

# 2014 Results

Landsbankinn hf.

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CEO

Hreiðar Bjarnason  
CFO

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# Highlights

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## Operations

- » The Bank's after-tax profit in 2014 was ISK 29.7 billion
- » Net interest income amounted to ISK 28.1 bn, down by 18% as compared with 2013
- » Net commission income increased by 10% from the previous year
- » The ratio of interest spread to average capital position fell, was 2.4% in 2014 as compared with 3.1% at year-end 2013
- » After-tax return on equity (ROE) was 12.5% as compared with 12.4% for 2013
- » Operating expenses increase by 7% from the previous year\*
- » The cost-income ratio increases between years, was 56.0% in 2014 as compared with 42.9% in 2013

## Balance sheet

- » Landsbankinn's total assets amounted to ISK 1,098 bn as of the end of 2014
- » Deposits from customers have grown by 21% during the year and lending by 6%
- » The Bank's liquidity position is very strong, both in foreign currency and Icelandic króna
- » The Bank's liquidity ratio was 39% at year-end 2014 as compared with 50% at year-end 2013
- » Loans 90 days in arrears continued to decrease and were 2.3% at the end of December 2014 as compared with 5.3% the previous year
- » The Bank's equity currently amounts to ISK 250.8 bn, growing by ISK 9.4 billion, despite the ISK 20 bn dividend payment to Landsbankinn's owners in Q1
- » The Bank's capital adequacy ratio (CAR) is now 29.5%, up from 26.7% at the end of 2013

\*Comparison adjusted to account for one-off operating expenses in 2013

# Main results

Amounts in ISKm

|  | 2014   | 2013   | Q4 2014 | Q4 2013 |
|--|--------|--------|---------|---------|
| Profit after taxes                             | 29,737 | 28,759 | 9,752   | 6,483   |
| Return on equity after taxes                   | 12.5%  | 12.4%  | 15.9%   | 10.9%   |
| Interest spread as a ratio of av. total assets | 2.4%   | 3.1%   | 2.0%    | 3.5%    |
| Cost-income ratio*                             | 56.0%  | 42.9%  | 57.7%   | 44.8%   |

|                           | 31.12.14  | 31.12.13  | 30.09.14  | 30.06.14  |
|---------------------------|-----------|-----------|-----------|-----------|
| Total assets              | 1,098,370 | 1,151,516 | 1,201,247 | 1,154,598 |
| Loans to customers        | 718,355   | 680,468   | 719,627   | 699,648   |
| Deposits from customers   | 551,435   | 456,662   | 497,583   | 473,356   |
| Capital ratio (CAR)       | 29.5%     | 26.7%     | 27.1%     | 26.8%     |
| Liquidity ratio           | 39%       | 50%       | 49%       | 47%       |
| Liquidity ratio LCR total | 131%      | 102%      | 108%      | 110%      |
| Liquidity ratio LCR FX    | 614%      | 208%      | 222%      | 208%      |
| Net FX position           | 20,320    | 14,457    | 21,086    | 18,514    |
| Arrears (>90 days)        | 2.3%      | 5.3%      | 3.3%      | 4.0%      |
| Full-time eqv. positions  | 1,126     | 1,183     | 1,166     | 1,162     |

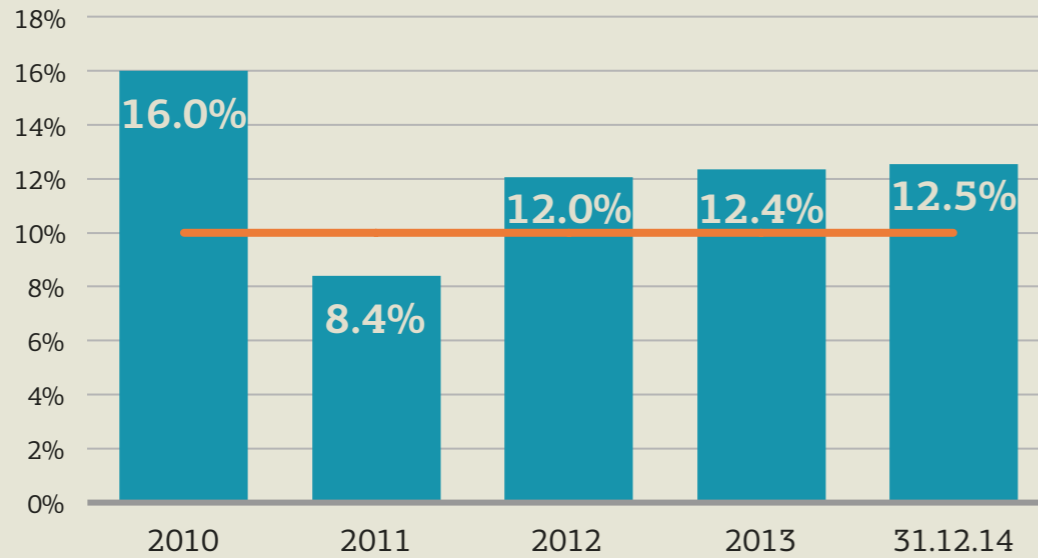
\* **Cost-income ratio** = Total operating expenses less expensed equity-based wage items/(Net operating revenue-value change of lending)

# Development of KPIs

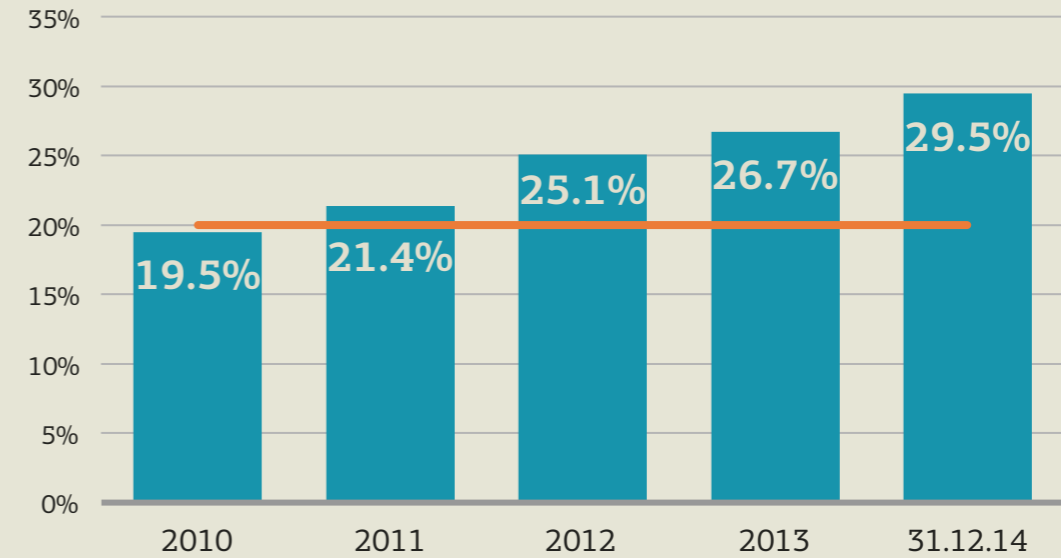
Amounts in ISKm

**Landsbankinn target**

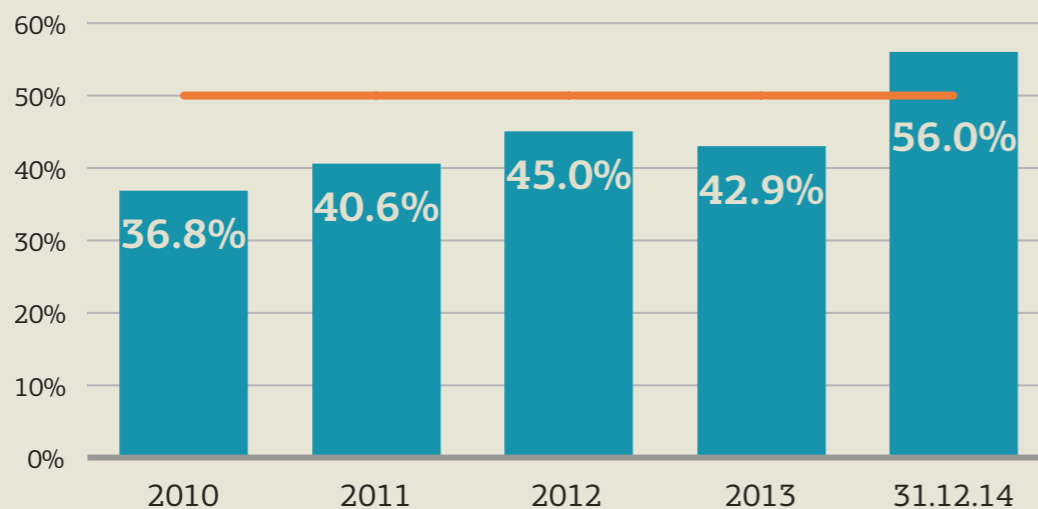
## Return on equity



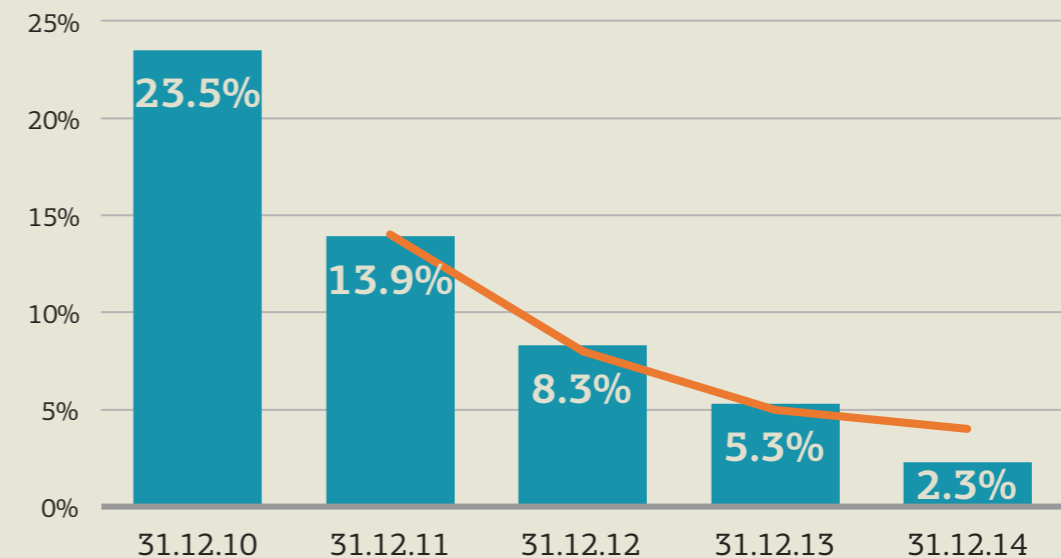
## Capital adequacy ratio (CAR)



## Cost-income ratio excluding valuation adjustments



## Arrears (> 90 days)



2014

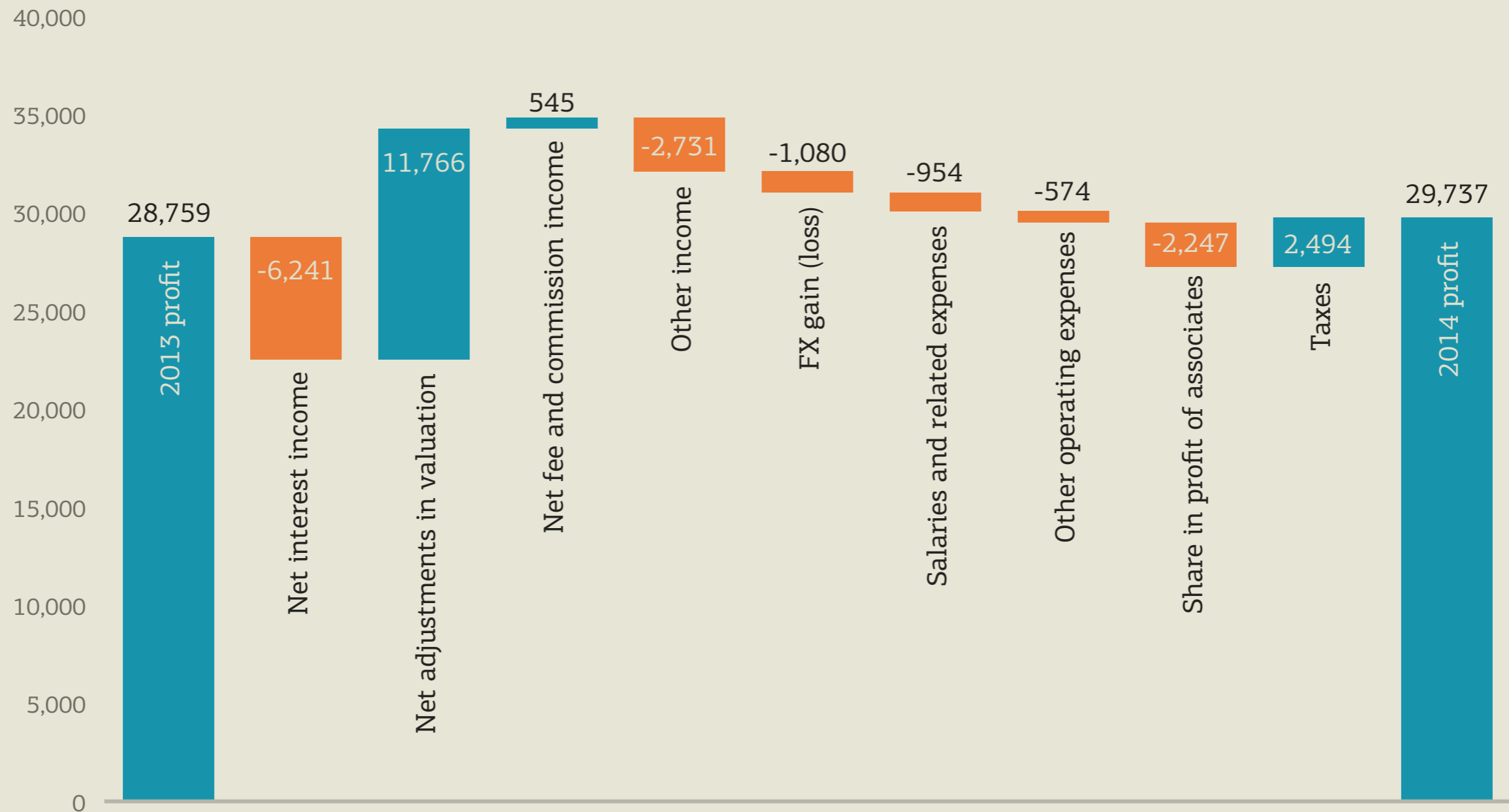
Results

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# Income Statement

Amounts in ISKm

## Change from 2013 to 2014



The figure does not take into account the effect that reception of shares and related costs had on 2013 results as the same amount is entered as both income and expense, nullifying any impact.

# Income Statement

Amounts in ISKm

|  | 2014          | 2013          | Change      | Q4<br>2014    | Q4<br>2013    | Change      |
|--|---------------|---------------|-------------|---------------|---------------|-------------|
| Net interest income  | 28,073        | 34,314        | -18%        | 5,776         | 9,977         | -42%        |
| Net adjustments in valuation                                 | 20,128        | 8,362         | 141%        | 6,101         | 3,932         | 55%         |
| Change in contingent bond - liability to purchase own shares | 0             | 4,691         |             | 0             | 0             |             |
| <b>Net interest income after adjustments in valuation</b>    | <b>48,201</b> | <b>47,367</b> | <b>2%</b>   | <b>11,877</b> | <b>13,909</b> | <b>-15%</b> |
| Net fee and commission income                                | 5,836         | 5,291         | 10%         | 1,640         | 1,180         | 39%         |
| Other net operating income                                   | 9,112         | 12,923        | -29%        | 4,914         | 1,971         | 149%        |
| <b>Total operating income</b>                                | <b>63,149</b> | <b>65,581</b> | <b>-4%</b>  | <b>18,431</b> | <b>17,060</b> | <b>8%</b>   |
| Salaries and related expenses                                | 13,567        | 12,613        | 8%          | 3,805         | 3,508         | 8%          |
| Equity-settled employee share-based salaries                 | 0             | 4,691         |             | 0             | 0             |             |
| Other operating expenses                                     | 10,521        | 9,947         | 6%          | 3,313         | 2,372         | 40%         |
| <b>Total operating expenses</b>                              | <b>24,088</b> | <b>27,251</b> | <b>-12%</b> | <b>7,118</b>  | <b>5,880</b>  | <b>21%</b>  |
| Share in profit of associates, net of income tax             | 465           | 2,712         | -83%        | 125           | 1,585         | -92%        |
| <b>Profit before tax</b>                                     | <b>39,526</b> | <b>41,042</b> | <b>-4%</b>  | <b>11,438</b> | <b>12,765</b> | <b>-10%</b> |
| Income tax expense   | 9,789         | 12,283        | -20%        | 1,686         | 6,282         | -73%        |
| <b>Profit for the period</b>                                 | <b>29,737</b> | <b>28,759</b> | <b>3%</b>   | <b>9,752</b>  | <b>6,483</b>  | <b>50%</b>  |

» Net interest income decreases by 18%

» Net commission income increases by 10%

» Other operating income falls by 29% mostly due to lower equity and bond prices

» Valuation adjustments in lending are positive by over ISK 20bn

» Operating costs decreases by 6%

» Wages and related expenses increase by 8% between years due for the most part to contractual increase and costs from termination of employment expensed during the year

» Effective tax rate is 18.7%

# Net interest income and valuation adjustments

Amounts in ISKm

|   | 2014          | 2013          | Change      | Q4 2014       | Q4 2013       | Change      |
|---|---------------|---------------|-------------|---------------|---------------|-------------|
| Interest income   | 53,735        | 63,224        | -15%        | 11,325        | 17,236        | -34%        |
| Interest expense  | -25,662       | -28,910       | -11%        | -5,549        | -7,259        | -24%        |
| <b>Net interest income</b>                                      | <b>28,073</b> | <b>34,314</b> | <b>-18%</b> | <b>5,776</b>  | <b>9,977</b>  | <b>-42%</b> |
| Net adjustments to loans and advances acquired at deep discount | 22,166        | 19,440*       | -14%        | 8,623         | 3,178         | 171%        |
| Net impairment loss on loans                                    | -2,038        | -7,706        | 74%         | -2,522        | 754           | -434%       |
| Change of contingent bond, equity settled employee share        | 0             | 1,319         |             | 0             | 0             |             |
| <b>Net valuation adjustments</b>                                | <b>20,128</b> | <b>13,053</b> | <b>54%</b>  | <b>6,101</b>  | <b>3,932</b>  | <b>55%</b>  |
| <b>Net interest income after net valuation adjustments</b>      | <b>48,201</b> | <b>47,367</b> | <b>2%</b>   | <b>11,877</b> | <b>13,909</b> | <b>-15%</b> |

- » Lower inflation has a deciding influence on decreased interest revenues
- » Valuation adjustment in lending result in ISK 20bn in revenue in 2014, up by 54% between years
- » The Bank's net interest spread decreases to 2.4% in year end 2014, from 3.1% in year end 2013

\*Recognition of equity-settled employee share-based salaries included in the amount



## Net value adjustments after settlement with LBI hf.

Amounts in ISKm

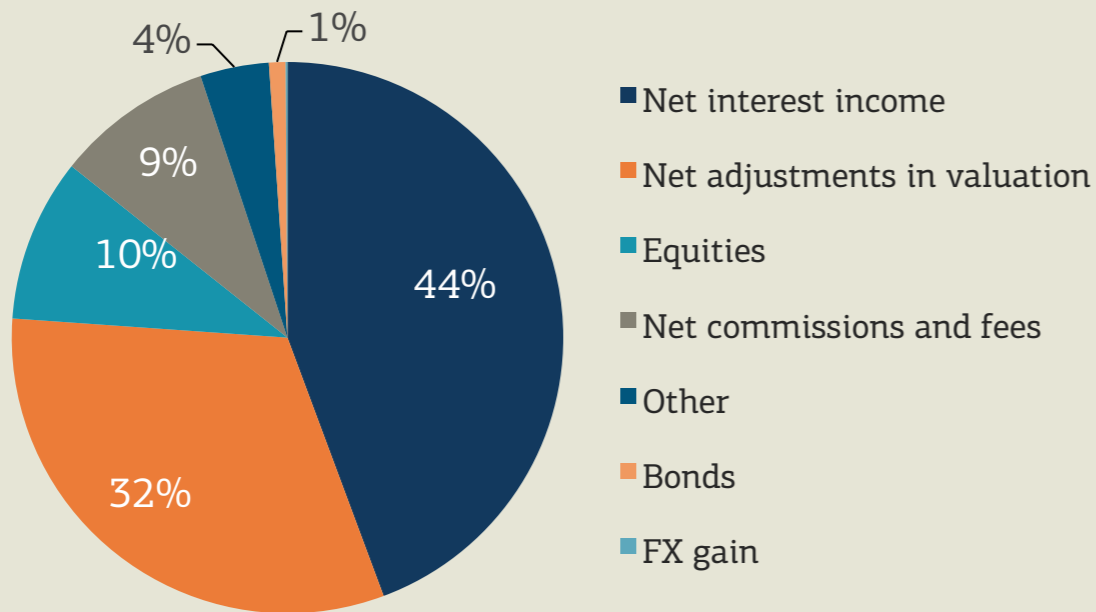
| Net valuation adjustments | 2014          | 2013          | Change       |            | 2009 - 2014   |
|---------------------------|---------------|---------------|--------------|------------|---------------|
| Corporates                | 15,663        | 12,572        | 3,091        | 25%        | 24,749        |
| Individuals               | 4,465         | -838          | 5,303        | 633%       | -12,180       |
|                           | <b>20,128</b> | <b>11,734</b> | <b>8,394</b> | <b>72%</b> | <b>12,569</b> |

- » Net value adjustments of loans to individuals are negative by ISK 12.2 bn from 2009
- » Net value adjustment increase of loans to corporates has been considerable. Large corporates have the greatest impact
- » Since the establishment of the Bank the total net value adjustments have generated profits of ISK 12.6 bn

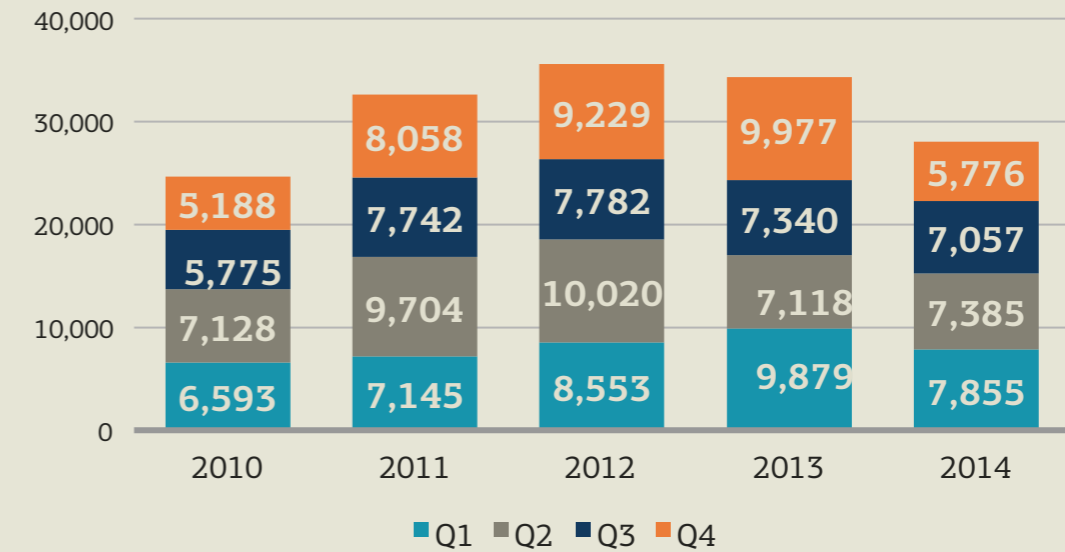
# Net operating income

Amounts in ISKm

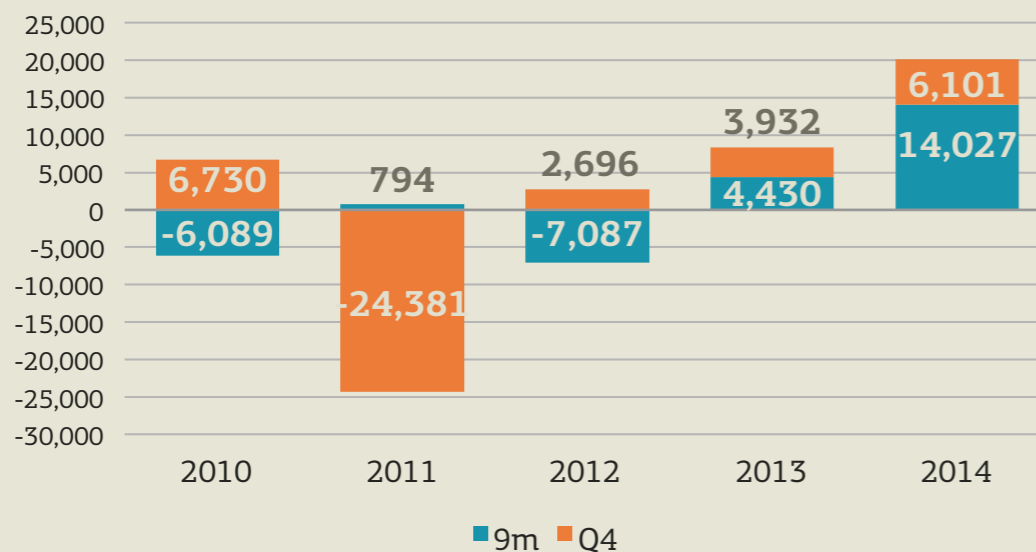
### Income mix



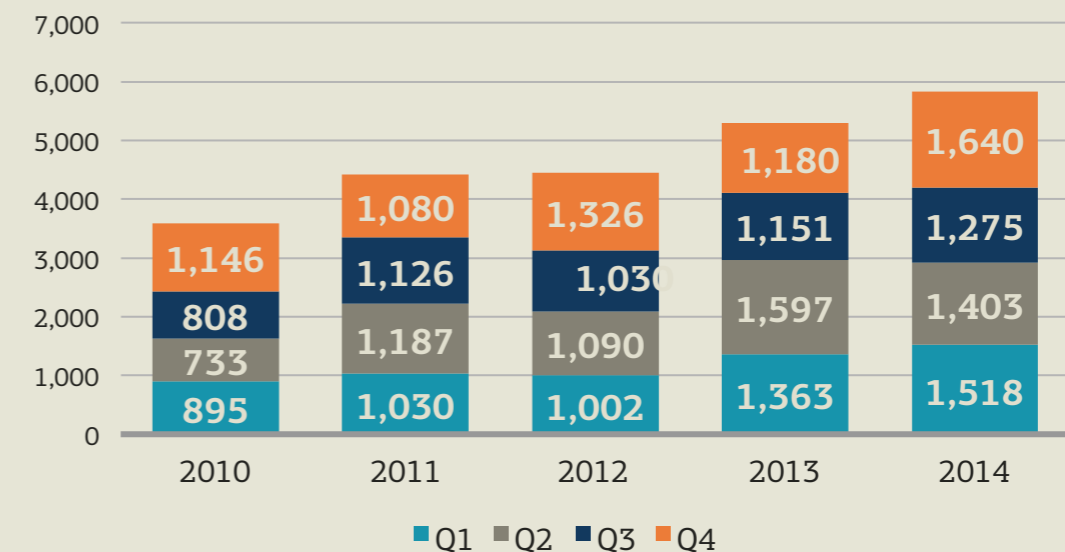
### Net interest income



### Net adjustments in valuation



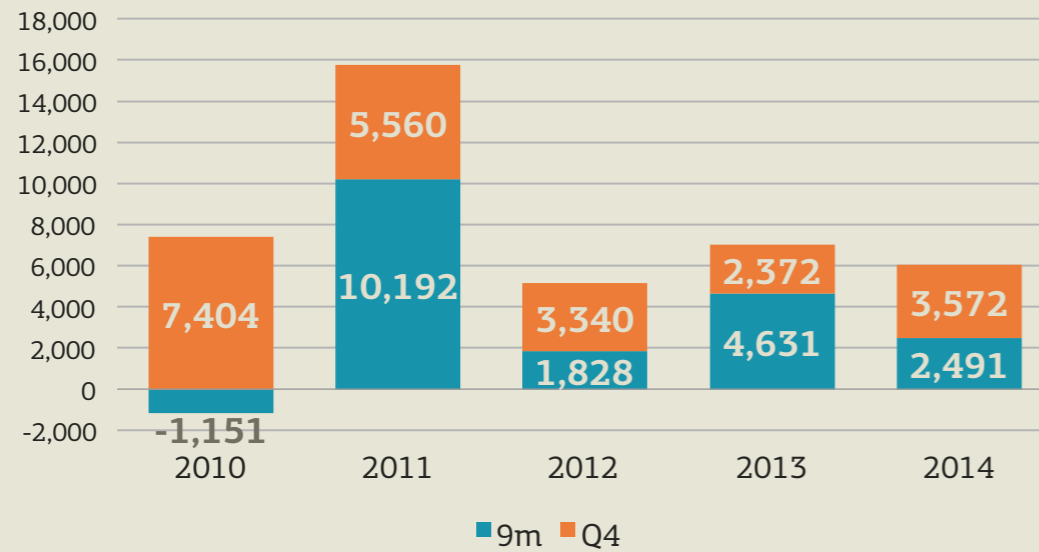
### Net commissions and fees



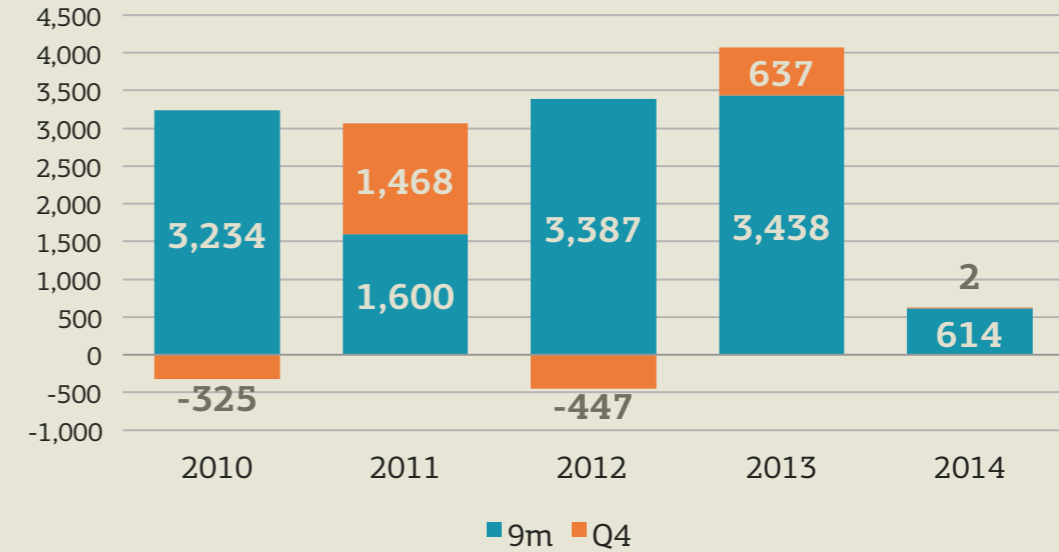
# Net operating income

Amounts in ISKm

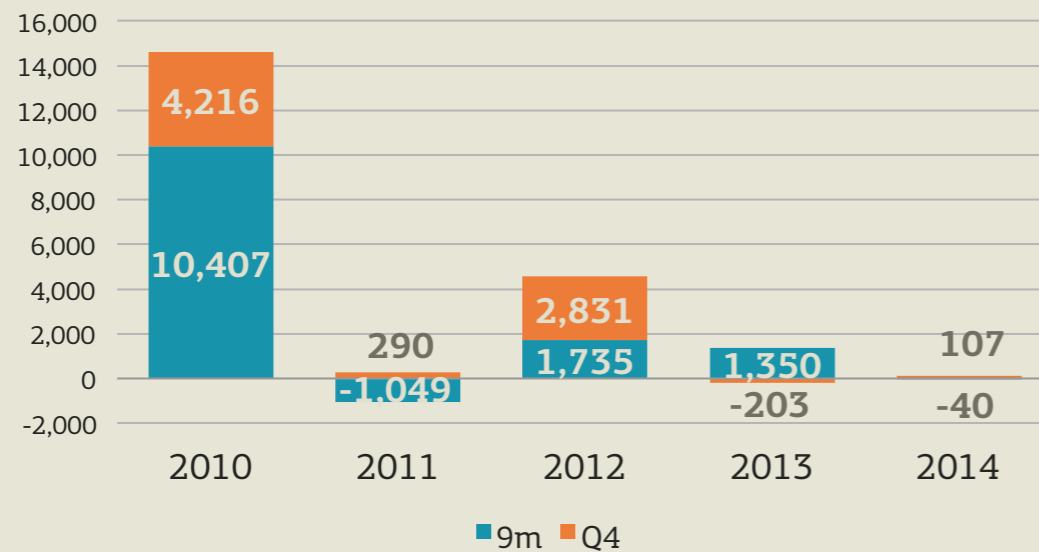
## Equities



## Bonds



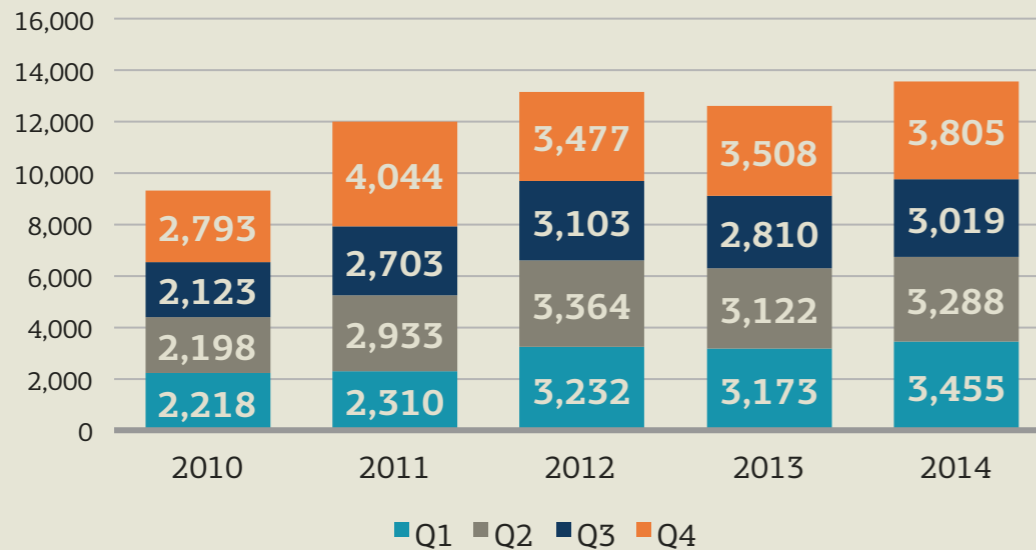
## FX gain



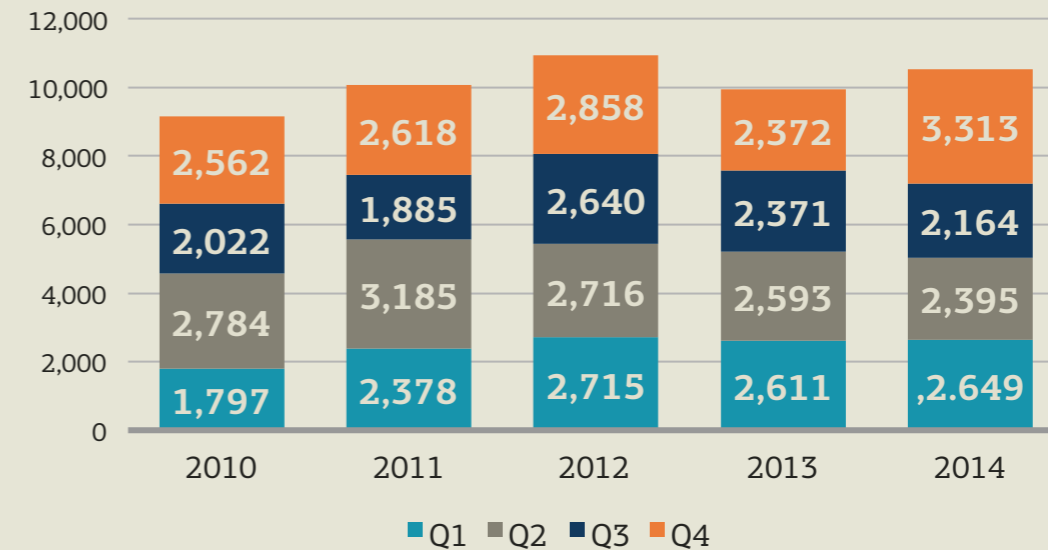
# Operating expenses

Amounts in ISKm

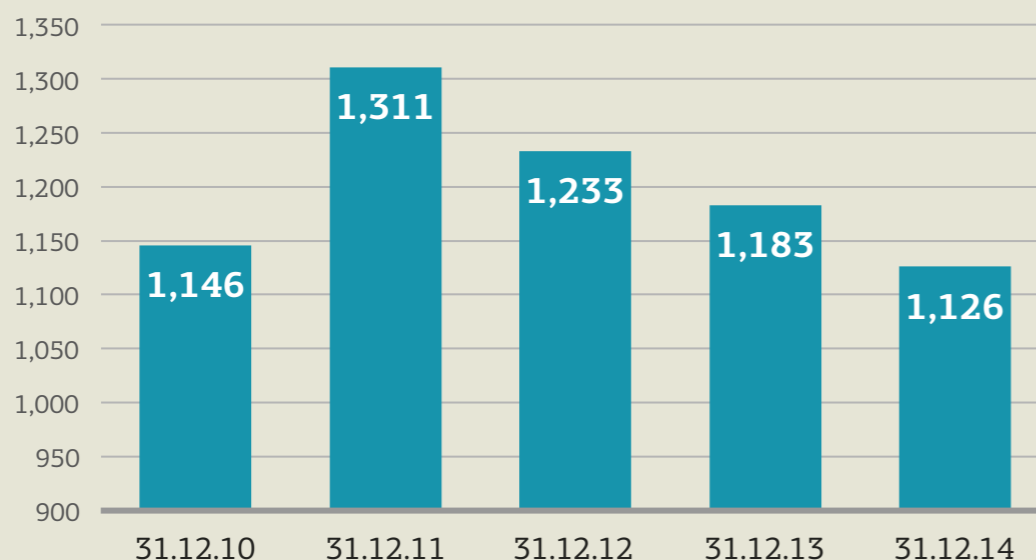
## Salaries and related expenses



## Other operating expenses



## Full time employees



- » The increase in operational cost in Q4 of 2014 is largely due to a ISK 450 million settlement payment, due to a settlement over changes to the payment card market made with the Icelandic Competition Authority by the bank in December.
- » Since 2011, full time equivalent positions have decreased by 185, and the number of branches decreased by 13 during the same time period. The number of branches is now 32.

\*2013 að frátöldu gjaldfærslu vegna hlutabréfatengdra launa

# Taxes

Amounts in ISKm

|   | 2014          | 2013          | Change        |             |
|---|---------------|---------------|---------------|-------------|
| Income tax  | 5,050         | 6,982         | -1,932        | -28%        |
| Special financial activities tax on profits <sup>1</sup>  | 1,771         | 2,018         | -247          | -12%        |
|   | <b>6,821</b>  | <b>9,000</b>  | <b>-2,179</b> | <b>-24%</b> |
| Tax on liabilities of financial institutions <sup>2</sup> | 2,968         | 3,283         | -315          | -10%        |
| Special financial activities tax on salaries <sup>3</sup> | 724           | 938           | -214          | -23%        |
| <b>Total</b>  | <b>10,513</b> | <b>13,221</b> | <b>-2,708</b> | <b>-20%</b> |

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

<sup>2</sup> Special tax on financial institutions is 0.376% levied on the carrying amount of total liabilities at year-end in excess of ISK 50,000 million

<sup>3</sup> 5.5% tax (was 6.75% in 2013) on salaries and is expensed in the line item "Salaries and related expenses" in the income statement

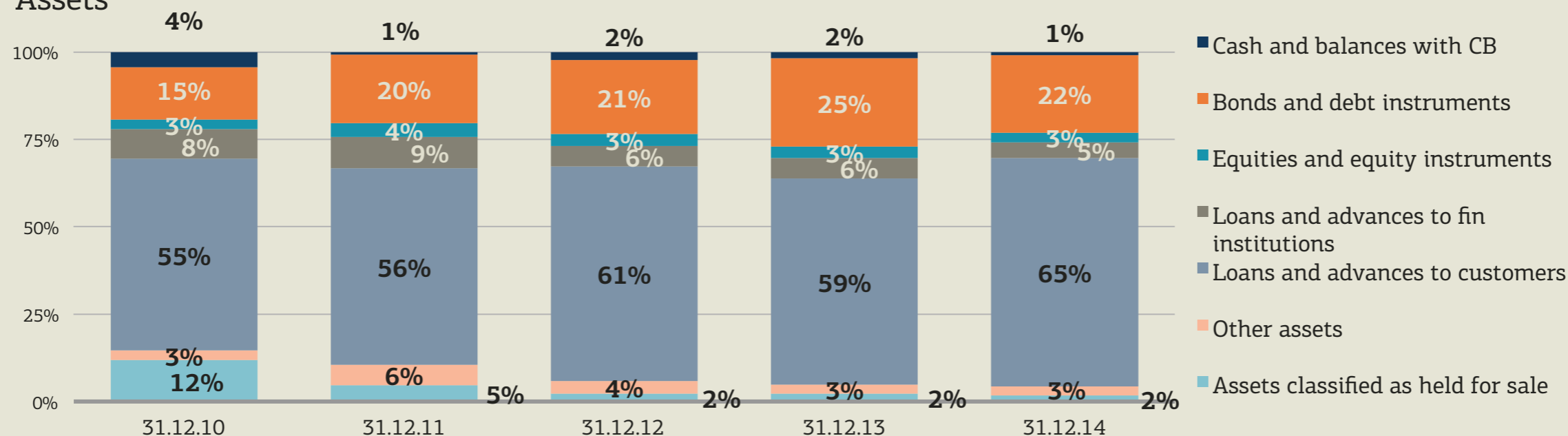
# Balance sheet - assets

Amounts in ISKm

|  | 31.12.14         | 31.12.13         | Change         |            |
|--|------------------|------------------|----------------|------------|
| Cash and balances with CB              | 10,160           | 21,520           | -11,360        | -53%       |
| Bonds and debt instruments             | 243,589          | 290,595          | -47,006        | -16%       |
| Equities and equity instruments        | 29,433           | 36,275           | -6,842         | -19%       |
| Loans and advances to fin institutions | 49,789           | 67,916           | -18,127        | -27%       |
| Loans and advances to customers        | 718,355          | 680,468          | 37,887         | 6%         |
| Other assets                           | 28,832           | 29,719           | -887           | -3%        |
| Assets classified as held for sale     | 18,212           | 25,023           | -6,811         | -27%       |
| <b>Total</b>                           | <b>1,098,370</b> | <b>1,151,516</b> | <b>-53,146</b> | <b>-5%</b> |

- » Lending to customers amounts to ISK 162 bn in the year 2014 yet installments and other factors contribute to a total increase in lending of ISK 38 bn during the period.
- » The Bank's total assets have decreased by ISK 53 bn during the year, partly because the bank's good liquidity in foreign currencies enabled the bank to prepay about ISK 30 billion on its debt to LBI hf.

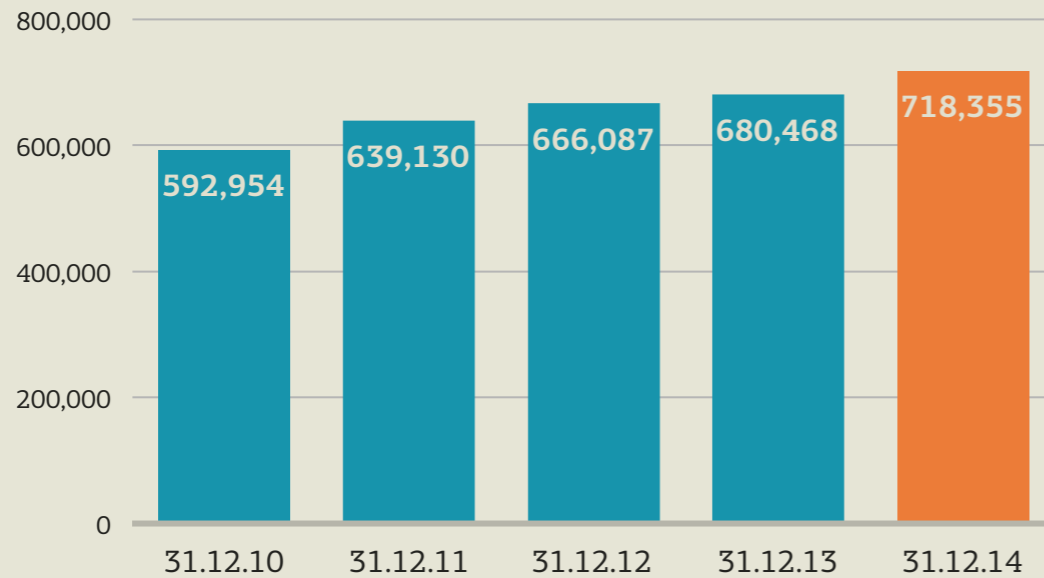
## Assets



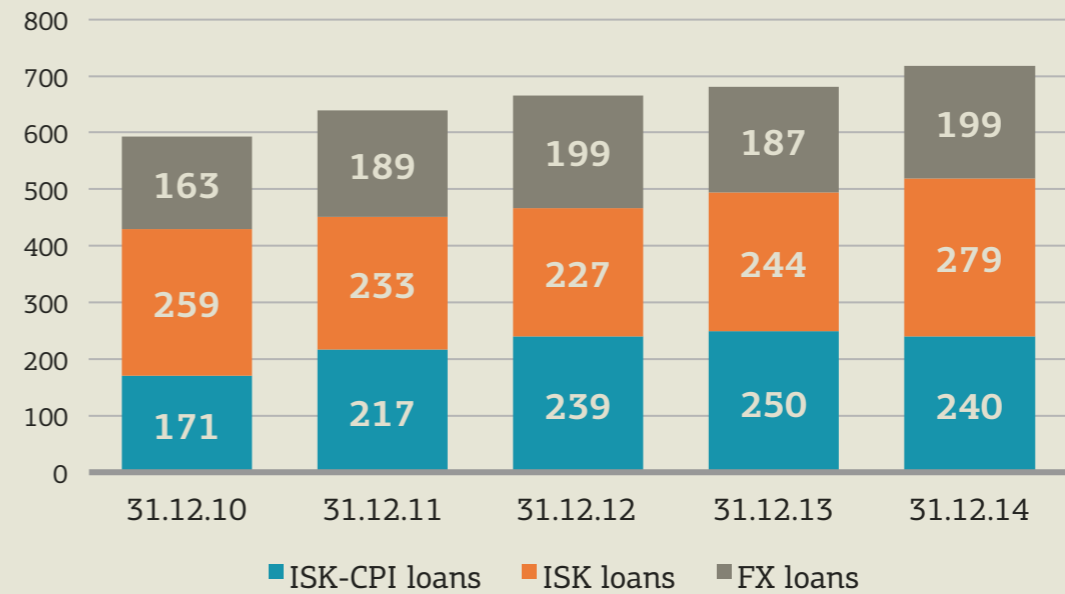
# Balance sheet - loans

Amounts in ISKm

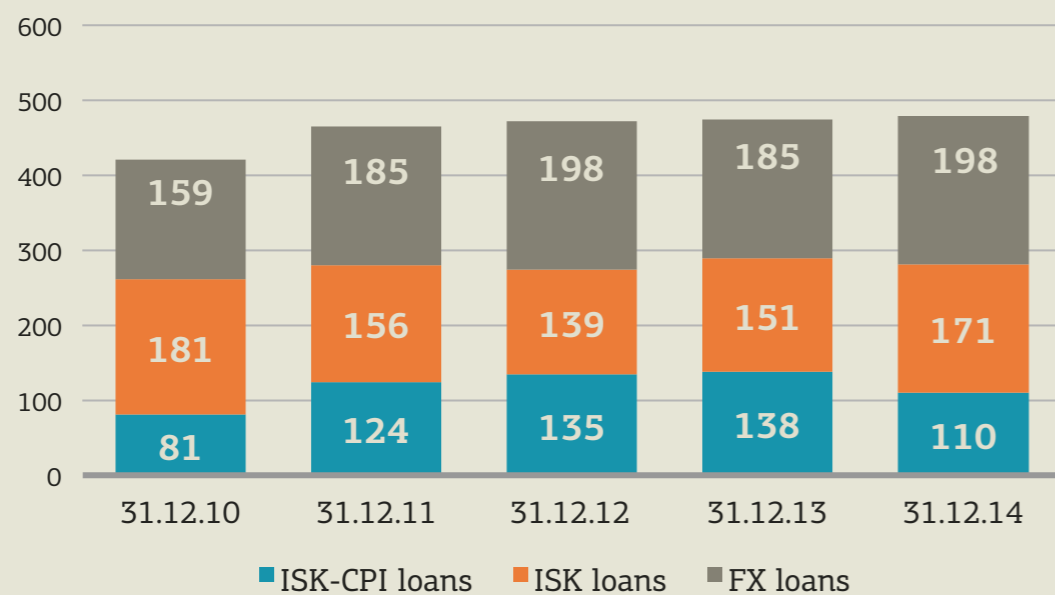
## Loans and advances to customers



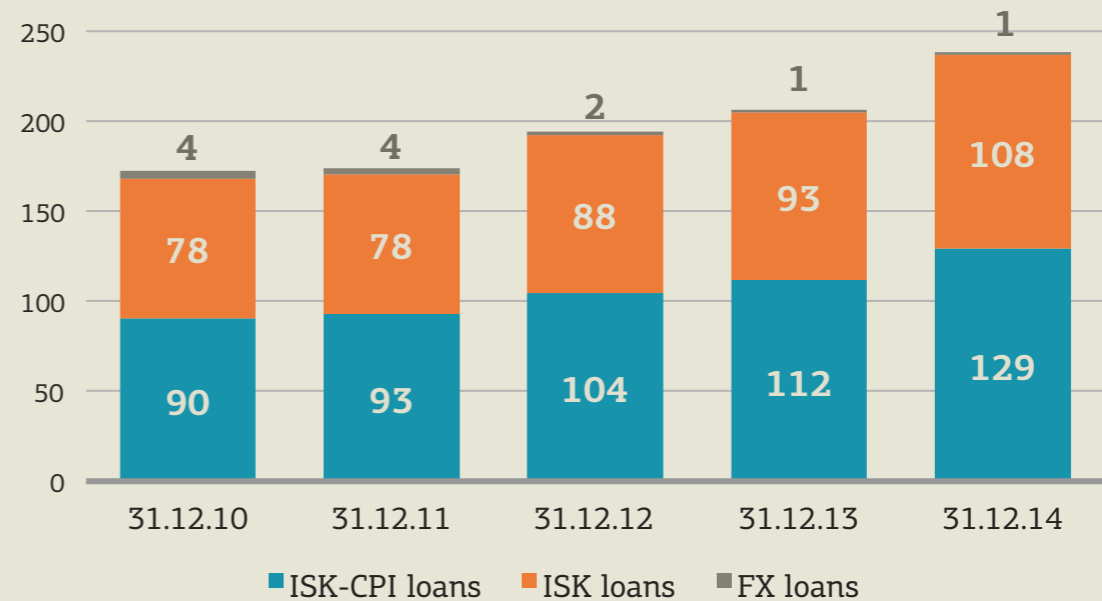
## Loans to customers



## Loans to corporates



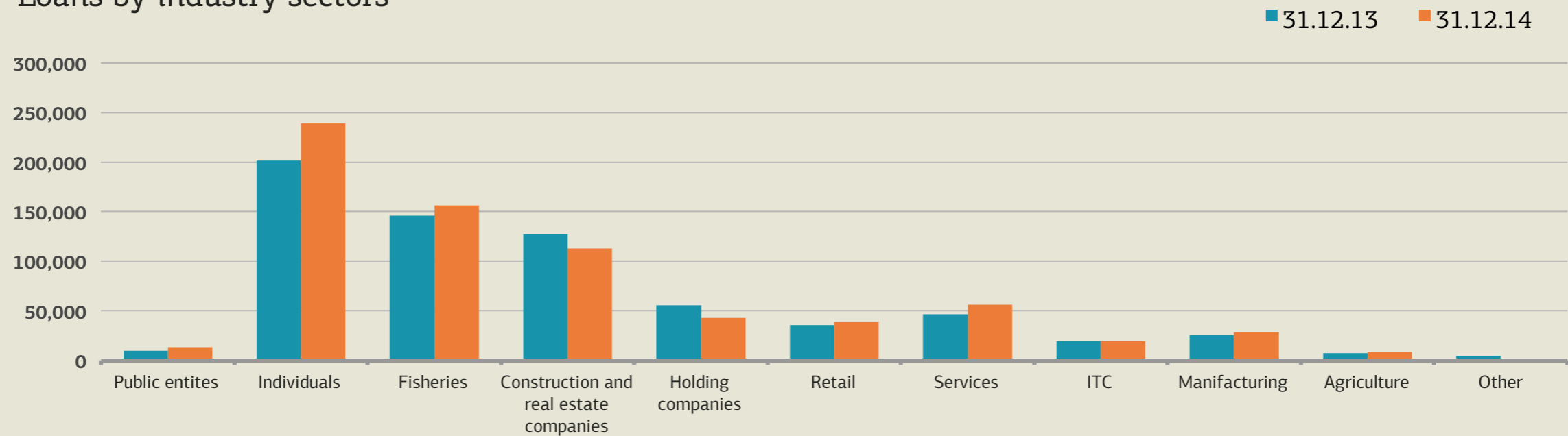
## Loans to individuals



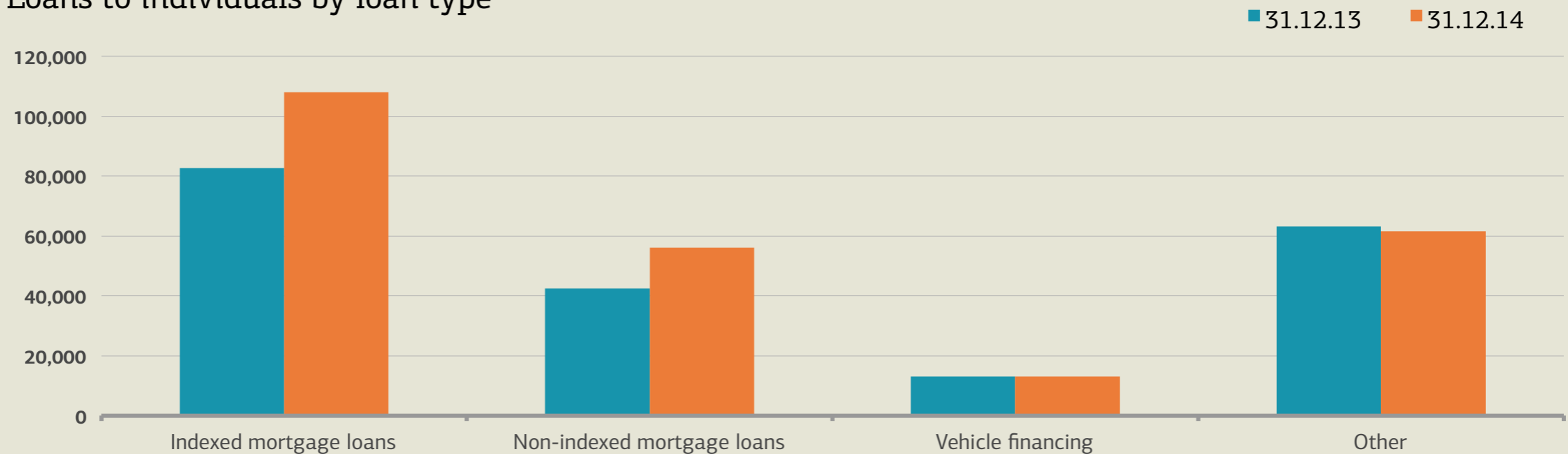
# Balance sheet - loans

Amounts in ISKm

## Loans by industry sectors



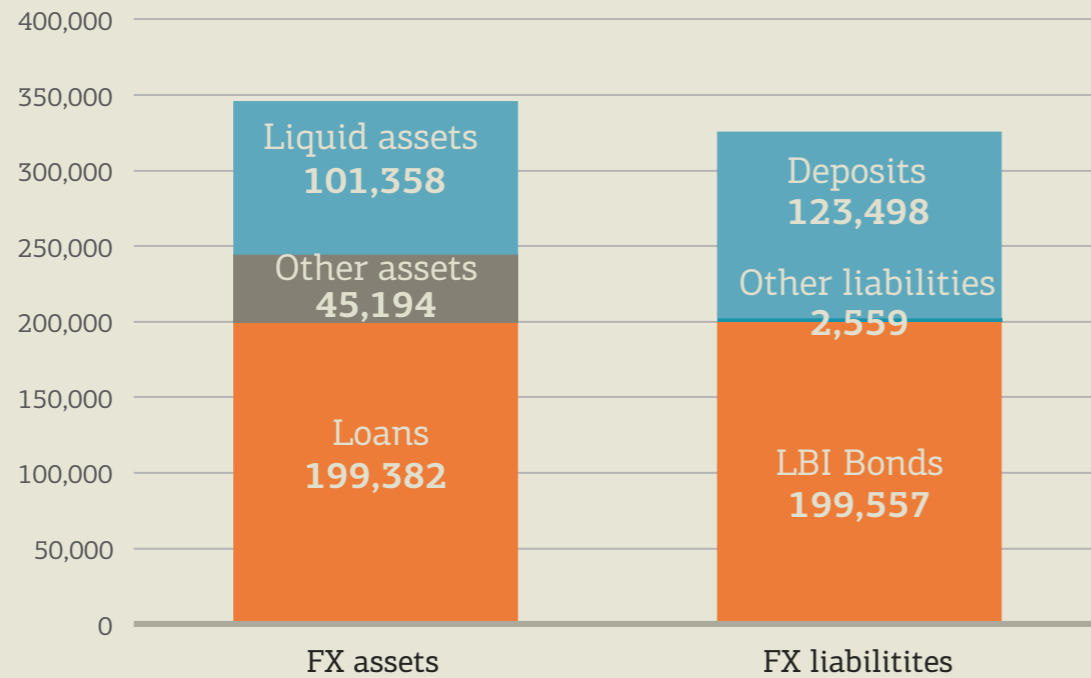
## Loans to individuals by loan type



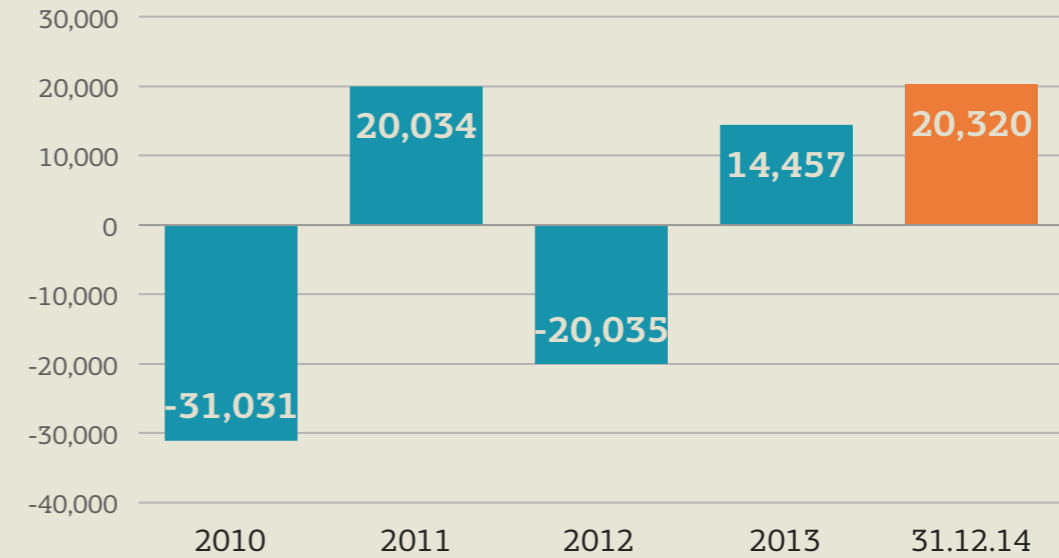


# FX assets and liabilities

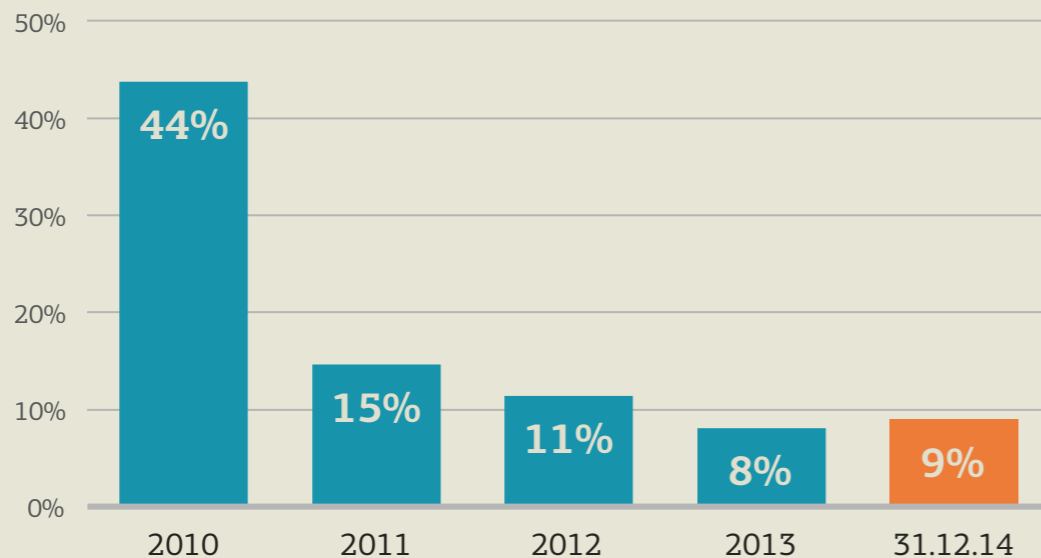
Amounts in ISKm



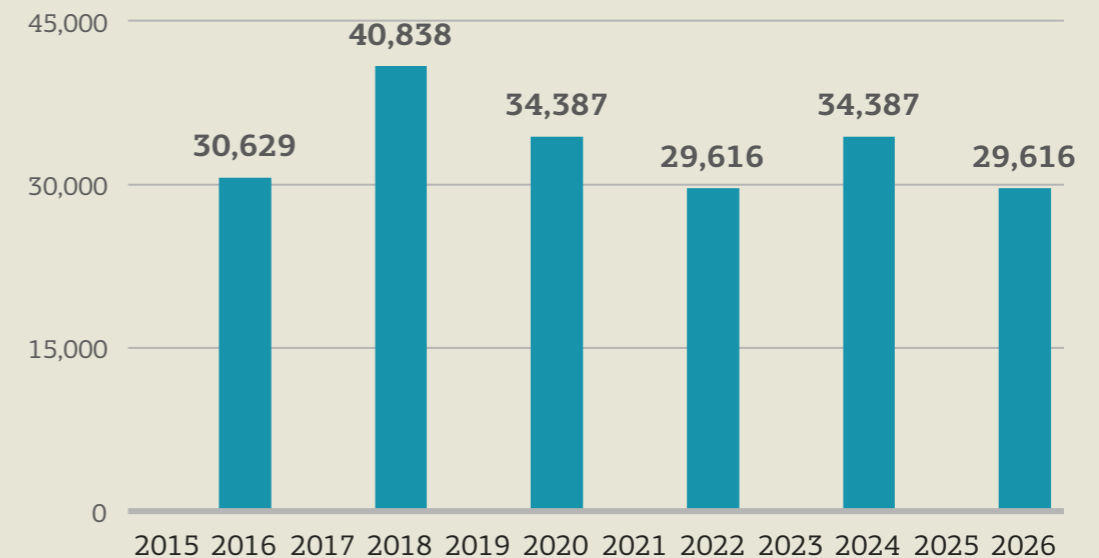
## Net FX balance



## FX risk / risk-weighted assets



## Secured Bonds in FX - Maturity profile

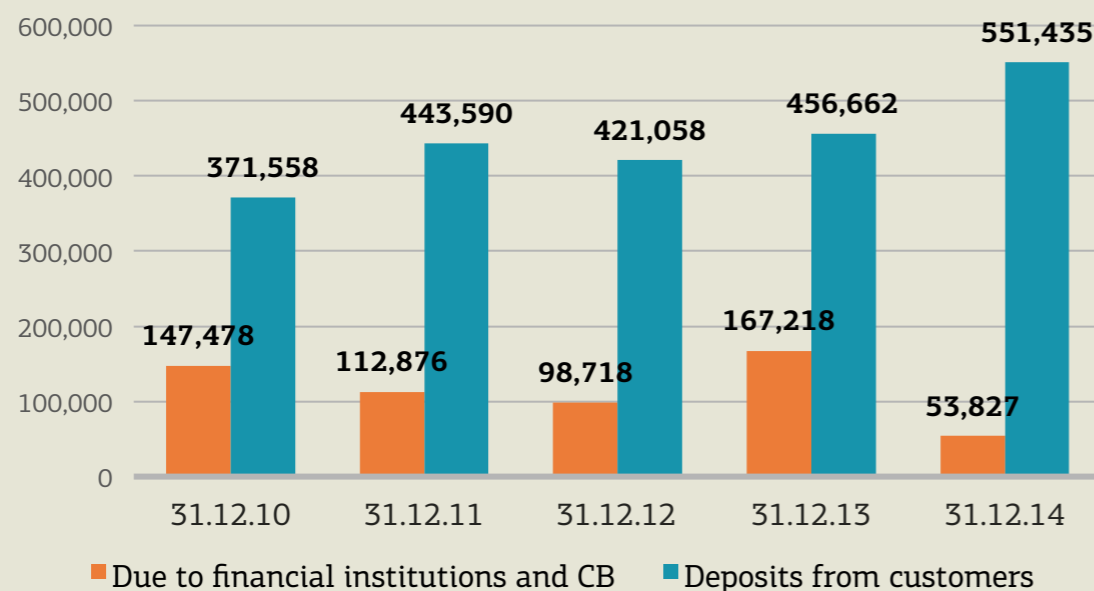


# Balance sheet – liabilities and equity

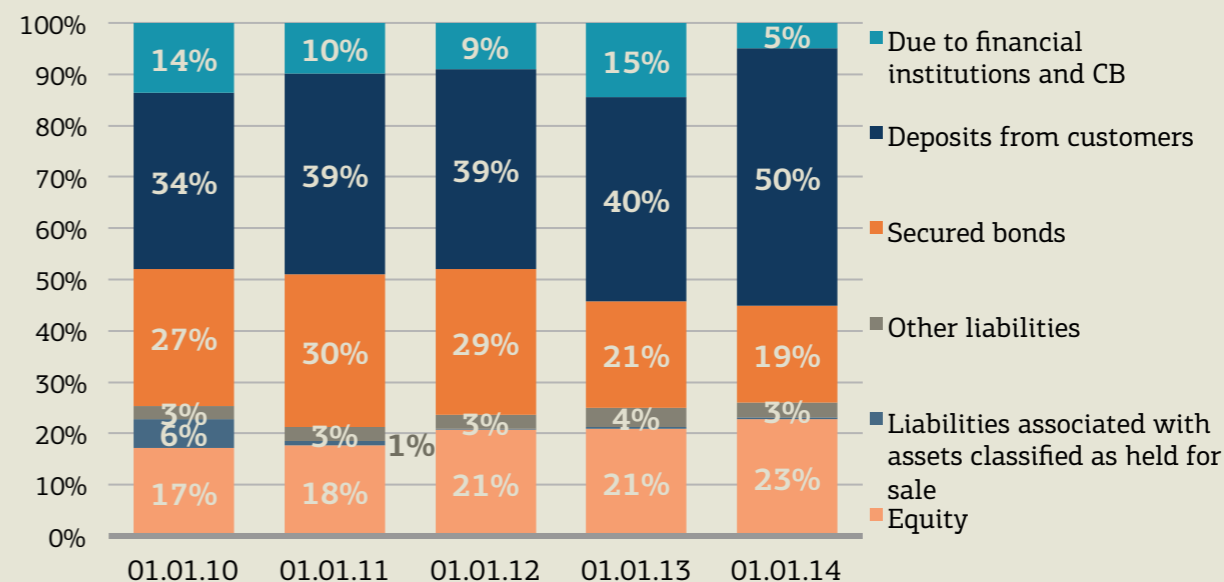
Amounts in ISKm

|                                      | 31.12.14         | 31.12.13         | 2014 change    |            |
|--------------------------------------|------------------|------------------|----------------|------------|
| Due to financial institutions and CB | 53,827           | 167,218          | -113,391       | -68%       |
| Deposits from customers              | 551,435          | 456,662          | 94,773         | 21%        |
| Secured bonds                        | 207,028          | 239,642          | -32,614        | -14%       |
| Other liabilities                    | 35,277           | 46,635           | -11,358        | -24%       |
| Equity                               | 250,803          | 241,359          | 9,444          | 4%         |
| <b>Total</b>                         | <b>1,098,370</b> | <b>1,151,516</b> | <b>-53,146</b> | <b>-5%</b> |

## Deposits



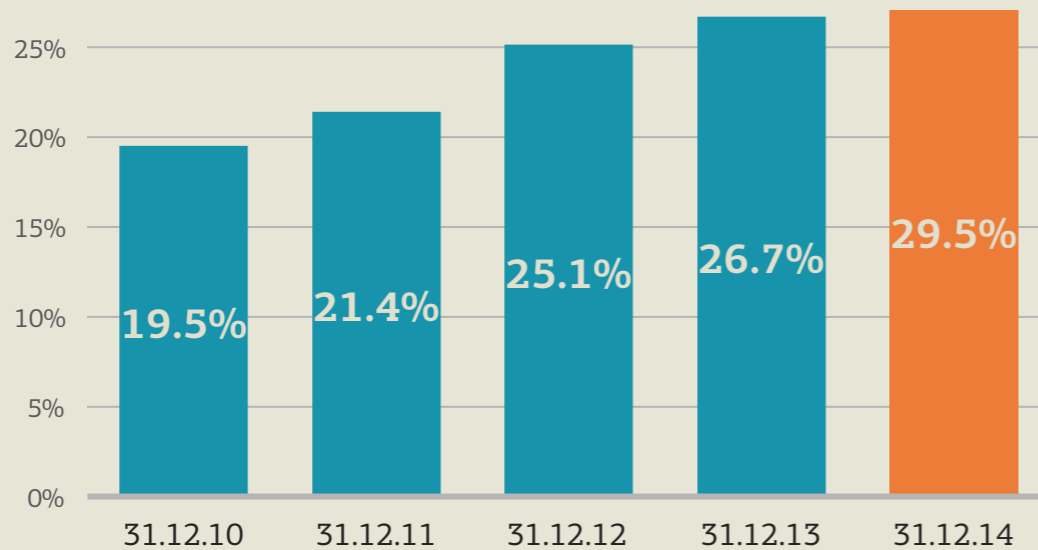
## Liabilities and equity



# Capital ratio and liquid assets

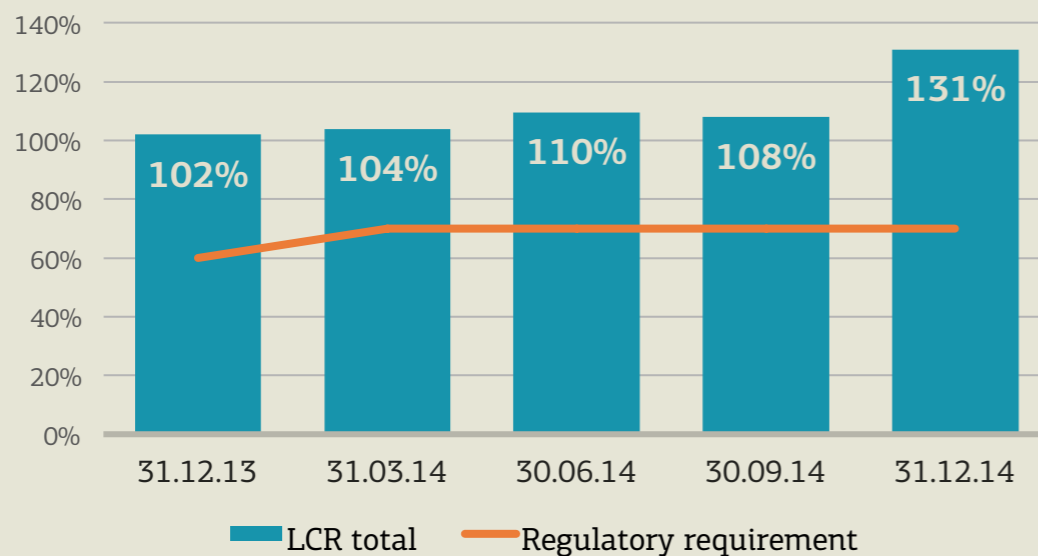
Amounts in ISKm

## Capital adequacy ratio (CAR)

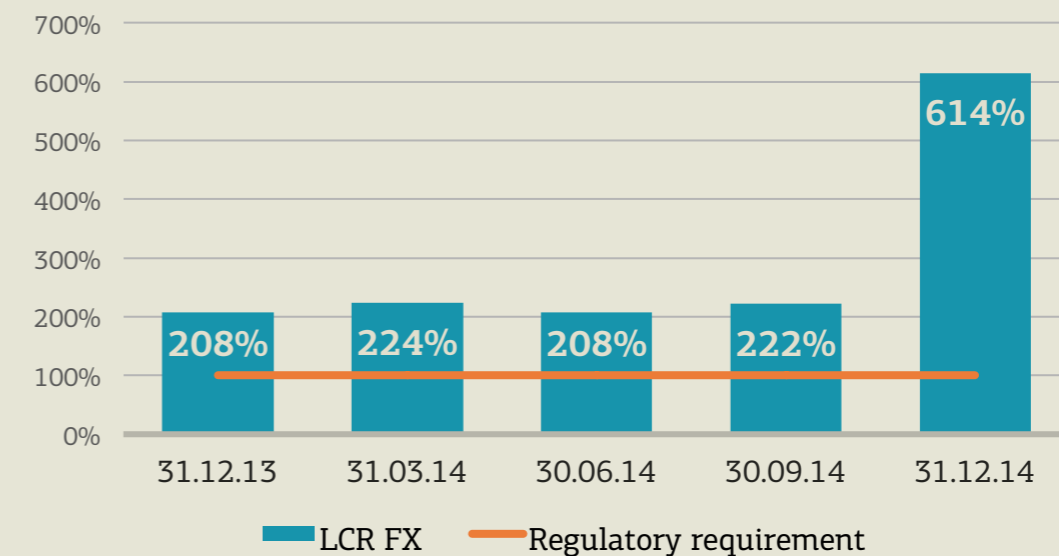


- » The Bank's capital adequacy ratio (CAR) is based solely on Tier 1 capital
- » Growing CAR is attributable to good performance on the one hand and effective risk management on the other
- » The Bank is well above its 20% CAR benchmark

## Liquidity coverage ratio total



## Liquidity coverage ratio FX



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# Other aspects of Landsbankinn's operations

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- » In December 2014, an agreement between Landsbankinn and the Winding-up Board of LBI hf., providing amendments to the terms of settlement bonds as provided for in an agreement from December 2009 became effective.
  - » The main changes include pushing the maturity date of the bonds from 2018 to 2026, abolishing onerous provisions on dividend payments and reducing collateral coverage requirements.
  - » Extending the maturity of the bonds significantly reduces risk to the national balance of payments in coming years and simultaneously increases the possibility of taking effective steps towards the lifting of capital controls.
- » In January 2014, international credit rating agency Standard & Poor's (S&P) gave Landsbankinn a BB+ credit rating and rated its outlook as stable. In October 2014, S&P updated their rating and rated the outlook for Landsbankinn's credit rating as positive. At the same time, the bank's BB+/B long- and short-term ratings were confirmed.
- » In August 2014, the Bank listed a Euro Medium Term Note (EMTN) programme on the Irish Stock Exchange. This EMTN programme enables the Bank to issue notes in the equivalent amount of up to EUR 1,000 million in various currencies and at fixed or floating interest rates. The Bank aims to tap into the EMTN programme in several steps for the purpose of fully discharging the debt owed to LBI hf. by October 2018.
- » Landsbankinn has determined a long-term strategy with input from international advisors. Strategy development focused, amongst other things, on improving service to customers, increasing efficiency by simplifying work processes and reducing costs and optimising the balance sheet.
- » Work on correcting illegal exchange rate indexed loans and implementing solutions according to the government's debt adjustment plan proceeded according to schedule in 2014.

# Annex – further information

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# Key financial ratios

Amounts in ISKm

|  | 2014      | 2013      | 2012      | 2011      | Q4 2014   | Q3 2014   | Q2 2014   | Q1 2014   | Q4 2013   |
|--|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Profit after taxes                                       | 29,737    | 28,759    | 25,494    | 16,957    | 9,752     | 5,107     | 10,590    | 4,288     | 6,483     |
| Return on equity before taxes                            | 16.7%     | 17.6%     | 14.0%     | 8.1%      | 18.6%     | 11.1%     | 25.9%     | 11.2%     | 21.5%     |
| Return on equity after taxes                             | 12.5%     | 12.4%     | 12.0%     | 8.4%      | 15.9%     | 8.6%      | 18.4%     | 7.3%      | 10.9%     |
| Capital ratio (CAR)                                      | 29.5%     | 26.7%     | 25.1%     | 21.4%     | 29.5%     | 27.1%     | 26.8%     | 24.8%     | 26.7%     |
| Net interest income                                      | 28,073    | 34,314    | 35,584    | 32,649    | 5,776     | 7,057     | 7,385     | 7,855     | 9,977     |
| Interest spread as a ratio of average total assets       | 2.4%      | 3.1%      | 3.2%      | 2.9%      | 2.0%      | 2.4%      | 2.6%      | 2.7%      | 3.5%      |
| Cost-income ratio *                                      | 56.0%     | 42.9%     | 45.0%     | 40.6%     | 57.7%     | 56.2%     | 43.7%     | 72.0%     | 44.8%     |
| Liquidity ratio  | 39%       | 50%       | 48%       | 43%       | 39%       | 49%       | 47%       | 49%       | 50%       |
| Liquidity ratio LCR total                                | 131%      | 102%      |           |           | 131%      | 108%      | 110%      | 104%      | 102%      |
| Liquidity ratio LCR FX                                   | 614%      | 208%      |           |           | 614%      | 222%      | 208%      | 224%      | 208%      |
| Operating expenses as a ratio of average total assets ** | 2.1%      | 2.0%      | 2.2%      | 2.0%      | 2.5%      | 1.8%      | 2.0%      | 2.1%      | 2.0%      |
| Total assets   | 1,098,370 | 1,151,516 | 1,084,787 | 1,135,482 | 1,098,370 | 1,201,247 | 1,154,598 | 1,153,804 | 1,151,516 |
| Loans / deposits ratio                                   | 130.3%    | 149.0%    | 158.2%    | 144.1%    | 130.3%    | 144.6%    | 147.8%    | 145.5%    | 149.0%    |
| Full-time eqv. positions                                 | 1,126     | 1,183     | 1,233     | 1,311     | 1,126     | 1,166     | 1,162     | 1,178     | 1,183     |

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

\*\* Excluding equity settled employee share-based payments

# Operations

Amounts in ISKm

|   | 2014          | 2013          | Change        |             | 2012          | 2011          | 2010          |
|---|---------------|---------------|---------------|-------------|---------------|---------------|---------------|
| Net interest income   | 28,073        | 34,314        | -6,241        | -18%        | 35,584        | 32,649        | 24,685        |
| Net valuation adjustments                                     | 20,128        | 8,362         | 11,766        | 141%        | -4,391        | -23,587       | 641           |
| Change in contingent bond - liability to purchase own shares  | 0             | 4,691         | -4,691        |             | 0             | 0             | 0             |
| <b>Net interest income after valuation adjustments</b>        | <b>48,201</b> | <b>47,367</b> | <b>834</b>    | <b>2%</b>   | <b>31,193</b> | <b>9,062</b>  | <b>25,326</b> |
| Net fee and commission income                                 | 5,836         | 5,291         | 545           | 10%         | 4,448         | 4,424         | 3,582         |
| Net foreign exchange gain (loss)                              | 67            | 1,147         | -1,080        | -94%        | 4,566         | -759          | 14,623        |
| Other net operating income                                    | 9,045         | 11,776        | -2,731        | -23%        | 8,934         | 18,017        | 7,318         |
| <b>Total operating income</b>                                 | <b>63,149</b> | <b>65,581</b> | <b>-2,432</b> | <b>-4%</b>  | <b>49,141</b> | <b>30,743</b> | <b>50,849</b> |
| Salaries and related expenses                                 | 13,567        | 12,613        | 954           | 8%          | 13,176        | 11,990        | 9,331         |
| Equity-settled employee share-based salaries                  | 0             | 4,691         | -4,691        |             | 0             | 0             | 0             |
| Other operating expenses                                      | 8,545         | 8,005         | 540           | 7%          | 8,878         | 8,466         | 7,312         |
| Depreciation and amortisation                                 | 942           | 818           | 124           | 15%         | 719           | 771           | 1,311         |
| Contribution to the Depositors' and Investors' Guarantee Fund | 1,034         | 1,079         | -45           | -4%         | 1,042         | 583           | 0             |
| Acquisition-related costs                                     | 0             | 45            | -45           |             | 290           | 245           | 542           |
| <b>Total operating expenses</b>                               | <b>24,088</b> | <b>27,251</b> | <b>-3,163</b> | <b>-12%</b> | <b>24,105</b> | <b>22,055</b> | <b>18,496</b> |
| Share in profit of associates, net of income tax              | 465           | 2,712         | -2,247        | -83%        | 2,449         | 1,418         | 291           |
| <b>Profit before tax</b>                                      | <b>39,526</b> | <b>41,042</b> | <b>-1,516</b> | <b>-4%</b>  | <b>27,485</b> | <b>10,105</b> | <b>32,644</b> |
| Income tax expense  | 9,789         | 12,283        | -2,494        | -20%        | 4,125         | -597          | 8,182         |
| <b>Profit for the period from continuing operations</b>       | <b>29,737</b> | <b>28,759</b> | <b>978</b>    | <b>3%</b>   | <b>23,360</b> | <b>10,703</b> | <b>24,462</b> |
| Profit from disc operations, net of income tax                | 0             | 0             | 0             |             | 2,134         | 6,255         | 2,769         |
| <b>Profit for year</b>  | <b>29,737</b> | <b>28,759</b> | <b>978</b>    | <b>3%</b>   | <b>25,494</b> | <b>16,957</b> | <b>27,231</b> |

# Balance Sheet

Amounts in ISKm

|  | 31.12.14         | 31.12.13         | 2014 change    |            | 31.12.12         | 31.12.11         | 31.12.10         |
|--|------------------|------------------|----------------|------------|------------------|------------------|------------------|
| Cash and balances with CB                                      | 10,160           | 21,520           | -11,360        | -53%       | 25,898           | 8,823            | 47,777           |
| Bonds and debt instruments                                     | 243,589          | 290,595          | -47,006        | -16%       | 228,208          | 221,848          | 161,559          |
| Equities and equity instruments                                | 29,433           | 36,275           | -6,842         | -19%       | 36,881           | 46,037           | 29,429           |
| Loans and advances to fin institutions                         | 49,789           | 67,916           | -18,127        | -27%       | 64,349           | 100,133          | 91,882           |
| Loans and advances to customers                                | 718,355          | 680,468          | 37,887         | 6%         | 666,087          | 639,130          | 592,954          |
| Other assets   | 28,832           | 29,719           | -887           | -3%        | 38,044           | 65,959           | 28,743           |
| Assets classified as held for sale                             | 18,212           | 25,023           | -6,811         | -27%       | 25,320           | 53,552           | 128,789          |
| <b>Total</b>   | <b>1,098,370</b> | <b>1,151,516</b> | <b>-53,146</b> | <b>-5%</b> | <b>1,084,787</b> | <b>1,135,482</b> | <b>1,081,133</b> |
| Due to financial institutions and CB                           | 53,827           | 167,218          | -113,391       | -68%       | 98,718           | 112,876          | 147,478          |
| Deposits from customers  | 551,435          | 456,662          | 94,773         | 21%        | 421,058          | 443,590          | 371,558          |
| Secured bonds  | 207,028          | 239,642          | -32,614        | -14%       | 309,265          | 337,902          | 287,822          |
| Other liabilities  | 32,443           | 42,750           | -10,307        | -24%       | 29,687           | 31,485           | 27,800           |
| Liabilities associated with assets classified as held for sale | 2,834            | 3,885            | -1,051         | -27%       | 893              | 9,385            | 61,609           |
| Equity   | 250,803          | 241,359          | 9,444          | 4%         | 225,166          | 200,244          | 184,866          |
| <b>Total</b>   | <b>1,098,370</b> | <b>1,151,516</b> | <b>-53,146</b> | <b>-5%</b> | <b>1,084,787</b> | <b>1,135,482</b> | <b>1,081,133</b> |



# Segments

Amounts in ISKm

| 2014  | Personal Banking | Corporate Banking | Markets      | Treasury     | Support Functions | Reconciliation | Total         |
|---|------------------|-------------------|--------------|--------------|-------------------|----------------|---------------|
| Net interest income (expense)                                     | 14,820           | 15,704            | 772          | -1,984       | 5                 | -1,244         | 28,073        |
| Net valuation adjustments   | 8,985            | 9,214             | 0            | -54          | 1,983             | 0              | 20,128        |
| Net fee and commission income                                     | 2,785            | 646               | 3,061        | -322         | 83                | -417           | 5,836         |
| Other net operating income  | 440              | -264              | 359          | 9,311        | -1,819            | 1,085          | 9,112         |
| <b>Total operating income (expense)</b>                           | <b>27,030</b>    | <b>25,300</b>     | <b>4,192</b> | <b>6,951</b> | <b>252</b>        | <b>-576</b>    | <b>63,149</b> |
| Operating expenses  | -6,323           | -1,558            | -2,050       | -1,369       | -13,225           | 437            | -24,088       |
| Share in profit of equity-accounted associates, net of income tax | 444              | 0                 | 0            | -45          | 66                | 0              | 465           |
| <b>Profit (loss) before cost allocation and tax</b>               | <b>21,151</b>    | <b>23,742</b>     | <b>2,142</b> | <b>5,537</b> | <b>-12,907</b>    | <b>-139</b>    | <b>39,526</b> |
| Cost allocated from support functions to business segments        | -5,557           | -3,886            | -1,208       | -1,128       | 11,779            | 0              | 0             |
| <b>Profit (loss) before tax</b>                                   | <b>15,594</b>    | <b>19,856</b>     | <b>934</b>   | <b>4,409</b> | <b>-1,128</b>     | <b>-139</b>    | <b>39,526</b> |
| Total assets  | 348,010          | 453,134           | 19,350       | 455,077      | 31,000            | -208,201       | 1,098,370     |
| Total liabilities   | 290,139          | 339,587           | 10,227       | 384,815      | 31,000            | -208,201       | 847,567       |
| Allocated capital   | 57,871           | 113,547           | 9,123        | 70,262       | 0                 | 0              | 250,803       |