</b>	<b>(134)</b>	<b>799</b>	<b>(937)</b>	<b>(138)</b>
Set-off of deferred tax assets together with liabilities of the same taxable entities	(848)	848	0	(799)	799	0
<b>Deferred tax liabilities total</b>	<b>0</b>	<b>(134)</b>	<b>(134)</b>	<b>0</b>	<b>(138)</b>	<b>(138)</b>

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

	Recognised in income statement			Recognised in income statement		
	Balance	Tax income (expense)	Balance as at	Balance	Tax income (expense)	Balance as at
	1.1.2024		30.6.2024	1.1.2023		31.12.2023
Property and equipment	(162)	(9)	(171)	(95)	(67)	(162)
Intangibles	(141)	6	(135)	(157)	16	(141)
Foreign currency assets and liabilities	(634)	33	(601)	(487)	(147)	(634)
Deferred foreign exchange differences	34	(109)	(75)	(10)	44	34
Other assets and other liabilities	764	83	847	748	16	764
Tax losses carried forward	1	-	1	1	-	1
<b>Total</b>	<b>(138)</b>	<b>4</b>	<b>(134)</b>	<b>0</b>	<b>(138)</b>	<b>(138)</b>

## Notes to the Condensed Consolidated Interim Financial Statements

### 26. Other liabilities

	30.6.2024	31.12.2023
Unsettled securities trading	8,596	6,723
Withholding tax	1,648	8,884
Accounts payable	1,513	1,939
Non-controlling interests - Funds	1,728	2,020
Lease liabilities	1,968	2,056
Provision for litigations	28	159
Sundry liabilities	13,239	5,438
<b>Total</b>	<b>28,720</b>	<b>27,219</b>

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

### 27. Subordinated liabilities

Currency, outstanding nominal amount	Maturity	Maturity		30.6.2024	31.12.2023
		type	Terms of interest		
LBANK T2I 29, ISK 5,520 million	11.12.2029	At maturity	Fixed 3.85%, CPI-indexed	7,444	7,053
LBANK T2I 33, ISK 12,000 million	23.03.2033	At maturity	Fixed 4.95%, CPI-indexed	13,265	13,123
LBANK T2I 35, ISK 11,980 million	07.03.2035	At maturity	Fixed 5.70%, CPI-indexed	12,585	-
LBANK T2 35, ISK 2,980 million	07.03.2035	At maturity	Fixed 9.60%	3,069	-
<b>Total subordinated liabilities</b>				<b>36,363</b>	<b>20,176</b>

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

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

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

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

#### Share premium

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

#### Statutory reserve

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

#### Retained earnings

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



## Notes to the Condensed Consolidated Interim Financial Statements

### 28. Equity (continued)

#### *Retained earnings (continued)*

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

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

#### *Dividend*

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

#### *Dividend policy*

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

#### *Restriction of dividend payments*

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

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

## Other notes

### 29. Earnings per share

	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
<b>Profit for the period</b>	<b>1.4-30.6</b>	<b>1.4-30.6</b>	<b>1.1-30.6</b>	<b>1.1-30.6</b>
Profit for the period attributable to owners of the Bank	8,965	6,717	16,121	14,473
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
<b>Weighted average number of shares</b>	<b>1.4-30.6</b>	<b>1.4-30.6</b>	<b>1.1-30.6</b>	<b>1.1-30.6</b>
Weighted average number of ordinary shares issued	24,000	24,000	24,000	24,000
Weighted average number of own shares	(385)	(379)	(383)	(379)
<b>Weighted average number of shares outstanding</b>	<b>23,615</b>	<b>23,621</b>	<b>23,617</b>	<b>23,621</b>
<b>Basic and diluted earnings per share from operations (ISK)</b>	<b>0.38</b>	<b>0.28</b>	<b>0.68</b>	<b>0.61</b>

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.

## Notes to the Condensed Consolidated Interim Financial Statements

### 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 Reykjavik dismissed the case on grounds of insufficient substantiation. On 10 January 2023 the Appeal Court partly annulled the dismissal and ordered the District Court to hear the case in substance. The timing of a final judgment is uncertain and whether it will have a financial impact on the Bank. Should the plaintiff's claims be acknowledged in a final court ruling, it is to be expected that a potential payment obligation will be divided between the defendants.

In December 2021, two individuals commenced litigation against the Bank claiming that an interest rate provision in two credit agreements, issued in 2006, should be deemed illegal and void since the provision allegedly does not stipulate under which circumstances the interest rate changes, as provided for in the Consumer Credit Act No. 121/1994, applicable at the time. The disputed interest rate provision was used in the Bank's consumer credit agreements until around 2013. The plaintiffs demand primarily that interests be recalculated in accordance with Article 4 of the Act on Interest and Indexation, and that the Bank repays the plaintiffs around ISK 3,5 million plus interest. On 7 February 2023 the District Court accepted the plaintiffs' claims of last resort of repayment based on the initial contractual interest rate and taking into account limitation years for claims, in the amount of around ISK 230,000 plus interest. The case has been appealed to the Appeal Court where the Bank submits that all claims by the plaintiffs should be rejected. It is the Bank's assessment that should the judgment of the District Court be confirmed in a final judgment the maximum potential loss resulting from such an outcome will be ISK 29 million as regards the Bank's loan portfolio with the same interest rate provision. In 2023, the Bank recognised a provision in the amount of ISK 159 million with respect to this loan portfolio, which corresponded to the Bank's assessment in 2023. Following the reassessment, the amount of the provision has been adjusted to ISK 28 million.

In December 2022, an individual commenced litigation against the Bank in a case which is similar to the above mentioned case. On 23 February 2023 the Bank delivered its written statement claiming that all claims by the plaintiff should be rejected. It is expected that the oral proceeding of the case before the District Court will be on 17 December 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 Reykjavik 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. 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 Reykjavik 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 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 17.5 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, which the Bank regards as unlikely, would significantly increase the Bank's interest rate risk and could have a considerable negative financial impact on the Bank in times of increased market interest rates. 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 Reykjavik 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 on 26 September 2024.

## Notes to the Condensed Consolidated Interim Financial Statements

### 31. Interest in subsidiaries

The main subsidiaries held directly or indirectly by the Group as at 30 June 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 June 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 June 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	30.6.2024		31.12.2023	
	Gross carrying amount	Highest amount outstanding during the period	Gross carrying amount	Highest amount outstanding during the period
Key management personnel	416	561	556	636
Parties related to key management personnel	58	261	256	282
Associates	182	244	184	947
Other	263	304	288	825
<b>Total</b>	<b>919</b>	<b>1,370</b>	<b>1,284</b>	<b>2,690</b>

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

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

Deposits in ISK million	30.6.2024		31.12.2023	
	Carrying amount	Highest amount outstanding during the period	Carrying amount	Highest amount outstanding during the period
Key management personnel	142	193	82	191
Parties related to key management personnel	65	228	134	279
Associates	282	1,549	483	1,279
Other	13	84	14	126
<b>Total</b>	<b>502</b>	<b>2,054</b>	<b>713</b>	<b>1,875</b>

## Notes to the Condensed Consolidated Interim Financial Statements

### 32. Related party transactions (continued)

#### Transactions with other related parties (continued)

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

<b>Guarantees in ISK million</b>	<b>Gross carrying amount as at 30 June 2024</b>	<b>Gross carrying amount as at 31 December 2023</b>
Key management personnel	-	-
Parties related to key management personnel	-	-
Associates	-	-
Other	548	539
<b>Total</b>	<b>548</b>	<b>539</b>

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 six months ended 30 June 2024.

# Notes to the Condensed Consolidated Interim Financial Statements

## Capital management

### 34. Capital requirements

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

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

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

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

As at 30 June 2024	CET1	Tier 1	Total
Pillar I	4.5%	6.0%	8.0%
Pillar II-R	1.4%	1.9%	2.5%
<b>Minimum requirement under Pillar I and Pillar II-R</b>	<b>5.9%</b>	<b>7.9%</b>	<b>10.5%</b>
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%
<b>Combined buffer requirement (CBR)</b>	<b>9.9%</b>	<b>9.9%</b>	<b>9.9%</b>
<b>Total capital requirement</b>	<b>15.8%</b>	<b>17.8%</b>	<b>20.4%</b>

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	30.6.2024
Countercyclical capital buffer on domestic exposures	2.0%	2.5%	2.5%

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

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

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

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

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

## Notes to the Condensed Consolidated Interim Financial Statements

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

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

<b>Capital base</b>	<b>30.6.2024</b>	<b>31.12.2023</b>
Share capital	23,615	23,621
Share premium	120,516	120,593
Reserves	10,412	11,432
Retained earnings	148,719	148,108
<b>Total equity attributable to owners of the Bank</b>	<b>303,262</b>	<b>303,754</b>
Intangible assets	(5)	(7)
Forseeable dividends*	(8,060)	(16,584)
Fair value hedges	(1,061)	(4,669)
Adjustment under IFRS 9 transitional arrangements	135	595
Insufficient coverage for non-performing exposures	(1,119)	(1,291)
<b>Common equity Tier 1 capital (CET1)</b>	<b>293,152</b>	<b>281,798</b>
Non-controlling interests	-	-
<b>Tier 1 capital</b>	<b>293,152</b>	<b>281,798</b>
Subordinated liabilities	36,363	20,176
<b>Tier 2 capital</b>	<b>36,363</b>	<b>20,176</b>
<b>Total capital base</b>	<b>329,515</b>	<b>301,974</b>
<b>Risk-weighted exposure amount (RWEA)</b>	<b>30.6.2024</b>	<b>31.12.2023</b>
Credit risk	1,214,556	1,144,477
Market risk	20,463	20,559
Operational risk**	114,400	114,400
<b>Total risk-weighted exposure amount</b>	<b>1,349,419</b>	<b>1,279,436</b>

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

\*\*The amounts are updated on a yearly basis.

<b>CET1 ratio</b>	<b>21.7%</b>	<b>22.0%</b>
<b>Tier 1 capital ratio</b>	<b>21.7%</b>	<b>22.0%</b>
<b>Total capital ratio</b>	<b>24.4%</b>	<b>23.6%</b>
<b>CET1 Ratio as if IFRS 9 transitional arrangements were not applied</b>	<b>21.7%</b>	<b>22.0%</b>
<b>Tier 1 capital ratio as if IFRS 9 transitional arrangements were not applied</b>	<b>21.7%</b>	<b>22.0%</b>
<b>Total capital ratio as if IFRS 9 transitional arrangements were not applied</b>	<b>24.4%</b>	<b>23.6%</b>

## Notes to the Condensed Consolidated Interim Financial Statements

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

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

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

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

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

	30.6.2024		31.12.2023	
	Amount	Percentage of RWEA	Amount	Percentage of RWEA
<b>Own funds and eligible liabilities</b>				
Common Equity Tier 1 (CET1)	293,152	21.7%	281,798	22.0%
Additional Tier 1 capital (AT1)	-	0.0%	-	0.0%
Tier 2 capital	36,363	2.7%	20,176	1.6%
Eligible liabilities	161,702	12.0%	182,851	14.3%
<b>Sum of own funds and eligible liabilities</b>	<b>491,216</b>	<b>36.4%</b>	<b>484,825</b>	<b>37.9%</b>
Recurring MREL requirement	(291,475)	(21.6%)	(276,358)	(21.6%)
Combined buffer requirement (CBR)	(133,592)	(9.9%)	(120,267)	(9.4%)
<b>Sum of MREL and Combined Buffer Requirements</b>	<b>(425,067)</b>	<b>(31.5%)</b>	<b>(396,625)</b>	<b>(31.0%)</b>
<b>MREL Maximum Distributable Amount (M-MDA)</b>	<b>66,149</b>	<b>4.9%</b>	<b>88,200</b>	<b>6.9%</b>

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

### 37. Leverage ratio

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

	30.6.2024	31.12.2023
<b>Leverage ratio</b>		
- On-balance sheet exposure (excluding derivatives and SFTs )	2,053,802	1,942,770
- Derivative instrument exposure	6,456	21,757
- Securities financing transaction exposures	18,315	11,598
- Off-balance sheet exposure	116,683	118,051
- Regulatory adjustments to Tier 1 capital	(10,110)	(20,665)
<b>Total leverage exposure</b>	<b>2,185,146</b>	<b>2,073,511</b>
<b>Tier 1 capital</b>	<b>293,152</b>	<b>281,798</b>
<b>Leverage ratio</b>	<b>13.4%</b>	<b>13.6%</b>
<b>Leverage ratio as if IFRS 9 transitional arrangements were not applied</b>	<b>13.4%</b>	<b>13.6%</b>

## 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 June 2024 and 31 December 2023. For on-balance sheet assets, the exposures are based on net carrying amounts as reported in the Consolidated Statement of Financial Position. Off-balance sheet amounts are the maximum amounts the Group might have to pay for guarantees, undrawn loan commitments, and undrawn overdraft and credit card facilities.

As at 30 June 2024	Corporates													Maximum exposure	Carrying amount
	Financial institutions	Public entities *	Individuals	Fisheries	Real estate companies	Construction companies	Travel industry	Services, ITC	Retail	Manufacturing and energy	Holding companies	Agri-culture	Other		
Cash and balances with Central Bank	-	111,224	-	-	-	-	-	-	-	-	-	-	-	111,224	111,224
Bonds and debt instruments	144	119,749	-	-	-	-	-	1,194	-	18	12	-	-	121,117	140,235
Equities and equity instruments	168	-	-	-	22	-	1	4,370	1	306	7,548	-	-	12,416	22,815
Derivative instruments	2,634	-	1	13	-	1	-	1	11	-	57	-	628	3,346	3,346
Loans and advances to financial institutions	32,511	-	-	-	-	-	-	-	-	-	-	-	-	32,511	32,511
Loans and advances to customers	-	13,862	842,683	194,220	208,003	146,857	122,650	70,386	67,232	31,104	34,308	7,279	1	1,738,585	1,738,585
Other assets	20,556	4	44	3	1,828	-	604	2,342	-	30	-	-	1,330	26,741	26,747
<b>Total on-balance sheet exposure</b>	<b>56,013</b>	<b>244,839</b>	<b>842,728</b>	<b>194,236</b>	<b>209,853</b>	<b>146,858</b>	<b>123,255</b>	<b>78,293</b>	<b>67,244</b>	<b>31,458</b>	<b>41,925</b>	<b>7,279</b>	<b>1,959</b>	<b>2,045,940</b>	<b>2,075,463</b>
<b>Off-balance sheet exposure</b>	<b>2</b>	<b>9,142</b>	<b>38,783</b>	<b>24,090</b>	<b>30,714</b>	<b>83,700</b>	<b>12,923</b>	<b>20,603</b>	<b>27,093</b>	<b>32,294</b>	<b>3,665</b>	<b>621</b>	<b>2,456</b>	<b>286,086</b>	
Financial guarantees and underwriting commitments	-	232	702	5,497	1,841	7,101	2,245	4,863	4,935	809	416	10	-	28,651	
Undrawn loan commitments	-	500	94	15,182	27,734	73,139	8,117	5,717	14,333	26,149	2,952	19	2,429	176,365	
Undrawn overdraft/credit card facilities	2	8,410	37,987	3,411	1,139	3,460	2,561	10,023	7,825	5,336	297	592	27	81,070	
<b>Maximum exposure to credit risk</b>	<b>56,015</b>	<b>253,981</b>	<b>881,511</b>	<b>218,326</b>	<b>240,567</b>	<b>230,558</b>	<b>136,178</b>	<b>98,896</b>	<b>94,337</b>	<b>63,752</b>	<b>45,590</b>	<b>7,900</b>	<b>4,415</b>	<b>2,332,026</b>	
Percentage of maximum exposure to credit risk	2.4%	10.9%	37.8%	9.4%	10.3%	9.9%	5.8%	4.2%	4.0%	2.7%	2.0%	0.3%	0.2%	100%	

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



## Notes to the Condensed Consolidated Interim Financial Statements

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

As at 31 December 2023	Corporates													Maximum exposure	Carrying amount
	Financial institutions	Public entities *	Individuals	Fisheries	Real estate companies	Construction companies	Travel industry	Services, ITC	Retail	Manufacturing and energy	Holding companies	Agri-culture	Other		
Cash and balances with Central Bank	-	75,350	-	-	-	-	-	-	-	-	-	-	-	75,350	75,350
Bonds and debt instruments	128	128,479	-	-	-	-	-	1,429	-	26	15	-	-	130,077	148,182
Equities and equity instruments	82	-	-	9	22	-	3	3,269	9	196	7,488	-	-	11,078	19,012
Derivative instruments	7,151	-	5	84	14	-	1	6	16	-	172	-	10	7,459	7,459
Loans and advances to financial institutions	54,101	-	-	-	-	-	-	-	-	-	-	-	-	54,101	54,101
Loans and advances to customers	-	11,449	819,151	190,233	176,428	132,177	107,693	62,100	64,178	32,536	27,739	7,210	-	1,630,894	1,630,894
Other assets	19,175	28	31	3	1,914	-	602	2,438	-	7	-	-	1,573	25,771	25,778
<b>Total on-balance sheet exposure</b>	<b>80,637</b>	<b>215,306</b>	<b>819,187</b>	<b>190,329</b>	<b>178,378</b>	<b>132,177</b>	<b>108,299</b>	<b>69,242</b>	<b>64,203</b>	<b>32,765</b>	<b>35,414</b>	<b>7,210</b>	<b>1,583</b>	<b>1,934,730</b>	<b>1,960,776</b>
<b>Off-balance sheet exposure</b>	<b>3</b>	<b>10,158</b>	<b>38,251</b>	<b>21,281</b>	<b>33,715</b>	<b>87,246</b>	<b>12,903</b>	<b>20,673</b>	<b>26,687</b>	<b>34,908</b>	<b>2,427</b>	<b>638</b>	<b>2,405</b>	<b>291,295</b>	
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	
<b>Maximum exposure to credit risk</b>	<b>80,640</b>	<b>225,464</b>	<b>857,438</b>	<b>211,610</b>	<b>212,093</b>	<b>219,423</b>	<b>121,202</b>	<b>89,915</b>	<b>90,890</b>	<b>67,673</b>	<b>37,841</b>	<b>7,848</b>	<b>3,988</b>	<b>2,226,025</b>	
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 June 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*			
<b>Financial institutions</b>	-	-	-	-	0	-	-	32,511	-	32,511
<b>Public entities</b>	21	274	20	0	315	1,574	813	11,975	(2)	13,862
<b>Individuals</b>	92,846	320,998	344,712	34,346	792,902	5,596	2,943	46,282	(2,097)	842,683
Mortgages	85,617	306,394	328,678	28,702	749,391	3,337	1,417	4,408	(1,049)	756,087
Other	7,229	14,604	16,034	5,644	43,511	2,259	1,526	41,874	(1,048)	86,596
<b>Corporates</b>	84,577	267,668	243,253	161,687	757,185	112,327	90,584	22,655	(10,127)	882,040
Fisheries	46,657	105,655	36,248	2,419	190,979	3,949	3,702	2,165	(2,873)	194,220
Real estate companies	7,578	39,582	87,174	56,903	191,237	15,936	13,839	1,679	(849)	208,003
Construction companies	3,855	26,321	39,573	46,091	115,840	31,222	23,750	1,249	(1,454)	146,857
Travel industry	2,636	20,727	37,873	29,287	90,523	30,393	26,015	4,559	(2,825)	122,650
Services, IT and communications	7,793	16,214	19,157	8,818	51,982	13,627	11,240	5,303	(526)	70,386
Retail	10,496	31,166	10,289	7,783	59,734	7,230	4,275	650	(382)	67,232
Manufacturing and energy	2,267	5,069	8,826	8,186	24,348	1,555	1,013	5,862	(661)	31,104
Holding companies	2,029	20,379	1,853	1,652	25,913	7,992	6,468	949	(546)	34,308
Agriculture	1,266	2,555	2,260	548	6,629	423	282	238	(11)	7,279
Other	-	-	-	-	0	-	-	1	-	1
<b>Total</b>	<b>177,444</b>	<b>588,940</b>	<b>587,985</b>	<b>196,033</b>	<b>1,550,402</b>	<b>119,497</b>	<b>94,340</b>	<b>113,423</b>	<b>(12,226)</b>	<b>1,771,096</b>

\*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*			
<b>Financial institutions</b>	-	-	-	-	0	-	-	54,101	-	54,101
<b>Public entities</b>	21	261	17	20	319	1,518	763	9,616	(4)	11,449
<b>Individuals</b>	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
<b>Corporates</b>	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
<b>Total</b>	<b>162,244</b>	<b>555,952</b>	<b>616,382</b>	<b>191,784</b>	<b>1,526,362</b>	<b>42,059</b>	<b>29,560</b>	<b>127,948</b>	<b>(11,374)</b>	<b>1,684,995</b>

\*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 June 2024	Real estate	Vessels	Deposits	Securities	Other*	Total
<b>Financial institutions</b>	-	-	-	-	-	<b>0</b>
<b>Public entities</b>	<b>1,106</b>	-	<b>0</b>	-	<b>21</b>	<b>1,127</b>
<b>Individuals</b>	<b>776,766</b>	<b>47</b>	<b>112</b>	<b>2,625</b>	<b>16,155</b>	<b>795,705</b>
Mortgages	745,009	15	82	71	5,494	750,671
Other	31,757	32	30	2,554	10,661	45,034
<b>Corporates</b>	<b>463,616</b>	<b>144,904</b>	<b>5,261</b>	<b>90,516</b>	<b>143,467</b>	<b>847,764</b>
Fisheries	8,787	141,777	521	19,312	24,283	194,680
Real estate companies	185,238	95	380	14,720	4,643	205,076
Construction companies	132,838	4	387	328	6,033	139,590
Travel industry	73,083	233	104	1,145	41,973	116,538
Services, IT and communications	26,926	2,724	926	10,231	22,411	63,218
Retail	15,890	-	86	15,715	32,315	64,006
Manufacturing and energy	12,020	71	2,197	-	11,074	25,362
Holding companies	2,612	-	656	29,065	49	32,382
Agriculture	6,222	-	4	-	686	6,912
Other	-	-	-	-	-	0
<b>Total</b>	<b>1,241,488</b>	<b>144,951</b>	<b>5,373</b>	<b>93,141</b>	<b>159,643</b>	<b>1,644,596</b>
<b>As at 31 December 2023</b>	<b>Real estate</b>	<b>Vessels</b>	<b>Deposits</b>	<b>Securities</b>	<b>Other*</b>	<b>Total</b>
<b>Financial institutions</b>	-	-	-	-	-	<b>0</b>
<b>Public entities</b>	<b>1,058</b>	-	<b>1</b>	-	<b>22</b>	<b>1,081</b>
<b>Individuals</b>	<b>757,315</b>	<b>48</b>	<b>149</b>	<b>3,897</b>	<b>17,695</b>	<b>779,104</b>
Mortgages	724,692	11	120	64	6,315	731,202
Other	32,623	37	29	3,833	11,380	47,902
<b>Corporates</b>	<b>411,923</b>	<b>142,083</b>	<b>5,562</b>	<b>73,827</b>	<b>142,125</b>	<b>775,520</b>
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
<b>Total</b>	<b>1,170,296</b>	<b>142,131</b>	<b>5,712</b>	<b>77,724</b>	<b>159,842</b>	<b>1,555,705</b>

\*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 June 2024	Gross carrying amount					Unrated	Allowance for impairment	Fair value	Carrying amount
	10-7	6-4	3-1	0					
<b>Financial institutions</b>	<b>32,511</b>	-	-	-	-	-	-	-	<b>32,511</b>
<b>Public entities</b>	<b>12,119</b>	<b>1,745</b>	-	-	-	-	(2)	-	<b>13,862</b>
<b>Individuals</b>	<b>624,001</b>	<b>195,503</b>	<b>18,812</b>	<b>4,821</b>	<b>1,605</b>	<b>(2,097)</b>	<b>38</b>	<b>842,683</b>	
Mortgages	589,341	151,406	11,852	3,312	1,225	(1,049)	-	756,087	
Other	34,660	44,097	6,960	1,509	380	(1,048)	38	86,596	
<b>Corporates</b>	<b>161,426</b>	<b>624,968</b>	<b>40,220</b>	<b>23,577</b>	-	<b>(10,127)</b>	<b>41,976</b>	<b>882,040</b>	
Fisheries	64,149	120,946	1,284	4,135	-	(2,873)	6,579	194,220	
Real estate companies	3,283	171,979	8,438	2,818	-	(849)	22,334	208,003	
Construction companies	9,765	127,481	7,599	3,073	-	(1,454)	393	146,857	
Travel industry	14,140	89,321	10,633	11,381	-	(2,825)	-	122,650	
Services, IT and communications	18,129	41,389	6,381	790	-	(526)	4,223	70,386	
Retail	35,571	29,522	2,024	379	-	(382)	118	67,232	
Manufacturing and energy	10,466	19,434	963	902	-	(661)	-	31,104	
Holding companies	1	23,539	2,896	90	-	(546)	8,328	34,308	
Agriculture	5,922	1,357	2	9	-	(11)	-	7,279	
Other	-	-	-	-	-	-	1	1	
<b>Total</b>	<b>830,057</b>	<b>822,216</b>	<b>59,032</b>	<b>28,398</b>	<b>1,605</b>	<b>(12,226)</b>	<b>42,014</b>	<b>1,771,096</b>	

As at 31 December 2023	Gross carrying amount					Unrated	Allowance for impairment	Fair value	Carrying amount
	10-7	6-4	3-1	0					
<b>Financial institutions</b>	<b>54,101</b>	-	-	-	-	-	-	-	<b>54,101</b>
<b>Public entities</b>	<b>9,759</b>	<b>1,689</b>	<b>1</b>	<b>4</b>	-	<b>(4)</b>	-	<b>11,449</b>	
<b>Individuals</b>	<b>610,054</b>	<b>189,653</b>	<b>15,114</b>	<b>4,855</b>	<b>1,804</b>	<b>(2,382)</b>	<b>53</b>	<b>819,151</b>	
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	
<b>Corporates</b>	<b>180,885</b>	<b>554,965</b>	<b>40,407</b>	<b>17,474</b>	-	<b>(8,988)</b>	<b>15,551</b>	<b>800,294</b>	
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	
<b>Total</b>	<b>854,799</b>	<b>746,307</b>	<b>55,522</b>	<b>22,333</b>	<b>1,804</b>	<b>(11,374)</b>	<b>15,604</b>	<b>1,684,995</b>	

## 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 June 2024		1-5	6-30	31-60	61-90	over 90		
<b>Financial institutions</b>	<b>32,511</b>	-	-	-	-	-	-	<b>32,511</b>
<b>Public entities</b>	<b>13,864</b>	-	-	-	-	-	(2)	<b>13,862</b>
<b>Individuals</b>	<b>829,643</b>	<b>3,697</b>	<b>7,741</b>	<b>357</b>	<b>1,141</b>	<b>2,201</b>	<b>(2,097)</b>	<b>842,683</b>
Mortgages	749,512	-	5,133	265	983	1,243	(1,049)	756,087
Other	80,131	3,697	2,608	92	158	958	(1,048)	86,596
<b>Corporates</b>	<b>875,557</b>	<b>2,340</b>	<b>6,451</b>	<b>1,697</b>	<b>458</b>	<b>5,664</b>	<b>(10,127)</b>	<b>882,040</b>
Fisheries	193,989	78	688	112	19	2,207	(2,873)	194,220
Real estate companies	205,765	228	1,666	247	34	912	(849)	208,003
Construction companies	145,171	947	1,676	57	5	455	(1,454)	146,857
Travel industry	121,458	299	1,178	1,074	53	1,413	(2,825)	122,650
Services, IT and communications	69,671	284	261	159	143	394	(526)	70,386
Retail	66,720	258	201	47	191	197	(382)	67,232
Manufacturing and energy	30,932	53	765	-	12	3	(661)	31,104
Holding companies	34,725	38	16	1	-	74	(546)	34,308
Agriculture	7,126	155	-	-	-	9	(11)	7,279
Other	-	-	-	-	1	-	-	1
<b>Total</b>	<b>1,751,575</b>	<b>6,037</b>	<b>14,192</b>	<b>2,054</b>	<b>1,599</b>	<b>7,865</b>	<b>(12,226)</b>	<b>1,771,096</b>

	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		
<b>Financial institutions</b>	<b>54,101</b>	-	-	-	-	-	-	<b>54,101</b>
<b>Public entities</b>	<b>11,417</b>	<b>35</b>	<b>1</b>	-	-	-	(4)	<b>11,449</b>
<b>Individuals</b>	<b>809,837</b>	<b>2,869</b>	<b>1,422</b>	<b>4,302</b>	<b>1,021</b>	<b>2,082</b>	<b>(2,382)</b>	<b>819,151</b>
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
<b>Corporates</b>	<b>790,377</b>	<b>2,499</b>	<b>6,383</b>	<b>3,584</b>	<b>2,917</b>	<b>3,522</b>	<b>(8,988)</b>	<b>800,294</b>
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
<b>Total</b>	<b>1,665,732</b>	<b>5,403</b>	<b>7,806</b>	<b>7,886</b>	<b>3,938</b>	<b>5,604</b>	<b>(11,374)</b>	<b>1,684,995</b>

## 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.

As at 30 June 2024	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			
<b>Financial institutions</b>	<b>32,511</b>	<b>32,511</b>	-	-	-	-	-	-	-	<b>32,511</b>
<b>Public entities</b>	<b>13,864</b>	<b>13,810</b>	<b>(1)</b>	54	<b>(1)</b>	-	-	<b>(2)</b>	-	<b>13,862</b>
<b>Individuals</b>	<b>844,780</b>	<b>812,877</b>	<b>(212)</b>	<b>27,044</b>	<b>(967)</b>	<b>4,821</b>	<b>(918)</b>	<b>(2,097)</b>	38	<b>842,683</b>
Mortgages	757,136	735,203	(62)	18,621	(775)	3,312	(212)	(1,049)	-	756,087
Other	87,644	77,674	(150)	8,423	(192)	1,509	(706)	(1,048)	38	86,596
<b>Corporates</b>	<b>892,167</b>	<b>775,143</b>	<b>(2,032)</b>	<b>51,471</b>	<b>(1,758)</b>	<b>23,577</b>	<b>(6,337)</b>	<b>(10,127)</b>	<b>41,976</b>	<b>882,040</b>
Fisheries	197,093	184,607	(144)	1,772	(59)	4,135	(2,670)	(2,873)	6,579	194,220
Real estate companies	208,852	177,657	(308)	6,043	(176)	2,818	(365)	(849)	22,334	208,003
Construction companies	148,311	137,717	(678)	7,128	(212)	3,073	(564)	(1,454)	393	146,857
Travel industry	125,475	105,433	(417)	8,661	(501)	11,381	(1,907)	(2,825)	-	122,650
Services, IT and communications	70,912	59,915	(160)	5,983	(207)	790	(159)	(526)	4,224	70,386
Retail	67,614	64,025	(157)	3,092	(120)	379	(105)	(382)	118	67,232
Manufacturing and energy	31,765	27,517	(93)	3,346	(56)	902	(512)	(661)	-	31,104
Holding companies	34,854	11,045	(71)	15,391	(424)	90	(51)	(546)	8,328	34,308
Agriculture	7,290	7,227	(4)	54	(3)	9	(4)	(11)	-	7,279
Other	1	-	-	1	-	-	-	-	-	1
<b>Total</b>	<b>1,783,322</b>	<b>1,634,341</b>	<b>(2,245)</b>	<b>78,569</b>	<b>(2,726)</b>	<b>28,398</b>	<b>(7,255)</b>	<b>(12,226)</b>	<b>42,014</b>	<b>1,771,096</b>

## 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			
<b>As at 31 December 2023</b>										
Financial institutions	54,101	54,101	-	-	-	-	-	-	-	54,101
Public entities	11,453	11,372	(4)	77	-	4	-	(4)	-	11,449
<b>Individuals</b>	<b>821,533</b>	<b>787,521</b>	<b>(1,119)</b>	<b>29,020</b>	<b>(482)</b>	<b>4,939</b>	<b>(781)</b>	<b>(2,382)</b>	<b>53</b>	<b>819,151</b>
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
<b>Corporates</b>	<b>809,282</b>	<b>722,593</b>	<b>(2,547)</b>	<b>53,664</b>	<b>(1,640)</b>	<b>17,474</b>	<b>(4,801)</b>	<b>(8,988)</b>	<b>15,551</b>	<b>800,294</b>
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
<b>Total</b>	<b>1,696,369</b>	<b>1,575,587</b>	<b>(3,670)</b>	<b>82,761</b>	<b>(2,122)</b>	<b>22,417</b>	<b>(5,582)</b>	<b>(11,374)</b>	<b>15,604</b>	<b>1,684,995</b>



## 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	
<b>Balance as at 1 January 2024 - Financial institutions</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Changes in models/risk parameters	-	-	-	0
<b>Balance as at 30 June 2024 - Financial institutions</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
- 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	
<b>Balance as at 1 January 2024 - Loans and advances to customers</b>	<b>(4,049)</b>	<b>(2,168)</b>	<b>(5,686)</b>	<b>(11,903)</b>
New financial assets originated	(621)	(323)	(444)	(1,388)
Reversals due to financial assets that have been derecognised	1,200	490	361	2,051
Transfer to Stage 1 - 12-month ECL	(94)	93	1	0
Transfer to Stage 2 - Lifetime ECL	1,262	(1,280)	18	0
Transfer to Stage 3 - Lifetime ECL	440	913	(1,353)	0
Expected cancellation as a result of natural disaster	77	3	-	80
Changes in models/risk parameters	(787)	(479)	(454)	(1,720)
Provisions used to cover write-offs	-	5	176	181
<b>Balance as at 30 June 2024 - Loans and advances to customers</b>	<b>(2,572)</b>	<b>(2,746)</b>	<b>(7,381)</b>	<b>(12,699)</b>
- thereof classified as deduction from gross carrying amounts	(2,245)	(2,726)	(7,255)	(12,226)
- thereof classified as liabilities	(327)	(20)	(126)	(473)

	1.1-30.6.2024				Total
	Financial institutions	Public entities	Individuals	Corporates	
<b>Net impairment on loans and advances</b>					
New financial assets originated	-	-	(161)	(1,227)	(1,388)
Reversals due to financial assets that have been derecognised	-	-	836	1,215	2,051
Changes due to financial assets recognised in the opening balance	-	2	(555)	(1,167)	(1,720)
Impact of natural hazard	-	-	(2,506)	-	(2,506)
Write-offs	-	-	(250)	(18)	(268)
Provisions used to cover write-offs	-	-	167	14	181
Recoveries	-	-	35	29	64
Translation difference	-	-	-	37	37
<b>Total</b>	<b>0</b>	<b>2</b>	<b>(2,434)</b>	<b>(1,117)</b>	<b>(3,549)</b>

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 27 million in the second 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	
<b>Balance as at 1 January 2023 - Financial institutions</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Changes in models/risk parameters	-	-	-	0
<b>Balance as at 31 December 2023 - Financial institutions</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
- 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	
<b>Balance as at 1 January 2023 - Loans and advances to customers</b>	<b>(4,006)</b>	<b>(1,609)</b>	<b>(5,005)</b>	<b>(10,620)</b>
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
<b>Balance as at 31 December 2023 - Loans and advances to customers</b>	<b>(4,049)</b>	<b>(2,168)</b>	<b>(5,686)</b>	<b>(11,903)</b>
- thereof classified as deduction from gross carrying amounts	(3,670)	(2,122)	(5,582)	(11,374)
- thereof classified as liabilities	(379)	(46)	(104)	(529)

#### 1.1-31.12.2023

	Financial institutions	Public entities	Individuals	Corporates	Total
<b>Net impairment on loans and advances</b>					
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)
<b>Total</b>	<b>0</b>	<b>3</b>	<b>(1,491)</b>	<b>(1,484)</b>	<b>(2,972)</b>

### 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 June 2024, the Group had two large exposures compared to three large exposures at year-end 2023. The largest exposure before credit risk mitigation is the Icelandic sovereign. The total ratio of large exposures, net of credit risk mitigation, was 8.9% as at 30 June 2024.

		Ratio of Tier 1 capital	Ratio of Tier 1 capital	Ratio of Tier 1 capital
	Gross	Net		
<b>As at 30 June 2024</b>				
Group 1	86,146	29.4%	213	0.1%
Group 2	32,184	11.0%	25,747	8.8%
<b>Total</b>	<b>118,330</b>	<b>40.4%</b>	<b>25,960</b>	<b>8.9%</b>

## 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%
<b>Total</b>	<b>138,098</b>	<b>48.8%</b>	<b>26,514</b>	<b>9.4%</b>

#### 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 June 2024 and at year-end 2023 are shown in the following table:

Liquidity coverage ratio as at 30 June 2024	Liquidity coverage ratio total (LCR)					
	ISK		EUR			
	Unweighted	Weighted	Unweighted	Weighted	Unweighted	Weighted
Level 1 liquid assets	186,182	186,182	39,383	39,383	226,528	226,528
Level 2 liquid assets	11,133	7,793	213	181	11,346	7,974
Information items	-	-	-	-	-	-
<b>Total liquid assets</b>	<b>197,315</b>	<b>193,975</b>	<b>39,596</b>	<b>39,564</b>	<b>237,874</b>	<b>234,502</b>
Deposits	733,269	117,298	48,341	18,498	848,034	163,740
Borrowing	-	-	-	-	3,820	3,820
Other outflows	187,355	24,972	17,047	1,353	242,763	30,079
<b>Total outflows (0-30 days)</b>	<b>920,624</b>	<b>142,270</b>	<b>65,388</b>	<b>19,851</b>	<b>1,094,617</b>	<b>197,639</b>
Loans and advances to financial institutions	635	156	5,515	4,638	32,990	30,449
Other inflows	37,332	19,941	12,142	6,355	65,400	34,839
Limit on inflows	-	-	-	-	-	-
<b>Total inflows (0-30 days)</b>	<b>37,967</b>	<b>20,097</b>	<b>17,657</b>	<b>10,993</b>	<b>98,390</b>	<b>65,288</b>
<b>Liquidity coverage ratio</b>		<b>159%</b>		<b>447%</b>		<b>177%</b>

Liquidity coverage ratio as at 31 December 2023	Liquidity coverage ratio total (LCR)					
	ISK		EUR			
	Unweighted	Weighted	Unweighted	Weighted	Unweighted	Weighted
Level 1 liquid assets	130,995	130,995	73,323	73,323	207,939	207,939
Level 2 liquid assets	15,203	10,602	216	183	15,418	10,785
Information items	-	-	-	-	-	-
<b>Total liquid assets</b>	<b>146,198</b>	<b>141,597</b>	<b>73,539</b>	<b>73,506</b>	<b>223,357</b>	<b>218,724</b>
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
<b>Total outflows (0-30 days)</b>	<b>829,887</b>	<b>130,624</b>	<b>61,230</b>	<b>19,613</b>	<b>1,023,848</b>	<b>199,652</b>
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)	-	-
<b>Total inflows (0-30 days)</b>	<b>39,382</b>	<b>20,464</b>	<b>18,982</b>	<b>14,709</b>	<b>102,097</b>	<b>78,702</b>
<b>Liquidity coverage ratio</b>		<b>129%</b>		<b>1,499%</b>		<b>181%</b>

## 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.

<b>Liquidity reserves as at 30 June 2024</b>	<b>ISK</b>	<b>Foreign currencies</b>	<b>Total</b>
Cash and balances with the Central Bank	101,887	1,879	103,766
Domestic bonds and debt instruments eligible as collateral with the Central Bank	95,428	213	95,641
Foreign government bonds with 0% risk weight	-	38,467	38,467
<b>High quality liquidity assets</b>	<b>197,315</b>	<b>40,559</b>	<b>237,874</b>
Cash and balances with the Central Bank	479	-	479
Loans and advances to financial institutions	156	32,355	32,511
<b>Total liquidity reserves</b>	<b>197,950</b>	<b>72,914</b>	<b>270,864</b>

<b>Liquidity reserves as at 31 December 2023</b>	<b>ISK</b>	<b>Foreign currencies</b>	<b>Total</b>
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
<b>High quality liquidity assets</b>	<b>146,198</b>	<b>77,160</b>	<b>223,358</b>
Loans and advances to financial institutions	296	54,020	54,316
<b>Total liquidity reserves</b>	<b>146,494</b>	<b>131,180</b>	<b>277,674</b>

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 June 2024 and 31 December 2023.

	<b>As at 30 June 2024</b>	<b>As at 31 December 2023</b>
Net stable funding ratio FX	138%	145%
Net stable funding ratio total	122%	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.

<b>As at 30 June 2024</b>	<b>Run off rate</b>	<b>0-30 days</b>	<b>Over 30 days</b>	<b>Guaranteed</b>	<b>Unguaranteed</b>	<b>Total</b>
Individuals	5% - 100%	474,932	161,600	459,031	177,501	636,532
Small and Medium Sized Corporates	5% - 100%	99,276	15,216	64,624	49,868	114,492
Operational deposits	5% - 25%	-	-	-	-	0
Large Corporates	20% - 40%	184,418	62,770	12,497	234,691	247,188
Public entities	20% - 40%	56,547	8,102	-	64,649	64,649
Financial customers	100%	29,540	44,484	-	74,024	74,024
Other*		17,679	2,085	2,066	17,698	19,764
<b>Total deposits</b>		<b>862,392</b>	<b>294,257</b>	<b>538,218</b>	<b>618,431</b>	<b>1,156,649</b>

<b>As at 31 December 2023</b>	<b>Run off rate</b>	<b>0-30 days</b>	<b>Over 30 days</b>	<b>Guaranteed</b>	<b>Unguaranteed</b>	<b>Total</b>
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
<b>Total deposits</b>		<b>796,047</b>	<b>282,458</b>	<b>506,866</b>	<b>571,639</b>	<b>1,078,505</b>

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

## Notes to the Condensed Consolidated Interim Financial Statements

### 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 June 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 June 2024:

<b>Non-derivative financial liabilities</b>	<b>0-1 month</b>	<b>1-3 months</b>	<b>3-12 months</b>	<b>1-5 years</b>	<b>Over 5 years</b>	<b>No maturity</b>	<b>Total</b>	<b>Carrying amount</b>
Due to financial institutions and								
Central Bank	(6,010)	(677)	(48)	-	-	-	(6,735)	(8,219)
Deposits from customers	(854,212)	(238,321)	(43,473)	(12,469)	(12,306)	-	(1,160,781)	(1,148,431)
Short positions	(19)	(14)	(102)	(1,975)	(4,638)	-	(6,748)	(2,723)
Borrowings	(3,696)	(8,378)	(112,948)	(437,424)	(50,687)	-	(613,133)	(529,137)
Other financial liabilities	(12,077)	-	-	-	-	-	(12,077)	(12,077)
Subordinated liabilities	-	-	(9,520)	(22,222)	(19,800)	-	(51,542)	(36,363)
<b>Total</b>	<b>(876,014)</b>	<b>(247,390)</b>	<b>(166,091)</b>	<b>(474,090)</b>	<b>(87,431)</b>	<b>0</b>	<b>(1,851,016)</b>	<b>(1,736,950)</b>
<b>Derivative financial liabilities</b>								
<b>Trading</b>								(431)
Inflow	22,944	7,662	1,404	29	-	-	32,039	
Outflow	(23,307)	(7,762)	(1,439)	(30)	-	-	(32,538)	
<b>Risk management</b>								(1,102)
Inflow	2,850	7,561	3,837	53,377	-	-	67,625	
Outflow	(2,842)	(8,297)	(3,425)	(54,175)	-	-	(68,739)	
<b>Total</b>	<b>(355)</b>	<b>(836)</b>	<b>377</b>	<b>(799)</b>	<b>0</b>	<b>0</b>	<b>(1,613)</b>	<b>(1,533)</b>
<b>Non-derivative financial assets</b>								
Cash and balances with								
Central Bank	111,224	-	-	-	-	-	111,224	111,224
Bonds and debt instruments	32,440	47,819	15,288	45,813	6,081	-	147,441	140,235
Equities and equity instruments	-	-	-	-	-	22,815	22,815	22,815
Loans and advances to financial institutions	32,511	-	-	-	-	-	32,511	32,511
Loans and advances to customers	79,870	105,822	352,270	723,800	2,042,120	-	3,303,882	1,738,585
Other financial assets	6,176	-	-	-	-	-	6,176	6,176
<b>Total</b>	<b>262,221</b>	<b>153,641</b>	<b>367,558</b>	<b>769,613</b>	<b>2,048,201</b>	<b>22,815</b>	<b>3,624,049</b>	<b>2,051,546</b>
<b>Derivative financial assets</b>								
<b>Trading</b>								719
Inflow	4,731	2,227	142	-	-	-	7,100	
Outflow	(4,050)	(2,199)	(141)	-	-	-	(6,390)	
<b>Risk management</b>								2,627
Inflow	4,566	15,588	19,879	100,596	-	-	140,629	
Outflow	(4,477)	(16,419)	(18,489)	(98,303)	-	-	(137,688)	
<b>Total</b>	<b>770</b>	<b>(803)</b>	<b>1,391</b>	<b>2,293</b>	<b>0</b>	<b>0</b>	<b>3,651</b>	<b>3,346</b>
<b>Off-balance sheet items</b>								
Financial guarantees and underwriting commitments	(603)	(1,003)	(6,398)	(11,709)	(8,499)	(439)	(28,651)	
Undrawn loan commitments	(176,365)	-	-	-	-	-	(176,365)	
Undrawn overdraft/credit card commitments	(81,070)	-	-	-	-	-	(81,070)	
<b>Total</b>	<b>(258,038)</b>	<b>(1,003)</b>	<b>(6,398)</b>	<b>(11,709)</b>	<b>(8,499)</b>	<b>(439)</b>	<b>(286,086)</b>	
<b>Net liquidity position</b>	<b>(871,416)</b>	<b>(96,391)</b>	<b>196,837</b>	<b>285,308</b>	<b>1,952,271</b>	<b>22,376</b>	<b>1,488,985</b>	<b>316,409</b>

## Notes to the Condensed Consolidated Interim Financial Statements

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

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

	0-1 month	1-3 months	3-12 months	1-5 years	Over 5 years	No maturity	Total	Carrying amount
<b>Non-derivative financial liabilities</b>								
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)
<b>Total</b>	<b>(818,585)</b>	<b>(195,658)</b>	<b>(175,669)</b>	<b>(492,373)</b>	<b>(34,078)</b>	<b>0</b>	<b>(1,716,363)</b>	<b>(1,624,341)</b>
<b>Derivative financial liabilities</b>								
<b>Trading</b>								(651)
Inflow	18,538	8,684	1,226	-	-	-	28,448	
Outflow	(18,994)	(8,913)	(1,239)	-	-	-	(29,146)	
<b>Risks management</b>								(882)
Inflow	6,591	16,260	126	2,140	-	-	25,117	
Outflow	(6,691)	(16,471)	(40)	(2,935)	-	-	(26,137)	
<b>Total</b>	<b>(556)</b>	<b>(440)</b>	<b>73</b>	<b>(795)</b>	<b>0</b>	<b>0</b>	<b>(1,718)</b>	<b>(1,533)</b>
<b>Non-derivative financial assets</b>								
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
<b>Total</b>	<b>216,387</b>	<b>161,381</b>	<b>347,325</b>	<b>731,174</b>	<b>1,928,529</b>	<b>19,012</b>	<b>3,403,808</b>	<b>1,932,802</b>
<b>Derivative financial assets</b>								
<b>Trading</b>								336
Inflow	13,316	6,246	787	-	-	-	20,349	
Outflow	(13,083)	(6,146)	(784)	-	-	-	(20,013)	
<b>Risks management</b>								7,123
Inflow	22,189	29,375	2,307	106,320	-	-	160,191	
Outflow	(21,155)	(26,025)	(5,801)	(99,758)	-	-	(152,739)	
<b>Total</b>	<b>1,267</b>	<b>3,450</b>	<b>(3,491)</b>	<b>6,562</b>	<b>0</b>	<b>0</b>	<b>7,788</b>	<b>7,459</b>
<b>Off-balance sheet items</b>								
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)	
<b>Total</b>	<b>(264,069)</b>	<b>(701)</b>	<b>(6,330)</b>	<b>(10,706)</b>	<b>(9,048)</b>	<b>(441)</b>	<b>(291,295)</b>	
<b>Net liquidity position</b>	<b>(865,556)</b>	<b>(31,968)</b>	<b>161,908</b>	<b>233,862</b>	<b>1,885,403</b>	<b>18,571</b>	<b>1,402,220</b>	<b>314,387</b>

## 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 June 2024, these bonds amounted to ISK 15 billion and EUR 250 million. Pledged assets against the bonds amounted to ISK 65 billion (31.12.2023: ISK 66 billion).

The following tables show the Group's total encumbered and unencumbered assets as at 30 June 2024 and 31 December 2023:

	Collateral pledged against		Un-encumbered	Total
	Covered bonds	Other		
<b>As at 30 June 2024</b>				
Cash and balances with Central Bank	15,001	7,458	88,765	111,224
Bonds and debt instruments	-	2,948	137,287	140,235
Equities and equity instruments	-	-	22,815	22,815
Derivative instruments	-	-	3,346	3,346
Loans and advances to financial institutions	-	1,129	31,382	32,511
Loans and advances to customers	439,214	-	1,299,371	1,738,585
Investments in equity-accounted associates	-	-	1,673	1,673
Property and equipment	-	4,984	9,466	14,450
Intangible assets	-	-	1,388	1,388
Other assets	-	-	7,500	7,500
Assets classified as held for sale	-	-	1,736	1,736
<b>Total</b>	<b>454,215</b>	<b>16,519</b>	<b>1,604,729</b>	<b>2,075,463</b>

	Collateral pledged against		Un-encumbered	Total
	Covered bonds	Other		
<b>As at 31 December 2023</b>				
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
<b>Total</b>	<b>411,965</b>	<b>10,851</b>	<b>1,537,960</b>	<b>1,960,776</b>

### 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 June 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	30.6.2024	31.12.2023
	% of RWEA	% of RWEA
Equity price risk	0.5%	0.4%
Interest rate risk	0.6%	0.6%
CVA of derivatives	0.0%	0.2%
Foreign exchange risk	0.4%	0.3%
<b>Total</b>	<b>1.5%</b>	<b>1.6%</b>



## 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.

<b>As at 30 June 2024</b>	<b>Up to 3 months</b>	<b>3-12 months</b>	<b>1-5 years</b>	<b>Over 5 years</b>	<b>Carrying amount</b>
<b>Financial assets</b>					
Cash and balances with Central Bank	111,224	-	-	-	111,224
Bonds and debt instruments	80,786	13,625	40,520	5,304	140,235
Derivative instruments	1,248	237	1,861	-	3,346
Loans and advances to financial institutions	32,511	-	-	-	32,511
Loans and advances to customers	1,259,098	255,863	208,527	15,097	1,738,585
Other financial assets	6,176	-	-	-	6,176
<b>Total</b>	<b>1,491,043</b>	<b>269,725</b>	<b>250,908</b>	<b>20,401</b>	<b>2,032,077</b>
<b>Financial liabilities</b>					
Due to financial institutions and Central Bank	(8,219)	-	-	-	(8,219)
Deposits from customers	(1,140,121)	(4,802)	(3,508)	-	(1,148,431)
Derivative instruments and short positions	(473)	(17)	(1,429)	(2,337)	(4,256)
Borrowings	(48,967)	(100,270)	(344,400)	(35,500)	(529,137)
Other financial liabilities	(12,077)	-	-	-	(12,077)
Subordinated liabilities	-	(7,444)	(13,264)	(15,655)	(36,363)
<b>Total</b>	<b>(1,209,857)</b>	<b>(112,533)</b>	<b>(362,601)</b>	<b>(53,492)</b>	<b>(1,738,483)</b>
Net on-balance sheet position	281,186	157,192	(111,693)	(33,091)	293,594
Derivatives held for hedging	(133,830)	-	133,830	-	-
Net off-balance sheet position	2,000	-	(2,000)	-	-
<b>Total interest repricing gap</b>	<b>149,356</b>	<b>157,192</b>	<b>20,137</b>	<b>(33,091)</b>	<b>-</b>

## Notes to the Condensed Consolidated Interim Financial Statements

### 51. Interest rate risk (continued)

<b>As at 31 December 2023</b>	<b>Up to 3 months</b>	<b>3-12 months</b>	<b>1-5 years</b>	<b>Over 5 years</b>	<b>Carrying amount</b>
<b>Financial assets</b>					
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
<b>Total</b>	<b>1,310,080</b>	<b>261,453</b>	<b>329,297</b>	<b>20,419</b>	<b>1,921,249</b>
<b>Financial liabilities</b>					
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)
<b>Total</b>	<b>(1,150,261)</b>	<b>(107,857)</b>	<b>(357,648)</b>	<b>(10,108)</b>	<b>(1,625,874)</b>
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)	-	-
<b>Total interest repricing gap</b>	<b>71,765</b>	<b>153,596</b>	<b>59,703</b>	<b>10,311</b>	<b>-</b>

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

<b>As at 30 June 2024</b>	<b>Up to 3 months</b>	<b>3-12 months</b>	<b>1-5 years</b>	<b>Over 5 years</b>	<b>Carrying amount</b>
<b>Financial assets</b>					
Bonds and debt instruments	-	342	31,471	2,962	34,775
Derivative instruments	11	-	-	-	11
Loans and advances to customers	49	10,675	59,251	414,602	484,577
<b>Total</b>	<b>60</b>	<b>11,017</b>	<b>90,722</b>	<b>417,564</b>	<b>519,363</b>
<b>Financial liabilities</b>					
Deposits from customers	(103,543)	(63,679)	(7,035)	(6,199)	(180,456)
Derivative instruments and short positions	(12)	-	(679)	(1,274)	(1,965)
Borrowings	-	(48,169)	(89,834)	(22,752)	(160,755)
Subordinated liabilities	-	(7,444)	(13,264)	(12,586)	(33,294)
<b>Total</b>	<b>(103,555)</b>	<b>(119,292)</b>	<b>(110,812)</b>	<b>(42,811)</b>	<b>(376,470)</b>
<b>Total on-balance sheet position</b>	<b>(103,495)</b>	<b>(108,275)</b>	<b>(20,090)</b>	<b>374,753</b>	<b>142,893</b>
<b>Off-balance sheet position</b>					
Interest rate swaps	-	-	(2,000)	-	(2,000)
Total return swaps	520	-	-	-	520
<b>Total off-balance sheet position</b>	<b>520</b>	<b>0</b>	<b>(2,000)</b>	<b>0</b>	<b>(1,480)</b>
<b>Total CPI indexation balance</b>	<b>(102,975)</b>	<b>(108,275)</b>	<b>(22,090)</b>	<b>374,753</b>	<b>141,413</b>

## Notes to the Condensed Consolidated Interim Financial Statements

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

As at 31 December 2023	Up to 3 months	3-12 months	1-5 years	Over 5 years	Carrying amount
<b>Financial assets</b>					
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
<b>Total</b>	<b>788</b>	<b>597</b>	<b>81,700</b>	<b>333,206</b>	<b>416,291</b>
<b>Financial liabilities</b>					
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)
<b>Total</b>	<b>(96,767)</b>	<b>(114,993)</b>	<b>(121,137)</b>	<b>(6,333)</b>	<b>(339,230)</b>
<b>Total on-balance sheet position</b>	<b>(95,979)</b>	<b>(114,396)</b>	<b>(39,437)</b>	<b>326,873</b>	<b>77,061</b>
<b>Off-balance sheet position</b>					
Interest rate swaps	-	-	(2,000)	-	(2,000)
Total return swaps	(310)	-	-	-	(310)
<b>Total off-balance sheet position</b>	<b>(310)</b>	<b>0</b>	<b>(2,000)</b>	<b>0</b>	<b>(2,310)</b>
<b>Total CPI indexation balance</b>	<b>(96,289)</b>	<b>(114,396)</b>	<b>(41,437)</b>	<b>326,873</b>	<b>74,751</b>

#### 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 June 2024 was +1.29% 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 June 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 June 2024	EUR	GBP	USD	NOK	SEK	Other	Total
<b>Assets</b>							
Cash and balances with Central Bank	917	157	455	-	9	342	1,880
Bonds and debt instruments	38,693	-	-	-	-	-	38,693
Equities and equity instruments	99	21	2,466	57	-	-	2,643
Derivative instruments	2,498	37	457	78	-	-	3,070
Loans and advances to financial institutions	5,515	1,861	9,697	5,550	4,480	5,253	32,356
Loans and advances to customers	225,172	2,004	73,634	55	28	6,820	307,713
Other assets	89	3	184	1	2	55	334
<b>Total</b>	<b>272,983</b>	<b>4,083</b>	<b>86,893</b>	<b>5,741</b>	<b>4,519</b>	<b>12,470</b>	<b>386,689</b>
<b>Liabilities</b>							
Due to financial institutions and Central Bank	(2,636)	(9)	(294)	-	-	-	(2,939)
Deposits from customers	(47,483)	(5,343)	(60,776)	(4,015)	(695)	(6,037)	(124,349)
Derivative instruments and short positions	(723)	(4)	(68)	(15)	-	-	(810)
Borrowings	(209,709)	-	(26,018)	(28,227)	(17,153)	-	(281,107)
Other liabilities	(1,788)	(683)	(1,345)	(143)	(166)	(553)	(4,678)
Subordinated liabilities	-	-	-	-	-	-	0
<b>Total</b>	<b>(262,339)</b>	<b>(6,039)</b>	<b>(88,501)</b>	<b>(32,400)</b>	<b>(18,014)</b>	<b>(6,590)</b>	<b>(413,883)</b>
Net on-balance sheet position	10,644	(1,956)	(1,608)	(26,659)	(13,495)	5,880	(27,194)
Net off-balance sheet position	(9,083)	2,007	3,943	27,089	13,619	(6,136)	31,439
<b>Net currency position</b>	<b>1,561</b>	<b>51</b>	<b>2,335</b>	<b>430</b>	<b>124</b>	<b>(256)</b>	<b>4,245</b>

## 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
<b>Assets</b>							
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
<b>Total</b>	<b>292,564</b>	<b>4,340</b>	<b>97,932</b>	<b>13,102</b>	<b>91</b>	<b>10,892</b>	<b>418,921</b>
<b>Liabilities</b>							
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
<b>Total</b>	<b>(272,326)</b>	<b>(6,086)</b>	<b>(100,746)</b>	<b>(32,637)</b>	<b>(30,322)</b>	<b>(6,372)</b>	<b>(448,489)</b>
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
<b>Net currency position</b>	<b>2,777</b>	<b>523</b>	<b>(458)</b>	<b>273</b>	<b>104</b>	<b>(185)</b>	<b>3,034</b>

### 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 June 2024	As at 31 December 2023	% change	Average for 1.1-30.6 2024	Average for 1.1-30.6 2023
EUR/ISK	148.70	150.09	(0.9%)	149.35	150.63
GBP/ISK	175.44	173.21	1.3%	174.76	172.25
USD/ISK	138.82	135.88	2.2%	138.01	139.47
JPY/ISK	0.8629	0.9635	(10.4%)	0.9098	1.0279
CHF/ISK	154.39	161.49	(4.4%)	155.85	152.71
CAD/ISK	101.44	103.03	(1.5%)	101.98	103.43
DKK/ISK	19.940	20.135	(1.0%)	20.030	20.230
NOK/ISK	13.021	13.379	(2.7%)	13.005	13.372
SEK/ISK	13.095	13.487	(2.9%)	13.135	13.272

## Notes to the Condensed Consolidated Interim Financial Statements

### Consolidated Key Figures

#### 56. Operations by quarters

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

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

## Notes to the Condensed Consolidated Interim Financial Statements

### Consolidated Key Figures

#### 57. Key figures and ratios

	2024		2023			
	Q2	Q1	Q4	Q3	Q2	Q1
Return on equity after taxes	11.7%	9.3%	14.5%	10.9%	9.5%	11.1%
Cost-income ratio	32.5%	33.6%	31.6%	31.5%	39.5%	33.3%
Operating expenses as a ratio of average total assets	1.3%	1.4%	1.5%	1.2%	1.4%	1.4%
Return on assets	1.7%	1.4%	2.2%	1.6%	1.4%	1.7%
Interest spread as ratio of average total assets	2.9%	2.9%	3.0%	3.1%	3.0%	2.8%
Earnings per share	0.38	0.30	0.46	0.33	0.28	0.33
	<b>30.6.2024</b>	<b>31.3.2024</b>	<b>31.12.2023</b>	<b>30.9.2023</b>	<b>30.6.2023</b>	<b>31.3.2023</b>
Total capital ratio	24.4%	24.9%	23.6%	23.7%	25.3%	25.3%
CET1 ratio	21.7%	22.2%	22.0%	22.2%	22.6%	22.6%
Minimum Requirement for Own Funds and Eligible Liabilities (MREL)	36.4%	39.6%	37.9%	37.8%	35.5%	39.4%
Leverage ratio	13.4%	13.6%	13.6%	13.5%	13.9%	13.6%
Loans / deposits	151.4%	151.1%	155.5%	150.2%	157.6%	157.4%
Deposits / total assets	55.3%	54.3%	53.5%	53.7%	53.4%	52.2%
Liquidity coverage ratio total (LCR)	177%	272%	181%	238%	165%	235%
Net stable funding ratio FX (NSFR)	138%	157%	145%	150%	136%	145%
Average number of full-time equivalent positions during the period	824	824	849	816	807	826
Number of full-time positions at end of the period	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	(Interest income - interest expenses) / average total assets
Earnings per share	Profit (loss) for the period attributable to owners of the Bank / Weighted average number of shares outstanding
Total capital ratio	Total capital base / risk-exposure amount
CET1 ratio	Common equity tier 1 capital (CET1) / Risk exposure amount
Common equity Tier 1 capital (CET1)	Total equity - adjustments according to CRR II
Additional common equity Tier 1 capital (AT1)	Capital instruments under Tier 1 other than (CET1)
Tier 1 capital (T1)	Common equity Tier 1 capital + additional common equity Tier 1 capital
Tier 2 capital (T2)	Subordinated liabilities - regulatory amortisation
Total capital base	CET1 + AT1 + T2
Minimum Requirement for Own Funds and Eligible Liabilities (MREL)	Total capital base + eligible liabilities / Total risk-weighted exposure amount
Leverage ratio	Tier 1 capital / (total assets + off balance sheet items)
Loans/ deposits	Loans and advances to customers/ deposits from customers
Deposits / total assets	Deposits from customers/ total assets
Liquidity coverage ratio (LCR)	High quality liquid assets / total net liquidity outflows over 30 days under stressed conditions
Net stable funding ratio FX (NSFR)	Available amount of stable funding / required amount of stable funding
Average number of full-time equivalent positions during the period	The average number of full-time employees in work during the period
Number of full-time positions at end of the period	Number of full-time equivalent positions at end of the period

# Undirritunarsíða

Undirritað af  
Eva Halldórsdóttir

Undirritað af  
Jón Þorvarður Sigurgeirsson

Undirritað af  
Kristján Þórarinn Davíðsson

Undirritað af  
Lilja Björk Einarsdóttir

Undirritað af  
Örn Guðmundsson

Undirritað af  
Rebekka Jóelsdóttir

Undirritað af  
Steinunn Guðbj. Þorsteinsdóttir

Undirritað af  
Þór Hauksson