



Íslandsbanki Factbook

Contents

<u>Investor relations information</u>	<u>Page</u> 3
Overview	Page
<u>Highlights</u>	4
<u>Key performance indicators</u>	5
<u>Income statement</u>	6
<u>Balance sheet</u>	7
<u>Net interest income</u>	8
<u>Net fee & commissions</u>	9
<u>Loans to customers</u>	10
<u>Capital and risk exposure amount</u>	11
9 Quarters review	
<u>Key performance indicators</u>	12
<u>Income statement</u>	13
<u>Balance sheet</u>	14
<u>Net interest income</u>	15
<u>Net fee & commissions</u>	16
<u>Loans to customers</u>	17
<u>Capital and risk exposure amount</u>	18
<u>Macroeconomics</u>	19
<u>Other information</u>	20
<u>Financial targets</u>	21
<u>Ratings</u>	22
<u>Disclaimer</u>	23

Investor Relations

IR Contact

Gunnar Sveinn Magnússon
Head of Investor Relations

Phone: +354 440 4000
Email: ir@islandsbanki.is

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

Íslandsbanki will publish its financial results for the first nine months of 2018 before the opening of markets on Thursday 8 November 2018.

The Bank will host an investor call in English at 9:30 GMT on 8 November 2018. 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.

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

Q4 2018 and year-end results - 14 February 2019

Annual General Meeting – 21 March 2019

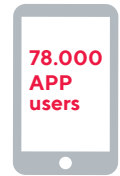
Please note that the dates are subject to change.

Íslandsbanki Fact Sheet 3Q18

Our profile

- A leader in financial services in Iceland, Íslandsbanki is a universal bank with total assets of ISK 1,163bn (about EUR 8.5bn) 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 Ratings and is the only bank in Iceland rated by two international rating agencies.

Our Bank



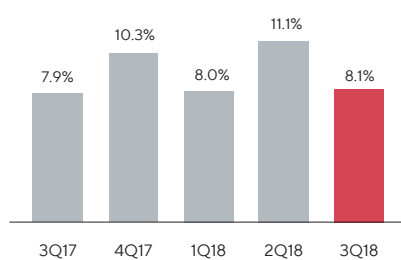
Market Share¹



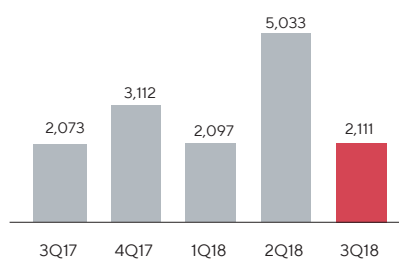
Credit Ratings



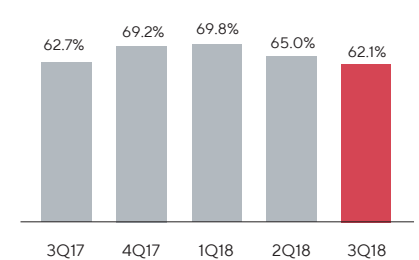
ROE reg. operations CET1 16%²



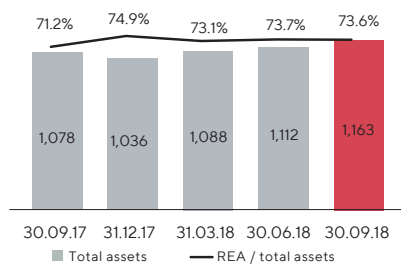
Profit after tax (ISKm)



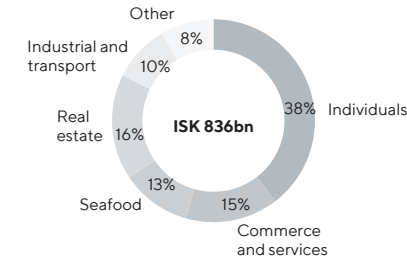
Cost / income ratio³



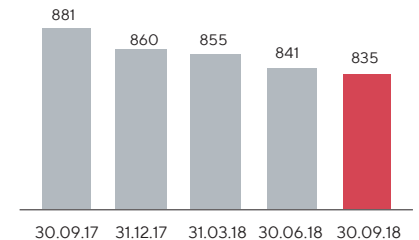
REA / total assets (ISKbn)



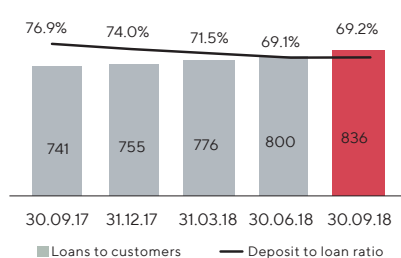
Loans to customers – sector split As of 30.09.18



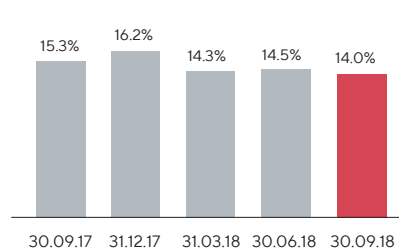
Number of FTE's for Parent Company Excluding seasonal employees



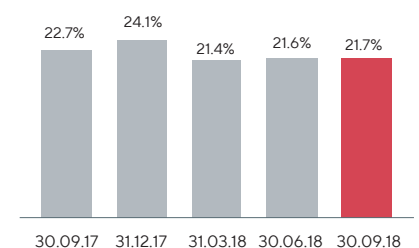
Loans to customers (ISKbn)



Leverage ratio



Total capital ratio



For more information please contact:
Investor Relations: ir@isb.is / Financial Institutions: fi@isb.is
www.islandsbanki.is/IR/Disclaimer

¹Based on Gallup survey regarding primary bank.
²Earnings 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 to its ROE on regular operations from previous levels (CET1 15%).
³The cost/income ratio for 3Q18 the parent company is 57.0%

Key Performance Indicators - 5 years

ISK million	9M18	2017	2016	2015	2014
Profitability					
Return on equity (after tax)	7.1%	7.5%	10.2%	10.8%	12.8%
ROE 16% CET1 (regular operations)	9.0%	10.3%	10.7%	12.4%	11.9%
Earnings per share	0.86	1.10	1.40	1.87	2.17
Core income / total operating income*	0.96	0.99	0.86	0.92	0.91
Net interest margin					
Net interest margin on total assets	2.9%	2.9%	3.1%	2.9%	3.0%
Efficiency					
Cost-to-income ratio**	65.6%	62.5%	56.9%	56.2%	57.7%
Number of FTE´s at period end - Consolidated***	1,075	1,042	1,072	1,183	1,206
Number of FTE´s at period end - Parent co.***	835	860	907	918	945
Number of branches at period end	14	14	15	17	18
Assets					
Loans to customers	835,582	755,175	687,840	665,711	634,799
LTV on mortgages to individuals	61.4%	63.3%	67.2%	69.2%	74.0%
Risk exposure amount / Total assets	73.6%	74.9%	67.2%	66.9%	76.3%
Financial strength					
Equity as % of total assets	15.0%	17.5%	17.1%	19.3%	20.4%
Liquidity					
Liquidity coverage ratio (LCR)	164.0%	142.0%	200.0%	143.0%	130.0%
Liquidity coverage ratio (LCR) - Foreign currencies	270.0%	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	159.0%	122.0%	144.0%	141.0%	126.0%
Term deposits % of total deposits	26.0%	29.4%	35.0%	39.0%	34.0%
Deposit-to-loan ratio	69.2%	74.0%	84.9%	88.3%	82.9%
Customer deposits-to-loans to customers ratio	72.8%	75.1%	86.4%	89.1%	83.4%
Capital					
CET1 ratio	19.9%	22.6%	24.9%	28.3%	26.5%
Tier 2 ratio	1.8%	1.5%	0.3%	1.8%	3.1%
Capital adequacy ratio	21.7%	24.1%	25.2%	30.1%	29.6%
Leverage ratio	14.0%	16.2%	16.0%	18.1%	19.5%
Risk exposure amount	855,152	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 seasonal employees

Income statement - 5 year summary

ISK million	9M18	2017	2016	2015	2014
Interest income	45,044	56,767	60,503	53,414	50,816
Interest expense	(21,401)	(26,768)	(28,701)	(25,404)	(23,711)
Net interest income	23,643	29,999	31,802	28,010	27,105
Fee and commission income	14,280	20,855	21,818	20,737	17,984
Fee and commission expense	(5,531)	(7,105)	(8,095)	(7,567)	(6,501)
Net fee and commission income	8,749	13,750	13,723	13,170	11,483
Net financial (expense) income	(325)	(715)	6,096	3,881	1,568
Net foreign exchange (loss) gain	(75)	527	443	(1,490)	165
Other operating income	1,664	628	652	1,102	2,122
Other net operating income	1,264	440	7,191	3,493	3,855
Total operating income	33,656	44,189	52,716	44,673	42,443
Administrative expenses	(20,185)	(26,968)	(27,121)	(23,760)	(22,901)
Contribution to the Depositors' and Investors' Guarantee Fund	(874)	(1,083)	(1,063)	(1,067)	(1,055)
Bank tax	(2,541)	(2,892)	(2,843)	(2,878)	(2,444)
Total operating expenses	(23,600)	(30,943)	(31,027)	(27,705)	(26,400)
Profit before net impairment on financial assets	10,056	13,246	21,689	16,968	16,043
Net impairment on financial assets	1,881	1,556	735	8,135	8,810
Profit before tax	11,937	14,802	22,424	25,103	24,853
Income tax expense	(3,616)	(4,151)	(5,205)	(5,851)	(6,239)
Profit for the year from continuing operations	8,321	10,651	17,219	19,252	18,614
Profit from discontinued operations, net of income tax	920	2,575	2,939	1,326	4,136
Profit for the year	9,241	13,226	20,158	20,578	22,750
Basic earnings per share from profit for the year	0.86	1.10	1.40	1.87	1.76

Balance sheet - 5 year summary

ISK million	30.9.2018	2017	2016	2015	2014
Cash and balances with Central Bank	156,251	189,045	275,453	216,760	103,389
Bonds and debt instruments	63,324	27,090	31,256	78,606	87,347
Shares and equity instruments	13,995	10,177	10,626	18,320	10,531
Derivatives	3,479	2,896	1,953	1,981	1,810
Loans to credit institutions	67,047	26,617	17,645	35,534	35,072
Loans to customers	835,582	755,175	687,840	665,711	634,799
Investments in associates	533	704	450	716	570
Property and equipment	5,079	7,128	6,211	7,344	7,402
Intangible assets	4,910	4,231	2,672	1,331	619
Other assets	11,205	9,993	7,064	6,674	8,140
Non-current assets and disposal groups held for sale	1,234	2,766	6,384	12,792	21,649
Total Assets	1,162,639	1,035,822	1,047,554	1,045,769	911,328
Deposits from Central Bank and credit institutions	15,530	11,189	4,922	25,631	25,796
Deposits from customers	608,646	567,029	594,187	593,245	529,447
Derivative instruments and short positions	5,585	5,492	4,798	6,981	3,963
Debt issued and other borrowed funds	297,318	217,748	212,468	150,308	96,889
Subordinated loans	15,531	9,505	-	19,517	21,306
Tax liabilities	10,311	7,787	8,473	8,358	8,388
Other liabilities	35,014	35,947	43,456	36,677	37,262
Non-current liabilities and disposal groups held for sale	74	80	325	2,825	2,790
Total Liabilities	988,009	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	5,891	6,179	4,139	6,002	2,535
Retained earnings	101,280	107,387	105,563	127,288	116,288
Total equity attributable to the equity holders of Íslandsbanki hf.	172,171	178,566	174,702	198,290	183,823
Non-controlling interests	2,459	2,479	4,223	3,937	1,664
Total Equity	174,630	181,045	178,925	202,227	185,487
Total Liabilities and Equity	1,162,639	1,035,822	1,047,554	1,045,769	911,328

Net interest income - 5 year summary

ISK million	9M18	2017	2016	2015	2014
Interest income:					
Cash and balances with Central Bank	5,676	10,541	11,507	7,394	6,671
Loans at amortised cost	37,941	45,162	47,084	43,303	40,331
Financial assets mandatorily at fair value through profit or loss	1,327	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	100	135	141	179	185
Total interest income	45,044	56,767	60,503	53,414	50,816
Interest expense:					
Deposits from credit institutions and Central Bank	(303)	(170)	(275)	(517)	(479)
Deposits from customers	(12,150)	(17,461)	(20,382)	(18,240)	(16,919)
Debt issued and other borrowed funds at fair value through profit and loss	(713)	-	-	-	-
Debt issued and other borrowed funds at amortised cost	(6,357)	(8,107)	(7,384)	(5,427)	(4,750)
Subordinated loans	(89)	(14)	(627)	(1,015)	(911)
Other financial liabilities	(1,765)	(995)	(7)	(147)	(295)
Other interest expense	(24)	(21)	(26)	(58)	(357)
Total interest expense	(21,401)	(26,768)	(28,701)	(25,404)	(23,711)
Net interest income	23,643	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)	2.9%	2.9%	3.1%	2.9%	3.0%
Interest bearing:					
Assets					
Balances with Central Bank	156,251	189,045	275,453	216,760	103,389
Bonds and debt instruments	1,874	2,373	2,808	34,163	33,074
Loans to credit institutions	67,047	26,617	17,645	35,534	35,072
Loans to customers	835,582	756,902	689,888	665,710	637,650
Total assets	1,060,754	974,937	985,794	952,167	809,185
Off-balance sheet items	229,211	137,978	120,654	119,243	97,455
Effect of derivatives held for hedging	38,690	62,463	55,932	-	-
Liabilities					
Short positions	-	-	-	-	-
Deposits from CB and credit institutions	15,530	11,189	4,922	25,631	25,796
Deposits from customers	608,646	567,029	594,187	593,245	529,447
Debt issued and other borrowed funds	297,318	217,749	212,468	150,308	96,889
Subordinated loans	15,531	9,505	-	19,517	21,306
Total liabilities	937,025	805,472	811,577	788,701	673,438
Off-balance sheet items	228,512	138,165	120,081	131,357	106,555
Effect of derivatives held for hedging	38,634	62,537	56,002	-	-
Net interest gap	124,484	169,204	174,720	151,352	126,647

Net fee & commission income - 5 year summary

ISK million	9M18	2017	2016	2015	2014
Fee and commission income:					
Asset management	1,529	1,964	1,757	1,778	1,683
Investment banking and brokerage	1,682	2,280	1,987	2,132	1,833
Payment processing	8,822	13,094	14,705	13,664	11,627
Loans and guarantees	1,131	1,427	1,449	1,498	1,267
Other fees and commissions income	1,116	2,090	1,920	1,665	1,574
Total fees and commission income	14,280	20,855	21,818	20,737	17,984
Commission expenses:					
Interbank charges		-	-	-	(157)
Brokerage	(209)	(128)	(109)	(121)	(128)
Clearing and settlement	(5,314)	(6,956)	(7,963)	(7,415)	(6,179)
Other commission expenses	(8)	(21)	(23)	(31)	(37)
Total commission expenses	(5,531)	(7,105)	(8,095)	(7,567)	(6,501)
Net fee and commission income	8,749	13,750	13,723	13,170	11,483

Loans to customers - 5 year summary

ISK million	30.9.2018	2017	2016	2015	2014
Individuals	314,491	299,350	286,177	272,610	262,848
Commerce and services	123,624	112,144	97,943	89,781	79,658
Construction	30,913	24,797	27,878	23,013	18,751
Energy	7,407	7,109	7,216	3,737	7,315
Financial services	220	26	85	105	121
Industrial and transportation	84,849	69,961	63,090	60,726	61,878
Investment companies	19,532	19,726	14,402	19,362	13,911
Public sector and non-profit organisations	11,819	11,871	12,835	13,878	12,216
Real estate	136,787	127,067	100,020	99,094	99,540
Seafood	105,940	84,853	80,243	85,872	81,412
Loans to customers before collective impairment allowance	835,582	756,904	689,889	668,178	637,650
Collective impairment allowance	-	(1,729)	(2,049)	(2,467)	(2,851)
Loans to customers	835,582	755,175	687,840	665,711	634,799

Loans to customers - by product

Overdrafts	48,239	45,650	45,383	38,654	37,228
Creditcards	17,764	18,800	19,188	18,166	17,690
Mortgages	243,024	225,765	211,233	197,307	186,583
Capital leases	42,114	40,765	40,415	39,161	36,231
Other loans	484,441	425,924	373,670	374,891	359,918
Loans to customers before collective impairment allowance	835,582	756,904	689,889	668,178	637,650
Collective impairment allowance	-	(1,729)	(2,049)	(2,467)	(2,851)
Loans to customers	835,582	755,175	687,840	665,711	634,799

Capital and Risk Exposure Amount - 5 year summary

ISK million	30.9.2018	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	5,891	6,179	4,139	6,002	2,535
Retained earnings	101,280	107,387	105,563	127,288	116,288
Non-controlling interests	2,459	2,479	4,223	3,937	1,664
Fair value changes due to own credit standing	674	-	-	-	-
Tax assets	(235)	(4)	(4)	-	(521)
Intangible assets	(4,910)	(4,231)	(2,672)	(1,331)	(619)
Other regulatory adjustments	-	(1,285)	(924)	(2,779)	-
Total CET1 capital	170,159	175,525	175,325	198,117	184,347
Tier 2 capital					
Qualifying subordinated liabilities	15,531	9,505	-	19,517	21,306
Adjustment to eligible capital liabilities	-	-	-	(3,903)	-
Other regulatory adjustments	-	-	-	(2,779)	-
General credit risk adjustments	-	1,729	2,049	-	-
Total capital base	185,690	186,759	177,374	210,952	205,653
Risk exposure amount					
- due to credit risk	758,774	682,525	615,465	606,591	583,375
- due to market risk:	10,428	8,102	7,243	16,607	33,326
Market risk, trading book	7,099	6,709	6,418	9,931	6,594
Currency risk FX	1,393	1,393	825	6,676	26,732
- due to credit valuation adjustment	2,619	1,534	-	-	-
- due to operational risk	83,331	83,331	81,469	76,495	78,401
Total risk exposure amount	855,152	775,493	704,177	699,693	695,102
Capital ratios					
CET1 ratio	19.9%	22.6%	24.9%	28.3%	26.5%
Tier 2 ratio	1.8%	1.5%	0.3%	1.8%	3.1%
Capital adequacy ratio	21.7%	24.1%	25.2%	30.1%	29.6%
Leverage ratio	14.0%	16.2%	16.0%	18.1%	19.5%

Key Performance indicators - 9 Quarters
ISK million

	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016
Profitability									
Return on equity	4.7%	11.6%	4.8%	7.0%	4.7%	11.3%	7.0%	9.4%	5.1%
ROE 16% CET1 (regular operations)*	8.1%	11.1%	8.0%	10.3%	7.9%	11.4%	10.0%	11.2%	8.1%
Earnings per share	0.21	0.51	0.15	0.40	0.19	0.33	0.27	0.46	0.23
Net interest margin									
Net interest margin on total assets	3.0%	2.8%	2.9%	2.8%	2.8%	3.0%	2.9%	3.1%	3.0%
Efficiency									
Cost-to-income ratio*	62.1%	65.0%	69.8%	69.2%	62.7%	58.3%	60.1%	59.8%	56.1%
Number of FTE's at period end - Consolidated***	1,075	1,013	1,027	1,042	1,066	1,071	1,070	1,072	1,094
Number of FTE's at period end - Parent co.***	835	841	855	860	881	874	898	907	929
Asset quality									
Loans to customers	835,582	799,938	776,149	755,175	741,380	721,820	703,447	687,840	684,170
LTV on mortgages to individuals	61.4%	60.8%	63.2%	63.3%	62.0%	60.8%	69.0%	67.2%	65.8%
Risk exposure amount / Total assets	73.6%	73.7%	73.1%	74.9%	71.2%	70.3%	71.0%	67.2%	66.9%
Financial strength									
Equity as % of total assets	15.0%	15.5%	15.3%	17.5%	16.5%	16.8%	16.6%	17.1%	18.9%
Liquidity									
Liquidity coverage ratio (LCR)	164.0%	154.0%	158.0%	142.0%	183.0%	171.0%	181.0%	187.0%	195.0%
Liquidity coverage ratio (LCR) - Foreign currencies	270.0%	218.0%	359.0%	155.0%	239.0%	303.0%	400.0%	331.0%	407.0%
Net stable funding ratio (NSFR) - All currencies	117.0%	117.0%	116.0%	117.0%	115.0%	119.0%	121.0%	123.0%	126.0%
Net stable funding ratio (NSFR) - Foreign currencies	159.0%	147.0%	140.0%	122.0%	119.0%	138.0%	142.0%	144.0%	145.0%
Term deposits % of total deposits	26.0%	27.6%	26.9%	29.4%	34.0%	35.0%	39.0%	35.0%	34.0%
Deposit-to-loan ratio	69.2%	69.1%	71.5%	74.0%	76.9%	78.0%	78.4%	84.9%	78.4%
Customer deposits-to-loans to customers ratio	72.8%	72.3%	74.1%	75.1%	79.2%	79.3%	80.7%	86.4%	80.8%
Capital									
CET 1 ratio	19.9%	20.5%	20.3%	22.6%	22.5%	23.3%	22.8%	24.9%	27.8%
Tier 2 ratio	1.8%	1.1%	1.1%	1.5%	0.2%	0.2%	0.3%	0.3%	0.0%
Capital adequacy ratio	21.7%	21.6%	21.4%	24.1%	22.7%	23.5%	23.1%	25.2%	27.8%
Leverage ratio	14.0%	14.5%	14.3%	16.2%	15.3%	15.7%	15.5%	16.0%	17.7%
Risk exposure amount	855,152	819,349	795,923	775,493	767,536	736,310	730,120	704,177	714,337

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

** Excludes one-off costs

*** Numbers exclude seasonal employees

Income statement - 9 quarter summary
ISK million

	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
	2018	2018	2018	2017	2017	2017	2017	2016	2016
Net interest income	8,301	7,602	7,740	7,338	7,450	7,814	7,397	8,149	7,758
Net fee and commission income	2,939	3,032	2,778	3,632	3,305	3,543	3,270	3,831	3,233
Net financial (expense) income	(420)	378	(283)	260	(1,084)	97	12	37	(607)
Net foreign exchange (loss) gain	(8)	(57)	(10)	81	76	169	201	77	49
Other operating income	64	1,587	13	122	291	55	160	(17)	45
Other net operating income	(364)	1,908	(280)	463	(717)	321	373	97	(513)
Total operating income	10,876	12,542	10,238	11,433	10,038	11,678	11,040	12,077	10,478
Administrative expenses	(6,463)	(6,872)	(6,850)	(7,655)	(6,047)	(6,848)	(6,418)	(7,392)	(5,613)
Contribution to the Depositors' and Investors' Guarantee Fund	(295)	(287)	(292)	(288)	(280)	(262)	(253)	(252)	(283)
Bank tax	(944)	(812)	(785)	(614)	(806)	(752)	(720)	(691)	(745)
Total operating expenses	(7,702)	(7,971)	(7,927)	(8,557)	(7,133)	(7,862)	(7,391)	(8,335)	(6,641)
Profit before net impairment on financial assets	3,174	4,571	2,311	2,876	2,905	3,816	3,649	3,742	3,837
Net impairment on financial assets	(53)	1,846	88	969	147	200	240	484	(118)
Profit before tax	3,121	6,417	2,399	3,845	3,052	4,016	3,889	4,226	3,719
Income tax expense	(1,136)	(1,465)	(1,015)	(816)	(1,072)	(1,133)	(1,130)	(1,353)	(1,266)
Profit for the period from continuing operations	1,985	4,952	1,384	3,029	1,980	2,883	2,759	2,873	2,453
Profit (loss) for the period from discontinued operations	126	81	713	83	93	2,114	285	1,730	85
Profit for the period	2,111	5,033	2,097	3,112	2,073	4,997	3,044	4,603	2,538

Balance sheet - 9 quarter summary
ISK million

	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016
Cash and balances with Central Bank	156,251	166,194	177,029	189,045	214,254	227,189	210,437	275,453	205,148
Bonds and debt instruments	63,324	48,603	49,140	27,090	42,871	33,301	35,678	31,256	89,026
Shares and equity instruments	13,995	13,581	10,208	10,177	11,420	11,936	12,128	10,626	12,007
Derivatives	3,479	3,209	4,673	2,896	3,266	3,942	2,322	1,953	1,690
Loans to credit institutions	67,047	59,858	47,220	26,617	37,874	23,983	35,142	17,645	38,189
Loans to customers	835,582	799,938	776,149	755,175	741,380	721,820	703,447	687,840	684,170
Investments in associates	533	614	672	704	669	705	705	450	764
Property and equipment	5,079	5,058	7,025	7,128	7,189	6,663	6,376	6,211	5,924
Intangible assets	4,910	4,774	4,412	4,231	4,077	3,644	3,024	2,672	2,039
Other assets	11,205	8,512	10,732	9,993	11,201	10,103	14,298	7,064	20,691
Non-current assets and disposal groups held for sale	1,234	1,401	1,048	2,766	3,422	3,935	5,251	6,384	8,615
Total Assets	1,162,639	1,111,742	1,088,308	1,035,822	1,077,623	1,047,221	1,028,808	1,047,554	1,068,263
Deposits from Central Bank and credit institutions	15,530	15,391	13,563	11,189	12,684	9,362	11,253	4,922	13,362
Deposits from customers	608,646	578,414	575,196	567,029	586,922	572,407	567,486	594,187	553,107
Derivative instruments and short positions	5,585	7,075	8,104	5,492	5,167	7,344	5,041	4,798	5,334
Debt issued and other borrowed funds	297,318	288,360	269,255	217,748	240,259	227,274	223,327	212,468	222,598
Subordinated loans	15,531	8,872	8,838	9,505	-	-	-	-	-
Tax liabilities	10,311	8,925	7,908	7,787	13,143	11,581	10,062	8,473	10,454
Other liabilities	35,014	32,447	39,028	35,947	41,513	43,209	40,606	43,456	59,856
Non-current liabilities and disposal groups held for sale	74	76	79	80	116	116	268	325	2,161
Total Liabilities	988,009	939,560	921,971	854,777	899,804	871,293	858,043	868,629	866,872
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	5,891	5,598	4,991	6,179	6,174	5,712	4,928	4,139	2,506
Retained earnings	101,280	99,159	93,930	107,387	104,144	102,436	97,859	105,563	130,029
Total equity attributable to the equity holders of Íslandsbanki hf.	172,171	169,757	163,921	178,566	175,318	173,148	167,787	174,702	197,535
Non-controlling interests	2,459	2,425	2,416	2,479	2,501	2,780	2,978	4,223	3,856
Total Equity	174,630	172,182	166,337	181,045	177,819	175,928	170,765	178,925	201,391
Total Liabilities and Equity	1,162,639	1,111,742	1,088,308	1,035,822	1,077,623	1,047,221	1,028,808	1,047,554	1,068,263

Net interest income - 9 quarter summary
ISK million

	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016
Interest income:									
Cash and balances with Central Bank	1,629	1,886	2,161	2,285	2,543	2,724	2,989	3,024	2,850
Loans at amortised cost	13,565	12,023	12,353	11,455	10,710	12,183	10,814	11,475	11,005
Financial assets mandatorily at fair value through profit or loss	500	396	431	-	-	-	-	-	-
Financial assets designated at fair value through profit or loss	-	-	-	11	6	13	20	353	426
Financial assets held for trading	-	-	-	956	117	(186)	-	(74)	190
Other assets	13	37	50	35	30	33	29	46	34
Total interest income	15,707	14,342	14,995	14,742	13,406	14,767	13,852	14,824	14,505
Interest expense:									
Deposits from credit institutions and Central Bank	(97)	(109)	(97)	(52)	(37)	(64)	(17)	31	(57)
Deposits from customers	(4,192)	(3,863)	(4,095)	(3,921)	(4,035)	(4,797)	(4,708)	(4,893)	(4,868)
Debt issued and other borrowed funds at fair value through profit and loss	(133)	(292)	(288)	-	-	-	-	-	-
Debt issued and other borrowed funds at amortised cost	(2,399)	(1,910)	(2,050)	(2,417)	(1,881)	(2,084)	(1,725)	(1,830)	(1,641)
Subordinated loans	(18)	(37)	(34)	(14)	-	-	-	-	(161)
Other financial liabilities	(561)	(517)	(687)	(995)	-	-	-	-	-
Other interest expense	(6)	(12)	(4)	(5)	(3)	(8)	(5)	17	(20)
Total interest expense	(7,406)	(6,740)	(7,255)	(7,404)	(5,956)	(6,953)	(6,455)	(6,675)	(6,747)
Net interest income	8,301	7,602	7,740	7,338	7,450	7,814	7,397	8,149	7,758
Interest bearing:									
Assets									
Balances with Central Bank	156,251	166,194	177,029	189,045	214,254	227,189	210,437	275,453	205,148
Bonds and debt instruments	1,874	2,264	2,216	2,373	2,377	2,439	2,547	2,808	33,594
Loans to credit institutions	67,047	59,858	47,220	26,617	37,874	23,983	35,142	17,645	38,190
Loans to customers	835,582	799,938	776,149	756,902	743,123	723,707	705,420	689,888	686,413
Total assets	1,060,754	1,028,254	1,002,614	974,937	997,628	977,318	953,546	985,794	963,345
Off-balance sheet items	229,211	228,102	216,466	137,978	154,909	136,232	115,883	120,654	186,367
Effect of derivatives held for hedging	38,690	37,190	36,471	62,463	62,263	58,763	60,278	55,932	-
Liabilities									
Deposits from CB and credit institutions	15,530	15,391	13,563	11,189	12,684	9,362	11,253	4,922	13,362
Deposits from customers	608,646	578,414	575,196	567,029	586,921	572,407	567,486	594,187	553,107
Debt issued and other borrowed funds	297,318	288,360	269,255	217,749	240,260	227,274	223,327	212,468	222,598
Subordinated loans	15,531	8,872	8,838	9,505	-	-	-	-	-
Total liabilities	937,025	891,037	866,852	805,472	839,865	809,043	802,066	811,577	789,067
Off-balance sheet items	228,512	229,573	219,464	138,165	155,170	135,947	115,610	120,081	185,581
Effect of derivatives held for hedging	38,634	37,164	36,473	62,537	62,288	58,927	60,397	56,002	-
Net interest gap	124,484	135,772	132,762	169,204	157,477	168,396	151,634	174,720	175,064

Net fee and commission - 9 quarter summary
ISK million

	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016
Fee and commission income:									
Asset management	498	556	475	526	436	529	473	460	427
Investment Banking and brokerage	634	552	496	637	566	646	431	495	488
Payment processing	3,186	3,082	2,554	3,040	3,296	3,342	3,416	3,650	3,901
Loans and guarantees	362	429	340	339	359	377	352	340	346
Other fee and commission income	364	344	408	670	460	503	457	739	361
Total fee and commission income	5,044	4,963	4,273	5,212	5,117	5,397	5,129	5,684	5,523
Commission expenses:									
Brokerage	(79)	(62)	(68)	(31)	(33)	(31)	(33)	6	(51)
Clearing and settlement	(2,025)	(1,865)	(1,424)	(1,544)	(1,773)	(1,815)	(1,824)	(1,854)	(2,232)
Other commission expenses	(1)	(4)	(3)	(5)	(6)	(8)	(2)	(5)	(7)
Total commission expenses	(2,105)	(1,931)	(1,495)	(1,580)	(1,812)	(1,854)	(1,859)	(1,853)	(2,290)
Net fee and commission income	2,939	3,032	2,778	3,632	3,305	3,543	3,270	3,831	3,233

Loans to customers - 9 quarter summary
ISK million

	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016
Individuals	314,491	306,376	299,201	299,350	294,508	290,584	287,303	286,177	278,634
Commerce and services	123,624	126,211	118,378	112,144	114,304	107,153	104,233	97,943	99,315
Construction	30,913	29,079	26,856	24,797	27,641	27,797	26,740	27,878	25,511
Energy	7,407	6,933	7,006	7,109	7,142	7,152	7,168	7,216	4,552
Financial services	220	179	175	26	29	42	37	85	237
Industrial and transportation	84,849	74,703	74,372	69,961	68,568	68,413	65,100	63,090	64,894
Investment companies	19,532	16,900	20,627	19,726	14,642	17,221	14,377	14,402	16,927
Public sector and non-profit organisations	11,819	14,208	14,731	11,871	12,104	12,604	12,929	12,835	13,708
Real estate	136,787	134,156	130,993	127,067	118,292	112,687	105,430	100,020	101,136
Seafood	105,940	91,193	83,810	84,853	85,894	80,054	82,103	80,243	81,500
Loans to customers before collective impairment allowance	835,582	799,938	776,149	756,904	743,124	723,707	705,420	689,889	686,414
Collective impairment allowance	-	-	-	(1,729)	(1,744)	(1,887)	(1,973)	(2,049)	(2,244)
Loans to customers	835,582	799,938	776,149	755,175	741,380	721,820	703,447	687,840	684,170

Loans to customers - by product

Overdrafts	48,239	49,417	53,431	45,650	43,978	42,907	45,540	45,383	36,280
Creditcards	17,764	17,710	16,467	18,800	17,423	18,441	17,547	19,188	17,653
Mortgages	243,024	236,158	229,985	225,765	221,743	218,478	214,949	211,233	205,101
Capital leases	42,114	44,474	41,889	40,765	41,249	43,642	41,749	40,415	46,229
Other loans	484,441	452,179	434,377	425,924	418,731	400,239	385,635	373,670	381,151
Loans to customers before collective impairment allowance	835,582	799,938	776,149	756,904	743,124	723,707	705,420	689,889	686,414
Collective impairment allowance	-	-	-	(1,729)	(1,744)	(1,887)	(1,973)	(2,049)	(2,244)
Loans to customers	835,582	799,938	776,149	755,175	741,380	721,820	703,447	687,840	684,170

Capital and Risk Exposure Amount ISK million	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 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	5,891	5,598	4,991	6,179	6,174	5,712	4,928	4,139	2,506
Retained earnings	101,280	99,159	93,930	107,387	104,144	102,436	97,859	105,563	130,029
Non-controlling interests	2,459	2,425	2,416	2,479	2,501	2,780	2,978	4,223	3,856
Fair value changes due to own credit standing	674	730	1,277	-	-	-	-	-	-
Tax assets	(235)	(374)	(454)	(4)	(5)	(4)	(4)	(4)	(38)
Intangible assets	(4,910)	(4,774)	(4,412)	(4,231)	(4,077)	(3,644)	(3,024)	(2,672)	(2,039)
Other regulatory adjustments	-	-	(1,338)	(1,285)	(1,255)	(1,014)	(1,130)	(924)	(1,008)
Total Tier 1 capital	170,159	167,764	161,410	175,525	172,482	171,266	166,607	175,325	198,306
Tier 2 capital									
Qualifying subordinated liabilities	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	2,049	-
Total regulatory capital	185,690	176,636	170,248	186,759	174,226	173,153	168,580	177,374	198,306
Risk exposure amount									
- due to credit risk	758,774	724,177	701,035	682,525	673,998	645,188	634,648	615,465	623,885
- due to market risk:	10,428	10,055	9,887	8,102	12,069	9,653	14,003	7,243	13,957
Market risk, trading book	7,099	6,251	6,939	6,709	9,724	7,212	7,338	6,418	12,276
Currency risk FX	1,393	3,804	2,948	1,393	577	668	1,013	825	1,681
- due to credit valuation adjustment	2,619	1,786	1,670	1,534	1,768	1,773	5,652	-	-
- due to operational risk	83,331	83,331	83,331	83,331	81,469	81,469	81,469	81,469	76,495
Total risk exposure amount	855,152	819,349	795,923	775,493	767,536	736,310	730,120	704,177	714,337
Capital ratios									
CET1 ratio	19.9%	20.5%	20.3%	22.6%	22.5%	23.3%	22.8%	24.9%	27.8%
Tier 2 ratio	1.8%	1.1%	1.1%	1.5%	0.2%	0.3%	0.3%	0.3%	-
Capital adequacy ratio	21.7%	21.6%	21.4%	24.1%	22.7%	23.5%	23.1%	25.2%	27.8%

Macroeconomics - summary

	2Q18	1Q18	4Q17	3Q17	2Q17	1Q17	2016
YoY change, %							
GDP growth	7.2	6.6	1.5	3.1	3.4	5.0	11.3
Total investment	7.5	11.6	3.5	19.4	5.8	2.5	18.6
Business investment	6.0	7.1	1.6	9.9	2.8	-2.0	11.5
Residential investment	18.9	38.0	-2.7	48.2	25.4	29.0	70.9
Personal consumption	5.1	5.9	6.5	6.7	9.5	7.0	7.2
Unemployment rate, % of workforce	3.6	2.9	2.7	2.1	3.4	2.9	2.5
Current account, % of GDP	2.4	0.0	0.4	9.9	2.6	19.5	7.0
International investment position, % of GDP	9.6	9.0	7.5	4.3	-2.5	3.7	1.1
Gross general govt. debt, % of GDP			42.3		52.8		54.0
Household debt, gross, % of GDP	74.6		77.1	76.9	77.0		77.5
Corporate debt, gross, % of GDP	85.8		86.3	85.7	84.2		80.2
YoY change, %							
Inflation	2.6	2.5	1.8	1.7	1.7	1.8	1.9
Residential real estate price index	5.3	10.8	15.1	22.6	19.8	16.3	13.3
Wages	6.0	7.2	7.1	7.3	6.2	6.4	9.8
Real wages	4.1	4.8	5.1	5.5	4.9	4.5	7.7
ISK index, average	160.9	161.2	161.7	163.2	154.7	161.8	164.5
Central bank policy rate (1W)	4.3	4.3	4.3	4.5	4.5	5.0	5.2
Long-term nominal yield	5.4	5.0	4.9	5.0	4.8	5.1	5.2
Long-term real yield	1.8	1.9	1.9	2	2.4	2.64	2.7

Other - 5 years

ISK million

	3Q18	2Q18	1Q18	4Q17	3Q17	2Q17	2016
Currencies (average)							
USD	108.22	103.47	101.11	106.53	105.65	104.94	120.67
GBP	141.02	140.68	140.72	137.45	138.26	134.10	163.80
EUR	125.84	123.27	124.33	120.54	124.09	115.33	133.59
DKK	16.88	16.55	16.70	16.20	16.68	15.51	17.94
SEK	12.09	11.93	12.47	12.52	12.99	11.91	14.13
CHF	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	9M18	2017	2016	Guidance
ROE regular operations¹	8-10%	✓ 9.0%	✓ 10.3%	✓ 10.7%	<ul style="list-style-type: none"> — Based on risk free rate + 4-6% which 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 ratio²	<55%	65.6%	62.5%	56.9%	<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 — Lower C/I on parent company basis than on a consolidated basis
CET1	>16% LT	✓ 19.9%	✓ 22.6%	✓ 24.9%	<ul style="list-style-type: none"> — Current SREP requirement of 18.8% plus management buffer means currently a target 14.8-16.3% CET1 ratio
Total capital ratio	> 19.3–20.8%	✓ 21.7%	✓ 24.1%	✓ 25.2%	<ul style="list-style-type: none"> — Based on the regulatory SREP requirement with a 50 – 200 bp management buffer — Current SREP requirement is 18.8% — 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%	✓ 50%	<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 agreed to pay out ISK 13 billion in dividend for the 2017 financial year which is higher than the dividend pay out target due to a strong capital position

1. Return from regular operations on normalised CET1 of 15%, adjusted for risk free interest on excess capital. From January 2018 the definition of regular operations has been revised to include profit from discontinued operations as the Bank has successfully divested most non-core business related assets. The Bank has introduced a new long term minimum capital target of 16% (CET1 16%), resulting in adjustments to its ROE on regular operations 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 both Fitch and S&P in late 2017 and 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	FITCH	
Long-term	BBB+	BBB	
Short-term	A-2	F3	
Outlook	Stable	Stable	
Rating action	July 18	Dec 17	

FITCH BBB/F3 Stable Outlook

Press Release 15 December 2017

In December, Fitch Ratings **affirmed** Íslandsbanki's ratings of **BBB/F3** with a **stable outlook**. Fitch had in January 2017, upgraded the Bank to this rating

According to Fitch, the ratings for Íslandsbanki reflect the Bank's **leading domestic position** with a market share of around 30 per cent and the Bank's **satisfactory asset quality, stable liquidity position and high reported capital ratios**

Furthermore, Fitch noted that Íslandsbanki's strategy to target **continued organic growth in Iceland**, combined with its **sound risk management framework**, would continue to strengthen the Bank's **asset quality**, with the Bank having seen a sharp **decline in its non-performing loans since 2010**

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.

Íslandsbanki cannot guarantee that the information contained herein is without fault or entirely accurate. The information in this material is based on sources that Íslandsbanki believes to be reliable. Íslandsbanki can however not guarantee that all information is correct. Furthermore, information and opinions may change without notice. Íslandsbanki is under no obligation to make amendments or changes to this publication if errors are found or opinions or information change. Íslandsbanki accepts no responsibility for the accuracy of its sources.

Íslandsbanki and its management may make certain statements that constitute "forward-looking statements". These statements can be identified by the fact that they do not relate strictly to historical or current facts. Forward-looking statements often use words such as "anticipates," "targets," "expects," "estimates," "intends," "plans," "goals," "believes" and other similar expressions or future or conditional verbs such as "will," "should," "would" and "could."

The forward-looking statements represent Íslandsbanki's current expectations, plans or forecasts of its future results and revenues and beliefs held by the company at the time of publication. These statements are not guarantees of future results or performance and involve certain risks, uncertainties and assumptions that are difficult to predict and are often beyond Íslandsbanki's control. Actual outcomes and results may differ materially from those expressed in, or implied by, any of these forward-looking statements.

Forward-looking statements speak only as of the date they are made, and Íslandsbanki undertakes no obligation to update any forward-looking statement to reflect the impact of circumstances or events that arise after the date the forward-looking statement was made.

Íslandsbanki does not assume any responsibility or liability for any reliance on any of the information contained herein. Íslandsbanki is the owner of all works of authorship including, but not limited to, all design, text, sound recordings, images and trademarks in this material unless otherwise explicitly stated. The use of Íslandsbanki's material, works or trademarks is forbidden without written consent except where otherwise expressly stated. Furthermore, it is prohibited to publish material made or gathered by Íslandsbanki without written consent.