



# Íslandsbanki Factbook

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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 on Thursday 29 October 2020 at 9.30 AM (GMT)

The Bank will host an investor call in English at 9.30 AM (GMT) on Thursday, 29 October.

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 replying to: [ir@islandsbanki.is](mailto:ir@islandsbanki.is)

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

#### Additional investor material

All presentation material will subsequently be available and archived on the Bank's investor relations website where other information on the Bank's financial calendar and silent periods is also available:

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

#### Financial calendar

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

Q42020/Annual 2020 results — 10 February 2021

1Q2021 results — 5 May 2021

2Q2021 results — 28 July 2021

3Q2021 results — 27 October 2021

Please note that these dates are subject to change.

## Key performance indicators - 5 years

	9M20	2019	2018	2017	2016
<b>Profitability</b>					
Return on equity (after tax)	2.4%	4.8%	6.1%	7.5%	10.2%
Return on assets	0.3%	0.7%	1.0%	1.3%	1.9%
Earnings per share	0.38	0.89	1.01	1.10	1.40
Core income / total operating income*	1.05	0.97	0.98	0.99	0.86
<b>Net interest margin</b>					
Net interest margin on total assets	2.6%	2.7%	2.9%	2.9%	3.1%
<b>Efficiency</b>					
Cost-to-income ratio**	55.3%	58.8%	66.3%	62.5%	56.9%
Number of FTEs at period end - Consolidated***	778	984	1,075	1,042	1,075
Number of FTEs at period end - Parent***	744	749	834	860	910
Number of branches at period end	12	14	14	14	15
<b>Assets</b>					
Loans to customers (ISKm)	970,309	899,632	846,599	755,175	687,840
LTV on mortgages to individuals	64.0%	62.0%	61.0%	63.3%	67.2%
Risk exposure amount / total assets	70.9%	73.7%	74.8%	74.9%	67.2%
<b>Financial strength</b>					
Equity as % of total assets	13.7%	15.0%	15.6%	17.5%	17.1%
<b>Liquidity</b>					
Liquidity coverage ratio (LCR) - All currencies	136%	155%	172%	142%	200%
Liquidity coverage ratio (LCR) - Foreign currencies	405%	325%	544%	155%	347%
Net stable funding ratio (NSFR) - All currencies	113%	119%	114%	117%	123%
Net stable funding ratio (NSFR) - Foreign currencies	149%	156%	149%	122%	144%
Term deposits % of total deposits	25.0%	28.0%	27.1%	29.4%	35.0%
Customer loans to customer deposits ratio	138.9%	145.5%	146.2%	133.2%	115.8%
<b>Capital</b>					
Tier 1 ratio	19.4%	19.9%	20.3%	22.6%	24.9%
Tier 2 ratio	2.8%	2.5%	1.9%	1.5%	0.3%
Total capital ratio	22.2%	22.4%	22.2%	24.1%	25.2%
Leverage ratio	13.4%	14.2%	14.6%	16.2%	16.0%
Risk exposure amount (ISKm)	942,339	884,550	845,949	775,492	704,177

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

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

\*\*\* Numbers exclude seasonal employees

## Income statement - 5 year summary

ISK million	9M20	2019	2018	2017	2016
Interest income	42,418	61,965	61,675	56,767	60,503
Interest expense	(17,305)	(29,143)	(29,738)	(26,768)	(28,701)
Net interest income	25,113	32,822	31,937	29,999	31,802
Fee and commission income	9,178	12,052	19,853	20,855	21,818
Fee and commission expense	(1,518)	(1,153)	(7,626)	(7,105)	(8,095)
Net fee and commission income	7,660	10,899	12,227	13,750	13,723
Net financial income (expense)	(2,174)	(820)	(962)	(715)	6,096
Net foreign exchange gain	364	139	1	527	443
Other operating income	134	2,125	1,784	628	652
Other net operating income	(1,676)	1,444	823	440	7,191
<b>Total operating income</b>	<b>31,097</b>	<b>45,165</b>	<b>44,987</b>	<b>44,189</b>	<b>52,716</b>
Administrative expenses	(16,673)	(24,488)	(27,650)	(26,968)	(27,121)
Contribution to the Depositors' and Investors' Guarantee Fund	(525)	(936)	(1,173)	(1,083)	(1,063)
Bank tax	(1,174)	(3,528)	(3,281)	(2,892)	(2,843)
<b>Total operating expenses</b>	<b>(18,372)</b>	<b>(28,952)</b>	<b>(32,104)</b>	<b>(30,943)</b>	<b>(31,027)</b>
Profit before net impairment on financial assets	12,725	16,213	12,883	13,246	21,689
Net impairment on financial assets	(6,987)	(3,480)	1,584	1,556	735
<b>Profit before tax</b>	<b>5,738</b>	<b>12,733</b>	<b>14,467</b>	<b>14,802</b>	<b>22,424</b>
Income tax expense	(2,238)	(3,909)	(4,734)	(4,151)	(5,205)
<b>Profit for the period from continuing operations</b>	<b>3,500</b>	<b>8,824</b>	<b>9,733</b>	<b>10,651</b>	<b>17,219</b>
Discontinued operations, net of income tax	(270)	(370)	912	2,575	2,939
<b>Profit for the period</b>	<b>3,230</b>	<b>8,454</b>	<b>10,645</b>	<b>13,226</b>	<b>20,158</b>
Basic earnings per share from profit (loss) for the period	0.38	0.89	1.01	1.10	1.40

## Balance sheet - 5 year summary

ISK million	30.09.2020	2019	2018	2017	2016
Cash and balances with Central Bank	95,022	146,638	135,056	189,045	275,453
Loans to credit institutions	61,898	54,376	41,577	26,617	17,645
Bonds and debt instruments	149,426	52,870	69,415	27,090	31,256
Derivatives	3,731	5,621	4,550	2,896	1,953
Loans to customers	970,309	899,632	846,599	755,175	687,840
Shares and equity instruments	14,657	18,426	13,074	10,177	10,626
Investments in associates	750	746	682	704	450
Property and equipment	7,409	9,168	5,271	7,128	6,211
Intangible assets	3,554	4,330	5,002	4,231	2,672
Other assets	17,159	6,608	9,177	12,759	13,448
Non-current assets and disposal groups held for sale	4,809	1,075	-	-	-
<b>Total Assets</b>	<b>1,328,724</b>	<b>1,199,490</b>	<b>1,130,403</b>	<b>1,035,822</b>	<b>1,047,554</b>
Deposits from Central Bank and credit institutions	36,438	30,925	15,619	11,189	4,922
Deposits from customers	698,610	618,313	578,959	567,029	594,187
Derivative instruments and short positions	8,406	6,219	5,521	5,492	4,798
Debt issued and other borrowed funds	324,752	306,381	300,976	217,748	212,468
Subordinated loans	26,798	22,674	16,216	9,505	-
Tax liabilities	7,137	7,853	7,150	7,787	8,473
Other liabilities	44,074	27,063	29,649	36,027	43,781
<b>Total Liabilities</b>	<b>1,146,215</b>	<b>1,019,428</b>	<b>954,090</b>	<b>854,777</b>	<b>868,629</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	7,258	7,065	6,499	6,179	4,139
Retained earnings	108,383	105,569	102,496	107,387	105,563
Total Shareholder's Equity	180,641	177,634	173,995	178,566	174,702
Non-controlling interests	1,868	2,428	2,318	2,479	4,223
<b>Total Equity</b>	<b>182,509</b>	<b>180,062</b>	<b>176,313</b>	<b>181,045</b>	<b>178,925</b>
<b>Total Liabilities and Equity</b>	<b>1,328,724</b>	<b>1,199,490</b>	<b>1,130,403</b>	<b>1,035,822</b>	<b>1,047,554</b>

## Net interest income - 5 year summary

ISK million	9M20	2019	2018	2017	2016
Cash and balances with Central Bank	1,645	4,452	7,279	10,541	11,507
Loans at amortised cost	39,117	54,837	52,462	45,162	47,084
Financial assets mandatorily at fair value through profit or loss	1,653	2,630	1,825	-	-
Financial assets designated at fair value through profit or loss	-	-	-	50	1,672
Financial assets held for trading	-	-	-	879	99
Other assets	3	46	109	135	141
<b>Total interest income</b>	<b>42,418</b>	<b>61,965</b>	<b>61,675</b>	<b>56,767</b>	<b>60,503</b>
Deposits from Central Bank and credit institutions	(612)	(625)	(409)	(170)	(275)
Deposits from customers	(6,324)	(15,242)	(16,539)	(17,461)	(20,382)
Debt issued and other borrowed funds at fair value through profit and loss	(446)	(734)	(963)	-	-
Debt issued and other borrowed funds at amortised cost	(8,353)	(9,818)	(9,035)	(8,107)	(7,384)
Subordinated loans	(570)	(501)	(198)	(14)	(627)
Other interest expense	(1,000)	(2,223)	(2,594)	(1,016)	(33)
<b>Total interest expense</b>	<b>(17,305)</b>	<b>(29,143)</b>	<b>(29,738)</b>	<b>(26,768)</b>	<b>(28,701)</b>
<b>Net interest income</b>	<b>25,113</b>	<b>32,822</b>	<b>31,937</b>	<b>29,999</b>	<b>31,802</b>
Interest spread (as the ratio of net interest income to the average carrying amount of total assets)	2.6%	2.7%	2.9%	2.9%	3.1%

## Net fee & commission income - 5 year summary

ISK million	9M20	2019	2018	2017	2016
Asset management	1,746	2,225	2,116	1,964	1,757
Investment banking and brokerage	1,831	2,430	2,303	2,280	1,987
Payment processing	3,297	3,810	12,065	13,094	14,705
Loans and guarantees	1,324	1,510	1,467	1,427	1,449
Other fee and commission income	980	2,077	1,902	2,090	1,920
<b>Total fees and commission income</b>	<b>9,178</b>	<b>12,052</b>	<b>19,853</b>	<b>20,855</b>	<b>21,818</b>
Brokerage	(233)	(337)	(300)	(128)	(109)
Clearing and settlement	(1,285)	(806)	(7,302)	(6,956)	(7,963)
Other fee and commission expense	-	(10)	(24)	(21)	(23)
<b>Total fee and commission expense</b>	<b>(1,518)</b>	<b>(1,153)</b>	<b>(7,626)</b>	<b>(7,105)</b>	<b>(8,095)</b>
<b>Net fee and commission income</b>	<b>7,660</b>	<b>10,899</b>	<b>12,227</b>	<b>13,750</b>	<b>13,723</b>



## Loans to customers - 5 year summary

ISK million	30.09.2020	2019	2018	2017	2016
Individuals	379,966	349,181	319,390	299,350	286,177
Commerce and services	121,951	126,488	124,242	112,144	97,943
Construction	44,550	44,420	29,095	24,797	27,878
Energy	8,316	7,887	6,858	7,109	7,216
Financial services	1,776	2,315	1,704	26	85
Industrial and transportation	82,458	82,288	79,824	69,961	63,090
Investment companies	24,747	23,590	23,799	19,726	14,402
Public sector and non-profit organisations	11,622	12,312	12,087	11,871	12,835
Real estate	165,370	145,559	142,885	127,067	100,020
Seafood	129,553	105,592	106,715	84,853	80,243
<b>Loans to customers before collective impairment allowance</b>	<b>970,309</b>	<b>899,632</b>	<b>846,599</b>	<b>756,904</b>	<b>689,889</b>
Collective impairment allowance	-	-	-	(1,729)	(2,049)
<b>Loans to customers</b>	<b>970,309</b>	<b>899,632</b>	<b>846,599</b>	<b>755,175</b>	<b>687,840</b>

### Loans to customers - by product

Overdrafts	43,294	48,938	48,581	45,650	45,383
Credit cards	16,060	19,026	18,242	18,800	19,188
Mortgages	316,896	281,499	249,296	225,765	211,233
Capital leases	45,514	45,623	45,116	40,765	40,415
Government guarantee schemes	1,658	-	-	-	-
Other loans	546,887	504,546	485,364	425,924	373,670
<b>Loans to customers before collective impairment allowance</b>	<b>970,309</b>	<b>899,632</b>	<b>846,599</b>	<b>756,904</b>	<b>689,889</b>
Collective impairment allowance	-	-	-	(1,729)	(2,049)
<b>Loans to customers</b>	<b>970,309</b>	<b>899,632</b>	<b>846,599</b>	<b>755,175</b>	<b>687,840</b>

## Capital and risk exposure amount - 5 year summary

ISK million	30.09.2020	2019	2018	2017	2016
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	7,258	7,065	6,499	6,179	4,139
Retained earnings	108,383	105,569	102,496	107,387	105,563
Non-controlling interests	1,868	2,428	2,318	2,479	4,223
IFRS 9 reversal due to transitional rules	4,088	-	-	-	-
Fair value changes due to own credit standing	(239)	392	376	-	-
Tax assets	(173)	(476)	(215)	(4)	(4)
Intangible assets	(3,554)	(4,330)	(5,002)	(4,231)	(2,672)
Other regulatory adjustments	-	-	-	(1,285)	(924)
<b>Total CET1 capital</b>	<b>182,631</b>	<b>175,648</b>	<b>171,472</b>	<b>175,525</b>	<b>175,325</b>
Tier 2 capital					
Qualifying subordinated liabilities	26,798	22,674	16,216	9,505	-
General credit risk adjustments	-	-	-	1,729	2,049
<b>Total capital base</b>	<b>209,429</b>	<b>198,322</b>	<b>187,688</b>	<b>186,759</b>	<b>177,374</b>
Risk exposure amount					
- due to credit risk	836,662	789,180	750,801	682,525	615,465
- due to market risk:	18,748	7,919	7,622	8,102	7,243
Market risk, trading book	15,281	6,488	6,649	6,709	6,418
Currency risk	3,467	1,431	973	1,393	825
- due to credit valuation adjustment	1,505	2,027	2,385	1,534	-
- due to operational risk	85,424	85,424	85,141	83,331	81,469
<b>Total risk exposure amount</b>	<b>942,339</b>	<b>884,550</b>	<b>845,949</b>	<b>775,492</b>	<b>704,177</b>
<b>Capital ratios</b>					
Tier 1 ratio	19.4%	19.9%	20.3%	22.6%	24.9%
Tier 2 ratio	2.8%	2.5%	1.9%	1.5%	0.3%
Total capital ratio	22.2%	22.4%	22.2%	24.1%	25.2%
Leverage ratio	13.4%	14.2%	14.6%	16.2%	16.0%

Key performance indicators - 9 quarters	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
	2020	2020	2020	2019	2019	2019	2019	2018	2018
<b>Profitability</b>									
Return on equity (after tax)	7.4%	2.8%	-3.0%	3.7%	4.7%	4.9%	5.9%	3.2%	4.7%
Return on assets	0.3%	0.0%	-0.4%	0.5%	0.7%	0.7%	0.9%	0.5%	0.7%
Earnings per share	0.31	0.17	-0.10	0.18	0.21	0.24	0.26	0.15	0.21
<b>Net interest margin</b>									
Net interest margin on total assets	2.5%	2.6%	2.8%	2.7%	2.7%	2.8%	2.7%	3.0%	3.0%
<b>Efficiency</b>									
Cost-to-income ratio*	46.7%	57.5%	62.9%	62.9%	56.3%	56.5%	59.6%	68.5%	62.1%
Number of FTEs at period end - Consolidated**	778	980	980	984	1,022	1,053	1,078	1,075	1,075
Number of FTEs at period end - Parent co.**	744	735	746	749	784	806	834	835	835
<b>Asset quality</b>									
Loans to customers (ISKm)	970,309	933,320	923,850	899,632	909,175	894,446	873,530	846,599	835,582
LTV on mortgages to individuals	64.0%	63.0%	62.0%	62.0%	61.0%	61.0%	61.0%	61.0%	61.4%
Risk exposure amount / total assets	70.9%	70.8%	72.6%	73.7%	74.0%	74.1%	73.6%	74.8%	73.6%
<b>Financial strength</b>									
Equity as % of total assets	13.7%	13.8%	14.3%	15.0%	14.4%	14.3%	14.4%	15.6%	15.0%
<b>Liquidity</b>									
Liquidity coverage ratio (LCR)	136%	179%	177%	155%	174%	185%	158%	172%	164%
Liquidity coverage ratio (LCR) - Foreign currencies	405%	325%	324%	325%	484%	456%	453%	544%	270%
Net stable funding ratio (NSFR) - All currencies	113%	117%	120%	119%	117%	117%	115%	114%	117%
Net stable funding ratio (NSFR) - Foreign currencies	149%	147%	151%	156%	163%	179%	166%	149%	159%
Term deposits % of total deposits	25.0%	25.7%	27.4%	28.0%	28.5%	28.2%	28.0%	27.1%	26.0%
Customer loans to customer deposits ratio	138.9%	137.0%	142.6%	145.5%	149.0%	145.2%	142.9%	146.2%	137.3%
<b>Capital</b>									
Tier 1 ratio	19.4%	19.4%	19.2%	19.9%	19.0%	18.8%	19.1%	20.3%	19.9%
Tier 2 ratio	2.8%	2.8%	2.7%	2.5%	2.4%	2.6%	1.8%	1.9%	1.8%
Total capital ratio	22.2%	22.2%	21.9%	22.4%	21.4%	21.4%	20.9%	22.2%	21.7%
Leverage ratio	13.4%	13.4%	13.5%	14.2%	13.6%	13.4%	13.5%	14.6%	14.0%
Risk exposure amount (ISKm)	942,339	923,133	911,375	884,550	912,843	911,784	886,901	845,949	855,152

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

\*\* Numbers exclude seasonal employees

<b>Income statement - 9 quarter summary</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>Q3</b>
<b>ISK million</b>	<b>2020</b>	<b>2020</b>	<b>2020</b>	<b>2019</b>	<b>2019</b>	<b>2019</b>	<b>2019</b>	<b>2018</b>	<b>2018</b>
Net interest income	8,305	8,228	8,580	8,291	8,190	8,404	7,937	8,294	8,301
Net fee and commission income	2,862	2,307	2,491	2,945	2,549	2,758	2,647	3,478	2,939
Net financial income (expense)	(255)	(181)	(1,738)	(840)	(602)	180	442	(637)	(420)
Net foreign exchange gain (loss)	101	208	55	116	159	(15)	(121)	76	(8)
Other operating income	44	71	19	920	37	27	1,141	120	64
Other net operating income	(110)	98	(1,664)	196	(406)	192	1,462	(441)	(364)
<b>Total operating income</b>	<b>11,057</b>	<b>10,633</b>	<b>9,407</b>	<b>11,432</b>	<b>10,333</b>	<b>11,354</b>	<b>12,046</b>	<b>11,331</b>	<b>10,876</b>
Administrative expenses	(5,110)	(5,871)	(5,692)	(6,447)	(5,608)	(6,220)	(6,213)	(7,465)	(6,463)
Contribution to the Depositors' and Investors' Guarantee Fund	(50)	(247)	(228)	(216)	(210)	(198)	(312)	(299)	(295)
Bank tax	(416)	(399)	(359)	(814)	(900)	(934)	(880)	(740)	(944)
<b>Total operating expenses</b>	<b>(5,576)</b>	<b>(6,517)</b>	<b>(6,279)</b>	<b>(7,477)</b>	<b>(6,718)</b>	<b>(7,352)</b>	<b>(7,405)</b>	<b>(8,504)</b>	<b>(7,702)</b>
<b>Profit before net impairment on financial assets</b>	<b>5,481</b>	<b>4,116</b>	<b>3,128</b>	<b>3,955</b>	<b>3,615</b>	<b>4,002</b>	<b>4,641</b>	<b>2,827</b>	<b>3,174</b>
Net impairment on financial assets	(1,058)	(2,439)	(3,490)	(1,463)	(208)	(902)	(907)	(297)	(53)
<b>Profit (loss) before tax</b>	<b>4,423</b>	<b>1,677</b>	<b>(362)</b>	<b>2,492</b>	<b>3,407</b>	<b>3,100</b>	<b>3,734</b>	<b>2,530</b>	<b>3,121</b>
Income tax expense	(1,350)	(119)	(769)	(659)	(1,328)	(726)	(1,196)	(1,118)	(1,136)
<b>Profit (loss) for the period from continuing operations</b>	<b>3,073</b>	<b>1,558</b>	<b>(1,131)</b>	<b>1,833</b>	<b>2,079</b>	<b>2,374</b>	<b>2,538</b>	<b>1,412</b>	<b>1,985</b>
Discontinued operations, net of income tax	288	(313)	(245)	(174)	7	(254)	51	(8)	126
<b>Profit (loss) for the period</b>	<b>3,361</b>	<b>1,245</b>	<b>(1,376)</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>

## Balance sheet - 9 quarter summary

ISK million	30.09.20	30.06.20	31.03.20	31.12.19	30.09.19	30.06.19	31.03.19	31.12.18	30.09.18
Cash and balances with Central Bank	95,022	103,569	123,062	146,638	129,115	122,794	129,039	135,056	156,251
Loans to credit institutions	61,898	70,307	84,263	54,376	66,409	77,387	65,145	41,577	67,047
Bonds and debt instruments	149,426	140,422	69,368	52,870	73,899	77,033	80,809	69,415	63,324
Derivatives	3,731	6,366	4,772	5,621	5,438	5,843	4,837	4,550	3,479
Loans to customers	970,309	933,320	923,850	899,632	909,175	894,446	873,530	846,599	835,582
Shares and equity instruments	14,657	10,943	12,496	18,426	19,200	19,176	15,268	13,074	13,995
Investments in associates	750	750	712	746	687	687	682	682	533
Property and equipment	7,409	7,549	8,015	9,168	9,442	9,504	9,642	5,271	5,079
Intangible assets	3,554	3,667	3,736	4,330	4,709	4,882	4,868	5,002	4,910
Other assets	17,159	6,370	5,154	6,608	15,781	18,224	21,408	9,177	12,439
Non-current assets and disposal groups held for sale	4,809	19,993	20,263	1,075	-	-	-	-	-
<b>Total Assets</b>	<b>1,328,724</b>	<b>1,303,256</b>	<b>1,255,691</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>
Deposits from Central Bank and credit institutions	36,438	35,461	33,773	30,925	31,808	19,830	16,404	15,619	15,530
Deposits from customers	698,610	681,223	647,795	618,313	610,281	615,869	611,303	578,959	608,646
Derivative instruments and short positions	8,406	7,519	12,045	6,219	7,910	6,903	7,325	5,521	5,585
Debt issued and other borrowed funds	324,752	321,803	322,280	306,381	331,938	337,473	325,035	300,976	297,318
Subordinated loans	26,798	25,834	24,456	22,674	21,993	23,431	16,468	16,216	15,531
Tax liabilities	7,137	6,438	8,155	7,853	10,127	8,674	8,303	7,150	10,311
Other liabilities	44,074	45,256	27,645	27,063	41,814	42,012	46,769	29,649	35,088
<b>Total Liabilities</b>	<b>1,146,215</b>	<b>1,123,534</b>	<b>1,076,149</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>
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	7,258	7,262	8,016	7,065	6,801	6,816	6,776	6,499	5,891
Retained earnings	108,383	105,681	104,349	105,569	103,785	101,534	99,401	102,496	101,280
Total Shareholder's Equity	180,641	177,943	177,365	177,634	175,586	173,350	171,177	173,995	172,171
Non-controlling interests	1,868	1,779	2,177	2,428	2,398	2,434	2,444	2,318	2,459
<b>Total Equity</b>	<b>182,509</b>	<b>179,722</b>	<b>179,542</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>Total Liabilities and Equity</b>	<b>1,328,724</b>	<b>1,303,256</b>	<b>1,255,691</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>

## Net interest income - 9 quarter summary

ISK million	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018
Cash and balances with Central Bank	235	408	1,002	1,009	993	1,184	1,266	1,603	1,629
Loans at amortised cost	13,001	14,026	12,090	13,273	13,194	15,208	13,162	14,521	13,565
Financial assets mandatorily at fair value through profit or loss	583	519	551	606	743	713	568	498	500
Other assets	1	-	2	14	10	12	10	9	13
<b>Total interest income</b>	<b>13,820</b>	<b>14,953</b>	<b>13,645</b>	<b>14,902</b>	<b>14,940</b>	<b>17,117</b>	<b>15,006</b>	<b>16,631</b>	<b>15,707</b>
Deposits from Central Bank and credit institutions	(192)	(199)	(221)	(237)	(159)	(122)	(107)	(106)	(97)
Deposits from customers	(1,625)	(2,236)	(2,463)	(3,064)	(3,475)	(4,660)	(4,043)	(4,389)	(4,192)
Debt issued and other borrowed funds at fair value through profit and loss	(150)	(154)	(142)	(176)	(184)	(194)	(180)	(250)	(133)
Debt issued and other borrowed funds at amortised cost	(2,979)	(3,327)	(2,047)	(2,414)	(2,271)	(2,914)	(2,219)	(2,676)	(2,399)
Subordinated loans	(211)	(193)	(166)	(160)	(168)	(93)	(80)	(109)	(18)
Other interest expense	(358)	(616)	(26)	(560)	(493)	(730)	(440)	(807)	(567)
<b>Total interest expense</b>	<b>(5,515)</b>	<b>(6,725)</b>	<b>(5,065)</b>	<b>(6,611)</b>	<b>(6,750)</b>	<b>(8,713)</b>	<b>(7,069)</b>	<b>(8,337)</b>	<b>(7,406)</b>
<b>Net interest income</b>	<b>8,305</b>	<b>8,228</b>	<b>8,580</b>	<b>8,291</b>	<b>8,190</b>	<b>8,404</b>	<b>7,937</b>	<b>8,294</b>	<b>8,301</b>

### Net fee and commission income - 9 quarter summary

ISK million	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018
Asset management	576	605	565	590	512	575	548	587	498
Investment banking and brokerage	684	576	571	688	598	613	531	621	634
Payment processing	1,697	786	814	987	947	1,046	830	3,243	3,186
Loans and guarantees	514	427	383	389	367	376	378	336	362
Other fee and commission income	322	228	430	734	373	385	585	786	364
<b>Total fee and commission income</b>	<b>3,793</b>	<b>2,622</b>	<b>2,763</b>	<b>3,388</b>	<b>2,797</b>	<b>2,995</b>	<b>2,872</b>	<b>5,573</b>	<b>5,044</b>
Brokerage	(67)	(113)	(53)	(128)	(65)	(75)	(69)	(91)	(79)
Clearing and settlement	(864)	(202)	(219)	(324)	(174)	(174)	(134)	(1,988)	(2,025)
Other fee and commission expense	-	-	-	9	(9)	12	(22)	(16)	(1)
<b>Total fee and commission expense</b>	<b>(931)</b>	<b>(315)</b>	<b>(272)</b>	<b>(443)</b>	<b>(248)</b>	<b>(237)</b>	<b>(225)</b>	<b>(2,095)</b>	<b>(2,105)</b>
<b>Net fee and commission income</b>	<b>2,862</b>	<b>2,307</b>	<b>2,491</b>	<b>2,945</b>	<b>2,549</b>	<b>2,758</b>	<b>2,647</b>	<b>3,478</b>	<b>2,939</b>

## Loans to customers - 9 quarter summary

ISK million	30.09.20	30.06.20	31.03.20	31.12.19	30.09.19	30.06.19	31.03.19	31.12.18	30.09.18
Individuals	379,966	355,524	347,539	349,181	345,234	334,749	324,245	319,390	314,491
Commerce and services	121,951	122,581	127,887	126,488	130,879	135,041	130,325	124,242	123,624
Construction	44,550	46,463	45,621	44,420	33,865	33,445	31,466	29,095	30,913
Energy	8,316	8,344	8,024	7,887	6,803	6,934	6,911	6,858	7,407
Financial services	1,776	2,239	1,436	2,315	2,768	23	2,575	1,704	220
Industrial and transportation	82,458	83,731	84,709	82,288	84,127	81,784	80,986	79,824	84,849
Investment companies	24,747	24,578	25,184	23,590	27,507	26,052	24,657	23,799	19,532
Public sector and non-profit organisations	11,622	11,641	11,339	12,312	11,615	11,453	11,528	12,087	11,819
Real estate	165,370	150,090	149,138	145,559	156,548	153,077	148,765	142,885	136,787
Seafood	129,553	128,129	122,973	105,592	109,829	111,888	112,072	106,715	105,940
<b>Loans to customers</b>	<b>970,309</b>	<b>933,320</b>	<b>923,850</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>Loans to customers - by product</b>									
Overdrafts	43,294	47,513	44,929	48,938	54,510	51,836	53,120	48,581	48,239
Credit cards	16,060	16,704	15,621	19,026	19,777	17,492	16,253	18,242	17,764
Mortgages	316,896	293,838	285,670	281,499	274,186	267,762	255,579	249,296	243,024
Capital leases	45,514	45,039	47,872	45,623	46,583	50,588	47,309	45,116	42,114
Government guarantee schemes	1,658	-	-	-	-	-	-	-	-
Other loans	546,887	530,226	529,758	504,546	514,119	506,768	501,269	485,364	484,441
<b>Loans to customers</b>	<b>970,309</b>	<b>933,320</b>	<b>923,850</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>



## Loans to customers - 9 quarter summary

ISK million

30.09.20 30.06.20 31.03.20 31.12.19 30.09.19 30.06.19 31.03.19 31.12.18 30.09.18

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## Capital and risk exposure amount

ISK million	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018
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	7,258	7,262	8,016	7,065	6,801	6,816	6,776	6,499	5,891
Retained earnings	108,383	105,681	104,349	105,569	103,785	101,534	99,401	102,496	101,280
Non-controlling interests	1,868	1,779	2,177	2,428	2,398	2,434	2,444	2,318	2,459
IFRS 9 reversal due to transitional rules	4,088	3,810	-	-	-	-	-	-	-
Fair value changes due to own credit standing	(239)	(427)	(773)	392	731	760	871	376	674
Tax assets	(173)	(88)	(30)	(476)	(445)	(394)	(292)	(215)	(235)
Intangible assets	(3,554)	(3,667)	(3,736)	(4,330)	(4,709)	(4,882)	(4,868)	(5,002)	(4,910)
Other regulatory adjustments	-	-	-	-	-	-	-	-	-
<b>Total CET1 capital</b>	<b>182,631</b>	<b>179,350</b>	<b>175,003</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>
Tier 2 capital									
Qualifying subordinated liabilities	26,798	25,834	24,456	22,674	21,993	23,431	16,468	16,216	15,531
<b>Total regulatory capital</b>	<b>209,429</b>	<b>205,184</b>	<b>199,458</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>
Risk exposure amount									
- due to credit risk	836,662	821,457	811,936	789,180	815,266	809,840	789,806	750,801	758,774
- due to market risk:	18,748	14,435	12,350	7,919	10,482	13,988	9,877	7,622	10,428
Market risk, trading book	15,281	12,024	9,095	6,488	8,736	10,072	7,843	6,649	7,099
Currency risk FX	3,467	2,411	3,255	1,431	1,746	3,916	2,034	973	1,393
- due to credit valuation adjustment	1,505	1,817	1,665	2,027	1,954	2,815	2,077	2,385	2,619
- due to operational risk	85,424	85,424	85,424	85,424	85,141	85,141	85,141	85,141	83,331
<b>Total risk exposure amount</b>	<b>942,339</b>	<b>923,133</b>	<b>911,375</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>Capital ratios</b>									
Tier 1 ratio	19.4%	19.4%	19.2%	19.9%	19.0%	18.8%	19.1%	20.3%	19.9%
Tier 2 ratio	2.8%	2.8%	2.7%	2.5%	2.4%	2.6%	1.8%	1.9%	1.8%
Total capital ratio	22.2%	22.2%	21.9%	22.4%	21.4%	21.4%	20.9%	22.2%	21.7%
Leverage ratio	13.4%	13.4%	13.5%	14.2%	13.6%	13.4%	13.5%	14.6%	14.0%

## Macroeconomics - summary

	2Q20	1Q20	4Q19	3Q19	2Q19	1Q19	4Q18	3Q18	2Q18
<b>YoY change, %</b>									
GDP growth	-9.3	-1.7	4.8	0.5	2.6	-0.2	3.3	2.5	4.6
Total investment	-18.7	5.0	-3.2	3.7	-8.4	-19.0	-3.3	-8.0	3.0
Business investment	-17.8	13.5	1.1	-5.5	-27.1	-36.0	-23.2	-17.6	-2.0
Residential investment	-21.3	-5.2	12.8	5.2	41.9	22.1	3.9	-3.8	30.2
Personal consumption	-8.3	0.8	0.5	1.8	0.9	2.2	3.4	5.5	5.0
Unemployment rate, % of workforce	6.9	3.6	3.3	3.5	4.4	3.0	2.4	2.2	3.6
Current account, % of GDP	1.0	2.5	7	8.4	2.2	7.0	0.8	10.2	-0.2
International investment position, % of GDP	28.5	23.3	22.4	20.7	17.8	18.7	9.9	11.3	5.9
Gross general govt. debt, % of GDP			68.6				70.5		
Household debt, gross, % of GDP	78.6	76.6	75.9	76.4	76.3	76.6	75.9	76.0	75.0
Corporate debt, gross, % of GDP	91.9	90.6	85.3	87.6	90.4	92.1	91.7	90.8	88.6
<b>YoY change, %</b>									
Inflation	2.5	2.1	2.5	3.1	3.4	3.1	3.3	2.7	2.3
Residential real estate price index	1.1	2.6	1.9	0.2	1.3	2.1	2.7	3.0	5.6
Wages	3.8	4.9	4.3	4.3	5.4	5.7	6.1	6.1	6.5
Real wages	2.3	2.8	1.7	1.1	1.9	2.5	2.8	3.2	4.1
ISK index, average	203.2	186.5	180.6	182.2	181.8	179.3	180.2	164.2	160.9
Central bank policy rate (1W)	1.0	1.75	3.1	3.6	4.3	4.5	4.5	4.3	4.3
Long-term nominal yield	2.5	3	3.6	3.8	4.2	5.2	5.4	5.4	5.4
Long-term real yield	0.5	0.5	0.8	0.8	1.1	1.4	1.5	1.8	1.8

## Other

Currencies	30.09.20	30.06.20	31.03.20	31.12.19	30.09.19	30.06.19	31.03.19	31.12.18	30.09.18
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### Currencies

USD	138.5	138.6	141.7	121.1	123.7	124.5	122.6	120.4	108.2
GBP	177.7	170.2	175.2	159.4	152.2	157.8	159.7	154.8	141.0
EUR	162.2	155.4	155.3	135.8	135.1	141.7	137.5	120.9	125.8
DKK	21.8	20.9	20.8	18.2	18.1	19.0	18.4	18.4	16.9
SEK	15.4	14.8	14.0	13.0	12.6	13.4	13.2	13.3	12.1
CHF	150.1	145.8	146.8	125.1	124.3	127.7	123.1	120.9	110.0

# Financial targets

Negative ROE in the quarter has limited impact on capital ratios

	Target	9M2020	2019	2018	Guidance
<b>ROE in excess of risk-free rate</b>	4-6%	1.7%	2.1%	1.8%	<ul style="list-style-type: none"> <li>— Target of 4-6% on top of risk-free rate. Risk free-rate is currently 0.75%</li> <li>— 8-10% ROE is based on average expected risk-free rates through the business cycle. Based on the current risk-free rate of 0.75% the ROE target in the very short term is 4.75-6.75%</li> <li>— The COVID-19 pandemic will have a material adverse effect on the Bank's earnings in 2020 and it is therefore unlikely that the ROE target will be met this year. The Bank will strive to get back on track to reach its ROE targets from 2021 onwards</li> </ul>
<b>Return on equity</b>	8-10%	2.4%	4.8%	6.1%	
<b>Cost/ Income ratio<sup>1</sup></b>	<55%	55.3%	62.4%	66.3%	<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 due to the COVID-19 pandemic</li> <li>— The Bank continues to invest in IT infrastructure and process efficiency to improve the C/I ratio in the medium to long term</li> </ul>
<b>CET1</b>	>13.2 – 14.7%	✓ 19.4%	✓ 19.9%	✓ 20.3%	<ul style="list-style-type: none"> <li>— Based on a management buffer of 50-200bp, the CET1 target range is currently 13.2-14.7%</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 to long term</li> <li>— The Bank is substantially over capitalized with regard to the current regulatory requirement, which is a favourable position to be in in light of the economic uncertainties relating to COVID-19</li> </ul>
<b>Total capital ratio</b>	> 17.5 – 19.0%	✓ 22.2%	✓ 22.4%	✓ 22.2%	<ul style="list-style-type: none"> <li>— Based on the regulatory capital requirement with a management buffer of 50 – 200 bp</li> <li>— Current capital requirement is 17.0% including recent suspension of the countercyclical capital buffer in March 2020</li> </ul>
<b>Dividend payout ratio</b>	40-50%	-	✓ 50%	✓ 50%	<ul style="list-style-type: none"> <li>— The Annual General Meeting approved that a dividend to shareholders for the 2019 financial year should not be paid in light of uncertainties due to unprecedented circumstances in the financial markets following COVID-19</li> <li>— The Board of the Bank may convene a special shareholders' meeting later in the year to propose a dividend payment in 2020 if the economic conditions improve substantially.</li> </ul>

# Íslandsbanki S&P credit ratings

Rating lowered in April 2020

## BBB/A-2 Stable Outlook

Press Release 24 April 2020

In late April 2020 S&P lowered Íslandsbanki's rating to **BBB/A-2** with a **stable outlook** from previous BBB+/A-2 with a negative outlook

In its report, S&P expects Íslandsbanki to enter this crisis on a more solid foothold than the 2008 financial crisis. The 'BBB' rating level and stable outlook factor in the **solid market position** of the bank in Iceland, which has a relatively **advanced digitalised banking platform**. In S&P's view, the bank is well ahead of many other European banks in its preparation for technological disruption. S&P also notes the Bank's funding and liquidity metrics are adequate for the Bank's risk profile, with **comfortable liquidity ratios and liquid assets** covering more than 3x the average short-term funding in 2019. Moreover, S&P states that the wholesale funding needs are limited in 2020, which coupled with the additional central bank liquidity facilities announced recently by the Icelandic Central Bank, **eases pressure on liquidity needs**

S&P's rationale for the change is mostly derived from its view that economic activity will reduce in Iceland and Europe in 2020 and thus could impair Íslandsbanki's asset quality, increase credit losses, reduce business and revenue generation, and potentially erode its capital. S&P's view is that Iceland's operating environment will remain challenging, affected by the 2020 economic recession, declining interest rates, 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	A2
Short-term	A-2	Short-term	A-1	F1+	P-1
Outlook	Stable	Outlook	Stable	Negative	Stable
Rating action	April 20	Rating action	Nov 19	May 19	April 20

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