



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

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

Financial Calendar

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

- 3Q2017 - 9 November 2017
- 4Q2017 - 14 February 2018
- 1Q2018 - 9 May 2018

Please note that the dates are subject to change.

For information on Íslandsbanki's financial calendar and silent periods please refer to:

<http://www.islandsbanki.is/english/investor-relations/calendar/>.

Highlights

Our profile

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

Our Bank



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

14 
branches

users
107,000 
online banking

Market Share

retail

+30%

SMEs

35%

large companies

31%

Credit Ratings

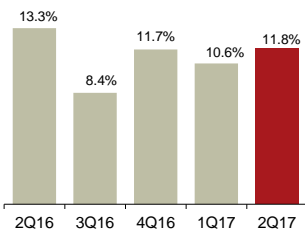
BBB/A-2 Positive outlook

S&P Global
Ratings

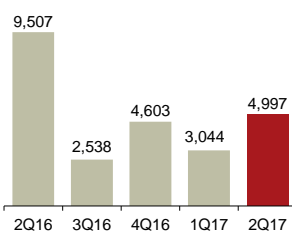
BBB/F3

FitchRatings
Stable outlook

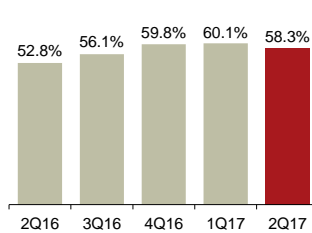
ROE reg. operations CET1 15%



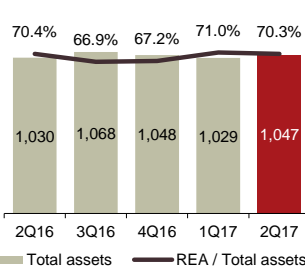
PROFIT AFTER TAX



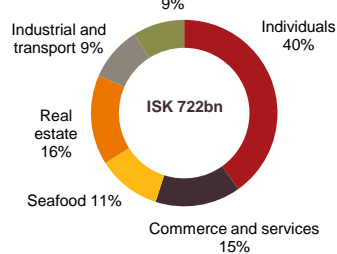
COST / INCOME RATIO



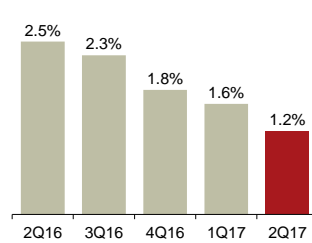
REA / TOTAL ASSETS



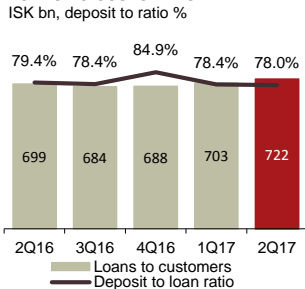
SECTOR SPLIT



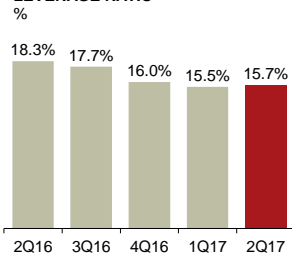
NON-PERFORMING LOANS



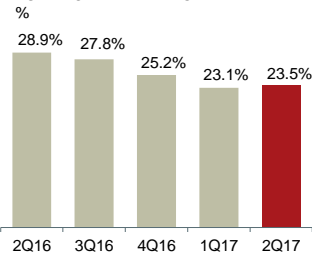
LOANS TO CUSTOMERS



LEVERAGE RATIO



TOTAL CAPITAL RATIO



Key Performance Indicators - 5 years

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

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

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

*** Excludes one-off costs

Income statement - 5 year summary

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

Balance sheet - 5 year summary

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

Net interest income - 5 year summary

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

Net fee & commission income - 5 year summary

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

Loans to customers - 5 year summary

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

Capital and Risk Exposure Amount - 5 year summary

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

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

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

** Excludes one-off costs

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

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

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

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

Loans to customers - 9 quarter summary	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
ISK million	2017	2017	2016	2016	2016	2016	2015	2015	2015
Individuals	290,584	287,303	286,177	278,634	276,282	272,114	272,610	268,842	259,792
Commerce and services	107,153	104,233	97,943	99,315	101,777	94,586	89,781	87,268	90,865
Construction	27,797	26,740	27,878	25,511	26,375	24,181	23,013	20,361	19,764
Energy	7,152	7,168	7,216	4,552	5,597	4,535	3,737	4,761	3,791
Financial services	42	37	85	237	936	2,294	105	97	106
Industrial and transportation	68,413	65,100	63,090	64,894	67,772	64,545	60,726	64,623	66,594
Investment companies	17,221	14,377	14,402	16,927	18,352	19,192	19,362	17,115	18,346
Public sector and non-profit organisations	12,604	12,929	12,835	13,708	13,212	13,422	13,878	12,010	11,524
Real estate	112,687	105,430	100,020	101,136	102,438	99,765	99,094	102,022	103,320
Seafood	80,054	82,103	80,243	81,500	88,486	84,884	85,872	85,857	82,188
Loans to customers before collective impairment allowance	723,707	705,420	689,889	686,414	701,227	679,518	668,178	662,956	656,290
Collective impairment allowance	(1,887)	(1,973)	(2,049)	(2,244)	(2,558)	(2,439)	(2,467)	(2,648)	(2,562)
Loans to customers	721,820	703,447	687,840	684,170	698,669	677,079	665,711	660,308	653,728
Loans to customers - by product									
Overdrafts	42,907	45,540	45,383	36,280	38,949	41,129	38,654	36,964	39,457
Creditcards	18,441	17,547	19,188	17,653	17,895	17,680	18,166	17,820	17,188
Mortgages	218,478	214,949	211,233	205,101	202,004	198,427	197,307	193,066	184,994
Capital leases	43,642	41,749	40,415	46,229	48,709	44,778	39,161	41,348	43,382
Other loans	400,239	385,635	373,670	381,151	393,670	377,504	374,891	373,758	371,269
Loans to customers before collective impairment allowance	723,707	705,420	689,889	686,414	701,227	679,518	668,178	662,956	656,290
Collective impairment allowance	(1,887)	(1,973)	(2,049)	(2,244)	(2,558)	(2,439)	(2,467)	(2,648)	(2,562)
Loans to customers	721,820	703,447	687,840	684,170	698,669	677,079	665,711	660,308	653,728
Asset quality									
Neither past due nor impaired	702,257	680,144	663,124	655,729	666,307	642,638	636,685	627,745	614,469
Past due but not impaired	16,154	20,503	21,448	24,167	27,025	28,556	23,572	26,937	31,009
thereof past due more than 90 days	3,375	6,732	7,251	8,916	9,252	6,176	6,954	7,517	7,010
Classified as impaired	5,296	4,773	5,317	6,518	7,895	8,324	7,921	8,274	10,812
Total	723,707	705,420	689,889	686,414	701,227	679,518	668,178	662,956	656,290
Impairment allowance									
Specific impairment allowance	(8,161)	(10,670)	(11,472)	(12,259)	(12,614)	(13,379)	(13,406)	(13,752)	(16,097)
Collective impairment allowance	(1,887)	(1,973)	(2,049)	(2,244)	(2,558)	(2,439)	(2,467)	(2,648)	(2,562)
Total	(10,048)	(12,643)	(13,521)	(14,503)	(15,172)	(15,818)	(15,873)	(16,400)	(18,659)

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

Macroeconomics - summary

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

Other - 5 years

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

Íslandsbanki 1H17



Private and confidential



PROFITABILITY



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

EFFICIENCY

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

Capital

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

Assets

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

Liquidity

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



Credit Ratings

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

FitchRatings **BBB/F3**
Stable outlook

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

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












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

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

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Ratings

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

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



Icelandic Sovereign rating



Íslandsbanki hf.

Disclaimer

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