

Reykjavík, 30 August 2012

# H1 2012 Results

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# Main results

Key figures	H1 2012	H1 2011	Q2 2012	Q1 2012	Q2 2011	Q1 2011	2011	2010
Net interest income	18,573	16,849	10,020	8,553	9,704	7,145	32,649	24,685
Profit after taxes	11,877	24,434	4,148	7,729	12,143	12,691	16,957	27,231
Return on equity after taxes	11.5%	24.9%	7.9%	15.2%	24.1%	26.7%	8.8%	15.9%
Capital ratio	23.3%	22.4%	23.3%	22.1%	22.4%	20.4%	21.4%	19.5%
Interest spread as a ratio of average total assets	3.3%	3.1%	3.6%	3.0%	3.5%	2.6%	2.9%	2.3%
Cost-income ratio	51.0%	34.2%	77.5%	37.9%	31.2%	35.3%	71.7%	36.4%
Cost-income ratio *	55.5%	53.3%	52.9%	58.6%	48.9%	54.3%	57.2%	61.1%
Total assets	1,048,573	1,126,280	1,048,573	1,174,262	1,126,280	1,105,590	1,135,483	1,081,133
Loans / deposits ratio	151.4%	153.6%	151.4%	143.6%	153.6%	152.1%	144.1%	159.6%
Positions at period-end	1,269	1,258	1,269	1,308	1,258	1,279	1,311	1,146

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



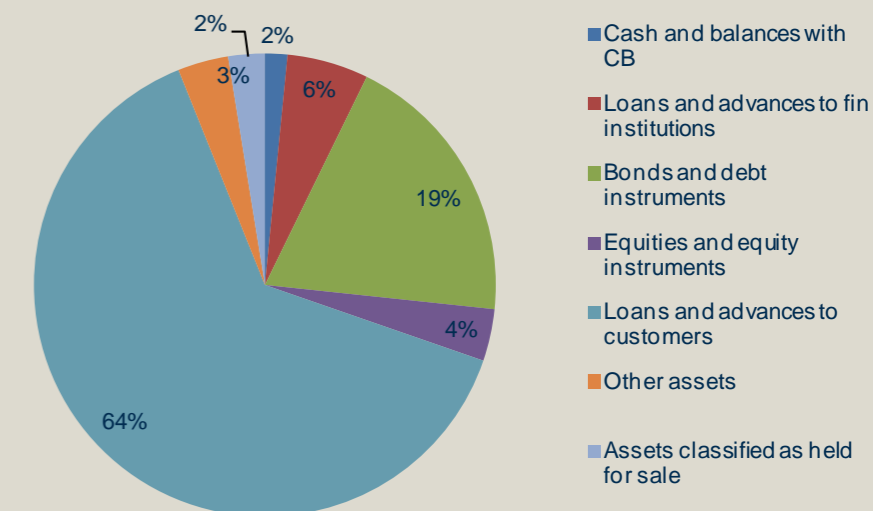
# Balance Sheet

30.6.2012 31.12.2011 31.12.2010 2012 change

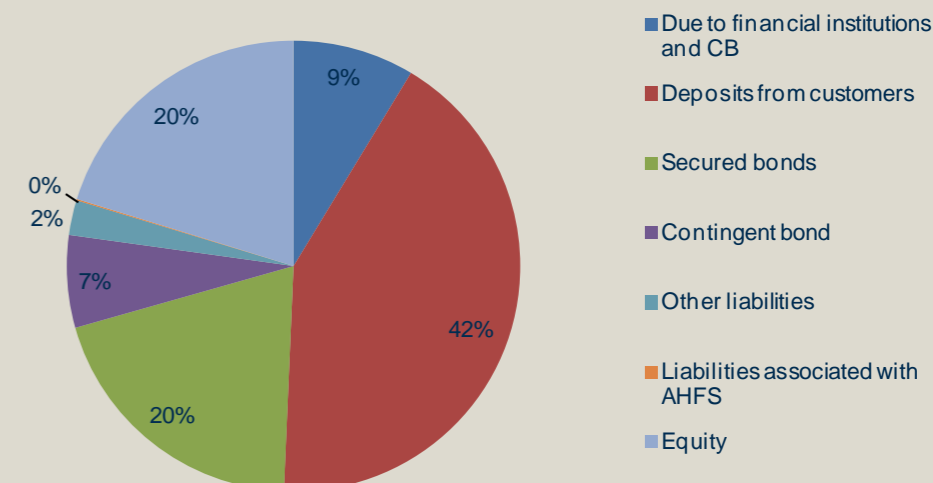
Cash and balances with CB	16,364	8,823	47,777	7,541	85%
Loans and advances to fin institutions	59,529	100,133	91,882	-40,604	-41%
Bonds and debt instruments	203,863	221,848	161,559	-17,985	-8%
Equities and equity instruments	38,161	46,037	29,429	-7,876	-17%
Loans and advances to customers	666,890	639,130	592,954	27,760	4%
Other assets	37,082	65,959	28,743	-28,877	-44%
Assets classified as held for sale	26,684	53,552	128,789	-26,868	-50%
<b>Total assets</b>	<b>1,048,573</b>	<b>1,135,482</b>	<b>1,081,133</b>	<b>-86,909</b>	<b>-8%</b>

Due to financial institutions and CB	91,018	112,876	147,478	-21,858	-19%
Deposits from customers	440,392	443,590	371,558	-3,198	-1%
Secured bonds	209,028	277,076	261,313	-68,048	-25%
Contingent bond	69,024	60,826	26,510	8,198	13%
Other liabilities	26,130	31,485	27,800	-5,355	-17%
Liabilities associated with AHFS	959	9,385	61,609	-8,426	-90%
Equity	212,022	200,244	184,866	11,778	6%
<b>Total liabilities and equity</b>	<b>1,048,573</b>	<b>1,135,482</b>	<b>1,081,133</b>	<b>-86,909</b>	<b>-8%</b>

## Assets

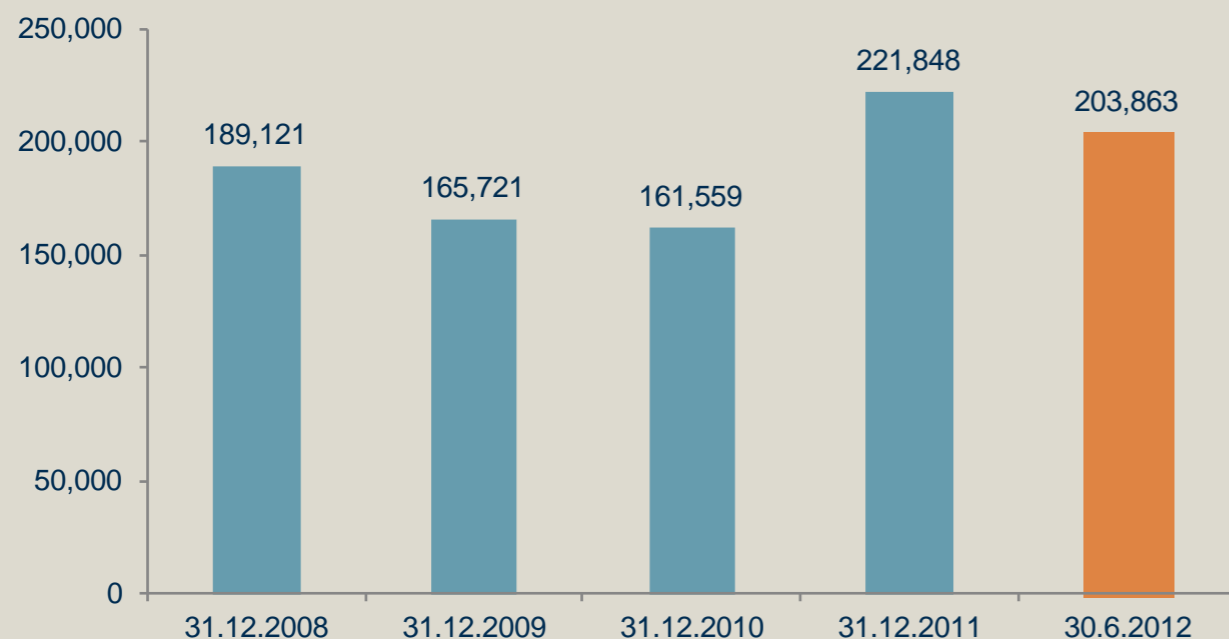


## Liabilities and equity

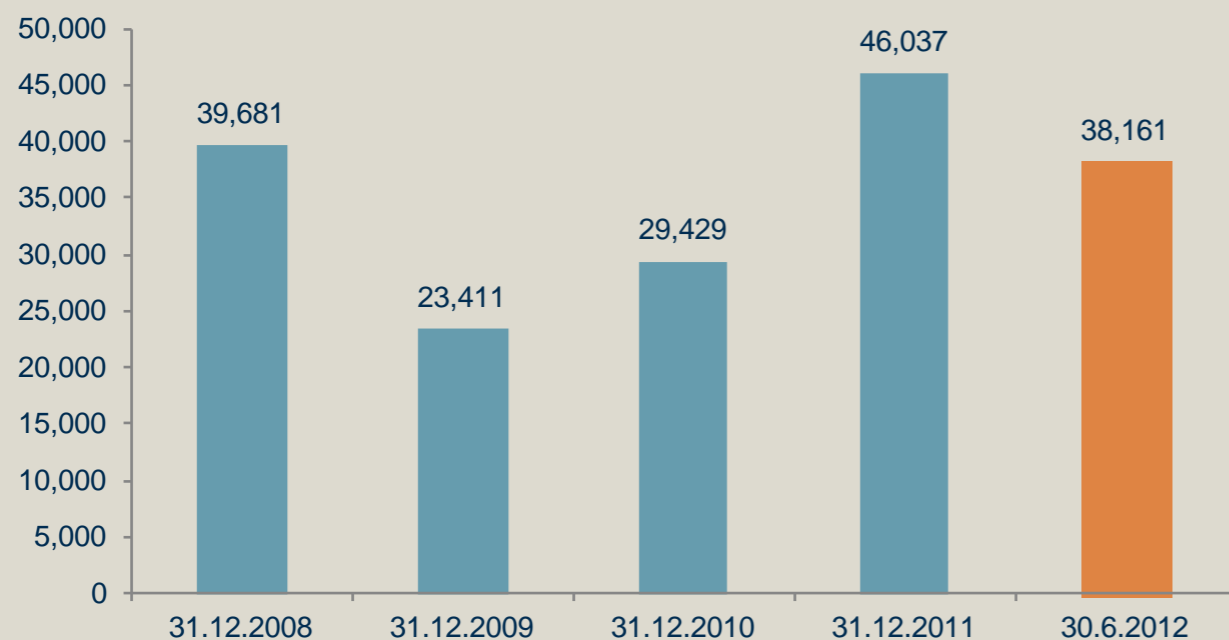


# Balance Sheet

## Bonds and debt instruments



## Equities and equity instruments



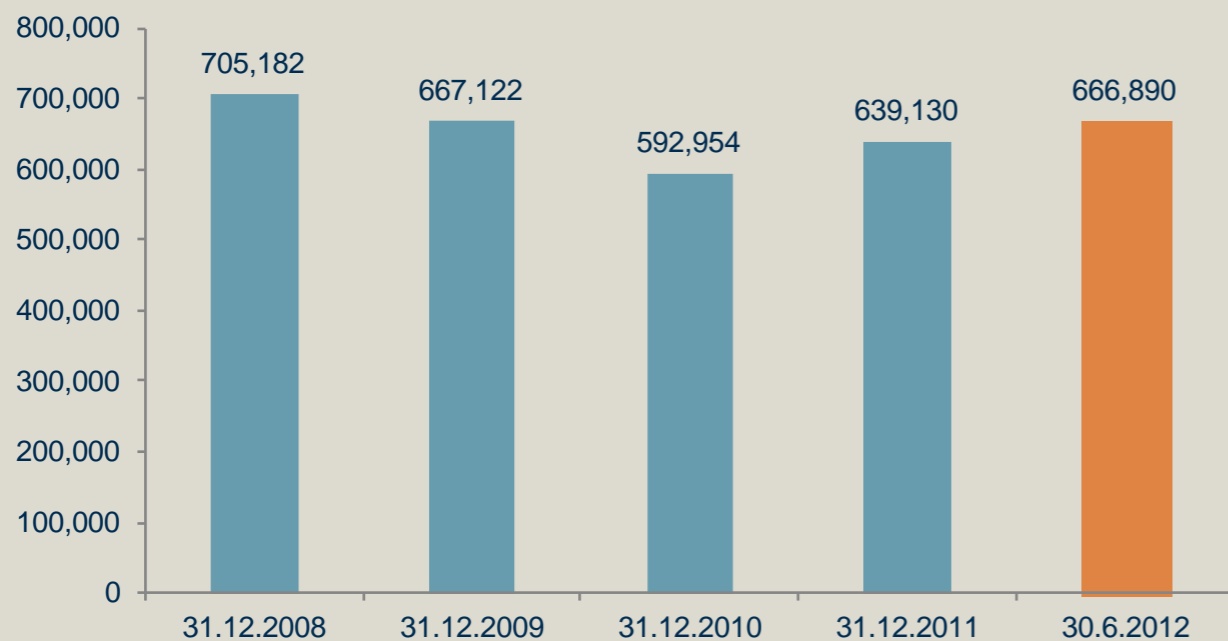
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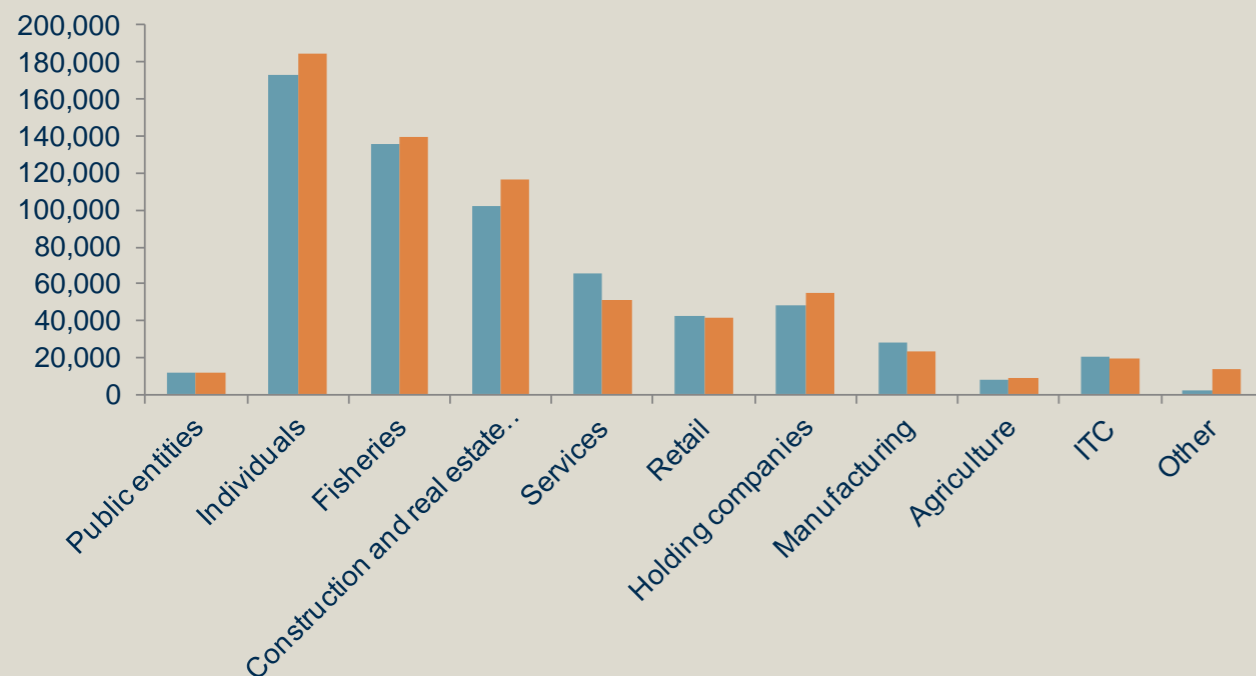


# Balance Sheet

## Loans and advances to customers



## Loans by sectors

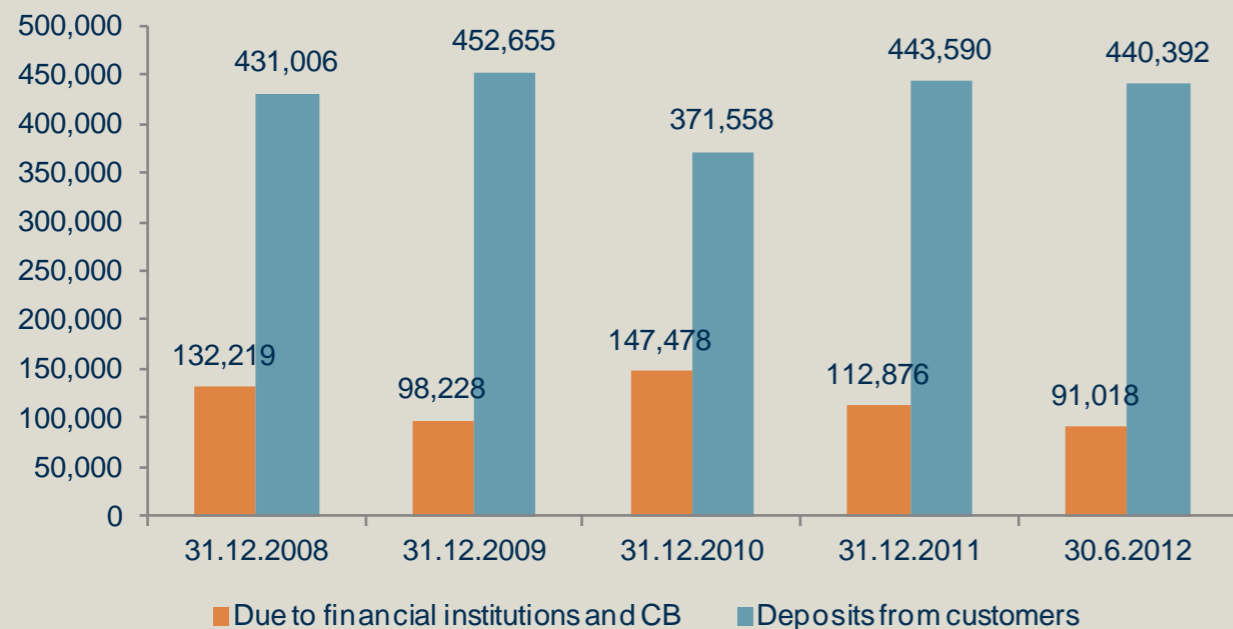


Loans by sectors	30.6.2012	31.12.2011	Change	
Public entities	11,691	12,139	-448	-4%
Individuals	184,596	173,223	11,373	7%
Fisheries	139,504	135,397	4,107	3%
Construction and real estate comp	116,698	101,958	14,740	14%
Services	51,381	66,121	-14,740	-22%
Retail	41,478	42,401	-923	-2%
Holding companies	55,227	48,622	6,605	14%
Manufacturing	23,405	28,008	-4,603	-16%
Agriculture	8,997	8,505	492	6%
ITC	19,810	20,168	-358	-2%
Other	14,103	2,588	11,515	445%
<b>Total</b>	<b>666,890</b>	<b>639,130</b>	<b>27,760</b>	<b>4%</b>

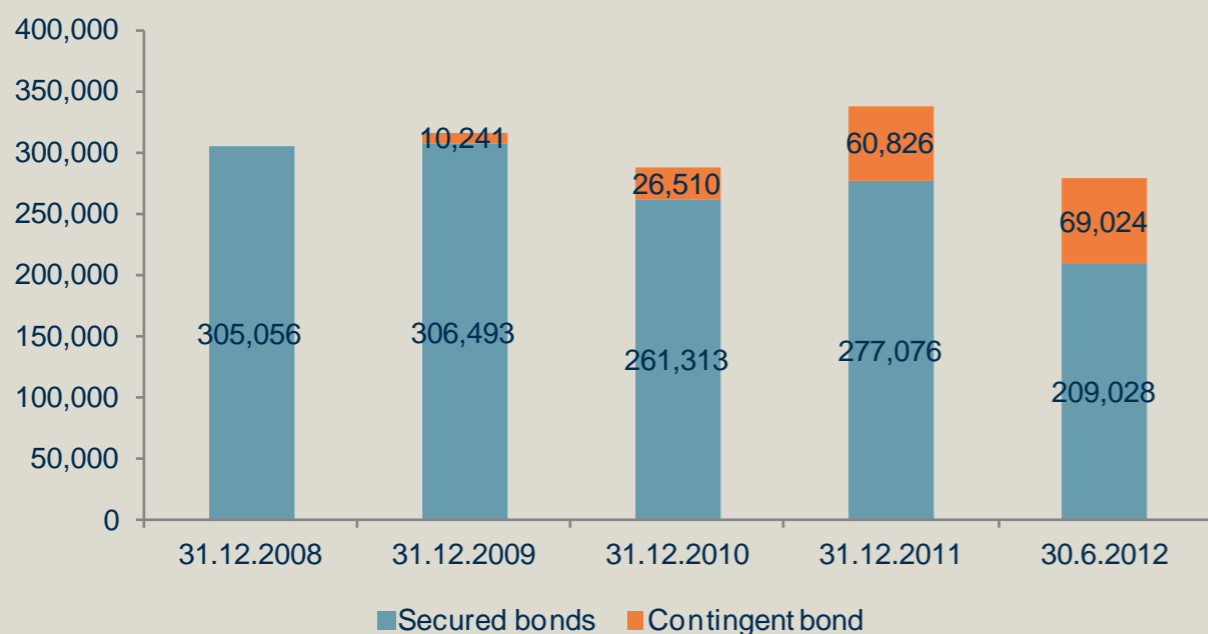


# Balance Sheet

## Deposits



## Secured bonds / Contingent bond



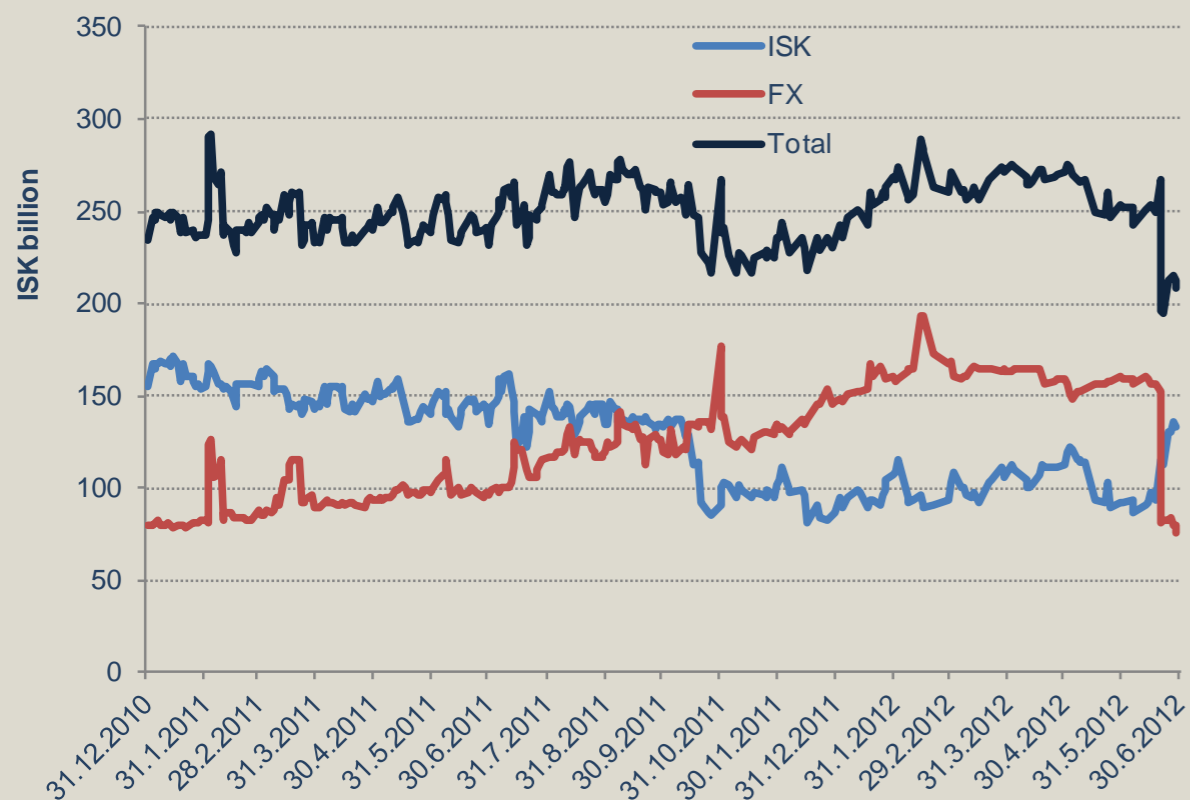
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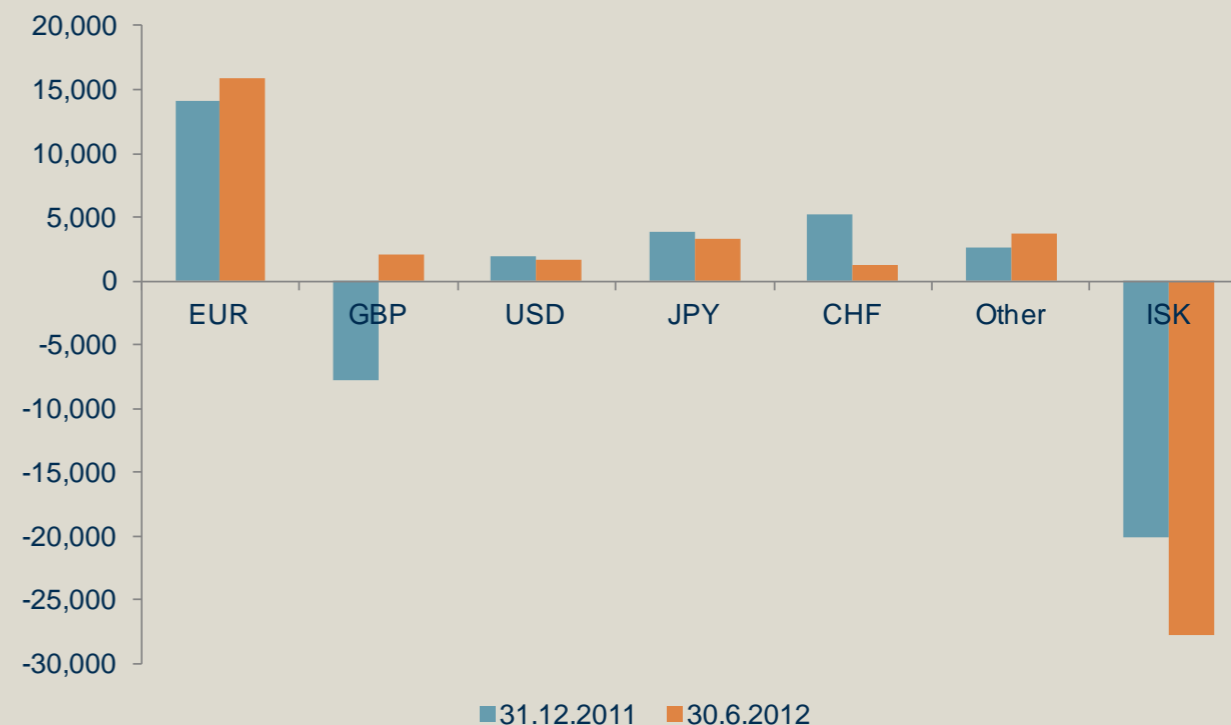
# Balance Sheet

	Liquid assets 30.6.2012	Liquid assets 31.12.2011	2012 change	
Cash balance with central banks	8,764	2,458	6,306	257%
Loans to fin. institutions (less than 7 days)	46,553	85,943	-39,390	-46%
Repo eligible bonds	153,154	150,486	2,668	2%
<b>Core liquid assets</b>	<b>208,471</b>	<b>238,887</b>	<b>-30,416</b>	<b>-13%</b>
<b>Core repayment ability of all deposits</b>	<b>39.2%</b>	<b>42.9%</b>		

Liquid assets development



FX balance

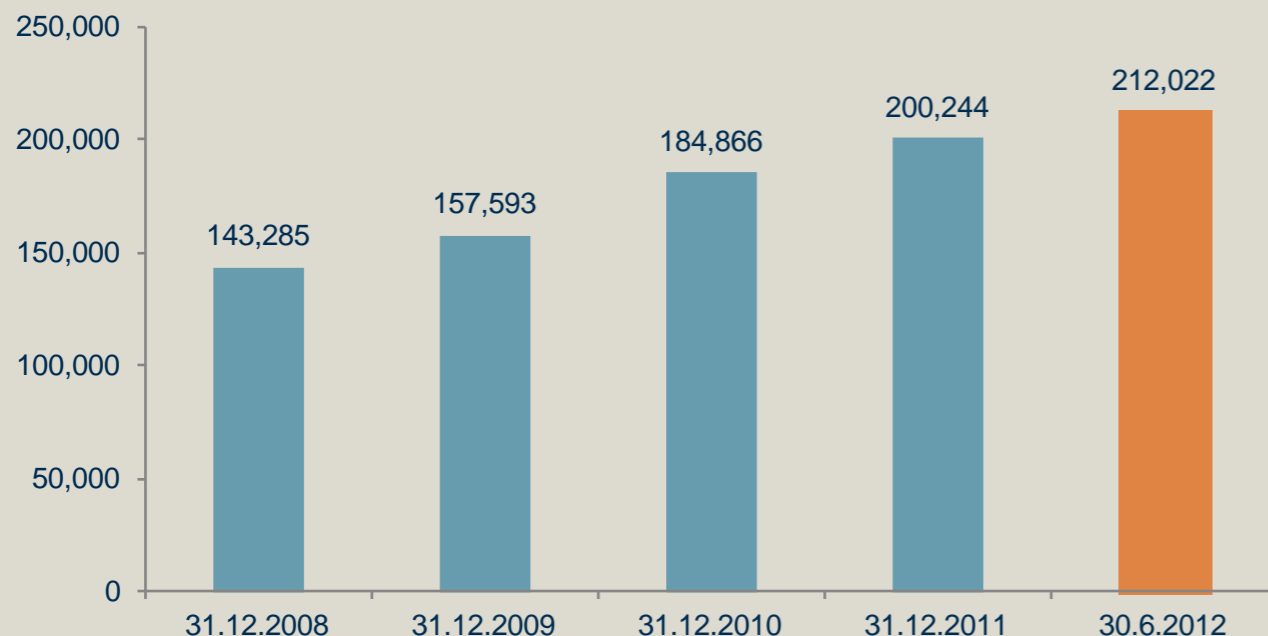


FX balance 30.6.2011	EUR	GBP	USD	JPY	CHF	Other	Total
Assets	108,018	49,132	95,910	19,014	15,328	20,644	308,046
Liabilities	-122,127	-47,138	-96,625	-898	-1,751	-12,557	-281,096
On balance	-14,109	1,994	-715	18,116	13,577	8,087	26,950
Off balance	29,994	27	2,359	-14,827	-12,348	-4,345	860
Net FX balance	15,885	2,021	1,644	3,289	1,229	3,742	27,810

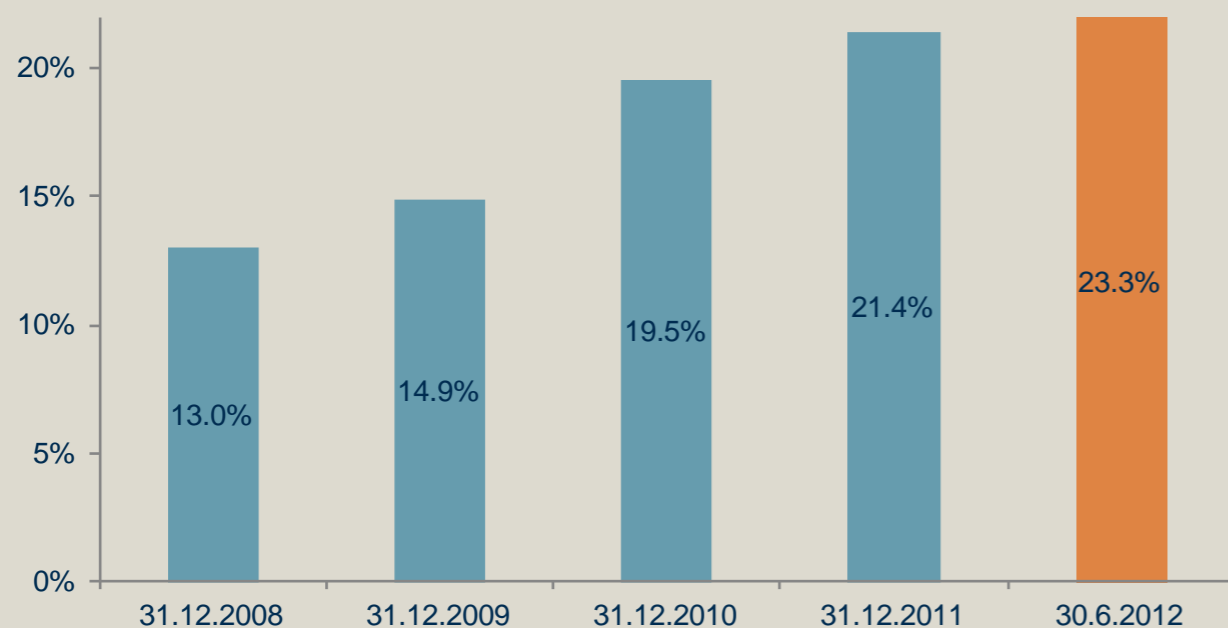


# Balance Sheet

## Equity



## Capital ratio



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# Income Statement

	H1 2012	H1 2011	Change		Q2 2012	Q1 2012	Q4 2011	Q3 2011	Q2 2011	Q1 2011
Net interest income	18,573	16,849	1,724	10%	10,020	8,553	8,058	7,742	9,704	7,145
Net adjustments in valuation	-3,465	2,675	-6,140	-230%	-3,792	327	-24,381	-1,881	4,445	-1,771
Net interest income after adjustments in valuation	15,108	19,524	-4,416	-23%	6,228	8,880	-16,323	5,861	14,150	5,374
Net fee and commission income	2,092	2,217	-125	-6%	1,090	1,002	1,080	1,126	1,187	1,030
Net foreign exchange gain (loss)	836	-139	975	-702%	-1,280	2,116	290	-911	2,441	-2,579
Other net operating income	5,524	10,016	-4,492	-45%	1,810	3,714	6,005	1,996	545	9,471
Total operating income	23,560	31,618	-8,058	-25%	7,848	15,712	-8,948	8,073	18,323	13,296
Salaries and related expenses	6,596	5,243	1,353	26%	3,364	3,232	4,045	2,703	2,933	2,310
Other operating expenses	4,516	4,572	-56	-1%	2,331	2,185	2,280	1,991	2,222	1,950
Depreciation and amortisation	361	349	12	3%	181	180	241	181	172	177
Contribution to the Depositors' and Investors' Guarantee F	554	400	154	39%	204	350	100	106	150	250
Acquisition-related costs	0	241	-241	-100%	0	0	-3	7	241	0
Total operating expenses	12,027	10,806	1,221	11%	6,080	5,947	6,662	4,987	5,719	4,687
Share of profit of associates, net of income tax	673	1,172	-499	-43%	673	0	258	-12	1,182	-10
Profit before tax	12,206	21,985	-9,779	-44%	2,441	9,765	-15,353	3,073	13,787	8,598
Income tax expense	2,813	2,299	514	22%	605	2,208	-3,811	915	2,067	232
Profit for the year from continuing operations	9,393	19,685	-10,292	-52%	1,836	7,557	-11,541	2,158	11,720	8,366
Profit for the year from disc operations, net of income tax	2,484	4,749	-2,265	-48%	2,312	172	1,546	-40	423	4,326
Profit for the year	11,877	24,434	-12,557	-51%	4,148	7,729	-9,996	2,119	12,143	12,691



# Net Interest Income

	H1 2012	H1 2011	Change	
Interest income	35.075	31.498	3.577	11%
Interest expense	-16.502	-14.649	-1.853	13%
Net interest income	18.573	16.849	1.724	10%
Net adjustments to loans and advances acquired at deep discount	11.172	12.986	-1.814	-14%
Net impairment loss on loans and advances	-6.439	-2.393	-4.046	169%
Fair value change of contingent bond	-8.198	-7.918	-280	4%
Net adjustments in valuation	-3.465	2.675	-6.140	-230%
Net interest income after net adjustments in valuation	15.108	19.524	-4.416	-23%



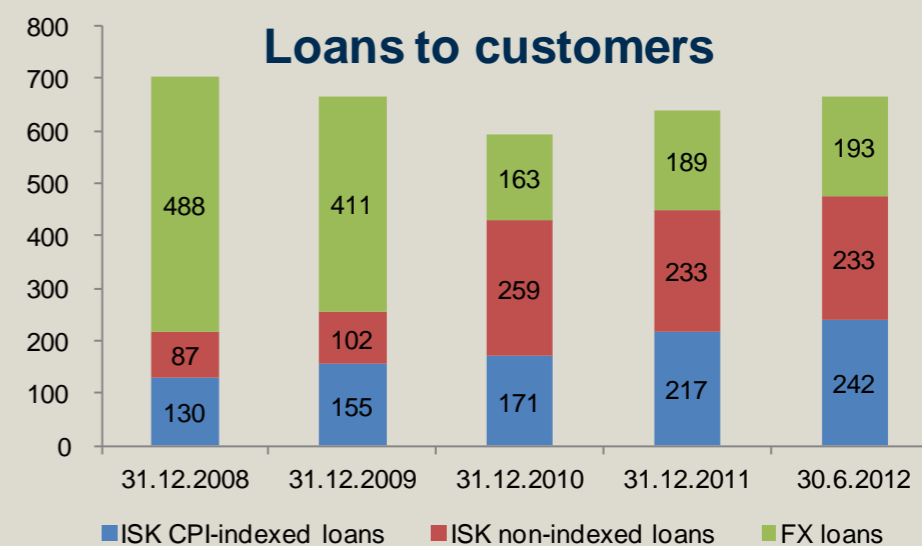
# CPI indexation balance

Book value	30.6.2012	31.12.2011	31.12.2010	31.12.2009	31.12.2008
<b>Assets</b>					
Bonds and debt instruments	8,249	10,812	8,119	5,438	10,117
Loans and advances to customers	241,589	217,131	171,017	154,823	130,048
<b>Total</b>	<b>249,838</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	-98,010	-97,127	-82,215	-84,725	-85,127
Short positions	-422	-924	-595	-1,917	0
<b>Total</b>	<b>-98,462</b>	<b>-98,174</b>	<b>-83,231</b>	<b>-87,083</b>	<b>-85,136</b>
Total on-balance sheet position	151,376	129,769	95,905	73,178	55,029
Total off-balance sheet position	-745	-811	-1,264	-1,366	-1,217
<b>Total CPI indexation balance</b>	<b>150,631</b>	<b>128,958</b>	<b>94,641</b>	<b>71,812</b>	<b>53,812</b>

Loans	30.6.2012	31.12.2011	31.12.2010	31.12.2009	31.12.2008
FX loans	192,772	188,790	163,084	410,675	488,264
ISK non-indexed loans	232,529	233,209	258,853	101,624	86,870
ISK CPI-indexed loans	241,589	217,131	171,017	154,823	130,048
<b>Total</b>	<b>666,890</b>	<b>639,130</b>	<b>592,954</b>	<b>667,122</b>	<b>705,182</b>

Loans - individuals and corporations					
Individuals	30.6.2012	31.12.2011	31.12.2010	31.12.2009	31.12.2008
FX loans	1,875	3,641	4,309	61,240	73,228
ISK non-indexed loans	85,353	77,698	77,559	27,232	24,409
ISK CPI-indexed loans	102,513	92,638	90,486	83,062	76,715
<b>Total</b>	<b>189,741</b>	<b>173,977</b>	<b>172,354</b>	<b>171,534</b>	<b>174,352</b>

Corporations	30.6.2012	31.12.2011	31.12.2010	31.12.2009	31.12.2008
FX loans	190,897	185,149	158,775	349,435	415,036
ISK non-indexed loans	147,176	155,511	181,294	74,392	62,461
ISK CPI-indexed loans	139,076	124,493	80,531	71,761	53,333
<b>Total</b>	<b>477,149</b>	<b>465,153</b>	<b>420,600</b>	<b>495,588</b>	<b>530,830</b>



# Net Adjustments in Valuation

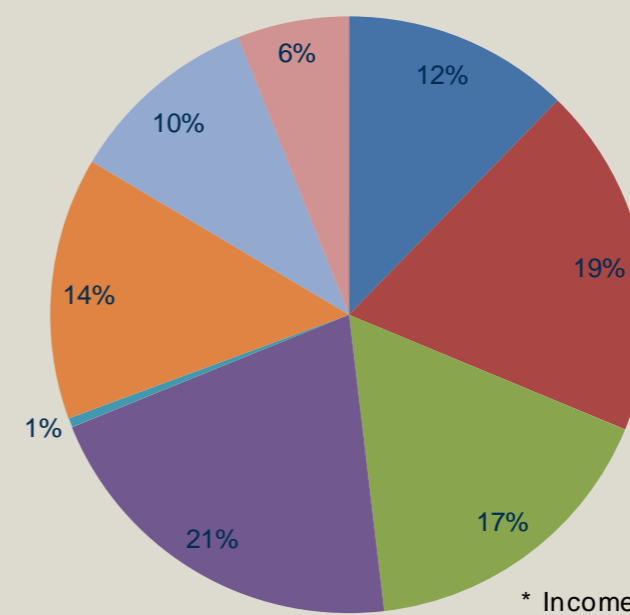
Net adjustments in valuation	H1 2012	2011	2010	2009	Total 2009-2012	Q2 2012	Q1 2012
Corporates	5,632	25,649	23,394	11,364	66,039	-1,898	7,530
Individuals	-899	-14,920	-6,485	5,831	-16,473	357	-1,256
	4,733	10,729	16,909	17,195	49,566	-1,541	6,274
LBI share	-8,198	-34,316	-16,269	-10,241	-69,024	-2,251	-5,947
Net effect on Landsbanki	-3,465	-23,587	641	6,954	-19,458	-3,792	327



# Net fee and commission income

	H1 2012	H1 2011	Change		Q2 2012	Q1 2012
<b>Fee and commission income</b>						
Investment banking and cap markets	520	787	-267	-34%	233	287
Asset management	542	443	99	22%	256	286
Lending	480	452	28	6%	239	241
Cards	745	649	96	15%	376	369
Interbank clearing	515	470	45	10%	264	251
Collection and payment services	405	377	28	7%	206	199
Foreign trade	297	225	72	32%	168	129
Other commissions and fees	172	195	-23	-12%	94	78
<b>Total</b>	<b>3,676</b>	<b>3,599</b>	<b>77</b>	<b>2%</b>	<b>1,836</b>	<b>1,840</b>
<b>Fee and commission expense</b>						
Investment banking and cap markets	-170	-126	-44	35%	-91	-79
Interbank clearing	-529	-470	-59	13%	-269	-260
Other fees	-885	-787	-98	13%	-386	-499
<b>Total</b>	<b>-1,584</b>	<b>-1,382</b>	<b>-202</b>	<b>15%</b>	<b>-746</b>	<b>-838</b>
<b>Net fee and commission income</b>	<b>2,092</b>	<b>2,217</b>	<b>-125</b>	<b>-6%</b>	<b>1,090</b>	<b>1,002</b>

**Fee and commission income**



\* Income and expenses netted

- Investment banking and cap markets \*
- Asset management
- Lending
- Cards \*
- Interbank clearing \*
- Collection and payment services



# Taxes

	30.6.2012	30.6.2011	Change	
Income tax	1,775	2,079	-304	-15%
Special income tax on financial institutions <sup>1</sup>	502	0	502	
Tax on liabilities of financial institutions <sup>2</sup>	536	220	316	144%
	2,813	2,299	514	22%
Special financial activities tax on salaries <sup>3</sup>	290	0	290	
Samtals	3,103	2,299	804	35%

<sup>1</sup> A 6% additional tax on pre-tax profit over ISK 1,000 million

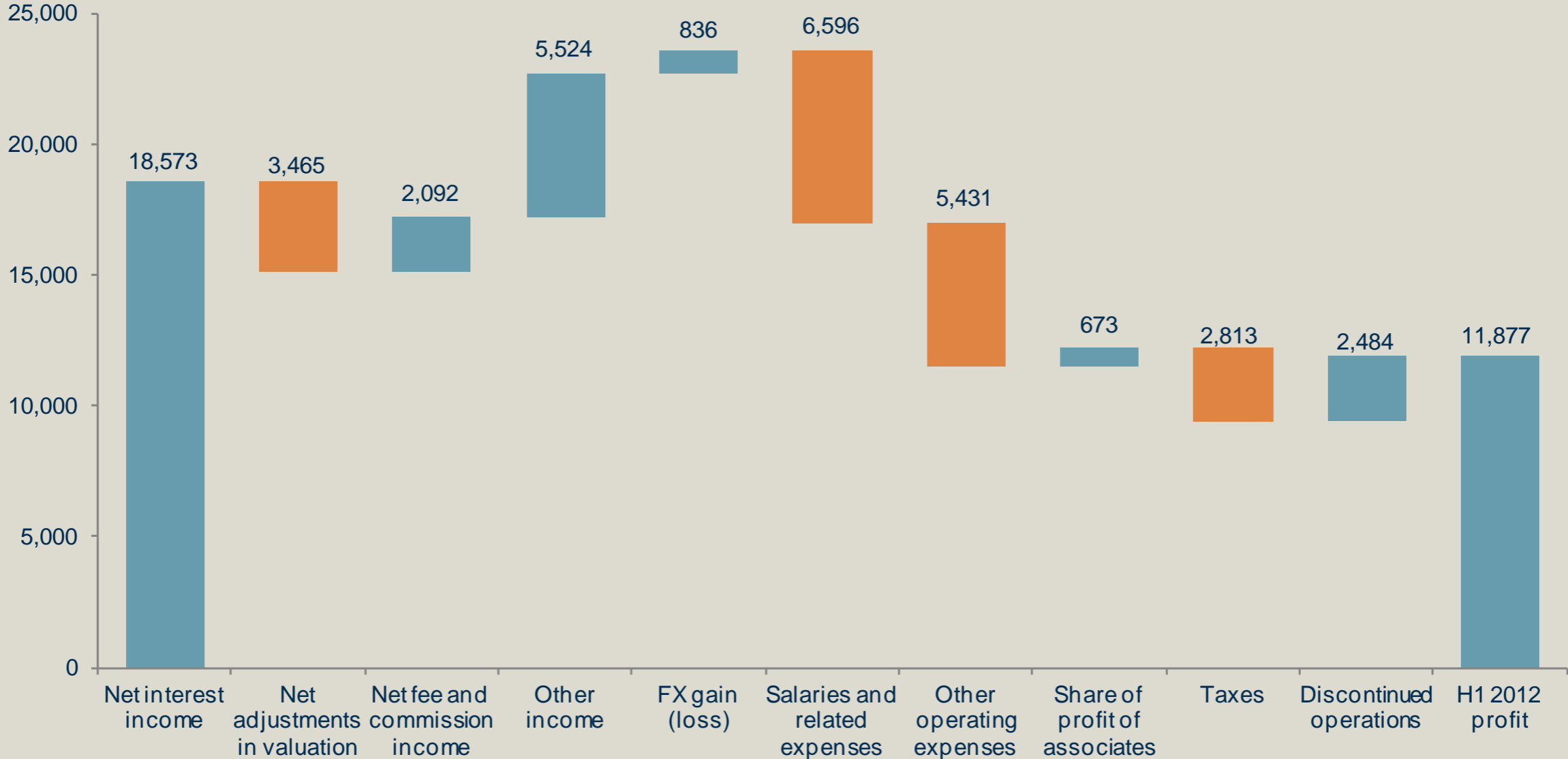
<sup>2</sup> Tax based on book value of end of year liabilities

<sup>3</sup> 5,45% tax on salaries and is expensed in the line item "Salaries and related expenses" in the income statement



# Income Statement

## H1 2012 profit



# Income Statement

## Change from H1 2011 and H1 2012

