



# Íslandsbanki Factbook

## Contents

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

## Investor relations

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Investor relations web-site

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

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#### Investor call in English on Thursday 30 July 2020 at 9.30 AM (GMT)

The Bank will host an investor call in English at 9.30 AM (GMT) on Thursday, 30 July.

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](mailto:ir@islandsbanki.is)

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

#### Additional investor material

All presentation 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:

3Q2020 results — 28 October 2020

Q4/Annual 2020 results — 10 February 2021

Please note that these dates are subject to change.

## Key performance indicators - 5 years

|  | 1H20    | 2019    | 2018    | 2017    | 2016    |
|--|---------|---------|---------|---------|---------|
| <b>Profitability</b>                                 |         |         |         |         |         |
| Return on equity (after tax)                         | -0.1%   | 4.8%    | 6.1%    | 7.5%    | 10.2%   |
| Return on assets                                     | 0.0%    | 0.7%    | 1.0%    | 1.3%    | 1.9%    |
| Earnings per share                                   | 0.07    | 0.89    | 1.01    | 1.10    | 1.40    |
| Core income / total operating income*                | 1.08    | 0.97    | 0.98    | 0.99    | 0.86    |
| <b>Net interest margin</b>                           |         |         |         |         |         |
| Net interest margin on total assets                  | 2.7%    | 2.7%    | 2.9%    | 2.9%    | 3.1%    |
| <b>Efficiency</b>                                    |         |         |         |         |         |
| Cost-to-income ratio**                               | 60.1%   | 58.8%   | 66.3%   | 62.5%   | 56.9%   |
| Number of FTEs at period end - Consolidated***       | 980     | 984     | 1,075   | 1,042   | 1,075   |
| Number of FTEs at period end - Parent***             | 735     | 749     | 834     | 860     | 910     |
| Number of branches at period end                     | 12      | 14      | 14      | 14      | 15      |
| <b>Assets</b>  |         |         |         |         |         |
| Loans to customers (ISKm)                            | 933,320 | 899,632 | 846,599 | 755,175 | 687,840 |
| LTV on mortgages to individuals                      | 63.0%   | 62.0%   | 61.0%   | 63.3%   | 67.2%   |
| Risk exposure amount / total assets                  | 70.8%   | 73.7%   | 74.8%   | 74.9%   | 67.2%   |
| <b>Financial strength</b>                            |         |         |         |         |         |
| Equity as % of total assets                          | 13.8%   | 15.0%   | 15.6%   | 17.5%   | 17.1%   |
| <b>Liquidity</b>                                     |         |         |         |         |         |
| Liquidity coverage ratio (LCR) - All currencies      | 179%    | 155%    | 172%    | 142%    | 200%    |
| Liquidity coverage ratio (LCR) - Foreign currencies  | 325%    | 325%    | 544%    | 155%    | 347%    |
| Net stable funding ratio (NSFR) - All currencies     | 117%    | 119%    | 114%    | 117%    | 123%    |
| Net stable funding ratio (NSFR) - Foreign currencies | 147%    | 156%    | 149%    | 122%    | 144%    |
| Term deposits % of total deposits                    | 25.7%   | 28.0%   | 27.1%   | 29.4%   | 35.0%   |
| Customer loans to customer deposits ratio            | 137.0%  | 145.5%  | 146.2%  | 133.2%  | 115.8%  |
| <b>Capital</b>                                       |         |         |         |         |         |
| Tier 1 ratio   | 19.4%   | 19.9%   | 20.3%   | 22.6%   | 24.9%   |
| Tier 2 ratio   | 2.8%    | 2.5%    | 1.9%    | 1.5%    | 0.3%    |
| Total capital ratio                                  | 22.2%   | 22.4%   | 22.2%   | 24.1%   | 25.2%   |
| Leverage ratio                                       | 13.4%   | 14.2%   | 14.6%   | 16.2%   | 16.0%   |
| Risk exposure amount (ISKm)                          | 923,133 | 884,550 | 845,949 | 775,492 | 704,177 |

\* Core income is defined as net interest income plus net fee & commission income

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

\*\*\* Numbers exclude seasonal employees

## Income statement - 5 year summary

| ISK million   | 1H20            | 2019            | 2018            | 2017            | 2016            |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|
| Interest income   | 28,598          | 61,965          | 61,675          | 56,767          | 60,503          |
| Interest expense  | (11,790)        | (29,143)        | (29,738)        | (26,768)        | (28,701)        |
| Net interest income   | 16,808          | 32,822          | 31,937          | 29,999          | 31,802          |
| Fee and commission income                                     | 5,385           | 12,052          | 19,853          | 20,855          | 21,818          |
| Fee and commission expense                                    | (587)           | (1,153)         | (7,626)         | (7,105)         | (8,095)         |
| Net fee and commission income                                 | 4,798           | 10,899          | 12,227          | 13,750          | 13,723          |
| Net financial income (expense)                                | (1,919)         | (820)           | (962)           | (715)           | 6,096           |
| Net foreign exchange gain                                     | 263             | 139             | 1               | 527             | 443             |
| Other operating income  | 90              | 2,125           | 1,784           | 628             | 652             |
| Other net operating income                                    | (1,566)         | 1,444           | 823             | 440             | 7,191           |
| <b>Total operating income</b>                                 | <b>20,040</b>   | <b>45,165</b>   | <b>44,987</b>   | <b>44,189</b>   | <b>52,716</b>   |
| Administrative expenses                                       | (11,563)        | (24,488)        | (27,650)        | (26,968)        | (27,121)        |
| Contribution to the Depositors' and Investors' Guarantee Fund | (475)           | (936)           | (1,173)         | (1,083)         | (1,063)         |
| Bank tax  | (758)           | (3,528)         | (3,281)         | (2,892)         | (2,843)         |
| <b>Total operating expenses</b>                               | <b>(12,796)</b> | <b>(28,952)</b> | <b>(32,104)</b> | <b>(30,943)</b> | <b>(31,027)</b> |
| Profit before net impairment on financial assets              | 7,244           | 16,213          | 12,883          | 13,246          | 21,689          |
| Net impairment on financial assets                            | (5,929)         | (3,480)         | 1,584           | 1,556           | 735             |
| <b>Profit before tax</b>                                      | <b>1,315</b>    | <b>12,733</b>   | <b>14,467</b>   | <b>14,802</b>   | <b>22,424</b>   |
| Income tax expense  | (888)           | (3,909)         | (4,734)         | (4,151)         | (5,205)         |
| <b>Profit for the period from continuing operations</b>       | <b>427</b>      | <b>8,824</b>    | <b>9,733</b>    | <b>10,651</b>   | <b>17,219</b>   |
| Discontinued operations, net of income tax                    | (558)           | (370)           | 912             | 2,575           | 2,939           |
| <b>Profit (loss) for the period</b>                           | <b>(131)</b>    | <b>8,454</b>    | <b>10,645</b>   | <b>13,226</b>   | <b>20,158</b>   |
| Basic earnings per share from profit (loss) for the period    | 0.07            | 0.89            | 1.01            | 1.10            | 1.40            |

## Balance sheet - 5 year summary

| ISK million   | 30.6.2020        | 2019             | 2018             | 2017             | 2016             |
|---|------------------|------------------|------------------|------------------|------------------|
| Cash and balances with Central Bank                       | 103,569          | 146,638          | 135,056          | 189,045          | 275,453          |
| Loans to credit institutions                              | 70,307           | 54,376           | 41,577           | 26,617           | 17,645           |
| Bonds and debt instruments                                | 140,422          | 52,870           | 69,415           | 27,090           | 31,256           |
| Derivatives   | 6,366            | 5,621            | 4,550            | 2,896            | 1,953            |
| Loans to customers  | 933,320          | 899,632          | 846,599          | 755,175          | 687,840          |
| Shares and equity instruments                             | 10,943           | 18,426           | 13,074           | 10,177           | 10,626           |
| Investments in associates                                 | 750              | 746              | 682              | 704              | 450              |
| Property and equipment                                    | 7,549            | 9,168            | 5,271            | 7,128            | 6,211            |
| Intangible assets   | 3,667            | 4,330            | 5,002            | 4,231            | 2,672            |
| Other assets  | 6,370            | 6,608            | 9,177            | 12,759           | 13,448           |
| Non-current assets and disposal groups held for sale      | 19,993           | 1,075            | -                | -                | -                |
| <b>Total Assets</b>                                       | <b>1,303,256</b> | <b>1,199,490</b> | <b>1,130,403</b> | <b>1,035,822</b> | <b>1,047,554</b> |
| Deposits from Central Bank and credit institutions        | 35,461           | 30,925           | 15,619           | 11,189           | 4,922            |
| Deposits from customers                                   | 681,223          | 618,313          | 578,959          | 567,029          | 594,187          |
| Derivative instruments and short positions                | 7,519            | 6,219            | 5,521            | 5,492            | 4,798            |
| Debt issued and other borrowed funds                      | 321,803          | 306,381          | 300,976          | 217,748          | 212,468          |
| Subordinated loans  | 25,834           | 22,674           | 16,216           | 9,505            | -                |
| Tax liabilities   | 6,438            | 7,853            | 7,150            | 7,787            | 8,473            |
| Other liabilities   | 29,935           | 27,063           | 29,649           | 36,027           | 43,781           |
| Non-current liabilities and disposal groups held for sale | 15,321           | -                | -                | -                | -                |
| <b>Total Liabilities</b>                                  | <b>1,123,534</b> | <b>1,019,428</b> | <b>954,090</b>   | <b>854,777</b>   | <b>868,629</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  | 7,262            | 7,065            | 6,499            | 6,179            | 4,139            |
| Retained earnings   | 105,681          | 105,569          | 102,496          | 107,387          | 105,563          |
| Total Shareholder's Equity                                | 177,943          | 177,634          | 173,995          | 178,566          | 174,702          |
| Non-controlling interests                                 | 1,779            | 2,428            | 2,318            | 2,479            | 4,223            |
| <b>Total Equity</b>                                       | <b>179,722</b>   | <b>180,062</b>   | <b>176,313</b>   | <b>181,045</b>   | <b>178,925</b>   |
| <b>Total Liabilities and Equity</b>                       | <b>1,303,256</b> | <b>1,199,490</b> | <b>1,130,403</b> | <b>1,035,822</b> | <b>1,047,554</b> |

## Net interest income - 5 year summary

| ISK million  | 1H20            | 2019            | 2018            | 2017            | 2016            |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|
| Cash and balances with Central Bank  | 1,410           | 4,452           | 7,279           | 10,541          | 11,507          |
| Loans at amortised cost  | 26,116          | 54,837          | 52,462          | 45,162          | 47,084          |
| Financial assets mandatorily at fair value through profit or loss                                    | 1,070           | 2,630           | 1,825           | -               | -               |
| Financial assets designated at fair value through profit or loss                                     | -               | -               | -               | 50              | 1,672           |
| Financial assets held for trading  | -               | -               | -               | 879             | 99              |
| Other assets   | 2               | 46              | 109             | 135             | 141             |
| <b>Total interest income</b>   | <b>28,598</b>   | <b>61,965</b>   | <b>61,675</b>   | <b>56,767</b>   | <b>60,503</b>   |
| Deposits from Central Bank and credit institutions   | (420)           | (625)           | (409)           | (170)           | (275)           |
| Deposits from customers  | (4,699)         | (15,242)        | (16,539)        | (17,461)        | (20,382)        |
| Debt issued and other borrowed funds at fair value through profit and loss                           | (296)           | (734)           | (963)           | -               | -               |
| Debt issued and other borrowed funds at amortised cost   | (5,374)         | (9,818)         | (9,035)         | (8,107)         | (7,384)         |
| Subordinated loans   | (359)           | (501)           | (198)           | (14)            | (627)           |
| Other interest expense   | (642)           | (2,223)         | (2,594)         | (1,016)         | (33)            |
| <b>Total interest expense</b>  | <b>(11,790)</b> | <b>(29,143)</b> | <b>(29,738)</b> | <b>(26,768)</b> | <b>(28,701)</b> |
| <b>Net interest income</b>   | <b>16,808</b>   | <b>32,822</b>   | <b>31,937</b>   | <b>29,999</b>   | <b>31,802</b>   |
| Interest spread (as the ratio of net interest income to the average carrying amount of total assets) | 2.7%            | 2.7%            | 2.9%            | 2.9%            | 3.1%            |

## Net fee & commission income - 5 year summary

| ISK million                             | 1H20         | 2019           | 2018           | 2017           | 2016           |
|---|--------------|----------------|----------------|----------------|----------------|
| Asset management                        | 1,170        | 2,225          | 2,116          | 1,964          | 1,757          |
| Investment banking and brokerage        | 1,147        | 2,430          | 2,303          | 2,280          | 1,987          |
| Payment processing                      | 1,600        | 3,810          | 12,065         | 13,094         | 14,705         |
| Loans and guarantees                    | 810          | 1,510          | 1,467          | 1,427          | 1,449          |
| Other fee and commission income         | 658          | 2,077          | 1,902          | 2,090          | 1,920          |
| <b>Total fees and commission income</b> | <b>5,385</b> | <b>12,052</b>  | <b>19,853</b>  | <b>20,855</b>  | <b>21,818</b>  |
| Brokerage                               | (166)        | (337)          | (300)          | (128)          | (109)          |
| Clearing and settlement                 | (421)        | (806)          | (7,302)        | (6,956)        | (7,963)        |
| Other fee and commission expense        | -            | (10)           | (24)           | (21)           | (23)           |
| <b>Total fee and commission expense</b> | <b>(587)</b> | <b>(1,153)</b> | <b>(7,626)</b> | <b>(7,105)</b> | <b>(8,095)</b> |
| <b>Net fee and commission income</b>    | <b>4,798</b> | <b>10,899</b>  | <b>12,227</b>  | <b>13,750</b>  | <b>13,723</b>  |



## Loans to customers - 5 year summary

| ISK million  | 30.6.2020      | 2019           | 2018           | 2017           | 2016           |
|--|----------------|----------------|----------------|----------------|----------------|
| Individuals  | 355,524        | 349,181        | 319,390        | 299,350        | 286,177        |
| Commerce and services  | 122,581        | 126,488        | 124,242        | 112,144        | 97,943         |
| Construction   | 46,463         | 44,420         | 29,095         | 24,797         | 27,878         |
| Energy   | 8,344          | 7,887          | 6,858          | 7,109          | 7,216          |
| Financial services   | 2,239          | 2,315          | 1,704          | 26             | 85             |
| Industrial and transportation                                    | 83,731         | 82,288         | 79,824         | 69,961         | 63,090         |
| Investment companies   | 24,578         | 23,590         | 23,799         | 19,726         | 14,402         |
| Public sector and non-profit organisations                       | 11,641         | 12,312         | 12,087         | 11,871         | 12,835         |
| Real estate  | 150,090        | 145,559        | 142,885        | 127,067        | 100,020        |
| Seafood  | 128,129        | 105,592        | 106,715        | 84,853         | 80,243         |
| <b>Loans to customers before collective impairment allowance</b> | <b>933,320</b> | <b>899,632</b> | <b>846,599</b> | <b>756,904</b> | <b>689,889</b> |
| Collective impairment allowance                                  | -              | -              | -              | (1,729)        | (2,049)        |
| <b>Loans to customers</b>  | <b>933,320</b> | <b>899,632</b> | <b>846,599</b> | <b>755,175</b> | <b>687,840</b> |

### Loans to customers - by product

|  |                |                |                |                |                |
|--|----------------|----------------|----------------|----------------|----------------|
| Overdrafts   | 47,513         | 48,938         | 48,581         | 45,650         | 45,383         |
| Credit cards   | 16,704         | 19,026         | 18,242         | 18,800         | 19,188         |
| Mortgages  | 293,838        | 281,499        | 249,296        | 225,765        | 211,233        |
| Capital leases   | 45,039         | 45,623         | 45,116         | 40,765         | 40,415         |
| Other loans  | 530,226        | 504,546        | 485,364        | 425,924        | 373,670        |
| <b>Loans to customers before collective impairment allowance</b> | <b>933,320</b> | <b>899,632</b> | <b>846,599</b> | <b>756,904</b> | <b>689,889</b> |
| Collective impairment allowance                                  | -              | -              | -              | (1,729)        | (2,049)        |
| <b>Loans to customers</b>  | <b>933,320</b> | <b>899,632</b> | <b>846,599</b> | <b>755,175</b> | <b>687,840</b> |

## Capital and risk exposure amount - 5 year summary

| ISK million                                   | 30.6.2020      | 2019           | 2018           | 2017           | 2016           |
|---|----------------|----------------|----------------|----------------|----------------|
| 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                                      | 7,262          | 7,065          | 6,499          | 6,179          | 4,139          |
| Retained earnings                             | 105,681        | 105,569        | 102,496        | 107,387        | 105,563        |
| Non-controlling interests                     | 1,779          | 2,428          | 2,318          | 2,479          | 4,223          |
| IFRS 9 reversal due to transitional rules     | 3,810          | -              | -              | -              | -              |
| Fair value changes due to own credit standing | (427)          | 392            | 376            | -              | -              |
| Tax assets                                    | (88)           | (476)          | (215)          | (4)            | (4)            |
| Intangible assets                             | (3,667)        | (4,330)        | (5,002)        | (4,231)        | (2,672)        |
| Other regulatory adjustments                  | -              | -              | -              | (1,285)        | (924)          |
| <b>Total CET1 capital</b>                     | <b>179,350</b> | <b>175,648</b> | <b>171,472</b> | <b>175,525</b> | <b>175,325</b> |
| Tier 2 capital                                |                |                |                |                |                |
| Qualifying subordinated liabilities           | 25,834         | 22,674         | 16,216         | 9,505          | -              |
| General credit risk adjustments               | -              | -              | -              | 1,729          | 2,049          |
| <b>Total capital base</b>                     | <b>205,184</b> | <b>198,322</b> | <b>187,688</b> | <b>186,759</b> | <b>177,374</b> |
| Risk exposure amount                          |                |                |                |                |                |
| - due to credit risk                          | 821,457        | 789,180        | 750,801        | 682,525        | 615,465        |
| - due to market risk:                         | 14,435         | 7,919          | 7,622          | 8,102          | 7,243          |
| Market risk, trading book                     | 12,024         | 6,488          | 6,649          | 6,709          | 6,418          |
| Currency risk                                 | 2,411          | 1,431          | 973            | 1,393          | 825            |
| - due to credit valuation adjustment          | 1,817          | 2,027          | 2,385          | 1,534          | -              |
| - due to operational risk                     | 85,424         | 85,424         | 85,141         | 83,331         | 81,469         |
| <b>Total risk exposure amount</b>             | <b>923,133</b> | <b>884,550</b> | <b>845,949</b> | <b>775,492</b> | <b>704,177</b> |
| <b>Capital ratios</b>                         |                |                |                |                |                |
| Tier 1 ratio                                  | 19.4%          | 19.9%          | 20.3%          | 22.6%          | 24.9%          |
| Tier 2 ratio                                  | 2.8%           | 2.5%           | 2.5%           | 1.5%           | 0.3%           |
| Total capital ratio                           | 22.2%          | 22.4%          | 22.2%          | 24.1%          | 25.2%          |
| Leverage ratio                                | 13.4%          | 14.2%          | 14.6%          | 16.2%          | 16.0%          |

| Key performance indicators - 9 quarters              | Q2      | Q1      | Q4      | Q3      | Q2      | Q1      | Q4      | Q3      | Q2      |
|--|---------|---------|---------|---------|---------|---------|---------|---------|---------|
|  | 2020    | 2020    | 2019    | 2019    | 2019    | 2019    | 2018    | 2018    | 2018    |
| <b>Profitability</b>                                 |         |         |         |         |         |         |         |         |         |
| Return on equity (after tax)                         | 2.8%    | -3.0%   | 3.7%    | 4.7%    | 4.9%    | 5.9%    | 3.2%    | 4.7%    | 11.6%   |
| Return on assets                                     | 0.0%    | -0.4%   | 0.5%    | 0.7%    | 0.7%    | 0.9%    | 0.5%    | 0.7%    | 1.8%    |
| Earnings per share                                   | 0.17    | -0.10   | 0.18    | 0.21    | 0.24    | 0.26    | 0.15    | 0.21    | 0.51    |
| <b>Net interest margin</b>                           |         |         |         |         |         |         |         |         |         |
| Net interest margin on total assets                  | 2.6%    | 2.8%    | 2.7%    | 2.7%    | 2.8%    | 2.7%    | 3.0%    | 3.0%    | 2.8%    |
| <b>Efficiency</b>                                    |         |         |         |         |         |         |         |         |         |
| Cost-to-income ratio*                                | 57.5%   | 62.9%   | 62.9%   | 56.3%   | 56.5%   | 59.6%   | 68.5%   | 62.1%   | 65.0%   |
| Number of FTEs at period end - Consolidated**        | 980     | 980     | 984     | 1,022   | 1,053   | 1,078   | 1,075   | 1,075   | 1,013   |
| Number of FTEs at period end - Parent co.**          | 735     | 746     | 749     | 784     | 806     | 834     | 835     | 835     | 841     |
| <b>Asset quality</b>                                 |         |         |         |         |         |         |         |         |         |
| Loans to customers (ISKm)                            | 933,320 | 923,850 | 899,632 | 909,175 | 894,446 | 873,530 | 846,599 | 835,582 | 799,938 |
| LTV on mortgages to individuals                      | 63.0%   | 62.0%   | 62.0%   | 61.0%   | 61.0%   | 61.0%   | 61.0%   | 61.4%   | 60.8%   |
| Risk exposure amount / total assets                  | 70.8%   | 72.6%   | 73.7%   | 74.0%   | 74.1%   | 73.6%   | 74.8%   | 73.6%   | 73.7%   |
| <b>Financial strength</b>                            |         |         |         |         |         |         |         |         |         |
| Equity as % of total assets                          | 13.8%   | 14.3%   | 15.0%   | 14.4%   | 14.3%   | 14.4%   | 15.6%   | 15.0%   | 15.5%   |
| <b>Liquidity</b>                                     |         |         |         |         |         |         |         |         |         |
| Liquidity coverage ratio (LCR)                       | 179%    | 177%    | 155%    | 174%    | 185%    | 158%    | 172%    | 164%    | 154%    |
| Liquidity coverage ratio (LCR) - Foreign currencies  | 325%    | 324%    | 325%    | 484%    | 456%    | 453%    | 544%    | 270%    | 218%    |
| Net stable funding ratio (NSFR) - All currencies     | 117%    | 120%    | 119%    | 117%    | 117%    | 115%    | 114%    | 117%    | 117%    |
| Net stable funding ratio (NSFR) - Foreign currencies | 147%    | 151%    | 156%    | 163%    | 179%    | 166%    | 149%    | 159%    | 147%    |
| Term deposits % of total deposits                    | 25.7%   | 27.4%   | 28.0%   | 28.5%   | 28.2%   | 28.0%   | 27.1%   | 26.0%   | 27.6%   |
| Customer loans to customer deposits ratio            | 137.0%  | 142.6%  | 145.5%  | 149.0%  | 145.2%  | 142.9%  | 146.2%  | 137.3%  | 138.3%  |
| <b>Capital</b>                                       |         |         |         |         |         |         |         |         |         |
| Tier 1 ratio   | 19.4%   | 19.2%   | 19.9%   | 19.0%   | 18.8%   | 19.1%   | 20.3%   | 19.9%   | 20.5%   |
| Tier 2 ratio   | 2.8%    | 2.7%    | 2.5%    | 2.4%    | 2.6%    | 1.8%    | 1.9%    | 1.8%    | 1.1%    |
| Total capital ratio                                  | 22.2%   | 21.9%   | 22.4%   | 21.4%   | 21.4%   | 20.9%   | 22.2%   | 21.7%   | 21.6%   |
| Leverage ratio                                       | 13.4%   | 13.5%   | 14.2%   | 13.6%   | 13.4%   | 13.5%   | 14.6%   | 14.0%   | 14.5%   |
| Risk exposure amount (ISKm)                          | 923,133 | 911,375 | 884,550 | 912,843 | 911,784 | 886,901 | 845,949 | 855,152 | 819,349 |

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

\*\* Numbers exclude seasonal employees

**Income statement - 9 quarter summary**

| ISK million  | Q2<br>2020     | Q1<br>2020     | Q4<br>2019     | Q3<br>2019     | Q2<br>2019     | Q1<br>2019     | Q4<br>2018     | Q3<br>2018     | Q2<br>2018     |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Net interest income  | 8,228          | 8,580          | 8,291          | 8,190          | 8,404          | 7,937          | 8,294          | 8,301          | 7,602          |
| Net fee and commission income                                  | 2,307          | 2,491          | 2,945          | 2,549          | 2,758          | 2,647          | 3,478          | 2,939          | 3,032          |
| Net financial income (expense)                                 | (181)          | (1,738)        | (840)          | (602)          | 180            | 442            | (637)          | (420)          | 378            |
| Net foreign exchange gain (loss)                               | 208            | 55             | 116            | 159            | (15)           | (121)          | 76             | (8)            | (57)           |
| Other operating income   | 71             | 19             | 920            | 37             | 27             | 1,141          | 120            | 64             | 1,587          |
| Other net operating income                                     | 98             | (1,664)        | 196            | (406)          | 192            | 1,462          | (441)          | (364)          | 1,908          |
| <b>Total operating income</b>                                  | <b>10,633</b>  | <b>9,407</b>   | <b>11,432</b>  | <b>10,333</b>  | <b>11,354</b>  | <b>12,046</b>  | <b>11,331</b>  | <b>10,876</b>  | <b>12,542</b>  |
| Administrative expenses  | (5,871)        | (5,692)        | (6,447)        | (5,608)        | (6,220)        | (6,213)        | (7,465)        | (6,463)        | (6,872)        |
| Contribution to the Depositors' and Investors' Guarantee Fund  | (247)          | (228)          | (216)          | (210)          | (198)          | (312)          | (299)          | (295)          | (287)          |
| Bank tax   | (399)          | (359)          | (814)          | (900)          | (934)          | (880)          | (740)          | (944)          | (812)          |
| <b>Total operating expenses</b>                                | <b>(6,517)</b> | <b>(6,279)</b> | <b>(7,477)</b> | <b>(6,718)</b> | <b>(7,352)</b> | <b>(7,405)</b> | <b>(8,504)</b> | <b>(7,702)</b> | <b>(7,971)</b> |
| <b>Profit before net impairment on financial assets</b>        | <b>4,116</b>   | <b>3,128</b>   | <b>3,955</b>   | <b>3,615</b>   | <b>4,002</b>   | <b>4,641</b>   | <b>2,827</b>   | <b>3,174</b>   | <b>4,571</b>   |
| Net impairment on financial assets                             | (2,439)        | (3,490)        | (1,463)        | (208)          | (902)          | (907)          | (297)          | (53)           | 1,846          |
| <b>Profit (loss) before tax</b>                                | <b>1,677</b>   | <b>(362)</b>   | <b>2,492</b>   | <b>3,407</b>   | <b>3,100</b>   | <b>3,734</b>   | <b>2,530</b>   | <b>3,121</b>   | <b>6,417</b>   |
| Income tax expense   | (119)          | (769)          | (659)          | (1,328)        | (726)          | (1,196)        | (1,118)        | (1,136)        | (1,465)        |
| <b>Profit (loss) for the period from continuing operations</b> | <b>1,558</b>   | <b>(1,131)</b> | <b>1,833</b>   | <b>2,079</b>   | <b>2,374</b>   | <b>2,538</b>   | <b>1,412</b>   | <b>1,985</b>   | <b>4,952</b>   |
| Discontinued operations, net of income tax                     | (313)          | (245)          | (174)          | 7              | (254)          | 51             | (8)            | 126            | 81             |
| <b>Profit (loss) for the period</b>                            | <b>1,245</b>   | <b>(1,376)</b> | <b>1,659</b>   | <b>2,086</b>   | <b>2,120</b>   | <b>2,589</b>   | <b>1,404</b>   | <b>2,111</b>   | <b>5,033</b>   |

## Balance sheet - 9 quarter summary

| ISK million  | 30.06.20         | 31.03.20         | 31.12.19         | 30.09.19         | 30.06.19         | 31.03.19         | 31.12.18         | 30.09.18         | 30.06.18         |
|--|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Cash and balances with Central Bank                  | 103,569          | 123,062          | 146,638          | 129,115          | 122,794          | 129,039          | 135,056          | 156,251          | 166,194          |
| Loans to credit institutions                         | 70,307           | 84,263           | 54,376           | 66,409           | 77,387           | 65,145           | 41,577           | 67,047           | 59,858           |
| Bonds and debt instruments                           | 140,422          | 69,368           | 52,870           | 73,899           | 77,033           | 80,809           | 69,415           | 63,324           | 48,603           |
| Derivatives  | 6,366            | 4,772            | 5,621            | 5,438            | 5,843            | 4,837            | 4,550            | 3,479            | 3,209            |
| Loans to customers                                   | 933,320          | 923,850          | 899,632          | 909,175          | 894,446          | 873,530          | 846,599          | 835,582          | 799,938          |
| Shares and equity instruments                        | 10,943           | 12,496           | 18,426           | 19,200           | 19,176           | 15,268           | 13,074           | 13,995           | 13,581           |
| Investments in associates                            | 750              | 712              | 746              | 687              | 687              | 682              | 682              | 533              | 614              |
| Property and equipment                               | 7,549            | 8,015            | 9,168            | 9,442            | 9,504            | 9,642            | 5,271            | 5,079            | 5,058            |
| Intangible assets                                    | 3,667            | 3,736            | 4,330            | 4,709            | 4,882            | 4,868            | 5,002            | 4,910            | 4,774            |
| Other assets   | 6,370            | 5,154            | 6,608            | 15,781           | 18,224           | 21,408           | 9,177            | 12,439           | 9,913            |
| Non-current assets and disposal groups held for sale | 19,993           | 20,263           | 1,075            | -                | -                | -                | -                | -                | -                |
| <b>Total Assets</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> | <b>1,205,228</b> | <b>1,130,403</b> | <b>1,162,639</b> | <b>1,111,742</b> |
| Deposits from Central Bank and credit institutions   | 35,461           | 33,773           | 30,925           | 31,808           | 19,830           | 16,404           | 15,619           | 15,530           | 15,391           |
| Deposits from customers                              | 681,223          | 647,795          | 618,313          | 610,281          | 615,869          | 611,303          | 578,959          | 608,646          | 578,414          |
| Derivative instruments and short positions           | 7,519            | 12,045           | 6,219            | 7,910            | 6,903            | 7,325            | 5,521            | 5,585            | 7,075            |
| Debt issued and other borrowed funds                 | 321,803          | 322,280          | 306,381          | 331,938          | 337,473          | 325,035          | 300,976          | 297,318          | 288,360          |
| Subordinated loans                                   | 25,834           | 24,456           | 22,674           | 21,993           | 23,431           | 16,468           | 16,216           | 15,531           | 8,872            |
| Tax liabilities                                      | 6,438            | 8,155            | 7,853            | 10,127           | 8,674            | 8,303            | 7,150            | 10,311           | 8,925            |
| Other liabilities                                    | 29,935           | 14,392           | 27,063           | 41,814           | 42,012           | 46,769           | 29,649           | 35,088           | 32,523           |
| Non-current assets and disposal groups held for sale | 15,321           | 13,253           | -                | -                | -                | -                | -                | -                | -                |
| <b>Total Liabilities</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> | <b>1,031,607</b> | <b>954,090</b>   | <b>988,009</b>   | <b>939,560</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   | 7,262            | 8,016            | 7,065            | 6,801            | 6,816            | 6,776            | 6,499            | 5,891            | 5,598            |
| Retained earnings                                    | 105,681          | 104,349          | 105,569          | 103,785          | 101,534          | 99,401           | 102,496          | 101,280          | 99,159           |
| Total Shareholder's Equity                           | 177,943          | 177,365          | 177,634          | 175,586          | 173,350          | 171,177          | 173,995          | 172,171          | 169,757          |
| Non-controlling interests                            | 1,779            | 2,177            | 2,428            | 2,398            | 2,434            | 2,444            | 2,318            | 2,459            | 2,425            |
| <b>Total Equity</b>                                  | <b>179,722</b>   | <b>179,542</b>   | <b>180,062</b>   | <b>177,984</b>   | <b>175,784</b>   | <b>173,621</b>   | <b>176,313</b>   | <b>174,630</b>   | <b>172,182</b>   |
| <b>Total Liabilities and Equity</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> | <b>1,205,228</b> | <b>1,130,403</b> | <b>1,162,639</b> | <b>1,111,742</b> |

## Net interest income - 9 quarter summary

| ISK million  | Q2<br>2020     | Q1<br>2020     | Q4<br>2019     | Q3<br>2019     | Q2<br>2019     | Q1<br>2019     | Q4<br>2018     | Q3<br>2018     | Q2<br>2018     |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Cash and balances with Central Bank  | 408            | 1,002          | 1,009          | 993            | 1,184          | 1,266          | 1,603          | 1,629          | 1,886          |
| Loans at amortised cost  | 14,026         | 12,090         | 13,273         | 13,194         | 15,208         | 13,162         | 14,521         | 13,565         | 12,023         |
| Financial assets mandatorily at fair value through profit or loss          | 519            | 551            | 606            | 743            | 713            | 568            | 498            | 500            | 396            |
| Other assets   | -              | 2              | 14             | 10             | 12             | 10             | 9              | 13             | 37             |
| <b>Total interest income</b>   | <b>14,953</b>  | <b>13,645</b>  | <b>14,902</b>  | <b>14,940</b>  | <b>17,117</b>  | <b>15,006</b>  | <b>16,631</b>  | <b>15,707</b>  | <b>14,342</b>  |
| Deposits from Central Bank and credit institutions                         | (199)          | (221)          | (237)          | (159)          | (122)          | (107)          | (106)          | (97)           | (109)          |
| Deposits from customers  | (2,236)        | (2,463)        | (3,064)        | (3,475)        | (4,660)        | (4,043)        | (4,389)        | (4,192)        | (3,863)        |
| Debt issued and other borrowed funds at fair value through profit and loss | (154)          | (142)          | (176)          | (184)          | (194)          | (180)          | (250)          | (133)          | (292)          |
| Debt issued and other borrowed funds at amortised cost                     | (3,327)        | (2,047)        | (2,414)        | (2,271)        | (2,914)        | (2,219)        | (2,676)        | (2,399)        | (1,910)        |
| Subordinated loans   | (193)          | (166)          | (160)          | (168)          | (93)           | (80)           | (109)          | (18)           | (37)           |
| Other interest expense   | (616)          | (26)           | (560)          | (493)          | (730)          | (440)          | (807)          | (567)          | (529)          |
| <b>Total interest expense</b>  | <b>(6,725)</b> | <b>(5,065)</b> | <b>(6,611)</b> | <b>(6,750)</b> | <b>(8,713)</b> | <b>(7,069)</b> | <b>(8,337)</b> | <b>(7,406)</b> | <b>(6,740)</b> |
| <b>Net interest income</b>   | <b>8,228</b>   | <b>8,580</b>   | <b>8,291</b>   | <b>8,190</b>   | <b>8,404</b>   | <b>7,937</b>   | <b>8,294</b>   | <b>8,301</b>   | <b>7,602</b>   |

### Net fee and commission income - 9 quarter summary

| ISK million                             | Q2<br>2020   | Q1<br>2020   | Q4<br>2019   | Q3<br>2019   | Q2<br>2019   | Q1<br>2019   | Q4<br>2018     | Q3<br>2018     | Q2<br>2018     |
|---|--------------|--------------|--------------|--------------|--------------|--------------|----------------|----------------|----------------|
| Asset management                        | 605          | 565          | 590          | 512          | 575          | 548          | 587            | 498            | 556            |
| Investment banking and brokerage        | 576          | 571          | 688          | 598          | 613          | 531          | 621            | 634            | 552            |
| Payment processing                      | 786          | 814          | 987          | 947          | 1,046        | 830          | 3,243          | 3,186          | 3,082          |
| Loans and guarantees                    | 427          | 383          | 389          | 367          | 376          | 378          | 336            | 362            | 429            |
| Other fee and commission income         | 228          | 430          | 734          | 373          | 385          | 585          | 786            | 364            | 344            |
| <b>Total fee and commission income</b>  | <b>2,622</b> | <b>2,763</b> | <b>3,388</b> | <b>2,797</b> | <b>2,995</b> | <b>2,872</b> | <b>5,573</b>   | <b>5,044</b>   | <b>4,963</b>   |
|   |              |              |              |              |              |              |                |                |                |
| Brokerage                               | (113)        | (53)         | (128)        | (65)         | (75)         | (69)         | (91)           | (79)           | (62)           |
| Clearing and settlement                 | (202)        | (219)        | (324)        | (174)        | (174)        | (134)        | (1,988)        | (2,025)        | (1,865)        |
| Other fee and commission expense        | -            | -            | 9            | (9)          | 12           | (22)         | (16)           | (1)            | (4)            |
| <b>Total fee and commission expense</b> | <b>(315)</b> | <b>(272)</b> | <b>(443)</b> | <b>(248)</b> | <b>(237)</b> | <b>(225)</b> | <b>(2,095)</b> | <b>(2,105)</b> | <b>(1,931)</b> |
|   |              |              |              |              |              |              |                |                |                |
| <b>Net fee and commission income</b>    | <b>2,307</b> | <b>2,491</b> | <b>2,945</b> | <b>2,549</b> | <b>2,758</b> | <b>2,647</b> | <b>3,478</b>   | <b>2,939</b>   | <b>3,032</b>   |

## Loans to customers - 9 quarter summary

| ISK million                                | 30.06.20       | 31.03.20       | 31.12.19       | 30.09.19       | 30.06.19       | 31.03.19       | 31.12.18       | 30.09.18       | 30.06.18       |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Individuals                                | 355,524        | 347,539        | 349,181        | 345,234        | 334,749        | 324,245        | 319,390        | 314,491        | 306,376        |
| Commerce and services                      | 122,581        | 127,887        | 126,488        | 130,879        | 135,041        | 130,325        | 124,242        | 123,624        | 126,211        |
| Construction                               | 46,463         | 45,621         | 44,420         | 33,865         | 33,445         | 31,466         | 29,095         | 30,913         | 29,079         |
| Energy                                     | 8,344          | 8,024          | 7,887          | 6,803          | 6,934          | 6,911          | 6,858          | 7,407          | 6,933          |
| Financial services                         | 2,239          | 1,436          | 2,315          | 2,768          | 23             | 2,575          | 1,704          | 220            | 179            |
| Industrial and transportation              | 83,731         | 84,709         | 82,288         | 84,127         | 81,784         | 80,986         | 79,824         | 84,849         | 74,703         |
| Investment companies                       | 24,578         | 25,184         | 23,590         | 27,507         | 26,052         | 24,657         | 23,799         | 19,532         | 16,900         |
| Public sector and non-profit organisations | 11,641         | 11,339         | 12,312         | 11,615         | 11,453         | 11,528         | 12,087         | 11,819         | 14,208         |
| Real estate                                | 150,090        | 149,138        | 145,559        | 156,548        | 153,077        | 148,765        | 142,885        | 136,787        | 134,156        |
| Seafood                                    | 128,129        | 122,973        | 105,592        | 109,829        | 111,888        | 112,072        | 106,715        | 105,940        | 91,193         |
| <b>Loans to customers</b>                  | <b>933,320</b> | <b>923,850</b> | <b>899,632</b> | <b>909,175</b> | <b>894,446</b> | <b>873,530</b> | <b>846,599</b> | <b>835,582</b> | <b>799,938</b> |

### Loans to customers - by product

|                           |                |                |                |                |                |                |                |                |                |
|---------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Overdrafts                | 47,513         | 44,929         | 48,938         | 54,510         | 51,836         | 53,120         | 48,581         | 48,239         | 49,417         |
| Credit cards              | 16,704         | 15,621         | 19,026         | 19,777         | 17,492         | 16,253         | 18,242         | 17,764         | 17,710         |
| Mortgages                 | 293,838        | 285,670        | 281,499        | 274,186        | 267,762        | 255,579        | 249,296        | 243,024        | 236,158        |
| Capital leases            | 45,039         | 47,872         | 45,623         | 46,583         | 50,588         | 47,309         | 45,116         | 42,114         | 44,474         |
| Other loans               | 530,226        | 529,758        | 504,546        | 514,119        | 506,768        | 501,269        | 485,364        | 484,441        | 452,179        |
| <b>Loans to customers</b> | <b>933,320</b> | <b>923,850</b> | <b>899,632</b> | <b>909,175</b> | <b>894,446</b> | <b>873,530</b> | <b>846,599</b> | <b>835,582</b> | <b>799,938</b> |



## Capital and risk exposure amount

| ISK million                                   | Q2<br>2020     | Q1<br>2020     | Q4<br>2019     | Q3<br>2019     | Q2<br>2019     | Q1<br>2019     | Q4<br>2018     | Q3<br>2018     | Q2<br>2018     |
|---|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| 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                                      | 7,262          | 8,016          | 7,065          | 6,801          | 6,816          | 6,776          | 6,499          | 5,891          | 5,598          |
| Retained earnings                             | 105,681        | 104,349        | 105,569        | 103,785        | 101,534        | 99,401         | 102,496        | 101,280        | 99,159         |
| Non-controlling interests                     | 1,779          | 2,177          | 2,428          | 2,398          | 2,434          | 2,444          | 2,318          | 2,459          | 2,425          |
| IFRS 9 reversal due to transitional rules     | 3,810          | -              | -              | -              | -              | -              | -              | -              | -              |
| Fair value changes due to own credit standing | (427)          | (773)          | 392            | 731            | 760            | 871            | 376            | 674            | 730            |
| Tax assets                                    | (88)           | (30)           | (476)          | (445)          | (394)          | (292)          | (215)          | (235)          | (374)          |
| Intangible assets                             | (3,667)        | (3,736)        | (4,330)        | (4,709)        | (4,882)        | (4,868)        | (5,002)        | (4,910)        | (4,774)        |
| Other regulatory adjustments                  | -              | -              | -              | -              | -              | -              | -              | -              | -              |
| <b>Total CET1 capital</b>                     | <b>179,350</b> | <b>175,003</b> | <b>175,648</b> | <b>173,561</b> | <b>171,268</b> | <b>169,332</b> | <b>171,472</b> | <b>170,159</b> | <b>167,764</b> |
| Tier 2 capital                                |                |                |                |                |                |                |                |                |                |
| Qualifying subordinated liabilities           | 25,834         | 24,456         | 22,674         | 21,993         | 23,431         | 16,468         | 16,216         | 15,531         | 8,872          |
| <b>Total regulatory capital</b>               | <b>205,184</b> | <b>199,458</b> | <b>198,322</b> | <b>195,554</b> | <b>194,699</b> | <b>185,800</b> | <b>187,688</b> | <b>185,690</b> | <b>176,636</b> |
| Risk exposure amount                          |                |                |                |                |                |                |                |                |                |
| - due to credit risk                          | 821,457        | 811,936        | 789,180        | 815,266        | 809,840        | 789,806        | 750,801        | 758,774        | 724,177        |
| - due to market risk:                         | 14,435         | 12,350         | 7,919          | 10,482         | 13,988         | 9,877          | 7,622          | 10,428         | 10,055         |
| Market risk, trading book                     | 12,024         | 9,095          | 6,488          | 8,736          | 10,072         | 7,843          | 6,649          | 7,099          | 6,251          |
| Currency risk FX                              | 2,411          | 3,255          | 1,431          | 1,746          | 3,916          | 2,034          | 973            | 1,393          | 3,804          |
| - due to credit valuation adjustment          | 1,817          | 1,665          | 2,027          | 1,954          | 2,815          | 2,077          | 2,385          | 2,619          | 1,786          |
| - due to operational risk                     | 85,424         | 85,424         | 85,424         | 85,141         | 85,141         | 85,141         | 85,141         | 83,331         | 83,331         |
| <b>Total risk exposure amount</b>             | <b>923,133</b> | <b>911,375</b> | <b>884,550</b> | <b>912,843</b> | <b>911,784</b> | <b>886,901</b> | <b>845,949</b> | <b>855,152</b> | <b>819,349</b> |
| Capital ratios                                |                |                |                |                |                |                |                |                |                |
| Tier 1 ratio                                  | 19.4%          | 19.2%          | 19.9%          | 19.0%          | 18.8%          | 19.1%          | 20.3%          | 19.9%          | 20.5%          |
| Tier 2 ratio                                  | 2.8%           | 2.7%           | 2.5%           | 2.4%           | 2.6%           | 1.8%           | 1.9%           | 1.8%           | 1.1%           |
| Total capital ratio                           | 22.2%          | 21.9%          | 22.4%          | 21.4%          | 21.4%          | 20.9%          | 22.2%          | 21.7%          | 21.6%          |

## Macroeconomics - summary

|   | 1Q20  | 4Q19  | 3Q19  | 2Q19  | 1Q19  | 4Q18  | 3Q18  | 2Q18  | 1Q18  |
|---|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| <b>YoY change, %</b>                        |       |       |       |       |       |       |       |       |       |
| GDP growth                                  | -1.2  | 4.7   | 0.4   | 2.8   | -0.4  | 3.3   | 2.5   | 4.6   | 5.2   |
| Total investment                            | 4.1   | -3.0  | 3.9   | -8.0  | -18.8 | -3.3  | -8.0  | 3.0   | 4.9   |
| Business investment                         | 9.5   | 1.7   | -4.9  | -26.5 | -35.5 | -23.2 | -17.6 | -2.0  | -2.9  |
| Residential investment                      | -3.2  | 12.7  | 52    | 41.9  | 22.0  | 3.9   | -3.8  | 30.2  | 40.7  |
| Personal consumption                        | 0.9   | 1.0   | 2.0   | 1.0   | 2.5   | 3.4   | 5.5   | 5.0   | 5.3   |
| Unemployment rate, % of workforce           | 3.6   | 3.3   | 3.5   | 4.4   | 3.0   | 2.4   | 2.2   | 3.6   | 2.9   |
| Current account, % of GDP                   | 7.5   | 6.5   | 8.25  | 2.1   | 6.5   | 0.7   | 10.0  | -0.6  | 0.7   |
| International investment position, % of GDP | 23.2  | 21.2  | 19.7  | 17    | 18.1  | 10.5  | 11.7  | 6.1   | 5.1   |
| Gross general govt. debt, % of GDP          |       | 68.6  |       |       |       | 70.5  |       |       |       |
| Household debt, gross, % of GDP             | 76.8  | 76    | 76.5  | 76.4  | 76.6  | 75.9  | 76.0  | 75.0  | 74.9  |
| Corporate debt, gross, % of GDP             | 90.3  | 85.1  | 87.4  | 90.1  | 91.9  | 90.6  | 90.0  | 87.9  | 86.1  |
| <b>YoY change, %</b>                        |       |       |       |       |       |       |       |       |       |
| Inflation                                   | 2.1   | 2.5   | 3.1   | 3.4   | 3.1   | 3.3   | 2.7   | 2.3   | 2.5   |
| Residential real estate price index         | 2.6   | 1.9   | 0.2   | 1.3   | 2.1   | 2.7   | 3.0   | 5.6   | 11.0  |
| Wages                                       | 4.9   | 4.3   | 4.3   | 5.4   | 5.7   | 6.1   | 6.1   | 6.5   | 7.2   |
| Real wages                                  | 2.8   | 1.7   | 1.1   | 1.9   | 2.5   | 2.8   | 3.2   | 4.1   | 4.7   |
| ISK index, average                          | 186.5 | 180.6 | 182.2 | 181.8 | 179.3 | 180.2 | 164.3 | 160.9 | 161.2 |
| Central bank policy rate (1W)               | 1.75  | 3.1   | 3.6   | 4.3   | 4.5   | 4.5   | 4.3   | 4.3   | 4.3   |
| Long-term nominal yield                     | 2.3   | 3.6   | 3.8   | 4.2   | 5.2   | 5.4   | 5.4   | 5.4   | 5.0   |
| Long-term real yield                        | 0.1   | 0.8   | 0.8   | 1.1   | 1.4   | 1.5   | 1.8   | 1.8   | 1.9   |

## Other

Currencies 30.06.20 31.03.20 31.12.19 30.09.19 30.06.19 31.03.19 31.12.18 30.09.18 30.06.18

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### Currencies

|     |       |       |       |       |       |       |       |       |       |
|-----|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| USD | 138.6 | 141.7 | 121.1 | 123.7 | 124.5 | 122.6 | 120.4 | 108.2 | 103.5 |
| GBP | 170.2 | 175.2 | 159.4 | 152.2 | 157.8 | 159.7 | 154.8 | 141.0 | 140.7 |
| EUR | 155.4 | 155.3 | 135.8 | 135.1 | 141.7 | 137.5 | 120.9 | 125.8 | 123.3 |
| DKK | 20.9  | 20.8  | 18.2  | 18.1  | 19.0  | 18.4  | 18.4  | 16.9  | 16.6  |
| SEK | 14.8  | 14.0  | 13.0  | 12.6  | 13.4  | 13.2  | 13.3  | 12.1  | 11.9  |
| CHF | 145.8 | 146.8 | 125.1 | 124.3 | 127.7 | 123.1 | 120.9 | 110.0 | 105.0 |

# Financial targets

Negative ROE in the quarter has limited impact on capital ratios

|  | Target         | 1H2020  | 2019    | 2018    | Guidance   |
|--|----------------|---------|---------|---------|--|
| <b>ROE in excess of risk-free rate</b> | 4-6%           | -0.85%  | 2.1%    | 1.8%    | <ul style="list-style-type: none"> <li>Target of 4-6% on top of risk-free rate. Risk free-rate is currently 0.75%</li> <li>8-10% ROE is based on average expected risk-free rates through the business cycle. Based on the current risk-free rate of 0.75% the ROE target in the very short term is 4.75-6.75%</li> <li>The COVID-19 pandemic will have a material adverse effect on the Bank's earnings in 2020 and it is therefore unlikely that the ROE target will be met this year. The Bank will strive to get back on track to reach its ROE targets from 2021 onwards</li> </ul> |
| <b>Return on equity</b>                | 8-10%          | -0.1%   | 4.8%    | 6.1%    |  |
| <b>Cost/ Income ratio<sup>1</sup></b>  | <55%           | 60.1%   | 62.4%   | 66.3%   | <ul style="list-style-type: none"> <li>This is a medium to long term target. C/I ratio can be expected to be higher than target in the near term due to the COVID-19 pandemic</li> <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> </ul>   |
| <b>CET1</b>                            | >13.2 – 14.7%  | ✓ 19.4% | ✓ 19.9% | ✓ 20.3% | <ul style="list-style-type: none"> <li>Based on a management buffer of 50-200bp, the CET1 target range is currently 13.2-14.7%</li> <li>Long term CET1 target is &gt;16%. In line with the target range, the Bank expects to maintain a CET1 ratio of over 16% in the medium to long term</li> <li>The Bank is substantially over capitalized with regard to the current regulatory requirement, which is a favourable position to be in in light of the economic uncertainties relating to COVID-19</li> </ul>  |
| <b>Total capital ratio</b>             | > 17.5 – 19.0% | ✓ 22.2% | ✓ 22.4% | ✓ 22.2% | <ul style="list-style-type: none"> <li>Based on the regulatory capital requirement with a management buffer of 50 – 200 bp</li> <li>Current capital requirement is 17.0% including recent suspension of the countercyclical capital buffer in March 2020</li> </ul>  |
| <b>Dividend payout ratio</b>           | 40-50%         | -       | ✓ 50%   | ✓ 50%   | <ul style="list-style-type: none"> <li>The Annual General Meeting approved that a dividend to shareholders for the 2019 financial year should not be paid in light of uncertainties due to unprecedented circumstances in the financial markets following COVID-19</li> <li>The Board of the Bank may convene a special shareholders' meeting later in the year to propose a dividend payment in 2020 if the economic conditions improve substantially.</li> </ul>   |

# Íslandsbanki 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 digitalized 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  |          | Icelandic sovereign |        |        |          |
|---------------|----------|---------------------|--------|--------|----------|
|               | S&P      |                     | S&P    | FITCH  | MOODY'S  |
| Long-term     | BBB      | Long-term           | A      | A      | A2       |
| Short-term    | A-2      | Short-term          | A-1    | F1+    | P-1      |
| Outlook       | Stable   | Outlook             | Stable | Stable | Stable   |
| Rating action | April 20 | Rating action       | Nov 19 | May 19 | April 20 |

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