

A stylized illustration of a lighthouse on a rocky island. The lighthouse is white with a red top section and a spiral pattern on its side. Two beams of light, one yellow and one white, emanate from the top. The background consists of layered, stylized clouds in shades of blue, green, and brown, with a few white stars scattered throughout.

Q1 2013 Results

Reykjavik, 23 May 2013

Main results

Key figures	Q1 2013	Q1 2012	2012	2011	2010	Q4 2012	Q3 2012	Q2 2012	Q1 2012
Profit after taxes	7,989	7,729	25,494	16,957	27,231	11,953	1,664	4,148	7,729
Return on equity before taxes	17.2%	19.5%	14.0%	8.1%	20.8%	26.0%	1.2%	9.1%	19.5%
Return on equity after taxes	14.0%	15.2%	12.0%	8.4%	16.0%	21.8%	3.1%	7.9%	15.2%
Capital ratio (CAR)	26.6%	22.1%	25.1%	21.4%	19.5%	26.5%	24.1%	23.6%	22.1%
Net interest income	9,879	8,553	35,584	32,649	24,685	9,229	7,782	10,020	8,553
Interest spread as a ratio of average total assets	3.6%	3.0%	3.2%	2.9%	2.3%	3.4%	3.0%	3.6%	3.0%
Interest spread+net adj of loans as a ratio of avg. total assets	5.2%	3.1%	2.8%	0.8%	2.4%	4.5%	1.6%	2.2%	3.1%
Cost-income ratio *	36.6%	38.7%	45.0%	40.6%	36.8%	38.4%	57.4%	52.2%	38.7%
Liquidity ratio	42.0%	47.6%	48.4%	42.9%	45.6%	48.4%	45.0%	39.2%	47.6%
Operating expenses as a ratio of average total assets	2.1%	2.1%	2.2%	2.0%	1.7%	2.4%	2.2%	2.2%	2.1%
Total assets	1,085,405	1,174,262	1,084,787	1,135,482	1,081,133	1,084,787	1,056,825	1,048,573	1,174,262
Loans / deposits ratio	153.1%	143.6%	158.2%	144.1%	159.6%	158.2%	149.4%	151.4%	143.6%
Positions at period-end	1,209	1,308	1,233	1,311	1,146	1,233	1,252	1,269	1,308

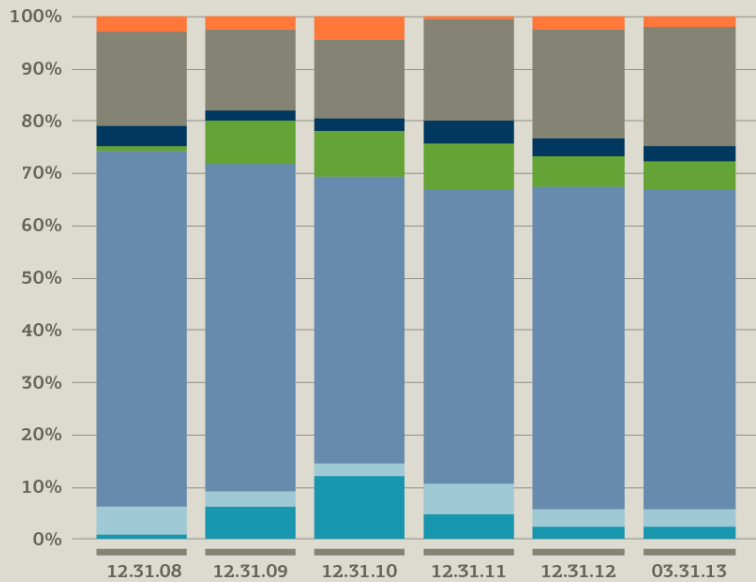
* Cost-income ratio = Total operating expenses excl. equity settled employee share-based payments / (Total operating income - net adjustments in valuation)

** Excluding equity settled employee share-based payments



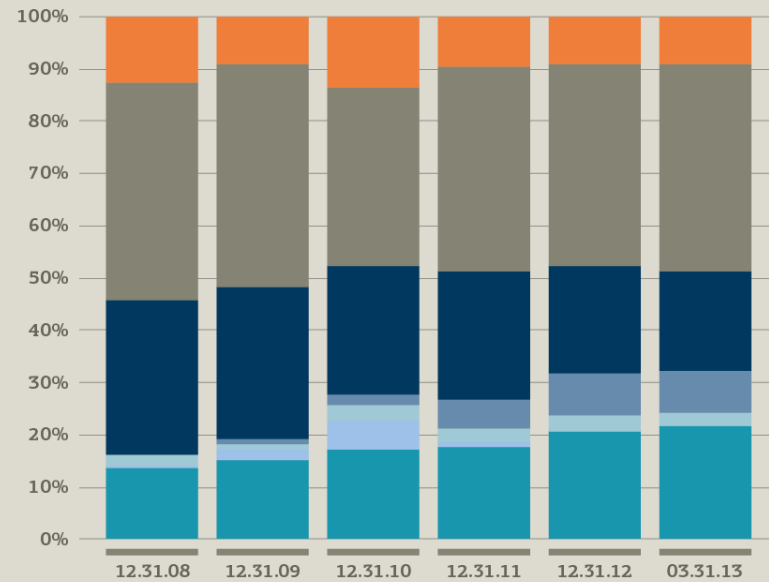
Balance Sheet

Assets



- Cash and balances with CB
- Bonds and debt instruments
- Equities and equity instruments
- Loans and advances to fin institutions
- Loans and advances to customers
- Other assets
- Assets classified as held for sale

Liabilities and equity



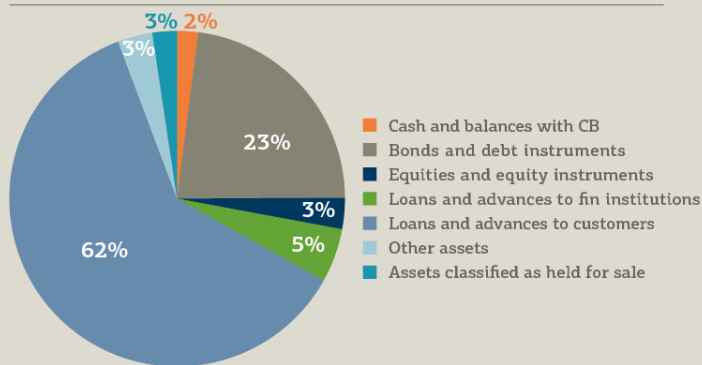
- Due to financial institutions and CB
- Deposits from customers
- Secured bonds
- Contingent bond
- Other liabilities
- Liabilities associated with AHFS
- Equity



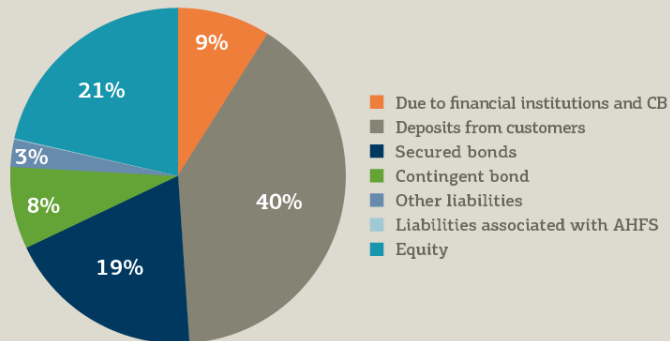
Balance Sheet

	03.31.13	12.31.12	Change 2013	
Cash and balances with CB	21,966	25,898	-3,932	-15%
Bonds and debt instruments	248,571	228,208	20,363	9%
Equities and equity instruments	32,549	36,881	-4,332	-12%
Loans and advances to fin institutions	56,551	64,349	-7,798	-12%
Loans and advances to customers	663,719	666,087	-2,368	0%
Other assets	36,396	38,044	-1,648	-4%
Assets classified as held for sale	25,653	25,320	333	1%
Total	1,085,405	1,084,787	618	0%
Due to financial institutions and CB	97,352	98,718	-1,366	-1%
Deposits from customers	433,647	421,058	12,589	3%
Secured bonds	206,491	221,791	-15,300	-7%
Contingent bond	85,953	87,474	-1,521	-2%
Other liabilities	28,569	29,687	-1,118	-4%
Liabilities associated with AHFS	963	893	70	8%
Equity	232,430	225,166	7,264	3%
Total	1,085,405	1,084,787	618	0%

Assets

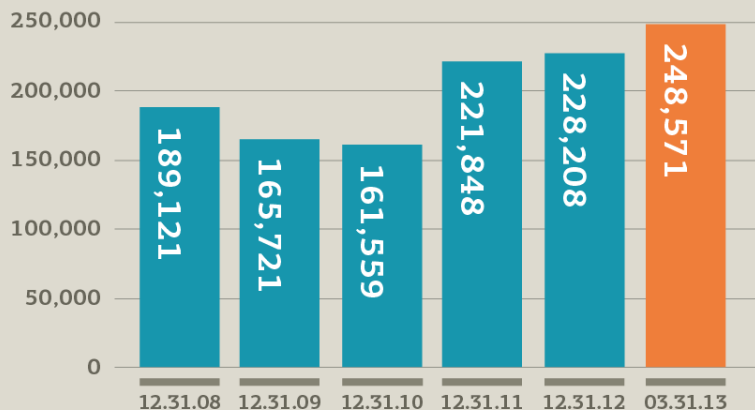


Liabilities and equity

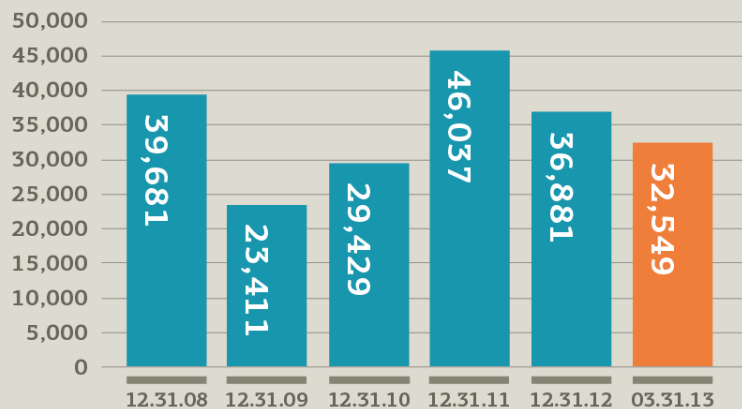


Balance Sheet

Bonds and debt instruments



Equities and equity instruments

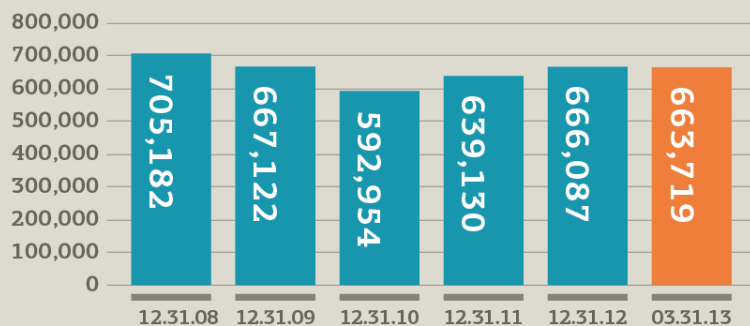


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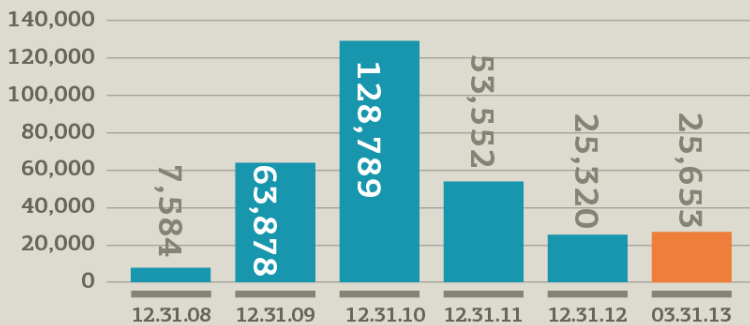


Balance Sheet

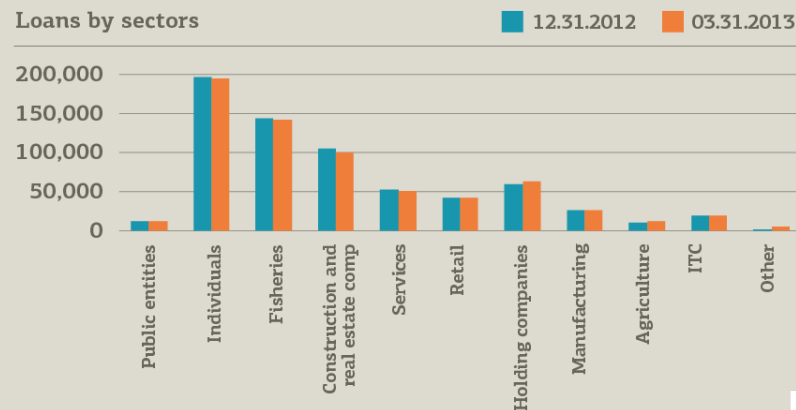
Loans and advances to customers



Assets classified as held for sale

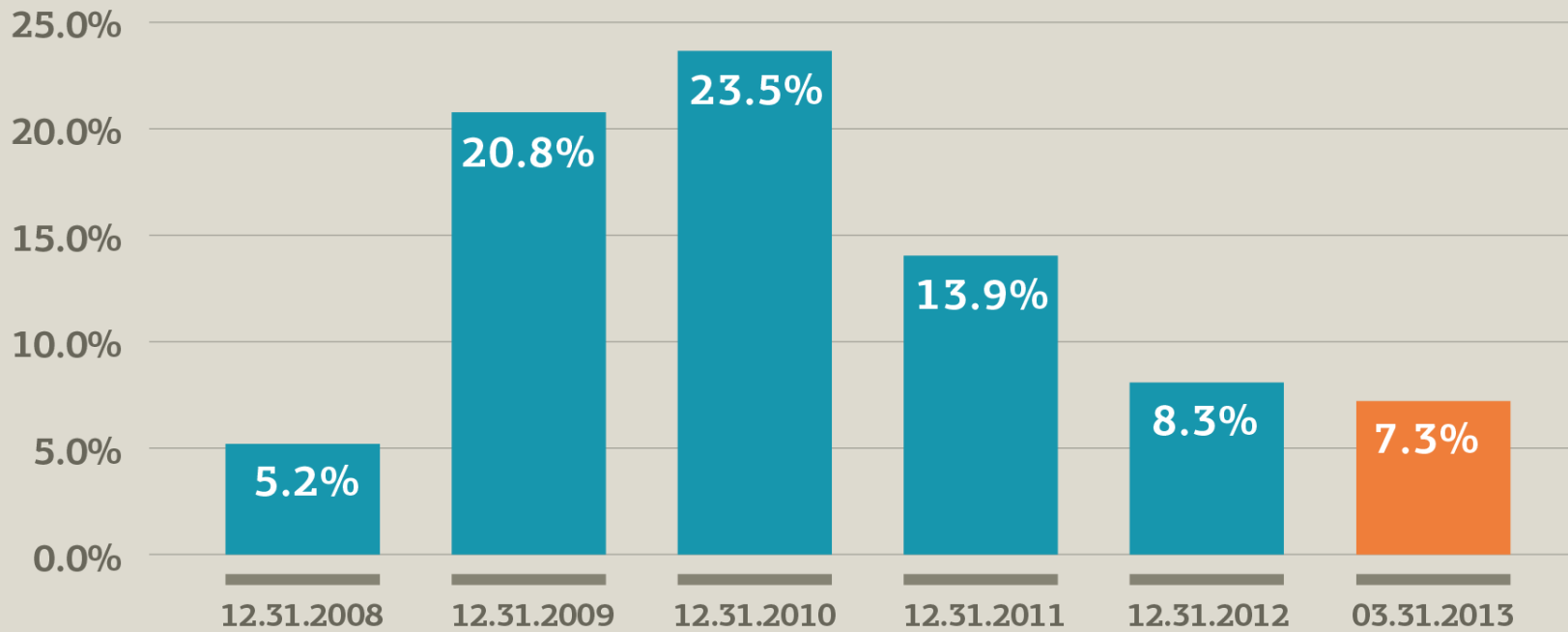


Loans by sectors	03.31.13	12.31.12	Change	%
Public entities	11,520	11,576	-56	0%
Individuals	194,233	195,047	-814	0%
Fisheries	141,635	142,952	-1,317	-1%
Construction and real estate comp	99,223	104,928	-5,705	-5%
Services	50,963	52,700	-1,737	-3%
Retail	41,823	42,019	-196	0%
Holding companies	61,942	60,009	1,933	3%
Manufacturing	26,449	25,665	784	3%
Agriculture	11,952	10,199	1,753	17%
ITC	19,494	19,413	81	0%
Other	4,485	1,579	2,904	184%
	663,719	666,087	-2,368	0%



Arrears

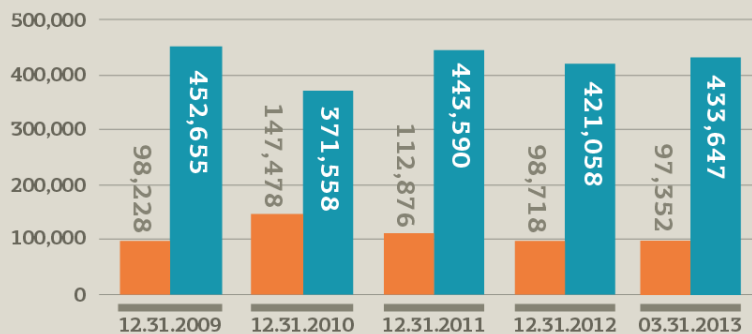
Arrears (> 90 days)



Balance Sheet

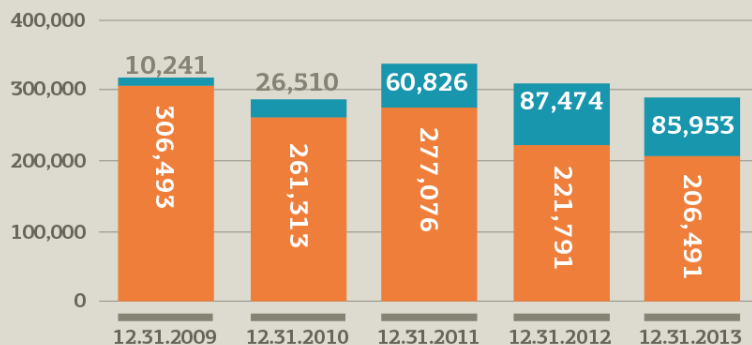
Deposits

Due to financial institutions and CB Deposits from customers



Secured bonds / Contingent bond

Secured bonds Secured bonds



03.31.2013 12.31.2012

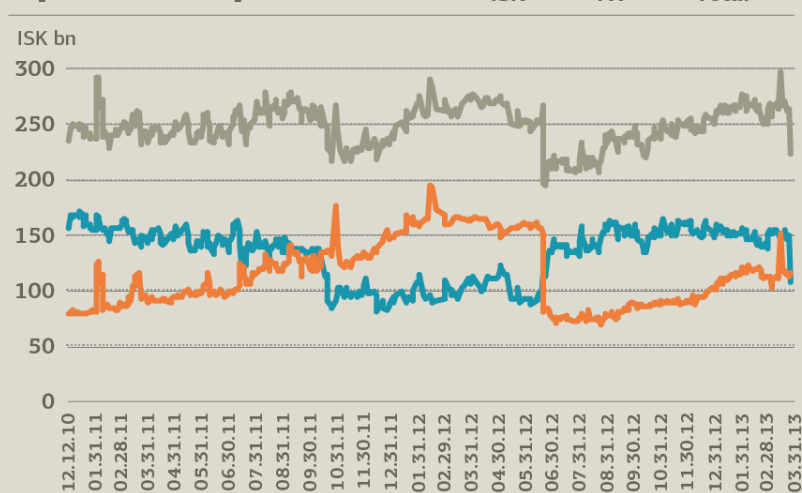
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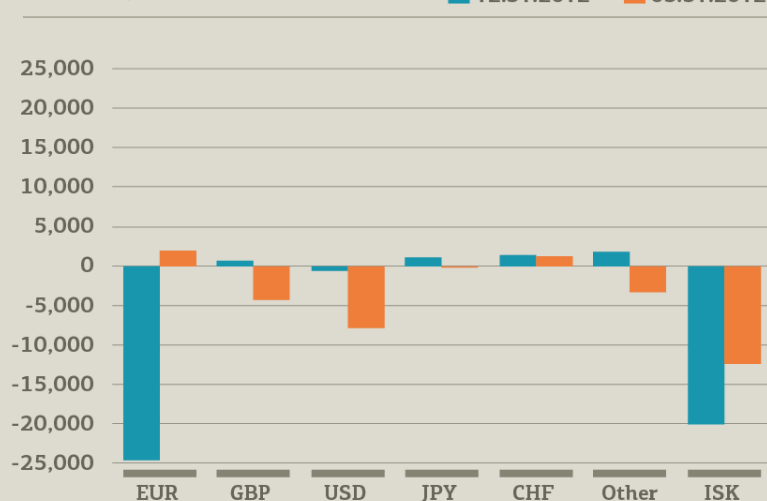
Balance Sheet

	Liquid assets 03.31.2013	Liquid assets 12.31.2012	2013 change	%
Cash balance with central banks	11,434	4,682	6,752	144%
Loans to fin. institutions (less than 7 days)	38,907	45,968	-7,061	-15%
Repo eligible bonds	172,712	201,074	-28,362	-14%
Core liquid assets	223,053	251,724	-28,671	-11%
Core repayment ability of all deposits	42.0%	48.4%		

Liquid assets development



FX balance

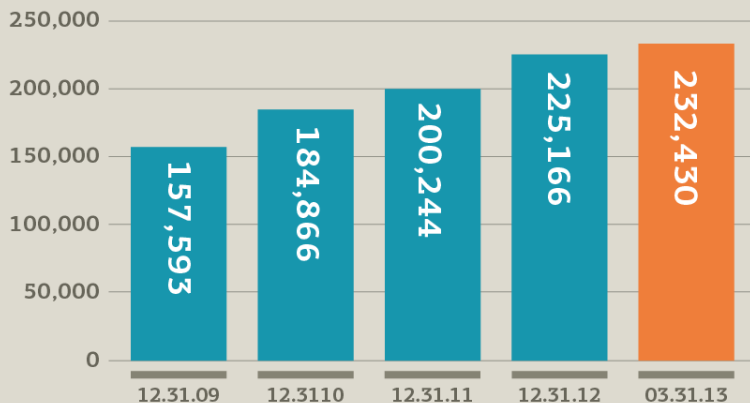


FX balance 03.31.2013	EUR	GBP	USD	JPY	CHF	Other	Total
Assets	119,698	63,200	134,815	11,408	11,757	11,055	351,933
Liabilities	-173,814	-62,548	-123,725	-464	-474	-6,651	-367,676
On balance	-54,116	652	11,090	10,944	11,283	4,404	-15,743
Off balance	56,130	-4,972	-18,966	-11,067	-10,029	-7,625	3,471
Net FX balance	2,014	-4,320	-7,876	-123	1,254	-3,221	-12,272

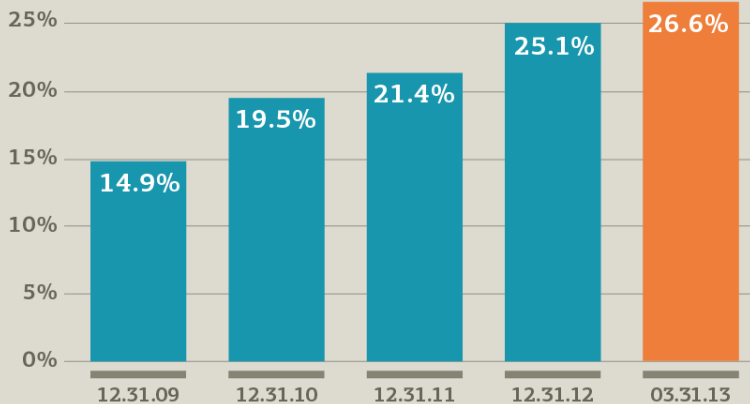


Balance Sheet

Equity



Equity ratio (CAR)



	03.31.2013	12.31.2012
Cash and balances with CB	21,966	25,898
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Other liabilities	28,569	29,687
Liabilities associated with AHFS	963	893
Equity	232,430	225,166
Total	1,085,405	1,084,787



Income Statement

	Q1 2013	Q1 2012	Change	%	Q4 2012	Q3 2012	Q2 2012	Q1 2012
Net interest income	9,879	8,553	1,326	16%	9,229	7,782	10,020	8,553
Net adjustments in valuation	-438	327	-765	-234%	2,696	-3,622	-3,792	327
Change in contingent bond - liability to purchase own shares	4,691	0	4,691		0	0	0	0
Net interest income after adjustments in valuation	14,132	8,880	5,252	59%	11,925	4,160	6,228	8,880
Net fee and commission income	1,363	1,002	361	36%	1,326	1,030	1,090	1,002
Net foreign exchange gain (loss)	1,172	2,116	-944	-45%	2,831	899	-1,280	2,116
Other net operating income	3,385	3,714	-329	-9%	3,118	292	1,810	3,714
Total operating income	20,052	15,712	4,340	28%	19,200	6,381	7,848	15,712
Salaries and related expenses	3,173	3,252	-59	-2%	3,477	3,103	3,364	3,252
Equity-settled employee share-based payments	4,691	0	4,691		0	0	0	0
Other operating expenses	2,089	2,185	-96	-4%	2,112	2,250	2,331	2,185
Depreciation and amortisation	209	180	29	16%	181	177	181	180
Contribution to the Depositors' and Investors' Guarantee Fund	268	350	-82	-23%	275	213	204	350
Acquisition-related costs	45	0	45		290	0	0	0
Total operating expenses	10,475	5,947	4,528	76%	6,335	5,743	6,080	5,947
Share of profit of associates, net of income tax	261	0	261		1,762	14	673	0
Profit before tax	9,838	9,765	73	1%	14,627	652	2,441	9,765
Income tax expense	1,849	2,208	-359	-16%	2,324	-1,012	605	2,208
Profit for the period from continuing operations	7,989	7,557	432	6%	12,303	1,664	1,836	7,557
Profit from disc operations, net of income tax	0	172	-172	-100%	-350	0	2,312	172
Profit for the period	7,989	7,729	260	3%	11,953	1,664	4,148	7,729



Net interest income

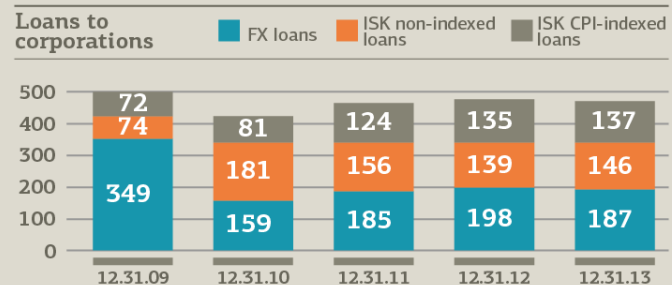
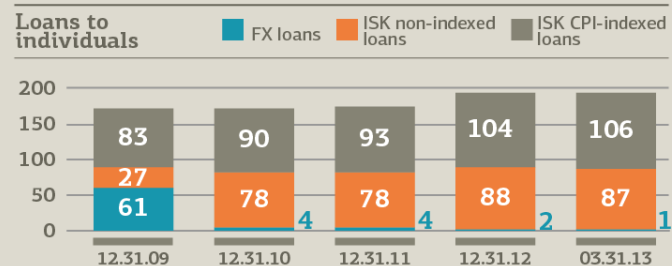
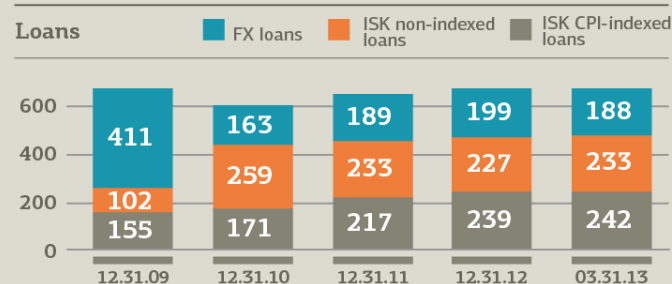
	Q1 2013	Q1 2012	Change	%	Q4 2012	Q3 2012	Q2 2012	Q1 2012
Interest income	17,915	16,769	1,146	7%	16,624	12,962	18,306	16,769
Interest expense	-8,036	-8,216	180	-2%	-7,395	-5,180	-8,286	-8,216
Net interest income	9,879	8,553	1,326	16%	9,229	7,782	10,020	8,553
Net adjustments to loans and advances acquired at deep discount	3,593	7,562	-3,969	-52%	17,935	8,213	3,610	7,562
Net adjustments to loans to financial institutions	0	3,480	-3,480	-100%	220	0	0	3,480
Loss from foreign currency linkage of loans and advances to customers	0	0	0		0	-2,120	0	0
Net impairment loss on loans and advances	-659	-4,768	4,109	-86%	-1,527	-4,514	-5,151	-4,768
Fair value change of contingent bond	1,319	-5,947	7,266	-122%	-13,932	-5,201	-2,251	-5,947
Net adjustments in valuation	4,253	327	3,926	1201%	2,696	-3,622	-3,792	327
Net interest income after net adjustments in valuation	14,132	8,880	5,252	59%	11,925	4,160	6,228	8,880



CPI indexation balance

Book value	03.31.2013	12.31.2012	12.31.2011	12.31.2010	12.31.2009
Assets					
Bonds and debt instruments	6,920	7,586	10,812	8,119	5,438
Loans and advances to customers	242,481	239,432	217,131	171,017	154,823
Total	249,401	247,018	227,943	179,136	160,261
Liabilities					
Due to financial institutions and CB	-18	-23	-123	-421	-441
Deposits from customers	-103,532	-100,768	-97,127	-82,215	-84,725
Short positions	0	0	-924	-595	-1,917
Total	-103,550	-100,791	-98,174	-83,231	-87,083
Total on-balance sheet position	145,851	146,227	129,769	95,905	73,178
Total off-balance sheet position	-921	-443	-811	-1,264	-1,366
Total CPI indexation balance	144,930	145,784	128,958	94,641	71,812

Loans	03.31.2013	12.31.2012	12.31.2011	12.31.2010	12.31.2009
FX loans	188,355	199,288	188,790	163,084	410,675
ISK non-indexed loans	232,883	227,367	233,209	258,853	101,624
ISK CPI-indexed loans	242,481	239,432	217,131	171,017	154,823
	663,719	666,087	639,130	592,954	667,122



Net adjustments in valuation

	Q1 2013	2012	2011	2010	2009	Total 2009-2013	Q4 2012	Q3 2012	Q2 2012	Q1 2012
Corporates	3,086	23,173	25,649	23,394	11,364	86,666	17,404	137	-1,898	7,530
Individuals	-152	-233	-14,920	-6,485	5,831	-15,959	-776	1,442	357	-1,256
	2,934	22,940	10,729	16,909	17,195	70,707	16,628	1,579	-1,541	6,274
LBI share	1,319	-27,331	-34,316	-16,269	-10,241	-86,838	-13,932	-5,201	-2,251	-5,947
Net effect on Landsbanki	4,253	-4,391	-23,587	641	6,954	-16,130	2,696	-3,622	-3,792	327



Salaries and related expenses

	Q1 2013	Q1 2012	Change	%
Salaries	2,436	2,561	-125	-5%
Contributions to defined contribution pension plans	330	313	17	5%
Social security contributions, special financial activities tax on salaries and other expenses	407	358	49	14%
	3,173	3,232	-59	-2%
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	7,864	3,232	4,632	143%



Taxes

	Q1 2013	Q1 2012	Change	%
Income tax	1,670	1,549	121	8%
Special income tax on financial institutions ¹	89	328	-239	-73%
Tax on liabilities of financial institutions ²	90	331	-241	-73%
	1,849	2,208	-359	-16%
Special financial activities tax on salaries ³	183	141	42	30%
Total	2,032	2,349	-317	-13%

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

² Tax based on book value of end of year liabilities

³ 6,75% tax on salaries and is expensed in the line item "Salaries and related expenses"



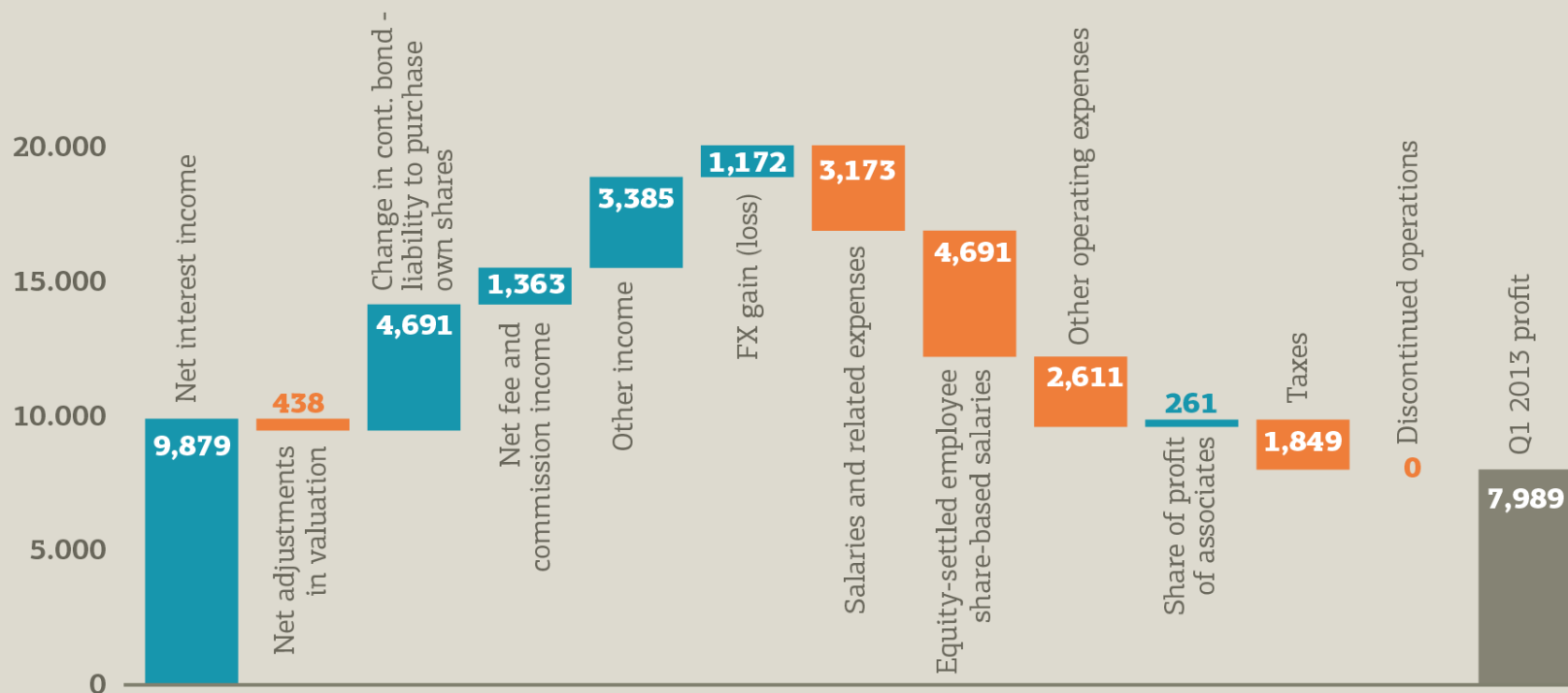
Segments

1 January - 31 March 2013	Personal Banking	Corporate Banking	Markets	Treasury	Support Functions	Recon- -ciliation	Total
Net interest income (expense)	4,399	3,911	102	1,926	-157	-302	9,879
Net adjustments in valuation	-1,015	4,899	0	-78	447	0	4,253
Net fee and commission income	608	306	576	18	-73	-72	1,363
Other net operating income	-283	-159	371	3,932	394	302	4,557
Total operating income (expense)	3,709	8,957	1,049	5,798	611	-72	20,052
Operating expenses	-3,130	-516	-660	-364	-5,877	72	-10,475
Share of profit of equity-accounted associates, net of income tax	8	0	0	253	0	0	261
Profit (loss) before cost allocation and tax	587	8,441	389	5,687	-5,266	0	9,838
Cost allocated from support functions to business segments	-1,593	-668	-292	-193	2,746	0	0
Profit (loss) before tax	-1,006	7,773	97	5,494	-2,520	0	9,838
Total assets	479,574	395,209	59,493	560,320	35,425	-444,616	1,085,405
Total liabilities	426,350	307,911	52,165	475,740	35,425	-444,616	852,975
Allocated capital	53,224	87,298	7,328	84,580	0	0	232,430



Income Statement

Q1 2013 profit



Main results

Key figures	Q1 2013	Q1 2012	2012	2011	2010	Q4 2012	Q3 2012	Q2 2012	Q1 2012
Profit after taxes	7,989	7,729	25,494	16,957	27,231	11,953	1,664	4,148	7,729
Return on equity before taxes	17.2%	19.5%	14.0%	8.1%	20.8%	26.0%	1.2%	9.1%	19.5%
Return on equity after taxes	14.0%	15.2%	12.0%	8.4%	16.0%	21.8%	3.1%	7.9%	15.2%
Capital ratio (CAR)	26.6%	22.1%	25.1%	21.4%	19.5%	26.5%	24.1%	23.6%	22.1%
Net interest income	9,879	8,553	35,584	32,649	24,685	9,229	7,782	10,020	8,553
Interest spread as a ratio of average total assets	3.6%	3.0%	3.2%	2.9%	2.3%	3.4%	3.0%	3.6%	3.0%
Interest spread+net adj of loans as a ratio of avg. total assets	5.2%	3.1%	2.8%	0.8%	2.4%	4.5%	1.6%	2.2%	3.1%
Cost-income ratio *	36.6%	38.7%	45.0%	40.6%	36.8%	38.4%	57.4%	52.2%	38.7%
Liquidity ratio	42.0%	47.6%	48.4%	42.9%	45.6%	48.4%	45.0%	39.2%	47.6%
Operating expenses as a ratio of average total assets	2.1%	2.1%	2.2%	2.0%	1.7%	2.4%	2.2%	2.2%	2.1%
Total assets	1,085,405	1,174,262	1,084,787	1,135,482	1,081,133	1,084,787	1,056,825	1,048,573	1,174,262
Loans / deposits ratio	153.1%	143.6%	158.2%	144.1%	159.6%	158.2%	149.4%	151.4%	143.6%
Positions at period-end	1,209	1,308	1,233	1,311	1,146	1,233	1,252	1,269	1,308

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

** Excluding equity settled employee share-based payments



