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# Condensed Consolidated Interim Financial Statements

For the three months ended 31 March 2016

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

The Condensed Consolidated Interim Financial Statements of Landsbankinn hf. ("the Bank" or "Landsbankinn") for the first three months of 2016 include the Bank and its subsidiaries (collectively referred to as "the Group").

Landsbankinn hf. was established on 7 October 2008. The Bank is a leading domestic market undertaking, offering a comprehensive range of financial products and services to personal, corporate and institutional customers.

### Operations

Consolidated profit amounted to ISK 3,315 million for the first three months of the financial year 2016. Consolidated total equity amounted to ISK 267,846 million and total assets to ISK 1,106,700 million at the end of this period. The capital adequacy ratio of the Group, calculated according to the Act on Financial Undertakings, was 31.2% at the end of the first quarter of 2016.

In January 2016, the international rating agency Standard and Poor's (S&P) affirmed Landsbankinn's long- and short-term ratings of BBB-/A-3 with a positive outlook. The positive outlook reflects S&P's view of decreasing risks related to the liberalization of capital controls in Iceland, an anticipated improvement in the economic resilience and operating environment of Icelandic banks and the Bank's own strong capital position.

### Risk management

Macroeconomic conditions have continued to improve since year-end 2015. Non-performing loans as well as borrower credit quality of performing loans have been stable in 2016. The Bank's liquidity position remains well above the regulatory requirement. This strong liquidity makes the Bank well equipped to meet future changes in its operating environment, such as further steps towards lifting capital controls. Market risk has remained relatively stable and well within the Bank's risk appetite. Ongoing improvements to work processes, organisation and management framework have enabled better risk management and business relationships.

### Outlook

Landsbankinn Economic Research forecasts GDP growth in Iceland of 4.5% in 2016 and 2017, which will then slow to 3.7% in 2018. The Central Bank has also recently upgraded its forecast for 2016 from 3.2% to 4.2% and predicts an average growth of 3.2% in 2017 and 2018. 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 2018, the near-term inflation outlook is positive, but inflation is expected to pick up in the second half of the current year and peak at close to 5% during the first half of 2017 due to substantial general wage increases. Average inflation during the forecast period is expected to be around 3.3%.

As mentioned in the Board and CEO's Statement at year-end 2015, extraordinary items have had a significant and positive impact on profitability in recent years and as a result return on equity has been at a high level. In the first quarter of 2016 there were no significant positive extraordinary items and profit for the period is therefore significantly lower than in the first quarter of the previous year. The Bank continues to focus on the execution of its strategy, including the aim to ensure sustainable profitability in the long term.

### Other matters

At the Annual General Meeting (AGM) held on 14 April 2016, a resolution was passed in respect of the dividend for the year ended 31 December 2015 in the amount of ISK 28,538 million on the outstanding shares or ISK 1.20 per share. It was further approved that the dividend be paid in two equal instalments on 20 April 2016 and 21 September 2016 to the parties whose names appeared on the shareholders' register on 14 April 2016. The dividend was approved after the reporting period for the first three months of 2016 and is therefore still accounted for as equity at the end of the reporting period in these Condensed Consolidated Interim Financial Statements.

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

The Condensed Consolidated Interim Financial Statements of Landsbankinn hf. for the first three months ended 31 March 2016 have been prepared on a going concern basis in accordance with International Financial Reporting Standards as adopted by the EU.

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 2016, its consolidated financial position as at 31 March 2016 and its consolidated cash flows for the first three months of 2016.

Furthermore, in our opinion, the Condensed Consolidated Interim Financial Statements of Landsbankinn hf. and Endorsement of its Board of Directors and CEO give a fair view of the development and performance of the Group's operations and its position and describe the principal risks and uncertainties faced by the Group.

The Board of Directors of the Bank and Chief Executive Officer hereby endorse the Condensed Consolidated Interim Financial Statements of Landsbankinn hf. for the first three months ended 31 March 2016.

Reykjavík, 12 May 2016.

Board of Directors

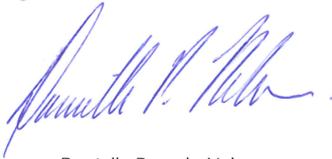


Helga Björk Eiríksdóttir

Chairman



Ásbjörg Kristinsdóttir



Danielle Pamela Neben



Berglind Svavarsdóttir



Einar Þór Bjarnason



Hersir Sigurgeirsson



Jón Guðmann Pétursson

CEO



Steinþór Pálsson

# Independent Auditors' 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 2016 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 2016, 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, 12 May 2016.

*Grant Thornton endurskoðun ehf.*



Davíð Arnar Einarsson  
State Authorised Public Accountant



Sturla Jónsson  
State Authorised Public Accountant

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## Condensed Consolidated Income Statement for the three months ended 31 March 2016

Notes	2016 1.1-31.3	2015 1.1-31.3
	14,772	12,738
	(7,306)	(5,469)
5	<b>7,466</b>	<b>7,269</b>
6	311	1,596
	<b>7,777</b>	<b>8,865</b>
	2,531	2,049
	(551)	(408)
7	<b>1,980</b>	<b>1,641</b>
8	43	3,812
9	246	451
10	162	(324)
	1,309	238
	<b>1,760</b>	<b>4,177</b>
	<b>11,517</b>	<b>14,683</b>
11	3,754	3,702
12	2,043	2,070
	146	164
	310	346
	<b>6,253</b>	<b>6,282</b>
	4	9
	<b>5,268</b>	<b>8,410</b>
13	(1,215)	(1,178)
13	(738)	(820)
	<b>3,315</b>	<b>6,412</b>
<b>Profit for the period attributable to:</b>		
<b>Owners of the Bank</b>		
	3,310	6,412
	<b>3,310</b>	<b>6,412</b>
<b>Non-controlling interests</b>		
	5	0
	<b>5</b>	<b>0</b>
	<b>3,315</b>	<b>6,412</b>
<b>Earnings per share:</b>		
24	<b>0.14</b>	<b>0.27</b>
	<b>0.14</b>	<b>0.27</b>

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

## Condensed Consolidated Statement of Financial Position as at 31 March 2016

Notes	31.3.2016	31.12.2015
<b>Assets</b>		
	23,228	25,164
14, 15, 43	195,175	203,684
14, 16	29,381	29,192
14, 17	553	287
18, 43	15,221	20,791
19, 38, 43	814,669	811,549
	668	909
	5,607	5,658
	2,021	2,012
20	12,406	7,457
21	7,771	11,955
<b>Total assets</b>	<b>1,106,700</b>	<b>1,118,658</b>
<b>Liabilities</b>		
	42,606	56,731
	545,208	559,051
17	5,136	3,400
22, 43	217,658	209,344
23	632	639
	219	166
	26,090	23,278
	1,305	1,518
<b>Total liabilities</b>	<b>838,854</b>	<b>854,127</b>
<b>Equity</b>		
	23,782	23,782
	122,105	122,105
	6,000	6,000
	115,924	112,614
<b>Total equity attributable to owners of the Bank</b>	<b>267,811</b>	<b>264,501</b>
	35	30
<b>Total equity</b>	<b>267,846</b>	<b>264,531</b>
<b>Total liabilities and equity</b>	<b>1,106,700</b>	<b>1,118,658</b>

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

## Condensed Consolidated Statement of Changes in Equity for the three months ended 31 March 2016

### Notes

Change in equity for the three months ended	Attributable to owners of the Bank						Total	Non-controlling interests	Total
	Share capital	Share premium	Own shares reserve	Statutory reserve	Share based payment reserve	Retained earnings			
<b>31 March 2016</b>									
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
<b>Balance as at 31 March 2016</b>	<b>23,782</b>	<b>122,105</b>		<b>6,000</b>	<b>0</b>	<b>115,924</b>	<b>267,811</b>	<b>35</b>	<b>267,846</b>
<b>31 March 2015</b>									
Balance at 1 January 2015	23,687	121,275		6,000	0	99,841	250,803		250,803
Profit for the period						6,412	6,412		6,412
Dividends paid						(23,687)	(23,687)		(23,687)
Obligation to allocate own shares to former guarantee capital owners of Sparisjóður Vestmannaeyja			332				332		332
<b>Balance at 31 March 2015</b>	<b>23,687</b>	<b>121,275</b>	<b>332</b>	<b>6,000</b>	<b>0</b>	<b>82,566</b>	<b>233,860</b>	<b>0</b>	<b>233,860</b>

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

## Condensed Consolidated Statement of Cash Flows for the three months ended 31 March 2016

Notes	2016 1.1-31.3	2015 1.1-31.3
<b>Operating activities</b>		
Profit for the period	3,315	6,412
Adjustments for non-cash items included in profit for the period	(6,384)	(11,218)
Changes in operating assets and liabilities	(22,413)	33,787
Interest received	13,382	12,425
Interest paid	(3,519)	(2,337)
Dividends received	263	106
Income tax and special tax on financial institutions paid	(1,334)	(1,419)
<b>Net cash from operating activities</b>	<b>(16,690)</b>	<b>37,756</b>
<b>Investing activities</b>		
Purchase of property and equipment	(68)	(137)
Proceeds from sale of property and equipment	17	5
Purchase of intangible assets	(63)	(86)
Sale of subsidiaries	(8)	0
<b>Net cash (used in) from investing activities</b>	<b>(122)</b>	<b>(218)</b>
<b>Financing activities</b>		
Proceeds from new long-term debt issue	14,248	0
Repayment of secured bonds	(2,798)	0
Dividends paid	0	(23,687)
<b>Net cash used in financing activities</b>	<b>11,450</b>	<b>(23,687)</b>
Net change in cash and cash equivalents	(5,362)	13,851
Cash and cash equivalents as at the beginning of the period	24,257	16,588
Cash and cash equivalents acquired in business combination	0	1,408
Effect of exchange rate changes on cash and cash equivalents held	(1,053)	358
<b>Cash and cash equivalents as at 31 March</b>	<b>17,842</b>	<b>32,205</b>
<b>Investing and financing activities not affecting cash flows</b>		
Assets acquired and liabilities assumed from Sparisjóður Vestmannaeyja	0	233
Goodwill	0	(565)
Own shares allocated to former guarantee capital owners of the saving bank Sparisjóður Vestmannaeyja	0	332

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

## Condensed Consolidated Statement of Cash Flows for the three months ended 31 March 2016

Notes	2016 1.1-31.3	2015 1.1-31.3
<b>Adjustments for non-cash items included in profit for the period</b>		
5	(7,466)	(7,269)
6, 39	(311)	(3,611)
6	0	2,015
8	(43)	(3,812)
9	(246)	(451)
10	891	(34)
	10	(3)
	(1,314)	(206)
	146	164
	(4)	(9)
13	1,215	1,178
13	738	820
	<b>(6,384)</b>	<b>(11,218)</b>
<b>Changes in operating assets and liabilities</b>		
	3,274	(2,449)
	6,453	(3,834)
	(2,537)	(23,023)
	(7,675)	(6,145)
	640	1
	(4,396)	(7,297)
	6,085	1,998
	(13,652)	3,214
	(14,421)	59,497
	53	240
	3,976	12,498
	(213)	(913)
	<b>(22,413)</b>	<b>33,787</b>
<b>Cash and cash equivalents is specified as follows:</b>		
	10,498	5,201
18	7,344	27,004
	<b>17,842</b>	<b>32,205</b>

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

## Notes to the Condensed Consolidated Interim Financial Statements

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## Notes to the Condensed Consolidated Interim Financial Statements

### 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 2016 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 12 May 2016.

### 2. Basis of preparation

#### Statement of compliance

These Condensed Consolidated Interim Financial Statements for the three months ended 31 March 2016 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 2015, which are available on the Bank's website, [www.landsbankinn.is](http://www.landsbankinn.is).

#### Going concern

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

#### 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 by the Group in the Condensed Consolidated Interim Financial Statements are the same as those applied by the Group in its Consolidated Financial Statements as at and for the year ended 31 December 2015. 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 2016. These amendments have an insignificant impact on the Condensed Consolidated Interim Financial Statements.

## Notes to the Condensed Consolidated Interim Financial Statements

### 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. It also provides restructuring solutions for underperforming businesses.
- **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, corporates 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 and 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 office, whereby the CEO 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 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 2016 and for the year 2015.

## Notes to the Consolidated Financial Statements

### 4. Operating segments (continued)

	Personal Banking	Corporate Banking	Markets	Treasury	Support functions	Recon- ciliation	Total
<b>1 January - 31 March 2016</b>							
Net interest income (expense)	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)	(116)	(105)	76	359	1,387	159	1,760
<b>Total operating income (expense)</b>	<b>4,842</b>	<b>2,908</b>	<b>1,164</b>	<b>1,316</b>	<b>1,402</b>	<b>(115)</b>	<b>11,517</b>
Operating expenses	(1,576)	(377)	(541)	(374)	(3,478)	93	(6,253)
Share of profit of equity-accounted associates	78	-	-	(74)	-	-	4
<b>Profit (loss) before cost allocation and tax</b>	<b>3,344</b>	<b>2,531</b>	<b>623</b>	<b>868</b>	<b>(2,076)</b>	<b>(22)</b>	<b>5,268</b>
Cost allocated from support functions to business	(1,317)	(927)	(341)	(318)	2,903	-	0
<b>Profit (loss) before tax</b>	<b>2,027</b>	<b>1,604</b>	<b>282</b>	<b>550</b>	<b>827</b>	<b>(22)</b>	<b>5,268</b>
Net revenue from external customers	5,238	5,130	1,079	(1,204)	1,389	-	11,632
Net revenue (expenses) from other segments	(396)	(2,222)	85	2,520	13	-	0
<b>Total operating income</b>	<b>4,842</b>	<b>2,908</b>	<b>1,164</b>	<b>1,316</b>	<b>1,402</b>	<b>0</b>	<b>11,632</b>
<b>As at 31 March 2016</b>							
<b>Total assets</b>	355,482	467,213	36,434	472,077	17,770	(242,276)	1,106,700
<b>Total liabilities</b>	317,681	372,010	30,645	343,024	17,770	(242,276)	838,854
<b>Allocated capital</b>	37,801	95,203	5,789	129,053	-	-	267,846
<b>1 January - 31 March 2015</b>							
Net interest income (expense)	2,910	3,493	76	1,013	2	(225)	7,269
Net valuation adjustments and credit impairment charges	1,388	216	-	(8)	-	-	1,596
Net fee and commission income	690	166	930	(67)	(1)	(77)	1,641
Other net operating income (expenses)	(82)	(59)	160	3,812	144	202	4,177
<b>Total operating income (expense)</b>	<b>4,906</b>	<b>3,816</b>	<b>1,166</b>	<b>4,750</b>	<b>145</b>	<b>(100)</b>	<b>14,683</b>
Operating expenses	(1,416)	(357)	(467)	(441)	(3,682)	81	(6,282)
Share of profit (loss) of equity-accounted associates	1	-	-	8	-	-	9
<b>Profit (loss) before cost allocation and tax</b>	<b>3,491</b>	<b>3,459</b>	<b>699</b>	<b>4,317</b>	<b>(3,537)</b>	<b>(19)</b>	<b>8,410</b>
Cost allocated from support functions to business segments	(1,468)	(1,036)	(325)	(233)	3,062	-	0
<b>Profit (loss) before tax</b>	<b>2,023</b>	<b>2,423</b>	<b>374</b>	<b>4,084</b>	<b>(475)</b>	<b>(19)</b>	<b>8,410</b>
Net revenue from external customers	5,008	5,949	1,094	2,592	140	-	14,783
Net revenue (expenses) from other segments	(102)	(2,133)	72	2,158	5	-	0
<b>Total operating income</b>	<b>4,906</b>	<b>3,816</b>	<b>1,166</b>	<b>4,750</b>	<b>145</b>	<b>0</b>	<b>14,783</b>
<b>As at 31 March 2015</b>							
<b>Total assets</b>	361,725	455,736	11,393	504,455	31,894	(192,823)	1,172,380
<b>Total liabilities</b>	314,530	362,660	5,650	416,609	31,894	(192,823)	938,520
<b>Allocated capital</b>	47,195	93,076	5,743	87,846	-	-	233,860

## Notes to the Condensed Consolidated Interim Financial Statements

### Notes to the Consolidated Income Statement

#### 5. Net interest income

	2016	2015
	1.1-31.3	1.1-31.3
<b>Interest income</b>		
Cash and balances with Central Bank	249	171
Bonds and debt instruments classified as loans and receivables	1,613	1,232
Loans and advances to financial institutions	54	96
Loans and advances to customers	12,848	11,233
Other interest income	8	6
<b>Total</b>	<b>14,772</b>	<b>12,738</b>
<b>Interest expense</b>		
Due to financial institutions and Central Bank	(359)	(222)
Deposits from customers	(4,974)	(3,503)
Borrowings	(1,935)	(1,720)
Subordinated liabilities	(14)	-
Other interest expense	(24)	(24)
<b>Total</b>	<b>(7,306)</b>	<b>(5,469)</b>
<b>Net interest income</b>	<b>7,466</b>	<b>7,269</b>

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

	2016	2015
	1.1-31.3	1.1-31.3
Net impairment	311	3,611
Reversals of loss from foreign currency linkage of loans and advances to customers	-	(2,015)
<b>Net valuation adjustments and credit impairment charges</b>	<b>311</b>	<b>1,596</b>
<b>Valuation adjustments and impairment charges by customer type</b>		
Individuals	531	517
Corporates	(220)	1,079
<b>Net valuation adjustments and credit impairment charges</b>	<b>311</b>	<b>1,596</b>

#### 7. Net fee and commission income

	2016	2015
	1.1-31.3	1.1-31.3
<b>Fee and commission income</b>		
Markets	966	871
Loans and guarantees	296	264
Cards	766	421
Collection and payment services	211	209
Foreign trade	189	173
Other commissions and fees	103	111
<b>Total</b>	<b>2,531</b>	<b>2,049</b>
<b>Fee and commission expense</b>		
Investment banking and capital markets	(84)	(67)
Cards	(250)	(93)
Other fees	(217)	(248)
<b>Total</b>	<b>(551)</b>	<b>(408)</b>
<b>Net fee and commission income</b>	<b>1,980</b>	<b>1,641</b>

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 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.

## Notes to the Condensed Consolidated Interim Financial Statements

### 8. Net gain on financial assets designated at fair value through profit or loss

	2016	2015
	1.1-31.3	1.1-31.3
Bonds and debt instruments	152	571
Equities and equity instruments	(109)	3,241
<b>Total</b>	<b>43</b>	<b>3,812</b>

### 9. Net gain on financial assets and liabilities held for trading

	2016	2015
	1.1-31.3	1.1-31.3
Bonds and debt instruments	432	170
Equities and equity instruments	(125)	237
Derivatives and underlying hedges	(61)	45
<b>Total</b>	<b>246</b>	<b>452</b>

### 10. Net foreign exchange gain (loss)

	2016	2015
	1.1-31.3	1.1-31.3
<b>Assets</b>		
Cash and balances with Central Bank	(44)	8
Bonds and debt instruments	(2,326)	3,704
Equities and equity instruments	-	(747)
Derivative instruments	1,113	(1,877)
Loans and advances to financial institutions	(343)	106
Loans and advances to customers	(4,910)	1,823
Other assets	(2)	20
<b>Total</b>	<b>(6,512)</b>	<b>3,037</b>
<b>Liabilities</b>		
Due to financial institutions and Central Bank	474	19
Deposits from customers	1,932	(726)
Borrowings	4,112	(2,589)
Subordinated liabilities	(1)	-
Other liabilities	157	(65)
<b>Total</b>	<b>6,674</b>	<b>(3,361)</b>
<b>Net foreign exchange gain (loss)</b>	<b>162</b>	<b>(324)</b>

The foreign exchange difference recognised during the period 1 January to 31 March 2016 in the Condensed Consolidated Income Statement that arose on financial instruments not measured at fair value through profit or loss, amounted to a loss of ISK 5,299 million for financial assets (1.1-31.3.2015: gain of ISK 1,957 million) and a gain of ISK 6,674 million for financial liabilities (1.1-31.3.2015: loss ISK 3,361 million).

### 11. Salaries and related expenses

	2016	2015
	1.1-31.3	1.1-31.3
Salaries	2,929	2,936
Contributions to defined pension plans	401	365
Social security contributions, special financial activities tax on salaries and other expenses	424	401
<b>Total salaries and related expenses</b>	<b>3,754</b>	<b>3,702</b>

### 12. Other operating expenses

	2016	2015
	1.1-31.3	1.1-31.3
Information technology	598	513
Real estate and fixtures	233	174
Advertising and marketing expenses	180	234
Operating lease rentals	140	162
FME supervisory expenses	118	114
Contribution to the Debtor's Ombudsman	28	34
Audit and related services	44	48
Other professional services	164	244
Other operating expenses	538	547
<b>Total</b>	<b>2,043</b>	<b>2,070</b>

## Notes to the Condensed Consolidated Interim Financial Statements

### 13. Income tax and other taxes

Income tax is recognised based on the tax rates and tax laws enacted by the end of the year, according to which the domestic corporate income tax rate was 20.0% (2015: 20.0%). An additional special income tax on financial institutions is recognised at a rate of 6% on an income tax base exceeding ISK 1,000 million in accordance with Act No. 165/2011 on Financial Activity Tax.

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

	<b>2016</b>	<b>2015</b>
	<b>1.1-31.3</b>	<b>1.1-31.3</b>
Current tax expense	(1,159)	(690)
Special income tax on financial institutions	(185)	(248)
Deferred tax expense	129	(240)
<b>Total</b>	<b>(1,215)</b>	<b>(1,178)</b>

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

	<b>2016</b>		<b>2015</b>	
		<b>1.1-31.3</b>		<b>1.1-31.3</b>
Profit before tax		5,268		8,410
Tax on liabilities of financial institutions		(738)		(820)
Profit before income tax		4,530		7,590
Income tax calculated using the domestic corporate income tax rate	20.0%	(905)	20.0%	(1,518)
Special income tax on financial institutions	4.1%	(185)	3.3%	(248)
Income not subject to tax	(7.1%)	323	(10.2%)	771
Non-deductible expenses	11.3%	(512)	2.5%	(186)
Other	(1.4%)	64	0.0%	3
<b>Effective income tax</b>	<b>26.9%</b>	<b>(1,215)</b>	<b>15.6%</b>	<b>(1,178)</b>

## Notes to the Condensed Consolidated Interim Financial Statements

### Notes to the Condensed Consolidated Interim Statement of Financial Position

#### 14. Classification and fair value of financial assets and liabilities

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

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

The following table shows the classification of the Group's financial assets and liabilities according to IAS 39 and their fair values as at 31 March 2016:

	Loans and receivables	Held for trading	Designated at fair value	Liabilities at amortised cost	Other liabilities at fair value	Total carrying amount	Fair value
<b>Financial assets</b>							
Cash and balances with Central Bank	23,228	-	-	-	-	23,228	23,228
Bonds and debt instruments	124,132	62,115	8,928	-	-	195,175	196,430
Equities and equity instruments	-	11,559	17,822	-	-	29,381	29,381
Derivative instruments	-	553	-	-	-	553	553
Loans and advances to financial institutions	15,221	-	-	-	-	15,221	15,221
Loans and advances to customers	814,669	-	-	-	-	814,669	819,481
Other financial assets	11,222	-	-	-	-	11,222	11,222
<b>Total</b>	<b>988,472</b>	<b>74,227</b>	<b>26,750</b>	<b>0</b>	<b>0</b>	<b>1,089,449</b>	<b>1,095,516</b>
<b>Financial liabilities</b>							
Due to financial institutions and Central Bank	-	-	-	42,606	-	42,606	42,604
Deposits from customers	-	-	-	545,208	-	545,208	545,111
Derivative instruments and short positions	-	5,136	-	-	-	5,136	5,136
Borrowings	-	-	-	217,658	-	217,658	218,877
Subordinated liabilities	-	-	-	632	-	632	686
Other financial liabilities	-	-	-	9,382	-	9,382	9,382
<b>Total</b>	<b>0</b>	<b>5,136</b>	<b>0</b>	<b>815,486</b>	<b>0</b>	<b>820,622</b>	<b>821,796</b>

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 2015:

	Loans and receivables	Held for trading	Designated at fair value	Liabilities at amortised cost	Other liabilities at fair value	Total carrying amount	Fair value
<b>Financial assets</b>							
Cash and balances with Central Bank	25,164	-	-	-	-	25,164	25,164
Bonds and debt instruments	125,211	69,279	9,194	-	-	203,684	205,203
Equities and equity instruments	-	11,385	17,807	-	-	29,192	29,192
Derivative instruments	-	287	-	-	-	287	287
Loans and advances to financial institutions	20,791	-	-	-	-	20,791	20,791
Loans and advances to customers	811,549	-	-	-	-	811,549	816,495
Other financial assets	6,918	-	-	-	-	6,918	6,918
<b>Total</b>	<b>989,633</b>	<b>80,951</b>	<b>27,001</b>	<b>0</b>	<b>0</b>	<b>1,097,585</b>	<b>1,104,050</b>
<b>Financial liabilities</b>							
Due to financial institutions and Central Bank	-	-	-	56,731	-	56,731	56,730
Deposits from customers	-	-	-	559,051	-	559,051	558,958
Derivative instruments and short positions	-	3,400	-	-	-	3,400	3,400
Borrowings	-	-	-	209,344	-	209,344	210,147
Subordinated liabilities	-	-	-	639	-	639	705
Other financial liabilities	-	-	-	5,367	-	5,367	5,367
<b>Total</b>	<b>0</b>	<b>3,400</b>	<b>0</b>	<b>831,132</b>	<b>0</b>	<b>834,532</b>	<b>835,307</b>

## Notes to the Condensed Consolidated Interim Financial Statements

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

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 2015.

#### 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 and 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 meetings monthly 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 2016:

Financial assets	Level 1	Level 2	Level 3	Total
Bonds and debt instruments	62,308	8,351	384	71,043
Equities and equity instruments	11,072	-	18,309	29,381
Derivative instruments	-	553	-	553
<b>Total</b>	<b>73,380</b>	<b>8,904</b>	<b>18,693</b>	<b>100,977</b>
Financial liabilities				
Derivative instruments	-	556	-	556
Short positions	4,580	-	-	4,580
<b>Total</b>	<b>4,580</b>	<b>556</b>	<b>0</b>	<b>5,136</b>

During the period from 1 January to 31 March 2016 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 2015:

Financial assets	Level 1	Level 2	Level 3	Total
Bonds and debt instruments	69,477	8,553	443	78,473
Equities and equity instruments	11,069	-	18,123	29,192
Derivative instruments	-	287	-	287
<b>Total</b>	<b>80,546</b>	<b>8,840</b>	<b>18,566</b>	<b>107,952</b>
Financial liabilities				
Derivative instruments	-	702	-	702
Short positions	2,698	-	-	2,698
<b>Total</b>	<b>2,698</b>	<b>702</b>	<b>0</b>	<b>3,400</b>

During the year 2015, there were no transfers of financial assets into Level 2 from other levels. However, financial assets were transferred between Level 1 and Level 3, in both directions, either because quoted prices for the assets became available in an active market or, conversely, quoted prices were no longer available and valuation inputs were non-observable.

## Notes to the Condensed Consolidated Interim Financial Statements

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

The following tables show the reconciliation of fair value measurement in Level 3 for three months ended 31 March and for the year 2015:

	Bonds and debt instruments	Equities and equity instruments	Total financial assets
<b>1 January - 31 March 2016</b>			
Carrying amount as at 1 January 2016	443	18,123	18,566
Net gain on financial assets designated at fair value through profit or loss	33	(87)	(54)
Net foreign exchange (loss) gain	(1)	-	(1)
Purchases	-	273	273
Sales	(5)	-	(5)
Settlements	(86)	-	(86)
<b>Carrying amount as at 31 March 2016</b>	<b>384</b>	<b>18,309</b>	<b>18,693</b>
<b>1 January - 31 December 2015</b>			
Carrying amount as at 1 January 2015	8,031	21,908	29,939
Net gain on financial assets designated at fair value through profit or loss	330	7,644	7,974
Net foreign exchange gain (loss)	(49)	(13)	(62)
Purchases	9	372	381
Sales	(7,922)	(688)	(8,610)
Acquired financial assets in business combinations	51	265	316
Settlements	(7)	-	(7)
Dividend received	-	(3,911)	(3,911)
Transfer into Level 3	-	1,114	1,114
Transfers from Level 3 to Level 1	-	(8,568)	(8,568)
<b>Carrying amount as at 31 December 2015</b>	<b>443</b>	<b>18,123</b>	<b>18,566</b>

The following table shows the line items in the Consolidated Income Statement where gains (losses), relating only to financial assets and liabilities held by the Group as at 31 March 2016 and 31 March 2015 and categorised in Level 3, were recognised:

	Bonds and debt instruments	Equities and equity instruments	Total
<b>1 January - 31 March 2016</b>			
Net gain (loss) on financial assets designated at fair value through profit or loss	33	(87)	(54)
Net foreign exchange (loss) gain	(1)	-	(1)
<b>Total</b>	<b>32</b>	<b>(87)</b>	<b>(55)</b>
<b>1 January - 31 March 2015</b>			
Net gain on financial assets designated at fair value through profit or loss	190	3,191	3,381
Net foreign exchange gain (loss)	(42)	(6)	(48)
<b>Total</b>	<b>148</b>	<b>3,185</b>	<b>3,333</b>

#### Unobservable inputs in fair value measurement

The following table shows the unobservable inputs used in measuring fair value as at 31 March 2016 and 31 December 2015.

	Assets	Liabilities	Valuation technique	Key unobservable inputs	Range of inputs	
					Lower	Higher
<b>As at 31 March 2016</b>						
Bonds and debt instruments	384	-	See note 1)	See note 1)	n/a	n/a
Equities and equity instruments	18,309	-	See note 2)	See note 2)	n/a	n/a
	<b>18,693</b>	<b>0</b>				
<b>As at 31 December 2015</b>						
Bonds and debt instruments	443	-	See note 1)	See note 1)	n/a	n/a
Equities and equity instruments	18,123	-	See note 2)	See note 2)	n/a	n/a
	<b>18,566</b>	<b>0</b>				

## Notes to the Condensed Consolidated Interim Financial Statements

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

The table above provides information on Level 3 financial assets and liabilities. A further description of the categories is given below:

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, a range of key unobservable inputs is not available.

#### The effect of unobservable inputs in fair value measurement

Although the Group believes that its estimates of fair value are appropriate, the use of different valuation methodologies and assumptions could lead to different estimates of fair value. The following tables show how profit 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 three months ended 31 March 2016 and 2015:

	2016 1.1-31.3		2015 1.1-31.3	
	Favourable	Unfavourable	Favourable	Unfavourable
<b>Effect on profit before tax</b>				
Bonds and debt instruments	19	(19)	45	(45)
Equities and equity instruments:				
Equities	214	(215)	783	(759)
Mutual funds	430	(430)	337	(337)
Total equities and equity instruments	644	(645)	1,120	(1,096)
<b>Total</b>	<b>663</b>	<b>(664)</b>	<b>1,165</b>	<b>(1,141)</b>

The effect on profit was calculated using methods suitable for the models used. Key unobservable inputs were changed by +/- 5%.

### 15. Bonds

	31.3.2016			Total	31.12.2015			Total
	Loans and receivables	Held for trading	Designated at fair value		Loans and receivables	Held for trading	Designated at fair value	
<b>Bonds and debt instruments</b>								
<b>Domestic</b>								
Listed	124,132	39,017	8,572	171,721	125,211	36,468	8,782	170,461
Unlisted	-	1,024	356	1,380	-	911	412	1,323
	<b>124,132</b>	<b>40,041</b>	<b>8,928</b>	<b>173,101</b>	<b>125,211</b>	<b>37,379</b>	<b>9,194</b>	<b>171,784</b>
<b>Foreign</b>								
Listed	-	22,074	-	22,074	-	31,900	-	31,900
Unlisted	-	-	-	0	-	-	-	0
	<b>0</b>	<b>22,074</b>	<b>0</b>	<b>22,074</b>	<b>0</b>	<b>31,900</b>	<b>0</b>	<b>31,900</b>
<b>Total bonds</b>	<b>124,132</b>	<b>62,115</b>	<b>8,928</b>	<b>195,175</b>	<b>125,211</b>	<b>69,279</b>	<b>9,194</b>	<b>203,684</b>

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 2016 and 31 December 2015 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.

## Notes to the Condensed Consolidated Interim Financial Statements

### 16. Equities

Equities and equity instruments	31.3.2016			31.12.2015		
	Held for trading	Designated at fair value	Total	Held for trading	Designated at fair value	Total
<b>Domestic</b>						
Listed	11,558	-	11,558	11,383	-	11,383
Unlisted	-	17,786	17,786	-	17,777	17,777
	<b>11,558</b>	<b>17,786</b>	<b>29,344</b>	<b>11,383</b>	<b>17,777</b>	<b>29,160</b>
<b>Foreign</b>						
Listed	1	36	37	2	30	32
Unlisted	-	-	0	-	-	0
	<b>1</b>	<b>36</b>	<b>37</b>	<b>2</b>	<b>30</b>	<b>32</b>
<b>Total equities</b>	<b>11,559</b>	<b>17,822</b>	<b>29,381</b>	<b>11,385</b>	<b>17,807</b>	<b>29,192</b>

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

### 17. Derivative instruments and short positions

Foreign exchange derivatives	31.3.2016			31.12.2015		
	Notional amount	Fair value		Notional amount	Fair value	
		Assets	Liabilities		Assets	Liabilities
Currency forwards	47,361	494	39	52,462	139	223
Cross-currency interest rate swaps	5,884	3	375	6,148	109	231
	<b>53,245</b>	<b>497</b>	<b>414</b>	<b>58,610</b>	<b>248</b>	<b>454</b>
<b>Interest rate derivatives</b>						
Interest rate swaps	750	2	6	1,000	2	4
Total return swaps	4,692	24	6	4,192	29	12
	<b>5,442</b>	<b>26</b>	<b>12</b>	<b>5,192</b>	<b>31</b>	<b>16</b>
<b>Equity derivatives</b>						
Total return swaps	9,787	28	92	5,815	8	107
Equity options	1,634	2	38	3,527	-	125
	<b>11,421</b>	<b>30</b>	<b>130</b>	<b>9,342</b>	<b>8</b>	<b>232</b>
<b>Short positions</b>						
Listed bonds	3,628	-	4,580	2,162	-	2,698
	<b>3,628</b>	<b>0</b>	<b>4,580</b>	<b>2,162</b>	<b>0</b>	<b>2,698</b>
<b>Total</b>	<b>73,736</b>	<b>553</b>	<b>5,136</b>	<b>75,306</b>	<b>287</b>	<b>3,400</b>

The Group uses derivatives both for hedging and trading purposes.

### 18. Loans and advances to financial institutions

	31.3.2016	31.12.2015
Bank accounts with financial institutions	7,344	15,096
Money market loans	4,647	1,281
Overdrafts	-	1,482
Other loans	3,230	2,932
<b>Total</b>	<b>15,221</b>	<b>20,791</b>

### 19. Loans and advances to customers

	31.3.2016	31.12.2015
Public entities	8,884	8,969
Individuals	305,486	303,349
Corporates	529,393	532,888
Allowance for impairment	(29,094)	(33,657)
<b>Total</b>	<b>814,669</b>	<b>811,549</b>

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 is provided in the risk management notes to these Condensed Consolidated Interim Financial Statements.

## Notes to the Condensed Consolidated Interim Financial Statements

### 20. Other assets

	31.3.2016	31.12.2015
Unsettled securities trading	3,286	1,025
Other accounts receivable	7,936	5,893
Sundry assets	1,184	539
<b>Total</b>	<b>12,406</b>	<b>7,457</b>

### 21. Assets classified as held for sale

	31.3.2016	31.12.2015
Repossessed collateral	6,536	10,095
Assets of disposal groups	1,235	1,860
<b>Total</b>	<b>7,771</b>	<b>11,955</b>

#### 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.

	31.3.2016	31.12.2015
<b>Repossessed collateral</b>		
Carrying amount as at the beginning of the period	10,095	12,270
Repossessed during the period	929	6,760
Disposed of during the period	(5,693)	(9,895)
Impairment and gain of sale	1,205	960
<b>Carrying amount as at the end of the period</b>	<b>6,536</b>	<b>10,095</b>

#### 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.

## Notes to the Condensed Consolidated Interim Financial Statements

### 22. Borrowings

#### Secured borrowings

As at 31.3.2016	Currency	Final maturity	Outstanding principal	Contractual interest rate (Base rate + Initial margin/ Step-up margin)	Carrying amount
BOND D	USD	9.10.2020	USD 271 million	LIBOR + 2.90% / 3.50%	33,648
BOND E	EUR	9.10.2022	EUR 192 million	EURIBOR + 2.90% / 3.65%	27,088
BOND F	USD	9.10.2024	USD 271 million	LIBOR + 2.90% / 3.95%	33,648
BOND G	EUR	9.10.2026	EUR 192 million	EURIBOR + 2.90% / 4.05%	27,088
<b>Total issued bonds to LBI hf.</b>					<b>121,472</b>

As at 31.3.2016	Currency	Final maturity	Outstanding principal	Indexed/ Non-indexed	Contractual interest rate	Carrying amount
LBANK CB 16	ISK	10.6.2016	2,960	Non-indexed	Fixed 6.3%	3,112
LBANK CB 17	ISK	23.10.2017	1,740	Non-indexed	Fixed 6.0%	1,779
LBANK CB 19	ISK	17.9.2019	9,880	Non-indexed	Fixed 6.8%	10,282
LBANK CBI 22	ISK	28.4.2022	14,180	CPI-indexed	Fixed 3.0%	14,038
<b>Total covered bonds</b>						<b>29,211</b>

**Total secured borrowings** **150,683**

#### Unsecured borrowings

As at 31.3.2016	Currency	Final maturity	Outstanding principal	Contractual interest rate	Carrying amount
LBANK 3 10/18	EUR	19.10.2018	EUR 300 million	FIXED 3.0%	42,500
LBANK FLOAT 06/19	NOK	11.6.2019	NOK 250 million	NIBOR + 2.6%	3,722
LBANK FLOAT 06/19	SEK	10.6.2019	SEK 250 million	STIBOR + 2.6%	3,790
<b>Total EMTN issued</b>					<b>50,012</b>

As at 31.3.2016	Currency	Final maturity	Outstanding principal	Indexed/ Non-indexed	Carrying amount
LBANK 160510	ISK	10.5.2016	2,460	Non-indexed	2,443
LBANK 160610	ISK	10.6.2016	1,620	Non-indexed	1,600
LBANK 160711	ISK	11.7.2016	2,860	Non-indexed	2,808
LBANK 160810	ISK	10.8.2016	1,440	Non-indexed	1,406
LBANK 160912	ISK	12.9.2016	2,680	Non-indexed	2,602
<b>Total bills issued</b>					<b>10,859</b>

As at 31.3.2016	Carrying amount
Other unsecured loans	6,104
<b>Total other unsecured loans</b>	<b>6,104</b>

**Total unsecured borrowings** **66,975**

**Total borrowings as at 31.3.2016** **217,658**

## Notes to the Condensed Consolidated Interim Financial Statements

### 22. Borrowings (continued)

#### Secured borrowings

As at 31.12.2015	Currency	Final maturity	Outstanding principal	Contractual interest rate (Base rate + Initial margin/ Step-up margin)	Carrying amount
BOND D	USD	9.10.2020	USD 271 million	LIBOR + 2.90% / 3.50%	35,369
BOND E	EUR	9.10.2022	EUR 192 million	EURIBOR + 2.90% / 3.65%	27,267
BOND F	USD	9.10.2024	USD 271 million	LIBOR + 2.90% / 3.95%	35,369
BOND G	EUR	9.10.2026	EUR 192 million	EURIBOR + 2.90% / 4.05%	27,267
<b>Total issued bonds to LBI hf.</b>					<b>125,272</b>

As at 31.12.2015	Currency	Final maturity	Outstanding principal	Indexed/ Non-indexed	Contractual interest rate	Carrying amount
LBANK CB 16	ISK	10.6.2016	3,360	Non-indexed	Fixed 6.3%	3,479
LBANK CB 17	ISK	23.10.2017	1,740	Non-indexed	Fixed 6.0%	1,752
LBANK CB 19	ISK	17.9.2019	7,220	Non-indexed	Fixed 6.8%	7,407
LBANK CBI 22	ISK	28.4.2022	9,520	CPI-indexed	Fixed 3.0%	9,742
<b>Total covered bonds</b>						<b>22,380</b>

**Total secured borrowings** 147,652

#### Unsecured borrowings

As at 31.12.2015	Currency	Final maturity	Outstanding principal	Contractual interest rate	Carrying amount
LBANK 3 10/18	EUR	19.10.2018	EUR 300 million	FIXED 3.0%	42,438
LBANK FLOAT 06/19	NOK	11.6.2019	NOK 250 million	NIBOR + 2.6%	3,669
LBANK FLOAT 06/19	SEK	10.6.2019	SEK 250 million	STIBOR + 2.6%	3,831
<b>Total EMTN issued</b>					<b>49,938</b>

As at 31.12.2015	Currency	Final maturity	Outstanding principal	Indexed/ Non-indexed	Carrying amount
LBANK 160310	ISK	10.3.2016	2,780	Non-indexed	2,746
LBANK 160510	ISK	10.5.2016	2,460	Non-indexed	2,404
LBANK 160610	ISK	10.6.2016	480	Non-indexed	466
<b>Total bills issued</b>					<b>5,616</b>

As at 31.12.2015	Carrying amount
Other unsecured loans	6,138
<b>Total other unsecured loans</b>	<b>6,138</b>

**Total unsecured borrowings** 61,692

**Total borrowings as at 31.12.2015** 209,344

### 23. Subordinated liabilities

As at 31.3.2016	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	44.3		REIBOR + 4%	45
Subordinated loan	EUR	2.12.2020	EUR 0.2 million		LIBOR + 5%	25
Subordinated loan	JPY	2.12.2020	JPY 96.0 million		LIBOR + 5%	106
Subordinated loan	CHF	2.12.2020	CHF 0.6 million		LIBOR + 5%	83
Subordinated loan	JPY	1.12.2023	JPY 49.1 million		LIBOR + 5%	54
Subordinated loan	CHF	1.12.2023	CHF 0.3 million		LIBOR + 5%	43
Subordinated loan	ISK	13.09.2017	59.1	CPI-indexed	Fixed 7.0%	61
Subordinated loan	ISK	18.09.2017	6.4	CPI-indexed	Fixed 7.0%	7
Subordinated loan	ISK	21.09.2017	19.3	CPI-indexed	Fixed 7.0%	20
Subordinated loan	ISK	22.09.2017	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	120.0	CPI-indexed	Fixed 5.0%	126
<b>Total subordinated liabilities</b>						<b>632</b>

## Notes to the Condensed Consolidated Interim Financial Statements

### 23. Subordinated liabilities (continued)

As at 31.12.2015	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	50.6		REIBOR + 4%	51
Subordinated loan	EUR	2.12.2020	EUR 0,2 million		LIBOR + 5%	27
Subordinated loan	JPY	2.12.2020	JPY 101,1 million		LIBOR + 5%	109
Subordinated loan	CHF	2.12.2020	CHF 0,7 million		LIBOR + 5%	89
Subordinated loan	JPY	1.12.2023	JPY 49,1 million		LIBOR + 5%	53
Subordinated loan	CHF	1.12.2023	CHF 0,3 million		LIBOR + 5%	43
Subordinated loan	ISK	13.09.2017	59.1	CPI-indexed	Fixed 7,0%	60
Subordinated loan	ISK	18.09.2017	6.4	CPI-indexed	Fixed 7,0%	6
Subordinated loan	ISK	21.09.2017	19.3	CPI-indexed	Fixed 7,0%	19
Subordinated loan	ISK	22.09.2017	52.0	CPI-indexed	Fixed 7,0%	52
Subordinated loan	ISK	1.12.2017	8.2	CPI-indexed	Fixed 7,0%	8
Subordinated bonds unlisted	ISK	22.11.2019	120.0	CPI-indexed	Fixed 5,0%	122
<b>Total subordinated liabilities</b>						<b>639</b>

### Other notes

#### 24. Earnings per share

Profit for the period	31.3.2016	31.3.2015
Profit for the period attributable to owners of the Bank	3,315	6,412

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	31.3.2016	31.3.2015
Number of ordinary shares issued at beginning of period	24,000	24,000
Average number of own shares	(218)	(313)
<b>Weighted average number of shares outstanding</b>	<b>23,782</b>	<b>23,687</b>

Basic and diluted earnings per share from continuing operations	0.14	0.27
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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.

#### 25. 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 Condensed Consolidated Interim Financial Statements and are not comparable to other, previously closed, cases.

All the material cases that were reported open and not concluded at year-end 2015 in the litigation section of the Group's Consolidated Financial Statements for the year 2015 were open on 31 March 2016. The pending material litigation cases at the end of the first quarter of 2016 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 principle amount of the bond on a monthly basis in accordance with the consumer price index. The EFTA Court handed down its advisory opinion on the case on 24 November 2014. Having considered the advisory opinion, the District Court of Reykjavík on 19 February 2016 acquitted the Bank of the plaintiff's claims. It is presently not known whether the case will be appealed to the Supreme Court.

## Notes to the Condensed Consolidated Interim Financial Statements

### 25. Litigation (continued)

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. On 1 July 2014, the Authority notified the Bank that a decision in the case would not be forthcoming until the first six months of 2015. By letter of 6 July 2015 the Authority invited the Bank to enter into discussions concerning the resolution of the case. On 11 September 2015, the Authority and the Bank agreed to enter into such discussions. It is considered unlikely that the case will have a significant impact on the amounts disclosed in the Group's financial statements.

Claim for damages by a payment card company

3) In June 2013, a payment card company commenced litigation against the Bank and 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. The plaintiff has requested an appraisal by court-appointed assessors on issues regarding its allegations. Work on the appraisal is currently on-going and it is anticipated that the Bank's defence will be submitted once the appraisal has been completed.

### 26. Interest in subsidiaries

The main subsidiaries held directly or indirectly by the Group as at 31 March 2016 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 2016

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 2016.

### 27. 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 and outstanding amounts receivable from public entities are disclosed in Note 31.

In March 2016, the National Treasury took over the holding of ISB Holding ehf. in Islandsbanki hf. and as a result the Icelandic State Financial Investments (ISFI) now holds the entire share capital of Islandsbanki. The takeover qualifies a merger under Icelandic competition law between Landsbankinn and Islandsbanki as ISFI, on behalf of the Treasury, has obtained complete control of Islandsbanki. After the takeover, the Treasury holds all the shares in Islandsbanki and 98.2% of Landsbankinn. Following the takeover, ISFI and the Ministry of Finance and Economic Affairs, on behalf of the Treasury, Islandsbanki and Landsbankinn, on the one hand, and the Icelandic Competition Authority, on the other hand, reached a settlement providing for commitments relating to the merger, *inter alia*, that the two banks operate as independent competitors in the financial market and that ISFI ensure the competitive independence of banks under ownership of the Treasury.

The Bank has a traditional bank-to-bank relationship with Islandsbanki under generally accepted commercial terms. The nature and outstanding amounts from financial institutions, including Islandsbanki, are disclosed in Note 31.

## Notes to the Condensed Consolidated Interim Financial Statements

### 27. Related party transactions (continued)

#### Transactions with other related parties

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

Loans in ISK million	2016		2015	
	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	135	142	139	211
Parties related to key management personnel	36	38	36	97
Associates	20,051	20,900	20,633	20,838
Other	123	127	126	130
<b>Total</b>	<b>20,345</b>	<b>21,207</b>	<b>20,934</b>	<b>21,276</b>

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:

Deposits in ISK million	2016		2015	
	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	68	81	68	207
Parties related to key management personnel	53	117	22	193
Associates	7,949	10,612	2,835	3,516
Other	282	348	344	2,114
<b>Total</b>	<b>8,352</b>	<b>11,158</b>	<b>3,269</b>	<b>6,030</b>

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

Guarantees in ISK million	Balance as at 31 March 2016	Balance as at 31 December 2015
	Key management personnel	-
Parties related to key management personnel	4	4
Associates	-	-
<b>Total</b>	<b>4</b>	<b>4</b>

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

### 28. Events after the reporting period

On 12 April 2016, the Bank issued additional tranches of NOK 250 million and SEK 250 million in the senior unsecured bond series LBANK FLOAT 06/19. These tranches have a 3.25-year maturity with 3-month NIBOR and STIBOR interest rates for the respective currencies plus a 2.6% margin. They are issued under the Bank's 1,000 million Euro Medium Term Note (EMTN) Programme and have been listed on the Irish Stock Exchange.

At the Annual General Meeting (AGM) held on 14 April 2016, a resolution was passed in respect of the dividend for the year ended 31 December 2015 in the amount of ISK 28,538 million on the outstanding shares or ISK 1.20 per share. It was further approved that the dividend be paid in two equal instalments on 20 April 2016 and 21 September 2016 to the parties whose names appeared on the shareholders' register on 14 April 2016.

On 15 April 2016, the Bank made a prepayment on part of its senior secured Bond E series in the amount of EUR 20 million, together with accrued interest.

On 21 April 2016, Visa Inc. announced that, in response to feedback received from the European Commission on the agreement for Visa Inc. to acquire Visa Europe, the Company and Visa Europe had reached preliminary agreement to amend their Transaction Agreement to eliminate the earn-out portion of the transaction consideration and increase instead the cash consideration payable. The terms of the transaction remain otherwise unchanged. As disclosed in the Bank's Consolidated Financial Statements for 2015, the sale of the Bank's 38.62% shareholding in Valitor Holding hf. to Arion Bank in 2014 and 2015 included, *inter alia*, an agreement on additional considerations for the Bank's shares in Valitor. The accord is contingent upon the aforementioned Transaction Agreement. The Bank's fair value of the up-front consideration remains unchanged in the first quarter of 2016, but will be revised once the eventual outcome becomes clear. The Bank will not recognise any income from the earn-out as the earn-out has been eliminated from the transaction consideration.

## Notes to the Condensed Consolidated Interim Financial Statements

### Capital management

#### 29. Capital management

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 its most important 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, on the one hand, and by the Icelandic Financial Supervisory Authority (FME), on the other. 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 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 Total Capital Requirement, as determined by the FME, is the sum of Pillar I and Pillar II requirements.

On 14 April 2015, the Icelandic Financial Stability Council defined the Bank as a systematically important institution in Iceland.

In July 2015, legislation amending the Icelandic Act on Financial Undertakings No. 161/2002 entered into force, implementing capital buffer requirements under CRD IV. Under the new legal framework, the FME can impose proportionate restrictions on a credit institution's dividend payments, variable remuneration to employees and/or other payments of similar nature, if its capital adequacy ratio falls below the total capital requirement plus capital buffers.

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

	<b>SREP based on data from</b>	
	<b>31.12.2014</b>	<b>31.12.2013</b>
Pillar I	8.0%	8.0%
Pillar II	6.3%	7.8%
<b>Total capital requirement</b>	<b>14.3%</b>	<b>15.8%</b>
Systemic risk buffer	3.0%	3.0%
Capital buffer for systematically important institutions	2.0%	2.0%
Countercyclical capital buffer	0.0%	0.0%
Capital conservation buffer	2.5%	2.5%
<b>Total capital buffers</b>	<b>7.5%</b>	<b>7.5%</b>
<b>Total capital requirement plus capital buffers</b>	<b>21.8%</b>	<b>23.3%</b>

\* Additionally, and as a part of the annual SREP process, the FME requested that the Bank would hold additional capital buffers of at least 7.5% above the total capital requirement, until the new CRD IV capital buffers would be formally implemented in accordance with Icelandic law.

On 22 January 2016, the Icelandic Financial Stability Council made recommendations to the FME, in accordance with the new legislation, to formally impose the new CRD IV capital buffers in the following steps:

	<b>1.1.2016</b>	<b>1.4.2016</b>	<b>1.6.2016</b>	<b>1.1.2017</b>	<b>Q1 2017</b>
Systemic risk buffer*	0.0%	3.0%	3.0%	3.0%	3.0%
Capital buffer for systematically important institutions	0.0%	2.0%	2.0%	2.0%	2.0%
Countercyclical capital buffer	0.0%	0.0%	0.0%	0.0%	1.0%
Capital conservation buffer	1.0%	1.0%	1.75%	2.5%	2.5%
<b>Total capital buffers</b>	<b>1.0%</b>	<b>6.0%</b>	<b>6.75%</b>	<b>7.5%</b>	<b>8.5%</b>

\* The systemic risk buffer only applies to domestic assets

The Bank's target for the Group's minimum total capital ratio is to be comfortably above the fully phased-in FME capital requirements plus capital buffers. 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.

## Notes to the Condensed Consolidated Interim Financial Statements

### 30. Capital base and capital adequacy ratio

The Group's equity as at 31 March 2016 amounted to ISK 267,846 million (31.12.2015: ISK 264,531 million), equivalent to 24.2% (31.12.2015: 23.6%) of total assets, according to the Condensed Consolidated Interim Statement of Financial Position. The capital adequacy ratio, calculated in accordance with Article 84 of Act No. 161/2002, on Financial Undertakings, was 31.2% at 31 March 2016 (31.12.2015: 30.4%). According to the Act, this ratio may not fall below 8%.

	31.3.2016	31.12.2015
<b>Capital base</b>		
Share capital	23,782	23,782
Share premium	122,105	122,105
Reserves	6,000	6,000
Retained earnings	115,924	112,614
Non-controlling interests	35	30
<b>Total equity</b>	<b>267,846</b>	<b>264,531</b>
Intangible assets	(2,021)	(2,012)
<b>Tier 1 capital</b>	<b>265,825</b>	<b>262,519</b>
Subordinated liabilities	632	639
Regulatory amortisation	(184)	(157)
<b>Tier 2 capital</b>	<b>448</b>	<b>482</b>
<b>Capital base</b>	<b>266,273</b>	<b>263,001</b>
<b>Risk-weighted assets</b>		
Credit risk	730,490	737,720
Market risk	26,627	31,919
Operational risk*	95,843	95,843
<b>Total risk-weighted assets</b>	<b>852,960</b>	<b>865,482</b>
Tier 1 capital ratio	31.2%	30.3%
Total capital ratio (capital adequacy ratio)	31.2%	30.4%

\*The amounts are updated on a yearly basis.

## Notes to the Condensed Consolidated Interim Financial Statements

### 31. Maximum exposure to credit risk and concentration by industry sectors

The following tables show the Group's maximum credit risk exposure at 31 March 2016 and 31 December 2015. 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.

At 31 March 2016	Corporates												Carrying amount
	Financial institutions	Public entities*	Individuals	Fisheries	Construction and real estate companies	Holding companies	Retail	Services	ITC**	Manufacturing	Agriculture	Other	
Cash and balances with Central Bank	-	23,228	-	-	-	-	-	-	-	-	-	-	23,228
Bonds and debt instruments	1,545	183,722	-	-	8,314	125	-	-	-	-	-	1,469	195,175
Derivative instruments	469	5	2	25	1	8	-	-	-	-	-	43	553
Loans and advances to financial institutions	15,221	-	-	-	-	-	-	-	-	-	-	-	15,221
Loans and advances to customers	-	8,655	295,542	150,522	160,189	44,792	37,092	63,570	15,311	28,322	10,547	127	814,669
Other financial assets	5,899	326	472	-	3,651	34	52	548	2	237	1	-	11,222
<b>Total on-balance sheet exposure</b>	<b>23,134</b>	<b>215,936</b>	<b>296,016</b>	<b>150,547</b>	<b>172,155</b>	<b>44,959</b>	<b>37,144</b>	<b>64,118</b>	<b>15,313</b>	<b>28,559</b>	<b>10,548</b>	<b>1,639</b>	<b>1,060,068</b>
<b>Off-balance sheet exposure</b>	<b>4,156</b>	<b>16,627</b>	<b>25,186</b>	<b>21,090</b>	<b>46,918</b>	<b>1,316</b>	<b>17,677</b>	<b>16,115</b>	<b>4,307</b>	<b>9,289</b>	<b>1,327</b>	<b>156</b>	<b>164,164</b>
Financial guarantees and underwriting commitments	26	1,422	880	8,758	2,759	53	3,271	2,051	1,013	679	50	98	21,060
Undrawn loan commitments	-	8,002	-	8,293	39,758	946	8,317	6,667	2,055	6,464	541	-	81,043
Undrawn overdraft/credit card facilities	4,130	7,203	24,306	4,039	4,401	317	6,089	7,397	1,239	2,146	736	58	62,061
<b>Maximum exposure to credit risk</b>	<b>27,290</b>	<b>232,563</b>	<b>321,202</b>	<b>171,637</b>	<b>219,073</b>	<b>46,275</b>	<b>54,821</b>	<b>80,233</b>	<b>19,620</b>	<b>37,848</b>	<b>11,875</b>	<b>1,795</b>	<b>1,224,232</b>
Percentage of carrying amount	2.2%	19.0%	26.2%	14.0%	17.9%	3.8%	4.5%	6.6%	1.6%	3.1%	1.0%	0.1%	100%

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

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

## Notes to the Condensed Consolidated Interim Financial Statements

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

At 31 December 2015	Corporates												Carrying amount	
	Financial institutions	Public entities*	Individuals	Fisheries	Construction and real estate companies	Holding companies	Retail	Services	ITC**	Manu- facturing	Agriculture	Other		
Cash and balances with Central Bank	-	25,164	-	-	-	-	-	-	-	-	-	-	-	25,164
Bonds and debt instruments	1,356	192,275	-	-	8,516	123	-	-	-	-	-	1,414	-	203,684
Derivative instruments	47	2	1	90	108	-	-	-	-	-	-	39	-	287
Loans and advances to financial institutions	20,791	-	-	-	-	-	-	-	-	-	-	-	-	20,791
Loans and advances to customers	-	8,738	290,961	159,514	155,334	47,612	36,021	60,469	15,502	27,205	10,118	75	-	811,549
Other financial assets	4,178	582	438	,8	866	31	119	452	1	230	1	12	-	6,918
<b>Total on-balance sheet exposure</b>	<b>26,372</b>	<b>226,761</b>	<b>291,400</b>	<b>159,612</b>	<b>164,824</b>	<b>47,766</b>	<b>36,140</b>	<b>60,921</b>	<b>15,503</b>	<b>27,435</b>	<b>10,119</b>	<b>1,540</b>	-	<b>1,068,393</b>
<b>Off-balance sheet exposure</b>	<b>689</b>	<b>16,940</b>	<b>25,095</b>	<b>23,018</b>	<b>43,835</b>	<b>1,158</b>	<b>15,615</b>	<b>15,537</b>	<b>3,797</b>	<b>9,597</b>	<b>620</b>	<b>154</b>	-	<b>156,055</b>
Financial guarantees and underwriting commitments	26	1,422	777	7,210	2,022	60	2,278	1,993	1,070	653	27	99	-	17,637
Undrawn loan commitments	-	8,111	100	11,511	37,647	723	6,888	6,726	1,584	6,518	167	-	-	79,975
Undrawn overdraft/credit card facilities	663	7,407	24,218	4,297	4,166	375	6,449	6,818	1,143	2,426	426	55	-	58,443
<b>Maximum exposure to credit risk</b>	<b>27,061</b>	<b>243,701</b>	<b>316,495</b>	<b>182,630</b>	<b>208,659</b>	<b>48,924</b>	<b>51,755</b>	<b>76,458</b>	<b>19,300</b>	<b>37,032</b>	<b>10,739</b>	<b>1,694</b>	-	<b>1,224,448</b>
Percentage of carrying amount	2.2%	19.9%	25.8%	14.9%	17.0%	4.0%	4.2%	6.2%	1.6%	3.0%	0.9%	0.1%	-	100%

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

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

## Notes to the Condensed Consolidated Interim Financial Statements

### 32. 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 less a haircut. 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.

At 31 March 2016	LTV Ratio - Fully collateralised					LTV Ratio - Partially collateralised		Without collateral	Allowance for impairment	Maximum exposure to credit risk
	0% - 25%	25% - 50%	50% - 75%	75% - 100%	Total	>100%	Collateral value*			
Financial institutions	-	-	-	-	-	-	-	19,377	-	19,377
Public entities	15	106	173	1,096	1,390	3,948	250	20,173	(228)	25,283
Individuals	17,626	33,115	51,487	79,641	181,869	64,154	49,999	84,650	(9,944)	320,729
<b>Corporates</b>	<b>10,273</b>	<b>38,001</b>	<b>74,470</b>	<b>126,500</b>	<b>249,244</b>	<b>298,287</b>	<b>170,824</b>	<b>100,056</b>	<b>(18,922)</b>	<b>628,665</b>
Fisheries	4,244	25,234	34,097	69,874	133,449	29,042	21,098	10,781	(1,662)	171,610
Construction and real estate companies	1,602	5,890	15,324	28,313	51,129	131,357	70,184	30,704	(6,083)	207,107
Holding companies	904	512	3,053	3,403	7,872	36,045	23,513	2,890	(700)	46,107
Retail	406	925	3,532	7,289	12,152	34,925	19,255	9,209	(1,517)	54,769
Services	1,762	3,769	12,263	6,933	24,727	36,228	20,068	25,282	(6,552)	79,685
Information, technology and communication	77	88	103	36	304	12,000	4,553	7,590	(276)	19,618
Manufacturing	579	842	5,181	9,226	15,828	11,761	7,413	12,023	(1,999)	37,613
Agriculture	699	741	917	1,354	3,711	6,903	4,716	1,392	(132)	11,874
Other	-	-	-	72	72	26	24	185	(1)	282
<b>Total</b>	<b>27,914</b>	<b>71,222</b>	<b>126,130</b>	<b>207,237</b>	<b>432,503</b>	<b>366,389</b>	<b>221,073</b>	<b>224,256</b>	<b>(29,094)</b>	<b>994,054</b>
<b>At 31 December 2015</b>										
Financial institutions	-	-	-	-	-	-	-	21,481	-	21,481
Public entities	17	67	216	923	1,223	3,878	345	20,808	(230)	25,679
Individuals	12,846	29,481	47,567	79,042	168,936	75,991	56,067	83,519	(12,389)	316,057
<b>Corporates</b>	<b>6,862</b>	<b>20,234</b>	<b>69,093</b>	<b>137,952</b>	<b>234,141</b>	<b>328,608</b>	<b>191,538</b>	<b>83,467</b>	<b>(21,038)</b>	<b>625,178</b>
Fisheries	2,241	10,493	46,380	62,142	121,256	54,853	42,378	9,069	(2,644)	182,534
Construction and real estate companies	1,033	5,042	8,804	32,590	47,469	136,514	72,158	21,942	(6,756)	199,169
Holding companies	950	399	3,815	11,805	16,969	30,179	17,956	2,659	(1,037)	48,770
Retail	317	821	3,972	6,464	11,574	34,667	18,461	7,442	(2,049)	51,634
Services	1,171	2,187	3,615	10,468	17,441	41,311	21,835	23,019	(5,764)	76,007
Information, technology and communication	113	94	106	42	355	11,603	6,551	7,625	(285)	19,298
Manufacturing	564	673	1,310	12,326	14,873	13,463	8,216	10,644	(2,180)	36,800
Agriculture	473	525	1,091	2,115	4,204	5,946	3,912	910	(322)	10,738
Other	-	-	-	-	-	72	71	157	(1)	228
<b>Total</b>	<b>19,725</b>	<b>49,782</b>	<b>116,876</b>	<b>217,917</b>	<b>404,300</b>	<b>408,477</b>	<b>247,950</b>	<b>209,275</b>	<b>(33,657)</b>	<b>988,395</b>

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

## Notes to the Condensed Consolidated Interim Financial Statements

### 33. Collateral types

The following tables show the collateral value less a haircut held to mitigate credit risk.

<b>As at 31 March 2016</b>	<b>Real estate</b>	<b>Vessels</b>	<b>Deposits</b>	<b>Securities</b>	<b>Other*</b>	<b>Total</b>
Public entities	2,104	-	51	-	108	2,263
Individuals	372,142	535	220	2,945	16,153	391,994
<b>Corporates</b>	<b>226,340</b>	<b>176,650</b>	<b>1,885</b>	<b>63,779</b>	<b>79,600</b>	<b>548,254</b>
Fisheries	12,499	175,861	284	17,410	27,095	233,149
Construction and real estate companies	132,015	49	393	690	4,576	137,723
Holding companies	2,914	-	17	36,128	708	39,767
Retail	14,969	14	263	1,252	17,242	33,740
Services	42,356	698	523	482	14,573	58,632
Information, technology and communication	912	2	100	1,301	3,164	5,479
Manufacturing	9,780	18	298	6,516	10,320	26,932
Agriculture	10,767	8	7	-	1,922	12,704
Other	128	-	-	-	-	128
<b>Total</b>	<b>600,586</b>	<b>177,185</b>	<b>2,156</b>	<b>66,724</b>	<b>95,861</b>	<b>942,511</b>
<b>As at 31 December 2015</b>	<b>Real estate</b>	<b>Vessels</b>	<b>Deposits</b>	<b>Securities</b>	<b>Other*</b>	<b>Total</b>
Public entities	1,996	-	62	-	108	2,166
Individuals	334,641	563	247	3,149	17,025	355,626
<b>Corporates</b>	<b>212,653</b>	<b>170,104</b>	<b>2,134</b>	<b>66,853</b>	<b>81,163</b>	<b>532,907</b>
Fisheries	13,012	169,341	106	17,852	28,692	229,003
Construction and real estate companies	125,830	47	349	585	3,631	130,442
Holding companies	5,282	15	35	39,519	701	45,552
Retail	13,586	14	324	826	18,246	32,996
Services	35,384	650	575	448	13,379	50,436
Information, technology and communication	732	2	398	993	4,879	7,004
Manufacturing	9,214	18	341	6,630	9,733	25,936
Agriculture	9,522	17	6	-	1,902	11,447
Other	91	-	-	-	-	91
<b>Total</b>	<b>549,290</b>	<b>170,667</b>	<b>2,443</b>	<b>70,002</b>	<b>98,296</b>	<b>890,699</b>

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

### 34. Loans and advances credit monitoring

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

<b>As at 31 March 2016</b>	<b>Green</b>	<b>Yellow</b>	<b>Orange</b>	<b>Red</b>	<b>Carrying amount</b>
Financial institutions	15,221	-	-	-	15,221
Public entities	7,781	580	56	238	8,655
Individuals	254,617	13,404	20,020	7,501	295,542
<b>Corporates</b>	<b>445,131</b>	<b>32,367</b>	<b>16,281</b>	<b>16,693</b>	<b>510,472</b>
Fisheries	143,931	1,418	2,344	2,829	150,522
Construction and real estate companies	128,033	19,799	6,406	5,951	160,189
Holding companies	42,727	1,309	571	185	44,792
Retail	31,655	2,845	1,914	678	37,092
Services	53,441	4,353	3,370	2,406	63,570
Information, technology and communication	14,861	65	259	126	15,311
Manufacturing	21,662	1,389	926	4,345	28,322
Agriculture	8,694	1,189	491	173	10,547
Other	127	-	-	-	127
<b>Total</b>	<b>722,750</b>	<b>46,351</b>	<b>36,357</b>	<b>24,432</b>	<b>829,890</b>

## Notes to the Condensed Consolidated Interim Financial Statements

### 34. Loans and advances credit monitoring (continued)

<b>As at 31 December 2015</b>	<b>Green</b>	<b>Yellow</b>	<b>Orange</b>	<b>Red</b>	<b>Carrying amount</b>
Financial institutions	20,791	-	-	-	20,791
Public entities	7,823	676	-	239	8,738
Individuals	247,263	12,621	21,804	9,273	290,961
<b>Corporates</b>	<b>432,941</b>	<b>42,802</b>	<b>19,680</b>	<b>16,427</b>	<b>511,850</b>
Fisheries	151,629	1,417	3,728	2,740	159,514
Construction and real estate companies	118,606	23,222	7,066	6,440	155,334
Holding companies	43,871	2,749	785	207	47,612
Retail	30,364	3,271	1,577	809	36,021
Services	47,340	7,205	4,809	1,115	60,469
Information, technology and communication	14,573	497	288	144	15,502
Manufacturing	18,038	3,566	1,198	4,403	27,205
Agriculture	8,445	875	229	569	10,118
Other	75	-	-	-	75
<b>Total</b>	<b>708,818</b>	<b>56,099</b>	<b>41,484</b>	<b>25,939</b>	<b>832,340</b>

### 35. Credit quality of financial assets

	Gross carrying amount				Allowance for impairment	Carrying amount
	Neither past due nor individually impaired	Past due but not individually impaired	Individually impaired	Total		
<b>As at 31 March 2016</b>						
Cash and balances with Central Bank	23,228	-	-	23,228	-	23,228
Bonds and debt instruments	194,824	351	-	195,175	-	195,175
Derivative instruments	553	-	-	553	-	553
Loans and advances to financial institutions	15,221	-	-	15,221	-	15,221
Loans and advances to customers	769,572	25,999	48,192	843,763	(29,094)	814,669
Other financial assets	11,222	-	-	11,222	-	11,222
<b>Total</b>	<b>1,014,620</b>	<b>26,350</b>	<b>48,192</b>	<b>1,089,162</b>	<b>(29,094)</b>	<b>1,060,068</b>
<b>As at 31 December 2015</b>						
Cash and balances with Central Bank	25,164	-	-	25,164	-	25,164
Bonds and debt instruments	203,299	385	-	203,684	-	203,684
Derivative instruments	287	-	-	287	-	287
Loans and advances to financial institutions	20,791	-	-	20,791	-	20,791
Loans and advances to customers	767,837	20,569	56,800	845,206	(33,657)	811,549
Other financial assets	6,918	-	-	6,918	-	6,918
<b>Total</b>	<b>1,024,296</b>	<b>20,954</b>	<b>56,800</b>	<b>1,102,050</b>	<b>(33,657)</b>	<b>1,068,393</b>

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

## Notes to the Condensed Consolidated Interim Financial Statements

### 36. 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					Gross carrying amount
	10-7	6-4	3-1	0	Unrated	
<b>As at 31 March 2016</b>						
Financial institutions	13,669	1,552	-	-	-	15,221
Public entities	7,541	594	183	-	11	8,329
Individuals	92,744	139,537	40,285	235	817	273,618
<b>Corporates</b>	<b>52,521</b>	<b>341,313</b>	<b>90,091</b>	<b>3,438</b>	<b>262</b>	<b>487,625</b>
Fisheries	15,200	105,757	25,384	1,716	-	148,057
Construction and real estate companies	4,633	107,362	40,049	1,427	137	153,608
Holding companies	-	37,622	6,791	-	-	44,413
Retail	12,466	18,504	4,179	43	-	35,192
Services	11,842	38,013	7,973	252	115	58,195
Information, technology and communication	4,603	10,127	530	-	-	15,260
Manufacturing	2,946	18,204	1,752	-	-	22,902
Agriculture	831	5,669	3,361	-	10	9,871
Other	-	55	72	-	-	127
<b>Total</b>	<b>166,475</b>	<b>482,996</b>	<b>130,559</b>	<b>3,673</b>	<b>1,090</b>	<b>784,793</b>

	Rating grades					Gross carrying amount
	10-7	6-4	3-1	0	Unrated	
<b>As at 31 December 2015</b>						
Financial institutions	19,152	1,639	-	-	-	20,791
Public entities	7,608	643	183	-	15	8,449
Individuals	97,898	130,886	37,303	516	3,999	270,602
<b>Corporates</b>	<b>60,608</b>	<b>308,401</b>	<b>117,125</b>	<b>2,638</b>	<b>14</b>	<b>488,786</b>
Fisheries	17,558	108,078	29,642	1,810	-	157,088
Construction and real estate companies	5,696	81,660	60,340	552	2	148,250
Holding companies	-	38,692	8,657	-	-	47,349
Retail	11,036	16,205	7,226	26	-	34,493
Services	15,973	31,437	7,609	250	2	55,271
Information, technology and communication	4,669	10,173	595	-	-	15,437
Manufacturing	4,820	14,938	2,034	-	-	21,792
Agriculture	856	7,214	950	-	10	9,030
Other	-	4	72	-	-	76
<b>Total</b>	<b>185,266</b>	<b>441,569</b>	<b>154,611</b>	<b>3,154</b>	<b>4,028</b>	<b>788,628</b>

### 37. 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.

	Past due	Past due	Past due	Past due	Past due	Gross carrying amount
	1-5 days	6-30 days	31 - 60 days	61 - 90 days	over 90 days	
<b>As at 31 March 2016</b>						
Public entities	-	11	34	-	56	101
Individuals	251	8,350	5,547	668	1,704	16,520
Corporates	589	4,384	2,403	301	1,701	9,378
<b>Total</b>	<b>840</b>	<b>12,745</b>	<b>7,984</b>	<b>969</b>	<b>3,461</b>	<b>25,999</b>
<b>As at 31 December 2015</b>						
Public entities	-	4	-	55	-	59
Individuals	114	6,346	4,132	1,197	1,244	13,033
Corporates	53	3,741	1,490	799	1,394	7,477
<b>Total</b>	<b>167</b>	<b>10,091</b>	<b>5,622</b>	<b>2,051</b>	<b>2,638</b>	<b>20,569</b>

## Notes to the Condensed Consolidated Interim Financial Statements

### 38. Loans and advances by industry sectors

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

	Gross carrying amount	Gross not individually impaired	Collective allowance	Individually impaired				Carrying amount
				Of which performing		Of which non-performing*		
				Gross carrying amount	Individual allowance	Gross carrying amount	Individual allowance	
<b>At 31 March 2016</b>								
Financial institutions	15,221	15,221	-	-	-	-	-	15,221
Public entities	8,884	8,431	(14)	-	-	453	(215)	8,655
Individuals	305,486	290,137	(2,038)	3,461	(1,482)	11,888	(6,424)	295,542
<b>Corporates</b>	<b>529,392</b>	<b>497,003</b>	<b>(3,353)</b>	<b>21,127</b>	<b>(9,543)</b>	<b>11,263</b>	<b>(6,025)</b>	<b>510,472</b>
Fisheries	152,184	148,347	(194)	1,789	(909)	2,048	(559)	150,522
Construction and real estate companies	166,271	157,097	(1,604)	5,505	(2,375)	3,670	(2,104)	160,189
Holding companies	45,492	44,816	(279)	123	(54)	554	(368)	44,792
Retail	38,609	36,443	(371)	935	(364)	1,232	(783)	37,092
Services	70,122	61,157	(491)	6,559	(4,670)	2,405	(1,390)	63,570
Information, technology and communication	15,586	15,378	(162)	25	(13)	183	(100)	15,311
Manufacturing	30,321	23,168	(180)	6,175	(1,144)	978	(675)	28,322
Agriculture	10,679	10,469	(71)	16	(14)	193	(46)	10,547
Other	128	128	(1)	-	-	-	-	127
<b>Total</b>	<b>858,983</b>	<b>810,792</b>	<b>(5,405)</b>	<b>24,588</b>	<b>(11,025)</b>	<b>23,604</b>	<b>(12,664)</b>	<b>829,890</b>

	Gross carrying amount	Gross not individually impaired	Collective allowance	Individually impaired				Carrying amount
				Of which performing		Of which non-performing*		
				Gross carrying amount	Individual allowance	Gross carrying amount	Individual allowance	
<b>At 31 December 2015</b>								
Financial institutions	20,791	20,791	-	-	-	-	-	20,791
Public entities	8,969	8,507	(8)	429	(204)	32	(18)	8,738
Individuals	303,349	283,634	(1,967)	4,937	(2,273)	14,777	(8,147)	290,961
<b>Corporates</b>	<b>532,888</b>	<b>496,265</b>	<b>(3,482)</b>	<b>23,167</b>	<b>(9,813)</b>	<b>13,458</b>	<b>(7,745)</b>	<b>511,850</b>
Fisheries	162,160	157,546	(224)	1,762	(901)	2,853	(1,519)	159,517
Construction and real estate companies	162,090	150,708	(1,431)	6,468	(2,618)	4,914	(2,708)	155,333
Holding companies	48,649	47,671	(343)	266	(155)	713	(540)	47,612
Retail	38,069	35,198	(325)	1,489	(923)	1,382	(800)	36,021
Services	66,233	57,857	(719)	6,133	(3,712)	2,243	(1,333)	60,469
Information, technology and communication	15,787	15,526	(137)	12	(3)	249	(145)	15,502
Manufacturing	29,384	22,052	(231)	6,466	(1,335)	867	(615)	27,204
Agriculture	10,440	9,631	(71)	571	(166)	237	(85)	10,117
Other	76	76	(1)	-	-	-	-	75
<b>Total</b>	<b>865,997</b>	<b>809,197</b>	<b>(5,457)</b>	<b>28,533</b>	<b>(12,290)</b>	<b>28,267</b>	<b>(15,910)</b>	<b>832,340</b>

\*Non-performing past due more than 90 days

## Notes to the Condensed Consolidated Interim Financial Statements

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

	1.1.-31.3.2016			1.1.-31.3.2015		
	Individual allowance	Collective allowance	Total	Individual allowance	Collective allowance	Total
Balance at the beginning of the year	(28,200)	(5,457)	(33,657)	(33,731)	(7,716)	(41,447)
New provisions	(3,054)	-	(3,054)	(3,800)	-	(3,800)
New provisions due to merger	-	-	-	(2,165)	(331)	(2,496)
Reversals	3,316	52	3,368	6,435	288	6,723
Provisions used to cover write-offs	4,249	-	4,249	1,915	-	1,915
Translation difference	-	-	-	-	313	313
<b>Balance at the end of the period</b>	<b>(23,689)</b>	<b>(5,405)</b>	<b>(29,094)</b>	<b>(31,346)</b>	<b>(7,446)</b>	<b>(38,792)</b>

	1.1.-31.3.2016			1.1.-31.3.2015		
	Customers	Financials	Total	Customers	Financials	Total
New provisions	(3,054)	-	(3,054)	(3,800)	-	(3,800)
Write-offs	(4,669)	-	(4,669)	(2,526)	-	(2,526)
Provisions used to cover write-offs	4,249	-	4,249	1,915	-	1,915
Reversals	3,368	-	3,368	6,723	-	6,723
Recoveries	417	-	417	986	-	986
Translation difference	-	-	0	313	-	313
<b>Net impairment loss for the period</b>	<b>311</b>	<b>0</b>	<b>311</b>	<b>3,611</b>	<b>0</b>	<b>3,611</b>

### 40. Large exposures

As at 31 March 2016, 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 may attain the equivalent of 25% of the capital base. The following table shows the Group's large exposures after credit mitigation:

	Number of large exposures	Large exposures
<b>At 31 March 2016</b>		
Large exposures between 10% and 20% of the Group's capital base	2	60,754
Large exposures between 0% and 10% of the Group's capital base	1	203
<b>Total</b>	<b>3</b>	<b>60,957</b>
Total large exposures to capital base		23%
<b>At 31 December 2015</b>		
Large exposures between 10% and 20% of the Group's capital base	2	66,094
Large exposures between 0% and 10% of the Group's capital base	1	212
<b>Total</b>	<b>3</b>	<b>66,306</b>
Total large exposures to capital base		25%

## Notes to the Condensed Consolidated Interim Financial Statements

### 41. 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.

#### 31 March 2016

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

Types of financial assets	Financial assets subject to netting agreements			Netting not recognised on balance sheet		Net financial assets with netting agreements	Financial assets not subject to netting agreements	Net amount on balance sheet
	Financial assets	Financial liabilities	Net amount	Financial liabilities	Collateral received			
Derivatives	550	-	550	(55)	(107)	388	3	553

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

Types of financial liabilities	Financial liabilities subject to netting agreements			Netting not recognised on balance sheet		Net financial liabilities with netting agreements	Financial liabilities not subject to netting agreements	Net amount on balance sheet
	Financial liabilities	Financial assets	Net amount	Financial assets	Collateral pledged			
Derivatives	(397)	-	(397)	55	3	(340)	(158)	(556)
Short positions	(4,580)	-	(4,580)	-	4,580	-	-	(4,580)
<b>Total</b>	<b>(4,977)</b>	<b>0</b>	<b>(4,977)</b>	<b>55</b>	<b>4,583</b>	<b>(340)</b>	<b>(158)</b>	<b>(5,136)</b>

#### 31 December 2015

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

Types of financial assets	Financial assets subject to netting agreements			Netting not recognised on balance sheet		Net financial assets with netting agreements	Financial assets not subject to netting agreements	Net amount on balance sheet
	Financial assets	Financial liabilities	Net Amount	Financial liabilities	Collateral received			
Derivatives	285	-	285	(43)	(230)	12	2	287

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

Types of financial liabilities	Financial liabilities subject to netting agreements			Netting not recognised on balance sheet		Net financial liabilities with netting agreements	Financial liabilities not subject to netting agreements	Net amount on balance sheet
	Financial liabilities	Financial assets	Net Amount	Financial assets	Collateral pledged			
Derivatives	(564)	-	(564)	43	(127)	(648)	(139)	(702)
Short positions	(2,698)	-	(2,698)	-	2,698	-	-	(2,698)
<b>Total</b>	<b>(3,262)</b>	<b>0</b>	<b>(3,262)</b>	<b>43</b>	<b>2,571</b>	<b>(648)</b>	<b>(139)</b>	<b>(3,400)</b>

## Liquidity risk

### 42. Liquidity risk management

The Group complies with the liquidity and funding rules set by the Central Bank of Iceland No. 1031/2014 and No. 1032/2014 as well as following guidelines No. 2/2010 from the Icelandic Financial Supervisory Authority in Iceland (FME) on best practice for managing liquidity in banking organisation. Rules No. 1031/2014 require the Group to maintain a LCR minimum of 90% total and 100% for foreign currencies in the year 2016 and rules No. 1032/2014 set requirements for a minimum of 90% NSFR in foreign currencies in the year 2016. The minimum requirement for both ratios, LCR total and NSFR in foreign currencies, will increase by 10 percentage points every year until it reaches 100% in the year 2017. The Group submits monthly reports on its liquidity and funding position to the Central Bank of Iceland and the FME.

## Notes to the Condensed Consolidated Interim Financial Statements

### 42. Liquidity risk management (continued)

The calculations for the liquidity coverage ratio are shown in the following tables:

Liquidity coverage ratio 31 March 2016	Total		Foreign currencies	
	Unweighted	Weighted	Unweighted	Weighted
Level 1 liquid assets	181,241	181,241	32,641	32,641
Level 2 liquid assets and information items	23,630	3,115	6,259	3,115
<b>Total liquid assets</b>	<b>204,871</b>	<b>184,356</b>	<b>38,900</b>	<b>35,756</b>
Deposits	377,103	128,250	46,827	18,547
Borrowing	1,520	1,520	972	972
Other outflows	177,739	36,220	35,108	3,518
<b>Total outflows (0-30 days)</b>	<b>556,362</b>	<b>165,990</b>	<b>82,907</b>	<b>23,037</b>
Loans and advances to financial institutions	13,143	12,000	13,143	12,000
Other inflows	43,466	16,390	7,204	3,822
Limit on inflows	-	-	-	-
<b>Total inflows (0-30 days)</b>	<b>56,609</b>	<b>28,390</b>	<b>20,347</b>	<b>15,822</b>
<b>Liquidity Coverage Ratio</b>		<b>134%</b>		<b>496%</b>

Liquidity coverage ratio 31 December 2015	Total		Foreign currencies	
	Unweighted	Weighted	Unweighted	Weighted
Level 1 liquid assets	192,467	192,467	42,722	42,722
Level 2 liquid assets and information items	16,631	-	42	-
<b>Total liquid assets</b>	<b>209,098</b>	<b>192,467</b>	<b>42,764</b>	<b>42,722</b>
Deposits	408,785	148,337	61,340	27,645
Borrowing	1,014	1,014	1,014	1,014
Other outflows	185,594	54,110	30,721	3,557
<b>Total outflows (0-30 days)</b>	<b>595,393</b>	<b>203,461</b>	<b>93,075</b>	<b>32,216</b>
Loans and advances to financial institutions	17,581	16,376	17,581	16,376
Other inflows	48,369	17,440	8,155	3,963
Limit on inflows	-	-	-	-
<b>Total inflows (0-30 days)</b>	<b>65,950</b>	<b>33,816</b>	<b>25,736</b>	<b>20,339</b>
<b>Liquidity Coverage Ratio</b>		<b>113%</b>		<b>360%</b>

The Group has categorised its deposit base into nine different groups representing different levels of stickiness. Stickiness is a method that is used to estimate the stability of the Group's deposit base. The Bank for International Settlements (BIS) defines stickiness as tendency of funding not to run off quickly under stress. The deposit groups are based on methodology in the liquidity rules set by the Central Bank of Iceland and are reflected in the Group's internal liquidity stress tests where a concentration charge is applied to account for possible outflows. Run off rates and amounts for these deposit groups are shown in the following table:

Total deposits* by groups as at 31 March 2016	0-30 days deposits balance by groups				Term deposits
	Less stable deposits	Applied run-off rate	Stable deposits	Applied run-off rate	
<b>Groups</b>					
1. Individuals	104,352	10%	51,993	5%	94,037
2. Small and medium size corporates	42,000	10%	16,240	5%	5,118
3. Operational deposits	-	25%	-	5%	-
4. Large corporates	56,139	40%	-	20%	27,425
5. Government, municipalities and Central Bank	25,249	40%	314	20%	771
6. Financial institutions in resolution process	6,570	100%	-	-	27,657
7. Financial institutions	64,075	100%	-	-	40,304
8. Other foreign counterparties	5,863	100%	4,306	25%	2,336
9. Pledged accounts	-	-	13,065	-	-
<b>Total deposits</b>	<b>304,248</b>		<b>85,918</b>		<b>197,648</b>

\*Deposits and other liabilities due to financial institutions and Central Bank

Total deposits* by groups as at 31 December 2015	0-30 days deposits balance by groups				Term deposits
	Less stable deposits	Applied run-off rate	Stable deposits	Applied run-off rate	
<b>Groups</b>					
1. Individuals	89,491	10%	70,745	5%	86,602
2. Small and medium size corporates	46,315	10%	10,187	5%	4,609
3. Operational deposits	7,069	25%	169	5%	229
4. Large corporates	61,185	40%	367	20%	25,645
5. Government, municipalities and Central Bank	29,124	40%	-	20%	642
6. Financial institutions in resolution process	19,273	100%	-	-	48,321
7. Financial institutions	63,417	100%	-	-	38,566
8. Other foreign counterparties	9,581	100%	1,862	25%	2,383
<b>Total deposits</b>	<b>325,455</b>		<b>83,330</b>		<b>206,997</b>

\*Deposits and other liabilities due to financial institutions and Central Bank

## Notes to the Condensed Consolidated Interim Financial Statements

### 42. Liquidity risk management (continued)

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 as at 31. March 2016 and 31 December 2015:

	As at 31 March 2016	As at 31 December 2015
Net stable funding ratio FX	133%	136%

### 43. Encumbered assets

The following tables show the Group's total encumbered and unencumbered assets as at 31 March 2016 and 31 December 2015.

	Collateral pledged against			Un- encumbered	Total
	Covered bonds	Issued bonds to LBI hf.	Other*		
<b>At 31 March 2016</b>					
Cash and balances with Central Bank	317	-	-	22,911	23,228
Bonds and debt instruments	-	-	27,830	167,345	195,175
Equities and equity instruments	-	-	-	29,381	29,381
Derivative instruments	-	-	-	553	553
Loans and advances to financial institutions	-	-	1,384	13,837	15,221
Loans and advances to customers	36,351	147,071	-	631,247	814,669
Investments in equity-accounted associates	-	-	-	668	668
Property and equipment	-	-	-	5,607	5,607
Intangible assets	-	-	-	2,021	2,021
Other assets	-	-	-	12,406	12,406
Assets classified as held for sale	-	-	-	7,771	7,771
<b>Total</b>	<b>36,668</b>	<b>147,071</b>	<b>29,214</b>	<b>893,747</b>	<b>1,106,700</b>

	Collateral pledged against			Un- encumbered	Total
	Covered bonds	Issued bonds to LBI hf.	Other*		
<b>At 31 December 2015</b>					
Cash and balances with Central Bank	308	-	-	24,856	25,164
Bonds and debt instruments	-	-	23,617	180,067	203,684
Equities and equity instruments	-	-	-	29,192	29,192
Derivative instruments	-	-	-	287	287
Loans and advances to financial institutions	-	-	1,220	19,571	20,791
Loans and advances to customers	28,027	150,812	-	632,710	811,549
Investments in equity-accounted associates	-	-	-	909	909
Property and equipment	-	-	-	5,658	5,658
Intangible assets	-	-	-	2,012	2,012
Other assets	-	-	-	7,457	7,457
Assets classified as held for sale	-	-	-	11,955	11,955
<b>Total</b>	<b>28,335</b>	<b>150,812</b>	<b>24,837</b>	<b>914,674</b>	<b>1,118,658</b>

\*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

### 44. Market risk management

The following table summarises the Group's exposure to market risk as at 31 March 2016 and December 2015.

Market risk factor	31.3.2016	31.12.2015
	% of RWA	% of RWA
Equity price risk	0.8%	0.7%
Interest rate risk	0.3%	0.2%
Foreign exchange risk	2.0%	2.8%
<b>Total</b>	<b>3.1%</b>	<b>3.7%</b>

The currency risk in the Groups trading portfolios is disclosed together with that in its non-trading portfolios in Notes 48-49, together with the related sensitivity analysis.

## Notes to the Condensed Consolidated Interim Financial Statements

### 45. 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 can be seen in Note 16 and Note 49.

### 46. 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 17. The amounts presented are categorised by the earlier of either the contractual repricing or the maturity date.

At 31 March 2016	Up to 3 months	3-12 months	1-5 years	Over 5 years	Carrying amount
<b>Financial assets</b>					
Cash and balances with Central Bank	23,228	-	-	-	23,228
Bonds and debt instruments	170,795	4,609	10,178	9,593	195,175
Derivative instruments	553	-	-	-	553
Loans and advances to financial institutions	13,498	-	1,723	-	15,221
Loans and advances to customers	587,319	92,577	91,326	43,447	814,669
Other financial assets	11,222	-	-	-	11,222
<b>Total</b>	<b>806,615</b>	<b>97,186</b>	<b>103,227</b>	<b>53,040</b>	<b>1,060,068</b>
<b>Financial liabilities</b>					
Due to financial institutions and Central Bank	(37,654)	(4,944)	(8)	-	(42,606)
Deposits from customers	(534,705)	(8,165)	(2,241)	(97)	(545,208)
Derivative instruments and short positions	(568)	(86)	(108)	(4,374)	(5,136)
Borrowings	(138,024)	(53,535)	(1,779)	(24,320)	(217,658)
Subordinated liabilities	(482)	-	(150)	-	(632)
Other financial liabilities	(9,382)	-	-	-	(9,382)
<b>Total</b>	<b>(720,815)</b>	<b>(66,730)</b>	<b>(4,286)</b>	<b>(28,791)</b>	<b>(820,622)</b>
Net on-balance sheet position	85,800	30,456	98,941	24,249	239,446
Net off-balance sheet position	100	73	(173)	0	
<b>Total interest repricing gap</b>	<b>85,900</b>	<b>30,529</b>	<b>98,768</b>	<b>24,249</b>	
<b>At 31 December 2015</b>					
<b>Financial assets</b>					
Cash and balances with Central Bank	25,164	-	-	-	25,164
Bonds and debt instruments	184,340	510	9,562	9,272	203,684
Derivative instruments	287	-	-	-	287
Loans and advances to financial institutions	20,791	-	-	-	20,791
Loans and advances to customers	565,715	113,628	90,328	41,878	811,549
Other financial assets	6,360	-	558	-	6,918
<b>Total</b>	<b>802,657</b>	<b>114,138</b>	<b>100,448</b>	<b>51,150</b>	<b>1,068,393</b>
<b>Financial liabilities</b>					
Due to financial institutions and Central Bank	(46,345)	(10,378)	(8)	-	(56,731)
Deposits from customers	(549,398)	(7,607)	(2,046)	-	(559,051)
Derivative instruments and short positions	(703)	(67)	(492)	(2,138)	(3,400)
Borrowings	(137,414)	(10,591)	(51,597)	(9,742)	(209,344)
Subordinated liabilities	(493)	-	(146)	-	(639)
Other financial liabilities	(5,367)	-	-	-	(5,367)
<b>Total</b>	<b>(739,720)</b>	<b>(28,643)</b>	<b>(54,289)</b>	<b>(11,880)</b>	<b>(834,532)</b>
Net on-balance sheet position	62,937	85,495	46,159	39,270	233,861
Net off-balance sheet position	359	(176)	(183)	0	
<b>Total interest repricing gap</b>	<b>63,296</b>	<b>85,319</b>	<b>45,976</b>	<b>39,270</b>	

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### 47. 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 2016 and 31 December 2015.

Carrying amount	31.3.2016	31.12.2015
<b>Assets</b>		
Bonds and debt instruments	10,373	10,125
Loans and advances to customers	276,624	273,648
<b>Total</b>	<b>286,997</b>	<b>283,773</b>
<b>Liabilities</b>		
Due to financial institutions and Central Bank	0	(1)
Deposits from customers	(104,815)	(103,797)
Short positions	(1,670)	(1,135)
Borrowings	(14,038)	(9,742)
Subordinated liabilities	(276)	(267)
<b>Total</b>	<b>(120,799)</b>	<b>(114,942)</b>
Total on-balance sheet position	166,198	168,832
Total off-balance sheet position	90	174
<b>Total CPI indexation balance</b>	<b>166,288</b>	<b>169,006</b>

### 48. 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 2016 was +6.42% of the Group's capital base (31.12.2015: +9.06%).

### 49. Concentration of currency risk

The following tables summarise the Group's exposure to currency risk as at 31 March 2016 and 31 December 2015. 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 2016 and 31 December 2015. When managing liquidity risk the Group regards spot deals as non-derivative assets or liabilities.

As at 31 March 2016	EUR	GBP	USD	JPY	CHF	Other	Total
<b>Assets</b>							
Cash and balances with Central Bank	527	168	276	40	53	222	1,286
Bonds and debt instruments	2,186	8,870	35,117	-	-	-	46,173
Equities and equity instruments	-	-	1	-	-	36	37
Derivative instruments	396	71	30	-	-	-	497
Loans and advances to financial institutions	5,438	2,283	3,954	82	38	1,579	13,374
Loans and advances to customers	107,036	9,658	64,669	5,759	6,045	8,251	201,418
Other assets	2,655	-	51	-	-	28	2,734
<b>Total</b>	<b>118,238</b>	<b>21,050</b>	<b>104,098</b>	<b>5,881</b>	<b>6,136</b>	<b>10,116</b>	<b>265,519</b>
<b>Liabilities</b>							
Due to financial institutions and Central Bank	(383)	(51)	(4,986)	-	-	(23)	(5,443)
Deposits from customers	(33,653)	(10,274)	(17,031)	(372)	(1,552)	(4,399)	(67,281)
Derivative instruments and short positions	(27)	(120)	(237)	-	-	(30)	(414)
Borrowings	(100,895)	-	(67,295)	-	-	(9,398)	(177,588)
Subordinated liabilities	(25)	-	-	(160)	(126)	-	(311)
Other liabilities	(2,275)	(197)	(560)	(1)	(2)	(498)	(3,533)
<b>Total</b>	<b>(137,258)</b>	<b>(10,642)</b>	<b>(90,109)</b>	<b>(533)</b>	<b>(1,680)</b>	<b>(14,348)</b>	<b>(254,570)</b>
Net on-balance sheet position	(19,020)	10,408	13,989	5,348	4,456	(4,232)	10,949
Net off-balance sheet position	28,142	(8,708)	(13,323)	(5,166)	(3,843)	9,020	6,122
<b>Net currency position</b>	<b>9,122</b>	<b>1,700</b>	<b>666</b>	<b>182</b>	<b>613</b>	<b>4,788</b>	<b>17,071</b>

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### 49. Concentration of currency risk (continued)

At 31 December 2015	EUR	GBP	USD	JPY	CHF	Other	Total
<b>Assets</b>							
Cash and balances with Central Bank	462	234	246	21	39	276	1,278
Bonds and debt instruments	7,124	12,508	37,428	-	-	-	57,060
Equities and equity instruments	-	-	2	-	-	29	31
Derivative instruments	77	6	164	-	-	-	247
Loans and advances to financial institutions	11,696	1,038	2,156	485	31	2,191	17,597
Loans and advances to customers	109,633	11,379	70,384	5,371	6,389	8,229	211,385
Other assets	2,659	-	99	-	-	26	2,784
<b>Total</b>	<b>131,651</b>	<b>25,165</b>	<b>110,479</b>	<b>5,877</b>	<b>6,459</b>	<b>10,751</b>	<b>290,382</b>
<b>Liabilities</b>							
Due to financial institutions and Central Bank	(115)	(43)	(10,891)	-	-	(46)	(11,095)
Deposits from customers	(40,482)	(13,449)	(18,062)	(81)	(1,927)	(3,490)	(77,491)
Derivative instruments and short positions	(112)	(103)	(208)	-	-	(32)	(455)
Borrowings	(101,214)	-	(70,739)	-	-	(9,396)	(181,349)
Subordinated liabilities	(27)	-	-	(162)	(132)	-	(321)
Other liabilities	(1,056)	(63)	(390)	-	(2)	(341)	(1,852)
<b>Total</b>	<b>(143,006)</b>	<b>(13,658)</b>	<b>(100,290)</b>	<b>(243)</b>	<b>(2,061)</b>	<b>(13,305)</b>	<b>(272,563)</b>
Net on-balance sheet position	(11,355)	11,507	10,189	5,634	4,398	(2,554)	17,819
Net off-balance sheet position	23,224	(9,622)	(5,562)	(5,231)	(3,740)	6,907	5,976
<b>Net currency position</b>	<b>11,869</b>	<b>1,885</b>	<b>4,627</b>	<b>403</b>	<b>658</b>	<b>4,353</b>	<b>23,795</b>

### 50. Foreign exchange rates used

The following foreign exchange rates were used by the Group:

	At 31 March 2016	At 31 December 2015	% Change	Average for 1.1-31.3 2016	Average for 1.1-31.3 2015
EUR/ISK	140.40	141.30	(0.6%)	141.18	150.40
GBP/ISK	177.48	192.22	(7.7%)	184.13	201.98
USD/ISK	123.34	129.73	(4.9%)	128.53	132.67
JPY/ISK	1.10	1.08	1.9%	1.10	1.11
CHF/ISK	128.69	130.53	(1.4%)	129.36	138.79
CAD/ISK	95.15	93.40	1.9%	94.44	107.38
DKK/ISK	18.84	18.94	(0.5%)	18.93	20.17
NOK/ISK	14.93	14.72	1.4%	14.90	17.19
SEK/ISK	15.22	15.39	(1.1%)	15.26	16.10

## Notes to the Condensed Consolidated Interim Financial Statements

### 51. Operations by quarters (unaudited)

Operations	2016	2015			
	Q1	Q4*	Q3	Q2	Q1
Interest income	14,772	13,329	16,000	15,938	12,738
Interest expense	(7,306)	(6,037)	(7,166)	(7,009)	(5,469)
<b>Net interest income</b>	<b>7,466</b>	<b>7,292</b>	<b>8,834</b>	<b>8,929</b>	<b>7,269</b>
Reversals of loss from foreign currency linkage of loans and advances to customers	-	6,512	9,145	134	(2,015)
Net impairment gain (loss)	311	(630)	1,948	115	3,611
Net impairment loss of guarantees	-	-	(604)	-	-
<b>Net adjustments in valuation</b>	<b>311</b>	<b>5,882</b>	<b>10,489</b>	<b>249</b>	<b>1,596</b>
<b>Net interest income after net adjustments in valuation</b>	<b>7,777</b>	<b>13,174</b>	<b>19,323</b>	<b>9,178</b>	<b>8,865</b>
Fee and commission income	2,531	2,332	2,322	2,274	2,049
Fee and commission expense	(551)	(630)	(577)	(521)	(408)
<b>Net fee and commission income</b>	<b>1,980</b>	<b>1,702</b>	<b>1,745</b>	<b>1,753</b>	<b>1,641</b>
Net gain on financial assets designated at fair value through profit or loss	43	2,422	852	1,838	3,812
Net gain on financial assets and liabilities held for trading	246	905	1,173	1,273	451
Net foreign exchange gain (loss)	162	(58)	(748)	(147)	(324)
Other income and (expenses)	1,309	3,294	(188)	189	238
<b>Other net operating income</b>	<b>1,760</b>	<b>6,563</b>	<b>1,089</b>	<b>3,153</b>	<b>4,177</b>
<b>Total operating income</b>	<b>11,517</b>	<b>21,439</b>	<b>22,157</b>	<b>14,084</b>	<b>14,683</b>
Salaries and related expenses	3,754	3,407	3,466	3,179	3,702
Other operating expenses	2,043	2,223	1,757	2,011	2,070
Depreciation and amortisation	146	167	167	165	164
Contribution to the Depositors' and Investors' Guarantee Fund	310	284	203	421	346
<b>Total operating expenses</b>	<b>6,253</b>	<b>6,081</b>	<b>5,593</b>	<b>5,776</b>	<b>6,282</b>
Share of profit of equity-accounted associates, net of income tax	4	(9)	145	103	9
<b>Profit before tax</b>	<b>5,268</b>	<b>15,349</b>	<b>16,709</b>	<b>8,411</b>	<b>8,410</b>
Income tax	(1,215)	(2,725)	(3,953)	(1,546)	(1,178)
Tax on liabilities of financial institutions	(738)	(577)	(748)	(872)	(820)
<b>Profit for the year from continuing operations</b>	<b>3,315</b>	<b>12,047</b>	<b>5,107</b>	<b>10,590</b>	<b>4,288</b>
<b>Profit for the period</b>	<b>3,315</b>	<b>12,047</b>	<b>12,008</b>	<b>5,993</b>	<b>6,412</b>
<b>Balance sheet</b>	<b>31.03.16</b>	<b>31.12.15</b>	<b>30.09.15</b>	<b>30.06.15</b>	<b>31.03.15</b>
Cash and cash balances with Central Bank	23,228	25,164	27,120	38,719	14,347
Bonds and debt instruments	195,175	203,684	235,788	248,604	250,005
Equities and equity instruments	29,381	29,192	26,467	25,498	33,354
Loans and advances to financial institutions	15,221	20,791	46,511	68,707	86,951
Loans and advances to customers	814,669	811,549	807,033	761,290	735,479
Other assets	21,255	16,323	20,070	17,104	34,638
Assets classified as held for sale	7,771	11,955	12,815	12,747	17,606
<b>Total assets</b>	<b>1,106,700</b>	<b>1,118,658</b>	<b>1,175,804</b>	<b>1,172,669</b>	<b>1,172,380</b>
Due to financial institutions and Central Bank	42,606	56,731	49,550	62,428	57,019
Deposits from customers	545,208	559,051	624,924	621,023	624,063
Borrowings	217,658	209,344	207,699	212,792	210,902
Subordinated liabilities	632	639	775	414	427
Other liabilities	31,445	26,844	38,854	34,710	43,140
Liabilities associated with assets classified as held for sale	1,305	1,518	1,518	1,450	2,969
Equity	267,846	264,531	252,484	239,852	233,860
<b>Total liabilities and equity</b>	<b>1,106,700</b>	<b>1,118,658</b>	<b>1,175,804</b>	<b>1,172,669</b>	<b>1,172,380</b>

\*The first quarter result for the year 2016 and the three quarter results for the year 2015 were reviewed by the Bank's independent auditors.