

The background features a stylized, low-poly illustration. The top portion shows a boat deck with several figures in various colored uniforms (red, blue, orange) and a yellow and red flag. The bottom portion shows a dense crowd of people, represented by simplified, colorful shapes in shades of brown, tan, and grey, suggesting a large gathering or event.

H1 2015 Results

Landsbankinn hf.

Steinþór Pálsson

CEO

Hreiðar Bjarnason

CFO

Highlights

Operations

- » The Bank's after-tax profit for the first six months of 2015 amounted to ISK 12.4 bn, as compared with ISK 14.9 bn for the same period of 2014
- » Net interest income amounted to ISK 16.2 bn, increasing by 6% as compared with the same period in 2014
- » Net commission income increases by 16% as compared with the same period the previous year due to changes in the payment card market and increased activities of Capital Markets
- » The ratio of interest spread to average capital position increases, was 2.8% in H1 of 2015 as compared to 2.6% for the same period in 2014
- » After-tax return on equity (ROE) was 10.4% as compared with 12.8% for the same period in 2014
- » Total operating expenses increase by 2% as compared with the same period in 2014 for the most part due to increased contributions to the Depositors' and Investors Guarantee Fund and the impact of merger
- » The cost-income ratio decreased between periods, was 44.8% in H1 2015 as compared to 54.9% for H1 of 2014

Balance sheet

- » Landsbankinn's total assets amounted to ISK 1,173 bn as of the end of June 2015
- » Deposits from customers have grown by 13% during the year and lending by 6%
- » 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 2.3%
- » Landsbankinn paid just under ISK 24 bn in dividends to its owners in Q1 which leads to a decrease in equity and CAR
- » The Bank's equity currently amounts to ISK 239.9 bn and has decreased by 4% since the beginning of the year
- » The Bank's capital adequacy ratio (CAR) is now 28.0%, down from 29.5% at year-end 2014

Main results

Amounts in ISKm

	H1 2015	H1 2014	Q2 2015	Q2 2014	2014	2013
Profit after taxes	12,405	14,878	5,993	10,590	29,737	28,759
Return on equity after taxes	10.4%	12.8%	10.1%	18.4%	12.5%	12.4%
After tax return on average assets	2.2%	2.6%	2.0%	3.7%	2.6%	2.6%
Interest spread as a ratio of av. total assets	2.8%	2.6%	3.1%	2.6%	2.4%	3.1%
Cost-income ratio *	44.8%	54.9%	41.7%	43.7%	56.0%	42.9%

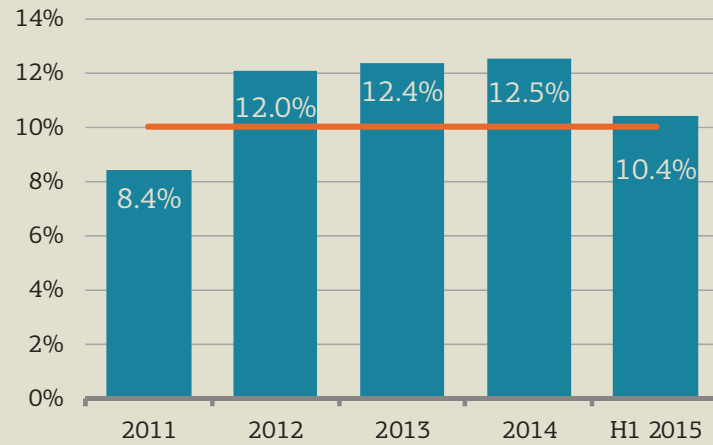
	H1 2015	H1 2014	2014	2013
Total assets	1,172,669	1,154,598	1,098,370	1,151,516
Loans to customers	761,290	699,648	718,355	680,468
Deposits from customers	621,023	473,356	551,435	456,662
Equity	239,852	235,894	250,803	241,359
Capital ratio (CAR)	28.0%	26.8%	29.5%	26.7%
Liquidity ratio NSFR FX	139%		134%	
Liquidity ratio LCR total	119%	110%	131%	102%
Liquidity ratio LCR FX	377%	208%	614%	208%
Net FX position	19,446	18,514	20,320	14,457
Arreas (>90 daga)	2.3%	4.0%	2.3%	5.3%
Full-time eqv. positions	1,088	1,162	1,126	1,183

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

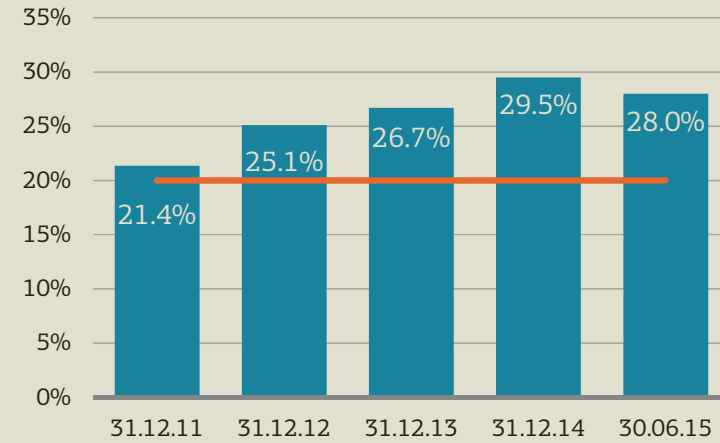
Development of KPIs

Landsbankinn target

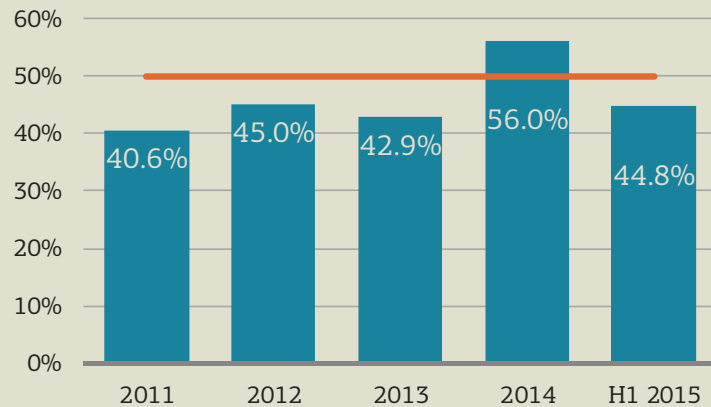
Return on equity



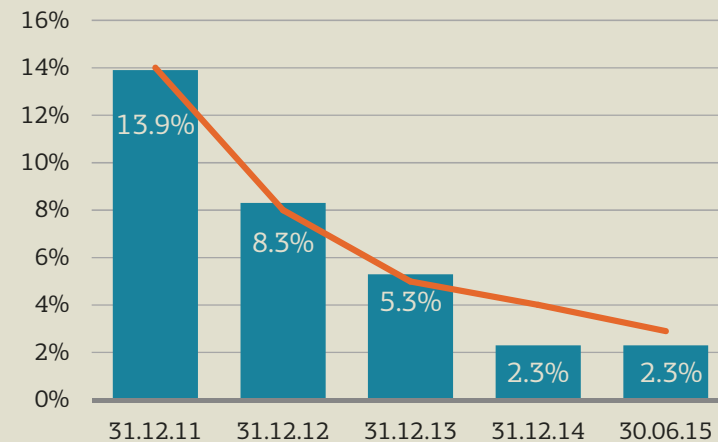
Capital adequacy ratio (CAR)



Cost-income ratio excluding valuation adjustments



Arrears (>90 days)

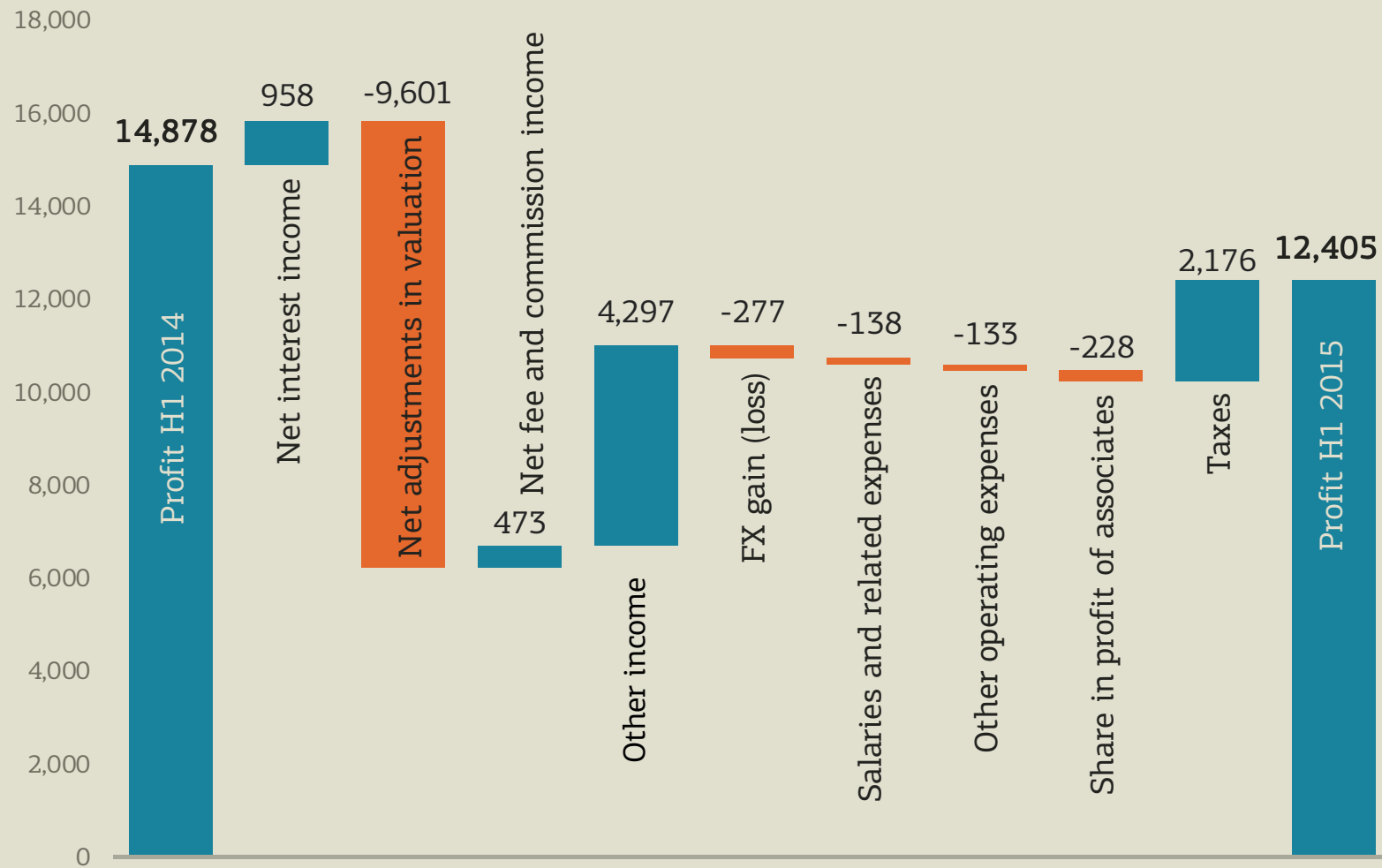


H1 2015 Results

Income Statement

Amounts in ISKm

Change from H1 2014 to H1 2015



Income Statement

Amounts in ISKm

	H1 2015	H1 2014	Change	
Net interest income	16,198	15,240	958	6%
Net adjustments in valuation	1,845	11,446	-9,601	-84%
Net interest income after adjustments in valuation	18,043	26,686	-8,643	-32%
Net fee and commission income	3,394	2,921	473	16%
Other net operating income	7,330	3,310	4,020	121%
Total operating income	28,767	32,917	-4,150	-13%
Salaries and related expenses	6,881	6,743	138	2%
Other operating expenses	5,177	5,044	133	3%
Total operating expenses	12,058	11,787	271	2%
Share in profit of associates, net of income tax	112	340	-228	-67%
Profit before tax	16,821	21,470	-4,649	-22%
Income tax expense	4,416	6,592	-2,176	-33%
Profit for the period	12,405	14,878	-2,473	-17%

- » Net interest income increased by 6% between periods
- » While valuation adjustments in lending are positive by ISK 1.8 bn, they have nevertheless decreased considerably between years
- » Net commission income increases by 16% as compared with the same period the previous year due to changes in the payment card market and increased activities of Capital Markets
- » Other operating income increases mostly due to higher equity prices
- » Salaries and related expenses increase by 2% due for the most part to costs from termination of employment expensed in Q1
- » Other operating expenses increased by 3% for the most part due to increased contributions to the Depositors' and Investors Guarantee Fund and the impact of merger
- » Effective tax rate is 18.0%

Net interest income and valuation adjustments

Amounts in ISKm

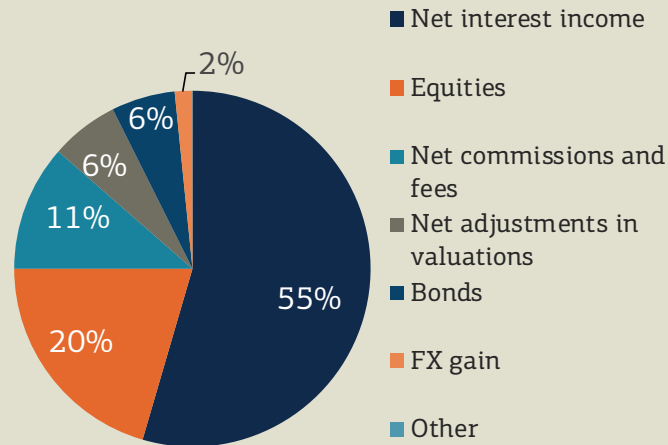
	H1 2015	H1 2014	Change	
Interest income	28,676	28,665	11	0%
Interest expense	-12,478	-13,425	947	7%
Net interest income	16,198	15,240	958	6%
Net adjustments to loans and advances acquired at deep discount	0	11,012	-11,012	
Net impairment loss on loans	3,726	434	3,292	759%
Loss from foreign currency linkage of loans and advances to customers	-1,881	0	-1,881	
Net valuation adjustments	1,845	11,446	-9,601	-84%
Net interest income after net valuation adjustments	18,043	26,686	-8,643	-32%

- » Valuation adjustment in lending were positive by ISK 1.8 bn in H1 2015, down by 84% between years
- » The Bank's net interest spread increases to 2.8% in H1 2015, up from 2.6% in H1 of 2014

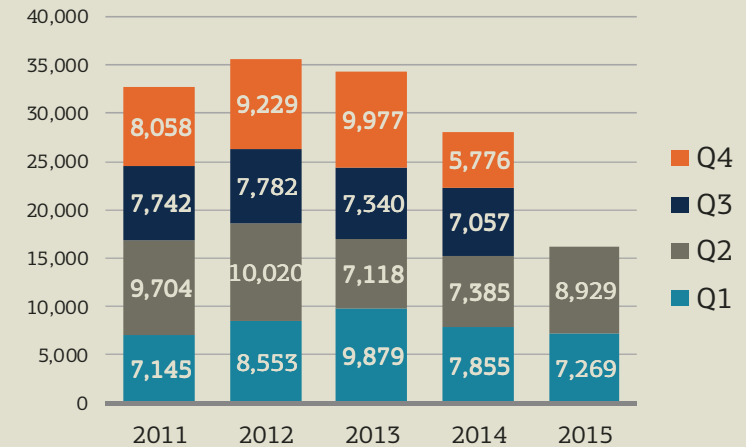
Net operating income

Amounts in ISKm

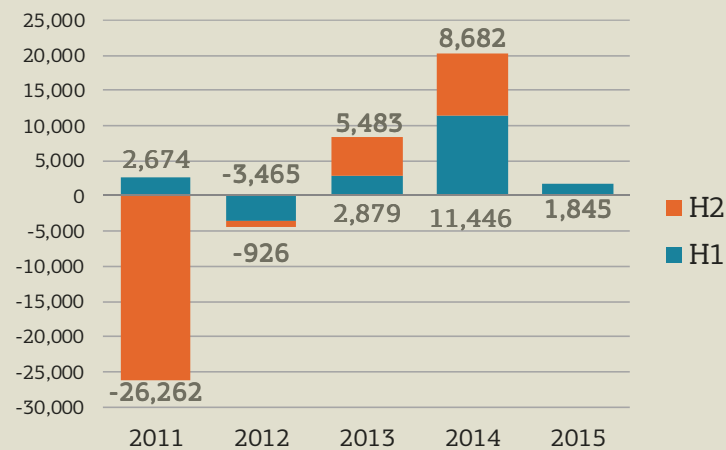
Income mix



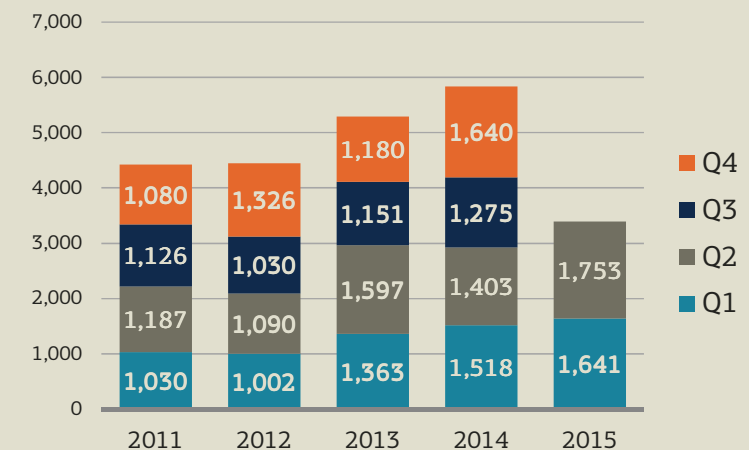
Net interest income



Net adjustments in valuation



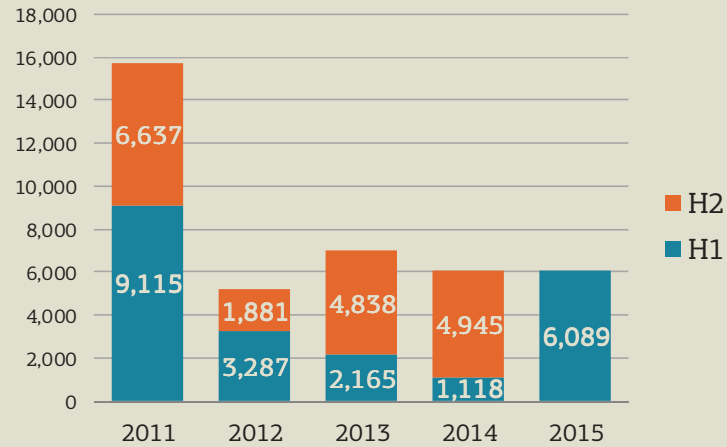
Net commission and fees



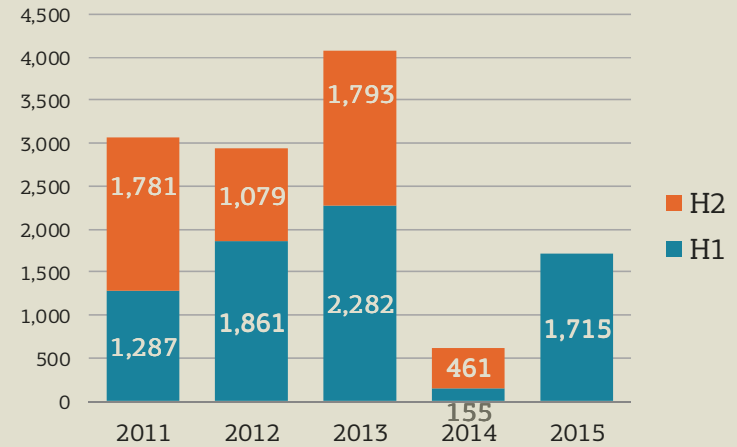
Net operating income

Amounts in ISKm

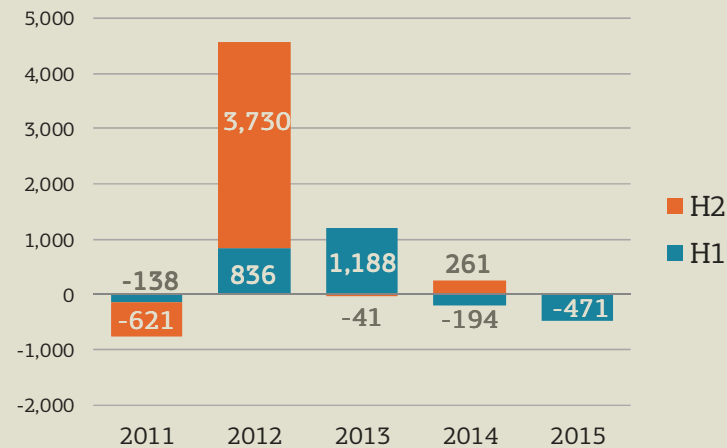
Equities



Bonds



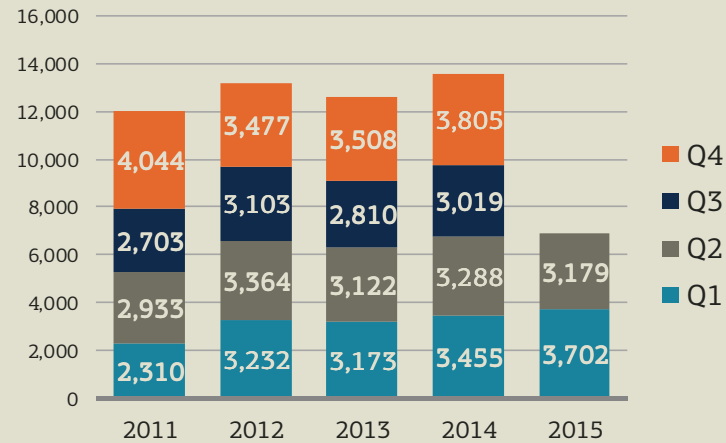
FX gain



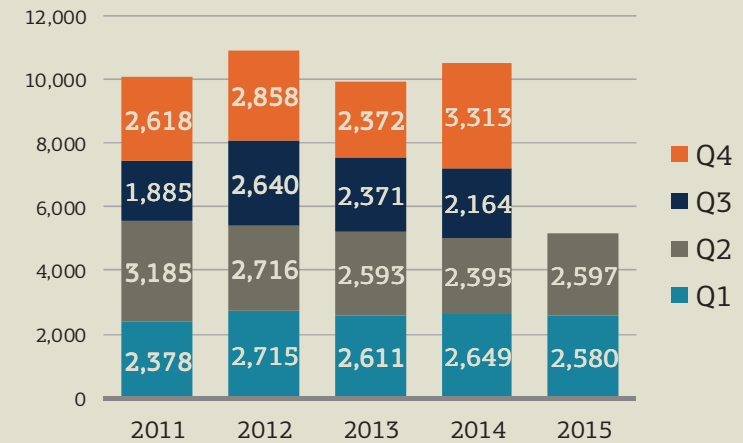
Operating expenses

Amounts in ISKm

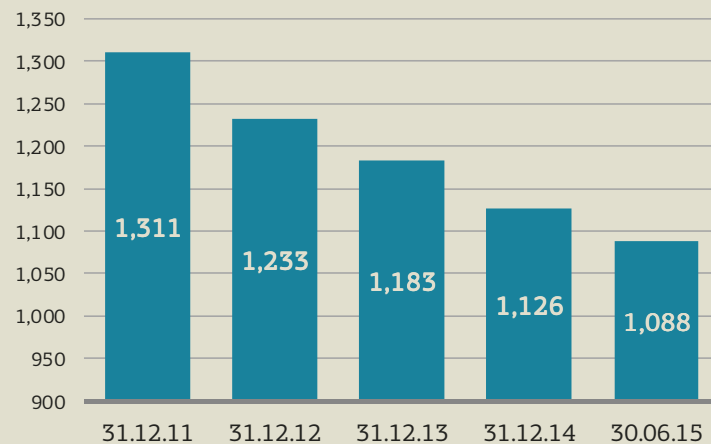
Salaries and related expenses*



Other operating expenses



Full time employees



- » 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.
- » Since year-end 2011, full-time equivalent positions have decreased by 245 or 18.4%, adjusted for the impact of mergers during the period. During the same period, the number of branches has been reduced by 16%, also adjusted for the impact of merger during the period.

*2013, less expensed equity-based wages

Taxes

Amounts in ISKm

	H1 2015	H1 2014	Change	
Income tax	2,140	3,744	-1,604	-43%
Special financial activities tax on profits ¹	584	1,213	-629	-52%
	2,724	4,957	-2,233	-45%
Tax on liabilities of financial institutions ²	1,692	1,635	57	3%
Special financial activities tax on salaries ³	318	315	3	1%
Total	4,734	6,907	-2,173	-31%

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

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

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

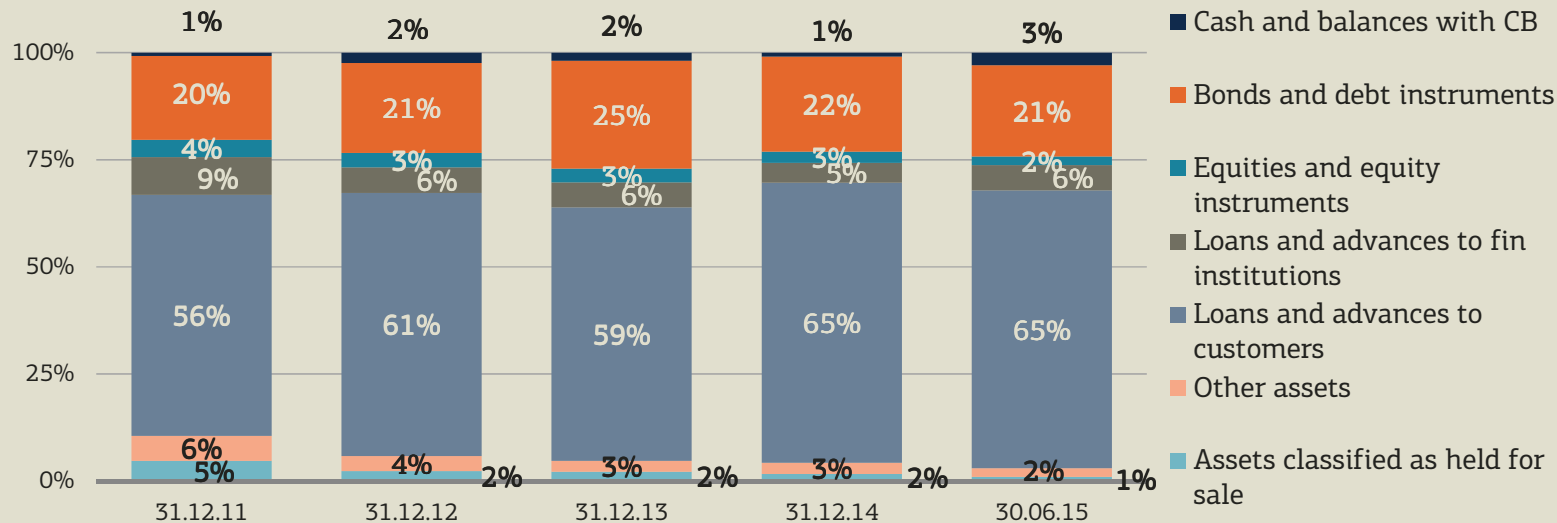
Balance sheet - assets

Amounts in ISKm

	30.06.15	31.12.14	Change	
Cash and balances with CB	38,719	10,160	28,559	281%
Bonds and debt instruments	248,604	243,589	5,015	2%
Equities and equity instruments	25,498	29,433	-3,935	-13%
Loans and advances to fin institutions	68,707	49,789	18,918	38%
Loans and advances to customers	761,290	718,355	42,935	6%
Other assets	17,104	28,832	-11,728	-41%
Assets classified as held for sale	12,747	18,212	-5,465	-30%
Total	1,172,699	1,098,370	74,299	7%

» Lending to customers amounted to ISK 95 bn in H1 2015 yet installments, value changes and other factors contribute to a total increase of ISK 43 bn during the period

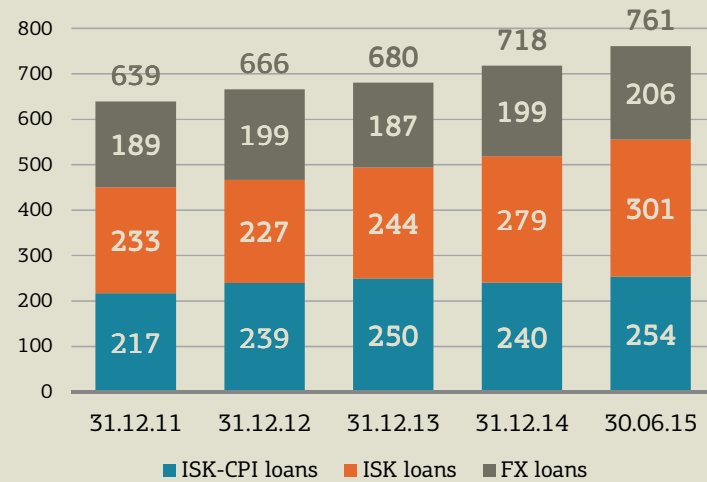
Assets



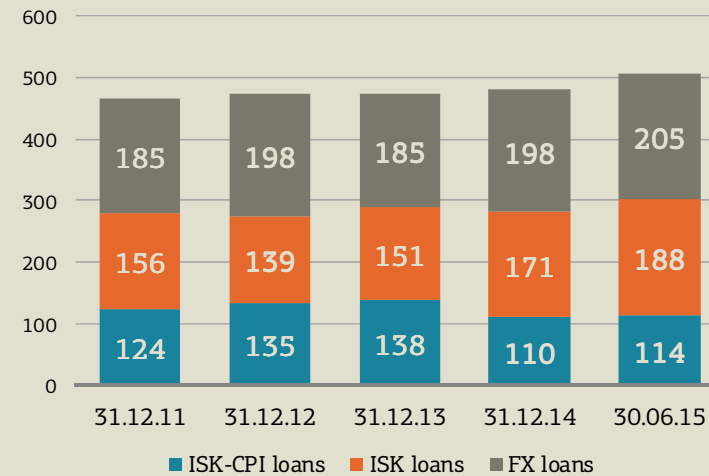
Balance sheet - loans

Amounts in ISKbn

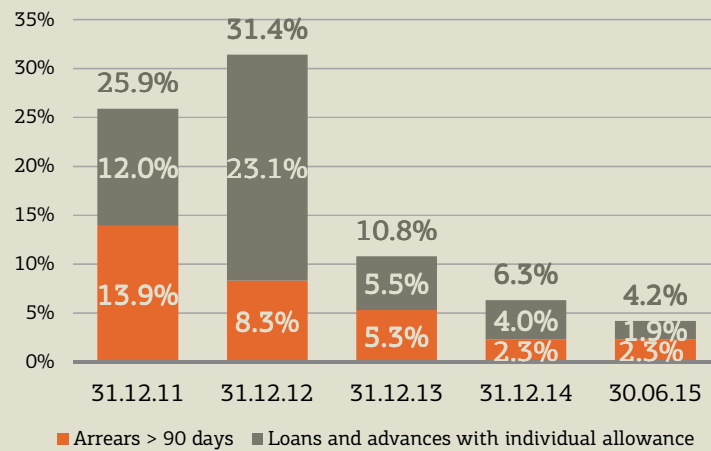
Loans to customers



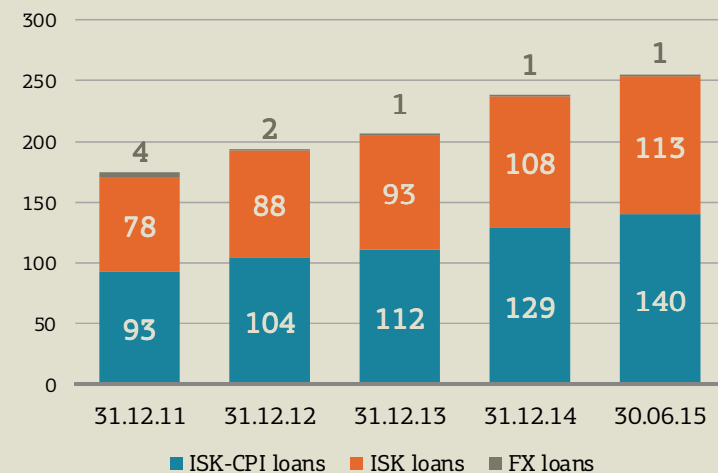
Loans to corporates



Problem loans*



Loans to individuals

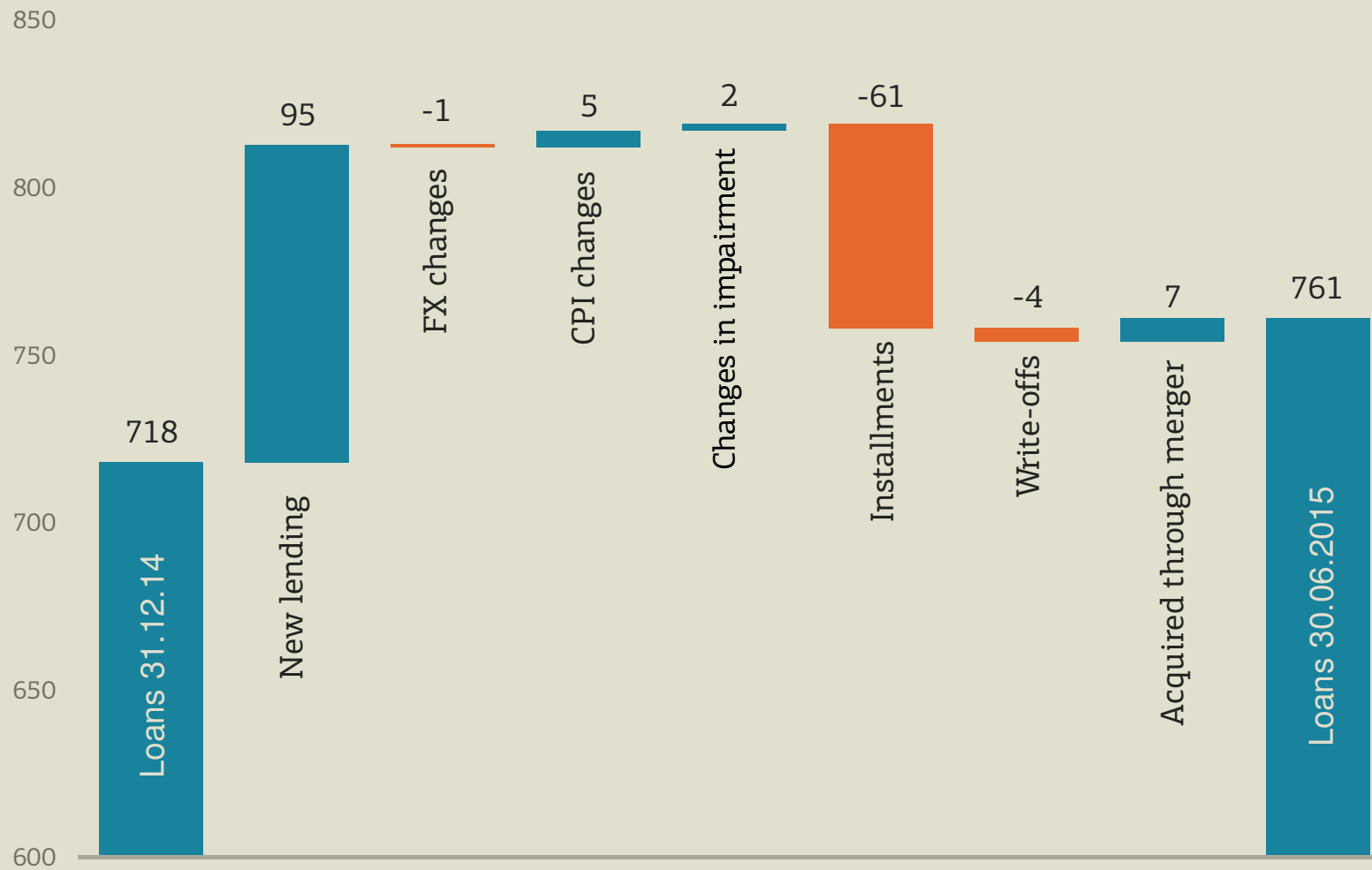


*Problem loans are defined as loans and advances with individual allowance and / or more than 90 days in arrears

Balance sheet - loans

Amounts in ISKbn

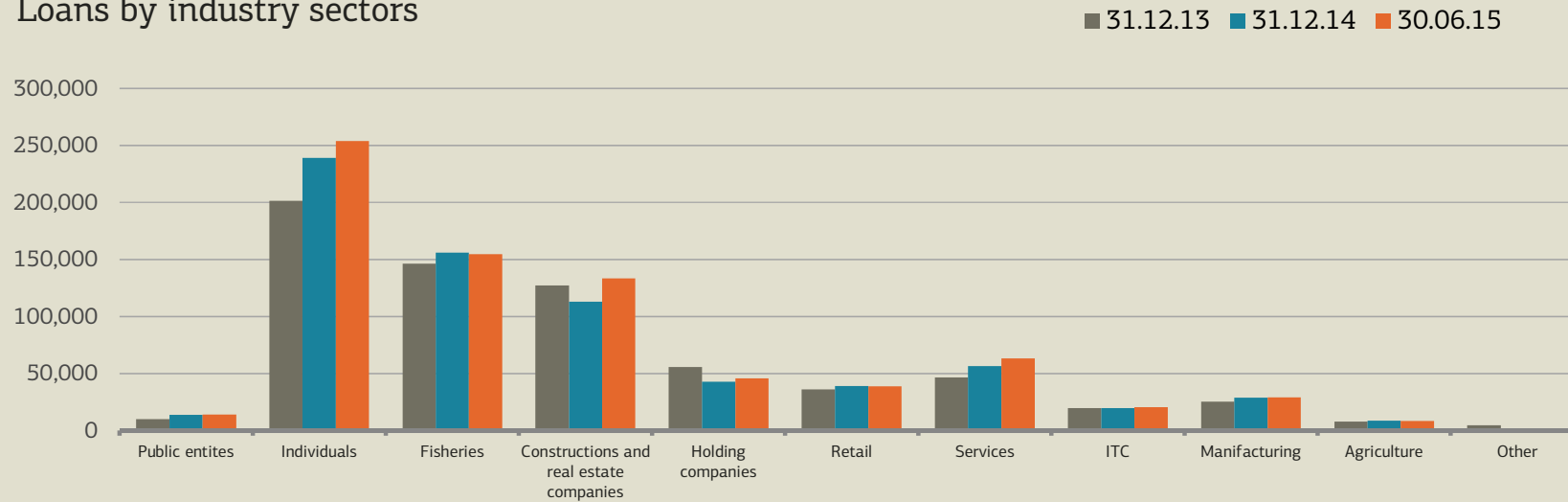
Loans change H1 2015



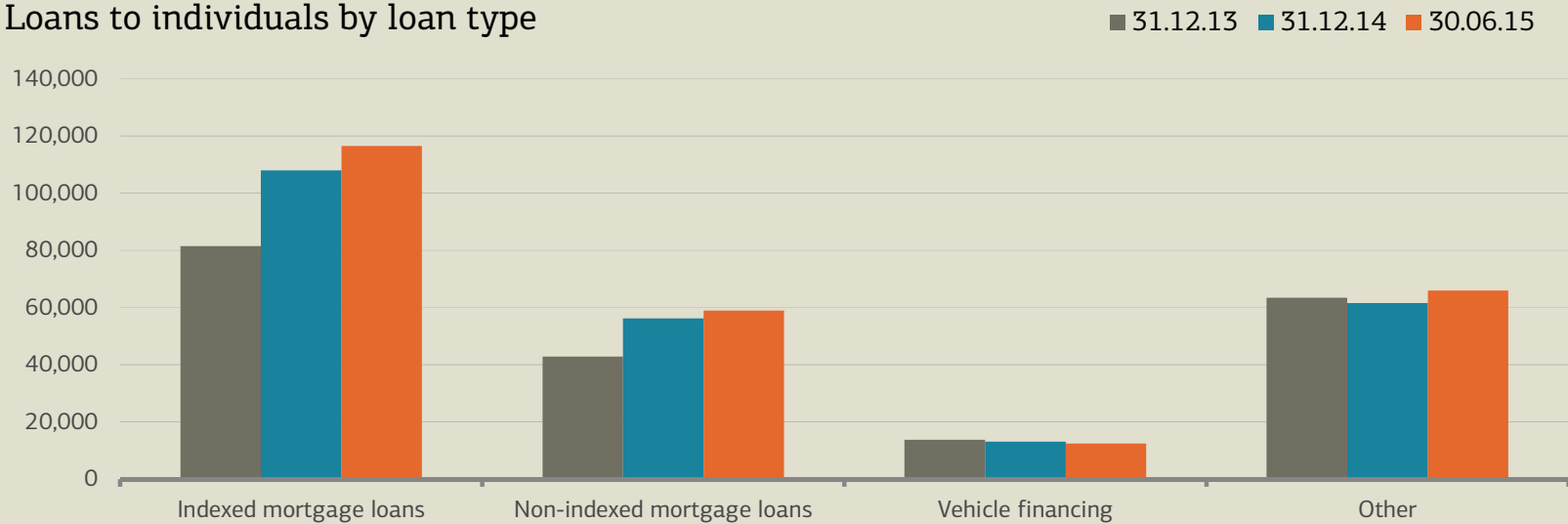
Balance sheet - loans

Amounts in ISKm

Loans by industry sectors

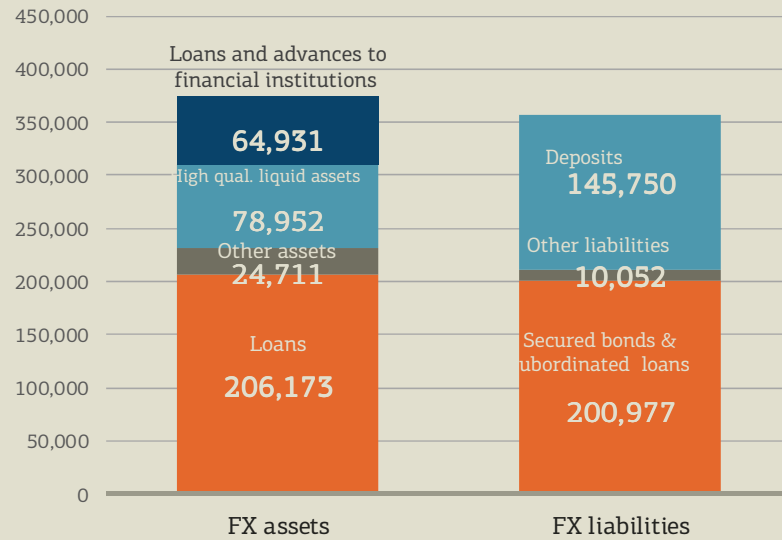


Loans to individuals by loan type

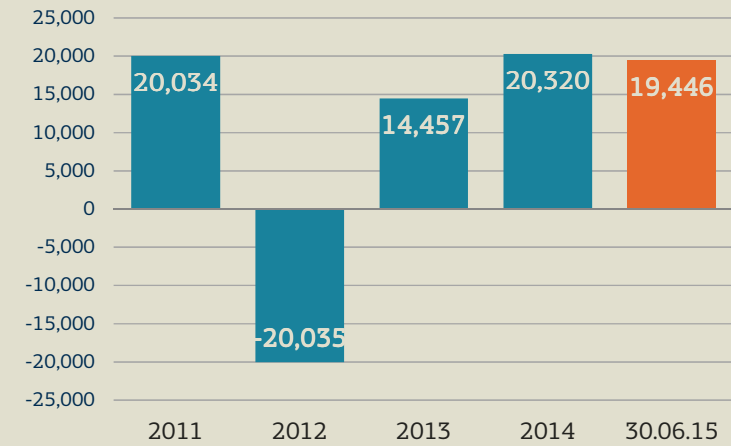


FX assets and liabilities

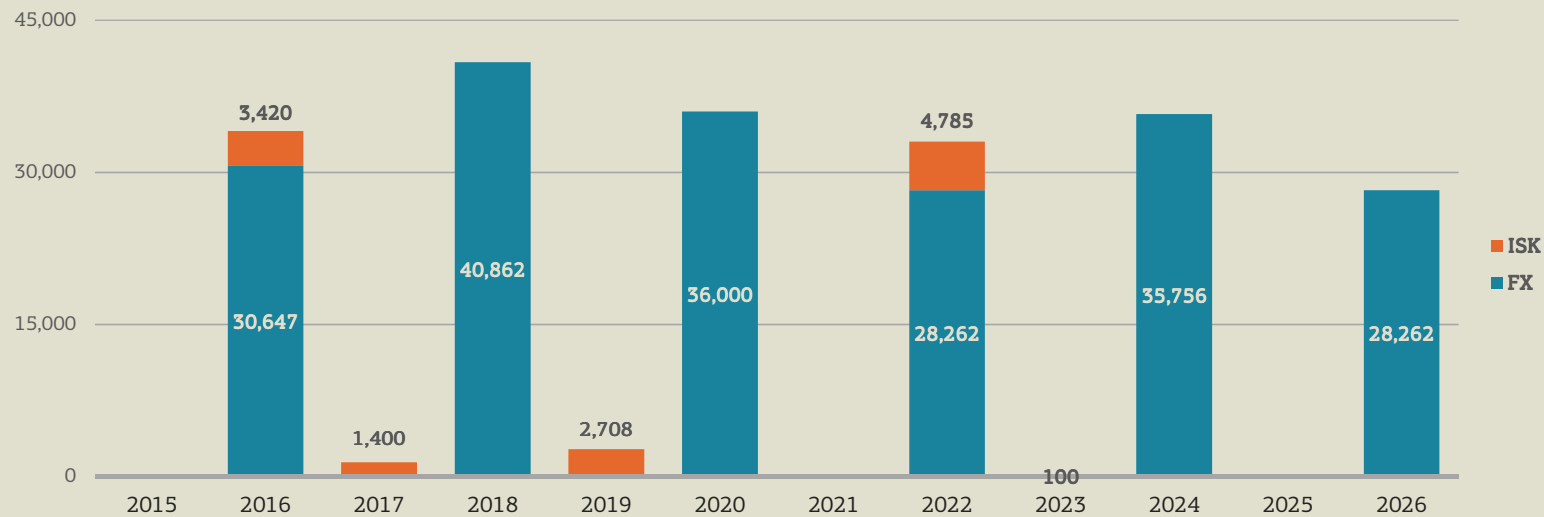
Amounts in ISKm



Net FX balance



Maturity profile

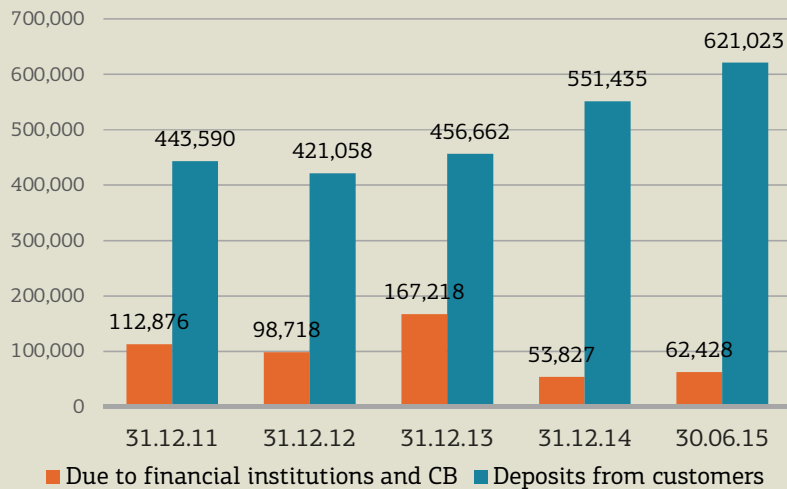


Balance sheet – liabilities and equity

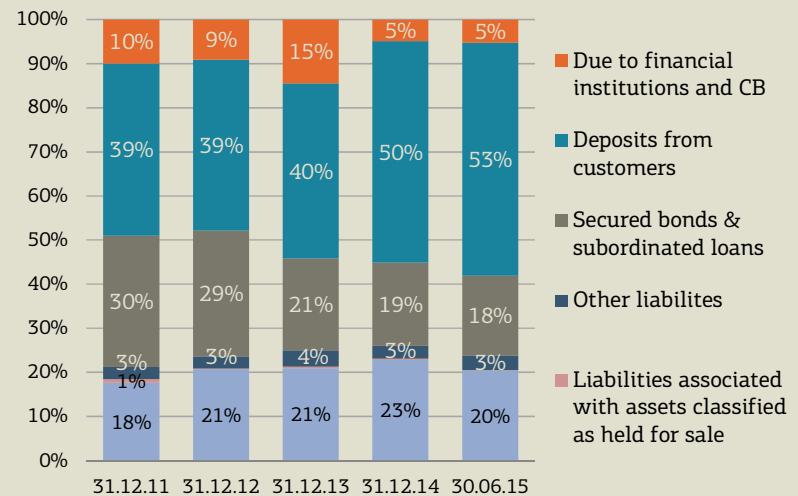
Amounts in ISKm

	30.06.15	31.12.14	Change	
Due to financial institutions and CB	62,428	53,827	8,601	16%
Deposits from customers	621,023	551,435	69,588	13%
Secured bonds	212,792	207,028	5,764	3%
Subordinated loans	414	0	414	
Other liabilities	36,160	35,277	883	3%
Equity	239,852	250,803	-10,951	-4%
Total	1,172,669	1,098,370	74,299	7%

Deposits



Liabilities and equity

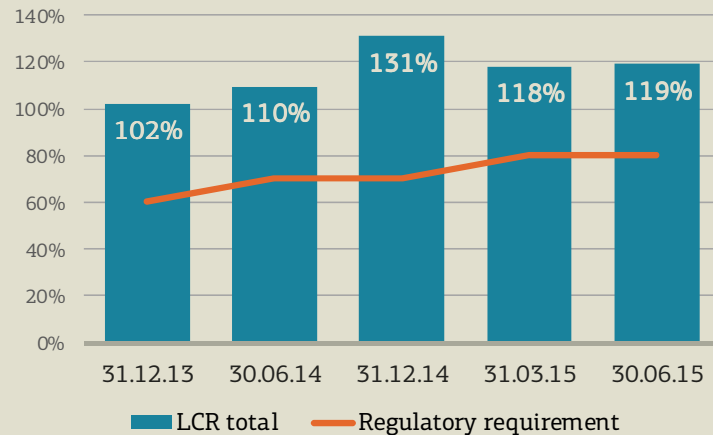


Liquidity

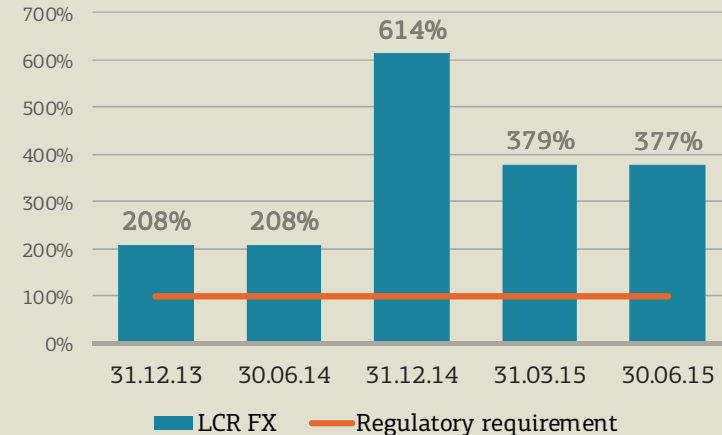
Amounts in ISKm

30.06.15	Total		FX	
	w/o weight	with weight	w/o weight	with weight
Level 1 liquid assets	247,128	247,128	78,952	78,952
Level 2 liquid assets from information items	32,053	0	17,804	0
A. Total liquid assets	279,181	247,128	96,756	78,952
Deposits	498,589	235,102	119,667	79,437
Borrowing	1,563	1,563	1,563	1,563
Other outflows	184,833	54,011	35,910	2,765
B. Total outflows (0 - 30 days)	684,985	290,676	157,140	83,765
Loans and advances to financial institutions	62,631	58,370	62,631	58,370
Other inflows	60,982	25,006	17,620	8,407
Limin on inflows	0	0	0	-3,953
C. Total inflows (0 - 30 days)	123,613	83,376	80,251	62,824
Liquidity coverage ratio A/(B-C)		119%		377%

Liquidity coverage ratio total



Liquidity coverage ratio FX



Other aspects of operations in the first half of 2015

- » The Financial Supervisory Authority (FME) decided on the merger of Landsbankinn and Sparisjóður Vestmannaeyja based on an agreement between Landsbankinn and the Board of Directors of Sparisjóður Vestmannaeyja. The merger became effective as of Sunday, 29 March. As of that date, the Bank took over all assets and liabilities of the savings bank.
- » Landsbankinn hf. and Sparisjóður Norðurlands ses. signed a merger schedule on 30 June. The merger has not become effective, as it is subject to certain qualifications that have yet to be fulfilled.
- » In May, Ístak hf., a subsidiary of Landsbankinn, sold the company Ístak Ísland ehf. to Danish contractor Per Aarsleff AS.
- » Landsbankinn currently has the largest market share on the retail market, or 35.1%, a record high. New housing loans also increased sharply, amounting to ISK 31.7 bn in H1 2015 as compared with ISK 21.5 bn for the same period last year.
- » At the end of June, Landsbankinn had the largest market share on the Icelandic stock exchange in both equities and securities. The Bank's market share in equities was 30.25% and 21.50% in securities.
- » A survey by Gallup in March 2015, undertaken on behalf of Landsbankinn, showed that most respondents would select Landsbankinn as an asset management service. Of the respondents who utilise or would utilise asset management services, 40% said they would choose Landsbankinn.
- » The Bank's AGM, held on 18 March, approved an ISK 24 bn dividend payment to the Bank's owners. Landsbankinn has paid over ISK 53 bn in dividends for the past three operating years.
- » In March, Landsbankinn was the first bank in Iceland to be awarded the golden seal of PwC's Equal Pay Audit. Landsbankinn is also the largest company to participate in and pass the Equal Pay Audit.
- » For the second year running, the magazine Global Finance has named Landsbankinn the best bank in Iceland.
- » Also for the second year in a row, International Finance magazine named Landsbankinn the best bank in Iceland and Landsbankinn's online bank the best online banking service.

Annex – further information

Key financial ratios

Amounts in ISKm

	H1 2015	H1 2014	2014	2013	2012	Q2 2015	Q1 2015	Q4 2014	Q3 2014	Q2 2014
Profit after taxes	12,405	14,878	29,737	28,759	25,494	5,993	6,412	9,752	5,107	10,590
Return on equity before taxes	14.0%	18.5%	16.7%	17.6%	14.0%	14.2%	13.9%	18.6%	11.1%	25.9%
Return on equity after taxes	10.4%	12.8%	12.5%	12.4%	12.0%	10.1%	10.6%	15.9%	8.6%	18.4%
After tax return on average assets	2.2%	2.6%	2.6%	2.6%	2.3%	2.0%	2.3%	3.4%	1.7%	3.7%
Capital ratio (CAR)	28.0%	26.8%	29.5%	26.7%	25.1%	28.0%	26.7%	29.5%	27.1%	26.8%
Net interest income	16,198	15,240	28,073	34,314	35,584	8,929	7,269	5,776	7,057	7,385
Interest spread as a ratio of average total assets	2.8%	2.6%	2.4%	3.1%	3.2%	3.1%	2.6%	2.0%	2.4%	2.6%
Cost-income ratio *	44.8%	54.9%	56.0%	42.9%	45.0%	41.7%	48.0%	57.7%	56.2%	43.7%
Net stable funding ratio NSFR FX	139%		134%			139%	142%	134%		
Liquidity ratio LCR total	119%	110%	131%	102%		119%	118%	131%	108%	110%
LiquidityLCR FX	377%	208%	614%	208%		377%	379%	614%	222%	208%
Operating expenses as a ratio of average total assets **	2.2%	2.0%	2.1%	2.0%	2.2%	2.0%	2.2%	2.5%	1.8%	2.0%
Total assets	1,172,669	1,154,598	1,098,370	1,151,516	1,084,787	1,172,669	1,172,380	1,098,370	1,201,247	1,154,598
Loans / deposits ratio	122.6%	147.8%	130.3%	149.0%	158.2%	122.6%	117.9%	130.3%	144.6%	147.8%
Full-time eqv. positions	1,088	1,162	1,126	1,183	1,233	1,088	1,102	1,126	1,166	1,162

* 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

	H1 2015	H1 2014	Change		2014	2013	Q2 2015	Q1 2015	Q4 2014	Q3 2014	Q2 2014
Net interest income	16,198	15,240	958	6%	28,073	34,314	8,929	7,269	5,776	7,057	7,385
Net valuation adjustments	1,845	11,446	-9,601	-84%	20,128	8,362	249	1,596	6,101	2,581	7,276
Change in contingent bond - liability to purchase own shares	0	0	0			4,691	0	0	0	0	0
Net interest income after valuation adjustments	18,043	26,686	-8,643	-32%	48,201	47,367	9,178	8,865	11,877	9,638	14,661
Net fee commission income	3,394	2,921	473	16%	5,836	5,291	1,753	1,641	1,640	1,275	1,403
Net foreign exchange gain (loss)	-471	-194	-277	-143%	67	1,147	-147	-324	107	154	-171
Other net operating income	7,801	3,504	4,297	-123%	9,045	11,776	3,300	4,501	4,807	734	4,381
Total operating income	28,767	32,917	-4,150	-13%	63,149	65,581	14,084	14,683	18,431	11,801	20,274
Salaries and related expenses	6,881	6,743	138	2%	13,567	12,613	3,179	3,702	3,805	3,019	3,288
Equity-settled employee share-based salaries	0	0	0		0	4,691	0	0	0	0	0
Other operating expenses	4,081	4,170	-89	-2%	8,545	8,050	2,011	2,070	2,635	1,740	1,965
Depreciation and amortisation	329	352	-23	-7%	942	818	165	164	419	171	175
Contribution to Depositors' and Investors' Guarantee Fund	767	522	245	47%	1,034	1,079	421	346	259	253	255
Total operating expenses	12,058	11,787	271	2%	24,088	27,251	5,776	6,282	7,118	5,183	5,683
Share in profit of associates, net of income tax	112	340	-228	-67%	465	2,712	103	9	125	0	329
Profit before tax	16,821	21,470	-4,649	-22%	39,526	41,042	8,411	8,410	11,438	6,618	14,920
Income tax expense	4,416	6,592	-2,176	-33%	9,789	12,283	2,418	1,998	1,686	1,511	4,330
Profit for the period	12,405	14,878	-2,473	-17%	29,737	28,759	5,993	6,412	9,752	5,107	10,590

Balance Sheet

Amounts in ISKm

	30.06.15	31.12.14	Change		31.12.13	31.12.12	31.12.11
Cash and balances with CB	38,719	10,160	28,559	281%	21,520	25,898	8,823
Bonds and debt instruments	248,604	243,589	5,015	2%	290,595	228,208	221,848
Equities and equity instruments	25,498	29,433	-3,935	-13%	36,275	36,881	46,037
Loans and advances to fin institutions	68,707	49,789	18,918	38%	67,916	64,349	100,133
Loans and advances to customers	761,290	718,355	42,935	6%	680,468	666,087	639,130
Other assets	17,104	28,832	-11,728	-41%	29,719	38,044	65,959
Assets classified as held for sale	12,747	18,212	-5,465	-30%	25,023	25,320	53,552
Total	1,172,669	1,098,370	74,299	7%	1,151,516	1,084,787	1,135,482
Due to financial institutions and CB	62,428	53,827	8,601	16%	167,218	98,718	112,876
Deposits from customers	621,023	551,435	69,588	13%	456,662	421,058	443,590
Secured bonds	212,792	207,028	5,764	3%	239,642	309,265	337,902
Subordinated bonds	414	0	414		0	0	0
Other liabilities	34,710	32,443	2,267	7%	42,750	29,687	31,485
Liabilities associated with assets classified as held for sale	1,450	2,834	-1,384	-49%	3,885	893	9,385
Equity	239,852	250,803	-10,951	-4%	241,359	225,166	200,244
Total	1,172,669	1,098,370	74,299	7%	1,151,516	1,084,787	1,135,482

Segments

Amounts in ISKm

H1 2015	Personal Banking	Corporate Banking	Markets	Treasury	Support Functions	Reconciliation	Total
Net interest income (expense)	6,419	6,670	150	3,404	3	-448	16,198
Net valuation adjustments	1,632	243	-1	-29	0	0	1,845
Net fee and commission income	1,668	342	1,719	-176	43	-202	3,394
Other net operating income	-239	-77	816	6,078	364	388	7,330
Total operating income (expense)	9,480	7,178	2,684	9,277	410	-262	28,767
Operating expenses	-3,063	-718	-923	-953	-6,613	212	-12,058
Share in profit of equity-accounted associates, net of income tax	79	0	0	33	0	0	112
Profit (loss) before cost allocation and tax	6,496	6,460	1,761	8,357	-6,203	-50	16,821
Cost allocated from support functions to business segments	-2,735	-2,098	-593	-449	5,875	0	0
Profit (loss) before tax	3,761	4,362	1,168	7,908	-328	-50	16,821
Total assets	352,546	467,637	34,437	532,213	27,723	-241,887	1,172,669
Total liabilities	304,288	372,623	27,987	442,083	27,723	-241,887	932,817
Allocated capital	48,258	95,014	6,450	90,130	0	0	239,852