



Condensed Consolidated Interim Financial Statements

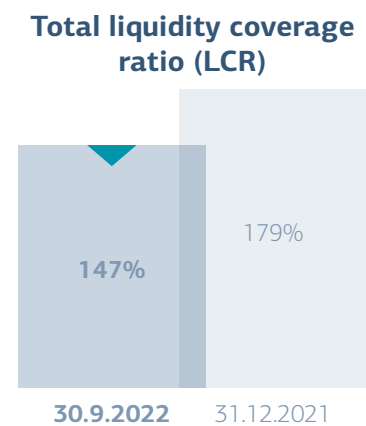
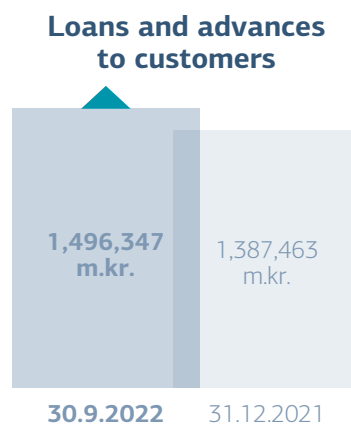
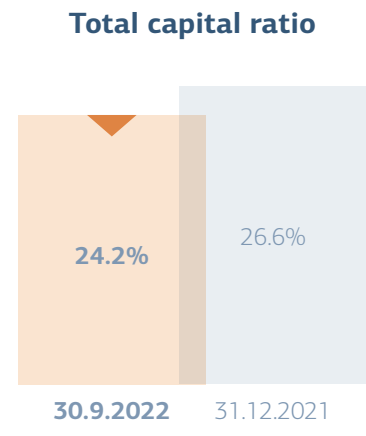
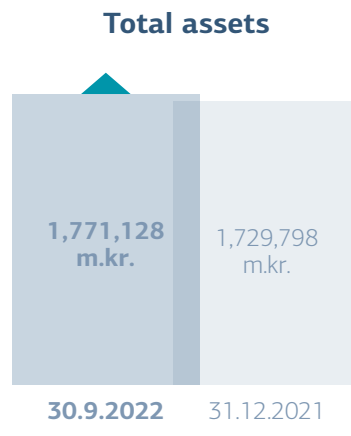
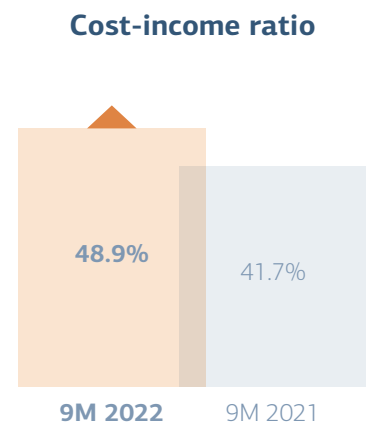
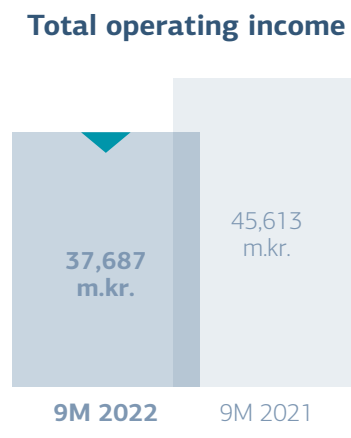
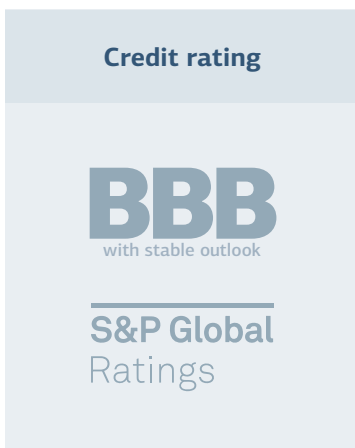
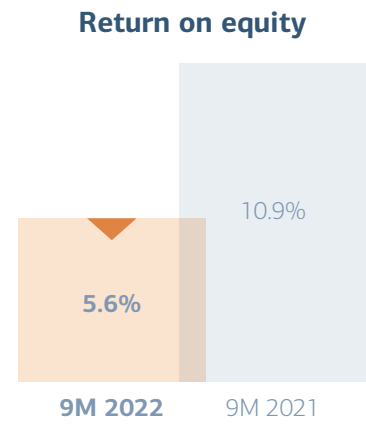
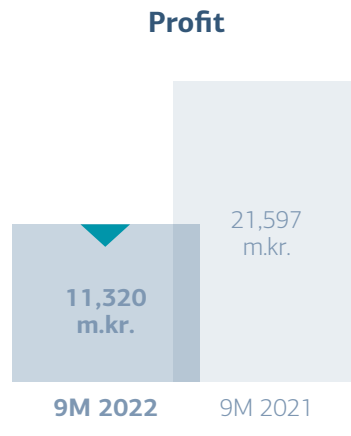
LANDSBANKINN HF | Reg. No. 471008-0280 | LANDSBANKINN.IS

For the nine months ended 30 September 2022



Content	Page
Highlights	1
Report of the Board of Directors and the CEO	2 - 3
Independent Auditor's Review Report	4
Condensed Consolidated Income Statement for the nine months ended 30 September 2022	6
Condensed Consolidated Statement of Comprehensive Income for the nine months ended 30 September 2022	6
Condensed Consolidated Statement of Financial Position as at 30 September 2022	7
Condensed Consolidated Statement of Changes in Equity for the nine months ended 30 September 2022	8
Condensed Consolidated Statement of Cash Flows for the nine months ended 30 September 2022	9 - 10
Notes to the Condensed Consolidated Interim Financial Statements	11 - 57

Highlights



Report of the Board of Directors and the CEO

The Board of Directors and the CEO of Landsbankinn hf. ("Landsbankinn" or the "Bank") submit this report together with the reviewed Condensed Consolidated Interim Financial Statements of Landsbankinn hf. for the first nine months of 2022, which include the accounts of the Bank and its subsidiaries (the "Group").

About the Bank

Landsbankinn is a leading financial institution in Iceland, offering a comprehensive range of financial services to individuals, corporates and investors.

The Bank's strategy - Landsbankinn, an ever-smarter bank - is founded on the ideal of mutual trust and a personal approach to banking. Customer satisfaction comes first at Landsbankinn. Our focus is on ensuring sound operation and continued robust development of digital solutions. Our aim is to simplify life for our customers by making finance more approachable while simultaneously strengthening advisory service and education. Satisfied employees and a success-driven culture strengthen the Bank's operation and create opportunities for initiative.

The Bank is organised into seven divisions: Personal Banking, Corporate Banking, Asset Management & Capital Markets, Finance & Operations, Risk Management, IT and Community. The operating segments of the Group are comprised of four business segments and other segments. Together these constitute the reportable operating segments, the results of which are presented in the Group's internal and external financial reporting (see Note 5).

Financial performance

Consolidated profit amounted to ISK 11,320 million for the first nine months of 2022 (9M 2021: ISK 21,597 million). After-tax return on equity was 5.6% (9M 2021: 10.9%) and the Bank's cost-income ratio was 48.9% (9M 2021: 41.7%). Net interest income for the period was ISK 33,595 million, increasing by 17.6% between years. Net fee and commission income was ISK 7,878 million, increasing by 14.3% between years. Net loss on financial assets and liabilities at fair value was ISK 7,855 million (9M 2021: ISK 5,541 million net profit), attributable to plummeting equity prices this year to date. Net release of credit impairment was ISK 2,665 million during the period (9M 2021: ISK 3,790 million net release), a positive result attributable among other factors to specific collective allowance no longer needed. Salaries and related expenses were ISK 10,488 million and decrease slightly between years. The average number of full-time equivalent positions during the period was 822 (9M 2021: 885)

Consolidated total equity amounted to ISK 273,414 million at the end of the period. Total assets were ISK 1,771,128 million, increasing by 2.4% from the beginning of the year.

Risk factors

The total capital ratio of the Group, calculated according to the Act on Financial Undertakings, was 24.2% at the end of the period (31 December 2021 26.6%), remaining well above current regulatory requirements. Dividend payments approved by the Bank's Annual General Meeting in March account for the reduction in the ratio from year-end 2021. The carrying amount of loans and advances to customers increased by 7.8% in the first nine months of the year, with lending to both individuals and corporates increasing. The Bank's risk-weighted exposure amount (RWEA) increased by 4.3% in the first nine months of the year and amounted to ISK 1,193 billion at the end of Q3. Credit risk remains the most significant risk factor in the Bank's operation and is about 90% of total RWEA.

The weighted average probability of default in the Bank's loan portfolio decreased in the first nine months of the year and was 1.7% at the end of Q3 (31 December 2021: 2.2%). Expected credit loss (ECL) in the loan portfolio decreased during the first nine months of the year and the net release of credit impairment was ISK 2,665 million. Since the start of the COVID-19 pandemic, the Bank has assessed the need for specific collective allowance to meet uncertainty about the final impact of the pandemic on its loan portfolio. At the end of the third quarter, there is not considered to be need for specific collective allowance, neither for impairment of loans to the travel sector nor loans to other companies. At the end of the period, the carrying amount of loans with active COVID-19 related payment moratoria amounted to ISK 7.5 billion, ISK 4.0 billion thereof to customers in the travel sector.

The Bank's liquidity ratios are well above current regulatory requirement at the end of Q3. The total liquidity coverage ratio was 147%, 126% in Icelandic króna and 204% in foreign currencies. Market risk, measured as the ratio of the Bank's risk-weighted assets to the total risk exposure amount, has increased this year and was 1.3% at the end of the period yet remains well within the Bank's risk appetite.

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 2021, supplemented with Pillar III additional disclosures for Q3 of 2022, all accessible on the Bank's website, www.landsbankinn.is.

Dividend

The 2022 AGM of Landsbankinn, held on 23 March, approved the motion of the Board of Directors to pay shareholders a dividend of ISK 0.61 per share for the fiscal year 2021 in two instalments. The first payment of ISK 0.31 per share was made to shareholders on 30 March 2022 and the second payment of ISK 0.30 per share on 21 September 2022. In total, these dividend payments amount to ISK 14,409 million.

The AGM also approved payment of a special dividend of ISK 0.26 per share. The payment was made on 28 April 2022 and amounted to ISK 6,141 million in total.

Economic outlook

According to the preliminary assessment of Statistics Iceland, economic growth measured 6.1% between years in Q2 of 2022. This is significant growth in a historical context despite being a reduction from the first quarter, when economic growth measured 8.6%. Economic growth was driven by robust growth in the travel sector. Monthly tourist arrivals to Iceland have been on the increase and have now reached levels approaching 2019 figures, that is pre-pandemic. There are some threatening clouds on the horizon, with inflation approaching historic levels in many of Iceland's trading partner countries, causing uncertainty about the prioritisation of travel and holidays going forward. This could lead to decreasing export growth and domestic product.

Report of the Board of Directors and the CEO

Economic outlook (continued)

The Economic Research department of Landsbankinn considers inflation to have peaked domestically and expects it to drop slowly alongside clear signs of cooling in the housing market. On the other hand, the ISK has not appreciated as much as expected and commodities prices are still at historic levels, putting pressure on prices. High inflation has caused a contraction in purchasing power domestically. This could put a damper on private consumption growth as well as economic growth going forward, yet private consumption increased considerably between years in the first half of 2022, or by 11%.

Soaring inflation and rising inflation expectations have led to tighter monetary control from central banks throughout the world, including rapid policy rate hikes. Rising interest rate levels and growing yields on financial assets have subsequently led to rapid drops on both bond and equity markets. The economic outlook is nevertheless better in Iceland than in most of Europe and the US which will support domestic stock prices, all things remaining equal.

The main uncertainty domestically at this time is the labour market, which is heading into negotiations for collective bargaining agreements. The labour market has been strong, the wage drift significant and businesses have experienced a labour shortage. Inflation and interest rate developments are the main root of uncertainty internationally as high inflation and interest levels will impact economic growth.

Other matters

On 29 September 2022, the Bank sold around six thousand square metres of office and service space in its new building at Austurbakki in Reykjavík, the so-called North Wing, to the National Treasury, along with a share in building and property rights and right to common areas. The sale price of the North Wing is ISK 5,981 million, subject to the final cost of final completion. The sale results to an ISK 3,865 million reduction in property and equipment towards the end of the third quarter. In addition, the Bank recognises liability for estimated cost of final completion in the amount of ISK 2,116 in its accounts.

On 29 August 2022, the Bank received renewed recognition of good governance in the annual review of Stjórnvísí and the designation model of good corporate governance. Landsbankinn first received this recognition in 2014 and has been an annual recipient since. The aim of the recognition is to promote good corporate governance and clarify the role and responsibilities of corporate management.

Statement by the Board of Directors and the CEO

The Condensed Consolidated Interim Financial Statements of Landsbankinn hf. for the first nine months of 2022 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 performance of the Group, the consolidated cash flows for the first nine months of 2022 and its consolidated financial position as at 30 September 2022. Furthermore, the Condensed Consolidated Interim Financial Statements, including the report of the Board of Directors and the CEO, describe the principal risks and uncertainties faced by the Group.

The Board of Directors and Chief Executive Officer of the Bank endorse the Condensed Consolidated Interim Financial Statements of Landsbankinn hf. for the first nine months of 2022.

Reykjavík, 27 October 2022

Board of Directors

Helga Björk Eiríksdóttir, Chairman
Berglind Svavarsdóttir, Vice-Chairman
Elín H. Jónsdóttir
Guðbrandur Sigurðsson
Guðrún Ó. Blöndal
Helgi F. Arnarson
Thorvaldur Jacobsen

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 at 30 September 2022 which comprise of Report of the Board of Directors and the CEO, Condensed Consolidated Statement of Financial Position as at 30 September 2022 and the related Condensed Consolidated Income Statement, Condensed Consolidated Statement of Comprehensive income, Condensed Consolidated Statement of Changes in Equity and Condensed Consolidated Statement of Cash Flows for the nine-month period then ended 30 September 2022 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, 27 October 2022

PricewaterhouseCoopers ehf

Arna G. Tryggvadóttir
State Authorized Public Accountant

Atli Þór Jóhannsson
State Authorized Public Accountant

This page has been left blank intentionally.

Condensed Consolidated Income Statement for the nine months ended 30 September 2022

Notes	2022	2021	2022	2021	
	1.7-30.9	1.7-30.9	1.1-30.9	1.1-30.9	
	Interest income	28,677	15,646	75,025	48,074
	Interest expense	(16,500)	(6,046)	(41,430)	(19,516)
6	Net interest income	12,177	9,600	33,595	28,558
	Fee and commission income	3,657	3,417	11,330	9,489
	Fee and commission expense	(1,201)	(895)	(3,452)	(2,599)
7	Net fee and commission income	2,456	2,522	7,878	6,890
8	Net (loss) gain on financial assets and liabilities at FVTPL	(3,054)	1,886	(7,855)	5,541
	Net foreign exchange gain (loss)	285	55	314	(17)
9	Net impairment changes	2,622	1,008	2,665	3,790
10	Other income and (expenses)	369	275	1,090	851
	Net other operating income	222	3,224	(3,786)	10,165
	Total operating income	14,855	15,346	37,687	45,613
11	Salaries and related expenses	(3,149)	(3,238)	(10,488)	(10,731)
	Other operating expenses	(2,135)	(2,202)	(6,652)	(6,719)
	Tax on liabilities of financial institutions	(547)	(525)	(1,562)	(1,505)
	Total operating expenses	(5,831)	(5,965)	(18,702)	(18,955)
	Profit before tax	9,024	9,381	18,985	26,658
12	Income tax	(3,261)	(1,889)	(7,665)	(5,061)
	Profit for the period	5,763	7,492	11,320	21,597
	Profit for the year attributable to:				
	Owners of the Bank	5,763	7,492	11,320	21,597
	Non-controlling interests	0	0	0	0
	Profit for the period	5,763	7,492	11,320	21,597
	Earnings per share				
29	Basic and diluted earnings per share from operations (ISK)	0.24	0.32	0.48	0.91

Condensed Consolidated Statement of Comprehensive Income for the nine months ended 30 September 2022

Notes	2022	2021	2022	2021	
	1.7-30.9	1.7-30.9	1.1-30.9	1.1-30.9	
	Profit for the period	5,763	7,492	11,320	21,597
	Other comprehensive income for the period, after tax	0	0	0	0
	Total comprehensive income for the period	5,763	7,492	11,320	21,597

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

Condensed Consolidated Statement of Financial Position as at 30 September 2022

Notes	30.9.2022	31.12.2021	
Assets			
17, 47	Cash and balances with Central Bank	93,799	82,425
18	Bonds and debt instruments	91,951	150,435
19	Equities and equity instruments	20,559	33,347
20	Derivative instruments	1,403	1,233
21, 47	Loans and advances to financial institutions	42,706	47,231
22, 47	Loans and advances to customers	1,496,347	1,387,463
	Investments in equity-accounted associates	1,935	1,857
	Property and equipment	12,006	13,019
	Intangible assets	1,729	1,781
25	Deferred tax assets	0	15
23	Other assets	8,162	10,087
	Assets classified as held for sale	531	905
	Total assets	1,771,128	1,729,798
Liabilities			
	Due to financial institutions and Central Bank	5,059	10,425
	Deposits from customers	967,965	900,098
20	Derivative instruments and short positions	6,998	4,562
24, 47	Borrowings	459,365	486,042
25	Tax liabilities	16,191	9,602
26	Other liabilities	21,387	15,609
	Liabilities associated with assets classified as held for sale	20	30
27	Subordinated liabilities	20,729	20,785
	Total liabilities	1,497,714	1,447,153
28	Equity		
	Share capital	23,621	23,621
	Share premium	120,593	120,594
	Reserves	12,465	23,591
	Retained earnings	116,735	114,839
	Total equity	273,414	282,645
	Total liabilities and equity	1,771,128	1,729,798

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

Condensed Consolidated Statement of Changes in Equity for the nine months ended 30 September 2022

Notes

		Attributable to owners of the Bank							
		Reserves*						Non-controlling interests	
Change in equity for the nine months ended 30 September 2022		Share capital	Share premium	Statutory reserve	Unrealised gains in subsidiaries and equity-accounted associates reserve	Fair value changes of financial assets designated at FVTPL	Retained earnings	Total	Total
	Balance as at 1 January 2022	23,621	120,594	6,000	5,272	12,319	114,839	282,645	282,645
	Profit for the period						11,320	11,320	11,320
	Transferred to (from) restricted retained earnings				(2,674)	(8,452)	11,126	0	0
	Purchase of own shares	-	(2)					(2)	(2)
	Dividends allocated						(20,550)	(20,550)	(20,550)
28	Balance as at 30 September 2022	23,621	120,593	6,000	2,598	3,867	116,735	273,414	0
Change in equity for the nine months ended 30 September 2021									
	Balance as at 1 January 2021	23,625	120,630	6,000	3,659	9,591	94,750	258,255	258,255
	Profit for the period						21,597	21,597	21,597
	Transferred to restricted retained earnings				1,300	2,181	(3,481)	0	0
	Purchase of own shares	(2)	(18)					(20)	(20)
	Dividends allocated						(4,489)	(4,489)	(4,489)
28	Balance as at 30 September 2021	23,623	120,612	6,000	4,959	11,772	108,377	275,343	0

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

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

Condensed Consolidated Statement of Cash Flows for the nine months ended 30 September 2022

Notes	2022 1.1-30.9	2021 1.1-30.9
Operating activities		
Profit for the period	11,320	21,597
Adjustments for non-cash items included in profit for the period	(19,462)	(31,488)
Changes in operating assets and liabilities	22,513	(36,483)
Interest received	60,417	46,973
Interest paid	(12,450)	(8,915)
Dividends received	241	238
Income tax and special tax on liabilities paid	(2,623)	(6,202)
Net cash from (used in) operating activities	59,956	(14,280)
Investing activities		
Acquisition of additional shares in associates	-	(30)
Purchase of property and equipment	(3,261)	(2,941)
Proceeds from sale of property and equipment	5,990	295
Purchase of intangible assets	(126)	(314)
Sale of associates	242	-
Investing activities	2,845	(2,990)
Financing activities		
Proceeds from borrowings	55,546	84,418
Purchase of own shares	(2)	(19)
Repayment of borrowings	(76,880)	(30,534)
Rent paid	(511)	(482)
Dividends paid	(20,550)	(4,489)
Financing activities	(42,397)	48,894
Cash and cash equivalents as at the beginning of the period	84,388	69,091
Net change in cash and cash equivalents	20,404	31,624
Effect of exchange rate changes on cash and cash equivalents held	(4)	502
Cash and cash equivalents as at the end of the period	104,788	101,217

Cash and cash equivalents is specified as follows:

17	Cash and balances with Central Bank	93,799	92,043
21	Bank accounts with financial institutions	23,879	26,764
17	Mandatory and special restricted balances with Central Bank	(12,890)	(17,590)
	Cash and cash equivalents as at the end of the period	104,788	101,217

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

Condensed Consolidated Statement of Cash Flows for the nine months ended 30 September 2022

Notes	2022 1.1-30.9	2021 1.1-30.9	
Adjustments for non-cash items included in profit for the period			
6	Net interest income	(33,595)	(28,558)
8	Net loss (gain) on financial assets and liabilities at FVTPL	7,855	(5,541)
	Net foreign exchange gain	(314)	(485)
9	Net impairment changes	(2,665)	(3,790)
	Gain on sale of property and equipment	(6)	(209)
	Net income on repossessions	(545)	(166)
	Depreciation and amortisation	949	938
	Profit on sale of associates	(152)	-
	Share of profit of equity-accounted associates	(216)	(243)
	Tax on liabilities of financial institutions	1,562	1,505
12	Income tax	7,665	5,061
		(19,462)	(31,488)

Changes in operating assets and liabilities

Change in reserve requirement with Central Bank	409	(3,936)
Change in bonds and equities	61,947	(9,527)
Change in loans and advances to financial institutions	10,907	72
Change in loans and advances to customers	(91,759)	(101,379)
Change in other assets	(5,345)	(1,032)
Change in assets classified as held for sale	870	515
Change in due to financial institutions and Central Bank	(5,382)	46
Change in deposits from customers	46,976	72,902
Change in tax liability	107	24
Change in other liabilities	3,783	5,832
	22,513	(36,483)

Change in liabilities due to financing activities

	As at 1.1.2022	Cash flow	Non-cash changes			As at 30.9.2022
			Accrued interest	Foreign exchange	Change in the fair value	
Secured borrowings	217,887	(11,130)	14,702	-	-	221,459
Senior unsecured bonds	181,905	6,477	1,330	(12,229)	-	177,483
Senior unsecured bonds held to hedge long-term borrowings	66,470	(21,201)	282	(2,245)	(1,278)	42,028
Other unsecured loans	19,780	(3,676)	354	1,937	-	18,395
Subordinated liabilities	20,785	(442)	1,010	(624)	-	20,729
Total	506,827	(29,972)	17,678	(13,161)	(1,278)	480,094

	As at 1.1.2021	Cash flow	Non-cash changes			As at 30.9.2021
			Accrued interest	Foreign exchange	Change in the fair value	
Secured borrowings	189,360	23,659	8,746	-	-	221,765
Senior unsecured bonds	116,196	27,451	1,373	(3,921)	-	141,099
Senior unsecured bonds held to hedge long-term borrowings	95,468	(255)	284	(2,992)	(787)	91,718
Other unsecured loans	19,154	(54)	229	504	-	19,833
Subordinated liabilities	21,366	(470)	699	(496)	-	21,099
Total	441,544	50,331	11,331	(6,905)	(787)	495,514

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

Notes to the Condensed Consolidated Interim Financial Statements

Note	Page	Note	Page
General			
1	12	34	33
2	12	35	33-34
3	12	36	34-35
4	12-13	Risk management	
5	13-14	Credit risk	
Notes to the Condensed Consolidated Income Statement			
6	15	37	36-37
7	15-16	38	38-39
8	16	39	40
9	16	40	41
10	16	41	42
11	16	42	43-44
12	17	43	45-46
Notes to the Condensed Consolidated Statement of Financial Position			
13	18-19	44	46
14	20	Liquidity risk	
15	20-21	45	47-48
16	21	46	48-50
17	22	47	51
18	22	Market risk	
19	22	48	51
20	23-24	49	51
21	24	50	52
22	25	51	53
23	25	Currency risk	
24	26-27	52	54
25	27-28	53	54
26	28	54	55
27	28	Consolidated key figures	
28	29	55	56
Other notes			
29	30	56	57
30	30-31		
31	31		
32	31-32		
33	32		

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 Austurstræti 11, 155 Reykjavík.

The Condensed Consolidated Interim Financial Statements of the Bank for the nine months ended 30 September 2022 include the Bank and its subsidiaries (collectively referred to as the "Group" and individually as "Group entities"). The Group's primary lines of business are corporate and personal banking, markets, asset management and other related financial services. The Group operates solely in Iceland.

2. Basis of preparation

These Condensed Consolidated Interim Financial Statements for the nine months ended 30 September 2022 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 27 October 2022.

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 2021, which are available on the Bank's website, www.landsbankinn.is.

Going concern

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

Functional and presentation currency

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

Use of estimates and judgements

The preparation of 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 2021.

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.

Notes to the Condensed Consolidated Interim Financial Statements

4. Economic forecasts (continued)

The following table shows certain key economic variables used to calculate the ECL allowance for stages 1 and 2. At the reporting date, baseline forecast of Landsbankinn Economic Research projects 5,9% growth in GDP this year. The forecasts for the upside, baseline and downside scenarios show averages for the 12-months outlook and to the medium-term forecast horizon. The upside scenario is given 15% weight (31 December 2021; 20%), the baseline 70% weight (31 December 2021; 60%) and the downside scenario 15% weight (31 December 2021; 20%).

	Upside scenario		Base case scenario		Downside scenario	
	Next 12 Months	Remainder of the Forecast Period	Next 12 Months	Remainder of the Forecast Period	Next 12 Months	Remainder of the Forecast Period
As at 30 September 2022						
GDP growth	8.8%	9.7%	3.9%	2.9%	-1.0%	-3.8%
Unemployment rate	1.5%	1.0%	3.1%	3.1%	4.8%	6.2%
Base rate	4.5%	0.8%	6.2%	4.6%	7.9%	8.6%
Inflation	4.5%	-0.4%	7.0%	3.7%	9.5%	7.8%
EUR/ISK exchange rate, average	122.0	97.7	137.3	135.3	152.5	172.9
Housing Price index, y/y change	20.1%	17.7%	13.0%	4.9%	5.8%	-8.0%
Household indebtedness	38.5%	25.0%	47.9%	46.9%	57.3%	68.9%
	Upside scenario		Base case scenario		Downside scenario	
	Next 12 Months	Remainder of the Forecast Period	Next 12 Months	Remainder of the Forecast Period	Next 12 Months	Remainder of the Forecast Period
As at 31 December 2021						
GDP growth	7.8%	4.1%	5.6%	1.9%	3.0%	-0.1%
Unemployment rate	3.7%	2.5%	4.7%	3.8%	7.6%	6.1%
Base rate	3.4%	5.3%	2.9%	3.9%	2.3%	1.7%
Inflation	4.7%	3.5%	3.6%	2.6%	5.0%	2.5%
EUR/ISK exchange rate, average	143.1	136.0	145.3	139.3	161.3	150.0
Housing Price index, y/y change	12.9%	7.0%	10.2%	4.5%	7.9%	1.4%
Household indebtedness	52.7%	50.3%	53.1%	51.9%	54.7%	56.1%
	As at 30 September 2022			As at 31 December 2021		
	Upside scenario	Base scenario	Downside scenario	Upside scenario	Base scenario	Downside scenario
Allowance for impairment (Stage 1 and Stage 2)	3,144	4,863	7,608	6,005	6,273	7,152
Proportion of assets in Stage 2	3.6%	3.9%	5.5%	6.8%	6.9%	7.1%
				Reported under IFRS 9		
				As at 30 September 2022	As at 31 December 2021	
Allowance for impairment (Stage 1 and Stage 2)				5,015	6,394	

5. Operating segments

Segment information for the Group is presented in accordance with internal reporting to the CEO and the Board of 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 & Operations, Risk Management, IT and Community. The Group's operating segments are divided into four main business segments and other operating segments. 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 the 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 the 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 & Operation** 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 operating segments are Finance & Operations (with the exception of Treasury and Market Making), Risk Management, IT and Community. 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.

Notes to the Condensed Consolidated Interim Financial Statements

5. Operating segments (continued)

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. Support functions 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 debt ratio.

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

Revenue from transactions with any single external customer was within 10% of the Group's total revenue during the period from 1 January to 30 September 2022 and the corresponding period in 2021.

	Personal Banking	Corporate Banking	Asset Management & Capital Market	Treasury and Market Making	Other segments	Recon- ciliation	Total
1 January - 30 September 2022							
Net interest income	12,268	14,312	577	6,344	(40)	134	33,595
Net fee and commission income	2,336	1,516	4,334	(199)	7	(116)	7,878
Net impairment changes	9	2,660	(1)	(3)	-	-	2,665
Net other operating income (expenses)	185	3	(393)	(6,998)	770	(18)	(6,451)
Total operating income (expense)	14,798	18,491	4,517	(856)	737	0	37,687
Operating expenses	(4,865)	(2,353)	(1,484)	(731)	(7,842)	135	(17,140)
Tax on liabilities of financial institutions	(611)	(306)	(7)	(632)	(6)	-	(1,562)
Profit (loss) before cost allocation and tax	9,322	15,832	3,026	(2,219)	(7,111)	135	18,985
Allocated expenses	(3,168)	(2,140)	(816)	(729)	6,853	-	0
Profit (loss) before tax	6,154	13,692	2,210	(2,948)	(258)	135	18,985
Income tax	(1,684)	(3,579)	(890)	(1,603)	91	-	(7,665)
Profit (loss) for the period	4,470	10,113	1,320	(4,551)	(167)	135	11,320
Net revenue (expenses) from external customers	29,736	28,777	4,692	(26,240)	722	-	37,687
Net revenue (expenses) from other segments	(14,938)	(10,286)	(175)	25,384	15	-	0
Total operating income (expense)	14,798	18,491	4,517	(856)	737	0	37,687
As at 30 September 2022							
Total assets	830,388	657,636	12,058	733,777	18,130	(480,861)	1,771,128
Total liabilities	788,568	558,176	7,000	606,701	18,130	(480,861)	1,497,714
Allocated capital	41,820	99,460	5,058	127,076	-	-	273,414
	Personal Banking	Corporate Banking	Asset Management & Capital Market	Treasury and Market Making	Other segments	Recon- ciliation	Total
1 January - 30 September 2021							
Net interest income	12,573	13,921	386	1,744	(48)	(18)	28,558
Net fee and commission income	2,126	1,156	4,082	(193)	28	(309)	6,890
Net impairment changes	687	3,098	(1)	6	-	-	3,790
Net other operating income (expenses)	229	223	243	5,110	582	(12)	6,375
Total operating income (expense)	15,615	18,398	4,710	6,667	562	(339)	45,613
Operating expenses	(5,124)	(2,188)	(1,583)	(536)	(8,342)	323	(17,450)
Tax on liabilities of financial institutions	(609)	(280)	(6)	(599)	(11)	-	(1,505)
Profit (loss) before cost allocation and tax	9,882	15,930	3,121	5,532	(7,791)	(16)	26,658
Allocated expenses	(3,162)	(2,076)	(809)	(697)	6,744	-	0
Profit (loss) before tax	6,720	13,854	2,312	4,835	(1,047)	(16)	26,658
Income tax	(1,734)	(3,477)	332	(399)	217	-	(5,061)
Profit (loss) for the period	4,986	10,377	2,644	4,436	(830)	(16)	21,597
Net revenue (expenses) from external customers	23,941	24,963	4,556	(8,062)	554	-	45,952
Net revenue (expenses) from other segments	(8,326)	(6,565)	154	14,729	8	-	0
Total operating income (expense)	15,615	18,398	4,710	6,667	562	0	45,952
As at 30 September 2021							
Total assets	750,169	624,769	10,906	687,416	18,640	(373,542)	1,718,358
Total liabilities	711,565	504,931	6,527	574,894	18,640	(373,542)	1,443,015
Allocated capital	38,604	119,838	4,379	112,522	-	-	275,343

Notes to the Consolidated Income Statement

6. Net interest income

	1.7-30.9.2022			1.7-30.9.2021		
	Amortised cost	FVTPL	Total	Amortised cost	FVTPL	Total
Interest income						
Cash and balances with Central Bank	911	-	911	152	-	152
Loans and advances to financial institutions	51	-	51	1	-	1
Loans and advances to customers	27,295	384	27,679	15,306	175	15,481
Other interest income	34	2	36	3	9	12
Total	28,291	386	28,677	15,462	184	15,646
Interest expense						
Due to financial institutions and Central Bank	(22)	-	(22)	(133)	-	(133)
Deposits from customers	(9,420)	-	(9,420)	(1,926)	-	(1,926)
Borrowings	(5,639)	(105)	(5,744)	(3,140)	(171)	(3,311)
Other interest expense	(16)	(934)	(950)	(23)	(408)	(431)
Subordinated liabilities	(364)	-	(364)	(245)	-	(245)
Total	(15,461)	(1,039)	(16,500)	(5,467)	(579)	(6,046)
Net interest income	12,830	(653)	12,177	9,995	(395)	9,600

	1.1-30.9.2022			1.1-30.9.2021		
	Amortised cost	Designated at FVTPL	Total	Amortised cost	Designated at FVTPL	Total
Interest income						
Cash and balances with Central Bank	1,805	-	1,805	332	-	332
Bonds and debt instruments	-	-	0	24	-	24
Loans and advances to financial institutions	58	-	58	4	-	4
Loans and advances to customers	72,088	923	73,011	47,198	476	47,674
Other interest income	146	5	151	6	34	40
Total	74,097	928	75,025	47,564	510	48,074
Interest expense						
Due to financial institutions and Central Bank	(77)	-	(77)	(394)	-	(394)
Deposits from customers	(21,665)	-	(21,665)	(6,224)	-	(6,224)
Borrowings	(16,426)	(244)	(16,670)	(10,204)	(426)	(10,630)
Other interest expense	(49)	(1,957)	(2,006)	(73)	(1,473)	(1,546)
Subordinated liabilities	(1,012)	-	(1,012)	(722)	-	(722)
Total	(39,229)	(2,201)	(41,430)	(17,617)	(1,899)	(19,516)
Net interest income	34,868	(1,273)	33,595	29,947	(1,389)	28,558

Net interest income, calculated based on the effective interest rate method, amounted to ISK 33,595 million in the first nine months of 2022 as compared with ISK 28,554 for the same period in 2021.

7. Net fee and commission income

	1.7-30.9 2022			1.7-30.9 2021		
	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	1,423	(198)	1,225	1,564	(155)	1,409
Loans and guarantees	235	-	235	250	-	250
Payment cards	1,458	(747)	711	1,166	(519)	647
Collection and payment services	242	-	242	233	(49)	184
Other	299	(256)	43	204	(172)	32
Total	3,657	(1,201)	2,456	3,417	(895)	2,522

Notes to the Condensed Consolidated Interim Financial Statements

7. Net fee and commission income (continued)

	1.1-30.9.2022			1.1-30.9.2021		
	Fee and commission income	Fee and commission expense	Net fee and commission income	Fee and commission income	Fee and commission expense	Net fee and commission income
Capital Markets	4,872	(550)	4,322	4,444	(461)	3,983
Loans and guarantees	852	-	852	739	-	739
Payment cards	4,136	(2,168)	1,968	3,100	(1,449)	1,651
Collection and payment services	716	(93)	623	687	(147)	540
Other	754	(641)	113	519	(542)	(23)
Total	11,330	(3,452)	7,878	9,489	(2,599)	6,890

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

	2022 1.7-30.9	2021 1.7-30.9	2022 1.1-30.9	2021 1.1-30.9
Net (loss) gain on financial assets and liabilities at FVTPL				
Bonds and debt instruments	101	105	53	215
Equities and equity instruments	(3,631)	1,445	(8,987)	4,044
Derivatives and underlying hedges	439	263	1,015	994
Loans and advances to customers	22	60	-	219
Net gain on fair value hedges	15	13	64	69
Total	(3,054)	1,886	(7,855)	5,541

9. Net impairment changes

	2022 1.7-30.9	2021 1.7-30.9	2022 1.1-30.9	2021 1.1-30.9
Net impairment changes of loans to customers	2,600	1,028	2,643	3,836
Net impairment changes of other financial assets	22	(20)	22	(46)
Net impairment changes of financial assets	2,622	1,008	2,665	3,790
Net impairment changes by customer type				
Public entities	-	1	(1)	1
Individuals	(90)	401	(140)	859
Corporates	2,712	606	2,806	2,930
Net impairment changes of financial assets	2,622	1,008	2,665	3,790

10. Other income and expenses

	2022 1.7-30.9	2021 1.7-30.9	2022 1.1-30.9	2021 1.1-30.9
Share of profit of equity-accounted associates	160	109	216	243
Net income (expense) on repossessions	18	(3)	545	166
Other	191	169	329	442
Total	369	275	1,090	851

11. Salaries and related expenses

	2022 1.7-30.9	2021 1.7-30.9	2022 1.1-30.9	2021 1.1-30.9
Salaries	2,298	2,394	7,958	8,230
Contribution to defined pension plans	433	437	1,290	1,292
Social security contributions	208	200	620	593
Special financial activities tax on salaries	180	180	537	534
Other related expenses	30	27	83	82
Total	3,149	3,238	10,488	10,731
Average number of full-time equivalent positions during the period	873	919	822	885

Notes to the Condensed Consolidated Interim Financial Statements

12. Income tax

Income tax recognised in the income statement is specified as follows:

	2022	2021
	1.1-30.9	1.1-30.9
Current tax expense	(5,906)	(3,967)
Special income tax on financial institutions	(1,652)	(1,070)
Origination and reversal of temporary differences due to deferred tax assets/liabilities	(107)	(24)
Total	(7,665)	(5,061)

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

		2022		2021
		1.1-30.9		1.1-30.9
Profit before income tax		18,985		26,658
Income tax calculated using the domestic corporate income tax rate	20.0%	(3,797)	20.0%	(5,332)
Special income tax on financial institutions	8.7%	(1,652)	4.0%	(1,070)
Income not subject to tax	(1.9%)	358	(6.1%)	1,634
Non-deductible expenses	13.5%	(2,572)	1.1%	(293)
Other	0.0%	(2)	0.0%	-
Effective income tax	40.4%	(7,665)	19.0%	(5,061)

Notes to the Condensed Consolidated Interim Financial Statements

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

The following table shows the classification of the Group's financial assets and liabilities according to IFRS 9 and their fair values as at 30 September 2022:

As at 30 September 2022	Notes	Carrying amount				Total	Fair value			
		Amortised cost	Mandatorily at FVTPL	Designated at FVTPL	Other financial liabilities		Level 1	Level 2	Level 3	Total
Financial assets measured at fair value										
Bonds and debt instruments	18	-	89,508	2,443	-	91,951	90,856	32	1,063	91,951
Equities and equity instruments	19	-	20,559	-	-	20,559	8,413	-	12,146	20,559
Derivative instruments	20	-	1,403	-	-	1,403	-	1,403	-	1,403
Loans and advances to customers	22	-	19,927	-	-	19,927	-	-	19,927	19,927
		0	131,397	2,443	0	133,840	99,269	1,435	33,136	133,840
Financial assets not measured at fair value										
Cash and balances with Central Bank	17	93,799	-	-	-	93,799	-	93,799	-	93,799
Loans and advances to financial institutions	21	42,706	-	-	-	42,706	-	42,706	-	42,706
Loans and advances to customers	22	1,476,420	-	-	-	1,476,420	-	1,463,815	-	1,463,815
Other financial assets		7,164	-	-	-	7,164	-	7,164	-	7,164
		1,620,089	0	0	0	1,620,089	0	1,607,484	0	1,607,484
Financial liabilities measured at fair value										
Derivative instruments	20	-	5,714	-	-	5,714	-	5,714	-	5,714
Short positions	20	-	1,284	-	-	1,284	1,284	-	-	1,284
		0	6,998	0	0	6,998	1,284	5,714	0	6,998
Financial liabilities not measured at fair value										
Due to financial institutions and Central Bank		-	-	-	5,059	5,059	-	5,059	-	5,059
Deposits from customers		-	-	-	967,965	967,965	-	967,547	-	967,547
Borrowings	24	-	-	-	459,365	459,365	-	448,411	-	448,411
Other financial liabilities		-	-	-	14,086	14,086	-	14,086	-	14,086
Subordinated liabilities	27	-	-	-	20,729	20,729	-	21,173	-	21,173
		0	0	0	1,467,204	1,467,204	0	1,456,276	0	1,456,276

Notes to the Condensed Consolidated Interim Financial Statements

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 2021:

As at 31 December 2021	Notes	Carrying amount					Fair value			
		Amortised cost	Mandatorily at FVTPL	Designated at FVTPL	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value										
Bonds and debt instruments	18	-	148,201	2,234	-	150,435	149,939	29	467	150,435
Equities and equity instruments	19	-	33,347	-	-	33,347	12,753	-	20,594	33,347
Derivative instruments	20	-	1,233	-	-	1,233	-	1,233	-	1,233
Loans and advances to customers	22	-	22,142	-	-	22,142	-	-	22,142	22,142
		0	204,923	2,234	0	207,157	162,692	1,262	43,203	207,157
Financial assets not measured at fair value										
Cash and balances with Central Bank	17	82,425	-	-	-	82,425	-	82,425	-	82,425
Loans and advances to financial institutions	21	47,231	-	-	-	47,231	-	47,231	-	47,231
Loans and advances to customers	22	1,365,321	-	-	-	1,365,321	-	1,372,601	-	1,372,601
Other financial assets		8,800	-	-	-	8,800	-	8,800	-	8,800
		1,503,777	0	0	0	1,503,777	0	1,511,057	0	1,511,057
Financial liabilities measured at fair value										
Derivative instruments	20	-	1,946	-	-	1,946	-	1,946	-	1,946
Short positions	20	-	2,616	-	-	2,616	2,616	-	-	2,616
		0	4,562	0	0	4,562	2,616	1,946	0	4,562
Financial liabilities not measured at fair value										
Due to financial institutions and Central Bank		-	-	-	10,425	10,425	-	10,425	-	10,425
Deposits from customers		-	-	-	900,098	900,098	-	899,792	-	899,792
Borrowings	24	-	-	-	486,042	486,042	-	502,304	-	502,304
Other financial liabilities		-	-	-	9,195	9,195	-	9,195	-	9,195
Subordinated liabilities	27	-	-	-	20,785	20,785	-	21,217	-	21,217
		0	0	0	1,426,545	1,426,545	0	1,442,933	0	1,442,933

Notes to the Consolidated Statement of Financial Position

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

At the end of each reporting period the Group determines whether transfers of financial assets and financial liabilities measured at fair value have occurred between levels in the hierarchy by reviewing the classification. During the period from 1 January to 30 September 2022 and 1 January to 30 September 2021, there were no transfers between Level 1, Level 2 and Level 3.

The following tables show the reconciliation of fair value measurement in Level 3 for the nine months ended 30 September 2022 and for the year 2021:

	Bonds and debt instruments	Equities and equity instruments	Loans and advances to customers	Total financial assets
1 January - 30 September 2022				
Carrying amount as at 1 January 2022	467	20,594	22,142	43,203
Net gain (loss) on financial assets and liabilities at FVTPL	17	(8,408)	-	(8,391)
Net foreign exchange loss	(3)	(1)	-	(4)
Purchases	582	220	213,040	213,842
Sales	-	(132)	-	(132)
Settlements	-	-	(215,255)	(215,255)
Dividend received	-	(127)	-	(127)
Carrying amount as at 30 September 2022	1,063	12,146	19,927	33,136
1 January - 31 December 2021				
Carrying amount as at 1 January 2021	581	17,490	16,515	34,586
Net gain on financial assets and liabilities at FVTPL	12	3,477	95	3,584
Net foreign exchange (loss) gain	(2)	(1)	18	15
Purchases	77	371	163,386	163,834
Sales	(200)	(527)	-	(727)
Settlements	(1)	-	(157,872)	(157,873)
Transfers out of Level 3	-	(3)	-	(3)
Dividend received	-	(213)	-	(213)
Carrying amount as at 31 December 2021	467	20,594	22,142	43,203

The following table shows the line items in the Consolidated Income Statement where gains (losses) on financial assets and liabilities categorised in Level 3 and held by the Group as at 30 September 2022 and 30 September 2021, were recognised:

	Bonds and debt instruments	Equities and equity instruments	Loans and advances to customers	Total
1 January - 30 September 2022				
Net gain on financial assets and liabilities at FVTPL realised	-	137	-	137
Net gain (loss) on financial assets and liabilities at FVTPL unrealised	17	(8,546)	-	(8,529)
Net foreign exchange loss	(3)	(1)	-	(4)
Total	14	(8,410)	0	(8,396)
1 January - 30 September 2021				
Net gain on financial assets and liabilities at FVTPL realised	25	76	-	101
Net gain (loss) on financial assets and liabilities at FVTPL unrealised	(18)	3,569	219	3,770
Total	7	3,645	219	3,871

15. Unobservable inputs in fair value measurement

The following table summarises the unobservable inputs used in measuring fair value of financial assets and liabilities categorised in Level 3 as at 30 September 2022 and 31 December 2021.

As at 30 September 2022	Assets	Liabilities	Valuation technique	Key un-observable inputs	Range of inputs	
					Lower	Higher
Bonds and debt instruments	1,063	-	See 1) below	See 1) below	n/a	n/a
Equities and equity instruments	12,146	-	See 2) below	See 2) below	n/a	n/a
Loans and advances to customers	19,927	-	See 3) below	See 3) below	n/a	n/a
	33,136	0				

15. Unobservable inputs in fair value measurement (continued)

As at 31 December 2021	Assets	Liabilities	Valuation technique	Key un-observable inputs	Range of inputs	
					Lower	Higher
Bonds and debt instruments	467	-	See 1) below	See 1) below	n/a	n/a
Equities and equity instruments	20,594	-	See 2) below	See 2) below	n/a	n/a
Loans and advances to customers	22,142	-	See 3) below	See 3) below	n/a	n/a
	43,203	0				

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. Given the nature of the valuation method, a range of key unobservable inputs is not available.

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 transactions are the methods or inputs used to estimate fair value of investments in equities and equity instruments. Given the nature of the valuation method, the range of key unobservable inputs is not available.

3. Loans and advances to customers carried at FVTPL are classified as financial assets in Level 3. The valuation technique is based on significant non-observable inputs as loans and advances are unlisted and not traded in an active market. The valuation technique is based on available market data such as interest and inflation curves, probability of default and liquidity spread. Given the nature of the valuation method, the range of key unobservable inputs is not available.

The effect of unobservable inputs in fair value measurement

Although the Group believes that its estimates of fair value are appropriate, the use of different valuation methodologies and assumptions could lead to different estimates of fair value. The following tables show how profit (loss) before tax would have been affected if one or more of the inputs for fair value measurements in Level 3 were changed to likely alternatives for the nine months ended 30 September 2022 and 30 September 2021:

Effect on profit before tax	2022 1.1-30.9		2021 1.1-30.9	
	Favourable	Unfavourable	Favourable	Unfavourable
Bonds and debt instruments	53	(53)	22	(22)
Equities and equity instruments:				
Equities - Banking book	788	(801)	1,224	(1,212)
Loans and advances to customers	20	(25)	36	(36)
Total	861	(879)	1,282	(1,270)

The effect on profit (loss) was calculated as the difference between results generated using the same valuation methods but changing key unobservable inputs for bonds and equities by +/- 5% and +/- 1% for loans and advances to customers.

16. Expected credit loss

	30.9.2022			
	Stage 1	Stage 2	Stage 3	Total
Cash and balances with Central Bank	(2)	-	-	(2)
Loans and advances to customers	(3,192)	(1,331)	(5,230)	(9,753)
Other financial assets	(43)	-	(4)	(47)
Expected credit loss, off-balance sheet items	(466)	(26)	(119)	(611)
Total	(3,703)	(1,357)	(5,353)	(10,413)

	31.12.2021			
	Stage 1	Stage 2	Stage 3	Total
Cash and balances with Central Bank	(1)	-	-	(1)
Loans and advances to customers	(1,845)	(4,098)	(7,880)	(13,823)
Other financial assets	(70)	-	(2)	(72)
Expected credit loss, off-balance sheet items	(329)	(122)	(99)	(550)
Total	(2,245)	(4,220)	(7,981)	(14,446)

Uncertainty about the final impact of the pandemic on the Bank's credit portfolio continued to dwindle in Q3 of 2022. As a result, the Bank considers that there is no longer need for specific collective provision, neither for impairment of loans to the travel sector (31 December 2021: ISK 2.1 billion) nor loans to other corporates (32 December 2021: ISK 199 million).

Notes to the Condensed Consolidated Interim Financial Statements

17. Cash and balances with Central Bank

	30.9.2022	31.12.2021
Cash on hand	4,950	5,274
Unrestricted balances with Central Bank	75,959	63,853
Total cash and unrestricted balances with Central Bank	80,909	69,127
Restricted balances with Central Bank - fixed reserve requirement	10,121	10,144
Cash and balances pledged as collateral to the Central Bank	2,769	3,154
Total restricted balances with Central Bank	12,890	13,298
Total cash and balances with Central Bank	93,799	82,425

18. Bonds and debt instruments

Bonds and debt instruments	30.9.2022			31.12.2021		
	Mandatorily at FVTPL	Designated at FVTPL	Total	Mandatorily at FVTPL	Designated at FVTPL	Total
Domestic						
Listed	65,855	446	66,301	78,982	499	79,481
Unlisted	-	1,997	1,997	-	1,735	1,735
	65,855	2,443	68,298	78,982	2,234	81,216
Foreign						
Listed	23,653	-	23,653	69,219	-	69,219
	23,653	0	23,653	69,219	0	69,219
Total bonds	89,508	2,443	91,951	148,201	2,234	150,435

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

19. Equities and equity instruments

Equities and equity instruments	30.9.2022			31.12.2021		
	Trading book	Banking book	Total	Trading book	Banking book	Total
Domestic						
Listed	7,370	432	7,802	11,071	511	11,582
Unlisted	32	12,360	12,392	-	20,893	20,893
	7,402	12,792	20,194	11,071	21,404	32,475
Foreign						
Listed	3	339	342	431	417	848
Unlisted	-	23	23	-	24	24
	3	362	365	431	441	872
Total equities	7,405	13,154	20,559	11,502	21,845	33,347

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

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

As at 30 September 2022, outstanding commitments of the Group in share subscriptions amounted to ISK 1.158 million (31 December 2021: ISK 3.952 million) altogether in six entities (31 December 2021: seven entities). The entities invested in by the Group are required to redeem its shareholders with proceeds from the sale of assets.

Notes to the Condensed Consolidated Interim Financial Statements

20. Derivative instruments and short positions

Trading

	30.9.2022			31.12.2021		
	Notional amount	Fair value		Notional amount	Fair value	
Foreign exchange derivatives		Assets	Liabilities		Assets	Liabilities
Currency forwards	91,802	820	640	45,712	99	133
Cross-currency interest rate swaps	812	84	-	411	24	-
	92,614	904	640	46,123	123	133
Interest rate derivatives						
Interest rate swaps	1,033	-	5	1,187	8	-
Total return swaps	33,814	144	73	51,613	25	69
	34,847	144	78	52,800	33	69
Equity derivatives						
Equity forwards	159	13	5	107	-	5
Total return swaps	5,808	216	32	8,525	11	220
	5,967	229	37	8,632	11	225
Total derivative instruments	133,428	1,277	755	107,555	167	427
Short positions						
Listed equities	-	-	-	-	-	434
Listed bonds	1,085	-	1,284	2,054	-	2,182
Total short positions	1,085	0	1,284	2,054	0	2,616
Total	134,513	1,277	2,039	109,609	167	3,043

Risk management

	30.9.2022			31.12.2021		
	Notional amount	Fair value		Notional amount	Fair value	
Foreign exchange derivatives		Assets	Liabilities		Assets	Liabilities
Currency forwards	66,224	121	3,908	62,015	308	1,058
	66,224	121	3,908	62,015	308	1,058
Interest rate derivatives						
Interest rate swaps	3,033	5	595	3,187	-	461
	3,033	5	595	3,187	0	461
Fair value hedging						
Interest rate swaps	42,390	-	456	111,523	758	-
	42,390	0	456	111,523	758	0
Total	111,647	126	4,959	176,725	1,066	1,519
Total derivative instruments and short positions	246,160	1,403	6,998	286,334	1,233	4,562

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 2022 to 30 September 2022, the slope of the regression line was in all cases within the range of 0.90 and 0.93 (for a 95% confidence level) and the regression coefficient was at least 0.90 (R2). During the same period in 2021, the slope of the regression line is in all cases within the range of 1.04 and 1.09 (for a 95% confidence level) and the regression coefficient is at least 0.90 (R2). In all cases the effectiveness is within limits during the first nine months of 2022 and 2021.

Notes to the Condensed Consolidated Interim Financial Statements

20. Derivative instruments and short positions (continued)

Fair value hedging (continued)

As at 30 September 2022	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	42,390	42,390	-	-	-	456	(1,214)
Total	42,390	42,390	0	0	0	456	(1,214)

Average fixed interest rate - EUR 1.00%

As at 30 September 2022	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 1.375 3/22	-	-	-	-	253
LBANK 1.00 5/23	-	42,028	521	-	1,025
Total EMTN hedged borrowings	0	42,028	521	0	1,278

As at 31 December 2021	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
		Up to 3 months	1-5 years	>5 years	Assets	Liabilities	
Interest rate swaps - EUR	65,597	21,317	44,280	-	758	-	(886)
Total	65,597	21,317	44,280	0	758	0	(886)

Average fixed interest rate - EUR 1.375% 1.00%

As at 31 December 2021	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 1.375 3/22	-	21,570	-	27	568
LBANK 1.00 5/23	-	44,900	-	346	406
Total EMTN hedged borrowings	0	66,470	0	373	974

21. Loans and advances to financial institutions

	30.9.2022	31.12.2021
Bank accounts with financial institutions	23,879	15,261
Money market loans	13,367	29,552
Other loans	5,460	2,418
Allowance for impairment	-	-
Total	42,706	47,231

Notes to the Condensed Consolidated Interim Financial Statements

22. Loans and advances to customers

	30.9.2022	31.12.2021
Loans and advances to customers at amortised cost	1,486,173	1,379,144
Allowance for impairment	(9,753)	(13,823)
Total	1,476,420	1,365,321
Loans and advances to customers at FVTPL	19,927	22,142
Total	1,496,347	1,387,463

Loans and advances to customers at amortised cost

	30.9.2022			31.12.2021		
	Gross carrying amount	Allowance for impairment	Carrying amount	Gross carrying amount	Allowance for impairment	Carrying amount
Public entities	4,063	(4)	4,059	3,898	(3)	3,895
Individuals	782,676	(1,356)	781,320	726,309	(1,359)	724,950
Mortgage lending	697,622	(493)	697,129	646,981	(466)	646,515
Other	85,054	(863)	84,191	79,328	(893)	78,435
Corporates	699,434	(8,393)	691,041	648,937	(12,461)	636,476
Total	1,486,173	(9,753)	1,476,420	1,379,144	(13,823)	1,365,321

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

23. Other assets

	30.9.2022	31.12.2021
Unsettled securities trading	3,440	2,111
Other accounts receivable	1,963	4,710
Right-of-use assets	1,761	1,979
Sundry assets	998	1,287
Total	8,162	10,087

Notes to the Condensed Consolidated Interim Financial Statements

24. Borrowings

Secured borrowings

As at 30 September 2022	Currency	Final maturity	Outstanding principal	Indexed/ Non-indexed	Contractual interest rate	Carrying amount
LBANK CB 23	ISK	23.11.2023	44,060	Non-indexed	Fixed 5.0%	46,657
LBANK CBI 24	ISK	15.11.2024	38,080	CPI-indexed	Fixed 3.0%	49,657
LBANK CB 25	ISK	17.09.2025	37,700	Non-indexed	Fixed 3.4%	37,348
LBANK CBI 26	ISK	20.11.2026	11,120	CPI-indexed	Fixed 1.5%	13,370
LBANK CB 27	ISK	20.09.2027	9,980	Non-indexed	Fixed 4.6%	9,505
LBANK CBI 28	ISK	04.10.2028	48,280	CPI-indexed	Fixed 3.0%	64,922
Total covered bonds						221,459
Total secured borrowings						221,459

Unsecured borrowings

As at 30 September 2022	Currency	Final maturity	Outstanding principal	Contractual interest rate	Carrying amount
LBANK 1.00 05/23*	EUR	30.05.2023	EUR 300 million	FIXED 1.0%	42,028
LBANK FLOAT 10/23	NOK	19.10.2023	NOK 500 million	NIBOR + 1.55%	6,683
LBANK FLOAT 10/23	SEK	19.10.2023	SEK 500 million	STIBOR + 1.55%	6,519
LBANK FLOAT 01/24	SEK	19.01.2024	SEK 850 million	STIBOR + 0.65%	11,065
LBANK 0.5 05/24	EUR	20.05.2024	EUR 300 million	FIXED 0.5%	42,382
LBANK FLOAT 08/24	NOK	12.08.2024	NOK 300 million	NIBOR + 2.0%	4,001
LBANK FLOAT 01/25	NOK	20.01.2025	NOK 500 million	NIBOR + 0.79%	6,670
LBANK FLOAT 01/25	SEK	20.01.2025	SEK 850 million	STIBOR + 0.8%	11,069
LBANK 0.375 5/25 GB**	EUR	23.05.2025	EUR 300 million	Fixed 0.375%	42,222
LBANK FLOAT 08/25	NOK	18.08.2025	NOK 350 million	NIBOR + 2.35%	4,667
LBANK 0.75 5/26 GB**	EUR	25.05.2026	EUR 300 million	Fixed 0.75%	42,205
Total senior unsecured bonds					219,511

As at 30 September 2022	Carrying amount
Other unsecured loans	18,395
Total other unsecured loans	18,395
Total unsecured borrowings	237,906
Total borrowings as at 30 September 2022	459,365

* 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

Notes to the Condensed Consolidated Interim Financial Statements

24. Borrowings (continued)

Secured borrowings

As at 31 December 2021	Currency	Final maturity	Outstanding principal	Indexed/ Non-indexed	Contractual interest rate	Carrying amount
LBANK CBI 22	ISK	28.04.2022	19,520	CPI-indexed	Fixed 3.0%	23,978
LBANK CB 25	ISK	23.11.2023	44,080	Non-indexed	Fixed 5.0%	45,492
LBANK CBI 24	ISK	15.11.2024	38,100	CPI-indexed	Fixed 3.0%	45,132
LBANK CB 25	ISK	17.09.2025	31,580	Non-indexed	Fixed 3.4%	31,935
LBANK CBI 26	ISK	20.11.2026	11,120	CPI-indexed	Fixed 1.5%	12,264
LBANK CBI 28	ISK	04.10.2028	48,280	CPI-indexed	Fixed 3.0%	59,086
Total covered bonds						217,887
Total secured borrowings						217,887

Unsecured borrowings

As at 31 December 2021	Currency	Final maturity	Outstanding principal	Contractual interest rate	Carrying amount
LBANK FLOAT 02/22	NOK	21.02.2022	NOK 1.000 million	NIBOR + 1,75%	14,815
LBANK FLOAT 02/22	SEK	21.02.2022	SEK 500 million	STIBOR + 1,75%	7,208
LBANK 1.375 03/22*	EUR	14.03.2022	EUR 144 million	FIXED 1.375%	21,570
LBANK FLOAT 08/22	SEK	02.08.2022	SEK 900 million	STIBOR + 0,75%	12,963
LBANK 1.000 05/23*	EUR	30.05.2023	EUR 300 million	FIXED 1.0%	44,900
LBANK FLOAT 10/23	NOK	19.10.2023	NOK 500 million	NIBOR + 1,55%	7,408
LBANK FLOAT 10/23	SEK	19.10.2023	SEK 500 million	STIBOR + 1,55%	7,205
LBANK 0.5 05/24	EUR	20.05.2024	EUR 300 million	FIXED 0.5%	44,287
LBANK 0.375 5/25 GB**	EUR	23.05.2025	EUR 300 million	FIXED 0.375%	44,080
LBANK 0.75 5/26 GB**	EUR	25.05.2026	EUR 300 million	FIXED 0.75%	43,939
Total senior unsecured bonds					248,375

As at 31 December 2021	Carrying amount
Other unsecured loans	19,780
Total other unsecured loans	19,780
Total unsecured borrowings	268,155
Total borrowings as at 31 December 2021	486,042

* 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

25. Deferred tax liabilities and assets

	30.9.2022		31.12.2021	
	Assets	Liabilities	Assets	Liabilities
Tax liabilities	-	16,098	-	9,602
Deferred tax liabilities / assets	-	93	15	-
Taxes in the Statement of Financial Position	0	16,191	15	9,602

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

	30.9.2022			31.12.2021		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Property and equipment	-	(92)	(92)	-	(111)	(111)
Intangibles	-	(161)	(161)	-	(180)	(180)
Foreign currency assets and liabilities	-	(696)	(696)	-	(536)	(536)
Deferred foreign exchange differences	115	-	115	92	-	92
Other assets and liabilities	736	-	736	745	-	745
Tax losses carried forward	5	-	5	5	-	5
	856	(949)	(93)	842	(827)	15
Set-off of deferred tax assets together with liabilities of the same taxable entities	(856)	856	0	(827)	827	0
Deferred tax liabilities / assets total	0	(93)	(93)	15	0	15

Notes to the Condensed Consolidated Interim Financial Statements

25. Deferred tax liabilities and assets (continued)

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

	Recognised in income statement		Balance as at 30.9
	Balance as at 1.1	Tax income (expense)	
As at 30 September 2022			
Property and equipment	(111)	19	(92)
Intangibles	(180)	19	(161)
Foreign currency assets and liabilities	(536)	(160)	(696)
Deferred foreign exchange differences	92	23	115
Other assets and other liabilities	745	(9)	736
Tax losses carried forward	5	-	5
Total	15	(108)	(93)

	Recognised in income statement		Balance as at 31.12
	Balance as at 1.1	Tax income (expense)	
As at 31 December 2021			
Property and equipment	(124)	13	(111)
Intangibles	(201)	21	(180)
Foreign currency assets and liabilities	(444)	(92)	(536)
Deferred foreign exchange differences	118	(26)	92
Other assets and other liabilities	674	71	745
Tax losses carried forward	-	5	5
Total	23	(8)	15

26. Other liabilities

	30.9.2022	31.12.2021
Unsettled securities trading	11,116	5,473
Withholding tax	490	1,413
Accounts payable	1,037	1,349
Non-controlling interests - Funds	607	557
Lease liabilities	1,933	2,164
Sundry liabilities	6,204	4,653
Total	21,387	15,609

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

27. Subordinated liabilities

As at 30.9.2022	Currency	Final maturity	Remaining principal in currencies	Indexed/ Non- indexed	Contractual interest rate	Carrying amount
LBANK 3.125 28NC23 T2	EUR	06.09.2028	EUR 100 million		Fixed 3.125%	14,087
LBANK T21 29	ISK	11.12.2029	ISK 5.520 million	CPI-indexed	Fixed 3.85%	6,642
Total subordinated liabilities						20,729

As at 31.12.2021	Currency	Final maturity	Remaining principal in currencies	Indexed/ Non- indexed	Contractual interest rate	Carrying amount
LBANK 3.125 28NC23 T2	EUR	06.09.2028	EUR 100 million		Fixed 3.125%	14,821
LBANK T21 29	ISK	11.12.2029	ISK 5.520 million	CPI-indexed	Fixed 3.85%	5,964
Total subordinated liabilities						20,785

The Tier 2 subordinated bonds in EUR have a final maturity in September 2028, but are callable in September 2023. The bond series, LBANK T21 29, has a final maturity in December 2029, but is callable in December 2024.

28. Equity

Share capital

As of 30 September 2022, ordinary shares authorised and issued by the Bank totalled 24 billion, while outstanding shares were 23.6 billion. Each share has a par value of ISK 1. Own shares numbered 379 million as at 30 September 2022, or 1.58% of issued shares. Each ordinary share conveys one vote at shareholders' meetings. All share capital is fully paid up.

On 4 February 2022, the Bank's Board of Directors announced its decision to exercise an authorisation to purchase the Bank's own shares during a buyback period which extended from 7 February up to and including 21 February 2022. The authorisation is consistent with a resolution of the Annual General Meeting on 24 March 2021 and a buyback programme formulated by the Board of Directors on 10 June 2021. During the repurchase period, the Bank acquired a total of 156,396 own shares at a share price of 11.9658, for a total purchase price of ISK 1.9 million.

The AGM of Landsbankinn, held on 23 March 2022, renewed the authorisation of the Bank to acquire up to 10% of the nominal value of Landsbankinn's share capital at a price determined by the internal value of the Bank's shares, according to its most recently published consolidated financial statements for an interim period or the year ended prior to repurchase. The objective of the buyback is to reduce the Bank's equity while at the same time offering shareholders an opportunity to sell their shares in a transparent manner. The authorisation is valid until the next AGM in 2023. Disposition of own shares purchased by the Bank under this authorisation is subject to approval by a shareholders' meeting. As yet, the authorisation to purchase the Bank's own shares in accordance with the resolution of the AGM on 23 March 2022 has not been exercised.

Share premium

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

Statutory reserve

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

Retained earnings

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

1. Unrealised gains in subsidiaries and equity-accounted associates reserve; if the share of profit from subsidiaries or equity-accounted associates is in excess of dividend received, the Group transfers the difference to a restricted reserve in equity. If the Group's interest in subsidiaries or equity-accounted associates is sold or written off, the applicable amount recognised in the reserve is transferred to retained earnings.
2. Financial assets designated at fair value through profit or loss reserve. The Group transfers fair value changes arising from financial assets designated at fair value through profit or loss, from retained earnings to a restricted reserve. Amounts recognised in the reserve are transferred back to retained earnings upon sale of the financial asset.

Dividend

The 2022 AGM of Landsbankinn, held on 23 March, approved the motion of the Board of Directors to pay shareholders a dividend of ISK 0.61 per share for the fiscal year 2021 in two instalments. The first payment of ISK 0.31 per share was made to shareholders on 30 March 2022 and the second payment of ISK 0.30 per share on 21 September 2022. In total, these dividend payments amount to ISK 14,409 million.

The AGM also approved payment of a special dividend of ISK 0.26 per share. The payment was made on 28 April 2022 and amounted to ISK 6,141 million in total.

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

	2022	2021	2022	2021
	1.7-30.9	1.7-30.9	1.1-30.9	1.1-30.9
Profit for the period				
Profit for the period attributable to owners of the Bank	5,763	7,492	11,320	21,597
Weighted average number of shares				
Weighted average number of ordinary shares issued	24,000	24,000	24,000	24,000
Weighted average number of own shares	(379)	(377)	(379)	(376)
Weighted average number of shares outstanding	23,621	23,623	23,621	23,624
Basic and diluted earnings per share from operations (ISK)	0.24	0.32	0.48	0.91

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

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

30. Litigation

Material litigation cases against the Bank and its subsidiaries

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

In August 2021, a former owner of a payment card company brought a case against the Bank and certain other financial institutions claiming tort liability in the amount of around ISK 923 million, plus interest, due to an alleged breach of competition rules in the determination of payment card interchange fees. This is the sixth case that has been brought before the courts for this purpose, but all previous cases have been dismissed. On 30 September 2022 the District Court of Reykjavik dismissed the case on grounds of insufficient substantiation. On 13 October 2022 the decision was appealed to the Appeal Court.

In September 2018, the Icelandic Bankers' Pension Fund commenced litigation against the Bank, the Icelandic Central Bank, the Icelandic State and certain companies and associations. The Pension Fund demands that an agreement on the settlement of obligations of the then participating companies from 1997 be amended such that, firstly, the defendants shall pay a total of around ISK 5,600 million to the Fund, out of which the Bank shall pay around ISK 4,100 million, and, secondly, that the defendants shall guarantee the obligations of the Fund's Rate Department (Hlutfallsdeild) which are higher than its assets at any time. On 12 November 2021 the District Court of Reykjavik acquitted the Bank and the other defendants of all claims of the Pension Fund. The Fund has appealed the case to the Appeal Court.

Provisions on interest rates in consumer contract and mortgage credit agreements

In January 2022, an individual commenced litigation against the Bank claiming that a provision in a mortgage credit agreement issued in 2006 be deemed illegal and void as it allegedly does not specify under which conditions changes are made to the interest rate, as provided for in the Consumer Credit Act No. 121/1994, applicable at the time. The plaintiff demands, furthermore, an acknowledgement by the Court that interests be recalculated in accordance with Article 4 of the Act on Interest and Indexation and that the debt remaining in November 2020 amounted to an overpayment of around ISK 26,5 million. Alternatively, the plaintiff demands an acknowledgement that interests be recalculated in accordance with the initial interest rate of the credit agreement and that the debt remaining in November 2020 amounted to an overpayment of around ISK 2 million. The Bank delivered its written statement in April 2022 claiming dismissal of certain aspects of the plaintiff's claims and rejection of other claims, alternatively all claims. The Bank's claim for dismissal was heard on 25 October 2022. A decision on the matter is expected in November 2022.

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 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 3,5 million plus interest. In February 2022, the Bank submitted its written statement claiming that all claims by the plaintiffs should be rejected. In March 2022 the plaintiffs submitted a claim that an advisory opinion from the EFTA Court should be requested on the interpretation of certain provisions in directives incorporated into the EEA Agreement. On 23 June 2022, the District Court rejected the request of the plaintiffs. It is expected that the hearing of the case will be on 17 January 2023.

30. Litigation (continued)

Provisions on interest rates in consumer contract and mortgage credit agreements (continued)

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 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. In March 2022 the plaintiffs submitted a claim that an advisory opinion by the EFTA Court should be requested on the interpretation of certain provisions in directives incorporated into the EEA Agreement. On 23 June 2022, the District Court rejected the request of the plaintiffs. In the case, however, the Judge decided on own initiative to request an advisory opinion from the EFTA Court on certain issues. On 6 July 2022, the Bank appealed the decision to the Appeal Court. It is expected that the Appeal Court will conclude on the matter in October 2022.

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

In January 2017, the Bank commenced proceedings before the District Court of Reykjavík against BPS ehf., Eignarhaldsfélagið Borgun slf., Borgun hf., now SaltPay IIB hf. (the Company), and the then CEO of the Company. The Bank considers the defendants to have been in possession of information about the shareholding of the Company in Visa Europe Ltd. at the time when the Bank sold its 31.2% shareholding in 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. The defendants have submitted their written defences, responding to the substance of the Bank's pleadings. At the request of the Bank, the District Court ruled on 10 September 2018 on the appointment of assessors to evaluate certain issues regarding the Company's Annual Accounts. The assessors delivered their assessment on 22 October 2019. The assessors conclude, inter alia, that information on the existence of an option to buy and sell holdings of the Company in Visa Europe Ltd to Visa Inc., the terms of the option and possible payments to the Company based on the option had been of relevance for the drawing up, presentation and therefore the audit of the Annual Accounts of the Company for the year 2013. The Company should have provided information in its Annual Accounts for 2013 on its holding in Visa Europe Ltd. and that the Company was a principal member of Visa Europe Ltd. The Company should have informed about the option in the Annual Accounts for 2013 in accordance with the provisions of the international financial reporting standard IFRS 7 and informed about the uncertainty relating to the option in the Report of the Board of Directors in accordance with the Act on Annual Accounts No. 3/2006. Moreover, the assessors conclude that the Annual Accounts of the Company for the year 2013 did not fulfil all requirements of the Act on Annual Accounts and of international financial reporting standards as approved by the European Union at the time. At a request of the Company and another defendant the District Court appointment new assessors to review the assessment. The revised assessment was delivered in April 2021. The re-assessors concluded, inter alia, that information on the existence and terms of the option could have been of relevance for the drawing up, presentation and the audit of the Annual Accounts of the Company for the year 2013, that the directors of the Company had been obligated to provide information on the existence and, under circumstances, the terms of the option in the notes to the Annual Accounts, and that the Annual Accounts did not fulfil all requirements to inform about the holdings of the Company in Visa Europe Ltd and/or the option according to the laws and regulation applicable at the time. The main hearing of the case that was to be in October 2022 has been postponed until January 2023.

31. Interest in subsidiaries

The main subsidiaries held directly or indirectly by the Group as at 30 September 2022 were as detailed in the table below. This includes those subsidiaries that are most significant in the context of the Group's business. Landsbankinn operates an extensive branch network in Iceland, comprised of 35 branches and service points as at 30 September 2022.

Main subsidiaries as at 30 September 2022

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 ehf. is a parent of a number of subsidiaries, which are neither individually nor combined significant in the context of the Group's business.

The Group does not have significant restrictions on its ability to access or use its assets and settle its liabilities other than those resulting from the supervisory framework. The Group did not have any material non-controlling interests as at 30 September 2022.

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 37, under Public entities.

Notes to the Condensed Consolidated Interim Financial Statements

32. Related party transactions (continued)

Transactions with other related parties

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

Loans in ISK million	30.9.2022		31.12.2021	
	Gross carrying amount	Highest amount outstanding during the period	Gross carrying amount	Highest amount outstanding during the period
Key management personnel	549	614	532	727
Parties related to key management personnel	161	223	181	283
Associates	935	973	939	949
Other	18	19	19	20
Total	1,663	1,829	1,671	1,979

Specific impairment allowance of ISK 269 million in Stage 3 is recognised in respect of the loans under the item Associates .

At the end of the accounting period, financial guarantees granted to related parties amounted to ISK 36,5 million. These concern a financial guarantee granted by the Bank to one of its associates. 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	30.9.2022		31.12.2021	
	Carrying amount	Highest amount outstanding during the period	Carrying amount	Highest amount outstanding during the period
Key management personnel	43	177	48	351
Parties related to key management personnel	113	194	65	261
Associates	280	1,177	208	1,124
Other	9	13	8	308
Total	445	1,561	329	2,044

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

Guarantees in ISK million	Gross carrying amount as at 30 September 2022	Gross carrying amount as at 31 December 2021
Key management personnel	-	-
Parties related to key management personnel	-	-
Associates	484	449
Total	484	449

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 September 2022.

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 Group's capital requirements are defined in Icelandic law and regulations and by the Financial Supervisory Authority of the Central Bank of Iceland (FSA). The requirements are based on the European legal framework for capital requirements (CRD IV and CRR), implementing the Basel III capital framework. 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 FSA, which may, depending on the situation, be based on recommendations from the Icelandic Financial Stability Counsel (FSC). The FSC has defined Landsbankinn as a systematically important financial institution in Iceland.

The Group's most recent capital requirements, as determined by the FSA, are as follows (as a percentage of RWEA):

As at 30.9.2022	CET1	Tier 1	Total
Pillar I	4.5%	6.0%	8.0%
Pillar II-R	1.9%	2.6%	3.4%
Minimum requirement under Pillar I and Pillar II-R	6.4%	8.6%	11.4%
Systemic risk buffer	2.9%	2.9%	2.9%
Capital buffer for systematically important institutions	2.0%	2.0%	2.0%
Countercyclical capital buffer	2.0%	2.0%	2.0%
Capital conservation buffer	2.5%	2.5%	2.5%
Combined buffer requirement	9.4%	9.4%	9.4%
Total capital requirement	15.8%	18.0%	20.8%

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 exposure amount and capital ratios

The following table shows the Group's capital base, risk-weighted exposure amount and capital ratios. The calculations are in accordance with Chapter X of the Act on Financial Undertakings, No. 161/2002, and Regulation No. 233/2017, on prudential requirements for the operations of financial undertakings. Iceland has also adopted regulation (EU) No. 575/2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms.

In accordance with the aforementioned laws and regulations, the Financial Supervisory Authority (FSA) has granted permission for interim profits net of any foreseeable dividend to be included in the Group's capital base. The permission is subject to the conditions that interim statements have been verified by the Group's auditors.

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

Notes to the Condensed Consolidated Interim Financial Statements

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

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

	30.9.2022	31.12.2021
Capital base		
Share capital	23,621	23,621
Share premium	120,593	120,594
Reserves	12,465	23,591
Retained earnings	116,735	114,839
Total equity attributable to owners of the Bank	273,414	282,645
Intangible assets	(11)	(14)
Deferred tax assets	-	(15)
Fair value hedges	456	(758)
Foreseeable dividends*	(5,660)	-
Adjustment under IFRS 9 transitional arrangements	391	1,674
Common equity Tier 1 capital (CET1)	268,590	283,532
Non-controlling interests	-	-
Tier 1 capital	268,590	283,532
Subordinated liabilities	20,729	20,785
Tier 2 capital	20,729	20,785
Total capital base	289,319	304,317
Risk-weighted exposure amount (RWEA)		
Credit risk	1,076,914	1,032,889
Market risk	15,040	9,909
Operational risk**	101,194	101,194
Total risk-weighted exposure amount	1,193,148	1,143,992

*Pursuant to the Bank's dividend policy, the foreseeable dividend corresponds to 50% of net earnings for the nine months of 2022.

**The amounts are updated on a yearly basis.

CET1 ratio	22.5%	24.8%
Tier 1 capital ratio	22.5%	24.8%
Total capital ratio	24.2%	26.6%
CET 1 Ratio as if IFRS 9 transitional arrangements were not applied	22.5%	24.6%
Tier 1 capital ratio as if IFRS 9 transitional arrangements were not applied	22.5%	24.6%
Total capital ratio as if IFRS 9 transitional arrangements were not applied	24.2%	26.5%

36. Leverage ratio and MREL

The following table shows the Group's leverage ratio. Subject to Article 30(a) of Act on Financial Undertakings, No. 161/2002, Regulation No. 233/2017 on prudential requirements for the operations of financial undertakings and Regulation (EU) No. 575/2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms, a minimum leverage ratio of 3.0% is required.

	30.9.2022	31.12.2021
Leverage ratio		
- On-balance sheet exposure (excluding derivatives and SFTs)	1,755,878	1,711,930
- Derivative instrument exposure	9,946	8,799
- Securities financing transaction exposures	15,152	21,958
- Off-balance sheet exposure	92,483	160,994
- Regulatory adjustments to Tier 1 capital	(4,824)	887
Total leverage exposure	1,868,635	1,904,568
Tier 1 capital	268,590	283,532
Leverage ratio	14.4%	14.9%
Leverage ratio as if IFRS 9 transitional arrangements were not applied	14.4%	14.8%

Notes to the Condensed Consolidated Interim Financial Statements

36. Leverage ratio and MREL (continued)

Minimum Requirement for own funds and Eligible Liabilities (MREL)

Under the Act on Recovery and Resolution of Credit Institutions and Investment Firms, No. 70/2020, companies that fall under the scope of the Act shall at all times satisfy Minimum Requirements for own funds and Eligible Liabilities (MREL). On 29 September 2022 the Central Bank of Iceland's Resolution Authority announced its latest MREL decision for the Bank. The MREL-decision entails that the Bank must satisfy a 22,8% MREL requirement, as a percentage of Total Risk-weighted Exposure Amount, which was equivalent to 14,9% of the Bank's Total Liabilities and Own Funds (TLOF) at year end 2021. The Bank must meet the MREL requirement, as a percentage of TLOF, for the Bank's balance sheet position each quarter.

MREL must be met without regards to the combined buffer requirement (CBR), which must be separately fulfilled alongside MREL. No specific subordination requirement has yet been implemented into Icelandic law.

Own funds and eligible liabilities as at 30.9.2022	Amount	Percentage of TLOF	Percentage of RWEA
Common Equity Tier 1 (CET1)	268,590	15.0%	22.5%
Additional Tier 1 capital (AT1)	-	0.0%	0.0%
Tier 2 capital	20,729	1.2%	1.7%
Eligible liabilities	192,267	10.8%	16.1%
Sum of own funds and eligible liabilities	481,586	27.0%	40.4%
Less: Combined buffer requirement (CBR)	(112,156)	(6.3%)	(9.4%)
Sum of own funds and eligible liabilities, less CBR	369,430	20.7%	31.0%
Less: Recurring MREL requirement	(266,081)	(14.9%)	(22.3%)
MREL Maximum Distributable Amount (M-MDA)	103,349	5.8%	8.7%

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.

Notes to the Condensed Consolidated Interim Financial Statements

Risk management

Credit risk

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

The following tables show the Group's maximum credit risk exposure as at 30 September 2022 and 31 December 2021. For on-balance sheet assets, the exposures are based on net carrying amounts as reported in the Consolidated Interim 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.

The Bank continues to use the ISAT 08 industrial classification of economic activities but has altered its own classification to include a special category for tourism, which was previously included under services. The category services, other than tourism, is subsumed under IT and telecommunications.

As at 30 September 2022	Corporations													Maximum exposure	Carrying amount
	Financial institutions	Public entities* Individuals	Fisheries	Real estate companies	Construction companies	Travel industry	Services, ITC **	Retail	Manufacturing and energy	Holding companies	Agriculture	Other			
Cash and balances with Central Bank	-	93,799	-	-	-	-	-	-	-	-	-	-	-	93,799	93,799
Bonds and debt instruments	214	50,286	-	-	39	-	-	1,982	-	10	15	-	-	52,546	91,951
Equities and equity instruments	141	-	-	57	39	-	8	2,160	5	173	10,606	-	-	13,189	20,559
Derivative instruments	194	-	5	190	33	4	-	20	52	85	217	-	603	1,403	1,403
Loans and advances to financial institutions	42,706	-	-	-	-	-	-	-	-	-	-	-	-	42,706	42,706
Loans and advances to customers	-	4,059	781,646	187,880	129,002	90,198	111,488	61,759	60,126	36,243	27,424	6,522	-	1,496,347	1,496,347
Other assets	19,675	-	2	3	1,764	-	2	1,902	-	5	-	-	999	24,352	24,363
Total on-balance sheet exposure	62,930	148,144	781,653	188,130	130,877	90,202	111,498	67,823	60,183	36,516	38,262	6,522	1,602	1,724,342	1,771,128
Off-balance sheet exposure	2	7,691	35,459	16,851	16,345	73,690	8,170	18,480	22,157	23,937	7,244	570	26	230,622	
Financial guarantees and underwriting commitments	-	-	582	5,808	1,513	4,491	2,168	3,482	4,539	1,148	997	-	-	24,728	
Undrawn loan commitments	-	17	25	8,235	13,849	65,659	4,449	5,713	11,343	18,873	6,007	67	-	134,237	
Undrawn overdraft/credit card facilities	2	7,674	34,852	2,808	983	3,540	1,553	9,285	6,275	3,916	240	503	26	71,657	
Maximum exposure to credit risk	62,932	155,835	817,112	204,981	147,222	163,892	119,668	86,303	82,340	60,453	45,506	7,092	1,628	1,954,964	
Percentage of maximum exposure to credit risk	3.2%	8.0%	41.8%	10.5%	7.5%	8.4%	6.1%	4.4%	4.2%	3.1%	2.3%	0.4%	0.1%	100%	

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

** ITC consists of corporations in the information, technology and communication industry sectors.

Notes to the Condensed Consolidated Interim Financial Statements

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

As at 31 December 2021	Corporations													Maximum exposure	Carrying amount
	Financial institutions	Public entities* Individuals	Fisheries	Real estate companies	Construction companies	Travel industry	Services, ITC **	Retail	Manufacturing and energy	Holding companies	Agriculture	Other			
Cash and balances with Central Bank	-	82,425	-	-	-	-	-	-	-	-	-	-	-	82,425	82,425
Bonds and debt instruments	179	98,539	-	-	61	-	-	1,722	-	30	13	-	-	100,544	150,435
Equities and equity instruments	135	-	-	51	57	-	9	2,346	12	170	19,068	-	-	21,848	33,347
Derivative instruments	1,068	-	-	2	1	31	-	12	17	-	-	-	102	1,233	1,233
Loans and advances to financial institutions	47,231	-	-	-	-	-	-	-	-	-	-	-	-	47,231	47,231
Loans and advances to customers	-	3,895	725,543	177,439	120,326	89,867	97,635	56,872	49,535	30,117	30,077	6,157	-	1,387,463	1,387,463
Other assets	19,695	29	2	3	1,984	-	2	4,618	-	15	1	-	1,288	27,637	27,664
Total on-balance sheet exposure	68,308	184,888	725,545	177,495	122,429	89,898	97,646	65,570	49,564	30,332	49,159	6,157	1,390	1,668,381	1,729,798
Off-balance sheet exposure	1	8,004	33,096	18,061	15,355	67,611	16,516	20,439	24,385	16,077	1,126	574	26	221,271	
Financial guarantees and underwriting commitments	-	-	562	6,406	1,475	4,700	2,145	3,149	3,207	4,110	965	70	-	26,789	
Undrawn loan commitments	-	2	-	9,413	12,817	60,277	13,061	8,431	14,965	8,346	-	196	-	127,508	
Undrawn overdraft/credit card facilities	1	8,002	32,534	2,242	1,063	2,634	1,310	8,859	6,213	3,621	161	308	26	66,974	
Maximum exposure to credit risk	68,309	192,892	758,641	195,556	137,784	157,509	114,162	86,009	73,949	46,409	50,285	6,731	1,416	1,889,652	
Percentage of maximum exposure to credit risk	3.6%	10.2%	40.1%	10.3%	7.3%	8.3%	6.0%	4.6%	3.9%	2.5%	2.7%	0.4%	0.1%	100.0%	

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

** ITC consists of corporations in the information, technology and communication industry sectors.

Notes to the Condensed Consolidated Interim Financial Statements

38. 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 indicates that there are smaller buffers to protect against price falls of a collateral or increases in a loan balance when repayments are not made and unpaid interest is added to the outstanding balance of the loan.

As at 30 September 2022	LTV ratio - Fully collateralised					LTV ratio - Partially collateralised			Allowance for impairment	Carrying amount
	0% - 25%	25% - 50%	50% - 75%	75% - 100%	Total	>100%	Collateral value*	Without collateral		
Financial institutions	-	-	-	-	0	-	-	42,706	-	42,706
Public entities	20	147	150	19	336	58	27	3,669	(4)	4,059
Individuals	48,687	180,650	448,716	61,022	739,075	6,981	3,894	36,946	(1,356)	781,646
Mortgages	41,014	167,905	428,455	55,612	692,986	4,227	2,391	409	(493)	697,129
Other	7,673	12,745	20,261	5,410	46,089	2,754	1,503	36,537	(863)	84,517
Corporates	36,681	142,850	212,546	191,862	583,939	107,508	80,383	27,588	(8,393)	710,642
Fisheries	13,749	52,973	63,674	50,830	181,226	6,059	5,419	967	(372)	187,880
Real estate companies	3,355	25,032	47,312	38,088	113,787	14,076	11,756	2,011	(872)	129,002
Construction companies	2,941	10,401	16,024	28,960	58,326	31,285	20,645	1,858	(1,271)	90,198
Travel industry	1,219	8,261	35,274	39,278	84,032	25,994	23,212	5,070	(3,608)	111,488
Services, IT and communications	1,415	10,136	15,980	15,704	43,235	12,221	8,967	6,629	(326)	61,759
Retail	7,664	25,393	5,752	11,936	50,745	8,717	5,148	1,596	(932)	60,126
Manufacturing and energy	844	2,010	15,079	4,364	22,297	6,385	3,030	8,341	(780)	36,243
Holding companies	4,833	6,738	11,230	1,443	24,244	2,401	1,936	994	(215)	27,424
Agriculture	661	1,906	2,221	1,259	6,047	370	270	122	(17)	6,522
Other	-	-	-	-	0	-	-	-	-	0
Total	85,388	323,647	661,412	252,903	1,323,350	114,547	84,304	110,909	(9,753)	1,539,053

*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

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

As at 31 December 2021	LTV ratio - Fully collateralised					LTV ratio - Partially collateralised		Without collateral	Allowance for impairment	Carrying amount
	0% - 25%	25% - 50%	50% - 75%	75% - 100%	Total	>100%	Collateral value*			
Financial institutions	-	-	-	-	0	-	-	47,231	-	47,231
Public entities	22	143	171	7	343	62	29	3,493	(3)	3,895
Individuals	46,322	167,153	438,265	39,057	690,797	3,279	1,853	32,826	(1,359)	725,543
Mortgages	38,543	155,307	418,150	33,627	645,627	1,025	574	329	(466)	646,515
Other	7,779	11,846	20,115	5,430	45,170	2,254	1,279	32,497	(893)	79,028
Corporates	26,460	150,916	183,256	173,828	534,460	107,979	84,658	28,047	(12,461)	658,025
Fisheries	10,064	56,503	61,963	46,361	174,891	1,740	1,343	1,011	(203)	177,439
Real estate companies	3,026	20,777	56,098	29,864	109,765	9,692	7,887	2,192	(1,323)	120,326
Construction companies	635	6,799	15,339	16,332	39,105	49,897	40,166	2,437	(1,572)	89,867
Travel industry	1,097	7,351	21,162	51,663	81,273	18,103	15,784	5,208	(6,949)	97,635
Services, IT and communications	1,184	8,062	13,635	8,071	30,952	17,444	13,101	9,119	(643)	56,872
Retail	2,980	24,912	7,441	6,675	42,008	6,757	4,315	1,951	(1,181)	49,535
Manufacturing and energy	927	8,913	4,591	6,960	21,391	3,326	1,587	5,899	(499)	30,117
Holding companies	5,719	15,614	1,418	6,841	29,592	459	226	103	(77)	30,077
Agriculture	828	1,985	1,609	1,061	5,483	561	249	127	(14)	6,157
Other	-	-	-	-	0	-	-	-	-	0
Total	72,804	318,212	621,692	212,892	1,225,600	111,320	86,540	111,597	(13,823)	1,434,694

*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 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 periods result either from changes in the underlying value of collateral or changes in the gross carrying amount of claim.

As at 30 September 2022	Real estate	Vessels	Deposits	Securities	Other*	Total
Public entities	329	-	1	-	32	362
Individuals	723,197	65	268	3,277	15,858	742,665
Mortgages	689,471	21	195	65	5,330	695,082
Other	33,726	44	73	3,212	10,528	47,583
Corporates	341,603	135,641	2,082	74,181	110,804	664,311
Fisheries	10,050	131,048	32	26,578	18,937	186,645
Real estate companies	117,371	68	574	6,151	1,370	125,534
Construction companies	75,384	10	404	184	2,989	78,971
Travel industry	68,297	624	171	798	37,353	107,243
Services, IT and communications	27,968	3,808	348	5,023	15,054	52,201
Retail	22,002	1	112	12,747	21,031	55,893
Manufacturing and energy	11,522	74	45	-	13,686	25,327
Holding companies	3,076	8	384	22,700	12	26,180
Agriculture	5,933	-	12	-	372	6,317
Other	-	-	-	-	-	0
Total	1,065,129	135,706	2,351	77,458	126,694	1,407,338
As at 31 December 2021	Real estate	Vessels	Deposits	Securities	Other*	Total
Public entities	335	-	2	-	36	373
Individuals	673,171	63	115	3,455	15,485	692,289
Mortgages	640,569	14	29	58	5,174	645,844
Other	32,602	49	86	3,397	10,311	46,445
Corporates	325,539	134,081	1,958	71,713	85,826	619,117
Fisheries	9,551	131,496	46	21,431	13,710	176,234
Real estate companies	108,951	81	676	6,371	1,572	117,651
Construction companies	76,319	12	307	35	2,597	79,270
Travel industry	66,319	704	173	103	29,758	97,057
Services, IT and communications	26,774	1,779	255	4,223	11,024	44,055
Retail	20,492	2	138	11,675	14,015	46,322
Manufacturing and energy	10,083	7	48	-	12,840	22,978
Holding companies	1,615	-	313	27,875	15	29,818
Agriculture	5,435	-	2	-	295	5,732
Other	-	-	-	-	-	0
Total	999,045	134,144	2,075	75,168	101,347	1,311,779

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

Notes to the Condensed Consolidated Interim Financial Statements

40. Credit quality of loans and advances

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

As at 30 September 2022	Gross carrying amount					Allowance for impairment	Carrying amount
	10-7	6-4	3-1	0	Unrated		
Financial institutions	42,706	-	-	-	-	-	42,706
Public entities	232	3,825	-	6	-	(4)	4,059
Individuals	404,011	349,893	25,167	2,482	1,449	(1,356)	781,646
Mortgages	373,128	303,046	18,823	1,556	1,069	(493)	697,129
Other	30,883	46,847	6,344	926	380	(863)	84,517
Corporations	110,035	550,603	37,687	19,245	1,465	(8,393)	710,642
Fisheries	36,470	148,416	3,028	23	315	(372)	187,880
Real estate companies	5,471	115,891	6,038	2,474	-	(872)	129,002
Construction companies	2,176	76,989	10,392	1,912	-	(1,271)	90,198
Travel industry	1,572	91,687	11,382	10,455	-	(3,608)	111,488
Services, IT and communications	11,769	46,835	2,511	151	819	(326)	61,759
Retail	31,407	26,932	1,811	908	-	(932)	60,126
Manufacturing and energy	20,419	13,076	223	3,305	-	(780)	36,243
Holding companies	-	25,396	1,905	7	331	(215)	27,424
Agriculture	751	5,381	397	10	-	(17)	6,522
Other	-	-	-	-	-	-	0
Total	556,984	904,321	62,854	21,733	2,914	(9,753)	1,539,053

As at 31 December 2021	Gross carrying amount					Allowance for impairment	Carrying amount
	10-7	6-4	3-1	0	Unrated		
Financial institutions	47,231	-	-	-	-	-	47,231
Public entities	148	3,750	-	-	-	(3)	3,895
Individuals	371,025	329,427	22,809	2,738	903	(1,359)	725,543
Mortgages	343,099	284,502	16,963	1,738	679	(466)	646,515
Other	27,926	44,925	5,846	1,000	224	(893)	79,028
Corporates	80,664	491,799	67,916	29,267	840	(12,461)	658,025
Fisheries	31,263	140,433	5,899	47	-	(203)	177,439
Real estate companies	954	107,092	9,518	3,442	643	(1,323)	120,326
Construction companies	2,548	73,603	6,377	8,911	-	(1,572)	89,867
Travel industry	309	62,650	29,232	12,271	122	(6,949)	97,635
Services, IT and communications	5,269	48,861	2,347	1,038	-	(643)	56,872
Retail	22,956	24,873	1,577	1,235	75	(1,181)	49,535
Manufacturing and energy	16,697	9,536	2,218	2,165	-	(499)	30,117
Holding companies	-	19,519	10,624	11	-	(77)	30,077
Agriculture	668	5,232	124	147	-	(14)	6,157
Other	-	-	-	-	-	-	0
Total	499,068	824,976	90,725	32,005	1,743	(13,823)	1,434,694

Notes to the Condensed Consolidated Interim Financial Statements

41. Loans and advances by past due status

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

	Gross carrying amount						Allowance for impairment	Carrying amount
	Not past due	Days past due						
As at 30 September 2022		1-5	6-30	31-60	61-90	over 90		
Financial institutions	42,706	-	-	-	-	-	-	42,706
Public entities	4,028	29	6	-	-	-	(4)	4,059
Individuals	774,785	2,857	3,067	287	906	1,100	(1,356)	781,646
Mortgages	693,773	1	2,338	153	687	670	(493)	697,129
Other	81,012	2,856	729	134	219	430	(863)	84,517
Corporates	708,489	1,733	4,243	832	489	3,249	(8,393)	710,642
Fisheries	188,211	20	5	1	6	9	(372)	187,880
Real estate companies	128,316	49	658	181	162	508	(872)	129,002
Construction companies	89,875	196	911	305	23	159	(1,271)	90,198
Travel industry	110,548	79	2,256	199	167	1,847	(3,608)	111,488
Services, IT and communications	61,427	271	215	4	125	43	(326)	61,759
Retail	59,223	963	192	57	-	623	(932)	60,126
Manufacturing and energy	36,907	54	5	-	6	51	(780)	36,243
Holding companies	27,482	73	-	84	-	-	(215)	27,424
Agriculture	6,500	28	1	1	-	9	(17)	6,522
Other	-	-	-	-	-	-	-	0
Total	1,530,008	4,619	7,316	1,119	1,395	4,349	(9,753)	1,539,053

	Gross carrying amount						Allowance for impairment	Carrying amount
	Not past due	Days past due						
As at 31 December 2021		1-5	6-30	31-60	61-90	over 90		
Financial institutions	47,231	-	-	-	-	-	-	47,231
Public entities	3,869	29	-	-	-	-	(3)	3,895
Individuals	720,122	2,108	1,060	1,726	719	1,167	(1,359)	725,543
Mortgages	643,594	-	716	1,420	585	666	(466)	646,515
Other	76,528	2,108	344	306	134	501	(893)	79,028
Corporations	659,706	1,920	1,017	454	648	6,741	(12,461)	658,025
Fisheries	177,415	190	24	2	-	11	(203)	177,439
Real estate companies	118,967	225	503	66	130	1,758	(1,323)	120,326
Construction companies	89,939	680	177	63	2	578	(1,572)	89,867
Travel industry	100,845	114	76	174	433	2,942	(6,949)	97,635
Services, IT and communications	56,752	258	187	15	26	277	(643)	56,872
Retail	49,100	381	19	98	55	1,063	(1,181)	49,535
Manufacturing and energy	30,422	37	20	25	-	112	(499)	30,117
Holding companies	30,136	6	10	-	2	-	(77)	30,077
Agriculture	6,130	29	1	11	-	-	(14)	6,157
Other	-	-	-	-	-	-	-	0
Total	1,430,928	4,057	2,077	2,180	1,367	7,908	(13,823)	1,434,694

Notes to the Condensed Consolidated Interim Financial Statements

42. 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 sectors and the three-stage criteria under IFRS 9.

	Gross carrying amount	Stage 1		Stage 2		Stage 3		Allowance for impairment	Fair value	Carrying amount
		Gross carrying amount	12-month ECL	Gross carrying amount	Lifetime ECL	Gross carrying amount	Lifetime ECL			
As at 30 September 2022										
Financial institutions	42,706	42,706	0	-	-	-	-	-	-	42,706
Public entities	4,063	4,034	(4)	23	-	6	-	(4)	-	4,059
Individuals	783,002	752,893	(301)	27,301	(423)	2,482	(632)	(1,356)	326	781,646
Mortgages	697,622	676,941	(142)	19,125	(237)	1,556	(114)	(493)	-	697,129
Other	85,380	75,952	(159)	8,176	(186)	926	(518)	(863)	326	84,517
Corporates	719,035	639,408	(2,887)	40,781	(908)	19,245	(4,598)	(8,393)	19,601	710,642
Fisheries	188,252	180,517	(326)	2,058	(32)	23	(14)	(372)	5,654	187,880
Real estate companies	129,874	116,182	(444)	4,443	(115)	2,474	(313)	(872)	6,775	129,002
Construction companies	91,469	83,341	(849)	5,805	(69)	1,912	(353)	(1,271)	411	90,198
Travel industry	115,096	81,207	(638)	23,434	(503)	10,455	(2,467)	(3,608)	-	111,488
Services, IT and communications	62,085	56,708	(223)	1,920	(46)	151	(57)	(326)	3,306	61,759
Retail	61,058	57,623	(143)	2,188	(106)	908	(683)	(932)	339	60,126
Manufacturing and energy	37,023	33,405	(76)	313	(5)	3,305	(699)	(780)	-	36,243
Holding companies	27,639	24,130	(182)	386	(26)	7	(7)	(215)	3,116	27,424
Agriculture	6,539	6,295	(6)	234	(6)	10	(5)	(17)	-	6,522
Other	-	-	-	-	-	-	-	-	-	0
Total	1,548,806	1,439,041	(3,192)	68,105	(1,331)	21,733	(5,230)	(9,753)	19,927	1,539,053

Notes to the Condensed Consolidated Interim Financial Statements

42. Loans and advances by stage allocation (continued)

As at 31 December 2021	Gross carrying amount	Stage 1		Stage 2		Stage 3		Allowance for impairment	Fair value	Carrying amount
		Gross carrying amount	12-month ECL	Gross carrying amount	Lifetime ECL	Gross carrying amount	Lifetime ECL			
Financial institutions	47,231	47,231	-	-	-	-	-	-	-	47,231
Public entities	3,898	3,868	(3)	30	-	-	-	(3)	-	3,895
Individuals	726,902	696,781	(319)	26,790	(408)	2,738	(632)	(1,359)	593	725,543
Mortgages	646,981	626,118	(137)	19,125	(214)	1,738	(115)	(466)	-	646,515
Other	79,921	70,663	(182)	7,665	(194)	1,000	(517)	(893)	593	79,028
Corporates	670,486	539,869	(1,523)	79,801	(3,690)	29,267	(7,248)	(12,461)	21,549	658,025
Fisheries	177,642	170,822	(158)	3,465	(19)	47	(26)	(203)	3,308	177,439
Real estate companies	121,649	104,590	(221)	7,190	(331)	3,442	(771)	(1,323)	6,427	120,326
Construction companies	91,439	78,640	(520)	3,512	(41)	8,911	(1,011)	(1,572)	376	89,867
Travel industry	104,584	40,383	(303)	51,930	(3,155)	12,271	(3,491)	(6,949)	-	97,635
Services, IT and communications	57,515	46,714	(171)	6,834	(64)	1,038	(408)	(643)	2,929	56,872
Retail	50,716	47,354	(68)	982	(19)	1,235	(1,094)	(1,181)	1,145	49,535
Manufacturing and energy	30,616	26,150	(21)	2,301	(38)	2,165	(440)	(499)	-	30,117
Holding companies	30,154	19,291	(52)	3,488	(20)	11	(5)	(77)	7,364	30,077
Agriculture	6,171	5,925	(9)	99	(3)	147	(2)	(14)	-	6,157
Other	-	-	-	-	-	-	-	-	-	0
Total	1,448,517	1,287,749	(1,845)	106,621	(4,098)	32,005	(7,880)	(13,823)	22,142	1,434,694

Notes to the Condensed Consolidated Interim Financial Statements

43. Impairment allowance on loans and advances

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

	12-months ECL	Lifetime ECL	Lifetime ECL	Total
	Stage 1	Stage 2	Stage 3	
Balance as at 1 January 2022 - Financial institutions	0	0	0	0
Changes in models/risk parameters	-	-	-	0
Balance As at 30 September 2022 - Financial institutions	0	0	0	0
- thereof classified as deduction from gross carrying amounts	-	-	-	0
- thereof classified as liabilities	-	-	-	0

	12-months ECL	Lifetime ECL	Lifetime ECL	Total
	Stage 1	Stage 2	Stage 3	
Balance as at 1 January 2022 - Loans and advances to customers	(2,174)	(4,220)	(7,979)	(14,373)
New financial assets originated	(1,009)	(108)	(342)	(1,459)
Reversals due to financial assets that have been derecognised	235	339	889	1,463
Transfer to Stage 1 - 12-month ECL	(383)	372	11	0
Transfer to Stage 2 - Lifetime ECL	300	(373)	73	0
Transfer to Stage 3 - Lifetime ECL	184	343	(527)	0
Changes in models/risk parameters	(812)	2,284	1,288	2,760
Provisions used to cover write-offs	1	6	1,238	1,245
Balance As at 30 September 2022 - Loans and advances to customers	(3,658)	(1,357)	(5,349)	(10,364)
- thereof classified as deduction from gross carrying amounts	(3,192)	(1,331)	(5,230)	(9,753)
- thereof classified as liabilities	(466)	(26)	(119)	(611)

	1.1-30.9.2022				Total
	Financial institutions	Public entities	Individuals	Corporates	
New financial assets originated	-	-	(190)	(1,269)	(1,459)
Reversals due to financial assets that have been derecognised	-	-	186	1,277	1,463
Changes due to financial assets recognised in the opening balance	-	-	(74)	2,834	2,760
Write-offs	-	-	(233)	(1,253)	(1,486)
Provisions used to cover write-offs	-	-	88	1,157	1,245
Recoveries	-	-	84	35	119
Translation difference	-	-	-	1	1
Net impairment on loans and advances	0	0	(139)	2,782	2,643

Notes to the Condensed Consolidated Interim Financial Statements

43. Impairment allowance on loans and advances (continued)

The following tables show changes in the impairment allowance of loans and advances during the year 2021.

	12-months ECL	Lifetime ECL	Lifetime ECL	Total
	Stage 1	Stage 2	Stage 3	
Balance as at 1 January 2021 - Financial institutions	(1)	0	0	(1)
Changes in models/risk parameters	1	-	-	1
Balance as at 31 December 2021 - Financial institutions	0	0	0	0
- thereof classified as deduction from gross carrying amounts	-	-	-	0
- thereof classified as liabilities	-	-	-	0

	12-months ECL	Lifetime ECL	Lifetime ECL	Total
	Stage 1	Stage 2	Stage 3	
Balance as at 1 January 2021 - Loans and advances to customers	(4,224)	(6,969)	(14,110)	(25,303)
New financial assets originated	(882)	(339)	(1,627)	(2,848)
Reversals due to financial assets that have been derecognised	1,141	1,118	2,501	4,760
Transfer to Stage 1 - 12-month ECL	(115)	105	10	0
Transfer to Stage 2 - Lifetime ECL	205	(262)	57	0
Transfer to Stage 3 - Lifetime ECL	174	387	(561)	0
Changes in models/risk parameters	1,525	1,730	1,518	4,773
Provisions used to cover write-offs	2	10	4,233	4,245
Balance as at 31 December 2021 - Loans and advances to customers	(2,174)	(4,220)	(7,979)	(14,373)
- thereof classified as deduction from gross carrying amounts	(1,845)	(4,098)	(7,880)	(13,823)
- thereof classified as liabilities	(329)	(122)	(99)	(550)

	1.1-31.12.2021				Total
	Financial institutions	Public entities	Individuals	Corporates	
New financial assets originated	-	-	(285)	(2,563)	(2,848)
Reversals due to financial assets that have been derecognised	-	1	500	4,259	4,760
Changes due to financial assets recognised in the opening balance	-	40	496	4,238	4,774
Write-offs	-	-	(468)	(4,214)	(4,682)
Provisions used to cover write-offs	-	-	246	3,999	4,245
Recoveries	-	-	855	139	994
Translation difference	-	-	-	(168)	(168)
Net impairment on loans and advances	0	41	1,344	5,690	7,075

44. Large exposures

As at 30 September 2022, three customer groups were rated as large exposures in accordance with current rules on large exposures. Customers are rated as large exposures if their total obligations, or those of financially or administratively connected parties, exceed 10% of the Group's tier 1 capital. According to the rules, no exposure, after credit risk mitigation, may exceed 25% of tier 1 capital. The following table shows the Group's large exposures after credit mitigation.

	Number of large exposures	Large exposures
As at 30 September 2022		
Large exposures between 10% and 20% of the Group's tier 1 capital	1	29,718
Large exposures between 0% and 10% of the Group's tier 1 capital	2	25,857
Total	3	55,575
Total ratio of large exposures to tier 1 capital		21%
As at 31 December 2021		
Large exposures between 10% and 20% of the Group's tier 1 capital	2	61,480
Large exposures between 0% and 10% of the Group's tier 1 capital	3	32,253
Total	5	93,733
Total ratio of large exposures to tier 1 capital		33%

Notes to the Condensed Consolidated Interim Financial Statements

45. Liquidity risk management

The Group follows guidelines No. 2/2010 from the Financial Supervisory Authority of the Central Bank of Iceland (FSA) on best practice for managing liquidity of financial undertakings. The Central Bank's liquidity Rules No. 266/2017 require the Group to maintain a total liquidity coverage ratio (LCR) of 100% at a minimum and also an LCR in foreign currencies of 100% at a minimum. The Central Bank of Iceland made changes to Rules No. 266/2017 in December 2019, implementing a minimum requirement for liquidity ratio in Icelandic króna. The implementation of the new minimum requirement is according to a schedule set forth by the Central Bank which requires the Bank to have a minimum LCR-ISK of 30% as of 1 January 2020, 40% as of 1 January 2022 and 50% as of 1 January 2023. Rules No. 750/2021 set requirements for a minimum 100% overall net stable funding ratio (NSFR). The Group submits monthly reports on its liquidity and funding position to the Central Bank of Iceland.

The key indicator of short-term liquidity risk is measured by the LCR which shows the ratio of high quality liquid assets to expected total net cash outflows over the next 30 days under a specified stress scenario. High quality liquid assets are comprised of cash at hand, balances with the Central Bank, assets eligible for repo transactions with the Central Bank, zero percent risk-weighted foreign government bonds and other assets that fulfil the requirements of liquid assets according to rules No. 266/2017. Estimated inflow and outflow weights, according to rules No. 266/2017, are applied to the total balance amount for each asset and liability group measured in the ratio, reflecting the next 30 calendar days. Financial institutions can at a maximum assume 75% of their estimated inflow net to their estimated outflow. This is done so that financial institutions can not overly rely on their estimated inflow in times of stress. The calculations for the ratio As at 30 September 2022 and 31 December 2021 are shown in the following table:

	ISK		Foreign currencies		Total	
	Unweighted	Weighted	Unweighted	Weighted	Unweighted	Weighted
Liquidity coverage ratio as at 30 September 2022						
Level 1 liquid assets	139,132	139,133	22,336	22,336	161,468	161,469
Level 2 liquid assets	10,916	7,642	196	166	11,112	7,808
Information items	-	-	-	-	-	-
Total liquid assets	150,048	146,775	22,532	22,502	172,580	169,277
Deposits	617,872	114,815	102,703	37,835	720,575	152,651
Borrowing	-	-	414	414	414	414
Other outflows	136,533	18,771	43,621	5,974	180,154	24,745
Total outflows (0-30 days)	754,405	133,586	146,738	44,223	901,143	177,810
Loans and advances to financial institutions	295	-	42,647	37,201	42,942	37,201
Other inflows	34,006	17,304	14,962	8,202	48,968	25,506
Limit on inflows	-	-	-	(12,235)	-	-
Total inflows (0-30 days)	34,301	17,304	57,609	33,168	91,910	62,707
Liquidity coverage ratio		126%		204%		147%

	ISK		Foreign currencies		Total	
	Unweighted	Weighted	Unweighted	Weighted	Unweighted	Weighted
Liquidity coverage ratio as at 31 December 2021						
Level 1 liquid assets	139,388	139,388	71,156	71,156	210,545	210,544
Level 2 liquid assets	11,945	8,361	229	194	12,173	8,556
Information items	9,903	-	10	-	9,913	-
Total liquid assets	161,236	147,749	71,395	71,350	232,631	219,100
Deposits	604,555	122,046	115,772	47,492	720,326	169,538
Borrowing	-	-	142	142	142	142
Other outflows	124,953	17,319	34,638	3,716	159,592	21,035
Total outflows (0-30 days)	729,508	139,365	150,552	51,350	880,060	190,715
Loans and advances to financial institutions	10,438	-	47,128	44,651	57,566	44,651
Other inflows	33,640	16,323	13,773	7,198	47,412	23,521
Limit on inflows	-	-	-	(13,337)	-	-
Total inflows (0-30 days)	44,078	16,323	60,901	38,512	104,978	68,172
Liquidity coverage ratio		120%		556%		179%

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

	ISK	Foreign currencies	Total
Liquidity reserves as at 30 September 2022			
Cash and balances with the Central Bank	89,476	1,554	91,030
Domestic bonds and debt instruments eligible as collateral at the Central Bank	60,572	196	60,768
Foreign government bonds with 0% risk weight	-	20,782	20,782
High quality liquidity assets	150,048	22,532	172,580
Loans and advances to financial institutions	295	42,647	42,942
Total liquidity reserves	150,343	65,179	215,522

45. Liquidity risk management (continued)

Liquidity reserves as at 31 December 2021	ISK	Foreign currencies	Total
Cash and balances with the Central Bank	77,334	1,937	79,271
Domestic bonds and debt instruments eligible as collateral at the Central Bank	73,999	229	74,228
Foreign government bonds with 0% risk weight	-	69,219	69,219
High quality liquidity assets	151,333	71,385	222,718
Loans and advances to financial institutions	10,438	47,128	57,566
Total liquidity reserves	161,771	118,513	280,284

The Group measures the net stable funding ratio (NSFR) as another key indicator of liquidity risk up to 12 months. The following table shows the values of the NSFR for foreign currencies and NSFR total as at 30 September 2022 and 31 December 2021:

	As at 30 September 2022	As at 31 December 2021
Net stable funding ratio FX	142%	142%
Net stable funding ratio total	121%	121%

46. Maturity analysis of financial assets and liabilities

The following tables only take into account 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 by liquidation, either through sale or participation in Central Bank operations. Further information on the Group's liquidity management can be found in Note 45.

The amounts in the maturity analyses As at 30 September 2022 and 31 December 2021 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, 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 on the basis of 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 period 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 in the maturity analysis is the guarantee's maximum amount, allocated to the earliest period in which the guarantee 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, and also it is not expected that every committed loan will 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

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

The following table shows a maturity analysis of the Group's financial instruments as at 30 September 2022:

Non-derivative financial liabilities	0-1 month	1-3 months	3-12 months	1-5 years	Over 5 years	No maturity	Total	Carrying amount
Due to financial institutions and								
Central Bank	(5,052)	-	(8)	-	-	-	(5,060)	(5,059)
Deposits from customers	(723,212)	(196,965)	(20,331)	(26,521)	(8,109)	-	(975,138)	(967,965)
Short positions	-	-	(868)	(450)	(2,951)	-	(4,269)	(1,284)
Borrowings	(2,099)	(3,939)	(51,059)	(374,541)	(81,342)	-	(512,980)	(459,365)
Other financial liabilities	(14,086)	-	-	-	-	-	(14,086)	(14,086)
Subordinated liabilities	-	(252)	(442)	(2,878)	(24,031)	-	(27,603)	(20,729)
Total	(744,449)	(201,156)	(72,708)	(404,390)	(116,433)	0	(1,539,136)	(1,468,488)
Derivative financial liabilities								
Trading								(755)
Inflow	28,655	3,470	1,596	-	-	-	33,721	
Outflow	(29,235)	(3,625)	(1,606)	-	-	-	(34,466)	
Risk management								(4,959)
Inflow	19,017	17,231	59,344	2,219	-	-	97,811	
Outflow	(20,616)	(18,950)	(60,474)	(2,984)	-	-	(103,024)	
Total	(2,179)	(1,874)	(1,140)	(765)	0	0	(5,958)	(5,714)
Non-derivative financial assets								
Cash and balances with								
Central Bank	93,799	-	-	-	-	-	93,799	93,799
Bonds and debt instruments	20,282	9,444	7,332	53,372	16,465	-	106,895	91,951
Equities and equity instruments	-	-	-	-	-	20,559	20,559	20,559
Loans and advances to financial institutions	42,707	-	-	-	-	-	42,707	42,706
Loans and advances to customers	79,414	88,419	220,352	617,840	1,583,959	-	2,589,984	1,496,347
Other financial assets	7,164	-	-	-	-	-	7,164	7,164
Total	243,366	97,863	227,684	671,212	1,600,424	20,559	2,861,108	1,752,526
Derivative financial assets								
Trading								1,277
Inflow	54,925	2,974	2,488	-	-	-	60,387	
Outflow	(53,906)	(2,858)	(2,365)	-	-	-	(59,129)	
Risk management								126
Inflow	5,100	285	5,364	-	-	-	10,749	
Outflow	(5,011)	(283)	(5,368)	-	-	-	(10,662)	
Total	1,108	118	119	0	0	0	1,345	1,403
Off-balance sheet items								
Financial guarantees and underwriting commitments	(337)	(974)	(6,253)	(5,611)	(10,395)	(1,158)	(24,728)	
Undrawn loan commitments	(134,237)	-	-	-	-	-	(134,237)	
Undrawn overdraft/credit card commitments	(71,657)	-	-	-	-	-	(71,657)	
Total	(206,231)	(974)	(6,253)	(5,611)	(10,395)	(1,158)	(230,622)	
Net liquidity position	(708,385)	(106,023)	147,702	260,446	1,473,596	19,401	1,086,737	279,727

Notes to the Condensed Consolidated Interim Financial Statements

46. 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 2021:

Non-derivative financial liabilities	0-1 month	1-3 months	3-12 months	1-5 years	Over 5 years	No maturity	Total	Carrying amount
Due to financial institutions and								
Central Bank	(10,372)	-	-	-	-	-	(10,372)	(10,425)
Deposits from customers	(718,631)	(147,851)	(11,277)	(19,930)	(6,843)	-	(904,532)	(900,098)
Short positions	-	(31)	(7)	(2,001)	(744)	-	(2,783)	(2,616)
Borrowings	(69)	(43,790)	(48,345)	(367,744)	(76,214)	-	(536,162)	(486,042)
Other financial liabilities	(9,195)	-	-	-	-	-	(9,195)	(9,195)
Subordinated liabilities	-	-	(698)	(2,896)	(24,480)	-	(28,074)	(20,785)
Total	(738,267)	(191,672)	(60,327)	(392,571)	(108,281)	0	(1,491,118)	(1,429,161)
Derivative financial liabilities								
Trading								(427)
Inflow	8,458	9,477	2,701	-	-	-	20,636	
Outflow	(8,779)	(9,584)	(2,758)	-	-	-	(21,121)	
Risk management								(1,519)
Inflow	18,205	12,530	1,328	3,384	-	-	35,447	
Outflow	(18,753)	(13,048)	(1,341)	(3,885)	-	-	(37,027)	
Total	(869)	(625)	(70)	(501)	0	0	(2,065)	(1,946)
Non-derivative financial assets								
Cash and balances with								
Central Bank	82,425	-	-	-	-	-	82,425	82,425
Bonds and debt instruments	27,234	41,264	35,597	39,828	11,517	-	155,440	150,435
Equities and equity instruments	-	-	-	-	-	33,347	33,347	33,347
Loans and advances to financial institutions	47,128	-	-	-	-	-	47,128	47,231
Loans and advances to customers	69,923	54,628	195,785	573,244	1,484,240	-	2,377,820	1,387,463
Other financial assets	8,800	-	-	-	-	-	8,800	8,800
Total	235,510	95,892	231,382	613,072	1,495,757	33,347	2,704,960	1,709,701
Derivative financial assets								
Trading								167
Inflow	15,961	8,500	1,196	1,213	-	-	26,870	
Outflow	(15,875)	(8,478)	(1,153)	(1,210)	-	-	(26,716)	
Risk management								1,066
Inflow	13,315	83,778	443	44,723	-	-	142,259	
Outflow	(13,230)	(83,345)	(170)	(44,442)	-	-	(141,187)	
Total	171	455	316	284	0	0	1,226	1,233
Off-balance sheet items								
Financial guarantees and underwriting commitments	(1,300)	(1,053)	(4,089)	(4,037)	(12,358)	(3,952)	(26,789)	
Undrawn loan commitments	(127,508)	-	-	-	-	-	(127,508)	
Undrawn overdraft/credit card commitments	(66,974)	-	-	-	-	-	(66,974)	
Total	(195,782)	(1,053)	(4,089)	(4,037)	(12,358)	(3,952)	(221,271)	
Net liquidity position	(699,237)	(97,003)	167,212	216,247	1,375,118	29,395	991,732	279,827

Notes to the Condensed Consolidated Interim Financial Statements

47. 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 following tables show the Group's total encumbered and unencumbered assets as at 30 September 2022 and 31 December 2021.

	Collateral pledged against		Un-encumbered	Total
	Covered bonds	Other		
As at 30 September 2022				
Cash and balances with Central Bank	5,882	2,769	85,148	93,799
Bonds and debt instruments	-	-	91,951	91,951
Equities and equity instruments	-	-	20,559	20,559
Derivative instruments	-	-	1,403	1,403
Loans and advances to financial institutions	-	5,401	37,305	42,706
Loans and advances to customers	305,012	-	1,191,335	1,496,347
Investments in equity-accounted associates	-	-	1,935	1,935
Property and equipment	-	-	12,006	12,006
Intangible assets	-	-	1,729	1,729
Other assets	-	-	8,162	8,162
Assets classified as held for sale	-	-	531	531
Total	310,894	8,170	1,452,064	1,771,128

	Collateral pledged against		Un-encumbered	Total
	Covered bonds	Other		
As at 31 December 2021				
Cash and balances with Central Bank	1,687	3,154	77,584	82,425
Bonds and debt instruments	-	-	150,435	150,435
Equities and equity instruments	-	-	33,347	33,347
Derivative instruments	-	-	1,233	1,233
Loans and advances to financial institutions	-	2,315	44,916	47,231
Loans and advances to customers	277,539	-	1,109,924	1,387,463
Investments in equity-accounted associates	-	-	1,857	1,857
Property and equipment	-	-	13,019	13,019
Intangible assets	-	-	1,781	1,781
Deferred tax assets	-	-	15	15
Other assets	-	-	10,087	10,087
Assets classified as held for sale	-	-	905	905
Total	279,226	5,469	1,445,103	1,729,798

Market risk

48. Market risk management

The following table summarises the Group's exposure to market risk as a percentage of REA as at 30 September 2022 and 31 December 2021. The Group uses the standardized approach to calculate risk-weighted exposure amounts of derivatives for credit valuation adjustment (CVA) according to capital requirement regulations.

Market risk factor	30.9.2022	31.12.2021
	% of RWEA	% of RWEA
Equity price risk	0.3%	0.5%
Interest rate risk	0.5%	0.2%
CVA of derivatives	0.0%	0.0%
Foreign exchange risk	0.4%	0.2%
Total	1.3%	0.9%

49. Equity price risk

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

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

Notes to the Condensed Consolidated Interim Financial Statements

50. Interest rate risk

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

As at 30 September 2022	Up to 3 months	3-12 months	1-5 years	Over 5 years	Carrying amount
Financial assets					
Cash and balances with Central Bank	93,799	-	-	-	93,799
Bonds and debt instruments	31,078	4,577	39,807	16,489	91,951
Derivative instruments	1,403	-	-	-	1,403
Loans and advances to financial institutions	42,706	-	-	-	42,706
Loans and advances to customers	1,008,696	110,993	360,845	15,813	1,496,347
Other financial assets	7,164	-	-	-	7,164
Total	1,184,846	115,570	400,652	32,302	1,733,370
Financial liabilities					
Due to financial institutions and Central Bank	(5,059)	-	-	-	(5,059)
Deposits from customers	(962,610)	(2,903)	(2,452)	-	(967,965)
Derivative instruments and short positions	(5,714)	-	-	(1,284)	(6,998)
Borrowings	(61,641)	(49,313)	(283,489)	(64,922)	(459,365)
Other financial liabilities	(14,086)	-	-	-	(14,086)
Subordinated liabilities	-	(14,087)	(6,642)	-	(20,729)
Total	(1,049,110)	(66,303)	(292,583)	(66,206)	(1,474,202)
Net on-balance sheet position	135,737	49,267	108,069	(33,904)	259,169
Derivatives held for hedging	(42,390)	42,390	0	-	-
Net off-balance sheet position	1,278	722	(2,000)	-	-
Total interest repricing gap	94,625	92,379	106,069	(33,904)	

As at 31 December 2021	Up to 3 months	3-12 months	1-5 years	Over 5 years	Carrying amount
Financial assets					
Cash and balances with Central Bank	82,425	-	-	-	82,425
Bonds and debt instruments	70,000	33,700	36,185	10,550	150,435
Derivative instruments	1,233	-	-	-	1,233
Loans and advances to financial institutions	47,231	-	-	-	47,231
Loans and advances to customers	1,018,799	104,486	247,771	16,407	1,387,463
Other financial assets	8,800	-	-	-	8,800
Total	1,228,488	138,186	283,956	26,957	1,677,587
Financial liabilities					
Due to financial institutions and Central Bank	(10,425)	-	-	-	(10,425)
Deposits from customers	(894,867)	(2,298)	(2,933)	-	(900,098)
Derivative instruments and short positions	(2,380)	-	(1,715)	(467)	(4,562)
Borrowings	(81,007)	(33,779)	(312,170)	(59,086)	(486,042)
Other financial liabilities	(9,195)	-	-	-	(9,195)
Subordinated liabilities	-	-	(20,785)	-	(20,785)
Total	(997,874)	(36,077)	(337,603)	(59,553)	(1,431,107)
Net on-balance sheet position	230,614	102,109	(53,647)	(32,596)	246,480
Derivatives held for hedging	(44,280)	-	44,280	-	-
Net off-balance sheet position	2,000	-	(2,000)	-	-
Total interest repricing gap	188,334	102,109	(11,367)	(32,596)	

Notes to the Condensed Consolidated Interim Financial Statements

51. 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 Bank's CPI-linked assets and liabilities, the Bank offers non-CPI-linked loans, CPI-linked deposits, CPI-linked covered bonds as well as CPI-linked interest rate swaps.

The following tables summarize the Group's CPI exposure by maturity dates as at 30 September 2022 and 31 December 2021, where CPI-linked financial assets and liabilities are disclosed at their carrying amounts.

	Up to 3 months	3-12 months	1-5 years	Over 5 years	Carrying amount
As at 30 September 2022					
Financial assets					
Bonds and debt instruments	-	-	18,287	6,594	24,881
Loans and advances to customers	3,310	8,730	55,973	206,187	274,200
Total	3,310	8,730	74,260	212,781	299,081
Financial liabilities					
Deposits from customers	(85,434)	(3,918)	(21,448)	(44,148)	(154,948)
Derivative instruments and short positions	-	-	(210)	(1,109)	(1,319)
Borrowings	-	-	(63,027)	(64,922)	(127,949)
Subordinated liabilities	-	-	(6,642)	-	(6,642)
Total	(85,434)	(3,918)	(91,327)	(110,179)	(290,858)
Total on-balance sheet position	(82,124)	4,812	(17,067)	102,602	8,223
Off-balance sheet position					
Interest rate swaps	-	-	(2,595)	-	(2,595)
Total return swaps	(2,925)	-	-	-	(2,925)
Total off-balance sheet position	(2,925)	0	(2,595)	0	(5,520)
Total CPI indexation balance	(85,049)	4,812	(19,662)	102,602	2,703
As at 31 December 2021					
Financial assets					
Bonds and debt instruments	-	-	-	2,761	2,761
Loans and advances to customers	3,420	8,745	61,572	216,268	290,005
Total	3,420	8,745	61,572	219,029	292,766
Financial liabilities					
Deposits from customers	(78,214)	(2,483)	(15,144)	(39,949)	(135,790)
Derivative instruments and short positions	-	-	(1,715)	(582)	(2,297)
Borrowings	-	(23,978)	(57,396)	(59,086)	(140,460)
Subordinated liabilities	-	-	(5,964)	-	(5,964)
Total	(78,214)	(26,461)	(80,219)	(99,617)	(284,511)
Total on-balance sheet position	(74,794)	(17,716)	(18,647)	119,412	8,255
Off-balance sheet position					
Interest rate swaps	-	-	(2,456)	-	(2,456)
Total return swaps	(944)	-	-	-	(944)
Total off-balance sheet position	(944)	0	(2,456)	0	(3,400)
Total CPI indexation balance	(75,738)	(17,716)	(21,103)	119,412	4,855

Notes to the Condensed Consolidated Interim Financial Statements

Currency risk

52. Currency risk (all portfolios)

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

The Group's combined net foreign exchange balance as at 30 September 2022 was+ 0,83% of the Group's capital base (31.12.2021: - 0.38%).

53. Concentration of currency risk

The following tables summarise the Group's exposure to currency risk as at 30 September 2022 and 31 December 2021. The off-balance sheet amounts shown are the notional amounts of the Group's derivative instruments. Amounts presented under assets and liabilities include all spot deals. When managing currency risk, the Group regards spot deals as non-derivative assets or liabilities.

As at 30 September 2022	EUR	GBP	USD	JPY	CHF	Other	Total
Assets							
Cash and balances with Central Bank	582	158	309	9	39	456	1,553
Bonds and debt instruments	6,564	-	17,297	-	-	-	23,861
Equities and equity instruments	61	-	334	-	-	2	397
Derivative instruments	415	81	476	-	-	59	1,031
Loans and advances to financial institutions	14,301	2,945	14,110	162	949	10,240	42,707
Loans and advances to customers	181,127	3,505	84,377	2,376	-	2,419	273,804
Other assets	147	9	1,189	-	1	114	1,460
Total	203,197	6,698	118,092	2,547	989	13,290	344,813
Liabilities							
Due to financial institutions and Central Bank	(25)	(9)	(4)	-	-	-	(38)
Deposits from customers	(51,308)	(8,856)	(48,782)	(199)	(801)	(11,235)	(121,181)
Derivative instruments and short positions	(845)	(248)	(3,702)	-	-	(213)	(5,008)
Borrowings	(168,837)	-	(18,252)	-	-	(50,674)	(237,763)
Other liabilities	(1,282)	(117)	(4,491)	(3)	(11)	(618)	(6,522)
Subordinated liabilities	(14,086)	-	-	-	-	-	(14,086)
Total	(236,383)	(9,230)	(75,231)	(202)	(812)	(62,740)	(384,598)
Net on-balance sheet position	(33,186)	(2,532)	42,861	2,345	177	(49,450)	(39,785)
Net off-balance sheet position	36,627	3,086	(44,106)	(2,243)	-	48,707	42,071
Net currency position	3,441	554	(1,245)	102	177	(743)	2,286
As at 31 December 2021							
Assets							
Cash and balances with Central Bank	677	183	440	9	55	573	1,937
Bonds and debt instruments	41,420	1	28,037	-	-	-	69,458
Equities and equity instruments	75	-	842	-	-	-	917
Derivative instruments	846	62	264	-	-	25	1,197
Loans and advances to financial institutions	10,698	869	10,395	259	742	24,165	47,128
Loans and advances to customers	179,512	3,875	62,035	945	-	3,843	250,210
Other assets	402	-	987	-	-	101	1,490
Total	233,630	4,990	103,000	1,213	797	28,707	372,337
Liabilities							
Due to financial institutions and Central Bank	(1,048)	(3)	(129)	-	-	-	(1,180)
Deposits from customers	(49,445)	(7,703)	(45,789)	(196)	(726)	(13,547)	(117,406)
Derivative instruments and short positions	(116)	(16)	(1,499)	-	-	-	(1,631)
Borrowings	(198,776)	-	(19,640)	-	-	(49,599)	(268,015)
Other liabilities	(968)	(84)	(863)	(6)	(10)	(736)	(2,667)
Subordinated liabilities	(14,821)	-	-	-	-	-	(14,821)
Total	(265,174)	(7,806)	(67,920)	(202)	(736)	(63,882)	(405,720)
Net on-balance sheet position	(31,544)	(2,816)	35,080	1,011	61	(35,175)	(33,383)
Net off-balance sheet position	29,740	3,192	(35,566)	(888)	(89)	35,886	32,275
Net currency position	(1,804)	376	(486)	123	(28)	711	(1,108)

Notes to the Condensed Consolidated Interim Financial Statements

54. Foreign exchange rates used

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

	As at 30 September 2022	As at 31 December 2021	Change	Average for 1.1-30.9 2022	Average for 1.1-30.9 2021
EUR/ISK	141.30	147.60	(4.3%)	140.93	150.62
GBP/ISK	160.79	175.77	(8.5%)	166.13	173.86
USD/ISK	144.44	130.41	10.8%	132.41	125.90
JPY/ISK	0.9981	1.1327	(11.9%)	1.0399	1.1602
CHF/ISK	146.71	142.86	2.7%	139.68	138.24
CAD/ISK	105.02	102.40	2.6%	102.95	100.49
DKK/ISK	19.003	19.847	(4.3%)	18.945	20.252
NOK/ISK	13.284	14.776	(10.1%)	14.065	14.690
SEK/ISK	12.981	14.393	(9.8%)	13.402	14.833

Consolidated Key Figures

55. Operations by quarters

Operations	2022			2021			
	Q3	Q2	Q1	Q4*	Q3	Q2	Q1
Interest income	28,677	25,247	21,101	18,520	15,646	18,096	14,332
Interest expense	(16,500)	(14,095)	(10,835)	(8,125)	(6,046)	(7,764)	(5,706)
Net interest income	12,177	11,152	10,266	10,395	9,600	10,332	8,626
Fee and commission income	3,657	4,052	3,621	3,632	3,417	3,197	2,875
Fee and commission expense	(1,201)	(1,269)	(982)	(1,039)	(895)	(883)	(821)
Net fee and commission income	2,456	2,783	2,639	2,593	2,522	2,314	2,054
Net (loss) gain on financial assets and liabilities at FVTPL	(3,054)	(2,707)	(2,094)	439	1,886	1,284	2,371
Net foreign exchange gain (loss)	285	21	8	(69)	55	(45)	(27)
Net impairment changes	2,622	(735)	778	3,247	1,008	293	2,489
Other income and (expenses)	369	328	393	112	275	330	246
Net other operating income	222	(3,093)	(915)	3,729	3,224	1,862	5,079
Total operating income	14,855	10,842	11,990	16,717	15,346	14,508	15,759
Salaries and related expenses	(3,149)	(3,584)	(3,755)	(4,028)	(3,238)	(3,724)	(3,769)
Other operating expenses	(2,135)	(2,118)	(2,399)	(2,386)	(2,202)	(2,202)	(2,315)
Tax on liabilities of financial institutions	(547)	(505)	(510)	(508)	(525)	(513)	(467)
Total operating expenses	(5,831)	(6,207)	(6,664)	(6,922)	(5,965)	(6,439)	(6,551)
Profit before tax	9,024	4,635	5,326	9,795	9,381	8,069	9,208
Income tax	(3,261)	(2,294)	(2,110)	(2,473)	(1,889)	(1,582)	(1,590)
Profit for the period	5,763	2,341	3,216	7,322	7,492	6,487	7,618
Balance sheet	30.9.2022	30.6.2022	31.3.2022	31.12.2021	30.9.2021	30.6.2021	31.3.2021
Cash and cash balances with Central Bank	93,799	84,895	68,406	82,425	92,043	89,342	59,937
Bonds and debt instruments	91,951	102,018	129,661	150,435	129,579	128,208	134,183
Equities and equity instruments	20,559	27,368	28,990	33,347	30,527	35,111	31,811
Loans and advances to financial institutions	42,706	36,119	58,179	47,231	59,363	64,245	55,234
Loans and advances to customers	1,496,347	1,445,399	1,416,504	1,387,463	1,375,536	1,328,031	1,287,448
Other assets	25,235	31,785	31,130	27,992	30,020	31,147	30,913
Assets classified as held for sale	531	559	774	905	1,290	1,213	1,426
Total assets	1,771,128	1,728,143	1,733,644	1,729,798	1,718,358	1,677,297	1,600,952
Due to financial institutions and Central Bank	5,059	4,813	6,557	10,425	48,991	40,312	40,932
Deposits from customers	967,965	935,123	922,556	900,098	869,463	842,624	794,252
Borrowings	459,365	451,524	472,827	486,042	474,415	456,688	452,709
Other liabilities	44,596	48,483	45,870	29,803	29,047	48,913	30,825
Subordinated liabilities	20,729	20,550	20,524	20,785	21,099	20,889	20,850
Equity	273,414	267,650	265,310	282,645	275,343	267,871	261,384
Total liabilities and equity	1,771,128	1,728,143	1,733,644	1,729,798	1,718,358	1,677,297	1,600,952

*The first three quarters results for the year 2022 and the first three quarter results for the year 2021 were reviewed by the Bank's independent auditors.

Consolidated Key Figures

56. Key figures and ratios

	2022			2021			
	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Return on equity before taxes	13.3%	7.0%	7.8%	14.0%	13.8%	12.2%	14.2%
Return on equity after taxes	8.5%	3.5%	4.7%	10.5%	11.0%	9.8%	11.7%
Cost-income ratio	43.2%	49.3%	54.9%	47.6%	37.9%	41.7%	45.8%
Operating expenses as a ratio of average total assets	1.2%	1.3%	1.4%	1.5%	1.3%	1.4%	1.5%
Return on assets	1.3%	0.5%	0.7%	1.7%	1.8%	1.6%	1.9%
Interest spread as a ratio of average of total assets	2.8%	2.6%	2.4%	2.4%	2.3%	2.5%	2.2%
Earnings per share	0.24	0.24	0.14	0.31	0.32	0.27	0.32
	30.9.2022	30.6.2022	31.3.2022	31.12.2021	30.09.2021	30.6.2021	31.3.2021
Total capital ratio	24.2%	24.9%	24.3%	26.6%	24.9%	25.1%	24.9%
CET1 ratio	22.5%	23.1%	22.6%	24.8%	23.1%	23.3%	23.0%
Leverage ratio	14.4%	14.1%	13.8%	14.9%	14.3%	14.4%	14.8%
Loans / deposits	154.6%	154.6%	153.5%	154.1%	158.2%	157.6%	162.1%
Deposits / total assets	54.7%	54.1%	53.2%	52.0%	50.6%	50.2%	49.6%
Liquidity coverage ratio total (LCR)	147%	144%	142%	179%	172%	180%	202%
Net stable funding ratio FX (NSFR)	142%	136%	143%	142%	122%	140%	140%
Number of full-time positions at the end of the period	824	786	791	816	837	844	869

Key figures and ratios

Definition

Return on equity before taxes	Profit (loss) before taxes / average total equity
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
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 total (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
Number of full-time equivalent positions at the end of the period	Number of full-time equivalent positions at the end of the period

Undirritunarsíða

Undirritað af
Berglind Svavarsdóttir

Undirritað af
Elín Jónsdóttir

Undirritað af
Guðbrandur Sigurðsson

Undirritað af
Guðrún Blöndal

Undirritað af
Helga Björk Eiríksdóttir

Undirritað af
Helgi Friðjón Arnarson

Undirritað af
Lilja Björk Einarsdóttir

Undirritað af
Þorvaldur Jacobsen