



2015 Results

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Highlights

Operations

- The Bank's after-tax profit in 2015 amounted to ISK 36.5 bn, as compared with ISK 29.7 bn in 2014
- Net interest income amounted to ISK 32.3 bn, increasing by 15% as compared with 2014
- Net adjustments in valuation during the year was ISK 18.2 bn, as compared with ISK 20.1 bn in 2014. Net adjustments in valuation in 2015 were due largely to a reversal of past years provisions.
- Net commission income increased by 17% as compared with the previous year due to changes in the payment card market and increased activities of Capital Markets
- Other operating income increases significantly mostly due to higher equity prices, bond prices and correction of profit of sale of associates
- Interest spread as a ratio of assets and liabilities is 2.2% at the end of 2015, as compared with 1.9% at the end of 2014
- After-tax return on equity (ROE) was 14.8% as compared with 12.5% for 2014
- Operating expenses decrease by 1% from the previous year
- The cost-income ratio decreased between periods, was 43.8% for 2015 as compared to 56.0% for 2014. A better income breakdown accounts for the decreasing cost-income ratio year-over-year

Balance sheet

- Landsbankinn's total assets amounted to ISK 1,118.7 bn as of the end of 2015
- Deposits from customers grew by 1.4% during the year and lending by 13%
- The Bank's liquidity position is very strong, both in foreign currency and Icelandic króna
- Loans 90 days in arrears remain unchanged from the beginning of the year, at 1.8%
- Landsbankinn paid just under ISK 24 bn in dividends to its owners in Q1 which lead to a decrease in equity and CAR
- The Bank's equity currently amounts to ISK 264.5 bn and has increased by 5% since the beginning of the year
- The Bank's capital adequacy ratio (CAR) is now 30.4%, down from 29.5% at year-end 2014



Main results

	2015	2014	Q4 2015	Q4 2014
Profit after taxes	36,460	29,737	12,047	9,752
Return on equity after taxes	14.8%	12.5%	18.6%	15.9%
Adjusted return on equity after taxes*	10.6%	7.5%	12.8%	9.2%
Interest spread as a ratio of assets and liabilities	2.2%	1.9%	1.9%	1.5%
Cost-income ratio**	43.8%	56.0%	39.1%	57.7%
	31.12.15	31.12.14	30.09.15	30.06.15
Total assets	1,118,658	1,098,370	1,175,804	1,172,669
Loans to customers	811,549	718,355	807,033	761,290
Deposits from customers	559,051	551,435	624,924	621,023
Equity	264,531	250,803	252,484	239,852
Total capital ratio (CAR)	30.4%	29.5%	29.2%	28.0%
Liquidity ratio NSFR FX	136%	134%	120%	139%
Liquidity ratio LCR total	113%	131%	109%	119%
Liquidity ratio LCR FX	360%	614%	190%	377%
Net FX position	23,795	20,320	22,842	19,446
Arrears (>90 days)	1.8%	2.3%	2.0%	2.3%
Full-time eqv. positions	1,063	1,126	1,092	1,088

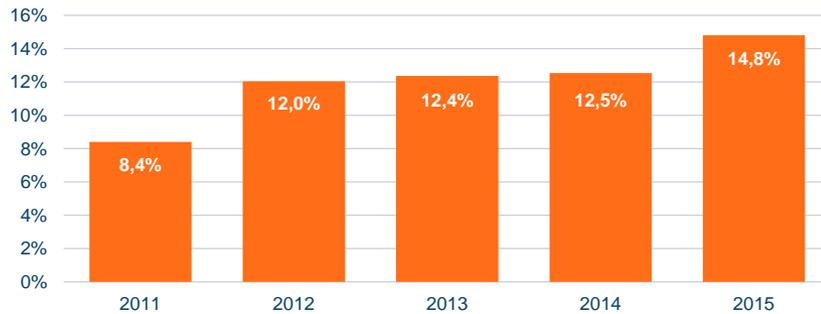
*Adjusted ROE after taxes= (Profit after taxes – positive value adjustments after taxes – tax on total liabilities of financial institutions – profit from discontinued operations after taxes) / average equity position

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

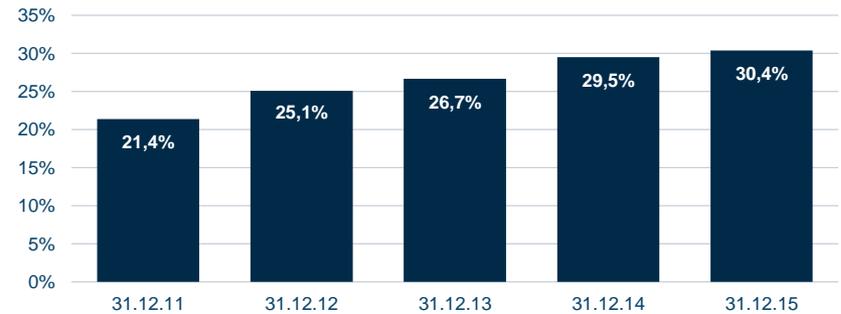


Development of KPIs

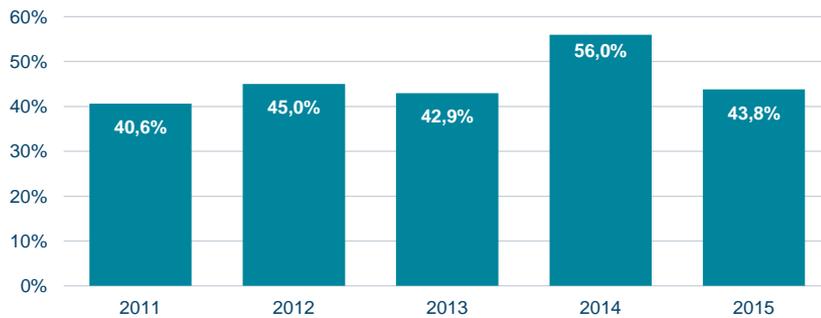
Return on equity



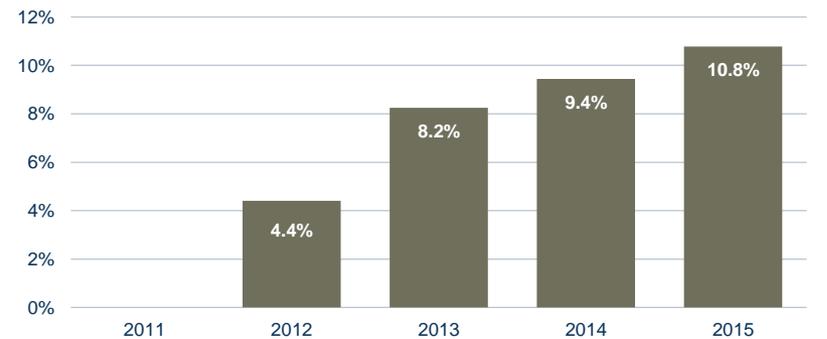
Total capital ratio



Cost-income ratio excluding valuation adjustments



Divident yield*



* 2015 according to a motion for the AGM

Strategy

Vision:

Landsbankinn is to be exemplary

Mission:

The trusted financial partner

Our relationship with customers is based on mutual benefit. We are a trusted financial partner that supports customers towards success. We aim to tailor our services to fit their needs and to operate in harmony with our environment and society. We want our customers to be able to say...

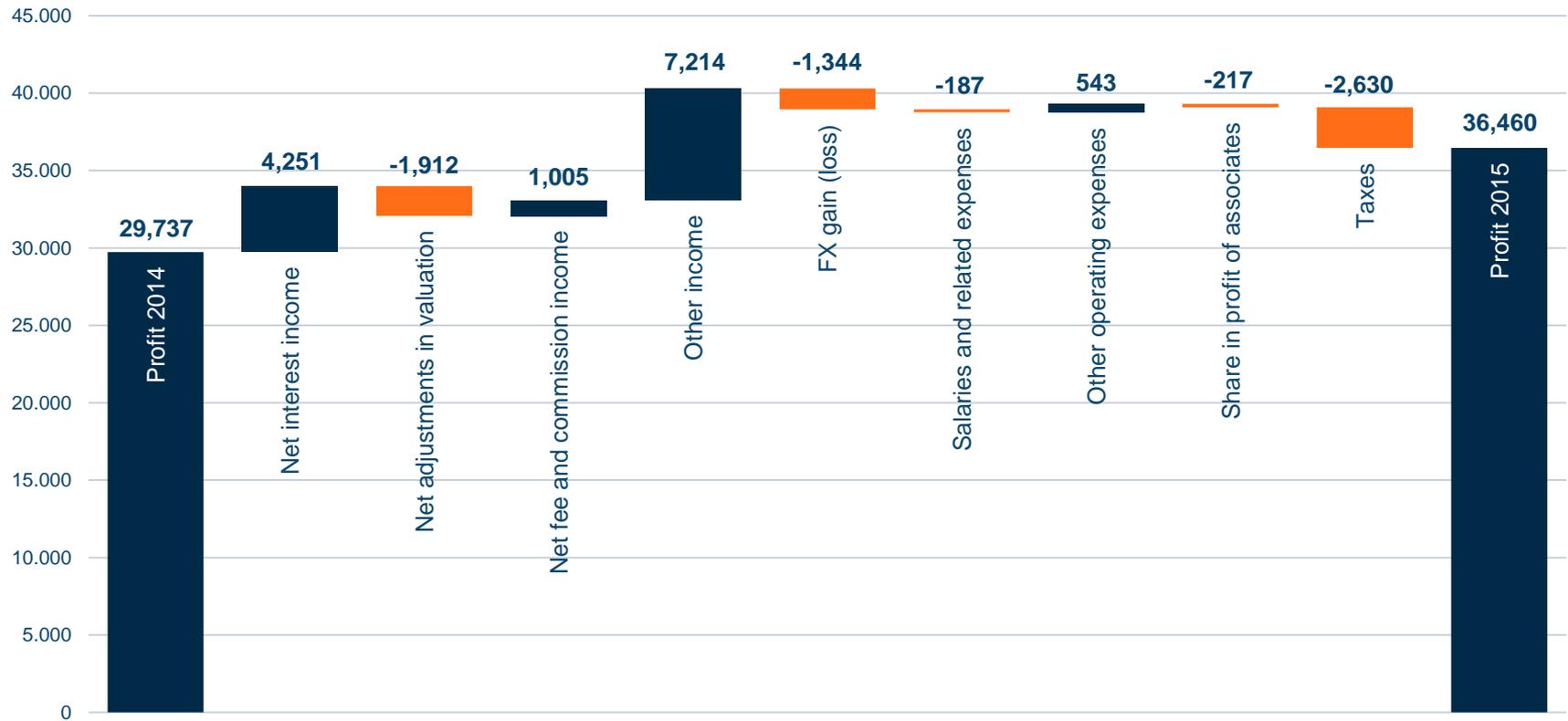
“This is how a bank should be”



2015 Results

Income Statement

Change from 2014 to 2015



Income Statement

	2015	2014	Change	Q4 2015	Q4 2014	Change
Net interest income	32,324	28,073	15%	7,292	5,776	26%
Net adjustments in valuation	18,216	20,128	-9%	5,882	6,101	-4%
Net interest income after adjustments in valuation	50,540	48,201	5%	13,174	11,877	11%
Net fee and commission income	6,841	5,836	17%	1,702	1,640	4%
Other net operating income	14,982	9,112	64%	6,563	4,914	34%
Total operating income	72,363	63,149	15%	21,439	18,431	16%
Salaries and related expenses	13,754	13,567	1%	3,407	3,805	-10%
Other operating expenses	9,978	10,521	-5%	2,674	3,313	-19%
Total operating expenses	23,732	24,088	-1%	6,081	7,118	-15%
Share in profit of associates	248	465	-47%	-9	125	-107%
Profit before tax	48,879	39,526	24%	15,349	11,438	34%
Income tax expense	12,419	9,789	27%	3,302	1,686	96%
Profit for the period	36,460	29,737	23%	12,047	9,752	24%

- Net adjustments in valuation during the year was ISK 18.2 bn, as compared with ISK 20.1 bn in 2014. Net adjustments in valuation in 2015 were due largely to a reversal of past years provisions
- Net commission income increased by 17% as compared with the same period the previous year due to changes in the payment card market and increased activities of Capital Markets
- The significant year-on-year increase in other operating income is largely attributable to increased capital gains on listed bonds and equities and an adjustment of a gain on disposal of an associate
- Effective tax rate is 20.5%



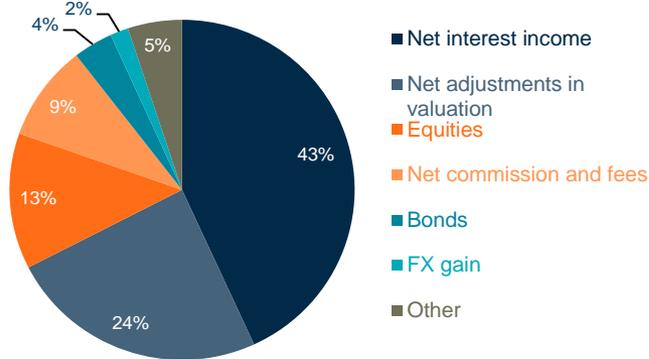
Net interest income and valuation adjustments

	2015	2014	Change	Q4 2015	Q4 2014	Change
Interest income	58,005	53,735	8%	13,329	11,325	18%
Interest expense	-25,681	-25,662	0%	-6,037	-5,549	9%
Net interest income	32,324	28,073	15%	7,292	5,776	26%
Net adjustments to loans and advances acquired at deep discount		20,010			6,467	
Net impairment loss on loans and guarantees	4,440	-2,038	318%	-630	-2,522	75%
Net impairment from foreign currency linkage of loans and advances to customers	13,776	2,156	539%	6,512	2,156	
Net valuation adjustments	18,216	20,128	-9%	5,882	6,101	-4%
Net interest income after net valuation adjustments	50,540	48,201	5%	13,174	11,877	11%



Net operating income

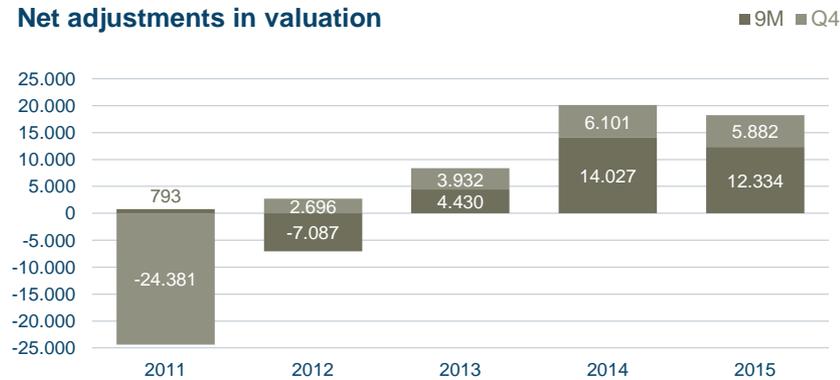
Income mix



Net interest income



Net adjustments in valuation

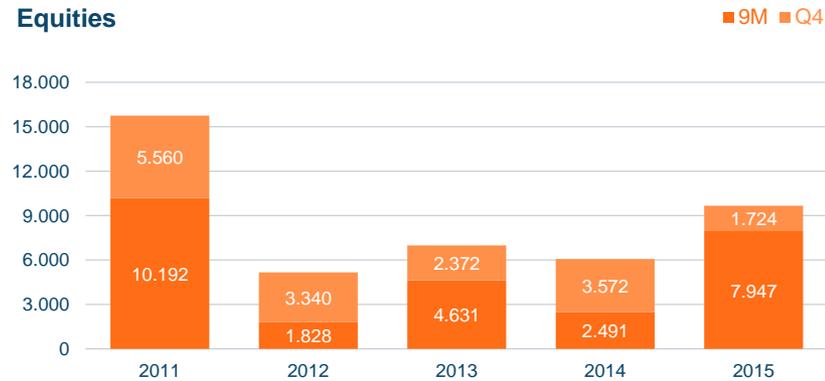


Net commission and fees

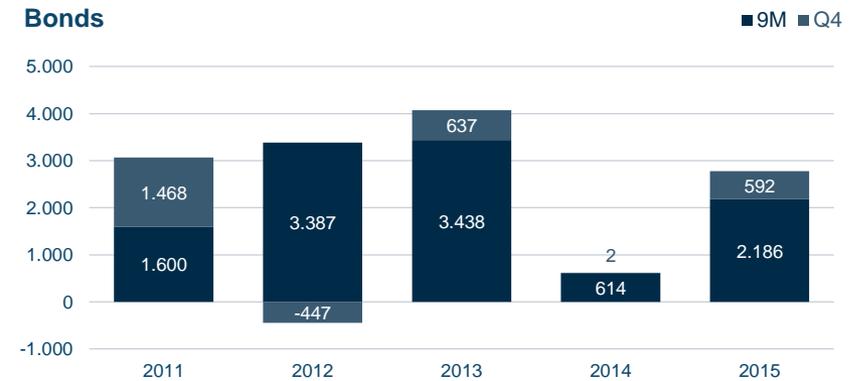


Net operating income

Equities



Bonds

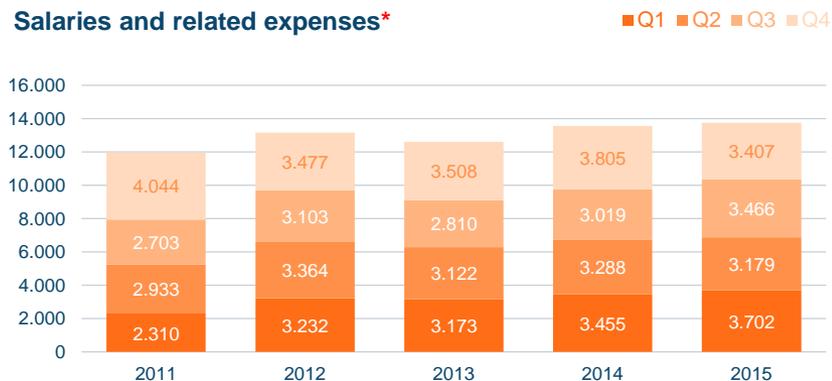


FX gain



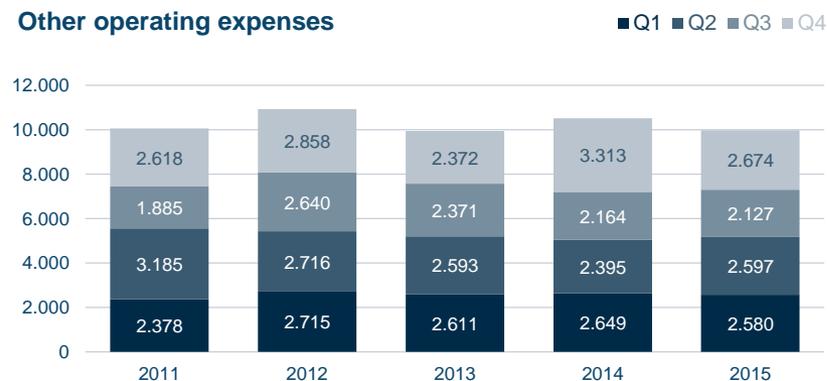
Operating expenses

Salaries and related expenses*

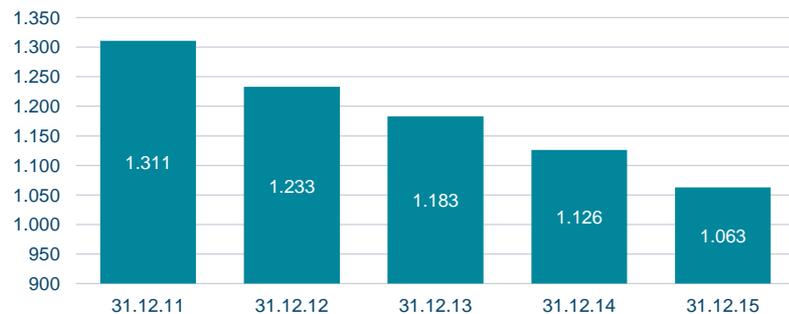


*2013, less expensed equity-based wages

Other operating expenses



Full time employees



- In the first quarter of 2015, all employees of Sparisjóður Vestmannaeyja became employees of Landsbankinn. Upon the merger, full-time equivalent positions increased by 22. In the third quarter 2015, all employees of Sparisjóður Norðurlands became employees of Landsbankinn. Upon the merger, full-time equivalent position increased by 15.
- Since year-end 2011, full-time equivalent positions have decreased by 285, or 21.1%, adjusted for the impact of mergers during the period. During the same period, the number of branches has been reduced by 18, also adjusted for the impact of mergers during the period.



Taxes

	2015	2014	Change	
Income tax	7,364	5,050	2,314	46%
Special financial activities tax on profits ¹	2,038	1,771	267	15%
	9,402	6,821	2,581	38%
Tax on liabilities of financial institutions ²	3,017	2,968	49	2%
Special financial activities tax on salaries ³	683	724	-41	-6%
Total	13,102	10,513	2,589	25%

¹ A 6% additional tax on pre-tax profit over ISK 1 bn

² Special tax on financial institutions of 0.376% is levied on the carrying amount of total liabilities in excess of ISK 50 bn at year-end

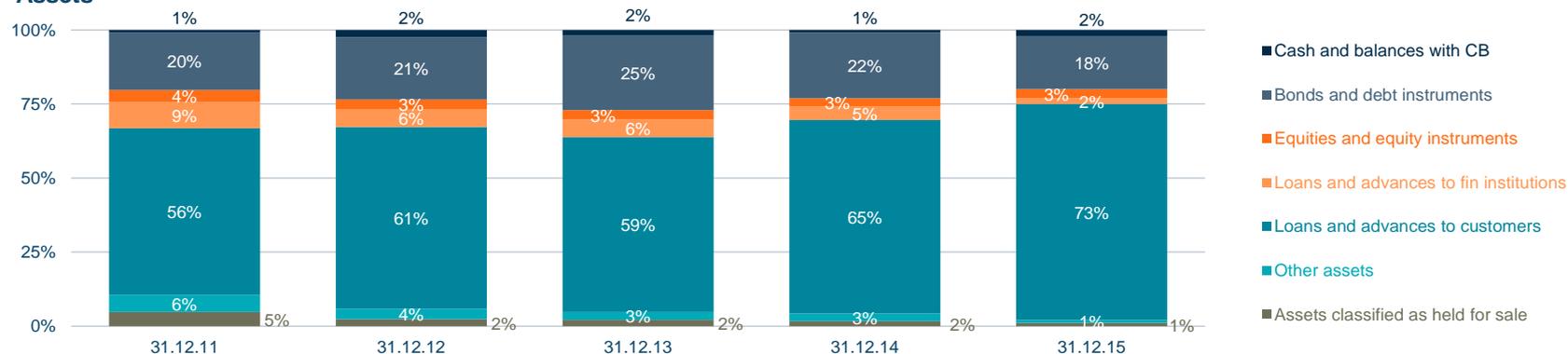
³ A 5.5% tax on salaries which is expensed in the line item "Salaries and related expenses" in the income statement



Balance sheet - assets

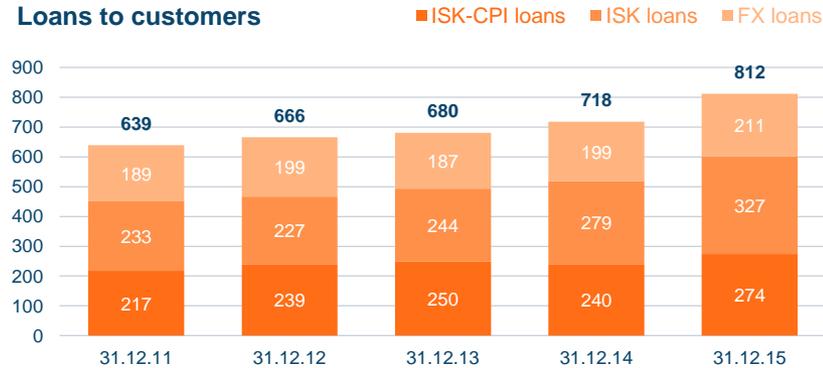
	31.12.15	31.12.14	Change	
Cash and balances with CB	25,164	10,160	15,004	148%
Bonds and debt instruments	203,684	243,589	-39,905	-16%
Equities and equity instruments	29,192	29,433	-241	-1%
Loans and advances to fin institutions	20,791	49,789	-28,998	-58%
Loans and advances to customers	811,549	718,355	93,194	13%
Other assets	16,323	28,832	-12,509	-43%
Assets classified as held for sale	11,955	18,212	-6,257	-34%
Total	1,118,658	1,098,370	20,288	2%

Assets

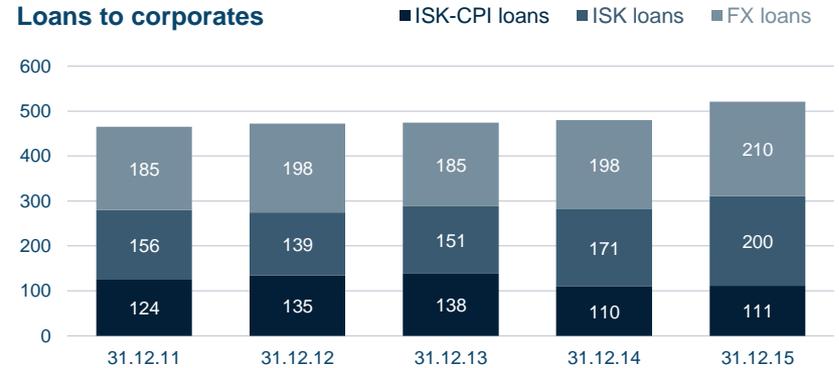


Balance sheet - loans

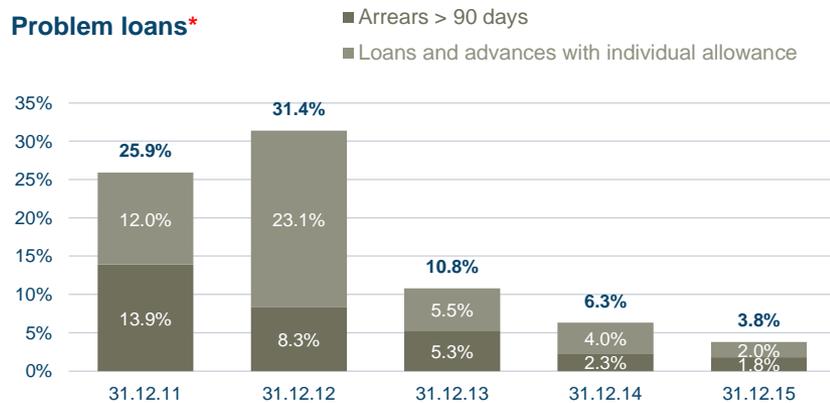
Loans to customers



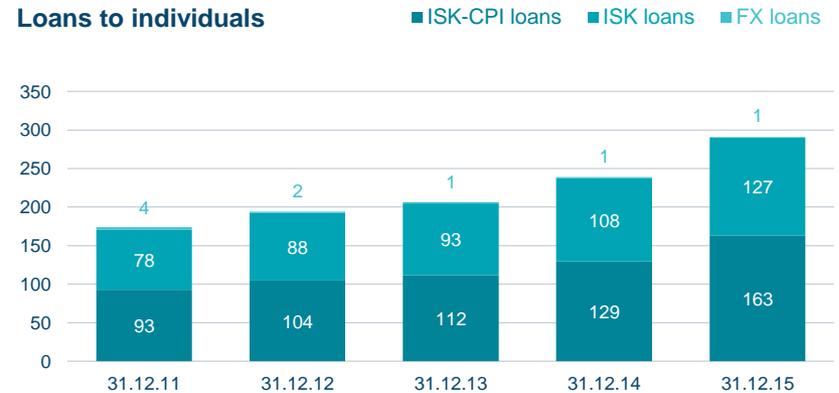
Loans to corporates



Problem loans*



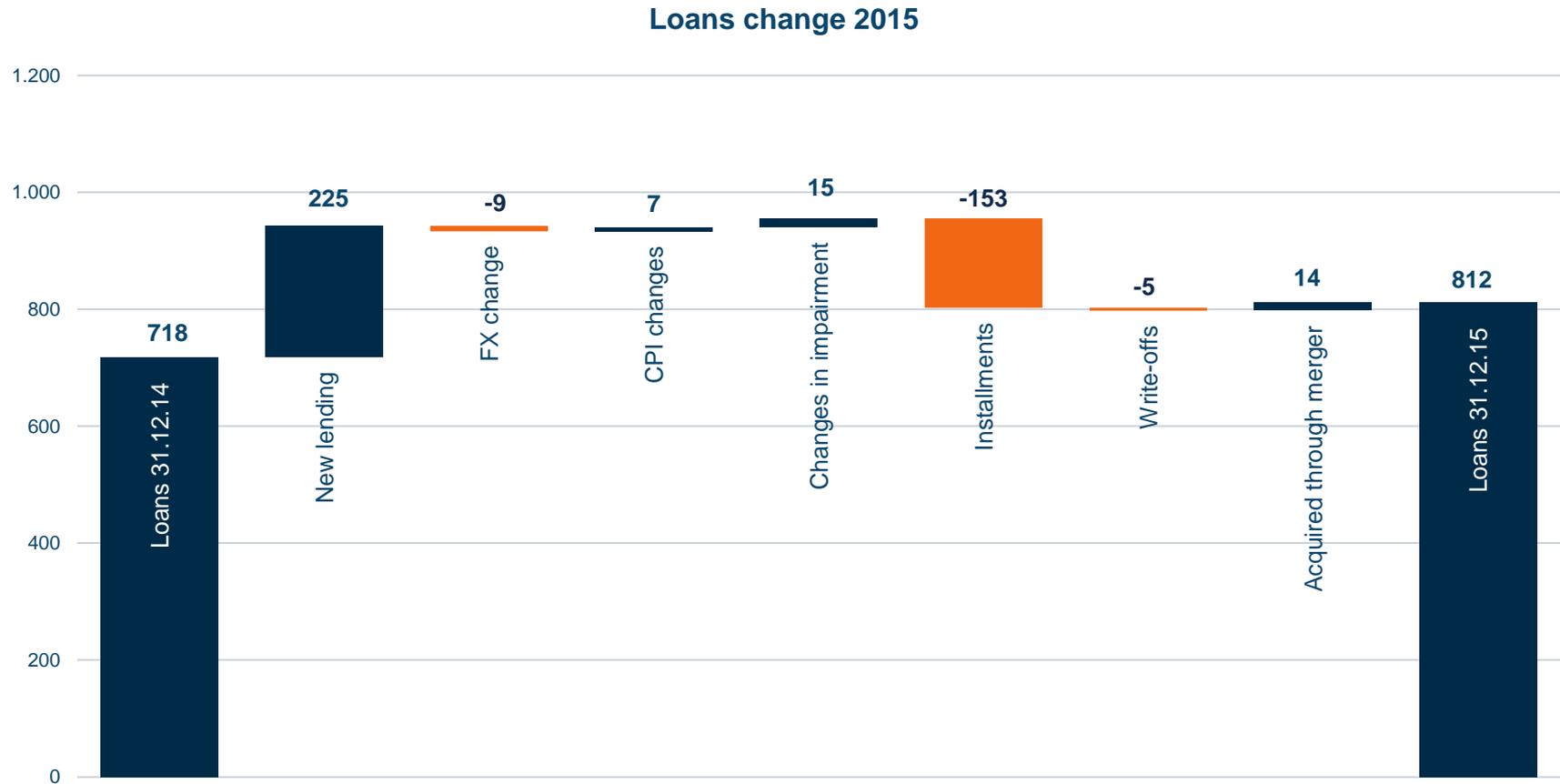
Loans to individuals



*Problem loans are defined as loans and advances with individual allowance and / or more than 90 days in arrears

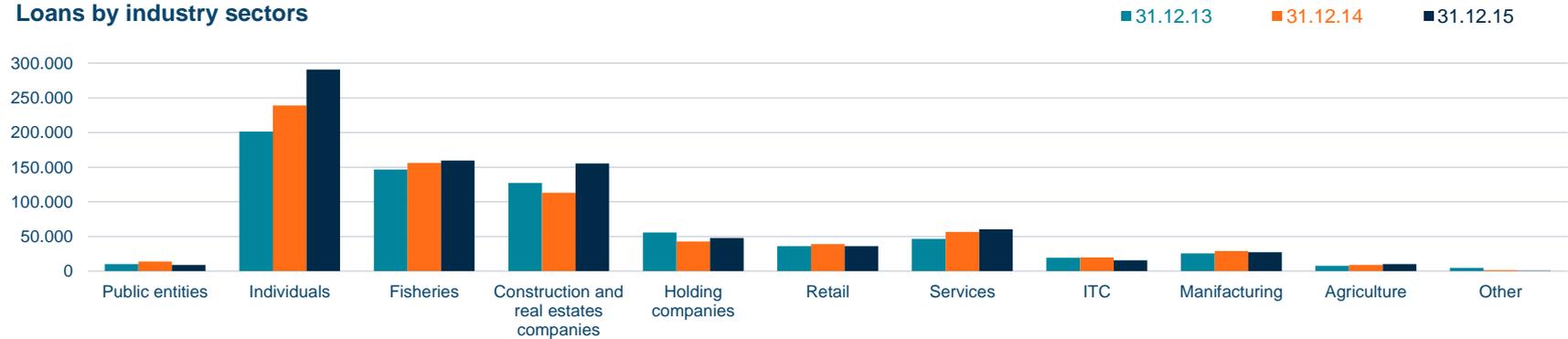


Balance sheet - loans



Balance sheet - loans

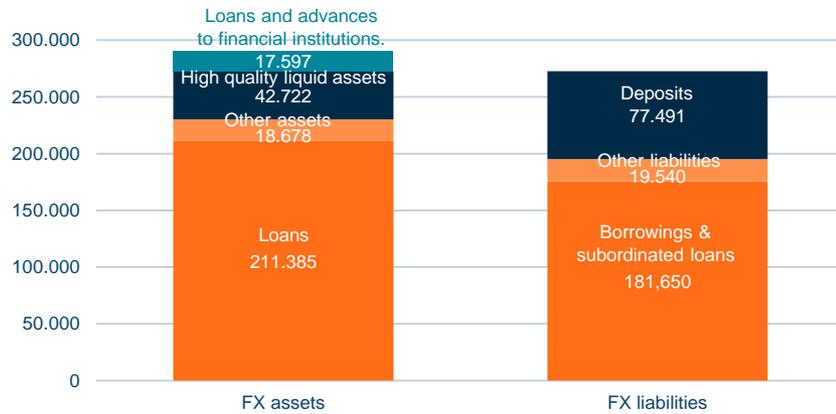
Loans by industry sectors



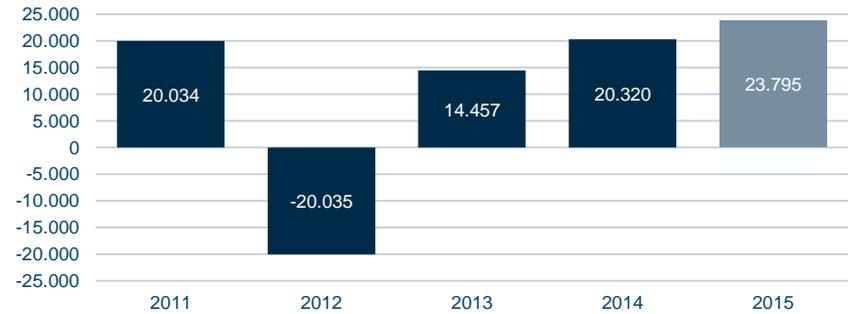
Loans to individuals by loan types



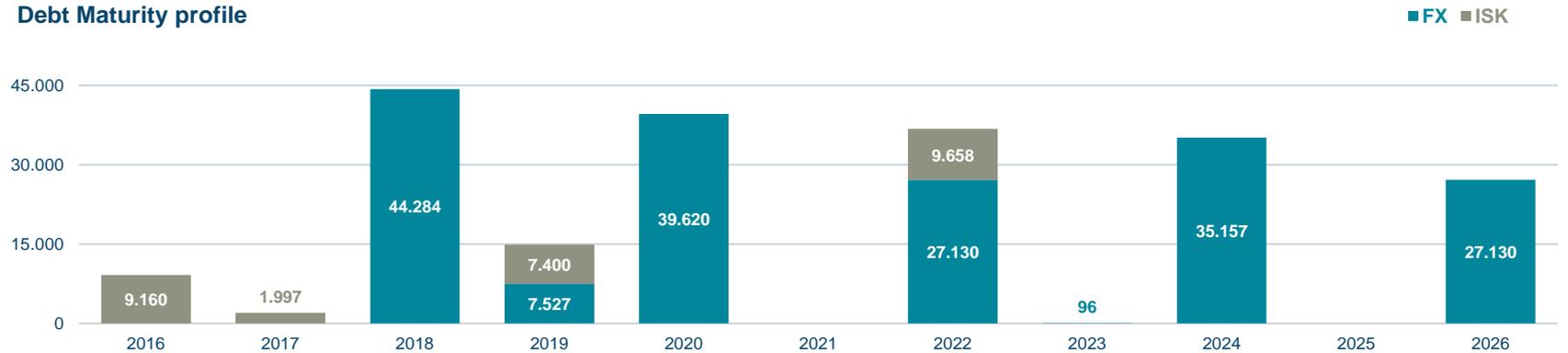
FX assets and liabilities



Net FX balance



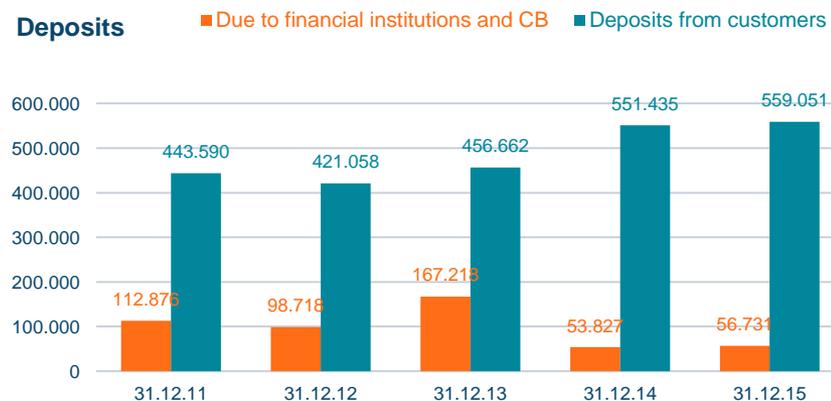
Debt Maturity profile



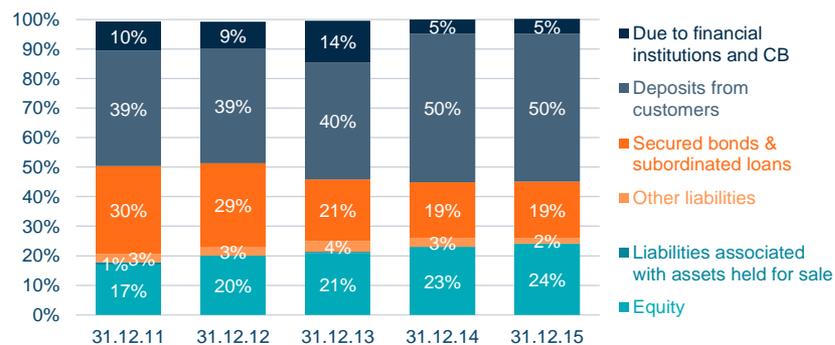
Balance sheet – liabilities and equity

	31.12.15	31.12.14	Change	
Due to financial institutions and CB	56,731	53,827	2,904	5%
Deposits from customers	559,051	551,435	7,616	1%
Borrowings	209,344	207,028	2,316	1%
Subordinated loans	639	0	639	
Other liabilities	28,362	35,277	-6,915	-20%
Equity	264,531	250,803	13,728	5%
Total	1,118,658	1,098,370	20,288	2%

Deposits



Liabilities and equity

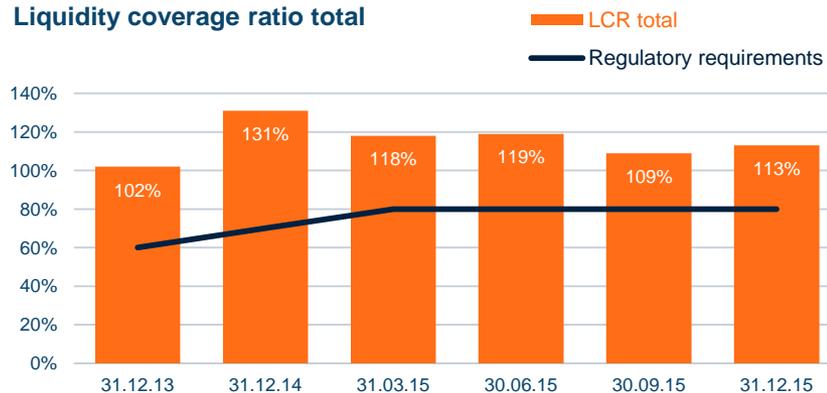


Liquidity

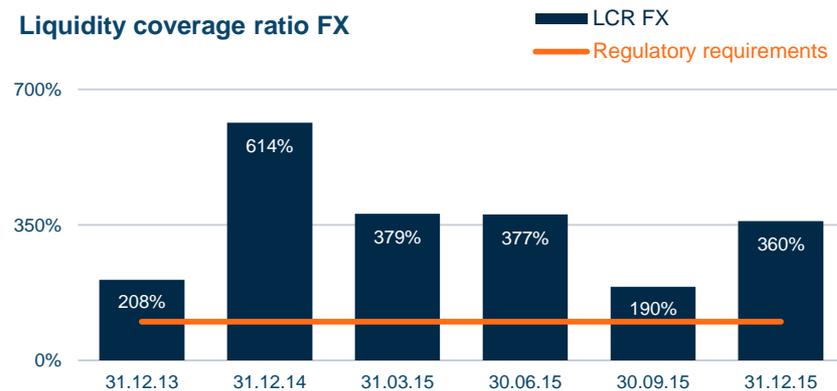
31.12.15	Total*		FX	
	Unweighted	Weighted	Unweighted	Weighted
Level 1 liquid assets	192,467	192,467	42,722	42,722
Level 2 liquid assets and information items	16,631	0	42	0
A. Total liquid assets	209,098	192,467	42,764	42,722
Deposits	408,785	148,337	61,340	27,645
Borrowing	1,014	1,014	1,014	1,014
Other outflows	185,594	54,110	30,721	3,557
B. Total outflows (0 - 30 days)	595,393	203,461	93,075	32,216
Loans and advances to financial institutions	17,581	16,376	17,581	16,376
Other inflows	48,369	17,440	8,155	3,963
Limit on inflows	0	0	0	0
C. Total inflows (0 - 30 days)	65,950	33,816	25,736	20,339
Liquidity coverage ratio A/(B-C)		113%		360%

*according to the liquidity and funding rules set by the Central Bank of Iceland, No. 1031/2014

Liquidity coverage ratio total



Liquidity coverage ratio FX



Other highlights of Landsbankinn's 2015 operations

- In October the bank issued bonds totalling EUR 300 million face value, or the equivalent of ISK 43 million. The bonds have a 3Y maturity, bear fixed 3% interest and were sold at terms equivalent to a 295 bp premium on EURIBOR.
- Landsbankinn prepaid in full 2016 and 2018 maturities of its senior secured foreign currency bonds issued to the Winding-up Board of LBI hf.
- Landsbankinn and the Nordic Investment Bank (NIB) signed a 5Y loan contract in December totalling EUR 30 million. The contract is a framework agreement providing for Landsbankinn to re-loan the funds for projects to improve the competitiveness of SMEs and finance eco-friendly development in Iceland.
- Landsbankinn issued bonds in the Scandinavian market amounting to NOK 250 million and SEK 250 million face value. The bonds mature in 2019 and bear NIBOR and STIBOR rates respectively plus a 260 bp premium.
- The international rating agency Standard and Poor's affirmed its rating for Landsbankinn in November. The bank's long- and short-term counterparty credit ratings are BBB- and A-3 respectively with positive outlook.
- According to Gallup surveys, Landsbankinn held the largest share (36.1%) of the retail market in Q4 2015, its highest figure ever measured.
- In 2015 the bank was the leading equity trader on NASDAQ Iceland, with a 26.4% market share, and the second-largest bond market trader, with a market share of 20.6%. As NASDAQ Iceland has eight market members, the bank is clearly the leading trader in listed securities.
- In 2015, the bank's Corporate Finance handled the sale of companies Ístak, Promens and Ellingsen and acted as advisor for acquisitions by the real estate company Reginn of property portfolios of Ósvör hf. and CFV1 ehf.
- On 29 March Landsbankinn and Sparisjóður Vestmannaeyja were merged in accordance with a Decision of the Icelandic Financial Supervisory Authority (FME).
- The merger of Landsbankinn and Sparisjóður Norðurlands was approved by regulatory authorities and entered into effect formally on 4 September. The companies' merger agreement was signed on 30 June

Other highlights of Landsbankinn's 2015 operations

- At the beginning of July Landsbankinn's Development and Human Resources division was disbanded and the division's units transferred to other divisions, Landsbankinn has been restructuring its operations to increase cost efficiency and this change was part of these improvements. It reduced the number of managing directors in the bank from seven to six.
- The bank's AGM on 18 March 2015 approved a motion to pay shareholders a dividend of around ISK 24 billion. This brought the total dividends paid by the bank for the 2012-2014 financial years to around ISK 53 billion.
- In March Landsbankinn became the first bank in Iceland to be awarded the golden seal of PwC's Equal Pay Audit. Landsbankinn is also the largest company which has undergone and passed this audit.
- A Gallup survey carried out for Landsbankinn in March 2015 showed that most respondents would choose Landsbankinn if they were choosing an asset management service. If only the responses of those persons who utilise or would utilise asset management services are considered, 40% chose Landsbankinn.
- For the second year in a row the financial journal *Global Finance* judged Landsbankinn the best bank in Iceland.
- Also for the second year in a row, Landsbankinn was selected as the best bank in Iceland by the financial journal *International Finance*, and its online banking service the best.
- Landsbankinn's mobile banking service – l.is – underwent a major overhaul in October, as part of the bank's strategy to expand e-services.
- A new Personal Online Banking service was launched in January and in February voted best service site by the judges of the Icelandic Web Awards.

2015 Results

Annex – further information

Key financial ratios

	2015	2014	2013	2012	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2015
Profit after taxes	36,460	29,737	28,759	25,494	12,047	12,008	5,993	6,412	9,752
Return on equity before taxes	19.9%	16.7%	17.6%	14.0%	23.8%	27.2%	14.2%	13.9%	18.6%
Return on equity after taxes	14.8%	12.5%	12.4%	12.0%	18.6%	19.5%	10.1%	10.6%	15.9%
After tax return on average assets	3.2%	2.6%	2.6%	2.3%	4.2%	4.1%	2.0%	2.3%	3.4%
Total capital ratio (CAR)	30.4%	29.5%	26.7%	25.1%	30.4%	29.2%	28.0%	26.7%	29.5%
Net interest income	32,324	28,073	34,314	35,584	7,292	8,834	8,929	7,269	5,776
Interest spread as a ratio of assets and liabilities	2.2%	1.9%	2.4%	2.6%	1.9%	2.4%	2.4%	2.0%	1.5%
Cost-income ratio*	43.8%	56.0%	42.9%	45.0%	39.1%	47.9%	41.7%	48.0%	57.7%
Net stable funding ratio NSFR FX	136%	134%			136%	120%	139%	142%	134%
Liquidity ratio LCR total	113%	131%	102%		113%	109%	119%	118%	131%
Liquidity LCR FX	360%	614%	208%		360%	190%	377%	379%	614%
Operating expenses as a ratio of average total assets**	2.1%	2.1%	2.0%	2.2%	2.1%	1.9%	2.0%	2.2%	2.5%
Total assets	1,118,658	1,098,370	1,151,516	1,084,787	1,118,658	1,175,804	1,172,669	1,172,380	1,098,370
Loans / deposits ratio	145.2%	130.3%	149.0%	158.2%	145.2%	129.1%	122.6%	117.9%	130.3%
Full-time eqv.positions	1,063	1,126	1,183	1,233	1,063	1,092	1,088	1,102	1,126

*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

	2015	2014	Change		Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014	2013
Net interest income	32,324	28,073	4,251	15%	7,292	8,834	8,929	7,269	5,776	34,314
Net valuation adjustments	18,216	20,128	-1,912	-9%	5,882	10,489	249	1,596	6,101	8,362
Change in contingent bond-liability to purchase own shares	0	0	0		0	0	0	0	0	4,691
Net interest income after valuation adjustments	50,540	48,201	2,339	5%	13,174	19,323	9,178	8,865	11,877	47,367
Net fee commission income	6,841	5,836	1,005	17%	1,702	1,745	1,753	1,641	1,640	5,291
Net foreign exchange gain (loss)	-1,277	67	-1,344	-2006%	-58	-748	-147	-324	107	1,147
Other net operating income	16,259	9,045	7,214	80%	6,621	1,837	3,300	4,501	4,807	11,776
Total operating income	72,363	63,149	9,214	15%	21,439	22,157	14,084	14,683	18,431	65,581
Salaries and related expenses	13,754	13,567	187	1%	3,407	3,466	3,179	3,702	3,805	12,613
Equity-settled employee share-based salaries	0	0	0		0	0	0	0	0	4,691
Other operating expenses	8,061	8,545	-484	-6%	2,223	1,757	2,011	2,070	2,635	8,050
Depreciation and amortisation	663	942	-279	-30%	167	167	165	164	419	818
Contribution to Depositors' and Investors' Guarantee Fund	1,254	1,034	220	21%	284	203	421	346	259	1,079
Total operating expenses	23,732	24,088	-356	-1%	6,081	5,593	5,776	6,282	7,118	27,251
Share in profit of associates	248	465	-217	-47%	-9	145	103	9	125	2,712
Profit before tax	48,879	39,526	9,353	24%	15,349	16,709	8,411	8,410	11,438	41,042
Income tax expense	12,419	9,789	2,630	27%	3,302	4,701	2,418	1,998	1,686	12,283
Profit for the period	36,460	29,737	6,723	23%	12,047	12,008	5,993	6,412	9,752	28,759



Balance Sheet

	31.12.15	31.12.14	Change		31.12.13	31.12.12	31.12.11
Cash and balances with CB	25,164	10,160	15,004	148%	21,520	25,898	8,823
Bonds and debt instruments	203,684	243,589	-39,905	-16%	290,595	228,208	221,848
Equities and equity instruments	29,192	29,433	-241	-1%	36,275	36,881	46,037
Loans and advances to fin institutions	20,791	49,789	-28,998	-58%	67,916	64,349	100,133
Loans and advances to customers	811,549	718,355	93,194	13%	680,468	666,087	639,130
Other assets	16,323	28,832	-12,509	-43%	29,719	38,044	65,959
Assets classified as held for sale	11,955	18,212	-6,257	-34%	25,023	25,320	53,552
Total	1,118,658	1,098,370	20,288	2%	1,151,516	1,084,787	1,135,482
Due to financial institutions and CB	56,731	53,827	2,904	5%	167,218	98,718	112,876
Deposits from customers	559,051	551,435	7,616	1%	456,662	421,058	443,590
Secured bonds	209,344	207,028	2,316	1%	239,642	309,265	337,902
Subordinated bonds	639	0	639		0	0	0
Other liabilities	26,844	32,443	-5,599	-17%	42,750	29,687	31,485
Liabilities associated with assets classified as held for sale	1,518	2,834	-1,316	-46%	3,885	893	9,385
Equity	264,531	250,803	13,728	5%	241,359	225,166	200,244
Total	1,118,658	1,098,370	20,288	2%	1,151,516	1,084,787	1,135,482



Segments

2015	Personal Banking	Corporate Banking	Markets	Treasury	Support functions	Reconci- liation	Total
Net interest income (expense)	13,288	14,387	324	5,196	46	-917	32,324
Net valuation adjustments	3,971	14,178	-1	68	0	0	18,216
Net fee and commission income	3,500	701	3,253	-397	40	-256	6,841
Other net operating income	1,903	-665	1,956	9,756	1,278	754	14,982
Total operating income (expense)	22,662	28,601	5,532	14,623	1,364	-419	72,363
Operating expenses	-6,439	-1,477	-1,908	-1,750	-12,436	278	-23,732
Share in profit of equity-accounted associates, net of income tax	153	0	0	53	42	0	248
Profit (loss) before cost allocation and tax	16,376	27,124	3,624	12,926	-11,030	-141	48,879
Cost allocated from support functions to business segments	-5,242	-4,106	-1,176	-869	11,393	0	0
Profit (loss) before tax	11,134	23,018	2,448	12,057	363	-141	48,879
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Total assets	375,884	477,249	31,463	460,817	20,294	-247,049	1,118,658
Total liabilities	320,374	363,579	23,881	373,048	20,294	-247,049	854,127
Allocated capital	55,510	113,670	7,582	87,769	0	0	264,531

