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# Condensed Consolidated Interim Financial Statements

for the nine months ended 30 September 2014

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## Endorsement and Statement by the Board of Directors and the CEO

The Condensed Consolidated Interim Financial Statements of Landsbankinn hf. (the "Bank" or "Landsbankinn") for the first nine 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 leader in the domestic market and offers a complete range of financial products and services to personal, corporate and institutional customers.

The Icelandic State Treasury holds 97.92% 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 nine months of the year 2014 was ISK 19,985 million. The Group's equity at the end of this period amounted to ISK 240,987 million. The capital adequacy ratio of the Group, calculated according to the Act on Financial Undertakings, was 27.1% at the end of the third quarter of 2014. As at 30 September 2014, the Group's total assets amounted to ISK 1,201,247 million.

In 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 with regard to capital controls. Pursuant to this agreement, inter alia, regular instalments currently scheduled for the years 2014-2018 will be extended to the years 2014-2026 and interest rate terms will remain unchanged until 2018, stepping up for each maturity thereafter. The Bank will not be required to convert any outstanding bonds to Eurobonds before October 2018 and certain 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 towards the easing of capital controls in Iceland. The Winding-up Board of LBI hf. is awaiting approval from the Central Bank of Iceland concerning its request for exemptions with regard to capital controls; thus, the agreement has not yet come into effect.

In August 2014, the Bank's base prospectus for the issue of foreign currency notes was approved by the Dublin Stock Exchange in Ireland. Subsequently, the Bank listed a Euro Medium Term Note (EMTN) programme on the Irish Stock Exchange. This EMTN programme enables the Bank to issue notes in the equivalent amount of up to EUR 1,000 million in various currencies and at fixed or floating interest rates. Deutsche Bank served as arranger of this EMTN programme. By listing a note programme on a foreign stock exchange the Bank is ready to issue foreign currency notes, should favourable terms become available.

In September 2014, Landsbankinn concluded a sale of the first tranche of the new series of its non-indexed covered bonds, LBANK CB 19, in the amount of ISK 960 million. The total size of this covered bond series is limited to ISK 10,000 million. The bonds were subsequently admitted for trading on NASDAQ OMX Iceland.

In October 2014, the international rating agency Standard and Poor's (S&P) revised the outlook for Landsbankinn from stable to positive, and affirmed its long and short-term credit ratings at 'BB+/B'. The revision reflects S&P's view of improving economic conditions in Iceland supported by expected strong real GDP growth, declining government debt and increasing quality of the Bank's assets. The sovereign and banking sector ratings nevertheless continue to be constrained by the risks associated with the removal of capital controls. S&P assumes that the removal would be approached prudently to minimize the impact on the economy and exchange rate. In its rating S&P also anticipates that the agreement between the Bank and the Winding-up Board of LBI hf., to extend the repayment profile under the Bank's secured bonds, will come into effect.

### Risk management

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. As a result of improved credit risk management, the ratio of non-performing loans has decreased steadily since the beginning of the year 2014 and borrower credit quality has strengthened in the third quarter of 2014. The improved position is evidenced by the decreasing number of borrowers on watch lists. Loans to customers are increasing, especially new lending in the mortgage sector.

The Group's liquidity position is strong in both ISK and foreign currencies and liquidity ratios are well above the minimum regulatory requirements. The Bank's leverage and funding ratios are also strong and well above minimum requirements. The Bank is well positioned to meet additional capital requirements, as forthcoming Icelandic legislation, implementing the new EU Capital Requirement Directive (CRD IV), is expected to require the Bank to hold capital buffers in addition to the existing capital requirements. Notwithstanding legal and regulatory requirements, the Bank has set a target for a total capital ratio of at least 20% of risk-weighted assets (see Note 25).

### Other matters

The Bank is party to litigation cases that have had or may have significant impact on the amounts disclosed in the Group's financial statements (see Note 21). The Bank is awaiting an advisory opinion from the EFTA Court in a case (E27/13) concerning the interpretation of Directive 87/102/EEC on consumer credit with regard to indexation of credit agreements to the consumer price index. The Court will be delivering its opinion on 24 November 2014. The opinion will, subsequently, be assessed by the Icelandic courts. The EFTA Court is asked whether it is compatible with the provisions of that Directive to calculate the total cost of the loan and of the annual percentage rate of charge based on 0% inflation when such a credit agreement is made. The case also concerns the interpretation of Directive 93/13/EEC on unfair terms in consumer contracts. On 28 August 2014, the EFTA Court delivered an advisory opinion in another case (E25/13), not involving the Bank, on substantially the same questions concerning the interpretation of that Directive. The Court concluded, inter alia, that the Directive does not generally prohibit contractual terms on the indexation of mortgage loans in contracts between a supplier and a consumer, and that it is for the Icelandic courts to assess whether the term at issue is unfair.

## Other matters (continued)

The recalculation of loan contracts which fall under the precedent of the Supreme Court's ruling on foreign currency indexation is ongoing and is expected to be finalised in the coming months. There are, however, some material litigation cases still pending which are expected to provide further clarification on the precedence of these rulings.

## Outlook

First estimates indicate a disappointing real GDP growth in the first half of 2014, only 0.6% year-on-year, but Landsbankinn's Economic Research expects more robust growth over the second half, and above trend growth in 2015. Iceland's current capital controls continue to cause economic uncertainty. In addition, the increased taxation of the Bank, net interest income, valuation adjustments, other net operating income and litigation risk are factors that need to be considered in terms of the Bank's future profitability.

## Statement by the Board of Directors and the CEO

The Condensed Consolidated Interim Financial Statements of Landsbankinn hf. for the first nine months ended 30 September 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 nine months of 2014, its consolidated financial position as at 30 September 2014 and its consolidated cash flows for the first nine 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.

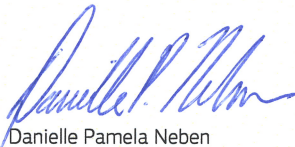
The Board of Directors of the Bank and Chief Executive Officer hereby endorse the Condensed Consolidated Interim Financial Statements of Landsbankinn hf. for the first nine months ended 30 September 2014.

Reykjavík, 6 November 2014.

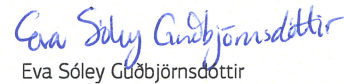
Board of Directors



Tryggvi Pálsson  
Chairman



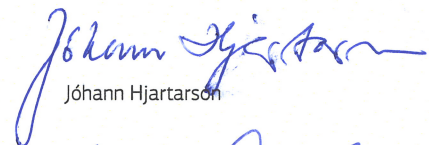
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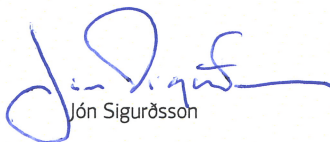
Eva Sóley Guðbjörnsdóttir



Helga Björk Eiríksdóttir



Jóhann Hjartarson

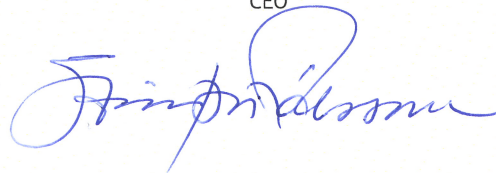


Jón Sigurðsson



Kristján P. Davíðsson

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 30 September 2014 and the related Condensed Consolidated Income Statement, Changes in Equity and Condensed Cash Flows for the nine-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, 6 November 2014.

KPMG ehf.



Helgi F. Arnarson



Sigríður Helga Sveinsdóttir

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## Condensed Consolidated Income Statement for the nine months ended 30 September 2014

Notes	2014 1.7-30.9	2013 1.7-30.9	2014 1.1-30.9	2013 1.1-30.9
Interest income	13,745	14,362	42,410	45,988
Interest expense	(6,688)	(7,022)	(20,113)	(21,651)
5 <b>Net interest income</b>	<b>7,057</b>	<b>7,340</b>	<b>22,297</b>	<b>24,337</b>
6 Net credit impairment charges and valuation adjustments	2,581	1,551	14,027	9,121
<b>Net interest income after net credit impairment charges and valuation adjustments</b>	<b>9,638</b>	<b>8,891</b>	<b>36,324</b>	<b>33,458</b>
Fee and commission income	1,714	1,933	5,609	6,507
Fee and commission expense	(439)	(782)	(1,413)	(2,396)
<b>Net fee and commission income</b>	<b>1,275</b>	<b>1,151</b>	<b>4,196</b>	<b>4,111</b>
7 Net gain on financial assets designated as at fair value through profit or loss	1,267	3,188	2,409	6,095
8 Net gain on financial assets and liabilities held for trading	571	400	740	1,691
9 Net foreign exchange gain (loss)	154	162	(40)	1,350
Other income and (expenses)	(1,104)	(165)	1,089	1,816
<b>Other net operating income</b>	<b>888</b>	<b>3,585</b>	<b>4,198</b>	<b>10,952</b>
<b>Total operating income</b>	<b>11,801</b>	<b>13,627</b>	<b>44,718</b>	<b>48,521</b>
10 Salaries and related expenses	3,019	2,810	9,762	13,796
Other operating expenses	1,740	1,884	5,910	6,127
Depreciation and amortisation	171	219	523	642
Contribution to the Depositors' and Investors' Guarantee Fund	253	268	775	806
<b>Total operating expenses</b>	<b>5,183</b>	<b>5,181</b>	<b>16,970</b>	<b>21,371</b>
Share of profit of equity-accounted associates, net of income tax	0	0	340	1,127
<b>Profit before tax</b>	<b>6,618</b>	<b>8,446</b>	<b>28,088</b>	<b>28,277</b>
11 Income tax	(566)	(1,595)	(5,523)	(5,716)
Tax on liabilities of financial institutions	(945)	(100)	(2,580)	(285)
<b>Profit for the period</b>	<b>5,107</b>	<b>6,751</b>	<b>19,985</b>	<b>22,276</b>
<b>Profit for the period attributable to:</b>				
<b>Owners of the Bank</b>				
Profit for the period from continuing operations	5,092	6,772	19,921	22,349
<b>Profit for the period attributable to owners of the Bank</b>	<b>5,092</b>	<b>6,772</b>	<b>19,921</b>	<b>22,349</b>
<b>Non-controlling interests</b>				
Profit (loss) for the period from continuing operations	15	(21)	64	(73)
<b>Profit (loss) for the period attributable to non-controlling interests</b>	<b>15</b>	<b>(21)</b>	<b>64</b>	<b>(73)</b>
<b>Profit for the period</b>	<b>5,107</b>	<b>6,751</b>	<b>19,985</b>	<b>22,276</b>
<b>Earnings per share:</b>				
20 Basic and diluted earnings per share from continuing operations	<b>0.21</b>	<b>0.29</b>	<b>0.84</b>	<b>0.94</b>
Basic and diluted earnings per share from discontinued operations	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>Total basic and diluted earnings per share</b>	<b>0.21</b>	<b>0.29</b>	<b>0.84</b>	<b>0.94</b>

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



## Condensed Consolidated Statement of Financial Position as at 30 September 2014

Notes	30.9.2014	31.12.2013
<b>Assets</b>		
Cash and balances with Central Bank	38,820	21,520
12, 22 Bonds and debt instruments	293,796	290,595
12 Equities and equity instruments	40,991	36,275
12, 13 Derivative instruments	82	654
14, 22 Loans and advances to financial institutions	68,192	67,916
15, 22 Loans and advances to customers	719,627	680,468
Investments in equity-accounted associates	4,934	14,224
Property and equipment	6,139	5,440
Intangible assets	855	585
16 Other assets	8,212	8,816
	<b>1,181,648</b>	<b>1,126,493</b>
17 Assets classified as held for sale	19,599	25,023
<b>Total assets</b>	<b>1,201,247</b>	<b>1,151,516</b>
<b>Liabilities</b>		
Due to financial institutions and Central Bank	179,085	167,218
Deposits from customers	497,583	456,662
13 Derivative instruments and short positions	5,700	7,571
18, 22 Secured bonds	233,785	239,642
Deferred tax liabilities	155	590
Other liabilities	40,738	34,589
	<b>957,046</b>	<b>906,272</b>
Liabilities associated with assets classified as held for sale	3,214	3,885
<b>Total liabilities</b>	<b>960,260</b>	<b>910,157</b>
<b>19 Equity</b>		
Share capital	23,687	23,618
Share premium	121,275	120,700
Reserves	6,000	7,046
Retained earnings	90,026	90,002
<b>Total equity attributable to owners of the Bank</b>	<b>240,988</b>	<b>241,366</b>
Non-controlling interests	(1)	(7)
<b>Total equity</b>	<b>240,987</b>	<b>241,359</b>
<b>Total liabilities and equity</b>	<b>1,201,247</b>	<b>1,151,516</b>

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

## Condensed Consolidated Statement of Changes in Equity for the nine months ended 30 September 2014

### Notes

Change in equity for the nine months ended	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		
<b>30 September 2014</b>									
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						19,921	19,921	64	19,985
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	(58)	(58)
<b>19 Balance as at 30 September 2014</b>	<b>23,687</b>	<b>121,275</b>	<b>0</b>	<b>6,000</b>	<b>0</b>	<b>90,026</b>	<b>240,988</b>	<b>(1)</b>	<b>240,987</b>
<b>Change in equity for the nine months ended 30 September 2013</b>									
Balance as at 1 January 2013	24,000	123,898		5,053		72,120	225,071	95	225,166
Profit for the period						22,349	22,349	(73)	22,276
Equity classified as liability to purchase own shares			(4,691)				(4,691)		(4,691)
Purchase of own shares	(500)	(4,191)	4,691				0		0
Recognition of equity-settled employee share-based payments					4,017		4,017		4,017
Dividends declared						(10,080)	(10,080)		(10,080)
Own shares allocated to employees	317	2,654			(2,971)		0		0
Purchase of own shares for settlement of the tax obligations and pension liabilities	(199)	(1,661)					(1,860)		(1,860)
Decrease in non-controlling interests due to sale of subsidiaries							0	(116)	(116)
<b>19 Balance as at 30 September 2013</b>	<b>23,618</b>	<b>120,700</b>	<b>0</b>	<b>5,053</b>	<b>1,046</b>	<b>84,388</b>	<b>234,806</b>	<b>(94)</b>	<b>234,712</b>

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

## Condensed Consolidated Statement of Cash Flows for the nine months ended 30 September 2014

Notes	2014 1.1-30.9	2013 1.1-30.9
<b>Operating activities</b>		
Profit for the period	19,985	22,276
Adjustments for non-cash items included in profit for the period	(29,485)	(34,365)
Changes in operating assets and liabilities	34,986	(15,673)
Interest received	35,478	30,048
Interest paid	(6,275)	(6,716)
Dividends received	1,243	425
Income tax paid	-	(49)
<b>Net cash from (used in) operating activities</b>	<b>55,932</b>	<b>(4,054)</b>
<b>Investing activities</b>		
Proceeds of shares in equity-accounted associates	7,629	5,642
Purchase of property and equipment	(1,222)	(671)
Proceeds from sale of property and equipment	75	1,138
Purchase of intangible assets	(377)	(131)
Sale of subsidiaries	-	203
<b>Net cash from investing activities</b>	<b>6,105</b>	<b>6,181</b>
<b>Financing activities</b>		
Proceeds from new long-term debt issue	2,400	1,160
Repayment of long-term debt	(10,393)	(2,201)
Acquisition of non-controlling interest	1,026	-
Dividends paid	(19,897)	-
<b>Net cash used in financing activities</b>	<b>(26,864)</b>	<b>(1,041)</b>
Net change in cash and cash equivalents	35,174	1,086
Cash and cash equivalents as at the beginning of the period	19,927	32,554
Effect of exchange rate changes on cash and cash equivalents held	23	417
<b>Cash and cash equivalents as at 30 September</b>	<b>55,124</b>	<b>34,057</b>

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

## Condensed Consolidated Statement of Cash Flows for the nine months ended 30 September 2014

Notes	2014 1.1-30.9	2013 1.1-30.9
<b>Adjustments for non-cash items included in profit for the period</b>		
5	(22,297)	(24,337)
6	(13,543)	(16,262)
6,35	(484)	8,460
12,18	-	(1,319)
7	(2,409)	(6,095)
8	(740)	(1,691)
9	17	(1,767)
	34	(281)
	1,651	(457)
	523	642
	-	(823)
	(340)	(1,127)
	-	4,691
11	5,523	5,716
	2,580	285
	<b>(29,485)</b>	<b>(34,365)</b>
<b>Changes in operating assets and liabilities</b>		
	3,268	(4,565)
	2,308	(51,786)
	13,729	(11,624)
	(12,763)	3,399
	(493)	(603)
	(1,766)	3,481
	11,509	11,960
	28,295	38,107
	27	(151)
	(1,637)	1,344
	(7,818)	(5,277)
	327	42
	<b>34,986</b>	<b>(15,673)</b>
<b>Cash and cash equivalents are specified as follows:</b>		
	35,632	29,488
14	19,492	4,569
	<b>55,124</b>	<b>34,057</b>

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 nine months ended 30 September 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 6 November 2014.

### 2. Basis of preparation

#### Statement of compliance

These Condensed Consolidated Interim Financial Statements for the nine months ended 30 September 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, available on the Bank's website, [www.landsbankinn.is](http://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 on 1 January 2014 and has 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.

In July 2014, the International Accounting Standards Board (IASB) issued the fourth and final version its new standard on financial instruments accounting – IFRS 9 Financial Instruments. The standard has a mandatory effective date of 1 January 2018, but may be adopted early. If endorsed by the EU, IFRS 9 will become mandatory for the Group starting with its consolidated financial statements for the year 2018. The Group does not plan to early adopt IFRS 9 and is currently in the process of evaluating the potential effect of this standard. Given the nature of the Group's operations, the standard is expected to have a pervasive impact on the consolidated financial statements of the Group.

### 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.

In April 2014, the Bank opened a specialised Corporate Service Centre for small and medium-sized enterprises (SMEs) located in the capital city region. As a result, the services to these SME's have shifted from the Personal to the Corporate Banking division. At the end of the reporting period, the Group continues as before with its four main business segments.

- **Personal Banking** provides financial services through the Bank's branch network to individuals and to small and medium-size businesses outside the capital city region.
- **Corporate Banking** provides financial services to large and medium-size corporate clients and to small and medium-size businesses in the capital city region. 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 30 September 2014 and 2013.



## Notes to the Condensed Consolidated Interim Financial Statements

### 4. Operating segments (continued)

<b>1 January - 30 September 2014</b>	<b>Personal Banking</b>	<b>Corporate Banking</b>	<b>Markets</b>	<b>Treasury</b>	<b>Support functions</b>	<b>Reconciliation</b>	<b>Total</b>
Net interest income (expense)	10,928	12,102	565	(357)	5	(946)	<b>22,297</b>
Net credit impairment charges and valuation adjustments	4,030	8,025	-	(12)	1,984	-	<b>14,027</b>
Net fee and commission income	2,248	469	1,945	(260)	73	(279)	<b>4,196</b>
Other net operating income	(657)	(231)	(166)	6,078	(1,757)	931	<b>4,198</b>
<b>Total operating income (expense)</b>	<b>16,549</b>	<b>20,365</b>	<b>2,344</b>	<b>5,449</b>	<b>305</b>	<b>(294)</b>	<b>44,718</b>
Operating expenses	(4,778)	(1,093)	(1,458)	(1,103)	(8,832)	294	<b>(16,970)</b>
Share of profit of equity-accounted associates, net of income tax	315	(11)	-	36	-	-	<b>340</b>
<b>Profit (loss) before cost allocation and tax</b>	<b>12,086</b>	<b>19,261</b>	<b>886</b>	<b>4,382</b>	<b>(8,527)</b>	<b>0</b>	<b>28,088</b>
Cost allocated from support functions to business segments	(3,953)	(2,514)	(892)	(735)	8,094	-	<b>0</b>
<b>Profit (loss) before tax</b>	<b>8,133</b>	<b>16,747</b>	<b>(6)</b>	<b>3,647</b>	<b>(433)</b>	<b>0</b>	<b>28,088</b>
Net revenue (expenses) from external customers	11,064	30,424	2,066	1,169	289	-	<b>45,012</b>
Net revenue (expenses) from other segments	5,485	(10,059)	278	4,280	16	-	<b>0</b>
<b>Total operating income (expense)</b>	<b>16,549</b>	<b>20,365</b>	<b>2,344</b>	<b>5,449</b>	<b>305</b>	<b>0</b>	<b>45,012</b>
<b>As at 30 September 2014</b>							
<b>Total assets</b>	493,460	440,299	25,024	566,478	35,324	(359,338)	<b>1,201,247</b>
<b>Total liabilities</b>	443,057	329,873	16,180	495,164	35,324	(359,338)	<b>960,260</b>
<b>Allocated capital</b>	50,403	110,426	8,844	71,314	-	-	<b>240,987</b>

<b>1 January - 30 September 2013</b>	<b>Personal Banking</b>	<b>Corporate Banking</b>	<b>Markets</b>	<b>Treasury</b>	<b>Support functions</b>	<b>Reconciliation</b>	<b>Total</b>
Net interest income (expense)	13,185	10,836	336	1,302	(40)	(1,282)	<b>24,337</b>
Net credit impairment charges and valuation adjustments	(2,619)	11,605	-	(148)	283	-	<b>9,121</b>
Net fee and commission income	1,995	476	1,911	80	(106)	(245)	<b>4,111</b>
Other net operating income	(830)	(117)	3,547	6,780	299	1,273	<b>10,952</b>
<b>Total operating income (expense)</b>	<b>11,731</b>	<b>22,800</b>	<b>5,794</b>	<b>8,014</b>	<b>436</b>	<b>(254)</b>	<b>48,521</b>
Operating expenses	(6,444)	(1,031)	(1,572)	(977)	(11,602)	254	<b>(21,371)</b>
Share of profit of equity-accounted associates, net of income tax	(35)	-	-	1,195	(33)	-	<b>1,127</b>
<b>Profit (loss) before cost allocation and tax</b>	<b>5,252</b>	<b>21,769</b>	<b>4,222</b>	<b>8,232</b>	<b>(11,199)</b>	<b>0</b>	<b>28,277</b>
Cost allocated from support functions to business segments	(4,660)	(2,000)	(868)	(600)	8,128	-	<b>0</b>
<b>Profit (loss) before tax</b>	<b>592</b>	<b>19,769</b>	<b>3,354</b>	<b>7,632</b>	<b>(3,071)</b>	<b>0</b>	<b>28,277</b>
Net revenue (expenses) from external customers	7,216	33,339	5,545	2,260	415	-	<b>48,775</b>
Net revenue (expenses) from other segments	4,515	(10,539)	249	5,754	21	-	<b>0</b>
<b>Total operating income (expense)</b>	<b>11,731</b>	<b>22,800</b>	<b>5,794</b>	<b>8,014</b>	<b>436</b>	<b>0</b>	<b>48,775</b>
<b>As at 30 September 2013</b>							
<b>Total assets</b>	514,282	402,248	68,380	535,163	24,824	(386,743)	<b>1,158,154</b>
<b>Total liabilities</b>	460,924	320,194	60,643	443,600	24,824	(386,743)	<b>923,442</b>
<b>Allocated capital</b>	53,358	82,054	7,737	91,563	-	-	<b>234,712</b>

## Notes to the Condensed Consolidated Interim Financial Statements

### Notes to the Condensed Consolidated Interim Income Statement

#### 5. Net interest income

	2014 1.7-30.9	2013 1.7-30.9	2014 1.1-30.9	2013 1.1-30.9
<b>Interest income</b>				
Cash and balances with Central Bank	239	403	969	1,032
Bonds and debt instruments classified as loans and receivables	1,391	1,392	4,119	4,139
Loans and advances to financial institutions	105	133	361	499
Loans and advances to customers	12,006	12,222	36,941	39,678
Other interest income	4	212	20	640
<b>Total</b>	<b>13,745</b>	<b>14,362</b>	<b>42,410</b>	<b>45,988</b>
<b>Interest expense</b>				
Due to financial institutions and Central Bank	(703)	(730)	(2,271)	(2,178)
Deposits from customers	(4,058)	(3,927)	(12,129)	(12,508)
Secured bonds	(1,924)	(2,362)	(5,704)	(6,947)
Other interest expense	(3)	(3)	(9)	(18)
<b>Total</b>	<b>(6,688)</b>	<b>(7,022)</b>	<b>(20,113)</b>	<b>(21,651)</b>
<b>Net interest income</b>	<b>7,057</b>	<b>7,340</b>	<b>22,297</b>	<b>24,337</b>
Interest spread (as the annualised ratio of net interest income to the average carrying amount of total assets during the period).	2.4%	2.6%	2.6%	2.9%
Adjusted interest spread (as the annualised ratio of net interest income after net credit impairment charges and valuation adjustments to the average carrying amount of total assets during the period).	3.3%	3.1%	4.2%	4.0%

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 1.7-30.9	2013 1.7-30.9	2014 1.1-30.9	2013 1.1-30.9
Net adjustments to loans and advances acquired at deep discount	2,531	1,317	13,543	16,262
Net impairment gain (loss)	50	234	484	(8,460)
<b>Net impairment charges and valuation adjustments to loans and advances to customers</b>	<b>2,581</b>	<b>1,551</b>	<b>14,027</b>	<b>7,802</b>
Fair value change of contingent bond	-	-	-	1,319
<b>Net credit impairment charges and valuation adjustments</b>	<b>2,581</b>	<b>1,551</b>	<b>14,027</b>	<b>9,121</b>
<b>Impairment charges and valuation adjustments by customer type</b>				
Individuals	(67)	652	1,332	(454)
Corporations	2,648	899	12,695	8,256
<b>Net impairment charges and valuation adjustments to loans and advances to customers</b>	<b>2,581</b>	<b>1,551</b>	<b>14,027</b>	<b>7,802</b>

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

	2014 1.7-30.9	2013 1.7-30.9	2014 1.1-30.9	2013 1.1-30.9
Bonds and debt instruments	(54)	753	(276)	1,689
Equities and equity instruments	1,321	2,435	2,685	4,406
<b>Total</b>	<b>1,267</b>	<b>3,188</b>	<b>2,409</b>	<b>6,095</b>

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

	2014 1.7-30.9	2013 1.7-30.9	2014 1.1-30.9	2013 1.1-30.9
Bonds and debt instruments	513	403	890	1,749
Equities and equity instruments	52	31	(194)	225
Derivative instruments	6	(34)	44	(283)
<b>Total</b>	<b>571</b>	<b>400</b>	<b>740</b>	<b>1,691</b>

## Notes to the Condensed Consolidated Interim Financial Statements

### 9. Net foreign exchange gain (loss)

	2014	2013	2014	2013
	1.7-30.9	1.7-30.9	1.1-30.9	1.1-30.9
<b>Assets</b>				
Cash and balances with Central Bank	6	(3)	(45)	(88)
Bonds and debt instruments	4,555	(265)	3,417	(6,032)
Equities and equity instruments	(77)	123	(368)	(761)
Derivative instruments	(84)	267	(524)	975
Loans and advances to financial institutions	1,131	398	(583)	(1,391)
Loans and advances to customers	3,299	(137)	(587)	(11,372)
Other assets	13	32	9	8
<b>Total</b>	<b>8,843</b>	<b>415</b>	<b>1,319</b>	<b>(18,661)</b>
<b>Liabilities</b>				
Due to financial institutions and Central Bank	(1,818)	(166)	(384)	722
Deposits from customers	(1,835)	529	(268)	4,056
Secured bonds	(4,913)	(616)	(645)	10,637
Contingent bond	-	-	-	4,596
Other liabilities	(123)	-	(62)	-
<b>Total</b>	<b>(8,689)</b>	<b>(253)</b>	<b>(1,359)</b>	<b>20,011</b>
<b>Net foreign exchange gain (loss)</b>	<b>154</b>	<b>162</b>	<b>(40)</b>	<b>1,350</b>

The foreign exchange differences, which were recognised during the period 1 January to 30 September 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 1,206 million loss for financial assets (1.1-30.9.2013: loss of ISK 12,843 million) and loss of ISK 1,359 million for financial liabilities (1.1-30.9.2013: gain of ISK 15,415 million).

### 10. Salaries and related expenses

	2014	2013	2014	2013
	1.7-30.9	1.7-30.9	1.1-30.9	1.1-30.9
Salaries	2,243	2,040	7,473	6,816
Contributions to defined pension plans	370	349	1,082	1,019
Social security contributions, special financial activities tax on salaries and other expenses	406	421	1,207	1,270
<b>Total</b>	<b>3,019</b>	<b>2,810</b>	<b>9,762</b>	<b>9,105</b>
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
<b>Total equity-settled employee share-based payments</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>4,691</b>
<b>Total salaries and related expenses</b>	<b>3,019</b>	<b>2,810</b>	<b>9,762</b>	<b>13,796</b>

### 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
	1.1-30.9	1.1-30.9
Current tax expense	(4,807)	(4,916)
Special income tax on financial institutions	(1,361)	-
Difference of prior year's imposed and calculated income tax	110	-
Deferred tax expense	535	(800)
<b>Total</b>	<b>(5,523)</b>	<b>(5,716)</b>

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

	1.1-30.9.2014	1.1-30.9.2013
Profit before tax	28,088	28,277
Tax on liabilities of financial institutions	(2,580)	(285)
Profit before income tax	25,508	27,992
Income tax calculated using the domestic corporate income tax rate	20.0% (5,102)	20.0% (5,598)
Special income tax on financial institutions	5.3% (1,361)	3.7% (1,025)
Income not subject to tax	(3.5%) 882	(3.2%) 888
Non-deductible expenses	2.6% (657)	0.4% (109)
Other	(2.8%) 715	(0.5%) 128
<b>Effective income tax</b>	<b>21.6% (5,523)</b>	<b>20.4% (5,716)</b>

## 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 30 September 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
<b>Financial assets</b>							
Cash and balances with Central Bank	38,820	-	-	-	-	38,820	38,820
Bonds and debt instruments	112,479	157,170	24,147	-	-	293,796	293,914
Equities and equity instruments	-	4,859	36,132	-	-	40,991	40,991
Derivative instruments	-	82	-	-	-	82	82
Loans and advances to financial institutions	68,192	-	-	-	-	68,192	68,192
Loans and advances to customers	719,627	-	-	-	-	719,627	720,933
Other financial assets	6,789	-	-	-	-	6,789	6,789
<b>Total</b>	<b>945,907</b>	<b>162,111</b>	<b>60,279</b>	<b>0</b>	<b>0</b>	<b>1,168,297</b>	<b>1,169,721</b>
<b>Financial liabilities</b>							
Due to financial institutions and Central Bank	-	-	-	179,085	-	179,085	179,082
Deposits from customers	-	-	-	497,583	-	497,583	497,558
Derivative instruments and short positions	-	5,700	-	-	-	5,700	5,700
Secured bonds	-	-	-	233,785	-	233,785	233,785
Other financial liabilities	-	-	-	14,619	-	14,619	14,619
<b>Total</b>	<b>0</b>	<b>5,700</b>	<b>0</b>	<b>925,072</b>	<b>0</b>	<b>930,772</b>	<b>930,744</b>

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
<b>Financial assets</b>							
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
<b>Total</b>	<b>888,172</b>	<b>156,513</b>	<b>59,109</b>	<b>0</b>	<b>0</b>	<b>1,103,794</b>	<b>1,110,219</b>
<b>Financial liabilities</b>							
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
<b>Total</b>	<b>0</b>	<b>7,571</b>	<b>0</b>	<b>875,842</b>	<b>0</b>	<b>883,413</b>	<b>883,388</b>

## 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 the 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 30 September 2014:

Financial assets	Level 1	Level 2	Level 3	Total
Bonds and debt instruments	157,527	15,356	8,434	181,317
Equities and equity instruments	6,385	-	34,606	40,991
Derivative instruments	-	82	-	82
<b>Total</b>	<b>163,912</b>	<b>15,438</b>	<b>43,040</b>	<b>222,390</b>
Financial liabilities				
Derivative instruments	-	364	-	364
Short positions	5,336	-	-	5,336
<b>Total</b>	<b>5,336</b>	<b>364</b>	<b>0</b>	<b>5,700</b>

During the period from 1 January to 30 September 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
<b>Total</b>	<b>160,681</b>	<b>16,202</b>	<b>38,738</b>	<b>215,622</b>
Financial liabilities				
Derivative instruments	-	583	-	582
Short positions	6,988	-	-	6,988
<b>Total</b>	<b>6,988</b>	<b>583</b>	<b>0</b>	<b>7,571</b>

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

## 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 nine months ended 30 September 2014 and for the year 2013:

	Bonds and debt instruments	Equities and equity instruments	Total financial assets	Contingent bond
<b>1 January - 30 September 2014</b>				
Carrying amount as at 1 January 2014	10,674	28,064	38,738	-
Total gains (losses) recognised in income statement	(1,291)	2,720	1,429	-
Purchases	-	354	354	-
Sales	(208)	(10)	(218)	-
Settlements	(741)	-	(741)	-
Dividend received	-	(1,055)	(1,055)	-
Reclassification from investments in equity-accounted associates	-	4,533	4,533	-
<b>Carrying amount as at 30 September 2014</b>	<b>8,434</b>	<b>34,606</b>	<b>43,040</b>	<b>0</b>

	Bonds and debt instruments	Equities and equity instruments	Total financial assets	Contingent bond
<b>1 January - 31 December 2013</b>				
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	-
<b>Carrying amount as at 31 December 2013</b>	<b>10,674</b>	<b>28,064</b>	<b>38,738</b>	<b>0</b>

The following tables show the line items in the Consolidated Income Statement where the total gains (losses) were recognised during the nine months ended 30 September 2014 and 30 September 2013, for fair value measurements in Level 3:

	Bonds and debt instruments	Equities and equity instruments	Contingent bond	Total
<b>1 January - 30 September 2014</b>				
Net gain on financial assets designated as at fair value through profit or loss	(951)	3,085	-	2,134
Net foreign exchange (loss)	(340)	(365)	-	(705)
<b>Total</b>	<b>(1,291)</b>	<b>2,720</b>	<b>0</b>	<b>1,429</b>

	Bonds and debt instruments	Equities and equity instruments	Contingent bond	Total
<b>1 January - 30 September 2013</b>				
Fair value change of contingent bond	-	-	1,319	1,319
Interest expense	-	-	(623)	(623)
Net gain on financial assets designated as at fair value through profit or loss	1,045	3,650	-	4,695
Net foreign exchange gain (loss)	(306)	(397)	5,516	4,813
<b>Total</b>	<b>739</b>	<b>3,253</b>	<b>6,212</b>	<b>10,204</b>

### 13. Derivative instruments and short positions

	30.9.2014			31.12.2013		
	Notional amount	Fair value		Notional amount	Fair value	
Foreign exchange derivatives		Assets	Liabilities		Assets	Liabilities
Currency forwards	33,844	48	56	43,608	637	68
Cross-currency interest rate swaps	297	-	283	1,098	-	453
	<b>34,141</b>	<b>48</b>	<b>339</b>	<b>44,706</b>	<b>637</b>	<b>521</b>
<b>Interest rate derivatives</b>						
Interest rate swaps	500	2	-	-	-	-
Total return swaps	3,792	15	6	5,178	3	9
Bond options	750	-	13	-	-	-
	<b>5,042</b>	<b>17</b>	<b>19</b>	<b>5,178</b>	<b>3</b>	<b>9</b>
<b>Equity derivatives</b>						
Total return swaps	1,028	16	6	2,067	14	52
Equity forwards	-	1	-	-	-	-
	<b>1,028</b>	<b>17</b>	<b>6</b>	<b>2,067</b>	<b>14</b>	<b>52</b>
<b>Short positions - listed bonds</b>	-	-	5,336	-	-	6,988
<b>Total</b>	<b>40,211</b>	<b>82</b>	<b>5,700</b>	<b>51,951</b>	<b>654</b>	<b>7,571</b>

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

	30.9.2014	31.12.2013
Bank accounts with financial institutions	19,492	4,863
Money market loans	36,502	49,625
Overdrafts	5,508	6,394
Other loans	6,690	7,034
<b>Total</b>	<b>68,192</b>	<b>67,916</b>

### 15. Loans and advances to customers

	30.9.2014	31.12.2013
Public entities	10,161	10,149
Individuals	249,252	217,719
Corporations	505,095	503,544
Less: Allowance for impairment	(44,881)	(50,944)
<b>Total</b>	<b>719,627</b>	<b>680,468</b>

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 notes to these Condensed Consolidated Interim Financial Statements.

### 16. Other assets

	30.9.2014	31.12.2013
Unsettled securities trading	3,293	863
Other accounts receivable	3,496	3,248
Claim on LBI hf. due to court ruling	-	2,255
Sundry assets	1,423	2,449
<b>Total</b>	<b>8,212</b>	<b>8,816</b>

### 17. Assets classified as held for sale

	30.9.2014	31.12.2013
Reposessed collateral	13,654	17,213
Assets of disposal groups	5,945	7,810
<b>Total</b>	<b>19,599</b>	<b>25,023</b>

#### Reposessed collateral

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

<b>Reposessed collateral</b>	<b>30.9.2014</b>	<b>31.12.2013</b>
Carrying amount as at the beginning of the period	17,213	25,221
Reposessed during the period	5,056	11,543
Disposed during the period	(7,530)	(16,366)
Impairment and loss of sale	(1,085)	(3,185)
<b>Carrying amount as at the end of the period</b>	<b>13,654</b>	<b>17,213</b>

#### 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 30.9.2014	Currency	Final maturity	Remaining principal	Contractual interest rate	Carrying amount
EUR Bonds	EUR	9.10.2018	€ 722 million	EURIBOR + 2.90 %	111,044
GBP Bonds	GBP	9.10.2018	£ 230 million	LIBOR + 2.90 %	45,461
USD Bonds	USD	9.10.2018	\$ 599 million	LIBOR + 2.90 %	72,963
<b>Total issued bonds to LBI hf.</b>					<b>229,468</b>

As at 30.9.2014	Currency	Final maturity	Remaining principal	Contractual interest rate	Carrying amount
LBANK CB 16	ISK	10.6.2016	3,360 million	6.3%	3,422
LBANK CB 19	ISK	17.9.2019	900 million	6.8%	895
<b>Total covered bonds</b>					<b>4,317</b>
<b>Total secured bonds as at 30.9.2014</b>					<b>233,785</b>

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
<b>Total issued bonds to LBI hf.</b>					<b>237,717</b>

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
<b>Total covered bonds</b>					<b>1,925</b>
<b>Total secured bonds total as at 31.12.2013</b>					<b>239,642</b>

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 30 September 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. 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 125% 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 on extension of the repayment schedule of the secured bonds which the Bank issued to LBI hf. The agreement is conditional upon the Winding-up Board of LBI hf. obtaining certain exemptions from capital controls from the Central Bank of Iceland. Under this agreement the repayment schedule for the years 2014-2018 would 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 proceeds from any new foreign currency debt financing, above a certain threshold, to make prepayments on the bonds. Otherwise, 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 for the secured bonds will be reduced from 125% to 115%. Furthermore, the Bank will not be required to convert any outstanding bonds to Eurobonds before October 2018 and specific restrictions on dividend payments will be removed.

## Notes to the Condensed Consolidated Interim Financial Statements

### 18. Secured bonds (continued)

In September 2014, Landsbankinn concluded a sale of the first tranche of the new series of its covered bonds, LBANK CB 19. These bonds are non-indexed with a 5-year fixed interest rate of 6.8%. This first tranche is in the amount of ISK 960 million; ISK 900 million thereof were sold to investors. The remainder will be used for market making purposes. The total size of this covered bond series is limited to ISK 10,000 million. The bonds were subsequently admitted for trading on NASDAQ OMX Iceland, with Straumur Investment Bank registered as market maker.

### 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

	2014	2013	2014	2013
	1.7-30.9	1.7-30.9	1.1-30.9	1.1-30.9
<b>Profit for the period</b>				
Profit for the period from continuing operations	5,092	6,772	19,921	22,349
<b>Profit for the period attributable to owners of the Bank</b>	<b>5,092</b>	<b>6,772</b>	<b>19,921</b>	<b>22,349</b>

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.

	2014	2013	2014	2013
	1.7-30.9	1.7-30.9	1.1-30.9	1.1-30.9
<b>Number of shares</b>				
Number of ordinary shares outstanding at beginning of period	24,000	24,000	24,000	24,000
Average number of own shares	(313)	(499)	(328)	(333)
<b>Weighted average number of shares outstanding</b>	<b>23,687</b>	<b>23,501</b>	<b>23,672</b>	<b>23,667</b>

	2014	2013	2014	2013
	1.7-30.9	1.7-30.9	1.1-30.9	1.1-30.9
<b>Basic earnings per share</b>				
Continuing operations	0.21	0.29	0.84	0.94
Discontinued operations	-	-	-	-
<b>Total basic earnings per share</b>	<b>0.21</b>	<b>0.29</b>	<b>0.84</b>	<b>0.94</b>

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 related to the 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.

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 the following cases have been closed: On 6 March 2014, the Supreme Court acquitted the Bank in case No. 4. After the reporting period, on 9 October 2014, the Supreme Court acquitted the Bank in case No. 6.

Of the additional material cases that were reported open and not concluded in 2014, the case regarding alleged breaches of competition rules by construction product stores was closed on 9 July 2014 following a settlement arrangement between Holtavegur 10 ehf., a subsidiary of the Bank, and the Competition Authority.

Following Supreme Court rulings in 2012, on interest calculations of loans illegally indexed to foreign currencies, the Bank recalculated loans which it 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 in the coming months. These pending material litigation cases at the end of the third 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 denominated in Icelandic króna (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 a loan in foreign currencies, inter alia due to the fact that it was repaid in foreign currencies, and should therefore not be recalculated. 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 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 early winter 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 judgments 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 early winter 2014.

## Notes to the Condensed Consolidated Interim Financial Statements

### 22. Encumbered assets

	Collateral pledged against			Un-encumbered	Total
	Covered bonds	Issued bonds to LBI hf.	Other*		
<b>As at 30 September 2014</b>					
Cash and balances with Central Bank	146	-	-	38,674	38,820
Bonds and debt instruments	-	-	16,460	277,336	293,796
Equities and equity instruments	-	-	-	40,991	40,991
Derivative instruments	-	-	-	82	82
Loans and advances to financial institutions	-	-	4,735	63,457	68,192
Loans and advances to customers	5,272	311,470	-	402,885	719,627
Investments in equity-accounted associates	-	-	-	4,934	4,934
Property and equipment	-	-	-	6,139	6,139
Intangible assets	-	-	-	855	855
Other assets	-	-	-	8,212	8,212
Assets classified as held for sale	-	-	-	19,599	19,599
<b>Total</b>	<b>5,418</b>	<b>311,470</b>	<b>21,195</b>	<b>863,164</b>	<b>1,201,247</b>

	Collateral pledged against			Un-encumbered	Total
	Covered bonds	Issued bonds to LBI hf.	Other*		
<b>As at 31 December 2013</b>					
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
<b>Total</b>	<b>2,461</b>	<b>313,762</b>	<b>20,325</b>	<b>814,968</b>	<b>1,151,516</b>

\*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:

	2014		2013	
	Balance as at 30 September	Highest amount outstanding during the period	Balance as at 31 December	Highest amount outstanding during the period
<b>Loans in ISK million</b>				
Key management personnel	71	130	108	131
Parties related to key management personnel	54	153	136	224
Associates	43,325	56,357	47,037	63,892
Other	11	17	17	18
<b>Total</b>	<b>43,461</b>	<b>56,657</b>	<b>47,298</b>	<b>64,265</b>

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 Group:

Deposits in ISK million	2014		2013	
	Balance as at 30 September	Highest amount outstanding during the period	Balance as at 31 December	Highest amount outstanding during the period
Key management personnel	47	123	49	116
Parties related to key management personnel	28	74	24	116
Associates	11,882	18,107	13,030	21,234
Other	1	1	1	1
<b>Total</b>	<b>11,958</b>	<b>18,305</b>	<b>13,104</b>	<b>21,467</b>

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 30 September	Balance as at 31 December
	2014	2013
Associates	289	520
<b>Total</b>	<b>289</b>	<b>520</b>

### 24. Events after the reporting period

No events have arisen after the reporting period of these financial statements that require amendments or additional disclosures in the financial statements for the nine months ended 30 September 2014.

## Notes to the Consolidated Financial Statements

### Capital management

#### 25. Capital management

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

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

In the latest SREP, based on data from 31.12.2013, FME determined the minimum capital requirement for the Bank to be 15.8% of RWA (31.12.2012: 16.7% of RWA), consisting of the 8% regulatory capital requirement under Pillar I and a 7.8% capital requirement under Pillar II. Moreover, forthcoming Icelandic legislation, implementing the new EU CRD IV capital requirements, is expected to require the Bank to hold capital buffers in addition to the existing capital requirements.

The Bank intends to maintain a total capital ratio above the aggregate of the current SREP at each time and the new forthcoming capital buffers under CRD IV. Notwithstanding legal and regulatory requirements, the Bank has set a target for total capital ratio of at least 20% of RWA.

#### 26. Capital base and Capital Adequacy Ratio

The Group's equity as at 30 September 2014 amounted to ISK 240,987 million (31.12.2013: ISK 241,359 million), equivalent to 20.1% (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 27.1% as at 30 September 2014 (31.12.2013: 26.7%). According to the Act, this ratio may not fall below 8%.

<b>Capital base</b>	<b>30.09.2014</b>	<b>31.12.2013</b>
Share capital	23,687	23,618
Share premium	121,275	120,700
Reserves	6,000	7,046
Retained earnings	90,026	90,002
Non-controlling interests	(1)	(7)
<b>Total equity</b>	<b>240,987</b>	<b>241,359</b>
Intangible assets	(855)	(585)
<b>Tier 1 capital</b>	<b>240,132</b>	<b>240,774</b>
Deduction from original and additional own funds	(4,180)	(3,865)
<b>Capital base</b>	<b>235,952</b>	<b>236,909</b>
<b>Risk-weighted assets</b>		
Credit risk	662,015	684,655
Market risk	105,392	99,763
Operational risk*	104,500	104,500
<b>Total risk-weighted assets</b>	<b>871,907</b>	<b>888,918</b>
Tier 1 capital ratio	27.5%	27.1%
Capital Adequacy Ratio	27.1%	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 30 September 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.

	Corporations												Carrying amount
	Financial institutions	Public entities*	Individuals	Fisheries	Construction and real estate companies	Services	Retail	Holding companies	Manufacturing	Agriculture	ITC**	Other	
<b>As at 30 September 2014</b>													
Cash and balances with Central Bank	-	38,820	-	-	-	-	-	-	-	-	-	-	38,820
Bonds and debt instruments	143	271,021	-	-	13,658	-	-	8,200	-	-	-	774	293,796
Derivative instruments	42	-	2	-	-	-	-	6	-	-	-	32	82
Loans and advances to financial institutions	68,192	-	-	-	-	-	-	-	-	-	-	-	68,192
Loans and advances to customers	-	10,067	232,236	153,772	127,839	54,726	38,014	44,509	29,082	7,848	20,644	890	719,627
Other financial assets	4,012	304	593	12	1,105	501	114	51	16	76	2	3	6,789
<b>Total on-balance sheet exposure</b>	<b>72,389</b>	<b>320,212</b>	<b>232,831</b>	<b>153,784</b>	<b>142,602</b>	<b>55,227</b>	<b>38,128</b>	<b>52,766</b>	<b>29,098</b>	<b>7,924</b>	<b>20,646</b>	<b>1,699</b>	<b>1,127,306</b>
<b>Off-balance sheet exposure</b>	<b>4,630</b>	<b>15,883</b>	<b>22,125</b>	<b>26,238</b>	<b>33,919</b>	<b>12,686</b>	<b>10,644</b>	<b>4,552</b>	<b>8,999</b>	<b>2,631</b>	<b>2,822</b>	<b>784</b>	<b>145,913</b>
Financial guarantees and underwriting commitments	45	608	533	8,056	2,016	1,960	2,441	3,525	691	27	675	223	20,800
Undrawn loan commitments	600	9,564	-	15,641	29,736	1,283	3,791	839	6,311	2,220	1,068	-	71,053
Undrawn overdraft/credit card facilities	3,985	5,711	21,592	2,541	2,167	9,443	4,412	188	1,997	384	1,079	561	54,060
<b>Maximum exposure to credit risk</b>	<b>77,019</b>	<b>336,095</b>	<b>254,956</b>	<b>180,022</b>	<b>176,521</b>	<b>67,913</b>	<b>48,772</b>	<b>57,318</b>	<b>38,097</b>	<b>10,555</b>	<b>23,468</b>	<b>2,483</b>	<b>1,273,219</b>
Percentage of carrying amount	6.0%	26.4%	20.0%	14.1%	13.9%	5.3%	3.8%	4.5%	3.0%	0.8%	1.8%	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
<b>Total on-balance sheet exposure</b>	<b>73,109</b>	<b>297,345</b>	<b>201,943</b>	<b>146,401</b>	<b>142,286</b>	<b>47,055</b>	<b>36,024</b>	<b>65,470</b>	<b>25,342</b>	<b>7,754</b>	<b>19,461</b>	<b>5,331</b>	-	<b>1,067,521</b>
<b>Off-balance sheet exposure</b>	<b>4,568</b>	<b>16,833</b>	<b>20,818</b>	<b>20,191</b>	<b>23,508</b>	<b>14,355</b>	<b>8,249</b>	<b>8,064</b>	<b>7,723</b>	<b>395</b>	<b>4,088</b>	<b>646</b>	-	<b>129,438</b>
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
<b>Maximum exposure to credit risk</b>	<b>77,677</b>	<b>314,178</b>	<b>222,761</b>	<b>166,592</b>	<b>165,794</b>	<b>61,410</b>	<b>44,273</b>	<b>73,534</b>	<b>33,065</b>	<b>8,149</b>	<b>23,549</b>	<b>5,977</b>	-	<b>1,196,959</b>
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 30 September 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	-	-	-	-	-	-	-	72,822	-	72,822
Public entities	66	37	198	829	1,130	4,533	521	20,381	93	25,951
Individuals	2,540	9,702	20,283	42,873	75,398	139,270	103,580	56,710	17,017	254,361
Corporations										
Fisheries	6,852	10,813	32,921	43,799	94,385	80,970	55,023	12,129	7,474	180,010
Construction and real estate companies	474	1,676	5,474	16,665	24,289	133,714	71,805	11,196	7,442	161,757
Holding companies	299	885	1,725	1,063	3,972	44,443	27,394	3,267	2,620	49,062
Retail	135	747	3,154	3,186	7,222	38,362	22,062	7,018	3,944	48,658
Services	259	544	2,852	6,153	9,808	47,122	28,704	13,180	2,695	67,415
Information, technology and communication	5	65	45	153	268	16,450	6,695	7,391	645	23,464
Manufacturing	71	338	10,366	3,668	14,443	22,877	13,756	3,177	2,417	38,080
Agriculture	106	499	605	842	2,052	8,108	3,905	847	527	10,480
Other	-	-	-	819	819	2	1	859	7	1,673
<b>Total</b>	<b>10,807</b>	<b>25,306</b>	<b>77,623</b>	<b>120,050</b>	<b>233,786</b>	<b>535,851</b>	<b>333,446</b>	<b>208,977</b>	<b>44,881</b>	<b>933,733</b>
<b>As at 31 December 2013</b>										
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
<b>Total</b>	<b>7,591</b>	<b>27,902</b>	<b>54,365</b>	<b>106,817</b>	<b>196,675</b>	<b>502,557</b>	<b>311,217</b>	<b>229,536</b>	<b>50,944</b>	<b>877,822</b>

\*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 30 September 2014	Real estate	Vessels	Deposits	Securities	Other*	Total
Public entities	2,264	-	46	-	76	2,386
Individuals	247,964	519	1,103	2,694	12,504	264,784
Corporates						
Fisheries	11,512	164,726	86	14,540	24,554	215,418
Construction and real estate companies	101,959	33	775	393	3,139	106,299
Holding companies	8,651	-	1,615	28,212	510	38,988
Retail	14,619	444	189	321	21,803	37,376
Services	29,236	356	658	1,585	12,828	44,663
Information, technology and communication	520	4	124	1,010	5,499	7,157
Manufacturing	10,152	368	393	5,712	8,989	25,614
Agriculture	6,088	17	5	-	1,627	7,737
Other	1	-	1	-	900	902
<b>Total</b>	<b>432,966</b>	<b>166,467</b>	<b>4,995</b>	<b>54,467</b>	<b>92,429</b>	<b>751,324</b>

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
<b>Total</b>	<b>347,294</b>	<b>140,482</b>	<b>3,874</b>	<b>57,521</b>	<b>96,846</b>	<b>646,016</b>

\* 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 30 September 2014	Green	Yellow	Orange	Red	Carrying amount
Financial institutions	68,192	-	-	-	68,192
Public entities	9,433	558	40	36	10,067
Individuals	188,221	11,742	20,291	11,982	232,236
Corporations					
Fisheries	134,322	11,358	5,105	2,987	153,772
Construction and real estate companies	102,862	14,027	6,139	4,811	127,839
Holding companies	40,293	2,818	880	518	44,509
Retail	31,179	2,403	2,491	1,941	38,014
Services	39,724	7,232	6,370	1,400	54,726
Information, technology and communication	16,410	3,945	169	120	20,644
Manufacturing	19,039	3,755	1,355	4,933	29,082
Agriculture	5,809	1,407	278	354	7,848
Other	809	81	-	-	890
<b>Total</b>	<b>656,293</b>	<b>59,326</b>	<b>43,118</b>	<b>29,082</b>	<b>787,819</b>

## 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
<b>Total</b>	<b>575,891</b>	<b>84,848</b>	<b>47,451</b>	<b>40,194</b>	<b>748,384</b>

### 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		
<b>As at 30 September 2014</b>						
Cash and balances with Central Bank	38,820	-	-	38,820	-	38,820
Bonds and debt instruments	285,635	8,161	-	293,796	-	293,796
Derivative instruments	82	-	-	82	-	82
Loans and advances to financial institutions	68,192	-	-	68,192	-	68,192
Loans and advances to customers	638,930	37,663	87,915	764,508	(44,881)	719,627
Other financial assets	6,789	-	-	6,789	-	6,789
<b>Total</b>	<b>1,038,448</b>	<b>45,824</b>	<b>87,915</b>	<b>1,172,187</b>	<b>(44,881)</b>	<b>1,127,306</b>
<b>As at 31 December 2013</b>						
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
<b>Total</b>	<b>962,718</b>	<b>64,733</b>	<b>91,012</b>	<b>1,118,463</b>	<b>(50,944)</b>	<b>1,067,519</b>

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 30 September 2014	Rating grades					Total
	10-7	6-4	3-1	0*	Unrated	
Financial institutions	68,192	-	-	-	-	68,192
Public entities	8,822	1,119	-	-	15	9,956
Individuals	75,237	90,342	31,032	563	5,263	202,437
Corporations						
Fisheries	34,699	71,459	29,348	1,990	2	137,498
Construction and real estate companies	636	72,829	45,382	531	41	119,419
Holding companies	-	24,862	8,108	62	27	33,059
Retail	1,164	25,212	8,678	29	64	35,147
Services	9,352	31,153	9,492	25	68	50,090
Information, technology and communication	435	16,040	4,110	9	1	20,595
Manufacturing	1,142	18,935	2,210	127	394	22,808
Agriculture	366	5,402	1,242	-	14	7,024
Other	-	815	82	-	-	897
<b>Total</b>	<b>200,045</b>	<b>358,168</b>	<b>139,684</b>	<b>3,336</b>	<b>5,889</b>	<b>707,122</b>
<b>As at 31 December 2013</b>						
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
<b>Total</b>	<b>141,582</b>	<b>379,448</b>	<b>120,792</b>	<b>3,528</b>	<b>8,092</b>	<b>653,442</b>

\* 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 30 September 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	-	2	85	-	-	87
Individuals	212	11,978	2,855	960	3,850	19,855
Corporations	218	6,595	2,033	494	8,381	17,721
<b>Total</b>	<b>430</b>	<b>18,575</b>	<b>4,973</b>	<b>1,454</b>	<b>12,231</b>	<b>37,663</b>
<b>As at 31 December 2013</b>						
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
<b>Total</b>	<b>1,249</b>	<b>21,117</b>	<b>6,669</b>	<b>2,004</b>	<b>23,835</b>	<b>54,874</b>

### 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	
<b>As at 30 September 2014</b>								
Financial institutions	68,192	68,192	-	-	-	-	-	68,192
Public entities	10,161	10,043	12	59	57	59	25	10,067
Individuals	249,252	222,292	2,476	10,687	5,536	16,273	9,004	232,236
Corporations								
Fisheries	161,246	140,666	932	18,890	5,231	1,691	1,312	153,772
Construction and real estate companies	135,281	124,158	1,852	6,868	3,049	4,255	2,541	127,839
Holding companies	47,130	33,579	688	12,811	1,413	739	519	44,509
Retail	41,959	36,930	559	3,066	2,041	1,963	1,345	38,014
Services	57,421	54,591	1,070	1,121	662	1,709	963	54,726
Information, technology and communication	21,287	20,910	361	270	211	108	72	20,644
Manufacturing	31,498	24,796	328	5,294	1,396	1,408	692	29,082
Agriculture	8,376	7,731	96	267	127	377	304	7,848
Other	897	897	7	-	-	-	-	890
<b>Total</b>	<b>832,700</b>	<b>744,785</b>	<b>8,381</b>	<b>59,333</b>	<b>19,723</b>	<b>28,582</b>	<b>16,777</b>	<b>787,819</b>

	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	
<b>As at 31 December 2013</b>								
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
<b>Total</b>	<b>799,328</b>	<b>708,315</b>	<b>9,666</b>	<b>61,917</b>	<b>24,668</b>	<b>29,095</b>	<b>16,610</b>	<b>748,384</b>

\*Non-performing past due more than 90 days

## Notes to the Consolidated Financial Statements

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

	1.1-30.9.2014			1.1-30.9.2013		
	Individual allowance	Collective allowance	Total	Individual allowance	Collective allowance	Total
Balance at the beginning of the period	(41,278)	(9,666)	(50,944)	(28,523)	(15,507)	(44,030)
New provisions	(18,013)	-	(18,013)	(28,900)	-	(28,900)
Reversals	17,810	1,208	19,018	7,954	4,420	12,374
Provisions used to cover write-offs	4,948	-	4,948	8,263	-	8,263
Translation difference	33	77	110	(49)	1,040	991
<b>Balance at the end of the period</b>	<b>(36,500)</b>	<b>(8,381)</b>	<b>(44,881)</b>	<b>(41,255)</b>	<b>(10,047)</b>	<b>(51,302)</b>

	1.1-30.9.2014			1.1-30.9.2013		
	Customers	Financials	Total	Customers	Financials	Total
New provisions	(18,013)	-	(18,013)	(28,900)	-	(28,900)
Write-offs	(8,305)	-	(8,305)	(6,290)	-	(6,290)
Provisions used to cover write-offs	4,948	-	4,948	8,263	-	8,263
Reversals	19,019	-	19,019	12,374	-	12,374
Recoveries	2,725	-	2,725	4,833	-	4,833
Translation difference	110	-	110	991	-	991
Impairment loss for the period	484	0	484	(8,729)	0	(8,729)
Impairment of claims reversed	-	-	0	-	269	269
<b>Net impairment loss for the period</b>	<b>484</b>	<b>0</b>	<b>484</b>	<b>(8,729)</b>	<b>269</b>	<b>(8,460)</b>

### 36. Large exposures

As at 30 September 2014, seven Group customers were rated as large exposures in accordance with FME's Rules on Large Exposures Incurred by Financial Undertakings, No. 625/2013. Customers 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 exposure amount is calculated after taking account of eligible collateral held. No exposure may attain the equivalent of 25% of the capital base. Net of eligible collateral there are four large exposures as at 30 September 2014 (31 December 2013; two customers).

As at 30 September 2014	Number of large exposures	Large exposures
Large exposures between 10% and 20% of the Group's capital base	4	128,736
<b>Total</b>	<b>4</b>	<b>128,736</b>
Total large exposures to capital base (400% is the maximum limit)		55%

As at 31 December 2013	Number of large exposures	Large exposures
Large exposures between 10% and 20% of the Group's capital base	2	70,696
<b>Total</b>	<b>2</b>	<b>70,696</b>
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 30 September 2014 and 31 December 2013:

	Liquidity coverage ratio total	Liquidity coverage ratio FX
As at 30 September 2014	108%	222%
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 30 September 2014 and 31 December 2013:

	Core liquidity ratio		Cash ratio	
	30.9.2014	31.12.2013	30.9.2014	31.12.2013
Period-end	49%	50%	13%	13%
Maximum	53%	53%	21%	22%
Minimum	46%	41%	11%	10%
Average	49%	47%	15%	16%

## Notes to the Consolidated Financial Statements

### 38. Maturity analysis of financial assets and liabilities

The following table shows a maturity analysis of the Group's financial instruments as at 30 September 2014:

<b>Non-derivative financial assets</b>	<b>0-1 months</b>	<b>1-3 months</b>	<b>3-12 months</b>	<b>1-5 years</b>	<b>Over 5 years</b>	<b>No maturity</b>	<b>Total</b>	<b>Carrying amount</b>
Cash and balances with								
Central Bank	38,820	-	-	-	-	-	38,820	38,820
Bonds and debt instruments	30,179	53,592	44,940	183,004	44,396	-	356,111	293,796
Equities and equity instruments	-	-	-	-	-	40,991	40,991	40,991
Loans and advances to financial institutions	60,738	5,508	-	1,946	-	-	68,192	68,192
Loans and advances to customers	66,612	47,828	141,711	331,843	427,581	-	1,015,575	719,627
Other financial assets	6,234	-	-	555	-	-	6,789	6,789
<b>Total</b>	<b>202,583</b>	<b>106,928</b>	<b>186,651</b>	<b>517,348</b>	<b>471,977</b>	<b>40,991</b>	<b>1,526,478</b>	<b>1,168,215</b>
<b>Derivative financial assets</b>								
<b>Gross settled derivatives</b>								
Inflow	11,560	4,223	-	500	-	-	16,283	49
Outflow	(11,532)	(4,211)	-	(500)	-	-	(16,243)	
<b>Total</b>	<b>28</b>	<b>12</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>40</b>	<b>49</b>
<b>Net settled derivatives</b>								
	33	-	-	-	-	-	33	33
<b>Total</b>	<b>61</b>	<b>12</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>73</b>	<b>82</b>
<b>Non-derivative financial liabilities</b>								
Due to financial institutions and								
Central Bank	(177,342)	(1,751)	-	-	-	-	(179,093)	(179,085)
Deposits from customers	(355,932)	(81,907)	(41,427)	(19,420)	(4,976)	-	(503,662)	(497,583)
Short positions	(5,336)	-	-	-	-	-	(5,336)	(5,336)
Secured bonds	(4,899)	-	(38,321)	(206,716)	-	-	(249,936)	(233,785)
Other financial liabilities	(14,619)	-	-	-	-	-	(14,619)	(14,619)
<b>Total</b>	<b>(558,128)</b>	<b>(83,658)</b>	<b>(79,748)</b>	<b>(226,136)</b>	<b>(4,976)</b>	<b>0</b>	<b>(952,646)</b>	<b>(930,408)</b>
<b>Off-balance sheet items</b>								
Financial guarantees and								
underwriting commitments	(581)	(1,059)	(4,174)	(7,372)	(7,614)	-	(20,800)	
Undrawn loan commitments	(71,053)	-	-	-	-	-	(71,053)	
Undrawn overdraft/credit card commitments	(54,060)	-	-	-	-	-	(54,060)	
<b>Total</b>	<b>(125,694)</b>	<b>(1,059)</b>	<b>(4,174)</b>	<b>(7,372)</b>	<b>(7,614)</b>	<b>0</b>	<b>(145,913)</b>	
<b>Total non-derivative financial liabilities and off-balance sheet items</b>	<b>(683,822)</b>	<b>(84,717)</b>	<b>(83,922)</b>	<b>(233,508)</b>	<b>(12,590)</b>	<b>0</b>	<b>(1,098,559)</b>	<b>(930,408)</b>
<b>Derivative financial liabilities</b>								
<b>Gross settled derivatives</b>								
Inflow	12,751	5,286	269	546	-	-	18,852	(346)
Outflow	(12,789)	(5,297)	(351)	(727)	-	-	(19,164)	
<b>Total</b>	<b>(38)</b>	<b>(11)</b>	<b>(82)</b>	<b>(181)</b>	<b>0</b>	<b>0</b>	<b>(312)</b>	<b>(346)</b>
<b>Net settled derivatives</b>								
	(18)	-	-	-	-	-	(18)	(18)
<b>Total</b>	<b>(56)</b>	<b>(11)</b>	<b>(82)</b>	<b>(181)</b>	<b>0</b>	<b>0</b>	<b>(330)</b>	<b>(364)</b>
<b>Net liquidity position</b>	<b>(481,234)</b>	<b>22,212</b>	<b>102,647</b>	<b>283,659</b>	<b>459,387</b>	<b>40,991</b>	<b>427,662</b>	<b>237,525</b>



## Notes to the Consolidated Financial Statements

### 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:

<b>Non-derivative financial assets</b>	<b>0-1 months</b>	<b>1-3 months</b>	<b>3-12 months</b>	<b>1-5 years</b>	<b>Over 5 years</b>	<b>No maturity</b>	<b>Total</b>	<b>Carrying amount</b>
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
<b>Total</b>	<b>182,230</b>	<b>94,093</b>	<b>139,118</b>	<b>564,036</b>	<b>453,048</b>	<b>36,275</b>	<b>1,468,800</b>	<b>1,103,140</b>
<b>Derivative financial assets</b>								
<b>Gross settled derivatives</b>								
Inflow	13,645	15,884	1,361	-	-	-	30,890	637
Outflow	(13,395)	(15,523)	(1,344)	-	-	-	(30,262)	
<b>Total</b>	<b>250</b>	<b>361</b>	<b>17</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>628</b>	<b>637</b>
<b>Net settled derivatives</b>								
	17	-	-	-	-	-	17	17
<b>Total</b>	<b>267</b>	<b>361</b>	<b>17</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>645</b>	<b>654</b>
<b>Non-derivative financial liabilities</b>								
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)
<b>Total</b>	<b>(536,310)</b>	<b>(48,721)</b>	<b>(57,214)</b>	<b>(265,817)</b>	<b>(5,238)</b>	<b>0</b>	<b>(913,300)</b>	<b>(882,830)</b>
<b>Off-balance sheet items</b>								
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)	
<b>Total</b>	<b>(115,546)</b>	<b>(877)</b>	<b>(3,802)</b>	<b>(1,141)</b>	<b>(8,072)</b>	<b>0</b>	<b>(129,438)</b>	
<b>Total non-derivative financial liabilities and off-balance sheet items</b>	<b>(651,856)</b>	<b>(49,598)</b>	<b>(61,016)</b>	<b>(266,958)</b>	<b>(13,310)</b>	<b>0</b>	<b>(1,042,738)</b>	<b>(882,830)</b>
<b>Derivative financial liabilities</b>								
<b>Gross settled derivatives</b>								
Inflow	9,317	2,560	796	1,046	-	-	13,719	(521)
Outflow	(9,373)	(2,574)	(1,136)	(1,116)	-	-	(14,199)	
<b>Total</b>	<b>(56)</b>	<b>(14)</b>	<b>(340)</b>	<b>(70)</b>	<b>0</b>	<b>0</b>	<b>(480)</b>	<b>(521)</b>
<b>Net settled derivatives</b>								
	(61)	-	-	-	-	-	(61)	(61)
<b>Total</b>	<b>(117)</b>	<b>(14)</b>	<b>(340)</b>	<b>(70)</b>	<b>0</b>	<b>0</b>	<b>(541)</b>	<b>(582)</b>
<b>Net liquidity position</b>	<b>(469,476)</b>	<b>44,842</b>	<b>77,779</b>	<b>297,008</b>	<b>439,738</b>	<b>36,275</b>	<b>426,166</b>	<b>220,382</b>

## Notes to the Consolidated Financial Statements

### 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 30 September 2014:

<b>Non-derivative financial assets</b>	<b>0-1 months</b>	<b>1-3 months</b>	<b>3-12 months</b>	<b>1-5 years</b>	<b>Over 5 years</b>	<b>No maturity</b>	<b>Total</b>	<b>Carrying amount</b>
Total in foreign currencies	103,398	70,083	78,472	158,494	5,276	16,283	432,006	412,297
ISK	99,186	36,845	108,179	358,854	466,701	24,708	1,094,473	755,918
<b>Total</b>	<b>202,584</b>	<b>106,928</b>	<b>186,651</b>	<b>517,348</b>	<b>471,977</b>	<b>40,991</b>	<b>1,526,479</b>	<b>1,168,215</b>
<b>Derivative financial assets</b>								
Total in foreign currencies	(1,767)	12	-	-	-	-	(1,755)	49
ISK	1,828	-	-	-	-	-	1,828	33
<b>Total</b>	<b>61</b>	<b>12</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>73</b>	<b>82</b>
<b>Non-derivative financial liabilities</b>								
Total in foreign currencies	(149,138)	(6,156)	(48,957)	(201,940)	-	-	(406,191)	(390,749)
ISK	(408,990)	(77,502)	(30,791)	(24,196)	(4,976)	-	(546,455)	(539,659)
<b>Total</b>	<b>(558,128)</b>	<b>(83,658)</b>	<b>(79,748)</b>	<b>(226,136)</b>	<b>(4,976)</b>	<b>0</b>	<b>(952,646)</b>	<b>(930,408)</b>
<b>Off-balance sheet items</b>								
Total in foreign currencies	(17,788)	(253)	(2,532)	(6,893)	(292)	-	(27,758)	
ISK	(107,906)	(806)	(1,642)	(479)	(7,322)	-	(118,155)	
<b>Total</b>	<b>(125,694)</b>	<b>(1,059)</b>	<b>(4,174)</b>	<b>(7,372)</b>	<b>(7,614)</b>	<b>0</b>	<b>(145,913)</b>	
<b>Derivative financial liabilities</b>								
Total in foreign currencies	(1,390)	(12)	99	198	-	-	(1,105)	(346)
ISK	1,334	1	(181)	(379)	-	-	775	(18)
<b>Total</b>	<b>(56)</b>	<b>(11)</b>	<b>(82)</b>	<b>(181)</b>	<b>0</b>	<b>0</b>	<b>(330)</b>	<b>(364)</b>
<b>Net liquidity position in foreign currencies</b>	<b>(66,685)</b>	<b>63,674</b>	<b>27,082</b>	<b>(50,141)</b>	<b>4,984</b>	<b>16,283</b>	<b>(4,803)</b>	<b>21,251</b>
<b>Net liquidity position in ISK</b>	<b>(414,548)</b>	<b>(41,462)</b>	<b>75,565</b>	<b>333,800</b>	<b>454,403</b>	<b>24,708</b>	<b>432,466</b>	<b>216,274</b>
<b>Net liquidity position</b>	<b>(481,233)</b>	<b>22,212</b>	<b>102,647</b>	<b>283,659</b>	<b>459,387</b>	<b>40,991</b>	<b>427,663</b>	<b>237,525</b>

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

<b>Non-derivative financial assets</b>	<b>0-1 months</b>	<b>1-3 months</b>	<b>3-12 months</b>	<b>1-5 years</b>	<b>Over 5 years</b>	<b>No maturity</b>	<b>Total</b>	<b>Carrying amount</b>
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
<b>Total</b>	<b>182,230</b>	<b>94,093</b>	<b>139,118</b>	<b>564,036</b>	<b>453,048</b>	<b>36,275</b>	<b>1,468,800</b>	<b>1,103,140</b>
<b>Derivative financial assets</b>								
Total in foreign currencies	(1,273)	31	(148)	-	-	-	(1,390)	637
ISK	1,540	330	165	-	-	-	2,035	17
<b>Total</b>	<b>267</b>	<b>361</b>	<b>17</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>645</b>	<b>654</b>
<b>Non-derivative financial liabilities</b>								
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)
<b>Total</b>	<b>(536,310)</b>	<b>(48,721)</b>	<b>(57,214)</b>	<b>(265,817)</b>	<b>(5,238)</b>	<b>0</b>	<b>(913,300)</b>	<b>(882,830)</b>
<b>Off-balance sheet items</b>								
Total in foreign currencies	(27,072)	(501)	(2,122)	(693)	(295)	-	(30,683)	
ISK	(88,474)	(376)	(1,680)	(448)	(7,777)	-	(98,755)	
<b>Total</b>	<b>(115,546)</b>	<b>(877)</b>	<b>(3,802)</b>	<b>(1,141)</b>	<b>(8,072)</b>	<b>0</b>	<b>(129,438)</b>	
<b>Derivative financial liabilities</b>								
Total in foreign currencies	341	(14)	(340)	686	-	-	673	(521)
ISK	(458)	-	-	(756)	-	-	(1,214)	(61)
<b>Total</b>	<b>(117)</b>	<b>(14)</b>	<b>(340)</b>	<b>(70)</b>	<b>0</b>	<b>0</b>	<b>(541)</b>	<b>(582)</b>
<b>Net liquidity position in foreign currencies</b>	<b>(71,234)</b>	<b>64,088</b>	<b>28,832</b>	<b>(70,443)</b>	<b>14,285</b>	<b>19,061</b>	<b>(15,411)</b>	<b>15,192</b>
<b>Net liquidity position in ISK</b>	<b>(398,242)</b>	<b>(19,246)</b>	<b>48,947</b>	<b>367,451</b>	<b>425,453</b>	<b>17,214</b>	<b>441,577</b>	<b>205,190</b>
<b>Net liquidity position</b>	<b>(469,476)</b>	<b>44,842</b>	<b>77,779</b>	<b>297,008</b>	<b>439,738</b>	<b>36,275</b>	<b>426,166</b>	<b>220,382</b>

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### Market risk

#### 40. Market risk management

The following table summarises the Group's exposure to market risk as at 30 September 2014 and 31 December 2013:

Market risk factor	30.9.2014	31.12.2013
	% of RWA	% of RWA
Equity price risk	6.7%	5.8%
Interest rate risk	2.8%	3.3%
Foreign exchange risk	2.7%	2.2%
<b>Total</b>	<b>12.2%</b>	<b>11.3%</b>

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 30 September 2014	Up to 3 months	3-12 months	1-5 years	Over 5 years	Carrying amount
<b>Financial assets</b>					
Cash and balances with Central Bank	38,820	-	-	-	38,820
Bonds and debt instruments	238,161	38,919	2,175	14,541	293,796
Derivative instruments	82	-	-	-	82
Loans and advances to financial institutions	68,192	-	-	-	68,192
Loans and advances to customers	503,745	106,109	66,994	42,779	719,627
Other financial assets	6,234	-	555	-	6,789
<b>Total</b>	<b>855,234</b>	<b>145,028</b>	<b>69,724</b>	<b>57,320</b>	<b>1,127,306</b>
<b>Financial liabilities</b>					
Due to financial institutions and Central Bank	(179,085)	-	-	-	(179,085)
Deposits from customers	(478,439)	(17,730)	(1,414)	-	(497,583)
Derivative instruments and short positions	(368)	(3,528)	(206)	(1,598)	(5,700)
Secured bonds	(229,468)	-	(4,317)	-	(233,785)
Other financial liabilities	(14,619)	-	-	-	(14,619)
<b>Total</b>	<b>(901,979)</b>	<b>(21,258)</b>	<b>(5,937)</b>	<b>(1,598)</b>	<b>(930,772)</b>
Net on-balance sheet position	(46,745)	123,770	63,787	55,722	196,534
Net off-balance sheet position	-	(285)	285	-	-
<b>Total interest repricing gap</b>	<b>(46,745)</b>	<b>123,485</b>	<b>64,072</b>	<b>55,722</b>	

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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
<b>Financial assets</b>					
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
<b>Total</b>	<b>826,611</b>	<b>106,810</b>	<b>73,648</b>	<b>60,450</b>	<b>1,067,519</b>
<b>Financial liabilities</b>					
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)
<b>Total</b>	<b>(868,300)</b>	<b>(9,401)</b>	<b>(5,229)</b>	<b>(483)</b>	<b>(883,413)</b>
Net on-balance sheet position	(41,689)	97,409	68,419	59,967	184,106
Net off-balance sheet position	(538)	126	412	-	
<b>Total interest repricing gap</b>	<b>(42,227)</b>	<b>97,535</b>	<b>68,831</b>	<b>59,967</b>	

### 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 30 September 2014 and 31 December 2013:

Carrying amount	30.9.2014	31.12.2013
<b>Assets</b>		
Bonds and debt instruments	17,493	18,688
Loans and advances to customers	255,956	249,681
<b>Total</b>	<b>273,449</b>	<b>268,369</b>
<b>Liabilities</b>		
Short positions	(1,245)	(483)
Deposits from customers	(101,437)	(102,555)
<b>Total</b>	<b>(102,682)</b>	<b>(103,038)</b>
Total on-balance sheet position	170,768	165,331
Total off-balance sheet position	6	(796)
<b>Total CPI indexation balance</b>	<b>170,774</b>	<b>164,535</b>

### 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 30 September 2014 was +8.9% 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 30 September 2014.

## Notes to the Consolidated Financial Statements

### 45. Concentration of currency risk

The following tables summarise the Group's exposure to currency risk as at 30 September 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 30 September 2014 and 31 December 2013. When managing liquidity risk, the Group regards spot deals as non-derivative assets or liabilities.

<b>As at 30 September 2014</b>	<b>EUR</b>	<b>GBP</b>	<b>USD</b>	<b>JPY</b>	<b>CHF</b>	<b>Other</b>	<b>Total</b>
<b>Assets</b>							
Cash and balances with Central Bank	592	136	205	21	40	264	1,258
Bonds and debt instruments	35,503	45,067	58,170	-	-	-	138,740
Equities and equity instruments	16,154	-	1	-	-	127	16,282
Derivative instruments	47	1	-	-	-	-	48
Loans and advances to financial institutions	33,304	10,091	12,145	257	88	4,844	60,729
Loans and advances to customers	95,837	14,761	60,160	4,898	7,680	12,773	196,109
Other assets	819	-	414	1	-	652	1,886
<b>Total</b>	<b>182,256</b>	<b>70,056</b>	<b>131,095</b>	<b>5,177</b>	<b>7,808</b>	<b>18,660</b>	<b>415,052</b>
<b>Liabilities</b>							
Due to financial institutions and Central Bank	(43,631)	(18,279)	(27,420)	-	(135)	(1,891)	(91,356)
Deposits from customers	(30,265)	(4,371)	(26,799)	(598)	(1,065)	(5,323)	(68,421)
Derivative instruments and short positions	(66)	-	(274)	-	-	-	(340)
Secured bonds	(111,044)	(45,461)	(72,963)	-	-	-	(229,468)
Other liabilities	(654)	(69)	(586)	(15)	(1)	(197)	(1,522)
<b>Total</b>	<b>(185,660)</b>	<b>(68,180)</b>	<b>(128,042)</b>	<b>(613)</b>	<b>(1,201)</b>	<b>(7,411)</b>	<b>(391,107)</b>
Net on-balance sheet position	(3,404)	1,876	3,053	4,564	6,607	11,249	23,945
Net off-balance sheet position	20,379	(3,386)	(1,185)	(3,139)	(6,253)	(9,275)	(2,859)
<b>Net currency position</b>	<b>16,975</b>	<b>(1,510)</b>	<b>1,868</b>	<b>1,425</b>	<b>354</b>	<b>1,974</b>	<b>21,086</b>
<b>As at 31 December 2013</b>							
<b>Assets</b>							
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
<b>Total</b>	<b>173,812</b>	<b>64,577</b>	<b>120,430</b>	<b>8,763</b>	<b>9,056</b>	<b>23,765</b>	<b>400,403</b>
<b>Liabilities</b>							
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)
<b>Total</b>	<b>(187,444)</b>	<b>(65,311)</b>	<b>(119,319)</b>	<b>(407)</b>	<b>(862)</b>	<b>(11,885)</b>	<b>(385,228)</b>
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)
<b>Net currency position</b>	<b>15,492</b>	<b>(829)</b>	<b>1,150</b>	<b>(643)</b>	<b>(265)</b>	<b>(448)</b>	<b>14,457</b>

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### 46. Foreign exchange rates used

The following exchange rates were used by the Group:

	30 September 2014	31 December 2013	% Change	Average for 1.1-30.9 2014	Average for 1.1-30.9 2013
EUR/ISK	152.75	158.50	(3.6%)	154.94	161.54
GBP/ISK	196.16	190.30	3.1%	191.26	190.08
USD/ISK	120.98	115.11	5.1%	114.66	122.56
JPY/ISK	1.10	1.10	0.0%	1.11	1.29
CHF/ISK	126.65	129.20	(2.0%)	127.35	131.69
CAD/ISK	107.93	108.24	(0.3%)	104.86	119.68
DKK/ISK	20.52	21.25	(3.4%)	20.77	21.66
NOK/ISK	18.82	18.95	(0.7%)	18.70	21.02
SEK/ISK	16.76	17.96	(6.7%)	17.18	18.79