

1Q2021



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>

Earnings conference call and webcast in English on Wednesday 5 May

The Bank will host a virtual meeting in English for investors and market participants on Wednesday 5 May at 16.00 Reykjavik/GMT, 1700hrs London/BST, 1800hrs CET.

Birna Einarsdóttir, CEO, and Jón Guðni Ómarsson, CFO, will give an overview of the first quarter financial results and operational highlights.

Participant registration is accessible [here](#). A recording will be available after the meeting on the Investor Relations website. To participate in the webcast via telephone and in order to be able to ask questions please use the following dial-in details:

Iceland: +354 800 74 37
Denmark: +45 3 544 55 77
Sweden: +46 8 566 42 651
Norway: +47 235 00 243
United Kingdom: +44 33 330 00 804
United States: +1 631 913 1422

Confirmation Code: 268 994 31#

Additional investor material

All investor material will subsequently be available and archived on the Bank's Investor Relations website where other information on the Bank's financial calendar and silent periods is also available:
<https://www.islandsbanki.is/en/landing/about/investor-relations>

Financial calendar

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

2Q2021 results — 28 July 2021
3Q2021 results — 27 October 2021

Please note that these dates are subject to change.

Key performance indicators - 5 years

	1Q21	2020	2019	2018	2017
Profitability					
Return on equity ¹	7.7%	3.7%	4.8%	6.1%	7.5%
Return on assets ¹	1.1%	0.5%	0.7%	1.0%	1.3%
Earnings per share	0.36	0.72	0.92	1.01	1.10
Core income / total operating income ²	0.95	1.02	0.97	0.98	0.99
Net interest margin					
Net interest margin on total assets ¹	2.4%	2.6%	2.7%	2.9%	2.9%
Efficiency					
Cost-to-income ratio ³	52.0%	54.3%	58.8%	66.3%	62.5%
Cost-to-total assets ratio ¹	1.77%	1.82%	2.11%	2.57%	2.67%
Cost of risk ¹	0.20%	0.91%	0.39%	-0.20%	-0.21%
Number of FTEs at period end - Consolidated ⁴	774	779	984	1,075	1,042
Number of FTEs at period end - Parent ⁴	739	745	749	834	860
Number of branches at period end	12	12	14	14	14
Assets					
Loans to customers (ISKm)	1,029,415	1,006,717	899,632	846,599	755,175
LTV on mortgages to individuals ⁵	65.0%	64.0%	62.0%	61.0%	63.3%
Risk exposure amount / total assets	68.9%	69.4%	73.7%	74.8%	74.9%
NPL ratio ⁶	2.4%	2.9%	3.0%	2.0%	1.0%
Asset encumbrance ratio	18.3%	18.7%	18.1%	18.0%	15.2%
Financial strength					
Equity as % of total assets	13.4%	13.9%	15.0%	15.6%	17.5%
Liquidity					
Liquidity coverage ratio (LCR) - All currencies	172%	196%	155%	172%	142%
Liquidity coverage ratio (LCR) - Domestic currency	93%	95%	110%	n.a.	n.a.
Liquidity coverage ratio (LCR) - Foreign currencies	235%	463%	325%	544%	155%
Net stable funding ratio (NSFR) - All currencies	119%	123%	119%	114%	117%
Net stable funding ratio (NSFR) - Foreign currencies	182%	179%	156%	149%	122%
Term deposits % of total deposits	24.4%	24.6%	28.0%	27.1%	29.4%
Customer loans to customer deposits ratio	147%	148%	145%	146%	133%
Capital					
Tier 1 ratio	19.2%	20.1%	19.9%	20.3%	22.6%
Tier 2 ratio	2.7%	2.9%	2.5%	1.9%	1.5%
Total capital ratio	21.9%	23.0%	22.4%	22.2%	24.1%
Leverage ratio	12.6%	13.6%	14.2%	14.6%	16.2%
Risk exposure amount (ISKm)	954,712	933,521	884,550	845,949	775,492

1. Calculated based on annualised figures.

2. Core income is defined as net interest income plus net fee & commission income.

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

4. Numbers exclude seasonal employees.

5. The average LTV can be calculated in many different ways and therefore the definition is important for comparison to other banks.

The weight is Íslandsbanki's total amount outstanding on the property and the LTV used is the maximum LTV of all Íslandsbanki's loans of the property.

6. Stage 3, loans to customers, gross carrying amount.

Income statement - 5 year summary

ISK million	1Q21	2020	2019	2018	2017
Interest income	12,784	55,695	61,965	61,675	56,767
Interest expense	(4,594)	(22,324)	(29,143)	(29,738)	(26,768)
Net interest income	8,190	33,371	32,822	31,937	29,999
Fee and commission income	3,307	12,651	12,052	19,853	20,855
Fee and commission expense	(445)	(2,126)	(1,153)	(7,626)	(7,105)
Net fee and commission income	2,862	10,525	10,899	12,227	13,750
Net financial income (expense)	293	(1,391)	(820)	(962)	(715)
Net foreign exchange gain	130	451	139	1	527
Other operating income	123	197	2,125	1,784	628
Other net operating income	546	(743)	1,444	823	440
Total operating income	11,598	43,153	45,165	44,987	44,189
Administrative expenses	(5,852)	(22,746)	(24,488)	(27,650)	(26,968)
Contribution to the Depositors' and Investors' Guarantee Fund	(183)	(679)	(936)	(1,173)	(1,083)
Bank tax	(410)	(1,588)	(3,528)	(3,281)	(2,892)
Total operating expenses	(6,445)	(25,013)	(28,952)	(32,104)	(30,943)
Profit before net impairment on financial assets	5,153	18,140	16,213	12,883	13,246
Net impairment on financial assets	(518)	(8,816)	(3,480)	1,584	1,556
Profit before tax	4,635	9,324	12,733	14,467	14,802
Income tax expense	(1,036)	(2,472)	(3,909)	(4,734)	(4,151)
Profit for the period from continuing operations	3,599	6,852	8,824	9,733	10,651
Discontinued operations, net of income tax	16	(97)	(370)	912	2,575
Profit for the period	3,615	6,755	8,454	10,645	13,226
Basic earnings per share from profit (loss) for the period	0.36	0.72	0.92	1.01	1.10

Balance sheet - 5 year summary

ISK million	31.3.21	2020	2019	2018	2017
Cash and balances with Central Bank	88,748	78,948	146,638	135,056	189,045
Loans to credit institutions	103,333	89,920	54,376	41,577	26,617
Bonds and debt instruments	103,627	128,216	52,870	69,415	27,090
Derivatives	2,536	6,647	5,621	4,550	2,896
Loans to customers	1,029,415	1,006,717	899,632	846,599	755,175
Shares and equity instruments	25,763	14,851	18,426	13,074	10,177
Investments in associates	841	775	746	682	704
Property and equipment	7,191	7,341	9,168	5,271	7,128
Intangible assets	3,357	3,478	4,330	5,002	4,231
Other assets	17,566	4,125	6,608	9,177	12,759
Non-current assets and disposal groups held for sale	2,858	3,173	1,075	-	-
Total Assets	1,385,235	1,344,191	1,199,490	1,130,403	1,035,822
Deposits from Central Bank and credit institutions	31,565	39,758	30,925	15,619	11,189
Deposits from customers	698,575	679,455	618,313	578,959	567,029
Derivative instruments and short positions	9,533	6,936	6,219	5,521	5,492
Debt issued and other borrowed funds	398,225	387,274	306,381	300,976	217,748
Subordinated loans	25,259	27,194	22,674	16,216	9,505
Tax liabilities	5,947	5,450	7,853	7,150	7,787
Other liabilities	30,660	11,920	27,063	29,649	36,027
Total Liabilities	1,199,764	1,157,987	1,019,428	954,090	854,777
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	6,353	6,181	7,065	6,499	6,179
Retained earnings	113,335	113,529	105,569	102,496	107,387
Total Shareholder's Equity	184,688	184,710	177,634	173,995	178,566
Non-controlling interests	783	1,494	2,428	2,318	2,479
Total Equity	185,471	186,204	180,062	176,313	181,045
Total Liabilities and Equity	1,385,235	1,344,191	1,199,490	1,130,403	1,035,822

Net interest income - 5 year summary

ISK million	1Q21	2020	2019	2018	2017
Cash and balances with Central Bank	105	1,750	4,452	7,279	10,541
Loans at amortised cost	12,241	51,628	54,837	52,462	45,162
Financial assets mandatorily at fair value through profit or loss	436	2,314	2,630	1,825	-
Financial assets designated at fair value through profit or loss	-	-	-	-	50
Financial assets held for trading	-	-	-	-	879
Other assets	2	3	46	109	135
Total interest income	12,784	55,695	61,965	61,675	56,767
Deposits from Central Bank and credit institutions	(93)	(736)	(625)	(409)	(170)
Deposits from customers	(1,195)	(7,700)	(15,242)	(16,539)	(17,461)
Debt issued and other borrowed funds at fair value through profit and loss	(185)	(608)	(734)	(963)	-
Debt issued and other borrowed funds at amortised cost	(2,651)	(11,179)	(9,818)	(9,035)	(8,107)
Subordinated loans	(163)	(763)	(501)	(198)	(14)
Other interest expense	(307)	(1,338)	(2,223)	(2,594)	(1,016)
Total interest expense	(4,594)	(22,324)	(29,143)	(29,738)	(26,768)
Net interest income	8,190	33,371	32,822	31,937	29,999
Net interest income on loans¹					
Personal Banking	1,885	5,835	3,868	3,838	n.a.
Business Banking	1,973	7,702	6,010	5,276	n.a.
Corporate and Investment Banking	1,881	6,986	5,292	4,578	n.a.
Total net interest income on loans	5,739	20,523	15,170	13,692	-
Net interest income on deposits¹					
Personal Banking	1,003	4,761	5,832	5,239	n.a.
Business Banking	584	2,628	3,629	3,321	n.a.
Corporate and Investment Banking	201	930	1,045	1,160	n.a.
Total net interest income on deposits	1,788	8,319	10,506	9,720	-

1. 2017 numbers are not applicable due to structural changes.

Net fee & commission income - 5 year summary

ISK million	1Q21	2020	2019	2018	2017
Asset management	655	2,382	2,225	2,116	1,964
Investment banking and brokerage	660	2,487	2,430	2,303	2,280
Payment processing	945	4,378	3,810	12,065	13,094
Loans and guarantees	538	2,014	1,510	1,467	1,427
Other fee and commission income	509	1,390	2,077	1,902	2,090
Total fees and commission income	3,307	12,651	12,052	19,853	20,855
Brokerage	(90)	(360)	(337)	(300)	(128)
Clearing and settlement	(349)	(1,766)	(806)	(7,302)	(6,956)
Other fee and commission expense	(6)	-	(10)	(24)	(21)
Total fee and commission expense	(445)	(2,126)	(1,153)	(7,626)	(7,105)
Net fee and commission income	2,862	10,525	10,899	12,227	13,750

Loans to customers - 5 year summary

ISK million	31.3.21	2020	2019	2018	2017
Individuals	468,256	437,377	349,181	319,390	299,350
Commerce and services	119,916	124,260	126,488	124,242	112,144
Construction	41,186	42,352	44,420	29,095	24,797
Energy	8,543	8,673	7,887	6,858	7,109
Financial services	1,418	1,539	2,315	1,704	26
Industrial and transportation	76,262	78,561	82,288	79,824	69,961
Investment companies	22,337	23,440	23,590	23,799	19,726
Public sector and non-profit organisations	10,497	10,911	12,312	12,087	11,871
Real estate	157,451	157,502	145,559	142,885	127,067
Seafood	123,549	122,102	105,592	106,715	84,853
Loans to customers before collective impairment allowance	1,029,415	1,006,717	899,632	846,599	756,904
Collective impairment allowance	-	-	-	-	(1,729)
Loans to customers	1,029,415	1,006,717	899,632	846,599	755,175

Loans to customers - by product

Overdrafts	39,512	42,212	48,938	48,581	45,650
Credit cards	14,811	16,888	19,026	18,242	18,800
Mortgages	410,781	377,155	281,499	249,296	225,765
Capital leases	41,905	44,194	45,623	45,116	40,765
Government guarantee schemes	3,986	3,594	-	-	-
Other loans	518,420	522,674	504,546	485,364	425,924
Loans to customers before collective impairment allowance	1,029,415	1,006,717	899,632	846,599	756,904
Collective impairment allowance	-	-	-	-	(1,729)
Loans to customers	1,029,415	1,006,717	899,632	846,599	755,175

Capital and risk exposure amount - 5 year summary

ISK million	31.3.21	2020	2019	2018	2017
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	6,353	6,181	7,065	6,499	6,179
Retained earnings	113,335	113,529	105,569	102,496	107,387
Non-controlling interests	783	1,494	2,428	2,318	2,479
IFRS 9 reversal due to transitional rules	3,853	5,164	-	-	-
Fair value changes due to own credit standing	434	238	392	376	-
Expected or proposed dividend payment	(1,725)				
Tax assets	(1,087)	(259)	(476)	(215)	(4)
Intangible assets	(3,357)	(3,478)	(4,330)	(5,002)	(4,231)
Other regulatory adjustments	-	-	-	-	(1,285)
Total CET1 capital	183,589	187,869	175,648	171,472	175,525
Tier 2 capital					
Qualifying subordinated liabilities	25,259	27,194	22,674	16,216	9,505
General credit risk adjustments	-	-	-	-	1,729
Total capital base	208,848	215,063	198,322	187,688	186,759
Risk exposure amount					
- due to credit risk	851,309	830,141	789,180	750,801	682,525
- due to market risk:	17,447	16,626	7,919	7,622	8,102
Market risk, trading book	14,062	11,306	6,488	6,649	6,709
Currency risk	3,385	5,320	1,431	973	1,393
- due to credit valuation adjustment	930	1,728	2,027	2,385	1,534
- due to operational risk	85,026	85,026	85,424	85,141	83,331
Total risk exposure amount	954,712	933,521	884,550	845,949	775,492
Capital ratios					
Tier 1 ratio	19.2%	20.1%	19.9%	20.3%	22.6%
Tier 2 ratio	2.7%	2.9%	2.5%	1.9%	1.5%
Total capital ratio	21.9%	23.0%	22.4%	22.2%	24.1%
Leverage ratio	12.6%	13.6%	14.2%	14.6%	16.2%

Average balances - 5 year summary

ISK million	31.3.21	2020	2019	2018	2017
Average assets					
Personal Banking	361,007	339,236	307,783	301,353	n.a.
Business Banking	230,966	223,949	314,277	205,979	n.a.
Corporate and Investment Banking	209,341	202,498	151,244	161,815	n.a.
Íslandsbanki	1,360,832	1,285,310	1,206,090	1,120,084	1,051,241
Average equity					
Personal Banking	35,157	30,995	28,222	24,632	n.a.
Business Banking	37,486	38,549	38,503	37,255	n.a.
Corporate and Investment Banking	62,325	61,792	58,972	57,200	n.a.
Íslandsbanki	186,690	181,587	176,967	174,183	176,891
Average loans to customers					
Personal Banking	436,336	351,584	315,128	299,429	n.a.
Business Banking	233,281	234,955	230,040	219,608	n.a.
Corporate and Investment Banking	351,879	355,760	336,244	322,974	n.a.
Íslandsbanki	1,021,496	942,299	881,412	842,011	-
Average deposits from customers					
Personal Banking	324,613	306,871	279,627	275,265	n.a.
Business Banking	192,024	183,604	172,247	167,463	n.a.
Corporate and Investment Banking	137,747	130,655	107,431	101,417	n.a.
Íslandsbanki	654,384	621,130	559,305	544,145	-

2018 is year-end number and 2017 numbers are not applicable due to structural changes.

Average balances are calculated using month-end figures, including previous period end figure.

Key performance indicators - 9 quarters

	1Q21	4Q20	3Q20	2Q20	1Q20	4Q19	3Q19	2Q19	1Q19
Profitability									
Return on equity ¹	7.7%	7.6%	7.4%	2.8%	-3.0%	3.7%	4.7%	4.9%	5.9%
Return on assets ¹	1.1%	1.1%	1.0%	0.4%	-0.4%	0.5%	0.7%	0.7%	0.9%
Earnings per share	0.36	0.34	0.31	0.17	-0.10	0.21	0.21	0.24	0.26
Core income / total operating income ²	0.95	0.92	1.01	0.99	1.18	0.98	1.04	0.98	0.88
Net interest margin									
Net interest margin on total assets ¹	2.4%	2.5%	2.5%	2.6%	2.8%	2.7%	2.7%	2.8%	2.7%
Efficiency									
Cost-to-income ratio ³	52.0%	51.7%	46.7%	57.5%	62.9%	62.9%	56.3%	56.5%	59.6%
Cost-to-total assets ratio ¹	1.77%	1.88%	1.57%	1.90%	1.93%	2.18%	1.89%	2.12%	2.22%
Cost of risk ¹	0.20%	0.73%	0.44%	1.03%	1.51%	0.64%	0.09%	0.40%	0.42%
Number of FTEs at period end - Consolidated ⁴	774	779	778	770	780	984	1,022	1,053	1,078
Number of FTEs at period end - Parent ⁴	739	745	744	735	746	749	784	806	834
Asset quality									
Loans to customers (ISKm)	1,029,415	1,006,717	970,309	933,320	923,850	899,632	909,175	894,446	873,530
LTV on mortgages to individuals ⁵	65.0%	64.0%	64.0%	63.0%	62.0%	62.0%	61.0%	61.0%	61.0%
Risk exposure amount / total assets	68.9%	69.4%	70.9%	70.8%	72.6%	73.7%	74.0%	74.1%	73.6%
NPL ratio ⁶	2.4%	2.9%	3.3%	3.6%	2.8%	3.0%	2.8%	2.4%	2.2%
Asset encumbrance ratio	18.3%	18.7%	17.3%	17.9%	18.2%	18.1%	17.6%	17.2%	17.1%
Financial strength									
Equity as % of total assets	13.4%	13.9%	13.7%	13.8%	14.3%	15.0%	14.4%	14.3%	14.4%
Liquidity									
Liquidity coverage ratio (LCR)	172%	196%	136%	179%	177%	155%	174%	185%	158%
Liquidity coverage ratio (LCR) - Domestic currency	93%	95%	96%	119%	n.a.	110%	n.a.	n.a.	n.a.
Liquidity coverage ratio (LCR) - Foreign currencies	235%	463%	405%	325%	324%	325%	484%	456%	453%
Net stable funding ratio (NSFR) - All currencies	119%	123%	113%	117%	120%	119%	117%	117%	115%
Net stable funding ratio (NSFR) - Foreign currencies	182%	179%	149%	147%	151%	156%	163%	179%	166%
Term deposits % of total deposits	24.4%	24.6%	25.0%	25.7%	27.4%	28.0%	28.5%	28.2%	28.0%
Customer loans to customer deposits ratio	147%	148%	139%	137%	143%	145%	149%	145%	143%
Capital									
Tier 1 ratio	19.2%	20.1%	19.4%	19.4%	19.2%	19.9%	19.0%	18.8%	19.1%
Tier 2 ratio	2.7%	2.9%	2.8%	2.8%	2.7%	2.5%	2.4%	2.6%	1.8%
Total capital ratio	21.9%	23.0%	22.2%	22.2%	21.9%	22.4%	21.4%	21.4%	20.9%
Leverage ratio	12.6%	13.6%	13.4%	13.4%	13.5%	14.2%	13.6%	13.4%	13.5%
Risk exposure amount (ISKm)	954,712	933,521	942,339	923,133	911,375	884,550	912,843	911,784	886,901

1. Calculated based on annualised figures.

2. Core income is defined as net interest income plus net fee & commission income.

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

4. Numbers exclude seasonal employees.

5. The average LTV can be calculated in many different ways and therefore the definition is important for comparison to other banks.

The weight is Íslandsbanki's total amount outstanding on the property and the LTV used is the maximum LTV of all Íslandsbanki's loans of the property.

6. Stage 3, loans to customers, gross carrying amount.

Income statement - 9 quarter summary

ISK million	1Q21	4Q20	3Q20	2Q20	1Q20	4Q19	3Q19	2Q19	1Q19
Net interest income	8,190	8,258	8,305	8,228	8,580	8,291	8,190	8,404	7,937
Net fee and commission income	2,862	2,865	2,862	2,307	2,491	2,945	2,549	2,758	2,647
Net financial income (expense)	293	783	(255)	(181)	(1,738)	(840)	(602)	180	442
Net foreign exchange gain (loss)	130	87	101	208	55	116	159	(15)	(121)
Other operating income	123	63	44	71	19	920	37	27	1,141
Other net operating income	546	933	(110)	98	(1,664)	196	(406)	192	1,462
Total operating income	11,598	12,056	11,057	10,633	9,407	11,432	10,333	11,354	12,046
Administrative expenses	(5,852)	(6,073)	(5,110)	(5,871)	(5,692)	(6,447)	(5,608)	(6,220)	(6,213)
Contribution to the Depositors' and Investors' Guarantee Fund	(183)	(154)	(50)	(247)	(228)	(216)	(210)	(198)	(312)
Bank tax	(410)	(414)	(416)	(399)	(359)	(814)	(900)	(934)	(880)
Total operating expenses	(6,445)	(6,641)	(5,576)	(6,517)	(6,279)	(7,477)	(6,718)	(7,352)	(7,405)
Profit before net impairment on financial assets	5,153	5,415	5,481	4,116	3,128	3,955	3,615	4,002	4,641
Net impairment on financial assets	(518)	(1,829)	(1,058)	(2,439)	(3,490)	(1,463)	(208)	(902)	(907)
Profit (loss) before tax	4,635	3,586	4,423	1,677	(362)	2,492	3,407	3,100	3,734
Income tax expense	(1,036)	(234)	(1,350)	(119)	(769)	(659)	(1,328)	(726)	(1,196)
Profit (loss) for the period from continuing operations	3,599	3,352	3,073	1,558	(1,131)	1,833	2,079	2,374	2,538
Discontinued operations, net of income tax	16	173	288	(313)	(245)	(174)	7	(254)	51
Profit (loss) for the period	3,615	3,525	3,361	1,245	(1,376)	1,659	2,086	2,120	2,589

Balance sheet - 9 quarter summary

ISK million	31.3.21	31.12.20	30.9.20	30.6.20	31.3.20	31.12.19	30.9.19	30.6.19	31.3.19
Cash and balances with Central Bank	88,748	78,948	95,022	103,569	123,062	146,638	129,115	122,794	129,039
Loans to credit institutions	103,333	89,920	61,898	70,307	84,263	54,376	66,409	77,387	65,145
Bonds and debt instruments	103,627	128,216	149,426	140,422	69,368	52,870	73,899	77,033	80,809
Derivatives	2,536	6,647	3,731	6,366	4,772	5,621	5,438	5,843	4,837
Loans to customers	1,029,415	1,006,717	970,309	933,320	923,850	899,632	909,175	894,446	873,530
Shares and equity instruments	25,763	14,851	14,657	10,943	12,496	18,426	19,200	19,176	15,268
Investments in associates	841	775	750	750	712	746	687	687	682
Property and equipment	7,191	7,341	7,409	7,549	8,015	9,168	9,442	9,504	9,642
Intangible assets	3,357	3,478	3,554	3,667	3,736	4,330	4,709	4,882	4,868
Other assets	17,566	4,125	17,159	6,370	5,154	6,608	15,781	18,224	21,408
Non-current assets and disposal groups held for sale	2,858	3,173	4,809	19,993	20,263	1,075	-	-	-
Total Assets	1,385,235	1,344,191	1,328,724	1,303,256	1,255,691	1,199,490	1,233,855	1,229,976	1,205,228
Deposits from Central Bank and credit institutions	31,565	39,758	36,438	35,461	33,773	30,925	31,808	19,830	16,404
Deposits from customers	698,575	679,455	698,610	681,223	647,795	618,313	610,281	615,869	611,303
Derivative instruments and short positions	9,533	6,936	8,406	7,519	12,045	6,219	7,910	6,903	7,325
Debt issued and other borrowed funds	398,225	387,274	324,752	321,803	322,280	306,381	331,938	337,473	325,035
Subordinated loans	25,259	27,194	26,798	25,834	24,456	22,674	21,993	23,431	16,468
Tax liabilities	5,947	5,450	7,137	6,438	8,155	7,853	10,127	8,674	8,303
Other liabilities	30,660	11,920	44,074	45,256	27,645	27,063	41,814	42,012	46,769
Total Liabilities	1,199,764	1,157,987	1,146,215	1,123,534	1,076,149	1,019,428	1,055,871	1,054,192	1,031,607
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	6,353	6,181	7,258	7,262	8,016	7,065	6,801	6,816	6,776
Retained earnings	113,335	113,529	108,383	105,681	104,349	105,569	103,785	101,534	99,401
Total Shareholder's Equity	184,688	184,710	180,641	177,943	177,365	177,634	175,586	173,350	171,177
Non-controlling interests	783	1,494	1,868	1,779	2,177	2,428	2,398	2,434	2,444
Total Equity	185,471	186,204	182,509	179,722	179,542	180,062	177,984	175,784	173,621
Total Liabilities and Equity	1,385,235	1,344,191	1,328,724	1,303,256	1,255,691	1,199,490	1,233,855	1,229,976	1,205,228

Net interest income - 9 quarter summary

ISK million	1Q21	4Q20	3Q20	2Q20	1Q20	4Q19	3Q19	2Q19	1Q19
Cash and balances with Central Bank	105	105	235	408	1,002	1,009	993	1,184	1,266
Loans at amortised cost	12,241	12,511	13,001	14,026	12,090	13,273	13,194	15,208	13,162
Financial assets mandatorily at fair value through profit or loss	436	661	583	519	551	606	743	713	568
Other assets	2	-	1	-	2	14	10	12	10
Total interest income	12,784	13,277	13,820	14,953	13,645	14,902	14,940	17,117	15,006
Deposits from Central Bank and credit institutions	(93)	(124)	(192)	(199)	(221)	(237)	(159)	(122)	(107)
Deposits from customers	(1,195)	(1,376)	(1,625)	(2,236)	(2,463)	(3,064)	(3,475)	(4,660)	(4,043)
Debt issued and other borrowed funds at fair value through profit and loss	(185)	(162)	(150)	(154)	(142)	(176)	(184)	(194)	(180)
Debt issued and other borrowed funds at amortised cost	(2,651)	(2,826)	(2,979)	(3,327)	(2,047)	(2,414)	(2,271)	(2,914)	(2,219)
Subordinated loans	(163)	(193)	(211)	(193)	(166)	(160)	(168)	(93)	(80)
Other interest expense	(307)	(338)	(358)	(616)	(26)	(560)	(493)	(730)	(440)
Total interest expense	(4,594)	(5,019)	(5,515)	(6,725)	(5,065)	(6,611)	(6,750)	(8,713)	(7,069)
Net interest income	8,190	8,258	8,305	8,228	8,580	8,291	8,190	8,404	7,937
Net interest income on loans									
Personal Banking	1,885	1,794	1,562	1,354	1,155	1,062	968	939	899
Business Banking	1,973	2,042	2,038	1,932	1,690	1,605	1,493	1,475	1,436
Corporate and Investment Banking	1,881	1,848	1,829	1,726	1,587	1,447	1,305	1,259	1,281
Total net interest income on loans	5,739	5,684	5,429	5,012	4,432	4,114	3,766	3,673	3,616
Net interest income on deposits									
Personal Banking	1,003	987	1,041	1,283	1,450	1,462	1,484	1,455	1,431
Business Banking	584	599	586	658	784	858	915	937	919
Corporate and Investment Banking	201	168	220	253	288	272	265	251	258
Total net interest income on deposits	1,788	1,754	1,847	2,194	2,522	2,592	2,664	2,643	2,608

Net fee and commission income - 9 quarter summary

ISK million	1Q21	4Q20	3Q20	2Q20	1Q20	4Q19	3Q19	2Q19	1Q19
Asset management	655	636	576	605	565	590	512	575	548
Investment banking and brokerage	660	656	684	576	571	688	598	613	531
Payment processing	945	1,081	1,697	786	814	987	947	1,046	830
Loans and guarantees	538	690	514	427	383	389	367	376	378
Other fee and commission income	509	410	322	228	430	734	373	385	585
Total fee and commission income	3,307	3,473	3,793	2,622	2,763	3,388	2,797	2,995	2,872
Brokerage	(90)	(127)	(67)	(113)	(53)	(128)	(65)	(75)	(69)
Clearing and settlement	(349)	(481)	(864)	(202)	(219)	(324)	(174)	(174)	(134)
Other fee and commission expense	(6)	-	-	-	-	9	(9)	12	(22)
Total fee and commission expense	(445)	(608)	(931)	(315)	(272)	(443)	(248)	(237)	(225)
Net fee and commission income	2,862	2,865	2,862	2,307	2,491	2,945	2,549	2,758	2,647

Loans to customers - 9 quarter summary

ISK million	31.3.21	31.12.20	30.9.20	30.6.20	31.3.20	31.12.19	30.9.19	30.6.19	31.3.19
Individuals	468,256	437,377	379,966	355,524	347,539	349,181	345,234	334,749	324,245
Commerce and services	119,916	124,260	121,951	122,581	127,887	126,488	130,879	135,041	130,325
Construction	41,186	42,352	44,550	46,463	45,621	44,420	33,865	33,445	31,466
Energy	8,543	8,673	8,316	8,344	8,024	7,887	6,803	6,934	6,911
Financial services	1,418	1,539	1,776	2,239	1,436	2,315	2,768	23	2,575
Industrial and transportation	76,262	78,561	82,458	83,731	84,709	82,288	84,127	81,784	80,986
Investment companies	22,337	23,440	24,747	24,578	25,184	23,590	27,507	26,052	24,657
Public sector and non-profit organisations	10,497	10,911	11,622	11,641	11,339	12,312	11,615	11,453	11,528
Real estate	157,451	157,502	165,370	150,090	149,138	145,559	156,548	153,077	148,765
Seafood	123,549	122,102	129,553	128,129	122,973	105,592	109,829	111,888	112,072
Loans to customers	1,029,415	1,006,717	970,309	933,320	923,850	899,632	909,175	894,446	873,530

Loans to customers - by product

Overdrafts	39,512	42,212	43,294	47,513	44,929	48,938	54,510	51,836	53,120
Credit cards	14,811	16,888	16,060	16,704	15,621	19,026	19,777	17,492	16,253
Mortgages	410,781	377,155	316,896	293,838	285,670	281,499	274,186	267,762	255,579
Capital leases	41,905	44,194	45,514	45,039	47,872	45,623	46,583	50,588	47,309
Government guarantee schemes	3,986	3,594	1,658	-	-	-	-	-	-
Other loans	518,420	522,674	546,887	530,226	529,758	504,546	514,119	506,768	501,269
Loans to customers	1,029,415	1,006,717	970,309	933,320	923,850	899,632	909,175	894,446	873,530

Capital and risk exposure amount - 9 quarter summary

ISK million	31.3.21	31.12.20	30.9.20	30.6.20	31.3.20	31.12.19	30.9.19	30.6.19	31.3.19
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	6,353	6,181	7,258	7,262	8,016	7,065	6,801	6,816	6,776
Retained earnings	113,335	113,529	108,383	105,681	104,349	105,569	103,785	101,534	99,401
Non-controlling interests	783	1,494	1,868	1,779	2,177	2,428	2,398	2,434	2,444
IFRS 9 reversal due to transitional rules	3,853	5,164	4,088	3,810	-	-	-	-	-
Fair value changes due to own credit standing	434	238	-239	(427)	(773)	392	731	760	871
Expected or proposed dividend payment	(1,725)								
Tax assets	(1,087)	(259)	(173)	(88)	(30)	(476)	(445)	(394)	(292)
Intangible assets	(3,357)	(3,478)	(3,554)	(3,667)	(3,736)	(4,330)	(4,709)	(4,882)	(4,868)
Other regulatory adjustments	-	-	-	-	-	-	-	-	-
Total CET1 capital	183,589	187,869	182,631	179,350	175,003	175,648	173,561	171,268	169,332
Tier 2 capital									
Qualifying subordinated liabilities	25,259	27,194	26,798	25,834	24,456	22,674	21,993	23,431	16,468
Total regulatory capital	208,848	215,063	209,429	205,184	199,458	198,322	195,554	194,699	185,800
Risk exposure amount									
- due to credit risk	851,309	830,141	836,662	821,457	811,936	789,180	815,266	809,840	789,806
- due to market risk:	17,447	16,626	18,748	14,435	12,350	7,919	10,482	13,988	9,877
Market risk, trading book	14,062	11,306	15,281	12,024	9,095	6,488	8,736	10,072	7,843
Currency risk FX	3,385	5,320	3,467	2,411	3,255	1,431	1,746	3,916	2,034
- due to credit valuation adjustment	930	1,728	1,505	1,817	1,665	2,027	1,954	2,815	2,077
- due to operational risk	85,026	85,026	85,424	85,424	85,424	85,424	85,141	85,141	85,141
Total risk exposure amount	954,712	933,521	942,339	923,133	911,375	884,550	912,843	911,784	886,901
Capital ratios									
Tier 1 ratio	19.2%	20.1%	19.4%	19.4%	19.2%	19.9%	19.0%	18.8%	19.1%
Tier 2 ratio	2.7%	2.9%	2.8%	2.8%	2.7%	2.5%	2.4%	2.6%	1.8%
Total capital ratio	21.9%	23.0%	22.2%	22.2%	21.9%	22.4%	21.4%	21.4%	20.9%
Leverage ratio	12.6%	13.6%	13.4%	13.4%	13.5%	14.2%	13.6%	13.4%	13.5%

Average balances - 9 quarter summary

ISK million	31.3.21	31.12.20	30.9.20	30.6.20	31.3.20	31.12.19	30.9.19	30.6.19	31.3.19
Average assets									
Personal Banking	361,007	351,868	341,907	336,493	324,734	316,353	307,569	304,521	301,584
Business Banking	230,966	235,721	231,454	220,433	211,331	213,945	226,577	373,615	367,880
Corporate and Investment Banking	209,341	208,776	220,004	199,641	185,836	168,345	163,877	140,830	149,946
Íslandsbanki	1,360,832	1,326,162	1,310,526	1,285,319	1,227,167	1,221,755	1,228,714	1,209,152	1,177,437
Average equity									
Personal Banking	35,157	32,695	29,837	30,192	30,637	29,765	28,947	28,067	26,030
Business Banking	37,486	38,305	38,032	38,536	39,479	39,246	39,401	38,585	37,268
Corporate and Investment Banking	62,325	63,989	62,166	61,944	59,102	59,630	59,932	59,203	57,396
Íslandsbanki	186,690	184,489	180,698	179,761	180,651	178,999	177,261	174,541	176,187
Average loans to customers									
Personal Banking	436,336	391,334	347,944	331,929	329,133	327,458	319,925	310,297	302,878
Business Banking	233,281	235,927	235,921	235,820	232,786	232,459	234,609	231,734	223,164
Corporate and Investment Banking	351,879	365,229	366,410	357,988	338,908	340,941	342,634	335,788	328,427
Íslandsbanki	1,021,496	992,490	950,275	925,737	900,826	900,858	897,168	877,819	854,469
Average deposits from customers									
Personal Banking	324,613	317,155	310,144	305,232	293,117	285,445	278,734	278,258	274,137
Business Banking	192,024	195,641	191,660	180,183	169,702	172,685	172,649	172,820	171,860
Corporate and Investment Banking	137,747	136,071	146,686	131,423	115,840	106,500	111,106	109,229	104,872
Íslandsbanki	654,384	648,866	648,490	616,838	578,660	564,631	562,490	560,308	550,869

Average balances are calculated using month-end figures, including previous period end figure.

Allocation and Impact of Eligible Projects for Íslandsbanki's Sustainable Financing Framework

	Allocation to Eligible Projects			Selected impact indicators								Avoided greenhouse gas emissions per million ISK	Avoided greenhouse gas emissions per million EUR ³
	Amount outstanding 31.12.2020	Share of funding	Share of capex	Avoided greenhouse gas emissions	Clean vehicles ¹	Clean energy produced	Green building	Additional waste recycled	Companies supported ²	Dwellings	Students reached		
	ISK million	%	%	tCO2e	number of	GWh	number of	tonnes	number of	number of	number of	tCO2e	tCO2e
Clean Transportation	3,392	100%	100%	1,734	1,190							0.5	79.7
Renewable energy	6,307	100%	100%	3,500		87						0.6	86.6
Green buildings	1,502	11%	100%				1						
Sustainable waste management	902	30%	100%	530				800				0.6	91.7
Government defined company support	3,271	n.a.	0%						342				
Affordable housing	2,242	100%	100%							140			
Education and vocational training	7,061	60%	100%								3,000		
	24,677			5,764	1,190	87	1	800	342	140	3,000		

1. in addition 11 charging stations and 24 electric bikes were funded

2. Average loan size ISK 9.6 m

3. EUR/ISK=156 on 31.12.2020

Macroeconomics - summary

	1Q21	4Q20	3Q20	2Q20	1Q20	4Q19	3Q19	2Q19	1Q19
YoY change, %									
GDP growth	-5.1	-9.1	-10.1	-1.9	4.2	1.0	2.8	-0.3	4.4
Total investment	-4.6	-10.5	-14.1	4.9	-4.2	2.9	-8.2	-18.9	-1.0
Business investment	-12.1	-17.8	-12.7	14.1	0.6	-5.3	-26.9	-35.9	-22.9
Residential investment	11.6	1.0	-11.6	-4.4	13.4	51.8	41.3	21.8	4.2
Personal consumption	-3.1	-2.2	-8.7	1.2	1.1	2.6	1.1	2.6	3.5
Unemployment rate, % of workforce	7.6	5.8	7.9	4.4	3.3	3.5	4.4	3.0	2.4
Current account, % of GDP	2.8	0.4	-0.8	1.7	6.6	8.8	2.9	7.2	1.5
International investment position, % of GDP	35.3	32.4	27.3	22.0	21.7	20.1	17.2	18.1	9.5
Gross general govt. debt, % of GDP	79.9				68.3				61.2
Household debt, gross, % of GDP	83.2	80.6	77.0	75.5	74.7	75.0	75.3	74.6	74.9
Corporate debt, gross, % of GDP	89.3	91.9	89.7	88.1	83.0	85.2	88.1	90.8	90.3
YoY change, %									
Inflation	3.6	3.2	2.5	2.1	2.5	3.1	3.4	3.1	3.3
Residential real estate price index	-1.5	-0.5	0.2	0.1	0.1	-0.8	0.6	1.6	2.4
Wages	7.2	6.5	6.7	4.9	4.3	4.3	5.4	5.7	6.1
Real wages	3.5	3.1	4.1	2.8	1.7	1.2	1.9	2.5	2.8
ISK index, average	206.3	207.8	203.2	186.4	180.6	182.1	181.8	179.2	180.2
Central bank policy rate (1W)	0.9	1.0	1.0	1.8	3.1	3.6	4.3	4.5	4.5
Long-term nominal yield	3.1	2.6	2.5	3.1	3.6	3.8	4.2	5.2	5.9
Long-term real yield	0.5	-0.4	0.0	0.5	0.8	0.8	1.1	1.4	1.5

Other

Currencies	31.3.21	31.12.20	30.9.20	30.6.20	31.3.20	31.12.19	30.9.19	30.6.19	31.3.19
Currencies									
USD	126.3	127.2	138.5	138.6	141.7	121.1	123.7	124.5	122.6
GBP	173.8	173.6	177.7	170.2	175.2	159.4	152.2	157.8	159.7
EUR	148.1	156.1	162.2	155.4	155.3	135.8	135.1	141.7	137.5
DKK	19.9	21.0	21.8	20.9	20.8	18.2	18.1	19.0	18.4
SEK	14.5	15.6	15.4	14.8	14.0	13.0	12.6	13.4	13.2
CHF	133.8	144.4	150.1	145.8	146.8	125.1	124.3	127.7	123.1

Attractive and achievable financial targets

Updated targets define a clear path to ROE expansion, attractive capital return and optimisation

	Updated targets	Previous targets	1Q21	2020	Guidance
Return on equity	8-10% by 2023 >10% long-term	8-10%	7.7%	3.7%	<ul style="list-style-type: none"> Based on average expected risk-free rates through the business cycle The Bank has a clearly identified path to ROE improvements, supported by a clear action plan and economic recovery The Bank assumes the loan book will grow in line with nominal GDP on average through the business cycle
Cost-to-income ratio¹	<45% by 2023	<55%	52.0% ✓	54.3% ✓	<ul style="list-style-type: none"> The Bank continues to invest in IT infrastructure and process efficiency to improve the C/I ratio in the medium to long-term Costs to remain broadly flat over the next 3 years
CET1 capital ratio	>16%	>16%	19.2% ✓	20.1% ✓	<ul style="list-style-type: none"> Based on current regulatory requirements and management buffer of 50-200bps, the CET1 target range is currently 13.2-14.7% Assuming that the countercyclical buffer increases from 0% to 2% The Bank will start paying out a part of its excess capital in parallel with its ordinary dividend payable for the FY 2021 – the amount to be decided at that time
Total capital ratio	17.5-19.0%	17.5-19.0%	21.9% ✓	23.0% ✓	<ul style="list-style-type: none"> Based on current regulatory requirements and management buffer of 50-200bps Long term target range is 19.5-21.0%, assuming that the countercyclical buffer increases from 0% to 2% The Bank will issue an AT1 instrument over the course of next 6-18 months, given favourable market conditions (including tax deductibility of such instruments)
Dividend payout ratio	c. 50%	40-50%		50% ✓	<ul style="list-style-type: none"> Target for annual regular dividend Excess capital to support further dividend payments, buybacks, and/or ROE enhancing growth Additional capital return to approach capital targets over the medium term

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

Íslandsbanki S&P credit ratings

Rating lowered in April 2020

BBB/A-2 Stable Outlook

Press Release 24 April 2020

In late April 2020 S&P lowered Íslandsbanki's rating to **BBB/A-2** with a **stable outlook** from previous BBB+/A-2 with a negative outlook

In its report, S&P expects Íslandsbanki to enter this crisis on a more solid foothold than the 2008 financial crisis. The 'BBB' rating level and stable outlook factor in the **solid market position** of the bank in Iceland, which has a relatively **advanced digitalised banking platform**. In S&P's view, the bank is well ahead of many other European banks in its preparation for technological disruption. S&P also notes the Bank's funding and liquidity metrics are adequate for the Bank's risk profile, with **comfortable liquidity ratios and liquid assets** covering more than 3x the average short-term funding in 2019. Moreover, S&P states that the wholesale funding needs are limited in 2020, which coupled with the additional central bank liquidity facilities announced recently by the Icelandic Central Bank, **eases pressure on liquidity needs**

S&P's rationale for the change is mostly derived from its view that economic activity will reduce in Iceland and Europe in 2020 and thus could impair Íslandsbanki's asset quality, increase credit losses, reduce business and revenue generation, and potentially erode its capital. S&P's view is that Iceland's operating environment will remain challenging, affected by the 2020 economic recession, declining interest rates, stiff competition from pension funds in mortgage lending and thus contributing to the declining profitability of the Bank

Íslandsbanki	S&P
Long-term	BBB
Short-term	A-2
Outlook	Stable
Affirmed (date)	April 20

Íslandsbanki	S&P	FITCH	MOODY'S
Long-term	A	A	A-2
Short-term	A-1		
Outlook	Stable	Negative	Stable
Affirmed (date)	November 20	October 20	April 20

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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