

2019



# Íslandsbanki Factbook

4404000

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Supplementary information for market participants (Unaudited)

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## Investor relations

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### IR contact

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Email: [ir@islandsbanki.is](mailto:ir@islandsbanki.is)

Investor relations web-site

<https://www.islandsbanki.is/en/landing/about/investor-relations>

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#### Investor call in English at 9:30 AM (GMT) on Thursday 13th of February 2020

The Bank will host an investor call in English at 9.30 GMT on Thursday, 12 February.

The call will start with a short macro update on the Icelandic economy, followed by a review of the financial results and Q&A.

Please register by sending an e-mail to: [ir@islandsbanki.is](mailto:ir@islandsbanki.is)

Dial-in details and presentations will be sent out to registered participants prior to the call.

#### Further information

All materials relating to the Bank's financial results, together with information on the financial calendar and silent periods, can be found here: <https://www.islandsbanki.is/en/landing/about/investor-relations> .

#### Financial calendar

The Bank plans to publish its annual and interim statements on the following dates:

Q4/Annual 2019 results — 12 February 2020

Annual General Meeting — 19 March 2020

Q1/2020 results — 6 May 2020

Q2/2020 results — 29 July 2020

Q3/2020 results — 28 October 2020

Please note that these dates are subject to change.

## Key performance indicators - 5 years

|  | 2019    | 2018    | 2017    | 2016    | 2015    |
|--|---------|---------|---------|---------|---------|
| <b>Profitability</b>                                 |         |         |         |         |         |
| Return on equity (after tax)                         | 4.8%    | 6.1%    | 7.5%    | 10.2%   | 10.8%   |
| ROE 16% CET1 (regular operations)                    | 6.6%    | 8.0%    | 9.9%    | 10.3%   | 11.9%   |
| Return on assets                                     | 0.7%    | 1.0%    | 1.3%    | 1.9%    | 2.1%    |
| Earnings per share                                   | 0.89    | 1.01    | 1.10    | 1.40    | 1.87    |
| Core income / total operating income*                | 0.97    | 0.98    | 0.99    | 0.86    | 0.92    |
| <b>Net interest margin</b>                           |         |         |         |         |         |
| Net interest margin on total assets                  | 2.8%    | 2.9%    | 2.9%    | 3.1%    | 2.9%    |
| <b>Efficiency</b>                                    |         |         |         |         |         |
| Cost-to-income ratio**                               | 62.4%   | 66.3%   | 62.5%   | 56.9%   | 56.2%   |
| Number of FTEs at period end - Consolidated***       | 984     | 1,075   | 1,042   | 1,075   | 1,184   |
| Number of FTEs at period end - Parent***             | 749     | 834     | 860     | 910     | 919     |
| Number of branches at period end                     | 14      | 14      | 14      | 15      | 17      |
| <b>Assets</b>  |         |         |         |         |         |
| Loans to customers (ISKm)                            | 899,632 | 846,599 | 755,175 | 687,840 | 665,711 |
| LTV on mortgages to individuals                      | 62.0%   | 61.0%   | 63.3%   | 67.2%   | 69.2%   |
| Risk exposure amount / total assets                  | 73.7%   | 74.8%   | 74.9%   | 67.2%   | 66.9%   |
| <b>Financial strength</b>                            |         |         |         |         |         |
| Equity as % of total assets                          | 15.0%   | 15.6%   | 17.5%   | 17.1%   | 19.3%   |
| <b>Liquidity</b>                                     |         |         |         |         |         |
| Liquidity coverage ratio (LCR) - All currencies      | 155%    | 172%    | 142%    | 200%    | 143%    |
| Liquidity coverage ratio (LCR) - Foreign currencies  | 325%    | 544%    | 155%    | 347%    | 467%    |
| Net stable funding ratio (NSFR) - All currencies     | 119%    | 114%    | 117%    | 123%    | 120%    |
| Net stable funding ratio (NSFR) - Foreign currencies | 156%    | 149%    | 122%    | 144%    | 141%    |
| Term deposits % of total deposits                    | 28.0%   | 27.1%   | 29.4%   | 35.0%   | 39.0%   |
| Customer loans to customer deposits ratio            | 145.5%  | 146.2%  | 133.2%  | 115.8%  | 112.2%  |
| <b>Capital</b>                                       |         |         |         |         |         |
| Tier 1 ratio   | 19.9%   | 20.3%   | 22.6%   | 24.9%   | 28.3%   |
| Tier 2 ratio   | 2.5%    | 1.9%    | 1.5%    | 0.3%    | 1.8%    |
| Total capital ratio                                  | 22.4%   | 22.2%   | 24.1%   | 25.2%   | 30.1%   |
| Leverage ratio                                       | 14.2%   | 14.6%   | 16.2%   | 16.0%   | 18.1%   |
| Risk exposure amount (ISKm)                          | 884,550 | 845,949 | 775,492 | 704,177 | 699,693 |

\* 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

\*\*\* Numbers exclude seasonal employees

## Income statement - 5 year summary

| ISK million   | 2019            | 2018            | 2017            | 2016            | 2015            |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|
| Interest income   | 62,846          | 61,675          | 56,767          | 60,503          | 53,414          |
| Interest expense  | (29,170)        | (29,738)        | (26,768)        | (28,701)        | (25,404)        |
| Net interest income   | 33,676          | 31,937          | 29,999          | 31,802          | 28,010          |
| Fee and commission income                                     | 21,026          | 19,853          | 20,855          | 21,818          | 20,737          |
| Fee and commission expense                                    | (7,667)         | (7,626)         | (7,105)         | (8,095)         | (7,567)         |
| Net fee and commission income                                 | 13,359          | 12,227          | 13,750          | 13,723          | 13,170          |
| Net financial income (expense)                                | (817)           | (962)           | (715)           | 6,096           | 3,881           |
| Net foreign exchange gain (loss)                              | 143             | 1               | 527             | 443             | (1,490)         |
| Other operating income  | 2,134           | 1,784           | 628             | 652             | 1,102           |
| Other net operating income                                    | 1,460           | 823             | 440             | 7,191           | 3,493           |
| <b>Total operating income</b>                                 | <b>48,495</b>   | <b>44,987</b>   | <b>44,189</b>   | <b>52,716</b>   | <b>44,673</b>   |
| Administrative expenses                                       | (28,107)        | (27,650)        | (26,968)        | (27,121)        | (23,760)        |
| Contribution to the Depositors' and Investors' Guarantee Fund | (936)           | (1,173)         | (1,083)         | (1,063)         | (1,067)         |
| Bank tax  | (3,528)         | (3,281)         | (2,892)         | (2,843)         | (2,878)         |
| <b>Total operating expenses</b>                               | <b>(32,571)</b> | <b>(32,104)</b> | <b>(30,943)</b> | <b>(31,027)</b> | <b>(27,705)</b> |
| Profit before net impairment on financial assets              | 15,924          | 12,883          | 13,246          | 21,689          | 16,968          |
| Net impairment on financial assets                            | (3,663)         | 1,584           | 1,556           | 735             | 8,135           |
| <b>Profit before tax</b>                                      | <b>12,261</b>   | <b>14,467</b>   | <b>14,802</b>   | <b>22,424</b>   | <b>25,103</b>   |
| Income tax expense  | (3,682)         | (4,734)         | (4,151)         | (5,205)         | (5,851)         |
| <b>Profit for the period from continuing operations</b>       | <b>8,579</b>    | <b>9,733</b>    | <b>10,651</b>   | <b>17,219</b>   | <b>19,252</b>   |
| Discontinued operations, net of income tax                    | (125)           | 912             | 2,575           | 2,939           | 1,326           |
| <b>Profit for the period</b>                                  | <b>8,454</b>    | <b>10,645</b>   | <b>13,226</b>   | <b>20,158</b>   | <b>20,578</b>   |
| Basic earnings per share from profit for the period           | 0.89            | 1.01            | 1.10            | 1.40            | 1.87            |

## Balance sheet - 5 year summary

| ISK million  | 2019             | 2018             | 2017             | 2016             | 2015             |
|--|------------------|------------------|------------------|------------------|------------------|
| Cash and balances with Central Bank                | 146,638          | 135,056          | 189,045          | 275,453          | 216,760          |
| Loans to credit institutions                       | 54,376           | 41,577           | 26,617           | 17,645           | 35,534           |
| Bonds and debt instruments                         | 52,870           | 69,415           | 27,090           | 31,256           | 78,606           |
| Derivatives  | 5,621            | 4,550            | 2,896            | 1,953            | 1,981            |
| Loans to customers                                 | 899,632          | 846,599          | 755,175          | 687,840          | 665,711          |
| Shares and equity instruments                      | 18,426           | 13,074           | 10,177           | 10,626           | 18,320           |
| Investments in associates                          | 746              | 682              | 704              | 450              | 716              |
| Property and equipment                             | 9,168            | 5,271            | 7,128            | 6,211            | 7,344            |
| Intangible assets                                  | 4,330            | 5,002            | 4,231            | 2,672            | 1,331            |
| Other assets                                       | 7,683            | 9,177            | 12,759           | 13,448           | 19,466           |
| <b>Total Assets</b>                                | <b>1,199,490</b> | <b>1,130,403</b> | <b>1,035,822</b> | <b>1,047,554</b> | <b>1,045,769</b> |
| Deposits from Central Bank and credit institutions | 30,925           | 15,619           | 11,189           | 4,922            | 25,631           |
| Deposits from customers                            | 618,313          | 578,959          | 567,029          | 594,187          | 593,245          |
| Derivative instruments and short positions         | 6,219            | 5,521            | 5,492            | 4,798            | 6,981            |
| Debt issued and other borrowed funds               | 306,381          | 300,976          | 217,748          | 212,468          | 150,308          |
| Subordinated loans                                 | 22,674           | 16,216           | 9,505            | -                | 19,517           |
| Tax liabilities                                    | 7,853            | 7,150            | 7,787            | 8,473            | 8,358            |
| Other liabilities                                  | 27,063           | 29,649           | 36,027           | 43,781           | 39,502           |
| <b>Total Liabilities</b>                           | <b>1,019,428</b> | <b>954,090</b>   | <b>854,777</b>   | <b>868,629</b>   | <b>843,542</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           |
| Reserves   | 7,065            | 6,499            | 6,179            | 4,139            | 6,002            |
| Retained earnings                                  | 105,569          | 102,496          | 107,387          | 105,563          | 127,288          |
| Total Shareholder's Equity                         | 177,634          | 173,995          | 178,566          | 174,702          | 198,290          |
| Non-controlling interests                          | 2,428            | 2,318            | 2,479            | 4,223            | 3,937            |
| <b>Total Equity</b>                                | <b>180,062</b>   | <b>176,313</b>   | <b>181,045</b>   | <b>178,925</b>   | <b>202,227</b>   |
| <b>Total Liabilities and Equity</b>                | <b>1,199,490</b> | <b>1,130,403</b> | <b>1,035,822</b> | <b>1,047,554</b> | <b>1,045,769</b> |

## Net interest income - 5 year summary

| ISK million  | 2019            | 2018            | 2017            | 2016            | 2015            |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|
| Cash and balances with Central Bank  | 4,755           | 7,279           | 10,541          | 11,507          | 7,394           |
| Loans at amortised cost  | 55,368          | 52,462          | 45,162          | 47,084          | 43,303          |
| Financial assets mandatorily at fair value through profit or loss                                    | 2,630           | 1,825           | -               | -               | -               |
| Financial assets designated at fair value through profit or loss                                     | -               | -               | 50              | 1,672           | 1,558           |
| Financial assets held for trading  | -               | -               | 879             | 99              | 980             |
| Other assets   | 93              | 109             | 135             | 141             | 179             |
| <b>Total interest income</b>   | <b>62,846</b>   | <b>61,675</b>   | <b>56,767</b>   | <b>60,503</b>   | <b>53,414</b>   |
| Deposits from Central Bank and credit institutions   | (625)           | (409)           | (170)           | (275)           | (517)           |
| Deposits from customers  | (15,241)        | (16,539)        | (17,461)        | (20,382)        | (18,240)        |
| Debt issued and other borrowed funds at fair value through profit and loss                           | (734)           | (963)           | -               | -               | -               |
| Debt issued and other borrowed funds at amortised cost   | (9,823)         | (9,035)         | (8,107)         | (7,384)         | (5,427)         |
| Subordinated loans   | (501)           | (198)           | (14)            | (627)           | (1,015)         |
| Other interest expense   | (2,246)         | (2,594)         | (1,016)         | (33)            | (205)           |
| <b>Total interest expense</b>  | <b>(29,170)</b> | <b>(29,738)</b> | <b>(26,768)</b> | <b>(28,701)</b> | <b>(25,404)</b> |
| <b>Net interest income</b>   | <b>33,676</b>   | <b>31,937</b>   | <b>29,999</b>   | <b>31,802</b>   | <b>28,010</b>   |
| Interest spread (as the ratio of net interest income to the average carrying amount of total assets) | 2.8%            | 2.9%            | 2.9%            | 3.1%            | 2.9%            |

## Net fee & commission income - 5 year summary

| ISK million                             | 2019           | 2018           | 2017           | 2016           | 2015           |
|---|----------------|----------------|----------------|----------------|----------------|
| Asset management                        | 2,225          | 2,116          | 1,964          | 1,757          | 1,778          |
| Investment banking and brokerage        | 2,430          | 2,303          | 2,280          | 1,987          | 2,132          |
| Payment processing                      | 12,783         | 12,065         | 13,094         | 14,705         | 13,664         |
| Loans and guarantees                    | 1,510          | 1,467          | 1,427          | 1,449          | 1,498          |
| Other fee and commission income         | 2,078          | 1,902          | 2,090          | 1,920          | 1,665          |
| <b>Total fees and commission income</b> | <b>21,026</b>  | <b>19,853</b>  | <b>20,855</b>  | <b>21,818</b>  | <b>20,737</b>  |
| Brokerage                               | (337)          | (300)          | (128)          | (109)          | (121)          |
| Clearing and settlement                 | (7,293)        | (7,302)        | (6,956)        | (7,963)        | (7,415)        |
| Other fee and commission expense        | (37)           | (24)           | (21)           | (23)           | (31)           |
| <b>Total fee and commission expense</b> | <b>(7,667)</b> | <b>(7,626)</b> | <b>(7,105)</b> | <b>(8,095)</b> | <b>(7,567)</b> |
| <b>Net fee and commission income</b>    | <b>13,359</b>  | <b>12,227</b>  | <b>13,750</b>  | <b>13,723</b>  | <b>13,170</b>  |



## Loans to customers - 5 year summary

| ISK million  | 2019           | 2018           | 2017           | 2016           | 2015           |
|--|----------------|----------------|----------------|----------------|----------------|
| Individuals  | 349,181        | 319,390        | 299,350        | 286,177        | 272,610        |
| Commerce and services  | 126,488        | 124,242        | 112,144        | 97,943         | 89,781         |
| Construction   | 44,420         | 29,095         | 24,797         | 27,878         | 23,013         |
| Energy   | 7,887          | 6,858          | 7,109          | 7,216          | 3,737          |
| Financial services   | 2,315          | 1,704          | 26             | 85             | 105            |
| Industrial and transportation                                    | 82,288         | 79,824         | 69,961         | 63,090         | 60,726         |
| Investment companies   | 23,590         | 23,799         | 19,726         | 14,402         | 19,362         |
| Public sector and non-profit organisations                       | 12,312         | 12,087         | 11,871         | 12,835         | 13,878         |
| Real estate  | 145,559        | 142,885        | 127,067        | 100,020        | 99,094         |
| Seafood  | 105,592        | 106,715        | 84,853         | 80,243         | 85,872         |
| <b>Loans to customers before collective impairment allowance</b> | <b>899,632</b> | <b>846,599</b> | <b>756,904</b> | <b>689,889</b> | <b>668,178</b> |
| Collective impairment allowance                                  | -              | -              | (1,729)        | (2,049)        | (2,467)        |
| <b>Loans to customers</b>  | <b>899,632</b> | <b>846,599</b> | <b>755,175</b> | <b>687,840</b> | <b>665,711</b> |

### Loans to customers - by product

|  |                |                |                |                |                |
|--|----------------|----------------|----------------|----------------|----------------|
| Overdrafts   | 48,938         | 48,581         | 45,650         | 45,383         | 38,654         |
| Credit cards   | 19,026         | 18,242         | 18,800         | 19,188         | 18,166         |
| Mortgages  | 281,499        | 249,296        | 225,765        | 211,233        | 197,307        |
| Capital leases   | 45,623         | 45,116         | 40,765         | 40,415         | 39,161         |
| Other loans  | 504,546        | 485,364        | 425,924        | 373,670        | 374,891        |
| <b>Loans to customers before collective impairment allowance</b> | <b>899,632</b> | <b>846,599</b> | <b>756,904</b> | <b>689,889</b> | <b>668,178</b> |
| Collective impairment allowance                                  | -              | -              | (1,729)        | (2,049)        | (2,467)        |
| <b>Loans to customers</b>  | <b>899,632</b> | <b>846,599</b> | <b>755,175</b> | <b>687,840</b> | <b>665,711</b> |

## Capital and risk exposure amount - 5 year summary

| ISK million                                   | 2019           | 2018           | 2017           | 2016           | 2015           |
|---|----------------|----------------|----------------|----------------|----------------|
| 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         |
| Reserves                                      | 7,065          | 6,499          | 6,179          | 4,139          | 6,002          |
| Retained earnings                             | 105,569        | 102,496        | 107,387        | 105,563        | 127,288        |
| Non-controlling interests                     | 2,428          | 2,318          | 2,479          | 4,223          | 3,937          |
| Fair value changes due to own credit standing | 392            | 376            | -              | -              | -              |
| Tax assets                                    | (476)          | (215)          | (4)            | (4)            | -              |
| Intangible assets                             | (4,330)        | (5,002)        | (4,231)        | (2,672)        | (1,331)        |
| Other regulatory adjustments                  | -              | -              | (1,285)        | (924)          | (2,779)        |
| <b>Total CET1 capital</b>                     | <b>175,648</b> | <b>171,472</b> | <b>175,525</b> | <b>175,325</b> | <b>198,117</b> |
| Tier 2 capital                                |                |                |                |                |                |
| Qualifying subordinated liabilities           | 22,674         | 16,216         | 9,505          | -              | 19,517         |
| Adjustment to eligible capital liabilities    | -              | -              | -              | -              | (3,903)        |
| Other regulatory adjustments                  | -              | -              | -              | -              | (2,779)        |
| General credit risk adjustments               | -              | -              | 1,729          | 2,049          | -              |
| <b>Total capital base</b>                     | <b>198,322</b> | <b>187,688</b> | <b>186,759</b> | <b>177,374</b> | <b>210,952</b> |
| Risk exposure amount                          |                |                |                |                |                |
| - due to credit risk                          | 789,180        | 750,801        | 682,525        | 615,465        | 606,591        |
| - due to market risk:                         | 7,919          | 7,622          | 8,102          | 7,243          | 16,607         |
| Market risk, trading book                     | 6,488          | 6,649          | 6,709          | 6,418          | 9,931          |
| Currency risk                                 | 1,431          | 973            | 1,393          | 825            | 6,676          |
| - due to credit valuation adjustment          | 2,027          | 2,385          | 1,534          | -              | -              |
| - due to operational risk                     | 85,424         | 85,141         | 83,331         | 81,469         | 76,495         |
| <b>Total risk exposure amount</b>             | <b>884,550</b> | <b>845,949</b> | <b>775,492</b> | <b>704,177</b> | <b>699,693</b> |
| <b>Capital ratios</b>                         |                |                |                |                |                |
| Tier 1 ratio                                  | 19.9%          | 20.3%          | 22.6%          | 24.9%          | 28.3%          |
| Tier 2 ratio                                  | 2.5%           | 1.9%           | 1.5%           | 0.3%           | 1.8%           |
| Total capital ratio                           | 22.4%          | 22.2%          | 24.1%          | 25.2%          | 30.1%          |
| Leverage ratio                                | 14.2%          | 14.6%          | 16.2%          | 16.0%          | 18.1%          |

**Key performance indicators - 9 quarters**

|  | Q4      | Q3      | Q2      | Q1      | Q4      | Q3      | Q2      | Q1      | Q4      |
|--|---------|---------|---------|---------|---------|---------|---------|---------|---------|
|  | 2019    | 2019    | 2019    | 2019    | 2018    | 2018    | 2018    | 2018    | 2017    |
| <b>Profitability</b>                                 |         |         |         |         |         |         |         |         |         |
| Return on equity (after tax)                         | 3.7%    | 4.7%    | 4.9%    | 5.9%    | 3.2%    | 4.7%    | 11.6%   | 4.8%    | 7.0%    |
| ROE 16% CET1 (regular operations)                    | 4.6%    | 7.9%    | 7.8%    | 6.7%    | 5.3%    | 8.1%    | 11.1%   | 8.0%    | 10.3%   |
| Return on assets                                     | 0.5%    | 0.7%    | 0.7%    | 0.9%    | 0.5%    | 0.7%    | 1.8%    | 0.8%    | 1.2%    |
| Earnings per share                                   | 0.18    | 0.21    | 0.24    | 0.26    | 0.15    | 0.21    | 0.51    | 0.15    | 0.40    |
| <b>Net interest margin</b>                           |         |         |         |         |         |         |         |         |         |
| Net interest margin on total assets                  | 2.80%   | 2.70%   | 2.80%   | 2.80%   | 3.0%    | 3.0%    | 2.8%    | 2.9%    | 2.8%    |
| <b>Efficiency</b>                                    |         |         |         |         |         |         |         |         |         |
| Cost-to-income ratio*                                | 65.8%   | 59.7%   | 61.4%   | 62.6%   | 68.5%   | 62.1%   | 65.0%   | 69.8%   | 69.2%   |
| Number of FTEs at period end - Consolidated**        | 984     | 1,022   | 1,053   | 1,078   | 1,075   | 1,075   | 1,013   | 1,027   | 1,042   |
| Number of FTEs at period end - Parent co.**          | 749     | 784     | 806     | 834     | 834     | 835     | 841     | 855     | 860     |
| <b>Asset quality</b>                                 |         |         |         |         |         |         |         |         |         |
| Loans to customers (ISKm)                            | 899,632 | 909,175 | 894,446 | 873,530 | 846,599 | 835,582 | 799,938 | 776,149 | 755,175 |
| LTV on mortgages to individuals                      | 62.0%   | 61.0%   | 61.0%   | 61.0%   | 61.0%   | 61.4%   | 60.8%   | 63.2%   | 63.3%   |
| Risk exposure amount / total assets                  | 73.7%   | 74.0%   | 74.1%   | 73.6%   | 74.8%   | 73.6%   | 73.7%   | 73.1%   | 74.9%   |
| <b>Financial strength</b>                            |         |         |         |         |         |         |         |         |         |
| Equity as % of total assets                          | 15.0%   | 14.4%   | 14.3%   | 14.4%   | 15.6%   | 15.0%   | 15.5%   | 15.3%   | 17.5%   |
| <b>Liquidity</b>                                     |         |         |         |         |         |         |         |         |         |
| Liquidity coverage ratio (LCR)                       | 155%    | 174%    | 185%    | 158%    | 172%    | 164%    | 154%    | 158%    | 142%    |
| Liquidity coverage ratio (LCR) - Foreign currencies  | 325%    | 484%    | 456%    | 453%    | 544%    | 270%    | 218%    | 359%    | 155%    |
| Net stable funding ratio (NSFR) - All currencies     | 119%    | 117%    | 117%    | 115%    | 114%    | 117%    | 117%    | 116%    | 117%    |
| Net stable funding ratio (NSFR) - Foreign currencies | 156%    | 163%    | 179%    | 166%    | 149%    | 159%    | 147%    | 140%    | 122%    |
| Term deposits % of total deposits                    | 28.0%   | 28.5%   | 28.2%   | 28.0%   | 27.1%   | 26.0%   | 27.6%   | 26.9%   | 29.4%   |
| Customer loans to customer deposits ratio            | 145.5%  | 149.0%  | 145.2%  | 142.9%  | 146.2%  | 137.3%  | 138.3%  | 134.9%  | 133.2%  |
| <b>Capital</b>                                       |         |         |         |         |         |         |         |         |         |
| Tier 1 ratio   | 19.9%   | 19.0%   | 18.8%   | 19.1%   | 20.3%   | 19.9%   | 20.5%   | 20.3%   | 22.6%   |
| Tier 2 ratio   | 2.5%    | 2.4%    | 2.6%    | 1.8%    | 1.9%    | 1.8%    | 1.1%    | 1.1%    | 1.5%    |
| Total capital ratio                                  | 22.4%   | 21.4%   | 21.4%   | 20.9%   | 22.2%   | 21.7%   | 21.6%   | 21.4%   | 24.1%   |
| Leverage ratio                                       | 14.2%   | 13.6%   | 13.4%   | 13.5%   | 14.6%   | 14.0%   | 14.5%   | 14.3%   | 16.2%   |
| Risk exposure amount (ISKm)                          | 884,550 | 912,843 | 911,784 | 886,901 | 845,949 | 855,152 | 819,349 | 795,923 | 775,492 |

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

\*\* Numbers exclude seasonal employees

**Income statement - 9 quarter summary**  
ISK million

|   | Q4             | Q3             | Q2             | Q1             | Q4             | Q3             | Q2             | Q1             | Q4             |
|---|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
|   | 2019           | 2019           | 2019           | 2019           | 2018           | 2018           | 2018           | 2018           | 2017           |
| Net interest income   | 8,486          | 8,412          | 8,626          | 8,152          | 8,294          | 8,301          | 7,602          | 7,740          | 7,338          |
| Net fee and commission income                                 | 3,646          | 3,090          | 3,406          | 3,217          | 3,478          | 2,939          | 3,032          | 2,778          | 3,632          |
| Net financial income (expense)                                | (840)          | (598)          | 173            | 448            | (637)          | (420)          | 378            | (283)          | 260            |
| Net foreign exchange (loss) gain                              | 97             | 147            | (71)           | (30)           | 76             | (8)            | (57)           | (10)           | 81             |
| Other operating income  | 917            | 44             | 29             | 1,144          | 120            | 64             | 1,587          | 13             | 122            |
| Other net operating income                                    | 174            | (407)          | 131            | 1,562          | (441)          | (364)          | 1,908          | (280)          | 463            |
| <b>Total operating income</b>                                 | <b>12,306</b>  | <b>11,095</b>  | <b>12,163</b>  | <b>12,931</b>  | <b>11,331</b>  | <b>10,876</b>  | <b>12,542</b>  | <b>10,238</b>  | <b>11,433</b>  |
| Administrative expenses                                       | (7,326)        | (6,418)        | (7,273)        | (7,090)        | (7,465)        | (6,463)        | (6,872)        | (6,850)        | (7,655)        |
| Contribution to the Depositors' and Investors' Guarantee Fund | (216)          | (210)          | (198)          | (312)          | (299)          | (295)          | (287)          | (292)          | (288)          |
| Bank tax  | (814)          | (900)          | (934)          | (880)          | (740)          | (944)          | (812)          | (785)          | (614)          |
| <b>Total operating expenses</b>                               | <b>(8,356)</b> | <b>(7,528)</b> | <b>(8,405)</b> | <b>(8,282)</b> | <b>(8,504)</b> | <b>(7,702)</b> | <b>(7,971)</b> | <b>(7,927)</b> | <b>(8,557)</b> |
| <b>Profit before net impairment on financial assets</b>       | <b>3,950</b>   | <b>3,567</b>   | <b>3,758</b>   | <b>4,649</b>   | <b>2,827</b>   | <b>3,174</b>   | <b>4,571</b>   | <b>2,311</b>   | <b>2,876</b>   |
| Net impairment on financial assets                            | (1,585)        | (230)          | (929)          | (919)          | (297)          | (53)           | 1,846          | 88             | (969)          |
| <b>Profit before tax</b>                                      | <b>2,365</b>   | <b>3,337</b>   | <b>2,829</b>   | <b>3,730</b>   | <b>2,530</b>   | <b>3,121</b>   | <b>6,417</b>   | <b>2,399</b>   | <b>1,907</b>   |
| Income tax expense  | (611)          | (1,292)        | (626)          | (1,153)        | (1,118)        | (1,136)        | (1,465)        | (1,015)        | (816)          |
| <b>Profit for the period from continuing operations</b>       | <b>1,754</b>   | <b>2,045</b>   | <b>2,203</b>   | <b>2,577</b>   | <b>1,412</b>   | <b>1,985</b>   | <b>4,952</b>   | <b>1,384</b>   | <b>1,091</b>   |
| Discontinued operations, net of income tax                    | (95)           | 41             | (83)           | 12             | (8)            | 126            | 81             | 713            | 83             |
| <b>Profit for the period</b>                                  | <b>1,659</b>   | <b>2,086</b>   | <b>2,120</b>   | <b>2,589</b>   | <b>1,404</b>   | <b>2,111</b>   | <b>5,033</b>   | <b>2,097</b>   | <b>1,174</b>   |

**Balance sheet - 9 quarter summary**

ISK million

|  | 31.12.19         | 30.09.19         | 30.06.19         | 31.03.19         | 31.12.18         | 30.09.18         | 30.06.18         | 31.03.18         | 31.12.17         |
|--|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Cash and balances with Central Bank                | 146,638          | 129,115          | 122,794          | 129,039          | 135,056          | 156,251          | 166,194          | 177,029          | 189,045          |
| Loans to credit institutions                       | 54,376           | 66,409           | 77,387           | 65,145           | 41,577           | 67,047           | 59,858           | 47,220           | 26,617           |
| Bonds and debt instruments                         | 52,870           | 73,899           | 77,033           | 80,809           | 69,415           | 63,324           | 48,603           | 49,140           | 27,090           |
| Derivatives  | 5,621            | 5,438            | 5,843            | 4,837            | 4,550            | 3,479            | 3,209            | 4,673            | 2,896            |
| Loans to customers                                 | 899,632          | 909,175          | 894,446          | 873,530          | 846,599          | 835,582          | 799,938          | 776,149          | 755,175          |
| Shares and equity instruments                      | 18,426           | 19,200           | 19,176           | 15,268           | 13,074           | 13,995           | 13,581           | 10,208           | 10,177           |
| Investments in associates                          | 746              | 687              | 687              | 682              | 682              | 533              | 614              | 672              | 704              |
| Property and equipment                             | 9,168            | 9,442            | 9,504            | 9,642            | 5,271            | 5,079            | 5,058            | 7,025            | 7,128            |
| Intangible assets                                  | 4,330            | 4,709            | 4,882            | 4,868            | 5,002            | 4,910            | 4,774            | 4,412            | 4,231            |
| Other assets                                       | 7,683            | 15,781           | 18,224           | 21,408           | 9,177            | 12,439           | 9,913            | 11,780           | 12,759           |
| <b>Total Assets</b>                                | <b>1,199,490</b> | <b>1,233,855</b> | <b>1,229,976</b> | <b>1,205,228</b> | <b>1,130,403</b> | <b>1,162,639</b> | <b>1,111,742</b> | <b>1,088,308</b> | <b>1,035,822</b> |
| Deposits from Central Bank and credit institutions | 30,925           | 31,808           | 19,830           | 16,404           | 15,619           | 15,530           | 15,391           | 13,563           | 11,189           |
| Deposits from customers                            | 618,313          | 610,281          | 615,869          | 611,303          | 578,959          | 608,646          | 578,414          | 575,196          | 567,029          |
| Derivative instruments and short positions         | 6,219            | 7,910            | 6,903            | 7,325            | 5,521            | 5,585            | 7,075            | 8,104            | 5,492            |
| Debt issued and other borrowed funds               | 306,381          | 331,938          | 337,473          | 325,035          | 300,976          | 297,318          | 288,360          | 269,255          | 217,748          |
| Subordinated loans                                 | 22,674           | 21,993           | 23,431           | 16,468           | 16,216           | 15,531           | 8,872            | 8,838            | 9,505            |
| Tax liabilities                                    | 7,853            | 10,127           | 8,674            | 8,303            | 7,150            | 10,311           | 8,925            | 7,908            | 7,787            |
| Other liabilities                                  | 27,063           | 41,814           | 42,012           | 46,769           | 29,649           | 35,088           | 32,523           | 39,107           | 36,027           |
| <b>Total Liabilities</b>                           | <b>1,019,428</b> | <b>1,055,871</b> | <b>1,054,192</b> | <b>1,031,607</b> | <b>954,090</b>   | <b>988,009</b>   | <b>939,560</b>   | <b>921,971</b>   | <b>854,777</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           |
| Reserves   | 7,065            | 6,801            | 6,816            | 6,776            | 6,499            | 5,891            | 5,598            | 4,991            | 6,179            |
| Retained earnings                                  | 105,569          | 103,785          | 101,534          | 99,401           | 102,496          | 101,280          | 99,159           | 93,930           | 107,387          |
| Total Shareholder's Equity                         | 177,634          | 175,586          | 173,350          | 171,177          | 173,995          | 172,171          | 169,757          | 163,921          | 178,566          |
| Non-controlling interests                          | 2,428            | 2,398            | 2,434            | 2,444            | 2,318            | 2,459            | 2,425            | 2,416            | 2,479            |
| <b>Total Equity</b>                                | <b>180,062</b>   | <b>177,984</b>   | <b>175,784</b>   | <b>173,621</b>   | <b>176,313</b>   | <b>174,630</b>   | <b>172,182</b>   | <b>166,337</b>   | <b>181,045</b>   |
| <b>Total Liabilities and Equity</b>                | <b>1,199,490</b> | <b>1,233,855</b> | <b>1,229,976</b> | <b>1,205,228</b> | <b>1,130,403</b> | <b>1,162,639</b> | <b>1,111,742</b> | <b>1,088,308</b> | <b>1,035,822</b> |

| <b>Net interest income - 9 quarter summary</b>                             | <b>Q4</b>      | <b>Q3</b>      | <b>Q2</b>      | <b>Q1</b>      | <b>Q4</b>      | <b>Q3</b>      | <b>Q2</b>      | <b>Q1</b>      | <b>Q4</b>      |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| <b>ISK million</b>   | <b>2019</b>    | <b>2019</b>    | <b>2019</b>    | <b>2019</b>    | <b>2018</b>    | <b>2018</b>    | <b>2018</b>    | <b>2018</b>    | <b>2017</b>    |
| Cash and balances with Central Bank  | 1,051          | 1,067          | 1,271          | 1,366          | 1,603          | 1,629          | 1,886          | 2,161          | 2,285          |
| Loans at amortised cost  | 13,425         | 13,331         | 15,339         | 13,273         | 14,521         | 13,565         | 12,023         | 12,353         | 11,455         |
| Financial assets mandatorily at fair value through profit or loss          | 606            | 743            | 713            | 568            | 498            | 500            | 396            | 431            | -              |
| Financial assets designated at fair value through profit or loss           | -              | -              | -              | -              | -              | -              | -              | -              | 11             |
| Financial assets held for trading  | -              | -              | -              | -              | -              | -              | -              | -              | 956            |
| Other assets   | 31             | 22             | 20             | 20             | 9              | 13             | 37             | 50             | 35             |
| <b>Total interest income</b>   | <b>15,113</b>  | <b>15,163</b>  | <b>17,343</b>  | <b>15,227</b>  | <b>16,631</b>  | <b>15,707</b>  | <b>14,342</b>  | <b>14,995</b>  | <b>14,742</b>  |
| Deposits from Central Bank and credit institutions                         | (237)          | (159)          | (122)          | (107)          | (106)          | (97)           | (109)          | (97)           | (52)           |
| Deposits from customers  | (3,063)        | (3,475)        | (4,660)        | (4,043)        | (4,389)        | (4,192)        | (3,863)        | (4,095)        | (3,921)        |
| Debt issued and other borrowed funds at fair value through profit and loss | (176)          | (184)          | (194)          | (180)          | (250)          | (133)          | (292)          | (288)          | -              |
| Debt issued and other borrowed funds at amortised cost                     | (2,414)        | (2,271)        | (2,915)        | (2,223)        | (2,676)        | (2,399)        | (1,910)        | (2,050)        | (2,417)        |
| Subordinated loans   | (160)          | (168)          | (93)           | (80)           | (109)          | (18)           | (37)           | (34)           | (14)           |
| Other interest expense   | (577)          | (494)          | (733)          | (442)          | (807)          | (567)          | (529)          | (691)          | (1,000)        |
| <b>Total interest expense</b>  | <b>(6,627)</b> | <b>(6,751)</b> | <b>(8,717)</b> | <b>(7,075)</b> | <b>(8,337)</b> | <b>(7,406)</b> | <b>(6,740)</b> | <b>(7,255)</b> | <b>(7,404)</b> |
| <b>Net interest income</b>   | <b>8,486</b>   | <b>8,412</b>   | <b>8,626</b>   | <b>8,152</b>   | <b>8,294</b>   | <b>8,301</b>   | <b>7,602</b>   | <b>7,740</b>   | <b>7,338</b>   |

| <b>Net fee and commission - 9 quarter summary</b> | <b>Q4</b>      | <b>Q3</b>      | <b>Q2</b>      | <b>Q1</b>      | <b>Q4</b>      | <b>Q3</b>      | <b>Q2</b>      | <b>Q1</b>      | <b>Q4</b>      |
|---|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| <b>ISK million</b>                                | <b>2019</b>    | <b>2019</b>    | <b>2019</b>    | <b>2019</b>    | <b>2018</b>    | <b>2018</b>    | <b>2018</b>    | <b>2018</b>    | <b>2017</b>    |
| Asset management                                  | 590            | 512            | 575            | 548            | 587            | 498            | 556            | 475            | 526            |
| Investment banking and brokerage                  | 688            | 598            | 614            | 530            | 621            | 634            | 552            | 496            | 637            |
| Payment processing                                | 3,091          | 3,325          | 3,397          | 2,970          | 3,243          | 3,186          | 3,082          | 2,554          | 3,040          |
| Loans and guarantees                              | 389            | 367            | 376            | 378            | 336            | 362            | 429            | 340            | 339            |
| <b>Other fee and commission income</b>            | <b>736</b>     | <b>373</b>     | <b>384</b>     | <b>585</b>     | <b>786</b>     | <b>364</b>     | <b>344</b>     | <b>408</b>     | <b>670</b>     |
| <b>Total fee and commission income</b>            | <b>5,494</b>   | <b>5,175</b>   | <b>5,346</b>   | <b>5,011</b>   | <b>5,573</b>   | <b>5,044</b>   | <b>4,963</b>   | <b>4,273</b>   | <b>5,212</b>   |
| Brokerage   | (128)          | (65)           | (75)           | (69)           | (91)           | (79)           | (62)           | (68)           | (31)           |
| Clearing and settlement                           | (1,707)        | (2,007)        | (1,876)        | (1,703)        | (1,988)        | (2,025)        | (1,865)        | (1,424)        | (1,544)        |
| Other fee and commission expense                  | (13)           | (13)           | 11             | (22)           | (16)           | (1)            | (4)            | (3)            | (5)            |
| <b>Total fee and commission expense</b>           | <b>(1,848)</b> | <b>(2,085)</b> | <b>(1,940)</b> | <b>(1,794)</b> | <b>(2,095)</b> | <b>(2,105)</b> | <b>(1,931)</b> | <b>(1,495)</b> | <b>(1,580)</b> |
| <b>Net fee and commission income</b>              | <b>3,646</b>   | <b>3,090</b>   | <b>3,406</b>   | <b>3,217</b>   | <b>3,478</b>   | <b>2,939</b>   | <b>3,032</b>   | <b>2,778</b>   | <b>3,632</b>   |

## Loans to customers - 9 quarter summary

| ISK million  | 31.12.19       | 30.09.19       | 30.06.19       | 31.03.19       | 31.12.18       | 30.09.18       | 30.06.18       | 31.03.18       | 31.12.17       |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Individuals  | 349,181        | 345,234        | 334,749        | 324,245        | 319,390        | 314,491        | 306,376        | 299,201        | 299,350        |
| Commerce and services  | 126,488        | 130,879        | 135,041        | 130,325        | 124,242        | 123,624        | 126,211        | 118,378        | 112,144        |
| Construction   | 44,420         | 33,865         | 33,445         | 31,466         | 29,095         | 30,913         | 29,079         | 26,856         | 24,797         |
| Energy   | 7,887          | 6,803          | 6,934          | 6,911          | 6,858          | 7,407          | 6,933          | 7,006          | 7,109          |
| Financial services   | 2,315          | 2,768          | 23             | 2,575          | 1,704          | 220            | 179            | 175            | 26             |
| Industrial and transportation                                    | 82,288         | 84,127         | 81,784         | 80,986         | 79,824         | 84,849         | 74,703         | 74,372         | 69,961         |
| Investment companies   | 23,590         | 27,507         | 26,052         | 24,657         | 23,799         | 19,532         | 16,900         | 20,627         | 19,726         |
| Public sector and non-profit organisations                       | 12,312         | 11,615         | 11,453         | 11,528         | 12,087         | 11,819         | 14,208         | 14,731         | 11,871         |
| Real estate  | 145,559        | 156,548        | 153,077        | 148,765        | 142,885        | 136,787        | 134,156        | 130,993        | 127,067        |
| Seafood  | 105,592        | 109,829        | 111,888        | 112,072        | 106,715        | 105,940        | 91,193         | 83,810         | 84,853         |
| <b>Loans to customers before collective impairment allowance</b> | <b>899,632</b> | <b>909,175</b> | <b>894,446</b> | <b>873,530</b> | <b>846,599</b> | <b>835,582</b> | <b>799,938</b> | <b>776,149</b> | <b>756,904</b> |
| Collective impairment allowance                                  | -              | -              | -              | -              | -              | -              | -              | -              | (1,729)        |
| <b>Loans to customers</b>  | <b>899,632</b> | <b>909,175</b> | <b>894,446</b> | <b>873,530</b> | <b>846,599</b> | <b>835,582</b> | <b>799,938</b> | <b>776,149</b> | <b>755,175</b> |

## Loans to customers - by product

|  |                |                |                |                |                |                |                |                |                |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Overdrafts   | 48,938         | 54,510         | 51,836         | 53,120         | 48,581         | 48,239         | 49,417         | 53,431         | 45,650         |
| Credit cards   | 19,026         | 19,777         | 17,492         | 16,253         | 18,242         | 17,764         | 17,710         | 16,467         | 18,800         |
| Mortgages  | 281,499        | 274,186        | 267,762        | 255,579        | 249,296        | 243,024        | 236,158        | 229,985        | 225,765        |
| Capital leases   | 45,623         | 46,583         | 50,588         | 47,309         | 45,116         | 42,114         | 44,474         | 41,889         | 40,765         |
| Other loans  | 504,546        | 514,119        | 506,768        | 501,269        | 485,364        | 484,441        | 452,179        | 434,377        | 425,924        |
| <b>Loans to customers before collective impairment allowance</b> | <b>899,632</b> | <b>909,175</b> | <b>894,446</b> | <b>873,530</b> | <b>846,599</b> | <b>835,582</b> | <b>799,938</b> | <b>776,149</b> | <b>756,904</b> |
| Collective impairment allowance                                  | -              | -              | -              | -              | -              | -              | -              | -              | (1,729)        |
| <b>Loans to customers</b>  | <b>899,632</b> | <b>909,175</b> | <b>894,446</b> | <b>873,530</b> | <b>846,599</b> | <b>835,582</b> | <b>799,938</b> | <b>776,149</b> | <b>755,175</b> |



| <b>Capital and risk exposure amount</b>       | <b>Q4</b>      | <b>Q3</b>      | <b>Q2</b>      | <b>Q1</b>      | <b>Q4</b>      | <b>Q3</b>      | <b>Q2</b>      | <b>Q1</b>      | <b>Q4</b>      |
|---|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| <b>ISK million</b>                            | <b>2019</b>    | <b>2019</b>    | <b>2019</b>    | <b>2019</b>    | <b>2018</b>    | <b>2018</b>    | <b>2018</b>    | <b>2018</b>    | <b>2017</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         |
| Reserves                                      | 7,065          | 6,801          | 6,816          | 6,776          | 6,499          | 5,891          | 5,598          | 4,991          | 6,179          |
| Retained earnings                             | 105,569        | 103,785        | 101,534        | 99,401         | 102,496        | 101,280        | 99,159         | 93,930         | 107,387        |
| Non-controlling interests                     | 2,428          | 2,398          | 2,434          | 2,444          | 2,318          | 2,459          | 2,425          | 2,416          | 2,479          |
| Fair value changes due to own credit standing | 392            | 731            | 760            | 871            | 376            | 674            | 730            | 1,277          | -              |
| Tax assets                                    | (476)          | (445)          | (394)          | (292)          | (215)          | (235)          | (374)          | (454)          | (4)            |
| Intangible assets                             | (4,330)        | (4,709)        | (4,882)        | (4,868)        | (5,002)        | (4,910)        | (4,774)        | (4,412)        | (4,231)        |
| Other regulatory adjustments                  | -              | -              | -              | -              | -              | -              | -              | (1,338)        | (1,285)        |
| <b>Total Tier 1 capital</b>                   | <b>175,648</b> | <b>173,561</b> | <b>171,268</b> | <b>169,332</b> | <b>171,472</b> | <b>170,159</b> | <b>167,764</b> | <b>161,410</b> | <b>175,525</b> |
| Tier 2 capital                                |                |                |                |                |                |                |                |                |                |
| Qualifying subordinated liabilities           | 22,674         | 21,993         | 23,431         | 16,468         | 16,216         | 15,531         | -              | 8,838          | 9,505          |
| Other regulatory adjustments                  | -              | -              | -              | -              | -              | -              | 8,872          | -              | -              |
| General credit risk adjustments               | -              | -              | -              | -              | -              | -              | -              | -              | 1,729          |
| <b>Total regulatory capital</b>               | <b>198,322</b> | <b>195,554</b> | <b>194,699</b> | <b>185,800</b> | <b>187,688</b> | <b>185,690</b> | <b>176,636</b> | <b>170,248</b> | <b>186,759</b> |
| Risk exposure amount                          |                |                |                |                |                |                |                |                |                |
| - due to credit risk                          | 789,180        | 815,266        | 809,840        | 789,806        | 750,801        | 758,774        | 724,177        | 701,035        | 682,525        |
| - due to market risk:                         | 7,919          | 10,482         | 13,988         | 9,877          | 7,622          | 10,428         | 10,055         | 9,887          | 8,102          |
| Market risk, trading book                     | 6,488          | 8,736          | 10,072         | 7,843          | 6,649          | 7,099          | 6,251          | 6,939          | 6,709          |
| Currency risk FX                              | 1,431          | 1,746          | 3,916          | 2,034          | 973            | 1,393          | 3,804          | 2,948          | 1,393          |
| - due to credit valuation adjustment          | 2,027          | 1,954          | 2,815          | 2,077          | 2,385          | 2,619          | 1,786          | 1,670          | 1,534          |
| - due to operational risk                     | 85,424         | 85,141         | 85,141         | 85,141         | 85,141         | 83,331         | 83,331         | 83,331         | 83,331         |
| <b>Total risk exposure amount</b>             | <b>884,550</b> | <b>912,843</b> | <b>911,784</b> | <b>886,901</b> | <b>845,949</b> | <b>855,152</b> | <b>819,349</b> | <b>795,923</b> | <b>775,492</b> |
| <b>Capital ratios</b>                         |                |                |                |                |                |                |                |                |                |
| Tier 1 ratio                                  | 19.9%          | 19.0%          | 18.8%          | 19.1%          | 20.3%          | 19.9%          | 20.5%          | 20.3%          | 22.6%          |
| Tier 2 ratio                                  | 2.5%           | 2.4%           | 2.6%           | 1.8%           | 1.9%           | 1.8%           | 1.1%           | 1.1%           | 1.5%           |
| Total capital ratio                           | 22.4%          | 21.4%          | 21.4%          | 20.9%          | 22.2%          | 21.7%          | 21.6%          | 21.4%          | 24.1%          |

## Macroeconomics - summary

|   | 3Q19  | 2Q19  | 1Q19  | 4Q18  | 3Q18  | 2Q18  | 1Q18  | 4Q17  | 3Q17  |
|---|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| <b>YoY change, %</b>                        |       |       |       |       |       |       |       |       |       |
| GDP growth                                  | -0.1  | 2     | -1.2  | 3.4   | 2.9   | 6.7   | 6.7   | 2.8   | 3.9   |
| Total investment                            | 2.9   | -10.4 | -20.0 | -1.1  | -4.8  | 11.8  | 11.3  | 5.2   | 20.3  |
| Business investment                         | -5.4  | -28.1 | -34.8 | -19.8 | -11.7 | 10.5  | 5.2   | 4.7   | 15.1  |
| Residential investment                      | 53.6  | 40.8  | 22.2  | 4.1   | -3.3  | 31.2  | 42.1  | -3.4  | 49.0  |
| Personal consumption                        | 2.1   | 1.6   | 2.4   | 3.3   | 5.5   | 5.0   | 5.4   | 7.1   | 8.1   |
| Unemployment rate, % of workforce           | 3.5   | 4.4   | 3.0   | 2.4   | 2.2   | 3.6   | 2.9   | 2.6   | 2.2   |
| Current account, % of GDP                   | 8.1   | 2     | 6.4   | 0.4   | 10.0  | -0.6  | 0.7   | 0.6   | 9.3   |
| International investment position, % of GDP | 24.5  | 21.6  | 20.0  | 11.2  | 12.7  | 6.9   | 5.7   | 3.5   | 2.7   |
| Gross general govt. debt, % of GDP          |       |       |       | 37.7  |       |       |       | 42.3  |       |
| Household debt, gross, % of GDP             |       | 75.8  | 76.1  | 75.3  | 75.4  | 74.5  | 74.8  | 77.1  | 76.9  |
| Corporate debt, gross, % of GDP             |       | 87.3  | 88.1  | 88    | 87.6  | 85.8  | 84.1  | 86.3  | 85.7  |
| <b>YoY change, %</b>                        |       |       |       |       |       |       |       |       |       |
| Inflation                                   | 3.1   | 3.4   | 3.1   | 3.3   | 2.7   | 2.3   | 2.5   | 1.8   | 1.7   |
| Residential real estate price index         | -0.8  | 0.6   | 1.6   | 2.4   | 2.7   | 5.3   | 10.8  | 15.1  | 22.6  |
| Wages                                       | 4.3   | 5.4   | 5.7   | 6.1   | 6.1   | 6.5   | 7.2   | 7.1   | 7.3   |
| Real wages                                  | 1.1   | 1.9   | 2.5   | 2.8   | 3.2   | 4.1   | 4.7   | 5.1   | 5.5   |
| ISK index, average                          | 182.1 | 181.8 | 179.3 | 180.3 | 164.3 | 160.9 | 161.2 | 161.7 | 163.2 |
| Central bank policy rate (1W)               | 3.6   | 4.3   | 4.5   | 4.5   | 4.3   | 4.3   | 4.3   | 4.3   | 4.5   |
| Long-term nominal yield                     | 3.8   | 4.2   | 5.2   | 5.4   | 5.4   | 5.4   | 5.0   | 4.9   | 5.0   |
| Long-term real yield                        | 0.8   | 1.1   | 1.4   | 1.5   | 1.8   | 1.8   | 1.9   | 1.9   | 2     |

## Other

| Currencies        | 31.12.19 | 30.09.19 | 30.06.19 | 31.03.19 | 31.12.18 | 30.09.18 | 30.06.18 | 31.03.18 | 31.12.17 |
|-------------------|----------|----------|----------|----------|----------|----------|----------|----------|----------|
| <b>Currencies</b> |          |          |          |          |          |          |          |          |          |
| USD               | 121.1    | 123.69   | 124.46   | 122.57   | 120.41   | 108.22   | 103.47   | 101.11   | 106.53   |
| GBP               | 159.42   | 152.22   | 157.81   | 159.72   | 154.82   | 141.02   | 140.68   | 140.72   | 137.45   |
| EUR               | 135.83   | 135.1    | 141.70   | 137.50   | 120.93   | 125.84   | 123.27   | 124.33   | 120.54   |
| DKK               | 18.18    | 18.096   | 18.99    | 18.42    | 18.41    | 16.88    | 16.55    | 16.70    | 16.20    |
| SEK               | 12.99    | 12.607   | 13.43    | 13.22    | 13.31    | 12.09    | 11.93    | 12.47    | 12.52    |
| CHF               | 125.14   | 124.26   | 127.69   | 123.05   | 120.93   | 110.04   | 105.03   | 106.74   | 108.43   |

## Financial targets

Medium and long term strategies structured around achieving key financial targets

|   | Target         | 2019    | 2018    | 2017    | Guidance   |
|---|----------------|---------|---------|---------|--|
| <b>ROE regular operations<sup>1</sup></b> | 8-10%          | 6.6%    | ✓ 8.0%  | ✓ 9.9%  | <ul style="list-style-type: none"> <li>— Target of 14.6% on top of risk free rate. Risk free-rate is currently 2.5% and 3.67% on average for 2019</li> <li>— As the Bank retains substantive liquid assets, interest rate levels in Iceland can have a substantial impact on ROE</li> <li>— The bank tax, excluded from target returns will lower from current 0.376% to 0.146% in steps over the next four years</li> <li>— The ROE target for 2019 was based on regular operations. Going forward the Bank will set the same return target for overall earnings, however taking into account bank tax in excess of the long term rate</li> </ul> |
| <b>Cost/ Income ratio<sup>2</sup></b>     | <55%           | 62.4%   | 66.3%   | 62.5%   | <ul style="list-style-type: none"> <li>— This is a medium to long term target. C/I ratio can be expected to be higher than target in the near term</li> <li>— Headcount and non-headcount related cost control programmes in place</li> <li>— Lower C/I on parent company basis than on a consolidated basis (67.1% at 2019)</li> </ul>  |
| <b>CET1</b>                               | >15.2 – 16.7%  | ✓ 19.9% | ✓ 20.3% | ✓ 22.6% | <ul style="list-style-type: none"> <li>— Current target for CET1 ratio is 15.2% - 16.7% based on SREP requirements and management buffer</li> <li>— Long term CET1 target is &gt; 16%. In line with the target range, the Bank expects to maintain a CET1 ratio of over 16% in the medium long term</li> </ul>   |
| <b>Total capital ratio</b>                | > 19.5 – 21.0% | ✓ 22.4% | ✓ 22.2% | ✓ 24.1% | <ul style="list-style-type: none"> <li>— Based on the regulatory capital requirement with a 50 – 200 bp management buffer</li> <li>— Current capital requirement is 19.0% including recently increased countercyclical capital buffer</li> </ul>   |
| <b>Dividend payout ratio</b>              | 40-50%         | ✓ 50%   | ✓ 50%   | ✓ 100%  | <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> <li>— The BoD proposes to pay out ISK 4.2 billion in dividend for the 2019 financial year which is in line with the Bank's dividend pay-out target</li> </ul>  |

1. Return from regular operations and corresponding ratios on normalised CET1 of 16%, adjusted for risk free interest on excess capital.

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

# Íslandsbanki credit ratings

Ratings affirmed from S&P in mid-2019

## S&P

### BBB+/A-2 Negative Outlook

Press Release 23 July 2019

In July, S&P Global Ratings **affirmed** Íslandsbanki's ratings of **BBB+/A-2** but changed the outlook from **stable to negative** along with three other Icelandic financial institutions. S&P had in October 2017 upgraded the Bank to this rating.

In its press release, S&P refers to Íslandsbanki's **stable domestic market position** and acknowledges the Bank's **success in introducing new digital products and improving its IT infrastructure**, placing it well ahead of many other European banks. S&P also notes the Bank's **exceptional capitalisation, strong liquidity levels and robust asset quality**.

S&P's rationale for **the change to negative outlook** is mostly derived from its view that Iceland's **operating environment will remain challenging**, affected by the 2019 economic recession, declining interest rates, still-high taxation, and stiff competition from pension funds in mortgage lending, and thus contributing to the declining profitability of the Bank.

| Íslandsbanki  |          | Icelandic sovereign |        |        |          |
|---------------|----------|---------------------|--------|--------|----------|
|               | S&P      |                     | S&P    | FITCH  | MOODY'S  |
| Long-term     | BBB+     | Long-term           | A      | A      | A3       |
| Short-term    | A-2      | Short-term          | A-1    | F1     | -        |
| Outlook       | Negative | Outlook             | Stable | Stable | Positive |
| Rating action | Jul 19   | Rating action       | Jun 18 | Jun 18 | Jul 18   |

## Disclaimer

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