# Byggðastofnun

The Icelandic Regional Development Institute

## Annual Accounts 2018

# REPORT OF THE EXECUTIVE BOARD AND CHIEF EXECUTIVE OFFICER OF THE ICELANDIC REGIONAL DEVELOPMENT INSTITUTE

## Functions

Byggðastofnun (the Icelandic Regional Development Institute) operates under the terms of the Icelandic Regional Development Institute Act, no. 106/1999, and Regulation no. 347/2000. The function of the Institute is to promote regional settlement and economic activity, with special emphasis on the creation of equal opportunities of employment and place of residence for all people in Iceland. In accordance with its function the Institute prepares, organises and funds projects and provides loans with the aim of supporting regional settlement, creating employment and encouraging business innovation. The Institute organises and contributes to consultancy services in collaboration with economic development agencies, local authorities, and other interested parties. The Institute monitors regional development trends in Iceland through means such as data collection and research. The Institute may draw up or have drawn up plans for regional development and economic activity with the aim of supporting settlement and employment in the country's non-metropolitan regions.

## Performance in the year 2018

The Institute's operating profit in the year as per the profit and loss account was ISK 113.4 million; this compares to a profit for the year 2017 of ISK 99.6 million. Capital and reserves at the end of December as per the balance sheet were ISK 3,121 million. The capital adequacy ratio under the terms of the Act on Financial Undertakings was 21.45%, as compared to 23.57% at the end of the 2017.

Under the terms of Article 84 of Act on Financial Undertakings, no. 161/2002, the total capital base shall not at any time fall below 8% of the risk-weighted asset base; as noted above, at the end of December the Institute's capital adequacy rate was 21.45%. In compliance with its authorities under Article 86.d (1 and 2) of the Act on Financial Undertakings, the Financial Supervisory Authority has set a countercyclical capital buffer for the Institute, together with a capital conservation buffer as per Article 86.e of the same Act. The aggregate capital buffer requirement is 3.75% from 1 January 2018. Under a Financial Supervisory Authority ruling of 15 May 2018, the Institute shall maintain a 1.75% countercyclical capital buffer and a 2.5% capital conservation buffer, effective from 15 May 2019. Under a Financial Supervisory Authority letter of 1 February 2019, the Institute shall maintain a countercyclical capital buffer of 2.0% from 1 February 2020.

In April 2018 Framkvæmdasýsla ríkisins (the Government Construction Contracting Agency) acting on behalf of the Icelandic Regional Development Institute issued a call for tenders for the construction of new office premises for the Institute at Sauðamýri 2, Sauðárkrókur. Four bids were received, of which the lowest was more than 40% over the budgeted cost. At a meeting on 1 June 2018 the executive board decided to reject all bids and issue a new call for tenders.

It was decided to make changes to the project and break it up into stages. In October 2018 bids were opened for the ground work and this was completed early in 2019. A call for bids was issued at the start of January 2019 for the construction of the premises and the aim is for the new building to be ready in the spring of 2020.

The Institute's balance sheet at the end of December stood at ISK 14,886 million, up by ISK 1,753 million on the previous year. The largest individual item on the asset side of the balance sheet is loans issued to clients, amounting to ISK 12,113 million, an increase of ISK 1,649 million from the start of the year. Cash in hand at the end of the year stood at ISK 1,102 million, as compared to ISK 1,090 million at the end of 2017. Borrowings amounted to ISK 11,504 million, a rise of ISK 1,584 million in the year. New loans issued in the year came to ISK 2,846 million, as compared to ISK 2,189 million in the year 2017.

**Governance**

Regional affairs, including the Icelandic Regional Development Institute, fall under the Ministry for Transport and Local Government.

As laid down in Article 3 of the Icelandic Regional Development Institute Act, at the annual general meeting the Minister shall appoint seven persons to serve on the Institute's executive board for one year at a time and seven persons to act as deputies. The Minister appoints a chairman and deputy chairman and decides on directors' remuneration. The duties of the executive board are set out more fully in Article 4 of the same Act. The executive board has laid down rules for its working functions and these were last reviewed in February 2018.

At the Institute's annual general meeting on 25 April 2018, the Minister for Transport and Local Government appointed a new executive board which shall sit up until the next annual general meeting and in no case longer than to 1 July 2019. Those appointed to the executive board were Illugi Gunnarsson chairman, Einar E. Einarsson deputy chairman, Gunnar Thór Sigbjörnsson, Gunnar Thorgeirsson, Karl Björnsson, María Hjálmarsdóttir and Sigríður Jóhannesdóttir. Ingunn Guðmundsdóttir and Rakel Óskarsdóttir left the board. At the same time seven deputies were appointed: Ásthildur Sturludóttir, Eygló Björg Jóhannsdóttir, Thórey Edda Elísdóttir, Eiríkur Blöndal, Anna Guðrún Björnsdóttir, Oddný María Gunnarsdóttir and Halldór Gunnarsson. Ásthildur Sturludóttir and Eygló Björg Jóhannsdóttir resigned during the course of the year. The Financial Supervisory Authority assesses the competence of board members in accordance with Article 52 of the Act on Financial Undertakings.

The executive board of the Icelandic Regional Development Institute seeks to maintain good governance practices and has set itself rules covering the board's working functions as well as ethical rules for staff and officers. Working procedures have also been laid down for the audit committee, and the executive board has defined the functions of the compliance officer. Operating within the Institute there is a loans committee that discusses all loan applications and the sale of appropriated assets, as well as making proposals to the board on the sale of shares and the handling of loan issues beyond its maximum credit authority. The Institute also operates a risk committee, a default committee, and a security committee for which working rules have been established. Operational procedures on the granting of loans and financial and asset management have been updated regularly and specify, among other things, the authorisational powers of the loans committee.

The audit committee operates under mandate from the executive board and has a statutory supervisory role over the board's auditing functions. The audit committee shall assist the board in discharging its duties by operating as an independent and impartial body monitoring the Institute's accounting process and internal control, as well as the duties of the Institute's internal and external auditors as further specified in its working procedures and in accordance with Article 108.b of the Act on Annual Accounts, no. 3/2006.

The executive board is responsible for the appointment of the audit committee and the committee answers directly to the board. It comprises three members, to be appointed not later than one month after the annual general meeting. The committee members shall be independent of the Institute's auditor or auditors, and a majority of the committee members shall also be independent of the Icelandic Regional Development Institute. At a board meeting on 25 May 2018, Fjóla B. Jónsdóttir, Einar E. Einarsson and Ólafur Sigurbergsson were appointed to act as the Institute's audit committee for one year.

In June 2018 the executive board agreed a policy on data protection in line with the Act on Data Protection and the Processing of Personal Data, no. 90/2018. The board also appointed a data protection officer through a statement of duties.

Under Article 3 of the Act on the Auditor General and the Auditing of Government Accounts, no. 46/2016, responsibility for the auditing of the Institute's accounts lies with the Icelandic National Audit Office (Ríkisendurskoðun). Following a tendering process the National Audit Office appointed PricewaterhouseCoopers ehf to act on its behalf in the auditing of the Icelandic Regional Development Institute's accounts for the operating years 2018-2024.

In accordance with a ruling of the Financial Supervisory Authority from 2012, the Icelandic Regional Development Institute is exempted from the requirement of operating an internal audit department. In 2016, following a tendering process, the Institute contracted with KPMG to see to its internal auditing over the years 2016-2020.

The functions of the chief executive officer are specified more fully in Article 5 of the Icelandic Regional Development Institute Act.

The executive board appoints a compliance officer through a statement of duties. The compliance officer appears before the executive board at a minimum once a year and presents a report on issues that fall within his remit.

The Institute is divided into four divisions – companies division, legal division, operations division and development division. There were 27 members of staff at the end of the year, equating to 27 full-day equivalents.

**Risk management**

Under a Financial Supervisory Authority ruling from 2015, the Icelandic Regional Development Institute is exempted from the requirement to operate a risk committee as per Article 78(5) of the Act on Financial Undertakings, no. 161/2002. As a result of this exemption the prescribed working duties of a risk committee lie with the Institute's executive board.

The executive board of the Icelandic Regional Development Institute is responsible for the Institute's risk management. The board originally established a risk policy for the Institute in 2015 and this policy is reviewed annually, most recently in October 2018. Under Article 11 of the Icelandic Regional Development Institute Act, a financial objective of the Institute's lending operations shall be to maintain the real value of its capital and reserves; the level of risk appetite is therefore small. The Institute's executive board decides the acceptable level of risk. The board is presented with information on the Institute's exposure to risk and the performance of it risk management system four times a year.

Risk management and effective internal control are one of the central pillars of the Institute's responsible management. The Institute has defined the principal risk factors in its operations, these being credit risk, concentration risk, market risk, exchange rate risk, interest rate risk, prepayment risk, inflation risk, liquidity risk, outflow risk, marketability risk, operational risk, information technology risk, political and legal risk, reputational risk and employee risk.

The Institute operates active internal control and most processes have been logged. These processes and risk factors are assessed regularly. Assessments have shown that the designated monitoring procedures are operating effectively.

In compliance with Article 17 of Act on Financial Undertakings, no. 161/2002, the Institute has appointed a special supervisor of risk management whose functions are covered by rules for the supervisor of risk management approved by the board in January 2017. The supervisor of risk management has direct and firsthand access to the Institute's executive board and delivers a report on issues falling within his remit once a year, in addition to presenting a quarterly risk report to the board.

## Financing

At the start of 2018 the Institute issued a ISK 2,000 million tranche of bonds which were listed on the Icelandic Stock Exchange. The bonds are for 15 years and carry an interest rate of 2.34%. In addition, during the year the Institute had a borrowing authority of ISK 2,500 million.

## Non-financial disclosure as per Article 66(d) of the Act on Annual Accounts

The Icelandic Regional Development Institute is classified as an entity of public interest as defined in the Act on Annual Accounts, no. 3/2006, with subsequent amendments. Among the amendments to this Act that came into force in June 2016, a new Article was added relating to non-financial disclosure in the accounts of companies classified as entities of public interest. Article 66(d) of the Act includes a requirement that with the report of the board of directors there shall be a summary giving the information necessary to evaluate the development, scope, position and impact of the company as regards environmental, social and human-resources issues. Details shall also be given of the company's policy in human rights issues and the measures taken by the company to combat bribery and corruption.

The Institute has not drawn up a formal policy regarding disclosure of the said non-financial information. Preparation for this task is under way, with the aim of providing fuller details of the matter in the report with the Institute's interim financial statement for the period January-June 2019. Although no formal policy has been drawn up for the implementation of Article 66(d) of the Act on Annual Accounts, wide-ranging rules and policies are in place relating directly or indirectly to the matters covered in the Article and these can be found on the Institute's website.

## Events since the end of the period

In January 2019 the Institute invited bids for a new tranche of bonds, BYG 19. It was decided to accept bids to a nominal value of ISK 2,450 million at a rate of return of 1.97%.

On 22 January 2019 tenders were opened for the construction of new office premises for the Institute at Sauðármýri 2, Sauðárkrókur. The lowest bid was from Friðrik Jónsson ehf. The aim is for the building to be completed around the middle of 2020.

On 5 February 2019 Einar E. Einarsson resigned from the Institute's executive board and audit committee.

## Future outlook

The Institute's capital position is strong, enabling it to provide effective and reliable support to companies in the non-metropolitan regions of Iceland.

**Declaration of the executive board and chief executive officer**

The annual accounts have been prepared in compliance with the Act on Annual Accounts and the Regulation on the Financial Statements of Credit Institutions.

To the best of our knowledge it is our opinion that the annual accounts give a true and fair picture of the Institute’s performance in the year 2018, its assets, liabilities and financial position at 31 December 2018, and its cash flows in the year.

It is further our opinion that the annual accounts and report of the executive board and chief executive officer present a true and fair summary of the development and outcomes of the Institute’s operations, its position, and the principal risk factors and areas of uncertainty to which the Institute is exposed.

The directors of the Icelandic Regional Development Institute and its chief executive officer have discussed the annual accounts for the year 2018 and append their signatures herewith in certification.

Sauðárkŕokur, 22 March 2019

*Illugi Gunnarsson*
Chairman of the Executive Board

*Gunnar Thorgeirsson* *Gunnar Thór Sigbjörnsson*

*Karl Björnsson* *María Hjálmarsdóttir* *Sigríður Jóhannesdóttir*

*Aðalsteinn Thorsteinsson*
Chief Executive Officer

## INDEPENDENT AUDITORS' REPORT

**To the executive board and chief executive officer of the Icelandic Regional Development Institute**

**Opinion**

We have audited the accompanying annual accounts of Byggðastofnun, the Icelandic Regional Development Institute, for the year 2018 under mandate from the Icelandic National Audit Office (Ríkisendurskoðun). The annual accounts comprise a report of the executive board and chief executive officer, a profit and loss account, a balance sheet, a cash-flow statement, details of significant accounting procedures, and other explanatory notes.

It is our opinion that the annual accounts give a true and fair picture of the Institute's performance in the year 2018, its financial position at 31 December 2018, and its cash flows in the year 2018, in accordance with the Act on Annual Accounts and established accounting principles, and that the report of executive board and chief executive officer contains such information as is required therein under the terms of the Act on Annual Accounts if this does not appear elsewhere in the accounts.

**Basis of opinion**

The audit was carried out in compliance with international auditing standards. Our responsibility under these standards is set out more fully in the section on Auditors' Responsibility. We are external to the Icelandic Regional Development Institute in line with the ethical rules that apply to auditors in Iceland and pertain to our auditing of the Institute's annual accounts. We further meet such other requirements as are made of our functions as auditors in accordance with the provisions of the ethical rules.

We believe that in the audit we have obtained sufficient and appropriate information to base our opinion upon.

| Key features of the audit | Auditing measures |
|---|---|
| *Valuation of loans issued*<br>*See further notes no. 10 'Loans issued to clients' and no. 13 'Depreciation account'* | *The audit of the valuation of loans issued covered, among others, the following aspects:* |

Emphasis was placed in our audit on the valuation of loans issued by the Institute since such loans amount to ISK 12,113 million, or 81% of the Institute's total assets.

The accumulated provision for depreciation of loans issued stands at to ISK 1,142 million, or 8.61% of the Institute's total loans issued. Owing to the extent of discretionary factors in the calculation of the provision for depreciation, this item is a key feature in our audit.

Loans issued by the Institute are originally measured at fair value, i.e. the amount of the loan inclusive of all transaction costs. Loans issued are subsequently valued at amortised cost. Accrued interest and indexation adjustments are included in the book value of loans.

- Lending process scrutinised and evaluated.
- We have evaluated the methods employed by officers in the valuation, reviewed the valuation rules for loans issued, and tested monitoring procedures in the impairment process.
- A data audit has been carried out on the depreciation account (provision for depreciation of loans issued). The valuation of underlying security was reviewed and an appraisal made of officers' assumptions.
- The relevant notes were reviewed.

**Other information in the annual report**

The executive board and chief executive officer are responsible for other information. Other information comprises the annual report other than the annual accounts and our report on them. The annual report is not available at the time of our report on the annual accounts but we expect to have received it for review before it is published.

The opinion we deliver on the annual accounts does not extend to other information and we do not certify it in any way.

In connection with our audit of the Institute's annual accounts we are required to read other information in the annual report when it is to hand and assess whether there is material discrepancy between such information and the annual accounts or other knowledge we have obtained during the audit or whether it appears materially incorrect.

If, on the basis of our work, we conclude that the other information contains material misstatement, we are required to report on this.

**Responsibility of the executive board and chief executive officer for the annual accounts**

The executive board and chief executive officer are responsible for the preparation and presentation of the annual accounts in compliance with the Act on Annual Accounts and established accounting principles. The board and chief executive officer are also responsible for the internal control that must be in place as regards the preparation and presentation of the annual accounts, such that they may be free from material misstatement, whether due to fraud or error.

In the preparation of the annual accounts the Institute's officers are required to assess the Institute's capacity as a going concern. The officers are required to draw up the Institute's annual accounts on the assumption that it is a going concern, unless the officers are in mind to dissolve the Institute or cease trading, or have no viable option other than for the Institute to cease trading. If applicable, the Institute's officers are required to present relevant notes regarding the Institute's capacity to act as a going concern and why the officers have adopted the assumption of going concern in the preparation and presentation of the annual accounts.

The board and audit committee shall oversee the preparation and presentation of the annual accounts.

**Auditors' responsibility in the auditing of the annual accounts**

Our aim is to obtain sufficient certainty that the annual accounts are free from material misstatement, whether due to fraud or error, and to issue a report with our opinion. Sufficient certainty represents a high degree of certainty but does not guarantee that an audit carried out in compliance with international auditing standards will in all cases identify all material inaccuracies if such are present. Inaccuracies can arise due to error or fraud and are considered to be material if they, individually or collectively, might influence the financial decision making of users based on the annual accounts.

Our audit in accordance with international auditing standards is based on professional judgement and professional scepticism. We also perform the following tasks:

- Identification and evaluation of the risk of material inaccuracy, whether due to error or fraud; design of auditing procedures to respond to such risk; and acquisition of auditing data that provides sufficient and appropriate grounds for our opinion. The danger of failure to identify material inaccuracy arising from fraud is greater than the danger of inaccuracy due to error, since fraud can result from forgery, misleading presentation of the accounts, the intentional omission of significant matters, conspiracy, or circumvention of internal control procedures.

- Obtaining an understanding of such internal control as is relevant to our audit with the purpose of designing auditing procedures but not in order to provide an opinion on the effectiveness of the Institute's internal control.

- Assessment of the suitability of officers' selection of accounting procedures and whether their valuation methods are realistic. We also consider whether the related notes are sufficient and appropriate.

- Forming a judgement on the officers' application of the going-concern assumption and assessing on the basis of the audit whether there is any significant question regarding operational viability or whether conditions exist that might give rise to significant doubts about operational viability. If we consider that there is significant doubt we are required to draw particular attention to the relevant notes in the annual accounts concerning the uncertainty and if in our judgement the information is insufficient we decline to express an unqualified opinion. Our conclusion is based on the auditing data that we have acquired up to the date of our report. This notwithstanding, events or circumstances in the future can result in the Institute being no longer operationally viable.

- Assessment of the presentation, preparation and contents of the annual accounts as a whole, including notes, and of whether they are based on actual financial entries and events and provide a true and fair picture in line with our opinion.

We advise the executive board and audit committee *inter alia* of the proposed scope and date of the audit and of significant matters that may arise in our audit, including, if applicable, material deficiencies in internal control.

We have declared to the executive board and audit committee that we meet the required conditions of ethical practice and independence and we shall provide them with any information on potential connections and other matters that might affect our independence and confidentiality.

Sauðárkrókur, 22 March 2019
**PricewaterhouseCoopers ehf**

***Arna G. Tryggvadóttir***
State Authorised Public Accountant

## PROFIT AND LOSS ACCOUNT 2018

| | Notes | 2018<br>ISK 000s | 2017<br>ISK 000s |
|---|---|---|---|
| **INTEREST EARNED** | | | |
| Interest on deposits with credit institutions | | 52,186 | 63,128 |
| Interest earned and indexation adjustment on loans issued | | 1,046,305 | 791,978 |
| | | **1,098,491** | **855,106** |
| **INTEREST EXPENSES** | | | |
| Interest expenses and indexation adjustment on borrowings | | 630,514 | 428,538 |
| Other interest expenses | | 132 | 290 |
| | | 630,646 | 428,828 |
| ***Net interest earned*** | | **467,845** | **426,278** |
| **OPERATING INCOME** | | | |
| Treasure funding received under Budget provisions | *6* | 376,200 | 364,600 |
| Foreign exchange adjustment | *7* | 7,119 | (26,241) |
| Other operating income | *8* | 233,254 | 211,229 |
| | | 616,573 | 549,588 |
| ***Net operating income*** | | **1,084,418** | **975,866** |
| **OPERATING EXPENSES** | | | |
| Disbursements to business consultants | | 204,800 | 198,500 |
| Other subsidies provided | | 121,157 | 109,744 |
| Salaries and salary-related expenses | *3, 4* | 357,245 | 312,602 |
| Other operating costs | | 162,807 | 133,678 |
| Management of appropriated assets | *12* | 4,872 | 4,676 |
| Depreciation of fixed operating assets | *15* | 5,300 | 5,856 |
| Additions to provision for depreciation of loans issued, etc. | *2, 13* | 114,851 | 111,179 |
| | | 971,031 | 876,235 |
| ***Profit for the year*** | | **113,387** | **99,631** |

## BALANCE SHEET 31 DECEMBER 2018

| | Notes | 31.12.2018 ISK 000s | 31.12.2017 ISK 000s |
| --- | --- | --- | --- |
| **ASSETS** | | | |
| Bank deposits | *9* | 1,102,471 | 1,089,861 |
| Loans issued to clients | *10* | 12,113,274 | 10,463,653 |
| Appropriated assets | *11* | 347,510 | 340,510 |
| Tradable shares | *14* | 571,706 | 594,926 |
| Shares in affiliated companies | *14* | 642,237 | 576,288 |
| Debtors | | 29,713 | 14,147 |
| Fixed operating assets | *15* | 79,403 | 53,858 |
| ***Assets: total*** | | **14,886,313** | **13,133,244** |
| **LIABILITIES AND CAPITAL AND RESERVES** | | | |
| Borrowings and securities issued | *17* | 11,504,095 | 9,920,045 |
| Unallocated funds received | | 123,593 | 130,852 |
| Other liabilities | | 137,944 | 75,053 |
| ***Liabilities: total*** | | **11,765,633** | **10,125,951** |
| **CAPITAL AND RESERVES** | | | |
| Capital and reserves | *2, 18* | 3,120,680 | 3,007,293 |
| ***Liabilities and capital and reserves: total*** | | **14,886,313** | **13,133,244** |

# CASH-FLOW STATEMENT 2018

| | 2018<br>ISK 000s | 2017<br>ISK 000s |
|---|---|---|
| **CASH IN HAND FROM OPERATING ACTIVITIES** | | |
| Profit for the year | 113,387 | 99,631 |
| Operating items that do not affect cash in hand: | | |
| Additions to provision for depreciation of loans issued and revaluation of shares | 112,446 | 96,607 |
| Depreciation of fixed operating assets | 5,300 | 5,856 |
| Loss (profit) on sale of fixed operating assets | 385 | (20,141) |
| Loss (profit) on sale of shares | 0 | (55) |
| Interest, indexation adjustment and exchange rate adjustment | 16,647 | 108,177 |
| ***Cash in hand from operating activities*** | **248,164** | **290,075** |
| **CASH FLOW FROM INVESTMENT ACTIVITIES** | | |
| Instalment payments on loans issued | 1,522,719 | 1,435,757 |
| Loans provided | (2,845,778) | (2,188,922) |
| Assets redeemed | (12,772) | (12,386) |
| Shares | 55,013 | (21,232) |
| Fixed operating assets | (31,230) | 16,620 |
| Debtors | (15,566) | 4,542 |
| ***Cash flow from investment activities*** | **(1,327,614)** | **(765,620)** |
| **CASH FLOW FROM FINANCING ACTIVITIES** | | |
| Instalment payments on borrowings | (963,572) | (1,169,221) |
| New borrowings | 2,000,000 | 0 |
| Creditors | 55,632 | (22,914) |
| ***Cash flow from financing activities*** | **1,092,060** | **(1,192,136)** |
| **Increase (decrease) in cash in hand** | **12,610** | **(1,667,681)** |
| **Cash in hand at start of year** | **1,089,861** | **2,757,542** |
| **Cash in hand at end of year** | **1,102,471** | **1,089,861** |

# NOTES

## 1. The Institute

Byggðastofnun (the Icelandic Regional Development Institute), ID no. 450679-0389, is a credit institution whose main business consists in the granting of loans and other financial support, together with monitoring regional development trends in Iceland. The Institute's legal domicile is Ártorg 1, 550 Sauðárkrókur, Iceland.

## 2. Accounting procedures

### Basis of preparation of accounts

The annual accounts have been drawn up in compliance with the Act on Annual Accounts and the Regulation on the Financial Statements of Credit Institutions. They are prepared on a historical-cost basis and employ the same accounting procedures as in the previous year. Financial figures are in ISK (Icelandic krónur) and all such figures are shown in thousands of ISK unless otherwise specified.

### Valuation methods

Officers are required to assess and take specific decisions affecting important items in the annual accounts that by their nature are subject to valuation at any time. The valuation methods used by the officers are grounded in good accounting practice. The actual prices that items valued in this way may realise on sale or other disposal may prove different from the figures according to the valuation.

### Index-linked assets and liabilities, and assets and liabilities in foreign currencies

Accrued adjustments to the principal value of assets and liabilities as a result of changes in exchange rates and price indices are reflected in the annual accounts. Index-linked assets and liabilities are entered on the basis of price indices that came into effect on 1 January 2019. Loans and borrowings in foreign currencies are converted to ISK at the last listed selling rate at the Central Bank of Iceland at the end of the year. Deposits in foreign currency accounts at Icelandic banks are converted to ISK at the last listed buying rate at the relevant bank. The difference that arises from exchange rate movements is entered in the profit and loss account and on the balance sheet.

| *Central Bank of Iceland selling rate at the end of the period:* | **31.12.2018** | **31.12.2017** |
|---|---|---|
| USD | 116.61 | 104.67 |
| DKK | 17.89 | 16.84 |
| JPY | 1.06 | 0.93 |
| EUR | 133.60 | 125.40 |
| *Arion Bank buying rate at the end of the period:* | | |
| *USD* | 116.08 | 103.13 |
| EUR | 132.80 | 123.88 |
| *Landsbanki buying rate at the end of period:* | | |
| EUR | 132.80 | 123.87 |

| *Íslandsbanki buying rate at the end of period:* | | |
|---|---|---|
| USD | 115.93 | 103.08 |
| JPY | 1.06 | 0.91 |
| EUR | 132.76 | 123.84 |

| *Price indices at the start of period:* | **01.01.2019** | **01.01.2018** |
|---|---|---|
| Consumer prices index for purposes of price indexation | 460.5 | 446.0 |

**Fixed operating assets**

Fixed operating assets are credited at acquisition cost less depreciation. Improvements and enhancements are capitalised if it is likely they will yield a future profit to the Institute and it is possible to make a reliable estimate of the cost. All maintenance costs are charged to the profit and loss account as and when they are incurred. Depreciation is based on the estimated useful life of individual operating assets and calculated as a fixed annual percentage of the initial acquisition cost, less estimated residual value, based on the period of ownership during the period.

**Provision for depreciation of loans issued**

A provision for depreciation of loans issued account is created to cover the exposure that is inherent in lending activities but does not imply that assets are irrevocably written off. Additions to the provision for depreciation account are debited on the profit and loss account less repayments on account of loans previously written off.

**Holdings in companies**

Affiliated companies are companies in which the Institute typically holds a 20-50% share. The Institute's interests in affiliated companies are entered initially at purchase price and after the initial entry according to the equity position of the relevant company based on the most recent available information from such companies. Holdings in other companies are entered at purchase cost less impairment. If the ownership share is less than 20% but the Institute has a representative on the company board, the holding is entered on the basis of the equity position based on the most recent available information from such companies even if they are classified among tradable securities. Revaluations are reflected on the profit and loss account and balance sheet.

**Appropriated assets**

Appropriated assets are entered at their estimated sale value. Revaluations are reflected on the profit and loss account and balance sheet.

**Loans issued**

Loans issued by the Institute are broken down into loans to clients and appropriated assets. They are originally valued at fair value, i.e. the amount of the loan inclusive of all transaction costs. Loans issued are subsequently valued at amortised cost. All transactions undertaken by the Institute on account of its investments are recorded on the date of transaction, which is taken to be the date on which the Institute committed itself to the transaction. Accrued interest and indexation adjustments are included in the book value of loans. Interest received on loans and deposits are recorded under the item 'Interest earned' on the profit and loss account and the adjustment arising from changes in exchange rates under the item 'Foreign exchange adjustment'. The writing-down allowance is based on an assessment of the risk of loss with respect to individual loans. Irrecoverable loans are written out of the Institute's books.

### Debtors

Claims against debtors are entered according to the original transaction price, adjusted to cover exchange rate movements and less a writing-down allowance made to cover doubtful accounts receivable. The writing-down allowance is based on an assessment of the risk of loss with respect to each debtor. Irrecoverable claims are written out of the Institute's books.

### Cash in hand

Deposits held at banks are included under cash in hand on the balance sheet and in the preparation of the cash-flow statement.

### Income

Income is entered in the accounts when there is genuine probability that its financial benefits will accrue to the Institute and when it is possible to make a reliable estimate of the amount.

Interest income is entered to the profit and loss account as and when it arises.

Dividend income is entered when the Institute's right of collection has been established.

Rental income from the letting of appropriated assets is entered on a straight-line basis over the rental period.

### 3. Salaries and salary-related expenses

| | **2018** | **2017** |
|---|---|---|
| | ISK 000s | ISK 000s |
| Salaries | 270,582 | 248,258 |
| Pension contributions | 48,817 | 39,908 |
| Social security contributions | 21,273 | 19,528 |
| Adjustment to accrued holiday pay | 11,303 | (77) |
| Other salary-related expenses | 5,271 | 4,983 |
| Salaries and salary-related expenses: total | **357,245** | **312,602** |

In the year the Institute had an average workforce of 27 on a full-year basis. On 31 December 2016 there were 27 members of staff on the Institute's payroll, equating to 27 full-day equivalents.

### 4. Remuneration of directors and chief executive officer

Salaries paid to the Institute's directors and chief executive officer break down as follows:

| | **2018** | **2017** |
|---|---|---|
| | ISK 000s | ISK 000s |
| Illugi Gunnarsson, chairman of the board from 25.04.2017 | 3,132 | 2,005 |
| Herdís Á. Sæmundardóttir, chairman of the board to 25.04.2017 | 0 | 1,201 |
| Anna Guðrún Björnsdóttir (deputy) | 0 | 62 |
| Einar E. Einarsson (deputy chairman) | 2,018 | 2,037 |

| | | |
|---|---|---|
| Eiríkur Blöndal (deputy), from 25.04.2018 | 127 | 0 |
| Gunnar Thór Sigbjörnsson, director from 25.04.2018 | 1.033 | 75 |
| Gunnar Thorgeirsson, director from 06.10.2017 | 1,549 | 352 |
| Ingunn Guðmundsdóttir, director to 25.04.2108 | 519 | 994 |
| Karl Björnsson | 1,552 | 1,590 |
| Lilja Sigurðardóttir, director to 25.04.2017 | 0 | 497 |
| María Hjálmarsdóttir, director from 25.04.2018 | 1,033 | 0 |
| Oddný María Gunnarsdóttir (deputy) | 127 | 658 |
| Rakel Óskarsdóttir, director to 25.04.2018 | 519 | 994 |
| Róbert Guðfinnsson, director to 25.04-03.06.2017 | 0 | 135 |
| Sigríður Guðrún Hauksdóttir (deputy) | 0 | 361 |
| Sigríður Jóhannesdóttir | 1,552 | 1,590 |
| Sveinn Auðunn Sæland (deputy) | 0 | 62 |
| Valdímar Haftsteinsson, director to 25.04.2017 | 0 | 596 |
| Thórey Edda Elísdóttir (deputy) | 65 | 597 |
| Aðalsteinn Thorsteinsson, chief executive officer | 16,594 | 16,848 |
| **Remuneration of directors and chief executive officer: total** | **29,819** | **30,652** |

## 5. Auditors' fees

| | **2018**<br>ISK 000s | **2017**<br>ISK 000s |
|---|---|---|
| Audit of annual accounts and review of interim financial statement | 6,883 | 6,639 |
| Other professional services/internal audit | 2,804 | 3,404 |
| **Auditors' fees: total** | **9,686** | **10,043** |

## 6. Treasury funding under Budget provisions and other receipts from the Treasury

| | **2018**<br>ISK 000s | **2017**<br>ISK 000s |
|---|---|---|
| General operations | 171,400 | 166,100 |
| Business consultants in non-metropolitan regions | 204,800 | 198,500 |
| **Treasury funding as per Budget provisions** | **376,200** | **364,600** |
| | | |
| Treasury contribution to project *Brothættar byggðir* ('Fragile communities') | 100,000 | 100,000 |
| Treasury contribution to focussed projects within 'Moving Iceland Forwards' campaign areas | 160,000 | 0 |
| Treasury contribution to *Byggðarannsóknasjóður* ('Rural Regions Research Fund') | 7,000 | 7,000 |
| | **267,000** | **107,000** |

Grants made out of Treasury funding reflected on the balance sheet:

| | 2018<br>ISK 000s | 2017<br>ISK 000s |
|---|---|---|
| Grant to *Byggðarannsóknasjóður* ('Rural Regions Research Fund') | 5,750 | 14,950 |
| Grants for focussed projects within 'Moving Iceland Forwards' campaign areas | 120,000 | 0 |
| **Grants awarded: total** | **125,750** | **14,950** |

Unallocated grants and subsidies arising from other Treasury funding are entered on the balance sheet.

Costs to the Institute on account of the project *Brothættar byggðir* ('Fragile Communities') amounted to ISK 141,602,000 in the year and are entered on the profit and loss account. Income amounted to ISK 141,602,000 and is entered within Other operating income.

## 7. Foreign exchange adjustment

| | 2018<br>ISK 000s | 2017<br>ISK 000s |
|---|---|---|
| Foreign exchange adjustment on loans issued and currency accounts | 290,632 | (33,644) |
| Foreign exchange adjustment on borrowings | (283,513) | 7,402 |
| | **7,119** | **(26,241)** |

## 8. Other operating income

| | 2018<br>ISK 000s | 2017<br>ISK 000s |
|---|---|---|
| Various outlays repaid | 203,809 | 159,272 |
| Dividend income and profit on sale of shares | 20,955 | 23,780 |
| Income and profit on sale of operating assets | 3,707 | 23,782 |
| Collection income | 1,491 | 2,272 |
| Other | 3,292 | 2,122 |
| | **233,254** | **211,229** |

## 9. Bank deposits

| | 31.12.2018<br>ISK 000s | 31.12.2017<br>ISK 000s |
|---|---|---|
| Bank deposits in Icelandic krónur | 537,225 | 559,262 |
| Bank deposits in foreign currencies | 565,246 | 530,599 |
| **Bank deposits: total** | **1,102,471** | **1,089,861** |

## 10. Loans issued to clients

| Broken down by currency: | 31.12.2018<br>ISK 000s | 31.12.2017<br>ISK 000s |
|---|---|---|
| Loans in Icelandic krónur | 10,684,514 | 8,662,888 |
| Loans in foreign currencies | 2,570,605 | 2,791,175 |
| Provision for depreciation of loans issued | (1,141,845) | (990,409) |
| | **12,113,274** | **10,463,653** |

| Broken down by borrowers: | 31.12.2018 | 31.12.2017 |
|---|---|---|
| Local authorities | 0.00% | 0.00% |
| Private individuals | 29.78% | 23.71% |
| Broken down by sector of industry: | | |
| Services | 37.37% | 39.87% |
| Fisheries | 14.89% | 18.91% |
| Industry | 7.70% | 9.00% |
| Agriculture | 10.26% | 8.51% |
| Financial institutions | 0.00% | 0.01% |
| | **100%** | **100%** |

Loans issued with interest accrued break down by period to maturity as follows:

| | 31.12.2018<br>ISK 000s | 31.12.2017<br>ISK 000s |
|---|---|---|
| Claims fallen due | 163,514 | 103,268 |
| Up to 3 months | 179,771 | 149,191 |
| 3 months to 1 year | 794,434 | 753,746 |
| 1 year to 5 years | 3,665,657 | 3,202,051 |
| Over 5 years | 7,309,898 | 6,255,398 |
| | **12,113,274** | **10,463,653** |

## 11. Appropriated assets

| | 31.12.2018<br>ISK 000s | 31.12.2017<br>ISK 000s |
|---|---|---|
| Real estate | 325,010 | 340,510 |
| Marine vessels | 22,500 | 0 |
| | **347,510** | **340,510** |

| | Rateable value<br>ISK 000s | Size m² |
|---|---|---|
| Eyrarland 1, Hvammstangi | 8,870 | 159.2 |
| Grænigarður, Ísafjörður | 69,455 | 1,366.7 |
| Nesbraut 7, Reyðarfjörður | 36,350 | 722.4 |
| Pálsbergsgata 3 & 5, Ólafsfjörður | 38,750 | 1,851.4 |
| Sandhorn, Hrísey | 22,700 | 832.7 |
| Sólvellir 23, Breiðdalsvík | 82,755 | 2,081.6 |
| Strandarvegur 29-33, 29R, Seyðisfjörður | 12,100 | 601.0 |
| Strandgata 37, Tálknafjörður | 12,425 | 456.1 |
| Valgerðarstaðir 4, Fljótsdalshérað | 125,300 | 5,148.3 |
| | **408,705** | **13,219.4** |

Appropriated assets are entered in the annual accounts at a value of ISK 347,510,000.

| | 2018 | 2017 |
|---|---|---|
| Number of appropriated assets in the ownership of the Institute at the start of the year | 11 | 17 |
| Appropriated assets realised in settlement of claims in the period | 1 | 0 |
| Appropriated assets sold in the period | (2) | (6) |
| Appropriated assets in the ownership of the Institute at the end of the period | **10** | **11** |

**12. Management of appropriated assets**

| | 2018<br>ISK 000s | 2017<br>ISK 000s |
|---|---|---|
| Rental income | 26,886 | 30,837 |
| Management costs | 31,758 | (35,514) |
| | **(4,872)** | **(4,676)** |

**13. Depreciation account**

The item ‘Additions to provision for depreciation of loans issued etc.’ on the profit and loss account covers additions to the loan depreciation account and accounts receivable, plus revaluation of share capital and appropriated assets. The provision for depreciation of loans issued account is divided into a special depreciation account and a general depreciation account. Under the special depreciation account fall borrowers with arrears of over 3 months plus those who are adjudged to be poor risks.

The provision for depreciation of loans issued account breaks down as follows:

| Provision for depreciation of loans issued | **Special deprecation account** | **General depreciation account** | **Total** |
|---|---|---|---|
| | ISK 000s | ISK 000s | ISK 000s |
| Position at 1 January | 251,516 | 738,894 | 990,409 |
| Additions in the period | 138,562 | 34,230 | 172,792 |
| Loans written off | (21,357) | 0 | (21,357) |
| Position at 31 December | **368,721** | **773,124** | **1,141,845** |
| Provision for depreciation of loans account as percentage of loans issued | 2.78% | 5.83% | 8.61% |

| | **2018** | **2017** |
|---|---|---|
| | ISK 000s | ISK 000s |
| Addition in the period | 172,792 | 61,392 |
| Addition to cover accounts receivable | (500) | 2,174 |
| Revaluation of appropriated assets | 40,299 | 14,868 |
| Change in valuation of holdings in affiliated companies | (65,948) | (6,984) |
| Change in valuation of tradable securities | (31,792) | 39,674 |
| Recovery of loans previously written off | 0 | 55 |
| Additions to provision for depreciation account as per profit and loss account | **114,851** | **111,179** |

## 14. Shareholdings

At the end of the period the Icelandic Regional Development Institute held the following shares, broken down as follows by nominal value and ownership share:

| **Affiliated companies, participating interest > 20%** | **Share of ownership** | **Nominal value** |
|---|---|---|
| | | ISK 000s |
| Atvinnuthróunarfélag Vestfjarða hf | 22.38% | 1,933 |
| Ámundakinn ehf | 20.13% | 43,815 |
| Dýralíf ehf | 33.81% | 4,000 |
| Eignarhaldsfélag Suðurlands hf | 40.00% | 109,142 |
| Fasteignafélagið Hvammur ehf | 24.85% | 16,919 |
| Fasteignafélagið Kirkjuból ehf | 30.00% | 7,124 |
| Fjallalamb hf | 21.26% | 27,344 |
| Fjárfestingafélagið Vör hf | 41.95% | 35,940 |
| Hvetjandi ehf | 40.16% | 100,488 |
| Molta ehf | 30.00% | 50,000 |
| Nes-Listamiðstöð ehf | 35.71% | 5,000 |
| Raflagnir Austurlands ehf | 22.37% | 3,600 |

| | | |
|---|---|---|
| Ullarvinnsla Frú Láru ehf | 29.76% | 2,500 |
| Útgerðarfélagið Skúli ehf | 30.01% | 24,274 |
| Vilko ehf | 21.99% | 21,555 |
| Thörungaverksmiðjan hf | 27.67% | 7,919 |
| **Affiliated companies: total nominal value** | | **461,513** |

| **Tradable securities, ownership share ≤ 20%** | **Share of ownership** | **Nominal value** ISK 000s |
|---|---|---|
| Ásgarður hf | 13.78% | 15,000 |
| Borg, saumastofa ehf | 19.82% | 170 |
| Eðalís ehf | 11.06% | 3,000 |
| Eignarhaldsfélag Suðurnesja hf | 19.03% | 96,840 |
| Fánasmiðjan ehf | 9.95% | 4,167 |
| Fiskvinnslan Drangur ehf | 4.08% | 1,000 |
| Grand Hótel Mývatn ehf | 7.22% | 10,000 |
| Hótel Flúðir hf | 4.77% | 1,194 |
| Hótel Húsavík ehf | 0.38% | 136 |
| Hótel Varmahlíð hf | 13.04% | 3,000 |
| Hvalamiðstöðin Húsavík ehf | 19.70% | 2,000 |
| Hæðin á Höfðabraut ehf | 12.28% | 2,000 |
| P/F Smyril-line (DKK 1,868,000) | 1.67% | 33,433 |
| Samkaup hf | 2.84% | 10,801 |
| Snorri Thorfinnsson ehf | 19.89% | 12,000 |
| Tröllasteinn ehf | 19.72% | 7,000 |
| Yrkjar ehf | 6.21% | 1,800 |
| Thórsberg ehf | 16.69% | 30,191 |
| **Tradable securities: total nominal value** | | **233,732** |
| **Shareholdings: total nominal value** | | **695,245** |

Shares in affiliated companies are entered in the annual accounts at a value of ISK 642,237,000. Tradable securities are entered at a value of ISK 571,706,000. The value of shares acquired in connection with financial reorganisation amounts to ISK 623,952,000.

## 15. Operating assets

Fixed operating assets break down as follows:

| | Land & buildings<br>ISK 000s | Motor vehicles<br>ISK 000s | Software<br>ISK 000s | Total<br>ISK 000s |
|---|---|---|---|---|
| Base value at 1/1 | 42,411 | 21,263 | 7,216 | 70,890 |
| Total written off to 1/1 | (5,579) | (7,123) | (4,330) | (17,032) |
| **Book value at 1/1** | **36,832** | **14,140** | **2,887** | **53,859** |
| Additions in the year | 29,380 | 4,500 | 0 | 33,880 |
| Written off in the year | (329) | (3,528) | (1,443) | (5,300) |
| Sold in the year | 0 | (5,873) | 0 | (5,873) |
| Depreciation written off | 0 | 2,839 | 0 | 2,839 |
| **Book value at 31/12** | **65,883** | **12,077** | **1,443** | **79,403** |
| Total base value at 31/12 | 71,791 | 19,889 | 7,216 | 98,897 |
| Total written off to 31/12 | (5,908) | (7,812) | (5,773) | (19,493) |
| **Book value at 31/12** | **65,883** | **12,077** | **1,443** | **79,403** |
| Depreciation ratios | 2% | 20% | 20% | |

The Institute's land and buildings are valued as follows. The book value of the properties is given for purposes of comparison:

| | Rateable value<br>ISK 000s | Insurance valuation<br>ISK 000s | Book value<br>ISK 000s |
|---|---|---|---|
| Háahlíð 4, Sauðárkrókur | 46,800 | 74,350 | 10,546 |
| Sauðármýri 2, Sauðárkrókur | 7,350 | 0 | 55,336 |
| | **54,150** | **74,350** | **65,883** |

## 16. Assets and liabilities linked to foreign currencies and subject to price indexation

| | 31.12.2018<br>ISK 000s | 31.12.2017<br>ISK 000s |
|---|---|---|
| **Foreign:** | | |
| Assets in foreign currencies | 2,879,413 | 3,094,676 |
| Liabilities in foreign currencies | 3,070,239 | 3,265,843 |
| Net balance of foreign assets and liabilities | **(190,826)** | **(171,167)** |

| **Index-linked:** | | |
|---|---|---|
| Index-linked assets | 8,722,205 | 6,926,235 |
| Index-linked liabilities | 8,460,827 | 6,654,203 |
| Net balance of index-linked assets and liabilities | **261,378** | **272,032** |

Figures are given inclusive of depreciation of assets.

Foreign assets and liabilities break down as follows by currency:

| **31.12.2018** | **USD** | **JPY** | **EUR** | **Total** |
|---|---|---|---|---|
| | ISK 000s | ISK 000s | ISK 000s | ISK 000s |
| Loans issued | 321,841 | 509,689 | 1,482,637 | 2,314,167 |
| Cash in hand | 335,907 | 96,500 | 132,839 | 565,246 |
| Assets: total | 657,748 | 606,189 | 1,615,476 | 2,879,413 |
| Borrowings | 718,777 | 672,537 | 1,678,926 | 3.070,239 |
| **Net balance** | **(61,028)** | **(66,348)** | **(63,450)** | **(190,826)** |

| **31.12.2017** | **USD** | **JPY** | **EUR** | **Total** |
|---|---|---|---|---|
| | ISK 000s | ISK 000s | ISK 000s | ISK 000s |
| Loans issued | 274,625 | 690,518 | 1,598,934 | 2,564,077 |
| Cash in hand | 363,081 | 0 | 167,518 | 530,599 |
| Assets: total | 637,706 | 690,518 | 1,766,452 | 3,094,676 |
| Borrowings | 689,885 | 708,377 | 1,867,580 | 3,265,843 |
| **Net balance** | **(52,179)** | **(17,859)** | **(101,129)** | **(171,167)** |

Figures are given inclusive of depreciation of assets.

## 17. Borrowings and bond issues

Breakdown by type:

| | **31.12.2018** | **31.12.2017** |
|---|---|---|
| | ISK 000s | ISK 000s |
| Index-linked securities issued | 8,433,856 | 6,654,203 |
| Foreign loans taken out | 3,070,239 | 3,265,843 |
| | **11,504,095** | **9,920,045** |

Borrowings break down as follows by period to maturity:

| | 31.12.2018<br>ISK 000s | 31.12.2017<br>ISK 000s |
|---|---|---|
| Fallen due | 0 | 0 |
| Up to 3 months | 172,444 | 83,600 |
| 3 months to 1 year | 1,143,919 | 989,889 |
| 1 year to 5 years | 4,670,471 | 3,959,886 |
| Over 5 years | 5,517,261 | 4,886,671 |
| | **11,504,095** | **9,920,045** |

Borrowings break down as follows by currency:

| | Payment terms | Final maturity | Interest terms | 31.12.2018<br>ISK 000s | 31.12.2017<br>ISK 000s |
|---|---|---|---|---|---|
| ISK | Equal payments | 2030-2034 | 2.34-5.0% index-linked | 8,433,856 | 6,654,203 |
| USD | Equal instalments | 2025 | Libor + 1.5% | 718,777 | 689,885 |
| JPY | Equal instalments | 2023 | Libor + 1.5% | 672,537 | 708,377 |
| EUR | Equal instalments | 2021-2025 | Euribor + 0.2 - 1.45% | 1,678,926 | 1,867,580 |
| | | | | **11,504,095** | **9,920,045** |

## 18. Capital and reserves

Under the terms of Article 84 of the Act on Financial Undertakings, no. 161/2002, the total capital base shall be at a minimum 8% of the risk-weighted asset base; at the end of the year the Institute’s capital adequacy ratio stood at 21.45%. The Financial Supervisory Authority, in accordance with its authorities under Article 84.d (1 and 2) of the Act on Financial Undertakings, has determined for the Institute a countercyclical capital buffer in addition to a capital conservation buffer, as per Article 84.e of the same Act. The aggregate capital buffer requirement is 3.75% as from 1 January 2018. According to a Financial Supervisory Authority ruling dated 15 May 2018, the Icelandic Regional Development Institute shall maintain a countercyclical capital buffer of 1.75% and a capital conservation buffer of 2.5% from and including 15 May 2019. By a letter dated 1 February 2019 the Institute shall maintain a countercyclical capital buffer of 2.0% from 1 February 2020.

| | 31.12.2018<br>ISK 000s | 31.12.2017<br>ISK 000s |
|---|---|---|
| Tier I capital | 3,120,680 | 3,007,293 |
| Total | 3,120,680 | 3,007,293 |
| Credit risk | 12,587,677 | 10,863,699 |
| Market risk | 82,852 | 171,098 |
| Operational risk | 1,875,138 | 1,722,321 |
| Risk-weighted asset base | **14,545,667** | **12,757,118** |
| Position at start of the year | 3,007,293 | 2,907,663 |
| Profit for the year | 113,387 | 99,631 |
| | **3,120,680** | **3,007,293** |
| Capital adequacy ratio | 21.45% | 23.57% |

## 20. Guarantees and commitments

The Icelandic Regional Development Institute did not act as guarantor for any loans with respect to third parties as at 31 December 2018. At the end of the year there were 61 loan commitments pending completion, to the sum of ISK 2,561 million. Under the rules of the Icelandic Regional Development Institute, loan commitments lapse after 12 months from the date on which they are approved.

The Institute rents the third floor of the property Ártorg 1, Sauðárkrókur. The tenancy agreement has expired but is extended for one year at a time if it is not cancelled and cancellation shall be based on the start of the year. The projected rent for the year 2019 is ISK 25 million.

## 20. Related-party transactions

The directors of the Icelandic Regional Development Institute, its key officers and affiliated companies, together with close family members of the above and legal entities under their control, are classified as related parties. No unusual transactions took place with related parties during the year. No guarantees have been provided to related parties on account of commercial debts or claims.

Loans granted to related parties at the end of the year amounted to ISK 359,587,000, of which ISK 9,960,000 were in arrears.

# FUNDING GRANTS AND SUBSIDIES

## BUSINESS CONSULTANTS

| | ISK 000s |
|---|---|
| Atvinnuthróunarfélag Eyjafjarðar bs<br>(Eyjafjörður Economic Development Agency bs) | 19,554 |
| Atvinnuthróunarfélag Þingeyinga hf<br>(Northeast Iceland Economic Development Agency hf) | 15,888 |
| Austurbrú ses<br>(East of Iceland Bridge ses) | 26,887 |
| Fjórðungssamband Vestfirðinga<br>(Federation of Westfjord Quarter Local Authorities) | 41,976 |
| Samband sveitarfélaga á Suðurnesjum<br>(Federation of Local Authorities on Suðurnes) | 22,221 |
| Samtök sunnlenskra sveitarfélaga<br>(Association of Local Authorities in the South of Iceland) | 29,331 |
| Samtök sveitarfélaga á Norðurlandi vestra<br>(Association of Local Authorities in the North of Iceland (West)) | 23,220 |
| Samtök sveitarfélaga á Vesturlandi<br>(Association of Local Authorities in the West of Iceland) | 23,220 |
| shared costs | 2,503 |
| | **204,800** |

## OTHER GRANTS AND SUBSIDIES

| | ISK 000s |
|---|---|
| Project *Brothættar byggðir* (‘Fragile Communities’) | 114,157 |
| *Byggðarannsóknasjóður* (‘Rural Regions Research Fund’) | 5,750 |
| *Eyrarrósin* (prize for regional cultural projects) | 3,000 |
| Focussed projects within ‘Moving Iceland Forward’ campaign areas | 120,000 |
| Grants to students at masters degree level | 1,000 |
| | **243,907** |