



ÍSLANDBANKI FACTBOOK
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

<u>Date</u>	<u>Event</u>
13-23 February 2017	Silent period
24 February 2017	4Q16
AGM 23 March 2017	Annual General Meeting
11 May 2017	1Q17
17 August 2017	2Q17
9 November 2017	3Q17

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	2016	2015	2014	2013	2012
Profitability					
Return on equity (after tax)	10.2%	10.8%	12.8%	14.7%	17.2%
ROE 15% CET1 (regular operations)	10.7%	12.4%	11.9%	10.1%	15.7%
Earnings per share	1.40	1.87	2.17	2.30	2.02
Core income / total operating income*	0.86	0.92	0.91	0.91	0.89
Net interest margin					
Net interest margin on total assets	3.1%	2.9%	3.0%	3.4%	4.1%
Efficiency					
Cost-to-income ratio**	56.9%	56.2%	57.7%	58.5%	53.8%
Cost-to-total assets ratio***	3.0%	2.9%	3.0%	3.2%	3.2%
Number of FTE's at period end - Consolidated	1,161	1,184	1,206	1,201	1,287
Number of FTE's at period end - Parent co.	910	919	945	988	1,079
Number of branches at period end	15	17	18	19	21
Assets					
Loans to customers	687,840	665,711	634,799	554,741	557,857
Non-performing loans	1.8%	2.2%	3.5%	7.4%	12.6%
Reserve coverage ratio	108%	107%	88%	58%	36%
LTV on mortgages to individuals	67.2%	69.2%	74.0%	78.0%	85.0%
Risk weighted assets / Total assets	67.2%	66.9%	76.3%	76.2%	80.7%
Financial strength					
Equity as % of total assets	17.1%	19.3%	20.4%	19.3%	17.9%
Liquidity					
Liquidity coverage ratio (LCR)	187.0%	143.0%	130.0%	143.0%	
Liquidity coverage ratio (LCR) - Foreign currencies	331.0%	467.0%	617.0%	326.0%	
Net stable funding ratio (NSFR) - All currencies	123.0%	120.0%	112.0%		
Net stable funding ratio (NSFR) - Foreign currencies	144.0%	141.0%	126.0%		
Term deposits % of total deposits	35.0%	39.0%	34.0%	28.0%	28.0%
Deposit-to-loan ratio	84.9%	88.3%	82.9%	86.7%	83.3%
Customer deposits-to-loans to customers ratio	86.4%	89.1%	83.4%	88.2%	84.5%
Capital					
CET1 ratio	24.9%	28.3%	26.5%	25.1%	22.0%
Tier 2 ratio	0.3%	1.8%	3.1%	3.3%	3.5%
Capital adequacy ratio	25.2%	30.1%	29.6%	28.4%	25.5%
Leverage ratio	16.0%	18.1%	19.5%	18.6%	16.3%
Risk weighted assets	704,177	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	2016	2015	2014	2013	2012
Interest income	60,503	53,414	50,816	54,333	59,419
Interest expense	(28,701)	(25,404)	(23,711)	(25,903)	(26,479)
Net interest income	31,802	28,010	27,105	28,430	32,940
Fee and commission income	21,818	20,737	17,984	16,695	14,812
Fee and commission expense	(8,095)	(7,567)	(6,501)	(6,262)	(5,353)
Net fee and commission income	13,723	13,170	11,483	10,433	9,459
Net financial income	6,096	3,881	1,568	4,612	1,517
Net foreign exchange gain (loss)	443	(1,490)	165	(2,423)	2,737
Other operating income	652	1,102	2,122	1,545	996
Other net operating income	7,191	3,493	3,855	3,734	5,250
Total operating income	52,716	44,673	42,443	42,597	47,649
Administrative expenses	(27,121)	(23,760)	(22,901)	(25,551)	(24,589)
Impairment of goodwill	-	-	-	-	(425)
Contribution to the Depositors' and Investors' Guarantee Fund	(1,063)	(1,067)	(1,055)	(1,016)	(1,055)
Bank tax	(2,843)	(2,878)	(2,444)	(2,321)	(858)
Total operating expenses	(31,027)	(27,705)	(26,400)	(28,888)	(26,927)
Profit before net loan impairment	21,689	16,968	16,043	13,709	20,722
Net loan impairment	735	8,135	8,810	16,299	5,710
Profit before tax	22,424	25,103	24,853	30,008	26,432
Income tax expense	(5,205)	(5,851)	(6,239)	(7,866)	(6,253)
Profit for the year from continuing operations	17,219	19,252	18,614	22,142	20,179
Profit from discontinued operations, net of income tax	2,939	1,326	4,136	927	3,239
Profit for the year	20,158	20,578	22,750	23,069	23,418
Basic earnings per share from profit for the year	1.40	1.87	2.17	2.30	2.34

Balance sheet - 5 year summary

ISK million	2016	2015	2014	2013	2012
Cash and balances with Central Bank	275,453	216,760	103,389	111,779	85,500
Bonds and debt instruments	31,256	78,606	87,347	75,186	64,035
Shares and equity instruments	10,626	18,320	10,531	9,208	10,445
Derivatives	1,953	1,981	1,810	843	127
Loans to credit institutions	17,645	35,534	35,072	44,078	54,043
Loans to customers	687,840	665,711	634,799	554,741	557,857
Investments in associates	450	716	570	1,563	503
Property and equipment	6,211	7,344	7,402	8,772	5,579
Intangible assets	2,672	1,331	619	299	261
Other assets	7,064	6,674	8,140	12,434	5,979
Non-current assets and disposal groups held for sale	6,384	12,792	21,649	47,106	39,046
Total Assets	1,047,554	1,045,769	911,328	866,009	823,375
Deposits from Central Bank and credit institutions	4,922	25,631	25,796	29,689	38,272
Deposits from customers	594,187	593,245	529,447	489,331	471,156
Derivative instruments and short positions	4,798	6,981	3,963	11,176	18,435
Debt issued and other borrowed funds	212,468	150,308	96,889	89,193	66,571
Subordinated loans	0	19,517	21,306	21,890	23,450
Tax liabilities	8,473	8,358	8,388	10,826	2,072
Other liabilities	43,456	36,677	37,262	37,130	48,954
Non-current liabilities and disposal groups held for sale	325	2,825	2,790	9,456	6,805
Total Liabilities	868,629	843,542	725,841	698,691	675,715
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	4,139	6,002	2,535	2,471	2,834
Retained earnings	105,563	127,288	116,288	98,548	78,571
Total equity attributable to the equity holders of Íslandsbanki hf.	174,702	198,290	183,823	166,019	146,405
Non-controlling interests	4,223	3,937	1,664	1,299	1,255
Total Equity	178,925	202,227	185,487	167,318	147,660
Total Liabilities and Equity	1,047,554	1,045,769	911,328	866,009	823,375

Net interest income - 5 year summary

ISK million	2016	2015	2014	2013	2012
Interest income:					
Cash and balances with Central Bank	11,507	7,394	6,671	4,639	3,467
Loans and receivables	47,084	43,303	40,331	46,764	52,571
Financial assets held for trading	99	980	1,957	948	1,521
Financial assets designated at fair value through profit or loss	1,672	1,558	1,672	1,790	1,742
Other assets	141	179	185	192	118
Total interest income	60,503	53,414	50,816	54,333	59,419
Interest expense:					
Deposits from credit institutions and Central Bank	(275)	(517)	(479)	(505)	(1,204)
Deposits from customers	(20,382)	(18,240)	(16,919)	(18,174)	(17,739)
Borrowings	(7,384)	(5,427)	(4,750)	(5,753)	(5,629)
Subordinated loans	(627)	(1,015)	(911)	(951)	(1,098)
Other financial liabilities	(7)	(147)	(295)	(367)	(546)
Other interest expense	(26)	(58)	(357)	(153)	(263)
Total interest expense	(28,701)	(25,404)	(23,711)	(25,903)	(26,479)
Net interest income	31,802	28,010	27,105	28,430	32,940
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%	4.1%
Interest bearing:					
Assets					
Balances with Central Bank	275,453	216,760	103,389	111,779	83,493
Bonds and debt instruments	2,808	34,163	33,074	33,876	35,637
Loans to credit institutions	17,645	35,534	35,072	44,078	54,042
Loans to customers	689,888	665,710	637,650	554,741	559,594
Total assets	985,794	952,167	809,185	744,474	732,766
Off-balance sheet items	120,654	119,243	97,455	55,905	77,354
Effect of derivatives held for hedging	55,932	-	-	-	-
Liabilities					
Short positions	-	-	-	3,670	5,216
Deposits from CB and credit institutions	4,922	25,631	25,796	29,689	38,272
Deposits from customers	594,187	593,245	529,447	489,331	471,156
Debt issued and other borrowed funds	212,468	150,308	96,889	89,194	66,571
Subordinated loans	0	19,517	21,306	21,890	23,450
Total liabilities	811,577	788,701	673,438	633,774	604,665
Off-balance sheet items	120,081	131,357	106,555	57,217	82,680
Effect of derivatives held for hedging	56,002	-	-	-	-
Net interest gap	174,720	151,352	126,647	109,388	122,775

Net fee & commission income - 5 year summary

ISK million	2016	2015	2014	2013	2012
Fee and commission income:					
Asset management	1,757	1,778	1,683	1,564	1,490
Investment Banking and brokerage	1,987	2,132	1,833	2,005	2,071
Payment processing	14,705	13,664	11,627	10,484	8,546
Loans and guarantees	1,449	1,498	1,267	1,141	1,104
Other fees and commissions income	1,920	1,665	1,574	1,501	1,601
Total fees and commission income	21,818	20,737	17,984	16,695	14,812
Commission expenses:					
Interbank charges	-	-	(157)	(331)	(232)
Brokerage	(109)	(121)	(128)	(126)	(165)
Clearing and settlement	(7,963)	(7,415)	(6,179)	(5,702)	(4,878)
Other commission expenses	(23)	(31)	(37)	(103)	(78)
Total commission expenses	(8,095)	(7,567)	(6,501)	(6,262)	(5,353)
Net fee and commission income	13,723	13,170	11,483	10,433	9,459

Loans to customers - 5 year summary

ISK million	2016	2015	2014	2013	2012
Individuals	286,177	272,610	262,848	255,044	244,426
Commerce and services	97,943	89,781	79,658	81,522	68,805
Construction	27,878	23,013	18,751	18,640	16,465
Energy	7,216	3,737	7,315	3,614	4,942
Financial services	85	105	121	34	254
Industrial and transportation	63,090	60,726	61,878	46,433	43,660
Investment companies	14,402	19,362	13,911	10,306	16,023
Public sector and non-profit organisations	12,835	13,878	12,216	6,894	10,934
Real estate	100,020	99,094	99,540	66,647	72,941
Seafood	80,243	85,872	81,412	69,289	81,145
Loans to customers before collective impairment allowance	689,889	668,178	637,650	558,423	559,595
Collective impairment allowance	(2,049)	(2,467)	(2,851)	(3,682)	(1,738)
Loans to customers	687,840	665,711	634,799	554,741	557,857
Loans to customers - by product					
Overdrafts	45,383	38,654	37,228	39,439	33,356
Creditcards	19,188	18,166	17,690	18,080	17,869
Mortgages	211,233	197,307	186,583	176,421	164,416
Capital leases	40,415	39,161	36,231	33,736	32,913
Other loans	373,670	374,891	359,918	290,747	311,041
Loans to customers before collective impairment allowance	689,889	668,178	637,650	558,423	559,595
Collective impairment allowance	(2,049)	(2,467)	-2,851	-3,682	-1,738
Loans to customers	687,840	665,711	634,799	554,741	557,857
Asset quality					
Neither past due nor impaired	663,124	636,685	595,903	496,705	469,435
Past due but not impaired	21,448	23,572	27,619	34,618	42,205
thereof past due more than 90 days	7,251	6,954	8,223	14,114	22,556
Classified as impaired	5,317	7,921	14,128	27,100	47,955
Total	689,889	668,178	637,650	558,423	559,595
Impairment allowance					
Specific impairment allowance	-11,472	-13,406	-16,908	-24,234	-45,191
Collective impairment allowance	-2,049	-2,467	-2,851	-3,682	-1,738
Total	-13,521	-15,873	-19,759	-27,915	-46,929

Capital and Risk Weighted Assets - 5 year summary

ISK million	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	4,139	6,002	2,535	2,471	2,834
Retained earnings	105,563	127,288	116,288	98,548	78,571
Non-controlling interests	4,223	3,937	1,664	1,299	1,255
Tax assets	(4)	-	(521)	(1,275)	(864)
Intangible assets	(2,672)	(1,331)	(619)	(299)	(261)
Other regulatory adjustments	(924)	(2,779)	-	(159)	(321)
Total Tier 1 capital	175,325	198,117	184,347	165,585	146,214
Tier 2 capital					
Qualifying subordinated liabilities	-	19,517	21,306	21,890	23,450
Adjustment to eligible capital liabilities	-	(3,903)	-	-	-
Other regulatory adjustments	-	(2,779)	-	(160)	(322)
General credit risk adjustments	2,049	-	-	-	-
Total regulatory capital	177,374	210,952	205,653	187,315	169,342
Risk weighted assets					
- due to credit risk	615,465	606,591	583,375	551,938	549,535
- due to market risk:	7,243	16,607	33,326	28,849	33,940
Market risk, trading book	6,418	9,931	6,594	5,105	6,006
Currency risk FX	825	6,676	26,732	23,744	27,934
- due to operational risk	81,469	76,495	78,401	78,970	81,214
Total risk weighted assets	704,177	699,693	695,102	659,757	664,689
Capital ratios					
CET1 ratio	24.9%	28.3%	26.5%	25.1%	22.0%
Tier 2 ratio	0.3%	1.8%	3.1%	3.3%	3.5%
Capital adequacy ratio	25.2%	30.1%	29.6%	28.4%	25.5%
Leverage ratio	16.0%	18.1%	19.5%	18.6%	16.3%

Key Performance indicators - 9 Quarters		Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
ISK million		2016	2016	2016	2016	2015	2015	2015	2015	2014
Profitability										
Return on equity		9.4%	5.1%	19.1%	6.9%	7.9%	12.5%	11.7%	11.8%	9.9%
ROE 15% CET1 (regular operations)*		11.7%	8.4%	13.3%	9.4%	12.8%	10.5%	12.1%	14.1%	10.5%
Earnings per share		0.46	0.23	0.66	0.27	0.39	0.55	0.45	0.53	0.46
Net interest margin										
Net interest margin on total assets		3.1%	3.0%	3.3%	2.9%	2.7%	3.0%	3.1%	2.7%	2.8%
Efficiency										
Cost-to-income ratio*		59.8%	56.1%	53.3%	58.3%	55.7%	57.1%	56.6%	55.3%	62.6%
Cost-to-total assets ratio**		2.8%	2.1%	3.0%	2.9%	1.5%	2.7%	3.0%	2.9%	3.1%
Number of FTE's at period end - Consolidated		1,081	1,097	1,217	1,180	1,184	1,197	1,291	1,186	1,206
Number of FTE's at period end - Parent co.		910	932	1,046	922	919	933	1,030	930	945
Asset quality										
Loans to customers		687,840	684,170	698,669	677,079	665,711	660,308	653,728	637,877	634,799
Non-performing loans		1.8%	2.3%	2.5%	2.1%	2.2%	2.4%	2.7%	3.0%	3.5%
Reserve coverage ratio		108%	94.0%	88.5%	109.1%	107%	104%	105%	96%	88%
LTV on mortgages to individuals		67.2%	65.8%	65.0%	69.4%	69.2%	69.0%	68.0%	72.0%	74.0%
Risk weighted assets / Total assets		67.2%	66.9%	70.4%	70.2%	66.9%	71.1%	73.8%	75.9%	76.3%
Financial strength										
Equity as % of total assets		17.1%	18.9%	19.3%	20.1%	19.3%	19.2%	19.2%	19.6%	20.4%
Liquidity										
Liquidity coverage ratio (LCR)		187.0%	195.0%	173.0%	154.0%	143.0%	156.0%	151.0%	134.0%	130.0%
Liquidity coverage ratio (LCR) - Foreign currencies		331.0%	407.0%	368.0%	527.0%	467.0%	409.0%	442.0%	401.0%	617.0%
Net stable funding ratio (NSFR) - All currencies		123.0%	126.0%	117.0%	118.0%	120.0%	111.0%	107.0%	112.0%	112.0%
Net stable funding ratio (NSFR) - Foreign currencies		144.0%	145.0%	154.0%	157.0%	141.0%	124.0%	120.0%	124.0%	126.0%
Term deposits % of total deposits		35.0%	34.0%	39.0%	37.0%	39.0%	38.0%	36.0%	35.0%	34.0%
Deposit-to-loan ratio		84.9%	78.4%	79.4%	81.3%	88.3%	87.0%	83.7%	80.3%	82.9%
Customer deposits-to-loans to customers ratio		86.4%	80.8%	81.0%	80.4%	89.1%	88.0%	86.7%	81.6%	83.4%
Capital										
CET 1 ratio		24.9%	27.8%	27.1%	28.1%	28.3%	26.9%	25.8%	25.7%	26.5%
Tier 2 ratio		0.3%	0.0%	1.8%	1.6%	1.8%	2.3%	2.5%	2.7%	3.1%
Capital adequacy ratio		25.2%	27.8%	28.9%	29.7%	30.1%	29.2%	28.3%	28.4%	29.6%
Leverage ratio ¹		16.0%	17.7%	18.3%	18.7%	18.1%	18.3%	18.3%	18.8%	19.5%
Risk weighted assets		704,177	714,337	724,713	716,592	699,693	713,592	720,552	703,188	695,102

* 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 - 9 quarter summary	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
ISK million	2016	2016	2016	2016	2015	2015	2015	2015	2014
Net interest income	8,149	7,758	8,356	7,539	7,003	7,457	7,359	6,191	6,469
Net fee and commission income	3,831	3,233	3,515	3,144	3,235	3,512	3,518	2,905	2,962
Net financial income	37	(607)	6,062	604	1,455	387	275	1,764	603
Net foreign exchange (loss) gain	77	49	305	12	(137)	(1,072)	(141)	(140)	116
Other operating income	(17)	45	473	151	403	158	252	289	509
Total operating income	12,077	10,478	18,711	11,450	11,959	10,442	11,263	11,009	10,659
Administrative expenses	(7,392)	(5,613)	(7,599)	(6,517)	(6,518)	(5,310)	(6,109)	(5,823)	(6,411)
Contribution to the Depositors' and Investors' Guarantee Fund	(252)	(283)	(267)	(261)	(270)	(263)	(265)	(269)	(265)
Bank tax	(691)	(745)	(716)	(691)	(818)	(732)	(710)	(618)	(565)
Total operating expenses	(8,335)	(6,641)	(8,582)	(7,469)	(7,606)	(6,305)	(7,084)	(6,710)	(7,241)
Profit before net loan impairment	3,742	3,837	10,129	3,981	4,353	4,137	4,179	4,299	3,418
Net loan impairment	484	(118)	689	(320)	409	3,418	1,977	2,331	3,006
Profit before tax	4,226	3,719	10,818	3,661	4,762	7,555	6,156	6,630	6,424
Income tax expense	(1,353)	(1,266)	(1,720)	(866)	(1,147)	(1,784)	(1,524)	(1,396)	(1,434)
Profit for the period from continuing operations	2,873	2,453	9,098	2,795	3,615	5,771	4,632	5,234	4,990
Profit (loss) for the period from discontinued operations	1,730	85	409	715	274	128	762	162	(430)
Profit for the period	4,603	2,538	9,507	3,510	3,889	5,899	5,394	5,396	4,560

Balance sheet - 9 quarter summary		Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
ISK million		2016	2016	2016	2016	2015	2015	2015	2015	2014
Cash and balances with Central Bank	275,453	205,148	182,177	182,453	216,760	177,652	126,900	98,274	103,389	
Bonds and debt instruments	31,256	89,026	71,756	79,873	78,606	80,053	85,274	91,201	87,347	
Shares and equity instruments	10,626	12,007	12,692	18,664	18,320	9,004	11,041	11,900	10,531	
Derivatives	1,953	1,690	2,036	2,759	1,981	2,199	1,581	1,843	1,810	
Loans to credit institutions	17,645	38,189	33,088	27,811	35,534	35,522	52,139	40,688	35,072	
Loans to customers	687,840	684,170	698,669	677,079	665,711	660,308	653,728	637,877	634,799	
Investments in associates	450	764	764	1,009	716	648	612	607	570	
Property and equipment	6,211	5,924	5,884	7,289	7,344	7,550	7,600	7,521	7,402	
Intangible assets	2,672	2,039	1,700	1,471	1,331	1,143	1,058	655	619	
Other assets	7,064	20,691	11,268	11,177	6,674	16,232	20,561	14,620	8,140	
Non-current assets and disposal groups held for sale	6,384	8,615	9,583	11,190	12,792	13,946	15,763	21,203	21,649	
Total Assets	1,047,554	1,068,263	1,029,617	1,020,775	1,045,769	1,004,257	976,257	926,389	911,328	
Deposits from Central Bank and credit institutions	4,922	13,362	14,633	28,338	25,631	24,208	24,017	24,437	25,796	
Deposits from customers	594,187	553,107	566,220	544,430	593,245	581,095	566,678	520,740	529,447	
Derivative instruments and short positions	4,798	5,334	6,079	4,902	6,981	8,472	5,992	7,203	3,963	
Debt issued and other borrowed funds	212,468	222,598	163,469	161,802	150,308	120,957	107,421	100,602	96,889	
Subordinated loans	0	0	18,886	19,415	19,517	19,717	20,336	20,336	21,306	
Tax liabilities	8,473	10,454	9,894	8,963	8,358	9,090	8,627	8,731	8,388	
Other liabilities	43,456	59,856	49,252	44,170	36,677	44,866	53,177	59,543	37,262	
Non-current liabilities and disposal groups held for sale	325	2,161	2,347	3,128	2,825	2,965	3,000	3,167	2,790	
Total Liabilities	868,629	866,872	830,780	815,148	843,542	811,370	789,248	744,759	725,841	
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	4,139	2,506	2,470	5,982	6,002	2,538	2,559	2,516	2,535	
Retained earnings	105,563	130,029	127,666	130,664	127,288	123,450	117,852	112,605	116,288	
Total equity attributable to the equity holders of Íslandsbanki hf.	174,702	197,535	195,136	201,646	198,290	190,988	185,411	180,121	183,823	
Non-controlling interests	4,223	3,856	3,701	3,981	3,937	1,899	1,598	1,509	1,664	
Total Equity	178,925	201,391	198,837	205,627	202,227	192,887	187,009	181,630	185,487	
Total Liabilities and Equity	1,047,554	1,068,263	1,029,617	1,020,775	1,045,769	1,004,257	976,257	926,389	911,328	

Net interest income - 9 quarter summary	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
ISK million	2016	2016	2016	2016	2015	2015	2015	2015	2014
Interest income:									
Cash and balances with Central Bank	3,024	2,850	2,732	2,901	2,780	2,135	1,319	1,160	1,554
Loans and receivables	11,475	11,005	13,263	11,341	8,797	11,995	12,617	9,894	8,822
Financial assets held for trading	(74)	190	(114)	97	505	161	115	199	594
Financial assets designated at fair value through profit or loss	353	426	448	445	449	384	375	350	416
Other assets	46	34	35	26	44	72	30	33	42
Total interest income	14,824	14,505	16,364	14,810	12,575	14,747	14,456	11,636	11,427
Interest expense:									
Deposits from credit institutions and Central Bank	31	(57)	(114)	(135)	(220)	(98)	(108)	(91)	(97)
Deposits from customers	(4,893)	(4,868)	(5,536)	(5,085)	(4,172)	(5,197)	(5,023)	(3,848)	(3,612)
Borrowings	(1,830)	(1,641)	(2,110)	(1,803)	(894)	(1,667)	(1,730)	(1,136)	(792)
Subordinated loans	-	(161)	(227)	(239)	(248)	(251)	(257)	(259)	(223)
Other financial liabilities	-	-	-	(7)	(31)	(49)	(34)	(33)	(42)
Other interest expense	17	(20)	(21)	(2)	(7)	(28)	55	(78)	(192)
Total interest expense	(6,675)	(6,747)	(8,008)	(7,271)	(5,572)	(7,290)	(7,097)	(5,445)	(4,958)
Net interest income	8,149	7,758	8,356	7,539	7,003	7,457	7,359	6,191	6,469
Interest bearing:									
Assets									
Balances with Central Bank	275,453	205,148	182,177	182,453	216,760	177,652	126,900	98,274	103,389
Bonds and debt instruments	1,872	33,594	33,974	33,944	34,163	34,973	34,566	31,791	33,074
Loans to credit institutions	17,645	38,190	33,088	27,811	35,534	35,522	52,139	40,688	35,072
Loans to customers	689,888	686,413	701,227	679,519	665,710	662,955	656,290	637,877	637,650
Total assets	985,794	963,345	950,466	923,727	952,167	911,102	869,895	808,630	809,185
Off-balance sheet items	120,654	186,367	132,945	130,760	119,243	107,904	101,730	96,622	97,455
Liabilities									
Deposits from CB and credit institutions	4,922	13,362	14,398	28,216	25,631	24,208	24,017	24,437	25,796
Deposits from customers	594,187	553,107	566,220	544,430	593,245	581,095	566,678	520,740	529,447
Debt issued and other borrowed funds	212,468	222,598	158,408	161,802	150,308	120,982	107,421	100,602	96,889
Subordinated loans	-	-	18,886	19,415	19,517	19,717	20,336	20,336	21,306
Total liabilities	811,577	789,067	757,912	753,863	788,701	746,002	718,452	666,115	673,438
Off-balance sheet items	120,081	185,581	132,490	128,335	131,357	118,971	113,487	108,666	106,555
Net interest gap	174,720	175,064	193,009	172,290	151,352	154,033	139,686	130,471	126,647

Net fee and commission - 9 quarter summary	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
ISK million	2016	2016	2016	2016	2015	2015	2015	2015	2014
Fee and commission income:									
Asset management	460	427	436	434	481	436	457	404	459
Investment Banking and brokerage	495	488	613	390	423	550	737	422	347
Payment processing	3,650	3,901	3,696	3,458	3,537	3,510	3,468	3,149	3,090
Loans and guarantees	340	346	381	382	389	447	327	334	306
Other fee and commission income	739	361	464	357	499	414	385	369	542
Total fee and commission income	5,684	5,523	5,590	5,021	5,329	5,357	5,374	4,678	4,744
Commission expenses:									
Interbank charges	-	-	-	-	-	-	-	-	-
Brokerage	6	(51)	(25)	(39)	(40)	(40)	(20)	(22)	(33)
Clearing and settlement	(1,854)	(2,232)	(2,048)	(1,830)	(2,047)	(1,796)	(1,826)	(1,746)	(1,740)
Other commission expenses	(5)	(7)	(2)	(8)	(7)	(9)	(10)	(5)	(9)
Total commission expenses	(1,853)	(2,290)	(2,075)	(1,877)	(2,094)	(1,845)	(1,856)	(1,773)	(1,782)
Net fee and commission income	3,831	3,233	3,515	3,144	3,235	3,512	3,518	2,905	2,962

Loans to customers - 9 quarter summary									
ISK million	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
	2016	2016	2016	2016	2015	2015	2015	2015	2014
Individuals	286,177	278,634	276,282	272,114	272,610	268,842	259,792	258,380	262,848
Commerce and services	97,943	99,315	101,777	94,586	89,781	87,268	90,865	84,033	79,658
Construction	27,878	25,511	26,375	24,181	23,013	20,361	19,764	18,816	18,751
Energy	7,216	4,552	5,597	4,535	3,737	4,761	3,791	3,755	7,315
Financial services	85	237	936	2,294	105	97	106	456	121
Industrial and transportation	63,090	64,894	67,772	64,545	60,726	64,623	66,594	62,703	61,878
Investment companies	14,402	16,927	18,352	19,192	19,362	17,115	18,346	17,583	13,911
Public sector and non-profit organisations	12,835	13,708	13,212	13,422	13,878	12,010	11,524	11,161	12,216
Real estate	100,020	101,136	102,438	99,765	99,094	102,022	103,320	103,160	99,540
Seafood	80,243	81,500	88,486	84,884	85,872	85,857	82,188	80,375	81,412
Loans to customers before collective impairment allowance	689,889	686,414	701,227	679,518	668,178	662,956	656,290	640,422	637,650
Collective impairment allowance	(2,049)	(2,244)	(2,558)	(2,439)	(2,467)	(2,648)	(2,562)	(2,545)	(2,851)
Loans to customers	687,840	684,170	698,669	677,079	665,711	660,308	653,728	637,877	634,799
Loans to customers - by product									
Overdrafts	45,383	36,280	38,949	41,129	38,654	36,964	39,457	38,275	37,228
Creditcards	19,188	17,653	17,895	17,680	18,166	17,820	17,188	16,362	17,690
Mortgages	211,233	205,101	202,004	198,427	197,307	193,066	184,994	183,872	186,583
Capital leases	40,415	46,229	48,709	44,778	39,161	41,348	43,382	37,442	36,231
Other loans	373,670	381,151	393,670	377,504	374,891	373,758	371,269	364,471	359,918
Loans to customers before collective impairment allowance	689,889	686,414	701,227	679,518	668,178	662,956	656,290	640,422	637,650
Collective impairment allowance	(2,049)	(2,244)	(2,558)	(2,439)	(2,467)	(2,648)	(2,562)	(2,545)	(2,851)
Loans to customers	687,840	684,170	698,669	677,079	665,711	660,308	653,728	637,877	634,799
Asset quality									
Neither past due nor impaired	663,124	655,729	666,307	642,638	636,685	627,745	614,469	599,739	595,903
Past due but not impaired	21,448	24,167	27,025	28,556	23,572	26,937	31,009	27,906	27,619
thereof past due more than 90 days	7,251	8,916	9,252	6,176	6,954	7,517	7,010	6,542	8,223
Classified as impaired	5,317	6,518	7,895	8,324	7,921	8,274	10,812	12,777	14,128
Total	689,889	686,414	701,227	679,518	668,178	662,956	656,290	640,422	637,650
Impairment allowance									
Specific impairment allowance	(11,472)	(12,259)	(12,614)	(13,379)	(13,406)	(13,752)	(16,097)	(16,076)	(16,908)
Collective impairment allowance	(2,049)	(2,244)	(2,558)	(2,439)	(2,467)	(2,648)	(2,562)	(2,545)	(2,851)
Total	(13,521)	(14,503)	(15,172)	(15,818)	(15,873)	(16,400)	(18,659)	(18,621)	(19,759)

Capital and Risk Weighted Assets									
ISK million	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014
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	4,139	2,506	2,470	5,982	6,002	2,538	2,559	2,516	2,535
Retained earnings	105,563	130,029	127,666	130,664	127,288	123,450	117,852	112,605	116,288
Non-controlling interests	4,223	3,856	3,701	3,981	3,937	1,899	1,598	1,509	1,664
Tax assets	(4)	(38)	(28)	-	-	(22)	(45)	(270)	(521)
Intangible assets	(2,672)	(2,039)	(1,700)	(1,471)	(1,331)	(1,143)	(1,058)	(655)	(619)
Other regulatory adjustments	(924)	(1,008)	(472)	(2,779)	(2,779)	-	-	-	-
Total Tier 1 capital	175,325	198,306	196,637	201,377	198,117	191,722	185,906	180,705	184,347
Tier 2 capital									
Qualifying subordinated liabilities	-	-	18,886	19,415	19,517	19,717	20,336	19,319	21,306
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	2,049	-	-	-	-	-	-	-	-
Total regulatory capital	177,374	198,306	209,385	213,159	210,952	208,481	204,208	200,024	205,653
Risk weighted assets									
- due to credit risk	615,465	623,885	635,551	621,083	606,591	608,621	614,472	596,831	583,375
- due to market risk:	7,243	13,957	12,667	19,014	16,607	26,570	27,679	27,957	33,326
Market risk, trading book	6,418	12,276	11,827	12,711	9,931	4,500	5,392	4,680	6,594
Currency risk FX	825	1,681	840	6,303	6,676	22,070	22,287	23,277	26,732
- due to operational risk	81,469	76,495	76,495	76,495	76,495	78,401	78,401	78,400	78,401
Total risk weighted assets	704,177	714,337	724,713	716,592	699,693	713,592	720,552	703,188	695,102
Capital ratios									
CET1 ratio	24.9%	27.8%	27.1%	28.1%	28.3%	26.9%	25.8%	25.7%	26.5%
Tier 2 ratio	0.3%	0.0%	1.8%	1.6%	1.8%	2.3%	2.5%	2.7%	3.1%
Capital adequacy ratio	25.2%	27.8%	28.9%	29.7%	30.1%	29.2%	28.3%	28.4%	29.6%

∞

Macroeconomics - summary	3Q16	2Q16	1Q16	2015	2014	2013
YoY change, %						
GDP growth	10.2	3.7	4.2	4.0	2.0	4.4
Total investment	24.0	31.2	24.5	18.6	16.0	2.2
Business investment	28.7	37.3	32.4	29.5	17.3	-2.1
Residential investment	21.3	25.3	9.9	(3.1)	14.8	10.8
Personal consumption	5.8	8.2	7.1	4.8	3.0	1.0
Unemployment rate, % of workforce	2.7	2.6	3.5	4.0	5.0	5.4
Current account, % of GDP	15.3	5.4	0.4	5.1	5.1	7.2
International investment position, % of GDP	2.6	(1.1)	(5.9)	(14.4)	(45.0)	(52.0)
Gross general govt. debt, % of GDP				68.4	82.5	84.8
Household debt, gross, % of GDP		81.2	81.8	79.6	95.4	102.1
Corporate debt, gross, % of GDP		89.1	88.5	93.3	106.8	119.7
YoY change, %						
Inflation	1.3	1.6	1.9	1.6	2.0	3.9
Residential real estate price index	9.6	7.0	7.7	8.2	7.9	2.7
Wages	11.0	13.1	11.8	7.2	5.8	5.7
Real wages	9.6	11.3	9.7	5.5	3.7	1.7
ISK index, average	176.9	188.2	190.4	201.1	206.9	218.9
Central bank policy rate (1W)	5.5	5.8	5.8	5.8	5.9	6.0
Long-term nominal yield	5.7	6.0	5.9	6.4	6.8	6.5
Long-term real yield	2.9	2.8	2.7	2.7	3.2	2.8

Other - 5 years

ISK million	2016	2015	2014	2013	2012
Currencies (annual average)					
USD	120.67	131.85	116.75	122.23	125.05
GBP	163.80	201.58	192.17	191.22	198.16
EUR	133.59	146.30	154.86	162.38	160.73
DKK	17.94	19.62	20.77	21.77	21.59
SEK	14.13	15.64	17.03	18.78	18.47
CHF	122.50	137.08	127.50	131.91	133.35

Íslandsbanki 2016



PROFITABILITY



Return on equity (after tax)	10.2%
ROE 15% CET1 (regular operations)	10.7%
Net interest margin on total assets	3.1%

EFFICIENCY

Cost-to-income ratio**	56.9%
Cost / income ratio adj. 14% CET1	55.2%
Cost-to-total assets ratio***	3.0%
Number of FTE´s at period end - Consolidated	1161
Number of FTE´s at period end - Parent co.	955
Number of branches at period end	15



Capital

CET1 ratio	24.9%
Tier 2 ratio	0.3%
Capital adequacy ratio	25.2%
Leverage ratio	16.0%
Risk weighted assets	704,177

Assets

Loans to customers	687,840
Non-performing loans	1.8%
Reserve coverage ratio	186.0%
LTV on mortgages to individuals	67.2%
Risk weighted assets / Total assets	67.2%

Liquidity

Liquidity coverage ratio (LCR)	187.0%
Liquidity coverage ratio (LCR) - Foreign currencies	331.0%
Net stable funding ratio (NSFR) - All currencies	123.0%
Net stable funding ratio (NSFR) - Foreign currencies	144.0%
Term deposits % of total deposits	35.0%
Deposit-to-loan ratio	84.9%
Customer deposits-to-loans to customers ratio	86.4%

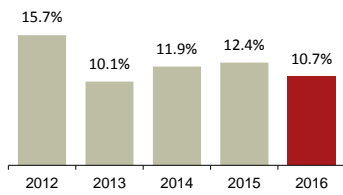


New Board of Directors

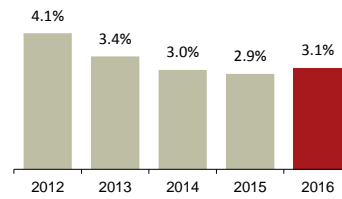
Key Performance Indicators - 5 years

ISK million

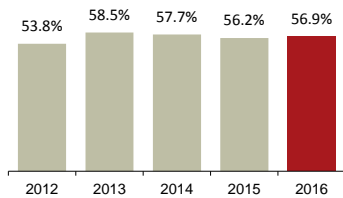
ROE 15% CET1 (regular operations)



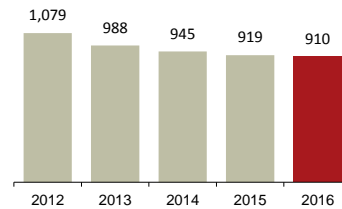
Net interest margin on total assets



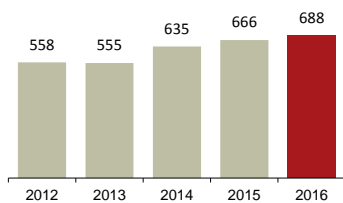
Cost-to-income ratio**



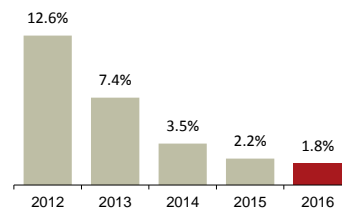
Number of FTE's at period end - Parent co.



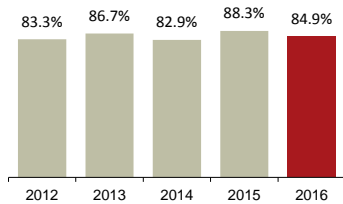
Loans to customers



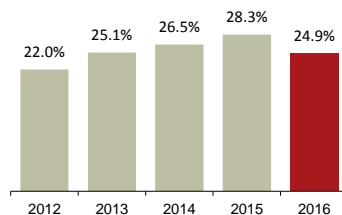
Non-performing loans



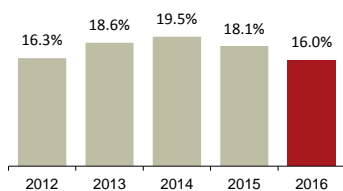
Deposit-to-loan ratio



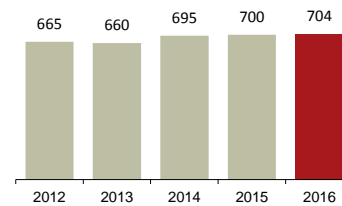
CET1 ratio



Leverage ratio



Risk weighted assets



Disclaimer

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