



**ÍSLANDBANKI FACTBOOK**  
**1H17**  
**Supplementary information for market**  
**participants**  
**(Unaudited)**

## Contents

---

<u>Investor relations information</u>	<u>Page</u> 3
<b>Overview</b>	<b>Page</b>
<u>Highlights</u>	4
<u>Key performance indicators</u>	5
<u>Income statement</u>	6
<u>Balance sheet</u>	7
<u>Net interest income</u>	8
<u>Net fee &amp; commissions</u>	9
<u>Loans to customers</u>	10
<u>Capital and risk weighted assets</u>	11
<b>9 Quarters review</b>	
<u>Key performance indicators</u>	12
<u>Income statement</u>	13
<u>Balance sheet</u>	14
<u>Net interest income</u>	15
<u>Net fee &amp; commissions</u>	16
<u>Loans to customers</u>	17
<u>Capital and risk weighted assets</u>	18
<u>Macroeconomics</u>	19
<u>Other information</u>	20
<u>Financial targets</u>	21
<u>Ratings</u>	22
<u>Disclaimer</u>	23

## Investor Relations

---

### IR Contact

---

Tinna Molphy  
Head of Investor Relations

Phone: +354 440 3187  
[tinna.jonsdottir.molphy@islandsbanki.is](mailto:tinna.jonsdottir.molphy@islandsbanki.is)



Investor relations web-site  
<https://www.islandsbanki.is/english/investor-relations/>

### Financial Calendar

Íslandsbanki plans to publish its interim and annual financial statements according to the below financial calendar:

- 3Q2017 - 9 November 2017
- 4Q2017 - 14 February 2018
- 1Q2018 - 9 May 2018
- 2Q2018 - 23 August 2018
- 3Q2018 - 8 November 2018

Please note that the dates are subject to change.

For information on Íslandsbanki's financial calendar and silent periods please refer to:  
<http://www.islandsbanki.is/english/investor-relations/calendar/>.

# Highlights

## Our profile

- A leader in financial services in Iceland. Íslandsbanki is a universal bank with total assets of ISK 1,047bn (EUR 8.9bn) and a 25-50% market share across all domestic business segments.
- National coverage with 14 branches and the most efficient branch network in Iceland, holding a 30% market share nationwide, but with only 17% of the branches.
- Building on over 140 years of servicing key industries in Iceland, Íslandsbanki has developed specific expertise in the tourism, seafood and energy industries domestically and in the North Atlantic region.
- For four years in a row, Íslandsbanki has been named Iceland's #1 bank in the Icelandic Customer Satisfaction Index. For eight years running, Íslandsbanki has been voted Iceland's most professional bank and its best provider of financial services to companies.
- Íslandsbanki, the only bank in Iceland that is rated by two international rating agencies, has a BBB/F3/stable rating from Fitch and BBB/A-2 rating on positive outlook from S&P.

## Our Bank



**858**  
Number of FTE's for parent company at period end (excluding summer employees)

**14**   
branches

users  
**107,000**   
online banking

### Market Share

retail

**+30%**

SMEs

**35%**

large companies

**31%**

### Credit Ratings

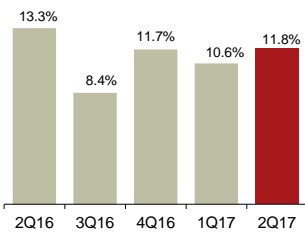
BBB/A-2 Positive outlook

**S&P Global**  
Ratings

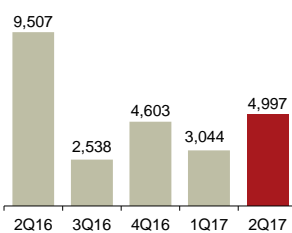
BBB/F3

**FitchRatings**  
Stable outlook

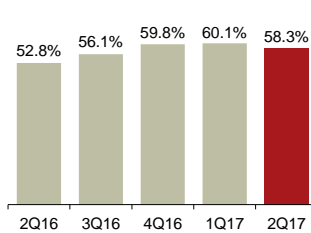
### ROE reg. operations CET1 15%



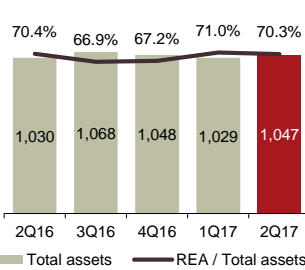
### PROFIT AFTER TAX



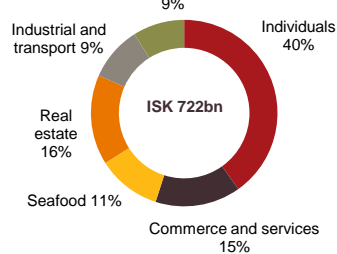
### COST / INCOME RATIO



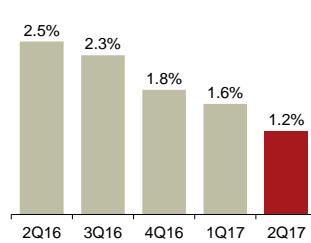
### REA / TOTAL ASSETS



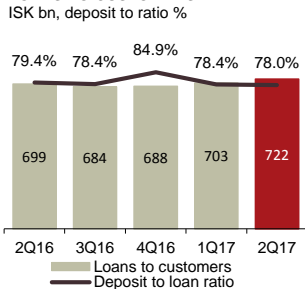
### SECTOR SPLIT



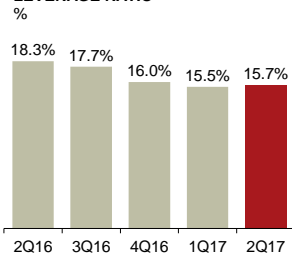
### NON-PERFORMING LOANS



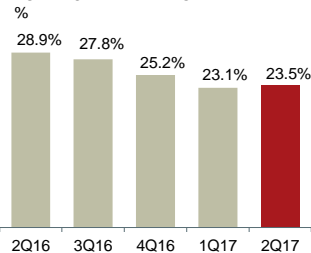
### LOANS TO CUSTOMERS



### LEVERAGE RATIO



### TOTAL CAPITAL RATIO



## Key Performance Indicators - 5 years

ISK million	1H17	2016	2015	2014	2013
<b>Profitability</b>					
Return on equity (after tax)	9.2%	10.2%	10.8%	12.8%	14.7%
ROE 15% CET1 (regular operations)	11.2%	10.7%	12.4%	11.9%	10.1%
Earnings per share	0.60	1.40	1.87	2.17	2.30
Core income / total operating income*	0.97	0.86	0.92	0.91	0.91
<b>Net interest margin</b>					
Net interest margin on total assets	2.9%	3.1%	2.9%	3.0%	3.4%
<b>Efficiency</b>					
Cost-to-income ratio**	59.2%	56.9%	56.2%	57.7%	58.5%
Cost-to-total assets ratio***	2.9%	3.0%	2.9%	3.0%	3.2%
Number of FTE's at period end - Consolidated	1,166	1,075	1,184	1,206	1,201
Number of FTE's at period end - Parent co.	969	910	919	945	988
Number of branches at period end	14	15	17	18	19
<b>Assets</b>					
Loans to customers	721,820	687,840	665,711	634,799	554,741
Non-performing loans	1.2%	1.8%	2.2%	3.5%	7.4%
Reserve coverage ratio	116%	108%	107%	88%	58%
LTV on mortgages to individuals	60.8%	67.2%	69.2%	74.0%	78.0%
Risk exposure amount / Total assets	70.3%	67.2%	66.9%	76.3%	76.2%
<b>Financial strength</b>					
Equity as % of total assets	16.8%	17.1%	19.3%	20.4%	19.3%
<b>Liquidity</b>					
Liquidity coverage ratio (LCR)	171.0%	187.0%	143.0%	130.0%	143.0%
Liquidity coverage ratio (LCR) - Foreign currencies	303.0%	331.0%	467.0%	617.0%	326.0%
Net stable funding ratio (NSFR) - All currencies	119.0%	123.0%	120.0%	112.0%	
Net stable funding ratio (NSFR) - Foreign currencies	138.0%	144.0%	141.0%	126.0%	
Term deposits % of total deposits	35.0%	35.0%	39.0%	34.0%	28.0%
Deposit-to-loan ratio	78.0%	84.9%	88.3%	82.9%	86.7%
Customer deposits-to-loans to customers ratio	79.3%	86.4%	89.1%	83.4%	88.2%
<b>Capital</b>					
CET1 ratio	23.3%	24.9%	28.3%	26.5%	25.1%
Tier 2 ratio	0.2%	0.3%	1.8%	3.1%	3.3%
Capital adequacy ratio	23.5%	25.2%	30.1%	29.6%	28.4%
Leverage ratio	15.7%	16.0%	18.1%	19.5%	18.6%
Risk exposure amount	736,130	704,177	699,693	695,102	659,757

\* Core income is defined as net interest income plus net fee & commission income

\*\* Cost income ratio excludes bank tax, and expenditure deemed as one-off

\*\*\* Excludes one-off costs

## Income statement - 5 year summary

ISK million	1H17	2016	2015	2014	2013
Interest income	28,619	60,503	53,414	50,816	54,333
Interest expense	(13,408)	(28,701)	(25,404)	(23,711)	(25,903)
Net interest income	15,211	31,802	28,010	27,105	28,430
Fee and commission income	10,526	21,818	20,737	17,984	16,695
Fee and commission expense	(3,713)	(8,095)	(7,567)	(6,501)	(6,262)
Net fee and commission income	6,813	13,723	13,170	11,483	10,433
Net financial income	109	6,096	3,881	1,568	4,612
Net foreign exchange gain (loss)	370	443	(1,490)	165	(2,423)
Other operating income	215	652	1,102	2,122	1,545
Other net operating income	694	7,191	3,493	3,855	3,734
<b>Total operating income</b>	<b>22,718</b>	<b>52,716</b>	<b>44,673</b>	<b>42,443</b>	<b>42,597</b>
Administrative expenses	(13,266)	(27,121)	(23,760)	(22,901)	(25,551)
Contribution to the Depositors' and Investors' Guarantee Fund	(515)	(1,063)	(1,067)	(1,055)	(1,016)
Bank tax	(1,472)	(2,843)	(2,878)	(2,444)	(2,321)
<b>Total operating expenses</b>	<b>(15,253)</b>	<b>(31,027)</b>	<b>(27,705)</b>	<b>(26,400)</b>	<b>(28,888)</b>
Profit before net loan impairment	7,465	21,689	16,968	16,043	13,709
Net loan impairment	440	735	8,135	8,810	16,299
<b>Profit before tax</b>	<b>7,905</b>	<b>22,424</b>	<b>25,103</b>	<b>24,853</b>	<b>30,008</b>
Income tax expense	(2,263)	(5,205)	(5,851)	(6,239)	(7,866)
<b>Profit for the year from continuing operations</b>	<b>5,642</b>	<b>17,219</b>	<b>19,252</b>	<b>18,614</b>	<b>22,142</b>
Profit from discontinued operations, net of income tax	2,399	2,939	1,326	4,136	927
<b>Profit for the year</b>	<b>8,041</b>	<b>20,158</b>	<b>20,578</b>	<b>22,750</b>	<b>23,069</b>
Basic earnings per share from profit for the year	0.60	1.40	1.87	2.17	2.30

## Balance sheet - 5 year summary

ISK million	1H17	2016	2015	2014	2013
Cash and balances with Central Bank	227,189	275,453	216,760	103,389	111,779
Bonds and debt instruments	33,301	31,256	78,606	87,347	75,186
Shares and equity instruments	11,936	10,626	18,320	10,531	9,208
Derivatives	3,942	1,953	1,981	1,810	843
Loans to credit institutions	23,983	17,645	35,534	35,072	44,078
Loans to customers	721,820	687,840	665,711	634,799	554,741
Investments in associates	705	450	716	570	1,563
Property and equipment	6,663	6,211	7,344	7,402	8,772
Intangible assets	3,644	2,672	1,331	619	299
Other assets	10,103	7,064	6,674	8,140	12,434
Non-current assets and disposal groups held for sale	3,935	6,384	12,792	21,649	47,106
<b>Total Assets</b>	<b>1,047,221</b>	<b>1,047,554</b>	<b>1,045,769</b>	<b>911,328</b>	<b>866,009</b>
Deposits from Central Bank and credit institutions	9,362	4,922	25,631	25,796	29,689
Deposits from customers	572,407	594,187	593,245	529,447	489,331
Derivative instruments and short positions	7,344	4,798	6,981	3,963	11,176
Debt issued and other borrowed funds	227,274	212,468	150,308	96,889	89,193
Subordinated loans	-	-	19,517	21,306	21,890
Tax liabilities	11,581	8,473	8,358	8,388	10,826
Other liabilities	43,209	43,456	36,677	37,262	37,130
Non-current liabilities and disposal groups held for sale	116	325	2,825	2,790	9,456
<b>Total Liabilities</b>	<b>871,293</b>	<b>868,629</b>	<b>843,542</b>	<b>725,841</b>	<b>698,691</b>
Share capital	10,000	10,000	10,000	10,000	10,000
Share premium	55,000	55,000	55,000	55,000	55,000
Other reserves	5,712	4,139	6,002	2,535	2,471
Retained earnings	102,436	105,563	127,288	116,288	98,548
Total equity attributable to the equity holders of Íslandsbanki hf.	173,148	174,702	198,290	183,823	166,019
Non-controlling interests	2,780	4,223	3,937	1,664	1,299
<b>Total Equity</b>	<b>175,928</b>	<b>178,925</b>	<b>202,227</b>	<b>185,487</b>	<b>167,318</b>
<b>Total Liabilities and Equity</b>	<b>1,047,221</b>	<b>1,047,554</b>	<b>1,045,769</b>	<b>911,328</b>	<b>866,009</b>

## Net interest income - 5 year summary

ISK million	1H17	2016	2015	2014	2013
<b>Interest income:</b>					
Cash and balances with Central Bank	5,713	11,507	7,394	6,671	4,639
Loans and receivables	22,997	47,084	43,303	40,331	46,764
Financial assets held for trading	(194)	99	980	1,957	948
Financial assets designated at fair value through profit or loss	33	1,672	1,558	1,672	1,790
Other assets	70	141	179	185	192
<b>Total interest income</b>	<b>28,619</b>	<b>60,503</b>	<b>53,414</b>	<b>50,816</b>	<b>54,333</b>
<b>Interest expense:</b>					
Deposits from credit institutions and Central Bank	(81)	(275)	(517)	(479)	(505)
Deposits from customers	(9,505)	(20,382)	(18,240)	(16,919)	(18,174)
Borrowings	(3,809)	(7,384)	(5,427)	(4,750)	(5,753)
Subordinated loans	-	(627)	(1,015)	(911)	(951)
Other financial liabilities	-	(7)	(147)	(295)	(367)
Other interest expense	(13)	(26)	(58)	(357)	(153)
<b>Total interest expense</b>	<b>(13,408)</b>	<b>(28,701)</b>	<b>(25,404)</b>	<b>(23,711)</b>	<b>(25,903)</b>
<b>Net interest income</b>	<b>15,211</b>	<b>31,802</b>	<b>28,010</b>	<b>27,105</b>	<b>28,430</b>
Interest spread (as the ratio of net interest income to the average carrying amount of total assets)	2.9%	3.1%	2.9%	3.0%	3.4%
<b>Interest bearing:</b>					
<b>Assets</b>					
Balances with Central Bank	227,189	275,453	216,760	103,389	111,779
Bonds and debt instruments	2,439	2,808	34,163	33,074	33,876
Loans to credit institutions	23,983	17,645	35,534	35,072	44,078
Loans to customers	723,707	689,888	665,710	637,650	554,741
<b>Total assets</b>	<b>977,318</b>	<b>985,794</b>	<b>952,167</b>	<b>809,185</b>	<b>744,474</b>
Off-balance sheet items	136,232	120,654	119,243	97,455	55,905
Effect of derivatives held for hedging	58,763	55,932	-	-	-
<b>Liabilities</b>					
Short positions	-	-	-	-	3,670
Deposits from CB and credit institutions	9,362	4,922	25,631	25,796	29,689
Deposits from customers	572,407	594,187	593,245	529,447	489,331
Debt issued and other borrowed funds	227,274	212,468	150,308	96,889	89,194
Subordinated loans	-	-	19,517	21,306	21,890
<b>Total liabilities</b>	<b>809,043</b>	<b>811,577</b>	<b>788,701</b>	<b>673,438</b>	<b>633,774</b>
Off-balance sheet items	135,947	120,081	131,357	106,555	57,217
Effect of derivatives held for hedging	58,927	56,002	-	-	-
<b>Net interest gap</b>	<b>168,396</b>	<b>174,720</b>	<b>151,352</b>	<b>126,647</b>	<b>109,388</b>



## Net fee & commission income - 5 year summary

ISK million	1H17	2016	2015	2014	2013
<b>Fee and commission income:</b>					
Asset management	1,002	1,757	1,778	1,683	1,564
Investment banking and brokerage	1,077	1,987	2,132	1,833	2,005
Payment processing	6,758	14,705	13,664	11,627	10,484
Loans and guarantees	729	1,449	1,498	1,267	1,141
Other fees and commissions income	960	1,920	1,665	1,574	1,501
<b>Total fees and commission income</b>	<b>10,526</b>	<b>21,818</b>	<b>20,737</b>	<b>17,984</b>	<b>16,695</b>
<b>Commission expenses:</b>					
Interbank charges	-	-	-	(157)	(331)
Brokerage	(64)	(109)	(121)	(128)	(126)
Clearing and settlement	(3,639)	(7,963)	(7,415)	(6,179)	(5,702)
Other commission expenses	(10)	(23)	(31)	(37)	(103)
<b>Total commission expenses</b>	<b>(3,713)</b>	<b>(8,095)</b>	<b>(7,567)</b>	<b>(6,501)</b>	<b>(6,262)</b>
<b>Net fee and commission income</b>	<b>6,813</b>	<b>13,723</b>	<b>13,170</b>	<b>11,483</b>	<b>10,433</b>

## Loans to customers - 5 year summary

ISK million	1H17	2016	2015	2014	2013
Individuals	290,584	286,177	272,610	262,848	255,044
Commerce and services	107,153	97,943	89,781	79,658	81,522
Construction	27,797	27,878	23,013	18,751	18,640
Energy	7,152	7,216	3,737	7,315	3,614
Financial services	42	85	105	121	34
Industrial and transportation	68,413	63,090	60,726	61,878	46,433
Investment companies	17,221	14,402	19,362	13,911	10,306
Public sector and non-profit organisations	12,604	12,835	13,878	12,216	6,894
Real estate	112,687	100,020	99,094	99,540	66,647
Seafood	80,054	80,243	85,872	81,412	69,289
<b>Loans to customers before collective impairment allowance</b>	<b>723,707</b>	<b>689,889</b>	<b>668,178</b>	<b>637,650</b>	<b>558,423</b>
Collective impairment allowance	(1,887)	(2,049)	(2,467)	(2,851)	(3,682)
<b>Loans to customers</b>	<b>721,820</b>	<b>687,840</b>	<b>665,711</b>	<b>634,799</b>	<b>554,741</b>
<b>Loans to customers - by product</b>					
Overdrafts	42,907	45,383	38,654	37,228	39,439
Creditcards	18,441	19,188	18,166	17,690	18,080
Mortgages	218,478	211,233	197,307	186,583	176,421
Capital leases	43,642	40,415	39,161	36,231	33,736
Other loans	400,239	373,670	374,891	359,918	290,747
<b>Loans to customers before collective impairment allowance</b>	<b>723,707</b>	<b>689,889</b>	<b>668,178</b>	<b>637,650</b>	<b>558,423</b>
Collective impairment allowance	(1,887)	(2,049)	(2,467)	(2,851)	(3,682)
<b>Loans to customers</b>	<b>721,820</b>	<b>687,840</b>	<b>665,711</b>	<b>634,799</b>	<b>554,741</b>
<b>Asset quality</b>					
Neither past due nor impaired	702,257	663,124	636,685	595,903	496,705
Past due but not impaired	16,154	21,448	23,572	27,619	34,618
thereof past due more than 90 days	3,375	7,251	6,954	8,223	14,114
Classified as impaired	5,296	5,317	7,921	14,128	27,100
<b>Total</b>	<b>723,707</b>	<b>689,889</b>	<b>668,178</b>	<b>637,650</b>	<b>558,423</b>
<b>Impairment allowance</b>					
Specific impairment allowance	(8,161)	(11,472)	(13,406)	(16,908)	(24,234)
Collective impairment allowance	(1,887)	(2,049)	(2,467)	(2,851)	(3,682)
<b>Total</b>	<b>(10,048)</b>	<b>(13,521)</b>	<b>(15,873)</b>	<b>(19,759)</b>	<b>(27,915)</b>

## Capital and Risk Exposure Amount - 5 year summary

ISK million	1H17	2016	2015	2014	2013
Ordinary share capital	10,000	10,000	10,000	10,000	10,000
Share premium	55,000	55,000	55,000	55,000	55,000
Other reserves	5,712	4,139	6,002	2,535	2,471
Retained earnings	102,436	105,563	127,288	116,288	98,548
Non-controlling interests	2,780	4,223	3,937	1,664	1,299
Tax assets	(4)	(4)	-	(521)	(1,275)
Intangible assets	(3,644)	(2,672)	(1,331)	(619)	(299)
Other regulatory adjustments	(1,014)	(924)	(2,779)	-	(159)
<b>Total Tier 1 capital</b>	<b>171,266</b>	<b>175,325</b>	<b>198,117</b>	<b>184,347</b>	<b>165,585</b>
Tier 2 capital					
Qualifying subordinated liabilities	-	-	19,517	21,306	21,890
Adjustment to eligible capital liabilities	-	-	(3,903)	-	-
Other regulatory adjustments	-	-	(2,779)	-	(160)
General credit risk adjustments	1,887	2,049	-	-	-
<b>Total regulatory capital</b>	<b>173,153</b>	<b>177,374</b>	<b>210,952</b>	<b>205,653</b>	<b>187,315</b>
Risk exposure amount					
- due to credit risk	645,188	615,465	606,591	583,375	551,938
- due to market risk:	9,653	7,243	16,607	33,326	28,849
Market risk, trading book	7,212	6,418	9,931	6,594	5,105
Currency risk FX	668	825	6,676	26,732	23,744
Credit valuation adjustment	1,773	-	-	-	-
- due to operational risk	81,469	81,469	76,495	78,401	78,970
<b>Total risk exposure amount</b>	<b>736,310</b>	<b>704,177</b>	<b>699,693</b>	<b>695,102</b>	<b>659,757</b>
<b>Capital ratios</b>					
CET1 ratio	23.3%	24.9%	28.3%	26.5%	25.1%
Tier 2 ratio	0.2%	0.3%	1.8%	3.1%	3.3%
Capital adequacy ratio	23.5%	25.2%	30.1%	29.6%	28.4%
Leverage ratio	15.7%	16.0%	18.1%	19.5%	18.6%

Key Performance indicators - 9 Quarters ISK million	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015
<b>Profitability</b>									
Return on equity	11.3%	7.0%	9.4%	5.1%	19.1%	6.9%	7.9%	12.5%	11.7%
ROE 15% CET1 (regular operations)*	11.8%	10.6%	11.7%	8.4%	13.3%	9.4%	12.8%	10.5%	12.1%
Earnings per share	0.33	0.27	0.46	0.23	0.66	0.27	0.39	0.55	0.45
<b>Net interest margin</b>									
Net interest margin on total assets	3.0%	2.9%	3.1%	3.0%	3.3%	2.9%	2.7%	3.0%	3.1%
<b>Efficiency</b>									
Cost-to-income ratio*	58.3%	60.1%	59.8%	56.1%	53.3%	59.0%	55.7%	57.1%	56.6%
Cost-to-total assets ratio**	3.0%	2.8%	2.8%	2.1%	3.0%	2.9%	1.5%	2.7%	3.0%
Number of FTE's at period end - Consolidated	1,166	1,058	1,075	1,187	1,217	1,180	1,184	1,197	1,291
Number of FTE's at period end - Parent co.	969	886	910	968	1,046	922	919	933	1,030
<b>Asset quality</b>									
Loans to customers	721,820	703,447	687,840	684,170	698,669	677,079	665,711	660,308	653,728
Non-performing loans	1.2%	1.6%	1.8%	2.3%	2.5%	2.1%	2.2%	2.4%	2.7%
Reserve coverage ratio	115.8%	109.9%	107.6%	94.0%	88.5%	109.1%	107%	104%	105%
LTV on mortgages to individuals	60.8%	69.0%	67.2%	65.8%	65.0%	69.4%	69.2%	69.0%	68.0%
Risk exposure amount / Total assets	70.3%	71.0%	67.2%	66.9%	70.4%	70.2%	66.9%	71.1%	73.8%
<b>Financial strength</b>									
Equity as % of total assets	16.8%	16.6%	17.1%	18.9%	19.3%	20.1%	19.3%	19.2%	19.2%
<b>Liquidity</b>									
Liquidity coverage ratio (LCR)	171.0%	181.0%	187.0%	195.0%	173.0%	154.0%	143.0%	156.0%	151.0%
Liquidity coverage ratio (LCR) - Foreign currencies	303.0%	400.0%	331.0%	407.0%	368.0%	527.0%	467.0%	409.0%	442.0%
Net stable funding ratio (NSFR) - All currencies	119.0%	121.0%	123.0%	126.0%	117.0%	118.0%	120.0%	111.0%	107.0%
Net stable funding ratio (NSFR) - Foreign currencies	138.0%	142.0%	144.0%	145.0%	154.0%	157.0%	141.0%	124.0%	120.0%
Term deposits % of total deposits	35.0%	39.0%	35.0%	34.0%	39.0%	37.0%	39.0%	38.0%	36.0%
Deposit-to-loan ratio	78.0%	78.4%	84.9%	78.4%	79.4%	81.3%	88.3%	87.0%	83.7%
Customer deposits-to-loans to customers ratio	79.3%	80.7%	86.4%	80.8%	81.0%	80.4%	89.1%	88.0%	86.7%
<b>Capital</b>									
CET 1 ratio	23.3%	22.8%	24.9%	27.8%	27.1%	28.1%	28.3%	26.9%	25.8%
Tier 2 ratio	0.2%	0.3%	0.3%	0.0%	1.8%	1.6%	1.8%	2.3%	2.5%
Capital adequacy ratio	23.5%	23.1%	25.2%	27.8%	28.9%	29.7%	30.1%	29.2%	28.3%
Leverage ratio	15.7%	15.5%	16.0%	17.7%	18.3%	18.7%	18.1%	18.3%	18.3%
Risk exposure amount	736,310	730,120	704,177	714,337	724,713	716,592	699,693	713,592	720,552

\* Cost income ratio excludes bank tax, and expenditure deemed as one-off.

\*\* Excludes one-off costs

<b>Income statement - 9 quarter summary</b>	<b>Q2</b>	<b>Q1</b>	<b>Q4</b>	<b>Q3</b>	<b>Q2</b>	<b>Q1</b>	<b>Q4</b>	<b>Q3</b>	<b>Q2</b>
<b>ISK million</b>	<b>2017</b>	<b>2017</b>	<b>2016</b>	<b>2016</b>	<b>2016</b>	<b>2016</b>	<b>2015</b>	<b>2015</b>	<b>2015</b>
Net interest income	7,814	7,397	8,149	7,758	8,356	7,539	7,003	7,457	7,359
Net fee and commission income	3,543	3,270	3,831	3,233	3,515	3,144	3,235	3,512	3,518
Net financial income	97	12	37	(607)	6,062	604	1,455	387	275
Net foreign exchange (loss) gain	169	201	77	49	305	12	(137)	(1,072)	(141)
Other operating income	55	160	(17)	45	473	151	403	158	252
Other net operating income	321	373	97	(513)	6,840	767	1,721	(527)	386
<b>Total operating income</b>	<b>11,678</b>	<b>11,040</b>	<b>12,077</b>	<b>10,478</b>	<b>18,711</b>	<b>11,450</b>	<b>11,959</b>	<b>10,442</b>	<b>11,263</b>
Administrative expenses	(6,848)	(6,418)	(7,392)	(5,613)	(7,599)	(6,517)	(6,518)	(5,310)	(6,109)
Contribution to the Depositors' and Investors' Guarantee Fund	(262)	(253)	(252)	(283)	(267)	(261)	(270)	(263)	(265)
Bank tax	(752)	(720)	(691)	(745)	(716)	(691)	(818)	(732)	(710)
<b>Total operating expenses</b>	<b>(7,862)</b>	<b>(7,391)</b>	<b>(8,335)</b>	<b>(6,641)</b>	<b>(8,582)</b>	<b>(7,469)</b>	<b>(7,606)</b>	<b>(6,305)</b>	<b>(7,084)</b>
<b>Profit before net loan impairment</b>	<b>3,816</b>	<b>3,649</b>	<b>3,742</b>	<b>3,837</b>	<b>10,129</b>	<b>3,981</b>	<b>4,353</b>	<b>4,137</b>	<b>4,179</b>
Net loan impairment	200	240	484	(118)	689	(320)	409	3,418	1,977
<b>Profit before tax</b>	<b>4,016</b>	<b>3,889</b>	<b>4,226</b>	<b>3,719</b>	<b>10,818</b>	<b>3,661</b>	<b>4,762</b>	<b>7,555</b>	<b>6,156</b>
Income tax expense	(1,133)	(1,130)	(1,353)	(1,266)	(1,720)	(866)	(1,147)	(1,784)	(1,524)
<b>Profit for the period from continuing operations</b>	<b>2,883</b>	<b>2,759</b>	<b>2,873</b>	<b>2,453</b>	<b>9,098</b>	<b>2,795</b>	<b>3,615</b>	<b>5,771</b>	<b>4,632</b>
Profit (loss) for the period from discontinued operations	2,114	285	1,730	85	409	715	274	128	762
<b>Profit for the period</b>	<b>4,997</b>	<b>3,044</b>	<b>4,603</b>	<b>2,538</b>	<b>9,507</b>	<b>3,510</b>	<b>3,889</b>	<b>5,899</b>	<b>5,394</b>

<b>Balance sheet - 9 quarter summary</b>									
<b>ISK million</b>	<b>Q2</b>	<b>Q1</b>	<b>Q4</b>	<b>Q3</b>	<b>Q2</b>	<b>Q1</b>	<b>Q4</b>	<b>Q3</b>	<b>Q2</b>
	<b>2017</b>	<b>2017</b>	<b>2016</b>	<b>2016</b>	<b>2016</b>	<b>2016</b>	<b>2015</b>	<b>2015</b>	<b>2015</b>
Cash and balances with Central Bank	227,189	210,437	275,453	205,148	182,177	182,453	216,760	177,652	126,900
Bonds and debt instruments	33,301	35,678	31,256	89,026	71,756	79,873	78,606	80,053	85,274
Shares and equity instruments	11,936	12,128	10,626	12,007	12,692	18,664	18,320	9,004	11,041
Derivatives	3,942	2,322	1,953	1,690	2,036	2,759	1,981	2,199	1,581
Loans to credit institutions	23,983	35,142	17,645	38,189	33,088	27,811	35,534	35,522	52,139
Loans to customers	721,820	703,447	687,840	684,170	698,669	677,079	665,711	660,308	653,728
Investments in associates	705	705	450	764	764	1,009	716	648	612
Property and equipment	6,663	6,376	6,211	5,924	5,884	7,289	7,344	7,550	7,600
Intangible assets	3,644	3,024	2,672	2,039	1,700	1,471	1,331	1,143	1,058
Other assets	10,103	14,298	7,064	20,691	11,268	11,177	6,674	16,232	20,561
Non-current assets and disposal groups held for sale	3,935	5,251	6,384	8,615	9,583	11,190	12,792	13,946	15,763
<b>Total Assets</b>	<b>1,047,221</b>	<b>1,028,808</b>	<b>1,047,554</b>	<b>1,068,263</b>	<b>1,029,617</b>	<b>1,020,775</b>	<b>1,045,769</b>	<b>1,004,257</b>	<b>976,257</b>
Deposits from Central Bank and credit institutions	9,362	11,253	4,922	13,362	14,633	28,338	25,631	24,208	24,017
Deposits from customers	572,407	567,486	594,187	553,107	566,220	544,430	593,245	581,095	566,678
Derivative instruments and short positions	7,344	5,041	4,798	5,334	6,079	4,902	6,981	8,472	5,992
Debt issued and other borrowed funds	227,274	223,327	212,468	222,598	163,469	161,802	150,308	120,957	107,421
Subordinated loans	-	-	-	-	18,886	19,415	19,517	19,717	20,336
Tax liabilities	11,581	10,062	8,473	10,454	9,894	8,963	8,358	9,090	8,627
Other liabilities	43,209	40,606	43,456	59,856	49,252	44,170	36,677	44,866	53,177
Non-current liabilities and disposal groups held for sale	116	268	325	2,161	2,347	3,128	2,825	2,965	3,000
<b>Total Liabilities</b>	<b>871,293</b>	<b>858,043</b>	<b>868,629</b>	<b>866,872</b>	<b>830,780</b>	<b>815,148</b>	<b>843,542</b>	<b>811,370</b>	<b>789,248</b>
Share capital	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Share premium	55,000	55,000	55,000	55,000	55,000	55,000	55,000	55,000	55,000
Other reserves	5,712	4,928	4,139	2,506	2,470	5,982	6,002	2,538	2,559
Retained earnings	102,436	97,859	105,563	130,029	127,666	130,664	127,288	123,450	117,852
Total equity attributable to the equity holders of Íslandsbanki hf.	173,148	167,787	174,702	197,535	195,136	201,646	198,290	190,988	185,411
Non-controlling interests	2,780	2,978	4,223	3,856	3,701	3,981	3,937	1,899	1,598
<b>Total Equity</b>	<b>175,928</b>	<b>170,765</b>	<b>178,925</b>	<b>201,391</b>	<b>198,837</b>	<b>205,627</b>	<b>202,227</b>	<b>192,887</b>	<b>187,009</b>
<b>Total Liabilities and Equity</b>	<b>1,047,221</b>	<b>1,028,808</b>	<b>1,047,554</b>	<b>1,068,263</b>	<b>1,029,617</b>	<b>1,020,775</b>	<b>1,045,769</b>	<b>1,004,257</b>	<b>976,257</b>

<b>Net interest income - 9 quarter summary</b>	<b>Q2</b>	<b>Q1</b>	<b>Q4</b>	<b>Q3</b>	<b>Q2</b>	<b>Q1</b>	<b>Q4</b>	<b>Q3</b>	<b>Q2</b>
<b>ISK million</b>	<b>2017</b>	<b>2017</b>	<b>2016</b>	<b>2016</b>	<b>2016</b>	<b>2016</b>	<b>2015</b>	<b>2015</b>	<b>2015</b>
<b>Interest income:</b>									
Cash and balances with Central Bank	2,724	2,989	3,024	2,850	2,732	2,901	2,780	2,135	1,319
Loans and receivables	12,183	10,814	11,475	11,005	13,263	11,341	8,797	11,995	12,617
Financial assets held for trading	(186)	-	(74)	190	(114)	97	505	161	115
Financial assets designated at fair value through profit or loss	13	20	353	426	448	445	449	384	375
Other assets	33	29	46	34	35	26	44	72	30
<b>Total interest income</b>	<b>14,767</b>	<b>13,852</b>	<b>14,824</b>	<b>14,505</b>	<b>16,364</b>	<b>14,810</b>	<b>12,575</b>	<b>14,747</b>	<b>14,456</b>
<b>Interest expense:</b>									
Deposits from credit institutions and Central Bank	(64)	(17)	31	(57)	(114)	(135)	(220)	(98)	(108)
Deposits from customers	(4,797)	(4,708)	(4,893)	(4,868)	(5,536)	(5,085)	(4,172)	(5,197)	(5,023)
Borrowings	(2,084)	(1,725)	(1,830)	(1,641)	(2,110)	(1,803)	(894)	(1,667)	(1,730)
Subordinated loans	-	-	-	(161)	(227)	(239)	(248)	(251)	(257)
Other financial liabilities	-	-	-	-	-	(7)	(31)	(49)	(34)
Other interest expense	(8)	(5)	17	(20)	(21)	(2)	(7)	(28)	55
<b>Total interest expense</b>	<b>(6,953)</b>	<b>(6,455)</b>	<b>(6,675)</b>	<b>(6,747)</b>	<b>(8,008)</b>	<b>(7,271)</b>	<b>(5,572)</b>	<b>(7,290)</b>	<b>(7,097)</b>
<b>Net interest income</b>	<b>7,814</b>	<b>7,397</b>	<b>8,149</b>	<b>7,758</b>	<b>8,356</b>	<b>7,539</b>	<b>7,003</b>	<b>7,457</b>	<b>7,359</b>
<b>Interest bearing:</b>									
<b>Assets</b>									
Balances with Central Bank	227,189	210,437	275,453	205,148	182,177	182,453	216,760	177,652	126,900
Bonds and debt instruments	2,439	2,547	2,808	33,594	33,974	33,944	34,163	34,973	34,566
Loans to credit institutions	23,983	35,142	17,645	38,190	33,088	27,811	35,534	35,522	52,139
Loans to customers	723,707	705,420	689,888	686,413	701,227	679,519	665,710	662,955	656,290
<b>Total assets</b>	<b>977,318</b>	<b>953,546</b>	<b>985,794</b>	<b>963,345</b>	<b>950,466</b>	<b>923,727</b>	<b>952,167</b>	<b>911,102</b>	<b>869,895</b>
Off-balance sheet items	136,232	115,883	120,654	186,367	132,945	130,760	119,243	107,904	101,730
Effect of derivatives held for hedging	58,763	60,278	55,932	-	-	-	-	-	-
<b>Liabilities</b>									
Deposits from CB and credit institutions	9,362	11,253	4,922	13,362	14,398	28,216	25,631	24,208	24,017
Deposits from customers	572,407	567,486	594,187	553,107	566,220	544,430	593,245	581,095	566,678
Debt issued and other borrowed funds	227,274	223,327	212,468	222,598	158,408	161,802	150,308	120,982	107,421
Subordinated loans	-	-	-	-	18,886	19,415	19,517	19,717	20,336
<b>Total liabilities</b>	<b>809,043</b>	<b>802,066</b>	<b>811,577</b>	<b>789,067</b>	<b>757,912</b>	<b>753,863</b>	<b>788,701</b>	<b>746,002</b>	<b>718,452</b>
Off-balance sheet items	135,947	115,610	120,081	185,581	132,490	128,335	131,357	118,971	113,487
Effect of derivatives held for hedging	58,927	60,397	56,002	-	-	-	-	-	-
<b>Net interest gap</b>	<b>168,396</b>	<b>151,634</b>	<b>174,720</b>	<b>175,064</b>	<b>193,009</b>	<b>172,290</b>	<b>151,352</b>	<b>154,033</b>	<b>139,686</b>

<b>Net fee and commission - 9 quarter summary</b>	<b>Q2</b>	<b>Q1</b>	<b>Q4</b>	<b>Q3</b>	<b>Q2</b>	<b>Q1</b>	<b>Q4</b>	<b>Q3</b>	<b>Q2</b>
<b>ISK million</b>	<b>2017</b>	<b>2017</b>	<b>2016</b>	<b>2016</b>	<b>2016</b>	<b>2016</b>	<b>2015</b>	<b>2015</b>	<b>2015</b>
<b>Fee and commission income:</b>									
Asset management	529	473	460	427	436	434	481	436	457
Investment Banking and brokerage	646	431	495	488	613	390	423	550	737
Payment processing	3,342	3,416	3,650	3,901	3,696	3,458	3,537	3,510	3,468
Loans and guarantees	377	352	340	346	381	382	389	447	327
Other fee and commission income	503	457	739	361	464	357	499	414	385
<b>Total fee and commission income</b>	<b>5,397</b>	<b>5,129</b>	<b>5,684</b>	<b>5,523</b>	<b>5,590</b>	<b>5,021</b>	<b>5,329</b>	<b>5,357</b>	<b>5,374</b>
<b>Commission expenses:</b>									
Brokerage	(31)	(33)	6	(51)	(25)	(39)	(40)	(40)	(20)
Clearing and settlement	(1,815)	(1,824)	(1,854)	(2,232)	(2,048)	(1,830)	(2,047)	(1,796)	(1,826)
Other commission expenses	(8)	(2)	(5)	(7)	(2)	(8)	(7)	(9)	(10)
<b>Total commission expenses</b>	<b>(1,854)</b>	<b>(1,859)</b>	<b>(1,853)</b>	<b>(2,290)</b>	<b>(2,075)</b>	<b>(1,877)</b>	<b>(2,094)</b>	<b>(1,845)</b>	<b>(1,856)</b>
<b>Net fee and commission income</b>	<b>3,543</b>	<b>3,270</b>	<b>3,831</b>	<b>3,233</b>	<b>3,515</b>	<b>3,144</b>	<b>3,235</b>	<b>3,512</b>	<b>3,518</b>



<b>Loans to customers - 9 quarter summary</b>								
<b>ISK million</b>	<b>Q2</b>	<b>Q1</b>	<b>Q4</b>	<b>Q3</b>	<b>Q2</b>	<b>Q1</b>	<b>Q4</b>	<b>Q3</b>
	<b>2017</b>	<b>2017</b>	<b>2016</b>	<b>2016</b>	<b>2016</b>	<b>2016</b>	<b>2015</b>	<b>2015</b>
Individuals	290,584	287,303	286,177	278,634	276,282	272,114	272,610	268,842
Commerce and services	107,153	104,233	97,943	99,315	101,777	94,586	89,781	87,268
Construction	27,797	26,740	27,878	25,511	26,375	24,181	23,013	20,361
Energy	7,152	7,168	7,216	4,552	5,597	4,535	3,737	4,761
Financial services	42	37	85	237	936	2,294	105	97
Industrial and transportation	68,413	65,100	63,090	64,894	67,772	64,545	60,726	64,623
Investment companies	17,221	14,377	14,402	16,927	18,352	19,192	19,362	17,115
Public sector and non-profit organisations	12,604	12,929	12,835	13,708	13,212	13,422	13,878	12,010
Real estate	112,687	105,430	100,020	101,136	102,438	99,765	99,094	102,022
Seafood	80,054	82,103	80,243	81,500	88,486	84,884	85,872	85,857
<b>Loans to customers before collective impairment allowance</b>	<b>723,707</b>	<b>705,420</b>	<b>689,889</b>	<b>686,414</b>	<b>701,227</b>	<b>679,518</b>	<b>668,178</b>	<b>662,956</b>
Collective impairment allowance	(1,887)	(1,973)	(2,049)	(2,244)	(2,558)	(2,439)	(2,467)	(2,648)
<b>Loans to customers</b>	<b>721,820</b>	<b>703,447</b>	<b>687,840</b>	<b>684,170</b>	<b>698,669</b>	<b>677,079</b>	<b>665,711</b>	<b>660,308</b>
<b>Loans to customers - by product</b>								
Overdrafts	42,907	45,540	45,383	36,280	38,949	41,129	38,654	36,964
Creditcards	18,441	17,547	19,188	17,653	17,895	17,680	18,166	17,820
Mortgages	218,478	214,949	211,233	205,101	202,004	198,427	197,307	193,066
Capital leases	43,642	41,749	40,415	46,229	48,709	44,778	39,161	41,348
Other loans	400,239	385,635	373,670	381,151	393,670	377,504	374,891	373,758
<b>Loans to customers before collective impairment allowance</b>	<b>723,707</b>	<b>705,420</b>	<b>689,889</b>	<b>686,414</b>	<b>701,227</b>	<b>679,518</b>	<b>668,178</b>	<b>662,956</b>
Collective impairment allowance	(1,887)	(1,973)	(2,049)	(2,244)	(2,558)	(2,439)	(2,467)	(2,648)
<b>Loans to customers</b>	<b>721,820</b>	<b>703,447</b>	<b>687,840</b>	<b>684,170</b>	<b>698,669</b>	<b>677,079</b>	<b>665,711</b>	<b>660,308</b>
<b>Asset quality</b>								
Neither past due nor impaired	702,257	680,144	663,124	655,729	666,307	642,638	636,685	627,745
Past due but not impaired	16,154	20,503	21,448	24,167	27,025	28,556	23,572	26,937
thereof past due more than 90 days	3,375	6,732	7,251	8,916	9,252	6,176	6,954	7,517
Classified as impaired	5,296	4,773	5,317	6,518	7,895	8,324	7,921	8,274
<b>Total</b>	<b>723,707</b>	<b>705,420</b>	<b>689,889</b>	<b>686,414</b>	<b>701,227</b>	<b>679,518</b>	<b>668,178</b>	<b>662,956</b>
<b>Impairment allowance</b>								
Specific impairment allowance	(8,161)	(10,670)	(11,472)	(12,259)	(12,614)	(13,379)	(13,406)	(13,752)
Collective impairment allowance	(1,887)	(1,973)	(2,049)	(2,244)	(2,558)	(2,439)	(2,467)	(2,648)
<b>Total</b>	<b>(10,048)</b>	<b>(12,643)</b>	<b>(13,521)</b>	<b>(14,503)</b>	<b>(15,172)</b>	<b>(15,818)</b>	<b>(15,873)</b>	<b>(16,400)</b>

**Q2  
2015**

259,792  
90,865  
19,764  
3,791  
106  
66,594  
18,346  
11,524  
103,320  
82,188  
**656,290**  
(2,562)  
**653,728**

39,457  
17,188  
184,994  
43,382  
371,269  
**656,290**  
(2,562)  
**653,728**

614,469  
31,009  
7,010  
10,812  
**656,290**

(16,097)  
(2,562)  
**(18,659)**

<b>Capital and Risk Exposure Amount</b>	<b>Q2</b>	<b>Q1</b>	<b>Q4</b>	<b>Q3</b>	<b>Q2</b>	<b>Q1</b>	<b>Q4</b>	<b>Q3</b>	<b>Q2</b>
<b>ISK million</b>	<b>2017</b>	<b>2017</b>	<b>2016</b>	<b>2016</b>	<b>2016</b>	<b>2016</b>	<b>2015</b>	<b>2015</b>	<b>2015</b>
Ordinary share capital	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Share premium	55,000	55,000	55,000	55,000	55,000	55,000	55,000	55,000	55,000
Other reserves	5,712	4,928	4,139	2,506	2,470	5,982	6,002	2,538	2,559
Retained earnings	102,436	97,859	105,563	130,029	127,666	130,664	127,288	123,450	117,852
Non-controlling interests	2,780	2,978	4,223	3,856	3,701	3,981	3,937	1,899	1,598
Tax assets	(4)	(4)	(4)	(38)	(28)	-	-	(22)	(45)
Intangible assets	(3,644)	(3,024)	(2,672)	(2,039)	(1,700)	(1,471)	(1,331)	(1,143)	(1,058)
Other regulatory adjustments	(1,014)	(1,130)	(924)	(1,008)	(472)	(2,779)	(2,779)	-	-
<b>Total Tier 1 capital</b>	<b>171,266</b>	<b>166,607</b>	<b>175,325</b>	<b>198,306</b>	<b>196,637</b>	<b>201,377</b>	<b>198,117</b>	<b>191,722</b>	<b>185,906</b>
Tier 2 capital									
Qualifying subordinated liabilities	-	-	-	-	18,886	19,415	19,517	19,717	20,336
Adjustment to eligible capital liabilities	-	-	-	-	(5,666)	(4,854)	(3,903)	(2,958)	(2,034)
Other regulatory adjustments	-	-	-	-	(472)	(2,779)	(2,779)	-	-
General credit risk adjustments	1,887	1,973	2,049	-	-	-	-	-	-
<b>Total regulatory capital</b>	<b>173,153</b>	<b>168,580</b>	<b>177,374</b>	<b>198,306</b>	<b>209,385</b>	<b>213,159</b>	<b>210,952</b>	<b>208,481</b>	<b>204,208</b>
Risk exposure amount									
- due to credit risk	645,188	634,648	615,465	623,885	635,551	621,083	606,591	608,621	614,472
- due to market risk:	9,653	14,003	7,243	13,957	12,667	19,014	16,607	26,570	27,679
Market risk, trading book	7,212	7,338	6,418	12,276	11,827	12,711	9,931	4,500	5,392
Currency risk FX	668	1,013	825	1,681	840	6,303	6,676	22,070	22,287
Credit valuation adjustment	1,773	5,652	-	-	-	-	-	-	-
- due to operational risk	81,469	81,469	81,469	76,495	76,495	76,495	76,495	78,401	78,401
<b>Total risk exposure amount</b>	<b>736,310</b>	<b>730,120</b>	<b>704,177</b>	<b>714,337</b>	<b>724,713</b>	<b>716,592</b>	<b>699,693</b>	<b>713,592</b>	<b>720,552</b>
Capital ratios									
CET1 ratio	23.3%	22.8%	24.9%	27.8%	27.1%	28.1%	28.3%	26.9%	25.8%
Tier 2 ratio	0.3%	0.3%	0.3%	-	1.8%	1.6%	1.8%	2.3%	2.5%
Capital adequacy ratio	23.5%	23.1%	25.2%	27.8%	28.9%	29.7%	30.1%	29.2%	28.3%

## Macroeconomics - summary

	1Q17	4Q16	3Q16	2Q16	1Q16	2015
<b>YoY change, %</b>						
GDP growth	5.0	11.3	10.2	3.7	4.2	4.0
Total investment	2.5	18.6	24.0	31.2	24.5	18.6
Business investment	-2.0	11.5	28.7	37.3	32.4	29.5
Residential investment	29.0	70.9	21.3	25.3	9.9	-3.1
Personal consumption	7.0	7.2	5.8	8.2	7.1	4.8
Unemployment rate, % of workforce	2.9	2.5	2.7	2.6	3.5	4.0
Current account, % of GDP	19.5	7.0	15.3	5.4	0.4	5.1
International investment position, % of GDP	3.7	1.1	2.6	-1.1	-5.9	-14.4
Gross general govt. debt, % of GDP		54.0				68.4
Household debt, gross, % of GDP		77.5		81.2	81.8	79.6
Corporate debt, gross, % of GDP		80.2		89.1	88.5	93.3
<b>YoY change, %</b>						
Inflation	1.8	1.9	1.3	1.6	1.9	1.6
Residential real estate price index	16.3	13.3	9.6	7.0	7.7	8.2
Wages	6.4	9.8	11.0	13.1	11.8	7.2
Real wages	4.5	7.7	9.6	11.3	9.7	5.5
ISK index, average	161.8	164.5	176.9	188.2	190.4	201.1
Central bank policy rate (1W)	5.0	5.2	5.5	5.8	5.8	5.8
Long-term nominal yield	5.1	5.2	5.7	6.0	5.9	6.4
Long-term real yield	2.64	2.7	2.9	2.8	2.7	2.7

## Other - 5 years

ISK million	2Q17	2016	2015	2014	2013
<b>Currencies (annual average)</b>					
USD	104.94	120.67	131.85	116.75	122.23
GBP	134.10	163.80	201.58	192.17	191.22
EUR	115.33	133.59	146.30	154.86	162.38
DKK	15.51	17.94	19.62	20.77	21.77
SEK	11.91	14.13	15.64	17.03	18.78
CHF	106.45	122.50	137.08	127.50	131.91

# Íslandsbanki 1H17



Private and confidential



## PROFITABILITY



Return on equity (after tax)	<b>9.2%</b>
ROE 15% CET1 (regular operations)	<b>11.2%</b>
Net interest margin on total assets	<b>2.9%</b>

## EFFICIENCY

Cost-to-income ratio**	<b>59.2%</b>
Cost-to-total assets ratio***	<b>2.9%</b>
Number of FTE´s at period end - Consolidated	<b>1166</b>
Number of FTE´s at period end - Parent co.	<b>969</b>
Number of branches at period end	<b>14</b>

## Capital

CET1 ratio	<b>23.3%</b>
Tier 2 ratio	<b>0.2%</b>
Capital adequacy ratio	<b>23.5%</b>
Leverage ratio	<b>15.7%</b>
Risk exposure amount (ISKm)	<b>736,130</b>

## Assets

Loans to customers (ISKm)	<b>721,820</b>
Non-performing loans	<b>1.2%</b>
Reserve coverage ratio	<b>115.8%</b>
LTV on mortgages to individuals	<b>60.8%</b>
Risk exposure amount / total assets	<b>70.3%</b>

## Liquidity

Liquidity coverage ratio (LCR)	<b>171.0%</b>
Liquidity coverage ratio (LCR) - Foreign currencies	<b>303.0%</b>
Net stable funding ratio (NSFR) - All currencies	<b>119.0%</b>
Net stable funding ratio (NSFR) - Foreign currencies	<b>138.0%</b>
Term deposits % of total deposits	<b>35.0%</b>
Deposit-to-loan ratio	<b>78.0%</b>
Customer deposits-to-loans to customers ratio	<b>79.3%</b>



Credit Ratings

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

FitchRatings **BBB/F3**  
Stable outlook

[Contents](#)

Financial Targets 2017	Medium and long term strategies structured around achieving key financial targets				Guidance
	TARGET	1H17	2016	2015	
ROE REGULAR OPERATIONS <sup>1</sup>	9-11%	11.2%	10.7%	13.2%	<ul style="list-style-type: none"> <li>• As the Bank retains a large pool of liquid assets, interest rate level in Iceland can have a substantial impact on ROE levels</li> <li>• The bank tax, excluded thus far from target returns, will have an impact on profitability if kept at current high levels</li> <li>• Target ROE from regular operations in the range of 8-10% in 2017</li> </ul>
COST / INCOME RATIO <sup>2</sup>	<55.0%	59.2%	56.90%	56.2%	<ul style="list-style-type: none"> <li>• This is a medium to long term target, C/I ratios can be expected to be higher in the near term</li> <li>• Headcount and non-headcount related cost control programmes in place</li> </ul>
CET1	>15% LT	23.3%	24.9%	28.3%	<ul style="list-style-type: none"> <li>• Based on the regulatory SREP requirement with 50-150bp management buffer</li> </ul>
TOTAL CAPITAL RATIO	> 20.0% LT > 23.0 ST	23.5%	25.20%	30.1%	<ul style="list-style-type: none"> <li>• Current target of &gt;23% for the short term and &gt;20% for the long term</li> <li>• Short term target kept at 23% due to some remaining uncertainty regarding the lifting of capital controls and IFRS9 implementation</li> </ul>
DIVIDEND PAYOUT RATIO	40-50%	50% <sup>3</sup>	50%	40%	<ul style="list-style-type: none"> <li>• Dividend pay-out ability will be impacted if the bank tax will be kept at current high levels</li> </ul>

1. Return from regular operations on normalized CET1 of 15%, adjusted for risk free interest on excess capital. Results 2014-15 based on CET1 14%. Earnings from regular operations is defined as earnings excluding one-off items e.g. net loan impairment before collective impairment, fair value gain deriving from changes in accounting treatment, Bank tax, one off costs and net earnings from discontinued operations












2. Calculated as (Administrative expenses + Contribution to the Depositors' and Investors' Guarantee Fund – One off items) / Total operating income

3. The AGM decided that dividends be paid in 2017 in the amount of ISK 10bn on 2016 profits

[Contents](#)

**Ratings**

Two agencies assign Íslandsbanki a credit rating: Fitch Ratings, and Standard & Poor's. Íslandsbanki is the only bank in Iceland to enjoy ratings from both Fitch and Standard & Poor's.

S&P		FITCH		MOODY'S	
Short term	Long term	Short term	Long term	Short term	Long term
A-1+	AAA	F1+	AAA	P-1	Aaa
A-1 	AA+	F1 	AA+	P-2 	Aa1
A-2 	AA	F2 	AA	P-3	Aa2
A-3	AA-	F3 	AA-		Aa3
	A+		A+		A1
	A 		A		A2
	A-		A- 		A3 
	BBB+		BBB+		Baa1
	BBB 		BBB 		Baa2



Icelandic Sovereign rating



Íslandsbanki hf.



## Disclaimer

---

“The information herein is unaudited and is only intended to serve as a supplementary information. Íslandsbanki cannot guarantee that the information contained herein is without fault or entirely accurate. The information in this Fact Book is based on sources that ÍSB believes to be reliable, however Íslandsbanki cannot guarantee that all information is correct. Furthermore, information and opinions may change without notice. Íslandsbanki is under no obligation to make amendments or changes to this publication if errors are found or opinions or information change. Íslandsbanki accepts no responsibility for the accuracy of its sources. “