



# Condensed Consolidated Interim Financial Statements

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

For the three months ended 31 March 2022

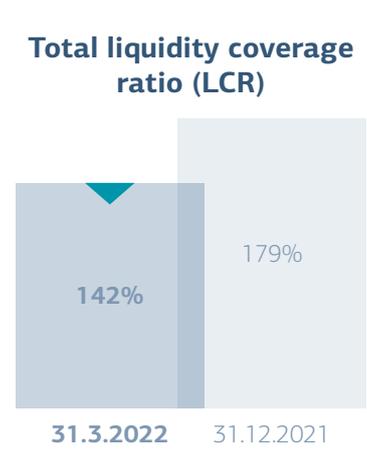
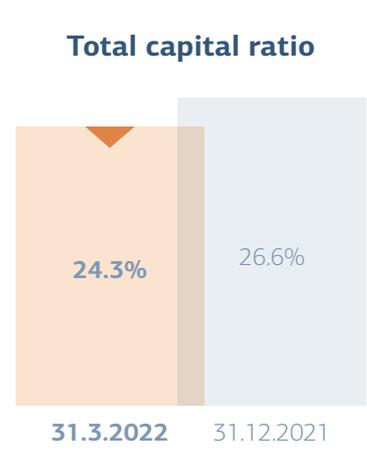
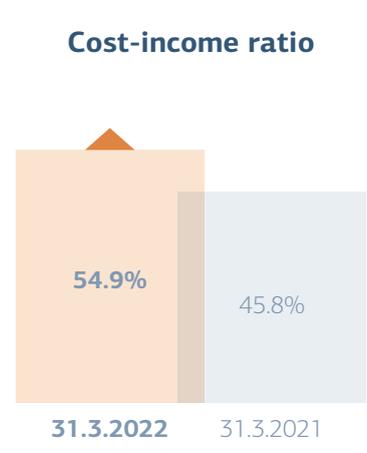
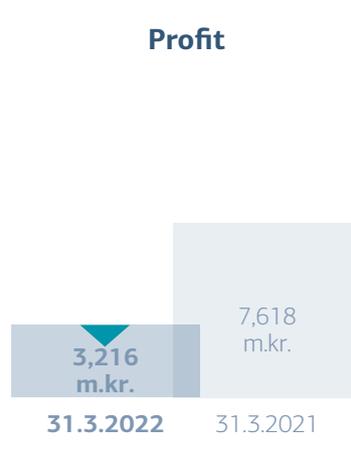


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# Highlights



## Report of the Board of Directors and the CEO

The Board of Directors and the CEO of Landsbankinn hf. ("Landsbankinn" or the "Bank") submit this report together with the reviewed Condensed Consolidated Interim Financial Statements of Landsbankinn hf. for the first three months of 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 will 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 3,216 million for the first three months of 2022 (Q1 2021: ISK 7,618 million). After-tax return on equity was 4.7% (Q1 2021: 11.7%) and the Bank's cost-income ratio was 54.9% (Q1 2021: 45.8%). Net interest income was ISK 10,266 million, increasing by 19.0% between years. Net fee and commission income increased by 28.5% between years, to ISK 2,639 million. Net loss on financial assets and liabilities at fair value was ISK 2,094 million (Q1 2021: ISK 2,371 million net profit). Net release of credit impairment was ISK 778 million (Q1 2021: ISK 2,489 million net release). Salaries and related expenses were ISK 3,755 million and remain stable between years. The average number of full-time equivalent positions during the period was 823 (Q1 2021: 892).

Consolidated total equity amounted to ISK 265,310 million at the end of the period. Total assets were ISK 1,733,644 million and grew by 0.2% during the first quarter of 2022. The total capital ratio of the Group, calculated according to the Act on Financial Undertakings, was 24.3% at the end of the period (31 December 2021: 26.6%).

In January 2022, the Bank concluded two bond issuances with a maturity of 3 years under the Bank's EMTN programme, on the one hand in the amount of SEK 850 million and on the other hand NOK 500 million. The bonds were priced at a spread of 80bp and 79bp over interbank rates, respectively. In addition, the Bank issued bonds with a maturity of 2 years in the amount of SEK 850 million at a spread of 65bp over interbank rates. Total issuance in foreign currencies in the first quarter is equivalent to ISK 30,594 million at the end of the reporting period.

### Risk factors

The Bank's total capital ratio remains well above the current regulatory requirement. The ratio decreased slightly from year-end 2021 following a dividend payment approved by the Bank's AGM held in March this year. The carrying amount of loans and advances to customers increased by 2.1% in the first quarter of the year and lending increased both to individuals and corporates. The Bank's risk-weighted exposure amount (RWEA) increased by 2.5% in the first three months of 2022 and amounted to ISK 1,173 billion at the end of the first quarter. Credit risk remains the most significant risk factor in the Bank's operations and is 91% of total RWEA.

The weighted average probability of default in the Bank's loan portfolio decreased slightly in the first three months of 2022 and was 2.1% at the end of the first quarter (31 December 2021: 2.2%). Expected credit loss (ECL) in the loan portfolio decreased during the first three months of the year and the net release of credit impairment was ISK 778 million. This is mainly due to a decrease in collective provisions as well as a decrease in ECL for stage 3 loans. At the end of the first quarter, the carrying amount of loans with active COVID-19 related payment moratoria amounted to ISK 39.7 billion, of which ISK 33.4 billion to customers in the travel sector.

Direct effects of the ongoing war in Ukraine on the Bank's risk profile are minimal and indirect effects mainly express themselves in changing market conditions that can affect the Bank's customers, increased inflation in Iceland and in the economies of the main trading partners, increased volatility in financial markets and a potential increase in cyber risk.

The Bank's liquidity position remained strong in the first quarter of 2022. The total liquidity coverage ratio at the end of the first quarter was 142%, 101% in Icelandic króna and 292% in foreign currencies. Market risk remains modest and 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 the first quarter of 2022, all accessible on the Bank's website, [www.landsbankinn.is](http://www.landsbankinn.is).

### Equity and dividend

The AGM of Landsbankinn, held on 23 March 2022, approved the motion of the Board of Directors to pay shareholders a dividend amounting to ISK 0.61 per share for the year 2021 and to pay the dividend 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 is due on 21 September 2022. These dividend payments are equivalent to 50% of 2021 profits.

The meeting also approved payment of a special dividend of ISK 0.26 per share. The payment of the special dividend to shareholders took place on 28 April 2022. The amount of the special dividend based on outstanding shares is ISK 6,141 million.

## Report of the Board of Directors and the CEO

### Equity and dividend (continued)

In total, the Bank pays ISK 20,550 million in dividends to its owners this year. The capital base of the Group will be reduced by an amount equivalent to the dividend payment and the Bank's capital ratios, in accordance with the Act on Financial Undertakings, will decrease by 1.8 percentage points.

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 AGM on 24 March 2021 and a buyback programme set out by the Board of Directors on 10 June 2021. During the repurchase period, Landsbankinn 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 and, at its conclusion, holds around 379 million own shares, or the equivalent of around 1.58% of issued shares.

The 2022 AGM renewed the authorisation of the Bank to acquire up to 10% of the nominal value of Landsbankinn's share capital. The authorisation is valid until the next AGM in 2023.

### Economic outlook

Economic growth was 4.3% last year and was rather changeable over the year. Following a contraction in the first quarter, in actuality a continuation of contraction in 2020, growth was robust in the second and third quarter yet slackened rather in the fourth quarter. The year's developments confirmed that the economy had begun its recovery from the slump caused by the pandemic.

Landsbankinn Economic Research's forecast from October 2021 assumes 5.5% growth this year, depending heavily on a large capelin catch and high proportional increase in tourist numbers. Economic Research will publish an updated macroeconomic and inflation forecast in May of this year and a slight downward revision of the October forecast is to be expected.

The invasion of Ukraine will have a limited effect on the Icelandic economy as Iceland's trade with both Ukraine and Russia accounts for only a fraction of Iceland's foreign trade. The impact of the invasion will be primarily indirect and has already begun manifesting in rising inflation, both in Iceland and elsewhere in the world. The IMF's April forecast assumes that inflation in developed countries will be 5.7% this year. If that forecast holds, these will be the highest inflation levels developed nations have experienced in just under 40 years. Such inflation levels will clearly detract from growth globally, both through impact on household purchasing power, which will reduce private consumption, but also through monetary restraint measures such as higher interest rates. This will lead to lower demand and investment and thus detract from growth.

Inflation has increased sharply in Iceland in recent months, primarily as a result of increased inflation in the economies of the main trading partners and price increases in residential housing domestically. Inflation was 7.2% in April. It is likely close to peaking and can be expected to decline slowly but steadily as of mid year. Inflation will still be well above target at year end, according to Economic Research's forecast, which assumes that inflation will subside quickly towards target in early 2023.

Unemployment has fallen fairly rapidly recently, not least because of significant use of hiring grants. Unemployment was 4.9% in March and has reached pre-pandemic levels. It is likely that unemployment levels will continue to fall as the travel sector regains its footing.

The Central Bank began a rate hike cycle just under a year ago when the Monetary Policy Committee (MPC) raised the policy rate by 0.25 percentage points (pp). This rise was followed by similar rises in August and October. Larger steps have since been taken and the Central Bank raised the policy rate by 0.50 pp in December and 0.75 in February. The largest step was taken now in May, with a rate increase of 1.00 pp, and the policy rate is now 3.75%. Inflation has increased rapidly and the outlook has deteriorated markedly. The Central Bank's most recent forecast assumes that inflation will rise above 8% in the third and fourth quarters of 2022 and will not recede to below 4% until the fourth quarter next year. Inflation expectations have also increased and are by all measures above target in the short term. It is evident that the MPC will continue the current rate hike cycle to counter and slow down domestic demand.

### Governance

Landsbankinn's Board of Directors was re-elected in its entirety at the Bank's AGM this year. Helga Björk Eiríksdóttir was re-elected chairman of the Board. Other re-elected directors are: Berglind Svavarsdóttir (Vice-chairman), Elín H. Jónsdóttir, Guðbrandur Sigurðsson, Guðrún Ó. Blöndal, Helgi F. Arnarson and Thorvaldur Jacobsen. Re-elected alternates are: Sigríður Olgeirsdóttir and Sigurður Jón Björnsson. Committee chairs are unchanged: Guðbrandur chairs the Risk Committee, Helgi chairs the Audit Committee and Helga Björk chairs the Remuneration Committee.

## Report of the Board of Directors and the CEO

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

The Condensed Consolidated Interim Financial Statements of Landsbankinn hf. for the first three months of 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 of Landsbankinn hf. give a true and fair view of the consolidated financial performance of the Group for the first three months of 2022, its consolidated financial position as at 31 March 2022, and its consolidated cash flows for the first three months of 2022.

Furthermore, in our opinion, the Condensed Consolidated Interim Financial Statements of Landsbankinn hf. describe the principal risks and uncertainties faced by the Group.

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

Reykjavík, 5 May 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 31 March 2022 which comprise of Report of the Board of Directors and the CEO, Condensed Consolidated Statement of Financial Position as at 31 March 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 three-month period then ended 31 March 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, 5 May 2022

**PricewaterhouseCoopers ehf**

Arna G. Tryggvadóttir  
State Authorized Public Accountant

Atli Þór Jóhannsson  
State Authorized Public Accountant

## Condensed Consolidated Income Statement for the three months ended 31 March 2022

Notes		2022 1.1-31.3	2021 1.1-31.3
	Interest income	21,101	14,332
	Interest expense	(10,835)	(5,706)
6	<b>Net interest income</b>	<b>10,266</b>	<b>8,626</b>
	Fee and commission income	3,621	2,875
	Fee and commission expense	(982)	(821)
7	<b>Net fee and commission income</b>	<b>2,639</b>	<b>2,054</b>
8	Net (loss) gain on financial assets and liabilities at FVTPL	(2,094)	2,371
	Net foreign exchange gain (loss)	8	(27)
9	Net impairment changes	778	2,489
10	Other income and (expenses)	393	246
	<b>Net other operating income</b>	<b>(915)</b>	<b>5,079</b>
	<b>Total operating income</b>	<b>11,990</b>	<b>15,759</b>
11	Salaries and related expenses	(3,755)	(3,769)
	Other operating expenses	(2,399)	(2,315)
	Tax on liabilities of financial institutions	(510)	(467)
	<b>Total operating expenses</b>	<b>(6,664)</b>	<b>(6,551)</b>
	<b>Profit before tax</b>	<b>5,326</b>	<b>9,208</b>
12	Income tax	(2,110)	(1,590)
	<b>Profit for the period</b>	<b>3,216</b>	<b>7,618</b>
	<b>Profit for the year attributable to:</b>		
	Owners of the Bank	3,216	7,618
	Non-controlling interests	0	0
	<b>Profit for the period</b>	<b>3,216</b>	<b>7,618</b>
	<b>Earnings per share</b>		
29	Basic and diluted earnings per share from operations (ISK)	<b>0.14</b>	<b>0.32</b>

## Condensed Consolidated Statement of Comprehensive Income for the three months ended 31 March 2022

Notes		2022 1.1-31.3	2021 1.1-31.3
	Profit for the period	3,216	7,618
	Other comprehensive income for the period, after tax	0	0
	<b>Total comprehensive income for the period</b>	<b>3,216</b>	<b>7,618</b>

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

## Condensed Consolidated Statement of Financial Position as at 31 March 2022

Notes		31.3.2022	31.12.2021
<b>Assets</b>			
17, 47	Cash and balances with Central Bank	68,406	82,425
18	Bonds and debt instruments	129,661	150,435
19	Equities and equity instruments	28,990	33,347
20	Derivative instruments	1,453	1,233
21, 47	Loans and advances to financial institutions	58,179	47,231
22, 47	Loans and advances to customers	1,416,504	1,387,463
	Investments in equity-accounted associates	1,783	1,857
	Property and equipment	14,073	13,019
	Intangible assets	1,763	1,781
25	Deferred tax assets	52	15
23	Other assets	12,006	10,087
	Assets classified as held for sale	774	905
	<b>Total assets</b>	<b>1,733,644</b>	<b>1,729,798</b>
<b>Liabilities</b>			
	Due to financial institutions and Central Bank	6,557	10,425
	Deposits from customers	922,556	900,098
20	Derivative instruments and short positions	2,927	4,562
24, 47	Borrowings	472,827	486,042
25	Tax liabilities	11,276	9,602
26	Other liabilities	31,647	15,609
	Liabilities associated with assets classified as held for sale	20	30
27	Subordinated liabilities	20,524	20,785
	<b>Total liabilities</b>	<b>1,468,334</b>	<b>1,447,153</b>
28	<b>Equity</b>		
	Share capital	23,621	23,621
	Share premium	120,593	120,594
	Reserves	21,648	23,591
	Retained earnings	99,448	114,839
	<b>Total equity</b>	<b>265,310</b>	<b>282,645</b>
	<b>Total liabilities and equity</b>	<b>1,733,644</b>	<b>1,729,798</b>

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

## Condensed Consolidated Statement of Changes in Equity for the three months ended 31 March 2022

### Notes

	Attributable to owners of the Bank									
	Reserves*							Total	Non-controlling interests	Total
	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				
<b>Change in equity for the three months ended 31 March 2022</b>										
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						3,216	3,216		3,216	
Transferred to (from) restricted retained earnings				472	(2,414)	1,942	0		0	
Purchase of own shares	-	(2)					(2)		(2)	
Dividends allocated						(20,550)	(20,550)		(20,550)	
<b>28 Balance as at 31 March 2022</b>	<b>23,621</b>	<b>120,593</b>	<b>6,000</b>	<b>5,744</b>	<b>9,904</b>	<b>99,448</b>	<b>265,310</b>	<b>0</b>	<b>265,310</b>	
<b>Change in equity for the three months ended 31 March 2021</b>										
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						7,618	7,618		7,618	
Transferred to restricted retained earnings				338	1,984	(2,322)	0		0	
Dividends allocated						(4,489)	(4,489)		(4,489)	
<b>28 Balance as at 31 March 2021</b>	<b>23,625</b>	<b>120,630</b>	<b>6,000</b>	<b>3,997</b>	<b>11,575</b>	<b>95,557</b>	<b>261,384</b>	<b>0</b>	<b>261,384</b>	

\*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 three months ended 31 March 2022

Notes	2022 1.1-31.3	2021 1.1-31.3
<b>Operating activities</b>		
Profit for the period	3,216	7,618
Adjustments for non-cash items included in profit for the period	(6,559)	(11,884)
Changes in operating assets and liabilities	(11,972)	(45,070)
Interest received	17,262	12,690
Interest paid	(4,115)	(2,291)
Dividends received	(61)	21
Income tax and special tax on liabilities paid	(984)	(2,326)
<b>Net cash from (used in) operating activities</b>	<b>(3,213)</b>	<b>(41,242)</b>
<b>Investing activities</b>		
Purchase of property and equipment	(1,159)	(1,017)
Proceeds from sale of property and equipment	1	21
Purchase of intangible assets	(44)	(211)
Sale of associates	242	-
<b>Investing activities</b>	<b>(960)</b>	<b>(1,207)</b>
<b>Financing activities</b>		
Proceeds from borrowings	34,767	71,773
Purchase of own shares	(2)	-
Repayment of borrowings	(41,840)	(30,533)
Rent paid	(166)	(158)
Dividends paid	(7,323)	(4,489)
<b>Financing activities</b>	<b>(14,564)</b>	<b>36,593</b>
Cash and cash equivalents as at the beginning of the period	84,388	69,091
Net change in cash and cash equivalents	(18,737)	(5,856)
Effect of exchange rate changes on cash and cash equivalents held	194	584
<b>Cash and cash equivalents as at the end of the period</b>	<b>65,845</b>	<b>63,819</b>
<b>Investing and financing activities not affecting cash flows</b>		
Approved dividend to shareholders	(13,228)	-
Unpaid dividend to shareholders	13,228	-
<b>Cash and cash equivalents is specified as follows:</b>		
17 Cash and balances with Central Bank	68,406	59,937
21 Bank accounts with financial institutions	10,309	19,025
17 Mandatory and special restricted balances with Central Bank	(12,870)	(15,143)
<b>Cash and cash equivalents as at the end of the period</b>	<b>65,845</b>	<b>63,819</b>

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

## Condensed Consolidated Statement of Cash Flows for the three months ended 31 March 2022

Notes	2022 1.1-31.3	2021 1.1-31.3
<b>Adjustments for non-cash items included in profit for the period</b>		
6	(10,266)	(8,626)
8	2,094	(2,371)
	(202)	(557)
9	(778)	(2,489)
	-	(14)
	(173)	(115)
	314	315
	(152)	-
	(16)	(84)
	510	467
12	2,110	1,590
	<b>(6,559)</b>	<b>(11,884)</b>

### Changes in operating assets and liabilities

Change in reserve requirement with Central Bank	428	(1,489)
Change in bonds and equities	21,304	(19,264)
Change in loans and advances to financial institutions	(18,128)	(4,790)
Change in loans and advances to customers	(32,526)	(19,043)
Change in other assets	(3,534)	(3,757)
Change in assets classified as held for sale	295	327
Change in due to financial institutions and Central Bank	(3,866)	(7,939)
Change in deposits from customers	23,781	2,252
Change in tax liability	(37)	27
Change in other liabilities	311	8,606
	<b>(11,972)</b>	<b>(45,070)</b>

### Change in liabilities due to financing activities

	As at 1.1.2022	Cash flow	Non-cash changes			As at 31.3.2022
			Accrued interest	Foreign exchange	Change in the fair value	
Secured borrowings	217,887	3,298	4,521	-	-	225,706
Senior unsecured bonds	181,905	10,092	431	(7,766)	-	184,662
Senior unsecured bonds held to hedge long-term borrowings	66,470	(21,040)	81	(2,036)	(440)	43,035
Other unsecured loans	19,780	(71)	73	(358)	-	19,424
Subordinated liabilities	20,785	-	294	(555)	-	20,524
<b>Total</b>	<b>506,827</b>	<b>(7,721)</b>	<b>5,400</b>	<b>(10,715)</b>	<b>(440)</b>	<b>493,351</b>

	As at 1.1.2021	Cash flow	Non-cash changes			As at 31.3.2021
			Accrued interest	Foreign exchange	Change in the fair value	
Secured borrowings	189,360	12,325	2,550	-	-	204,235
Senior unsecured bonds	116,196	28,250	536	(6,203)	-	138,779
Senior unsecured bonds held to hedge long-term borrowings	95,468	(99)	100	(4,429)	(589)	90,451
Other unsecured loans	19,154	93	77	(80)	-	19,244
Subordinated liabilities	21,366	-	217	(733)	-	20,850
<b>Total</b>	<b>441,544</b>	<b>40,569</b>	<b>3,480</b>	<b>(11,445)</b>	<b>(589)</b>	<b>473,559</b>

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

## Notes to the Condensed Consolidated Interim Financial Statements

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# Notes to the Condensed Consolidated Interim Financial Statements

## General

### 1. Reporting entity

Landsbankinn hf. (hereinafter referred to as the "Bank" or "Landsbankinn") was founded on 7 October 2008. The Bank is a limited liability company incorporated and domiciled in Iceland. The Bank operates in accordance with Act No. 161/2002, on Financial Undertakings. The Bank is subject to supervision of the Financial Supervisory Authority of the Central Bank of Iceland (FSA) in accordance with Act No. 87/1998, on Official Supervision of Financial Activities. The registered address of the Bank's office is Austurstræti 11, 155 Reykjavík.

The Condensed Consolidated Interim Financial Statements of the Bank for the three months ended 31 March 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 three months ended 31 March 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 5 May 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](http://www.landsbankinn.is).

#### Going concern

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

#### Functional and presentation currency

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

#### Use of estimates and judgements

The preparation of 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.

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 5,2% 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 20% weight (31 December 2021; 20%), the baseline 50% weight (31 December 2021; 60%) and the downside scenario 30% weight (31 December 2021; 20%).

	Upside scenario		Base case senario		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
<b>As at 31 March 2022</b>						
GDP growth	6.3%	4.1%	4.1%	1.9%	1.6%	0.1%
Unemployment rate	3.6%	2.4%	4.6%	3.7%	7.4%	5.9%
Base rate	3.6%	2.6%	4.3%	4.3%	6.8%	5.3%
Inflation	4.7%	2.5%	5.4%	2.9%	9.0%	4.4%
EUR/ISK exchange rate, average	138.9	132.3	141.1	135.6	157.1	146.3
Housing Price index, y/y change	9.5%	1.6%	13.8%	4.8%	16.5%	7.3%

## Notes to the Condensed Consolidated Interim Financial Statements

### 4. Economic forecasts (continued)

	Upside scenario		Base case senario		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
<b>As at 31 December 2021</b>						
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%

	As at 31 March 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)	5,630	5,794	7,581	6,005	6,273	7,152
Proportion af assets in Stage 2	5.8%	5.8%	6.1%	6.8%	6.9%	7.1%

	Reported under IFRS 9	
	As at 31 March 2022	As at 31 December 2021
Allowance for impairment (Stage 1 and Stage 2)	6,296	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.

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 the prevailing tax rate, currently 0.145%.

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

Revenue from transactions with any single external customer was within 10% of the Group's total revenue during the period from 1 January to 31 March 2022 and the corresponding period in 2021.

## Notes to the Condensed Consolidated Interim Financial Statements

### 5. Operating segments (continued)

	Personal Banking	Corporate Banking	Asset Management & Capital Market	Treasury and Market Making	Other segments	Recon- ciliation	Total
<b>1 January - 31 March 2022</b>							
Net interest income	4,223	4,677	162	1,236	(14)	(18)	10,266
Net fee and commission income	714	408	1,590	(66)	31	(38)	2,639
Net impairment changes	(59)	841	(1)	(3)	-	-	778
Net other operating income (expenses)	38	(4)	21	(1,948)	206	(6)	(1,693)
<b>Total operating income (expense)</b>	<b>4,916</b>	<b>5,922</b>	<b>1,772</b>	<b>(781)</b>	<b>223</b>	<b>(62)</b>	<b>11,990</b>
Operating expenses	(1,529)	(747)	(503)	(519)	(2,901)	45	(6,154)
Tax on liabilities of financial institutions	(201)	(101)	(2)	(204)	(2)	-	(510)
<b>Profit (loss) before cost allocation and tax</b>	<b>3,186</b>	<b>5,074</b>	<b>1,267</b>	<b>(1,504)</b>	<b>(2,680)</b>	<b>(17)</b>	<b>5,326</b>
Allocated expenses	(1,019)	(694)	(269)	(243)	2,225	-	0
<b>Profit (loss) before tax</b>	<b>2,167</b>	<b>4,380</b>	<b>998</b>	<b>(1,747)</b>	<b>(455)</b>	<b>(17)</b>	<b>5,326</b>
Income tax	(555)	(1,141)	(354)	(171)	111	-	(2,110)
<b>Profit (loss) for the period</b>	<b>1,612</b>	<b>3,239</b>	<b>644</b>	<b>(1,918)</b>	<b>(344)</b>	<b>(17)</b>	<b>3,216</b>
Net revenue (expenses) from external customers	9,252	8,450	1,828	(7,695)	217	-	12,052
Net revenue (expenses) from other segments	(4,336)	(2,528)	(56)	6,914	6	-	0
<b>Total operating income (expense)</b>	<b>4,916</b>	<b>5,922</b>	<b>1,772</b>	<b>(781)</b>	<b>223</b>	<b>0</b>	<b>12,052</b>
<b>As at 31 March 2022</b>							
<b>Total assets</b>	789,696	607,707	12,471	701,519	23,041	(400,790)	1,733,644
<b>Total liabilities</b>	752,331	499,694	7,938	586,120	23,041	(400,790)	1,468,334
<b>Allocated capital</b>	37,365	108,013	4,533	115,399	-	-	265,310
	Personal Banking	Corporate Banking	Asset Management & Capital Market	Treasury and Market Making	Other segments	Recon- ciliation	Total
<b>1 January - 31 March 2021</b>							
Net interest income	4,017	4,590	113	(77)	(17)	-	8,626
Net fee and commission income	615	295	1,237	(83)	90	(100)	2,054
Net impairment changes	477	2,012	(1)	1	-	-	2,489
Net other operating income (expenses)	75	57	100	2,203	159	(4)	2,590
<b>Total operating income (expense)</b>	<b>5,184</b>	<b>6,954</b>	<b>1,449</b>	<b>2,044</b>	<b>232</b>	<b>(104)</b>	<b>15,759</b>
Operating expenses	(1,680)	(721)	(520)	(204)	(3,064)	105	(6,084)
Tax on liabilities of financial institutions	(187)	(83)	(3)	(194)	-	-	(467)
<b>Profit (loss) before cost allocation and tax</b>	<b>3,317</b>	<b>6,150</b>	<b>926</b>	<b>1,646</b>	<b>(2,832)</b>	<b>1</b>	<b>9,208</b>
Allocated expenses	(1,109)	(708)	(278)	(229)	2,324	-	0
<b>Profit (loss) before tax</b>	<b>2,208</b>	<b>5,442</b>	<b>648</b>	<b>1,417</b>	<b>(508)</b>	<b>1</b>	<b>9,208</b>
Income tax	(559)	(1,316)	196	(13)	102	-	(1,590)
<b>Profit (loss) for the period</b>	<b>1,649</b>	<b>4,126</b>	<b>844</b>	<b>1,404</b>	<b>(406)</b>	<b>1</b>	<b>7,618</b>
Net revenue (expenses) from external customers	7,401	8,718	1,389	(1,874)	229	-	15,863
Net revenue (expenses) from other segments	(2,217)	(1,764)	60	3,918	3	-	0
<b>Total operating income (expense)</b>	<b>5,184</b>	<b>6,954</b>	<b>1,449</b>	<b>2,044</b>	<b>232</b>	<b>0</b>	<b>15,863</b>
<b>As at 31 March 2021</b>							
<b>Total assets</b>	667,563	627,192	14,623	656,722	2,770	(367,918)	1,600,952
<b>Total liabilities</b>	635,415	505,867	8,246	555,188	2,770	(367,918)	1,339,568
<b>Allocated capital</b>	32,148	121,325	6,377	101,534	-	-	261,384

## Notes to the Condensed Consolidated Interim Financial Statements

### Notes to the Consolidated Income Statement

#### 6. Net interest income

	1.1-31.3.2022			1.1-31.3.2021		
	Amortised cost	Designated at FVTPL	Total	Amortised cost	Designated at FVTPL	Total
<b>Interest income</b>						
Cash and balances with Central Bank	451	-	451	77	-	77
Bonds and debt instruments	-	-	0	24	-	24
Loans and advances to financial institutions	1	-	1	2	-	2
Loans and advances to customers	20,381	264	20,645	14,060	157	14,217
Other interest income	2	2	4	2	10	12
<b>Total</b>	<b>20,835</b>	<b>266</b>	<b>21,101</b>	<b>14,165</b>	<b>167</b>	<b>14,332</b>
<b>Interest expense</b>						
Due to financial institutions and Central Bank	(37)	-	(37)	(148)	-	(148)
Deposits from customers	(4,990)	-	(4,990)	(1,625)	-	(1,625)
Borrowings	(5,048)	(84)	(5,132)	(3,161)	(100)	(3,261)
Other interest expense	(35)	(346)	(381)	(25)	(430)	(455)
Subordinated liabilities	(295)	-	(295)	(217)	-	(217)
<b>Total</b>	<b>(10,405)</b>	<b>(430)</b>	<b>(10,835)</b>	<b>(5,176)</b>	<b>(530)</b>	<b>(5,706)</b>
<b>Net interest income</b>	<b>10,430</b>	<b>(164)</b>	<b>10,266</b>	<b>8,989</b>	<b>(363)</b>	<b>8,626</b>

Net interest income, calculated based on the effective interest rate method, amounted to ISK 10,266 million in the first three months of 2022 as compared with ISK 8,626 for the same period in 2021.

#### 7. Net fee and commission income

	1.1-31.3.2022			1.1-31.3.2021		
	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	1,724	(166)	1,558	1,352	(160)	1,192
Loans and guarantees	263	-	263	243	-	243
Payment cards	1,210	(557)	653	916	(425)	491
Collection and payment services	229	(52)	177	216	(48)	168
Other	195	(207)	(12)	148	(188)	(40)
<b>Total</b>	<b>3,621</b>	<b>(982)</b>	<b>2,639</b>	<b>2,875</b>	<b>(821)</b>	<b>2,054</b>

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

	2022 1.1-31.3	2021 1.1-31.3
<b>Net (loss) gain on financial assets and liabilities at FVTPL</b>		
Bonds and debt instruments	141	102
Equities and equity instruments	(2,531)	1,940
Derivatives and underlying hedges	278	224
Loans and advances to customers	(4)	56
Net gain on fair value hedges	22	49
<b>Total</b>	<b>(2,094)</b>	<b>2,371</b>

#### 9. Net impairment changes

	2022 1.1-31.3	2021 1.1-31.3
<b>Net impairment changes of financial assets</b>		
Net impairment changes of loans to customers	781	2,499
Net impairment changes of other financial assets	(3)	(10)
<b>Net impairment changes of financial assets</b>	<b>778</b>	<b>2,489</b>
<b>Net impairment changes by customer type</b>		
Public entities	-	1
Individuals	(83)	338
Corporates	861	2,150
<b>Net impairment changes of financial assets</b>	<b>778</b>	<b>2,489</b>

## Notes to the Condensed Consolidated Interim Financial Statements

### 10. Other income and expenses

	2022	2021
	1.1-31.3	1.1-31.3
Share of profit of equity-accounted associates	16	84
Net income (expense) on repossessions	173	115
Other	204	47
<b>Total</b>	<b>393</b>	<b>246</b>

### 11. Salaries and related expenses

	2022	2021
	1.1-31.3	1.1-31.3
Salaries	2,939	2,950
Contribution to defined pension plans	415	422
Social security contributions	200	194
Special financial activities tax on salaries	173	175
Other related expenses	28	28
<b>Total</b>	<b>3,755</b>	<b>3,769</b>

Average number of full-time equivalent positions during the period	823	892
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### 12. Income tax

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

	2022	2021
	1.1-31.3	1.1-31.3
Current tax expense	(1,725)	(1,264)
Special income tax on financial institutions	(423)	(299)
Origination and reversal of temporary differences due to deferred tax assets/liabilities	38	(27)
<b>Total</b>	<b>(2,110)</b>	<b>(1,590)</b>

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

	2022		2021	
		1.1-31.3		1.1-31.3
Profit before income tax		5,326		9,208
Income tax calculated using the domestic corporate income tax rate	20.0%	(1,065)	20.0%	(1,842)
Special income tax on financial institutions	7.9%	(423)	3.3%	(299)
Income not subject to tax	(4.0%)	214	(7.0%)	646
Non-deductible expenses	15.7%	(836)	1.0%	(96)
Other	0.0%	-	0.0%	1
<b>Effective income tax</b>	<b>39.6%</b>	<b>(2,110)</b>	<b>17.3%</b>	<b>(1,590)</b>

## 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 31 March 2022:

As at 31 March 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
<b>Financial assets measured at fair value</b>										
Bonds and debt instruments	18	-	125,009	4,652	-	129,661	128,948	29	684	129,661
Equities and equity instruments	19	-	28,990	-	-	28,990	10,797	-	18,193	28,990
Derivative instruments	20	-	1,453	-	-	1,453	-	1,453	-	1,453
Loans and advances to customers	22	-	28,199	-	-	28,199	-	-	28,199	28,199
		<b>0</b>	<b>183,651</b>	<b>4,652</b>	<b>0</b>	<b>188,303</b>	<b>139,745</b>	<b>1,482</b>	<b>47,076</b>	<b>188,303</b>
<b>Financial assets not measured at fair value</b>										
Cash and balances with Central Bank	17	68,406	-	-	-	68,406	-	68,406	-	68,406
Loans and advances to financial institutions	21	58,179	-	-	-	58,179	-	58,179	-	58,179
Loans and advances to customers	22	1,388,305	-	-	-	1,388,305	-	1,400,308	-	1,400,308
Other financial assets		10,836	-	-	-	10,836	-	10,836	-	10,836
		<b>1,525,726</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,525,726</b>	<b>0</b>	<b>1,537,729</b>	<b>0</b>	<b>1,537,729</b>
<b>Financial liabilities measured at fair value</b>										
Derivative instruments	20	-	1,897	-	-	1,897	-	1,897	-	1,897
Short positions	20	-	1,030	-	-	1,030	1,030	-	-	1,030
		<b>0</b>	<b>2,927</b>	<b>0</b>	<b>0</b>	<b>2,927</b>	<b>1,030</b>	<b>1,897</b>	<b>0</b>	<b>2,927</b>
<b>Financial liabilities not measured at fair value</b>										
Due to financial institutions and Central Bank		-	-	-	6,557	6,557	-	6,557	-	6,557
Deposits from customers		-	-	-	922,556	922,556	-	922,174	-	922,174
Borrowings	24	-	-	-	472,827	472,827	-	484,475	-	484,475
Other financial liabilities		-	-	-	12,347	12,347	-	12,347	-	12,347
Subordinated liabilities	27	-	-	-	20,524	20,524	-	20,957	-	20,957
		<b>0</b>	<b>0</b>	<b>0</b>	<b>1,434,811</b>	<b>1,434,811</b>	<b>0</b>	<b>1,446,510</b>	<b>0</b>	<b>1,446,510</b>

## 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				Total	Fair value			
		Amortised cost	Mandatorily at FVTPL	Designated at FVTPL	Other financial liabilities		Level 1	Level 2	Level 3	Total
<b>Financial assets measured at fair value</b>										
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
		<b>0</b>	<b>204,923</b>	<b>2,234</b>	<b>0</b>	<b>207,157</b>	<b>162,692</b>	<b>1,262</b>	<b>43,203</b>	<b>207,157</b>
<b>Financial assets not measured at fair value</b>										
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
		<b>1,503,777</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,503,777</b>	<b>0</b>	<b>1,511,057</b>	<b>0</b>	<b>1,511,057</b>
<b>Financial liabilities measured at fair value</b>										
Derivative instruments	20	-	1,946	-	-	1,946	-	1,946	-	1,946
Short positions	20	-	2,616	-	-	2,616	2,616	-	-	2,616
		<b>0</b>	<b>4,562</b>	<b>0</b>	<b>0</b>	<b>4,562</b>	<b>2,616</b>	<b>1,946</b>	<b>0</b>	<b>4,562</b>
<b>Financial liabilities not measured at fair value</b>										
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
		<b>0</b>	<b>0</b>	<b>0</b>	<b>1,426,545</b>	<b>1,426,545</b>	<b>0</b>	<b>1,442,933</b>	<b>0</b>	<b>1,442,933</b>

## Notes to the Condensed Consolidated Interim Financial Statements

### 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 31 March 2022 and 1 January to 31 March 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 three months ended 31 March 2022 and for the year 2021:

	Bonds and debt instruments	Equities and equity instruments	Loans and advances to customers	Total financial assets
<b>1 January - 31 March 2022</b>				
Carrying amount as at 1 January 2022	467	20,594	22,142	43,203
Net gain (loss) on financial assets and liabilities at FVTPL	18	(2,520)	(4)	(2,506)
Net foreign exchange loss	-	(1)	(17)	(18)
Purchases	199	153	76,835	77,187
Sales	-	(33)	-	(33)
Settlements	-	-	(70,757)	(70,757)
<b>Carrying amount as at 31 March 2022</b>	<b>684</b>	<b>18,193</b>	<b>28,199</b>	<b>47,076</b>

##### 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)
<b>Carrying amount as at 31 December 2021</b>	<b>467</b>	<b>20,594</b>	<b>22,142</b>	<b>43,203</b>

The following table shows the line items in the Consolidated Income Statement where gains (losses) on financial assets and liabilities categorised in Level 3 and held by the Group as at 31 March 2022 and 31 March 2021, were recognised:

	Bonds and debt instruments	Equities and equity instruments	Loans and advances to customers	Total
<b>1 January - 31 March 2022</b>				
Net loss on financial assets and liabilities at FVTPL realised	-	(80)	(4)	(84)
Net gain (loss) on financial assets and liabilities at FVTPL unrealised	18	(2,441)	-	(2,423)
Net foreign exchange gain (loss)	-	(1)	(17)	(18)
<b>Total</b>	<b>18</b>	<b>(2,522)</b>	<b>(21)</b>	<b>(2,525)</b>
<b>1 January - 31 March 2021</b>				
Net gain (loss) on financial assets and liabilities at FVTPL realised	-	(94)	-	(94)
Net gain on financial assets and liabilities at FVTPL unrealised	6	1,994	56	2,056
Net foreign exchange loss	(1)	(1)	(11)	(13)
<b>Total</b>	<b>5</b>	<b>1,899</b>	<b>45</b>	<b>1,949</b>

#### 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 31 March 2022 and 31 December 2021.

As at 31 March 2022	Assets	Liabilities	Valuation technique	Key un-observable inputs	Range of inputs	
					Lower	Higher
Bonds and debt instruments	684	-	See 1) below	See 1) below	n/a	n/a
Equities and equity instruments	18,193	-	See 2) below	See 2) below	n/a	n/a
Loans and advances to customers	28,199	-	See 3) below	See 3) below	n/a	n/a
	<b>47,076</b>	<b>0</b>				

## Notes to the Condensed Consolidated Interim Financial Statements

### 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
	<b>43,203</b>	<b>0</b>				

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

1. Fair value of corporate bonds and claims on financial institutions in winding-up proceedings and other insolvent assets is estimated on expected recovery. Reference is also made to prices in recent transactions. 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 three months ended 31 March 2022 and 31 March 2021:

Effect on profit before tax	2022 1.1-31.3		2021 1.1-31.3	
	Favourable	Unfavourable	Favourable	Unfavourable
Bonds and debt instruments	1	(1)	1	(1)
Equities and equity instruments:				
Equities - Banking book	835	(848)	946	(959)
Mutual funds - Banking book	273	(273)	232	(232)
Total equities and equity instruments	1,108	(1,121)	1,178	(1,191)
Loans and advances to customers	17	(17)	57	(30)
<b>Total</b>	<b>1,126</b>	<b>(1,139)</b>	<b>1,236</b>	<b>(1,222)</b>

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

	31.3.2022			
	Stage 1	Stage 2	Stage 3	Total
Cash and balances with Central Bank	(1)	-	-	(1)
Loans and advances to customers	(2,532)	(3,109)	(6,407)	(12,048)
Other financial assets	(72)	-	(5)	(77)
Expected credit loss, off-balance sheet items	(559)	(96)	(112)	(767)
<b>Total</b>	<b>(3,164)</b>	<b>(3,205)</b>	<b>(6,524)</b>	<b>(12,893)</b>
	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)
<b>Total</b>	<b>(2,245)</b>	<b>(4,220)</b>	<b>(7,981)</b>	<b>(14,446)</b>

There is still uncertainty about the final impact of the COVID-19 pandemic on the Bank's credit portfolio. The Bank has assessed the need for additional collective allowance and recognised a provision of ISK 1.1 billion (31 December 2021: ISK 2.1 billion) for loans to the travel sector and ISK 33 million (31 December 2021: ISK 119 million) for loans to other companies.

## Notes to the Condensed Consolidated Interim Financial Statements

### 17. Cash and balances with Central Bank

	31.3.2022	31.12.2021
Cash on hand	4,974	5,274
Unrestricted balances with Central Bank	50,562	63,853
<b>Total cash and unrestricted balances with Central Bank</b>	<b>55,536</b>	<b>69,127</b>
Restricted balances with Central Bank - fixed reserve requirement	9,939	10,144
Cash and balances pledged as collateral to the Central Bank	2,931	3,154
<b>Total restricted balances with Central Bank</b>	<b>12,870</b>	<b>13,298</b>
<b>Total cash and balances with Central Bank</b>	<b>68,406</b>	<b>82,425</b>

### 18. Bonds and debt instruments

Bonds and debt instruments	31.3.2022			31.12.2021		
	Mandatorily at FVTPL	Designated at FVTPL	Total	Mandatorily at FVTPL	Designated at FVTPL	Total
<b>Domestic</b>						
Listed	89,806	445	90,251	78,982	499	79,481
Unlisted	-	4,207	4,207	-	1,735	1,735
	<b>89,806</b>	<b>4,652</b>	<b>94,458</b>	<b>78,982</b>	<b>2,234</b>	<b>81,216</b>
<b>Foreign</b>						
Listed	35,203	-	35,203	69,219	-	69,219
	<b>35,203</b>	<b>0</b>	<b>35,203</b>	<b>69,219</b>	<b>0</b>	<b>69,219</b>
<b>Total bonds</b>	<b>125,009</b>	<b>4,652</b>	<b>129,661</b>	<b>148,201</b>	<b>2,234</b>	<b>150,435</b>

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

### 19. Equities and equity instruments

Equities and equity instruments	31.3.2022			31.12.2021		
	Trading book	Banking book	Total	Trading book	Banking book	Total
<b>Domestic</b>						
Listed	9,167	882	10,049	11,071	511	11,582
Unlisted	47	18,443	18,490	-	20,893	20,893
	<b>9,214</b>	<b>19,325</b>	<b>28,539</b>	<b>11,071</b>	<b>21,404</b>	<b>32,475</b>
<b>Foreign</b>						
Listed	3	424	427	431	417	848
Unlisted	-	24	24	-	24	24
	<b>3</b>	<b>448</b>	<b>451</b>	<b>431</b>	<b>441</b>	<b>872</b>
<b>Total equities</b>	<b>9,217</b>	<b>19,773</b>	<b>28,990</b>	<b>11,502</b>	<b>21,845</b>	<b>33,347</b>

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

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

As at 31 March 2022, outstanding commitments of the Group in share subscriptions amounted to ISK 3.754 million (31 December 2021: ISK 3.952 million) altogether in seven entities (31 December 2021: six entities). The entities invested in by the Group are required to redeem its shareholders with proceeds from the sale of assets.

## Notes to the Condensed Consolidated Interim Financial Statements

### 20. Derivative instruments and short positions

#### Trading

	31.3.2022			31.12.2021		
	Notional amount	Fair value		Notional amount	Fair value	
		Assets	Liabilities		Assets	Liabilities
<b>Foreign exchange derivatives</b>						
Currency forwards	52,323	400	611	45,712	99	133
Cross-currency interest rate swaps	921	12	-	411	24	-
	<b>53,244</b>	<b>412</b>	<b>611</b>	<b>46,123</b>	<b>123</b>	<b>133</b>
<b>Interest rate derivatives</b>						
Interest rate swaps	1,108	5	-	1,187	8	-
Total return swaps	47,166	157	13	51,613	25	69
	<b>48,274</b>	<b>162</b>	<b>13</b>	<b>52,800</b>	<b>33</b>	<b>69</b>
<b>Equity derivatives</b>						
Equity forwards	113	8	1	107	-	5
Total return swaps	7,415	11	283	8,525	11	220
Equity options	737	-	48	-	-	-
	<b>8,265</b>	<b>19</b>	<b>332</b>	<b>8,632</b>	<b>11</b>	<b>225</b>
<b>Total derivative instruments</b>	<b>109,783</b>	<b>593</b>	<b>956</b>	<b>107,555</b>	<b>167</b>	<b>427</b>
<b>Short positions</b>						
Listed equities	-	-	-	-	-	434
Listed bonds	776	-	1,030	2,054	-	2,182
<b>Total short positions</b>	<b>776</b>	<b>0</b>	<b>1,030</b>	<b>2,054</b>	<b>0</b>	<b>2,616</b>
<b>Total</b>	<b>110,559</b>	<b>593</b>	<b>1,986</b>	<b>109,609</b>	<b>167</b>	<b>3,043</b>

#### Risk management

	31.3.2022			31.12.2021		
	Notional amount	Fair value		Notional amount	Fair value	
		Assets	Liabilities		Assets	Liabilities
<b>Foreign exchange derivatives</b>						
Currency forwards	48,479	520	446	62,015	308	1,058
	<b>48,479</b>	<b>520</b>	<b>446</b>	<b>62,015</b>	<b>308</b>	<b>1,058</b>
<b>Interest rate derivatives</b>						
Interest rate swaps	3,108	-	495	3,187	-	461
	<b>3,108</b>	<b>0</b>	<b>495</b>	<b>3,187</b>	<b>0</b>	<b>461</b>
<b>Fair value hedging</b>						
Interest rate swaps	42,600	340	-	111,523	758	-
	<b>42,600</b>	<b>340</b>	<b>0</b>	<b>111,523</b>	<b>758</b>	<b>0</b>
<b>Total</b>	<b>94,187</b>	<b>860</b>	<b>941</b>	<b>176,725</b>	<b>1,066</b>	<b>1,519</b>
<b>Total derivative instruments and short positions</b>	<b>204,746</b>	<b>1,453</b>	<b>2,927</b>	<b>286,334</b>	<b>1,233</b>	<b>4,562</b>

#### Fair value hedging

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

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

During the period from 1 January 2022 to 31 March 2022, the slope of the regression line was in all cases within the range of 0.91 and 0.95 (for a 95% confidence level) and the regression coefficient was at least 0.91 ( $R^2$ ). During the same period in 2021, the slope of the regression line is in all cases within the range of 1.01 and 1.09 (for a 95% confidence level) and the regression coefficient is at least 0.89 ( $R^2$ ). In all cases the effectiveness is within limits during the first three 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 31 March 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
		Up to 3 months	1-5 years	>5 years	Assets	Liabilities	
Interest rate swaps - EUR	42,600	-	42,600	-	340	-	(417)
<b>Total</b>	<b>42,600</b>	<b>0</b>	<b>42,600</b>	<b>0</b>	<b>340</b>	<b>0</b>	<b>(417)</b>

Average fixed interest rate - EUR

1.00%

As at 31 March 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	
LBANK 1.375 3/22	-	-	-	253
LBANK 1.00 5/23	-	-	(65)	186
<b>Total EMTN hedged borrowings</b>	<b>0</b>	<b>43,035</b>	<b>(65)</b>	<b>439</b>

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)
<b>Total</b>	<b>65,597</b>	<b>21,317</b>	<b>44,280</b>	<b>0</b>	<b>758</b>	<b>0</b>	<b>(886)</b>

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	
LBANK 1.375 3/22	-	-	27	568
LBANK 1.00 5/23	-	-	346	406
<b>Total EMTN hedged borrowings</b>	<b>0</b>	<b>66,470</b>	<b>373</b>	<b>974</b>

### 21. Loans and advances to financial institutions

	31.3.2022	31.12.2021
Bank accounts with financial institutions	10,309	15,261
Money market loans	47,129	29,552
Other loans	741	2,418
Allowance for impairment	-	-
<b>Total</b>	<b>58,179</b>	<b>47,231</b>

## Notes to the Condensed Consolidated Interim Financial Statements

### 22. Loans and advances to customers

	31.3.2022	31.12.2021
Loans and advances to customers at amortised cost	1,400,353	1,379,144
Allowance for impairment	(12,048)	(13,823)
<b>Total</b>	<b>1,388,305</b>	<b>1,365,321</b>
Loans and advances to customers at FVTPL	28,199	22,142
<b>Total</b>	<b>1,416,504</b>	<b>1,387,463</b>

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

	31.3.2022			31.12.2021		
	Gross carrying amount	Allowance for impairment	Carrying amount	Gross carrying amount	Allowance for impairment	Carrying amount
Public entities	3,971	(3)	3,968	3,898	(3)	3,895
Individuals	742,709	(1,429)	741,280	726,309	(1,359)	724,950
Mortgage lending	661,279	(459)	660,820	646,981	(466)	646,515
Other	81,430	(970)	80,460	79,328	(893)	78,435
Corporates	653,673	(10,616)	643,057	648,937	(12,461)	636,476
<b>Total</b>	<b>1,400,353</b>	<b>(12,048)</b>	<b>1,388,305</b>	<b>1,379,144</b>	<b>(13,823)</b>	<b>1,365,321</b>

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

### 23. Other assets

	31.3.2022	31.12.2021
Unsettled securities trading	7,039	2,111
Other accounts receivable	1,862	4,710
Right-of-use assets	1,935	1,979
Sundry assets	1,170	1,287
<b>Total</b>	<b>12,006</b>	<b>10,087</b>

## Notes to the Condensed Consolidated Interim Financial Statements

### 24. Borrowings

#### Secured borrowings

As at 31 March 2022	Currency	Final maturity	Outstanding principal	Indexed/ Non-indexed	Contractual interest rate	Carrying amount
LBANK CBI 22	ISK	28.04.2022	18,180	CPI-indexed	Fixed 3.0%	22,990
LBANK CB 23	ISK	23.11.2023	44,080	Non-indexed	Fixed 5.0%	45,889
LBANK CBI 24	ISK	15.11.2024	38,080	CPI-indexed	Fixed 3.0%	46,359
LBANK CB 25	ISK	17.09.2025	33,040	Non-indexed	Fixed 3.4%	33,626
LBANK CBI 26	ISK	20.11.2026	11,120	CPI-indexed	Fixed 1.5%	12,564
LBANK CB 27	ISK	20.09.2027	3,580	Non-indexed	Fixed 4.6%	3,586
LBANK CBI 28	ISK	04.10.2028	48,280	CPI-indexed	Fixed 3.0%	60,692
<b>Total covered bonds</b>						<b>225,706</b>
<b>Total secured borrowings</b>						<b>225,706</b>

#### Unsecured borrowings

As at 31 March 2022	Currency	Final maturity	Outstanding principal	Contractual interest rate	Carrying amount
LBANK FLOAT 08/22	SEK	02.08.2022	SEK 900 million	STIBOR + 0.75%	12,339
LBANK 1.00 05/23*	EUR	30.05.2023	EUR 300 million	FIXED 1.0%	43,035
LBANK FLOAT 10/23	NOK	19.10.2023	NOK 500 million	NIBOR + 1.55%	7,337
LBANK FLOAT 10/23	SEK	19.10.2023	SEK 500 million	STIBOR + 1.55%	6,858
LBANK FLOAT 01/24	SEK	19.01.2024	SEK 850 million	STIBOR + 0.65%	11,645
LBANK 0.5 05/24	EUR	20.05.2024	EUR 300 million	FIXED 0.5%	42,672
LBANK FLOAT 01/25	NOK	20.01.2025	NOK 500 million	NIBOR + 0.79%	7,323
LBANK FLOAT 01/25	SEK	20.01.2025	SEK 850 million	STIBOR + 0.8%	11,648
LBANK 0.375 5/25 GB**	EUR	23.05.2025	EUR 300 million	Fixed 0.375%	42,468
LBANK 0.75 5/26 GB**	EUR	25.05.2026	EUR 300 million	Fixed 0.75%	42,372
<b>Total senior unsecured bonds</b>					<b>227,697</b>

As at 31 March 2022	Carrying amount
Other unsecured loans	19,424
<b>Total other unsecured loans</b>	<b>19,424</b>
<b>Total unsecured borrowings</b>	<b>247,121</b>
<b>Total borrowings as at 31 March 2022</b>	<b>472,827</b>

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

\*\*Issued under the Bank's Sustainable Finance Framework

## 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 23	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
<b>Total covered bonds</b>						<b>217,887</b>

**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
<b>Total senior unsecured bonds</b>					<b>248,375</b>

**Total senior unsecured bonds** 248,375

As at 31 December 2021	Carrying amount
Other unsecured loans	19,780
<b>Total other unsecured loans</b>	<b>19,780</b>

**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 assets and liabilities

	31.3.2022		31.12.2021	
	Assets	Liabilities	Assets	Liabilities
Tax liabilities	-	11,276	-	9,602
Deferred tax assets / liabilities	52	-	15	-
<b>Taxes in the Statement of Financial Position</b>	<b>52</b>	<b>11,276</b>	<b>15</b>	<b>9,602</b>

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

	31.3.2022			31.12.2021		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Property and equipment	-	(101)	(101)	-	(111)	(111)
Intangibles	-	(174)	(174)	-	(180)	(180)
Foreign currency assets and liabilities	-	(491)	(491)	-	(536)	(536)
Deferred foreign exchange differences	45	-	45	92	-	92
Other assets and liabilities	767	-	767	745	-	745
Tax losses carried forward	6	-	6	5	-	5
	<b>818</b>	<b>(766)</b>	<b>52</b>	<b>842</b>	<b>(827)</b>	<b>15</b>
Set-off of deferred tax assets together with liabilities of the same taxable entities	(766)	766	0	(827)	827	0
<b>Deferred tax assets total</b>	<b>52</b>	<b>0</b>	<b>52</b>	<b>15</b>	<b>0</b>	<b>15</b>

## Notes to the Condensed Consolidated Interim Financial Statements

### 25. Deferred tax assets and liabilities (continued)

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

	Recognised in income statement		Balance as at 31.3
	Balance as at 1.1	Tax income (expense)	
<b>As at 31 March 2022</b>			
Property and equipment	(111)	10	(101)
Intangibles	(180)	6	(174)
Foreign currency assets and liabilities	(536)	45	(491)
Deferred foreign exchange differences	92	(47)	45
Other assets and other liabilities	745	22	767
Tax losses carried forward	5	1	6
<b>Total</b>	<b>15</b>	<b>37</b>	<b>52</b>

	Recognised in income statement		Balance as at 31.12
	Balance as at 1.1	Tax income (expense)	
<b>As at 31 December 2021</b>			
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
<b>Total</b>	<b>23</b>	<b>(8)</b>	<b>15</b>

### 26. Other liabilities

	31.3.2022	31.12.2021
Unsettled securities trading	8,601	5,473
Withholding tax	511	1,413
Accounts payable	1,421	1,349
Contribution to the Depositors' and Investors' Guarantee Fund	209	209
Non-controlling interests - Funds	771	557
Lease liabilities	2,116	2,164
Sundry liabilities	18,018	4,444
<b>Total</b>	<b>31,647</b>	<b>15,609</b>

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

### 27. Subordinated liabilities

As at 31.3.2022	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%	14,371
LBANK T21 29	ISK	11.12.2029	ISK 5,520 million	CPI-indexed	Fixed 3.85%	6,153
<b>Total subordinated liabilities</b>						<b>20,524</b>

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
<b>Total subordinated liabilities</b>						<b>20,785</b>

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.

## Notes to the Condensed Consolidated Interim Financial Statements

### 28. Equity

#### *Share capital*

As of 31 March 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 at the end of the first quarter of 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 set out 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-end 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.

#### *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 AGM of Landsbankinn, held on 23 March 2022, approved the motion of the Board of Directors to pay shareholders a dividend amounting to ISK 0.61 per share for the year 2021 and to pay the dividend 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 is due on 21 September 2022. These dividend payments are equivalent to 50% of 2021 profits.

The meeting also approved payment of a special dividend of ISK 0.26 per share. The payment of the special dividend to shareholders took place on 28 April 2022. The amount of the special dividend based on outstanding shares is ISK 6,141 million. In total, the Bank pays ISK 20,550 million in dividends to its owners this year.

The date of record for right to these dividend payments is based on the register of shareholders at end of business on 23 March 2022, the day of the Bank's AGM, unless the Bank receives notification of the assignment of dividend through the transfer of shares.

#### *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.

## Notes to the Condensed Consolidated Interim Financial Statements

### 28. Equity (continued)

#### *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
	1.1-31.3	1.1-31.3
<b>Profit for the period</b>		
Profit for the period attributable to owners of the Bank	3,216	7,618
	2022	2021
	1.1-31.3	1.1-31.3
<b>Weighted average number of shares</b>		
Weighted average number of ordinary shares issued	24,000	24,000
Weighted average number of own shares	(379)	(375)
<b>Weighted average number of shares outstanding</b>	<b>23,621</b>	<b>23,625</b>
<b>Basic and diluted earnings per share from operations (ISK)</b>	<b>0.14</b>	<b>0.32</b>

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

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

### 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. In a written statement submitted in September 2021 the Bank claimed the case should be dismissed. In March 2022 the District Court of Reykjavik decided to reject the request of the plaintiff that assessors be appointed and an advisory opinion be requested from the EFTA Court before an oral argumentation on the claim by the defendants for dismissal of the case takes place. In April 2022 the plaintiff appealed the decision 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 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 litigation was initially commenced in September 2021 but the case was dismissed in December 2021.

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 by the EFTA Court should be requested on the interpretation of certain provisions in directives incorporated into the EEA Agreement.

## Notes to the Condensed Consolidated Interim Financial Statements

### 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.

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

In January 2017, the Bank commenced proceedings before the Reykjavík District Court 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 of Reykjavík 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. It is expected that the main hearing of the case will be in October 2022.

### 31. Interest in subsidiaries

The main subsidiaries held directly or indirectly by the Group as at 31 March 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 36 branches and service points as at 31 March 2022.

#### **Main subsidiaries as at 31 March 2022**

<b>Company</b>	<b>Ownership interest</b>	<b>Activity</b>
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 31 March 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	31.3.2022		31.12.2021	
	Gross carrying amount	Highest amount outstanding during the period	Gross carrying amount	Highest amount outstanding during the period
Key management personnel	543	578	532	727
Parties related to key management personnel	178	183	181	283
Associates	920	941	939	949
Other	17	19	19	20
<b>Total</b>	<b>1,658</b>	<b>1,721</b>	<b>1,671</b>	<b>1,979</b>

Specific impairment allowance of ISK 237 million in Stage 3 is recognised in respect of the loans under the item Associates .

The Bank provided a financial guarantee of ISK 36,5 million to one of its associates during the period. The Bank made no lease contracts with related parties during the period.

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

Deposits in ISK million	31.3.2022		31.12.2021	
	Carrying amount	Highest amount outstanding during the period	Carrying amount	Highest amount outstanding during the period
Key management personnel	54	91	48	351
Parties related to key management personnel	108	145	65	261
Associates	408	1,082	208	1,124
Other	9	9	8	308
<b>Total</b>	<b>579</b>	<b>1,327</b>	<b>329</b>	<b>2,044</b>

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

Guarantees in ISK million	Gross carrying amount as at 31 March 2022	Gross carrying amount as at 31 December 2021
Key management personnel	-	-
Parties related to key management personnel	-	-
Associates	484	449
<b>Total</b>	<b>484</b>	<b>449</b>

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

### 33. Events after the reporting period

No events have arisen after the reporting period of these financial statements that require amendments or additional disclosures in the Condensed Consolidated Financial Statements for the three months ended 31 March 2022.

## Notes to the Condensed Consolidated Interim Financial Statements

### Capital management

#### 34. Capital requirements

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

The 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 31.3.2022	CET1	Tier 1	Total
Pillar I	4.5%	6.0%	8.0%
Pillar II-R	2.0%	2.6%	3.5%
<b>Minimum requirement under Pillar I and Pillar II-R</b>	<b>6.5%</b>	<b>8.6%</b>	<b>11.5%</b>
Systemic risk buffer	2.9%	2.9%	2.9%
Capital buffer for systematically important institutions	2.0%	2.0%	2.0%
Countercyclical capital buffer	0.0%	0.0%	0.0%
Capital conservation buffer	2.5%	2.5%	2.5%
<b>Combined buffer requirement</b>	<b>7.4%</b>	<b>7.4%</b>	<b>7.4%</b>
<b>Total capital requirement</b>	<b>13.9%</b>	<b>16.0%</b>	<b>18.9%</b>

On 29 September 2021 the Financial Stability Committee (FSC) decided to increase the value of the countercyclical capital buffer, taking effect twelve months thereafter. As of the following dates, the countercyclical capital buffer on domestic exposures will therefore be, ceteris paribus:

	31.12.2021	31.3.2022	29.9.2022
Countercyclical capital buffer on domestic exposures	0.00%	0.00%	2.00%

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.

	31.3.2022	31.12.2021
<b>Capital base</b>		
Share capital	23,621	23,621
Share premium	120,593	120,594
Reserves	21,648	23,591
Retained earnings	99,448	114,839
<b>Total equity attributable to owners of the Bank</b>	<b>265,310</b>	<b>282,645</b>
Intangible assets	(13)	(14)
Deferred tax assets	(52)	(15)
Fair value hedges	(340)	(758)
Foreseeable dividends*	(1,608)	-
Adjustment under IFRS 9 transitional arrangements	1,118	1,674
<b>Common equity Tier 1 capital (CET1)</b>	<b>264,415</b>	<b>283,532</b>
Non-controlling interests	-	-
<b>Tier 1 capital</b>	<b>264,415</b>	<b>283,532</b>
Subordinated liabilities	20,524	20,785
<b>Tier 2 capital</b>	<b>20,524</b>	<b>20,785</b>
<b>Total capital base</b>	<b>284,939</b>	<b>304,317</b>
<b>Risk-weighted exposure amount (RWEA)</b>		
Credit risk	1,061,888	1,032,889
Market risk	9,484	9,909
Operational risk**	101,194	101,194
<b>Total risk-weighted exposure amount</b>	<b>1,172,566</b>	<b>1,143,992</b>

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

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

<b>CET1 ratio</b>	<b>22.6%</b>	<b>24.8%</b>
<b>Tier 1 capital ratio</b>	<b>22.6%</b>	<b>24.8%</b>
<b>Total capital ratio</b>	<b>24.3%</b>	<b>26.6%</b>
<b>CET 1 Ratio as if IFRS 9 transitional arrangements were not applied</b>	<b>22.5%</b>	<b>24.6%</b>
<b>Tier 1 capital ratio as if IFRS 9 transitional arrangements were not applied</b>	<b>22.5%</b>	<b>24.6%</b>
<b>Total capital ratio as if IFRS 9 transitional arrangements were not applied</b>	<b>24.2%</b>	<b>26.5%</b>

### 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.

	31.3.2022	31.12.2021
<b>Leverage ratio</b>		
- On-balance sheet exposure (excluding derivatives and SFTs)	1,708,108	1,711,930
- Derivative instrument exposure	8,617	8,799
- Securities financing transaction exposures	31,789	21,958
- Off-balance sheet exposure	166,689	160,994
- Regulatory adjustments to Tier 1 capital	(895)	887
<b>Total leverage exposure</b>	<b>1,914,308</b>	<b>1,904,568</b>
<b>Tier 1 capital</b>	<b>264,415</b>	<b>283,532</b>
<b>Leverage ratio</b>	<b>13.8%</b>	<b>14.9%</b>
<b>Leverage ratio as if IFRS 9 transitional arrangements were not applied</b>	<b>13.8%</b>	<b>14.8%</b>

## 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). At the end of April 2022, the Central Bank of Iceland's Resolution Authority announced its MREL decision for the Bank. The MREL-decision entails that the Bank must fulfill a 23,0% MREL requirement, as a percentage of Total Risk-weighted Exposure Amount, which was equivalent to 16,5% of the Bank's Total Liabilities and Own Funds (TLOF) at year end 2020. 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.

<b>Own funds and eligible liabilities as at 31.3.2022</b>	<b>Amount</b>	<b>Percentage of TLOF</b>	<b>Percentage of RWEA</b>
Common Equity Tier 1 (CET1)	264,415	15.3%	22.6%
Additional Tier 1 capital (AT1)	0	0.0%	0.0%
Tier 2 capital	20,524	1.2%	1.8%
Eligible liabilities	231,582	13.4%	19.8%
<b>Sum of own funds and eligible liabilities</b>	<b>516,521</b>	<b>29.8%</b>	<b>44.1%</b>
Less: Combined buffer requirement (CBR)	(86,770)	(5.0%)	(7.4%)
<b>Sum of own funds and eligible liabilities, less CBR</b>	<b>429,751</b>	<b>24.8%</b>	<b>36.7%</b>
Recurring MREL requirement	286,051	16.5%	
<b>Maximum Distributable Amount (MDA)</b>	<b>143,700</b>	<b>8.3%</b>	

The Maximum Distributable Amount (MDA) is calculated as the sum of own funds and eligible liabilities, less the sum of MREL and CBR.

## 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 31 March 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 31 March 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	-	68,406	-	-	-	-	-	-	-	-	-	-	-	68,406	68,406
Bonds and debt instruments	200	77,237	-	-	42	-	-	4,192	-	-	15	-	-	81,686	129,661
Equities and equity instruments	530	-	-	51	55	-	9	2,471	13	167	16,527	-	-	19,823	28,990
Derivative instruments	873	-	-	15	-	22	-	-	15	8	10	-	510	1,453	1,453
Loans and advances to financial institutions	58,179	-	-	-	-	-	-	-	-	-	-	-	-	58,179	58,179
Loans and advances to customers	-	3,968	741,902	173,917	122,868	88,302	102,182	58,681	55,930	31,405	30,894	6,455	-	1,416,504	1,416,504
Other assets	25,426	1	22	3	1,974	-	2	1,785	-	4	1	-	1,169	30,387	30,451
<b>Total on-balance sheet exposure</b>	<b>85,208</b>	<b>149,612</b>	<b>741,924</b>	<b>173,986</b>	<b>124,939</b>	<b>88,324</b>	<b>102,193</b>	<b>67,129</b>	<b>55,958</b>	<b>31,584</b>	<b>47,447</b>	<b>6,455</b>	<b>1,679</b>	<b>1,676,438</b>	<b>1,733,644</b>
<b>Off-balance sheet exposure</b>	<b>1</b>	<b>7,978</b>	<b>32,776</b>	<b>18,688</b>	<b>16,378</b>	<b>76,466</b>	<b>7,926</b>	<b>21,767</b>	<b>22,666</b>	<b>20,189</b>	<b>1,271</b>	<b>521</b>	<b>26</b>	<b>226,653</b>	
Financial guarantees and underwriting commitments	-	-	547	6,032	864	4,723	2,154	2,941	3,815	3,630	1,027	-	-	25,733	
Undrawn loan commitments	-	2	55	10,215	14,464	69,413	4,347	9,775	12,847	12,993	-	183	-	134,294	
Undrawn overdraft/credit card facilities	1	7,976	32,174	2,441	1,050	2,330	1,425	9,051	6,004	3,566	244	338	26	66,626	
<b>Maximum exposure to credit risk</b>	<b>85,209</b>	<b>157,590</b>	<b>774,700</b>	<b>192,674</b>	<b>141,317</b>	<b>164,790</b>	<b>110,119</b>	<b>88,896</b>	<b>78,624</b>	<b>51,773</b>	<b>48,718</b>	<b>6,976</b>	<b>1,705</b>	<b>1,903,091</b>	
Percentage of maximum exposure to credit risk	4.5%	8.3%	40.7%	10.1%	7.4%	8.7%	5.8%	4.7%	4.1%	2.7%	2.6%	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
<b>Total on-balance sheet exposure</b>	<b>68,308</b>	<b>184,888</b>	<b>725,545</b>	<b>177,495</b>	<b>122,429</b>	<b>89,898</b>	<b>97,646</b>	<b>65,570</b>	<b>49,564</b>	<b>30,332</b>	<b>49,159</b>	<b>6,157</b>	<b>1,390</b>	<b>1,668,381</b>	<b>1,729,798</b>
<b>Off-balance sheet exposure</b>	<b>1</b>	<b>8,004</b>	<b>33,096</b>	<b>18,061</b>	<b>15,355</b>	<b>67,611</b>	<b>16,516</b>	<b>20,439</b>	<b>24,385</b>	<b>16,077</b>	<b>1,126</b>	<b>574</b>	<b>26</b>	<b>221,271</b>	
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	
<b>Maximum exposure to credit risk</b>	<b>68,309</b>	<b>192,892</b>	<b>758,641</b>	<b>195,556</b>	<b>137,784</b>	<b>157,509</b>	<b>114,162</b>	<b>86,009</b>	<b>73,949</b>	<b>46,409</b>	<b>50,285</b>	<b>6,731</b>	<b>1,416</b>	<b>1,889,652</b>	
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 31 March 2022	LTV ratio - Fully collateralised					LTV ratio - Partially collateralised		Without collateral	Allowance for impairment	Carrying amount
	0% - 25%	25% - 50%	50% - 75%	75% - 100%	Total	>100%	Collateral value*			
<b>Financial institutions</b>	-	-	-	-	0	-	-	58,179	-	58,179
<b>Public entities</b>	22	144	172	7	345	60	28	3,566	(3)	3,968
<b>Individuals</b>	46,743	168,084	445,368	43,746	703,941	4,398	2,368	34,992	(1,429)	741,902
Mortgages	38,958	155,970	426,064	38,026	659,018	1,881	961	380	(459)	660,820
Other	7,785	12,114	19,304	5,720	44,923	2,517	1,407	34,612	(970)	81,082
<b>Corporates</b>	25,929	140,009	213,927	172,202	552,067	97,883	76,425	31,300	(10,616)	670,634
Fisheries	9,782	52,233	72,561	38,215	172,791	414	312	1,009	(297)	173,917
Real estate companies	3,201	21,882	54,818	34,740	114,641	7,017	5,660	2,074	(864)	122,868
Construction companies	465	4,805	18,040	22,582	45,892	41,954	32,713	1,807	(1,351)	88,302
Travel industry	1,179	5,885	33,874	43,434	84,372	18,199	15,713	5,353	(5,742)	102,182
Services, IT and communications	1,147	9,111	15,689	6,313	32,260	17,499	14,351	9,584	(662)	58,681
Retail	3,060	26,409	6,394	10,987	46,850	7,508	4,890	2,688	(1,116)	55,930
Manufacturing and energy	877	1,917	9,393	6,802	18,989	4,360	2,195	8,523	(467)	31,405
Holding companies	5,398	15,346	1,364	8,001	30,109	758	485	131	(104)	30,894
Agriculture	820	2,421	1,794	1,128	6,163	174	106	131	(13)	6,455
Other	-	-	-	-	0	-	-	-	-	0
<b>Total</b>	<b>72,694</b>	<b>308,237</b>	<b>659,467</b>	<b>215,955</b>	<b>1,256,353</b>	<b>102,341</b>	<b>78,821</b>	<b>128,037</b>	<b>(12,048)</b>	<b>1,474,683</b>

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

## Notes to the Condensed Consolidated Interim Financial Statements

### 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*			
<b>Financial institutions</b>	-	-	-	-	0	-	-	47,231	-	47,231
<b>Public entities</b>	22	143	171	7	343	62	29	3,493	(3)	3,895
<b>Individuals</b>	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
<b>Corporates</b>	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
<b>Total</b>	<b>72,804</b>	<b>318,212</b>	<b>621,692</b>	<b>212,892</b>	<b>1,225,600</b>	<b>111,320</b>	<b>86,540</b>	<b>111,597</b>	<b>(13,823)</b>	<b>1,434,694</b>

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

## Notes to the Condensed Consolidated Interim Financial Statements

### 39. Collateral 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.

<b>As at 31 March 2022</b>	<b>Real estate</b>	<b>Vessels</b>	<b>Deposits</b>	<b>Securities</b>	<b>Other*</b>	<b>Total</b>
<b>Public entities</b>	<b>337</b>	<b>-</b>	<b>1</b>	<b>-</b>	<b>34</b>	<b>372</b>
<b>Individuals</b>	<b>686,766</b>	<b>63</b>	<b>195</b>	<b>3,540</b>	<b>15,503</b>	<b>706,067</b>
Mortgages	654,382	14	69	64	5,218	659,747
Other	32,384	49	126	3,476	10,285	46,320
<b>Corporates</b>	<b>326,297</b>	<b>131,225</b>	<b>4,070</b>	<b>76,483</b>	<b>90,418</b>	<b>628,493</b>
Fisheries	9,569	128,663	214	22,252	12,405	173,103
Real estate companies	108,570	80	1,625	8,573	1,452	120,300
Construction companies	75,020	22	413	33	3,117	78,605
Travel industry	68,663	710	208	104	30,400	100,085
Services, IT and communications	25,972	1,731	326	5,486	13,097	46,612
Retail	20,917	2	85	12,077	18,659	51,740
Manufacturing and energy	10,210	7	42	-	10,925	21,184
Holding companies	1,458	10	1,154	27,958	14	30,594
Agriculture	5,918	-	3	-	349	6,270
Other	-	-	-	-	-	0
<b>Total</b>	<b>1,013,400</b>	<b>131,288</b>	<b>4,266</b>	<b>80,023</b>	<b>105,955</b>	<b>1,334,932</b>
<b>As at 31 December 2021</b>	<b>Real estate</b>	<b>Vessels</b>	<b>Deposits</b>	<b>Securities</b>	<b>Other*</b>	<b>Total</b>
<b>Public entities</b>	<b>335</b>	<b>-</b>	<b>2</b>	<b>-</b>	<b>36</b>	<b>373</b>
<b>Individuals</b>	<b>673,171</b>	<b>63</b>	<b>115</b>	<b>3,455</b>	<b>15,485</b>	<b>692,289</b>
Mortgages	640,569	14	29	58	5,174	645,844
Other	32,602	49	86	3,397	10,311	46,445
<b>Corporates</b>	<b>325,539</b>	<b>134,081</b>	<b>1,958</b>	<b>71,713</b>	<b>85,826</b>	<b>619,117</b>
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
<b>Total</b>	<b>999,045</b>	<b>134,144</b>	<b>2,075</b>	<b>75,168</b>	<b>101,347</b>	<b>1,311,779</b>

\* 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 31 March 2022	Gross carrying amount					Allowance for impairment	Carrying amount
	10-7	6-4	3-1	0	Unrated		
<b>Financial institutions</b>	<b>58,179</b>	-	-	-	-	-	<b>58,179</b>
<b>Public entities</b>	<b>228</b>	<b>3,742</b>	<b>1</b>	-	-	(3)	<b>3,968</b>
<b>Individuals</b>	<b>373,183</b>	<b>343,031</b>	<b>23,472</b>	<b>2,542</b>	<b>1,103</b>	<b>(1,429)</b>	<b>741,902</b>
Mortgages	345,385	296,053	17,433	1,548	860	(459)	660,820
Other	27,798	46,978	6,039	994	243	(970)	81,082
<b>Corporations</b>	<b>103,325</b>	<b>489,780</b>	<b>62,830</b>	<b>24,586</b>	<b>729</b>	<b>(10,616)</b>	<b>670,634</b>
Fisheries	41,925	128,236	4,022	31	-	(297)	173,917
Real estate companies	4,669	109,601	6,504	2,868	90	(864)	122,868
Construction companies	2,443	73,786	7,450	5,932	42	(1,351)	88,302
Travel industry	491	67,175	28,929	11,329	-	(5,742)	102,182
Services, IT and communications	8,365	47,266	2,103	1,012	597	(662)	58,681
Retail	27,737	27,049	1,132	1,128	-	(1,116)	55,930
Manufacturing and energy	16,990	10,968	1,782	2,132	-	(467)	31,405
Holding companies	-	20,363	10,626	9	-	(104)	30,894
Agriculture	705	5,336	282	145	-	(13)	6,455
Other	-	-	-	-	-	-	0
<b>Total</b>	<b>534,915</b>	<b>836,553</b>	<b>86,303</b>	<b>27,128</b>	<b>1,832</b>	<b>(12,048)</b>	<b>1,474,683</b>

As at 31 December 2021	Gross carrying amount					Allowance for impairment	Carrying amount
	10-7	6-4	3-1	0	Unrated		
<b>Financial institutions</b>	<b>47,231</b>	-	-	-	-	-	<b>47,231</b>
<b>Public entities</b>	<b>148</b>	<b>3,750</b>	-	-	-	(3)	<b>3,895</b>
<b>Individuals</b>	<b>371,025</b>	<b>329,427</b>	<b>22,809</b>	<b>2,738</b>	<b>903</b>	<b>(1,359)</b>	<b>725,543</b>
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
<b>Corporates</b>	<b>80,664</b>	<b>491,799</b>	<b>67,916</b>	<b>29,267</b>	<b>840</b>	<b>(12,461)</b>	<b>658,025</b>
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
<b>Total</b>	<b>499,068</b>	<b>824,976</b>	<b>90,725</b>	<b>32,005</b>	<b>1,743</b>	<b>(13,823)</b>	<b>1,434,694</b>

## 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 31 March 2022		1-5	6-30	31-60	61-90	over 90		
<b>Financial institutions</b>	<b>58,179</b>	-	-	-	-	-	-	<b>58,179</b>
<b>Public entities</b>	<b>3,966</b>	-	5	-	-	-	(3)	<b>3,968</b>
<b>Individuals</b>	<b>734,307</b>	<b>3,406</b>	<b>1,101</b>	<b>3,232</b>	<b>346</b>	<b>939</b>	<b>(1,429)</b>	<b>741,902</b>
Mortgages	657,323	-	653	2,685	192	426	(459)	660,820
Other	76,984	3,406	448	547	154	513	(970)	81,082
<b>Corporates</b>	<b>669,778</b>	<b>1,514</b>	<b>2,975</b>	<b>757</b>	<b>1,723</b>	<b>4,503</b>	<b>(10,616)</b>	<b>670,634</b>
Fisheries	173,833	278	57	7	26	13	(297)	173,917
Real estate companies	121,130	180	543	458	126	1,295	(864)	122,868
Construction companies	87,294	129	1,993	63	2	172	(1,351)	88,302
Travel industry	104,423	136	121	47	1,413	1,784	(5,742)	102,182
Services, IT and communications	58,446	344	173	20	85	275	(662)	58,681
Retail	55,801	238	27	108	2	870	(1,116)	55,930
Manufacturing and energy	31,536	164	34	53	-	85	(467)	31,405
Holding companies	30,904	16	9	-	69	-	(104)	30,894
Agriculture	6,411	29	18	1	-	9	(13)	6,455
Other	-	-	-	-	-	-	-	0
<b>Total</b>	<b>1,466,230</b>	<b>4,920</b>	<b>4,081</b>	<b>3,989</b>	<b>2,069</b>	<b>5,442</b>	<b>(12,048)</b>	<b>1,474,683</b>

	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		
<b>Financial institutions</b>	<b>47,231</b>	-	-	-	-	-	-	<b>47,231</b>
<b>Public entities</b>	<b>3,869</b>	29	-	-	-	-	(3)	<b>3,895</b>
<b>Individuals</b>	<b>720,122</b>	<b>2,108</b>	<b>1,060</b>	<b>1,726</b>	<b>719</b>	<b>1,167</b>	<b>(1,359)</b>	<b>725,543</b>
Mortgages	643,594	-	716	1,420	585	666	(466)	646,515
Other	76,528	2,108	344	306	134	501	(893)	79,028
<b>Corporations</b>	<b>659,706</b>	<b>1,920</b>	<b>1,017</b>	<b>454</b>	<b>648</b>	<b>6,741</b>	<b>(12,461)</b>	<b>658,025</b>
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
<b>Total</b>	<b>1,430,928</b>	<b>4,057</b>	<b>2,077</b>	<b>2,180</b>	<b>1,367</b>	<b>7,908</b>	<b>(13,823)</b>	<b>1,434,694</b>

## 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			
<b>As at 31 March 2022</b>										
<b>Financial institutions</b>	58,179	58,179	-	-	-	-	-	-	-	58,179
<b>Public entities</b>	3,971	3,921	(3)	50	-	-	-	(3)	-	3,968
<b>Individuals</b>	<b>743,331</b>	<b>712,344</b>	<b>(330)</b>	<b>27,823</b>	<b>(449)</b>	<b>2,542</b>	<b>(650)</b>	<b>(1,429)</b>	<b>622</b>	<b>741,902</b>
Mortgages	661,279	640,940	(140)	18,791	(207)	1,548	(112)	(459)	-	660,820
Other	82,052	71,404	(190)	9,032	(242)	994	(538)	(970)	622	81,082
<b>Corporates</b>	<b>681,250</b>	<b>559,592</b>	<b>(2,199)</b>	<b>69,495</b>	<b>(2,660)</b>	<b>24,586</b>	<b>(5,757)</b>	<b>(10,616)</b>	<b>27,577</b>	<b>670,634</b>
Fisheries	174,214	165,360	(260)	3,355	(19)	31	(18)	(297)	5,468	173,917
Real estate companies	123,732	106,199	(370)	5,607	(67)	2,868	(427)	(864)	9,058	122,868
Construction companies	89,653	80,046	(748)	3,250	(53)	5,932	(550)	(1,351)	425	88,302
Travel industry	107,924	49,410	(367)	47,185	(2,349)	11,329	(3,026)	(5,742)	-	102,182
Services, IT and communications	59,343	48,804	(208)	5,690	(74)	1,012	(380)	(662)	3,837	58,681
Retail	57,046	53,350	(109)	2,197	(73)	1,128	(934)	(1,116)	371	55,930
Manufacturing and energy	31,872	27,842	(37)	1,898	(21)	2,132	(409)	(467)	-	31,405
Holding companies	30,998	22,341	(95)	230	(2)	9	(7)	(104)	8,418	30,894
Agriculture	6,468	6,240	(5)	83	(2)	145	(6)	(13)	-	6,455
Other	-	-	-	-	-	-	-	-	-	0
<b>Total</b>	<b>1,486,731</b>	<b>1,334,036</b>	<b>(2,532)</b>	<b>97,368</b>	<b>(3,109)</b>	<b>27,128</b>	<b>(6,407)</b>	<b>(12,048)</b>	<b>28,199</b>	<b>1,474,683</b>

## Notes to the Condensed Consolidated Interim Financial Statements

### 42. Loans and advances by stage allocation (continued)

	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			
<b>As at 31 December 2021</b>										
<b>Financial institutions</b>	<b>47,231</b>	<b>47,231</b>	-	-	-	-	-	-	-	<b>47,231</b>
<b>Public entities</b>	<b>3,898</b>	<b>3,868</b>	(3)	30	-	-	-	(3)	-	<b>3,895</b>
<b>Individuals</b>	<b>726,902</b>	<b>696,781</b>	<b>(319)</b>	<b>26,790</b>	<b>(408)</b>	<b>2,738</b>	<b>(632)</b>	<b>(1,359)</b>	<b>593</b>	<b>725,543</b>
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
<b>Corporates</b>	<b>670,486</b>	<b>539,869</b>	<b>(1,523)</b>	<b>79,801</b>	<b>(3,690)</b>	<b>29,267</b>	<b>(7,248)</b>	<b>(12,461)</b>	<b>21,549</b>	<b>658,025</b>
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
<b>Total</b>	<b>1,448,517</b>	<b>1,287,749</b>	<b>(1,845)</b>	<b>106,621</b>	<b>(4,098)</b>	<b>32,005</b>	<b>(7,880)</b>	<b>(13,823)</b>	<b>22,142</b>	<b>1,434,694</b>

## 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	
<b>Balance as at 1 January 2022 - Financial institutions</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Changes in models/risk parameters	-	-	-	0
<b>Balance as at 31 March 2022 - Financial institutions</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
- thereof classified as deduction from gross carrying amounts	-	-	-	0
- thereof classified as liabilities	-	-	-	0

	12-months ECL	Lifetime ECL	Lifetime ECL	Total
	Stage 1	Stage 2	Stage 3	
<b>Balance as at 1 January 2022 - Loans and advances to customers</b>	<b>(2,174)</b>	<b>(4,220)</b>	<b>(7,979)</b>	<b>(14,373)</b>
New financial assets originated	(522)	(45)	(156)	(723)
Reversals due to financial assets that have been derecognised	86	40	728	854
Transfer to Stage 1 - 12-month ECL	(83)	81	2	0
Transfer to Stage 2 - Lifetime ECL	233	(241)	8	0
Transfer to Stage 3 - Lifetime ECL	39	138	(177)	0
Changes in models/risk parameters	(670)	1,041	384	755
Provisions used to cover write-offs	-	1	671	672
<b>Balance as at 31 March 2022 - Loans and advances to customers</b>	<b>(3,091)</b>	<b>(3,205)</b>	<b>(6,519)</b>	<b>(12,815)</b>
- thereof classified as deduction from gross carrying amounts	(2,532)	(3,109)	(6,407)	(12,048)
- thereof classified as liabilities	(559)	(96)	(112)	(767)

	1.1-31.3.2022				Total
	Financial institutions	Public entities	Individuals	Corporates	
New financial assets originated	-	-	(69)	(654)	(723)
Reversals due to financial assets that have been derecognised	-	-	63	791	854
Changes due to financial assets recognised in the opening balance	-	-	(93)	848	755
Write-offs	-	-	(48)	(708)	(756)
Provisions used to cover write-offs	-	-	32	640	672
Recoveries	-	-	31	3	34
Translation difference	-	-	-	(55)	(55)
<b>Net impairment on loans and advances</b>	<b>0</b>	<b>0</b>	<b>(84)</b>	<b>865</b>	<b>781</b>

## 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	
<b>Balance as at 1 January 2021 - Financial institutions</b>	(1)	0	0	(1)
Changes in models/risk parameters	1	-	-	1
<b>Balance as at 31 December 2021 - Financial institutions</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
- thereof classified as deduction from gross carrying amounts	-	-	-	0
- thereof classified as liabilities	-	-	-	0

	12-months ECL	Lifetime ECL	Lifetime ECL	Total
	Stage 1	Stage 2	Stage 3	
<b>Balance as at 1 January 2021 - Loans and advances to customers</b>	<b>(4,224)</b>	<b>(6,969)</b>	<b>(14,110)</b>	<b>(25,303)</b>
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
<b>Balance as at 31 December 2021 - Loans and advances to customers</b>	<b>(2,174)</b>	<b>(4,220)</b>	<b>(7,979)</b>	<b>(14,373)</b>
- 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)
<b>Net impairment on loans and advances</b>	<b>0</b>	<b>41</b>	<b>1,344</b>	<b>5,690</b>	<b>7,075</b>

### 44. Large exposures

As at 31 March 2022, four 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
<b>As at 31 March 2022</b>		
Large exposures between 10% and 20% of the Group's tier 1 capital	2	57,352
Large exposures between 0% and 10% of the Group's tier 1 capital	2	25,007
<b>Total</b>	<b>4</b>	<b>82,359</b>

Total ratio of large exposures to tier 1 capital 31%

	Number of large exposures	Large exposures
<b>As at 31 December 2021</b>		
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
<b>Total</b>	<b>5</b>	<b>93,733</b>

Total ratio of large exposures to tier 1 capital 33%

## Notes to the Condensed Consolidated Interim Financial Statements

### 45. Liquidity risk management

The Group complies with liquidity rules set by the Central Bank of Iceland, No. 266/2017, on Credit Institutions' Liquidity Ratios. On 30 June 2021, Central Bank rules No. 1032/2014, on Funding Ratios in Foreign Currencies, were repealed and Rules No. 750/2021, on Minimum Net Stable Funding, took effect. The Rules introduce an 100% total net stable funding ratio. The Group also 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 31 March 2022 and 31 December 2021 are shown in the following table:

	ISK		Foreign currencies		Total	
	Unweighted	Weighted	Unweighted	Weighted	Unweighted	Weighted
<b>Liquidity coverage ratio 31 March 2022</b>						
Level 1 liquid assets	137,739	137,738	36,745	36,745	174,483	174,483
Level 2 liquid assets	11,527	8,069	211	180	11,739	8,249
Information items	11,906	-	-	-	11,906	-
<b>Total liquid assets</b>	<b>161,172</b>	<b>145,807</b>	<b>36,956</b>	<b>36,925</b>	<b>198,128</b>	<b>182,732</b>
Deposits	593,060	113,342	115,762	46,040	708,823	159,382
Borrowing	6,100	6,100	217	217	6,317	6,317
Other outflows	160,891	41,492	38,925	4,348	199,816	45,839
<b>Total outflows (0-30 days)</b>	<b>760,051</b>	<b>160,934</b>	<b>154,904</b>	<b>50,605</b>	<b>914,956</b>	<b>211,538</b>
Loans and advances to financial institutions	295	-	58,144	54,697	58,439	54,697
Other inflows	34,383	17,194	21,764	11,243	56,147	28,436
Limit on inflows	-	-	-	(27,986)	-	-
<b>Total inflows (0-30 days)</b>	<b>34,678</b>	<b>17,194</b>	<b>79,908</b>	<b>37,954</b>	<b>114,586</b>	<b>83,133</b>
<b>Liquidity coverage ratio</b>		<b>101%</b>		<b>292%</b>		<b>142%</b>

	ISK		Foreign currencies		Total	
	Unweighted	Weighted	Unweighted	Weighted	Unweighted	Weighted
<b>Liquidity coverage ratio 31 December 2021</b>						
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	-
<b>Total liquid assets</b>	<b>161,236</b>	<b>147,749</b>	<b>71,395</b>	<b>71,350</b>	<b>232,631</b>	<b>219,100</b>
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
<b>Total outflows (0-30 days)</b>	<b>729,508</b>	<b>139,365</b>	<b>150,552</b>	<b>51,350</b>	<b>880,060</b>	<b>190,715</b>
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)	-	-
<b>Total inflows (0-30 days)</b>	<b>44,078</b>	<b>16,323</b>	<b>60,901</b>	<b>38,512</b>	<b>104,978</b>	<b>68,172</b>
<b>Liquidity coverage ratio</b>		<b>120%</b>		<b>556%</b>		<b>179%</b>

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
<b>Liquidity reserves as at 31 March 2022</b>			
Cash and balances with the Central Bank	63,933	1,542	65,475
Domestic bonds and debt instruments eligible as collateral at the Central Bank	85,333	211	85,544
Foreign government bonds with 0% risk weight	-	35,203	35,203
<b>High quality liquidity assets</b>	<b>149,266</b>	<b>36,956</b>	<b>186,222</b>
Loans and advances to financial institutions	295	58,144	58,439
<b>Total liquidity reserves</b>	<b>149,561</b>	<b>95,100</b>	<b>244,661</b>

## Notes to the Condensed Consolidated Interim Financial Statements

### 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
<b>High quality liquidity assets</b>	<b>151,333</b>	<b>71,385</b>	<b>222,718</b>
Loans and advances to financial institutions	10,438	47,128	57,566
<b>Total liquidity reserves</b>	<b>161,771</b>	<b>118,513</b>	<b>280,284</b>

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

	As at 31 March 2022	As at 31 December 2021
Net stable funding ratio FX	143%	142%
Net stable funding ratio total	122%	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 31 March 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 as at 31 March 2022 and 31 December 2021. 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 31 March 2022:

<b>Non-derivative financial liabilities</b>	<b>0-1 month</b>	<b>1-3 months</b>	<b>3-12 months</b>	<b>1-5 years</b>	<b>Over 5 years</b>	<b>No maturity</b>	<b>Total</b>	<b>Carrying amount</b>
Due to financial institutions and								
Central Bank	(6,556)	-	(1)	-	-	-	(6,557)	(6,557)
Deposits from customers	(707,217)	(175,755)	(11,795)	(22,893)	(7,886)	-	(925,546)	(922,556)
Short positions	-	-	(94)	(501)	(3,176)	-	(3,771)	(1,030)
Borrowings	(22,927)	(977)	(23,134)	(399,090)	(87,425)	-	(533,553)	(472,827)
Other financial liabilities	(12,347)	-	-	-	-	-	(12,347)	(12,347)
Subordinated liabilities	-	-	(684)	(2,887)	(24,835)	-	(28,406)	(20,524)
<b>Total</b>	<b>(749,047)</b>	<b>(176,732)</b>	<b>(35,708)</b>	<b>(425,371)</b>	<b>(123,322)</b>	<b>0</b>	<b>(1,510,180)</b>	<b>(1,435,841)</b>
<b>Derivative financial liabilities</b>								
<b>Trading</b>								(956)
Inflow	18,979	10,129	2,723	-	-	-	31,831	
Outflow	(19,672)	(10,421)	(2,845)	-	-	-	(32,938)	
<b>Risk management</b>								(941)
Inflow	14,388	11,433	1,162	2,253	-	-	29,236	
Outflow	(14,743)	(11,540)	(1,146)	(2,854)	-	-	(30,283)	
<b>Total</b>	<b>(1,048)</b>	<b>(399)</b>	<b>(106)</b>	<b>(601)</b>	<b>0</b>	<b>0</b>	<b>(2,154)</b>	<b>(1,897)</b>
<b>Non-derivative financial assets</b>								
Cash and balances with								
Central Bank	68,406	-	-	-	-	-	68,406	68,406
Bonds and debt instruments	24,214	23,728	27,738	51,172	13,944	-	140,796	129,661
Equities and equity instruments	-	-	-	-	-	28,990	28,990	28,990
Loans and advances to financial institutions	58,179	-	-	-	-	-	58,179	58,179
Loans and advances to customers	86,496	70,252	190,976	588,238	1,679,526	-	2,615,488	1,416,504
Other financial assets	10,836	-	-	-	-	-	10,836	10,836
<b>Total</b>	<b>248,131</b>	<b>93,980</b>	<b>218,714</b>	<b>639,410</b>	<b>1,693,470</b>	<b>28,990</b>	<b>2,922,695</b>	<b>1,712,576</b>
<b>Derivative financial assets</b>								
<b>Trading</b>								593
Inflow	9,956	9,873	3,671	-	-	-	23,500	
Outflow	(9,636)	(9,691)	(3,620)	-	-	-	(22,947)	
<b>Risk management</b>								860
Inflow	6,440	15,325	1,368	43,026	-	-	66,159	
Outflow	(6,341)	(14,629)	(1,575)	(42,767)	-	-	(65,312)	
<b>Total</b>	<b>419</b>	<b>878</b>	<b>(156)</b>	<b>259</b>	<b>0</b>	<b>0</b>	<b>1,400</b>	<b>1,453</b>
<b>Off-balance sheet items</b>								
Financial guarantees and underwriting commitments	(117)	(979)	(4,428)	(5,014)	(11,441)	(3,754)	(25,733)	
Undrawn loan commitments	(134,294)	-	-	-	-	-	(134,294)	
Undrawn overdraft/credit card commitments	(66,626)	-	-	-	-	-	(66,626)	
<b>Total</b>	<b>(201,037)</b>	<b>(979)</b>	<b>(4,428)</b>	<b>(5,014)</b>	<b>(11,441)</b>	<b>(3,754)</b>	<b>(226,653)</b>	
<b>Net liquidity position</b>	<b>(702,582)</b>	<b>(83,252)</b>	<b>178,316</b>	<b>208,683</b>	<b>1,558,707</b>	<b>25,236</b>	<b>1,185,108</b>	<b>276,291</b>

## 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:

<b>Non-derivative financial liabilities</b>	<b>0-1 month</b>	<b>1-3 months</b>	<b>3-12 months</b>	<b>1-5 years</b>	<b>Over 5 years</b>	<b>No maturity</b>	<b>Total</b>	<b>Carrying amount</b>
Due to financial institutions and								
Central Bank	(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)
<b>Total</b>	<b>(738,267)</b>	<b>(191,672)</b>	<b>(60,327)</b>	<b>(392,571)</b>	<b>(108,281)</b>	<b>0</b>	<b>(1,491,118)</b>	<b>(1,429,161)</b>
<b>Derivative financial liabilities</b>								
<b>Trading</b>								(427)
Inflow	8,458	9,477	2,701	-	-	-	20,636	
Outflow	(8,779)	(9,584)	(2,758)	-	-	-	(21,121)	
<b>Risk management</b>								(1,519)
Inflow	18,205	12,530	1,328	3,384	-	-	35,447	
Outflow	(18,753)	(13,048)	(1,341)	(3,885)	-	-	(37,027)	
<b>Total</b>	<b>(869)</b>	<b>(625)</b>	<b>(70)</b>	<b>(501)</b>	<b>0</b>	<b>0</b>	<b>(2,065)</b>	<b>(1,946)</b>
<b>Non-derivative financial assets</b>								
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
<b>Total</b>	<b>235,510</b>	<b>95,892</b>	<b>231,382</b>	<b>613,072</b>	<b>1,495,757</b>	<b>33,347</b>	<b>2,704,960</b>	<b>1,709,701</b>
<b>Derivative financial assets</b>								
<b>Trading</b>								167
Inflow	15,961	8,500	1,196	1,213	-	-	26,870	
Outflow	(15,875)	(8,478)	(1,153)	(1,210)	-	-	(26,716)	
<b>Risk management</b>								1,066
Inflow	13,315	83,778	443	44,723	-	-	142,259	
Outflow	(13,230)	(83,345)	(170)	(44,442)	-	-	(141,187)	
<b>Total</b>	<b>171</b>	<b>455</b>	<b>316</b>	<b>284</b>	<b>0</b>	<b>0</b>	<b>1,226</b>	<b>1,233</b>
<b>Off-balance sheet items</b>								
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)	
<b>Total</b>	<b>(195,782)</b>	<b>(1,053)</b>	<b>(4,089)</b>	<b>(4,037)</b>	<b>(12,358)</b>	<b>(3,952)</b>	<b>(221,271)</b>	
<b>Net liquidity position</b>	<b>(699,237)</b>	<b>(97,003)</b>	<b>167,212</b>	<b>216,247</b>	<b>1,375,118</b>	<b>29,395</b>	<b>991,732</b>	<b>279,827</b>

## 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 31 March 2022 and 31 December 2021.

As at 31 March 2022	Collateral pledged against		Un-encumbered	Total
	Covered bonds	Other		
Cash and balances with Central Bank	3,062	2,931	62,413	68,406
Bonds and debt instruments	-	-	129,661	129,661
Equities and equity instruments	-	-	28,990	28,990
Derivative instruments	-	-	1,453	1,453
Loans and advances to financial institutions	-	707	57,472	58,179
Loans and advances to customers	285,803	-	1,130,701	1,416,504
Investments in equity-accounted associates	-	-	1,783	1,783
Property and equipment	-	-	14,073	14,073
Intangible assets	-	-	1,763	1,763
Deferred tax assets	-	-	52	52
Other assets	-	-	12,006	12,006
Assets classified as held for sale	-	-	774	774
<b>Total</b>	<b>288,865</b>	<b>3,638</b>	<b>1,441,141</b>	<b>1,733,644</b>

As at 31 December 2021	Collateral pledged against		Un-encumbered	Total
	Covered bonds	Other		
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
<b>Total</b>	<b>279,226</b>	<b>5,469</b>	<b>1,445,103</b>	<b>1,729,798</b>

### Market risk

#### 48. Market risk management

The following table summarises the Group's exposure to market risk as a percentage of REA as at 31 March 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	31.3.2022	31.12.2021
	% of RWEA	% of RWEA
Equity price risk	0.2%	0.5%
Interest rate risk	0.3%	0.2%
CVA of derivatives	0.0%	0.0%
Foreign exchange risk	0.2%	0.2%
<b>Total</b>	<b>0.8%</b>	<b>0.9%</b>

#### 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.

	Up to 3 months	3-12 months	1-5 years	Over 5 years	Carrying amount
<b>As at 31 March 2022</b>					
<b>Financial assets</b>					
Cash and balances with Central Bank	68,406	-	-	-	68,406
Bonds and debt instruments	48,202	26,593	45,423	9,443	129,661
Derivative instruments	1,453	-	-	-	1,453
Loans and advances to financial institutions	58,179	-	-	-	58,179
Loans and advances to customers	999,389	101,445	299,657	16,013	1,416,504
Other financial assets	10,836	-	-	-	10,836
<b>Total</b>	<b>1,186,465</b>	<b>128,038</b>	<b>345,080</b>	<b>25,456</b>	<b>1,685,039</b>
<b>Financial liabilities</b>					
Due to financial institutions and Central Bank	(6,557)	-	-	-	(6,557)
Deposits from customers	(916,970)	(2,791)	(2,795)	-	(922,556)
Derivative instruments and short positions	(1,897)	-	-	(1,030)	(2,927)
Borrowings	(89,795)	(9,627)	(309,126)	(64,279)	(472,827)
Other financial liabilities	(12,347)	-	-	-	(12,347)
Subordinated liabilities	-	-	(20,524)	-	(20,524)
<b>Total</b>	<b>(1,027,566)</b>	<b>(12,418)</b>	<b>(332,445)</b>	<b>(65,309)</b>	<b>(1,437,738)</b>
Net on-balance sheet position	158,899	115,620	12,635	(39,853)	247,301
Derivatives held for hedging	(42,600)	-	42,600	-	-
Net off-balance sheet position	1,360	640	(2,000)	-	-
<b>Total interest repricing gap</b>	<b>117,659</b>	<b>116,260</b>	<b>53,235</b>	<b>(39,853)</b>	
<b>As at 31 December 2021</b>					
<b>Financial assets</b>					
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
<b>Total</b>	<b>1,228,488</b>	<b>138,186</b>	<b>283,956</b>	<b>26,957</b>	<b>1,677,587</b>
<b>Financial liabilities</b>					
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)
<b>Total</b>	<b>(997,874)</b>	<b>(36,077)</b>	<b>(337,603)</b>	<b>(59,553)</b>	<b>(1,431,107)</b>
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)	-	-
<b>Total interest repricing gap</b>	<b>188,334</b>	<b>102,109</b>	<b>(11,367)</b>	<b>(32,596)</b>	

## 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 31 March 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
<b>As at 31 March 2022</b>					
<b>Financial assets</b>					
Bonds and debt instruments	-	-	6,117	3,448	9,565
Loans and advances to customers	3,185	9,602	59,192	212,409	284,388
<b>Total</b>	<b>3,185</b>	<b>9,602</b>	<b>65,309</b>	<b>215,857</b>	<b>293,953</b>
<b>Financial liabilities</b>					
Deposits from customers	(82,723)	(3,089)	(17,170)	(41,246)	(144,228)
Derivative instruments and short positions	-	-	(98)	(1,093)	(1,191)
Borrowings	(22,989)	-	(58,923)	(60,693)	(142,605)
Subordinated liabilities	-	-	(6,153)	-	(6,153)
<b>Total</b>	<b>(105,712)</b>	<b>(3,089)</b>	<b>(82,344)</b>	<b>(103,032)</b>	<b>(294,177)</b>
<b>Total on-balance sheet position</b>	<b>(102,527)</b>	<b>6,513</b>	<b>(17,035)</b>	<b>112,825</b>	<b>(224)</b>
<b>Off-balance sheet position</b>					
Interest rate swaps	-	-	(2,491)	-	(2,491)
Total return swaps	(3,215)	-	-	-	(3,215)
<b>Total off-balance sheet position</b>	<b>(3,215)</b>	<b>0</b>	<b>(2,491)</b>	<b>0</b>	<b>(5,706)</b>
<b>Total CPI indexation balance</b>	<b>(105,742)</b>	<b>6,513</b>	<b>(19,526)</b>	<b>112,825</b>	<b>(5,930)</b>
<b>As at 31 December 2021</b>					
<b>Financial assets</b>					
Bonds and debt instruments	-	-	-	2,761	2,761
Loans and advances to customers	3,420	8,745	61,572	216,268	290,005
<b>Total</b>	<b>3,420</b>	<b>8,745</b>	<b>61,572</b>	<b>219,029</b>	<b>292,766</b>
<b>Financial liabilities</b>					
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)
<b>Total</b>	<b>(78,214)</b>	<b>(26,461)</b>	<b>(80,219)</b>	<b>(99,617)</b>	<b>(284,511)</b>
<b>Total on-balance sheet position</b>	<b>(74,794)</b>	<b>(17,716)</b>	<b>(18,647)</b>	<b>119,412</b>	<b>8,255</b>
<b>Off-balance sheet position</b>					
Interest rate swaps	-	-	(2,456)	-	(2,456)
Total return swaps	(944)	-	-	-	(944)
<b>Total off-balance sheet position</b>	<b>(944)</b>	<b>0</b>	<b>(2,456)</b>	<b>0</b>	<b>(3,400)</b>
<b>Total CPI indexation balance</b>	<b>(75,738)</b>	<b>(17,716)</b>	<b>(21,103)</b>	<b>119,412</b>	<b>4,855</b>

## 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 31 March 2022 was +0,85% 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 31 March 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.

<b>As at 31 March 2022</b>	<b>EUR</b>	<b>GBP</b>	<b>USD</b>	<b>JPY</b>	<b>CHF</b>	<b>Other</b>	<b>Total</b>
<b>Assets</b>							
Cash and balances with Central Bank	546	132	354	7	34	469	1,542
Bonds and debt instruments	17,508	-	17,919	-	-	-	35,427
Equities and equity instruments	78	-	411	-	-	-	489
Derivative instruments	472	13	786	-	-	7	1,278
Loans and advances to financial institutions	17,443	5,185	7,138	869	732	26,811	58,178
Loans and advances to customers	176,308	3,629	63,229	877	-	3,848	247,891
Other assets	-	53	1,152	-	1	129	1,335
<b>Total</b>	<b>212,355</b>	<b>9,012</b>	<b>90,989</b>	<b>1,753</b>	<b>767</b>	<b>31,264</b>	<b>346,140</b>
<b>Liabilities</b>							
Due to financial institutions and Central Bank	(606)	(3)	(150)	-	-	-	(759)
Deposits from customers	(48,248)	(10,215)	(45,635)	(445)	(733)	(11,870)	(117,146)
Derivative instruments and short positions	(447)	(118)	(473)	-	-	(22)	(1,060)
Borrowings	(170,547)	-	(19,283)	-	-	(57,150)	(246,980)
Other liabilities	(1,110)	(601)	(762)	(2)	(8)	(821)	(3,304)
Subordinated liabilities	(14,371)	-	-	-	-	-	(14,371)
<b>Total</b>	<b>(235,329)</b>	<b>(10,937)</b>	<b>(66,303)</b>	<b>(447)</b>	<b>(741)</b>	<b>(69,863)</b>	<b>(383,620)</b>
Net on-balance sheet position	(22,974)	(1,925)	24,686	1,306	26	(38,599)	(37,480)
Net off-balance sheet position	24,176	1,933	(23,889)	(1,240)	-	38,976	39,956
<b>Net currency position</b>	<b>1,202</b>	<b>8</b>	<b>797</b>	<b>66</b>	<b>26</b>	<b>377</b>	<b>2,476</b>
<b>As at 31 December 2021</b>							
<b>Assets</b>							
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
<b>Total</b>	<b>233,630</b>	<b>4,990</b>	<b>103,000</b>	<b>1,213</b>	<b>797</b>	<b>28,707</b>	<b>372,337</b>
<b>Liabilities</b>							
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)
<b>Total</b>	<b>(265,174)</b>	<b>(7,806)</b>	<b>(67,920)</b>	<b>(202)</b>	<b>(736)</b>	<b>(63,882)</b>	<b>(405,720)</b>
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
<b>Net currency position</b>	<b>(1,804)</b>	<b>376</b>	<b>(486)</b>	<b>123</b>	<b>(28)</b>	<b>711</b>	<b>(1,108)</b>

## 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 31 March 2022	As at 31 December 2021	% change	Average for 1.1-31.3 2022	Average for 1.1-31.3 2021
EUR/ISK	142.00	147.60	(3.8%)	143.70	153.65
GBP/ISK	168.33	175.77	(4.2%)	171.29	175.41
USD/ISK	128.01	130.41	(1.8%)	128.14	127.23
JPY/ISK	1.0541	1.1327	(6.9%)	1.0983	1.1987
CHF/ISK	138.97	142.86	(2.7%)	139.21	140.79
CAD/ISK	102.55	102.40	0.1%	101.27	100.31
DKK/ISK	19.088	19.847	(3.8%)	19.318	20.658
NOK/ISK	14.619	14.776	(1.1%)	14.522	14.875
SEK/ISK	13.697	14.393	(4.8%)	13.792	15.149

## Notes to the Condensed Consolidated Interim Financial Statements

### Consolidated Key Figures

#### 55. Operations by quarters

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

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

## Notes to the Condensed Consolidated Interim Financial Statements

### Consolidated Key Figures

#### 56. Key figures and ratios

	2022		2021		
	Q1	Q4	Q3	Q2	Q1
Return on equity before taxes	7.8%	14.0%	13.8%	12.2%	14.2%
Return on equity after taxes	4.7%	10.5%	11.0%	9.8%	11.7%
Cost-income ratio	54.9%	47.6%	37.9%	41.7%	45.8%
Operating expenses as a ratio of average total assets	1.4%	1.5%	1.3%	1.4%	1.5%
Return on assets	0.7%	1.7%	1.8%	1.6%	1.9%
Interest spread as a ratio of average of total assets	2.4%	2.4%	2.3%	2.5%	2.2%
Earnings per share	0.14	0.31	0.32	0.27	0.32
	<b>31.3.2022</b>	<b>31.12.2021</b>	<b>30.09.2021</b>	<b>30.6.2021</b>	<b>31.3.2021</b>
Total capital ratio	24.3%	26.6%	24.9%	25.1%	24.9%
CET1 ratio	22.6%	24.8%	23.1%	23.3%	23.0%
Leverage ratio	13.8%	14.9%	14.3%	14.4%	14.8%
Loans / deposits	153.5%	154.1%	158.2%	157.6%	162.1%
Deposits / total assets	53.2%	52.0%	50.6%	50.2%	49.6%
Liquidity coverage ratio total (LCR)	142%	179%	172%	180%	202%
Net stable funding ratio FX (NSFR)	143%	142%	122%	140%	140%
Number of full-time positions at the end of the period	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 - deductions (intangible assets, deferred tax assets)
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