

1Q2019



Íslandsbanki Factbook

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Investor relations

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Investor relations web-site
<https://www.islandsbanki.is/en/landing/about/investor-relations>

Investor call in English at 2:00 PM (GMT).

On Thursday 9 May 2019 at 2:00 PM (GMT), the Bank will hold an investor call. The call will begin with a short update on the Icelandic economy, followed by a review of the Bank's financial results. The call will be in English.

Please register by sending an e-mail to: ir@islandsbanki.is

Dial-in details and presentations will be sent out to registered participants prior to the call.

Further information

All materials relating to the Bank's financial results, together with information on the financial calendar and silent periods, can be found here: <https://www.islandsbanki.is/en/landing/about/investor-relations>

Financial calendar

The Bank plans to publish its annual and interim statements on the following dates:

- Q2/2019 results — 31 July 2019
- Q3/2019 results — 30 October 2019

Please note that these dates are subject to change.

Key performance indicators - 5 years

ISK million	1Q19	2018	2017	2016	2015
Profitability					
Return on equity (after tax)	5.9%	6.1%	7.5%	10.2%	10.8%
ROE 16% CET1 (regular operations)	6.7%	8.0%	9.9%	10.3%	11.9%
Earnings per share	0.26	1.01	1.10	1.40	1.87
Core income / total operating income*	0.88	0.98	0.99	0.86	0.92
Net interest margin					
Net interest margin on total assets	2.8%	2.9%	2.9%	3.1%	2.9%
Efficiency					
Cost-to-income ratio**	62.6%	66.3%	62.5%	56.9%	56.2%
Number of FTEs at period end - Consolidated***	1,078	1,074	1,042	1,075	1,184
Number of FTEs at period end - Parent co.***	834	834	860	910	919
Number of branches at period end	14	14	14	15	17
Assets					
Loans to customers	873,530	846,599	755,175	687,840	665,711
LTV on mortgages to individuals	61.0%	61.0%	63.3%	67.2%	69.2%
Risk exposure amount / Total assets	73.6%	74.8%	74.9%	67.2%	66.9%
Financial strength					
Equity as % of total assets	14.4%	15.6%	17.5%	17.1%	19.3%
Liquidity					
Liquidity coverage ratio (LCR) - All currencies	158%	172%	142%	200%	143%
Liquidity coverage ratio (LCR) - Foreign currencies	453%	544%	155%	347%	467%
Net stable funding ratio (NSFR) - All currencies	115%	114%	117%	123%	120%
Net stable funding ratio (NSFR) - Foreign currencies	166%	149%	122%	144%	141%
Term deposits % of total deposits	28.0%	27.1%	29.4%	35.0%	39.0%
Deposit-to-loan ratio	66.9%	66.9%	74.0%	84.9%	88.3%
Customer deposits-to-customer loans ratio	70%	68.4%	75.1%	86.4%	89.1%
Capital					
CET1 ratio	19.1%	20.3%	22.6%	24.9%	28.3%
Tier 2 ratio	1.8%	1.9%	1.5%	0.3%	1.8%
Capital adequacy ratio	20.9%	22.2%	24.1%	25.2%	30.1%
Leverage ratio	13.5%	14.6%	16.2%	16.0%	18.1%
Risk exposure amount	887,175	845,949	775,492	704,177	699,693

* 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 seasonal employees

Income statement - 5 year summary

ISK million	1Q19	2018	2017	2016	2015
Interest income	15,227	61,675	56,767	60,503	53,414
Interest expense	(7,075)	(29,738)	(26,768)	(28,701)	(25,404)
Net interest income	8,152	31,937	29,999	31,802	28,010
Fee and commission income	5,011	19,853	20,855	21,818	20,737
Fee and commission expense	(1,794)	(7,626)	(7,105)	(8,095)	(7,567)
Net fee and commission income	3,217	12,227	13,750	13,723	13,170
Net financial (expense) income	448	(962)	(715)	6,096	3,881
Net foreign exchange gain (loss)	(30)	1	527	443	(1,490)
Other operating income	1,144	1,784	628	652	1,102
Other net operating income	1,562	823	440	7,191	3,493
Total operating income	12,931	44,987	44,189	52,716	44,673
Administrative expenses	(7,090)	(27,650)	(26,968)	(27,121)	(23,760)
Contribution to the Depositors' and Investors' Guarantee Fund	(312)	(1,173)	(1,083)	(1,063)	(1,067)
Bank tax	(880)	(3,281)	(2,892)	(2,843)	(2,878)
Total operating expenses	(8,282)	(32,104)	(30,943)	(31,027)	(27,705)
Profit before net impairment on financial assets	4,649	12,883	13,246	21,689	16,968
Net impairment on financial assets	(919)	1,584	1,556	735	8,135
Profit before tax	3,730	14,467	14,802	22,424	25,103
Income tax expense	(1,153)	(4,734)	(4,151)	(5,205)	(5,851)
Profit for the year from continuing operations	2,577	9,733	10,651	17,219	19,252
Profit from discontinued operations, net of income tax	12	912	2,575	2,939	1,326
Profit for the year	2,589	10,645	13,226	20,158	20,578
Basic earnings per share from profit for the year	0.26	1.01	1.10	1.40	1.87

Balance sheet - 5 year summary

ISK million	1Q19	2018	2017	2016	2015
Cash and balances with Central Bank	129,039	135,056	189,045	275,453	216,760
Bonds and debt instruments	80,809	69,415	27,090	31,256	78,606
Shares and equity instruments	15,268	13,074	10,177	10,626	18,320
Derivatives	4,837	4,550	2,896	1,953	1,981
Loans to credit institutions	65,145	41,577	26,617	17,645	35,534
Loans to customers	873,530	846,599	755,175	687,840	665,711
Investments in associates	682	682	704	450	716
Property and equipment	9,642	5,271	7,128	6,211	7,344
Intangible assets	4,868	5,002	4,231	2,672	1,331
Other assets	21,408	9,177	12,759	13,448	19,466
Total Assets	1,205,228	1,130,403	1,035,822	1,047,554	1,045,769
Deposits from Central Bank and credit institutions	16,404	15,619	11,189	4,922	25,631
Deposits from customers	611,303	578,959	567,029	594,187	593,245
Derivative instruments and short positions	7,325	5,521	5,492	4,798	6,981
Debt issued and other borrowed funds	325,035	300,976	217,748	212,468	150,308
Subordinated loans	16,468	16,216	9,505	-	19,517
Tax liabilities	8,303	7,150	7,787	8,473	8,358
Other liabilities	46,769	29,649	36,027	43,781	39,502
Total Liabilities	1,031,607	954,090	854,777	868,629	843,542
Share capital	10,000	10,000	10,000	10,000	10,000
Share premium	55,000	55,000	55,000	55,000	55,000
Reserves	6,776	6,499	6,179	4,139	6,002
Retained earnings	99,401	102,496	107,387	105,563	127,288
Total equity attributable to the equity holders of Íslandsbanki hf.	171,177	173,995	178,566	174,702	198,290
Non-controlling interests	2,444	2,318	2,479	4,223	3,937
Total Equity	173,621	176,313	181,045	178,925	202,227
Total Liabilities and Equity	1,205,228	1,130,403	1,035,822	1,047,554	1,045,769

Net interest income - 5 year summary

ISK million	1Q19	2018	2017	2016	2015
Interest income:					
Cash and balances with Central Bank	1,366	7,279	10,541	11,507	7,394
Loans at amortised cost	13,273	52,462	45,162	47,084	43,303
Financial assets mandatorily at fair value through profit or loss	568	1,825	-	-	-
Financial assets designated at fair value through profit or loss	-	-	50	1,672	1,558
Financial assets held for trading	-	-	879	99	980
Other assets	20	109	135	141	179
Total interest income	15,227	61,675	56,767	60,503	53,414
Interest expense:					
Deposits from credit institutions and Central Bank	(107)	(409)	(170)	(275)	(517)
Deposits from customers	(4,043)	(16,539)	(17,461)	(20,382)	(18,240)
Debt issued and other borrowed funds at fair value through profit and loss	(180)	(963)	-	-	-
Debt issued and other borrowed funds at amortised cost	(2,223)	(9,035)	(8,107)	(7,384)	(5,427)
Subordinated loans	(80)	(198)	(14)	(627)	(1,015)
Other interest expense	(442)	(2,594)	(1,016)	(33)	(205)
Total interest expense	(7,075)	(29,738)	(26,768)	(28,701)	(25,404)
Net interest income	7,914	31,937	29,999	31,802	28,010
Interest spread (as the ratio of net interest income to the average carrying amount of total assets)	2.8%	2.9%	2.9%	3.1%	2.9%

Net fee & commission income - 5 year summary

ISK million	1Q19	2018	2017	2016	2015
Fee and commission income:					
Asset management	548	2,116	1,964	1,757	1,778
Investment banking and brokerage	530	2,303	2,280	1,987	2,132
Payment processing	2,970	12,065	13,094	14,705	13,664
Loans and guarantees	378	1,467	1,427	1,449	1,498
Other fees and commissions income	585	1,902	2,090	1,920	1,665
Total fees and commission income	5,011	19,853	20,855	21,818	20,737
Commission expenses:					
Brokerage	(69)	(300)	(128)	(109)	(121)
Clearing and settlement	(1,703)	(7,302)	(6,956)	(7,963)	(7,415)
Other commission expenses	(22)	(24)	(21)	(23)	(31)
Total commission expenses	(1,794)	(7,626)	(7,105)	(8,095)	(7,567)
Net fee and commission income	3,217	12,227	13,750	13,723	13,170

Loans to customers - 5 year summary

ISK million	1Q19	2018	2017	2016	2015
Individuals	324,245	319,390	299,350	286,177	272,610
Commerce and services	130,325	124,242	112,144	97,943	89,781
Construction	31,466	29,095	24,797	27,878	23,013
Energy	6,911	6,858	7,109	7,216	3,737
Financial services	2,575	1,704	26	85	105
Industrial and transportation	80,986	79,824	69,961	63,090	60,726
Investment companies	24,657	23,799	19,726	14,402	19,362
Public sector and non-profit organisations	11,528	12,087	11,871	12,835	13,878
Real estate	148,765	142,885	127,067	100,020	99,094
Seafood	112,072	106,715	84,853	80,243	85,872
Loans to customers before collective impairment allowance	873,530	846,599	756,904	689,889	668,178
Collective impairment allowance	-	-	(1,729)	(2,049)	(2,467)
Loans to customers	873,530	846,599	755,175	687,840	665,711

Loans to customers - by product

Overdrafts	53,120	48,581	45,650	45,383	38,654
Credit cards	16,253	18,242	18,800	19,188	18,166
Mortgages	255,579	249,296	225,765	211,233	197,307
Capital leases	47,309	45,116	40,765	40,415	39,161
Other loans	501,269	485,364	425,924	373,670	374,891
Loans to customers before collective impairment allowance	873,530	846,599	756,904	689,889	668,178
Collective impairment allowance	-	-	(1,729)	(2,049)	(2,467)
Loans to customers	873,530	846,599	755,175	687,840	665,711

Capital and risk exposure amount - 5 year summary

ISK million	1Q19	2018	2017	2016	2015
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
Reserves	6,776	6,499	6,179	4,139	6,002
Retained earnings	99,401	102,496	107,387	105,563	127,288
Non-controlling interests	2,444	2,318	2,479	4,223	3,937
Fair value changes due to own credit standing	871	376	-	-	-
Tax assets	(292)	(215)	(4)	(4)	-
Intangible assets	(4,868)	(5,002)	(4,231)	(2,672)	(1,331)
Other regulatory adjustments	-	-	(1,285)	(924)	(2,779)
Total CET1 capital	169,332	171,472	175,525	175,325	198,117
Tier 2 capital					
Qualifying subordinated liabilities	16,468	16,216	9,505	-	19,517
Adjustment to eligible capital liabilities	-	-	-	-	(3,903)
Other regulatory adjustments	-	-	-	-	(2,779)
General credit risk adjustments	-	-	1,729	2,049	-
Total capital base	185,800	187,688	186,759	177,374	210,952
Risk exposure amount					
- due to credit risk	789,806	750,801	682,525	615,465	606,591
- due to market risk:	9,877	7,622	8,102	7,243	16,607
Market risk, trading book	7,843	6,649	6,709	6,418	9,931
Currency risk FX	2,034	973	1,393	825	6,676
- due to credit valuation adjustment	2,077	2,385	1,534	-	-
- due to operational risk	85,141	85,141	83,331	81,469	76,495
Total risk exposure amount	886,901	845,949	775,492	704,177	699,693
Capital ratios					
CET1 ratio	19.1%	20.3%	22.6%	24.9%	28.3%
Tier 2 ratio	1.8%	1.9%	1.5%	0.3%	1.8%
Total capital ratio	20.9%	22.2%	24.1%	25.2%	30.1%
Leverage ratio	13.5%	14.6%	16.2%	16.0%	18.1%

Key performance indicators - 9 quarters
ISK million

	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017
Profitability									
Return on equity	5.90%	3.2%	4.7%	11.6%	4.8%	7.0%	4.7%	11.3%	7.0%
ROE 16% CET1 (regular operations)	6.70%	5.3%	8.1%	11.1%	8.0%	10.3%	7.9%	11.4%	10.0%
Earnings per share	0.26	0.15	0.21	0.51	0.15	0.40	0.19	0.33	0.27
Net interest margin									
Net interest margin on total assets	2.80%	3.0%	3.0%	2.8%	2.9%	2.8%	2.8%	3.0%	2.9%
Efficiency									
Cost-to-income ratio*	62.60%	68.5%	62.1%	65.0%	69.8%	69.2%	62.7%	58.3%	60.1%
Number of FTEs at period end - Consolidated**	1,078	1,074	1,075	1,013	1,027	1,042	1,066	1,071	1,070
Number of FTEs at period end - Parent co.**	834	834	835	841	855	860	881	874	898
Asset quality									
Loans to customers	873,530	846,599	835,582	799,938	776,149	755,175	741,380	721,820	703,447
LTV on mortgages to individuals	61.0%	61.0%	61.4%	60.8%	63.2%	63.3%	62.0%	60.8%	69.0%
Risk exposure amount / Total assets	73.6%	74.8%	73.6%	73.7%	73.1%	74.9%	71.2%	70.3%	71.0%
Financial strength									
Equity as % of total assets	14.4%	15.6%	15.0%	15.5%	15.3%	17.5%	16.5%	16.8%	16.6%
Liquidity									
Liquidity coverage ratio (LCR)	158.0%	172.0%	164.0%	154.0%	158.0%	142.0%	183.0%	171.0%	181.0%
Liquidity coverage ratio (LCR) - Foreign currencies	453.0%	544.0%	270.0%	218.0%	359.0%	155.0%	239.0%	303.0%	400.0%
Net stable funding ratio (NSFR) - All currencies	115.0%	114.0%	117.0%	117.0%	116.0%	117.0%	115.0%	119.0%	121.0%
Net stable funding ratio (NSFR) - Foreign currencies	166.0%	149.0%	159.0%	147.0%	140.0%	122.0%	119.0%	138.0%	142.0%
Term deposits % of total deposits	28.0%	27.1%	26.0%	27.6%	26.9%	29.4%	34.0%	35.0%	39.0%
Deposit-to-loan ratio	66.9%	66.9%	69.2%	69.1%	71.5%	74.0%	76.9%	78.0%	78.4%
Customer deposits-to-customer loans ratio	70.0%	68.4%	72.8%	72.3%	74.1%	75.1%	79.2%	79.3%	80.7%
Capital									
CET 1 ratio	19.1%	20.3%	19.9%	20.5%	20.3%	22.6%	22.5%	23.3%	22.8%
Tier 2 ratio	1.8%	1.9%	1.8%	1.1%	1.1%	1.5%	0.2%	0.2%	0.3%
Capital adequacy ratio	20.9%	22.2%	21.7%	21.6%	21.4%	24.1%	22.7%	23.5%	23.1%
Leverage ratio	13.5%	14.6%	14.0%	14.5%	14.3%	16.2%	15.3%	15.7%	15.5%
Risk exposure amount	886,901	845,949	855,152	819,349	795,923	775,492	767,536	736,310	730,120

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

** Numbers exclude seasonal employees

Income statement - 9 quarter summary
ISK million

	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
	2019	2018	2018	2018	2018	2017	2017	2017	2017
Net interest income	8,152	8,294	8,301	7,602	7,740	7,338	7,450	7,814	7,397
Net fee and commission income	3,217	3,478	2,939	3,032	2,778	3,632	3,305	3,543	3,270
Net financial (expense) income	448	(637)	(420)	378	(283)	260	(1,084)	97	12
Net foreign exchange (loss) gain	(30)	76	(8)	(57)	(10)	81	76	169	201
Other operating income	1,144	120	64	1,587	13	122	291	55	160
Other net operating income	1,562	(441)	(364)	1,908	(280)	463	(717)	321	373
Total operating income	12,931	11,331	10,876	12,542	10,238	11,433	10,038	11,678	11,040
Administrative expenses	(7,090)	(7,465)	(6,463)	(6,872)	(6,850)	(7,655)	(6,047)	(6,848)	(6,418)
Contribution to the Depositors' and Investors' Guarantee Fund	(312)	(299)	(295)	(287)	(292)	(288)	(280)	(262)	(253)
Bank tax	(880)	(740)	(944)	(812)	(785)	(614)	(806)	(752)	(720)
Total operating expenses	(8,282)	(8,504)	(7,702)	(7,971)	(7,927)	(8,557)	(7,133)	(7,862)	(7,391)
Profit before net impairment on financial assets	4,649	2,827	3,174	4,571	2,311	2,876	2,905	3,816	3,649
Net impairment on financial assets	(919)	(297)	(53)	1,846	88	969	147	200	240
Profit before tax	3,730	2,530	3,121	6,417	2,399	3,845	3,052	4,016	3,889
Income tax expense	(1,153)	(1,118)	(1,136)	(1,465)	(1,015)	(816)	(1,072)	(1,133)	(1,130)
Profit for the period from continuing operations	2,577	1,412	1,985	4,952	1,384	3,029	1,980	2,883	2,759
Profit (loss) for the period from discontinued operations	12	(8)	126	81	713	83	93	2,114	285
Profit for the period	2,589	1,404	2,111	5,033	2,097	3,112	2,073	4,997	3,044

Balance sheet - 9 quarter summary
ISK million

	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017
Cash and balances with Central Bank	129,039	135,056	156,251	166,194	177,029	189,045	214,254	227,189	210,437
Bonds and debt instruments	80,809	69,415	63,324	48,603	49,140	27,090	42,871	33,301	35,678
Shares and equity instruments	15,268	13,074	13,995	13,581	10,208	10,177	11,420	11,936	12,128
Derivatives	4,837	4,550	3,479	3,209	4,673	2,896	3,266	3,942	2,322
Loans to credit institutions	65,145	41,577	67,047	59,858	47,220	26,617	37,874	23,983	35,142
Loans to customers	873,530	846,599	835,582	799,938	776,149	755,175	741,380	721,820	703,447
Investments in associates	682	682	533	614	672	704	669	705	705
Property and equipment	9,642	5,271	5,079	5,058	7,025	7,128	7,189	6,663	6,376
Intangible assets	4,868	5,002	4,910	4,774	4,412	4,231	4,077	3,644	3,024
Other assets	21,408	9,177	12,439	9,913	11,780	12,759	14,623	14,038	19,549
Total Assets	1,205,228	1,130,403	1,162,639	1,111,742	1,088,308	1,035,822	1,077,623	1,047,221	1,028,808
Deposits from Central Bank and credit institutions	16,404	15,619	15,530	15,391	13,563	11,189	12,684	9,362	11,253
Deposits from customers	611,303	578,959	608,646	578,414	575,196	567,029	586,922	572,407	567,486
Derivative instruments and short positions	7,325	5,521	5,585	7,075	8,104	5,492	5,167	7,344	5,041
Debt issued and other borrowed funds	325,035	300,976	297,318	288,360	269,255	217,748	240,259	227,274	223,327
Subordinated loans	16,468	16,216	15,531	8,872	8,838	9,505	-	-	-
Tax liabilities	8,303	7,150	10,311	8,925	7,908	7,787	13,143	11,581	10,062
Other liabilities	46,769	29,649	35,088	32,523	39,107	36,027	41,629	43,325	40,874
Total Liabilities	1,031,607	954,090	988,009	939,560	921,971	854,777	899,804	871,293	858,043
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
Reserves	6,776	6,499	5,891	5,598	4,991	6,179	6,174	5,712	4,928
Retained earnings	99,401	102,496	101,280	99,159	93,930	107,387	104,144	102,436	97,859
Total equity attributable to the equity holders of Íslandsbanki hf.	171,177	173,995	172,171	169,757	163,921	178,566	175,318	173,148	167,787
Non-controlling interests	2,444	2,318	2,459	2,425	2,416	2,479	2,501	2,780	2,978
Total Equity	173,621	176,313	174,630	172,182	166,337	181,045	177,819	175,928	170,765
Total Liabilities and Equity	1,205,228	1,130,403	1,162,639	1,111,742	1,088,308	1,035,822	1,077,623	1,047,221	1,028,808

Net interest income - 9 quarter summary
ISK million

	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017
Interest income:									
Cash and balances with Central Bank	1,366	1,603	1,629	1,886	2,161	2,285	2,543	2,724	2,989
Loans at amortised cost	13,273	14,521	13,565	12,023	12,353	11,455	10,710	12,183	10,814
Financial assets mandatorily at fair value through profit or loss	568	498	500	396	431	-	-	-	-
Financial assets designated at fair value through profit or loss	-	-	-	-	-	11	6	13	20
Financial assets held for trading	-	-	-	-	-	956	117	(186)	-
Other assets	20	9	13	37	50	35	30	33	29
Total interest income	15,227	16,631	15,707	14,342	14,995	14,742	13,406	14,767	13,852
Interest expense:									
Deposits from credit institutions and Central Bank	(107)	(106)	(97)	(109)	(97)	(52)	(37)	(64)	(17)
Deposits from customers	(4,043)	(4,389)	(4,192)	(3,863)	(4,095)	(3,921)	(4,035)	(4,797)	(4,708)
Debt issued and other borrowed funds at fair value through profit and loss	(180)	(250)	(133)	(292)	(288)	-	-	-	-
Debt issued and other borrowed funds at amortised cost	(2,223)	(2,676)	(2,399)	(1,910)	(2,050)	(2,417)	(1,881)	(2,084)	(1,725)
Subordinated loans	(80)	(109)	(18)	(37)	(34)	(14)	-	-	-
Other interest expense	(442)	(807)	(567)	(529)	(691)	(1,000)	(3)	(8)	(5)
Total interest expense	(7,075)	(8,337)	(7,406)	(6,740)	(7,255)	(7,404)	(5,956)	(6,953)	(6,455)
Net interest income	8,152	8,294	8,301	7,602	7,740	7,338	7,450	7,814	7,397

Net fee and commission - 9 quarter summary	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
ISK million	2019	2018	2018	2018	2018	2017	2017	2017	2017
Fee and commission income:									
Asset management	548	587	498	556	475	526	436	529	473
Investment Banking and brokerage	530	621	634	552	496	637	566	646	431
Payment processing	2,970	3,243	3,186	3,082	2,554	3,040	3,296	3,342	3,416
Loans and guarantees	378	336	362	429	340	339	359	377	352
Other fee and commission income	585	786	364	344	408	670	460	503	457
Total fee and commission income	5,011	5,573	5,044	4,963	4,273	5,212	5,117	5,397	5,129
Commission expenses:									
Brokerage	(69)	(91)	(79)	(62)	(68)	(31)	(33)	(31)	(33)
Clearing and settlement	(1,703)	(1,988)	(2,025)	(1,865)	(1,424)	(1,544)	(1,773)	(1,815)	(1,824)
Other commission expenses	(22)	(16)	(1)	(4)	(3)	(5)	(6)	(8)	(2)
Total commission expenses	(1,794)	(2,095)	(2,105)	(1,931)	(1,495)	(1,580)	(1,812)	(1,854)	(1,859)
Net fee and commission income	3,217	3,478	2,939	3,032	2,778	3,632	3,305	3,543	3,270

Loans to customers - 9 quarter summary
ISK million

	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017
Individuals	324,245	319,390	314,491	306,376	299,201	299,350	294,508	290,584	287,303
Commerce and services	130,325	124,242	123,624	126,211	118,378	112,144	114,304	107,153	104,233
Construction	31,466	29,095	30,913	29,079	26,856	24,797	27,641	27,797	26,740
Energy	6,911	6,858	7,407	6,933	7,006	7,109	7,142	7,152	7,168
Financial services	2,575	1,704	220	179	175	26	29	42	37
Industrial and transportation	80,986	79,824	84,849	74,703	74,372	69,961	68,568	68,413	65,100
Investment companies	24,657	23,799	19,532	16,900	20,627	19,726	14,642	17,221	14,377
Public sector and non-profit organisations	11,528	12,087	11,819	14,208	14,731	11,871	12,104	12,604	12,929
Real estate	148,765	142,885	136,787	134,156	130,993	127,067	118,292	112,687	105,430
Seafood	112,072	106,715	105,940	91,193	83,810	84,853	85,894	80,054	82,103
Loans to customers before collective impairment allowance	873,530	846,599	835,582	799,938	776,149	756,904	743,124	723,707	705,420
Collective impairment allowance	-	-	-	-	-	(1,729)	(1,744)	(1,887)	(1,973)
Loans to customers	873,530	846,599	835,582	799,938	776,149	755,175	741,380	721,820	703,447

Loans to customers - by product

Overdrafts	53,120	48,581	48,239	49,417	53,431	45,650	43,978	42,907	45,540
Credit cards	16,253	18,242	17,764	17,710	16,467	18,800	17,423	18,441	17,547
Mortgages	255,579	249,296	243,024	236,158	229,985	225,765	221,743	218,478	214,949
Capital leases	47,309	45,116	42,114	44,474	41,889	40,765	41,249	43,642	41,749
Other loans	501,269	485,364	484,441	452,179	434,377	425,924	418,731	400,239	385,635
Loans to customers before collective impairment allowance	873,530	846,599	835,582	799,938	776,149	756,904	743,124	723,707	705,420
Collective impairment allowance	-	-	-	-	-	(1,729)	(1,744)	(1,887)	(1,973)
Loans to customers	873,530	846,599	835,582	799,938	776,149	755,175	741,380	721,820	703,447

Capital and risk exposure amount
ISK million

	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017
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
Reserves	6,776	6,499	5,891	5,598	4,991	6,179	6,174	5,712	4,928
Retained earnings	99,401	102,496	101,280	99,159	93,930	107,387	104,144	102,436	97,859
Non-controlling interests	2,444	2,318	2,459	2,425	2,416	2,479	2,501	2,780	2,978
Fair value changes due to own credit standing	871	376	674	730	1,277	-	-	-	-
Tax assets	(292)	(215)	(235)	(374)	(454)	(4)	(5)	(4)	(4)
Intangible assets	(4,868)	(5,002)	(4,910)	(4,774)	(4,412)	(4,231)	(4,077)	(3,644)	(3,024)
Other regulatory adjustments	-	-	-	-	(1,338)	(1,285)	(1,255)	(1,014)	(1,130)
Total Tier 1 capital	169,332	171,472	170,159	167,764	161,410	175,525	172,482	171,266	166,607
Tier 2 capital	-	-	-	-	-	-	-	-	-
Qualifying subordinated liabilities	16,468	16,216	15,531	-	8,838	9,505	-	-	-
Adjustment to eligible capital liabilities	-	-	-	-	-	-	-	-	-
Other regulatory adjustments	-	-	-	8,872	-	-	-	-	-
General credit risk adjustments	-	-	-	-	-	1,729	1,744	1,887	1,973
Total regulatory capital	185,800	187,688	185,690	176,636	170,248	186,759	174,226	173,153	168,580
Risk exposure amount									
- due to credit risk	789,806	750,801	758,774	724,177	701,035	682,525	673,998	645,188	634,648
- due to market risk:	9,877	7,622	10,428	10,055	9,887	8,102	12,069	9,653	14,003
Market risk, trading book	7,843	6,649	7,099	6,251	6,939	6,709	9,724	7,212	7,338
Currency risk FX	2,034	973	1,393	3,804	2,948	1,393	577	668	1,013
- due to credit valuation adjustment	2,077	2,385	2,619	1,786	1,670	1,534	1,768	1,773	5,652
- due to operational risk	85,141	85,141	83,331	83,331	83,331	83,331	81,469	81,469	81,469
Total risk exposure amount	886,901	845,949	855,152	819,349	795,923	775,492	767,536	736,310	730,120
Capital ratios									
CET1 ratio	19.1%	20.3%	19.9%	20.5%	20.3%	22.6%	22.5%	23.3%	22.8%
Tier 2 ratio	1.8%	1.9%	1.8%	1.1%	1.1%	1.5%	0.2%	0.3%	0.3%
Total capital ratio	20.9%	22.2%	21.7%	21.6%	21.4%	24.1%	22.7%	23.5%	23.1%

Macroeconomics - summary

	4Q18	3Q18	2Q18	1Q18	4Q17	3Q17	2Q17
YoY change, %							
GDP growth	4	2.5	6.5	5.8	2.0	3.4	4.8
Total investment	2.5	-8.2	7.7	7.3	3.4	17.7	9.9
Business investment	-13.1	-15.2	6.0	1.1	2.1	11.7	7.5
Residential investment	4.9	-2.8	31.5	42.1	-7.9	45.3	19.1
Personal consumption	3.3	5.4	5.1	5.4	6.6	8.1	9.8
Unemployment rate, % of workforce	2.7	2.4	3.6	3.0	2.7	2.1	3.4
Current account, % of GDP	-1.3	-1.7	-1.4	-0.7	0.6	9.3	1.9
International investment position, % of GDP	9.9	12.8	7.1	5.9	3.5	2.7	-1.8
Gross general govt. debt, % of GDP	37.7				42.3		52.8
Household debt, gross, % of GDP	75.5	75.6	74.6	74.7	77.1	76.9	77.0
Corporate debt, gross, % of GDP	88.1	87.6	85.9	84.1	86.3	85.7	84.2
YoY change, %							
Inflation	3.3	2.7	2.3	2.5	1.8	1.7	1.7
Residential real estate price index	2.4	2.7	5.3	10.8	15.1	22.6	19.8
Wages	6.1	6.1	6.5	7.2	7.1	7.3	6.2
Real wages	2.8	3.2	4.1	4.7	5.1	5.5	4.9
ISK index, average	180.9	164.3	160.9	161.2	161.7	163.2	154.7
Central bank policy rate (1W)	4.5	4.3	4.3	4.3	4.3	4.5	4.5
Long-term nominal yield	5.4	5.4	5.4	5.0	4.9	5.0	4.8
Long-term real yield	1.5	1.8	1.8	1.9	1.9	2	2.4

Other - 5 years

ISK million

	1Q19	4Q18	3Q18	2Q18	1Q18	4Q17	3Q17	2Q17	2016
Currencies (average)									
USD	122.57	120.41	108.22	103.47	101.11	106.53	105.65	104.94	120.67
GBP	159.72	154.82	141.02	140.68	140.72	137.45	138.26	134.10	163.80
EUR	137.50	120.93	125.84	123.27	124.33	120.54	124.09	115.33	133.59
DKK	18.42	18.41	16.88	16.55	16.70	16.20	16.68	15.51	17.94
SEK	13.22	13.31	12.09	11.93	12.47	12.52	12.99	11.91	14.13
CHF	123.05	120.93	110.04	105.03	106.74	108.43	109.72	106.45	122.50

Financial targets

Medium and long term strategies structured around achieving key financial targets

	Target	1Q19	2018	2017	Guidance
ROE regular operations¹	8-10%	6.7%	✓ 8.0%	✓ 9.9%	<ul style="list-style-type: none"> — Based on risk free rate + 4-6% which is considered to be CBI curr (average in 2017 = 4.4%) — As the Bank retains substantive liquid assets, interest rate levels i ROE — The bank tax, excluded from target returns, will have an impact on ROE target will be challenging to reach in the near term in a slow the Bank's planned efficiency gains
Cost/ Income ratio²	<55%	62.6%	66.3%	62.5%	<ul style="list-style-type: none"> — This is a medium to long term target, C/I ratio can be expected to — Headcount and non-headcount related cost control programmes i — Lower C/I on parent company basis than on a consolidated basis
CET1	>16% LT	✓ 19.1%	✓ 20.3%	✓ 22.6%	<ul style="list-style-type: none"> — Current SREP requirement of 18.8% plus management buffer me CET1 ratio
Total capital ratio	> 19.3 – 20.8%	✓ 20.9%	✓ 22.2%	✓ 24.1%	<ul style="list-style-type: none"> — Based on the regulatory SREP requirement with a 50 – 200 bp m — Current SREP requirement is 18.8% — Short term target removed in Q317 due to less uncertainty regard implementation
Dividend payout ratio	40-50%	✓ 50%	✓ 50%	✓ 100%	<ul style="list-style-type: none"> — Dividend pay-out ability will be impacted if the bank tax will be kep — The BoD agreed to pay out ISK 5.3 billion in dividend for the 2018 Bank's dividend payout target

1. Earnings on regular income now includes profit from discontinued operations. The Bank has introduced a new long term minimum capital target of 16% (CET1 16%), resulting in adjustments from previous levels (CET1 15%).

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

Íslandsbanki credit ratings

Ratings affirmed from S&P in mid-2018

S&P

BBB+/A-2 Stable Outlook

Press Release 17 July 2018

In July, S&P Global Ratings **affirmed** Íslandsbanki's ratings of **BBB+/A-2** with a **stable outlook** along with three other Icelandic financial institutions. S&P had in October 2017 upgraded the Bank to this rating

In its press release, S&P notes that the rating actions take into account their view that **economic growth in Iceland continues to support the banking sector, resulting in business growth and low default rates**. This is balanced by their expectation of more challenging competitive and funding dynamics

S&P also comments that the stable outlook on Íslandsbanki reflects our expectation that the **bank's RAC ratio will remain sustainably above 15%**, even while the bank prepares for an eventual sale or IPO over the next two years, and it optimises its capital base by paying extraordinary dividends and issuing capital instruments

Íslandsbanki		S&P Global Ratings BBB+/A-2 Stable outlook
	S&P	
Long-term	BBB+	
Short-term	A-2	
Outlook	Stable	
Rating action	Jul 18	

Icelandic sovereign			
	S&P	FITCH	MOODY'S
Long-term	A	A	A3
Short-term	A-1	F1	-
Outlook	Stable	Stable	Positive
Rating action	Jun 18	Jun 18	Jul 18

Disclaimer

All information contained in this document should be regarded as preliminary and based on company data available. Due care and attention has been used in the preparation of forecast information. However, actual results may vary from their forecasts, and any variation may be materially positive or negative. Forecasts, by their very nature, are subject to uncertainty and contingencies, many of which are outside the control of Íslandsbanki.

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