Condensed Consolidated Interim Financial Statements

For the three months ended 31 March 2017

This page has been left blank intentionally.

Content | Page

Report of the Board of Directors and the CEO

Landsbankinn is a leading provider of financial services in Iceland, offering a comprehensive range of financial products and services to individuals, corporates and institutional customers. The Condensed Consolidated Interim Financial Statements of Landsbankinn hf. (the "Bank" or "Landsbankinn") for the first three months of 2017 include the Bank and its subsidiaries (collectively referred to as the "Group").

Operations

Consolidated profit amounted to ISK 7,576 million for the first three months of the financial year 2017. Consolidated total equity amounted to ISK 233,894 million and total assets to ISK 1,182,467 million at the end of this period. The total capital ratio of the Group, calculated according to the Act on Financial Undertakings, was 27.4% at the end of the first quarter of 2017.

On 14 March 2017, the Bank completed issuance of EUR 300 million senior unsecured bonds. The bonds have a 5 year maturity with a fixed coupon rate of 1.375% and were priced at terms equivalent to a 130 basis point spread above mid-swaps in euros. The proceeds of this bond series were used to refinance fully the remainder of the senior secured Bond D series and partly the senior secured F series issued by the Bank to LBI hf., in addition to strengthening the Bank's liquidity.

Risk factors

Together with managerial efforts to mitigate credit risk, favourable macroeconomic conditions continue to have positive effects on the Bank's overall credit risk profile. A net reversal of loan impairments reflects the increased credit quality and improvement in underlying credit parameters, as well as higher collateral values. Loan impairment is expected to remain fairly low because of ongoing efforts to improve credit quality and expectations of generally unchanged macroeconomic conditions. As a result of the improved credit risk profile, the Bank's ratio of economic capital to risk-weighted assets for credit risk has decreased during the first three months of 2017.

The Bank's liquidity position is strong and liquidity ratios are above regulatory requirements. Furthermore, the Bank's market risk remains stable and is well within its risk appetite.

Outlook

Landsbankinn Economic Research forecasts 5.5% GDP growth in Iceland in 2017, 4.0% in 2018 and 3.1% in 2019. The Central Bank has recently upgraded its forecast for 2017 from 4.5% to 5.3% and predicts an average growth of 2.9% in 2018 and 2019. Increased investment and private consumption are expected to be the principal drivers of growth in coming years. During the forecast period, which extends until the end of 2019, the near-term inflation outlook is positive with inflation expected to pick up during the second half of 2017 and peak at close to 3.2% during the first half of 2018 due to substantial general wage increases over the coming years. Average annual inflation during the forecast period is expected to be around 2.9%.

The Bank continues to focus on the execution of its strategy to ensure sustainable, long-term profitability. Profit in the first quarter of 2017 is significantly higher than in the first quarter of the previous year and the outlook for the full year remains positive.

Other matters

On 24 February 2017, the third repurchase period of the Bank's buy-back programme of own shares expired. During this period, Landsbankinn purchased a total of 8.5 million of own shares at a share price of 10.6226, for the total amount of ISK 90.4 million. Landsbankinn has acquired a total of 142 million of own shares under the buy-back programme, or the equivalent of 0.6% of issued shares in the Bank, for a purchase price of ISK 1,482 million. At the conclusion of the third repurchase period, the Bank holds 360.5 million of own shares, or the equivalent of 1.5% of issued share capital in the Bank.

On 22 March 2017, Landsbankinn's Annual General Meeting (AGM) approved the Board's proposal to pay dividends to shareholders for the operating year 2016 in the total amount of ISK 13,002 million, or ISK 0.55 per share. The dividend was paid to shareholders on 29 March 2017. The recommendation of the Board of Directors to pay an extraordinary dividend to shareholders in the total amount of ISK 11,820 million, or ISK 0.50 per share, was also approved by the AGM. The extraordinary dividend is payable to shareholders on 20 September 2017.

Statement by the Board of Directors and the CEO

The Condensed Consolidated Interim Financial Statements of Landsbankinn hf. for the three months ended 31 March 2017 have been prepared on a going-concern basis in accordance with International Financial Reporting Standards as adopted by the European Union.

In our opinion, the Condensed Consolidated Interim Financial Statements of Landsbankinn hf. give a true and fair view of the consolidated financial performance of the Group for the first three months of 2017, its consolidated financial position as at 31 March 2017 and its consolidated cash flows for the first three months of 2017.

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

The Board of Directors of the Bank and Chief Executive Officer hereby endorse the Condensed Consolidated Interim Financial Statements of Landsbankinn hf. for the three months ended 31 March 2017.

Reykjavík, 4 May 2017.

Board of Directors

Helga Björk Eiríksdóttir

Chairman

Berglind Svavarsdóttir

Einar Þór Bjarnason

Hersir Sigurgeirsson

Jón Guðmann Pétursson

Samúel Guðmundsson

Sigríður Benediktsdóttir

CEO

Lilja Björk Einarsdóttir

Independent Auditor's Review Report

To the Board of Directors and Shareholders of Landsbankinn hf.

Introduction

We have reviewed the accompanying Condensed Consolidated Statement of Financial Position of Landsbankinn hf. (the Bank) as at 31 March 2017 and the related Condensed Consolidated Income Statement, Condensed Consolidated Changes in Equity and Condensed Consolidated Cash Flows for the three-month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of these Condensed Consolidated Interim Financial Statements in accordance with International Financial Reporting Standard IAS 34 "Interim Financial Reporting" as adopted by the European Union. Our responsibility is to express a conclusion on these Condensed Consolidated Interim Financial Statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying Condensed Consolidated Interim Financial Statements do not give a true and fair view of the financial position of the Bank as at 31 March 2017, and of its financial performance and its cash flows for the three-month period then ended in accordance with IAS 34 "Interim Financial Reporting" as adopted by the European Union.

Reykjavík, 4 May 2017

Grant Thornton endurskoðun ehf.

Davíð Arnar Einarsson
State Authorised Public Accountant

Sturla Jónsson
State Authorised Public Accountant

This page has been left blank intentionally.

Condensed Consolidated Income Statement for the three months ended 31 March 2017

Notes		2017 1.1-31.3	2016 1.1-31.3
	Interest income	14,545	14,772
	Interest expense	(6,527)	(7,306)
5	**Net interest income**	**8,018**	**7,466**
6	Net valuation adjustments and credit impairment charges	1,779	311
	Net interest income after net valuation adjustments and credit impairment charges	**9,797**	**7,777**
	Fee and commission income	2,795	2,531
	Fee and commission expense	(679)	(551)
7	**Net fee and commission income**	**2,116**	**1,980**
8	Net gain (loss) on financial assets and liabilities	3,263	289
9	Net foreign exchange (loss) gain	(365)	162
10	Other income and (expenses)	902	1,313
	Other net operating income	**3,800**	**1,764**
	Total operating income	**15,713**	**11,521**
11	Salaries and related expenses	3,491	3,754
12	Other operating expenses	2,426	2,499
	Total operating expenses	**5,917**	**6,253**
	Profit before tax	**9,796**	**5,268**
13	Income tax	(1,395)	(1,215)
14	Tax on liabilities of financial institutions	(825)	(738)
	Profit for the period	**7,576**	**3,315**
	Profit for the period attributable to:		
	Owners of the Bank	7,576	3,310
	Non-controlling interests	0	5
	Profit for the period	**7,576**	**3,315**
	Earnings per share:		
30	Basic and diluted earnings per share from operations (ISK)	**0.32**	**0.14**

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

All amounts are in ISK million

Condensed Consolidated Statement of Financial Position as at 31 March 2017

Notes		31.3.2017	31.12.2016
	Assets		
18	Cash and balances with Central Bank	35,826	30,662
15, 19, 50	Bonds and debt instruments	147,992	154,892
15, 20	Equities and equity instruments	30,868	26,688
15, 21	Derivative instruments	536	278
22, 50	Loans and advances to financial institutions	70,230	20,408
23, 50	Loans and advances to customers	872,350	853,417
	Investments in equity-accounted associates	1,199	1,184
	Property and equipment	5,372	5,452
	Intangible assets	2,649	2,634
24	Other assets	9,253	8,093
25	Assets classified as held for sale	6,192	7,449
	Total assets	**1,182,467**	**1,111,157**
	Liabilities		
	Due to financial institutions and Central Bank	31,613	20,093
	Deposits from customers	594,565	589,725
21	Derivative instruments and short positions	2,427	1,729
26, 50	Borrowings	244,649	223,944
	Deferred tax liabilities	9	85
27	Other liabilities	73,825	22,867
25	Liabilities associated with assets classified as held for sale	1,095	1,095
28	Subordinated liabilities	390	388
	Total liabilities	**948,573**	**859,926**
29	**Equity**		
	Share capital	23,640	23,648
	Share premium	120,764	120,847
	Reserves	14,444	10,875
	Retained earnings	75,019	95,834
	Total equity attributable to owners of the Bank	**233,867**	**251,204**
	Non-controlling interests	27	27
	Total equity	**233,894**	**251,231**
	Total liabilities and equity	**1,182,467**	**1,111,157**

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

All amounts are in ISK million

Condensed Consolidated Statement of Changes in Equity for the three months ended 31 March 2017

Notes										
		Attributable to owners of the Bank								
				Reserves						
	Change in equity for the three months ended 31 March 2017	**Share capital**	**Share premium**	**Statutory reserve**	**Unrealised gains in subsidiaries and equity-accounted associates reserve**	**Financial assets designated at fair value through profit or loss reserve**	**Retained earnings**	**Total**	**Non-controlling interests**	**Total**
	Balance as at 1 January 2017	23,648	120,847	6,000	4,583	292	95,834	251,204	27	251,231
	Profit for the period						7,576	7,576		7,576
	Transferred to restricted retained earnings				82	3,487	(3,569)	0		0
	Purchase of own shares	(8)	(83)					(91)		(91)
	Dividends allocated						(24,822)	(24,822)		(24,822)
29	**Balance as at 31 March 2017**	**23,640**	**120,764**	**6,000**	**4,665**	**3,779**	**75,019**	**233,867**	**27**	**233,894**
	Change in equity for the three months ended 31 March 2016									
	Balance as at 1 January 2016	23,782	122,105	6,000			112,614	264,501	30	264,531
	Profit for the period						3,310	3,310	5	3,315
29	**Balance as at 31 March 2016**	**23,782**	**122,105**	**6,000**	**0**	**0**	**115,924**	**267,811**	**35**	**267,846**

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

All amounts are in ISK million

Condensed Consolidated Statement of Cash Flows for the three months ended 31 March 2017

Notes		2017 1.1-31.3	2016 1.1-31.3
	Operating activities		
	Profit for the period	7,576	3,315
	Adjustments for non-cash items included in profit for the period	(10,285)	(6,384)
	Changes in operating assets and liabilities	2,084	(22,413)
	Interest received	13,719	13,382
	Interest paid	(2,448)	(3,519)
	Dividends received	30	263
	Income tax and special tax on financial institutions paid	(1,327)	(1,334)
	Net cash from (used in) operating activities	**9,349**	**(16,690)**
	Investing activities		
	Purchase of property and equipment	(73)	(68)
	Proceeds from sale of property and equipment	60	17
	Purchase of intangible assets	(89)	(63)
	Sale of subsidiaries	0	(8)
	Net cash (used in) investing activities	**(102)**	**(122)**
	Financing activities		
	Proceeds from new long-term debt issue	53,285	14,248
	Purchase of own shares	(91)	0
	Repayment of borrowings	(35,432)	(2,798)
	Repayment of subordinated loans	(6)	0
	Dividends paid	(13,002)	0
	Net cash from financing activities	**4,754**	**11,450**
	Cash and cash equivalents as at the beginning of the period	21,252	24,257
	Net change in cash and cash equivalents	14,001	(5,362)
	Effect of exchange rate changes on cash and cash equivalents held	(781)	(1,053)
	Cash and cash equivalents as at 31 March	**34,472**	**17,842**
	Investing and financing activities not affecting cash flows		
	Allocated extraordinary dividend to shareholders	(11,820)	0
	Unpaid extraordinary dividend to shareholders	11,820	0
	Cash and cash equivalents is specified as follows:		
18	Cash and balances with Central Bank	35,826	23,228
22	Bank accounts with financial institutions	21,978	7,344
18	Mandatory and special restricted balances with Central Bank	(23,332)	(12,730)
	Cash and cash equivalents as at the end of the period	**34,472**	**17,842**

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

for the three months ended 31 March 2017 8 All amounts are in ISK million

Condensed Consolidated Statement of Cash Flows for the three months ended 31 March 2017

Notes		2017 1.1-31.3	2016 1.1-31.3
	Adjustments for non-cash items included in profit for the period		
5	Net interest income	(8,018)	(7,466)
6, 46	Net impairment	(1,024)	(311)
6	Reversals of loss from foreign currency linkage of loans and advances to customers	(755)	0
8	Net gain on financial assets and liabilities	(3,263)	(289)
9	Net foreign exchange loss	1,146	891
	(Gain) loss on sale of property and equipment	(7)	10
	Net gain on assets classified as held for sale	(741)	(1,314)
	Depreciation and amortisation	173	146
	Share of profit of equity-accounted associates	(16)	(4)
13	Income tax	1,395	1,215
14	Tax on liabilities of financial institutions	825	738
		(10,285)	**(6,384)**
	Changes in operating assets and liabilities		
	Change in reserve requirement with Central Bank	616	3,274
	Change in bonds and equities	5,370	6,453
	Change in loans and advances to financial institutions	(40,948)	(2,537)
	Change in loans and advances to customers	(14,353)	(7,675)
	Change in assets of disposal groups	(8)	640
	Change in other assets	(2,622)	(4,396)
	Change in assets classified as held for sale	3,142	6,085
	Change in due to financial institutions and Central Bank	11,518	(13,652)
	Change in deposits from customers	339	(14,421)
	Change in tax liability	76	53
	Change in other liabilities	38,955	3,976
	Change in liabilities associated with assets classified as held for sale	(1)	(213)
		2,084	**(22,413)**

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

All amounts are in ISK million

General

1. Reporting entity

Landsbankinn hf. (hereinafter referred to as the "Bank" or "Landsbankinn") was founded on 7 October 2008. The Bank is a limited liability company incorporated and domiciled in Iceland. The Bank operates in accordance with Act No. 161/2002. The Bank is subject to supervision of the Financial Supervisory Authority (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 three months ended 31 March 2017 include the Bank and its subsidiaries (collectively referred to as the "Group" and individually as "Group entities"). The Group's primary lines of business are corporate and personal banking, markets, asset management and other related 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 4 May 2017.

2. Basis of preparation

Statement of compliance

These Condensed Consolidated Interim Financial Statements for the three months ended 31 March 2017 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 2016, which are available on the Bank's website, www.landsbankinn.is.

Going concern

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

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 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 *króna* (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 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.

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 in the Condensed Consolidated Interim Financial Statements are the same as those applied in the Consolidated Financial Statements as at and for the year ended 31 December 2016. The accounting policies applied have been applied consistently to all periods presented.

The Group has adopted the amendments to existing standards which became effective as of 1 January 2017. These amendements have an insignificant impact on the Condensed Consolidated Interim Financial Statements.

3. Significant accounting policies (continued)

Towards the end of the first quarter of 2017, the Group started applying fair value hedge accounting. The Group uses interest rate swaps to hedge its exposure to changes in the fair values of some of its issued euro medium term notes (EMTN). Such interest rate swaps are matched to specific issuances of the EMTN fixed-rate notes. The change in fair value of interest rate swaps together with change in the fair value of bonds attributable to interest rate risk is recognised immediately in profit or loss in the line item "Net gain (loss) on fair value hedges". Accrued interests on both bonds and swaps are included in the line item "Interest expense".

The Group uses other derivatives, not designated in a qualifying hedge relationship, to manage its exposure to foreign currency, interest rate, equity market and credit risk. The financial instruments used include, but are not limited to, interest rate swaps, cross-currency swaps, forward contracts, futures, options, credit swaps and equity swaps.

On initial designation of the hedges, the Group formally documented the relationship between the hedging instruments and hedged items, including the risk management objective and strategy in undertaking the hedge, together with the method that will be used to assess the effectiveness of the hedging relationships. The Group makes an assessment, both at inception of the hedge relationships and on an ongoing basis, of whether the hedging instruments are expected to be highly effective in offsetting the changes in the fair value of the hedged items during the period for which the hedge is designated, and whether the actual results of each hedge are within the range of 80–125%.

If the hedging derivative expires or is sold, terminated or exercised, or the hedge no longer meets the criteria for fair value hedge accounting, or the hedge designation is revoked, then hedge accounting is discontinued prospectively.

Any adjustments, up to the point of discontinuation, to a hedged item for which the effective interest method is used, is amortised to profit or loss as part of the recalculated effective interest rate of the item over its remaining life.

The Group has changed its presentation of industry sectors for loans to construction and real estate companies. Comparative amounts have been restated due to reclassification of loans to construction and real estate companies into two separate items, construction companies on the one hand and real estate companies on the other.

4. Operating segments

Business segments are presented in accordance with 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 as 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 outside the capital city region.

• **Corporate Banking** provides financial services to corporate clients and to small and medium-size businesses in the capital city region.

• **Markets** provides brokerage services in securities, foreign currencies and derivatives, securities offerings and advisory services. Markets also handles market making for listed securities and foreign currencies. Markets provides a range of wealth and asset management products and services for individuals, corporations and institutional investors. Landsbréf hf., a subsidiary of the Bank, is included in Markets as an operating segment.

• **Treasury** incorporates the Bank's funding and liquidity management, market making in money markets, and determines the Bank's internal pricing. Treasury also manages the Bank's exchange rate, interest rate and inflation risks, within limits that are set by the Board of Directors. The Bank allocates capital to the operating segments based on the Bank's target for a total capital ratio.

Support functions are comprised of Finance (excluding Treasury), Risk Management, Operations & IT, and the CEO's Office, whereby the CEO's Office is comprised of Human Resources, Marketing & Communications and Compliance. The Bank's Internal Audit department is also included in support functions; however, it is independent and reports directly to the Bank's Board of Directors.

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 segment profits (loss) 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 period from 1 January to 31 March 2017 and 2016.

4. Operating segments (continued)

1 January - 31 March 2017	Personal Banking	Corporate Banking	Markets	Treasury	Support functions	Recon- ciliation	Total
Net interest income	3,707	3,754	67	506	6	(22)	**8,018**
Net valuation adjustments and credit impairment charges	315	1,461	-	3	-	-	**1,779**
Net fee and commission income	798	396	1,063	(88)	20	(73)	**2,116**
Other net operating income (expenses)	96	1	(62)	2,930	794	41	**3,800**
Total operating income (expense)	**4,916**	**5,612**	**1,068**	**3,351**	**820**	**(54)**	**15,713**
Operating expenses	(1,517)	(397)	(509)	(376)	(3,186)	68	**(5,917)**
Profit (loss) before cost allocation and tax	**3,399**	**5,215**	**559**	**2,975**	**(2,366)**	**14**	**9,796**
Cost allocated from support functions to business segments	(1,234)	(847)	(370)	(239)	2,690	-	**0**
Profit (loss) before tax	**2,165**	**4,368**	**189**	**2,736**	**324**	**14**	**9,796**
Net revenue (expenses) from external customers	5,208	7,378	1,008	1,365	808	-	**15,767**
Net revenue (expenses) from other segments	(292)	(1,766)	60	1,986	12	-	**0**
Total operating income	**4,916**	**5,612**	**1,068**	**3,351**	**820**	**0**	**15,767**
As at 31 March 2017							
Total assets	408,495	483,722	36,514	474,776	18,560	(239,600)	**1,182,467**
Total liabilities	356,194	375,287	32,508	405,624	18,560	(239,600)	**948,573**
Allocated capital	52,301	108,435	4,006	69,152	-		**233,894**

1 January - 31 March 2016	Personal Banking	Corporate Banking	Markets	Treasury	Support functions	Recon- ciliation	Total
Net interest income	3,131	3,377	90	1,054	3	(189)	**7,466**
Net valuation adjustments and credit impairment charges	954	(617)	-	(26)	-	-	**311**
Net fee and commission income	873	253	998	(71)	12	(85)	**1,980**
Other net operating income (expenses)	(38)	(105)	76	285	1,387	159	**1,764**
Total operating income (expense)	**4,920**	**2,908**	**1,164**	**1,242**	**1,402**	**(115)**	**11,521**
Operating expenses	(1,576)	(377)	(541)	(374)	(3,478)	93	**(6,253)**
Profit (loss) before cost allocation and tax	**3,344**	**2,531**	**623**	**868**	**(2,076)**	**(22)**	**5,268**
Cost allocated from support functions to business segments	(1,317)	(927)	(341)	(318)	2,903	-	**0**
Profit (loss) before tax	**2,027**	**1,604**	**282**	**550**	**827**	**(22)**	**5,268**
Net revenue from external customers	5,316	5,130	1,079	(1,278)	1,389	-	**11,636**
Net revenue (expenses) from other segments	(396)	(2,222)	85	2,520	13	-	**0**
Total operating income	**4,920**	**2,908**	**1,164**	**1,242**	**1,402**	**0**	**11,636**
As at 31 March 2016							
Total assets	355,482	467,213	36,434	472,077	17,770	(242,276)	**1,106,700**
Total liabilities	317,681	372,010	30,645	343,024	17,770	(242,276)	**838,854**
Allocated capital	37,801	95,203	5,789	129,053	-		**267,846**

All amounts are in ISK million

Notes to the Consolidated Income Statement

5. Net interest income

Interest income	2017 1.1-31.3	2016 1.1-31.3
Cash and balances with Central Bank	171	249
Bonds and debt instruments classified as loans and receivables	1,294	1,613
Loans and advances to financial institutions	35	54
Loans and advances to customers	13,029	12,848
Other interest income	16	8
Total	**14,545**	**14,772**
Interest expense		
Due to financial institutions and Central Bank	(169)	(359)
Deposits from customers	(4,417)	(4,974)
Borrowings	(1,931)	(1,935)
Other interest expense	(4)	(14)
Subordinated liabilities	(6)	(24)
Total	**(6,527)**	**(7,306)**
Net interest income	**8,018**	**7,466**

Interest income and interest expense disclosed above arose on financial assets and financial liabilities that are not carried at fair value through profit or loss.

6. Net valuation adjustments and credit impairment charges

	2017 1.1-31.3	2016 1.1-31.3
Net impairment	1,024	311
Reversals of foreign currency linkage loans and advances to customers	755	-
Net valuation adjustments and credit impairment charges	**1,779**	**311**
Valuation adjustments and impairment charges by customer type		
Individuals	384	531
Corporates	1,395	(220)
Net valuation adjustments and credit impairment charges	**1,779**	**311**

7. Net fee and commission income

Fee and commission income	2017 1.1-31.3	2016 1.1-31.3
Markets	1,044	966
Loans and guarantees	462	296
Cards	827	766
Collection and payment services	203	211
Foreign trade	168	189
Other commissions and fees	91	103
Total	**2,795**	**2,531**
Fee and commission expense		
Investment banking and capital markets	(109)	(84)
Cards	(284)	(250)
Other fees	(286)	(217)
Total	**(679)**	**(551)**
Net fee and commission income	**2,116**	**1,980**

The net fee and commission income above excludes amounts that are otherwise included in determining the effective interest rate for financial assets and liabilities that are not designated at fair value through profit or loss. Moreover, it does not include any net fee and commission income relating to such financial assets and liabilities.

All amounts are in ISK million

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

	2017 1.1-31.3	2016 1.1-31.3
Net gain (loss) on financial assets designated at fair value through profit or loss		
Bonds and debt instruments	194	152
Equities and equity instruments	2,979	(109)
	3,173	**43**
Net profit (loss) on fair value hedges		
Change in fair value of the interest rate swaps	(188)	-
Change in the fair value of the bond which are attributable to the interest rate	149	-
	(39)	**0**
Net gain (loss) on financial assets and liabilities held for trading		
Bonds and debt instruments	100	432
Equities and equity instruments	(291)	(125)
Derivatives and underlying hedges	320	(61)
	129	**246**
Total net gain (loss) on financial assets and liabilities	**3,263**	**289**

9. Net foreign exchange (loss) gain

Assets	2017 1.1-31.3	2016 1.1-31.3
Cash and balances with Central Bank	(2)	(44)
Bonds and debt instruments	(167)	(2,326)
Equities and equity instruments	10	-
Derivative instruments	(388)	1,113
Loans and advances to financial institutions	1,394	(343)
Loans and advances to customers	2,075	(4,910)
Other assets	11	(2)
Total	**2,933**	**(6,512)**
Liabilities		
Due to financial institutions and Central Bank	2	474
Deposits from customers	(1,241)	1,932
Borrowings	(1,993)	4,112
Other liabilities	(63)	157
Subordinated liabilities	(3)	(1)
Total	**(3,298)**	**6,674**
Net foreign exchange (loss) gain	**(365)**	**162**

The foreign exchange difference recognised during the period 1 january to 31 March 2017 in the Condensed Consolidated Income Statement that arose on financial instruments not measured at fair value through profit or loss, amounted to a gain of ISK 3,478 million for financial assets (2016: loss of ISK 5,299 million) and a loss of ISK 3,298 million for financial liabilities (2016: gain of ISK 6,674 million).

10. Other income and expenses

	2017 1.1-31.3	2016 1.1-31.3
Gain (loss) on sale of property and equipment	7	(10)
Gain on repossessed collateral	787	1,306
Share of profit of equity-accounted associates	16	4
Other	92	13
Total	**902**	**1,313**

11. Salaries and related expenses

	2017 1.1-31.3	2016 1.1-31.3
Salaries	2,728	2,929
Contributions to defined pension plans	382	401
Social security contributions, special financial activities tax on salaries and other expenses	381	424
Total salaries and related expenses	**3,491**	**3,754**

All amounts are in ISK million

12. Other operating expenses

	2017 1.1-31.3	2016 1.1-31.3
Information technology	579	598
Real estate and fixtures	212	233
Advertising and marketing expenses	174	180
Operating lease rentals	132	140
FME supervisory expenses	146	118
Contribution to the Debtor's Ombudsman	87	28
Audit and related services	30	44
Other professional services	161	164
Depreciation and amortisation	173	146
Contribution to the Depositors' and Investors' Guarantee Fund	307	310
Other operating expenses	425	538
Total	**2,426**	**2,499**

13. Income tax

Income tax is recognised based on the tax rates and tax laws enacted by the end of the period, according to which the domestic corporate income tax rate was 20.0% (2016: 20.0%). An additional special income tax on financial institutions is recognised at a rate of 6% on an income tax base exceeding ISK 1,000 million in accordance with Act No. 165/2011, on Financial Activity Tax.

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

	2017 1.1-31.3	2016 1.1-31.3
Current tax expense	(1,355)	(1,159)
Special income tax on financial institutions	(312)	(185)
Difference of prior year's imposed and calculated income tax	178	-
Deferred tax expense	94	129
Total	**(1,395)**	**(1,215)**

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

		2017 1.1-31.3		2016 1.1-31.3
Profit before tax		9,796		5,268
Tax on liabilities of financial institutions		(825)		(738)
Profit before income tax		8,971		4,530
Income tax calculated using the domestic corporate income tax rate	20.0%	(1,794)	20.0%	(905)
Special income tax on financial institutions	3.5%	(312)	4.1%	(185)
Income not subject to tax	(8.0%)	721	(7.1%)	323
Non-deductible expenses	2.2%	(197)	11.3%	(512)
Other	(2.1%)	187	(1.4%)	64
Effective income tax	**15.6%**	**(1,395)**	**26.9%**	**(1,215)**

14. Tax on liabilities of financial institutions

On 31 December 2013 the Parliament of Iceland passed an amendment to Act No. 155/2010, on Special Tax on Financial Institutions, according to which financial institutions must pay annually a tax calculated as 0.376% (2016: 0.376%) of the carrying amount of total liabilities at year-end, excluding tax liabilities, in excess of ISK 50,000 million as determined for tax purposes. The special income tax on financial institutions is a non-deductible expense.

	2017 1.1-31.3	2016 1.1-31.3
Tax on liabilities of financial institutions	(825)	(738)

for the three months ended 31 March 2017 16 All amounts are in ISK million

Notes to the Consolidated Statement of Financial Position

15. Classification 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 at fair value through profit or loss, measured at fair value;
- 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 31 March 2017:

Financial assets	Loans and receivables	Held for trading	Designated at fair value	Liabilities at amortised cost	Total carrying amount	Fair value
Cash and balances with Central Bank	35,826	-	-	-	35,826	35,826
Bonds and debt instruments	108,310	29,268	10,414	-	147,992	148,648
Equities and equity instruments	-	11,063	19,805	-	30,868	30,868
Derivative instruments	-	536	-	-	536	536
Loans and advances to financial institutions	70,230	-	-	-	70,230	70,230
Loans and advances to customers	872,350	-	-	-	872,350	878,520
Other financial assets	7,505	-	-	-	7,505	7,505
Total	**1,094,221**	**40,867**	**30,219**	**0**	**1,165,307**	**1,172,133**
Financial liabilities						
Due to financial institutions and Central Bank	-	-	-	31,613	31,613	31,605
Deposits from customers	-	-	-	594,565	594,565	593,364
Derivative instruments and short positions	-	2,427	-	-	2,427	2,427
Borrowings	-	-	-	244,649	244,649	246,385
Other financial liabilities	-	-	-	44,743	44,743	44,743
Subordinated liabilities	-	-	-	390	390	405
Total	**0**	**2,427**	**0**	**915,960**	**918,387**	**918,929**

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 2016:

Financial assets	Loans and receivables	Held for trading	Designated at fair value	Liabilities at amortised cost	Total carrying amount	Fair value
Cash and balances with Central Bank	30,662	-	-	-	30,662	30,662
Bonds and debt instruments	110,822	34,006	10,064	-	154,892	155,617
Equities and equity instruments	-	9,890	16,798	-	26,688	26,688
Derivative instruments	-	278	-	-	278	278
Loans and advances to financial institutions	20,408	-	-	-	20,408	20,408
Loans and advances to customers	853,417	-	-	-	853,417	858,187
Other financial assets	6,528	-	-	-	6,528	6,528
Total	**1,021,837**	**44,174**	**26,862**	**0**	**1,092,873**	**1,098,368**
Financial liabilities						
Due to financial institutions and Central Bank	-	-	-	20,093	20,093	20,093
Deposits from customers	-	-	-	589,725	589,725	589,790
Derivative instruments and short positions	-	1,729	-	-	1,729	1,729
Borrowings	-	-	-	223,944	223,944	225,520
Other financial liabilities	-	-	-	7,206	7,206	7,206
Subordinated liabilities	-	-	-	388	388	405
Total	**0**	**1,729**	**0**	**841,356**	**843,085**	**844,743**

All amounts are in ISK million

16. Fair value of financial assets and liabilities

The fair value of financial assets and liabilities is 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 2016.

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. However, the yield of actively traded bonds with the same duration is used as a benchmark for the valuation of bonds.

• Level 3: Valuation technique based on significant non-observable inputs. It covers all instruments for which the valuation technique includes inputs based on unobservable data and the unobservable inputs have significant effect on the instrument's valuation. 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 in addition to recent transactions and current market conditions.

Assumptions and inputs used in the valuation technique include risk-free and benchmark interest rates for estimating discount rates, credit spreads, bonds and equity prices, foreign currency exchange rates, market multipliers, market conditions for estimating future growth and other market indicators.

Valuation framework

The Bank's Risk & Finance Committee oversees the Group's overall risk and is responsible for fair value measurements of financial assets and liabilities classified as Level 2 and 3 instruments. The Bank's Valuation group reports its valuation results to the Risk & Finance Committee for verification. The Valuation group is comprised of personnel from Risk Management, Treasury and Accounting. The Valuation group holds monthly meetings to determine the value of Level 2 and Level 3 financial assets and liabilities.

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, is categorised as at 31 March 2017:

Financial assets	Level 1	Level 2	Level 3	Total
Bonds and debt instruments	31,202	8,375	105	39,682
Equities and equity instruments	11,857	-	19,011	30,868
Derivative instruments	-	536	-	536
Total	**43,059**	**8,911**	**19,116**	**71,086**
Financial liabilities				
Derivative instruments	-	1,910	-	1,910
Short positions	517	-	-	517
Total	**517**	**1,910**	**0**	**2,427**

During the period from 1 January to 31 March 2017, there were no transfers between Level 1, Level 2 and Level 3.

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 2016:

Financial assets	Level 1	Level 2	Level 3	Total
Bonds and debt instruments	35,555	8,337	178	44,070
Equities and equity instruments	10,808	-	15,880	26,688
Derivative instruments	-	278	-	278
Total	**46,363**	**8,615**	**16,058**	**71,036**
Financial liabilities				
Derivative instruments	-	1,183	-	1,183
Short positions	546	-	-	546
Total	**546**	**1,183**	**0**	**1,729**

During the year 2016, there were no transfers between Level 1, Level 2 and Level 3.

All amounts are in ISK million

16. Fair value of financial assets and liabilities (continued)

Valuation framework (continued)

The following tables show the reconciliation of fair value measurement in Level 3 for the three months ended 31 March 2017 and for the year 2016:

1 January - 31 March 2017	Bonds and debt instruments	Equities and equity instruments	Total financial assets
Carrying amount as at 1 January 2017	178	15,880	16,058
Net gain (loss) on financial assets and liabilities	23	2,982	3,005
Purchases	-	149	149
Settlements	(96)	-	(96)
Carrying amount as at 31 March 2017	**105**	**19,011**	**19,116**
1 January - 31 December 2016			
Carrying amount as at 1 January 2016	443	18,123	18,566
Net gain (loss) on financial assets and liabilities	22	732	754
Net foreign exchange loss	(14)	-	(14)
Purchases	11	992	1,003
Sales	(11)	(2,894)	(2,905)
Settlements	(273)	-	(273)
Dividend received	-	(1,073)	(1,073)
Carrying amount as at 31 December 2016	**178**	**15,880**	**16,058**

The following table shows the line items in the Consolidated Income Statement where gains (losses) of financial assets and liabilities categorised in Level 3 and held by the Group as at 31 March 2017 and 31 March 2016, were recognised:

1 January - 31 March 2017	Bonds and debt instruments	Equities and equity instruments	Total
Net gain (loss) on financial assets and liabilities	23	2,982	3,005
Total	**23**	**2,982**	**3,005**
1 January - 31 March 2016			
Net gain (loss) on financial assets designated at fair value through profit or loss	33	(87)	(54)
Net foreign exchange loss	(1)	-	(1)
Total	**32**	**(87)**	**(55)**

17. Unobservable inputs in fair value measurement

The following table summarises the unobservable inputs used in measuring fair value of financial assets and liabilities categorised in Level 3 as at 31 March 2017 and 31 December 2016.

					Range of inputs	
As at 31 March 2017	Assets	Liabilities	Valuation technique	Key unobservable inputs	Lower	Higher
Bonds and debt instruments	105	-	See 1) below	See 1) below	n/a	n/a
Equities and equity instruments	19,011	-	See 2) below	See 2) below	n/a	n/a
	19,116	**0**				
As at 31 December 2016						
Bonds and debt instruments	178	-	See 1) below	See 1) below	n/a	n/a
Equities and equity instruments	15,880	-	See 2) below	See 2) below	n/a	n/a
	16,058	**0**				

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

1. Fair value of corporate bonds and claims on financial institutions in winding-up proceedings and other insolvent assets is estimated on the basis of an analysis of the estates' financial position and expected recovery. Reference is also made to prices in recent transactions. Given the nature of the valuation method, a range of key unobservable inputs is not available.

2. Equities and equity instruments classified as Level 3 assets, are unlisted and not traded in an active market and therefore subject to unobservable inputs for fair value measurements. Valuation using discounted cash flows, comparison of peer companies' multiples, analysis of financial position and results, outlook and recent transactions are the methods or inputs used to estimate fair value of investments in equities and equity instruments. Given the nature of the valuation method, the range of key unobservable inputs is not available.

All amounts are in ISK million

17. Unobservable inputs in fair value measurement (continued)

The effect of unobservable inputs in fair value measurement

Although the Group believes that its estimates of fair value are appropriate, the use of different valuation methodologies and assumptions could lead to different estimates of fair value. The following tables show how profit (loss) before tax would have been affected if one or more of the inputs for fair value measurements in Level 3 were changed to likely alternatives for the three months ended 31 March 2017 and 31 March 2016:

	2017 1.1-31.3		2016 1.1-31.3	
Effect on profit before tax	**Favourable**	**Unfavourable**	**Favourable**	**Unfavourable**
Bonds and debt instruments	5	(5)	19	(19)
Equities and equity instruments:				
Equities	712	(531)	214	(215)
Mutual funds	362	(362)	430	(430)
Total equities and equity instruments	1,074	(893)	644	(645)
Total	**1,079**	**(898)**	**663**	**(664)**

The effect on profit was calculated as the difference between the results of the same valuation methods where key unobservable inputs were changed by +/- 5%

18. Cash and balances with Central Bank

	31.3.2017	31.12.2016
Cash on hand	4,509	3,931
Unrestricted balances with Central Bank	7,985	2,782
Total cash and unrestricted balances with Central Bank	**12,494**	**6,713**
Restricted balances with Central Bank	11,670	11,886
Assets held with Central Bank, subject to special restrictions	11,662	12,063
Total cash and balances with Central Bank	**35,826**	**30,662**

The Bank holds a mandatory reserve deposit account with the Central Bank of Iceland in compliance with the Central Bank's rules on Minimum Reserve Requirements No. 870/2015, with subsequent amendments. The average balance of this account for each reserve term must be equivalent at least to the mandatory reserve deposit requirement which amounted to ISK 11,670 million for March 2017 (December 2016: ISK 11,886 million).

The Bank holds an additional amount as a mandatory reserve with the Central Bank in compliance with Article 8 of Act No. 37/2016, on the Treatment of Króna-Denominated Assets Subject to Special Restrictions. This reserve is equivalent to at least the amount of the total balance of deposits subject to special restrictions for investment held with the Group and consists of certificates of deposit issued by the Central Bank.

19. Bonds

	31.3.2017				31.12.2016			
Bonds and debt instruments	**Loans and receivables**	**Held for trading**	**Designated at fair value**	**Total**	**Loans and receivables**	**Held for trading**	**Designated at fair value**	**Total**
Domestic								
Listed	108,310	10,487	8,718	127,515	110,822	9,024	8,681	128,527
Unlisted	-	20	1,696	1,716	-	41	1,383	1,424
	108,310	**10,507**	**10,414**	**129,231**	**110,822**	**9,065**	**10,064**	**129,951**
Foreign								
Listed	-	18,761	-	18,761	-	24,941	-	24,941
	0	**18,761**	**0**	**18,761**	**0**	**24,941**	**0**	**24,941**
Total bonds	**108,310**	**29,268**	**10,414**	**147,992**	**110,822**	**34,006**	**10,064**	**154,892**

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

Bonds and debt instruments classified as loans and receivables as at 31 March 2017 and 31 December 2016 consist partly of the government bonds which the Bank received in settlement of the capital contribution in 2009. The bonds were listed on the Stock Exchange in Iceland during 2010.

All amounts are in ISK million

20. Equities

Equities and equity instruments	31.3.2017 Held for trading	31.3.2017 Designated at fair value	31.3.2017 Total	31.12.2016 Held for trading	31.12.2016 Designated at fair value	31.12.2016 Total
Domestic						
Listed	11,061	450	11,511	9,889	450	10,339
Unlisted	-	19,355	19,355	-	16,229	16,229
	11,061	**19,805**	**30,866**	**9,889**	**16,679**	**26,568**
Foreign						
Listed	2	-	2	1	119	120
	2	**0**	**2**	**1**	**119**	**120**
Total equities	**11,063**	**19,805**	**30,868**	**9,890**	**16,798**	**26,688**

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

As at 31 March 2017, outstanding commitments of the Group in share subscriptions amounted to ISK 1.963 million (31 December 2016: ISK 2.113 million) altogether in seven entities. The entities invested in by the Group are required to redeem its shareholders with proceeds from the sale of assets.

21. Derivative instruments and short positions

	31.3.2017			31.12.2016		
	Notional	Fair value		Notional	Fair value	
Foreign exchange derivatives	**amount**	**Assets**	**Liabilities**	**amount**	**Assets**	**Liabilities**
Currency forwards	57,283	124	399	34,674	145	147
Cross-currency interest rate swaps	13,426	277	907	13,949	87	982
	70,709	**401**	**1,306**	**48,623**	**232**	**1,129**
Interest rate derivatives						
Interest rate swaps	1,000	22	-	1,250	21	-
Total return swaps	3,264	5	1	462	-	2
	4,264	**27**	**1**	**1,712**	**21**	**2**
Equity derivatives						
Total return swaps	6,581	108	407	5,333	24	45
Equity options	1,488	-	13	312	1	7
	8,069	**108**	**420**	**5,645**	**25**	**52**
Fair value hedge of interest rate swap						
Interest rate swaps	36,270	-	183	-	-	-
	36,270	**0**	**183**	**0**	**0**	**0**
Short positions						
Listed bonds	355	-	517	457	-	546
	355	**0**	**517**	**457**	**0**	**546**
Total	**119,667**	**536**	**2,427**	**56,437**	**278**	**1,729**

The Group uses derivatives both for hedging and trading purposes.

22. Loans and advances to financial institutions

	31.3.2017	31.12.2016
Bank accounts with financial institutions	21,978	14,539
Money market loans	43,753	2,209
Overdrafts	421	-
Other loans	4,078	3,660
Total	**70,230**	**20,408**

All amounts are in ISK million

23. Loans and advances to customers

	31.3.2017	31.12.2016
Public entities	12,766	10,028
Individuals	334,506	326,844
Corporates	544,373	537,496
Allowance for impairment	(19,295)	(20,951)
Total	**872,350**	**853,417**

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

24. Other assets

	31.3.2017	31.12.2016
Unsettled securities trading	4,442	2,301
Other accounts receivable	3,063	4,227
Sundry assets	1,748	1,565
Total	**9,253**	**8,093**

25. Assets and liabilities classified as held for sale

Assets classified as held for sale

	31.3.2017	31.12.2016
Repossessed collateral	5,087	6,356
Assets of disposal groups	1,105	1,093
Total	**6,192**	**7,449**

Repossessed collateral

Repossessed 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 repossessed collateral in an orderly manner. The Group generally does not use the non-cash repossessed collateral for its own operations. Repossessed collateral is recognised as assets of either the Bank or its subsidiary Hömlur ehf.

Repossessed collateral	31.3.2017	31.12.2016
Carrying amount as at the beginning of the period	6,356	10,095
Repossessed during the period	262	3,646
Disposed of during the period	(1,914)	(9,238)
Impairment and gain of sale	383	1,853
Carrying amount as at the end of the period	**5,087**	**6,356**

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.

Liabilities associated with assets classified as held for sale

	31.3.2017	31.12.2016
Liabilities of disposal groups	1,095	1,095
Total	**1,095**	**1,095**

All amounts are in ISK million

26. Borrowings

Secured borrowings

As at 31.3.2017	Currency	Final maturity	Outstanding principal	Contractual interest rate (Base rate + Initial margin/ Step-up margin)	Carrying amount
BOND F	USD	9.10.2024	USD 160 million	LIBOR + 2.90% / 3.95%	18,102
Total issued bonds to LBI hf.					**18,102**

As at 31.3.2017	Currency	Final maturity	Outstanding principal	Indexed/ Non-indexed	Contractual interest rate	Carrying amount
LBANK CB 17	ISK	23.10.2017	3,160	Non-indexed	Fixed 6.0%	3,238
LBANK CB 19	ISK	17.9.2019	16,000	Non-indexed	Fixed 6.8%	16,727
LBANK CB 21	ISK	30.11.2021	2,660	Non-indexed	Fixed 5.5%	2,695
LBANK CBI 22	ISK	28.4.2022	18,900	CPI-indexed	Fixed 3.0%	19,831
LBANK CBI 28	ISK	4.10.2028	4,280	CPI-indexed	Fixed 3.0%	4,330
Total covered bonds						**46,821**
Total secured borrowings						**64,923**

Unsecured borrowings

As at 31.3.2017	Currency	Final maturity	Outstanding principal	Contractual interest rate	Carrying amount
LBANK 3 10/18	EUR	19.10.2018	EUR 300 million	FIXED 3.0%	36,659
LBANK FLOAT 06/19	SEK	10.6.2019	SEK 350 million	STIBOR + 2.6%	4,420
LBANK FLOAT 06/19	NOK	11.6.2019	NOK 500 million	NIBOR + 2.6%	6,589
LBANK 1.375 11/20	SEK	24.11.2020	SEK 750 million	FIXED 1.375%	9,470
LBANK FLOAT 11/20	SEK	24.11.2020	SEK 250 million	STIBOR + 1.5%	3,155
LBANK 1.625 03/21	EUR	15.3.2021	EUR 500 million	FIXED 1.625%	59,996
LBANK 1.375 03/22	EUR	14.3.2022	EUR 300 million	FIXED 1.375%	35,961
Total EMTN issued					**156,250**

As at 31.3.2017	Currency	Final maturity	Outstanding principal	Indexed/ Non-indexed	Carrying amount
LBANK 170410	ISK	10.4.2017	2,820	Non-indexed	2,816
LBANK 170510	ISK	10.5.2017	2,780	Non-indexed	2,763
LBANK 170612	ISK	12.6.2017	3,520	Non-indexed	3,482
LBANK 170710	ISK	10.7.2017	2,680	Non-indexed	2,641
LBANK 170810	ISK	10.8.2017	2,860	Non-indexed	2,806
LBANK 170911	ISK	11.9.2017	1,400	Non-indexed	1,367
LBANK 180212	ISK	12.2.2018	720	Non-indexed	687
LBANK 180312	ISK	12.3.2018	1,740	Non-indexed	1,653
Total bills issued					**18,215**

As at 31.3.2017	Carrying amount
Other unsecured loans	5,261
Total other unsecured loans	**5,261**
Total unsecured borrowings	**179,726**
Total borrowings as at 31.3.2017	**244,649**

On 14 March 2017, the Bank completed issuance of EUR 300 million senior unsecured bonds. The bonds mature in March 2022, bear a fixed coupon rate of 1.375% and were priced at terms equivalent to a 130 basis point spread above mid-swaps in euros. The proceeds of this bond series were used to refinance fully the remainder of the senior secured Bond D series and partly the senior secured F series, in addition to strengthening the Bank's liquidity further. The new bonds are issued under the Bank's Euro Medium Term Note (EMTN) Programme and are listed on the Irish Stock Exchange.

All amounts are in ISK million

26. Borrowings (continued)

Secured borrowings

As at 31.12.2016	Currency	Final maturity	Outstanding principal	Contractual interest rate (Base rate + Initial margin/ Step-up margin)	Carrying amount
BOND D	USD	9.10.2020	USD 170 million	LIBOR + 2.90% / 3.50%	19,251
BOND F	USD	9.10.2024	USD 271 million	LIBOR + 2.90% / 3.95%	30,871
Total issued bonds to LBI hf.					**50,122**

As at 31.12.2016	Currency	Final maturity	Outstanding principal	Indexed/ Non-indexed	Contractual interest rate	Carrying amount
LBANK CB 17	ISK	23.10.2017	3,160	Non-indexed	Fixed 6.0%	3,189
LBANK CB 19	ISK	17.9.2019	13,540	Non-indexed	Fixed 6.8%	13,873
LBANK CB 21	ISK	30.11.2021	700	Non-indexed	Fixed 5.5%	691
LBANK CBI 22	ISK	28.4.2022	17,780	CPI-indexed	Fixed 3.0%	18,463
LBANK CBI 28	ISK	4.10.2028	2,380	CPI-indexed	Fixed 3.0%	2,371
Total covered bonds						**38,586**

Total secured borrowings	**88,708**

Unsecured borrowings

As at 31.12.2016	Currency	Final maturity	Outstanding principal	Contractual interest rate	Carrying amount
LBANK 3 10/18	EUR	19.10.2018	EUR 300 million	FIXED 3.0%	35,864
LBANK FLOAT 06/19	SEK	10.6.2019	SEK 350 million	STIBOR + 2.6%	4,345
LBANK FLOAT 06/19	NOK	11.6.2019	NOK 500 million	NIBOR + 2.6%	6,564
LBANK 1.375 11/20	SEK	24.11.2020	SEK 750 million	FIXED 1.375%	9,280
LBANK FLOAT 11/20	SEK	24.11.2020	SEK 250 million	STIBOR + 1.5%	3,103
LBANK 1.625 03/21	EUR	15.3.2021	EUR 500 million	FIXED 1.625%	59,357
Total EMTN issued					**118,513**

As at 31.12.2016	Currency	Final maturity	Outstanding principal	Indexed/ Non-indexed	Carrying amount
LBANK 170110	ISK	10.1.2017	2,340	Non-indexed	2,336
LBANK 170210	ISK	10.2.2017	1,020	Non-indexed	1,013
LBANK 170310	ISK	10.3.2017	1,040	Non-indexed	1,029
LBANK 170410	ISK	10.4.2017	2,820	Non-indexed	2,775
LBANK 170510	ISK	10.5.2017	2,780	Non-indexed	2,724
LBANK 170612	ISK	12.6.2017	1,720	Non-indexed	1,677
Total bills issued					**11,554**

As at 31.12.2016	Carrying amount
Other unsecured loans	5,169
Total other unsecured loans	**5,169**
Total unsecured borrowings	**135,236**
Total borrowings as at 31.12.2016	**223,944**

All amounts are in ISK million

27. Other liabilities

	31.3.2017	31.12.2016
Unsettled securities trading	42,658	4,779
Withholding tax	3,356	2,873
Accounts payable	533	677
Contribution to the Depositors' and Investors' Guarantee Fund	307	307
Tax on liabilities of financial institutions	3,798	2,973
Current tax liabilities	1,649	5,838
Non-controlling interests - Funds	758	883
Unpaid extraordinary dividend to shareholders	11,820	-
Sundry liabilities	8,946	4,537
Total	**73,825**	**22,867**

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

28. Subordinated liabilities

As at 31.3.2017	Currency	Final maturity	Remaining principal in currencies	Indexed/ Non-indexed	Contractual interest rate (Base rate + Margin)	Carrying amount
Subordinated bonds unlisted	ISK	1.12.2017	19.0		REIBOR + 4%	19
Subordinated loan	JPY	1.12.2023	JPY 49,1 million		LIBOR + 5%	50
Subordinated loan	CHF	1.12.2023	CHF 0,3 million		LIBOR + 5%	37
Subordinated loan	ISK	13.9.2017	59.1	CPI-indexed	Fixed 7,0%	63
Subordinated loan	ISK	18.9.2017	6.4	CPI-indexed	Fixed 7,0%	7
Subordinated loan	ISK	21.9.2017	19.3	CPI-indexed	Fixed 7,0%	20
Subordinated loan	ISK	22.9.2017	52.0	CPI-indexed	Fixed 7,0%	55
Subordinated loan	ISK	1.12.2017	8.2	CPI-indexed	Fixed 7,0%	9
Subordinated bonds unlisted	ISK	22.11.2019	120.5	CPI-indexed	Fixed 5,0%	130
Total subordinated liabilities						**390**

As at 31.12.2016	Currency	Final maturity	Remaining principal in currencies	Indexed/ Non-indexed	Contractual interest rate (Base rate + Margin)	Carrying amount
Subordinated bonds unlisted	ISK	1.12.2017	25.3		REIBOR + 4%	25
Subordinated loan	JPY	1.12.2023	JPY 49,1 million		LIBOR + 5%	48
Subordinated loan	CHF	1.12.2023	CHF 0,3 million		LIBOR + 5%	37
Subordinated loan	ISK	13.9.2017	59.1	CPI-indexed	Fixed 7,0%	61
Subordinated loan	ISK	18.9.2017	6.4	CPI-indexed	Fixed 7,0%	7
Subordinated loan	ISK	21.9.2017	19.3	CPI-indexed	Fixed 7,0%	20
Subordinated loan	ISK	22.9.2017	52.0	CPI-indexed	Fixed 7,0%	54
Subordinated loan	ISK	1.12.2017	8.2	CPI-indexed	Fixed 7,0%	8
Subordinated bonds unlisted	ISK	22.11.2019	120.5	CPI-indexed	Fixed 5,0%	128
Total subordinated liabilities						**388**

29. Equity

Share capital

As of 31 March 2017, ordinary shares authorised and issued by the Bank totalled 24 billion, while outstanding shares were 23.6 billion; each share has a par value of ISK 1. Each ordinary share conveys one vote at general meetings of the Bank. All share capital is fully paid up.

On 24 February 2017, the third repurchase period of the Bank's buy-back programme of own shares expired. During this period, Landsbankinn purchased a total of 8.5 million of own shares at a share price of 10.6226, for the total amount of ISK 90.4 million. Neither the CEO of the Bank nor any managing directors of the Bank sold shares during the third repurchase period. Prior to the third repurchase period, Landsbankinn held 351.8 million of own shares. Due to enforcement of pledges 119.5 thousand own shares were transferred to the Bank during the period. At the conclusion of the third repurchase period, the Bank holds 360.5 million of own shares, or the equivalent of 1.5% of issued share capital in the Bank. Landsbankinn has acquired a total of 142 million of own shares under the buy-back programme, or the equivalent of 0.6% of issued shares in the Bank, for a purchase price of ISK 1,482 million.

On 22 March 2017, shareholders at the Annual General Meeting (AGM) of the Bank for the operating year 2016 approved the Board's recommendation for the Bank to acquire own shares at the maximum of 10% of nominal value of issued share capital in accordance with Article 55 of the Public Limited Companies Act No. 2/1995. The price of each share is to be determined by the internal value of the Bank's shares, according to its most recently published results prior to the timing of the repurchase of the own shares. This authorisation applies until the next AGM in 2018 and the disposal of the own shares under this authorisation is subject to the approval of a shareholders meeting.

All amounts are in ISK million

29. Equity (continued)

Share premium

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

Statutory reserve

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

Retained earnings

In June 2016, the Icelandic parliament passed an amendment to Act No. 3/2006, on Annual Financial Statements. The amendment entered into force immediately and applies to the financial year commencing 1 January 2016. The amendment requires, *inter al* ia, the separation of retained earnings into two categories: restricted and unrestricted retained earnings. Unrestricted retained earnings consist of undistributed profits and losses accumulated by the Group since the foundation of the Bank, less transfers to the Bank's statutory reserve and restricted retained earnings. Restricted retained earnings are split into two categories:

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

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

Dividend

On 22 March 2017, shareholders at the Annual General Meeting (AGM) of the Bank for the operating year 2016 approved the Board's proposal to pay dividends to shareholders in the total amount of ISK 13,002 million , or ISK 0.55 per share. The dividend was paid to shareholders on 29 March 2017. The recommendation of the Board of Directors to pay an extraordinary dividend in the total amount of ISK 11,820 million on outstanding shares, or ISK 0.50 per share, was also approved by the AGM. The extraordinary dividend is payable to shareholders on 20 September 2017. These dividends are payable to shareholders listed on the shareholders' registry of Landsbankinn at end of business on the day of the AGM, 22 March 2017, unless the Bank receives notification of assignment of the dividend through the transfer of shares.

Restriction of dividend payments

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

Additionally, according to the Act on Financial Undertakings, No. 161/2002, the Icelandic Financial Supervisory Authority can impose proportionate restrictions on the Bank's dividend payments, if the Bank's capital adequacy ratio falls below the total capital requirement plus capital buffers, see Note 35 Capital requirements.

Other notes

30. Earnings per share

Profit for the period	2017 1.1-31.3	2016 1.1-31.3
Profit for the period attributable to owners of the Bank	7,576	3,310

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

Number of shares	2017 1.1-31.3	2016 1.1-31.3
Number of ordinary shares issued at beginning of period	24,000	24,000
Average number of own shares	(358)	(218)
Weighted average number of shares outstanding	**23,642**	**23,782**
Basic and diluted earnings per share from operations (ISK)	**0.32**	**0.14**

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.

All amounts are in ISK million

31. Litigation

The Bank and its subsidiaries are from time to time party to litigation cases which arise in the ordinary course of business. Some of these cases are material in the sense that management considers that they may have a significant impact on the amounts disclosed in the Group's financial statements and are not comparable to other, previously closed, cases. During the first quarter of 2017 one such material case, reported open in the litigation section of the Group's Consolidated Financial Statements for the year 2016, was closed. Other material cases, reported open in the litigation section of the Group's Consolidated Financial Statements for the year 2016, were open on 31 March 2017. Pending material litigation cases at the end of the first quarter of 2017 were the following:

Inflation-indexation of financial obligations

1) In January 2013, a customer commenced litigation against the Bank, seeking acknowledgement of the unlawfulness of a consumer price indexation provision in a bond issued by him to the Bank and that it is not permissible for the Bank to revalue the principal amount of the bond on a monthly basis in accordance with the consumer price index. On 19 February 2016, the District Court of Reykjavík acquitted the Bank of the plaintiff's claims. The aspect of the case concerning whether the Bank may revalue the principal amount of the bond on a monthly basis in accordance with the consumer price index was appealed to the Supreme Court. The Bank submitted its reasoning before the Supreme Court claiming confirmation of the ruling of the District Court. On 6 April 2017, the Supreme Court rejected the plaintiff's request for appeal and dismissed the case.

Investigation of the Icelandic Competition Authority into lending terms

2) In March 2013, the Icelandic Competition Authority submitted to the Bank its preliminary assessment concerning certain preferential terms and conditions offered during 2004-2010 by Landsbanki Íslands hf. (now LBI ehf.) and, subsequently, by the Bank, in 2004 to 2010, to clients for retail banking services, in particular for household mortgage loans. In June 2013, the Bank gave its response and refuted allegations of a breach of competition rules. In September 2015, the Bank and the Authority entered into discussions on the resolution of the case. In July 2016, the Authority submitted a letter to the Bank wherein initial proposals for measures to strengthen competition in the financial market were introduced. In November 2016, the Authority submitted to the Bank a draft settlement in the case. The Bank presented its preliminary view on the draft later in November 2016. The Authority has, in substance, approved the view of the Bank on the matter. The Bank awaits the final conclusion of the Authority in the case.

Claim for damages by a payment card company

3) In June 2013, a payment card company commenced litigation against the Bank and certain other financial undertakings claiming tort liability in the amount of around ISK 1.2 billion, plus interest. The plaintiff argues that the defendants are liable in tort for alleged violation of competition rules. The Bank refutes the allegations and the claims. Assessors were appointed by the District Court of Reykjavik to appraise certain aspects of the case and work on the appraisal was completed on 30 June 2016. The Bank submitted its defence in the case on 6 October 2016 and requested, together with other defendants, a revised appraisal. The case was heard by the District Court on 18 November 2016 and postponed until 1 March 2017. The District Court of Reykjavik on 29 March 2017 considered the plaintiff's claims to be insufficiently substantiated and dismissed the case. The plaintiff has appealed the decision of the District Court to the Supreme Court.

Recalculation of foreign currency indexed loans

4) There are currently no open litigation cases against the Bank relating to adjustments of recalculation of foreign currency indexed loans where the Bank considers the parties to have been in a comparable position.

32. Interest in subsidiaries

The main subsidiaries held directly or indirectly by the Group as at 31 March 2017 were as detailed in the table below. This includes those subsidiaries that are most significant in the context of the Group's business.

Main subsidiaries as at 31 March 2017

Company	Ownership interest	Activity
Eignarhaldsfélag Landsbankans ehf. (Iceland)	100%	Holding company
Landsbréf hf. (Iceland)	100%	Management company for mutual funds
Hömlur ehf. (Iceland)*	100%	Holding company

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

The Group does not have significant restrictions on its ability to access or use its assets and settle its liabilities other than those resulting from the supervisory framework. The Group did not have any material non-controlling interests as at 31 March 2017.

All amounts are in ISK million

33. Related party transactions

Transactions with related parties

Transactions with the Icelandic government and government-related entities

The Group's products and services are offered to the Icelandic government and government-related entities in competition with other vendors and under generally accepted commercial terms. In a similar manner, the Bank and other Group entities purchase products and services from government-related entities at market price and otherwise under generally accepted commercial terms. The nature of and amounts outstanding with public entities are disclosed in Note 38, under Public entities.

In March 2016, the Icelandic State Treasury took over Íslandsbanki. Following the takeover, a settlement was reached with the Icelandic Competition Authority to the effect that both banks will continue to operate as independent competitors in the financial market. The takeover qualifies as a merger under Icelandic competition law, as the Icelandic State Treasury has control over the two banks as of the time of the takeover. The Bank has a traditional bank-to-bank relationship with Íslandsbanki under generally accepted commercial terms. The nature of and amounts outstanding with financial institutions, including Íslandsbanki, are disclosed in Note 38, under Financial institutions.

Transactions with other related parties

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:

	2017		2016	
Loans in ISK million	**Balance as at 31 March**	**Highest amount outstanding during the period**	**Balance as at 31 December**	**Highest amount outstanding during the period**
Key management personnel	141	145	136	142
Parties related to key management personnel	114	145	31	59
Associates	15,273	15,490	14,917	21,192
Other	120	124	123	127
Total	**15,648**	**15,904**	**15,207**	**21,520**

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 during the period. There are no leasing transactions between related parties during the period.

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

	2017		2016	
Deposits in ISK million	**Balance as at 31 March**	**Highest amount outstanding during the period**	**Balance as at 31 December**	**Highest amount outstanding during the period**
Key management personnel	119	99	105	298
Parties related to key management personnel	65	54	31	227
Associates	1,944	6,753	1,132	15,624
Other	370	1,235	501	7,479
Total	**2,498**	**8,141**	**1,769**	**23,628**

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

Guarantees in ISK million	**Balance as at 31 March 2017**	**Balance as at 31 December 2016**
Key management personnel	-	-
Parties related to key management personnel	-	-
Associates	796	-
Total	**796**	**0**

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

34. Events after the reporting period

No events have arisen after the reporting period of these financial statements that require amendments or additional disclosures in the Condensed Consolidated Financial Statements for the three months ended 31 March 2017.

Capital management

35. Capital requirements

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

The Group's capital requirements are defined in Icelandic law and regulations and by the Icelandic FME. The requirements are based on the European legal framework for capital requirements (CRD IV and CRR), implementing the Basel III capital framework. The regulatory minimum capital requirement under Pillar I of the Basel framework is 8% of risk-weighted assets (RWA) for credit risk, market risk and operational risk. In conformity with Pillar II A of the Basel framework, the Bank annually assesses its own capital needs through the Internal Capital Adequacy Assessment Process (ICAAP). The ICAAP results are subsequently reviewed by the FME in the Supervisory Review and Evaluation Process (SREP). The Group's minimum capital requirement, as determined by the FME, is the sum of Pillar I and Pillar II A requirements.

In addition to the minimum capital requirement, the Bank is required by law to maintain certain capital buffers determined by the FME, which may, depending on the situation, be based on recommendations from the Financial Stability Counsel.

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

	SREP based on data from	
	31.12.2015	**31.12.2014**
Pillar I	8.0%	8.0%
Pillar II A	6.0%	6.3%
Minimum capital requirement	**14.0%**	**14.3%**
Systemic risk buffer	2.7%	3.0%
Capital buffer for systematically important institutions	2.0%	2.0%
Countercyclical capital buffer	0.9%	0.0%
Capital conservation buffer	2.5%	2.5%
Combined buffer requirement	**8.1%**	**7.5%**
Total capital requirement	**22.1%**	**21.8%**

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

All amounts are in ISK million

36. Capital base, risk-weighted assets and capital ratios

The following table shows the Group's capital base, risk-weighted assets and capital ratios. The calculations are in accordance with Chapter X of the Act on Financial Undertakings, No. 161/2002. The Group uses the standardised approach to calculate risk-weighted assets for credit risk and market risk, and the basic indicator approach for operational risk.

Capital base	31.3.2017	31.12.2016
Share capital	23,640	23,648
Share premium	120,764	120,847
Reserves	14,444	10,875
Retained earnings	75,019	95,834
Total equity attributable to owners of the Bank	**233,867**	**251,204**
Intangible assets	(2,649)	(2,634)
Common equity Tier 1 capital (CET1)	**231,218**	**248,570**
Non-controlling interests	27	27
Tier 1 capital	**231,245**	**248,597**
Subordinated liabilities	390	388
Regulatory amortisation	(216)	(203)
General credit risk adjustment	3,575	4,024
Tier 2 capital	**3,749**	**4,209**
Total capital base	**234,994**	**252,806**
Risk-weighted assets		
Credit risk	750,805	728,428
Market risk	14,937	16,519
Operational risk	91,811	91,811
Total risk-weighted assets	**857,553**	**836,758**
CET1 ratio	27.0%	29.7%
Tier 1 capital ratio	27.0%	29.7%
Total capital ratio	27.4%	30.2%

37. Leverage ratio

The following table shows the Group's leverage ratio as at 31 March 2017 and 31 December 2016. The requirements are based on the European legal framework for capital requirements (CRD IV and CRR) implementing the Basel III capital framework. Subject to Article 30(a) of Act No. 161/2002, on Financial Undertakings, a minimum leverage ratio of 3.0% is required.

Leverage ratio	31.3.2017	31.12.2016
Tier 1 capital	231,245	248,597
Leverage exposure		
- On-balance sheet exposure (excluding derivatives)	1,181,931	1,110,879
- Derivative instrument exposure	536	278
- Potential future exposure on derivatives	1,236	835
- Off-balance sheet exposure	121,962	113,267
- Regulatory adjustments to Tier 1 capital	(2,649)	(2,634)
Total leverage exposure	**1,303,016**	**1,222,625**
Leverage ratio	**17.7%**	**20.3%**

All amounts are in ISK million

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

The following tables show the Group's maximum credit risk exposure at 31 March 2017 and 31 December 2016. For on-balance sheet assets, the exposures set out below are based on net carrying amounts as reported in the Condensed Consolidated Interim 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										
As at 31 March 2017	**Financial institutions**	**Public entities***	**Individuals**	**Fisheries**	**Construction companies**	**Real estate companies**	**Holding companies**	**Retail**	**Services**	**ITC****	**Manu-facturing**	**Agriculture**	**Other**	**Carrying amount**
Cash and balances with Central Bank	-	35,826	-	-	-	-	-	-	-	-	-	-	-	**35,826**
Bonds and debt instruments	2,131	135,592	-	-	-	8,332	80	-	-	-	-	-	1,857	**147,992**
Derivative instruments	369	13	2	15	3	-	37	-	7	-	-	-	90	**536**
Loans and advances to financial institutions	70,230	-	-	-	-	-	-	-	-	-	-	-	-	**70,230**
Loans and advances to customers	-	12,542	329,323	121,233	68,387	115,958	39,700	46,533	85,237	20,130	24,493	8,813	1	**872,350**
Other financial assets	5,264	-	178	3	586	70	54	42	1,002	1	302	2	1	**7,505**
Total on-balance sheet exposure	**77,994**	**183,973**	**329,503**	**121,251**	**68,976**	**124,360**	**39,871**	**46,575**	**86,246**	**20,131**	**24,795**	**8,815**	**1,949**	**1,134,439**
Off-balance sheet exposure	**5,238**	**20,359**	**29,516**	**18,036**	**43,401**	**10,666**	**2,516**	**18,275**	**14,421**	**5,417**	**9,419**	**1,013**	**98**	**178,375**
Financial guarantees and underwriting commitments	2,022	634	748	6,063	2,597	455	128	2,626	2,341	1,789	604	-	80	20,087
Undrawn loan commitments	-	13,654	2	8,355	37,925	9,036	1,796	10,865	4,768	2,065	6,575	565	-	95,606
Undrawn overdraft/credit card facilities	3,216	6,071	28,766	3,618	2,879	1,175	592	4,784	7,312	1,563	2,240	448	18	62,682
Maximum exposure to credit risk	**83,232**	**204,332**	**359,019**	**139,287**	**112,377**	**135,026**	**42,387**	**64,850**	**100,667**	**25,548**	**34,214**	**9,828**	**2,047**	**1,312,814**
Percentage of maximum exposure to credit risk	6.3%	15.6%	27.3%	10.6%	8.6%	10.3%	3.2%	4.9%	7.7%	1.9%	2.6%	0.7%	0.2%	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.

All amounts are in ISK million

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

				Corporations										
As at 31 December 2016	**Financial institutions**	**Public entities***	**Individuals**	**Fisheries**	**Construction companies**	**Real estate companies**	**Holding companies**	**Retail**	**Services**	**ITC****	**Manu-facturing**	**Agriculture**	**Other**	**Carrying amount**
Cash and balances with Central Bank	-	30,662	-	-	-	-	-	-	-	-	-	-	-	**30,662**
Bonds and debt instruments	2,031	142,956	-	-	-	8,294	80	-	-	-	-	-	1,531	**154,892**
Derivative instruments	220	14	-	-	-	-	24	-	-	-	-	-	20	**278**
Loans and advances to financial institutions	20,408	-	-	-	-	-	-	-	-	-	-	-	-	**20,408**
Loans and advances to customers	-	9,783	320,690	123,626	74,962	113,364	40,490	42,235	74,743	19,220	24,167	10,135	1	**853,417**
Other financial assets	3,246	282	301	-	1,217	112	61	5	1,008	2	290	3	1	**6,528**
Total on-balance sheet exposure	**25,905**	**183,697**	**320,991**	**123,626**	**76,179**	**121,770**	**40,655**	**42,240**	**75,751**	**19,222**	**24,457**	**10,138**	**1,553**	**1,066,185**
Off-balance sheet exposure	**5,640**	**16,385**	**29,109**	**17,421**	**39,122**	**10,832**	**2,392**	**18,704**	**15,999**	**4,159**	**9,996**	**1,149**	**382**	**171,289**
Financial guarantees and underwriting commitments	2,022	634	819	6,345	2,650	999	64	2,959	2,179	895	525	10	365	20,465
Undrawn loan commitments	-	9,080	-	7,295	33,898	8,403	1,392	10,724	6,052	2,017	7,246	249	-	86,356
Undrawn overdraft/credit card facilities	3,618	6,671	28,290	3,781	2,574	1,430	936	5,021	7,768	1,247	2,225	890	17	64,468
Maximum exposure to credit risk	**31,545**	**200,082**	**350,100**	**141,047**	**115,301**	**132,602**	**43,047**	**60,944**	**91,750**	**23,381**	**34,453**	**11,287**	**1,935**	**1,237,474**
Percentage of maximum exposure to dredit risk	2.5%	16.2%	28.3%	11.4%	9.3%	10.7%	3.5%	4.9%	7.4%	1.9%	2.8%	0.9%	0.2%	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.

All amounts are in ISK million

39. Collateral and loan-to-value by industry sectors

The loan-to-value (LTV) ratio expresses the maximum exposure of credit risk (gross carrying amount of loans and off-balance sheet items) as a percentage of the total value of collateral. Loan-to-value is one of the key risk factors assessed when qualifying borrowers for a loan. The risk of default is always at the forefront of lending decisions, and the likelihood of a lender absorbing a loss in the foreclosure process increases as the collateral value decreases. A high LTV indicates that there are smaller buffers to protect against price falls 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				
As at 31 March 2017	**0% - 25%**	**25% - 50%**	**50% - 75%**	**75% - 100%**	**Total**	**>100%**	**Collateral value***	**Without collateral**	**Allowance for impairment**	**Maximum exposure to credit risk**
Financial institutions	-	-	-	-	-	-	-	75,468	-	75,468
Public entities	38	260	743	3,860	4,901	1,532	508	26,689	(224)	32,898
Individuals	21,042	65,272	160,687	43,952	290,953	13,000	7,454	60,068	(5,182)	358,839
Corporates	**17,768**	**99,135**	**188,219**	**138,255**	**443,377**	**179,201**	**111,168**	**45,061**	**(13,889)**	**653,750**
Fisheries	5,166	29,839	75,968	22,172	133,145	5,676	3,544	991	(542)	139,270
Construction companies	832	3,604	9,708	15,779	29,923	80,214	48,284	3,511	(1,860)	111,788
Real estate companies	953	7,145	37,789	55,501	101,388	20,304	13,540	7,162	(2,230)	126,624
Holding companies	5,767	24,294	5,145	1,728	36,934	4,734	2,524	1,055	(507)	42,216
Retail	947	5,898	10,291	15,698	32,834	26,233	14,759	6,740	(999)	64,808
Services	2,505	14,080	27,391	23,186	67,162	24,581	15,523	14,179	(6,265)	99,657
Information, technology and communication	70	176	5,573	228	6,047	11,309	8,015	8,337	(144)	25,549
Manufacturing	494	13,427	14,615	2,888	31,424	1,275	587	2,447	(1,232)	33,914
Agriculture	1,034	672	1,739	1,068	4,513	4,810	4,383	613	(110)	9,826
Other	-	-	-	7	7	65	9	26	-	98
Total	**38,848**	**164,667**	**349,649**	**186,067**	**739,231**	**193,733**	**119,130**	**207,286**	**(19,295)**	**1,120,955**
As at 31 December 2016										
Financial institutions	-	-	-	-	-	-	-	26,047	-	26,047
Public entities	42	263	758	255	1,318	1,174	544	23,922	(246)	26,168
Individuals	20,188	60,457	145,319	52,366	278,330	16,035	9,374	61,589	(6,154)	349,800
Corporates	**21,535**	**81,606**	**191,261**	**143,241**	**437,643**	**166,424**	**94,963**	**53,583**	**(14,551)**	**643,099**
Fisheries	8,657	32,701	68,975	21,827	132,160	8,125	5,207	1,231	(467)	141,049
Construction companies	1,137	4,820	15,996	27,368	49,321	58,686	34,069	8,012	(1,934)	114,085
Real estate companies	869	5,438	31,890	52,181	90,378	28,662	20,061	7,712	(2,556)	124,196
Holding companies	6,336	4,723	17,310	1,857	30,226	5,382	2,353	7,933	(659)	42,882
Retail	865	6,939	9,787	18,212	35,803	21,067	5,663	5,272	(1,201)	60,941
Services	2,218	16,392	23,697	14,005	56,312	26,516	14,583	14,003	(6,090)	90,741
Information, technology and communication	56	659	5,006	91	5,812	11,733	8,054	5,997	(164)	23,378
Manufacturing	360	9,078	17,079	5,533	32,050	796	492	2,683	(1,368)	34,161
Agriculture	1,037	743	1,521	2,160	5,461	5,392	4,472	542	(112)	11,283
Other	-	113	-	7	120	65	9	198	-	383
Total	**41,765**	**142,326**	**337,338**	**195,862**	**717,291**	**183,633**	**104,881**	**165,141**	**(20,951)**	**1,045,114**

*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.

All amounts are in ISK million

40. Collateral types

The following tables show the different types of collateral held by the Group against credit exposures. Residential property is the principal collateral held against loans to individuals. Construction projects and commercial property are the main real estate collateral held against loans to corporates. The collateral value amounts are assigned to claim value amounts. The value of each individual collateral item held can not exceed the maximum credit exposure of the corresponding individual claim. Changes in collateral value amounts between periods result either from changes in the underlying value of collateral or changes in the credit exposure.

As at 31 March 2017	Real estate	Vessels	Deposits	Securities	Other*	Total
Public entities	5,248	-	40	-	116	5,404
Individuals	281,492	218	588	2,705	14,121	299,124
Corporates	**286,745**	**93,407**	**3,137**	**62,007**	**105,393**	**550,689**
Fisheries	11,356	90,745	141	14,091	20,657	136,990
Construction companies	68,987	81	1,417	6	7,401	77,892
Real estate companies	112,337	22	259	510	869	113,997
Holding companies	2,917	-	61	36,033	1,341	40,352
Retail	21,271	11	194	1,101	25,283	47,860
Services	52,574	2,492	712	146	27,902	83,826
Information, technology and communication	477	-	149	6,298	7,107	14,031
Manufacturing	10,322	51	183	3,822	12,342	26,720
Agriculture	6,504	5	5	-	2,491	9,005
Other	-	-	16	-	-	16
Total	**573,485**	**93,625**	**3,765**	**64,712**	**119,630**	**855,217**

As at 31 December 2016	Real estate	Vessels	Deposits	Securities	Other*	Total
Public entities	1,692	-	41	-	123	1,856
Individuals	270,629	221	584	3,262	14,024	288,720
Corporates	**271,474**	**93,714**	**3,835**	**57,720**	**102,542**	**529,285**
Fisheries	12,010	91,101	152	16,205	20,948	140,416
Construction companies	71,513	81	823	2,240	6,586	81,243
Real estate companies	107,642	23	265	440	599	108,969
Holding companies	5,528	-	870	26,572	507	33,477
Retail	16,161	11	562	1,066	23,981	41,781
Services	40,368	2,443	640	1,651	28,078	73,180
Information, technology and communication	603	-	121	5,738	7,375	13,837
Manufacturing	10,104	50	384	3,808	12,023	26,369
Agriculture	7,545	5	2	-	2,332	9,884
Other	-	-	16	-	113	129
Total	**543,795**	**93,935**	**4,460**	**60,982**	**116,689**	**819,861**

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

41. Loans and advances credit monitoring

The following tables show the credit risk monitoring split by colour classification.

As at 31 March 2017	Green	Yellow	Orange	Red	Carrying amount
Financial institutions	70,230	-	-	-	70,230
Public entities	11,763	498	1	280	12,542
Individuals	297,181	11,589	15,283	5,270	329,323
Corporates	**479,966**	**27,991**	**12,094**	**10,434**	**530,485**
Fisheries	115,495	3,825	1,585	328	121,233
Construction companies	64,062	2,214	1,534	577	68,387
Real estate companies	101,338	9,881	3,069	1,670	115,958
Holding companies	38,222	895	498	85	39,700
Retail	42,423	1,829	1,418	863	46,533
Services	73,984	5,236	3,406	2,611	85,237
Information, technology and communication	19,898	127	81	24	20,130
Manufacturing	18,970	1,059	279	4,185	24,493
Agriculture	5,573	2,925	224	91	8,813
Other	1	-	-	-	1
Total	**859,140**	**40,078**	**27,378**	**15,984**	**942,580**

All amounts are in ISK million

41. Loans and advances credit monitoring (continued)

As at 31 December 2016	Green	Yellow	Orange	Red	Carrying amount
Financial institutions	20,408	-	-	-	20,408
Public entities	8,992	470	55	266	9,783
Individuals	286,877	11,503	16,573	5,737	320,690
Corporates	**463,201**	**36,014**	**13,006**	**10,723**	**522,944**
Fisheries	119,346	3,297	660	323	123,626
Construction companies	68,720	4,714	899	629	74,962
Real estate companies	94,970	12,378	3,940	2,077	113,365
Holding companies	38,654	1,069	646	121	40,490
Retail	37,072	2,994	1,339	830	42,235
Services	62,064	5,983	4,147	2,549	74,743
Information, technology and communication	18,646	406	140	28	19,220
Manufacturing	17,745	1,796	469	4,157	24,167
Agriculture	5,983	3,377	766	9	10,135
Other	1	-	-	-	1
Total	**779,478**	**47,987**	**29,634**	**16,726**	**873,825**

42. Credit quality of financial assets

	Gross carrying amount					
As at 31 March 2017	Neither past due nor individually impaired	Past due but not individually impaired	Individually impaired	Total	Allowance for impairment	Carrying amount
Cash and balances with Central Bank	35,826	-	-	35,826	-	35,826
Bonds and debt instruments	147,912	80	-	147,992	-	147,992
Derivative instruments	536	-	-	536	-	536
Loans and advances to financial institutions	70,230	-	-	70,230	-	70,230
Loans and advances to customers	842,284	16,831	32,530	891,645	(19,295)	872,350
Other financial assets	7,505	-	-	7,505	-	7,505
Total	**1,104,293**	**16,911**	**32,530**	**1,153,734**	**(19,295)**	**1,134,439**
As at 31 December 2016						
Cash and balances with Central Bank	30,662	-	-	30,662	-	30,662
Bonds and debt instruments	154,731	161	-	154,892	-	154,892
Derivative instruments	278	-	-	278	-	278
Loans and advances to financial institutions	20,408	-	-	20,408	-	20,408
Loans and advances to customers	815,881	24,437	34,050	874,368	(20,951)	853,417
Other financial assets	6,528	-	-	6,528	-	6,528
Total	**1,028,488**	**24,598**	**34,050**	**1,087,136**	**(20,951)**	**1,066,185**

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

43. 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.

	Rating grades					
As at 31 March 2017	10-7	6-4	3-1	0	Unrated	Gross carrying amount
Financial institutions	70,230	-	-	-	-	70,230
Public entities	6,445	5,855	-	-	-	12,300
Individuals	116,391	161,410	37,307	99	967	316,174
Corporates	**42,310**	**411,042**	**57,248**	**1,437**	**1,773**	**513,810**
Fisheries	12,352	96,164	11,896	-	-	120,412
Construction companies	378	54,588	12,531	20	153	67,670
Real estate companies	180	97,409	13,793	790	789	112,961
Holding companies	-	34,654	4,491	-	200	39,345
Retail	11,933	30,212	2,774	245	21	45,185
Services	11,894	58,021	9,078	163	376	79,532
Information, technology and communication	222	19,679	235	14	-	20,150
Manufacturing	4,450	13,817	1,617	205	33	20,122
Agriculture	901	6,497	833	-	201	8,432
Other	-	1	-	-	-	1
Total	**235,376**	**578,307**	**94,555**	**1,536**	**2,740**	**912,514**

All amounts are in ISK million

43. Loans and advances neither past due nor individually impaired (continued)

As at 31 December 2016	Rating grades 10-7	6-4	3-1	0	Unrated	Gross carrying amount
Financial institutions	20,408	-	-	-	-	20,408
Public entities	6,448	3,029	32	5	-	9,514
Individuals	112,366	154,564	36,527	339	914	304,710
Corporates	**35,410**	**423,118**	**41,078**	**1,274**	**777**	**501,657**
Fisheries	12,655	105,283	4,869	35	-	122,842
Construction companies	257	65,878	7,442	8	72	73,657
Real estate companies	172	97,199	8,154	884	341	106,750
Holding companies	-	34,503	4,769	-	245	39,517
Retail	9,976	27,667	2,978	253	21	40,895
Services	6,947	53,077	9,254	42	54	69,374
Information, technology and communication	227	18,583	358	12	-	19,180
Manufacturing	4,395	13,517	1,789	40	-	19,741
Agriculture	781	7,410	1,465	-	44	9,700
Other	-	1	-	-	-	1
Total	**174,632**	**580,711**	**77,637**	**1,618**	**1,691**	**836,289**

44. 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.

As at 31 March 2017	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	-	1	-	-	-	1
Individuals	105	4,734	3,917	647	1,084	10,487
Corporations	340	2,309	2,092	415	1,187	6,343
Total	**445**	**7,044**	**6,009**	**1,062**	**2,271**	**16,831**
As at 31 December 2016						
Public entities	-	-	-	50	-	50
Individuals	2,459	4,561	3,134	1,241	1,509	12,904
Corporations	4,932	3,307	1,143	643	1,458	11,483
Total	**7,391**	**7,868**	**4,277**	**1,934**	**2,967**	**24,437**

All amounts are in ISK million

45. Loans and advances by industry sectors

The tables below show credit exposure, allowances and impairment by industry sectors and customer segment.

				Individually impaired				
				Of which performing		Of which non-performing*		
As at 31 March 2017	Gross carrying amount	Gross not individually impaired	Collective allowance	Gross carrying amount	Individual allowance	Gross carrying amount	Individual allowance	Carrying amount
Financial institutions	70,230	70,230	-	-	-	-	-	70,230
Public entities	12,766	12,302	(41)	-	-	464	(183)	12,542
Individuals	334,506	326,658	(1,263)	1,929	(643)	5,918	(3,276)	329,323
Corporates	**544,373**	**520,155**	**(2,271)**	**10,615**	**(4,630)**	**13,604**	**(6,988)**	**530,485**
Fisheries	121,775	120,973	(221)	264	(55)	539	(267)	121,233
Construction companies	70,247	68,291	(547)	635	(559)	1,321	(754)	68,387
Real estate companies	118,187	114,078	(444)	1,868	(895)	2,242	(891)	115,958
Holding companies	40,207	39,701	(190)	61	(10)	444	(306)	39,700
Retail	47,532	45,942	(224)	773	(274)	817	(501)	46,533
Services	91,501	81,776	(389)	4,225	(2,217)	5,502	(3,660)	85,237
Information, technology and communication	20,274	20,213	(107)	51	(29)	10	(8)	20,130
Manufacturing	25,726	20,322	(92)	2,738	(591)	2,665	(549)	24,493
Agriculture	8,923	8,858	(57)	-	-	64	(52)	8,813
Other	1	1	-	-	-	-	-	1
Total	**961,875**	**929,345**	**(3,575)**	**12,544**	**(5,273)**	**19,986**	**(10,447)**	**942,580**

				Individually impaired				
				Of which performing		Of which non-performing*		
As at 31 December 2016	Gross carrying amount	Gross not individually impaired	Collective allowance	Gross carrying amount	Individual allowance	Gross carrying amount	Individual allowance	Carrying amount
Financial institutions	20,408	20,408	-	-	-	-	-	20,408
Public entities	10,028	9,565	(48)	-	-	464	(198)	9,783
Individuals	326,844	317,614	(1,499)	2,170	(738)	7,059	(3,916)	320,690
Corporates	**537,496**	**513,139**	**(2,476)**	**9,953**	**(4,446)**	**14,404**	**(7,630)**	**522,944**
Fisheries	124,094	123,314	(145)	326	(71)	452	(250)	123,626
Construction companies	76,897	74,802	(537)	635	(530)	1,460	(867)	74,963
Real estate companies	115,922	111,727	(667)	1,717	(817)	2,478	(1,074)	113,364
Holding companies	41,148	40,503	(251)	156	(35)	489	(372)	40,490
Retail	43,436	41,629	(224)	756	(291)	1,050	(685)	42,235
Services	80,833	71,762	(401)	3,601	(2,029)	5,471	(3,661)	74,743
Information, technology and communication	19,383	19,308	(115)	27	(6)	49	(43)	19,220
Manufacturing	25,535	19,929	(91)	2,695	(632)	2,912	(646)	24,167
Agriculture	10,247	10,164	(45)	40	(35)	43	(32)	10,135
Other	1	1	-	-	-	-	-	1
Total	**894,776**	**860,726**	**(4,023)**	**12,123**	**(5,184)**	**21,927**	**(11,744)**	**873,825**

*Non-performing past due more than 90 days

All amounts are in ISK million

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

	1.1-31.3.2017			1.1-31.3-2016		
	Individual allowance	Collective allowance	Total	Individual allowance	Collective allowance	Total
Balance at the beginning of the year	(16,928)	(4,023)	(20,951)	(28,200)	(5,457)	(33,657)
New provisions	(1,125)	-	(1,125)	(3,054)	-	(3,054)
Reversals	1,357	448	1,805	3,316	52	3,368
Provisions used to cover write-offs	976	-	976	4,249	-	4,249
Balance at the end of the period	**(15,720)**	**(3,575)**	**(19,295)**	**(23,689)**	**(5,405)**	**(29,094)**

	1.1-31.3.2017			1.1-31.3-2016		
	Customers	Financials	Total	Customers	Financials	Total
New provisions	(1,125)	-	(1,125)	(3,054)	-	(3,054)
Write-offs	(1,362)	-	(1,362)	(4,669)	-	(4,669)
Provisions used to cover write-offs	976	-	976	4,249	-	4,249
Reversals	1,805	-	1,805	3,368	-	3,368
Recoveries	642	-	642	417	-	417
Translation difference	88	-	88	-	-	0
Net impairment loss for the period	**1,024**	**0**	**1,024**	**311**	**0**	**311**

47. Large exposures

As at 31 March 2017, three customer groups were rated as large exposures in accordance with FME's Rules on Large Exposures Incurred by Financial Undertakings, No. 625/2013. Customers 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. No exposure, after credit risk mitigation, may exceed 25% of the capital base. The following table shows the Group's large exposures after credit mitigation:

As at 31 March 2017	Number of large exposures	Large exposures
Large exposures between 10% and 20% of the Group's capital base	2	56,045
Large exposures between 0% and 10% of the Group's capital base	1	-
Total	**3**	**56,045**
Total large exposures to capital base		24%
As at 31 December 2016		
Large exposures between 10% and 20% of the Group's capital base	2	51,310
Large exposures between 0% and 10% of the Group's capital base	1	-
Total	**3**	**51,310**
Total large exposures to capital base		20%

All amounts are in ISK million

48. Offsetting financial assets and financial liabilities

The following table shows reconciliation to the net amounts of financial assets and financial liabilities. Those financial assets and financial liabilities are subject to offsetting, enforceable master netting agreements and similar agreements.

As at 31 March 2017

Financial assets subject to offsetting, enforceable master netting arrangement and similar agreements

	Financial assets subject to netting agreements			Netting not recognised on balance sheet				
Types of financial assets	Financial assets	Financial liabilities	Net amount	Financial liabilities	Collateral received	Net financial assets with netting agreements	Financial assets not subject to netting agreements	Net amount on balance sheet
Derivatives	523	-	523	(109)	(220)	194	13	536

Financial liabilities subject to offsetting, enforceable master netting arrangement and similar agreements

	Financial liabilities subject to netting agreements			Netting not recognised on balance sheet				
Types of financial liabilites	Financial liabilities	Financial assets	Net amount	Financial assets	Collateral pledged	Net financial liabilities with netting agreements	Financial liabilities not subject to netting agreements	Net amount on balance sheet
Derivatives	(1,814)	-	(1,814)	109	406	(1,300)	(95)	(1,910)
Short positions	(517)	-	(517)	-	517	-	-	(517)
Total	**(2,331)**	**0**	**(2,331)**	**109**	**923**	**(1,300)**	**(95)**	**(2,427)**

As at 31 December 2016

Financial assets subject to offsetting, enforceable master netting arrangement and similar agreements

	Financial assets subject to netting agreements			Netting not recognised on balance sheet				
Types of financial assets	Financial assets	Financial liabilities	Net amount	Financial liabilities	Collateral received	Net financial assets with netting agreements	Financial assets not subject to netting agreements	Net amount on balance sheet
Derivatives	265	-	265	(79)	(46)	140	13	278

Financial liabilities subject to offsetting, enforceable master netting arrangement and similar agreements

	Financial liabilities subject to netting agreements			Netting not recognised on balance sheet				
Types of financial liabilities	Financial liabilities	Financial assets	Net amount	Financial assets	Collateral pledged	Net financial liabilities with netting agreements	Financial liabilities not subject to netting agreements	Net amount on balance sheet
Derivatives	(1,090)	-	(1,090)	79	117	(894)	(93)	(1,183)
Short positions	(546)	-	(546)	-	546	-	-	(546)
Total	**(1,636)**	**0**	**(1,636)**	**79**	**663**	**(894)**	**(93)**	**(1,729)**

All amounts are in ISK million

Liquidity risk

49. Liquidity risk management

As of 31 March 2017, the Group complies with the Central Bank's new rules on Liquidity Coverage Requirements, No. 266/2017, which supersede the previous rules from 2013, No. 1031/2014. The Group also complies with rules on funding foreign currencies, No. 1032/2014, and follows guidelines No. 2/2010 from the Icelandic Financial Supervisory Authority (FME), on best practice for managing liquidity in banking organisations. The liquidity rules require the Group to maintain a minimum total LCR of 100% and 100% for foreign currencies. The funding rules require a minimum of 100% NSFR in foreign currencies for year 2017. The Group submits monthly reports on its liquidity and funding position to the Central Bank of Iceland and the FME.

The key indicator of short-term liquidity risk is measured by the liquidity coverage ratio (LCR) which shows the ratio of high quality liquid assets to expected total net cash outflows over the next 30 days under a specified stress scenario. High quality liquid assets are comprised of cash at hand, balances with central banks, assets eligible for repo transactions with central banks and zero percent risk-weighted foreign government bonds. Estimated inflow and outflow weights, according to liquidity rules No. 266/2017, are applied to the total balance amount for each asset and liability group measured in the ratio, reflecting the next 30 calendar days. The estimated cash inflow that can offset estimated cash outflow is capped at 75% in order to prevent banks from over-relying on the inflow. Calculations of the ratio are shown in the following table:

	Total		Foreign currencies	
Liquidity coverage ratio 31.3.2017	**Unweighted**	**Weighted**	**Unweighted**	**Weighted**
Level 1 liquid assets	126,790	126,790	20,194	20,194
Level 2 liquid assets	-	-	-	-
Information items	12,627	-	11,606	-
Total liquid assets	**139,417**	**126,790**	**31,800**	**20,194**
Deposits	395,485	107,279	36,245	13,582
Borrowing	2,860	2,860	-	-
Other outflows	178,622	54,686	74,790	39,193
Total outflows (0-30 days)	**576,967**	**164,825**	**111,035**	**52,775**
Loans and advances to financial institutions	69,532	65,622	69,475	65,608
Other inflows	40,716	18,742	15,092	7,778
Limit on inflows	-	-	-	(33,805)
Total inflows (0-30 days)	**110,248**	**84,364**	**84,567**	**39,581**
Total net cash outflow (0-30 days)		**80,460**		**13,194**
Liquidity coverage ratio		**158%**		**153%**

	Total		Foreign currencies	
Liquidity coverage ratio 31.12.2016	**Unweighted**	**Weighted**	**Unweighted**	**Weighted**
Level 1 liquid assets	143,977	143,977	26,221	26,221
Level 2 liquid assets and information items	28,749	5,589	11,177	5,589
Total liquid assets	**172,726**	**149,566**	**37,398**	**31,810**
Deposits	391,508	123,148	36,126	14,123
Borrowing	2,787	2,787	447	447
Other outflows	173,532	31,002	29,879	2,561
Total outflows (0-30 days)	**567,827**	**156,937**	**66,452**	**17,131**
Loans and advances to financial institutions	18,707	16,732	18,680	16,704
Other inflows	54,673	23,547	28,642	14,317
Limit on inflows	-	-	-	(18,173)
Total inflows (0-30 days)	**73,380**	**40,279**	**47,322**	**12,848**
Liquidity coverage ratio		**128%**		**743%**

The following table shows the composition of the Group´s liquidity reserve which is combined of high quality liquid assets as defined in liquidity rules nr. 266/2017 as well as readily available loans and advances to financial institutions.

Liquidity reserves as at 31 March 2017	**Total**	**Foreign currencies**
Cash and balances with the Central Bank	12,267	1,440
Domestic bonds and debt instruments eligible as collateral at the Central Bank	95,770	-
Foreign government bonds with 0% risk weight	18,753	18,754
High quality liquidity assets	**126,790**	**20,194**
Loans and advances to financial institutions	69,532	69,475
Total liquidity reserves	**196,322**	**89,669**

The Group measures the net stable funding ratio (NSFR) as another key indicator for longer-term liquidity risk. The following table shows the values of the NSFR for foreign currencies and NSFR total as at 31 March 2017 and 31 December 2016:

	As at 31 March 2017	**As at 31 December 2016**
Net stable funding ratio FX	159%	154%
Net stable funding ratio total	122%	123%

All amounts are in ISK million

50. Encumbered assets

The following tables show the Group's total encumbered and unencumbered assets as at 31 March 2017 and 31 December 2016.

	Collateral pledged against				
As at 31 March 2017	Covered bonds	Issued bonds to LBI hf.	Other*	Un-encumbered	Total
Cash and balances with Central Bank	1,092	-	-	34,734	35,826
Bonds and debt instruments	-	-	10,537	137,455	147,992
Equities and equity instruments	-	-	-	30,868	30,868
Derivative instruments	-	-	-	536	536
Loans and advances to financial institutions	-	-	2,203	68,027	70,230
Loans and advances to customers	62,704	23,153	-	786,493	872,350
Investments in equity-accounted associates	-	-	-	1,199	1,199
Property and equipment	-	-	-	5,372	5,372
Intangible assets	-	-	-	2,649	2,649
Other assets	-	-	-	9,253	9,253
Assets classified as held for sale	-	-	-	6,192	6,192
Total	**63,796**	**23,153**	**12,740**	**1,082,778**	**1,182,467**

	Collateral pledged against				
As at 31 December 2016	Covered bonds	Issued bonds to LBI hf.	Other*	Un-encumbered	Total
Cash and balances with Central Bank	96	-	-	30,566	30,662
Bonds and debt instruments	-	-	8,562	146,330	154,892
Equities and equity instruments	-	-	-	26,688	26,688
Derivative instruments	-	-	-	278	278
Loans and advances to financial institutions	-	-	1,970	18,438	20,408
Loans and advances to customers	52,810	60,800	-	739,807	853,417
Investments in equity-accounted associates	-	-	-	1,184	1,184
Property and equipment	-	-	-	5,452	5,452
Intangible assets	-	-	-	2,634	2,634
Other assets	-	-	-	8,093	8,093
Assets classified as held for sale	-	-	-	7,449	7,449
Total	**52,906**	**60,800**	**10,532**	**986,919**	**1,111,157**

*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 GMRA and ISDA master agreements and other pledges of similar nature.

Market risk

51. Market risk management

The following table summarises the Group's exposure to market risk as at 31 March 2017 and December 2016.

	31.3.2017	31.12.2016
Market risk factor	% of RWA	% of RWA
Equity price risk	1.0%	1.1%
Interest rate risk	0.4%	0.4%
Foreign exchange risk	0.3%	0.5%
Total	**1.7%**	**2.0%**

The currency risk in the Groups trading portfolios is disclosed together with that in its non-trading portfolios in Notes 55-56.

52. Equity price risk

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

The Group's equity trading portfolio is comprised of proprietary trading positions and exposures due to market making, including equity derivatives and hedging positions, in listed ISK equities. The Group's non-trading portfolio contains listed and unlisted equities as part of asset and liability management. Further details are disclosed in Note 20.

All amounts are in ISK million

53. 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 21. The amounts presented are categorised by the earlier of either the contractual repricing or the maturity date.

As at 31 March 2017	Up to 3 months	3-12 months	1-5 years	Over 5 years	Carrying amount
Financial assets					
Cash and balances with Central Bank	35,826	-	-	-	35,826
Bonds and debt instruments	122,562	3,802	11,145	10,483	147,992
Derivative instruments	536	-	-	-	536
Loans and advances to financial institutions	68,105	2,125	-	-	70,230
Loans and advances to customers	670,224	61,197	96,028	44,901	872,350
Other financial assets	7,505	-	-	-	7,505
Total	**904,758**	**67,124**	**107,173**	**55,384**	**1,134,439**
Financial liabilities					
Due to financial institutions and Central Bank	(31,613)	-	-	-	(31,613)
Deposits from customers	(587,194)	(5,874)	(1,497)	-	(594,565)
Derivative instruments and short positions	(1,918)	(8)	(73)	(428)	(2,427)
Borrowings	(52,423)	(16,026)	(152,039)	(24,161)	(244,649)
Other financial liabilities	(44,743)	-	-	-	(44,743)
Subordinated liabilities	(237)	(153)	-	-	(390)
Total	**(718,128)**	**(22,061)**	**(153,609)**	**(24,589)**	**(918,387)**
Net on-balance sheet position	186,630	45,063	(46,436)	30,795	216,052
Effect of derivatives held for risk management	36,270	0	(36,270)	0	
Net off-balance sheet position	(821)	821	0	0	
Total interest repricing gap	**222,079**	**45,884**	**(82,706)**	**30,795**	

As at 31 December 2016	Up to 3 months	3-12 months	1-5 years	Over 5 years	Carrying amount
Financial assets					
Cash and balances with Central Bank	30,662	-	-	-	30,662
Bonds and debt instruments	131,569	3,212	10,012	10,099	154,892
Derivative instruments	278	-	-	-	278
Loans and advances to financial institutions	18,748	1,660	-	-	20,408
Loans and advances to customers	625,538	100,029	78,192	49,658	853,417
Other financial assets	6,528	-	-	-	6,528
Total	**813,323**	**104,901**	**88,204**	**59,757**	**1,066,185**
Financial liabilities					
Due to financial institutions and Central Bank	(20,093)	-	-	-	(20,093)
Deposits from customers	(583,092)	(5,022)	(1,517)	(94)	(589,725)
Derivative instruments and short positions	(1,183)	(17)	(74)	(455)	(1,729)
Borrowings	(79,316)	(14,009)	(109,785)	(20,834)	(223,944)
Other financial liabilities	(7,206)	-	-	-	(7,206)
Subordinated liabilities	(238)	(150)	-	-	(388)
Total	**(691,128)**	**(19,198)**	**(111,376)**	**(21,383)**	**(843,085)**
Net on-balance sheet position	122,195	85,703	(23,172)	38,374	223,100
Net off-balance sheet position	153	(153)	0	0	
Total interest repricing gap	**122,348**	**85,550**	**(23,172)**	**38,374**	

for the three months ended 31 March 2017 42 All amounts are in ISK million

54. CPI indexation risk (all portfolios)

The consumer price index (CPI) indexation risk is the risk that the fair value or future cash flows of CPI-linked financial instruments may fluctuate due to changes in the Icelandic CPI. The Group has a considerable imbalance in its CPI-linked assets and liabilities. To mitigate this imbalance the Bank offers non-CPI-linked loans, CPI-linked deposits, CPI-linked secured bonds as well as CPI-linked interest rate swaps.

CPI indexation risk is managed centrally within the Group by Treasury, and is monitored by Market Risk. The following table summarizes the Group's CPI imbalance, calculated as the difference between CPI-linked financial assets and liabilities, as at 31 March 2017 and 31 December 2016.

Carrying amount	31.3.2017	31.12.2016
Assets		
Bonds and debt instruments	11,759	10,518
Loans and advances to financial institutions	1,704	1,660
Loans and advances to customers	332,469	319,013
Total	**345,932**	**331,191**
Liabilities		
Due to financial institutions and Central Bank	(162)	(160)
Deposits from customers	(103,349)	(102,417)
Short positions	(424)	(546)
Borrowings	(24,161)	(20,833)
Subordinated liabilities	(284)	(278)
Total	**(128,380)**	**(124,234)**
Total on-balance sheet position	217,553	206,955
Total off-balance sheet position	(1,846)	63
Total CPI indexation balance	**215,707**	**207,018**

55. Currency risk (all portfolios)

The Group follows 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 its capital base, in each currency and for all currencies combined. The Group 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 31 March 2017 was +0.76% of the Group's capital base (31.12.2016: +1.38%).

56. Concentration of currency risk

The following tables summarise the Group's exposure to currency risk as at 31 March 2017 and 31 December 2016. The off-balance sheet amounts shown are the notional amounts of the Group's derivative instruments.

Amounts presented under assets and liabilities include all spot deals as at 31 March 2017 and 31 December 2016. When managing currency risk the Group regards spot deals as non-derivative assets or liabilities.

As at 31 March 2017	EUR	GBP	USD	JPY	CHF	Other	Total
Assets							
Cash and balances with Central Bank	570	218	348	19	46	296	1,497
Bonds and debt instruments	6,107	1,427	21,885	-	-	-	29,419
Equities and equity instruments	-	-	1	-	-	-	1
Derivative instruments	44	57	293	-	-	7	401
Loans and advances to financial institutions	50,334	2,649	4,705	109	52	10,052	67,901
Loans and advances to customers	101,710	3,865	46,610	4,590	4,024	6,021	166,820
Other assets	739	50	1	-	-	262	1,052
Total	**159,504**	**8,266**	**73,843**	**4,718**	**4,122**	**16,638**	**267,091**
Liabilities							
Due to financial institutions and Central Bank	(126)	(35)	(26)	-	-	(41)	(228)
Deposits from customers	(27,023)	(9,590)	(14,772)	(186)	(215)	(3,169)	(54,955)
Derivative instruments and short positions	(627)	(302)	(373)	-	-	(186)	(1,488)
Borrowings	(136,251)	-	(18,102)	-	-	(25,261)	(179,614)
Other liabilities	(37,046)	(206)	(621)	-	(4)	(318)	(38,195)
Subordinated liabilities	-	-	-	(50)	(37)	-	(87)
Total	**(201,073)**	**(10,133)**	**(33,894)**	**(236)**	**(256)**	**(28,975)**	**(274,567)**
Net on-balance sheet position	(41,568)	(1,866)	39,949	4,482	3,866	(12,337)	**(7,474)**
Net off-balance sheet position	41,943	1,879	(39,309)	(4,388)	(3,717)	12,847	**9,255**
Net currency position	**375**	**13**	**640**	**94**	**149**	**510**	**1,781**

All amounts are in ISK million

56. Concentration of currency risk (continued)

As at 31 December 2016	EUR	GBP	USD	JPY	CHF	Other	Total
Assets							
Cash and balances with Central Bank	358	175	287	16	32	225	1,093
Bonds and debt instruments	10,803	6,296	18,426	-	-	-	35,525
Equities and equity instruments	50	-	59	-	-	6	115
Derivative instruments	57	56	115	-	-	5	233
Loans and advances to financial institutions	10,783	2,075	3,004	302	17	2,502	18,683
Loans and advances to customers	93,433	3,808	61,063	4,481	4,058	6,772	173,615
Other assets	789	-	6	-	-	252	1,047
Total	**116,273**	**12,410**	**82,960**	**4,799**	**4,107**	**9,762**	**230,311**
Liabilities							
Due to financial institutions and Central Bank	(22)	(43)	(32)	-	-	(26)	(123)
Deposits from customers	(27,390)	(11,648)	(12,558)	(200)	(872)	(3,508)	(56,176)
Derivative instruments and short positions	(117)	(327)	(498)	-	-	(187)	(1,129)
Borrowings	(98,786)	-	(50,122)	-	-	(24,896)	(173,804)
Other liabilities	(1,118)	(111)	(810)	(2)	(18)	(569)	(2,628)
Subordinated liabilities	-	-	-	(48)	(37)	-	(85)
Total	**(127,433)**	**(12,129)**	**(64,020)**	**(250)**	**(927)**	**(29,186)**	**(233,945)**
Net on-balance sheet position	(11,160)	281	18,940	4,549	3,180	(19,424)	**(3,634)**
Net off-balance sheet position	13,989	(238)	(18,631)	(4,490)	(3,063)	19,547	**7,114**
Net currency position	**2,829**	**43**	**309**	**59**	**117**	**123**	**3,480**

57. Foreign exchange rates used

The following foreign exchange rates were used by the Group:

	As at 31 March 2016	As at 31 December 2016	% change	Average for 1.1-31.3 2017	Average for 1.1-31.3 2016
EUR/ISK	120.90	119.20	1.4%	119.46	141.18
GBP/ISK	141.67	139.69	1.4%	139.72	184.13
USD/ISK	113.03	113.05	0.0%	111.97	128.53
JPY/ISK	1.01	0.97	4.1%	0.99	1.10
CHF/ISK	113.04	111.25	1.6%	111.88	129.36
CAD/ISK	84.82	84.28	0.6%	84.49	94.44
DKK/ISK	16.26	16.03	1.4%	16.07	18.93
NOK/ISK	13.18	13.13	0.4%	13.27	14.90
SEK/ISK	12.65	12.44	1.7%	12.53	15.26

for the three months ended 31 March 2017 44 All amounts are in ISK million

Consolidated Key Figures

58. Operations by quarters

	2017	2016			
Operations	**Q1**	**Q4***	**Q3**	**Q2**	**Q1**
Interest income	14,545	16,241	15,528	18,071	14,772
Interest expense	(6,527)	(7,798)	(6,932)	(7,926)	(7,306)
Net interest income	**8,018**	**8,443**	**8,596**	**10,145**	**7,466**
Reversals of loss from foreign currency linkage of loans and advances to customers	755	(5,435)	-	-	-
Net impairment gain (loss)	1,024	379	2,144	1,964	311
Reversal of impairment of guarantees	-	319	-	-	-
Net adjustments in valuation	**1,779**	**(4,737)**	**2,144**	**1,964**	**311**
Net interest income after net adjustments in valuation	**9,797**	**3,706**	**10,740**	**12,109**	**7,777**
Fee and commission income	2,795	2,638	2,634	2,487	2,531
Fee and commission expense	(679)	(738)	(619)	(573)	(551)
Net fee and commission income	**2,116**	**1,900**	**2,015**	**1,914**	**1,980**
Net gain (loss) on financial assets and liabilities	3,263	958	(534)	1,042	289
Net foreign exchange gain (loss)	(365)	(212)	25	(154)	162
Other income and (expenses)	902	656	864	2,150	1,313
Other net operating income	**3,800**	**1,402**	**355**	**3,038**	**1,764**
Total operating income	**15,713**	**7,008**	**13,110**	**17,061**	**11,521**
Salaries and related expenses	3,491	3,640	3,096	3,559	3,754
Other operating expenses	2,426	2,292	2,230	2,444	2,499
Total operating expenses	**5,917**	**5,932**	**5,326**	**6,003**	**6,253**
Profit before tax	**9,796**	**1,076**	**7,784**	**11,058**	**5,268**
Income tax	(1,395)	(130)	(1,937)	(2,288)	(1,215)
Tax on liabilities of financial institutions	(825)	(703)	(745)	(787)	(738)
Profit for the period	**7,576**	**243**	**5,102**	**7,983**	**3,315**

Balance sheet	**31.3.2017**	**31.12.2016**	**30.9.2016**	**30.6.2016**	**31.3.2016**
Cash and cash balances with Central Bank	35,826	30,662	52,822	43,997	23,228
Bonds and debt instruments	147,992	154,892	168,029	157,898	195,175
Equities and equity instruments	30,868	26,688	30,896	29,042	29,381
Loans and advances to financial institutions	70,230	20,408	16,835	21,885	15,221
Loans and advances to customers	872,350	853,417	837,494	827,241	814,669
Other assets	19,009	17,641	19,653	21,523	21,255
Assets classified as held for sale	6,192	7,449	8,073	8,258	7,771
Total assets	**1,182,467**	**1,111,157**	**1,133,802**	**1,109,844**	**1,106,700**
Due to financial institutions and Central Bank	31,613	20,093	41,307	34,643	42,606
Deposits from customers	594,565	589,725	583,715	556,841	545,208
Borrowings	244,649	223,944	220,800	220,837	217,658
Other liabilities	76,261	24,681	34,913	48,310	31,445
Liabilities associated with assets classified as held for sale	1,095	1,095	1,514	1,510	1,305
Subordinated liabilities	390	388	407	412	632
Equity	233,894	251,231	251,146	247,291	267,846
Total liabilities and equity	**1,182,467**	**1,111,157**	**1,133,802**	**1,109,844**	**1,106,700**

*The first quarter result for the year 2017 and the three quarter results for the year 2016 were reviewd by the Bank's independent auditors.

All amounts are in ISK million

Consolidated Key Figures

59. Key figures and ratios

	2017	2016			
	Q1	Q4	Q3	Q2	Q1
Return on equity before taxes	16.2%	1.7%	12.5%	17.2%	7.9%
Return on equity after taxes	12.5%	0.4%	8.2%	12.4%	5.0%
Capital adequacy ratio	27.4%	30.2%	29.1%	28.9%	31.2%
Cost-income ratio	42.5%	50.7%	48.9%	40.8%	55.8%
Operating expenses as a ratio of average total assets	2.1%	2.1%	1.9%	2.2%	2.2%
Interest spread	2.2%	2.2%	2.4%	2.8%	1.9%
Loans / deposits	146.7%	144.7%	143.5%	148.6%	149.4%
Deposits / total assets	50.3%	53.1%	51.5%	50.2%	49.3%
Number of full-time positions at the end of the period	1,000	1,012	1,043	1,040	1,063
Earnings per share	0.32	0.01	0.21	0.34	0.14
Leverage ratio	17.7%	20.3%	20.0%		
Liquidity coverage ratio (LCR)	158%	128%	140%	123%	134%
Net stable funding ratio (NSFR)	159%	154%	149%	145%	133%

Key figures and ratios	Definition
Return on equity before taxes	Profit before taxes / average total equity
Return on equity after taxes	Profit after taxes / average total equity
Adjusted return on equity after taxes	(Profit after taxes - tax on liabilities of financial institutions - positive net valuations *0,74) / average total equity
Total capital ratio	Capital base (CET1 + AT1 + T2) / risk-weighted assets
Cost-income ratio	Total operating expenses / (total operating income - net valuation adjustments)
Operating expenses as a ratio of average total assets	Total operating expenses as a ratio of average total assets
Interest spread as a ratio of assets and liabilities	(Interest income / average total assets) - (interest expenses / average total liabilities)
Loans / deposits	Loans and advances to customers/ deposits from customers
Deposits / total assets	Deposits from customers/ total assets
Number of full-time equivalent positions at the end of the period	Number of full-time equivalent positions at the end of the period
Earnings per share	Profit for the period attributable to owners of the Bank / Weighted average number of shares outstanding
Common equity Tier 1 capital (CET1)	Total equity - deductions (intangible assets, deferred tax assets)
Additional common equity Tier 1 capital (AT1)	Capital instruments under Tier 1 other than (CET1)
Tier 1 capital (T1)	Common equity Tier 1 capital + additional common equity Tier 1 capital
Tier 2 capital (T2)	Common equity Tier 1 capital + additional common equity Tier 1 capital + subordinated liabilities - regulatory amortisation + general credit risk adjustment
Leverage ratio	Common equity Tier 1 capital + additional common equity Tier 1 capital / (total assets + off balance sheet items)
Liquidity coverage ratio (LCR)	High quality liquid assets / total net liquidity outflows over 30 days
Net stable funding ratio (NSFR)	Available amount of stable funding / required amount of stable funding

All amounts are in ISK million