

4Q2020



Íslandsbanki Factbook

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Supplementary information for market participants (Unaudited)

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Investor relations

IR contact

Email: ir@islandsbanki.is

Investor relations web-site

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

Investor call in English on Thursday 11 February 2021 at 9.30 AM (GMT)

The Bank will host an investor call in English at 09.30 AM (GMT) on Thursday, 11 February.

The call will start with a short macro update on the Icelandic economy, followed by a review of the financial results a
Please register by sending email to: ir@islandsbanki.is.

Dial-in details and investor material 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
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:

Annual General Meeting — 18 March 2021

1Q2021 results — 5 May 2021

2Q2021 results — 28 July 2021

3Q2021 results — 27 October 2021

Please note that these dates are subject to change.

Key performance indicators - 5 years

	2020	2019	2018	2017	2016
Profitability					
Return on equity (after tax)	3.7%	4.8%	6.1%	7.5%	10.2%
ROE margin ¹	2.6%	1.2%	2.1%	3.1%	4.9%
Return on assets	0.5%	0.7%	1.0%	1.3%	1.9%
Earnings per share	0.72	0.92	1.01	1.10	1.40
Core income / total operating income ²	1.02	0.97	0.98	0.99	0.86
Net interest margin					
Net interest margin on total assets	2.6%	2.7%	2.9%	2.9%	3.1%
Efficiency					
Cost-to-income ratio ³	54.3%	58.8%	66.3%	62.5%	56.9%
Number of FTEs at period end - Consolidated ⁴	779	984	1,075	1,042	1,075
Number of FTEs at period end - Parent ⁴	745	749	834	860	910
Number of branches at period end	12	14	14	14	15
Assets					
Loans to customers (ISKm)	1,006,717	899,632	846,599	755,175	687,840
LTV on mortgages to individuals ⁵	64.0%	62.0%	61.0%	63.3%	67.2%
Risk exposure amount / total assets	69.4%	73.7%	74.8%	74.9%	67.2%
Financial strength					
Equity as % of total assets	13.9%	15.0%	15.6%	17.5%	17.1%
Liquidity					
Liquidity coverage ratio (LCR) - All currencies	196%	155%	172%	142%	200%
Liquidity coverage ratio (LCR) - Domestic currency	95%	110%			
Liquidity coverage ratio (LCR) - Foreign currencies	463%	325%	544%	155%	347%
Net stable funding ratio (NSFR) - All currencies	123%	119%	114%	117%	123%
Net stable funding ratio (NSFR) - Foreign currencies	179%	156%	149%	122%	144%
Term deposits % of total deposits	24.6%	28.0%	27.1%	29.4%	35.0%
Customer loans to customer deposits ratio	148.2%	145.5%	146.2%	133.2%	115.8%
Capital					
Tier 1 ratio	20.1%	19.9%	20.3%	22.6%	24.9%
Tier 2 ratio	2.9%	2.5%	1.9%	1.5%	0.3%
Total capital ratio	23.0%	22.4%	22.2%	24.1%	25.2%
Leverage ratio	13.6%	14.2%	14.6%	16.2%	16.0%
Risk exposure amount (ISKm)	933,521	884,550	845,949	775,492	704,177

1. ROE in excess of risk-free rate

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

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

4. Numbers exclude seasonal employees

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

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

Income statement - 5 year summary

ISK million	2020	2019	2018	2017	2016
Interest income	55,695	61,965	61,675	56,767	60,503
Interest expense	(22,324)	(29,143)	(29,738)	(26,768)	(28,701)
Net interest income	33,371	32,822	31,937	29,999	31,802
Fee and commission income	12,651	12,052	19,853	20,855	21,818
Fee and commission expense	(2,126)	(1,153)	(7,626)	(7,105)	(8,095)
Net fee and commission income	10,525	10,899	12,227	13,750	13,723
Net financial income (expense)	(1,391)	(820)	(962)	(715)	6,096
Net foreign exchange gain	451	139	1	527	443
Other operating income	197	2,125	1,784	628	652
Other net operating income	(743)	1,444	823	440	7,191
Total operating income	43,153	45,165	44,987	44,189	52,716
Administrative expenses	(22,746)	(24,488)	(27,650)	(26,968)	(27,121)
Contribution to the Depositors' and Investors' Guarantee Fund	(679)	(936)	(1,173)	(1,083)	(1,063)
Bank tax	(1,588)	(3,528)	(3,281)	(2,892)	(2,843)
Total operating expenses	(25,013)	(28,952)	(32,104)	(30,943)	(31,027)
Profit before net impairment on financial assets	18,140	16,213	12,883	13,246	21,689
Net impairment on financial assets	(8,816)	(3,480)	1,584	1,556	735
Profit before tax	9,324	12,733	14,467	14,802	22,424
Income tax expense	(2,472)	(3,909)	(4,734)	(4,151)	(5,205)
Profit for the period from continuing operations	6,852	8,824	9,733	10,651	17,219
Discontinued operations, net of income tax	(97)	(370)	912	2,575	2,939
Profit for the period	6,755	8,454	10,645	13,226	20,158
Basic earnings per share from profit (loss) for the period	0.72	0.92	1.01	1.10	1.40

Balance sheet - 5 year summary

ISK million	2020	2019	2018	2017	2016
Cash and balances with Central Bank	78,948	146,638	135,056	189,045	275,453
Loans to credit institutions	89,920	54,376	41,577	26,617	17,645
Bonds and debt instruments	128,216	52,870	69,415	27,090	31,256
Derivatives	6,647	5,621	4,550	2,896	1,953
Loans to customers	1,006,717	899,632	846,599	755,175	687,840
Shares and equity instruments	14,851	18,426	13,074	10,177	10,626
Investments in associates	775	746	682	704	450
Property and equipment	7,341	9,168	5,271	7,128	6,211
Intangible assets	3,478	4,330	5,002	4,231	2,672
Other assets	4,125	6,608	9,177	12,759	13,448
Non-current assets and disposal groups held for sale	3,173	1,075	-	-	-
Total Assets	1,344,191	1,199,490	1,130,403	1,035,822	1,047,554
Deposits from Central Bank and credit institutions	39,758	30,925	15,619	11,189	4,922
Deposits from customers	679,455	618,313	578,959	567,029	594,187
Derivative instruments and short positions	6,936	6,219	5,521	5,492	4,798
Debt issued and other borrowed funds	387,274	306,381	300,976	217,748	212,468
Subordinated loans	27,194	22,674	16,216	9,505	-
Tax liabilities	5,450	7,853	7,150	7,787	8,473
Other liabilities	11,920	27,063	29,649	36,027	43,781
Total Liabilities	1,157,987	1,019,428	954,090	854,777	868,629
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	6,181	7,065	6,499	6,179	4,139
Retained earnings	113,529	105,569	102,496	107,387	105,563
Total Shareholder's Equity	184,710	177,634	173,995	178,566	174,702
Non-controlling interests	1,494	2,428	2,318	2,479	4,223
Total Equity	186,204	180,062	176,313	181,045	178,925
Total Liabilities and Equity	1,344,191	1,199,490	1,130,403	1,035,822	1,047,554

Net interest income - 5 year summary

ISK million	2020	2019	2018	2017	2016
Cash and balances with Central Bank	1,750	4,452	7,279	10,541	11,507
Loans at amortised cost	51,628	54,837	52,462	45,162	47,084
Financial assets mandatorily at fair value through profit or loss	2,314	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	3	46	109	135	141
Total interest income	55,695	61,965	61,675	56,767	60,503
Deposits from Central Bank and credit institutions	(736)	(625)	(409)	(170)	(275)
Deposits from customers	(7,700)	(15,242)	(16,539)	(17,461)	(20,382)
Debt issued and other borrowed funds at fair value through profit and loss	(608)	(734)	(963)	-	-
Debt issued and other borrowed funds at amortised cost	(11,179)	(9,818)	(9,035)	(8,107)	(7,384)
Subordinated loans	(763)	(501)	(198)	(14)	(627)
Other interest expense	(1,338)	(2,223)	(2,594)	(1,016)	(33)
Total interest expense	(22,324)	(29,143)	(29,738)	(26,768)	(28,701)
Net interest income	33,371	32,822	31,937	29,999	31,802
Interest spread (as the ratio of net interest income to the average carrying amount of total assets)	2.6%	2.7%	2.9%	2.9%	3.1%

Net fee & commission income - 5 year summary

ISK million	2020	2019	2018	2017	2016
Asset management	2,382	2,225	2,116	1,964	1,757
Investment banking and brokerage	2,487	2,430	2,303	2,280	1,987
Payment processing	4,378	3,810	12,065	13,094	14,705
Loans and guarantees	2,014	1,510	1,467	1,427	1,449
Other fee and commission income	1,390	2,077	1,902	2,090	1,920
Total fees and commission income	12,651	12,052	19,853	20,855	21,818
Brokerage	(360)	(337)	(300)	(128)	(109)
Clearing and settlement	(1,766)	(806)	(7,302)	(6,956)	(7,963)
Other fee and commission expense	-	(10)	(24)	(21)	(23)
Total fee and commission expense	(2,126)	(1,153)	(7,626)	(7,105)	(8,095)
Net fee and commission income	10,525	10,899	12,227	13,750	13,723

Loans to customers - 5 year summary

ISK million	2020	2019	2018	2017	2016
Individuals	437,377	349,181	319,390	299,350	286,177
Commerce and services	124,260	126,488	124,242	112,144	97,943
Construction	42,352	44,420	29,095	24,797	27,878
Energy	8,673	7,887	6,858	7,109	7,216
Financial services	1,539	2,315	1,704	26	85
Industrial and transportation	78,561	82,288	79,824	69,961	63,090
Investment companies	23,440	23,590	23,799	19,726	14,402
Public sector and non-profit organisations	10,911	12,312	12,087	11,871	12,835
Real estate	157,502	145,559	142,885	127,067	100,020
Seafood	122,102	105,592	106,715	84,853	80,243
Loans to customers before collective impairment allowance	1,006,717	899,632	846,599	756,904	689,889
Collective impairment allowance	-	-	-	(1,729)	(2,049)
Loans to customers	1,006,717	899,632	846,599	755,175	687,840

Loans to customers - by product

Overdrafts	42,212	48,938	48,581	45,650	45,383
Credit cards	16,888	19,026	18,242	18,800	19,188
Mortgages	377,155	281,499	249,296	225,765	211,233
Capital leases	44,194	45,623	45,116	40,765	40,415
Government guarantee schemes	3,594	-	-	-	-
Other loans	522,674	504,546	485,364	425,924	373,670
Loans to customers before collective impairment allowance	1,006,717	899,632	846,599	756,904	689,889
Collective impairment allowance	-	-	-	(1,729)	(2,049)
Loans to customers	1,006,717	899,632	846,599	755,175	687,840

Capital and risk exposure amount - 5 year summary

ISK million	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	6,181	7,065	6,499	6,179	4,139
Retained earnings	113,529	105,569	102,496	107,387	105,563
Non-controlling interests	1,494	2,428	2,318	2,479	4,223
IFRS 9 reversal due to transitional rules	5,164	-	-	-	-
Fair value changes due to own credit standing	238	392	376	-	-
Tax assets	(259)	(476)	(215)	(4)	(4)
Intangible assets	(3,478)	(4,330)	(5,002)	(4,231)	(2,672)
Other regulatory adjustments	-	-	-	(1,285)	(924)
Total CET1 capital	187,869	175,648	171,472	175,525	175,325
Tier 2 capital					
Qualifying subordinated liabilities	27,194	22,674	16,216	9,505	-
General credit risk adjustments	-	-	-	1,729	2,049
Total capital base	215,063	198,322	187,688	186,759	177,374
Risk exposure amount					
- due to credit risk	830,141	789,180	750,801	682,525	615,465
- due to market risk:	16,626	7,919	7,622	8,102	7,243
Market risk, trading book	11,306	6,488	6,649	6,709	6,418
Currency risk	5,320	1,431	973	1,393	825
- due to credit valuation adjustment	1,728	2,027	2,385	1,534	-
- due to operational risk	85,026	85,424	85,141	83,331	81,469
Total risk exposure amount	933,521	884,550	845,949	775,492	704,177
Capital ratios					
Tier 1 ratio	20.1%	19.9%	20.3%	22.6%	24.9%
Tier 2 ratio	2.9%	2.5%	1.9%	1.5%	0.3%
Total capital ratio	23.0%	22.4%	22.2%	24.1%	25.2%
Leverage ratio	13.6%	14.2%	14.6%	16.2%	16.0%

Key performance indicators - 9 quarters	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
	2020	2020	2020	2020	2019	2019	2019	2019	2018
Profitability									
Return on equity (after tax)	7.6%	7.4%	2.8%	-3.0%	3.7%	4.7%	4.9%	5.9%	3.2%
ROE margin ¹	7.1%	6.7%	1.1%	-5.3%	0.9%	1.4%	1.1%	2.1%	-1.0%
Return on assets	1.1%	1.0%	0.4%	-0.4%	0.5%	0.7%	0.7%	0.9%	0.5%
Earnings per share	0.34	0.31	0.17	-0.10	0.21	0.21	0.24	0.26	0.15
Net interest margin									
Net interest margin on total assets	2.5%	2.5%	2.6%	2.8%	2.7%	2.7%	2.8%	2.7%	3.0%
Efficiency									
Cost-to-income ratio ²	51.7%	46.7%	57.5%	62.9%	62.9%	56.3%	56.5%	59.6%	68.5%
Number of FTEs at period end - Consolidated ³	779	778	980	980	984	1,022	1,053	1,078	1,075
Number of FTEs at period end - Parent co. ³	745	744	735	746	749	784	806	834	835
Asset quality									
Loans to customers (ISKm)	1,006,717	970,309	933,320	923,850	899,632	909,175	894,446	873,530	846,599
LTV on mortgages to individuals ⁴	64.0%	64.0%	63.0%	62.0%	62.0%	61.0%	61.0%	61.0%	61.0%
Risk exposure amount / total assets	69.4%	70.9%	70.8%	72.6%	73.7%	74.0%	74.1%	73.6%	74.8%
Financial strength									
Equity as % of total assets	13.9%	13.7%	13.8%	14.3%	15.0%	14.4%	14.3%	14.4%	15.6%
Liquidity									
Liquidity coverage ratio (LCR)	196%	136%	179%	177%	155%	174%	185%	158%	172%
Liquidity coverage ratio (LCR) - Domestic currency	95%	96%	119%		110%				
Liquidity coverage ratio (LCR) - Foreign currencies	463%	405%	325%	324%	325%	484%	456%	453%	544%
Net stable funding ratio (NSFR) - All currencies	123%	113%	117%	120%	119%	117%	117%	115%	114%
Net stable funding ratio (NSFR) - Foreign currencies	179%	149%	147%	151%	156%	163%	179%	166%	149%
Term deposits % of total deposits	24.6%	25.0%	25.7%	27.4%	28.0%	28.5%	28.2%	28.0%	27.1%
Customer loans to customer deposits ratio	148.2%	138.9%	137.0%	142.6%	145.5%	149.0%	145.2%	142.9%	146.2%
Capital									
Tier 1 ratio	20.1%	19.4%	19.4%	19.2%	19.9%	19.0%	18.8%	19.1%	20.3%
Tier 2 ratio	2.9%	2.8%	2.8%	2.7%	2.5%	2.4%	2.6%	1.8%	1.9%
Total capital ratio	23.0%	22.2%	22.2%	21.9%	22.4%	21.4%	21.4%	20.9%	22.2%
Leverage ratio	13.6%	13.4%	13.4%	13.5%	14.2%	13.6%	13.4%	13.5%	14.6%
Risk exposure amount (ISKm)	933,521	942,339	923,133	911,375	884,550	912,843	911,784	886,901	845,949

1. ROE in excess of risk-free rate

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

3. Numbers exclude seasonal employees

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

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

Income statement - 9 quarter summary

ISK million	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018
Net interest income	8,258	8,305	8,228	8,580	8,291	8,190	8,404	7,937	8,294
Net fee and commission income	2,865	2,862	2,307	2,491	2,945	2,549	2,758	2,647	3,478
Net financial income (expense)	783	(255)	(181)	(1,738)	(840)	(602)	180	442	(637)
Net foreign exchange gain (loss)	87	101	208	55	116	159	(15)	(121)	76
Other operating income	63	44	71	19	920	37	27	1,141	120
Other net operating income	933	(110)	98	(1,664)	196	(406)	192	1,462	(441)
Total operating income	12,056	11,057	10,633	9,407	11,432	10,333	11,354	12,046	11,331
Administrative expenses	(6,073)	(5,110)	(5,871)	(5,692)	(6,447)	(5,608)	(6,220)	(6,213)	(7,465)
Contribution to the Depositors' and Investors' Guarantee Fund	(154)	(50)	(247)	(228)	(216)	(210)	(198)	(312)	(299)
Bank tax	(414)	(416)	(399)	(359)	(814)	(900)	(934)	(880)	(740)
Total operating expenses	(6,641)	(5,576)	(6,517)	(6,279)	(7,477)	(6,718)	(7,352)	(7,405)	(8,504)
Profit before net impairment on financial assets	5,415	5,481	4,116	3,128	3,955	3,615	4,002	4,641	2,827
Net impairment on financial assets	(1,829)	(1,058)	(2,439)	(3,490)	(1,463)	(208)	(902)	(907)	(297)
Profit (loss) before tax	3,586	4,423	1,677	(362)	2,492	3,407	3,100	3,734	2,530
Income tax expense	(234)	(1,350)	(119)	(769)	(659)	(1,328)	(726)	(1,196)	(1,118)
Profit (loss) for the period from continuing operations	3,352	3,073	1,558	(1,131)	1,833	2,079	2,374	2,538	1,412
Discontinued operations, net of income tax	173	288	(313)	(245)	(174)	7	(254)	51	(8)
Profit (loss) for the period	3,525	3,361	1,245	(1,376)	1,659	2,086	2,120	2,589	1,404

Balance sheet - 9 quarter summary

ISK million	31.12.20	30.09.20	30.06.20	31.03.20	31.12.19	30.09.19	30.06.19	31.03.19	31.12.18
Cash and balances with Central Bank	78,948	95,022	103,569	123,062	146,638	129,115	122,794	129,039	135,056
Loans to credit institutions	89,920	61,898	70,307	84,263	54,376	66,409	77,387	65,145	41,577
Bonds and debt instruments	128,216	149,426	140,422	69,368	52,870	73,899	77,033	80,809	69,415
Derivatives	6,647	3,731	6,366	4,772	5,621	5,438	5,843	4,837	4,550
Loans to customers	1,006,717	970,309	933,320	923,850	899,632	909,175	894,446	873,530	846,599
Shares and equity instruments	14,851	14,657	10,943	12,496	18,426	19,200	19,176	15,268	13,074
Investments in associates	775	750	750	712	746	687	687	682	682
Property and equipment	7,341	7,409	7,549	8,015	9,168	9,442	9,504	9,642	5,271
Intangible assets	3,478	3,554	3,667	3,736	4,330	4,709	4,882	4,868	5,002
Other assets	4,125	17,159	6,370	5,154	6,608	15,781	18,224	21,408	9,177
Non-current assets and disposal groups held for sale	3,173	4,809	19,993	20,263	1,075	-	-	-	-
Total Assets	1,344,191	1,328,724	1,303,256	1,255,691	1,199,490	1,233,855	1,229,976	1,205,228	1,130,403
Deposits from Central Bank and credit institutions	39,758	36,438	35,461	33,773	30,925	31,808	19,830	16,404	15,619
Deposits from customers	679,455	698,610	681,223	647,795	618,313	610,281	615,869	611,303	578,959
Derivative instruments and short positions	6,936	8,406	7,519	12,045	6,219	7,910	6,903	7,325	5,521
Debt issued and other borrowed funds	387,274	324,752	321,803	322,280	306,381	331,938	337,473	325,035	300,976
Subordinated loans	27,194	26,798	25,834	24,456	22,674	21,993	23,431	16,468	16,216
Tax liabilities	5,450	7,137	6,438	8,155	7,853	10,127	8,674	8,303	7,150
Other liabilities	11,920	44,074	45,256	27,645	27,063	41,814	42,012	46,769	29,649
Total Liabilities	1,157,987	1,146,215	1,123,534	1,076,149	1,019,428	1,055,871	1,054,192	1,031,607	954,090
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	6,181	7,258	7,262	8,016	7,065	6,801	6,816	6,776	6,499
Retained earnings	113,529	108,383	105,681	104,349	105,569	103,785	101,534	99,401	102,496
Total Shareholder's Equity	184,710	180,641	177,943	177,365	177,634	175,586	173,350	171,177	173,995
Non-controlling interests	1,494	1,868	1,779	2,177	2,428	2,398	2,434	2,444	2,318
Total Equity	186,204	182,509	179,722	179,542	180,062	177,984	175,784	173,621	176,313
Total Liabilities and Equity	1,344,191	1,328,724	1,303,256	1,255,691	1,199,490	1,233,855	1,229,976	1,205,228	1,130,403

Net interest income - 9 quarter summary

ISK million	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018
Cash and balances with Central Bank	105	235	408	1,002	1,009	993	1,184	1,266	1,603
Loans at amortised cost	12,511	13,001	14,026	12,090	13,273	13,194	15,208	13,162	14,521
Financial assets mandatorily at fair value through profit or loss	661	583	519	551	606	743	713	568	498
Other assets	-	1	-	2	14	10	12	10	9
Total interest income	13,277	13,820	14,953	13,645	14,902	14,940	17,117	15,006	16,631
Deposits from Central Bank and credit institutions	(124)	(192)	(199)	(221)	(237)	(159)	(122)	(107)	(106)
Deposits from customers	(1,376)	(1,625)	(2,236)	(2,463)	(3,064)	(3,475)	(4,660)	(4,043)	(4,389)
Debt issued and other borrowed funds at fair value through profit and loss	(162)	(150)	(154)	(142)	(176)	(184)	(194)	(180)	(250)
Debt issued and other borrowed funds at amortised cost	(2,826)	(2,979)	(3,327)	(2,047)	(2,414)	(2,271)	(2,914)	(2,219)	(2,676)
Subordinated loans	(193)	(211)	(193)	(166)	(160)	(168)	(93)	(80)	(109)
Other interest expense	(338)	(358)	(616)	(26)	(560)	(493)	(730)	(440)	(807)
Total interest expense	(5,019)	(5,515)	(6,725)	(5,065)	(6,611)	(6,750)	(8,713)	(7,069)	(8,337)
Net interest income	8,258	8,305	8,228	8,580	8,291	8,190	8,404	7,937	8,294

Net fee and commission income - 9 quarter summary

ISK million	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018
Asset management	636	576	605	565	590	512	575	548	587
Investment banking and brokerage	656	684	576	571	688	598	613	531	621
Payment processing	1,081	1,697	786	814	987	947	1,046	830	3,243
Loans and guarantees	690	514	427	383	389	367	376	378	336
Other fee and commission income	410	322	228	430	734	373	385	585	786
Total fee and commission income	3,473	3,793	2,622	2,763	3,388	2,797	2,995	2,872	5,573
Brokerage	(127)	(67)	(113)	(53)	(128)	(65)	(75)	(69)	(91)
Clearing and settlement	(481)	(864)	(202)	(219)	(324)	(174)	(174)	(134)	(1,988)
Other fee and commission expense	-	-	-	-	9	(9)	12	(22)	(16)
Total fee and commission expense	(608)	(931)	(315)	(272)	(443)	(248)	(237)	(225)	(2,095)
Net fee and commission income	2,865	2,862	2,307	2,491	2,945	2,549	2,758	2,647	3,478

Loans to customers - 9 quarter summary

ISK million	31.12.20	30.09.20	30.06.20	31.03.20	31.12.19	30.09.19	30.06.19	31.03.19	31.12.18
Individuals	437,377	379,966	355,524	347,539	349,181	345,234	334,749	324,245	319,390
Commerce and services	124,260	121,951	122,581	127,887	126,488	130,879	135,041	130,325	124,242
Construction	42,352	44,550	46,463	45,621	44,420	33,865	33,445	31,466	29,095
Energy	8,673	8,316	8,344	8,024	7,887	6,803	6,934	6,911	6,858
Financial services	1,539	1,776	2,239	1,436	2,315	2,768	23	2,575	1,704
Industrial and transportation	78,561	82,458	83,731	84,709	82,288	84,127	81,784	80,986	79,824
Investment companies	23,440	24,747	24,578	25,184	23,590	27,507	26,052	24,657	23,799
Public sector and non-profit organisations	10,911	11,622	11,641	11,339	12,312	11,615	11,453	11,528	12,087
Real estate	157,502	165,370	150,090	149,138	145,559	156,548	153,077	148,765	142,885
Seafood	122,102	129,553	128,129	122,973	105,592	109,829	111,888	112,072	106,715
Loans to customers	1,006,717	970,309	933,320	923,850	899,632	909,175	894,446	873,530	846,599
Loans to customers - by product									
Overdrafts	42,212	43,294	47,513	44,929	48,938	54,510	51,836	53,120	48,581
Credit cards	16,888	16,060	16,704	15,621	19,026	19,777	17,492	16,253	18,242
Mortgages	377,155	316,896	293,838	285,670	281,499	274,186	267,762	255,579	249,296
Capital leases	44,194	45,514	45,039	47,872	45,623	46,583	50,588	47,309	45,116
Government guarantee schemes	3,594	1,658	-	-	-	-	-	-	-
Other loans	522,674	546,887	530,226	529,758	504,546	514,119	506,768	501,269	485,364
Loans to customers	1,006,717	970,309	933,320	923,850	899,632	909,175	894,446	873,530	846,599

Capital and risk exposure amount

ISK million	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 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	6,181	7,258	7,262	8,016	7,065	6,801	6,816	6,776	6,499
Retained earnings	113,529	108,383	105,681	104,349	105,569	103,785	101,534	99,401	102,496
Non-controlling interests	1,494	1,868	1,779	2,177	2,428	2,398	2,434	2,444	2,318
IFRS 9 reversal due to transitional rules	5,164	4,088	3,810	-	-	-	-	-	-
Fair value changes due to own credit standing	238	-239	(427)	(773)	392	731	760	871	376
Tax assets	(259)	(173)	(88)	(30)	(476)	(445)	(394)	(292)	(215)
Intangible assets	(3,478)	(3,554)	(3,667)	(3,736)	(4,330)	(4,709)	(4,882)	(4,868)	(5,002)
Other regulatory adjustments	-	-	-	-	-	-	-	-	-
Total CET1 capital	187,869	182,631	179,350	175,003	175,648	173,561	171,268	169,332	171,472
Tier 2 capital									
Qualifying subordinated liabilities	27,194	26,798	25,834	24,456	22,674	21,993	23,431	16,468	16,216
Total regulatory capital	215,063	209,429	205,184	199,458	198,322	195,554	194,699	185,800	187,688
Risk exposure amount									
- due to credit risk	830,141	836,662	821,457	811,936	789,180	815,266	809,840	789,806	750,801
- due to market risk:	16,626	18,748	14,435	12,350	7,919	10,482	13,988	9,877	7,622
Market risk, trading book	11,306	15,281	12,024	9,095	6,488	8,736	10,072	7,843	6,649
Currency risk FX	5,320	3,467	2,411	3,255	1,431	1,746	3,916	2,034	973
- due to credit valuation adjustment	1,728	1,505	1,817	1,665	2,027	1,954	2,815	2,077	2,385
- due to operational risk	85,026	85,424	85,424	85,424	85,424	85,141	85,141	85,141	85,141
Total risk exposure amount	933,521	942,339	923,133	911,375	884,550	912,843	911,784	886,901	845,949
Capital ratios									
Tier 1 ratio	20.1%	19.4%	19.4%	19.2%	19.9%	19.0%	18.8%	19.1%	20.3%
Tier 2 ratio	2.9%	2.8%	2.8%	2.7%	2.5%	2.4%	2.6%	1.8%	1.9%
Total capital ratio	23.0%	22.2%	22.2%	21.9%	22.4%	21.4%	21.4%	20.9%	22.2%
Leverage ratio	13.6%	13.4%	13.4%	13.5%	14.2%	13.6%	13.4%	13.5%	14.6%

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

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

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

2. Average loan size ISK 9.6 m

3. EUR/ISK=156 on 31.12.2020

Macroeconomics - summary

	3Q20	2Q20	1Q20	4Q19	3Q19	2Q19	1Q19	4Q18	3Q18
YoY change, %									
GDP growth	-10.4	-10.9	-2.5	4.2	1.0	2.8	-0.3	4.4	2.5
Total investment	-15.2	-18.1	2.7	-4.2	2.9	-8.2	-18.9	-1.0	-6.4
Business investment	-21.8	-13.8	13.3	0.6	-5.3	-26.9	-35.9	-22.9	-17.5
Residential investment	-6.9	-19.2	-5.2	13.4	51.8	41.3	21.8	4.2	-3.4
Personal consumption	-2.3	-8.8	0.9	1.1	2.6	1.1	2.6	3.5	5.1
Unemployment rate, % of workforce	5.1	6.9	3.6	3.3	3.5	4.4	3.0	2.4	2.2
Current account, % of GDP	-0.2	-0.9	1.7	6.6	8.8	2.9	7.2	1.5	10.4
International investment position, % of GDP	33.4	27.9	22.6	21.7	20.1	17.2	18.1	9.5	10.9
Gross general govt. debt, % of GDP				68.6				70.5	
Household debt, gross, % of GDP	82.1	78.0	75.5	74.7	75.0	75.3	74.6	74.9	73.9
Corporate debt, gross, % of GDP	94.8	91.4	89.6	84.2	86.3	89.1	90.8	90.3	89.7
YoY change, %									
Inflation	3.2	2.5	2.1	2.5	3.1	3.4	3.1	3.3	2.7
Residential real estate price index	7.4	6.2	4.7	4.4	3.3	4.7	5.3	6.1	5.8
Wages	6.5	6.7	4.9	4.3	4.3	5.4	5.7	6.1	6.1
Real wages	3.1	4.1	2.8	1.7	1.2	1.9	2.5	2.8	3.3
ISK index, average	207.8	203.2	186.4	180.6	182.1	181.8	179.2	180.2	164.2
Central bank policy rate (1W)	1.0	1.0	1.8	3.1	3.6	4.3	4.5	4.5	4.3
Long-term nominal yield	2.6	2.5	3.1	3.6	3.8	4.2	5.2	5.9	5.6
Long-term real yield	-0.4	0.0	0.5	0.8	0.8	1.1	1.4	1.5	1.8

Other**Currencies** **31.12.20** **30.09.20** **30.06.20** **31.03.20** **31.12.19** **30.09.19** **30.06.19** **31.03.19** **31.12.18**

Currencies

USD	127.2	138.5	138.6	141.7	121.1	123.7	124.5	122.6	120.4
GBP	173.6	177.7	170.2	175.2	159.4	152.2	157.8	159.7	154.8
EUR	156.1	162.2	155.4	155.3	135.8	135.1	141.7	137.5	120.9
DKK	21.0	21.8	20.9	20.8	18.2	18.1	19.0	18.4	18.4
SEK	15.6	15.4	14.8	14.0	13.0	12.6	13.4	13.2	13.3
CHF	144.4	150.1	145.8	146.8	125.1	124.3	127.7	123.1	120.9

Financial targets

ROE at 7.6% in the fourth quarter – all other targets met in 2020

	Target	2020	Guidance
ROE in excess of risk-free rate	4-6%	2.6%	<ul style="list-style-type: none"> — Target of 4-6% on top of risk-free rate. Risk-free rate is currently 0.5% — 8-10% ROE is based on average expected risk-free rates through the business cycle. Based on the risk-free rate of 0.5% the ROE target in the very short term is 4.5-6.5% — The COVID-19 pandemic had a material adverse effect on the Bank's earnings in 2020 and therefore the ROE target will not be met this year. The Bank will strive to get back on track to reach its ROE targets from 2021 onwards
Return on equity	8-10%	3.7%	
Cost / Income ratio¹	<55%	✓ 54.3%	<ul style="list-style-type: none"> — The Bank continues to invest in IT infrastructure and process efficiency to improve the C/I ratio in the medium to long term
Tier 1 capital ratio	>13.2-14.7%	✓ 20.1%	<ul style="list-style-type: none"> — Based on a management buffer of 50-200bp, the CET1 target range is currently 13.2-14.7% — Long term CET1 target is >16%. In line with the target range, the Bank expects to maintain a CET1 ratio of over 16% in the medium to long term — 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
Total capital ratio	> 17.5-19.0%	✓ 23.0%	<ul style="list-style-type: none"> — Based on the regulatory capital requirement with a management buffer of 50-200 bp — Current capital requirement is 17.0% including recent suspension of the countercyclical capital buffer in March 2020
Dividend payout ratio	40-50%	✓ 50%	<ul style="list-style-type: none"> — The Board of Directors proposes that ISK 3.4bn will be paid in dividends to shareholders, which is 50% of profits in 2020 and is in line with the Bank's policy of paying dividends of 40-50% of the profit of the year — The Board may convene a special shareholders' meeting later in the year to propose payment of additional dividends if the Bank's accumulated capital reserves are considered to exceed its long-term capital requirements

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

Íslandsbanki S&P credit ratings

Rating lowered in April 2020

BBB/A-2 Stable Outlook

Press Release 24 April 2020

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

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

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

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

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