

1Q20



# Íslandsbanki Factbook

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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 7th May 2020

The Bank will host an investor call in English at 9.30 AM (GMT) on Thursday, 7th May.

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.

#### 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 interim statements according to the financial calendar below:

2Q2020 results — 29 July 2020

3Q2020 results — 28 October 2020

Please note that these dates are subject to change.

## Key performance indicators - 5 years

	1Q20	2019	2018	2017	2016
<b>Profitability</b>					
Return on equity (after tax)	-3.0%	4.8%	6.1%	7.5%	10.2%
Return on assets	-0.4%	0.7%	1.0%	1.3%	1.9%
Earnings per share	(0.1)	0.89	1.01	1.10	1.40
Core income / total operating income*	1.18	0.97	0.98	0.99	0.86
<b>Net interest margin</b>					
Net interest margin on total assets	2.8%	2.7%	2.9%	2.9%	3.1%
<b>Efficiency</b>					
Cost-to-income ratio**	62.9%	58.8%	66.3%	62.5%	56.9%
Number of FTEs at period end - Consolidated***	980	984	1,075	1,042	1,075
Number of FTEs at period end - Parent***	746	749	834	860	910
Number of branches at period end	14	14	14	14	15
<b>Assets</b>					
Loans to customers (ISKm)	923,850	899,632	846,599	755,175	687,840
LTV on mortgages to individuals	62.0%	62.0%	61.0%	63.3%	67.2%
Risk exposure amount / total assets	72.6%	73.7%	74.8%	74.9%	67.2%
<b>Financial strength</b>					
Equity as % of total assets	14.3%	15.0%	15.6%	17.5%	17.1%
<b>Liquidity</b>					
Liquidity coverage ratio (LCR) - All currencies	177%	155%	172%	142%	200%
Liquidity coverage ratio (LCR) - Foreign currencies	324%	325%	544%	155%	347%
Net stable funding ratio (NSFR) - All currencies	120%	119%	114%	117%	123%
Net stable funding ratio (NSFR) - Foreign currencies	151%	156%	149%	122%	144%
Term deposits % of total deposits	27.4%	28.0%	27.1%	29.4%	35.0%
Customer loans to customer deposits ratio	142.6%	145.5%	146.2%	133.2%	115.8%
<b>Capital</b>					
Tier 1 ratio	19.2%	19.9%	20.3%	22.6%	24.9%
Tier 2 ratio	2.7%	2.5%	1.9%	1.5%	0.3%
Total capital ratio	21.9%	22.4%	22.2%	24.1%	25.2%
Leverage ratio	13.5%	14.2%	14.6%	16.2%	16.0%
Risk exposure amount (ISKm)	911,375	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	1Q20	2019	2018	2017	2016
Interest income	13,645	61,965	61,675	56,767	60,503
Interest expense	(5,065)	(29,143)	(29,738)	(26,768)	(28,701)
Net interest income	8,580	32,822	31,937	29,999	31,802
Fee and commission income	2,763	12,052	19,853	20,855	21,818
Fee and commission expense	(272)	(1,153)	(7,626)	(7,105)	(8,095)
Net fee and commission income	2,491	10,899	12,227	13,750	13,723
Net financial income (expense)	(1,738)	(820)	(962)	(715)	6,096
Net foreign exchange gain	55	139	1	527	443
Other operating income	19	2,125	1,784	628	652
Other net operating income	(1,664)	1,444	823	440	7,191
<b>Total operating income</b>	<b>9,407</b>	<b>45,165</b>	<b>44,987</b>	<b>44,189</b>	<b>52,716</b>
Administrative expenses	(5,692)	(24,488)	(27,650)	(26,968)	(27,121)
Contribution to the Depositors' and Investors' Guarantee Fund	(228)	(936)	(1,173)	(1,083)	(1,063)
Bank tax	(359)	(3,528)	(3,281)	(2,892)	(2,843)
<b>Total operating expenses</b>	<b>(6,279)</b>	<b>(28,952)</b>	<b>(32,104)</b>	<b>(30,943)</b>	<b>(31,027)</b>
Profit before net impairment on financial assets	3,128	16,213	12,883	13,246	21,689
Net impairment on financial assets	(3,490)	(3,480)	1,584	1,556	735
<b>Profit (loss) before tax</b>	<b>(362)</b>	<b>12,733</b>	<b>14,467</b>	<b>14,802</b>	<b>22,424</b>
Income tax expense	(769)	(3,909)	(4,734)	(4,151)	(5,205)
<b>Profit (loss) for the period from continuing operations</b>	<b>(1,131)</b>	<b>8,824</b>	<b>9,733</b>	<b>10,651</b>	<b>17,219</b>
Discontinued operations, net of income tax	(245)	(370)	912	2,575	2,939
<b>Profit (loss) for the period</b>	<b>(1,376)</b>	<b>8,454</b>	<b>10,645</b>	<b>13,226</b>	<b>20,158</b>
Basic earnings per share from profit for the period	(0.1)	0.89	1.01	1.10	1.40

## Balance sheet - 5 year summary

ISK million	31.3.2020	2019	2018	2017	2016
Cash and balances with Central Bank	123,062	146,638	135,056	189,045	275,453
Loans to credit institutions	84,263	54,376	41,577	26,617	17,645
Bonds and debt instruments	69,368	52,870	69,415	27,090	31,256
Derivatives	4,772	5,621	4,550	2,896	1,953
Loans to customers	923,850	899,632	846,599	755,175	687,840
Shares and equity instruments	12,496	18,426	13,074	10,177	10,626
Investments in associates	712	746	682	704	450
Property and equipment	8,015	9,168	5,271	7,128	6,211
Intangible assets	3,736	4,330	5,002	4,231	2,672
Other assets	5,154	6,608	9,177	12,759	13,448
Non-current assets and disposal groups held for sale	20,263	1,075	-	-	-
<b>Total Assets</b>	<b>1,255,691</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	33,773	30,925	15,619	11,189	4,922
Deposits from customers	647,795	618,313	578,959	567,029	594,187
Derivative instruments and short positions	12,045	6,219	5,521	5,492	4,798
Debt issued and other borrowed funds	322,280	306,381	300,976	217,748	212,468
Subordinated loans	24,456	22,674	16,216	9,505	-
Tax liabilities	8,155	7,853	7,150	7,787	8,473
Other liabilities	14,392	27,063	29,649	36,027	43,781
Non-current liabilities and disposal groups held for sale	13,253	-	-	-	-
<b>Total Liabilities</b>	<b>1,076,149</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	8,016	7,065	6,499	6,179	4,139
Retained earnings	104,349	105,569	102,496	107,387	105,563
Total Shareholder's Equity	177,365	177,634	173,995	178,566	174,702
Non-controlling interests	2,177	2,428	2,318	2,479	4,223
<b>Total Equity</b>	<b>179,542</b>	<b>180,062</b>	<b>176,313</b>	<b>181,045</b>	<b>178,925</b>
<b>Total Liabilities and Equity</b>	<b>1,255,691</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	31.3.2020	2019	2018	2017	2016
Cash and balances with Central Bank	1,002	4,452	7,279	10,541	11,507
Loans at amortised cost	12,090	54,837	52,462	45,162	47,084
Financial assets mandatorily at fair value through profit or loss	551	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	2	46	109	135	141
<b>Total interest income</b>	<b>13,645</b>	<b>61,965</b>	<b>61,675</b>	<b>56,767</b>	<b>60,503</b>
Deposits from Central Bank and credit institutions	(221)	(625)	(409)	(170)	(275)
Deposits from customers	(2,463)	(15,242)	(16,539)	(17,461)	(20,382)
Debt issued and other borrowed funds at fair value through profit and loss	(142)	(734)	(963)	-	-
Debt issued and other borrowed funds at amortised cost	(2,047)	(9,818)	(9,035)	(8,107)	(7,384)
Subordinated loans	(166)	(501)	(198)	(14)	(627)
Other interest expense	(26)	(2,223)	(2,594)	(1,016)	(33)
<b>Total interest expense</b>	<b>(5,065)</b>	<b>(29,143)</b>	<b>(29,738)</b>	<b>(26,768)</b>	<b>(28,701)</b>
<b>Net interest income</b>	<b>8,580</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)	2.8%	2.7%	2.9%	2.9%	3.1%

## Net fee & commission income - 5 year summary

ISK million	31.3.2020	2019	2018	2017	2016
Asset management	565	2,225	2,116	1,964	1,757
Investment banking and brokerage	571	2,430	2,303	2,280	1,987
Payment processing	814	3,810	12,065	13,094	14,705
Loans and guarantees	383	1,510	1,467	1,427	1,449
Other fee and commission income	430	2,077	1,902	2,090	1,920
<b>Total fees and commission income</b>	<b>2,763</b>	<b>12,052</b>	<b>19,853</b>	<b>20,855</b>	<b>21,818</b>
Brokerage	(53)	(337)	(300)	(128)	(109)
Clearing and settlement	(219)	(806)	(7,302)	(6,956)	(7,963)
Other fee and commission expense	-	(10)	(24)	(21)	(23)
<b>Total fee and commission expense</b>	<b>(272)</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>2,491</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	31.3.2020	2019	2018	2017	2016
Individuals	347,539	349,181	319,390	299,350	286,177
Commerce and services	127,887	126,488	124,242	112,144	97,943
Construction	45,621	44,420	29,095	24,797	27,878
Energy	8,024	7,887	6,858	7,109	7,216
Financial services	1,436	2,315	1,704	26	85
Industrial and transportation	84,709	82,288	79,824	69,961	63,090
Investment companies	25,184	23,590	23,799	19,726	14,402
Public sector and non-profit organisations	11,339	12,312	12,087	11,871	12,835
Real estate	149,138	145,559	142,885	127,067	100,020
Seafood	122,973	105,592	106,715	84,853	80,243
<b>Loans to customers before collective impairment allowance</b>	<b>923,850</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>923,850</b>	<b>899,632</b>	<b>846,599</b>	<b>755,175</b>	<b>687,840</b>

### Loans to customers - by product

Overdrafts	44,929	48,938	48,581	45,650	45,383
Credit cards	15,621	19,026	18,242	18,800	19,188
Mortgages	285,670	281,499	249,296	225,765	211,233
Capital leases	47,872	45,623	45,116	40,765	40,415
Other loans	529,758	504,546	485,364	425,924	373,670
<b>Loans to customers before collective impairment allowance</b>	<b>923,850</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>923,850</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	31.3.2020	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	8,016	7,065	6,499	6,179	4,139
Retained earnings	104,349	105,569	102,496	107,387	105,563
Non-controlling interests	2,177	2,428	2,318	2,479	4,223
Fair value changes due to own credit standing	(773)	392	376	-	-
Tax assets	(30)	(476)	(215)	(4)	(4)
Intangible assets	(3,736)	(4,330)	(5,002)	(4,231)	(2,672)
Other regulatory adjustments	-	-	-	(1,285)	(924)
<b>Total CET1 capital</b>	<b>175,003</b>	<b>175,648</b>	<b>171,472</b>	<b>175,525</b>	<b>175,325</b>
Tier 2 capital					
Qualifying subordinated liabilities	24,456	22,674	16,216	9,505	-
General credit risk adjustments	-	-	-	1,729	2,049
<b>Total capital base</b>	<b>199,458</b>	<b>198,322</b>	<b>187,688</b>	<b>186,759</b>	<b>177,374</b>
Risk exposure amount					
- due to credit risk	811,936	789,180	750,801	682,525	615,465
- due to market risk:	12,350	7,919	7,622	8,102	7,243
Market risk, trading book	9,095	6,488	6,649	6,709	6,418
Currency risk	3,255	1,431	973	1,393	825
- due to credit valuation adjustment	1,665	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>911,375</b>	<b>884,550</b>	<b>845,949</b>	<b>775,492</b>	<b>704,177</b>
<b>Capital ratios</b>					
Tier 1 ratio	19.2%	19.9%	20.3%	22.6%	24.9%
Tier 2 ratio	2.7%	2.5%	2.5%	1.5%	0.3%
Total capital ratio	21.9%	22.4%	22.2%	24.1%	25.2%
Leverage ratio	13.5%	14.2%	14.6%	16.2%	16.0%

Key performance indicators - 9 quarters	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
	2020	2019	2019	2019	2019	2018	2018	2018	2018
<b>Profitability</b>									
Return on equity (after tax)	-3.0%	3.7%	4.7%	4.9%	5.9%	3.2%	4.7%	11.6%	4.8%
Return on assets	-0.4%	0.5%	0.7%	0.7%	0.9%	0.5%	0.7%	1.8%	0.8%
Earnings per share	-0.10	0.18	0.21	0.24	0.26	0.15	0.21	0.51	0.15
<b>Net interest margin</b>									
Net interest margin on total assets	2.8%	2.7%	2.7%	2.8%	2.7%	3.0%	3.0%	2.8%	2.9%
<b>Efficiency</b>									
Cost-to-income ratio*	62.9%	62.9%	56.3%	56.5%	59.6%	68.5%	62.1%	65.0%	69.8%
Number of FTEs at period end - Consolidated**	980	984	1,022	1,053	1,078	1,075	1,075	1,013	1,027
Number of FTEs at period end - Parent co.**	746	749	784	806	834	835	835	841	855
<b>Asset quality</b>									
Loans to customers (ISKm)	923,850	899,632	909,175	894,446	873,530	846,599	835,582	799,938	776,149
LTV on mortgages to individuals	62.0%	62.0%	61.0%	61.0%	61.0%	61.0%	61.4%	60.8%	63.2%
Risk exposure amount / total assets	72.6%	73.7%	74.0%	74.1%	73.6%	74.8%	73.6%	73.7%	73.1%
<b>Financial strength</b>									
Equity as % of total assets	14.3%	15.0%	14.4%	14.3%	14.4%	15.6%	15.0%	15.5%	15.3%
<b>Liquidity</b>									
Liquidity coverage ratio (LCR)	177%	155%	174%	185%	158%	172%	164%	154%	158%
Liquidity coverage ratio (LCR) - Foreign currencies	324%	325%	484%	456%	453%	544%	270%	218%	359%
Net stable funding ratio (NSFR) - All currencies	120%	119%	117%	117%	115%	114%	117%	117%	116%
Net stable funding ratio (NSFR) - Foreign currencies	151%	156%	163%	179%	166%	149%	159%	147%	140%
Term deposits % of total deposits	27.4%	28.0%	28.5%	28.2%	28.0%	27.1%	26.0%	27.6%	26.9%
Customer loans to customer deposits ratio	142.6%	145.5%	149.0%	145.2%	142.9%	146.2%	137.3%	138.3%	134.9%
<b>Capital</b>									
Tier 1 ratio	19.2%	19.9%	19.0%	18.8%	19.1%	20.3%	19.9%	20.5%	20.3%
Tier 2 ratio	2.7%	2.5%	2.4%	2.6%	1.8%	1.9%	1.8%	1.1%	1.1%
Total capital ratio	21.9%	22.4%	21.4%	21.4%	20.9%	22.2%	21.7%	21.6%	21.4%
Leverage ratio	13.5%	14.2%	13.6%	13.4%	13.5%	14.6%	14.0%	14.5%	14.3%
Risk exposure amount (ISKm)	911,375	884,550	912,843	911,784	886,901	845,949	855,152	819,349	795,923

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

\*\* Numbers exclude seasonal employees

## Income statement - 9 quarter summary

ISK million	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018
Net interest income	8,580	8,291	8,190	8,404	7,937	8,294	8,301	7,602	7,740
Net fee and commission income	2,491	2,945	2,549	2,758	2,647	3,478	2,939	3,032	2,778
Net financial income (expense)	(1,738)	(840)	(602)	180	442	(637)	(420)	378	(283)
Net foreign exchange gain (loss)	55	116	159	(15)	(121)	76	(8)	(57)	(10)
Other operating income	19	920	37	27	1,141	120	64	1,587	13
Other net operating income	(1,664)	196	(406)	192	1,462	(441)	(364)	1,908	(280)
<b>Total operating income</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>	<b>12,542</b>	<b>10,238</b>
Administrative expenses	(5,692)	(6,447)	(5,608)	(6,220)	(6,213)	(7,465)	(6,463)	(6,872)	(6,850)
Contribution to the Depositors' and Investors' Guarantee Fund	(228)	(216)	(210)	(198)	(312)	(299)	(295)	(287)	(292)
Bank tax	(359)	(814)	(900)	(934)	(880)	(740)	(944)	(812)	(785)
<b>Total operating expenses</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>(7,971)</b>	<b>(7,927)</b>
<b>Profit before net impairment on financial assets</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>	<b>4,571</b>	<b>2,311</b>
Net impairment on financial assets	(3,490)	(1,463)	(208)	(902)	(907)	(297)	(53)	1,846	88
<b>Profit (loss) before tax</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>	<b>6,417</b>	<b>2,399</b>
Income tax expense	(769)	(659)	(1,328)	(726)	(1,196)	(1,118)	(1,136)	(1,465)	(1,015)
<b>Profit (loss) for the period from continuing operations</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>	<b>4,952</b>	<b>1,384</b>
Discontinued operations, net of income tax	(245)	(174)	7	(254)	51	(8)	126	81	713
<b>Profit (loss) for the period</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>	<b>5,033</b>	<b>2,097</b>

## Balance sheet - 9 quarter summary

ISK million	31.03.20	31.12.19	30.09.19	30.06.19	31.03.19	31.12.18	30.09.18	30.06.18	31.03.18
Cash and balances with Central Bank	123,062	146,638	129,115	122,794	129,039	135,056	156,251	166,194	177,029
Loans to credit institutions	84,263	54,376	66,409	77,387	65,145	41,577	67,047	59,858	47,220
Bonds and debt instruments	69,368	52,870	73,899	77,033	80,809	69,415	63,324	48,603	49,140
Derivatives	4,772	5,621	5,438	5,843	4,837	4,550	3,479	3,209	4,673
Loans to customers	923,850	899,632	909,175	894,446	873,530	846,599	835,582	799,938	776,149
Shares and equity instruments	12,496	18,426	19,200	19,176	15,268	13,074	13,995	13,581	10,208
Investments in associates	712	746	687	687	682	682	533	614	672
Property and equipment	8,015	9,168	9,442	9,504	9,642	5,271	5,079	5,058	7,025
Intangible assets	3,736	4,330	4,709	4,882	4,868	5,002	4,910	4,774	4,412
Other assets	5,154	6,608	15,781	18,224	21,408	9,177	12,439	9,913	11,780
Non-current assets and disposal groups held for sale	20,263	1,075	-	-	-	-	-	-	-
<b>Total Assets</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>	<b>1,111,742</b>	<b>1,088,308</b>
Deposits from Central Bank and credit institutions	33,773	30,925	31,808	19,830	16,404	15,619	15,530	15,391	13,563
Deposits from customers	647,795	618,313	610,281	615,869	611,303	578,959	608,646	578,414	575,196
Derivative instruments and short positions	12,045	6,219	7,910	6,903	7,325	5,521	5,585	7,075	8,104
Debt issued and other borrowed funds	322,280	306,381	331,938	337,473	325,035	300,976	297,318	288,360	269,255
Subordinated loans	24,456	22,674	21,993	23,431	16,468	16,216	15,531	8,872	8,838
Tax liabilities	8,155	7,853	10,127	8,674	8,303	7,150	10,311	8,925	7,908
Other liabilities	14,392	27,063	41,814	42,012	46,769	29,649	35,088	32,523	39,107
Non-current assets and disposal groups held for sale	13,253	-	-	-	-	-	-	-	-
<b>Total Liabilities</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>	<b>939,560</b>	<b>921,971</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	8,016	7,065	6,801	6,816	6,776	6,499	5,891	5,598	4,991
Retained earnings	104,349	105,569	103,785	101,534	99,401	102,496	101,280	99,159	93,930
Total Shareholder's Equity	177,365	177,634	175,586	173,350	171,177	173,995	172,171	169,757	163,921
Non-controlling interests	2,177	2,428	2,398	2,434	2,444	2,318	2,459	2,425	2,416
<b>Total Equity</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>172,182</b>	<b>166,337</b>
<b>Total Liabilities and Equity</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>	<b>1,111,742</b>	<b>1,088,308</b>

## Net interest income - 9 quarter summary

ISK million	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018
Cash and balances with Central Bank	1,002	1,009	993	1,184	1,266	1,603	1,629	1,886	2,161
Loans at amortised cost	12,090	13,273	13,194	15,208	13,162	14,521	13,565	12,023	12,353
Financial assets mandatorily at fair value through profit or loss	551	606	743	713	568	498	500	396	431
Other assets	2	14	10	12	10	9	13	37	50
<b>Total interest income</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>	<b>14,342</b>	<b>14,995</b>
Deposits from Central Bank and credit institutions	(221)	(237)	(159)	(122)	(107)	(106)	(97)	(109)	(97)
Deposits from customers	(2,463)	(3,064)	(3,475)	(4,660)	(4,043)	(4,389)	(4,192)	(3,863)	(4,095)
Debt issued and other borrowed funds at fair value through profit and loss	(142)	(176)	(184)	(194)	(180)	(250)	(133)	(292)	(288)
Debt issued and other borrowed funds at amortised cost	(2,047)	(2,414)	(2,271)	(2,914)	(2,219)	(2,676)	(2,399)	(1,910)	(2,050)
Subordinated loans	(166)	(160)	(168)	(93)	(80)	(109)	(18)	(37)	(34)
Other interest expense	(26)	(560)	(493)	(730)	(440)	(807)	(567)	(529)	(691)
<b>Total interest expense</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>(6,740)</b>	<b>(7,255)</b>
<b>Net interest income</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>	<b>7,602</b>	<b>7,740</b>

## Net fee and commission - 9 quarter summary

ISK million	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018
Asset management	565	590	512	575	548	587	498	556	475
Investment banking and brokerage	571	688	598	613	531	621	634	552	496
Payment processing	814	987	947	1,046	830	3,243	3,186	3,082	2,554
Loans and guarantees	383	389	367	376	378	336	362	429	340
Other fee and commission income	430	734	373	385	585	786	364	344	408
<b>Total fee and commission income</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>	<b>4,963</b>	<b>4,273</b>
Brokerage	(53)	(128)	(65)	(75)	(69)	(91)	(79)	(62)	(68)
Clearing and settlement	(219)	(324)	(174)	(174)	(134)	(1,988)	(2,025)	(1,865)	(1,424)
Other fee and commission expense	-	9	(9)	12	(22)	(16)	(1)	(4)	(3)
<b>Total fee and commission expense</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>(1,931)</b>	<b>(1,495)</b>
<b>Net fee and commission income</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>	<b>3,032</b>	<b>2,778</b>

## Loans to customers - 9 quarter summary

ISK million	31.03.20	31.12.19	30.09.19	30.06.19	31.03.19	31.12.18	30.09.18	30.06.18	31.03.18
Individuals	347,539	349,181	345,234	334,749	324,245	319,390	314,491	306,376	299,201
Commerce and services	127,887	126,488	130,879	135,041	130,325	124,242	123,624	126,211	118,378
Construction	45,621	44,420	33,865	33,445	31,466	29,095	30,913	29,079	26,856
Energy	8,024	7,887	6,803	6,934	6,911	6,858	7,407	6,933	7,006
Financial services	1,436	2,315	2,768	23	2,575	1,704	220	179	175
Industrial and transportation	84,709	82,288	84,127	81,784	80,986	79,824	84,849	74,703	74,372
Investment companies	25,184	23,590	27,507	26,052	24,657	23,799	19,532	16,900	20,627
Public sector and non-profit organisations	11,339	12,312	11,615	11,453	11,528	12,087	11,819	14,208	14,731
Real estate	149,138	145,559	156,548	153,077	148,765	142,885	136,787	134,156	130,993
Seafood	122,973	105,592	109,829	111,888	112,072	106,715	105,940	91,193	83,810
	<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>799,938</b>	<b>776,149</b>

### Loans to customers - by product

Overdrafts	44,929	48,938	54,510	51,836	53,120	48,581	48,239	49,417	53,431
Credit cards	15,621	19,026	19,777	17,492	16,253	18,242	17,764	17,710	16,467
Mortgages	285,670	281,499	274,186	267,762	255,579	249,296	243,024	236,158	229,985
Capital leases	47,872	45,623	46,583	50,588	47,309	45,116	42,114	44,474	41,889
Other loans	529,758	504,546	514,119	506,768	501,269	485,364	484,441	452,179	434,377
<b>Loans to customers</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>799,938</b>	<b>776,149</b>



## Capital and risk exposure amount

ISK million	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 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	8,016	7,065	6,801	6,816	6,776	6,499	5,891	5,598	4,991
Retained earnings	104,349	105,569	103,785	101,534	99,401	102,496	101,280	99,159	93,930
Non-controlling interests	2,177	2,428	2,398	2,434	2,444	2,318	2,459	2,425	2,416
Fair value changes due to own credit standing	(773)	392	731	760	871	376	674	730	1,277
Tax assets	(30)	(476)	(445)	(394)	(292)	(215)	(235)	(374)	(454)
Intangible assets	(3,736)	(4,330)	(4,709)	(4,882)	(4,868)	(5,002)	(4,910)	(4,774)	(4,412)
Other regulatory adjustments	-	-	-	-	-	-	-	-	(1,338)
<b>Total CET1 capital</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>	<b>167,764</b>	<b>161,410</b>
Tier 2 capital									
Qualifying subordinated liabilities	24,456	22,674	21,993	23,431	16,468	16,216	15,531	8,872	8,838
<b>Total regulatory capital</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>	<b>176,636</b>	<b>170,248</b>
Risk exposure amount									
- due to credit risk	811,936	789,180	815,266	809,840	789,806	750,801	758,774	724,177	701,035
- due to market risk:	12,350	7,919	10,482	13,988	9,877	7,622	10,428	10,055	9,887
Market risk, trading book	9,095	6,488	8,736	10,072	7,843	6,649	7,099	6,251	6,939
Currency risk FX	3,255	1,431	1,746	3,916	2,034	973	1,393	3,804	2,948
- due to credit valuation adjustment	1,665	2,027	1,954	2,815	2,077	2,385	2,619	1,786	1,670
- due to operational risk	85,424	85,424	85,141	85,141	85,141	85,141	83,331	83,331	83,331
<b>Total risk exposure amount</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>819,349</b>	<b>795,923</b>
<b>Capital ratios</b>									
Tier 1 ratio	19.2%	19.9%	19.0%	18.8%	19.1%	20.3%	19.9%	20.5%	20.3%
Tier 2 ratio	2.7%	2.5%	2.4%	2.6%	1.8%	1.9%	1.8%	1.1%	1.1%
Total capital ratio	21.9%	22.4%	21.4%	21.4%	20.9%	22.2%	21.7%	21.6%	21.4%

## Macroeconomics - summary

	4Q19	3Q19	2Q19	1Q19	4Q18	3Q18	2Q18	1Q18	4Q17
<b>YoY change, %</b>									
GDP growth	4.7	0.4	2.8	-0.4	3.3	2.5	4.6	5.2	2.8
Total investment	-3.0	3.9	-8.0	-18.8	-3.3	-8.0	3.0	4.9	4.7
Business investment	1.7	-4.9	-26.5	-35.5	-23.2	-17.6	-2.0	-2.9	4.3
Residential investment	12.7	52	41.9	22.0	3.9	-3.8	30.2	40.7	-2.4
Personal consumption	1.0	2.0	1.0	2.5	3.4	5.5	5.0	5.3	7.1
Unemployment rate, % of workforce	3.3	3.5	4.4	3.0	2.4	2.2	3.6	2.9	2.6
Current account, % of GDP	6.5	8.1	2.1	6.5	0.7	10.0	-0.6	0.7	0.6
International investment position, % of GDP	22.5	20.1	18.2	19.5	10.5	11.7	6.1	5.1	2.5
Gross general govt. debt, % of GDP	37.0				37.4				43.2
Household debt, gross, % of GDP	98.9	98.4	98.3	98.8	97.7	95.8	95.1	95.2	97.5
Corporate debt, gross, % of GDP	84.6	86.9	88.9	90.4	90.5	90.0	87.9	86.1	86.0
<b>YoY change, %</b>									
Inflation	2.5	3.1	3.4	3.1	3.3	2.7	2.3	2.5	1.8
Residential real estate price index	0.1	-0.8	0.6	1.6	2.4	2.7	5.3	10.8	15.1
Wages	4.3	4.3	5.4	5.7	6.1	6.1	6.5	7.2	7.1
Real wages	1.7	1.1	1.9	2.5	2.8	3.2	4.1	4.7	5.1
ISK index, average	180.6	182.1	181.8	179.3	180.3	164.3	160.9	161.2	161.7
Central bank policy rate (1W)	3.1	3.6	4.3	4.5	4.5	4.3	4.3	4.3	4.3
Long-term nominal yield	3.6	3.8	4.2	5.2	5.4	5.4	5.4	5.0	4.9
Long-term real yield	0.8	0.8	1.1	1.4	1.5	1.8	1.8	1.9	1.9

## Other

**Currencies**                      **31.03.20**   **31.12.19**   **30.09.19**   **30.06.19**   **31.03.19**   **31.12.18**   **30.09.18**   **30.06.18**   **31.03.18**

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### Currencies

USD	141.7	121.1	123.7	124.5	122.6	120.4	108.2	103.5	101.1
GBP	175.2	159.4	152.2	157.8	159.7	154.8	141.0	140.7	140.7
EUR	155.3	135.8	135.1	141.7	137.5	120.9	125.8	123.3	124.3
DKK	20.8	18.2	18.1	19.0	18.4	18.4	16.9	16.6	16.7
SEK	14.0	13.0	12.6	13.4	13.2	13.3	12.1	11.9	12.5
CHF	146.8	125.1	124.3	127.7	123.1	120.9	110.0	105.0	106.7

# Financial targets

Negative ROE in the quarter has limited impact on capital ratios

	Target	1Q2020	2019	2018	Guidance
<b>Return on equity</b>	8-10%	-3.0%	4.8%	6.1%	<ul style="list-style-type: none"> <li>— Target of 4-6% on top of risk free rate. Risk free-rate is currently 1.5%</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 1.5% the ROE target in the very short term is 5.5-7.5%</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>Cost/ Income ratio*</b>	<55%	62.9%	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%	✓ 19.2%	✓ 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%	✓ 21.9%	✓ 22.4%	✓ 22.2%	<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 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<sup>1</sup>.</li> </ul>

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

# Íslandsbanki 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 digitalized 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	Stable	Stable
Rating action	April 20	Rating action	Nov 19	May 19	April 20

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