



**ÍSLANDBANKI FACTBOOK**

30.06.2016

**Supplementary information for market  
participants**

**(Unaudited)**



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## Investor Relations

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

### Financial Calendar

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<u>Date</u>	<u>Event</u>
13-23 February 2016	Silent period
23 February 2016	4Q15
11 May 2016	1Q16
22 August 2016	2Q16
8 November 2016	3Q16
21 February 2017	4Q16

Please note that the dates are subject to change.

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

## Key Performance Indicators - 5 years

ISK million	1H16	2015	2014	2013	2012
<b>Profitability</b>					
Return on equity (after tax)	12.9%	10.8%	12.8%	14.7%	17.2%
ROE 14% CET1 (regular operations)	11.9%	13.2%	12.6%	10.6%	16.6%
Earnings per share	0.93	1.87	2.17	2.30	2.34
Core income / total operating income*	0.75	0.92	0.91	0.91	0.89
<b>Net interest margin</b>					
Net interest margin on total assets	3.1%	2.9%	3.0%	3.4%	4.1%
Net interest margin adj. 14% CET1	1.6%	2.5%	2.7%	3.1%	3.9%
<b>Efficiency</b>					
Cost-to-income ratio**	56.0%	56.2%	57.7%	58.5%	53.8%
Cost / income ratio adj. 14% CET1	3.1%	60.6%	62.2%	62.0%	56.4%
Cost-to-total assets ratio***	2.7%	2.9%	3.0%	3.2%	3.2%
Number of FTE´s at period end - Consolidated	1,217	1,184	1,206	1,201	1,287
Number of FTE´s at period end - Parent co.	1,046	919	945	988	1,079
Number of branches at period end	17	17	18	19	21
<b>Assets</b>					
Loans to customers	698,669	665,711	634,799	554,741	557,857
Non-performing loans	2.5%	2.2%	3.5%	7.4%	12.6%
Reserve coverage ratio	88%	107%	88%	58%	36%
LTV on mortgages to individuals	65.0%	69.2%	74.0%	78.0%	85.0%
Risk weighted assets / Total assets	70.4%	66.9%	76.3%	76.2%	80.7%
<b>Financial strength</b>					
Equity as % of total assets	19.3%	19.3%	20.4%	19.3%	17.9%
<b>Liquidity</b>					
Liquidity coverage ratio (LCR)	173.0%	143.0%	130.0%	143.0%	
Liquidity coverage ratio (LCR) - Foreign currencies	368.0%	467.0%	617.0%	326.0%	
Net stable funding ratio (NSFR) - All currencies	117.0%	120.0%	112.0%		
Net stable funding ratio (NSFR) - Foreign currencies	154.0%	141.0%	126.0%		
Term deposits % of total deposits	39.0%	39.0%	34.0%	28.0%	28.0%
Deposit-to-loan ratio	79.4%	88.3%	82.9%	86.7%	83.3%
Customer deposits-to-loans to customers ratio	81.0%	89.1%	83.4%	88.2%	84.5%
<b>Capital</b>					
CET1 ratio	27.1%	28.3%	26.5%	25.1%	22.0%
Tier 2 ratio	1.8%	1.8%	3.1%	3.3%	3.5%
Capital adequacy ratio	28.9%	30.1%	29.6%	28.4%	25.5%
Leverage ratio	18.3%	18.1%	19.5%	18.6%	16.3%
Risk weighted assets	724,713	699,693	695,102	659,757	664,689

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

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

\*\*\* Excludes impairment of goodwill, and one-off costs

## Income statement - 5 year summary

ISK million	1H16	2015	2014	2013	2012
Interest income	31,174	53,414	50,816	54,333	59,419
Interest expense	(15,279)	(25,404)	(23,711)	(25,903)	(26,479)
Net interest income	15,895	28,010	27,105	28,430	32,940
Fee and commission income	10,611	20,737	17,984	16,695	14,812
Fee and commission expense	(3,952)	(7,567)	(6,501)	(6,262)	(5,353)
Net fee and commission income	6,659	13,170	11,483	10,433	9,459
Net financial income	6,666	3,881	1,568	4,612	1,517
Net foreign exchange gain (loss)	317	(1,490)	165	(2,423)	2,737
Other operating income	624	1,102	2,122	1,545	996
Other net operating income	7,607	3,493	3,855	3,734	5,250
<b>Total operating income</b>	<b>30,161</b>	<b>44,673</b>	<b>42,443</b>	<b>42,597</b>	<b>47,649</b>
Administrative expenses	(14,116)	(23,760)	(22,901)	(25,551)	(24,589)
Impairment of goodwill	-	-	-	-	(425)
Contribution to the Depositors' and Investors' Guarantee Fund	(528)	(1,067)	(1,055)	(1,016)	(1,055)
Bank tax	(1,407)	(2,878)	(2,444)	(2,321)	(858)
<b>Total operating expenses</b>	<b>(16,051)</b>	<b>(27,705)</b>	<b>(26,400)</b>	<b>(28,888)</b>	<b>(26,927)</b>
Profit before net loan impairment	14,110	16,968	16,043	13,709	20,722
Net loan impairment	369	8,135	8,810	16,299	5,710
<b>Profit before tax</b>	<b>14,479</b>	<b>25,103</b>	<b>24,853</b>	<b>30,008</b>	<b>26,432</b>
Income tax expense	(2,586)	(5,851)	(6,239)	(7,866)	(6,253)
<b>Profit for the year from continuing operations</b>	<b>11,893</b>	<b>19,252</b>	<b>18,614</b>	<b>22,142</b>	<b>20,179</b>
Profit from discontinued operations, net of income tax	1,124	1,326	4,136	927	3,239
<b>Profit for the year</b>	<b>13,017</b>	<b>20,578</b>	<b>22,750</b>	<b>23,069</b>	<b>23,418</b>
Basic earnings per share from profit for the year	0.93	1.87	2.17	2.30	2.34

## Balance sheet - 5 year summary

ISK million	30.6.2016	2015	2014	2013	2012
Cash and balances with Central Bank	182,177	216,760	103,389	111,779	85,500
Bonds and debt instruments	71,756	78,606	87,347	75,186	64,035
Shares and equity instruments	12,692	18,320	10,531	9,208	10,445
Derivatives	2,036	1,981	1,810	843	127
Loans to credit institutions	33,088	35,534	35,072	44,078	54,043
Loans to customers	698,669	665,711	634,799	554,741	557,857
Investments in associates	764	716	570	1,563	503
Property and equipment	5,884	7,344	7,402	8,772	5,579
Intangible assets	1,700	1,331	619	299	261
Other assets	11,268	6,674	8,140	12,434	5,979
Non-current assets and disposal groups held for sale	9,583	12,792	21,649	47,106	39,046
<b>Total Assets</b>	<b>1,029,617</b>	<b>1,045,769</b>	<b>911,328</b>	<b>866,009</b>	<b>823,375</b>
Deposits from Central Bank and credit institutions	14,633	25,631	25,796	29,689	38,272
Deposits from customers	566,220	593,245	529,447	489,331	471,156
Derivative instruments and short positions	6,079	6,981	3,963	11,176	18,435
Debt issued and other borrowed funds	163,469	150,308	96,889	89,193	66,571
Subordinated loans	18,886	19,517	21,306	21,890	23,450
Tax liabilities	9,894	8,358	8,388	10,826	2,072
Other liabilities	49,252	36,677	37,262	37,130	48,954
Non-current liabilities and disposal groups held for sale	2,347	2,825	2,790	9,456	6,805
<b>Total Liabilities</b>	<b>830,780</b>	<b>843,542</b>	<b>725,841</b>	<b>698,691</b>	<b>675,715</b>
Share capital	10,000	10,000	10,000	10,000	10,000
Share premium	55,000	55,000	55,000	55,000	55,000
Other reserves	2,470	6,002	2,535	2,471	2,834
Retained earnings	127,666	127,288	116,288	98,548	78,571
Total equity attributable to the equity holders of Íslandsbanki hf.	195,136	198,290	183,823	166,019	146,405
Non-controlling interests	3,701	3,937	1,664	1,299	1,255
<b>Total Equity</b>	<b>198,837</b>	<b>202,227</b>	<b>185,487</b>	<b>167,318</b>	<b>147,660</b>
<b>Total Liabilities and Equity</b>	<b>1,029,617</b>	<b>1,045,769</b>	<b>911,328</b>	<b>866,009</b>	<b>823,375</b>

## Net interest income - 5 year summary

ISK million	1H16	2015	2014	2013	2012
<b>Interest income:</b>					
Cash and balances with Central Bank	5,633	7,394	6,671	4,639	3,467
Loans and receivables	24,604	43,303	40,331	46,764	52,571
Financial assets held for trading	(17)	980	1,957	948	-184
Financial assets designated at fair value through profit or loss	893	1,558	1,672	1,790	1,742
Other assets	61	179	185	192	118
<b>Total interest income</b>	<b>31,174</b>	<b>53,414</b>	<b>50,816</b>	<b>54,333</b>	<b>57,714</b>
<b>Interest expense:</b>					
Deposits from credit institutions and Central Bank	(249)	(517)	(479)	(505)	(1,204)
Deposits from customers	(10,621)	(18,240)	(16,919)	(18,174)	(17,739)
Borrowings	(3,913)	(5,427)	(4,750)	(5,753)	(5,629)
Subordinated loans	(466)	(1,015)	(911)	(951)	(1,098)
Other financial liabilities	(7)	(147)	(295)	(367)	(546)
Other interest expense	(23)	(58)	(357)	(153)	(263)
<b>Total interest expense</b>	<b>(15,279)</b>	<b>(25,404)</b>	<b>(23,711)</b>	<b>(25,903)</b>	<b>(26,479)</b>
<b>Net interest income</b>	<b>15,895</b>	<b>28,010</b>	<b>27,105</b>	<b>28,430</b>	<b>31,235</b>
Interest spread (as the ratio of net interest income to the average carrying amount of total assets)	3.1%	2.9%	3.0%	3.4%	3.9%
<b>Interest bearing:</b>					
<b>Assets</b>					
Balances with Central Bank	182,177	216,760	103,389	111,779	83,493
Bonds and debt instruments	33,974	34,163	33,074	33,876	35,637
Loans to credit institutions	33,088	35,534	35,072	44,078	54,042
Loans to customers	701,227	665,710	637,650	558,419	559,594
<b>Total assets</b>	<b>950,466</b>	<b>952,167</b>	<b>809,185</b>	<b>748,152</b>	<b>732,766</b>
Off-balance sheet items	132,945	119,243	97,455	55,905	77,354
<b>Liabilities</b>					
Short positions	-	-	-	3,670	5,216
Deposits from CB and credit institutions	14,398	25,631	25,796	29,689	38,272
Deposits from customers	566,220	593,245	529,447	489,331	471,156
Debt issued and other borrowed funds	158,408	150,308	96,889	89,194	66,571
Subordinated loans	18,886	19,517	21,306	21,890	23,450
<b>Total liabilities</b>	<b>757,912</b>	<b>788,701</b>	<b>673,438</b>	<b>633,774</b>	<b>604,665</b>
Off-balance sheet items	132,490	131,357	106,555	57,217	82,680
<b>Net interest gap</b>	<b>193,009</b>	<b>151,352</b>	<b>126,647</b>	<b>113,066</b>	<b>122,775</b>

## Net fee & commission income - 5 year summary

ISK million	1H16	2015	2014	2013	2012
<b>Fee and commission income:</b>					
Asset management	870	1,778	1,683	1,564	1,490
Investment Banking and brokerage	1,004	2,132	1,833	2,005	2,071
Payment processing	7,154	13,664	11,627	10,484	8,546
Loans and guarantees	763	1,498	1,267	1,141	1,104
Other fees and commissions income	820	1,665	1,574	1,501	1,601
Total fees and commission income	10,611	20,737	17,984	16,695	14,812
<b>Commission expenses:</b>					
Interbank charges	-	-	(157)	(331)	(232)
Brokerage	(64)	(121)	(128)	(126)	(165)
Clearing and settlement	(3,877)	(7,415)	(6,179)	(5,702)	(4,878)
Other commission expenses	(11)	(31)	(37)	(103)	(78)
Total commission expenses	(3,952)	(7,567)	(6,501)	(6,262)	(5,353)
<b>Net fee and commission income</b>	<b>6,659</b>	<b>13,170</b>	<b>11,483</b>	<b>10,433</b>	<b>9,459</b>



## Loans to customers - 5 year summary

ISK million	30.6.2016	2015	2014	2013	2012
Individuals	276,282	272,610	262,848	255,044	244,426
Commerce and services	101,777	89,781	79,658	81,522	68,805
Construction	26,375	23,013	18,751	18,640	16,465
Energy	5,597	3,737	7,315	3,614	4,942
Financial services	936	105	121	34	254
Government secured customer	-	-	-	-	-
Industrial and transportation	67,772	60,726	61,878	46,433	43,660
Investment companies	18,352	19,362	13,911	10,306	16,023
Public sector and non-profit organisations	13,212	13,878	12,216	6,894	10,934
Real estate	102,438	99,094	99,540	66,647	72,941
Seafood	88,486	85,872	81,412	69,289	81,145
<b>Loans to customers before collective impairment allowance</b>	<b>701,227</b>	<b>668,178</b>	<b>637,650</b>	<b>558,423</b>	<b>559,595</b>
Collective impairment allowance	(2,558)	(2,467)	(2,851)	(3,682)	(1,738)
<b>Loans to customers</b>	<b>698,669</b>	<b>665,711</b>	<b>634,799</b>	<b>554,741</b>	<b>557,857</b>
<b>Loans to customers - by product</b>					
Overdrafts	38,949	38,654	37,228	39,439	33,356
Creditcards	17,895	18,166	17,690	18,080	17,869
Mortgages	202,004	197,307	186,583	176,421	164,416
Capital leases	48,709	42,118	36,231	33,736	32,913
Other loans	393,670	371,933	359,918	290,747	311,041
<b>Loans to customers before collective impairment allowance</b>	<b>701,227</b>	<b>668,178</b>	<b>637,650</b>	<b>558,423</b>	<b>559,595</b>
Collective impairment allowance	(2,558)	(2,467)	-2,851	-3,682	-1,738
<b>Loans to customers</b>	<b>698,669</b>	<b>665,711</b>	<b>634,799</b>	<b>554,741</b>	<b>557,857</b>
<b>Asset quality</b>					
Neither past due nor impaired	666,307	636,685	595,903	496,705	469,435
Past due but not impaired	27,025	23,572	27,619	34,618	42,205
thereof past due more than 90 days	9,252	6,954	8,223	14,114	22,556
Classified as impaired	7,895	7,921	14,128	27,100	47,955
<b>Total</b>	<b>701,227</b>	<b>668,178</b>	<b>637,650</b>	<b>558,423</b>	<b>559,595</b>
<b>Impairment allowance</b>					
Specific impairment allowance	-12,614	-13,406	-16,908	-20,410	-23,913
Collective impairment allowance	-2,558	-2,467	-2,851	-3,682	-1,738
<b>Total</b>	<b>-15,172</b>	<b>-15,873</b>	<b>-19,759</b>	<b>-24,092</b>	<b>-25,651</b>

## Capital and Risk Weighted Assets - 5 year summary

ISK million	30.6.2016	2015	2014	2013	2012
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	2,470	6,002	2,535	2,471	2,834
Retained earnings	127,666	127,288	116,288	98,548	78,571
Non-controlling interests	3,701	3,937	1,664	1,299	1,255
Tax assets	(28)	-	(521)	(1,275)	(864)
Intangible assets	(1,700)	(1,331)	(619)	(299)	(261)
Other regulatory adjustments	(472)	(2,779)	-	(159)	(321)
<b>Total Tier 1 capital</b>	<b>196,637</b>	<b>198,117</b>	<b>184,347</b>	<b>165,585</b>	<b>146,214</b>
Tier 2 capital					
Qualifying subordinated liabilities	18,886	19,517	21,306	21,890	23,450
Adjustment to eligible capital liabilities	(5,666)	(3,903)	-	-	-
Other regulatory adjustments	(472)	(2,779)	-	(160)	(322)
<b>Total regulatory capital</b>	<b>209,385</b>	<b>210,952</b>	<b>205,653</b>	<b>187,315</b>	<b>169,342</b>
Risk weighted assets					
- due to credit risk	635,551	606,591	583,375	551,938	549,535
- due to market risk:	12,667	16,607	33,326	28,849	33,940
Market risk, trading book	11,827	9,931	6,594	5,105	6,006
Currency risk FX	840	6,676	26,732	23,744	27,934
- due to operational risk	76,495	76,495	78,401	78,970	81,214
<b>Total risk weighted assets</b>	<b>724,713</b>	<b>699,693</b>	<b>695,102</b>	<b>659,757</b>	<b>664,689</b>
<b>Capital ratios</b>					
CET1 ratio	27.1%	28.3%	26.5%	25.1%	22.0%
Tier 2 ratio	1.8%	1.8%	3.1%	3.3%	3.5%
Capital adequacy ratio	28.9%	30.1%	29.6%	28.4%	25.5%
Leverage ratio	18.3%	18.2%	19.5%	18.6%	16.3%

Key Performance indicators - 9 Quarters ISK million	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014	Q3 2014	Q2 2014
<b>Profitability</b>									
Return on equity	19.1%	6.9%	7.9%	12.5%	11.7%	11.8%	9.9%	7.9%	14.5%
ROE 14% CET1 (regular operations)*	13.9%	10.1%	13.6%	11.1%	12.8%	15.0%	11.1%	14.4%	9.1%
Earnings per share	0.66	0.27	0.39	0.55	0.45	0.53	0.46	0.31	0.57
<b>Net interest margin</b>									
Net interest margin on total assets	3.3%	2.9%	2.7%	3.0%	3.1%	2.7%	2.8%	3.1%	3.1%
Net interest margin adj. 14% CET1	1.8%	2.5%	2.4%	2.7%	2.8%	2.4%	2.5%	2.7%	2.7%
<b>Efficiency</b>									
Cost-to-income ratio*	53.3%	58.3%	55.7%	57.1%	56.6%	55.3%	62.6%	52.0%	61.1%
Cost / income ratio adj. 14% CET1	3.3%	62.8%	60.5%	62.0%	60.3%	59.0%	67.6%	56.2%	60.7%
Cost-to-total assets ratio**	3.0%	2.9%	1.5%	2.7%	3.0%	2.9%	3.1%	2.7%	3.0%
Number of FTE's at period end - Consolidated	1,217	1,180	1,184	1,197	1,291	1,186	1,206	1,229	1,330
Number of FTE's at period end - Parent co.	1,046	922	919	933	1,030	930	945	965	1,059
<b>Asset quality</b>									
Loans to customers	698,669	677,079	665,711	660,308	653,728	637,877	634,799	608,328	603,697
Non-performing loans	2.5%	2.1%	2.2%	2.4%	2.7%	3.0%	3.5%	5.8%	5.9%
Reserve coverage ratio	88.5%	109.1%	107%	104%	105%	96%	88%	62%	66%
LTV on mortgages to individuals	65.0%	69.4%	69.2%	69.0%	68.0%	72.0%	74.0%	74.0%	80.0%
Risk weighted assets / Total assets	70.4%	70.2%	66.9%	71.1%	73.8%	75.9%	76.3%	73.5%	74.3%
<b>Financial strength</b>									
Equity as % of total assets	19.3%	20.1%	19.3%	19.2%	19.2%	19.6%	20.4%	19.5%	19.3%
<b>Liquidity</b>									
Liquidity coverage ratio (LCR)	173.0%	154.0%	143.0%	156.0%	151.0%	134.0%	130.0%	154.0%	138.0%
Liquidity coverage ratio (LCR) - Foreign currencies	368.0%	527.0%	467.0%	409.0%	442.0%	401.0%	617.0%	431.0%	302.0%
Net stable funding ratio (NSFR) - All currencies	117.0%	118.0%	120.0%	111.0%	107.0%	112.0%	112.0%		
Net stable funding ratio (NSFR) - Foreign currencies	154.0%	157.0%	141.0%	124.0%	120.0%	124.0%	126.0%		
Term deposits % of total deposits	39.0%	37.0%	39.0%	38.0%	36.0%	35.0%	34.0%	31.0%	31.0%
Deposit-to-loan ratio	79.4%	81.3%	88.3%	87.0%	83.7%	80.3%	82.9%	86.2%	83.7%
Customer deposits-to-loans to customers ratio	81.0%	80.4%	89.1%	88.0%	86.7%	81.6%	83.4%	88.1%	86.2%
<b>Capital</b>									
CET 1 ratio	27.1%	28.1%	28.3%	26.9%	25.8%	25.7%	26.5%	26.3%	26.1%
Tier 2 ratio	1.8%	1.6%	1.8%	2.3%	2.5%	2.7%	3.1%	3.1%	3.2%
Capital adequacy ratio	28.9%	29.7%	30.1%	29.2%	28.3%	28.4%	29.6%	29.4%	29.3%
Leverage ratio <sup>†</sup>	18.3%	18.7%	18.1%	18.3%	18.3%	18.8%	19.5%	18.7%	18.8%
Risk weighted assets	724,713	716,592	699,693	713,592	720,552	703,188	695,102	683,858	674,099

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

\*\* Excludes impairment of goodwill, and one-off costs

<b>Income statement - 9 quarter summary</b>	<b>Q2</b>	<b>Q1</b>	<b>Q4</b>	<b>Q3</b>	<b>Q2</b>	<b>Q1</b>	<b>Q4</b>	<b>Q3</b>	<b>Q2</b>
<b>ISK million</b>	<b>2016</b>	<b>2016</b>	<b>2015</b>	<b>2015</b>	<b>2015</b>	<b>2015</b>	<b>2014</b>	<b>2014</b>	<b>2014</b>
Net interest income	8,356	7,539	7,003	7,457	7,359	6,191	6,469	7,068	6,922
Net fee and commission income	3,515	3,144	3,235	3,512	3,518	2,905	2,962	2,849	2,818
Net financial income	6,062	604	1,455	387	275	1,764	603	83	19
Net foreign exchange (loss) gain	305	12	(137)	(1,072)	(141)	(140)	116	352	(12)
Other operating income	473	151	403	158	252	289	509	233	267
Other net operating income	6,840	767	1,721	(527)	386	1,913	1,228	668	274
<b>Total operating income</b>	<b>18,711</b>	<b>11,450</b>	<b>11,959</b>	<b>10,442</b>	<b>11,263</b>	<b>11,009</b>	<b>10,659</b>	<b>10,585</b>	<b>10,014</b>
Administrative expenses	(7,599)	(6,517)	(6,518)	(5,310)	(6,109)	(5,823)	(6,411)	(5,231)	(5,350)
Contribution to the Depositors' and Investors' Guarantee Fund	(267)	(261)	(270)	(263)	(265)	(269)	(265)	(272)	(260)
Bank tax	(716)	(691)	(818)	(732)	(710)	(618)	(565)	(664)	(623)
<b>Total operating expenses</b>	<b>(8,582)</b>	<b>(7,469)</b>	<b>(7,606)</b>	<b>(6,305)</b>	<b>(7,084)</b>	<b>(6,710)</b>	<b>(7,241)</b>	<b>(6,167)</b>	<b>(6,233)</b>
<b>Profit before net loan impairment</b>	<b>10,129</b>	<b>3,981</b>	<b>4,353</b>	<b>4,137</b>	<b>4,179</b>	<b>4,299</b>	<b>3,418</b>	<b>4,418</b>	<b>3,781</b>
Net loan impairment	689	(320)	409	3,418	1,977	2,331	3,006	65	4,219
<b>Profit before tax</b>	<b>10,818</b>	<b>3,661</b>	<b>4,762</b>	<b>7,555</b>	<b>6,156</b>	<b>6,630</b>	<b>6,424</b>	<b>4,483</b>	<b>8,000</b>
Income tax expense	(1,720)	(866)	(1,147)	(1,784)	(1,524)	(1,396)	(1,434)	(1,255)	(2,156)
<b>Profit for the period from continuing operations</b>	<b>9,098</b>	<b>2,795</b>	<b>3,615</b>	<b>5,771</b>	<b>4,632</b>	<b>5,234</b>	<b>4,990</b>	<b>3,228</b>	<b>5,844</b>
Profit (loss) for the period from discontinued operations	409	715	274	128	762	162	(430)	307	515
<b>Profit for the period</b>	<b>9,507</b>	<b>3,510</b>	<b>3,889</b>	<b>5,899</b>	<b>5,394</b>	<b>5,396</b>	<b>4,560</b>	<b>3,535</b>	<b>6,359</b>

<b>Balance sheet - 9 quarter summary</b>	<b>Q2</b>	<b>Q1</b>	<b>Q4</b>	<b>Q3</b>	<b>Q2</b>	<b>Q1</b>	<b>Q4</b>	<b>Q3</b>	<b>Q2</b>
<b>ISK million</b>	<b>2016</b>	<b>2016</b>	<b>2015</b>	<b>2015</b>	<b>2015</b>	<b>2015</b>	<b>2014</b>	<b>2014</b>	<b>2014</b>
Cash and balances with Central Bank	182,177	182,453	216,760	177,652	126,900	98,274	103,389	135,138	128,135
Bonds and debt instruments	71,756	79,873	78,606	80,053	85,274	91,201	87,347	86,007	72,380
Shares and equity instruments	12,692	18,664	18,320	9,004	11,041	11,900	10,531	10,884	12,006
Derivatives	2,036	2,759	1,981	2,199	1,581	1,843	1,810	2,165	1,348
Loans to credit institutions	33,088	27,811	35,534	35,522	52,139	40,688	35,072	41,720	45,334
Loans to customers	698,669	677,079	665,711	660,308	653,728	637,877	634,799	608,328	603,697
Investments in associates	764	1,009	716	648	612	607	570	797	1,583
Property and equipment	5,884	7,289	7,344	7,550	7,600	7,521	7,402	8,129	8,610
Intangible assets	1,700	1,471	1,331	1,143	1,058	655	619	339	357
Other assets	11,268	11,177	6,674	16,232	20,561	14,620	8,140	14,565	10,085
Non-current assets and disposal groups held for sale	9,583	11,190	12,792	13,946	15,763	21,203	21,649	22,897	23,996
<b>Total Assets</b>	<b>1,029,617</b>	<b>1,020,775</b>	<b>1,045,769</b>	<b>1,004,257</b>	<b>976,257</b>	<b>926,389</b>	<b>911,328</b>	<b>930,969</b>	<b>907,531</b>
Deposits from Central Bank and credit institutions	14,633	28,338	25,631	24,208	24,017	24,437	25,796	24,405	23,287
Deposits from customers	566,220	544,430	593,245	581,095	566,678	520,740	529,447	536,104	520,128
Derivative instruments and short positions	6,079	4,902	6,981	8,472	5,992	7,203	3,963	8,118	8,288
Debt issued and other borrowed funds	163,469	161,802	150,308	120,957	107,421	100,602	96,889	97,714	100,249
Subordinated loans	18,886	19,415	19,517	19,717	20,336	20,336	21,306	21,089	21,278
Tax liabilities	9,894	8,963	8,358	9,090	8,627	8,731	8,388	14,103	13,554
Other liabilities	49,252	44,170	36,677	44,866	53,177	59,543	37,262	44,554	39,542
Non-current liabilities and disposal groups held for sale	2,347	3,128	2,825	2,965	3,000	3,167	2,790	3,565	3,483
<b>Total Liabilities</b>	<b>830,780</b>	<b>815,148</b>	<b>843,542</b>	<b>811,370</b>	<b>789,248</b>	<b>744,759</b>	<b>725,841</b>	<b>749,652</b>	<b>729,809</b>
Share capital	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Share premium	55,000	55,000	55,000	55,000	55,000	55,000	55,000	55,000	55,000
Other reserves	2,470	5,982	6,002	2,538	2,559	2,516	2,535	2,369	2,317
Retained earnings	127,666	130,664	127,288	123,450	117,852	112,605	116,288	112,374	109,012
Total equity attributable to the equity holders of Íslandsbanki hf.	195,136	201,646	198,290	190,988	185,411	180,121	183,823	179,743	176,329
Non-controlling interests	3,701	3,981	3,937	1,899	1,598	1,509	1,664	1,574	1,393
<b>Total Equity</b>	<b>198,837</b>	<b>205,627</b>	<b>202,227</b>	<b>192,887</b>	<b>187,009</b>	<b>181,630</b>	<b>185,487</b>	<b>181,317</b>	<b>177,722</b>
<b>Total Liabilities and Equity</b>	<b>1,029,617</b>	<b>1,020,775</b>	<b>1,045,769</b>	<b>1,004,257</b>	<b>976,257</b>	<b>926,389</b>	<b>911,328</b>	<b>930,969</b>	<b>907,531</b>

<b>Net interest income - 9 quarter summary</b>	<b>Q2</b>	<b>Q1</b>	<b>Q4</b>	<b>Q3</b>	<b>Q2</b>	<b>Q1</b>	<b>Q4</b>	<b>Q3</b>	<b>Q2</b>
<b>ISK million</b>	<b>2016</b>	<b>2016</b>	<b>2015</b>	<b>2015</b>	<b>2015</b>	<b>2015</b>	<b>2014</b>	<b>2014</b>	<b>2014</b>
<b>Interest income:</b>									
Cash and balances with Central Bank	2,732	2,901	2,780	2,135	1,319	1,160	1,484	1,739	1,695
Loans and receivables	13,263	11,341	8,655	12,057	12,697	9,894	8,892	10,540	10,841
Financial assets held for trading	(114)	97	505	161	115	199	593	595	376
Financial assets designated at fair value through profit or loss	448	445	449	384	375	350	416	399	442
Other assets	35	26	44	72	30	33	42	45	45
<b>Total interest income</b>	<b>16,364</b>	<b>14,810</b>	<b>12,433</b>	<b>14,809</b>	<b>14,536</b>	<b>11,636</b>	<b>11,427</b>	<b>13,318</b>	<b>13,399</b>
<b>Interest expense:</b>									
Deposits from credit institutions and Central Bank	(114)	(135)	(220)	(98)	(108)	(91)	(97)	(119)	(124)
Deposits from customers	(5,536)	(5,085)	(4,172)	(5,197)	(5,023)	(3,848)	(3,612)	(4,487)	(4,544)
Borrowings	(2,110)	(1,803)	(752)	(1,729)	(1,810)	(1,136)	(792)	(1,310)	(1,449)
Subordinated loans	(227)	(239)	(248)	(251)	(257)	(259)	(223)	(226)	(232)
Other financial liabilities	-	(7)	(31)	(49)	(34)	(33)	(42)	(73)	(87)
Other interest expense	(21)	(2)	(7)	(28)	55	(78)	(192)	(35)	(41)
<b>Total interest expense</b>	<b>(8,008)</b>	<b>(7,271)</b>	<b>(5,430)</b>	<b>(7,352)</b>	<b>(7,177)</b>	<b>(5,445)</b>	<b>(4,958)</b>	<b>(6,250)</b>	<b>(6,477)</b>
<b>Net interest income</b>	<b>8,356</b>	<b>7,539</b>	<b>7,003</b>	<b>7,457</b>	<b>7,359</b>	<b>6,191</b>	<b>6,469</b>	<b>7,068</b>	<b>6,922</b>
<b>Assets</b>									
Balances with Central Bank	182,177	182,453	216,760	177,652	126,900	98,274	103,389	132,492	128,135
Bonds and debt instruments	33,974	33,944	34,163	34,973	34,566	31,791	33,074	33,682	33,153
Loans to credit institutions	33,088	27,811	35,534	35,522	52,139	40,688	35,072	41,720	45,334
Loans to customers	701,227	679,519	665,710	662,955	656,290	637,877	637,650	611,181	607,026
<b>Total assets</b>	<b>950,466</b>	<b>923,727</b>	<b>952,167</b>	<b>911,102</b>	<b>869,895</b>	<b>808,630</b>	<b>809,185</b>	<b>819,075</b>	<b>813,648</b>
Off-balance sheet items	132,945	130,760	119,243	107,904	101,730	96,622	97,455	90,706	89,723
<b>Liabilities</b>									
Short positions	-	-	-	-	-	-	-	3,055	4,065
Deposits from CB and credit institutions	14,398	28,216	25,631	24,208	24,017	24,437	25,796	24,405	23,287
Deposits from customers	566,220	544,430	593,245	581,095	566,678	520,740	529,447	536,104	520,128
Debt issued and other borrowed funds	158,408	161,802	150,308	120,982	107,421	100,602	96,889	97,714	100,249
Subordinated loans	18,886	19,415	19,517	19,717	20,336	20,336	21,306	21,089	21,278
<b>Total liabilities</b>	<b>757,912</b>	<b>753,863</b>	<b>788,701</b>	<b>746,002</b>	<b>718,452</b>	<b>666,115</b>	<b>673,438</b>	<b>682,367</b>	<b>669,007</b>
Off-balance sheet items	132,490	128,335	131,357	118,971	113,487	108,666	106,555	95,431	95,035
<b>Net interest gap</b>	<b>193,009</b>	<b>172,289</b>	<b>151,352</b>	<b>154,033</b>	<b>139,686</b>	<b>130,471</b>	<b>126,647</b>	<b>131,983</b>	<b>139,329</b>

<b>Net fee and commission - 9 quarter summary</b>	<b>Q2</b>	<b>Q1</b>	<b>Q4</b>	<b>Q3</b>	<b>Q2</b>	<b>Q1</b>	<b>Q4</b>	<b>Q3</b>	<b>Q2</b>
<b>ISK million</b>	<b>2016</b>	<b>2016</b>	<b>2015</b>	<b>2015</b>	<b>2015</b>	<b>2015</b>	<b>2014</b>	<b>2014</b>	<b>2014</b>
<b>Fee and commission income:</b>									
Asset management	436	434	481	436	457	404	458	397	435
Investment Banking and brokerage	613	390	423	550	737	422	164	399	576
Payment processing	3,696	3,458	3,537	3,510	3,468	3,149	2,953	3,093	2,740
Loans and guarantees	381	382	390	447	327	334	307	325	307
Other fee and commission income	463	357	497	414	385	369	678	324	311
<b>Total fee and commission income</b>	<b>5,590</b>	<b>5,021</b>	<b>5,328</b>	<b>5,357</b>	<b>5,374</b>	<b>4,678</b>	<b>4,560</b>	<b>4,538</b>	<b>4,369</b>
<b>Commission expenses:</b>									
Interbank charges	-	-	-	-	-	-	(10)	-	-
Brokerage	(25)	(39)	(39)	(40)	(20)	(22)	(33)	(25)	(36)
Clearing and settlement	(2,048)	(1,830)	(2,047)	(1,796)	(1,826)	(1,746)	(1,740)	(1,655)	(1,452)
Other commission expenses	(2)	(8)	(7)	(9)	(10)	(5)	185	(9)	(63)
<b>Total commission expenses</b>	<b>(2,075)</b>	<b>(1,877)</b>	<b>(2,093)</b>	<b>(1,845)</b>	<b>(1,856)</b>	<b>(1,773)</b>	<b>(1,598)</b>	<b>(1,689)</b>	<b>(1,551)</b>
<b>Net fee and commission income</b>	<b>3,515</b>	<b>3,144</b>	<b>3,235</b>	<b>3,512</b>	<b>3,518</b>	<b>2,905</b>	<b>2,962</b>	<b>2,849</b>	<b>2,818</b>

<b>Loans to customers - 9 quarter summary</b>	<b>Q2</b>	<b>Q1</b>	<b>Q4</b>	<b>Q3</b>	<b>Q2</b>	<b>Q1</b>	<b>Q4</b>	<b>Q3</b>	<b>Q2</b>
<b>ISK million</b>	<b>2016</b>	<b>2016</b>	<b>2015</b>	<b>2015</b>	<b>2015</b>	<b>2015</b>	<b>2014</b>	<b>2014</b>	<b>2014</b>
Individuals	276,282	272,114	272,610	268,842	259,792	258,380	262,848	260,504	258,385
Commerce and services	101,777	94,586	89,781	87,268	90,865	84,033	79,658	78,341	79,165
Construction	26,375	24,181	23,013	20,361	19,764	18,816	18,751	18,126	18,656
Energy	5,597	4,535	3,737	4,761	3,791	3,755	7,315	3,636	3,676
Financial services	936	2,294	105	97	106	456	121	72	563
Government secured customer	-	-	-	-	-	-	-	-	-
Industrial and transportation	67,772	64,545	60,726	64,623	66,594	62,703	61,878	60,620	61,246
Investment companies	18,352	19,192	19,362	17,115	18,346	17,583	13,911	17,156	17,268
Public sector and non-profit organisations	13,212	13,422	13,878	12,010	11,524	11,161	12,216	11,374	10,883
Real estate	102,438	99,765	99,094	102,022	103,320	103,160	99,540	80,694	78,822
Seafood	88,486	84,884	85,872	85,857	82,188	80,375	81,412	80,660	78,362
<b>Loans to customers before collective impairment allowance</b>	<b>701,227</b>	<b>679,518</b>	<b>668,178</b>	<b>662,956</b>	<b>656,290</b>	<b>640,422</b>	<b>637,650</b>	<b>611,183</b>	<b>607,026</b>
Collective impairment allowance	(2,558)	(2,439)	(2,467)	-2,648	-2,562	-2,545	-2,851	-2,855	-3,329
<b>Loans to customers</b>	<b>698,669</b>	<b>677,079</b>	<b>665,711</b>	<b>660,308</b>	<b>653,728</b>	<b>637,877</b>	<b>634,799</b>	<b>608,328</b>	<b>603,697</b>
<b>Loans to customers - by product</b>									
Overdrafts	38,949	41,129	38,654	36,964	39,457	38,275	37,228	38,516	39,337
Creditcards	17,895	17,680	18,166	17,820	17,188	16,362	17,690	17,056	17,090
Mortgages	202,004	198,427	197,307	193,066	184,994	183,872	186,583	184,263	181,516
Capital leases	48,709	44,778	42,118	41,348	43,382	37,442	36,231	37,120	39,470
Other loans	393,670	377,504	371,933	373,758	371,269	364,471	359,918	334,228	329,613
<b>Loans to customers before collective impairment allowance</b>	<b>701,227</b>	<b>679,518</b>	<b>668,178</b>	<b>662,956</b>	<b>656,290</b>	<b>640,422</b>	<b>637,650</b>	<b>611,183</b>	<b>607,026</b>
Collective impairment allowance	-2,558	-2,439	-2,467	-2,648	-2,562	-2,545	-2,851	-2,855	-3,329
<b>Loans to customers</b>	<b>698,669</b>	<b>677,079</b>	<b>665,711</b>	<b>660,308</b>	<b>653,728</b>	<b>637,877</b>	<b>634,799</b>	<b>608,328</b>	<b>603,697</b>
<b>Asset quality</b>									
Neither past due nor impaired	666,307	642,638	636,685	627,745	614,469	599,739	595,903	553,618	544,914
Past due but not impaired	27,025	28,556	23,572	26,937	31,009	27,906	27,619	34,113	37,857
thereof past due more than 90 days	9,252	6,176	6,954	7,517	7,010	6,542	8,223	12,112	11,283
Classified as impaired	7,895	8,324	7,921	8,274	10,812	12,777	14,128	23,452	24,255
<b>Total</b>	<b>701,227</b>	<b>679,518</b>	<b>668,178</b>	<b>662,956</b>	<b>656,290</b>	<b>640,422</b>	<b>637,650</b>	<b>611,183</b>	<b>607,026</b>
<b>Impairment allowance</b>									
Specific impairment allowance	-12,614	-13,379	-13,406	-13,752	-16,097	-16,076	-16,908	-19,320	-20,178
Collective impairment allowance	-2,558	-2,439	-2,467	-2,648	-2,562	-2,545	-2,851	-2,855	-3,329
<b>Total</b>	<b>-15,172</b>	<b>-15,819</b>	<b>-15,873</b>	<b>-16,400</b>	<b>-18,659</b>	<b>-18,621</b>	<b>-19,759</b>	<b>-22,175</b>	<b>-23,507</b>



<b>Capital and Risk Weighted Assets</b>	<b>Q2</b>	<b>Q1</b>	<b>Q4</b>	<b>Q3</b>	<b>Q2</b>	<b>Q1</b>	<b>Q4</b>	<b>Q3</b>	<b>Q2</b>
<b>ISK million</b>	<b>2016</b>	<b>2016</b>	<b>2015</b>	<b>2015</b>	<b>2015</b>	<b>2015</b>	<b>2014</b>	<b>2014</b>	<b>2014</b>
Ordinary share capital	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Share premium	55,000	55,000	55,000	55,000	55,000	55,000	55,000	55,000	55,000
Other reserves	2,470	5,982	6,002	2,538	2,559	2,516	2,535	2,369	2,317
Retained earnings	127,666	130,664	127,288	123,450	117,852	112,605	116,288	112,374	109,012
Non-controlling interests	3,701	3,981	3,937	1,899	1,598	1,509	1,664	1,574	1,393
Tax assets	-28	0	-	(22)	(45)	(270)	(521)	(694)	(981)
Intangible assets	(1,700)	(1,471)	(1,331)	(1,143)	(1,058)	(655)	(619)	(339)	(357)
Other regulatory adjustments	(472)	(2,779)	(2,779)	-	-	-	-	(160)	(160)
<b>Total Tier 1 capital</b>	<b>196,637</b>	<b>201,377</b>	<b>198,117</b>	<b>191,722</b>	<b>185,906</b>	<b>180,705</b>	<b>184,347</b>	<b>180,124</b>	<b>176,224</b>
Tier 2 capital									
Qualifying subordinated liabilities	18,886	19,415	19,517	19,717	20,336	19,319	21,306	21,089	21,278
Adjustment to eligible capital liabilities	(5,666)	(4,854)	(3,903)	(2,958)	(2,034)	-	-	(160)	(160)
Other regulatory adjustments	(472)	(2,779)	(2,779)	-	-	-	-	-	-
<b>Total regulatory capital</b>	<b>209,385</b>	<b>213,159</b>	<b>210,952</b>	<b>208,481</b>	<b>204,208</b>	<b>200,024</b>	<b>205,653</b>	<b>201,053</b>	<b>197,342</b>
Risk weighted assets									
- due to credit risk	635,551	621,083	606,591	608,621	614,472	596,831	583,375	573,009	563,361
- due to market risk:	12,667	19,014	16,607	26,570	27,679	27,957	33,326	31,879	31,768
Market risk, trading book	11,827	12,711	9,931	4,500	5,392	4,680	6,594	9,122	9,942
Currency risk FX	840	6,303	6,676	22,070	22,287	23,277	26,732	22,757	21,826
- due to operational risk	76,495	76,495	76,495	78,401	78,401	78,400	78,401	78,970	78,970
<b>Total risk weighted assets</b>	<b>724,713</b>	<b>716,592</b>	<b>699,693</b>	<b>713,592</b>	<b>720,552</b>	<b>703,188</b>	<b>695,102</b>	<b>683,858</b>	<b>674,099</b>
<b>Capital ratios</b>									
CET1 ratio	27.1%	28.1%	28.3%	26.9%	25.8%	25.7%	26.5%	26.3%	26.1%
Tier 2 ratio	1.8%	1.6%	1.8%	2.3%	2.5%	2.7%	3.1%	3.1%	3.2%
Capital adequacy ratio	28.9%	29.7%	30.1%	29.2%	28.3%	28.4%	29.6%	29.4%	29.3%

## Macroeconomics - 5 year summary

	1Q16	2015	2014	2013	2012	2011
<b>YoY change, %</b>						
GDP growth	4.2	4.0	2.0	4.4	1.2	2.0
Total investment	24.5	18.6	16.0	2.2	5.3	11.6
Business investment	32.4	29.5	17.3	-2.1	7.9	23.8
Residential investment	9.9	-3.1	14.8	10.8	6.9	5.4
Personal consumption	7.1	4.8	3.0	1.0	2.1	2.5
Unemployment rate, % of workforce	3.5	4.0	5.0	5.4	6.0	7.1
Current account, % of GDP	0.4	5.1	5.1	7.2	0.5	-0.5
International investment position, % of GDP	-5.9	-14.4	-45.0	-52.0	-72.6	-100.9
Gross general govt. debt, % of GDP		68.4	82.5	84.8	92.6	95.2
Household debt, gross, % of GDP		79.6	95.4	102.1	107.0	110.2
Corporate debt, gross, % of GDP		93.3	106.8	119.7	142.6	157.6
<b>YoY change, %</b>						
Inflation	1.9	1.6	2.0	3.9	5.2	4.0
Residential real estate price index	7.7	8.2	7.9	2.7	3.1	3.0
Wages	11.8	7.2	5.8	5.7	7.9	6.7
Real wages	9.7	5.5	3.7	1.7	2.6	2.6
ISK index, average	190.4	201.1	206.9	218.9	222.0	216.8
Central bank policy rate (1W)	4.8	5.8	5.9	6.0	5.4	4.4
Long-term nominal yield	5.9	6.4	6.8	6.5	7.2	7.2
Long-term real yield	2.7	2.7	3.2	2.8	2.7	3.2

## Other - 5 years

ISK million

30.6.2016

2015

2014

2013

2012

### Currencies (annual average)

USD	126.05	131.85	116.75	122.23	125.05
GBP	180.71	201.58	192.17	131.22	198.16
EUR	140.58	146.30	154.86	162.38	160.73
DKK	18.87	19.62	20.77	21.77	21.59
SEK	15.12	15.64	17.03	18.78	18.47
CHF	128.25	137.08	127.50	131.91	133.35

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