Municipality Credit Iceland

Translation of Financial Statements for the year 2024

These financial statements is translated from the original which is in Icelandic. Should there be discrepancies between the two versions, the Icelandic version will take priority over the translated version.

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Municipality Credit Iceland PLC
Identity number 580407-1100
Borgartun 30, P.O. Box 8100
128 Reykjavik

Income statement and statement of comprehensive income

1 January through 31 December 2024

	Notes	2024	2023
Net interest income			
Interest income and CPI linked revenue		14.004.628.617	18.025.272.515
Interest expenses and CPI linked expenses		(12.506.087.115)	(16.465.913.657)
Total net interest income	5	1.498.541.502	1.559.358.858
Other operating income			
Net gain on fin. assets stipulated at FV through P&L	6	893.915.307	595.335.805
Net gain on fin. assets designated at FV through P&L	7	1.546.728	615.692
Net foreign exchange (loss) gain	8	(14.127.453)	(3.484.455)
Net impairment losses on financial assets	16	(1.947.795)	(4.517.856)
Total other operating income		879.386.787	587.949.186
Net operating income		2.377.928.289	2.147.308.044
Operating expenses			
Salaries and salary-related expenses	9	132.400.738	119.468.038
Cost related to bond issuance	10	72.964.618	69.272.377
FSA's annual fee and monitoring fee		16.038.000	13.248.000
Other operating expenses	11	86.524.003	79.521.406
Total operating expenses		307.927.359	281.509.821
Profit for the year and comprehensive income		2.070.000.930	1.865.798.223
Earnings per share			
Basic and diluted earnings per share	12	0,41	0,37

Notes on pages 7 to 27 are an integral part of the MCI's financial statements.

Statement of financial position as at 31 December 2024

	Notes	31.12.2024	31.12.2023
Assets			
Government issued bonds and bills	13	7.435.412.449	5.988.494.372
Market securities and bonds	14	2.762.143.446	2.441.894.449
Loans and receivables from credit institutions	15	558.026.773	845.958.012
Loans and receivables from customers	16	200.021.463.607	190.761.615.712
Operating assets	17	66.314.306	68.183.154
Other assets	18	31.945.791	23.862.979
Total assets		210.875.306.372	200.130.008.678
Liabilities			
Debt securities issued	21	182.957.174.035	174.169.823.066
Other long-term borrowed funds	22	2.731.058.504	2.975.577.658
Derivative contracts	24	178.257.475	7.496.075
Short term borrowings	25	71.821.369	121.000.568
Pension obligations	26	127.891.717	111.569.407
Other liabilities	27	15.776.048	21.215.611
Total liabilities		186.081.979.148	177.406.682.384
Equity			
Share capital		5.000.000.000	5.000.000.000
Restricted reserves		1.327.664.300	1.344.938.541
Retained earnings		18.465.662.924	16.378.387.753
Total equity	28	24.793.327.224	22.723.326.294
Total liabilities and equity		210.875.306.372	200.130.008.678

Notes on pages 7 to 27 are an integral part of the MCI's financial statements.

Statement of changes in equity for the year ended 31 December 2024

	Share capital	Restricted Reserves*	Retained earnings	Total equity
Changes in equity 2024				
Equity as at 1 January	5.000.000.000	1.344.938.541	16.378.387.753	22.723.326.294
Profit of the year			2.070.000.930	2.070.000.930
Restricted unrealised fair value change		(17.274.241)	17.274.241	0
Equity as of 31 December	5.000.000.000	1.327.664.300	18.465.662.924	24.793.327.224
Changes in equity 2023				
Equity as at 1 January	5.000.000.000	1.316.581.459	14.540.946.612	20.857.528.071
Profit of the year			1.865.798.223	1.865.798.223
Restricted unrealised fair value change		28.357.082	(28.357.082)	0
Equity as of 31 December	5.000.000.000	1.344.938.541	16.378.387.753	22.723.326.294

* Restricted reserves consist of statutory reserves and restricted unrealised changes in fair value. According to the Annual Accounts Act, equity must be tied up for unrealised changes in fair value that limit the possibility of paying dividends. See further details in note 28.

The Board of Directors proposes that no dividend will be paid out to shareholders in 2025 in order to strengthen the Fund's position and ensure equity growth, as in previous years.

Notes on pages 7 to 27 are an integral part of the MCI's financial statements.

Statement of cash flows for the year ended 31 December 2024

	Notes	1.1.-31.12.2024	1.1.-31.12.2023
Cash flows from operating activities			
Profit for the period and comprehensive income		2.070.000.930	1.865.798.223
Operating items not affecting cash flow:			
Net interest income		(1.498.541.502)	(1.559.358.858)
CPI linked, currency movements and accrued interests	16, 21	279.233.278	218.528.324
Bond discount and cost of borrowing	16, 21	(722.504.924)	(641.080.119)
Changes in fair value of loans and receivable from cust.	19	(1.546.728)	(615.692)
Changes in fair value of derivatives	19	1.034.258	(895.414)
Provision for impairment according to IFRS 9	16	1.947.795	4.517.856
Depreciation	17	1.868.848	1.868.842
		(1.938.508.975)	(1.977.035.061)
Changes in operating assets			
Loans and receivables provided to customers		(16.155.000.000)	(22.040.491.049)
Loans and receivables collected from customers		16.148.469.129	16.861.191.101
Bond issuance and other long-term borrowing		13.899.638.329	20.515.499.793
Repayments of bond issuance and other long-term loans		(13.363.916.603)	(13.423.375.631)
Purchased own bonds		0	(1.318.732.142)
Repayments of own bonds		893.699.773	438.030.794
Derivative contracts		0	(34.500.000)
Changes in government bond and bills		(927.862.848)	1.749.634.202
Changes in marketable securities and bonds		(571.140.293)	(2.165.338.480)
Changes in short-term loans provided to customers		(533.534.375)	(1.881.304.875)
Changes in short-term loans borrowings		(48.971.853)	(106.062.544)
Changes in pension obligations		16.322.310	5.008.685
Changes in other assets		(8.082.812)	(7.844.196)
Changes in other liabilities		(5.439.563)	7.735.873
		(655.818.806)	(1.400.548.469)
Interest received		5.596.172.227	4.656.442.075
Interest paid		(5.356.908.976)	(5.153.536.070)
		239.263.251	(497.093.995)
Net cash to operating activities		(285.063.600)	(2.008.879.302)
Currency effects on cash and cash equivalents		(2.867.639)	(7.843.128)
Cash and cash equivalents at the beginning of year		845.958.012	2.862.680.442
Cash and cash equivalents at end of period		558.026.773	845.958.012
Cash and cash equivalents			
Loans and receivables from credit institutions		558.026.773	845.958.012
		558.026.773	845.958.012

Notes on pages 7 to 27 are an integral part of the MCI's financial statements.

Notes

1 General information

Municipality Credit Iceland PLC (MCI) is a statutory limited liability company owned by the Icelandic municipalities. MCI is a financial institution, and operates pursuant to Act No. 161/2002 on Financial undertakings; cf. The Companies Act No. 2/1995 and is supervised by the Icelandic Financial Supervisor. MCI is incorporated and domiciled in Iceland. The address of its registered office is: Borgartun 30, Reykjavik.

MCI´s main function is to secure favorable funding or guarantees to the municipalities and related organisations and enterprises. MCI is by law only allowed to fund municipal projects that are of general economic interest.

MCI has issued bonds which are listed at the Nasdaq Iceland and MCI has market maker agreements in place for a part of them.

The finanical statements were approved for issue by the Board of Directors of Municipality Credit Iceland on 28 February 2025.

2 Basis of Financial Reporting

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). The financial statements are also prepared in accordance with the Act on Annual Accounts No. 3/2006, the Act on Financial Undertakings No. 161/2002, and the rules on financial statements of credit institutions No. 834/2003.

The same accounting methods used in the preparation of the MCI's financial statements for the year 2023 are applied in the preparation of the annual financial statements.

2.1 Going concern
The Board of Directors has made an assessment of MCI’s ability to continue as a going concern and is satisfied that MCI has resources to continue. MCI´s financial statement is prepared on a going concern basis.

2.2 Estimates and judgements
The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to make judgements, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures, as well as the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. In MCI Annual statement are no significant items that are based on management´s judgement.

2.3 Functional and presentation currency
Functional and presentation currency of MCI are presented in Icelandic krona (ISK) unless otherwise indicated.

Transactions in foreign currencies are translated into the functional currency at the exchange rate prevailing on the transaction date. Gains or losses arising from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement.

2.4 Segment reporting
Due to the nature of the MCI´s business its operation has not been split into different segments.

2.5 Interest income and expense
Interest income and interest expenses are recognized in the income statement using the effective interest method for all interest-bearing financial instruments except those designated at fair value. The effective interest method calculates the initial carrying amount of a financial asset or liability and allocates the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash flows over the expected life of the financial instrument or, where appropriate, a shorter period to the net carrying amount of the financial asset or liability. When calculating the effective interest rate, the fund estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees and payments between parties to the contract that are an integral part of the effective interest rate, as well as transaction costs, premiums, and discounts.

2.6 Financial instruments
MCI classifies from the outset in its accounts loans and claims, deposits and bonds issued on the day of the transaction. All othere financial assets or liabilities are registered on the day that MCI becoms counterparty to the financial undertaking. Regular buying and selling of financial assets are registered on the day of each transaction.

Financial assets are measured at amortized cost if it is the entity´s objective to hold the financial assets to collect contractual cash flow that represent solely payments of principal and interest.

Financial assets are measured at fair value through other comprehensive income if it is the entity´s objective to hold the financial assets to collect contractual cash flow that represent payments of principal and interest.

All other financial assets are measured at fair value through profit and loss. Reclassification and measurements after initial recognition are not allowed in this category.

(a) Loans and receivables to customers
Loans and receivables to customers is classified as a financial assets at amortized cost using the effective interest method. Loans and receivables to customers consist of loans to municipalities and companies owned by them, where the objective is to own the financial assets until maturity and collect contractual payments consisting of principal and interest. Accrued interests are recognised as part of loans and receivables to customers.

(b) Financial assets stipulated at fair value through profit or loss
Government issued bonds and notes and market securities and bonds
Investments in goverment issued bonds and bills and market securities are managed and evaluated on a fair value basis in accordance with the MCI's documented risk management or investment strategy. These investments are initially recognised and subsequently measured at fair value in the balance sheet with fair value changes recognised in the income statement. After initial recognition as financial asset designated at fair value through profit or loss a resclassification is prohibited.

Derivative contracts
Derivatives are initially recorded on the balance sheet at fair value, and transaction costs are recognised in the income statement. Derivative contracts are recognized at fair value, which is determined by the cash flow method. MCI uses generally accepted value models to determine the fair value of interest rate and currency swap agreements. At a later stage, derivatives continue to be recorded at fair value, where all changes in fair value are entered in the income statement under the item "Net gain on fin. assets stipulated at FV through P&L". Derivatives with a positive fair value are recognised on the balance sheet as assets and derivatives with a negative fair value are recognised as liabilities. Exchange rate gains and losses are entered under the items "Net foreign exchange (loss) gain".

(c) Financial assets designated at fair value through profit or loss
Loans and receivables from customers that have been defined as financial assets at fair value at the time of initial listing. Changes in fair value are entered in the profit and loss account under "Net gain on fin. assets designated at FV through P&L". It is not possible to change the classification of the financial assets that have been placed in this category after the original transaction. Interest and indexation are entered under "Net interest income".

(d) Debt securities issued and other borrowing funds
Borrowings are recognised initially at fair value net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective interest method.

(e) Loans and receivables to credit institutions
Loans to credit institutions consist of deposits and amounts due from credit institutions.

2.7 Impairment on loans and receivables
According to Act No. 150/2006 on MCI, MCI can only lend to Icelandic municipalities, their organisations and enterprises for projects which are of general public interest. The condition for the extension of credit to municipality-owned enterprises and institutions is that such enterprises and institutions must be wholly owned by municipalities or jointly owned by municipalities and the State Treasury, with both acting as guarantors to the MCI for the loans.

According to paragraph 2 of article 68 of Act No. 138/2011 (Local Government Act), municipalities may put up their revenues as security for loans they receive from MCI and for guarantees they grant. MCI's policy is to demand such pledge as security for the loans.

2.7 Impairment on loans and receivables, cont.
MCI is the only financial institution that municipalities, according to law, can pledge their revenues to, which gives the MCI a very strong position regarding loan repayment. Furthermore, municipalities cannot go bankrupt according to Article 71 of the Local Government Act No. 138/2011. MCI defines a default event when the MCI is forced to write off, partially or fully, if there are delays in due payments exceeding 20 million ISK or 2% of tax revenues, for more than 90 days. Such an event should only occur if the Icelandic state goes bankrupt and cannot meet its obligations in accordance with Regulation No. 835/2012 or if the Local Government Act is amended so that state support for municipalities in financial difficulties is discontinued and municipalities are allowed to declare bankruptcy. MCI considers these events unlikely in the foreseeable future.

According to IFRS 9, a provision for impairment must be made in accordance with the assessment of expected credit losses. The assessment of expected credit losses is twofold, as the impairment due to expected credit losses (ECL) is based either on 12-month expected credit losses or the lifetime of the financial instrument, depending on the increase in credit risk since initial recognition. All loans and receivables to municipalities and their owned companies fall under stage 1, and the impairment is assessed based on 12-month expected credit losses, as there has been no increase in credit risk since initial recognition. The condition for transfer between stage 1 and stage 2 is if a municipality has requested debt write-offs or undergone financial restructuring. The condition for moving to stage 3 is actual loan loss or if a financial management board has been appointed for the municipality.

The write-down is regularly assessed and calculated in accordance with the MCI's methodology. Changes for the year are entered through operations and into the impairment fund among loans in the balance sheet. The balance of the impairment fund according to IFRS 9 at the end of the year is entered in the balance sheet among loans and receivables.

2.8 Operating assets
Operating assets is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to other operating expenses during the financial period in which they are incurred.

Depreciation of properties is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, which is 50 years. The depreciation value and useful life of the assets are reviewed each period and adjusted if applicable.

2.9 Post-employment obligations
MCI and other jointly administrated institutions are subject to pension obligations related to their employees, that have and do participate in the B-department of the State Employees' Pension Fund. MCI's obligation is calculated at the end of the year and recorded as liability in the balance sheet in accordance with Actuary´s calculations. Those calculations are the same as for the B-department of the State Employees´ Pension Fund, with a 2,0% interest rate but with life expectancy as for 2018-2022 and the estimations of disability odds of the State Employees´ Pension Fund from 2010-2014.

2.10 Share Capital
In December, 2006 the Icelandic Parliament, Althingi, approved a new Act No. 150/2006 on the incorporation of Municipality Credit Iceland as a statutory limited liability company. On the initial shareholders´ meeting of MCI it was decided that the nominal value os share capital was to be ISK 5,000 million. The shareholders of MCI are all municipalities in Iceland, which are defined in Act No. 150/2006.

Basic profit and diluted earnings per share are calculated as a ratio between the year's profit on the fund's share capital.

2.11 Reserves
Based on Icelandic Act on Annual Statements No. 3/2006 all unrealized changes in value of financial assets, that are initially recognized at fair value, shall be recognize in a restricted reserve among equity, that prohibited dividend payments. This change in value should be realized equal to changes in the financial asset or liability when it is sold or realized or if the assumptions for the change in value are no longer available. Reserves consist of statutory reserve and restricted unrealized change in fair value.

2.12 Taxes
According to Act No. 90/2003 on Income tax, MCI is exempted from paying income tax.
According to Act No. 94/1996 on Capital tax, MCI is exempted from paying capital gains tax.
According to Act No. 161/2002 on Financial institutions, MCI is exempted from stamp duty.
According to Act No. 155/2010 on specific tax on financial institutions, MCI is exempted from any tax payments under those laws.

3 Economic affect

3.1 General economic affect
The year has been characterized by ongoing high inflation and high interest rates. Inflation peaked at 6,8% in March on an annualized basis and subsided slightly as the year progressed. Inflation measured at 4,8% in December 2024.

The interest rates of the Central Bank of Iceland decreased by 0,75% in 2024. The interest rates were 8,5% at the end of 2024 but were 9,25% at the end of 2023. Despite the decrease, the interest rates are still high, and high interest rates have a direct impact on the yield requirement of government bonds. At the end of 2024, the yield requirement for RIKS 30 was 2,87%, but it was 3,03% at the end of 2023. This has led to a continued high yield requirement for MCI's bonds. The yield requirement for LSS34 was 3,82% at the end of 2024 but was 3,91% at the end of 2023. This shows that the spread on MCI's bonds has increased from 88 basis points to 95 basis points above government bonds during the same period.

3.2 Effect on municipalities
According to analyses by the Association of Icelandic Municipalities on the annual accounts for 2023, the operating surplus of the A-part of municipalities was negative, with a deficit of 0,2% of revenues compared to a 4,6% deficit in 2022. High inflation and high interest rates are the main reasons for the negative performance. Financial expenses, net of financial income, decreased slightly year-on-year, by 22 million ISK. The operating surplus excluding financial items was positive at 3,8% of revenues in 2023 compared to 0,4% in 2022. Total municipal debts increased by 11,5% year-on-year, making it clear that inflation continues to impact the financial situation of municipalities.

Municipalities were granted legal permission to deviate from financial rules regarding operational balance until 2025, and the statutory authorization for 150% debt relative to municipal revenues was simultaneously abolished. Therefore, many municipalities will need to implement efficiency measures in the coming years to offset the increase in costs and debts that have occurred in recent years.

3.3 Effect on Municipality Credit of Iceland
Loans to municipalities during the year were below the fund's plans, and MCI revised its issuance plan twice during the year. The initial issuance plan anticipated an issuance of 24-29 billion ISK for loan financing, but the revised issuance plan anticipated a total issuance of 14-19 billion ISK. The total sales value of auctions during the year was 13,9 billion ISK.

The financial position of MCI is strong, and the weighted equity ratio of the fund, utilizing the mitigation provision in the equity calculation, is 361% based on the loan status at the end of 2024, compared to 416% at the end of 2023. Without mitigation, the weighted equity ratio is 54%, compared to 53% at the end of 2023. See further in note 28.

3.4 Expected credit loss
The management of MCI believes that there is no reason to change the assessment of expected loan losses due to the financial position of municipalities. Municipalities have a special legal authorization to pledge their revenues to MCI. It is also clear, in accordance with Article 71 of the Local Government Act No. 138/2011, that municipalities cannot be declared bankrupt. Despite the uncertainty in the revenue base of municipalities, it is not sufficient to meet the definitions underlying the transfer between stages in the assessment of expected loan losses. All loans and claims to municipalities and their owned entities fall under stage 1, and the write-down is assessed based on 12-month expected loan losses, as there has been no increase in loan risk since the initial registration.

4 Financial risk management

As a lending institution, MCI faces various types of risks in its operations. One of the main tasks of its management is to assess these risks, manage them, and keep them within predefined limits. Elements of effective risk management include the analysis of key risk factors, risk measurement, responses to mitigate the risk, and regular monitoring. The goal of MCI's risk management is to ensure that the fund withstands all events that may occur in its environment.

Financial risk management, cont.

MCI acts as an intermediary between Icelandic municipalities and their companies on one hand, and financial markets, both domestic and foreign, on the other. MCI's goal is to secure favorable loan terms for the aforementioned parties. Therefore, credit risk is the main risk factor in the MCI's operations, but other risk factors such as liquidity risk, counterparty risk, and operational risk also play a role in its activities. Market risk is kept to a minimum, but it is present in the form of interest rate risk and currency risk.

4.1 Credit risk
MCI's credit risk is limited to Icelandic municipalities and the state treasury. MCI only lends to municipalities, their institutions, and companies. The condition for lending to municipal companies and institutions is that they are wholly owned by municipalities or municipalities and the state treasury, which are responsible for their obligations to the fund. The Local Government Act provides a solid framework for the operations of municipalities, including that Icelandic municipalities cannot go bankrupt, and the law includes provisions for state intervention if financial difficulties arise for a municipality, as per Chapter VII of the Local Government Act No. 138/2011. Municipalities have proven to be reliable payers, and there has never been a write-off due to loans to municipalities or their owned entities since MCI began operations in 1967. All loans and claims to municipalities and their owned entities fall under stage 1 in the impairment assessment according to the expected credit loss model of IFRS 9.

According to paragraph 2 of Article 68 of the Local Government Act No. 138/2011, municipalities are allowed to pledge their revenues to MCI as security for loans they take from the fund and guarantees it provides. MCI has set it as a condition for lending that such a pledge is provided. At year-end, all long-term loans to municipalities and their owned companies are secured by a pledge on municipal revenues.

The amount of credit risk arising from lending is reflected in the book value of the portfolio in the balance sheet. MCI reviews all loan applications to determine whether the borrower meets the lending criteria and whether the project to be financed has general economic significance. A thorough assessment is conducted on applicants and their guarantors, their status, and development prospects. All loan matters are presented to the board, either for decision or information.

Large exposures
MCI monitors large risk exposures before and after considering risk mitigation factors. At year-end, MCI had 17 large risk exposures, the same as the previous year, before considering risk mitigation factors. After considering traditional risk mitigation factors at year-end, there are eight large risk exposures, the same as at year-end 2023. Due to its statutory status, MCI utilizes mitigation provisions for loans to municipalities secured by a pledge on municipal revenues, as per Article 2 of Regulation 835/2012. When applying mitigation, the relevant risk exposures, to the extent that pledges are in place, receive a risk weight equivalent to the Icelandic state, i.e., 0% for loans in Icelandic krona. Considering this mitigation, there are no large risk exposures at MCI at year-end.

4.1.1 Contractual risk
MCI has securities for its loans to municipalities and the guarantees they provide, as municipalities have special authorization in the Local Government Act to pledge their revenues to MCI. Therefore, MCI's contractual obligations are secured by the municipalities, and the risk mainly lies in the municipalities themselves facing payment difficulties. Counterparty risk outside of credit risk is limited to the state treasury and entities with its guarantee, as well as domestic financial institutions licensed by the Financial Supervisory Authority. Counterparty risk with foreign financial institutions is specifically addressed by the board.

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4.1.2 Counterparty risk
MCI monitors counterparty risk. The status of loans and defaults is regularly monitored. During the period, the fund did not need to exercise its lien on municipal revenues, but the fund has had to exercise its lien once, which was in 2010. There are no defaults at the fund at the end of the period.

The following table shows MCI´s maximum Counterparty Risk.

	2023	2022
Counterparty risk position due to balance sheet assets in ISK million:		
Loans and receivables to credit institutions	558	846
Loans and receivables to customers	200.021	190.762
Goverment issued bonds and notes	7.435	5.988
Market securities and bonds	2.762	2.442
Total counterparty risk	210.777	200.038

4.2 Liquidity and Funding Risk

Liquidity risk is the risk that MCI cannot meet its obligations when they fall due. MCI has established rules regarding liquidity and funding, aimed at ensuring and maintaining flexibility. The main principle is not to issue binding loan commitments to potential borrowers until the financing of those loans is secured. Additionally, a large portion of the fund's equity is held in very short-term investments to ensure steady access to liquid funds and thereby flexibility. MCI measures, calculates, and monitors its liquidity position by analyzing the maturity dates of financial assets and liabilities to ensure it can reliably repay all its debts on their due dates. The following tables show the cash flow for financial assets and liabilities based on contractual payments.

Balance 31.12.2024 in ISK million	0-1 months	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Financial assets						
Goverment issued bonds and notes	0	2.867	324	4.523	0	7.714
Market securities and bonds	0	215	845	1.982	0	3.042
Loans and receivables to credit inst.	480	79	0	0	0	559
Loans and receivables to customers	1.731	3.539	17.666	81.199	136.316	240.451
Derivative contracts	0	0	58	988	965	2.011
Total financial assets	2.211	6.700	18.893	88.692	137.281	253.777
Financial liabilities						
Debt securities issued	0	1.610	15.874	71.003	130.247	218.734
Other long-term borrowings	72	0	176	1.448	1.417	3.113
Derivative contracts	0	0	65	1.101	1.066	2.232
Total financial liabilities	72	1.610	16.115	73.552	132.730	224.079
Net assets - liabilities	2.139	5.090	2.778	15.140	4.551	29.698

Balance 31.12.2023 in ISK million	0-1 months	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Financial assets						
Goverment issued bonds and notes	1.000	2.030	1.088	2.070	0	6.188
Market securities and bonds	7	662	1.633	512	0	2.814
Loans and receivables to credit inst.	767	80	0	0	0	847
Loans and receivables to customers	287	3.711	18.166	71.587	133.921	227.672
Derivative contracts	0	0	22	76	17	115
Total financial assets	2.061	6.483	20.909	74.245	133.938	237.636
Financial liabilities						
Debt securities issued	0	2.013	14.500	62.041	128.631	207.185
Other long-term borrowings	121	1	216	1.661	1.667	3.666
Total financial liabilities	121	2.014	14.716	63.702	130.298	210.851
Net assets - liabilities	1.940	4.469	6.193	10.543	3.640	26.785

4.3 Interest rate and CPI risk
Regarding interest rate risk, MCI's policy is to maintain a balance between the maturity of interest-bearing assets and liabilities, as well as between fixed and variable interest rates. Loans are generally on the same basic terms as their financing in terms of loan period, repayment schedule, interest terms, interest payment dates, and interest rate review dates. Indexed loans financed by equity have variable interest rates. The amounts are classified based on the date of contractual repricing or maturity, whichever comes first.

Financial assets and liabilities, classified by interest repricing time, in ISK million as at 31.12.2024

	0-1 years	1-5 years	5-10 years	Over 10 Y	Total
Financial assets					
ISK - CPI linked	24.225	64.002	66.893	42.433	197.553
ISK - non indexed	9.522	2.431	0	0	11.953
Foreign currencies	2.549	222	278	0	3.049
Total financial assets	36.296	66.655	67.171	42.433	212.555
Financial liabilities					
ISK - CPI linked	14.624	58.617	66.923	42.943	183.107
ISK - non indexed	72	1.765	0	0	1.837
Foreign currencies	2.231	222	278	0	2.731
Total financial liabilities	16.927	60.604	67.201	42.943	187.675
Net assets - liabilities	19.369	6.051	(30)	(510)	24.880

Financial assets and liabilities, classified by interest repricing time, in ISK million as at 31.12.2023

	0-1 years	1-5 years	5-10 years	Over 10 Y	Total
Financial assets					
ISK - CPI linked	24.692	55.123	64.809	42.067	186.691
ISK - non indexed	10.106	557	1.264	0	11.927
Foreign currencies	2.698	233	291	58	3.280
Total financial assets	37.496	55.913	66.364	42.125	201.898
Financial liabilities					
ISK - CPI linked	13.877	52.844	64.753	42.760	174.234
ISK - non indexed	121	0	1.762	0	1.883
Foreign currencies	2.394	233	291	58	2.976
Total financial liabilities	16.392	53.077	66.806	42.818	179.093
Net assets - liabilities	21.104	2.836	(442)	(693)	22.805

Interest sensitivity
An analysis of net interest sensitivity at year-end, based on the average maturity, shows that a 1 percentage point increase in interest rates would increase MCI's net interest income by 170 million ISK on an annual basis, or 0,69% of equity, compared to a decrease of 13 million ISK, or 0,06% of equity, at year-end 2023. The table shows the impact of interest rate changes on MCI's profit, broken down by asset and liability categories based on the maturity approach. The analysis includes both on-balance-sheet and off-balance-sheet assets and liabilities. Interest rate changes on the group's off-balance-sheet assets and liabilities affect the interest margin when interest income and interest expenses accrue. The risk mainly arises from the mismatch in the duration of interest periods between assets and liabilities.

	Parallel upwards shift on interest curve (bps)	2024	2023
		Profit (loss)	
ISK - CPI linked	100	202	7
ISK - non indexed	100	(31)	(19)
Foreign currencies	100	(1)	(1)
Total		**170**	**(13)**

Inflation (CPI) risk
At year-end, MCI had indexed assets exceeding indexed liabilities by 14.445 million ISK compared to 12.457 million ISK at year-end 2023. This means that a 1% increase in the consumer price index would increase MCI's profit by 144 million ISK, and a 1% decrease would cause a reduction in profit by 144 million ISK.

4.3 Interest rate and CPI risk, cont.

CPI link effects	**2024**	**2023**
CPI linked assets	197.553	186.691
CPI linked liabilities	183.108	174.234
Net CPI linked position	**14.445**	**12.457**

4.4 Currency risk
MCI's policy regarding currency risk is that the fund's foreign exchange balance should comply with the rules of the Central Bank of Iceland and, to the extent possible, within those rules, be proportionate to the ratio of foreign assets to the balance sheet.

Currency sensitiviy analysis
The table below shows the impact of a sensitivity analysis of MCI's currency position, broken down by currency, and shows the impact on MCI's profit or loss caused by a 10% weakening of the Icelandic krona against foreign currencies.

Currency sensitivity analysis in ISK million	**Currencies strengthening/ weakening towards the ISK**	**2024**	**2023**
		Profit (loss)	
EUR	(10%)	21	16
USD	(10%)	3	3
JPY	(10%)	2	2
CHF	(10%)	5	6
GBP	(10%)	1	1
Total		**32**	**28**

The following table lists the exchange rates employed in calculations applicable to this annual statement.

	2024	**2023**	**Change %**
EUR/ISK	143,90	150,50	(4,4%)
USD/ISK	138,20	136,20	1,5%
JPY/ISK	0,8815	0,9627	(8,4%)
CHF/ISK	152,70	162,53	(6,0%)
GBP/ISK	173,30	173,18	0,1%

Financial assets and liabilities in ISK million as at 31.12.2024

Financial assets	**EUR**	**USD**	**Other currencies**	**Total**
Loans to credit institutions	153	1	0	154
Loans to customers	1.048	29	79	1.156
Derivative contracts	1.738	0	0	1.738
Total financial assets	2.939	30	79	3.048
Financial liabilities				
Debt securities issued	2.731	0	0	2.731
Total financial liabilities	2.731	0	0	2.731
Net, assets-liabilities	208	30	79	317

Financial assets and liabilities in ISK million as at 31.12.2023

Financial assets	**EUR**	**USD**	**Other currencies**	**Total**
Loans and receivables to credit institutions	114	1	0	115
Loans and receivables to customers	1.219	33	94	1.346
Derivative contracts	1.819	0	0	1.819
Total financial assets	3.152	34	94	3.280
Financial liabilities				
Other long-term loans	2.976	0	0	2.976
Total financial liabilities	2.976	0	0	2.976
Net, assets-liabilities	176	34	94	304

4.5 Operational risk
MCI's policy is to have written and clear procedures for all key aspects of its operations and to work with standardized loan agreement forms. MCI's policy has also been to outsource office services and distribute tasks to multiple parties to reduce risk. MCI's operations are relatively simple, and operational risk is therefore limited. The number of clients is limited, and they are rather homogeneous.

4.5.1 Employee risk
MCI has three permanent employees: a managing director, a loan manager, and a risk and treasury manager. Additionally, MCI has entered into a service agreement with the Association of Icelandic Municipalities to purchase various services from the Association. It is planned that the operational cooperation between MCI and the Association will continue.

4.5.2 Legal risk
MCI operates under Act No. 150/2006 on the establishment of a public limited company for the Municipal Credit Iceland, Act No. 161/2002 on financial undertakings, and Act No. 2/1995 on limited companies. MCI cannot be held responsible for legislative changes, court rulings, or government decisions.

Legal risk includes, among other things, the possibility that the laws governing the Loan Fund could be changed and the municipalities' authorization to pledge the fund's income could be revoked. It is impossible to quantify this risk, and it is inherent in the nature of the fund to live with it. However, it would be considered a violation of the main principle of the Icelandic constitution if the authorization for statutory liens were retroactively abolished.

According to the Icelandic Local Government Act, municipalities cannot go bankrupt. Therefore, it is highly unlikely that the MCI would have to write off municipal loans, although there could certainly be delays in payments to the fund if a municipality stops paying its debts or delays payments. If a financial management board is appointed, it makes all decisions regarding payments from the municipal treasury, which can have the same effect.

There are no litigations outstanding against MCI.

4.6 Equity management
The goal of managing equity is to ensure that the MCI always has sufficient equity to counterbalance the underlying risk factors in its operations.

The equity base of the MCI consists of share capital, a restricted reserve, and retained earnings (general equity). In the minimum equity base, risk factors are divided into credit risk, market risk, and operational risk. In the additional equity base, based on risk assessment, a more detailed implementation of the fund's own assessment and

In accordance with Article 83 of Act No. 161/2002 on Financial Undertakings and the European Parliament and Council Regulation (EU) No. 575/2013 on prudential requirements for credit institutions, the risk-weighted equity ratio (CAD ratio) of the MCI must not fall below 8% at any given time. The fund uses the standardized approach for calculating credit risk and market risk, and the basic indicator approach for calculating operational risk.

In addition, financial institutions are required to use appropriate capital buffers to improve their capital position beyond the minimum equity and thus be better prepared to deal with operational shocks or economic fluctuations. According to the Icelandic Local Government Act, the MCI must, in addition to the 8% minimum equity ratio, bind 2.5% in a conservation buffer and, according to the Central Bank's decision, 2.5% in a countercyclical buffer of the risk base. Therefore, the equity requirement for the MCI at the end of the year is 13%. See further in note 28.

5 Net interest income

	1.1.-31.12.2024	1.1.-31.12.2023
Interest income and CPI linked revenue		
Loans and receivables to credit institutions	13.881.689.409	17.887.430.634
Loans and receivables to customers	122.939.208	137.841.881
	14.004.628.617	18.025.272.515
Interest expenses and CPI linked expenses		
Debt securities issued and other borrowed funds	12.506.087.115	16.465.913.657
Net interest income	1.498.541.502	1.559.358.858

6 Net gain on fin. assets stipulated at FV through P&L

	1.1.-31.12.2024	1.1.-31.12.2023
Goverment issued bonds and notes	595.804.974	484.529.261
Market securities and bonds	299.144.591	109.911.130
Derivatives contracts	(1.034.258)	895.414
	893.915.307	595.335.805

7 Net gain on fin. assets designated at FV through P&L

	1.1.-31.12.2024	1.1.-31.12.2023
Loans and receivables to customers	1.546.728	615.692
	1.546.728	615.692

8 Net foreign exchange (loss) gain

	1.1.-31.12.2024	1.1.-31.12.2023
Loans and receivables to credit institutions	(53.863.646)	(13.458.553)
Loans and receivables to customers	(6.432.901)	7.368.076
Other borrowed funds	125.369.094	31.106.022
Derivatives contracts	(79.200.000)	(28.500.000)
	(14.127.453)	(3.484.455)

9 Salaries and salary-related expenses

At the end of year, three employees worked for the MCI. MCI has entered into a service agreement with the Icelandic Association of Local Authorities for the purchase of various operational and service components, and these costs are recorded among other operating expenses. Board members receive 11,5% contribution to their pension fund and the Managing director receives 12%. Salary structure of MCI is the same as in the Icelandic Association of Local Authorities.

	1.1.-31.12.2024	1.1.-31.12.2023
Salaries	89.673.172	89.110.733
Paid pension contribution	12.732.687	12.341.490
Calculated pensions costs related to pension obligations	22.260.322	10.382.340
Other salary-related expenses	7.734.557	7.633.475
	132.400.738	119.468.038
Óttar Guðjónsson, Managing director	34.469.537	33.721.270
Board of directors:		
Kristinn Jónasson, Chairman of the Board	3.328.948	2.546.448
Arna Lára Jónsdóttir, Member	2.219.300	1.697.640
Fannar Jónasson, Member and Audit Committe Member	2.612.463	650.762
Guðmundur B. Guðmunds., Vice Chairm. and Chairm. Audit comm.	3.543.993	2.206.932
Halldóra Káradóttir, Member	2.219.300	1.273.230
Elliði Vignisson, Former Member	0	1.697.640
Fjóla St. Kristinsdóttir, Alternate Member	670.212	141.470
Grímur Rúnar Lárusson, Alternate Member	193.636	141.470
Íris Róbertsdóttir, Alternate Member	387.272	141.470
Katrín Sigurjónsdóttir, Alternate Member	0	565.880
	15.175.124	11.062.942

10 Cost related to bond issuance

	1.1.-31.12.2024	1.1.-31.12.2023
Market makers	57.500.000	54.000.000
Bond issuance fees	4.012.143	2.503.127
Annual fees related to bond issuance	11.452.475	12.769.250
	72.964.618	69.272.377

11 Other operating expenses

	1.1.-31.12.2024	1.1.-31.12.2023
Contract with the Icelandic Association of Local Authorities	32.791.752	30.048.448
Specialist services / legal services, etc.	8.193.000	5.557.784
Operation of premises	9.622.844	9.414.013
Computers and computer systems	12.647.489	12.787.588
Fees to external auditor: Audit and review	4.853.276	2.805.401
Fees to external auditor: Other services	1.952.160	337.559
Internal audit	2.067.775	1.955.264
Travel expenses	2.891.317	4.297.198
Operating supplies and office equipment	1.594.822	1.343.429
Other operating expenses	8.040.720	9.105.880
Depreciation	1.868.848	1.868.842
	86.524.003	79.521.406

12 Basic and diluted earnings per share

	1.1.-31.12.2024	1.1.-31.12.2023
Profit for the year	2.070.000.930	1.865.798.223
Weighted average number of ordinary shares in issue	5.000.000.000	5.000.000.000
	0,41	0,37

13 Government issued bonds and bills

	31.12.2024	31.12.2023
Goverment issued bonds - CPI linked	4.372.105.344	1.976.139.109
Goverment issued notes - non indexed	312.381.081	1.058.575.063
Treasury bill	2.750.926.024	2.953.780.200
	7.435.412.449	5.988.494.372

Government bonds and bills are measured at fair value at year-end based on quoted prices in an active market.

14 Market securities and bonds

	31.12.2024	31.12.2023
Covered bonds	2.762.143.446	2.176.187.220
Bank issued bond	0	265.707.229
	2.762.143.446	2.441.894.449

15 Loans and receivables from credit institutions

	31.12.2024	31.12.2023
Bank accounts	479.546.342	156.681.273
Money-market loans	78.480.431	689.276.739
	558.026.773	845.958.012

16 Loans and receivables from customers

	31.12.2024	31.12.2023
CPI linked loans*	192.250.489.220	182.955.938.547
Foreign currency loans	1.156.289.007	1.346.330.113
Non - CPI linked loans	4.036.885.423	4.453.124.156
Non - CPI linked short-term loans	2.621.724.407	2.048.199.551
	200.065.388.057	190.803.592.367
Expected credit loss according to IFRS 9	(43.924.450)	(41.976.655)
	200.021.463.607	190.761.615.712

The outstanding amount of amortisation and borrowing fees at year-end is negative by ISK 943 million. At year-end 2023, the remaining balance was negative by ISK 117 million. The reason for the continued negative position is that the yield requirement is higher than the nominal interest rates of loans granted during the year.

Loans and receivables to customers, cont.

Expected credit loss on loans to municipalities amounted to ISK 42 million at year-end 2023. The impairment for the period is entirely assessed based on the 12-month expected credit loss in stage 1. The change for the year, compared to the loan position at year-end, was 1.9 million ISK and total expected credit loss according to IFRS 9 at year-end is ISK 44 million.

According to the Local Government Act No. 138/2011, municipalities are permitted to pledge their revenues as security for loans and guarantess borrowed from MCI and MCI has a policy to take such a pledge for granted loans. At year-end, 100% of MCI´s loans to municipalities and companies owned by them are secured by such a pledge.

* The MCI calculates two loans to customers at fair value. The loans are provided in ISK at fixed indexed interest rates. The loans were financed by foreign borrowing at variable interest rates. The MCI uses derivative contracts to hedge against foreign currency exchange risk, interest rate risk and inflation risk. See notes 19 og 24.

Next year's payments

Balance 31.12.2024	**Within 1 year**	**1 - 5 years**	**Over 5 years**	**Total**
CPI linked loans	14.792.607.394	61.761.794.610	115.696.087.216	192.250.489.220
Foreign currency loans	130.669.106	522.675.849	502.944.052	1.156.289.007
Non-CPI linked loans	347.026.836	2.935.804.606	754.053.981	4.036.885.423
Non-CPI link. short-term lo.	2.621.724.407	0	0	2.621.724.407
	17.892.027.743	65.220.275.065	116.953.085.249	200.065.388.057

Balance 31.12.2023	**Within 1 year**	**1 - 5 years**	**Over 5 years**	**Total**
CPI linked loans	14.959.420.552	55.011.072.099	112.985.445.896	182.955.938.547
Foreign currency loans	136.695.587	546.782.953	662.851.573	1.346.330.113
Non-CPI linked loans	425.267.649	1.517.001.940	2.510.584.567	4.452.854.156
Non-CPI link. short-term lo.	2.048.199.551	0	0	2.048.199.551
	17.569.583.339	57.074.856.992	116.158.882.036	190.803.322.367

17 Operating assets

	31.12.2024	**31.12.2023**
Net book amount at the beginning of the year	68.183.154	70.051.996
	68.183.154	70.051.996
Depreciation for the year	(1.868.848)	(1.868.842)
Book value at year-end	66.314.306	68.183.154
Book value at year-end is as follows:		
Cost price	93.442.134	93.442.134
Accumulated depreciation	(27.127.828)	(25.258.980)
	66.314.306	68.183.154

Real estate evaluation amounts to ISK 130,6 million at year-end and fire compensation valuation is ISK 162,8 million. The insurance valuation of the real estate is ISK 162,8 million.

18 Other assets

	31.12.2024	**31.12.2023**
Legal Defence Fund	30.000.000	22.500.000
Collect VAT	1.945.791	1.362.979
	31.945.791	23.862.979

The objective of the Legal Defence Fund is to cover the legal defence costs of board members and employees arising from cases directed at them due to their work for the MCI, according to special rules. The assets of the Legal Defence Fund shall be preserved in the form of bank deposits or secure securities owned by MCI. Funds belonging to the Legal Defence Fund are not included in cash flow. The contribution to the fund is ISK 7.5 million each year for 10 years, until the fund reaches ISK 75 million. After that, the annual payments shall be made to maintain the fund's value in line with increases in the wage index each year. The Fund's base index is based on the wage index (778,6).

19 Classification and fair value of financial assets and liabilities

According to IFRS 9, financial assets and liabilities must be classified into categories that reflect their cash flow characteristics and the objectives of the business model according to which the financial assets are managed. The assessment of each

- Financial assets and liabilities at amortized cost;
- Financial assets and liabilities at fair value through profit and loss.

The following table shows the classification of financial assets and financial liabilities according to IFRS 9 and their fair value:

31 December 2024		**Book value**			**Fair value**			
Financial assets at fair value	**Notes**	**At amortized cost**	**Financ. instr.m. at fair value**	**Total carrying amount**	**Level 1**	**Level 2**	**Level 3**	**Total**
Goverment issued bonds and notes	13	0	7.435.412.449	7.435.412.449	7.435.412.449	0	0	7.435.412.449
Market securities and bonds	14	0	2.762.143.446	2.762.143.446	2.762.143.446	0	0	2.762.143.446
Loans and receivables to customers	16	0	1.917.802.379	1.917.802.379	0	1.917.802.379	0	1.917.802.379
		0	12.115.358.274	12.115.358.274	10.197.555.895	1.917.802.379	0	12.115.358.274
Financial assets not at fair value								
Debt securities issued	15	558.026.773	0	558.026.773	0	558.026.773	0	558.026.773
Loans and receivables to credit inst.	16	198.147.585.678	0	198.147.585.678	0	188.746.633.802	0	188.746.633.802
		198.705.612.451	0	198.705.612.451	0	189.304.660.575	0	189.304.660.575
Financial liabilities at fair value								
Derivitavies contracts	24	0	178.257.475	178.257.475	0	178.257.475	0	178.257.475
Financial liabilities not at fair value	**Notes**							
Goverment issued bonds and notes	21	182.957.174.035	0	182.957.174.035	173.060.026.391	0	0	173.060.026.391
Market securities and bonds	22	2.731.058.504	0	2.731.058.504	0	2.731.058.504	0	2.731.058.504
Loans to customers	25	71.821.369	0	71.821.369	0	71.821.369	0	71.821.369
		185.760.053.908	0	185.760.053.908	173.060.026.391	2.802.879.873	0	175.862.906.264

MCI uses tiering to explain different inputs to fair value. The tiering ranks admissions into three general tiers as follows:

Level 1: Quoted prices on the active market for similar assets and liabilities. The fair value of securities issuance is based on the market price of the MCI's bonds on the market as of 31 December 2024.

Level 2: Assumptions are based on variables other than quoted prices on the active market (level 1) that can be acquired for assets and liabilities, directly or indirectly (derived prices). The fair value of loans and receivables to customers is estimated by discounting the cash flow of the loan portfolio with the yield on the market's bonds.

Level 3: The assumptions for the fair value of assets and liabilities are not based on data that can be obtained on the market, but on information on the performance of the company in question, purchase and sale of holdings, etc.

Classification and fair value of financial assets and liabilities, cont.

31 December 2023		Book value			Fair value			
Financial assets at fair value	**Notes**	**At amortized cost**	**Financ. instr.m. at fair value**	**Total carrying amount**	**Level 1**	**Level 2**	**Level 3**	**Total**
Goverment issued bonds and notes	13	0	5.988.494.372	5.988.494.372	5.988.494.372	0	0	5.988.494.372
Market securities and bonds	14	0	2.441.894.449	2.441.894.449	2.441.894.449	0	0	2.441.894.449
Loans and receivables to customers	16	0	1.826.986.418	1.826.986.418	0	1.826.986.418	0	1.826.986.418
		0	10.257.375.239	10.257.375.239	8.430.388.821	1.826.986.418	0	10.257.375.239
Financial assets not at fair value								
Debt securities issued	15	845.958.012	0	845.958.012	0	845.958.012	0	845.958.012
Loans and receivables to credit inst.	16	188.976.605.949	0	188.976.605.949	0	174.951.057.144	0	174.951.057.144
		189.822.563.961	0	189.822.563.961	0	175.797.015.156	0	175.797.015.156
Financial liabilities at fair value								
Derivitavies contracts	24	0	7.496.075	7.496.075	0	7.496.075	0	7.496.075
Financial liabilities not at fair value	**Notes**							
Goverment issued bonds and notes	21	174.169.823.066	0	174.169.823.066	159.168.352.614	0	0	159.168.352.614
Market securities and bonds	22	2.975.577.658	0	2.975.577.658	0	2.975.577.658	0	2.975.577.658
Loans to customers	25	121.000.568	0	121.000.568	0	121.000.568	0	121.000.568
		177.266.401.292	0	177.266.401.292	159.168.352.614	3.096.578.226	0	162.264.930.840

20 Netting of financial assets and liabilities

The following tables provide an overview of financial assets and liabilities that are subject to countervailing agreements or similar agreements that

Balance 31.12.2024

	Financial liabilities covered by countervailing agreements			**Off-balance-sheet settlement**				
	Financial assests	Financial liabilities	Difference	Financial assets	Delivered insurance	Net financial liabilities within countervailing agreements	Financial liabilities outside countervailing agreements	Net book value on the balance sheet
Derivatives	1.738.351.117	(1.916.608.592)	(178.257.475)	0	0	0	0	(178.257.475)

Balance 31.12.2023

	Financial liabilities covered by countervailing agreements			**Off-balance-sheet settlement**				
	Financial assests	Financial liabilities	Difference	Financial assets	Delivered insurance	Net financial liabilities within countervailing agreements	Financial liabilities outside countervailing agreements	Net book value on the balance sheet
Derivatives	1.819.186.411	(1.826.682.486)	(7.496.075)	0	0	0	0	(7.496.075)

21 Debt securities issued

	Weighted average interest rate*			
	31.12.2024	31.12.2023	31.12.2024	31.12.2023
LSS 08 1, notes due 2034	5,29%	5,29%	1.833.660.200	1.934.937.747
LSS 150224, notes due 2024		5,47%	0	1.729.352.121
LSS 150434, notes due 2034	1,97%	1,97%	97.206.360.152	101.595.116.603
LSS 39 0303, notes due 2039	3,14%	2,93%	32.426.823.128	22.852.597.652
LSS 151155, notes due 2055	2,51%	2,39%	42.440.004.365	36.975.681.413
LSS 040440 GB, notes due 2040 ...	2,43%	2,43%	7.284.798.723	7.320.033.511
LSB 280829 GB, notes due 2029 ...	4,27%	4,27%	1.765.527.467	1.762.104.019
Debt securities issued total			182.957.174.035	174.169.823.066

* Weighted average interest rate is calculated in accordance with the effective interest rate method.

The remaining balance of discounts and cost of borrowing at year-end is ISK 2.059 million. At year-end 2023, the remaining balance waw ISK 5.127 millions. The change is due to an increase in the yield requirement in the market.

Next year's payments

31.12.2024	Within 1 year	1 - 5 years	Over 5 years	Total
Debt securities issued	12.743.238.112	56.017.784.042	114.196.151.881	182.957.174.035

31.12.2023	Within 1 year	1 - 5 years	Over 5 years	Total
Debt securities issued	12.066.923.673	47.852.511.469	114.250.387.924	174.169.823.066

22 Other long-term borrowed funds

	Interest rate			
	31.12.2024	31.12.2023	31.12.2024	31.12.2023
EUR loans	2,48%	3,42%	2.731.058.504	2.975.577.658

Next year's payments

31.12.2024	Within 1 year	1 - 5 years	Over 5 years	Total
EUR loans	111.018.638	1.237.857.818	1.382.182.048	2.731.058.504

31.12.2023	Within 1 year	1 - 5 years	Over 5 years	Total
EUR loans	116.233.501	1.296.003.550	1.563.340.607	2.975.577.658

23 Changes in debt securities issued and other borrowed funds

Beginning of the year 1.1.2024, Debt securities issued, CPI linked loans, cf. notes 20	172.407.719.047
Beginning of the year 1.1.2024, Debt securities issued, Non-CPI linked loans, cf. notes 20	1.762.104.019
Beginning of the year 1.1.2024, Other borrowed funds, EUR, cf. notes 21	2.975.577.658
	177.145.400.724
New debt securities issued	13.899.638.329
Paid repayments of debt securities issuance and other long-term loans	(13.363.916.603)
Received instalments on own shares	893.699.773
Accrued interests	(420.972)
CPI linked and currency exchange rates differences	7.832.335.850
Bond discount and cost of borrowing	(718.504.562)
Balance at year-end 31.12.2024	185.688.232.539

24 Derivative contracts

31.12.2024		Fair value		
	Nominal price	Assets	Liabilities	Difference
Derivative contracts	1.800.000.000	1.738.351.117	1.916.608.592	(178.257.475)

31.12.2023		Fair value		
	Nominal price	Assets	Liabilities	Difference
Derivative contracts	1.800.000.000	1.819.186.411	1.826.682.486	(7.496.075)

Derivative contracts, cont.

The MCI uses derivative contracts to hedge against currency risk, interest rate risk and inflation risk. The derivative contracts are used to protect MCI's operations against fluctuations in foreign exchange rates and changes in foreign currency interest rates, as loans to customers are denominated in ISK and at fixed indexed interest rates. This risk arises due to the imbalance in the composition of assets and liabilities. Clear limits are set regarding such imbalances, and management and the board of directors are regularly informed about the risks involved.

The derivatives contracts are calculated at fair value and the change in fair value is recognised among other operating income as net interest income on financial assets stipulated at fair value. The derivative contracts are recorded in the statement of financial position as an assets or liability depending on the position of the contracts on the settlement date.

25 Short term borrowings

	Interest rate			
	31.12.2024	31.12.2023	31.12.2024	31.12.2023
ISK loans, non-CPI linked	7,20%	8,90%	71.821.369	121.000.568

26 Pension obligations

MCI and other jointly administrated institutions are subject to pension obligations related to their employees, that have and do participate in the B-department of the State Employees' Pension Fund. The calculations of an actuary has been calculated for the pension obligations and recorded as liability in the balance sheet based on a 2,0% interest rate. Life expectancy rate according to 2018-2022 values and disability probabilities according to the experience of the State Employees' Pension Fund in the years 2010-2014. There is no obligation for current employers of MCI.

Pension obligations are specified as:

	31.12.2024	31.12.2023
Pension liability at beginning of year	111.569.407	106.560.721
Pension paid during the year	(5.938.012)	(5.373.654)
Increase in liability	22.260.322	10.382.340
Pension obligation total	127.891.717	111.569.407

27 Other liabilities

	31.12.2024	31.12.2023
Creditors	11.145.038	10.068.137
Unpaid salary-related expenses	4.631.010	11.147.474
Other liabilities total	15.776.048	21.215.611

28 Equity

MCI calculates and publishes its capital ratio according to Article 84 of Act No. 161/2002 on Financial Undertakings. MCI applies the standardized approach for calculating credit risk and market risk, and the basic indicator approach for calculating operational risk. At year-end MCI is obligated to bind, in addition to the 8% minimum capital ratio, 2,5% in conservation buffer and 2,5% in the countercyclical buffer of risk-weighted assets. The capital requirement at year-end is 13%.

At year-end the total share capital was ISK 5.000 million. One vote is entitled to each nominal ISK.

Equity, cont.

The capital adequacy ratio is determined as follows:

	31.12.2024	31.12.2023
Equity base		
Share Capital	5.000.000.000	5.000.000.000
Statutory reserve	1.250.000.000	1.250.000.000
Restricted unrealized change in fair value	77.664.300	94.938.541
Retained earnings	18.465.662.924	16.378.387.753
Equity base total	24.793.327.224	22.723.326.294
Risk base		
Credit risk	1.336.169.922	1.366.917.702
Market risk	1.748.011.179	1.307.719.781
Operational risk	3.784.560.256	2.790.192.053
Risk base total	6.868.741.357	5.464.829.536
Capital adequacy ratio		
Capital adequacy ratio	361%	416%

MCI utilizes mitigation provisions in its equity calculations due to its statutory special special status. According to paragraph 2 of Article 68 of the Local Government Act No. 138/2011, municipalities can pledge their revenues to MCI for loans granted by the MCI and in respect of guarantees they grant to MCI according to paragraph 1 and 2 of Article 69 of the same Act. When applying mitigating, the relevant risk exposures, to the extent that collateral is available, receive a risk weight equivalent to that of the Icelandic government, i.e. 0% for loans in ISK.

MCI's CAD ratio is 316% based on the loan position at year-end, compared to 416% at year-end 2023, utilizing mitigation provision in equity calculations. Without mitigation, the weighted equity ratio is 54%, compared to 53% at year-end 2023.

29 Related parties

Related parties are defined as the board of directors, companies, and institutions owned by municipalities connected to board members, managing director, key employees, and their close family members. Alternate board members fall under the definition from the time they attend board meetings and participate in decision-making regarding MCI's operations. Municipalities that hold an active ownership stake of at least 10% are also considered related parties, along with companies and institutions they own. One shareholder holds an active ownership stake, see explanation 31.

Information regarding related parties is as follows:

	31.12.2024	31.12.2023
Balance at the beginning of year	22.323.256.008	21.063.779.606
New loans	0	960.000.000
Loan repayments	(1.328.375.872)	(1.690.588.729)
Interest, indexation and exchange rate differences	857.113.859	1.656.311.083
Reclassification of related parties	(3.150.116.561)	333.754.048
Balance at year end	18.701.877.434	22.323.256.008
Interest income	527.077.523	586.563.651

All transactions with related parties were conducted as regular transactions. The same terms applied to them, including interest rates and collateral, as for comparable transactions with third parties.

Information about directors´salary, see note 9.
Expenses paid to the Icelandic Association of Local Authorities, see note 11.

30 Outstanding loans

The table below shows the outstanding loans by municipality. MCI has lent ISK 159.407 million to municipalities. On next page is an overview of outstanding loans to companies owned by municipalities.

Municipality	Amount	Habitants	Municipality	Amount	Habitants
Hafnarfjarðarkaupstaður	19.906	30.616	Þingeyjarsveit	1.069	1.410
Garðabær	17.154	19.088	Sveitarfélagið Vogar	986	1.500
Mosfellsbær	16.060	13.403	Snæfellsbær	932	1.617
Sveitarfélagið Árborg	14.486	11.565	Strandabyggð	924	414
Kópavogsbær	13.761	39.335	Vopnafjarðarhreppur	912	650
Reykjanesbær	13.044	21.957	Sveitarfélagið Hornafjörður	902	2.487
Akureyrarbær	7.311	19.812	Norðurþing	876	3.081
Skagafjörður	6.138	4.276	Hörgársveit	840	791
Múlaþing	6.109	5.177	Grímsnes- og Grafningshreppur	764	539
Hveragerðisbær	4.974	3.265	Dalvíkurbyggð	759	1.866
Seltjarnarnesbær	4.311	4.572	Húnaþing vestra	715	1.212
Fjarðabyggð	4.288	5.163	Skaftárhreppur	519	620
Suðurnesjabær	3.947	3.897	Langanesbyggð	518	540
Ísafjarðarbær	2.955	3.797	Dalabyggð	458	642
Vesturbyggð	2.533	1.356	Akraneskaupstaður	448	8.071
Húnabyggð	2.402	1.349	Mýrdalshreppur	383	881
Bolungarvíkurkaupstaður	2.368	989	Skeiða- og Gnúpverjahreppur	176	591
Sveitarfélagið Stykkishólmur	2.282	1.266	Grýtubakkahreppur	138	396
Bláskógabyggð	1.795	1.322	Reykhólahreppur	125	236
Borgarbyggð	1.758	4.100	Kjósarhreppur	110	269
Sveitarfélagið Ölfus	1.603	2.631	Flóahreppur	109	699
Rangárþing eystra	1.433	2.007	Fjallabyggð	18	1.973
Grundarfjarðarbær	1.345	821	Ásahreppur	8	293
Hrunamannahreppur	1.205	865	Árneshreppur	0	53
Rangárþing ytra	1.170	1.867			

* Population according to Statistics Iceland on 1 January 2024

Outstanding loans, cont.

Below is an overview of the loan status with MCI for companies that are 100% owned by municipalities at year-end, totaling ISK 34 million.

Municipal owned company	Amount	Municipal owned company	Amount
Félagsbústaðir hf	10.902	Norðurá bs.	175
Norðurorka hf	5.937	Hitaveita Egilsstaða og Fella ehf.	158
Selfossveitur	2.547	Félagsþjónusta A-Hún bs	157
Húsnæðisskrifstofa Hafnarfjarðar	1.707	Fasteignafél. Hveragerðisbæjar	146
Strætó bs	1.553	Byggðasafnið í Skógum	127
SORPA bs	1.474	Byggðasamlagið Oddi bs	121
Fasteignafélag Akraneskaupstaðar s	1.158	Brunavarnir Rangárvallasýslu bs.	88
Reykjaneshöfn	967	Fasteignir Húnavatnshrepps ehf.	87
Brunavarnir Suðurnesja bs	670	Samb.sveitarfél. á Suðurnesjum	80
Ísafjarðarhöfn	655	Húnanet ehf.	76
Brunavarnir Árnessýslu	575	Dalaveitur ehf	73
Þorlákshafnarhöfn	531	Hitaveita Flúða og nágrennis	65
Dvalarheimilið Kirkjuhvoll	520	Sorpsamlag Strandasýslu	61
Kjósarveitur ehf.	463	Langaneshafnir	57
Fallorka ehf	443	Hrunaljós	55
Hafnarsjóður Norðurþings	400	Hólmavíkurhöfn	53
Hitaveita Grímsnes- og Grafningshre	343	Hafnarfjarðarhöfn	50
Héraðsnefnd Árnesinga bs.	266	Flóaljós	33
Vatnsveita Rangárþings ytra og Ásal	239	Veitustofnun Strandabyggðar	28
Höfði hjúkrunar- og dvalarheimili	232	Tónlistarskóli Árnesinga	20
Byggðasafn Árnesinga	218	Félags- og skólaþjónusta Snæfelling	18
Slökkvilið höfuðborgarsvæðisins	211	Listasafn Árnesinga	17
Sorpstöð Rangárvallasýslu bs	205	Héraðsskjalasafn Árnesinga	10

MCI has received written authorization from its borrowers regarding publication of their total borrowings from MCI. This is to enable the publication of detailed information in public documents about MCI's loans and how they are distributed among municipalities and their owned companies. The authorization was obtained in accordance with Article 60 of the Financial Undertakings Act No. 161/2002.

31 Shareholders

MCI is owned by all 62 municipalities in Iceland. The City of Reykjavik is the only shareholder with more than 10% ownership, holding a 17,5% stake. In total, 10 largest shareholders own 56%. Below is a breakdown of all MCI´s shareholders and their respective share.

Municipality	Shares in %	Municipality	Shares in %
Akraneskaupstaður	2,41%	Langanesbyggð	0,62%
Akureyrarbær	5,49%	Mosfellsbær	1,49%
Árneshreppur	0,04%	Múlaþing	2,99%
Ásahreppur	0,04%	Mýrdalshreppur	0,37%
Bláskógabyggð	0,63%	Norðurþing	2,22%
Bolungarvíkurkaupstaður	0,83%	Rangárþing eystra	1,67%
Borgarbyggð	1,78%	Rangárþing ytra	1,72%
Dalabyggð	0,61%	Reykhólahreppur	0,30%
Dalvíkurbyggð	1,35%	Reykjanesbær	3,03%
Eyja- og Miklaholtshreppur	0,05%	Reykjavíkurborg	17,47%
Eyjafjarðarsveit	0,37%	Seltjarnarnesbær	1,16%
Fjallabyggð	2,39%	Skaftárhreppur	0,38%
Fjarðabyggð	3,34%	Skagafjörður	2,42%
Fljótsdalshreppur	0,03%	Skeiða- og Gnúpverjahreppur	0,37%
Flóahreppur	0,25%	Skorradalshreppur	0,02%
Garðabær	3,76%	Snæfellsbær	1,77%
Grindavíkurbær	1,09%	Strandabyggð	0,45%
Grímsnes-og Grafningshreppur	0,22%	Suðurnesjabær	1,09%
Grundarfjarðarbær	0,60%	Súðavíkurhreppur	0,30%
Grýtubakkahreppur	0,13%	Svalbarðsstrandarhreppur	0,18%
Hafnarfjarðarkaupstaður	4,25%	Sveitarfélagið Árborg	3,05%
Hrunamannahreppur	0,24%	Sveitarfélagið Hornafjörður	1,35%
Húnabyggð	1,65%	Sveitarfélagið Skagaströnd	0,29%
Húnaþing vestra	0,89%	Sveitarfélagið Stykkishólmur	1,87%
Hvalfjarðarsveit	0,22%	Sveitarfélagið Vogar	0,42%
Hveragerðisbær	0,96%	Sveitarfélagið Ölfus	0,86%
Hörgársveit	0,17%	Tjörneshreppur	0,02%
Ísafjarðarbær	4,15%	Vestmannaeyjabær	5,81%
Kaldrananeshreppur	0,06%	Vesturbyggð	1,52%
Kjósarhreppur	0,08%	Vopnafjarðarhreppur	0,68%
Kópavogsbær	5,52%	Þingeyjarsveit	0,55%