



Condensed Consolidated Interim Financial Statements

For the three months ended 31 March 2020

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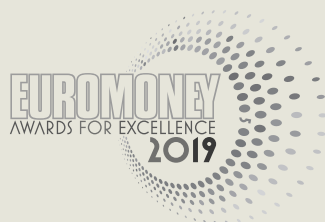
Number one in
Performance
Satisfaction Index



Credit rating

BBB
with stable outlook

Best Bank



Marketshare

38% Retail banking
34% Corporate banking

Principles for
Responsible Investment



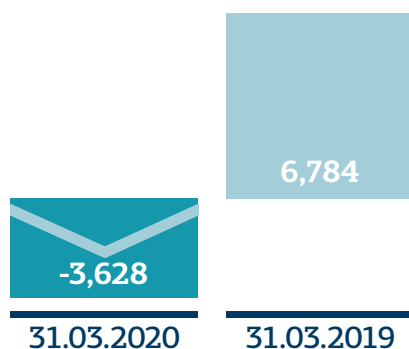
Equal Pay Certification



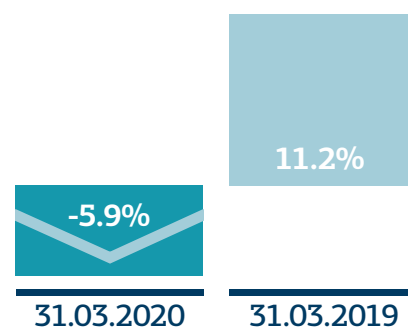
Highlights



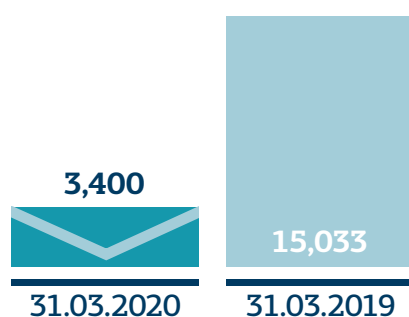
Profit (Loss)



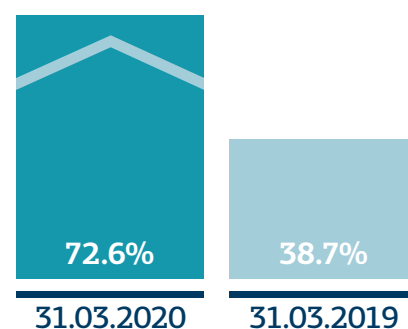
Return on equity



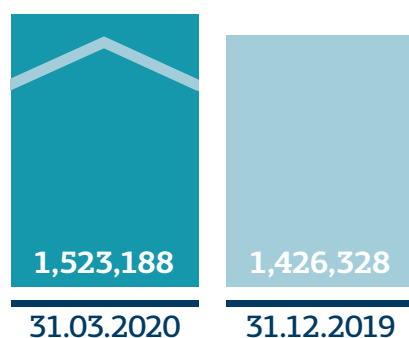
Total operating income



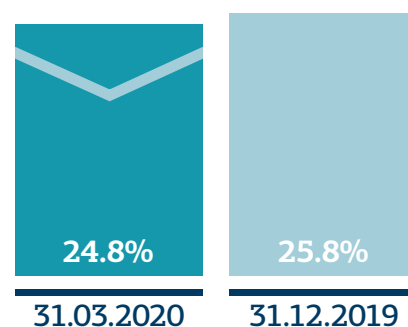
Cost-income ratio



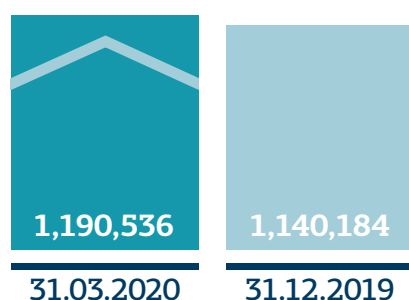
Total assets



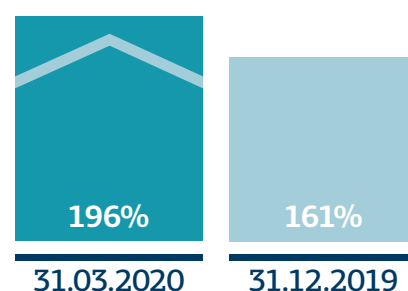
Total capital ratio



Loans and advances to customers



Total liquidity coverage ratio (LCR)



Report of the Board of Directors and the CEO

The Board of Directors and the CEO of Landsbankinn hf. (the "Bank" or "Landsbankinn") present this report together with the reviewed Condensed Consolidated Interim Financial Statements of Landsbankinn hf. for the first three months of 2020, which include the Bank and its subsidiaries (collectively referred to as the "Group").

Landsbankinn is a leading financial institution in Iceland, offering a comprehensive range of financial services to individuals, corporates and investors. The Group consists of four main business segments and support functions that constitute the reportable segments presented in the Group's internal and external financial reporting.

Operations

Consolidated loss amounted to ISK 3,628 million for the first three months of 2020 as compared with a profit of ISK 6,784 for the same period the previous year. Net interest income amounted to ISK 9,427 million for the period as compared with ISK 10,245 million for the same period the year before while net fee and commission income was ISK 1,945 million as compared with ISK 2,060 million for the same period the previous year. Net impairment on loans and advances amounted to ISK 5,244 million for the period as compared with ISK 994 million for the same period the year before. The sharp increase in impairment on loans and advances is attributed to the situation that has arisen in the wake of the COVID-19 pandemic which is covered further in Note 4.

Consolidated total equity amounted to ISK 244,106 million and total assets to ISK 1,523,188 million at the end of this period. The total capital ratio of the Group, calculated according to the Act on Financial Undertakings, was 24.8% at the end of the period as compared with 25.8% at the beginning of the year. The Bank's total regulatory capital requirements have been reduced from 20.5% to 18.8% as a result of two changes to the countercyclical capital buffer. The buffer increased from 1.75% at year-end 2019 to 2.00% as of 1 February 2020 only to be set down on domestic exposures to 0% as of 18 March 2020.

On 19 February 2020, the Bank accepted offers in the amount of EUR 300 million after having made a tender offer to the holders of the Bank's EUR 500 million 1.625% unsecured notes due in March 2021. On 20 February 2020, the Bank concluded issuance of new 4.25-year EUR 300 million senior unsecured bonds maturing in May 2024 with a fixed 0.50% coupon. The bonds were sold at terms equivalent to an 83 basis points spread above mid-swap market rates. The tender offer was subject, inter alia, to the outcome of the Bank's new bond issuance.

On 24 April 2020, S&P Global Ratings announced a lowering of the Bank's long-term credit rating, but revised outlook from negative to stable. The credit rating is lowered by one notch, to BBB/A-2 with stable outlook. The downgrade is triggered by S&P's assessment of industry risk with regard to a reduction in economic activity due to the COVID-19 pandemic. This results in that the anchor, used as a starting point in the credit rating of banks operating in Iceland, is revised down by one notch. The stable outlook of Landsbankinn's credit rating is based on S&P's expectation that the Bank will withstand the consequences of the economic recession by maintaining solid capital positions and comfortable funding and liquidity profiles. Furthermore, S&P acknowledges that Landsbankinn has a higher market share and slightly better efficiency than its domestic peers. It is further noted that the Bank has a relatively advanced digitalized banking platform and is well ahead of many other European banks in its preparation for technological disruption.

Risk factors

The great uncertainty of the COVID-19 pandemic affected the Bank's credit risk significantly during the first quarter of 2020. The carrying amount of the Bank's credit portfolio increased by 4.4% during the period, which can largely be attributed to depreciation of the Icelandic *króna*. Average probability of default increased during the period and was 2.7% at the end of the quarter as compared with 2.4% at year-end 2019. The average loss given default also increased slightly. Expected credit loss as a percentage of total loans increased during the period but remains within the Bank's risk appetite. Impairment charges on loans to customers increased considerably during the period and an impairment loss of ISK 5,235 million was recognised in the income statement. The increase in impairment charges on the credit portfolio is largely explained by the great uncertainty surrounding the effects of the COVID-19 pandemic on the Bank's credit portfolio.

The Bank's market risk increased in the first quarter of 2020 due to extreme volatilities in the markets for equities, fixed income and FX as a consequence of the COVID-19 pandemic. In these circumstances, the Bank recognises a loss on equities in the amount of ISK 2,307 million in the first quarter as compared with a gain of ISK 3,177 million for the same period the year before. Market risk, measured as the ratio of the Bank's risk-weighted assets to the total risk exposure amount, was 1.6% at the end of the period as compared with 1.2% at year-end 2019.

The Bank's liquidity ratios remain strong, in spite of the pandemic, and there is an increase in the Bank's deposits. At the end of the first quarter, the Bank's total liquidity coverage ratio (LCR) was 196%, 489% in foreign currencies and 96% in Icelandic *króna*.

In March 2020, the Central Bank of Iceland lowered deposit institutions' average reserve requirement from 1% to 0% and authorised the 1% fixed reserve requirement to be included in the calculation of the LCR with the aim of easing banks' liquidity position and giving them greater scope to respond to changed conditions in the domestic economy. The effect of the Central Bank's actions on Landsbankinn's liquidity ratios was positive, amounting to 18 percentage points for the total LCR and 15 percentage points for Icelandic *króna*.

Information about the Group's risk management is included in the notes to the Condensed Consolidated Interim Financial Statements.

Economic outlook

The economic outlook changed swiftly and drastically for the worse on a global scale following the COVID-19 pandemic during the latter part of the first quarter of 2020. Extensive action to curb the pandemic, such as travel bans and restrictions on gatherings has effectively paralysed various economic activities, particularly the travel industry. Further development of the pandemic and eventual easing of all restrictions is very uncertain. As a result, there is a substantial uncertainty about the domestic and global economic outlook for the next months and years. The outlook is for a considerable contraction in domestic production this year. The International Monetary Fund (IMF) is forecasting a 3% contraction in the world economy, the greatest dip since the Great Depression of 1929 if the forecast holds true. If further outbreaks of the disease can be prevented in 2021, IMF predicts robust recovery that year, or 5.8% growth in the world economy. IMF forecasts a 7.2% contraction in Icelandic domestic product this year, representing the most severe contraction in GDP since the foundation of the Icelandic Republic. IMF also expects powerful recovery in Iceland already in 2021, with 6% growth in GDP. The inflation outlook remains fairly stable despite depreciation of the Icelandic *króna* by 13% against the euro in the first quarter as IMF forecasts 2.3% average inflation in 2020 and 2.5% in 2021 in Iceland.

The outlook is for skyrocketing unemployment which could average 8% in 2020, with figures much greater in individual months of the second quarter of 2020. The travel industry and connected industries will most likely be hardest hit.

The authorities and the Central Bank have taken a number of actions to counteract the negative economic impact of the pandemic. The Central Bank lowered the policy rate thrice in the first quarter by a total of 1.25 percentage points and the CB's key interest rate was 1.75% at the end of the first quarter. Changes were also made to deposit institutions' reserve requirements, the aim being to increase the money supply in circulation. The countercyclical capital buffer on domestic exposures in capital requirements for financial undertakings has been lowered to 0% and the CB has stated its intention for quantitative intervention in the bond market, if necessary. Among public finance measures announced are the State stepping in to pay up to 75% of salaries to employees with reduced working hours, government-backed bridge loans to companies, deferment and cancellation of public levies, and increased funding to public works.

Other matters

The AGM of the Bank held on 22 April 2020, approved the motion of the Board of Directors to the AGM that no dividend be paid for the accounting year 2019 in light of the economic uncertainty linked to COVID-19 and in line with directions from the Central Bank of Iceland. The Bank is well positioned to handle the challenges society now faces and the decision that no dividend should be paid further increases the Bank's capacity to support its customers.

Statement by the Board of Directors and the CEO

The Condensed Consolidated Interim Financial Statements of Landsbankinn hf. for the first three months of 2020 have been prepared on a going-concern basis in accordance with International Financial Reporting Standards as adopted by the European Union and applicable Icelandic laws and regulations.

In our opinion, the Condensed Consolidated Interim Financial Statements of Landsbankinn hf. give a true and fair view of the consolidated financial performance of the Group for the first three months of 2020, its consolidated financial position as at 31 March 2020, and its consolidated cash flows for the first three months of 2020.

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

In our judgement, the Condensed Consolidated Financial Statements give a true and fair view of the value of the Bank's assets under the present conditions. There is still uncertainty about the eventual impact of COVID-19 on the Bank's assets as the pandemic has not subsided and there are still ongoing restrictions that affect the economy. It is not unlikely that the Bank's assets will suffer further adverse effects, though this will not impact the Bank's future going-concern assumptions, in our opinion.

The Board of Directors of the Bank and Chief Executive Officer hereby endorse the Condensed Consolidated Interim Financial Statements of Landsbankinn hf. for the first three months of 2020.

Reykjavík, 7 May 2020

Board of Directors




Helga Björk Eiríksdóttir


Chairman



Berglind Svavarsdóttir



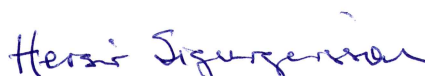
Guðbrandur Sigurðsson



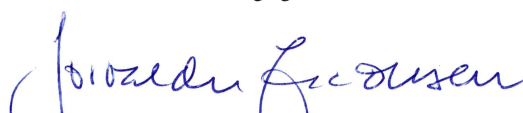
Sigríður Benediktsdóttir



Einar Þór Bjarnason

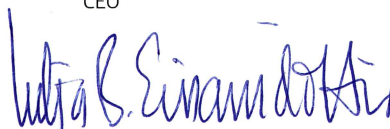


Hersir Sigurgeirsson



Þorvaldur Jacobsen

CEO



Lilja Björk Einarsdóttir

Report on Review of Condensed Consolidated Interim Financial Statements

To the Board of Directors and Shareholders of Landsbanki hf.

Introduction

We have reviewed, on mandate of the Icelandic National Audit Office, the accompanying Condensed Consolidated Interim Financial Statements of Landsbankinn hf. as at March 31st 2020 which comprise of Report of the Board of Directors and the CEO, Condensed Consolidated Statement of Financial Position as at March 31st 2020 and the related Condensed Consolidated Income Statement, Condensed Consolidated Statement of Comprehensive income, Condensed Consolidated Statement of Changes in Equity and Condensed Consolidated Statement of Cash Flows for the three-month period then ended March 31st 2020 and other explanatory notes. The Board of Directors and CEO are responsible for the preparation and presentation of this Condensed Consolidated Interim Financial Statements in accordance with International Accounting Standard 34, "Interim Financial Reporting" as adopted by the EU. Our responsibility is to express a conclusion on these Condensed Consolidated Interim Financial Statements based on our review.

Scope of Review

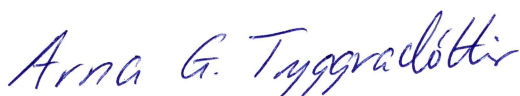
We conducted our review in accordance with International Standards on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying Condensed Consolidated Interim Financial Statements are not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting", as adopted by the EU.

Reykjavík, 7. May 2020

PricewaterhouseCoopers ehf



Arna G. Tryggvadóttir
State Authorized Public Accountant



Atli Þór Jóhannsson
State Authorized Public Accountant

Condensed Consolidated Income Statement for the three months ended 31 March 2020

Notes		2020 1.1-31.3	2019 1.1-31.3
	Interest income	16,416	17,899
	Interest expense	(6,989)	(7,654)
6	Net interest income	9,427	10,245
	Fee and commission income	2,773	2,903
	Fee and commission expense	(828)	(843)
7	Net fee and commission income	1,945	2,060
8	Net gain (loss) on financial assets and liabilities at FVTPL	(2,625)	3,442
9	Net foreign exchange gain (loss)	85	(158)
10	Net valuation adjustments and impairment	(5,244)	(994)
11	Other income and (expenses)	(188)	438
	Net other operating income	(7,972)	2,728
	Total net operating income	3,400	15,033
12	Salaries and related expenses	(3,844)	(3,680)
13	Other operating expenses	(2,430)	(2,522)
	Tax on liabilities of financial institutions	(450)	(1,010)
	Total operating expenses	(6,724)	(7,212)
	Profit (loss) before tax	(3,324)	7,821
14	Income tax	(304)	(1,037)
	Profit (loss) for the period	(3,628)	6,784
	Profit (loss) for the year attributable to:		
	Owners of the Bank	(3,628)	6,784
	Non-controlling interests	0	0
	Profit (loss) for the period	(3,628)	6,784
	Earnings per share		
34	Basic and diluted earnings per share from operations (ISK)	(0.15)	0.29

Condensed Consolidated Statement of Comprehensive Income for the three months ended 31 March 2020

Notes		2020 1.1-31.3	2019 1.1-31.3
	Profit (loss) for the period	(3,628)	6,784
	Other comprehensive income for the period, after tax	0	0
	Total comprehensive (expenses) income for the period	(3,628)	6,784

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

Condensed Consolidated Statement of Financial Position as at 31 March 2020

Notes		31.3.2020	31.12.2019
Assets			
19, 53	Cash and balances with Central Bank	92,440	69,824
20	Bonds and debt instruments	116,568	115,262
21	Equities and equity instruments	25,923	30,019
22	Derivative instruments	2,915	2,694
23, 53	Loans and advances to financial institutions	69,740	47,929
24, 53	Loans and advances to customers	1,190,536	1,140,184
	Investments in equity-accounted associates	1,529	1,471
	Property and equipment	7,227	6,743
	Intangible assets	2,224	2,296
30	Deferred tax assets	0	20
25	Other assets	12,956	8,864
26	Assets classified as held for sale	1,130	1,022
	Total assets	1,523,188	1,426,328
Liabilities			
27	Due to financial institutions and Central Bank	41,495	48,062
28	Deposits from customers	755,160	707,813
22	Derivative instruments and short positions	4,226	5,390
29, 53	Borrowings	412,591	373,168
30	Deferred tax liabilities	40	0
31	Other liabilities	44,161	25,050
26	Liabilities associated with assets classified as held for sale	30	30
32	Subordinated liabilities	21,379	19,081
	Total liabilities	1,279,082	1,178,594
33	Equity		
	Share capital	23,625	23,625
	Share premium	120,630	120,630
	Reserves	12,664	14,334
	Retained earnings	87,187	89,145
	Total equity	244,106	247,734
	Total liabilities and equity	1,523,188	1,426,328

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 2020

Notes

Attributable to owners of the Bank									
Reserves*									
Change in equity for the three months ended 31 March 2020	Share capital	Share premium	Statutory reserve	Unrealised gains in subsidiaries and equity-accounted associates reserve	Fair value changes of financial assets designated at FVTPL	Retained earnings	Total	Non- controlling interests	Total
Restated balance as at 1 January 2020	23,625	120,630	6,000	2,709	5,625	89,145	247,734		247,734
Loss for the period						(3,628)	(3,628)		(3,628)
Transferred to (from) restricted retained earnings				109	(1,779)	1,670	0		0
33 Balance as at 31 March 2020	23,625	120,630	6,000	2,818	3,846	87,187	244,106	0	244,106
Change in equity for the three months ended 31 March 2019									
Balance as at 31 December 2018	23,625	120,630	6,000	5,153	977	83,225	239,610		239,610
Impact of adopting IFRS 16 at 1 January 2019						(188)	(188)		(188)
Restated balance as at 1 January 2019	23,625	120,630	6,000	5,153	977	83,037	239,422	0	239,422
Profit for the period						6,784	6,784		6,784
Transferred to restricted retained earnings				418	3,044	(3,462)	0		0
33 Balance as at 31 March 2019	23,625	120,630	6,000	5,571	4,022	86,358	246,206	0	246,206

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

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

Condensed Consolidated Statement of Cash Flows for the three months ended 31 March 2020

Notes	2020 1.1-31.3	2019 1.1-31.3
Operating activities		
Profit (loss) for the period	(3,628)	6,784
Adjustments for non-cash items included in profit for the period	2,097	(9,376)
Changes in operating assets and liabilities	7,042	(56,862)
Interest received	16,316	16,393
Interest paid	(2,699)	(3,321)
Dividends received	31	944
Tax on liabilities of financial institutions paid	(1,795)	(1,726)
Net cash used in operating activities	17,364	(47,164)
Investing activities		
Purchase of property and equipment	(594)	(214)
Proceeds from sale of property and equipment	-	3
Purchase of intangible assets	(12)	(21)
Investing activities	(606)	(232)
Financing activities		
Proceeds from borrowings	53,356	33,466
Repayment of borrowings	(45,198)	(5,249)
Rent paid	(141)	(146)
Financing activities	8,017	28,071
Cash and cash equivalents as at the beginning of the period	70,704	81,723
Net change in cash and cash equivalents	24,775	(19,325)
Effect of exchange rate changes on cash and cash equivalents held	(2,683)	(936)
Cash and cash equivalents as at the end of the period	92,796	61,462
Cash and cash equivalents is specified as follows:		
19 Cash and balances with Central Bank	92,440	63,014
23 Bank accounts with financial institutions	18,537	27,622
19 Mandatory and special restricted balances with Central Bank	(18,181)	(29,174)
Cash and cash equivalents as at the end of the period	92,796	61,462

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 2020

		2020	2019
Notes		1.1-31.3	1.1-31.3
Adjustments for non-cash items included in profit for the period			
6	Net interest income	(9,427)	(10,245)
8	Net (gain) loss on financial assets and liabilities at FVTPL	2,625	(3,442)
9	Net foreign exchange loss	2,598	1,094
10	Net impairment of loans and advances and guarantees and other assets	5,244	994
	Gain on sale of property and equipment	-	(2)
	Net (gain) loss on assets classified as held for sale	40	(77)
	Depreciation and amortisation	320	348
	Share of profit of equity-accounted associates	(57)	(93)
	Tax on liabilities of financial institutions	450	1,010
14	Income tax	304	1,037
		2,097	(9,376)

Changes in operating assets and liabilities

Change in reserve requirement with Central Bank	7,378	870
Change in bonds and equities	12,539	(276)
Change in derivatives	35	2
Change in loans and advances to financial institutions	(23,294)	(27,249)
Change in loans and advances to customers	(24,334)	(22,768)
Change in other assets	(4,941)	(4,623)
Change in assets classified as held for sale	(275)	942
Change in due to financial institutions and Central Bank	(6,867)	1,788
Change in deposits from customers	28,434	(5,162)
Change in tax liability	20	34
Change in other liabilities	18,347	(420)
	7,042	(56,862)

Change in liabilities due to financing activities

	As at 1.1.2020	Cash flow	Non-cash changes			As at 31.3.2020
			Accrued interest	Foreign exchange	Change in the fair value	
Secured borrowings	140,549	12,393	1,562	-	-	154,504
Senior unsecured bonds	122,705	(1,148)	(499)	13,933	-	134,991
Senior unsecured bonds held to hedge long-term borrowings	86,813	(996)	1,034	12,747	(140)	99,458
Commercial paper issued	3,605	(2,841)	30	-	-	794
Other unsecured loans	19,496	(167)	202	3,313	-	22,844
Subordinated liabilities	19,081	-	256	2,042	-	21,379
Total	392,249	7,241	2,585	32,035	(140)	433,970

	As at 1.1.2019	Cash flow	Non-cash changes			As at 31.3.2019
			Accrued interest	Foreign exchange	Change in the fair value	
Secured borrowings	106,309	12,158	1,890	-	-	120,357
Senior unsecured bonds	100,807	15,487	(652)	3,256	-	118,898
Senior unsecured bonds held to hedge long-term borrowings	84,634	-	(281)	2,719	394	87,466
Commercial paper issued	2,705	572	29	-	-	3,306
Other unsecured loans	19,958	-	33	987	-	20,978
Subordinated liabilities	13,340	-	114	446	-	13,900
Total	327,753	28,217	1,133	7,408	394	364,905

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

Notes to the Condensed Consolidated Interim Financial Statements

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Notes to the Condensed Consolidated Interim Financial Statements

General

1. Reporting entity

Landsbankinn hf. (hereinafter referred to as the "Bank" or "Landsbankinn") was founded on 7 October 2008. The Bank is a limited liability company incorporated and domiciled in Iceland. The Bank operates in accordance with Act No. 161/2002, on Financial Undertakings. The Bank is subject to supervision of the Financial Supervisory Authority (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 2020 include the Bank and its subsidiaries (collectively referred to as the "Group" and individually as "Group entities"). The Group's primary lines of business are corporate and personal banking, markets, asset management and other related financial services. The Group operates solely in Iceland.

2. Basis of preparation

These Condensed Consolidated Interim Financial Statements for the three months ended 31 March 2020 have been prepared in accordance with International Accounting Standard (IAS) 34 Interim Financial Reporting, as adopted by the European Union. The Condensed Consolidated Interim Financial Statements have, furthermore, been prepared in accordance with Act No. 3/2006, on Annual Financial Statements, Act No. 161/2002, on Financial Undertakings, and Rules No. 834/2003, on Accounting for Credit Institutions.

The issue of these Condensed Consolidated Interim Financial Statements was authorised by the Board of Directors and the CEO of the Bank on 7 May 2020.

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 2019, which are available on the Bank's website, www.landsbankinn.is.

Going concern

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

Functional and presentation currency

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

Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Accounting estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

3. Critical accounting estimates and judgements in applying accounting policies

The Condensed Consolidated Interim Financial Statements for the first quarter of 2020 have been prepared using uniform accounting policies for like transactions and other events in similar circumstances. The accounting policies are the same as those applied in the Consolidated Financial Statements as at and for the year ended 31 December 2019.

4. Economic impact of the COVID-19 pandemic

The outbreak of the coronavirus (COVID-19) and related global responses have caused material disruptions to businesses around the world, including Iceland. On 6 March 2020, the authorities in Iceland declared the highest alert level – an emergency alert – in response to the COVID-19 pandemic. Measures taken by state authorities around the world to contain the spread of the virus, such as isolation, quarantines, social distancing, restrictions on gatherings, travel bans and closures of non-essential services, have triggered significant disruptions to business operations as companies are forced to lock down or limit activities for an indefinite period. The result is an economic downturn and soaring unemployment.

Government and Central Bank measures

The Government of Iceland has set up an initial action plan to respond to the economic impact of the COVID-19 pandemic. The action plan aims to reduce and shorten the impact on businesses and the economy while also creating the conditions for a swift recovery. The measures are directed at counteracting unemployment and temporary loss of personal income by supplementing wages lost because of reduced working hours with unemployment benefits. Viable companies that have lost revenues are in return guaranteed support to keep their workers employed part-time. Such companies can apply for disbursement from the National Treasury to cover wage payments during an up to 3-month notice period of employees. Financially distressed corporates and SMEs are supported with government-guaranteed bridge loans, whereby the Treasury will act as guarantor on behalf of the Central Bank of Iceland, respectively by 70% or 100%, provided certain conditions are met. In addition, businesses that have been forced to lock down in line with official instructions are offered special lockdown grants. The measures also include a reduction of the tax on liabilities of financial institutions which enables them to provide more support to their customers. In addition, the Treasury will support the economy with deferral of tax payments of businesses and increased public expenditures in consequence of weaker economic conditions. These broad-based measures complement the Central Bank's decisions to lower interest rates by 1 percentage points combined, lower and change minimum reserve requirements of credit institutions, expand the conditions for assets eligible for repo transactions between credit institutions and the Central Bank, and lower the countercyclical capital buffer on domestic exposures from 2% of the risk base to 0%.

Notes to the Condensed Consolidated Interim Financial Statements

4. Economic impact of the COVID-19 pandemic (continued)

Landsbankinn's measures

The Bank has provided private customers with guidance on how to deal with the financial impact of the pandemic. Most of the Bank's solutions intended to help customers bridge the gap are immediately available through the Bank's app or online banking. These include raising the limit on payment cards, taking on additional unsecured loans, withdrawing supplementary pension savings or smoothing credit card bills across a longer period. Furthermore, customers with mortgages may request a temporary payment holiday or a temporary reduction in payments for up to six months.

The Bank has also provided guidance to corporate customers. Landsbankinn and other financial institutions, together with other major lenders in the Icelandic market, entered into an agreement on a common framework for a payment holiday. The agreement was sanctioned by the Icelandic Competition Authority. Corporates may request a temporary payment holiday for up to 6 months. Companies that qualify for the measure must have been in good financial health but suffered significant temporary operational difficulties due to a fall in income, meaning that they may not have been over 60 days in arrears at the end of February 2020 and have taken advantage of the government's solutions in response to the COVID-19 pandemic.

Normal repayments resume when a payment holiday ends. During a payment holiday, capital repayments are suspended and interest is added to the outstanding loan principal. The maturity date of a loan is extended for a period corresponding to the duration of the payment holiday.

The Bank's AGM, held on 22 April 2020, approved the motion of the Board of Directors to pay no dividend for the operating year 2019 in light of the economic uncertainty caused by the COVID-19 pandemic and in line with directions from the Central Bank of Iceland. Landsbankinn is well positioned to handle the challenges society now faces and the decision not to pay a dividend further strengthens the Bank's level of resistance and increases its capacity to support its customers. The Board of Directors had previously stated its intent to propose that the AGM approve a dividend of ISK 0.40 per share, to be paid to shareholders for the operating year 2019 in two equal payments in 2020. The total dividend would have been ISK 9,450 million, corresponding to 52% of the consolidated profit in 2019.

Impact of COVID-19 on the Financial Statements

The Financial Statements for the first quarter reflect the unprecedented conditions caused by the COVID-19 pandemic and related economic uncertainties. In the first quarter of 2020, the Bank has adopted the guidelines of the European Banking Authority (EBA) on prudential accounting and credit risk measurement under these circumstances. The guidelines have also been supported by FSA Iceland.

Assessment of ECL

The assessment of ECL at the end of the first quarter of 2020 is based on updated and probability-weighted scenarios from the Bank's Economic Research Department. The probability-weighted scenarios provide a fairer reflection of the deteriorating economy, whereas darker scenarios mainly manifest in increased PD and higher lifetime PD, which in turn leads to an increase in Stage 2 loans. The impact of COVID-19 is greatest on the travel industry and consequently all individually significant loans in this industry were assessed manually for staging.

While the final impact of the COVID-19 pandemic on the Bank's credit portfolio is as yet uncertain, it must be considered likely that lower income and/or increased indebtedness will negatively affect credit ratings of the Bank's customers and contribute to loan impairment. In accordance with the recommendation of the European Banking Authority (EBA), the Bank did not automatically reclassify loans from Stage 1 to Stage 2 if they qualified for the general COVID-19 arrangement. It was nevertheless considered necessary to assess specifically to what extent loans should be reclassified as Stage 2 as there are signs of a significant increase in credit risk that fall outside of normal parameters for such reclassification. The Bank assessed the portfolio of these loans and subsequently moved ISK 4,000 million from Stage 1 into Stage 2.

In addition, it is considered necessary to assess especially the need for increased loan loss provision for certain credit portfolios where the impact of COVID-19 is deemed not yet to have fully materialised. Due to the prevailing uncertainty, the Bank cannot make a complete assessment of specific provision at an individual level for the Bank's entire loan portfolio and has instead made a collective assessment of the most vulnerable segments of its portfolio and recognised a general provision of ISK 1,752 million. This assessment was performed using expert judgement for likely default rates of these portfolios. The expert judgement was based on historic default rates for businesses and individuals respectively as well as expectation of the possible effects of COVID-19.

Impact of COVID-19 on the loan portfolio

The gross carrying amount of loans to the travel industry accounts for ISK 101 billion (71%) of the service sector in the Bank's loan portfolio at the end of the first quarter of 2020 as compared with ISK 100 billion at the beginning of the year. Total credit risk exposure to the travel industry represented 8.4% of the Bank's loan portfolio at the end of the first quarter.

The Bank's total ECL for the travel industry grew from ISK 3.3 billion to ISK 5.4 billion during the first quarter of 2020.

The gross carrying amount of loans to individuals which the Bank has approved for COVID-19 solutions amounted to ISK 18.5 billion, or 3.9% of loans to individuals at the end of the first quarter.

The Bank's total ECL on loans to individuals increased from ISK 2.1 billion to ISK 2.5 billion during the first quarter.

The gross carrying amount of loans to businesses which the Bank has approved for COVID-19 solutions amounted to ISK 21.5 billion, or 3.0% of loans to businesses at the end of the first quarter.

The Bank's total ECL on loans to businesses other than the travel industry increased from ISK 9.4 billion to ISK 12.3 billion during the first quarter.

Notes to the Condensed Consolidated Interim Financial Statements

4. Economic impact of the COVID-19 pandemic (continued)

Fair value measurement

Since the beginning of 2020, Global equity markets have experienced significant volatility and weakness. As at 31 March 2020, the fair value of the Group's financial assets had declined by ISK 2.6 billion, ISK 1.7 billion thereof in level 3 assets. The valuation of level 3 assets was based on analysis of financial position and results, economic outlook and recent transactions.

Economic forecasts

The Bank's Economic Research Department provides scenarios with forecasts on relevant economic variables and presents them to the Bank's Valuation Team.

Additional scenarios were created to address the forward-looking risks that management considers not adequately captured by the consensus. At the reporting date, the Bank had run additional scenarios to address the economic effects of the declining number of tourists arriving in Iceland in the coming months.

The following table shows certain key macroeconomic variables used in modelling the allowance for credit losses for Stage 1 and Stage 2. Projections for the upside scenarios, base case scenario and downside scenarios are averages for the next 12 months and then for the remainder of the forecast period, which represents a medium-term view. The upside scenario is assigned a weight of 25%, the base case scenario is assigned a weight of 50% and the downside scenario is assigned a weight of 25%.

	Upside scenario		Base case senario		Downside scenario	
	Next 12 Months	Remainder of the Forecast Period	Next 12 Months	Remainder of the Forecast Period	Next 12 Months	Remainder of the Forecast Period
As at 31.3.2020						
GDP growth	-1.8%	4.6%	-4.0%	4.5%	-8.0%	6.0%
Unemployment rate	5.2%	3.9%	6.8%	4.3%	8.9%	7.6%
Base rate	1.6%	2.6%	1.2%	1.7%	0.2%	1.9%
Inflation	3.6%	2.8%	2.8%	2.7%	4.3%	3.3%
EUR/ISK exchange rate, average	145.2	142.0	147.8	147.7	162.1	156.6
Housing Price index, y/y change	3.1%	3.5%	0.1%	0.6%	-2.1%	-0.4%
	Upside scenario		Base case senario		Downside scenario	
	Next 12 Months	Remainder of the Forecast Period	Next 12 Months	Remainder of the Forecast Period	Next 12 Months	Remainder of the Forecast Period
As at 31.12.2019						
GDP growth	3.5%	3.5%	2.0%	2.4%	0.0%	1.3%
Unemployment rate	3.0%	2.3%	4.0%	3.3%	6.0%	5.0%
Base rate	3.7%	3.9%	3.0%	3.1%	2.9%	2.2%
Inflation	2.4%	2.6%	2.4%	2.5%	4.4%	2.7%
EUR/ISK exchange rate, average	136.8	135.6	138.5	138.0	154.4	154.4
Housing Price index, y/y change	7.0%	6.0%	4.5%	4.0%	2.0%	1.5%
	1.1-31.3.2020			2019		
	Upside scenario	Base scenario	Downside scenario	Upside scenario	Base scenario	Downside scenario
Impairment allowance on loans and advances in stages 1 and 2	8,366	8,538	10,227	4,095	4,452	5,443
Ratio of loans and advances in stage 2	8.6%	8.6%	10.2%	7.8%	8.0%	10.6%
	Reported under IFRS 9					
	2020					
	1.1-31.3					2019
Impairment allowance on loans and advances in stages 1 and 2	8,917					4,614

Notes to the Condensed Consolidated Interim Financial Statements

5. 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** offers individuals and small and medium-size businesses outside the capital city region diverse financial services through digital service channels, both online banking and apps, alongside conventional service through the Bank's branch network and Customer Service Centre.
- **Corporate Banking** offers financial services to corporate clients and to small and medium-size businesses in the capital city region and manages a corporate online banking platform that offers electronic banking services.
- **Markets** provides brokerage services in securities, foreign currencies and derivatives, sale of securities issues, money market lending and advisory services. The division is a market maker of listed securities and foreign currencies in the domestic market. Markets provides a range of wealth and asset management products and services for individuals, corporations and institutional investors. Landsbréf hf., a subsidiary of the Bank, is included in Markets' segment reporting.
- **Treasury** incorporates the Bank's funding and liquidity management, market making in money markets, and determines the Bank's internal pricing. Treasury also manages the Bank's exchange rate, interest rate and inflation risks, within limits set by the Board of Directors.

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

Reconciliation consists of eliminations of internal transactions and operating items 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, if possible, on an arm's-length basis by use and activity. Income tax is allocated to appropriate business segments based on the prevailing income tax rate. Tax on the Bank's liabilities is allocated to the income generating divisions based on the prevailing tax rate, currently 0.145%.

The following table summarises each segment's financial performance as disclosed in the internal management reports on segment profits (loss) 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.

Revenue from transactions with any single external customer was within 10% of the Group's total revenue during the period from 1 January to 31 March 2020 and the corresponding period in 2019.

Notes to the Condensed Consolidated Interim Financial Statements

5. Operating segments (continued)

1 January - 31 March 2020	Personal Banking	Corporate Banking	Markets	Treasury	Support functions	Recon- ciliation	Total
Net interest income	4,315	4,830	653	(348)	(21)	(2)	9,427
Net fee and commission income	802	192	998	(109)	120	(58)	1,945
Net valuation adjustments and impairment	(1,140)	(4,097)	-	(7)	-	-	(5,244)
Net other operating income (expenses)	(148)	(390)	(744)	(1,422)	(19)	(5)	(2,728)
Total operating income (expense)	3,829	535	907	(1,886)	80	(65)	3,400
Operating expenses	(1,631)	(584)	(613)	(466)	(3,042)	62	(6,274)
Tax on liabilities of financial institutions	(138)	(153)	(5)	(150)	(4)	-	(450)
Profit (loss) before cost allocation and tax	2,060	(202)	289	(2,502)	(2,966)	(3)	(3,324)
Cost allocated from support functions to business segments	(1,058)	(656)	(360)	(189)	2,263	-	0
Profit (loss) before tax	1,002	(858)	(71)	(2,691)	(703)	(3)	(3,324)
Income tax	(264)	147	(499)	171	141	-	(304)
Profit (loss) for the period	738	(711)	(570)	(2,520)	(562)	(3)	(3,628)
Net revenue (expenses) from external customers	4,908	2,026	829	(4,378)	80	-	3,465
Net revenue (expenses) from other segments	(1,079)	(1,491)	78	2,492	-	-	0
Total operating income (expense)	3,829	535	907	(1,886)	80	0	3,465
As at 31 March 2020							
Total assets	515,108	646,642	23,230	620,474	13,373	(295,639)	1,523,188
Total liabilities	480,782	541,916	19,032	519,618	13,373	(295,639)	1,279,082
Allocated capital	34,326	104,726	4,198	100,856	-	-	244,106

1 January - 31 March 2019	Personal Banking	Corporate Banking	Markets	Treasury	Support functions	Recon- ciliation	Total
Net interest income	4,017	4,765	196	1,340	(14)	(59)	10,245
Net valuation adjustments and impairment	(224)	(768)	(1)	(1)	-	-	(994)
Net fee and commission income	980	182	959	(111)	116	(66)	2,060
Net other operating income (expenses)	297	61	45	3,214	135	(30)	3,722
Total operating income (expense)	5,070	4,240	1,199	4,442	237	(155)	15,033
Operating expenses	(1,555)	(534)	(604)	(512)	(3,068)	71	(6,202)
Profit (loss) before cost allocation and tax	3,515	3,706	595	3,930	(2,831)	(84)	8,831
Cost allocated from support functions to business segments	(1,157)	(693)	(374)	(216)	2,440	-	0
Profit (loss) before tax	2,358	3,013	221	3,714	(391)	(84)	8,831
Net revenue (expenses) from external customers	6,433	6,545	1,080	919	211	-	15,188
Net revenue (expenses) from other segments	(1,363)	(2,305)	119	3,523	26	-	0
Total operating income	5,070	4,240	1,199	4,442	237	0	15,188
As at 31 March 2019							
Total assets	471,766	588,798	12,697	564,043	22,549	(280,555)	1,379,298
Total liabilities	432,994	483,933	4,591	469,580	22,549	(280,555)	1,133,092
Allocated capital	38,772	104,865	8,106	94,463	-	-	246,206

Notes to the Condensed Consolidated Interim Financial Statements

Notes to the Consolidated Income Statement

6. Net interest income

	1.1-31.3.2020			1.1-31.3.2019		
	Amortised cost	FVTPL	Total	Amortised cost	FVTPL	Total
Interest income						
Cash and balances with Central Bank	545	-	545	539	9	548
Bonds and debt instruments	148	-	148	77	-	77
Loans and advances to financial institutions	72	-	72	58	-	58
Loans and advances to customers	14,324	189	14,513	16,449	154	16,603
Other interest income	550	588	1,138	7	606	613
Total	15,639	777	16,416	17,130	769	17,899
Interest expense						
Due to financial institutions and Central Bank	(261)	-	(261)	(256)	-	(256)
Deposits from customers	(3,029)	-	(3,029)	(4,773)	-	(4,773)
Borrowings	(2,493)	(665)	(3,158)	(2,156)	(17)	(2,173)
Other interest expense	(22)	(303)	(325)	(111)	(227)	(338)
Subordinated liabilities	(216)	-	(216)	(114)	-	(114)
Total	(6,021)	(968)	(6,989)	(7,410)	(244)	(7,654)
Net interest income	9,618	(191)	9,427	9,720	525	10,245

Net interest income, calculated based on the effective interest rate method, amounted to ISK 8,878 million in the first three months of 2020 as compared with ISK 10,245 for the same period in 2019.

7. Net fee and commission income

	1.1-31.3 2020			1.1-31.3 2019		
	Fee and commission income	Fee and commission expense	Net fee and commission income	Fee and commission income	Fee and commission expense	Net fee and commission income
Capital Markets	1,114	(153)	961	1,072	(196)	876
Loans and guarantees	258	-	258	208	-	208
Payment cards	979	(465)	514	1,172	(504)	668
Collection and payment services	226	(46)	180	220	(41)	179
Other	196	(164)	32	231	(102)	129
Total	2,773	(828)	1,945	2,903	(843)	2,060

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

	2020 1.1-31.3	2019 1.1-31.3
Net gain (loss) on financial assets and liabilities at FVTPL		
Bonds and debt instruments	254	336
Equities and equity instruments	(2,307)	3,177
Derivatives and underlying hedges	(273)	123
Loans and advances to customers	(402)	53
Net gain (loss) on fair value hedges	103	(247)
Total	(2,625)	3,442

Notes to the Condensed Consolidated Interim Financial Statements

9. Net foreign exchange gain (loss)

	2020 1.1-31.3	2019 1.1-31.3
Assets		
Cash and balances with Central Bank	35	27
Bonds and debt instruments	10,460	2,328
Equities and equity instruments	9	10
Derivative instruments	(1,329)	(1,295)
Loans and advances to financial institutions	6,578	3,277
Loans and advances to customers	32,733	7,444
Other assets	593	51
Total	49,079	11,842
Liabilities		
Due to financial institutions and Central Bank	(44)	(8)
Deposits from customers	(16,805)	(4,478)
Borrowings	(29,993)	(6,962)
Other liabilities	(110)	(106)
Subordinated liabilities	(2,042)	(446)
Total	(48,994)	(12,000)
Net foreign exchange gain (loss)	85	(158)

10. Net valuation adjustments and impairment

	2020 1.1-31.3	2019 1.1-31.3
Net impairment on loans and advances to customers and financial institutions	(5,235)	(1,024)
Net impairment on other financial assets	(9)	30
Net valuation adjustments and impairment	(5,244)	(994)
Valuation adjustments and impairment by customer type		
Financial institutions	1	-
Individuals	(434)	(36)
Corporates	(4,811)	(958)
Net valuation adjustments and impairment	(5,244)	(994)

11. Other income and expenses

	Note	2020 1.1-31.3	2019 1.1-31.3
Gain (loss) on repossessed collateral	26	(40)	77
Share of profit of equity-accounted associates		57	95
Other		(205)	266
Total		(188)	438

12. Salaries and related expenses

	2020 1.1-31.3	2019 1.1-31.3
Salaries	3,044	2,868
Contributions to defined pension plans	405	404
Social security contributions	215	207
Special financial activities tax on salaries	171	173
Other related expenses	9	28
Total	3,844	3,680
Average number of full-time equivalent positions during the period	912	933

Notes to the Condensed Consolidated Interim Financial Statements

13. Other operating expenses

	2020 1.1-31.3	2019 1.1-31.3
Information technology	597	582
Real estate and fixtures	235	227
Advertising and marketing	184	198
FME supervisory expenses	126	122
Contribution to the Debtor's Ombudsman	20	19
Audit and related services	57	45
Other professional services	216	172
Depreciation and amortisation	320	348
Contribution to the Depositors' and Investors' Guarantee Fund	271	371
Other operating expenses	404	438
Total	2,430	2,522

14. Income tax

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

	2020 1.1-31.3	2019 1.1-31.3
Current tax expense	(236)	(831)
Special income tax on financial institutions	(7)	(172)
Origination and reversal of temporary differences due to deferred tax assets/liabilities	(61)	(34)
Total	(304)	(1,037)

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

		2020 1.1-31.3		2019 1.1-31.3
Profit (loss) before tax		(3,324)		8,831
Tax on liabilities of financial institutions		(450)		(1,010)
Profit (loss) before income tax		(3,774)		7,821
Income tax calculated using the domestic corporate income tax rate	20.0%	665	20.0%	(1,564)
Special income tax on financial institutions	(0.2%)	(7)	2.2%	(172)
Income not subject to tax	1.1%	35	(11.6%)	907
Non-deductible expenses	(30.0%)	(997)	2.8%	(220)
Other	0.0%	-	(0.2%)	12
Effective income tax	(9.1%)	(304)	13.3%	(1,037)

Notes to the Condensed Consolidated Statement of Financial Position

15. Classification and fair values of financial assets and liabilities

Under IFRS 9, financial assets must be classified into categories that reflects the cash flow characteristic of the assets and the objective of business model for managing the assets. Subsequent measurement of each category is specified below:

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

The following table shows the classification of the Group's financial assets and liabilities according to IFRS 9 and their fair values as at 31 March 2020:

As at 31 March 2020	Notes	Carrying amount				Total	Fair value			
		Amortised cost	Mandatorily at FVTPL	Designated at FVTPL	Other financial liabilities		Level 1	Level 2	Level 3	Total
Financial assets measured at fair value										
Cash and balances with Central Bank	19	-	47	-	-	47	-	47	-	47
Bonds and debt instruments	20	-	110,491	1,357	-	111,848	111,349	32	467	111,848
Equities and equity instruments	21	-	25,923	-	-	25,923	10,804	-	15,119	25,923
Derivative instruments	22	-	2,915	-	-	2,915	-	2,915	-	2,915
Loans and advances to customers		-	14,343	-	-	14,343	-	-	14,343	14,343
		0	153,719	1,357	0	155,076	122,153	2,994	29,929	155,076
Financial assets not measured at fair value										
Cash and balances with Central Bank	19	92,393	-	-	-	92,393	-	92,393	-	92,393
Bonds and debt instruments	20	4,720	-	-	-	4,720	-	4,846	-	4,846
Loans and advances to financial institutions	23	69,740	-	-	-	69,740	-	69,740	-	69,740
Loans and advances to customers	24	1,176,193	-	-	-	1,176,193	-	1,183,178	-	1,183,178
Other financial assets		12,015	-	-	-	12,015	-	12,015	-	12,015
		1,355,061	0	0	0	1,355,061	0	1,362,172	0	1,362,172
Financial liabilities measured at fair value										
Derivative instruments	22	-	3,694	-	-	3,694	-	3,694	-	3,694
Short positions	22	-	532	-	-	532	532	-	-	532
		0	4,226	0	0	4,226	532	3,694	0	4,226
Financial liabilities not measured at fair value										
Due to financial institutions and Central Bank	27	-	-	-	41,495	41,495	-	41,495	-	41,495
Deposits from customers	28	-	-	-	755,160	755,160	-	754,790	-	754,790
Borrowings	29	-	-	-	412,591	412,591	-	428,538	-	428,538
Other financial liabilities		-	-	-	28,680	28,680	-	28,680	-	28,680
Subordinated liabilities	32	-	-	-	21,379	21,379	-	21,588	-	21,588
		0	0	0	1,259,305	1,259,305	0	1,275,091	0	1,275,091

Notes to the Condensed Consolidated Interim Financial Statements

15. Classification and fair values of financial assets and liabilities (continued)

The following table shows the classification of the Group's financial assets and liabilities according to IFRS 9 and their fair values as at 31 December 2019:

Carrying amount							Fair value			
As at 31 December 2019	Notes	Amortised cost	Mandatorily at FVTPL	Designated at FVTPL	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value										
Bonds and debt instruments	20	-	108,461	2,781	-	111,242	111,013	79	150	111,242
Equities and equity instruments	21	-	30,019	-	-	30,019	12,939	-	17,080	30,019
Derivative instruments	22	-	2,694	-	-	2,694	-	2,694	-	2,694
Loans and advances to customers		-	14,679	-	-	14,679	-	-	14,679	14,679
		0	155,853	2,781	0	158,634	123,952	2,773	31,909	158,634
Financial assets not measured at fair value										
Cash and balances with Central Bank	19	69,824	-	-	-	69,824	-	69,824	-	69,824
Bonds and debt instruments	20	4,020	-	-	-	4,020	-	4,148	-	4,148
Loans and advances to financial institutions	23	47,929	-	-	-	47,929	-	47,929	-	47,929
Loans and advances to customers	24	1,125,505	-	-	-	1,125,505	-	1,130,435	-	1,130,435
Other financial assets		7,819	-	-	-	7,819	-	7,819	-	7,819
		1,255,097	0	0	0	1,255,097	0	1,260,155	0	1,260,155
Financial liabilities measured at fair value										
Derivative instruments	22	-	3,309	-	-	3,309	-	3,309	-	3,309
Short positions	22	-	2,081	-	-	2,081	2,081	-	-	2,081
		0	5,390	0	0	5,390	2,081	3,309	0	5,390
Financial liabilities not measured at fair value										
Due to financial institutions and Central Bank	27	-	-	-	48,062	48,062	-	48,062	-	48,062
Deposits from customers	28	-	-	-	707,813	707,813	-	707,366	-	707,366
Borrowings	29	-	-	-	373,168	373,168	-	381,506	-	381,506
Other financial liabilities		-	-	-	7,118	7,118	-	7,118	-	7,118
Subordinated liabilities	32	-	-	-	19,081	19,081	-	19,179	-	19,179
		0	0	0	1,155,242	1,155,242	0	1,163,231	0	1,163,231

Notes to the Condensed Consolidated Interim Financial Statements

Notes to the Consolidated Statement of Financial Position

16. Fair value of financial assets and liabilities

Valuation framework

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

Transfers between Levels

During the period from 1 January to 31 March 2020 and 1 January to 31 March 2019, there were no transfers between Level 1, Level 2 and Level 3.

The following tables show the reconciliation of fair value measurement in Level 3 for the three months ended 31 March 2020 and for the year 2019:

	Bonds and debt instruments	Equities and equity instruments	Loans and advances to customers	Total financial assets
1 January - 31 March 2020				
Carrying amount as at 1 January 2020	150	17,080	14,679	31,909
Net gain (loss) on financial assets and liabilities at FVTPL	11	(1,664)	(402)	(2,055)
Net foreign exchange gain (loss)	1	3	(8)	(4)
Purchases	111	5	-	116
Sales	(7)	-	-	(7)
Settlements	(1)	-	74	73
Transfer into, out of Level 3 due to changes in control	202	(305)	-	(103)
Carrying amount as at 31 March 2020	467	15,119	14,343	29,929

1 January - 31 December 2019

Carrying amount as at 1 January 2019	210	11,807	9,670	21,687
Net gain on financial assets and liabilities at FVTPL	79	5,376	18	5,473
Net foreign exchange gain	3	1	1	5
Purchases	87	1,065	5,742	6,894
Sales	(111)	(5)	-	(116)
Settlements	(119)	-	(752)	(871)
Dividend received	-	(1,424)	-	(1,424)
Transfer into Level 3 due to change in control	1	260	-	261
Carrying amount as at 31 December 2019	150	17,080	14,679	31,909

The following table shows the line items in the Consolidated Income Statement where gains (losses) on financial assets and liabilities categorised in Level 3 and held by the Group as at 31 March 2020 and 31 March 2019, were recognised:

	Bonds and debt instruments	Equities and equity instruments	Loans and advances to customers	Total
1 January - 31 March 2020				
Net gain (loss) on financial assets and liabilities at FVTPL	11	(1,664)	(402)	(2,055)
Net foreign exchange gain (loss)	1	3	(8)	(4)
Total	12	(1,661)	(410)	(2,059)
1 January - 31 March 2019				
Net gain on financial assets and liabilities at FVTPL	104	3,331	53	3,488
Net foreign exchange gain	5	1	-	6
Total	109	3,332	53	3,494

17. Unobservable inputs in fair value measurement

The following table summarises the unobservable inputs used in measuring fair value of financial assets and liabilities categorised in Level 3 as at 31 March 2020 and 31 December 2019.

As at 31 March 2020	Assets	Liabilities	Valuation technique	Key un-observable inputs	Range of inputs	
					Lower	Higher
Bonds and debt instruments	467	-	See 1) below	See 1) below	n/a	n/a
Equities and equity instruments	15,119	-	See 2) below	See 2) below	n/a	n/a
Loans and advances to customers	14,343	-	See 3) below	See 3) below	n/a	n/a
	29,929	0				

Notes to the Condensed Consolidated Interim Financial Statements

17. Unobservable inputs in fair value measurement (continued)

As at 31 December 2019	Assets	Liabilities	Valuation technique	Key un-observable inputs	Range of inputs	
					Lower	Higher
Bonds and debt instruments	150	-	See 1) below	See 1) below	n/a	n/a
Equities and equity instruments	17,080	-	See 2) below	See 2) below	n/a	n/a
Loans and advances to customers	14,679	-	See 3) below	See 3) below	n/a	n/a
	31,909	0				

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

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

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

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

The effect of unobservable inputs in fair value measurement

Although the Group believes that its estimates of fair value are appropriate, the use of different valuation methodologies and assumptions could lead to different estimates of fair value. The following tables show how profit (loss) before tax would have been affected if one or more of the inputs for fair value measurements in Level 3 were changed to likely alternatives for the three months ended 31 March 2020 and 31 March 2019:

Effect on profit before tax	2020 1.1-31.3		2019 1.1-31.3	
	Favourable	Unfavourable	Favourable	Unfavourable
Bonds and debt instruments	1	(1)	4	(4)
Equities and equity instruments:				
Equities	723	(724)	700	(700)
Mutual funds	261	(261)	244	(244)
Total equities and equity instruments	984	(985)	944	(944)
Loans and advances to customers	58	(77)	21	(21)
Total	1,043	(1,063)	969	(969)

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

18. Expected credit loss

	31.3.2020			
	Stage 1	Stage 2	Stage 3	Total
Cash and balances with Central Bank	(8)	-	-	(8)
Bonds and debt instruments	(4)	-	-	(4)
Loans and advances to financial institutions	(1)	-	-	(1)
Loans and advances to customers	(3,702)	(4,863)	(11,674)	(20,239)
Other financial assets	(42)	-	-	(42)
Expected credit loss, off-balance sheet items	(237)	(114)	(107)	(458)
Total	(3,994)	(4,977)	(11,781)	(20,752)

	31.12.2019			
	Stage 1	Stage 2	Stage 3	Total
Cash and balances with Central Bank	(10)	-	-	(10)
Bonds and debt instruments	(3)	-	-	(3)
Loans and advances to financial institutions	(1)	-	-	(1)
Loans and advances to customers	(2,390)	(1,978)	(10,515)	(14,883)
Other financial assets	(29)	-	-	(29)
Expected credit loss, off-balance sheet items	(190)	(55)	(109)	(354)
Total	(2,623)	(2,033)	(10,624)	(15,280)

Notes to the Condensed Consolidated Interim Financial Statements

19. Cash and balances with Central Bank

	31.3.2020	31.12.2019
Cash on hand	4,949	4,606
Unrestricted balances with Central Bank	69,310	39,660
Total cash and unrestricted balances with Central Bank	74,259	44,266
Restricted balances with Central Bank - fixed reserve requirement	7,972	7,801
Restricted balances with Central Bank - average maintenance level	-	7,801
Cash and balances pledged as collateral to the Central Bank	10,209	9,956
Total restricted balances with Central Bank	18,181	25,558
Total cash and balances with Central Bank	92,440	69,824

20. Bonds and debt instruments

Bonds and debt instruments	31.3.2020				31.12.2019			
	Amortised cost	Mandatorily at FVTPL	Designated at FVTPL	Total	Amortised cost	Mandatorily at FVTPL	Designated at FVTPL	Total
Domestic								
Listed	4,720	49,612	89	54,421	4,020	26,141	1,995	32,156
Unlisted	-	-	1,268	1,268	-	-	786	786
	4,720	49,612	1,357	55,689	4,020	26,141	2,781	32,942
Foreign								
Listed	-	60,879	-	60,879	-	82,320	-	82,320
	0	60,879	0	60,879	0	82,320	0	82,320
Total bonds	4,720	110,491	1,357	116,568	4,020	108,461	2,781	115,262

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

21. Equities and equity instruments

Equities and equity instruments	31.3.2020			31.12.2019		
	Trading book	Banking book	Total	Trading book	Banking book	Total
Domestic						
Listed	7,666	3,127	10,793	12,311	542	12,853
Unlisted	-	15,111	15,111	-	17,149	17,149
	7,666	18,238	25,904	12,311	17,691	30,002
Foreign						
Listed	1	-	1	2	-	2
Unlisted	-	18	18	-	15	15
	1	18	19	2	15	17
Total equities	7,667	18,256	25,923	12,313	17,706	30,019

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

As at 31 March 2020, outstanding commitments of the Group in share subscriptions amounted to ISK 1.166 million (31 December 2019: ISK 1.166 million) altogether in seven entities. The entities invested in by the Group are required to redeem its shareholders with proceeds from the sale of assets.

Notes to the Condensed Consolidated Interim Financial Statements

22. Derivative instruments and short positions

Trading

	31.3.2020			31.12.2019		
	Notional amount	Fair value		Notional amount	Fair value	
		Assets	Liabilities		Assets	Liabilities
Foreign exchange derivatives						
Currency forwards	14,486	482	181	6,431	60	94
Cross-currency interest rate swaps	1,146	133	-	-	-	-
	15,632	615	181	6,431	60	94
Interest rate derivatives						
Interest rate swaps	2,482	25	-	2,213	23	-
Total return swaps	27,816	40	101	23,927	23	91
	30,298	65	101	26,140	46	91
Equity derivatives						
Equity forwards	2,367	369	42	5,800	382	1,057
Total return swaps	2,716	313	34	4,450	26	121
Equity options	-	-	-	73	-	1
	5,083	682	76	10,323	408	1,179
Total derivative instruments	51,013	1,362	358	42,894	514	1,364
Short positions						
Listed bonds	261	-	532	2,610	-	2,081
Total short positions	261	0	532	2,610	0	2,081
Total	51,274	1,362	890	45,504	514	3,445

Risk management

	31.3.2020			31.12.2019		
	Notional amount	Fair value		Notional amount	Fair value	
		Assets	Liabilities		Assets	Liabilities
Foreign exchange derivatives						
Currency forwards	21,508	184	374	38,471	782	65
Cross-currency interest rate swaps	11,567	-	878	9,857	-	244
	33,075	184	1,252	48,328	782	309
Interest rate derivatives						
Interest rate swaps	30,482	79	2,084	30,214	71	1,636
	30,482	79	2,084	30,214	71	1,636
Fair value hedging						
Interest rate swaps	98,138	1,290	-	85,357	1,327	-
	98,138	1,290	0	85,357	1,327	0
Total	161,695	1,553	3,336	163,899	2,180	1,945
Total derivative instruments and short positions	212,969	2,915	4,226	209,403	2,694	5,390

Fair value hedging

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

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

During the period from 1 January 2019 to 31 March 2020, the slope of the regression line was in all cases within the range of 0.88 and 1.00 (for a 95% confidence level) and the regression coefficient was at least 0.94 (R^2). During the period from 1 January to 31 March 2019, the slope of the regression line is in all cases within the range of 0.92 and 0.99 (for a 95% confidence level) and the regression coefficient is at least 0.95 (R^2).

Notes to the Condensed Consolidated Interim Financial Statements

22. Derivative instruments and short positions (continued)

Fair value hedging (continued)

As at 31 March 2020	Notional amount of the hedging instrument	Maturity date			Fair value of the hedging derivatives		Gains (losses) on changes in fair value used for calculating hedge ineffectiveness
		Up to 3 months	1-5years	>5years	Assets	Liabilities	
Interest rate swaps - EUR	93,840	-	93,840	-	1,273	-	(50)
Interest rate swaps - SEK	4,298	4,298	-	-	17	-	13
Total	98,138	4,298	93,840	0	1,290	0	(37)

Average fixed interest rate - EUR

1.19%

Average fixed interest rate - SEK

0.75%

	Carrying amount of the hedged item	Accumulated amount of fair value hedge adjustments on the hedged item		Gains (losses) on changes in fair value used for calculating hedge ineffectiveness
		Assets	Liabilities	
LBANK 0.75 06/20	-	4,319	5	(13)
LBANK1.375 3/22	-	47,185	-	423
LBANK 1.00 5/23	-	47,954	-	(270)
Total EMTN hedged borrowings	0	99,458	5	140

As at 31 December 2019	Notional amount of the hedging instrument	Maturity date			Fair value of the hedging derivatives		Gains (losses) on changes in fair value used for calculating hedge ineffectiveness
		3-12 months	1-5years	>5years	Assets	Liabilities	
Interest rate swaps - EUR	81,480	-	81,480	-	1,323	-	550
Interest rate swaps - SEK	3,877	3,877	-	-	5	-	13
Total	85,357	3,877	81,480	0	1,328	0	563

Average fixed interest rate - EUR

1.19%

Average fixed interest rate - SEK

0.75%

	Carrying amount of the hedged item	Accumulated amount of fair value hedge adjustments on the hedged item		Gains (losses) on changes in fair value used for calculating hedge ineffectiveness
		Assets	Liabilities	
LBANK 0.75 06/20	-	3,884	8	(10)
LBANK1.375 3/22	-	41,430	-	(185)
LBANK 1.00 5/23	-	41,499	-	(448)
Total EMTN hedged borrowings	0	86,813	8	(643)

23. Loans and advances to financial institutions

	31.3.2020	31.12.2019
Bank accounts with financial institutions	18,537	26,438
Money market loans	48,771	20,379
Other loans	2,433	1,113
Allowance for impairment	(1)	(1)
Total	69,740	47,929

Notes to the Condensed Consolidated Interim Financial Statements

24. Loans and advances to customers

	Notes	31.3.2020	31.12.2019
Loans and advances to customers at amortised cost	a)	1,196,432	1,140,388
Allowance for impairment		(20,239)	(14,883)
Total		1,176,193	1,125,505
Loans and advances to customers at FVTPL	b)	14,343	14,679
Total		1,190,536	1,140,184

a) Loans and advances to customers at amortised cost

	31.3.2020			31.12.2019		
	Gross carrying amount	Allowance for impairment	Carrying amount	Gross carrying amount	Allowance for impairment	Carrying amount
Public entities	4,169	(37)	4,132	4,170	(35)	4,135
Individuals	478,778	(2,460)	476,318	470,096	(2,151)	467,945
Mortgage lending	402,522	(1,176)	401,346	392,753	(848)	391,905
Other	76,256	(1,284)	74,972	77,343	(1,303)	76,040
Corporates	713,485	(17,742)	695,743	666,122	(12,697)	653,425
	1,196,432	(20,239)	1,176,193	1,140,388	(14,883)	1,125,505

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

b) Loans and advances to customers at FVTPL

	31.3.2020	31.12.2019
Corporates	14,343	14,679
Total	14,343	14,679

25. Other assets

	31.3.2020	31.12.2019
Unsettled securities trading	5,381	958
Other accounts receivable	4,456	4,544
Right-of-use assets	2,178	2,317
Sundry assets	941	1,045
Total	12,956	8,864

26. Assets and liabilities classified as held for sale

Assets classified as held for sale

	31.3.2020	31.12.2019
Reposessed collateral	1,130	1,022
Total	1,130	1,022

Reposessed collateral

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

Reposessed collateral	31.3.2020	31.12.2019
Real estate	1,122	1,019
Equipment and vehicles	8	3
Total	1,130	1,022

Reposessed collateral	2020 1.1.-31.3	2019 1.1.-31.12
Carrying amount as at the beginning of the period	1,022	1,330
Reposessed during the period	174	633
Disposed of during the period	(59)	(950)
Impairment and gain of sale	(7)	9
Carrying amount as at the end of the period	1,130	1,022

Liabilities associated with assets classified as held for sale

	31.3.2020	31.12.2019
Liabilities of disposal groups	30	30
Total	30	30

Notes to the Condensed Consolidated Interim Financial Statements

27. Due to financial institutions and Central Bank

	31.3.2020	31.12.2019
Loans and repurchase agreements with Central Bank	45	67
Loans and deposits from financial institutions	41,450	47,995
Total	41,495	48,062

28. Deposits from customers

	31.3.2020	31.12.2019
Demand deposits	501,661	457,427
Term deposits	253,499	250,386
Total	755,160	707,813

29. Borrowings

Secured borrowings

As at 31.3.2020	Currency	Final maturity	Outstanding principal	Indexed/ Non-indexed	Contractual interest rate	Carrying amount
LBANK CB 21	ISK	30.11.2021	5,860	Non-indexed	Fixed 5.5%	5,991
LBANK CBI 22	ISK	28.04.2022	19,540	CPI-indexed	Fixed 3.0%	22,260
LBANK CB 23	ISK	23.11.2023	19,440	Non-indexed	Fixed 5.0%	19,861
LBANK CBI 24	ISK	15.11.2024	38,120	CPI-indexed	Fixed 3.0%	42,455
LBANK CBI 25	ISK	17.09.2025	2,060	Non-indexed	Fixed 3.4%	2,059
LBANK CBI 26	ISK	20.11.2026	6,180	CPI-indexed	Fixed 1.5%	6,254
LBANK CBI 28	ISK	04.10.2028	48,280	CPI-indexed	Fixed 3.0%	55,624
Total covered bonds						154,504
Total secured borrowings						154,504

Unsecured borrowings

As at 31.3.2020	Currency	Final maturity	Outstanding principal	Contractual interest rate	Carrying amount
LBANK FLOAT 06/20	SEK	22.06.2020	SEK 700 million	STIBOR + 1.0%	10,034
LBANK 0.75 06/20*	SEK	22.06.2020	SEK 300 million	FIXED 0.75%	4,319
LBANK 1.375 11/20	SEK	24.11.2020	SEK 750 million	FIXED 1.375%	10,784
LBANK FLOAT 11/20	SEK	24.11.2020	SEK 250 million	STIBOR + 1.5%	3,585
LBANK FLOAT 11/20	NOK	27.11.2020	NOK 300 million	NIBOR + 0.83%	4,093
LBANK FLOAT 11/20	SEK	30.11.2020	SEK 600 million	STIBOR + 0.85%	8,597
LBANK 1.625 03/21	EUR	15.03.2021	EUR 200 million	FIXED 1.625%	30,377
LBANK FLOAT 02/22	NOK	21.02.2022	NOK 1,000 million	NIBOR + 1.75%	13,652
LBANK FLOAT 02/22	SEK	21.02.2022	SEK 500 million	STIBOR + 1.75%	7,161
LBANK 1.375 03/22*	EUR	14.03.2022	EUR 300 million	FIXED 1.375%	47,185
LBANK 1.00 05/23*	EUR	30.05.2023	EUR 300 million	FIXED 1.0%	47,954
LBANK 0.5 05/24	EUR	20.05.2024	EUR 300 million	FIXED 0.5%	46,708
Total senior unsecured bonds					234,449

As at 31.3.2020	Currency	Final maturity	Outstanding principal	Indexed/ Non-indexed	Carrying amount
LBANK 200528	ISK	28.05.2020	800	Non-indexed	794
Total commercial paper issued					794

As at 31.3.2020	Carrying amount
Other unsecured loans	22,844
Total other unsecured loans	22,844

Total unsecured borrowings	258,087
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Total borrowings as at 31.3.2020	412,591
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* The Group applies hedge accounting to these bond issuances and uses for this purpose certain foreign currency denominated interest rate swaps as hedging instruments, see Note 22. The interest rate swaps are hedging the Group's exposure to fair value changes of these fixed-rate EUR and SEK denominated bonds arising from changes in interest rates. The Group applies fair value hedge accounting to the hedging relationship.

On 19 February 2020, the Bank accepted offers in the amount of EUR 300 million after having made a tender offer to the holders of the Bank's EUR 500 million 1.625% unsecured notes due in March 2021. On 20 February 2020, the Bank concluded issuance of new 4.25-year EUR 300 million senior unsecured bonds maturing in May 2024 with a fixed 0.50% coupon. The bonds were sold at terms equivalent to an 83 basis points spread above mid-swap market rates. The tender offer was subject, inter alia, to the outcome of the Bank's new bond issuance.

Notes to the Condensed Consolidated Interim Financial Statements

29. Borrowings (continued)

Secured borrowings

As at 31.12.2019	Currency	Final maturity	Outstanding principal	Indexed/ Non-indexed	Contractual interest rate	Carrying amount
LBANK CB 21	ISK	30.11.2021	5,760	Non-indexed	Fixed 5.5%	5,810
LBANK CBI 22	ISK	28.04.2022	19,540	CPI-indexed	Fixed 3.0%	22,025
LBANK CB 23	ISK	23.11.2023	15,480	Non-indexed	Fixed 5.0%	15,468
LBANK CBI 24	ISK	15.11.2024	38,120	CPI-indexed	Fixed 3.0%	42,089
LBANK CBI 28	ISK	04.10.2028	48,280	CPI-indexed	Fixed 3.0%	55,157
Total covered bonds						140,549
Total secured borrowings						140,549

Unsecured borrowings

As at 31.12.2019	Currency	Final maturity	Outstanding principal	Contractual interest rate	Carrying amount
LBANK FLOAT 06/20	SEK	22.06.2020	SEK 700 million	STIBOR + 1.0%	9,049
LBANK 0.75 06/20*	SEK	22.06.2020	SEK 300 million	FIXED 0.75%	3,884
LBANK 1.375 11/20	SEK	24.11.2020	SEK 750 million	FIXED 1.375%	9,690
LBANK FLOAT 11/20	SEK	24.11.2020	SEK 250 million	STIBOR + 1.5%	3,233
LBANK FLOAT 11/20	NOK	27.11.2020	NOK 300 million	NIBOR + 0.83%	4,132
LBANK FLOAT 11/20	SEK	30.11.2020	SEK 600 million	STIBOR + 0.85%	7,752
LBANK 1.625 03/21	EUR	15.03.2021	EUR 500 million	FIXED 1.625%	68,609
LBANK FLOAT 02/22	NOK	21.02.2022	NOK 1,000 million	NIBOR + 1.75%	13,783
LBANK FLOAT 02/22	SEK	21.02.2022	SEK 500 million	STIBOR + 1.75%	6,457
LBANK 1.375 03/22*	EUR	14.03.2022	EUR 300 million	FIXED 1.375%	41,430
LBANK 1.000 05/23*	EUR	30.05.2023	EUR 300 million	FIXED 1.0%	41,499
Total senior unsecured bonds					209,518

As at 31.12.2019	Currency	Final maturity	Outstanding principal	Indexed/ Non-indexed	Carrying amount
LBANK 200228	ISK	28.02.2020	2,840	Non-indexed	2,820
LBANK 200528	ISK	28.05.2020	800	Non-indexed	785
Total commercial paper issued					3,605

As at 31.12.2019	Carrying amount
Other unsecured loans	19,496
Total other unsecured loans	19,496
Total unsecured borrowings	232,619
Total borrowings as at 31.12.2019	373,168

* The Group applies hedge accounting to these bond issuances and uses for this purpose certain foreign currency denominated interest rate swaps as hedging instruments, see Note 22. The interest rate swaps are hedging the Group's exposure to fair value changes of these fixed-rate EUR and SEK denominated bonds arising from changes in interest rates. The Group applies fair value hedge accounting to the hedging relationship.

30. Deferred tax assets and liabilities

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

	31.3.2020			31.12.2019		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Property and equipment	-	(143)	(143)	-	(151)	(151)
Intangibles	-	(295)	(295)	-	(303)	(303)
Exchange rate-indexed assets and liabilities	-	(522)	(522)	-	(443)	(443)
Deferred foreign exchange differences	280	-	280	285	-	285
Other assets and liabilities	640	-	640	632	-	632
	920	(960)	(40)	917	(897)	20
Set-off of deferred tax assets together with liabilities of the same taxable entities	(920)	920	0	(897)	897	0
Deferred tax (liabilities) assets total	0	(40)	(40)	20	0	20

Notes to the Condensed Consolidated Interim Financial Statements

30. Deferred tax assets and liabilities (continued)

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

			Recognised in income statement	
		Balance as at 1.1	Tax income (expense)	Balance as at 31.3
As at 31.3.2020				
Property and equipment		(151)	8	(143)
Intangibles		(303)	8	(295)
Foreign currency denominated assets and liabilities		(443)	(79)	(522)
Deferred foreign exchange differences		285	(5)	280
Other assets and other liabilities		632	8	640
Total		20	(60)	(40)

			Recognised in income statement	
	Balance as at 1.1	Impact of adopting IFRS 16	Tax income (expense)	Balance as at 31.12
As at 31.12.2019				
Property and equipment	(183)	-	32	(151)
Intangibles	(304)	-	1	(303)
Foreign currency denominated assets and liabilities	(307)	-	(136)	(443)
Deferred foreign exchange differences	343	-	(58)	285
Other assets and other liabilities	400	46	186	632
Tax losses carried forward	185	-	(185)	0
Total	134	46	(160)	20

31. Other liabilities

	31.3.2020	31.12.2019
Unsettled securities trading	24,951	3,467
Withholding tax	847	3,803
Accounts payable	1,073	873
Contribution to the Depositors' and Investors' Guarantee Fund	271	253
Tax on liabilities of financial institutions	4,654	4,204
Current tax liabilities	3,366	4,917
Non-controlling interests - Funds	2,736	2,050
Lease liabilities	2,385	2,525
Sundry liabilities	3,878	2,958
Total	44,161	25,050

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

32. Subordinated liabilities

As at 31.3.2020	Currency	Final maturity	Remaining principal in currencies	Indexed/ Non-indexed	Contractual interest rate	Carrying amount
LBANK 3.125 28NC23 T2	EUR	06.09.2028	EUR 100 million		Fixed 3,125%	15,802
LBANK T2I 29	ISK	11.12.2029	ISK 5.520 million	CPI-indexed	Fixed 3,85%	5,577
Total subordinated liabilities						21,379

As at 31.12.2019	Currency	Final maturity	Remaining principal in currencies	Indexed/ Non-indexed	Contractual interest rate	Carrying amount
LBANK 3.125 28NC23 T2	EUR	06.09.2028	EUR 100 million		Fixed 3,125%	13,613
LBANK T2I 29	ISK	11.12.2029	ISK 5.480 million	CPI-indexed	Fixed 3,85%	5,468
Total subordinated liabilities						19,081

The bond series, LBANK T2I 29, has a final maturity in December 2029, but is callable in December 2024. The Tier 2 subordinated bonds in EUR have a final maturity in September 2028, but are callable in September 2023.

Notes to the Condensed Consolidated Interim Financial Statements

33. Equity

Share capital

As of 31 March 2020, ordinary shares authorised and issued by the Bank totalled 24 billion, while outstanding shares were 23.6 billion. Each share has a par value of ISK 1. Each ordinary share conveys one vote at general meetings of the Bank. All share capital is fully paid up.

Share premium

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

Statutory reserve

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

Retained earnings

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

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

Dividend

The Bank's AGM, held on 22 April 2020, approved the motion of the Board of Directors to pay no dividend for the operating year 2019 in the light of the economic uncertainty caused by the COVID-19 pandemic and in line with directions from the Central Bank of Iceland. The Board of Directors had previously stated its intent to propose that the AGM approve a dividend of ISK 0.40 per share, to be paid to shareholders for the operating year 2019 in two equal payments in 2020. The total dividend would have been ISK 9,450 million, corresponding to 52% of the consolidated profit in 2019.

Dividend policy

Landsbankinn's current dividend policy provides that the Bank aims to pay regular dividends to shareholders amounting in general to $\geq 50\%$ of the previous year's profit. To achieve the Bank's target capital ratio, special dividend payments may also be made to optimise its capital structure. In determining the amount of dividend payments, the Bank's continued strong financial position shall be ensured. Regard shall be had for risk in the Bank's internal and external environment, growth prospects and the maintenance of a long-term, robust equity and liquidity position, as well as compliance with regulatory requirements of financial standing at any given time.

Restriction of dividend payments

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

Additionally, according to the Act on Financial Undertakings, No. 161/2002, the Icelandic Financial Supervisory Authority can impose proportionate restrictions on the Bank's dividend payments, if the Bank's capital adequacy ratio falls below the total capital requirement plus capital buffers, see Note 39 Capital requirements.

Notes to the Condensed Consolidated Interim Financial Statements

Other notes

34. Earnings per share

	2020	2019
Profit (loss) for the period	1.1-31.3	1.1-31.3
Profit (loss) for the period attributable to owners of the Bank	(3,628)	6,784
	2020	2019
Weighted average number of shares	1.1-31.3	1.1-31.3
Weighted average number of ordinary shares issued	24,000	24,000
Weighted average number of own shares	(375)	(375)
Weighted average number of shares outstanding	23,625	23,625
Basic and diluted earnings per share from operations (ISK)	(0.15)	0.29

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

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

35. Litigation

Material litigation cases against the Bank and its subsidiaries

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

At the beginning of October 2019, a former owner of a payment card company brought a case against the Bank and other financial undertakings claiming tort liability in the amount of around ISK 923 million, plus interest, due to an alleged breach of competition rules in the determination of payment card interchange fees. At the first hearing of the case the defendants requested security from the plaintiff for the payment of litigation costs. The Bank presented its statement of defence in November 2019 and requested that the case be dismissed. On 15 November 2019 the District court accepted the claim by the defendants for security. The deadline for posting security was four weeks after the date of the decision. The plaintiff appealed the decision to the Court of Appeal but failed to present the necessary documents regarding the appeal. Consequently, the case was dismissed by the District Court. In April 2020, the same former owner of the payment card company brought a new case against the same parties claiming tort liability in the amount of around ISK 923 million, plus interest. The Bank rejects all claims of the plaintiff.

In September 2018, the Icelandic Bankers' Pension Fund commenced litigation against the Bank, the Icelandic Central Bank, the Icelandic State and certain companies and associations. The Pension Fund demands that an agreement on the settlement of obligations of the then participating companies from 1997 be amended such that, firstly, the defendants shall pay a total of around ISK 5,600 million to the Fund, out of which the Bank shall pay around ISK 4,100 million, and, secondly, that the defendants shall guarantee the obligations of the Fund's Rate Department (Hlutfallsdeild) which are higher than its assets at any time. At a hearing of the case in January 2019 before the District Court of Reykjavik the Bank submitted a statement of defence, rejecting all claims. On 24 April 2019 the District Court decided to dismiss all claims against the Bank due to procedural reasons. The Pension Fund appealed the decision to the Court of Appeal in May 2019. On 6 June 2019 the Court of Appeal decided to invalidate the decision of the District Court and order the case to be brought again before the District Court for substantive resolution. On 10 September 2019 the case was heard by the District Court where new documents were presented. Moreover, at the hearing, the Pension Fund presented a request for an appointment of an assessor to evaluate certain actuarial matters relating to the calculation of the alleged claims against each of the defendants. On 17 October 2019 the Court appointed an assessor in the case who delivered his assessment on 16 December 2019. The assessment was presented before the Court on 9 January 2020. In March 2020, one of the defendants presented a request for an appointment of an assessor to evaluate certain matters relating to the settlement from 1997. The case has been postponed for an unspecified period of time due to the Covid gathering ban.

In March 2019, an Irish company commenced litigation before a German court claiming payment in the amount of around EUR 3,9 million (around ISK 630 million) plus interest due to alleged damages that the Irish company maintains that the Bank caused the company in connection with the insolvency of a German company. The Irish company maintains that loans provided by Landsbanki Íslands in 2005 to a group of companies including the German company and in 2014 by Landsbankinn to the German company caused the insolvency of the German company, and that the Bank, in order to strengthen the position of the Bank, opposed the representatives of the German company to file for bankruptcy in 2013. The Irish company maintains that the Bank thereby caused other lenders of the German company, including the Irish company, to suffer damages. From the initiation of the litigation the case has been postponed while the parties have endeavoured to reach a settlement. Currently, it is considered unlikely that a settlement will be reached. It is therefore probable that litigation procedures will commence in the coming months. The Bank rejects all claims presented by the plaintiff.

Notes to the Condensed Consolidated Interim Financial Statements

35. Litigation (continued)

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

In January 2017, the Bank commenced proceedings before the Reykjavík District Court against BPS ehf., Eignarhaldsfélagið Borgun slf., Borgun hf. and the then CEO of Borgun hf. The Bank considers the defendants to have been in possession of information about the shareholding of Borgun in Visa Europe Ltd. at the time when the Bank sold its 31.2% shareholding in Borgun hf. that they failed to disclose to the Bank. The Bank demands acknowledgement of the defendants' liability for losses incurred by the Bank on these grounds. The defendants demanded the dismissal of the case which was rejected by a ruling of the District Court in June 2017. That ruling could not be appealed, and the defendants submitted their written defences, responding to the substance of the Bank's pleadings. At the request of the Bank, the District Court of Reykjavík ruled on 10 September 2018 on the appointment of assessors to evaluate certain issues regarding Borgun's Annual Accounts. The Court of Appeal confirmed the ruling on 30 October 2018. The assessors delivered their assessment on 22 October 2019. The assessors conclude, inter alia, that information on the existence of an option to buy and sell holdings of Borgun in Visa Europe Ltd to Visa Inc., the terms of the option and possible payments to Borgun based on the option had been of relevance for the drawing up, presentation and therefore the audit of the Annual Accounts of Borgun for the year 2013. Borgun should have provided information in its Annual Accounts for 2013 on its holding in Visa Europe Ltd. and that Borgun was a principal member of Visa Europe Ltd. Borgun should have informed about the option in the Annual Accounts for 2013 in accordance with the provisions of the international financial reporting standard IFRS 7 and informed about the uncertainty relating to the option in the Report of the Board of Directors in accordance with the Act on Annual Accounts No. 3/2006. Moreover, the assessors conclude that the Annual Accounts of Borgun for the year 2013 did not fulfil all requirements of the Act on Annual Accounts and of international financial reporting standards as approved by the European Union at the time. The Bank presented the assessment to the District Court at a hearing on 9 December 2019. At a hearing on 24 January 2020, Borgun and another defendant presented a request for the appointment of new assessors to review the assessment.

36. Interest in subsidiaries

The main subsidiaries held directly or indirectly by the Group as at 31 March 2020 were as detailed in the table below. This includes those subsidiaries that are most significant in the context of the Group's business. Landsbankinn operates an extensive branch network in Iceland, comprised of 37 branches and service points as at 31 March 2020.

Main subsidiaries as at 31 March 2020

Company	Ownership interest	Activity
Eignarhaldsfélag Landsbankans ehf. (Iceland)	100%	Holding company
Landsbréf hf. (Iceland)	100%	Fund management company
Hömlur ehf. (Iceland)*	100%	Holding company

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

The Group does not have significant restrictions on its ability to access or use its assets and settle its liabilities other than those resulting from the supervisory framework. The Group did not have any material non-controlling interests as at 31 March 2020.

37. Related party transactions

Transactions with the Icelandic government and government-related entities

The Group's products and services are offered to the Icelandic government and government-related entities in competition with other vendors and under generally accepted commercial terms. In a similar manner, the Bank and other Group entities purchase products and services from government-related entities at market price and otherwise under generally accepted commercial terms. The nature of and amounts outstanding with public entities are disclosed in Note 42, under Public entities.

In March 2016, the Icelandic State Treasury took over Íslandsbanki hf. Following the takeover, a settlement was reached with the Icelandic Competition Authority to the effect that both banks will continue to operate as independent competitors in the financial market. The takeover qualifies as a merger under Icelandic competition law, as the Icelandic State Treasury has control over the two banks as of the time of the takeover. The Bank has a traditional bank-to-bank relationship with Íslandsbanki under generally accepted commercial terms. The nature of and amounts outstanding with financial institutions, including Íslandsbanki, are disclosed in Note 42, under Financial institutions.

Transactions with other related parties

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

	2020		2019	
	Gross carrying amount as at 31 March	Highest amount outstanding during the period	Gross carrying amount as at 31 December	Highest amount outstanding during the period
Loans in ISK million				
Key management personnel	326	336	310	387
Parties related to key management personnel	159	166	149	205
Associates	268	271	271	289
Other	20	22	22	113
Total	773	795	752	994

No specific allowance for impairment was recognised as at 31 March 2020 in Stage 3 in respect of these loans.

Notes to the Condensed Consolidated Interim Financial Statements

37. Related party transactions (continued)

Transactions with other related parties (continued)

No financial guarantees were given to associates of the Bank during the reporting period. There are no lease 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:

	2020		2019	
	Gross carrying amount as at 31 March	Highest amount outstanding during the period	Gross carrying amount as at 31 December	Highest amount outstanding during the period
Deposits in ISK million				
Key management personnel	61	94	79	211
Parties related to key management personnel	52	61	46	105
Associates	246	493	173	483
Other	221	235	183	1,009
Total	580	883	481	1,808

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

	Gross carrying amount as at 31 March 2020	Gross carrying amount as at 31 December 2019
Guarantees in ISK million		
Key management personnel	-	-
Parties related to key management personnel	-	-
Associates	-	85
Total	0	85

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.

38. Events after the reporting period

No events have arisen after the reporting period of these financial statements that require amendments or additional disclosures in the Condensed Consolidated Financial Statements for the three months ended 31 March 2020.

Notes to the Condensed Consolidated Interim Financial Statements

Capital management

39. Capital requirements

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

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

In addition to the minimum capital requirement, the Bank is required by law to maintain certain capital buffers determined by the FME, which may, depending on the situation, be based on recommendations from the Icelandic Financial Stability Counsel (FSC). The FSC has defined Landsbankinn as a systematically important financial institution in Iceland.

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

As at 31.3.2020	CET1	Tier 1	Total
Pillar I	4.5%	6.0%	8.0%
Pillar II-R	1.9%	2.6%	3.4%
Minimum requirement under Pillar I and Pillar II-R	6.4%	8.6%	11.4%
Systemic risk buffer	2.86%	2.86%	2.86%
Capital buffer for systematically important institutions	2.00%	2.00%	2.00%
Countercyclical capital buffer	0.01%	0.01%	0.01%
Capital conservation buffer	2.50%	2.50%	2.50%
Combined buffer requirement	7.37%	7.37%	7.37%
Total capital requirement	13.8%	16.0%	18.8%

On 18.3.2020, the Financial Stability Committee (FSC) decided to reduce the requirement for a 2% countercyclical capital buffer on domestic exposures to 0%. The following timeline shows the effective dates of countercyclical capital buffer requirements on domestic exposures:

	31.12.2019	1.2.2020	19.3.2020
Countercyclical capital buffer on domestic exposures	1.75%	2.00%	0.00%

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

The Group's capital requirements at 31.12.2019, as determined by the FME, were as follows (as a percentage of REA):

As at 31.12.2019	CET1	Tier 1	Total
Pillar I	4.5%	6.0%	8.0%
Pillar II-R	1.9%	2.6%	3.4%
Minimum requirement under Pillar I and Pillar II-R	6.4%	8.6%	11.4%
Systemic risk buffer	2.87%	2.87%	2.87%
Capital buffer for systematically important institutions	2.00%	2.00%	2.00%
Countercyclical capital buffer	1.70%	1.70%	1.70%
Capital conservation buffer	2.50%	2.50%	2.50%
Combined buffer requirement	9.07%	9.07%	9.07%
Total capital requirement	15.5%	17.7%	20.5%

Notes to the Condensed Consolidated Interim Financial Statements

40. Capital base, risk exposure amount and capital ratios

The following table shows the Group's capital base, risk exposure amount and capital ratios. The calculations are in accordance with Chapter X of the Act on Financial Undertakings, No. 161/2002, and Regulation No. 233/2017 on prudential requirements for the operations of financial undertakings. Iceland has also adopted regulation (EU) No. 575/2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms. Articles 500 and 501 (capital requirements relief for small and medium enterprises) took effect in Iceland on 1.1.2020.

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

Capital base	31.3.2020	31.12.2019
Share capital	23,625	23,625
Share premium	120,630	120,630
Reserves	12,664	14,334
Retained earnings	87,187	89,145
Total equity attributable to owners of the Bank	244,106	247,734
Intangible assets	(2,224)	(2,296)
Deferred tax assets	-	(20)
Fair value hedges	(1,290)	(1,327)
Common equity Tier 1 capital (CET1)	240,592	244,091
Non-controlling interests	-	-
Tier 1 capital	240,592	244,091
Subordinated liabilities	21,379	19,081
Tier 2 capital	21,379	19,081
Total capital base	261,971	263,172
Risk exposure amount (REA)		
Credit risk	941,094	908,249
Market risk	16,721	11,754
Operational risk*	100,394	100,394
Total risk exposure amount	1,058,209	1,020,397
CET1 ratio	22.7%	23.9%
Tier 1 capital ratio	22.7%	23.9%
Total capital ratio	24.8%	25.8%

*The amounts are updated on a yearly basis.

41. Leverage ratio

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

Leverage ratio	31.3.2020	31.12.2019
- On-balance sheet exposure (excluding derivatives)	1,520,273	1,423,634
- Derivative instrument exposure	2,915	2,694
- Potential future exposure on derivatives	2,191	1,625
- Off-balance sheet exposure	116,416	125,848
- Regulatory adjustments to Tier 1 capital	(3,514)	(3,643)
Total leverage exposure	1,638,281	1,550,158
Tier 1 capital	240,592	244,091
Leverage ratio	14.7%	15.7%

Notes to the Condensed Consolidated Interim Financial Statements

Risk management

Credit risk

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

The following tables show the Group's maximum credit risk exposure as at 31 March 2020 and 31 December 2019. For on-balance sheet assets, the exposures are based on net carrying amounts as reported in the Condensed Consolidated Interim Statement of Financial Position. Off-balance sheet amounts are the maximum amounts the Group might have to pay for guarantees, loan commitments in their full amount, and undrawn overdraft and credit

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

As at 31 March 2020	Corporations													Maximum exposure	Carrying amount
	Financial institutions	Public entities*	Individuals	Fisheries	Construction companies	Real estate companies	Holding companies	Retail	Services	ITC**	Manu- facturing	Agriculture	Other		
Cash and balances with Central Bank	-	92,440	-	-	-	-	-	-	-	-	-	-	-	92,440	92,440
Bonds and debt instruments	3	81,668	-	-	-	22	-	1	26	-	-	-	1,107	82,827	116,568
Equities and equity instruments	68	-	-	113	-	100	13,800	173	1,303	66	200	46	299	16,168	25,923
Derivative instruments	1,560	2	76	395	133	128	375	-	21	-	-	-	225	2,915	2,915
Loans and advances to financial institutions	69,740	-	-	-	-	-	-	-	-	-	-	-	-	69,740	69,740
Loans and advances to customers	-	4,132	476,318	179,478	98,590	132,713	30,187	64,053	135,438	34,654	26,348	8,624	1	1,190,536	1,190,536
Other assets	16,066	-	79	-	13	2,194	34	2	2,598	894	21	-	941	22,842	25,066
Total on-balance sheet exposure	87,437	178,242	476,473	179,986	98,736	135,157	44,396	64,229	139,386	35,614	26,569	8,670	2,573	1,477,468	1,523,188
Off-balance sheet exposure	3,628	4,863	32,780	16,891	47,532	10,238	1,597	17,155	19,141	4,936	13,964	1,236	38	173,999	
Financial guarantees and underwriting commitments	336	24	738	7,203	3,986	1,435	1,026	3,089	4,482	1,362	1,241	1	35	24,958	
Undrawn loan commitments	-	-	-	7,954	41,597	7,383	268	8,514	7,395	2,214	9,170	565	-	85,060	
Undrawn overdraft/credit card facilities	3,292	4,839	32,042	1,734	1,949	1,420	303	5,552	7,264	1,360	3,553	670	3	63,981	
Maximum exposure to credit risk	91,065	183,105	509,253	196,877	146,268	145,395	45,993	81,384	158,527	40,550	40,533	9,906	2,611	1,651,467	
Percentage of maximum exposure to credit risk	5.5%	11.1%	30.8%	11.9%	8.9%	8.8%	2.8%	4.9%	9.6%	2.5%	2.5%	0.6%	0.2%	100%	

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

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

Notes to the Condensed Consolidated Interim Financial Statements

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

As at 31 December 2019	Corporations													Maximum exposure	Carrying amount
	Financial institutions	Public entities*	Individuals	Fisheries	Construction companies	Real estate companies	Holding companies	Retail	Services	ITC**	Manu- facturing	Agriculture	Other		
Cash and balances with Central Bank	-	69,824	-	-	-	-	-	-	-	-	-	-	-	69,824	69,824
Bonds and debt instruments	132	86,633	-	-	-	59	-	18	28	-	-	-	617	87,487	115,262
Equities and equity instruments	1	-	-	32	-	-	15,508	1	1,449	-	-	49	399	17,439	30,019
Derivative instruments	2,202	-	9	-	-	12	363	5	-	-	-	-	103	2,694	2,694
Loans and advances to financial institutions	47,929	-	-	-	-	-	-	-	-	-	-	-	-	47,929	47,929
Loans and advances to customers	-	4,135	467,945	151,336	98,536	136,000	26,154	60,525	133,326	32,943	20,365	8,918	1	1,140,184	1,140,184
Other assets	11,120	26	76	-	22	2,342	30	2	2,549	904	4	-	1,045	18,120	20,416
Total on-balance sheet exposure	61,384	160,618	468,030	151,368	98,558	138,413	42,055	60,551	137,352	33,847	20,369	8,967	2,165	1,383,677	1,426,328
Off-balance sheet exposure	3,598	5,051	33,553	16,594	53,174	11,059	1,655	19,691	14,711	5,618	17,819	912	42	183,477	
Financial guarantees and underwriting commitments	306	168	775	6,999	4,105	1,364	1,026	2,855	3,822	1,912	558	42	35	23,967	
Undrawn loan commitments	-	-	-	7,495	46,655	8,163	328	11,655	4,831	2,359	13,751	241	-	95,478	
Undrawn overdraft/credit card facilities	3,292	4,883	32,778	2,100	2,414	1,532	301	5,181	6,058	1,347	3,510	629	7	64,032	
Maximum exposure to credit risk	64,982	165,669	501,583	167,962	151,732	149,472	43,710	80,242	152,063	39,465	38,188	9,879	2,207	1,567,154	
Percentage of maximum exposure to credit risk	4.1%	10.6%	32.0%	10.7%	9.7%	9.5%	2.8%	5.1%	9.7%	2.5%	2.4%	0.6%	0.1%	100.0%	

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

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

Notes to the Condensed Consolidated Interim Financial Statements

43. Collateral and loan-to-value

The loan-to-value (LTV) ratio expresses the gross carrying amount of loans and advances as a percentage of the total value of the collateral. Loan-to-value is one of the key risk factors assessed when qualifying borrowers for a loan. The risk of default is always at the forefront of lending decisions, and the likelihood of a lender absorbing a loss in the foreclosure process increases as the collateral value decreases. A high LTV indicates that there are smaller buffers to protect against price falls or increases in the loan if repayments are not made and interest is added to the outstanding balance.

As at 31 March 2020	LTV ratio - Fully collateralised					LTV ratio - Partially collateralised		Without collateral	Allowance for impairment	Carrying amount
	0% - 25%	25% - 50%	50% - 75%	75% - 100%	Total	>100%	Collateral value*			
Financial institutions	-	-	-	-	0	-	-	69,741	(1)	69,740
Public entities	46	134	139	35	354	-	-	3,815	(37)	4,132
Individuals	33,569	114,383	263,871	30,515	442,338	4,070	2,571	32,370	(2,460)	476,318
Mortgages	25,355	104,310	247,363	22,312	399,340	1,319	679	1,863	(1,176)	401,346
Other	8,214	10,073	16,508	8,203	42,998	2,751	1,892	30,507	(1,284)	74,972
Corporates	23,872	120,880	263,325	143,131	551,208	140,061	108,292	36,559	(17,742)	710,086
Fisheries	10,784	23,834	104,972	34,045	173,635	5,288	2,984	1,337	(782)	179,478
Construction companies	1,203	4,454	13,590	23,629	42,876	56,553	49,848	2,067	(2,906)	98,590
Real estate companies	2,010	14,486	68,572	9,499	94,567	34,315	26,529	6,714	(2,883)	132,713
Holding companies	3,836	20,015	5,152	70	29,073	762	541	540	(188)	30,187
Retail	1,833	25,728	14,923	12,273	54,757	8,121	5,482	2,250	(1,075)	64,053
Services	2,638	18,939	39,822	53,236	114,635	20,992	15,437	7,047	(7,236)	135,438
Information, technology and communication	58	9,661	2,144	48	11,911	12,134	6,330	10,770	(161)	34,654
Manufacturing	672	2,283	11,465	7,597	22,017	1,034	600	5,689	(2,392)	26,348
Agriculture	838	1,480	2,685	2,734	7,737	862	541	144	(119)	8,624
Other	-	-	-	-	0	-	-	1	-	1
Total	57,487	235,397	527,335	173,681	993,900	144,131	110,863	142,485	(20,240)	1,260,276

*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

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

As at 31 December 2019	LTV ratio - Fully collateralised					LTV ratio - Partially collateralised		Without collateral	Allowance for impairment	Carrying amount
	0% - 25%	25% - 50%	50% - 75%	75% - 100%	Total	>100%	Collateral value*			
Financial institutions	-	-	-	-	0	-	-	47,930	(1)	47,929
Public entities	49	28	141	36	254	41	5	3,875	(35)	4,135
Individuals	36,333	112,769	256,069	29,480	434,651	3,507	2,269	31,938	(2,151)	467,945
Mortgages	25,753	103,192	241,093	21,113	391,151	892	425	710	(848)	391,905
Other	10,580	9,577	14,976	8,367	43,500	2,615	1,844	31,228	(1,303)	76,040
Corporates	23,353	157,567	199,288	148,550	528,758	118,000	96,635	34,043	(12,697)	668,104
Fisheries	9,844	51,195	54,453	32,012	147,504	4,011	3,188	277	(456)	151,336
Construction companies	1,010	6,488	10,079	32,391	49,968	48,487	44,404	1,758	(1,677)	98,536
Real estate companies	2,025	23,980	60,917	24,723	111,645	21,322	18,316	5,207	(2,174)	136,000
Holding companies	3,433	20,695	323	349	24,800	756	552	727	(129)	26,154
Retail	2,252	25,483	12,119	11,469	51,323	7,957	5,586	2,194	(949)	60,525
Services	3,300	17,536	50,803	37,670	109,309	21,478	17,413	7,323	(4,784)	133,326
Information, technology and communication	56	8,703	2,049	59	10,867	11,800	5,792	10,397	(121)	32,943
Manufacturing	645	2,176	5,637	7,013	15,471	1,228	819	5,961	(2,295)	20,365
Agriculture	788	1,311	2,908	2,864	7,871	961	565	198	(112)	8,918
Other	-	-	-	-	-	-	-	1	-	1
Total	59,735	270,364	455,498	178,066	963,663	121,548	98,909	117,786	(14,884)	1,188,113

*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

47. Loans and advances by stage allocation

The tables below show both gross carrying amount and expected credit loss (ECL) by industry sectors and the three-stage criteria under IFRS 9.

	Gross carrying amount	Stage 1		Stage 2		Stage 3		Allowance for impairment	Fair value	Carrying amount
		Gross carrying amount	12-month ECL	Gross carrying amount	Lifetime ECL	Gross carrying amount	Lifetime ECL			
As at 31 March 2020										
Financial institutions	69,741	69,741	(1)	-	-	-	-	(1)	-	69,740
Public entities	4,169	3,989	(35)	180	(2)	-	-	(37)	-	4,132
Individuals	478,778	434,379	(440)	39,040	(929)	5,359	(1,091)	(2,460)	0	476,318
Mortgages	402,522	372,959	(230)	26,168	(586)	3,395	(360)	(1,176)	-	401,346
Other	76,256	61,420	(210)	12,872	(343)	1,964	(731)	(1,284)	-	74,972
Corporates	727,828	600,953	(3,227)	81,808	(3,932)	30,724	(10,583)	(17,742)	14,343	710,086
Fisheries	180,260	172,402	(495)	4,467	(97)	634	(190)	(782)	2,757	179,478
Construction companies	101,496	80,724	(759)	16,193	(1,017)	4,579	(1,130)	(2,906)	-	98,590
Real estate companies	135,596	119,409	(656)	11,060	(557)	5,127	(1,670)	(2,883)	-	132,713
Holding companies	30,375	30,128	(170)	162	(8)	85	(10)	(188)	-	30,187
Retail	65,128	55,568	(173)	5,779	(238)	1,741	(664)	(1,075)	2,040	64,053
Services	142,674	88,237	(830)	39,830	(1,935)	12,912	(4,471)	(7,236)	1,695	135,438
Information, technology and communication	34,815	26,735	(105)	119	(9)	110	(47)	(161)	7,851	34,654
Manufacturing	28,740	21,909	(26)	1,669	(34)	5,162	(2,332)	(2,392)	-	26,348
Agriculture	8,743	5,840	(13)	2,529	(37)	374	(69)	(119)	-	8,624
Other	1	1	-	-	-	-	-	-	-	1
Total	1,280,516	1,109,062	(3,703)	121,028	(4,863)	36,083	(11,674)	(20,240)	14,343	1,260,276

Notes to the Condensed Consolidated Interim Financial Statements

47. Loans and advances by stage allocation (continued)

	Gross carrying amount	Stage 1		Stage 2		Stage 3		Allowance for impairment	Fair value	Carrying amount
		Gross carrying amount	12-month ECL	Gross carrying amount	Lifetime ECL	Gross carrying amount	Lifetime ECL			
As at 31 December 2019										
Financial institutions	47,930	47,929	(1)	1	-	-	-	(1)	-	47,929
Public entities	4,170	4,058	(34)	112	(1)	-	-	(35)	-	4,135
Individuals	470,096	429,012	(370)	35,587	(584)	5,497	(1,197)	(2,151)	0	467,945
Mortgages	392,753	364,991	(171)	24,492	(329)	3,270	(348)	(848)	-	391,905
Other	77,343	64,021	(199)	11,095	(255)	2,227	(849)	(1,303)	-	76,040
Corporates	680,801	572,853	(1,986)	64,759	(1,393)	28,510	(9,318)	(12,697)	14,679	668,104
Fisheries	151,792	143,576	(236)	4,959	(85)	598	(135)	(456)	2,659	151,336
Construction companies	100,213	78,562	(548)	19,208	(302)	2,443	(827)	(1,677)	-	98,536
Real estate companies	138,174	120,626	(497)	12,606	(346)	4,942	(1,331)	(2,174)	-	136,000
Holding companies	26,283	24,277	(105)	1,928	(15)	78	(9)	(129)	-	26,154
Retail	61,474	52,414	(101)	4,870	(133)	2,006	(715)	(949)	2,184	60,525
Services	138,110	107,737	(369)	15,538	(434)	13,037	(3,981)	(4,784)	1,798	133,326
Information, technology and communication	33,064	24,716	(96)	270	(4)	40	(21)	(121)	8,038	32,943
Manufacturing	22,660	15,260	(21)	2,396	(50)	5,004	(2,224)	(2,295)	-	20,365
Agriculture	9,030	5,685	(13)	2,983	(24)	362	(75)	(112)	-	8,918
Other	1	-	-	1	-	-	-	-	-	1
Total	1,202,997	1,053,852	(2,391)	100,459	(1,978)	34,007	(10,515)	(14,884)	14,679	1,188,113

Notes to the Condensed Consolidated Interim Financial Statements

44. Collateral types

The following tables disclose the assignments of collateral values to claim values, whereby the value of each individual collateral item held cannot exceed the gross carrying amount of the corresponding individual claim. Changes in collateral value amounts between periods result either from changes in the underlying value of collateral or changes in the gross carrying amount.

As at 31 March 2020	Real estate	Vessels	Deposits	Securities	Other*	Total
Public entities	315	-	1	-	37	353
Individuals	426,360	90	84	2,735	15,443	444,712
Mortgages	395,736	13	31	26	4,044	399,850
Other	30,624	77	53	2,709	11,399	44,862
Corporates	349,931	131,650	2,000	76,285	100,058	659,924
Fisheries	10,186	129,760	192	21,792	15,110	177,040
Construction companies	88,781	8	743	131	3,061	92,724
Real estate companies	118,745	37	226	214	1,874	121,096
Holding companies	1,118	-	151	28,332	13	29,614
Retail	23,580	69	232	11,953	24,405	60,239
Services	88,168	1,774	336	3,359	36,437	130,074
Information, technology and communication	2,153	-	82	10,487	5,519	18,241
Manufacturing	11,027	2	26	17	11,545	22,617
Agriculture	6,173	-	12	-	2,094	8,279
Other	-	-	-	-	-	-
Total	776,606	131,740	2,085	79,020	115,538	1,104,989
As at 31 December 2019	Real estate	Vessels	Deposits	Securities	Other*	Total
Public entities	218	-	1	-	38	257
Individuals	418,218	82	74	2,691	15,598	436,663
Mortgages	387,130	11	23	26	4,157	391,347
Other	31,088	71	51	2,665	11,441	45,316
Corporates	363,815	107,729	1,560	65,867	86,419	625,390
Fisheries	9,956	106,024	29	21,236	13,445	150,690
Construction companies	89,978	39	1,037	85	3,233	94,372
Real estate companies	128,840	21	110	217	772	129,960
Holding companies	1,156	-	-	24,001	196	25,353
Retail	29,612	-	25	7,664	19,607	56,908
Services	84,959	1,643	308	3,322	36,491	126,723
Information, technology and communication	1,966	-	16	9,328	5,348	16,658
Manufacturing	11,273	2	31	14	4,969	16,289
Agriculture	6,075	-	4	-	2,358	8,437
Other	-	-	-	-	-	-
Total	782,251	107,811	1,635	68,558	102,055	1,062,310

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

Notes to the Condensed Consolidated Interim Financial Statements

45. Credit quality of loans and advances

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

As at 31 March 2020	Gross carrying amount					Allowance for impairment	Carrying amount
	10-7	6-4	3-1	0	Unrated		
Financial institutions	69,737	4	-	-	-	(1)	69,740
Public entities	251	3,918	-	-	-	(37)	4,132
Individuals	239,352	205,799	28,245	5,359	23	(2,460)	476,318
Mortgages	215,673	164,081	19,373	3,395	-	(1,176)	401,346
Other	23,679	41,718	8,872	1,964	23	(1,284)	74,972
Corporations	63,644	556,272	77,026	30,724	162	(17,742)	710,086
Fisheries	5,521	166,663	7,442	634	-	(782)	179,478
Construction companies	651	70,307	25,959	4,579	-	(2,906)	98,590
Real estate companies	1,009	119,652	9,748	5,127	60	(2,883)	132,713
Holding companies	-	22,905	7,385	85	-	(188)	30,187
Retail	24,911	33,873	4,603	1,741	-	(1,075)	64,053
Services	15,208	94,393	20,074	12,912	87	(7,236)	135,438
Information, technology and communication	926	33,592	187	110	-	(161)	34,654
Manufacturing	13,937	8,551	1,075	5,162	15	(2,392)	26,348
Agriculture	1,481	6,336	552	374	-	(119)	8,624
Other	-	-	1	-	-	-	1
Total	372,984	765,993	105,271	36,083	185	(20,240)	1,260,276

As at 31 December 2019	Gross carrying amount					Allowance for impairment	Carrying amount
	10-7	6-4	3-1	0	Unrated		
Financial institutions	47,923	7	-	-	-	(1)	47,929
Public entities	245	3,925	-	-	-	(35)	4,135
Individuals	236,273	201,184	27,122	5,497	20	(2,151)	467,945
Mortgages	211,262	159,730	18,491	3,270	-	(848)	391,905
Other	25,011	41,454	8,631	2,227	20	(1,303)	76,040
Corporates	54,655	541,538	56,043	28,510	55	(12,697)	668,104
Fisheries	5,814	140,476	4,904	598	-	(456)	151,336
Construction companies	598	82,251	14,921	2,443	-	(1,677)	98,536
Real estate companies	982	122,167	10,029	4,942	54	(2,174)	136,000
Holding companies	164	20,023	6,018	78	-	(129)	26,154
Retail	23,654	30,399	5,415	2,006	-	(949)	60,525
Services	14,087	97,949	13,036	13,037	1	(4,784)	133,326
Information, technology and communication	344	32,433	247	40	-	(121)	32,943
Manufacturing	7,676	8,994	986	5,004	-	(2,295)	20,365
Agriculture	1,336	6,846	486	362	-	(112)	8,918
Other	-	-	1	-	-	-	1
Total	339,096	746,654	83,165	34,007	75	(14,884)	1,188,113

Notes to the Condensed Consolidated Interim Financial Statements

46. Loans and advances by past due status

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

As at 31 March 2020	Gross carrying amount						Allowance for impairment	Carrying amount
	Not past due	Days past due						
		1-5	6-30	31-60	61-90	over 90		
Financial institutions	69,741	-	-	-	-	-	(1)	69,740
Public entities	4,169	-	-	-	-	-	(37)	4,132
Individuals	467,381	512	2,618	5,263	295	2,709	(2,460)	476,318
Mortgages	395,027	5	1,848	4,040	166	1,436	(1,176)	401,346
Other	72,354	507	770	1,223	129	1,273	(1,284)	74,972
Corporates	687,303	598	20,403	5,146	1,858	12,520	(17,742)	710,086
Fisheries	179,663	104	28	49	-	416	(782)	179,478
Construction companies	94,826	9	5,117	684	6	854	(2,906)	98,590
Real estate companies	126,912	8	3,349	2,039	1,349	1,939	(2,883)	132,713
Holding companies	30,253	-	34	16	72	-	(188)	30,187
Retail	62,935	106	723	945	12	407	(1,075)	64,053
Services	125,748	366	10,727	1,282	349	4,202	(7,236)	135,438
Information, technology and communication	34,696	3	77	4	5	30	(161)	34,654
Manufacturing	23,671	-	347	62	62	4,598	(2,392)	26,348
Agriculture	8,598	2	1	65	3	74	(119)	8,624
Other	1	-	-	-	-	-	-	1
Total	1,228,594	1,110	23,021	10,409	2,153	15,229	(20,240)	1,260,276

As at 31 December 2019	Gross carrying amount						Allowance for impairment	Carrying amount
	Not past due	Days past due						
		1-5	6-30	31-60	61-90	over 90		
Financial institutions	47,930	-	-	-	-	-	(1)	47,929
Public entities	4,120	50	-	-	-	-	(35)	4,135
Individuals	457,047	2,662	2,344	4,175	1,134	2,734	(2,151)	467,945
Mortgages	385,776	-	1,593	3,126	824	1,434	(848)	391,905
Other	71,271	2,662	751	1,049	310	1,300	(1,303)	76,040
Corporations	652,881	4,413	5,195	4,269	2,504	11,539	(12,697)	668,104
Fisheries	151,055	234	83	65	4	351	(456)	151,336
Construction companies	98,426	293	214	427	90	763	(1,677)	98,536
Real estate companies	131,356	172	2,850	1,856	401	1,539	(2,174)	136,000
Holding companies	26,242	9	9	17	3	3	(129)	26,154
Retail	59,672	684	467	67	72	512	(949)	60,525
Services	126,640	2,675	1,455	1,680	1,877	3,783	(4,784)	133,326
Information, technology and communication	32,836	57	64	61	8	38	(121)	32,943
Manufacturing	17,779	242	49	90	34	4,466	(2,295)	20,365
Agriculture	8,875	46	4	6	15	84	(112)	8,918
Other	-	1	-	-	-	-	-	1
Total	1,161,978	7,125	7,539	8,444	3,638	14,273	(14,884)	1,188,113

Notes to the Condensed Consolidated Interim Financial Statements

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

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

	12-months ECL	Lifetime ECL	Lifetime ECL	Total
	Stage 1	Stage 2	Stage 3	
Balance as at 1 January 2020 - Financial institutions	(1)	(5)	0	(6)
Changes in models/risk parameters	-	1	-	1
Balance as at 31 March 2020 - Financial institutions	(1)	(4)	0	(5)
- thereof classified as deduction from gross carrying amounts	(1)	-	-	(1)
- thereof classified as liabilities	-	(4)	-	(4)

	12-months ECL	Lifetime ECL	Lifetime ECL	Total
	Stage 1	Stage 2	Stage 3	
Balance as at 1 January 2020 - Loans and advances to customers	(2,580)	(2,028)	(10,624)	(15,232)
New financial assets originated	(769)	(786)	(729)	(2,284)
Reversals due to financial assets that have been derecognised	368	187	689	1,244
Transfer to Stage 1 - 12-month ECL	(130)	119	11	0
Transfer to Stage 2 - Lifetime ECL	1,442	(1,489)	47	0
Transfer to Stage 3 - Lifetime ECL	121	324	(445)	0
Changes in models/risk parameters	(2,397)	(1,302)	(892)	(4,591)
Provisions used to cover write-offs	6	2	162	170
Balance as at 31 March 2020 - Loans and advances to customers	(3,939)	(4,973)	(11,781)	(20,693)
- thereof classified as deduction from gross carrying amounts	(3,702)	(4,863)	(11,674)	(20,239)
- thereof classified as liabilities	(237)	(110)	(107)	(454)

	1.1-31.3.2020				
	Financial institutions	Public entities	Individuals	Corporates	Total
New financial assets originated	-	-	(88)	(2,196)	(2,284)
Reversals due to financial assets that have been derecognised	-	1	118	1,125	1,244
Changes due to financial assets recognised in the opening balance	1	(1)	(447)	(4,143)	(4,590)
Write-offs	-	-	(151)	(84)	(235)
Provisions used to cover write-offs	-	-	113	57	170
Recoveries	-	-	32	8	40
Translation difference	-	-	1	419	420
Net impairment on loans and advances	1	0	(422)	(4,814)	(5,235)

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48. Allowance for impairment on loans and advances to financial institutions and customers and other assets (continued)

The following tables show changes in the impairment allowance of loans and advances during the year 2019.

	12-months ECL	Lifetime ECL	Lifetime ECL	Total
	Stage 1	Stage 2	Stage 3	
Restated balance as at 1 January 2019 - Financial institutions	(2)	(5)	0	(7)
Changes in models/risk parameters	1	-	-	1
Balance as at 31 December 2019 - Financial institutions	(1)	(5)	0	(6)
- thereof classified as deduction from gross carrying amounts	(1)	-	-	(1)
- thereof classified as liabilities	-	(5)	-	(5)

	12-months ECL	Lifetime ECL	Lifetime ECL	Total
	Stage 1	Stage 2	Stage 3	
Restated balance as at 1 January 2019 - Loans and advances to customers	(2,552)	(1,230)	(9,345)	(13,127)
New financial assets originated	(1,084)	(497)	(2,445)	(4,026)
Reversals due to financial assets that have been derecognised	854	267	1,850	2,971
Changes due to reclassification of financial assets	7	-	-	7
Transfer to Stage 1 - 12-month ECL	(91)	83	8	0
Transfer to Stage 2 - Lifetime ECL	920	(937)	17	0
Transfer to Stage 3 - Lifetime ECL	1,230	928	(2,158)	0
Changes in models/risk parameters	(1,884)	(658)	(529)	(3,071)
Provisions used to cover write-offs	20	16	1,978	2,014
Balance as at 31 December 2019 - Loans and advances to customers	(2,580)	(2,028)	(10,624)	(15,232)
- thereof classified as deduction from gross carrying amounts	(2,390)	(1,978)	(10,515)	(14,883)
- thereof classified as liabilities	(190)	(50)	(109)	(349)

	1.1-31.12.2019				
	Financial institutions	Public entities	Individuals	Corporates	Total
New financial assets originated	-	(1)	(338)	(3,687)	(4,026)
Reversals due to financial assets that have been derecognised	-	1	405	2,565	2,971
Changes due to reclassification of financial assets	-	-	-	7	7
Changes due to financial assets recognised in the opening balance	1	105	(317)	(2,859)	(3,070)
Write-offs	-	-	(787)	(2,772)	(3,559)
Provisions used to cover write-offs	-	-	436	1,578	2,014
Recoveries	-	-	478	265	743
Translation difference	-	-	1	65	66
Net impairment on loans and advances	1	105	(122)	(4,838)	(4,854)

49. Large exposures

As at 31 March 2020, five customer groups were rated as large exposures in accordance with rules on large exposures. Customers are rated as large exposures if their total obligations, or those of financially or administratively connected parties, exceed 10% of the Group's eligible capital. According to the rules, no exposure, after credit risk mitigation, may exceed 25% of the eligible capital. The following table shows the Group's large exposures after credit mitigation:

	Number of large exposures	Large exposures
As at 31 March 2020		
Large exposures between 10% and 20% of the Group's eligible capital	3	108,278
Large exposures between 0% and 10% of the Group's eligible capital	2	-
Total	5	108,278

Total ratio of large exposures to eligible capital 41%

	Number of large exposures	Large exposures
As at 31 December 2019		
Large exposures between 10% and 20% of the Group's eligible capital	3	100,057
Large exposures between 0% and 10% of the Group's eligible capital	2	-
Total	5	100,057

Total ratio of large exposures to eligible capital 38%

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50. Bonds and debt instruments

A breakdown of the Group's bond portfolio, by Standard & Poor's ratings, is as follows:

Government bonds and treasury bills	31.3.2020	31.12.2019
Rated AAA	26,809	34,079
Rated AA- to AA+	34,071	48,241
Rated A- to A+	28,357	9,241
Rated BBB+ and below	1,811	3,355
	91,048	94,916
Corporate bonds		
Rated A- to A+	3,808	1,488
Rated BBB- to BBB+	4,720	4,152
Rated BB+ and below	-	322
Unrated	3,944	3,049
	12,472	9,011
Asset-backed securities		
Rated BBB- to BBB+	13,048	11,335
	13,048	11,335
Total	116,568	115,262

51. Offsetting financial assets and financial liabilities

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

As at 31 March 2020

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

Types of financial assets	Financial assets subject to netting agreements			Netting not recognised on balance sheet			Net financial assets subject to 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	2,915	-	2,915	(266)	(2,668)	(18)	-	-	2,915

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

Types of financial liabilities	Financial liabilities subject to netting agreements			Netting not recognised on balance sheet			Net financial liabilities subject to 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	(3,694)	-	(3,694)	(266)	3,231	(729)	-	-	(3,694)
Short positions	(532)	-	(532)	-	532	-	-	-	(532)
Total	(4,226)	0	(4,226)	(266)	3,763	(729)	0	0	(4,226)

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51. Offsetting financial assets and financial liabilities (continued)

As at 31 December 2019

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

Types of financial assets	Financial assets subject to netting agreements			Netting not recognised on balance sheet			Net financial assets subject to 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	2,694	-	2,694	(499)	(2,088)		107	-	2,694

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

Types of financial liabilities	Financial liabilities subject to netting agreements			Netting not recognised on balance sheet			Net financial liabilities subject to 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	(3,309)	-	(3,309)	(499)	1,827		(1,981)	-	(3,309)
Short positions	(2,081)	-	(2,081)	-	2,081		-	-	(2,081)
Total	(5,390)	0	(5,390)	(499)	3,908		(1,981)	0	(5,390)

Liquidity risk

52. Liquidity risk management

The Group complies with liquidity rules set by the Central Bank of Iceland No. 266/2017. The Group also follows Central Bank rules No. 1032/2014 on funding ratios in foreign currencies, as well as guidelines No. 2/2010 from the Icelandic Financial Supervisory Authority on best practice for managing liquidity in banking organisation. The Central Bank's liquidity rules No. 266/2017 require the Group to maintain a total liquidity coverage ratio (LCR) of 100% at a minimum and also a LCR in foreign currencies of 100% at a minimum. The Central Bank of Iceland made changes to rules No. 266/2017 in December 2019, implementing a minimum requirement for liquidity ratio in Icelandic króna. Effective as of January 1 2020, the minimum LCR in Icelandic króna is 30%. Rules No. 1032/2014 set requirements for a minimum of 100% net stable funding ratio (NSFR) in foreign currencies. The Group submits monthly reports on its liquidity and funding position to the Central Bank of Iceland and the FME.

The key indicator of short-term liquidity risk is measured by the LCR which shows the ratio of high quality liquid assets to expected total net cash outflows over the next 30 days under a specified stress scenario. High quality liquid assets are comprised of cash at hand, balances with the Central Bank, assets eligible for repo transactions with the Central Bank assets with government guarantee and zero percent risk-weighted foreign government bonds. Estimated inflow and outflow weights, according to rules No. 266/2017, are applied to the total balance amount for each asset and liability group measured in the ratio, reflecting the next 30 calendar days. Financial institutions can at a maximum assume 75% of their estimated inflow net to their estimated outflow. This is done so that financial institutions can not overly rely on their estimated inflow in times of stress. The calculations for the ratio as at 31 March 2020 and 31 December 2019 are shown in the following table:

Liquidity coverage ratio 31 March 2020	Total		Foreign currencies		ISK	
	Unweighted	Weighted	Unweighted	Weighted	Unweighted	Weighted
Level 1 liquid assets	160,671	160,671	63,020	63,020	97,651	97,651
Level 2 liquid assets	4,846	4,119	4,846	4,119	-	-
Information items	20,810	-	136	-	20,674	-
Total liquid assets	186,327	164,790	68,002	67,139	118,325	97,651
Deposits	562,895	157,050	112,793	51,714	450,102	105,336
Borrowing	176	176	176	176	-	-
Other outflows	119,391	17,597	28,648	3,011	90,743	14,585
Total outflows (0-30 days)	682,462	174,823	141,617	54,901	540,845	119,921
Loans and advances to financial institutions	80,222	67,281	69,734	67,281	10,488	-
Other inflows	47,356	23,256	10,340	5,548	37,016	17,708
Limit on inflows	-	-	-	(31,653)	-	-
Total inflows (0-30 days)	127,578	90,537	80,074	41,176	47,504	17,708
Liquidity coverage ratio		196%		489%		96%

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52. Liquidity risk management (continued)

Liquidity coverage ratio 31 December 2019	Total		Foreign currencies		ISK	
	Unweighted	Weighted	Unweighted	Weighted	Unweighted	Weighted
Level 1 liquid assets	141,172	141,172	83,846	83,846	57,327	57,327
Level 2 liquid assets	5,048	4,156	4,148	3,526	900	630
Information items	22,211	-	2,476	-	19,734	-
Total liquid assets	168,431	145,328	90,470	87,372	77,961	57,957
Deposits	523,236	136,855	96,026	42,320	427,210	94,535
Borrowing	165	165	165	165	-	-
Other outflows	129,015	17,459	33,158	2,973	95,857	14,486
Total outflows (0-30 days)	652,416	154,479	129,349	45,458	523,067	109,021
Loans and advances to financial institutions	57,584	46,767	47,825	46,767	9,759	-
Other inflows	37,177	17,187	6,831	3,773	30,346	13,414
Limit on inflows	-	-	-	(16,447)	-	-
Total inflows (0-30 days)	94,761	63,954	54,656	34,093	40,105	13,414
Liquidity coverage ratio		161%		769%		61%

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

Liquidity reserves as at 31 March 2020	Total	Foreign currencies	ISK
Cash and balances with the Central Bank	82,197	2,141	80,056
Domestic bonds and debt instruments eligible as collateral at the Central Bank	22,441	4,846	17,595
Foreign government bonds with 0% risk weight	60,879	60,879	-
High quality liquidity assets	165,517	67,866	97,651
Loans and advances to financial institutions	80,222	69,734	10,488
Total liquidity reserves	245,739	137,600	108,139

Liquidity reserves as at 31 December 2019	Total	Foreign currencies	ISK
Cash and balances with the Central Bank	44,235	1,525	42,710
Domestic bonds and debt instruments eligible as collateral at the Central Bank	19,665	4,148	15,517
Foreign government bonds with 0% risk weight	82,320	82,320	-
High quality liquidity assets	146,220	87,993	58,227
Loans and advances to financial institutions	57,584	47,825	9,759
Total liquidity reserves	203,804	135,818	67,986

The Group measures the net stable funding ratio (NSFR) as another key indicator of liquidity risk up to 12 months. The following table shows the values of the NSFR for foreign currencies and NSFR total as at 31 March 2020 and 31 December 2019:

	As at 31 March 2020	As at 31 December 2019
Net stable funding ratio FX	127%	143%
Net stable funding ratio total	115%	117%

53. Encumbered assets

The following tables show the Group's total encumbered and unencumbered assets as at 31 March 2020 and 31 December 2019.

As at 31 March 2020	Collateral pledged against		Un-encumbered	Total
	Covered bonds	Other*		
Cash and balances with Central Bank	3,377	10,209	78,854	92,440
Bonds and debt instruments	-	-	116,568	116,568
Equities and equity instruments	-	-	25,923	25,923
Derivative instruments	-	-	2,915	2,915
Loans and advances to financial institutions	-	2,427	67,313	69,740
Loans and advances to customers	196,269	-	994,267	1,190,536
Investments in equity-accounted associates	-	-	1,529	1,529
Property and equipment	-	-	7,227	7,227
Intangible assets	-	-	2,224	2,224
Other assets	-	-	12,956	12,956
Assets classified as held for sale	-	-	1,130	1,130
Total	199,646	12,636	1,310,906	1,523,188

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53. Encumbered assets (continued)

As at 31 December 2019	Collateral pledged against		Un-encumbered	Total
	Covered bonds	Other*		
Cash and balances with Central Bank	2,152	9,956	57,716	69,824
Bonds and debt instruments	-	-	115,262	115,262
Equities and equity instruments	-	-	30,019	30,019
Derivative instruments	-	-	2,694	2,694
Loans and advances to financial institutions	-	1,039	46,890	47,929
Loans and advances to customers	177,933	-	962,251	1,140,184
Investments in equity-accounted associates	-	-	1,471	1,471
Property and equipment	-	-	6,743	6,743
Intangible assets	-	-	2,296	2,296
Deferred tax assets	-	-	20	20
Other assets	-	-	8,864	8,864
Assets classified as held for sale	-	-	1,022	1,022
Total	180,085	10,995	1,235,248	1,426,328

*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

54. Market risk management

The following table summarises the Group's exposure to market risk as a percentage of risk exposure amount (REA) as at 31 March 2020 and 31 December 2019. The Group uses the standardized approach to calculate risk exposure amounts of derivatives for credit valuation adjustment (CVA) according to capital requirement regulations.

Market risk factor	31.3.2020	31.12.2019
	% of REA	% of REA
Equity price risk	0.6%	0.4%
Interest rate risk	0.7%	0.4%
CVA of derivatives	0.0%	0.0%
Foreign exchange risk	0.3%	0.4%
Total	1.6%	1.2%

The currency risk in the Group's trading portfolios is disclosed together with that in its non-trading portfolios in Notes 58-59.

55. 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 banking book portfolio contains listed and unlisted equities as part of asset and liability management. Further details are disclosed in Note 21.

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

As at 31 March 2020	Up to 3 months	3-12 months	1-5 years	Over 5 years	Carrying amount
Financial assets					
Cash and balances with Central Bank	92,440	-	-	-	92,440
Bonds and debt instruments	62,169	23,669	18,778	11,952	116,568
Derivative instruments	2,915	-	-	-	2,915
Loans and advances to financial institutions	69,740	-	-	-	69,740
Loans and advances to customers	904,617	124,933	129,214	31,772	1,190,536
Other financial assets	12,015	-	-	-	12,015
Total	1,143,896	148,602	147,992	43,724	1,484,214
Financial liabilities					
Due to financial institutions and Central Bank	(41,495)	-	-	-	(41,495)
Deposits from customers	(746,774)	(5,472)	(2,914)	-	(755,160)
Derivative instruments and short positions	(3,694)	-	-	(532)	(4,226)
Borrowings	(64,376)	(51,865)	(232,413)	(63,937)	(412,591)
Other financial liabilities	(28,680)	-	-	-	(28,680)
Subordinated liabilities	-	-	(15,802)	(5,577)	(21,379)
Total	(885,019)	(57,337)	(251,129)	(70,046)	(1,263,531)
Net on-balance sheet position	258,877	91,265	(103,137)	(26,322)	220,683
Derivatives held for hedging	(93,840)	0	93,840	0	
Net off-balance sheet position	14,434	12,067	(24,501)	(2,000)	
Total interest repricing gap	179,471	103,332	(33,798)	(28,322)	
As at 31 December 2019	Up to 3 months	3-12 months	1-5 years	Over 5 years	Carrying amount
Financial assets					
Cash and balances with Central Bank	69,824	-	-	-	69,824
Bonds and debt instruments	52,477	36,344	15,450	10,991	115,262
Derivative instruments	2,694	-	-	-	2,694
Loans and advances to financial institutions	47,929	-	-	-	47,929
Loans and advances to customers	857,054	116,140	133,234	33,756	1,140,184
Other financial assets	7,819	-	-	-	7,819
Total	1,037,797	152,484	148,684	44,747	1,383,712
Financial liabilities					
Due to financial institutions and Central Bank	(48,062)	-	-	-	(48,062)
Deposits from customers	(699,961)	(5,092)	(2,760)	-	(707,813)
Derivative instruments and short positions	(3,309)	-	-	(2,081)	(5,390)
Borrowings	(56,438)	(24,643)	(236,930)	(55,157)	(373,168)
Other financial liabilities	(7,118)	-	-	-	(7,118)
Subordinated liabilities	-	-	(13,613)	(5,468)	(19,081)
Total	(814,888)	(29,735)	(253,303)	(62,706)	(1,160,632)
Net on-balance sheet position	222,909	122,749	(104,619)	(17,959)	223,080
Derivatives held for hedging	(85,357)	3,877	81,480	0	
Net off-balance sheet position	16,143	10,192	(24,335)	(2,000)	
Total interest repricing gap	153,695	136,818	(47,474)	(19,959)	

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57. 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 covered 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 department within the Risk Management division. The following tables summarize the Group's CPI imbalance, where CPI-linked financial assets and liabilities are calculated at their carrying amounts and categorised at maturity date, as at 31 March 2020 and 31 December 2019.

As at 31 March 2020	Up to 3 months	3-12 months	1-5 years	Over 5 years	Carrying amount
Financial assets					
Bonds and debt instruments	1	-	7,088	9,134	16,223
Loans and advances to customers	4,038	11,560	71,205	307,492	394,295
Total	4,039	11,560	78,293	316,626	410,518
Financial liabilities					
Deposits from customers	(73,555)	(3,483)	(10,404)	(35,876)	(123,318)
Derivative instruments and short positions	-	-	-	(934)	(934)
Borrowings	-	-	(64,715)	(61,878)	(126,593)
Subordinated liabilities	-	-	-	(5,577)	(5,577)
Total	(73,555)	(3,483)	(75,119)	(104,265)	(256,422)
Total on-balance sheet position	(69,516)	8,077	3,174	212,361	154,096
Off-balance sheet position					
Interest rate swaps	-	-	(26,768)	(2,297)	(29,065)
Total return swaps	(10,456)	-	-	-	(10,456)
Total off-balance sheet position	(10,456)	0	(26,768)	(2,297)	(39,521)
Total CPI indexation balance	(79,972)	8,077	(23,594)	210,064	114,575
As at 31 December 2019	Up to 3 months	3-12 months	1-5 years	Over 5 years	Carrying amount
Financial assets					
Bonds and debt instruments	-	1	5,531	8,760	14,292
Loans and advances to customers	4,956	11,451	69,661	315,875	401,943
Total	4,956	11,452	75,192	324,635	416,235
Financial liabilities					
Deposits from customers	(71,093)	(2,486)	(11,418)	(35,809)	(120,806)
Derivative instruments and short positions	-	-	-	(939)	(939)
Borrowings	-	-	(64,113)	(55,158)	(119,271)
Subordinated liabilities	-	-	-	(5,468)	(5,468)
Total	(71,093)	(2,486)	(75,531)	(97,374)	(246,484)
Total on-balance sheet position	(66,137)	8,966	(339)	227,261	169,751
Off-balance sheet position					
Interest rate swaps	-	-	(26,391)	(2,228)	(28,619)
Total return swaps	(11,923)	-	-	-	(11,923)
Total off-balance sheet position	(11,923)	0	(26,391)	(2,228)	(40,542)
Total CPI indexation balance	(78,060)	8,966	(26,730)	225,033	129,209

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Currency risk

58. Currency risk (all portfolios)

The Group follows Central Bank Rules No. 784/2018, on Foreign Exchange Balances. The Rules stipulate that a foreign exchange balance (whether long or short) of a systemically important financial institution must always be within 10% of its capital base, in each currency and for all currencies combined, although the total foreign exchange balance should never exceed ISK 25,000 million. The Bank submits daily reports to the Central Bank on its foreign exchange balance and the Group submits monthly reports to the Central Bank on its foreign exchange balance.

The Group's combined net foreign exchange balance as at 31 March 2020 was - 0,6% of the Group's capital base (31.12.2019: +1.2%).

59. Concentration of currency risk

The following tables summarise the Group's exposure to currency risk as at 31 March 2020 and 31 December 2019. The off-balance sheet amounts shown are the notional amounts of the Group's derivative instruments. Amounts presented under assets and liabilities include all spot deals. When managing currency risk the Group regards spot deals as non-derivative assets or liabilities.

As at 31 March 2020	EUR	GBP	USD	JPY	CHF	Other	Total
Assets							
Cash and balances with Central Bank	743	215	549	11	58	573	2,149
Bonds and debt instruments	23,502	3	38,790	-	-	3,325	65,620
Equities and equity instruments	43	-	121	-	-	98	262
Derivative instruments	1,454	128	376	-	-	156	2,114
Loans and advances to financial institutions	15,950	1,412	6,296	378	670	45,028	69,734
Loans and advances to customers	189,787	3,442	56,136	1,999	336	3,809	255,509
Other assets	1,342	-	311	-	-	230	1,883
Total	232,821	5,200	102,579	2,388	1,064	53,219	397,271
Liabilities							
Due to financial institutions and Central Bank	(1,314)	(48)	(16)	-	-	(1)	(1,379)
Deposits from customers	(49,439)	(4,645)	(55,699)	(619)	(930)	(9,534)	(120,866)
Derivative instruments and short positions	(105)	(113)	(1,235)	-	-	(1)	(1,454)
Borrowings	(173,569)	-	(21,499)	-	-	(62,225)	(257,293)
Other liabilities	(785)	(103)	(554)	-	(3)	(710)	(2,155)
Subordinated liabilities	(15,802)	-	-	-	-	-	(15,802)
Total	(241,014)	(4,909)	(79,003)	(619)	(933)	(72,471)	(398,949)
Net on-balance sheet position	(8,193)	291	23,576	1,769	131	(19,252)	(1,678)
Net off-balance sheet position	6,489	(324)	(22,942)	(1,182)	-	18,213	254
Net currency position	(1,704)	(33)	634	587	131	(1,039)	(1,424)
As at 31 December 2019	EUR	GBP	USD	JPY	CHF	Other	Total
Assets							
Cash and balances with Central Bank	575	163	307	12	35	434	1,526
Bonds and debt instruments	27,213	4	52,261	-	-	6,882	86,360
Equities and equity instruments	2,210	-	77	-	-	263	2,550
Derivative instruments	1,395	24	763	-	-	10	2,192
Loans and advances to financial institutions	17,514	2,286	8,000	1,013	800	18,242	47,855
Loans and advances to customers	158,304	2,661	41,364	2,135	300	3,541	208,305
Other assets	1,387	-	-	-	-	36	1,423
Total	208,598	5,138	102,772	3,160	1,135	29,408	350,211
Liabilities							
Due to financial institutions and Central Bank	(1,661)	(47)	(148)	-	-	(393)	(2,249)
Deposits from customers	(43,391)	(4,511)	(43,163)	(823)	(861)	(8,754)	(101,503)
Derivative instruments and short positions	(1,017)	(18)	(323)	-	(2)	(141)	(1,501)
Borrowings	(152,699)	-	(18,336)	-	-	(57,980)	(229,015)
Other liabilities	(413)	(48)	(188)	(1)	(5)	(531)	(1,186)
Subordinated liabilities	(13,613)	-	-	-	-	-	(13,613)
Total	(212,794)	(4,624)	(62,158)	(824)	(868)	(67,799)	(349,067)
Net on-balance sheet position	(4,196)	514	40,614	2,336	267	(38,391)	1,144
Net off-balance sheet position	6,736	(26)	(40,280)	(2,357)	(409)	38,181	1,845
Net currency position	2,540	488	334	(21)	(142)	(210)	2,989

Notes to the Condensed Consolidated Interim Financial Statements

60. Foreign exchange rates used

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

	As at 31 March 2020	As at 31 December 2019	% change	Average for 1.1-31.3 2020	Average for 1.1-31.3 2019
EUR/ISK	156.40	135.80	15.2%	142.10	136.05
GBP/ISK	176.76	160.28	10.3%	165.49	156.07
USD/ISK	141.97	120.98	17.3%	128.34	119.56
JPY/ISK	1.3202	1.1132	18.6%	1.1871	1.0855
CHF/ISK	147.44	124.98	18.0%	132.88	120.46
CAD/ISK	100.52	93.27	7.8%	95.43	89.71
DKK/ISK	20.956	18.172	15.3%	19.022	18.230
NOK/ISK	13.633	13.764	(1.0%)	13.549	13.972
SEK/ISK	14.326	12.923	10.9%	13.290	13.131

Notes to the Condensed Consolidated Interim Financial Statements

Consolidated Key Figures

61. Operations by quarters

Operations	2020	2019			
	Q1	Q4*	Q3	Q2	Q1
Interest income	16,416	16,844	16,874	20,555	17,899
Interest expense	(6,989)	(7,264)	(7,243)	(10,341)	(7,654)
Net interest income	9,427	9,580	9,631	10,214	10,245
Fee and commission income	2,773	2,980	2,784	2,861	2,903
Fee and commission expense	(828)	(855)	(826)	(785)	(843)
Net fee and commission income	1,945	2,125	1,958	2,076	2,060
Net gain (loss) on financial assets and liabilities at FVTPL	(2,625)	2,126	649	1,776	3,442
Net foreign exchange gain (loss)	85	(300)	(39)	(87)	(158)
Net valuation adjustments and impairment	(5,244)	(1,399)	(1,056)	(1,378)	(994)
Other income and (expenses)	(188)	131	211	266	438
Net other operating income	(7,972)	558	(235)	577	2,728
Total operating income	3,400	12,263	11,354	12,867	15,033
Salaries and related expenses	(3,844)	(3,805)	(3,284)	(3,689)	(3,680)
Other operating expenses	(2,430)	(2,505)	(2,167)	(2,340)	(2,522)
Tax on liabilities of financial institutions	(450)	(1,064)	(1,065)	(1,065)	(1,010)
Total operating expenses	(6,724)	(7,374)	(6,516)	(7,094)	(7,212)
Profit (loss) before tax	(3,324)	4,889	4,838	5,773	7,821
Income tax	(304)	(1,014)	(1,591)	(1,444)	(1,037)
Profit (loss) for the period	(3,628)	3,875	3,247	4,329	6,784
Balance sheet	31.3.2020	31.12.2019	30.9.2019	30.6.2019	31.3.2019
Cash and cash balances with Central Bank	92,440	69,824	56,680	63,990	63,014
Bonds and debt instruments	116,568	115,262	96,786	84,830	80,954
Equities and equity instruments	25,923	30,019	29,150	27,658	25,151
Loans and advances to financial institutions	69,740	47,929	71,222	71,812	88,664
Loans and advances to customers	1,190,536	1,140,184	1,136,804	1,130,915	1,095,376
Other assets	26,851	22,088	23,476	22,348	24,744
Assets classified as held for sale	1,130	1,022	1,144	1,282	1,394
Total assets	1,523,188	1,426,328	1,415,262	1,402,835	1,379,298
Due to financial institutions and Central Bank	41,495	48,062	47,860	34,430	36,636
Deposits from customers	755,160	707,813	703,762	697,898	694,820
Borrowings	412,591	373,168	366,337	377,680	351,005
Other liabilities	48,427	30,440	39,980	37,768	36,701
Liabilities associated with assets classified as held for sale	30	30	30	30	30
Subordinated liabilities	21,379	19,081	13,433	14,417	13,900
Equity	244,106	247,734	243,860	240,612	246,205
Total liabilities and equity	1,523,188	1,426,328	1,415,262	1,402,835	1,379,298

*The first quarter result for the year 2020 and the first three quarter results for the year 2019 were reviewed by the Bank's independent auditors.

Notes to the Condensed Consolidated Interim Financial Statements

Consolidated Key Figures

62. Key figures and ratios

	2020	2019			
	Q1	Q4	Q3	Q2	Q1
Return on equity before taxes	-5.4%	8.0%	8.0%	9.5%	12.9%
Return on equity after taxes	-5.9%	6.3%	5.4%	7.1%	11.2%
Return on equity after taxes, excluding bank levy	-5.2%	8.0%	7.1%	8.9%	12.9%
Cost-income ratio	72.6%	46.2%	43.9%	42.3%	38.7%
Operating expenses as a ratio of average total assets	1.7%	1.8%	1.5%	1.7%	1.8%
Return on assets	-1.0%	1.1%	0.9%	1.2%	2.0%
Interest spread as a ratio of assets and liabilities	2.2%	2.3%	2.3%	2.3%	2.5%
Earnings per share	(0.15)	0.16	0.14	0.18	0.29
	31.3.2020	31.12.2019	30.9.2019	30.6.2019	31.3.2019
Total capital ratio	24.8%	25.8%	23.6%	23.7%	23.8%
CET1 ratio	22.7%	23.9%	22.3%	22.3%	22.4%
Leverage ratio	14.7%	15.7%	15.2%	15.2%	15.3%
Loans / deposits	157.7%	161.1%	161.5%	162.0%	157.6%
Deposits / total assets	49.6%	49.6%	49.7%	49.7%	50.4%
Liquidity coverage ratio total (LCR)	196%	161%	186%	174%	243%
Net stable funding ratio FX (NSFR)	127%	143%	158%	164%	165%
Number of full-time positions at the end of the period	886	893	903	903	922

Key figures and ratios

Definition

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