

The background is a stylized, layered illustration of a night landscape. At the top, a dark blue sky is filled with various shades of blue and grey clouds. Two bright, four-pointed stars are visible in the upper left. A prominent feature is a lighthouse on the right side, with a white tower and a red top section. Two powerful beams of light, one yellow and one white, emanate from the lighthouse, shining across the sky. Below the sky, the middle ground shows rolling hills and a large, dark, silhouetted tree. In the lower middle ground, there are several simple, white-outlined houses with dark roofs. The bottom of the image is dominated by a body of water, represented by horizontal, wavy bands of light blue and white, suggesting a reflection of the sky and the lighthouse's light.

Landsbankinn hf.

2013 Results

Steinþór Pálsson

CEO

Hreiðar Bjarnason

CFO

Highlights

Operations

- » Landsbankinn's profit grew by 13% between years and amounted to ISK 28.8 billion after taxes.
- » Net fee and commission income increased by 19% as compared with 2012.
- » Return on equity (ROE) after taxes was 12.4% for the period as compared with an ROE of 12.0% in 2012.

Operating cost

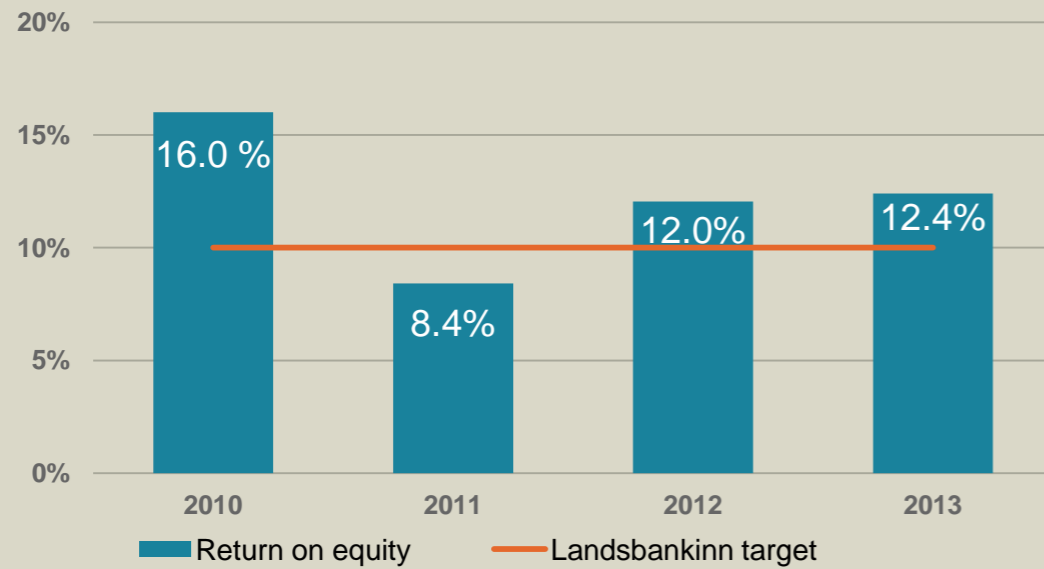
- » Operating expenses decreased by 10.1% in real terms, having regard for inflation.
- » General operating expenses have decreased by around 10% in real terms.
- » Wages decreased by just over 7% while wage items decreased by 4% only due to an increase in wage-related expenses.
- » Full-time equivalent positions decreased by 50 during the year, or by just over 4%.

Balance sheet

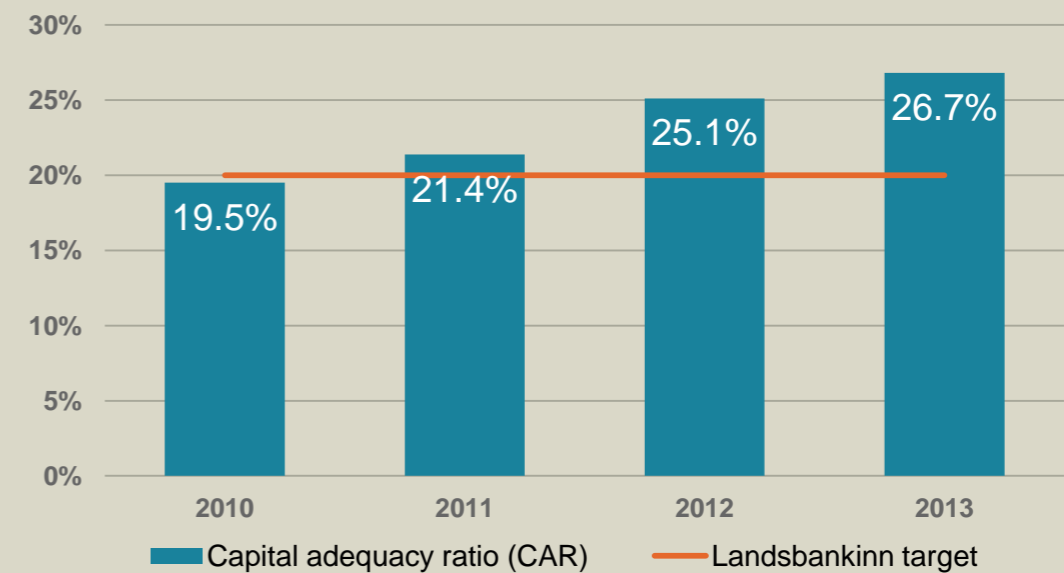
- » The bank's total assets amounted to ISK 1,152 billion at year-end.
- » The bank's liquidity position is very strong, both in foreign currency and Icelandic króna.
- » The liquidity ratio was 49.8% at the end of December as compared to 48.4% at the same time last year.
- » The liquidity coverage ratio (LCR), as recently defined by the Central Bank of Iceland, was 102% at year-end and 208% in foreign currency at the same time.
- » Loans 90 days in arrears were at 5.3% at the end of December 2013, as compared with 8.3% in the previous year.
- » The bank's equity amounted to ISK 241.4 billion at year-end, increasing by ISK 16.2 billion from the beginning of the year despite an ISK 10 billion dividend payment.
- » The bank's capital adequacy ratio (CAR) is now 26.7%, up from 25.1% at the end of 2012.

Development of KPIs

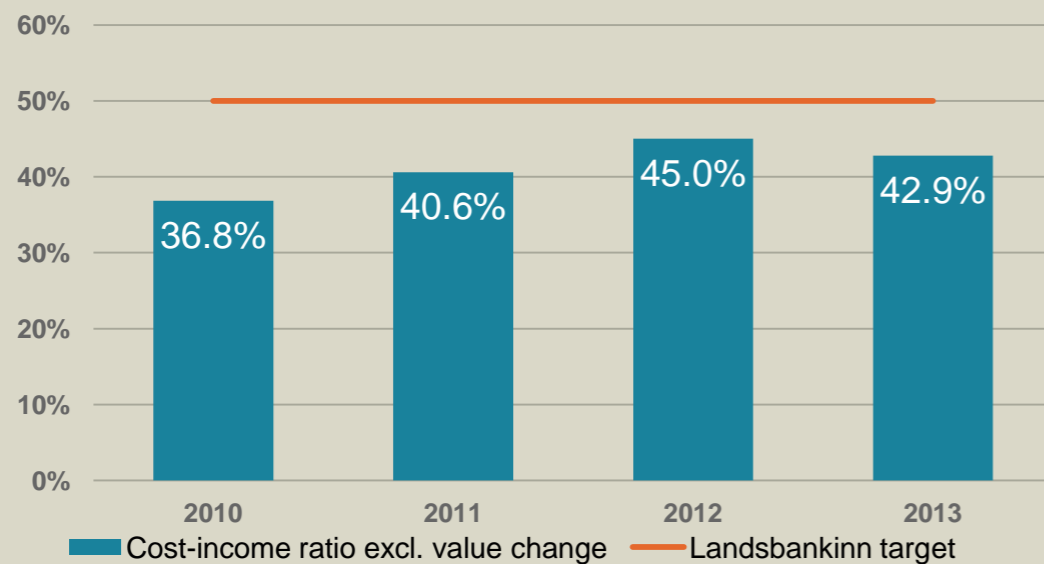
Return on equity



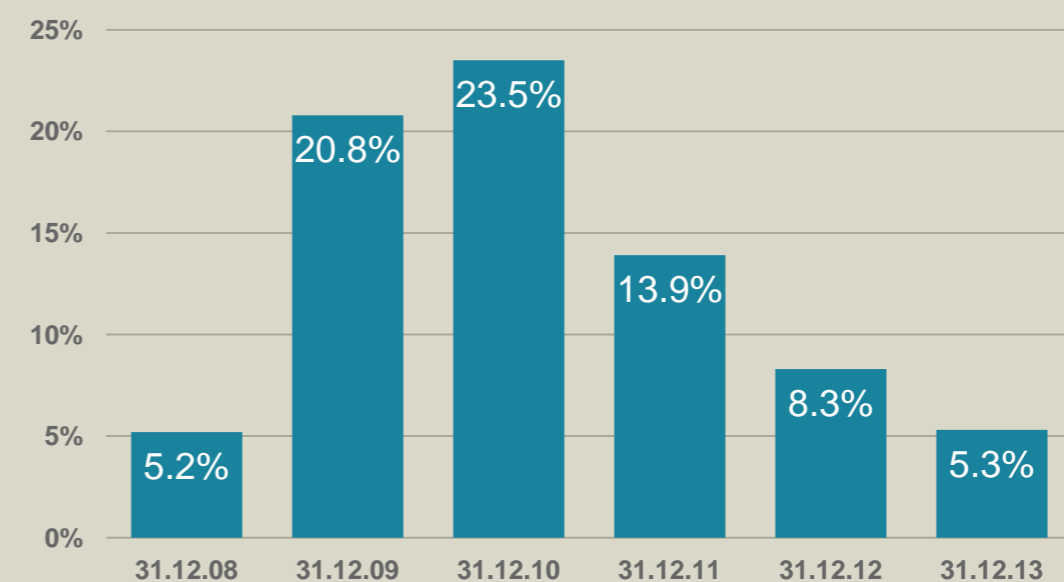
Capital adequacy ratio (CAR)



Cost-income ratio excl. value change



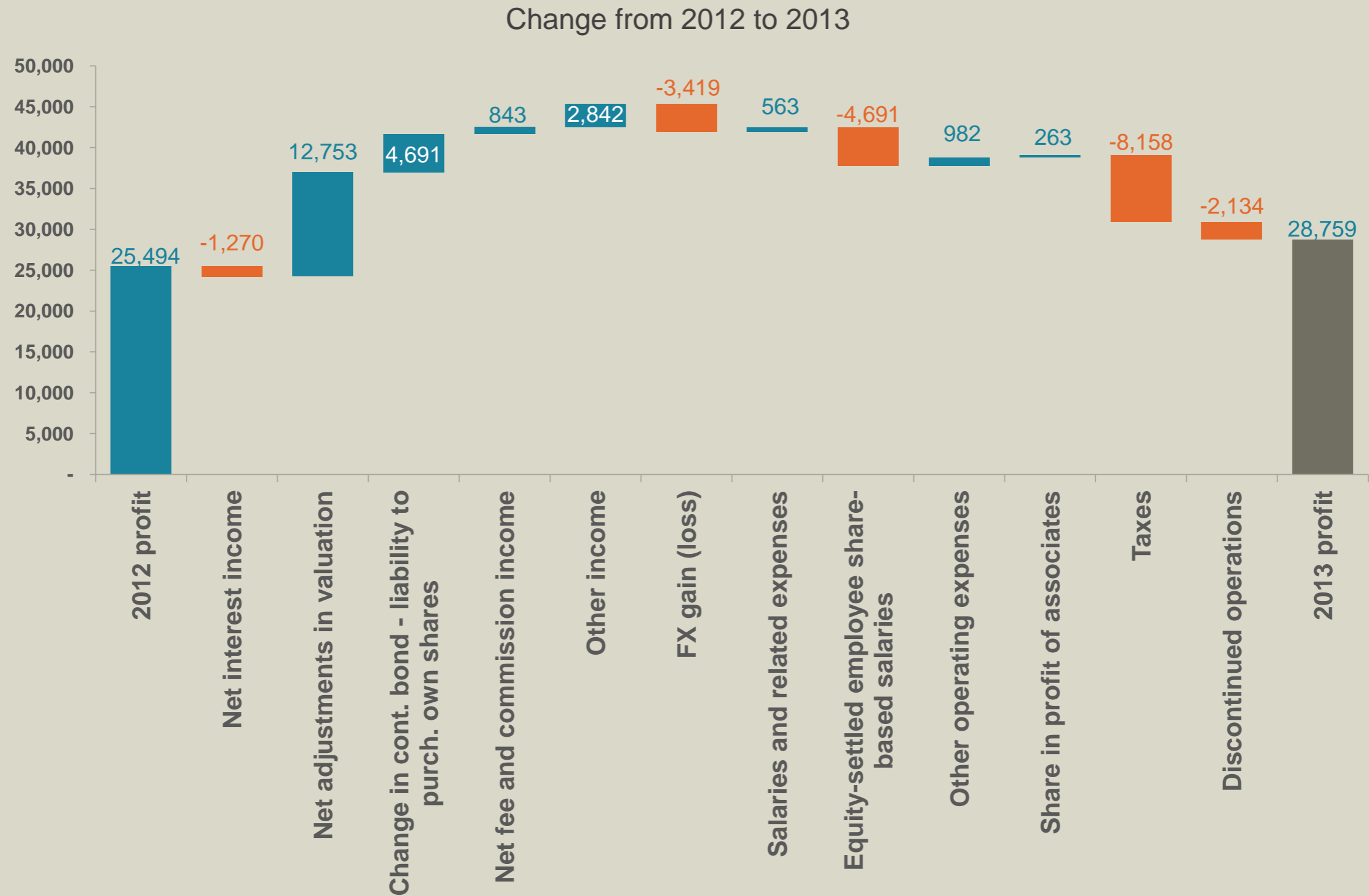
Arrears (> 90 days)



2013 Results

Income Statement

Amounts in ISKm



Income Statement

Amounts in ISKm

	2013	2012	Change	
Net interest income	34,314	35,584	-1,270	-4%
Net adjustments in valuation	8,362	-4,391	12,753	290%
Change in contingent bond - liability to purchase own shares	4,691	0	4,691	
Net interest income after adjustments in valuation	47,367	31,193	16,174	52%
Net fee and commission income	5,291	4,448	843	19%
Other net operating income	12,923	13,500	-577	-4%
Total operating income	65,581	49,141	16,440	33%
Salaries and related expenses	12,613	13,176	-563	-4%
Equity-settled employee share-based salaries	4,691	0	4,691	
Other operating expenses	9,947	10,929	-982	-9%
Total operating expenses	27,251	24,105	3,146	13%
Share in profit of associates, net of income tax	2,712	2,449	263	11%
Profit before tax	41,042	27,485	13,557	49%
Income tax expense	12,283	4,125	8,158	198%
Profit for the period from continuing operations	28,759	23,360	5,399	23%
Profit from disc operations, net of income tax	0	2,134	-2,134	-100%
Profit for the period	28,759	25,494	3,265	13%

- » Net interest income decreases by 4%
- » Value changes are positive by just over 8bn in 2013:
 - » Reception of shares in relation to the settlement with LBI is entered as both income and expense in the income statement and the amounts excluded from calculation of the cost-income ratio
- » Net commission income increased by 19% as compared with 2012
 - » The increase is mostly from the Markets, Corporate Banking and Asset Management departments
- » Turnaround in operating expenses – operating costs drop
- » Cost-efficiency measures have begun to deliver results
- » Wages drop by 4% in parallel with a reduction of full-time equivalent positions
- » Effective tax rate is 23.8%

Net interest income

Amounts in ISKm

	2013	2012	Change	
Interest income	63,224	64,661	-1,437	-2%
Interest expense	-28,910	-29,077	167	1%
Net interest income	34,314	35,584	-1,270	-4%
Net adjustments to loans and advances acquired at deep discount	19,440	37,320	-17,880	-48%
Loss from foreign currency linkage of loans and advantages to customers	0	-2,120	2,120	
Net impairment loss on loans and advances	-7,706	-12,260	4,554	-37%
Fair value change of contingent bond	1,319	-27,331	28,650	105%
Net adjustments in valuation	13,053	-4,391	17,444	397%
Net interest income after net adjustments in valuation	47,367	31,193	16,174	52%

- » Work on restructuring the loan portfolio is well advanced, lowering interest revenues
- » As of the issuance date of the Secured Bonds to LBI hf., the non-interest bearing debts of last year became interest bearing from the beginning of the year 2013
- » The bank's net interest spread fell from 3.2% in 2012 to 3.1% in 2013

Adjustments in valuation

Amounts in ISKm

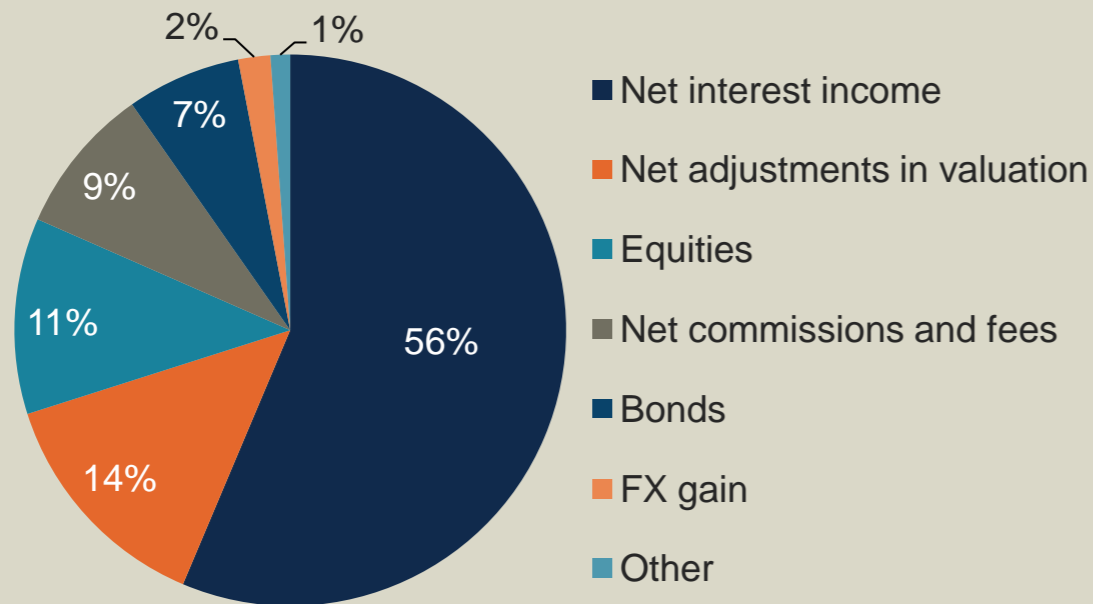
Net adjustments in valuation	2009-2013	2013	2012	Change	
Corporates	91,232	7,881	23,173	-15,292	-66%
Individuals	-16,645	-838	-233	-605	260%
Change in contingent bond - liability to purchase own shares	4,691	4,691	0	4,691	
	79,278	11,734	22,940	-15,897	49%
LBI share	-86,838	1,319	-27,331	28,650	105%
Net effect on Landsbankinn	-7,560	13,053	-4,391	12,753	397%

- » The value change in lending to individuals is negative by ISK 16.6bn since 2009
- » There has been a significant value increase in lending to corporates. Large companies account for the major part of the increase
- » Recognised losses due to value changes in lending amount to ISK 7.6bn since the bank's establishment

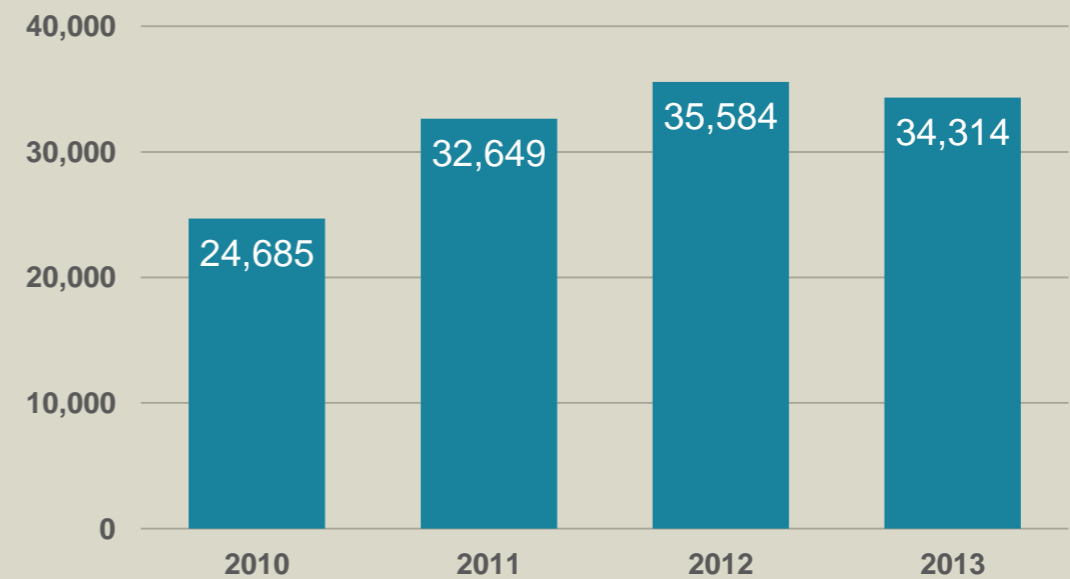
Net operating income

Amounts in ISKm

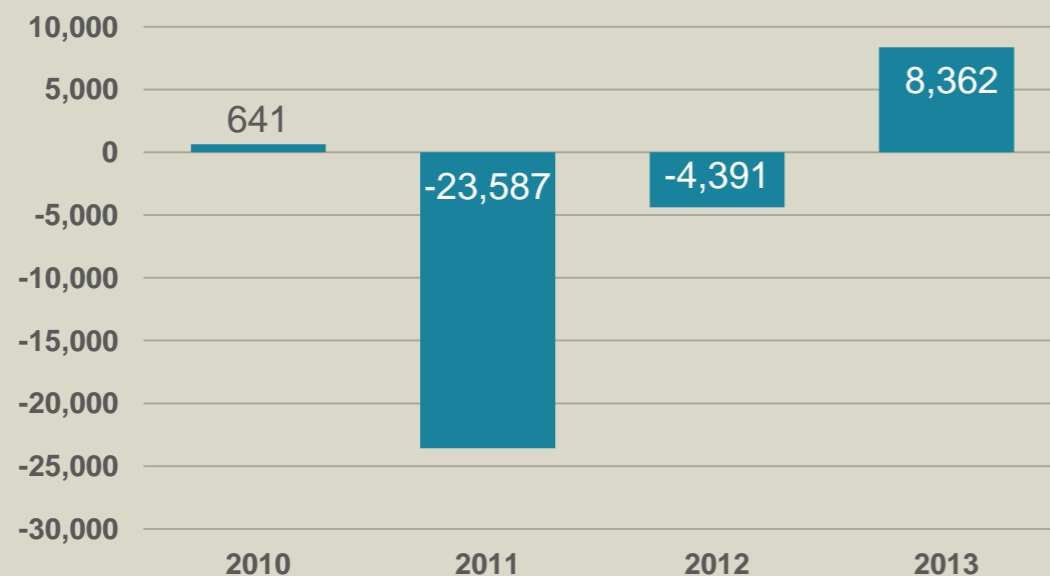
Income mix



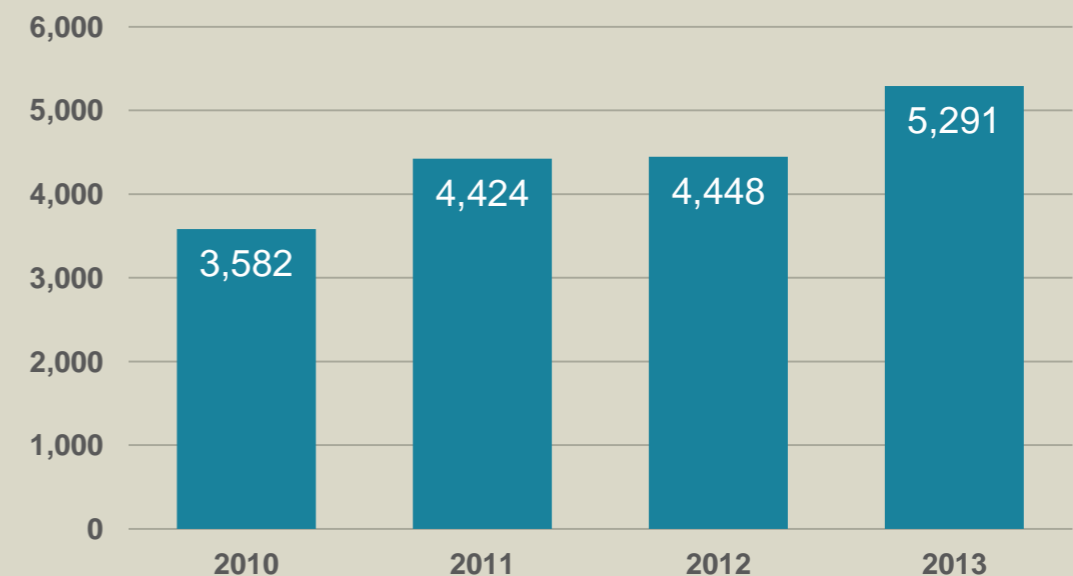
Net interest income



Net adjustments in valuation



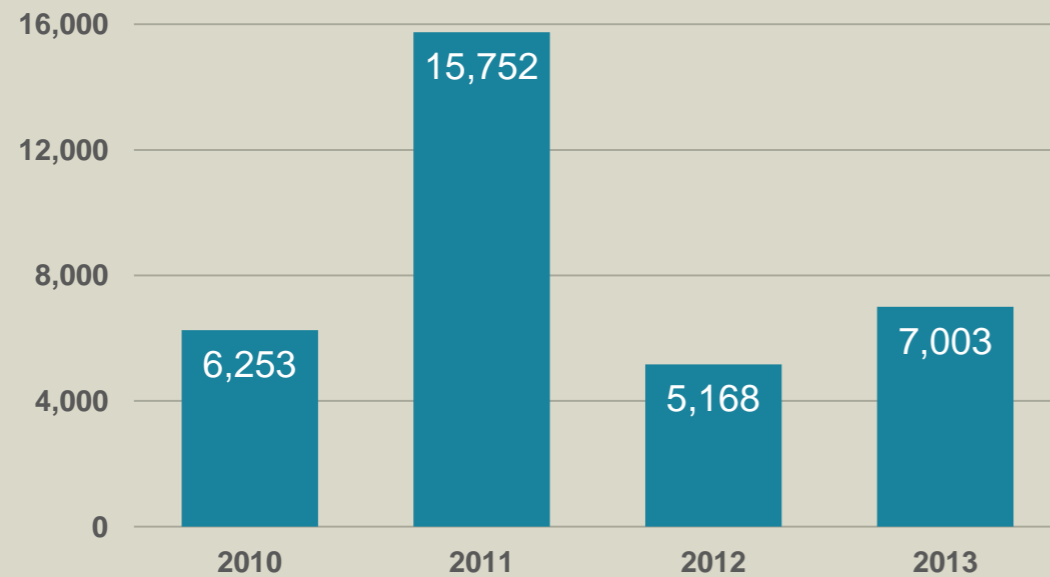
Net commissions and fees



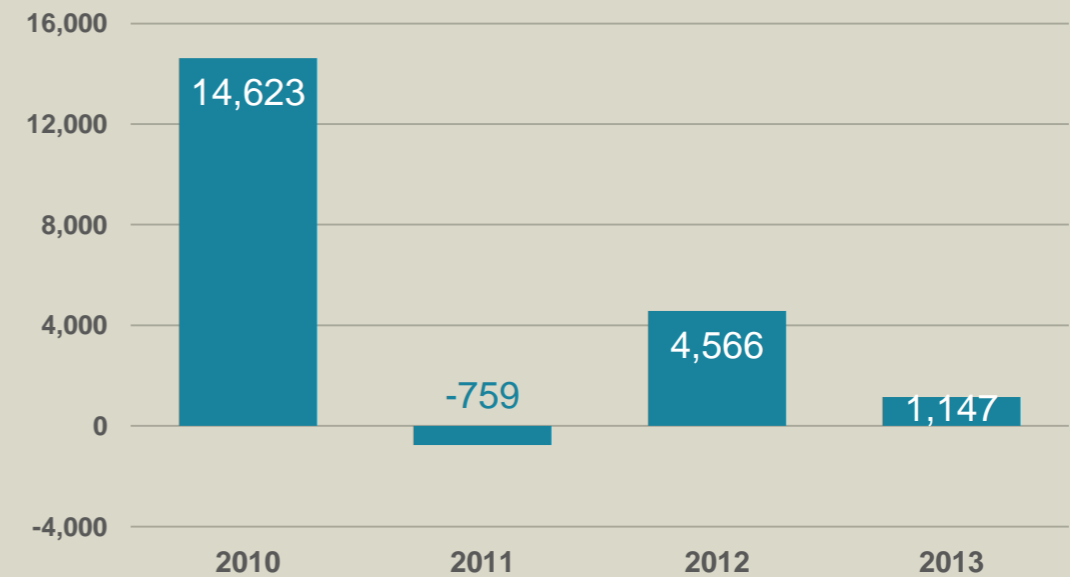
Net operating income

Amounts in ISKm

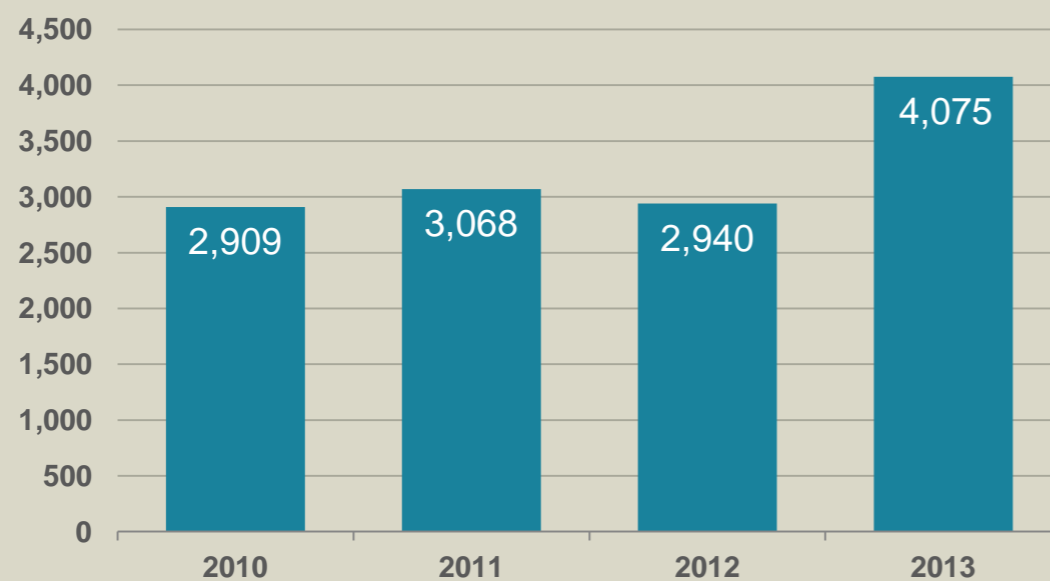
Equities



FX gain



Bonds



Equities:

Equity holdings decrease yet returned an acceptable yield in 2013

Market bonds:

A large portion of the bank's liquid assets are invested in market bonds

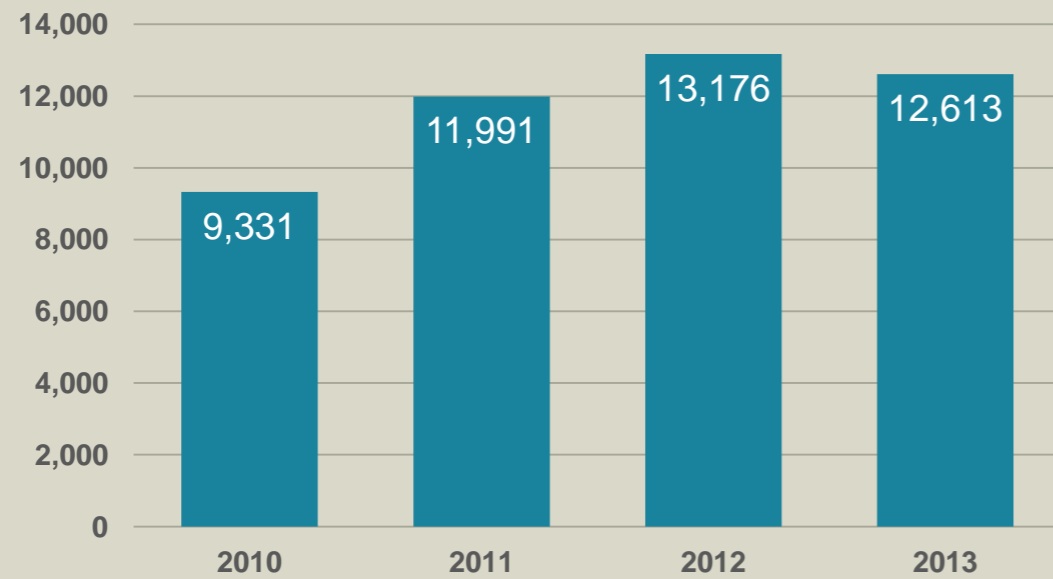
Currency gains:

The currency imbalance has decreased significantly and this will reduce fluctuations in future performance

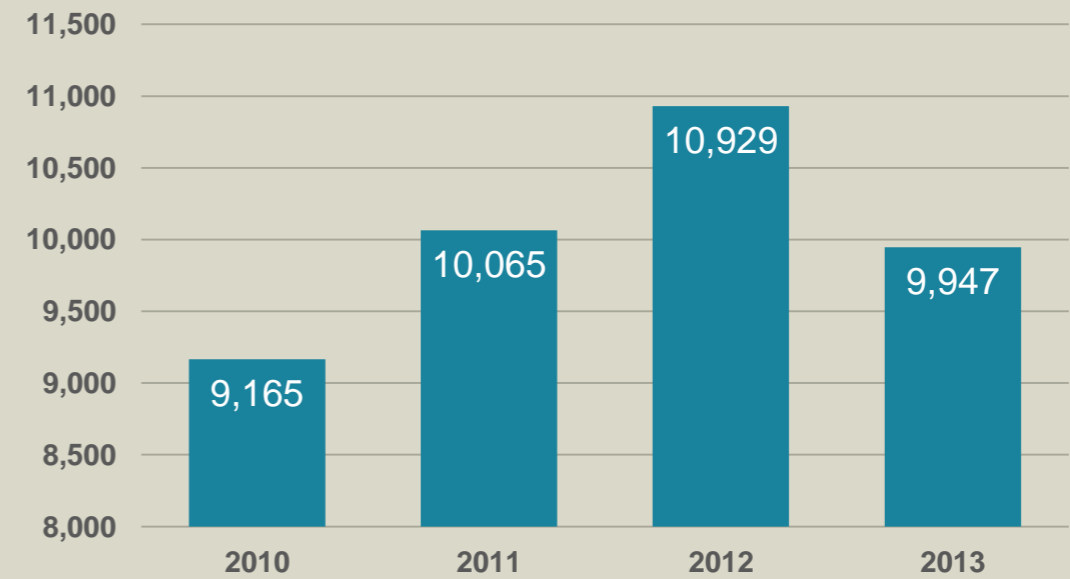
Operating expenses

Amounts in ISKm

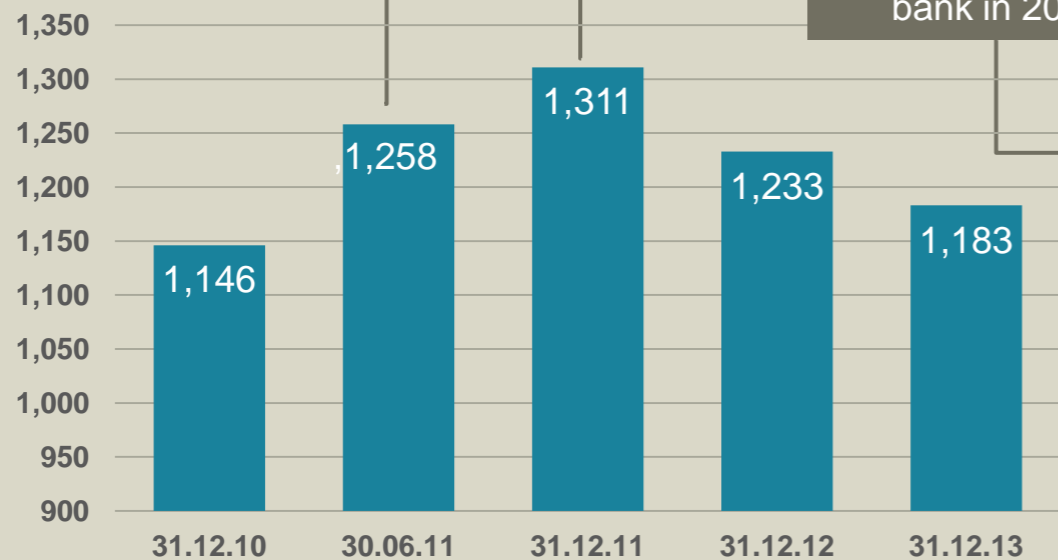
Salaries and related expenses



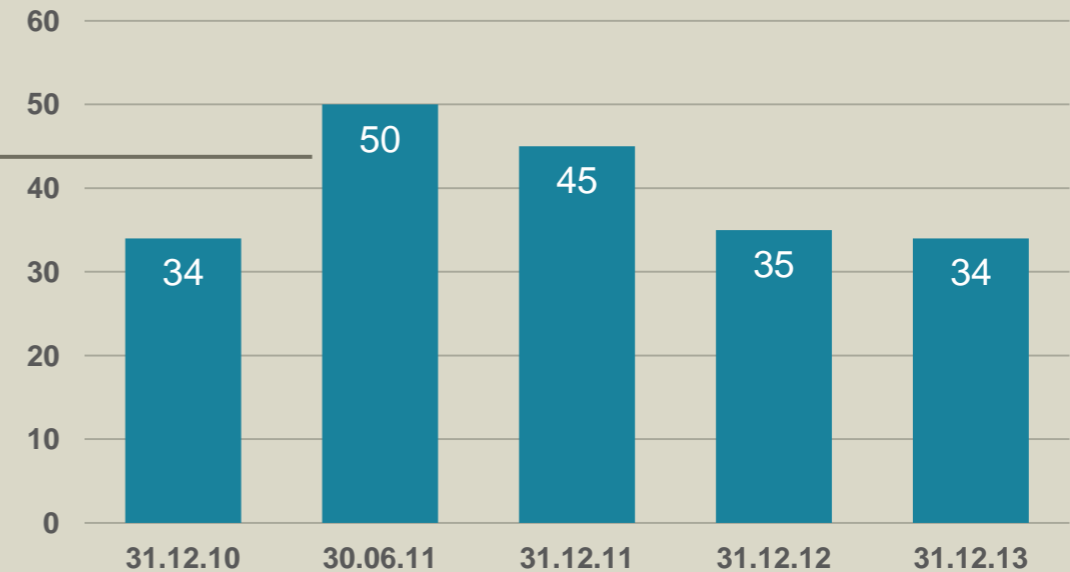
Other operating expenses



Full time employees



Number of branches



Salaries and related expenses

Amounts in ISKm

	2013	2012	Change	
Salaries	9,477	10,224	-747	-7%
Contributions to defined pension plans	1,399	1,365	34	2%
Social security contributions, special financial activities tax on salaries and other expenses	1,737	1,587	150	9%
	12,613	13,176	-563	-4%
Recognition of equity-settled employee share-based salaries	4,017	0	4,017	
Recognition of equity-settled employee share-based social security contributions and special financial activities tax on salaries	674	0	674	
	4,691	0	4,691	
Total salaries and related expenses	17,304	13,176	4,128	31%

Taxes

Amounts in ISKm

	2013	2012	Change	
Income tax	6,982	2,925	4,057	139%
Special income tax on financial institutions ¹	2,018	0	2,018	
Tax on liabilities of financial institutions ²	3,283	1,200	2,083	174%
	12,283	4,125	8,158	198%
Special financial activities tax on salaries ³	938	451	487	108%
Total	13,221	4,576	8,645	189%

¹ A 6% additional tax on pre-tax profit over ISK 1,000 million

² Special tax on financial institutions is 0.376% (2012:0.1285%) levied on the carrying amount of total liabilities at year-end in excess of ISK 50,000 million.

³ 6.75% (2012:5.45%) tax on salaries and is expensed in the line item "Salaries and related expenses" in the income statement

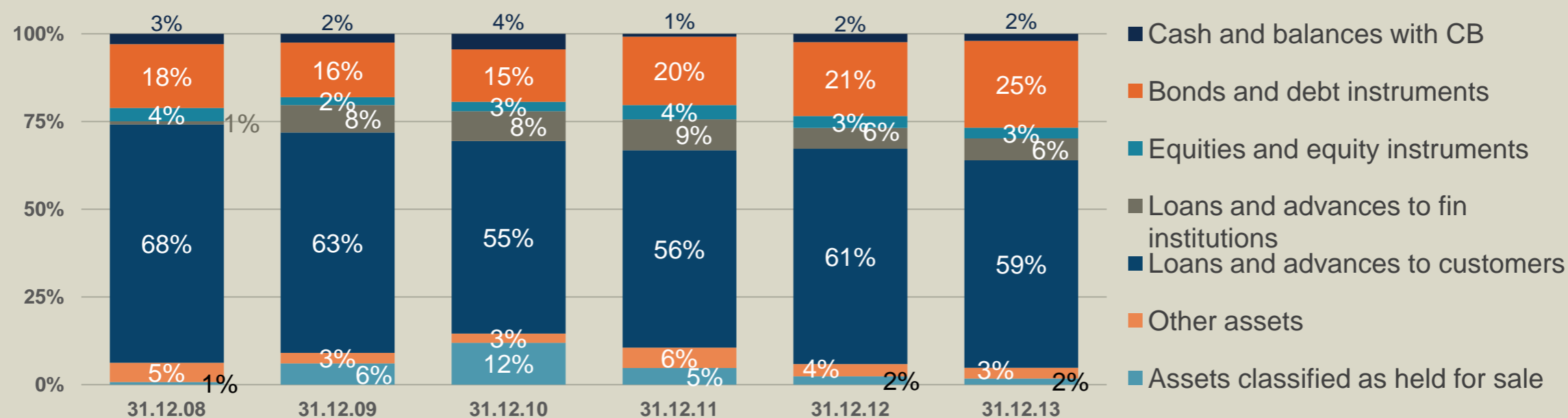
Balance sheet - assets

Amounts in ISKm

	31/12/13	31/12/12	2013 change	
Cash and balances with CB	21,520	25,898	-4,378	-17%
Bonds and debt instruments	290,595	228,208	62,387	27%
Equities and equity instruments	36,275	36,881	-606	-2%
Loans and advances to fin institutions	67,916	64,349	3,567	6%
Loans and advances to customers	680,468	666,087	14,381	2%
Other assets	29,719	38,044	-8,325	-22%
Assets classified as held for sale	25,023	25,320	-297	-1%
Total	1,151,516	1,084,787	66,729	6%

- » Liquid resources have increased sharply during the year and this position is reflected in an increased holding of market bonds and claims on credit institutions
- » Loans to customers have increased by ISK 14bn year to date
- » The reduction of assets held for sale continues, down by ISK 100bn since the beginning of 2011

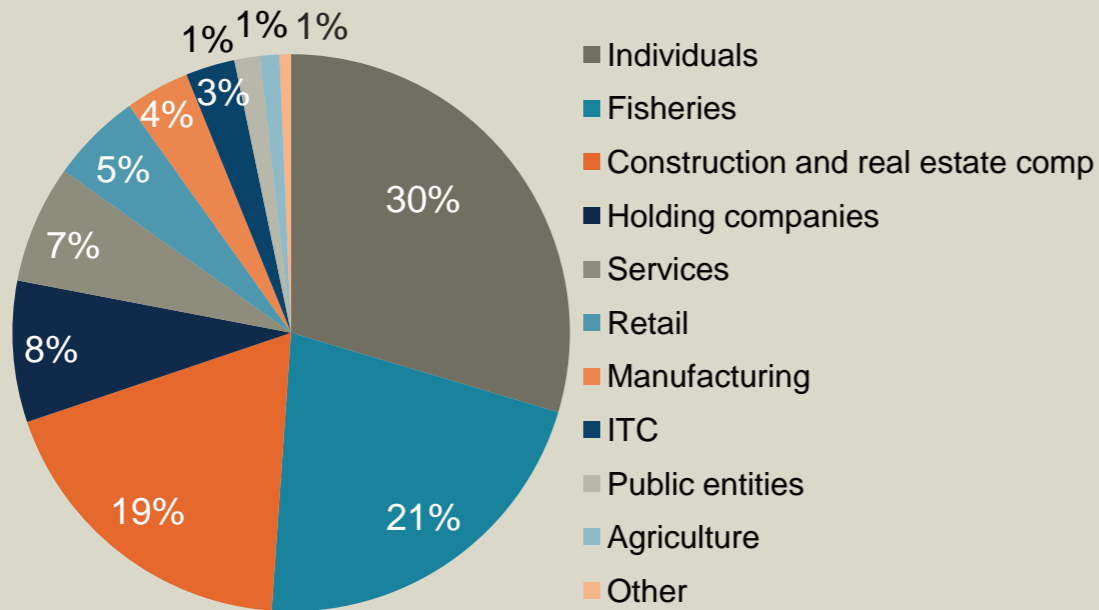
Assets



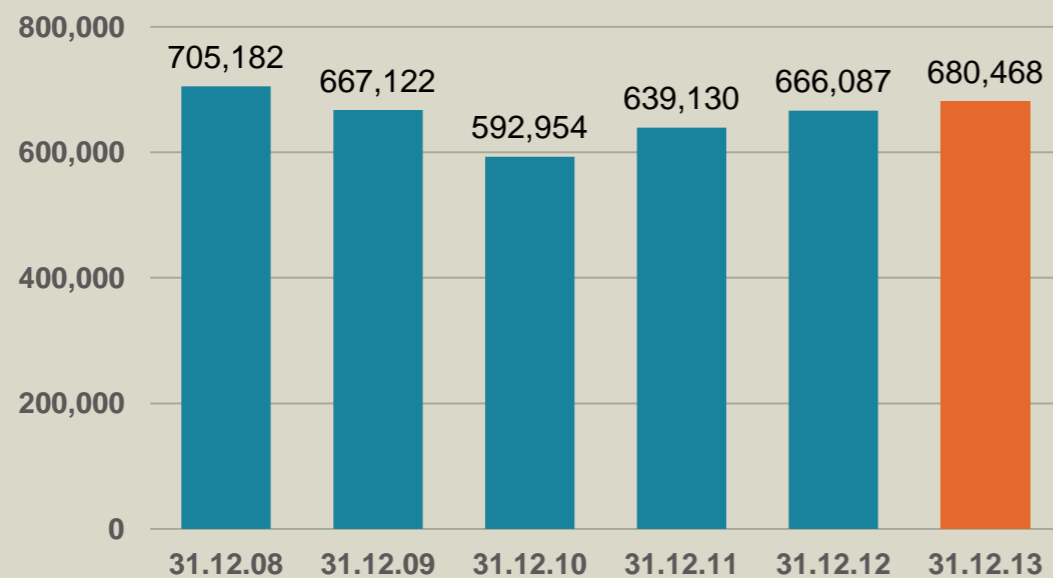
Balance sheet - loans

Amounts in ISKm

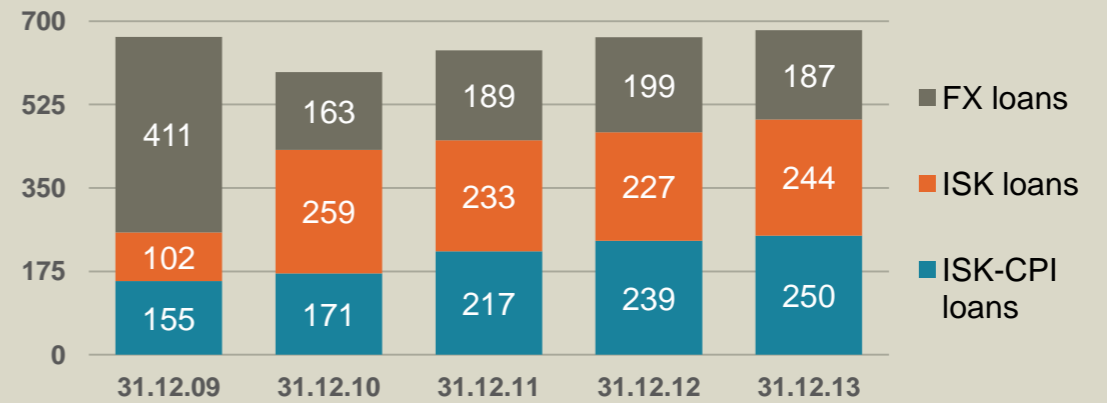
Loans by sectors 31.12.13



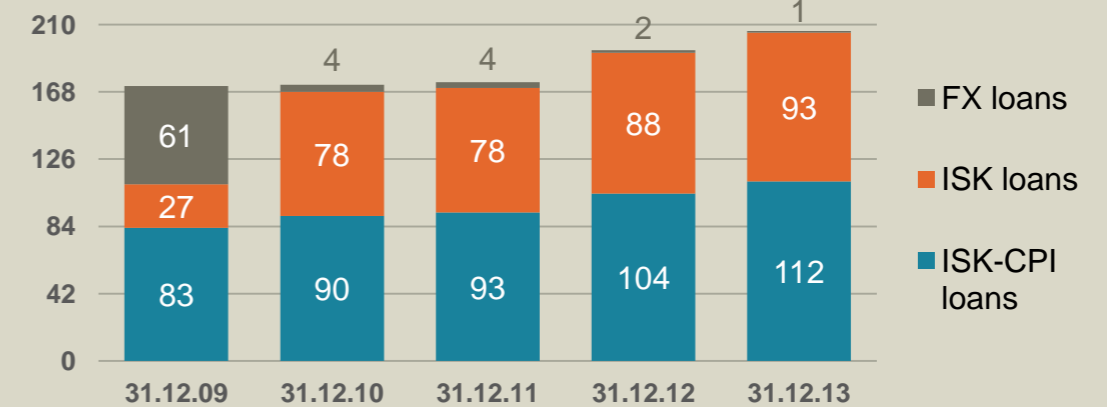
Loans and advances to customers



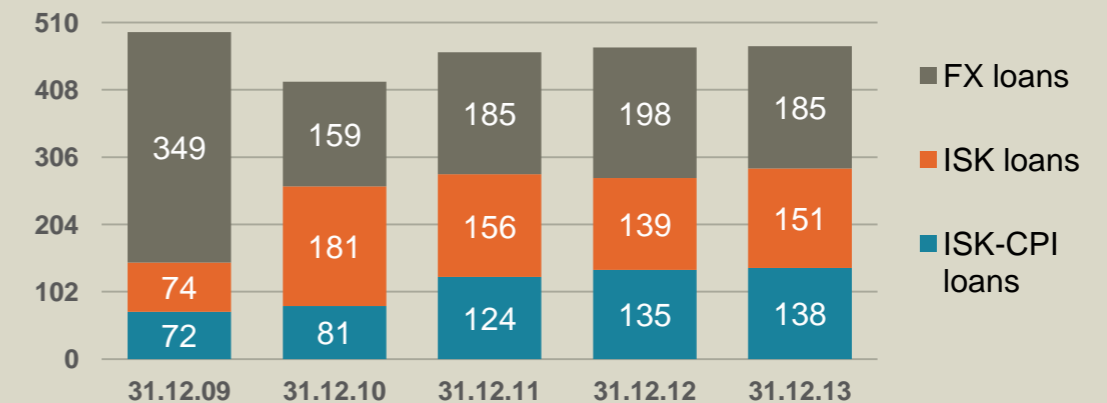
Loans to customers



Loans to individuals

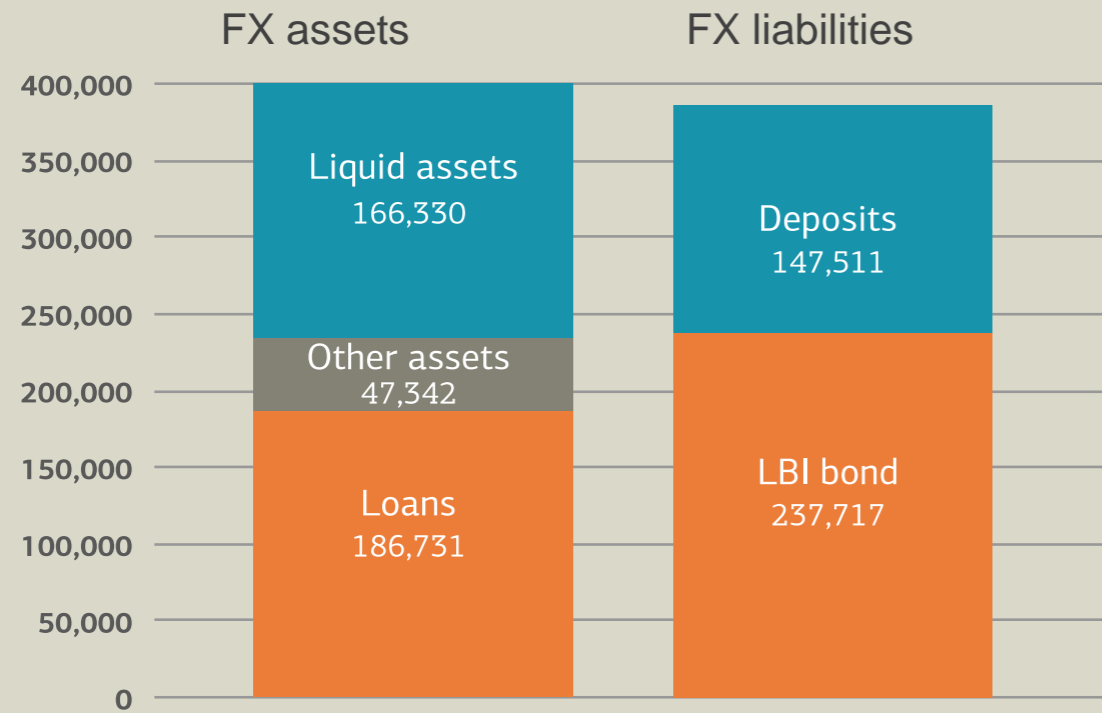


Loans to corporations

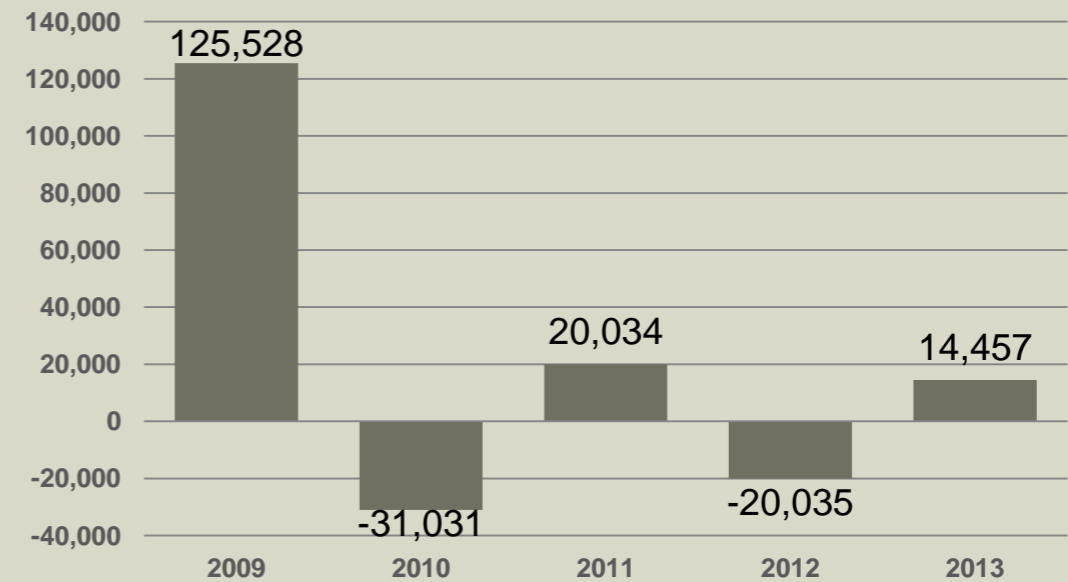


FX assets and liabilities

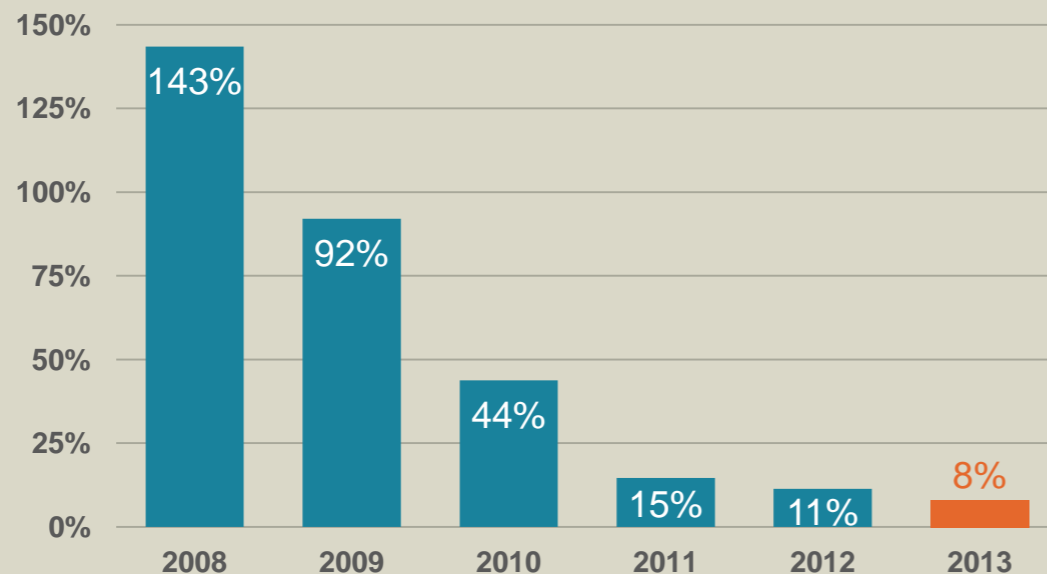
Amounts in ISKm



Net FX balance



FX risk / risk-weighted assets



- » Net foreign currency assets increased by ISK 34bn in 2013
- » The bank's foreign currency balance is positive by ISK 14bn

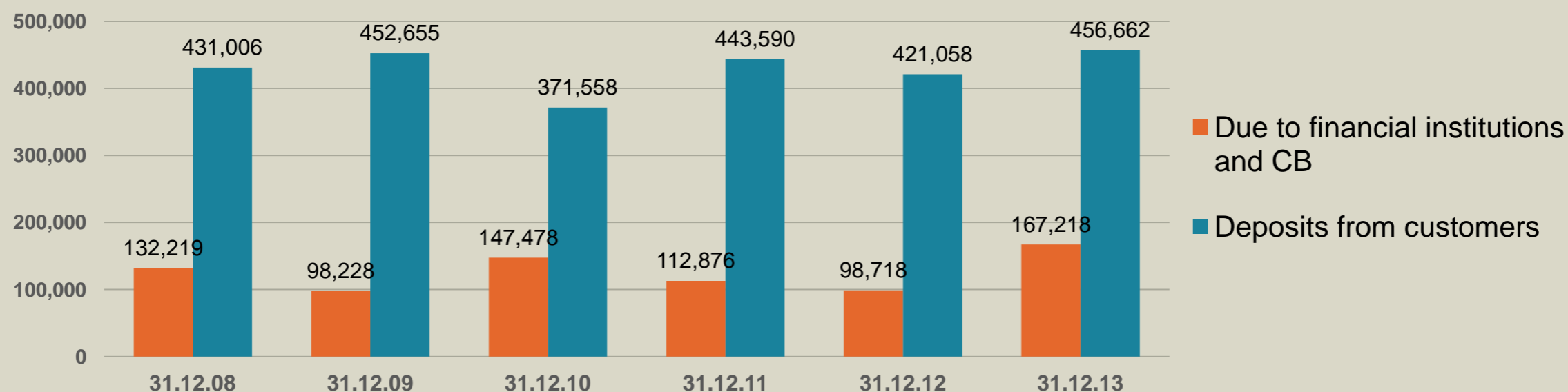
Balance sheet – liabilities and equity

Amounts in ISKm

	31.12.13	31.12.12	2013 change	
Due to financial institutions and CB	167,218	98,718	68,500	69%
Deposits from customers	456,662	421,058	35,604	8%
Secured bonds	239,642	309,265	-69,623	-23%
Other liabilities	46,635	30,580	16,055	53%
Equity	241,359	225,166	16,193	7%
Total	1,151,516	1,084,787	66,729	6%

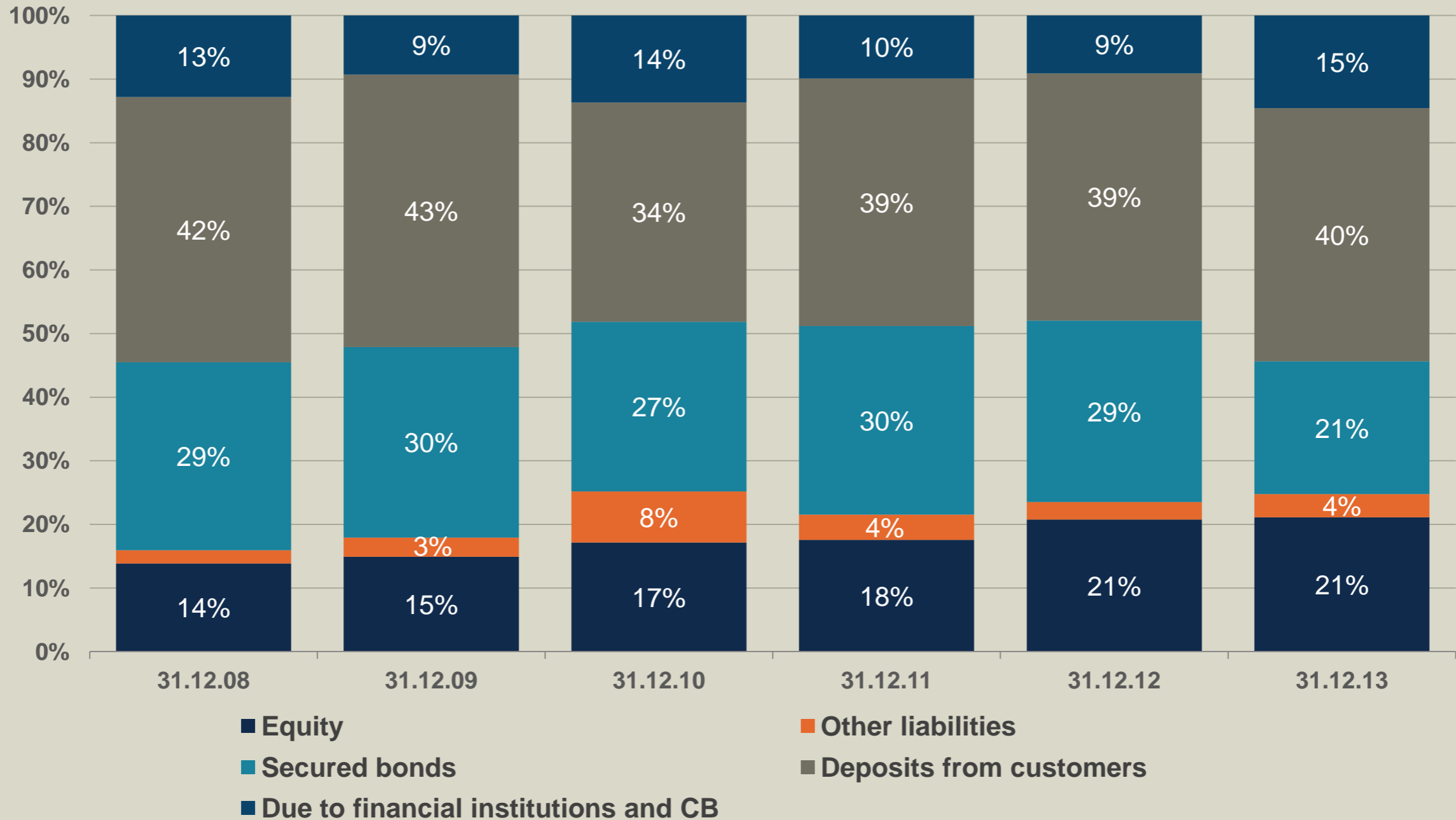
- » Half of the bank's funding is derived from customer deposits and deposits from financial undertakings
- » Customer deposits grew by 8% after having decreased in 2012
- » The bank issued covered bonds in H1 2013. The bonds were listed for trading in October 2013. The issue amounted to ISK 1.9bn at year-end

Deposits



Balance sheet – liabilities and equity

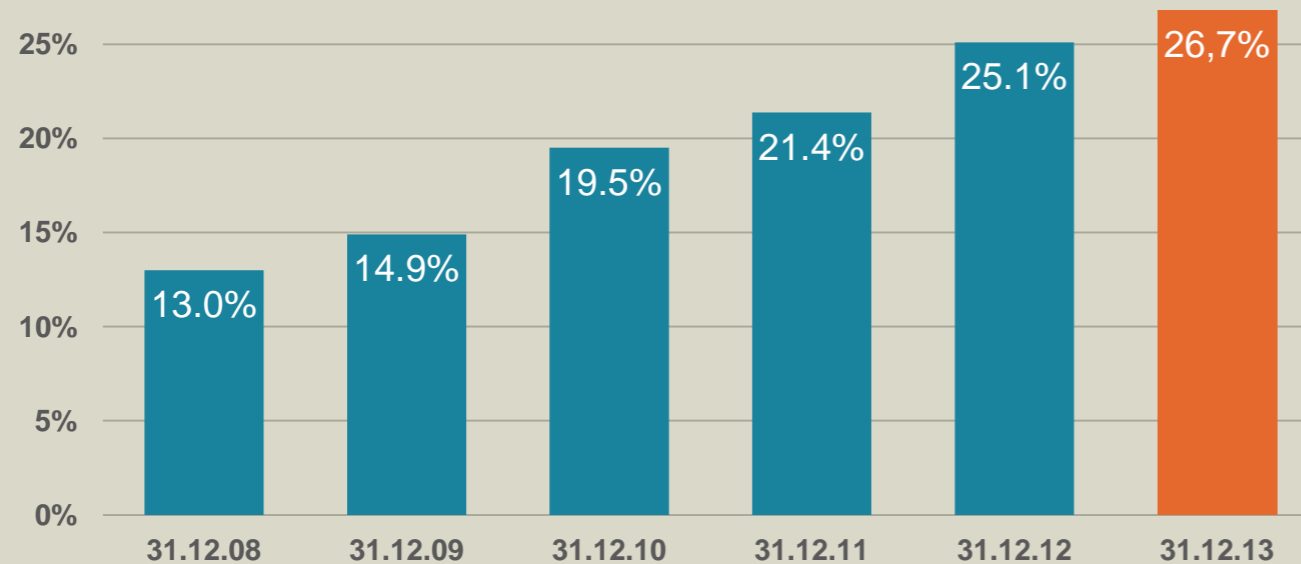
Liabilities and equity



Capital ratio and liquid assets

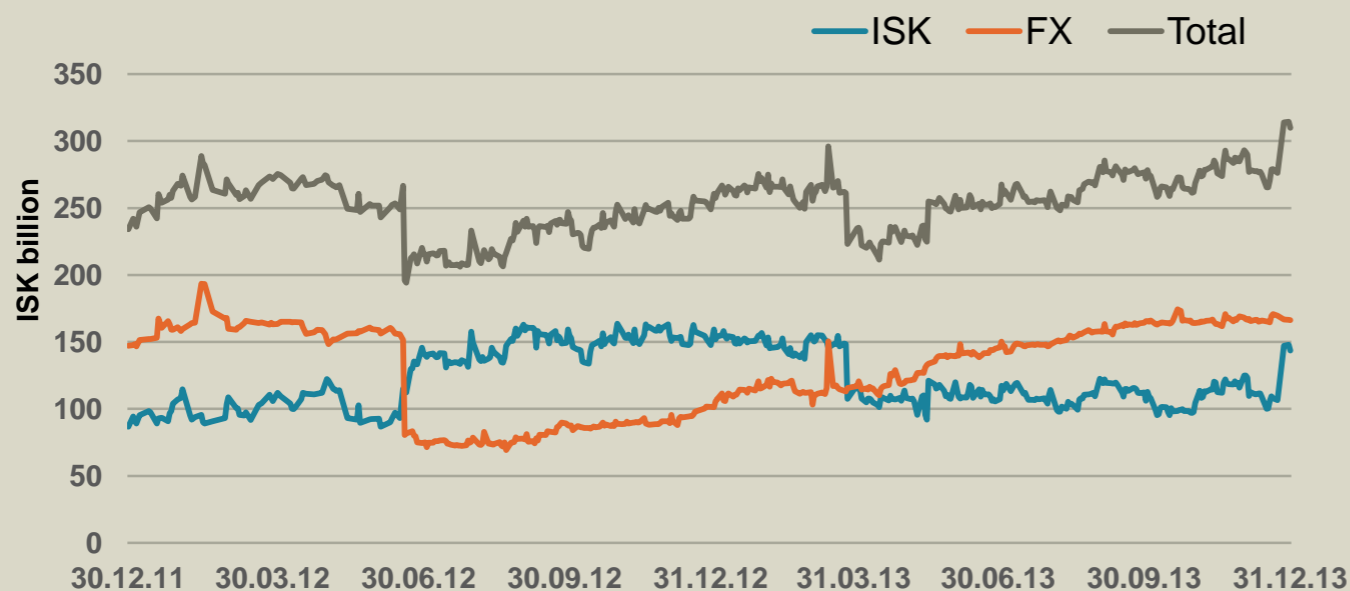
Amounts in ISKm

Capital ratio (CAR)



- » The bank's capital ratio is based solely on Tier 1 capital
- » The growing CAR is attributable to good performance on the one hand and effective risk management on the other
- » The bank is well above its 20% CAR benchmark

Liquid assets



- » The drop in liquid FX assets around mid-2012 is due to an ISK 72bn pre-payment of the bond issued to LBI hf.
- » Liquid assets in foreign currencies have since continued to grow
- » The ISK 50bn pre-payment in 2013 freed around ISK 40bn in liquid assets from the portfolio securing the bond to LBI

Main results

Amounts in ISKm

	2013	2012	2011	
Profit after taxes	28,759	25,494	16,957	» Profits increased by 13% between years
Return on equity after taxes	12.4%	12.0%	8.4%	» Operating expenses decrease YoY, by 10.1% in real terms
Interest spread as a ratio of av. total assets	3.1%	3.2%	2.9%	» The Bank aims to maintain a cost-income ratio of under 50% and is currently well within this limit
Cost-income ratio	42.9%	45.0%	40.6%	» Full-time equivalent positions have been reduced by 50, or just over 4%, since 2012
Real change in operating expenses	-10.1%	4.9%	13.3%	» Total assets have grown by ISK 66bn, or 6% since the beginning of the year
Positions at period-end	1,183	1,233	1,311	» CAR remains strong, currently at 26.7%. This figure refers to Tier 1 capital only
Total assets	1,151,516	1,084,787	1,135,482	» The liquidity ratio grows more robust, in line with increased deposits, and is far higher than the legal minimum
Loans to customers	680,468	666,087	639,130	» Loans 90 days in arrears decrease to stand at 5.3%
Deposits from customers	456,662	421,058	443,590	
Capital ratio (CAR)	26.7%	25.1%	21.4%	
Liquidity ratio	49.8%	48.4%	42.9%	
Liquidity ratio LCR total	102%	-	-	
Liquidity ratio LCR FX	208%	-	-	
Net FX position	14,457	-20,035	20,034	
Arreas (>90 days)	5.3%	8.3%	13.9%	

Outlook and principal tasks ahead

- » Sound operations, no great fluctuations expected
- » Continued restraint in operations
- » Correction of illegal exchange rate indexed loans
- » Agreement with LBI
- » Establishment of a Corporate Banking Service Centre in Borgartún
- » Location for new headquarters
- » Significant increases in taxes levied on financial undertakings will affect net interest spread and/or profitability in the long term

Annex – further information

Key financial ratios

Amounts in ISKm

Key figures	2013	2012	2011	2010	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Q4 2012
Profit after taxes	28,759	25,494	16,957	27,231	6,483	6,751	7,536	7,989	11,953
Return on equity before taxes	17.6%	14.0%	8.1%	20.8%	21.4%	14.5%	17.3%	17.2%	26.0%
Return on equity after taxes	12.4%	12.0%	8.4%	16.0%	10.9%	11.6%	13.0%	14.0%	21.8%
Capital ratio (CAR)	26.7%	25.1%	21.4%	19.5%	26.7%	26.2%	25.9%	26.6%	26.5%
Net interest income	34,314	35,584	32,649	24,685	9,977	7,340	7,118	9,879	9,229
Interest spread as a ratio of average total assets	3.1%	3.2%	2.9%	2.3%	3.5%	2.6%	2.6%	3.6%	3.4%
Interest spread + net adj of loans/ average total assets	4.2%	2.8%	0.8%	2.4%	4.8%	3.1%	3.8%	5.2%	4.5%
Cost-income ratio*	42.9%	45.0%	40.6%	36.8%	44.8%	42.9%	49.6%	36.6%	38.4%
Liquidity ratio	49.8%	48.4%	42.9%	45.6%	49.7%	48.0%	44.8%	42.0%	48.4%
Liquidity ratio LCR total	102%								
Liquidity ratio LCR FX	208%								
Operating expenses as a ratio of average total assets **	2.0%	2.2%	2.0%	1.7%	2.0%	1.8%	2.1%	2.1%	2.4%
Total assets	1,151,516	1,084,787	1,135,482	1,081,133	1,151,516	1,158,154	1,126,094	1,085,405	1,084,787
Loans / deposits ratio	149.0%	158.2%	144.1%	159.6%	149.0%	144.0%	148.2%	153.1%	158.2%
Positions at period-end	1,183	1,233	1,311	1,146	1,183	1,179	1,165	1,209	1,233

* Cost-income ratio = Total operating expenses excl. equity settled employee share-based salaries / (Total operating income - net adjustments in valuation)

** Excluding equity settled employee share-based payments

Operations

Amounts in ISKm

	2013	2012	Change		2011	2010
Net interest income	34,314	35,584	-1,270	-4%	32,649	24,685
Net adjustments in valuation	8,362	-4,391	12,753	290%	-23,587	641
Change in contingent bond - liability to purchase own shares	4,691	0	4,691		0	0
Net interest income after adjustments in valuation	47,367	31,193	16,174	52%	9,062	25,326
Net fee and commission income	5,291	4,448	843	19%	4,424	3,582
Net foreign exchange gain (loss)	1,147	4,566	-3,419	-75%	-759	14,623
Other net operating income	11,776	8,934	2,842	32%	18,017	7,318
Total operating income	65,581	49,141	16,440	33%	30,743	50,849
Salaries and related expenses	12,613	13,176	-563	-4%	11,990	9,331
Equity-settled employee share-based salaries	4,691	0	4,691		0	0
Other operating expenses	8,005	8,878	-873	-10%	8,466	7,312
Depreciation and amortisation	818	719	99	14%	771	1,311
Contribution to the Depositors' and Investors' Guarantee Fund	1,079	1,042	37	4%	583	0
Acquisition-related costs	45	290	-245	-84%	245	542
Total operating expenses	27,251	24,105	3,146	13%	22,055	18,496
Share in profit of associates, net of income tax	2,712	2,449	263	11%	1,418	291
Profit before tax	41,042	27,485	13,557	49%	10,105	32,644
Income tax expense	12,283	4,125	8,158	198%	-597	8,182
Profit for the period from continuing operations	28,759	23,360	5,399	23%	10,703	24,462
Profit from disc operations, net of income tax	0	2,134	-2,134	-100%	6,255	2,769
Profit for the period	28,759	25,494	3,265	13%	16,957	27,231

Balance sheet

Amounts in ISKm

	31.12.13	31.12.12	Change 2013		31.12.11	31.12.10	31.12.09	31.12.08
Cash and balances with CB	21,520	25,898	-4,378	-17%	8,823	47,777	26,174	30,071
Bonds and debt instruments	290,595	228,208	62,387	27%	221,848	161,559	165,721	189,121
Equities and equity instruments	36,275	36,881	-606	-2%	46,037	29,429	23,411	39,681
Loans and advances to fin institutions	67,916	64,349	3,567	6%	100,133	91,882	83,129	8,845
Loans and advances to customers	680,468	666,087	14,381	2%	639,130	592,954	667,122	705,182
Other assets	29,719	38,044	-8,325	-22%	65,959	28,743	31,920	56,907
Assets classified as held for sale	25,023	25,320	-297	-1%	53,552	128,789	63,878	7,584
Total	1,151,516	1,084,787	66,729	6%	1,135,482	1,081,133	1,061,354	1,037,391
Due to financial institutions and CB	167,218	98,718	68,500	69%	112,876	147,478	98,228	132,219
Deposits from customers	456,662	421,058	35,604	9%	443,590	371,558	452,655	431,006
Secured bonds	239,642	309,265	-69,623	-23%	337,902	287,822	316,734	305,056
Other liabilities	42,750	29,687	13,063	44%	31,485	27,800	14,456	21,385
Liabilities associated with assets classified as held for sale	3,885	893	2,992	335%	9,385	61,609	21,689	4,440
Equity	241,359	225,166	16,193	7%	200,244	184,866	157,593	143,285
Total	1,151,516	1,084,787	66,729	6%	1,135,482	1,081,133	1,061,354	1,037,391

Segments

Amounts in ISKm

2013	Personal Banking	Corporate Banking	Markets	Treasury	Support Functions	Reconciliation	Total
Net interest income (expense)	17,615	14,364	443	3,552	-36	-1,624	34,314
Net adjustments in valuation	68	12,899	0	-195	281	0	13,053
Net fee and commission income	2,667	565	2,463	116	-173	-347	5,291
Other net operating income	-1,331	-1,062	5,640	8,014	76	1,586	12,923
Total operating income (expense)	19,019	26,766	8,546	11,487	148	-385	65,581
Operating expenses	-8,170	-1,357	-2,129	-1,286	-14,670	361	-27,251
Share in profit of equity-accounted associates, net of income tax	300	0	0	2,412	0	0	2,712
Profit (loss) before cost allocation and tax	11,149	25,409	6,417	12,613	-14,522	-24	41,042
Cost allocated from support functions to business segments	-6,225	-2,656	-1,178	-801	10,860	0	0
Profit (loss) before tax	4,924	22,753	5,239	11,812	-3,662	-24	41,042
Total assets	502,120	406,896	59,238	558,637	22,846	-398,221	1,151,516
Total liabilities	449,219	323,591	50,457	462,266	22,846	-398,221	910,157
Allocated capital	52,901	83,305	8,782	96,371	0	0	251,359

Thank you