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

Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2025

Content

Highlights

Credit rating

A-

with stable outlook

S&P Global Ratings

Sustainable Development Goals

5 GENDER EQUALITY

8 DECENT WORK AND ECONOMIC GROWTH

13 CLIMATE ACTION

ESG risk rating

SUSTAINALYTICS

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

Universal financial services

TM | LANDSBRÉF

In addition to universal banking services, the Group provides asset and fund management services and P&C and life insurance through subsidiaries.

Profit

1H 2025	1H 2024
18,322 m.kr.	16,121 m.kr.

Return on equity

1H 2025	1H 2024
11.5%	10.5%

Total operating income

1H 2025	1H 2024
41,834 m.kr.	37,387 m.kr.

Cost-income ratio

1H 2025	1H 2024
35.8%	33.1%

Total assets

30.6.2025	31.12.2024
2,305,038 m.kr.	2,181,759 m.kr.

Total capital ratio

30.6.2025	31.12.2024
24.0%	24.3%

Loans and advances to customers

30.6.2025	31.12.2024
1,828,139 m.kr.	1,807,437 m.kr.

Total liquidity coverage ratio (LCR)

30.6.2025	31.12.2024
234%	164%

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 2025, which include the accounts of the Bank and its subsidiaries (the “Group”).

Financial performance

Consolidated profit amounted to ISK 18,322 million in the first half of 2025 (H1 2024: ISK 16,121 million). Return on equity (ROE) was 11.5% (H1 2024: 10.5%) and the Bank expects an annualised ROE of 10-12%. The Group’s cost-income ratio was 35.8% (H1 2024: 33.1%). Net interest income for the period was ISK 32,462 million and continues to grow based on good returns from liquid assets in a high interest-rate environment and in line with an expanding balance sheet, with the year-over-year increase amounting to 11%. Net fee and commission income was ISK 6,205 million, increasing by 15% between years. Net profit on financial assets and liabilities at fair value was ISK 2,032 million (H1 2024: ISK 5,735 million net profit) due to an increase in the fair value of bonds. Net impairment charges on financial assets amounted to ISK 75 million during the period (H1 2024: ISK 3,460 million). Salaries and related expenses were ISK 9,165 million, up by 9% between years, mainly as a result of the Group’s growth and contractual wage increases. The average number of full-time equivalent positions during the period was 893 (H1 2024: 824) with the Bank's purchase of TM tryggingar hf. (TM) accounting for the increase from the previous period.

Consolidated total equity amounted to ISK 324 billion at the end of the first half of 2025. The Group’s total capital ratio, calculated according to the Act on Financial Undertakings, was 24.0% at the end of the period (year-end 2024: 24.3%), well above the current 20.4% capital requirement set by the Financial Supervisory Authority of the Central Bank of Iceland and confirmed on 11 July 2025. Total assets were ISK 2,305 billion, increasing by 6% from the beginning of the year. Lending growth is 1% in the first half of the year, with corporate loans increasing by ISK 20.5 billion and loans to retail customers by ISK 218 million. Total deposits amounted to ISK 1,239 billion at the end of the first half of 2025, increasing by almost ISK 11 billion from the beginning of the year, or around 1%. The carrying value of market funding increased by ISK 65 billion during the same period.

On 11 February 2025, Landsbankinn completed the sale of Additional Tier 1 (AT1) securities in the amount of USD 100 million (equivalent to about ISK 13.2 billion). This marks the Bank’s inaugural AT1 securities issuance and the securities were sold to investors at a fixed interest rate of 8.125%. The securities are subordinated to all other claims, except equity. The issuance is part of the financing of the Bank’s acquisition of TM and also contributes to increased efficiency and diversification in the Bank’s funding structure.

Credit rating

On 29 April 2025, S&P Global Ratings announced an upgrade of Landsbankinn’s long-term credit rating from BBB+ to A-. This is the highest the Bank’s credit rating has been since 2014, when S&P started issuing ratings for the Bank. In the rationale for its decision, S&P refers to Landsbankinn’s ALAC buffer following the successful build-up of senior non-preferred debt where the Bank demonstrated sound market access.

Equity and dividends

The 2025 AGM of Landsbankinn, held on 19 March, approved the motion of the Board of Directors to pay shareholders a dividend of ISK 0.80 per share for the fiscal year 2024. It was further approved that the dividend be paid in two equal instalments, each of ISK 0.40 per share. The first instalment was paid on 26 March 2025 and the latter will be paid on 17 September 2025. The total dividend amounts to ISK 18,892 million.

Risk factors

The quality of the Bank’s credit portfolio remains high, its liquidity position is strong and market risk comfortably within risk appetite. Lending growth has slowed in the first half of 2025 and, despite declining inflation and policy rate cuts, uncertainty in international markets puts a damper on economic activity. The ongoing threat of seismic activity on the Reykjanes peninsula remains challenging, as does the growing scope of cybersecurity and fraud. Despite these factors, the Bank’s risk measurements and assessment of material risk factors are generally positive and the outlook stable. Loans past due in the Bank’s portfolio remain low and its capital ratio is strong. The increase in the Bank’s risk exposure amount in the first half of 2025 is primarily attributable to the acquisition of TM.

The Bank is currently preparing for the implementation of Regulation (EU) No 2024/1623 (CRR III), which introduces changes to the calculation of risk exposure amounts, particularly in relation to credit risk. The Regulation is expected to be transposed into national law in fall 2025. Implementation is expected to result in a reduction in the Bank’s risk exposure amount by ISK 64 billion. Such a reduction will increase the total capital ratio, all else being equal, to 25%.

Further information on the Group’s risk and capital management is included in the notes to the Consolidated Financial Statements and the Bank’s Pillar III Risk Report for the year 2024, supplemented with Pillar III additional disclosures for the first half of 2025, available on the Bank’s website, www.landsbankinn.is.

Economic outlook

Economic growth measured 2.6% in the first quarter of the year, according to preliminary figures from Statistics Iceland. Activity exceeded expectations, driven by exports, investment and private consumption. The population grew by 1.4% in the first quarter as compared to the same period the previous year, bringing economic growth per capita to 1.3%. GDP contracted by 0.7% in 2024, according to the most recent update from Statistics Iceland. Despite this, Landsbankinn Economic Research expects modest economic growth this year and next.

Alongside robust demand at the beginning of the year, inflation has exceeded expectations in the past few months. Average inflation in the second quarter of the year was 4.0% and the June measurement by Statistics Iceland was 4.2%, higher than predicted. Economic Research considers the inflation outlook to have deteriorated and now projects inflation at 4.0% in July, 4.2% in August, 4.4% in September and 4.5% in October. Housing price increases have been moderate this year with the 12-month increase in the housing price index now at 5.7%. A calm tempo is likely in the housing market in coming months.

In May, the Central Bank of Iceland lowered the policy rate by 0.25 percentage points and it now stands at 7.5%. The real policy rate decreased even further in the wake of the June inflation figures. In light of economic activity and higher inflation than expected, the Monetary Policy Committee is likely to take careful steps in the coming months and the policy rate may be kept unchanged for the remainder of the year.

Unemployment has been fairly steady this year, around 0.3-0.4 percentage points higher than last year. There are some signs of continued slackening of tension in the labour market. A growing percentage of business leaders consider labour supply in the domestic market adequate and companies with plans to hire in the near future are fewer than in March.

Governance

In June, the head office of TM moved to Reykjavík city centre, to Kalkofnsvegur 2. On 19 June, TM's city branch merged into Landsbankinn's Reykjastræti branch. Alongside these moves, an organisational change was implemented, whereby 24 full-time equivalent positions were transferred from TM to Landsbankinn. Changes were also made to the organisational chart of TM.

Sustainability

In June, rating agency Reitun updated its ESG assessment of Landsbankinn. The Bank achieved the same score as in recent years, 90 points out of a 100, which corresponds to a rating of A3 (A1 is the highest). In its report, the rating agency emphasised that the Bank has systematically worked on sustainability issues over the long term and serves as a good role model for the domestic market. Reitun's assessment includes the operation of Landsbréf.

On 30 June, Landsbankinn and Landsbréf issued their first joint statement on the principal adverse impact (PAI) on sustainability factors. Entities in the financial market are obligated under SFDR to disclose information on how they consider the adverse impact of investments on sustainability factors. Regulatory technical standards on disclosures were implemented with rules No. 1023/2024 of the Central Bank of Iceland and this is the first report Landsbankinn and Landsbréf publish under the rules.

Other matters

Settlement and delivery of Landsbankinn's purchase of TM tryggingar hf. from Kvika bank hf. took place 28 February 2025. The final consideration following a closing adjustment was ISK 32.2 billion. The Annual General Meeting of TM, held on 29 April 2025, approved a motion from the Board of Directors to pay a dividend to shareholders for the operating year 2024 in the amount of ISK 2,500 million. Following delivery of TM to Landsbankinn, the Bank is considered a mixed-activity insurance holding company in accordance with Act No. 60/2017, on Insurance Groups.

In December 2021, legal proceedings were initiated against the Bank, demanding that contractual provisions regarding interest rate changes of mortgage loan agreements should be deemed unlawful. The Supreme Court has now granted a request for leave to appeal in the case, without the case first being heard by the Court of Appeal. The District Court of Reykjavík dismissed the claim against the Bank. The Bank considers it more likely than not that the Supreme Court will uphold the District Court's ruling. Further information is provided in Note 33.

Landsbankinn and the fintech company YAY ehf. have established a new company, Yayland ehf. as a joint venture. The company will specialise in the development, sale, issuance and operation of both digital and physical prepaid cards, gift certificates and loyalty cards.

Statement by the Board of Directors and the CEO

The Condensed Consolidated Interim Financial Statements of Landsbankinn hf. for the first half of 2025 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 give a true and fair view of the consolidated financial position of the Group as of on 30 June 2025, its consolidated financial performance and consolidated cash flows for the first half of 2025. Furthermore, the Condensed Consolidated Interim Financial Statements, including the report of the Board of Directors and the CEO, describe the principal risks and uncertainties faced by the Group.

The Board of Directors and Chief Executive Officer of the Bank endorse the Condensed Consolidated Interim Financial Statements of Landsbankinn hf. for the first half of 2025 with their electronic signatures.

Reykjavík, 17 July 2025

Board of Directors

Jón Thorvarður Sigurgeirsson, Chairman
Eva Halldórsdóttir, Vice chairman
Kristján Thorarinn Davíðsson
Rebekka Jóelsdóttir
Steinunn Thorsteinsdóttir
Thór Hauksson
Örn Guðmundsson

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 of 30 June 2025 which comprise of Report of the Board of Directors and the CEO, Condensed Consolidated Statement of Financial Position as of 30 June 2025 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-months period then ended 30 June 2025 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, 17 July 2025

PricewaterhouseCoopers ehf

Arna G. Tryggvadóttir
State Authorized Public Accountant

Condensed Consolidated Income Statement for the six months ended 30 June 2025

Notes		2025 1.4-30.6	2024 1.4-30.6	2025 1.1-30.6	2024 1.1-30.6
	Interest income	45,381	44,993	87,329	86,082
	Interest expense	(27,719)	(30,241)	(54,867)	(56,947)
6	**Net interest income**	**17,662**	**14,752**	**32,462**	**29,135**
	Fee and commission income	4,969	4,004	9,487	8,035
	Fee and commission expense	(1,768)	(1,362)	(3,282)	(2,657)
7	**Net fee and commission income**	**3,201**	**2,642**	**6,205**	**5,378**
	Insurance revenue	5,424	0	7,203	0
	Insurance service expenses	(4,655)	0	(6,164)	0
8	**Insurance service result**	**769**	**0**	**1,039**	**0**
9	Net gain on financial assets and liabilities at FVTPL	818	2,783	2,032	5,735
	Net foreign exchange gain	(71)	218	(142)	453
10	Net impairment changes	256	(746)	(75)	(3,460)
11	Other income and (expenses)	39	177	313	146
	Net other operating income	**1,042**	**2,432**	**2,128**	**2,874**
	Total operating income	**22,674**	**19,826**	**41,834**	**37,387**
12	Salaries and related expenses	(4,700)	(4,190)	(9,165)	(8,423)
13	Other operating expenses	(2,769)	(2,491)	(5,837)	(5,077)
	Tax on liabilities of financial institutions	(699)	(636)	(1,370)	(1,236)
	Total operating expenses	**(8,168)**	**(7,317)**	**(16,372)**	**(14,736)**
	Profit before tax	**14,506**	**12,509**	**25,462**	**22,651**
14	Income tax	(4,124)	(3,544)	(7,140)	(6,530)
	Profit for the period	**10,382**	**8,965**	**18,322**	**16,121**
	Profit for the period attributable to:				
	Owners of the Bank	10,382	8,965	18,322	16,121
	Non-controlling interests	0	0	0	0
	Profit for the period	**10,382**	**8,965**	**18,322**	**16,121**
	Earnings per share:				
32	Basic and diluted earnings per share from operations (ISK)	**0.44**	**0.38**	**0.78**	**0.68**

Condensed Consolidated Statement of Comprehensive Income for the six months ended 30 June 2025

Notes		2025 1.4-30.6	2024 1.4-30.6	2025 1.1-30.6	2024 1.1-30.6
	Profit for the period	10,382	8,965	18,322	16,121
	Other comprehensive income for the period, after tax	0	0	0	0
	Total comprehensive income for the period	**10,382**	**8,965**	**18,322**	**16,121**

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

All amounts are in ISK million

Condensed Consolidated Statement of Financial Position as at 30 June 2025

Notes		30.6.2025	31.12.2024
	Assets		
19, 52	Cash and balances with Central Bank	113,166	129,981
20	Bonds and debt instruments	205,592	139,104
21	Equities and equity instruments	33,699	32,644
22	Derivative instruments	6,098	8,260
23, 52	Loans and advances to financial institutions	69,279	39,346
24, 52	Loans and advances to customers	1,828,139	1,807,437
	Investments in equity-accounted associates	1,209	1,143
	Property and equipment	14,801	14,611
25	Intangible assets	15,445	1,336
26	Other assets	15,782	5,725
	Assets classified as held for sale	1,828	2,172
	Total assets	**2,305,038**	**2,181,759**
	Liabilities		
	Due to financial institutions and Central Bank	20,761	11,989
	Deposits from customers	1,239,280	1,228,444
22	Derivative instruments and short positions	4,696	6,835
27, 52	Borrowings	581,367	529,150
28	Tax liabilities	17,101	15,597
29	Other liabilities	65,327	25,106
30	Subordinated liabilities	52,427	39,989
	Total liabilities	**1,980,959**	**1,857,110**
31	**Equity**		
	Share capital	23,615	23,615
	Share premium	120,516	120,516
	Reserves	10,759	13,213
	Retained earnings	169,189	167,305
	Total equity attributable to owners of the Bank	**324,079**	**324,649**
	Non-controlling interests	0	0
	Total equity	**324,079**	**324,649**
	Total liabilities and equity	**2,305,038**	**2,181,759**

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

All amounts are in ISK million

Condensed Consolidated Statement of Changes in Equity for the six months ended 30 June 2025

Notes	Change in equity for the six months ended 30 June 2025	Share capital	Share premium	Statutory reserve	Unrealised gains in subsidiaries and equity-accounted associates reserve	Fair value changes of financial assets designated at FVTPL	Retained earnings	Total	Non-controlling interests	Total
		Attributable to owners of the Bank								
				Reserves*						
	Balance as at 1 January 2025	23,615	120,516	6,000	4,087	3,126	167,305	324,649		324,649
	Profit for the period						18,322	18,322		18,322
	Transferred from restricted reserves				(471)	(1,983)	2,454	0		0
	Dividends allocated						(18,892)	(18,892)		(18,892)
31	**Balance as at 30 June 2025**	**23,615**	**120,516**	**6,000**	**3,616**	**1,143**	**169,189**	**324,079**	**0**	**324,079**
	Change in equity for the six months ended 30 June 2024									
	Balance as at 1 January 2024	23,621	120,593	6,000	3,577	1,855	148,108	303,754		303,754
	Profit for the period						16,121	16,121		16,121
	Transferred from restricted reserves				(573)	(447)	1,020	0		0
	Purchase of own shares	(6)	(77)					(83)		(83)
	Dividends allocated						(16,530)	(16,530)		(16,530)
31	**Balance as at 30 June 2024**	**23,615**	**120,516**	**6,000**	**3,004**	**1,408**	**148,719**	**303,262**	**0**	**303,262**

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

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

All amounts are in ISK million

Condensed Consolidated Statement of Cash Flows for the six months ended 30 June 2025

Notes		2025 1.1-30.6	2024 1.1-30.6
	Operating activities		
	Profit for the period	18,322	16,121
	Adjustments for non-cash items included in profit for the period	(25,219)	(23,727)
	Changes in operating assets and liabilities	(80,208)	(51,720)
	Interest received	76,383	73,393
	Interest paid	(23,029)	(17,422)
	Dividends received	871	314
	Income tax and special income tax on financial institutions paid	(7,570)	(5,337)
	Net cash used in operating activities	**(40,450)**	**(8,378)**
	Investing activities		
	Acquisition of additional shares in subsidiaries	(32,217)	-
	Purchase of property and equipment	(489)	(478)
	Proceeds from sale of property and equipment	6	-
	Purchase of intangible assets	(53)	(40)
	Investing activities	**(32,753)**	**(518)**
	Financing activities		
	Proceeds from borrowings	110,598	69,279
	Repayment of borrowings	(54,929)	(55,241)
	Rent paid	(243)	(225)
	Procceds from subordinated liabilities	13,862	15,000
31	Purchase of own shares	-	(83)
31	Dividends paid	(9,446)	(8,265)
	Financing activities	**59,842**	**20,465**
	Cash and cash equivalents as at the beginning of the year	93,974	67,475
	Additions related to TM	391	-
	Net change in cash and cash equivalents	(13,752)	11,569
	Effect of exchange rate changes on cash and cash equivalents held	148	151
	Cash and cash equivalents as at the end of the period	**80,761**	**79,195**
	Investing and financing activities not affecting cash flows		
	Approved dividend to shareholders	(9,446)	(8,265)
	Unpaid dividend to shareholders	9,446	8,265
	Reclassification of Property and equipment	-	(436)
	Assets classified as held for sale	-	436
	Cash and cash equivalents is specified as follows:		
19	Cash and balances with Central Bank	113,166	111,224
23	Bank accounts with financial institutions	12,064	11,877
19	Mandatory and special restricted balances with Central Bank	(44,469)	(43,906)
	Cash and cash equivalents as at the end of the period	**80,761**	**79,195**

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

All amounts are in ISK million

Condensed Consolidated Statement of Cash Flows for the six months ended 30 June 2025

Notes		2025 1.1-30.6	2024 1.1-30.6
	Adjustments for non-cash items included in profit for the year		
6	Net interest income	(32,462)	(29,135)
9	Net gain on financial assets and liabilities at FVTPL	(2,032)	(5,735)
	Net foreign exchange gain	(5)	(604)
	Net impairment changes	75	3,460
11	Gain on sale of property and equipment	(237)	(35)
11	Net income (expenses) on repossessions	138	(114)
	Depreciation and amortisation	860	681
11	Share of gain of equity-accounted associates	(66)	(11)
	Tax on liabilities of financial institutions	1,370	1,236
14	Income tax	7,140	6,530
		(25,219)	**(23,727)**
	Changes in operating assets and liabilities		
	Change in reserve requirement with Central Bank	(382)	(18,210)
	Change in bonds and equities	(46,524)	9,028
	Change in loans and advances to financial institutions	(27,673)	16,075
	Change in loans and advances to customers	(22,436)	(99,196)
	Change in other assets	(14,592)	3,712
	Change in assets classified as held for sale	248	(290)
	Change in due to financial institutions and Central Bank	8,680	(21,549)
	Change in deposits from customers	(5,333)	70,633
	Change in deferred tax liability	724	5
	Change in other liabilities	27,080	(11,928)
		(80,208)	**(51,720)**

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

All amounts are in ISK million

Notes to the 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 Reykjastræti 6, Reykjavík. Landsbankinn operates an extensive branch network in Iceland, comprised of 34 branches and service points at the end of the reporting period.

The Condensed Consolidated Interim Financial Statements of the Bank for the period 1 January to 30 June 2025 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, non-life and life insurance 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 30 June 2025 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 17 July 2025.

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 Condensed Consolidated Interim Financial Statements of the Group as at and for the year ended 31 December 2024, which are available on the Bank's website, www.landsbankinn.is.

On 28 February 2025, Landsbankinn acquired all shares in TM tryggingar hf. (TM) and the company is classified as a subsidiary of the Bank as of the acquisition date. More details on the transaction are provided in Note 3. Upon the acquisition of TM, the Group adopted IFRS 17 Insurance Contracts. IFRS 17 specifies how a company records, measures, presents, and discloses information about insurance and reinsurance contracts. The standard does not have any retroactive impact for the Group.

Operating items of the Group in these consolidated interim financial statements that relate to the operation of TM reflect the company's operation as of the acquisition date to the end of the period, 28 February to 30 June 2025. This also applies to the operating items pertaining to the operation of TM included in the Group's notes for the period 1 January to 30 June 2025, i.e. that the period 28 February to 30 June 2025 applies to those operating items.

New significant accounting policies that result from the Group's implementation of IFRS 17 are described in Note 60.

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 extimates and judgements

The preparation of the Condensed Consolidated Interim 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.

Notes to the Condensed Consolidated Interim Financial Statements

3. Critical accounting estimates and judgements in applying accounting policies

In compiling these interim consolidated financial statements, accounting policies have been applied consistently for comparable transactions and other events under similar circumstances. The accounting policies are the same as those applied in the consolidated financial statements for the year 2024, except for additions due to the implementation of IFRS 17 Insurance Contracts. Further information on changes in accounting policies can be found in Note 60.

An agreement providing for the purchase by Landsbankinn of TM tryggingar hf. (TM) from Kvika Bank was signed 30 May 2024. The purchase price was ISK 28.6 billion, with the final consideration subject to a closing adjustment based on the tangible equity capital of TM as of 1 January 2024 to the delivery date. Settlement and delivery took place 28 February 2025 and the final purchase price is ISK 32.2 billion. The Group recognised costs related to the acquisition of TM in the amount of ISK 364 million (2024: ISK 157 million), mainly advisory, legal and due diligence fees, under other operating expenses in the income statement for the period 1 January to 30 June 2025. TM is classified as a subsidiary of Landsbankinn as of the delivery date. The operating profit of TM for the period from 28 February to 30 June 2025, amounting to ISK 159 million, is included in the consolidated financial statements.

The acquisition has been accounted for using the acquisition method. The fair value assessment of acquired assets and liabilities is as follows:

Identifiable purchased assets and liabilities	Fair value
Assets	
Bond and debt instruments	28,063
Equities and equity instruments	16,055
Derivative instruments	3
Loans and advances to financial institutions	391
Loans and advances to customers	66
Intangible assets	5,220
Other assets	1,728
Total assets	**51,526**
Liabilities	
Tax liabilities	561
Other liabilities	27,844
Total liabilities	**28,405**
Identifiable purchased net assets	**23,120**
Goodwill	**9,096**
Purchase price	**32,217**

Since the acquisition date, TM has contributed ISK 7,203 million in insurance revenue and ISK 159 million in profit to the consolidated results. Had the acquisition taken place on 1 January 2025, it is estimated that insurance revenue and profit would have amounted to ISK 10,611 million and ISK 47 million, respectively. The Annual General Meeting of TM, held on 29 April 2025, approved a motion from the Board of Directors to pay a dividend to shareholders for the operating year 2024 in the amount of ISK 2,500 million.

The allocation of purchase price has not been finalised at the end of the period but the Bank will complete it within the permitted 12-months timeframe from the acquisition date.

All amounts are in ISK million

Notes to the Condensed Consolidated Interim Financial Statements

4. Economic forecasts

Landsbankinn Economic Research Department provides scenarios with forecasts on relevant economic variables and presents them to the Bank's Valuation Team. Economic Research creates a baseline scenario as well as a optimistic and pessimistic scenario, with the last two showing impact on impairment. In the optimistic scenario, economic indicators are altered to lessen the Bank's credit losses compared with the baseline scenario; to increase credit loss in the pessimistic scenario.

The following table shows certain key economic variables used to calculate the ECL allowance. At the reporting date, the baseline forecast of Landsbankinn Economic Research projects 0,5% GDP growth in 2025. The forecasts for the upside, baseline and downside scenarios show averages for the 12-month outlook and to the medium-term forecast horizon. The upside scenario is given 15% weight (31 December 2024: 15%), the baseline 70% weight (31 December 2024: 70%) and the downside scenario 15% weight (31 December 2024: 15%). The scenarios were approved by the Bank's Valuation Team on 23 June 2025.

	Upside scenario		Base case senario		Downside scenario	
As at 30 June 2025	Next 12 Months	Remainder of the Forecast Period	Next 12 Months	Remainder of the Forecast Period	Next 12 Months	Remainder of the Forecast Period
GDP growth	6.7%	9.4%	1.9%	2.3%	(1.8%)	(4.9%)
Unemployment rate	2.1%	1.0%	3.7%	3.5%	5.4%	6.7%
Base rate	5.3%	1.4%	7.1%	5.6%	8.8%	9.9%
Inflation	1.4%	(0.9%)	3.9%	3.3%	6.4%	7.5%
EUR/ISK exchange rate, average	127.4	104.6	142.4	142.0	157.5	179.4
Housing Price index, y/y change	11.0%	19.1%	3.8%	6.4%	(3.5%)	(6.3%)
Household indebtedness	38.7%	25.3%	47.6%	45.8%	56.5%	66.4%

	Upside scenario		Base case senario		Downside scenario	
As at 31 December 2024	Next 12 Months	Remainder of the Forecast Period	Next 12 Months	Remainder of the Forecast Period	Next 12 Months	Remainder of the Forecast Period
GDP growth	7.2%	9.4%	2.3%	2.2%	(2.6%)	(5.0%)
Unemployment rate	1.8%	1.0%	3.5%	3.3%	5.1%	6.6%
Base rate	5.6%	1.3%	7.3%	5.5%	9.1%	9.7%
Inflation	1.4%	(0.7%)	3.9%	3.4%	6.4%	7.6%
EUR/ISK exchange rate, average	128.7	103.7	144.1	141.2	159.5	178.7
Housing Price index, y/y change	14.2%	20.1%	6.9%	7.3%	(0.4%)	(5.5%)
Household indebtedness	37.2%	24.7%	46.2%	45.6%	55.2%	66.6%

	As at 30 June 2025			As at 31 December 2024		
	Upside scenario	Base senario	Downside senario	Upside scenario	Base senario	Downside senario
Allowance for impairment (Stage 1 and Stage 2)	2,580	4,242	6,977	2,242	3,742	6,408
Proportion of assets in Stage 2	3.3%	3.7%	4.6%	3.9%	4.3%	5.0%

	Reported under IFRS 9	
	As at 30 June 2025	As at 31 December 2024
Allowance for impairment (stage 1 and stage 2)	5,620	4,649

All amounts are in ISK million

Notes to the Condensed Consolidated Interim Financial Statements

5. Operating segments

Segment information for the Group is presented in accordance with internal reporting to the CEO and the managing 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, Risk Management, IT and Communication & Culture. The Group’s operating segments are divided into five main business segments and other divisions. 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 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 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 undir the Finance 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.

• **TM** is an insurance company providing both non-life and life insurance services to individual and corporate customers.

Other divisions are Finance (with the exception of Treasury and Market Making), Risk Management, IT and Communication & Culture. 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. Other divisions 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 debt ratio.

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 2025 and the corresponding period in 2024.

Notes to the Condensed Consolidated Interim Financial Statements

5. Operating segments (continued)

1 January - 30 June 2025	Personal Banking	Corporate Banking	Asset Management & Capital Market	Treasury and Market Making	TM tryggingar	Other divisions	Recon-ciliation	Total
Net interest income	10,160	13,822	183	7,708	131	290	168	**32,462**
Net fee and commission income	1,840	1,652	3,062	(321)	-	64	(92)	**6,205**
Insurance service result	-	-	-	-	925	-	114	**1,039**
Net impairment changes	(45)	(41)	-	-	11	-	-	**(75)**
Other net operating income (expenses)	45	(469)	(99)	2,859	(400)	349	(82)	**2,203**
Total operating income (expenses)	**12,000**	**14,964**	**3,146**	**10,246**	**667**	**703**	**108**	**41,834**
Operating expenses	(3,749)	(1,887)	(1,304)	(451)	(271)	(7,318)	(22)	**(15,002)**
Tax on liabilities of financial institutions	(563)	(283)	(7)	(512)	-	(5)	-	**(1,370)**
Profit (loss) before cost allocation and tax	**7,688**	**12,794**	**1,835**	**9,283**	**396**	**(6,620)**	**86**	**25,462**
Allocated expenses	(2,568)	(1,841)	(766)	(783)	-	5,958	-	**0**
Profit (loss) before tax	**5,120**	**10,953**	**1,069**	**8,500**	**396**	**(662)**	**86**	**25,462**
Income tax	(1,442)	(2,866)	(397)	(2,342)	(237)	144	-	**(7,140)**
Profit (loss) for the period	**3,678**	**8,087**	**672**	**6,158**	**159**	**(518)**	**86**	**18,322**
Net revenue (expenses) from external customers	19,706	30,233	3,727	(12,980)	667	373	-	**41,726**
Net revenue (expenses) from other segments	(7,706)	(15,269)	(581)	23,226	-	330	-	**0**
Total operating income (expenses)	**12,000**	**14,964**	**3,146**	**10,246**	**667**	**703**	**0**	**41,726**
As at 30 June 2025								
Total assets	**936,351**	**876,489**	**15,791**	**811,541**	**58,045**	**18,288**	**(411,467)**	**2,305,038**
Total liabilities	**867,582**	**712,862**	**10,704**	**761,278**	**25,713**	**14,287**	**(411,467)**	**1,980,959**
Allocated capital	**68,769**	**163,627**	**5,087**	**50,263**	**32,332**	**4,001**		**324,079**

1 January - 30 June 2024	Personal Banking	Corporate Banking	Asset Management & Capital Market	Treasury and Market Making	Other divisions	Recon-ciliation	Total
Net interest income	10,696	13,863	251	4,023	260	42	**29,135**
Net fee and commission income	1,700	1,296	2,600	(243)	108	(83)	**5,378**
Net impairment changes	(2,269)	(1,190)	-	(1)	-	-	**(3,460)**
Other net operating income (expenses)	51	140	88	5,904	153	(2)	**6,334**
Total operating income (expenses)	**10,178**	**14,109**	**2,939**	**9,683**	**521**	**(43)**	**37,387**
Operating expenses	(3,656)	(1,719)	(1,214)	(463)	(6,531)	83	**(13,500)**
Tax on liabilities of financial institutions	(512)	(262)	(6)	(454)	(2)	-	**(1,236)**
Profit (loss) before cost allocation and tax	**6,010**	**12,128**	**1,719**	**8,766**	**(6,012)**	**40**	**22,651**
Allocated expenses	(2,421)	(1,626)	(642)	(574)	5,263	-	**0**
Profit (loss) before tax	**3,589**	**10,502**	**1,077**	**8,192**	**(749)**	**40**	**22,651**
Income tax	(1,109)	(2,863)	(634)	(2,055)	131	-	**(6,530)**
Profit (loss) for the period	**2,480**	**7,639**	**443**	**6,137**	**(618)**	**40**	**16,121**
Net revenue (expenses) from external customers	15,308	28,688	3,397	(10,178)	215	-	**37,430**
Net revenue (expenses) from other segments	(5,130)	(14,579)	(458)	19,861	306	-	**0**
Total operating income (expenses)	**10,178**	**14,109**	**2,939**	**9,683**	**521**	**0**	**37,430**
As at 30 June 2024							
Total assets	**901,989**	**823,843**	**15,461**	**748,824**	**22,098**	**(436,752)**	**2,075,463**
Total liabilities	**835,860**	**694,654**	**10,213**	**650,220**	**18,006**	**(436,752)**	**1,772,201**
Allocated capital	**66,129**	**129,189**	**5,248**	**98,604**	**4,092**		**303,262**

All amounts are in ISK million

Notes to the Condensed Consolidated Interim Financial Statements

Notes to the Consolidated Income Statement

6. Net interest income

	1.4-30.6.2025			1.4-30.6.2024		
Interest income	**Amortised cost**	**Designated at FVTPL**	**Total**	**Amortised cost**	**Designated at FVTPL**	**Total**
Cash and balances with Central Bank	1,256	-	1,256	1,664	-	1,664
Loans and advances to financial institutions	551	-	551	550	-	550
Loans and advances to customers	42,459	1,046	43,505	42,186	552	42,738
Other interest income	42	27	69	9	32	41
Total	**44,308**	**1,073**	**45,381**	**44,409**	**584**	**44,993**
Interest expense						
Due to financial institutions and Central Bank	(176)	-	(176)	(48)	-	(48)
Deposits from customers	(18,225)	-	(18,225)	(20,046)	-	(20,046)
Borrowings	(5,855)	(1,972)	(7,827)	(6,554)	(2,055)	(8,609)
Other interest expense	(24)	(108)	(132)	(51)	(393)	(444)
Subordinated liabilities	(1,359)	-	(1,359)	(1,094)	-	(1,094)
Total	**(25,639)**	**(2,080)**	**(27,719)**	**(27,793)**	**(2,448)**	**(30,241)**
Net interest income	**18,669**	**(1,007)**	**17,662**	**16,616**	**(1,864)**	**14,752**

	1.1.-30.6.2025			1.1.-30.6.2024		
Interest income	**Amortised cost**	**Designated at FVTPL**	**Total**	**Amortised cost**	**Designated at FVTPL**	**Total**
Cash and balances with Central Bank	2,684	-	2,684	3,346	-	3,346
Loans and advances to financial institutions	1,084	-	1,084	1,258	-	1,258
Loans and advances to customers	81,350	2,034	83,384	80,312	999	81,311
Other interest income	119	58	177	102	65	167
Total	**85,237**	**2,092**	**87,329**	**85,018**	**1,064**	**86,082**
Interest expense						
Due to financial institutions and Central Bank	(327)	-	(327)	(297)	-	(297)
Deposits from customers	(37,268)	-	(37,268)	(38,487)	-	(38,487)
Borrowings	(10,692)	(3,925)	(14,617)	(11,744)	(3,628)	(15,372)
Other interest expense	(43)	(210)	(253)	(69)	(879)	(948)
Subordinated liabilities	(2,402)	-	(2,402)	(1,843)	-	(1,843)
Total	**(50,732)**	**(4,135)**	**(54,867)**	**(52,440)**	**(4,507)**	**(56,947)**
Net interest income	**34,505**	**(2,043)**	**32,462**	**32,578**	**(3,443)**	**29,135**

Net interest income, calculated based on the effective interest rate method, amounted to ISK 32,462 million in the first six months of 2025 as compared with ISK 29,135 million for the same period in 2024.

7. Net fee and commission income

	1.4-30.6.2025			1.4-30.6.2024		
	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	1,672	(174)	1,498	1,300	(189)	1,111
Loans and guarantees	525	-	525	431	-	431
Payment cards	1,698	(908)	790	1,608	(750)	858
Collection and payment services	265	(59)	206	253	(56)	197
Other	809	(627)	182	412	(367)	45
Total	**4,969**	**(1,768)**	**3,201**	**4,004**	**(1,362)**	**2,642**

All amounts are in ISK million

Notes to the Condensed Consolidated Interim Financial Statements

7. Net fee and commission income (continued)

	1.1.-30.6.2025			1.1.-30.6.2024		
	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	3,406	(344)	3,062	2,997	(362)	2,635
Loans and guarantees	969	-	969	799	-	799
Payment cards	3,211	(1,668)	1,543	3,031	(1,594)	1,437
Collection and payment services	506	(119)	387	501	(113)	388
Other	1,395	(1,151)	244	707	(588)	119
Total	**9,487**	**(3,282)**	**6,205**	**8,035**	**(2,657)**	**5,378**

8. Insurance service result

	2025 1.4-30.6	2025 28.2-30.6
Insurance revenue	5,424	7,203
Incurred claims	(3,296)	(4,418)
Insurance service expenses	(1,040)	(1,395)
Performance from reinsurance recoverables	(319)	(351)
Insurance service results	**769**	**1,039**

The following table shows the operating performance of TM tryggingar hf for the period 28 February to 30 June 2025 in accordance with the company's accounting standards.

Insurance service results according to the Financial Statemants of TM	2025 1.4-30.6	2025 28.2-30.6
Insurance revenue	5,424	7,203
Expenses from insurance contracts	(4,450)	(5,927)
Performance from reinsurance recoverables	(319)	(351)
Insurance service results	**655**	**925**
Investment income	365	(13)
Net financial loss from insurance contracts	(172)	(296)
Operating costs of investments	(143)	(187)
Impairment changes of financial assets	14	11
Investments results	**64**	**(485)**
Other income and (expenses)	(26)	(44)
Profit before tax	**693**	**396**
Income tax	(188)	(237)
Profit for the period	**505**	**159**
Combined ratio	**87.9%**	**87.2%**

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

Net gain (loss) on financial assets and liabilities at FVTPL	2025 1.4-30.6	2024 1.4-30.6	2025 1.1-30.6	2024 1.1-30.6
Bonds and debt instruments	1,652	1,839	3,158	4,258
Equities and equity instruments	(950)	265	(743)	877
Derivatives and underlying hedges	333	407	583	446
Loans and advances to customers	82	246	(258)	226
Net financial loss from insurance contracts	(172)	-	(296)	-
Net (loss) gain on fair value hedges	(127)	26	(412)	(72)
Total	**818**	**2,783**	**2,032**	**5,735**

All amounts are in ISK million

Notes to the Condensed Consolidated Interim Financial Statements

10. Net impairment changes

	2025 1.4-30.6	2024 1.4-30.6	2025 1.1-30.6	2024 1.1-30.6
Net impairment changes of loans to customers	229	(835)	(160)	(3,549)
Net impairment changes of other financial assets and provision for litigations	27	89	85	89
Net impairment changes of financial assets	**256**	**(746)**	**(75)**	**(3,460)**
Net impairment changes by customer type				
Public entities	1	2	1	2
Individuals	7	59	(113)	(2,298)
Corporates	248	(807)	37	(1,164)
Net impairment changes of financial assets	**256**	**(746)**	**(75)**	**(3,460)**

11. Other income and (expenses)

	2025 1.4-30.6	2024 1.4-30.6	2025 1.1-30.6	2024 1.1-30.6
Share of gain of equity-accounted associates	43	73	66	11
Gain on sale of property and equipment	11	17	237	35
Net (expenses) income on repossessions	(98)	25	(138)	114
Other	83	62	148	(14)
Total	**39**	**177**	**313**	**146**

12. Salaries and related expenses

	2025 1.4-30.6	2024 1.4-30.6	2025 1.1-30.6	2024 1.1-30.6
Salaries	3,922	3,117	7,275	6,168
Contributions to defined pension plans	517	476	1,022	937
Social security contributions	280	229	524	451
Special financial activities tax on salaries	243	198	454	391
Other related expenses	218	170	539	476
Salaries and related expenses attributable to insurance service expenses	(480)	-	(649)	-
Total	**4,700**	**4,190**	**9,165**	**8,423**
Average number of full-time equivalent positions during the period	925	824	893	824
Number of full-time equivalent positions at the end of the period	927	824	927	824

13. Other operating expenses

	2025 1.4-30.6	2024 1.4-30.6	2025 1.1-30.6	2024 1.1-30.6
Other operating expenses	3,446	2,491	6,700	5,077
Operating expenses attributable to insurance service expenses	(677)	-	(863)	-
Total	**2,769**	**2,491**	**5,837**	**5,077**

14. Income tax

Income tax is recognised based on the tax rates and tax laws enacted by the end of the period, according to which the domestic corporate income tax rate was 20.0% (2024: 21.0%). An additional special income tax on financial institutions is recognise data rate of 6% on an income tax base exceeding ISK 1,000 million in accordance with Act No.165/2011, on Financial Activity Tax. Income tax recognised in the income statement is specified as follows:

	2025 1.1-30.6	2024 1.1-30.6
Current tax expense	(5,479)	(5,156)
Special income tax on financial institutions	(1,498)	(1,379)
Origination and reversal of temporary differences due to deferred tax assets/liabilities	(163)	5
Total	**(7,140)**	**(6,530)**

All amounts are in ISK million

Notes to the Condensed Consolidated Interim Financial Statements

14. Income tax (continued)

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

		2025 1.1-30.6		2024 1.1-30.6
Profit before income tax		25,462		22,651
Income tax calculated using the domestic corporate income tax rate	20.0%	(5,092)	21.0%	(4,757)
Special income tax on financial institutions	5.9%	(1,498)	6.1%	(1,379)
Effect of different tax rates	0.0%	-	0.0%	(7)
Income not subject to tax	(0.5%)	119	(0.4%)	83
Non-deductible expenses	2.7%	(697)	2.1%	(469)
Other	(0.1%)	28	0.0%	(1)
Effective income tax	**28.0%**	**(7,140)**	**28.8%**	**(6,530)**

All amounts are in ISK million

15. Classification and fair values of financial assets and liabilities

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

- Financial assets measured at amortised cost.
- Financial assets measured 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 2025:

		Carrying amount					Fair value			
			Fair value through profit or loss							
As at 30 June 2025	**Notes**	**Amortised cost**	**Trading book**	**Banking book**	**Other financial liabilities**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets measured at fair value										
Bonds and debt instruments	20	-	46,307	159,285	-	205,592	201,561	26	4,005	205,592
Equities and equity instruments	21	-	19,791	13,908	-	33,699	21,106	-	12,593	33,699
Derivative instruments	22	-	6,098	-	-	6,098	-	6,098	-	6,098
Loans and advances to customers	24	-	50,635	-	-	50,635	-	-	50,635	50,635
		0	**122,831**	**173,193**	**0**	**296,024**	**222,667**	**6,124**	**67,233**	**296,024**
Financial assets not measured at fair value										
Cash and balances with Central Bank	19	113,166	-	-	-	113,166	-	113,166	-	113,166
Loans and advances to financial institutions	23	69,279	-	-	-	69,279	-	69,279	-	69,279
Loans and advances to customers	24	1,777,504	-	-	-	1,777,504	-	1,772,708	-	1,772,708
Other financial assets		13,864	-	-	-	13,864	-	13,864	-	13,864
		1,973,813	**0**	**0**	**0**	**1,973,813**	**0**	**1,969,017**	**0**	**1,969,017**
Financial liabilities measured at fair value										
Derivative instruments	22	-	2,324	-	-	2,324	-	2,324	-	2,324
Short positions	22	-	2,372	-	-	2,372	2,372	-	-	2,372
		0	**4,696**	**0**	**0**	**4,696**	**2,372**	**2,324**	**0**	**4,696**
Financial liabilities not measured at fair value										
Due to financial institutions and Central Bank		-	-	-	20,761	20,761	-	20,761	-	20,761
Deposits from customers		-	-	-	1,239,280	1,239,280	-	1,238,309	-	1,238,309
Borrowings	27	-	-	-	581,367	581,367	-	576,595	-	576,595
Other financial liabilities		-	-	-	46,565	46,565	-	46,565	-	46,565
Subordinated liabilities	30	-	-	-	52,427	52,427	-	52,790	-	52,790
		0	**0**	**0**	**1,940,400**	**1,940,400**	**0**	**1,935,020**	**0**	**1,935,020**

All amounts are in ISK million

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

The following table shows the classification of the Group's financial assets and liabilities according to IFRS 9 and their fair values as at 31 December 2024:

		Carrying amount					Fair value			
			Fair value through profit or loss							
As at 31 December 2024	**Notes**	**Amortised cost**	**Trading book**	**Banking book**	**Other financial liabilities**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets measured at fair value										
Bonds and debt instruments	20	-	21,251	117,853	-	139,104	138,239	25	840	139,104
Equities and equity instruments	21	-	16,972	15,672	-	32,644	18,522	-	14,122	32,644
Derivative instruments	22	-	8,260	-	-	8,260	-	8,260	-	8,260
Loans and advances to customers	24	-	41,255	-	-	41,255	-	-	41,255	41,255
		0	**87,738**	**133,525**	**0**	**221,263**	**156,761**	**8,285**	**56,217**	**221,263**
Financial assets not measured at fair value										
Cash and balances with Central Bank	19	129,981	-	-	-	129,981	-	129,981	-	129,981
Loans and advances to financial institutions	23	39,346	-	-	-	39,346	-	39,346	-	39,346
Loans and advances to customers	24	1,766,182	-	-	-	1,766,182	-	1,760,088	-	1,760,088
Other financial assets		4,392	-	-	-	4,392	-	4,392	-	4,392
		1,939,901	**0**	**0**	**0**	**1,939,901**	**0**	**1,933,807**	**0**	**1,933,807**
Financial liabilities measured at fair value										
Derivative instruments	22	-	2,618	-	-	2,618	-	2,618	-	2,618
Short positions	22	-	4,217	-	-	4,217	4,217	0	-	4,217
		-	**6,835**	**-**	**-**	**6,835**	**4,217**	**2,618**	**-**	**6,835**
Financial liabilities not measured at fair value										
Due to financial institutions and Central Bank		-	-	-	11,989	11,989	-	11,989	-	11,989
Deposits from customers		-	-	-	1,228,444	1,228,444	-	1,227,532	-	1,227,532
Borrowings	27	-	-	-	529,150	529,150	-	524,386	-	524,386
Other financial liabilities		-	-	-	7,386	7,386	-	7,386	-	7,386
Subordinated liabilities	30	-	-	-	39,989	39,989	-	40,071	-	40,071
		0	**0**	**0**	**1,816,958**	**1,816,958**	**0**	**1,811,364**	**0**	**1,811,364**

All amounts are in ISK million

Notes to the Condensed Consolidated Interim Financial Statements

16. Fair value of financial assets and liabilities

Valuation framework

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

Transfers between Levels

During the period from 1 January to 30 June 2025 and the same period in 2024, 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 2025 and for the year 2024:

1 January - 30 June 2025	Bonds and debt instruments	Equities and equity instruments	Loans and advances to customers	Total financial assets
Carrying amount as at 1 January 2025	840	14,122	41,255	56,217
Net (loss) gain on financial assets and liabilities at FVTPL	(503)	600	(258)	(161)
Net foreign exchange (loss) gain	-	(10)	(590)	(600)
Purchases	4,075	8,059	207,029	219,163
Sales	(48)	(10,076)	-	(10,124)
Settlements	(359)	-	(196,801)	(197,160)
Dividend received	-	(102)	-	(102)
Carrying amount as at 30 June 2025	**4,005**	**12,593**	**50,635**	**67,233**
1 January - 31 December 2024				
Carrying amount as at 1 January 2024	901	10,168	15,604	26,673
Net gain (loss) on financial assets and liabilities at FVTPL	59	4,043	(1,284)	2,818
Net foreign exchange (loss) gain	-	(1)	65	64
Purchases	82	183	331,302	331,567
Sales	-	(156)	-	(156)
Settlements	(202)	-	(304,258)	(304,460)
Dividend received	-	(115)	-	(115)
Transfers out of Level 3	-	-	(174)	(174)
Carrying amount as at 31 December 2024	**840**	**14,122**	**41,255**	**56,217**

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 2025 and 30 June 2024 were recognised:

1 January - 30 June 2025	Bonds and debt instruments	Equities and equity instruments	Loans and advances to customers	Total
Net loss on financial assets and liabilities at FVTPL realised	(15)	(219)	(258)	(492)
Net loss on financial assets and liabilities at FVTPL unrealised	(447)	(610)	-	(1,057)
Net foreign exchange loss	-	(10)	(590)	(600)
Total	**(462)**	**(839)**	**(848)**	**(2,149)**
1 January - 30 June 2024				
Net gain on financial assets and liabilities at FVTPL realised	10	511	226	747
Net gain on financial assets and liabilities at FVTPL unrealised	14	697	-	711
Net foreign exchange gain	-	-	90	90
Total	**24**	**1,208**	**316**	**1,548**

All amounts are in ISK million

Notes to the Condensed Consolidated Interim Financial Statements

17. Unobservable inputs in fair value measurement

The following table summarises the valuation techniques together with the significant unobservable inputs used to calculate the fair value of Level 3 assets as at 30 June 2025 and 31 december 2024. The range of values indicates the highest and lowest level input used in the valuation technique and, as such, only reflects the characteristics of the instruments as opposed to the level of uncertainty in their valuation.

As at 30 June 2025	Level 3 Assets	Significant unobservable inputs	Valuation technique	Higher	Lower	Favourable	Unfavourable
Bonds and debt instruments	11	Recovery rates	See 1) below	5%	-5%	1	(1)
	3,994	Bond prices	See 1) below	5%	-5%	200	(200)
Equities and equity instruments							
Equities - Banking book	12,593	Instrument Price	See 2) below	5%	-5%	630	(630)
Loans and advances to customers	41,206	Probability of default	See 3) below	1%	-1%	218	(234)
	9,429	Recovery rates	See 3) below	5%	-5%	1,012	(1,012)
Total	**67,233**					**2,061**	**(2,077)**

As at 31 December 2024	Level 3 Assets	Significant unobservable inputs	Valuation technique	Higher	Lower	Favourable	Unfavourable
Bonds and debt instruments	11	Recovery rates	See 1) below	5%	-5%	1	(1)
	829	Bond prices	See 1) below	5%	-5%	41	(41)
Equities and equity instruments							
Equities - Banking book	14,122	Instrument Price	See 2) below	5%	-5%	657	(670)
	31,985	Probability of default	See 3) below	1%	-1%	287	(300)
Loans and advances to customers	9,270	Recovery rates	See 3) below	5%	-5%	1,127	(1,127)
Total	**56,217**					**2,113**	**(2,139)**

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.

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 transaction or intrinsic value after haircut, are the methods or inputs used to estimate fair value of investments in equities and equity instruments.

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, value of underlying collateral, probability of default and liquidity spread. The Bank's loan to Fasteignafélagið Thórkatla ehf. is measured at fair value through profit or loss, based on expected recovery rates as the valuation technique.

All amounts are in ISK million

18. Expected credit loss

	30.6.2025			
	Stage 1	Stage 2	Stage 3	Total
Cash and balances with Central Bank	(1)	-	-	(1)
Loans and advances to customers	(2,833)	(2,320)	(5,050)	(10,203)
Other financial assets	(71)	-	-	(71)
Expected credit loss, off-balance sheet items	(399)	(68)	(55)	(522)
Total	**(3,304)**	**(2,388)**	**(5,105)**	**(10,797)**

	31.12.2024			
	Stage 1	Stage 2	Stage 3	Total
Cash and balances with Central Bank	(1)	-	-	(1)
Loans and advances to customers	(2,115)	(2,184)	(6,352)	(10,651)
Other financial assets	(70)	-	-	(70)
Expected credit loss, off-balance sheet items	(271)	(79)	(179)	(529)
Total	**(2,457)**	**(2,263)**	**(6,531)**	**(11,251)**

The Bank has assessed the need for provisions for impairment for loans in response to the volcanic and seismic activity in and around Grindavík and has made an ISK 1,735 million provision at the end of the second quarter of 2025 (31 December 2024: ISK 1,943 million). Of this amount, ISK 838 million is a collective allowance (31 December 2024: ISK 731 million) made against increased risk not adequately captured under general impairment assessment. Assessment of the collective allowance is based on a detailed analysis of loans to Grindavík customers whereby loans are grouped on the basis of similar risk characteristics. The assessment is based on expert judgement that considers the potential impact on payment capacity and value of underlying collateral.

There is still uncertainty about the development and final impact of the seismic and volcanic activity. Consequently, there is considerable uncertainty about the impact on the Bank's Grindavík customers and the Bank's credit portfolio. The Bank performs a detailed quarterly risk assessment of loans to larger corporates in Grindavík and staging is based on that assessment. Loans to smaller Grindavík-based corporates are classified as stage 2, other than loans classified in stage 3. Loans to corporates in and around Grindavík are classified as stage 2 and amount to ISK 23,941 million (31 December 2024: ISK 22,730 million). Housing mortgages to retail customers in Grindavík are classified as stage 2 and amount to ISK 109 million (31 December 2024: ISK 313 million).

All amounts are in ISK million

Notes to the Condensed Consolidated Interim Financial Statements

19. Cash and balances with Central Bank

	30.6.2025	31.12.2024
Cash on hand	4,432	5,478
Unrestricted balances with Central Bank	64,265	80,415
Total cash and unrestricted balances with Central Bank	**68,697**	**85,893**
Restricted balances with Central Bank - fixed reserve requirement	38,532	38,079
Cash and balances pledged as collateral to the Central Bank	5,937	6,009
Total restricted balances with Central Bank	**44,469**	**44,088**
Total cash and balances with Central Bank	**113,166**	**129,981**

20. Bonds and debt instruments

	30.6.2025			31.12.2024		
Bonds and debt instruments	**Trading book**	**Banking book**	**Total**	**Trading book**	**Banking book**	**Total**
Domestic						
Listed	46,307	20,828	67,135	21,251	31,249	52,500
Unlisted	-	6,292	6,292	-	1,292	1,292
	46,307	**27,120**	**73,427**	**21,251**	**32,541**	**53,792**
Foreign						
Listed	-	132,165	132,165	-	85,312	85,312
	0	**132,165**	**132,165**	**0**	**85,312**	**85,312**
Total bonds	**46,307**	**159,285**	**205,592**	**21,251**	**117,853**	**139,104**

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

21. Equities and equity instruments

	30.6.2025			31.12.2024		
Equities and equity instruments	**Trading book**	**Banking book**	**Total**	**Trading book**	**Banking book**	**Total**
Domestic						
Listed	12,252	556	12,808	8,298	822	9,120
Unlisted	-	12,363	12,363	-	14,484	14,484
	12,252	**12,919**	**25,171**	**8,298**	**15,306**	**23,604**
Foreign						
Listed	7,539	408	7,947	8,674	342	9,016
Unlisted	-	581	581	-	24	24
	7,539	**989**	**8,528**	**8,674**	**366**	**9,040**
Total equities	**19,791**	**13,908**	**33,699**	**16,972**	**15,672**	**32,644**

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 year during which the fund identifies suitable investments and draws on subscribed capital from its shareholders, including the Bank, followed by a transformation year during which the fund implements its value-enhancing changes for the companies it has invested in. When the lifetime year of a fund expires it is wound up and dissolved and shareholders realise their investment.

As at 30 June 2025, outstanding commitments of the Group in share subscriptions amounted to ISK 1.837 million (31 December 2024: ISK 408 million) altogether in seven entities (31 December 2024: six entities). The entities invested in by the Group are required to redeem its shareholders with proceeds from the sale of assets.

All amounts are in ISK million

Notes to the Condensed Consolidated Interim Financial Statements

22. Derivative instruments and short positions

Trading

	30.6.2025			31.12.2024		
	Notional	Fair value		Notional	Fair value	
Foreign exchange derivatives	amount	Assets	Liabilities	amount	Assets	Liabilities
Currency forwards	28,289	156	500	22,060	89	162
Currency options	5	-	1	-	-	-
	28,294	**156**	**501**	**22,060**	**89**	**162**
Interest rate derivatives						
Total return swaps	21,594	27	31	18,990	22	25
	21,594	**27**	**31**	**18,990**	**22**	**25**
Equity derivatives						
Equity forwards	26	7	-	29	-	2
Total return swaps	5,831	200	25	12,845	142	508
Equity options	54	-	1	117	-	31
	5,911	**207**	**26**	**12,991**	**142**	**541**
Total derivative instruments	**55,799**	**390**	**558**	**54,041**	**253**	**728**
Short positions						
Listed bonds	2,010	-	2,372	4,079	-	4,217
Total short positions	**2,010**	**0**	**2,372**	**4,079**	**0**	**4,217**
Total	**57,809**	**390**	**2,930**	**58,120**	**253**	**4,945**

Risk management

	30.6.2025			31.12.2024		
	Notional	Fair value		Notional	Fair value	
Foreign exchange derivatives	amount	Assets	Liabilities	amount	Assets	Liabilities
Currency forwards	57,005	479	725	76,716	279	1,027
	57,005	**479**	**725**	**76,716**	**279**	**1,027**
Interest rate derivatives						
Interest rate swaps	2,000	-	806	2,000	-	683
	2,000	**0**	**806**	**2,000**	**0**	**683**
Fair value hedging						
Interest rate swaps	213,300	5,229	235	172,680	7,728	180
	213,300	**5,229**	**235**	**172,680**	**7,728**	**180**
Total	**272,305**	**5,708**	**1,766**	**251,396**	**8,007**	**1,890**
Total derivative instruments and short positions	**330,114**	**6,098**	**4,696**	**309,516**	**8,260**	**6,835**

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 2025 to 30 June 2025, the slope of the regression line was in all cases within the range of 0.90 and 1.00 (for a 95% confidence level) and the regression coefficient was at least 1.00 (R^2). During the period from 1 January 2024 to 30 June 2024, the slope of the regression line is in all cases within the range of 0.91 and 0.98 (for a 95% confidence level) and the regression coefficient was at least 1.00 (R^2). In all cases the effectiveness is within limits during the first six months of 2025 and for the same period of 2024.

All amounts are in ISK million

22. Derivative instruments and short positions (continued)

Fair value hedging (continued)

As at 30 June 2025	Notional amount of the hedging instrument	Maturity date: 3-12 months	Maturity date: 1-5 years	Maturity date: >5 years	Fair value of the hedging derivatives: Assets	Fair value of the hedging derivatives: Liabilities	Gains (losses) on changes in fair value used for calculating hedge ineffectiveness
Interest rate swaps - EUR	42,660	-	42,867	-	1,917	-	(958)
Interest rate swaps - EUR	42,660	-	42,867	-	1,627	-	(1,460)
Interest rate swaps - EUR	42,660	-	42,867	-	881	-	(964)
Interest rate swaps - EUR	42,660	-	42,867	-	804	-	990
Interest rate swaps - EUR	42,660	-	42,867	-	-	235	(233)
Total	**213,300**	**0**	**214,335**	**0**	**5,229**	**235**	**(2,625)**

Average fixed interest rate - EUR		4.58%

As at 30 June 2025	Carrying amount of the hedged item: Assets	Carrying amount of the hedged item: Liabilities	Accumulated amount of fair value hedge adjustments on the hedged item: Assets	Accumulated amount of fair value hedge adjustments on the hedged item: Liabilities	Gains (losses) on changes in fair value used for calculating hedge ineffectiveness
LBANK 4.25 3/28 CB	-	44,530	-	1,427	874
LBANK 6.375 3/27	-	44,288	-	896	1,342
LBANK 5.0 5/28	-	43,671	-	833	909
LBANK 3.75 10/29	-	43,768	-	102	(1,016)
LBANK 3.5 6/30	-	42,428	96	-	104
Total EMTN hedged borrowings	**0**	**218,685**	**96**	**3,258**	**2,213**

As at 31 December 2024	Notional amount of the hedging instrument	Maturity date: 3-12 months	Maturity date: 1-5 years	Maturity date: >5 years	Fair value of the hedging derivatives: Assets	Fair value of the hedging derivatives: Liabilities	Gains (losses) on changes in fair value used for calculating hedge ineffectiveness
Interest rate swaps - EUR	43,170	-	43,170	-	2,859	-	(11)
Interest rate swaps - EUR	43,170	-	43,170	-	3,027	-	1,489
Interest rate swaps - EUR	43,170	-	43,170	-	1,842	-	1,921
Interest rate swaps - EUR	43,170	-	43,170	-	-	180	(184)
Total	**172,680**	**0**	**172,680**	**0**	**7,728**	**180**	**3,215**

Average fixed interest rate - EUR		4.84%

As at 31 December 2024	Carrying amount of the hedged item: Assets	Carrying amount of the hedged item: Liabilities	Accumulated amount of fair value hedge adjustments on the hedged item: Assets	Accumulated amount of fair value hedge adjustments on the hedged item: Liabilities	Gains (losses) on changes in fair value used for calculating hedge ineffectiveness
LBANK 4.25 3/28 CB	-	45,999	-	1,473	105
LBANK 6.375 3/27	-	46,220	-	948	(1,383)
LBANK 5.0 5/28	-	45,184	-	765	(1,815)
LBANK 3.75 10/29	-	43,382	-	15	114
Total EMTN hedged borrowings	**0**	**180,785**	**0**	**3,201**	**(2,979)**

All amounts are in ISK million

23. Loans and advances to financial institutions

	30.6.2025	31.12.2024
Bank accounts with financial institutions	12,064	8,080
Money market loans	55,842	29,447
Other loans	1,373	1,819
Allowance for impairment	-	-
Total	**69,279**	**39,346**

24. Loans and advances to customers

	30.6.2025	31.12.2024
Loans and advances to customers at amortised cost	1,787,707	1,776,833
Allowance for impairment	(10,203)	(10,651)
Total	**1,777,504**	**1,766,182**
Loans and advances to customers at FVTPL	50,635	41,255
Total	**1,828,139**	**1,807,437**

Loans and advances to customers at amortised cost

	30.6.2025			31.12.2024		
	Gross carrying amount	Allowance for impairment	Carrying amount	Gross carrying amount	Allowance for impairment	Carrying amount
Public entities	13,764	(1)	13,763	14,303	(1)	14,302
Individuals	888,415	(1,565)	886,850	888,170	(1,661)	886,509
Mortgage lending	804,290	(427)	803,863	804,361	(489)	803,872
Other	84,125	(1,138)	82,987	83,809	(1,172)	82,637
Corporates	885,528	(8,637)	876,891	874,360	(8,989)	865,371
Total	**1,787,707**	**(10,203)**	**1,777,504**	**1,776,833**	**(10,651)**	**1,766,182**

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

25. Intangible assets

	30.6.2025				31.12.2024	
	Goodwill	Customer relationships and brands	Hard- and software licences	Total	Hard- and software licences	Total
Carrying amount as at the beginning of the year	3	-	1,333	1,336	1,472	1,472
Additions due to purchase of a subsidiary	10,467	2,599	1,250	14,316	-	0
Additions during the period	-	-	54	54	119	119
Amortisation	(2)	(62)	(197)	(261)	(255)	(255)
Carrying amount	**10,468**	**2,537**	**2,440**	**15,445**	**1,336**	**1,336**
Gross carrying amount	10,501	2,599	7,095	20,195	5,802	5,802
Accumulated amortisation	(33)	(62)	(4,655)	(4,750)	(4,466)	(4,466)
Carrying amount	**10,468**	**2,537**	**2,440**	**15,445**	**1,336**	**1,336**
Amortisation rates		5-6%	10-33%	10-33%	10-33%	10-33%

All amounts are in ISK million

26. Other assets

	30.6.2025	31.12.2024
Unsettled securities trading	8,342	1,155
Other accounts receivable	2,443	1,374
Right-of-use assets	3,079	1,863
Sundry assets	1,918	1,333
Total	**15,782**	**5,725**

27. Borrowings

Secured borrowings

Currency, outstanding nominal amount	Maturity	Maturity type	Terms of interest	30.6.2025	31.12.2024
LBANK CB 25, ISK 30,600 million	17.09.2025	At maturity	Fixed 3.4%	30,790	39,904
LBANK CBI 26, ISK 11,120 million	20.11.2026	At maturity	Fixed 1.5%, CPI-indexed	14,753	15,016
LBANK CB 27, ISK 35,320 million	20.09.2027	At maturity	Fixed 4.6%	34,219	33,554
LBANK CBI 28, ISK 50,200 million	04.10.2028	At maturity	Fixed 3.0%, CPI-indexed	76,686	74,513
LBANK 4.25 3/28 CB, EUR 300 million*	16.03.2028	At maturity	Fixed 4.25%	44,530	45,999
LBANK CB 29, ISK 20,500 million	27.09.2029	At maturity	Fixed 8.2%	21,904	13,411
LBANK CBI 30, ISK 49,940 million	22.02.2030	At maturity	Fixed 3.5%, CPI-indexed	53,705	44,795
LBANK CBI 31, ISK 12,000 million	24.03.2031	At maturity	Fixed 3.65%, CPI-indexed	12,337	-
Total covered bonds				**288,924**	**267,192**
Other secured loans				4,016	4,803
Total secured borrowings				**292,940**	**271,995**

Senior unsecured borrowings

Currency, outstanding nominal amount	Maturity	Maturity type	Terms of interest	30.6.2025	31.12.2024
LBANK FLOAT 01/25, NOK 452 million	20.01.2025	At maturity	NIBOR + 0.79%	-	5,590
LBANK FLOAT 01/25, SEK 850 million	20.01.2025	At maturity	STIBOR + 0.8%	-	10,770
LBANK 0.375 5/25 GB, EUR 75 million	23.05.2025	At maturity	FIXED 0.375%	-	10,822
LBANK FLOAT 08/25, NOK 350 million	18.08.2025	At maturity	NIBOR + 2.35%	4,222	4,316
LBANK FLOAT 08/25, NOK 1,000 million	21.08.2025	At maturity	NIBOR + 3.05%	12,068	12,333
LBANK FLOAT 08/25, SEK 389 million	25.08.2025	At maturity	STIBOR + 3.05%	4,978	5,688
LBANK 0.75 5/26 GB, EUR 300 million	25.05.2026	At maturity	FIXED 0.75%	42,618	43,250
LBANK 6.375 3/27, EUR 300 million*	12.03.2027	At maturity	FIXED 6.375%	44,288	46,220
LBANK 5.00 5/28, EUR 300 million*	13.05.2028	At maturity	FIXED 5.0%	43,671	45,184
LBANK 3.75 10/29, EUR 300 million*	08.10.2029	At maturity	FIXED 3.75%	43,768	43,382
LBANK 3.5 6/30, EUR 300 million*	24.06.2030	At maturity	FIXED 3.5%	42,428	-
Total senior preferred bonds				**238,041**	**227,555**
Senior unsecured loans				12,144	13,960
Total senior unsecured borrowings				**250,185**	**241,515**

Senior non-preferred bonds

Currency, outstanding nominal amount	Maturity	Next Call Date	Terms of interest	30.6.2025	31.12.2024
LBANK FLOAT 9/28, SEK 1,000 million	13.09.2028	Sept 2027	STIBOR + 1.8%	12,735	12,578
LBANK FLOAT 9/28, NOK 250 million	13.09.2028	Sept 2027	NIBOR + 1.83%	2,996	3,062
LBANK FLOAT 3/29, SEK 1,300 million	20.03.2029	Mar 2028	STIBOR + 1.5%	16,533	-
LBANK FLOAT 3/30, NOK 500 million	26.03.2030	Mar 2029	NIBOR + 1.65%	5,978	-
Total senior non-preferred bonds				**38,242**	**15,640**
Total borrowings				**581,367**	**529,150**

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

The Group did not have any defaults of principal or interest or other breaches with respect to its borrowings during the period 1 January to 30, June 2025 and the period from 1 January to 31 December 2024.

All amounts are in ISK million

Notes to the Condensed Consolidated Interim Financial Statements

27. Borrowings (continued)

Change in liabilities due to financing activities

	As at 1.1.2025	Cash flow	Non-cash changes: Accrued interest	Foreign exchange	Change in the fair value	As at 30.6.2025
Secured borrowings	221,193	14,431	8,770	-	-	244,394
Secured borrowings held to hedge long-term borrowings	45,999	(442)	389	(542)	(874)	44,530
Other secured loans	4,803	(161)	12	(638)	-	4,016
Senior preferred bonds	92,769	(29,766)	1,393	(510)	-	63,886
Senior preferred bonds held to hedge long-term borrowings	134,786	38,489	3,672	(1,453)	(1,339)	174,155
Senior unsecured loans	13,960	(448)	481	(1,849)	-	12,144
Senior non-preferred bonds	15,640	22,664	669	(731)	-	38,242
Subordinated liabilities	39,989	(1,575)	1,721	-	-	40,135
Subordinated liabilities AT1	0	13,862	368	(1,938)	-	12,292
Total	**569,139**	**57,054**	**17,475**	**(7,661)**	**(2,213)**	**633,794**

	As at 1.1.2024	Cash flow	Non-cash changes: Accrued interest	Foreign exchange	Change in the fair value	As at 31.12.2024
Secured borrowings	219,826	(10,769)	12,136	-	-	221,193
Secured borrowings held to hedge long-term borrowings	47,945	(2,169)	2,252	(1,924)	(105)	45,999
Other secured loans	5,060	(370)	(1)	114	-	4,803
Senior preferred bonds	173,532	(73,553)	(565)	(6,645)	-	92,769
Senior preferred bonds held to hedge long-term borrowings	46,671	80,721	9,123	(4,813)	3,084	134,786
Senior unsecured loans	20,653	(8,888)	1,819	376	-	13,960
Senior non-preferred bonds	0	16,646	44	(1,050)	-	15,640
Subordinated liabilities	20,176	16,592	3,221	-	-	39,989
Total	**533,863**	**18,210**	**28,029**	**(13,942)**	**2,979**	**569,139**

28. Deferred tax assets and liabilities

	30.6.2025 Assets	30.6.2025 Liabilities	31.12.2024 Assets	31.12.2024 Liabilities
Tax liabilities	-	16,200	-	15,420
Deferred tax liabilities	-	901	-	177
Taxes in the Statement of Financial Position	**0**	**17,101**	**0**	**15,597**

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

	30.6.2025 Assets	30.6.2025 Liabilities	30.6.2025 Net	31.12.2024 Assets	31.12.2024 Liabilities	31.12.2024 Net
Property and equipment	-	(381)	(381)	-	(192)	(192)
Intangibles	-	(563)	(563)	-	(120)	(120)
Exchange rate-indexed assets and liabilities	-	(788)	(788)	-	(663)	(663)
Deferred foreign exchange differences	-	(20)	(20)	-	(36)	(36)
Other assets and liabilities	851	-	851	834	-	834
Tax losses carried forward	-	-	0	-	-	0
	851	**(1,752)**	**(901)**	**834**	**(1,011)**	**(177)**
Set-off of deferred tax assets together with liabilities of the same taxable entities	(851)	851	0	(834)	834	0
Deferred tax liabilitiess total	**0**	**(901)**	**(901)**	**0**	**(177)**	**(177)**

All amounts are in ISK million

28. Deferred tax assets and liabilities (continued)

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

	Balance 1.1.2025	Additions related to TM	Recognised in income statement: Tax income (expense)	Balance as at 30.6.2025	Balance 1.1.2024	Recognised in income statement: Tax income (expense)	Balance as at 31.12.2024
Property and equipment	(192)	(184)	(5)	(381)	(162)	(30)	(192)
Intangibles	(120)	(438)	(5)	(563)	(141)	21	(120)
Foreign currency assets and liabilities	(663)	-	(125)	(788)	(634)	(29)	(663)
Deferred foreign exchange differences	(36)	-	16	(20)	34	(70)	(36)
Other assets and other liabilities	834	10	7	851	764	70	834
Tax losses carried forward	0	50	(50)	0	1	(1)	0
Total	**(177)**	**(562)**	**(162)**	**(901)**	**(138)**	**(39)**	**(177)**

29. Other liabilities

	30.6.2025	31.12.2024
Unsettled securities trading	13,992	3,433
Withholding tax	2,031	10,540
Accounts payable	3,244	1,936
Insurance contract liabilities	26,101	-
Non-controlling interests - Funds	675	2,218
Lease liabilities	3,228	2,017
Provision for litigations	-	55
Sundry liabilities	16,056	4,907
Total	**65,327**	**25,106**

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

Insurance contract liabilities	**30.6.2025**
Liabilities for remaining coverage	2,536
Liabilities for incurred claims	23,565
Risk adjustment	-
Total	**26,101**

30. Subordinated liabilities

Currency, outstanding nominal amount	Maturity	Next Call Date	Terms of interest	30.6.2025	31.12.2024
LBANK T2I 29, ISK 1,700 million	11.12.2029		Fixed 3.85%, CPI-indexed	2,380	2,275
LBANK T2I 33, ISK 12,000 million	23.03.2033	Mar 2028	Fixed 4.95%, CPI-indexed	13,767	13,749
LBANK T2I 35, ISK 12,000 million	07.03.2035	Mar 2030	Fixed 5.70%, CPI-indexed	13,063	13,092
LBANK T2 35, ISK 3,000 million	07.03.2035	Mar 2030	Fixed 9.60%	3,090	3,234
LBANK T2I 36, ISK 7,640 million	19.06.2036	Jun 2031	Fixed 5.06%, CPI-indexed	7,835	7,639
Total subordinated liabilities - Tier 2 capital				**40,135**	**39,989**
LBANK AT1, USD 100 million	Perpetual	Feb 2030	Fixed 8.125%	12,292	-
Total subordinated liabilities - Additional Tier 1 capital				**12,292**	**0**
Total subordinated liabilities				**52,427**	**39,989**

All amounts are in ISK million

Notes to the Condensed Consolidated Interim Financial Statements

31. Equity

Share capital

As of 30 June 2025, issued shares in the Bank number 24 billion in total, whith outstanding shares numbering 23,6 billion, with a nominal value of ISK 1 per share. Own shares at the end of the period were 385 million, or 1.61% of issued shares capital. Each entitles the owner to one vote at a shareholders' meeting. All shares are fully paid up.

The AGM of Landsbankinn, held on 19 March 2025, renewed the authorisation of the Bank to acquire own shares of up to 10% of the nominal value of its share capital and at a price determined by the internal value of the Bank's shares, according to its most recently published consolidated interim or annual financial statements prior to share buyback.

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 2025 AGM of Landsbankinn, held on 19 March 2025, approved the motion of the Board of Directors to pay shareholders a dividend of ISK 0.80 per share for the fiscal year 2024. It was further approved that the dividend be paid in two equal instalments, each of ISK 0.40 per share. The former instalment was paid on 26 March 2025 and the latter will be paid on 17 September 2025. The total dividend amounts to ISK 18,892 million.

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 37 Capital requirements.

Notes to the Condensed Consolidated Interim Financial Statements

Other notes

32. Earnings per share

Profit for the period	2025 1.4-30.6	2024 1.4-30.6	2025 1.1-30.6	2024 1.1-30.6
Profit for the period attributable to owners of the Bank	10,382	8,965	18,322	16,121
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	(385)	(385)	(385)	(383)
Weighted average number of shares outstanding	**23,615**	**23,615**	**23,615**	**23,617**
Basic and diluted earnings per share from operations (ISK)	**0.44**	**0.38**	**0.78**	**0.68**

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.

33. 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. On 30 September 2022, the District Court of Reykjavík dismissed the case on grounds of insufficient substantiation. On 10 January 2023, the Appeal Court partly annulled the dismissal and ordered the District Court to hear the case in substance. The timing of a final judgment is uncertain and whether it will have a financial impact on the Bank. Should the plaintiff´s claims be acknowledged in a final court ruling, it is to be expected that a potential payment obligation will be divided between the defendants.

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 disputed interest rate provision was used in the Bank´s consumer credit agreements until around 2013. The plaintiffs demand primarily 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. On 7 February 2023, the District Court of Reykjavík accepted the plaintiffs´ claims of last resort of repayment based on the initial contractual interest rate and taking into account limitation years for claims, in the amount of around ISK 230,000 plus interest. The Appeal Court acquitted the Bank on 13 February 2025 and considered that although the interest rate provision was not compatible with the Consumer Credit Act, applicable at the time, it was not unfair to apply the provision under Act No. 7/1936 on Contracts. The Supreme Court has approved the plaintiffs´ request to appeal the case. The Bank considers that it is more probable than not that the Supreme Court will confirm the ruling of the Appeal Court. The Bank therefore considers that it is not a reason to recognise a provision with regard to this case. However, should the Supreme Court confirm the conclusions of the District Court, the Bank estimates that the maximum potential loss resulting from such an outcome will be around ISK 98 million as regards the Bank´s loan portfolio with the same interest rate provision.

In December 2022, an individual commenced litigation against the Bank in a case which is similar to the above-mentioned case. On 23 February 2023 the Bank delivered its written statement claiming that all claims by the plaintiff should be rejected. On 12 November 2024, the District Court of Reykjavík accepted the plaintiff´s claim of repayment based on the initial contractual interest rate and taking into account limitation years for claims, in the amount of around ISK 25,000 plus interest. The Bank has appealed the case to the Appeal Court.

All amounts are in ISK million

33. Litigation (continued)

Material litigation cases against the Bank and its subsidiaries (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 disputed interest rate provision in this case has been used in the Bank´s consumer and mortgage credit agreements from around 2013. 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. On 23 May 2024, the EFTA Court delivered an advisory opinion on the interpretation of the Mortgage Credit Directive 2014/17/EU and Directive 93/13/EEC on unfair terms in consumer contracts. It is concluded, inter alia, in the advisory opinion that it is for the national court to determine whether a term in a variable-rate mortgage loan agreement meets the requirements of good faith, balance and transparency laid down by Directive 93/13/EEC, whether such terms must be declared unfair according to the Directive and the consequences if such terms are declared unfair. The District Court of Reykjavík acquitted the Bank on 20 March 2025 and ruled that the interest rate provision is compatible with the Consumer Mortgage Act No. 118/2016 and rejected the claim that the provision should be deemed illegal and void under the Acts on Contracts No. 7/1936. On 5 July 2025, the Supreme Court approved a request of the plaintiffs for a permission to appeal the case. The Bank considers that it is more probable than not that the Supreme Court will confirm the ruling of the District Court. The Bank has, nevertheless, assessed the potential impact of an adverse final ruling on the Bank´s loan portfolio with the same interest rate provision. The Bank estimates that the financial loss, taking different scenarios into account, could amount to around ISK 26,2 billion. This is a preliminary assessment based on the current interest rate environment. This assessment does not include an assessment of the impact on the Bank´s interest rate risk should an adverse final court ruling be that the initial contractual interest rate, specified in a credit agreement or an amendment thereto, should be applied throughout the duration of the respective loan. Such a ruling could significantly increase the Bank´s interest rate risk and have a considerable negative financial impact on the Bank in times of increased market interest rates. The Bank has not recognised a provision in relation to the case.

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

In January 2017, the Bank commenced proceedings before the District Court of Reykjavík against BPS ehf., Eignarhaldsfélagið Borgun slf., Borgun hf., now Teya Iceland hf. (the Company), and the then CEO of the Company. The Bank maintained that when the Bank sold its 31.2% shareholding in the Company in 2014, the defendants were in possession of information about the shareholding of the Company in Visa Europe Ltd. that they failed to disclose to the Bank. The Bank demanded acknowledgement of the defendants’ liability for losses incurred by the Bank on these grounds. By judgment of 27 April 2023, the District Court acquitted the defendants of the claims made by the Bank. The Bank appealed the case to the Appeal Court. On 20 February 2025, the Appeal Court confirmed the findings of the District Court. On 13 May 2025, the Supreme Court rejected the request of the Bank for a permission to appeal the case.

34. Interest in subsidiaries

The main subsidiaries held directly or indirectly by the Group as at 30 June 2025 were as detailed in the table below. This includes those subsidiaries that are most significant in the context of the Group’s business.

Main subsidiaries as at 30 June 2025

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 fyrirtæki ehf.	100%	Holding company
TM tryggingar hf. (Iceland)	100%	Insurance company
TM líftryggingar hf. (Iceland)	100%	Life insurance company
Íslensk endurtrygging hf. (Iceland)	100%	Reinsurance company

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 2025.

35. Related party transactions

Transactions with the Icelandic government and government-related entities

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

All amounts are in ISK million

Notes to the Condensed Consolidated Interim Financial Statements

35. 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:

	30.6.2025		31.12.2024	
Loans in ISK million	**Gross carrying amount as at 30 June**	**Highest amount outstanding during the period**	**Gross carrying amount as at 31 December**	**Highest amount outstanding during the period**
Key management personnel	455	464	458	628
Parties related to key management personnel	83	88	77	283
Associates	431	665	181	296
Other	272	272	272	323
Total	**1,241**	**1,489**	**988**	**1,530**

No new guarantees were granted to related parties during the period. 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:

	30.6.2025		31.12.2024	
Deposits in ISK million	**Carrying amount**	**Highest amount outstanding during the period**	**Carrying amount**	**Highest amount outstanding during the period**
Key management personnel	282	322	141	322
Parties related to key management personnel	102	124	88	265
Associates	289	1,045	236	1,560
Other	2	18	19	97
Total	**675**	**1,509**	**484**	**2,244**

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

Guarantees in ISK million	**Gross carrying amount as at 30 June 2025**	**Gross carrying amount as at 31 December 2024**
Key management personnel	-	-
Parties related to key management personnel	-	-
Associates	-	-
Other	559	552
Total	**559**	**552**

36. Events after the reporting year

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 2025.

Notes to the Condensed Consolidated Interim Financial Statements

Capital management

37. 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 Act on Financial Undertakins No. 161/2002, implementing the Capital Requirements Directive 2013/36/EU (CRD), and Regulation (EU) No 575/2013 (CRR), as incorporated into Icelandic legislation and as amended, set out the legal requirements for the Group's capital. 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 Financial Stability Committee (FSC) of the Central Bank of Iceland. The FSC has defined the Bank as a systematically important financial institution in Iceland.

The Group's most recent capital requirements are as follows (as a percentage of RWEA):

	30.6.2025			31.12.2024		
	CET1	**Tier 1**	**Total**	**CET1**	**Tier 1**	**Total**
Pillar I	4.5%	6.0%	8.0%	4.5%	6.0%	8.0%
Pillar II-R	1.4%	1.8%	2.5%	1.4%	1.9%	2.5%
Minimum requirement	**5.9%**	**7.8%**	**10.5%**	**5.9%**	**7.9%**	**10.5%**
Systemic risk buffer (SRB)	1.9%	1.9%	1.9%	1.9%	1.9%	1.9%
Capital buffer for systematically important institutions (O-SII)	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Countercyclical capital buffer (CCyB)	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Capital conservation buffer (CCB)	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Combined buffer requirement	**9.9%**	**9.9%**	**9.9%**	**9.9%**	**9.9%**	**9.9%**
Total capital requirement	**15.8%**	**17.7%**	**20.4%**	**15.8%**	**17.8%**	**20.4%**

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.

All amounts are in ISK million

38. Capital base, risk-weighted exposure amount and capital ratios

The following table shows the Group’s capital base, risk exposure amount and capital ratios. The calculations are in accordance with Regulation (EU) No. 575/2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms, as amended and made part of the Icelandic legal order.

In accordance with EU Regulation No. 575/2013, the FSA has granted permission for verified interim profits and audited year-end profits to be included in the Group's capital base, net of any foreseeable charge or dividend. The permission is, *inter alia* , subject to the condition that an interim statement has been verified by the Group's auditors or that an annual statement has been audited by the Groups auditors.

The Group uses the standardised approach to calculate the risk exposure amount for credit risk and market risk, and the basic indicator approach for operational risk. The Group's consolidated situation as stipulated in CRR is the Group's accounting consolidation excluding insurance subsidiaries.

Capital base	**30.6.2025**	**31.12.2024**
Share capital	23,615	23,615
Share premium	120,516	120,516
Reserves	10,759	13,213
Retained earnings	169,189	167,305
Total equity attributable to owners of the Bank	**324,079**	**324,649**
Intangible assets	(9,098)	(3)
Forseeable dividends*	(9,161)	(18,754)
Fair value hedges	(1,831)	(4,348)
Insufficient coverage for non-performing exposures	(862)	(568)
Common equity Tier 1 capital (CET1)	**303,127**	**300,976**
Non-controlling interests	-	-
Additional Tier 1 capital	12,292	-
Tier 1 capital	**315,419**	**300,976**
Subordinated liabilities	40,134	39,989
Regulatory amortisation	(262)	(26)
Tier 2 capital	**39,872**	**39,963**
Total capital base	**355,291**	**340,939**

Risk-weighted exposure amount (RWEA)	**30.6.2025**	**31.12.2024**
Credit risk, loans and advances to customers	1,212,790	1,197,318
Credit risk, securities	64,952	23,512
Credit risk, other	50,186	33,424
Credit valuation adjustment	811	764
Market risk	23,121	14,635
Operational risk**	131,388	131,388
Total risk-weighted exposure amount	**1,483,248**	**1,401,041**

*Pursuant to the Bank’s dividend policy, the foreseeable dividend corresponds to 50% of net earnings for the first six months of 2025.

**The amounts are updated on a yearly basis.

CET1 ratio	**20.4%**	**21.5%**
Tier 1 capital ratio	**21.3%**	**21.5%**
Total capital ratio	**24.0%**	**24.3%**

for the six months ended 30 June 2025 38 All amounts are in ISK million

Notes to the Condensed Consolidated Interim Financial Statements

39. Minimum Requirement for own funds and Eligible Liabilities (MREL)

The Act on Recovery and Resolution of Credit Institutions and Investment Firms No. 70/2020, as amended, implementing the Bank Recovery and Resolution Directive 2014/59/EU (BRRD) and Directive 2019/879 (BRRD II), provides for the determination by the Central Bank of Iceland’s Resolution Authority of minimum requirement for own funds and eligible liabilities (MREL).

On 4 October 2024 the Resolution Authority announced it's latest annual MREL decision for the Bank. The decision entails that the Bank must at all times maintain a minimum of 21.0% of MREL funds, as a percentage of the Bank's Total Risk-weighted Exposure Amount (TREA) and a minimum of 6.0% as a percentage of the Bank's Total Exposure Measure (TEM).

The decision also introduces a new 13.5% MREL subordination requirement, as a percentage of the Bank's Total Risk-weighted Exposure Amount (TREA), which must be fullfilled as of 4 October 2027.

The MREL-TREA and the MREL Subordination Requirements must be met without regards to the combined buffer requirement (CBR), which must be separately fulfilled alongside the MREL-TREA and the MREL Subordination Requirement.

	30.6.2025		31.12.2024	
MREL-TEM Requirement	**Amount**	**Percentage of RWEA**	**Amount**	**Percentage of RWEA**
Recurring MREL-TEM requirement	143,365	9.7%	136,325	9.7%
MREL-TREA Requirement				
Recurring MREL-TREA requirement	311,482	21.0%	294,219	21.0%
Combined Buffer Requirement (CBR)	146,842	9.9%	138,703	9.9%
Sum of MREL-TREA Total and Combined Buffer Requirements	**458,324**	**30.9%**	**432,922**	**30.9%**
MREL Subordination Requirement				
Recurring Subordination Requirement	200,238	13.5%	189,141	13.5%
Combined Buffer Requirement (CBR)	146,842	9.9%	138,703	9.9%
Sum of MREL Subordination and Combined Buffer Requirements	**347,080**	**23.4%**	**327,844**	**23.4%**

The Bank's own funds and eligible liabilities for MREL funding are as follows:

	30.6.2025		31.12.2024	
Own funds and eligible liabilities	**Amount**	**Percentage of RWEA**	**Amount**	**Percentage of RWEA**
Common Equitiy Tier 1 (CET1)	303,127	20.4%	300,976	21.5%
Additional Tier 1 capital (AT1)	12,292	0.8%	-	0.0%
Tier 2 capital	40,134	2.7%	39,989	2.9%
Eligible Senior Non-Preferred bonds	38,242	2.6%	15,640	1.1%
Sum of Subordinated MREL funds	**393,795**	**26.5%**	**356,605**	**25.5%**
Eligible Senior Preferred liabilities	174,155	11.7%	178,037	12.7%
Sum of MREL funds	**567,950**	**38.3%**	**534,642**	**38.2%**

The Maximum Distributable Amount related to MREL (M-MDA) is the maximum amount that the bank is allowed to distribute via various actions, including dividend payments to shareholders, buy-back of own shares and payments of variable remuneration. These MREL restrictions are in addition to other own funds requirements.

	30.6.2025		31.12.2024	
	Amount	**Percentage of RWEA**	**Amount**	**Percentage of RWEA**
Total MREL funds above MREL-TEM Requirement	424,585	28.6%	398,317	28.4%
Total MREL funds above MREL-TREA Requirement	109,627	7.4%	101,720	7.3%
Subordinated MREL funds above MREL Subordination Requirement	46,715	3.1%	28,761	2.1%
Maximum Distributable Amount related to MREL (M-MDA)	**46,715**	**3.1%**	**28,761**	**2.1%**

All amounts are in ISK million

Notes to the Condensed Consolidated Interim Financial Statements

40. Solvency II requirement for insurance subsidiary TM

The solvency capital requirement (SCR) for the subsidiary TM tryggingar hf. is calculated in accordance with the Icelandi Insurance Companies Act.

Solvency II for insurance subsidiary TM	**30.6.2025**
Own funds	20,780
Intangible asset	(5,004)
Forseeable dividends	-
Excess of assets over liabilities in accordance with Solvency II	364
Total basic own funds after deductions	**16,139**
Total available own funds to meet the consolidated group SCR	**16,139**
Group SCR	**11,040**
Ratio of Eligible own funds to group SCR	**1.46**
Total eligible own funds to meet the minimum consolidated group SCR	**16,139**

	30.6.2025
Life underwriting risk	472
Health underwriting risk	1,654
Non-life underwriting risk	6,644
Market risk	6,836
Counterparty default risk	1,188
Diversification	(5,012)
Intangible asset risk	-
Basic Solvency Capital Requirement (Basic SCR)	**11,782**
Operational risk	937
Loss-absorbing capacity of deferred taxes	(1,679)
Group SCR	**11,040**

41. Leverage ratio

The ratio is calculated on the basis of the Group's consolidated situation as per the CRR, which excludes the Group's insurance subsidiaries.
The calculations are in accordance with Regulation (EU) No. 575/2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms, as amended and made part of the Icelandic legal order. A minimum leverage ratio of 3.0% is required.

Leverage ratio	**30.6.2025**	**31.12.2024**
- On-balance sheet exposure (excl. derivatives and securities financing transactions)	2,258,874	2,158,835
- Derivative instrument exposure	4,397	6,062
- Securities financing transaction exposures	19,503	14,820
- Off-balance sheet exposure	127,592	116,036
- Regulatory adjustments to Tier 1 capital	(20,952)	(23,673)
Total leverage exposure	**2,389,414**	**2,272,080**
Tier 1 capital	**315,419**	**300,976**
Leverage ratio	**13.2%**	**13.2%**

All amounts are in ISK million

Notes to the Condensed Consolidated Interim Financial Statements

Credit risk

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

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

				Corporates											
As at 30 June 2025	Financial institutions	Public entities *	Individuals	Fisheries	Real estate companies	Construction companies	Travel industry	Services, ITC	Retail	Manufactur-ing and energy	Holding companies	Agri-culture	Other	Maximum exposure	Carrying amount
Cash and balances with Central Bank	-	113,166	-	-	-	-	-	-	-	-	-	-	-	**113,166**	**113,166**
Bonds and debt instruments	156	152,549	-	-	-	-	-	1,684	-	61	11	-	-	**154,461**	**205,592**
Equities and equity instruments	434	-	-	-	31	-	1,209	2,707	1	257	3,246	-	-	**7,885**	**33,699**
Derivative instruments	5,751	-	9	-	-	-	-	-	34	-	54	-	207	**6,055**	**6,098**
Loans and advances to financial institutions	69,279	-	-	-	-	-	-	-	-	-	-	-	-	**69,279**	**69,279**
Loans and advances to customers	-	13,763	887,097	184,334	249,488	157,242	115,831	70,105	68,863	40,069	33,886	7,457	4	**1,828,139**	**1,828,139**
Other assets	24,768	90	130	3	1,982	-	600	3,229	-	9	-	-	1,170	**31,981**	**49,065**
Total on-balance sheet exposure	**100,388**	**279,568**	**887,236**	**184,337**	**251,501**	**157,242**	**117,640**	**77,725**	**68,898**	**40,396**	**37,197**	**7,457**	**1,381**	**2,210,966**	**2,305,038**
Off-balance sheet exposure	**3,502**	**10,148**	**42,270**	**22,267**	**28,459**	**85,443**	**15,655**	**31,096**	**21,614**	**35,513**	**10,654**	**737**	**23**	**307,381**	
Financial guarantees and underwriting commitments	-	193	720	5,874	1,471	7,126	2,022	9,189	4,892	2,253	1,657	10	-	35,407	
Undrawn loan commitments	-	540	78	14,029	24,934	75,007	11,321	11,026	7,173	27,444	8,761	120	-	180,433	
Undrawn overdraft/credit card facilities	3,502	9,415	41,472	2,364	2,054	3,310	2,312	10,881	9,549	5,816	236	607	23	91,541	
Maximum exposure to credit risk	**103,890**	**289,716**	**929,506**	**206,604**	**279,960**	**242,685**	**133,295**	**108,821**	**90,512**	**75,909**	**47,851**	**8,194**	**1,404**	**2,518,347**	
Percentage of maximum exposure to credit risk	4.1%	11.5%	36.9%	8.2%	11.1%	9.6%	5.3%	4.3%	3.6%	3.0%	1.9%	0.3%	0.1%	100%	

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

All amounts are in ISK million

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

				Corporates											
As at 31 December 2024	**Financial institutions**	**Public entities ***	**Individuals**	**Fisheries**	**Real estate companies**	**Construction companies**	**Travel industry**	**Services, ITC**	**Retail**	**Manufactur-ing and energy**	**Holding companies**	**Agri-culture**	**Other**	**Maximum exposure**	**Carrying amount**
Cash and balances with Central Bank	-	129,981	-	-	-	-	-	-	-	-	-	-	-	**129,981**	**129,981**
Bonds and debt instruments	132	116,351	-	-	-	-	-	1,281	-	77	12	-	-	**117,853**	**139,104**
Equities and equity instruments	221	-	-	-	41	-	1,206	3,960	1	409	9,834	-	-	**15,672**	**32,644**
Derivative instruments	8,043	-	-	1	23	-	28	-	19	-	20	-	126	**8,260**	**8,260**
Loans and advances to financial institutions	39,346	-	-	-	-	-	-	-	-	-	-	-	-	**39,346**	**39,346**
Loans and advances to customers	-	14,302	886,879	195,754	233,125	143,040	110,844	65,392	68,202	43,853	38,746	7,299	1	**1,807,437**	**1,807,437**
Other assets	18,696	73	23	3	1,868	-	600	2,371	-	7	-	-	1,342	**24,983**	**24,987**
Total on-balance sheet exposure	**66,438**	**260,707**	**886,902**	**195,758**	**235,057**	**143,040**	**112,678**	**73,004**	**68,222**	**44,346**	**48,612**	**7,299**	**1,469**	**2,143,532**	**2,181,759**
Off-balance sheet exposure	**21**	**9,736**	**40,974**	**25,107**	**30,272**	**81,226**	**17,845**	**20,531**	**25,906**	**31,418**	**3,262**	**822**	**27**	**287,147**	
Financial guarantees and underwriting commitments	19	226	701	4,979	1,424	6,921	2,249	4,894	5,350	1,048	406	10	-	28,227	
Undrawn loan commitments	-	18	105	17,615	27,395	70,664	12,977	5,682	12,496	25,140	2,524	108	-	174,724	
Undrawn overdraft/credit card facilities	2	9,492	40,168	2,513	1,453	3,641	2,619	9,955	8,060	5,230	332	704	27	84,196	
Maximum exposure to credit risk	**66,459**	**270,443**	**927,876**	**220,865**	**265,329**	**224,266**	**130,523**	**93,535**	**94,128**	**75,764**	**51,874**	**8,121**	**1,496**	**2,430,679**	
Percentage of maximum exposure to credit risk	2.7%	11.1%	38.2%	9.1%	10.9%	9.2%	5.4%	3.8%	3.9%	3.1%	2.1%	0.3%	0.1%	100.0%	

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

All amounts are in ISK million

43. Collateral and loan-to-value

The loan-to-value (LTV) ratio expresses the gross carrying amount of loans and advances as a percentage of the total value of the collateral. LTV is one of the key risk factors that determine if borrowers qualify 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 ratio indicates that there is only a small buffer to protect against a fall in the collateral value or an increase in a loan balance, when repayments are not made and unpaid interest is added to the outstanding balance of the loan.

	LTV ratio - Fully collateralised					LTV ratio - Partially collateralised				
As at 30 June 2025	**0% - 25%**	**25% - 50%**	**50% - 75%**	**75% - 100%**	**Total**	**>100%**	**Collateral value***	**Without collateral**	**Allowance for impairment**	**Carrying amount**
Financial institutions	-	-	-	-	**0**	-	-	**69,279**	-	**69,279**
Public entities	**32**	**259**	**27**	**36**	**354**	**1,192**	**665**	**12,218**	**(1)**	**13,763**
Individuals	**117,458**	**371,039**	**328,710**	**24,784**	**841,991**	**3,636**	**2,356**	**43,035**	**(1,565)**	**887,097**
Mortgages	110,439	358,636	314,731	19,102	802,908	1,340	774	42	(427)	803,863
Other	7,019	12,403	13,979	5,682	39,083	2,296	1,582	42,993	(1,138)	83,234
Corporates	**113,387**	**246,451**	**330,779**	**156,872**	**847,489**	**66,500**	**49,892**	**21,927**	**(8,637)**	**927,279**
Fisheries	40,682	88,295	52,658	2,174	183,809	945	243	2,011	(2,431)	184,334
Real estate companies	11,661	57,079	120,503	40,832	230,075	16,479	13,918	3,702	(768)	249,488
Construction companies	5,804	27,813	62,679	45,370	141,666	15,845	12,600	1,305	(1,574)	157,242
Travel industry	7,324	19,655	40,005	35,868	102,852	8,721	6,308	5,959	(1,701)	115,831
Services, IT and communications	8,298	25,394	11,877	15,603	61,172	4,495	2,734	4,940	(502)	70,105
Retail	31,952	9,899	14,984	9,632	66,467	2,356	1,931	518	(478)	68,863
Manufacturing and energy	2,315	4,204	20,877	1,217	28,613	10,232	6,508	1,965	(741)	40,069
Holding companies	3,313	12,145	5,202	5,665	26,325	6,768	5,328	1,221	(428)	33,886
Agriculture	2,038	1,967	1,994	511	6,510	659	322	302	(14)	7,457
Other	-	-	-	-	0	-	-	4	-	4
Total	**230,877**	**617,749**	**659,516**	**181,692**	**1,689,834**	**71,328**	**52,913**	**146,459**	**(10,203)**	**1,897,418**

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

All amounts are in ISK million

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

	LTV ratio - Fully collateralised					LTV ratio - Partially collateralised				
As at 31 December 2024	**0% - 25%**	**25% - 50%**	**50% - 75%**	**75% - 100%**	**Total**	**>100%**	**Collateral value***	**Without collateral**	**Allowance for impairment**	**Carrying amount**
Financial institutions	**-**	**-**	**-**	**-**	**0**	**-**	**-**	**39,346**	**-**	**39,346**
Public entities	**31**	**260**	**20**	**36**	**347**	**1,627**	**794**	**12,329**	**(1)**	**14,302**
Individuals	**101,237**	**349,815**	**366,703**	**26,087**	**843,842**	**2,905**	**1,789**	**41,793**	**(1,661)**	**886,879**
Mortgages	94,154	337,373	351,590	20,241	803,358	957	538	46	(489)	803,872
Other	7,083	12,442	15,113	5,846	40,484	1,948	1,251	41,747	(1,172)	83,007
Corporates	**103,180**	**249,206**	**317,212**	**147,883**	**817,481**	**78,501**	**63,496**	**19,263**	**(8,989)**	**906,256**
Fisheries	51,324	85,594	53,076	2,060	192,054	4,296	3,697	2,187	(2,783)	195,754
Real estate companies	9,592	54,000	103,775	44,448	211,815	20,218	17,093	1,724	(632)	233,125
Construction companies	7,379	18,379	67,956	38,406	132,120	10,680	8,893	1,437	(1,197)	143,040
Travel industry	6,604	16,109	41,350	20,240	84,303	24,643	23,246	4,065	(2,167)	110,844
Services, IT and communications	8,121	21,642	11,060	13,782	54,605	5,249	3,866	5,953	(415)	65,392
Retail	8,863	33,169	13,519	10,544	66,095	1,931	1,578	521	(345)	68,202
Manufacturing and energy	7,137	6,020	21,012	1,334	35,503	7,007	3,030	2,116	(773)	43,853
Holding companies	2,727	11,794	3,269	16,733	34,523	3,850	1,795	1,037	(664)	38,746
Agriculture	1,433	2,499	2,195	336	6,463	626	297	223	(13)	7,299
Other	-	-	-	-	0	1	1	-	-	1
Total	**204,448**	**599,281**	**683,935**	**174,006**	**1,661,670**	**83,033**	**66,079**	**112,731**	**(10,651)**	**1,846,783**

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

All amounts are in ISK million

Notes to the Condensed Consolidated Interim Financial Statements

44. Collateral types

The following tables disclose the assignment of a collateral value to a claim value. 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 years result either from changes in the underlying value of collateral or changes in the gross carrying amount of claim.

As at 30 June 2025	Real estate	Vessels	Deposits	Securities	Other*	Total
Financial institutions	-	-	-	-	-	**0**
Public entities	**1,003**	-	-	-	**16**	**1,019**
Individuals	**829,124**	**43**	**187**	**959**	**14,033**	**844,346**
Mortgages	799,165	16	118	110	4,275	803,684
Other	29,959	27	69	849	9,758	40,662
Corporates	**536,420**	**130,324**	**3,518**	**93,628**	**133,489**	**897,379**
Fisheries	12,826	126,469	535	21,212	23,008	184,050
Real estate companies	229,258	41	215	7,501	6,977	243,992
Construction companies	147,649	2	253	619	5,743	154,266
Travel industry	71,757	254	146	1,381	35,623	109,161
Services, IT and communications	27,027	3,492	1,158	10,315	21,914	63,906
Retail	18,199	-	104	18,585	31,509	68,397
Manufacturing and energy	14,030	66	139	12,716	8,171	35,122
Holding companies	9,241	-	967	21,299	146	31,653
Agriculture	6,433	-	1	-	398	6,832
Other	-	-	-	-	-	0
Total	**1,366,547**	**130,367**	**3,705**	**94,587**	**147,538**	**1,742,744**

As at 31 December 2024	Real estate	Vessels	Deposits	Securities	Other*	Total
Financial institutions	-	-	-	-	-	**0**
Public entities	**1,123**	-	-	-	**18**	**1,141**
Individuals	**829,257**	**33**	**232**	**1,131**	**14,975**	**845,628**
Mortages	798,799	10	166	74	4,847	803,896
Other	30,458	23	66	1,057	10,128	41,732
Corporates	**507,085**	**139,368**	**2,894**	**94,621**	**137,040**	**881,008**
Fisheries	13,074	136,434	603	21,639	24,002	195,752
Real estate companies	216,317	92	211	6,445	5,844	228,909
Construction companies	134,386	3	275	743	5,607	141,014
Travel industry	72,345	240	126	1,318	33,519	107,548
Services, IT and communications	26,032	2,542	692	7,951	21,254	58,471
Retail	19,823	-	152	14,957	32,742	67,674
Manufacturing and energy	13,168	57	657	11,251	13,401	38,534
Holding companies	5,609	-	175	30,317	243	36,344
Agriculture	6,331	-	3	-	427	6,761
Other	-	-	-	-	1	1
Total	**1,337,465**	**139,401**	**3,126**	**95,752**	**152,033**	**1,727,777**

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

All amounts are in ISK million

Notes to the Condensed Consolidated Interim Financial Statements

45. Credit quality of loans and advances

The following tables show the credit quality of loans and advances according to Group's internal credit rating. A credit rating of 10 indicates the best credit quality, while a rating of 0 shows defaults.

	Gross carrying amount							
As at 30 June 2025	**10-7**	**6-4**	**3-1**	**0**	**Unrated**	**Allowance for impairment**	**Fair value**	**Carrying amount**
Financial institutions	**69,279**	**-**	**-**	**-**	**-**	**-**	**-**	**69,279**
Public entities	**13,615**	**144**	**5**	**-**	**-**	**(1)**	**-**	**13,763**
Individuals	**676,957**	**189,630**	**14,397**	**5,740**	**1,691**	**(1,565)**	**247**	**887,097**
Mortgages	641,601	147,086	10,207	4,031	1,365	(427)	-	803,863
Other	35,356	42,544	4,190	1,709	326	(1,138)	247	83,234
Corporates	**126,636**	**711,376**	**32,915**	**14,602**	**-**	**(8,637)**	**50,387**	**927,279**
Fisheries	38,385	133,331	815	3,764	-	(2,431)	10,470	184,334
Real estate companies	3,800	219,137	11,429	1,278	-	(768)	14,612	249,488
Construction companies	8,321	143,276	5,015	1,788	-	(1,574)	416	157,242
Travel industry	13,776	93,865	4,866	5,025	-	(1,701)	-	115,831
Services, IT and communications	13,473	50,750	2,981	538	-	(502)	2,865	70,105
Retail	37,991	27,605	3,191	352	-	(478)	202	68,863
Manufacturing and energy	5,748	20,229	701	1,756	-	(741)	12,376	40,069
Holding companies	-	21,021	3,758	89	-	(428)	9,446	33,886
Agriculture	5,142	2,159	158	12	-	(14)	-	7,457
Other	-	3	1	-	-	-	-	4
Total	**886,487**	**901,150**	**47,317**	**20,342**	**1,691**	**(10,203)**	**50,634**	**1,897,418**

	Gross carrying amount							
As at 31 December 2024	**10-7**	**6-4**	**3-1**	**0**	**Unrated**	**Allowance for impairment**	**Fair value**	**Carrying amount**
Financial institutions	**39,346**	**-**	**-**	**-**	**-**	**-**	**-**	**39,346**
Public entities	**12,628**	**1,675**	**-**	**-**	**-**	**(1)**	**-**	**14,302**
Individuals	**664,898**	**200,489**	**15,412**	**5,752**	**1,619**	**(1,661)**	**370**	**886,879**
Mortgages	630,267	157,988	10,960	3,867	1,279	(489)	-	803,872
Other	34,631	42,501	4,452	1,885	340	(1,172)	370	83,007
Corporates	**150,274**	**677,362**	**26,120**	**20,604**	**-**	**(8,989)**	**40,885**	**906,256**
Fisheries	56,520	130,857	558	4,144	-	(2,783)	6,458	195,754
Real estate companies	4,669	205,474	8,221	1,194	-	(632)	14,199	233,125
Construction companies	7,794	129,223	4,215	2,590	-	(1,197)	415	143,040
Travel industry	11,651	86,419	4,495	10,446	-	(2,167)	-	110,844
Services, IT and communications	17,134	44,047	2,385	728	-	(415)	1,513	65,392
Retail	36,429	28,448	2,928	416	-	(345)	326	68,202
Manufacturing and energy	10,887	19,519	1,571	882	-	(773)	11,767	43,853
Holding companies	2	31,391	1,739	71	-	(664)	6,207	38,746
Agriculture	5,188	1,984	7	133	-	(13)	-	7,299
Other	-	-	1	-	-	-	-	1
Total	**867,146**	**879,526**	**41,532**	**26,356**	**1,619**	**(10,651)**	**41,255**	**1,846,783**

All amounts are in ISK million

Notes to the Condensed Consolidated Interim Financial Statements

46. Loans and advances by past due status

The following tables group the gross carrying amount of loans and advances by days past due.

	Gross carrying amount							
		Days past due						
As at 30 June 2025	**Not past due**	**1-5**	**6-30**	**31-60**	**61-90**	**over 90**	**Allowance for impairment**	**Carrying amount**
Financial institutions	**69,279**	-	-	-	-	-	-	**69,279**
Public entities	**13,762**	-	**2**	-	-	-	**(1)**	**13,763**
Individuals	**875,656**	**4,049**	**5,222**	**382**	**982**	**2,371**	**(1,565)**	**887,097**
Mortgages	797,523	-	4,345	254	763	1,405	(427)	803,863
Other	78,133	4,049	877	128	219	966	(1,138)	83,234
Corporates	**916,995**	**7,226**	**4,943**	**1,239**	**1,481**	**4,032**	**(8,637)**	**927,279**
Fisheries	184,251	11	224	2	-	2,277	(2,431)	184,334
Real estate companies	247,413	233	1,652	613	84	261	(768)	249,488
Construction companies	157,548	406	190	57	427	188	(1,574)	157,242
Travel industry	114,226	259	1,955	260	33	799	(1,701)	115,831
Services, IT and communications	69,060	323	596	234	308	86	(502)	70,105
Retail	63,558	5,301	198	2	11	271	(478)	68,863
Manufacturing and energy	39,489	369	119	71	618	144	(741)	40,069
Holding companies	34,053	260	-	-	-	1	(428)	33,886
Agriculture	7,394	64	9	-	-	4	(14)	7,457
Other	3	-	-	-	-	1	-	4
Total	**1,875,692**	**11,275**	**10,167**	**1,621**	**2,463**	**6,403**	**(10,203)**	**1,897,418**

	Gross carrying amount							
		Days past due						
As at 31 December 2024	**Not past due**	**1-5**	**6-30**	**31-60**	**61-90**	**over 90**	**Allowance for impairment**	**Carrying amount**
Financial institutions	**39,346**	-	-	-	-	-	-	**39,346**
Public entities	**14,303**	-	-	-	-	-	**(1)**	**14,302**
Individuals	**877,145**	**2,938**	**860**	**3,761**	**1,506**	**2,330**	**(1,661)**	**886,879**
Mortgages	798,085	-	618	3,148	1,182	1,328	(489)	803,872
Other	79,060	2,938	242	613	324	1,002	(1,172)	83,007
Corporates	**902,428**	**2,572**	**3,180**	**2,274**	**768**	**4,023**	**(8,989)**	**906,256**
Fisheries	195,863	68	11	97	287	2,211	(2,783)	195,754
Real estate companies	230,919	112	1,088	872	265	501	(632)	233,125
Construction companies	143,520	369	239	37	8	64	(1,197)	143,040
Travel industry	109,453	358	1,394	1,143	57	606	(2,167)	110,844
Services, IT and communications	64,613	464	289	39	36	366	(415)	65,392
Retail	67,160	1,043	85	44	14	201	(345)	68,202
Manufacturing and energy	44,331	85	66	41	100	3	(773)	43,853
Holding companies	39,336	3	-	-	-	71	(664)	38,746
Agriculture	7,233	70	8	1	-	-	(13)	7,299
Other	-	-	-	-	1	-	-	1
Total	**1,833,222**	**5,510**	**4,040**	**6,035**	**2,274**	**6,353**	**(10,651)**	**1,846,783**

All amounts are in ISK million

47. 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 sector and the three-stage criteria under IFRS 9.

		Stage 1		Stage 2		Stage 3				
As at 30 June 2025	**Gross carrying amount**	**Gross carrying amount**	**12-month ECL**	**Gross carrying amount**	**Lifetime ECL**	**Gross carrying amount**	**Lifetime ECL**	**Allowance for impairment**	**Fair Value**	**Carrying amount**
Financial institutions	**69,279**	**69,279**	-	-	-	-	-	-	-	**69,279**
Public entities	**13,764**	**13,721**	**(1)**	43	-	-	-	**(1)**	-	**13,763**
Individuals	**888,662**	**861,550**	**(186)**	**21,125**	**(360)**	**5,740**	**(1,019)**	**(1,565)**	247	**887,097**
Mortgages	804,290	785,897	(51)	14,362	(169)	4,031	(207)	(427)	-	803,863
Other	84,372	75,653	(135)	6,763	(191)	1,709	(812)	(1,138)	247	83,234
Corporates	**935,916**	**810,995**	**(2,646)**	**59,932**	**(1,960)**	**14,602**	**(4,031)**	**(8,637)**	**50,387**	**927,279**
Fisheries	186,765	171,392	(132)	1,139	(50)	3,764	(2,249)	(2,431)	10,470	184,334
Real estate companies	250,256	229,234	(544)	5,132	(157)	1,278	(67)	(768)	14,612	249,488
Construction companies	158,816	147,946	(826)	8,666	(315)	1,788	(433)	(1,574)	416	157,242
Travel industry	117,532	87,480	(300)	25,027	(874)	5,025	(527)	(1,701)	-	115,831
Services, IT and communications	70,607	61,033	(257)	6,171	(145)	538	(100)	(502)	2,865	70,105
Retail	69,341	64,080	(214)	4,707	(192)	352	(72)	(478)	202	68,863
Manufacturing and energy	40,810	23,993	(186)	2,685	(63)	1,756	(492)	(741)	12,376	40,069
Holding companies	34,314	18,599	(182)	6,180	(158)	89	(88)	(428)	9,446	33,886
Agriculture	7,471	7,238	(5)	221	(6)	12	(3)	(14)	-	7,457
Other	4	-	-	4	-	-	-	-	-	4
Total	**1,907,621**	**1,755,545**	**(2,833)**	**81,100**	**(2,320)**	**20,342**	**(5,050)**	**(10,203)**	**50,634**	**1,897,418**

All amounts are in ISK million

47. Loans and advances by stage allocation (continued)

As at 31 December 2024	Gross carrying amount	Stage 1 Gross carrying amount	Stage 1 12-month ECL	Stage 2 Gross carrying amount	Stage 2 Lifetime ECL	Stage 3 Gross carrying amount	Stage 3 Lifetime ECL	Allowance for impairment	Fair Value	Carrying amount
Financial institutions	**39,346**	**39,346**	-	-	-	-	-	-	-	**39,346**
Public entities	**14,303**	**14,266**	**(1)**	**37**	-	-	-	**(1)**	-	**14,302**
Individuals	**888,540**	**858,602**	**(171)**	**23,816**	**(442)**	**5,752**	**(1,048)**	**(1,661)**	**370**	**886,879**
Mortgages	804,361	784,106	(46)	16,388	(250)	3,867	(193)	(489)	-	803,872
Other	84,179	74,496	(125)	7,428	(192)	1,885	(855)	(1,172)	370	83,007
Corporates	**915,245**	**785,160**	**(1,943)**	**68,596**	**(1,742)**	**20,604**	**(5,304)**	**(8,989)**	**40,885**	**906,256**
Fisheries	198,537	186,732	(120)	1,203	(50)	4,144	(2,613)	(2,783)	6,458	195,754
Real estate companies	233,757	213,439	(393)	4,925	(103)	1,194	(136)	(632)	14,199	233,125
Construction companies	144,237	132,862	(547)	8,370	(200)	2,590	(450)	(1,197)	415	143,040
Travel industry	113,011	78,362	(196)	24,203	(688)	10,446	(1,283)	(2,167)	-	110,844
Services, IT and communications	65,807	58,001	(187)	5,565	(94)	728	(134)	(415)	1,513	65,392
Retail	68,547	63,145	(120)	4,660	(130)	416	(95)	(345)	326	68,202
Manufacturing and energy	44,626	28,563	(203)	3,414	(33)	882	(537)	(773)	11,767	43,853
Holding companies	39,410	16,970	(174)	16,162	(440)	71	(50)	(664)	6,207	38,746
Agriculture	7,312	7,086	(3)	93	(4)	133	(6)	(13)	-	7,299
Other	1	-	-	1	-	-	-	-	-	1
Total	**1,857,434**	**1,697,374**	**(2,115)**	**92,449**	**(2,184)**	**26,356**	**(6,352)**	**(10,651)**	**41,255**	**1,846,783**

All amounts are in ISK million

48. Impairment allowance on loans and advances

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

	12-months ECL Stage 1	Lifetime ECL Stage 2	Lifetime ECL Stage 3	Total
Balance as at 1 January 2025 - Financial institutions	**0**	**0**	**0**	**0**
Changes in models/risk parameters	-	-	-	0
Balance As at 30 June 2025 - Financial institutions	**0**	**0**	**0**	**0**
- therof classified as deduction from gross carrying amounts	-	-	-	0
- therof classified as liabilities	-	-	-	0

	12-months ECL Stage 1	Lifetime ECL Stage 2	Lifetime ECL Stage 3	Total
Balance as at 1 January 2025 - Loans and advances to customers	**(2,386)**	**(2,263)**	**(6,531)**	**(11,180)**
New financial assets originated	(591)	(137)	(151)	(879)
Reversals due to financial assets that have been derecognised	211	150	413	774
Transfer to Stage 1 - 12-month ECL	(31)	25	6	0
Transfer to Stage 2 - Lifetime ECL	290	(385)	95	0
Transfer to Stage 3 - Lifetime ECL	129	287	(416)	0
Changes in models/risk parameters	(854)	(69)	1,242	319
Provisions used to cover write-offs	-	4	237	241
Balance as at 30 June 2025 - Loans and advances to customers	**(3,232)**	**(2,388)**	**(5,105)**	**(10,725)**
- therof classified as deduction from gross carrying amounts	(2,833)	(2,320)	(5,050)	(10,203)
- therof classified as liabilities	(399)	(68)	(55)	(522)

	1.1-30.6.2025				
Net impairment on loans and advances	**Financial institutions**	**Public entities**	**Individuals**	**Corporates**	**Total**
New financial assets originated	-	-	(106)	(773)	(879)
Reversals due to financial assets that have been derecognised	-	-	191	583	774
Changes due to financial assets recognised in the opening balance	-	1	(224)	542	319
Write-offs	-	-	(315)	(14)	(329)
Provisions used to cover write-offs	-	-	236	5	241
Recoveries	-	-	36	5	41
Translation difference	-	-	-	(327)	(327)
Total	**0**	**1**	**(182)**	**21**	**(160)**

All amounts are in ISK million

48. Impairment allowance on loans and advances (continued)

The following tables show changes in the impairment allowance of loans and advances in 2024.

	12-months ECL Stage 1	Lifetime ECL Stage 2	Lifetime ECL Stage 3	Total
Balance as at 1 January 2024 - Financial institutions	**0**	**0**	**0**	**0**
Changes in models/risk parameters	-	-	-	0
Balance as at 31 December 2024 - Financial institutions	**0**	**0**	**0**	**0**
- therof classified as deduction from gross carrying amounts	-	-	-	0
- therof classified as liabilities	-	-	-	0

	12-months ECL Stage 1	Lifetime ECL Stage 2	Lifetime ECL Stage 3	Total
Balance as at 1 January 2024 - Loans and advances to customers	**(4,049)**	**(2,168)**	**(5,686)**	**(11,903)**
New financial assets originated	(701)	(763)	(768)	(2,232)
Reversals due to financial assets that have been derecognised	1,683	889	947	3,519
Changes due to reclassification of financial assets	-	(12)	-	(12)
Transfer to Stage 1 - 12-month ECL	(99)	97	2	0
Transfer to Stage 2 - Lifetime ECL	857	(883)	26	0
Transfer to Stage 3 - Lifetime ECL	714	861	(1,575)	0
Cancellation resulting from a natural disaster.	-	80	-	80
Changes in models/risk parameters	(791)	(378)	(70)	(1,239)
Provisions used to cover write-offs	-	14	593	607
Balance as at 31 December 2024 - Loans and advances to customers	**(2,386)**	**(2,263)**	**(6,531)**	**(11,180)**
- therof classified as deduction from gross carrying amounts	(2,115)	(2,184)	(6,352)	(10,651)
- therof classified as liabilities	(271)	(79)	(179)	(529)

	1.1-31.12.2024				
Net impairment on loans and advances	**Financial institutions**	**Public entities**	**Individuals**	**Corporates**	**Total**
New financial assets originated	-	-	(314)	(1,918)	(2,232)
Reversals due to financial assets that have been derecognised	-	-	1,203	2,316	3,519
Changes due to reclassification of financial assets	-	-	-	(12)	(12)
Changes due to financial assets recognised in the opening balance	-	2	(420)	(821)	(1,239)
Impact of natural hazard	-	-	(2,507)	-	(2,507)
Write-offs	-	-	(500)	(627)	(1,127)
Provisions used to cover write-offs	-	-	246	361	607
Recoveries	-	-	122	33	155
Translation difference	-	-	-	(4)	(4)
Total	**0**	**2**	**(2,170)**	**(672)**	**(2,840)**

49. Large exposures

Exposures to a client or a group of connected clients are classified as large exposures if their total exposures exceed 10% of the Group's Tier 1 capital. Large exposures are measured before (gross) and after (net) application of exemptions and credit risk mitigation. The legal maximum for a large exposure is 25% of Tier 1 capital, net of eligible credit risk mitigation.

As at 30 June 2025, the Group had four large exposures compared to four large exposures at year-end 2024. The largest exposure before credit risk mitigation is the German sovereign. The total ratio of large exposures, net of credit risk mitigation, was 8.7% as at 30 June 2025.

As at 30 June 2025	Gross	Ratio of Tier 1 capital (Gross)	Net	Ratio of Tier 1 capital (Net)
Group 1	84,555	26.8%	-	0.0%
Group 2	41,163	13.1%	211	0.1%
Group 3	35,386	11.2%	-	0.0%
Group 4	35,235	11.2%	27,207	8.6%
Total	**196,339**	**62.2%**	**27,418**	**8.7%**

All amounts are in ISK million

49. Large exposures (continued)

As at 31 December 2024	Gross	Ratio of Tier 1 capital (Gross)	Net	Ratio of Tier 1 capital (Net)
Group 1	42,897	14.3%	-	0.0%
Group 2	37,253	12.4%	212	0.1%
Group 3	34,455	11.4%	25,269	8.4%
Group 4	30,792	10.2%	30,486	10.1%
Total	**145,397**	**48.3%**	**55,967**	**18.6%**

Liquidity risk

50. Liquidity risk management

Liquidity coverage ratio

The objective of LCR is to promote short-term liquidity resilience by ensuring that the Group has sufficient high-quality liquid assets to survive a significant stress scenario lasting 30 calendar days. LCR is the key indicator for short-term liquidity risk measuring the ratio of high-quality liquid assets to expected total net cash outflows over the next 30 days, under a specified stress scenario. To prevent over-reliance on the estimated inflow, it can at most be 75% of the estimated outflow.

The Group monitors intraday liquidity risk, short-term 30-day liquidity risk, medium and longer-term liquidity risk and funding risk arising from mismatches of longer-term assets and liabilities.

The Group follows guidelines No. 2/2010 from the Financial Supervisory Authority (FSA) of the Central Bank of Iceland (CBI) on best practice for managing the liquidity of financial undertakings. CBI's Rules No. 1520/2022 on LCR, require the Group to maintain a minimum LCR of 100% across all currencies, 80% in euros and 50% in Icelandic krona. The Group submits monthly reports on its liquidity position to the CBI. The following tables show the Group’s LCR.

	ISK		EUR		Liquidity coverage ratio total (LCR)	
Liquidity coverage ratio 30 June 2025	**Unweighted**	**Weighted**	**Unweighted**	**Weighted**	**Unweighted**	**Weighted**
Level 1 liquid assets	145,166	145,166	120,581	120,581	278,494	278,494
Level 2 liquid assets	11,962	8,373	211	179	12,173	8,553
Information items	-	-	-	-	-	-
Total liquid assets	**157,128**	**153,539**	**120,792**	**120,760**	**290,667**	**287,047**
Deposits	813,761	130,351	76,188	36,149	958,747	197,888
Borrowing	-	-	-	-	-	-
Other outflows	176,883	23,011	28,397	2,509	239,735	29,504
Total outflows (0-30 days)	**990,644**	**153,362**	**104,585**	**38,658**	**1,198,482**	**227,392**
Loans and advances to financial institutions	1,020	541	13,755	13,549	69,262	67,782
Other inflows	46,855	24,478	12,940	6,848	70,441	36,981
Limit on inflows	-	-	-	-	-	-
Total inflows (0-30 days)	**47,875**	**25,019**	**26,695**	**20,397**	**139,703**	**104,763**
Liquidity coverage ratio		**120%**		**661%**		**234%**

All amounts are in ISK million

50. Liquidity risk management (continued)

	ISK		EUR		Liquidity coverage ratio total (LCR)	
Liquidity coverage ratio 31 December 2024	**Unweighted**	**Weighted**	**Unweighted**	**Weighted**	**Unweighted**	**Weighted**
Level 1 liquid assets	164,112	164,112	72,453	72,453	251,325	251,325
Level 2 liquid assets	12,096	8,467	212	180	12,308	8,648
Information items	-	-	-	-	-	-
Total liquid assets	**176,208**	**172,579**	**72,665**	**72,633**	**263,633**	**259,973**
Deposits	781,717	128,334	65,179	28,859	918,590	186,439
Borrowing	-	-	-	-	16,399	16,399
Other outflows	171,314	24,246	21,617	1,702	230,268	29,811
Total outflows (0-30 days)	**953,031**	**152,580**	**86,796**	**30,561**	**1,165,257**	**232,649**
Loans and advances to financial institutions	544	65	18,772	17,609	39,824	36,804
Other inflows	42,222	22,412	12,796	6,786	69,572	36,857
Limit on inflows	-	-	-	(1,474)	-	-
Total inflows (0-30 days)	**42,766**	**22,477**	**31,568**	**22,921**	**109,396**	**73,661**
Liquidity coverage ratio		**133%**		**951%**		**164%**

Liquidity reserve

The following tables show the composition of the Group's liquidity reserve. It comprises high-quality liquid assets – as defined in liquidity Rules No. 1520/2022 - and readily available loans and advances to financial institutions.

Liquidity reserves as at 30 June 2025	**ISK**	**Foreign currencies**	**Total**
Cash and balances with the Central Bank	105,843	1,386	107,229
Domestic bonds and debt instruments eligible as collateral with the Central Bank	51,285	211	51,496
Foreign government bonds with 0% risk weight	-	131,942	131,942
High quality liquidity assets	**157,128**	**133,539**	**290,667**
Loans and advances to financial institutions	1,020	68,242	69,262
Total liquidity reserves	**158,148**	**201,781**	**359,929**

Liquidity reserves as at 31 December 2024	**ISK**	**Foreign currencies**	**Total**
Cash and balances with the Central Bank	122,072	1,900	123,972
Domestic bonds and debt instruments eligible as collateral at the Central Bank	54,136	212	54,348
Foreign government bonds with 0% risk weight	-	85,313	85,313
High quality liquidity assets	**176,208**	**87,425**	**263,633**
Loans and advances to financial institutions	544	39,280	39,824
Total liquidity reserves	**176,752**	**126,705**	**303,457**

Net stable funding ratio

NSFR requirements are according to Regulation (EU) 575/2013 (CRR), as amended by Regulation (EU) 2019/876 (CRR II). The Group is required to maintain a minimum NSFR of 100% across all currencies at all times. The Group submits quarterly reports on its NSFR to the CBI. The following table shows the values of the NSFR for foreign currencies and NSFR total as at 30 June 2025 and 31 December 2024.

	30.6.2025	**31.12.2024**
Net stable funding ratio FX	168%	143%
Net stable funding ratio total	125%	124%

for the six months ended 30 June 2025 53 All amounts are in ISK million

50. Liquidity risk management (continued)

Deposit categories

The following tables show the Group's deposits, where depositors are categorised according to CBI Rules No. 1520/2022 on calculation LCR. The deposit groups are categorised by maturity of either 0-30 days or longer and applied run-off rate, which indicates their level of stickiness. Analysis of stickiness is the Bank's preferred method of measuring the stability of deposits under stressed conditions. The division of guaranteed and unguaranteed deposits is in accordance with the Act on Deposit Guarantees and Investor-Compensation Scheme Act No. 98/1999, with subsequent amendments. Payments to each depositor shall equal the total amount of eligible deposits, at the company concerned, yet never a higher amount than the equivalent of EUR 100,000 in Icelandic króna.

As at 30 June 2025	Run off rate	0-30 days	Over 30 days	Guaranteed	Unguaranteed	Total
Individuals	5% - 100%	530,797	177,886	489,140	219,543	708,683
Small and Medium Sized Corporates	5% - 100%	103,408	15,609	67,045	51,972	119,017
Operational deposits	5% - 25%	-	-	-	-	0
Large Corporates	20% - 40%	218,139	43,956	12,514	249,581	262,095
Public entities	20% - 40%	59,792	5,965	-	65,757	65,757
Financial customers	100%	43,219	46,317	-	89,536	89,536
Other*		13,398	1,553	2,531	12,420	14,951
Total deposits		**968,753**	**291,286**	**571,230**	**688,809**	**1,260,039**

As at 31 December 2024	Run off rate	0-30 days	Over 30 days	Guaranteed	Unguaranteed	Total
Individuals	5% - 100%	505,365	168,177	477,338	196,204	673,542
Small and Medium Sized Corporates	5% - 100%	101,771	14,010	64,962	50,819	115,781
Operational deposits	5% - 25%	-	-	-	-	0
Large Corporates	20% - 40%	212,627	66,565	12,344	266,848	279,192
Public entities	20% - 40%	58,635	6,870	-	65,505	65,505
Financial customers	100%	37,162	44,654	-	81,816	81,816
Other*		23,366	1,231	2,809	21,788	24,597
Total deposits		**938,926**	**301,507**	**557,453**	**682,980**	**1,240,433**

*Pledged deposits are not included in the Group's LCR but are included in the Group's consolidated financial statement.

51. Maturity analysis of financial assets and liabilities

The maturity analysis considers the contractual maturity of the Group's assets and liabilities. The amounts are allocated to maturity buckets according to their remaining contractual maturity, i.e. based on the timing of future cash flows according to contractual terms. 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 - such as for floating rate and inflation-linked cash flows - 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 based on 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 maturity bucket. This varies significantly to the Group's expected cash flows on demand deposits from customers, which are considered a relatively stable financing source, with expected maturity exceeding one year. The Group conducts a monthly stress test to estimate the impact of fluctuating market conditions and deposit withdrawals.

Where the Group is committed to have amounts available in instalments, each instalment is allocated to the earliest maturity bucket in which the Group might be required to pay. Therefore, undrawn loan commitments are allocated to the maturity bucket with the earliest date at which such loans may be drawn, even though they are not expected to be drawn down immediately. For financial guarantee contracts issued by the Group, the amount included is the maximum amount of guarantees, allocated to the earliest maturity bucket in which the guarantees might be called.

All spot deals are classified under financial assets or liabilities, but not under derivatives. The maturity analysis does not account for measures that the Group could take to convert assets into cash at hand, either through sale or participation in Central Bank operations. Further information on the Group's liquidity risk management can be found in Note 50.

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 maturity bucket of 1-5 years.

All amounts are in ISK million

51. 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 2025:

Non-derivative financial liabilities	0-1 month	1-3 months	3-12 months	1-5 years	Over 5 years	No maturity	Total	Carrying amount
Due to financial institutions and Central Bank	(12,473)	-	(8,287)	-	-	-	(20,760)	(20,761)
Deposits from customers	(954,257)	(216,883)	(50,788)	(14,004)	(13,713)	-	(1,249,645)	(1,239,280)
Short positions	(26)	-	(99)	(1,166)	(5,295)	-	(6,586)	(2,372)
Borrowings	-	(57,045)	(63,331)	(552,300)	(19,780)	-	(692,456)	(581,367)
Other financial liabilities	(46,565)	-	-	-	-	-	(46,565)	(46,565)
Subordinated liabilities	-	(491)	(2,726)	(48,751)	(22,981)	-	(74,949)	(52,427)
Total	**(1,013,321)**	**(274,419)**	**(125,231)**	**(616,221)**	**(61,769)**	**0**	**(2,090,961)**	**(1,942,772)**
Derivative financial liabilities								
Trading								(558)
Inflow	9,485	301	3,080	-	-	-	12,866	
Outflow	(9,682)	(334)	(3,454)	-	-	-	(13,470)	
Risk management								(1,766)
Inflow	4,757	25,113	10,546	48,632	-	-	89,048	
Outflow	(4,850)	(26,044)	(11,036)	(48,928)	-	-	(90,858)	
Total	**(290)**	**(964)**	**(864)**	**(296)**	**0**	**0**	**(2,414)**	**(2,324)**
Non-derivative financial assets								
Cash and balances with Central Bank	113,166	-	-	-	-	-	113,166	113,166
Bonds and debt instruments	20,375	42,532	115,557	27,944	11,529	-	217,937	205,592
Equities and equity instruments	-	-	-	-	-	33,699	33,699	33,699
Loans and advances to financial institutions	69,280	-	-	-	-	-	69,280	69,279
Loans and advances to customers	87,811	86,831	348,994	766,408	2,325,163	-	3,615,207	1,828,139
Other financial assets	13,864	-	-	-	-	-	13,864	13,864
Total	**304,496**	**129,363**	**464,551**	**794,352**	**2,336,692**	**33,699**	**4,063,153**	**2,263,739**
Derivative financial assets								
Trading								390
Inflow	14,657	1,065	109	-	-	-	15,831	
Outflow	(14,350)	(998)	(108)	-	-	-	(15,456)	
Risk management								5,708
Inflow	5,319	11,849	11,200	187,651	-	-	216,019	
Outflow	(5,558)	(12,945)	(7,841)	(183,731)	-	-	(210,075)	
Total	**68**	**(1,029)**	**3,360**	**3,920**	**0**	**0**	**6,319**	**6,098**
Off-balance sheet items								
Financial guarantees and underwriting commitments	(1,706)	(793)	(7,167)	(16,465)	(7,439)	(1,837)	(35,407)	
Undrawn loan commitments	(180,433)	-	-	-	-	-	(180,433)	
Undrawn overdraft/credit card commitments	(91,541)	-	-	-	-	-	(91,541)	
Total	**(273,680)**	**(793)**	**(7,167)**	**(16,465)**	**(7,439)**	**(1,837)**	**(307,381)**	
Net liquidity position	**(982,727)**	**(147,842)**	**334,649**	**165,290**	**2,267,484**	**31,862**	**1,668,716**	**324,741**

All amounts are in ISK million

Notes to the Condensed Consolidated Interim Financial Statements

51. 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 2024:

Non-derivative financial liabilities	0-1 month	1-3 months	3-12 months	1-5 years	Over 5 years	No maturity	Total	Carrying amount
Due to financial institutions and Central Bank	(10,127)	-	-	-	-	-	(10,127)	(11,989)
Deposits from customers	(926,168)	(249,102)	(36,793)	(14,631)	(12,938)	-	(1,239,632)	(1,228,444)
Short positions	(48)	(65)	(618)	(759)	(6,861)	-	(8,351)	(4,217)
Borrowings	(16,403)	(6,902)	(90,583)	(456,623)	(61,390)	-	(631,901)	(529,150)
Other financial liabilities	(7,386)	-	-	-	-	-	(7,386)	(7,386)
Subordinated liabilities	-	(1,676)	(288)	(26,696)	(30,338)	-	(58,998)	(39,989)
Total	**(960,132)**	**(257,745)**	**(128,282)**	**(498,709)**	**(111,527)**	**0**	**(1,956,395)**	**(1,821,175)**
Derivative financial liabilities								
Trading								(728)
Inflow	9,213	2,126	1,089	-	-	-	12,428	
Outflow	(9,851)	(2,165)	(1,155)	-	-	-	(13,171)	
Riks management								(1,890)
Inflow	31,851	15,037	5,177	49,646	-	-	101,711	
Outflow	(32,852)	(15,574)	(5,593)	(49,585)	-	-	(103,604)	
Total	**(1,639)**	**(576)**	**(482)**	**61**	**0**	**0**	**(2,636)**	**(2,618)**
Non-derivative financial assets								
Cash and balances with Central Bank	129,981	-	-	-	-	-	129,981	129,981
Bonds and debt instruments	22,969	36,445	38,865	43,038	5,331	-	146,648	139,104
Equities and equity instruments	-	-	-	-	-	32,644	32,644	32,644
Loans and advances to financial institutions	39,346	-	-	-	-	-	39,346	39,346
Loans and advances to customers	90,411	121,790	328,535	722,238	2,229,071	-	3,492,045	1,807,437
Other financial assets	4,392	-	-	-	-	-	4,392	4,392
Total	**287,099**	**158,235**	**367,400**	**765,276**	**2,234,402**	**32,644**	**3,845,056**	**2,152,904**
Derivative financial assets								
Trading								253
Inflow	5,624	3,540	897	-	-	-	10,061	
Outflow	(5,437)	(3,507)	(907)	-	-	-	(9,851)	
Riks management								8,007
Inflow	10,465	16,143	7,715	146,994	-	-	181,317	
Outflow	(10,317)	(13,062)	(9,780)	(139,933)	-	-	(173,092)	
Total	**335**	**3,114**	**(2,075)**	**7,061**	**0**	**0**	**8,435**	**8,260**
Off-balance sheet items								
Financial guarantees and underwriting commitments	(850)	(1,724)	(6,802)	(11,145)	(7,298)	(408)	(28,227)	
Undrawn loan commitments	(174,724)	-	-	-	-	-	(174,724)	
Undrawn overdraft/credit card commitments	(84,196)	-	-	-	-	-	(84,196)	
Total	**(259,770)**	**(1,724)**	**(6,802)**	**(11,145)**	**(7,298)**	**(408)**	**(287,147)**	
Net liquidity position	**(934,107)**	**(98,696)**	**229,759**	**262,544**	**2,115,577**	**32,236**	**1,607,313**	**337,371**

All amounts are in ISK million

52. Encumbered assets

The Bank has pledged a part of its loan portfolio as collateral to secure the covered bonds issued in ISK and EUR by the Bank in accordance with Icelandic laws and FSA rules. Part of the covered bonds issued by the Bank, it can sell later or use for securities lending and repurchase agreements.

The Bank has pledged assets as collateral to the Central Bank of Iceland to secure settlement in the Icelandic clearing systems. Furthermore, the Bank has 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.

	Collateral pledged against			
As at 30 June 2025	**Covered bonds**	**Other**	**Un-encumbered**	**Total**
Cash and balances with Central Bank	15,985	5,937	91,244	113,166
Bonds and debt instruments	-	3,119	202,473	205,592
Equities and equity instruments	-	-	33,699	33,699
Derivative instruments	-	-	6,098	6,098
Loans and advances to financial institutions	-	832	68,447	69,279
Loans and advances to customers	434,786	-	1,393,353	1,828,139
Investments in equity-accounted associates	-	-	1,209	1,209
Property and equipment	-	4,016	10,785	14,801
Intangible assets	-	-	15,445	15,445
Other assets	-	-	15,782	15,782
Assets classified as held for sale	-	-	1,828	1,828
Total before deductions	**450,771**	**13,904**	**1,840,363**	**2,305,038**
Deductions for own shares	(85,888)			
Pledged assets against reverse agreements	17,225			
Pledged assets against liabilities on the balance sheet	**382,108**			

	Collateral pledged against			
As at 31 December 2024	**Covered bonds**	**Other**	**Un-encumbered**	**Total**
Cash and balances with Central Bank	20,128	6,009	103,844	129,981
Bonds and debt instruments	-	3,022	136,082	139,104
Equities and equity instruments	-	-	32,644	32,644
Derivative instruments	-	-	8,260	8,260
Loans and advances to financial institutions	-	1,753	37,593	39,346
Loans and advances to customers	388,732	-	1,418,705	1,807,437
Investments in equity-accounted associates	-	-	1,143	1,143
Property and equipment	-	4,802	9,809	14,611
Intangible assets	-	-	1,336	1,336
Other assets	-	-	5,725	5,725
Assets classified as held for sale	-	-	2,172	2,172
Total before deductions	**408,860**	**15,586**	**1,757,313**	**2,181,759**
Deductions for own shares	(64,229)			
Pledged assets against reverse agreements	13,306			
Pledged assets against liabilities on the balance sheet	**357,937**			

All amounts are in ISK million

Market risk

53. Market risk management

The following table summarises the Group's exposure to market risk as a percentage of RWEA as at 30 June 2025 and 31 December 2024. The Group uses the standardised approach to calculate risk-weighted exposure amounts of derivatives for credit valuation adjustment (CVA), according to capital requirement regulations.

	30.6.2025	31.12.2024
Market risk factor	**% of RWEA**	**% of RWEA**
Equity price risk	0.9%	0.5%
Interest rate risk	0.3%	0.2%
CVA of derivatives	0.1%	0.1%
Foreign exchange risk	0.4%	0.3%
Total	**1.6%**	**1.1%**

54. Equity price risk

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

The Group's equity trading portfolio is comprised of proprietary trading positions and exposures due to market making, including equity derivatives and their hedging positions. The Group's banking book portfolio consists of domestic and foreign listed and unlisted equities as part of asset and liability management. Further details are disclosed in Note 21.

55. Interest rate risk

Interest rate risk is the risk that the fair value or future cash flow of financial instruments will fluctuate due to changes in market interest rates.

Changes in interest rates for the Group's assets and liabilities, other than those in its trading portfolios, have an impact on its interest rate margin. This risk results primarily from duration mismatches between assets and liabilities. Interest rate risk is managed principally by monitoring interest rate gaps. Interest rate risk is managed centrally within the Group by Treasury and is monitored by Market Risk.

for the six months ended 30 June 2025 58 All amounts are in ISK million

Notes to the Condensed Consolidated Interim Financial Statements

55. Interest rate risk (continued)

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. Off-balance sheet amounts are the notional amounts of the derivative instruments, see Note 22. The amounts presented are categorised by the earlier of either the contractual repricing or the maturity date.

As at 30 June 2025	Up to 3 months	3-12 months	1-5 years	Over 5 years	Carrying amount
Financial assets					
Cash and balances with Central Bank	113,166	-	-	-	113,166
Bonds and debt instruments	63,923	110,756	20,642	10,271	205,592
Derivative instruments	820	49	5,229	-	6,098
Loans and advances to financial institutions	69,279	-	-	-	69,279
Loans and advances to customers	1,481,862	135,157	196,790	14,330	1,828,139
Other financial assets	13,864	-	-	-	13,864
Total	**1,742,914**	**245,962**	**222,661**	**24,601**	**2,236,138**
Financial liabilities					
Due to financial institutions and Central Bank	(20,761)	-	-	-	(20,761)
Deposits from customers	(1,223,199)	(10,984)	(5,097)	-	(1,239,280)
Derivative instruments and short positions	(841)	(1,248)	(259)	(2,348)	(4,696)
Borrowings	(90,300)	(58,779)	(419,951)	(12,337)	(581,367)
Other financial liabilities	(46,565)	-	-	-	(46,565)
Subordinated liabilities	-	-	(32,300)	(20,127)	(52,427)
Total	**(1,381,666)**	**(71,011)**	**(457,607)**	**(34,812)**	**(1,945,096)**
Net on-balance sheet position	361,248	174,951	(234,946)	(10,211)	291,042
Derivatives held for hedging	(213,300)	-	213,300	-	
Net off-balance sheet position	2,000	(2,000)	-	-	
Total interest repricing gap	**149,948**	**172,951**	**(21,646)**	**(10,211)**	

As at 31 December 2024	Up to 3 months	3-12 months	1-5 years	Over 5 years	Carrying amount
Financial assets					
Cash and balances with Central Bank	129,981	-	-	-	129,981
Bonds and debt instruments	59,905	36,930	36,619	5,650	139,104
Derivative instruments	506	26	7,728	-	8,260
Loans and advances to financial institutions	39,346	-	-	-	39,346
Loans and advances to customers	1,399,883	189,454	203,646	14,454	1,807,437
Other financial assets	4,392	-	-	-	4,392
Total	**1,634,013**	**226,410**	**247,993**	**20,104**	**2,128,520**
Financial liabilities					
Due to financial institutions and Central Bank	(11,989)	-	-	-	(11,989)
Deposits from customers	(1,215,405)	(7,346)	(5,693)	-	(1,228,444)
Derivative instruments and short positions	(1,704)	(734)	(180)	(4,217)	(6,835)
Borrowings	(42,218)	(65,965)	(376,172)	(44,795)	(529,150)
Other financial liabilities	(7,386)	-	-	-	(7,386)
Subordinated liabilities	-	-	(16,024)	(23,965)	(39,989)
Total	**(1,278,702)**	**(74,045)**	**(398,069)**	**(72,977)**	**(1,823,793)**
Net on-balance sheet position	355,311	152,365	(150,076)	(52,873)	304,727
Derivatives held for hedging	(172,680)	-	172,680	-	
Net off-balance sheet position	2,000	(2,000)	0	-	
Total interest repricing gap	**184,631**	**150,365**	**22,604**	**(52,873)**	

All amounts are in ISK million

56. Indexation risk (all portfolios)

Indexation risk is the risk that the fair value or future cash flows of inflation-linked financial instruments may fluctuate due to changes in the Icelandic consumer prise index (CPI). To mitigate imbalance in the Group'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 summarise the Group's CPI exposure by maturity dates, where CPI-linked financial assets and liabilities are disclosed by maturities at their carrying amounts.

As at 30 June 2025	Up to 3 months	3-12 months	1-5 years	Over 5 years	Carrying amount
Financial assets					
Bonds and debt instruments	-	22,536	5,002	3,891	31,429
Derivative instruments	4	-	-	-	4
Loans and advances to customers	2,659	1,944	58,471	572,288	635,362
Other assets	-	-	-	-	0
Total	**2,663**	**24,480**	**63,473**	**576,179**	**666,795**
Financial liabilities					
Deposits from customers	(106,861)	(57,975)	(7,133)	(6,763)	(178,732)
Derivative instruments and short positions	(29)	(806)	-	(2,274)	(3,109)
Borrowings	-	-	(145,144)	(12,337)	(157,481)
Subordinated liabilities	-	-	(29,210)	(7,835)	(37,045)
Other liabilities	(1,620)	(3,503)	(4,255)	(135)	(9,513)
Total	**(108,510)**	**(62,284)**	**(185,742)**	**(29,344)**	**(385,880)**
Total on-balance sheet position	**(105,847)**	**(37,804)**	**(122,269)**	**546,835**	**280,915**
Off-balance sheet position					
Interest rate swaps	-	(2,029)	-	-	(2,029)
Total return swaps	-	(6,134)	(746)	1,427	(5,453)
Total off-balance sheet position	**0**	**(8,163)**	**(746)**	**1,427**	**(7,482)**
Total CPI indexation balance	**(105,847)**	**(45,967)**	**(123,015)**	**548,262**	**273,433**
Total CPI indexation balance, excluding insurance operations*	**(104,226)**	**(46,607)**	**(123,769)**	**546,947**	**272,345**

*Consolidated situation as per EU Regulation No 575/2013 (CRR)

As at 31 December 2024	Up to 3 months	3-12 months	1-5 years	Over 5 years	Carrying amount
Financial assets					
Bonds and debt instruments	-	-	25,735	3,198	28,933
Derivative instruments and short positions	10	-	-	-	10
Loans and advances to customers	489	13,246	64,659	520,671	599,065
Total	**499**	**13,246**	**90,394**	**523,869**	**628,008**
Financial liabilities					
Deposits from customers	(103,885)	(65,090)	(6,947)	(6,480)	(182,402)
Derivative instruments and short positions	(13)	(683)	-	(2,558)	(3,254)
Borrowings	-	-	(89,530)	(44,794)	(134,324)
Subordinated liabilities	-	-	(16,024)	(20,731)	(36,755)
Total	**(103,898)**	**(65,773)**	**(112,501)**	**(74,563)**	**(356,735)**
Total on-balance sheet position	**(103,399)**	**(52,527)**	**(22,107)**	**449,306**	**271,273**
Off-balance sheet position					
Interest rate swaps	-	(2,037)	-	-	(2,037)
Total return swaps	-	-	(3,708)	1,032	(2,676)
Total off-balance sheet position	**0**	**(2,037)**	**(3,708)**	**1,032**	**(4,713)**
Total CPI indexation balance	**(103,399)**	**(54,564)**	**(25,815)**	**450,338**	**266,560**

All amounts are in ISK million

Currency risk

57. Currency risk (all portfolios)

Currency risk is the risk of loss in financial instruments denominated in foreign currencies due to fluctuations in foreign exchange rates. 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 2025 was +1.15% of the Group's total capital base (31.12.2024: +0.96%).

58. Concentration of currency risk

The following tables summarise the Group's exposure to currency risk. 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, which, when managing currency risk, are treated as non-derivative assets or liabilities .

As at 30 June 2025	EUR	GBP	USD	NOK	SEK	Other	Total
Assets							
Cash and balances with Central Bank	730	131	456	11	9	321	1,658
Bonds and debt instruments	120,163	-	12,224	-	-	-	132,387
Equities and equity instruments	68	80	3,011	120	937	-	4,216
Derivative instruments	5,449	61	382	50	21	-	5,963
Loans and advances to financial institutions	13,755	5,592	17,891	12,296	14,773	3,935	68,242
Loans and advances to customers	217,644	1,800	55,556	46	3,897	6,693	285,636
Other assets	892	2	3,668	35	2	144	4,743
Total	**358,701**	**7,666**	**93,188**	**12,558**	**19,639**	**11,093**	**502,845**
Liabilities							
Due to financial institutions and Central Bank	(4,981)	-	(285)	-	-	-	(5,266)
Deposits from customers	(73,308)	(7,378)	(55,512)	(3,738)	(1,474)	(4,877)	(146,287)
Derivative instruments and short positions	(894)	(25)	(532)	(7)	(2)	-	(1,460)
Borrowings	(261,303)	-	(16,126)	(25,265)	(34,245)	-	(336,939)
Other liabilities	(3,468)	(677)	(5,358)	(268)	(539)	(790)	(11,100)
Subordinated liabilities	-	-	(12,292)	-	-	-	(12,292)
Total	**(343,954)**	**(8,080)**	**(90,105)**	**(29,278)**	**(36,260)**	**(5,667)**	**(513,344)**
Net on-balance sheet position	14,747	(414)	3,083	(16,720)	(16,621)	5,426	**(10,499)**
Net off-balance sheet position	(13,273)	855	1,095	17,567	15,400	(7,198)	**14,446**
Net currency position	**1,474**	**441**	**4,178**	**847**	**(1,221)**	**(1,772)**	**3,947**
Net currency position, excluding insurance operations	**781**	**386**	**3,073**	**809**	**(1,219)**	**(1,876)**	**1,954**

As at 31 December 2024	EUR	GBP	USD	NOK	SEK	Other	Total
Assets							
Cash and balances with Central Bank	980	166	398	-	9	347	1,900
Bonds and debt instruments	71,695	-	13,840	-	-	-	85,535
Equities and equity instruments	66	18	6,866	61	10	-	7,021
Derivative instruments	7,850	17	234	51	28	2	8,182
Loans and advances to financial institutions	18,772	1,894	7,149	7,184	13	4,268	39,280
Loans and advances to customers	224,764	1,951	73,605	49	33	6,418	306,820
Other assets	28	-	-	-	-	15	43
Total	**324,155**	**4,046**	**102,092**	**7,345**	**93**	**11,050**	**448,781**
Liabilities							
Due to financial institutions and Central Bank	(7,599)	(4)	(30)	-	-	-	(7,633)
Deposits from customers	(59,193)	(5,957)	(64,069)	(6,720)	(654)	(5,312)	(141,905)
Derivative instruments and short positions	(504)	(30)	(1,080)	-	(2)	-	(1,616)
Borrowings	(234,858)	-	(18,726)	(25,301)	(29,036)	-	(307,921)
Other liabilities	(968)	(103)	(658)	(114)	(190)	(829)	(2,862)
Subordinated liabilities	-	-	-	-	-	-	0
Total	**(303,122)**	**(6,094)**	**(84,563)**	**(32,135)**	**(29,882)**	**(6,141)**	**(461,937)**
Net on-balance sheet position	21,033	(2,048)	17,529	(24,790)	(29,789)	4,909	**(13,156)**
Net off-balance sheet position	(21,261)	2,500	(14,534)	25,116	29,952	(5,360)	**16,413**
Net currency position	**(228)**	**452**	**2,995**	**326**	**163**	**(451)**	**3,257**

All amounts are in ISK million

59. 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 2025	As at 31 December 2024	% change	Average for 1.1-30.6 2025	Average for 1.1-30.6 2024
EUR/ISK	142.20	143.90	(1.2%)	144.47	149.35
GBP/ISK	165.77	174.08	(4.8%)	172.10	174.76
USD/ISK	120.84	138.91	(13.0%)	132.68	138.01
JPY/ISK	0.8381	0.8844	(5.2%)	0.8898	0.9098
CHF/ISK	152.19	153.36	(0.8%)	153.76	155.85
CAD/ISK	88.73	96.61	(8.2%)	93.93	101.98
DKK/ISK	19.060	19.298	(1.2%)	19.365	20.030
NOK/ISK	11.968	12.235	(2.2%)	12.359	13.005
SEK/ISK	12.734	12.577	1.2%	12.975	13.135

All amounts are in ISK million

Notes to the Condensed Consolidated Interim Financial Statements

Material accounting policies

60. Material accounting policy information

The Group has consistently applied the following accounting policies to all years presented in these Condensed Consolidated Interim Financial Statements, unless otherwise mentioned. 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 Condensed Consolidated Interim Financial Statements of the Group as at and for the year ended 31 December 2024, which are available on the Bank's website, www.landsbankinn.is.

60.1 Changes in accounting policies

New accounting standards and amendments to standards

Following the acquisition of the insurance company TM, the Group adopted International Financial Reporting Standard IFRS 17 Insurance Contracts, as of 28 February 2025. IFRS 17 sets out the principles for the recognition, measurement, presentation, and disclosure of insurance and reinsurance contracts.

The new IFRS 17 standard on insurance contracts permits the use of a simplified allocation approach (Premium Allocation Approach, PAA) for insurance contracts with coverage of one year or less, as well as for longer-term contracts that exhibit similar characteristics, such as annual repricing of premiums. As TM's contracts largely meet these criteria, and those contracts that fall outside of them involve insignificant premium amounts, the Group will apply this approach.

IFRS 17 requires insurance contracts to be grouped based on similar risk characteristics. It was decided to apply a classification approach aligned with the Solvency II regulation. Each portfolio is further divided into groups based on the Group's expected profitability from the respective contracts. This grouping is determined at the inception of the contract, when the insurance risk is transferred from the policyholders to the Group. The detailed grouping based on expected profitability includes onerous contracts, contracts not expected to be onerous, and other contracts. The standard requires that onerous contracts be expensed immediately, but such contracts are assessed to be negligible.

Reinsurance contracts are assessed in the same manner as other insurance contracts; however, the Group uses reinsurance solely for risk mitigation purposes.

60.2 Performance from insurance contracts

Income and expenses from insurance contracts

Income from insurance contracts in the income statement reflects revenue from providing insurance coverage during the operating year. The Group recognises premium income for the period, from which the cost of insurance contracts for the period is deducted, including claims incurred and operating expenses. Cancelled premiums and profit-sharing are recorded as insurance expenses rather than being deducted from premiums. Operating expenses are allocated between insurance and investments using an activity-based costing model.

Financial items for insurance include exchange rate adjustments to liabilities arising from insurance contracts, along with changes in liabilities of incurred claims from prior years. These include interest on such liabilities and the effects of changes in interest rates and inflation on these.

Investment income of reinsurance recoverables consists only of exchange rate adjustments, as these assets are measured at amortised cost.

60.3 Intangible assets

Computer software

Computer software is capitalised based on the cost to acquire or develop and bring into service. Computer software recognised as an intangible asset is amortised over its useful life, which is estimated to be 3-10 years.

Ongoing repairs and maintenance of computer software are expensed as incurred.

Goodwill

The Group's goodwill arose from the acquisition of a subsidiary and is recognised as an asset when it is acquired in a business combination. Following initial recognition, goodwill is measured at cost, less any accumulated impairment. Goodwill is generally tested annually for impairment, but more frequently if events or changes in circumstances indicate a potential impairment of the carrying amount of the goodwill.

Customer relationships and brands

Customer relationships and brands have been acquired as part of the acquisition of TM and are capitalized and amortised using the straight-line method over their useful lives, which is estimated to be 16-20 years.

60.4 Insurance contract liabilities

Liability for Insurance Contracts

The liability for insurance contracts comprises the liability for remaining coverage (LRC) and the liability for incurred claims (LIC).

The LCR consists of premiums received for insurance coverage relating to future periods, as well as the liability for onerous contracts. Insurance receivables are unpaid premiums relating to insurance coverage for past periods.

The LIC includes the claims reserve, the profit-sharing liability, and payables related to claims incurred, together with a risk adjustment. The claims reserve represents the best estimate of future cash flows arising from incurred claims, in accordance with Act No. 100/2016 on Insurance Activities.

Notes to the Condensed Consolidated Interim Financial Statements

Consolidated Key Figures

61. Operations by quarters

	2025		2024			
Operations	**Q2**	**Q1**	**Q4***	**Q3**	**Q2**	**Q1**
Interest income	45,381	41,948	37,783	42,669	44,993	41,089
Interest expense	(27,719)	(27,148)	(24,676)	(27,714)	(30,241)	(26,706)
Net interest income	**17,662**	**14,800**	**13,107**	**14,955**	**14,752**	**14,383**
Fee and commission income	4,969	4,518	5,027	4,292	4,004	4,031
Fee and commission expense	(1,768)	(1,514)	(1,690)	(1,602)	(1,362)	(1,295)
Net fee and commission income	**3,201**	**3,004**	**3,337**	**2,690**	**2,642**	**2,736**
Insurance revenue	5,424	1,779				
Insurance service expenses	(4,655)	(1,509)				
Insurance service result	**769**	**270**				
Net gain on financial assets and liabilities at FVTPL	818	1,214	5,194	1,767	2,783	2,952
Net foreign exchange (loss) gain	(71)	(71)	(27)	190	218	235
Net impairment changes	256	(331)	(754)	1,442	(746)	(2,714)
Other income and (expenses)	39	274	243	172	177	(31)
Net other operating income (expenses)	**1,042**	**1,086**	**4,656**	**3,571**	**2,432**	**442**
Total operating income	**22,674**	**19,160**	**21,100**	**21,216**	**19,826**	**17,561**
Salaries and related expenses	(4,700)	(4,465)	(4,529)	(3,582)	(4,190)	(4,233)
Other operating expenses	(2,769)	(3,068)	(2,633)	(2,492)	(2,491)	(2,586)
Tax on liabilities of financial institutions	(699)	(671)	(642)	(719)	(636)	(600)
Total operating expenses	**(8,168)**	**(8,204)**	**(7,804)**	**(6,793)**	**(7,317)**	**(7,419)**
Profit before tax	**14,506**	**10,956**	**13,296**	**14,423**	**12,509**	**10,142**
Income tax	(4,124)	(3,016)	(2,696)	(3,636)	(3,544)	(2,986)
Profit for the period	**10,382**	**7,940**	**10,600**	**10,787**	**8,965**	**7,156**

Balance sheet	**30.6.2025**	**31.3.2025**	**31.12.2024**	**30.9.2024**	**30.6.2024**	**31.3.2024**
Cash and cash balances with Central Bank	113,166	98,284	129,981	124,093	111,224	114,598
Bonds and debt instruments	205,592	178,732	139,104	138,175	140,235	119,496
Equities and equity instruments	33,699	37,964	32,644	24,162	22,815	22,543
Loans and advances to financial institutions	69,279	71,952	39,346	77,197	32,511	76,410
Loans and advances to customers	1,828,139	1,813,168	1,807,437	1,785,470	1,738,585	1,667,343
Other assets	53,335	54,968	31,075	35,183	28,357	30,846
Assets classified as held for sale	1,828	2,024	2,172	1,516	1,736	1,200
Total assets	**2,305,038**	**2,257,092**	**2,181,759**	**2,185,796**	**2,075,463**	**2,032,436**
Due to financial institutions and Central Bank	20,761	19,069	11,989	11,942	8,219	5,079
Deposits from customers	1,239,280	1,244,229	1,228,444	1,218,394	1,148,431	1,103,350
Borrowings	581,367	543,628	529,150	546,103	529,137	533,197
Other liabilities	87,124	84,036	47,538	58,123	50,051	44,732
Subordinated liabilities	52,427	52,432	39,989	37,185	36,363	35,250
Equity	324,079	313,698	324,649	314,049	303,262	310,828
Total liabilities and equity	**2,305,038**	**2,257,092**	**2,181,759**	**2,185,796**	**2,075,463**	**2,032,436**

*The result for the first two quarters of the year 2025 and for the first three quarters of the year 2024 were reviewed by the Group's independent auditors.

All amounts are in ISK million

Notes to the Condensed Consolidated Interim Financial Statements

Consolidated Key Figures

62. Key figures and ratios

	2025		2024			
	Q2	Q1	Q4	Q3	Q2	Q1
Return on equity after taxes	13.0%	10.0%	13.3%	14.0%	11.7%	9.3%
Cost-income ratio	33.3%	38.7%	32.8%	30.7%	32.5%	33.6%
Combined ratio	87.2%	84.8%				
Operating expenses as a ratio of average total assets	1.3%	1.4%	1.3%	1.1%	1.3%	1.4%
Return on assets	1.8%	1.4%	1.9%	2.0%	1.7%	1.4%
Interest spread as ratio of average total assets	3.1%	2.7%	2.4%	2.8%	2.9%	2.9%
Earnings per share	0.44	0.34	0.45	0.46	0.38	0.30
	30.6.2025	31.3.2025	31.12.2024	30.9.2024	30.6.2024	31.3.2024
Total capital ratio	24.0%	23.6%	24.3%	24.1%	24.4%	24.9%
CET1 ratio	20.4%	20.1%	21.5%	21.4%	21.7%	22.2%
Solvency ratio	1.46	1.38				
Leverage ratio	13.2%	13.3%	13.2%	13.0%	13.4%	13.6%
Sum of MREL funds	38.3%	38.1%	38.2%	35.5%	36.4%	39.6%
Sum of Subordinated MREL funds	26.5%	26.3%	25.5%	25.2%		
Loans / deposits	147.5%	145.7%	147.1%	146.5%	151.4%	151.1%
Deposits / total assets	53.8%	55.1%	56.3%	55.7%	55.3%	54.3%
Liquidity coverage ratio total (LCR)	234%	221%	164%	263%	177%	272%
Net stable funding ratio FX (NSFR)	168%	161%	143%	136%	138%	157%
Average number of full-time equivalent positions during the period	925	861	811	807	824	824
Number of full-time positions at end of the period	927	926	822	813	824	826

Key figures and ratios	Definition
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)
Combined ratio	(Incurred claims + service expenses + result of reinsurance) / insurance revenue
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 as a ratio of average total assets	(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
Solvency ratio	Available own funds to meet the consolidated group SCR / group SCR
Leverage ratio	Tier 1 capital / (total assets + off balance sheet items)
Sum of MREL funds	Total capital base + eligible liabilities / Total risk-weighted exposure amount
Sum of MREL Subordinated funds	Total capital base + Eligible Senior Non-Preferred bonds / Total risk-weighted exposure amount
Loans/ deposits	Loans and advances to customers / deposits from customers
Deposits / total assets	Deposits from customers / total assets
Liquidity coverage ratio (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
Average number of full-time equivalent positions during the period	The average number of full-time employees in work during the period
Number of full-time positions at end of the period	Number of full-time equivalent positions at end of the period

All amounts are in ISK million

Undirritunarsíða

Undirritað af
Eva Halldórsdóttir

Undirritað af:
Eva Halldórsdóttir
1604794509
Dags: 17.07.2025
Tími: 15:31:59
Ástæða:
Árshlutareikningur samstæðu enska 30.06.2025
Signet ID: 981582f6-71eb-40a8-a314-97e4c735e1b6

Undirritað af
Jón Þorvarður Sigurgeirsson

Undirritað af:
Jón Þorvarður Sigurgeirsson
1606622209
Dags: 17.07.2025
Tími: 15:35:40
Ástæða:
Árshlutareikningur samstæðu enska 30.06.2025
Signet ID: 981582f6-71eb-

Undirritað af
Kristján Þórarinn Davíðsson

Undirritað af:
Kristján Þórarinn Davíðsson
1611602889
Dags: 17.07.2025
Tími: 15:39:03
Ástæða:
Árshlutareikningur samstæðu enska 30.06.2025
Signet ID: 981582f6-71eb-

Undirritað af
Lilja Björk Einarsdóttir

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Lilja Björk Einarsdóttir
0408733339
Dags: 17.07.2025
Tími: 15:42:58
Ástæða:
Árshlutareikningur samstæðu enska 30.06.2025
Signet ID: 981582f6-71eb-40a8-a314-97e4c735e1b6

Undirritað af
Örn Guðmundsson

Undirritað af:
Örn Guðmundsson
0112723049
Dags: 17.07.2025
Tími: 15:34:49
Ástæða:
Árshlutareikningur samstæðu enska 30.06.2025
Signet ID: 981582f6-71eb-40a8-a314-97e4c735e1b6

Undirritað af
Rebekka Jóelsdóttir

Undirritað af:
Rebekka Jóelsdóttir
2310814889
Dags: 17.07.2025
Tími: 15:33:50
Ástæða:
Árshlutareikningur samstæðu enska 30.06.2025
Signet ID: 981582f6-71eb-40a8-a314-97e4c735e1b6

Undirritað af
Steinunn Guðbj. Þorsteinsdóttir

Undirritað af:
Steinunn Guðbj. Þorsteinsdóttir
0108764439
Dags: 17.07.2025
Tími: 15:40:20
Ástæða:
Árshlutareikningur samstæðu enska 30.06.2025
Signet ID: 981582f6-71eb-

Undirritað af
Þór Hauksson

Undirritað af:
Þór Hauksson
1903725299
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Tími: 14:47:39
Ástæða:
Árshlutareikningur samstæðu enska 30.06.2025
Signet ID: 981582f6-71eb-40a8-a314-97e4c735e1b6

Undirritað af:
Arna Guðrún Tryggvadóttir
0802783499
Dags: 17.07.2025
Tími: 15:53:57
Ástæða:
Árshlutareikningur samstæðu enska 30.06.2025
Signet ID: 7bc50e41-d9a0-4108-96b9-