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

Long-Term Foreign-Currency IDR	A-
Long-Term Local-Currency IDR	A-

Outlooks

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

Financial Data

Islandsbanki hf

	30 Jun 16	31 Dec 16
Total assets (USDm)	10,134.7	9,285.2
Total assets (ISKbn)	1,047.2	1,047.6
Total equity (ISKbn)	175.9	178.9
Operating profit (ISKbn)	7.9	17.6
Published net income (ISKbn)	8.0	20.2
Comprehensive income (ISKbn)	8.1	14.6
Operating ROAA (%)	1.5	1.7
Operating ROAE (%)	9.1	8.9
Fitch Core Capital/ weighted risks (%)	23.4	25.0
Common equity Tier 1 ratio (%)	23.3	24.9
Leverage ratio (%)	15.7	16.0

Related Research

Islandsbanki hf - Ratings Navigator (February 2017)

Iceland (August 2017)

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Key Rating Drivers

Leading Franchise, Small Economy: Islandsbanki hf's ratings are underpinned by its leading Icelandic universal banking franchise, with domestic market shares of about 30% in lending and deposits, continuously improving asset quality, a stable liquidity position and high reported capital ratios. The ratings also reflect the bank's good risk-management framework and its domestic-focused strategy, with operations abroad limited to below 5% of assets.

Improved but Vulnerable Environment: Iceland has extended its record of robust economic growth, reduced its external vulnerabilities and lifted capital controls. However, Islandsbanki's concentration in a small market and volatile economy is a rating constraint, as its size makes it more vulnerable to domestic and international shocks.

Capitalisation Is a Rating Strength: Islandsbanki's capital and leverage ratios are solid by international comparison, reflecting strict regulatory requirements. Fitch Ratings believes such requirements are necessary to offset the risks inherent to operating in this small and volatile economy. We expect the bank's capital ratios to fall in the medium term and that some part of common equity will be replaced with subordinated debt as the bank prepares for privatisation. We also expect Islandsbanki to maintain sound buffers on top of its minimum requirements.

Improving Asset Quality: The bank's asset quality has been consistently improving since 2010. Gross impaired and 90 days' past due but not impaired loans have declined as a proportion of total loans to 2.3% at end-June 2017. A large portion of the loan book, which Islandsbanki acquired at a deep discount from its predecessor Glitnir, has been restructured and these loans are performing well. We expect Iceland's strong economic growth driven by domestic demand and tourism to continue to support Islandsbanki's asset quality.

Strengthened Funding, Stable Liquidity: Islandsbanki is largely funded by domestic deposits. All legacy funding from Glitnir was repaid in 2016. Most of the funding from foreign entities "trapped" under capital controls was repaid following the central bank's auctions in 2016-1H17. Islandsbanki's access to international capital markets continued to improve, most recently with a EUR500 million benchmark issue in September 2016. Liquidity is prudently managed and the bank maintains a large liquidity buffer.

Moderate Profitability: Islandsbanki's profitability has been supported in recent years by releases of impairment reserves. We expect profitability to moderate as loan impairment charges (LICs) normalise, but we expect them to remain low in the benign environment.

Rating Sensitivities

Risk Appetite, Capital and Liquidity: The ratings are likely to come under pressure if Islandsbanki adopts a higher risk appetite, particularly in light of its future privatisation, for example through loosening underwriting standards or expanding its foreign banking operations. Aggressive capital or liquidity management, or a significant shock to the economic environment leading to asset-quality deterioration, would also be rating negative.

Operating Environment Resilience: Demonstrated resilience of the Icelandic operating environment to external shocks would be credit positive if Islandsbanki maintains a moderate risk appetite, sound asset quality and a conservative approach to capital and liquidity management.

Operating Environment

Strong Growth, Reduced External Vulnerabilities

Iceland has continued to recover strongly from the severe impact that the global financial crisis had on its economy. Significant restructuring and deleveraging work has been made since 2008, which, together with the orderly removal of capital controls, reduced external vulnerabilities and robust economic growth, resulted in Iceland's sovereign rating being upgraded in stages to 'A+'/Positive from 'BB+'/Negative in 2010. The overall positive trend in the Icelandic operating environment has been factored into Islandsbanki's ratings, although the small size of the economy (in 2016, its GDP was USD20 billion with a population of about 330,000) is a rating constraint.

Real GDP growth was strong in 2016 at 7.2%, driven by robust growth in tourism, private investments and private consumption. Fitch expects growth rates to moderate but to remain sound. The increase in demand for real estate stemming from robust activity in the tourism sector (arrivals grew by 40% in 2016) sparked a surge in construction activity and has pushed up real-estate prices. The latter are showing signs of overheating, but risks are mitigated by strong household income growth in recent years. Furthermore, the recent construction activity and property price growth have not been fuelled by a corresponding increase in private-sector debt, which has been consistently declining from its peak in 2008.

The banking sector is dominated by three banks – Islandsbanki, Arion Banki (unrated; the successor to Kaupthing) and Landsbankinn (unrated; the successor to Landsbanki Island), resulting in high barriers for potential new entrants. The banks' access to the capital markets has improved, with all three issuing benchmark senior unsecured euro-denominated bonds in recent years and the local covered bond market growing strongly.

The regulatory environment is reasonably developed and transparent, and we believe has gone a significant way to addressing the shortcomings leading up to the banking sector collapse. This includes enhanced supervision of related-party transactions and large exposures, and more stringent disclosure requirements. Icelandic banking regulation is based on the EU Capital Requirement Directive (CRD IV). The regulatory capital and liquidity requirements are strict by international standards, but we believe this is necessary to offset the risks of operating in a small, open and potentially volatile economy.

Capital Controls on Residents Lifted

On 12 March 2017, Iceland removed virtually all capital controls on Icelandic households, businesses and pension funds as part of its phased liberalisation strategy set out in June 2015. The controls had been significantly loosened in the preceding six months without triggering large capital outflows or pressures on the krona. In 1H17, the authorities also exchanged about ISK112 billion of krona assets held by non-residents and still subject to restrictions under the capital controls. The remaining stock of offshore krona assets was about ISK88 billion at end-June 2017 (3% of GDP). This is comfortably covered by the central bank's foreign-currency reserves, which amounted to about a quarter of GDP at end-June 2017.

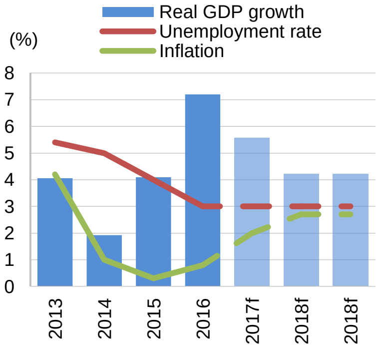
Capital controls were introduced in Iceland to avoid an outflow of funds following the banking crash in 2008.

Company Profile

Leading Domestic Bank

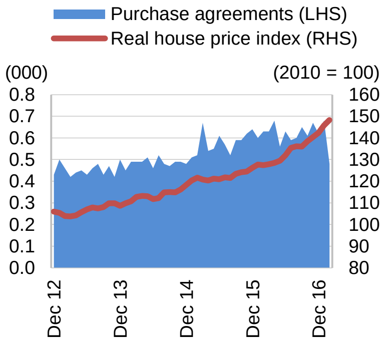
Islandsbanki is one of the three leading domestic banks with market shares of about 30% in loans and deposits. In addition to traditional lending and deposit-taking, it provides investment banking and asset-management services. Islandsbanki appears to have a slightly higher market share among the SMEs and corporate clients than its domestic peers, and also has a market share of about 50% in asset finance. The bank's business model is weighted towards traditional commercial banking. Revenue mostly (87% in 2016) comprises net interest income,

Iceland's Economy



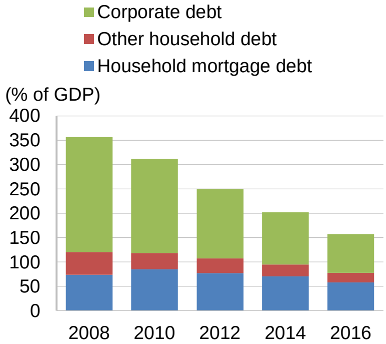
Source: Fitch

Housing Market



Source: Central Bank of Iceland, Fitch

Private Sector Debt



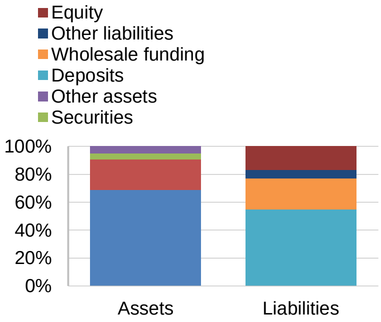
Source: Central Bank of Iceland, Fitch

Related Criteria

Global Bank Rating Criteria (November 2016)

Asset and Liability Mix

End-June 2017



Source: islandsbanki, Fitch

Performance Against Targets

(%)	Target	Actual 1H17[a]
Return on equity from regular operations[b]	9-11	11.2
Cost/income	<55	59.2
CET1 ratio	>15 (long-term)	23.3
Total capital ratio	>20 (long-term)	23.5
Dividend payout	40-50	50

[a] As reported by the bank
[b] Based on the common equity Tier 1 ratio of 15%
Source: Islandsbanki

and net fees and commissions. Operations are concentrated in Iceland, with minimal geographic diversification. Fitch expects the business mix to be broadly stable in the medium term.

Islandsbanki was founded in 2008 following the failure of Glitnir. It acquired the domestic assets (mainly the loan book) and liabilities (mainly deposits) from Glitnir at a discount of almost 50% to correspond to the prevailing market value of the loan book. In March 2016, the Icelandic government took over the entire shareholding of Islandsbanki (previously 95% owned by Glitnir creditors), with the aim of privatising the bank.

Management and Strategy

Experienced Local Management, Improved Governance

Islandsbanki's management team has extensive experience in the financial industry and senior management turnover has been low. Most of the management team worked at Glitnir, in various capacities. Fitch believes that this allowed management to maintain a solid understanding of the bank, while taking a different strategic course. The transfer of ownership to the government does not appear to have any significant impact on the bank's strategy or day-to-day operations.

Islandsbanki follows a two-tier corporate governance structure, where the board of directors determines the general principles governing the bank's affairs and the executive board is responsible for day-to-day management and reports to the board. Following the change of control in January 2016, the board was reappointed, and five out of seven board members were replaced, including all international members. All members are considered independent. However, given the small size of the country, there may be some interconnectedness between the board members and other stakeholders, in Fitch's view. Reported related-party transactions are immaterial and financial reporting is frequent and detailed.

Clear Strategy, Good Execution

Since the creation of Islandsbanki, management has maintained a focused strategy of re-building a solid balance sheet, including restructuring a large share of its loan book and managing down legacy funding and trapped deposits in an orderly fashion. Management has built up a record of good execution over the past eight years. That said, the concentration in a small market with inherently more volatile growth and interest rates means that execution could be more volatile over the cycles than at higher-rated banks.

We expect the bank's strategy to reflect a more business-as-usual approach. Islandsbanki targets moderate growth in line with the growth of domestic economy, with a focus on improving efficiency. Islandsbanki also aims to maintain an international loan book in the North Atlantic region targeting core Icelandic industries, primarily fishing. We expect it to remain small, and a rapid expansion abroad, although not our base case, would be viewed negatively by Fitch.

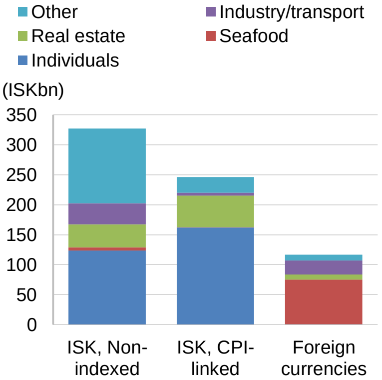
Risk Appetite

Good Underwriting for New Lending

Islandsbanki's underwriting standards appear good and broadly in line with similarly rated European peers. In contrast with the bank's Glitnir past, which included large single-name exposures, foreign-currency lending and lending against own shares, Islandsbanki's corporate lending is mainly to borrowers with moderate leverage and sufficient cashflows. For lending to households, debt-serviceability is the primary driver. Credit authority is allocated at different levels from branch managers to the board of directors, with a clear escalation process.

Islandsbanki's lending is predominantly secured, with unsecured loans at around moderate 10% of total loans at end-June 2017 and decreasing. About 80% of the loan book had a loan-to-value (LTV) of below 80% at end-June2017 based on a continuous LTV distribution. In July

Loan Book Currency Split
End-2016

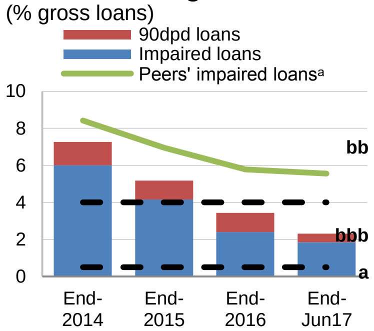


Source: Islandsbanki, Fitch

Note on Charts

Black dashed lines in the *Non-performing Loans* chart and further in the report represent indicative quantitative ranges and corresponding implied scores for Fitch's core financial metrics for banks operating in the environments that Fitch scores in the 'bbb' category.

Non-Performing Loans
(% gross loans)



[a] Peer average includes Islandsbank hf (VR: bbb), Slovenska Sporitelna (bbb+), Bank of Valletta (bbb), Credit Andorra SA (bbb), mBank SA (bbb-), Bank of Ireland (bbb-) and Unicaja Banco S.A. (bbb-). Excludes Bank of Valletta and Credit Andorra for end-June 2017
Source: Banks, Fitch

2017, the regulator introduced an LTV cap of 85% (90% for first-time buyers) for new mortgage loans. Islandsbanki already complied with the cap and recently tightened its mortgage loan underwriting further. Foreign-currency lending to unhedged borrowers is immaterial.

Loan Growth in Line with the Economy

Islandsbanki aims to grow in line with GDP and this is reflected in loan growth of 4% and 3% in 2015 and 2016, respectively, following a high 12% in 2014. Internal capital generation has generally outpaced loan growth, and Fitch does not expect any rapid acceleration of growth plans.

Moderate Market Risk

Islandsbanki is mainly subject to interest-rate and inflation risk, as well as equity risk from its exposure to shares and equity instruments. Exposure to foreign-exchange (FX) risk is now modest. At end-June 2017, the bank's net FX position, after accounting for derivatives, was negligible.

Islandsbanki uses a weighted parallel shift in all currencies to determine the interest-rate sensitivity in the banking book. Shifts in particular currencies are determined at a 99% confidence level by historic volatility of the rates in these currencies assuming a six-month holding period. At end-2016, the sensitivity of the value of equity to an upward shift amounted to a moderate ISK3.6 billion (2% of Fitch Core Capital, FCC).

Inflation risk arises from a mismatch between CPI-linked assets (mostly mortgage loans) and liabilities (deposits and inflation-linked covered bonds) and is manageable. The size of the imbalance was ISK49.8 billion at end-June 2017, meaning that a 1% increase in the CPI would increase the balance sheet by a low ISK498 million (less than 0.5% of FCC).

Exposure to equities was moderate at end-June 2017 at ISK12.6 billion (7% of FCC). Over 70% of these were listed.

Financial Profile

Asset Quality

Non-Performing Loans Continue to Improve

Asset quality has improved continuously over several years and Fitch now views this as adequate. Impaired loans represented 1.8% of gross loans at end-June 2017. A further 0.5% of loans were more than 90 days' past due but not impaired at end-June 2017, resulting in a non-performing loan (NPL) ratio of 2.3%. Following years of restructuring of the loan book inherited from Glitnir and continuous improvement in the NPL ratio, Fitch believes that the bank's asset quality is now at what is likely to be a sustainable level. Coverage of NPLs is acceptable at slightly below 50%.

Well-Collateralised Residential Mortgage Loans

Loans to individuals (40% of gross loans) mostly comprise mortgage loans (about three-quarters of loans to individuals), with some credit cards and auto loans. NPLs (1.7% at end-June 2017) are reasonably low, as households have deleveraged and benefited from several debt relief programs. Mortgage loans appear well collateralised with the weighted average LTV of 61% at end-June 2017, down from 67% at end-2016 due to strong growth in real-estate prices. The share of mortgage loan exposure with LTV above 80% was below 5% at end-June 2017 (based on a continuous LTV distribution).

Adequate Quality but Concentrated Corporate Loan Book

Loans to corporates largely reflect the structure of the Icelandic economy. Commerce, seafood and real estate make up about two-thirds of the corporate book, part of which can be attributable to tourism (almost a quarter of corporate loans at end-June 2017, with the overlap particularly in commerce and services). NPLs (2.7% at end-June 2017) are acceptable but vary

Loan Book Quality

	End-June 2017				End-2016			
	Total gross loans (ISKbn)	Impaired (%)	90 days' past due but not impaired (%)	Coverage of impaired + 90 days' past due (%)	Total gross loans (ISKbn)	Impaired (%)	90 days' past due but not impaired (%)	Coverage of impaired + 90 days' past due (%)
Total	**731,868**	**1.8**	**0.5**	**48.5**	**701,361**	**2.4**	**1.0**	**47.7**
Individuals	**292,415**	**1.1**	**0.6**	**36.8**	**288,455**	**1.3**	**0.9**	**35.0**
Corporates	**439,453**	**2.3**	**0.4**	**53.4**	**412,906**	**3.1**	**1.1**	**52.4**
Real estate	113,280	1.6	0.2	28.3	100,751	1.8	0.3	35.2
Commerce/services	108,267	2.0	0.3	44.5	99,010	2.1	0.3	44.6
Seafood	80,555	1.0	0.6	38.9	80,672	0.8	0.7	35.9
Industry/transport	70,292	3.4	0.2	74.2	67,391	7.5	4.7	52.4
Construction	29,137	7.7	0.4	56.7	29,644	8.2	0.5	68.2
Other corporate	37,922	2.4	0.5	84.0	35,438	2.6	0.4	84.4

Source: Islandsbanki, Fitch

by industry. Corporate NPLs decreased by 1.5 percentage points in 1H17, largely as a result of a resolution of an exposure in the offshore sector in Norway.

Single-name concentration is reducing but remains relatively high. The 20 largest borrowers account for a material portion of the loan book, although the exposure is more moderate in relation to capital due to the bank's large equity base. At end-June 2017, the bank had two exposures that qualified as large for the regulatory purposes (defined as being larger than 10% of the capital base) amounting to 24% of capital, or about 6% of the loan book.

Other Earning Assets Are Sound

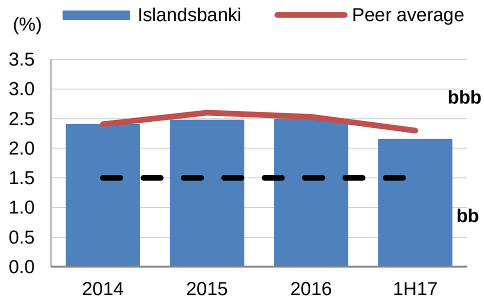
Other earning assets are of good quality and mainly consist of cash at the central bank (22% of end-June 2017 assets). Fixed-income investments (3%) largely comprise Icelandic and 'AAA'- and 'AA'-rated foreign government bonds. Loans to banks (2%) are predominantly placements with highly rated foreign counterparties.

Earnings and Profitability

Earnings Underpinned by Exceptionally Low Loan Impairment Charges

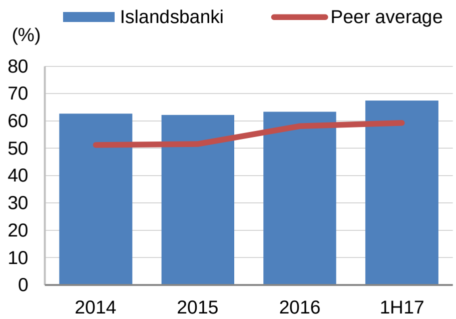
Operating profitability is good, with operating profit/risk-weighted assets (RWAs) ratio of 2.2% in 1H17 (2.5% in 2016). Profitability has been boosted by net releases of loan impairment reserves, reflecting a strengthening operating environment, reducing corporate and household indebtedness and increases in asset prices. Islandsbanki's ratings factor in our expectation that the bank's profitability will moderate as LICs gradually normalise, although we expect them to remain low.

Operating Profit/RWAs



Peer average excludes Bank of Valletta and Credit Andorra for 1H17
Source: Banks, Fitch

Cost/Income



Peer average excludes Credit Andorra for 1H17
Source: Banks, Fitch

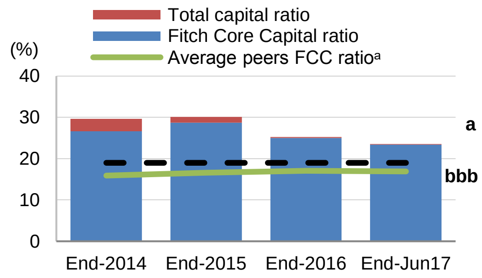
Revenues have been stable in recent years. Some pressure on the total funding costs and on revenues could arise as the bank replaces part of its equity with subordinated debt. Retail and corporate banking are the bank's main income generators, while markets and wealth management are complementary products. Cost-efficiency lags similarly rated banks, with the cost/income ratio in the 60%-65% range in recent years. Several efficiency measures are underway, including branch reductions, investments in digitalisation and improvements to the back office. Fitch expects these to remain a priority for Islandsbanki as it aims to reach its long-term cost/income target of 55%, although it may be difficult for the bank to achieve large economies of scale due to the limited size of the Icelandic market.

Capitalisation and Leverage

Strong Ratios, Likely to Be Managed Down

Islandsbanki's capital ratios are solid and compare well international peers, particularly taking into account that the bank uses the standardised approach to calculate RWAs. At end-June 2017, the FCC/RWAs and common equity Tier 1 (CET1) ratios were 23.4% and 23.3%, respectively. The regulatory requirements are strict (minimum 14.4% CET1, 16.5% Tier 1 and 19.3% total capital ratios including fully loaded counter-cyclical buffer), but we view them as necessary to offset the risks inherent to operating in the small and volatile economy. Leverage is low, with a Basel III leverage ratio of 15.7% at end-June 2017. Unreserved NPLs continued to decrease and were a low 5% of FCC at end-June 2017.

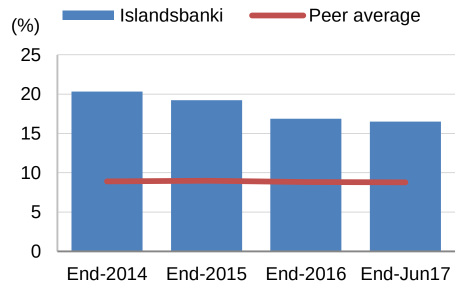
Risk-Weighted Capital Ratios



Benchmark score for the FCC ratio. Peer average excludes Slovenska Sporitelna, Bank of Valletta and Credit Andorra for end-June 2017

Source: Banks, Fitch

Tangible Leverage[a]



[a] Tangible common equity/tangible assets

Peer average excludes Credit Andorra for end-June 2017

Source: Banks, Fitch

We expect the bank's capital ratios to fall in the medium term towards the stated targets of 50-150bp in excess of regulatory requirements. Some part of common equity will be replaced with subordinated debt as the bank prepares for its privatisation. Nevertheless, capitalisation is likely to remain a rating strength.

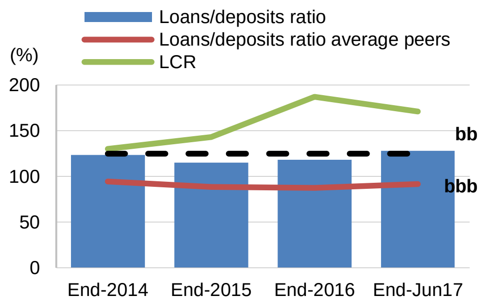
Funding and Liquidity

Largely Deposit Funded, Improving Market Access

Largely domestic customer deposits comprised most of Islandsbanki's funding at 66% of non-equity liabilities at end-June 2017. The remainder was largely made up of senior unsecured debt (15%) and covered bonds (11%). In 2016-1H17 Islandsbanki repaid most of it legacy funding, which consisted of a deposit from Glitnir's estate and offshore krona deposits trapped due to capital controls. In accordance with Glitnir's composition agreement with the Icelandic authorities, it maintains an operational deposit at the bank, but the size is small.

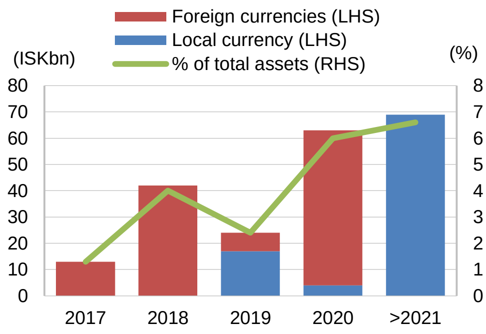
Islandsbanki has continued to restore its access to the capital markets, issuing a four-year EUR500 million benchmark bond in September 2016 along with smaller private placements in euros, US dollars, and Swedish and Norwegian kronor. Islandsbanki has also become the largest domestic issuer of covered bonds and has been increasing this form of funding in recent years.

Liquidity Metrics



Benchmark score for the loans/deposits ratio. Peer average excludes Credit Andorra for end-June 2017
Source: Banks, Fitch

Long-Term Debt Maturity Profile



Source: Islandsbanki

Liquidity is sound. Fitch calculates Islandsbanki's liquidity buffer at ISK233 billion, or 22% of total assets, at end-June 2017. The liquidity buffer largely (90%) comprises cash at the central bank (excluding restricted cash), as well as domestic and highly rated foreign sovereign bonds. In addition, Islandsbanki had ISK23 billion of short-term placements with highly rated foreign banks. The liquidity coverage ratio was a high 171% at end-June 2017 (303% in foreign currencies). The net stable funding ratio was also sound at 138%.

Support

Fitch Does Not Factor in Support in Islandsbanki's Ratings

The Icelandic sovereign's 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 then Support Rating Floor could be revised upwards if Fitch changed its assessment of the Icelandic authorities' propensity to support, although this is unlikely.

Debt Ratings

The ratings on Islandsbanki's senior unsecured debt are equalised and is likely to move in tandem with the bank's Issuer Default Ratings.

Islandsbanki hf
Income Statement

	30 Jun 2017			31 Dec 2016		31 Dec 2015		31 Dec 2014	
	6 Months - Interim USDm Reviewed - Unqualified	6 Months - Interim ISKm Reviewed - Unqualified	As % of Earning Assets	Year End ISKm Audited - Unqualified	As % of Earning Assets	Year End ISKm Audited - Unqualified	As % of Earning Assets	Year End ISKm Audited - Unqualified	As % of Earning Assets
1. Interest Income on Loans	222.5	22,997.0	5.83	47,084.0	6.28	43,303.0	5.41	40,521.0	5.26
2. Other Interest Income	54.4	5,622.0	1.42	13,419.0	1.79	10,111.0	1.26	10,485.0	1.36
3. Dividend Income	n.a.	n.a.	-	90.0	0.01	105.0	0.01	185.0	0.02
4. Gross Interest and Dividend Income	**276.9**	**28,619.0**	**7.25**	**60,593.0**	**8.08**	**53,519.0**	**6.68**	**51,191.0**	**6.65**
5. Interest Expense on Customer Deposits	92.0	9,505.0	2.41	20,382.0	2.72	18,240.0	2.28	16,919.0	2.20
6. Other Interest Expense	37.8	3,903.0	0.99	8,319.0	1.11	7,164.0	0.89	6,982.0	0.91
7. Total Interest Expense	**129.7**	**13,408.0**	**3.40**	**28,701.0**	**3.83**	**25,404.0**	**3.17**	**23,901.0**	**3.10**
8. Net Interest Income	**147.2**	**15,211.0**	**3.86**	**31,892.0**	**4.25**	**28,115.0**	**3.51**	**27,290.0**	**3.54**
9. Net Gains (Losses) on Trading and Derivatives	(0.4)	(43.0)	(0.01)	5.0	0.00	1,270.0	0.16	(178.0)	(0.02)
10. Net Gains (Losses) on Other Securities	0.0	0.0	0.00	0.0	0.00	0.0	0.00	(225.0)	(0.03)
11. Net Gains (Losses) on Assets at FV through Income Statemen	1.5	152.0	0.04	(185.0)	(0.02)	2,506.0	0.31	1,786.0	0.23
12. Net Insurance Income	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
13. Net Fees and Commissions	65.9	6,813.0	1.73	13,723.0	1.83	13,170.0	1.64	11,483.0	1.49
14. Other Operating Income	4.7	481.0	0.12	854.0	0.11	(474.0)	(0.06)	2,018.0	0.26
15. Total Non-Interest Operating Income	**71.6**	**7,403.0**	**1.88**	**14,397.0**	**1.92**	**16,472.0**	**2.06**	**14,884.0**	**1.93**
16. Personnel Expenses	75.2	7,768.0	1.97	14,789.0	1.97	13,891.0	1.73	13,307.0	1.73
17. Other Operating Expenses	72.4	7,485.0	1.90	14,538.0	1.94	13,814.0	1.72	13,093.0	1.70
18. Total Non-Interest Expenses	**147.6**	**15,253.0**	**3.87**	**29,327.0**	**3.91**	**27,705.0**	**3.46**	**26,400.0**	**3.43**
19. Equity-accounted Profit/ Loss - Operating	1.0	102.0	0.03	(122.0)	(0.02)	63.0	0.01	27.0	0.00
20. Pre-Impairment Operating Profit	**72.2**	**7,463.0**	**1.89**	**16,840.0**	**2.25**	**16,945.0**	**2.12**	**15,801.0**	**2.05**
21. Loan Impairment Charge	(4.3)	(440.0)	(0.11)	(735.0)	(0.10)	(383.0)	(0.05)	(967.0)	(0.13)
22. Securities and Other Credit Impairment Charges	n.a.	n.a.	-	n.a.	-	n.a.	-	0.0	0.00
23. Operating Profit	**76.5**	**7,903.0**	**2.00**	**17,575.0**	**2.34**	**17,328.0**	**2.16**	**16,768.0**	**2.18**
24. Equity-accounted Profit/ Loss - Non-operating	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
25. Non-recurring Income	0.0	2.0	0.00	6,549.0	0.87	7,775.0	0.97	8,085.0	1.05
26. Non-recurring Expense	n.a.	n.a.	-	1,700.0	0.23	n.a.	-	n.a.	-
27. Change in Fair Value of Own Debt	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
28. Other Non-operating Income and Expenses	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
29. Pre-tax Profit	**76.5**	**7,905.0**	**2.00**	**22,424.0**	**2.99**	**25,103.0**	**3.13**	**24,853.0**	**3.23**
30. Tax expense	21.9	2,263.0	0.57	5,205.0	0.69	5,851.0	0.73	6,239.0	0.81
31. Profit/Loss from Discontinued Operations	23.2	2,399.0	0.61	2,939.0	0.39	1,326.0	0.17	4,136.0	0.54
32. Net Income	**77.8**	**8,041.0**	**2.04**	**20,158.0**	**2.69**	**20,578.0**	**2.57**	**22,750.0**	**2.95**
33. Change in Value of AFS Investments	0.8	82.0	0.02	(5,484.0)	(0.73)	5,445.0	0.68	n.a.	-
34. Revaluation of Fixed Assets	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
35. Currency Translation Differences	0.1	9.0	0.00	(52.0)	(0.01)	9.0	0.00	64.0	0.01
36. Remaining OCI Gains/(losses)	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
37. Fitch Comprehensive Income	**78.7**	**8,132.0**	**2.06**	**14,622.0**	**1.95**	**26,032.0**	**3.25**	**22,814.0**	**2.96**
38. Memo: Profit Allocation to Non-controlling Interests	(3.3)	(343.0)	(0.09)	3,211.0	0.43	578.0	0.07	1,010.0	0.13
39. Memo: Net Income after Allocation to Non-controlling Interests	81.1	8,384.0	2.12	16,947.0	2.26	20,000.0	2.50	21,740.0	2.82
40. Memo: Common Dividends Relating to the Period	n.a.	n.a.	-	38,405.0	5.12	10,799.0	1.35	9,292.0	1.21
41. Memo: Preferred Dividends Related to the Period	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Exchange rate		USD1 = ISK103.34		USD1 = ISK112.82		USD1 = ISK129.59		USD1 = ISK126.9	

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Balance Sheet

	30 Jun 2017			31 Dec 2016		31 Dec 2015		31 Dec 2014	
	6 Months - Interim USDm	6 Months - Interim 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	2,114.2	218,478.0	20.86	211,233.0	20.16	197,307.0	18.87	186,583.0	20.47
2. Other Mortgage Loans	1,096.2	113,280.0	10.82	100,751.0	9.62	99,869.0	9.55	100,774.0	11.06
3. Other Consumer/ Retail Loans	715.5	73,937.0	7.06	77,222.0	7.37	78,746.0	7.53	81,470.0	8.94
4. Corporate & Commercial Loans	3,034.3	313,569.0	29.94	299,307.0	28.57	291,783.0	27.90	273,497.0	30.01
5. Other Loans	122.0	12,604.0	1.20	12,848.0	1.23	13,878.0	1.33	12,234.0	1.34
6. Less: Reserves for Impaired Loans	97.2	10,048.0	0.96	13,521.0	1.29	15,872.0	1.52	19,759.0	2.17
7. Net Loans	**6,984.9**	**721,820.0**	**68.93**	**687,840.0**	**65.66**	**665,711.0**	**63.66**	**634,799.0**	**69.66**
8. Gross Loans	**7,082.1**	**731,868.0**	**69.89**	**701,361.0**	**66.95**	**681,583.0**	**65.18**	**654,558.0**	**71.82**
9. Memo: Impaired Loans included above	130.2	13,457.0	1.29	16,789.0	1.60	28,302.0	2.71	39,259.0	4.31
10. Memo: Loans at Fair Value included above	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
B. Other Earning Assets									
1. Loans and Advances to Banks	232.1	23,983.0	2.29	17,645.0	1.68	35,534.0	3.40	35,072.0	3.85
2. Reverse Repos and Cash Collateral	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
3. Trading Securities and at FV through Income	429.0	44,335.0	4.23	41,043.0	3.92	91,481.0	8.75	97,878.0	10.74
4. Derivatives	38.1	3,942.0	0.38	1,953.0	0.19	1,981.0	0.19	1,810.0	0.20
5. Available for Sale Securities	8.7	902.0	0.09	839.0	0.08	5,445.0	0.52	n.a.	-
6. Held to Maturity Securities	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
7. Equity Investments in Associates	6.8	705.0	0.07	450.0	0.04	716.0	0.07	570.0	0.06
8. Other Securities	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
9. Total Securities	**482.7**	**49,884.0**	**4.76**	**44,285.0**	**4.23**	**99,623.0**	**9.53**	**100,258.0**	**11.00**
10. Memo: Government Securities included Above	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
11. Memo: Total Securities Pledged	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
12. Investments in Property	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
13. Insurance Assets	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
14. Other Earning Assets	n.a.	n.a.	-	n.a.	-	0.0	0.00	0.0	0.00
15. Total Earning Assets	**7,699.7**	**795,687.0**	**75.98**	**749,770.0**	**71.57**	**800,868.0**	**76.58**	**770,129.0**	**84.51**
C. Non-Earning Assets									
1. Cash and Due From Banks	2,198.5	227,189.0	21.69	275,453.0	26.29	216,760.0	20.73	103,389.0	11.34
2. Memo: Mandatory Reserves included above	122.2	12,630.0	1.21	12,661.0	1.21	14,979.0	1.43	9,552.0	1.05
3. Foreclosed Real Estate	20.8	2,146.0	0.20	3,319.0	0.32	5,427.0	0.52	8,176.0	0.90
4. Fixed Assets	64.5	6,663.0	0.64	6,211.0	0.59	7,344.0	0.70	7,402.0	0.81
5. Goodwill	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
6. Other Intangibles	35.3	3,644.0	0.35	2,672.0	0.26	1,331.0	0.13	619.0	0.07
7. Current Tax Assets	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
8. Deferred Tax Assets	n.a.	n.a.	-	4.0	0.00	21.0	0.00	521.0	0.06
9. Discontinued Operations	17.1	1,770.0	0.17	3,036.0	0.29	7,321.0	0.70	13,057.0	1.43
10. Other Assets	97.9	10,122.0	0.97	7,089.0	0.68	6,697.0	0.64	8,035.0	0.88
11. Total Assets	**10,133.7**	**1,047,221.0**	**100.00**	**1,047,554.0**	**100.00**	**1,045,769.0**	**100.00**	**911,328.0**	**100.00**
Liabilities and Equity									
D. Interest-Bearing Liabilities									
1. Customer Deposits - Current	4,708.0	486,522.0	46.46	501,045.0	47.83	485,128.0	46.39	421,332.0	46.23
2. Customer Deposits - Savings	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
3. Customer Deposits - Term	831.1	85,885.0	8.20	93,142.0	8.89	108,117.0	10.34	108,115.0	11.86
4. Total Customer Deposits	**5,539.1**	**572,407.0**	**54.66**	**594,187.0**	**56.72**	**593,245.0**	**56.73**	**529,447.0**	**58.10**
5. Deposits from Banks	90.2	9,325.0	0.89	4,852.0	0.46	25,534.0	2.44	25,727.0	2.82
6. Repos and Cash Collateral	0.4	37.0	0.00	70.0	0.01	97.0	0.01	69.0	0.01
7. Commercial Paper and Short-term Borrowings	35.2	3,634.0	0.35	3,963.0	0.38	0.0	0.00	0.0	0.00
8. Total Money Market and Short-term Funding	**5,664.8**	**585,403.0**	**55.90**	**603,072.0**	**57.57**	**618,876.0**	**59.18**	**555,243.0**	**60.93**
9. Senior Unsecured Debt (original maturity > 1 year)	1,234.3	127,550.0	12.18	144,280.0	13.77	100,631.0	9.62	96,889.0	10.63
10. Subordinated Borrowing	n.a.	n.a.	-	0.0	0.00	0.0	0.00	0.0	0.00
11. Covered Bonds	929.8	96,090.0	9.18	64,225.0	6.13	49,677.0	4.75	n.a.	-
12. Other Long-term Funding	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
13. Total LT Funding (original maturity > 1 year)	**2,164.1**	**223,640.0**	**21.36**	**208,505.0**	**19.90**	**150,308.0**	**14.37**	**96,889.0**	**10.63**
14. Derivatives	58.9	6,082.0	0.58	4,323.0	0.41	2,908.0	0.28	3,277.0	0.36
15. Trading Liabilities	12.2	1,262.0	0.12	475.0	0.05	4,073.0	0.39	686.0	0.08
16. Total Funding	**7,900.0**	**816,387.0**	**77.96**	**816,375.0**	**77.93**	**776,165.0**	**74.22**	**656,095.0**	**71.99**
E. Non-Interest Bearing Liabilities									
1. Fair Value Portion of Debt	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
2. Credit impairment reserves	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
3. Reserves for Pensions and Other	278.8	28,808.0	2.75	26,924.0	2.57	25,741.0	2.46	27,076.0	2.97
4. Current Tax Liabilities	112.1	11,581.0	1.11	7,986.0	0.76	8,045.0	0.77	8,386.0	0.92
5. Deferred Tax Liabilities	n.a.	n.a.	-	487.0	0.05	313.0	0.03	2.0	0.00
6. Other Deferred Liabilities	n.a.	n.a.	-	n.a.	-	n.a.	-	192.0	0.02
7. Discontinued Operations	1.1	116.0	0.01	325.0	0.03	2,825.0	0.27	2,790.0	0.31
8. Insurance Liabilities	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
9. Other Liabilities	139.4	14,401.0	1.38	16,532.0	1.58	10,936.0	1.05	9,994.0	1.10
10. Total Liabilities	**8,431.3**	**871,293.0**	**83.20**	**868,629.0**	**82.92**	**824,025.0**	**78.80**	**704,535.0**	**77.31**
F. Hybrid Capital									
1. Pref. Shares and Hybrid Capital accounted for as Debt	n.a.	n.a.	-	0.0	0.00	19,517.0	1.87	21,306.0	2.34
2. Pref. Shares and Hybrid Capital accounted for as Equity	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
G. Equity									
1. Common Equity	1,675.2	173,120.0	16.53	174,727.0	16.68	194,823.0	18.63	183,759.0	20.16
2. Non-controlling Interest	26.9	2,780.0	0.27	4,223.0	0.40	3,937.0	0.38	1,664.0	0.18
3. Securities Revaluation Reserves	0.3	28.0	0.00	(25.0)	(0.00)	3,458.0	0.33	n.a.	-
4. Foreign Exchange Revaluation Reserves	n.a.	n.a.	-	0.0	0.00	9.0	0.00	64.0	0.01
5. Fixed Asset Revaluations and Other Accumulated OCI	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
6. Total Equity	**1,702.4**	**175,928.0**	**16.80**	**178,925.0**	**17.08**	**202,227.0**	**19.34**	**185,487.0**	**20.35**
7. Total Liabilities and Equity	**10,133.7**	**1,047,221.0**	**100.00**	**1,047,554.0**	**100.00**	**1,045,769.0**	**100.00**	**911,328.0**	**100.00**
8. Memo: Fitch Core Capital	1,667.2	172,284.0	16.45	176,253.0	16.83	200,896.0	19.21	184,868.0	20.29
Exchange rate		USD1 = ISK103.34		USD1 = ISK112.82		USD1 = ISK129.59		USD1 = ISK126.9	

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Summary Analytics

	30 Jun 2017 6 Months - Interim	31 Dec 2016 Year End	31 Dec 2015 Year End	31 Dec 2014 Year End
A. Interest Ratios				
1. Interest Income on Loans/ Average Gross Loans	6.47	6.75	6.48	6.57
2. Interest Expense on Customer Deposits/ Average Customer Deposits	3.32	3.57	3.27	3.28
3. Interest Income/ Average Earning Assets	7.42	7.57	6.74	6.96
4. Interest Expense/ Average Interest-bearing Liabilities	3.32	3.68	3.54	3.63
5. Net Interest Income/ Average Earning Assets	3.94	3.98	3.54	3.71
6. Net Int. Inc Less Loan Impairment Charges/ Av. Earning Assets	4.06	4.08	3.59	3.84
7. Net Interest Inc Less Preferred Stock Dividend/ Average Earning Assets	3.94	3.98	3.54	3.71
B. Other Operating Profitability Ratios				
1. Non-Interest Income/ Gross Revenues	32.74	31.10	36.94	35.29
2. Non-Interest Expense/ Gross Revenues	67.45	63.36	62.14	62.60
3. Non-Interest Expense/ Average Assets	2.95	2.81	2.85	2.93
4. Pre-impairment Op. Profit/ Average Equity	8.59	8.53	8.93	8.90
5. Pre-impairment Op. Profit/ Average Total Assets	1.45	1.62	1.74	1.76
6. Loans and securities impairment charges/ Pre-impairment Op. Profit	(5.90)	(4.36)	(2.26)	(6.12)
7. Operating Profit/ Average Equity	9.10	8.90	9.13	9.45
8. Operating Profit/ Average Total Assets	1.53	1.69	1.78	1.86
9. Operating Profit / Risk Weighted Assets	2.16	2.50	2.48	2.41
C. Other Profitability Ratios				
1. Net Income/ Average Total Equity	9.25	10.21	10.84	12.82
2. Net Income/ Average Total Assets	1.56	1.93	2.12	2.53
3. Fitch Comprehensive Income/ Average Total Equity	9.36	7.41	13.71	12.86
4. Fitch Comprehensive Income/ Average Total Assets	1.57	1.40	2.68	2.53
5. Taxes/ Pre-tax Profit	28.63	23.21	23.31	25.10
6. Net Income/ Risk Weighted Assets	2.20	2.86	2.94	3.27
D. Capitalization				
1. FCC/FCC-Adjusted Risk Weighted Assets	23.40	25.03	28.71	26.60
2. Tangible Common Equity/ Tangible Assets	16.51	16.87	19.23	20.30
3. Tier 1 Regulatory Capital Ratio	23.30	24.90	28.30	26.50
4. Total Regulatory Capital Ratio	23.50	25.20	30.10	29.60
5. Common Equity Tier 1 Capital Ratio	23.30	24.90	28.30	26.50
6. Equity/ Total Assets	16.80	17.08	19.34	20.35
7. Cash Dividends Paid & Declared/ Net Income	n.a.	190.52	52.48	40.84
8. Internal Capital Generation	9.22	(10.20)	4.84	7.26
E. Loan Quality				
1. Growth of Total Assets	(0.03)	0.17	14.75	5.23
2. Growth of Gross Loans	4.35	2.90	4.13	12.34
3. Impaired Loans/ Gross Loans	1.84	2.39	4.15	6.00
4. Reserves for Impaired Loans/ Gross Loans	1.37	1.93	2.33	3.02
5. Reserves for Impaired Loans/ Impaired Loans	74.67	80.53	56.08	50.33
6. Impaired loans less Reserves for Impaired Loans/ Fitch Core Capital	1.98	1.85	6.19	10.55
7. Impaired Loans less Reserves for Impaired Loans/ Equity	1.94	1.83	6.15	10.51
8. Loan Impairment Charges/ Average Gross Loans	(0.12)	(0.11)	(0.06)	(0.16)
9. Net Charge-offs/ Average Gross Loans	0.77	0.44	0.91	1.43
10. Impaired Loans + Foreclosed Assets/ Gross Loans + Foreclosed Assets	2.13	2.85	4.91	7.16
F. Funding and Liquidity				
1. Loans/ Customer Deposits	127.86	118.04	114.89	123.63
2. Interbank Assets/ Interbank Liabilities	257.19	363.66	139.16	136.32
3. Customer Deposits/ Total Funding (excluding derivatives)	70.64	73.17	74.83	78.54
4. Liquidity Coverage Ratio	171.00	187.00	143.00	130.00
5. Net Stable Funding Ratio	119.00	123.00	120.00	112.00

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Reference Data

	30 Jun 2017			31 Dec 2016		31 Dec 2015		31 Dec 2014	
	6 Months - Interim USDm	6 Months - Interim 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	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
2. Other off-balance sheet exposure to securitizations	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
3. Guarantees	147.9	15,288.0	1.46	13,823.0	1.32	11,605.0	1.11	9,124.0	1.00
4. Acceptances and documentary credits reported off-balance sheet	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
5. Committed Credit Lines	1,162.8	120,168.0	11.47	117,247.0	11.19	107,931.0	10.32	89,514.0	9.82
7. Other Off-Balance Sheet items	n.a.	n.a.	-	6,654.0	0.64	1,292.0	0.12	1,493.0	0.16
8. Total Assets under Management	n.a.	n.a.	-	n.a.	-	n.a.	-	1,009,966.0	110.82
B. Average Balance Sheet									
Average Loans	6,932.8	716,439.7	68.41	697,671.0	66.60	668,346.8	63.91	617,127.4	67.72
Average Earning Assets	7,531.4	778,293.0	74.32	800,536.8	76.42	793,733.0	75.90	735,019.6	80.65
Average Assets	10,075.4	1,041,194.3	99.42	1,042,395.6	99.51	972,800.0	93.02	899,976.0	98.75
Average Managed Securitized Assets (OBS)	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Average Interest-Bearing Liabilities	7,870.0	813,289.7	77.66	779,245.8	74.39	716,894.2	68.55	658,238.8	72.23
Average Common equity	1,662.9	171,844.7	16.41	192,777.4	18.40	187,020.4	17.88	176,061.4	19.32
Average Equity	1,695.4	175,206.0	16.73	197,401.4	18.84	189,848.0	18.15	177,443.4	19.47
Average Customer Deposits	5,593.4	578,026.7	55.20	570,237.8	54.44	558,241.0	53.38	515,587.0	56.58
C. Maturities									
Asset Maturities:									
Loans & Advances < 3 months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Loans & Advances 3 - 12 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Loans and Advances 1 - 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Loans & Advances > 5 years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Debt Securities < 3 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Debt Securities 3 - 12 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Debt Securities 1 - 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Debt Securities > 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Loans & Advances to Banks < 3 Months	232.1	23,983.0	2.29	17,645.0	1.68	35,534.0	3.40	35,022.0	3.84
Loans & Advances to Banks 3 - 12 Months	0.0	0.0	0.00	0.0	0.00	0.0	0.00	50.0	0.01
Loans & Advances to Banks 1 - 5 Years	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00
Loans & Advances to Banks > 5 Years	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00
Liability Maturities:									
Retail Deposits < 3 months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Retail Deposits 3 - 12 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Retail Deposits 1 - 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Retail Deposits > 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Other Deposits < 3 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Other Deposits 3 - 12 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Other Deposits 1 - 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Other Deposits > 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Deposits from Banks < 3 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Deposits from Banks 3 - 12 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Deposits from Banks 1 - 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Deposits from Banks > 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Senior Debt Maturing < 3 months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Senior Debt Maturing 3-12 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Senior Debt Maturing 1- 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Senior Debt Maturing > 5 Years	n.a.	n.a.	-	n.a.	-	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	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Subordinated Debt Maturing < 3 months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Subordinated Debt Maturing 3-12 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Subordinated Debt Maturing 1- 5 Year	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Subordinated Debt Maturing > 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Total Subordinated Debt on Balance Sheet	n.a.	n.a.	-	0.0	0.00	0.0	0.00	0.0	0.00
Fair Value Portion of Subordinated Debt	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
D. Risk Weighted Assets									
1. Risk Weighted Assets	7,125.1	736,310.0	70.31	704,177.0	67.22	699,693.0	66.91	695,102.0	76.27
2. Fitch Core Capital Adjustments for Insurance and Securitisation Risk Weighted Asse	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
3. Fitch Core Capital Adjusted Risk Weighted Assets	7,125.1	736,310.0	70.31	704,177.0	67.22	699,693.0	66.91	695,102.0	76.27
4. Other Fitch Adjustments to Risk Weighted Assets	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
5. Fitch Adjusted Risk Weighted Assets	7,125.1	736,310.0	70.31	704,177.0	67.22	699,693.0	66.91	695,102.0	76.27
E. Equity Reconciliation									
1. Equity	1,702.4	175,928.0	16.80	178,925.0	17.08	202,227.0	19.34	185,487.0	20.35
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	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
4. Published Equity	1,702.4	175,928.0	16.80	178,925.0	17.08	202,227.0	19.34	185,487.0	20.35
F. Fitch Core Capital Reconciliation									
1. Total Equity as reported (including non-controlling interests)	1,702.4	175,928.0	16.80	178,925.0	17.08	202,227.0	19.34	185,487.0	20.35
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	35.3	3,644.0	0.35	2,672.0	0.26	1,331.0	0.13	619.0	0.07
6. Deferred tax assets deduction	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00
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	**1,667.2**	**172,284.0**	**16.45**	**176,253.0**	**16.83**	**200,896.0**	**19.21**	**184,868.0**	**20.29**
Exchange Rate		USD1 = ISK103.34		USD1 = ISK112.82		USD1 = ISK129.59		USD1 = ISK126.9	

The ratings above were solicited and assigned or maintained at the request of the rated entity/issuer or a related third party. Any exceptions follow below.