

Reykjavík, 15 November 2012

# 9m 2012 Results

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# Main results

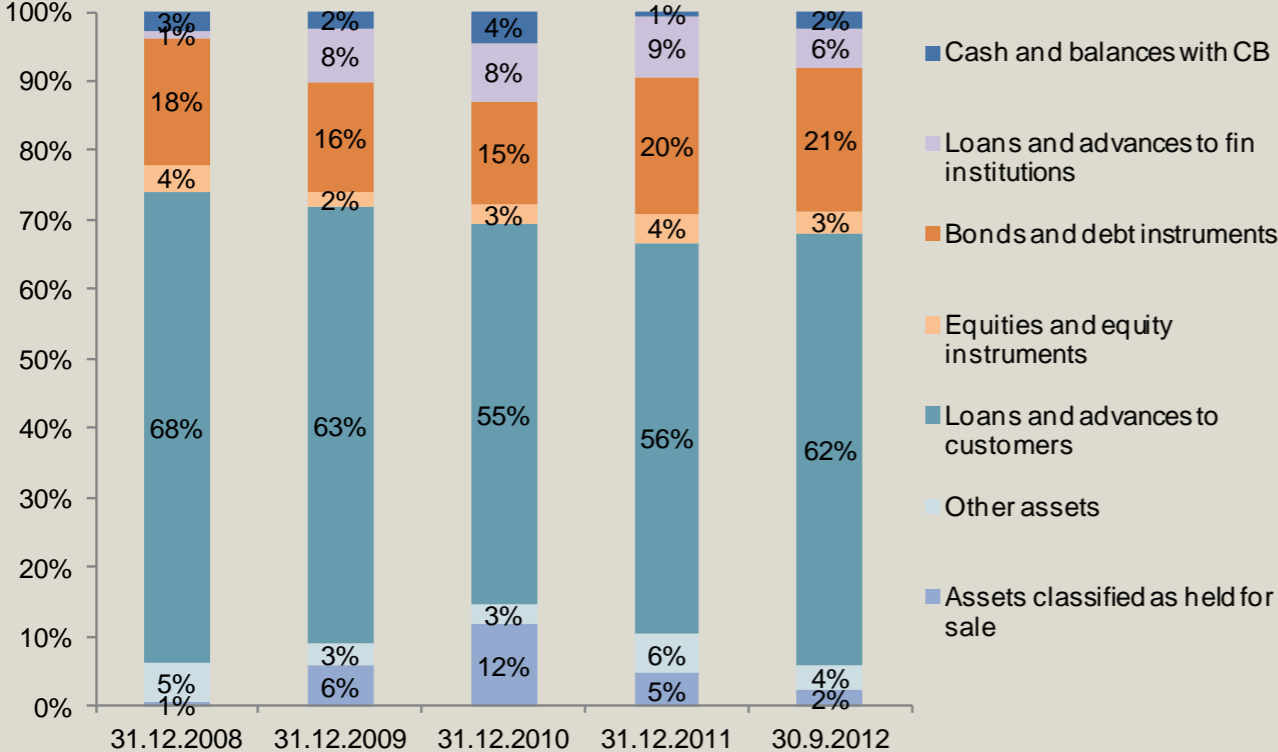
Key figures	9m 2012	9m 2011	Q3 2012	Q2 2012	Q1 2012	Q3 2011	Q2 2011	Q1 2011	2011	2010
Net interest income	26,355	24,591	7,782	10,020	8,553	7,742	9,704	7,145	40,391	24,685
Profit after taxes	13,541	26,953	1,664	4,148	7,729	2,518	11,743	12,691	16,957	27,231
Return on equity after taxes	8.6%	17.9%	3.1%	7.9%	15.2%	4.8%	23.3%	26.7%	8.8%	15.9%
Capital ratio	24.1%	23.6%	24.1%	23.3%	22.1%	23.6%	22.4%	20.4%	21.4%	19.5%
Interest spread as a ratio of average total assets	3.2%	2.9%	3.0%	3.6%	3.0%	2.8%	3.5%	2.6%	2.9%	2.3%
Interest spread as a ratio of average total assets	2.3%	3.0%	1.6%	2.2%	3.1%	2.1%	5.1%	2.0%	0.8%	2.4%
Cost-income ratio	59.4%	38.8%	90.0%	77.5%	37.9%	55.5%	31.2%	35.3%	71.7%	36.4%
Cost-income ratio *	57.7%	52.4%	62.8%	52.9%	58.6%	49.3%	48.9%	54.3%	57.2%	61.1%
Total assets	1,056,825	1,124,250	1,056,825	1,048,573	1,174,262	1,124,250	1,126,280	1,105,590	1,135,483	1,081,133
Loans / deposits ratio	149.4%	143.0%	149.4%	151.4%	143.6%	143.0%	153.6%	152.1%	144.1%	159.6%
Positions at period-end	1,252	1,297	1,252	1,269	1,308	1,297	1,258	1,279	1,311	1,146

\* Cost-income ratio = (Salaries + other adm expenses + depreciation) / (Net interest income + net commissions and fees)

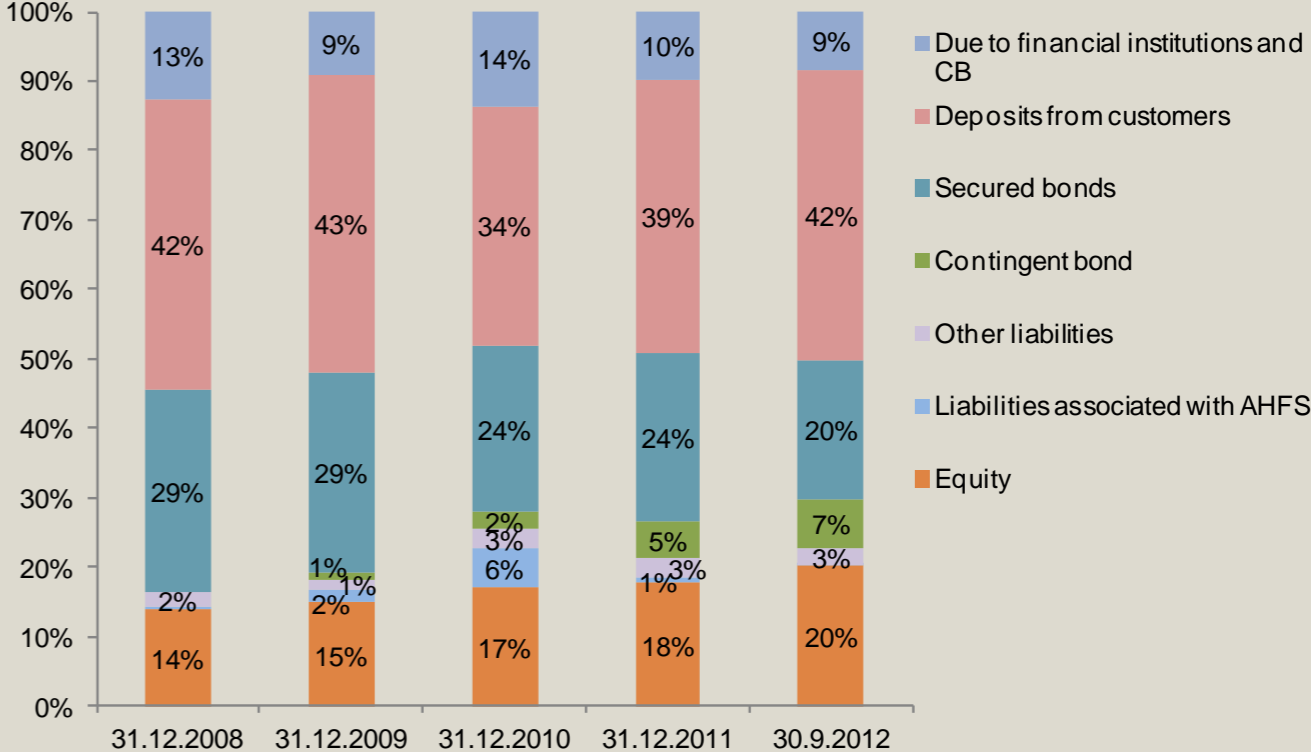


# Balance Sheet

### Assets



### Liabilities and equity



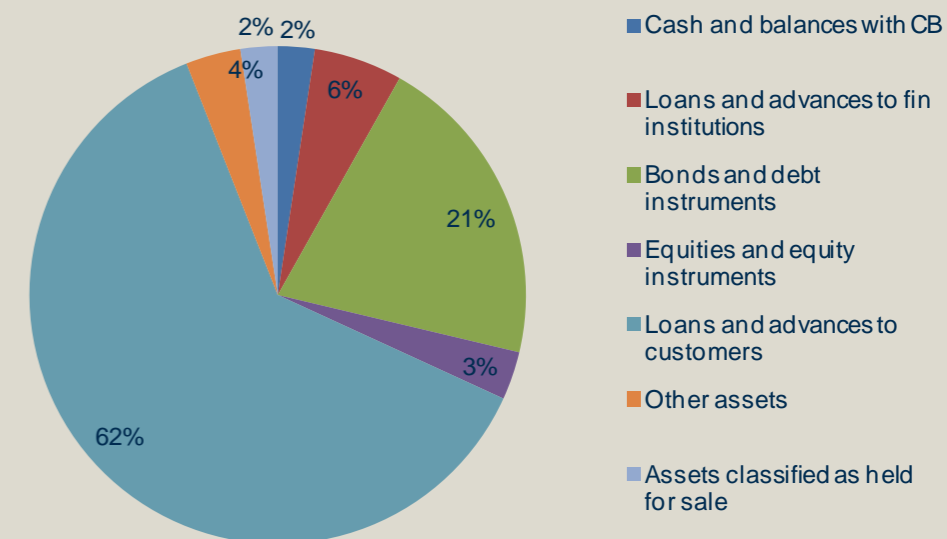
# Balance Sheet

30.9.2012 31.12.2011 31.12.2010 2012 change

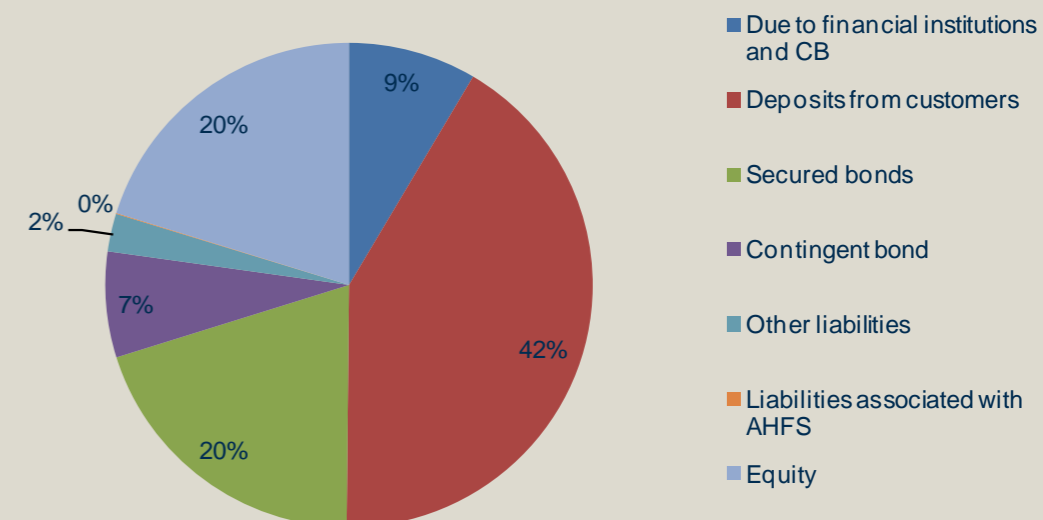
Cash and balances with CB	25,235	8,823	47,777	16,412	186%
Loans and advances to fin institutions	60,787	100,133	91,882	-39,346	-39%
Bonds and debt instruments	217,485	221,848	161,559	-4,363	-2%
Equities and equity instruments	33,198	46,037	29,429	-12,839	-28%
Loans and advances to customers	657,050	639,130	592,954	17,920	3%
Other assets	37,688	65,959	28,743	-28,271	-43%
Assets classified as held for sale	25,382	53,552	128,789	-28,170	-53%
<b>Total assets</b>	<b>1,056,825</b>	<b>1,135,482</b>	<b>1,081,133</b>	<b>-78,657</b>	<b>-7%</b>

Due to financial institutions and CB	90,206	112,876	147,478	-22,670	-20%
Deposits from customers	439,853	443,590	371,558	-3,737	-1%
Secured bonds	211,699	277,076	261,313	-65,377	-24%
Contingent bond	74,225	60,826	26,510	13,399	22%
Other liabilities	26,561	31,485	27,800	-4,924	-16%
Liabilities associated with AHFS	603	9,385	61,609	-8,782	-94%
Equity	213,678	200,244	184,866	13,434	7%
<b>Total liabilities and equity</b>	<b>1,056,825</b>	<b>1,135,482</b>	<b>1,081,133</b>	<b>-78,657</b>	<b>-7%</b>

## Assets

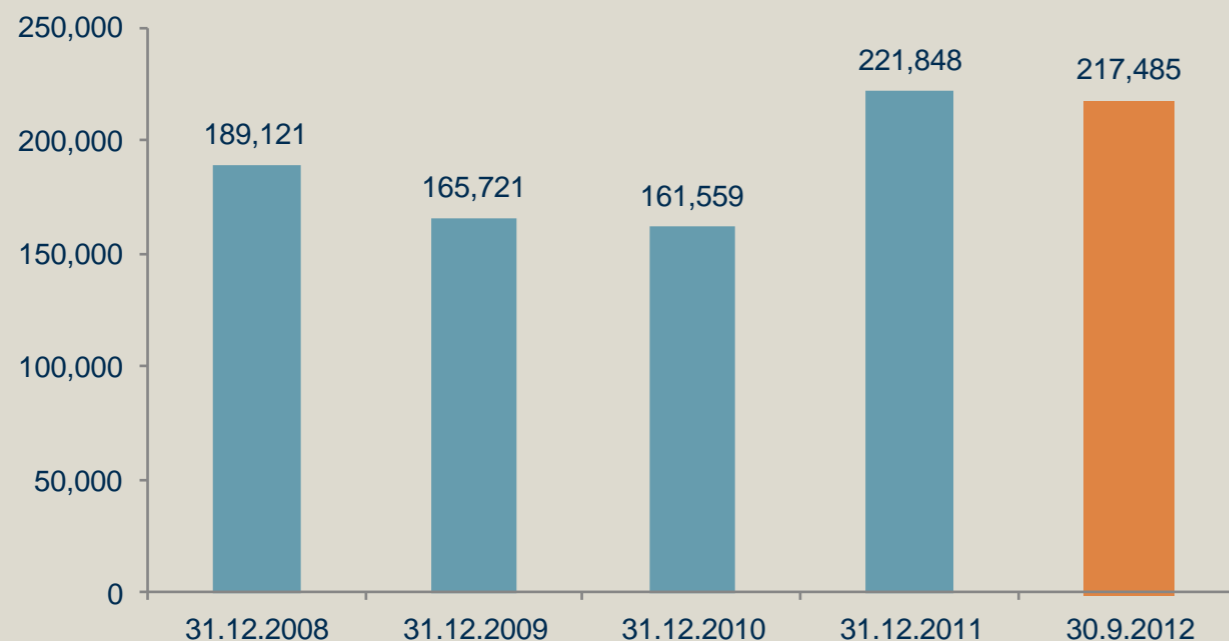


## Liabilities and equity

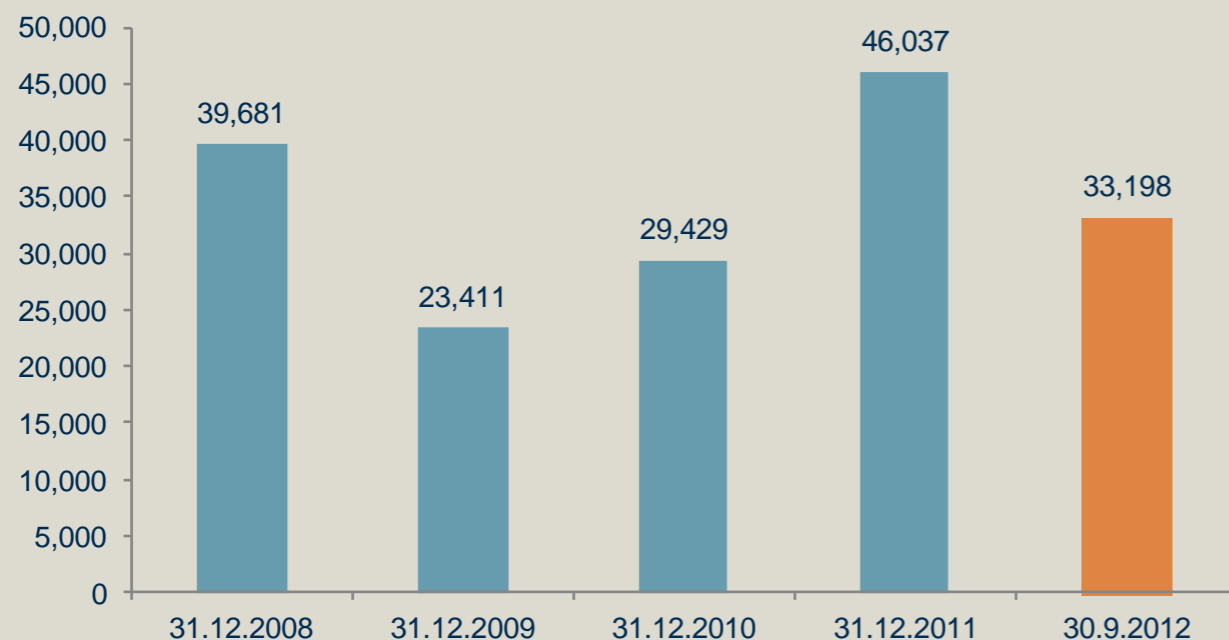


# Balance Sheet

## Bonds and debt instruments



## Equities and equity instruments



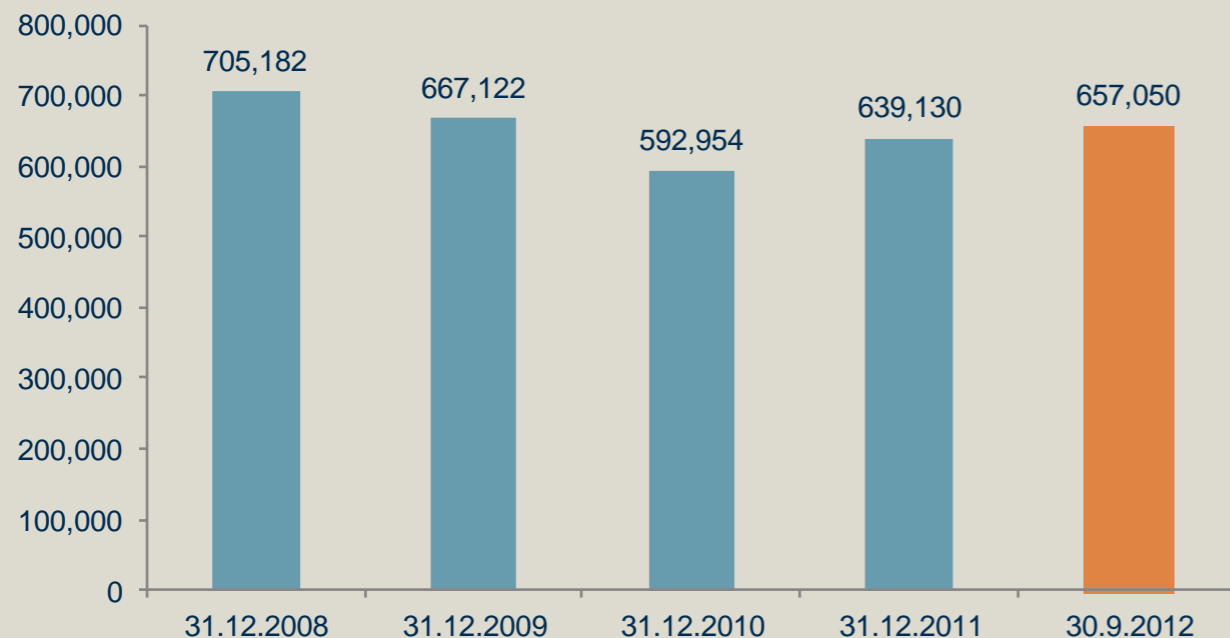
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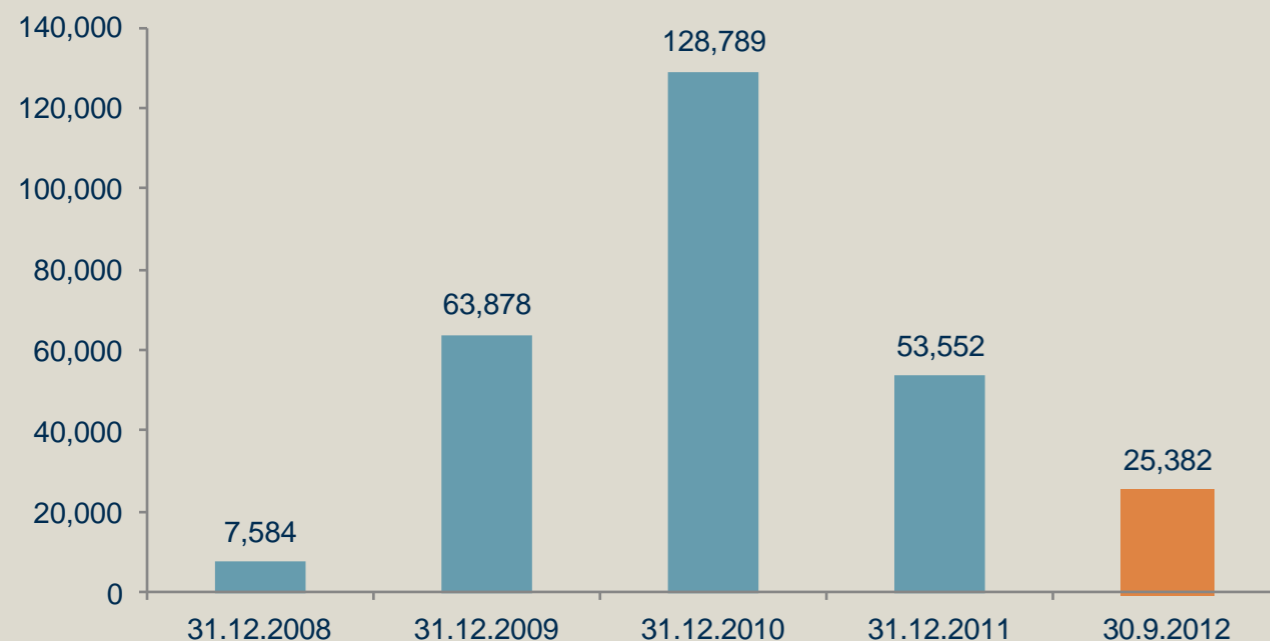


# Balance Sheet

## Loans and advances to customers



## Assets classified as held for sale



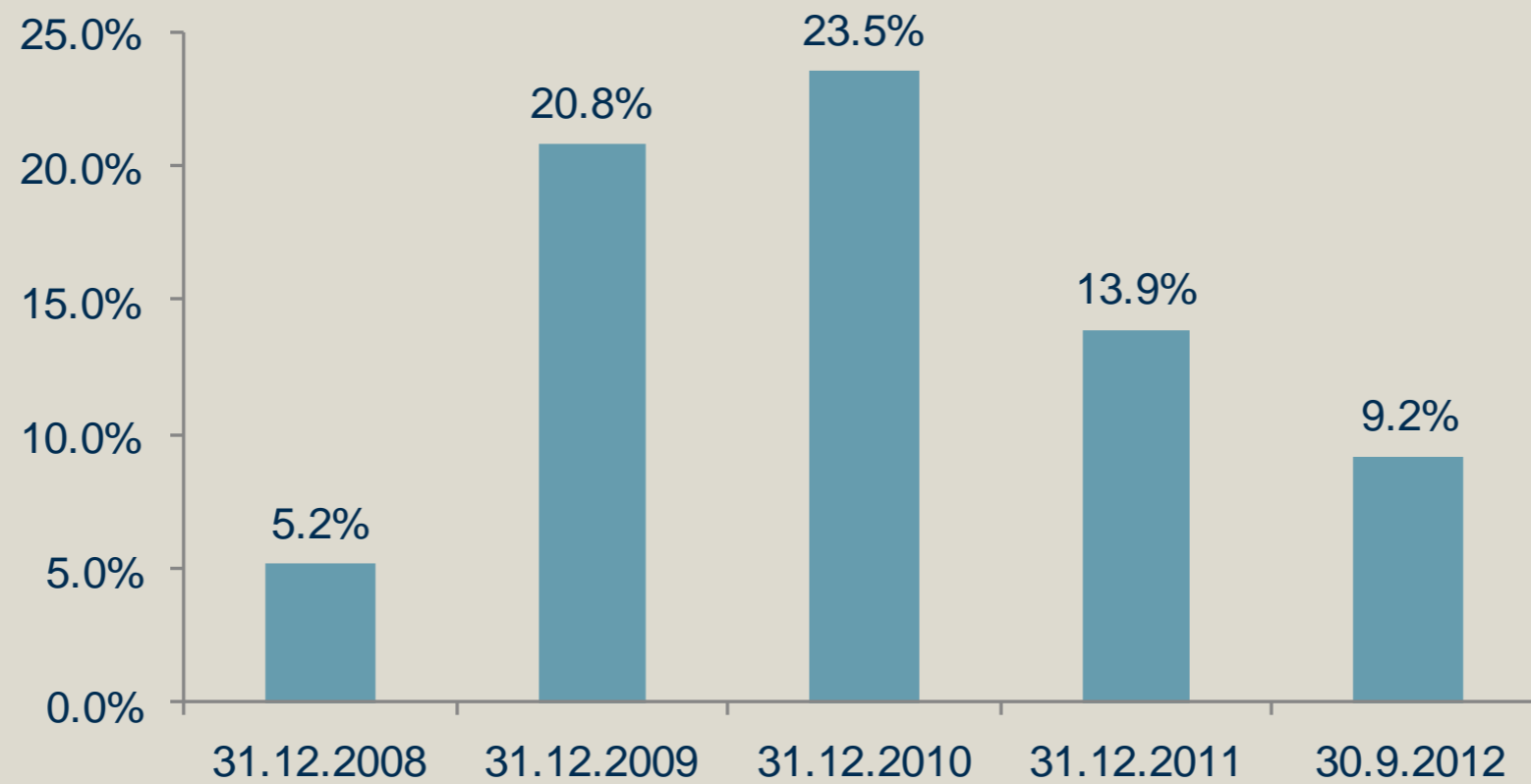
Loans by sectors	30.9.2012	31.12.2011	Change	
Public entities	11,134	12,139	-1,005	-8%
Individuals	188,237	173,223	15,014	9%
Fisheries	137,945	135,397	2,548	2%
Construction and real estate comp	108,927	101,958	6,969	7%
Services	51,488	66,121	-14,633	-22%
Retail	39,681	42,401	-2,720	-6%
Holding companies	56,594	48,622	7,972	16%
Manufacturing	21,643	28,008	-6,365	-23%
Agriculture	8,405	8,505	-100	-1%
ITC	18,093	20,168	-2,075	-10%
Other	14,903	2,588	12,315	476%
	657,050	639,130	17,920	3%

## Loans by sectors



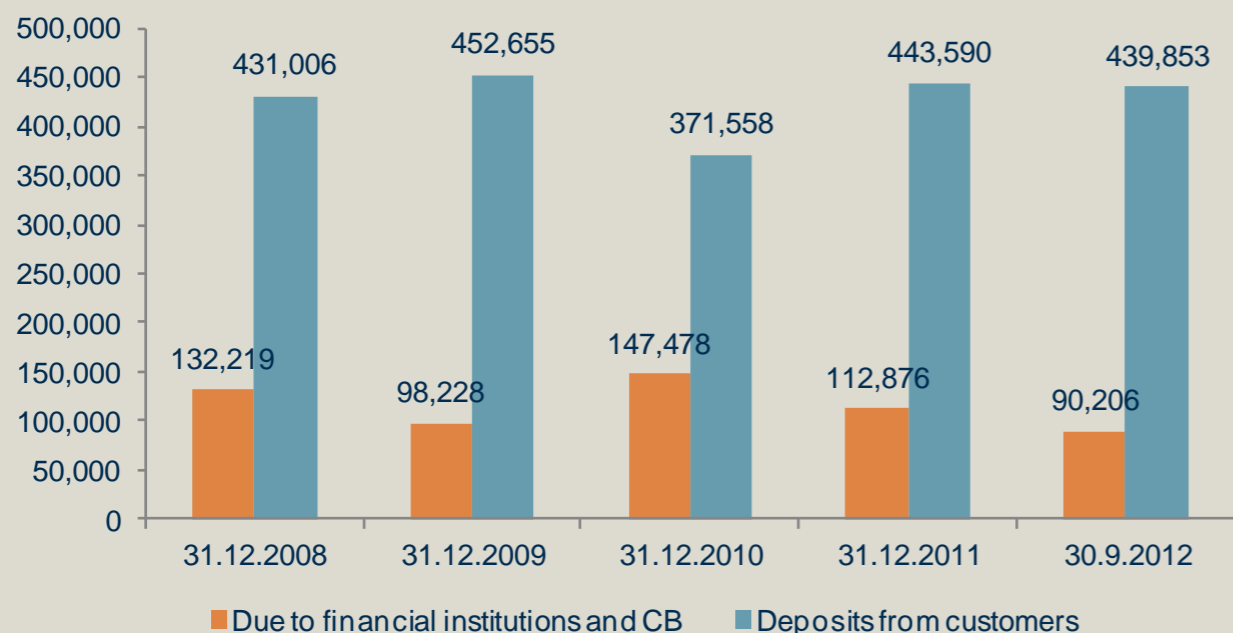
# Arrears

## Arrears (> 90 days)



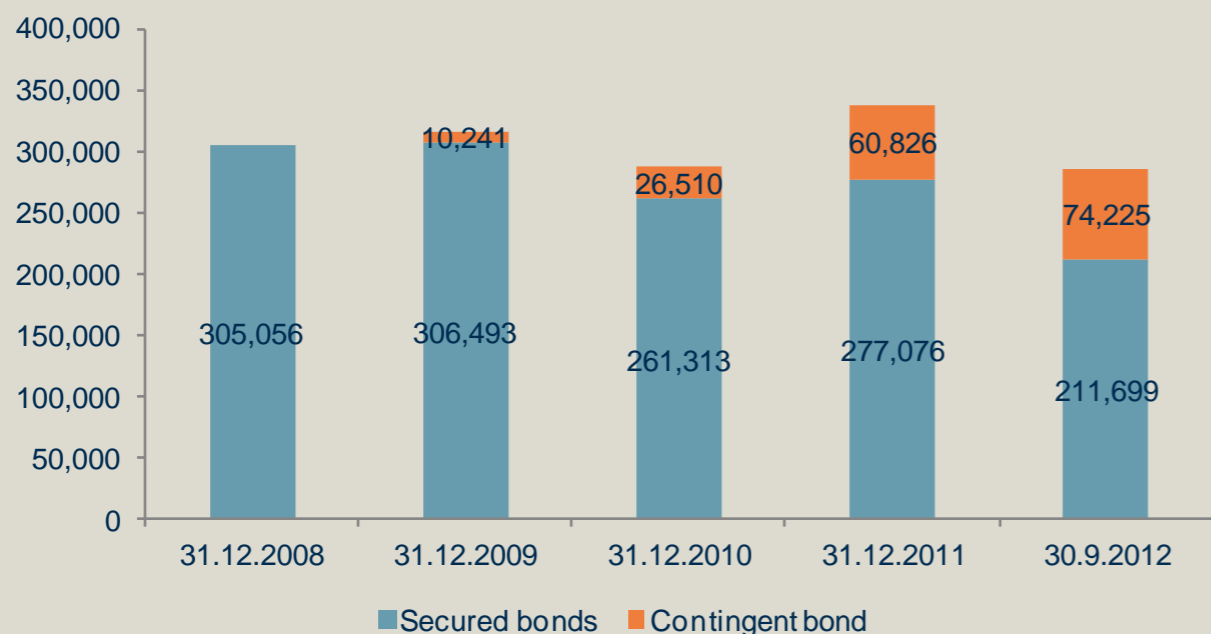
# Balance Sheet

## Deposits



■ Due to financial institutions and CB ■ Deposits from customers

## Secured bonds / Contingent bond



■ Secured bonds ■ Contingent bond

	30.9.2012	31.12.2011
Cash and balances with CB	25,235	8,823
Loans and advances to fin institutions	60,787	100,133
Bonds and debt instruments	217,485	221,848
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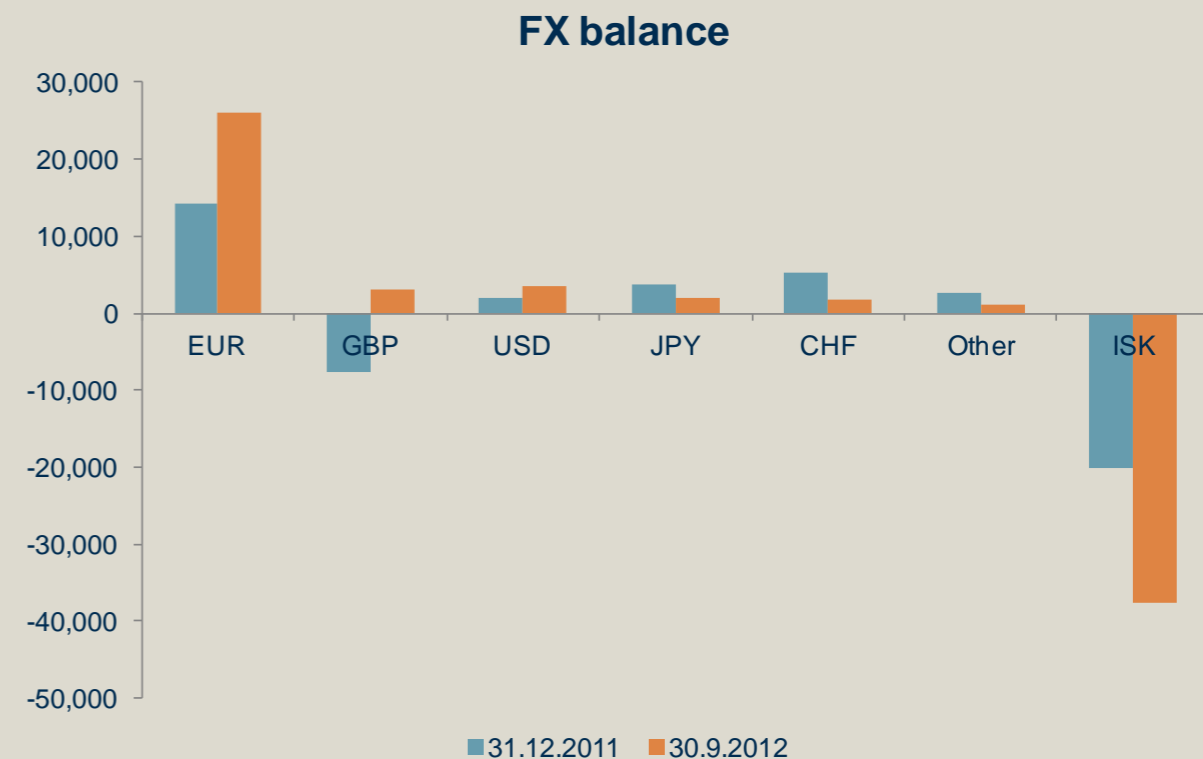
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Contingent bond	74,225	60,826
Other liabilities	26,561	31,485
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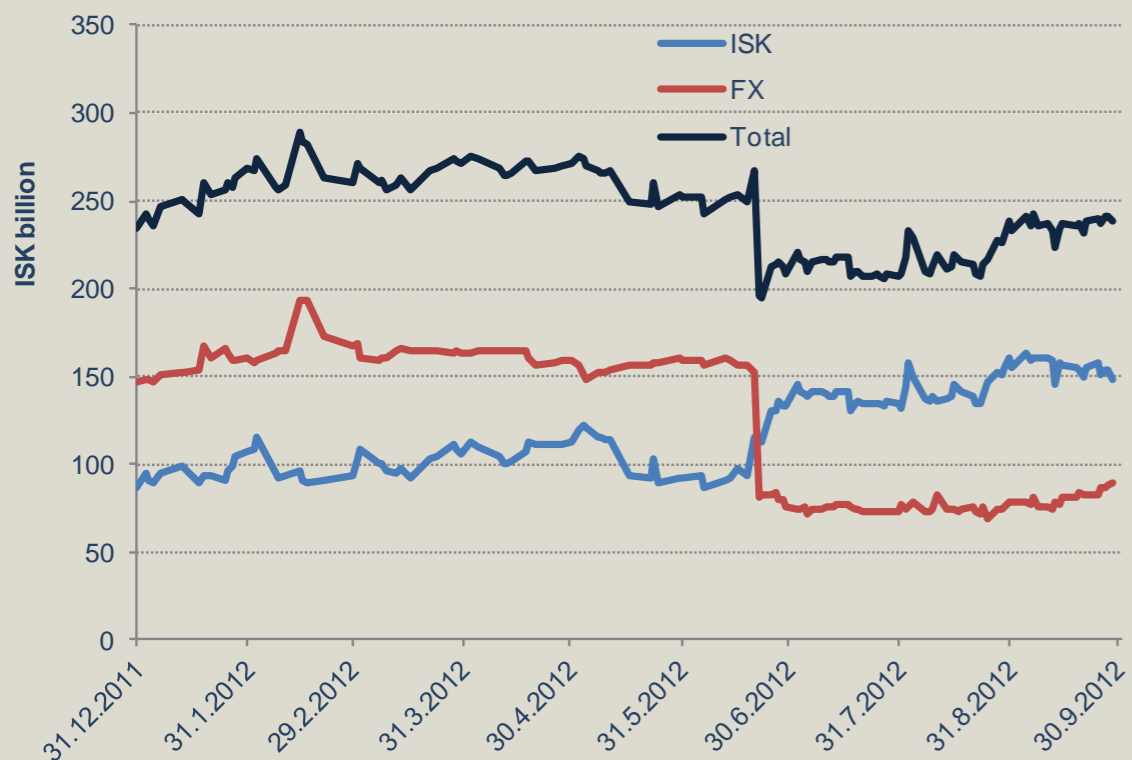


# Balance Sheet

	Liquid assets 30.9.2012	Liquid assets 31.12.2011	2012 change	
Cash balance with central banks	4,329	2,458	1,871	76%
Loans to fin. institutions (less than 7 days)	49,926	85,943	-36,017	-42%
Repo eligible bonds	184,419	150,486	33,933	23%
<b>Core liquid assets</b>	<b>238,674</b>	<b>238,887</b>	<b>-213</b>	<b>0%</b>
<b>Core repayment ability of all deposits</b>	<b>45.0%</b>	<b>42.9%</b>		



Liquid assets development

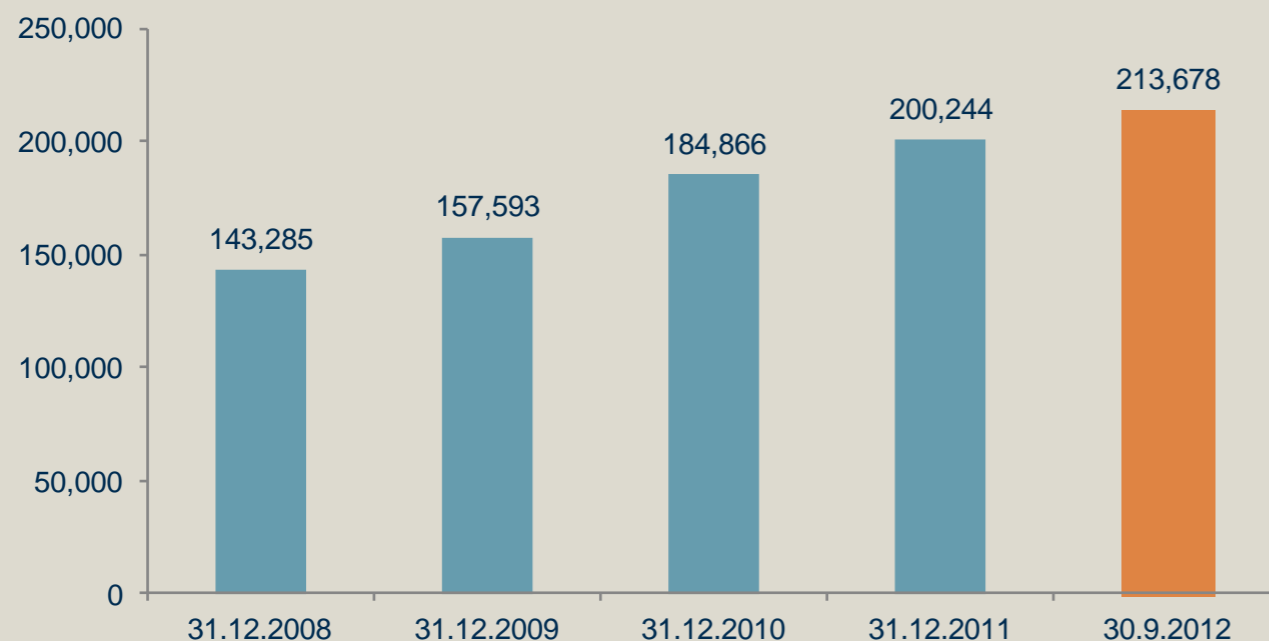


FX balance 30.9.2011	EUR	GBP	USD	JPY	CHF	Aðrir	Total
Assets	116,137	50,352	101,268	17,075	13,845	20,897	319,574
Liabilities	-122,517	-49,056	-94,811	-752	-1,902	-13,374	-282,412
On balance	-6,380	1,296	6,457	16,323	11,943	7,523	37,162
Off balance	32,525	1,773	-2,966	-14,295	-10,273	-6,352	412
Net FX balance	26,145	3,069	3,491	2,028	1,670	1,171	37,574

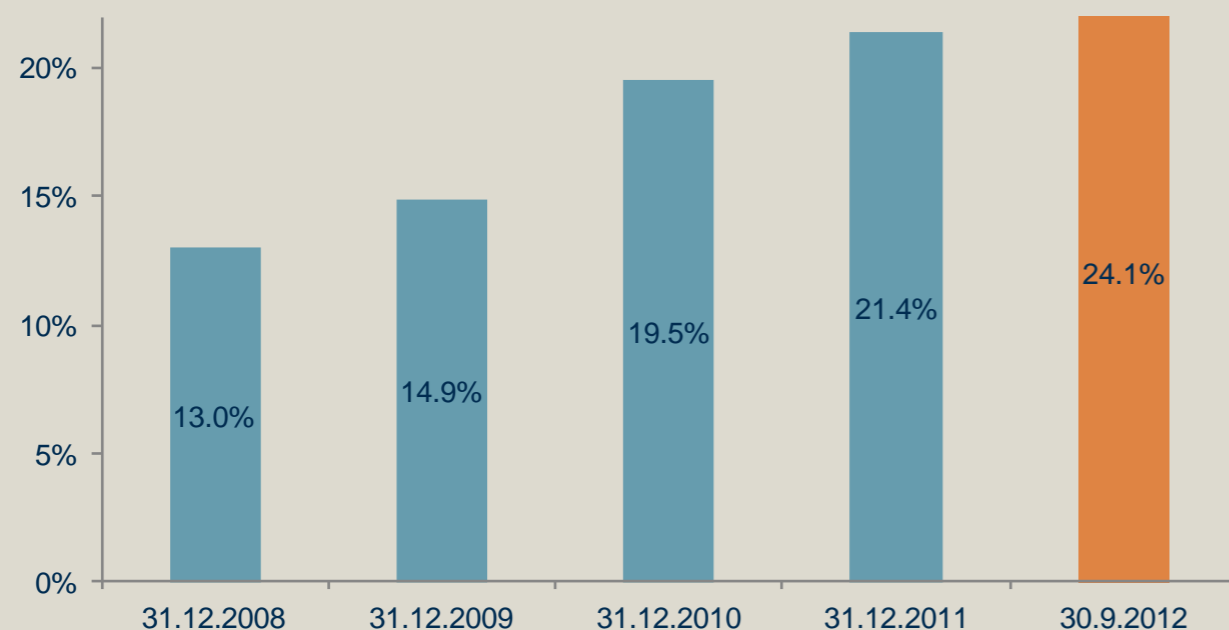


# Balance Sheet

## Equity



## Capital ratio



	30.9.2012	31.12.2011
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Contingent bond	74,225	60,826
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Liabilities associated with AHFS	603	9,385
Equity	213,678	200,244
<b>Total liabilities and equity</b>	<b>1,056,825</b>	<b>1,135,482</b>



# Income Statement

	9m 2012	9m 2011	Change		Q3 2012	Q2 2012	Q1 2012	Q4 2011	Q3 2011	Q2 2011	Q1 2011
Net interest income	26,355	24,591	1,764	7%	7,782	10,020	8,553	8,058	7,742	9,704	7,145
Net adjustments in valuation	-7,087	794	-7,881	-992%	-3,622	-3,792	327	-24,381	-1,881	4,445	-1,771
Net interest income after adjustments in valuation	19,268	25,385	-6,117	-24%	4,160	6,228	8,880	-16,323	5,861	14,150	5,374
Net fee and commission income	3,122	3,344	-222	-7%	1,030	1,090	1,002	1,080	1,126	1,187	1,030
Net foreign exchange gain (loss)	1,735	-1,049	2,784	265%	899	-1,280	2,116	290	-911	2,441	-2,579
Other net operating income	5,816	12,012	-6,196	-52%	292	1,810	3,714	6,005	1,996	545	9,471
Total operating income	29,941	39,691	-9,750	-25%	6,381	7,848	15,712	-8,948	8,073	18,323	13,296
Salaries and related expenses	9,699	7,946	1,753	22%	3,103	3,364	3,232	4,045	2,703	2,933	2,310
Other operating expenses	6,766	6,163	603	10%	2,250	2,331	2,185	2,786	1,485	2,222	1,950
Depreciation and amortisation	538	531	7	1%	177	181	180	240	182	172	177
Contribution to the Depositors' and Investors' Guarantee Fund	767	506	261	52%	213	204	350	100	106	150	250
Acquisition-related costs	0	248	-248	-100%	0	0	0	-4	7	241	0
Total operating expenses	17,770	15,394	2,376	15%	5,743	6,080	5,947	7,167	4,482	5,719	4,687
Share of profit of associates, net of income tax	687	1,160	-473	-41%	14	673	0	258	-12	1,182	-10
Profit before tax	12,858	25,458	-12,600	-49%	652	2,441	9,765	-15,858	3,579	13,787	8,598
Income tax expense	1,801	3,214	-1,413	-44%	-1,012	605	2,208	-3,811	915	2,067	232
Profit for the year from continuing operations	11,057	22,243	-11,186	-50%	1,664	1,836	7,557	-12,047	2,664	11,720	8,366
Profit for the year from disc operations, net of income tax	2,484	4,709	-2,225	-47%	0	2,312	172	1,545	-39	423	4,326
Profit for the year	13,541	26,953	-13,412	-50%	1,664	4,148	7,729	-10,501	2,624	12,143	12,691



# Net Interest Income

	9m 2012	9m 2011	Change	
Interest income	48,037	45,740	2,297	5%
Interest expense	-21,682	-21,150	-532	3%
Net interest income	26,355	24,591	1,764	7%
Net adjustments to loans and advances acquired at deep discount	19,385	20,198	-813	-4%
Loss from foreign currency linkage of loans and advances to customers	-2,120	0	-2,120	
Net impairment loss on loans and advances	-10,953	-2,711	-8,242	304%
Fair value change of contingent bond	-13,399	-16,693	3,294	-20%
Net adjustments in valuation	-7,087	794	-7,881	-992%
Net interest income after net adjustments in valuation	19,268	25,385	-6,117	-24%



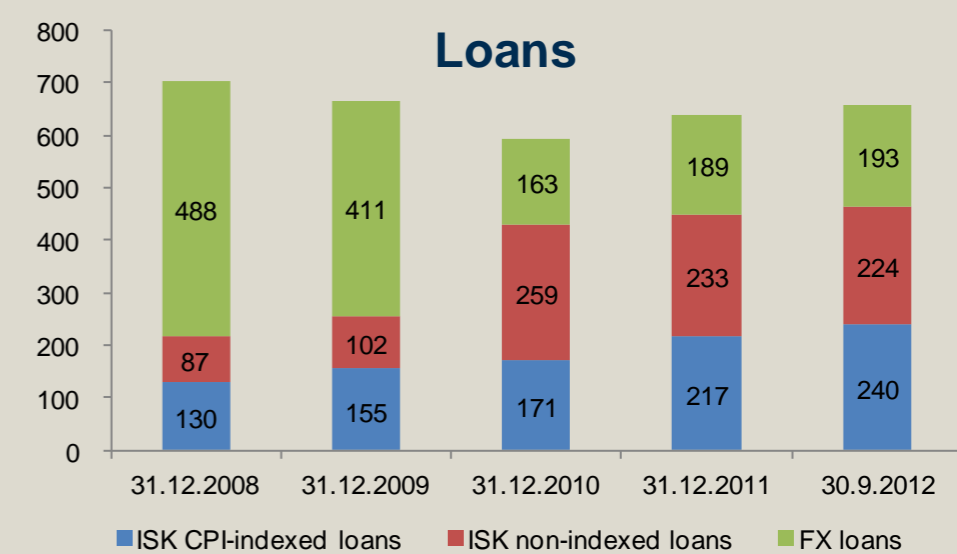
# CPI indexation balance

Book value	30.9.2012	31.12.2011	31.12.2010	31.12.2009	31.12.2008
<b>Assets</b>					
Bonds and debt instruments	7,789	10,812	8,119	5,438	10,117
Loans and advances to customers	240,327	217,131	171,017	154,823	130,048
<b>Total</b>	<b>248,116</b>	<b>227,943</b>	<b>179,136</b>	<b>160,261</b>	<b>140,165</b>
<b>Liabilities</b>					
Due to financial institutions and CB	-30	-123	-421	-441	-9
Deposits from customers	-99,348	-97,127	-82,215	-84,725	-85,127
Short positions	-173	-924	-595	-1,917	0
<b>Total</b>	<b>-99,551</b>	<b>-98,174</b>	<b>-83,231</b>	<b>-87,083</b>	<b>-85,136</b>
Total on-balance sheet position	148,565	129,769	95,905	73,178	55,029
Total off-balance sheet position	0	-811	-1,264	-1,366	-1,217
<b>Total CPI indexation balance</b>	<b>148,565</b>	<b>128,958</b>	<b>94,641</b>	<b>71,812</b>	<b>53,812</b>

Loans	30.9.2012	31.12.2011	31.12.2010	31.12.2009	31.12.2008
FX loans	192,798	188,790	163,084	410,675	488,264
ISK non-indexed loans	223,925	233,209	258,853	101,624	86,870
ISK CPI-indexed loans	240,327	217,131	171,017	154,823	130,048
<b>Total</b>	<b>657,050</b>	<b>639,130</b>	<b>592,954</b>	<b>667,122</b>	<b>705,182</b>

Loans - individuals and corporations					
Individuals	30.9.2012	30.6.2012	31.12.2011	31.12.2010	31.12.2009
FX loans	1,466	1,875	3,641	4,309	61,240
ISK non-indexed loans	81,536	85,353	77,698	77,559	27,232
ISK CPI-indexed loans	106,308	102,513	92,638	90,486	83,062
<b>Total</b>	<b>189,310</b>	<b>189,741</b>	<b>173,977</b>	<b>172,354</b>	<b>171,534</b>

Corporations	30.9.2012	30.6.2012	31.12.2011	31.12.2010	31.12.2009
FX loans	191,332	190,897	185,149	158,775	349,435
ISK non-indexed loans	142,389	147,176	155,511	181,294	74,392
ISK CPI-indexed loans	134,019	139,076	124,493	80,531	71,761
<b>Total</b>	<b>467,740</b>	<b>477,149</b>	<b>465,153</b>	<b>420,600</b>	<b>495,588</b>



# Net Adjustments in Valuation

Net adjustments in valuation	9m 2012	2011	2010	2009	Total 2009-2012	Q3 2012	Q2 2012	Q1 2012
Corporates	5,769	25,649	23,394	11,364	66,176	137	-1,898	7,530
Individuals	543	-14,920	-6,485	5,831	-15,031	1,442	357	-1,256
	6,312	10,729	16,909	17,195	51,145	1,579	-1,541	6,274
LBI share	-13,399	-34,316	-16,269	-10,241	-74,225	-5,201	-2,251	-5,947
Net effect on Landsbanki	-7,087	-23,587	641	6,954	-23,080	-3,622	-3,792	327



# Taxes

	30.9.2012	30.9.2011	Change	
Income tax	1,000	1,959	-959	-49%
Special income tax on financial institutions 1	0	0	0	
Tax on liabilities of financial institutions 2	801	340	461	136%
	1,801	2,299	-498	-22%
Special financial activities tax on salaries 3	446	0	446	
Total	2,247	2,299	-52	-2%

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 5,45% tax on salaries and is expensed in the line item "Salaries and related expenses" in the income statement



# Segments

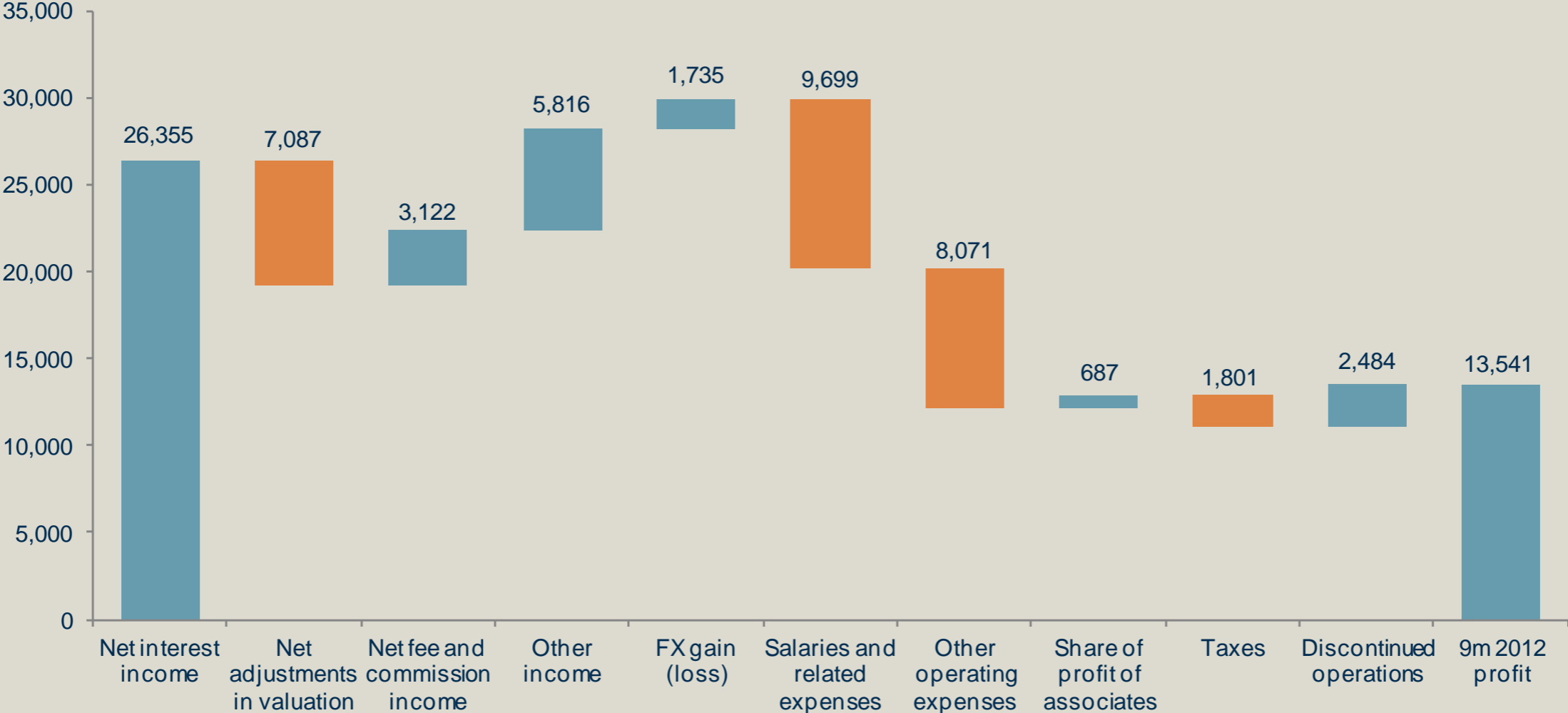
1 January - 30 September 2012	Retail Banking	Vehicle and Equipment Financing	Corporate Banking	Asset Restructuring	Markets & Treasury	Asset Management	Horn Investment	All Other Segments	Total Segments	Eliminations	Total
Net interest income (expense)	12,542	641	9,816	3,495	1,339	33	-761	-294	26,811	-456	26,355
Net adjustments in valuation	-8,457	-624	1,925	-3,690	81	0	0	198	-10,567	3,480	-7,087
Net fee and commission income	1,573	146	459	54	623	770	0	-186	3,439	-317	3,122
Net gain on financial assets designated as at fair value through profit or loss	0	0	0	3	3,141	0	113	0	3,257	0	3,257
Net gain (loss) on financial assets and liabilities held for trading	0	0	0	0	1,764	7	42	0	1,813	0	1,813
Net foreign exchange gain (loss)	0	0	0	0	1,332	13	390	0	1,735	0	1,735
Other income and (expenses)	86	-51	-112	567	-208	0	54	288	624	122	746
<b>Total operating income (expense)</b>	<b>5,744</b>	<b>112</b>	<b>12,088</b>	<b>429</b>	<b>8,072</b>	<b>823</b>	<b>-162</b>	<b>6</b>	<b>27,112</b>	<b>2,829</b>	<b>29,941</b>
Total operating expenses	-9,011	-786	-2,244	-1,855	-2,385	-1,074	-156	-538	-18,049	279	-17,770
Share of profit of associates, net of income tax	254	0	0	0	433	0	0	0	687	0	687
<b>Profit (loss) before tax</b>	<b>-3,013</b>	<b>-674</b>	<b>9,844</b>	<b>-1,426</b>	<b>6,120</b>	<b>-251</b>	<b>-318</b>	<b>-532</b>	<b>9,750</b>	<b>3,108</b>	<b>12,858</b>
Total assets	484,910	21,840	357,347	73,071	499,304	4,234	23,982	6,491	1,471,179	-414,354	1,056,825
Total liabilities	452,343	17,910	298,680	56,056	403,988	3,964	18,069	6,491	1,257,501	-414,354	843,147
Allocated capital	32,567	3,930	58,667	17,015	95,316	270	5,913	0	213,678	0	213,678





# Income Statement

## 9m 2012 profit



# Main results

Key figures	9m 2012	9m 2011	Q3 2012	Q2 2012	Q1 2012	Q3 2011	Q2 2011	Q1 2011	2011	2010
Net interest income	26,355	24,591	7,782	10,020	8,553	7,742	9,704	7,145	40,391	24,685
Profit after taxes	13,541	26,953	1,664	4,148	7,729	2,518	11,743	12,691	16,957	27,231
Return on equity after taxes	8.6%	17.9%	3.1%	7.9%	15.2%	4.8%	23.3%	26.7%	8.8%	15.9%
Capital ratio	24.1%	23.6%	24.1%	23.3%	22.1%	23.6%	22.4%	20.4%	21.4%	19.5%
Interest spread as a ratio of average total assets	3.2%	2.9%	3.0%	3.6%	3.0%	2.8%	3.5%	2.6%	2.9%	2.3%
Interest spread as a ratio of average total assets	2.3%	3.0%	1.6%	2.2%	3.1%	2.1%	5.1%	2.0%	0.8%	2.4%
Cost-income ratio	59.4%	38.8%	90.0%	77.5%	37.9%	55.5%	31.2%	35.3%	71.7%	36.4%
Cost-income ratio *	57.7%	52.4%	62.8%	52.9%	58.6%	49.3%	48.9%	54.3%	57.2%	61.1%
Total assets	1,056,825	1,124,250	1,056,825	1,048,573	1,174,262	1,124,250	1,126,280	1,105,590	1,135,483	1,081,133
Loans / deposits ratio	149.4%	143.0%	149.4%	151.4%	143.6%	143.0%	153.6%	152.1%	144.1%	159.6%
Positions at period-end	1,252	1,297	1,252	1,269	1,308	1,297	1,258	1,279	1,311	1,146

\* Cost-income ratio = (Salaries + other adm expenses + depreciation) / (Net interest income + net commissions and fees)



