

2Q2021



# Íslandsbanki Factbook

440 4000

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Supplementary information for market participants (Unaudited)

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## Investor relations

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### IR contact

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Email: [ir@islandsbanki.is](mailto:ir@islandsbanki.is)

Investor relations web-site

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

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#### 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 28 July 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: +45 354 45 577

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: 67974052#

#### 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 financial statements according to the financial calendar below:

3Q21 results — 28 October 2021

4Q21 results — 10 February 2022

Annual General Meeting — 17 March 2022

1Q22 results — 5 May 2022

2Q22 results — 28 July 2022

3Q22 results — 27 October 2022

Please note that these dates are subject to change.

## Key performance indicators - 5 years

	1H21	2020	2019	2018	2017
<b>Profitability</b>					
Return on equity <sup>1</sup>	9.7%	3.7%	4.8%	6.1%	7.5%
Return on assets <sup>1</sup>	1.3%	0.5%	0.7%	1.0%	1.3%
Earnings per share	0.90	0.72	0.92	1.01	1.10
Core income / total operating income <sup>2</sup>	0.94	1.02	0.97	0.98	0.99
<b>Net interest margin</b>					
Net interest margin on total assets <sup>1</sup>	2.4%	2.6%	2.7%	2.9%	2.9%
<b>Efficiency</b>					
Cost-to-income ratio <sup>3</sup>	50.6%	54.3%	58.8%	66.3%	62.5%
Cost-to-total assets ratio <sup>1</sup>	1.74%	1.82%	2.11%	2.57%	2.67%
Cost of risk <sup>1</sup>	-0.12%	0.91%	0.39%	-0.20%	-0.21%
Number of FTEs at period end - Consolidated <sup>4</sup>	768	779	984	1,075	1,042
Number of FTEs at period end - Parent <sup>4</sup>	733	745	749	834	860
Number of branches at period end	12	12	14	14	14
<b>Assets</b>					
Loans to customers (ISKm)	1,089,723	1,006,717	899,632	846,599	755,175
LTV on mortgages to individuals <sup>5</sup>	66.0%	64.0%	62.0%	61.0%	63.3%
Risk exposure amount / total assets	63.9%	69.4%	73.7%	74.8%	74.9%
Non-performing loans (NPL) ratio <sup>6</sup>	2.1%	2.9%	3.0%	2.0%	1.0%
Asset encumbrance ratio	18.9%	18.7%	18.1%	18.0%	15.2%
<b>Financial strength</b>					
Equity as % of total assets	13.2%	13.9%	15.0%	15.6%	17.5%
<b>Liquidity</b>					
Liquidity coverage ratio (LCR) - All currencies	187%	196%	155%	172%	142%
Liquidity coverage ratio (LCR) - Domestic currency	133%	95%	110%	n.a.	n.a.
Liquidity coverage ratio (LCR) - Foreign currencies	287%	463%	325%	544%	155%
Net stable funding ratio (NSFR) - All currencies	122%	123%	119%	114%	117%
Net stable funding ratio (NSFR) - Foreign currencies	154%	179%	156%	149%	122%
Term deposits % of total deposits	20.3%	24.6%	28.0%	27.1%	29.4%
Customer loans to customer deposits ratio	142%	148%	145%	146%	133%
<b>Capital</b>					
Tier 1 ratio	20.1%	20.1%	19.9%	20.3%	22.6%
Tier 2 ratio	2.8%	2.9%	2.5%	1.9%	1.5%
Total capital ratio	22.9%	23.0%	22.4%	22.2%	24.1%
Leverage ratio	12.4%	13.6%	14.2%	14.6%	16.2%
Risk exposure amount (ISKm)	924,375	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	1H21	2020	2019	2018	2017
Interest income	28,137	55,695	61,965	61,675	56,767
Interest expense	(11,530)	(22,324)	(29,143)	(29,738)	(26,768)
Net interest income	16,607	33,371	32,822	31,937	29,999
Fee and commission income	6,836	12,651	12,052	19,853	20,855
Fee and commission expense	(1,067)	(2,126)	(1,153)	(7,626)	(7,105)
Net fee and commission income	5,769	10,525	10,899	12,227	13,750
Net financial income (expense)	912	(1,391)	(820)	(962)	(715)
Net foreign exchange gain	225	451	139	1	527
Other operating income	204	197	2,125	1,784	628
Other net operating income	1,341	(743)	1,444	823	440
<b>Total operating income</b>	<b>23,717</b>	<b>43,153</b>	<b>45,165</b>	<b>44,987</b>	<b>44,189</b>
Administrative expenses	(12,340)	(22,746)	(24,488)	(27,650)	(26,968)
Contribution to the Depositors' and Investors' Guarantee Fund	(344)	(679)	(936)	(1,173)	(1,083)
Bank tax	(861)	(1,588)	(3,528)	(3,281)	(2,892)
<b>Total operating expenses</b>	<b>(13,545)</b>	<b>(25,013)</b>	<b>(28,952)</b>	<b>(32,104)</b>	<b>(30,943)</b>
Profit before net impairment on financial assets	10,172	18,140	16,213	12,883	13,246
Net impairment on financial assets	622	(8,816)	(3,480)	1,584	1,556
<b>Profit before tax</b>	<b>10,794</b>	<b>9,324</b>	<b>12,733</b>	<b>14,467</b>	<b>14,802</b>
Income tax expense	(1,805)	(2,472)	(3,909)	(4,734)	(4,151)
<b>Profit for the period from continuing operations</b>	<b>8,989</b>	<b>6,852</b>	<b>8,824</b>	<b>9,733</b>	<b>10,651</b>
Discontinued operations held for sale, net of income tax	57	(97)	(370)	912	2,575
<b>Profit for the period</b>	<b>9,046</b>	<b>6,755</b>	<b>8,454</b>	<b>10,645</b>	<b>13,226</b>
Basic earnings per share from profit for the period	0.90	0.72	0.92	1.01	1.10

## Balance sheet - 5 year summary

ISK million	30.6.21	2020	2019	2018	2017
Cash and balances with Central Bank	130,968	78,948	146,638	135,056	189,045
Loans to credit institutions	57,793	89,920	54,376	41,577	26,617
Bonds and debt instruments	110,499	128,216	52,870	69,415	27,090
Derivatives	2,649	6,647	5,621	4,550	2,896
Loans to customers	1,089,723	1,006,717	899,632	846,599	755,175
Shares and equity instruments	31,751	14,851	18,426	13,074	10,177
Investments in associates	911	775	746	682	704
Property and equipment	7,246	7,341	9,168	5,271	7,128
Intangible assets	3,307	3,478	4,330	5,002	4,231
Other assets	10,474	4,125	6,608	9,177	12,759
Non-current assets and disposal groups held for sale	1,539	3,173	1,075	-	-
<b>Total Assets</b>	<b>1,446,860</b>	<b>1,344,191</b>	<b>1,199,490</b>	<b>1,130,403</b>	<b>1,035,822</b>
Deposits from Central Bank and credit institutions	32,240	39,758	30,925	15,619	11,189
Deposits from customers	765,614	679,455	618,313	578,959	567,029
Derivative instruments and short positions	10,079	6,936	6,219	5,521	5,492
Debt issued and other borrowed funds	398,786	387,274	306,381	300,976	217,748
Subordinated loans	25,297	27,194	22,674	16,216	9,505
Tax liabilities	6,025	5,450	7,853	7,150	7,787
Other liabilities	18,464	11,920	27,063	29,649	36,027
<b>Total Liabilities</b>	<b>1,256,505</b>	<b>1,157,987</b>	<b>1,019,428</b>	<b>954,090</b>	<b>854,777</b>
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	5,401	6,181	7,065	6,499	6,179
Retained earnings	119,535	113,529	105,569	102,496	107,387
Total Shareholder's Equity	189,936	184,710	177,634	173,995	178,566
Non-controlling interests	419	1,494	2,428	2,318	2,479
<b>Total Equity</b>	<b>190,355</b>	<b>186,204</b>	<b>180,062</b>	<b>176,313</b>	<b>181,045</b>
<b>Total Liabilities and Equity</b>	<b>1,446,860</b>	<b>1,344,191</b>	<b>1,199,490</b>	<b>1,130,403</b>	<b>1,035,822</b>

## Net interest income - 5 year summary

ISK million	1H21	2020	2019	2018	2017
Cash and balances with Central Bank	258	1,750	4,452	7,279	10,541
Loans at amortised cost	27,016	51,628	54,837	52,462	45,162
Financial assets mandatorily at fair value through profit or loss	860	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	3	3	46	109	135
<b>Total interest income</b>	<b>28,137</b>	<b>55,695</b>	<b>61,965</b>	<b>61,675</b>	<b>56,767</b>
Deposits from Central Bank and credit institutions	(191)	(736)	(625)	(409)	(170)
Deposits from customers	(3,120)	(7,700)	(15,242)	(16,539)	(17,461)
Debt issued and other borrowed funds at fair value through profit and loss	(364)	(608)	(734)	(963)	-
Debt issued and other borrowed funds at amortised cost	(6,747)	(11,179)	(9,818)	(9,035)	(8,107)
Subordinated loans	(339)	(763)	(501)	(198)	(14)
Other liabilities	(769)	(1,338)	(2,223)	(2,594)	(1,016)
<b>Total interest expense</b>	<b>(11,530)</b>	<b>(22,324)</b>	<b>(29,143)</b>	<b>(29,738)</b>	<b>(26,768)</b>
<b>Net interest income</b>	<b>16,607</b>	<b>33,371</b>	<b>32,822</b>	<b>31,937</b>	<b>29,999</b>
<b>Net interest income on loans<sup>1</sup></b>					
Personal Banking	3,777	5,835	3,868	3,838	n.a.
Business Banking	3,940	7,702	6,010	5,276	n.a.
Corporate & Investment Banking	3,855	6,986	5,292	4,578	n.a.
<b>Total net interest income on loans</b>	<b>11,572</b>	<b>20,523</b>	<b>15,170</b>	<b>13,692</b>	<b>-</b>
<b>Net interest income on deposits<sup>1</sup></b>					
Personal Banking	2,066	4,761	5,832	5,239	n.a.
Business Banking	1,218	2,628	3,629	3,321	n.a.
Corporate & Investment Banking	411	930	1,045	1,160	n.a.
<b>Total net interest income on deposits</b>	<b>3,695</b>	<b>8,319</b>	<b>10,506</b>	<b>9,720</b>	<b>-</b>

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

## Net fee & commission income - 5 year summary

ISK million	1H21	2020	2019	2018	2017
Asset management	1,424	2,382	2,225	2,116	1,964
Investment banking and brokerage	1,349	2,487	2,430	2,303	2,280
Payment processing	2,099	4,378	3,810	12,065	13,094
Loans and guarantees	1,064	2,014	1,510	1,467	1,427
Other fee and commission income	900	1,390	2,077	1,902	2,090
<b>Total fees and commission income</b>	<b>6,836</b>	<b>12,651</b>	<b>12,052</b>	<b>19,853</b>	<b>20,855</b>
Brokerage	(226)	(360)	(337)	(300)	(128)
Clearing and settlement	(835)	(1,766)	(806)	(7,302)	(6,956)
Other fee and commission expense	(6)	-	(10)	(24)	(21)
<b>Total fee and commission expense</b>	<b>(1,067)</b>	<b>(2,126)</b>	<b>(1,153)</b>	<b>(7,626)</b>	<b>(7,105)</b>
<b>Net fee and commission income</b>	<b>5,769</b>	<b>10,525</b>	<b>10,899</b>	<b>12,227</b>	<b>13,750</b>



## Loans to customers - 5 year summary

ISK million	30.6.21	2020	2019	2018	2017
Individuals	501,025	437,377	349,181	319,390	299,350
Commerce and services	175,647	124,260	126,488	124,242	112,144
Construction	38,987	42,352	44,420	29,095	24,797
Energy	9,239	8,673	7,887	6,858	7,109
Financial services	1,440	1,539	2,315	1,704	26
Industrial and transportation	91,670	78,561	82,288	79,824	69,961
Investment companies	23,805	23,440	23,590	23,799	19,726
Public sector and non-profit organisations	10,113	10,911	12,312	12,087	11,871
Real estate	120,276	157,502	145,559	142,885	127,067
Seafood	117,521	122,102	105,592	106,715	84,853
<b>Loans to customers before collective impairment allowance</b>	<b>1,089,723</b>	<b>1,006,717</b>	<b>899,632</b>	<b>846,599</b>	<b>756,904</b>
Collective impairment allowance	-	-	-	-	(1,729)
<b>Loans to customers</b>	<b>1,089,723</b>	<b>1,006,717</b>	<b>899,632</b>	<b>846,599</b>	<b>755,175</b>

### Loans to customers - by product

Overdrafts	42,236	42,212	48,938	48,581	45,650
Credit cards	17,308	16,888	19,026	18,242	18,800
Mortgages	439,797	377,155	281,499	249,296	225,765
Capital leases	43,377	44,194	45,623	45,116	40,765
Government guarantee schemes	4,189	3,594	-	-	-
Other loans	542,816	522,674	504,546	485,364	425,924
<b>Loans to customers before collective impairment allowance</b>	<b>1,089,723</b>	<b>1,006,717</b>	<b>899,632</b>	<b>846,599</b>	<b>756,904</b>
Collective impairment allowance	-	-	-	-	(1,729)
<b>Loans to customers</b>	<b>1,089,723</b>	<b>1,006,717</b>	<b>899,632</b>	<b>846,599</b>	<b>755,175</b>

## Capital and risk exposure amount - 5 year summary

ISK million	30.6.21	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	5,401	6,181	7,065	6,499	6,179
Retained earnings	119,535	113,529	105,569	102,496	107,387
Non-controlling interests	419	1,494	2,428	2,318	2,479
IFRS 9 reversal due to transitional rules	3,699	5,164	-	-	-
Fair value changes due to own credit standing	958	238	392	376	-
Expected or proposed dividend payment	(4,271)	-	-	-	-
Tax assets	(1,200)	(259)	(476)	(215)	(4)
Intangible assets	(3,307)	(3,478)	(4,330)	(5,002)	(4,231)
Other regulatory adjustments	-	-	-	-	(1,285)
<b>Total CET1 capital</b>	<b>186,234</b>	<b>187,869</b>	<b>175,648</b>	<b>171,472</b>	<b>175,525</b>
Tier 2 capital					
Qualifying subordinated loans	25,297	27,194	22,674	16,216	9,505
General credit risk adjustments	-	-	-	-	1,729
<b>Total capital base</b>	<b>211,531</b>	<b>215,063</b>	<b>198,322</b>	<b>187,688</b>	<b>186,759</b>
Risk exposure amount					
- due to credit risk	819,122	830,141	789,180	750,801	682,525
- due to market risk:	18,566	16,626	7,919	7,622	8,102
Market risk, trading book	16,274	11,306	6,488	6,649	6,709
Currency risk	2,292	5,320	1,431	973	1,393
- due to credit valuation adjustment	1,661	1,728	2,027	2,385	1,534
- due to operational risk	85,026	85,026	85,424	85,141	83,331
<b>Total risk exposure amount</b>	<b>924,375</b>	<b>933,521</b>	<b>884,550</b>	<b>845,949</b>	<b>775,492</b>
<b>Capital ratios</b>					
Tier 1 ratio	20.1%	20.1%	19.9%	20.3%	22.6%
Tier 2 ratio	2.8%	2.9%	2.5%	1.9%	1.5%
Total capital ratio	22.9%	23.0%	22.4%	22.2%	24.1%
Leverage ratio	12.4%	13.6%	14.2%	14.6%	16.2%

## Average balances - 5 year summary

ISK million	30.6.21	2020	2019	2018	2017
<b>Average assets</b>					
Personal Banking	454,910	355,295	317,383	299,603	n.a.
Business Banking	236,722	237,632	233,470	225,408	n.a.
Corporate & Investment Banking	364,530	360,690	340,161	323,807	n.a.
Íslandsbanki	1,378,053	1,285,310	1,206,090	1,120,084	1,051,241
<b>Average equity</b>					
Personal Banking	35,058	30,995	28,222	24,632	n.a.
Business Banking	37,661	38,549	38,503	37,255	n.a.
Corporate & Investment Banking	62,953	61,792	58,972	57,200	n.a.
Íslandsbanki	187,405	181,587	176,967	174,183	176,891
<b>Average loans to customers</b>					
Personal Banking	451,612	351,584	315,128	299,429	n.a.
Business Banking	234,604	234,955	230,040	219,608	n.a.
Corporate & Investment Banking	358,696	355,760	336,244	322,974	n.a.
Íslandsbanki <sup>1</sup>	1,044,912	942,299	881,412	842,011	-
<b>Average deposits from customers</b>					
Personal Banking	328,659	306,871	279,627	275,265	n.a.
Business Banking	196,259	183,604	172,247	167,463	n.a.
Corporate & Investment Banking	136,872	130,655	107,431	101,417	n.a.
Íslandsbanki <sup>1</sup>	661,790	621,130	559,305	544,145	-

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

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

1. Sum of average loans to customers and sum of average deposits for Personal Banking, Business Banking and Corporate & Investment Banking

## Key performance indicators - 9 quarters

	2Q21	1Q21	4Q20	3Q20	2Q20	1Q20	4Q19	3Q19	2Q19
<b>Profitability</b>									
Return on equity <sup>1</sup>	11.6%	7.7%	7.6%	7.4%	2.8%	-3.0%	3.7%	4.7%	4.9%
Return on assets <sup>1</sup>	1.6%	1.1%	1.1%	1.0%	0.4%	-0.4%	0.5%	0.7%	0.7%
Earnings per share	0.54	0.36	0.34	0.31	0.17	(0.10)	0.21	0.21	0.24
Core income / total operating income <sup>2</sup>	0.93	0.95	0.92	1.01	0.99	1.18	0.98	1.04	0.98
<b>Net interest margin</b>									
Net interest margin on total assets <sup>1</sup>	2.4%	2.4%	2.5%	2.5%	2.6%	2.8%	2.7%	2.7%	2.8%
<b>Efficiency</b>									
Cost-to-income ratio <sup>3,7</sup>	49.9%	51.3%	51.7%	46.7%	57.5%	62.9%	62.9%	56.3%	56.5%
Cost-to-total assets ratio <sup>1,7</sup>	1.74%	1.75%	1.88%	1.57%	1.90%	1.93%	2.18%	1.89%	2.12%
Cost of risk <sup>1</sup>	-0.42%	0.20%	0.73%	0.44%	1.03%	1.51%	0.64%	0.09%	0.40%
Number of FTEs at period end - Consolidated <sup>4</sup>	768	774	779	778	770	780	984	1,022	1,053
Number of FTEs at period end - Parent <sup>4</sup>	733	739	745	744	735	746	749	784	806
<b>Asset quality</b>									
Loans to customers (ISKm)	1,089,723	1,029,415	1,006,717	970,309	933,320	923,850	899,632	909,175	894,446
LTV on mortgages to individuals <sup>5</sup>	66.0%	65.0%	64.0%	64.0%	63.0%	62.0%	62.0%	61.0%	61.0%
Risk exposure amount / total assets	63.9%	68.9%	69.4%	70.9%	70.8%	72.6%	73.7%	74.0%	74.1%
Non-performing loans (NPL) ratio <sup>6</sup>	2.1%	2.4%	2.9%	3.3%	3.6%	2.8%	3.0%	2.8%	2.4%
Asset encumbrance ratio	18.9%	18.3%	18.7%	17.3%	17.9%	18.2%	18.1%	17.6%	17.2%
<b>Financial strength</b>									
Equity as % of total assets	13.2%	13.4%	13.9%	13.7%	13.8%	14.3%	15.0%	14.4%	14.3%
<b>Liquidity</b>									
Liquidity coverage ratio (LCR)	187%	172%	196%	136%	179%	177%	155%	174%	185%
Liquidity coverage ratio (LCR) - Domestic currency	133%	93%	95%	96%	119%	n.a.	110%	n.a.	n.a.
Liquidity coverage ratio (LCR) - Foreign currencies	287%	235%	463%	405%	325%	324%	325%	484%	456%
Net stable funding ratio (NSFR) - All currencies	122%	119%	123%	113%	117%	120%	119%	117%	117%
Net stable funding ratio (NSFR) - Foreign currencies	154%	182%	179%	149%	147%	151%	156%	163%	179%
Term deposits % of total deposits	20.3%	24.4%	24.6%	25.0%	25.7%	27.4%	28.0%	28.5%	28.2%
Customer loans to customer deposits ratio	142%	147%	148%	139%	137%	143%	145%	149%	145%
<b>Capital</b>									
Tier 1 ratio	20.1%	19.2%	20.1%	19.4%	19.4%	19.2%	19.9%	19.0%	18.8%
Tier 2 ratio	2.8%	2.7%	2.9%	2.8%	2.8%	2.7%	2.5%	2.4%	2.6%
Total capital ratio	22.9%	21.9%	23.0%	22.2%	22.2%	21.9%	22.4%	21.4%	21.4%
Leverage ratio	12.4%	12.6%	13.6%	13.4%	13.4%	13.5%	14.2%	13.6%	13.4%
Risk exposure amount (ISKm)	924,375	954,712	933,521	942,339	923,133	911,375	884,550	912,843	911,784

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.

7. IPO costs in 1Q21 were not adjusted for in the 1Q21 results.

## Income statement - 9 quarter summary

ISK million	2Q21	1Q21	4Q20	3Q20	2Q20	1Q20	4Q19	3Q19	2Q19
Net interest income	8,417	8,190	8,258	8,305	8,228	8,580	8,291	8,190	8,404
Net fee and commission income	2,907	2,862	2,865	2,862	2,307	2,491	2,945	2,549	2,758
Net financial income (expense)	619	293	783	(255)	(181)	(1,738)	(840)	(602)	180
Net foreign exchange gain (loss)	95	130	87	101	208	55	116	159	(15)
Other operating income	82	123	63	44	71	19	920	37	27
Other net operating income	796	546	933	(110)	98	(1,664)	196	(406)	192
<b>Total operating income</b>	<b>12,120</b>	<b>11,598</b>	<b>12,056</b>	<b>11,057</b>	<b>10,633</b>	<b>9,407</b>	<b>11,432</b>	<b>10,333</b>	<b>11,354</b>
Administrative expenses	(6,488)	(5,852)	(6,073)	(5,110)	(5,871)	(5,692)	(6,447)	(5,608)	(6,220)
Contribution to the Depositors' and Investors' Guarantee Fund	(162)	(183)	(154)	(50)	(247)	(228)	(216)	(210)	(198)
Bank tax	(451)	(410)	(414)	(416)	(399)	(359)	(814)	(900)	(934)
<b>Total operating expenses</b>	<b>(7,101)</b>	<b>(6,445)</b>	<b>(6,641)</b>	<b>(5,576)</b>	<b>(6,517)</b>	<b>(6,279)</b>	<b>(7,477)</b>	<b>(6,718)</b>	<b>(7,352)</b>
<b>Profit before net impairment on financial assets</b>	<b>5,019</b>	<b>5,153</b>	<b>5,415</b>	<b>5,481</b>	<b>4,116</b>	<b>3,128</b>	<b>3,955</b>	<b>3,615</b>	<b>4,002</b>
Net impairment on financial assets	1,140	(518)	(1,829)	(1,058)	(2,439)	(3,490)	(1,463)	(208)	(902)
<b>Profit (loss) before tax</b>	<b>6,159</b>	<b>4,635</b>	<b>3,586</b>	<b>4,423</b>	<b>1,677</b>	<b>(362)</b>	<b>2,492</b>	<b>3,407</b>	<b>3,100</b>
Income tax expense	(769)	(1,036)	(234)	(1,350)	(119)	(769)	(659)	(1,328)	(726)
<b>Profit (loss) for the period from continuing operations</b>	<b>5,390</b>	<b>3,599</b>	<b>3,352</b>	<b>3,073</b>	<b>1,558</b>	<b>(1,131)</b>	<b>1,833</b>	<b>2,079</b>	<b>2,374</b>
Discontinued operations held for sale, net of income tax	41	16	173	288	(313)	(245)	(174)	7	(254)
<b>Profit (loss) for the period</b>	<b>5,431</b>	<b>3,615</b>	<b>3,525</b>	<b>3,361</b>	<b>1,245</b>	<b>(1,376)</b>	<b>1,659</b>	<b>2,086</b>	<b>2,120</b>

## Balance sheet - 9 quarter summary

ISK million	30.6.21	31.3.21	31.12.20	30.9.20	30.6.20	31.3.20	31.12.19	30.9.19	30.6.19
Cash and balances with Central Bank	130,968	88,748	78,948	95,022	103,569	123,062	146,638	129,115	122,794
Loans to credit institutions	57,793	103,333	89,920	61,898	70,307	84,263	54,376	66,409	77,387
Bonds and debt instruments	110,499	103,627	128,216	149,426	140,422	69,368	52,870	73,899	77,033
Derivatives	2,649	2,536	6,647	3,731	6,366	4,772	5,621	5,438	5,843
Loans to customers	1,089,723	1,029,415	1,006,717	970,309	933,320	923,850	899,632	909,175	894,446
Shares and equity instruments	31,751	25,763	14,851	14,657	10,943	12,496	18,426	19,200	19,176
Investments in associates	911	841	775	750	750	712	746	687	687
Property and equipment	7,246	7,191	7,341	7,409	7,549	8,015	9,168	9,442	9,504
Intangible assets	3,307	3,357	3,478	3,554	3,667	3,736	4,330	4,709	4,882
Other assets	10,474	17,566	4,125	17,159	6,370	5,154	6,608	15,781	18,224
Non-current assets and disposal groups held for sale	1,539	2,858	3,173	4,809	19,993	20,263	1,075	-	-
<b>Total Assets</b>	<b>1,446,860</b>	<b>1,385,235</b>	<b>1,344,191</b>	<b>1,328,724</b>	<b>1,303,256</b>	<b>1,255,691</b>	<b>1,199,490</b>	<b>1,233,855</b>	<b>1,229,976</b>
Deposits from Central Bank and credit institutions	32,240	31,565	39,758	36,438	35,461	33,773	30,925	31,808	19,830
Deposits from customers	765,614	698,575	679,455	698,610	681,223	647,795	618,313	610,281	615,869
Derivative instruments and short positions	10,079	9,533	6,936	8,406	7,519	12,045	6,219	7,910	6,903
Debt issued and other borrowed funds	398,786	398,225	387,274	324,752	321,803	322,280	306,381	331,938	337,473
Subordinated loans	25,297	25,259	27,194	26,798	25,834	24,456	22,674	21,993	23,431
Tax liabilities	6,025	5,947	5,450	7,137	6,438	8,155	7,853	10,127	8,674
Other liabilities	18,464	30,660	11,920	44,074	45,256	27,645	27,063	41,814	42,012
<b>Total Liabilities</b>	<b>1,256,505</b>	<b>1,199,764</b>	<b>1,157,987</b>	<b>1,146,215</b>	<b>1,123,534</b>	<b>1,076,149</b>	<b>1,019,428</b>	<b>1,055,871</b>	<b>1,054,192</b>
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	5,401	6,353	6,181	7,258	7,262	8,016	7,065	6,801	6,816
Retained earnings	119,535	113,335	113,529	108,383	105,681	104,349	105,569	103,785	101,534
Total Shareholder's Equity	189,936	184,688	184,710	180,641	177,943	177,365	177,634	175,586	173,350
Non-controlling interests	419	783	1,494	1,868	1,779	2,177	2,428	2,398	2,434
<b>Total Equity</b>	<b>190,355</b>	<b>185,471</b>	<b>186,204</b>	<b>182,509</b>	<b>179,722</b>	<b>179,542</b>	<b>180,062</b>	<b>177,984</b>	<b>175,784</b>
<b>Total Liabilities and Equity</b>	<b>1,446,860</b>	<b>1,385,235</b>	<b>1,344,191</b>	<b>1,328,724</b>	<b>1,303,256</b>	<b>1,255,691</b>	<b>1,199,490</b>	<b>1,233,855</b>	<b>1,229,976</b>

## Net interest income - 9 quarter summary

ISK million	2Q21	1Q21	4Q20	3Q20	2Q20	1Q20	4Q19	3Q19	2Q19
Cash and balances with Central Bank	153	105	105	235	408	1,002	1,009	993	1,184
Loans at amortised cost	14,775	12,241	12,511	13,001	14,026	12,090	13,273	13,194	15,208
Financial assets mandatorily at fair value through profit or loss	424	436	661	583	519	551	606	743	713
Other assets	1	2	-	1	-	2	14	10	12
<b>Total interest income</b>	<b>15,353</b>	<b>12,784</b>	<b>13,277</b>	<b>13,820</b>	<b>14,953</b>	<b>13,645</b>	<b>14,902</b>	<b>14,940</b>	<b>17,117</b>
Deposits from Central Bank and credit institutions	(98)	(93)	(124)	(192)	(199)	(221)	(237)	(159)	(122)
Deposits from customers	(1,925)	(1,195)	(1,376)	(1,625)	(2,236)	(2,463)	(3,064)	(3,475)	(4,660)
Debt issued and other borrowed funds at fair value through profit and loss	(179)	(185)	(162)	(150)	(154)	(142)	(176)	(184)	(194)
Debt issued and other borrowed funds at amortised cost	(4,096)	(2,651)	(2,826)	(2,979)	(3,327)	(2,047)	(2,414)	(2,271)	(2,914)
Subordinated loans	(176)	(163)	(193)	(211)	(193)	(166)	(160)	(168)	(93)
Other liabilities	(462)	(307)	(338)	(358)	(616)	(26)	(560)	(493)	(730)
<b>Total interest expense</b>	<b>(6,936)</b>	<b>(4,594)</b>	<b>(5,019)</b>	<b>(5,515)</b>	<b>(6,725)</b>	<b>(5,065)</b>	<b>(6,611)</b>	<b>(6,750)</b>	<b>(8,713)</b>
<b>Net interest income</b>	<b>8,417</b>	<b>8,190</b>	<b>8,258</b>	<b>8,305</b>	<b>8,228</b>	<b>8,580</b>	<b>8,291</b>	<b>8,190</b>	<b>8,404</b>
<b>Net interest income on loans</b>									
Personal Banking	1,892	1,885	1,794	1,562	1,354	1,155	1,062	968	939
Business Banking	1,967	1,973	2,042	2,038	1,932	1,690	1,605	1,493	1,475
Corporate & Investment Banking	1,975	1,881	1,848	1,829	1,726	1,587	1,447	1,305	1,259
<b>Total net interest income on loans</b>	<b>5,739</b>	<b>5,739</b>	<b>5,684</b>	<b>5,429</b>	<b>5,012</b>	<b>4,432</b>	<b>4,114</b>	<b>3,766</b>	<b>3,673</b>
<b>Net interest income on deposits</b>									
Personal Banking	1,062	1,003	987	1,041	1,283	1,450	1,462	1,484	1,455
Business Banking	634	584	599	586	658	784	858	915	937
Corporate & Investment Banking	510	201	168	220	253	288	272	265	251
<b>Total net interest income on deposits</b>	<b>1,788</b>	<b>1,788</b>	<b>1,754</b>	<b>1,847</b>	<b>2,194</b>	<b>2,522</b>	<b>2,592</b>	<b>2,664</b>	<b>2,643</b>

## Net fee and commission income - 9 quarter summary

ISK million	2Q21	1Q21	4Q20	3Q20	2Q20	1Q20	4Q19	3Q19	2Q19
Asset management	769	655	636	576	605	565	590	512	575
Investment banking and brokerage	689	660	656	684	576	571	688	598	613
Payment processing	1,154	945	1,081	1,697	786	814	987	947	1,046
Loans and guarantees	526	538	690	514	427	383	389	367	376
Other fee and commission income	391	509	410	322	228	430	734	373	385
<b>Total fee and commission income</b>	<b>3,529</b>	<b>3,307</b>	<b>3,473</b>	<b>3,793</b>	<b>2,622</b>	<b>2,763</b>	<b>3,388</b>	<b>2,797</b>	<b>2,995</b>
Brokerage	(136)	(90)	(127)	(67)	(113)	(53)	(128)	(65)	(75)
Clearing and settlement	(486)	(349)	(481)	(864)	(202)	(219)	(324)	(174)	(174)
Other fee and commission expense	-	(6)	-	-	-	-	9	(9)	12
<b>Total fee and commission expense</b>	<b>(622)</b>	<b>(445)</b>	<b>(608)</b>	<b>(931)</b>	<b>(315)</b>	<b>(272)</b>	<b>(443)</b>	<b>(248)</b>	<b>(237)</b>
<b>Net fee and commission income</b>	<b>2,907</b>	<b>2,862</b>	<b>2,865</b>	<b>2,862</b>	<b>2,307</b>	<b>2,491</b>	<b>2,945</b>	<b>2,549</b>	<b>2,758</b>



## Loans to customers - 9 quarter summary

<b>ISK million</b>	<b>30.6.21</b>	<b>31.3.21</b>	<b>31.12.20</b>	<b>30.9.20</b>	<b>30.6.20</b>	<b>31.3.20</b>	<b>31.12.19</b>	<b>30.9.19</b>	<b>30.6.19</b>
Individuals	501,025	468,256	437,377	379,966	355,524	347,539	349,181	345,234	334,749
Commerce and services	175,647	119,916	124,260	121,951	122,581	127,887	126,488	130,879	135,041
Construction	38,987	41,186	42,352	44,550	46,463	45,621	44,420	33,865	33,445
Energy	9,239	8,543	8,673	8,316	8,344	8,024	7,887	6,803	6,934
Financial services	1,440	1,418	1,539	1,776	2,239	1,436	2,315	2,768	23
Industrial and transportation	91,670	76,262	78,561	82,458	83,731	84,709	82,288	84,127	81,784
Investment companies	23,805	22,337	23,440	24,747	24,578	25,184	23,590	27,507	26,052
Public sector and non-profit organisations	10,113	10,497	10,911	11,622	11,641	11,339	12,312	11,615	11,453
Real estate	120,276	157,451	157,502	165,370	150,090	149,138	145,559	156,548	153,077
Seafood	117,521	123,549	122,102	129,553	128,129	122,973	105,592	109,829	111,888
<b>Loans to customers</b>	<b>1,089,723</b>	<b>1,029,415</b>	<b>1,006,717</b>	<b>970,309</b>	<b>933,320</b>	<b>923,850</b>	<b>899,632</b>	<b>909,175</b>	<b>894,446</b>
<b>Loans to customers - by product</b>									
Overdrafts	42,236	39,512	42,212	43,294	47,513	44,929	48,938	54,510	51,836
Credit cards	17,308	14,811	16,888	16,060	16,704	15,621	19,026	19,777	17,492
Mortgages	439,797	410,781	377,155	316,896	293,838	285,670	281,499	274,186	267,762
Capital leases	43,377	41,905	44,194	45,514	45,039	47,872	45,623	46,583	50,588
Government guarantee schemes	4,189	3,986	3,594	1,658	-	-	-	-	-
Other loans	542,816	518,420	522,674	546,887	530,226	529,758	504,546	514,119	506,768
<b>Loans to customers</b>	<b>1,089,723</b>	<b>1,029,415</b>	<b>1,006,717</b>	<b>970,309</b>	<b>933,320</b>	<b>923,850</b>	<b>899,632</b>	<b>909,175</b>	<b>894,446</b>

## Capital and risk exposure amount - 9 quarter summary

ISK million	30.6.21	31.3.21	31.12.20	30.9.20	30.6.20	31.3.20	31.12.19	30.9.19	30.6.19
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	5,401	6,353	6,181	7,258	7,262	8,016	7,065	6,801	6,816
Retained earnings	119,535	113,335	113,529	108,383	105,681	104,349	105,569	103,785	101,534
Non-controlling interests	419	783	1,494	1,868	1,779	2,177	2,428	2,398	2,434
IFRS 9 reversal due to transitional rules	3,699	3,853	5,164	4,088	3,810	-	-	-	-
Fair value changes due to own credit standing	958	434	238	(239)	(427)	(773)	392	731	760
Expected or proposed dividend payment	(4,271)	(1,725)	-	-	-	-	-	-	-
Tax assets	(1,200)	(1,087)	(259)	(173)	(88)	(30)	(476)	(445)	(394)
Intangible assets	(3,307)	(3,357)	(3,478)	(3,554)	(3,667)	(3,736)	(4,330)	(4,709)	(4,882)
Other regulatory adjustments	-	-	-	-	-	-	-	-	-
<b>Total CET1 capital</b>	<b>186,234</b>	<b>183,589</b>	<b>187,869</b>	<b>182,631</b>	<b>179,350</b>	<b>175,003</b>	<b>175,648</b>	<b>173,561</b>	<b>171,268</b>
Tier 2 capital									
Qualifying subordinated loans	25,297	25,259	27,194	26,798	25,834	24,456	22,674	21,993	23,431
<b>Total regulatory capital</b>	<b>211,531</b>	<b>208,848</b>	<b>215,063</b>	<b>209,429</b>	<b>205,184</b>	<b>199,458</b>	<b>198,322</b>	<b>195,554</b>	<b>194,699</b>
Risk exposure amount									
- due to credit risk	819,122	851,309	830,141	836,662	821,457	811,936	789,180	815,266	809,840
- due to market risk:	18,566	17,447	16,626	18,748	14,435	12,350	7,919	10,482	13,988
Market risk, trading book	16,274	14,062	11,306	15,281	12,024	9,095	6,488	8,736	10,072
Currency risk	2,292	3,385	5,320	3,467	2,411	3,255	1,431	1,746	3,916
- due to credit valuation adjustment	1,661	930	1,728	1,505	1,817	1,665	2,027	1,954	2,815
- due to operational risk	85,026	85,026	85,026	85,424	85,424	85,424	85,424	85,141	85,141
<b>Total risk exposure amount</b>	<b>924,375</b>	<b>954,712</b>	<b>933,521</b>	<b>942,339</b>	<b>923,133</b>	<b>911,375</b>	<b>884,550</b>	<b>912,843</b>	<b>911,784</b>
Capital ratios									
Tier 1 ratio	20.1%	19.2%	20.1%	19.4%	19.4%	19.2%	19.9%	19.0%	18.8%
Tier 2 ratio	2.8%	2.7%	2.9%	2.8%	2.8%	2.7%	2.5%	2.4%	2.6%
Total capital ratio	22.9%	21.9%	23.0%	22.2%	22.2%	21.9%	22.4%	21.4%	21.4%
Leverage ratio	12.4%	12.6%	13.6%	13.4%	13.4%	13.5%	14.2%	13.6%	13.4%

## Average balances - 9 quarter summary

ISK million	30.6.21	31.3.21	31.12.20	30.9.20	30.6.20	31.3.20	31.12.19	30.9.19	30.6.19
<b>Average assets</b>									
Personal Banking	469,726	439,696	395,822	352,537	335,158	332,523	330,340	321,852	312,744
Business Banking	237,992	235,390	238,179	238,376	238,687	235,938	235,601	237,976	235,347
Corporate & Investment Banking	368,735	357,527	369,606	370,135	361,538	345,602	341,460	349,150	341,768
Íslandsbanki	1,397,070	1,360,832	1,326,162	1,310,526	1,285,319	1,227,167	1,221,755	1,228,714	1,209,152
<b>Average equity</b>									
Personal Banking	35,051	35,157	32,695	29,837	30,192	30,637	29,765	28,947	28,067
Business Banking	37,803	37,486	38,305	38,032	38,536	39,479	39,246	39,401	38,585
Corporate & Investment Banking	63,251	62,325	63,989	62,166	61,944	59,102	59,630	59,932	59,203
Íslandsbanki	187,638	186,690	184,489	180,698	179,761	180,651	178,999	177,261	174,541
<b>Average loans to customers</b>									
Personal Banking	466,541	436,336	391,334	347,944	331,929	329,133	327,458	319,925	310,297
Business Banking	235,871	233,281	235,927	235,921	235,820	232,786	232,459	234,609	231,734
Corporate & Investment Banking	362,002	351,879	365,229	366,410	357,988	338,908	340,941	342,634	335,788
Íslandsbanki <sup>1</sup>	1,064,414	1,021,496	992,490	950,275	925,737	900,826	900,858	897,168	877,819
<b>Average deposits from customers</b>									
Personal Banking	334,044	324,613	317,155	310,144	305,232	293,117	285,445	278,734	278,258
Business Banking	200,692	192,024	195,641	191,660	180,183	169,702	172,685	172,649	172,820
Corporate & Investment Banking	136,005	137,747	136,071	146,686	131,423	115,840	106,500	111,106	109,229
Íslandsbanki <sup>1</sup>	670,741	654,384	648,866	648,490	616,838	578,660	564,631	562,490	560,308

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

1. Sum of average loans to customers and sum of average deposits for Personal Banking, Business Banking and Corporate & Investment Banking

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

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

	2Q21	1Q21	4Q20	3Q20	2Q20	1Q20	4Q19	3Q19	2Q19
<b>YoY change, %</b>									
GDP growth	-1.7	-5.1	-9.1	-10.1	-1.9	4.2	1.0	2.8	-0.3
Total investment	-2.9	-4.6	-10.5	-14.1	4.9	-4.2	2.9	-8.2	-18.9
Business investment	-4.9	-12.1	-17.8	-12.7	14.1	0.6	-5.3	-26.9	-35.9
Residential investment	-8.8	11.6	1.0	-11.6	-4.4	13.4	51.8	41.3	21.8
Personal consumption	0.8	-3.1	-2.2	-8.7	1.2	1.1	2.6	1.1	2.6
Unemployment rate, % of workforce	11.3	7.6	5.8	7.9	4.4	3.3	3.5	4.4	3.0
Current account, % of GDP	-3.8	2.8	0.4	-0.8	1.7	6.6	8.8	2.9	7.2
International investment position, % of GDP	36.2	35.3	32.4	27.3	22.0	21.7	20.1	17.2	18.1
Gross general govt. debt, % of GDP		79.9				68.3			
Household debt, gross, % of GDP	85.7	84.2	81.7	78.3	75.6	74.1	74.6	74.8	75.2
Corporate debt, gross, % of GDP	87.8	89.4	91.8	89.5	88.0	83.0	85.2	88.1	90.0
<b>YoY change, %</b>									
Inflation	4.2	3.6	3.2	2.5	2.1	2.5	3.1	3.4	3.1
Residential real estate price index	4.2	3.5	4.1	3.6	2.6	1.9	0.2	1.3	2.1
Wages	10.5	7.2	6.5	6.7	4.9	4.3	4.3	5.4	5.7
Real wages	6	3.5	3.1	4.1	2.8	1.7	1.2	1.9	2.5
ISK index, average	200.0	206.3	207.8	203.2	186.4	180.6	182.1	181.8	179.2
Central bank policy rate (1W)	0.75	0.9	1.0	1.0	1.8	3.1	3.6	4.3	4.5
Long-term nominal yield	3.5	3.1	2.6	2.5	3.1	3.6	3.8	4.2	5.2
Long-term real yield	0.6	0.5	-0.4	0.0	0.5	0.8	0.8	1.1	1.4

## Other

<b>Currencies</b>	<b>30.6.21</b>	<b>31.3.21</b>	<b>31.12.20</b>	<b>30.9.20</b>	<b>30.6.20</b>	<b>31.3.20</b>	<b>31.12.19</b>	<b>30.9.19</b>	<b>30.6.19</b>
<b>Currencies</b>									
USD	123.2	126.3	127.2	138.5	138.6	141.7	121.1	123.7	124.5
GBP	170.7	173.8	173.6	177.7	170.2	175.2	159.4	152.2	157.8
EUR	146.5	148.1	156.1	162.2	155.4	155.3	135.8	135.1	141.7
DKK	19.7	19.9	21.0	21.8	20.9	20.8	18.2	18.1	19.0
SEK	14.5	14.5	15.6	15.4	14.8	14.0	13.0	12.6	13.4
CHF	133.4	133.8	144.4	150.1	145.8	146.8	125.1	124.3	127.7

## Attractive and achievable financial targets

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

	Financial targets	2Q21	1Q21	2020	Guidance
<b>Return on equity<sup>1</sup></b>	<b>8-10% by 2023 &gt;10% long-term</b>	11.6% ✓	7.7%	3.7%	<ul style="list-style-type: none"> <li>— Based on average expected risk-free rates through the business cycle</li> <li>— The Bank has a clearly identified path to ROE improvements, supported by a clear action plan and economic recovery</li> <li>— <b>The Bank assumes the loan book will grow in line with nominal GDP on average through the business cycle</b></li> </ul>
<b>Cost-to-income ratio<sup>2</sup></b>	<b>&lt;45% by 2023</b>	49.9% ✓	51.3% ✓	54.3% ✓	<ul style="list-style-type: none"> <li>— The Bank continues to invest in IT infrastructure and process efficiency to improve the C/I ratio in the medium to long-term</li> <li>— Costs to remain broadly flat over the next 3 years</li> </ul>
<b>CET1 capital ratio</b>	<b>&gt;16%</b>	20.1% ✓	19.2% ✓	20.1% ✓	<ul style="list-style-type: none"> <li>— Based on current regulatory requirements and management buffer of 50-200bps, the CET1 target range is currently 13.2-14.7%</li> <li>— Assuming that the countercyclical buffer increases from 0% to 2%</li> <li>— <b>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</b></li> </ul>
<b>Total capital ratio</b>	<b>18.3-19.8%</b>	22.9% ✓	21.9% ✓	23.0% ✓	<ul style="list-style-type: none"> <li>— Based on current regulatory requirements and management buffer of 50-200bps</li> <li>— Long term target range is 19.5-21.0%, assuming that the countercyclical buffer increases from 0% to 2% and the COVID-19 effects on the Pillar 2-R requirements is reversed</li> <li>— <b>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)</b></li> </ul>
<b>Dividend payout ratio</b>	<b>c. 50%</b>			50% ✓	<ul style="list-style-type: none"> <li>— Target for annual regular dividend</li> <li>— Excess capital to support further dividend payments, buybacks, and/or ROE enhancing growth</li> <li>— Additional capital return to approach capital targets over the medium term</li> </ul>

1. ROE excluding one-off cost is 12.6% for 2Q21, one-off cost for 2Q21 is 627m. 2. Calculated as (Administrative expenses + Contribution to the Depositors' and Investors' Guarantee Fund – One-off items) / (Total operating income – One-off items). IPO costs in 1Q21 were not adjusted for in the 1Q21 results.

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



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