



Condensed Consolidated Interim Financial Statements

LANDSBANKINN HF | Reg. No. 471008-0280 | LANDSBANKINN.IS

For the six months ended 30 June 2022

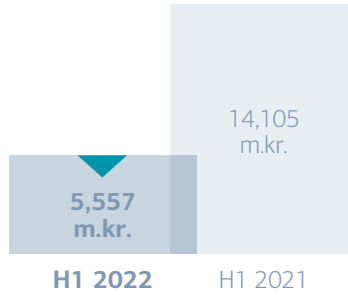
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Highlights

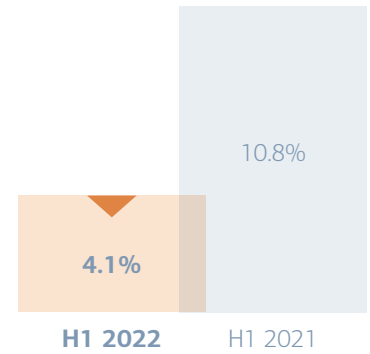
Top of the performance satisfaction index



Profit



Return on equity

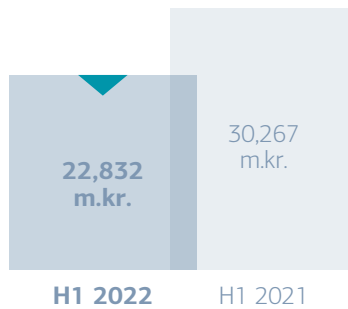


Credit rating

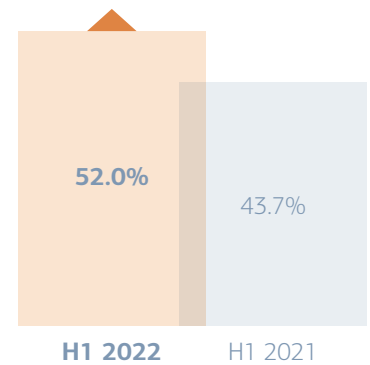
BBB
with stable outlook

S&P Global Ratings

Total operating income



Cost-income ratio

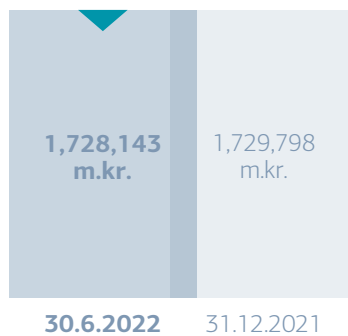


ESG risk rating

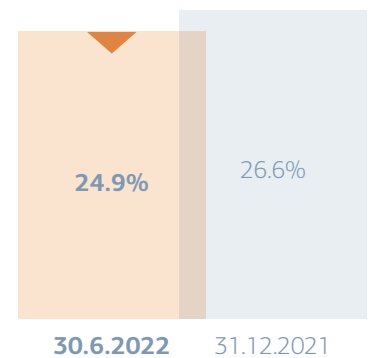


Sustainalytics considers Landsbankinn at exceedingly low risk of experiencing material financial impacts from ESG factors.

Total assets



Total capital ratio

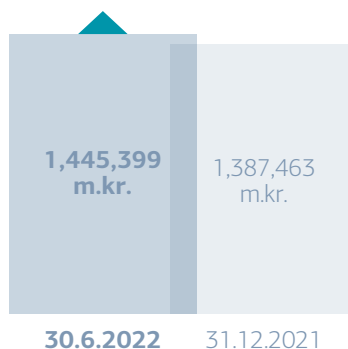


PCAF - carbon accounting

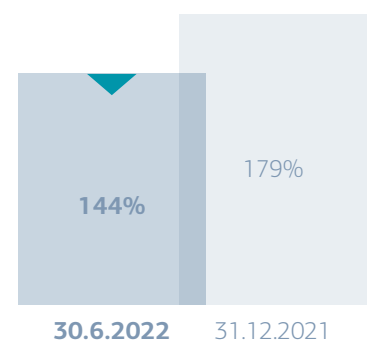


We have for the first time assessed carbon emissions from our loan portfolio.

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. ("Landsbankinn" or the "Bank") submit this report together with the reviewed Condensed Consolidated Interim Financial Statements of Landsbankinn hf. for the first half of 2022, which include the accounts of the Bank and its subsidiaries (the "Group").

About the Bank

Landsbankinn is a leading financial institution in Iceland, offering a comprehensive range of financial services to individuals, corporates and investors.

The Bank's strategy - Landsbankinn, an ever-smarter bank - is founded on the ideal of mutual trust and a personal approach to banking. Customer satisfaction comes first at Landsbankinn. Our focus is on ensuring sound operation and continued robust development of digital solutions. Our aim is to simplify life for our customers by making finance more approachable while simultaneously strengthening advisory service and education. Satisfied employees and a success-driven culture strengthen the Bank's operation and create opportunities for initiative.

The Bank is organised into seven divisions: Personal Banking, Corporate Banking, Asset Management & Capital Markets, Finance & Operations, Risk Management, IT and Community. The operating segments of the Group are comprised of four business segments and other segments. Together these constitute the reportable operating segments, the results of which are presented in the Group's internal and external financial reporting (see Note 5).

Financial performance

Consolidated profit amounted to ISK 5,557 million for the first half of 2022 (H1 2021: ISK 14,105 million). After-tax return on equity was 4.1% (H1 2021: 10.8%) and the Bank's cost-income ratio was 52.0% (H1 2021: 43.7%). Net interest income was ISK 21,418 million, increasing by 13.0% between years. Net fee and commission income rose by 24.1% between years, to ISK 5,422 million. Net loss on financial assets and liabilities at fair value was ISK 4,801 million (H1 2021: ISK 3,655 million net profit). Net release of credit impairment was ISK 43 million (H1 2021: ISK 2,782 million net release). Salaries and related expenses were ISK 7,339 million and remain stable between years. The average number of full-time equivalent positions during the period was 797 (H1 2021: 869).

Consolidated total equity amounted to ISK 267,650 million at the end of the period. Total assets were ISK 1,728,143 million, contracting by 0.1% from the beginning of the year. The total capital ratio of the Group, calculated according to the Act on Financial Undertakings, was 24.9% at the end of the period (31 December 2021: 26.6%).

On 27 May 2022, S&P Global Ratings raised its rating on covered bonds issued by Landsbankinn. The upgrade is one notch, bringing the rating to A with stable outlook. The upgrade follows on the heels of S&P's announcement that it considers Iceland's resolution regime to be sufficiently effective.

On 13 July 2022, S&P affirmed the credit rating for Landsbankinn at BBB/A-2 with continued stable outlook. The announcement states that S&P has lowered the banking industry risk for Iceland in its assessment based on an eased banking sector risk, resilience of profitability during the global pandemic and expectations of continued strong return on equity. Furthermore, S&P assumes a stable banking industry risk trend. S&P assumes a rapid increase in economic risk in Iceland due to rapid rise in housing prices resulting in a higher risk of negative impact. In return, S&P notes that there has been a sharp recovery in the tourism sector and that asset quality in the corporate loan book has improved. S&P now views economic risk outlook as stable as opposed to the previous negative outlook.

Risk factors

The Bank's total capital ratio remains well above the current regulatory requirement. A dividend payment approved by the Bank's Annual General Meeting in March has led to a slight reduction in the ratio from year-end 2021. The carrying amount of loans and advances to customers increased by 4.2% in the first half of the year with lending to both individuals and corporates increasing. The Bank's risk-weighted exposure amount (RWEA) increased by 0.8% in the first half of the year and amounted to ISK 1,154 billion at the end of Q2. Credit risk remains the most significant risk factor in the Bank's operations and is about 90% of total RWEA.

The weighted average probability of default in the Bank's loan portfolio decreased slightly in the first half of the year and was 1.9% at the end of Q2 (31 December 2021: 2.2%). Expected credit loss (ECL) in the loan portfolio decreased during the first half of the year and the net release of credit impairment was ISK 43 million. The Bank has assessed the need for collective provision to meet uncertainty about the final impact of the COVID-19 pandemic on the Bank's loan portfolio and recognised an ISK 1.2 billion (31 December 2021: ISK 2.1 billion) provision for loans to the travel sector and ISK 30 million (31 December 2021: ISK 199 million) for loans to other companies. At the end of the first half of the year, the carrying amount of loans with active COVID-19 related payment moratoria amounted to ISK 23.4 billion, ISK 17.8 billion thereof to customers in the travel sector.

The Bank's liquidity position remained well above the current regulatory requirement during the first half of 2022. The total liquidity coverage ratio at the end of the period was 144%, 132% in Icelandic króna and 184% in foreign currencies. Market risk remains modest and well within the Bank's risk appetite.

Further information on the Group's risk and capital management is included in the notes to the Consolidated Financial Statements and the Pillar III report for the year 2021, supplemented with Pillar III additional disclosures for Q2 of 2022, all accessible on the Bank's website, www.landsbankinn.is.

Dividend

The 2022 AGM of Landsbankinn, held on 23 March, approved the motion of the Board of Directors to pay shareholders a dividend of ISK 0.61 per share for the fiscal year 2021 in two instalments. The first payment of ISK 0.31 per share was made to shareholders on 30 March 2022 and the second payment of ISK 0.30 per share is due on 21 September 2022. In total, these dividend payments amount to ISK 14,409 million.

The AGM also approved payment of a special dividend of ISK 0.26 per share. The payment was made on 28 April 2022 and amounted to ISK 6,141 million in total.

Report of the Board of Directors and the CEO

Economic outlook

Preliminary figures from Statistics Iceland show 8.6% GDP in Q1 2022 as compared to the same quarter the previous year. This is the fourth consecutive quarter of economic growth and a confirmation that the economy is rapidly recovering from the impact of the pandemic. All key components of GDP - private consumption, investment and export - show robust growth in a promising indication for the year. According to Economic Research's May forecast, we can expect 5.1% growth this year. Much as in previous years, the travel sector will be the main driver of economic growth, with monthly tourist arrivals to the country growing steadily and already nearing pre-pandemic levels.

Yet growth phases such as these come with a set of challenges. An output gap has formed, businesses are experiencing a worker shortage and the inflationary pressure is high. Annualised inflation in Q2 measured 7.9% and was mainly driven by housing price increases. Imported price increases have also contributed to inflationary pressure, especially higher fuel prices which can be attributed to the war in Ukraine and other factors. In other respect, the war has a limited direct effect on the Icelandic economy as Iceland's trade with both Ukraine and Russia accounts for only a fraction of Iceland's foreign trade. The impact of the invasion is primarily indirect and manifests in rising inflation, both in Iceland and abroad.

Inflation is likely to continue to grow and to peak in Q3. The policy rate has been raised considerably in response to these developments and is likely to be raised even higher going forward this year, or until inflation shows signs of receding.

Other matters

On 3 June 2022, Sustainalytics reported its updated ESG rating for Landsbankinn. The Bank retains its risk rating level of negligible risk with a risk score of 9.9 on a scale to 100. This means that Sustainalytics considers Landsbankinn at exceedingly low risk of experiencing material financial impacts from ESG factors. These results reflect the emphasis the Bank has put on sustainability.

Statement by the Board of Directors and the CEO

The Condensed Consolidated Interim Financial Statements of Landsbankinn hf. for the first half of 2022 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 half of 2022, its consolidated financial position as at 30 June 2022, and its consolidated cash flows for the first half of 2022.

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

The Board of Directors of the Bank and Chief Executive Officer hereby endorse the Condensed Consolidated Interim Financial Statements of Landsbankinn hf. for the first half of 2022.

Reykjavík, 21 July 2022

Board of Directors

Helga Björk Eiríksdóttir, Chairman
Berglind Svavarsdóttir, Vice-Chairman
Elín H. Jónsdóttir
Guðbrandur Sigurðsson
Guðrún Ó. Blöndal
Helgi F. Arnarson
Thorvaldur 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 the accompanying Condensed Consolidated Interim Financial Statements of Landsbankinn hf. as at 30 June 2022 which comprise of Report of the Board of Directors and the CEO, Condensed Consolidated Statement of Financial Position as at 30 June 2022 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 six-month period then ended 30 June 2022 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 and articles in Icelandic law on annual accounts that are applicable. 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, 21 July 2022

PricewaterhouseCoopers ehf

Arna G. Tryggvadóttir
State Authorized Public Accountant

Atli Þór Jóhannsson
State Authorized Public Accountant

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Condensed Consolidated Income Statement for the six months ended 30 June 2022

		2022	2021	2022	2021
Notes		1.4-30.6	1.4-30.6	1.1-30.6	1.1-30.6
6	Interest income	25,247	18,096	46,348	32,428
	Interest expense	(14,095)	(7,764)	(24,930)	(13,470)
	Net interest income	11,152	10,332	21,418	18,958
7	Fee and commission income	4,052	3,197	7,673	6,072
	Fee and commission expense	(1,269)	(883)	(2,251)	(1,704)
	Net fee and commission income	2,783	2,314	5,422	4,368
8	Net (loss) gain on financial assets and liabilities at FVTPL	(2,707)	1,284	(4,801)	3,655
	Net foreign exchange gain (loss)	21	(45)	29	(72)
9	Net impairment changes	(735)	293	43	2,782
10	Other income and (expenses)	328	330	721	576
	Net other operating income	(3,093)	1,862	(4,008)	6,941
	Total operating income	10,842	14,508	22,832	30,267
11	Salaries and related expenses	(3,584)	(3,724)	(7,339)	(7,493)
	Other operating expenses	(2,118)	(2,202)	(4,517)	(4,517)
	Tax on liabilities of financial institutions	(505)	(513)	(1,015)	(980)
	Total operating expenses	(6,207)	(6,439)	(12,871)	(12,990)
	Profit before tax	4,635	8,069	9,961	17,277
12	Income tax	(2,294)	(1,582)	(4,404)	(3,172)
	Profit for the period	2,341	6,487	5,557	14,105
	Profit for the year attributable to:				
	Owners of the Bank	2,341	6,487	5,557	14,105
	Non-controlling interests	0	0	0	0
	Profit for the period	2,341	6,487	5,557	14,105
	Earnings per share				
29	Basic and diluted earnings per share from operations (ISK)	0.10	0.27	0.24	0.60

Condensed Consolidated Statement of Comprehensive Income for the six months ended 30 June 2022

		2022	2021	2022	2021
Notes		1.4-30.6	1.4-30.6	1.1-30.6	1.1-30.6
	Profit for the period	2,341	6,487	5,557	14,105
	Other comprehensive income for the period, after tax	0	0	0	0
	Total comprehensive income for the period	2,341	6,487	5,557	14,105

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

Condensed Consolidated Statement of Financial Position as at 30 June 2022

Notes		30.6.2022	31.12.2021
Assets			
17, 47	Cash and balances with Central Bank	84,895	82,425
18	Bonds and debt instruments	102,018	150,435
19	Equities and equity instruments	27,368	33,347
20	Derivative instruments	785	1,233
21, 47	Loans and advances to financial institutions	36,119	47,231
22, 47	Loans and advances to customers	1,445,399	1,387,463
	Investments in equity-accounted associates	1,823	1,857
	Property and equipment	15,094	13,019
	Intangible assets	1,751	1,781
25	Deferred tax assets	45	15
23	Other assets	12,287	10,087
	Assets classified as held for sale	559	905
	Total assets	1,728,143	1,729,798
Liabilities			
	Due to financial institutions and Central Bank	4,813	10,425
	Deposits from customers	935,123	900,098
20	Derivative instruments and short positions	3,760	4,562
24, 47	Borrowings	451,524	486,042
25	Tax liabilities	13,084	9,602
26	Other liabilities	31,619	15,609
	Liabilities associated with assets classified as held for sale	20	30
27	Subordinated liabilities	20,550	20,785
	Total liabilities	1,460,493	1,447,153
28	Equity		
	Share capital	23,621	23,621
	Share premium	120,593	120,594
	Reserves	18,567	23,591
	Retained earnings	104,869	114,839
	Total equity	267,650	282,645
	Total liabilities and equity	1,728,143	1,729,798

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

Condensed Consolidated Statement of Changes in Equity for the six months ended 30 June 2022

Notes

Attributable to owners of the Bank									
Change in equity for the six months ended 30 June 2022	Share capital	Share premium	Statutory reserve	Reserves*		Retained earnings	Total	Non- controlling interests	Total
				Unrealised gains in subsidiaries and equity-accounted associates reserve	Fair value changes of financial assets designated at FVTPL				
Balance as at 1 January 2022	23,621	120,594	6,000	5,272	12,319	114,839	282,645		282,645
Profit for the period						5,557	5,557		5,557
Transferred to (from) restricted retained earnings				(124)	(4,899)	5,023	0		0
Purchase of own shares	-	(2)					(2)		(2)
Dividends allocated						(20,550)	(20,550)		(20,550)
Balance as at 30 June 2022	23,621	120,593	6,000	5,148	7,419	104,869	267,650	0	267,650
Change in equity for the six months ended 30 June 2021									
Balance as at 1 January 2021	23,625	120,630	6,000	3,659	9,591	94,750	258,255		258,255
Profit for the period						14,105	14,105		14,105
Transferred to restricted retained earnings				747	958	(1,705)	0		0
Dividends allocated						(4,489)	(4,489)		(4,489)
Balance as at 30 June 2021	23,625	120,630	6,000	4,406	10,549	102,661	267,871	0	267,871

*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 six months ended 30 June 2022

Notes	2022 1.1-30.6	2021 1.1-30.6
Operating activities		
Profit for the period	5,557	14,105
Adjustments for non-cash items included in profit for the period	(11,953)	(21,652)
Changes in operating assets and liabilities	21,593	(31,481)
Interest received	37,908	30,808
Interest paid	(9,542)	(3,949)
Dividends received	(190)	236
Income tax and sepcial tax on liabilities paid	(1,967)	(4,651)
Net cash from (used in) operating activities	41,406	(16,584)
Investing activities		
Acquisition of additional shares in associates	-	(30)
Purchase of property and equipment	(2,285)	(2,114)
Proceeds from sale of property and equipment	8	295
Purchase of intangible assets	(93)	(285)
Sale of associates	242	-
Investing activities	(2,128)	(2,134)
Financing activities		
Proceeds from borrowings	39,011	76,969
Purchase of own shares	(2)	-
Repayment of borrowings	(60,040)	(30,534)
Rent paid	(337)	(319)
Dividends paid	(13,464)	(4,489)
Financing activities	(34,832)	41,627
Cash and cash equivalents as at the beginning of the period	84,388	69,091
Net change in cash and cash equivalents	4,446	22,909
Effect of exchange rate changes on cash and cash equivalents held	574	706
Cash and cash equivalents as at the end of the period	89,408	92,706
Investing and financing activities not affecting cash flows		
Approved dividend to shareholders	(7,086)	-
Unpaid dividend to shareholders	7,086	-
Cash and cash equivalents is specified as follows:		
17 Cash and balances with Central Bank	84,895	89,342
21 Bank accounts with financial institutions	18,734	18,895
17 Mandatory and special restricted balances with Central Bank	(14,221)	(15,531)
Cash and cash equivalents as at the end of the period	89,408	92,706

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

Condensed Consolidated Statement of Cash Flows for the six months ended 30 June 2022

Notes	2022 1.1-30.6	2021 1.1-30.6
Adjustments for non-cash items included in profit for the period		
6 Net interest income	(21,418)	(18,958)
8 Net loss (gain) on financial assets and liabilities at FVTPL	4,801	(3,655)
Net foreign exchange gain	(602)	(634)
9 Net impairment changes	(43)	(2,782)
Gain on sale of property and equipment	(6)	(101)
Net income on repossessions	(527)	(169)
Depreciation and amortisation	631	629
Profit on sale of associates	(152)	-
Share of profit of equity-accounted associates	(56)	(134)
Tax on liabilities of financial institutions	1,015	980
12 Income tax	4,404	3,172
	(11,953)	(21,652)

Changes in operating assets and liabilities

Change in reserve requirement with Central Bank	(923)	(1,877)
Change in bonds and equities	47,553	(16,405)
Change in loans and advances to financial institutions	10,898	(15,046)
Change in loans and advances to customers	(59,751)	(62,949)
Change in other assets	(6,728)	(2,508)
Change in assets classified as held for sale	863	595
Change in due to financial institutions and Central Bank	(5,613)	(8,547)
Change in deposits from customers	28,603	49,400
Change in tax liability	(30)	22
Change in other liabilities	6,721	25,834
	21,593	(31,481)

Change in liabilities due to financing activities

	As at 1.1.2022	Cash flow	Non-cash changes			As at 30.6.2022
			Accrued interest	Foreign exchange	Change in the fair value	
Secured borrowings	217,887	(15,623)	9,778	-	-	212,042
Senior unsecured bonds	181,905	9,411	818	(14,241)	-	177,893
Senior unsecured bonds held to hedge long-term borrowings	66,470	(21,096)	142	(3,025)	(1,040)	41,451
Other unsecured loans	19,780	(141)	187	312	-	20,138
Subordinated liabilities	20,785	-	647	(882)	-	20,550
Total	506,827	(27,449)	11,572	(17,836)	(1,040)	472,074

	As at 1.1.2021	Cash flow	Non-cash changes			As at 30.6.2021
			Accrued interest	Foreign exchange	Change in the fair value	
Secured borrowings	189,360	16,922	6,039	-	-	212,321
Senior unsecured bonds	116,196	27,794	867	(8,221)	-	136,636
Senior unsecured bonds held to hedge long-term borrowings	95,468	(254)	263	(5,625)	(942)	88,910
Other unsecured loans	19,154	20	150	(503)	-	18,821
Subordinated liabilities	21,366	-	455	(932)	-	20,889
Total	441,544	44,482	7,775	(15,281)	(942)	477,577

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

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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 six months ended 30 June 2022 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 six months ended 30 June 2022 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 Condensed Consolidated Interim Financial Statements were approved and authorised for publication by the Board of Directors and the CEO of Landsbankinn on 21 July 2022.

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 2021, 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 2021.

4. Economic forecasts

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

The following table shows certain key economic variables used to calculate the ECL allowance for stages 1 and 2. At the reporting date, baseline forecast of Landsbankinn Economic Research projects 5.1% growth in GDP this year. The forecasts for the upside, baseline and downside scenarios show averages for the 12-months outlook and to the medium-term forecast horizon. The upside scenario is given 20% weight (31 December 2021; 20%), the baseline 60% weight (31 December 2021; 60%) and the downside scenario 20% weight (31 December 2021; 20%).

	Upside scenario		Base case scenario		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 June 2022						
GDP growth	6.1%	5.2%	3.7%	3.0%	1.6%	1.3%
Unemployment rate	3.2%	2.7%	4.2%	4.0%	7.0%	6.2%
Base rate	6.5%	6.1%	5.9%	4.8%	5.3%	2.8%
Inflation	8.6%	4.8%	7.6%	4.0%	8.9%	3.9%
EUR/ISK exchange rate, average	130.5	125.8	132.6	129.1	148.6	139.8
Housing Price index, y/y change	19.1%	7.0%	16.4%	4.5%	12.4%	1.3%

Notes to the Condensed Consolidated Interim Financial Statements

4. Economic forecasts (continued)

	Upside scenario		Base case scenario		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 December 2021						
GDP growth	7.8%	4.1%	5.6%	1.9%	3.0%	-0.1%
Unemployment rate	3.7%	2.5%	4.7%	3.8%	7.6%	6.1%
Base rate	3.4%	5.3%	2.9%	3.9%	2.3%	1.7%
Inflation	4.7%	3.5%	3.6%	2.6%	5.0%	2.5%
EUR/ISK exchange rate, average	143.1	136.0	145.3	139.3	161.3	150.0
Housing Price index, y/y change	12.9%	7.0%	10.2%	4.5%	7.9%	1.4%

	As at 30 June 2022			As at 31 December 2021		
	Upside scenario	Base scenario	Downside scenario	Upside scenario	Base scenario	Downside scenario
Allowance for impairment (Stage 1 and Stage 2)	6,291	6,550	7,510	6,005	6,273	7,152
Proportion of assets in Stage 2	4.1%	4.2%	4.7%	6.8%	6.9%	7.1%

	Reported under IFRS 9	
	As at 30 June 2022	As at 31 December 2021
Allowance for impairment (Stage 1 and Stage 2)	6,688	6,394

5. Operating segments

Segment information for the Group is presented in accordance with internal reporting to the CEO and the Board of Directors, who are responsible for allocating resources to the reportable operating segments and assessing their financial performance.

The Bank is organised into seven divisions: Personal Banking, Corporate Banking, Asset Management & Capital Markets, Finance & Operations, Risk Management, IT and Community. The Group's operating segments are divided into four main business segments and other operating segments. The business segments were as follows at the end of the reporting period:

- **Personal Banking** offers individuals and small and medium-sized companies outside the capital city region comprehensive financial services and advice. The emphasis is on digital service channels and self-service solutions, both through online banking and the Bank's app, together with conventional service through the Bank's branch network and Customer Service Centre.
- **Corporate Banking** offers municipalities, institutions, larger companies and SMEs in the capital region financial service and advice, emphasising digital service channels and self-service solutions such as corporate online banking and the Bank's app.
- **Asset Management & Capital Markets** offers brokerage service in securities, currencies and derivatives, in addition to comprehensive asset management. Landsbréf hf., the Bank's subsidiary, is included in Asset Management & Capital Markets' segment reporting.
- **Treasury and Market Making** are units under the **Finance & Operation** division. These units are responsible for the Bank's funding, liquidity management, internal pricing of capital and market-making in currency, bonds and equities. Treasury also manages the FX, interest rate and indexation risk of the Bank within the parameters of its risk appetite.

Other operating segments are Finance & Operations (with the exception of Treasury and Market Making), Risk Management, IT and Community. Also under other operating segments are the CEO's Office and Internal Audit.

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

Administrative expenses of the Group's other segments 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). 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 June 2022 and the corresponding period in 2021.

Notes to the Condensed Consolidated Interim Financial Statements

5. Operating segments (continued)

	Personal Banking	Corporate Banking	Asset Management & Capital Market	Treasury and Market Making	Other segments	Recon- ciliation	Total
1 January - 30 June 2022							
Net interest income	8,332	9,340	358	3,306	(27)	109	21,418
Net fee and commission income	1,486	1,073	3,055	(130)	16	(78)	5,422
Net impairment changes	(153)	197	(1)	-	-	-	43
Net other operating income (expenses)	(63)	(21)	(329)	(4,272)	646	(12)	(4,051)
Total operating income (expense)	9,602	10,589	3,083	(1,096)	635	19	22,832
Operating expenses	(3,153)	(1,546)	(996)	(507)	(5,744)	90	(11,856)
Tax on liabilities of financial institutions	(403)	(205)	(4)	(398)	(5)	-	(1,015)
Profit (loss) before cost allocation and tax	6,046	8,838	2,083	(2,001)	(5,114)	109	9,961
Allocated expenses	(2,096)	(1,412)	(538)	(482)	4,528	-	0
Profit (loss) before tax	3,950	7,426	1,545	(2,483)	(586)	109	9,961
Income tax	(1,140)	(1,951)	(746)	(711)	144	-	(4,404)
Profit (loss) for the period	2,810	5,475	799	(3,194)	(442)	109	5,557
Net revenue (expenses) from external customers	19,144	16,666	3,218	(16,837)	622	-	22,813
Net revenue (expenses) from other segments	(9,542)	(6,077)	(135)	15,741	13	-	0
Total operating income (expense)	9,602	10,589	3,083	(1,096)	635	0	22,813
As at 30 June 2022							
Total assets	808,794	626,580	11,036	688,467	22,054	(428,788)	1,728,143
Total liabilities	767,514	522,012	6,150	571,551	22,054	(428,788)	1,460,493
Allocated capital	41,280	104,568	4,886	116,916	-	-	267,650
	Personal Banking	Corporate Banking	Asset Management & Capital Market	Treasury and Market Making	Other segments	Recon- ciliation	Total
1 January - 30 June 2021							
Net interest income	8,230	9,253	227	1,291	(34)	(9)	18,958
Net fee and commission income	1,245	826	2,603	(154)	63	(215)	4,368
Net impairment changes	638	2,148	(1)	(3)	-	-	2,782
Net other operating income (expenses)	183	159	196	3,249	380	(8)	4,159
Total operating income (expense)	10,296	12,386	3,025	4,383	409	(232)	30,267
Operating expenses	(3,396)	(1,438)	(1,082)	(384)	(5,934)	224	(12,010)
Tax on liabilities of financial institutions	(382)	(174)	(5)	(419)	-	-	(980)
Profit (loss) before cost allocation and tax	6,518	10,774	1,938	3,580	(5,525)	(8)	17,277
Allocated expenses	(2,144)	(1,394)	(547)	(457)	4,542	-	0
Profit (loss) before tax	4,374	9,380	1,391	3,123	(983)	(8)	17,277
Income tax	(1,114)	(2,315)	330	(279)	206	-	(3,172)
Profit (loss) for the period	3,260	7,065	1,721	2,844	(777)	(8)	14,105
Net revenue (expenses) from external customers	15,849	17,228	2,919	(5,899)	402	-	30,499
Net revenue (expenses) from other segments	(5,553)	(4,842)	106	10,282	7	-	0
Total operating income (expense)	10,296	12,386	3,025	4,383	409	0	30,499
As at 30 June 2021							
Total assets	714,309	616,024	11,817	692,996	17,118	(374,967)	1,677,297
Total liabilities	678,397	497,623	8,170	583,085	17,118	(374,967)	1,409,426
Allocated capital	35,912	118,401	3,647	109,911	-	-	267,871

Notes to the Consolidated Income Statement

6. Net interest income

	1.4-30.6.2022			1.4-30.6.2021		
	Amortised cost	FVTPL	Total	Amortised cost	FVTPL	Total
Interest income						
Cash and balances with Central Bank	443	-	443	103	-	103
Loans and advances to financial institutions	6	-	6	1	-	1
Loans and advances to customers	24,412	275	24,687	17,832	144	17,976
Other interest income	110	1	111	1	15	16
Total	24,971	276	25,247	17,937	159	18,096
Interest expense						
Due to financial institutions and Central Bank	(18)	-	(18)	(113)	-	(113)
Deposits from customers	(7,255)	-	(7,255)	(2,673)	-	(2,673)
Borrowings	(5,739)	(55)	(5,794)	(3,903)	(155)	(4,058)
Other interest expense	2	(677)	(675)	(25)	(635)	(660)
Subordinated liabilities	(353)	-	(353)	(260)	-	(260)
Total	(13,363)	(732)	(14,095)	(6,974)	(790)	(7,764)
Net interest income	11,608	(456)	11,152	10,963	(631)	10,332

	1.1-30.6.2022			1.1-30.6.2021		
	Amortised cost	Designated at FVTPL	Total	Amortised cost	Designated at FVTPL	Total
Interest income						
Cash and balances with Central Bank	894	-	894	180	-	180
Bonds and debt instruments	-	-	0	24	-	24
Loans and advances to financial institutions	7	-	7	3	-	3
Loans and advances to customers	44,793	539	45,332	31,892	301	32,193
Other interest income	112	3	115	3	25	28
Total	45,806	542	46,348	32,102	326	32,428
Interest expense						
Due to financial institutions and Central Bank	(55)	-	(55)	(261)	-	(261)
Deposits from customers	(12,245)	-	(12,245)	(4,298)	-	(4,298)
Borrowings	(10,787)	(139)	(10,926)	(7,064)	(255)	(7,319)
Other interest expense	(33)	(1,023)	(1,056)	(50)	(1,065)	(1,115)
Subordinated liabilities	(648)	-	(648)	(477)	-	(477)
Total	(23,768)	(1,162)	(24,930)	(12,150)	(1,320)	(13,470)
Net interest income	22,038	(620)	21,418	19,952	(994)	18,958

Net interest income, calculated based on the effective interest rate method, amounted to ISK 21,418 million in the first six months of 2022 as compared with ISK 18,954 for the same period in 2021.

7. Net fee and commission income

	1.4-30.6.2022			1.4-30.6.2021		
	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	1,725	(186)	1,539	1,528	(146)	1,382
Loans and guarantees	354	-	354	246	-	246
Payment cards	1,468	(864)	604	1,018	(505)	513
Collection and payment services	245	(41)	204	238	(50)	188
Other	260	(178)	82	167	(182)	(15)
Total	4,052	(1,269)	2,783	3,197	(883)	2,314

Notes to the Condensed Consolidated Interim Financial Statements

7. Net fee and commission income (continued)

	1.1-30.6.2022			1.1-30.6.2021		
	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	3,449	(352)	3,097	2,880	(306)	2,574
Loans and guarantees	617	-	617	489	-	489
Payment cards	2,678	(1,421)	1,257	1,934	(930)	1,004
Collection and payment services	474	(93)	381	454	(98)	356
Other	455	(385)	70	315	(370)	(55)
Total	7,673	(2,251)	5,422	6,072	(1,704)	4,368

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

	2022 1.4-30.6	2021 1.4-30.6	2022 1.1-30.6	2021 1.1-30.6
Net (loss) gain on financial assets and liabilities at FVTPL				
Bonds and debt instruments	(189)	8	(48)	110
Equities and equity instruments	(2,825)	659	(5,356)	2,599
Derivatives and underlying hedges	298	507	576	731
Loans and advances to customers	(18)	103	(22)	159
Net gain on fair value hedges	27	7	49	56
Total	(2,707)	1,284	(4,801)	3,655

9. Net impairment changes

	2022 1.4-30.6	2021 1.4-30.6	2022 1.1-30.6	2021 1.1-30.6
Net impairment changes of loans to customers	(738)	309	43	2,808
Net impairment changes of other financial assets	3	(16)	-	(26)
Net impairment changes of financial assets	(735)	293	43	2,782
Net impairment changes by customer type				
Public entities	(1)	(1)	(1)	-
Individuals	33	120	(50)	458
Corporates	(767)	174	94	2,324
Net impairment changes of financial assets	(735)	293	43	2,782

10. Other income and expenses

	2022 1.4-30.6	2021 1.4-30.6	2022 1.1-30.6	2021 1.1-30.6
Share of profit of equity-accounted associates	40	50	56	134
Net income (expense) on reposessions	354	54	527	169
Other	(66)	226	138	273
Total	328	330	721	576

11. Salaries and related expenses

	2022 1.4-30.6	2021 1.4-30.6	2022 1.1-30.6	2021 1.1-30.6
Salaries	2,721	2,886	5,660	5,836
Contribution to defined pension plans	442	433	857	855
Social security contributions	212	199	412	393
Special financial activities tax on salaries	184	179	357	354
Other related expenses	25	27	53	55
Total	3,584	3,724	7,339	7,493

Average number of full-time equivalent positions during the period	791	865	797	869
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Notes to the Condensed Consolidated Interim Financial Statements

12. Income tax

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

	2022 1.1-30.6	2021 1.1-30.6
Current tax expense	(3,490)	(2,505)
Special income tax on financial institutions	(944)	(645)
Origination and reversal of temporary differences due to deferred tax assets/liabilities	30	(22)
Total	(4,404)	(3,172)

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

		2022 1.1-30.6		2021 1.1-30.6
Profit before income tax		9,961		17,277
Income tax calculated using the domestic corporate income tax rate	20.0%	(1,992)	20.0%	(3,455)
Special income tax on financial institutions	9.5%	(944)	3.7%	(645)
Income not subject to tax	(2.8%)	275	(6.5%)	1,115
Non-deductible expenses	17.5%	(1,740)	1.1%	(187)
Other	0.0%	(3)	0.0%	-
Effective income tax	44.2%	(4,404)	18.4%	(3,172)

Notes to the Condensed Consolidated Interim Financial Statements

Notes to the Condensed Consolidated Statement of Financial Position

13. 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 June 2022:

As at 30 June 2022	Notes	Carrying amount					Fair value			
		Amortised cost	Mandatorily at FVTPL	Designated at FVTPL	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value										
Bonds and debt instruments	18	-	99,902	2,116	-	102,018	101,305	31	682	102,018
Equities and equity instruments	19	-	27,368	-	-	27,368	11,608	-	15,760	27,368
Derivative instruments	20	-	785	-	-	785	-	785	-	785
Loans and advances to customers	22	-	19,291	-	-	19,291	-	-	19,291	19,291
		0	147,346	2,116	0	149,462	112,913	816	35,733	149,462
Financial assets not measured at fair value										
Cash and balances with Central Bank	17	84,895	-	-	-	84,895	-	84,895	-	84,895
Loans and advances to financial institutions	21	36,119	-	-	-	36,119	-	36,119	-	36,119
Loans and advances to customers	22	1,426,108	-	-	-	1,426,108	-	1,413,470	-	1,413,470
Other financial assets		11,104	-	-	-	11,104	-	11,104	-	11,104
		1,558,226	0	0	0	1,558,226	0	1,545,588	0	1,545,588
Financial liabilities measured at fair value										
Derivative instruments	20	-	2,967	-	-	2,967	-	2,967	-	2,967
Short positions	20	-	793	-	-	793	793	-	-	793
		0	3,760	0	0	3,760	793	2,967	0	3,760
Financial liabilities not measured at fair value										
Due to financial institutions and Central Bank		-	-	-	4,813	4,813	-	4,813	-	4,813
Deposits from customers		-	-	-	935,123	935,123	-	934,678	-	934,678
Borrowings	24	-	-	-	451,524	451,524	-	451,674	-	451,674
Other financial liabilities		-	-	-	18,077	18,077	-	18,077	-	18,077
Subordinated liabilities	27	-	-	-	20,550	20,550	-	20,987	-	20,987
		0	0	0	1,430,087	1,430,087	0	1,430,229	0	1,430,229

Notes to the Condensed Consolidated Interim Financial Statements

13. 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 2021:

Carrying amount							Fair value			
As at 31 December 2021	Notes	Amortised cost	Mandatorily at FVTPL	Designated at FVTPL	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value										
Bonds and debt instruments	18	-	148,201	2,234	-	150,435	149,939	29	467	150,435
Equities and equity instruments	19	-	33,347	-	-	33,347	12,753	-	20,594	33,347
Derivative instruments	20	-	1,233	-	-	1,233	-	1,233	-	1,233
Loans and advances to customers	22	-	22,142	-	-	22,142	-	-	22,142	22,142
		0	204,923	2,234	0	207,157	162,692	1,262	43,203	207,157
Financial assets not measured at fair value										
Cash and balances with Central Bank	17	82,425	-	-	-	82,425	-	82,425	-	82,425
Loans and advances to financial institutions	21	47,231	-	-	-	47,231	-	47,231	-	47,231
Loans and advances to customers	22	1,365,321	-	-	-	1,365,321	-	1,372,601	-	1,372,601
Other financial assets		8,800	-	-	-	8,800	-	8,800	-	8,800
		1,503,777	0	0	0	1,503,777	0	1,511,057	0	1,511,057
Financial liabilities measured at fair value										
Derivative instruments	20	-	1,946	-	-	1,946	-	1,946	-	1,946
Short positions	20	-	2,616	-	-	2,616	2,616	-	-	2,616
		0	4,562	0	0	4,562	2,616	1,946	0	4,562
Financial liabilities not measured at fair value										
Due to financial institutions and Central Bank		-	-	-	10,425	10,425	-	10,425	-	10,425
Deposits from customers		-	-	-	900,098	900,098	-	899,792	-	899,792
Borrowings	24	-	-	-	486,042	486,042	-	502,304	-	502,304
Other financial liabilities		-	-	-	9,195	9,195	-	9,195	-	9,195
Subordinated liabilities	27	-	-	-	20,785	20,785	-	21,217	-	21,217
		0	0	0	1,426,545	1,426,545	0	1,442,933	0	1,442,933

Notes to the Consolidated Statement of Financial Position

14. 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

At the end of each reporting period the Group determines whether transfers of financial assets and financial liabilities measured at fair value have occurred between levels in the hierarchy by reviewing the classification. During the period from 1 January to 30 June 2022 and 1 January to 30 June 2021, 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 six months ended 30 June 2022 and for the year 2021:

	Bonds and debt instruments	Equities and equity instruments	Loans and advances to customers	Total financial assets
1 January - 30 June 2022				
Carrying amount as at 1 January 2022	467	20,594	22,142	43,203
Net gain (loss) on financial assets and liabilities at FVTPL	16	(4,869)	(22)	(4,875)
Net foreign exchange loss	(1)	(1)	8	6
Purchases	200	194	143,236	143,630
Sales	-	(34)	-	(34)
Settlements	-	-	(146,073)	(146,073)
Dividend received	-	(124)	-	(124)
Carrying amount as at 30 June 2022	682	15,760	19,291	35,733
1 January - 31 December 2021				
Carrying amount as at 1 January 2021	581	17,490	16,515	34,586
Net gain on financial assets and liabilities at FVTPL	12	3,477	95	3,584
Net foreign exchange (loss) gain	(2)	(1)	18	15
Purchases	77	371	163,386	163,834
Sales	(200)	(527)	-	(727)
Settlements	(1)	-	(157,872)	(157,873)
Transfers out of Level 3	-	(3)	-	(3)
Dividend received	-	(213)	-	(213)
Carrying amount as at 31 December 2021	467	20,594	22,142	43,203

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 June 2022 and 30 June 2021, were recognised:

	Bonds and debt instruments	Equities and equity instruments	Loans and advances to customers	Total
1 January - 30 June 2022				
Net loss on financial assets and liabilities at FVTPL realised	-	133	(21)	112
Net gain (loss) on financial assets and liabilities at FVTPL unrealised	16	(5,004)	-	(4,988)
Net foreign exchange gain (loss)	(1)	(1)	8	6
Total	15	(4,872)	(13)	(4,870)
1 January - 30 June 2021				
Net gain (loss) on financial assets and liabilities at FVTPL realised	25	5	-	30
Net gain on financial assets and liabilities at FVTPL unrealised	(13)	2,346	159	2,492
Net foreign exchange loss	(1)	(1)	(32)	(34)
Total	11	2,350	127	2,488

15. 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 June 2022 and 31 December 2021.

As at 30 June 2022	Assets	Liabilities	Valuation technique	Key un-observable inputs	Range of inputs	
					Lower	Higher
Bonds and debt instruments	682	-	See 1) below	See 1) below	n/a	n/a
Equities and equity instruments	15,760	-	See 2) below	See 2) below	n/a	n/a
Loans and advances to customers	19,291	-	See 3) below	See 3) below	n/a	n/a
	35,733	0				

15. Unobservable inputs in fair value measurement (continued)

As at 31 December 2021	Assets	Liabilities	Valuation technique	Key un-observable inputs	Range of inputs	
					Lower	Higher
Bonds and debt instruments	467	-	See 1) below	See 1) below	n/a	n/a
Equities and equity instruments	20,594	-	See 2) below	See 2) below	n/a	n/a
Loans and advances to customers	22,142	-	See 3) below	See 3) below	n/a	n/a
	43,203	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 six months ended 30 June 2022 and 30 June 2021:

Effect on profit before tax	2022 1.1-30.6		2021 1.1-30.6	
	Favourable	Unfavourable	Favourable	Unfavourable
Bonds and debt instruments	1	(1)	1	(1)
Equities and equity instruments:				
Equities - Banking book	965	(965)	1,151	(1,126)
Loans and advances to customers	17	(17)	42	(42)
Total	983	(983)	1,194	(1,169)

The effect on profit (loss) 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.

16. Expected credit loss

	30.6.2022			
	Stage 1	Stage 2	Stage 3	Total
Cash and balances with Central Bank	(1)	-	-	(1)
Loans and advances to customers	(3,469)	(2,666)	(6,510)	(12,645)
Other financial assets	(76)	-	(2)	(78)
Expected credit loss, off-balance sheet items	(525)	(28)	(103)	(656)
Total	(4,071)	(2,694)	(6,615)	(13,380)

	31.12.2021			
	Stage 1	Stage 2	Stage 3	Total
Cash and balances with Central Bank	(1)	-	-	(1)
Loans and advances to customers	(1,845)	(4,098)	(7,880)	(13,823)
Other financial assets	(70)	-	(2)	(72)
Expected credit loss, off-balance sheet items	(329)	(122)	(99)	(550)
Total	(2,245)	(4,220)	(7,981)	(14,446)

There is still uncertainty about the final impact of the COVID-19 pandemic on the Bank's credit portfolio. The Bank has assessed the need for additional collective allowance and recognised a provision of ISK 1.2 billion (31 December 2021: ISK 2.1 billion) for loans to the travel sector and ISK 30 million (31 December 2021: ISK 119 million) for loans to other companies.

Notes to the Condensed Consolidated Interim Financial Statements

17. Cash and balances with Central Bank

	30.6.2022	31.12.2021
Cash on hand	5,270	5,274
Unrestricted balances with Central Bank	65,404	63,853
Total cash and unrestricted balances with Central Bank	70,674	69,127
Restricted balances with Central Bank - fixed reserve requirement	9,816	10,144
Cash and balances pledged as collateral to the Central Bank	4,405	3,154
Total restricted balances with Central Bank	14,221	13,298
Total cash and balances with Central Bank	84,895	82,425

18. Bonds and debt instruments

Bonds and debt instruments	30.6.2022			31.12.2021		
	Mandatorily at FVTPL	Designated at FVTPL	Total	Mandatorily at FVTPL	Designated at FVTPL	Total
Domestic						
Listed	77,130	456	77,586	78,982	499	79,481
Unlisted	-	1,660	1,660	-	1,735	1,735
	77,130	2,116	79,246	78,982	2,234	81,216
Foreign						
Listed	22,772	-	22,772	69,219	-	69,219
	22,772	0	22,772	69,219	0	69,219
Total bonds	99,902	2,116	102,018	148,201	2,234	150,435

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

19. Equities and equity instruments

Equities and equity instruments	30.6.2022			31.12.2021		
	Trading book	Banking book	Total	Trading book	Banking book	Total
Domestic						
Listed	10,417	474	10,891	11,071	511	11,582
Unlisted	37	15,974	16,011	-	20,893	20,893
	10,454	16,448	26,902	11,071	21,404	32,475
Foreign						
Listed	73	370	443	431	417	848
Unlisted	-	23	23	-	24	24
	73	393	466	431	441	872
Total equities	10,527	16,841	27,368	11,502	21,845	33,347

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

Part of the Bank's investments in equities are comprised of alternative investments in private equity funds, often established based on the assumption that they will be wound up within a set time frame (pre-determined lifetime). Within each fund's lifetime, there is a defined investment period during which the fund identifies suitable investments and draws on subscribed capital from its shareholders, including the Bank, followed by a transformation period during which the fund implements its value-enhancing changes for the companies it has invested in. When the lifetime period of a fund expires it is wound up and dissolved and shareholders realise their investment.

As at 30 June 2022, outstanding commitments of the Group in share subscriptions amounted to ISK 1.184 million (31 December 2021: ISK 3.952 million) altogether in six entities (31 December 2021: seven entities). The entities invested in by the Group are required to redeem its shareholders with proceeds from the sale of assets.

20. Derivative instruments and short positions

Trading

	30.6.2022			31.12.2021		
	Notional amount	Fair value		Notional amount	Fair value	
		Assets	Liabilities		Assets	Liabilities
Foreign exchange derivatives						
Currency forwards	77,407	411	679	45,712	99	133
Cross-currency interest rate swaps	834	25	-	411	24	-
	78,241	436	679	46,123	123	133
Interest rate derivatives						
Interest rate swaps	1,048	2	-	1,187	8	-
Total return swaps	36,548	59	77	51,613	25	69
	37,596	61	77	52,800	33	69
Equity derivatives						
Equity forwards	140	31	-	107	-	5
Total return swaps	8,686	192	23	8,525	11	220
Equity options	59	-	3	-	-	-
	8,885	223	26	8,632	11	225
Total derivative instruments	124,722	720	782	107,555	167	427
Short positions						
Listed equities	-	-	-	-	-	434
Listed bonds	958	-	793	2,054	-	2,182
Total short positions	958	0	793	2,054	0	2,616
Total	125,680	720	1,575	109,609	167	3,043

Risk management

	30.6.2022			31.12.2021		
	Notional amount	Fair value		Notional amount	Fair value	
		Assets	Liabilities		Assets	Liabilities
Foreign exchange derivatives						
Currency forwards	68,141	65	1,371	62,015	308	1,058
	68,141	65	1,371	62,015	308	1,058
Interest rate derivatives						
Interest rate swaps	3,048	-	581	3,187	-	461
	3,048	0	581	3,187	0	461
Fair value hedging						
Interest rate swaps	41,610	-	233	111,523	758	-
	41,610	0	233	111,523	758	0
Total	112,799	65	2,185	176,725	1,066	1,519
Total derivative instruments and short positions	238,479	785	3,760	286,334	1,233	4,562

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 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 2022 to 30 June 2022, the slope of the regression line was in all cases within the range of 0.91 and 0.95 (for a 95% confidence level) and the regression coefficient was at least 0.91 (R^2). During the same period in 2021, the slope of the regression line is in all cases within the range of 1.04 and 1.10 (for a 95% confidence level) and the regression coefficient is at least 0.89 (R^2). In all cases the effectiveness is within limits during the first six months of 2022 and 2021.

Notes to the Condensed Consolidated Interim Financial Statements

20. Derivative instruments and short positions (continued)

Fair value hedging (continued)

As at 30 June 2022	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	1-5 years	>5 years	Assets	Liabilities	
Interest rate swaps - EUR	41,610	41,610	-	-	-	233	(991)
Total	41,610	41,610	0	0	0	233	(991)

Average fixed interest rate - EUR

1.00%

As at 30 June 2022	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 1.375 3/22	-	-	-	-	253
LBANK 1.00 5/23	-	41,451	209	-	787
Total EMTN hedged borrowings	0	41,451	209	0	1,040

As at 31 December 2021	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	1-5 years	>5 years	Assets	Liabilities	
Interest rate swaps - EUR	65,597	21,317	44,280	-	758	-	(886)
Total	65,597	21,317	44,280	0	758	0	(886)

Average fixed interest rate - EUR

1.375% 1.00%

As at 31 December 2021	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 1.375 3/22	-	21,570	-	27	568
LBANK 1.00 5/23	-	44,900	-	346	406
Total EMTN hedged borrowings	0	66,470	0	373	974

21. Loans and advances to financial institutions

	30.6.2022	31.12.2021
Bank accounts with financial institutions	18,734	15,261
Money market loans	15,093	29,552
Other loans	2,292	2,418
Allowance for impairment	-	-
Total	36,119	47,231

22. Loans and advances to customers

	30.6.2022	31.12.2021
Loans and advances to customers at amortised cost	1,438,753	1,379,144
Allowance for impairment	(12,645)	(13,823)
Total	1,426,108	1,365,321
Loans and advances to customers at FVTPL	19,291	22,142
Total	1,445,399	1,387,463

Loans and advances to customers at amortised cost

	30.6.2022			31.12.2021		
	Gross carrying amount	Allowance for impairment	Carrying amount	Gross carrying amount	Allowance for impairment	Carrying amount
Public entities	3,935	(3)	3,932	3,898	(3)	3,895
Individuals	761,362	(1,347)	760,015	726,309	(1,359)	724,950
Mortgage lending	677,228	(447)	676,781	646,981	(466)	646,515
Other	84,134	(900)	83,234	79,328	(893)	78,435
Corporates	673,456	(11,295)	662,161	648,937	(12,461)	636,476
Total	1,438,753	(12,645)	1,426,108	1,379,144	(13,823)	1,365,321

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

23. Other assets

	30.6.2022	31.12.2021
Unsettled securities trading	6,960	2,111
Other accounts receivable	2,287	4,710
Right-of-use assets	1,857	1,979
Sundry assets	1,183	1,287
Total	12,287	10,087

24. Borrowings

Secured borrowings

As at 30 June 2022	Currency	Final maturity	Outstanding principal	Indexed/ Non-indexed	Contractual interest rate	Carrying amount
LBANK CB 23	ISK	23.11.2023	44,080	Non-indexed	Fixed 5.0%	46,284
LBANK CBI 24	ISK	15.11.2024	38,080	CPI-indexed	Fixed 3.0%	48,041
LBANK CB 25	ISK	17.09.2025	34,600	Non-indexed	Fixed 3.4%	35,386
LBANK CBI 26	ISK	20.11.2026	11,120	CPI-indexed	Fixed 1.5%	12,977
LBANK CB 27	ISK	20.09.2027	6,600	Non-indexed	Fixed 4.6%	6,505
LBANK CBI 28	ISK	04.10.2028	48,280	CPI-indexed	Fixed 3.0%	62,849
Total covered bonds						212,042
Total secured borrowings						212,042

Unsecured borrowings

As at 30 June 2022	Currency	Final maturity	Outstanding principal	Contractual interest rate	Carrying amount
LBANK FLOAT 08/22	SEK	02.08.2022	SEK 900 million	STIBOR + 0.75%	11,665
LBANK 1.00 05/23*	EUR	30.05.2023	EUR 300 million	FIXED 1.0%	41,451
LBANK FLOAT 10/23	NOK	19.10.2023	NOK 500 million	NIBOR + 1.55%	6,748
LBANK FLOAT 10/23	SEK	19.10.2023	SEK 500 million	STIBOR + 1.55%	6,482
LBANK FLOAT 01/24	SEK	19.01.2024	SEK 850 million	STIBOR + 0.65%	11,005
LBANK 0.5 05/24	EUR	20.05.2024	EUR 300 million	FIXED 0.5%	41,537
LBANK FLOAT 01/25	NOK	20.01.2025	NOK 500 million	NIBOR + 0.79%	6,734
LBANK FLOAT 01/25	SEK	20.01.2025	SEK 850 million	STIBOR + 0.8%	11,007
LBANK 0.375 5/25 GB**	EUR	23.05.2025	EUR 300 million	Fixed 0.375%	41,385
LBANK 0.75 5/26 GB**	EUR	25.05.2026	EUR 300 million	Fixed 0.75%	41,330
Total senior unsecured bonds					219,344

As at 30 June 2022	Carrying amount
Other unsecured loans	20,138
Total other unsecured loans	20,138
Total unsecured borrowings	239,482
Total borrowings as at 30 June 2022	451,524

* 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 20. The interest rate swaps are hedging the Group's exposure to fair value changes of these fixed-rate EUR denominated bonds arising from changes in interest rates. The Group applies fair value hedge accounting to the hedging relationship.

**Issued under the Bank's Sustainable Finance Framework

24. Borrowings (continued)

Secured borrowings

As at 31 December 2021	Currency	Final maturity	Outstanding principal	Indexed/ Non-indexed	Contractual interest rate	Carrying amount
LBANK CBI 22	ISK	28.04.2022	19,520	CPI-indexed	Fixed 3.0%	23,978
LBANK CB 23	ISK	23.11.2023	44,080	Non-indexed	Fixed 5.0%	45,492
LBANK CBI 24	ISK	15.11.2024	38,100	CPI-indexed	Fixed 3.0%	45,132
LBANK CB 25	ISK	17.09.2025	31,580	Non-indexed	Fixed 3.4%	31,935
LBANK CBI 26	ISK	20.11.2026	11,120	CPI-indexed	Fixed 1.5%	12,264
LBANK CBI 28	ISK	04.10.2028	48,280	CPI-indexed	Fixed 3.0%	59,086
Total covered bonds						217,887

Total secured borrowings

217,887

Unsecured borrowings

As at 31 December 2021	Currency	Final maturity	Outstanding principal	Contractual interest rate	Carrying amount
LBANK FLOAT 02/22	NOK	21.02.2022	NOK 1.000 million	NIBOR + 1,75%	14,815
LBANK FLOAT 02/22	SEK	21.02.2022	SEK 500 million	STIBOR + 1,75%	7,208
LBANK 1.375 03/22*	EUR	14.03.2022	EUR 144 million	FIXED 1.375%	21,570
LBANK FLOAT 08/22	SEK	02.08.2022	SEK 900 million	STIBOR + 0,75%	12,963
LBANK 1.000 05/23*	EUR	30.05.2023	EUR 300 million	FIXED 1.0%	44,900
LBANK FLOAT 10/23	NOK	19.10.2023	NOK 500 million	NIBOR + 1,55%	7,408
LBANK FLOAT 10/23	SEK	19.10.2023	SEK 500 million	STIBOR + 1,55%	7,205
LBANK 0.5 05/24	EUR	20.05.2024	EUR 300 million	FIXED 0.5%	44,287
LBANK 0.375 5/25 GB**	EUR	23.05.2025	EUR 300 million	FIXED 0.375%	44,080
LBANK 0.75 5/26 GB**	EUR	25.05.2026	EUR 300 million	FIXED 0.75%	43,939

Total senior unsecured bonds

248,375

As at 31 December 2021

Other unsecured loans 19,780

Total other unsecured loans

19,780

Total unsecured borrowings

268,155

Total borrowings as at 31 December 2021

486,042

* 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 20. The interest rate swaps are hedging the Group's exposure to fair value changes of these fixed-rate EUR denominated bonds arising from changes in interest rates. The Group applies fair value hedge accounting to the hedging relationship.

**Issued under the Bank's Sustainable Finance Framework

25. Deferred tax assets and liabilities

	30.6.2022		31.12.2021	
	Assets	Liabilities	Assets	Liabilities
Tax liabilities	-	13,084	-	9,602
Deferred tax assets / liabilities	45	-	15	-
Taxes in the Statement of Financial Position	45	13,084	15	9,602

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

	30.6.2022			31.12.2021		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Property and equipment	-	(93)	(93)	-	(111)	(111)
Intangibles	-	(168)	(168)	-	(180)	(180)
Foreign currency assets and liabilities	-	(458)	(458)	-	(536)	(536)
Deferred foreign exchange differences	7	-	7	92	-	92
Other assets and liabilities	751	-	751	745	-	745
Tax losses carried forward	6	-	6	5	-	5
	764	(719)	45	842	(827)	15
Set-off of deferred tax assets together with liabilities of the same taxable entities	(719)	719	0	(827)	827	0
Deferred tax assets total	45	0	45	15	0	15

Notes to the Condensed Consolidated Interim Financial Statements

25. Deferred tax assets and liabilities (continued)

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

		Recognised in income statement	
	Balance as at 1.1	Tax income (expense)	Balance as at 31.3
As at 30 June 2022			
Property and equipment	(111)	18	(93)
Intangibles	(180)	12	(168)
Foreign currency assets and liabilities	(536)	78	(458)
Deferred foreign exchange differences	92	(85)	7
Other assets and other liabilities	745	6	751
Tax losses carried forward	5	1	6
Total	15	30	45
		Recognised in income statement	
	Balance as at 1.1	Tax income (expense)	Balance as at 31.12
As at 31 December 2021			
Property and equipment	(124)	13	(111)
Intangibles	(201)	21	(180)
Foreign currency assets and liabilities	(444)	(92)	(536)
Deferred foreign exchange differences	118	(26)	92
Other assets and other liabilities	674	71	745
Tax losses carried forward	-	5	5
Total	23	(8)	15

26. Other liabilities

	30.6.2022	31.12.2021
Unsettled securities trading	14,619	5,473
Withholding tax	988	1,413
Accounts payable	1,424	1,349
Contribution to the Depositors' and Investors' Guarantee Fund	-	209
Non-controlling interests - Funds	637	557
Lease liabilities	2,034	2,164
Sundry liabilities	11,917	4,444
Total	31,619	15,609

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

27. Subordinated liabilities

As at 30.6.2022	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%	14,148
LBANK T2I 29	ISK	11.12.2029	ISK 5.520 million	CPI-indexed	Fixed 3.85%	6,402
Total subordinated liabilities						20,550
As at 31.12.2021	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%	14,821
LBANK T2I 29	ISK	11.12.2029	ISK 5.520 million	CPI-indexed	Fixed 3.85%	5,964
Total subordinated liabilities						20,785

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

28. Equity

Share capital

As of 30 June 2022, 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. Own shares numbered 379 million at the end of the first half of 2022, or 1.58% of issued shares. Each ordinary share conveys one vote at shareholders' meetings. All share capital is fully paid up.

On 4 February 2022, the Bank's Board of Directors announced its decision to exercise an authorisation to purchase the Bank's own shares during a buyback period which extended from 7 February up to and including 21 February 2022. The authorisation is consistent with a resolution of the Annual General Meeting on 24 March 2021 and a buyback programme formulated by the Board of Directors on 10 June 2021. During the repurchase period, the Bank acquired a total of 156,396 own shares at a share price of 11.9658, for a total purchase price of ISK 1.9 million.

The AGM of Landsbankinn, held on 23 March 2022, renewed the authorisation of the Bank to acquire up to 10% of the nominal value of Landsbankinn's share capital at a price determined by the internal value of the Bank's shares, according to its most recently published consolidated financial statements for an interim period or the year-end prior to repurchase. The objective of the buyback is to reduce the Bank's equity while at the same time offering shareholders an opportunity to sell their shares in a transparent manner. The authorisation is valid until the next AGM in 2023. Disposition of own shares purchased by the Bank under this authorisation is subject to approval by a shareholders' meeting.

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 2022 AGM of Landsbankinn, held on 23 March, approved the motion of the Board of Directors to pay shareholders a dividend amounting to ISK 0.61 per share for the year 2021 and to pay the dividend in two instalments. The first payment of ISK 0.31 per share was made to shareholders on 30 March 2022 and the second payment of ISK 0.30 per share is due on 21 September 2022. In total, these dividend payments amount to ISK 14,409 million.

The AGM also approved payment of a special dividend of ISK 0.26 per share. The payment was made on 28 April 2022 and amounted to ISK 6,141 million in total.

Dividend policy

Landsbankinn's current dividend policy provides that the Bank aims to pay regular dividends to shareholders amounting in general to around 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 FSA 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 34 Capital requirements.

Other notes

29. Earnings per share

	2022 1.4-30.6	2021 1.4-30.6	2022 1.1-30.6	2021 1.1-30.6
Profit for the period				
Profit for the period attributable to owners of the Bank	2,341	6,487	5,557	14,105
Weighted average number of shares				
Weighted average number of ordinary shares issued	24,000	24,000	24,000	24,000
Weighted average number of own shares	(379)	(375)	(379)	(375)
Weighted average number of shares outstanding	23,621	23,625	23,621	23,625
Basic and diluted earnings per share from operations (ISK)	0.10	0.27	0.24	0.60

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.

30. 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 and the operational procedures of the Bank or the Group, as the case may be. 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 August 2021, a former owner of a payment card company brought a case against the Bank and certain other financial institutions 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 sixth case that has been brought before the courts for this purpose, but all previous cases have been dismissed. In a written statement submitted in September 2021 the Bank claimed the case should be dismissed. In March 2022 the District Court of Reykjavik decided to reject the request of the plaintiff that assessors be appointed and an advisory opinion be requested from the EFTA Court before an oral argumentation on the claim by the defendants for dismissal of the case takes place. On 19 May 2022, the Appeal Court confirmed the decision of the District Court.

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 12 November 2021 the District Court acquitted the Bank and the other defendants of all claims of the Pension Fund. The Fund has appealed the case to the Appeal Court.

Provisions on interest rates in consumer contract and mortgage credit agreements

In January 2022, an individual commenced litigation against the Bank claiming that a provision in a mortgage credit agreement issued in 2006 be deemed illegal and void as it allegedly does not specify under which conditions changes are made to the interest rate, as provided for in the Consumer Credit Act No. 121/1994, applicable at the time. The plaintiff demands, furthermore, an acknowledgement by the Court that interests be recalculated in accordance with Article 4 of the Act on Interest and Indexation and that the debt remaining in November 2020 amounted to an overpayment of around ISK 26,5 million. Alternatively, the plaintiff demands an acknowledgement that interests be recalculated in accordance with the initial interest rate of the credit agreement and that the debt remaining in November 2020 amounted to an overpayment of around ISK 2 million. The Bank delivered its written statement in April 2022 claiming dismissal of certain aspects of the plaintiff's claims and rejection of other claims, alternatively all claims. The Bank's claim for dismissal will be heard on 25 October 2022.

In December 2021, two individuals commenced litigation against the Bank claiming that an interest rate provision in two credit agreements, issued in 2006, should be deemed illegal and void since the provision allegedly does not stipulate under which circumstances the interest rate changes, as provided for in the Consumer Credit Act No. 121/1994, applicable at the time. The plaintiffs demand that interests be recalculated in accordance with Article 4 of the Act on Interest and Indexation, and that the Bank repays the plaintiffs around ISK 3,5 million plus interest. In February 2022, the Bank submitted its written statement claiming that all claims by the plaintiffs should be rejected. In March 2022 the plaintiffs submitted a claim that an advisory opinion from the EFTA Court should be requested on the interpretation of certain provisions in directives incorporated into the EEA Agreement. On 23 June 2022, the District Court rejected the request of the plaintiffs.

30. Litigation (continued)

Provisions on interest rates in consumer contract and mortgage credit agreements (continued)

In December 2021 two individuals commenced litigation against the Bank claiming that an interest rate provision in a mortgage credit agreement, issued in 2019, should be deemed illegal and void since the provision allegedly does not stipulate conditions and procedure for interest rate changes, as provided for in the Consumer Mortgage Act No. 118/2016. The plaintiffs demand that interests be recalculated in accordance with Article 4 of the Act on Interest and Indexation, and that the Bank repays the plaintiffs around ISK 83.000 plus interest. In February 2022 the Bank submitted its written statement claiming that all claims by the plaintiffs should be rejected. In March 2022 the plaintiffs submitted a claim that an advisory opinion by the EFTA Court should be requested on the interpretation of certain provisions in directives incorporated into the EEA Agreement. On 23 June 2022, the District Court rejected the request of the plaintiffs. In the case, however, the Judge decided on own initiative to request an advisory opinion from the EFTA Court on certain issues. On 6 July 2022, the Bank appealed the decision to the Appeal Court.

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., now SaltPay IIB hf. (the Company), and the then CEO of the Company. The Bank considers the defendants to have been in possession of information about the shareholding of the Company in Visa Europe Ltd. at the time when the Bank sold its 31.2% shareholding in 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 the Company'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 the Company in Visa Europe Ltd to Visa Inc., the terms of the option and possible payments to the Company based on the option had been of relevance for the drawing up, presentation and therefore the audit of the Annual Accounts of the Company for the year 2013. The Company should have provided information in its Annual Accounts for 2013 on its holding in Visa Europe Ltd. and that the Company was a principal member of Visa Europe Ltd. The Company 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 the Company 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 request of the Company and another defendant the District Court appointment new assessors to review the assessment. The revised assessment was delivered in April 2021. The re-assessors concluded, inter alia, that information on the existence and terms of the option could have been of relevance for the drawing up, presentation and the audit of the Annual Accounts of the Company for the year 2013, that the directors of the Company had been obligated to provide information on the existence and, under circumstances, the terms of the option in the notes to the Annual Accounts, and that the Annual Accounts did not fulfil all requirements to inform about the holdings of the Company in Visa Europe Ltd and/or the option according to the laws and regulation applicable at the time. It is expected that the main hearing of the case will be in October 2022.

31. Interest in subsidiaries

The main subsidiaries held directly or indirectly by the Group as at 30 June 2022 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 35 branches and service points as at 30 June 2022.

Main subsidiaries as at 30 June 2022

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 June 2022.

32. 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 37, under Public entities.

32. Related party transactions (continued)

Transactions with other related parties

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

	30.6.2022		31.12.2021	
	Gross carrying amount	Highest amount outstanding during the period	Gross carrying amount	Highest amount outstanding during the period
Loans in ISK million				
Key management personnel	521	579	532	727
Parties related to key management personnel	164	186	181	283
Associates	921	943	939	949
Other	18	19	19	20
Total	1,624	1,727	1,671	1,979

Specific impairment allowance of ISK 266 million in Stage 3 is recognised in respect of the loans under the item Associates.

At the end of the accounting period, financial guarantees granted to related parties amounted to ISK 36,5 million. These concern a financial guarantee granted by the Bank to one of its associates. The Bank concluded no lease contracts with 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:

	30.6.2022		31.12.2021	
	Carrying amount	Highest amount outstanding during the period	Carrying amount	Highest amount outstanding during the period
Deposits in ISK million				
Key management personnel	80	150	48	351
Parties related to key management personnel	80	187	65	261
Associates	224	1,110	208	1,124
Other	9	10	8	308
Total	393	1,457	329	2,044

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 June 2022	Gross carrying amount as at 31 December 2021
Guarantees in ISK million		
Key management personnel	-	-
Parties related to key management personnel	-	-
Associates	484	449
Total	484	449

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.

33. 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 six months ended 30 June 2022.

Capital management

34. 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. The Bank's 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 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-Weighted Exposure Amount (RWEA) 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 RWEA):

As at 30.6.2022	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	2.9%	2.9%	2.9%
Capital buffer for systematically important institutions	2.0%	2.0%	2.0%
Countercyclical capital buffer	0.0%	0.0%	0.0%
Capital conservation buffer	2.5%	2.5%	2.5%
Combined buffer requirement	7.4%	7.4%	7.4%
Total capital requirement	13.8%	16.0%	18.8%

On 29 September 2021 the Financial Stability Committy (FSC) decided to increase the value of the countercyclical capital buffer, taking effect twelve months thereafter. As of the following dates, the countercyclical capital buffer on domestic exposures will therefore be, ceteris paribus:

	31.12.2021	30.6.2022	29.9.2022
Countercyclical capital buffer on domestic exposures	0.00%	0.00%	2.00%

The Bank aims to maintain at all times capital ratios well above FSA's minimum capital requirements. The Bank's target capital ratio includes a management buffer, in addition to FSA's capital requirements, 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.

35. Capital base, risk exposure amount and capital ratios

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

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 FSA 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.

Notes to the Condensed Consolidated Interim Financial Statements

35. Capital base, risk exposure amount and capital ratios (continued)

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

Capital base	30.6.2022	31.12.2021
Share capital	23,621	23,621
Share premium	120,593	120,594
Reserves	18,567	23,591
Retained earnings	104,869	114,839
Total equity attributable to owners of the Bank	267,650	282,645
Intangible assets	(12)	(14)
Deferred tax assets	(45)	(15)
Fair value hedges	233	(758)
Foreseeable dividends*	(2,778)	-
Adjustment under IFRS 9 transitional arrangements	1,338	1,674
Common equity Tier 1 capital (CET1)	266,386	283,532
Non-controlling interests	-	-
Tier 1 capital	266,386	283,532
Subordinated liabilities	20,550	20,785
Tier 2 capital	20,550	20,785
Total capital base	286,936	304,317
Risk-weighted exposure amount (RWEA)		
Credit risk	1,038,162	1,032,889
Market risk	14,187	9,909
Operational risk**	101,194	101,194
Total risk-weighted exposure amount	1,153,543	1,143,992

*Pursuant to the Bank's dividend policy, the foreseeable dividend corresponds to 50% of net earnings for the six months of 2022.

**The amounts are updated on a yearly basis.

CET1 ratio	23.1%	24.8%
Tier 1 capital ratio	23.1%	24.8%
Total capital ratio	24.9%	26.6%
CET 1 Ratio as if IFRS 9 transitional arrangements were not applied	23.0%	24.6%
Tier 1 capital ratio as if IFRS 9 transitional arrangements were not applied	23.0%	24.6%
Total capital ratio as if IFRS 9 transitional arrangements were not applied	24.8%	26.5%

36. Leverage ratio and MREL

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	30.6.2022	31.12.2021
- On-balance sheet exposure (excluding derivatives and SFTs)	1,712,330	1,711,930
- Derivative instrument exposure	9,630	8,799
- Securities financing transaction exposures	16,393	21,958
- Off-balance sheet exposure	158,707	160,994
- Regulatory adjustments to Tier 1 capital	(1,264)	887
Total leverage exposure	1,895,796	1,904,568
Tier 1 capital	266,386	283,532
Leverage ratio	14.1%	14.9%
Leverage ratio as if IFRS 9 transitional arrangements were not applied	14.0%	14.8%

36. Leverage ratio and MREL (continued)

Minimum Requirement for own funds and Eligible Liabilities (MREL)

Under the Act on Recovery and Resolution of Credit Institutions and Investment Firms, No. 70/2020, companies that fall under the scope of the Act shall at all times satisfy Minimum Requirements for own funds and Eligible Liabilities (MREL). At the end of April 2022, the Central Bank of Iceland's Resolution Authority announced its MREL decision for the Bank. The MREL-decision entails that the Bank must fulfill a 23,0% MREL requirement, as a percentage of Total Risk-weighted Exposure Amount, which was equivalent to 16,5% of the Bank's Total Liabilities and Own Funds (TLOF) at year end 2020. The Bank must meet the MREL requirement, as a percentage of TLOF, for the Bank's balance sheet position each quarter.

MREL must be met without regards to the combined buffer requirement (CBR), which must be separately fulfilled alongside MREL. No specific subordination requirement has yet been implemented into Icelandic law.

		Percentage of TLOF	Percentage of RWEA
Own funds and eligible liabilities as at 30.6.2022	Amount		
Common Equity Tier 1 (CET1)	266,386	15.4%	23.1%
Additional Tier 1 capital (AT1)	0	0.0%	0.0%
Tier 2 capital	20,550	1.2%	1.8%
Eligible liabilities	183,054	10.6%	15.9%
Sum of own funds and eligible liabilities	469,990	27.2%	40.7%
Less: Combined buffer requirement (CBR)	(85,362)	(4.9%)	(7.4%)
Sum of own funds and eligible liabilities, less CBR	384,628	22.3%	33.3%
Recurring MREL requirement	285,144	16.5%	
Maximum Distributable Amount (MDA)	99,484	5.8%	

The Maximum Distributable Amount (MDA) is calculated as the sum of own funds and eligible liabilities, less the sum of MREL and CBR.

Notes to the Condensed Consolidated Interim Financial Statements

Risk management

Credit risk

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

The following tables show the Group's maximum credit risk exposure as at 30 June 2022 and 31 December 2021. For on-balance sheet assets, the exposures are based on net carrying amounts as reported in the Consolidated Interim Statement of Financial Position. Off-balance sheet amounts are the maximum amounts the Group might have to pay for guarantees, undrawn loan commitments, and undrawn overdraft and credit card facilities.

The Bank continues to use the ISAT 08 industrial classification of economic activities but has altered its own classification to include a special category for tourism, which was previously included under services. The category service other than tourism, is subsumed under IT and telecommunications.

As at 30 June 2022	Corporations													Maximum exposure	Carrying amount
	Financial institutions	Public entities*	Individuals	Fisheries	Real estate companies	Construction companies	Travel industry	Services, ITC **	Retail	Manufacturing and energy	Holding companies	Agriculture	Other		
Cash and balances with Central Bank	-	84,895	-	-	-	-	-	-	-	-	-	-	-	84,895	84,895
Bonds and debt instruments	217	58,249	-	-	41	-	-	1,645	-	10	15	-	-	60,177	102,018
Equities and equity instruments	153	-	-	50	47	-	6	2,224	5	220	14,175	-	1	16,881	27,368
Derivative instruments	87	-	2	50	-	13	-	2	17	25	163	-	426	785	785
Loans and advances to financial institutions	36,119	-	-	-	-	-	-	-	-	-	-	-	-	36,119	36,119
Loans and advances to customers	-	3,932	760,374	181,429	125,830	87,885	106,877	59,351	56,707	32,502	24,081	6,431	-	1,445,399	1,445,399
Other assets	26,083	1	10	3	2,310	-	2	1,853	-	57	1	-	1,183	31,503	31,559
Total on-balance sheet exposure	62,659	147,077	760,386	181,532	128,228	87,898	106,885	65,075	56,729	32,814	38,435	6,431	1,610	1,675,759	1,728,143
Off-balance sheet exposure	2	7,153	33,479	16,143	16,420	76,441	7,621	19,265	21,806	21,389	1,664	551	26	221,960	
Financial guarantees and underwriting commitments	-	-	538	5,680	1,533	4,013	2,244	3,005	3,832	1,046	1,026	50	-	22,967	
Undrawn loan commitments	-	12	55	7,580	13,530	70,141	3,895	6,862	9,411	16,688	411	129	-	128,714	
Undrawn overdraft/credit card facilities	2	7,141	32,886	2,883	1,357	2,287	1,482	9,398	8,563	3,655	227	372	26	70,279	
Maximum exposure to credit risk	62,661	154,230	793,865	197,675	144,648	164,339	114,506	84,340	78,535	54,203	40,099	6,982	1,636	1,897,719	
Percentage of maximum exposure to credit r	3.3%	8.1%	41.8%	10.4%	7.6%	8.7%	6.0%	4.4%	4.1%	2.9%	2.1%	0.4%	0.1%	100%	

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

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

Notes to the Condensed Consolidated Interim Financial Statements

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

As at 31 December 2021	Corporations													Maximum exposure	Carrying amount
	Financial institutions	Public entities*	Individuals	Fisheries	Real estate companies	Construction companies	Travel industry	Services, ITC **	Retail	Manufacturing and energy	Holding companies	Agriculture	Other		
Cash and balances with Central Bank	-	82,425	-	-	-	-	-	-	-	-	-	-	-	82,425	82,425
Bonds and debt instruments	179	98,539	-	-	61	-	-	1,722	-	30	13	-	-	100,544	150,435
Equities and equity instruments	135	-	-	51	57	-	9	2,346	12	170	19,068	-	-	21,848	33,347
Derivative instruments	1,068	-	-	2	1	31	-	12	17	-	-	-	102	1,233	1,233
Loans and advances to financial institutions	47,231	-	-	-	-	-	-	-	-	-	-	-	-	47,231	47,231
Loans and advances to customers	-	3,895	725,543	177,439	120,326	89,867	97,635	56,872	49,535	30,117	30,077	6,157	-	1,387,463	1,387,463
Other assets	19,695	29	2	3	1,984	-	2	4,618	-	15	1	-	1,288	27,637	27,664
Total on-balance sheet exposure	68,308	184,888	725,545	177,495	122,429	89,898	97,646	65,570	49,564	30,332	49,159	6,157	1,390	1,668,381	1,729,798
Off-balance sheet exposure	1	8,004	33,096	18,061	15,355	67,611	16,516	20,439	24,385	16,077	1,126	574	26	221,271	
Financial guarantees and underwriting commitments	-	-	562	6,406	1,475	4,700	2,145	3,149	3,207	4,110	965	70	-	26,789	
Undrawn loan commitments	-	2	-	9,413	12,817	60,277	13,061	8,431	14,965	8,346	-	196	-	127,508	
Undrawn overdraft/credit card facilities	1	8,002	32,534	2,242	1,063	2,634	1,310	8,859	6,213	3,621	161	308	26	66,974	
Maximum exposure to credit risk	68,309	192,892	758,641	195,556	137,784	157,509	114,162	86,009	73,949	46,409	50,285	6,731	1,416	1,889,652	
Percentage of maximum exposure to credit	3.6%	10.2%	40.1%	10.3%	7.3%	8.3%	6.0%	4.6%	3.9%	2.5%	2.7%	0.4%	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

38. 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 of a collateral or increases in a loan balance when repayments are not made and unpaid interest is added to the outstanding balance of the loan.

As at 30 June 2022	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	-	-	36,119	-	36,119
Public entities	20	146	164	7	337	59	27	3,539	(3)	3,932
Individuals	47,031	171,733	444,151	56,480	719,395	5,478	3,043	36,848	(1,347)	760,374
Mortgages	39,678	159,524	423,514	50,769	673,485	2,932	1,515	811	(447)	676,781
Other	7,353	12,209	20,637	5,711	45,910	2,546	1,528	36,037	(900)	83,593
Corporates	27,149	149,256	198,616	167,018	542,039	122,448	95,090	27,901	(11,295)	681,093
Fisheries	11,175	53,987	57,953	38,063	161,178	19,730	15,849	918	(397)	181,429
Real estate companies	3,514	22,486	44,019	40,421	110,440	14,433	10,725	1,979	(1,022)	125,830
Construction companies	816	5,116	31,721	18,761	56,414	31,189	20,924	1,911	(1,629)	87,885
Travel industry	1,147	6,618	30,793	42,681	81,239	25,401	22,698	5,891	(5,654)	106,877
Services, IT and communications	1,309	8,781	16,844	10,381	37,315	16,207	14,375	6,503	(674)	59,351
Retail	3,039	28,225	6,737	10,039	48,040	8,239	5,944	1,373	(945)	56,707
Manufacturing and energy	874	6,608	8,046	3,778	19,306	5,035	2,881	8,976	(815)	32,502
Holding companies	4,620	15,821	277	1,603	22,321	1,728	1,376	173	(141)	24,081
Agriculture	655	1,614	2,226	1,291	5,786	486	318	177	(18)	6,431
Other	-	-	-	-	0	-	-	-	-	0
Total	74,200	321,135	642,931	223,505	1,261,771	127,985	98,160	104,407	(12,645)	1,481,518

*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

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

As at 31 December 2021	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	-	-	47,231	-	47,231
Public entities	22	143	171	7	343	62	29	3,493	(3)	3,895
Individuals	46,322	167,153	438,265	39,057	690,797	3,279	1,853	32,826	(1,359)	725,543
Mortgages	38,543	155,307	418,150	33,627	645,627	1,025	574	329	(466)	646,515
Other	7,779	11,846	20,115	5,430	45,170	2,254	1,279	32,497	(893)	79,028
Corporates	26,460	150,916	183,256	173,828	534,460	107,979	84,658	28,047	(12,461)	658,025
Fisheries	10,064	56,503	61,963	46,361	174,891	1,740	1,343	1,011	(203)	177,439
Real estate companies	3,026	20,777	56,098	29,864	109,765	9,692	7,887	2,192	(1,323)	120,326
Construction companies	635	6,799	15,339	16,332	39,105	49,897	40,166	2,437	(1,572)	89,867
Travel industry	1,097	7,351	21,162	51,663	81,273	18,103	15,784	5,208	(6,949)	97,635
Services, IT and communications	1,184	8,062	13,635	8,071	30,952	17,444	13,101	9,119	(643)	56,872
Retail	2,980	24,912	7,441	6,675	42,008	6,757	4,315	1,951	(1,181)	49,535
Manufacturing and energy	927	8,913	4,591	6,960	21,391	3,326	1,587	5,899	(499)	30,117
Holding companies	5,719	15,614	1,418	6,841	29,592	459	226	103	(77)	30,077
Agriculture	828	1,985	1,609	1,061	5,483	561	249	127	(14)	6,157
Other	-	-	-	-	0	-	-	-	-	0
Total	72,804	318,212	621,692	212,892	1,225,600	111,320	86,540	111,597	(13,823)	1,434,694

*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

39. 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 of claim.

As at 30 June 2022	Real estate	Vessels	Deposits	Securities	Other*	Total
Public entities	329	-	1	-	33	363
Individuals	702,848	59	162	3,288	15,913	722,270
Mortgages	669,209	15	92	64	5,451	674,831
Other	33,639	44	70	3,224	10,462	47,439
Corporates	328,208	132,824	2,421	74,574	99,100	637,127
Fisheries	8,840	128,399	50	26,906	12,833	177,028
Real estate companies	111,392	80	1,190	7,053	1,450	121,165
Construction companies	73,344	26	244	29	3,693	77,336
Travel industry	67,308	669	87	103	35,771	103,938
Services, IT and communications	27,411	3,552	291	5,267	15,168	51,689
Retail	22,269	2	87	13,271	18,355	53,984
Manufacturing and energy	10,631	86	42	-	11,427	22,186
Holding companies	1,299	10	428	21,945	15	23,697
Agriculture	5,714	-	2	-	388	6,104
Other	-	-	-	-	-	0
Total	1,031,385	132,883	2,584	77,862	115,046	1,359,760
As at 31 December 2021	Real estate	Vessels	Deposits	Securities	Other*	Total
Public entities	335	-	2	-	36	373
Individuals	673,171	63	115	3,455	15,485	692,289
Mortgages	640,569	14	29	58	5,174	645,844
Other	32,602	49	86	3,397	10,311	46,445
Corporates	325,539	134,081	1,958	71,713	85,826	619,117
Fisheries	9,551	131,496	46	21,431	13,710	176,234
Real estate companies	108,951	81	676	6,371	1,572	117,651
Construction companies	76,319	12	307	35	2,597	79,270
Travel industry	66,319	704	173	103	29,758	97,057
Services, IT and communications	26,774	1,779	255	4,223	11,024	44,055
Retail	20,492	2	138	11,675	14,015	46,322
Manufacturing and energy	10,083	7	48	-	12,840	22,978
Holding companies	1,615	-	313	27,875	15	29,818
Agriculture	5,435	-	2	-	295	5,732
Other	-	-	-	-	-	0
Total	999,045	134,144	2,075	75,168	101,347	1,311,779

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

Notes to the Condensed Consolidated Interim Financial Statements

40. Credit quality of loans and advances

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

As at 30 June 2022	Gross carrying amount					Allowance for impairment	Carrying amount
	10-7	6-4	3-1	0	Unrated		
Financial institutions	36,119	-	-	-	-	-	36,119
Public entities	186	3,742	7	-	-	(3)	3,932
Individuals	397,726	338,107	22,121	2,537	1,230	(1,347)	760,374
Mortgages	366,977	291,577	16,098	1,592	984	(447)	676,781
Other	30,749	46,530	6,023	945	246	(900)	83,593
Corporations	102,325	510,280	52,265	26,498	1,020	(11,295)	681,093
Fisheries	34,263	142,846	4,666	51	-	(397)	181,429
Real estate companies	6,000	111,758	6,204	2,794	96	(1,022)	125,830
Construction companies	2,568	74,117	6,901	5,829	99	(1,629)	87,885
Travel industry	735	72,394	27,149	12,253	-	(5,654)	106,877
Services, IT and communications	11,047	44,880	2,369	1,049	680	(674)	59,351
Retail	29,286	25,431	1,990	945	-	(945)	56,707
Manufacturing and energy	17,718	11,891	278	3,430	-	(815)	32,502
Holding companies	-	21,664	2,405	8	145	(141)	24,081
Agriculture	708	5,299	303	139	-	(18)	6,431
Other	-	-	-	-	-	-	0
Total	536,356	852,129	74,393	29,035	2,250	(12,645)	1,481,518

As at 31 December 2021	Gross carrying amount					Allowance for impairment	Carrying amount
	10-7	6-4	3-1	0	Unrated		
Financial institutions	47,231	-	-	-	-	-	47,231
Public entities	148	3,750	-	-	-	(3)	3,895
Individuals	371,025	329,427	22,809	2,738	903	(1,359)	725,543
Mortgages	343,099	284,502	16,963	1,738	679	(466)	646,515
Other	27,926	44,925	5,846	1,000	224	(893)	79,028
Corporates	80,664	491,799	67,916	29,267	840	(12,461)	658,025
Fisheries	31,263	140,433	5,899	47	-	(203)	177,439
Real estate companies	954	107,092	9,518	3,442	643	(1,323)	120,326
Construction companies	2,548	73,603	6,377	8,911	-	(1,572)	89,867
Travel industry	309	62,650	29,232	12,271	122	(6,949)	97,635
Services, IT and communications	5,269	48,861	2,347	1,038	-	(643)	56,872
Retail	22,956	24,873	1,577	1,235	75	(1,181)	49,535
Manufacturing and energy	16,697	9,536	2,218	2,165	-	(499)	30,117
Holding companies	-	19,519	10,624	11	-	(77)	30,077
Agriculture	668	5,232	124	147	-	(14)	6,157
Other	-	-	-	-	-	-	0
Total	499,068	824,976	90,725	32,005	1,743	(13,823)	1,434,694

Notes to the Condensed Consolidated Interim Financial Statements

41. Loans and advances by past due status

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

	Gross carrying amount						Allowance for impairment	Carrying amount
	Days past due							
	Not past due	1-5	6-30	31-60	61-90	over 90		
As at 30 June 2022								
Financial institutions	36,119	-	-	-	-	-	-	36,119
Public entities	3,899	29	7	-	-	-	(3)	3,932
Individuals	753,173	3,603	2,894	347	707	997	(1,347)	760,374
Mortgages	673,689	-	2,279	163	548	549	(447)	676,781
Other	79,484	3,603	615	184	159	448	(900)	83,593
Corporates	678,346	1,224	6,982	1,212	98	4,526	(11,295)	681,093
Fisheries	180,658	131	1,028	1	-	8	(397)	181,429
Real estate companies	124,173	231	931	118	69	1,330	(1,022)	125,830
Construction companies	85,025	302	3,994	30	8	155	(1,629)	87,885
Travel industry	108,858	144	660	887	9	1,973	(5,654)	106,877
Services, IT and communications	59,270	210	164	72	11	298	(674)	59,351
Retail	56,716	119	117	67	1	632	(945)	56,707
Manufacturing and energy	33,086	48	58	4	-	121	(815)	32,502
Holding companies	24,211	3	-	8	-	-	(141)	24,081
Agriculture	6,349	36	30	25	-	9	(18)	6,431
Other	-	-	-	-	-	-	-	0
Total	1,471,537	4,856	9,883	1,559	805	5,523	(12,645)	1,481,518

	Gross carrying amount							
		Days past due						
	Not past due	1-5	6-30	31-60	61-90	over 90	Allowance for impairment	Carrying amount
As at 31 December 2021								
Financial institutions	47,231	-	-	-	-	-	-	47,231
Public entities	3,869	29	-	-	-	-	(3)	3,895
Individuals	720,122	2,108	1,060	1,726	719	1,167	(1,359)	725,543
Mortgages	643,594	-	716	1,420	585	666	(466)	646,515
Other	76,528	2,108	344	306	134	501	(893)	79,028
Corporations	659,706	1,920	1,017	454	648	6,741	(12,461)	658,025
Fisheries	177,415	190	24	2	-	11	(203)	177,439
Real estate companies	118,967	225	503	66	130	1,758	(1,323)	120,326
Construction companies	89,939	680	177	63	2	578	(1,572)	89,867
Travel industry	100,845	114	76	174	433	2,942	(6,949)	97,635
Services, IT and communications	56,752	258	187	15	26	277	(643)	56,872
Retail	49,100	381	19	98	55	1,063	(1,181)	49,535
Manufacturing and energy	30,422	37	20	25	-	112	(499)	30,117
Holding companies	30,136	6	10	-	2	-	(77)	30,077
Agriculture	6,130	29	1	11	-	-	(14)	6,157
Other	-	-	-	-	-	-	-	0
Total	1,430,928	4,057	2,077	2,180	1,367	7,908	(13,823)	1,434,694

Notes to the Condensed Consolidated Interim Financial Statements

42. Loans and advances by stage allocation

The tables below show both the gross carrying amount of loans and advances and the related expected credit losses (ECLs) 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 June 2022										
Financial institutions	36,119	36,119	-	-	-	-	-	-	-	36,119
Public entities	3,935	3,903	(3)	32	-	-	-	(3)	-	3,932
Individuals	761,721	733,724	(312)	25,101	(385)	2,537	(650)	(1,347)	359	760,374
Mortgages	677,228	658,739	(145)	16,897	(181)	1,592	(121)	(447)	-	676,781
Other	84,493	74,985	(167)	8,204	(204)	945	(529)	(900)	359	83,593
Corporates	692,388	600,664	(3,154)	46,294	(2,281)	26,498	(5,860)	(11,295)	18,932	681,093
Fisheries	181,826	175,505	(342)	2,212	(25)	51	(30)	(397)	4,058	181,429
Real estate companies	126,852	112,627	(532)	3,702	(58)	2,794	(432)	(1,022)	7,729	125,830
Construction companies	89,514	79,439	(932)	3,815	(62)	5,829	(635)	(1,629)	431	87,885
Travel industry	112,531	68,448	(811)	31,830	(1,949)	12,253	(2,894)	(5,654)	-	106,877
Services, IT and communications	60,025	53,730	(224)	1,817	(46)	1,049	(404)	(674)	3,429	59,351
Retail	57,652	54,244	(125)	2,118	(117)	945	(703)	(945)	345	56,707
Manufacturing and energy	33,317	29,462	(61)	425	(5)	3,430	(749)	(815)	-	32,502
Holding companies	24,222	21,026	(119)	248	(15)	8	(7)	(141)	2,940	24,081
Agriculture	6,449	6,183	(8)	127	(4)	139	(6)	(18)	-	6,431
Other	-	-	-	-	-	-	-	-	-	0
Total	1,494,163	1,374,410	(3,469)	71,427	(2,666)	29,035	(6,510)	(12,645)	19,291	1,481,518

Notes to the Condensed Consolidated Interim Financial Statements

42. Loans and advances by stage allocation (continued)

	Gross carrying amount	Stage 1		Stage 2		Stage 3		Allowance for impairment	Fair value	Carrying amount
		Gross carrying amount	12-month ECL	Gross carrying amount	Lifetime ECL	Gross carrying amount	Lifetime ECL			
As at 31 December 2021										
Financial institutions	47,231	47,231	-	-	-	-	-	-	-	47,231
Public entities	3,898	3,868	(3)	30	-	-	-	(3)	-	3,895
Individuals	726,902	696,781	(319)	26,790	(408)	2,738	(632)	(1,359)	593	725,543
Mortgages	646,981	626,118	(137)	19,125	(214)	1,738	(115)	(466)	-	646,515
Other	79,921	70,663	(182)	7,665	(194)	1,000	(517)	(893)	593	79,028
Corporates	670,486	539,869	(1,523)	79,801	(3,690)	29,267	(7,248)	(12,461)	21,549	658,025
Fisheries	177,642	170,822	(158)	3,465	(19)	47	(26)	(203)	3,308	177,439
Real estate companies	121,649	104,590	(221)	7,190	(331)	3,442	(771)	(1,323)	6,427	120,326
Construction companies	91,439	78,640	(520)	3,512	(41)	8,911	(1,011)	(1,572)	376	89,867
Travel industry	104,584	40,383	(303)	51,930	(3,155)	12,271	(3,491)	(6,949)	-	97,635
Services, IT and communications	57,515	46,714	(171)	6,834	(64)	1,038	(408)	(643)	2,929	56,872
Retail	50,716	47,354	(68)	982	(19)	1,235	(1,094)	(1,181)	1,145	49,535
Manufacturing and energy	30,616	26,150	(21)	2,301	(38)	2,165	(440)	(499)	-	30,117
Holding companies	30,154	19,291	(52)	3,488	(20)	11	(5)	(77)	7,364	30,077
Agriculture	6,171	5,925	(9)	99	(3)	147	(2)	(14)	-	6,157
Other	-	-	-	-	-	-	-	-	-	0
Total	1,448,517	1,287,749	(1,845)	106,621	(4,098)	32,005	(7,880)	(13,823)	22,142	1,434,694

43. Impairment allowance on loans and advances

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 2022 - Financial institutions	0	0	0	0
Changes in models/risk parameters	-	-	-	0
Balance as at 30 June 2022 - Financial institutions	0	0	0	0
- thereof classified as deduction from gross carrying amounts	-	-	-	0
- thereof classified as liabilities	-	-	-	0

	12-months ECL	Lifetime ECL	Lifetime ECL	Total
	Stage 1	Stage 2	Stage 3	
Balance as at 1 January 2022 - Loans and advances to customers	(2,174)	(4,220)	(7,979)	(14,373)
New financial assets originated	(941)	(74)	(256)	(1,271)
Reversals due to financial assets that have been derecognised	181	295	834	1,310
Transfer to Stage 1 - 12-month ECL	(389)	387	2	0
Transfer to Stage 2 - Lifetime ECL	246	(255)	9	0
Transfer to Stage 3 - Lifetime ECL	103	402	(505)	0
Changes in models/risk parameters	(1,021)	768	357	104
Provisions used to cover write-offs	1	3	925	929
Balance as at 30 June 2022 - Loans and advances to customers	(3,994)	(2,694)	(6,613)	(13,301)
- thereof classified as deduction from gross carrying amounts	(3,469)	(2,666)	(6,510)	(12,645)
- thereof classified as liabilities	(525)	(28)	(103)	(656)

	1.1-30.6.2022				
	Financial institutions	Public entities	Individuals	Corporates	Total
New financial assets originated	-	-	(125)	(1,146)	(1,271)
Reversals due to financial assets that have been derecognised	-	-	136	1,174	1,310
Changes due to financial assets recognised in the opening balance	-	-	(66)	170	104
Write-offs	-	-	(129)	(935)	(1,064)
Provisions used to cover write-offs	-	-	69	860	929
Recoveries	-	-	64	33	97
Translation difference	-	-	-	(62)	(62)
Net impairment on loans and advances	0	0	(51)	94	43

Notes to the Condensed Consolidated Interim Financial Statements

43. Impairment allowance on loans and advances (continued)

The following tables show changes in the impairment allowance of loans and advances during the year 2021.

	12-months ECL Stage 1	Lifetime ECL Stage 2	Lifetime ECL Stage 3	Total
Balance as at 1 January 2021 - Financial institutions	(1)	0	0	(1)
Changes in models/risk parameters	1	-	-	1
Balance as at 31 December 2021 - Financial institutions	0	0	0	0
- thereof classified as deduction from gross carrying amounts	-	-	-	0
- thereof classified as liabilities	-	-	-	0

	12-months ECL Stage 1	Lifetime ECL Stage 2	Lifetime ECL Stage 3	Total
Balance as at 1 January 2021 - Loans and advances to customers	(4,224)	(6,969)	(14,110)	(25,303)
New financial assets originated	(882)	(339)	(1,627)	(2,848)
Reversals due to financial assets that have been derecognised	1,141	1,118	2,501	4,760
Transfer to Stage 1 - 12-month ECL	(115)	105	10	0
Transfer to Stage 2 - Lifetime ECL	205	(262)	57	0
Transfer to Stage 3 - Lifetime ECL	174	387	(561)	0
Changes in models/risk parameters	1,525	1,730	1,518	4,773
Provisions used to cover write-offs	2	10	4,233	4,245
Balance as at 31 December 2021 - Loans and advances to customers	(2,174)	(4,220)	(7,979)	(14,373)
- thereof classified as deduction from gross carrying amounts	(1,845)	(4,098)	(7,880)	(13,823)
- thereof classified as liabilities	(329)	(122)	(99)	(550)

	1.1-31.12.2021				
	Financial institutions	Public entities	Individuals	Corporates	Total
New financial assets originated	-	-	(285)	(2,563)	(2,848)
Reversals due to financial assets that have been derecognised	-	1	500	4,259	4,760
Changes due to financial assets recognised in the opening balance	-	40	496	4,238	4,774
Write-offs	-	-	(468)	(4,214)	(4,682)
Provisions used to cover write-offs	-	-	246	3,999	4,245
Recoveries	-	-	855	139	994
Translation difference	-	-	-	(168)	(168)
Net impairment on loans and advances	0	41	1,344	5,690	7,075

44. Large exposures

As at 30 June 2022, three customer groups were rated as large exposures in accordance with current 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 tier 1 capital. According to the rules, no exposure, after credit risk mitigation, may exceed 25% of tier 1 capital. The following table shows the Group's large exposures after credit mitigation.

	Number of large exposures	Large exposures
As at 30 June 2022		
Large exposures between 10% and 20% of the Group's tier 1 capital	1	29,502
Large exposures between 0% and 10% of the Group's tier 1 capital	2	26,172
Total	3	55,674

Total ratio of large exposures to tier 1 capital 21%

As at 31 December 2021		
Large exposures between 10% and 20% of the Group's tier 1 capital	2	61,480
Large exposures between 0% and 10% of the Group's tier 1 capital	3	32,253
Total	5	93,733

Total ratio of large exposures to tier 1 capital 33%

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45. Liquidity risk management

The Group complies with liquidity rules set by the Central Bank of Iceland, No. 266/2017, on Credit Institutions' Liquidity Ratios. On 30 June 2021, Central Bank rules No. 1032/2014, on Funding Ratios in Foreign Currencies, were repealed and Rules No. 750/2021, on Minimum Net Stable Funding, took effect. The Rules introduce an 100% total net stable funding ratio. The Group also follows guidelines No. 2/2010 from the Financial Supervisory Authority of the Central Bank of Iceland (FSA) on best practice for managing liquidity of financial undertakings. 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 an 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 2022 and 50% as of 1 January 2023. Rules No. 750/2021 set requirements for a minimum 100% overall net stable funding ratio (NSFR). The Group submits monthly reports on its liquidity and funding position to the Central Bank of Iceland.

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 fulfil 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 June 2022 and 31 December 2021 are shown in the following table:

Liquidity coverage ratio 30 June 2022	ISK		Foreign currencies		Total	
	Unweighted	Weighted	Unweighted	Weighted	Unweighted	Weighted
Level 1 liquid assets	139,368	139,368	21,285	21,285	160,653	160,653
Level 2 liquid assets	11,401	7,981	200	170	11,601	8,151
Information items	-	-	-	-	-	-
Total liquid assets	150,769	147,349	21,485	21,455	172,254	168,804
Deposits	601,005	109,098	107,618	38,865	708,623	147,962
Borrowing	-	-	3,548	3,548	3,548	3,548
Other outflows	129,577	17,122	38,770	4,203	168,347	21,325
Total outflows (0-30 days)	730,582	126,220	149,936	46,616	880,518	172,835
Loans and advances to financial institutions	295	-	35,977	33,612	36,272	33,612
Other inflows	29,182	14,983	13,819	7,344	43,000	22,327
Limit on inflows	-	-	-	(5,995)	-	-
Total inflows (0-30 days)	29,477	14,983	49,796	34,961	79,272	55,939
Liquidity coverage ratio		132%		184%		144%

Liquidity coverage ratio 31 December 2021	ISK		Foreign currencies		Total	
	Unweighted	Weighted	Unweighted	Weighted	Unweighted	Weighted
Level 1 liquid assets	139,388	139,388	71,156	71,156	210,545	210,544
Level 2 liquid assets	11,945	8,361	229	194	12,173	8,556
Information items	9,903	-	10	-	9,913	-
Total liquid assets	161,236	147,749	71,395	71,350	232,631	219,100
Deposits	604,555	122,046	115,772	47,492	720,326	169,538
Borrowing	-	-	142	142	142	142
Other outflows	124,953	17,319	34,638	3,716	159,592	21,035
Total outflows (0-30 days)	729,508	139,365	150,552	51,350	880,060	190,715
Loans and advances to financial institutions	10,438	-	47,128	44,651	57,566	44,651
Other inflows	33,640	16,323	13,773	7,198	47,412	23,521
Limit on inflows	-	-	-	(13,337)	-	-
Total inflows (0-30 days)	44,078	16,323	60,901	38,512	104,978	68,172
Liquidity coverage ratio		120%		556%		179%

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

Liquidity reserves as at 30 June 2022	ISK	Foreign currencies	Total
Cash and balances with the Central Bank	78,678	1,812	80,490
Domestic bonds and debt instruments eligible as collateral at the Central Bank	72,091	200	72,291
Foreign government bonds with 0% risk weight	-	19,473	19,473
High quality liquidity assets	150,769	21,485	172,254
Loans and advances to financial institutions	295	35,977	36,272
Total liquidity reserves	151,064	57,462	208,526

45. Liquidity risk management (continued)

Liquidity reserves as at 31 December 2021	ISK	Foreign currencies	Total
Cash and balances with the Central Bank	77,334	1,937	79,271
Domestic bonds and debt instruments eligible as collateral at the Central Bank	73,999	229	74,228
Foreign government bonds with 0% risk weight	-	69,219	69,219
High quality liquidity assets	151,333	71,385	222,718
Loans and advances to financial institutions	10,438	47,128	57,566
Total liquidity reserves	161,771	118,513	280,284

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 June 2022 and 31 December 2021:

	As at 30 June 2022	As at 31 December 2021
Net stable funding ratio FX	136%	142%
Net stable funding ratio total	122%	121%

46. 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 take to convert assets into cash at hand by liquidation, either through sale or participation in Central Bank operations. Further information on the Group's liquidity management can be found in Note 45.

The amounts in the maturity analyses as at 30 June 2022 and 31 December 2021 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. This applies, inter alia, to demand deposits which are included in the earliest time span. Where the Group is committed to have amounts available in instalments, each instalment 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.

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 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 as at 30 June 2022 and 31 December 2021. When managing liquidity risk the Group regards spot deals as non-derivative assets or liabilities.

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

The following table shows a maturity analysis of the Group's financial instruments as at 30 June 2022:

	0-1 month	1-3 months	3-12 months	1-5 years	Over 5 years	No maturity	Total	Carrying amount
Non-derivative financial liabilities								
Due to financial institutions and								
Central Bank	(4,810)	-	(3)	-	-	-	(4,813)	(4,813)
Deposits from customers	(713,183)	(178,659)	(13,050)	(25,601)	(8,128)	-	(938,621)	(935,123)
Short positions	(1)	-	(45)	(193)	(2,262)	-	(2,501)	(793)
Borrowings	(3,465)	(13,055)	(49,592)	(352,900)	(90,428)	-	(509,440)	(451,524)
Other financial liabilities	(18,077)	-	-	-	-	-	(18,077)	(18,077)
Subordinated liabilities	-	(433)	(244)	(2,855)	(24,469)	-	(28,001)	(20,550)
Total	(739,536)	(192,147)	(62,934)	(381,549)	(125,287)	0	(1,501,453)	(1,430,880)
Derivative financial liabilities								
Trading								(782)
Inflow	21,277	15,223	2,396	-	-	-	38,896	
Outflow	(21,567)	(15,786)	(2,477)	-	-	-	(39,830)	
Risk management								(2,185)
Inflow	13,576	30,443	51,835	2,219	-	-	98,073	
Outflow	(13,675)	(31,635)	(52,220)	(2,941)	-	-	(100,471)	
Total	(389)	(1,755)	(466)	(722)	0	0	(3,332)	(2,967)
Non-derivative financial assets								
Cash and balances with								
Central Bank	84,895	-	-	-	-	-	84,895	84,895
Bonds and debt instruments	11,008	14,305	21,026	47,455	15,242	-	109,036	102,018
Equities and equity instruments	-	-	-	-	-	27,368	27,368	27,368
Loans and advances to financial institutions	36,119	-	-	-	-	-	36,119	36,119
Loans and advances to customers	73,122	82,218	214,024	642,995	1,851,152	-	2,863,511	1,445,399
Other financial assets	11,104	-	-	-	-	-	11,104	11,104
Total	216,248	96,523	235,050	690,450	1,866,394	27,368	3,132,033	1,706,903
Derivative financial assets								
Trading								720
Inflow	32,204	6,840	1,784	-	-	-	40,828	
Outflow	(31,802)	(6,684)	(1,760)	-	-	-	(40,246)	
Risk management								65
Inflow	9,375	3,356	1,319	-	-	-	14,050	
Outflow	(9,324)	(3,343)	(1,325)	-	-	-	(13,992)	
Total	453	169	18	0	0	0	640	785
Off-balance sheet items								
Financial guarantees and underwriting commitments	(434)	(587)	(5,719)	(3,888)	(11,155)	(1,184)	(22,967)	
Undrawn loan commitments	(128,714)	-	-	-	-	-	(128,714)	
Undrawn overdraft/credit card commitments	(70,279)	-	-	-	-	-	(70,279)	
Total	(199,427)	(587)	(5,719)	(3,888)	(11,155)	(1,184)	(221,960)	
Net liquidity position	(722,651)	(97,797)	165,949	304,291	1,729,952	26,184	1,405,928	273,841

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46. 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 2021:

	0-1 month	1-3 months	3-12 months	1-5 years	Over 5 years	No maturity	Total	Carrying amount
Non-derivative financial liabilities								
Due to financial institutions and								
Central Bank	(10,372)	-	-	-	-	-	(10,372)	(10,425)
Deposits from customers	(718,631)	(147,851)	(11,277)	(19,930)	(6,843)	-	(904,532)	(900,098)
Short positions	-	(31)	(7)	(2,001)	(744)	-	(2,783)	(2,616)
Borrowings	(69)	(43,790)	(48,345)	(367,744)	(76,214)	-	(536,162)	(486,042)
Other financial liabilities	(9,195)	-	-	-	-	-	(9,195)	(9,195)
Subordinated liabilities	-	-	(698)	(2,896)	(24,480)	-	(28,074)	(20,785)
Total	(738,267)	(191,672)	(60,327)	(392,571)	(108,281)	0	(1,491,118)	(1,429,161)
Derivative financial liabilities								
Trading								(427)
Inflow	8,458	9,477	2,701	-	-	-	20,636	
Outflow	(8,779)	(9,584)	(2,758)	-	-	-	(21,121)	
Risk management								(1,519)
Inflow	18,205	12,530	1,328	3,384	-	-	35,447	
Outflow	(18,753)	(13,048)	(1,341)	(3,885)	-	-	(37,027)	
Total	(869)	(625)	(70)	(501)	0	0	(2,065)	(1,946)
Non-derivative financial assets								
Cash and balances with								
Central Bank	82,425	-	-	-	-	-	82,425	82,425
Bonds and debt instruments	27,234	41,264	35,597	39,828	11,517	-	155,440	150,435
Equities and equity instruments	-	-	-	-	-	33,347	33,347	33,347
Loans and advances to financial institutions	47,128	-	-	-	-	-	47,128	47,231
Loans and advances to customers	69,923	54,628	195,785	573,244	1,484,240	-	2,377,820	1,387,463
Other financial assets	8,800	-	-	-	-	-	8,800	8,800
Total	235,510	95,892	231,382	613,072	1,495,757	33,347	2,704,960	1,709,701
Derivative financial assets								
Trading								167
Inflow	15,961	8,500	1,196	1,213	-	-	26,870	
Outflow	(15,875)	(8,478)	(1,153)	(1,210)	-	-	(26,716)	
Risk management								1,066
Inflow	13,315	83,778	443	44,723	-	-	142,259	
Outflow	(13,230)	(83,345)	(170)	(44,442)	-	-	(141,187)	
Total	171	455	316	284	0	0	1,226	1,233
Off-balance sheet items								
Financial guarantees and underwriting commitments	(1,300)	(1,053)	(4,089)	(4,037)	(12,358)	(3,952)	(26,789)	
Undrawn loan commitments	(127,508)	-	-	-	-	-	(127,508)	
Undrawn overdraft/credit card commitments	(66,974)	-	-	-	-	-	(66,974)	
Total	(195,782)	(1,053)	(4,089)	(4,037)	(12,358)	(3,952)	(221,271)	
Net liquidity position	(699,237)	(97,003)	167,212	216,247	1,375,118	29,395	991,732	279,827

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47. Encumbered assets

The Bank has pledged part of its loan portfolio as collateral to secure the covered bonds issued by the Bank in accordance with Icelandic laws and FSA rules. The Bank has also pledged assets as collateral to the Central Bank of Iceland to secure settlement in the Icelandic clearing systems, pledged assets as collateral to secure trading lines and credit support for GMRA and ISDA master agreements, as well as other pledges of similar nature.

The following tables show the Group's total encumbered and unencumbered assets as at 30 June 2022 and 31 December 2021.

	Collateral pledged against		Un-encumbered	Total
	Covered bonds	Other		
As at 30 June 2022				
Cash and balances with Central Bank	6,333	4,405	74,157	84,895
Bonds and debt instruments	-	-	102,018	102,018
Equities and equity instruments	-	-	27,368	27,368
Derivative instruments	-	-	785	785
Loans and advances to financial institutions	-	2,151	33,968	36,119
Loans and advances to customers	278,146	-	1,167,253	1,445,399
Investments in equity-accounted associates	-	-	1,823	1,823
Property and equipment	-	-	15,094	15,094
Intangible assets	-	-	1,751	1,751
Deferred tax assets	-	-	45	45
Other assets	-	-	12,287	12,287
Assets classified as held for sale	-	-	559	559
Total	284,479	6,556	1,437,108	1,728,143

	Collateral pledged against		Un-encumbered	Total
	Covered bonds	Other		
As at 31 December 2021				
Cash and balances with Central Bank	1,687	3,154	77,584	82,425
Bonds and debt instruments	-	-	150,435	150,435
Equities and equity instruments	-	-	33,347	33,347
Derivative instruments	-	-	1,233	1,233
Loans and advances to financial institutions	-	2,315	44,916	47,231
Loans and advances to customers	277,539	-	1,109,924	1,387,463
Investments in equity-accounted associates	-	-	1,857	1,857
Property and equipment	-	-	13,019	13,019
Intangible assets	-	-	1,781	1,781
Deferred tax assets	-	-	15	15
Other assets	-	-	10,087	10,087
Assets classified as held for sale	-	-	905	905
Total	279,226	5,469	1,445,103	1,729,798

Market risk

48. Market risk management

The following table summarises the Group's exposure to market risk as a percentage of REA as at 30 June 2022 and 31 December 2021. The Group uses the standardized approach to calculate risk-weighted exposure amounts of derivatives for credit valuation adjustment (CVA) according to capital requirement regulations.

Market risk factor	30.6.2022	31.12.2021
	% of RWEA	% of RWEA
Equity price risk	0.6%	0.5%
Interest rate risk	0.4%	0.2%
CVA of derivatives	0.0%	0.0%
Foreign exchange risk	0.3%	0.2%
Total	1.2%	0.9%

49. 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 domestic equities. The Group's banking book portfolio contains domestic and foreign, listed and unlisted equities as part of asset and liability management. Further details are disclosed in Note 19.

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

	Up to 3 months	3-12 months	1-5 years	Over 5 years	Carrying amount
As at 30 June 2022					
Financial assets					
Cash and balances with Central Bank	84,895	-	-	-	84,895
Bonds and debt instruments	29,282	21,945	39,542	11,249	102,018
Derivative instruments	785	-	-	-	785
Loans and advances to financial institutions	36,119	-	-	-	36,119
Loans and advances to customers	986,288	99,230	343,874	16,007	1,445,399
Other financial assets	11,104	-	-	-	11,104
Total	1,148,473	121,175	383,416	27,256	1,680,320
Financial liabilities					
Due to financial institutions and Central Bank	(4,813)	-	-	-	(4,813)
Deposits from customers	(929,477)	(3,068)	(2,578)	-	(935,123)
Derivative instruments and short positions	(2,967)	-	-	(793)	(3,760)
Borrowings	(63,648)	(51,440)	(267,082)	(69,354)	(451,524)
Other financial liabilities	(18,077)	-	-	-	(18,077)
Subordinated liabilities	-	-	(20,550)	-	(20,550)
Total	(1,018,982)	(54,508)	(290,210)	(70,147)	(1,433,847)
Net on-balance sheet position	129,491	66,667	93,206	(42,891)	246,473
Derivatives held for hedging	(41,610)	41,610	0	-	-
Net off-balance sheet position	1,338	662	(2,000)	-	-
Total interest repricing gap	89,219	108,939	91,206	(42,891)	
As at 31 December 2021					
Financial assets					
Cash and balances with Central Bank	82,425	-	-	-	82,425
Bonds and debt instruments	70,000	33,700	36,185	10,550	150,435
Derivative instruments	1,233	-	-	-	1,233
Loans and advances to financial institutions	47,231	-	-	-	47,231
Loans and advances to customers	1,018,799	104,486	247,771	16,407	1,387,463
Other financial assets	8,800	-	-	-	8,800
Total	1,228,488	138,186	283,956	26,957	1,677,587
Financial liabilities					
Due to financial institutions and Central Bank	(10,425)	-	-	-	(10,425)
Deposits from customers	(894,867)	(2,298)	(2,933)	-	(900,098)
Derivative instruments and short positions	(2,380)	-	(1,715)	(467)	(4,562)
Borrowings	(81,007)	(33,779)	(312,170)	(59,086)	(486,042)
Other financial liabilities	(9,195)	-	-	-	(9,195)
Subordinated liabilities	-	-	(20,785)	-	(20,785)
Total	(997,874)	(36,077)	(337,603)	(59,553)	(1,431,107)
Net on-balance sheet position	230,614	102,109	(53,647)	(32,596)	246,480
Derivatives held for hedging	(44,280)	-	44,280	-	-
Net off-balance sheet position	2,000	-	(2,000)	-	-
Total interest repricing gap	188,334	102,109	(11,367)	(32,596)	

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51. 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. To mitigate imbalance in the Bank's CPI-linked assets and liabilities, the Bank offers non-CPI-linked loans, CPI-linked deposits, CPI-linked covered bonds as well as CPI-linked interest rate swaps.

The following tables summarize the Group's CPI exposure by maturity dates as at 30 June 2022 and 31 December 2021, where CPI-linked financial assets and liabilities are disclosed at their carrying amounts.

	Up to 3 months	3-12 months	1-5 years	Over 5 years	Carrying amount
As at 30 June 2022					
Financial assets					
Bonds and debt instruments	-	-	17,009	5,440	22,449
Loans and advances to customers	3,744	8,668	56,613	203,215	272,240
Total	3,744	8,668	73,622	208,655	294,689
Financial liabilities					
Deposits from customers	(79,888)	(3,153)	(19,699)	(42,751)	(145,491)
Derivative instruments and short positions	-	-	-	(852)	(852)
Borrowings	-	-	(61,018)	(62,849)	(123,867)
Subordinated liabilities	-	-	(6,402)	-	(6,402)
Total	(79,888)	(3,153)	(87,119)	(106,452)	(276,612)
Total on-balance sheet position	(76,144)	5,515	(13,497)	102,203	18,077
Off-balance sheet position					
Interest rate swaps	-	-	(2,580)	-	(2,580)
Total return swaps	(5,791)	-	-	-	(5,791)
Total off-balance sheet position	(5,791)	0	(2,580)	0	(8,371)
Total CPI indexation balance	(81,935)	5,515	(16,077)	102,203	9,706
As at 31 December 2021					
Financial assets					
Bonds and debt instruments	-	-	-	2,761	2,761
Loans and advances to customers	3,420	8,745	61,572	216,268	290,005
Total	3,420	8,745	61,572	219,029	292,766
Financial liabilities					
Deposits from customers	(78,214)	(2,483)	(15,144)	(39,949)	(135,790)
Derivative instruments and short positions	-	-	(1,715)	(582)	(2,297)
Borrowings	-	(23,978)	(57,396)	(59,086)	(140,460)
Subordinated liabilities	-	-	(5,964)	-	(5,964)
Total	(78,214)	(26,461)	(80,219)	(99,617)	(284,511)
Total on-balance sheet position	(74,794)	(17,716)	(18,647)	119,412	8,255
Off-balance sheet position					
Interest rate swaps	-	-	(2,456)	-	(2,456)
Total return swaps	(944)	-	-	-	(944)
Total off-balance sheet position	(944)	0	(2,456)	0	(3,400)
Total CPI indexation balance	(75,738)	(17,716)	(21,103)	119,412	4,855

Notes to the Condensed Consolidated Interim Financial Statements

Currency risk

52. Currency risk (all portfolios)

The Group complies with Central Bank Rules No. 784/2018, on Foreign Exchange Balances. The Bank submits daily reports to the Central Bank on its foreign exchange balance and the Group submits these reports on monthly basis.

The Group's combined net foreign exchange balance as at 30 June 2022 was+ 0,99% of the Group's capital base (31.12.2021: - 0,38%).

53. Concentration of currency risk

The following tables summarise the Group's exposure to currency risk as at 30 June 2022 and 31 December 2021. 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 June 2022	EUR	GBP	USD	JPY	CHF	Other	Total
Assets							
Cash and balances with Central Bank	713	177	385	7	51	460	1,793
Bonds and debt instruments	6,461	-	16,524	-	-	-	22,985
Equities and equity instruments	72	-	423	-	-	-	495
Derivative instruments	195	28	270	-	-	12	505
Loans and advances to financial institutions	6,760	1,800	19,372	206	426	7,555	36,119
Loans and advances to customers	180,218	3,407	74,319	814	-	2,243	261,001
Other assets	82	7	1,253	-	-	86	1,428
Total	194,501	5,419	112,546	1,027	477	10,356	324,326
Liabilities							
Due to financial institutions and Central Bank	(18)	(10)	-	-	-	-	(28)
Deposits from customers	(47,759)	(9,563)	(53,568)	(282)	(669)	(10,424)	(122,265)
Derivative instruments and short positions	(828)	(52)	(1,320)	-	-	(86)	(2,286)
Borrowings	(165,703)	-	(19,996)	-	-	(53,641)	(239,340)
Other liabilities	(785)	(278)	(5,373)	(2)	(6)	(1,266)	(7,710)
Subordinated liabilities	(14,148)	-	-	-	-	-	(14,148)
Total	(229,241)	(9,903)	(80,257)	(284)	(675)	(65,417)	(385,777)
Net on-balance sheet position	(34,740)	(4,484)	32,289	743	(198)	(55,061)	(61,451)
Net off-balance sheet position	36,402	4,625	(31,881)	(715)	281	55,439	64,151
Net currency position	1,662	141	408	28	83	378	2,700
As at 31 December 2021	EUR	GBP	USD	JPY	CHF	Other	Total
Assets							
Cash and balances with Central Bank	677	183	440	9	55	573	1,937
Bonds and debt instruments	41,420	1	28,037	-	-	-	69,458
Equities and equity instruments	75	-	842	-	-	-	917
Derivative instruments	846	62	264	-	-	25	1,197
Loans and advances to financial institutions	10,698	869	10,395	259	742	24,165	47,128
Loans and advances to customers	179,512	3,875	62,035	945	-	3,843	250,210
Other assets	402	-	987	-	-	101	1,490
Total	233,630	4,990	103,000	1,213	797	28,707	372,337
Liabilities							
Due to financial institutions and Central Bank	(1,048)	(3)	(129)	-	-	-	(1,180)
Deposits from customers	(49,445)	(7,703)	(45,789)	(196)	(726)	(13,547)	(117,406)
Derivative instruments and short positions	(116)	(16)	(1,499)	-	-	-	(1,631)
Borrowings	(198,776)	-	(19,640)	-	-	(49,599)	(268,015)
Other liabilities	(968)	(84)	(863)	(6)	(10)	(736)	(2,667)
Subordinated liabilities	(14,821)	-	-	-	-	-	(14,821)
Total	(265,174)	(7,806)	(67,920)	(202)	(736)	(63,882)	(405,720)
Net on-balance sheet position	(31,544)	(2,816)	35,080	1,011	61	(35,175)	(33,383)
Net off-balance sheet position	29,740	3,192	(35,566)	(888)	(89)	35,886	32,275
Net currency position	(1,804)	376	(486)	123	(28)	711	(1,108)

Notes to the Condensed Consolidated Interim Financial Statements

54. 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 June 2022	As at 31 December 2021	% change	Average for 1.1-30.6 2022	Average for 1.1-30.6 2021
EUR/ISK	138.70	147.60	(6.0%)	141.09	151.36
GBP/ISK	161.16	175.77	(8.3%)	167.28	173.90
USD/ISK	132.49	130.41	1.6%	128.98	125.51
JPY/ISK	0.9764	1.1327	(13.8%)	1.0522	1.1653
CHF/ISK	138.71	142.86	(2.9%)	137.54	138.34
CAD/ISK	102.94	102.40	0.5%	101.53	100.41
DKK/ISK	18.645	19.847	(6.1%)	18.966	20.351
NOK/ISK	13.438	14.776	(9.1%)	14.157	14.779
SEK/ISK	12.939	14.393	(10.1%)	13.493	14.917

Consolidated Key Figures

55. Operations by quarters

Operations	2022		2021			
	Q2	Q1	Q4*	Q3	Q2	Q1
Interest income	25,247	21,101	18,520	15,646	18,096	14,332
Interest expense	(14,095)	(10,835)	(8,125)	(6,046)	(7,764)	(5,706)
Net interest income	11,152	10,266	10,395	9,600	10,332	8,626
Fee and commission income	4,052	3,621	3,632	3,417	3,197	2,875
Fee and commission expense	(1,269)	(982)	(1,039)	(895)	(883)	(821)
Net fee and commission income	2,783	2,639	2,593	2,522	2,314	2,054
Net (loss) gain on financial assets and liabilities at FVTPL	(2,707)	(2,094)	439	1,886	1,284	2,371
Net foreign exchange gain (loss)	21	8	(69)	55	(45)	(27)
Net impairment changes	(735)	778	3,247	1,008	293	2,489
Other income and (expenses)	328	393	112	275	330	246
Net other operating income	(3,093)	(915)	3,729	3,224	1,862	5,079
Total operating income	10,842	11,990	16,717	15,346	14,508	15,759
Salaries and related expenses	(3,584)	(3,755)	(4,028)	(3,238)	(3,724)	(3,769)
Other operating expenses	(2,118)	(2,399)	(2,386)	(2,202)	(2,202)	(2,315)
Tax on liabilities of financial institutions	(505)	(510)	(508)	(525)	(513)	(467)
Total operating expenses	(6,207)	(6,664)	(6,922)	(5,965)	(6,439)	(6,551)
Profit before tax	4,635	5,326	9,795	9,381	8,069	9,208
Income tax	(2,294)	(2,110)	(2,473)	(1,889)	(1,582)	(1,590)
Profit for the period	2,341	3,216	7,322	7,492	6,487	7,618
Balance sheet	30.6.2022	31.3.2022	31.12.2021	30.9.2021	30.6.2021	31.3.2021
Cash and cash balances with Central Bank	84,895	68,406	82,425	92,043	89,342	59,937
Bonds and debt instruments	102,018	129,661	150,435	129,579	128,208	134,183
Equities and equity instruments	27,368	28,990	33,347	30,527	35,111	31,811
Loans and advances to financial institutions	36,119	58,179	47,231	59,363	64,245	55,234
Loans and advances to customers	1,445,399	1,416,504	1,387,463	1,375,536	1,328,031	1,287,448
Other assets	31,785	31,130	27,992	30,020	31,147	30,913
Assets classified as held for sale	559	774	905	1,290	1,213	1,426
Total assets	1,728,143	1,733,644	1,729,798	1,718,358	1,677,297	1,600,952
Due to financial institutions and Central Bank	4,813	6,557	10,425	48,991	40,312	40,932
Deposits from customers	935,123	922,556	900,098	869,463	842,624	794,252
Borrowings	451,524	472,827	486,042	474,415	456,688	452,709
Other liabilities	48,483	45,870	29,803	29,047	48,913	30,825
Subordinated liabilities	20,550	20,524	20,785	21,099	20,889	20,850
Equity	267,650	265,310	282,645	275,343	267,871	261,384
Total liabilities and equity	1,728,143	1,733,644	1,729,798	1,718,358	1,677,297	1,600,952

*The first two quarter results for the year 2022 and the first three quarter results for the year 2021 were reviewed by the Bank's independent auditors.

Consolidated Key Figures

56. Key figures and ratios

	2022			2021		
	Q2	Q1	Q4	Q3	Q2	Q1
Return on equity before taxes	7.0%	7.8%	14.0%	13.8%	12.2%	14.2%
Return on equity after taxes	3.5%	4.7%	10.5%	11.0%	9.8%	11.7%
Cost-income ratio	49.3%	54.9%	47.6%	37.9%	41.7%	45.8%
Operating expenses as a ratio of average total assets	1.3%	1.4%	1.5%	1.3%	1.4%	1.5%
Return on assets	0.5%	0.7%	1.7%	1.8%	1.6%	1.9%
Interest spread as a ratio of average of total assets	2.6%	2.4%	2.4%	2.3%	2.5%	2.2%
Earnings per share	0.24	0.14	0.31	0.32	0.27	0.32
	30.6.2022	31.3.2022	31.12.2021	30.09.2021	30.6.2021	31.3.2021
Total capital ratio	24.9%	24.3%	26.6%	24.9%	25.1%	24.9%
CET1 ratio	23.1%	22.6%	24.8%	23.1%	23.3%	23.0%
Leverage ratio	14.1%	13.8%	14.9%	14.3%	14.4%	14.8%
Loans / deposits	154.6%	153.5%	154.1%	158.2%	157.6%	162.1%
Deposits / total assets	54.1%	53.2%	52.0%	50.6%	50.2%	49.6%
Liquidity coverage ratio total (LCR)	144%	142%	179%	172%	180%	202%
Net stable funding ratio FX (NSFR)	136%	143%	142%	122%	140%	140%
Number of full-time positions at the end of the period	786	791	816	837	844	869

Key figures and ratios

Definition

Return on equity before taxes	Profit (loss) before taxes / average total equity
Return on equity after taxes	Profit (loss) after taxes / 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 - interest expenses) / average total assets
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 - adjustments according to CRR II
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

Undirritunarsíða

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