



Íslandsbanki Factbook

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Investor relations

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Investor relations web-site

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

Investor call in English at 9:00 AM (GMT) on Thursday 31st October 2019

The Bank will host an investor call in English at 9.00 GMT on Thursday, 31 October.

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

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

Further information

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

Financial calendar

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

Q4/Annual 2019 results — 12 February 2020

Annual General Meeting — 19 March 2020

Q1/2020 results — 6 May 2020

Q2/2020 results — 29 July 2020

Q3/2020 results — 28 October 2020

Please note that these dates are subject to change.

Key performance indicators - 5 years

ISK million	9M19	2018	2017	2016	2015
Profitability					
Return on equity (after tax)	5.1%	6.1%	7.5%	10.2%	10.8%
ROE 16% CET1 (regular operations)	7.3%	8.0%	9.9%	10.3%	11.9%
Return on assets	0.8%	1.0%	1.3%	1.9%	2.1%
Earnings per share	0.71	1.01	1.10	1.40	1.87
Core income / total operating income*	0.96	0.98	0.99	0.86	0.92
Net interest margin					
Net interest margin on total assets	2.8%	2.9%	2.9%	3.1%	2.9%
Efficiency					
Cost-to-income ratio**	61.3%	66.3%	62.5%	56.9%	56.2%
Number of FTEs at period end - Consolidated***	1,022	1,074	1,042	1,075	1,184
Number of FTEs at period end - Parent***	784	834	860	910	919
Number of branches at period end	14	14	14	15	17
Assets					
Loans to customers	909,175	846,599	755,175	687,840	665,711
LTV on mortgages to individuals	61.0%	61.0%	63.3%	67.2%	69.2%
Risk exposure amount / Total assets	74.0%	74.8%	74.9%	67.2%	66.9%
Financial strength					
Equity as % of total assets	14.4%	15.6%	17.5%	17.1%	19.3%
Liquidity					
Liquidity coverage ratio (LCR) - All currencies	174%	172%	142%	200%	143%
Liquidity coverage ratio (LCR) - Foreign currencies	484%	544%	155%	347%	467%
Net stable funding ratio (NSFR) - All currencies	117%	114%	117%	123%	120%
Net stable funding ratio (NSFR) - Foreign currencies	163%	149%	122%	144%	141%
Term deposits % of total deposits	28.5%	27.1%	29.4%	35.0%	39.0%
Deposit-to-loan ratio	65.8%	66.9%	74.0%	84.9%	88.3%
Customer deposits-to-customer loans ratio	67.1%	68.4%	75.1%	86.4%	89.1%
Capital					
Tier 1 ratio	19.0%	20.3%	22.6%	24.9%	28.3%
Tier 2 ratio	2.4%	1.9%	1.5%	0.3%	1.8%
Total capital ratio	21.4%	22.2%	24.1%	25.2%	30.1%
Leverage ratio	13.6%	14.6%	16.2%	16.0%	18.1%
Risk exposure amount	912,843	845,949	775,492	704,177	699,693

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

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

*** Numbers exclude seasonal employees

Income statement - 5 year summary

ISK million	9M19	2018	2017	2016	2015
Interest income	47,733	61,675	56,767	60,503	53,414
Interest expense	(22,543)	(29,738)	(26,768)	(28,701)	(25,404)
Net interest income	25,190	31,937	29,999	31,802	28,010
Fee and commission income	15,532	19,853	20,855	21,818	20,737
Fee and commission expense	(5,819)	(7,626)	(7,105)	(8,095)	(7,567)
Net fee and commission income	9,713	12,227	13,750	13,723	13,170
Net financial income (expense)	23	(962)	(715)	6,096	3,881
Net foreign exchange gain (loss)	46	1	527	443	(1,490)
Share of profit or loss of associates			-		
Other operating income	1,217	1,784	628	652	1,102
Other net operating income	1,286	823	440	7,191	3,493
Total operating income	36,189	44,987	44,189	52,716	44,673
Administrative expenses	(20,781)	(27,650)	(26,968)	(27,121)	(23,760)
Contribution to the Depositors' and Investors' Guarantee Fund	(720)	(1,173)	(1,083)	(1,063)	(1,067)
Bank tax	(2,714)	(3,281)	(2,892)	(2,843)	(2,878)
Total operating expenses	(24,215)	(32,104)	(30,943)	(31,027)	(27,705)
Profit before net impairment on financial assets	11,974	12,883	13,246	21,689	16,968
Net impairment on financial assets	(2,078)	1,584	1,556	735	8,135
Profit before tax	9,896	14,467	14,802	22,424	25,103
Income tax expense	(3,071)	(4,734)	(4,151)	(5,205)	(5,851)
Profit for the period from continuing operations	6,825	9,733	10,651	17,219	19,252
Discontinued operations, net of income tax	(30)	912	2,575	2,939	1,326
Profit for the period	6,795	10,645	13,226	20,158	20,578
Basic earnings per share from profit for the period	0.71	1.01	1.10	1.40	1.87

Balance sheet - 5 year summary

ISK million	30.09.19	2018	2017	2016	2015
Cash and balances with Central Bank	129,115	135,056	189,045	275,453	216,760
Loans to credit institutions	66,409	41,577	26,617	17,645	35,534
Bonds and debt instruments	73,899	69,415	27,090	31,256	78,606
Derivatives	5,438	4,550	2,896	1,953	1,981
Loans to customers	909,175	846,599	755,175	687,840	665,711
Shares and equity instruments	19,200	13,074	10,177	10,626	18,320
Investments in associates	687	682	704	450	716
Property and equipment	9,442	5,271	7,128	6,211	7,344
Intangible assets	4,709	5,002	4,231	2,672	1,331
Other assets	15,781	9,177	12,759	13,448	19,466
Total Assets	1,233,855	1,130,403	1,035,822	1,047,554	1,045,769
Deposits from Central Bank and credit institutions	31,808	15,619	11,189	4,922	25,631
Deposits from customers	610,281	578,959	567,029	594,187	593,245
Derivative instruments and short positions	7,910	5,521	5,492	4,798	6,981
Debt issued and other borrowed funds	331,938	300,976	217,748	212,468	150,308
Subordinated loans	21,993	16,216	9,505	-	19,517
Tax liabilities	10,127	7,150	7,787	8,473	8,358
Other liabilities	41,814	29,649	36,027	43,781	39,502
Total Liabilities	1,055,871	954,090	854,777	868,629	843,542
Share capital	10,000	10,000	10,000	10,000	10,000
Share premium	55,000	55,000	55,000	55,000	55,000
Reserves	6,801	6,499	6,179	4,139	6,002
Retained earnings	103,785	102,496	107,387	105,563	127,288
Total equity attributable to the equity holders of Íslandsbanki hf.	175,586	173,995	178,566	174,702	198,290
Non-controlling interests	2,398	2,318	2,479	4,223	3,937
Total Equity	177,984	176,313	181,045	178,925	202,227
Total Liabilities and Equity	1,233,855	1,130,403	1,035,822	1,047,554	1,045,769

Net interest income - 5 year summary

ISK million	9M19	2018	2017	2016	2015
Interest income:					
Cash and balances with Central Bank	3,704	7,279	10,541	11,507	7,394
Loans at amortised cost	41,943	52,462	45,162	47,084	43,303
Financial assets mandatorily at fair value through profit or loss	2,024	1,825	-	-	-
Financial assets designated at fair value through profit or loss	-	-	50	1,672	1,558
Financial assets held for trading	-	-	879	99	980
Other assets	62	109	135	141	179
Total interest income	47,733	61,675	56,767	60,503	53,414
Interest expense:					
Deposits from credit institutions and Central Bank	(388)	(409)	(170)	(275)	(517)
Deposits from customers	(12,178)	(16,539)	(17,461)	(20,382)	(18,240)
Debt issued and other borrowed funds at fair value through profit and loss	(558)	(963)	-	-	-
Debt issued and other borrowed funds at amortised cost	(7,409)	(9,035)	(8,107)	(7,384)	(5,427)
Subordinated loans	(341)	(198)	(14)	(627)	(1,015)
Other interest expense	(1,669)	(2,594)	(1,016)	(33)	(205)
Total interest expense	(22,543)	(29,738)	(26,768)	(28,701)	(25,404)
Net interest income	25,190	31,937	29,999	31,802	28,010
Interest spread (as the ratio of net interest income to the average carrying amount of total assets)	2.8%	2.9%	2.9%	3.1%	2.9%

Net fee & commission income - 5 year summary

ISK million	9M19	2018	2017	2016	2015
Fee and commission income:					
Asset management	1,635	2,116	1,964	1,757	1,778
Investment banking and brokerage	1,742	2,303	2,280	1,987	2,132
Payment processing	9,692	12,065	13,094	14,705	13,664
Loans and guarantees	1,121	1,467	1,427	1,449	1,498
Other fees and commissions income	1,342	1,902	2,090	1,920	1,665
Total fees and commission income	15,532	19,853	20,855	21,818	20,737
Commission expenses:					
Brokerage	(209)	(300)	(128)	(109)	(121)
Clearing and settlement	(5,586)	(7,302)	(6,956)	(7,963)	(7,415)
Other commission expenses	(24)	(24)	(21)	(23)	(31)
Total commission expenses	(5,819)	(7,626)	(7,105)	(8,095)	(7,567)
Net fee and commission income	9,713	12,227	13,750	13,723	13,170

Loans to customers - 5 year summary

ISK million	30.9.2019	2018	2017	2016	2015
Individuals	345,234	319,390	299,350	286,177	272,610
Commerce and services	130,879	124,242	112,144	97,943	89,781
Construction	33,865	29,095	24,797	27,878	23,013
Energy	6,803	6,858	7,109	7,216	3,737
Financial services	2,768	1,704	26	85	105
Industrial and transportation	84,127	79,824	69,961	63,090	60,726
Investment companies	27,507	23,799	19,726	14,402	19,362
Public sector and non-profit organisations	11,615	12,087	11,871	12,835	13,878
Real estate	156,548	142,885	127,067	100,020	99,094
Seafood	109,829	106,715	84,853	80,243	85,872
Loans to customers before collective impairment allowance	909,175	846,599	756,904	689,889	668,178
Collective impairment allowance	-	-	(1,729)	(2,049)	(2,467)
Loans to customers	909,175	846,599	755,175	687,840	665,711

Loans to customers - by product

Overdrafts	54,510	48,581	45,650	45,383	38,654
Credit cards	19,777	18,242	18,800	19,188	18,166
Mortgages	274,186	249,296	225,765	211,233	197,307
Capital leases	46,583	45,116	40,765	40,415	39,161
Other loans	514,119	485,364	425,924	373,670	374,891
Loans to customers before collective impairment allowance	909,175	846,599	756,904	689,889	668,178
Collective impairment allowance	-	-	(1,729)	(2,049)	(2,467)
Loans to customers	909,175	846,599	755,175	687,840	665,711

Capital and risk exposure amount - 5 year summary

ISK million	30.9.2019	2018	2017	2016	2015
Ordinary share capital	10,000	10,000	10,000	10,000	10,000
Share premium	55,000	55,000	55,000	55,000	55,000
Reserves	6,801	6,499	6,179	4,139	6,002
Retained earnings	103,785	102,496	107,387	105,563	127,288
Non-controlling interests	2,398	2,318	2,479	4,223	3,937
Fair value changes due to own credit standing	731	376	-	-	-
Tax assets	(445)	(215)	(4)	(4)	-
Intangible assets	(4,709)	(5,002)	(4,231)	(2,672)	(1,331)
Other regulatory adjustments	-	-	(1,285)	(924)	(2,779)
Total CET1 capital	173,561	171,472	175,525	175,325	198,117
Tier 2 capital					
Qualifying subordinated liabilities	21,993	16,216	9,505	-	19,517
Adjustment to eligible capital liabilities	-	-	-	-	(3,903)
Other regulatory adjustments	-	-	-	-	(2,779)
General credit risk adjustments	-	-	1,729	2,049	-
Total capital base	195,554	187,688	186,759	177,374	210,952
Risk exposure amount					
- due to credit risk	815,266	750,801	682,525	615,465	606,591
- due to market risk:	10,482	7,622	8,102	7,243	16,607
Market risk, trading book	8,736	6,649	6,709	6,418	9,931
Currency risk	1,746	973	1,393	825	6,676
- due to credit valuation adjustment	1,954	2,385	1,534	-	-
- due to operational risk	85,141	85,141	83,331	81,469	76,495
Total risk exposure amount	912,843	845,949	775,492	704,177	699,693
Capital ratios					
Tier 1 ratio	19.0%	20.3%	22.6%	24.9%	28.3%
Tier 2 ratio	2.4%	1.9%	1.5%	0.3%	1.8%
Total capital ratio	21.4%	22.2%	24.1%	25.2%	30.1%
Leverage ratio	13.6%	14.6%	16.2%	16.0%	18.1%

Key performance indicators - 9 quarters
ISK million

	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017
Profitability									
Return on equity (after tax)	4.9%	4.9%	5.9%	3.2%	4.7%	11.6%	4.8%	7.0%	4.7%
ROE 16% CET1 (regular operations)	7.9%	7.8%	6.7%	5.3%	8.1%	11.1%	8.0%	10.3%	7.9%
Return on assets	0.7%	0.7%	0.9%	0.5%	0.7%	1.8%	0.8%	1.2%	0.8%
Earnings per share	0.21	0.24	0.26	0.15	0.21	0.51	0.15	0.40	0.19
Net interest margin									
Net interest margin on total assets	2.70%	2.80%	2.80%	3.0%	3.0%	2.8%	2.9%	2.8%	2.8%
Efficiency									
Cost-to-income ratio*	59.7%	61.4%	62.6%	68.5%	62.1%	65.0%	69.8%	69.2%	62.7%
Number of FTEs at period end - Consolidated**	1,022	1,053	1,078	1,074	1,075	1,013	1,027	1,042	1,066
Number of FTEs at period end - Parent co.**	784	806	834	834	835	841	855	860	881
Asset quality									
Loans to customers	909,175	894,446	873,530	846,599	835,582	799,938	776,149	755,175	741,380
LTV on mortgages to individuals	61.0%	61.0%	61.0%	61.0%	61.4%	60.8%	63.2%	63.3%	62.0%
Risk exposure amount / Total assets	74.0%	74.1%	73.6%	74.8%	73.6%	73.7%	73.1%	74.9%	71.2%
Financial strength									
Equity as % of total assets	14.4%	14.3%	14.4%	15.6%	15.0%	15.5%	15.3%	17.5%	16.5%
Liquidity									
Liquidity coverage ratio (LCR)	174%	185%	158%	172%	164%	154%	158%	142%	183%
Liquidity coverage ratio (LCR) - Foreign currencies	484%	456%	453%	544%	270%	218%	359%	155%	239%
Net stable funding ratio (NSFR) - All currencies	117%	117%	115%	114%	117%	117%	116%	117%	115%
Net stable funding ratio (NSFR) - Foreign currencies	163%	179%	166%	149%	159%	147%	140%	122%	119%
Term deposits % of total deposits	28.5%	28.2%	28.0%	27.1%	26.0%	27.6%	26.9%	29.4%	34.0%
Deposit-to-loan ratio	65.8%	65.4%	66.9%	66.9%	69.2%	69.1%	71.5%	74.0%	76.9%
Customer deposits-to-customer loans ratio	67.1%	68.9%	70.0%	68.4%	72.8%	72.3%	74.1%	75.1%	79.2%
Capital									
Tier 1 ratio	19.0%	18.8%	19.1%	20.3%	19.9%	20.5%	20.3%	22.6%	22.5%
Tier 2 ratio	2.4%	2.6%	1.8%	1.9%	1.8%	1.1%	1.1%	1.5%	0.2%
Total capital ratio	21.4%	21.4%	20.9%	22.2%	21.7%	21.6%	21.4%	24.1%	22.7%
Leverage ratio	13.6%	13.4%	13.5%	14.6%	14.0%	14.5%	14.3%	16.2%	15.3%
Risk exposure amount	912,843	911,784	886,901	845,949	855,152	819,349	795,923	775,492	767,536

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

** Numbers exclude seasonal employees

Income statement - 9 quarter summary
ISK million

	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
	2019	2019	2019	2018	2018	2018	2018	2017	2017
Net interest income	8,412	8,626	8,152	8,294	8,301	7,602	7,740	7,338	7,450
Net fee and commission income	3,090	3,406	3,217	3,478	2,939	3,032	2,778	3,632	3,305
Net financial income (expense)	(598)	173	448	(637)	(420)	378	(283)	260	(1,084)
Net foreign exchange (loss) gain	147	(71)	(30)	76	(8)	(57)	(10)	81	76
Other operating income	44	29	1,144	120	64	1,587	13	122	291
Other net operating income	(407)	131	1,562	(441)	(364)	1,908	(280)	463	(717)
Total operating income	11,095	12,163	12,931	11,331	10,876	12,542	10,238	11,433	10,038
Administrative expenses	(6,418)	(7,273)	(7,090)	(7,465)	(6,463)	(6,872)	(6,850)	(7,655)	(6,047)
Contribution to the Depositors' and Investors' Guarantee Fund	(210)	(198)	(312)	(299)	(295)	(287)	(292)	(288)	(280)
Bank tax	(900)	(934)	(880)	(740)	(944)	(812)	(785)	(614)	(806)
Total operating expenses	(7,528)	(8,405)	(8,282)	(8,504)	(7,702)	(7,971)	(7,927)	(8,557)	(7,133)
Profit before net impairment on financial assets	3,567	3,758	4,649	2,827	3,174	4,571	2,311	2,876	2,905
Net impairment on financial assets	(230)	(929)	(919)	(297)	(53)	1,846	88	(969)	147
Profit before tax	3,337	2,829	3,730	2,530	3,121	6,417	2,399	1,907	3,052
Income tax expense	(1,292)	(626)	(1,153)	(1,118)	(1,136)	(1,465)	(1,015)	(816)	(1,072)
Profit for the period from continuing operations	2,045	2,203	2,577	1,412	1,985	4,952	1,384	1,091	1,980
Discontinued operations, net of income tax	41	(83)	12	(8)	126	81	713	83	93
Profit for the period	2,086	2,120	2,589	1,404	2,111	5,033	2,097	1,174	2,073

Balance sheet - 9 quarter summary

ISK million

	30.09.19	30.06.19	31.03.19	31.12.18	30.09.18	30.06.18	31.03.18	31.12.17	30.09.17
Cash and balances with Central Bank	129,115	122,794	129,039	135,056	156,251	166,194	177,029	189,045	214,254
Loans to credit institutions	66,409	77,387	65,145	41,577	67,047	59,858	47,220	26,617	37,874
Bonds and debt instruments	73,899	77,033	80,809	69,415	63,324	48,603	49,140	27,090	42,871
Derivatives	5,438	5,843	4,837	4,550	3,479	3,209	4,673	2,896	3,266
Loans to customers	909,175	894,446	873,530	846,599	835,582	799,938	776,149	755,175	741,380
Shares and equity instruments	19,200	19,176	15,268	13,074	13,995	13,581	10,208	10,177	11,420
Investments in associates	687	687	682	682	533	614	672	704	669
Property and equipment	9,442	9,504	9,642	5,271	5,079	5,058	7,025	7,128	7,189
Intangible assets	4,709	4,882	4,868	5,002	4,910	4,774	4,412	4,231	4,077
Other assets	15,781	18,224	21,408	9,177	12,439	9,913	11,780	12,759	14,623
Total Assets	1,233,855	1,229,976	1,205,228	1,130,403	1,162,639	1,111,742	1,088,308	1,035,822	1,077,623
Deposits from Central Bank and credit institutions	31,808	19,830	16,404	15,619	15,530	15,391	13,563	11,189	12,684
Deposits from customers	610,281	615,869	611,303	578,959	608,646	578,414	575,196	567,029	586,922
Derivative instruments and short positions	7,910	6,903	7,325	5,521	5,585	7,075	8,104	5,492	5,167
Debt issued and other borrowed funds	331,938	337,473	325,035	300,976	297,318	288,360	269,255	217,748	240,259
Subordinated loans	21,993	23,431	16,468	16,216	15,531	8,872	8,838	9,505	-
Tax liabilities	10,127	8,674	8,303	7,150	10,311	8,925	7,908	7,787	13,143
Other liabilities	41,814	42,012	46,769	29,649	35,088	32,523	39,107	36,027	41,629
Total Liabilities	1,055,871	1,054,192	1,031,607	954,090	988,009	939,560	921,971	854,777	899,804
Share capital	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Share premium	55,000	55,000	55,000	55,000	55,000	55,000	55,000	55,000	55,000
Reserves	6,801	6,816	6,776	6,499	5,891	5,598	4,991	6,179	6,174
Retained earnings	103,785	101,534	99,401	102,496	101,280	99,159	93,930	107,387	104,144
Total equity attributable to the equity holders of Íslandsbanki hf.	175,586	173,350	171,177	173,995	172,171	169,757	163,921	178,566	175,318
Non-controlling interests	2,398	2,434	2,444	2,318	2,459	2,425	2,416	2,479	2,501
Total Equity	177,984	175,784	173,621	176,313	174,630	172,182	166,337	181,045	177,819
Total Liabilities and Equity	1,233,855	1,229,976	1,205,228	1,130,403	1,162,639	1,111,742	1,088,308	1,035,822	1,077,623

Net interest income - 9 quarter summary
ISK million

	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017
Interest income:									
Cash and balances with Central Bank	1,067	1,271	1,366	1,603	1,629	1,886	2,161	2,285	2,543
Loans at amortised cost	13,331	15,339	13,273	14,521	13,565	12,023	12,353	11,455	10,710
Financial assets mandatorily at fair value through profit or loss	743	713	568	498	500	396	431	-	-
Financial assets designated at fair value through profit or loss	-	-	-	-	-	-	-	11	6
Financial assets held for trading	-	-	-	-	-	-	-	956	117
Other assets	22	20	20	9	13	37	50	35	30
Total interest income	15,163	17,343	15,227	16,631	15,707	14,342	14,995	14,742	13,406
Interest expense:									
Deposits from credit institutions and Central Bank	(159)	(122)	(107)	(106)	(97)	(109)	(97)	(52)	(37)
Deposits from customers	(3,475)	(4,660)	(4,043)	(4,389)	(4,192)	(3,863)	(4,095)	(3,921)	(4,035)
Debt issued and other borrowed funds at fair value through profit and loss	(184)	(194)	(180)	(250)	(133)	(292)	(288)	-	-
Debt issued and other borrowed funds at amortised cost	(2,271)	(2,915)	(2,223)	(2,676)	(2,399)	(1,910)	(2,050)	(2,417)	(1,881)
Subordinated loans	(168)	(93)	(80)	(109)	(18)	(37)	(34)	(14)	-
Other interest expense	(494)	(733)	(442)	(807)	(567)	(529)	(691)	(1,000)	(3)
Total interest expense	(6,751)	(8,717)	(7,075)	(8,337)	(7,406)	(6,740)	(7,255)	(7,404)	(5,956)
Net interest income	8,412	8,626	8,152	8,294	8,301	7,602	7,740	7,338	7,450

Net fee and commission - 9 quarter summary	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
ISK million	2019	2019	2019	2018	2018	2018	2018	2017	2017
Fee and commission income:									
Asset management	512	575	548	587	498	556	475	526	436
Investment banking and brokerage	598	614	530	621	634	552	496	637	566
Payment processing	3,325	3,397	2,970	3,243	3,186	3,082	2,554	3,040	3,296
Loans and guarantees	367	376	378	336	362	429	340	339	359
Other fee and commission income	373	384	585	786	364	344	408	670	460
Total fee and commission income	5,175	5,346	5,011	5,573	5,044	4,963	4,273	5,212	5,117
Commission expenses:									
Brokerage	(65)	(75)	(69)	(91)	(79)	(62)	(68)	(31)	(33)
Clearing and settlement	(2,007)	(1,876)	(1,703)	(1,988)	(2,025)	(1,865)	(1,424)	(1,544)	(1,773)
Other fee and commission expense	(13)	11	(22)	(16)	(1)	(4)	(3)	(5)	(6)
Total fee and commission expense	(2,085)	(1,940)	(1,794)	(2,095)	(2,105)	(1,931)	(1,495)	(1,580)	(1,812)
Net fee and commission income	3,090	3,406	3,217	3,478	2,939	3,032	2,778	3,632	3,305

Loans to customers - 9 quarter summary

ISK million	30.09.19	30.06.19	31.03.19	31.12.18	30.09.18	30.06.18	31.03.18	31.12.17	30.09.17
Individuals	345,234	334,749	324,245	319,390	314,491	306,376	299,201	299,350	294,508
Commerce and services	130,879	135,041	130,325	124,242	123,624	126,211	118,378	112,144	114,304
Construction	33,865	33,445	31,466	29,095	30,913	29,079	26,856	24,797	27,641
Energy	6,803	6,934	6,911	6,858	7,407	6,933	7,006	7,109	7,142
Financial services	2,768	23	2,575	1,704	220	179	175	26	29
Industrial and transportation	84,127	81,784	80,986	79,824	84,849	74,703	74,372	69,961	68,568
Investment companies	27,507	26,052	24,657	23,799	19,532	16,900	20,627	19,726	14,642
Public sector and non-profit organisations	11,615	11,453	11,528	12,087	11,819	14,208	14,731	11,871	12,104
Real estate	156,548	153,077	148,765	142,885	136,787	134,156	130,993	127,067	118,292
Seafood	109,829	111,888	112,072	106,715	105,940	91,193	83,810	84,853	85,894
Loans to customers before collective impairment allowance	909,175	894,446	873,530	846,599	835,582	799,938	776,149	756,904	743,124
Collective impairment allowance	-	-	-	-	-	-	-	(1,729)	(1,744)
Loans to customers	909,175	894,446	873,530	846,599	835,582	799,938	776,149	755,175	741,380

Loans to customers - by product

Overdrafts	54,510	51,836	53,120	48,581	48,239	49,417	53,431	45,650	43,978
Credit cards	19,777	17,492	16,253	18,242	17,764	17,710	16,467	18,800	17,423
Mortgages	274,186	267,762	255,579	249,296	243,024	236,158	229,985	225,765	221,743
Capital leases	46,583	50,588	47,309	45,116	42,114	44,474	41,889	40,765	41,249
Other loans	514,119	506,768	501,269	485,364	484,441	452,179	434,377	425,924	418,731
Loans to customers before collective impairment allowance	909,175	894,446	873,530	846,599	835,582	799,938	776,149	756,904	743,124
Collective impairment allowance	-	-	-	-	-	-	-	(1,729)	(1,744)
Loans to customers	909,175	894,446	873,530	846,599	835,582	799,938	776,149	755,175	741,380

Capital and risk exposure amount	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
ISK million	2019	2019	2019	2018	2018	2018	2018	2017	2017
Ordinary share capital	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Share premium	55,000	55,000	55,000	55,000	55,000	55,000	55,000	55,000	55,000
Reserves	6,801	6,816	6,776	6,499	5,891	5,598	4,991	6,179	6,174
Retained earnings	103,785	101,534	99,401	102,496	101,280	99,159	93,930	107,387	104,144
Non-controlling interests	2,398	2,434	2,444	2,318	2,459	2,425	2,416	2,479	2,501
Fair value changes due to own credit standing	731	760	871	376	674	730	1,277	-	-
Tax assets	(445)	(394)	(292)	(215)	(235)	(374)	(454)	(4)	(5)
Intangible assets	(4,709)	(4,882)	(4,868)	(5,002)	(4,910)	(4,774)	(4,412)	(4,231)	(4,077)
Other regulatory adjustments	-	-	-	-	-	-	(1,338)	(1,285)	(1,255)
Total Tier 1 capital	173,561	171,268	169,332	171,472	170,159	167,764	161,410	175,525	172,482
Tier 2 capital									
Qualifying subordinated liabilities	21,993	23,431	16,468	16,216	15,531	-	8,838	9,505	-
Adjustment to eligible capital liabilities	-	-	-	-	-	-	-	-	-
Other regulatory adjustments	-	-	-	-	-	8,872	-	-	-
General credit risk adjustments	-	-	-	-	-	-	-	1,729	1,744
Total regulatory capital	195,554	194,699	185,800	187,688	185,690	176,636	170,248	186,759	174,226
Risk exposure amount									
- due to credit risk	815,266	809,840	789,806	750,801	758,774	724,177	701,035	682,525	673,998
- due to market risk:	10,482	13,988	9,877	7,622	10,428	10,055	9,887	8,102	12,069
Market risk, trading book	8,736	10,072	7,843	6,649	7,099	6,251	6,939	6,709	9,724
Currency risk FX	1,746	3,916	2,034	973	1,393	3,804	2,948	1,393	577
- due to credit valuation adjustment	1,954	2,815	2,077	2,385	2,619	1,786	1,670	1,534	1,768
- due to operational risk	85,141	85,141	85,141	85,141	83,331	83,331	83,331	83,331	81,469
Total risk exposure amount	912,843	911,784	886,901	845,949	855,152	819,349	795,923	775,492	767,536
Capital ratios									
Tier 1 ratio	19.0%	18.8%	19.1%	20.3%	19.9%	20.5%	20.3%	22.6%	22.5%
Tier 2 ratio	2.4%	2.6%	1.8%	1.9%	1.8%	1.1%	1.1%	1.5%	0.2%
Total capital ratio	21.4%	21.4%	20.9%	22.2%	21.7%	21.6%	21.4%	24.1%	22.7%

Macroeconomics - summary

	2Q19	1Q19	4Q18	3Q18	2Q18	1Q18	4Q17	3Q17
YoY change, %								
GDP growth	2.7	-0.9	3.4	2.9	6.7	6.7	2.8	3.9
Total investment	-9.2	-19.1	-1.1	-4.8	11.8	11.3	5.2	20.3
Business investment	-26.5	-34.8	-19.8	-11.7	10.5	5.2	4.7	15.1
Residential investment	40.8	22.2	4.1	-3.3	31.2	42.1	-3.4	49.0
Personal consumption	2.2	2.3	3.3	5.5	5.0	5.4	7.1	8.1
Unemployment rate, % of workforce	4.4	3.0	2.4	2.2	3.6	2.9	2.6	2.2
Current account, % of GDP	1.5	6.0	0.4	10.0	-0.6	0.7	0.6	9.3
International investment position, % of GDP	21.8	20.6	11.6	13.1	7.2	6.2	3.5	2.7
Gross general govt. debt, % of GDP			37.7				42.3	
Household debt, gross, % of GDP	75.8	76.1	75.3	75.4	74.5	74.8	77.1	76.9
Corporate debt, gross, % of GDP	87.3	88.1	88	87.6	85.8	84.1	86.3	85.7
YoY change, %								
Inflation	3.4	3.1	3.3	2.7	2.3	2.5	1.8	1.7
Residential real estate price index	0.6	1.6	2.4	2.7	5.3	10.8	15.1	22.6
Wages	5.4	5.7	6.1	6.1	6.5	7.2	7.1	7.3
Real wages	1.9	2.5	2.8	3.2	4.1	4.7	5.1	5.5
ISK index, average	181.8	179.3	180.3	164.3	160.9	161.2	161.7	163.2
Central bank policy rate (1W)	4.3	4.5	4.5	4.3	4.3	4.3	4.3	4.5
Long-term nominal yield	4.2	5.2	5.4	5.4	5.4	5.0	4.9	5.0
Long-term real yield	1.1	1.4	1.5	1.8	1.8	1.9	1.9	2

Other

Currencies	30.09.19	30.06.19	31.03.19	31.12.18	30.09.18	30.06.18	31.03.18	31.12.17	30.09.17
<hr/>									
Currencies									
USD	123.69	124.46	122.57	120.41	108.22	103.47	101.11	106.53	105.65
GBP	152.22	157.81	159.72	154.82	141.02	140.68	140.72	137.45	138.26
EUR	135.1	141.70	137.50	120.93	125.84	123.27	124.33	120.54	124.09
DKK	18.096	18.99	18.42	18.41	16.88	16.55	16.70	16.20	16.68
SEK	12.607	13.43	13.22	13.31	12.09	11.93	12.47	12.52	12.99
CHF	124.26	127.69	123.05	120.93	110.04	105.03	106.74	108.43	109.72

Financial targets

Medium and long term strategies structured around achieving key financial targets

	Target	9M19	2018	2017	Guidance
ROE regular operations¹	8-10 %	7.3 %	✓ 8.0 %	✓ 9.9 %	<ul style="list-style-type: none"> Target of 4-6% on top of risk free rate. Risk free rate expected to be at around 4% in the medium to long term and is currently 3.0% and 3.9% on average for 9M19 As the Bank retains substantive liquid assets, interest rate levels in Iceland can have a substantial impact on ROE The bank tax, excluded from target returns, will have an impact on profitability if kept at current high levels ROE target will be challenging to reach in the near term in a slowing economy and before a full realisation of the Bank's planned efficiency gains
Cost/ Income ratio²	<55 %	61.3 %	66.3 %	62.5 %	<ul style="list-style-type: none"> This is a medium to long term target. C/I ratio can be expected to be higher than target in the near term Headcount and non-headcount related cost control programmes in place Lower C/I on parent company basis than on a consolidated basis (55.3% at 9M19)
CET1	>16% LT	✓ 19.0 %	✓ 20.3 %	✓ 22.6 %	<ul style="list-style-type: none"> Current target for CET1 ratio is 14.8% -16.3% based on SREP requirements and management buffer Long term CET1 target is 16 %
Total capital ratio	> 19.3 – 20.8 %	✓ 21.4 %	✓ 22.2 %	✓ 24.1 %	<ul style="list-style-type: none"> Based on the regulatory capital requirement with a 50 – 200 bp management buffer Current capital requirement is 19.8% including recently increased countercyclical capital buffer
Dividend payout ratio	40-50 %	✓ -- %	✓ 50 %	✓ 100 %	<ul style="list-style-type: none"> Dividend pay-out ability will be impacted if the bank tax will be kept at current high levels The BoD agreed to pay out ISK 5.3 billion in dividend for the 2018 financial year which is in line with the Bank's dividend pay-out target

1. Return from regular operations and corresponding ratios on normalised CET1 of 16%, adjusted for risk free interest on excess capital.

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

Íslandsbanki credit ratings

Ratings affirmed from S&P in mid-2019

S&P

BBB+/A-2 Negative Outlook

Press Release 23 July 2019

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

In its press release, S&P refers to Íslandsbanki's **stable domestic market position** and acknowledges the Bank's **success in introducing new digital products and improving its IT infrastructure**, placing it well ahead of many other European banks. S&P also notes the Bank's **exceptional capitalisation, strong liquidity levels and robust asset quality**.

S&P's rationale for **the change to negative outlook** is mostly derived from its view that Iceland's **operating environment will remain challenging**, affected by the 2019 economic recession, declining interest rates, still-high taxation, and 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	A3
Short-term	A-2	Short-term	A-1	F1	-
Outlook	Negative	Outlook	Stable	Stable	Positive
Rating action	Jul 19	Rating action	Jun 18	Jun 18	Jul 18

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