Islandsbanki hf

Full Rating Report

Ratings

Foreign Currency

Long-Term IDR	BBB−
Short-Term IDR	F3
Viability Rating	bbb−
Support Rating	5
Support Rating Floor	NF

Sovereign Risk

Foreign-Currency Long-Term IDR	BBB
Local-Currency Long-Term IDR	BBB+

Outlooks

Foreign-Currency Long-Term IDR	Stable
Sovereign Foreign-Currency Long-Term IDR	Positive
Sovereign Local-Currency Long-Term IDR	Positive

Financial Data[a]

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	31 Dec 14	31 Dec 13
Total assets (USDm)	7,181.5	7,494.7
Total assets (ISKbn)	911.3	866.0
Total equity (ISKbn)	185.5	167.3
Operating profit (ISKbn)	16.8	13.5
Published net income (ISKbn)	22.7	23.1
Comprehensive income (ISKbn)	22.8	22.7
Operating ROAA (%)	1.9	1.6
Operating ROAE (%)	9.5	8.7
Internal capital generation (%)	12.3	13.4
Fitch core capital/ weighted risks (%)	26.5	25.1
Tier 1 ratio (%)	26.5	25.1
Total capital ratio (%)	29.6	28.4

[a] Fitch adjusted data

Related Research

Iceland (December 2014)

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Key Rating Drivers

Operating Environment Constrains Ratings: The Icelandic operating environment constrains Islandsbanki's ratings. The small economy and ongoing resolution of the 2008 banking collapse and related capital controls are important factors. This directly and indirectly affects Fitch Ratings' assessments of other subfactors driving the ratings, such as management's ability to execute on its strategy and the need to maintain strong capitalisation.

Leading Domestic Franchise, Small Market: Islandsbanki's ratings reflect its position as a leading domestic universal bank, together with its two similarly sized peers. They also factor in its limited geographical diversification and operating in small economy.

Large Restructured Portfolio: The restructuring of a significant part of the loan book since 2008 has largely been completed, and Fitch believes the bank has made conservative assessments of its customers' ability to service the written-down loans. The assets were acquired at a deep discount from failed Glitnir Bank and have performed well post restructuring; however, the seasoning of the loan book remains relatively limited.

Capital Controls Remain: The capital controls which were introduced following the banking collapse remain in place and give rise to uncertainty for the whole banking system. It is crucial for Islandsbanki to maintain substantial liquidity and monitor foreign exchange mismatches. The latter may predominately relate to foreign creditors' investments in Iceland that are "trapped" in the country as a result of the capital controls.

Solid Capital Ratios: Islandsbanki's reported capital ratios are solid and leverage is low. Fitch expects that the bank will need to remain highly capitalised to mitigate the risk in the restructured loans portfolio, and to keep investor confidence. The latter should also be viewed in the context of investor perception of Islandsbanki's connection with Glitnir.

No Support Assumed: Fitch does not believe that support from the Icelandic authorities can be relied upon, although it is possible. This drives the Support Rating of '5' and Support Rating Floor of 'No Floor'.

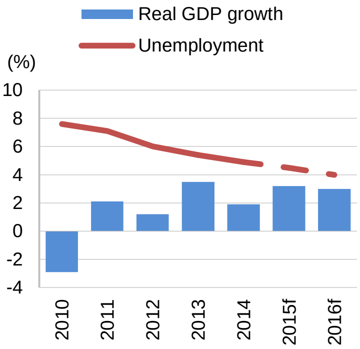
Rating Sensitivities

Success of Loan Book Restructuring: The ratings are sensitive to the development of the loan book. Deteriorating asset quality, particularly if a material proportion of previously restructured loans become impaired, would be ratings negative. Higher risk appetite, for example looser underwriting standards or significant expansion of foreign banking operations, could also lead to a downgrade.

Uncontrolled lifting of capital controls: The impact of a lifting of capital controls on Islandsbanki's funding and business model is a key rating sensitivity. While the ratings already factor in that the funds "trapped" in Iceland would largely leave the bank when the controls are lifted, the ratings would be sensitive to a significant outflow over and above that. Similarly, reduced focus on liquidity and/or building up of foreign currency mismatches would likely be ratings negative.

Upgrade Unlikely: A rating upgrade is not likely given Islandsbanki's concentration to a small economy and moderate size compared to more highly rated peers. The ratings already reflect a continued expected improvement in the Icelandic operating environment.

Figure 1
Macro Economy



Source: Fitch

Operating Environment

Gradually Improving Economy

Iceland was severely affected by the global financial crisis resulting from a rapidly expanding and leveraged domestic economy (domestic private sector credits peaking at over three times GDP). Significant restructuring and deleveraging work have been made since 2008, reflected in Iceland's sovereign rating being upgraded in stages to BBB/Positive from BB+/Negative in 2010. The sovereign rating is supported by a high level of income per capita and indicators of governance and human development similar to the highest-rated sovereigns. Public finances remain a sovereign credit weakness, and gross general government debt was about 82% of GDP at end-2014. A continuous improvement in the Icelandic operating environment has been factored into Islandsbanki's ratings. At the same time, the small size of the Icelandic economy, with a population of only around 320,000, is a rating constraint for the bank.

The banking sector is dominated by three major banks - Islandsbanki (successor to Glitnir), Arion Banki (unrated; successor to Kaupthing) and Landsbankinn (unrated; successor to Landsbanki Island). In addition, the government owned Housing Financing Fund (HFF) is the largest mortgage lender with about half of the mortgage loan market.

A recovery in capital markets is evident with both Islandsbanki and Arion Banki completing successful senior unsecured transactions recently, but we believe it will take time before the markets approach pre-crisis liquidity and depth.

Financial markets regulation is reasonably developed and transparent, in Fitch's view, although leading up to the banking sector collapse there were shortcomings. Since 2008, the regulatory environment has tightened, including more stringent disclosures around related party lending and large exposures. A number of regulatory overhauls have taken place, including assessing previous bank practises such as foreign currency denominated loans to customers with income in local currency that were affected by the sharp depreciation of the krona. Regulators and banks alike have also been working on building robust capital and liquidity buffers which Fitch expects will be maintained.

Uncertainties Regarding Capital Controls Remain

The Icelandic authorities' approval in November 2014 of the agreement to extend maturities (and partly pre-pay) on the bond issued between Landsbankinn and the estate of its predecessor Landsbanki Island, reduced Iceland's private sector external debt burden over the next three years, and perhaps paved the way to a future resolution of Icelandic capital controls. The smoother profile of private-sector debt repayments will reduce the risk of balance-of-payments pressures and improve external sustainability. However, capital controls are still in place and this creates uncertainty. A substantial amount of non-resident claims (estimated to be around EUR2bn, or 15.5% of GDP) are currently 'locked-in' Icelandic krona assets. The authorities are not committed to a precise date for the removal of capital controls, and appear committed to avoiding a disorderly unwinding that could put pressure on the balance-of-payments.

Capital controls were introduced to avoid an outflow of funds following the banking crash in 2008. However, "new money" coming into the country is not captured by the controls, and the banks are authorised to conduct foreign exchange transactions, meaning payment of coupons and principle on new bonds issued abroad are not affected.

Company Profile

Leading Domestic Bank

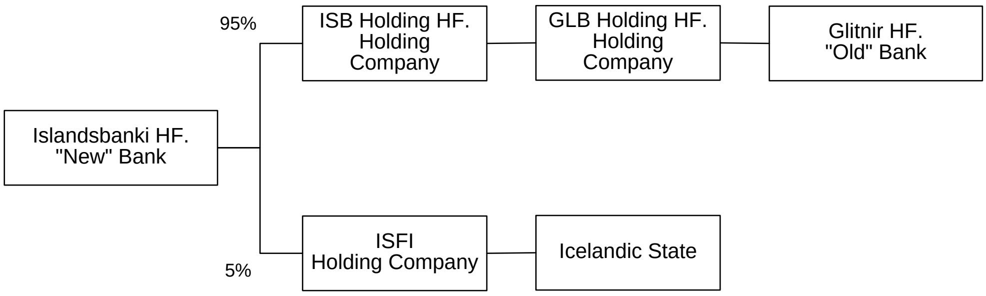
Islandsbanki is a universal domestic bank with a market share of around 30% for loans and deposits. Revenues are largely made up of net interest income (NII) and net fees and commission (NFC), reflecting a traditional business model with focus on lending products. Fitch

Related Criteria
Global Bank Rating Criteria (March 2015)

expects the business mix to remain broadly stable in the medium term. Operations are concentrated to Iceland, with minimal geographical diversification.

Islandsbanki was founded in 2008 following the failure of Glitnir Bank. It acquired the domestic assets (mainly the loan book) and liabilities (mainly deposits) from Glitnir at a deep discount (47%) to correspond to a, at the time, market value of the loan book. It is 95% owned by Glitnir's creditors, and the Icelandic state has a 5% stake. Islandsbanki is the main operating company, although the group structure also includes some subsidiaries relating to repossessed assets (book value of around ISK20bn at end-2014).

Figure 2
Structure Diagram



Source: Islandsbank

Management and Strategy

New Management Team; Stronger Corporate Governance

Islandsbanki's management team has good experience in the financial industry. Most worked at Glitnir in different capacities. Fitch believes on balance that this maintains a solid understanding of the bank, while allowing a different strategic course to be taken. Turnover of senior staff has been low.

Corporate governance weaknesses contributed to the 2008 banking collapse in Iceland, and Islandsbanki is attempting to address a number of the previous shortcomings, focusing on independence and complying with stricter regulation. It follows a two-tier corporate governance structure where the board of directors determines the general principles governing the bank's affairs and the executive management board is responsible for the daily management of the company and reports to the board of directors.

The board of directors consist of seven members who are elected for a one year term. One is nominated by Glitnir, two by the Icelandic government and the others are independent. The members are both Icelandic and foreign nationals. The Icelandic banking authorities (the FME) also places restrictions on the boards of ISB Holding and GLB Holding where only one member out of three per board can be a Glitnir representative. This is done to ensure the bank's goal of 'promoting the establishment of a sound and powerful financial undertaking' is pursued. All but one members of the board are considered independent from the bank and large shareholders. However, given the small size of the country, there is likely to be some interconnectedness between the board members and other stakeholders, in Fitch's view.

Clear Strategy, Good Execution to Date

Since the creation of Islandsbanki, management has maintained a focused strategy of restructuring the legacy loan book and achieving a clean and sustainable portfolio. This appears to have been done successfully. Management has been able to deal with a number of unexpected challenges, including foreign currency denominated loans to customers with only krona income being deemed illegal by an Iceland court. However, since a majority of the loan portfolio has been restructured, combined with capital controls still being in place, the long-term sustainability of the work done will remain a rating sensitivity for some time.

Fitch expects the next phase of getting the bank back to more normal business operations to continue to take shape in 2015 and 2016. Branch efficiency programmes, cost cutting exercises, and providing the "right type and amount of lending" to its customers is at the core of the bank's strategy.

Risk Appetite

Adequate Underwriting Standards for New Lending

Underwriting standards and risk controls appear adequate. In contrast with the bank's Glitnir past – which included large single name exposures, foreign currency lending, and lending against own shares – Islandsbanki's new standards have focused on reducing concentrations and ensuring appropriate debt servicing capacity of its borrowers, including matching the currency of a loan to the income of the borrower. Limits are allocated at different levels from front line branch managers to the board of directors, and there is a clear escalation process within the organisation. While it may be too early to fully assess the extent to which credit standards will change over economic cycles, Fitch expects a conservative approach will be adopted.

Modest Balance Sheet Growth

Growth has been very modest during the restructuring phase of the bank, and internal capital generation has significantly exceeded balance sheet growth. However, 2014 marked a trend change with a high 12% growth rate (marginally exceeding internal capital generation). Fitch does not expect such a high growth rate is indicative of the longer term trend, but is rather in line with GDP growth as guided for by the bank. The 2014 growth numbers were primarily driven by increasing market shares in some corporate segments, according to the bank.

Moderate Market Risk; Long FX Position

Islandsbanki is subject to market risk as a result of its significant long foreign currency position, equity holdings as result of restructurings, and interest rate risk. Its overriding risk appetite, based on internal volatility assumptions of market prices, is 20% of Tier 1 capital, although as its capital base has increased and equity positions have reduced, the combined exposure, based on the bank's parameters, has fallen to just over 10% at end-2014. The bank's long foreign currency position is held primarily to meet an outflow of foreign currency liabilities when the capital controls are lifted, but also as a financial hedge. In case the lifting of capital controls is done in an un-orderly fashion, the krona is likely to depreciate and inflation likely to increase, which would be offset against the foreign exchange gains from the liquidity portfolio.

Financial Profile

Asset Quality

Improving Loan Book Factored Into Ratings

In 2008, Islandsbanki acquired an ISK905bn loan portfolio for ISK477bn from Glitnir, giving an ISK428bn (47%) deep discount in an attempt to reflect the realistic value of the portfolio. Since then, around 35,000 households and over 4,000 corporate customers have received some form of debt relief, a large part relating to foreign currency denominated loans deemed illegal for customers with only krona income. Most of the deep discount has now been written off. The write-off of the deep discount does not impact Islandsbanki's accounts per se, and only represents the difference in original claim value of an exposure and the book value. In contrast, the net cumulative valuation change on the book value of the acquired loan portfolio was a positive ISK37bn at end-2014.

With a majority of the loan book having been restructured in the last six years, the long term resilience of the exposures is unproven. The bank has written off around half of the gross loans in the portfolio acquired from Glitnir, but only a small amount (about 0.5%) of previously restructured loans have re-entered restructuring, and the cumulative net valuation changes are positive. All this provides an indication of the quality of restructuring, and suggests that the initial deep discount was conservative. Islandsbanki's ratings factor in Fitch's expectation of an improving loan book.

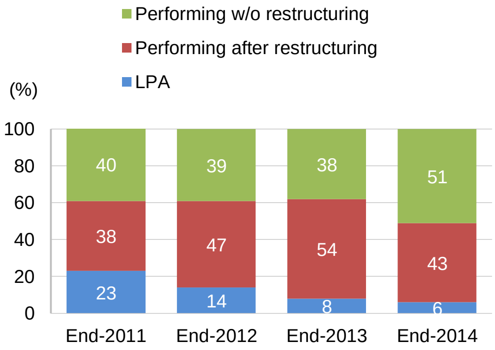
Loan concentration by obligor continues to reduce, and Islandsbanki had one exposure exceeding 10% of its total capital base at end-2014. The regulatory limit for a single exposure is 25% of total capital, and the bank also has internal limits for its 20 largest borrower groups.

Impaired Loans Coming Down; Acceptable Coverage

The volume of impaired loans has fallen significantly in recent years and amounted to ISK31bn at end-2014 (4.7% of gross loans), and the reserve coverage was an acceptable 64%. These metrics compare well with similarly rated peers. The more conservative Iceland specific Loan Performance Analysis (LPA) metric (which includes all non-performing and impaired loans, as well as loans in restructuring) declined to 5.9% at end-2014 (end-2013: 8.3%). The restructuring process is now largely complete and Fitch expects impaired loans and the LPA ratio to gradually reduce over 2015 and 2016.

Figure 3

Loans in Restructuring

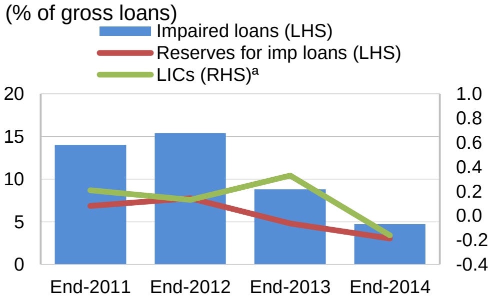


Source: Islandsbanki

Figure 4

Asset Quality

(% of gross loans)



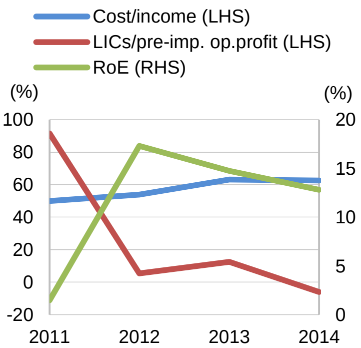
[a] Loan impairment charges; excluding loan revaluations, reclassified as non-recurring income by Fitch
Source: Islandsbanki, adjusted by Fitch

Good Quality Liquidity Portfolio

The liquidity portfolio was of good quality and amounted to ISK213bn (just over 23% of total assets) at end-2014. Cash and central bank placements accounted for just under half (ISK103bn), with the remainder made up of domestic bonds repo-able with the central bank of Iceland (ISK29bn), foreign government bonds (ISK47bn), and short-term bank placements (ISK34bn). Both the domestic and foreign government bonds qualify as high quality liquid assets.

Figure 5

Key Performance Metrics



Source: Islandsbanki, adjusted by Fitch

Earnings and Profitability

Stable NII Driven Revenue

Customer driven revenue generation is resilient, supported by a strong domestic franchise and focus on traditional banking services. NII represented around two-thirds of operating income in 2014 and Fitch expects it to stabilise at around 60% as the amortisation of discount on the legacy loan book is now largely complete (see below). NFC represents around 25% of operating income. Markets, which provides capital markets, corporate finance and market research products, and wealth management are complementary products and make a modest contribution to the group.

Good Underlying Profitability; Lower Loan Revaluations

Profit before tax decreased by ISK5.2n to just below ISK25bn in 2014. This was primarily due to ISK10bn less of positive loan revaluations (revaluations are accounted for as loan impairment charges – Fitch has reclassified these as non-recurring income) as the restructuring of the legacy portfolio is now largely complete, and to a smaller extent a fall in amortisation of discount (part of NII). The amortisation of discount arose as the required rate of return on the date of acquisition of the legacy book exceeded the contractual rates. Fitch expects another final impact on profitability of similar magnitude in 2015.

The underlying profitability of the group is good. The fall in pre-tax profit in 2014 was only half of the fall in loan revaluations, and Fitch-adjusted operating profit (excluding revaluations) increased by 24% to ISK13.5bn. Cost efficiency is adequate, and the cost/income ratio has been around 50%-60% in recent years. A number of efficiency measures are ongoing and Fitch expects the bank has some scope to improve efficiency further. Nonetheless, the Icelandic market is small and there is limited opportunity to achieve high economies of scale. LICs should remain manageable.

Figure 6

Profit Before Tax by Business Area (Unadjusted)

(ISKm)	2014	2013	2012
Retail banking[a]	21,033	20,977	14,938
Corporate banking[b]	5,902	13,682	11,603
Markets	1,312	1,728	1,677
Wealth management	1,554	2,850	2,516
Treasury	1,953	(661)	5,270
Subsidiaries	3,667	4,093	2,836
Cost centres & eliminations	(10,568)	(12,661)	(12,408)
Profit before tax	**24,853**	**30,008**	**26,432**

[a] Includes ISK6.6bn net positive valuation adjustments and LICs in 2014 (2013: ISK5.6bn; 2012: ISK1.4bn)
[b] Includes ISK1.5bn net positive valuation adjustments and LICs in 2014 (2013: ISK10bn; 2012: ISK5.4bn)
Source: Islandsbanki

Capitalisation and Leverage

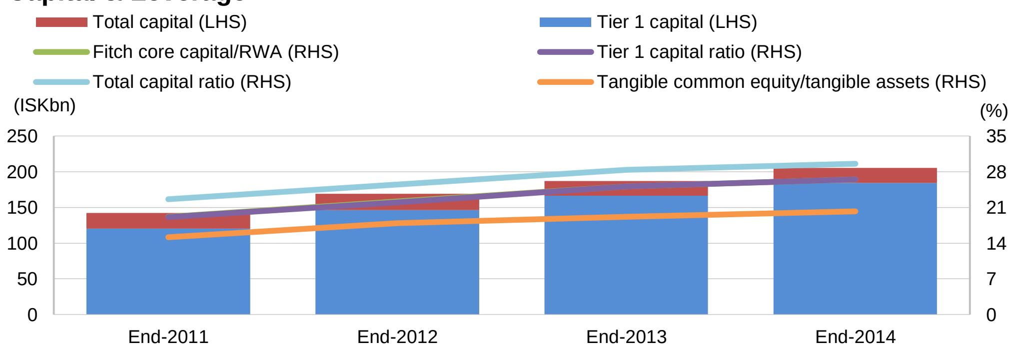
Solid Capital Ratios – a Pre-Requisite for Investor Confidence

Islandsbanki's risk weighted capital ratios are solid and compares well to domestic and international peers. The bank uses the standardised method to calculate its risk weighted assets, and leverage is low with a tangible common equity/tangible assets ratio at almost 20% at end-2014. Most of the bank's capital is made up of common equity (ISK185bn at end-2014), but the bank also has an ISK21.3bn Tier 2 bond issued to the Icelandic government.

Given the significant portfolio of restructured loans and the legacy of the failed banking system in Iceland, Fitch expects that Islandsbanki needs to maintain a high capital buffer compared to similarly rated European peers in order to ensure investor confidence. However, the bank's internal minimum capital ratio of 18% is significantly lower than the end-2014 total capital ratio of 29.4%. Fitch expects that the bank is likely to return some of the excess capital to its shareholders over time, although keep a large buffer over the regulatory minimum.

Figure 7

Capital & Leverage



Source: Islankdsbanki, adjusted by Fitch

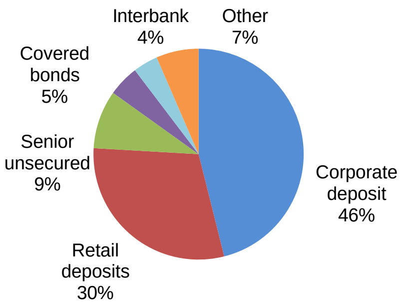
Funding and Liquidity

Largely Deposit Funded; Wholesale for Diversification

Islandsbanki is largely deposit funded, but to a limit extent also issue senior unsecured and covered bonds to diversity its funding sources. Corporate deposits make up 60% of the deposit base, but these have been stable over time. The closed Icelandic system limits the risk of a bank run for Icelandic krona deposits, in Fitch's opinion. The bank issued its first foreign currency senior unsecured bond in December 2013 (SEK300m), followed by a SEK300m tap and a EUR100m issue in 2014, and SEK450m in 2015. Fitch expects bond issuance to represent a growing share of non-equity funding going forward, although deposits will remain the largest funding source.

Figure 8

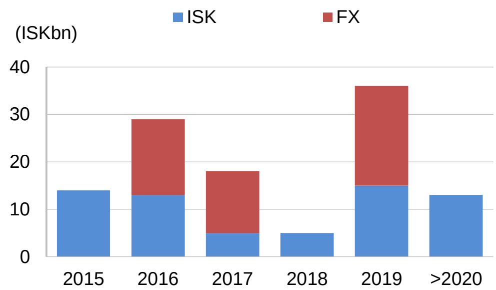
Non-Equity Funding Split
End-2014



Source: Islandsbanki, Fitch

Figure 9

Maturity Profile
Liquidity reserve at end-2014: ISK: 153bn, FX: 47bn



Source: Islandsbanki, Fitch

Strong FX Liquidity – Key to Maintain

Islandsbanki holds around ISK90bn in foreign currency deposits, of which Fitch expects a material amount maybe considered "trapped" under capital controls. Fitch believes the bank has sufficient Icelandic krona and foreign currency liquidity to withstand a possible stressed outflow of deposits when the capital controls are eventually lifted. The bank's liquidity coverage ratio for all currencies was 117%, and 494% in foreign currency, at end-2014. Maintaining a strong focus on liquidity, particular in foreign currency, is key in Fitch's view and is likely to remain an important rating sensitivity as long as capital controls remain in place.

Support

Fitch Does Not Factor in Support in its Ratings of Islandsbanki

The Icelandic sovereign's track record of imposing losses on bank creditors and public statements of burden sharing, particularly following the banking sector collapse, are the main drivers for Islandsbanki's Support Rating of '5' and Support Rating Floor of "No Floor". While state support is possible, Fitch does not believe that support from the Icelandic authorities can be relied upon. The Support Rating could be upgraded and the Support Rating Floor could be revised upwards if Fitch changed its assessment of the Icelandic authorities' propensity to support, although this is unlikely.

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Income Statement

	31 Dec 2014			31 Dec 2013		31 Dec 2012		31 Dec 2011	
	Year End USDm Unqualified	Year End ISKm Unqualified	As % of Earning Assets	Year End ISKm Unqualified	As % of Earning Assets	Year End ISKm Unqualified	As % of Earning Assets	Year End ISKm Unqualified	As % of Earning Assets
1. Interest Income on Loans	319.3	40,521.0	5.26	46,764.0	6.80	52,571.0	7.54	49,217.0	6.82
2. Other Interest Income	82.6	10,485.0	1.36	7,569.0	1.10	6,848.0	0.98	3,454.0	0.48
3. Dividend Income	1.5	185.0	0.02	115.0	0.02	210.0	0.03	n.a.	-
4. Gross Interest and Dividend Income	**403.4**	**51,191.0**	**6.65**	**54,448.0**	**7.92**	**59,629.0**	**8.55**	**52,671.0**	**7.30**
5. Interest Expense on Customer Deposits	133.3	16,919.0	2.20	18,174.0	2.64	17,739.0	2.54	12,149.0	1.68
6. Other Interest Expense	55.0	6,982.0	0.91	7,729.0	1.12	8,740.0	1.25	9,297.0	1.29
7. Total Interest Expense	**188.3**	**23,901.0**	**3.10**	**25,903.0**	**3.77**	**26,479.0**	**3.80**	**21,446.0**	**2.97**
8. Net Interest Income	**215.1**	**27,290.0**	**3.54**	**28,545.0**	**4.15**	**33,150.0**	**4.75**	**31,225.0**	**4.33**
9. Net Gains (Losses) on Trading and Derivatives	(1.4)	(178.0)	(0.02)	776.0	0.11	(507.0)	(0.07)	(429.0)	(0.06)
10. Net Gains (Losses) on Other Securities	(1.8)	(225.0)	(0.03)	0.0	0.00	n.a.	-	n.a.	-
11. Net Gains (Losses) on Assets at FV through Income Statement	14.1	1,786.0	0.23	3,721.0	0.54	4,551.0	0.65	3,136.0	0.43
12. Net Insurance Income	0.0	0.0	0.00	0.0	0.00	n.a.	-	n.a.	-
13. Net Fees and Commissions	90.5	11,483.0	1.49	10,433.0	1.52	9,459.0	1.36	5,966.0	0.83
14. Other Operating Income	15.9	2,018.0	0.26	(1,437.0)	(0.21)	992.0	0.14	1,773.0	0.25
15. Total Non-Interest Operating Income	**117.3**	**14,884.0**	**1.93**	**13,493.0**	**1.96**	**14,495.0**	**2.08**	**10,446.0**	**1.45**
16. Personnel Expenses	104.9	13,307.0	1.73	13,361.0	1.94	13,080.0	1.88	10,531.0	1.46
17. Other Operating Expenses	103.2	13,093.0	1.70	13,206.0	1.92	12,564.0	1.80	10,304.0	1.43
18. Total Non-Interest Expenses	**208.0**	**26,400.0**	**3.43**	**26,567.0**	**3.86**	**25,644.0**	**3.68**	**20,835.0**	**2.89**
19. Equity-accounted Profit/ Loss - Operating	0.2	27.0	0.00	3.0	0.00	n.a.	-	39.0	0.01
20. Pre-Impairment Operating Profit	**124.5**	**15,801.0**	**2.05**	**15,474.0**	**2.25**	**22,001.0**	**3.16**	**20,875.0**	**2.89**
21. Loan Impairment Charge	(7.6)	(967.0)	(0.13)	1,940.0	0.28	776.0	0.11	1,220.0	0.17
22. Securities and Other Credit Impairment Charges	0.0	0.0	0.00	0.0	0.00	425.0	0.06	17,873.0	2.48
23. Operating Profit	**132.1**	**16,768.0**	**2.18**	**13,534.0**	**1.97**	**20,800.0**	**2.98**	**1,782.0**	**0.25**
24. Equity-accounted Profit/ Loss - Non-operating	0.0	0.0	0.00	0.0	0.00	n.a.	-	n.a.	-
25. Non-recurring Income	63.7	8,085.0	1.05	18,795.0	2.73	6,490.0	0.93	841.0	0.12
26. Non-recurring Expense	0.0	0.0	0.00	2,321.0	0.34	858.0	0.12	n.a.	-
27. Change in Fair Value of Own Debt	0.0	0.0	0.00	0.0	0.00	n.a.	-	n.a.	-
28. Other Non-operating Income and Expenses	0.0	0.0	0.00	0.0	0.00	n.a.	-	n.a.	-
29. Pre-tax Profit	**195.8**	**24,853.0**	**3.23**	**30,008.0**	**4.36**	**26,432.0**	**3.79**	**2,623.0**	**0.36**
30. Tax expense	49.2	6,239.0	0.81	7,866.0	1.14	6,253.0	0.90	757.0	0.10
31. Profit/Loss from Discontinued Operations	32.6	4,136.0	0.54	927.0	0.13	3,239.0	0.46	n.a.	-
32. Net Income	**179.3**	**22,750.0**	**2.95**	**23,069.0**	**3.35**	**23,418.0**	**3.36**	**1,866.0**	**0.26**
33. Change in Value of AFS Investments	0.0	0.0	0.00	0.0	0.00	n.a.	-	n.a.	-
34. Revaluation of Fixed Assets	0.0	0.0	0.00	0.0	0.00	n.a.	-	n.a.	-
35. Currency Translation Differences	0.5	64.0	0.01	(363.0)	(0.05)	173.0	0.02	163.0	0.02
36. Remaining OCI Gains/(losses)	0.0	0.0	0.00	0.0	0.00	n.a.	-	n.a.	-
37. Fitch Comprehensive Income	**179.8**	**22,814.0**	**2.96**	**22,706.0**	**3.30**	**23,591.0**	**3.38**	**2,029.0**	**0.28**
38. Memo: Profit Allocation to Non-controlling Interests	8.0	1,010.0	0.13	92.0	0.01	(20.0)	(0.00)	n.a.	-
39. Memo: Net Income after Allocation to Non-controlling Interests	171.3	21,740.0	2.82	22,977.0	3.34	23,438.0	3.36	1,866.0	0.26
40. Memo: Common Dividends Relating to the Period	0.0	0.0	0.00	0.0	0.00	3,000.0	0.43	n.a.	-
41. Memo: Preferred Dividends Related to the Period	0.0	0.0	0.00	0.0	0.00	n.a.	-	n.a.	-
Exchange rate		USD1 = ISK126.90000		USD1 = ISK115.55000		USD1 = ISK128.99000		USD1 = ISK122.71000	

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Balance Sheet

	31 Dec 2014			31 Dec 2013		31 Dec 2012		31 Dec 2011	
	Year End USDm	Year End ISKm	As % of Assets	Year End ISKm	As % of Assets	Year End ISKm	As % of Assets	Year End ISKm	As % of Assets
Assets									
A. Loans									
1. Residential Mortgage Loans	1,470.3	186,583.0	20.47	176,421.0	20.37	164,416.0	19.97	n.a.	-
2. Other Mortgage Loans	0.0	0.0	0.00	0.0	0.00	0.0	0.00	n.a.	-
3. Other Consumer/ Retail Loans	642.0	81,470.0	8.94	87,025.0	10.05	93,045.0	11.30	235,088.0	29.54
4. Corporate & Commercial Loans	2,949.3	374,271.0	41.07	312,268.0	36.06	336,018.0	40.81	235,599.0	29.60
5. Other Loans	96.4	12,234.0	1.34	6,943.0	0.80	11,307.0	1.37	135,310.0	17.00
6. Less: Reserves for Impaired Loans	155.7	19,759.0	2.17	27,916.0	3.22	46,929.0	5.70	41,603.0	5.23
7. Net Loans	**5,002.4**	**634,799.0**	**69.66**	**554,741.0**	**64.06**	**557,857.0**	**67.75**	**564,394.0**	**70.91**
8. Gross Loans	**5,158.1**	**654,558.0**	**71.82**	**582,657.0**	**67.28**	**604,786.0**	**73.45**	**605,997.0**	**76.14**
9. Memo: Impaired Loans included above	244.6	31,036.0	3.41	51,334.0	5.93	93,146.0	11.31	84,969.0	10.68
10. Memo: Loans at Fair Value included above	0.0	0.0	0.00	0.0	0.00	n.a.	-	n.a.	-
B. Other Earning Assets									
1. Loans and Advances to Banks	276.4	35,072.0	3.85	44,078.0	5.09	54,043.0	6.56	43,655.0	5.48
2. Reverse Repos and Cash Collateral	0.0	0.0	0.00	0.0	0.00	n.a.	-	n.a.	-
3. Trading Securities and at FV through Income	771.3	97,878.0	10.74	84,394.0	9.75	74,480.0	9.05	n.a.	-
4. Derivatives	14.3	1,810.0	0.20	843.0	0.10	127.0	0.02	339.0	0.04
5. Available for Sale Securities	0.0	0.0	0.00	0.0	0.00	n.a.	-	n.a.	-
6. Held to Maturity Securities	0.0	0.0	0.00	0.0	0.00	n.a.	-	n.a.	-
7. Equity Investments in Associates	4.5	570.0	0.06	1,563.0	0.18	503.0	0.06	1,070.0	0.13
8. Other Securities	0.0	0.0	0.00	0.0	0.00	n.a.	-	69,769.0	8.77
9. Total Securities	**790.1**	**100,258.0**	**11.00**	**86,800.0**	**10.02**	**75,110.0**	**9.12**	**71,178.0**	**8.94**
10. Memo: Government Securities included Above	0.0	0.0	0.00	0.0	0.00	n.a.	-	n.a.	-
11. Memo: Total Securities Pledged	0.0	0.0	0.00	0.0	0.00	n.a.	-	n.a.	-
12. Investments in Property	0.0	0.0	0.00	0.0	0.00	n.a.	-	n.a.	-
13. Insurance Assets	0.0	0.0	0.00	0.0	0.00	n.a.	-	n.a.	-
14. Other Earning Assets	0.0	0.0	0.00	2,178.0	0.25	10,161.0	1.23	42,690.0	5.36
15. Total Earning Assets	**6,068.8**	**770,129.0**	**84.51**	**687,797.0**	**79.42**	**697,171.0**	**84.67**	**721,917.0**	**90.70**
C. Non-Earning Assets									
1. Cash and Due From Banks	814.7	103,389.0	11.34	111,779.0	12.91	85,500.0	10.38	57,992.0	7.29
2. Memo: Mandatory Reserves included above	75.3	9,552.0	1.05	3,603.0	0.42	9,152.0	1.11	6,370.0	0.80
3. Foreclosed Real Estate	67.7	8,592.0	0.94	8,544.0	0.99	n.a.	-	n.a.	-
4. Fixed Assets	58.3	7,402.0	0.81	8,772.0	1.01	5,579.0	0.68	5,276.0	0.66
5. Goodwill	0.0	0.0	0.00	0.0	0.00	n.a.	-	n.a.	-
6. Other Intangibles	4.9	619.0	0.07	299.0	0.03	261.0	0.03	544.0	0.07
7. Current Tax Assets	0.0	0.0	0.00	0.0	0.00	n.a.	-	n.a.	-
8. Deferred Tax Assets	4.1	521.0	0.06	1,275.0	0.15	864.0	0.10	2,629.0	0.33
9. Discontinued Operations	102.9	13,057.0	1.43	36,384.0	4.20	28,885.0	3.51	n.a.	-
10. Other Assets	60.0	7,619.0	0.84	11,159.0	1.29	5,115.0	0.62	7,557.0	0.95
11. Total Assets	**7,181.5**	**911,328.0**	**100.00**	**866,009.0**	**100.00**	**823,375.0**	**100.00**	**795,915.0**	**100.00**
Liabilities and Equity									
D. Interest-Bearing Liabilities									
1. Customer Deposits - Current	3,320.2	421,332.0	46.23	394,345.0	45.54	379,257.0	46.06	259,994.0	32.67
2. Customer Deposits - Savings	0.0	0.0	0.00	0.0	0.00	n.a.	-	n.a.	-
3. Customer Deposits - Term	852.0	108,115.0	11.86	94,986.0	10.97	91,899.0	11.16	202,949.0	25.50
4. Total Customer Deposits	**4,172.2**	**529,447.0**	**58.10**	**489,331.0**	**56.50**	**471,156.0**	**57.22**	**462,943.0**	**58.16**
5. Deposits from Banks	202.7	25,727.0	2.82	29,626.0	3.42	38,218.0	4.64	62,845.0	7.90
6. Repos and Cash Collateral	0.5	69.0	0.01	63.0	0.01	54.0	0.01	n.a.	-
7. Other Deposits and Short-term Borrowings	34.7	4,400.0	0.48	8,350.0	0.96	n.a.	-	n.a.	-
8. Total Deposits, Money Market and Short-term Funding	**4,410.1**	**559,643.0**	**61.41**	**527,370.0**	**60.90**	**509,428.0**	**61.87**	**525,788.0**	**66.06**
9. Senior Debt Maturing after 1 Year	728.8	92,489.0	10.15	80,843.0	9.34	66,571.0	8.09	63,221.0	7.94
10. Subordinated Borrowing	0.0	0.0	0.00	0.0	0.00	0.0	0.00	21,937.0	2.76
11. Other Funding	0.0	0.0	0.00	0.0	0.00	n.a.	-	n.a.	-
12. Total Long Term Funding	**728.8**	**92,489.0**	**10.15**	**80,843.0**	**9.34**	**66,571.0**	**8.09**	**85,158.0**	**10.70**
13. Derivatives	25.8	3,277.0	0.36	1,714.0	0.20	6,444.0	0.78	4,027.0	0.51
14. Trading Liabilities	5.4	686.0	0.08	9,462.0	1.09	11,991.0	1.46	9,346.0	1.17
15. Total Funding	**5,170.2**	**656,095.0**	**71.99**	**619,389.0**	**71.52**	**594,434.0**	**72.19**	**624,319.0**	**78.44**
E. Non-Interest Bearing Liabilities									
1. Fair Value Portion of Debt	0.0	0.0	0.00	0.0	0.00	n.a.	-	n.a.	-
2. Credit impairment reserves	0.0	0.0	0.00	0.0	0.00	n.a.	-	n.a.	-
3. Reserves for Pensions and Other	213.4	27,076.0	2.97	27,473.0	3.17	18,097.0	2.20	n.a.	-
4. Current Tax Liabilities	66.1	8,386.0	0.92	10,806.0	1.25	2,052.0	0.25	2,670.0	0.34
5. Deferred Tax Liabilities	0.0	2.0	0.00	20.0	0.00	20.0	0.00	17.0	0.00
6. Other Deferred Liabilities	1.5	192.0	0.02	206.0	0.02	197.0	0.02	215.0	0.03
7. Discontinued Operations	22.0	2,790.0	0.31	9,456.0	1.09	6,805.0	0.83	n.a.	-
8. Insurance Liabilities	0.0	0.0	0.00	0.0	0.00	n.a.	-	n.a.	-
9. Other Liabilities	78.8	9,994.0	1.10	9,451.0	1.09	30,660.0	3.72	44,991.0	5.65
10. Total Liabilities	**5,551.9**	**704,535.0**	**77.31**	**676,801.0**	**78.15**	**652,265.0**	**79.22**	**672,212.0**	**84.46**
F. Hybrid Capital									
1. Pref. Shares and Hybrid Capital accounted for as Debt	167.9	21,306.0	2.34	21,890.0	2.53	23,450.0	2.85	n.a.	-
2. Pref. Shares and Hybrid Capital accounted for as Equity	0.0	0.0	0.00	0.0	0.00	n.a.	-	n.a.	-
G. Equity									
1. Common Equity	1,448.1	183,759.0	20.16	166,382.0	19.21	146,232.0	17.76	122,794.0	15.43
2. Non-controlling Interest	13.1	1,664.0	0.18	1,299.0	0.15	1,255.0	0.15	909.0	0.11
3. Securities Revaluation Reserves	0.0	0.0	0.00	0.0	0.00	n.a.	-	n.a.	-
4. Foreign Exchange Revaluation Reserves	0.5	64.0	0.01	(363.0)	(0.04)	173.0	0.02	n.a.	-
5. Fixed Asset Revaluations and Other Accumulated OCI	0.0	0.0	0.00	0.0	0.00	n.a.	-	n.a.	-
6. Total Equity	**1,461.7**	**185,487.0**	**20.35**	**167,318.0**	**19.32**	**147,660.0**	**17.93**	**123,703.0**	**15.54**
7. Total Liabilities and Equity	**7,181.5**	**911,328.0**	**100.00**	**866,009.0**	**100.00**	**823,375.0**	**100.00**	**795,915.0**	**100.00**
8. Memo: Fitch Core Capital	1,452.7	184,349.0	20.23	165,754.0	19.14	147,352.0	17.90	120,530.0	15.14
9. Memo: Fitch Eligible Capital	1,452.7	184,349.0	20.23	165,754.0	19.14	147,352.0	17.90	120,530.0	15.14

Exchange rate	USD1 = ISK126.90000	USD1 = ISK115.55000	USD1 = ISK128.99000	USD1 = ISK122.71000

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Summary Analytics

	31 Dec 2014 Year End	31 Dec 2013 Year End	31 Dec 2012 Year End	31 Dec 2011 Year End
A. Interest Ratios				
1. Interest Income on Loans/ Average Gross Loans	6.57	8.00	8.85	8.50
2. Interest Expense on Customer Deposits/ Average Customer Deposits	3.28	3.79	3.80	3.31
3. Interest Income/ Average Earning Assets	6.96	7.85	8.48	8.15
4. Interest Expense/ Average Interest-bearing Liabilities	3.63	4.23	4.32	3.98
5. Net Interest Income/ Average Earning Assets	3.71	4.11	4.71	4.83
6. Net Int. Inc Less Loan Impairment Charges/ Av. Earning Assets	3.84	3.83	4.60	4.64
7. Net Interest Inc Less Preferred Stock Dividend/ Average Earning Asset	3.71	4.11	4.71	4.83
B. Other Operating Profitability Ratios				
1. Non-Interest Income/ Gross Revenues	35.29	32.10	30.42	25.07
2. Non-Interest Expense/ Gross Revenues	62.60	63.20	53.82	50.00
3. Non-Interest Expense/ Average Assets	2.93	3.16	3.19	2.93
4. Pre-impairment Op. Profit/ Average Equity	8.90	9.89	16.27	16.50
5. Pre-impairment Op. Profit/ Average Total Assets	1.76	1.84	2.74	2.94
6. Loans and securities impairment charges/ Pre-impairment Op. Profit	(6.12)	12.54	5.46	91.46
7. Operating Profit/ Average Equity	9.45	8.65	15.38	1.41
8. Operating Profit/ Average Total Assets	1.86	1.61	2.59	0.25
9. Taxes/ Pre-tax Profit	25.10	26.21	23.66	28.86
10. Pre-Impairment Operating Profit / Risk Weighted Assets	2.27	2.35	3.31	3.32
11. Operating Profit / Risk Weighted Assets	2.41	2.05	3.13	0.28
C. Other Profitability Ratios				
1. Net Income/ Average Total Equity	12.82	14.74	17.31	1.48
2. Net Income/ Average Total Assets	2.53	2.74	2.92	0.26
3. Fitch Comprehensive Income/ Average Total Equity	12.86	14.51	17.44	1.60
4. Fitch Comprehensive Income/ Average Total Assets	2.53	2.70	2.94	0.29
5. Net Income/ Av. Total Assets plus Av. Managed Securitized Assets	n.a.	n.a.	n.a.	n.a.
6. Net Income/ Risk Weighted Assets	3.27	3.50	3.52	0.30
7. Fitch Comprehensive Income/ Risk Weighted Assets	3.28	3.44	3.55	0.32
D. Capitalization				
1. Fitch Core Capital/ Risk Weighted Assets	26.52	25.12	22.17	19.15
2. Fitch Eligible Capital/ Risk Weighted Assets	26.52	25.12	22.17	19.15
3. Tangible Common Equity/ Tangible Assets	20.25	19.17	17.90	15.20
4. Tier 1 Regulatory Capital Ratio	26.50	25.10	22.00	19.10
5. Total Regulatory Capital Ratio	29.60	28.40	25.50	22.60
6. Core Tier 1 Regulatory Capital Ratio	n.a.	25.10	22.00	n.a.
7. Equity/ Total Assets	20.35	19.32	17.93	15.54
8. Cash Dividends Paid & Declared/ Net Income	n.a.	n.a.	12.81	n.a.
9. Cash Dividend Paid & Declared/ Fitch Comprehensive Income	n.a.	n.a.	12.72	n.a.
10. Cash Dividends & Share Repurchase/Net Income	n.a.	n.a.	n.a.	n.a.
11. Internal Capital Generation	12.27	13.79	13.83	1.51
E. Loan Quality				
1. Growth of Total Assets	5.23	5.18	3.45	16.49
2. Growth of Gross Loans	12.34	(3.66)	(0.20)	5.05
3. Impaired Loans/ Gross Loans	4.74	8.81	15.40	14.02
4. Reserves for Impaired Loans/ Gross Loans	3.02	4.79	7.76	6.87
5. Reserves for Impaired Loans/ Impaired Loans	63.66	54.38	50.38	48.96
6. Impaired loans less Reserves for Impaired Loans/ Fitch Core Capital	6.12	14.13	31.37	35.98
7. Impaired Loans less Reserves for Impaired Loans/ Equity	6.08	14.00	31.30	35.06
8. Loan Impairment Charges/ Average Gross Loans	(0.16)	0.33	0.13	0.21
9. Net Charge-offs/ Average Gross Loans	1.43	3.08	1.78	5.34
10. Impaired Loans + Foreclosed Assets/ Gross Loans + Foreclosed Ass	5.98	10.13	15.40	14.02
F. Funding and Liquidity				
1. Loans/ Customer Deposits	123.63	119.07	128.36	130.90
2. Interbank Assets/ Interbank Liabilities	136.32	148.78	141.41	69.46
3. Customer Deposits/ Total Funding (excluding derivatives)	81.10	79.22	80.13	74.63

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Reference Data

	31 Dec 2014			31 Dec 2013		31 Dec 2012		31 Dec 2011	
	Year End USDm	Year End ISKm	As % of Assets	Year End ISKm	As % of Assets	Year End ISKm	As % of Assets	Year End ISKm	As % of Assets
A. Off-Balance Sheet Items									
1. Managed Securitized Assets Reported Off-Balance Sheet	0.0	0.0	0.00	0.0	0.00	n.a.	-	n.a.	-
2. Other off-balance sheet exposure to securitizations	0.0	0.0	0.00	0.0	0.00	n.a.	-	n.a.	-
3. Guarantees	71.9	9,124.0	1.00	9,574.0	1.11	12,095.0	1.47	10,617.0	1.33
4. Acceptances and documentary credits reported off-balance sheet	0.0	0.0	0.00	0.0	0.00	n.a.	-	n.a.	-
5. Committed Credit Lines	472.6	59,970.0	6.58	43,072.0	4.97	12,798.0	1.55	12,592.0	1.58
6. Other Contingent Liabilities	232.8	29,544.0	3.24	28,487.0	3.29	22,412.0	2.72	21,449.0	2.69
7. Total Business Volume	7,958.8	1,009,966.0	110.82	947,142.0	109.37	870,680.0	105.75	840,573.0	105.61
8. Memo: Risk Weighted Assets	5,477.6	695,102.0	76.27	659,757.0	76.18	664,689.0	80.73	629,419.0	79.08
9. Fitch Adjustments to Risk Weighted Assets	0.0	0.0	0.00	0.0	0.00	n.a.	-	n.a.	-
10. Fitch Adjusted Risk Weighted Assets	5,477.6	695,102.0	76.27	659,757.0	76.18	664,689.0	80.73	629,419.0	79.08
B. Average Balance Sheet									
Average Loans	4,863.1	617,127.4	67.72	584,536.0	67.50	593,906.8	72.13	578,947.0	72.74
Average Earning Assets	5,792.1	735,019.6	80.65	693,848.2	80.12	703,568.8	85.45	645,999.3	81.16
Average Assets	7,092.0	899,976.0	98.75	840,763.4	97.08	802,871.2	97.51	710,200.0	89.23
Average Managed Securitized Assets (OBS)	0.0	0.0	0.00	0.0	0.00	n.a.	-	n.a.	-
Average Interest-Bearing Liabilities	5,187.1	658,238.8	72.23	612,562.0	70.73	612,959.6	74.44	539,274.0	67.76
Average Common equity	1,387.4	176,061.4	19.32	155,294.0	17.93	134,200.8	16.30	126,098.0	15.84
Average Equity	1,398.3	177,443.4	19.47	156,456.0	18.07	135,261.8	16.43	126,505.5	15.89
Average Customer Deposits	4,062.9	515,587.0	56.58	479,777.4	55.40	466,270.2	56.63	366,972.3	46.11
C. Maturities									
Asset Maturities:									
Loans & Advances < 3 months	0.0	0.0	0.00	0.0	0.00	69,186.0	8.40	n.a.	-
Loans & Advances 3 - 12 Months	0.0	0.0	0.00	0.0	0.00	50,267.0	6.10	n.a.	-
Loans and Advances 1 - 5 Years	0.0	0.0	0.00	0.0	0.00	149,005.0	18.10	n.a.	-
Loans & Advances > 5 years	0.0	0.0	0.00	0.0	0.00	289,399.0	35.15	n.a.	-
Debt Securities < 3 Months	0.0	0.0	0.00	0.0	0.00	28,011.0	3.40	n.a.	-
Debt Securities 3 - 12 Months	0.0	0.0	0.00	0.0	0.00	13.0	0.00	n.a.	-
Debt Securities 1 - 5 Years	0.0	0.0	0.00	0.0	0.00	326.0	0.04	n.a.	-
Debt Securities > 5 Years	0.0	0.0	0.00	0.0	0.00	46,130.0	5.60	n.a.	-
Loans & Advances to Banks < 3 Months	276.0	35,022.0	3.84	43,917.0	5.07	53,892.0	6.55	n.a.	-
Loans & Advances to Banks 3 - 12 Months	0.4	50.0	0.01	161.0	0.02	151.0	0.02	n.a.	-
Loans & Advances to Banks 1 - 5 Years	0.0	0.0	0.00	0.0	0.00	n.a.	-	n.a.	-
Loans & Advances to Banks > 5 Years	0.0	0.0	0.00	0.0	0.00	n.a.	-	n.a.	-
Liability Maturities:									
Retail Deposits < 3 months	0.0	0.0	0.00	0.0	0.00	n.a.	-	n.a.	-
Retail Deposits 3 - 12 Months	0.0	0.0	0.00	0.0	0.00	n.a.	-	n.a.	-
Retail Deposits 1 - 5 Years	0.0	0.0	0.00	0.0	0.00	n.a.	-	n.a.	-
Retail Deposits > 5 Years	0.0	0.0	0.00	0.0	0.00	n.a.	-	n.a.	-
Other Deposits < 3 Months	0.0	0.0	0.00	0.0	0.00	n.a.	-	n.a.	-
Other Deposits 3 - 12 Months	0.0	0.0	0.00	0.0	0.00	n.a.	-	n.a.	-
Other Deposits 1 - 5 Years	0.0	0.0	0.00	0.0	0.00	n.a.	-	n.a.	-
Other Deposits > 5 Years	0.0	0.0	0.00	0.0	0.00	n.a.	-	n.a.	-
Deposits from Banks < 3 Months	0.0	0.0	0.00	0.0	0.00	n.a.	-	n.a.	-
Deposits from Banks 3 - 12 Months	0.0	0.0	0.00	0.0	0.00	n.a.	-	n.a.	-
Deposits from Banks 1 - 5 Years	0.0	0.0	0.00	0.0	0.00	n.a.	-	n.a.	-
Deposits from Banks > 5 Years	0.0	0.0	0.00	0.0	0.00	n.a.	-	n.a.	-
Senior Debt Maturing < 3 months	0.0	0.0	0.00	0.0	0.00	n.a.	-	n.a.	-
Senior Debt Maturing 3-12 Months	0.0	0.0	0.00	0.0	0.00	n.a.	-	n.a.	-
Senior Debt Maturing 1- 5 Years	0.0	0.0	0.00	0.0	0.00	n.a.	-	n.a.	-
Senior Debt Maturing > 5 Years	0.0	0.0	0.00	0.0	0.00	n.a.	-	n.a.	-
Total Senior Debt on Balance Sheet	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Fair Value Portion of Senior Debt	0.0	0.0	0.00	0.0	0.00	n.a.	-	n.a.	-
Covered Bonds	0.0	0.0	0.00	0.0	0.00	n.a.	-	n.a.	-
Subordinated Debt Maturing < 3 months	0.0	0.0	0.00	0.0	0.00	n.a.	-	n.a.	-
Subordinated Debt Maturing 3-12 Months	0.0	0.0	0.00	0.0	0.00	n.a.	-	n.a.	-
Subordinated Debt Maturing 1- 5 Year	0.0	0.0	0.00	0.0	0.00	n.a.	-	n.a.	-
Subordinated Debt Maturing > 5 Years	0.0	0.0	0.00	0.0	0.00	n.a.	-	n.a.	-
Total Subordinated Debt on Balance Sheet	0.0	0.0	0.00	0.0	0.00	0.0	0.00	21,937.0	2.76
Fair Value Portion of Subordinated Debt	0.0	0.0	0.00	0.0	0.00	n.a.	-	n.a.	-
D. Equity Reconciliation									
1. Equity	1,461.7	185,487.0	20.35	167,318.0	19.32	147,660.0	17.93	123,703.0	15.54
2. Add: Pref. Shares and Hybrid Capital accounted for as Equity	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
3. Add: Other Adjustments	0.0	0.0	0.00	0.0	0.00	n.a.	-	n.a.	-
4. Published Equity	1,461.7	185,487.0	20.35	167,318.0	19.32	147,660.0	17.93	123,703.0	15.54
E. Fitch Eligible Capital Reconciliation									
1. Total Equity as reported (including non-controlling interests)	1,461.7	185,487.0	20.35	167,318.0	19.32	147,660.0	17.93	123,703.0	15.54
2. Fair value effect incl in own debt/borrowings at fv on the B/S- CC only	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00
3. Non-loss-absorbing non-controlling interests	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00
4. Goodwill	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00
5. Other intangibles	4.9	619.0	0.07	299.0	0.03	261.0	0.03	544.0	0.07
6. Deferred tax assets deduction	4.1	519.0	0.06	1,265.0	0.15	47.0	0.01	2,629.0	0.33
7. Net asset value of insurance subsidiaries	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00
8. First loss tranches of off-balance sheet securitizations	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00
9. Fitch Core Capital	**1,452.7**	**184,349.0**	**20.23**	**165,754.0**	**19.14**	**147,352.0**	**17.90**	**120,530.0**	**15.14**
10. Eligible weighted Hybrid capital	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00
11. Government held Hybrid Capital	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00
12. Fitch Eligible Capital	**1,452.7**	**184,349.0**	**20.23**	**165,754.0**	**19.14**	**147,352.0**	**17.90**	**120,530.0**	**15.14**
Exchange Rate	USD1 = ISK126.90000			USD1 = ISK115.55000		USD1 = ISK128.99000		USD1 = ISK122.71000	

The ratings above were solicited by, or on behalf of, the issuer, and therefore, Fitch has been compensated for the provision of the ratings.