



Íslandsbanki Factbook

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Investor Relations

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

Íslandsbanki will publish its financial results for the first six months of 2018 before the opening of markets on Thursday 2 August.

Investor call in English at 9:30 GMT

The Bank will host an investor call in English at 9:30 GMT (11:30 CEST) on August 2. The call will start with a short macro update on the Icelandic economy, followed by a review of the financial results and Q&A.

Please register by replying to: ir@islandsbanki.is. Dial-in details and investor material will be sent prior to the call.

Market participants meeting in Icelandic at 10:30 GMT

A meeting with market participants in Icelandic will take place at Íslandsbanki headquarters, Hagasmári 3, 201 Kópavogur, 9 floor at 10:30 GMT on August 2. Refreshments will be on offer.

Registration to the meeting is required.

Register [here](#).

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

Q3 2018 results - 8 November 2018
Q4 2018 and year-end results - 14 February 2019
Annual General Meeting – 21 March 2019

Please note that the dates are subject to change.

Highlights

Our profile

- A leader in financial services in Iceland, Íslandsbanki is a universal bank with total assets of ISK 1,112bn and a 25%-50% market share across all domestic business segments.
- Building on over 140 years of servicing key industries, Íslandsbanki has developed specific expertise in tourism, seafood and energy related industries.
- Driven by the vision to be #1 for service, Íslandsbanki's relationship banking business model is propelled by three business divisions that manage and build relationships with the Bank's customers.
- Íslandsbanki has developed a wide range of online services such as the Íslandsbanki, Kreditkort and Kass apps, enabling customers to do their banking whenever and wherever. At the same time, the Bank continues to operate the most efficient branch network in Iceland through its strategically located 14 branches.
- In 2017, Íslandsbanki led the Icelandic Customer Satisfactory Index for banks for the fifth consecutive year and was named Bank of the Year in Iceland by the Banker. In July 2018, Euromoney selected Íslandsbanki as the best bank in Iceland.
- Íslandsbanki has a BBB+/A-2 rating from S&P Global Ratings and BBB/F3 from Fitch and is the only bank in Iceland rated by two international rating agencies.

Our Bank

826

Number of FTE's for parent company at period end

14

branches



74,000
APP users

Market Share¹

32%
individuals

36%
SMEs

32%
large companies

Credit Ratings

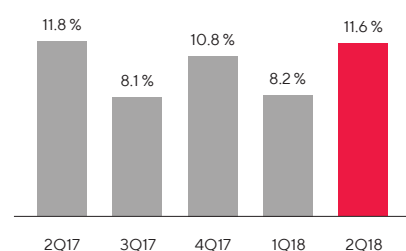
S&P Global
Ratings

BBB+/A-2
Stable outlook

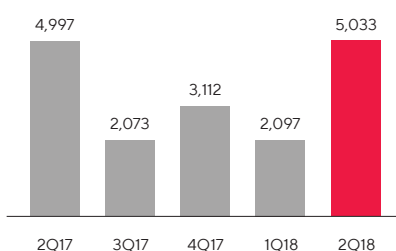
FitchRatings

BBB/F3
Stable outlook

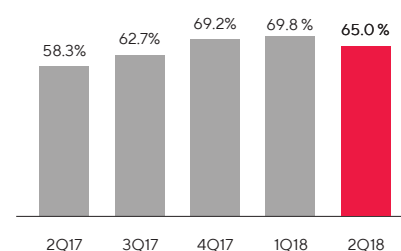
ROE reg. operations CET1 15%²



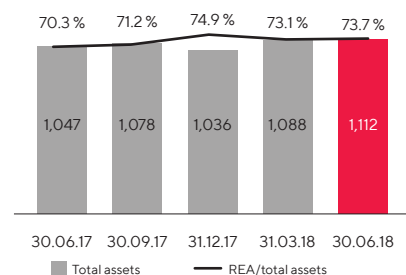
Profit after tax (ISKm)



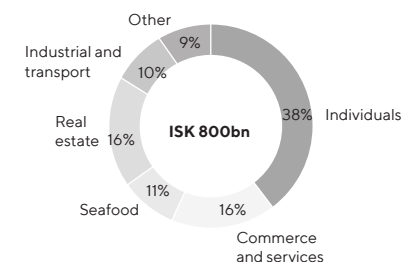
Cost/income ratio³



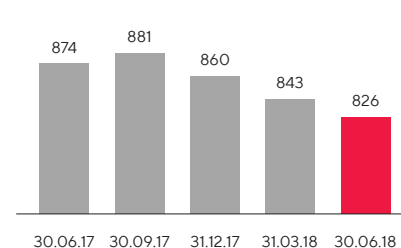
REA/total assets (ISKbn)



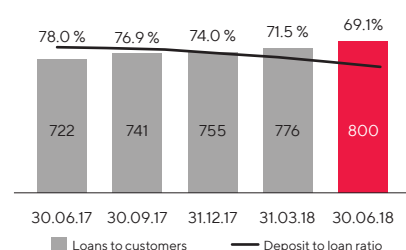
Loans to customers – sector split As of 30.06.18



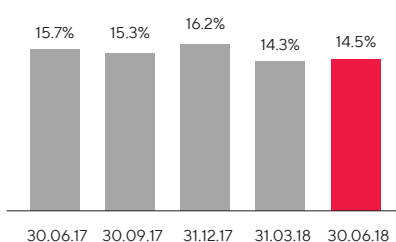
Numbers of FTE's for parent company Excluding seasonal employees



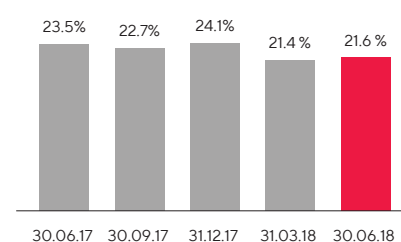
Loans to customers (ISKbn)



Leverage ratio



Total capital ratio



The highlights were not reviewed or audited by the Bank's auditor.

Key Performance Indicators - 5 years

ISK million	1H18	2017	2016	2015	2014
Profitability					
Return on equity (after tax)	8,2%	7,5%	10,2%	10,8%	12,8%
ROE 15% CET1 (regular operations)	9,9%	10,3%	10,7%	12,4%	11,9%
Earnings per share	0,65	1,10	1,40	1,87	2,17
Core income / total operating income*	0,93	0,99	0,86	0,92	0,91
Net interest margin					
Net interest margin on total assets	2,8%	2,9%	3,1%	2,9%	3,0%
Efficiency					
Cost-to-income ratio**	67,3%	62,5%	56,9%	56,2%	57,7%
Number of FTE´s at period end - Consolidated***	1.013	1.042	1.072	1.183	1.206
Number of FTE´s at period end - Parent co.***	826	860	907	918	945
Number of branches at period end	14	14	15	17	18
Assets					
Loans to customers	799.938	755.175	687.840	665.711	634.799
LTV on mortgages to individuals	60,8%	63,3%	67,2%	69,2%	74,0%
Risk exposure amount / Total assets	73,7%	74,9%	67,2%	66,9%	76,3%
Financial strength					
Equity as % of total assets	15,5%	17,5%	17,1%	19,3%	20,4%
Liquidity					
Liquidity coverage ratio (LCR)	154,0%	142,0%	200,0%	143,0%	130,0%
Liquidity coverage ratio (LCR) - Foreign currencies	218,0%	155,0%	347,0%	467,0%	617,0%
Net stable funding ratio (NSFR) - All currencies	117,0%	117,0%	123,0%	120,0%	112,0%
Net stable funding ratio (NSFR) - Foreign currencies	147,0%	122,0%	144,0%	141,0%	126,0%
Term deposits % of total deposits	27,6%	29,4%	35,0%	39,0%	34,0%
Deposit-to-loan ratio	69,1%	74,0%	84,9%	88,3%	82,9%
Customer deposits-to-loans to customers ratio	72,3%	75,1%	86,4%	89,1%	83,4%
Capital					
CET1 ratio	20,5%	22,6%	24,9%	28,3%	26,5%
Tier 2 ratio	1,1%	1,5%	0,3%	1,8%	3,1%
Capital adequacy ratio	21,6%	24,1%	25,2%	30,1%	29,6%
Leverage ratio	14,5%	16,2%	16,0%	18,1%	19,5%
Risk exposure amount	819.349	775.493	704.177	699.693	695.102

* 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

*** Numbers exclude summer employees

Income statement - 5 year summary

ISK million	1H18	2017	2016	2015	2014
Interest income	29.337	56.767	60.503	53.414	50.816
Interest expense	(13.995)	(26.768)	(28.701)	(25.404)	(23.711)
Net interest income	15.342	29.999	31.802	28.010	27.105
Fee and commission income	9.236	20.855	21.818	20.737	17.984
Fee and commission expense	(3.426)	(7.105)	(8.095)	(7.567)	(6.501)
Net fee and commission income	5.810	13.750	13.723	13.170	11.483
Net financial (expense) income	95	(715)	6.096	3.881	1.568
Net foreign exchange (loss) gain	(67)	527	443	(1.490)	165
Other operating income	1.600	628	652	1.102	2.122
Other net operating income	1.628	440	7.191	3.493	3.855
Total operating income	22.780	44.189	52.716	44.673	42.443
Administrative expenses	(13.722)	(26.968)	(27.121)	(23.760)	(22.901)
Contribution to the Depositors' and Investors' Guarantee Fund	(579)	(1.083)	(1.063)	(1.067)	(1.055)
Bank tax	(1.597)	(2.892)	(2.843)	(2.878)	(2.444)
Total operating expenses	(15.898)	(30.943)	(31.027)	(27.705)	(26.400)
Profit before net impairment on financial assets	6.882	13.246	21.689	16.968	16.043
Net impairment on financial assets	1.934	1.556	735	8.135	8.810
Profit before tax	8.816	14.802	22.424	25.103	24.853
Income tax expense	(2.480)	(4.151)	(5.205)	(5.851)	(6.239)
Profit for the year from continuing operations	6.336	10.651	17.219	19.252	18.614
Profit from discontinued operations, net of income tax	794	2.575	2.939	1.326	4.136
Profit for the year	7.130	13.226	20.158	20.578	22.750
Basic earnings per share from profit for the year	0,65	1,10	1,40	1,87	1,76

Balance sheet - 5 year summary

ISK million	30.6.2018	2017	2016	2015	2014
Cash and balances with Central Bank	166.194	189.045	275.453	216.760	103.389
Bonds and debt instruments	48.603	27.090	31.256	78.606	87.347
Shares and equity instruments	13.581	10.177	10.626	18.320	10.531
Derivatives	3.209	2.896	1.953	1.981	1.810
Loans to credit institutions	59.858	26.617	17.645	35.534	35.072
Loans to customers	799.938	755.175	687.840	665.711	634.799
Investments in associates	614	704	450	716	570
Property and equipment	5.058	7.128	6.211	7.344	7.402
Intangible assets	4.774	4.231	2.672	1.331	619
Other assets	8.512	9.993	7.064	6.674	8.140
Non-current assets and disposal groups held for sale	1.401	2.766	6.384	12.792	21.649
Total Assets	1.111.742	1.035.822	1.047.554	1.045.769	911.328
Deposits from Central Bank and credit institutions	15.391	11.189	4.922	25.631	25.796
Deposits from customers	578.414	567.029	594.187	593.245	529.447
Derivative instruments and short positions	7.075	5.492	4.798	6.981	3.963
Debt issued and other borrowed funds	288.360	217.748	212.468	150.308	96.889
Subordinated loans	8.872	9.505	-	19.517	21.306
Tax liabilities	8.925	7.787	8.473	8.358	8.388
Other liabilities	32.447	35.947	43.456	36.677	37.262
Non-current liabilities and disposal groups held for sale	76	80	325	2.825	2.790
Total Liabilities	939.560	854.777	868.629	843.542	725.841
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	5.598	6.179	4.139	6.002	2.535
Retained earnings	99.159	107.387	105.563	127.288	116.288
Total equity attributable to the equity holders of Íslandsbanki hf.	169.757	178.566	174.702	198.290	183.823
Non-controlling interests	2.425	2.479	4.223	3.937	1.664
Total Equity	172.182	181.045	178.925	202.227	185.487
Total Liabilities and Equity	1.111.742	1.035.822	1.047.554	1.045.769	911.328

Net interest income - 5 year summary

ISK million	30.6.2018	2017	2016	2015	2014
Interest income:					
Cash and balances with Central Bank	4.047	10.541	11.507	7.394	6.671
Loans at amortised cost	24.376	45.162	47.084	43.303	40.331
Financial assets mandatorily at fair value through profit or loss	827	879	99	980	1.957
Financial assets designated at fair value through profit or loss	-	50	1.672	1.558	1.672
Financial assets held for trading	-	-	-	-	-
Other assets	87	135	141	179	185
Total interest income	29.337	56.767	60.503	53.414	50.816
Interest expense:					
Deposits from credit institutions and Central Bank	(206)	(170)	(275)	(517)	(479)
Deposits from customers	(7.958)	(17.461)	(20.382)	(18.240)	(16.919)
Debt issued and other borrowed funds at fair value through profit and loss	(580)	-	-	-	-
Debt issued and other borrowed funds at amortised cost	(3.958)	(8.107)	(7.384)	(5.427)	(4.750)
Subordinated loans	(71)	(14)	(627)	(1.015)	(911)
Other financial liabilities	(1.204)	(995)	(7)	(147)	(295)
Other interest expense	(18)	(21)	(26)	(58)	(357)
Total interest expense	(13.995)	(26.768)	(28.701)	(25.404)	(23.711)
Net interest income	15.342	29.999	31.802	28.010	27.105
Interest spread (as the ratio of net interest income to the average carrying amount of total assets)	2,8%	2,9%	3,1%	2,9%	3,0%
Interest bearing:					
Assets					
Balances with Central Bank	166.194	189.045	275.453	216.760	103.389
Bonds and debt instruments	2.264	2.373	2.808	34.163	33.074
Loans to credit institutions	59.858	26.617	17.645	35.534	35.072
Loans to customers	799.938	756.902	689.888	665.710	637.650
Total assets	1.028.254	974.937	985.794	952.167	809.185
Off-balance sheet items	228.102	137.978	120.654	119.243	97.455
Effect of derivatives held for hedging	37.190	62.463	55.932	-	-
Liabilities					
Short positions	-	-	-	-	-
Deposits from CB and credit institutions	15.391	11.189	4.922	25.631	25.796
Deposits from customers	578.414	567.029	594.187	593.245	529.447
Debt issued and other borrowed funds	288.360	217.749	212.468	150.308	96.889
Subordinated loans	8.872	9.505	-	19.517	21.306
Total liabilities	891.037	805.472	811.577	788.701	673.438
Off-balance sheet items	229.573	138.165	120.081	131.357	106.555
Effect of derivatives held for hedging	37.164	62.537	56.002	-	-
Net interest gap	135.772	169.204	174.720	151.352	126.647

Net fee & commission income - 5 year summary

ISK million	1H18	2017	2016	2015	2014
Fee and commission income:					
Asset management	1.031	1.964	1.757	1.778	1.683
Investment banking and brokerage	1.048	2.280	1.987	2.132	1.833
Payment processing	5.636	13.094	14.705	13.664	11.627
Loans and guarantees	769	1.427	1.449	1.498	1.267
Other fees and commissions income	752	2.090	1.920	1.665	1.574
Total fees and commission income	9.236	20.855	21.818	20.737	17.984
Commission expenses:					
Interbank charges	-	-	-	-	(157)
Brokerage	(130)	(128)	(109)	(121)	(128)
Clearing and settlement	(3.289)	(6.956)	(7.963)	(7.415)	(6.179)
Other commission expenses	(7)	(21)	(23)	(31)	(37)
Total commission expenses	(3.426)	(7.105)	(8.095)	(7.567)	(6.501)
Net fee and commission income	5.810	13.750	13.723	13.170	11.483

Loans to customers - 5 year summary

ISK million	30.6.2018	2017	2016	2015	2014
Individuals	306.376	299.350	286.177	272.610	262.848
Commerce and services	126.211	112.144	97.943	89.781	79.658
Construction	29.079	24.797	27.878	23.013	18.751
Energy	6.933	7.109	7.216	3.737	7.315
Financial services	179	26	85	105	121
Industrial and transportation	74.703	69.961	63.090	60.726	61.878
Investment companies	16.900	19.726	14.402	19.362	13.911
Public sector and non-profit organisations	14.208	11.871	12.835	13.878	12.216
Real estate	134.156	127.067	100.020	99.094	99.540
Seafood	91.193	84.853	80.243	85.872	81.412
Loans to customers before collective impairment allowance	799.938	756.904	689.889	668.178	637.650
Collective impairment allowance	-	(1.729)	(2.049)	(2.467)	(2.851)
Loans to customers	799.938	755.175	687.840	665.711	634.799

Loans to customers - by product

Overdrafts	49.417	45.650	45.383	38.654	37.228
Creditcards	17.710	18.800	19.188	18.166	17.690
Mortgages	236.158	225.765	211.233	197.307	186.583
Capital leases	44.474	40.765	40.415	39.161	36.231
Other loans	452.179	425.924	373.670	374.891	359.918
Loans to customers before collective impairment allowance	799.938	756.904	689.889	668.178	637.650
Collective impairment allowance	-	(1.729)	(2.049)	(2.467)	(2.851)
Loans to customers	799.938	755.175	687.840	665.711	634.799

Capital and Risk Exposure Amount - 5 year summary

ISK million	30.6.2018	2017	2016	2015	2014
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	5.598	6.179	4.139	6.002	2.535
Retained earnings	99.159	107.387	105.563	127.288	116.288
Non-controlling interests	2.425	2.479	4.223	3.937	1.664
Fair value changes due to own credit standing	730	-	-	-	-
Tax assets	(374)	(4)	(4)	-	(521)
Intangible assets	(4.774)	(4.231)	(2.672)	(1.331)	(619)
Other regulatory adjustments	-	(1.285)	(924)	(2.779)	-
Total Tier 1 capital	167.764	175.525	175.325	198.117	184.347
Tier 2 capital					
Qualifying subordinated liabilities	-	9.505	-	19.517	21.306
Adjustment to eligible capital liabilities	-	-	-	(3.903)	-
Other regulatory adjustments	8.872	-	-	(2.779)	-
General credit risk adjustments	-	1.729	2.049	-	-
Total regulatory capital	176.636	186.759	177.374	210.952	205.653
Risk exposure amount					
- due to credit risk	724.177	682.525	615.465	606.591	583.375
- due to market risk:	10.055	8.102	7.243	16.607	33.326
Market risk, trading book	6.251	6.709	6.418	9.931	6.594
Currency risk FX	3.804	1.393	825	6.676	26.732
- due to credit valuation adjustment	1.786	1.534	-	-	-
- due to operational risk	83.331	83.331	81.469	76.495	78.401
Total risk exposure amount	819.349	775.493	704.177	699.693	695.102
Capital ratios					
CET1 ratio	20,5%	22,6%	24,9%	28,3%	26,5%
Tier 2 ratio	1,1%	1,5%	0,3%	1,8%	3,1%
Capital adequacy ratio	21,6%	24,1%	25,2%	30,1%	29,6%
Leverage ratio	14,5%	16,2%	16,0%	18,1%	19,5%

Key Performance indicators - 9 Quarters
ISK million

	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016
Profitability									
Return on equity	11,6%	4,8%	7,0%	4,7%	11,3%	7,0%	9,4%	5,1%	19,1%
ROE 15% CET1 (regular operations)*	11,6%	8,2%	10,8%	8,1%	11,8%	10,6%	11,7%	8,4%	13,3%
Earnings per share	0,51	0,15	0,40	0,19	0,33	0,27	0,46	0,23	0,66
Net interest margin									
Net interest margin on total assets	2,8%	2,9%	2,8%	2,8%	3,0%	2,9%	3,1%	3,0%	3,3%
Efficiency									
Cost-to-income ratio*	65,0%	69,8%	69,2%	62,7%	58,3%	60,1%	59,8%	56,1%	53,3%
Number of FTE's at period end - Consolidated***	1.013	1.027	1.042	1.066	1.071	1.070	1.072	1.094	1.092
Number of FTE's at period end - Parent co.***	826	843	860	881	874	898	907	929	921
Asset quality									
Loans to customers	799.938	776.149	755.175	741.380	721.820	703.447	687.840	684.170	698.669
LTV on mortgages to individuals	60,8%	63,2%	63,3%	62,0%	60,8%	69,0%	67,2%	65,8%	65,0%
Risk exposure amount / Total assets	73,7%	73,1%	74,9%	71,2%	70,3%	71,0%	67,2%	66,9%	70,4%
Financial strength									
Equity as % of total assets	15,5%	15,3%	17,5%	16,5%	16,8%	16,6%	17,1%	18,9%	19,3%
Liquidity									
Liquidity coverage ratio (LCR)	154,0%	158,0%	142,0%	183,0%	171,0%	181,0%	187,0%	195,0%	173,0%
Liquidity coverage ratio (LCR) - Foreign currencies	218,0%	359,0%	155,0%	239,0%	303,0%	400,0%	331,0%	407,0%	368,0%
Net stable funding ratio (NSFR) - All currencies	117,0%	116,0%	117,0%	115,0%	119,0%	121,0%	123,0%	126,0%	117,0%
Net stable funding ratio (NSFR) - Foreign currencies	147,0%	140,0%	122,0%	119,0%	138,0%	142,0%	144,0%	145,0%	154,0%
Term deposits % of total deposits	27,0%	26,9%	29,4%	34,0%	35,0%	39,0%	35,0%	34,0%	39,0%
Deposit-to-loan ratio	69,1%	71,5%	74,0%	76,9%	78,0%	78,4%	84,9%	78,4%	79,4%
Customer deposits-to-loans to customers ratio	72,3%	74,1%	75,1%	79,2%	79,3%	80,7%	86,4%	80,8%	81,0%
Capital									
CET 1 ratio	20,5%	20,3%	22,6%	22,5%	23,3%	22,8%	24,9%	27,8%	27,1%
Tier 2 ratio	1,1%	1,1%	1,5%	0,2%	0,2%	0,3%	0,3%	0,0%	1,8%
Capital adequacy ratio	21,6%	21,4%	24,1%	22,7%	23,5%	23,1%	25,2%	27,8%	28,9%
Leverage ratio	14,5%	14,3%	16,2%	15,3%	15,7%	15,5%	16,0%	17,7%	18,3%
Risk exposure amount	819.349	795.923	775.493	767.536	736.310	730.120	704.177	714.337	724.713

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

** Excludes one-off costs

*** Numbers exclude summer employees

Income statement - 9 quarter summary
ISK million

	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016
Net interest income	7.602	7.740	7.338	7.450	7.814	7.397	8.149	7.758	8.356
Net fee and commission income	3.032	2.778	3.632	3.305	3.543	3.270	3.831	3.233	3.515
Net financial (expense) income	378	(283)	260	(1.084)	97	12	37	(607)	6.062
Net foreign exchange (loss) gain	(57)	(10)	81	76	169	201	77	49	305
Other operating income	1.587	13	122	291	55	160	(17)	45	473
Other net operating income	1.908	(280)	463	(717)	321	373	97	(513)	6.840
Total operating income	12.542	10.238	11.433	10.038	11.678	11.040	12.077	10.478	18.711
Administrative expenses	(6.872)	(6.850)	(7.655)	(6.047)	(6.848)	(6.418)	(7.392)	(5.613)	(7.599)
Contribution to the Depositors' and Investors' Guarantee Fund	(287)	(292)	(288)	(280)	(262)	(253)	(252)	(283)	(267)
Bank tax	(812)	(785)	(614)	(806)	(752)	(720)	(691)	(745)	(716)
Total operating expenses	(7.971)	(7.927)	(8.557)	(7.133)	(7.862)	(7.391)	(8.335)	(6.641)	(8.582)
Profit before net impairment on financial assets	4.571	2.311	2.876	2.905	3.816	3.649	3.742	3.837	10.129
Net impairment on financial assets	1.846	88	969	147	200	240	484	(118)	689
Profit before tax	6.417	2.399	3.845	3.052	4.016	3.889	4.226	3.719	10.818
Income tax expense	(1.465)	(1.015)	(816)	(1.072)	(1.133)	(1.130)	(1.353)	(1.266)	(1.720)
Profit for the period from continuing operations	4.952	1.384	3.029	1.980	2.883	2.759	2.873	2.453	9.098
Profit (loss) for the period from discontinued operations	81	713	83	93	2.114	285	1.730	85	409
Profit for the period	5.033	2.097	3.112	2.073	4.997	3.044	4.603	2.538	9.507

Balance sheet - 9 quarter summary
ISK million

	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016
Cash and balances with Central Bank	166.194	177.029	189.045	214.254	227.189	210.437	275.453	205.148	182.177
Bonds and debt instruments	48.603	49.140	27.090	42.871	33.301	35.678	31.256	89.026	71.756
Shares and equity instruments	13.581	10.208	10.177	11.420	11.936	12.128	10.626	12.007	12.692
Derivatives	3.209	4.673	2.896	3.266	3.942	2.322	1.953	1.690	2.036
Loans to credit institutions	59.858	47.220	26.617	37.874	23.983	35.142	17.645	38.189	33.088
Loans to customers	799.938	776.149	755.175	741.380	721.820	703.447	687.840	684.170	698.669
Investments in associates	614	672	704	669	705	705	450	764	764
Property and equipment	5.058	7.025	7.128	7.189	6.663	6.376	6.211	5.924	5.884
Intangible assets	4.774	4.412	4.231	4.077	3.644	3.024	2.672	2.039	1.700
Other assets	8.512	10.732	9.993	11.201	10.103	14.298	7.064	20.691	11.268
Non-current assets and disposal groups held for sale	1.401	1.048	2.766	3.422	3.935	5.251	6.384	8.615	9.583
Total Assets	1.111.742	1.088.308	1.035.822	1.077.623	1.047.221	1.028.808	1.047.554	1.068.263	1.029.617
Deposits from Central Bank and credit institutions	15.391	13.563	11.189	12.684	9.362	11.253	4.922	13.362	14.633
Deposits from customers	578.414	575.196	567.029	586.922	572.407	567.486	594.187	553.107	566.220
Derivative instruments and short positions	7.075	8.104	5.492	5.167	7.344	5.041	4.798	5.334	6.079
Debt issued and other borrowed funds	288.360	269.255	217.748	240.259	227.274	223.327	212.468	222.598	163.469
Subordinated loans	8.872	8.838	9.505	-	-	-	-	-	18.886
Tax liabilities	8.925	7.908	7.787	13.143	11.581	10.062	8.473	10.454	9.894
Other liabilities	32.447	39.028	35.947	41.513	43.209	40.606	43.456	59.856	49.252
Non-current liabilities and disposal groups held for sale	76	79	80	116	116	268	325	2.161	2.347
Total Liabilities	939.560	921.971	854.777	899.804	871.293	858.043	868.629	866.872	830.780
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	5.598	4.991	6.179	6.174	5.712	4.928	4.139	2.506	2.470
Retained earnings	99.159	93.930	107.387	104.144	102.436	97.859	105.563	130.029	127.666
Total equity attributable to the equity holders of Íslandsbanki hf.	169.757	163.921	178.566	175.318	173.148	167.787	174.702	197.535	195.136
Non-controlling interests	2.425	2.416	2.479	2.501	2.780	2.978	4.223	3.856	3.701
Total Equity	172.182	166.337	181.045	177.819	175.928	170.765	178.925	201.391	198.837
Total Liabilities and Equity	1.111.742	1.088.308	1.035.822	1.077.623	1.047.221	1.028.808	1.047.554	1.068.263	1.029.617

Net interest income - 9 quarter summary
ISK million

	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016
Interest income:									
Cash and balances with Central Bank	1.886	2.161	2.285	2.543	2.724	2.989	3.024	2.850	2.732
Loans at amortised cost	12.023	12.353	11.455	10.710	12.183	10.814	11.475	11.005	13.263
Financial assets mandatorily at fair value through profit or loss	396	431	-	-	-	-	-	-	-
Financial assets designated at fair value through profit or loss	-	-	11	6	13	20	353	426	448
Financial assets held for trading	-	-	956	117	(186)	-	(74)	190	(114)
Other assets	37	50	35	30	33	29	46	34	35
Total interest income	14.342	14.995	14.742	13.406	14.767	13.852	14.824	14.505	16.364
Interest expense:									
Deposits from credit institutions and Central Bank	(109)	(97)	(52)	(37)	(64)	(17)	31	(57)	(114)
Deposits from customers	(3.863)	(4.095)	(3.921)	(4.035)	(4.797)	(4.708)	(4.893)	(4.868)	(5.536)
Debt issued and other borrowed funds at fair value through profit and loss	(292)	(288)	-	-	-	-	-	-	-
Debt issued and other borrowed funds at amortised cost	(1.910)	(2.050)	(2.417)	(1.881)	(2.084)	(1.725)	(1.830)	(1.641)	(2.110)
Subordinated loans	(37)	(34)	(14)	-	-	-	-	(161)	(227)
Other financial liabilities	(517)	(687)	(995)	-	-	-	-	-	-
Other interest expense	(12)	(4)	(5)	(3)	(8)	(5)	17	(20)	(21)
Total interest expense	(6.740)	(7.255)	(7.404)	(5.956)	(6.953)	(6.455)	(6.675)	(6.747)	(8.008)
Net interest income	7.602	7.740	7.338	7.450	7.814	7.397	8.149	7.758	8.356
Interest bearing:									
Assets									
Balances with Central Bank	166.194	177.029	189.045	214.254	227.189	210.437	275.453	205.148	182.177
Bonds and debt instruments	2.264	2.216	2.373	2.377	2.439	2.547	2.808	33.594	33.974
Loans to credit institutions	59.858	47.220	26.617	37.874	23.983	35.142	17.645	38.190	33.088
Loans to customers	799.938	776.149	756.902	743.123	723.707	705.420	689.888	686.413	701.227
Total assets	1.028.254	1.002.614	974.937	997.628	977.318	953.546	985.794	963.345	950.466
Off-balance sheet items	228.102	216.466	137.978	154.909	136.232	115.883	120.654	186.367	132.945
Effect of derivatives held for hedging	37.190	36.471	62.463	62.263	58.763	60.278	55.932	-	-
Liabilities									
Deposits from CB and credit institutions	15.391	13.563	11.189	12.684	9.362	11.253	4.922	13.362	14.398
Deposits from customers	578.414	575.196	567.029	586.921	572.407	567.486	594.187	553.107	566.220
Debt issued and other borrowed funds	288.360	269.255	217.749	240.260	227.274	223.327	212.468	222.598	158.408
Subordinated loans	8.872	8.838	9.505	-	-	-	-	-	18.886
Total liabilities	891.037	866.852	805.472	839.865	809.043	802.066	811.577	789.067	757.912
Off-balance sheet items	229.573	219.464	138.165	155.170	135.947	115.610	120.081	185.581	132.490
Effect of derivatives held for hedging	37.164	36.473	62.537	62.288	58.927	60.397	56.002	-	-
Net interest gap	135.772	132.762	169.204	157.477	168.396	151.634	174.720	175.064	193.009

Net fee and commission - 9 quarter summary
ISK million

	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016
Fee and commission income:									
Asset management	556	475	526	436	529	473	460	427	436
Investment Banking and brokerage	552	496	637	566	646	431	495	488	613
Payment processing	3.082	2.554	3.040	3.296	3.342	3.416	3.650	3.901	3.696
Loans and guarantees	429	340	339	359	377	352	340	346	381
Other fee and commission income	344	408	670	460	503	457	739	361	464
Total fee and commission income	4.963	4.273	5.212	5.117	5.397	5.129	5.684	5.523	5.590
Commission expenses:									
Brokerage	(62)	(68)	(31)	(33)	(31)	(33)	6	(51)	(25)
Clearing and settlement	(1.865)	(1.424)	(1.544)	(1.773)	(1.815)	(1.824)	(1.854)	(2.232)	(2.048)
Other commission expenses	(4)	(3)	(5)	(6)	(8)	(2)	(5)	(7)	(2)
Total commission expenses	(1.931)	(1.495)	(1.580)	(1.812)	(1.854)	(1.859)	(1.853)	(2.290)	(2.075)
Net fee and commission income	3.032	2.778	3.632	3.305	3.543	3.270	3.831	3.233	3.515

Loans to customers - 9 quarter summary
ISK million

	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016
Individuals	306.376	299.201	299.350	294.508	290.584	287.303	286.177	278.634	276.282
Commerce and services	126.211	118.378	112.144	114.304	107.153	104.233	97.943	99.315	101.777
Construction	29.079	26.856	24.797	27.641	27.797	26.740	27.878	25.511	26.375
Energy	6.933	7.006	7.109	7.142	7.152	7.168	7.216	4.552	5.597
Financial services	179	175	26	29	42	37	85	237	936
Industrial and transportation	74.703	74.372	69.961	68.568	68.413	65.100	63.090	64.894	67.772
Investment companies	16.900	20.627	19.726	14.642	17.221	14.377	14.402	16.927	18.352
Public sector and non-profit organisations	14.208	14.731	11.871	12.104	12.604	12.929	12.835	13.708	13.212
Real estate	134.156	130.993	127.067	118.292	112.687	105.430	100.020	101.136	102.438
Seafood	91.193	83.810	84.853	85.894	80.054	82.103	80.243	81.500	88.486
Loans to customers before collective impairment allowance	799.938	776.149	756.904	743.124	723.707	705.420	689.889	686.414	701.227
Collective impairment allowance	-	-	(1.729)	(1.744)	(1.887)	(1.973)	(2.049)	(2.244)	(2.558)
Loans to customers	799.938	776.149	755.175	741.380	721.820	703.447	687.840	684.170	698.669

Loans to customers - by product

Overdrafts	49.417	53.431	45.650	43.978	42.907	45.540	45.383	36.280	38.949
Creditcards	17.710	16.467	18.800	17.423	18.441	17.547	19.188	17.653	17.895
Mortgages	236.158	229.985	225.765	221.743	218.478	214.949	211.233	205.101	202.004
Capital leases	44.474	41.889	40.765	41.249	43.642	41.749	40.415	46.229	48.709
Other loans	452.179	434.377	425.924	418.731	400.239	385.635	373.670	381.151	393.670
Loans to customers before collective impairment allowance	799.938	776.149	756.904	743.124	723.707	705.420	689.889	686.414	701.227
Collective impairment allowance	-	-	(1.729)	(1.744)	(1.887)	(1.973)	(2.049)	(2.244)	(2.558)
Loans to customers	799.938	776.149	755.175	741.380	721.820	703.447	687.840	684.170	698.669

Capital and Risk Exposure Amount
ISK million

	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016
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	5.598	4.991	6.179	6.174	5.712	4.928	4.139	2.506	2.470
Retained earnings	99.159	93.930	107.387	104.144	102.436	97.859	105.563	130.029	127.666
Non-controlling interests	2.425	2.416	2.479	2.501	2.780	2.978	4.223	3.856	3.701
Fair value changes due to own credit standing	730	1.277	-	-	-	-	-	-	-
Tax assets	(374)	(454)	(4)	(5)	(4)	(4)	(4)	(38)	(28)
Intangible assets	(4.774)	(4.412)	(4.231)	(4.077)	(3.644)	(3.024)	(2.672)	(2.039)	(1.700)
Other regulatory adjustments	-	(1.338)	(1.285)	(1.255)	(1.014)	(1.130)	(924)	(1.008)	(472)
Total Tier 1 capital	167.764	161.410	175.525	172.482	171.266	166.607	175.325	198.306	196.637
Tier 2 capital									
Qualifying subordinated liabilities	-	8.838	9.505	-	-	-	-	-	18.886
Adjustment to eligible capital liabilities	-	-	-	-	-	-	-	-	(5.666)
Other regulatory adjustments	8.872	-	-	-	-	-	-	-	(472)
General credit risk adjustments	-	-	1.729	1.744	1.887	1.973	2.049	-	-
Total regulatory capital	176.636	170.248	186.759	174.226	173.153	168.580	177.374	198.306	209.385
Risk exposure amount	0								
- due to credit risk	724.177	701.035	682.525	673.998	645.188	634.648	615.465	623.885	635.551
- due to market risk:	10.055	9.887	8.102	12.069	9.653	14.003	7.243	13.957	12.667
Market risk, trading book	6.251	6.939	6.709	9.724	7.212	7.338	6.418	12.276	11.827
Currency risk FX	3.804	2.948	1.393	577	668	1.013	825	1.681	840
- due to credit valuation adjustment	1.786	1.670	1.534	1.768	1.773	5.652	-	-	-
- due to operational risk	83.331	83.331	83.331	81.469	81.469	81.469	81.469	76.495	76.495
Total risk exposure amount	819.349	795.923	775.493	767.536	736.310	730.120	704.177	714.337	724.713
Capital ratios									
CET1 ratio	20,5%	20,3%	22,6%	22,5%	23,3%	22,8%	24,9%	27,8%	27,1%
Tier 2 ratio	1,1%	1,1%	1,5%	0,2%	0,3%	0,3%	0,3%	-	1,8%
Capital adequacy ratio	21,6%	21,4%	24,1%	22,7%	23,5%	23,1%	25,2%	27,8%	28,9%

Macroeconomics - summary

	1Q18	4Q17	3Q17	2Q17	1Q17	2016	2015
YoY change, %							
GDP growth	6,6	1,5	3,1	3,4	5,0	11,3	4,0
Total investment	11,6	3,5	19,4	5,8	2,5	18,6	18,6
Business investment	7,1	1,6	9,9	2,8	-2,0	11,5	29,5
Residential investment	38,0	-2,7	48,2	25,4	29,0	70,9	-3,1
Personal consumption	5,9	6,5	6,7	9,5	7,0	7,2	4,8
Unemployment rate, % of workforce	2,9	2,7	2,1	3,4	2,9	2,5	4,0
Current account, % of GDP	0,0	0,4	9,9	2,6	19,5	7,0	5,1
International investment position, % of GDP	9,0	7,5	4,3	-2,5	3,7	1,1	-14,4
Gross general govt. debt, % of GDP		42,3		52,8		54,0	68,4
Household debt, gross, % of GDP		77,1	76,9	77,0		77,5	79,6
Corporate debt, gross, % of GDP		86,3	85,7	84,2		80,2	93,3
YoY change, %							
Inflation	2,5	1,8	1,7	1,7	1,8	1,9	1,6
Residential real estate price index	10,8	15,1	22,6	19,8	16,3	13,3	8,2
Wages	7,2	7,1	7,3	6,2	6,4	9,8	7,2
Real wages	4,8	5,1	5,5	4,9	4,5	7,7	5,5
ISK index, average	161,2	161,7	163,2	154,7	161,8	164,5	201,1
Central bank policy rate (1W)	4,3	4,3	4,5	4,5	5,0	5,2	5,8
Long-term nominal yield	5,0	4,9	5,0	4,8	5,1	5,2	6,4
Long-term real yield	1,9	1,9	2	2,4	2,64	2,7	2,7

Other - 5 years

ISK million

	2Q18	1Q18	4Q17	3Q17	2Q17	2016	2015
Currencies (annual average)							
USD	103,47	101,11	106,53	105,65	104,94	120,67	131,85
GBP	140,68	140,72	137,45	138,26	134,10	163,80	201,58
EUR	123,27	124,33	120,54	124,09	115,33	133,59	146,30
DKK	16,55	16,70	16,20	16,68	15,51	17,94	19,62
SEK	11,93	12,47	12,52	12,99	11,91	14,13	15,64
CHF	105,03	106,74	108,43	109,72	106,45	122,50	137,08

Financial targets

Medium and long term strategies structured around achieving key financial targets

	TARGET	1H18	2017	2016	Guidance
ROE REGULAR OPERATIONS ¹	8-10%	✓ 9.9%	✓ 10.3%	✓ 10.7%	- 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%	67.3%	62.5%	56.9%	- 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 - Lower C/I on parent company basis than on a consolidated basis
CET1	>15% LT	✓ 20.5%	✓ 22.6%	✓ 24.9%	Current SREP requirement plus management buffer means currently a minimum 15.4-16.4% CET1 ratio
TOTAL CAPITAL RATIO	> 20.3 – 21.3%	✓ 21.6%	✓ 24.1%	✓ 25.2%	- 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%	---	✓ 100%	✓ 50%	- Dividend pay-out ability will be impacted if the bank tax will be kept at current high levels - The BoD agreed to pay out ISK 13 billion in dividend for the 2017 financial year which is 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 – one-off items)

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.

Disclaimer

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