

The background is a stylized, layered illustration of a night landscape. At the top, a dark blue sky is filled with soft, greyish-blue clouds and two bright, four-pointed stars. A lighthouse with a white tower and a red top section stands on a dark, rocky outcrop. Two powerful beams of light emanate from the lighthouse, one pointing left and one pointing right, creating a horizontal line of light across the sky. Below the lighthouse, the landscape transitions into a dark, silhouetted area representing a forest or a hillside. In the lower-left foreground, several simple, white-outlined houses with dark roofs are visible. The bottom of the image is dominated by a series of horizontal, wavy bands in various shades of blue and teal, suggesting water or a misty atmosphere.

Landsbankinn hf.

9M Results 2013

Steinþór Pálsson
CEO

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MANAGING DIRECTOR
FINANCE

Highlights

Income statement

- » Landsbankinn's operating profit increased by 64% since the end of September 2012, amounting to ISK 22.3bn after tax in the first nine months of 2013.
- » Net fees and commissions have increased by 32% since the end of September 2012 and other operating revenue increased by 45% during the same period.
- » Return on equity after taxes for the first nine months of 2013 was 12.9%, as compared with 8.6% for the same time last year.

Operating expenses

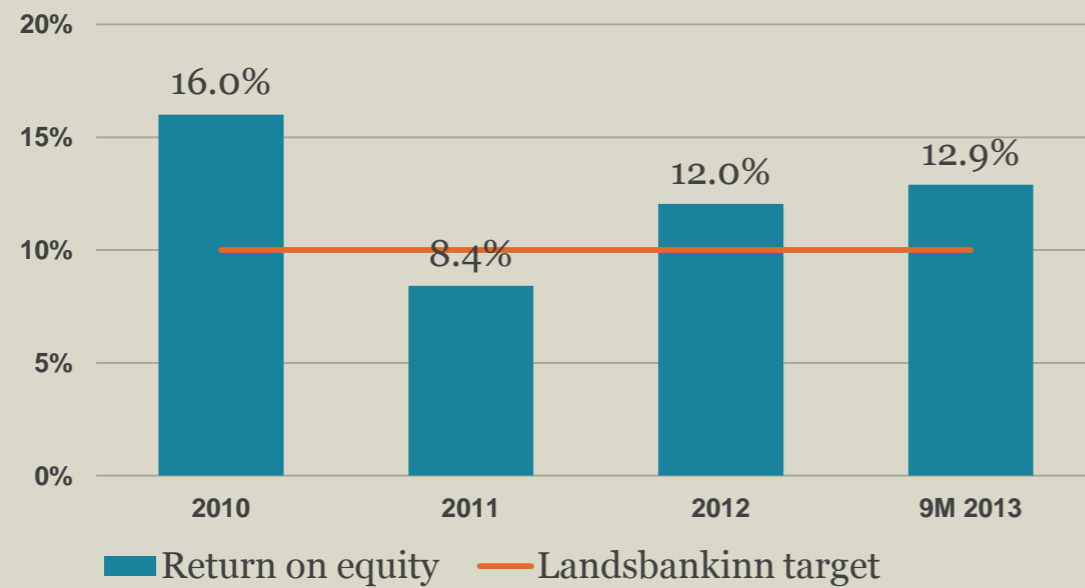
- » Allowing for inflation, the real decrease of operating expenses in the first nine months of the year amounts to 9.4%.
- » General operating expenses have decreased by 10% in real terms.
- » Wages are down by 10% but due to increased wage-related expenses, wage items are down by only 6%.
- » Full-time equivalent positions have decreased by 90, or just over 7%, in the same period.

Balance sheet

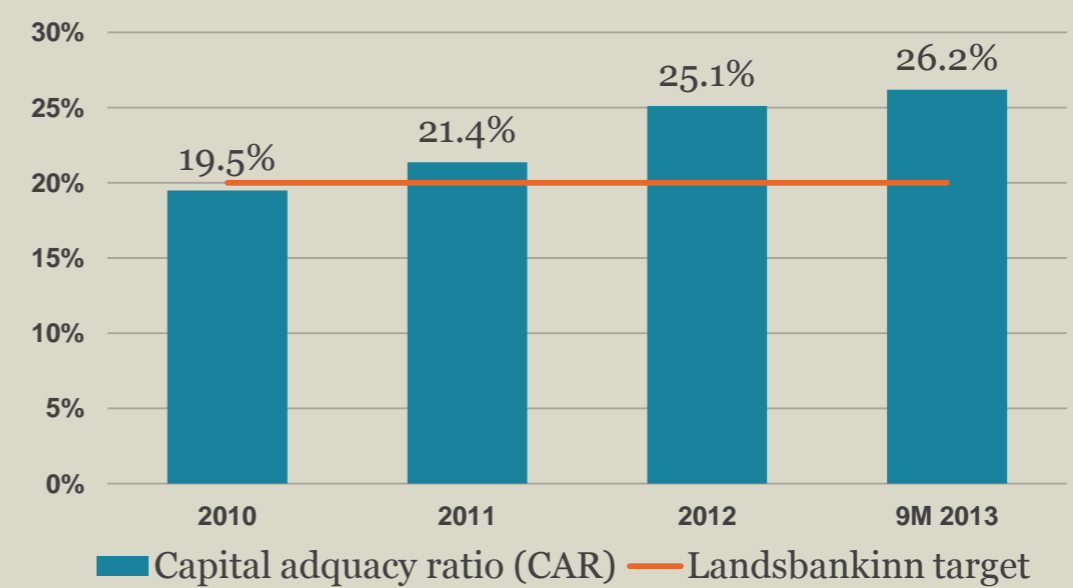
- » The bank's total assets amounted to ISK 1,158bn at the end of September.
- » The bank's liquidity position is very strong, both in foreign currency and ISK.
- » The liquidity ratio was 48% at the end of September as compared to 45% at the same time last year.
- » Defaults stood at 6.2% at the end of September 2013 and have been decreasing this year.
- » The bank's equity is now ISK 234.7bn, increasing by ISK 9.5bn since the beginning of the year despite an ISK 10bn dividend payment to the bank's owners, also this year.
- » The bank's capital adequacy ratio (CAR) is now 26.2%, up from 24.1% at the end of September 2012.

Developments of KPIs

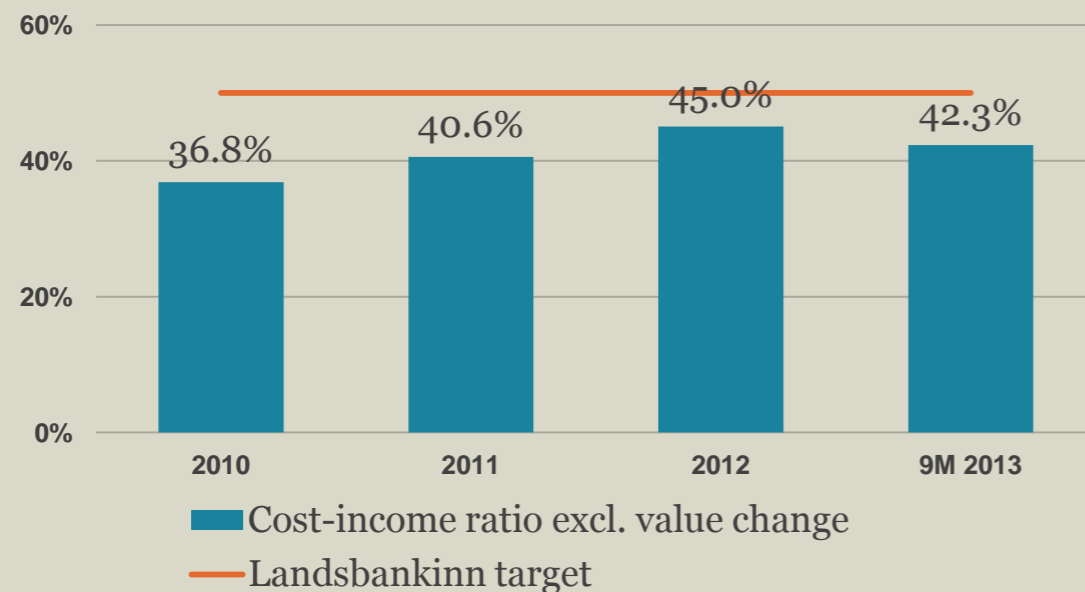
Return on equity



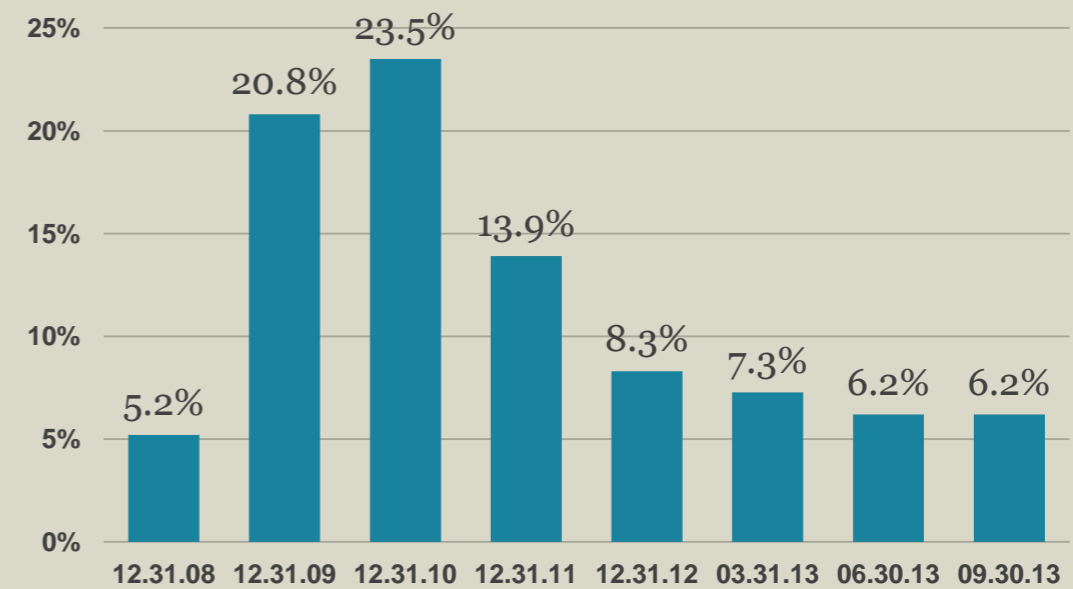
Capital adequacy ratio (CAR)



Cost-income ratio excl. value change



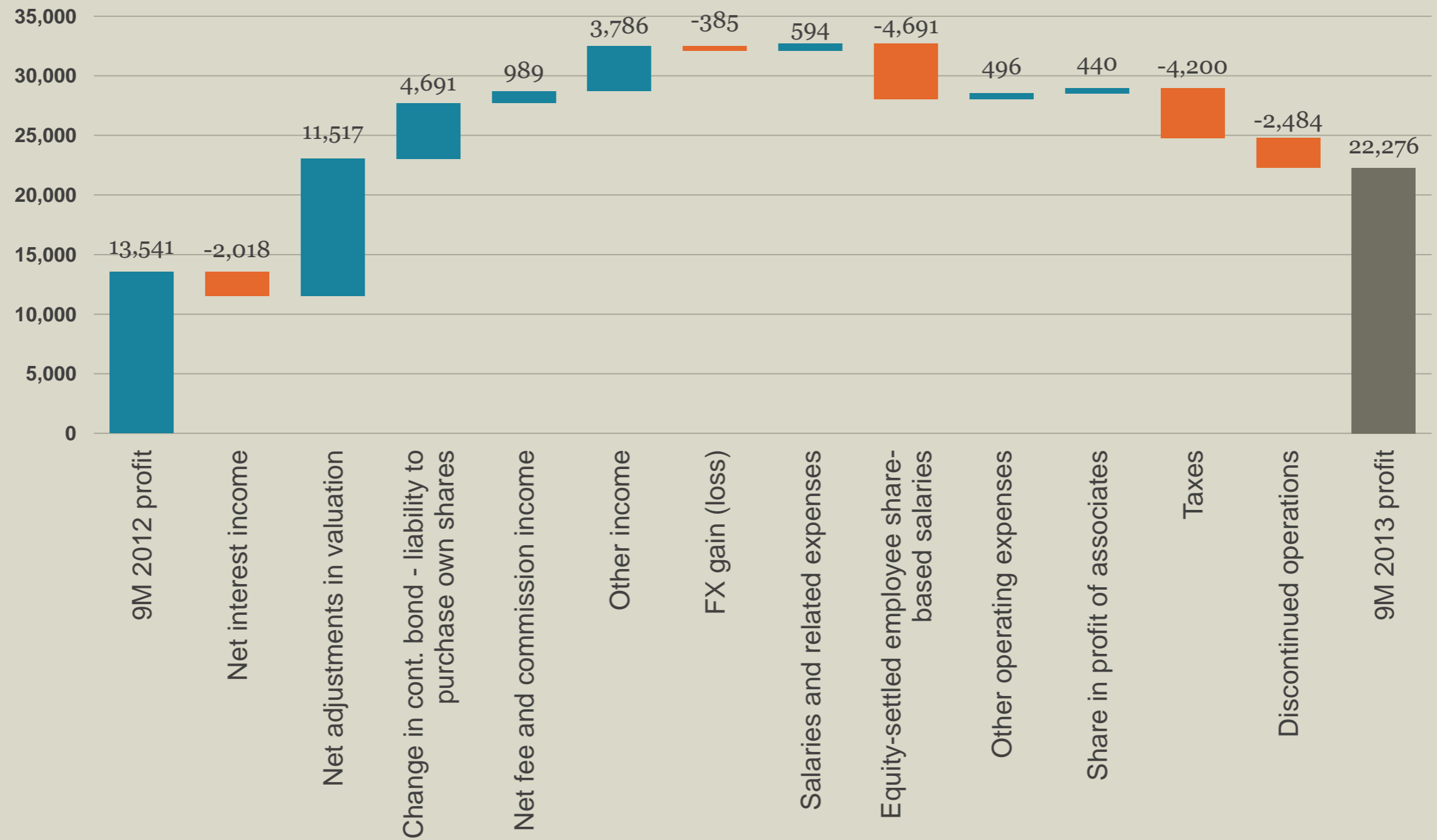
Arrears (> 90 days)



9M Results 2013

Income statement

Change from 9M 2012 to 9M 2013



Income statement

	9M 2013	9M 2012	Change	
Net interest income	24,337	26,355	-2,018	-8%
Net adjustments in valuation	4,430	-7,087	11,517	163%
Change in contingent bond - liability to purchase own shares	4,691	0	4,691	
Net interest income after adjustments in valuation	33,458	19,268	14,190	74%
Net fee and commission income	4,111	3,122	989	32%
Other net operating income	10,952	7,551	3,401	45%
Total operating income	48,521	29,941	18,580	62%
Salaries and related expenses	9,105	9,699	-594	-6%
Equity-settled employee share-based salaries	4,691	0	4,691	
Other operating expenses	7,575	8,071	-496	-6%
Total operating expenses	21,371	17,770	3,601	20%
Share in profit of associates, net of income tax	1,127	687	440	64%
Profit before tax	28,277	12,858	15,419	120%
Income tax expense	6,001	1,801	4,200	233%
Profit for the period from continuing operations	22,276	11,057	11,219	101%
Profit from disc. operations, net of income tax	0	2,484	-2,484	-100%
Profit for the period	22,276	13,541	8,735	65%

- » Net interest income decreases by 8%
- » Value changes in the first nine months are positive by just over 4bn
 - » 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 32% between periods
 - » The increase is mostly that of Markets, Corporate Banking and Asset Management
- » Turnaround in operating expenses – operating costs drop
- » Cost-efficiency measures have begun to deliver results
- » Wages drop by 6% in parallel with reduction of full-time equivalent positions
- » Effective tax rate is 20.4%

Net interest income

	9M 2013	9M 2012	Change	
Interest income	45,988	48,037	-2,049	-4%
Interest expense	-21,651	-21,682	31	0%
Net interest income	24,337	26,355	-2,018	-8%
Net adjustments to loans and advances acquired at deep discount	16,262	19,385	-3,123	-16%
Net adjustments to loans to financial institutions	0	-2,120	2,120	
Net impairment loss on loans and advances	-8,460	-10,953	2,493	-23%
Fair value change of contingent bond	1,319	-13,399	14,718	110%
Net adjustments in valuation	9,121	-7,087	16,208	229%
Net interest income after net adjustments in valuation	33,458	19,268	14,190	74%

- » 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
- » The bank's net interest spread fell from 3.2% to 2.9% in the first 9 months of the year

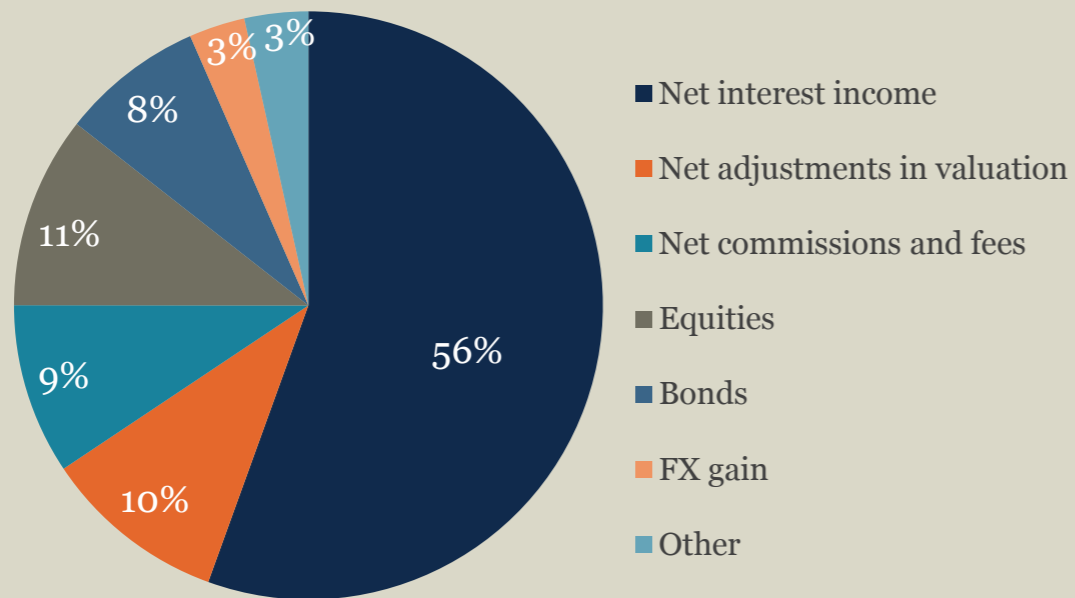
Value change

Value change of lending	2009-2013	9M 2013	9M 2012	Change	
Corporates	87,145	3,565	5,769	-2,204	-38%
Retail	-16,261	-454	543	-997	-184%
Value increase due to reception of shares	4,691	4,691	0	4,691	
	75,575	7,802	6,312	1,490	24%
Share of LBI	-86,838	1,319	-13,399	14,718	110%
Impact on Landsbankinn	-11,263	9,121	-7,087	16,208	229%

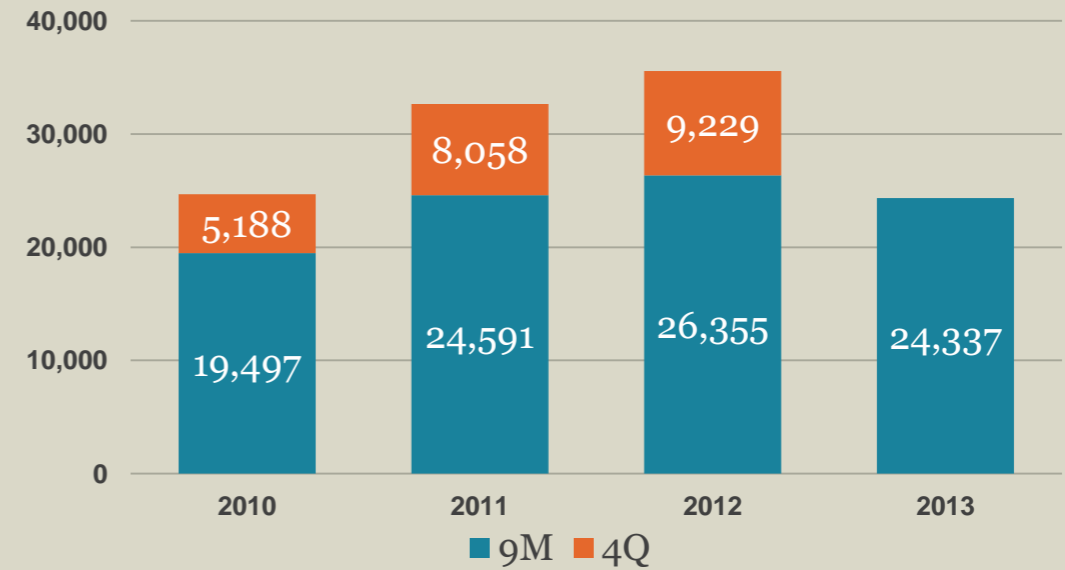
- » The value change in lending to individuals is negative by ISK 16bn since 2009
- » There has been a significant value increase in lending to corporates. The increase is for the most part linked to larger companies
- » Losses recognised in the bank's P&L account since its establishment amount to ISK 11bn
- » The lion's share of value increase in lending to corporates has accrued to LBI in accordance with an agreement between the parties concluded in 2009

Net operating income

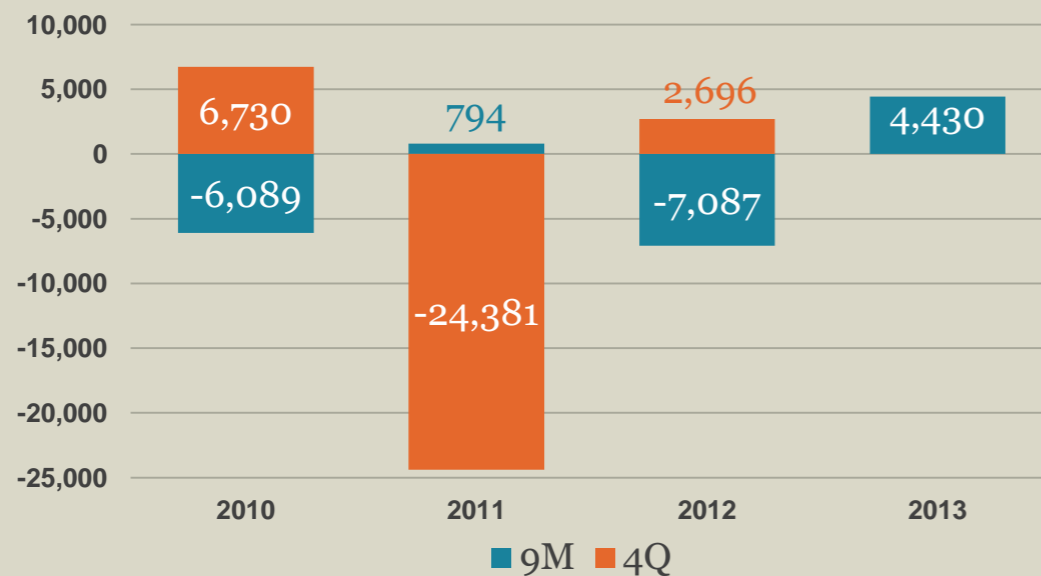
Income mix



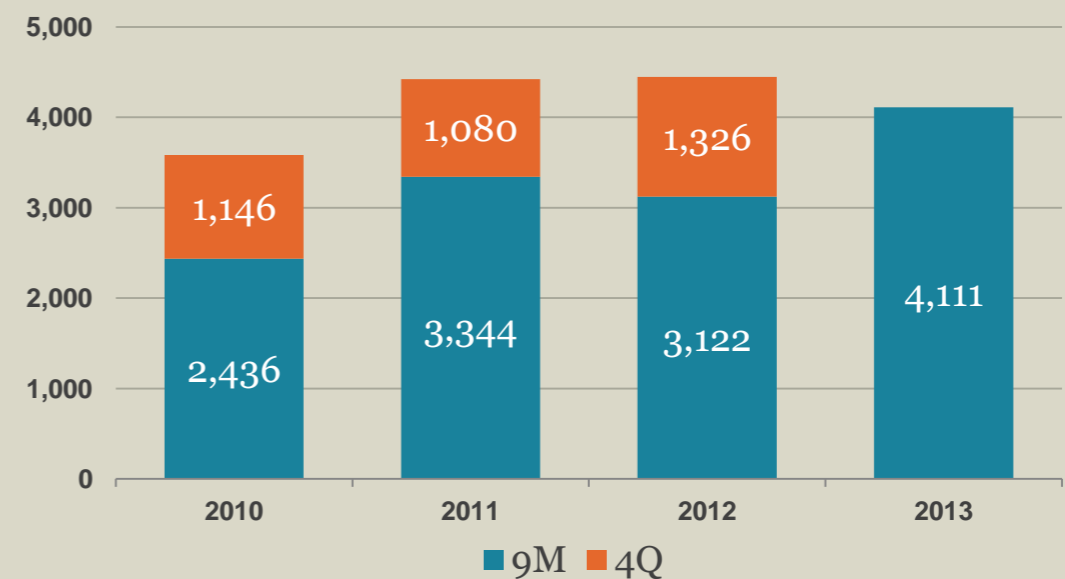
Net interest income



Net adjustments in valuation

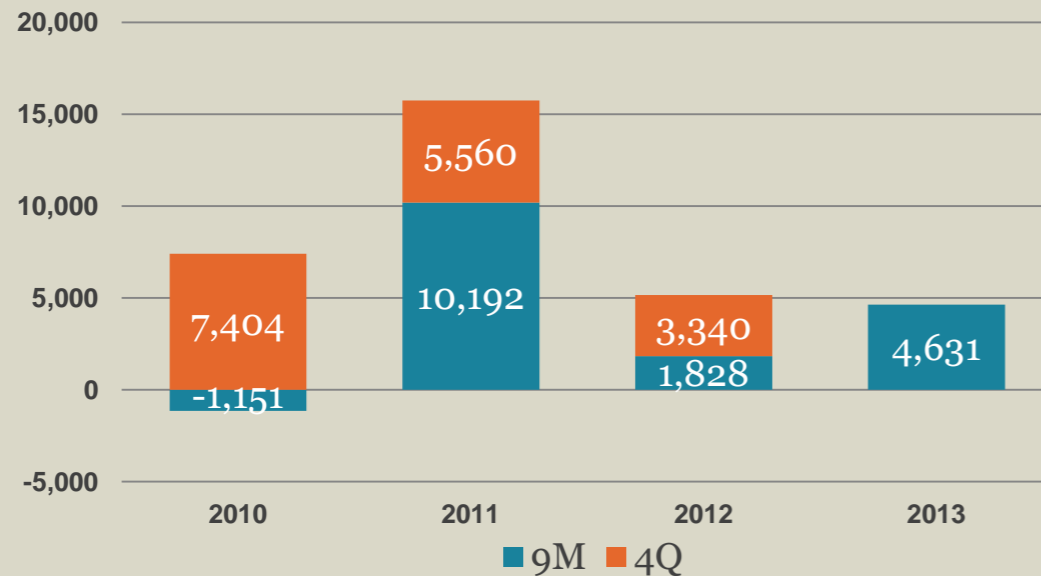


Net commissions and fees

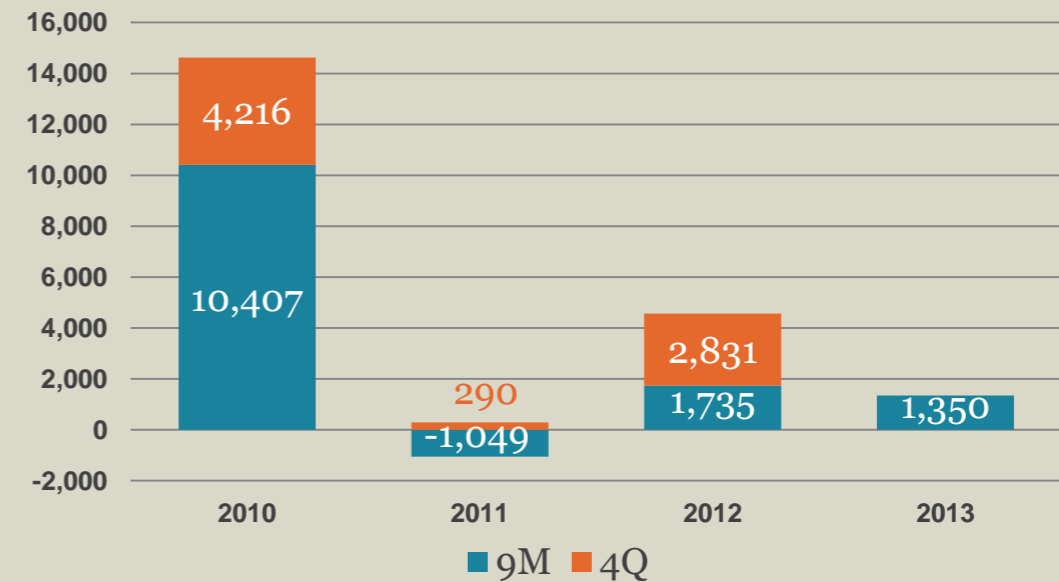


Net operating income

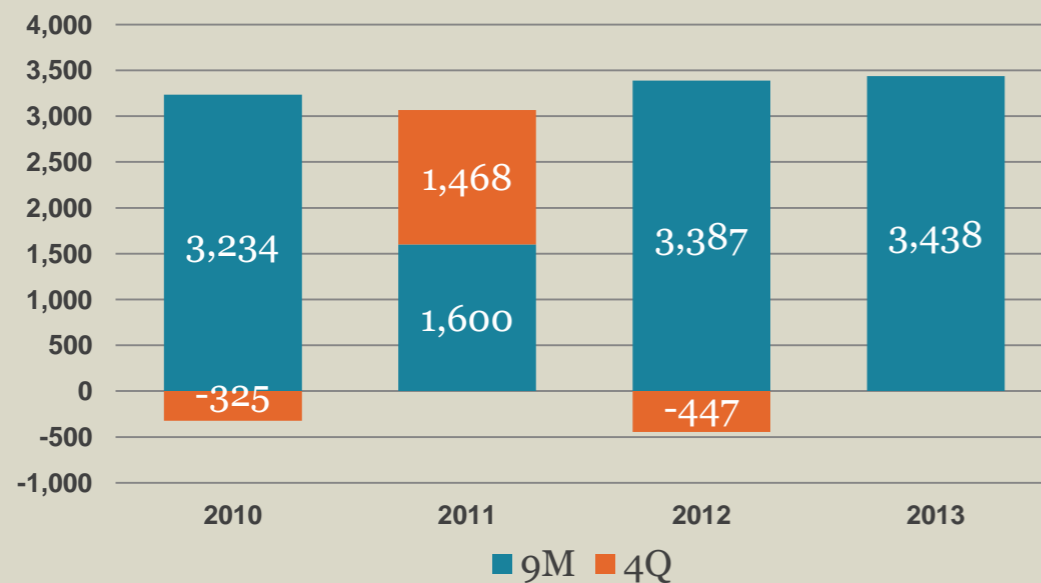
Equities



FX gain



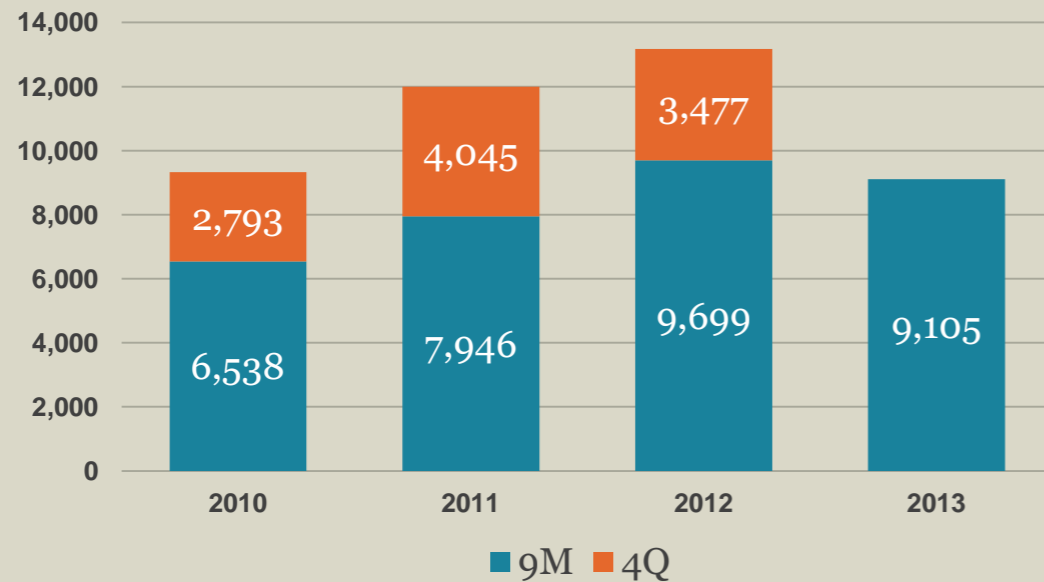
Bonds



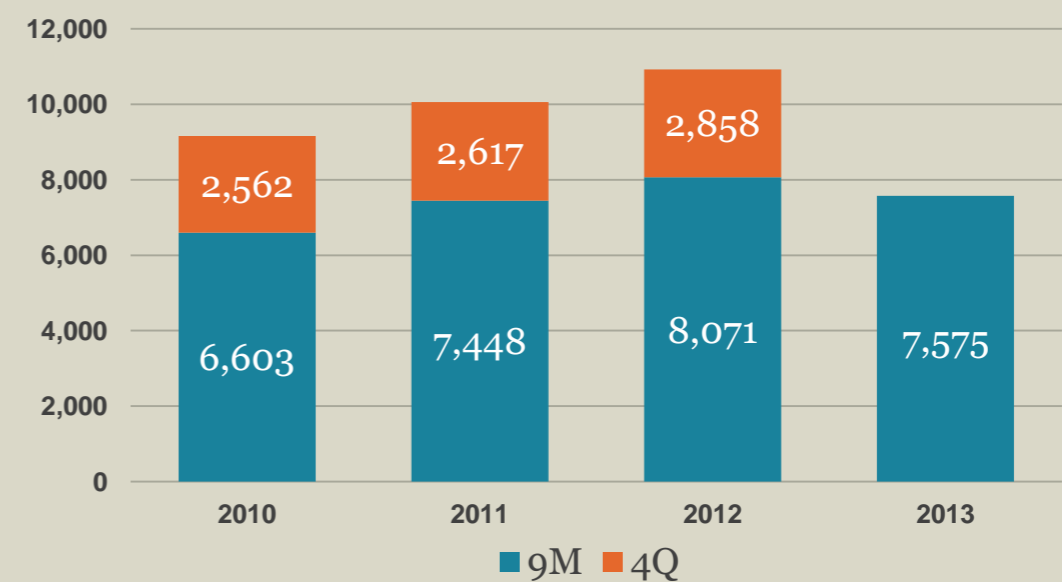
- » **Equities:** Equity holdings decrease yet returned an acceptable yield in the first nine months of 2013
- » **Market bonds:** A large portion of the bank's liquid assets are invested in market bonds
- » **Currency gains:** The currency imbalance has decreased significantly and that will reduce fluctuations in future performance

Operating expenses

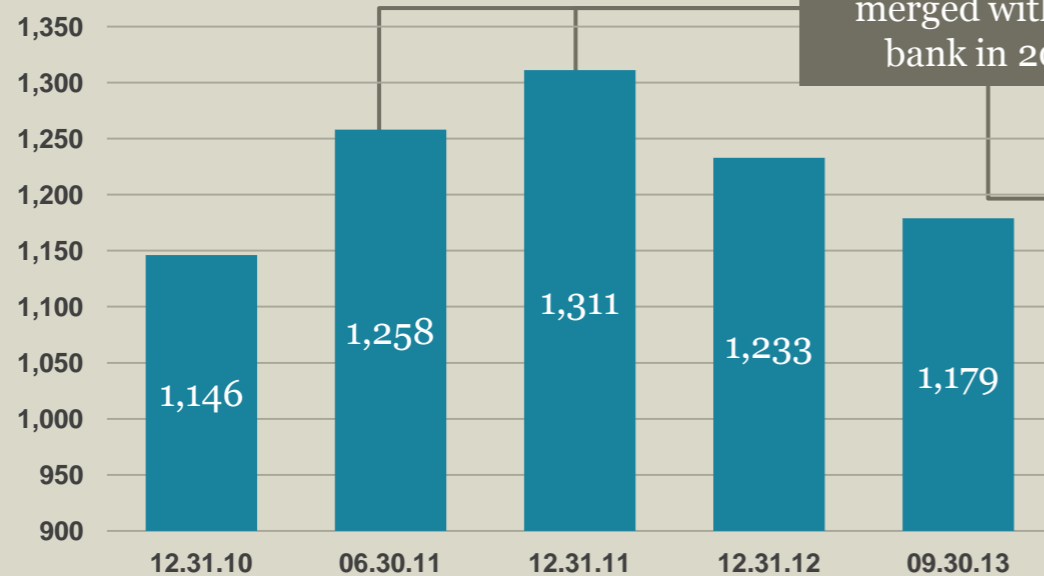
Salaries and related expenses



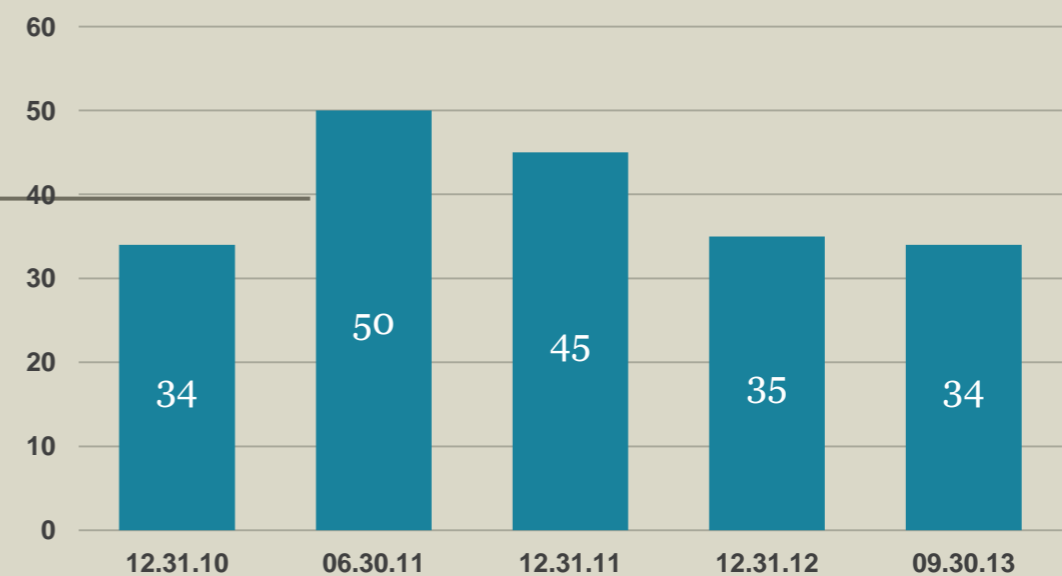
Other operating expenses



Full time employees



Number of branches



Salaries and related expenses

	9M 2013	9M 2012	Change	
Salaries	6,816	7,551	-735	-10%
Contributions to defined contribution pension plans	1,019	998	21	2%
Social security contributions, special financial management tax on salaries and other expenses	1,270	1,150	120	10%
	9,105	9,699	-594	-6%
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 management tax on salaries	674	0	674	
	4,691	0	4,691	
Total salaries and related expenses	13,796	9,699	4,097	42%

Taxes

	9M 2013	9M 2012	Change	
Income tax	4,691	1,000	3,691	369%
Special income tax on financial institutions ¹	1,025	0	1,025	
Tax on liabilities of financial institutions ²	285	801	-516	-64%
	6,001	1,801	4,200	233%
Special financial management tax on salaries ³	571	451	120	27%
Total	6,572	2,252	4,320	192%

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

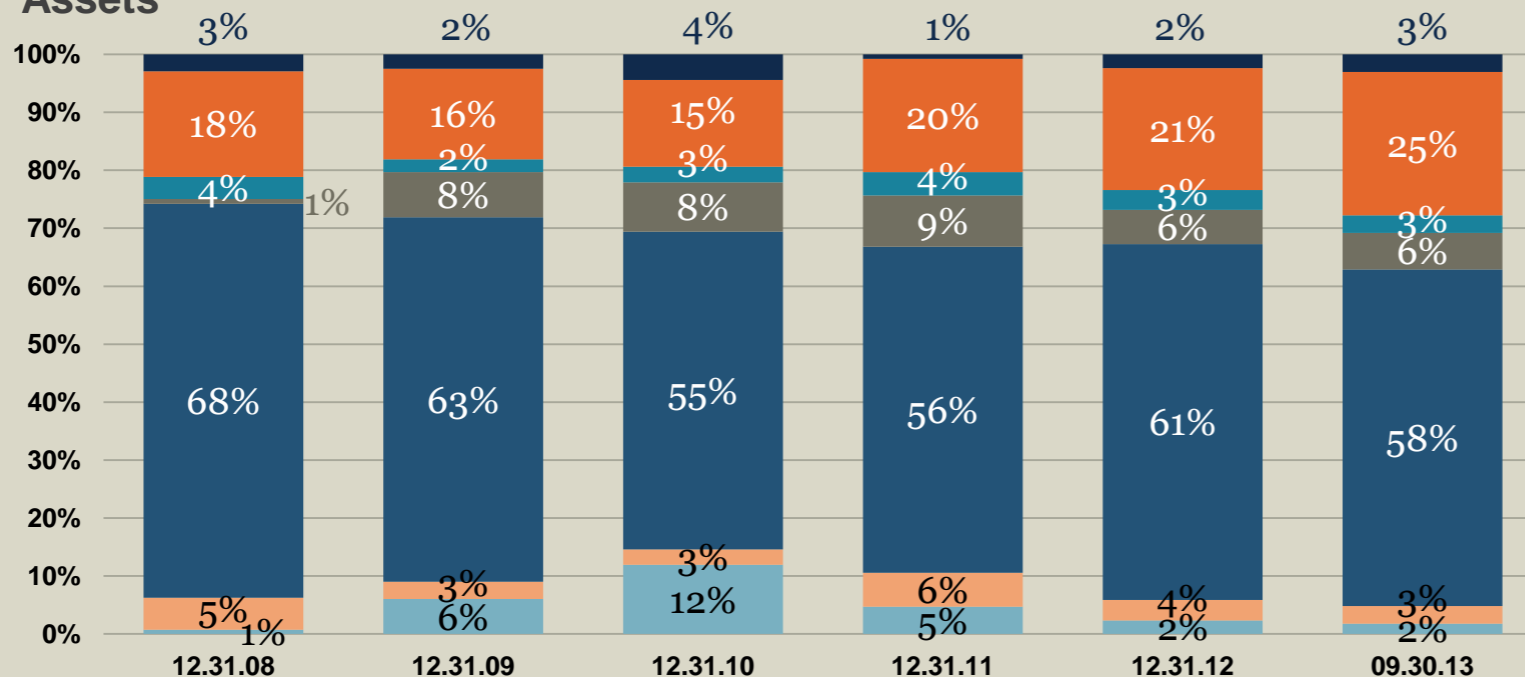
³ 6.75% tax on salaries and is expensed in the line item "Salaries and related expenses"

Balance sheet - assets

	09.30.13	12.31.12	2013 change	
Cash and balances with CB	36,024	25,898	10,126	39%
Bonds and debt instruments	288,994	228,208	60,786	27%
Equities and equity instruments	33,954	36,881	-2,927	-8%
Loans and advances to fin. inst.	70,545	64,349	6,196	10%
Loans and advances to customers	671,378	666,087	5,291	1%
Other assets	31,325	38,044	-6,719	-18%
Assets classified as held for sale	25,934	25,320	614	2%
Total	1,158,154	1,084,787	73,367	7%

- » Liquid resources have increased sharply during the year and this position is reflected in an increased holding of market bonds and claim on credit institutions
- » Lending to customers amounts to ISK 100bn during the year yet instalments and other factors contribute to a total increase in lending of only ISK 5.3bn
- » The reduction of assets held for sale continues, down by ISK 100bn since the beginning of 2011

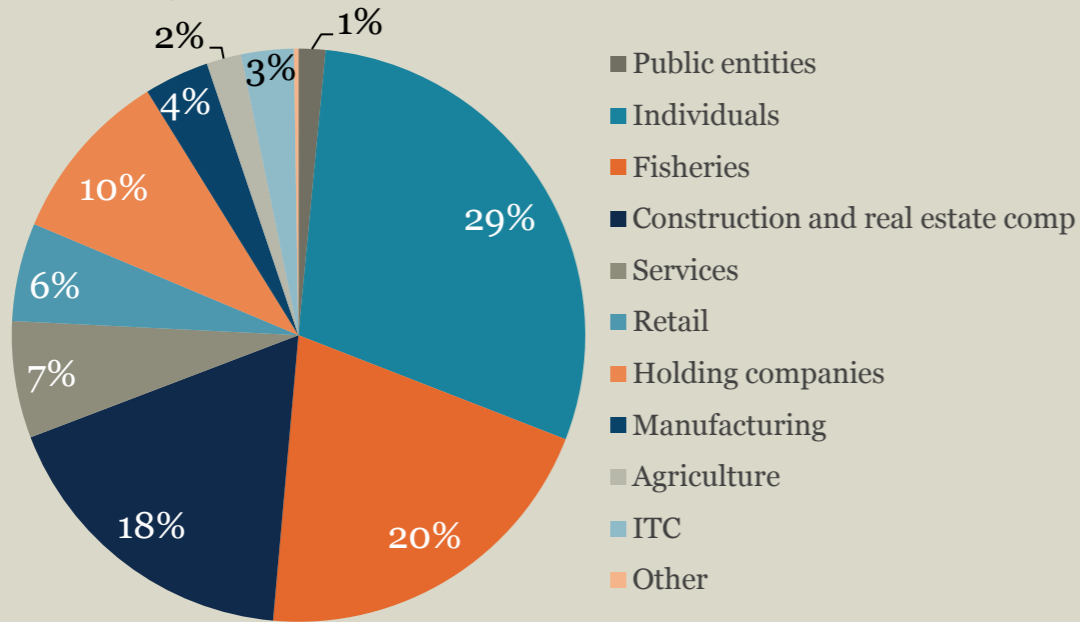
Assets



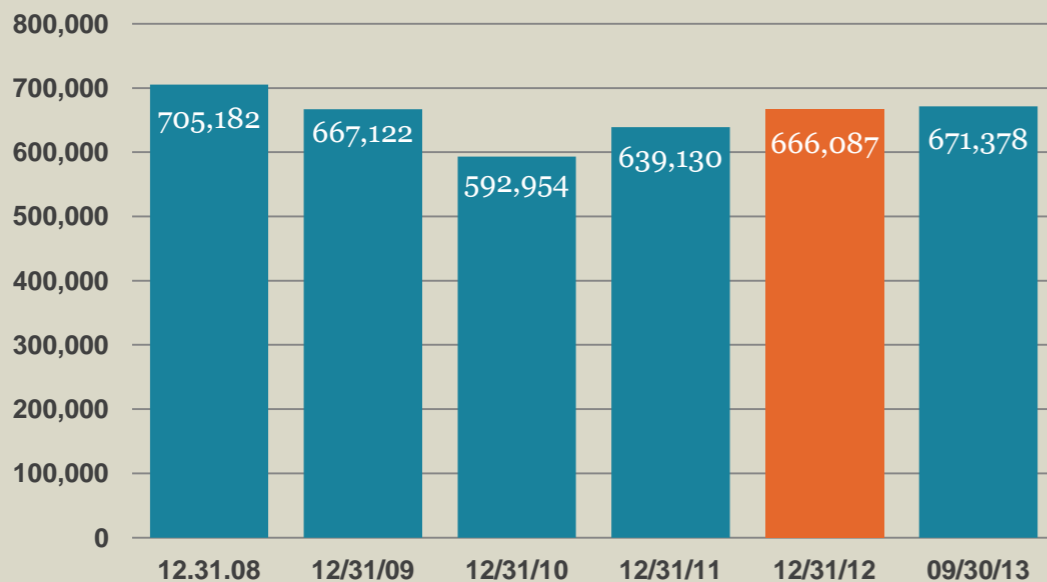
- Cash and balances with CB
- Bonds and debt instruments
- Equities and equity instruments
- Loans and advances to fin institutions
- Loans and advances to customers
- Other assets
- Assets classified as held for sale

Balance sheet - loans

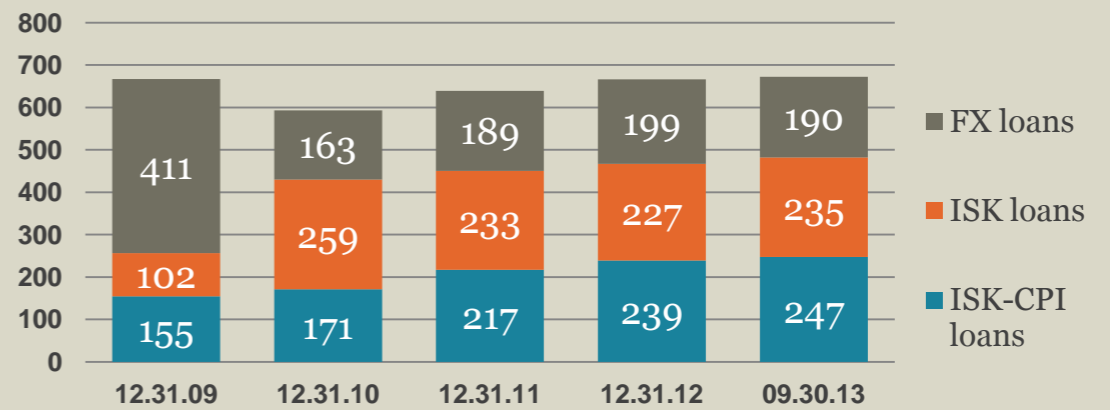
Loans by sector 09.30.13



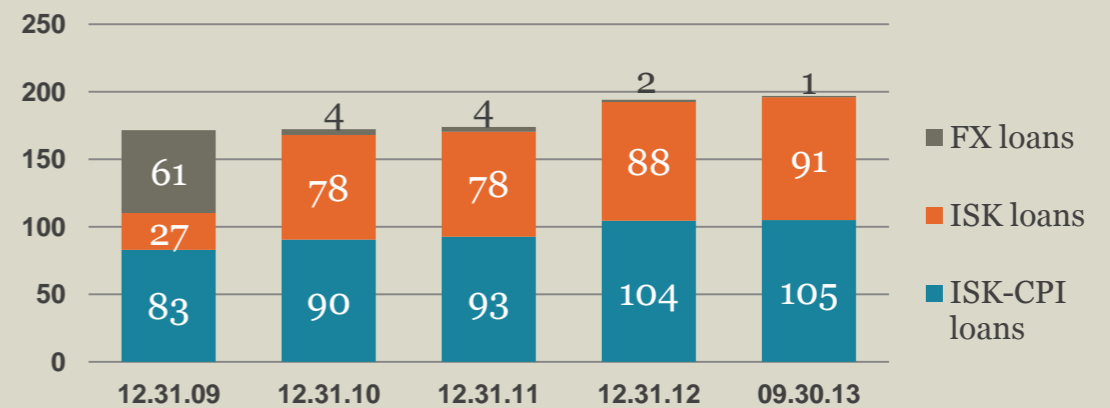
Loans and advances to customers



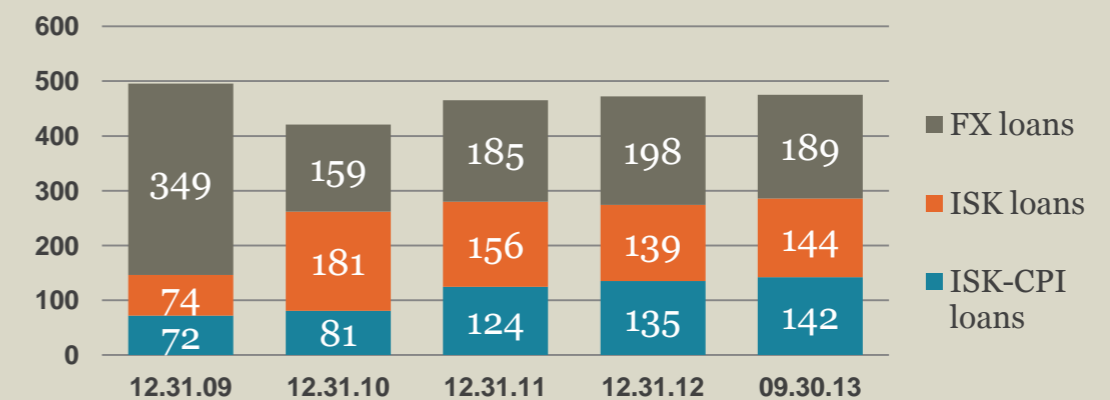
Loans to customers



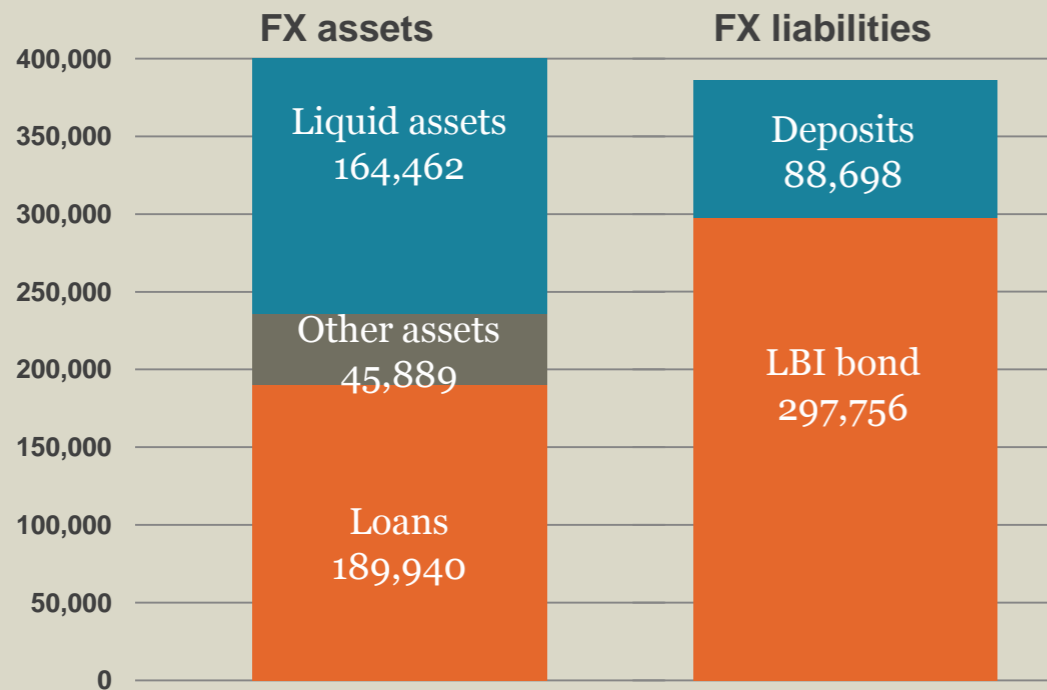
Loans to individuals



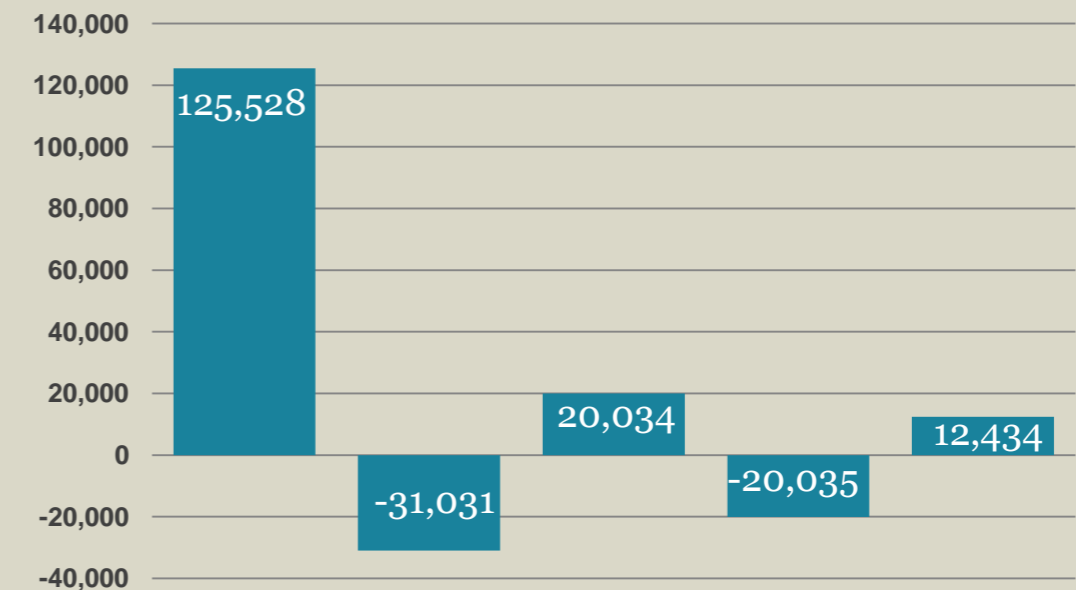
Loans to corporations



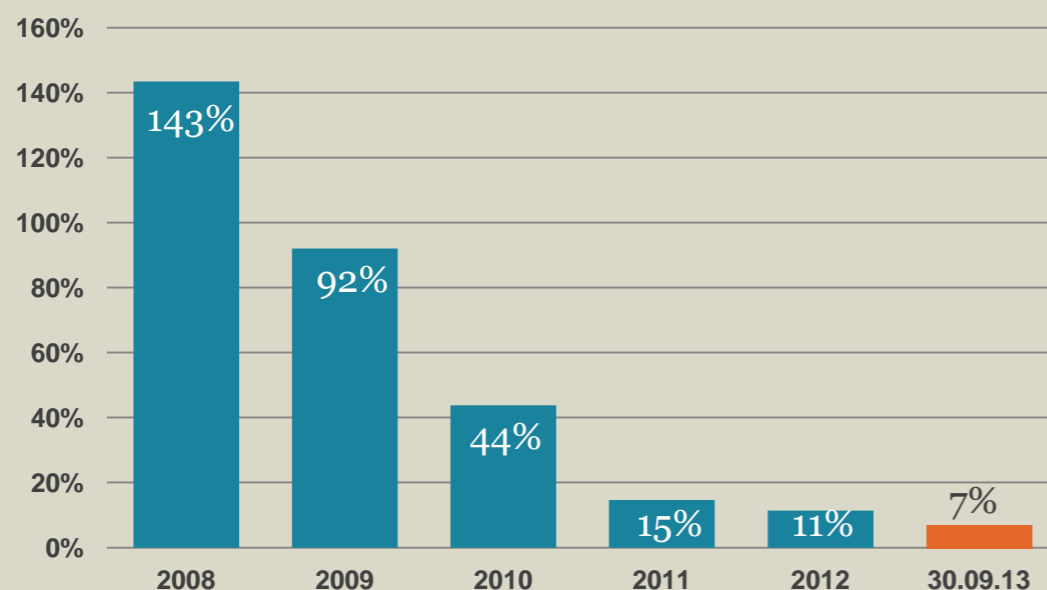
FX assets and liabilities



Net FX balance



FX risk / risk-weighted assets



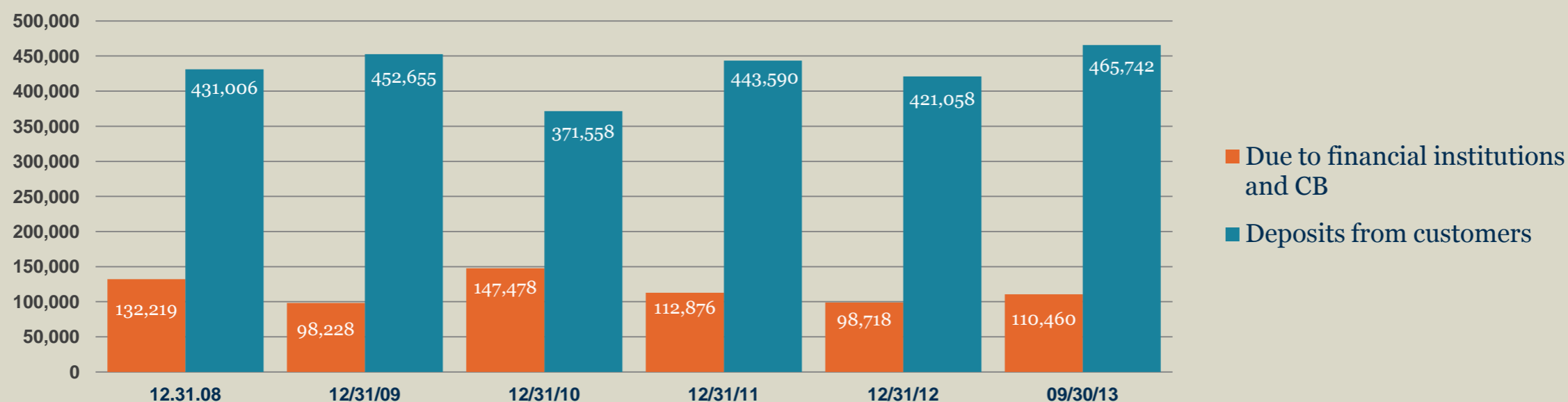
- » Net foreign currency assets increased by ISK 32bn in the first nine months of 2013
- » The bank's foreign currency balance is positive by ISK 12bn

Balance sheet – liabilities and equity

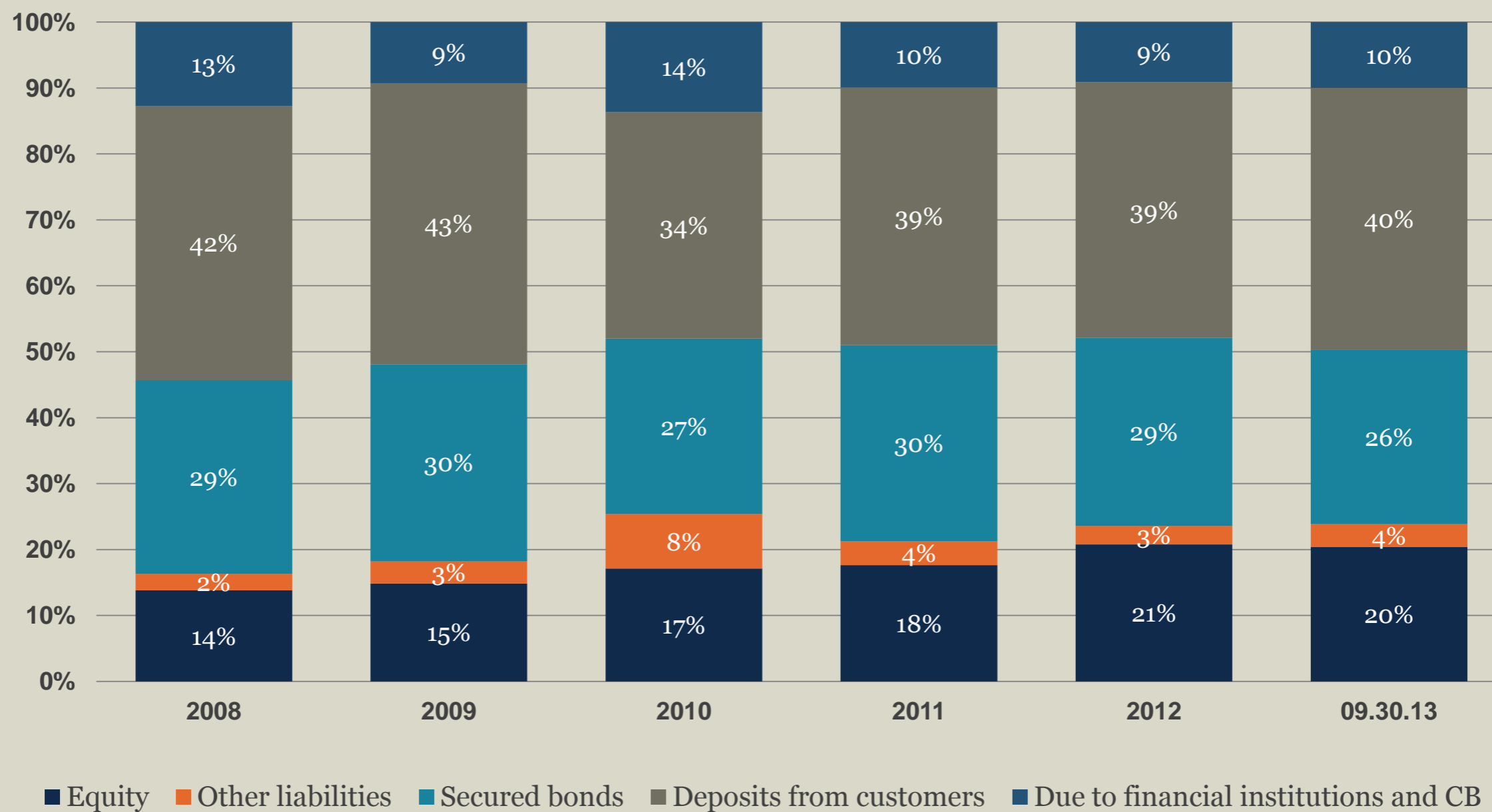
	09.30.13	12.31.12	Change 2013	
Due to financial institutions and CB	110,460	98,718	11,742	12%
Deposits from customers	465,742	421,058	44,684	11%
Secured bonds	298,938	309,265	-10,327	-3%
Other liabilities	48,302	30,580	17,722	47%
Equity	234,712	225,166	9,546	4%
Total	1,158,154	1,084,787	73,367	7%

- » Half of the bank's funding is derived from customer deposits and deposits from financial undertakings
- » Customer deposits grew by 11% after having decreased in 2012
- » The bank issued a series of covered bonds in H1 2013. The bonds were listed for trading in October 2013
- » Among other liabilities are dividends in the amount of ISK 10bn, declared payable in Q2 and paid to shareholders early in October 2013

Deposits

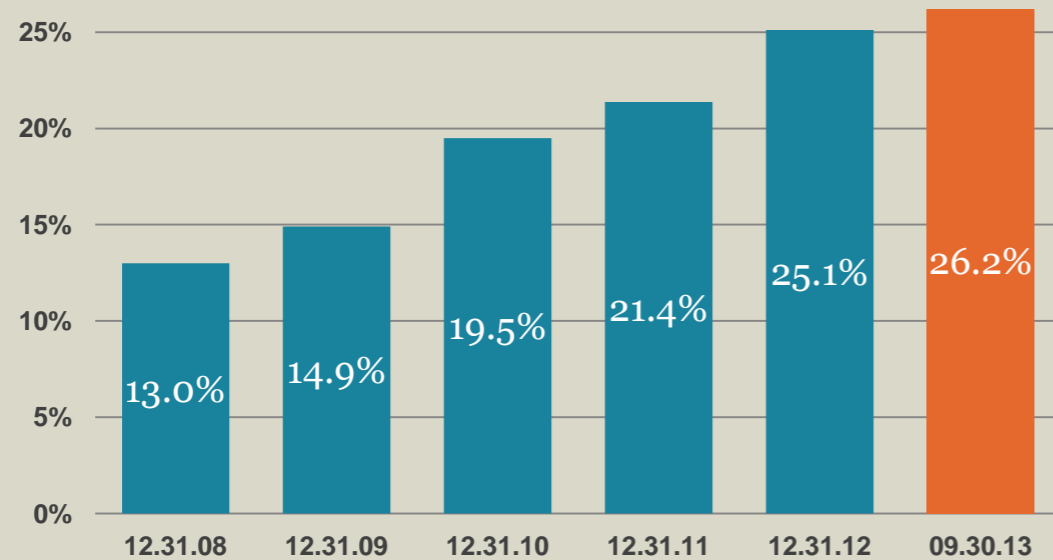


Balance sheet – liabilities and equity



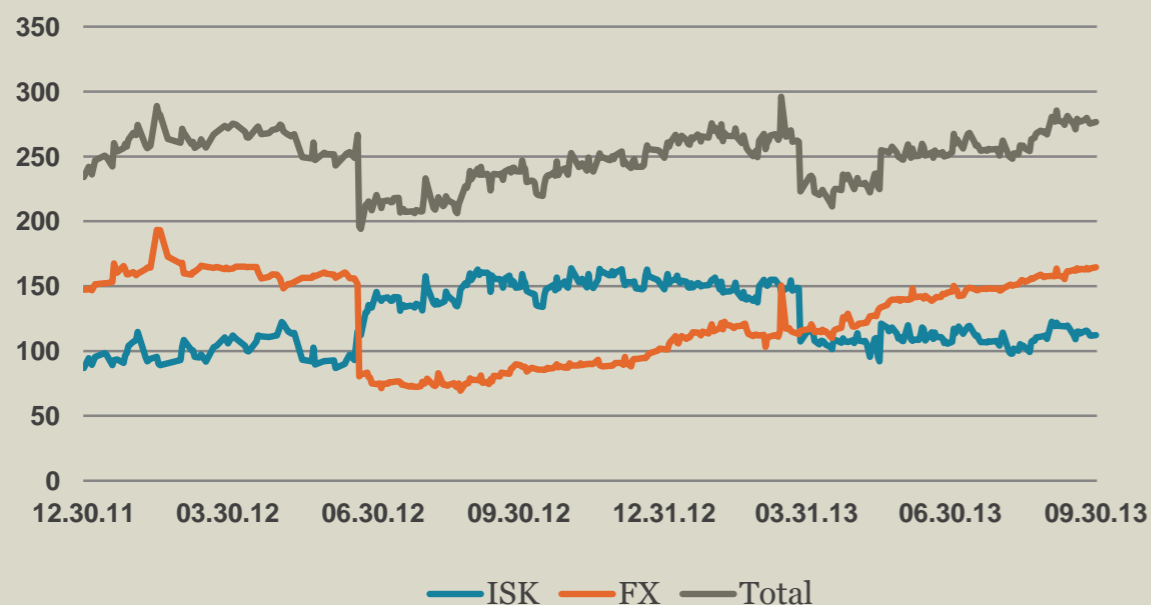
Capital ratio and liquid assets

Capital adequacy ratio (CAR)



- » The bank's capital ratio is based solely on Tier 1 capital
- » 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

Main results

	9M 2013	9M 2012	2012	2011	
Profit after taxes	22,276	13,541	25,494	16,957	» Profits increase by 64% between years and ROE is up by 4 percentage points
Return on equity after taxes	12.9%	8.6%	12.0%	8.4%	» Operating expenses decrease YoY, by 9.4% in real terms
Interest spread as a ratio of av. total assets	2.9%	3.2%	3.2%	2.9%	» The bank is well within its own cost-income ratio limit
Cost-income ratio	42.3%	48.0%	45.0%	40.6%	
Real change in operating expenses	-9.4%	10.8%	4.9%	13.3%	» Full-time equivalent positions have been reduced by 90, or just over 7%, since September 2012
Positions at end of period	1,179	1,269	1,233	1,311	
Total assets	1,158,154	1,056,825	1,084,787	1,135,482	» Total assets have grown by ISK 73bn, or just under 7% since the beginning of the year
Loans to customers	671,378	657,050	666,087	639,130	
Deposits from customers	465,742	439,853	421,058	443,590	» The CAR remains strong, currently at 26.2%. This figure refers to Tier 1 capital only
Capital ratio (CAR)	26.2%	24.1%	25.1%	21.4%	
Liquidity ratio	48.0%	45.0%	48.4%	42.9%	» The liquidity ratio grows more robust parallel to increased deposits and is far higher than the legal minimum
Net FX position	12,434	37,824	-20,035	20,034	
Arreas (>90 days)	6.2%	9.2%	8.3%	13.9%	» Loans 90 days in arrears decrease to stand at 6.2%

Outlook and activities

- » No great fluctuations are expected in the bank's operations for the remainder of the year.
- » The outlook is for a continuing positive performance in 2013.
- » Continued emphasis on cost-efficiency measures.
- » Discussions with LBI hf. to amend the terms and conditions of bonds.
- » Complete work on correcting recalculated exchange rate indexed loans.
- » Opening of the first cashier-free bank branch in Iceland.

Annex – further information

Key financial ratios

Key figures	9M 2013	9M 2012	2012	2011	2010	Q3 2013	Q2 2013	Q1 2013	Q4 2012	Q3 2012
Profit after taxes	22,276	13,541	25,494	16,957	27,231	6,751	7,536	7,989	11,953	1,664
Return on equity before taxes	16.3%	9.8%	14.0%	8.1%	20.8%	14.5%	17.3%	17.2%	26.0%	1.2%
Return on equity after taxes	12.9%	8.6%	12.0%	8.4%	16.0%	11.6%	13.0%	14.0%	21.8%	3.1%
Capital ratio (CAR)	26.2%	24.1%	25.1%	21.4%	19.5%	26.2%	25.9%	26.6%	26.5%	24.1%
Net interest income	24,337	26,355	35,584	32,649	24,685	7,340	7,118	9,879	9,229	7,782
Interest spread as a ratio of average total assets	2.9%	3.2%	3.2%	2.9%	2.3%	2.6%	2.6%	3.6%	3.4%	3.0%
Interest spread + net adj of loans/ average total assets	4.0%	2.3%	2.8%	0.8%	2.4%	3.1%	3.8%	5.2%	4.5%	1.6%
Cost-income ratio*	42.3%	48.0%	45.0%	40.6%	36.8%	42.9%	49.6%	36.6%	38.4%	57.4%
Liquidity ratio	48.0%	45.0%	48.4%	42.9%	45.6%	48.0%	44.8%	42.0%	48.4%	45.0%
Operating expenses as a ratio of average total assets**	2.0%	2.1%	2.2%	2.0%	1.7%	1.8%	2.1%	2.1%	2.4%	2.2%
Total assets	1,158,154	1,056,825	1,084,787	1,135,482	1,081,133	1,158,154	1,126,094	1,085,405	1,084,787	1,056,825
Loans / deposits ratio	144.0%	149.0%	158.2%	144.1%	159.6%	144.0%	148.2%	153.1%	158.2%	149.4%
Positions at end of period	1,179	1,252	1,233	1,311	1,146	1,179	1,165	1,209	1,233	1,252

* 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

	9M 2013	9M 2012	Change		2012	2011	2010	2009
Net interest income	24,337	26,355	-2,018	-8%	35,584	32,649	24,685	14,574
Net adjustments in valuation	4,430	-7,087	11,517	163%	-4,391	-23,587	641	6,954
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	33,458	19,268	14,190	74%	31,193	9,062	25,326	21,528
Net fee and commission income	4,111	3,122	989	32%	4,448	4,424	3,582	4,213
Net foreign exchange gain (loss)	1,350	1,735	-385	-22%	4,566	-759	14,623	-1,055
Other net operating income	9,602	5,816	3,786	65%	8,934	18,017	7,318	6,038
Total operating income	48,521	29,941	18,580	62%	49,141	30,743	50,849	30,725
Salaries and related expenses	9,105	9,699	-594	-6%	13,176	11,990	9,331	8,468
Equity-settled employee share-based salaries	4,691	0	4,691		0	0	0	0
Other operating expenses	6,082	6,766	-684	-10%	8,878	8,466	7,312	6,064
Depreciation and amortisation	642	538	104	19%	719	771	1,311	1,278
Contribution to the Depositors' and Investors' Guarantee Fund	806	767	39	5%	1,042	583	0	0
Acquisition-related costs	45	0	45		290	245	542	1,044
Total operating expenses	21,371	17,770	3,601	20%	24,105	22,055	18,496	16,854
Share in profit of associates, net of income tax	1,127	687	440	64%	2,449	1,418	291	383
Profit before tax	28,277	12,858	15,419	120%	27,485	10,105	32,644	14,253
Income tax expense	6,001	1,801	4,200	233%	4,125	-597	8,182	615
Profit for the period from continuing operations	22,276	11,057	11,219	101%	23,360	10,703	24,462	13,638
Profit from disc. operations, net of income tax	0	2,484	-2,484	-100%	2,134	6,255	2,769	693
Profit for the period	22,276	13,541	8,735	65%	25,494	16,957	27,231	14,332

Balance sheet

	09.30.13	12.31.12	2013 change		12.31.11	12.31.10	12.31.09	12.31.08
Cash and balances with CB	36,024	25,898	10,126	39%	8,823	47,777	26,174	30,071
Bonds and debt instruments	288,994	228,208	60,786	27%	221,848	161,559	165,721	189,121
Equities and equity instruments	33,954	36,881	-2,927	-8%	46,037	29,429	23,411	39,681
Loans and advances to financial institutions	70,545	64,349	6,196	10%	100,133	91,882	83,129	8,845
Loans and advances to customers	671,378	666,087	5,291	1%	639,130	592,954	667,122	705,182
Other assets	31,325	38,044	-6,719	-18%	65,959	28,743	31,920	56,907
Assets classified as held for sale	25,934	25,320	614	2%	53,552	128,789	63,878	7,584
Total	1,158,154	1,084,787	73,367	7%	1,135,482	1,081,133	1,061,354	1,037,391
Due to financial institutions and CB	110,460	98,718	11,742	12%	112,876	147,478	98,228	132,219
Deposits from customers	465,742	421,058	44,684	11%	443,590	371,558	452,655	431,006
Secured bonds	298,938	309,265	-10,327	-3%	337,902	287,822	316,734	305,056
Other liabilities	43,541	29,687	13,854	47%	31,485	27,800	14,456	21,385
Liabilities from assets held for sale	4,761	893	3,868	433%	9,385	61,609	21,689	4,440
Equity	234,712	225,166	9,546	4%	200,244	184,866	157,593	143,285
Total	1,158,154	1,084,787	73,367	7%	1,135,482	1,081,133	1,061,354	1,037,391

Activities

1 January - 30 September 2013	Personal Banking	Corporate Banking	Markets	Treasury	Support Functions	Reconciliation	Total
Net interest income (expense)	13,185	10,836	336	1,302	-40	-1,282	24,337
Net adjustments in valuation	-2,619	11,605	0	-148	283	0	9,121
Net fee and commission income	1,995	476	1,911	80	-106	-245	4,111
Other net operating income	-830	-117	3,547	6,780	299	1,273	10,952
Total operating income (expense)	11,731	22,800	5,794	8,014	436	-254	48,521
Operating expenses	-6,444	-1,031	-1,572	-977	-11,602	254	-21,372
Share of profit of equity-accounted associates, net of income tax	-35	0	0	1,195	-33	0	1,127
Profit (loss) before cost allocation and tax	5,252	21,769	4,222	8,232	-11,199	0	28,276
Cost allocated from support functions to business segments	-4,660	-2,000	-868	-600	8,128	0	0
Profit (loss) before tax	592	19,769	3,354	7,632	-3,071	0	28,276
Total assets	514,282	402,248	68,380	535,163	24,824	-386,743	1,158,154
Total liabilities	460,924	320,194	60,643	443,600	24,824	-386,743	923,442
Allocated capital	52,358	82,054	7,737	91,563	0	0	234,712
Return on equity before taxes	1.5%	32.2%	65.0%	11.2%			16.3%