



Condensed Consolidated Interim Financial Statements

for the three months ended 31 March 2014

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Endorsement and Statement by the Board of Directors and the CEO

The Condensed Consolidated Financial Statements of Landsbankinn hf. (the "Bank" or "Landsbankinn") for the first three months of 2014 include the Bank and its subsidiaries (collectively referred to as the "Group").

Landsbankinn was founded on 7 October 2008. The Bank is a leading bank in the domestic market and offers a complete range of financial products and services to personal, corporate and institutional customers.

The Icelandic State Treasury and Eignarhlutir ehf. hold 97.08% and 0.83% respectively of shares in Landsbankinn, managed by Icelandic State Financial Investments (ISFI). The Bank's current and former employees hold 0.78% and the Bank itself holds 1.30% of own shares.

Operations

The Group's profit for the first three months of the year 2014 was ISK 4,288 million. The Group's equity at the end of this period amounted to ISK 225,392 million. The capital adequacy ratio of the Group, calculated according to the Act on Financial Undertakings, was 24.8% at the end of the first quarter of 2014. As at 31 March 2014, the Group's total assets amounted to ISK 1,153,804 million.

In January 2014, the international rating agency Standard and Poor's (S&P) assigned Landsbankinn its BB+ long-term counterparty credit rating with a stable outlook. The rating is one notch below the sovereign credit rating for Iceland.

In March 2014, the Bank concluded a sale of an additional ISK 1,500 million in Landsbankinn's non-indexed covered bond series, LBANK CB 16. This latest issue of the bonds was admitted for trading on NASDAQ OMX Iceland in the same month.

In April 2014, the Bank opened a specialised Corporate Service Centre for small and medium-sized enterprises (SMEs) located in the capital city region. This arrangement provides SMEs in the region with access to higher quality and more comprehensive expert services in one place. The branches in the capital city region will instead be dedicated to personal banking and simplified services to corporates. These changes are intended to improve service to private customers and corporates alike and increase the operational efficiency of the Bank's customer service.

The correction of recalculation of customer loan contracts, which fall under the precedent of the Supreme Court's ruling on foreign currency indexation and where the substance of loan contracts and retroactive calculations have been found illegal, are ongoing and are expected to be finalised in the coming months.

Risk management

On 8 May 2014, the Bank and the Winding-up Board of LBI hf. reached an agreement on amendments to contractual obligations under the Bank's secured bonds, denominated in foreign currencies and issued to LBI hf. The agreement is conditional upon the Winding-up Board of LBI hf. obtaining certain exemptions from the Central Bank of Iceland with regards to capital controls. Regular instalments currently scheduled for the years 2014-2018 will be extended to the year 2026. Interest rate terms will remain unchanged until 2018, stepping-up for each maturity thereafter. Specific restrictions on dividend payments will be removed. Should the agreement be finalised, it would be an improvement of Landsbankinn's balance sheet financing and a significant step in the easing of capital controls in Iceland. For further details, see Note 24 of these Financial Statements.

The Bank's core operations are sound and have been improving in recent years. Processes are being revised on a continuous basis to improve risk management, efficiency and customer relationship management. The Group has a strong equity and liquidity base and is, therefore, in a position to deal with the challenges ahead and maintain its strong financial position. At the end of the first quarter of 2014 the Bank continued to maintain its strong liquidity position in foreign currencies and the Bank's concentration of currency risk was well within acceptable risk limits.

In March 2014, the Bank issued a Risk and Capital Management Report, in accordance with Pillar III disclosure requirements under the Basel II Accord. The report can be found at <http://corporate.landsbankinn.com/investor-relations/reports-and-financials/>.

Outlook

The domestic economic recovery is expected to continue over the coming years as GDP is expected to grow by 2.3% on average until the year 2016. Landsbankinn Economic Research forecasts about 3% GDP growth in 2014, driven equally by increased capital formation, net exports and private consumption.

Other matters

In February 2014, the Bank completed the allocation of own shares received from LBI hf. in 2013, in accordance with LBI hf. requirements and a resolution passed at a shareholders' meeting of the Bank in July 2013. The net result of the 500 million shares being allocated, and partly repurchased by the Bank for settlement of tax obligations and pension liabilities, is that the Bank's current and former employees now own 187 million shares in total (0.78%) and the Bank itself holds 313 million of own shares (1.30%).

At the Annual General Meeting of the Bank for the operating year 2013 held on 19 March 2014, shareholders approved the Board's proposal to pay a dividend of ISK 0.84 per share for the year 2013. The dividends were paid on 26 March 2014 to shareholders on the register of members on 19 March 2014. The total dividend payment amounted to ISK 19,897 million on the outstanding shares.

Statement by the Board of Directors and the CEO

The Condensed Consolidated Interim Financial Statements of Landsbankinn hf. for the first three months ended 31 March 2014 have been prepared in accordance with International Accounting Standard (IAS) 34 Interim Financial Reporting as adopted by the EU.


It is our opinion that the Condensed Consolidated Interim Financial Statements of Landsbankinn hf. give a true and fair view of the consolidated financial performance of the Group for the first three months of 2014, its consolidated financial position as at 31 March 2014 and its consolidated cash flows for the first three months of 2014.

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

The Board of Directors of the Bank and Chief Executive Officer hereby endorse the Condensed Consolidated Interim Financial Statements of Landsbankinn hf. for the first three months ended 31 March 2014.

Reykjavík, 15 May 2014.

Board of Directors


Eva Sóley Guðbjörnsdóttir
Vice Chairman


Danielle Pamela Neben


Helga Björk Eiríksdóttir

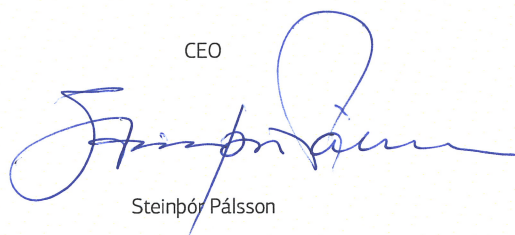

Jóhann Hjartarson


Jón Sigurðsson


Kristján P. Davíðsson


Tinna Laufey Ásgeirsdóttir

CEO


Steinþór Pálsson

Independent Auditor's Review Report

To the Board of Directors and Shareholders of Landsbankinn hf.

We have reviewed the accompanying Condensed Consolidated Statement of Financial Position of Landsbankinn hf. as at 31 March 2014 and the related Condensed Consolidated Income Statement, Changes in Equity and Condensed Cash Flows for the three-month period then ended and a summary of significant accounting policies and other explanatory information. Management is responsible for the preparation and presentation of this Condensed Consolidated Interim Financial information in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU. Our responsibility is to express a conclusion on this Condensed Consolidated Interim Financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information 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 information is not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU.

Reykjavík, 15 May 2014.

KPMG ehf.



Helgi F. Arnarson

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Condensed Consolidated Income Statement for the three months ended 31 March 2014

Notes	2014 1.1-31.3	2013 1.1-31.3
Interest income	14,450	17,915
Interest expense	(6,595)	(8,036)
5 Net interest income	7,855	9,879
6 Net credit impairment charges and valuation adjustments	4,170	4,253
Net interest income after net credit impairment charges and valuation adjustments	12,025	14,132
Fee and commission income	2,123	2,147
Fee and commission expense	(605)	(784)
Net fee and commission income	1,518	1,363
7 Net (loss) gain on financial assets designated as at fair value through profit or loss	(787)	2,532
8 Net gain on financial assets and liabilities held for trading	118	580
9 Net foreign exchange (loss) gain	(23)	1,172
Other income and (expenses)	(208)	273
Other net operating income	(900)	4,557
Total operating income	12,643	20,052
10 Salaries and related expenses	3,455	7,864
Other operating expenses	2,205	2,134
Depreciation and amortisation	177	209
Contribution to the Depositors' and Investors' Guarantee Fund	267	268
Total operating expenses	6,104	10,475
Share of profit of equity-accounted associates, net of income tax	11	261
Profit before tax	6,550	9,838
11 Income tax	(1,427)	(1,759)
Tax on liabilities of financial institutions	(835)	(90)
Profit for the period	4,288	7,989
Profit for the period attributable to:		
Owners of the Bank		
Profit for the period from continuing operations	4,324	8,023
Profit for the period attributable to owners of the Bank	4,324	8,023
Non-controlling interests		
Loss for the period from continuing operations	(36)	0
Loss for the period from discontinued operations	0	(34)
Loss for the period attributable to non-controlling interests	(36)	(34)
Profit for the period	4,288	7,989
Earnings per share:		
20 Basic and diluted earnings per share from continuing operations	0.18	0.33
Basic and diluted earnings per share from discontinued operations	0.00	0.00
Total basic and diluted earnings per share	0.18	0.33

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

Condensed Consolidated Statement of Financial Position as at 31 March 2014

Notes	31.3.2014	31.12.2013	
Assets			
	Cash and balances with Central Bank	34,024	21,520
12, 22	Bonds and debt instruments	284,418	290,595
12	Equities and equity instruments	36,414	36,275
12, 13	Derivative instruments	140	654
14, 22	Loans and advances to financial institutions	63,896	67,916
15, 22	Loans and advances to customers	681,883	680,468
	Investments in equity-accounted associates	12,665	14,224
	Property and equipment	5,383	5,440
	Intangible assets	665	585
16	Other assets	9,762	8,816
	1,129,250	1,126,493	
17	Assets classified as held for sale	24,554	25,023
	Total assets	1,153,804	1,151,516
Liabilities			
	Due to financial institutions and Central Bank	174,031	167,218
	Deposits from customers	468,661	456,662
13	Derivative instruments and short positions	7,527	7,571
18, 22	Secured bonds	234,844	239,642
	Deferred tax liabilities	468	590
	Other liabilities	38,686	34,589
	924,217	906,272	
	Liabilities associated with assets classified as held for sale	4,195	3,885
	Total liabilities	928,412	910,157
19	Equity		
	Share capital	23,687	23,618
	Share premium	121,275	120,700
	Reserves	6,000	7,046
	Retained earnings	74,429	90,002
	Total equity attributable to owners of the Bank	225,391	241,366
	Non-controlling interests	1	(7)
	Total equity	225,392	241,359
	Total liabilities and equity	1,153,804	1,151,516

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

Condensed Consolidated Statement of Changes in Equity for the three months ended 31 March 2014

Notes

	Attributable to owners of the Bank							Non-controlling interests	Total
	Share capital	Share premium	Own shares reserve	Statutory reserve	Share-based payment reserve	Retained earnings	Total		
Change in equity for the three months ended 31 March 2014									
Balance as at 1 January 2014	23,618	120,700		6,000	1,046	90,002	241,366	(7)	241,359
Profit for the period						4,324	4,324	(36)	4,288
Own shares allocated to employees	112	934			(1,046)		0		0
Purchase of own shares for settlement of the tax obligations and pension liabilities	(43)	(359)					(402)		(402)
Dividends declared						(19,897)	(19,897)		(19,897)
Decrease in non-controlling interests due to sale of subsidiaries							0	44	44
19 Balance as at 31 March 2014	23,687	121,275	0	6,000	0	74,429	225,391	1	225,392
Change in equity for the three months ended 31 March 2013									
Balance as at 1 January 2013	24,000	123,898		5,053		72,120	225,071	95	225,166
Profit for the period						8,023	8,023	(34)	7,989
Equity classified as liability to purchase own shares			(4,691)				(4,691)		(4,691)
Recognition of equity-settled employee share-based payments					4,016		4,016		4,016
Decrease in non-controlling interests due to sale of subsidiaries							0	(50)	(50)
19 Balance as at 31 March 2013	24,000	123,898	(4,691)	5,053	4,016	80,143	232,419	11	232,430

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

Condensed Consolidated Statement of Cash Flows for the three months ended 31 March 2014

Notes	2014 1.1-31.3	2013 1.1-31.3
Operating activities		
Profit for the period	4,288	7,989
Adjustments for non-cash items included in profit for the period	(8,596)	(12,432)
Changes in operating assets and liabilities	27,836	(15,190)
Interest received	13,038	10,739
Interest paid	(1,487)	(2,861)
Dividends received	491	-
Income tax paid	-	(49)
Net cash from (used in) operating activities	35,570	(11,804)
Investing activities		
Changes in investments in equity-accounted associates	1,570	(19)
Purchase of property and equipment	(101)	(405)
Proceeds from sale of property and equipment	5	908
Purchase of intangible assets	(113)	(19)
Sale of subsidiaries	-	7
Net cash from investing activities	1,361	472
Financing activities		
Proceeds from new long-term debt issue	1,500	-
Repayment of long-term debt	(3,519)	(2,201)
Acquisition of non-controlling interest	362	-
Dividends paid	(19,897)	-
Net cash used in financing activities	(21,554)	(2,201)
Net change in cash and cash equivalents	15,377	(13,533)
Cash and cash equivalents as at the beginning of the period	19,927	32,486
Effect of exchange rate changes on cash and cash equivalents held	3	327
Cash and cash equivalents as at 31 March	35,307	19,280
Investing and financing activities not affecting cash flows		
Sale of financial investments	-	94
Assets classified as held for sale	-	(94)

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

Condensed Consolidated Statement of Cash Flows for the three months ended 31 March 2014

Notes	2014 1.1-31.3	2013 1.1-31.3
Adjustments for non-cash items included in profit for the period		
5	(7,855)	(9,879)
6	(6,711)	(3,593)
6,35	2,541	659
12,18	-	(1,319)
7	787	(2,532)
8	(118)	(580)
9	20	(1,500)
	9	(266)
	303	88
	177	209
	(11)	(261)
	-	4,691
11	1,427	1,759
	835	90
	(8,596)	(12,432)
Changes in operating assets and liabilities		
	4,785	(3,965)
	2,768	(19,076)
	754	(179)
	823	900
	807	671
	368	360
	8,378	(1,354)
	9,931	12,008
	69	(85)
	(326)	728
	(597)	(3,307)
	76	(1,890)
	27,836	(15,190)
Cash and cash equivalents are specified as follows:		
	32,353	16,030
14	2,954	3,250
	35,307	19,280

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

Notes to the Condensed Consolidated Interim Financial Statements

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Notes to the Condensed Consolidated Interim Financial Statements

1. Reporting entity

Landsbankinn hf. (hereinafter referred to as the "Bank" or "Landsbankinn") was founded on 7 October 2008 by the Ministry of Finance on behalf of the Icelandic State Treasury, thereby taking over part of the domestic operations of LBI hf. (formerly Landsbanki Íslands hf.).

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 and is licensed by the Financial Supervisory Authority in Iceland (FME) as a commercial bank. The Bank is subject to supervision of the FME in accordance with Act No. 87/1998 on Official Supervision of Financial Activities. The registered address of the Bank's office is Austurstræti 11, 155 Reykjavík.

The Condensed Consolidated Interim Financial Statements of the Bank for the three months ended 31 March 2014 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, investment banking, asset management and other related services. The Group operates solely in Iceland.

The issue of these Condensed Consolidated Interim Financial Statements was authorised by the Board of Directors and the CEO of the Bank on 15 May 2014.

2. Basis of preparation

Statement of compliance

These Condensed Consolidated Interim Financial Statements for the three months ended 31 March 2014 have been prepared in accordance with International Accounting Standard (IAS) 34 Interim Financial Reporting as adopted by the European Union.

The Condensed Consolidated Interim Financial Statements do not include all the information required for full annual financial statements and should be read in conjunction with the Consolidated Financial Statements of the Group as at and for the year ended 31 December 2013, which are available on the Bank's website, www.landsbankinn.is.

Going concern

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

Basis of measurement

The Condensed Consolidated Interim Financial Statements have been prepared on a historical cost basis except for the following:

- Financial assets and liabilities classified as held for trading are measured at fair value;
- Financial assets and liabilities designated as at fair value through profit or loss are measured at fair value;
- Non-current assets and disposal groups classified as held for sale are measured at the lower of cost or fair value less costs to sell.

Functional and presentation currency

Items included in the financial statements of each individual Group entity are measured using the currency of the economic environment in which the respective entity operates (its functional currency). All amounts are presented in Icelandic *króna* (ISK), which is also the Bank's functional currency, rounded to the nearest million unless otherwise stated.

Use of estimates and judgements

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

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

In preparing the Condensed Consolidated Interim Financial Statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Consolidated Financial Statements as at and for the year ended 31 December 2013.

Notes to the Condensed Consolidated Interim Financial Statements

3. Significant accounting policies

The Condensed Consolidated Interim Financial Statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances. The accounting policies applied by the Group in the Condensed Consolidated Interim Financial Statements are the same as those applied by the Group in its Consolidated Financial Statements as at and for the year ended 31 December 2013. The accounting policies applied have been applied consistently to all periods presented.

IFRS 10 Consolidated Financial Statements became effective 1 January 2014 and have been applied in these Condensed Consolidated Interim Financial Statements. IFRS 10 establishes principles for the presentation and preparation of Consolidated Financial Statements when an entity controls one or more other entities. IFRS 10 establishes control as the basis for determining which entities are consolidated. The principle of control sets out three elements of control: (a) power over an investee, (b) exposure, or rights, to variable returns from involvement with the investee, and (c) the ability to use power over the investee to affect the amount of the investor's returns. IFRS 10 contains guidance on how to apply the control principle in various circumstances, including situations where the investor holds less than a majority of voting rights. IFRS 10 carries forward the consolidation procedures from IAS 27 Consolidated and Separate Financial Statements (as amended in 2008). IFRS 10 supersedes IAS 27 (2008) and SIC-12 Consolidation – Special Purpose Entities. The adoption of IFRS 10 does not have any impact on the Bank's Financial Statements.

4. Operating segments

The business segments are presented in accordance with internal reporting to the CEO and the Board of Directors, who are responsible for allocating resources to the reportable segments and assessing their financial performance.

The Group has four main business segments as at the end of the reporting period:

- **Personal Banking** provides financial services through the Bank's branch network to individuals and to small and medium-size businesses.
- **Corporate Banking** provides financial services to large and medium-size corporate clients. It also provides restructuring solutions for underperforming businesses.
- **Markets** provide brokerage services in securities, foreign currencies and derivatives, sale of securities issues, money market lending and advisory services. Markets provide a range of wealth and asset management products and services for individuals, corporations and institutional investors. Horn fjárfestingarfélag and Landsbréf, subsidiaries of the Bank, are included in Markets.
- **Treasury** incorporates unallocated capital, funding, liquidity and interbank functions for the Bank, as well as management of the Group's market risk.

Support functions comprise of Finance (excluding Treasury), Risk Management, Corporate Development & HR and Operations & IT.

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

Administrative expenses of the Group's support functions are allocated to appropriate business segments based on the underlying cost drivers. Expenses are allocated to the business units at market price level. Support functions supply services to business units, and transactions are settled at unit prices or on an arm's-length basis; if possible, on the basis of consumption and activity.

The following table summarises each segment's financial performance as disclosed in the internal management reports on segment profits before tax. In these reports, all income statement items are reported on a net basis, including the total interest income and expense. Inter-segment pricing is determined on an arm's length basis.

No revenue from transactions with a single external customer or counterparty amounted to 10% or more of the Group's total revenue during the periods from 1 January to 31 March 2014 and 2013.

Notes to the Condensed Consolidated Interim Financial Statements

4. Operating segments (continued)

1 January - 31 March 2014	Personal Banking	Corporate Banking	Markets	Treasury	Support functions	Reconciliation	Total
Net interest income (expense)	4,316	3,765	179	(8)	2	(399)	7,855
Net credit impairment charges and valuation adjustments	1,610	2,675	-	(109)	(6)	-	4,170
Net fee and commission income	700	240	688	-	(14)	(96)	1,518
Other net operating income	(276)	503	(293)	(916)	(312)	394	(900)
Total operating income (expense)	6,350	7,183	574	(1,033)	(330)	(101)	12,643
Operating expenses	(1,574)	(264)	(498)	(339)	(3,531)	101	(6,105)
Share of profit of equity-accounted associates, net of income tax	11	-	-	-	-	-	11
Profit (loss) before cost allocation and tax	4,787	6,919	76	(1,372)	(3,861)	0	6,550
Cost allocated from support functions to business segments	(1,375)	(784)	(282)	(251)	2,692	-	0
Profit (loss) before tax	3,412	6,135	(206)	(1,623)	(1,169)	0	6,550
Net revenue (expenses) from external customers	4,758	10,178	489	(2,356)	(337)	-	12,732
Net revenue (expenses) from other segments	1,592	(2,995)	85	1,311	7	-	0
Total operating income (expense)	6,350	7,183	574	(1,045)	(330)	0	12,732
As at 31 March 2014							
Total assets	506,456	397,147	30,645	574,725	31,164	(386,333)	1,153,804
Total liabilities	450,144	307,707	23,100	502,630	31,164	(386,333)	928,412
Allocated capital	56,312	89,440	7,545	72,095	-	-	225,392

1 January - 31 March 2013	Personal Banking	Corporate Banking	Markets	Treasury	Support functions	Reconciliation	Total
Net interest income (expense)	4,399	3,911	102	1,926	(157)	(302)	9,879
Net credit impairment charges and valuation adjustments	(1,015)	4,899	-	(78)	447	-	4,253
Net fee and commission income	608	306	576	18	(73)	(72)	1,363
Other net operating income	(283)	(159)	371	3,932	394	302	4,557
Total operating income (expense)	3,709	8,957	1,049	5,798	611	(72)	20,052
Operating expenses	(3,130)	(516)	(660)	(364)	(5,877)	72	(10,475)
Share of profit of equity-accounted associates, net of income tax	8	-	-	253	-	-	261
Profit (loss) before cost allocation and tax	587	8,441	389	5,687	(5,266)	0	9,838
Cost allocated from support functions to business segments	(1,593)	(668)	(292)	(193)	2,746	-	-
Profit (loss) before tax	(1,006)	7,773	97	5,494	(2,520)	0	9,838
Net revenue (expenses) from external customers	2,617	13,429	944	2,529	605	-	20,124
Net revenue (expenses) from other segments	1,092	(4,472)	105	3,269	6	-	0
Total operating income (expense)	3,709	8,957	1,049	5,798	611	0	20,124
As at 31 March 2013							
Total assets	479,574	395,209	59,493	560,320	35,425	(444,616)	1,085,405
Total liabilities	426,350	307,911	52,165	475,740	35,425	(444,616)	852,975
Allocated capital	53,224	87,298	7,328	84,580	-	-	232,430

Notes to the Condensed Consolidated Interim Financial Statements

Notes to the Condensed Consolidated Interim Income Statement

5. Net interest income

	2014	2013
	1.1-31.3	1.1-31.3
Interest income		
Cash and balances with Central Bank	488	333
Bonds and debt instruments classified as loans and receivables	1,357	1,372
Loans and advances to financial institutions	135	223
Loans and advances to customers	12,458	15,754
Other interest income	12	233
Total	14,450	17,915
Interest expense		
Due to financial institutions and Central Bank	(764)	(678)
Deposits from customers	(3,947)	(5,079)
Secured bonds	(1,882)	(2,269)
Other interest expense	(2)	(10)
Total	(6,595)	(8,036)
Net interest income	7,855	9,879
Interest spread (as the annualised ratio of net interest income to the average carrying amount of total assets during the period).	2.7%	3.6%
Adjusted interest spread (as the annualised ratio of net interest income after net adjustments in valuation to the average carrying amount of total assets during the period).	5.1%	5.2%
All the interest income and interest expense disclosed above is from financial assets and financial liabilities that are not carried at fair value through profit or loss.		

6. Net credit impairment charges and valuation adjustments

	2014	2013
	1.1-31.3	1.1-31.3
Net adjustments to loans and advances acquired at deep discount	6,711	3,593
Net impairment gain (loss)	(2,541)	(659)
Net impairment charges and valuation adjustments to loans and advances to customers	4,170	2,934
Fair value change of contingent bond	0	1,319
Net credit impairment charges and valuation adjustments	4,170	4,253
Impairment charges and valuation adjustments by customer type		
Individuals	142	(152)
Corporations	4,028	3,086
Net impairment charges and valuation adjustments to loans and advances to customers	4,170	2,934

7. Net (loss) gain on financial assets designated as at fair value through profit or loss

	2014	2013
	1.1-31.3	1.1-31.3
Bonds and debt instruments	(490)	315
Equities and equity instruments	(297)	2,217
Total	(787)	2,532

8. Net gain on financial assets and liabilities held for trading

	2014	2013
	1.1-31.3	1.1-31.3
Bonds and debt instruments	280	617
Equities and equity instruments	(145)	183
Derivative instruments	(17)	(220)
Total	118	580

Notes to the Condensed Consolidated Interim Financial Statements

9. Net foreign exchange (loss) gain

	2014	2013
	1.1-31.3	1.1-31.3
Assets		
Cash and balances with Central Bank	(31)	(71)
Bonds and debt instruments	(1,897)	(5,552)
Equities and equity instruments	(146)	(955)
Derivative instruments	(316)	(472)
Loans and advances to financial institutions	(1,485)	(2,612)
Loans and advances to customers	(3,522)	(12,336)
Other assets	(26)	(144)
Total	(7,423)	(22,142)
Liabilities		
Due to financial institutions and Central Bank	1,536	960
Deposits from customers	1,418	4,001
Secured bonds	4,371	13,030
Other liabilities	75	5,323
Total	7,400	23,314
Net foreign exchange (loss) gain	(23)	1,172

The foreign exchange differences, which were recognised during the period 1 January to 31 March 2014 in the Condensed Consolidated Income Statement and arose on financial instruments not measured at fair value through profit or loss, amounted to an ISK 4,989 million loss for financial assets (1.1-31.3.2013: loss of ISK 15,161 million) and gain of ISK 7,325 million for financial liabilities (1.1-31.3.2013: gain of ISK 23,314 million).

10. Salaries and related expenses

	2014	2013
	1.1-31.3	1.1-31.3
Salaries	2,737	2,436
Contributions to defined pension plans	331	330
Social security contributions, special financial activities tax on salaries and other expenses	387	407
Total	3,455	3,173
Recognition of equity-settled employee share-based salaries	-	4,017
Recognition of equity-settled employee share-based social security contributions and special financial activities tax on salaries	-	674
Total equity-settled employee share-based payments	0	4,691
Total salaries and related expenses	3,455	7,864

11. Income tax

Income tax is recognised based on the tax rates and tax laws enacted by the end of the year, according to which the domestic corporate income tax rate was 20.0% (2013: 20.0%). An additional special income tax on financial institutions is recognised at a rate of 6% on an income tax base exceeding ISK 1,000 million in accordance with Act No. 165/2011, on Financial Activities Tax.

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

	2014	2013
	1.1-31.3	1.1-31.3
Current tax expense	(1,380)	(641)
Special income tax on financial institutions	(351)	-
Difference of prior year's imposed and calculated income tax	110	-
Deferred tax expense	194	(1,118)
Total	(1,427)	(1,759)

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

	1.1-31.3.2014		1.1-31.3.2013	
Profit before tax		6,550		9,838
Tax on liabilities of financial institutions		(835)		(90)
Profit before income tax		5,715		9,747
Income tax calculated using the domestic corporate income tax rate	20.0%	(1,143)	20.0%	(1,949)
Special income tax on financial institutions	6.1%	(351)	0.9%	(89)
Income not subject to tax	(3.5%)	198	(2.9%)	283
Non-deductible expenses	9.8%	(558)	0.1%	(14)
Other	(7.5%)	427	(0.1%)	10
Effective income tax	24.9%	(1,427)	18.0%	(1,759)

Notes to the Condensed Consolidated Interim Financial Statements

Notes to the Condensed Consolidated Statement of Financial Position

12. Classification and fair value of financial assets and liabilities

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

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

The following table shows the classification of the Group's financial assets and liabilities according to IAS 39 and their fair values as at 31 March 2014:

	Loans and receivables	Held for trading	Designated as at fair value	Liabilities at amortised cost	Other liabilities at fair value	Total carrying amount	Fair value
Financial assets							
Cash and balances with Central Bank	34,024	-	-	-	-	34,024	34,024
Bonds and debt instruments	111,644	146,008	26,766	-	-	284,418	285,785
Equities and equity instruments	-	3,910	32,504	-	-	36,414	36,414
Derivative instruments	-	140	-	-	-	140	140
Loans and advances to financial institutions	63,896	-	-	-	-	63,896	63,896
Loans and advances to customers	681,883	-	-	-	-	681,883	685,167
Other financial assets	7,300	-	-	-	-	7,300	7,300
Total	898,747	150,058	59,270	0	0	1,108,075	1,112,726
Financial liabilities							
Due to financial institutions and Central Bank	-	-	-	174,031	-	174,031	174,031
Deposits from customers	-	-	-	468,661	-	468,661	468,656
Derivative instruments and short positions	-	7,527	-	-	-	7,527	7,527
Secured bonds	-	-	-	234,844	-	234,844	234,844
Other financial liabilities	-	-	-	14,886	-	14,886	14,886
Total	0	7,527	0	892,422	0	899,949	899,944

The following table shows the classification of the Group's financial assets and liabilities according to IAS 39 and their fair values as at 31 December 2013:

	Loans and receivables	Held for trading	Designated as at fair value	Liabilities at amortised cost	Other liabilities at fair value	Total carrying amount	Fair value
Financial assets							
Cash and balances with Central Bank	21,520	-	-	-	-	21,520	21,520
Bonds and debt instruments	111,902	151,894	26,799	-	-	290,595	292,329
Equities and equity instruments	-	3,965	32,310	-	-	36,275	36,275
Derivative instruments	-	654	-	-	-	654	654
Loans and advances to financial institutions	67,916	-	-	-	-	67,916	67,916
Loans and advances to customers	680,468	-	-	-	-	680,468	685,159
Other financial assets	6,366	-	-	-	-	6,366	6,366
Total	888,172	156,513	59,109	0	0	1,103,794	1,110,219
Financial liabilities							
Due to financial institutions and Central Bank	-	-	-	167,218	-	167,218	167,218
Deposits from customers	-	-	-	456,662	-	456,662	456,637
Derivative instruments and short positions	-	7,571	-	-	-	7,571	7,571
Secured bonds	-	-	-	239,642	-	239,642	239,642
Other financial liabilities	-	-	-	12,320	-	12,320	12,320
Total	0	7,571	0	875,842	0	883,413	883,388

Notes to the Condensed Consolidated Interim Financial Statements

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

The fair value of financial assets and liabilities was determined based on the same valuation methods as those described in the Group's Consolidated Financial Statements as at and for the year ended 31 December 2013.

Fair value hierarchy

The Group has used a valuation hierarchy for disclosure of inputs to valuation used to measure fair value. Fair value measurements of financial instruments are made on the basis of the following hierarchy:

- Level 1: Quoted prices are used for assets and liabilities traded in active markets. Unadjusted quoted prices are used as the measurement of fair value.
- Level 2: Valuation technique based on observable inputs. The most recent transaction prices in combination with generally accepted valuation methods are used to measure fair value of shares and the yield of actively traded bonds with same duration is used as a benchmark for the valuation of bonds.
- Level 3: Valuation technique based on significant non-observable inputs. It includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have significant effect on the instrument's valuation. For unlisted shares and bonds where there is no market data available, various generally accepted valuation techniques are used to measure fair value. Valuation using discounted cash flow or a comparison of peer companies multiples are the most commonly used methods to calculate fair value of unlisted shares in addition to recent transactions and market conditions.

Assumptions and inputs used in the valuation technique include risk-free and benchmark interest rates for estimating discount rates, credit spreads, bonds and equity prices, foreign currency exchange rates, market multipliers, market conditions for estimating future growth and other market indicators.

Valuation framework

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

The following table shows the Level in the hierarchy into which the fair value of financial assets and liabilities, carried at fair value in the Consolidated Statement of Financial Position, are categorised as at 31 March 2014:

Financial assets	Level 1	Level 2	Level 3	Total
Bonds and debt instruments	148,049	15,239	9,486	172,774
Equities and equity instruments	9,365	-	27,049	36,414
Derivative instruments	-	140	-	140
Total	157,414	15,379	36,535	209,328
Financial liabilities				
Derivative instruments	-	563	-	563
Short positions	6,964	-	-	6,964
Total	6,964	563	0	7,527

During the period from 1 January to 31 March 2014 there were no transfers between Level 1, Level 2 or Level 3.

The following table shows the Level in the hierarchy into which the fair value of financial assets and liabilities, carried at fair value in the Consolidated Statement of Financial position, are categorised as at 31 December 2013:

Financial assets	Level 1	Level 2	Level 3	Total
Bonds and debt instruments	152,472	15,547	10,674	178,693
Equities and equity instruments	8,209	1	28,064	36,275
Derivative instruments	-	654	-	654
Total	160,681	16,202	38,738	215,622
Financial liabilities				
Derivative instruments	-	583	-	582
Short positions	6,988	-	-	6,988
Total	6,988	583	0	7,571

During the year 2013 there were transfers between Level 1 and Level 2 due to changes in market conditions. Price determination of certain securities is more dynamic and unadjusted quoted prices can be used as a measurement of fair value. Therefore, these securities, with a carrying amount of ISK 30 billion, were transferred from Level 2 to Level 1 of the fair value hierarchy.

Notes to the Condensed Consolidated Interim Financial Statements

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

The following tables show the reconciliation for fair value measurement in Level 3 for the three months ended 31 March 2014 and for the year 2013:

	Bonds and debt instruments	Equities and equity instruments	Total financial assets	Contingent bond
1 January - 31 March 2014				
Carrying amount as at 1 January 2014	10,674	28,064	38,738	-
Total gains (losses) recognised in income statement	(856)	(1,106)	(1,962)	-
Purchases	-	91	91	-
Sales	(208)	-	(208)	-
Settlements	(124)	-	(124)	-
Carrying amount as at 31 March 2014	9,486	27,049	36,535	0
1 January - 31 December 2013				
Carrying amount as at 1 January 2013	10,611	29,877	40,488	(87,474)
Total gains (losses) recognised in income statement	474	5,561	6,035	6,212
Change in contingent bond	-	-	-	(4,691)
Purchases	-	56	56	-
Sales	(436)	(8,432)	(8,868)	-
Settlements	25	-	25	85,953
Winding-up proceedings of subsidiary	-	1,002	1,002	-
Carrying amount as at 31 December 2013	10,674	28,064	38,738	0

The following tables show the line items in the Consolidated Income Statement where the total gains (losses) were recognised during the three months ended 31 March 2014 and 31 March 2013, for fair value measurements in Level 3:

	Bonds and debt instruments	Equities and equity instruments	Contingent bond	Total
1 January - 31 March 2014				
Net (loss) gain on financial assets designated as at fair value through profit or loss	(658)	(1,010)	-	(1,668)
Net foreign exchange gain (loss)	(198)	(96)	-	(294)
Total	(856)	(1,106)	0	(1,962)
1 January - 31 March 2013				
Fair value change of contingent bond	-	-	1,319	1,319
Interest expense	-	-	(623)	(623)
Net (loss) gain on financial assets designated as at fair value through profit or loss	232	1,381	-	1,613
Net foreign exchange gain (loss)	(30)	(701)	5,516	4,785
Total	202	680	6,212	7,094

13. Derivative instruments and short positions

	31.3.2014			31.12.2013		
	Notional amount	Fair value		Notional amount	Fair value	
Foreign exchange derivatives		Assets	Liabilities		Assets	Liabilities
Currency forwards	34,914	90	48	43,608	637	68
Cross-currency interest rate swaps	1,075	-	456	1,098	-	453
	35,989	90	504	44,706	637	521
Interest rate derivatives						
Interest rate swaps	500	2	-	-	-	-
Total return swaps	3,875	16	23	5,178	3	9
Bond options	750	-	14	-	-	-
	5,125	18	37	5,178	3	9
Equity derivatives						
Total return swaps	1,311	32	22	2,067	14	52
	1,311	32	22	2,067	14	52
Short positions - listed bonds						
	-	-	6,964	-	-	6,988
Total	42,425	140	7,527	51,951	654	7,571

The Group uses derivatives both for hedging and trading purposes.

Notes to the Condensed Consolidated Interim Financial Statements

14. Loans and advances to financial institutions

	31.3.2014	31.12.2013
Bank accounts with financial institutions	2,954	4,863
Money market loans	50,694	49,625
Overdrafts	3,704	6,394
Other loans	6,544	7,034
Total	63,896	67,916

15. Loans and advances to customers

	31.3.2014	31.12.2013
Public entities	10,152	10,149
Individuals	223,922	217,719
Corporations	498,469	503,544
Less: Allowance for impairment	(50,660)	(50,944)
Total	681,883	680,468

During the reporting period, the Group was not permitted to sell or repledge any collateral in absence of default by the owner of the collateral.

Further disclosure on loans and advances is provided in the risk management section of the notes.

16. Other assets

	31.3.2014	31.12.2013
Unsettled securities trading	4,083	863
Other accounts receivable	3,217	3,248
Claim on LBI hf. due to court ruling	-	2,255
Sundry assets	2,462	2,449
Total	9,762	8,816

17. Assets classified as held for sale

	31.3.2014	31.12.2013
Repossessed collateral	16,753	17,213
Assets of disposal groups	7,801	7,810
Total	24,554	25,023

Repossessed collateral

Repossessed collateral consists mainly of property and equipment resulting from collateral foreclosed by the Group as security for loans and advances. The Group's policy is to pursue timely realisation of the repossessed collateral in an orderly manner. The Group generally does not use the non-cash repossessed collateral for its own operations. Repossessed collateral is recognised as an asset of either the Bank or its subsidiary Hömlur ehf.

Repossessed collateral	31.3.2014	31.12.2013
Carrying amount as at the beginning of the period	17,213	25,221
Repossessed during the period	1,988	11,543
Disposed during the period	(1,879)	(16,366)
Impairment and loss of sale	(569)	(3,185)
Carrying amount as at the end of the period	16,753	17,213

Assets of disposal groups classified as held for sale

Assets of disposal groups classified as held for sale consist of all the assets and liabilities of subsidiaries acquired by the Bank exclusively with a view to resale.

The loss for the period from discontinued operations which is presented in the Consolidated Financial Statement consists only of the results of those subsidiaries acquired by the Bank exclusively with a view to resale as they meet the definition of discontinued operations in IFRS 5.

Notes to the Condensed Consolidated Interim Financial Statements

18. Secured bonds

As at 31.3.2014	Currency	Final maturity	Remaining principal	Contractual interest rate	Carrying amount
EUR Bonds	EUR	9.10.2018	€ 744 million	EURIBOR + 2.90 %	116,398
GBP Bonds	GBP	9.10.2018	£ 237 million	LIBOR + 2.90 %	44,939
USD Bonds	USD	9.10.2018	\$ 616 million	LIBOR + 2.90 %	69,980
Total issued bonds to LBI hf.					231,317

As at 31.3.2014	Currency	Final maturity	Remaining principal	Contractual interest rate	Carrying amount
LBANK CB 16	ISK	10.6.2016	3,360 million	6.30%	3,527
Total covered bonds					3,527

Secured bonds total as at 31.3.2014 **234,844**

As at 31.12.2013	Currency	Final maturity	Remaining principal	Contractual interest rate	Carrying amount
EUR Bonds	EUR	9.10.2018	€ 755 million	EURIBOR + 2.90 %	119,808
GBP Bonds	GBP	9.10.2018	£ 241 million	LIBOR + 2.90 %	45,877
USD Bonds	USD	9.10.2018	\$ 625 million	LIBOR + 2.90 %	72,032
Total issued bonds to LBI hf.					237,717

As at 31.12.2013	Currency	Final maturity	Remaining principal	Contractual interest rate	Carrying amount
LBANK CB 16	ISK	10.6.2016	1,860 million	6.3 %	1,925
Total covered bonds					1,925

Secured bonds total as at 31.12.2013 **239,642**

The secured bonds which the Bank issued to LBI hf. consist of the secured bonds issued in October 2010 as part of the acquisition price for the Icelandic operations of LBI hf. and the secured bonds issued in April 2013 as the additional consideration for the assets and liabilities transferred from LBI hf. to the Bank in October 2008. Both of these secured bond issues are denominated in EUR, USD and GBP. The carrying amount of the bonds as at 31 March 2014 and December 2013 assumes the effective interest of EURIBOR/LIBOR+2.90% to maturity.

The secured bonds which the Bank issued to LBI hf. mature in October 2018 with originally scheduled quarterly instalments starting in 2014. The interest rates are 3-month EURIBOR for the EUR-denominated bond and 3-month LIBOR for the GBP and USD-denominated bonds. During the years 2012 and 2013, the Bank made mandatory early redemptions and optional and partial early redemptions of the outstanding secured bonds to LBI hf. The prepayments will reduce, on a pro-rata basis, maturities of the bonds arising between 2014 and 2018.

From 30 June 2010, the bondholders have had the right to require the Bank to convert the secured bonds which the Bank issued to LBI hf. into Eurobonds. Upon such conversion, the Bank will make reasonable endeavours to list such Eurobonds on a qualified stock exchange, as soon as feasible following conversion. The bondholders have not yet exercised their right to require the Bank to convert the bonds into Eurobonds.

In March 2014, the Bank concluded a sale of an additional ISK 1,500 million in Landsbankinn's non-indexed covered bond series, LBANK CB 16, at a yield of 6.4%. This latest issue of the bonds was admitted for trading on NASDAQ OMX Iceland in the same month. The total size limit of this bond series is ISK 10,000 million and the previous issue amounted to ISK 1,920 million. The bonds carry a 3-year fixed interest rate of 6.3%. The covered bonds issue provides broader funding opportunities for the Bank's mortgage portfolio and reduces the Bank's fixed interest rate risk.

The Bank has committed itself to pledge certain pools of loans to customers as collateral for the secured bonds issued to LBI hf. and the issue of the covered bonds. The Bank must maintain a minimum coverage ratio of 124.7% for the secured bonds issued to LBI hf. and a minimum coverage ratio of 120% for the covered bonds. For further details on encumbered assets, see Note 22.

On 8 May 2014, the Bank and the Winding-up Board of LBI hf. reached an agreement whereby the repayment schedule of the secured bonds which the Bank issued to LBI hf. for the years 2014-2018 would be extended to the years 2014-2026. The agreement is conditional upon the Winding-up Board of LBI hf. obtaining certain exemptions from the Central Bank of Iceland with regards to capital controls. For further details, see Note 24.

19. Equity

In February 2014, the Bank completed the allocation of own shares received from LBI hf. in 2013, in accordance with LBI hf. requirements and a resolution passed at a shareholder's meeting of the Bank in July 2013. The net result of the 500 million shares being allocated, and partly repurchased by the Bank for settlement of tax obligations and pension liabilities, is that the Bank's current and former employees now own 187 million shares in total (0.78%) and the Bank itself holds 313 million of own shares (1.30%).

At the Annual General Meeting of the Bank for the operating year 2013 held on 19 March 2014, shareholders approved the Board's proposal to pay dividends to shareholders in the amount of ISK 0.84 per share for the year 2013. Dividend was paid on 26 March 2014 to parties registered in the shareholders' registry on 19 March 2014. The dividend payment amounted to ISK 19,897 million on the outstanding shares.

Notes to the Condensed Consolidated Interim Financial Statements

Other notes

20. Earnings per share

Profit for the period	31.3.2014	31.3.2013
Profit for the period from continuing operations	4,324	8,023
Profit for the period attributable to owners of the Bank	4,324	8,023

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

Number of shares	31.3.2014	31.3.2013
Number of ordinary shares outstanding at beginning of period	24,000	24,000
Average number of own shares	(359)	-
Weighted average number of shares outstanding	23,641	24,000

Basic earnings per share	31.3.2014	31.3.2013
Continuing operations	0.18	0.33
Discontinued operations	-	-
Total basic earnings per share	0.18	0.33

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.

21. Litigation

The Bank is party to litigation cases which arise in the ordinary course of business and are expected to have immaterial effect on the Group's financial position. However, since the establishment of the Bank, the Group has engaged in various material litigation cases, most of them being related to financial assets and liabilities transferred from Landsbanki Íslands hf. (now LBI hf.) to the Bank. These cases are material in the sense that they have had or may have significant impact on the amounts disclosed in the Group's financial statements.

At the end of the first quarter of 2014, all of the material cases that were reported open and not concluded at year-end 2013 in the litigation section of the Group's Consolidated Financial Statements for the year 2013 are still open with the exception of case No. 4 in the aforesaid Financial Statements. On 6 March 2014, the Supreme Court confirmed the District Court's judgment in this particular case and thereby acquitted the Bank of the company's claim.

Following Supreme Court rulings in 2012 on interest calculations of loans illegally indexed to foreign currencies, the Bank recalculated loans which the Bank expects to fall under the precedence of these rulings. The Bank has considered further court rulings necessary to clarify the scope of the legal precedence of these rulings for interest calculations of other loans. Pending material litigation cases filed against the Bank are expected to provide further clarification on the precedence of these rulings and consumer price indexation of loans in the coming months. These pending material litigation cases at the end of the first quarter of 2014 are the following:

- In December 2012, a corporate customer of the Bank commenced litigation against the Bank demanding, *inter alia*, that the Court acknowledge that a loan agreement dating from June 2006 constitutes a loan in Icelandic currency (ISK), illegally indexed to foreign currencies, and should as such be recalculated in accordance with Act No. 38/2001. The Bank's view is that the loan agreement is in fact a loan in foreign currencies and should therefore not be recalculated, *inter alia*, due to the fact that it was repaid in foreign currencies. The Bank's view is that it is of no relevance that the repayment currencies were not the same as the foreign currencies stipulated in the loan agreement. The case was heard by the District Court of Reykjavík which in its judgment concluded that the loan was a loan in ISK indexed to foreign currencies. The case has been appealed to the Supreme Court and it is expected that the Court will hear the case in spring or autumn 2014.
- In December 2013, a corporate customer of the Bank commenced litigation against the Bank claiming that previous recalculations of a foreign currency indexed loan should be recalculated in accordance with Supreme Court decisions No. 600/2011 and No. 464/2012 whereby interest rates determined by the Central Bank of Iceland (CBI) were considered by the Court as not being applicable in specified circumstances, *inter alia*, as the lender had issued final receipts for interest payments. One of the conditions established by the Supreme Court for rejecting CBI interest rates is that the additional claim, i.e. the difference between the CBI's interest amount and the interest amount appearing on the final receipts, would cause a serious disruption of a company's financial position. In this case the Bank takes the view that this condition is not met. The case is expected to be heard by the District Court of Reykjavík in the coming months.
- In May 2014, the Icelandic Competition Authority submitted to the Bank its preliminary assessment in a case regarding alleged breaches of competition rules by construction product stores operating in the Icelandic capital region. The investigation period is from 2008 until March 2011. From October 2009 one of the stores, Húasmiðjan ehf., was owned by Vestia Holdings ehf., a subsidiary of the Bank. Vestia Holdings ehf. was sold to Framtakssjóður Íslands slhf. (FSÍ) in August 2010 pending an approval from the Competition Authority, granted in January 2011. In December 2011, FSÍ sold Húasmiðjan to Hömlur ehf., a subsidiary of the Bank, while all operations of the store were transferred and sold to a third company outside of the Landsbankinn Group. The name of the legal entity held by Hömlur was changed to Holtavegur 10 ehf. It is the preliminary assessment of the Competition Authority that fines may be imposed on Holtavegur 10 due to alleged breaches of competition law. The amount of such a possible fine is uncertain at this stage but could be considerable. The Authority indicates that the Bank may potentially be held liable for such a fine since Húasmiðjan was within the Landsbankinn Group during a part of the investigation period. Landsbankinn will assess the case and prepare written comments to the Authority. Moreover, Holtavegur 10 will, independently, provide in a separate document its comments to the Authority. It is the view of the Bank that there are no grounds for imposing a fine on the Bank, *inter alia*, as the Bank had accepted strict obligations not to interfere in companies held by Vestia Holdings and, consequently, never had any decisive influence on Húasmiðjan.

Notes to the Condensed Consolidated Interim Financial Statements

22. Encumbered assets

As at 31 March 2014	Collateral pledged against			Un-encumbered	Total
	Covered bonds	Issued bonds to LBI hf.	Other*		
Cash and balances with Central Bank	121	-	-	33,903	34,024
Bonds and debt instruments	-	11,356	14,900	258,162	284,418
Equities and equity instruments	-	-	-	36,414	36,414
Derivative instruments	-	-	-	140	140
Loans and advances to financial institutions	-	-	4,680	59,216	63,896
Loans and advances to customers	4,175	296,115	-	381,593	681,883
Investments in equity-accounted associates	-	-	-	12,665	12,665
Property and equipment	-	-	-	5,383	5,383
Intangible assets	-	-	-	665	665
Other assets	-	-	-	9,762	9,762
Assets classified as held for sale	-	-	-	24,554	24,554
Total	4,296	307,471	19,580	822,457	1,153,804

As at 31 December 2013	Collateral pledged against			Un-encumbered	Total
	Covered bonds	Issued bonds to LBI hf.	Other*		
Cash and balances with Central Bank	61	-	-	21,459	21,520
Bonds and debt instruments	-	11,603	15,717	263,275	290,595
Equities and equity instruments	-	-	-	36,275	36,275
Derivative instruments	-	-	-	654	654
Loans and advances to financial institutions	-	-	4,608	63,308	67,916
Loans and advances to customers	2,400	302,159	-	375,909	680,468
Investments in equity-accounted associates	-	-	-	14,224	14,224
Property and equipment	-	-	-	5,440	5,440
Intangible assets	-	-	-	585	585
Other assets	-	-	-	8,816	8,816
Assets classified as held for sale	-	-	-	25,023	25,023
Total	2,461	313,762	20,325	814,968	1,151,516

*Other represents assets pledged as collateral to the Central Bank of Iceland to secure settlement in the Icelandic clearing systems, assets pledged as collateral to secure trading lines and credit support for ISDA master agreements and other pledges of similar nature.

23. Related party transactions

Transactions with related parties

Transactions with the Icelandic government and government-related entities

The Group's products and services are offered to the Icelandic government and government related entities in competition with other vendors and under generally accepted commercial terms. In a similar manner, the Bank and other Group entities purchase products and services from government-related entities at market price and otherwise under generally accepted commercial terms. The nature and outstanding amounts receivable from public entities are disclosed in Note 27.

Transactions with other related parties

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

Loans in ISK million	2014		2013	
	Balance as at 31 March	Highest amount outstanding during the period	Balance as at 31 December	Highest amount outstanding during the period
Key management personnel	75	111	108	131
Parties related to key management personnel	44	138	136	224
Associates	28,646	37,536	47,037	63,892
Other	11	17	17	18
Total	28,776	37,802	47,298	64,265

No specific allowance for impairment was recognised in respect of these loans.

No pledges or commitments have been given or received in respect of these transactions during the period. There are no leasing transactions between related parties during the period.

Notes to the Condensed Consolidated Interim Financial Statements

23. Related party transactions (continued)

The following table presents the total amounts of deposits received from key management personnel and parties related to them and associates of the

Deposits in ISK million	2014		2013	
	Balance as at 31 March	Highest amount outstanding during the period	Balance as at 31 December	Highest amount outstanding during the period
Key management personnel	110	111	49	116
Parties related to key management personnel	21	45	24	116
Associates	11,574	16,864	13,030	21,234
Other	1	1	1	1
Total	11,706	17,021	13,104	21,467

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

Guarantees in ISK million	Balance as at 31 March 2014	Balance as at 31 December 2013
Associates	623	520
Total	623	520

24. Events after the reporting period

On 8 May 2014, the Bank and the Winding-up Board of LBI hf. reached an agreement on amendments to contractual obligations under the Bank's secured bonds, denominated in foreign currencies and issued to LBI hf. The agreement is conditional upon the Winding-up Board of LBI hf. obtaining certain exemptions from the Central Bank of Iceland with regards to capital controls. The main amendments are highlighted as follows:

- Regular instalments currently scheduled for the years 2014-2018 will be extended to the years 2014-2026 with bond tranches maturing every second year throughout the period.
- Each of the tranches will be equivalent to approximately ISK 30,000 million, except for the 2014 tranche of ISK 36,000 million and the 2018 tranche of ISK 40,000 million.
- Interest rate terms will remain unchanged at a 2.90% margin until October 2018, stepping up to a 3.50% margin for the 2020 tranche, a 3.65% margin for the 2022 tranche, 3.95% for the 2024 tranche and a 4.05% margin for the 2026 tranche.
- The Bank will be required to use net proceeds from new foreign currency debt financing, above a certain threshold, to make prepayments on the bonds.
- The Bank will have increased flexibility in terms of how optional and mandatory prepayments of the bonds will be applied against outstanding maturities, without any additional costs.
- The minimum coverage ratio will be reduced from 124.7% to 115%.
- The Bank will not be required to convert any outstanding bonds to Eurobonds before October 2018.
- Specific restrictions on dividend payments will be removed.

Notes to the Consolidated Financial Statements

Capital management

25. Capital management

The Group's capital management policies and practices ensure that the Group has sufficient capital to cover the risk associated with its activities. The capital management framework of the Group comprises four interdependent activities: Capital Assessment, Risk Appetite/Capital Target, Capital Planning, and Reporting/Monitoring. The Group regularly monitors and assesses its current risk profile in the most important business areas and for the most important risk types. Risk appetite sets out the level of risk the Group is willing to take in pursuit of its business objectives.

Capital requirements are defined by two external bodies: the European Council and the Financial Supervisory Authority in Iceland (FME). The basis of the requirements of both bodies is the EU Capital Requirements Directive (CRD). The regulatory minimum capital requirement under Pillar I of the directive is 8% of Risk Weighted Assets (RWA) for credit risk, market risk and operational risk. The Capital Adequacy Requirement is reviewed by the FME in the Supervisory Review and Evaluation Process (SREP). The FME also requires the Group to maintain a minimum core Tier 1 capital ratio of 12%.

In the latest Supervisory Review and Evaluation Process (SREP), based on year-end 2012, FME determined the Capital Adequacy Requirement to be 16.7%.

26. Capital base and Capital Adequacy Ratio

The Group's equity as at 31 March 2014 amounted to ISK 225,392 million (31.12.2013: ISK 241,359 million), equivalent to 19.5% (31.12.2013: 21.0%) of total assets, according to the Consolidated Statement of Financial Position. The Capital Adequacy Ratio, calculated in accordance with Article 84 of Act No. 161/2002, on Financial Undertakings, was 24.8% as at 31 March 2014 (31.12.2013: 26.7%). According to the Act, this ratio may not fall below 8%.

	31.03.2014	31.12.2013
Capital base		
Share capital	23,687	23,618
Share premium	121,275	120,700
Reserves	6,000	7,046
Retained earnings	74,429	90,002
Non-controlling interests	1	(7)
Total equity	225,392	241,359
Intangible assets	(665)	(585)
Tier 1 capital	224,727	240,774
Deduction from original and additional own funds	(3,876)	(3,865)
Capital base	220,851	236,909
Risk-weighted assets		
Credit risk	684,686	684,655
Market risk	99,556	99,763
Operational risk*	104,500	104,500
Total risk-weighted assets	888,742	888,918
Tier 1 capital ratio	25.3%	27.1%
Capital Adequacy Ratio	24.8%	26.7%

*The amounts are updated on a yearly basis.

Notes to the Condensed Consolidated Interim Financial Statements

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

The following tables show the Group's maximum credit risk exposure as at 31 March 2014 and 31 December 2013. For on-balance sheet assets, the exposures set out below are based on net carrying amounts as reported in the Statement of Financial Position. Off-balance sheet amounts in the tables below are the maximum amounts the Group might have to pay for guarantees, loan commitments in their full amount, and undrawn overdraft and credit card facilities.

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

As at 31 March 2014	Corporations												Carrying amount	
	Financial institutions	Public entities*	Individuals	Fisheries	Construction and real estate companies	Services	Retail	Holding companies	Manufacturing	Agriculture	ITC**	Other		
Cash and balances with Central Bank	-	34,024	-	-	-	-	-	-	-	-	-	-	-	34,024
Bonds and debt instruments	116	260,526	-	-	13,632	-	-	9,309	-	-	-	835	-	284,418
Derivative instruments	78	-	4	-	-	-	12	-	-	-	-	46	-	140
Loans and advances to financial institutions	63,896	-	-	-	-	-	-	-	-	-	-	-	-	63,896
Loans and advances to customers	-	10,043	206,151	149,491	128,551	51,056	44,152	38,421	26,245	7,300	20,101	372	-	681,883
Other financial assets	4,798	296	418	90	1,085	494	18	20	4	36	2	39	-	7,300
Total on-balance sheet exposure	68,888	304,889	206,573	149,581	143,268	51,550	44,182	47,750	26,249	7,336	20,103	1,292	-	1,071,661
Off-balance sheet exposure	7,912	14,255	21,829	24,750	32,870	14,516	11,057	593	8,716	2,372	3,936	684	-	143,490
Financial guarantees and underwriting commitments	26	678	478	1,881	2,103	5,502	3,257	20	613	31	952	132	-	15,673
Undrawn loan commitments	2,100	9,582	8	20,841	29,030	623	3,327	350	6,086	1,949	1,747	-	-	75,643
Undrawn overdraft/credit card facilities	5,786	3,995	21,343	2,028	1,737	8,391	4,473	223	2,017	392	1,237	552	-	52,174
Maximum exposure to credit risk	76,800	319,144	228,402	174,331	176,138	66,066	55,239	48,343	34,965	9,708	24,039	1,976	-	1,215,151
Percentage of carrying amount	6.3%	26.3%	18.8%	14.3%	14.5%	5.4%	4.5%	4.0%	2.9%	0.8%	2.0%	0.2%	-	100%

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

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

Notes to the Condensed Consolidated Interim Financial Statements

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

As at 31 December 2013	Corporations												Carrying amount	
	Financial institutions	Public entities*	Individuals	Fisheries	Construction and real estate companies	Services	Retail	Holding companies	Manu- facturing	Agriculture	ITC**	Other		
Cash and balances with Central Bank	-	21,520	-	-	-	-	-	-	-	-	-	-	-	21,520
Bonds and debt instruments	844	265,482	-	-	13,860	-	-	9,655	-	-	-	755	-	290,595
Derivative instruments	606	1	-	-	-	-	30	-	-	-	-	17	-	654
Loans and advances to financial institutions	67,916	-	-	-	-	-	-	-	-	-	-	-	-	67,916
Loans and advances to customers	-	10,015	201,485	146,302	127,233	46,617	35,974	55,814	25,337	7,714	19,459	4,518	-	680,468
Other financial assets	3,743	327	458	99	1,193	438	20	1	5	40	2	41	-	6,366
Total on-balance sheet exposure	73,109	297,345	201,943	146,401	142,286	47,055	36,024	65,470	25,342	7,754	19,461	5,331	-	1,067,521
Off-balance sheet exposure	4,568	16,833	20,818	20,191	23,508	14,355	8,249	8,064	7,723	395	4,088	646	-	129,438
Financial guarantees and underwriting commitments	26	705	506	1,666	2,486	5,529	1,738	34	593	28	1,012	40	-	14,363
Undrawn loan commitments	1,500	9,687	49	16,613	19,626	807	1,238	7,225	5,348	35	2,007	433	-	64,568
Undrawn overdraft/credit card facilities	3,042	6,441	20,263	1,912	1,396	8,019	5,273	805	1,782	332	1,069	173	-	50,507
Maximum exposure to credit risk	77,677	314,178	222,761	166,592	165,794	61,410	44,273	73,534	33,065	8,149	23,549	5,977	-	1,196,959
Percentage of carrying amount	6.5%	26.2%	18.6%	13.9%	13.9%	5.1%	3.7%	6.1%	2.8%	0.7%	2.0%	0.5%	-	100%

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

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

Notes to the Condensed Consolidated Interim Financial Statements

28. Collateral and loan-to-value by industry sectors

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

As at 31 March 2014	LTV ratio - Fully collateralised					LTV ratio - Partially collateralised		Without collateral*	Allowance for impairment	Maximum exposure to credit risk
	0% - 25%	25% - 50%	50% - 75%	75% - 100%	Total	>100%	Collateral value			
Financial institutions	-	-	-	-	-	-	-	71,809	-	71,809
Public entities	22	97	159	783	1,061	5,432	606	17,914	110	24,297
Individuals	2,200	9,533	16,068	30,717	58,518	134,049	95,354	53,186	17,771	227,982
Corporations										
Fisheries	1,837	21,335	25,090	43,176	91,438	84,102	49,796	6,940	8,242	174,238
Construction and real estate companies	282	1,147	9,038	14,246	24,713	120,879	69,341	22,665	6,836	161,421
Holding companies	425	227	2,607	1,176	4,435	30,740	17,579	8,675	4,834	39,016
Retail	75	886	2,070	4,527	7,558	44,223	24,293	9,262	5,834	55,209
Services	258	496	4,719	10,247	15,720	30,235	18,007	23,152	3,536	65,571
Information, technology and communication	5	33	123	115	276	19,260	6,202	5,283	782	24,037
Manufacturing	113	558	5,003	9,657	15,331	12,236	7,027	9,589	2,194	34,962
Agriculture	86	259	640	1,171	2,156	5,830	2,762	2,182	497	9,671
Other	2	-	-	8	10	137	75	933	24	1,056
Total	5,305	34,571	65,517	115,823	221,216	487,123	291,042	231,590	50,660	889,269
As at 31 December 2013										
Financial institutions	-	-	-	-	-	-	-	72,484	-	72,484
Public entities	24	60	209	1,169	1,462	4,969	294	20,550	134	26,847
Individuals	2,370	10,978	19,567	33,728	66,643	119,759	86,272	52,135	16,234	222,303
Corporations										
Fisheries	3,758	6,695	22,194	35,242	67,889	99,711	69,672	7,768	8,874	166,494
Construction and real estate companies	348	4,546	5,167	12,397	22,458	123,137	66,030	14,138	8,992	150,741
Holding companies	495	245	1,143	2,709	4,592	50,895	34,908	12,384	3,994	63,878
Retail	153	1,050	1,623	3,604	6,430	34,635	17,244	8,851	5,692	44,223
Services	235	3,789	2,791	9,922	16,737	27,608	16,282	20,386	3,757	60,974
Information, technology and communication	20	45	90	68	223	19,107	8,316	4,853	636	23,546
Manufacturing	97	183	1,275	6,389	7,944	16,658	9,403	9,935	1,476	33,061
Agriculture	89	311	306	1,477	2,183	5,556	2,565	1,170	800	8,109
Other	2	-	-	112	114	522	231	4,882	355	5,162
Total	7,591	27,902	54,365	106,817	196,675	502,557	311,217	229,536	50,944	877,822

*Credit card loans and overdraft on debit cards are assumed to be without collateral. If LTV is less than 100% the loan is considered fully secured. If LTV is greater than 100% the loan is partially collateralised and the respective collateral value is shown in the table.

Notes to the Consolidated Financial Statements

29. Collateral types

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

As at 31 March 2014	Real estate	Vessels	Deposits	Securities	Other*	Total
Public entities	2,263	-	45	-	88	2,396
Individuals	182,302	451	979	3,338	12,123	199,193
Corporates						
Fisheries	12,035	150,041	134	11,384	30,034	203,628
Construction and real estate companies	100,203	37	876	343	2,959	104,418
Holding companies	3,182	-	72	24,949	528	28,731
Retail	13,137	412	433	4,560	20,393	38,935
Services	25,515	421	367	1,723	14,509	42,535
Information, technology and communication	412	4	154	1,299	4,791	6,660
Manufacturing	10,703	393	252	10,216	8,010	29,574
Agriculture	5,963	15	3	-	513	6,494
Other	110	-	8	-	-	118
Total	355,825	151,774	3,323	57,812	93,948	662,682

As at 31 December 2013	Real estate	Vessels	Deposits	Securities	Other*	Total
Public entities	2,362	-	44	-	96	2,502
Individuals	178,271	456	1,064	3,686	21,655	205,132
Corporates						
Fisheries	10,763	138,676	541	9,240	23,701	182,921
Construction and real estate companies	97,092	33	1,103	372	2,249	100,849
Holding companies	6,855	-	118	33,851	2,915	43,739
Retail	12,289	18	292	282	16,938	29,819
Services	23,713	891	357	1,590	18,558	45,109
Information, technology and communication	454	4	53	1,990	6,285	8,786
Manufacturing	9,425	389	297	6,510	3,892	20,513
Agriculture	5,658	15	5	-	556	6,234
Other	412	-	-	-	1	413
Total	347,294	140,482	3,874	57,521	96,846	646,016

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

30. Loans and advances credit monitoring

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

Industry sectors as at 31 March 2014	Green	Yellow	Orange	Red	Carrying amount
Financial institutions	63,896	-	-	-	63,896
Public entities	9,474	459	76	34	10,043
Individuals	160,734	11,696	22,414	11,307	206,151
Corporations					
Fisheries	120,112	18,440	4,200	6,739	149,491
Construction and real estate companies	97,586	9,811	13,694	7,460	128,551
Holding companies	34,759	1,739	800	1,123	38,421
Retail	32,804	4,262	4,093	2,993	44,152
Services	36,908	9,345	2,791	2,012	51,056
Information, technology and communication	15,584	4,179	260	78	20,101
Manufacturing	16,935	2,469	1,634	5,207	26,245
Agriculture	5,926	734	177	463	7,300
Other	303	-	68	1	372
Total	595,021	63,134	50,207	37,417	745,779

Notes to the Consolidated Financial Statements

30. Loans and advances credit monitoring (continued)

Industry sectors as at 31 December 2013	Green	Yellow	Orange	Red	Carrying amount
Financial institutions	67,916	-	-	-	67,916
Public entities	9,462	467	85	1	10,015
Individuals	155,486	13,053	20,746	12,200	201,485
Corporations					
Fisheries	111,413	23,905	3,098	7,886	146,302
Construction and real estate companies	85,624	19,905	13,950	7,754	127,233
Holding companies	44,553	9,121	893	1,246	55,813
Retail	23,712	5,805	3,424	3,034	35,975
Services	31,475	9,193	2,983	2,966	46,617
Information, technology and communication	18,420	784	163	92	19,459
Manufacturing	17,634	1,887	1,275	4,541	25,337
Agriculture	5,917	728	596	474	7,715
Other	4,279	-	238	-	4,517
Total	575,891	84,848	47,451	40,194	748,384

31. Credit quality of financial assets

	Gross carrying amount				Allowance for impairment	Carrying amount
	Neither past due nor individually impaired	Past due but not individually impaired	Individually impaired	Total		
As at 31 March 2014						
Cash and balances with Central Bank	34,024	-	-	34,024	-	34,024
Bonds and debt instruments	274,946	9,472	-	284,418	-	284,418
Derivative instruments	140	-	-	140	-	140
Loans and advances to financial institutions	63,896	-	-	63,896	-	63,896
Loans and advances to customers	584,846	49,992	97,705	732,543	(50,660)	681,883
Other financial assets	7,300	-	-	7,300	-	7,300
Total	965,152	59,464	97,705	1,122,321	(50,660)	1,071,661
As at 31 December 2013						
Cash and balances with Central Bank	21,520	-	-	21,520	-	21,520
Bonds and debt instruments	280,736	9,859	-	290,595	-	290,595
Derivative instruments	654	-	-	654	-	654
Loans and advances to financial institutions	67,916	-	-	67,916	-	67,916
Loans and advances to customers	585,526	54,874	91,012	731,412	(50,944)	680,468
Other financial assets	6,366	-	-	6,366	-	6,366
Total	962,718	64,733	91,012	1,118,463	(50,944)	1,067,519

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

Notes to the Consolidated Financial Statements

32. Loans and advances neither past due nor individually impaired

The following tables show the credit quality, measured by rating grade, of loans and advances neither past due nor individually impaired.

As at 31 March 2014	Rating grades					Total
	10-7	6-4	3-1	0*	Unrated	
Financial institutions	59,628	4,268	-	-	-	63,896
Public entities	8,366	1,261	352	-	17	9,996
Individuals	64,337	80,306	27,296	737	4,341	177,017
Corporations						
Fisheries	12,275	92,752	18,851	1,257	1,546	126,681
Construction and real estate companies	139	81,106	33,282	108	135	114,770
Holding companies	-	19,371	7,283	2	31	26,687
Retail	50	34,138	5,053	95	71	39,407
Services	1,358	34,034	10,701	47	188	46,328
Information, technology and communication	4	10,042	7,034	-	4	17,084
Manufacturing	2,140	14,138	2,801	137	390	19,606
Agriculture	198	5,727	944	-	13	6,882
Other	-	6	136	-	246	388
Total	148,495	377,149	113,733	2,383	6,982	648,742
As at 31 December 2013						
Financial institutions	59,822	8,094	-	-	-	67,916
Public entities	8,149	1,485	261	-	19	9,914
Individuals	58,283	83,424	26,089	855	4,228	172,879
Corporations						
Fisheries	11,938	88,350	21,534	778	-	122,600
Construction and real estate companies	67	81,600	32,591	104	15	114,377
Holding companies	727	26,250	16,931	10	29	43,947
Retail	29	25,515	5,591	264	23	31,422
Services	132	30,599	10,494	36	137	41,398
Information, technology and communication	4	14,773	1,453	-	-	16,230
Manufacturing	2,187	13,237	4,053	1,481	341	21,299
Agriculture	244	5,628	1,023	-	15	6,910
Other	-	493	772	-	3,285	4,550
Total	141,582	379,448	120,792	3,528	8,092	653,442

* Due to the accounting policies, loans and advances acquired at deep discount are not impaired even though the Group considers the obligor likely not to meet its obligations. Hence such loans can be defaulted but neither past due nor individually impaired.

33. Loans and advances past due but not individually impaired

The following table shows the gross carrying amount of loans and advances to financial institutions and customers that have failed to make payments which had become contractually due by one or more days.

As at 31 March 2014	Past due	Past due	Past due	Past due	Past due	Gross carrying amount
	1-5 days	6-30 days	31 - 60 days	61 - 90 days	over 90 days	
Public entities	-	31	-	11	32	74
Individuals	191	11,012	3,557	1,161	4,201	20,122
Corporations	825	6,964	6,023	802	15,182	29,796
Total	1,016	18,007	9,580	1,974	19,415	49,992
As at 31 December 2013						
Public entities	-	105	1	24	20	150
Individuals	180	9,630	3,276	1,003	6,702	20,791
Corporations	1,069	11,382	3,392	977	17,113	33,933
Total	1,249	21,117	6,669	2,004	23,835	54,874

34. Loans and advances by industry sectors

The table below shows the credit exposure, allowances and impairment by industry and customer segment.

	Gross carrying amount	Gross not individually impaired	Collective allowance	Individually impaired				Carrying amount
				Of which performing		Of which non-performing*		
				Gross carrying amount	Individual allowance	Gross carrying amount	Individual allowance	
As at 31 March 2014								
Financial institutions	63,896	63,896	-	-	-	-	-	63,896
Public entities	10,152	10,071	36	55	50	27	24	10,043
Individuals	223,922	197,137	3,543	11,972	6,158	14,814	8,071	206,151
Corporations								
Fisheries	157,734	134,294	719	21,863	6,392	1,576	1,131	149,491
Construction and real estate companies	135,388	121,659	1,694	5,917	3,073	7,811	2,069	128,551
Holding companies	43,256	28,084	604	13,902	3,125	1,269	1,105	38,421
Retail	49,986	41,855	860	5,616	3,353	2,514	1,620	44,152
Services	54,592	51,091	1,031	1,005	830	2,496	1,675	51,056
Information, technology and communication	20,883	20,621	563	188	161	73	57	20,101
Manufacturing	28,439	22,316	441	5,484	1,391	640	363	26,245
Agriculture	7,796	7,322	94	126	113	349	290	7,300
Other	395	388	17	-	-	8	7	372
Total	796,439	698,734	9,602	66,127	24,646	31,578	16,412	745,779

	Gross carrying amount	Gross not individually impaired	Collective allowance	Individually impaired				Carrying amount
				Of which performing		Of which non-performing*		
				Gross carrying amount	Individual allowance	Gross carrying amount	Individual allowance	
As at 31 December 2013								
Financial institutions	67,916	67,916	-	-	-	-	-	67,916
Public entities	10,149	10,065	58	70	63	14	12	10,016
Individuals	217,719	193,669	3,114	11,866	6,341	12,184	6,779	201,486
Corporations								
Fisheries	155,176	130,702	782	22,454	6,745	2,020	1,348	146,300
Construction and real estate companies	136,224	122,365	2,191	5,925	3,704	7,934	3,098	127,231
Holding companies	59,808	45,547	738	12,641	1,836	1,620	1,420	55,814
Retail	41,666	34,081	825	5,742	3,454	1,843	1,414	35,973
Services	50,375	46,620	1,013	1,502	1,082	2,253	1,663	46,616
Information, technology and communication	20,096	19,847	426	181	150	68	61	19,459
Manufacturing	26,814	25,225	355	1,148	923	441	198	25,340
Agriculture	8,514	7,728	101	388	370	398	329	7,714
Other	4,871	4,550	63	-	-	320	288	4,519
Total	799,328	708,315	9,666	61,917	24,668	29,095	16,610	748,384

*Non-performing past due more than 90 days

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

	1.1-31.3.2014			1.1-31.3.2013		
	Individual allowance	Collective allowance	Total	Individual allowance	Collective allowance	Total
Balance at the beginning of the year	(41,278)	(9,666)	(50,944)	(28,523)	(15,507)	(44,030)
New provisions	(8,165)	-	(8,165)	(2,862)	-	(2,862)
Reversals	6,806	56	6,862	(1,464)	1,426	(38)
Provisions used to cover write-offs	1,504	-	1,504	255	-	255
Translation difference	75	8	83	103	169	272
Balance at the end of the period	(41,058)	(9,602)	(50,660)	(32,491)	(13,912)	(46,403)

	1.1-31.3.2014			1.1-31.3.2013		
	Customers	Financials	Total	Customers	Financials	Total
New provisions	(8,165)	-	(8,165)	(2,862)	-	(2,862)
Write-offs	(3,753)	-	(3,753)	-	-	0
Provisions used to cover write-offs	1,504	-	1,504	255	-	255
Reversals	6,862	-	6,862	(38)	-	(38)
Recoveries	928	-	928	1,279	-	1,279
Translation difference	83	-	83	272	-	272
Impairment loss for the period	(2,541)	0	(2,541)	(1,094)	0	(1,094)
Impairment of claims reversed	-	-	0	-	435	435
Net impairment loss for the period	(2,541)	0	(2,541)	(1,094)	435	(659)

36. Large exposures

As at 31 March 2014, three Group clients were rated as large exposures (31 December 2013: two clients). Clients are rated as large exposures if their total obligations, or those of financially or administratively connected parties, exceed 10% of the Group's capital base. The large exposures amount is calculated after taking account of collateral held, in accordance with the FME's Rules on Large Exposures Incurred by Financial Undertakings No. 216/2007. According to these rules, no exposure may attain the equivalent of 25% of the capital base. All of the Group's large exposures were within these limits as at 31 March 2014 and 31 December 2013.

	Number of large exposures	Large exposures
As at 31 March 2014		
Large exposures between 10% and 20% of the Group's capital base	3	102,339
Total	3	102,339
Total large exposures to capital base (400% is the maximum limit)		46%
As at 31 December 2013		
Large exposures between 10% and 20% of the Group's capital base	2	70,696
Total	2	70,696
Total large exposures to capital base (400% is the maximum limit)		30%

Liquidity risk

37. Liquidity risk management

The key indicator of short-term liquidity risk is measured by the liquidity coverage ratio (LCR) which shows the ratio of high quality liquid assets to expected total net cash outflows over the next 30 days under a specified stress scenario. High quality liquid assets are comprised of cash at hand, balances with the Central Bank, assets eligible for repo transactions with the Central Bank and zero percent risk weighted foreign government bonds. The following table shows values of the LCR as at 31 March 2014 and 31 December 2013:

	Liquidity coverage ratio total	Liquidity coverage ratio FX
As at 31 March 2014	104%	224%
As at 31 December 2013	102%	208%

Another key measure used by the Group for monitoring liquidity risk is the ratio of core liquid assets to deposits, which shows the ratio of deposits that the Group could deliver on demand without incurring any significant losses due to forced asset sales or other costly actions. Core liquid assets are comprised of cash at hand, balances with the Central Bank, loans to financial institutions (maturity within seven days), assets eligible for repo transactions with the Central Bank and zero percent risk weighted foreign government bonds. Another method the Group uses is the cash ratio which shows the ratio of on-demand deposits that the Group could deliver with cash and cash equivalents such as cash at hand, balances with the Central Bank and loans to financial institutions (maturity within seven days). The following table shows various values of the core liquidity ratio and cash ratio as at 31 March 2014 and 31 December 2013:

	Core liquidity ratio		Cash ratio	
	31.3.2014	31.12.2013	31.3.2014	31.12.2013
Period-end	49%	50%	11%	13%
Maximum	53%	53%	21%	22%
Minimum	49%	41%	11%	10%
Average	52%	47%	16%	16%

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38. Maturity analysis of financial assets and liabilities

The following table shows a maturity analysis of the Group's financial instruments as at 31 March 2014:

Non-derivative financial assets	0-1 months	1-3 months	3-12 months	1-5 years	Over 5 years	No maturity	Total	Carrying amount
Cash and balances with								
Central Bank	34,024	-	-	-	-	-	34,024	34,024
Bonds and debt instruments	32,593	34,224	54,502	183,265	49,054	-	353,638	284,418
Equities and equity instruments	-	-	-	-	-	36,414	36,414	36,414
Loans and advances to financial institutions	58,340	-	3,704	1,854	-	-	63,898	63,896
Loans and advances to customers	64,514	40,040	111,716	356,441	393,640	-	966,351	681,883
Other financial assets	6,745	-	-	555	-	-	7,300	7,300
Total	196,216	74,264	169,922	542,115	442,694	36,414	1,461,625	1,107,935
Derivative financial assets								
Gross settled derivatives								
Inflow	10,019	10,918	56	500	-	-	21,493	92
Outflow	(9,966)	(10,882)	(56)	(500)	-	-	(21,404)	
Total	53	36	0	0	0	0	89	92
Net settled derivatives								
	48	-	-	-	-	-	48	48
Total	101	36	0	0	0	0	137	140
Non-derivative financial liabilities								
Due to financial institutions and								
Central Bank	(173,939)	(92)	-	-	-	-	(174,031)	(174,031)
Deposits from customers	(341,604)	(71,564)	(35,686)	(20,950)	(5,090)	-	(474,894)	(468,661)
Short positions	(6,964)	-	-	-	-	-	(6,964)	(6,964)
Secured bonds	(5,293)	(222)	(15,686)	(234,965)	-	-	(256,166)	(234,844)
Other financial liabilities	(14,886)	-	-	-	-	-	(14,886)	(14,886)
Total	(542,686)	(71,878)	(51,372)	(255,915)	(5,090)	0	(926,941)	(899,386)
Off-balance sheet items								
Financial guarantees and								
underwriting commitments	(1,208)	(749)	(3,091)	(2,883)	(7,742)	-	(15,673)	
Undrawn loan commitments	(75,643)	-	-	-	-	-	(75,643)	
Undrawn overdraft/credit card commitments	(52,174)	-	-	-	-	-	(52,174)	
Total	(129,025)	(749)	(3,091)	(2,883)	(7,742)	0	(143,490)	
Total non-derivative financial liabilities and off-balance sheet items	(671,711)	(72,627)	(54,463)	(258,798)	(12,832)	0	(1,070,431)	(899,386)
Derivative financial liabilities								
Gross settled derivatives								
Inflow	9,801	3,552	756	779	-	-	14,888	(505)
Outflow	(9,826)	(3,575)	(848)	(1,091)	-	-	(15,340)	
Total	(25)	(23)	(92)	(312)	0	0	(452)	(505)
Net settled derivatives								
	(58)	-	-	-	-	-	(58)	(58)
Total	(83)	(23)	(92)	(312)	0	0	(510)	(563)
Net liquidity position	(475,477)	1,650	115,367	283,005	429,862	36,414	390,821	208,126

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38. 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 2013:

Non-derivative financial assets	0-1 months	1-3 months	3-12 months	1-5 years	Over 5 years	No maturity	Total	Carrying amount
Cash and balances with								
Central Bank	21,520	-	-	-	-	-	21,520	21,520
Bonds and debt instruments	36,352	56,347	30,131	186,800	56,739	-	366,369	290,595
Equities and equity instruments	-	-	-	-	-	36,275	36,275	36,275
Loans and advances to financial institutions	59,714	-	6,394	1,811	-	-	67,919	67,916
Loans and advances to customers	58,833	37,746	102,593	374,870	396,309	-	970,351	680,468
Other financial assets	5,811	-	-	555	-	-	6,366	6,366
Total	182,230	94,093	139,118	564,036	453,048	36,275	1,468,800	1,103,140
Derivative financial assets								
Gross settled derivatives								
Inflow	13,645	15,884	1,361	-	-	-	30,890	637
Outflow	(13,395)	(15,523)	(1,344)	-	-	-	(30,262)	
Total	250	361	17	0	0	0	628	637
Net settled derivatives								
	17	-	-	-	-	-	17	17
Total	267	361	17	0	0	0	645	654
Non-derivative financial liabilities								
Due to financial institutions and								
Central Bank	(167,128)	(91)	-	-	-	-	(167,219)	(167,218)
Deposits from customers	(345,086)	(48,630)	(41,031)	(23,770)	(5,238)	-	(463,755)	(456,662)
Short positions	(6,988)	-	-	-	-	-	(6,988)	(6,988)
Secured bonds	(4,788)	-	(16,183)	(242,047)	-	-	(263,018)	(239,642)
Other financial liabilities	(12,320)	-	-	-	-	-	(12,320)	(12,320)
Total	(536,310)	(48,721)	(57,214)	(265,817)	(5,238)	0	(913,300)	(882,830)
Off-balance sheet items								
Financial guarantees and underwriting commitments								
	(471)	(877)	(3,802)	(1,141)	(8,072)	-	(14,363)	
Undrawn loan commitments	(64,568)	-	-	-	-	-	(64,568)	
Undrawn overdraft/credit card commitments	(50,507)	-	-	-	-	-	(50,507)	
Total	(115,546)	(877)	(3,802)	(1,141)	(8,072)	0	(129,438)	
Total non-derivative financial liabilities and off-balance sheet items	(651,856)	(49,598)	(61,016)	(266,958)	(13,310)	0	(1,042,738)	(882,830)
Derivative financial liabilities								
Gross settled derivatives								
Inflow	9,317	2,560	796	1,046	-	-	13,719	(521)
Outflow	(9,373)	(2,574)	(1,136)	(1,116)	-	-	(14,199)	
Total	(56)	(14)	(340)	(70)	0	0	(480)	(521)
Net settled derivatives								
	(61)	-	-	-	-	-	(61)	(61)
Total	(117)	(14)	(340)	(70)	0	0	(541)	(582)
Net liquidity position	(469,476)	44,842	77,779	297,008	439,738	36,275	426,166	220,382

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39. Maturity analysis of financial assets and liabilities by currency

The following table shows a maturity analysis of the Group's financial instruments by currency of denomination as at 31 March 2014:

Non-derivative financial assets	0-1 months	1-3 months	3-12 months	1-5 years	Over 5 years	No maturity	Total	Carrying amount
Total in foreign currencies	102,015	43,144	85,491	157,105	10,695	19,470	417,920	395,463
ISK	94,201	31,120	84,431	385,010	431,999	16,944	1,043,705	712,472
Total	196,216	74,264	169,922	542,115	442,694	36,414	1,461,625	1,107,935
Derivative financial assets								
Total in foreign currencies	(153)	(10)	(56)	-	-	-	(219)	92
ISK	254	46	56	-	-	-	356	48
Total	101	36	0	0	0	0	137	140
Non-derivative financial liabilities								
Total in foreign currencies	(139,279)	(2,437)	(24,524)	(230,993)	-	-	(397,233)	(376,546)
ISK	(403,407)	(69,441)	(26,848)	(24,922)	(5,090)	-	(529,708)	(522,840)
Total	(542,686)	(71,878)	(51,372)	(255,915)	(5,090)	0	(926,941)	(899,386)
Off-balance sheet items								
Total in foreign currencies	(31,694)	(531)	(1,282)	(1,960)	(354)	-	(35,821)	
ISK	(97,331)	(218)	(1,809)	(923)	(7,388)	-	(107,669)	
Total	(129,025)	(749)	(3,091)	(2,883)	(7,742)	0	(143,490)	
Derivative financial liabilities								
Total in foreign currencies	(221)	16	122	253	-	-	170	(505)
ISK	138	(39)	(214)	(565)	-	-	(680)	(58)
Total	(83)	(23)	(92)	(312)	0	0	(510)	(563)
Net liquidity position in foreign currencies	(69,332)	40,182	59,751	(75,595)	10,341	19,470	(15,183)	18,504
Net liquidity position in ISK	(406,145)	(38,532)	55,616	358,600	419,521	16,944	406,004	189,622
Net liquidity position	(475,477)	1,650	115,367	283,005	429,862	36,414	390,821	208,126

The following table shows a maturity analysis of the Group's financial instruments by currency of denomination as at 31 December 2013:

Non-derivative financial assets	0-1 months	1-3 months	3-12 months	1-5 years	Over 5 years	No maturity	Total	Carrying amount
Total in foreign currencies	104,379	65,680	50,563	169,443	14,580	19,061	423,706	399,766
ISK	77,851	28,413	88,555	394,593	438,468	17,214	1,045,094	703,374
Total	182,230	94,093	139,118	564,036	453,048	36,275	1,468,800	1,103,140
Derivative financial assets								
Total in foreign currencies	(1,273)	31	(148)	-	-	-	(1,390)	637
ISK	1,540	330	165	-	-	-	2,035	17
Total	267	361	17	0	0	0	645	654
Non-derivative financial liabilities								
Total in foreign currencies	(147,609)	(1,108)	(19,121)	(239,879)	-	-	(407,717)	(384,690)
ISK	(388,701)	(47,613)	(38,093)	(25,938)	(5,238)	-	(505,583)	(498,140)
Total	(536,310)	(48,721)	(57,214)	(265,817)	(5,238)	0	(913,300)	(882,830)
Off-balance sheet items								
Total in foreign currencies	(27,072)	(501)	(2,122)	(693)	(295)	-	(30,683)	
ISK	(88,474)	(376)	(1,680)	(448)	(7,777)	-	(98,755)	
Total	(115,546)	(877)	(3,802)	(1,141)	(8,072)	0	(129,438)	
Derivative financial liabilities								
Total in foreign currencies	341	(14)	(340)	686	-	-	673	(521)
ISK	(458)	-	-	(756)	-	-	(1,214)	(61)
Total	(117)	(14)	(340)	(70)	0	0	(541)	(582)
Net liquidity position in foreign currencies	(71,234)	64,088	28,832	(70,443)	14,285	19,061	(15,411)	15,192
Net liquidity position in ISK	(398,242)	(19,246)	48,947	367,451	425,453	17,214	441,577	205,190
Net liquidity position	(469,476)	44,842	77,779	297,008	439,738	36,275	426,166	220,382

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Market risk

40. Market risk management

The following table summarises the Group's exposure to market risk as at 31 March 2014 and 31 December 2013:

Market risk factor	31.3.2014	31.12.2013
	% of RWA	% of RWA
Equity price risk	5.9%	5.8%
Interest rate risk	3.0%	3.3%
Foreign exchange risk	2.3%	2.2%
Total	11.2%	11.3%

The currency risk in the Group's trading portfolios is disclosed together with that in its non-trading portfolios in Notes 44-45, together with the related sensitivity analysis.

41. Equity price risk

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

The Group's main equity portfolios consist of a trading portfolio, strictly focused on listed equities in ISK as part of market making and a proprietary portfolio containing both listed and unlisted equities, as part of asset and liability management. Furthermore, the Bank has a hedge portfolio for derivative sales, containing listed equities in ISK. Further details can be seen in Note 45, Concentration of currency risk.

42. Interest rate risk

The following tables summarise the Group's exposure to interest rate risk. The tables include interest-bearing financial assets and liabilities at their carrying amounts, while off-balance sheet amounts are the notional amounts of the derivative instruments (see Note 13). The amounts presented are categorised by the earlier of either the contractual repricing or the maturity date.

As at 31 March 2014	Up to 3 months	3-12 months	1-5 years	Over 5 years	Carrying amount
Financial assets					
Cash and balances with Central Bank	34,024	-	-	-	34,024
Bonds and debt instruments	217,457	48,604	2,252	16,105	284,418
Derivative instruments	140	-	-	-	140
Loans and advances to financial institutions	60,192	3,704	-	-	63,896
Loans and advances to customers	488,705	69,606	81,085	42,487	681,883
Other financial assets	6,745	-	555	-	7,300
Total	807,263	121,914	83,892	58,592	1,071,661
Financial liabilities					
Due to financial institutions and Central Bank	(174,031)	-	-	-	(174,031)
Deposits from customers	(454,105)	(13,522)	(1,034)	-	(468,661)
Derivative instruments and short positions	(572)	(10)	(6,013)	(932)	(7,527)
Secured bonds	(231,317)	-	(3,527)	-	(234,844)
Other financial liabilities	(14,886)	-	-	-	(14,886)
Total	(874,911)	(13,532)	(10,574)	(932)	(899,949)
Net on-balance sheet position	(67,648)	108,382	73,318	57,660	171,713
Net off-balance sheet position	-	(403)	403	-	-
Total interest repricing gap	(67,648)	107,979	73,721	57,660	

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42. Interest rate risk (continued)

As at 31 December 2013	Up to 3 months	3-12 months	1-5 years	Over 5 years	Carrying amount
Financial assets					
Cash and balances with Central Bank	21,520	-	-	-	21,520
Bonds and debt instruments	247,179	24,117	1,856	17,443	290,595
Derivative instruments	654	-	-	-	654
Loans and advances to financial institutions	61,522	6,394	-	-	67,916
Loans and advances to customers	489,925	76,299	71,237	43,007	680,468
Other financial assets	5,811	-	555	-	6,366
Total	826,611	106,810	73,648	60,450	1,067,519
Financial liabilities					
Due to financial institutions and Central Bank	(167,218)	-	-	-	(167,218)
Deposits from customers	(446,451)	(9,401)	(810)	-	(456,662)
Derivative instruments and short positions	(4,594)	-	(2,494)	(483)	(7,571)
Secured bonds	(237,717)	-	(1,925)	-	(239,642)
Other financial liabilities	(12,320)	-	-	-	(12,320)
Total	(868,300)	(9,401)	(5,229)	(483)	(883,413)
Net on-balance sheet position	(41,689)	97,409	68,419	59,967	184,106
Net off-balance sheet position	(538)	126	412	-	-
Total interest repricing gap	(42,227)	97,535	68,831	59,967	-

43. CPI indexation risk (all portfolios)

The consumer price index (CPI) indexation risk is the risk that the fair value or future cash flows of CPI-linked financial instruments may fluctuate due to changes in the Icelandic CPI. The Group has a considerable imbalance in its CPI-linked assets and liabilities. To mitigate this imbalance, which the Bank is in a limited position to do, the Bank offers non-CPI linked loans and CPI-linked deposits.

CPI indexation risk is managed centrally within the Group by the Treasury of the Bank, and is monitored by Market Risk. The following table summarizes the Group's CPI imbalance, calculated as the difference between CPI-indexed financial assets and liabilities, as at 31 March 2014 and 31 December 2013:

Carrying amount	31.3.2014	31.12.2013
Assets		
Bonds and debt instruments	16,781	18,688
Loans and advances to customers	241,358	249,681
Total	258,139	268,369
Liabilities		
Short positions	(1,036)	(483)
Deposits from customers	(102,882)	(102,555)
Total	(103,918)	(103,038)
Total on-balance sheet position	154,222	165,331
Total off-balance sheet position	222	(796)
Total CPI indexation balance	154,444	164,535

44. Currency risk (all portfolios)

The Group follows Rules No. 950/2010, on Foreign Exchange Balances, as set by the Central Bank of Iceland. The rules stipulate that an institution's foreign exchange balance (whether long or short) must always be within 15% of its capital base, in each currency and for all currencies combined. The Bank submits daily and monthly reports to the Central Bank with information on its foreign exchange balance.

The Group's combined net foreign exchange balance as at 31 March 2014 was +8,4% of the Group's capital base (31 December 2013: +6,1%). Uncertainty regarding the denomination currencies of the Group's loan portfolio has not been fully resolved in the period 1 January to 31 March 2014.

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45. Concentration of currency risk

The following tables summarise the Group's exposure to currency risk as at 31 March 2014 and 31 December 2013. The off-balance sheet amounts shown are the notional amounts of the Group's derivative instruments.

Amounts presented under assets and liabilities include all spot deals as at 31 March 2014 and 31 December 2013. When managing liquidity risk, the Group regards spot deals as non-derivative assets or liabilities.

As at 31 March 2014	EUR	GBP	USD	JPY	CHF	Other	Total
Assets							
Cash and balances with Central Bank	415	191	204	14	40	291	1,155
Bonds and debt instruments	43,498	44,131	41,248	-	-	-	128,877
Equities and equity instruments	16,348	-	1	-	-	3,121	19,470
Derivative instruments	85	-	5	-	-	-	90
Loans and advances to financial institutions	25,848	2,153	24,488	385	48	5,406	58,328
Loans and advances to customers	89,282	17,625	51,635	7,434	7,838	13,203	187,017
Other assets	187	-	423	-	-	8	618
Total	175,663	64,100	118,004	7,833	7,926	22,029	395,555
Liabilities							
Due to financial institutions and Central Bank	(38,808)	(15,246)	(22,677)	-	(140)	(696)	(77,567)
Deposits from customers	(28,283)	(4,547)	(24,472)	(456)	(402)	(7,071)	(65,231)
Derivative instruments and short positions	(44)	-	(460)	-	-	-	(504)
Secured bonds	(116,398)	(44,939)	(69,980)	-	-	-	(231,317)
Other liabilities	(1,262)	(71)	(881)	(7)	(4)	(227)	(2,452)
Total	(184,795)	(64,803)	(118,470)	(463)	(546)	(7,994)	(377,071)
Net on-balance sheet position	(9,132)	(703)	(466)	7,370	7,380	14,035	18,484
Net off-balance sheet position	22,304	468	2,689	(6,724)	(6,552)	(12,233)	(48)
Net currency position	13,172	(235)	2,223	646	828	1,802	18,436
As at 31 December 2013							
Assets							
Cash and balances with Central Bank	505	228	238	11	38	309	1,329
Bonds and debt instruments	44,188	41,335	48,450	-	-	-	133,973
Equities and equity instruments	16,443	-	1	-	-	2,617	19,061
Derivative instruments	635	-	2	-	-	-	637
Loans and advances to financial institutions	24,055	5,173	18,902	1,495	946	8,068	58,639
Loans and advances to customers	87,986	17,841	52,829	7,257	8,072	12,746	186,731
Other assets	-	-	8	-	-	25	33
Assets classified as held for sale	-	-	-	-	-	-	-
Total	173,812	64,577	120,430	8,763	9,056	23,765	400,403
Liabilities							
Due to financial institutions and Central Bank	(37,579)	(14,418)	(22,251)	-	(137)	(670)	(75,055)
Deposits from customers	(29,202)	(4,841)	(24,250)	(407)	(721)	(10,724)	(70,145)
Derivative instruments and short positions	(80)	-	(440)	-	-	-	(520)
Secured bonds	(119,808)	(45,877)	(72,032)	-	-	-	(237,717)
Other liabilities	(775)	(175)	(346)	-	(4)	(491)	(1,791)
Total	(187,444)	(65,311)	(119,319)	(407)	(862)	(11,885)	(385,228)
Net on-balance sheet position	(13,632)	(734)	1,111	8,356	8,194	11,880	15,175
Net off-balance sheet position	29,124	(95)	39	(8,999)	(8,459)	(12,328)	(718)
Net currency position	15,492	(829)	1,150	(643)	(265)	(448)	14,457

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46. Foreign exchange rates used

The following exchange rates were used by the Group:

	31 March 2014	31 December 2013	% Change	Average for 1.1-31.3 2014	Average for 1.1-31.3 2013
EUR/ISK	155.30	158.50	(2.0%)	156.30	165.60
GBP/ISK	187.99	190.30	(1.2%)	189.25	196.14
USD/ISK	112.72	115.11	(2.1%)	114.01	125.85
JPY/ISK	1.09	1.10	(0.9%)	1.11	1.39
CHF/ISK	127.51	129.20	(1.3%)	128.04	135.67
CAD/ISK	102.02	108.24	(5.7%)	103.88	124.65
DKK/ISK	20.80	21.25	(2.1%)	20.95	22.20
NOK/ISK	18.81	18.95	(0.7%)	18.73	22.27
SEK/ISK	17.40	17.96	(3.1%)	17.65	19.49