



Condensed Consolidated Interim Financial Statements

for the nine months ended 30 September 2013

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Endorsement and Statement by the Board of Directors and the CEO

The Condensed Consolidated Interim Financial Statements of Landsbankinn hf. (the "Bank" or "Landsbankinn") for the first nine months of 2013 include the Bank and its subsidiaries (collectively referred to as the "Group").

Operations

The Group's profit for the first nine months of the year 2013 was ISK 22,276 million. The Group's equity at the end of this period amounted to ISK 234,712 million. The capital adequacy ratio of the Group, calculated according to the Act on Financial Undertakings, was 26.2%. As of 30 September 2013, the Group's total assets amounted to ISK 1,158,154 million.

In June 2013, the Group's remaining 25% shareholding in facilities management company Reginn hf. was sold in a public offering. The proceeds of the offering amounted to ISK 4,068 million and the average share price of accepted offers was ISK 12.52 per share.

Risk management

In October 2013, Landsbankinn's Covered Bonds, LBANK CB 16, were listed for trading on NASDAQ OMX Iceland. This is the first listing on an exchange of securities issued by the Bank. The Covered Bonds programme provides broader funding opportunities for the Bank's housing loan portfolio and reduces the Bank's interest rate risk. As a result, the Bank can offer customers better terms on non-indexed housing loans.

In May 2013, the Supreme Court ruled in case No. 50/2013, between the Bank and one of its clients, on the recalculation of interest payments of a vehicle loan indexed to foreign currencies. The Supreme Court's ruling in this case confirmed the precedent of the Court's previous rulings from 2012, in cases where retroactive calculations under certain circumstances were also disputed. Following this ruling, the Bank commenced work on new recalculations of loans which fall under the precedent of the Court's ruling with emphasis on loans to individuals. These recalculations are on schedule and the majority of them are expected to be completed before or shortly after year-end 2013. Further Supreme Court rulings in the coming months are expected to provide further clarification on this issue of foreign exchange indexed loans.

Regular instalments of the Bank's secured bonds, denominated in foreign currencies and issued to LBI hf., are scheduled for the years 2014-2018. At the end of the third quarter of 2013 the Bank continues to maintain its strong liquidity position in foreign currencies and the Bank's concentration of currency risk is well within acceptable risk limits. However, it is important for the Bank to maintain a strong liquidity position in foreign currencies and extend the maturity profile of its foreign currency funding in a timely manner, through renegotiations or refinancing. At the beginning of October 2013, the Winding-up Board of LBI hf. agreed to the Bank's request to commence discussions on possible amendments to contractual obligations under the Bonds.

Outlook

The Gross Domestic Product (GDP) increased by 2.2% during the first half of the year which is in line with the Bank's macroeconomic forecast from last May which assumes 1.8% GDP growth in 2013. On average, the macro forecasts of the Bank, the Central Bank of Iceland and Statistics Iceland assume close to 3% annual GDP growth in the coming two years.

The Bank's core operations are sound and have been improving in recent years. Processes are being revised on a continuous basis to improve risk management, efficiency and customer relationship management. The Group has a strong equity and liquidity base and is, therefore, in a position to deal with the challenges ahead and maintain its strong financial position. However, the political and legal environment in Iceland as well as the risk associated with the country's current capital controls continue to pose uncertainty.

Other matters

On 11 April 2013, the third-party valuation agent Deloitte UK LLP concluded its valuation of specified assets in relation to the Bank's liability originally classified as a contingent bond, with the result that the contingent bond has been issued as secured bonds in the equivalent amount of ISK 92,000 million, denominated in EUR (50%), USD (30%) and GBP (20%). LBI hf. has in return surrendered its entire holding in Landsbankinn to the Icelandic State and Landsbankinn.

The Bank has made an arrangement for the allocation of 500 million of its own shares in accordance with LBI hf. conditions and a resolution passed at a shareholders' meeting of the Bank in July 2013. In September 2013, 317 million own shares were allocated to employees, of which employees received 119 million shares and 198 million of own shares were retained by the Bank for settlement of tax obligations and pension liabilities. The allocation of the remainder of the own shares will be completed in January 2014.

On 1 October 2013, the Bank paid dividends for the operating year 2012 to its shareholders in accordance with a resolution passed at the Bank's Annual General Meeting held on 17 April 2013. This is the first time dividends are paid since the Bank was established. The dividend payments amounted to ISK 10,080 million, equivalent to ISK 0.42 per share for the year 2012, or 39% of net profit for the year 2012.

Statement by the Board of Directors and the CEO

The Condensed Consolidated Interim Financial Statements of Landsbankinn hf. for the first nine months ended 30 September 2013 have been prepared on a going-concern basis in accordance with International Accounting Standard (IAS) 34 Interim Financial Reporting as adopted by the EU.

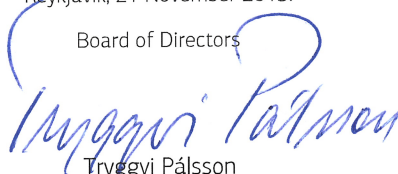
It is our opinion that the Condensed Consolidated Interim Financial Statements of Landsbankinn hf. give a true and fair view of the consolidated financial performance of the Group for the first nine months of 2013, its consolidated financial position as at 30 September 2013 and its consolidated cash flows for the first nine months of 2013.

Furthermore, in our opinion, the Condensed Consolidated Interim Financial Statements of Landsbankinn hf. and Endorsement of its Board of Directors and CEO give a fair view of the development and performance of the Group's operations and its position and 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 nine months ended 30 September 2013.

Reykjavík, 21 November 2013.

Board of Directors



Trygvi Pálsson

Chairman



Eva Sóley Guðbjörnsdóttir



Danielle Pamela Neben



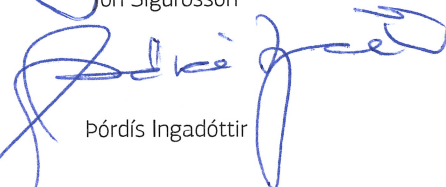
Kristján P. Davíðsson



Helga Björk Eiríksdóttir

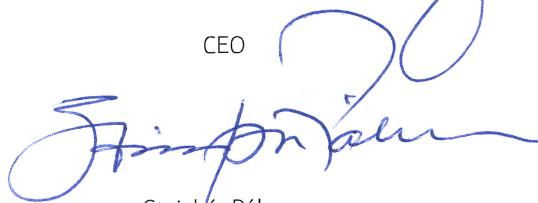


Jón Sigurðsson



Þórdís Ingadóttir

CEO



Steinþór Pálsson

Independent Auditor's Review Report

To the Board of Directors and Shareholders of Landsbankinn hf.

We have reviewed the accompanying Condensed Consolidated Statement of Financial Position of Landsbankinn hf. as at 30 September 2013 and the related Condensed Consolidated Income Statement, Changes in Equity and Condensed Cash Flows for the nine-month period then ended and a summary of significant accounting policies and other explanatory information. Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU. Our responsibility is to express a conclusion on this Condensed Consolidated Interim Financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review of interim financial information 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 information is not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU.

Reykjavík, 21 November 2013.

KPMG ehf.



Helgi F. Arnarson



Sigríður Helga Sveinsdóttir

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Condensed Consolidated Statement of Financial Position as at 30 September 2013

Notes		30.9.2013	31.12.2012
Assets			
	Cash and balances with Central Bank	36,024	25,898
5, 22	Bonds and debt instruments	288,994	228,208
5	Equities and equity instruments	33,954	36,881
5, 6	Derivative instruments	183	1,043
7, 22	Loans and advances to financial institutions	70,545	64,349
8, 22	Loans and advances to customers	671,378	666,087
	Investments in equity-accounted associates	11,812	15,528
	Property and equipment	5,451	6,776
	Intangible assets	456	541
	Deferred tax assets	0	48
9	Other assets	13,423	14,108
		1,132,220	1,059,467
10	Assets classified as held for sale	25,934	25,320
	Total assets	1,158,154	1,084,787
Liabilities			
	Due to financial institutions and Central Bank	110,460	98,718
	Deposits from customers	465,742	421,058
6	Derivative instruments and short positions	8,078	9,438
	Tax liabilities	4,441	0
11, 22	Secured bonds	298,938	221,791
5,11	Contingent bond	0	87,474
	Other liabilities	31,022	20,249
		918,681	858,728
	Liabilities associated with assets classified as held for sale	4,761	893
	Total liabilities	923,442	859,621
Equity			
	Share capital	23,618	24,000
	Share premium	120,700	123,898
	Reserves	6,099	5,053
	Retained earnings	84,388	72,120
	Total equity attributable to owners of the Bank	234,806	225,071
	Non-controlling interests	(94)	95
	Total equity	234,712	225,166
	Total liabilities and equity	1,158,154	1,084,787

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

Condensed Consolidated Income Statement for the nine months ended 30 September 2013

		2013	2012	2013	2012
		1.7-30.9	1.7-30.9	1.1-30.9	1.1-30.9
Notes					
	Interest income	14,362	12,962	45,988	48,037
	Interest expense	(7,022)	(5,180)	(21,651)	(21,682)
13	Net interest income	7,340	7,782	24,337	26,355
14	Net adjustments to loans and advances acquired at deep discount	1,317	8,213	16,262	19,385
14	Loss from foreign currency linkage of loans and advances to customers	0	(2,120)	0	(2,120)
14, 35	Net impairment loss	234	(4,514)	(8,460)	(10,953)
5	Fair value change of contingent bond	0	(5,201)	1,319	(13,399)
	Net adjustments in valuation	1,551	(3,622)	9,121	(7,087)
	Net interest income after net adjustments in valuation	8,891	4,160	33,458	19,268
	Fee and commission income	1,933	1,917	6,507	5,593
	Fee and commission expense	(782)	(887)	(2,396)	(2,471)
	Net fee and commission income	1,151	1,030	4,111	3,122
15	Net gain on financial assets designated as at fair value through profit or loss	3,188	(549)	6,095	3,257
16	Net gain on financial assets and liabilities held for trading	400	586	1,691	1,813
17	Net foreign exchange gain (loss)	162	899	1,350	1,735
	Other income and (expenses)	(165)	255	1,816	746
	Other net operating income	3,585	1,191	10,952	7,551
	Total operating income	13,627	6,381	48,521	29,941
18	Salaries and related expenses	2,810	3,103	13,796	9,699
	Other operating expenses	1,884	2,250	6,082	6,766
	Depreciation and amortisation	219	177	642	538
	Contribution to the Depositors' and Investors' Guarantee Fund	268	213	806	767
	Acquisition-related costs	0	0	45	0
	Total operating expenses	5,181	5,743	21,371	17,770
	Share of profit of equity-accounted associates, net of income tax	0	14	1,127	687
	Profit before tax	8,446	652	28,277	12,858
19	Income tax	(1,595)	1,277	(5,716)	(1,000)
	Tax on liabilities of financial institutions	(100)	(265)	(285)	(801)
	Profit for the period from continuing operations	6,751	1,664	22,276	11,057
	Profit for the period from discontinued operations, net of income tax	0	0	0	2,484
	Profit for the period	6,751	1,664	22,276	13,541
Profit for the period attributable to:					
Owners of the Bank					
	Profit for the period from continuing operations	6,772	1,664	22,349	11,057
	Profit for the period from discontinued operations	0	0	0	2,456
	Profit for the period attributable to owners of the Bank	6,772	1,664	22,349	13,513
Non-controlling interests					
	(Loss) profit for the period from continuing operations	(21)	0	(73)	28
	(Loss) profit for the period attributable to non-controlling interests	(21)	0	(73)	28
	Profit for the period	6,751	1,664	22,276	13,541
Earnings per share:					
20	Basic and diluted earnings per share from continuing operations	0.29	0.07	0.94	0.46

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

Condensed Consolidated Statement of Changes in Equity for the nine months ended 30 September 2013

Notes

Change in equity for the nine months ended 30 September 2013		Attributable to owners of the Bank						Non- controlling interests	
		Share capital	Share premium	Own shares reserve	Statutory reserve	Share- based payment reserve	Retained earnings	Total	Total
	Balance at 1 January 2013	24,000	123,898		5,053		72,120	225,071	95 225,166
	Profit for the period						22,349	22,349	(73) 22,276
12	Equity classified as liability to purchase own shares			(4,691)				(4,691)	(4,691)
12	Purchase of own shares	(500)	(4,191)	4,691				0	0
12	Recognition of equity-settled employee share-based payments					4,017		4,017	4,017
	Dividends declared						(10,080)	(10,080)	(10,080)
12	Own shares allocated to employees	317	2,654			(2,971)		0	0
12	Purchase of own shares for settlement of the tax obligations and pension liabilities	(199)	(1,661)					(1,860)	(1,860)
	Decrease in non-controlling interests due to sale of subsidiaries							0	(116) (116)
	Balance at 30 September 2013	23,618	120,700	0	5,053	1,046	84,388	234,806	(94) 234,712
Change in equity for the nine months ended 30 September 2012									
	Balance at 1 January 2012	24,000	123,898		3,781		47,952	199,631	613 200,244
	Profit for the period						13,513	13,513	28 13,541
	Decrease in non-controlling interests due to sale of subsidiaries							0	(107) (107)
	Balance at 30 September 2012	24,000	123,898	0	3,781	0	61,465	213,144	534 213,678

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

Condensed Consolidated Statement of Cash Flows for the nine months ended 30 September 2013

Notes	2013 1.1-30.9	2012 1.1-30.9
Operating activities		
Profit for the period	22,276	13,541
Adjustments for non-cash items included in profit for the period	(34,365)	(27,232)
Changes in operating assets and liabilities	(15,673)	59,334
Interest received	30,048	35,718
Interest paid	(6,716)	(5,852)
Dividends received	425	524
Income tax paid	(49)	(859)
Net cash (used in) from operating activities	(4,054)	75,174
Investing activities		
Cash and cash equivalents included in net assets acquired	(13)	-
Proceeds of shares in equity-accounted associates	5,655	(1,342)
Purchase of property and equipment	(671)	(217)
Proceeds from sale of property and equipment	1,138	36
Purchase of intangible assets	(131)	(71)
Purchase of financial investment	-	9,368
Sale of subsidiaries	203	90
Net cash from (used in) investing activities	6,181	7,864
Financing activities		
Proceeds from new long-term debt issue	1,160	-
Repayment of long-term debt	(2,201)	(73,388)
Net cash used in financing activities	(1,041)	(73,388)
Net change in cash and cash equivalents	1,086	9,650
Cash and cash equivalents at the beginning of the period	32,554	13,625
Effect of exchange rate changes on cash and cash equivalents held	417	15
Cash and cash equivalents at 30 September	34,057	23,290
Investing and financing activities not affecting cash flows		
Sale of financial investments	-	-
Provisional amount of the bond to be issued by the Icelandic State Treasury	-	(19,198)
Bonds and debt instruments	-	19,198
Assets classified as held for sale	-	-

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

Condensed Consolidated Statement of Cash Flows for the nine months ended 30 September 2013

Notes	2013 1.1-30.9	2012 1.1-30.9
Adjustments for non-cash items included in profit for the period		
13 Net interest income	(24,337)	(26,355)
14 Net adjustments to loans and advances acquired at deep discount	(16,262)	(19,385)
14 Loss from foreign currency linkage of loans and advances to customers	-	2,120
14 Net impairment loss	8,460	10,953
5 Fair value change of contingent bond	(1,319)	13,399
15 Net (gain) on financial assets designated as at fair value through profit or loss	(6,095)	(3,257)
16 Net (gain) on financial assets and liabilities held for trading	(1,691)	(1,813)
Net gain on assets classified as held for sale	-	(2,483)
17 Net foreign exchange gain	(1,767)	(1,750)
Gain on sale of property and equipment	(281)	(20)
Gain on repossessed collateral	(457)	(293)
Depreciation and amortisation	642	538
Share of profit of equity-accounted associates, net of income tax	(1,127)	(687)
Share of profit of sale of associates	(823)	-
Recognition of equity-settled employee share-based payments	4,691	-
19 Income tax	5,716	1,000
19 Tax on liabilities of financial institutions	285	801
	(34,365)	(27,232)
Changes in operating assets and liabilities		
Change in reserve requirement with Central Bank	(4,565)	(1,938)
Change in bonds and equities	(51,786)	44,376
Change in loans and advances to financial institutions	(11,624)	35,003
Change in loans and advances to customers	3,399	27,712
Change in investments in associates	-	(550)
Change in other assets	(603)	(4,547)
Change in assets classified as held for sale	3,481	(3,534)
Change in due to financial institutions and Central Bank	11,960	(23,129)
Change in deposits from customers	38,107	(8,285)
Change in tax liability	(151)	(32)
Change in repossessed collateral	1,344	(1,478)
Change in other liabilities	(5,277)	(4,392)
Change in liabilities associated with assets classified as held for sale	42	128
	(15,673)	59,334
Cash and cash equivalents is specified as follows:		
Cash and unrestricted balances with Central Bank	29,488	20,879
Bank accounts with financial institutions	4,569	2,411
Cash and cash equivalents at the end of the period	34,057	23,290

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

1. Reporting entity

Landsbankinn hf. (hereinafter referred to as the "Bank" or "Landsbankinn") was founded on 7 October 2008 by the Ministry of Finance on behalf of the Icelandic State Treasury, thereby taking over part of the domestic operations of LBI hf. (formerly Landsbanki Íslands hf.).

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 and is licensed by the Financial Supervisory Authority in Iceland (FME) as a commercial bank. The Bank is subject to supervision of the FME in accordance with Act No. 87/1998 on Official Supervision of Financial Activities. The registered address of the Bank's office is Austurstræti 11, 155 Reykjavík.

The Condensed Consolidated Interim Financial Statements of the Bank for the nine months ended 30 September 2013 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, investment banking, asset management and other related services. The Group operates solely in Iceland.

The issue of these Condensed Consolidated Interim Financial Statements was authorised by the Board of Directors and the CEO of the Bank on 21 November 2013.

2. Basis of preparation

Statement of compliance

These Condensed Consolidated Interim Financial Statements for the nine months ended 30 September 2013 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 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 2012, which are available on the Bank's website www.landsbankinn.is.

Basis of measurement

The Condensed Consolidated Interim Financial Statements have been prepared on a historical cost basis except for the following:

- Financial assets and liabilities classified as held for trading are measured at fair value;
- Financial assets and liabilities designated as at fair value through profit or loss are measured at fair value;
- Non-current assets and disposal groups classified as held for sale are measured at the lower of cost or fair value less costs to sell.

Functional and presentation currency

Items included in the financial statements of each individual Group entity are measured using the currency of the economic environment in which the respective entity operates (its functional currency). All amounts are presented in Icelandic krona (ISK), which is also the Bank's functional currency, rounded to the nearest million unless otherwise stated.

Use of estimates and judgements

The preparation of financial statements requires the 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.

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.

In preparing the Condensed Consolidated Interim Financial Statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Consolidated Financial Statements as at and for the year ended 31 December 2012.

3. Significant 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 applied by the Group in the Condensed Consolidated Interim Financial Statements are the same as those applied by the Group in its Consolidated Financial Statements as at and for the year ended 31 December 2012. The accounting policies applied have been applied consistently to all periods presented.

Notes to the Condensed Consolidated Interim Financial Statements

3. Significant accounting policies (continued)

The Group has adopted IFRS 13, Fair Value Measurement, which establishes a single framework for measuring fair value of both financial and non-financial items and sets out related disclosure requirements. The adoption did not result in any significant effect on the Group's financial results.

The Group has adopted amendments to IFRS 7, Offsetting Financial Assets and Financial Liabilities, which clarifies that when an entity currently has a legally enforceable right to set-off financial assets and financial liabilities, it is required to disclose certain information about the effect or potential effect on an entity's financial position resulting from netting arrangements. The adoption did not result in any significant effect on the Group's financial results.

4. Operating segments

The business segments are presented in accordance with the internal reporting to the CEO and the Board of Directors, who are responsible for allocating resources to the reportable segments and assessing their financial performance.

The Group has four main business segments at the end of the reporting period:

- **Personal Banking** provides financial services through the Bank's branch network to individuals and to small and medium-size businesses.
- **Corporate Banking** provides financial services to large and medium-size corporate clients. It provides restructuring solutions to corporate clients who have defaulted on their loans and can be returned to viability.
- **Markets** provide brokerage services in securities, foreign currencies and derivatives, sale of securities issues, money market lending and advisory services. Markets provides a range of wealth and asset management products and services for individuals, corporations and institutional investors. Horn fjárfestingarfélag and Landsbréf, subsidiaries of the Bank, are included in Markets.
- **Treasury** incorporates unallocated capital, funding, liquidity and interbank functions for the Bank as well as management of the Group's market risk.

Support Functions comprise of Finance (excluding Treasury), Risk Management, Corporate Development & HR and Operations & IT.

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

Administrative expenses of the Group's Support Functions 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 on an arm's-length basis; if possible, on the basis of consumption and activity.

The following table summarises each segment's financial performance as disclosed in the internal management reports on segments profit before tax. 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.

No revenue from transactions with a single external customer or counterparty amounted to 10% or more of the Group's total revenue during the periods from 1 January to 30 September 2013 and 2012.

Notes to the Condensed Consolidated Interim Financial Statements

4. Operating segments (continued)

	Personal Banking	Corporate Banking	Markets	Treasury	Support Functions	Recon- ciliation	Total
1 January - 30 September 2013							
Net interest income (expense)	13,185	10,836	336	1,302	(40)	(1,282)	24,337
Net adjustments in valuation	(2,619)	11,605	-	(148)	283	-	9,121
Net fee and commission income	1,995	476	1,911	80	(106)	(245)	4,111
Other net operating income	(830)	(117)	3,547	6,780	299	1,273	10,952
Total operating income (expense)	11,731	22,800	5,794	8,014	436	(254)	48,521
Operating expenses	(6,444)	(1,031)	(1,572)	(977)	(11,602)	254	(21,371)
Share of profit of equity-accounted associates, net of income tax	(35)	-	-	1,195	(33)	-	1,127
Profit (loss) before cost allocation and tax	5,252	21,769	4,222	8,232	(11,199)	0	28,277
Cost allocated from support functions to business segments	(4,660)	(2,000)	(868)	(600)	8,128	-	0
Profit (loss) before tax	592	19,769	3,354	7,632	(3,071)	0	28,277
Net revenue (expenses) from external customers	7,216	33,339	5,545	2,260	415	-	48,775
Net revenue (expenses) from other segments	4,515	(10,539)	249	5,754	21	-	0
Total operating income (expense)	11,731	22,800	5,794	8,014	436	0	48,775
At 30 September 2013							
Total assets	514,282	402,248	68,380	535,163	24,824	(386,743)	1,158,154
Total liabilities	460,924	320,194	60,643	443,600	24,824	(386,743)	923,442
Allocated capital	53,358	82,054	7,737	91,563	0	0	234,712

	Personal Banking	Corporate Banking	Markets	Treasury	Support Functions	Recon- ciliation	Total
1 January - 30 September 2012							
Net interest income (expense)	13,186	13,733	(95)	705	(718)	(456)	26,355
Net adjustments in valuation	(9,080)	(1,742)	-	81	174	3,480	(7,087)
Net fee and commission income	1,772	270	1,485	127	(215)	(317)	3,122
Other net operating income	35	383	502	6,912	(403)	122	7,551
Total operating income (expense)	5,913	12,644	1,892	7,825	(1,162)	2,829	29,941
Operating expenses	(5,260)	(888)	(1,060)	(1,204)	(9,637)	279	(17,770)
Share of profit of equity-accounted associates, net of income tax	254	-	-	433	-	-	687
Profit (loss) before cost allocation and tax	907	11,756	832	7,054	(10,799)	3,108	12,858
Cost allocated from support functions to business segments	(4,511)	(1,812)	(516)	(909)	7,748	-	0
Profit (loss) before tax	(3,604)	9,944	316	6,145	(3,051)	3,108	12,858
Net revenue (expenses) from external customers	906	24,531	1,734	811	(869)	-	27,113
Net revenue (expenses) from other segments	5,007	(11,887)	158	7,014	(293)	-	0
Total operating income (expense)	5,913	12,644	1,892	7,825	(1,162)	0	27,113
At 30 September 2012							
Total assets	493,167	401,753	31,736	494,389	38,930	(403,150)	1,056,825
Total liabilities	456,627	326,075	31,466	393,199	38,930	(403,150)	843,147
Allocated capital	36,540	75,678	270	101,190	0	0	213,678

Notes to the Condensed Consolidated Interim Financial Statements

Notes to the Condensed Consolidated Statement of Financial Position

5. Classification and fair value of financial assets and liabilities

According to IAS 39, financial assets and liabilities must be classified into specific categories which affect how they are measured after initial recognition. Each category's basis of subsequent measurement is specified below:

- Loans and receivables, measured at amortised cost;
- Financial assets and liabilities held for trading, measured at fair value;
- Financial assets designated as at fair value through profit or loss, measured at fair value;
- Other financial liabilities, measured at amortised cost.

The following table shows the classification of the Group's financial assets and liabilities according to IAS 39 and their fair values as at 30 September 2013:

	Loans and receivables	Held for trading	Designated as at fair value	Liabilities at amortised cost	Other liabilities at fair value	Total carrying amount	Fair value
Financial assets							
Cash and balances with Central Bank	36,024	-	-	-	-	36,024	36,024
Bonds and debt instruments	112,411	143,540	33,043	-	-	288,994	288,994
Equities and equity instruments	-	2,943	31,011	-	-	33,954	33,954
Derivative instruments	-	183	-	-	-	183	183
Loans and advances to financial institutions	70,545	-	-	-	-	70,545	70,545
Loans and advances to customers	671,378	-	-	-	-	671,378	677,441
Other financial assets	10,800	-	-	-	-	10,800	10,800
Total	901,158	146,666	64,054	0	0	1,111,878	1,117,941
Financial liabilities							
Due to financial institutions and Central Bank	-	-	-	110,460	-	110,460	110,460
Deposits from customers	-	-	-	465,742	-	465,742	465,725
Derivative instruments and short positions	-	8,078	-	-	-	8,078	8,078
Secured bonds	-	-	-	298,938	-	298,938	298,938
Other financial liabilities	-	-	-	14,139	-	14,139	14,139
Total	0	8,078	0	889,279	0	897,357	897,340

The following table shows the classification of the Group's financial assets and liabilities according to IAS 39 and their fair values as at 31 December 2012:

	Loans and receivables	Held for trading	Designated as at fair value	Liabilities at amortised cost	Other liabilities at fair value	Total carrying amount	Fair value
Financial assets							
Cash and balances with Central Bank	25,898	-	-	-	-	25,898	25,898
Bonds and debt instruments	113,203	100,950	14,055	-	-	228,208	228,208
Equities and equity instruments	-	1,107	35,774	-	-	36,881	36,881
Derivative instruments	-	1,043	-	-	-	1,043	1,043
Loans and advances to financial institutions	64,349	-	-	-	-	64,349	64,349
Loans and advances to customers	666,087	-	-	-	-	666,087	674,417
Other financial assets	10,481	-	-	-	-	10,481	10,481
Total	880,018	103,100	49,829	0	0	1,032,947	1,041,277
Financial liabilities							
Due to financial institutions and Central Bank	-	-	-	98,718	-	98,718	98,718
Deposits from customers	-	-	-	421,058	-	421,058	420,856
Derivative instruments and short positions	-	9,438	-	-	-	9,438	9,438
Secured bonds	-	-	-	221,791	-	221,791	221,791
Contingent bond	-	-	-	-	87,474	87,474	87,474
Other financial liabilities	-	-	-	14,369	-	14,369	14,369
Total	0	9,438	0	755,936	87,474	852,848	852,646

Notes to the Condensed Consolidated Interim Financial Statements

5. Classification and fair value of financial assets and liabilities (continued)

The fair value of financial assets and liabilities was determined based on the same valuation methods as those described in the Group's Consolidated Financial Statements as at and for the year ended 31 December 2012.

Fair value hierarchy

The Group has used a valuation hierarchy for disclosure of inputs to valuation used to measure fair value. Fair value measurements of financial instruments are made on the basis of the following hierarchy:

- Level 1: Quoted prices are used for assets and liabilities traded in active markets. Unadjusted quoted prices are used as the measurement of fair value.
- Level 2: Valuation technique based on observable inputs. The most recent transaction prices in combination with generally accepted valuation methods are used to measure fair value of shares and the yield of actively traded bonds with same duration is used as a benchmark for the valuation of bonds.
- Level 3: Valuation technique based on significant non-observable inputs. For unlisted shares and bonds where there is no market data available, various generally accepted valuation techniques are used to measure fair value. Valuation using discounted cash flow or a comparison of peer companies' multiples are the most commonly used methods to calculate fair value of unlisted shares.

The following table shows the level in the hierarchy into which the fair value of financial assets and liabilities, carried at fair value in the Consolidated Statement of Financial Position, are categorised as at 30 September 2013:

Financial assets	Level 1	Level 2	Level 3	Total
Bonds and debt instruments	110,992	54,651	10,940	176,583
Equities and equity instruments	9,184	9	24,761	33,954
Derivative instruments	-	183	-	183
Total	120,176	54,843	35,701	210,720
Financial liabilities				
Derivative instruments	-	532	-	532
Short positions	7,546	-	-	7,546
Total	7,546	532	0	8,078

The following table shows the level in the hierarchy into which the fair value of financial assets and liabilities, carried at fair value in the Consolidated Statement of Financial position, are categorised as at 31 December 2012:

Financial assets	Level 1	Level 2	Level 3	Total
Bonds and debt instruments	63,751	40,643	10,611	115,005
Equities and equity instruments	4,212	2,792	29,877	36,881
Derivative instruments	-	1,043	-	1,043
Total	67,963	44,478	40,488	152,929
Financial liabilities				
Derivative instruments	-	519	-	519
Short positions	8,919	-	-	8,919
Contingent bond	-	-	87,474	87,474
Total	8,919	519	87,474	96,912

During the period from 1 January to 30 September 2013 there were no transfers between Level 1, Level 2 or Level 3.

Notes to the Condensed Consolidated Interim Financial Statements

5. Classification and fair value of financial assets and liabilities (continued)

The following tables show the reconciliation of fair value measurement in Level 3 for the nine months ended 30 September 2013 and for the year 2012:

	Bonds and debt instruments	Equities and equity instruments	Total financial assets	Contingent bond
1 January - 30 September 2013				
Carrying amount at 1 January 2013	10,611	29,877	40,488	(87,474)
Total gains recognised in income statement	739	3,253	3,992	6,212
Change in contingent bond - liability to purchase own shares	-	-	-	(4,691)
Purchases	-	53	53	-
Sales	(436)	(8,422)	(8,858)	-
Settlements	26	-	26	85,953
Carrying amount at 30 September 2013	10,940	24,761	35,701	0
1 January - 31 December 2012				
Carrying amount at 1 January 2012	11,603	28,259	39,862	(60,826)
Total gains (losses) recognised in income statement	462	5,061	5,523	(26,648)
Purchases	-	2,629	2,629	-
Sales	(40)	(6,281)	(6,321)	-
Settlements	(1,414)	209	(1,205)	-
Carrying amount at 31 December 2012	10,611	29,877	40,488	(87,474)

The following tables show the line items in the Consolidated Income Statement where the total gains (losses) were recognised during the nine months ended 30 September 2013 and 30 September 2012, for fair value measurements in Level 3:

	Bonds and debt instruments	Equities and equity instruments	Contingent bond	Total
1 January - 30 September 2013				
Fair value change of contingent bond	-	-	1,319	1,319
Interest expense	-	-	(623)	(623)
Net gain on financial assets designated as at fair value through profit or loss	1,045	3,650	-	4,695
Net foreign exchange gain (loss)	(306)	(397)	5,516	4,813
Total	739	3,253	6,212	10,204
1 January - 30 September 2012				
Fair value change of contingent bond	-	-	(13,399)	(13,399)
Net gain on financial assets designated as at fair value through profit or loss	1,465	899	-	2,364
Net foreign exchange gain (loss)	(186)	56	-	(130)
Total	1,279	955	(13,399)	(11,165)

6. Derivative instruments and short positions

	30.9.2013			31.12.2012		
	Notional amount	Fair value		Notional amount	Fair value	
		Assets	Liabilities		Assets	Liabilities
Foreign exchange derivatives						
Currency forwards	40,992	155	91	57,302	1,040	113
Cross-currency interest rate swaps	1,141	-	430	1,506	-	377
	42,133	155	521	58,808	1,040	490
Interest rate derivatives						
Total return swaps	3,858	6	6	4,668	3	8
	3,858	6	6	4,668	3	8
Equity derivatives						
Total return swaps	1,504	22	5	562	-	21
	1,504	22	5	562	0	21
Short positions - listed bonds	-	-	7,546	-	-	8,918
Total	47,495	183	8,078	64,038	1,043	9,438

The Group uses derivatives both for hedging and trading purposes.

Notes to the Condensed Consolidated Interim Financial Statements

7. Loans and advances to financial institutions

	30.9.2013	31.12.2012
Bank accounts with financial institutions	4,569	8,559
Money market loans	54,873	37,769
Overdrafts	5,001	7,726
Other loans	6,102	10,295
Total	70,545	64,349

8. Loans and advances to customers

	30.9.2013	31.12.2012
Public entities	10,320	11,682
Individuals	212,448	207,608
Corporations	499,912	490,827
Less: Allowance for impairment	(51,302)	(44,030)
Total	671,378	666,087

During the reporting period the Group was not permitted to sell or repledge any collateral in absence of default by the owner of the collateral.

Further disclosures on loans and advances are provided in the risk management section of the notes.

9. Other assets

	30.9.2013	31.12.2012
Unsettled securities trading	1,774	1,877
Receivable from LBI hf.	555	465
Other accounts receivable	3,422	3,090
Claim on LBI hf. due to court ruling	5,049	5,049
Sundry assets	2,623	3,627
Total	13,423	14,108

10. Assets classified as held for sale

Assets classified as held for sale	30.9.2013	31.12.2012
Reposessed collateral	18,124	25,221
Other assets classified as held for sale	7,810	99
Total	25,934	25,320

Reposessed collateral

Reposessed collateral consists mainly of property and equipment resulting from collateral foreclosed by the Group as security for loans and advances. The Group's policy is to pursue timely realisation of the reposessed collateral in an orderly manner. The Group generally does not use the non-cash reposessed collateral for its own operations. The reposessed collateral is recognised as assets of either the Bank or its subsidiary Hömlur ehf.

Reposessed collateral	30.9.2013	31.12.2012
Carrying amount at the beginning of the period	25,221	51,711
Reposessed during the period	5,193	12,171
Disposed during the period	(11,306)	(37,979)
Impairment	(984)	(682)
Carrying amount at the end of the period	18,124	25,221

Assets of disposal groups classified as held for sale

Assets of disposal groups classified as held for sale consist of all the assets and liabilities of subsidiaries acquired by the Bank exclusively with a view to resale.

The profit (loss) for the period from discontinued operations which is presented in the Condensed Consolidated Income Statement consists only of the results of those subsidiaries acquired by the Bank exclusively with a view to resale as they meet the definition of discontinued operations in IFRS 5.

Notes to the Condensed Consolidated Interim Financial Statements

11. Secured bonds

As at 30.9.2013	Currency	Final maturity	Remaining principal	Contractual interest rate	Carrying amount
EUR Bonds	EUR	9.10.2018	913 million	EURIBOR + 1.75/2.90 %	149,375
GBP Bonds	GBP	9.10.2018	291 million	LIBOR + 1.75/2.90 %	57,004
USD Bonds	USD	9.10.2018	756 million	LIBOR + 1.75/2.90 %	91,377
Total issued bonds to LBI hf.					297,756

As at 30.9.2013	Currency	Final maturity	Remaining principal	Contractual interest rate	Carrying amount
LBANK CB 16	ISK	10.6.2016	1,160	6.3 %	1,182
Total covered bonds					1,182

Secured bonds total 30.9.2013	298,938
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As at 31.12.2012	Currency	Final maturity	Remaining principal	Contractual interest rate	Carrying amount
EUR Bonds	EUR	9.10.2018	649 million	EURIBOR + 1.75/2.90 %	109,380
GBP Bonds	GBP	9.10.2018	205 million	LIBOR + 1.75/2.90 %	42,397
USD Bonds	USD	9.10.2018	548 million	LIBOR + 1.75/2.90 %	70,014
Total issued bonds to LBI hf.					221,791

Secured bonds total 31.12.2012	221,791
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Pursuant to the provisions of the settlement agreement between the Bank, LBI hf. and the Icelandic State of 15 December 2009, the Bank issued the Contingent Bond to LBI hf. as Secured Bonds on 11 April 2013, the Secured Bonds being an additional consideration for the assets and liabilities transferred from LBI hf. to the Bank on 9 October 2008. The value of the bonds was contingent on the excess fair value of certain pools of assets as at 31 December 2012 over the future value of their acquisition price as at 9 October 2008, subject to specified adjustments.

On 12 October 2010 the Bank and LBI hf. signed a pledge agreement according to which the Bank pledged certain pools of loans to customers as collateral for Secured Bonds issued on 12 October 2010. The Bank must maintain a minimum cover ratio of 124.7% for the Secured Bonds. In addition, the Bank's original liability classified as Contingent Bond was issued as Secured Bonds on 11 April 2013 and on 10 June 2013 the Bank issued the Covered Bonds. Additional pledges of collateral were made in relation to these latest bond issues. See further details of the encumbered assets in Note 22.

The third-party valuation agent Deloitte UK LLP concluded its valuation of the specified assets in relation to the Contingent Bond, with the result that the Contingent Bond has been issued as Secured Bonds in the equivalent amount of ISK 92,000 million (ceiling amount), denominated in EUR (50%), USD (30%) and GBP (20%). LBI hf. has in return surrendered its entire holding in Landsbankinn to the Icelandic State and Landsbankinn.

During the first quarter of 2013 the Bank made a mandatory early redemption amount of ISK 2,201 million, due to a clause on Asset Disposition. The Bank shall redeem such part of the principal amount of the bonds as is equal to 50% of excess disposal amounts in regards to asset dispositions, subject to a maximum redemption amount.

On 10 June 2013 Landsbankinn issued its first series of covered bonds, LBANK CB 16 in the amount of ISK 1,220 million, the total size limit being ISK 10,000 million. The bonds are non-indexed with a 3 year fixed interest rate of 6.3%. The Bank simultaneously lowered its interest rates on non-indexed housing mortgages with a 3 year fixed interest rate from 7.5% to 7.3%. The covered bonds issue provides broader funding opportunities for the Bank's housing loan portfolio and reduces the Bank's fixed interest risk. Of the total issue of ISK 1,220 million, ISK 1,160 million was originally sold to investors in the market. The remaining amount was intended for market making purposes in connection with listing of the bonds on NASDAQ OMX Iceland. The bonds were listed for trading on 10 October 2013 on NASDAQ OMX Iceland. Additional pledges of collateral were made in relation to the bond issue as explained in Note 22.

Notes to the Condensed Consolidated Interim Financial Statements

12. Equity

On 11 April 2013 LBI hf. surrendered all its shareholding in Landsbankinn, of which the Bank received own shares of 2% (i.e. 500 million shares). The Bank has made an arrangement for the allocation of these shares to employees in accordance with LBI hf. conditions and a resolution passed at a shareholders' meeting of the Bank on 17 July 2013. On 30 September 2013, 317 million of own shares were allocated to employees, of which 198 million of own shares were retained by the Bank for settlement of tax obligations and pension liabilities. The allocation of the remainder of the own shares will be completed in January 2014.

In the third quarter of 2013, the Bank recognised in equity the part of the own shares allocated to employees and the own shares retained by the Bank for settlement of tax obligations and pension liabilities thereon known as "Own shares allocated to employees" and "Purchase of own shares for settlement of the tax obligations and pension liabilities", respectively. The receipt of the 500 million own shares had previously been recognised in equity as "Purchase of own shares" in the second quarter of 2013 and in the first quarter of 2013, the Bank had recognised its obligation to allocate the shares to its employees as equity-settled share-based payments. As such, the Bank recognised in the first quarter of 2013 ISK 4,017 million as salary expenses in the income statement, with a corresponding amount recognised in equity as "Recognition of equity-settled employee share-based payments." In addition, the Bank recognised in the first quarter of 2013 ISK 674 million as salary related expenses in the income statement, with a corresponding amount recognised as a payable among other liabilities in the balance sheet.

Notes to the Condensed Consolidated Interim Financial Statements

Notes to the Condensed Consolidated Income Statement

13. Net interest income

	2013 1.7-30.9	2012 1.7-30.9	2013 1.1-30.9	2012 1.1-30.9
Interest income				
Cash and balances with Central Bank	403	305	1,032	691
Bonds and debt instruments classified as loans and receivables	1,392	1,333	4,139	3,567
Loans and advances to financial institutions	133	76	499	435
Loans and advances to customers	12,222	11,242	39,678	42,418
Other interest income	212	6	640	926
Total	14,362	12,962	45,988	48,037
Interest expense				
Due to financial institutions and Central Bank	(730)	(474)	(2,178)	(1,409)
Deposits from customers	(3,927)	(2,823)	(12,508)	(11,983)
Secured bonds	(2,362)	(1,879)	(6,947)	(8,221)
Other interest expense	(3)	(4)	(18)	(69)
Total	(7,022)	(5,180)	(21,651)	(21,682)
Net interest income	7,340	7,782	24,337	26,355
Interest spread (as the annualised ratio of net interest income to the average carrying amount of total assets during the period).	2.6%	3.0%	2.9%	3.2%
Adjusted interest spread (as the annualised ratio of net interest income after net adjustments in valuation to the average carrying amount of total assets during the period).	3.1%	1.6%	4.0%	2.3%

All the interest income and interest expense disclosed above is from financial assets and financial liabilities that are not carried at fair value through profit or loss.

14. Net valuation change in loans and advances

	2013 1.7-30.9	2012 1.7-30.9	2013 1.1-30.9	2012 1.1-30.9
Net adjustments to loans and advances acquired at deep discount	1,317	8,213	16,262	19,385
Loss from foreign currency linkage of loans and advances to customer:	-	(2,120)	-	(2,120)
Net impairment gain (loss)	234	(4,514)	(8,460)	(10,953)
Total	1,551	1,579	7,802	6,312
Individuals	652	1,442	(454)	543
Corporations	899	137	8,256	5,769
Total	1,551	1,579	7,802	6,312

15. Net gain on financial assets designated as at fair value through profit or loss

	2013 1.7-30.9	2012 1.7-30.9	2013 1.1-30.9	2012 1.1-30.9
Bonds and debt instruments	753	910	1,689	1,532
Equities and equity instruments	2,435	(1,459)	4,406	1,725
Total	3,188	(549)	6,095	3,257

16. Net gain on financial assets and liabilities held for trading

	2013 1.7-30.9	2012 1.7-30.9	2013 1.1-30.9	2012 1.1-30.9
Bonds and debt instruments	403	616	1,749	1,855
Equities and equity instruments	31	-	225	103
Derivative instruments	(34)	(30)	(283)	(145)
Total	400	586	1,691	1,813

Notes to the Condensed Consolidated Interim Financial Statements

17. Net foreign exchange gain (loss)

	2013 1.7-30.9	2012 1.7-30.9	2013 1.1-30.9	2012 1.1-30.9
Assets				
Cash and balances with Central Bank	(3)	7	(88)	6
Bonds and debt instruments	(265)	602	(6,032)	2,872
Equities and equity instruments	123	293	(761)	385
Derivative instruments	267	16	975	926
Loans and advances to financial institutions	398	221	(1,391)	373
Loans and advances to customers	(137)	1,064	(11,372)	1,784
Other assets	32	13	8	1,167
Total	415	2,216	(18,661)	7,513
Liabilities				
Due to financial institutions and Central Bank	(166)	(142)	722	(657)
Deposits from customers	529	(30)	4,056	(925)
Secured bonds	(616)	(1,145)	10,637	(4,197)
Contingent bond	-	-	4,596	1
Total	(253)	(1,317)	20,011	(5,778)
Net foreign exchange gain (loss)	162	899	1,350	1,735

The foreign exchange differences which were recognised during the period 1 January to 30 September 2013 in the Condensed Consolidated Income Statement and arose on financial instruments not measured at fair value through profit or loss, amounted to a ISK 12,843 million loss for financial assets (1.1-30.9.2012: gain of ISK 3,330 million) and gain of ISK 15,415 million for financial liabilities (1.1-30.9.2012: loss of ISK 5,778 million).

18. Salaries and related expenses

	2013 1.7-30.9	2012 1.7-30.9	2013 1.1-30.9	2012 1.1-30.9
Salaries	2,040	2,365	6,816	7,551
Contributions to defined contribution pension plans	349	345	1,019	998
Social security contributions, special financial activities tax on salaries and other expenses	421	393	1,270	1,150
Total	2,810	3,103	9,105	9,699
Recognition of equity-settled employee share-based salaries	-	-	4,017	-
Recognition of equity-settled employee share-based social security contributions and special financial activities tax on salaries	-	-	674	-
Total equity-settled employee share-based payments*	0	0	4,691	0
Total Salaries and related expenses	2,810	3,103	13,796	9,699

* Further details on recognition of equity-settled employee share-based payments can be seen in Note 12.

19. Income tax

Income tax is recognised based on the tax rates and tax laws enacted by the end of the year, according to which the domestic corporate income tax rate was 20.0% (2012: 20.0%). Special income tax on financial institutions at a rate of 6% on income tax base exceeding ISK 1,000 million in accordance with Act No. 165/2011 on Financial Activity Tax.

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

	2013 1.1-30.9	2012 1.1-30.9
Current tax expense	(4,916)	-
Deferred tax expense	(800)	(1,000)
Total	(5,716)	(1,000)

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

	1.1-30.9.2013	1.1-30.9.2012
Profit before tax	28,277	12,858
Tax on liabilities of financial institutions	(285)	(801)
Profit before income tax	27,992	12,057
Income tax calculated using the domestic corporate income tax rate	20.0% (5,598)	20.0% (2,411)
Special income tax on financial institutions	3.7% (1,025)	0.0% -
Income not subject to tax	(3.2%) 888	(1.8%) 220
Non-deductable expenses	0.4% (109)	1.6% (191)
Other	(0.5%) 128	(11.5%) 1,382
Effective income tax	20.4% (5,716)	8.3% (1,000)

Notes to the Condensed Consolidated Interim Financial Statements

Other notes

20. Earnings per share

	2013 1.7-30.9	2012 1.7-30.9	2013 1.1-30.9	2012 1.1-30.9
Profit for the period				
Profit for the period from continuing operations	6,772	1,664	22,349	11,057
Profit for the period from discontinued operations	-	-	-	2,484
Profit for the period attributable to owners of the Bank	6,772	1,664	22,349	13,541
Numbers of shares				
Number of shares outstanding at beginning of year	24,000	24,000	24,000	24,000
Average numbers of own shares	(499)	-	(333)	-
Weighted average numbers of shares outstanding	23,501	24,000	23,667	24,000
Basic earnings per share				
Continuing operations	0.29	0.07	0.94	0.46
Discontinued operations	-	-	-	0.10
Total basic earnings per share	0.29	0.07	0.94	0.56

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.

21. Litigation

The Group is exposed to litigations that arise from time to time in the ordinary course of business. Current litigations are not expected to have further impact on the Group's financial position other than that disclosed in the financial statements of the Group as at 31 December 2012.

In January 2013 a client of the Bank commenced litigation against the Bank claiming acknowledgement by the Court that he is not legally bound by a clause on consumer price index in a bond issued by himself to the Bank, alternatively that the Court confirms that the Bank is not entitled to revalue the principal amount of the bond on a monthly basis according to the consumer price index. Furthermore, the client claims confirmation by the Court that he is not legally bound by a clause in the same bond regarding the issuer's obligation to pay a settlement fee. The client claims that the bond's clauses are illegal according to the Securities Transaction Act No. 108/2007 and EU Directive No. 2004/39/EC. In a ruling of 31 October 2013 the District Court of Reykjavik found that the Securities Transaction Act No. 108/2007 was not relevant for the case. However, the Court considered that Directive 87/102/EEC concerning consumer credit and Directive 93/13/EEC on unfair terms in consumer contracts may be of relevance for the case and decided to request an advisory opinion from the EFTA Court on the interpretation of certain provisions of these Directives. The District Court will give its final judgment in the case when it has received the advisory opinion from the EFTA Court.

Following rulings in 2012 of the Supreme Court of Iceland in cases No. 600/2011 and 464/2012 on interest payment calculations of loans, illegally indexed to foreign currencies, the Bank has recalculated loans considered by the Bank to fall under the precedent of the rulings. The provisions set out in Act No. 151/2010, amending Act No. 38/2001, regarding recalculations of interest payments based on ISK interest rates determined by the Central Bank of Iceland were considered by the Court as not being applicable in specified circumstances, inter alia, as the lender had issued final receipts of interest payments. On 30 May 2013 the Supreme Court ruled in case No. 50/2013 between the Bank and one of its clients on recalculation of interest payments of a vehicle loan indexed to foreign currencies. Following this ruling, the Bank commenced work on further recalculations of loans falling under the precedent of the Court's rulings. The Supreme Court will render new rulings in the coming months that are expected to provide further clarification on this matter.

In June 2012, a client of the Bank commenced litigation against the Bank, claiming that his loan should be recalculated as a loan in ISK, illegally indexed to foreign currency. On 14 November 2013 the Supreme Court, in case No. 337/2013, ruled in favour of the Bank concluding, inter alia, that a loan agreement considered to be denominated in ISK indexed to foreign currency but paid out in foreign currency and repaid in ISK, was a legitimate foreign currency loan. The Bank considers the ruling to set a precedent for other such loans in the loan portfolio of the Bank with the same payment and repayment modalities. Accordingly, the Bank considers such loans not to contain illegitimate indexation to foreign currencies and thus the potential negative impact on the Bank, as disclosed in paragraph 4 of Note 4 (h) of the Bank's 2012 Consolidated Financial Statements, has significantly decreased.

In May 2012 LBI hf. commenced litigation against the Bank's subsidiary, Landsvaki hf., based on the Act on Bankruptcy etc. No. 21/1991, claiming rescission of the purchase by LBI of bonds in the amount of approximately ISK 25,000 million. Moreover, with respect to these claims, LBI claimed a set-off in the amount of ISK 5,049 million against a claim of the Bank that has been acknowledged in a Supreme Court ruling of 22 March 2012. Landsvaki rejected the claims of LBI arguing that Landsvaki acted only in accordance with law and in collaboration with the FME. Furthermore, the Bank rejected the set-off claim as not being admissible. On 9 October 2013 the District Court of Reykjavik ruled in favour of the Bank and of Landsvaki and dismissed the case. On 20 November 2013 the Supreme Court confirmed the conclusion of the District Court.

Notes to the Condensed Consolidated Interim Financial Statements

22. Encumbered assets

At 30 September 2013	Collateral pledged against			Un-encumbered	Total
	Covered Bonds	Issued to LBI hf.	Other*		
Cash and balances with Central Bank	78	-	-	35,946	36,024
Bonds and debt instruments	-	53,894	16,991	218,109	288,994
Equities and equity instruments	-	-	-	33,954	33,954
Derivative instruments	-	-	-	183	183
Loans and advances to financial institutions	-	-	4,321	66,224	70,545
Loans and advances to customers	1,456	345,655	-	324,267	671,378
Investments in equity-accounted associates	-	-	-	11,812	11,812
Property and equipment	-	-	-	5,451	5,451
Intangible assets	-	-	-	456	456
Other assets	-	-	-	13,423	13,423
Assets classified as held for sale	-	-	-	25,934	25,934
Total	1,534	399,549	21,312	735,759	1,158,154

At 31 December 2012	Collateral pledged against			Un-encumbered	Total
	Issued to LBI hf.	Other*			
Cash and balances with Central Bank	-	-	-	25,898	25,898
Bonds and debt instruments	-	17,821	-	210,387	228,208
Equities and equity instruments	-	-	-	36,881	36,881
Derivative instruments	-	-	-	1,043	1,043
Loans and advances to financial institutions	-	8,091	-	56,258	64,349
Loans and advances to customers	319,240	-	-	346,847	666,087
Investments in equity-accounted associates	-	-	-	15,528	15,528
Property and equipment	-	-	-	6,776	6,776
Intangible assets	-	-	-	541	541
Deferred tax assets	-	-	-	48	48
Other assets	-	-	-	14,108	14,108
Assets classified as held for sale	-	-	-	25,320	25,320
Total	319,240	25,912	739,635	1,084,787	

*Other represents assets pledged as collateral to the Central Bank of Iceland to secure settlement in the Icelandic clearing systems, assets pledged as collateral to secure trading lines and credit support for ISDA master agreements and other pledges of similar nature.

23. Related party transactions

(a) 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 and outstanding amounts receivable from public entities are disclosed in Note 27.

(b) Transactions with other related parties

Following the change in ownership of the Bank on 11 April 2013 and LBI hf. surrendered its holding in Landsbankinn, as described in Note 12, LBI hf. no longer meets the definition of a related party under IAS 24. The deposits from LBI hf. as at 31 December 2012 amounted to ISK 43,807 million and during the period from 1 January to 30 September 2012 the Bank recognised ISK 187 million from administrative services provided to LBI hf. based on a service level agreement.

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

Loans in ISK million	2013		2012	
	Balance at 30 September	Highest amount outstanding during the period	Balance at 31 December	Highest amount outstanding during the period
Key management personnel	124	131	108	237
Parties related to key management personnel	135	224	176	333
Associates	46,060	63,892	44,544	72,677
Total	46,319	64,247	44,828	73,247

No specific allowance for impairment was recognised in respect of these loans.

No pledges or commitments have been given or received in respect of these transactions in the period. There are no leasing transactions between related parties in the period.

Notes to the Condensed Consolidated Interim Financial Statements

23. Related party transactions (continued)

(b) Transactions with other related parties (continued)

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

	2013		2012	
	Balance at 30 September	Highest amount outstanding during the period	Balance at 31 December	Highest amount outstanding during the period
Deposits in ISK million				
Key management personnel	48	116	112	168
Parties related to key management personnel	40	116	56	166
Associates	11,813	21,234	18,432	36,667
Total	11,901	21,466	18,600	37,001

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

	Balance at 30 September 2013	Balance at 31 December 2012
Guarantees in ISK million		
Associates	341	507
Total	341	507

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

24. Events after the reporting period

The main event after the reporting period is as follows:

On 20 November 2013 the Supreme Court of Iceland ruled in favour of the Bank and the Bank's subsidiary, Landsvaki hf., dismissing a case in which LBI hf. claimed rescission of a purchase of bonds by LBI hf. and a set-off in the amount of ISK 5,049 million against a claim of the Bank from November 2008, see Note 21. Accordingly, the Bank will claim penal interest on the November 2008 principal, which is to be recognised in the fourth quarter of 2013.

Notes to the Condensed Consolidated Interim Financial Statements

Capital management

25. Capital management

According to the EU Capital Requirements Directive the regulatory minimum capital requirement under Pillar I is 8% of risk weighted assets. The FME requires the Group to maintain a minimum core Tier 1 capital ratio of 12% unless revised by FME. In the latest Supervisory Review and Evaluation Process (SREP), based on year end 2011, the FME determined the Capital Adequacy Ratio to be at 19.5%, mainly because of uncertainty regarding currency loans. The Capital Adequacy Ratio is determined by the Group's calculation of its solvency need (ICAAP report) and SREP by the FME which is performed each year.

26. Capital base and capital adequacy ratio

The Group's equity at 30 September 2013 amounted to ISK 234,712 million (31.12.2012: ISK 225,166 million), equivalent to 20.3% (31.12.2012: 20.8%) of total assets, according to the Condensed Consolidated Statement of Financial Position. The Capital Adequacy Ratio, calculated in accordance with Article 84 of Act No. 161/2002 on Financial Undertakings, was 26.2% at 30 September 2013 (31.12.2012: 25.1%). According to the Act, this ratio may not fall below 8%.

Capital base	30.9.2013	31.12.2012
Share capital	23,618	24,000
Share premium	120,700	123,898
Reserves	6,099	5,053
Retained earnings	84,388	72,120
Non-controlling interests	(94)	95
Total equity	234,712	225,166
Intangible assets	(456)	(541)
Deferred tax assets	-	(48)
Tier 1 capital	234,256	224,577
Deduction from original and additional own funds	(3,618)	(3,815)
Capital base	230,638	220,762
Risk-weighted assets		
Credit risk	676,590	679,516
Market risk	100,815	98,486
Operational risk*	101,393	101,393
Total risk-weighted assets	878,798	879,395
Tier 1 capital ratio	26.7%	25.5%
Capital adequacy ratio	26.2%	25.1%

* The amounts are updated on a yearly basis.

Notes to the Condensed Consolidated Interim Financial Statements

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

The following tables show the Group's maximum credit risk exposure at 30 September 2013 and 31 December 2012. For on-balance sheet assets, the exposures set out below are based on net carrying amounts as reported in the statement of financial position. Off-balance sheet amounts in the tables below are the maximum amounts the Group might have to pay for guarantees, loan commitments in their full amount, and undrawn overdraft and credit card facilities.

The Group uses the ISAT 08 industry classification for corporate customers.

	Corporations												Carrying amount
	Financial institutions	Public entities*	Individuals	Fisheries	Construction and real estate companies	Services	Retail	Holding companies	Manufacturing	Agriculture	ITC**	Other	
At 30 September 2013													
Cash and balances with Central Bank	-	36,024	-	-	-	-	-	-	-	-	-	-	36,024
Bonds and debt instruments	852	255,289	-	-	19,772	-	-	9,920	-	-	-	3,161	288,994
Derivative instruments	146	-	1	1	-	-	8	-	-	-	-	27	183
Loans and advances to financial institutions	70,545	-	-	-	-	-	-	-	-	-	-	-	70,545
Loans and advances to customers	-	10,181	197,357	137,606	119,471	44,239	37,229	66,002	24,577	13,123	19,892	1,701	671,378
Other financial assets	7,584	289	766	17	1,411	603	14	49	6	-	2	59	10,800
Total on-balance sheet exposure	79,127	301,783	198,124	137,624	140,654	44,842	37,251	75,971	24,583	13,123	19,894	4,948	1,077,924
Off-balance sheet exposure	5,577	16,182	25,162	15,917	22,210	14,759	8,952	947	3,159	3,241	3,014	662	119,782
Financial guarantees and underwriting commitments	-	62	531	1,715	3,029	5,686	1,708	35	880	39	862	43	14,590
Undrawn loan commitments	2,100	9,805	80	12,158	17,619	329	2,055	125	389	2,852	900	444	48,856
Undrawn overdraft/credit card facilities	3,477	6,315	24,551	2,044	1,562	8,744	5,189	787	1,890	350	1,252	175	56,336
Maximum exposure to credit risk	84,704	317,965	223,286	153,541	162,864	59,601	46,203	76,918	27,742	16,364	22,908	5,610	1,197,706
Percentage of carrying amount	7.1%	26.5%	18.6%	12.8%	13.6%	5.0%	3.9%	6.4%	2.3%	1.4%	1.9%	0.5%	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

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

	Corporations												Carrying amount
	Financial institutions	Public entities*	Individuals	Fisheries	Construction and real estate companies	Services	Retail	Holding companies	Manu- facturing	Agriculture	ITC**	Other	
At 31 December 2012													
Cash and balances with Central Bank	-	25,898	-	-	-	-	-	-	-	-	-	-	25,898
Bonds and debt instruments	9,528	216,935	-	-	3	-	-	397	352	-	-	993	228,208
Derivative instruments	1,039	-	-	-	-	-	-	-	-	-	-	4	1,043
Loans and advances to financial institutions	64,349	-	-	-	-	-	-	-	-	-	-	-	64,349
Loans and advances to customers	-	11,576	195,047	142,952	104,928	52,700	42,019	60,009	25,665	10,199	19,413	1,579	666,087
Other financial assets	8,106	276	600	11	300	587	-	-	253	-	2	346	10,481
Total on-balance sheet exposure	83,022	254,685	195,647	142,963	105,231	53,287	42,019	60,406	26,270	10,199	19,415	2,922	996,066
Off-balance sheet exposure	4,054	14,215	28,146	14,374	30,797	11,465	8,612	1,147	2,361	1,049	2,496	46	118,762
Financial guarantees and underwriting commitments	-	95	463	1,731	23,149	2,123	1,685	208	584	39	552	35	30,664
Undrawn loan commitments	1,500	9,022	22	10,592	5,628	2,122	1,948	278	194	701	901	-	32,908
Undrawn overdraft/credit card facilities	2,554	5,098	27,661	2,051	2,020	7,220	4,979	661	1,583	309	1,043	11	55,190
Maximum exposure to credit risk	87,076	268,900	223,793	157,337	136,028	64,752	50,631	61,553	28,631	11,248	21,911	2,968	1,114,828
Percentage of carrying amount	7.8%	24.1%	20.1%	14.1%	12.2%	5.8%	4.5%	5.5%	2.6%	1.0%	2.0%	0.3%	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

28. Collaterals and loan-to-value by industry sectors

The loan-to-value (LTV) ratio expresses the maximum exposure of credit risk (carrying amount of loans and off-balance sheet items) as a percentage of the total appraised value of collateral. Loan to value is one of the key risk factors that is 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 is less cushion to protect against pricefalls or increases in the loan if repayments are not made and interest is added to the outstanding balance.

	LTV Ratio - Fully collateralised					LTV Ratio - Partially collateralised				
	0% - 25%	25% - 50%	50% - 75%	75% - 100%	Total	>100%	Collateral value	Without Collaterals*	Allowance for impairment	Maximum exposure to credit risk
At 30 September 2013										
Financial institutions	-	-	-	-	-	2	1	76,120	-	76,122
Public entities	25	60	238	575	898	10,876	790	14,728	139	26,363
Individuals	1,810	7,775	12,884	26,426	48,895	133,425	91,183	55,291	15,091	222,520
Corporations										
Fisheries	1,295	14,939	11,996	42,150	70,380	84,108	57,124	8,233	9,197	153,524
Construction and real estate companies	274	1,030	3,374	12,595	17,273	119,557	67,355	14,133	9,301	141,662
Holding companies	566	106	1,415	4,318	6,405	51,768	38,149	12,544	3,768	66,950
Retail	66	1,175	1,094	3,992	6,327	36,648	16,265	8,736	5,531	46,179
Services	255	695	2,678	4,523	8,151	34,229	18,143	21,945	5,326	58,999
Information, technology and communication	21	41	47	116	225	18,353	7,992	5,048	721	22,904
Manufacturing	79	456	741	6,660	7,936	18,158	9,573	2,974	1,334	27,734
Agriculture	81	204	330	782	1,397	14,332	8,017	1,208	574	16,363
Other	2	-	-	-	2	64	44	2,619	322	2,362
Total	4,474	26,481	34,797	102,137	167,889	521,520	314,636	223,579	51,304	861,682
At 31 December 2012**										
Financial institutions	-	-	-	-	-	-	-	68,404	-	68,404
Public entities	21	37	146	88	292	5,527	1,295	20,079	107	25,791
Individuals	5,967	10,099	13,137	16,648	45,851	118,312	76,849	71,591	12,560	223,194
Corporations										
Fisheries	1,212	5,295	26,891	22,530	55,929	84,757	65,015	23,165	6,525	157,326
Construction and real estate companies	323	1,854	3,204	9,428	14,809	107,421	53,899	21,125	7,630	135,725
Holding companies	518	210	1,345	2,514	4,587	55,948	36,049	6,848	6,226	61,157
Retail	262	1,058	2,115	1,758	5,193	33,273	16,544	17,696	5,530	50,632
Services	874	883	11,666	1,721	15,144	32,602	17,051	19,635	3,217	64,164
Information, technology and communication	22	30	57	25	134	16,944	7,785	5,186	357	21,907
Manufacturing	93	363	951	1,317	2,725	17,872	11,942	8,567	1,138	28,026
Agriculture	409	277	608	149	1,444	7,202	4,648	3,150	547	11,249
Other	2	-	41	-	43	579	305	1,195	193	1,624
Total	9,703	20,107	60,161	56,178	146,151	480,437	291,382	266,641	44,030	849,199

*Credit card loans and overdraft on debit cards are assumed to be without collateral. 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.

**The comparative amounts have been restated due to an error in the year-end 2012 amounts previously disclosed. The amounts in this table are only of informative nature and do therefore not have any effect on the amounts reported by the Group in the income statement or statement of financial position.

Notes to the Condensed Consolidated Interim Financial Statements

29. Collateral types

The following tables show the collaterals used to mitigate credit risk.

At 30 September 2013	Real Estate	Vessels	Deposits	Securities	Other*	Total
Public entities	1,775	-	30	-	94	1,899
Individuals	132,747	241	1,125	2,038	11,407	147,559
Corporates						
Fisheries	7,005	118,907	362	6,798	17,157	150,229
Construction and real estate companies	85,757	27	1,098	372	2,062	89,317
Holding companies	6,072	-	176	35,130	6,886	48,265
Retail	10,803	8	210	1,193	12,078	24,293
Services	17,983	745	513	871	6,963	27,074
ITC	319	-	60	1,729	6,201	8,309
Manufacturing	8,660	389	409	5,814	3,852	19,125
Agriculture	4,341	15	64	-	3,454	7,874
Other	45	-	-	-	-	46
Total	275,507	120,332	4,047	53,945	70,154	523,990

At 31 December 2012**	Real Estate	Vessels	Deposits	Securities	Other*	Total
Public entities	1,575	-	32	-	87	1,694
Individuals	106,722	23	2,339	2,438	11,178	122,700
Corporates						
Fisheries	5,395	112,632	136	2,564	13,754	134,481
Construction and real estate companies	77,958	-	1,162	340	1,979	81,439
Holding companies	4,751	-	210	27,304	5,574	37,839
Retail	11,515	-	219	627	13,416	25,777
Services	30,372	430	866	2,678	5,780	40,126
ITC	756	8	125	1,843	5,980	8,712
Manufacturing	7,179	-	385	5,409	2,946	15,919
Agriculture	3,203	-	4	-	2,774	5,981
Other	262	-	1	-	1	264
Total	249,688	113,093	5,479	43,203	63,469	474,932

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

**The comparative amounts have been restated due to an error in the year-end 2012 amounts previously disclosed. The amounts in this table are only of informative nature and do therefore not have any effect on the amounts reported by the Group in the income statement or statement of financial position.

Notes to the Condensed Consolidated Interim Financial Statements

30. Loans and advances credit monitoring

The following tables shows the credit risk monitoring split on colour classification.

Industry sectors as at 30 September 2013	Green	Yellow	Orange	Red	Carrying amount
Financial institutions	70,545	-	-	-	70,545
Public entities	9,315	786	79	1	10,181
Individuals	163,799	6,869	13,079	13,610	197,357
Corporations					
Fisheries	94,183	25,573	11,254	6,596	137,606
Construction and real estate companies	83,431	14,590	14,272	7,178	119,471
Holding companies	42,832	12,357	9,453	1,360	66,002
Retail	17,547	14,120	2,000	3,562	37,229
Services	27,239	10,895	3,540	2,565	44,239
Information, technology and communication	18,996	662	158	76	19,892
Manufacturing	17,196	2,642	1,215	3,524	24,577
Agriculture	11,377	814	747	185	13,123
Other	1,511	99	90	1	1,701
Total	557,971	89,407	55,887	38,658	741,923

Industry sectors as at 31 December 2012	Green	Yellow	Orange	Red	Carrying amount
Financial institutions	64,349	-	-	-	64,349
Public entities	10,849	571	152	4	11,576
Individuals	149,615	9,641	19,010	16,781	195,047
Corporations					
Fisheries	102,319	29,130	3,006	8,497	142,952
Construction and real estate companies	55,038	16,190	18,318	15,382	104,928
Holding companies	32,668	10,867	8,028	8,446	60,009
Retail	18,643	16,075	2,470	4,831	42,019
Services	34,944	5,389	6,096	6,271	52,700
Information, technology and communication	18,853	192	202	166	19,413
Manufacturing	18,037	3,044	1,505	3,079	25,665
Agriculture	8,624	952	187	436	10,199
Other	346	657	471	105	1,579
Total	514,285	92,708	59,445	63,998	730,436

31. Credit quality of financial assets

	Gross carrying amount				Allowance for impairment	Carrying amount
	Neither past due nor individually impaired	Past due but not individually impaired	Individually impaired	Total		
At 30 September 2013						
Cash and balances with Central Bank	36,024	-	-	36,024	-	36,024
Bonds and debt instruments	278,870	10,124	-	288,994	-	288,994
Derivative instruments	183	-	-	183	-	183
Loans and advances to financial institutions	70,545	-	-	70,545	-	70,545
Loans and advances to customers	567,734	57,103	97,843	722,680	(51,302)	671,378
Other financial assets	10,800	-	-	10,800	-	10,800
Total	964,156	67,227	97,843	1,129,226	(51,302)	1,077,924
At 31 December 2012						
Cash and balances with Central Bank	25,898	-	-	25,898	-	25,898
Bonds and debt instruments	219,009	9,199	-	228,208	-	228,208
Derivative instruments	1,043	-	-	1,043	-	1,043
Loans and advances to financial institutions	64,349	-	-	64,349	-	64,349
Loans and advances to customers	450,885	60,078	199,154	710,117	(44,030)	666,087
Other financial assets	10,481	-	-	10,481	-	10,481
Total	771,665	69,277	199,154	1,040,096	(44,030)	996,066

The allowance for impairment includes both the allowance for individual impairment and the allowance for collective impairment.

Notes to the Condensed Consolidated Interim Financial Statements

32. Loans and advances neither past due nor individually impaired

The following tables show the credit quality, measured by rating grade, of loans and advances neither past due nor individually impaired.

At 30 September 2013	Rating grades					Total
	10-7	6-4	3-1	0*	Unrated	
Financial institutions	65,019	5,524	2	-	-	70,545
Public entities	8,493	1,283	119	-	20	9,915
Individuals	7,707	125,020	28,810	438	5,037	167,012
Corporations						
Fisheries	12,750	73,758	19,797	1,779	1	108,085
Construction and real estate companies	2	68,903	36,037	113	19	105,074
Holding companies	-	25,663	26,690	517	31	52,901
Retail	1	27,058	5,901	335	12	33,307
Services	520	27,736	10,027	39	207	38,529
Information, technology and communication	4	16,718	872	1	1	17,596
Manufacturing	16	17,123	3,315	160	368	20,982
Agriculture	205	10,913	1,618	2	15	12,753
Other	-	514	62	-	1,004	1,580
Total	94,717	400,213	133,250	3,384	6,715	638,279
At 31 December 2012						
Financial institutions	64,349	-	-	-	-	64,349
Public entities	2,357	73	4,866	10	88	7,394
Individuals	11,266	97,272	21,276	3,968	5,987	139,769
Corporations						
Fisheries	391	31,227	47,886	3,442	19	82,965
Construction and real estate companies	-	41,960	20,039	7,129	248	69,376
Holding companies	-	23,468	13,203	1,174	477	38,322
Retail	-	26,667	2,775	223	248	29,913
Services	10,884	18,201	11,454	1,131	488	42,158
Information, technology and communication	-	239	13,724	30	26	14,019
Manufacturing	54	4,872	16,337	230	154	21,647
Agriculture	2	914	3,138	72	30	4,156
Other	-	534	3	-	630	1,166
Total	89,303	245,427	154,701	17,409	8,395	515,234

*Due to the accounting policies, loans and advances acquired at deep discount are not impaired even though the Group considers the obligor likely not to meet its obligations. Hence such loans can be defaulted but neither past due nor individually impaired.

33. Loans and advances past due but not individually impaired

The following table shows the gross carrying amount of loans and advances to financial institutions and customers that have failed to make payments which had become contractually due by one or more days.

At 30 September 2013	Past due 1-5 days	Past due 6-30 days	Past due 31 - 60 days	Past due 61 - 90 days	Past due over 90 days	Gross carrying amount
Public entities	-	177	-	152	36	365
Individuals	155	10,044	3,416	1,236	7,455	22,306
Corporations	318	6,040	5,593	1,452	21,029	34,432
Total	473	16,261	9,009	2,840	28,520	57,103
At 31 December 2012						
Public entities	-	2	1	-	19	22
Individuals	115	7,545	3,156	1,487	11,450	23,753
Corporations	1,052	4,570	2,134	1,262	27,285	36,303
Total	1,167	12,117	5,291	2,749	38,754	60,078

34. Loans and advances by industry sectors

	Gross carrying amount	Gross not individually impaired	Collective allowance	Individually impaired				Carrying amount
				Of which performing		Of which non-performing*		
				Gross carrying amount	Individual allowance	Gross carrying amount	Individual allowance	
At 30 September 2013								
Financial institutions	70,545	70,545	-	-	-	-	-	70,545
Public entities	10,320	10,280	103	40	36	-	-	10,181
Individuals	212,448	189,319	2,982	10,711	5,567	12,418	6,542	197,357
Corporations								
Fisheries	146,803	118,574	871	25,709	6,572	2,519	1,753	137,606
Construction and real estate companies	128,772	114,435	2,175	5,128	3,398	9,208	3,727	119,471
Holding companies	69,770	55,067	845	12,829	1,433	1,874	1,490	66,002
Retail	42,759	36,043	921	4,189	2,897	2,527	1,712	37,229
Services	49,566	43,730	1,320	3,641	2,395	2,195	1,612	44,239
Information, technology and communication	20,613	17,752	235	2,652	319	209	167	19,892
Manufacturing	25,909	24,785	447	763	680	363	207	24,577
Agriculture	13,697	13,152	117	134	120	410	336	13,123
Other	2,023	1,700	31	223	201	101	91	1,701
Total	793,225	695,382	10,047	66,019	23,618	31,824	17,637	741,923

	Gross carrying amount	Gross not individually impaired	Collective allowance	Individually impaired				Carrying amount
				Of which performing		Of which non-performing*		
				Gross carrying amount	Individual allowance	Gross carrying amount	Individual allowance	
At 31 December 2012								
Financial institutions	64,349	64,349	-	-	-	-	-	64,349
Public entities	11,682	7,794	44	3,768	51	120	11	11,576
Individuals	207,608	167,667	2,632	25,984	3,549	13,956	6,379	195,047
Corporations								
Fisheries	149,477	89,405	2,582	56,827	2,448	3,245	1,496	142,952
Construction and real estate companies	112,558	82,272	3,835	24,914	1,926	5,371	1,869	104,928
Holding companies	66,235	40,464	3,087	22,614	564	3,157	2,575	60,009
Retail	47,549	33,737	1,520	11,139	2,376	2,673	1,634	42,019
Services	55,917	45,944	986	8,036	1,323	1,937	908	52,700
ITC	19,770	14,202	126	5,473	186	95	46	19,413
Manufacturing	26,802	22,807	346	3,347	458	649	334	25,665
Agriculture	10,747	5,098	248	5,219	127	429	173	10,199
Other	1,772	1,573	102	-	-	201	90	1,581
Total	774,466	575,312	15,508	167,321	13,008	31,833	15,515	730,438

*Non-performing past due more than 90 days

Notes to the Condensed Consolidated Interim Financial Statements

35. Allowance for impairment on loans and advances to customers and other financial assets

	1.1-30.9.2013			1.1-30.9.2012		
	Customers	Other financial assets	Total	Customers	Other financial assets	Total
Balance at the beginning of the year	44,030	-	44,030	28,420	-	28,420
Impairment loss for the period	8,729	-	8,729	14,433	-	14,433
Collected previously written-off loans	4,833	-	4,833	588	-	588
Loans written-off	(6,290)	-	(6,290)	(1,161)	-	(1,161)
Balance at the end of the period	51,302	0	51,302	42,280	0	42,280
Individual allowance	41,255	-	41,255	27,450	-	27,450
Collective allowance	10,047	-	10,047	14,830	-	14,830
Total	51,302	0	51,302	42,280	0	42,280
Net impairment loss						
Impairment loss for the period	8,729	-	8,729	14,433	-	14,433
Impairment of claims reversed	-	(269)	(269)	-	(3,480)	(3,480)
Net impairment loss for the period	8,729	(269)	8,460	14,433	(3,480)	10,953

36. Large exposures

At 30 September 2013, two Group clients were rated as large exposures (31 December 2012: two clients). Clients are rated as large exposures if their total obligations, or those of financially or administratively connected parties, exceed 10% of the Group's capital base. The large exposures amount is calculated after taking account of collateral held, in accordance with the Financial Supervisory Authority's Rules on Large Exposures Incurred by Financial Undertakings No. 216/2007. According to these rules, no exposure may attain the equivalent of 25% of the capital base. All of the Group's large exposures were within these limits as at 30 September 2013 and 31 December 2012.

At 30 September 2013, no exposure exceeded 20% (31 December 2012: no exposure). According to the Group's risk appetite, the total of large exposures ought to remain below 50% of the Group's capital base.

	Number of large exposures	Large exposures
At 30 September 2013		
Large exposures between 10% and 20% of the Group's capital base	2	69,782
Total	2	69,782

Utilisation ratio (400% max limit) 30%

At 31 December 2012		
Large exposures between 10% and 20% of the Group's capital base	2	71,610
Total	2	71,610

Utilisation ratio (400% max limit) 32%

Liquidity risk

37. Liquidity risk management

The key measure used by the Group for monitoring liquidity risk is the ratio of core liquid assets to deposits, which shows the ratio of deposits that the Group could deliver on demand without incurring any significant losses due to forced asset sales or other costly actions. Core liquid assets are comprised of cash at hand, balances with Central Bank, loans to financial institutions (maturity within seven days) and assets eligible for repo transactions with Central Bank (such as government bonds). Another method the Group uses is the cash ratio which shows the ratio of on-demand deposits that the Group could deliver with cash and cash equivalents such as cash at hand, balances with Central Bank and loans to financial institutions (maturity within seven days). The core liquidity ratio as at 30 September 2013 was 48% (31 December 2012: 48%) and the ratio of cash and cash equivalents to on-demand deposits was 17% (31 December 2012: 12%).

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37. Liquidity risk management (continued)

The following table shows various values of the core liquidity ratio and cash ratio in the period from 1 January to 30 September 2013 and in the year 2012:

	Core liquidity ratio		Cash ratio	
	30.9.2013	31.12.2012	30.9.2013	31.12.2012
Period end	48%	48%	17%	12%
Maximum	52%	51%	20%	32%
Minimum	41%	36%	10%	12%
Average	47%	45%	15%	20%

38. Maturity analysis of financial assets and liabilities

The following table shows a maturity analysis of the Group's financial instruments as at 30 September 2013:

	On demand	Up to 3 months	3-12 months	1-5 years	Over 5 years	No maturity	Total	Carrying amount
Non-derivative financial assets								
Cash and balances with Central Bank	36,024	-	-	-	-	-	36,024	36,024
Bonds and debt instruments	-	72,823	40,749	57,028	201,083	-	371,683	288,994
Equities and equity instruments	-	-	-	-	-	33,954	33,954	33,954
Loans and advances to financial institutions	-	68,786	-	1,760	-	-	70,546	70,545
Loans and advances to customers	14,265	74,543	102,907	382,722	382,045	-	956,482	671,378
Other financial assets	-	10,245	-	555	-	-	10,800	10,800
Total	50,289	226,397	143,656	442,065	583,128	33,954	1,479,489	1,111,695
Derivative financial assets								
Gross settled derivatives								155
Inflow	-	24,288	2,076	-	-	-	26,364	
Outflow	-	(24,153)	(2,067)	-	-	-	(26,220)	
Total	0	135	9	0	0	0	144	155
Net settled derivatives	-	29	-	-	-	-	29	28
Total	0	164	9	0	0	0	173	183
Non-derivative financial liabilities								
Due to financial institutions and Central Bank	(101,786)	(8,675)	-	-	-	-	(110,461)	(110,460)
Deposits from customers	(317,724)	(86,760)	(38,124)	(24,637)	(5,121)	-	(472,366)	(465,742)
Short positions	-	(7,546)	-	-	-	-	(7,546)	(7,546)
Secured bonds	-	(1,542)	(20,236)	(289,765)	(18,543)	-	(330,086)	(298,938)
Other financial liabilities	-	(14,139)	-	-	-	-	(14,139)	(14,139)
Total	(419,510)	(118,662)	(58,360)	(314,402)	(23,664)	0	(934,598)	(896,825)
Off-balance sheet items								
Financial guarantees and underwriting commitments	(140)	(1,151)	(3,506)	(1,065)	(8,728)	-	(14,590)	
Undrawn loan commitments	(48,856)	-	-	-	-	-	(48,856)	
Undrawn overdraft/credit card commitments	(56,336)	-	-	-	-	-	(56,336)	
Total	(105,332)	(1,151)	(3,506)	(1,065)	(8,728)	0	(119,782)	
Total non-derivative financial liabilities and off-balance sheet	(524,842)	(119,813)	(61,866)	(315,467)	(32,392)	0	(1,054,380)	(896,825)
Derivative financial liabilities								
Gross settled derivatives								(521)
Inflow	-	14,123	702	817	-	-	15,642	
Outflow	-	(14,200)	(790)	(1,113)	-	-	(16,103)	
Total	0	(77)	(88)	(296)	0	0	(461)	(521)
Net settled derivatives	-	(11)	-	-	-	-	(11)	(11)
Total	0	(88)	(88)	(296)	0	0	(472)	(532)
Net liquidity position	(474,553)	106,660	81,711	126,302	550,736	33,954	424,810	214,521

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38. 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 2012:

Non-derivative financial assets	On demand	Up to 3 months	3-12 months	1-5 years	Over 5 years	No maturity*	Total	Carrying amount
Cash and balances with Central Bank	25,898	-	-	-	-	-	25,898	25,898
Bonds and debt instruments	-	52,191	12,202	48,362	158,688	-	271,443	228,208
Equities and equity instruments	-	-	-	-	-	36,881	36,881	36,881
Loans and advances to financial institutions	-	55,035	7,726	1,591	-	-	64,352	64,349
Loans and advances to customers	15,169	68,164	97,531	396,142	374,154	-	951,160	666,087
Other financial assets	-	10,016	-	465	-	-	10,481	10,481
Total	41,067	185,406	117,459	446,559	532,842	36,881	1,360,214	1,031,904
Derivative financial assets								
Gross settled derivatives								1,040
Inflow	-	31,169	-	-	-	-	31,169	
Outflow	-	(33,694)	-	-	-	-	(33,694)	
Total	0	(2,525)	0	0	0	0	(2,525)	1,040
Net settled derivatives	-	3	-	-	-	-	3	3
Total	0	(2,522)	0	0	0	0	(2,522)	1,043
Non-derivative financial liabilities								
Due to financial institutions and Central Bank	(97,646)	(1,054)	(18)	-	-	-	(98,718)	(98,718)
Deposits from customers	(310,088)	(52,739)	(33,049)	(26,362)	(4,137)	-	(426,375)	(421,058)
Short positions	-	(8,918)	-	-	-	-	(8,918)	(8,918)
Secured bonds	-	(1,164)	(3,401)	(184,607)	(60,329)	-	(249,501)	(221,791)
Contingent bond	-	-	-	(90,261)	(23,351)	-	(113,612)	(87,474)
Other financial liabilities	-	(14,369)	-	-	-	-	(14,369)	(14,369)
Total	(407,734)	(78,244)	(36,468)	(301,230)	(87,817)	0	(911,493)	(852,328)
Off-balance sheet items								
Financial guarantees and underwriting commitments	(297)	(19,855)	(3,434)	(2,102)	(4,976)	-	(30,664)	
Undrawn loan commitments	(32,908)	-	-	-	-	-	(32,908)	
Undrawn overdraft/credit card commitments	(55,190)	-	-	-	-	-	(55,190)	
Total	(88,395)	(19,855)	(3,434)	(2,102)	(4,976)	0	(118,762)	
Total non-derivative financial liabilities and off-balance sheet	(496,129)	(98,099)	(39,902)	(303,332)	(92,793)	0	(1,030,255)	(852,328)
Derivative financial liabilities								
Gross settled derivatives								(490)
Inflow	-	26,093	276	839	284	-	27,492	
Outflow	-	(22,650)	(347)	(1,074)	(371)	-	(24,441)	
Total	0	3,443	(71)	(235)	(87)	0	3,051	(490)
Net settled derivatives	-	(29)	-	-	-	-	(29)	(29)
Total	0	3,414	(71)	(235)	(87)	0	3,022	(519)
Net liquidity position	(455,062)	88,199	77,486	142,992	439,962	36,881	330,459	180,100

* Financial assets and liabilities with no maturity are reported in this table for the first time in the third quarter of 2013. This time band is for informative purposes only and does not have any effect on amounts reported in other time bands within the table.

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39. Maturity analysis of financial assets and liabilities by currency

The following table shows a maturity analysis of the Group's financial instruments by currency of denomination as at 30 September 2013:

Non-derivative financial assets	On demand	Up to 3 months	3-12 months	1-5 years	Over 5 years	No maturity	Total	Carrying amount
Total in foreign currencies	2,034	157,779	64,283	172,082	11,095	18,114	425,387	400,135
ISK	48,255	68,618	79,373	269,983	572,033	15,840	1,054,102	711,560
Total	50,289	226,397	143,656	442,065	583,128	33,954	1,479,489	1,111,695
Derivative financial assets								
Total in foreign currencies	-	(1,047)	(642)	-	-	-	(1,689)	155
ISK	-	1,211	651	-	-	-	1,862	28
Total	0	164	9	0	0	0	173	183
Non-derivative financial liabilities								
Total in foreign currencies	(77,525)	(7,172)	(25,218)	(288,433)	(18,543)	-	(416,891)	(385,945)
ISK	(341,985)	(111,490)	(33,142)	(25,969)	(5,121)	-	(517,707)	(510,880)
Total	(419,510)	(118,662)	(58,360)	(314,402)	(23,664)	0	(934,598)	(896,825)
Off-balance sheet items								
Total in foreign currencies	(13,114)	(975)	(2,291)	(476)	(307)	-	(17,163)	
ISK	(92,218)	(176)	(1,215)	(589)	(8,421)	-	(102,619)	
Total	(105,332)	(1,151)	(3,506)	(1,065)	(8,728)	0	(119,782)	
Derivative financial liabilities								
Total in foreign currencies	-	(77)	87	276	-	-	286	(521)
ISK	-	(11)	(175)	(572)	-	-	(758)	(11)
Total	0	(88)	(88)	(296)	0	0	(472)	(532)
Net liquidity position in foreign currencies								
	(88,605)	148,508	36,219	(116,551)	(7,755)	18,114	(10,070)	13,824
Net liquidity position in ISK								
	(385,948)	(41,848)	45,492	242,853	558,491	15,840	434,880	200,697
Net liquidity position								
	(474,553)	106,660	81,711	126,302	550,736	33,954	424,810	214,521

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39. Maturity analysis of financial assets and liabilities by currency (continued)

The following table shows a maturity analysis of the Group's financial instruments by currency of denomination as at 31 December 2012:

	On demand	Up to 3 months	3-12 months	1-5 years	Over 5 years	No maturity*	Total	Carrying amount
Non-derivative financial assets								
Total in foreign currencies	2,109	122,299	45,852	172,123	24,002	14,721	381,106	349,740
ISK	38,958	63,107	71,607	274,436	508,840	22,160	979,108	682,164
Total	41,067	185,406	117,459	446,559	532,842	36,881	1,360,214	1,031,904
Derivative financial assets								
Total in foreign currencies	-	(1,964)	-	-	-	-	(1,964)	1,040
ISK	-	(558)	-	-	-	-	(558)	3
Total	0	(2,522)	0	0	0	0	(2,522)	1,043
Non-derivative financial liabilities								
Total in foreign currencies	(62,542)	(5,127)	(6,495)	(274,868)	(83,680)	-	(432,712)	(378,847)
ISK	(345,192)	(73,117)	(29,973)	(26,362)	(4,137)	-	(478,781)	(473,480)
Total	(407,734)	(78,244)	(36,468)	(301,230)	(87,817)	0	(911,493)	(852,328)
Off-balance sheet items								
Total in foreign currencies	(13,398)	(644)	(2,509)	(571)	(286)	-	(17,408)	
ISK	(74,997)	(19,211)	(924)	(1,530)	(4,689)	-	(101,351)	
Total	(88,395)	(19,855)	(3,434)	(2,102)	(4,976)	0	(118,762)	
Derivative financial liabilities								
Total in foreign currencies	-	9,228	101	302	101	-	9,731	(490)
ISK	-	(5,814)	(172)	(537)	(188)	-	(6,709)	(29)
Total	0	3,414	(71)	(235)	(87)	0	3,022	(519)
Net liquidity position in foreign currencies	(73,831)	123,792	36,949	(103,014)	(59,863)	36,881	(61,247)	(28,557)
Net liquidity position in ISK	(381,231)	(35,593)	40,538	246,007	499,826	22,160	391,709	208,658
Net liquidity position	(455,062)	88,199	77,487	142,993	439,963	59,041	330,459	180,100

* Financial assets and liabilities with no maturity are reported in this table for the first time in the third quarter of 2013. This time band is for informative purposes only and does not have any effect on amounts reported in other time bands within the table.

Market risk

40. Market risk management

The following table summarises the Group's exposure to market risk as at 30 September 2013 and 31 December 2012:

Market risk factor	30.9.2013	31.12.2012
	% of RWA	% of RWA
Equity price risk	5.6%	6.3%
Interest rate risk	4.1%	2.0%
Foreign exchange risk	1.8%	2.9%
Total	11.5%	11.2%

The currency risk in the Group's trading portfolios is disclosed together with that in its non-trading portfolios in Notes 43-44.

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41. 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 5). The amounts presented are categorised by the earlier of either the contractual repricing or the maturity date.

At 30 September 2013	Up to 3 months	3-12 months	1-5 years	Over 5 years	Carrying amount
Financial assets					
Cash and balances with Central Bank	36,024	-	-	-	36,024
Bonds and debt instruments	231,480	34,549	2,107	20,858	288,994
Derivative instruments	183	-	-	-	183
Loans and advances to financial institutions	70,545	-	-	-	70,545
Loans and advances to customers	483,896	68,226	75,715	43,541	671,378
Other financial assets	10,245	-	555	-	10,800
Total	832,373	102,775	78,377	64,399	1,077,924
Financial liabilities					
Due to financial institutions and Central Bank	(110,460)	-	-	-	(110,460)
Deposits from customers	(452,319)	(12,787)	(636)	-	(465,742)
Derivative instruments and short positions	(537)	(3,999)	(3,183)	(359)	(8,078)
Secured bonds	(297,756)	-	(1,182)	-	(298,938)
Other financial liabilities	(14,139)	-	-	-	(14,139)
Total	(875,211)	(16,786)	(5,001)	(359)	(897,357)
Net on-balance sheet position	(42,838)	85,989	73,376	64,040	180,567
Net off-balance sheet position	-	421	(421)	-	-
Total interest repricing gap	(42,838)	86,410	72,955	64,040	
At 31 December 2012	Up to 3 months	3-12 months	1-5 years	Over 5 years	Carrying amount
Financial assets					
Cash and balances with Central Bank	25,898	-	-	-	25,898
Bonds and debt instruments	214,996	6,395	1,331	5,486	228,208
Derivative instruments	1,043	-	-	-	1,043
Loans and advances to financial institutions	55,032	7,726	1,591	-	64,349
Loans and advances to customers	483,493	62,515	58,198	61,881	666,087
Other financial assets	10,017	-	464	-	10,481
Total	790,479	76,636	61,584	67,367	996,066
Financial liabilities					
Due to financial institutions and Central Bank	(98,718)	-	-	-	(98,718)
Deposits from customers	(418,750)	(1,861)	(447)	-	(421,058)
Derivative instruments and short positions	(521)	(5,257)	(2,717)	(943)	(9,438)
Secured bonds	(221,791)	-	-	-	(221,791)
Contingent bond	(87,474)	-	-	-	(87,474)
Other financial liabilities	(14,369)	-	-	-	(14,369)
Total	(841,623)	(7,118)	(3,164)	(943)	(852,848)
Net on-balance sheet position	(51,144)	69,518	58,420	66,424	143,218
Net off-balance sheet position	698	(133)	(418)	(146)	-
Total interest repricing gap	(50,446)	69,385	58,002	66,278	

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42. 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-indexed financial instruments may fluctuate due to changes in the Icelandic CPI index. The Group has a considerable imbalance in its CPI-indexed assets and liabilities. To mitigate this imbalance, which the Bank is in a limited position to do, the Bank offers non-CPI indexed loans and CPI-indexed deposits.

CPI indexation risk is managed centrally within the Group by the Treasury of the Bank, and is monitored by Market Risk. At 30 September 2013 the CPI imbalance, calculated as the difference between CPI-indexed financial assets and liabilities, was ISK 166,089 million (31 December 2012: ISK 145,784 million).

Carrying amount	30.9.2013	31.12.2012
Assets		
Bonds and debt instruments	22,730	7,586
Loans and advances to customers	246,890	239,432
Total	269,620	247,018
Liabilities		
Due to financial institutions and Central Bank	(287)	(23)
Deposits from customers	(102,449)	(100,768)
Total	(102,736)	(100,791)
Total on-balance sheet position	166,883	146,227
Total off-balance sheet position	(794)	(443)
Total CPI indexation balance	166,089	145,784

43. Currency risk (all portfolios)

The Group follows the Rules No. 950/2010 on Foreign Exchange Balances, as set by the Central Bank of Iceland. The rules stipulate that an institution's foreign exchange balance (whether long or short) must always be within 15% of the Bank's Capital base, in each currency and for all currencies combined. The Bank submits daily and monthly reports to the Central Bank with information on its foreign exchange balance.

The Group's combined net foreign exchange balance as at 30 September was 5.39% of the Group's Capital base (31 December 2012: -9.1%). Uncertainty regarding the denomination currencies of the Group's loan portfolio has not been fully resolved in the period 1 January to 30 September 2013.

44. Concentration of currency risk

The following tables summarise the Group's exposure to currency risk at 30 September 2013 and 31 December 2012. The off-balance sheet amounts shown are the notional amounts of the Group's derivative instruments.

As explained in Note 11 in these Consolidated Financial Statements, the Contingent Bond was issued as Secured Bonds on 11 April 2013, denominated in EUR (50%), USD (30%) and GBP (20%). Using the exchange rate published by the Central Bank of Iceland on 31 December 2012, the Bank converted the final value of the ISK balance of the Contingent Bond into EUR, USD and GBP. The balance of the Secured Bonds was revalued at the exchange rate as at 30 September 2013.

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44. Concentration of currency risk (continued)

At 30 September 2013	EUR	GBP	USD	JPY	CHF	Other	Total
Assets							
Cash and balances with Central Bank	786	126	221	21	52	367	1,573
Bonds and debt instruments	25,768	39,892	61,465	-	-	-	127,125
Equities and equity instruments	14,484	252	1	-	-	3,378	18,115
Derivative instruments	144	4	7	-	-	-	155
Loans and advances to financial institutions	44,908	7,679	4,121	251	295	6,123	63,377
Loans and advances to customers	89,464	18,590	56,614	9,020	9,246	7,006	189,940
Other assets	-	-	6	-	-	-	6
Total	175,554	66,543	122,435	9,292	9,593	16,874	400,291
Liabilities							
Due to financial institutions and Central Bank	(8,770)	(4,222)	(5,982)	-	(141)	(1,577)	(20,692)
Deposits from customers	(24,587)	(5,044)	(25,208)	(651)	(2,268)	(8,243)	(66,001)
Derivative instruments and short positions	(107)	(6)	(408)	-	-	-	(521)
Secured bonds	(149,375)	(57,004)	(91,377)	-	-	-	(297,756)
Other liabilities	(509)	(119)	(560)	(3)	(7)	(286)	(1,484)
Total	(183,348)	(66,395)	(123,535)	(654)	(2,416)	(10,106)	(386,454)
Net on-balance sheet position	(7,794)	148	(1,100)	8,638	7,177	6,768	13,837
Net off-balance sheet position	20,018	(306)	215	(9,011)	(6,357)	(5,962)	(1,403)
Net currency position	12,224	(158)	(885)	(373)	820	806	12,434

At 31 December 2012	EUR	GBP	USD	JPY	CHF	Other	Total
Assets							
Cash and balances with Central Bank	400	173	229	13	40	377	1,232
Bonds and debt instruments	8,995	35,200	34,483	-	-	-	78,678
Equities and equity instruments	11,381	-	1	-	-	3,339	14,721
Derivative instruments	1,037	-	3	-	-	-	1,040
Loans and advances to financial institutions	32,399	1,630	9,360	3,095	2,961	4,600	54,045
Loans and advances to customers	90,044	19,250	58,169	12,406	12,777	6,642	199,288
Other assets	502	-	1,761	1	-	30	2,294
Assets classified as held for sale	288	-	-	-	-	-	288
Total	145,046	56,253	104,006	15,515	15,778	14,988	351,586
Liabilities							
Due to financial institutions and Central Bank	(5,438)	(4,068)	(4,870)	-	(148)	(823)	(15,348)
Deposits from customers	(15,814)	(6,007)	(21,671)	(520)	(428)	(6,456)	(50,895)
Derivative instruments and short positions	(176)	-	(314)	-	-	-	(491)
Secured bonds	(109,380)	(42,397)	(70,013)	-	-	-	(221,791)
Contingent bond	(87,474)	-	-	-	-	-	(87,474)
Other liabilities	(580)	(70)	(2,197)	(6)	(2)	(536)	(3,391)
Total	(218,862)	(52,542)	(99,065)	(526)	(578)	(7,815)	(379,390)
Net on-balance sheet position	(73,816)	3,711	4,941	14,990	15,201	7,171	(27,802)
Net off-balance sheet position	49,234	(2,948)	(5,532)	(13,882)	(13,768)	(5,337)	7,767
Net currency position	(24,582)	763	(591)	1,108	1,433	1,834	(20,035)

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45. Foreign exchange rates used

The following foreign exchange rates were used by the Group:

	At 30 September 2013	At 31 December 2012	% Change	Average for 1.1-30.9 2013	Average for 1.1-30.9 2012
EUR/ISK	162.85	168.95	(3.6%)	161.54	160.36
GBP/ISK	194.75	207.22	(6.0%)	190.08	197.06
USD/ISK	120.32	128.16	(6.1%)	122.56	124.50
JPY/ISK	1.22	1.49	(18.1%)	1.29	1.58
CHF/ISK	133.10	139.94	(4.9%)	131.69	133.18
CAD/ISK	116.90	128.73	(9.2%)	119.68	124.28
DKK/ISK	21.83	22.64	(3.6%)	21.66	21.55
NOK/ISK	20.01	22.96	(12.8%)	21.02	21.32
SEK/ISK	18.76	19.68	(4.7%)	18.79	18.38