



Condensed Consolidated Interim Financial Statements

For the nine months ended 30 September 2020

Content	Page
Highlights	1
Report on Review of Condensed Consolidated Interim Financial Statements	2 - 3
Independent Auditor's Review Report	4
Condensed Consolidated Income Statement for the nine months ended 30 September 2020	6
Condensed Consolidated Statement of Comprehensive Income for the nine months ended 30 September 2020	6
Condensed Consolidated Statement of Financial Position as at 30 September 2020	7
Condensed Consolidated Statement of Changes in Equity for the nine months ended 30 September 2020	8
Condensed Consolidated Statement of Cash Flows for the nine months ended 30 September 2020	9 - 10
Notes to the Condensed Consolidated Interim Financial Statements	11 - 60

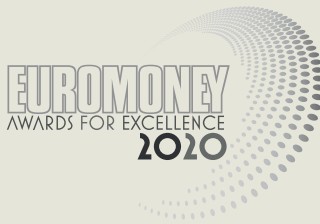
Number one in
Performance
Satisfaction Index



Credit rating

BBB
with stable outlook

Best Bank



Marketshare

38% Retail banking
36% Corporate banking

Principles for
Responsible Investment



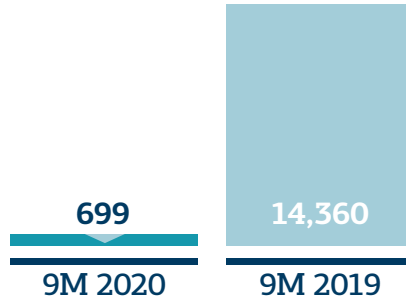
Equal Pay Certification



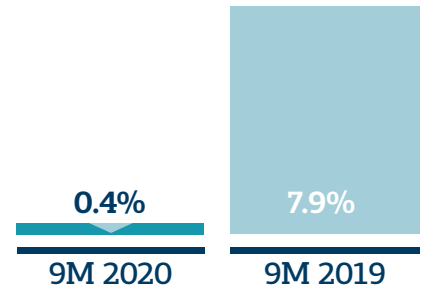
Highlights



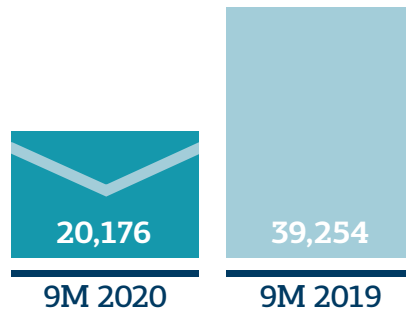
Profit



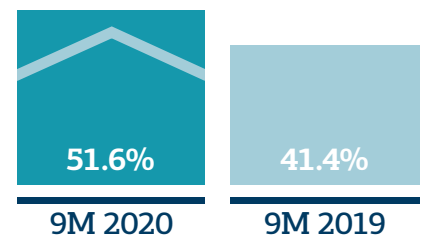
Return on equity



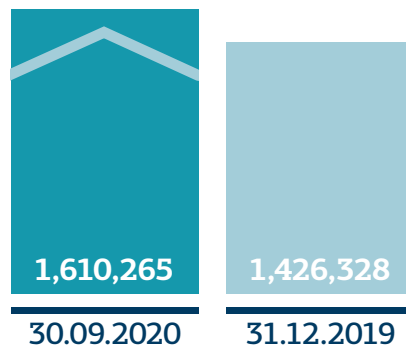
Total operating income



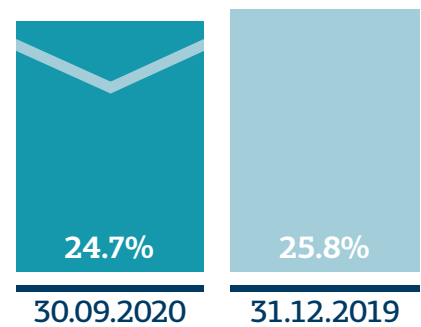
Cost-income ratio



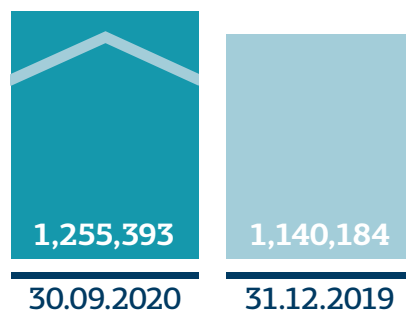
Total assets



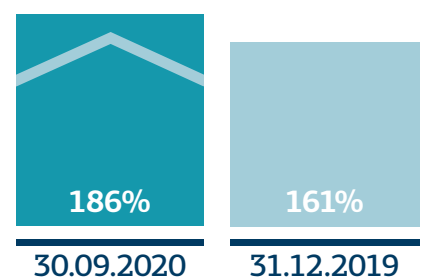
Total capital ratio



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 nine 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 profit amounted to ISK 699 million for the first nine months of 2020 as compared with a profit of ISK 14,360 for the same period the previous year. Net interest income amounted to ISK 28,380 million for the period as compared with ISK 30,090 million for the same period the year before while net fee and commission income was ISK 5,657 million as compared with ISK 6,094 million for the same period the previous year. Net impairment on loans amounted to ISK 13,555 million for the period as compared with ISK 3,428 million for the same period the year before. The sharp increase in impairment on loans 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 248,433 million and total assets to ISK 1,610,265 million at the end of the period. The total capital ratio of the Group, calculated according to the Act on Financial Undertakings, was 24.7% at the end of the period as compared with 25.8% at the beginning of the year. The Bank's total regulatory capital requirement has been reduced from 20.5% to 18.8% as a result of a reduction of the countercyclical capital buffer on domestic exposures from 1.75% at year-end 2019 to 0% as of 18 March 2020.

On 4 May 2020, Regulation No. 452/2020 transposed into Icelandic law Regulation (EU) 2017/2395 of the European Parliament and of the Council amending Regulation (EU) No. 575/2013, as regards, inter alia, transitional arrangements for mitigating the impact of the introduction of IFRS 9 on own funds. The Financial Supervisory Authority (FSA) has granted permission for the Group to apply IFRS 9 transitional arrangements in accordance with the aforementioned regulations. The effect of the arrangements on the Group's capital ratio is positive by 0.4 percentage points at the end of the third quarter of 2020 (see Note 40).

Furthermore, on 1 January 2020, Articles 500 and 501 (capital requirements relief for SMEs) of Regulation (EU) No. 575/2013, on prudential requirements for credit institutions and investment firms, took effect in Iceland.

Risk factors

The Bank's total capital ratio is 24.7%, and remains well above the current regulatory requirement of 18.8% at the end of the third quarter. The Bank's risk exposure amount has increased by 8.0% since year-end 2019 due to an increase in credit risk from growth of the loan portfolio. The carrying amount of loans and advances to customers has increased by 10.1% from year-end 2019, mainly due to a growth in the mortgage portfolio and depreciation of the Icelandic *króna*.

The great uncertainty caused by the COVID-19 pandemic has affected the Bank's credit risk in the first three quarters of 2020. Average probability of default increased during the period and was 3.1% at the end of the quarter as compared to 2.4% at year-end 2019. The average loss given default also increased slightly, from 14.5% to 14.8%. Impairment provisions on loans to customers increased considerably during the period and an impairment loss of ISK 13,538 million was recognised in the income statement. The increased impairment provisions are largely due to expected credit losses in stages 1 and 2, which can be attributed to more negative scenarios of the economic consequences of the COVID-19 pandemic and a review of credit ratings and collateral value for that part of the corporate portfolio that is most exposed to the pandemic.

Market risk, measured as the ratio of the Bank's risk-weighted assets to the total risk exposure amount, was 1.0% at the end of the period as compared with 1.2% at year-end 2019.

The Bank's liquidity ratios remain strong, despite the pandemic. At the end of the second quarter, the Bank's total liquidity coverage ratio (LCR) was 186%, 379% in foreign currencies and 107% in Icelandic *króna*.

Further information about the Group's risk and capital management is included in the notes to the Condensed Consolidated Interim Financial Statements and the Pillar III Report for the first nine months of 2020, both published at the same time and accessible on the Bank's website.

Economic outlook

There is still considerable uncertainty about the economic outlook due to the COVID-19 pandemic. Preliminary national accounts for the first half of the year show that the Icelandic economy has already contracted considerably as a result of the pandemic. Private consumption in the second quarter contracted by 8.3%, import by 38.8% and GDP decreased by 9.3%. Unemployment has soared, reaching 9% in September, and the government budget deficit is significant. At the beginning of summer, it appeared that the spread of the virus had been successfully slowed down in Iceland and many other countries. Consumption and economic activity picked up for a time, though the rise in the infection rate in the latter half of the summer and fall is likely to again put a damper on the economy, both domestically and abroad.

Landsbankinn Economic Research maintains a similar view of economic growth prospects as in its May forecast. Economic growth is expected to be negative by 8.5% this year, constituting the sharpest economic contraction in one year in the history of the Icelandic Republic. The contraction period is expected to be short-lived and the economy to make a robust recovery next fall alongside successful measures to contain the spread of the virus. Next year, GDP is expected to grow by 3.4%.

Report of the Board of Directors and the CEO

Economic outlook (continued)

Inflation has increased somewhat since January this year, when it measured 1.7%, and was 3.5% in September. This is the highest inflation has measured since May 2019, when it was 3.6%. Increased inflation since January is primarily driven by exchange rate influences. Landsbankinn Economic Research expects inflation to rise to 4% at the beginning of next year due to depreciation of the ISK and to average 3.1% in 2021.

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 current challenges 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 nine 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 nine months of 2020, its consolidated financial position as at 30 September 2020, and its consolidated cash flows for the first nine 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 and operations as the pandemic has not subsided and ongoing restrictions still affect the economy. Furthermore, it is uncertain whether behaviour and customs around the world will change permanently, which could adversely alter the underlying assumptions of the Bank's economic forecast, such as consumer behaviour, investments and tourism. The Bank's assets may suffer further adverse effects, though this will not impact its future going-concern assumptions as its capital and liquidity positions and operations are sound and stable, 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 nine months of 2020.

Reykjavík, 29 October 2020

Board of Directors

Helga Björk Eiríksdóttir, Chairman
Berglind Svavarsdóttir, Vice-Chairman
Einar Þór Bjarnason
Guðbrandur Sigurðsson
Hersir Sigurgeirsson
Sigríður Benediktsdóttir
Þorvaldur Jacobsen

Chief Executive officer

Lilja Björk Einarsdóttir

Report on Review of Condensed Consolidated Interim Financial Statements

To the Board of Directors and Shareholders of Landsbanki hf.

Introduction

We have reviewed, on mandate of the Icelandic National Audit Office, the accompanying Condensed Consolidated Interim Financial Statements of Landsbankinn hf. as at 30 September 2020 which comprise of Report of the Board of Directors and the CEO, Condensed Consolidated Statement of Financial Position as at 30 September 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 nine-month period then ended 30 September 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, 29. October 2020

PricewaterhouseCoopers ehf

Arna G. Tryggvadóttir
State Authorized Public Accountant

Atli Þór Jóhannsson
State Authorized Public Accountant

This page has been left blank intentionally.

Condensed Consolidated Income Statement for the nine months ended 30 September 2020

Notes	2020 1.7-30.9	2019 1.7-30.9	2020 1.1-30.9	2019 1.1-30.9	
	Interest income	16,167	16,874	50,803	55,328
	Interest expense	(6,726)	(7,243)	(22,423)	(25,238)
6	Net interest income	9,441	9,631	28,380	30,090
	Fee and commission income	2,844	2,784	8,008	8,548
	Fee and commission expense	(785)	(826)	(2,351)	(2,454)
7	Net fee and commission income	2,059	1,958	5,657	6,094
8	Net (loss) gain on financial assets and liabilities at FVTPL	(1,001)	649	(799)	5,867
9	Net foreign exchange loss	(52)	(39)	(226)	(284)
10	Credit impairment losses	(120)	(1,056)	(13,555)	(3,428)
11	Other income and (expenses)	574	211	719	915
	Net other operating income	(599)	(235)	(13,861)	3,070
	Total net operating income	10,901	11,354	20,176	39,254
12	Salaries and related expenses	(3,135)	(3,284)	(10,781)	(10,653)
13	Other operating expenses	(1,995)	(2,167)	(6,631)	(7,029)
	Tax on liabilities of financial institutions	(540)	(1,065)	(1,415)	(3,140)
	Total operating expenses	(5,670)	(6,516)	(18,827)	(20,822)
	Profit before tax	5,231	4,838	1,349	18,432
14	Income tax	(1,245)	(1,591)	(650)	(4,072)
	Profit for the period	3,986	3,247	699	14,360
	Profit for the year attributable to:				
	Owners of the Bank	3,986	3,247	699	14,360
	Non-controlling interests	0	0	0	0
	Profit for the period	3,986	3,247	699	14,360
	Earnings per share				
34	Basic and diluted earnings per share from operations (ISK)	0.17	0.14	0.03	0.61

Condensed Consolidated Statement of Comprehensive Income for the nine months ended 30 September 2020

Notes	2020 1.7-30.9	2019 1.7-30.9	2020 1.1-30.9	2019 1.1-30.9	
	Profit for the period	3,986	3,247	699	14,360
	Other comprehensive income for the period, after tax	0	0	0	0
	Total comprehensive income for the period	3,986	3,247	699	14,360

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

Condensed Consolidated Statement of Financial Position as at 30 September 2020

Notes		30.9.2020	31.12.2019
Assets			
19, 55	Cash and balances with Central Bank	111,260	69,824
20	Bonds and debt instruments	104,895	115,262
21	Equities and equity instruments	25,445	30,019
22	Derivative instruments	2,409	2,694
23, 55	Loans and advances to financial institutions	80,324	47,929
24, 55	Loans and advances to customers	1,255,393	1,140,184
	Investments in equity-accounted associates	1,574	1,471
	Property and equipment	8,374	6,743
	Intangible assets	2,090	2,296
30	Deferred tax assets	0	20
25	Other assets	16,821	8,864
26	Assets classified as held for sale	1,680	1,022
	Total assets	1,610,265	1,426,328
Liabilities			
27	Due to financial institutions and Central Bank	47,654	48,062
28	Deposits from customers	813,784	707,813
22	Derivative instruments and short positions	5,708	5,390
29, 55	Borrowings	438,309	373,168
30	Deferred tax liabilities	59	0
31	Other liabilities	34,329	25,050
26	Liabilities associated with assets classified as held for sale	30	30
32	Subordinated liabilities	21,959	19,081
	Total liabilities	1,361,832	1,178,594
Equity			
33	Share capital	23,625	23,625
	Share premium	120,630	120,630
	Reserves	16,388	14,334
	Retained earnings	87,790	89,145
	Total equity	248,433	247,734
	Total liabilities and equity	1,610,265	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 nine months ended 30 September 2020

Notes

	Attributable to owners of the Bank									
	Reserves*						Retained earnings	Total	Non-controlling interests	Total
	Share capital	Share premium	Statutory reserve	Unrealised gains in subsidiaries and equity-accounted associates reserve	Fair value changes of financial assets designated at FVTPL					
Change in equity for the nine months ended 30 September 2020										
Restated balance as at 1 January 2020	23,625	120,630	6,000	2,709	5,625	89,145	247,734		247,734	
Profit for the period						699	699		699	
Transferred to (from) restricted retained earnings				597	1,457	(2,054)	0		0	
33 Balance as at 30 September 2020	23,625	120,630	6,000	3,306	7,082	87,790	248,433	0	248,433	
Change in equity for the nine months ended 30 September 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						14,360	14,360		14,360	
Transferred (from) to restricted retained earnings				(2,680)	4,174	(1,494)	0		0	
Dividends allocated						(9,922)	(9,922)		(9,922)	
33 Balance as at 30 September 2019	23,625	120,630	6,000	2,473	5,151	85,981	243,860	0	243,860	

*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 nine months ended 30 September 2020

Notes	2020 1.1-30.9	2019 1.1-30.9
Operating activities		
Profit for the period	699	14,360
Adjustments for non-cash items included in profit for the period	(7,925)	(24,250)
Changes in operating assets and liabilities	10,866	(113,699)
Interest received	49,374	51,174
Interest paid	(7,176)	(7,441)
Dividends received	651	1,401
Tax on liabilities of financial institutions paid	(7,175)	(4,033)
Net cash from (used in) operating activities	39,314	(82,488)
Investing activities		
Purchase of property and equipment	(1,965)	(768)
Proceeds from sale of property and equipment	3	12
Purchase of intangible assets	(31)	(34)
Investing activities	(1,993)	(790)
Financing activities		
Proceeds from borrowings	78,112	71,003
Repayment of borrowings	(60,563)	(27,591)
Rent paid	(424)	(435)
Dividends paid	-	(4,961)
Financing activities	17,125	38,016
Cash and cash equivalents as at the beginning of the period	70,704	81,723
Net change in cash and cash equivalents	54,446	(45,262)
Effect of exchange rate changes on cash and cash equivalents held	(2,852)	(64)
Cash and cash equivalents as at the end of the period	122,298	36,397
Investing and financing activities not affecting cash flows		
Approved dividend to shareholders	-	(4,961)
Unpaid dividend to shareholders	-	4,961
Cash and cash equivalents is specified as follows:		
19 Cash and balances with Central Bank	111,260	56,680
23 Bank accounts with financial institutions	26,469	15,440
19 Mandatory and special restricted balances with Central Bank	(15,431)	(35,723)
Cash and cash equivalents as at the end of the period	122,298	36,397

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

Condensed Consolidated Statement of Cash Flows for the nine months ended 30 September 2020

Notes	2020 1.1-30.9	2019 1.1-30.9
Adjustments for non-cash items included in profit for the period		
6	(28,380)	(30,090)
8	799	(5,867)
9	3,078	348
10	13,555	3,428
	(2)	(3)
	218	(9)
	950	1,009
	(208)	(278)
	1,415	3,140
14	650	4,072
	(7,925)	(24,250)
Changes in operating assets and liabilities		
	10,128	(5,681)
	25,947	(20,064)
	-	(3)
	(21,971)	(23,995)
	(91,360)	(67,068)
	(4,760)	(2,827)
	(1,003)	196
	(972)	12,500
	83,136	(2,054)
	79	100
	11,642	(4,803)
	10,866	(113,699)

Change in liabilities due to financing activities

	As at 1.1.2020	Non-cash changes				As at 30.9.2020
		Cash flow	Accrued interest	Foreign exchange	Change in the fair value	
Secured borrowings	140,549	37,779	6,824	-	-	185,152
Senior unsecured bonds	122,705	(11,464)	494	20,846	-	132,581
Senior unsecured bonds held to hedge long-term borrowings	86,813	(4,406)	57	16,338	194	98,996
Commercial paper issued	3,605	(3,641)	36	-	-	0
Other unsecured loans	19,496	(1,186)	487	2,783	-	21,580
Subordinated liabilities	19,081	(515)	776	2,617	-	21,959
Total	392,249	16,567	8,674	42,584	194	460,268

	As at 1.1.2019	Non-cash changes				As at 30.9.2019
		Cash flow	Accrued interest	Foreign exchange	Change in the fair value	
Secured borrowings	106,309	23,239	5,081	-	-	134,629
Senior unsecured bonds	100,807	19,970	631	(366)	-	121,042
Senior unsecured bonds held to hedge long-term borrowings	84,634	(996)	1,081	919	925	86,563
Commercial paper issued	2,705	748	110	-	-	3,563
Other unsecured loans	19,958	(605)	28	1,159	-	20,540
Subordinated liabilities	13,340	-	(95)	188	-	13,433
Total	327,753	42,356	6,836	1,900	925	379,770

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

Notes to the Condensed Consolidated Interim Financial Statements

Note	Page	Note	Page
General		Other notes	
1	12	34	32
2	12	35	32-33
3	12	36	33
4	12-14	37	33-34
5	15-16	38	34
Notes to the Condensed Consolidated Income Statement		Capital management	
6	17	39	35
7	17-18	40	36
8	18	41	36
9	18	Risk management	
10	18	Credit risk	
11	19	42	37-38
12	19	43	39-40
13	19	44	41
14	19	45	42
Notes to the Condensed Consolidated Statement of Financial Position		46	43
15	20-21	47	44-45
16	22	48	46-47
17	22-23	49	47
18	23	50	48
19	24	51	48-49
20	24	Liquidity risk	
21	24	52	49-50
22	25-26	53	50-52
23	26	54	53
24	27	55	54
25	27	Market risk	
26	27	56	54
27	28	57	54
28	28	58	55
29	28-29	59	56
30	29-30	Currency risk	
31	30	60	57
32	30	61	57
33	31	62	58
		Consolidated key figures	
		63	59
		64	60

Notes to the Condensed Consolidated Interim Financial Statements

General

1. Reporting entity

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

The Condensed Consolidated Interim Financial Statements of the Bank for the nine months ended 30 September 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 nine months ended 30 September 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 29 October 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 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. Impact of COVID-19 on the Financial Statements

The Financial Statements for the first nine months of 2020 reflect the unprecedented conditions caused by the COVID-19 pandemic and related economic uncertainties. In the first half of 2020, the Bank adopted the guidelines of the European Banking Authority (EBA) on prudential accounting and credit risk measurement under these circumstances. The Bank has also complied with EBA's requirements for additional COVID-19 notes to financial statements. The notes provide for integrated disclosure on forbearance measures applied to existing loans and newly originated loans subject to Treasury guarantee issued in response to the impact of the pandemic. The additional notes are disclosed semi-annually in the Bank's Pillar III report. The guidelines have also been supported by FSA Iceland.

Measurement of expected credit losses (ECL)

ECL assessment at the end of the third quarter of 2020 is based on probability-weighted scenarios generated by the Bank's Economic Research department. Probability-weighted scenarios provide a clearer reflection of the deteriorating economy, whereas darker scenarios mainly show an 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.

Notes to the Condensed Consolidated Interim Financial Statements

4. Impact of COVID-19 on the Financial Statements (continued)

Measurement of expected credit losses (ECL), (continued)

While the final impact of the COVID-19 pandemic on the Bank's credit portfolio is as yet uncertain, it is likely that a protracted period of lower income will put pressure on customers, many of whom have already been assigned lower credit grades with the Bank with a revaluation of collateral having regard for a protracted income reduction. Such difficulties are likely to lead to credit loss which the Bank will meet with the loan impairment provisions, mostly recorded in the second quarter. There is a possibility that credit loss may exceed impairment provisions if the pandemic becomes very protracted and the travel industry does not begin its recovery on 2021. In accordance with recommendations from the European Banking Authority (EBA), the Bank did not automatically reclassify loans from Stage 1 to Stage 2 if they qualified for COVID-19 measures. Nevertheless, a considerable portion of loans to customers for which general COVID-19 measures have been approved, are in Stage 2 at the end to the third quarter. This is for the most part due to lower credit ratings and increased PD. The Bank carries out an additional and special assessment of the classification of these loans and moves them to Stage 2, provided certain conditions are met, that fall outside of normal parameters for such reclassification. This special reclassification moves loans valued at ISK 7.7 billion to Stage 2 at the end of the third quarter.

In addition, it was considered necessary to assess especially the need for increased loan loss provisions for loans to individuals where the impact of COVID-19 is deemed not yet to have fully materialised. This assessment was performed using expert judgement for likely default rates of individuals and, on that basis, a general provision of ISK 301 million was recognised in the first nine months of the year. The expert judgement was based on historic data for individuals, as well as expectation of the possible effects of COVID-19. The final impact of COVID-19 on individuals is uncertain and depends amongst other factors on government action to mitigate unemployment.

Maximum credit risk exposure to customers provided with general COVID-19 measures

The gross carrying amount of loans to the travel industry for which the Bank has approved general COVID-19 measures is ISK 89.4 billion, or 86% of loans to the travel sector. Impairment provisions for loans to the travel industry with approved general COVID-19 measures amount to ISK 5.7 billion, or around 6.4% of gross value, at the end of the third quarter. Details about the division of loans to the travel industry by staging and ECL are provided in Note 47.

The following table show maximum credit risk exposure for customers provided with general COVID-19 support as at 30 September 2020.

As at 30. September 2020

On-balance sheet exposure	Gross carrying amount			Allowance for impairment	Fair value	Carrying amount
	Stage 1	Stage 2	Stage 3			
Individuals	32,226	6,633	1,281	(627)	-	39,514
Travel industry	25,337	59,140	4,912	(5,715)	52	83,726
Other corporates	37,472	17,124	1,063	(1,686)	1,090	55,062
Total	95,035	82,897	7,256	(8,028)	1,142	178,302
Off-balance sheet exposure	Stage 1	Stage 2	Stage 3	Allowance for impairment	Fair value	Total
Individuals	477	83	7	(2)	-	565
Travel industry	316	12,326	16	(191)	-	12,467
Other corporates	4,106	1,165	29	(93)	-	5,207
Total	4,899	13,574	52	(286)	0	18,239
Maximum exposure to credit risk	99,934	96,471	7,308	(8,314)	1,142	196,541

As at the reporting date, the Bank has granted 190 support loans in the total amount of ISK 1.5 billion and 1 supplemental loan in the amount of ISK 220 million. The aim of such support and supplemental lending (bridge loans) is to provide companies, especially SMEs, that are facing temporary operating problems due to COVID-19, with access to liquid funds. This reduces the impact of the pandemic on industry and employment. The Treasury guarantee is capped at 70% on supplemental loans, 100% on support loans in the maximum amount of ISK 10 million and 85% on supporting loans in the amount of ISK 10-40 million. Að auki hefur bankinn veitt 1 lán að fjárhæð 8.300 m.kr. með 90% ábyrgð Ríkisins.

Notes to the Condensed Consolidated Interim Financial Statements

4. Impact of COVID-19 on the Financial Statements (continued)

Economic forecasts

Landsbankinn Economic Research 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 in the wake of the COVID-19 global crisis.

The following table shows certain key macroeconomic variables used in modelling the ECL allowance for Stage 1 and Stage 2. At the reporting date, Economic Research's baseline forecast projects a GDP contraction of 8.1% this year. Projections for the upside scenarios, base case scenario and downside scenarios are averages for the next 12 months and to the forecast horizon, 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%. The scenarios were approved by the Bank's Valuation Team on 23 September 2020 but Landsbankinn Economic Research has since updated its baseline forecast from an 8.1% to an 8.5% contraction in GDP in its latest annual macroeconomic forecast, published 20 October 2020. At the reporting date, the baseline scenario from 23 September 2020 serves as input for the model for ECL allowance.

	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 30.9.2020						
GDP growth	-0.1%	5.0%	-2.7%	3.5%	-5.5%	3.4%
Unemployment rate	7.3%	4.8%	8.2%	5.9%	12.1%	7.8%
Base rate	1.3%	2.5%	1.0%	1.5%	0.6%	1.1%
Inflation	4.0%	2.8%	3.7%	2.7%	4.0%	2.3%
EUR/ISK exchange rate, average	156.9	149.6	159.4	151.9	166.7	156.6
Housing Price index, y/y change	5.0%	4.0%	3.8%	3.0%	0.3%	0.1%

	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%

	1.1-30.9.2020			2019		
	Upside scenario	Base scenario	Downside scenario	Upside scenario	Base scenario	Downside scenario
Impairment allowance on loans and advances in stages 1 and 2	12,974	13,870	16,941	4,095	4,452	5,443
Ratio of loans and advances in stage 2	11.0%	11.1%	12.2%	7.8%	8.0%	10.6%

	Reported under IFRS 9	
	2020 1.1-30.9	2019
Impairment allowance on loans and advances in stages 1 and 2	14,415	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 30 September 2020 and the corresponding period in 2019.

Notes to the Condensed Consolidated Interim Financial Statements

5. Operating segments (continued)

1 January - 30 September 2020	Personal Banking	Corporate Banking	Markets	Treasury	Support functions	Recon- ciliation	Total
Net interest income	12,750	14,151	244	1,280	(5)	(40)	28,380
Net fee and commission income	2,482	526	3,086	(355)	101	(183)	5,657
Credit impairment losses	(2,327)	(11,214)	(1)	(11)	(2)	-	(13,555)
Net other operating income (expenses)	680	(1,959)	(141)	1,085	45	(16)	(306)
Total operating income (expense)	13,585	1,504	3,188	1,999	139	(239)	20,176
Operating expenses	(4,979)	(1,773)	(1,838)	(893)	(8,127)	198	(17,412)
Tax on liabilities of financial institutions	(458)	(447)	(7)	(490)	(13)	-	(1,415)
Profit (loss) before cost allocation and tax	8,148	(716)	1,343	616	(8,001)	(41)	1,349
Cost allocated from support functions to business segments	(3,108)	(1,969)	(1,083)	(584)	6,744	-	0
Profit (loss) before tax	5,040	(2,685)	260	32	(1,257)	(41)	1,349
Income tax	(1,642)	50	(528)	(147)	1,617	-	(650)
Profit (loss) for the period	3,398	(2,635)	(268)	(115)	360	(41)	699
Net revenue (expenses) from external customers	20,057	8,352	3,000	(11,131)	137	-	20,415
Net revenue (expenses) from other segments	(6,472)	(6,848)	188	13,130	2	-	0
Total operating income (expense)	13,585	1,504	3,188	1,999	139	0	20,415
As at 30 September 2020							
Total assets	559,733	634,995	15,605	649,819	16,881	(266,768)	1,610,265
Total liabilities	522,548	519,134	10,085	559,952	16,881	(266,768)	1,361,832
Allocated capital	37,185	115,861	5,520	89,867	-	-	248,433

1 January - 30 September 2019	Personal Banking	Corporate Banking	Markets	Treasury	Support functions	Recon- ciliation	Total
Net interest income	12,580	14,273	534	2,702	(24)	25	30,090
Net fee and commission income	3,115	504	2,716	(214)	141	(168)	6,094
Credit impairment losses	(638)	(2,791)	(2)	3	-	-	(3,428)
Net other operating income (expenses)	706	99	(446)	5,979	209	(49)	6,498
Total operating income (expense)	15,763	12,085	2,802	8,470	326	(192)	39,254
Operating expenses	(4,939)	(1,591)	(1,737)	(1,043)	(8,553)	181	(17,682)
Profit (loss) before cost allocation and tax	10,824	10,494	1,065	7,427	(8,227)	(11)	21,572
Cost allocated from support functions to business segments	(3,430)	(2,063)	(1,111)	(637)	7,241	-	0
Profit (loss) before tax	7,394	8,431	(46)	6,790	(986)	(11)	21,572
Net revenue (expenses) from external customers	20,641	19,567	2,508	(3,531)	261	-	39,446
Net revenue (expenses) from other segments	(4,878)	(7,482)	294	12,001	65	-	0
Total operating income	15,763	12,085	2,802	8,470	326	0	39,446
As at 30 September 2019							
Total assets	492,406	604,760	15,182	582,593	20,976	(300,655)	1,415,262
Total liabilities	449,592	491,433	9,936	500,120	20,976	(300,655)	1,171,402
Allocated capital	42,814	113,327	5,246	82,473	-	-	243,860

Notes to the Condensed Consolidated Interim Financial Statements

Notes to the Consolidated Income Statement

6. Net interest income

	1.7-30.9.2020			1.7-30.9.2019		
	Amortised cost	FVTPL	Total	Amortised cost	FVTPL	Total
Interest income						
Cash and balances with Central Bank	194	-	194	383	-	383
Bonds and debt instruments	43	-	43	51	-	51
Loans and advances to financial institutions	2	-	2	61	-	61
Loans and advances to customers	15,799	110	15,909	15,816	148	15,964
Other interest income	5	14	19	9	406	415
Total	16,043	124	16,167	16,320	554	16,874
Interest expense						
Due to financial institutions and Central Bank	(141)	-	(141)	(274)	-	(274)
Deposits from customers	(2,205)	-	(2,205)	(3,926)	-	(3,926)
Borrowings	(3,413)	(13)	(3,426)	(2,353)	(2)	(2,355)
Other interest expense	(69)	(612)	(681)	(21)	(561)	(582)
Subordinated liabilities	(273)	-	(273)	(106)	-	(106)
Total	(6,101)	(625)	(6,726)	(6,680)	(563)	(7,243)
Net interest income	9,942	(501)	9,441	9,640	(9)	9,631
	1.1-30.9.2020			1.1-30.9.2019		
	Amortised cost	Designated at FVTPL	Total	Amortised cost	Designated at FVTPL	Total
Interest income						
Cash and balances with Central Bank	982	-	982	1,375	14	1,389
Bonds and debt instruments	226	-	226	193	-	193
Loans and advances to financial institutions	75	-	75	194	-	194
Loans and advances to customers	47,382	449	47,831	51,311	440	51,751
Other interest income	558	1,131	1,689	93	1,708	1,801
Total	49,223	1,580	50,803	53,166	2,162	55,328
Interest expense						
Due to financial institutions and Central Bank	(609)	-	(609)	(837)	-	(837)
Deposits from customers	(8,210)	-	(8,210)	(14,005)	-	(14,005)
Borrowings	(9,519)	(1,182)	(10,701)	(7,505)	(1,031)	(8,536)
Other interest expense	(642)	(1,525)	(2,167)	(140)	(1,380)	(1,520)
Subordinated liabilities	(736)	-	(736)	(340)	-	(340)
Total	(19,716)	(2,707)	(22,423)	(22,827)	(2,411)	(25,238)
Net interest income	29,507	(1,127)	28,380	30,339	(249)	30,090

Net interest income, calculated based on the effective interest rate method, amounted to ISK 28,405 million in the first nine months of 2020 as compared with ISK 30,089 for the same period in 2019.

7. Net fee and commission income

	1.7-30.9.2020			1.7-30.9.2019		
	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	1,113	(111)	1,002	834	(137)	697
Loans and guarantees	333	-	333	216	-	216
Payment cards	980	(452)	528	1,217	(540)	677
Collection and payment services	227	(46)	181	227	(43)	184
Other	191	(176)	15	290	(106)	184
Total	2,844	(785)	2,059	2,784	(826)	1,958

Notes to the Condensed Consolidated Interim Financial Statements

7. Net fee and commission income (continued)

	1.1-30.9.2020			1.1-30.9.2019		
	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	3,085	(422)	2,663	2,863	(459)	2,404
Loans and guarantees	898	-	898	625	-	625
Payment cards	2,799	(1,305)	1,494	3,585	(1,498)	2,087
Collection and payment services	683	(138)	545	677	(127)	550
Other	543	(486)	57	798	(370)	428
Total	8,008	(2,351)	5,657	8,548	(2,454)	6,094

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

	2020 1.7-30.9	2019 1.7-30.9	2020 1.1-30.9	2019 1.1-30.9
Net gain (loss) on financial assets and liabilities at FVTPL				
Bonds and debt instruments	(11)	582	590	1,225
Equities and equity instruments	(976)	30	790	3,985
Derivatives and underlying hedges	61	257	(273)	860
Loans and advances to customers	(23)	19	(1,878)	91
Net loss on fair value hedges	(52)	(239)	(28)	(294)
Total	(1,001)	649	(799)	5,867

9. Net foreign exchange gain (loss)

	2020 1.7-30.9	2019 1.7-30.9	2020 1.1-30.9	2019 1.1-30.9
Assets				
Cash and balances with Central Bank	5	8	34	78
Bonds and debt instruments	1,069	(1,390)	10,462	2,152
Equities and equity instruments	(2)	(88)	2	(78)
Derivative instruments	803	(1,753)	381	(2,896)
Loans and advances to financial institutions	1,981	(3,494)	10,382	1,276
Loans and advances to customers	8,650	(8,038)	38,313	4,809
Other assets	(136)	(150)	192	(136)
Total	12,370	(14,905)	59,766	5,205
Liabilities				
Due to financial institutions and Central Bank	(10)	43	(51)	25
Deposits from customers	(2,583)	3,092	(17,154)	(3,509)
Borrowings	(9,222)	11,174	(39,967)	(1,712)
Other liabilities	67	(98)	(203)	(105)
Subordinated liabilities	(674)	655	(2,617)	(188)
Total	(12,422)	14,866	(59,992)	(5,489)
Net foreign exchange gain (loss)	(52)	(39)	(226)	(284)

10. Credit impairment losses

	2020 1.7-30.9	2019 1.7-30.9	2020 1.1-30.9	2019 1.1-30.9
Net impairment on loans and advances to customers and financial institutions	(118)	(1,047)	(13,538)	(3,454)
Net impairment on other financial assets	(2)	(9)	(17)	26
Credit impairment losses	(120)	(1,056)	(13,555)	(3,428)
Credit impairment losses by customer type				
Financial institutions	-	-	5	1
Individuals	(76)	(133)	(634)	(244)
Corporates	(44)	(923)	(12,926)	(3,185)
Credit impairment losses	(120)	(1,056)	(13,555)	(3,428)

Notes to the Condensed Consolidated Interim Financial Statements

11. Other income and expenses

	Note	2020 1.7-30.9	2019 1.7-30.9	2020 1.1-30.9	2019 1.1-30.9
Gain (loss) on repossessed collateral	26	(142)	(31)	(218)	9
Share of profit of equity-accounted associates		67	125	208	278
Other		649	117	729	628
Total		574	211	719	915

12. Salaries and related expenses

	2020 1.7-30.9	2019 1.7-30.9	2020 1.1-30.9	2019 1.1-30.9
Salaries	2,300	2,472	8,301	8,183
Contribution to defined pension plans	425	413	1,259	1,240
Social security contributions	205	213	611	637
Special financial activities tax on salaries	178	177	529	531
Other related expenses	27	9	81	62
Total	3,135	3,284	10,781	10,653

Average number of full-time equivalent positions during the period	943	979	910	937
--	-----	-----	-----	-----

13. Other operating expenses

	2020 1.7-30.9	2019 1.7-30.9	2020 1.1-30.9	2019 1.1-30.9
Information technology	642	488	1,867	1,703
Real estate and fixtures	210	226	665	687
Advertising and marketing	168	194	476	583
FSA supervisory expenses	126	119	375	363
Contribution to the Debtor's Ombudsman	20	19	61	58
Audit and related services	23	4	107	80
Other professional services	112	122	455	417
Depreciation and amortisation	311	331	950	1,009
Contribution to the Depositors' and Investors' Guarantee Fund	75	244	631	863
Other operating expenses	308	420	1,044	1,266
Total	1,995	2,167	6,631	7,029

14. Income tax

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

	2020 1.1-30.9	2019 1.1-30.9
Current tax expense	(511)	(3,130)
Special income tax on financial institutions	(59)	(845)
Difference of prior year's imposed and calculated income tax	-	3
Origination and reversal of temporary differences due to deferred tax assets/liabilities	(80)	(100)
Total	(650)	(4,072)

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 1.1-30.9		2019 1.1-30.9
Profit before tax		2,764		21,572
Tax on liabilities of financial institutions		(1,415)		(3,140)
Profit before income tax		1,349		18,432
Income tax calculated using the domestic corporate income tax rate	20.0%	(270)	20.0%	(3,686)
Special income tax on financial institutions	4.4%	(59)	4.6%	(845)
Income not subject to tax	(26.0%)	351	(6.5%)	1,194
Non-deductible expenses	49.8%	(673)	4.0%	(745)
Other	0.0%	-	0.1%	10
Effective income tax	48.2%	(650)	22.1%	(4,072)

Notes to the Condensed Consolidated Interim Financial Statements

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 30 September 2020:

As at 30 September 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	-	9	-	-	9	-	9	-	9
Bonds and debt instruments	20	-	98,710	1,535	-	100,245	99,783	26	436	100,245
Equities and equity instruments	21	-	25,445	-	-	25,445	8,597	-	16,848	25,445
Derivative instruments	22	-	2,409	-	-	2,409	-	2,409	-	2,409
Loans and advances to customers	24	-	13,308	-	-	13,308	-	-	13,308	13,308
		0	139,881	1,535	0	141,416	108,380	2,444	30,592	141,416
Financial assets not measured at fair value										
Cash and balances with Central Bank	19	111,251	-	-	-	111,251	-	111,251	-	111,251
Bonds and debt instruments	20	4,650	-	-	-	4,650	-	4,708	-	4,708
Loans and advances to financial institutions	23	80,324	-	-	-	80,324	-	80,324	-	80,324
Loans and advances to customers	24	1,242,085	-	-	-	1,242,085	-	1,247,883	-	1,247,883
Other financial assets		13,318	-	-	-	13,318	-	13,318	-	13,318
		1,451,628	0	0	0	1,451,628	0	1,457,484	0	1,457,484
Financial liabilities measured at fair value										
Derivative instruments	22	-	3,568	-	-	3,568	-	3,568	-	3,568
Short positions	22	-	2,140	-	-	2,140	2,140	-	-	2,140
		0	5,708	0	0	5,708	2,140	3,568	0	5,708
Financial liabilities not measured at fair value										
Due to financial institutions and Central Bank	27	-	-	-	47,654	47,654	-	47,654	-	47,654
Deposits from customers	28	-	-	-	813,784	813,784	-	813,518	-	813,518
Borrowings	29	-	-	-	438,309	438,309	-	459,192	-	459,192
Other financial liabilities		-	-	-	21,483	21,483	-	21,483	-	21,483
Subordinated liabilities	32	-	-	-	21,959	21,959	-	22,166	-	22,166
		0	0	0	1,343,189	1,343,189	0	1,364,013	0	1,364,013

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:

As at 31 December 2019	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										
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	24	-	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 30 September 2020 and 1 January to 30 September 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 nine months ended 30 September 2020 and for the year 2019:

	Bonds and debt instruments	Equities and equity instruments	Loans and advances to customers	Total financial assets
1 January - 30 September 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	24	752	(1,878)	(1,102)
Net foreign exchange gain (loss)	2	3	(5)	-
Purchases	135	80	3,778	3,993
Sales	25	(240)	-	(215)
Settlements	(1)	-	(3,266)	(3,267)
Dividend received	-	(498)	-	(498)
Transfer into, out of Level 3 due to changes in control	101	(329)	-	(228)
Carrying amount as at 30 September 2020	436	16,848	13,308	30,592
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 30 September 2020 and 30 September 2019, were recognised:

	Bonds and debt instruments	Equities and equity instruments	Loans and advances to customers	Total
1 January - 30 September 2020				
Net gain (loss) on financial assets and liabilities at FVTPL	23	756	(1,878)	(1,099)
Net foreign exchange gain (loss)	2	3	(5)	0
Total	25	759	(1,883)	(1,099)
1 January - 30 September 2019				
Net gain on financial assets and liabilities at FVTPL	113	4,383	91	4,587
Net foreign exchange gain	2	1	-	3
Total	115	4,384	91	4,590

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 30 September 2020 and 31 December 2019.

As at 30 September 2020	Assets	Liabilities	Valuation technique	Key un-observable inputs	Range of inputs	
					Lower	Higher
Bonds and debt instruments	436	-	See 1) below	See 1) below	n/a	n/a
Equities and equity instruments	16,848	-	See 2) below	See 2) below	n/a	n/a
Loans and advances to customers	13,308	-	See 3) below	See 3) below	n/a	n/a
	30,592	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 nine months ended 30 September 2020 and 30 September 2019:

Effect on profit before tax	2020 1.1-30.9		2019 1.1-30.9	
	Favourable	Unfavourable	Favourable	Unfavourable
Bonds and debt instruments	1	(1)	3	(3)
Equities and equity instruments:				
Equities	875	(887)	755	(741)
Mutual funds	216	(216)	257	(257)
Total equities and equity instruments	1,091	(1,103)	1,012	(998)
Loans and advances to customers	80	(80)	12	(16)
Total	1,172	(1,184)	1,027	(1,017)

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

	30.9.2020			
	Stage 1	Stage 2	Stage 3	Total
Cash and balances with Central Bank	(10)	-	-	(10)
Bonds and debt instruments	(8)	-	-	(8)
Loans and advances to financial institutions	(1)	-	-	(1)
Loans and advances to customers	(5,465)	(7,873)	(13,751)	(27,089)
Other financial assets	(48)	-	-	(48)
Expected credit loss, off-balance sheet items	(516)	(560)	(282)	(1,358)
Total	(6,048)	(8,433)	(14,033)	(28,514)
	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

	30.9.2020	31.12.2019
Cash on hand	5,461	4,606
Unrestricted balances with Central Bank	90,368	39,660
Total cash and unrestricted balances with Central Bank	95,829	44,266
Restricted balances with Central Bank - fixed reserve requirement	8,922	7,801
Restricted balances with Central Bank - average maintenance level	-	7,801
Cash and balances pledged as collateral to the Central Bank	6,509	9,956
Total restricted balances with Central Bank	15,431	25,558
Total cash and balances with Central Bank	111,260	69,824

20. Bonds and debt instruments

Bonds and debt instruments	30.9.2020				31.12.2019			
	Amortised cost	Mandatorily at FVTPL	Designated at FVTPL	Total	Amortised cost	Mandatorily at FVTPL	Designated at FVTPL	Total
Domestic								
Listed	4,650	43,830	258	48,738	4,020	26,141	1,995	32,156
Unlisted	-	-	1,277	1,277	-	-	786	786
	4,650	43,830	1,535	50,015	4,020	26,141	2,781	32,942
Foreign								
Listed	-	54,880	-	54,880	-	82,320	-	82,320
	0	54,880	0	54,880	0	82,320	0	82,320
Total bonds	4,650	98,710	1,535	104,895	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	30.9.2020			31.12.2019		
	Trading book	Banking book	Total	Trading book	Banking book	Total
Domestic						
Listed	6,277	1,975	8,252	12,311	542	12,853
Unlisted	-	17,053	17,053	-	17,149	17,149
	6,277	19,028	25,305	12,311	17,691	30,002
Foreign						
Listed	22	99	121	2	-	2
Unlisted	-	19	19	-	15	15
	22	118	140	2	15	17
Total equities	6,299	19,146	25,445	12,313	17,706	30,019

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

As at 30 September 2020, outstanding commitments of the Group in share subscriptions amounted to ISK 689 million (31 December 2019: ISK 1.166 million) altogether in six entities. The entities invested in by the Group are required to redeem its shareholders with proceeds from the sale of assets.

Notes to the Condensed Consolidated Interim Financial Statements

22. Derivative instruments and short positions

Trading

	30.9.2020			31.12.2019		
	Notional amount	Fair value		Notional amount	Fair value	
		Assets	Liabilities		Assets	Liabilities
Foreign exchange derivatives						
Currency forwards	11,945	68	28	6,431	60	94
Cross-currency interest rate swaps	1,192	174	-	-	-	-
	13,137	242	28	6,431	60	94
Interest rate derivatives						
Interest rate swaps	2,435	21	-	2,213	23	-
Total return swaps	20,826	64	9	23,927	23	91
	23,261	85	9	26,140	46	91
Equity derivatives						
Equity forwards	781	68	131	5,800	382	1,057
Total return swaps	2,407	6	59	4,450	26	121
Equity options	-	-	-	73	-	1
	3,188	74	190	10,323	408	1,179
Total derivative instruments	39,586	401	227	42,894	514	1,364
Short positions						
Listed bonds	1,850	-	2,140	2,610	-	2,081
Total short positions	1,850	0	2,140	2,610	0	2,081
Total	41,436	401	2,367	45,504	514	3,445

Risk management

	30.9.2020			31.12.2019		
	Notional amount	Fair value		Notional amount	Fair value	
		Assets	Liabilities		Assets	Liabilities
Foreign exchange derivatives						
Currency forwards	18,047	16	303	38,471	782	65
Cross-currency interest rate swaps	11,272	412	-	9,857	-	244
	29,319	428	303	48,328	782	309
Interest rate derivatives						
Interest rate swaps	30,435	86	3,038	30,214	71	1,636
	30,435	86	3,038	30,214	71	1,636
Fair value hedging						
Interest rate swaps	97,320	1,494	-	85,357	1,327	-
	97,320	1,494	0	85,357	1,327	0
Total	157,074	2,008	3,341	163,899	2,180	1,945
Total derivative instruments and short positions	198,510	2,409	5,708	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 30 September 2020, the slope of the regression line was in all cases within the range of 1.00 and 1.09 (for a 95% confidence level) and the regression coefficient was at least 0.87 (R^2). During the period from 1 January to 30 September 2019, the slope of the regression line is in all cases within the range of 0.91 and 0.98 (for a 95% confidence level) and the regression coefficient is at least 0.92 (R^2).

Notes to the Condensed Consolidated Interim Financial Statements

22. Derivative instruments and short positions (continued)

Fair value hedging (continued)

As at 30 September 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	97,320	-	97,320	-	1,494	-	172
Interest rate swaps - SEK	-	-	-	-	-	-	(5)
Total	97,320	0	97,320	0	1,494	0	167

Average fixed interest rate - EUR 1.19%

As at 30 September 2020	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	Assets	Liabilities	
LBANK 0.75 06/20	-	-	-	-	6
LBANK 1.375 3/22	-	49,348	-	393	24
LBANK 1.00 5/23	-	49,648	-	817	(225)
Total EMTN hedged borrowings	0	98,996	0	1,210	(195)

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	-	1,322	-	550
Interest rate swaps - SEK	3,877	3,877	-	-	5	-	13
Total	85,357	3,877	81,480	0	1,327	0	563

Average fixed interest rate - EUR 1.19%

Average fixed interest rate - SEK 0.75%

As at 31 December 2019	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	Assets	Liabilities	
LBANK 0.75 06/20	-	3,884	8	-	(10)
LBANK 1.375 3/22	-	41,430	-	335	(185)
LBANK 1.00 5/23	-	41,499	-	517	(448)
Total EMTN hedged borrowings	0	86,813	8	852	(643)

23. Loans and advances to financial institutions

	30.9.2020	31.12.2019
Bank accounts with financial institutions	26,469	26,438
Money market loans	52,401	20,379
Other loans	1,455	1,113
Allowance for impairment	(1)	(1)
Total	80,324	47,929

Notes to the Condensed Consolidated Interim Financial Statements

24. Loans and advances to customers

	Notes	30.9.2020	31.12.2019
Loans and advances to customers at amortised cost	a)	1,269,174	1,140,388
Allowance for impairment		(27,089)	(14,883)
Total		1,242,085	1,125,505
Loans and advances to customers at FVTPL	b)	13,308	14,679
Total		1,255,393	1,140,184

a) Loans and advances to customers at amortised cost

	30.9.2020			31.12.2019		
	Gross carrying amount	Allowance for impairment	Carrying amount	Gross carrying amount	Allowance for impairment	Carrying amount
Public entities	4,129	(35)	4,094	4,170	(35)	4,135
Individuals	560,061	(2,418)	557,643	470,096	(2,151)	467,945
Mortgage lending	483,637	(1,211)	482,426	392,753	(848)	391,905
Other	76,424	(1,207)	75,217	77,343	(1,303)	76,040
Corporates	704,984	(24,636)	680,348	666,122	(12,697)	653,425
	1,269,174	(27,089)	1,242,085	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

	30.9.2020	31.12.2019
Corporates	13,308	14,679
Total	13,308	14,679

25. Other assets

	30.9.2020	31.12.2019
Unsettled securities trading	5,737	958
Other accounts receivable	5,594	4,544
Right-of-use assets	1,987	2,317
Sundry assets	3,503	1,045
Total	16,821	8,864

26. Assets and liabilities classified as held for sale

Assets classified as held for sale

	30.9.2020	31.12.2019
Repossessed collateral	1,680	1,022
Total	1,680	1,022

Repossessed collateral

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

Repossessed collateral	30.9.2020	31.12.2019
Real estate	1,429	1,019
Equipment and vehicles	251	3
Total	1,680	1,022

Repossessed collateral	2020	2019
	1.1.-30.9	1.1.-31.12
Carrying amount as at the beginning of the period	1,022	1,330
Repossessed during the period	1,235	633
Disposed of during the period	(601)	(950)
Impairment and gain of sale	24	9
Carrying amount as at the end of the period	1,680	1,022

Liabilities associated with assets classified as held for sale

	30.9.2020	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

	30.9.2020	31.12.2019
Loans and repurchase agreements with Central Bank	63	67
Loans and deposits from financial institutions	47,591	47,995
Total	47,654	48,062

28. Deposits from customers

	30.9.2020	31.12.2019
Demand deposits	556,819	457,427
Term deposits	256,965	250,386
Total	813,784	707,813

29. Borrowings

Secured borrowings

As at 30.9.2020	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%	6,145
LBANK CBI 22	ISK	28.04.2022	19,540	CPI-indexed	Fixed 3.0%	22,468
LBANK CB 23	ISK	23.11.2023	33,420	Non-indexed	Fixed 5.0%	36,034
LBANK CBI 24	ISK	15.11.2024	38,120	CPI-indexed	Fixed 3.0%	43,938
LBANK CB 25	ISK	17.09.2025	9,200	Non-indexed	Fixed 3.4%	9,406
LBANK CBI 26	ISK	20.11.2026	9,180	CPI-indexed	Fixed 1.5%	9,638
LBANK CBI 28	ISK	04.10.2028	48,280	CPI-indexed	Fixed 3.0%	57,523
Total covered bonds						185,152
Total secured borrowings						185,152

Unsecured borrowings

As at 30.9.2020	Currency	Final maturity	Outstanding principal	Contractual interest rate	Carrying amount
LBANK 1.375 11/20	SEK	24.11.2020	SEK 750 million	FIXED 1.375%	11,709
LBANK FLOAT 11/20	SEK	24.11.2020	SEK 250 million	STIBOR + 1.5%	3,865
LBANK FLOAT 11/20	NOK	27.11.2020	NOK 300 million	NIBOR + 0.83%	4,435
LBANK FLOAT 11/20	SEK	30.11.2020	SEK 600 million	STIBOR + 0.85%	9,267
LBANK 1.625 03/21	EUR	15.03.2021	EUR 200 million	FIXED 1.625%	32,271
LBANK FLOAT 02/22	NOK	21.02.2022	NOK 1,000 million	NIBOR + 1.75%	14,782
LBANK FLOAT 02/22	SEK	21.02.2022	SEK 500 million	STIBOR + 1.75%	7,720
LBANK 1.375 03/22*	EUR	14.03.2022	EUR 300 million	FIXED 1.375%	49,348
LBANK 1.00 05/23*	EUR	30.05.2023	EUR 300 million	FIXED 1.0%	49,648
LBANK 0.5 05/24	EUR	20.05.2024	EUR 300 million	FIXED 0.5%	48,532
Total senior unsecured bonds					231,577

As at 30.9.2020	Carrying amount
Other unsecured loans	21,580
Total other unsecured loans	21,580
Total unsecured borrowings	253,157
Total borrowings as at 30.9.2020	438,309

* 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.

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

Total unsecured borrowings	232,619
-----------------------------------	----------------

Total borrowings as at 31.12.2019

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:

	30.9.2020			31.12.2019		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Property and equipment	-	(128)	(128)	-	(151)	(151)
Intangibles	-	(284)	(284)	-	(303)	(303)
Exchange rate-indexed assets and liabilities	-	(531)	(531)	-	(443)	(443)
Deferred foreign exchange differences	223	-	223	285	-	285
Other assets and liabilities	661	-	661	632	-	632
	884	(943)	(59)	917	(897)	20
Set-off of deferred tax assets together with liabilities of the same taxable entities	(884)	884	0	(897)	897	0
Deferred tax liabilities total	0	(59)	(59)	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)
As at 30.9.2020		
Property and equipment	(151)	23
Intangibles	(303)	19
Foreign currency denominated assets and liabilities	(443)	(88)
Deferred foreign exchange differences	285	(62)
Other assets and other liabilities	632	29
Total	20	(79)

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

31. Other liabilities

	30.9.2020	31.12.2019
Unsettled securities trading	18,283	3,467
Withholding tax	484	3,803
Accounts payable	833	873
Contribution to the Depositors' and Investors' Guarantee Fund	180	253
Tax on liabilities of financial institutions	5,619	4,204
Current tax liabilities	709	4,917
Non-controlling interests - Funds	1,676	2,050
Lease liabilities	2,187	2,525
Sundry liabilities	4,358	2,958
Total	34,329	25,050

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

32. Subordinated liabilities

As at 30.9.2020	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%	16,142
LBANK T21 29	ISK	11.12.2029	ISK 5.520 million	CPI-indexed	Fixed 3.85%	5,817
Total subordinated liabilities						21,959

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 T21 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 T21 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 30 September 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	2020	2019
Profit for the period	1.7-30.9	1.7-30.9	1.1-30.9	1.1-30.9
Profit for the period attributable to owners of the Bank	3,986	3,247	699	14,360
Weighted average number of shares	1.7-30.9	1.7-30.9	1.1-30.9	1.1-30.9
Weighted average number of ordinary shares issued	24,000	24,000	24,000	24,000
Weighted average number of own shares	(375)	(375)	(375)	(375)
Weighted average number of shares outstanding	23,625	23,625	23,625	23,625
Basic and diluted earnings per share from operations (ISK)	0.17	0.14	0.03	0.61

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.

In April 2020, 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. This is the fifth case that has been brought before the courts for this purpose, but all previous cases have been dismissed. The Bank claims the case should again be dismissed and rejects all claims of the plaintiff. A decision on the dismissal claim is expected from the district court by the end of year 2020.

In September 2018, the Icelandic Bankers' Pension Fund commenced litigation against the Bank, the Icelandic Central Bank, the Icelandic State and certain companies and associations. The Pension Fund demands that an agreement on the settlement of obligations of the then participating companies from 1997 be amended such that, firstly, the defendants shall pay a total of around ISK 5,600 million to the Fund, out of which the Bank shall pay around ISK 4,100 million, and, secondly, that the defendants shall guarantee the obligations of the Fund's Rate Department (Hlutfallsdeild) which are higher than its assets at any time. On 24 April 2019 the District Court decided to dismiss all claims against the Bank due to procedural reasons. On 6 June 2019 the Court of Appeal invalidated the decision of the District Court and ordered the case to be brought again before the District Court for substantive resolution. Requests have been presented for appointment of assessors to evaluate certain matters regarding the case. Disagreement regarding the requests and particular assessment questions has been made subject to a resolution of the District Court, expected in the coming weeks.

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 have submitted their written defences, responding to the substance of the Bank's pleadings. At the request of the Bank, the District Court of Reykjavík ruled on 10 September 2018 on the appointment of assessors to evaluate certain issues regarding Borgun's Annual Accounts. The assessors delivered their assessment on 22 October 2019. The assessors conclude, inter alia, that information on the existence of an option to buy and sell holdings of 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. At a hearing on 24 January 2020, Borgun and another defendant presented a request for the appointment of new assessors to review the assessment. On 29 June 2020 the District Court of Reykjavík appointed re-assessors. The case has been postponed until the report has been completed.

36. Interest in subsidiaries

The main subsidiaries held directly or indirectly by the Group as at 30 September 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 36 branches and service points as at 30 September 2020.

Main subsidiaries as at 30 September 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 30 September 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 30 September	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	462	475	310	387
Parties related to key management personnel	123	168	149	205
Associates	256	271	271	289
Other	20	22	22	113
Total	861	936	752	994

No specific allowance for impairment was recognised as at 30 September 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 30 September	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	45	144	79	211
Parties related to key management personnel	70	109	46	105
Associates	252	532	173	483
Other	240	420	183	1,009
Total	607	1,205	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 30 September 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 nine months ended 30 September 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 of the Central Bank of Iceland (FSA). The requirements are based on the European legal framework for capital requirements (CRD IV and CRR), implementing the Basel III capital framework. The regulatory minimum capital requirement under Pillar I is 8% of Risk 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 FSA in the Supervisory Review and Evaluation Process (SREP). The Group's minimum capital requirement, as determined by the FSA, is the sum of Pillar I and Pillar II-R requirements.

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

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

As at 30.9.2020	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	2.85%	2.85%	2.85%
Capital buffer for systematically important institutions	2.00%	2.00%	2.00%
Countercyclical capital buffer	0.00%	0.00%	0.00%
Capital conservation buffer	2.50%	2.50%	2.50%
Combined buffer requirement	7.35%	7.35%	7.35%
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 FSA'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 FSA, 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, as subsequently amended by Regulation No. 452/2020. These regulations transpose into Icelandic law Regulation (EU) No. 575/2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms, as subsequently amended. On 1 January 2020, Articles 500 and 501 (capital requirements relief for SMEs) of Regulation (EU) No. 575/2013 took effect in Icelandic law.

In accordance with the aforementioned laws and regulations, the Financial Supervisory Authority (FSA) has granted permission for interim profits net of any foreseeable dividend to be included in the Group's capital base. The permission is subject to the conditions that interim statements have been verified by the Group's auditors.

Also in accordance with the aforementioned laws and regulations, the Financial Supervisory Authority (FME) has granted permission for the Group to apply IFRS 9 transitional arrangements. The Bank applies the dynamic approach in terms of the IFRS 9 transitional arrangement, whereby the transitional adjustment amount throughout the transition period is determined by recalculating it periodically to reflect the evolution of the Group's expected credit loss provisions within the transition period.

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	30.9.2020	31.12.2019
Share capital	23,625	23,625
Share premium	120,630	120,630
Reserves	16,388	14,334
Retained earnings	87,790	89,145
Total equity attributable to owners of the Bank	248,433	247,734
Intangible assets	(2,090)	(2,296)
Deferred tax assets	-	(20)
Fair value hedges	(1,494)	(1,327)
Foreseeable dividends*	(350)	-
Adjustment under IFRS 9 transitional arrangements	5,886	-
Common equity Tier 1 capital (CET1)	250,385	244,091
Non-controlling interests	-	-
Tier 1 capital	250,385	244,091
Subordinated liabilities	21,959	19,081
Tier 2 capital	21,959	19,081
Total capital base	272,344	263,172
Risk exposure amount (REA)		
Credit risk	990,727	908,249
Market risk	11,330	11,754
Operational risk**	100,394	100,394
Total risk exposure amount	1,102,451	1,020,397

*Pursuant to the Bank's dividend policy, the foreseeable dividend consists of 50% of net earnings for the first nine months of 2020.

**The amounts are updated on a yearly basis.

CET1 ratio	22.7%	23.9%
Tier 1 capital ratio	22.7%	23.9%
Total capital ratio	24.7%	25.8%
CET 1 Ratio as if IFRS 9 transitional arrangements were not applied	22.3%	
Tier 1 capital ratio as if IFRS 9 transitional arrangements were not applied	22.3%	
Total capital ratio as if IFRS 9 transitional arrangements were not applied	24.3%	

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	30.9.2020	31.12.2019
- On-balance sheet exposure (excluding derivatives)	1,607,856	1,423,634
- Derivative instrument exposure	2,409	2,694
- Potential future exposure on derivatives	2,927	1,625
- Off-balance sheet exposure	129,296	125,848
- Regulatory adjustments to Tier 1 capital	(3,934)	(3,643)
Total leverage exposure	1,738,554	1,550,158
Tier 1 capital	250,385	244,091
Leverage ratio	14.4%	15.7%
Leverage ratio as if IFRS 9 transitional arrangements were not applied	14.1%	

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 30 September 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 card facilities.

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

As at 30 September 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	-	111,260	-	-	-	-	-	-	-	-	-	-	-	111,260	111,260
Bonds and debt instruments	-	74,602	-	-	-	-	27	-	341	-	4,650	-	909	80,529	104,895
Equities and equity instruments	68	-	-	52	-	52	16,226	66	999	16	42	49	55	17,625	25,445
Derivative instruments	2,018	1	28	10	174	2	41	17	1	-	-	-	117	2,409	2,409
Loans and advances to financial institutions	80,324	-	-	-	-	-	-	-	-	-	-	-	-	80,324	80,324
Loans and advances to customers	-	4,094	557,706	190,299	90,160	130,494	29,266	54,962	131,506	32,949	25,254	8,349	354	1,255,393	1,255,393
Other assets	18,644	-	65	-	-	2,003	141	-	3,077	1,014	1	-	3,503	28,448	30,539
Total on-balance sheet exposure	101,054	189,957	557,799	190,361	90,334	132,551	45,701	55,045	135,924	33,979	29,947	8,398	4,938	1,575,988	1,610,265
Off-balance sheet exposure	151	5,339	33,598	17,798	42,054	11,617	2,550	20,449	30,680	5,021	16,667	2,188	212	188,324	
Financial guarantees and underwriting commitments	150	48	656	7,665	4,018	1,432	594	2,694	4,705	839	1,357	1	55	24,214	
Undrawn loan commitments	-	-	-	8,175	35,460	8,492	1,666	12,110	16,475	2,886	11,973	1,250	40	98,527	
Undrawn overdraft/credit card facilities	1	5,291	32,942	1,958	2,576	1,693	290	5,645	9,500	1,296	3,337	937	117	65,583	
Maximum exposure to credit risk	101,205	195,296	591,397	208,159	132,388	144,168	48,251	75,494	166,604	39,000	46,614	10,586	5,150	1,764,312	
Percentage of maximum exposure to credit risk	5.7%	11.1%	33.5%	11.8%	7.5%	8.2%	2.7%	4.3%	9.4%	2.2%	2.6%	0.6%	0.3%	100%	

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

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

Notes to the Condensed Consolidated Interim Financial Statements

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 30 September 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	-	-	80,325	(1)	80,324
Public entities	29	132	140	0	301	88	39	3,740	(35)	4,094
Individuals	34,142	122,634	320,024	42,126	518,926	7,664	4,458	33,534	(2,418)	557,706
Mortgages	26,833	112,851	303,509	33,413	476,606	4,236	2,188	2,795	(1,211)	482,426
Other	7,309	9,783	16,515	8,713	42,320	3,428	2,270	30,739	(1,207)	75,280
Corporates	21,580	112,021	251,898	165,951	551,450	131,666	100,855	35,113	(24,636)	693,593
Fisheries	11,847	18,144	108,917	42,817	181,725	5,502	3,543	4,469	(1,397)	190,299
Construction companies	1,685	4,933	19,682	21,359	47,659	44,349	36,969	2,037	(3,885)	90,160
Real estate companies	2,187	9,596	68,206	31,727	111,716	17,020	13,784	5,829	(4,071)	130,494
Holding companies	311	20,186	6,383	531	27,411	1,755	1,263	462	(362)	29,266
Retail	1,781	28,000	10,519	5,210	45,510	8,427	6,125	2,423	(1,398)	54,962
Services	1,995	18,231	22,559	56,174	98,959	36,276	28,285	6,961	(10,690)	131,506
Information, technology and communication	57	9,382	1,829	74	11,342	10,899	6,888	10,892	(184)	32,949
Manufacturing	894	2,099	11,838	6,281	21,112	4,754	2,144	1,902	(2,514)	25,254
Agriculture	823	1,438	1,922	1,778	5,961	2,386	1,741	137	(135)	8,349
Other	-	12	43	-	55	298	113	1	-	354
Total	55,751	234,787	572,062	208,077	1,070,677	139,418	105,352	152,712	(27,090)	1,335,717

*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

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 30 September 2020	Real estate	Vessels	Deposits	Securities	Other*	Total
Public entities	304	-	2	-	11	317
Individuals	504,446	79	142	2,641	15,863	523,171
Mortgages	473,815	10	29	27	4,730	478,611
Other	30,631	69	113	2,614	11,133	44,560
Corporates	345,764	139,486	2,212	75,178	89,668	652,308
Fisheries	9,984	137,513	27	26,528	11,216	185,268
Construction companies	80,978	12	643	40	2,956	84,629
Real estate companies	123,069	46	227	458	1,700	125,500
Holding companies	2,599	-	344	25,716	16	28,675
Retail	22,876	61	127	11,237	17,334	51,635
Services	87,304	1,852	607	577	36,905	127,245
Information, technology and communication	2,047	-	11	10,604	5,567	18,229
Manufacturing	10,635	2	58	18	12,543	23,256
Agriculture	6,216	-	168	-	1,318	7,702
Other	56	-	-	-	113	169
Total	850,514	139,565	2,356	77,819	105,542	1,175,796
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 30 September 2020	Gross carrying amount					Unrated	Allowance for impairment	Carrying amount
	10-7	6-4	3-1	0				
Financial institutions	80,325	-	-	-	-	-	(1)	80,324
Public entities	124	4,005	-	-	-	-	(35)	4,094
Individuals	289,832	239,504	25,742	5,021	25		(2,418)	557,706
Mortgages	264,290	198,417	17,725	3,205	-	-	(1,211)	482,426
Other	25,542	41,087	8,017	1,816	25	-	(1,207)	75,280
Corporations	68,806	491,356	124,358	32,852	857		(24,636)	693,593
Fisheries	31,785	148,329	10,915	667	-	-	(1,397)	190,299
Construction companies	541	56,332	32,139	5,033	-	-	(3,885)	90,160
Real estate companies	373	116,007	13,080	5,046	59	-	(4,071)	130,494
Holding companies	62	26,068	3,063	80	355	-	(362)	29,266
Retail	22,354	25,832	6,689	1,485	-	-	(1,398)	54,962
Services	4,434	65,320	57,133	15,231	78	-	(10,690)	131,506
Information, technology and communication	174	32,696	125	138	-	-	(184)	32,949
Manufacturing	7,588	14,527	827	4,815	11	-	(2,514)	25,254
Agriculture	1,495	6,245	387	357	-	-	(135)	8,349
Other	-	-	-	-	354	-	-	354
Total	439,087	734,865	150,100	37,873	882		(27,090)	1,335,717

As at 31 December 2019	Gross carrying amount					Unrated	Allowance for impairment	Carrying amount
	10-7	6-4	3-1	0				
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 30 September 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	80,325	-	-	-	-	-	(1)	80,324
Public entities	4,129	-	-	-	-	-	(35)	4,094
Individuals	549,672	3,507	3,703	427	795	2,020	(2,418)	557,706
Mortgages	479,227	1	2,649	172	548	1,040	(1,211)	482,426
Other	70,445	3,506	1,054	255	247	980	(1,207)	75,280
Corporates	688,346	1,090	11,003	2,880	1,337	13,573	(24,636)	693,593
Fisheries	191,053	116	76	71	10	370	(1,397)	190,299
Construction companies	91,451	122	801	940	1	730	(3,885)	90,160
Real estate companies	129,037	106	2,481	477	52	2,412	(4,071)	130,494
Holding companies	29,594	12	18	-	-	4	(362)	29,266
Retail	55,210	215	149	72	154	560	(1,398)	54,962
Services	127,656	374	6,975	1,290	1,112	4,789	(10,690)	131,506
Information, technology and communication	32,995	65	50	-	-	23	(184)	32,949
Manufacturing	22,603	59	435	7	5	4,659	(2,514)	25,254
Agriculture	8,393	21	18	23	3	26	(135)	8,349
Other	354	-	-	-	-	-	-	354
Total	1,322,472	4,597	14,706	3,307	2,132	15,593	(27,090)	1,335,717

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

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 30 September 2020										
Financial institutions	80,325	80,325	(1)	-	-	-	-	(1)	-	80,324
Public entities	4,129	3,974	(33)	155	(2)	-	-	(35)	-	4,094
Individuals	560,124	520,675	(485)	34,365	(926)	5,021	(1,007)	(2,418)	63	557,706
Mortgages	483,637	456,809	(282)	23,623	(603)	3,205	(326)	(1,211)	-	482,426
Other	76,487	63,866	(203)	10,742	(323)	1,816	(681)	(1,207)	63	75,280
Corporates	718,229	547,197	(4,947)	124,987	(6,945)	32,800	(12,744)	(24,636)	13,245	693,593
Fisheries	191,696	182,336	(1,022)	6,167	(144)	667	(231)	(1,397)	2,526	190,299
Construction companies	94,045	69,339	(1,125)	19,673	(1,300)	5,033	(1,460)	(3,885)	-	90,160
Real estate companies	134,565	113,848	(1,247)	15,389	(874)	5,046	(1,950)	(4,071)	282	130,494
Holding companies	29,628	22,951	(253)	5,766	(106)	80	(3)	(362)	831	29,266
Retail	56,360	46,178	(259)	6,969	(470)	1,485	(669)	(1,398)	1,728	54,962
Services	142,196	58,778	(859)	68,104	(4,019)	15,179	(5,812)	(10,690)	135	131,506
of which travel industry	104,006	30,217	(536)	62,187	(3,866)	11,550	(4,146)	(8,548)	52	95,458
Information, technology and communication	33,133	25,365	(118)	182	(3)	138	(63)	(184)	7,448	32,949
Manufacturing	27,768	22,024	(39)	929	(13)	4,815	(2,462)	(2,514)	-	25,254
Agriculture	8,484	6,322	(25)	1,805	(16)	357	(94)	(135)	-	8,349
Other	354	56	-	3	-	-	-	-	295	354
Total	1,362,807	1,152,171	(5,466)	159,507	(7,873)	37,821	(13,751)	(27,090)	13,308	1,335,717

Notes to the Condensed Consolidated Interim Financial Statements

47. Loans and advances by stage allocation (continued)

As at 31 December 2019	Stage 1			Stage 2		Stage 3		Allowance for impairment	Fair value	Carrying amount
	Gross carrying amount	Gross carrying amount	12-month ECL	Gross carrying amount	Lifetime ECL	Gross carrying amount	Lifetime ECL			
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
of which travel industry	99,589	77,532	(286)	10,788	(372)	9,472	(2,638)	(3,296)	1,798	96,294
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

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	-	4	-	4
Balance as at 30 September 2020 - Financial institutions	(1)	(1)	0	(2)
- thereof classified as deduction from gross carrying amounts	(1)	-	-	(1)
- thereof classified as liabilities	-	(1)	-	(1)

	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	(2,398)	(1,888)	(1,879)	(6,165)
Reversals due to financial assets that have been derecognised	785	400	1,212	2,397
Transfer to Stage 1 - 12-month ECL	(181)	159	22	0
Transfer to Stage 2 - Lifetime ECL	4,093	(4,165)	72	0
Transfer to Stage 3 - Lifetime ECL	752	771	(1,523)	0
Changes in models/risk parameters	(6,467)	(1,687)	(1,880)	(10,034)
Provisions used to cover write-offs	15	6	567	588
Balance as at 30 September 2020 - Loans and advances to customers	(5,981)	(8,432)	(14,033)	(28,446)
- thereof classified as deduction from gross carrying amounts	(5,465)	(7,873)	(13,751)	(27,089)
- thereof classified as liabilities	(516)	(559)	(282)	(1,357)

1.1-30.9.2020

	Financial institutions	Public entities	Individuals	Corporates	Total
New financial assets originated	-	(1)	(405)	(5,759)	(6,165)
Reversals due to financial assets that have been derecognised	-	1	326	2,070	2,397
Changes due to financial assets recognised in the opening balance	4	-	(487)	(9,547)	(10,030)
Write-offs	-	-	(547)	(599)	(1,146)
Provisions used to cover write-offs	-	-	308	280	588
Recoveries	-	-	183	21	204
Translation difference	-	-	1	613	614
Net impairment on loans and advances	4	0	(621)	(12,921)	(13,538)

Notes to the Condensed Consolidated Interim Financial Statements

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				Total
	Financial institutions	Public entities	Individuals	Corporates	
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 30 September 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 30 September 2020		
Large exposures between 10% and 20% of the Group's eligible capital	3	108,069
Large exposures between 0% and 10% of the Group's eligible capital	2	7,729
Total	5	115,798
Total ratio of large exposures to eligible capital		43%
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%

Notes to the Condensed Consolidated Interim Financial Statements

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	30.9.2020	31.12.2019
Rated AAA	20,298	34,079
Rated AA- to AA+	34,581	48,241
Rated A- to A+	28,722	9,241
Rated BBB+ and below	26	3,355
	83,627	94,916
Corporate bonds		
Rated A- to A+	3,572	1,488
Rated BBB- to BBB+	4,650	4,152
Rated BB+ and below	-	322
Unrated	2,597	3,049
	10,819	9,011
Asset-backed securities		
Rated BBB- to BBB+	10,449	11,335
	10,449	11,335
Total	104,895	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 30 September 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	2,409	-	2,409	(85)	(2,212)		112	-	2,409

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	(3,568)	-	(3,568)	(85)	3,257		(396)	-	(3,568)
Short positions	(2,140)	-	(2,140)	-	2,140		-	-	(2,140)
Total	(5,708)	0	(5,708)	(85)	5,397		(396)	0	(5,708)

Notes to the Condensed Consolidated Interim Financial Statements

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. The implementation of the new minimum requirement is according to a schedule set forth by the Central Bank which requires the Bank to have a minimum LCR-ISK of 30% as of 1 January 2020, 40% as of 1 January 2021 and 50% as of 1 January 2022. 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 FSA.

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

Liquidity coverage ratio 30 September 2020	Total		Foreign currencies		ISK	
	Unweighted	Weighted	Unweighted	Weighted	Unweighted	Weighted
Level 1 liquid assets	184,027	184,027	54,385	54,385	129,642	129,642
Level 2 liquid assets	4,967	4,222	4,967	4,222	-	-
Information items	15,672	-	216	-	15,456	-
Total liquid assets	204,666	188,249	59,568	58,607	145,098	129,642
Deposits	638,485	175,481	128,618	58,003	509,867	117,478
Borrowing	132	132	132	132	-	-
Other outflows	129,328	20,488	35,923	3,668	93,405	16,820
Total outflows (0-30 days)	767,945	196,101	164,673	61,803	603,272	134,298
Loans and advances to financial institutions	92,438	78,857	80,111	78,857	12,327	-
Other inflows	32,623	16,247	5,195	2,964	27,428	13,283
Limit on inflows	-	-	-	(35,469)	-	-
Total inflows (0-30 days)	125,061	95,104	85,306	46,352	39,755	13,283
Liquidity coverage ratio		186%		379%		107%

Notes to the Condensed Consolidated Interim Financial Statements

52. Liquidity risk management (continued)

	Total		Foreign currencies		ISK	
	Unweighted	Weighted	Unweighted	Weighted	Unweighted	Weighted
Liquidity coverage ratio 31 December 2019						
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 30 September 2020	Total	Foreign currencies	ISK
	Cash and balances with the Central Bank	104,752	2,271
Domestic bonds and debt instruments eligible as collateral at the Central Bank	32,128	4,967	27,161
Foreign government bonds with 0% risk weight	52,114	52,114	-
High quality liquidity assets	188,994	59,352	129,642
Loans and advances to financial institutions	92,438	80,111	12,327
Total liquidity reserves	281,432	139,463	141,969

Liquidity reserves as at 31 December 2019	Total	Foreign currencies	ISK
	Cash and balances with the Central Bank	44,235	1,525
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 30 September 2020 and 31 December 2019:

	As at 30 September 2020	As at 31 December 2019
Net stable funding ratio FX	116%	143%
Net stable funding ratio total	115%	117%

53. Maturity analysis of financial assets and liabilities

The following tables only take into account the contractual maturity of the Group's assets and liabilities but do not account for measures that the Group could decide upon to convert assets into cash at hand by liquidation either through sale or participation in Central Bank operations. Furthermore all instant access deposits are categorised as outflows in the first time bucket. Further information on the Group's liquidity management can be found in Note 52.

The amounts in the maturity analyses as at year-end 2019 and 2018 are allocated to maturity buckets in respect of remaining contractual maturity (i.e. based on the timing of future cash flows according to contractual terms). For loans and advances in moratorium or in the process of liquidation the Group estimates the amounts from the historical recovery rate. For bonds issued by companies in moratorium or in the process of liquidation the amounts presented are future cash flows estimated as their fair value at the reporting date. These bonds and loans all fall in the time span of 1-5 years.

Amounts presented in the maturity analyses are the undiscounted future cash flows receivable and payable by the Group, including both principal and interest cash flows. These amounts differ from the carrying amounts presented in the statement of financial position, which are based on discounted rather than undiscounted future cash flows. If an amount receivable or payable is not fixed, the amount presented in the maturity analysis has been determined by reference to the relevant interest rates curves, exchange rates and inflation prevailing at the reporting date. When there is a choice of when an amount shall be paid, future cash flows are calculated on the basis of the earliest date at which the Group can be required to pay, which is the worst case scenario from Group perspective. An example of this is that demand deposits are included in the earliest time span. Where the Group is committed to have amounts available in installments, each installment is allocated to the earliest period in which the Group might be required to pay. Thus undrawn loan commitments are included in the time span together with the earliest date at which such loans may be drawn. For financial guarantee contracts issued by the Group, the amount included in the maturity analysis is the guarantee's maximum amount, allocated to the earliest period in which the guarantee might be called.

Notes to the Condensed Consolidated Interim Financial Statements

53. Maturity analysis of financial assets and liabilities (continued)

Nonetheless, the Group's expected cash flows on demand deposits vary significantly from the amounts presented in the maturity analysis. Demand deposits from customers have short contractual maturities but are considered a relatively stable financing source with expected maturity exceeding one year, and also it is not expected that every committed loan will be drawn down immediately. The Group conducts, as mentioned in Note 52, a monthly stress test to estimate the impact of fluctuating market conditions and deposit withdrawals.

Amounts presented in non-derivative financial assets and non-derivative financial liabilities include all spot deals at year-end 2019 and 2018. When managing liquidity risk the Group regards spot deals as non-derivative assets or liabilities.

The following table shows a maturity analysis of the Group's financial instruments as at 30 September 2020:

Non-derivative financial liabilities	0-1 month	1-3 months	3-12 months	1-5 years	Over 5 years	No maturity	Total	Carrying amount
Due to financial institutions and								
Central Bank	(16,113)	(30,947)	(515)	(9)	-	-	(47,584)	(47,654)
Deposits from customers	(627,239)	(134,409)	(33,737)	(16,078)	(5,806)	-	(817,269)	(813,784)
Short positions	-	-	(29)	(124)	(2,254)	-	(2,407)	(2,140)
Borrowings	(1,600)	(33,510)	(35,724)	(326,802)	(89,498)	-	(487,134)	(438,309)
Other financial liabilities	(21,483)	-	-	-	-	-	(21,483)	(21,483)
Subordinated liabilities	-	(219)	(506)	(2,963)	(26,338)	-	(30,026)	(21,959)
Total	(666,435)	(199,085)	(70,511)	(345,976)	(123,896)	0	(1,405,903)	(1,345,329)
Derivative financial liabilities								
Trading								(227)
Inflow	5,212	1,024	300	-	-	-	6,536	
Outflow	(5,439)	(1,038)	(302)	-	-	-	(6,779)	
Risk management								(3,341)
Inflow	14,377	32	8,080	19,702	2,011	-	44,202	
Outflow	(14,714)	(85)	(8,964)	(21,358)	(2,487)	-	(47,608)	
Total	(564)	(67)	(886)	(1,656)	(476)	0	(3,649)	(3,568)
Non-derivative financial assets								
Cash and balances with								
Central Bank	111,260	-	-	-	-	-	111,260	111,260
Bonds and debt instruments	22,309	17,904	41,456	17,986	8,598	-	108,253	104,895
Equities and equity instruments	-	-	-	-	-	25,445	25,445	25,445
Loans and advances to financial institutions	81,371	-	-	-	-	-	81,371	80,324
Loans and advances to customers	32,813	56,667	191,921	525,031	1,188,583	-	1,995,015	1,255,393
Other financial assets	13,318	-	-	-	-	-	13,318	13,318
Total	261,071	74,571	233,377	543,017	1,197,181	25,445	2,334,662	1,590,635
Derivative financial assets								
Trading								401
Inflow	4,335	614	2,899	2,128	-	-	9,976	
Outflow	(4,191)	(571)	(2,762)	(2,037)	-	-	(9,561)	
Risk management								2,008
Inflow	2,033	13,634	1,170	99,535	-	-	116,372	
Outflow	(2,021)	(13,390)	(529)	(98,439)	-	-	(114,379)	
Total	156	287	778	1,187	0	0	2,408	2,409
Off-balance sheet items								
Financial guarantees and underwriting commitments	(288)	(683)	(4,707)	(5,178)	(12,669)	(689)	(24,214)	
Undrawn loan commitments	(98,527)	-	-	-	-	-	(98,527)	
Undrawn overdraft/credit card commitments	(65,583)	-	-	-	-	-	(65,583)	
Total	(164,398)	(683)	(4,707)	(5,178)	(12,669)	(689)	(188,324)	
Net liquidity position	(570,170)	(124,977)	158,051	191,394	1,060,140	24,756	739,194	244,147

Notes to the Condensed Consolidated Interim Financial Statements

53. Maturity analysis of financial assets and liabilities (continued)

The following table shows a maturity analysis of the Group's financial instruments as at 31 December 2019*:

Non-derivative financial liabilities	0-1 month	1-3 months	3-12 months	1-5 years	Over 5 years	No maturity	Total	Carrying amount
Due to financial institutions and								
Central Bank	(20,495)	(28,028)	-	-	-	-	(48,524)	(48,062)
Deposits from customers	(509,024)	(152,794)	(26,590)	(15,733)	(5,812)	-	(709,953)	(707,813)
Short positions	(26)	(10)	(35)	(290)	(2,369)	-	(2,731)	(2,081)
Borrowings	(111)	(4,748)	(45,838)	(295,518)	(74,514)	-	(420,729)	(373,168)
Other financial liabilities	(7,118)	-	-	-	-	-	(7,118)	(7,118)
Subordinated liabilities	-	-	(642)	(2,616)	(23,562)	-	(26,820)	(19,081)
Total	(536,775)	(185,580)	(73,105)	(314,158)	(106,257)	0	(1,215,876)	(1,157,324)
Derivative financial liabilities								
Trading								(1,364)
Inflow	4,136	938	1,470	-	-	-	6,543	
Outflow	(5,427)	(953)	(1,531)	-	-	-	(7,911)	
Risk management								(1,945)
Inflow	4,112	3,725	10,379	23,745	2,070	-	44,030	
Outflow	(4,139)	(3,801)	(10,519)	(25,354)	(2,460)	-	(46,273)	
Total	(1,319)	(91)	(201)	(1,609)	(390)	0	(3,610)	(3,309)
Non-derivative financial assets								
Cash and balances with								
Central Bank	69,824	-	-	-	-	-	69,824	69,824
Bonds and debt instruments	9,726	45,450	30,435	20,542	13,193	-	119,346	115,262
Equities and equity instruments	-	-	-	-	-	30,019	30,019	30,019
Loans and advances to financial institutions	47,929	-	-	-	-	-	47,929	47,929
Loans and advances to customers	31,887	65,759	163,689	455,669	1,107,400	-	1,824,404	1,140,184
Other financial assets	7,819	-	-	-	-	-	7,819	7,819
Total	167,184	111,209	194,124	476,211	1,120,593	30,019	2,099,340	1,411,036
Derivative financial assets								
Trading								514
Inflow	4,464	689	648	2,228	-	-	8,030	
Outflow	(4,013)	(680)	(597)	(2,216)	-	-	(7,506)	
Risk management								2,180
Inflow	12,447	19,646	4,852	84,404	-	-	121,350	
Outflow	(12,040)	(18,933)	(4,934)	(83,316)	-	-	(119,223)	
Total	858	722	(31)	1,101	0	0	2,651	2,694
Off-balance sheet items								
Financial guarantees and underwriting commitments	(1,108)	(725)	(4,221)	(5,568)	(11,179)	(1,166)	(23,967)	
Undrawn loan commitments	(95,478)	-	-	-	-	-	(95,478)	
Undrawn overdraft/credit card commitments	(64,032)	-	-	-	-	-	(64,032)	
Total	(160,618)	(725)	(4,221)	(5,568)	(11,179)	(1,166)	(183,477)	
Net liquidity position	(530,670)	(74,465)	116,566	155,977	1,002,767	28,852	699,028	253,098

*Comparison numbers have been updated due to a correction made to the interest rate spread of floating rate assets and liabilities.

Notes to the Condensed Consolidated Interim Financial Statements

54. Maturity analysis of financial assets and liabilities by currency

The following table shows a maturity analysis of the Group's financial instruments by currency of denomination as at 30 September 2020:

	0-1 month	1-3 months	3-12 months	1-5 years	Over 5 years	No maturity	Total	Carrying amount
Non-derivative financial liabilities								
Total in foreign currencies	(132,225)	(32,898)	(36,757)	(190,548)	(21,211)	-	(413,639)	(939,493)
ISK	(534,210)	(166,187)	(33,754)	(155,428)	(102,685)	-	(992,264)	(405,836)
Total	(666,435)	(199,085)	(70,511)	(345,976)	(123,896)	0	(1,405,903)	(1,345,329)
Derivative financial liabilities								
Total in foreign currencies	(38)	(192)	(308)	(8)	-	-	(546)	(347)
ISK	(526)	125	(578)	(1,648)	(476)	-	(3,103)	(3,221)
Total	(564)	(67)	(886)	(1,656)	(476)	0	(3,649)	(3,568)
Non-derivative financial assets								
Total in foreign currencies	116,602	42,946	88,394	174,300	6,139	355	428,736	1,179,991
ISK	144,469	31,625	144,983	368,717	1,191,042	25,090	1,905,926	410,644
Total	261,071	74,571	233,377	543,017	1,197,181	25,445	2,334,662	1,590,635
Derivative financial assets								
Total in foreign currencies	762	(236)	293	1,651	-	-	2,470	2,189
ISK	(606)	523	485	(464)	-	-	(62)	220
Total	156	287	778	1,187	0	0	2,408	2,409
Off-balance sheet items								
Total in foreign currencies	(31,975)	(275)	(2,247)	(1,749)	(7,196)	-	(43,442)	
ISK	(132,423)	(408)	(2,460)	(3,429)	(5,473)	(689)	(144,882)	
Total	(164,398)	(683)	(4,707)	(5,178)	(12,669)	(689)	(188,324)	
Net liquidity position	(570,170)	(124,977)	158,051	191,394	1,060,140	24,756	739,194	244,147
Net liquidity position in ISK	(523,296)	(134,322)	108,676	207,748	1,082,408	24,401	765,615	1,807
Net liquidity position in foreign currencies	(46,874)	9,345	49,375	(16,354)	(22,268)	355	(26,421)	242,340

The following table shows a maturity analysis of the Group's financial instruments by currency of denomination as at 31 December 2019*:

	0-1 month	1-3 months	3-12 months	1-5 years	Over 5 years	No maturity	Total	Carrying amount
Non-derivative financial liabilities								
Total in foreign currencies	(96,566)	(5,865)	(43,226)	(191,682)	(18,360)	-	(355,699)	(347,566)
ISK	(440,210)	(179,715)	(29,879)	(122,476)	(87,897)	-	(860,176)	(809,758)
Total	(536,775)	(185,580)	(73,105)	(314,158)	(106,257)	0	(1,215,876)	(1,157,324)
Derivative financial liabilities								
Total in foreign currencies	(582)	174	(274)	(9)	-	-	(691)	(1,379)
ISK	(736)	(266)	73	(1,600)	(390)	-	(2,919)	(1,930)
Total	(1,319)	(91)	(201)	(1,609)	(390)	0	(3,610)	(3,309)
Non-derivative financial assets								
Total in foreign currencies	70,239	59,901	73,032	135,006	11,672	2,735	352,585	348,203
ISK	96,945	51,309	121,092	341,205	1,108,921	27,284	1,746,755	1,062,833
Total	167,184	111,209	194,124	476,211	1,120,593	30,019	2,099,340	1,411,036
Derivative financial assets								
Total in foreign currencies	1,232	777	(434)	1,039	-	-	2,614	2,192
ISK	(374)	(54)	403	62	-	-	37	502
Total	858	722	(31)	1,101	0	0	2,651	2,694
Off-balance sheet items								
Total in foreign currencies	(22,542)	(411)	(2,085)	(1,563)	(6,439)	-	(33,040)	
ISK	(138,076)	(313)	(2,137)	(4,005)	(4,739)	(1,166)	(150,436)	
Total	(160,618)	(725)	(4,221)	(5,568)	(11,179)	(1,166)	(183,477)	
Net liquidity position	(530,670)	(74,465)	116,566	155,977	1,002,767	28,852	699,028	253,098
Net liquidity position in ISK	(482,450)	(129,040)	89,552	213,186	1,015,894	26,118	733,260	251,647
Net liquidity position in foreign currencies	(48,219)	54,575	27,014	(57,209)	(13,128)	2,735	(34,233)	1,451

*Comparison numbers have been updated due to a correction made to the interest rate spread of floating rate assets and liabilities.

Notes to the Condensed Consolidated Interim Financial Statements

55. Encumbered assets

The following tables show the Group's total encumbered and unencumbered assets as at 30 September 2020 and 31 December 2019.

As at 30 September 2020	Collateral pledged against		Un-encumbered	Total
	Covered bonds	Other*		
Cash and balances with Central Bank	2,050	6,509	102,701	111,260
Bonds and debt instruments	-	-	104,895	104,895
Equities and equity instruments	-	-	25,445	25,445
Derivative instruments	-	-	2,409	2,409
Loans and advances to financial institutions	-	1,242	79,082	80,324
Loans and advances to customers	235,846	-	1,019,547	1,255,393
Investments in equity-accounted associates	-	-	1,574	1,574
Property and equipment	-	-	8,374	8,374
Intangible assets	-	-	2,090	2,090
Other assets	-	-	16,821	16,821
Assets classified as held for sale	-	-	1,680	1,680
Total	237,896	7,751	1,364,618	1,610,265

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

56. Market risk management

The following table summarises the Group's exposure to market risk as a percentage of risk exposure amount (REA) as at 30 September 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	30.9.2020	31.12.2019
	% of REA	% of REA
Equity price risk	0.4%	0.4%
Interest rate risk	0.3%	0.4%
CVA of derivatives	0.0%	0.0%
Foreign exchange risk	0.4%	0.4%
Total	1.0%	1.2%

The currency risk in the Group's trading portfolios is disclosed together with that in its non-trading portfolios in Notes 60-61.

57. 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.

Notes to the Condensed Consolidated Interim Financial Statements

58. 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 30 September 2020	Up to 3 months	3-12 months	1-5 years	Over 5 years	Carrying amount
Financial assets					
Cash and balances with Central Bank	111,260	-	-	-	111,260
Bonds and debt instruments	41,128	40,785	17,219	5,763	104,895
Derivative instruments	2,409	-	-	-	2,409
Loans and advances to financial institutions	80,324	-	-	-	80,324
Loans and advances to customers	994,017	123,230	112,129	26,017	1,255,393
Other financial assets	13,318	-	-	-	13,318
Total	1,242,456	164,015	129,348	31,780	1,567,599
Financial liabilities					
Due to financial institutions and Central Bank	(47,654)	-	-	-	(47,654)
Deposits from customers	(806,238)	(4,669)	(2,877)	-	(813,784)
Derivative instruments and short positions	(3,568)	-	-	(2,140)	(5,708)
Borrowings	(62,960)	(42,669)	(265,519)	(67,161)	(438,309)
Other financial liabilities	(21,483)	-	-	-	(21,483)
Subordinated liabilities	-	-	(21,959)	-	(21,959)
Total	(941,903)	(47,338)	(290,355)	(69,301)	(1,348,897)
Net on-balance sheet position	300,553	116,677	(161,007)	(37,521)	218,702
Derivatives held for hedging	(97,320)	0	97,320	0	0
Net off-balance sheet position	26,501	(7,001)	(17,500)	(2,000)	0
Total interest repricing gap	229,734	109,676	(81,187)	(39,521)	0
As at 31 December 2019					
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	0
Net off-balance sheet position	16,143	10,192	(24,335)	(2,000)	0
Total interest repricing gap	153,695	136,818	(47,474)	(19,959)	0

Notes to the Condensed Consolidated Interim Financial Statements

59. 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 30 September 2020 and 31 December 2019.

	Up to 3 months	3-12 months	1-5 years	Over 5 years	Carrying amount
As at 30 September 2020					
Financial assets					
Bonds and debt instruments	-	777	3,111	4,842	8,730
Loans and advances to customers	5,454	12,422	72,839	290,810	381,525
Total	5,454	13,199	75,950	295,652	390,255
Financial liabilities					
Deposits from customers	(70,159)	(3,175)	(11,831)	(36,773)	(121,938)
Derivative instruments and short positions	-	-	-	(2,140)	(2,140)
Borrowings	-	-	(66,406)	(67,161)	(133,567)
Subordinated liabilities	-	-	-	(5,817)	(5,817)
Total	(70,159)	(3,175)	(78,237)	(111,891)	(263,462)
Total on-balance sheet position	(64,705)	10,024	(2,287)	183,761	126,793
Off-balance sheet position					
Interest rate swaps	-	-	(27,554)	(2,468)	(30,022)
Total return swaps	(5,970)	-	-	-	(5,970)
Total off-balance sheet position	(5,970)	0	(27,554)	(2,468)	(35,992)
Total CPI indexation balance	(70,675)	10,024	(29,841)	181,293	90,801
As at 31 December 2019					
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

Notes to the Condensed Consolidated Interim Financial Statements

Currency risk

60. 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 30 September 2020 was + 0,36% of the Group's capital base (31.12.2019: +1.2%).

61. Concentration of currency risk

The following tables summarise the Group's exposure to currency risk as at 30 September 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 30 September 2020	EUR	GBP	USD	JPY	CHF	Other	Total
Assets							
Cash and balances with Central Bank	838	238	546	12	75	562	2,271
Bonds and debt instruments	20,575	3	39,232	-	-	-	59,810
Equities and equity instruments	49	-	170	-	-	135	354
Derivative instruments	1,558	16	437	-	-	179	2,190
Loans and advances to financial institutions	17,955	5,412	12,504	784	1,782	41,674	80,111
Loans and advances to customers	198,737	3,281	55,630	1,464	329	3,699	263,140
Other assets	2	-	2,271	-	-	1	2,274
Total	239,714	8,950	110,790	2,260	2,186	46,250	410,150
Liabilities							
Due to financial institutions and Central Bank	(1,878)	(3)	(13)	-	-	-	(1,894)
Deposits from customers	(48,079)	(6,309)	(60,461)	(808)	(2,143)	(13,835)	(131,635)
Derivative instruments and short positions	(40)	(16)	(292)	-	-	-	(348)
Borrowings	(180,497)	-	(20,882)	-	-	(51,778)	(253,157)
Other liabilities	(1,167)	(115)	(3,574)	(22)	(18)	(1,455)	(6,351)
Subordinated liabilities	(16,142)	-	-	-	-	-	(16,142)
Total	(247,803)	(6,443)	(85,222)	(830)	(2,161)	(67,068)	(409,527)
Net on-balance sheet position	(8,089)	2,507	25,568	1,430	25	(20,818)	623
Net off-balance sheet position	6,636	(2,439)	(22,192)	(1,376)	-	19,660	289
Net currency position	(1,453)	68	3,376	54	25	(1,158)	912
As at 31 December 2019							
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

62. 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 30 September 2020	As at 31 December 2019	% change	Average for 1.1-30.9 2020	Average for 1.1-30.9 2019
EUR/ISK	162.20	135.80	19.4%	152.04	136.93
GBP/ISK	178.77	160.28	11.5%	172.41	155.18
USD/ISK	138.35	120.98	14.4%	134.43	121.99
JPY/ISK	1.3101	1.1132	17.7%	1.2542	1.1182
CHF/ISK	150.52	124.98	20.4%	142.09	122.65
CAD/ISK	103.86	93.27	11.4%	99.67	91.72
DKK/ISK	21.789	18.172	19.9%	20.387	18.345
NOK/ISK	14.775	13.764	7.3%	14.212	14.002
SEK/ISK	15.436	12.923	19.4%	14.416	12.986

Notes to the Condensed Consolidated Interim Financial Statements

Consolidated Key Figures

63. Operations by quarters

Operations	2020			2019			
	Q3	Q2	Q1	Q4*	Q3	Q2	Q1
Interest income	16,167	18,220	16,416	16,844	16,874	20,555	17,899
Interest expense	(6,726)	(8,708)	(6,989)	(7,264)	(7,243)	(10,341)	(7,654)
Net interest income	9,441	9,512	9,427	9,580	9,631	10,214	10,245
Fee and commission income	2,844	2,391	2,773	2,980	2,784	2,861	2,903
Fee and commission expense	(785)	(738)	(828)	(855)	(826)	(785)	(843)
Net fee and commission income	2,059	1,653	1,945	2,125	1,958	2,076	2,060
Net gain (loss) on financial assets and liabilities at FVTPL	(1,001)	2,827	(2,625)	2,126	649	1,776	3,442
Net foreign exchange gain (loss)	(52)	(259)	85	(300)	(39)	(87)	(158)
Credit impairment losses	(120)	(8,191)	(5,244)	(1,399)	(1,056)	(1,378)	(994)
Other income and (expenses)	574	333	(188)	131	211	266	438
Net other operating income	(599)	(5,290)	(7,972)	558	(235)	577	2,728
Total operating income	10,901	5,875	3,400	12,263	11,354	12,867	15,033
Salaries and related expenses	(3,135)	(3,802)	(3,844)	(3,805)	(3,284)	(3,689)	(3,680)
Other operating expenses	(1,995)	(2,206)	(2,430)	(2,505)	(2,167)	(2,340)	(2,522)
Tax on liabilities of financial institutions	(540)	(425)	(450)	(1,064)	(1,065)	(1,065)	(1,010)
Total operating expenses	(5,670)	(6,433)	(6,724)	(7,374)	(6,516)	(7,094)	(7,212)
Profit (loss) before tax	5,231	(558)	(3,324)	4,889	4,838	5,773	7,821
Income tax	(1,245)	899	(304)	(1,014)	(1,591)	(1,444)	(1,037)
Profit (loss) for the period	3,986	341	(3,628)	3,875	3,247	4,329	6,784
Balance sheet	30.9.2020	30.6.2020	31.3.2020	31.12.2019	30.9.2019	30.6.2019	31.3.2019
Cash and cash balances with Central Bank	111,260	89,598	92,440	69,824	56,680	63,990	63,014
Bonds and debt instruments	104,895	104,758	116,568	115,262	96,786	84,830	80,954
Equities and equity instruments	25,445	26,794	25,923	30,019	29,150	27,658	25,151
Loans and advances to financial institutions	80,324	56,394	69,740	47,929	71,222	71,812	88,664
Loans and advances to customers	1,255,393	1,198,210	1,190,536	1,140,184	1,136,804	1,130,915	1,095,376
Other assets	31,268	23,913	26,851	22,088	23,476	22,348	24,744
Assets classified as held for sale	1,680	1,443	1,130	1,022	1,144	1,282	1,394
Total assets	1,610,265	1,501,110	1,523,188	1,426,328	1,415,262	1,402,835	1,379,298
Due to financial institutions and Central Bank	47,654	37,226	41,495	48,062	47,860	34,430	36,636
Deposits from customers	813,784	758,790	755,160	707,813	703,762	697,898	694,820
Borrowings	438,309	408,097	412,591	373,168	366,337	377,680	351,005
Other liabilities	40,096	30,993	48,427	30,440	39,980	37,768	36,701
Liabilities associated with assets classified as held for sale	30	30	30	30	30	30	30
Subordinated liabilities	21,959	21,527	21,379	19,081	13,433	14,417	13,900
Equity	248,433	244,447	244,106	247,734	243,860	240,612	246,205
Total liabilities and equity	1,610,265	1,501,110	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

64. Key figures and ratios

	2020			2019			
	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Return on equity before taxes	8.5%	-0.9%	-5.4%	8.0%	8.0%	9.5%	12.9%
Return on equity after taxes	6.5%	0.6%	-5.9%	6.3%	5.4%	7.1%	11.2%
Return on equity after taxes, excluding bank levy	7.3%	1.3%	-5.2%	8.0%	7.1%	8.9%	12.9%
Cost-income ratio	46.6%	42.7%	72.6%	46.2%	43.9%	42.3%	38.7%
Operating expenses as a ratio of average total assets	1.3%	1.6%	1.7%	1.8%	1.5%	1.7%	1.8%
Return on assets	1.0%	0.1%	-1.0%	1.1%	0.9%	1.2%	2.0%
Interest spread as a ratio of assets and liabilities	2.1%	2.1%	2.2%	2.3%	2.3%	2.3%	2.5%
Earnings per share	0.17	0.01	(0.15)	0.16	0.14	0.18	0.29
	30.9.2020	30.6.2020	31.3.2020	31.12.2019	30.9.2019	30.6.2019	31.3.2019
Total capital ratio	24.7%	24.9%	24.8%	25.8%	23.6%	23.7%	23.8%
CET1 ratio	22.7%	22.8%	22.7%	23.9%	22.3%	22.3%	22.4%
Leverage ratio	14.4%	14.9%	14.7%	15.7%	15.2%	15.2%	15.3%
Loans / deposits	154.3%	157.9%	157.7%	161.1%	161.5%	162.0%	157.6%
Deposits / total assets	50.5%	50.5%	49.6%	49.6%	49.7%	49.7%	50.4%
Liquidity coverage ratio total (LCR)	186%	191%	196%	161%	186%	174%	243%
Net stable funding ratio FX (NSFR)	116%	121%	127%	143%	158%	164%	165%
Number of full-time positions at the end of the period	884	872	886	893	903	903	922

Key figures and ratios

Definition

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