Íslandsbanki

Consolidated Financial Statements

2024

Íslandsbanki hf. • Hagasmári 3 • 201 Kópavogur • Iceland • Reg.no. 491008-0160

Contents

Factsheet

Key figures 2024

Net profit **ISK 24.2bn**

ROE **10.9%**

Cost-to-income ratio **43.9%**

NIM **2.9%**

Sustainability

23% growth in sustainable lending in 2024

Íslandsbanki's Entrepreneurship Fund awarded ISK 50 million in total to 14 sustainability-related projects in 2024

93% of the Bank's credit risk exposure in scope[1] assessed with regards to ESG risk by year-end

Digital milestones

Implementation of a new anti-money laundering/know your customer model

Biometric authentication within the app launched for domestic payments

Employees started communicating with the internal chatbot SAM with the Bank's Quality Manual integration to follow soon

Ratings and certifications

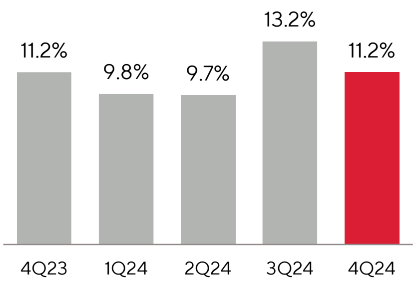
Moody's A3 Stable outlook

S&P Global Ratings BBB+/A-2 Positive outlook

EQUALITY SCALE FKA 2024 AWARD

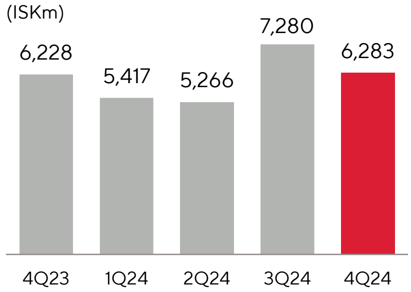
EQUAL PAY CERTIFICATE 2025 - 2028

Return on equity

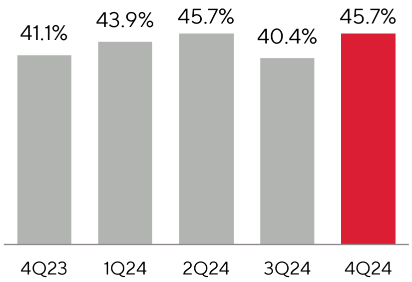


Profit after tax

(ISKm)

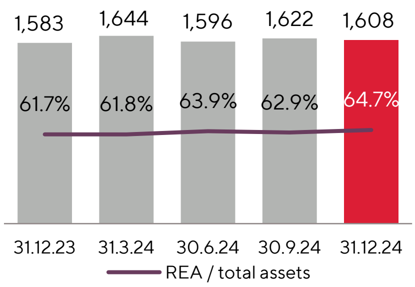


Cost-to-income ratio[2]



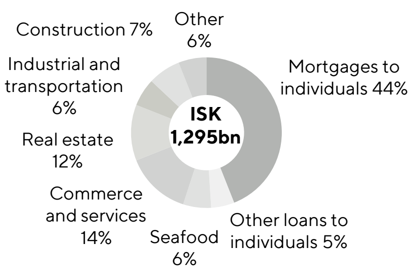
Total assets

(ISKbn)



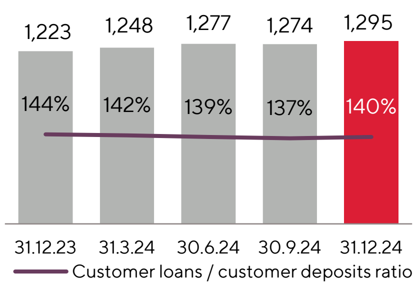
Loans to customers

(Sector split as of 31.12.24)

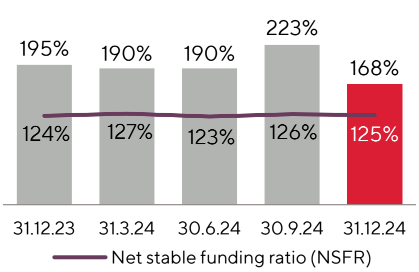


Loans to customers

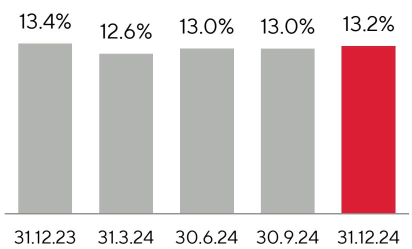
(ISKbn)



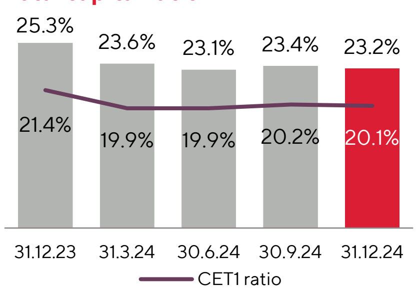
Total liquidity coverage ratio



Leverage ratio[3]



Total capital ratio[3]



The information above has not been reviewed or audited by the Group's auditor.

1. Individuals and small enterprises are out of scope. The Bank's goal is to assess with regards to ESG risk all large customers and counterparties.
2. Expenses of ISK 279m for 4Q23, ISK 286m for 1Q24, ISK 210m for 2Q24, and ISK 269m for 3Q24 recognised in the line item "Other operating expenses" in the Group's Financial Statements have been restated in the line item "Fee and commission expense", C/I ratio has been restated accordingly. C/I ratio for 2Q24 excludes a charge of ISK 470m due to an administrative fine. C/I ratio for 4Q23 included a provision of ISK 100m made in connection with an administrative fine, the C/I ratio has been restated so it excludes the provision.
3. Including 1Q24 profit for 31.3.24.

Directors' Report

The Board of Directors and the CEO of Íslandsbanki hf. ("the Bank" or "Íslandsbanki") present this report together with the audited Consolidated Financial Statements of Íslandsbanki hf. and its subsidiaries (together referred to as "the Group") for the year 2024. Íslandsbanki is a universal bank offering comprehensive financial services to households, corporations, and institutional investors in Iceland. The Group is one of Iceland's largest banking and financial services groups, with a strong domestic market share.

Operations in 2024

The Group's operations were in line with expectations in 2024, during an eventful year. At the beginning of the year, the Board and the Bank set out to expand the Bank's operations and risk appetite. This has resulted in increased, yet cautious, focus towards additional lending abroad, with special emphasis on infrastructure projects. Further, many milestones have been achieved in the development of additional products and services. This includes the introduction of new lending products, the launch of new online channels, and emphasis on improving service experience for customers with added automation and digital channels. In January 2025, the Bank introduced its steps into the insurance market with a cooperation agreement between Íslandsbanki and VÍS tryggingar hf., an Icelandic insurance company, which will allow the Bank's customers to access comprehensive banking and insurance services on a single platform. This cooperation is founded on the Bank's vision to promote financial health for its customers. Considerable success has also been achieved within investment banking services, where the Bank has taken a dominant role, generating the highest turnover in the markets for 10 out of 12 months, despite weak capital markets throughout the year.

Changes have also been implemented within the Bank to streamline operations, and the results have started to materialise. At the beginning of 2025, a revised strategy was introduced, paving the way for further growth based on the foundation to empower our customers to succeed and promoting their financial health. Additionally, the Bank's values were revised and emphasis placed on progressive thinking, in addition to collaboration and professionalism.

In the year 2024, the Group's profit amounted to ISK 24,246 million and the return on equity was 10.9%, compared to a target of over 10%. At year-end the Group employed 772 full-time equivalents, 733 in the Bank, 54% female and 46% male (50% female and 50% male within the executive board), and 39 in subsidiaries. The Group operates 12 branches.

Inflation subsided throughout the year, moving from 6.7% in January to 4.8% at the end of December, over a period of 12 months. Policy rate cuts by the Central Bank commenced in the latter half of the year, where rates were cut from a previous level of 9.25% to 8.5% at year-end 2024. This high inflation and interest rate environment has resulted in considerable changes in the composition of the Bank's loan book where customers have been refinancing from non-indexed to CPI-linked loans. As a result, the CPI imbalance has increased from ISK 129 billion at year-end 2023 to ISK 193 billion at year-end 2024. Reducing inflation, while policy rates remained high, has put pressure on net interest margins as the lending yield contracted at a faster pace than deposit costs. Conversely, the fixed rate imbalance, primarily related to the lending of fixed-rate mortgages in a lower interest rate environment, continued to decrease at a steady pace. The net interest margin contracted by 0.2 percentage points to 2.9% for the year 2024 as a whole, while fluctuating month-by-month throughout the year. Macroeconomic forecasts suggest that inflation will continue to subside, leading to further rate cuts, which should alleviate this pressure.

Net fee and commission income decreased by 1.2% year-on-year. This is mainly attributable to increasing costs related to cards and payment processing, both related to scheme fees. While investment banking and asset management revenues were adversely affected by soft capital markets in the first three quarters of the year, markets recovered considerably in the fourth quarter. Further reductions in inflation and policy rates are expected to continue to boost capital markets, paving the way for net fee and commission growth. Other operating income amounted to ISK 2,282 million in 2024, mainly related to fair value adjustments of Kirkjusandur 2, a plot which contained the Bank's former headquarters, as well as a share in the profit of Norðurturninn hf., an associate of the Bank, due to fair value adjustments of investment property.

The cost-to-income ratio, adjusted for administrative fines, was 43.9% in the year 2024, compared to 40.6% in 2023, which is primarily due to higher operating expenses. Salaries and related expenses grew by 8.8% between years and amounted to ISK 16,329 million, mainly owing to an increase in average FTEs between years, from 770 in 2023 to 799 in 2024, as well as general wage increases. Other operating expenses increased by 5.7% between years, which translates to 0.9% real growth year-on-year, mainly owing to increase in costs related to IT and software. During the year, the Bank placed increased emphasis on efficiency and automation, resulting in a reduction in FTEs towards the end of the year.

The Group updated the classification of expenses during the year. Certain expenses that would have been recognised as other operating expenses are now recognised as fee and commission expense, see Note 8. Year-on-year comparisons factor in the updated classification of expenses for both years.

Net impairment reversals on financial assets amounted to ISK 645 million compared to a net impairment charge of ISK 1,015 million in the previous year. Recalibration of models and revised macroeconomic forecast were the main drivers of impairment reversals. Despite the high inflationary and interest rate environment, asset quality remains both stable and strong where Stage 3 loans closed in at 1.6%, compared to a level of 1.8% at year-end 2023. Loans to customers grew by 5.9% year-on-year. As before, mortgages remain the largest part of the loan book or 44%. LTVs for both the mortgage book and other parts of the loan book remain both healthy and stable. Deposits increased by 8.9% over the year, reaching one of the highest levels recorded. The Group continues to maintain limited exposure to market risk, as in previous years.

Directors' Report

Settlement Agreement with the Financial Supervisory Authority of the Central Bank of Iceland

In the autumn of 2022, the Financial Supervisory Authority of the Central Bank of Iceland (FSA) carried out an onsite inspection of the Bank's AML control framework pursuant to Act no. 140/2018 on Measures Against Money Laundering and Terrorist Financing (AML), following which the FSA identified certain shortcomings in relation to the Bank's AML measures. On 31 May 2024, the Bank announced that the Board of Directors had decided to accept the FSA's offer to conclude the matter with a settlement agreement (the Settlement Agreement). The Settlement Agreement provides that the Bank accepts the FSA's conclusion that the Bank's shortcomings were many and related to various fundamentals in the Bank's AML control framework. Further, the breaches were deemed significant and to some extent a reiteration from previous FSA observations in 2021. By entering into the Settlement Agreement, the Bank committed to carrying out appropriate remedial actions and pay a fine in the amount of ISK 570 million. In its 2023 Consolidated Financial Statements, the Bank had made an ISK 100 million provision and in the second quarter of 2024 recorded a charge of ISK 470 million in relation to the Settlement Agreement.

At the beginning of October, the Bank submitted a report on its remedies related to the settlement with the FSA. The Bank has carried out remedies pursuant to the Settlement Agreement. The Bank acknowledges that AML is a continuous iterative process and is committed to continue to strengthen its infrastructure on this front.

Funding

Deposits continue to remain the Bank's largest source of funding. Deposits from customers amounted to ISK 927 billion at year-end 2024 and increased by 8.9% from year-end 2023, with retail deposits and those from SMEs being the largest contributors. The customer loans to customer deposits ratio closed at 140% compared to 144% at year-end 2023.

During 2024, the Bank issued senior preferred bonds several times across four currencies. In January, the Bank issued 3-year green-labelled notes amounting to NOK 500 million and SEK 500 million, followed by a EUR 300 million 4-year issue in March, which was four times oversubscribed. In June, the Bank issued NOK 200 million and SEK 300 million in 3-year transactions, both at considerably tighter spreads than the January issuances. The Bank issued a total of ISK 16 billion of senior preferred bonds in the domestic senior market in 2024 in three transactions, doubling the total outstanding volume to ISK 32 billion. At the end of the year, ISK-denominated senior preferred bonds accounted for 22% of the total senior preferred bonds outstanding. The continued development of the domestic ISK bond market is of substantial benefit to the Bank in that it reduces reliance on foreign capital markets, increases diversification and reduces the overall cost of funding.

Liability management was at the forefront across the whole year. During the fourth quarter, the Bank tendered to buy back outstanding bonds of its EUR 300 million senior preferred issue due March 2025, the second tender for that issue during the year. Leaving approximately EUR 149 million of the bond outstanding at year-end 2024. In late June 2024, the Bank launched a tender for its EUR 300 million senior issue maturing in May 2026. In total, 91% of the notes were tendered and the balance was “cleaned-up” in full. These liability management operations were executed without direct refinancing, enabled as they were by the Bank's strong capital and liquidity ratios and an ample MREL buffer, all of which remain well above regulatory requirements.

The Bank holds an A3 (stable outlook) issuer rating from Moody's Ratings and a BBB+/A-2 (stable outlook) from S&P Global Ratings.

Capital

The Group's total capital ratio was 23.2% at the end of the year and remains solid and in excess of regulatory requirements, which according to the latest Supervisory Review and Evaluation Process (SREP) concluded in June 2024 are 19.7%, including all capital buffer requirements on the Bank. The latest SREP process resulted in a capital requirement reduction of 0.6 percentage points from the previous assessment. The Group's CET1 target range is currently 16.4-18.4%, including a management CET1 buffer of 100-300 basis points on top of regulatory CET1 requirements. The current CET1 ratio is 20.1% which is 270 basis points in excess of the CET1 target, assuming the midpoint of the management buffer.

There are foreseeable changes to the Capital Requirements Regulation (CRR) regarding the calculation of the Risk Exposure Amount (REA) due to amendments to the CRR. These changes are expected to be implemented in Iceland in 2025. The modifications to CRR will affect how REA is calculated across credit risk, market risk and operational risk. The Group has closely monitored the anticipated changes and prepared an updated product offering, taking these changes into account. As a result, the Group expects a considerable reduction in REA when the changes to the CRR come into effect. At the reporting date, those changes are expected to reduce REA by approximately 4.5%, from ISK 1,041 billion to ISK 994 billion. As such, this is expected to positively impact capital ratios whereas the year-end CET1 ratio would have been 21.1% at year-end 2024 and total capital ratio would have been 24.3%, should the foreseen changes to CRR have been in place.

Directors' Report

At the beginning of October 2024, the Resolution Authority of the Central Bank of Iceland approved the Bank's resolution plan and set a minimum requirement of own funds and eligible liabilities (MREL) requirement. According to the decision, the Bank must maintain an MREL ratio of 29.5%, including the combined capital buffer requirement, a reduction from the previous decision by 1.2 percentage points. The Group's current MREL ratio is 33.4%. Further, the Resolution Authority of the Central Bank also decided on a subordination requirement for the first time. In parallel, the Bank's subordination part is set at 23.4%, which will come into effect three years following the decision.

The Bank's Annual General Meeting (AGM) held on 21 March 2024 approved a dividend payment of ISK 12.3 billion which was paid on 2 April 2024. Additionally, the AGM approved repurchasing of own shares up to 10% of outstanding share capital, in addition to a conventional dividend in line with the Bank's dividend policy. During 2024, the Bank purchased a total of 84,985,026 shares, or 4.25% of the share capital for a total of ISK 9,053 million. At the end of the year, the Bank owned a total of 105,375,857 shares, or 5.27% of its own share capital.

The Bank plans to continue its efforts to optimise its capital structure, subject to market conditions. At the 2025 AGM, the Bank will seek a renewed approval for a share buyback up to 10% of outstanding share capital. In addition, the Bank will seek approval to reduce the share capital for all treasury shares at the date of the AGM. Further yet, the Board of Directors will propose a dividend payment amounting to ISK 12.1 billion, in line with its dividend policy, and reserves the right to propose extraordinary dividend and/or additional share buybacks later in the year, subject to market conditions.

Economic Outlook

The year 2024 was a year of adjustment for the Icelandic economy. Real gross domestic product (GDP) contracted by 1% year-on-year during the first three quarters, primarily driven by a decline in service exports, with reduced tourism revenues weighing heavily. However, in the final quarter, indications emerged that economic growth had resumed, supported by modest growth in tourism and resilience in domestic demand. The total number of foreign tourists increased by 2% year-on-year, despite a decline in the first half of the year.

Íslandsbanki Research estimates an overall contraction of 0.5% for 2024. While mild in most respects, the contraction marks a turning point in the economic cycle. Domestic demand saw modest growth, but unfavourable contributions from foreign trade and negative inventory changes related to the failed capelin season weighed on performance. Despite the slight contraction, the Icelandic economy remains robust, with low unemployment and generally strong financial positions for households and businesses.

Inflation eased significantly during the year, falling from 6.7% at the start of 2024 to 4.8% by year-end. The decline can be attributed to reduced demand pressures, improved housing market balance, slower wage growth, a stronger króna, and more stable prices for consumer goods and inputs globally. This trend, alongside lower inflation expectations and reduced economic pressures, allowed the Central Bank to begin a policy rate reduction cycle in the fourth quarter. Policy rates, which had been unchanged at 9.25% since spring 2023, were lowered to 8.5% in the final months of 2024. The Central Bank cut policy rates on 5 February 2025 to 8.0%.

Looking ahead, Íslandsbanki forecasts 2.2% GDP growth for 2025, driven by moderate growth in consumption and exports, while investment is expected to remain largely flat. Although tourism has been a key driver of export growth over the past 15 years, the focus in export growth is expected to shift toward sectors such as intellectual property industries and land-based aquaculture. Inflation is projected to decline further in the first half of the year, and the Central Bank is expected to continue its rate-cutting cycle throughout 2025. Íslandsbanki Research expects inflation to average 3.6% for the year, with policy rates anticipated to decline to 6.5% by year-end.

Outlook for the Group

As the economic environment continues to improve, the Bank expects overall operations to grow across the board. In particular, the recent reduction in policy rates has positively impacted capital markets, which are expected to respond positively to further rate cuts. Additionally, the lower rate environment is anticipated to provide positive momentum for corporate investments. However, as inflation subsides further, pressure on interest rate margins can be experienced, especially if policy rates are not cut at the same pace. Such effects are, however, expected to pass through in the near term. The Bank's equity and liquidity positions remain strong and well in excess of both regulatory and internal requirements. Capital optimisation continues to be a priority for the Bank, subject to market conditions. Capital optimisation may include organic and/or external growth, as well as disposals to shareholders via ordinary buyback programs, reverse auctions, or extraordinary dividends.

Directors' Report

Risk management

The Bank is exposed to various risks. The management of these risks is an integral part of the Bank's operations, and the Bank has focused on building up a responsible internal risk culture among the Bank's employees. The Board of Directors is the Bank's supreme governing body and has the final word on risk management within the Bank. The Board of Directors shall determine the outlines of the Bank's risk management and internal control framework, set the risk appetite, and decide on the principles and limits according to which risk shall be managed within the Bank. The CEO is responsible for ensuring that risks are managed within those limits.

The Board and the CEO hereby declare that Íslandsbanki has an overall satisfactory risk management in relation to the Bank's profile and strategy.

The Bank's risk management framework and policies are discussed under Notes 46-63 to the Consolidated Financial Statements and in the unaudited Pillar 3 Report.

Ownership

The shares of Íslandsbanki are listed on the Nasdaq Iceland stock exchange and the Bank has one of the largest shareholder bases of a listed company in Iceland. At year-end the Bank had 9,961 shareholders (year-end 2023: 11,551), where 90.1% of the Bank's shares were owned by domestic parties and 9.9% by international investors. The Icelandic Government is the largest shareholder with 44.9% of outstanding shares, taking into consideration treasury shares. Apart from the Government, pension funds are the largest investor group, owning 34.7% of the outstanding shares. For further information on the Bank's shareholders see Note 42.

We empower our customers to be a force for good

Íslandsbanki aims to be a leader in the area of sustainable development and a catalyst for positive social action. We are aware that sustainability is a long-term commitment and builds the foundation for a profitable value creation. Therefore, sustainability is now specified as a part of the Bank's purpose whilst it has been a strategic focus since 2019. The Bank's purpose is to empower our customers to be a force for good in the Icelandic community and create value for the future in a sustainable way for our customers, shareholders, employees and the whole community. The Bank focuses on integrating sustainability considerations into its activities, in addition to its profit objectives. The Bank takes account of ESG (environment, social and governance) criteria in its risk management and actively explores business opportunities related to sustainability. Íslandsbanki aims to increase the general public's financial knowledge and interest in the subject and, to this end, offers interesting and accessible seminars on finance and economics.

The Board of Directors approves the Sustainability Policy and sets the Bank's strategy and risk appetite in terms of sustainability risk. The Board is regularly updated on corporate sustainability matters and the usage of the Bank's Sustainable Funding Framework. The Corporate Governance and Human Resource sub-committee of the Board assists the Board in fulfilling its oversight responsibilities concerning sustainability.

The CEO is responsible for executing the strategy and has appointed a Sustainability Committee as a main building block of the governance structure. The Sustainability Committee is a formal forum for reviewing and discussing matters related to the Bank's sustainability strategy formulation and the Bank's commitments regarding sustainability. The Committee is independent from credit committees and needs to approve proposals for credit cases before they are included in the Sustainable Financing Framework. The CEO is a member of the committee, and it has senior representatives from the business units, Risk Management, and Strategy & Sustainability.

The Sustainability Policy creates a comprehensive framework for its activities in the area of sustainability and maps out the Bank's policy for operations, responsible lending, investments, purchasing, and grants, as well as integrating with and supporting the Bank's other policies. In line with the Sustainability Policy, the Board of Directors has approved seven sustainability goals for its operations, to be completed by 2025. The goals are based on ESG criteria and supported by annual targets set by the business units as part of their five-year planning process.

The Sustainability Report for the year 2024 includes key information on the environmental, social and governance criteria for Íslandsbanki, partly in accordance with the European Commission's ESRS (European Sustainability Reporting Standards) standards. The Bank emphasises increased flow of transparent information on sustainability. Auditing firm KPMG ehf. reviewed and confirmed with limited assurance the selected sustainability disclosure in the Annual and Sustainability Report for 2024.

In accordance with local regulation, Íslandsbanki publishes in an unaudited appendix to the Consolidated Financial Statements information regarding the EU taxonomy, Green Asset Ratio (GAR). In 2023, the regulation entered into force for financial institutions and other non-financial institutions within its scope, and by that made it mandatory to publish information on the Group's assets which meet the regulation's requirements, and can according to the taxonomy be considered as environmentally sustainable. At year-end 2024 the GAR was 0.20% based on turnover and 0.26% based on capex. The Bank gathers information on green assets through external data vendors.

Directors' Report

Sustainability risk has been more effectively integrated into key processes relating to lending, investments, and product development during the year. At year-end, 93% of all credit risk exposure equal to or exceeding ISK 150 million in loan commitments has been assessed with respect to ESG risk-related factors. More detailed coverage can be found in the Bank's Pillar 3 Report for 2024 which contains a separate chapter on sustainability risk and climate risk in compliance with TCFD (Task Force on Climate-related Financial Disclosures) criteria.

Collaboration with international and local partners with regards to sustainability is highly important. Over the years, Íslandsbanki has participated in international commitments and supported domestic cooperative efforts on sustainability. Being a part of international collaborations such as the UN Principles for Responsible Banking (UN PRB) and being a founding member of the Net-Zero Banking Alliance (NZBA) is particularly valuable and informative for a relatively small bank. On the other hand, being one of the largest companies in Iceland means that the Bank can contribute significantly towards domestic partnerships such as Festa - Center for Sustainability and IcelandSif, to name a few.

Environment

Íslandsbanki is committed to supporting Iceland's ambitious Climate Action Plan and the Paris Agreement Goals. To that end, the Bank announced in April 2021 its commitment to become net zero on financed emissions by 2040. The Bank's own operations have been carbon neutral for the past four years, and with this decision, its commitment will also extend to financed emissions which includes the carbon footprint of Íslandsbanki's entire loan and asset portfolio.

Íslandsbanki publishes information on financed emissions (in accordance with the Partnership for Carbon Accounting Financials (PCAF) standard) for 2024 in the Bank's Annual and Sustainability Report, and a more detailed disclosure within the Bank's Pillar 3 Report. The Bank publishes its objectives and performance in connection with climate issues. This includes a new target on emission reduction within the seafood sector. With that the Bank has published targets which account for 64% of total lending and 78% of total emissions from the loan portfolio in 2019. The Bank expects its financed emissions to shrink by 60% by 2030 and by 85% by 2040. The Bank's objective of having a net-zero loan portfolio by 2040 is an ambitious but achievable goal in most sectors, although it is clear that transitioning to clean energy in air transport and cargo shipping by sea will probably take longer.

Social

Íslandsbanki strongly emphasises creating a constructive and healthy work environment. The Bank's values are progressive thinking, collaboration, and professionalism.

Equal rights remain important, and we want Íslandsbanki to be a desirable workplace for people from wide-ranging backgrounds. One of Íslandsbanki's most important sustainability targets is to ensure that no single gender accounts for more than 60% of the Bank's management team. This ratio is considered in the hiring of management-level employees. As in previous years, the Bank received equal pay certification and was awarded professional certification under the ÍST 85:2012 standard for 2024. According to the most recent equal pay appraisal, the unexplained pay gap for jobs of equal value is 0.2%.

Governance

The regulatory framework for corporate governance practices within Íslandsbanki consists of the law applicable to its operations, including those imposed by the Central Bank of Iceland and Nasdaq Iceland. The Bank's governance practices derive, inter alia, from the laws and regulations applicable to financial institutions and the financial market. The Bank complies with the Guidelines on Corporate Governance in accordance with paragraph 7 of article 54 of the Act on Financial Undertakings no. 161/2002. Each year the Bank conducts an appraisal to ensure that it remains consistent with the Guidelines. The Board of Directors follows the Corporate Governance Guidelines (6th ed.) issued by the Iceland Chamber of Commerce, Nasdaq Iceland, and SA Confederation of Icelandic Enterprise, available on www.leidbeiningar.is. Moreover, the Bank's governance practices are based on the European Banking Authority's Guidelines on Internal Governance for Financial Undertakings (EBA/GL/2021/05), cf. article 16 of regulation (EC) no. 1093/2010, transposed into Icelandic law with Act no. 24/2017, on European Control Systems in the Financial Market.

Íslandsbanki has a Code of Conduct in place for employees and the Board of Directors, which is available on the Bank's website. In addition, the Bank's Sustainability Policy emphasises these matters. The aim of the Code is to promote good operational practices, reporting of misconduct and actions to prevent conflict of interest. Employees confirm annually that they have read and understood the rules and commit their adherence to the rules. At the end of 2024, more than 99% of employees had confirmed the rules. The Bank emphasises respect for human rights and avoids business transactions where human rights are violated, including discrimination on the basis of gender, religion, or race according to the Sustainability Policy and the Suppliers' Code of Conduct. The Bank is committed to continue its active dialogue with suppliers on sustainability issues.

The Bank makes every effort to combat bribery and corruption. For that purpose, the Bank has e.g. implemented a policy on conflict of interest and rules on measures against conflict of interest in which there is a chapter on gifts and complimentary trips. The rules are intended to ensure that the impartiality and credibility of employees cannot be brought into question with respect to the treatment and handling of individual matters. Moreover, the Bank has a policy in place on actions against money laundering and terrorist financing, in which the Bank takes a clear stance against payments on bribery and corruption. In practice, the Bank emphasises on being compliant with Act no. 140/2018 on measures against Money Laundering and Terrorist Financing which involves combating bribery and corruption.

Directors' Report

The Board of Directors of Íslandsbanki is committed to excellence in its governance framework so that it complies with the best corporate governance practices in the financial market at all times. The Bank's internal regulatory framework is regularly reviewed with respect to relevant changes in the Bank's internal and external environment. The Board also emphasises the follow-up on the effective implementation of changes to the internal regulatory framework and the development of a strong risk culture. The Board makes sure that issues related to governance, risk management and internal control receive appropriate consideration in the Board.

At each AGM seven non-executive directors, and two alternate members, are elected to the Board for a term of one year. The Board undertakes the Bank's affairs and is responsible for setting the Bank's general strategy as well as instructing the CEO on its further implementation and execution. The Board has a supervisory role overseeing that the Bank's organisation and activities are at all times in accordance with relevant laws, regulations and good business practices. Furthermore, the Board shall monitor the execution of its policies, the sound control of accounting and financial management, and ensure that group internal audit, compliance, risk management and internal controls are effective at all times.

In accordance with the Bank's Articles of Association the Bank operates a Nomination Committee whose role is to nominate individuals to the Bank's Board of Directors at the AGM, or as the case may be at a shareholders' meeting where Board elections are on the agenda. The members of the Nomination Committee shall be three, along with two alternates. Two members of the Nomination Committee, along with one alternate, shall be elected at the AGM or other shareholders' meeting where the election of nomination committee members is on the agenda, for a term of one year. The third member of the Nomination Committee and their alternate shall be Board members of the Bank and are appointed by the Board for a term of one year. The composition and work of the Board shall be in accordance with article 53 of the Act on Financial Undertakings no. 161/2002.

The Board has approved a policy on the suitability of the Board of Directors, the CEO and key function holders. The objective of the policy is that the Bank's Board of Directors, CEO, and key employees meet the relevant suitability requirements at all times and the framework for their appointment and/or employment is in accordance with the applicable legal requirements for the Bank's operation. The policy states, among other things, that the composition of the Board and the Executive Committee shall at any time be diverse, with regard to educational and professional background, gender and age. Human Resources reports annually to the Board on the Bank's actions in implementing the policy. Currently the Board consists of seven members, three women and four men. Board members are of various ages, born in the years 1963-1979. Board members have a broad range of education, e.g. in the fields of engineering, law, finance, management, business administration, and securities trading. Board members also have extensive industry experience in the areas of operations, finance, information technology management, and consulting.

The Board appoints three sub-committees, each one comprising Board members along with one external committee member in the Board Audit Committee. These sub-committees operate under the terms of a mandate letter from the Board as well as the Rules of Procedure of the Board. The mandate letters of Board sub-committees are available on the Bank's website.

The CEO is responsible for the day-to-day operations of the Bank and that the Bank's business is, at all times, in accordance with the Bank's Articles of Association, policies of the Board and the relevant law. The CEO engages the Bank's Chief Compliance Officer and appoints members of the Executive Committee and other Senior Management Committees.

The Executive Committee, comprising eight members, including the CEO, is composed of four women and four men. Members of the Executive Committee were born in the years 1966-1982 and possess diverse education and extensive experience. The role of the Executive Committee is to maintain an overall view of the Bank's operations and to coordinate key aspects of its activities. The CEO ensures that the Board is regularly provided with accurate information on the Bank's finances, development, and operations.

The Bank's Finance division is responsible for the preparation of the Group's Consolidated Financial Statements in line with the International Financial Reporting Standards (IFRS) as adopted by the European Union and additional requirements in the Act on Annual Accounts no. 3/2006, the Act on Financial Undertakings no. 161/2002, and rules on accounting for credit institutions, where applicable. The Board's Audit Committee reviews the Group's annual and interim Consolidated Financial Statements before their submission for Board approval and endorsement. The Board's Audit Committee regularly discusses the Bank's financial statements and evaluates its internal control processes. Management reporting is generally presented to the Board at least 10 times a year. The external auditors review the half year Condensed Consolidated Interim Financial Statements and audit the annual Consolidated Financial Statements. The external auditors also reviewed the Bank's third quarter 2024 Condensed Consolidated Interim Financial Statements.

A more detailed description of Íslandsbanki's governance framework and associated practices can be found in the Bank's Corporate Governance Statement enclosed in an unaudited appendix to the Consolidated Financial Statements and on the Bank's website, www.islandsbanki.is.

Directors' Report

Statement by the Board of Directors and the CEO

The audited Consolidated Financial Statements for the year ended 31 December 2024 have been prepared on a going concern basis in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union and additional requirements in the Act on Annual Accounts, no. 3/2006; the Act on Financial Undertakings, no. 161/2002; and rules on accounting for credit institutions, where applicable.

To the best of our knowledge, these Consolidated Financial Statements provide a true and fair view of the Group's operating profits and cash flows in 2024 and its financial position as of 31 December 2024. Furthermore, in our opinion the financial statements and the Directors' Report give fair view of the main operational developments and achievements and describe the principal risks and uncertainties that the Group faces in its operations.

In our opinion, the Consolidated Financial Statements of Íslandsbanki hf. for the year 2024 identified as "549300PZMFIQR79Q0T97-2024-12-31-en.zip" are prepared in all material respects, in compliance with the European Single Electronic Format Regulation (ESEF).

The Board of Directors and the CEO have today discussed and approved the 2024 Consolidated Financial Statements of Íslandsbanki.

Kópavogur, 13 February 2025

Board of Directors:

Linda Jónsdóttir, Chairman

Stefán Pétursson, Vice-Chairman

Agnar Tómas Möller

Helga Hlín Hákonardóttir

Páll Grétar Steingrímsson

Stefán Sigurðsson

Valgerður Hrund Skúladóttir

Chief Executive Officer:

Jón Guðni Ómarsson

Independent Auditor's Report

To the Board of Directors and Shareholders of Íslandsbanki hf.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Íslandsbanki hf. ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2024, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising material accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and additional requirements in the Icelandic Act on Annual Accounts, Act on Financial Undertakings and rules on accounting for credit institutions, where applicable.

Our opinion is consistent with the additional report submitted to the Audit Committee and the Board of Directors.

Other Matter

The consolidated financial statements of the Group as at and for the year ended 31 December 2023 were audited by another auditor who expressed an unmodified opinion on those statements on 8 February 2024.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of financial statements in Iceland and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We declare, to the best of our knowledge and belief, that we have not provided any prohibited non-audit services, as referred to in Article 5(1) of the Regulation (EU) 537/2014 and that we remained independent in conducting the audit.

We were first appointed as auditors by the Annual General Meeting on 21 March 2024.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent Auditor's Report

Key Audit Matters	How the matter was addressed in the audit

Impairment charges for loans to customers

Loans to customers represent ISK 1,295,388 million or 81% of total assets at 31 December 2024. Expected credit losses (ECL) at year end is ISK 7,820 million.

The ECL provisions in the Group's loan portfolio represents management's best estimate of potential losses in the loan portfolio as at 31 December 2024.

The determination of the ECL provision is based on estimates and judgement by management. Key areas of judgement include:

- Assumptions used in the ECL model to assess the credit risk related to the exposure and the expected future cash flows of the customer.
- The identification of loans with significant increase in credit risk.
- Valuation of collateral and assumptions regarding future cash flows on credit impaired loans to customers and off-balance sheet exposures.
- Effects of macroeconomic uncertainties on assumptions and judgements used by management.

Due to the use of judgement and estimates and the relative size of loans to customers, we consider the provision for expected credit losses (ECL) a Key Audit Matter.

Management has provided information regarding loan impairment charges and the ECL provision in notes 3, 15, 25, 26, 47-50 and 64.3.

Our procedures focused on the following to respond to the Key Audit Matter, among others:

- Testing of key controls in the lending process including credit decisions, credit review and rating classification.
- Tested controls consist of manual and automatic controls in application systems.
- Tested the key controls regarding the process of loan loss provisions.
- Reviewed the Group's principles based on IFRS 9 to assess whether the Group's application is reasonable.
- Reviewed managements calculations for previous years of loan loss provision and compared it to realised losses.
- Validated the input data in the models, including macroeconomic factors, and the accuracy of the calculations and evaluated management's assessments. In our audit, we have used our credit risk modelling specialists.

We have assessed the circumstances presented in the notes to the financial statements, if the information is sufficiently comprehensive as a description of management's assessment.

IT Systems

Due to the significant number of transactions that are processed, the Group's financial reporting is highly dependent on IT systems supporting automated accounting and reconciliation procedures. To ensure complete and accurate financial records, it is important that controls over appropriate access rights, program development and changes are designed properly and operate effectively.

Because of the importance of the data from the IT systems supporting the financial reporting we consider their reliability a Key Audit Matter.

Our procedures focused on the following to respond to the Key Audit Matter, among others:

- Obtained understanding of the Group's IT environment.
- Tested IT general controls over access rights management, change management and IT operations.
- Tested automated controls in the IT environment supporting financial reporting.

In performing the audit procedures over the IT systems, we used our IT specialists.

Independent Auditor's Report

Other information

The Board of Directors and CEO are responsible for the other information. The other information comprises the information included in the unaudited factsheet accompanying these consolidated financial statements and the Annual and Sustainability Report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and CEO for the Consolidated Financial Statements

The Board of Directors and CEO are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs as adopted by the European Union and additional disclosure requirements for listed companies in Iceland, and for such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors and CEO are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The Board of Directors and CEO are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors and Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Board of Directors and Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Independent Auditor's Report

Report on Other Legal and Regulatory Requirements

Report on European Single Electronic Format (ESEF Regulation)

As part of our audit of the consolidated financial statements of Íslandsbanki hf. we performed procedures to be able to issue an opinion on whether the consolidated financial statements of Íslandsbanki hf. for the year 2024 with the file name "549300PZMFIQR79Q0T97-2024-12-31-en.zip" is prepared, in all material respects, in compliance with the Act on disclosure obligation of issuers of securities and the obligation to flag no. 20/2021 relating to requirements regarding European single electronic format Regulation EU 2019/815 which include requirements related to the preparation of the consolidated financial statements in XHTML format and iXBRL markup.

The Board of Directors and CEO are responsible for preparing the consolidated financial statements in compliance with the Act on disclosure obligation of issuers of securities and the obligation to flag no. 20/2021. This includes preparing the consolidated financial statements in an XHTML format in accordance with EU Regulation 2019/815 on the European single electronic format (ESEF Regulation).

Our responsibility is to obtain reasonable assurance, based on evidence that we have obtained, on whether the consolidated financial statements is prepared in all material respects, in compliance with the ESEF Regulation, and to issue a report that includes our opinion. The nature, timing and extent of procedures selected depend on the auditor's judgement, including the assessment of the risks of material departures from the requirement set out in the ESEF Regulation, whether due to fraud or error.

In our opinion, the consolidated financial statements of Íslandsbanki hf. for the year 2024 with the file name"549300PZMFIQR79Q0T97-2024-12-31-en.zip" is prepared, in all material respects, in compliance with the ESEF Regulation.

Report on the Report of the Board of Directors and CEO

Pursuant to the legal requirement under Article 104, Paragraph 2 of the Icelandic Financial Statements Act No. 3/2006, we confirm that, to the best of our knowledge, the report of the Board of Directors and CEO accompanying the consolidated financial statements includes the information required by the Financial Statements Act if not disclosed elsewhere in the consolidated financial statements.

The engagement partner on the audit resulting in this independent auditor's report is Hrafnhildur Helgadóttir.

Reykjavík, 13 February 2025

KPMG ehf.

Hrafnhildur Helgadóttir

Sigurjón Örn Arnarson

Consolidated Income Statement

	Notes	2024	2023
Interest income calculated using the effective interest rate method		135,278	126,095
Other interest income		6,064	11,047
Interest expense		(94,077)	(88,531)
Net interest income	7	47,265	48,611
Fee and commission income		18,944	18,591
Fee and commission expense*		(5,822)	(5,308)
Net fee and commission income	8	13,122	13,283
Net financial income (expense)	9	(338)	241
Net foreign exchange gain	10	607	581
Other operating income	11	2,282	570
Other net operating income		2,551	1,392
Total operating income		62,938	63,286
Salaries and related expenses	12	(16,329)	(15,003)
Other operating expenses*	13	(11,299)	(10,689)
Administrative fines*	14	(470)	(960)
Bank tax		(1,900)	(1,871)
Total operating expenses		(29,998)	(28,523)
Profit before net impairment on financial assets		32,940	34,763
Net impairment on financial assets	15	645	(1,015)
Profit before tax		33,585	33,748
Income tax expense	16	(9,426)	(9,198)
Profit for the year before profit from non-current assets		24,159	24,550
Profit from non-current assets held for sale, net of tax		87	35
Profit for the year		24,246	24,585
Earnings per share			
Basic and diluted earnings per share attributable to shareholders of Íslandsbanki hf. (ISK)	17	12.53	12.34

*Comparative figures have been changed. Expenses of ISK 951 million recognised in the line item "Other operating expenses" in the 2023 Consolidated Financial Statements were restated in the line item "Fee and commission expense". Additionally, a provision of ISK 100 million recognised in the line item "Other operating expenses" in the 2023 Consolidated Financial Statements was restated in the line item "Administrative fines".

The notes on pages 21 to 87 are an integral part of these Consolidated Financial Statements.

Amounts are in ISK million

Consolidated Statement of Comprehensive Income

	2024	2023
Profit for the year	24,246	24,585
Net changes in FV of fin. liab. attributable to changes in credit risk	(746)	(5,280)
Tax related to net changes in FV of fin. liab. attrib. to changes in credit risk	328	1,077
Items that will not be reclassified to the income statement	(418)	(4,203)
Foreign currency translation	(2)	1
Net changes in fair value of debt instruments at FVOCI	240	-
Reclassification to the income statement of debt instruments at FVOCI	1	-
Changes in allowance for ECL of debt instruments at FVOCI	22	-
Tax related to debt instruments at FVOCI	(71)	-
Items that may subsequently be reclassified to the income statement	190	1
Other comprehensive expense for the year, net of tax	(228)	(4,202)
Total comprehensive income for the year	24,018	20,383

The notes on pages 21 to 87 are an integral part of these Consolidated Financial Statements.

Amounts are in ISK million

Consolidated Statement of Financial Position

	Notes	31.12.2024	31.12.2023
Assets			
Cash and balances with Central Bank	22	65,716	87,504
Loans to credit institutions	23	50,486	73,475
Bonds and debt instruments	18	142,618	161,342
Derivatives	24	5,324	5,776
Loans to customers	25	1,295,388	1,223,426
Shares and equity instruments	18	24,330	13,241
Investments in associates	27	4,701	4,051
Investment property	28	2,600	-
Property and equipment	29	5,039	6,562
Intangible assets	30	2,684	2,930
Other assets	31	7,304	3,638
Non-current assets held for sale		1,617	749
Total Assets		1,607,807	1,582,694
Liabilities			
Deposits from Central Bank and credit institutions	32	12,535	16,149
Deposits from customers	33	926,846	850,709
Derivative instruments and short positions	24	7,306	5,090
Debt issued and other borrowed funds	35	367,586	417,573
Subordinated loans	36	31,695	38,155
Tax liabilities	38	12,916	13,107
Other liabilities	39	21,568	17,218
Total Liabilities		1,380,452	1,358,001
Equity			
Share capital		9,473	9,898
Share premium		55,000	55,000
Reserves		7,102	5,083
Retained earnings		155,780	154,712
Total Equity		227,355	224,693
Total Liabilities and Equity		1,607,807	1,582,694

The notes on pages 21 to 87 are an integral part of these Consolidated Financial Statements.

Amounts are in ISK million

Consolidated Statement of Changes in Equity

	Share capital	Share premium	Reserves: Statutory reserve	Reserves: Restricted reserves	Reserves: Liability credit risk reserve	Reserves: Foreign currency translation reserve	Retained earnings	Total equity
Equity as at 1 January 2023	10,000	55,000	2,500	4,870	1,786	2	144,716	218,874
Profit for the year							24,585	24,585
Net changes in fair value of financial liabilities attributable to changes in credit risk					(4,516)		(764)	(5,280)
Tax related to net changes in fair value of financial liabilities attributable to changes in credit risk					903		174	1,077
Foreign currency translation						1		1
Total comprehensive income (expense) for the year	-	-	-	-	(3,613)	1	23,995	20,383
Dividends							(12,254)	(12,254)
Purchase of treasury shares	(102)						(2,208)	(2,310)
Restricted due to capitalised development costs				(290)			290	-
Restricted due to fair value changes				(309)			309	-
Restricted due to associates				136			(136)	-
Equity as at 31 December 2023	9,898	55,000	2,500	4,407	(1,827)	3	154,712	224,693

The notes on pages 21 to 87 are an integral part of these Consolidated Financial Statements.

Amounts are in ISK million

Consolidated Statement of Changes in Equity

	Share capital	Share premium	Reserves: Statutory reserve	Reserves: Restricted reserves	Reserves: Liability credit risk reserve	Reserves: Foreign currency translation reserve	Retained earnings	Total equity
Equity as at 1 January 2024	9,898	55,000	2,500	4,407	(1,827)	3	154,712	224,693
Profit for the year							24,246	24,246
Net changes in fair value of financial liabilities attributable to changes in credit risk					2,115		(2,861)	(746)
Tax related to net changes in fair value of financial liabilities attributable to changes in credit risk					(423)		751	328
Foreign currency translation						(2)		(2)
Net changes in fair value of debt instruments at FVOCI				240				240
Reclassification to the income statement of debt instruments at FVOCI				1				1
Changes in allowance for expected credit losses of debt instruments at FVOCI				22				22
Tax related to debt instruments at FVOCI				(71)				(71)
Total comprehensive income (expense) for the year	-	-	-	192	1,692	(2)	22,136	24,018
Dividends							(12,303)	(12,303)
Purchase of treasury shares	(425)						(8,628)	(9,053)
Restricted due to capitalised development costs				(291)			291	-
Restricted due to fair value changes				302			(302)	-
Restricted due to associates				126			(126)	-
Equity as at 31 December 2024	9,473	55,000	2,500	4,736	(135)	1	155,780	227,355

The Bank's authorised and issued share capital consists of 2,000 million ordinary shares with a par value of ISK 5 each. Íslandsbanki bought back approximately 85.0 million own shares for ISK 9,053 million during 2024 (2023: 20.4 million own shares for ISK 2,310 million). At year-end the Bank owned 105.4 million own shares (year-end 2023: 20.4 million). The Annual General Meeting (AGM) for the 2023 operating year took place on 21 March 2024. During the AGM, shareholders approved the Board's proposal to distribute dividends of ISK 12,300 million, equivalent to ISK 6.26 per share (2023: ISK 6.15 per share). The dividends were paid on 2 April 2024.

Upon derecognition (mainly repurchases) of financial liabilities designated at FVTPL the amount accumulated in liability credit risk reserve is transferred to retained earnings. In 2024 negative ISK 2,110 million (2023: negative ISK 590 million) were transferred to retained earnings at derecognition of financial liabilities designated at FVTPL.

The notes on pages 21 to 87 are an integral part of these Consolidated Financial Statements.

Íslandsbanki hf. Consolidated Financial Statements 2024 18 Amounts are in ISK million

Consolidated Statement of Cash Flows

	2024	2023
Profit for the year	24,246	24,585
Non-cash items included in profit for the year*	(37,278)	(33,442)
Changes in operating assets and liabilities*	26,936	11,199
Interest received	123,681	108,689
Interest paid**	(94,687)	(76,073)
Dividends received	431	286
Paid bank tax	(1,871)	(1,861)
Paid income tax and special financial activities tax	(9,414)	(7,165)
Net cash provided by operating activities	32,044	26,218
Purchase of investment property	(96)	-
Proceeds from sales of property and equipment	101	374
Purchase of property and equipment	(426)	(311)
Additions of intangible assets	(501)	(385)
Net cash used in investing activities	(922)	(322)
Proceeds from borrowings	103,756	117,497
Repayment and repurchases of borrowings	(150,752)	(180,813)
Repayment of lease liabilities	(566)	(528)
Dividends paid	(12,303)	(12,254)
Purchase of treasury shares	(9,053)	(2,310)
Net cash used in financing activities	(68,918)	(78,408)
Net decrease in cash and cash equivalents	(37,796)	(52,512)
Effects of foreign exchange rate changes	(92)	(51)
Cash and cash equivalents at the beginning of the year	86,472	139,035
Cash and cash equivalents at year-end	48,584	86,472

Reconciliation of cash and cash equivalents	Notes		
Cash on hand	22	3,621	3,653
Unrestricted balances with Central Bank	22	31,163	64,025
Bank accounts	23	13,800	18,794
Cash and cash equivalents at year-end		48,584	86,472

*For further breakdown see the following page.

**Interest is defined as having been paid when it has been deposited into the customer's account.

The Group has prepared its Consolidated Statement of Cash Flows using the indirect method. The statement is based on the net profit after tax for the year and shows the cash flows from operating, investing and financing activities and the increase or decrease in cash and cash equivalents during the year.

The notes on pages 21 to 87 are an integral part of these Consolidated Financial Statements.

Amounts are in ISK million

Consolidated Statement of Cash Flows

Non-cash items included in profit for the year

	2024	2023
Net interest income	(47,265)	(48,611)
Unrealised fair value loss recognised in the income statement	190	2,322
Foreign exchange gain	(607)	(581)
Fair value gain on investment property	(1,310)	-
Share of profit from associates and net gain from dissolution of subsidiary	(688)	(207)
Net gain from sales of property and equipment	(24)	(219)
Depreciation, amortisation, and write-offs	1,662	1,620
Bank tax	1,900	1,871
Net impairment on financial assets	(578)	1,190
Income tax expense	9,426	9,198
Profit from non-current assets held for sale, net of tax	(87)	(35)
Other changes	103	10
Total	(37,278)	(33,442)

Changes in operating assets and liabilities

	2024	2023
Mandatory reserve and pledged balances with Central Bank	(11,106)	(9,831)
Loans to credit institutions	15,854	1,397
Bonds and debt instruments	24,319	(21,426)
Loans to customers	(68,563)	(23,058)
Shares and equity instruments	(10,528)	2,540
Other assets	(3,580)	2,442
Non-current assets held for sale	695	23
Deposits from Central Bank and credit institutions	(3,563)	888
Deposits from customers	78,098	63,077
Derivative instruments and short positions	426	(5,590)
Other liabilities	4,884	737
Total	26,936	11,199

The notes on pages 21 to 87 are an integral part of these Consolidated Financial Statements.

Amounts are in ISK million

Notes to the Consolidated Financial Statements

Notes to the Consolidated Financial Statements

1. Corporate information

Íslandsbanki hf., the parent company, was incorporated on 8 October 2008 and is a limited liability company domiciled in Iceland. The registered office is at Hagasmári 3, 201 Kópavogur, Iceland.

The Consolidated Financial Statements for the year ended 2024 comprise the financial statements of Íslandsbanki hf. ("the Bank" or "Íslandsbanki") and its subsidiaries together referred to as "the Group". The Bank's main subsidiaries are Íslandssjóðir hf. (Iceland Funds) and Allianz Ísland hf., additionally Íslandsbanki has control over six other non-significant subsidiaries. All of the Bank's subsidiaries are wholly owned.

The Group provides a wide range of financial services such as retail banking, corporate banking, investment banking, wealth management and asset financing. The Group operates mainly in the Icelandic market.

The Consolidated Financial Statements were written in English and approved and authorised for issue by the Board of Directors and the CEO of Íslandsbanki hf. on 13 February 2025. In case of discrepancy between the English version and the Icelandic translation, the English original will prevail.

2. Basis of preparation

The Consolidated Financial Statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union and additional requirements in the Act on Annual Accounts no. 3/2006, the Act on Financial Undertakings no. 161/2002 and rules on accounting for credit institutions, where applicable.

The Consolidated Financial Statements are presented in Icelandic króna (ISK), which is the functional currency of Íslandsbanki hf. All amounts presented in ISK have been rounded to the nearest million, except where otherwise indicated. At 31 December 2024 the exchange rate of the ISK against the USD was 138.20 and for the EUR 143.90 (at year-end 2023: USD 136.20 and EUR 150.50).

The Group's management has made an assessment of the Group's ability to continue as a going concern and is satisfied that the Group has the resources to continue in business for the foreseeable future. Therefore, the Consolidated Financial Statements have been prepared on a going concern basis.

Basis of measurement

The Consolidated Financial Statements are prepared on a historical cost basis with the following exemptions:

- Assets and liabilities measured at fair value: bonds and debt instruments, shares and equity instruments, investment property, short positions in listed bonds, derivative financial instruments, and certain debt issued by the Group.
- Recognised financial liabilities designated as hedged items in qualifying fair value hedge relationships are measured at amortised cost adjusted for changes in fair value attributable to the risk being hedged.
- Investments in associates are accounted for using the equity method.

3. Significant accounting estimates and judgements

In preparing these Consolidated Financial Statements management has made judgements, estimates, and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income, and expenses. Management bases its judgements on previous experience and other factors that are considered reasonable under the circumstances, but actual results may differ from those estimates. Management continuously evaluates these judgements, estimates, and assumptions. Changes in accounting estimates are recognised when they occur. Key source of estimation uncertainty is the allowance for credit losses.

3. Significant accounting estimates and judgements (continued)

Impairment of financial assets

The main assumptions used for calculating the allowance for credit losses include the following:

- Probability of default (PD), loss given default (LGD) and exposure at default (EAD)
- Macroeconomic variables for multiple scenarios built on available information
- Assessment of significant increase in credit risk (SICR)

The PD, LGD and EAD inputs used to estimate expected credit losses are modelled based on variables that are most closely related with credit losses in the relevant portfolio. This includes macroeconomic variables, demographic variables, variables related to past payment history among other variables. These variables are sourced both internally and externally. Significant judgements required for measuring expected credit loss (ECL) include the following:

- Determining criteria for assessing what constitutes a significant increase in credit risk
- Establishing the forward-looking scenarios and their relative weightings
- Choosing appropriate models and assumptions for the measurement of ECL

The All Risk Committee decides which weights of forward-looking scenarios best reflect uncertainty in economic conditions for the Group's borrowers and the ongoing uncertainty in global markets. The scenarios are usually weighted 25%-50%-25% (optimistic, base, pessimistic). However, it was determined appropriate to keep the weights at 20%-50%-30% at year-end 2024, as it had been throughout the year, as this would best represent the probability-weighted average over all possible scenarios. Management used sensitivity analysis to determine the appropriate weights for the three scenarios. According to the analysis, a shift of 5% weight from the baseline to the pessimistic scenario would increase the impairment allowance by ISK 310 million, while a 5% shift from the baseline to the optimistic scenario would decrease the allowance by ISK 130 million.

The impairment process is designed to be systematic so that it can be consistently applied. For the largest part of the loan portfolio, the Group employs an automatic process to assign facilities to stages and to estimate the ECL. For large or complex credit cases where the automatic process may not be appropriate, alternative ECL calculations, referred to as "manual impairment", can be proposed by experts. Each manual impairment is subsequently reviewed and approved or rejected by the Impairment Council. As of year-end 2024, exposure to a few counterparties amounting to ISK 7.5 billion was subject to manual impairment, with the associated ECL totalling ISK 1.5 billion (year-end 2023: ISK 19.8 billion and ISK 3.0 billion, respectively).

In addition, the Group continues to make temporary changes to the impairment model due to seismic activity on the Reykjanes peninsula. The adjustments include classifying exposures amounting to ISK 1.2 billion (year-end 2023: ISK 5.2 billion) as Stage 2 and applying higher haircuts to the values of collateral for these exposures. The Group also continues to apply a management overlay to the modelled ECL. Additional impairment allowance due to the seismic activity amounted to ISK 0.6 billion at year-end 2024 (year-end 2023: ISK 1.7 billion). Exposure and additional impairment due to the seismic activity decreased during year 2024 due to the purchase of the property company Þórkatla of residential housing within the urban area in Grindavík in accordance with Act no.16/2024 on the Purchase of Residential Property in Grindavík. In parallel, the Group derecognised the loans and recognised a claim on Þórkatla instead. The Group's claim on Þórkatla is classified as bonds and debt instruments measured at fair value through profit and loss and is therefore not subject to impairment. For further information see Note 19.

The allowance for credit losses is further discussed in Notes 25-26, in Notes 47-51 on risk management and in Note 64.3.

4. Changes to accounting policies

Amendments to IFRS standards that became effective from 1 January 2024 did not have a material impact on the Consolidated Financial Statements.

Changes to IFRS standards issued but not effective at the reporting date

Two new IFRS standards and amendments to several IFRS standards have been issued but are not yet effective. The Group did not early adopt any of them and intends to adopt them when they become effective. The Group expects only the new IFRS standard, IFRS 18 - Presentation and Disclosures in Financial statements, to have a material impact on its future Consolidated Financial Statements as a result of these changes.

IFRS 18 - Presentation and Disclosures in Financial statements will be effective from 1 January 2027 and introduces new requirements to the following:

- Presentation of specified categories and defined subtotals in the statement of profit or loss
- Provide disclosures on management-defined performance measures (MPMs) in the notes to the financial statements
- Improve aggregation and disaggeration

Notes to the Consolidated Financial Statements

5. Operating segments

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

An operating segment is a distinguishable component of the Group, for which discrete financial information is available, that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. Each operating segment is engaged in providing products or services which are subject to risk and return that are different from those of other operating segments. The accounting policies for the reportable segments are in line with the Group's accounting policies. The Group operates mainly in the Icelandic market.

The Bank has three main business segments: Personal Banking, Business Banking, and Corporate & Investment Banking. Operating segments pay and receive interest to and from Treasury to reflect the allocation of capital, funding costs, and the relevant risk premium. Capital allocation to the business units is based on the Pillar 1 regulatory capital requirement, the Pillar 2-R capital requirement calculated according to the Bank's Internal Capital Adequacy Assessment Process (ICAAP), and the combined buffer requirement as stipulated in the Act on Financial Undertakings no. 161/2002. Income tax and bank tax with breakdown for each segment is according to the current tax rates.

The Group comprises the following operating segments:

Personal Banking

Personal Banking provides comprehensive financial services to individuals, including lending, savings, and payments. Íslandsbanki's customers are increasingly managing their day-to-day banking via digital solutions such as apps, the online bank, and the secure web chat. Customers can also visit the Bank's efficient branch network for comprehensive consultancy services and contact the contact centre.

Business Banking

Business Banking provides small and medium-sized enterprises (SMEs) with comprehensive financial services, including Ergo, the Bank's asset financing service. Business Banking serves customers in business centres and branches close to their businesses. Via online banking and the app, customers have a full overview of their business, making day-to-day operations easy to manage.

Corporate & Investment Banking

Corporate & Investment Banking provides universal banking services to large companies, municipalities, institutional investors, and affluent individuals. Services include customised products and services such as lending and advisory, risk management, brokerage, and private banking services. The division services all sectors of the Icelandic economy with specialised expertise in the seafood, infrastructure, and tourism sectors. Outside of Iceland, Íslandsbanki has a special focus on the North Atlantic seafood industry, leveraging its expertise in the domestic market and global contacts.

Treasury and Proprietary Trading

Treasury is responsible for funding the Bank's operations and managing the internal pricing framework. It is also responsible for the Bank's balance sheet management and for relations with debt investors, financial institutions, stock exchanges, and rating agencies. Equity that is not allocated to business units sits within Treasury. Proprietary Trading includes equity and debt investments in the trading book and the banking book.

Cost centres

Cost centres comprise the CEO's office (Human Resources & Internal Services, Legal, Marketing & Communications, and Strategy & Sustainability), Digital & Data, Risk Management, Compliance, and Finance excluding Treasury and Proprietary Trading. Group Internal Audit is also included in cost centres; however, it is independent from the Bank, and the Chief Audit Executive reports directly to the Bank's Board of Directors.

Subsidiaries, eliminations and adjustments

Subsidiaries include Íslandssjóðir hf. (Iceland Funds), Allianz Ísland hf. and other less significant subsidiaries. All inter-company eliminations are included in the column "Eliminations & adjustments".

Following is an overview showing the Group's performance with a breakdown by operating segments.

5. Operating segments (continued)

2024	Personal Banking	Business Banking	Corporate & Investment Banking	Treasury & Proprietary Trading	Cost centres	The Bank total	Subsidiaries, eliminations & adjustments	The Group total
Net interest income (expense)	15,849	18,736	13,661	(842)	(413)	46,991	274	47,265
Net fee and commission income (expense)	3,983	2,020	4,497	(21)	(98)	10,381	2,741	13,122
Other net operating income	(19)	78	1,302	1,539	232	3,132	(581)	2,551
Total operating income	19,813	20,834	19,460	676	(279)	60,504	2,434	62,938
Salaries and related expenses	(2,763)	(2,349)	(2,273)	(324)	(7,556)	(15,265)	(1,064)	(16,329)
Other operating expenses	(2,716)	(1,304)	(1,204)	(454)	(5,452)	(11,130)	(169)	(11,299)
Administrative fines	-	-	-	-	(470)	(470)	-	(470)
Bank tax	(889)	(471)	(533)	6	(13)	(1,900)	-	(1,900)
Net impairment on financial assets	660	(984)	944	25	-	645	-	645
Cost allocation	(5,450)	(4,364)	(3,840)	536	13,118	-	-	-
Profit (loss) before tax	8,655	11,362	12,554	465	(652)	32,384	1,201	33,585
Income tax	(2,576)	(3,195)	(3,521)	61	160	(9,071)	(355)	(9,426)
Profit (loss) for the year before profit from non-current assets	6,079	8,167	9,033	526	(492)	23,313	846	24,159
Net segment revenue from external customers	20,450	23,874	30,022	(13,899)	57	60,504	2,434	62,938
Net segment revenue from other segments	(637)	(3,040)	(10,562)	14,575	(336)	-	-	-
Fee and commission income	8,307	2,244	4,741	281	(2)	15,571	3,373	18,944
Depreciation, amortisation, and write-offs	(183)	(59)	(6)	-	(1,397)	(1,645)	(17)	(1,662)
At 31 December 2024								
Loans to customers	608,766	323,824	362,692	106	-	1,295,388	-	1,295,388
Other assets	3,654	1,618	4,784	291,344	9,180	310,580	1,839	312,419
Total segment assets	612,420	325,442	367,476	291,450	9,180	1,605,968	1,839	1,607,807
Deposits from customers	486,235	277,186	147,394	18,820	-	929,635	(2,789)	926,846
Other liabilities	3,404	3,997	10,536	428,420	5,635	451,992	1,614	453,606
Total segment liabilities	489,639	281,183	157,930	447,240	5,635	1,381,627	(1,175)	1,380,452
Allocated equity	44,719	51,133	65,596	61,675	1,218	224,341	3,014	227,355
Risk exposure amount	275,836	308,573	394,601	50,434	7,108	1,036,552	4,420	1,040,972

The individual segment balance sheet positions are with external customers and exclude internal transactions, thus explaining the differences in total assets, and total liabilities and equity.

Amounts are in ISK million

5. Operating segments (continued)

2023	Personal Banking	Business Banking	Corporate & Investment Banking	Treasury & Proprietary Trading	Cost centres	The Bank total	Subsidiaries, eliminations & adjustments	The Group total
Net interest income (expense)	17,410	17,980	13,854	(475)	(365)	48,404	207	48,611
Net fee and commission income (expense)*	4,206	2,075	4,492	(8)	(36)	10,729	2,554	13,283
Other net operating income	70	90	1,284	565	374	2,383	(991)	1,392
Total operating income	21,686	20,145	19,630	82	(27)	61,516	1,770	63,286
Salaries and related expenses	(2,473)	(2,161)	(2,132)	(272)	(6,959)	(13,997)	(1,006)	(15,003)
Other operating expenses*	(2,462)	(1,063)	(978)	(505)	(5,479)	(10,487)	(202)	(10,689)
Administrative fines*	-	-	-	-	(960)	(960)	-	(960)
Bank tax	(838)	(454)	(489)	(77)	(13)	(1,871)	-	(1,871)
Net impairment on financial assets	(1,589)	(669)	1,163	80	-	(1,015)	-	(1,015)
Cost allocation	(5,225)	(4,058)	(3,569)	581	12,271	-	-	-
Profit (loss) before tax	9,099	11,740	13,625	(111)	(1,167)	33,186	562	33,748
Income tax	(2,584)	(3,170)	(3,660)	203	291	(8,920)	(278)	(9,198)
Profit (loss) for the year before profit from non-current assets	6,515	8,570	9,965	92	(876)	24,266	284	24,550
Net segment revenue from external customers*	29,136	22,696	29,365	(19,989)	308	61,516	1,770	63,286
Net segment revenue from other segments	(7,450)	(2,551)	(9,735)	20,071	(335)	-	-	-
Fee and commission income	8,116	2,262	4,648	401	-	15,427	3,164	18,591
Depreciation, amortisation, and write-offs	(179)	(57)	(2)	-	(1,368)	(1,606)	(14)	(1,620)
At 31 December 2023								
Loans to customers	574,653	311,689	336,161	923	-	1,223,426	-	1,223,426
Other assets	3,176	2,210	889	343,823	8,716	358,814	454	359,268
Total segment assets	577,829	313,899	337,050	344,746	8,716	1,582,240	454	1,582,694
Deposits from customers	406,821	251,238	172,658	22,957	-	853,674	(2,965)	850,709
Other liabilities	3,720	3,828	5,370	487,357	5,768	506,043	1,249	507,292
Total segment liabilities	410,541	255,066	178,028	510,314	5,768	1,359,717	(1,716)	1,358,001
Allocated equity	41,160	47,210	63,033	69,975	1,145	222,523	2,170	224,693
Risk exposure amount	260,760	291,509	366,761	48,148	6,930	974,108	2,924	977,032

*Expenses of ISK 951 million recognised in the line item "Other operating expenses" in the 2023 Consolidated Financial Statements were restated in the line item "Net fee and commission income (expense)". Additionally, a provision of ISK 100 million recognised in the line item "Other operating expenses" in the 2023 Consolidated Financial Statements was restated in the line item "Administrative fines".

Íslandsbanki hf. Consolidated Financial Statements 2024 26 Amounts are in ISK million

5. Operating segments (continued)

Subsidiaries, eliminations & adjustments

2024	Íslands-sjóðir hf.	Allianz Ísland hf.	Other subsidiaries	Eliminations & adjustments	Total
Net interest income	16	163	91	4	274
Net fee and commission income (expense)	1,342	1,412	(45)	32	2,741
Other net operating income	177	35	473	(1,266)	(581)
Total operating income	1,535	1,610	519	(1,230)	2,434
Salaries and related expenses	(739)	(247)	(78)	-	(1,064)
Other operating expenses	(249)	(204)	(404)	688	(169)
Profit (loss) before tax	547	1,159	37	(542)	1,201
Income tax	(115)	(236)	(4)	-	(355)
Profit for the year before profit from non-current assets	432	923	33	(542)	846
Net segment revenue from external customers	1,906	1,463	11	(946)	2,434
Net segment revenue from other segments	(371)	147	508	(284)	-
Fee and commission income	1,897	2,040	-	(564)	3,373
Depreciation, amortisation, and write-offs	-	(2)	(4)	(11)	(17)
At 31 December 2024					
Total assets	2,198	3,102	2,401	(5,862)	1,839
Total liabilities	287	1,228	59	(2,749)	(1,175)
Total equity	1,911	1,874	2,342	(3,113)	3,014

2023	Íslands-sjóðir hf.	Allianz Ísland hf.*	Other subsidiaries	Eliminations & adjustments	Total
Net interest income	11	105	89	2	207
Net fee and commission income (expense)	1,465	1,046	(30)	73	2,554
Other net operating income	74	(2)	295	(1,358)	(991)
Total operating income	1,550	1,149	354	(1,283)	1,770
Salaries and related expenses	(686)	(249)	(71)	-	(1,006)
Other operating expenses	(222)	(223)	(273)	516	(202)
Profit (loss) before tax	642	677	10	(767)	562
Income tax	(128)	(150)	-	-	(278)
Profit for the year before profit from non-current assets	514	527	10	(767)	284
Net segment revenue from external customers	1,860	1,116	7	(1,213)	1,770
Net segment revenue from other segments	(310)	33	347	(70)	-
Fee and commission income	2,021	1,651	-	(508)	3,164
Depreciation, amortisation, and write-offs	-	(2)	(3)	(9)	(14)
At 31 December 2023					
Total assets	2,284	2,330	5,517	(9,677)	454
Total liabilities	292	879	100	(2,987)	(1,716)
Total equity	1,992	1,451	5,417	(6,690)	2,170

*Comparative figures have been changed. Expenses of ISK 605 million recognised in the line item "Other operating expenses" for Allianz Ísland hf. in the 2023 Consolidated Financial Statements were restated in the line item "Net fee and commission income (expense)".

Íslandsbanki hf. Consolidated Financial Statements 2024 27 Amounts are in ISK million

Notes to the Consolidated Financial Statements

6. Quarterly statements (unaudited)

2024

	Q1	Q2	Q3	Q4	Total
Interest income calculated using the effective interest rate method	34,162	37,619	34,093	29,404	135,278
Other interest income	2,461	1,391	1,113	1,099	6,064
Interest expense	(24,501)	(26,519)	(23,429)	(19,628)	(94,077)
Fee and commission income	4,469	4,664	4,649	5,162	18,944
Fee and commission expense*	(1,459)	(1,455)	(1,353)	(1,555)	(5,822)
Net financial income (expense)	(236)	(499)	228	169	(338)
Net foreign exchange gain	196	174	124	113	607
Other operating income	1,098	45	357	782	2,282
Salaries and related expenses	(4,168)	(4,130)	(3,787)	(4,244)	(16,329)
Other operating expenses*	(2,942)	(2,916)	(2,585)	(2,856)	(11,299)
Administrative fines	-	(470)	-	-	(470)
Bank tax	(493)	(459)	(494)	(454)	(1,900)
Net impairment on financial assets	(704)	137	860	352	645
Profit before tax	7,883	7,582	9,776	8,344	33,585
Income tax expense	(2,468)	(2,403)	(2,497)	(2,058)	(9,426)
Profit for the period before profit from non-current assets held for sale	5,415	5,179	7,279	6,286	24,159
Profit (loss) from non-current assets held for sale, net of tax	2	87	1	(3)	87
Profit for the period	5,417	5,266	7,280	6,283	24,246

*Expenses of ISK 286 million for Q1, ISK 210 million for Q2, and ISK 269 million for Q3 recognised in the line item "Other operating expenses" in the Group's Interim Financial Statements of 2024 were restated in the line item "Fee and commission expense".

2023

	Q1	Q2	Q3	Q4	Total
Interest income calculated using the effective interest rate method	30,070	32,461	31,290	32,274	126,095
Other interest income	2,093	2,502	3,006	3,446	11,047
Interest expense	(19,740)	(22,351)	(22,450)	(23,990)	(88,531)
Fee and commission income	4,393	4,676	4,388	5,134	18,591
Fee and commission expense*	(1,197)	(1,266)	(1,205)	(1,640)	(5,308)
Net financial income (expense)	538	(559)	(193)	455	241
Net foreign exchange gain	244	48	176	113	581
Other operating income	43	21	248	258	570
Salaries and related expenses	(3,960)	(3,829)	(3,353)	(3,861)	(15,003)
Other operating expenses*	(2,809)	(2,680)	(2,470)	(2,730)	(10,689)
Administrative fines*	-	(860)	-	(100)	(960)
Bank tax	(462)	(485)	(522)	(402)	(1,871)
Net impairment on financial assets	(675)	1,245	(583)	(1,002)	(1,015)
Profit before tax	8,538	8,923	8,332	7,955	33,748
Income tax expense	(2,335)	(2,792)	(2,334)	(1,737)	(9,198)
Profit for the period before profit from non-current assets held for sale	6,203	6,131	5,998	6,218	24,550
Profit from non-current assets held for sale, net of tax	8	8	9	10	35
Profit for the period	6,211	6,139	6,007	6,228	24,585

*Expenses of ISK 273 million for Q1, ISK 182 million for Q2, ISK 217 million for Q3, and ISK 279 million for Q4 recognised in the line item "Other operating expenses" in 2023 were restated in the line item "Fee and commission expense". Additionally, a provision of ISK 100 million recognised in the line item "Other operating expenses" in Q4 2023 was restated in the line item "Administrative fines".

Íslandsbanki hf. Consolidated Financial Statements 2024 28 Amounts are in ISK million

7. Net interest income

	2024	2023
Cash and balances with Central Bank	4,888	5,389
Loans to credit institutions	3,042	3,236
Loans to customers	121,730	117,470
Financial assets mandatorily at fair value through other comprehensive income	5,618	-
Interest income calculated using the effective interest rate method	135,278	126,095
Financial assets mandatorily at fair value through profit or loss	6,020	11,035
Other assets	44	12
Other interest income	6,064	11,047
Deposits from Central Bank and credit institutions	(380)	(243)
Deposits from customers	(60,587)	(50,073)
Debt issued and other borrowed funds designated as at fair value through profit or loss	(1,912)	(2,470)
Debt issued and other borrowed funds at amortised cost	(21,767)	(25,829)
Subordinated loans	(3,357)	(3,214)
Lease liabilities	(76)	(79)
Other liabilities	(5,998)	(6,623)
Interest expense	(94,077)	(88,531)
Net interest income	47,265	48,611

8. Net fee and commission income

	2024	2023
Asset management	2,864	2,908
Investment banking and brokerage	3,337	3,340
Payment processing	8,390	8,072
Loans and guarantees	2,009	2,251
Other fee and commission income	2,344	2,020
Fee and commission income	18,944	18,591
Brokerage	(536)	(496)
Payment processing expenses*	(4,564)	(4,119)
Other fee and commission expense*	(722)	(693)
Fee and commission expense	(5,822)	(5,308)
Net fee and commission income	13,122	13,283

*Comparative figures have been changed. Expenses of ISK 951 million recognised in the line item "Other operating expenses" in the 2023 Consolidated Financial Statements were restated in the line item "Fee and commission expense" (ISK 272 million as "Payment processing expenses" and ISK 679 million as "Other fee and commission expense").

Fee and commission income by segment is disclosed in Note 5.

Íslandsbanki hf. Consolidated Financial Statements 2024 29 Amounts are in ISK million

Notes to the Consolidated Financial Statements

9. Net financial income (expense)

	2024	2023
Net gain on financial assets and financial liabilities mandatorily at FVTPL	166	2,610
Net loss on financial liabilities designated as at FVTPL	(580)	(2,511)
Net gain on fair value hedges	63	42
Net gain on derecognition of financial liabilities measured at amortised cost	103	170
Net loss on derecognition of financial assets measured at amortised cost	(89)	(70)
Net loss on sale of debt instruments measured at FVOCI	(1)	-
Net financial income (expense)	(338)	241

The following table shows the categorisation of the net gain on fair value hedges.

	2024	2023
Fair value changes of the hedged items attributable to the hedged risk	(1,175)	(1,539)
Fair value changes of the hedging derivatives	1,238	1,581
Net gain on fair value hedges	63	42

The following table shows the categorisation of the net financial income (expense) by type.

	2024	2023
Net loss on bonds and related derivatives	(304)	(1,062)
Net gain (loss) on shares and related derivatives	17	(537)
Dividend income	431	286
Net gain (loss) on debt issued and related derivatives	(88)	1,083
Net gain (loss) on economic hedging and other derivatives	(304)	541
Net loss on derecognition of financial assets measured at amortised cost	(89)	(70)
Net loss on sale of debt instruments measured at FVOCI	(1)	-
Net financial income (expense)	(338)	241

10. Net foreign exchange gain

	2024	2023
Cash and balances with Central Bank	(92)	(51)
Loans at amortised cost	(8,201)	(5,524)
Financial assets mandatorily at fair value through profit or loss	(3,673)	(2,153)
Financial assets mandatorily at fair value through other comprehensive income	(1,640)	-
Other assets	17	(1)
Net foreign exchange loss for assets	(13,589)	(7,729)
Deposits	2,512	2,599
Debt issued and other borrowed funds designated as at fair value through profit or loss	1,943	375
Debt issued and other borrowed funds at amortised cost	8,853	4,444
Subordinated loans	888	892
Net foreign exchange gain for liabilities	14,196	8,310
Net foreign exchange gain	607	581

Íslandsbanki hf. Consolidated Financial Statements 2024 30 Amounts are in ISK million

Notes to the Consolidated Financial Statements

11. Other operating income

	2024	2023
Fair value changes on investment property	1,310	-
Net gain from dissolution of subsidiary	38	-
Share of profit of associates, net of tax	650	207
Gain from sales of property and equipment	24	219
Legal fees	68	54
Rental income	41	63
Other net operating income	151	27
Other operating income	2,282	570

12. Personnel and salaries

	2024	2023
Salaries	12,590	11,545
Contributions to pension funds	1,916	1,734
Social security charges and financial activities tax*	1,716	1,591
Other salary-related expenses	162	133
Capitalisation of salaries and related expenses in software development	(55)	-
Salaries and related expenses	16,329	15,003

*Financial activities tax calculated on salaries is 5.5% in 2024 (2023: 5.5%).

	2024		2023	
	The Bank	The Group	The Bank	The Group
Average number of full-time equivalent positions during the year	759	799	731	770
Number of full-time equivalent positions at year-end	733	772	725	764

Total amount of paid compensation for the Board of Directors, the CEO, and the Executive Committee is specified as follows:

	2024	2023
Linda Jónsdóttir, Chairman of the Board	13.9	5.7
Stefán Pétursson, Vice-Chairman of the Board	13.1	4.4
Agnar Tómas Möller, member of the Board	9.3	6.8
Haukur Örn Birgisson, member of the Board	10.0	3.8
Helga Hlín Hákonardóttir, member of the Board	12.3	4.1
Stefán Sigurðsson, member of the Board	7.0	-
Valgerður Hrund Skúladóttir, member of the Board	7.5	3.4
Páll Grétar Steingrímsson, former member of the Board	2.8	0.3
Anna Þórðardóttir, former member of the Board	2.4	9.6
Frosti Ólafsson, former member of the Board	-	9.6
Finnur Árnason, former Chairman of the Board	-	8.3
Guðrún Þorgeirsdóttir, former Vice-Chairman of the Board	-	7.5
Ari Daníelsson, former member of the Board	-	5.1
Herdís Gunnarsdóttir, former member of the Board	0.5	2.4
Tanya Sharov, former member of the Board	-	2.1
Total salaries	78.8	73.1

Contribution to pension funds for the Board of Directors amounted to ISK 10.9 million in 2024 (2023: ISK 9.8 million).

Amounts are in ISK million

Notes to the Consolidated Financial Statements

12. Personnel and salaries (continued)

	2024		2023	
	Total salaries	Pension funds contrib.	Total salaries	Pension funds contrib.
Jón Guðni Ómarsson, CEO*	58.0	8.4	50.5	7.2
Ellert Hlöðversson, Chief Financial Officer**	51.4	7.3	-	-
Barbara Inga Albertsdóttir, Chief Compliance Officer**	38.6	5.8	6.3	0.9
Guðmundur Kristinn Birgisson, Chief Risk Officer	42.7	6.2	41.6	5.9
Kristín Hrönn Guðmundsdóttir, Managing Director of C&I Banking**	55.8	8.3	22.6	4.0
Ólöf Jónsdóttir, Managing Director of Personal Banking**	44.6	6.5	-	-
Riaan Dreyer, Managing Director of Digital & Data	48.5	7.3	44.9	6.7
Una Steinsdóttir, Managing Director of Business Banking	47.0	6.8	44.9	6.4
Sigríður Hrefna Hrafnkelsdóttir, former Managing Director	-	-	48.5	6.9
Birna Einarsdóttir, former CEO	-	-	29.7	6.4
Ásmundur Tryggvason, former Managing Director	-	-	24.0	3.3
Total	386.6	56.6	313.0	47.7

Included in total salaries are non-monetary benefits such as the use of cars owned by the Group.

As of 1 January 2017, the Bank has not had an active remuneration policy in place as stated in the Bank's compensation policy. In 2024 there were no paid performance-based salaries (2023: none) and there were no unpaid performance-based salaries at year-end 2024. There were no share-based payments in the years 2024 and 2023.

*Jón Guðni Ómarsson was appointed CEO by the Bank's Board of Directors on 28 June 2023. Jón Guðni served as CFO until year-end 2023.

**On 1 January 2024 Ellert Hlöðversson assumed the position of Chief Financial Officer. On 1 November 2023 Barbara Inga Albertsdóttir was appointed Chief Compliance Officer. On 1 July 2023 Kristín Hrönn Guðmundsdóttir was appointed Managing Director of Corporate & Investment Banking. On 1 February 2024 Ólöf Jónsdóttir assumed the position of Managing Director of Personal Banking.

Amounts are in ISK million

13. Other operating expenses

	2024	2023
Professional services*	1,816	1,988
Software and IT expenses*	4,839	4,387
Real estate and office equipment	678	654
Depreciation, amortisation, and write-offs	1,662	1,620
Other administrative expenses*	2,304	2,040
Other operating expenses	11,299	10,689

*Comparative figures have been changed. Expenses of ISK 605 million recognised in the line item "Professional services" and expenses of ISK 346 million recognised in the line item "Software and IT expenses" in the 2023 Consolidated Financial Statements were restated in the line item "Fee and commission expense". A provision of ISK 100 million recognised in the line item "Other administrative expenses" in the 2023 Consolidated Financial Statements was restated in the line item "Administrative fines".

Auditors' fees

Audit of the financial statements	131	105
Review of interim financial statements	25	22
Other services	3	10
Auditors' fees	159	137

14. Administrative fines

In the autumn of 2022, the Financial Supervisory Authority of the Central Bank of Iceland (FSA) conducted an on-site inspection of the Bank's anti-money laundering (AML) measures as part of its supervision of regulatory compliance in the banking sector. The FSA identified certain shortcomings in relation to the Bank's AML measures. On 31 May 2024, the Bank announced that the Board of Directors accepted the FSA's offer to conclude the matter with a settlement agreement (the Settlement Agreement).

The Settlement Agreement provides that the Bank accepts the FSA's conclusion that the Bank's shortcomings were numerous and related to various fundamentals in the Bank's AML control framework. Furthermore, the breaches were deemed significant and, to some extent, a reiteration of previous FSA observations in 2021. By entering into the Settlement Agreement, the Bank committed to carrying out appropriate remedial actions. The Bank has strengthened its regulatory infrastructure and overall governance.

Under the terms of the Settlement Agreement, the Bank agreed to pay a fine amounting to ISK 570 million. The Bank recognised a provision of ISK 100 million in connection with the preliminary findings from the FSA's inspection of the Bank's AML measures in the 2023 Consolidated Financial Statements. In 2024, a charge of ISK 470 million was recorded in relation to this matter.

In 2023, a charge of ISK 860 million was recorded in relation to the Settlement Agreement with the FSA concerning the Bank's execution of the offering by the Icelandic State of a 22.5% stake in the share capital of Íslandsbanki, which took place in March 2022.

15. Net impairment on financial assets

	2024	2023
Net change in expected credit losses, on-balance sheet items	371	(1,168)
Net change in expected credit losses, off-balance sheet items	274	153
Net impairment on financial assets	645	(1,015)

Íslandsbanki hf. Consolidated Financial Statements 2024 33 Amounts are in ISK million

16. Income tax expense

Recognised income tax is based on applicable tax laws. The income tax rate for legal entities in 2024 is 21% (2023: 20%). Special financial activities tax is calculated as 6% of the Bank's taxable profit exceeding ISK 1 billion in accordance with the Act on Financial Activities Tax no. 165/2011. The effective income tax rate in the Group's income statement for the year 2024 is 28.1% (2023: 27.3%).

	2024	2023
Current tax expense excluding tax from non-current assets held for sale	8,128	7,548
Special financial activities tax	2,164	2,083
Adjustments in prior years' calculated income tax	270	(191)
Changes in deferred tax assets and deferred tax liabilities	(1,136)	(242)
Income tax recognised in the income statement	9,426	9,198
Income tax recognised in other comprehensive income*	(257)	(1,077)

*Comparative figures have been changed.

	2024		2023	
Profit before tax	33,585		33,748	
Income tax calculated on the profit for the year	7,053	21.0%	6,750	20.0%
Special financial activities tax	2,164	6.4%	2,083	6.2%
Adjustments in prior years' calculated income tax	270	0.8%	(191)	(0.6%)
Income not subject to tax	(1,059)	(3.2%)	(98)	(0.3%)
Non-deductible expenses	762	2.3%	666	2.0%
Other differences	236	0.7%	(12)	0.0%
Effective income tax expense	9,426	28.1%	9,198	27.3%

The Bank is taxed jointly with its subsidiary Íslandssjóðir hf. (Iceland Funds).

17. Earnings per share

	2024	2023
Profit attributable to shareholders of the Bank	24,246	24,585
Weighted average number of outstanding shares	1,934	1,992
Basic earnings per share (ISK)	12.53	12.34

The Group's basic and diluted earnings per share are equal as the Group has not issued any options, warrants, convertibles, or other financial instruments that dilute earnings per share (2023: none).

Íslandsbanki hf. Consolidated Financial Statements 2024 34 Amounts are in ISK million

Notes to the Consolidated Financial Statements

18. Classification of financial assets and financial liabilities

At 31 December 2024	Mandatorily at FVTPL	Hedge accounting*	Mandatorily at FVOCI	Amortised cost	Carrying amount
Cash and balances with Central Bank	-	-	-	65,716	65,716
Loans to credit institutions	-	-	-	50,486	50,486
Listed bonds and debt instruments**	24,293	-	111,908	-	136,201
Listed bonds and debt instruments used for economic hedging	4,397	-	-	-	4,397
Unlisted bonds and debt instruments	2,020	-	-	-	2,020
Derivatives	3,223	2,101	-	-	5,324
Loans to customers	-	-	-	1,295,388	1,295,388
Listed shares and equity instruments	6,079	-	-	-	6,079
Listed shares and equity instruments used for economic hedging	15,834	-	-	-	15,834
Unlisted shares and equity instruments	2,417	-	-	-	2,417
Other financial assets	-	-	-	6,306	6,306
Total financial assets	58,263	2,101	111,908	1,417,896	1,590,168

	Mandatorily at FVTPL	Hedge accounting*	Designated as at FVTPL	Amortised cost	Carrying amount
Deposits from Central Bank and credit institutions	-	-	-	12,535	12,535
Deposits from customers	-	-	-	926,846	926,846
Derivative instruments and short positions	7,306	-	-	-	7,306
Debt issued and other borrowed funds	-	88,831	21,419	257,336	367,586
Subordinated loans	-	-	-	31,695	31,695
Other financial liabilities	-	-	-	13,530	13,530
Total financial liabilities	7,306	88,831	21,419	1,241,942	1,359,498

*For further information on hedge accounting see Notes 24 and 35.

**Listed bonds and debt instruments in the Bank's liquidity portfolio purchased from 1 January 2024 are classified as financial assets at fair value through other comprehensive income (FVOCI). Listed bonds and debt instruments in the Bank's liquidity portfolio purchased before 1 January 2024 are classified as financial assets at fair value through profit or loss (FVTPL).

At 31 December 2023	Mandatorily at FVTPL	Hedge accounting	Designated as at FVTPL	Amortised cost	Carrying amount
Cash and balances with Central Bank	-	-	-	87,504	87,504
Loans to credit institutions	-	-	-	73,475	73,475
Listed bonds and debt instruments	157,592	-	-	-	157,592
Listed bonds and debt instruments used for economic hedging	3,750	-	-	-	3,750
Derivatives	5,776	-	-	-	5,776
Loans to customers	-	-	-	1,223,426	1,223,426
Listed shares and equity instruments	2,342	-	-	-	2,342
Listed shares and equity instruments used for economic hedging	8,997	-	-	-	8,997
Unlisted shares and equity instruments	1,902	-	-	-	1,902
Other financial assets	-	-	-	2,846	2,846
Total financial assets	180,359	-	-	1,387,251	1,567,610
Deposits from Central Bank and credit institutions	-	-	-	16,149	16,149
Deposits from customers	-	-	-	850,709	850,709
Derivative instruments and short positions	5,051	39	-	-	5,090
Debt issued and other borrowed funds	-	45,126	92,645	279,802	417,573
Subordinated loans	-	-	-	38,155	38,155
Other financial liabilities	-	-	-	8,879	8,879
Total financial liabilities	5,051	45,165	92,645	1,193,694	1,336,555

Amounts are in ISK million

19. Fair value information for financial instruments

Financial instruments carried at fair value

The fair value of a financial instrument is the transaction price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Where a market price is not readily available, the Group applies valuation techniques based on estimates and assumptions that are consistent with that which market participants would use in setting a price for the financial instrument.

The following table shows financial instruments carried at fair value at 31 December 2024 categorised into three levels of fair value hierarchy that reflect the type of inputs used in making the fair value measurements. The different levels have been defined as follows:

Level 1: Inputs that are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2: Valuation techniques based on observable inputs other than the quoted prices included in Level 1, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Valuation techniques based on significant unobservable inputs, e.g. internal assumptions.

At 31 December 2024	Level 1	Level 2	Level 3	Total
Bonds and debt instruments	140,598	-	2,020	142,618
Derivatives	-	5,324	-	5,324
Shares and equity instruments	21,913	-	2,417	24,330
Total financial assets	162,511	5,324	4,437	172,272
Short positions	130	-	-	130
Derivative instruments	-	7,176	-	7,176
Debt issued and other borrowed funds designated as at FVTPL	21,419	-	-	21,419
Total financial liabilities	21,549	7,176	-	28,725

At 31 December 2023	Level 1	Level 2	Level 3	Total
Bonds and debt instruments	161,342	-	-	161,342
Derivatives	-	5,776	-	5,776
Shares and equity instruments	11,339	-	1,902	13,241
Total financial assets	172,681	5,776	1,902	180,359
Short positions	640	-	-	640
Derivative instruments	-	4,450	-	4,450
Debt issued and other borrowed funds designated as at FVTPL	92,645	-	-	92,645
Total financial liabilities	93,285	4,450	-	97,735

Íslandsbanki hf. Consolidated Financial Statements 2024 36 Amounts are in ISK million

19. Fair value information for financial instruments (continued)

Changes in Level 3 financial instruments measured at fair value	Bonds and debt instruments	Shares and equity instruments	Total
Fair value at 1 January 2024	-	1,902	1,902
Purchases and share capital increase	-	320	320
Transfers from loans to customers*	2,189	-	2,189
Net gain (loss) on financial instruments recognised in the income statement	(169)	195	26
Fair value at 31 December 2024	2,020	2,417	4,437

*Transfers from loans to customers are due to the Bank's claim on the property company Þórkatla. Þórkatla purchased residential housing within the urban area in Grindavík in accordance with Act no. 16/2024 on the Purchase of Residential Property in Grindavík in 2024. In parallel, the Bank derecognised the loans and recognised a claim on Þórkatla instead. Since there is significant uncertainty regarding the recoverability of interest, earned interest is not recognised on the claim on Þórkatla. The nominal value, including accrued interest, of the claim was ISK 3,422 million at 31 December 2024. The claim on Þórkatla is highly sensitive to changes in fair value measurement inputs and is therefore included in the sensitivity analysis for Level 3 financial instruments.

	Bonds and debt instruments	Shares and equity instruments	Total
Fair value at 1 January 2023	2,032	2,245	4,277
Sales and share capital decrease	(2,188)	(380)	(2,568)
Purchases and share capital increase	-	52	52
Net gain (loss) on financial instruments recognised in profit or loss	156	(15)	141
Fair value at 31 December 2023	-	1,902	1,902

Sensitivity analysis for Level 3 financial instruments

The valuations of Level 3 financial instruments are in general uncertain and subject to various factors. The favourable and unfavourable scenarios can be considered as being likely movements in valuation within a year. The very favourable and very unfavourable scenarios are considered less likely, but not impossible and are not worst-case scenarios for some of the financial instruments.

The following table illustrates how profit before tax would have been affected if one or more of the inputs for the fair value measurement were changed for Level 3 financial instruments that are highly sensitive to changes in fair value measurement inputs. Significant unobservable inputs used in the valuation of Level 3 financial instruments include discount rates, the estimated value of Þórkatla's residential housing, the estimated rental income of Þórkatla's residential housing, operating cost of Þórkatla's residential housing, and the expected price of certain industrial materials.

	31.12.2024	31.12.2023
Very favourable	2,958	904
Favourable	1,648	217
Unfavourable	(794)	(187)
Very unfavourable	(1,700)	(217)

Amounts are in ISK million

20. Financial instruments not carried at fair value

Assets

The fair value of "Loans to customers" may differ from their net carrying amount because the interest rates they carry may not reflect the interest rates that similar new loans would carry. The fair value is estimated by subtracting from or adding to the net carrying amount of the loans the discounted interest rate difference calculated from the reporting date until the next interest reset or maturity, whichever comes first. Since the interest rate difference is estimated using internal models these assets are classified as Level 3.

For "Cash and balances with Central Bank", "Loans to credit institutions" and "Other financial assets" the fair value is adequately approximated by the carrying amount as they are short-term in nature. They are thus classified as Level 2.

Liabilities

The fair value of a financial liability with a demand feature, such as a demand deposit, is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid. Most deposits are on demand or carry floating interest rates and as such their carrying amount is considered a good approximation of their fair value. The fair value for longer term fixed rate deposits is calculated with a duration approach, using the difference in each liability's current interest rate from the rate that a similar deposit would carry today. All deposits are classified as Level 2 based on the use of observable market interest rates to estimate the fair value.

Observed market value is used for the fair value of "Debt issued and other borrowed funds" where it is available. Issued bonds and bills with quoted market prices are classified as Level 1. If there is no quoted market price the fair value of the debt is valued in the same manner as deposits if it carries a fixed rate. If the debt carries a floating rate its fair value is estimated by comparing the margin with the Group's current funding premium on similar debt. These liabilities are classified as Level 2. The funding premium is based on the interest margin in the Group's issued papers including covered bonds, commercial papers as well as foreign currency denominated bonds.

Other financial liabilities mainly include unsettled securities transactions and payments due to leasing contracts and they are classified as Level 2 since their value is not observable from active market prices. Due to the short-term nature of these liabilities their carrying amount is considered a good approximation of their fair value.

The following table shows the fair value measurement and classification of the Group's assets and liabilities not carried at fair value. The different levels are defined in Note 19.

At 31 December 2024	Level 1	Level 2	Level 3	Total fair value	Carrying amount
Cash and balances with Central Bank	-	65,716	-	65,716	65,716
Loans to credit institutions	-	50,486	-	50,486	50,486
Loans to customers	-	-	1,284,043	1,284,043	1,295,388
Other financial assets	-	6,306	-	6,306	6,306
Total financial assets	-	122,508	1,284,043	1,406,551	1,417,896
Deposits from Central Bank and credit institutions	-	12,535	-	12,535	12,535
Deposits from customers	-	926,805	-	926,805	926,846
Debt issued and other borrowed funds	240,465	11,918	-	252,383	257,336
Subordinated loans	31,391	-	-	31,391	31,695
Other financial liabilities	-	13,530	-	13,530	13,530
Total financial liabilities	271,856	964,788	-	1,236,644	1,241,942

At 31 December 2023	Level 1	Level 2	Level 3	Total fair value	Carrying amount
Cash and balances with Central Bank	-	87,504	-	87,504	87,504
Loans to credit institutions	-	73,475	-	73,475	73,475
Loans to customers	-	-	1,207,465	1,207,465	1,223,426
Other financial assets	-	2,846	-	2,846	2,846
Total financial assets	-	163,825	1,207,465	1,371,290	1,387,251
Deposits from Central Bank and credit institutions	-	16,148	-	16,148	16,149
Deposits from customers	-	850,729	-	850,729	850,709
Debt issued and other borrowed funds	244,967	28,077	-	273,044	279,802
Subordinated loans	37,414	-	-	37,414	38,155
Other financial liabilities	-	8,879	-	8,879	8,879
Total financial liabilities	282,381	903,833	-	1,186,214	1,193,694

Amounts are in ISK million

Notes to the Consolidated Financial Statements

21. Offsetting financial assets and financial liabilities

The following tables show reconciliation of financial assets and financial liabilities which are subject to offsetting, enforceable master netting agreements and similar agreements.

At 31 December 2024, and at year-end 2023, no netting occurred between financial assets and liabilities subject to enforceable master netting agreements and comparable arrangements, resulting in no offsetting.

Derivatives	31.12.2024	31.12.2023
Financial assets	5,324	5,776
Amounts not set off but subject to master netting arrangements and similar agreements	(4,701)	(4,404)
- Financial liabilities	(1,763)	(715)
- Cash collateral received	(2,937)	(3,589)
- Financial instruments collateral received	(1)	(100)
Net amount after consideration of potential effect of netting arrangements	623	1,372

Derivative instruments and short positions	31.12.2024	31.12.2023
Financial liabilities	7,306	5,090
Amounts not set off but subject to master netting arrangements and similar agreements	(3,485)	(2,794)
- Financial assets	(1,763)	(715)
- Cash collateral pledged	(1,722)	(2,079)
Net amount after consideration of potential effect of netting arrangements	3,821	2,296

22. Cash and balances with Central Bank

	31.12.2024	31.12.2023
Cash on hand	3,621	3,653
Unrestricted balances with Central Bank	31,163	64,025
Cash and unrestricted balances with Central Bank	34,784	67,678
Balances pledged as collateral to Central Bank	814	484
Mandatory reserve deposits with Central Bank	30,118	19,342
Cash and balances with Central Bank	65,716	87,504

23. Loans to credit institutions

	31.12.2024	31.12.2023
Money market loans	33,828	53,882
Bank accounts	13,800	18,794
Other loans	2,858	799
Loans to credit institutions	50,486	73,475

Íslandsbanki hf. Consolidated Financial Statements 2024 39 Amounts are in ISK million

24. Derivative instruments and short positions

At 31 December 2024	Assets	Notional values related to assets	Liabilities	Notional values related to liabilities
Interest rate swaps	4,013	155,075	1,663	108,054
Cross-currency interest rate swaps	23	2,444	1,006	17,147
Equity forwards	594	3,327	1,525	11,530
Foreign exchange forwards	12	2,232	1,027	26,771
Foreign exchange swaps	494	47,351	1,948	40,530
Bond forwards	188	5,423	7	1,075
Derivatives	5,324	215,852	7,176	205,107
Short positions in listed bonds	-	-	130	138
Total	5,324	215,852	7,306	205,245

At 31 December 2023	Assets	Notional values related to assets	Liabilities	Notional values related to liabilities
Interest rate swaps	3,028	79,824	2,587	106,045
Cross-currency interest rate swaps	1,066	22,028	53	4,587
Equity forwards	350	1,463	494	7,507
Foreign exchange forwards	300	16,824	397	17,052
Foreign exchange swaps	888	32,776	891	42,192
Bond forwards	144	2,273	28	2,208
Derivatives	5,776	155,188	4,450	179,591
Short positions in listed bonds	-	-	640	663
Total	5,776	155,188	5,090	180,254

The Group uses derivatives to hedge currency exposure, interest rate risk in the banking book as well as inflation risk. The Group carries relatively low indirect exposure due to margin trading with clients and the Group holds collaterals for possible losses. Other derivatives in the Group held for trading or for other purposes are insignificant.

Short positions are in Icelandic Government bonds and bonds issued by municipalities, banks, and public companies. As a primary dealer the Group has access to securities lending facilities provided by the Central Bank and other issuers. Majority of the securities lending facilities have a maturity of less than a year.

The Group applies hedge accounting only with respect to certain EUR denominated interest rate swaps, whereby the Group pays floating rate interest and receives fixed rate interest. The interest rate swaps are hedging the exposure of changes in the fair value of certain fixed-rate EUR denominated bonds (see Note 35) arising from changes in EURIBOR benchmark interest rates. The Group applies fair value hedge accounting to the hedging relationships and for the purpose of evaluating whether the hedging relationship is expected to be highly effective, the Group assumes that the benchmark interest rate is not altered as a result of IBOR reform. At 31 December 2024 the total fair value of the interest rate swaps in the hedging relationship was positive and amounted to ISK 2,101 million (2023: negative ISK 39 million) and their total notional amount was ISK 86,340 million (2023: ISK 45,150 million).

Íslandsbanki hf. Consolidated Financial Statements 2024 40 Amounts are in ISK million

25. Loans to customers

At 31 December 2024	Gross carrying amount Stage 1	Stage 2	Stage 3	Expected credit losses Stage 1	Stage 2	Stage 3	Net carrying amount
Individuals	611,882	7,811	7,187	(740)	(224)	(654)	625,262
Commerce and services	162,208	21,527	2,669	(735)	(292)	(710)	184,667
Construction	94,630	1,248	608	(801)	(30)	(97)	95,558
Energy	11,852	7	-	(59)	-	-	11,800
Financial services	733	-	1	(19)	-	-	715
Industrial and transportation	77,087	1,438	5,219	(213)	(37)	(1,071)	82,423
Investment companies	38,526	4,584	369	(367)	(58)	(94)	42,960
Public sector and non-profit organisations	20,115	345	6	(15)	(1)	(2)	20,448
Real estate	148,981	1,978	5,422	(423)	(328)	(717)	154,913
Seafood	74,656	2,113	6	(124)	(5)	(4)	76,642
Loans to customers	1,240,670	41,051	21,487	(3,496)	(975)	(3,349)	1,295,388

At 31 December 2023	Gross carrying amount Stage 1	Stage 2	Stage 3	Expected credit losses Stage 1	Stage 2	Stage 3	Net carrying amount
Individuals	580,591	11,117	6,483	(1,407)	(1,539)	(614)	594,631
Commerce and services	167,219	14,416	3,335	(1,000)	(538)	(624)	182,808
Construction	77,720	2,986	402	(833)	(118)	(58)	80,099
Energy	7,624	393	-	(67)	(12)	-	7,938
Financial services	214	-	1	(1)	-	-	214
Industrial and transportation	67,612	1,869	9,156	(225)	(69)	(2,541)	75,802
Investment companies	41,219	5,131	345	(639)	(81)	(44)	45,931
Public sector and non-profit organisations	18,466	30	4	(16)	(7)	(1)	18,476
Real estate	138,571	4,252	2,529	(496)	(355)	(328)	144,173
Seafood	73,259	193	17	(104)	(8)	(3)	73,354
Loans to customers	1,172,495	40,387	22,272	(4,788)	(2,727)	(4,213)	1,223,426

26. Expected credit losses

Total allowances for expected credit losses

	Stage 1	Stage 2	Stage 3	Total
Cash and balances with Central Bank	17	-	-	17
Loans to credit institutions	47	-	-	47
Loans to customers	3,496	975	3,349	7,820
Other financial assets	42	4	-	46
Off-balance sheet loan commitments and financial guarantees	565	32	314	911
At 31 December 2024	4,167	1,011	3,663	8,841
Cash and balances with Central Bank	18	-	-	18
Loans to credit institutions	90	-	-	90
Loans to customers	4,788	2,727	4,213	11,728
Other financial assets	4	4	-	8
Off-balance sheet loan commitments and financial guarantees	916	106	162	1,184
At 31 December 2023	5,816	2,837	4,375	13,028

Íslandsbanki hf. Consolidated Financial Statements 2024 41 Amounts are in ISK million

Notes to the Consolidated Financial Statements

26. Expected credit losses (continued)

The following tables reconcile the opening and closing balances for accumulated expected credit losses for loans to customers, and off-balance sheet loan commitments and financial guarantees.

Loans to customers

	Stage 1	Stage 2	Stage 3	Total
At 1 January 2024	4,788	2,727	4,213	11,728
Transfer to Stage 1	1,537	(1,347)	(190)	-
Transfer to Stage 2	(616)	966	(350)	-
Transfer to Stage 3	(161)	(658)	819	-
Net remeasurement of loss allowance	(4,021)	1,309	(19)	(2,731)
New financial assets originated or purchased	3,100	419	1,229	4,748
Derecognitions and maturities	(1,130)	(2,440)	(2,077)	(5,647)
Write-offs*	(1)	(1)	(592)	(594)
Recoveries of amounts previously written off	-	-	68	68
Foreign exchange	-	-	(124)	(124)
Unwinding of interest	-	-	372	372
At 31 December 2024	3,496	975	3,349	7,820

*During the year financial assets amounting to ISK 560 million were written off but are still subject to enforcement activity.

	Stage 1	Stage 2	Stage 3	Total
At 1 January 2023	4,636	2,235	4,261	11,132
Transfer to Stage 1	1,747	(1,505)	(242)	-
Transfer to Stage 2	(893)	1,076	(183)	-
Transfer to Stage 3	(173)	(454)	627	-
Net remeasurement of loss allowance	(2,998)	1,213	374	(1,411)
New financial assets originated or purchased	3,278	292	1,010	4,580
Derecognitions and maturities	(809)	(129)	(1,031)	(1,969)
Write-offs*	-	(1)	(1,014)	(1,015)
Recoveries of amounts previously written off	-	-	160	160
Foreign exchange	-	-	(62)	(62)
Unwinding of interest	-	-	313	313
At 31 December 2023	4,788	2,727	4,213	11,728

*During the year financial assets amounting to ISK 888 million were written off but are still subject to enforcement activity.

Off-balance sheet loan commitments and financial guarantees

	Stage 1	Stage 2	Stage 3	Total
At 1 January 2024	916	106	162	1,184
Transfer to Stage 1	119	(94)	(25)	-
Transfer to Stage 2	(15)	24	(9)	-
Transfer to Stage 3	(15)	(14)	29	-
Net remeasurement of loss allowance	(842)	(6)	(52)	(900)
New loan commitments and financial guarantees	565	35	467	1,067
Derecognitions and maturities	(163)	(19)	(258)	(440)
At 31 December 2024	565	32	314	911

	Stage 1	Stage 2	Stage 3	Total
At 1 January 2023	869	242	227	1,338
Transfer to Stage 1	491	(373)	(118)	-
Transfer to Stage 2	(112)	146	(34)	-
Transfer to Stage 3	(15)	(13)	28	-
Net remeasurement of loss allowance	(742)	124	353	(265)
New loan commitments and financial guarantees	693	74	59	826
Derecognitions and maturities	(268)	(94)	(353)	(715)
At 31 December 2023	916	106	162	1,184

Íslandsbanki hf. Consolidated Financial Statements 2024 42 Amounts are in ISK million

27. Investments in associates

		31.12.2024	31.12.2023
Reiknistofa bankanna hf., an IT service centre company, Dalvegur 30, 201 Kópavogur	Iceland	30.1%	30.1%
Norðurturninn hf., a rental company of commercial real estate, Borgartún 26, 105 Reykjavík	Iceland	43.3%	43.3%

Norðurturninn hf. shares are divided into two categories, Class A shares and Class B shares. Class B shares hold all the voting rights and receive all dividends up to ISK 3,755 million (CPI-linked, based on the CPI in December 2024). After Class B shareholders have received that amount the class is then suspended, and Class A shares receive all the voting rights and the rights to dividend payments. Íslandsbanki owns 43.3% of Class B shares and 65.0% of Class A shares. Norðurturninn owns the real estate Hagasmári 3, where the Bank is the principal lessee and rents over half the building for its headquarters.

	2024	2023
Investments in associates at the beginning of the year	4,051	3,844
Share of profit of associates	650	207
Investments in associates at year-end	4,701	4,051

Summarised financial information in respect of the Group's associates is set out below:

	2024	2023
Revenue	6,786	6,613
Profit	1,175	439
Assets	18,404	17,141
Liabilities	(9,028)	(8,194)
Net assets	9,376	8,947
Group's share of net assets of associates	4,701	4,051

28. Investment property

At 1 January 2024	-
Transfer from property and equipment	1,194
Additions during the year	96
Fair value changes	1,310
At 31 December 2024	2,600

Kirkjusandur 2, the Bank's former headquarters, was reclassified from property and equipment to investment property during the first quarter of 2024. The Group measures investment property at fair value. The fair value measurement of investment property uses significant unobservable inputs and is thus classified as Level 3 in the fair value hierarchy. The fair value of investment property is based on external valuations from an independent valuer in addition to internal assumptions. Significant unobservable inputs used in the valuation of investment property are the estimated sale value per square metre of building rights, estimated demolition costs and a discount rate.

Íslandsbanki hf. Consolidated Financial Statements 2024 43 Amounts are in ISK million

Notes to the Consolidated Financial Statements

29. Property and equipment

At 31 December 2024	Land and buildings	Right-of-use assets: Buildings	Fixtures, equipment & vehicles	Total
Balance at the beginning of the year	3,078	5,803	3,212	12,093
Additions during the year	119	72	307	498
Disposals and write-offs during the year	(82)	(32)	(107)	(221)
Remeasurement	-	166	-	166
Transfer to investment property	(2,412)	-	-	(2,412)
Historical cost	703	6,009	3,412	10,124
Balance at the beginning of the year	(1,365)	(2,228)	(1,938)	(5,531)
Depreciation during the year	(12)	(569)	(334)	(915)
Disposals and write-offs during the year	18	32	93	143
Transfer to investment property	1,218	-	-	1,218
Accumulated depreciation	(141)	(2,765)	(2,179)	(5,085)
Carrying amount	562	3,244	1,233	5,039
Depreciation rates	0-2%	8-50%	8-33%	
Official real estate value of land and buildings	954			
Insurance value of buildings	1,894			
Insurance value of fixtures, equipment and vehicles			2,132	

At 31 December 2023	Land and buildings	Right-of-use assets: Buildings	Fixtures, equipment & vehicles	Total
Balance at the beginning of the year	3,213	5,263	3,112	11,588
Additions during the year	37	259	274	570
Disposals and write-offs during the year	(172)	-	(174)	(346)
Remeasurement	-	281	-	281
Historical cost	3,078	5,803	3,212	12,093
Balance at the beginning of the year	(1,378)	(1,712)	(1,746)	(4,836)
Depreciation during the year	(16)	(516)	(354)	(886)
Disposals and write-offs during the year	29	-	162	191
Accumulated depreciation	(1,365)	(2,228)	(1,938)	(5,531)
Carrying amount	1,713	3,575	1,274	6,562
Depreciation rates	0-2%	8-50%	8-33%	
Official real estate value of land and buildings	1,511			
Insurance value of buildings	2,613			
Insurance value of fixtures, equipment and vehicles			2,027	

Íslandsbanki hf. Consolidated Financial Statements 2024 44 Amounts are in ISK million

30. Intangible assets

At 31 December 2024	Purchased software	Developed software	Total
Balance at the beginning of the year	2,483	3,183	5,666
Additions during the year	446	55	501
Write-offs during the year	(311)	-	(311)
Historical cost	2,618	3,238	5,856
Balance at the beginning of the year	(1,039)	(1,697)	(2,736)
Amortisation during the year	(398)	(319)	(717)
Write-offs during the year	281	-	281
Accumulated amortisation	(1,156)	(2,016)	(3,172)
Carrying amount	1,462	1,222	2,684
Amortisation rates	10-33%	10-25%	

At 31 December 2023	Purchased software	Developed software	Total
Balance at the beginning of the year	2,249	3,183	5,432
Additions during the year	385	-	385
Write-offs during the year	(151)	-	(151)
Historical cost	2,483	3,183	5,666
Balance at the beginning of the year	(774)	(1,379)	(2,153)
Amortisation during the year	(416)	(318)	(734)
Write-offs during the year	151	-	151
Accumulated amortisation	(1,039)	(1,697)	(2,736)
Carrying amount	1,444	1,486	2,930
Amortisation rates	10-33%	10%	

31. Other assets

	31.12.2024	31.12.2023
Receivables	2,250	1,698
Unsettled securities transactions	4,116	1,195
Prepaid expenses	648	503
Deferred tax assets	164	122
Other assets	126	120
Other assets	7,304	3,638

Íslandsbanki hf. Consolidated Financial Statements 2024 45 Amounts are in ISK million

32. Deposits from Central Bank and credit institutions

	31.12.2024	31.12.2023
Deposits from credit institutions	12,351	15,994
Repurchase agreements with Central Bank	184	155
Deposits from Central Bank and credit institutions	12,535	16,149

33. Deposits from customers

	31.12.2024	31.12.2023
Demand deposits and deposits with maturity up to 3 months	809,009	752,146
Term deposits with maturity of more than 3 months	117,837	98,563
Deposits from customers	926,846	850,709

	31.12.2024		31.12.2023	
Deposits from customers specified by owners	Amount	% of total	Amount	% of total
Central government and state-owned enterprises	12,825	1%	18,204	2%
Municipalities	10,388	1%	9,514	1%
Companies	408,994	44%	398,489	47%
Individuals	494,639	54%	424,502	50%
Deposits from customers	926,846	100%	850,709	100%

34. Pledged assets

	31.12.2024	31.12.2023
Loans to customers pledged as collateral against Covered Bonds	410,481	442,175
Cash and balances pledged as collateral against Covered Bonds	15,213	20,222
Financial assets pledged as collateral with the Central Bank	8,484	6,775
Loans to credit institutions pledged as collateral against derivative instruments	1,947	2,795
Pledged assets against liabilities	436,125	471,967
Pledged assets against Covered Bonds held by the Bank	(160,665)	(171,350)
Loans to customers pledged as collateral in repurchase agreements	-	23,656
Pledged assets against liabilities on balance	275,460	324,273

The Group has pledged assets against the issuance of Covered Bonds under Icelandic law, which are pledged on a pool of consumer mortgage loans. The Group owns Covered Bonds for its own use which accounts for a portion of the pledged assets. The carrying amount of these bonds at 31 December 2024 was ISK 133,643 million (year-end 2023: ISK 117,476 million).

The Group has also pledged assets with the Central Bank to ensure the clearing of the Icelandic payment system as well as other contracts with the Central Bank. Moreover, it has pledged cash in foreign banks and financial institutions, mainly as collateral for trades under ISDA agreements to hedge market risk.

Amounts are in ISK million

35. Debt issued and other borrowed funds

Currency and outstanding nominal	First issued	Maturity	Maturity type	Interest	31.12.2024	31.12.2023
ISB CBI 24 - ISK 0 million	2012	2024	Bullet	Fixed CPI, 3.45%	-	17,051
ISB CBI 26 - ISK 24,500 million	2015	2026	Bullet	Fixed CPI, 3.37%	36,710	35,093
ISB CB 27 - ISK 19,869 million	2020	2027	Amortising	Fixed, 2.50%	18,911	27,363
ISB CBF 27 - ISK 8,720 million	2022	2027	Bullet	REIBOR 1M + 0.40%	9,024	7,461
ISB CB - EUR 300 million*	2022	2027	Bullet	Fixed, 3.00%	43,563	45,126
ISB CBI 28 - ISK 17,044 million	2019	2028	Amortising	Fixed CPI, 2.20%	24,122	31,564
ISB CBI 29 - ISK 29,880 million	2023	2029	Bullet	Fixed CPI, 2.72%	37,758	19,596
ISB CBI 30 - ISK 23,040 million	2017	2030	Bullet	Fixed CPI, 3.00%	33,541	32,093
ISB CBI 32 - ISK 4,100 million	2024	2032	Bullet	Fixed CPI, 3.44%	4,110	-
Covered bonds					207,739	215,347
NOK 0 million	2019	2024	Bullet	Fixed, 3.95%	-	1,940
ISK 0 million	2019	2024	Amortising	REIBOR 1M + 0.90%	-	134
NOK 0 million	2021	2024	Bullet	NIBOR 3M + 0.875%	-	2,005
SEK 0 million	2021	2024	Bullet	STIBOR 3M + 0.85%	-	1,628
NOK 0 million	2021	2024	Bullet	NIBOR 3M + 0.80%	-	1,980
SEK 0 million	2021	2024	Bullet	STIBOR 3M + 0.80%	-	1,591
SEK 0 million	2022	2024	Bullet	STIBOR 3M + 4.25%	-	7,289
ISK 1,240 million	2020	2025	Bullet	Fixed, 3.50%	1,238	1,233
SEK 10 million	2021	2025	Bullet	STIBOR 3M + 1.075%	151	6,105
NOK 40 million	2021	2025	Bullet	NIBOR 3M + 1.075%	481	9,884
EUR 149 million**	2022	2025	Bullet	Fixed, 0.75%	21,419	42,868
NOK 1,400 million	2022	2025	Bullet	NIBOR 3M + 4.75%	17,277	18,916
SEK 500 million	2023	2026	Bullet	STIBOR 3M + 3.65%	6,344	6,887
EUR 0 million**	2023	2026	Bullet	Fixed, 7.375%	-	49,777
SEK 500 million	2023	2026	Bullet	STIBOR 3M + 2.70%	6,330	6,843
ISK 4,667 million	2022	2027	Amortising	REIBOR 1M + 1.25%	4,689	3,000
ISK 6,940 million	2022	2027	Bullet	Fixed, 7.70%	6,950	6,937
SEK 500 million	2024	2027	Bullet	STIBOR 3M + 2.35%	6,336	-
NOK 500 million	2024	2027	Bullet	NIBOR 3M + 2.35%	6,177	-
NOK 200 million	2024	2027	Bullet	NIBOR 3M + 1.20%	2,477	-
SEK 300 million	2024	2027	Bullet	STIBOR 3M + 1.20%	3,807	-
ISK 14,260 million	2023	2028	Bullet	Fixed CPI, 4.48%	15,039	5,031
EUR 300 million*	2024	2028	Bullet	Fixed, 4.625%	45,268	-
ISK 4,000 million	2024	2036	Bullet	Fixed CPI, 3.5%	3,904	-
Unsecured bonds					147,887	174,048
Other secured loans					-	16,459
Other unsecured loans					11,960	11,719
Other borrowed funds					11,960	28,178
Debt issued and other borrowed funds					367,586	417,573

The Group repurchased own bonds during the year amounting to ISK 89,348 million (2023: ISK 95,075 million).

*The Group applies hedge accounting to these bond issuances and uses certain EUR denominated interest rate swaps as hedging instruments (see Note 24). The interest rate swaps are hedging the exposure of the Group's changes in the fair value of these fixed-rate EUR denominated bonds arising from changes in EURIBOR benchmark interest rates. The Group applies fair value hedge accounting to the hedging relationships and for the purpose of evaluating whether the hedging relationship is expected to be highly effective, the Group assumes that the benchmark interest rate is not altered as a result of IBOR reform. At 31 December 2024 the total carrying amount of these bond issuances amounted to ISK 88,831 million and included in the amount are negative fair value changes amounting to ISK 904 million.

**These bond issuances are classified as being designated at fair value through profit or loss to eliminate accounting mismatch. At 31 December 2024 the total carrying amount of the bonds amounted to ISK 21,419 million and included in the amount are fair value changes amounting to ISK 73 million.

The Group has issued additional bonds for its own use, e.g. for the purpose of securities lending and repurchase agreements. These bond amounts are not included in the total.

Íslandsbanki hf. Consolidated Financial Statements 2024 47 Amounts are in ISK million

36. Subordinated loans

Currency and outstanding nominal	First issued	Maturity	Callable	Interest	31.12.2024	31.12.2023
SEK 0 million	2019	2029	2024	STIBOR 3M + 3.90%	-	6,761
ISK 1,500 million	2022	2033	2028	Fixed, 8.62%	1,526	1,525
ISK 9,020 million	2022	2033	2028	Fixed CPI, 4.86%	10,410	9,935
ISK 9,600 million	2023	2034	2029	Fixed CPI, 5.80%	10,388	9,915
Tier 2 subordinated loans					22,324	28,136
SEK 750 million	2021	Perpetual	2026	STIBOR 3M + 4.75%	9,371	10,019
Additional Tier 1 subordinated loans					9,371	10,019
Subordinated loans					31,695	38,155

37. Changes in liabilities arising from financing activities

			Non-cash changes			
	1.1.2024	Cash flows	Interest expense	Foreign exchange	Fair value changes	31.12.2024
Covered bonds in ISK	34,823	(8,210)	1,435	-	(113)	27,935
Covered bonds in ISK - CPI-linked	135,397	(8,595)	9,519	-	(80)	136,241
Senior unsecured bonds in ISK	11,304	547	1,026	-	-	12,877
Senior unsecured bonds in ISK - CPI-linked	5,031	12,865	1,047	-	-	18,943
Senior unsecured bonds FX	65,068	(15,309)	4,601	(5,046)	66	49,380
Senior unsecured bonds FX at fair value	92,646	(72,465)	1,912	(1,943)	1,270	21,420
Covered bonds in hedge accounting	45,126	(1,370)	1,379	(1,967)	395	43,563
Senior unsecured bonds in hedge accounting	-	44,834	1,622	(1,968)	780	45,268
Other borrowed funds	28,178	(17,485)	1,138	128	-	11,959
Subordinated loans	38,155	(8,952)	3,357	(888)	23	31,695
Total	455,728	(74,140)	27,036	(11,684)	2,341	399,281

			Non-cash changes			
	1.1.2023	Cash flows	Interest expense	Foreign exchange	Fair value changes	31.12.2023
Covered bonds in ISK	69,273	(36,896)	2,665	-	(219)	34,823
Covered bonds in ISK - CPI-linked	137,169	(16,816)	15,072	-	(28)	135,397
Senior unsecured bonds in ISK	10,575	(189)	918	-	-	11,304
Senior unsecured bonds in ISK - CPI-linked	-	5,020	11	-	-	5,031
Senior unsecured bonds FX	69,360	(5,121)	4,447	(3,695)	77	65,068
Senior unsecured bonds FX at fair value	83,437	(677)	2,470	(375)	7,791	92,646
Covered bonds in hedge accounting	43,875	(1,320)	1,373	(335)	1,533	45,126
Senior unsecured bonds in hedge accounting	5,703	(5,831)	9	113	6	-
Other borrowed funds	48,878	(21,507)	1,334	(527)	-	28,178
Subordinated loans	34,392	1,441	3,214	(892)	-	38,155
Total	502,662	(81,896)	31,513	(5,711)	9,160	455,728

Amounts are in ISK million

38. Tax assets and tax liabilities

	31.12.2024 Assets	31.12.2024 Liabilities	31.12.2023 Assets	31.12.2023 Liabilities
Current tax	-	11,622	-	11,163
Deferred tax assets and tax liabilities	164	1,294	122	1,944
Tax in the balance sheet	164	12,916	122	13,107

	Assets	Liabilities
Deferred tax assets and tax liabilities 1.1.2023	116	3,086
Calculated income tax for 2023	6	7,184
Income tax payable in 2024	-	(7,423)
- thereof income tax recognised in other comprehensive income	-	173
Changes in deferred tax assets and deferred tax liabilities due to equity	-	(903)
Deferred tax assets and tax liabilities 31.12.2023	122	1,944
Calculated income tax for 2024	42	7,287
Income tax payable in 2025	-	(8,381)
- thereof income tax recognised in other comprehensive income	-	702
Changes in deferred tax assets and deferred tax liabilities due to equity	-	444
Deferred tax assets and tax liabilities 31.12.2024	164	1,294

2024	Net balance at 1 January	Recognised in profit or loss	Recognised in equity	Balance at 31 December Net	Deferred tax assets	Deferred tax liabilities
Property and equipment	(855)	87	-	(768)	-	(768)
Intangible assets	(385)	88	-	(297)	-	(297)
Assets and liabilities in foreign currency	(424)	100	-	(324)	-	(324)
Deferred foreign exchange difference	(827)	(117)	-	(944)	-	(944)
Derivatives	(235)	508	-	273	273	-
Lease liabilities	741	(67)	-	674	674	-
Debt issued and other borrowed funds	41	529	(444)	126	126	-
Other items	122	8	-	130	130	-
	(1,822)	1,136	(444)	(1,130)	1,203	(2,333)
Set-off of deferred tax assets together with liabilities of the same taxable entities					(1,039)	1,039
Deferred tax assets and tax liabilities	(1,822)	1,136	(444)	(1,130)	164	(1,294)

2023	Net balance at 1 January	Recognised in profit or loss	Recognised in equity	Balance at 31 December Net	Deferred tax assets	Deferred tax liabilities
Property and equipment	(876)	21	-	(855)	-	(855)
Intangible assets	(456)	71	-	(385)	-	(385)
Assets and liabilities in foreign currency	(479)	55	-	(424)	-	(424)
Deferred foreign exchange difference	(837)	10	-	(827)	-	(827)
Derivatives	750	(985)	-	(235)	-	(235)
Lease liabilities	733	8	-	741	741	-
Debt issued and other borrowed funds	(1,921)	1,059	903	41	41	-
Other items	116	6	-	122	122	-
	(2,970)	245	903	(1,822)	904	(2,726)
Set-off of deferred tax assets together with liabilities of the same taxable entities					(782)	782
Deferred tax assets and tax liabilities	(2,970)	245	903	(1,822)	122	(1,944)

Amounts are in ISK million

39. Other liabilities

	31.12.2024	31.12.2023
Accruals	2,741	2,392
Lease liabilities	3,391	3,720
Expected credit losses for off-balance sheet loan commitments and financial guarantees	910	1,184
Withholding tax	6,302	6,192
Unsettled securities transactions	5,298	968
Sundry liabilities	2,926	2,762
Other liabilities	21,568	17,218

40. Custody assets

	31.12.2024	31.12.2023
Custody assets - not managed by the Group	3,873,964	3,565,465

41. Leases

The Group as a lessee

The Group's significant leases are leases for offices, branches, and storage. Most leases are CPI-linked real estate leases with duration of 5-10 years with extension options. Lease commitments are recognised on-balance sheet except for short-term leases and leases of low-value assets. During the year 2024 the total expense for leases of low-value assets and short-term leases amounted to ISK 68 million (2023: ISK 61 million), the total cash outflow for leases amounted to ISK 709 million (2023: ISK 659 million) and total interest expense from lease liabilities amounted to ISK 76 million (2023: ISK 79 million).

At year-end 2024 the Group recognised ISK 3,244 million in right-of-use assets which are presented in the line item "Property and equipment" and lease liabilities amounting to ISK 3,391 million which are presented in the line item "Other liabilities".

The Group as a lessor

Net investment in finance lease receivables

	31.12.2024	31.12.2023
Due within 1 year	26,677	27,401
Due in 1-2 years	20,907	21,231
Due in 2-3 years	15,573	17,895
Due in 3-4 years	11,028	11,271
Due in 4-5 years	3,812	3,287
Due in more than 5 years	2,222	2,607
Total gross investment in the lease	80,219	83,692
Due within 1 year	20,339	20,385
Due in 1-2 years	16,687	16,402
Due in 2-3 years	13,054	15,035
Due in 3-4 years	9,866	10,018
Due in 4-5 years	3,397	2,841
Due in more than 5 years	1,937	2,260
Total present value of lease payments*	65,280	66,941
Unearned interest income	14,939	16,751

*The Group presents finance lease receivables in the line item "Loans to customers".

Expected credit loss allowance	354	212
Interest income from finance lease receivables during the year	7,912	6,898

Íslandsbanki hf. Consolidated Financial Statements 2024 50 Amounts are in ISK million

42. Íslandsbanki's shareholders

The following information takes into consideration treasury shares in the ownership calculation.

		31.12.2024	31.12.2023
The Icelandic Government	Iceland	44.9%	42.9%
LSR Pension Fund	Iceland	8.0%	7.9%
Gildi Pension Fund	Iceland	7.2%	8.0%
Live Pension Fund	Iceland	5.8%	6.3%
Capital Group	USA	5.3%	5.6%
Brú Pension Fund	Iceland	3.9%	3.3%
Vanguard	USA	2.4%	2.3%
Birta Pension Fund	Iceland	1.6%	1.6%
Frjálsi Pension Fund	Iceland	1.5%	1.5%
Lífsverk Pension Fund	Iceland	1.2%	1.2%
Festa Pension Fund	Iceland	1.2%	1.0%
Almenni Pension Fund	Iceland	1.1%	1.0%
Stapi Pension Fund	Iceland	1.1%	2.1%
RWC Asset Management LLP	UK	0.8%	1.3%
Other shareholders		14.0%	14.0%
Total		100.0%	100.0%

At 31 December 2024 the number of shareholders of the Bank was 9,961 (year-end 2023: 11,551) where 90.1% of the Bank's shares were owned by domestic parties and 9.9% by international investors (year-end 2023: 89.8% domestic parties and 10.2% international investors). The Bank's employees, board members and related parties of the employees and board members, held 0.13% of shares in the Bank (year-end 2023: 0.14%). Treasury shares amounted to 105.4 million shares, representing 5.27% of the issued share capital (year-end 2023: 20.4 million shares, or 1.02% of the issued share capital).

Beneficial owners

For domestic pension funds, domestic fund management entities and foreign shareholders, the board of directors of the relevant entity is considered as the beneficial owner. Information on the holdings of individual funds is published jointly under the name of their management company.

Íslandsbanki hf. Consolidated Financial Statements 2024 51 Amounts are in ISK million

43. Related party

The Board of Directors and key management personnel of the Bank, the Icelandic State Financial Investments (ISFI) and subsidiaries of the Bank, close family members of individuals referred to herein and legal entities controlled by them, are defined as related parties. The Group's associates are also defined as related parties.

Íslandsbanki has a related party relationship with the Icelandic Government as the largest shareholder with significant influence over the Group. The shares were administered by the IFSI until it was dissolved on January 1 2025. The shares are now administered by the Ministry of Finance and Economic Affairs. As a result, the Icelandic Government and the ISFI are defined as related parties. The Group has applied the partial exemption for government-related entities, as described in IAS 24.

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 Group entities purchase products and services from government-related entities under generally accepted commercial terms. Transactions with related parties were made in the ordinary course of business on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with third party counterparties.

The following tables show the Group's balances and transactions with related parties.

At 31 December 2024	Right-of-use asset	Loans to customers	Liabilities	Net balance	Guarantees & loan com-mitments
Board of Directors, key management personnel and other related parties ..	-	840	640	200	73
Associated companies	2,786	4,703	3,624	3,865	157
Balances with related parties	2,786	5,543	4,264	4,065	230

2024	Interest income	Interest expense	Other income	Other expense
Board of Directors, key management personnel and other related parties	93	45	2	41
Associated companies	551	38	1	2,158
Transactions with related parties	644	83	3	2,199

At 31 December 2023	Right-of-use asset	Loans to customers	Liabilities	Net balance	Guarantees & loan com-mitments
Board of Directors, key management personnel and other related parties ..	-	738	544	194	77
Associated companies	3,037	5,001	3,546	4,492	157
Balances with related parties	3,037	5,739	4,090	4,686	234

2023	Interest income	Interest expense	Other income	Other expense
Board of Directors, key management personnel and other related parties	76	34	7	36
Associated companies	544	27	3	2,035
Transactions with related parties	620	61	10	2,071

At 31 December 2024 a total of ISK 1 million (year-end 2023: ISK 3 million) were recognised as Stage 1 expected credit losses of balances with related parties. For related party remuneration see Note 12.

Íslandsbanki hf. Consolidated Financial Statements 2024 52 Amounts are in ISK million

Notes to the Consolidated Financial Statements

44. Contingencies

The Bank and its subsidiaries are parties to legal proceedings and regulatory matters that arise out of its normal business operations. Apart from the matters described below, the Group considers that none of these matters are material.

Contingent liabilities

Borgun hf. – Landsbankinn hf.

Borgun hf. (currently Teya Iceland hf.), a former subsidiary of Íslandsbanki, is a payment acquirer and issuing processor. Landsbankinn hf. sold its 31.2% stake in Borgun hf. in late 2014. Landsbankinn claims that Borgun's management did not disclose all available information that might have affected the value of Borgun during the sales process, namely the value of its stake in Visa Europe which was sold to Visa International shortly after the Borgun sale. In order to reclaim the alleged loss, Landsbankinn filed a lawsuit against Borgun and others on 12 January 2017, claiming the right to damages for having been deprived of the true value of the stake involved in the sale. Landsbankinn does not quantify the claim, but its estimate of the lost profit from having sold its shares in Borgun is approximately ISK 1,930 million.

On 11 March 2020, the Bank signed an agreement to sell its 63.47% stake in Borgun hf. to SaltPay Co Ltd. and concluded the sale on 7 July 2020. In the agreement the Bank undertook to reimburse 63.47% of losses incurred by Borgun or the buyer as a result of an unfavourable outcome in the Landsbankinn case, however such reimbursement was never to exceed the Bank's share in the purchase price.

On 27 April 2023 a panel of three judges of the District Court of Reykjavík rendered a judgement and dismissed the claims made by Landsbankinn against all defendants. Landsbankinn has appealed the judgement to the Court of Appeal. The Bank has not recognised a provision in relation to this matter.

105 Miðborg slhf. – ÍAV hf.

In February 2021 the alternative investor fund 105 Miðborg slhf., operated by Íslandssjóðir hf. (Iceland Funds hf.), a wholly owned subsidiary of the Bank, terminated its contractor agreement with ÍAV hf., a contractor that had been retained for a real estate project at Kirkjusandur in the centre of Reykjavík. The main reason for the termination was the alleged non-performance and delays in the construction of one building on the premises. The contractor, ÍAV, has claimed approximately ISK 3,829 million in damages plus late payment interest and legal costs from 105 Miðborg and Iceland Funds for the alleged unlawful termination. The suit was filed on 11 May 2021 at the District Court of Reykjavík. Additionally, 105 Miðborg has filed a case against ÍAV claiming approximately ISK 3,878 million in damages plus late payment interest and legal costs due to alleged delays and significant breaches of contract. The Group owns an 8.25% stake in 105 Miðborg. The Group has not recognised a provision in relation to this matter.

The Consumers' Association of Iceland

In December 2021 three customers, sponsored by the Consumers' Association of Iceland, commenced litigation against the Bank, demanding that certain provisions of their residential mortgages, governing variable interest rates, be deemed illegal and unenforceable and demand the repayment of any overpaid interest.

Firstly, two of the cases were brought by customers owing CPI-linked mortgages that contain a certain interest resetting provision that the Supreme Court found in its ruling on case no. 623/2016 could not be used by the Bank to reset interest rates. Following that judgement, the Bank repaid its customers any interest that the Bank had charged in excess of the originally agreed interest rate and returned the affected loans to their original interest rates. In the suits now filed the customers maintain that instead of the originally agreed interest rates, their loans should incur interest rates pursuant to article 4 of Act no. 38/2001 on Interest and Price Indexation. An unfavourable finding by the courts may have an influence on the Bank's portfolio of loans and fully paid loans that contained the resetting provision, disputed in case no. 623/2016. The Bank estimates that the financial impact of an unfavourable ruling in an adverse scenario could amount to around ISK 2 billion. On 25 May 2023, the District Court of Reykjanes rendered a judgement in one of these cases and dismissed all claims that were made against the Bank. The plaintiff appealed the judgement to the Court of Appeal. On 17 January 2025, the case was heard before the Court of Appeal and is currently awaiting judgement.

44. Contingencies (continued)

The Consumers' Association of Iceland (continued)

Secondly, a case has been brought against the Bank by a customer owing a non-index linked mortgage bearing variable interest rates. The plaintiff maintains that the terms governing the variable interest rates are invalid and may not be used by the Bank as basis for setting interest rates, and that therefore the originally agreed interest rate should remain fixed during the term of the loan. During the proceedings, the District Court decided to seek an advisory opinion from the EFTA Court. On 23 May 2024, the EFTA Court gave its advisory opinion, providing the Court's interpretation of certain provisions of the Mortgage Credit Directive no. 2014/17/EU (the Mortgage Credit Directive) and Directive 93/13/EEC on unfair terms in consumer contracts (the Unfair Terms Directive). The Court offered guidance on requirements under the directives for the clarity, accessibility, objectivity, and verifiability of contract terms and information provided to consumers. The EFTA Court concluded that it is up to Icelandic courts to determine whether these requirements are met and to assess the impact on the underlying contracts if they are not met. The Bank believes that the terms of its mortgages and other loan contracts comply with these requirements, as well as with Icelandic legislation. Furthermore, the increases in the variable interest rates set by the Bank on the disputed mortgage have been less than changes on policy rates during the same period. On 12 November 2024, the District Court of Reykjanes rendered a judgement in the case where all claims made by the plaintiffs against the Bank were dismissed. The plaintiffs have appealed the judgement and were granted permission to appeal directly to the Supreme Court without first going to the Court of Appeal.

Should the judgement be overturned on appeal, it is the Bank's preliminary assessment of the potential impact of an adverse ruling on the Bank's loan portfolio with the same interest rate provision that the Bank's financial loss, taking different scenarios into account, could amount to around ISK 17 billion. The preliminary assessment does not include an assessment of the impact on the Bank's interest rate risk should an adverse final court ruling be that the initial contractual interest rates should be applied throughout the duration of the respective loans. Such a ruling, which the Bank regards as unlikely, would significantly increase the Bank's interest rate risk and could have a considerable negative financial impact on the Bank.

It is disputed in all three cases whether the terms of the Bank's mortgages, and the method used by the Bank to set variable interest rates, is in compliance with the Act on Mortgage Lending to Consumers no. 118/2016. That act is in this respect similar to the terms of Act no. 33/2013 on Consumer Credit. An unfavourable ruling in this case may affect all indexed and non-index linked mortgages bearing variable interest rates, as well as any loans bearing fixed interest rates to be reset on a predefined date.

The Bank believes that the claims of the plaintiffs are unfounded and has not recognised a provision in relation to this matter.

EC Clear ehf.

In August 2021 EC Clear ehf., a former owner of a payment processing company, filed a suit jointly against the Bank and four other financial institutions claiming damages in the amount of ISK 923 million plus interest from June 2013, resulting from a breach of competition law that allegedly took place during the period from 2003 to 2013. This was the sixth time the case had been brought before the courts for this purpose, after previous cases had been dismissed. On 30 September 2022 the District Court of Reykjavík dismissed the case. On 10 January 2023 the Court of Appeal partly reversed the dismissal and ordered the District Court to hear the case in substance. The hearing of the case has not been decided. The Bank has not recognised a provision in relation to this matter.

45. Events after the reporting period

No events have arisen after the reporting period that require amendments or additional disclosures in the Consolidated Financial Statements for 2024.

46. Risk management

Risk governance

The Group is exposed to various risk factors, and managing these risks is an integral part of its operations. The Bank emphasises sound governance principles. The risk management and internal control framework of the Group is based on a three lines of defence model, as referred to in the European Banking Authority Guidelines on Internal Governance. This model aims for informed decision-making and strong risk awareness. The framework is intended to ensure effective and efficient operations, adequate control of risks, prudent conduct of business, reliability of financial and non-financial information reported internally and externally, and compliance with laws, regulations, supervisory requirements, and the Group's internal rules.

The first line of defence consists of the Bank's business and support units. The second line of defence comprises the Bank's internal control units, Risk management and Compliance. The third line of defence is Group Internal Audit, which provides the Board of Directors with an independent assessment of the quality of corporate governance, risk management and internal controls.

The CEO is responsible for the day-to-day operations of the Bank, in accordance with set policies and resolutions of the Board. The CEO must also ensure that the Group's operations comply with applicable legislation and the Group's Articles of Association, including maintaining adequate and effective risk management and internal control functions. The CEO appoints the Chief Risk Officer, the Chief Compliance Officer, and other members of the Executive Committee. The CEO also engages the members of the senior management committees.

The Bank's senior management committee structure is twofold. Firstly, there are two executive committees, the Executive Committee and the All Risk Committee, which are responsible for implementing the Board-approved business strategy, risk appetite, and policies. Secondly there are six business committees: the Asset and Liability Committee (ALCO), the Senior Credit Committee (SCC), the Investment Committee (IC), the Operational and Security Committee (OSC), the Sustainability Committee (SC), and the Digital Product Committee (DPC), which are responsible for approving business or operational proposals subject to internal rules and guidelines issued by the executive committees and the Board. The members of the senior management committees are appointed by the CEO, and their mandate and rules of procedure are documented in a charter issued by the CEO.

The General Counsel is appointed by and reports directly to the CEO. The General Counsel provides legal advice to the Bank's senior management, including the Board of Directors, and manages the Bank's legal department, which provides comprehensive legal advice to the Bank's business segments and support units.

The CRO heads the Risk Management function and is responsible for defining the daily tasks of the department and assessing the adequacy of its professional skills. Additionally, the CRO is responsible for monitoring the risk management framework at the Group and verifying that the Bank has the appropriate resources and organisation to manage its risks efficiently. The CRO is selected and appointed by the CEO, subject to Board confirmation, and reports directly to the Board and the Board Risk Committee on the overall risk profile of the Group. The CRO cannot be removed without the Board's prior approval and is independent from the business units, being a member of the Executive Committee and reporting directly to the CEO. The CRO provides an independent view on the Group's exposure to risk and has the right, but not the responsibility, to veto certain risk-taking decisions of the senior management committees if an internal control unit considers the proposal inconsistent with the Bank's risk appetite, policies, or procedures.

Risk Management is mandated to identify, understand, measure, and monitor the risks that the Group is exposed to. It provides independent information, analyses, and expert judgement on risk exposures and advice on proposals and risk decisions made by the management and business or support units to ensure they are consistent with the risk appetite and risk policies set by the Board. Where necessary, Risk management makes recommendations to senior management and the Board to improve or clarify risk policies, procedures, and limits. Risk Management provides a holistic view of risk and compliance with limits to internal and external stakeholders and ensures appropriate escalation in the event of limit breaches. Business and support units are responsible for maintaining their independent view on the risks inherent in their operations and reporting to senior management any foreseeable breaches of limits, policies, or strategic direction. Risk management provides the senior management and the Board with all relevant risk-related information to enable them to define the Bank's risk appetite.

The Chief Compliance Officer (CCO) is responsible for the Compliance function of the Bank, which sits within the second line of defence and acts independently within the Bank. The CCO is appointed by the CEO, subject to Board confirmation, and cannot be removed from the post without the Board's prior approval. The Central Bank must be notified of the dismissal or departure of the CCO.

The Chief Audit Executive (CAE) is appointed by the Board, reports directly to Board, and directs Group Internal Audit with a mandate from the Board. The CAE is responsible for internal audit matters within the Group, including internal audit tasks that have been outsourced.

46. Risk management (continued)

The Group's management body has a dual structure. The Board of Directors of the Bank has a supervisory role in setting and monitoring the execution of policies, ensuring sound control of accounting and financial management, and ensuring that Group Internal Audit, Compliance and Risk Management are effective. The CEO, the Chief Risk Officer (CRO), other members of senior management, and the senior management committees are responsible for implementing risk management practices and internal monitoring in accordance with Board authorisation.

The Board defines and communicates the risk governance framework and the acceptable level of risk through risk management policies and the Risk Appetite Statement. To assist the Board in fulfilling its oversight responsibilities, the Board has appointed three board sub-committees.

Each employee is responsible for understanding the risk related to their day-to-day work, for knowing and understanding the respective internal and external rules and procedures, for using the alert procedures in the event of possible fraudulent activities, and for conducting business in accordance with the Bank's code of conduct.

More information about the Group's risk management and risk assessment processes is available in the unaudited Pillar 3 2024 Report, which is available on the Bank's website: www.islandsbanki.is.

47. Credit risk

Credit risk is defined as current or prospective risk to earnings and capital arising from an obligor's potential failure to meet the terms of any financial contract with the Group.

Credit concentration risk is the significantly increased risk that is driven by common underlying factors, e.g. industrial sector, economy, geographical location, type of financial instrument, or due to connections or relations among counterparties. This includes exposures to parties under common control and significant exposures to groups of counterparties whose likelihood of default is driven by common underlying factors. Credit risk arises principally from loans and advances to customers and other banks but also from balances with the Central Bank and off-balance sheet items such as financial guarantees, loan commitments and derivatives.

The Group has policies and procedures dedicated to accepting, measuring, and managing credit risk. The objective of the Group's credit risk management is to achieve an appropriate balance between risk and return and to minimise potential adverse effects of credit risk on the Group's financial performance.

A thorough analysis of the counterparty's financial standing, analysis of past and estimated future cash flows as well as the borrower's general ability to repay its obligations forms the basis for all credit decisions. The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, groups of borrowers, countries and industry segments. The Group measures and consolidates its credit risk for each counterparty or group of connected clients in accordance with internal and external criteria of connection between parties.

The Group employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security in borrower's assets. The principal collateral types for loans are properties, vehicles, equipment, vessels and securities. When applicable, other credit risk mitigants are employed.

48. Maximum credit exposure and collateral

The Group's credit risk exposure comprises both on-balance sheet and off-balance sheet items. Maximum exposure to credit risk for on-balance sheet assets is the net carrying amount as reported in the Consolidated Statement of Financial Position. The maximum exposure for off-balance sheet items is the amount that the Group might have to pay out against financial guarantees and credit commitments, less provisions that have been made because of these items.

Collateral and other credit mitigants vary between types of obligors and credit facilities. For loans to individuals the principal collateral taken is residential property against mortgages. In the case of corporate entities the Group takes a charge over assets such as real estate, vessels, cash, and securities as well as other collateral including accounts receivables, inventory, vehicles, and equipment. Loans to government entities and to municipalities are more often than not unsecured.

In some cases the Group uses guarantees as a credit enhancement but since guarantees effectively transfer credit risk from one counterparty to another they do not represent a reduction in maximum exposure to credit risk. Exempt from this are Government guarantees issued in response to the COVID-19 pandemic which are shown under other collateral. Of these, ISK 284 million are subject to 100% Government guarantee and ISK 385 million to 85% Government guarantee. Covenants in loan agreements are also an important credit enhancement but do not reduce maximum credit exposure.

Valuation of collateral is based on market price, official valuation for tax purposes or expert opinion of the Group's employees, depending on availability. In the case of fishing vessels the associated fishing quota is included in the valuation. The total value of pledged assets can be higher than the cover indicates. For finance leases the Group remains the owner of the leased object.

The industry breakdown under loans to customers shows the credit exposure by industry classification. The breakdown follows an internal industry classification which is based on the Icelandic ISAT2008 that derives from the European NACE Rev. 2 classification standard.

The following table shows the maximum exposure to credit risk by collateral held against those exposures that are subject to IFRS 9 impairment requirements.

48. Maximum credit exposure and collateral (continued)

At 31 December 2024 **Collateral held against credit exposure**	Maximum exposure to credit risk	Residential real estate	Commercial real estate	Vessels	Cash & securities	Vehicles & equipment	Other collateral	Total credit exposure covered by collateral	Total credit exposure not covered by collateral	Associated ECL
Cash and balances with Central Bank	65,716	-	-	-	-	-	-	-	65,716	17
Loans to credit institutions	50,486	-	-	-	-	-	-	-	50,486	47
Bonds and debt instruments	111,908	-	-	-	-	-	-	-	111,908	-
Loans to customers:	1,295,388	673,318	317,510	55,546	23,775	74,330	67,944	1,212,423	82,965	7,820
Individuals	625,262	567,776	5,322	2	336	14,998	153	588,587	36,675	1,618
- Thereof mortgages	563,753	562,998	-	-	330	-	-	563,328	425	328
Commerce and services	184,667	12,168	74,153	793	4,615	46,322	31,424	169,475	15,192	1,737
Construction	95,558	48,395	39,081	59	115	3,331	2,065	93,046	2,512	928
Energy	11,800	39	9,955	-	-	156	7	10,157	1,643	59
Financial services	715	154	-	-	540	-	-	694	21	19
Industrial and transportation	82,423	1,131	54,465	5	107	8,858	14,062	78,628	3,795	1,321
Investment companies	42,960	2,087	12,066	-	17,620	183	10,266	42,222	738	519
Public sector and non-profit organisations	20,448	60	815	-	-	14	7	896	19,552	18
Real estate	154,913	41,108	110,569	-	241	314	947	153,179	1,734	1,468
Seafood	76,642	400	11,084	54,687	201	154	9,013	75,539	1,103	133
Other financial assets	6,306	-	-	-	-	-	-	-	6,306	46
Off-balance sheet items:	192,203	19,918	28,813	4,517	13,110	182	12,782	79,322	112,881	911
Financial guarantees	21,051	1,283	6,015	30	2,977	-	2,330	12,635	8,416	291
Loan commitments	171,152	18,635	22,798	4,487	10,133	182	10,452	66,687	104,465	620
Total	1,722,007	693,236	346,323	60,063	36,885	74,512	80,726	1,291,745	430,262	8,841

Maximum credit exposure for off-balance sheet items reflect the maximum amount, not taking into account the Group's ability to reduce its loan commitments before the current undrawn amount is fully utilised by the customer.

Íslandsbanki hf. Consolidated Financial Statements 2024 58 Amounts are in ISK million

48. Maximum credit exposure and collateral (continued)

At 31 December 2023 **Collateral held against credit exposure**	Maximum exposure to credit risk	Residential real estate	Commercial real estate	Vessels	Cash & securities	Vehicles & equipment	Other collateral	Total credit exposure covered by collateral	Total credit exposure not covered by collateral	Associated ECL
Cash and balances with Central Bank	87,504	-	-	-	-	-	-	-	87,504	18
Loans to credit institutions	73,475	-	-	-	-	-	-	-	73,475	90
Loans to customers:	1,223,426	606,706	307,978	60,466	23,517	76,787	66,315	1,141,769	81,657	11,728
Individuals	594,631	532,832	8,280	4	185	17,368	184	558,853	35,778	3,560
- Thereof mortgages	530,676	528,534	1,499	-	177	-	-	530,210	466	2,051
Commerce and services	182,808	14,159	71,111	753	3,969	47,061	31,546	168,599	14,209	2,162
Construction	80,099	25,822	45,510	76	367	3,543	2,389	77,707	2,392	1,009
Energy	7,938	30	6,623	-	1	10	21	6,685	1,253	79
Financial services	214	-	61	-	-	-	-	61	153	1
Industrial and transportation	75,802	2,122	47,248	1,829	316	8,084	12,073	71,672	4,130	2,835
Investment companies	45,931	4,018	11,646	-	18,521	198	11,200	45,583	348	764
Public sector and non-profit organisations	18,476	61	754	-	-	20	15	850	17,626	24
Real estate	144,173	27,169	110,037	-	94	368	1,363	139,031	5,142	1,179
Seafood	73,354	493	6,708	57,804	64	135	7,524	72,728	626	115
Other financial assets	2,846	-	-	-	-	-	-	-	2,846	8
Off-balance sheet items:	197,115	9,629	31,770	6,492	4,227	1,139	20,464	73,721	123,394	1,184
Financial guarantees	20,680	-	6,766	105	1,532	-	1,961	10,364	10,316	347
Loan commitments	176,435	9,629	25,004	6,387	2,695	1,139	18,503	63,357	113,078	837
Total	1,584,366	616,335	339,748	66,958	27,744	77,926	86,779	1,215,490	368,876	13,028

Maximum credit exposure for off-balance sheet items reflect the maximum amount, not taking into account the Group's ability to reduce its loan commitments before the current undrawn amount is fully utilised by the customer.

Amounts are in ISK million

49. Credit quality of financial assets

The following tables provide the gross carrying amount of loans and credit risk exposure on loan commitments and financial guarantees. Amounts are broken down by risk class and the method by which their respective credit loss allowances (ECL) are calculated, i.e. Stage 1, 2 and 3.

The Group uses internal rating models to assess the default probability of corporate and retail customers. The models assign each customer to one of ten risk classes. One risk class is for customers in default (risk class 10), and nine risk classes are for performing customers (risk classes 1-9). Risk classes are assigned on customer level and not facility level.

The rating of corporate customers is based on a company's most recent financial statements, together with a qualitative assessment of its management, market position and industry sector.

For retail customers the Group uses two different statistical rating models. One model is for individuals and another is for small companies with a total exposure to the Group of less than ISK 150 million. These models are behavioural scoring models and use information about a customer's payment history, amount of debt and deposits, and demographic variables to assess the probability that a customer will default on any of his obligations within 12 months of the rating assessment.

Risk classes 1-4 represent low risk, risk classes 5-6 moderate risk, risk classes 7-8 increased risk, risk class 9 high risk, and risk class 10 represents customers that are in default. Unrated are loans that are yet to be rated.

Further information on the risk classes, including the mapping from risk classes to the probability of default, can be found in Section 4.2.2 of the unaudited Pillar 3 2024 Report.

The same customer can have loans and off-balance sheet commitments in Stages 1 and 2 simultaneously. However, if a customer has an exposure in Stage 3 then all other loans and commitments are classified as Stage 3 as well.

At 31 December 2024

Loans to customers:	Stage 1	Stage 2	Stage 3	Total
Risk class 1-4	507,626	702	-	508,328
Risk class 5-6	545,101	10,258	-	555,359
Risk class 7-8	172,922	24,624	-	197,546
Risk class 9	14,919	5,291	-	20,210
Risk class 10	-	-	21,487	21,487
Unrated	102	176	-	278
	1,240,670	41,051	21,487	1,303,208
Expected credit losses	(3,496)	(975)	(3,349)	(7,820)
Net carrying amount	1,237,174	40,076	18,138	1,295,388

Off-balance sheet loan commitments and financial guarantees:	Stage 1	Stage 2	Stage 3	Total
Risk class 1-4	89,049	24	-	89,073
Risk class 5-6	76,133	410	-	76,543
Risk class 7-8	23,690	799	-	24,489
Risk class 9	721	90	-	811
Risk class 10	-	-	1,752	1,752
Unrated	438	8	-	446
	190,031	1,331	1,752	193,114
Expected credit losses	(565)	(32)	(314)	(911)
Total	189,466	1,299	1,438	192,203

Amounts are in ISK million

49. Credit quality of financial assets (continued)

At 31 December 2023

Loans to customers:	Stage 1	Stage 2	Stage 3	Total
Risk class 1-4	487,172	2,604	-	489,776
Risk class 5-6	485,438	17,968	-	503,406
Risk class 7-8	184,363	14,490	-	198,853
Risk class 9	15,519	5,324	-	20,843
Risk class 10	-	-	22,272	22,272
Unrated	3	1	-	4
	1,172,495	40,387	22,272	1,235,154
Expected credit losses	(4,788)	(2,727)	(4,213)	(11,728)
Net carrying amount	1,167,707	37,660	18,059	1,223,426

Off-balance sheet loan commitments and financial guarantees:	Stage 1	Stage 2	Stage 3	Total
Risk class 1-4	93,558	168	-	93,726
Risk class 5-6	71,681	417	-	72,098
Risk class 7-8	24,477	3,370	-	27,847
Risk class 9	961	447	-	1,408
Risk class 10	-	-	1,220	1,220
Unrated	1,983	17	-	2,000
	192,660	4,419	1,220	198,299
Expected credit losses	(916)	(106)	(162)	(1,184)
Total	191,744	4,313	1,058	197,115

Amounts are in ISK million

50. Forbearance

When restructuring or modification measures are believed to be more appropriate than collection procedures, the Group offers several debt relief measures and restructuring frameworks for customers in financial difficulties. These forbearance measures include temporary payment holidays, extension of loan terms, capitalisation of arrears, and waiving of covenants.

The relationship between forbearance and stages is discussed in Note 64.3.

Once an asset has been classified as forborne, it will remain forborne for a minimum 24-month probation period. In order for a loan to be reclassified out of the forborne category, the customer has to meet all of the following criteria:

- All of the customer's facilities have to be considered performing during the probation period; and
- The customer does not have any contract that is more than 30 days past due; and
- The probation period of two years has passed from the date of the forbearance event; and
- Regular payments of more than an insignificant amount of principal or interest have been made during at least half of the probation period.

The following table provides a summary of the Group's forborne assets.

At 31 December 2024

Gross carrying amount	Stage 1	Stage 2	Stage 3	Total
Individuals	2,811	4,249	2,027	9,087
Companies	1,929	14,690	6,424	23,043
Total	4,740	18,939	8,451	32,130

Expected credit losses	Stage 1	Stage 2	Stage 3	Total
Individuals	(13)	(44)	(131)	(188)
Companies	(33)	(220)	(1,157)	(1,410)
Total	(46)	(264)	(1,288)	(1,598)

At 31 December 2023

Gross carrying amount	Stage 1	Stage 2	Stage 3	Total
Individuals	1,975	4,323	1,650	7,948
Companies	2,136	16,853	5,230	24,219
Total	4,111	21,176	6,880	32,167

Expected credit losses	Stage 1	Stage 2	Stage 3	Total
Individuals	(16)	(75)	(124)	(215)
Companies	(32)	(504)	(1,224)	(1,760)
Total	(48)	(579)	(1,348)	(1,975)

Íslandsbanki hf. Consolidated Financial Statements 2024 62 Amounts are in ISK million

51. Large exposures disclosure

When the Group's total exposure to a group of connected clients is 10% or higher of the Group's Tier 1 capital it is considered a large exposure. Both on-balance sheet and off-balance sheet items from all types of financial instruments are included in the exposure as defined by EU regulation no. 575/2013 on prudential requirements for financial undertakings (CRR). The Group has internal criteria that define connections between clients. These criteria reflect the Group's interpretation of CRR, where groups of connected clients are defined.

The exposure is evaluated both before and after credit risk mitigating effects according to the aforementioned regulation. After mitigating effects, the Group had two large exposures at 31 December 2024 (year-end 2023: two). No large exposure is above the maximum 25% large exposure limit set by the law.

The Group's largest exposure before eligible credit risk mitigating effects is the Icelandic Government. Largest part of the exposure is due to Icelandic Government Bonds in the Group's liquidity portfolio.

At 31 December 2024

Groups of connected clients:	Before	After
Group 1	81%	6%
Group 2	11%	11%
Group 3	10%	10%

At 31 December 2023

Groups of connected clients:	Before	After
Group 1	76%	2%
Group 2	15%	15%
Group 3	10%	10%

52. Liquidity risk

The Group defines liquidity risk as the risk of not being able to fund its financial obligations or planned growth, or only being able to do so substantially above the prevailing market cost of funds.

The Group's main source of funding is customer deposits. Treasury is responsible for the Bank's funding and liquidity management in line with internal and regulatory limits and policies. Treasury manages the Bank's intraday liquidity. Risk Management, as the second line of defence, is responsible for independent reporting on the liquidity position to internal and external stakeholders and for providing a holistic view of liquidity risk on a consolidated basis.

Íslandsbanki hf. Consolidated Financial Statements 2024 63 Amounts are in ISK million

53. Liquidity coverage and net stable funding ratio

Key measures for the assessment of liquidity risk are the Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR). The Central Bank of Iceland, which is the main supervisory authority regarding liquidity risk, has incorporated the LCR and the NSFR based on the CRD IV standards into the rules on liquidity ratios and the rules on funding ratios. In addition, the Group complies with the FSA's guidelines no. 2/2010 on best practices in liquidity management and the liquidity coverage ratio rules no. 1520/2022.

As of January 2023 rules no. 1520/2022 took effect. The minimum LCR ratio that the Group is required to maintain remains 100% for the total LCR. A new requirement for LCR in EUR is 80% and in ISK the requirement is 50%. The Group is required to maintain a 100% minimum NSFR ratio.

The following tables show the NSFR and the LCR for the Group at year-end 2024 and 2023.

Net stable funding ratio	31.12.2024	31.12.2023
For all currencies	125%	124%

Liquidity coverage ratio	31.12.2024	31.12.2023
For all currencies	168%	195%
ISK	126%	115%
EUR	449%	663%

The following table shows the composition of the Group's liquidity reserve.

At 31 December 2024	ISK	EUR	USD	Other	Total
Cash and balances with Central Bank	60,746	548	317	502	62,113
Foreign government bonds	-	7,843	3,446	862	12,151
Domestic bonds eligible as collateral with Central Bank	97,314	4,934	-	7,744	109,992
Level 2 liquid assets	32,515	3,888	21	437	36,861
High quality liquidity assets	190,575	17,213	3,784	9,545	221,117
Balance with financial institutions	107	24,009	20,929	2,176	47,221
Liquidity reserve	190,682	41,222	24,713	11,721	268,338

At 31 December 2023	ISK	EUR	USD	Other	Total
Cash and balances with Central Bank	83,563	487	290	665	85,005
Foreign government bonds	-	31,371	20,913	29,735	82,019
Domestic bonds eligible as collateral with Central Bank	73,995	-	-	-	73,995
Level 2 liquid assets	12,287	3	-	22	12,312
High quality liquidity assets	169,845	31,861	21,203	30,422	253,331
Balance with financial institutions	510	18,704	25,212	15,582	60,008
Liquidity reserve	170,355	50,565	46,415	46,004	313,339

Amounts are in ISK million

54. Maturity analysis of financial assets and financial liabilities

The following tables show the maturity profile of the Group's financial assets and the undiscounted cash flows of its financial liabilities. Maturity classification of assets is based on contractual maturity.

Bonds and debt instruments are based on contractual maturity and therefore do not represent their estimated liquidation time.

The tables show undiscounted contractual payments of principal and interest for the Group's financial assets and liabilities. Thus, the total figures for each asset or liability class are higher than the respective balance sheet amount. Cash flows for payments of unknown nature, such as for floating rate, CPI-linked or foreign currency denominated instruments, are based on internal yield curves and forecasts.

For dated financial assets or liabilities the amounts are grouped into maturity buckets according to contractual maturities of principal and estimated contractual payments of interest. For demand deposits or other non-dated liabilities, the figures are grouped according to the first possible required payment date.

The following tables also show the contractual cash flow of the Group's derivatives, i.e. derivatives that have a negative and a positive carrying amount at the reporting date. For derivatives settled on a gross basis, the cash flow for both legs of the derivative is shown, since netting cannot be applied upon settlement.

In 2024, the Group updated its methodology for the maturity analysis of financial assets. Financial assets are now presented as undiscounted contractual payments of principal and interest, instead of discounted amounts including impairment charges as presented on the balance sheet. Comparative figures have been changed to reflect the updated methodology.

At 31 December 2024	On demand	Up to 3 months	3-12 months	1-5 years	Over 5 years	No maturity	Total	Carrying amount
Cash and balances with Central Bank	43,174	22,572	-	-	-	-	65,746	65,716
Loans to credit institutions	13,542	38,732	-	-	-	-	52,274	50,486
Bonds and debt instruments	-	37,837	37,480	75,968	3,977	-	155,262	142,618
Derivatives	-	2,070	(41)	2,181	-	-	4,210	5,324
- Net settled derivatives	-	782	-	-	-	-	782	782
- Inflow	-	52,343	6,714	16,193	1	-	75,251	63,291
- Outflow	-	(51,055)	(6,755)	(14,012)	(1)	-	(71,823)	(58,749)
Loans to customers	-	130,860	185,438	693,506	1,912,186	-	2,921,990	1,295,388
Shares and equity instruments	-	-	-	-	-	24,330	24,330	24,330
Other financial assets	5,873	389	44	-	-	-	6,306	6,306
Total financial assets	62,589	232,460	222,921	771,655	1,916,163	24,330	3,230,118	1,590,168
Deposits from CB and credit institutions	10,071	2,466	-	-	-	-	12,537	12,535
Deposits from customers	772,152	59,537	71,320	27,466	49,022	-	979,497	926,846
Derivative instruments and short positions .	-	3,904	2,121	967	282	-	7,274	7,306
- Net settled derivatives	-	1,532	-	-	-	-	1,532	1,532
- Inflow	-	(46,533)	(43,730)	(20,746)	(1)	-	(111,010)	(96,146)
- Outflow	-	48,900	45,848	21,679	1	-	116,428	101,790
- Short positions	-	5	3	34	282	-	324	130
Debt issued and other borrowed funds	-	33,410	38,179	382,618	52,024	-	506,231	367,586
Subordinated loans	-	330	1,449	16,457	34,182	-	52,418	31,695
Other financial liabilities	7,331	1,691	1,710	2,108	938	-	13,778	13,530
- Lease liabilities	-	162	450	2,089	938	-	3,639	3,391
- Other liabilities	7,331	1,529	1,260	19	-	-	10,139	10,139
Total financial liabilities	789,554	101,338	114,779	429,616	136,448	-	1,571,735	1,359,498
Net financial assets and financial liab.	(726,965)	131,122	108,142	342,039	1,779,715	24,330	1,658,383	230,670

Amounts are in ISK million

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

At 31 December 2023*	On demand	Up to 3 months	3-12 months	1-5 years	Over 5 years	No maturity	Total	Carrying amount
Cash and balances with Central Bank	40,011	47,509	-	-	-	-	87,520	87,504
Loans to credit institutions	18,911	58,056	-	-	-	-	76,967	73,475
Bonds and debt instruments	-	86,144	51,697	28,009	4,024	-	169,874	161,342
Derivatives	-	1,887	1,474	2,842	-	-	6,203	5,776
- Net settled derivatives	-	490	-	-	-	-	490	490
- Inflow	-	34,297	27,617	32,655	-	-	94,569	76,961
- Outflow	-	(32,900)	(26,143)	(29,813)	-	-	(88,856)	(71,675)
Loans to customers	-	113,793	183,557	644,034	1,915,795	-	2,857,179	1,223,426
Shares and equity instruments	-	-	-	-	-	13,241	13,241	13,241
Other financial assets	2,413	365	68	-	-	-	2,846	2,846
Total financial assets	61,335	307,754	236,796	674,885	1,919,819	13,241	3,213,830	1,567,610
Deposits from CB and credit institutions	7,611	7,028	1,564	-	-	-	16,203	16,149
Deposits from customers	668,448	88,729	46,467	35,530	43,896	-	883,070	850,709
Derivative instruments and short positions .	-	2,042	2,103	2,115	913	-	7,173	5,090
- Net settled derivatives	-	391	-	-	-	-	391	391
- Inflow	-	(43,522)	(20,508)	(18,591)	-	-	(82,621)	(68,235)
- Outflow	-	45,161	22,578	20,407	-	-	88,146	72,294
- Short positions	-	12	33	299	913	-	1,257	640
Debt issued and other borrowed funds	-	18,071	35,902	430,196	70,359	-	554,528	417,573
Subordinated loans	-	290	2,026	20,525	44,852	-	67,693	38,155
Other financial liabilities	2,522	1,546	1,629	2,024	1,399	-	9,120	8,879
- Lease liabilities	-	151	449	1,962	1,399	-	3,961	3,720
- Other liabilities	2,522	1,395	1,180	62	-	-	5,159	5,159
Total financial liabilities	678,581	117,706	89,691	490,390	161,419	-	1,537,787	1,336,555
Net financial assets and financial liab.	(617,246)	190,048	147,105	184,495	1,758,400	13,241	1,676,043	231,055

*In 2024, the Group updated its methodology for the maturity analysis of financial assets. Financial assets are now presented as undiscounted contractual payments of principal and interest, instead of discounted amounts including impairment charges as presented on the balance sheet. Comparative figures have been changed to reflect the updated methodology.

Off-balance sheet liabilities

Note 48 Maximum credit exposure and collateral shows the amount of contractual obligations of off-balance sheet liabilities that the Group has taken towards customers, either by committing to lend out money in the future or as third party guarantees. The amounts shown reflect the maximum amount, not taking into account the Group's ability to reduce financial guarantees and credit commitments before the current undrawn amount is fully utilised by the customer. These obligations are all categorised as on demand since contractually, on a case-by-case basis, the Group could be required to fulfil these obligations instantaneously.

Íslandsbanki hf. Consolidated Financial Statements 2024 66 Amounts are in ISK million

55. Market risk

The Group defines market risk as the current or prospective risk to earnings and capital arising from adverse movements in the level or volatility of prices of market instruments, such as those that arise from changes in interest rates, foreign exchange rates, equity prices, CPI-indexation, and commodity prices. Sources of market risk are imbalances in the Group's balance sheet and open positions in bonds, currencies, and equities. Derivative contracts are also potential sources of market risk (see Note 24).

Market risk within the Group can broadly be split into two categories, trading book and banking book (or non-trading book). The trading book includes market risk exposures related, directly or indirectly, to the Group's short- and medium-term trading in securities, currencies and other capital market instruments and derivatives. All financial assets and liabilities in the trading portfolio are recognised at fair value and all resulting changes are immediately reflected in the income statement. The banking book includes market risk exposures related to securities held for long-term investment purposes, unlisted securities or holdings in subsidiaries or affiliates. A large part of the banking book market risk is due to mismatches in the composition of assets and liabilities, for example with respect to currencies, interest rates, CPI-indexation or other factors that can affect the Group's earnings or earnings volatility. These mismatches are reported to management and are subject to internal and regulatory limits.

56. Interest rate risk

Interest rate risk is defined as the current or prospective risk to earnings or capital arising from adverse movements in interest rates.

Interest rate risk in the trading book

The following table shows the interest rate sensitivity of the Group's trading book from a parallel 100 basis points change in all yield curves.

In the sensitivity analysis the effects on profit are shown before tax. The tax effects are equal to the Group's marginal tax rate. The enacted tax rate was temporarily increased from 20% to 21% for taxable income in 2024, in addition the Group pays a special financial activities tax of 6% of taxable profit exceeding ISK 1,000 million.

To illustrate further, when using a 26% marginal tax rate, if the sensitivity analysis shows an ISK 100 million increase in profit before tax, the effects of profit after tax are ISK 74 million.

Sensitivity analysis for trading bonds and debt instruments	31.12.2024		31.12.2023	
	Effect on profit before tax			
Currency	Downward shift	Upward shift	Downward shift	Upward shift
ISK, indexed	73	(73)	54	(54)
ISK, non-indexed	83	(83)	59	(59)
Total	156	(156)	113	(113)

Íslandsbanki hf. Consolidated Financial Statements 2024 67 Amounts are in ISK million

56. Interest rate risk (continued)

Interest rate risk in the banking book

Interest rate risk in the banking book arises from the Group's core banking activities. The main source of this type of interest rate risk is the risk of loss from fluctuations in future cash flows or fair value of financial instruments as interest rates change over time, reflecting the fact that the Group's assets and liabilities are of different maturities and are priced relative to different interest rates.

The following table shows the interest sensitivity of the Group's banking book from a parallel upward 100 basis points change in all yield curves, with all other variables held constant, categorised by the repricing date. The interest rate sensitivity in the banking book is estimated using contractual cash flows except for callable debt issued and applicable non-maturing deposits (NMDs) where behavioural assumptions are applied.

In the sensitivity analysis the effects on profit are shown before tax. The tax effects are equal to the Group's marginal tax rate. The enacted tax rate was temporarily increased from 20% to 21% for taxable income in 2024, in addition the Group pays a special financial activities tax of 6% of taxable profit exceeding ISK 1,000 million.

To illustrate further, when using a 26% marginal tax rate, if the sensitivity analysis shows an ISK 100 million increase in profit before tax, the effects of profit after tax are ISK 74 million.

Sensitivity analysis for interest rate risk in the banking book

At 31 December 2024

Currency	0-3 months	3-12 months	1-2 years	2-5 years	5-10 years	Over 10 years	Total
ISK, indexed	28	(261)	(173)	(1,456)	2,701	(331)	508
ISK, non-indexed	70	(327)	(379)	445	(48)	39	(200)
EUR	199	(12)	(55)	(156)	-	-	(24)
SEK	45	(4)	-	(163)	-	-	(122)
NOK	165	(13)	(4)	(45)	-	-	103
USD	16	-	-	-	-	-	16
Total	523	(617)	(611)	(1,375)	2,653	(292)	281

At 31 December 2023

Currency	0-3 months	3-12 months	1-2 years	2-5 years	5-10 years	Over 10 years	Total
ISK, indexed	14	(64)	(948)	(2,761)	3,223	43	(493)
ISK, non-indexed	(28)	(276)	(794)	1,465	46	(4)	409
EUR	114	86	(5)	133	-	-	328
SEK	49	(54)	-	-	-	-	(5)
USD	9	(12)	-	-	-	-	(3)
Other	51	(47)	-	-	-	-	4
Total	209	(367)	(1,747)	(1,163)	3,269	39	240

Íslandsbanki hf. Consolidated Financial Statements 2024 68 Amounts are in ISK million

57. Currency risk

Currency risk is the risk that earnings or capital may be negatively affected from the fluctuations of foreign exchange rates, due to transactions in foreign currencies or due to a mismatch in the currency composition of assets or liabilities.

The analysis of the Group's foreign currency exposure presented below is based on the contractual currency of the underlying balance sheet items. Additionally, there are off-balance sheet items that carry currency risk and are included in the total currency imbalance. The off-balance sheet amounts below represent the notional amounts of derivatives and unsettled spot agreements.

In 2024, the Group updated its methodology for managing currency risk related to debt issued measured at fair value. The analysis of the Group's foreign currency exposure at 31 December 2024, reflects this change. Debt issued measured at fair value is presented at fair value instead of the nominal amount plus accrued interest. This better reflects foreign exchange differences recognised in the Group's financial statements. Comparative figures have been changed to reflect the updated methodology.

At 31 December 2024	EUR	USD	GBP	CHF	JPY	SEK	NOK	DKK	CAD	Other foreign currencies	Total foreign currencies
Cash and balances with Central Bank	633	367	121	-	-	37	114	114	-	161	1,547
Loans to credit institutions	24,060	20,956	1,400	85	183	22	34	57	256	134	47,187
Bonds and debt instruments	17,897	3,446	-	-	-	5,220	6,918	-	-	-	33,481
Loans to customers	102,983	15,816	231	548	1,546	6	455	621	9,090	-	131,296
Shares and equity instruments	44	1,616	102	-	-	362	-	-	-	-	2,124
Other assets	7	225	31	-	-	3	2	-	8	-	276
Total assets	145,624	42,426	1,885	633	1,729	5,650	7,523	792	9,354	295	215,911
Deposits from credit institutions	2,150	790	10	4	-	4	-	1	22	-	2,981
Deposits from customers	34,250	45,050	3,975	477	238	905	3,108	3,081	185	18	91,287
Debt issued and other borrowed funds	109,990	12,031	-	-	-	22,960	26,446	-	-	-	171,427
Subordinated loans	-	-	-	-	-	9,371	-	-	-	-	9,371
Other liabilities	1,008	190	31	-	-	40	2	201	16	25	1,513
Total liabilities	147,398	58,061	4,016	481	238	33,280	29,556	3,283	223	43	276,579
Net on-balance sheet position	(1,774)	(15,635)	(2,131)	152	1,491	(27,630)	(22,033)	(2,491)	9,131	252	(60,668)
Net off-balance sheet position	3,439	16,686	2,206	(130)	(1,479)	27,508	22,068	2,545	(9,067)	(246)	63,530
Net position	1,665	1,051	75	22	12	(122)	35	54	64	6	2,862

Íslandsbanki hf. Consolidated Financial Statements 2024 69 Amounts are in ISK million

Notes to the Consolidated Financial Statements

57. Currency risk (continued)

At 31 December 2023*	EUR	USD	GBP	CHF	JPY	SEK	NOK	DKK	CAD	Other foreign currencies	Total foreign currencies
Cash and balances with Central Bank	487	290	120	49	10	52	85	141	27	182	1,443
Loans to credit institutions	18,752	25,198	1,626	4,301	314	2,794	17,994	207	685	58	71,929
Bonds and debt instruments	31,377	20,919	-	-	-	17,920	11,812	-	-	-	82,028
Loans to customers	92,652	15,817	293	618	1,816	736	2,496	588	6,880	-	121,896
Shares and equity instruments	46	302	102	-	-	22	-	-	-	-	472
Other assets	221	38	-	-	-	-	-	-	-	-	259
Total assets	143,535	62,564	2,141	4,968	2,140	21,524	32,387	936	7,592	240	278,027
Deposits from credit institutions	7,731	995	20	-	-	4	-	1	-	-	8,751
Deposits from customers	38,255	48,952	4,322	545	445	767	4,459	1,440	204	24	99,413
Debt issued and other borrowed funds	156,076	11,719	-	-	-	30,343	34,725	-	-	-	232,863
Subordinated loans	-	-	-	-	-	16,780	-	-	-	-	16,780
Other liabilities	7	25	-	-	-	-	-	111	-	-	143
Total liabilities	202,069	61,691	4,342	545	445	47,894	39,184	1,552	204	24	357,950
Net on-balance sheet position	(58,534)	873	(2,201)	4,423	1,695	(26,370)	(6,797)	(616)	7,388	216	(79,923)
Net off-balance sheet position	60,795	1,091	2,270	(4,400)	(1,696)	26,007	6,918	693	(7,334)	(281)	84,063
Net position	2,261	1,964	69	23	(1)	(363)	121	77	54	(65)	4,140

*In 2024, the Group updated its methodology for managing currency risk related to debt issued measured at fair value. The analysis of the Group's foreign currency exposure at 31 December 2024, reflects this change. Debt issued measured at fair value is presented at fair value instead of the nominal amount plus accrued interest. This better reflects foreign exchange differences recognised in the Group's financial statements. Comparative figures have been changed to reflect the updated methodology.

Íslandsbanki hf. Consolidated Financial Statements 2024 70 Amounts are in ISK million

57. Currency risk (continued)

The following table shows the effect of a 10% depreciation or appreciation of foreign exchange rates where the Group had positions at year-end, with all other variables held constant.

The effects of profit in the sensitivity analysis are shown before tax. The tax effects are equivalent to the Group's marginal tax rate. The enacted tax rate was temporarily increased from 20% to 21% for taxable income in 2024, in addition the Group pays a special financial activities tax of 6% on taxable profit exceeding ISK 1,000 million.

To illustrate further, using a 26% marginal tax rate, if the sensitivity analysis shows an ISK 100 million increase in profit before tax, the increase in profit after tax would be ISK 74 million. However, since the Group records a deferred tax liability at the end of 2024 based on a 20% tax rate instead of a 26% tax rate, and exchange rate differences are recognised as taxable income or expenses over three years, the tax effects would appear over three years.

Sensitivity analysis for currency risk	31.12.2024		31.12.2023	
	Effect on profit before tax			
Currency	-10%	10%	-10%	10%
EUR	(167)	167	(427)	427
USD	(105)	105	(196)	196
GBP	(8)	8	(7)	7
CHF	(2)	2	(2)	2
JPY	(1)	1	-	-
SEK	12	(12)	36	(36)
NOK	(4)	4	(12)	12
DKK	(5)	5	(8)	8
CAD	(6)	6	(5)	5
Other foreign currencies	(1)	1	7	(7)
Total	(287)	287	(614)	614

58. Shares and equity instruments

The Group's equity exposure in the trading book arises from flow trading and market making with shares listed on the Nasdaq Iceland Stock Exchange. Shares and equity instruments in the banking book are classified as mandatorily at fair value through profit or loss or are classified as held for sale.

The following table shows how a 10% shift in equity prices would affect the Group's equity and net financial income. Securities used for hedging are excluded. The effects on profit shown in the sensitivity analysis are the same before and after tax.

Sensitivity analysis for shares and equity instruments	31.12.2024		31.12.2023	
	Effect on profit			
Portfolio	Downward shift	Upward shift	Downward shift	Upward shift
Trading book	(442)	442	(62)	62
Banking book	(228)	228	(178)	178
Total	(670)	670	(240)	240

Íslandsbanki hf. Consolidated Financial Statements 2024 71 Amounts are in ISK million

59. Inflation risk

The Group is exposed to inflation risk since the value of CPI-linked assets exceeds CPI-linked liabilities. The value of these assets and liabilities changes according to changes in the CPI at any given time and all changes in the CPI affect profit and loss. A 1% increase in the index would lead to an ISK 1,934 million increase in profit before tax and a 1% decrease would lead to a corresponding decrease, other risk factors held constant.

The effects of a change in the index on profit are shown before tax. The tax effects are equal to the Group's marginal tax rate. The enacted tax rate was temporarily increased from 20% to 21% for taxable income in 2024, in addition the Group pays a special financial activities tax of 6% of taxable profit exceeding ISK 1,000 million.

	31.12.2024	31.12.2023
Bonds and debt instruments	3,905	1,551
Loans to customers	501,595	405,910
Total CPI-linked assets	505,500	407,461
Deposits from customers	119,588	116,551
Debt issued and other borrowed funds	155,184	140,428
Subordinated loans	20,798	19,850
Off-balance sheet exposures	16,521	1,176
Short positions	47	11
Total CPI-linked liabilities	312,138	278,016
CPI imbalance	193,362	129,445

60. Capital management

The following tables show the capital base, the risk exposure amount (REA), the resulting capital ratios, and the leverage ratio for the Group at 31 December 2024 and 31 December 2023.

The Group's regulatory capital requirement is calculated according to EU regulation no. 575/2013 as implemented through the Act on Financial Undertakings no. 161/2002. Capital requirement calculations for credit risk, market risk and operational risk are based on the standardised approach whereas the simplified standardised approach is used for counterparty credit risk.

The Group aims at managing its capital position and the corresponding capital ratios above the overall regulatory capital requirement. According to the latest SREP report from the Financial Supervisory Authority of the Central Bank, the Bank shall as of 30 June 2024 maintain an additional capital requirement of 1.8% of the risk exposure amount. The Group's overall capital requirement, taking into account capital buffers, is 19.7%. The Group's capital target includes a 1-3% management buffer on top of the overall capital requirement.

The minimum leverage ratio for Icelandic financial institutions is 3%.

	31.12.2024	31.12.2023
Own funds		
Ordinary share capital	9,473	9,898
Share premium	55,000	55,000
Reserves	7,102	5,083
Retained earnings	155,780	154,712
Fair value changes due to own credit standing	135	1,827
Foreseeable dividend payment and approved buyback*	(15,760)	(14,990)
Tax assets	(164)	(122)
Intangible assets	(2,070)	(1,922)
Insufficient coverage for non-performing exposures	(17)	(3)
CET1 capital	209,479	209,483
Additional Tier 1 capital	9,371	10,019
Tier 1 capital	218,850	219,502
Tier 2 capital	22,324	28,135
Total capital base	241,174	247,637

*The AGM of Íslandsbanki held on 21 March 2024 authorises the Board of Directors to acquire on behalf of the Bank up to 10% of issued share capital of the Bank. The Central Bank has furthermore granted a permission for the Bank to acquire, through buyback, share capital of the Bank equivalent to ISK 10 billion in addition to the previously approved ISK 5 billion, which is within the 10% authorisation from the AGM. At 31 December 2024 ISK 3.6 billion remained of the approved buyback and is therefore deducted from CET1 capital.

Íslandsbanki hf. Consolidated Financial Statements 2024 72 Amounts are in ISK million

60. Capital management (continued)

	31.12.2024	31.12.2023
Risk exposure amount		
Due to credit risk	922,533	865,758
Due to market risk	10,606	10,360
Due to credit valuation adjustment	714	677
Due to operational risk	107,119	100,237
Total risk exposure amount	1,040,972	977,032
Capital ratios		
CET1 ratio	20.1%	21.4%
Tier 1 ratio	21.0%	22.5%
Total capital ratio	23.2%	25.3%
Leverage ratio		
Exposure amount		
On-balance sheet exposures	1,594,192	1,571,430
Off-balance sheet exposures	57,583	53,224
Derivative exposures	9,223	11,246
Leverage ratio total exposure measure	1,660,998	1,635,900
Tier 1 capital	218,850	219,502
Leverage ratio	13.2%	13.4%

61. Minimum requirement for own funds and eligible liabilities (MREL)

The minimum requirement for own funds and eligible liabilities (MREL) for Íslandsbanki is based on the Bank's resolution plan that is approved by the Icelandic Resolution Authority. The requirement can be met with the total capital base in addition to senior non-preferred and senior preferred debt with some conditions, such as having more than one year to maturity. This debt is referred to as eligible liabilities. No market confidence charge is applied in Iceland.

The MREL requirement for Íslandsbanki is the sum of the loss absorption amount (LAA) and recapitalisation amount (RCA). At 31 December 2024 the LAA and RCA were both equal to the total SREP capital requirement for 2024 of 9.8%, resulting in an MREL requirement of 19.6% of REA.

	31.12.2024		31.12.2023	
Minimum requirements for own funds and eligible liabilities	Amount	% of REA	Amount	% of REA
MREL	204,031	19.6%	203,223	20.8%
Combined buffer requirement	103,002	9.9%	91,450	9.4%
MREL including combined buffer requirement	307,033	29.5%	294,673	30.2%

	31.12.2024		31.12.2023	
Own funds and eligible liabilities	Amount	% of REA	Amount	% of REA
Own funds	241,174	23.2%	247,637	25.3%
Eligible liabilities	106,878	10.3%	155,617	15.9%
Own funds and eligible liabilities	348,052	33.4%	403,254	41.3%

Íslandsbanki hf. Consolidated Financial Statements 2024 73 Amounts are in ISK million

62. Effects of changes in regulation on capital requirements

The European Union has introduced regulatory changes effective from January 2025 to finalise the implementation of the Basel III framework. These changes to the capital requirement regulation, known as CRR 3, are expected to be incorporated into Icelandic regulations through the EEA Agreement later in the year 2025. The foreseeable changes to the regulation will modify the calculation of Risk Exposure Amount (REA) that in turn will impact capital ratios and certain disclosures, including the large exposure disclosure and the operating segment disclosure

Below are the estimated main effects of these changes on the Group, based on year-end 2024 amounts:

	Foreseeable CRR requirements	Current CRR requirements
Risk exposure amount		
Due to credit risk	896,371	922,533
Due to market risk	10,606	10,606
Due to credit valuation adjustment	714	714
Due to operational risk	85,944	107,119
Total risk exposure amount	993,635	1,040,972
CET1 ratio	21.1%	20.1%
Tier 1 ratio	22.0%	21.0%
Total capital ratio	24.3%	23.2%
MREL ratio	35.0%	33.4%

63. Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. The Group's definition of operational risk includes reputational risk, legal risk, model risk, conduct risk, and compliance risk among other risk factors.

The ultimate responsibility for ensuring an adequate operational risk management and internal control framework at Íslandsbanki lies with the Board of Directors. The Board has approved an Operational Risk Policy which outlines the Bank's framework for operational risk management. Risk Management is responsible for implementing the Bank's operational risk framework, for developing, maintaining the Operational Risk Policy, and for communicating the policy to the Bank's employees.

Íslandsbanki hf. Consolidated Financial Statements 2024 74 Amounts are in ISK million

Notes to the Consolidated Financial Statements

64. Material accounting policies

The accounting policies set out below have been applied consistently by the Group for the periods presented in these Consolidated Financial Statements.

Contents

Notes to the Consolidated Financial Statements

64.1 Basis of consolidation

The Consolidated Financial Statements of the Group comprise the financial statements of Íslandsbanki hf., as the parent company, and its subsidiaries.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

Business combinations

The Group accounts for business combinations under common control at book value. Under the book-value method, the Group measures assets and liabilities received in the combination at their existing book values.

The Group accounts for other business combination by applying the acquisition method. Under the acquisition method, the Group identifies itself as the acquirer, determines the acquisition date, recognises and measures the identifiable assets acquired, the liabilities assumed and any non-controlling interests in the acquiree, and recognises and measures any goodwill or gain from a bargain purchase.

Funds management

The Group acts as a manager for Undertakings for Collective Investment in Transferable Securities (UCITS) and investment funds as well as other funds for collective investment that accept capital from investors. Such funds are financed by issuing unit share certificates or shares. The Group does not have any contractual financial responsibility with respect to such custom units. The funds are not consolidated unless they are under the control of the Group.

The Group reviews all the facts and circumstances in order to decide if these funds should be consolidated. The Group is deemed to be a principal and hence controls and consolidates the funds, when it acts as fund manager and cannot be removed without cause, has variable returns through significant unit holdings and/or guarantees, and is able to influence the returns of the funds by exercising its power.

64.2 Investments in associates

The Group accounts for its investments in associates using the equity method. Income and expenses from investments in associates are recognised in profit or loss in the line item "Other operating income".

64.3 Financial assets and financial liabilities

Recognition

The Group recognises a financial asset and a financial liability in its Statement of Financial Position on the trade date, which is the date on which the Group becomes party to the contractual provisions of the instrument, except for loans which are recognised on the date when cash is advanced by the Group to the borrowers.

Derecognition

Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Group is recognised as a separate asset or liability. On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

The Group enters into transactions whereby it transfers assets recognised in its Statement of Financial Position, but retains either all or substantially all risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised from the Statement of Financial Position of the Group. Transfers of assets with retention of all or substantially all risks and rewards include, for example, repurchase transactions and securities lending.

64.3 Financial assets and financial liabilities (continued)

The Group does not derecognise from its Statement of Financial Position securities which the Group sells under agreements to repurchase at a specified future date ("repos") at a fixed price or at the sale price plus a lender's return. The Group recognises the cash received as a liability in its Statement of Financial Position. The difference between the sale and repurchase prices is recognised as interest expense over the life of the agreement using the effective interest method.

Securities lending and borrowing transactions are usually collateralised by securities or cash. The transfer of securities to counterparties is only reflected in the Statement of Financial Position if the risks and rewards of ownership are also transferred. Cash advanced or received as collateral is recorded as an asset or liability.

In transactions in which the Group neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset and it retains control over the asset, the Group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

Modifications

Substantial modifications of terms of existing financial assets, or replacements with new ones with significantly different terms, result in the Group derecognising the original financial assets and recognising new financial assets at fair value.

Classification and measurement of financial assets

For the purpose of measuring its financial assets, the Group classifies them at inception in one of the following categories:

- Financial assets at amortised cost
- Financial assets at fair value through other comprehensive income
- Financial assets at fair value through profit or loss
- Derivative assets in hedge accounting

The measurement basis of individual financial assets is determined based on an assessment of the cash flow characteristics of the assets and the business models under which they are managed.

The business models

The business models are determined by the Group's key management personnel in the way that assets are managed, and their performance is reported to them. The Group determines its business models at a level that reflects the way groups of financial assets are managed together to achieve a particular business objective. This condition is not an instrument-by-instrument approach to classification, but is determined at a higher level of aggregation. The Group's business models fall into the following three categories: Held to collect, Held to collect and for sale, and Other fair value business models, where assets are held for trading or managed on a fair value basis and are neither Held to collect nor Held to collect and for sale.

Solely payments of principal and interest (SPPI)

Financial assets held within the business models Held to collect and Held to collect and for sale, are assessed to evaluate if their contractual cash flows are comprised of solely payments of principal and interest. SPPI payments are those which are consistent with a basic lending arrangement. Principal is the fair value of the financial asset at initial recognition and changes over the life of the financial asset, for example if there are repayments of principal. Interest relates to basic lending returns, including compensation for the time value of money and credit risk associated with the principal amount outstanding over a period of time. Interest can also include consideration for other basic lending risks (for example, liquidity risk) and costs (for example, servicing or administrative costs), as well as a profit margin that is consistent with a basic lending arrangement.

Where the contractual terms introduce exposure to risk or variability of cash flows that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.

Financial assets at amortised cost

A financial asset is classified as being subsequently measured at amortised cost if the contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest and the asset is held within a business model whose objective is to collect contractual cash flows, i.e. Held to collect.

Financial assets at amortised cost are measured using the effective interest method. Amortised cost is calculated by taking into account the amount at which the assets are measured at initial recognition less principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount (such as due to discounts or premiums on acquisition and fees and costs that are an integral part of the effective interest rate), and minus any reduction for impairment. Accrued interest is included in the carrying amount of the financial asset in the Statement of Financial Position. Impairment losses and reversals of impairment losses are recognised in profit or loss in the line item "Net impairment on financial assets".

64.3 Financial assets and financial liabilities (continued)

Financial assets at fair value through other comprehensive income (FVOCI)

A financial asset is classified as being subsequently measured at fair value through other comprehensive income if the contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest and the asset is held within a business model whose objective is to collect contractual cash flows and sell, i.e. Held to collect and for sale.

Financial assets at fair value through other comprehensive income are initially recognised and subsequently measured at fair value in the Statement of Financial Position. Changes in fair value are recognised in other comprehensive income, except for interest earned which is recognised using the effective interest method in the line item "Net interest income" and foreign exchange gains and losses, which are included in the line item “Net foreign exchange gain (loss)”. Impairment and reversals of impairment are recognised in profit or loss in the line item "Net impairment on financial assets", offset due to impairment is then transferred to other comprehensive income. Impairment of financial assets measured at fair value through other comprehensive income does not affect the book value of the financial assets since the financial assets are measured at fair value. On derecognition fair value gains and losses are recycled to profit or loss.

Financial assets at fair value through profit or loss (FVTPL)

Financial assets classified at fair value through profit or loss are all other financial assets which are not classified at amortised cost or at fair value through other comprehensive income. During the year the Group did not classify any financial assets as designated at fair value through profit or loss.

Changes in fair value are recognised in profit or loss in the line item "Net financial income (expense)", except for interest earned, which is recognised in the line item "Net interest income" and foreign exchange gains and losses, which are included in the line item "Net foreign exchange gain (loss)".

Derivative assets in hedge accounting

Derivative assets in hedge accounting consist of derivatives with positive fair value which are designated and accounted for as hedging instruments (see Note 64.6).

Classification and measurement of financial liabilities

For the purpose of measuring its financial liabilities, the Group classifies them at inception in one of the following categories, except for loan commitments and financial guarantees (see Note 64.8):

- Financial liabilities at amortised cost
- Financial liabilities mandatorily at fair value through profit or loss
- Financial liabilities designated as at fair value through profit or loss
- Derivative liabilities in hedge accounting

Financial liabilities at amortised cost

Financial liabilities at amortised cost are non-derivative financial liabilities. Financial liabilities at amortised cost include deposits, debt issued and other borrowed funds, and subordinated loans.

Financial liabilities at amortised cost are recognised initially at fair value net of transaction costs incurred, and subsequently are carried at amortised cost using the effective interest method. Amortised cost is calculated by taking into account the amount at which the financial liabilities are measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount (such as due to discounts or premiums and fees and costs that are an integral part of the effective interest rate). Accrued interest is included in the carrying amount of the liabilities in the Statement of Financial Position.

The amortised cost of certain bonds issued by the Group, which are designated as hedged items in qualifying fair value hedge relationships, is adjusted for changes in the fair value of the bonds attributable to interest rate risk (see Note 64.6).

Financial liabilities mandatorily at fair value through profit or loss

Financial liabilities mandatorily at fair value through profit or loss are financial liabilities incurred principally for the purpose of generating profits from short-term price fluctuations or from the dealer's margin. Financial liabilities mandatorily at fair value through profit or loss consist of short positions in listed bonds and derivatives with negative fair value which are not classified as financial guarantees or are not designated as hedging instruments.

Changes in fair value are recognised in profit or loss in the line item "Net financial income (expense)", except for interest incurred, which is recognised in the line item "Net interest income" on an accrual basis and foreign exchange gains and losses which are included in the line item "Net foreign exchange gain (loss)".

64.3 Financial assets and financial liabilities (continued)

Financial liabilities designated as at fair value through profit or loss

Financial liabilities designated as at fair value through profit or loss are recognised at fair value and changes in fair value attributable to changes in the credit risk of those liabilities are recognised in other comprehensive income and are not subsequently reclassified to profit or loss. The remaining fair value changes are included in profit or loss in the line item "Net financial income (expense)", except for interest incurred, which is recognised in the line item "Net interest income" using the contractual interest rate and foreign exchange gains and losses which are included in the line item "Net foreign exchange gain (loss)".

The Group calculates the fair value attributable to changes in credit risk as the difference between the changes in fair value of the financial liability and the amount of changes in fair value attributable to changes in market interest rates. The change in fair value attributable to changes in market interest rates on financial liabilities is calculated by discounting contractual cash flows at the end of the period with the discount rate of the appropriate market interest rate.

Upon initial recognition, the Group determines if the recognition of gains and losses in other comprehensive income creates or enlarges an accounting mismatch in profit or loss, if applicable the whole fair value change is presented in profit or loss.

Derivative liabilities in hedge accounting

Derivative liabilities in hedge accounting consist of derivatives with negative fair value which are designated and accounted for as hedging instruments (see Note 64.6).

Determination of fair value

The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When available, the Group measures the fair value of financial assets and financial liabilities using quoted prices in an active market for that instrument. A market is considered active if quoted prices are readily and regularly available and those prices represent actual and regularly occurring transactions. The fair value is based on the most recent observed market prices at the reporting date.

If a market for a financial instrument is not active, the Group establishes its fair value using valuation techniques. Valuation techniques include net present value and discounted cash flow models, comparison with similar instruments for which observable market prices exist, Black-Scholes option pricing model and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rates, bond and equity prices, foreign currency exchange rates, and expected price volatilities and correlations. In some cases, where significant inputs into these models are not observable, expert judgement and estimation for these inputs are required. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Group and the counterparty where appropriate.

Periodically, the Group tests the valuation techniques and calibrates against historical data and using prices from observable current market transactions for the same instrument, or based on other available observable market data.

Changes in the fair value of financial assets and financial liabilities are recognised in profit or loss in the line item "Net financial income (expense)".

The Group has an established control framework with respect to the measurement of fair values. The business unit owning the positions is responsible for their valuations and for submitting the valuation to the Bank's Investment Committee for approval. Risk Management provides an independent review of the results, the valuation methods used and of the use of significant unobservable inputs. The final decision on the validity of the valuation is in the hands of the Bank's Investment Committee.

Financial instruments carried at fair value are categorised into three levels of fair value hierarchy that reflect the type of inputs used in making the fair value measurements. At the end of each reporting period the Group determines whether transfers have occurred between levels in the hierarchy, by reassessing categorisation based on the lowest level input that is significant to the fair value measurement as a whole.

Level 1: Fair Value Established from Quoted Market Prices

Financial instruments at this level are financial assets and financial liabilities containing actively traded bonds and shares that are listed either domestically or abroad.

64.3 Financial assets and financial liabilities (continued)

Level 2: Fair Value Established Using Valuation Techniques with Observable Market Information

Financial instruments at this level are assets and liabilities containing domestic bonds, shares as well as derivatives. For interest rate derivatives contracts such as interest rate swaps (IRS) and cross-currency interest rate swaps (CIRS) the Group calculates the net present value of estimated future cash flows based on yield curves with key inputs such as interest swap rates and forward-rate agreements (FRAs) rates. Foreign-currency forwards and foreign-currency swaps are valued using the FX spot rate adjusted for forward pricing points that can be obtained from market sources. These products are classified as Level 2. Bond forwards and equity forwards are also classified as Level 2 as they are valued using standard models with key inputs observed from stock prices, estimated dividend rates and funding rates.

Level 3: Fair Value Established Using Valuation Techniques Using Significant Unobservable Market Information

Financial instruments at this level contain primarily unlisted and illiquid shares and bonds. Unlisted shares and bonds are initially recorded at their transaction price but are revalued each quarter based on the models as described above.

Impairment of financial assets

The impairment model of IFRS 9 is forward-looking and should reflect a probability weighted average of possible outcomes. In addition, the expected credit loss model in IFRS 9 employs a dual measurement approach, under which the loss allowance for expected credit losses (ECL) is measured at each reporting date as either 12-month ECL or lifetime ECL, depending on whether there has been a significant increase in credit risk (SICR) of the financial instrument since initial recognition. The models which the Group uses for the calculation of the impairment amount are developed according to the Group's modelling framework. This framework imposes structure on the initial model development work, the model documentation, the approval process for models, the implementation of models and the lifetime support for models, including validation and back-testing. The Group's impairment process, which encompasses all the steps needed to derive the appropriate impairment allowance for each accounting period, is documented and approved by the All Risk Committee.

Stage assignment

At each reporting date, all assets subject to the impairment methodology must be divided into three groups, termed "Stages", reflecting the extent of credit deterioration since initial recognition. This division then determines how the impairment is measured and how interest is recognised.

Stage 1

All assets that have not experienced a SICR are assigned to Stage 1. For these assets, an impairment allowance is recognised which is equal to the expected credit loss arising from credit events occurring within 12 months of the reporting date (12-month ECL). Interest is recognised on the gross carrying amount of the assets.

Stage 2

Assets that the Group determines to have experienced a SICR, but are not credit-impaired, are classified as Stage 2. For these assets, an impairment allowance is recognised which is equal to the expected credit loss arising from all credit events occurring within the expected lifetime of the assets (lifetime ECL). Interest is recognised on the gross carrying amount of the assets.

The Group defines a SICR as a situation where the financial position of the obligor has deteriorated so much from the time of origination that the Group would likely not extend the same credit under the same terms today. Note that this definition applies at the individual asset level. For this purpose, origination does not refer to any modification events which have not resulted in derecognition of the asset. The assessment is based on a predefined set of triggers. This includes, as a backstop, the trigger that the asset is more than 30 days past due. Other triggers are internal assessments of outlook, events such as forbearance events which are less severe than a credit event, external credit related information and a significant deterioration in risk assessment compared with the risk assessment done in relation to the origination of the asset. The definition of a SICR depends only on the probability of a credit event occurring, it does not take into account collateralisation, or any other information related to the expected loss arising from the event. As soon as all triggers for Stage 2 for a particular asset are no longer activated then the asset moves back to Stage 1. Additionally, assets are classified as forborne for two years after a forbearance event has occurred, but forbearance events only cause assets to be in Stage 2 for twelve months and then they migrate back to Stage 1 unless other triggers apply.

The Group does not employ the low credit risk exemption in the Stage assignment process. In alignment with its operating procedures, the Group has chosen as its accounting policy to measure the impairment allowance for lease receivables at an amount equal to the lifetime ECL only for those assets which have a SICR or are credit impaired. For other lease receivables the impairment allowance is equal to the 12-month ECL.

64.3 Financial assets and financial liabilities (continued)

Stage 3

This Stage is for assets which are credit-impaired according to the Group's assessment. These assets are therefore experiencing an ongoing credit event and are considered to be in default. Thus, the 12-month ECL and lifetime ECL are the same amount, and this amount is recognised as impairment allowance. For assets in this Stage, interest is recognised on the net carrying amount of assets, i.e., net of impairment allowance.

The Group's definition of being credit-impaired is on a customer level, rather than on the level of an individual asset. According to the definition, a customer is credit-impaired when either of the following holds:

a) The Group assesses that it is unlikely that the customer can service all of their commitments to the Group in accordance with the terms of the agreements without recourse to default provisions in the agreements, or

b) The customer has been more than 90 days past due on material credit commitments

The assessment in point a) is made based on a defined set of triggers, which includes serious breach of covenants, serious registrations on an internal watchlist, initiation of serious collection actions and serious external credit related information. Furthermore, there is a defined set of conditions which must be satisfied so that customers that have been assessed as being credit impaired are no longer subject to this assessment. This includes probation periods and a view to the future outlook of the customer.

Expected credit loss (ECL)

The ECL for each asset is calculated using models for the probability of a credit impairment event occurring (PD), the loss percentage expected in case of such an event (LGD) and the outstanding amount at the time of the event (EAD).

The PD models are either fully automated statistical models, expert models or hybrid models. For the models with a component involving expert input there is a process in place to ensure proper review of the model outcome and periodic reassessment of obligors. The inputs into the models include demographic variables, information from financial statements and past payment behaviour, among other variables.

The effect of the economy on the PD is accounted for with the use of scaling factors which map through-the-cycle PD values to point-in-time PD values. The Group has a model to predict these scaling factors based on an economic forecast. The economic forecast is provided by the Group's Chief Economist. The forecast predicts a range of macroeconomic indicators over a horizon of five years. The model is applied to a subset of these indicators and produces a set of scaling factors. The scaling factors are then reviewed by the All Risk Committee with respect to all of the indicators and any other relevant information available and the committee approves their use for the calculation of the impairment. This process is carried out at least quarterly.

The Group uses three scenarios. In addition to the base case, scaling factors are produced for good and bad cases. This is done in order to represent a range of possible future developments. The actual impairment allowance is the weighted average of the ECL in these different scenarios.

The All Risk Committee determined that it was appropriate to adjust the weights of the forward-looking scenarios to better reflect uncertainty in economic conditions for borrowers and the ongoing uncertainty in global markets. The scenarios are usually weighted 25%-50%-25% (optimistic, base, pessimistic), but it was decided to keep using 20%-50%-30% at year-end 2024, as it had been throughout the year.

The table below shows macroeconomic indicators of the Group's Chief Economist's macroeconomic forecast used for all cases in ECL calculations 31.12.2024.

Change in economic indicators %	Estimate 2024	Forecast 2025	Forecast 2026	Forecast 2027	Forecast 2028
Economic growth (YoY real GDP change)	0.3	1.2	2.5	2.5	2.4
Housing prices in Iceland (average YoY change)	10.7	7.0	6.1	3.5	3.5
Purchasing power (average YoY change)	(0.2)	1.8	1.9	1.5	1.4
ISK exchange rate index (YoY change in average)	0.0	0.2	(1.5)	1.0	1.0
Policy rate, Central Bank of Iceland (average per year)	9.1	7.5	5.7	5.5	5.0
Inflation (average per year)	5.9	3.3	2.8	2.7	3.1
Capital formation (YoY real change)	2.3	0.2	3.8	2.9	2.9
- thereof capital formation in industry	2.6	(0.9)	4.0	2.8	2.8

64.3 Financial assets and financial liabilities (continued)

The LGD model considers several scenarios for how a facility may develop once a credit event has occurred. One possibility is that the facility cures without a loss. If not, the recoveries may be based on the seizing of collateral and to estimate such recoveries, several scenarios for the development of the value of the collateral are considered. Finally, there may be recoveries even though a formal collateral is not in place. These different recovery scenarios are weighted differently depending on the economic scenario under consideration. This leads to a non-linear interaction and thus a difference between the probability weighted average ECL and the ECL in the most likely scenario.

For EAD it is necessary to account for expected prepayments on term loans and for the expected utilisation of commitments such as credit cards, overdrafts, financial guarantees, and credit lines. The expected lifetime of agreements may also extend beyond the contractual lifetime for contracts which are generally extended.

Temporary changes have been made to the impairment model in response to seismic activity in Reykjanes since the last quarter of 2023. For further information see Note 3.

Write-off policy

When the Group has no reasonable expectations of recovering a credit exposure or when it is uneconomical to pursue legal collection, the financial asset is written off. A write-off does not change the debt obligation which is therefore still subject to enforcement activity. Any recoveries of amounts previously written off are credited to the income statement.

The impairment process

In the Group's impairment framework, the Stage assignment and ECL for each financial asset is calculated from the aforementioned models. The outcome is reviewed by the business units, and they can propose changes if they provide sufficient supporting material. The impairment and any proposals for changes are reviewed by an Impairment Council appointed by the All Risk Committee and the impairment allowance is approved by the All Risk Committee on a quarterly basis.

The principle of materiality applies to the above discussion on impairment, whereby exceptions related to non-materiality and immaterial adjustments are not discussed.

64.4 Cash and cash equivalents

Cash and cash equivalents are carried at amortised cost in the Statement of Financial Position and at the reporting date the expected credit loss is considered to be low.

Cash and cash equivalents in the statement of cash flows consist of cash on hand, unrestricted balances with the Central Bank, and demand deposits with credit institutions. Cash and cash equivalents comprise balances with less than three months maturity from the date of acquisition.

64.5 Derivative financial instruments

Derivatives are primarily used in trading activities but are also used to manage the Group's exposure to various risks, such as interest rate risk, inflation risk, and currency risk. Derivatives are classified as financial assets or financial liabilities, measured at fair value and presented in the Statement of Financial Position in separate line items as assets or liabilities, depending on whether their fair value at the reporting date is positive (assets) or negative (liabilities).

The Group applies hedge accounting. Accordingly, some of the Group's derivative financial assets and financial liabilities are accounted for as financial assets or financial liabilities mandatorily at fair value through profit or loss while others are accounted for as derivative assets or liabilities in hedge accounting (see Note 64.3 and Note 64.6).

Notes to the Consolidated Financial Statements

64.6 Hedge accounting

The Group elected, as a policy choice permitted under IFRS 9, to continue to apply hedge accounting in accordance with IAS 39.

On initial designation of the hedges, the Group formally documented the relationship between the hedging instruments and hedged items, including the risk management objective and strategy in undertaking the hedge, together with the method that will be used to assess the effectiveness of the hedging relationships. The Group makes an assessment, both at inception of the hedge relationships and on an ongoing basis, of whether the hedging instruments are expected to be highly effective in offsetting the changes in the fair value of the hedged items during the period for which the hedge is designated, and whether the actual results of each hedge are within the range of 80-125%. In the assessment the Group assumes that the benchmark interest rate is not altered as result of the transition to alternative benchmark interest rates.

The Group applies fair value hedge accounting with respect to designated hedging relationships consisting of certain fixed-rate Euro denominated bonds issued by the Group as the hedged items and certain Euro denominated interest rate swaps as the hedging instruments, whereby the Group pays floating rate interest and receives fixed rate interest. The hedging relationships are designated and accounted for as fair value hedges because the interest rate swaps are hedging the exposure of the Group to changes in the fair value of the bonds arising from changes in interest rates. The Group recognises the changes in the fair value of the interest rate swaps immediately in profit or loss together with the changes in the fair value of the bonds which are attributable to the interest rate risk. The changes in the clean fair value of the swaps and the bonds are included in the line item "Net financial income (expense) ", the accrued interest on the bonds and the swaps is included in the line item "Net interest income" and foreign exchange gains and losses on the bond are included in the line item "Net foreign exchange gain (loss)".

If a hedging derivative expires or is sold, terminated or exercised, or a hedge no longer meets the criteria for fair value hedge accounting, or the hedge designation is revoked, then hedge accounting for the corresponding hedging relationship is discontinued permanently. Any adjustment up to the point of discontinuation to a hedged item for which the effective interest method is used is amortised to profit or loss as part of the recalculated effective interest rate of the item over its remaining life.

64.7 Leases

The Group has elected not to separate non-lease components and account for lease and non-lease components of a contract as a single lease component.

The Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises a lease liability and a right-of-use asset at the lease commencement date. The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognises lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The Group presents right-of-use assets in the line item "Property and equipment" and lease liabilities in the line item "Other liabilities" in the Statement of Financial Position. Maturity analysis of lease liabilities is disclosed in Note 54. Interest on lease liabilities is recognised in profit or loss in the line item "Net interest income". Depreciation of right-of-use assets is recognised in profit or loss in the line item "Other operating expenses".

The Group as a lessor

When the Group is the lessor in a finance lease, the Group recognises a receivable equal to the net investment in the lease and presents it in the line item "Loans to customers" in the Statement of Financial Position. The Group applies its accounting policies for derecognition and impairment of financial assets also to its finance lease receivables. The Group recognises the finance income from finance lease receivables in profit or loss in the line item "Net interest income" over the period of the finance lease so as to give a constant periodic rate of return on the net investment in the finance lease.

When the Group is a lessor in arrangements which involve the legal form of finance leases, but which in substance do not involve leases, the Group classifies them within loans at amortised cost.

64.8 Loan commitments and financial guarantees

Loan commitments are firm commitments of the Group to provide credit under a binding agreement for the exchange of a specified quantity of resources at a specified price on a specified future date or dates. Expected credit loss of loan commitments (see Note 64.3) is recognised in the Statement of Financial Position in the line item "Other liabilities". Loan commitment fees received by the Group are recognised in profit or loss in the line item "Fee and commission income".

Financial guarantees are contracts that require the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Financial guarantees are issued by the Group to credit institutions and other parties on behalf of its customers so that they can secure loans, overdrafts, and banking facilities.

Liabilities arising from financial guarantees issued by the Group are initially measured at their fair value, being the premium received. Subsequently the liabilities are carried at the higher of the amount representing the initial fair value of the guarantee and the expected credit loss allowance of the guarantee (see Note 64.3). Any changes in the liabilities arising from financial guarantees are recognised in profit or loss. The premium received is recognised in profit or loss in the line item "Fee and commission income" over the life of the guarantee.

64.9 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, if it is probable that the Group will be required to settle the obligation with an outflow of resources, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When management assesses that disclosing all information regarding certain matters can be expected to affect their outcome, then such detailed disclosures are not included in the Consolidated Financial Statements.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that the reimbursement will be received, and the amount of the receivable can be measured reliably.

64.10 Employee benefits

All Group entities are required to pay, on a mandatory and contractual basis, contributions to public and private pension funds. The Group has no further payment obligations once these contributions have been paid. The Group recognises these contributions as salary related expenses when they become due.

Short-term employee benefits include salaries, cash bonuses, non-monetary benefits and compensated absences. Short-term employee benefit obligations are expensed by the Group as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

The Group does not have a defined benefit pension plan or an active remuneration policy.

64.11 Equity

Share capital

The share capital disclosed in the Consolidated Financial Statements represents the total nominal value of ordinary shares issued by the Bank. Incremental costs directly attributable to the issuance of ordinary shares are recognised as a deduction from equity, net of any tax effects.

Dividends on shares

Dividends payable to shareholders of the Bank are recognised as a liability and deducted from equity in the period in which the dividends are approved by the shareholders at the Bank's Annual General meeting. Dividends declared after the reporting date are not recognised as a liability at the reporting date.

Notes to the Consolidated Financial Statements

64.11 Equity (continued)

Statutory reserve

According to the Act on Public Limited Companies no. 2/1995 the statutory reserve shall amount to 25% of the share capital of the Bank.

Restricted reserves

The Group is to transfer, if applicable, certain amounts from retained earnings to restricted reserves which can therefore not be distributed as dividends to shareholders. These restricted reserves are specified as follows:

Restricted reserve due to capitalised development costs
When the Group capitalises development cost it transfers a corresponding amount from retained earnings to a restricted reserve. In the future the restricted amount is to be transferred back to retained earnings as the capitalised development cost is amortised in profit or loss.

Restricted reserve due to fair value changes of financial assets
The Group transfers fair value changes of financial assets at fair value through profit or loss, net of tax if applicable, from retained earnings to a restricted reserve. Amounts recognised in the reserve are transferred back to retained earnings upon sale of the financial asset.

Restricted reserve due to unrealised profit of associates
If share of profit of an associated company is in excess of dividend received or which can be claimed, the Group transfers the difference to a restricted reserve in equity. If the Group's shareholding in an associate is sold or written off the applicable amount recognised in the reserve is transferred to retained earnings.

Liability credit reserve

Changes in fair value attributable to changes in the credit risk of financial liabilities designated as at fair value through profit or loss are recognised in liability credit reserve. On derecognition the fair value changes are not reclassified to profit or loss.

Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign subsidiaries.

64.12 Interest income and interest expense

For all financial assets and financial liabilities measured at amortised cost, interest income and interest expense are recognised in profit or loss using the effective interest method.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows, considering all contractual terms of the financial instrument, but does not consider future credit losses. The calculation generally includes all fees and amounts paid or received between parties to the contract that are an integral part of the effective interest rate, as well as transaction costs and all other premiums or discounts.

The effective interest rate is established on initial recognition of financial assets and financial liabilities and their carrying amount is subsequently adjusted if the Group revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original effective interest rate. The change in carrying amount is recorded as interest income or interest expense. For floating rate instruments, interest income or interest expense is recognised based on the current market rate plus or minus amortisation or accretion of the discount or premium based on the original effective interest rate.

Interest on impaired financial assets is calculated by applying the original effective interest rate of the financial asset. For financial assets in Stage 1 and Stage 2 interest is recognised on the gross carrying amount of the assets and for financial assets in Stage 3 interest is recognised on the gross carrying amount of the assets, net of impairment allowance (see Note 64.3).

For financial assets and financial liabilities at fair value through profit and loss, interest income and interest expense are recognised through profit or loss on an accrual basis, except for financial liabilities designated as at fair value through profit or loss (see Note 64.3).

Accrued interest on interest rate swaps, which are designated and accounted for as hedging instruments in fair value hedges of the interest rate risk arising from certain fixed-rate Euro denominated bonds issued by the Group (see Note 64.6), is recognised in profit or loss as an adjustment to the interest expense recognised for the bonds.

Notes to the Consolidated Financial Statements

64.13 Net fee and commission income

Fees and commissions are recognised to reflect the transfer of services to customers at an amount that reflects the consideration that is expected to be received for such services. Fee and commission income and expenses that are integral to the effective interest rate on a financial asset or financial liability are included in the measurement of the effective interest rate.

Fees for loan commitments that are likely to be utilised are recognised as an adjustment to the effective interest rate of the loan. When a loan commitment is not expected to be utilised, fees are recognised in profit or loss on a straight-line basis over the commitment period.

Loan syndication fees are recognised as revenue in profit or loss when the syndication has been completed and the Group has retained no part of the loan package for itself or has retained a part at the same effective interest rate as the other participants.

Commission and fees arising from negotiating, or participating in the negotiation of, a transaction for a third party, such as the arrangement of the acquisition of shares or other securities, or the purchase or sale of businesses, are recognised on completion of the underlying transaction.

Portfolio and other management advisory and service fees are recognised based on the applicable service contracts, usually on a time-apportioned basis.

Asset management fees related to investment funds are recognised rateably over the period in which the service is provided. The same principle is applied for wealth management, financial planning, and custody services that are continuously provided over an extended period of time. Performance-linked fees or fee components are recognised when the performance criteria are fulfilled.

Where it is assessed that the Group is acting as an agent, the consideration is presented on a net basis.

64.14 Net financial income (expense)

Net financial income (expense) consists of net gain (loss) on financial assets and financial liabilities mandatorily at fair value through profit or loss, net gain (loss) on financial liabilities designated as at fair value through profit or loss, net gain (loss) on fair value hedges, net gain (loss) on derecognition of financial liabilities measured at amortised cost, net gain (loss) on derecognition of financial assets measured at amortised cost, and net gain (loss) on sale of debt instruments measured at fair value through other comprehensive income.

Net gain (loss) on financial assets and financial liabilities mandatorily at fair value through profit or loss
Net gain (loss) on financial assets and financial liabilities mandatorily at fair value through profit or loss includes all realised and unrealised fair value changes of financial assets and financial liabilities classified by the Group as mandatorily at fair value through profit or loss, except for interest income and interest expense, which are included in the line item "Net interest income", and foreign exchange gains and losses, which are included in the line item "Net foreign exchange gain (loss)". Dividend income from financial assets is recognised in the income statement when the Group's right to receive payment is established.

Net gain (loss) on financial liabilities designated as at fair value through profit or loss
Net gain (loss) on financial liabilities designated as at fair value through profit or loss includes all realised and unrealised fair value changes of financial liabilities designated by the Group as at fair value through profit or loss, except for changes in fair value attributable to changes in credit risk which is recognised in other comprehensive income, interests incurred which are included in the line item "Net interest income", and foreign exchange gains and losses which are included in the line item "Net foreign exchange gain (loss)".

Net gain (loss) on fair value hedges
Net gain (loss) on fair value hedges includes the changes in the clean fair value of interest rate swaps which are accounted for as hedging instruments in fair value hedges and the changes in the fair value of certain bonds, which are attributable to the interest rate risk of the bonds, and are accounted for as the hedged items in fair value hedges (see Note 64.6).

Net gain (loss) on derecognition of financial liabilities measured at amortised cost
Net gain (loss) on derecognition of financial liabilities measured at amortised cost includes the difference between the buyback price and the carrying amount of debt issued measured at amortised cost at the derecognition date.

Net gain (loss) on derecognition of financial assets measured at amortised cost
Net gain (loss) on derecognition of financial assets measured at amortised cost includes the difference between the consideration received and the carrying amount of financial assets measured at amortised cost at the derecognition date.

Net gain (loss) on sale of debt instruments measured at fair value through other comprehensive income
Net gain (loss) on sale of debt instruments measured at fair value through other comprehensive income includes cumulative fair value gains and losses reclassified to profit or loss upon the sale of debt instruments measured at fair value through other comprehensive income.

64.15 Taxes

Income tax expense

Income tax expense comprises special financial activities tax, current tax and deferred tax and is disclosed as a separate line item in the income statement. Income tax expense from non-current assets held for sale is included in the income statement in the line item "Profit from non-current assets held for sale, net of income tax". Income tax is recognised in profit or loss, except to the extent that it relates to items recognised directly in equity, consistent with the recognition of the underlying item to which it relates.

Bank tax

Bank tax is calculated as 0.145% (2023: 0.145%) of total liabilities at year-end as determined for tax purposes, in excess of ISK 50,000 million, excluding tax liabilities. The Bank tax is considered a non-deductible expense for the calculation of income tax. The Bank tax is shown in a separate line in the income statement and is included in the Statement of Financial Position in the line item "Tax liabilities".

Special financial activities tax

Special financial activities tax is calculated as 6% of taxable profit exceeding ISK 1,000 million. Special financial activities tax is included in the Statement of Financial Position in the line item "Tax liabilities".

Current tax

Current tax is the expected tax payable on the taxable income for the year using tax rates enacted at the reporting date. Current tax also includes any adjustment to tax payable in respect of previous years. Current tax assets and current tax liabilities are offset in the Statement of Financial Position if the Group has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. Current tax is included in the Statement of Financial Position in the line item "Tax liabilities".

Deferred tax

Deferred tax is recognised based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts. However, deferred taxes are not recognised if it arises from the initial recognition of an asset or liability, in a transaction other than a business combination, that at the time of the transaction affects neither the taxable profit nor the accounting profit. In addition, deferred taxes are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax is measured using tax rates enacted at the reporting date. The enacted tax rate was temporarily increased from 20% to 21% for taxable income in 2024, this temporary change in tax rate impacted deferred tax calculations at year-end 2023.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilised. The deferred tax asset is reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax liabilities are included in the Statement of Financial Position in the line item "Tax liabilities" and deferred tax assets are included in the Statement of Financial Position in the line item "Other assets".

Íslandsbanki's Corporate Governance Statement 2024
Unaudited

The Board of Directors of Íslandsbanki is committed to excellence in corporate governance and complying with the applicable regulatory standards and best international practices in the field of corporate governance.

The regulatory framework for corporate governance practices within Íslandsbanki consists of the law applicable to entities subject to the supervision of the Financial Supervisory Authority of the Central Bank of Iceland (FSA) as well as other applicable law and regulations, including those imposed by the FSA and Nasdaq Iceland, available at their respective websites, cb.is and nasdaqomxnordic.com. The applicable law includes, inter alia, the Act on Financial Undertakings no. 161/2002, the Act on Recovery and Resolution of Credit Institutions and Investment Firms no. 70/2020, the Act on Markets for Financial Instruments no. 115/2021, the Act on Payment Services no. 114/2021, the Act on Payment Accounts no. 5/2023, the Act on Measures against Money Laundering and Terrorist Financing no. 140/2018, the Act on Measures against Market Abuse no. 60/2021, the Act on Sustainability Disclosure Requirements in the Financial Sector and a Classification System for Sustainable Investments no. 25/2023, the Act on Mortgage Lending to Consumers no. 118/2016, the Act on Consumer Credit no. 33/2013, the Act on Competition no. 44/2005 and the Act on Public Limited Companies no. 2/1995, which along with Íslandsbanki's Articles of Association lay the foundation for the Bank's existence and activities. The relevant laws are available on the Icelandic legislature's website, althingi.is.

According to paragraph 7 of article 54 of the Act on Financial Undertakings no. 161/2002 Íslandsbanki is required to comply with the accepted Guidelines on Corporate Governance. The Bank's compliance with Corporate Governance Guidelines issued by the Iceland Chamber of Commerce, Nasdaq Iceland and SA Business Iceland (hereinafter the Guidelines) is reviewed annually. The Guidelines provide that companies are to disclose any deviations from the Guidelines and explain the reasons for such deviations. There are no deviations from the Guidelines at Íslandsbanki. The Guidelines are available on leidbeiningar.is.

Moreover, the Bank's governance practices are based on the European Banking Authority's Guidelines on Internal Governance for Financial Undertakings (EBA/GL/2021/05), cf. article 16 of regulation (EC) no. 1093/2010, transposed into Icelandic law with Act no. 24/2017, on European Financial Supervisory System.

The Bank's shares are admitted to trading on the Nasdaq Main Market in Iceland. The Bank also regularly issues bonds on the regulated securities market in both Iceland and Ireland. The Bank is therefore subject to the disclosure obligation of issuers pursuant to the Act on the Disclosure and Information requirements of Issuers of Securities and Notifications on Major Holdings no. 20/2021 and the rules of the relevant stock exchange.

Main Aspects of Risk Management and Internal Control

Internal Control

The risk management and internal control framework of the Bank is based on the three lines of defence model, as referred to in the European Banking Authority's Guidelines on Internal Governance, and aims for informed decision making and strong risk awareness throughout the Bank. The framework is intended to ensure efficient operations, adequate control of risks, prudent conduct of business, reliability of financial and non-financial information reported internally and externally, and compliance with the applicable laws, regulations, supervisory requirements, and the Bank's internal rules.

The first line of defence consists of the Bank's business and support units, which are responsible for establishing and maintaining effective internal controls and managing risk in the Bank's daily operations. This means that the respective units and their managers must actively and regularly ensure that risks within their areas of responsibility are identified, assessed, and managed appropriately. This includes the implementation of internal rules along with appropriate processes and monitoring their execution, in accordance with laws, regulations and the Bank's policies.

The second line of defence is comprised of the Bank's internal control units, Risk Management and Compliance, which shall facilitate the implementation of a sound risk management and internal control framework. Moreover, the second line of defence is responsible for further analysing, monitoring, measuring and reporting on risks and for forming a holistic view on all risks on an individual and consolidated basis.

The third line of defence is Group Internal Audit which keeps the Board informed of the quality of corporate governance, risk management and internal controls, including by performing independent and objective audits.

Risk Management

The Board of Directors approves the risk policy, risk appetite statement and procedure for risk management and ensures that internal procedures for risk management are revised at least annually.

The All Risk Committee, a Senior Management Committee, is comprised of the Chief Executive Officer (CEO), all the managing directors of the Bank and other members of management appointed by the CEO. The committee takes major decisions on implementation of the Bank's risk management and internal control frameworks and conducts oversight to ensure that the Bank's risk profile is within the limits defined in the Board's risk appetite statement. The All Risk Committee issues guidelines for risk assessment and individual risk thresholds or limits.

Further information on the Bank's risk management structure and internal control can be found in the Bank's unaudited Pillar 3 Report, which is available on the Bank's website.

Audit and Accounting

The CEO ensures that the Board of Directors is provided with accurate information on the Bank's finances, development and operations on a regular basis and the Board Audit Committee assists the Board in fulfilling its oversight responsibilities concerning the financial reporting process and the system of internal control.

The Bank's Finance division is responsible for the preparation of the Group's Consolidated Financial Statements in line with the International Financial Reporting Standards (IFRS) as adopted by the European Union and additional requirements in the Act on Annual Accounts no. 3/2006, the Act on Financial Undertakings no. 161/2002, and rules on accounting for credit institutions, where applicable. The Board's Audit Committee reviews annual and interim Consolidated Financial Statements before their submission for Board approval and endorsement. The Board's Audit Committee regularly discusses the Group's financial statements and evaluates its internal control processes. Management reporting is generally presented to the Board at least 10 times a year. The Consolidated Financial Statements are published on an annual basis and the Condensed Consolidated Interim Financial Statements on a quarterly basis.

The Annual General Meeting (AGM) elects an external audit firm in accordance with the Bank's Articles of Association. The Board's proposal to the AGM is based on the Audit Committee's proposal on the selection of an audit firm. KPMG ehf. was elected as the Bank's audit firm at the last AGM and conducts the Group's external audit. The external auditors review the half year Condensed Consolidated Interim Financial Statements and audit the Consolidated Financial Statements. Additionally, for the year 2024 the external auditors reviewed the Condensed Consolidated Interim Financial Statements for the third quarter.

Group Internal Audit

The Board appoints the Chief Audit Executive, who is responsible for internal audit of the Bank and its subsidiaries. Group Internal Audit reports directly to the Board and operates independently from other departments in accordance with article 16 of the Act on Financial Undertakings no. 161/2002. The department evaluates and promotes improvements to the effectiveness of governance, risk management, and control processes. The responsibilities and authorisations of the Chief Audit Executive and Group Internal Audit are further outlined in the Group Internal Audit Charter.

Compliance

The Bank's Chief Compliance Officer (CCO) is hired by the CEO, subject to Board confirmation. The CCO is a part of the Bank's Executive Committee. The CCO's role is to supervise and to have an overview of compliance risk, which include financial crime risk, data protection risk, breach of conduct and changes in the relevant law. Additionally, the CCO is responsible for monitoring and assessing the Bank's operations regarding securities transactions. Furthermore, the CCO is responsible for assessing and monitoring the Bank's compliance with the Act on Measures against Money Laundering and Terrorist Financing no. 140/2018.

Íslandsbanki Values, Sustainability and Code of Conduct

The Bank's purpose is to empower its customers to be a force for good. Íslandsbanki's values are progressive thinking, collaboration and professionalism and they are the pillars of the Bank's corporate culture, shaping the conduct and attitudes of its employees.

The Board approves a Code of Conduct for the Bank's employees. The aim of the Code is to promote good operational practices. The document is available on the Bank's website.

The Bank has in place a Sustainability Policy which is focused on making its operations exemplary in the Icelandic business environment, based on internationally recognised environmental, social, and governance criteria. The Bank aspires to be a leader in sustainable development.

The Bank has decided to focus particularly on four of the UN Sustainable Development Goals (SDGs) in its course of business: quality education; gender equality; industry, innovation and infrastructure; and climate action. Annually the Bank publishes an Annual and Sustainability Report. This year the report is partly based on ESRS (European Sustainability Reporting Standards), adopted by the European Commission, and the applicable Global Reporting Initiative (GRI) metrics, the UN Principles for Responsible Banking (UN PRB), and the SDGs. Since 2009 Íslandsbanki has been a signatory to the UN Global Compact on social responsibility.

Board of Directors

At each AGM seven non-executive directors, and two alternate members, are elected to the Board for a term of one year. The Chairman of the Board is elected separately at the AGM or the shareholders' meeting. There are no limitations on duration of Board membership.

The Board undertakes the Bank's affairs in between shareholders' meetings unless otherwise provided by law or the Bank's Articles of Association. The Board is responsible for setting the Bank's general strategy and instructs the CEO on its further implementation and execution. The Board has a supervisory role in that it oversees that the Bank's organisation and activities are at all times in accordance with the relevant law, regulations and good business practices. The CEO and Chief Audit Executive are hired by the Board.

The Rules of Procedure of the Board are adopted in accordance with article 70 of the Act on Public Limited Companies no. 2/1995 and article 54 of the Act on Financial Undertakings no. 161/2002. The Board's current Rules of Procedure are available on the Bank's website. According to the Bank's Articles of Association a Board meeting has a quorum if a majority of directors attend. The Board met 27 times in 2024, each time constituting a quorum.

The Articles of Association of the Bank provide that the ratio of each gender on the Board of Directors shall not be lower than 40%, currently the Board is comprised of four men and three women. The Board has approved a policy on the suitability of the Board of Directors, CEO and key function holders. The policy states, among other things, that the composition of the Board, the Executive Committee and key function holders shall at any time be diverse, with regard to educational and professional background, gender and age. Moreover, the policy provides that the proportion of either gender should not exceed 60% in the Executive Committee.

The Board Sub-Committees

The Board sub-committees are three in total, and they operate under the terms of a mandate letter from the Board as well as the Rules of Procedure of the Board. The mandate letters of the Board sub-committees are available on the Bank's website. The Board appoints the members of the sub-committees as well as their chairman. When appointing the sub-committees, the Board shall take into account the expertise, skills and experience needed of a member to be appointed to the relevant sub-committee. All of the sub-committees are constituted of members of the Board, in addition to one external committee member in the Board Audit Committee.

The Board Audit Committee, comprising three Board members and one external committee member, assists the Board in fulfilling its oversight responsibilities concerning the financial reporting process, the system of internal control, the audit process and the Bank's process for monitoring compliance with the relevant laws and regulations and its Code of Conduct. The committee met 14 times in 2024, each time constituting a quorum.

The Board Risk Management Committee, comprising three Board members, assists the Board in its advisory and supervisory role, i.a. in relation to the formulation and implementation of the Bank's risk policy and risk appetite. The committee's responsibilities include the parent company, its subsidiaries, and the whole Group. The committee met 10 times in 2024, each time constituting a quorum.

The Board Corporate Governance and Human Resource Committee, comprising three Board members, assists the Board in overseeing and assessing the Bank's compliance with generally accepted corporate governance practices and Board effectiveness. Furthermore, the committee assists the Board in fulfilling its oversight responsibilities concerning the Bank's Compensation Policy, implementation of the Bank's Sustainability Policy and issues concerning human resources. The committee met eight times in 2024, each time constituting a quorum.

The structure and composition of Board sub-committees is illustrated below.

Members of the Board

Linda Jónsdóttir (b. 1978)
Joined the Board as Chairman in July 2023

Main occupation: Deputy CEO and CFO of Sidekick Health.
Work experience: COO at Marel hf. (2022-2024). CFO at Marel hf. (2014-2022). Executive Director of Treasury, Finance and Investor Relations at Marel hf. (2009-2014). Senior Vice President of Treasury at Straumur Burðarás Investment Bank hf. (2005-2009). Director of Treasury and Financing at Burðarás hf. (2003-2005). Managing Director of Eimskipafélag Íslands pension fund (2002-2003). Manager of Treasury at Eimskip hf. (1999-2003).
Other directorships: University of Iceland Science Park (Board member). Has been a member of the boards of Icelandic Enterprise Investment Fund, Iceland Chamber of Commerce and Eimskipafélags Íslands pension fund.
Education: M.Sc. in Corporate Finance from Reykjavík University. Cand. oecon in Business Administration from the University of Iceland. Securities broker licensed by the Icelandic Ministry of Finance and Economic Affairs.
Shareholding and independence: Linda holds 12,659 shares in Íslandsbanki. Linda's spouse holds 12,659 shares in Íslandsbanki. Linda is considered independent of the Bank and major shareholders. No interest ties with main customers or competitors of the Bank.
Sub-Committees: Board Audit Committee.

Stefán Pétursson (b. 1963)
Joined the Board as Vice-Chairman in July 2023

Main Occupation: CFO of EpiEndo Pharmaceuticals ehf.
Work experience: CFO of Arion Bank hf. (2010-2021). Head of Financing, Executive Director of Finance and CFO at Landsvirkjun (1993-2010).
Other directorships: Has been on the boards of Landfestar ehf., Valitor hf., The Icelandic Depositors' and Investors' Guarantee Fund, Icelandic Chamber of Commerce, Landey ehf. and Hablaer and is a former Committee Member of ÍL Fund Projects Committee.
Education: MBA from Babson College in Boston. Cand. oecon in Business Administration from the University of Iceland.
Shareholding and independence: Stefán holds no shares in Íslandsbanki and is considered independent of the Bank and major shareholders. No interest ties with main customers or competitors of the Bank.
Sub-Committees: Board Audit Committee and the Board Risk Committee.

Agnar Tómas Möller (b. 1979)
Joined the Board in March 2023

Main occupation: Independent investor.
Work experience: Fund Manager of bond funds at Kvika Asset Management hf. (2018-2022). Fund Manager of bond funds at GAMMA Capital Management hf. (2009-2018). Bonds broker at Kaupþing Bank hf. (2006-2008). Risk management at Kaupþing Bank hf. (2004-2006). Teacher at the School of Business Administration and the Faculty of Economics at the University of Iceland (2010-2014).
Other directorships: ATM ehf. (Managing Director and Board member). The Icelandic Chess Federation (Board member).
Education: M.Sc. in Industrial Engineering from the University of Iceland and studies towards a B.A. in history at the same university.
Shareholding and independence: Agnar holds no shares in Íslandsbanki and is considered independent of the Bank and major shareholders. No interest ties with main customers or competitors of the Bank.
Sub-Committees: Board Risk Committee.

Haukur Örn Birgisson (b. 1978)
Joined the Board in July 2023

Main Occupation: Supreme Court Attorney, owner, and Managing Director of FIRMA Legal.
Work experience: Supreme Court Attorney, owner, and Managing Director of Íslenska lögfræðistofan (2008-2023). Chairman of the Rehearing Committee (2017-2021). Chairman of the Board and CEO of Inkasso ehf. (2010-2013). District Court Attorney and associate at Lex lögmannsstofa (2004-2008). District Court Attorney and associate at Nestor lögmenn (2004). Teacher in various legal courses in Reykjavík University, the University of Iceland, Verzlunarskóli Íslands and Menntaskólinn Hraðbraut.
Other directorships: Reparations Settlement Committee (as Chairman). Administrative Committee of the International Golf Federation (Board member). The Open Championship (member of the Executive Committee). Has been on the board of GAM Management hf., the Golf Union of Iceland (as President) and the European Golf Association (as President).
Education: Cand. jur. from the University of Iceland. Licenced Supreme Court Attorney.
Shareholding and independence: Haukur holds no shares in Íslandsbanki and is considered independent of the Bank and major shareholders. No interest ties with main customers or competitors of the Bank.
Sub-Committees: Chairman of the Board Corporate Governance and Human Resource Committee.

Helga Hlín Hákonardóttir (b. 1972)
Joined the Board in July 2023

Main Occupation: Partner and consultant at Strategía.
Work experience: Founder and lawyer at Lixia lögmannsstofa (2011-2014). Co-founder and Managing Director of Legal at Saga Investment Bank hf. (2006-2011). Attorney at Straumur Burðarás Investment Bank hf. (2005-2006), Íslandsbanki hf. (2000-2005) and capital markets lawyer at Fjárfestingarbanki atvinnulífsins hf. (1998-2000) and the Iceland Stock Exchange (1996-1998).
Other directorships: AÞ þrif ehf. (Board member) and Rue de Net (Board member). Has been on the boards of mark.is (as Chairman), Verðbréfaþing Ísland (as Alternate), Skeljungur hf., Summa Rekstrarfélag hf., Greiðsluveitan, Icelandic Chamber of Commerce, Festi hf., Krónan hf., Vís hf. (as Chairman), Lífís hf. (as Alternate), WOW air hf., Meniga Ltd. and on the The University Council of Akureyri University.
Education: Cand. jur. from the University of Iceland. Licenced District Court Attorney. Securities broker licensed by the Icelandic Ministry of Finance and Economic Affairs.
Shareholding and independence: Helga Hlín holds no shares in Íslandsbanki and is considered independent of the Bank and major shareholders. No interest ties with main customers or competitors of the Bank.
Sub-Committees: The Board Corporate Governance and Human Resource Committee and Chairman of the Board Risk Committee.

Stefán Sigurðsson (b. 1972)
Joined the board in March 2024

Main Occupation: Managing Director and owner of Nordic Development ehf.
Work experience: CEO of Sýn hf. (2014-2019). Managing Director of Wealth Management at Íslandsbanki hf. (2008-2014). Executive Director and later Managing Director of Strategic Development at Glitnir hf. (2007-2008). Corporate Finance Associate at Glitnir hf. in Denmark (2006-2007). Managing Director and co-founder at Bæjarútgerðin (2002-2003). Managing Director and co-founder at Inntak almannatengsl (2000-2002). Senior Trader at Íslandsbanki (1998-2000).
Other directorships: Fólk Reykjavík ehf. (Board member). Isavia ANS ehf. (Board member). North Ventures ehf. (as Chairman). North Ranga ehf. (as Chairman). Verðbréfamiðstöð Íslands hf. (as Chairman). Has been on the boards of the Iceland's Chamber of Commerce, Island Fund S.A. in Luxembourg and Verðbréfamiðstöð Íslands hf.
Education: M.Sc. in Economics from the University of Copenhagen. B.Sc. in Economics from the University of Iceland.
Shareholding and independence: Stefán holds no shares in Íslandsbanki and is considered independent of the Bank and major shareholders. No interest ties with main customers or competitors of the Bank.
Sub-Committees: The Board Corporate Governance and Human Resource Committee.

Valgerður Hrund Skúladóttir (b. 1963)
Joined the board in March 2024

Main occupation: CEO of Sensa ehf.
Work Experience: Director of Corporate Services and Holistic Solutions at Tæknival hf. (1994-2002). Head of the Electrical Department at Jóhann Ólafsson og Co. ehf. (1989-1994).
Other directorships: Memento (Board member). Reykjavík Forest Society (Board member). Classical Dance School (as Alternate). Business Iceland (as Alternate). Has been on the boards of Confederation of Icelandic Employers, Staki Automation, Talenta, Siminn DK, Sensa A/S, the Federation of Icelandic Industries and on its Intellectual Property Council, the Federation of IT companies (as Chairman).
Education: MBA from the University of Miami. C.Sc. in Electrical Engineering from the University of Iceland.
Shareholding and independence: Valgerður holds 12,659 shares in Íslandsbanki and is considered independent of the Bank and major shareholders. No interest ties with main customers or competitors of the Bank.
Sub-Committees: Chairman of the Board Audit Committee.

The alternate members of the Board are Herdís Gunnarsdóttir, since April 2016, and Páll Grétar Steingrímsson, since March 2022.

Structure and Composition of Board Sub-Committees

	Board Audit Committee	Board Risk Management Committee	Board Corporate Governance and HR Committee
Linda Jónsdóttir	Member		
Stefán Pétursson	Member	Member	
Agnar Tómas Möller		Member	
Haukur Örn Birgisson			Chair
Helga Hlín Hákonardóttir		Chair	Member
Stefán Sigurðsson			Member
Valgerður Skúladóttir	Chair		
Páll Grétar Steingrímsson	External Committee Member		

Chair Member External Committee Member

Íslandsbanki's Nomination Committee

In accordance with the Bank's Articles of Association the Bank operates a Nomination Committee whose role is to nominate individuals to the Bank's Board of Directors at the AGM, or as the case may be at a shareholders' meeting where Board elections are on the agenda. The members of the Nomination Committee shall be three, along with two alternates. Two members of the Nomination Committee, along with one alternate, shall be elected at the AGM or other shareholders' meeting where the election of nomination committee members is on the agenda, for a term of one year. The third member of the Nomination Committee and their alternate shall be Board members of the Bank and are appointed by the Board for a term of one year. The composition and work of the Board shall be in accordance with article 53 of the Act on Financial Undertakings no. 161/2002.

The Nomination Committee consists of:
- Helga Valfells, Chairman
- Linda Jónsdóttir, Chairman of the Board of Íslandsbanki
- Hilmar Garðar Hjaltason

The Rules of Procedure of the Bank's Nomination Committee are published on the Bank's website.

Board Performance and Suitability Assessment

At least once a year, as provided for in the Board's Rules of Procedure, the Board assesses its work, procedures and practices as well as each of its members. This performance assessment is intended to improve working methods and increase the efficiency of the Board. The assessment entails an evaluation of the strengths and weaknesses of the Board's work and practices. This is, inter alia, based on the necessary number of Board directors, the Board structure in relation to knowledge and experience, Board procedure and practices. Furthermore, the Board assesses, at least annually, the collective suitability of the Board and individual Board members in accordance with the Board's Rules of Procedure and the Bank's policy on the assessment of the suitability of the Board of Directors, the CEO and key function holders. The last assessment was performed by the Board in December 2024. The Board assessed the collective suitability of the Board as well as the suitability of individual Board members and concluded that the Board and individual Board members possess sufficient experience and knowledge to fulfil the requirements of the Act on Financial Undertakings and the Bank's policy on the suitability of the Board of Directors, CEO, and key function holders.

The Chief Executive Officer

The CEO is responsible for the day-to-day operations of the Bank and that the Bank's business is, at all times, in accordance with the Bank's Articles of Association, policies of the Board and the relevant law. The CEO engages the Bank's CCO and appoints members of the Executive Committee and other Senior Management Committees.

Jón Guðni Ómarsson (b. 1976)
CEO since 28 June 2023

Work experience: CFO of Íslandsbanki hf. (2011-2023). Head of Treasury at Íslandsbanki hf. from (2008-2011).
Education: M.Sc. in Quantitative and Computational Finance (QCF) from Georgia Institute of Technology and B.Sc. in Industrial Engineering from the University of Iceland. AMP from Harvard Business School. Chartered Financial Analyst (CFA). Securities broker licensed by the Icelandic Ministry of Finance and Economic Affairs.
Other directorships: None.
Shareholding and independence: Jón Guðni holds 44,506 shares in Íslandsbanki as well as having an indirect holding of 12,659 shares through Armis ehf. Jón Guðni's spouse holds 12,659 shares in Íslandsbanki. Jón Guðni is considered independent of the Bank and major shareholders. No interest ties with main customers or competitors of the Bank. No call-option agreements exist between the CEO and the Bank.

The Executive Committee

The Executive Committee consists of eight people, including the CEO: Jón Guðni Ómarsson, CEO since June 2023, Ellert Hlöðversson, Chief Financial Officer since January 2024, Barbara Inga Albertsdóttir, Chief Compliance Officer since November 2023, Guðmundur Kristinn Birgisson, Chief Risk Officer since October 2018, Kristín Hrönn Guðmundsdóttir, Managing Director of Corporate & Investment Banking since July 2023, Ólöf Jónsdóttir, Managing Director of Personal Banking since February 2024, Riaan Dreyer, Managing Director of Digital & Data since September 2019, and Una Steinsdóttir, Managing Director of Business Banking since May 2017.

Senior Management Committees

Senior Management Committees are advisory committees appointed by the CEO. Senior Management Committees are divided into Policy-Setting Committees, which implement Board policies, and Business Committees, which take a position on specific business matters. The committees are appointed by the CEO, who also approves their letter of mandate.

The Executive Committee and the **All Risk Committee** are considered Policy-Setting Committees and they take major decisions on the implementation of the policies set by the Board. Committee members include all of the Bank's Managing Directors, as well as other members of senior management appointed by the CEO.

- **The Executive Committee** oversees and coordinates key aspects of the Bank's activities and has decision-making authority in matters assigned to it by the CEO, in accordance with policies, goals, and risk appetite as defined by the Board.

- **The All Risk Committee** takes major decisions on implementation of the Bank's risk management and internal audit frameworks and conducts oversight to ensure that the Bank's risk profile is within the limits defined in the Board's risk appetite statement.

The Business Committees decide on individual business and operational matters in accordance with the rules and procedures issued by the Board, the Executive Committee and the All Risk Committee. The Bank's Business Committees are:

- **The Senior Credit Committee** decides on proposals on lending and is the formal venue for discussion and review of individual loan proposals.

- **The Asset and Liability Committee** decides on proposals regarding market risk, liquidity risk, funding, capital, and internal and external pricing.

- **The Investment Committee** decides on proposals regarding the purchase, sale and valuation of equity stakes and other investments of the Bank.

- **The Operational and Security Committee** decides on proposals regarding new products and services, continuous operation and material changes in systems and procedures.

- **The Sustainability Committee** is a formal forum for reviewing and discussing matters related to the Bank's sustainability strategy formulation and the Bank's commitments regarding sustainability.

- **The Digital Product Committee** is a formal forum for prioritisation of initiatives between product teams in line with the strategy and goals of the Bank.

Arrangement of Communications Between Shareholders and the Board

The Board communicates with shareholders in accordance with the relevant laws, the Bank's Articles of Association, and the Board's Rules of Procedure. Shareholders' meetings, the supreme authority of the Bank, are the general forum for informing and communicating with shareholders. All information that is defined as sensitive market information is disclosed to the market through the relevant regulated market's announcement system in accordance with the Bank's Disclosure and Communication Policy. The Bank also organises quarterly meetings for market participants where the CEO, CFO and representatives of investor relations present the Bank's financial statements.

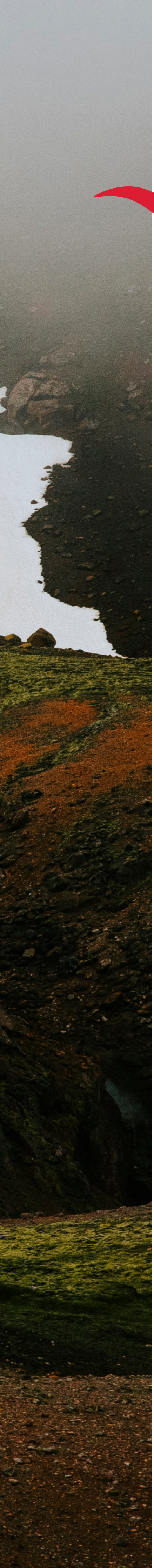
The Bank's Disclosure Committee assesses the Bank's event-specific disclosure obligations and decides on disclosure in accordance with the Bank's Rules on insider trading and management transactions. The Disclosure Committee consists of the CFO, the General Counsel, Executive Director of Treasury, Investor Relations and the CCO (without a vote).

Information on Infringements of Laws and Regulations Determined by the Appropriate Supervisory or Ruling Body

In September 2022 the FSA conducted an onsite inspection regarding the Bank's AML control. Following the results of the inspection, the Bank's Board decided in May 2024 to accept the FSA's settlement offer in relation to the case. With the settlement, the Bank agreed with the FSA's assessment and committed to making appropriate corrections and agreed to pay a fine in the amount of ISK 570 million.

No other remarks were received from an appropriate supervisory or ruling body concerning violations of laws or regulations. Information on legal cases relating to Íslandsbanki can be found in the Notes to the Consolidated Financial Statements.

This Corporate Governance Statement was approved by Íslandsbanki's Board of Directors on 13 February 2025.



Green Asset Ratio
Unaudited

In accordance with Regulation (EU) 2020/852 on the establishment of a framework to facilitate sustainable investment (the Taxonomy Regulation), the Group discloses information about the Green Asset Ratio (GAR). The Taxonomy Regulation was implemented into Icelandic law by Act no. 25/2023 on sustainability disclosure in the financial service sector and a classification system for sustainable investments.

The Taxonomy Regulation establishes a classification system with definitions of what constitutes environmentally sustainable economic activity. Economic activity is considered environmentally sustainable if it (i) contributes substantially to one or more of the environmental objectives, (ii) does not significantly harm any of the environmental objectives, (iii) is carried out in compliance with the minimum safeguards and (iv) complies with technical screening criteria.

The environmental objectives of the Taxonomy Regulation are:

- climate change mitigation;
- climate change adaptation;
- the sustainable use and protection of water and marine resources;
- the transition to a circular economy;
- pollution prevention and control; and
- the protection and restoration of biodiversity and ecosystems.

Under the Taxonomy Regulation, undertakings subject to the disclosure requirements of Article 8 must disclose information on how and to what extent their activities are associated with activities that qualify as environmentally sustainable. The Green Asset Ratio is the proportion of the credit institution's assets financing and invested in taxonomy-aligned economic activities as a proportion of total covered assets, in accordance with Delegated Regulation (EU) 2021/2178. Delegated Regulation (EU) 2021/2178 provides further detail on the content and presentation of information that undertakings must disclose about environmentally sustainable economic activities and the methodology to comply with that disclosure obligation.

The Group's disclosures are presented based on the templates according to Delegated Regulation (EU) 2021/2178. The templates have been amended with Delegated Regulations (EU) 2022/1214 and 2023/2486, which were implemented in Iceland with regulation no. 10/2024 on the classification system for sustainable investments, and regulation no. 1207/2024 amending regulation no. 10/2024. The Group's GAR is based on data on environmentally sustainable economic activities from Icelandic companies that are required to disclose non-financial information according to Article 66 d. of Act no. 3/2006 on annual accounts, i.e., large companies, public-interest entities, and parent companies of large groups.

Information is provided for the first two environmental objectives of the Taxonomy Regulation, i.e., climate change mitigation and climate change adaptation. The technical screening criteria for the other four environmental objectives did not come into effect in Iceland until 1 January 2025. The information related to the Taxonomy Regulation is disclosed on the basis of the scope of prudential requirements determined in accordance with Regulation (EU) 575/2013, Title II, Chapter 2, Section 2.

The Green Asset Ratio is disclosed based on environmentally sustainable economic activities data for non-financial undertakings for the financial year 2023, both for year-end 2024 and year-end 2023 disclosures. Since financial undertakings need to use data from their counterparties for reporting, financial undertakings were unable to provide information for the financial year 2023 and can therefore not be categorised as green assets. Additionally, loans to small and medium-sized enterprises cannot be categorised as green assets.

The Group has assessed a significant portion of mortgages and car loans to households that meet the environmental objective of the Taxonomy Regulation for climate change mitigation. However, due to extensive requirements and a lack of public data, it is not possible to formally meet the Taxonomy Regulation's criteria of "do no significant harm".

The Group's GAR based on turnover at year-end 2024 was 0.20% (year-end 2023: 0.00%).The Group's GAR based on capital expenditure (CAPEX) at year-end 2024 was 0.26% (year-end 2023: 0.11%).

0. Summary of KPIs to be disclosed by credit institutions under Article 8 Taxonomy Regulation

		Total environmentally sustainable assets	KPI (****)	KPI (*****)	% coverage (over total assets) (***)	% of assets excluded from the numerator of the GAR (Article 7(2) and (3) and Section 1.1.2. of Annex V)	% of assets excluded from the denominator of the GAR (Article 7(1) and Section 1.2.4 of Annex V)
Main KPI	*Green asset ratio (GAR) stock*	**2,874**	**0.20%**	**0.26%**	**87.59%**	**31.17%**	**12.41%**

		Total environmentally sustainable activities	KPI	KPI	% coverage (over total assets)	% of assets excluded from the numerator of the GAR (Article 7(2) and (3) and Section 1.1.2. of Annex V)	% of assets excluded from the denominator of the GAR (Article 7(1) and Section 1.2.4 of Annex V)
Additional KPIs	*GAR (flow)*	2,871	1.10%	1.21%	81.60%	36.51%	18.40%
	*Trading book**						
	Financial guarantees	-	0.00%	0.07%			
	Assets under management	69	0.02%	0.12%			
	*Fees and commissions income***						

(*) For credit institutions that do not meet the conditions of Article 94(1) of the CRR or the conditions set out in Article 325a(1) of the CRR.
(**) Fees and commissions income from services other than lending and AuM. Instutitons shall disclose forward-looking information for these KPIs, including information in terms of targets, together with relevant explanations on the methodology applied.

(***) % of assets covered by the KPI over banks' total assets.
(****) Based on the Turnover KPI of the counterparty.
(*****) Based on the CapEx KPI of the counterparty, except for lending activities where for general lending Turnover KPI is used.

1. Assets for the calculation of GAR based on turnover

	Million ISK	Disclosure reference date 31.12.2024															
		Total [gross] carrying amount	Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)					Total (CCA + CCM)				
			Of which towards taxonomy relevant sectors (Taxonomy-eligible)					Of which towards taxonomy relevant sectors (Taxonomy-eligible)					Of which towards taxonomy relevant sectors (Taxonomy-eligible)				
				Of which environmentally sustainable (Taxonomy-aligned)					Of which environmentally sustainable (Taxonomy-aligned)					Of which environmentally sustainable (Taxonomy-aligned)			
					Of which Use of Proceeds	Of which transitional	Of which enabling			Of which Use of Proceeds	Of which transitional	Of which enabling			Of which Use of Proceeds	Of which transitional	Of which enabling
	GAR - Covered assets in both numerator and denominator																
1	Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	974,183	629,960	2,874	-	-	-	-	-	-	-	-	629,960	2,874	-	-	-
2	**Financial undertakings**	**114,131**	**1**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1**	**-**	**-**	**-**	**-**
3	Credit institutions	62,882	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4	Loans and advances	36,626	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5	Debt securities, including UoP	26,256	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6	Equity instruments	-	-	-		-	-	-	-		-	-	-	-		-	-
7	Other financial corporations	51,249	1	-	-	-	-	-	-	-	-	-	1	-	-	-	-
8	of which investment firms	1,126	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9	Loans and advances	847	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10	Debt securities, including UoP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11	Equity instruments	279	-	-		-	-	-	-		-	-	-	-		-	-
12	of which management companies	3	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
13	Loans and advances	3	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14	Debt securities, including UoP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
15	Equity instruments	-	-	-		-	-	-	-		-	-	-	-		-	-
16	of which insurance undertakings	7	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
17	Loans and advances	7	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18	Debt securities, including UoP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
19	Equity instruments	-	-	-		-	-	-	-		-	-	-	-		-	-
20	**Non-financial undertakings**	**206,773**	**45,463**	**2,874**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**45,463**	**2,874**	**-**	**-**	**-**
21	Loans and advances	203,902	42,598	9	-	-	-	-	-	-	-	-	42,598	9	-	-	-
22	Debt securities, including UoP	2,871	2,865	2,865	-	-	-	-	-	-	-	-	2,865	2,865	-	-	-
23	Equity instruments	-	-	-		-	-	-	-		-	-	-	-		-	-
24	**Households**	**628,693**	**584,496**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**584,496**	**-**	**-**	**-**	**-**
25	of which loans collateralised by residential immovable property	568,643	568,643	-	-	-	-	-	-	-	-	-	568,643	-	-	-	-
26	of which building renovation loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
27	of which motor vehicle loans	15,853	15,853	-	-	-	-						15,853	-	-	-	-
28	**Local governments financing**	**23,148**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
29	Housing financing	3,533	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
30	Other local government financing	19,615	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
31	**Collateral obtained by taking possession: residential and commercial immovable properties**	**1,438**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

1. Assets for the calculation of GAR based on turnover (continued)

	Million ISK	Disclosure reference date 31.12.2024																
		Total [gross] carrying amount	Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)					Total (CCA + CCM)				
			Of which towards taxonomy relevant sectors (Taxonomy-eligible)					Of which towards taxonomy relevant sectors (Taxonomy-eligible)					Of which towards taxonomy relevant sectors (Taxonomy-eligible)				
				Of which environmentally sustainable (Taxonomy-aligned)					Of which environmentally sustainable (Taxonomy-aligned)					Of which environmentally sustainable (Taxonomy-aligned)			
					Of which Use of Proceeds	Of which transitional	Of which enabling			Of which Use of Proceeds	Of which transitional	Of which enabling			Of which Use of Proceeds	Of which transitional	Of which enabling
32	**Assets excluded from the numerator for GAR calculation (covered in the denominator)**	**441,120**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
33	**Financial and Non-financial undertakings**	401,978															
34	SMEs and NFCs (other than SMEs) not subject to NFRD disclosure obligations	392,521															
35	Loans and advances	390,604															
36	of which loans collateralised by commercial immovable property	192,469															
37	of which building renovation loans	-															
38	Debt securities	2,020															
39	Equity instruments	320															
40	Non-EU country counterparties not subject to NFRD disclosure obligations	7,485															
41	Loans and advances	7,383															
42	Debt securities	-															
43	Equity instruments	102															
44	**Derivatives**	**3,682**															
45	**On demand interbank loans**	**13,907**															
46	**Cash and cash-related assets**	**3,635**															
47	**Other categories of assets (e.g. Goodwill, commodities etc.)**	**17,918**															
48	**Total GAR assets**	**1,415,303**	**629,960**	**2,874**	-	-	-	-	-	-	-	-	**629,960**	**2,874**	-	-	-
49	**Assets not covered for GAR calculation**	**200,434**															
50	**Central governments and Supranational issuers**	**109,115**															
51	**Central banks exposure**	**62,187**															
52	**Trading book**	**29,132**															
53	**Total assets**	**1,615,737**	**629,960**	**2,874**	-	-	-	-	-	-	-	-	**629,960**	**2,874**	-	-	-
Off-balance sheet exposures - Undertakings subject to NFRD disclosure obligations																	
54	Financial guarantees	21,342	1,916	-	-	-	-	-	-	-	-	-	1,916	-	-	-	-
55	Assets under management	291,130	9,698	69	-	-	67	-	-	-	-	-	9,698	69	-	-	67
56	Of which debt securities	99,097	1,827	1	-	-	1	-	-	-	-	-	1,827	1	-	-	1
57	Of which equity instruments	97,512	7,501	62	-	-	60	-	-	-	-	-	7,501	62	-	-	60

1. Assets for the calculation of GAR based on turnover (continued)

	Million ISK	Disclosure reference date 31.12.2023																
			Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)					Total (CCA + CCM)					
		Total [gross] carrying amount	Of which towards taxonomy relevant sectors (Taxonomy-eligible)					Of which towards taxonomy relevant sectors (Taxonomy-eligible)					Of which towards taxonomy relevant sectors (Taxonomy-eligible)					
				Of which environmentally sustainable (Taxonomy-aligned)					Of which environmentally sustainable (Taxonomy-aligned)					Of which environmentally sustainable (Taxonomy-aligned)			
					Of which Use of Proceeds	Of which transitional	Of which enabling			Of which Use of Proceeds	Of which transitional	Of which enabling			Of which Use of Proceeds	Of which transitional	Of which enabling
	GAR - Covered assets in both numerator and denominator																	
1	Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	934,280	601,642	9	-	-	-	-	-	-	-	-	601,642	9	-	-	-
2	**Financial undertakings**	**108,483**	**1**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1**	**-**	**-**	**-**	**-**
3	Credit institutions	55,385	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4	Loans and advances	54,647	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5	Debt securities, including UoP	738	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6	Equity instruments	-	-	-		-	-	-	-		-	-	-	-		-	-
7	Other financial corporations	53,098	1	-	-	-	-	-	-	-	-	-	1	-	-	-	-
8	of which investment firms	508	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9	Loans and advances	280	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10	Debt securities, including UoP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11	Equity instruments	228	-	-		-	-	-	-		-	-	-	-		-	-
12	of which management companies	2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
13	Loans and advances	2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14	Debt securities, including UoP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
15	Equity instruments	-	-	-		-	-	-	-		-	-	-	-		-	-
16	of which insurance undertakings	6	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
17	Loans and advances	6	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18	Debt securities, including UoP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
19	Equity instruments	-	-	-		-	-	-	-		-	-	-	-		-	-
20	**Non-financial undertakings**	**207,412**	**47,738**	**9**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**47,738**	**9**	**-**	**-**	**-**
21	Loans and advances	207,412	47,738	9	-	-	-	-	-	-	-	-	47,738	9	-	-	-
22	Debt securities, including UoP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
23	Equity instruments	-	-	-		-	-	-	-	-	-	-	-	-	-	-	-
24	**Households**	**600,558**	**553,903**	**-**	**-**	**-**	**-**		**-**		**-**		**553,903**	**-**	**-**	**-**	**-**
25	of which loans collateralised by residential immovable property	535,672	535,672	-	-	-	-	-	-	-	-	-	535,672	-	-	-	-
26	of which building renovation loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
27	of which motor vehicle loans	18,231	18,231	-	-	-	-	-	-	-	-	-	18,231	-	-	-	-
28	**Local governments financing**	**17,102**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
29	Housing financing	3,533	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
30	Other local government financing	13,569	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
31	**Collateral obtained by taking possession: residential and commercial immovable properties**	**725**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

1. Assets for the calculation of GAR based on turnover (continued)

	Million ISK	Disclosure reference date 31.12.2023															
		Total [gross] carrying amount	Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)					Total (CCA + CCM)				
			Of which towards taxonomy relevant sectors (Taxonomy-eligible)					Of which towards taxonomy relevant sectors (Taxonomy-eligible)					Of which towards taxonomy relevant sectors (Taxonomy-eligible)				
				Of which environmentally sustainable (Taxonomy-aligned)					Of which environmentally sustainable (Taxonomy-aligned)					Of which environmentally sustainable (Taxonomy-aligned)			
					Of which Use of Proceeds	Of which transitional	Of which enabling			Of which Use of Proceeds	Of which transitional	Of which enabling			Of which Use of Proceeds	Of which transitional	Of which enabling
32	**Assets excluded from the numerator for GAR calculation (covered in the denominator)**	**399,689**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
33	**Financial and Non-financial undertakings**																
34	SMEs and NFCs (other than SMEs) not subject to NFRD disclosure obligations																
35	Loans and advances																
36	of which loans collateralised by commercial immovable property																
37	of which building renovation loans																
38	Debt securities																
39	Equity instruments																
40	Non-EU country counterparties not subject to NFRD disclosure obligations																
41	Loans and advances																
42	Debt securities																
43	Equity instruments																
44	**Derivatives**																
45	**On demand interbank loans**																
46	**Cash and cash-related assets**																
47	**Other categories of assets (e.g. Goodwill, commodities etc.)**																
48	**Total GAR assets**	**1,333,969**	**601,642**	**9**	-	-	-	-	-	-	-	-	**601,642**	**9**	-	-	-
49	**Assets not covered for GAR calculation**																
50	**Central governments and Supranational issuers**																
51	**Central banks exposure**																
52	**Trading book**																
53	**Total assets**	**1,594,538**	**601,642**	**9**	-	-	-	-	-	-	-	-	**601,642**	**9**	-	-	-
	Off-balance sheet exposures - Undertakings subject to NFRD disclosure obligations																
54	Financial guarantees	21,027	2,516	-	-	-	-	-	-	-	-	-	2,516	-	-	-	-
55	Assets under management	269,470	14,373	21	-	-	21	-	-	-	-	-	14,373	21	-	-	21
56	Of which debt securities	83,236	3,715	-	-	-	-	-	-	-	-	-	3,715	-	-	-	-
57	Of which equity instruments	85,603	10,123	20	-	-	19	-	-	-	-	-	10,123	20	-	-	19

2. GAR sector information based on turnover

	Breakdown by sector - NACE 4 digits level (code and label)	Climate Change Mitigation (CCM)				Climate Change Adaption (CCA)				Total (CCM + CCA)			
		Non-Financial corporates (Subject to NFRD)		SMEs and other NFC not subject to NFRD		Non-Financial corporates (Subject to NFRD)		SMEs and other NFC not subject to NFRD		Non-Financial corporates (Subject to NFRD)		SMEs and other NFC not subject to NFRD	
		[Gross] carrying amount		[Gross] carrying amount		[Gross] carrying amount		[Gross] carrying amount		[Gross] carrying amount		[Gross] carrying amount	
		Mn ISK	Of which environmentally sustainable (CCM)	Mn ISK	Of which environmentally sustainable (CCM)	Mn ISK	Of which environmentally sustainable (CCA)	Mn ISK	Of which environmentally sustainable (CCA)	Mn ISK	Of which environmentally sustainable (CCM + CCA)	Mn ISK	Of which environmentally sustainable (CCM + CCA)
1	0311 Marine fishing	1,212	-			1,212	-			1,212	-		
2	0321 Marine aquaculture	7	-			7	-			7	-		
3	0990 Support activities for other mining and quarrying	1	-			1	-			1	-		
4	1013 Production of meat and poultry meat products	5,403	-			5,403	-			5,403	-		
5	1020 Processing and preserving of fish, crustaceans and molluscs	27,790	-			27,790	-			27,790	-		
6	1051 Operation of dairies and cheese making	7,385	-			7,385	-			7,385	-		
7	1091 Manufacture of prepared feeds for farm animals	4,120	-			4,120	-			4,120	-		
8	1107 Manufacture of soft drinks; production of mineral waters and other bottled waters	1,638	-			1,638	-			1,638	-		
9	1412 Manufacture of workwear	-	-			-	-			-	-		
10	2361 Manufacture of concrete products for construction purposes	1	-			1	-			1	-		
11	2363 Manufacture of ready-mixed concrete	347	-			347	-			347	-		
12	2399 Manufacture of other non-metallic mineral products n.e.c.	149	-			149	-			149	-		
13	2651 Manufacture of instruments and appliances for measuring, testing and navigation	-	-			-	-			-	-		
14	3250 Manufacture of medical and dental instruments and supplies	1	-			1	-			1	-		
15	3312 Repair of machinery	116	-			116	-			116	-		
16	3511 Production of electricity	2,871	2,865			2,871	-			2,871	2,865		
17	3512 Transmission of electricity	1	1			1	-			1	1		
18	3530 Steam and air conditioning supply	1,402	-			1,402	-			1,402	-		
19	3821 Treatment and disposal of non-hazardous waste	680	-			680	-			680	-		
20	4120 Construction of residential and non-residential buildings	2,992	-			2,992	-			2,992	-		
21	4511 Sale of cars and light motor vehicles	12,502	-			12,502	-			12,502	-		
22	4639 Non-specialised wholesale of food, beverages and tobacco	794	-			794	-			794	-		
23	4643 Wholesale of electrical household appliances	335	-			335	-			335	-		
24	4646 Wholesale of pharmaceutical goods	548	-			548	-			548	-		
25	4671 Wholesale of solid, liquid and gaseous fuels and related products	4,173	-			4,173	-			4,173	-		
26	4690 Non-specialised wholesale trade	5	-			5	-			5	-		
27	4711 Retail sale in non-specialised stores with food, beverages or tobacco predominati	3,850	-			3,850	-			3,850	-		
28	4719 Other retail sale in nonspecialised stores	2,269	-			2,269	-			2,269	-		
29	4730 Retail sale of automotive fuel in specialised stores	3,210	-			3,210	-			3,210	-		
30	4773 Dispensing chemist in specialised stores	3,060	-			3,060	-			3,060	-		
31	5020 Sea and coastal freight water transport	9,514	-			9,514	-			9,514	-		
32	5110 Passenger air transport	2,199	-			2,199	-			2,199	-		
33	5121 Freight air transport	-	-			-	-			-	-		
34	5223 Service activities incidental to air transportation	391	-			391	-			391	-		
35	5229 Other transportation support activities	1	-			1	-			1	-		
36	5510 Hotels and similar accommodation	7,722	-			7,722	-			7,722	-		
37	6110 Wired telecommunications activities	20,578	-			20,578	-			20,578	-		
38	6120 Wireless telecommunications activities	6	-			6	-			6	-		
39	6201 Computer programming activities	-	-			-	-			-	-		
40	6202 Computer consultancy activities	9	-			9	-			9	-		
41	6810 Buying and selling of own real estate	-	-			-	-			-	-		
42	6820 Renting and operating of own or leased real estate	53,233	9			53,233	-			53,233	9		
43	6920 Accounting, bookkeeping and auditing activities; tax consultancy	1	-			1	-			1	-		
44	7022 Business and other management consultancy activities	-	-			-	-			-	-		
45	7112 Engineering activities and related technical consultancy	2	-			2	-			2	-		
46	7711 Renting and leasing of cars and light motor vehicles	25,876	-			25,876	-			25,876	-		
47	7990 Other reservation service and related activities	-	-			-	-			-	-		
48	8020 Security systems service activities	1	-			1	-			1	-		
49	8121 General cleaning of buildings	115	-			115	-			115	-		
50	8510 Pre-primary education	289	-			289	-			289	-		
51	8542 Tertiary education	-	-			-	-			-	-		
52	9313 Fitness facilities	-	-			-	-			-	-		

3. GAR KPI stock based on turnover

	% (compared to total covered assets in the denominator)	Disclosure reference date 31.12.2024														
		Climate Change Mitigation (CCM)					Climate Change Adaption (CCA)				Total (CCM + CCA)					
		Of which towards taxonomy relevant sectors (Taxonomy-eligible)					Of which towards taxonomy relevant sectors (Taxonomy-eligible)				Of which towards taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total assets covered
			Of which environmentally sustainable (Taxonomy-aligned)					Of which environmentally sustainable (Taxonomy-aligned)				Of which environmentally sustainable (Taxonomy-aligned)				
				Of which Use of Proceeds	Of which transitional	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which transitional	Of which enabling	
	GAR - Covered assets in both numerator and denominator															
1	Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	64.76%	0.30%	-	-	-	-	-	-	-	64.76%	0.30%	-	-	-	60.21%
2	**Financial undertakings**	**0.00%**	-	-	-	-	-	-	-	-	**0.00%**	-	-	-	-	**7.06%**
3	Credit institutions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3.89%
4	Loans and advances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2.27%
5	Debt securities, including UoP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1.63%
6	Equity instruments	-	-	-	-	-	-	-		-	-	-		-	-	-
7	Other financial corporations	0.00%	-	-	-	-	-	-	-	-	0.00%	-	-	-	-	3.17%
8	of which investment firms	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.07%
9	Loans and advances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.05%
10	Debt securities, including UoP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11	Equity instruments	-	-	-	-	-	-	-		-	-	-		-	-	0.02%
12	of which management companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.00%
13	Loans and advances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.00%
14	Debt securities, including UoP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
15	Equity instruments	-	-	-	-	-	-	-		-	-	-		-	-	-
16	of which insurance undertakings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.00%
17	Loans and advances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.00%
18	Debt securities, including UoP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
19	Equity instruments	-	-	-	-	-	-	-		-	-	-		-	-	-
20	**Non-financial undertakings**	**21.99%**	**1.39%**	-	-	-	-	-	-	-	**21.99%**	**1.39%**	-	-	-	**12.80%**
21	Loans and advances	20.89%	0.00%	-	-	-	-	-	-	-	20.89%	0.00%	-	-	-	12.62%
22	Debt securities, including UoP	99.79%	99.79%	-	-	-	-	-	-	-	99.79%	99.79%	-	-	-	0.18%
23	Equity instruments	-	-	-	-	-	-	-		-	-	-		-	-	-
24	**Households**	**92.97%**	-	-	-	-	-	-		-	**92.97%**	-	-	-	-	**38.91%**
25	of which loans collateralised by residential immovable property	100.00%	-	-	-	-	-	-	-	-	100.00%	-	-	-	-	35.20%
26	of which building renovation loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
27	of which motor vehicle loans	100.00%	-	-	-	-					100.00%	-	-	-	-	0.98%
28	**Local governments financing**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**1.43%**
29	Housing financing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.22%
30	Other local government financing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1.21%
31	**Collateral obtained by taking possession: residential and commercial immovable properties**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**0.00%**
32	**Total GAR assets**	**44.51%**	**0.20%**	-	-	-	-	-	-	-	**44.51%**	**0.20%**	-	-	-	**87.59%**

3. GAR KPI stock based on turnover (continued)

	% (compared to total covered assets in the denominator)	Disclosure reference date 31.12.2023														
		Climate Change Mitigation (CCM)					Climate Change Adaption (CCA)				Total (CCM + CCA)					
		Of which towards taxonomy relevant sectors (Taxonomy-eligible)					Of which towards taxonomy relevant sectors (Taxonomy-eligible)				Of which towards taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total assets covered
			Of which environmentally sustainable (Taxonomy-aligned)					Of which environmentally sustainable (Taxonomy-aligned)				Of which environmentally sustainable (Taxonomy-aligned)				
				Of which Use of Proceeds	Of which transitional	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which transitional	Of which enabling	
	GAR - Covered assets in both numerator and denominator															
1	Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	64.39%	0.00%	-	-	-	-	-	-	-	64.39%	0.00%	-	-	-	57.83%
2	**Financial undertakings**	**0.00%**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**0.00%**	**-**	**-**	**-**	**-**	**6.71%**
3	Credit institutions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3.43%
4	Loans and advances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3.38%
5	Debt securities, including UoP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.05%
6	Equity instruments	-	-	-	-	-	-	-		-	-	-		-	-	-
7	Other financial corporations	0.00%	-	-	-	-	-	-	-	-	0.00%	-	-	-	-	3.29%
8	of which investment firms	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.03%
9	Loans and advances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.02%
10	Debt securities, including UoP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11	Equity instruments	-	-	-	-	-	-	-		-	-	-		-	-	0.01%
12	of which management companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.00%
13	Loans and advances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.00%
14	Debt securities, including UoP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
15	Equity instruments	-	-	-	-	-	-	-		-	-	-		-	-	-
16	of which insurance undertakings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.00%
17	Loans and advances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.00%
18	Debt securities, including UoP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
19	Equity instruments	-	-	-	-	-	-	-		-	-	-		-	-	-
20	**Non-financial undertakings**	**23.02%**	**0.00%**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**23.02%**	**0.00%**	**-**	**-**	**-**	**12.84%**
21	Loans and advances	23.02%	0.00%	-	-	-	-	-	-	-	23.02%	0.00%	-	-	-	12.84%
22	Debt securities, including UoP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
23	Equity instruments	-	-	-	-	-	-	-		-	-	-		-	-	-
24	**Households**	**92.23%**	**-**	**-**	**-**	**-**	**-**	**-**		**-**	**92.23%**	**-**	**-**	**-**	**-**	**37.17%**
25	of which loans collateralised by residential immovable property	100.00%	-	-	-	-	-	-	-	-	100.00%	-	-	-	-	33.15%
26	of which building renovation loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
27	of which motor vehicle loans	100.00%	-	-	-	-					100.00%	-	-	-	-	1.13%
28	**Local governments financing**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1.06%**
29	Housing financing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.22%
30	Other local government financing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.84%
31	**Collateral obtained by taking possession: residential and commercial immovable properties**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**0.05%**
32	**Total GAR assets**	**45.40%**	**0.00%**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**45.40%**	**0.00%**	**-**	**-**	**-**	**83.57%**

4. GAR KPI flow based on turnover

	% (compared to total covered assets in the denominator)	Disclosure reference date 31.12.2024														
		Climate Change Mitigation (CCM)					Climate Change Adaption (CCA)				Total (CCM + CCA)					
		Of which towards taxonomy relevant sectors (Taxonomy-eligible)					Of which towards taxonomy relevant sectors (Taxonomy-eligible)				Of which towards taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total assets covered
			Of which environmentally sustainable (Taxonomy-aligned)					Of which environmentally sustainable (Taxonomy-aligned)				Of which environmentally sustainable (Taxonomy-aligned)				
				Of which Use of Proceeds	Of which transitional	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which transitional	Of which enabling	
	GAR - Covered assets in both numerator and denominator															
1	Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	49.69%	1.10%	-	-	-	-	-	-	-	49.69%	1.10%	-	-	-	51.81%
2	**Financial undertakings**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**11.42%**
3	Credit institutions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	7.40%
4	Loans and advances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	7.30%
5	Debt securities, including UoP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.10%
6	Equity instruments	-	-		-	-	-	-		-	-	-		-	-	-
7	Other financial corporations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4.02%
8	of which investment firms	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.16%
9	Loans and advances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.16%
10	Debt securities, including UoP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11	Equity instruments	-	-		-	-	-	-		-	-	-		-	-	-
12	of which management companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
13	Loans and advances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14	Debt securities, including UoP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
15	Equity instruments	-	-		-	-	-	-		-	-	-		-	-	-
16	of which insurance undertakings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.00%
17	Loans and advances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.00%
18	Debt securities, including UoP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
19	Equity instruments	-	-		-	-	-	-		-	-	-		-	-	-
20	**Non-financial undertakings**	**21.91%**	**4.44%**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**21.91%**	**4.44%**	**-**	**-**	**-**	**12.90%**
21	Loans and advances	18.29%	0.01%	-	-	-	-	-	-	-	18.29%	0.01%	-	-	-	12.33%
22	Debt securities, including UoP	99.79%	99.79%	-	-	-	-	-	-	-	99.79%	99.79%	-	-	-	0.57%
23	Equity instruments	-	-		-	-	-	-		-	-	-		-	-	-
24	**Households**	**86.74%**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**86.74%**	**-**	**-**	**-**	**-**	**26.42%**
25	of which loans collateralised by residential immovable property	100.00%	-	-	-	-	-	-	-	-	100.00%	-	-	-	-	21.85%
26	of which building renovation loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
27	of which motor vehicle loans	100.00%	-	-	-	-					100.00%	-	-	-	-	1.07%
28	**Local governments financing**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1.07%**
29	Housing financing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.70%
30	Other local government financing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.37%
31	**Collateral obtained by taking possession: residential and commercial immovable properties**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
32	**Total GAR assets**	**31.55%**	**0.70%**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**31.55%**	**0.70%**	**-**	**-**	**-**	**81.60%**

5. KPI off-balance sheet exposures based on turnover

	% (compared to total eligible off-balance sheet assets)	Disclosure reference date 31.12.2024														
		Climate Change Mitigation (CCM)					Climate Change Adaption (CCA)					Total (CCM + CCA)				
		Of which towards taxonomy relevant sectors (Taxonomy-eligible)					Of which towards taxonomy relevant sectors (Taxonomy-eligible)					Of which towards taxonomy relevant sectors (Taxonomy-eligible)				
			Of which environmentally sustainable (Taxonomy-aligned)					Of which environmentally sustainable (Taxonomy-aligned)					Of which environmentally sustainable (Taxonomy-aligned)			
				Of which Use of Proceeds	Of which transitional	Of which enabling			Of which Use of Proceeds	Of which transitional	Of which enabling			Of which Use of Proceeds	Of which transitional	Of which enabling
1	Financial guarantees (FinGuar KPI)	8.98%	-	-	-	-	-	-	-	-	-	8.98%	-	-	-	-
2	Assets under management (AuM KPI)	3.33%	0.02%	-	-	0.02%	-	-	-	-	-	3.33%	0.02%	-	-	0.02%

1. Assets for the calculation of GAR based on CapEx

	Million ISK	Disclosure reference date 31.12.2024															
		Total [gross] carrying amount	Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)					Total (CCA + CCM)				
			Of which towards taxonomy relevant sectors (Taxonomy-eligible)					Of which towards taxonomy relevant sectors (Taxonomy-eligible)					Of which towards taxonomy relevant sectors (Taxonomy-eligible)				
				Of which environmentally sustainable (Taxonomy-aligned)					Of which environmentally sustainable (Taxonomy-aligned)					Of which environmentally sustainable (Taxonomy-aligned)			
					Of which Use of Proceeds	Of which transitional	Of which enabling			Of which Use of Proceeds	Of which transitional	Of which enabling			Of which Use of Proceeds	Of which transitional	Of which enabling
	GAR - Covered assets in both numerator and denominator																
1	Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	974,183	658,069	3,656	-	-	-	-	-	-	-	-	658,069	3,656	-	-	-
2	**Financial undertakings**	**114,131**	**9**	-	-	-	-	-	-	-	-	-	**9**	-	-	-	-
3	Credit institutions	62,882	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4	Loans and advances	36,626	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5	Debt securities, including UoP	26,256	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6	Equity instruments	-	-	-		-	-	-	-		-	-	-	-		-	-
7	Other financial corporations	51,249	9	-	-	-	-	-	-	-	-	-	9	-	-	-	-
8	of which investment firms	1,126	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9	Loans and advances	847	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10	Debt securities, including UoP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11	Equity instruments	279	-	-		-	-	-	-		-	-	-	-		-	-
12	of which management companies	3	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
13	Loans and advances	3	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14	Debt securities, including UoP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
15	Equity instruments	-	-	-		-	-	-	-		-	-	-	-		-	-
16	of which insurance undertakings	7	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
17	Loans and advances	7	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18	Debt securities, including UoP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
19	Equity instruments	-	-	-		-	-	-	-		-	-	-	-		-	-
20	**Non-financial undertakings**	**206,773**	**73,564**	**3,656**	-	-	-	-	-	-	-	-	**73,564**	**3,656**	-	-	-
21	Loans and advances	203,902	71,350	1,442	-	-	-	-	-	-	-	-	71,350	1,442	-	-	-
22	Debt securities, including UoP	2,871	2,214	2,214	-	-	-	-	-	-	-	-	2,214	2,214	-	-	-
23	Equity instruments	-	-	-		-	-	-	-		-	-	-	-		-	-
24	**Households**	**628,693**	**584,496**	-	-	-	-	-	-	-	-	-	**584,496**	-	-	-	-
25	of which loans collateralised by residential immovable property	568,643	568,643	-	-	-	-	-	-	-	-	-	568,643	-	-	-	-
26	of which building renovation loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
27	of which motor vehicle loans	15,853	15,853	-	-	-	-						15,853	-	-	-	-
28	**Local governments financing**	**23,148**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
29	Housing financing	3,533	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
30	Other local government financing	19,615	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
31	**Collateral obtained by taking possession: residential and commercial immovable**	**1,438**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

1. Assets for the calculation of GAR based on CapEx (continued)

	Million ISK	Disclosure reference date 31.12.2024															
		Total [gross] carrying amount	Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)					Total (CCA + CCM)				
			Of which towards taxonomy relevant sectors (Taxonomy-eligible)					Of which towards taxonomy relevant sectors (Taxonomy-eligible)					Of which towards taxonomy relevant sectors (Taxonomy-eligible)				
				Of which environmentally sustainable (Taxonomy-aligned)					Of which environmentally sustainable (Taxonomy-aligned)					Of which environmentally sustainable (Taxonomy-aligned)			
					Of which Use of Proceeds	Of which transitional	Of which enabling			Of which Use of Proceeds	Of which transitional	Of which enabling			Of which Use of Proceeds	Of which transitional	Of which enabling
32	Assets excluded from the numerator for GAR calculation (covered in the denominator)	441,120	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
33	Financial and Non-financial undertakings	401,978															
34	SMEs and NFCs (other than SMEs) not subject to NFRD disclosure obligations	392,521															
35	Loans and advances	390,604															
36	of which loans collateralised by commercial immovable property	192,469															
37	of which building renovation loans	-															
38	Debt securities	2,020															
39	Equity instruments	320															
40	Non-EU country counterparties not subject to NFRD disclosure obligations	7,485															
41	Loans and advances	7,383															
42	Debt securities	-															
43	Equity instruments	102															
44	Derivatives	3,682															
45	On demand interbank loans	13,907															
46	Cash and cash-related assets	3,635															
47	Other categories of assets (e.g. Goodwill, commodities etc.)	17,918															
48	Total GAR assets	1,415,303	658,069	3,656	-	-	-	-	-	-	-	-	658,069	3,656	-	-	-
49	Assets not covered for GAR calculation	200,434															
50	Central governments and Supranational issuers	109,115															
51	Central banks exposure	62,187															
52	Trading book	29,132															
53	Total assets	1,615,737	658,069	3,656	-	-	-	-	-	-	-	-	658,069	3,656	-	-	-
Off-balance sheet exposures - Undertakings subject to NFRD disclosure obligations																	
54	Financial guarantees	21,342	1,543	15	-	-	-	-	-	-	-	-	1,543	15	-	-	-
55	Assets under management	291,130	13,091	354	-	-	318	-	-	-	-	-	13,091	354	-	-	318
56	Of which debt securities	99,097	2,850	85	-	-	84	-	-	-	-	-	2,850	85	-	-	84
57	Of which equity instruments	97,512	9,743	255	-	-	221	-	-	-	-	-	9,743	255	-	-	221

1. Assets for the calculation of GAR based on CapEx (continued)

	Million ISK	Disclosure reference date 31.12.2023															
		Total [gross] carrying amount	Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)					Total (CCA + CCM)				
			Of which towards taxonomy relevant sectors (Taxonomy-eligible)					Of which towards taxonomy relevant sectors (Taxonomy-eligible)					Of which towards taxonomy relevant sectors (Taxonomy-eligible)				
				Of which environmentally sustainable (Taxonomy-aligned)					Of which environmentally sustainable (Taxonomy-aligned)					Of which environmentally sustainable (Taxonomy-aligned)			
					Of which Use of Proceeds	Of which transitional	Of which enabling			Of which Use of Proceeds	Of which transitional	Of which enabling			Of which Use of Proceeds	Of which transitional	Of which enabling
	GAR - Covered assets in both numerator and denominator																
1	Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	934,280	629,373	1,484	-	-	-	-	-	-	-	-	629,373	1,484	-	-	-
2	**Financial undertakings**	**108,483**	**9**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**9**	**-**	**-**	**-**	**-**
3	Credit institutions	55,385	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4	Loans and advances	54,647	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5	Debt securities, including UoP	738	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6	Equity instruments	-	-	-		-	-	-	-		-	-	-	-		-	-
7	Other financial corporations	53,098	9	-	-	-	-	-	-	-	-	-	9	-	-	-	-
8	of which investment firms	508	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9	Loans and advances	280	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10	Debt securities, including UoP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11	Equity instruments	228	-	-		-	-	-	-		-	-	-	-		-	-
12	of which management companies	2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
13	Loans and advances	2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14	Debt securities, including UoP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
15	Equity instruments	-	-	-		-	-	-	-		-	-	-	-		-	-
16	of which insurance undertakings	6	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
17	Loans and advances	6	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18	Debt securities, including UoP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
19	Equity instruments	-	-	-		-	-	-	-		-	-	-	-		-	-
20	**Non-financial undertakings**	**207,412**	**75,461**	**1,484**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**75,461**	**1,484**	**-**	**-**	**-**
21	Loans and advances	207,412	75,461	1,484	-	-	-	-	-	-	-	-	75,461	1,484	-	-	-
22	Debt securities, including UoP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
23	Equity instruments	-	-	-		-	-	-	-		-	-	-	-		-	-
24	**Households**	**600,558**	**553,903**	**-**	**-**	**-**	**-**		**-**		**-**		**553,903**	**-**	**-**	**-**	**-**
25	of which loans collateralised by residential immovable property	535,672	535,672	-	-	-	-	-	-	-	-	-	535,672	-	-	-	-
26	of which building renovation loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
27	of which motor vehicle loans	18,231	18,231	-	-	-	-	-	-	-	-	-	18,231	-	-	-	-
28	**Local governments financing**	**17,102**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
29	Housing financing	3,533	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
30	Other local government financing	13,569	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
31	**Collateral obtained by taking possession: residential and commercial immovable**	**725**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

1. Assets for the calculation of GAR based on CapEx (continued)

	Million ISK	Disclosure reference date 31.12.2023															
			Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)					Total (CCA + CCM)				
			Of which towards taxonomy relevant sectors (Taxonomy-eligible)					Of which towards taxonomy relevant sectors (Taxonomy-eligible)					Of which towards taxonomy relevant sectors (Taxonomy-eligible)				
				Of which environmentally sustainable (Taxonomy-aligned)					Of which environmentally sustainable (Taxonomy-aligned)					Of which environmentally sustainable (Taxonomy-aligned)			
		Total [gross] carrying amount			Of which Use of Proceeds	Of which transitional	Of which enabling			Of which Use of Proceeds	Of which transitional	Of which enabling			Of which Use of Proceeds	Of which transitional	Of which enabling
32	**Assets excluded from the numerator for GAR calculation (covered in the denominator)**	**399,689**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
33	**Financial and Non-financial undertakings**																
34	SMEs and NFCs (other than SMEs) not subject to NFRD disclosure obligations																
35	Loans and advances																
36	of which loans collateralised by commercial immovable property																
37	of which building renovation loans																
38	Debt securities																
39	Equity instruments																
40	Non-EU country counterparties not subject to NFRD disclosure obligations																
41	Loans and advances																
42	Debt securities																
43	Equity instruments																
44	**Derivatives**																
45	**On demand interbank loans**																
46	**Cash and cash-related assets**																
47	**Other categories of assets (e.g. Goodwill, commodities etc.)**																
48	**Total GAR assets**	1,333,969	629,373	1,484	-	-	-	-	-	-	-	-	629,373	1,484	-	-	-
49	**Assets not covered for GAR calculation**																
50	**Central governments and Supranational issuers**																
51	**Central banks exposure**																
52	**Trading book**																
53	**Total assets**	**1,594,538**	**629,373**	**1,484**	-	-	-	-	-	-	-	-	**629,373**	**1,484**	-	-	-
	Off-balance sheet exposures - Undertakings subject to NFRD disclosure obligations																
54	Financial guarantees	21,027	1,987	18	-	-	-	-	-	-	-	-	1,987	18	-	-	-
55	Assets under management	269,470	15,894	220	-	-	214	-	-	-	-	-	15,894	220	-	-	214
56	Of which debt securities	83,236	4,150	34	-	-	34	-	-	-	-	-	4,150	34	-	-	34
57	Of which equity instruments	85,603	11,149	179	-	-	173	-	-	-	-	-	11,149	179	-	-	173

2. GAR sector information based on CapEx

	Breakdown by sector - NACE 4 digits level (code and label)	Climate Change Mitigation (CCM)				Climate Change Adaption (CCA)				Total (CCM + CCA)			
		Non-Financial corporates (Subject to NFRD)		SMEs and other NFC not subject to NFRD		Non-Financial corporates (Subject to NFRD)		SMEs and other NFC not subject to NFRD		Non-Financial corporates (Subject to NFRD)		SMEs and other NFC not subject to NFRD	
		[Gross] carrying amount		[Gross] carrying amount		[Gross] carrying amount		[Gross] carrying amount		[Gross] carrying amount		[Gross] carrying amount	
		Mn ISK	Of which environmentally sustainable (CCM)	Mn ISK	Of which environmentally sustainable (CCM)	Mn ISK	Of which environmentally sustainable (CCA)	Mn ISK	Of which environmentally sustainable (CCA)	Mn ISK	Of which environmentally sustainable (CCM + CCA)	Mn ISK	Of which environmentally sustainable (CCM + CCA)
1	0311 Marine fishing	1,212	-			1,212	-			1,212	-		
2	0321 Marine aquaculture	7	-			7	-			7	-		
3	0990 Support activities for other mining and quarrying	1	-			1	-			1	-		
4	1013 Production of meat and poultry meat products	5,403	-			5,403	-			5,403	-		
5	1020 Processing and preserving of fish, crustaceans and molluscs	27,790	-			27,790	-			27,790	-		
6	1051 Operation of dairies and cheese making	7,385	-			7,385	-			7,385	-		
7	1091 Manufacture of prepared feeds for farm animals	4,120	-			4,120	-			4,120	-		
8	1107 Manufacture of soft drinks; production of mineral waters and other bottled waters	1,638	-			1,638	-			1,638	-		
9	1412 Manufacture of workwear	-	-			-	-			-	-		
10	2361 Manufacture of concrete products for construction purposes	1	-			1	-			1	-		
11	2363 Manufacture of ready-mixed concrete	347	-			347	-			347	-		
12	2399 Manufacture of other non-metallic mineral products n.e.c.	149	-			149	-			149	-		
13	2651 Manufacture of instruments and appliances for measuring, testing and navigation	-	-			-	-			-	-		
14	3250 Manufacture of medical and dental instruments and supplies	1	-			1	-			1	-		
15	3312 Repair of machinery	116	-			116	-			116	-		
16	3511 Production of electricity	2,871	2,865			2,871	-			2,871	2,865		
17	3512 Transmission of electricity	1	1			1	-			1	1		
18	3530 Steam and air conditioning supply	1,402	-			1,402	-			1,402	-		
19	3821 Treatment and disposal of non-hazardous waste	680	-			680	-			680	-		
20	4120 Construction of residential and non-residential buildings	2,992	-			2,992	-			2,992	-		
21	4511 Sale of cars and light motor vehicles	12,502	-			12,502	-			12,502	-		
22	4639 Non-specialised wholesale of food, beverages and tobacco	794	-			794	-			794	-		
23	4643 Wholesale of electrical household appliances	335	-			335	-			335	-		
24	4646 Wholesale of pharmaceutical goods	548	-			548	-			548	-		
25	4671 Wholesale of solid, liquid and gaseous fuels and related products	4,173	-			4,173	-			4,173	-		
26	4690 Non-specialised wholesale trade	5	-			5	-			5	-		
27	4711 Retail sale in non-specialised stores with food, beverages or tobacco predominati	3,850	-			3,850	-			3,850	-		
28	4719 Other retail sale in nonspecialised stores	2,269	-			2,269	-			2,269	-		
29	4730 Retail sale of automotive fuel in specialised stores	3,210	-			3,210	-			3,210	-		
30	4773 Dispensing chemist in specialised stores	3,060	-			3,060	-			3,060	-		
31	5020 Sea and coastal freight water transport	9,514	-			9,514	-			9,514	-		
32	5110 Passenger air transport	2,199	-			2,199	-			2,199	-		
33	5121 Freight air transport	-	-			-	-			-	-		
34	5223 Service activities incidental to air transportation	391	-			391	-			391	-		
35	5229 Other transportation support activities	1	-			1	-			1	-		
36	5510 Hotels and similar accommodation	7,722	-			7,722	-			7,722	-		
37	6110 Wired telecommunications activities	20,578	-			20,578	-			20,578	-		
38	6120 Wireless telecommunications activities	6	-			6	-			6	-		
39	6201 Computer programming activities	-	-			-	-			-	-		
40	6202 Computer consultancy activities	9	-			9	-			9	-		
41	6810 Buying and selling of own real estate	-	-			-	-			-	-		
42	6820 Renting and operating of own or leased real estate	53,233	9			53,233	-			53,233	9		
43	6920 Accounting, bookkeeping and auditing activities; tax consultancy	1	-			1	-			1	-		
44	7022 Business and other management consultancy activities	-	-			-	-			-	-		
45	7112 Engineering activities and related technical consultancy	2	-			2	-			2	-		
46	7711 Renting and leasing of cars and light motor vehicles	25,876	-			25,876	-			25,876	-		
47	7990 Other reservation service and related activities	-	-			-	-			-	-		
48	8020 Security systems service activities	1	-			1	-			1	-		
49	8121 General cleaning of buildings	115	-			115	-			115	-		
50	8510 Pre-primary education	289	-			289	-			289	-		
51	8542 Tertiary education	-	-			-	-			-	-		
52	9313 Fitness facilities	-	-			-	-			-	-		

3. GAR KPI stock based on CapEx

	% (compared to total covered assets in the denominator)	Disclosure reference date 31.12.2024														
		Climate Change Mitigation (CCM)					Climate Change Adaption (CCA)				Total (CCM + CCA)					
		Of which towards taxonomy relevant sectors (Taxonomy-eligible)					Of which towards taxonomy relevant sectors (Taxonomy-eligible)				Of which towards taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total assets covered
			Of which environmentally sustainable (Taxonomy-aligned)					Of which environmentally sustainable (Taxonomy-aligned)				Of which environmentally sustainable (Taxonomy-aligned)				
				Of which Use of Proceeds	Of which transitional	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which transitional	Of which enabling	
	GAR - Covered assets in both numerator and denominator															
1	Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	67.65%	0.38%	-	-	-	-	-	-	-	67.65%	0.38%	-	-	-	60.21%
2	**Financial undertakings**	**0.01%**	-	-	-	-	-	-	-	-	**0.01%**	-	-	-	-	7.06%
3	Credit institutions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3.89%
4	Loans and advances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2.27%
5	Debt securities, including UoP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1.63%
6	Equity instruments	-	-		-	-	-	-		-	-	-		-	-	-
7	Other financial corporations	0.02%	-	-	-	-	-	-	-	-	0.02%	-	-	-	-	3.17%
8	of which investment firms	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.07%
9	Loans and advances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.05%
10	Debt securities, including UoP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11	Equity instruments	-	-		-	-	-	-		-	-	-		-	-	0.02%
12	of which management companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.00%
13	Loans and advances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.00%
14	Debt securities, including UoP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
15	Equity instruments	-	-		-	-	-	-		-	-	-		-	-	-
16	of which insurance undertakings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.00%
17	Loans and advances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.00%
18	Debt securities, including UoP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
19	Equity instruments	-	-		-	-	-	-		-	-	-		-	-	-
20	**Non-financial undertakings**	**35.58%**	**1.77%**	-	-	-	-	-	-	-	**35.58%**	**1.77%**	-	-	-	12.80%
21	Loans and advances	34.99%	0.71%	-	-	-	-	-	-	-	34.99%	0.71%	-	-	-	12.62%
22	Debt securities, including UoP	77.12%	77.12%	-	-	-	-	-	-	-	77.12%	77.12%	-	-	-	0.18%
23	Equity instruments	-	-		-	-	-	-		-	-	-		-	-	-
24	**Households**	**92.97%**	-	-	-	-	-	-		-	**92.97%**	-	-	-	-	38.91%
25	of which loans collateralised by residential immovable property	100.00%	-	-	-	-	-	-	-	-	100.00%	-	-	-	-	35.20%
26	of which building renovation loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
27	of which motor vehicle loans	100.00%	-	-	-	-					100.00%	-	-	-	-	0.98%
28	**Local governments financing**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1.43%
29	Housing financing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.22%
30	Other local government financing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1.21%
31	**Collateral obtained by taking possession: residential and commercial immovable properties**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.00%
32	**Total GAR assets**	46.50%	0.26%	-	-	-	-	-	-	-	46.50%	0.26%	-	-	-	87.59%

3. GAR KPI stock based on CapEx (continued)

	% (compared to total covered assets in the denominator)	Disclosure reference date 31.12.2023														
		Climate Change Mitigation (CCM)					Climate Change Adaption (CCA)				Total (CCM + CCA)					
		Of which towards taxonomy relevant sectors (Taxonomy-eligible)					Of which towards taxonomy relevant sectors (Taxonomy-eligible)				Of which towards taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total assets covered
			Of which environmentally sustainable (Taxonomy-aligned)					Of which environmentally sustainable (Taxonomy-aligned)				Of which environmentally sustainable (Taxonomy-aligned)				
				Of which Use of Proceeds	Of which transitional	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which transitional	Of which enabling	
	GAR - Covered assets in both numerator and denominator															
1	Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	67.36%	0.16%	-	-	-	-	-	-	-	67.36%	0.16%	-	-	-	57.83%
2	**Financial undertakings**	0.01%	-	-	-	-	-	-	-	-	0.01%	-	-	-	-	6.71%
3	Credit institutions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3.43%
4	Loans and advances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3.38%
5	Debt securities, including UoP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.05%
6	Equity instruments	-	-		-	-	-	-		-	-	-		-	-	-
7	Other financial corporations	0.02%	-	-	-	-	-	-	-	-	0.02%	-	-	-	-	3.29%
8	of which investment firms	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.03%
9	Loans and advances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.02%
10	Debt securities, including UoP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11	Equity instruments	-	-		-	-	-	-		-	-	-		-	-	0.01%
12	of which management companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.00%
13	Loans and advances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.00%
14	Debt securities, including UoP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
15	Equity instruments	-	-		-	-	-	-		-	-	-		-	-	-
16	of which insurance undertakings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.00%
17	Loans and advances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.00%
18	Debt securities, including UoP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
19	Equity instruments	-	-		-	-	-	-		-	-	-		-	-	-
20	**Non-financial undertakings**	36.38%	0.72%	-	-	-	-	-	-	-	36.38%	0.72%	-	-	-	12.84%
21	Loans and advances	36.38%	0.72%	-	-	-	-	-	-	-	36.38%	0.72%	-	-	-	12.84%
22	Debt securities, including UoP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
23	Equity instruments	-	-		-	-	-	-		-	-	-		-	-	-
24	**Households**	92.23%	-	-	-	-	-	-		-	92.23%	-	-	-	-	37.17%
25	of which loans collateralised by residential immovable property	100.00%	-	-	-	-	-	-	-	-	100.00%	-	-	-	-	33.15%
26	of which building renovation loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
27	of which motor vehicle loans	100.00%	-	-	-	-					100.00%	-	-	-	-	1.13%
28	**Local governments financing**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1.06%
29	Housing financing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.22%
30	Other local government financing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.84%
31	**Collateral obtained by taking possession: residential and commercial immovable properties**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.05%
32	**Total GAR assets**	47.49%	0.11%	-	-	-	-	-	-	-	47.49%	0.11%	-	-	-	83.57%

4. GAR KPI flow based on CapEx

	% (compared to total covered assets in the denominator)	Disclosure reference date 31.12.2024														
		Climate Change Mitigation (CCM)					Climate Change Adaption (CCA)				Total (CCM + CCA)					
		Of which towards taxonomy relevant sectors (Taxonomy-eligible)					Of which towards taxonomy relevant sectors (Taxonomy-eligible)				Of which towards taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total assets covered
			Of which environmentally sustainable (Taxonomy-aligned)					Of which environmentally sustainable (Taxonomy-aligned)				Of which environmentally sustainable (Taxonomy-aligned)				
				Of which Use of Proceeds	Of which transitional	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which transitional	Of which enabling	
	GAR - Covered assets in both numerator and denominator															
1	Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	54.76%	1.21%	-	-	-	-	-	-	-	-	-	-	-	-	51.81%
2	**Financial undertakings**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**11.42%**
3	Credit institutions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	7.40%
4	Loans and advances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	7.30%
5	Debt securities, including UoP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.10%
6	Equity instruments	-	-		-	-	-	-		-	-	-		-	-	-
7	Other financial corporations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4.02%
8	of which investment firms	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.16%
9	Loans and advances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.16%
10	Debt securities, including UoP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11	Equity instruments	-	-		-	-	-	-		-	-	-		-	-	-
12	of which management companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
13	Loans and advances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14	Debt securities, including UoP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
15	Equity instruments	-	-		-	-	-	-		-	-	-		-	-	-
16	of which insurance undertakings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.00%
17	Loans and advances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.00%
18	Debt securities, including UoP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
19	Equity instruments	-	-		-	-	-	-		-	-	-		-	-	-
20	**Non-financial undertakings**	**42.29%**	**4.84%**	-	-	-	-	-	-	-	**42.29%**	**4.84%**	-	-	-	**12.90%**
21	Loans and advances	40.68%	1.49%	-	-	-	-	-	-	-	40.68%	1.49%	-	-	-	12.33%
22	Debt securities, including UoP	77.12%	77.12%	-	-	-	-	-	-	-	77.12%	77.12%	-	-	-	0.57%
23	Equity instruments	-	-		-	-	-	-		-	-	-		-	-	-
24	**Households**	**86.74%**	-	-	-	-	-	-	-	-	**86.74%**	-	-	-	-	**26.42%**
25	of which loans collateralised by residential immovable property	100.00%	-	-	-	-	-	-	-	-	100.00%	-	-	-	-	21.85%
26	of which building renovation loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
27	of which motor vehicle loans	100.00%	-	-	-	-	-	-	-	-	100.00%	-	-	-	-	1.07%
28	**Local governments financing**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**1.07%**
29	Housing financing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.70%
30	Other local government financing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.37%
31	**Collateral obtained by taking possession: residential and commercial immovable properties**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
32	**Total GAR assets**	**34.77%**	**0.77%**	-	-	-	-	-	-	-	**34.77%**	**0.77%**	-	-	-	**81.60%**

5. KPI off-balance sheet exposures based on CapEx

% (compared to total eligible off-balance sheet assets)		Disclosure reference date 31.12.2024														
		Climate Change Mitigation (CCM)					Climate Change Adaption (CCA)					Total (CCM + CCA)				
		Of which towards taxonomy relevant sectors (Taxonomy-eligible)					Of which towards taxonomy relevant sectors (Taxonomy-eligible)					Of which towards taxonomy relevant sectors (Taxonomy-eligible)				
			Of which environmentally sustainable (Taxonomy-aligned)					Of which environmentally sustainable (Taxonomy-aligned)					Of which environmentally sustainable (Taxonomy-aligned)			
				Of which Use of Proceeds	Of which transitional	Of which enabling			Of which Use of Proceeds	Of which transitional	Of which enabling			Of which Use of Proceeds	Of which transitional	Of which enabling
1	Financial guarantees (FinGuar KPI)	7.23%	0.07%	-	-	-	-	-	-	-	-	7.23%	0.07%	-	-	-
2	Assets under management (AuM KPI)	4.50%	0.12%	-	-	0.11%	-	-	-	-	-	4.50%	0.12%	-	-	0.11%

Template 1 Nuclear and fossil gas related activities

Row	Nuclear energy related activities	
1.	The undertaking carries out, funds or has exposures to research, development, demonstration and deployment of innovative electricity generation facilities that produce energy from nuclear processes with minimal waste from the fuel cycle.	No
2.	The undertaking carries out, funds or has exposures to construction and safe operation of new nuclear installations to produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production, as well as their safety upgrades, using best available technologies.	No
3.	The undertaking carries out, funds or has exposures to safe operation of existing nuclear installations that produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production from nuclear energy, as well as their safety upgrades.	No
	Fossil gas related activities	
4.	The undertaking carries out, funds or has exposures to construction or operation of electricity generation facilities that produce electricity using fossil gaseous fuels.	No
5.	The undertaking carries out, funds or has exposures to construction, refurbishment, and operation of combined heat/cool and power generation facilities using fossil gaseous fuels.	No
6.	The undertaking carries out, funds or has exposures to construction, refurbishment and operation of heat generation facilities that produce heat/cool using fossil gaseous fuels.	No

Template 2 Taxonomy-aligned economic activities (denominator) based on turnover

Amount in million ISK

Row	Economic activities	Amount and proportion (the information is to be presented in monetary amounts and as percentages)					
		CCM + CCA		Climate change mitigation (CCM)		Climate change adaptation (CCA)	
		Amount	%	Amount	%	Amount	%
1.	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.26 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	-	-	-	-	-	-
2.	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.27 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	-	-	-	-	-	-
3.	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.28 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	-	-	-	-	-	-
4.	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	-	-	-	-	-	-
5.	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	-	-	-	-	-	-
6.	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	-	-	-	-	-	-
7.	**Amount and proportion of other taxonomy-aligned economic activities not referred to in rows 1 to 6 above in the denominator of the applicable KPI**	2,874	0.20%	2,874	0.20%	-	-
8.	**Total applicable KPI**	2,874	0.20%	2,874	0.20%	-	-

Template 3 Taxonomy-aligned economic activities (numerator) based on turnover

Amount in million ISK

Row	Economic activities	Amount and proportion (the information is to be presented in monetary amounts and as percentages)					
		(CCM + CCA)		Climate change mitigation		Climate change adaptation	
		Amount	%	Amount	%	Amount	%
1.	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.26 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	-	-	-	-	-	-
2.	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.27 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	-	-	-	-	-	-
3.	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.28 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	-	-	-	-	-	-
4.	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	-	-	-	-	-	-
5.	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	-	-	-	-	-	-
6.	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	-	-	-	-	-	-
7.	**Amount and proportion of other taxonomy-aligned economic activities not referred to in rows 1 to 6 above in the numerator of the applicable KPI**	2,874	100.00%	2,874	100.00%	-	-
8.	**Total amount and proportion of taxonomy-aligned economic activities in the numerator of the applicable KPI**	2,874	100.00%	2,874	100.00%	-	-

Template 4 Taxonomy-eligible but not taxonomy-aligned economic activities based on turnover

Amount in million ISK

Row	Economic activities	Proportion (the information is to be presented in monetary amounts and as percentages)					
		(CCM + CCA)		Climate change mitigation		Climate change adaptation	
		Amount	%	Amount	%	Amount	%
1.	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.26 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	-	-	-	-	-	-
2.	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.27 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	-	-	-	-	-	-
3.	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.28 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	-	-	-	-	-	-
4.	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	-	-	-	-	-	-
5.	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	-	-	-	-	-	-
6.	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	-	-	-	-	-	-
7.	**Amount and proportion of other taxonomy-eligible but not taxonomy-aligned economic activities not referred to in rows 1 to 6 abo ve in the denominator of the applicable KPI**	627,086	100.00%	627,086	100.00%	-	-
8.	**Total amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activities in the denominator of the applicable KPI**	627,086	100.00%	627,086	100.00%	-	-

Template 5 Taxonomy non-eligible economic activities based on turnover

Amount in million ISK

Row	Economic activities	Amount	Percentage
1.	Amount and proportion of economic activity referred to in row 1 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.26 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	-	-
2.	Amount and proportion of economic activity referred to in row 2 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.27 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	-	-
3.	Amount and proportion of economic activity referred to in row 3 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.28 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	-	-
4.	Amount and proportion of economic activity referred to in row 4 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	-	-
5.	Amount and proportion of economic activity referred to in row 5 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	-	-
6.	Amount and proportion of economic activity referred to in row 6 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	-	-
7.	**Amount and proportion of other taxonomy-non-eligible economic activities not referred to in rows 1 to 6 above in the denominator of the applicable KPI**	785,297	55.49%
8.	**Total amount and proportion of taxonomy-non-eligible economic activities in the denominator of the applicable KPI**	785,297	55.49%

Template 2 Taxonomy-aligned economic activities (denominator) based on CapEx

Amount in million ISK

Row	Economic activities	Amount and proportion (the information is to be presented in monetary amounts and as percentages)					
		CCM + CCA		Climate change mitigation (CCM)		Climate change adaptation (CCA)	
		Amount	%	Amount	%	Amount	%
1.	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.26 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	-	-	-	-	-	-
2.	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.27 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	-	-	-	-	-	-
3.	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.28 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	-	-	-	-	-	-
4.	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	-	-	-	-	-	-
5.	Amount and proportion of taxonomy aligned economic activity referred to in Section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	-	-	-	-	-	-
6.	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	-	-	-	-	-	-
7.	**Amount and proportion of other taxonomy-aligned economic activities not referred to in rows 1 to 6 above in the denominator of the applicable KPI**	**3,656**	**0.26%**	**3,656**	**0.26%**	**-**	**-**
8.	**Total applicable KPI**	**3,656**	**0.26%**	**3656**	**0.26%**	**-**	**-**

Template 3 Taxonomy-aligned economic activities (numerator) based on CapEx

Amount in million ISK

Row	Economic activities	Amount and proportion (the information is to be presented in monetary amounts and as percentages)					
		(CCM + CCA)		Climate change mitigation		Climate change adaptation	
		Amount	%	Amount	%	Amount	%
1.	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.26 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	-	-	-	-	-	-
2.	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.27 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	-	-	-	-	-	-
3.	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.28 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	-	-	-	-	-	-
4.	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	-	-	-	-	-	-
5.	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	-	-	-	-	-	-
6.	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	-	-	-	-	-	-
7.	**Amount and proportion of other taxonomy-aligned economic activities not referred to in rows 1 to 6 above in the numerator of the applicable KPI**	3,656	100.00%	3,656	100.00%	-	-
8.	**Total amount and proportion of taxonomy-aligned economic activities in the numerator of the applicable KPI**	3,656	**100.00%**	3,656	100.00%	-	-

Template 4 Taxonomy-eligible but not taxonomy-aligned economic activities based on CapEx

Amount in million ISK

Row	Economic activities	Proportion (the information is to be presented in monetary amounts and as percentages)					
		(CCM + CCA)		Climate change mitigation		Climate change adaptation	
		Amount	%	Amount	%	Amount	%
1.	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.26 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	-	-	-	-	-	-
2.	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.27 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	-	-	-	-	-	-
3.	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.28 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	-	-	-	-	-	-
4.	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	-	-	-	-	-	-
5.	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	-	-	-	-	-	-
6.	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	-	-	-	-	-	-
7.	**Amount and proportion of other taxonomy-eligible but not taxonomy-aligned economic activities not referred to in rows 1 to 6 abo ve in the denominator of the applicable KPI**	654,413	100.00%	654,413	100.00%	-	-
8.	**Total amount and proportion of taxonomy-eligible but not taxonomy aligned economic activities in the denominator of the applicable KPI**	654,413	100.00%	654,413	100.00%	-	-

Template 5 Taxonomy non-eligible economic activities based on CapEx

Amount in million ISK

Row	Economic activities	Amount	Percentage
1.	Amount and proportion of economic activity referred to in row 1 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.26 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	-	-
2.	Amount and proportion of economic activity referred to in row 2 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.27 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	-	-
3.	Amount and proportion of economic activity referred to in row 3 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.28 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	-	-
4.	Amount and proportion of economic activity referred to in row 4 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	-	-
5.	Amount and proportion of economic activity referred to in row 5 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	-	-
6.	Amount and proportion of economic activity referred to in row 6 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	-	-
7.	**Amount and proportion of other taxonomy-non-eligible economic activities not referred to in rows 1 to 6 above in the denominator of the applicable KPI**	757,188	53.50%
8.	**Total amount and proportion of taxonomy-non-eligible economic activities in the denominator of the applicable KPI**	757,188	53.50%