

2017



Íslandsbanki Factbook

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Supplementary information for market participants (Unaudited)

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

Financial Calendar

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

- Annual General Meeting - 22 March 2018
- First Quarter Results 2018 - 9 May 2018
- Second Quarter Results 2018 - 2 August 2018
- Third Quarter Results 2018 - 8 November 2018
- Fourth Quarter and Year-end Results 2018 - 14 February 2019
- Please note that the dates are subject to change.

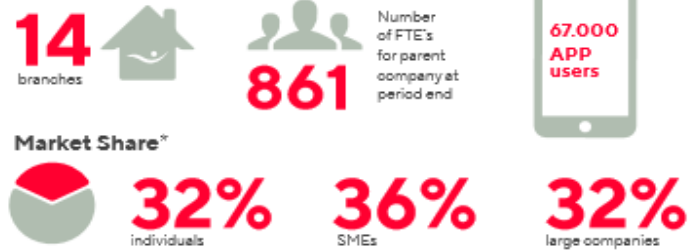
For information on Íslandsbanki's financial calendar and silent periods please refer to:
<http://www.islandsbanki.is/english/investor-relations/calendar/>.

Highlights

Our profile

- A leader in financial services in Iceland, Íslandsbanki is a universal bank with total assets of ISK 1,036bn (EUR 8.3bn) and a 25–50% market share across all domestic business segments.
- National coverage with 14 branches and the most efficient branch network in Iceland, holding a 30% market share* nationwide, but with only 17% of the branches.
- Building on over 140 years of servicing key industries in Iceland, Íslandsbanki has developed industry specific expertise in tourism, fisheries and energy.
- Driven by the vision to be #1 for service, our relationship banking business model is propelled by three business divisions that manage and build relationships with our customers.
- For the fifth consecutive year, Íslandsbanki led the Icelandic Customer Satisfactory Index in 2017 and was also named Bank of the Year in Iceland by the Banker.
- Íslandsbanki is the only bank in Iceland that is rated by two international rating agencies.

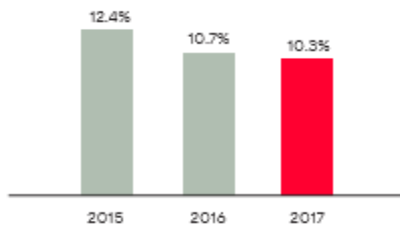
Our Bank



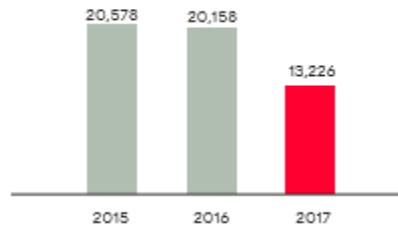
Credit Ratings



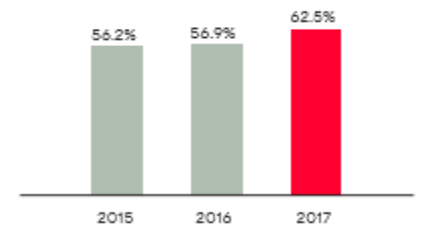
ROE reg. operations CET1 15%



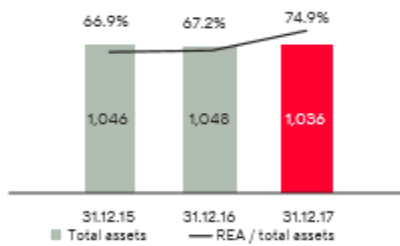
Profit after tax (ISKm)



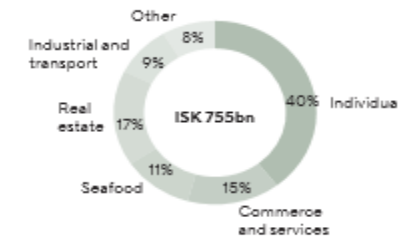
Cost / income ratio



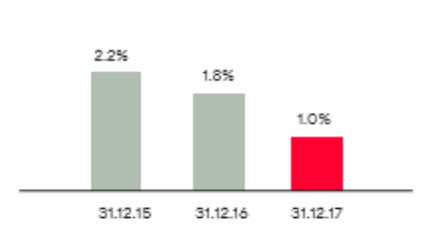
REA / total assets (ISKbn)



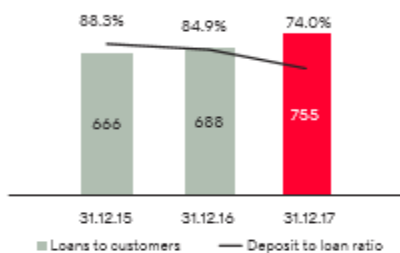
Loans to customers – sector split As of 31.12.17



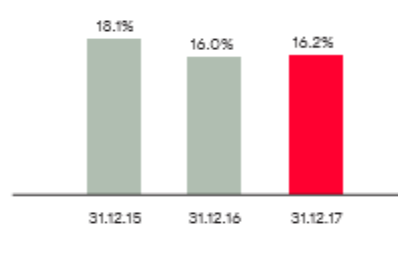
Non-performing loans



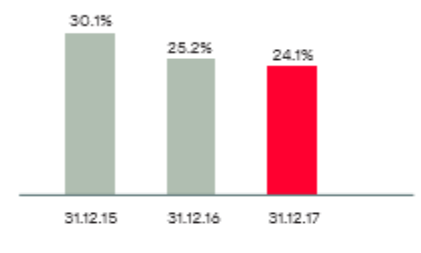
Loans to customers (ISKbn)



Leverage ratio



Total capital ratio



Key Performance Indicators - 5 years

ISK million	2017	2016	2015	2014	2013
Profitability					
Return on equity (after tax)	7.5%	10.2%	10.8%	12.8%	14.7%
ROE 15% CET1 (regular operations)	10.3%	10.7%	12.4%	11.9%	10.1%
Earnings per share	1.10	1.40	1.87	2.17	2.30
Core income / total operating income*	0.99	0.86	0.92	0.91	0.91
Net interest margin					
Net interest margin on total assets	2.9%	3.1%	2.9%	3.0%	3.4%
Efficiency					
Cost-to-income ratio**	62.5%	56.9%	56.2%	57.7%	58.5%
Number of FTE´s at period end - Consolidated	1,042	1,075	1,184	1,206	1,201
Number of FTE´s at period end - Parent co.	861	910	919	945	988
Number of branches at period end	14	15	17	18	19
Assets					
Loans to customers	755,175	687,840	665,711	634,799	554,741
Non-performing loans	1.0%	1.8%	2.2%	3.5%	7.4%
Reserve coverage ratio	139%	108%	107%	88%	58%
LTV on mortgages to individuals	63.3%	67.2%	69.2%	74.0%	78.0%
Risk exposure amount / Total assets	74.9%	67.2%	66.9%	76.3%	76.2%
Financial strength					
Equity as % of total assets	17.5%	17.1%	19.3%	20.4%	19.3%
Liquidity					
Liquidity coverage ratio (LCR)	142.0%	200.0%	143.0%	130.0%	143.0%
Liquidity coverage ratio (LCR) - Foreign currencies	155.0%	347.0%	467.0%	617.0%	326.0%
Net stable funding ratio (NSFR) - All currencies	117.0%	123.0%	120.0%	112.0%	
Net stable funding ratio (NSFR) - Foreign currencies	122.0%	144.0%	141.0%	126.0%	
Term deposits % of total deposits	29.4%	35.0%	39.0%	34.0%	28.0%
Deposit-to-loan ratio	74.0%	84.9%	88.3%	82.9%	86.7%
Customer deposits-to-loans to customers ratio	75.1%	86.4%	89.1%	83.4%	88.2%
Capital					
CET1 ratio	22.6%	24.9%	28.3%	26.5%	25.1%
Tier 2 ratio	1.5%	0.3%	1.8%	3.1%	3.3%
Capital adequacy ratio	24.1%	25.2%	30.1%	29.6%	28.4%
Leverage ratio	16.2%	16.0%	18.1%	19.5%	18.6%
Risk exposure amount	775,492	704,177	699,693	695,102	659,757

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

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

*** Excludes one-off costs

Income statement - 5 year summary

ISK million	2017	2016	2015	2014	2013
Interest income	56,767	60,503	53,414	50,816	54,333
Interest expense	(26,768)	(28,701)	(25,404)	(23,711)	(25,903)
Net interest income	29,999	31,802	28,010	27,105	28,430
Fee and commission income	20,855	21,818	20,737	17,984	16,695
Fee and commission expense	(7,105)	(8,095)	(7,567)	(6,501)	(6,262)
Net fee and commission income	13,750	13,723	13,170	11,483	10,433
Net financial income	(715)	6,096	3,881	1,568	4,612
Net foreign exchange gain (loss)	527	443	(1,490)	165	(2,423)
Other operating income	628	652	1,102	2,122	1,545
Other net operating income	440	7,191	3,493	3,855	3,734
Total operating income	44,189	52,716	44,673	42,443	42,597
Administrative expenses	(26,968)	(27,121)	(23,760)	(22,901)	(25,551)
Contribution to the Depositors' and Investors' Guarantee Fund	(1,083)	(1,063)	(1,067)	(1,055)	(1,016)
Bank tax	(2,892)	(2,843)	(2,878)	(2,444)	(2,321)
Total operating expenses	(30,943)	(31,027)	(27,705)	(26,400)	(28,888)
Profit before net loan impairment	13,246	21,689	16,968	16,043	13,709
Net loan impairment	1,556	735	8,135	8,810	16,299
Profit before tax	14,802	22,424	25,103	24,853	30,008
Income tax expense	(4,151)	(5,205)	(5,851)	(6,239)	(7,866)
Profit for the year from continuing operations	10,651	17,219	19,252	18,614	22,142
Profit from discontinued operations, net of income tax	2,575	2,939	1,326	4,136	927
Profit for the year	13,226	20,158	20,578	22,750	23,069
Basic earnings per share from profit for the year	1.10	1.40	1.87	2.17	2.30

Balance sheet - 5 year summary

ISK million	2017	2016	2015	2014	2013
Cash and balances with Central Bank	189,045	275,453	216,760	103,389	111,779
Bonds and debt instruments	27,090	31,256	78,606	87,347	75,186
Shares and equity instruments	10,177	10,626	18,320	10,531	9,208
Derivatives	2,896	1,953	1,981	1,810	843
Loans to credit institutions	26,617	17,645	35,534	35,072	44,078
Loans to customers	755,175	687,840	665,711	634,799	554,741
Investments in associates	704	450	716	570	1,563
Property and equipment	7,128	6,211	7,344	7,402	8,772
Intangible assets	4,231	2,672	1,331	619	299
Other assets	9,993	7,064	6,674	8,140	12,434
Non-current assets and disposal groups held for sale	2,766	6,384	12,792	21,649	47,106
Total Assets	1,035,822	1,047,554	1,045,769	911,328	866,009
Deposits from Central Bank and credit institutions	11,189	4,922	25,631	25,796	29,689
Deposits from customers	567,029	594,187	593,245	529,447	489,331
Derivative instruments and short positions	5,492	4,798	6,981	3,963	11,176
Debt issued and other borrowed funds	217,748	212,468	150,308	96,889	89,193
Subordinated loans	9,505	-	19,517	21,306	21,890
Tax liabilities	7,787	8,473	8,358	8,388	10,826
Other liabilities	35,947	43,456	36,677	37,262	37,130
Non-current liabilities and disposal groups held for sale	80	325	2,825	2,790	9,456
Total Liabilities	854,777	868,629	843,542	725,841	698,691
Share capital	10,000	10,000	10,000	10,000	10,000
Share premium	55,000	55,000	55,000	55,000	55,000
Other reserves	6,179	4,139	6,002	2,535	2,471
Retained earnings	107,387	105,563	127,288	116,288	98,548
Total equity attributable to the equity holders of Íslandsbanki hf.	178,566	174,702	198,290	183,823	166,019
Non-controlling interests	2,479	4,223	3,937	1,664	1,299
Total Equity	181,045	178,925	202,227	185,487	167,318
Total Liabilities and Equity	1,035,822	1,047,554	1,045,769	911,328	866,009

Net interest income - 5 year summary

ISK million	2017	2016	2015	2014	2013
Interest income:					
Cash and balances with Central Bank	10,541	11,507	7,394	6,671	4,639
Loans and receivables	45,162	47,084	43,303	40,331	46,764
Financial assets held for trading	879	99	980	1,957	948
Financial assets designated at fair value through profit or loss	50	1,672	1,558	1,672	1,790
Other assets	135	141	179	185	192
Total interest income	56,767	60,503	53,414	50,816	54,333
Interest expense:					
Deposits from credit institutions and Central Bank	(170)	(275)	(517)	(479)	(505)
Deposits from customers	(17,461)	(20,382)	(18,240)	(16,919)	(18,174)
Borrowings	(8,107)	(7,384)	(5,427)	(4,750)	(5,753)
Subordinated loans	(14)	(627)	(1,015)	(911)	(951)
Other financial liabilities	(995)	(7)	(147)	(295)	(367)
Other interest expense	(21)	(26)	(58)	(357)	(153)
Total interest expense	(26,768)	(28,701)	(25,404)	(23,711)	(25,903)
Net interest income	29,999	31,802	28,010	27,105	28,430
Interest spread (as the ratio of net interest income to the average carrying amount of total assets)	2.9%	3.1%	2.9%	3.0%	3.4%
Interest bearing:					
Assets					
Balances with Central Bank	189,045	275,453	216,760	103,389	111,779
Bonds and debt instruments	2,373	2,808	34,163	33,074	33,876
Loans to credit institutions	26,617	17,645	35,534	35,072	44,078
Loans to customers	756,902	689,888	665,710	637,650	554,741
Total assets	974,937	985,794	952,167	809,185	744,474
Off-balance sheet items	137,978	120,654	119,243	97,455	55,905
Effect of derivatives held for hedging	62,463	55,932	-	-	-
Liabilities					
Short positions	-	-	-	-	3,670
Deposits from CB and credit institutions	11,189	4,922	25,631	25,796	29,689
Deposits from customers	567,029	594,187	593,245	529,447	489,331
Debt issued and other borrowed funds	217,749	212,468	150,308	96,889	89,194
Subordinated loans	9,505	-	19,517	21,306	21,890
Total liabilities	805,472	811,577	788,701	673,438	633,774
Off-balance sheet items	138,165	120,081	131,357	106,555	57,217
Effect of derivatives held for hedging	62,537	56,002	-	-	-
Net interest gap	109,204	174,720	151,352	126,647	109,388

Net fee & commission income - 5 year summary

ISK million	2017	2016	2015	2014	2013
Fee and commission income:					
Asset management	1,964	1,757	1,778	1,683	1,564
Investment banking and brokerage	2,280	1,987	2,132	1,833	2,005
Payment processing	13,094	14,705	13,664	11,627	10,484
Loans and guarantees	1,427	1,449	1,498	1,267	1,141
Other fees and commissions income	2,090	1,920	1,665	1,574	1,501
Total fees and commission income	20,855	21,818	20,737	17,984	16,695
Commission expenses:					
Interbank charges	-	-	-	(157)	(331)
Brokerage	(128)	(109)	(121)	(128)	(126)
Clearing and settlement	(6,956)	(7,963)	(7,415)	(6,179)	(5,702)
Other commission expenses	(21)	(23)	(31)	(37)	(103)
Total commission expenses	(7,105)	(8,095)	(7,567)	(6,501)	(6,262)
Net fee and commission income	13,750	13,723	13,170	11,483	10,433

Loans to customers - 5 year summary

ISK million	2017	2016	2015	2014	2013
Individuals	299,350	286,177	272,610	262,848	255,044
Commerce and services	112,144	97,943	89,781	79,658	81,522
Construction	24,797	27,878	23,013	18,751	18,640
Energy	7,109	7,216	3,737	7,315	3,614
Financial services	26	85	105	121	34
Industrial and transportation	69,961	63,090	60,726	61,878	46,433
Investment companies	19,726	14,402	19,362	13,911	10,306
Public sector and non-profit organisations	11,871	12,835	13,878	12,216	6,894
Real estate	127,067	100,020	99,094	99,540	66,647
Seafood	84,853	80,243	85,872	81,412	69,289
Loans to customers before collective impairment allowance	756,904	689,889	668,178	637,650	558,423
Collective impairment allowance	(1,729)	(2,049)	(2,467)	(2,851)	(3,682)
Loans to customers	755,175	687,840	665,711	634,799	554,741

Loans to customers - by product

Overdrafts	45,650	45,383	38,654	37,228	39,439
Creditcards	18,800	19,188	18,166	17,690	18,080
Mortgages	225,765	211,233	197,307	186,583	176,421
Capital leases	40,765	40,415	39,161	36,231	33,736
Other loans	425,924	373,670	374,891	359,918	290,747
Loans to customers before collective impairment allowance	756,904	689,889	668,178	637,650	558,423
Collective impairment allowance	(1,729)	(2,049)	(2,467)	(2,851)	(3,682)
Loans to customers	755,175	687,840	665,711	634,799	554,741

Asset quality

Neither past due nor impaired	734,023	663,124	636,685	595,903	496,705
Past due but not impaired	18,851	21,448	23,572	27,619	34,618
thereof past due more than 90 days	3,460	7,251	6,954	8,223	14,114
Classified as impaired	4,030	5,317	7,921	14,128	27,100
Total	756,904	689,889	668,178	637,650	558,423

Impairment allowance

Specific impairment allowance	(8,662)	(11,472)	(13,406)	(16,908)	(24,234)
Collective impairment allowance	(1,729)	(2,049)	(2,467)	(2,851)	(3,682)
Total	(10,391)	(13,521)	(15,873)	(19,759)	(27,915)

Capital and Risk Exposure Amount - 5 year summary

ISK million	2017	2016	2015	2014	2013
Ordinary share capital	10,000	10,000	10,000	10,000	10,000
Share premium	55,000	55,000	55,000	55,000	55,000
Other reserves	6,179	4,139	6,002	2,535	2,471
Retained earnings	107,387	105,563	127,288	116,288	98,548
Non-controlling interests	2,479	4,223	3,937	1,664	1,299
Tax assets	(4)	(4)	-	(521)	(1,275)
Intangible assets	(4,231)	(2,672)	(1,331)	(619)	(299)
Other regulatory adjustments	(1,285)	(924)	(2,779)	-	(159)
Total Tier 1 capital	175,525	175,325	198,117	184,347	165,585
Tier 2 capital					
Qualifying subordinated liabilities	9,505	-	19,517	21,306	21,890
Adjustment to eligible capital liabilities	-	-	(3,903)	-	-
Other regulatory adjustments	-	-	(2,779)	-	(160)
General credit risk adjustments	1,729	2,049	-	-	-
Total regulatory capital	186,759	177,374	210,952	205,653	187,315
Risk exposure amount					
- due to credit risk	682,525	615,465	606,591	583,375	551,938
- due to market risk:	8,102	7,243	16,607	33,326	28,849
Market risk, trading book	6,709	6,418	9,931	6,594	5,105
Currency risk FX	1,393	825	6,676	26,732	23,744
Credit valuation adjustment	1,534	-	-	-	-
- due to operational risk	83,331	81,469	76,495	78,401	78,970
Total risk exposure amount	775,492	704,177	699,693	695,102	659,757
Capital ratios					
CET1 ratio	22.6%	24.9%	28.3%	26.5%	25.1%
Tier 2 ratio	1.5%	0.3%	1.8%	3.1%	3.3%
Capital adequacy ratio	24.1%	25.2%	30.1%	29.6%	28.4%
Leverage ratio	16.2%	16.0%	18.1%	19.5%	18.6%

Key Performance indicators - 9 Quarters
ISK million

	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015
Profitability									
Return on equity	7.0%	4.7%	11.3%	7.0%	9.4%	5.1%	19.1%	6.9%	7.9%
ROE 15% CET1 (regular operations)*	8.2%	8.1%	11.8%	10.6%	11.7%	8.4%	13.3%	9.4%	12.8%
Earnings per share	0.40	0.19	0.33	0.27	0.46	0.23	0.66	0.27	0.39
Net interest margin									
Net interest margin on total assets	2.8%	2.8%	3.0%	2.9%	3.1%	3.0%	3.3%	2.9%	2.7%
Efficiency									
Cost-to-income ratio*	69.2%	62.7%	58.3%	60.1%	59.8%	56.1%	53.3%	59.0%	55.7%
Number of FTE's at period end - Consolidated	1,042	1,057	1,166	1,058	1,075	1,187	1,217	1,180	1,184
Number of FTE's at period end - Parent co.	861	872	969	886	910	968	1,046	922	919
Asset quality									
Loans to customers	755,175	741,380	721,820	703,447	687,840	684,170	698,669	677,079	665,711
Non-performing loans	1.0%	1.1%	1.2%	1.6%	1.8%	2.3%	2.5%	2.1%	2.2%
Reserve coverage ratio	138.7%	101.0%	115.8%	109.9%	107.6%	94.0%	88.5%	109.1%	107%
LTV on mortgages to individuals	63.3%	62.0%	60.8%	69.0%	67.2%	65.8%	65.0%	69.4%	69.2%
Risk exposure amount / Total assets	74.9%	71.2%	70.3%	71.0%	67.2%	66.9%	70.4%	70.2%	66.9%
Financial strength									
Equity as % of total assets	17.5%	16.5%	16.8%	16.6%	17.1%	18.9%	19.3%	20.1%	19.3%
Liquidity									
Liquidity coverage ratio (LCR)	142.0%	183.0%	171.0%	181.0%	187.0%	195.0%	173.0%	154.0%	143.0%
Liquidity coverage ratio (LCR) - Foreign currencies	155.0%	239.0%	303.0%	400.0%	331.0%	407.0%	368.0%	527.0%	467.0%
Net stable funding ratio (NSFR) - All currencies	117.0%	115.0%	119.0%	121.0%	123.0%	126.0%	117.0%	118.0%	120.0%
Net stable funding ratio (NSFR) - Foreign currencies	122.0%	119.0%	138.0%	142.0%	144.0%	145.0%	154.0%	157.0%	141.0%
Term deposits % of total deposits	29.4%	34.0%	35.0%	39.0%	35.0%	34.0%	39.0%	37.0%	39.0%
Deposit-to-loan ratio	74.0%	76.9%	78.0%	78.4%	84.9%	78.4%	79.4%	81.3%	88.3%
Customer deposits-to-loans to customers ratio	75.1%	79.2%	79.3%	80.7%	86.4%	80.8%	81.0%	80.4%	89.1%
Capital									
CET 1 ratio	22.6%	22.5%	23.3%	22.8%	24.9%	27.8%	27.1%	28.1%	28.3%
Tier 2 ratio	1.5%	0.2%	0.2%	0.3%	0.3%	0.0%	1.8%	1.6%	1.8%
Capital adequacy ratio	24.1%	22.7%	23.5%	23.1%	25.2%	27.8%	28.9%	29.7%	30.1%
Leverage ratio	16.2%	15.3%	15.7%	15.5%	16.0%	17.7%	18.3%	18.7%	18.1%
Risk exposure amount	775,492	767,536	736,310	730,120	704,177	714,337	724,713	716,592	699,693

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

** Excludes one-off costs

Income statement - 9 quarter summary
ISK million

	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015
Net interest income	7,338	7,450	7,814	7,397	8,149	7,758	8,356	7,539	7,003
Net fee and commission income	3,632	3,305	3,543	3,270	3,831	3,233	3,515	3,144	3,235
Net financial income	260	(1,084)	97	12	37	(607)	6,062	604	1,455
Net foreign exchange (loss) gain	81	76	169	201	77	49	305	12	(137)
Other operating income	122	291	55	160	(17)	45	473	151	403
Other net operating income	463	(717)	321	373	97	(513)	6,840	767	1,721
Total operating income	11,433	10,038	11,678	11,040	12,077	10,478	18,711	11,450	11,959
Administrative expenses	(7,655)	(6,047)	(6,848)	(6,418)	(7,392)	(5,613)	(7,599)	(6,517)	(6,518)
Contribution to the Depositors' and Investors' Guarantee Fund	(288)	(280)	(262)	(253)	(252)	(283)	(267)	(261)	(270)
Bank tax	(614)	(806)	(752)	(720)	(691)	(745)	(716)	(691)	(818)
Total operating expenses	(8,557)	(7,133)	(7,862)	(7,391)	(8,335)	(6,641)	(8,582)	(7,469)	(7,606)
Profit before net loan impairment	2,876	2,905	3,816	3,649	3,742	3,837	10,129	3,981	4,353
Net loan impairment	969	147	200	240	484	(118)	689	(320)	409
Profit before tax	3,845	3,052	4,016	3,889	4,226	3,719	10,818	3,661	4,762
Income tax expense	(816)	(1,072)	(1,133)	(1,130)	(1,353)	(1,266)	(1,720)	(866)	(1,147)
Profit for the period from continuing operations	3,029	1,980	2,883	2,759	2,873	2,453	9,098	2,795	3,615
Profit (loss) for the period from discontinued operations	83	93	2,114	285	1,730	85	409	715	274
Profit for the period	3,112	2,073	4,997	3,044	4,603	2,538	9,507	3,510	3,889

Balance sheet - 9 quarter summary
ISK million

	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015
Cash and balances with Central Bank	189,045	214,254	227,189	210,437	275,453	205,148	182,177	182,453	216,760
Bonds and debt instruments	27,090	42,871	33,301	35,678	31,256	89,026	71,756	79,873	78,606
Shares and equity instruments	10,177	11,420	11,936	12,128	10,626	12,007	12,692	18,664	18,320
Derivatives	2,896	3,266	3,942	2,322	1,953	1,690	2,036	2,759	1,981
Loans to credit institutions	26,617	37,874	23,983	35,142	17,645	38,189	33,088	27,811	35,534
Loans to customers	755,175	741,380	721,820	703,447	687,840	684,170	698,669	677,079	665,711
Investments in associates	704	669	705	705	450	764	764	1,009	716
Property and equipment	7,128	7,189	6,663	6,376	6,211	5,924	5,884	7,289	7,344
Intangible assets	4,231	4,077	3,644	3,024	2,672	2,039	1,700	1,471	1,331
Other assets	9,993	11,201	10,103	14,298	7,064	20,691	11,268	11,177	6,674
Non-current assets and disposal groups held for sale	2,766	3,422	3,935	5,251	6,384	8,615	9,583	11,190	12,792
Total Assets	1,035,822	1,077,623	1,047,221	1,028,808	1,047,554	1,068,263	1,029,617	1,020,775	1,045,769
Deposits from Central Bank and credit institutions	11,189	12,684	9,362	11,253	4,922	13,362	14,633	28,338	25,631
Deposits from customers	567,029	586,922	572,407	567,486	594,187	553,107	566,220	544,430	593,245
Derivative instruments and short positions	5,492	5,167	7,344	5,041	4,798	5,334	6,079	4,902	6,981
Debt issued and other borrowed funds	217,748	240,259	227,274	223,327	212,468	222,598	163,469	161,802	150,308
Subordinated loans	9,505	-	-	-	-	-	18,886	19,415	19,517
Tax liabilities	7,787	13,143	11,581	10,062	8,473	10,454	9,894	8,963	8,358
Other liabilities	35,947	41,513	43,209	40,606	43,456	59,856	49,252	44,170	36,677
Non-current liabilities and disposal groups held for sale	80	116	116	268	325	2,161	2,347	3,128	2,825
Total Liabilities	854,777	899,804	871,293	858,043	868,629	866,872	830,780	815,148	843,542
Share capital	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Share premium	55,000	55,000	55,000	55,000	55,000	55,000	55,000	55,000	55,000
Other reserves	6,179	6,174	5,712	4,928	4,139	2,506	2,470	5,982	6,002
Retained earnings	107,387	104,144	102,436	97,859	105,563	130,029	127,666	130,664	127,288
Total equity attributable to the equity holders of Íslandsbanki hf.	178,566	175,318	173,148	167,787	174,702	197,535	195,136	201,646	198,290
Non-controlling interests	2,479	2,501	2,780	2,978	4,223	3,856	3,701	3,981	3,937
Total Equity	181,045	177,819	175,928	170,765	178,925	201,391	198,837	205,627	202,227
Total Liabilities and Equity	1,035,822	1,077,623	1,047,221	1,028,808	1,047,554	1,068,263	1,029,617	1,020,775	1,045,769

Net interest income - 9 quarter summary
ISK million

	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015
Interest income:									
Cash and balances with Central Bank	2,285	2,543	2,724	2,989	3,024	2,850	2,732	2,901	2,780
Loans and receivables	11,455	10,710	12,183	10,814	11,475	11,005	13,263	11,341	8,797
Financial assets held for trading	956	117	(186)	-	(74)	190	(114)	97	505
Financial assets designated at fair value through profit or loss	11	6	13	20	353	426	448	445	449
Other assets	35	30	33	29	46	34	35	26	44
Total interest income	14,742	13,406	14,767	13,852	14,824	14,505	16,364	14,810	12,575
Interest expense:									
Deposits from credit institutions and Central Bank	(52)	(37)	(64)	(17)	31	(57)	(114)	(135)	(220)
Deposits from customers	(3,921)	(4,035)	(4,797)	(4,708)	(4,893)	(4,868)	(5,536)	(5,085)	(4,172)
Borrowings	(2,417)	(1,881)	(2,084)	(1,725)	(1,830)	(1,641)	(2,110)	(1,803)	(894)
Subordinated loans	(14)	-	-	-	-	(161)	(227)	(239)	(248)
Other financial liabilities	(995)	-	-	-	-	-	-	(7)	(31)
Other interest expense	(5)	(3)	(8)	(5)	17	(20)	(21)	(2)	(7)
Total interest expense	(7,404)	(5,956)	(6,953)	(6,455)	(6,675)	(6,747)	(8,008)	(7,271)	(5,572)
Net interest income	7,338	7,450	7,814	7,397	8,149	7,758	8,356	7,539	7,003
Interest bearing:									
Assets									
Balances with Central Bank	189,045	214,254	227,189	210,437	275,453	205,148	182,177	182,453	216,760
Bonds and debt instruments	2,373	2,377	2,439	2,547	2,808	33,594	33,974	33,944	34,163
Loans to credit institutions	26,617	37,874	23,983	35,142	17,645	38,190	33,088	27,811	35,534
Loans to customers	756,902	743,123	723,707	705,420	689,888	686,413	701,227	679,519	665,710
Total assets	974,937	997,628	977,318	953,546	985,794	963,345	950,466	923,727	952,167
Off-balance sheet items	137,978	154,909	136,232	115,883	120,654	186,367	132,945	130,760	119,243
Effect of derivatives held for hedging	62,463	62,263	58,763	60,278	55,932	-	-	-	-
Liabilities									
Deposits from CB and credit institutions	11,189	12,684	9,362	11,253	4,922	13,362	14,398	28,216	25,631
Deposits from customers	567,029	586,921	572,407	567,486	594,187	553,107	566,220	544,430	593,245
Debt issued and other borrowed funds	217,749	240,260	227,274	223,327	212,468	222,598	158,408	161,802	150,308
Subordinated loans	9,505	-	-	-	-	-	18,886	19,415	19,517
Total liabilities	805,472	839,865	809,043	802,066	811,577	789,067	757,912	753,863	788,701
Off-balance sheet items	138,165	155,170	135,947	115,610	120,081	185,581	132,490	128,335	131,357
Effect of derivatives held for hedging	62,537	62,288	58,927	60,397	56,002	-	-	-	-
Net interest gap	109,204	157,477	168,396	151,634	174,720	175,064	193,009	172,290	151,352

Net fee and commission - 9 quarter summary	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
ISK million	2017	2017	2017	2017	2016	2016	2016	2016	2015
Fee and commission income:									
Asset management	526	436	529	473	460	427	436	434	481
Investment Banking and brokerage	637	566	646	431	495	488	613	390	423
Payment processing	3,040	3,296	3,342	3,416	3,650	3,901	3,696	3,458	3,537
Loans and guarantees	339	359	377	352	340	346	381	382	389
Other fee and commission income	670	460	503	457	739	361	464	357	499
Total fee and commission income	5,212	5,117	5,397	5,129	5,684	5,523	5,590	5,021	5,329
Commission expenses:									
Brokerage	(31)	(33)	(31)	(33)	6	(51)	(25)	(39)	(40)
Clearing and settlement	(1,544)	(1,773)	(1,815)	(1,824)	(1,854)	(2,232)	(2,048)	(1,830)	(2,047)
Other commission expenses	(5)	(6)	(8)	(2)	(5)	(7)	(2)	(8)	(7)
Total commission expenses	(1,580)	(1,812)	(1,854)	(1,859)	(1,853)	(2,290)	(2,075)	(1,877)	(2,094)
Net fee and commission income	3,632	3,305	3,543	3,270	3,831	3,233	3,515	3,144	3,235

Loans to customers - 9 quarter summary
ISK million

	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015
Individuals	299,350	294,508	290,584	287,303	286,177	278,634	276,282	272,114	272,610
Commerce and services	112,144	114,304	107,153	104,233	97,943	99,315	101,777	94,586	89,781
Construction	24,797	27,641	27,797	26,740	27,878	25,511	26,375	24,181	23,013
Energy	7,109	7,142	7,152	7,168	7,216	4,552	5,597	4,535	3,737
Financial services	26	29	42	37	85	237	936	2,294	105
Industrial and transportation	69,961	68,568	68,413	65,100	63,090	64,894	67,772	64,545	60,726
Investment companies	19,726	14,642	17,221	14,377	14,402	16,927	18,352	19,192	19,362
Public sector and non-profit organisations	11,871	12,104	12,604	12,929	12,835	13,708	13,212	13,422	13,878
Real estate	127,067	118,292	112,687	105,430	100,020	101,136	102,438	99,765	99,094
Seafood	84,853	85,894	80,054	82,103	80,243	81,500	88,486	84,884	85,872
Loans to customers before collective impairment allowance	756,904	743,124	723,707	705,420	689,889	686,414	701,227	679,518	668,178
Collective impairment allowance	(1,729)	(1,744)	(1,887)	(1,973)	(2,049)	(2,244)	(2,558)	(2,439)	(2,467)
Loans to customers	755,175	741,380	721,820	703,447	687,840	684,170	698,669	677,079	665,711

Loans to customers - by product

Overdrafts	45,650	43,978	42,907	45,540	45,383	36,280	38,949	41,129	38,654
Creditcards	18,800	17,423	18,441	17,547	19,188	17,653	17,895	17,680	18,166
Mortgages	225,765	221,743	218,478	214,949	211,233	205,101	202,004	198,427	197,307
Capital leases	40,765	41,249	43,642	41,749	40,415	46,229	48,709	44,778	39,161
Other loans	425,924	418,731	400,239	385,635	373,670	381,151	393,670	377,504	374,891
Loans to customers before collective impairment allowance	756,904	743,124	723,707	705,420	689,889	686,414	701,227	679,518	668,178
Collective impairment allowance	(1,729)	(1,744)	(1,887)	(1,973)	(2,049)	(2,244)	(2,558)	(2,439)	(2,467)
Loans to customers	755,175	741,380	721,820	703,447	687,840	684,170	698,669	677,079	665,711

Asset quality

Neither past due nor impaired	734,023	720,165	702,257	680,144	663,124	655,729	666,307	642,638	636,685
Past due but not impaired	18,851	17,989	16,154	20,503	21,448	24,167	27,025	28,556	23,572
thereof past due more than 90 days	3,460	3,277	3,375	6,732	7,251	8,916	9,252	6,176	6,954
Classified as impaired	4,030	4,970	5,296	4,773	5,317	6,518	7,895	8,324	7,921
Total	756,904	743,124	723,707	705,420	689,889	686,414	701,227	679,518	668,178

Impairment allowance

Specific impairment allowance	(8,662)	(6,614)	(8,161)	(10,670)	(11,472)	(12,259)	(12,614)	(13,379)	(13,406)
Collective impairment allowance	(1,729)	(1,744)	(1,887)	(1,973)	(2,049)	(2,244)	(2,558)	(2,439)	(2,467)
Total	(10,391)	(8,358)	(10,048)	(12,643)	(13,521)	(14,503)	(15,172)	(15,818)	(15,873)

Capital and Risk Exposure Amount ISK million	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015
Ordinary share capital	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Share premium	55,000	55,000	55,000	55,000	55,000	55,000	55,000	55,000	55,000
Other reserves	6,179	6,174	5,712	4,928	4,139	2,506	2,470	5,982	6,002
Retained earnings	107,387	104,144	102,436	97,859	105,563	130,029	127,666	130,664	127,288
Non-controlling interests	2,479	2,501	2,780	2,978	4,223	3,856	3,701	3,981	3,937
Tax assets	(4)	(5)	(4)	(4)	(4)	(38)	(28)	-	-
Intangible assets	(4,231)	(4,077)	(3,644)	(3,024)	(2,672)	(2,039)	(1,700)	(1,471)	(1,331)
Other regulatory adjustments	(1,285)	(1,255)	(1,014)	(1,130)	(924)	(1,008)	(472)	(2,779)	(2,779)
Total Tier 1 capital	175,525	172,482	171,266	166,607	175,325	198,306	196,637	201,377	198,117
Tier 2 capital									
Qualifying subordinated liabilities	9,505	-	-	-	-	-	18,886	19,415	19,517
Adjustment to eligible capital liabilities	-	-	-	-	-	-	(5,666)	(4,854)	(3,903)
Other regulatory adjustments	-	-	-	-	-	-	(472)	(2,779)	(2,779)
General credit risk adjustments	1,729	1,744	1,887	1,973	2,049	-	-	-	-
Total regulatory capital	186,759	174,226	173,153	168,580	177,374	198,306	209,385	213,159	210,952
Risk exposure amount									
- due to credit risk	682,525	673,998	645,188	634,648	615,465	623,885	635,551	621,083	606,591
- due to market risk:	8,102	12,069	9,653	14,003	7,243	13,957	12,667	19,014	16,607
Market risk, trading book	6,709	9,724	7,212	7,338	6,418	12,276	11,827	12,711	9,931
Currency risk FX	1,393	577	668	1,013	825	1,681	840	6,303	6,676
Credit valuation adjustment	1,534	1,768	1,773	5,652	-	-	-	-	-
- due to operational risk	83,331	81,469	81,469	81,469	81,469	76,495	76,495	76,495	76,495
Total risk exposure amount	775,492	767,536	736,310	730,120	704,177	714,337	724,713	716,592	699,693
Capital ratios									
CET1 ratio	22.6%	22.5%	23.3%	22.8%	24.9%	27.8%	27.1%	28.1%	28.3%
Tier 2 ratio	1.5%	0.2%	0.3%	0.3%	0.3%	-	1.8%	1.6%	1.8%
Capital adequacy ratio	24.1%	22.7%	23.5%	23.1%	25.2%	27.8%	28.9%	29.7%	30.1%

Macroeconomics - summary

	3Q17	2Q17	1Q17	2016	2015
YoY change, %					
GDP growth	3.1	3.4	5.0	11.3	4.0
Total investment	19.4	5.8	2.5	18.6	18.6
Business investment	9.9	2.8	-2.0	11.5	29.5
Residential investment	48.2	25.4	29.0	70.9	-3.1
Personal consumption	6.7	9.5	7.0	7.2	4.8
Unemployment rate, % of workforce	2.1	3.4	2.9	2.5	4.0
Current account, % of GDP	9.9	2.6	19.5	7.0	5.1
International investment position, % of GDP	4.3	-2.5	3.7	1.1	-14.4
Gross general govt. debt, % of GDP		52.8		54.0	68.4
Household debt, gross, % of GDP	76.9	77.0		77.5	79.6
Corporate debt, gross, % of GDP	85.7	84.2		80.2	93.3
YoY change, %					
Inflation	1.7	1.7	1.8	1.9	1.6
Residential real estate price index	22.6	19.8	16.3	13.3	8.2
Wages	7.3	6.2	6.4	9.8	7.2
Real wages	5.5	4.9	4.5	7.7	5.5
ISK index, average	163.2	154.7	161.8	164.5	201.1
Central bank policy rate (1W)	4.5	4.5	5.0	5.2	5.8
Long-term nominal yield	5.0	4.8	5.1	5.2	6.4
Long-term real yield	2	2.4	2.64	2.7	2.7

Other - 5 years

ISK million

	4Q17	3Q17	2Q17	2016	2015	2014	2013
Currencies (annual average)							
USD	106.53	105.65	104.94	120.67	131.85	116.75	122.23
GBP	137.45	138.26	134.10	163.80	201.58	192.17	191.22
EUR	120.54	124.09	115.33	133.59	146.30	154.86	162.38
DKK	16.20	16.68	15.51	17.94	19.62	20.77	21.77
SEK	12.52	12.99	11.91	14.13	15.64	17.03	18.78
CHF	108.43	109.72	106.45	122.50	137.08	127.50	131.91

Financial targets

Medium and long term strategies structured around achieving key financial targets

	TARGET	2017	2016	2015	Guidance
ROE REGULAR OPERATIONS ¹	8-10% ⁴	✓ 10.3%	✓ 10.7%	✓ 13.2%	<ul style="list-style-type: none"> Based on risk free rate + 4-6% The risk free rate is considered to be CBI current account rate, currently at 4% (average in 2017 = 4.4%) As the Bank retains a large pool of liquid assets, interest rate level in Iceland can have a substantial impact on ROE levels The bank tax, excluded thus far from target returns, will have an impact on profitability if kept at current high levels
COST / INCOME RATIO ²	<55%	62.5%	56.9%	56.2%	<ul style="list-style-type: none"> This is a medium to long term target, C/I ratio can be expected to be higher than target in the near term Headcount and non-headcount related cost control programmes in place
CET1	>15% LT	✓ 22.6%	✓ 24.9%	✓ 28.3%	<ul style="list-style-type: none"> Current SREP requirement plus management buffer means currently a minimum 15.4-16.4% CET1 ratio
TOTAL CAPITAL RATIO	> 20.3 – 21.3%	✓ 24.1%	✓ 25.2%	✓ 30.1%	<ul style="list-style-type: none"> Based on the regulatory SREP requirement with a 50 – 150bp management buffer Current SREP requirement is 19.8% Short term target removed in Q317 due to less uncertainty regarding lifting of capital controls and IFRS9 implementation
DIVIDEND PAYOUT RATIO	40-50%	✓ 50%³	✓ 50%	✓ 40%	<ul style="list-style-type: none"> Dividend pay-out ability will be impacted if the bank tax will be kept at current high levels The BoD proposes that ISK 13 billion will be paid in dividend for the 2017 financial year which is somewhat higher than the dividend payout target due to a strong capital position

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















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

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

4. Assuming Central Bank of Iceland's (CBI) current account rate – currently at 4.0%

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

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

 Icelandic Sovereign rating
 Íslandsbanki hf.

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