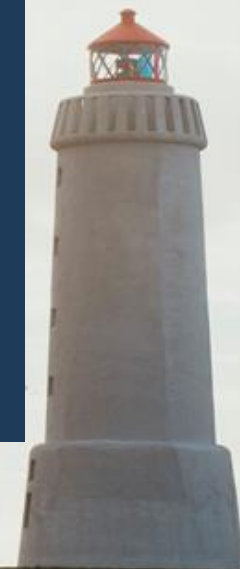




H1 2017 Results

Lilja B. Einarsdóttir
CEO

Hreiðar Bjarnason
CFO



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Highlights

Operations

Highlights of Q2 2017

- After-tax profit for Q2 2017 amounted to ISK 5.1 bn compared to ISK 8.0 bn for the same period in 2016
- Net interest income amounted to ISK 10.2 billion, the same as in Q2 2016
- Credit value adjustments for the period were negative by ISK 0.5 bn compared to positive value adjustments of ISK 2.0 billion in Q2 2016
- Net commission income increased by 21% compared to the same period last year, due to growth in capital markets and asset management in particular
- After-tax return on equity was 8.6% in Q2 compared to 12.4% during the same period in 2016

Key figures from the profit and loss account in H1 2017

- The after-tax profit for the first six months of 2017 amounted to ISK 12.7 billion compared to ISK 11.3 billion for the same period in 2016
- Net interest income amounted to ISK 18.2 bn, increasing by 3.2% compared to the same period in 2016
- Credit value adjustments for the period were positive by ISK 1.3 bn compared to ISK 2.3 billion for the same period in 2016
- Net commission income increased by 13.8% compared to the same period last year, due to growth in capital markets and asset management in particular
- Other operating income increased by 12% between years, which is largely due to positive fair value adjustments of unlisted equities
- The interest margin on assets and liabilities was 2.5% at the end of June compared to 2.3% at the end of June 2016

- After-tax return on equity was 10.6% compared to 8.6% for the same period in 2016
- Operating expenses decreased by 2% compared to the same period in 2016
- The cost-income ratio for the first six months of the year was 43.0% compared to 47.3% in the same period 2016
- The effective tax rate in the first half of 2017 is 19%

Balance sheet

- Total assets amounted to ISK 1,171 bn as of the end of June 2017
- Lending grew by roughly ISK 17 bn from year end, mortgages in particular
- The bank issued a bond in the amount of EUR 300 m in March, the equivalent to ISK 34 bn. The 5-year bonds have a maturity date in March 2022. The bank also issued a bond in the amount of SEK 1,000 m in June or the equivalence of ISK 12 bn. The bonds mature in June 2020. The bank paid up the outstanding balance with LBI ehf. at the end of June.
- The bank's liquidity position is strong, both in terms of foreign currency and Icelandic kronas, and is above the minimum requirements of regulatory authorities.
- Landsbankinn's equity was ISK 238.9 bn at the end of June 2017. It has decreased by 5% since year end due to the bank paying dividends this year in the amount of ISK 24.8 bn in two payments. The first payment was in March and the second will be on 20 September.
- The equity ratio is now 27.6% and has decreased from 30.2% since year end 2016.

Main results

	H1 2017	H1 2016	Q2 2017	Q2 2016	2016	2015
Profit after taxes	12,653	11,298	5,077	7,983	16,643	36,460
Return on equity after taxes	10.6%	8.6%	8.6%	12.4%	6.6%	14.8%
Adjusted return on equity after taxes*	11.1%	8.5%	9.9%	10.1%	7.7%	10.6%
Interest spread as a ratio of assets and liabilities	2.5%	2.3%	2.9%	2.8%	2.3%	2.2%
Cost-income ratio **	43.0%	47.3%	43.6%	40.8%	48.4%	43.8%
	30.06.17	30.06.16	31.12.16	31.12.15		
Total assets	1,170,628	1,109,844	1,111,157	1,118,658		
Loans to customers	870,483	827,241	853,417	811,549		
Deposits from customers	627,954	556,841	589,725	559,051		
Equity	238,944	247,291	251,231	264,531		
Total capital ratio	27.6%	28.9%	30.2%	30.4%		
Net stable funding ratio NSFR total	125%		123%			
Net stable funding ratio NSFR FX	169%	145%	154%	136%		
Liquidity ratio LCR total	183%	123%	128%	113%		
Liquidity ratio LCR FX	470%	684%	743%	360%		
Net FX position	1,535	6,458	3,480	23,795		
Arrears (>90 days)	1.1%	1.7%	1.5%	1.8%		
Full-time eqv. positions	988	1,040	1,012	1,063		

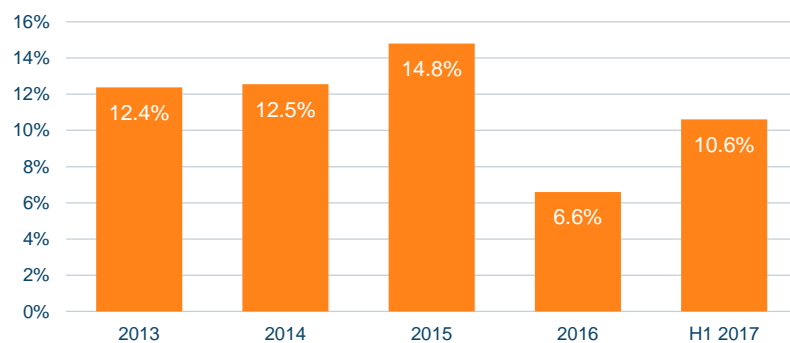
*Adjusted ROE after taxes= (Profit after taxes – positive value adjustments after taxes – tax on total liabilities of financial institutions – profit from discontinued operations after taxes) / average equity position

**Cost-income ratio = Total operating expenses / (Net operating revenue-value change of lending)

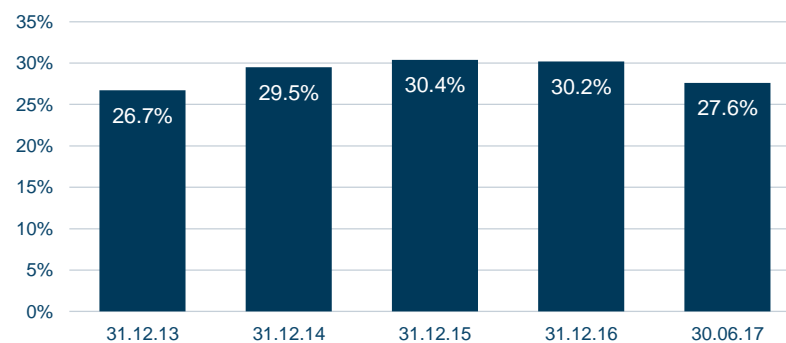


Development of KPIs

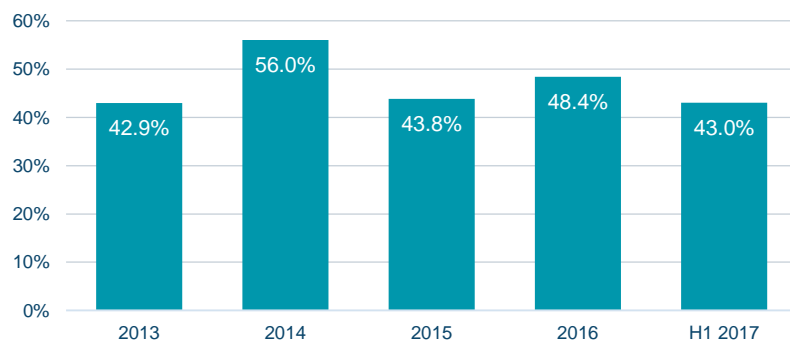
Return on equity after taxes



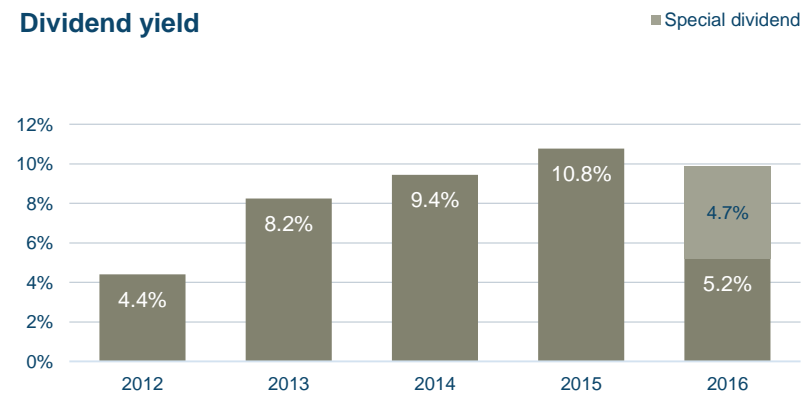
Total capital ratio



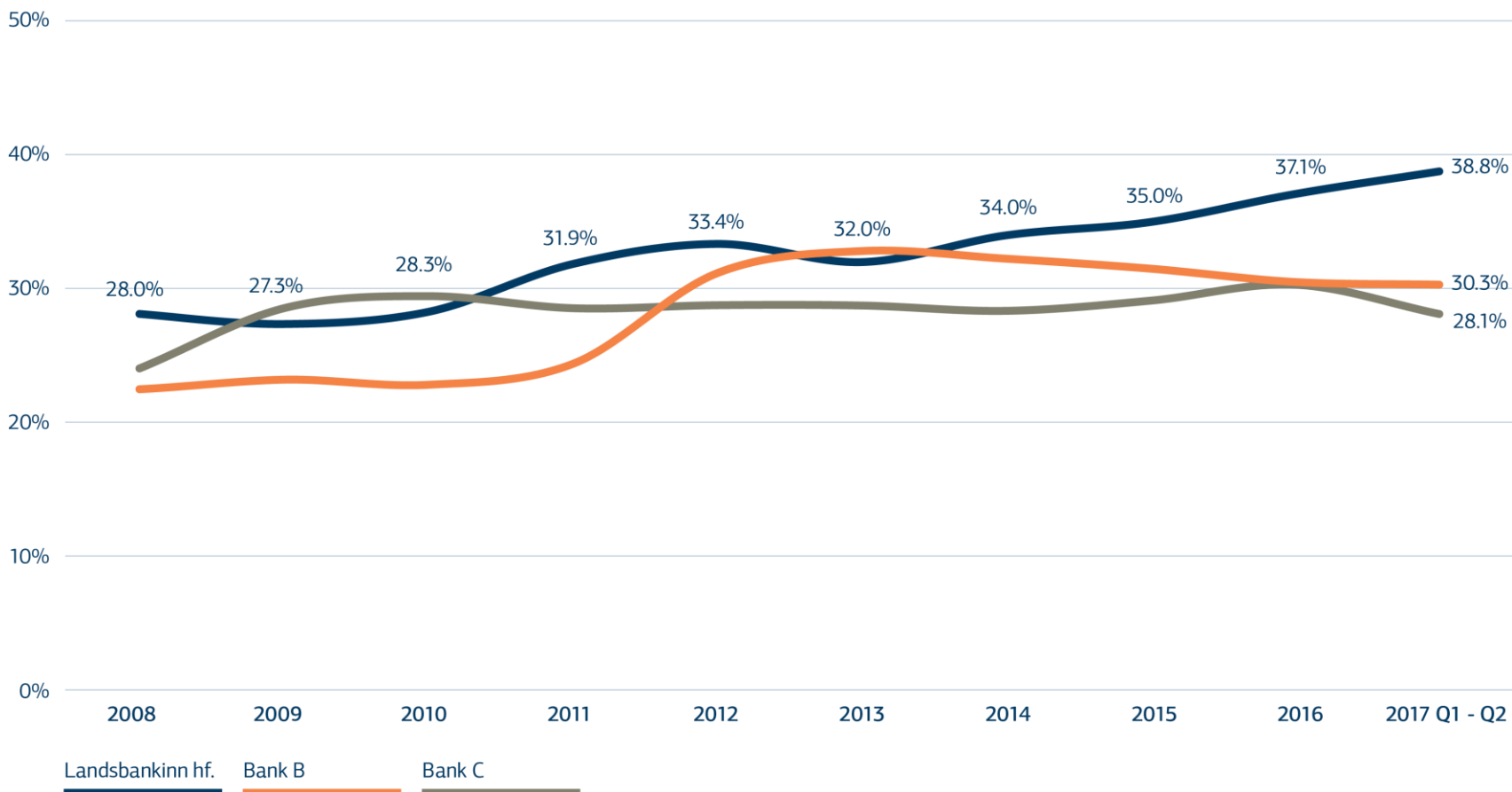
Cost-income ratio excluding valuation adjustments



Dividend yield



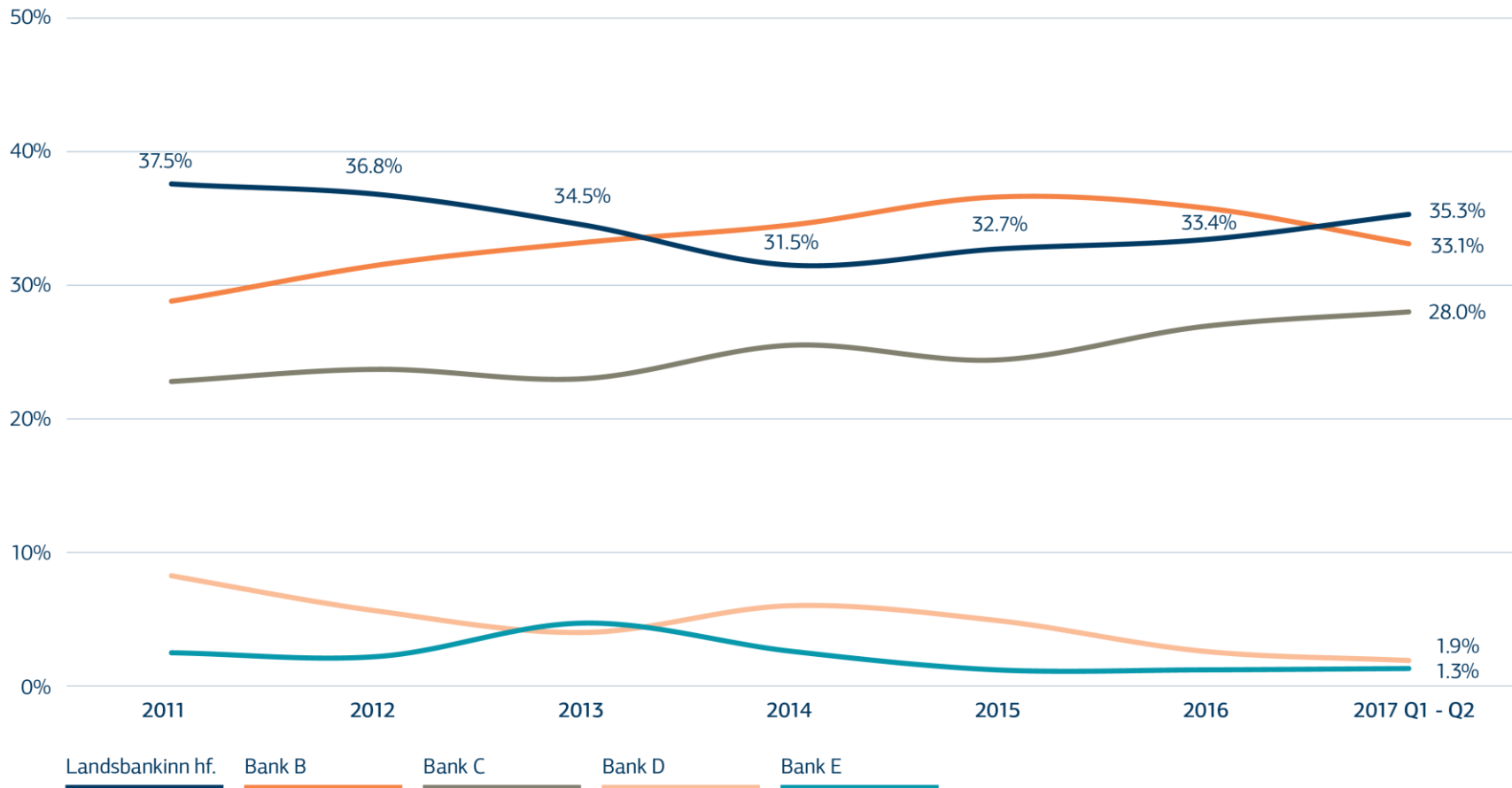
Marketshare – Retail banking



Source: Gallup



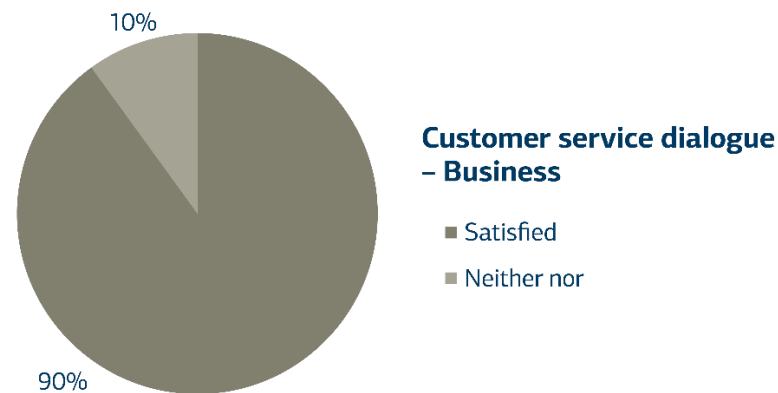
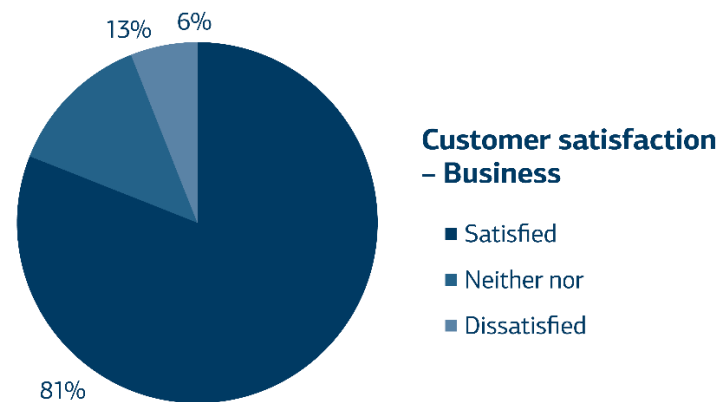
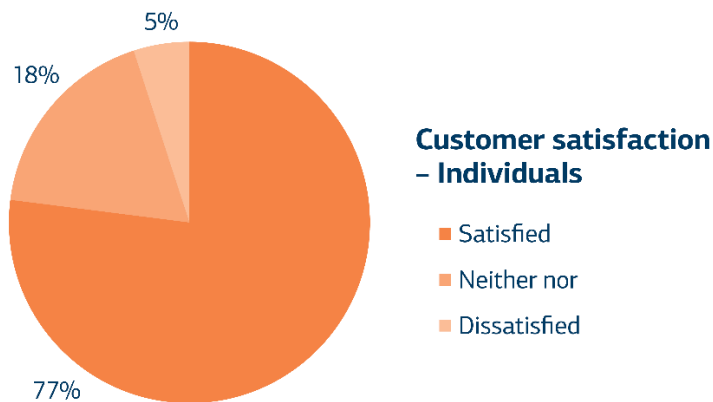
Marketshare – Corporate banking



Source: Gallup



Landsbankinn's successes



Landsbankinn's successes

Personal online banking



Landsbankinn's Corporate online banking ranks first for customer satisfaction in Iceland.

Credit rating



Standard & Poor's upgraded Landsbankinn's credit rating to BBB/A-2 with a positive outlook

Aukakrónur



Aukakrónur is the country's most popular benefits system.

Good governance



Landsbankinn was recognised as a model of good corporate governance in 2015, 2016 and 2017.

CSR



Landsbankinn is a member of the UN Global Compact

PwC's Equal Pay Audit



Landsbankinn was awarded the golden seal of PwC's Equal Pay Audit for the second time.

Strategy

Vision:

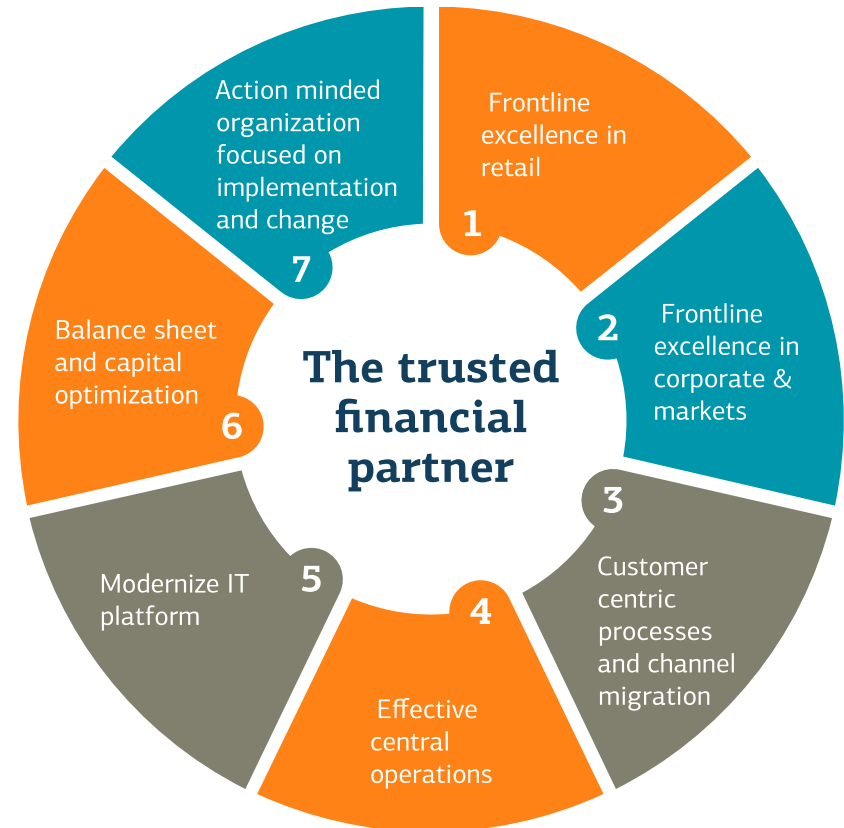
Landsbankinn is to be exemplary

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...

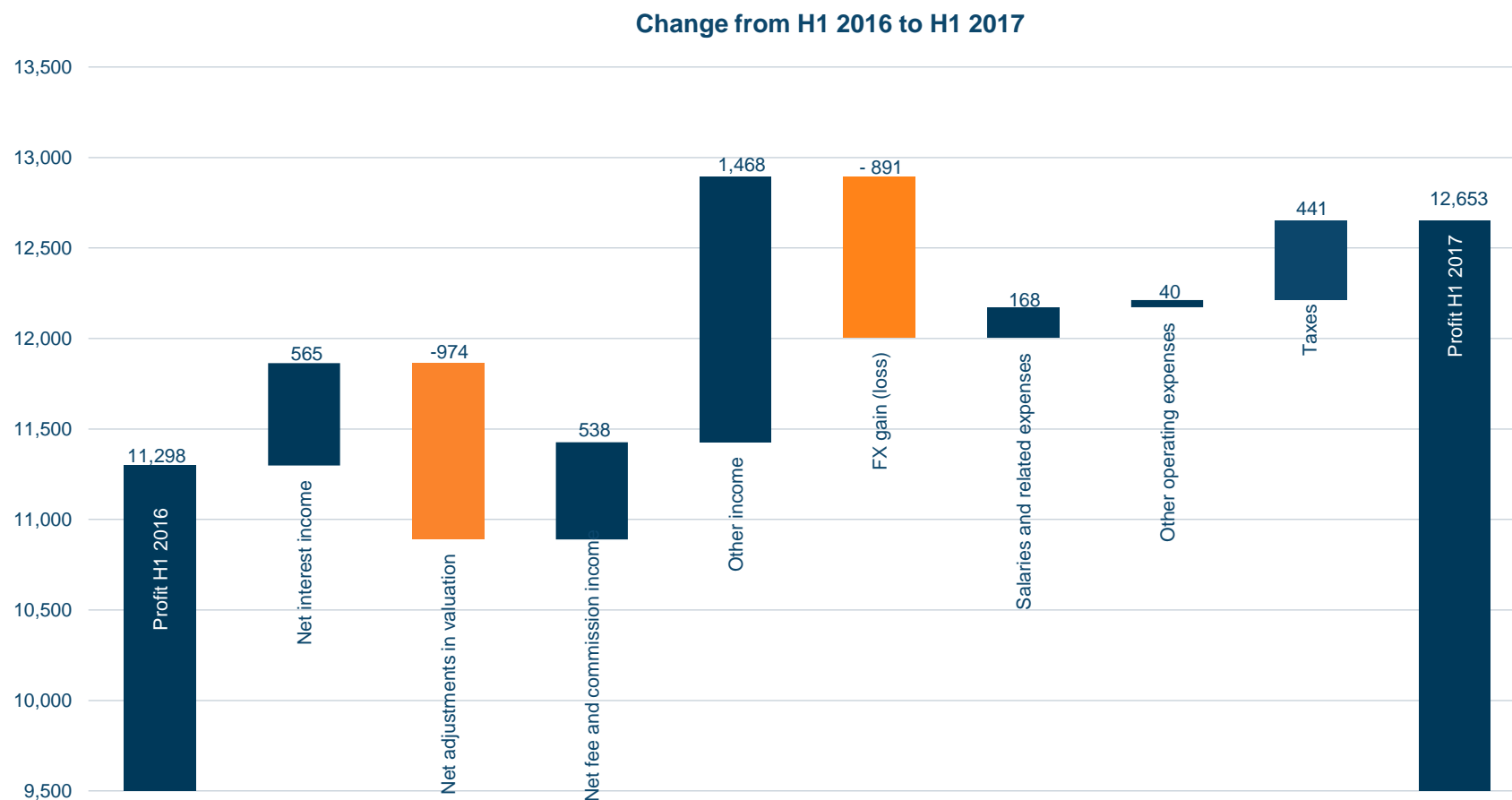
“This is how a bank should be”





H1 2017 Results

Income Statement



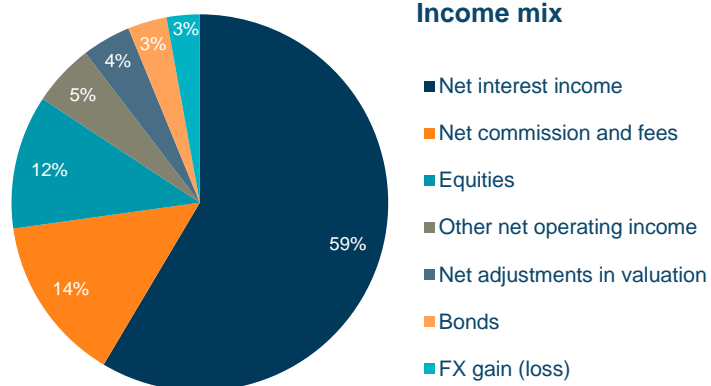
Income Statement

	H1 2017	H1 2016	Change	Q2 2017	Q2 2016	Change
Net interest income	18,176	17,611	3%	10,158	10,145	0%
Net adjustments in valuation	1,301	2,275	-43%	-478	1,964	-124%
Net interest income after adjustments in valuation	19,477	19,886	-2%	9,680	12,109	-20%
Net fee and commission income	4,432	3,894	14%	2,316	1,914	21%
Other net operating income	5,379	4,802	12%	1,579	3,038	-48%
Total operating income	29,288	28,582	2%	13,575	17,061	-20%
Salaries and related expenses	7,145	7,313	-2%	3,654	3,559	3%
Other operating expenses	4,903	4,943	-1%	2,477	2,444	1%
Total operating expenses	12,048	12,256	-2%	6,131	6,003	2%
Profit before tax	17,240	16,326	6%	7,444	11,058	-33%
Income tax expense and tax on liabilities of financial institutions	4,587	5,028	-9%	2,367	3,074	-23%
Profit for the period	12,653	11,298	12%	5,077	7,983	-36%

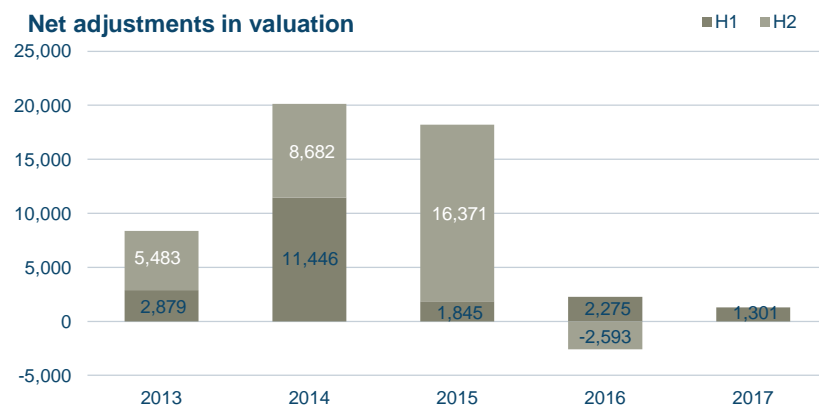
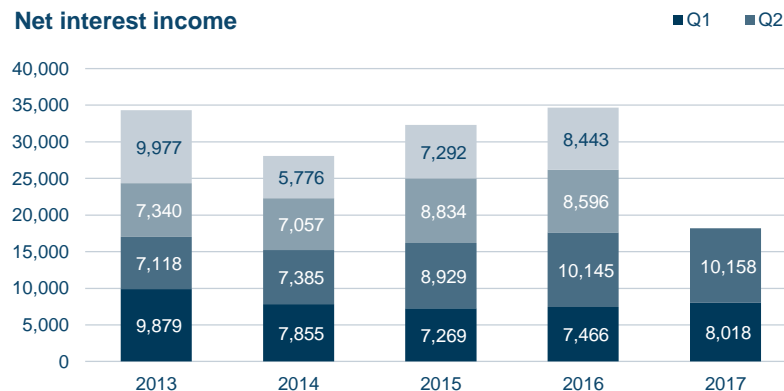
Net interest income and valuation adjustments

	H1 2017	H1 2016	Change		Q2 2017	Q2 2016	Change	
Interest income	31,670	32,843	-1,173	-4%	17,125	18,071	-946	-5%
Interest expense	-13,494	-15,232	1,738	11%	-6,967	-7,926	959	12%
Net interest income	18,176	17,611	565	3%	10,158	10,145	13	0%
Net impairment loss on loans and guarantees	533	2,275	-1,742	-77%	-491	1,964	-2,455	-125%
Net impairment from foreign currency linkage of loans and advances to customers	768	0	768		13	0	13	0%
Net valuation adjustments	1,301	2,275	-974	-43%	-477	1,964	-2,441	-124%
Net interest income after net valuation adjustments	19,477	19,886	-409	-2%	9,680	12,109	-2,429	-20%

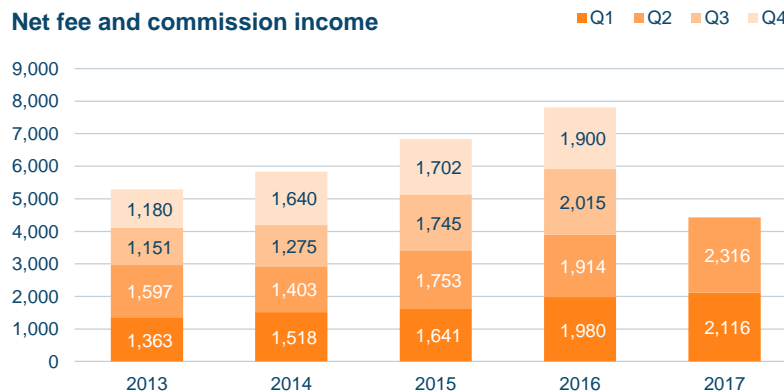
Net operating income



Net interest income

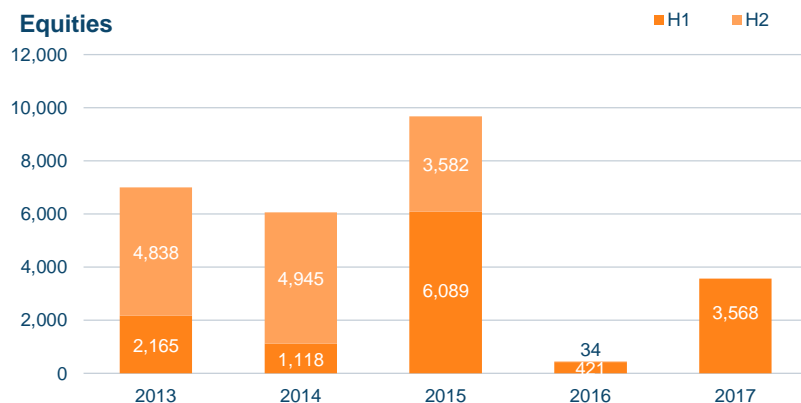


Net fee and commission income

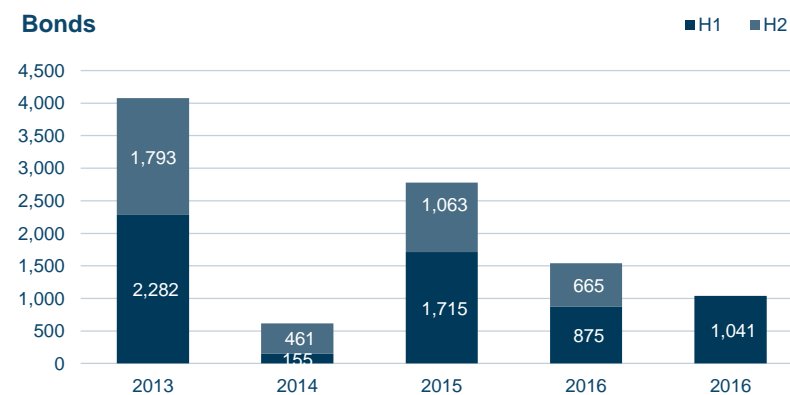


Net operating income

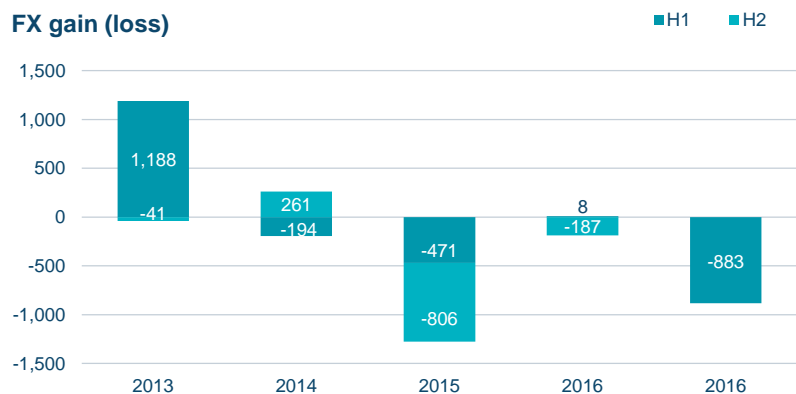
Equities



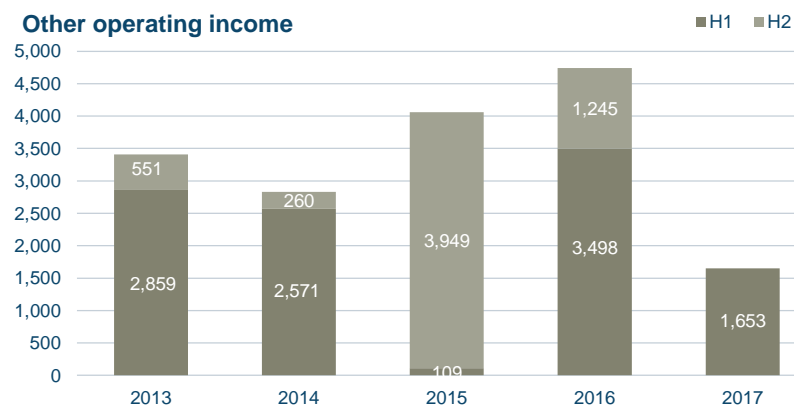
Bonds



FX gain (loss)

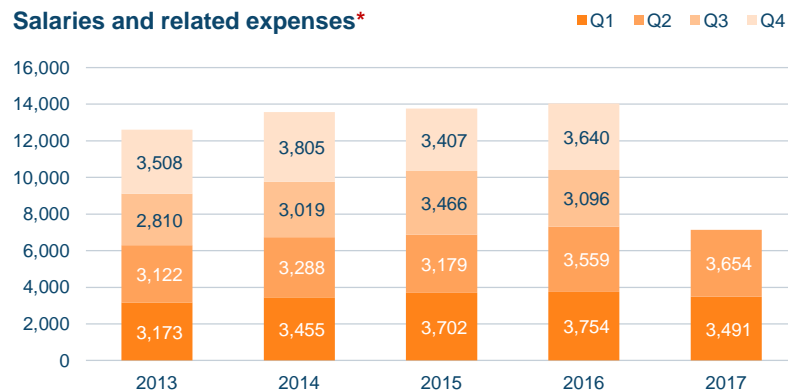


Other operating income



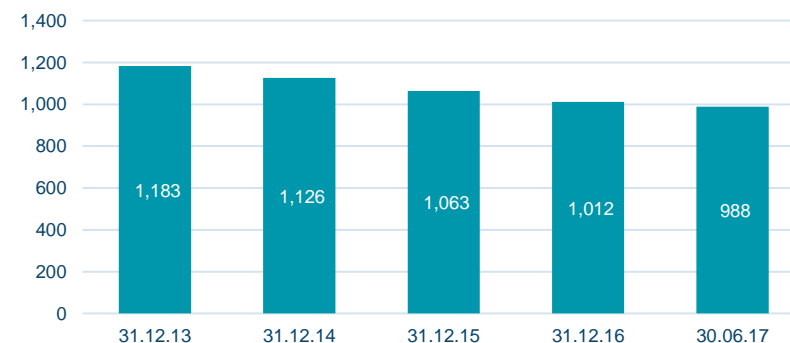
Operating expenses

Salaries and related expenses*

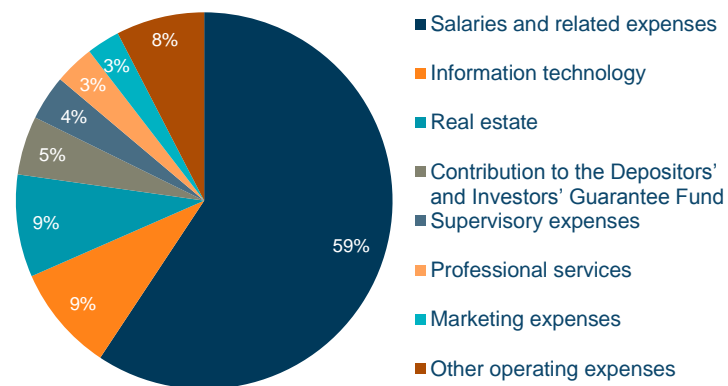
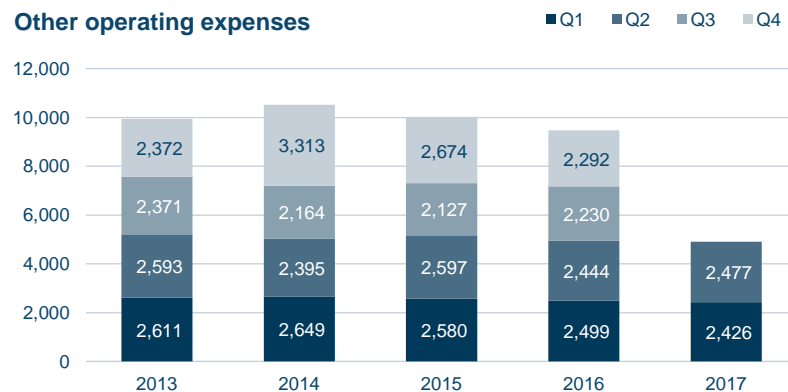


*2013, less expensed equity-based wages

Full time employees



Other operating expenses



Taxes

	H1 2017	H2 2016	Change	
Income tax	2,301	2,788	-487	-17%
Special financial activities tax on profits ¹	666	716	-50	-7%
Income Tax	2,967	3,503	-536	-15%
Tax on liabilities of financial institutions ²	1,620	1,525	95	6%
Special financial activities tax on salaries ³	335	346	-11	-3%
Total	4,922	5,374	-452	-8%

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

² Special tax on financial institutions of 0.376% is levied of the carrying amount of total liabilities at year-end, excluding tax liabilities, in excess of ISK 50,000 million as determined for tax purposes. The special income tax on financial institutions is a non-deductible expense

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

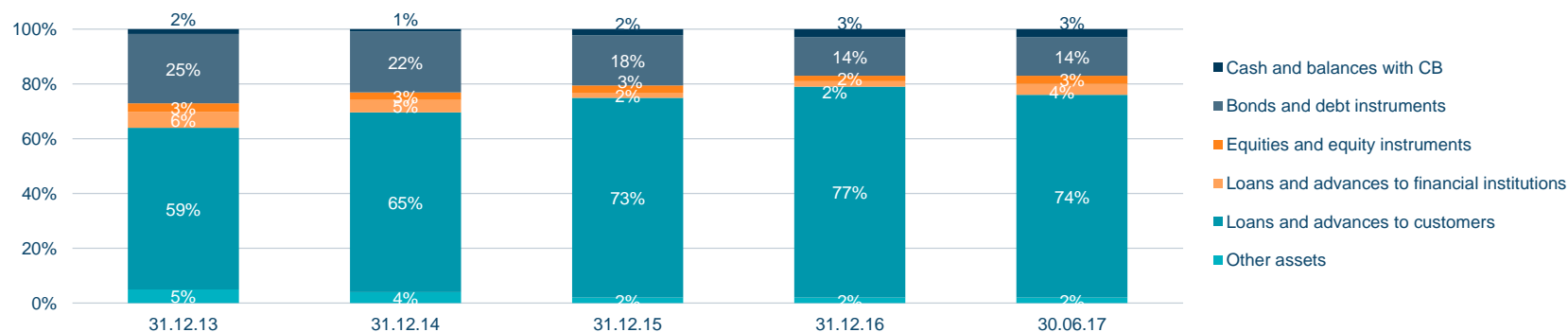
A scenic landscape photograph featuring a large, rugged mountain with a snow-covered peak and dark, rocky slopes. The mountain is situated on the left side of the frame. In the foreground, a calm body of water reflects the sky. A blue fishing boat with white accents is visible on the right side of the water. The sky is filled with soft, white clouds, and the overall lighting suggests a bright, slightly overcast day. The text "Balance sheet" is overlaid in the center of the image, flanked by two horizontal white lines.

Balance sheet

Assets

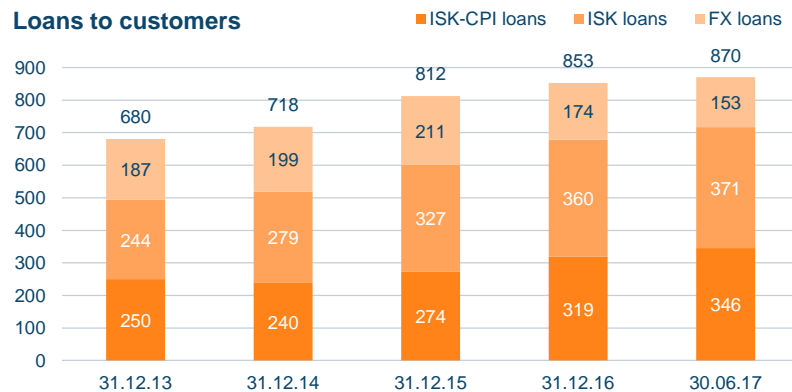
	30.06.17	31.12.16	Change	
Cash and balances with CB	32,216	30,662	1,554	5%
Bonds and debt instruments	162,520	154,892	7,628	5%
Equities and equity instruments	30,934	26,688	4,246	16%
Loans and advances to financial institutions	49,292	20,408	28,884	142%
Loans and advances to customers	870,483	853,417	17,066	2%
Other assets	20,317	17,641	2,676	15%
Assets classified as held for sale	4,866	7,449	-2,583	-35%
Total	1,170,628	1,111,157	59,471	5%

Assets

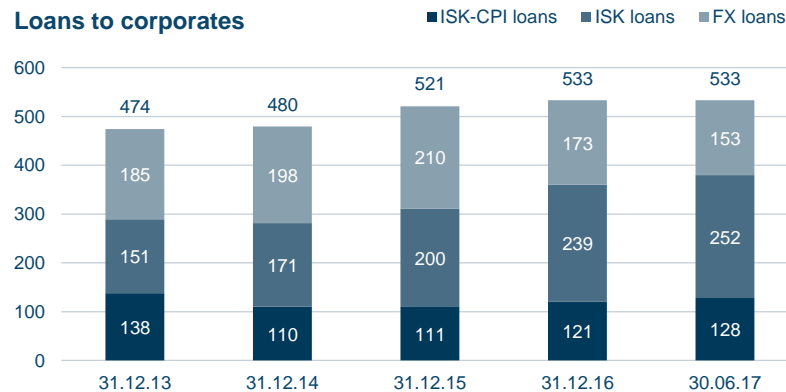


Loans

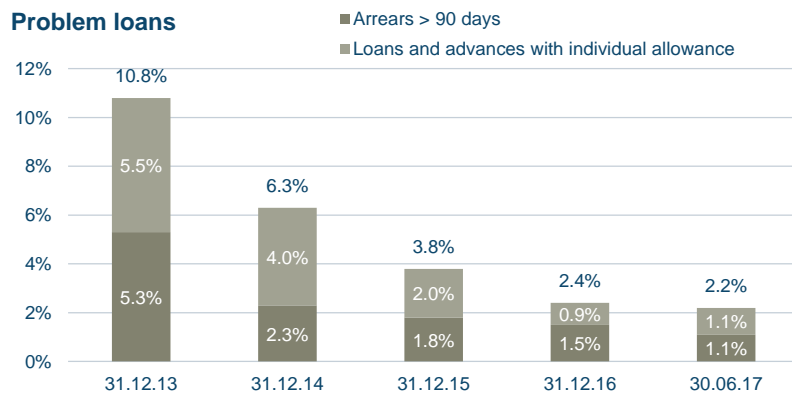
Loans to customers



Loans to corporates

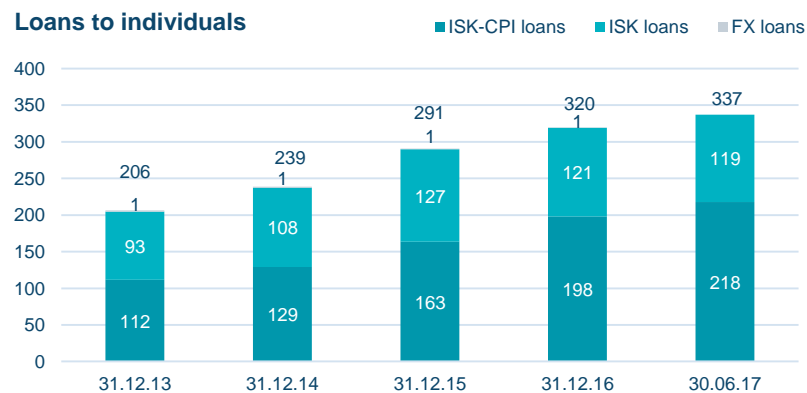


Problem loans

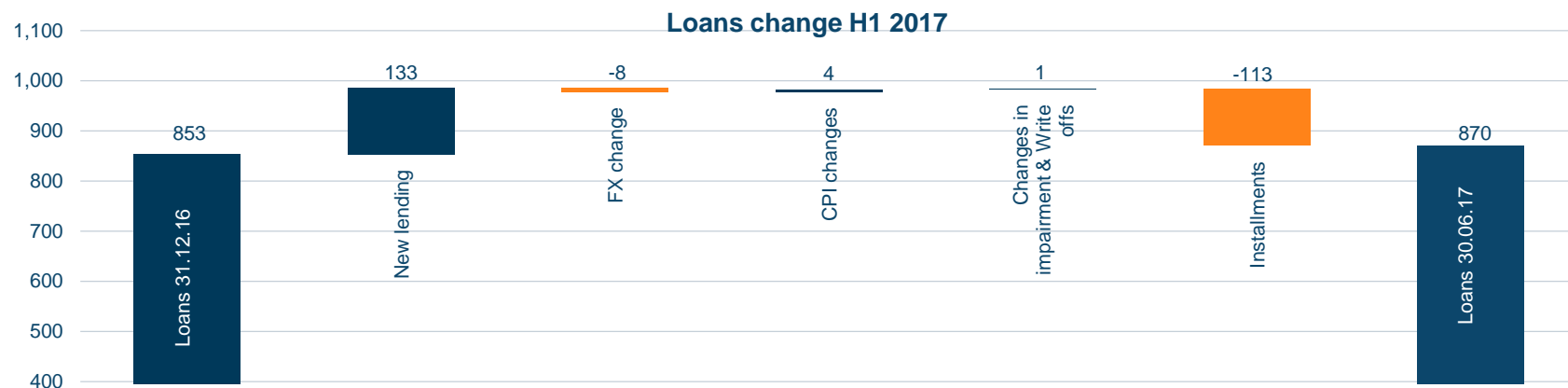


* Problem loans are defined as loans and advances with individual allowance and / or more than 90 days in arrears

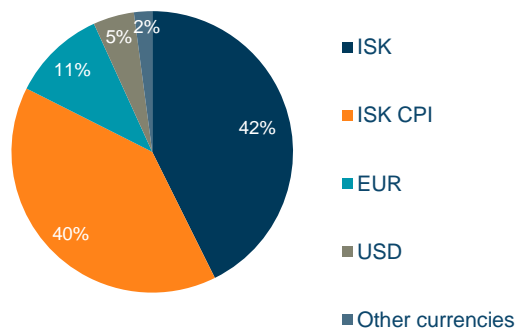
Loans to individuals



Loans



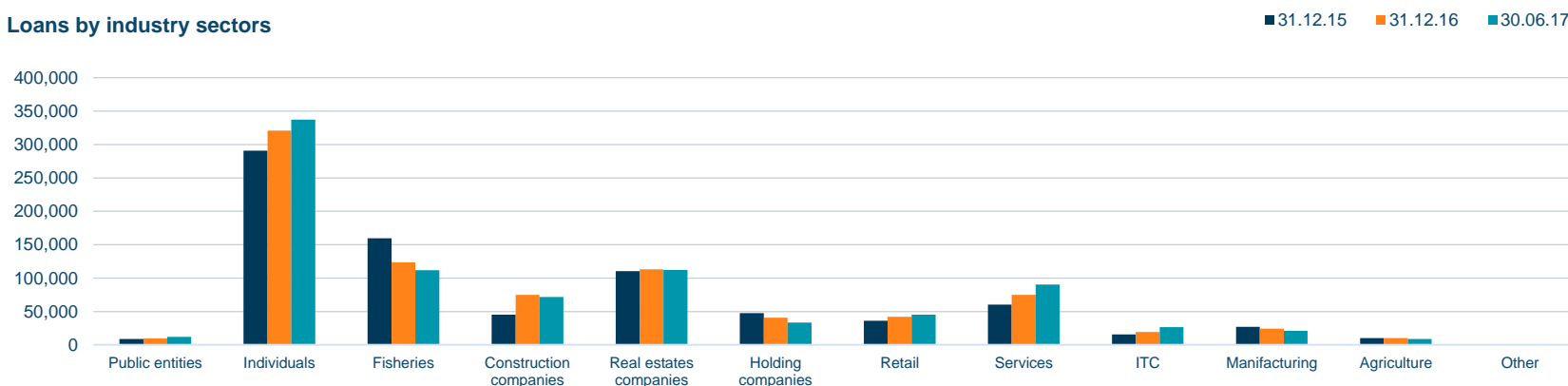
Loans by currencies



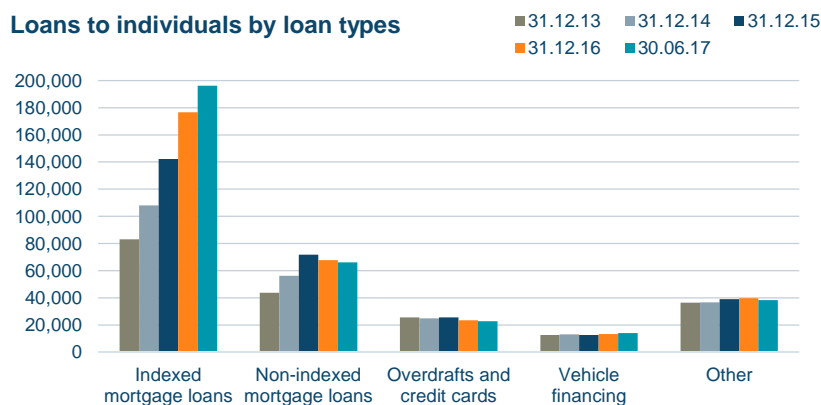
	30.06.2017	31.12.2016	Change	
ISK	371	361	-10	-3%
ISK CPI	346	319	27	8%
EUR	94	93	1	1%
USD	41	61	-20	-33%
Other currencies	18	19	-1	-6%
Total loans	870	853	17	2%

Loans

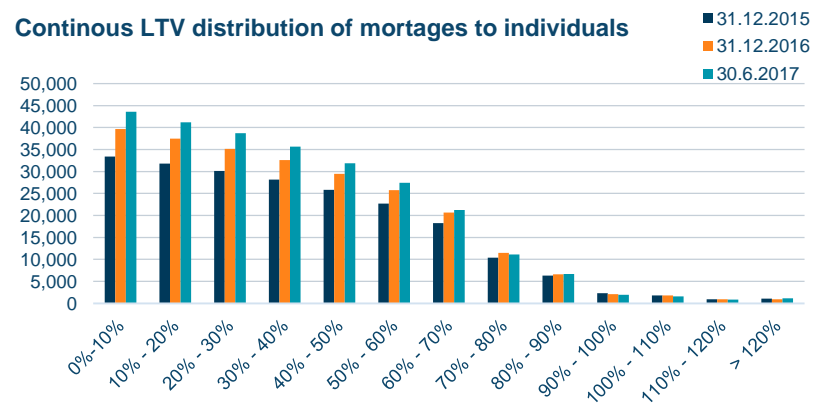
Loans by industry sectors



Loans to individuals by loan types



Continous LTV distribution of mortgages to individuals

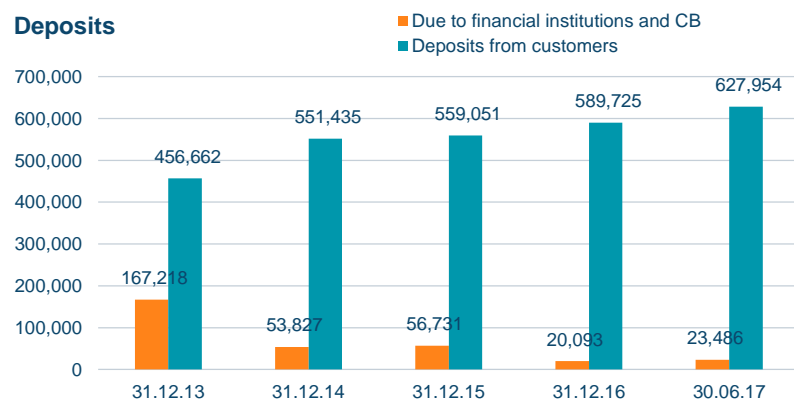


Weighted average LTV 30.06.17 60.3% (62.3% 31.12.16 ; 63.4% 31.12.2015)

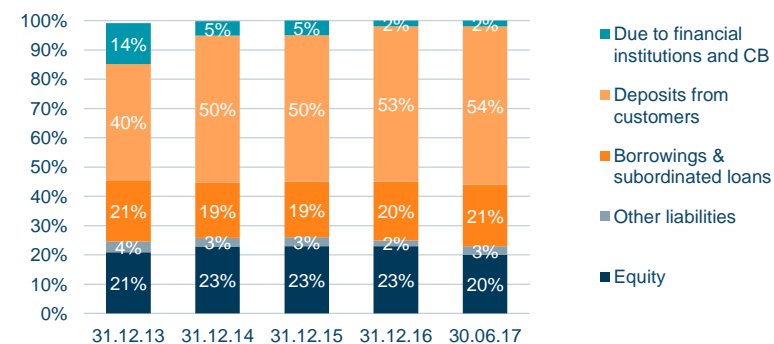
Liabilities and equity

	30.06.17	31.12.16	Change	
Due to financial institutions and CB	23,486	20,093	3,393	17%
Deposits from customers	627,954	589,725	38,229	6%
Borrowings	242,274	223,944	18,330	8%
Other liabilities	37,597	25,776	11,823	46%
Subordinated liabilities	374	388	-14	-4%
Equity	238,944	251,231	-12,287	-5%
Total	1,170,628	1,111,157	59,471	5%

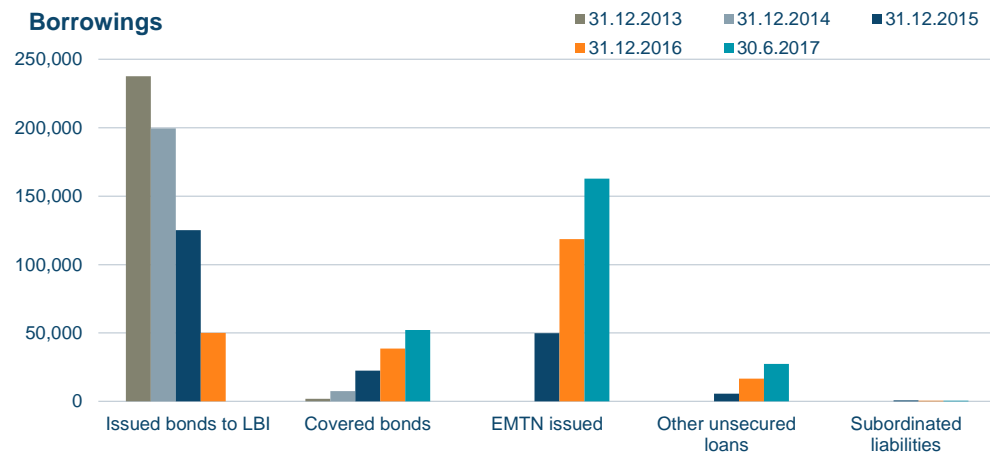
Deposits



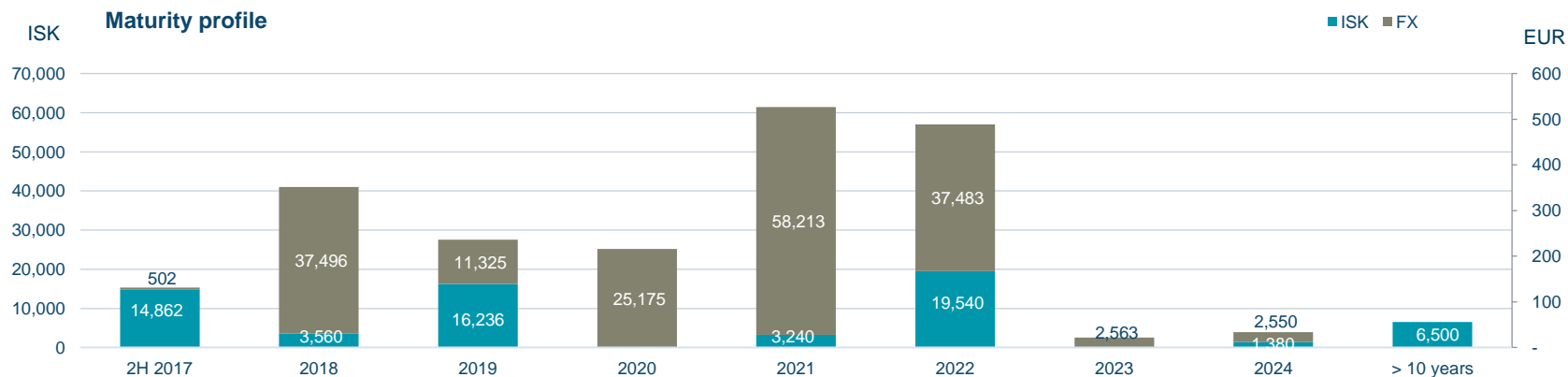
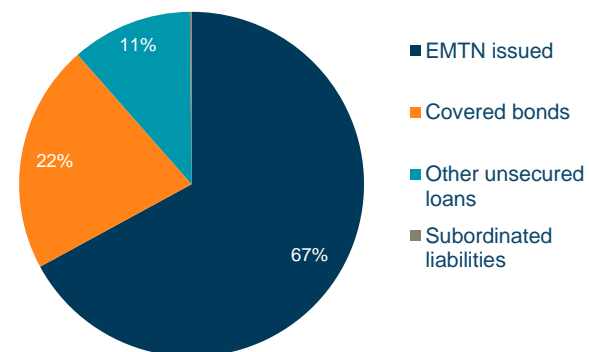
Liabilities and equity



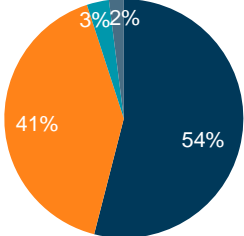
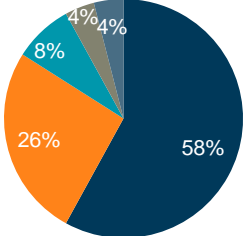
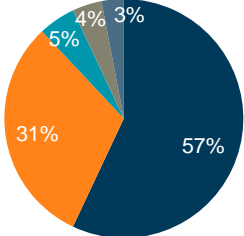
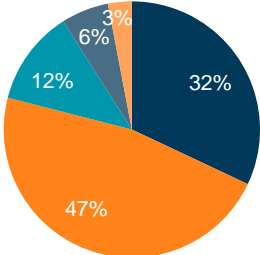
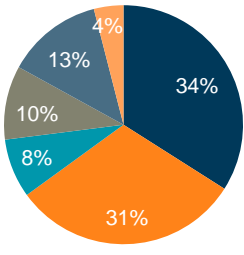
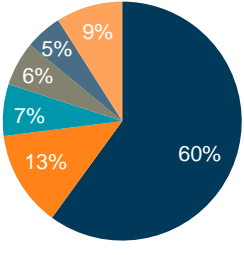
Borrowings



Borrowings 30.06.2017



Landsbankinn's EUR senior unsecured issuance

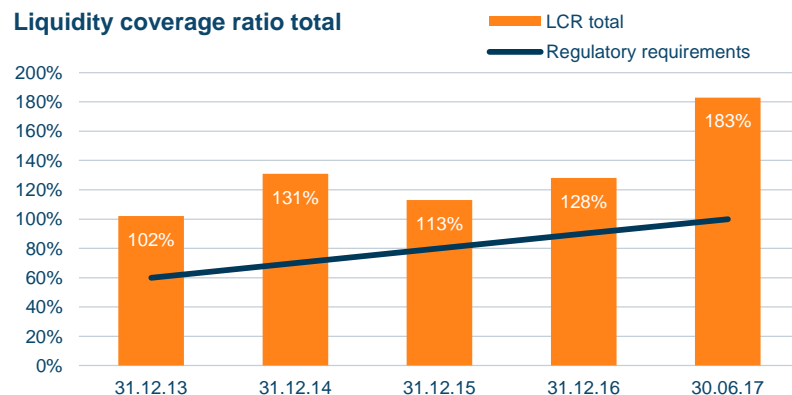
Issue date:	October 2015	September 2016	March 2017
Size:	€ 300 m	€ 500 m	€ 300 m
Issue rating (S&P):	BBB- (positive outlook)	BBB- (positive outlook)	BBB (positive outlook)
Tenor:	3-year	4,5-year	5-year
Maturity date:	October 2018	March 2021	March 2022
Launch spread:	+ 295 bp	+ 190 bp	+ 130 bp
Joint lead managers:	Citi, DB, JP Morgan	Barclays, Citi, DB	Barclays, BAML, Citi, JP Morgan
Roadshow locations:	Copenhagen, Oslo, Helsinki, Stockholm, London	Copenhagen, Helsinki, London, Paris, Holland	London, Paris, Holland
Investors			
- investor types	 <p>● Asset Managers ● Insureres / Pensions ● Banks ● Official Institutions ● Other</p>		
- geography			
	<p>● UK / Ireland ● Nordics ● France ● Ger / Aus / Swiss ● BeNeLux ● Asia / Other</p>		

Liquidity

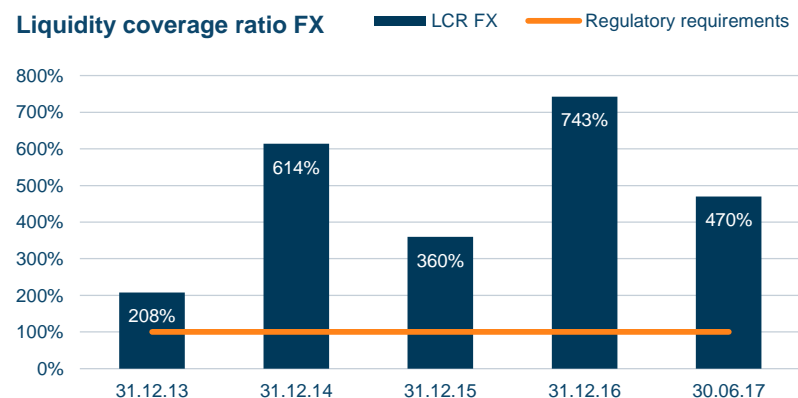
30.06.2017	Total*		FX*	
	Unweighted	Weighted	Unweighted	Weighted
Level 1 liquid assets	136,568	136,568	41,101	41,101
Level 2 liquid assets	0	0	0	0
information items	22,110	0	10,322	0
A. Total liquid assets	158,678	136,568	51,423	41,101
Deposits	422,365	116,780	57,249	31,925
Borrowing	2,860	2,680	0	0
Other outflows	146,445	16,871	38,035	3,039
B. Total outflows (0-30 days)	571,490	136,331	95,284	34,964
Loans and advances to financial institutions	49,799	44,958	45,746	44,946
Other inflows	33,548	16,906	9,221	5,354
Limit on inflows	0	0	0	-24,077
C. Total inflows (0-30 days)	83,347	61,864	54,967	26,223
Liquidity coverage A/(B-C)		183%		470%

*according to the liquidity and funding rules set by the Central Bank of Iceland, No. 266/2017

Liquidity coverage ratio total

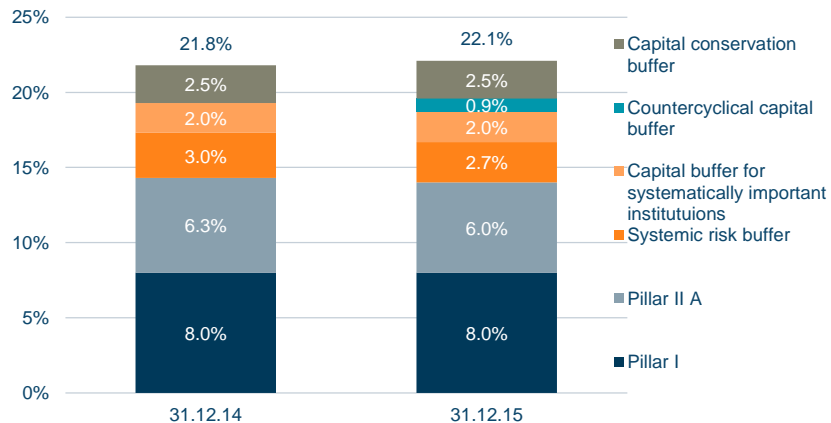


Liquidity coverage ratio FX

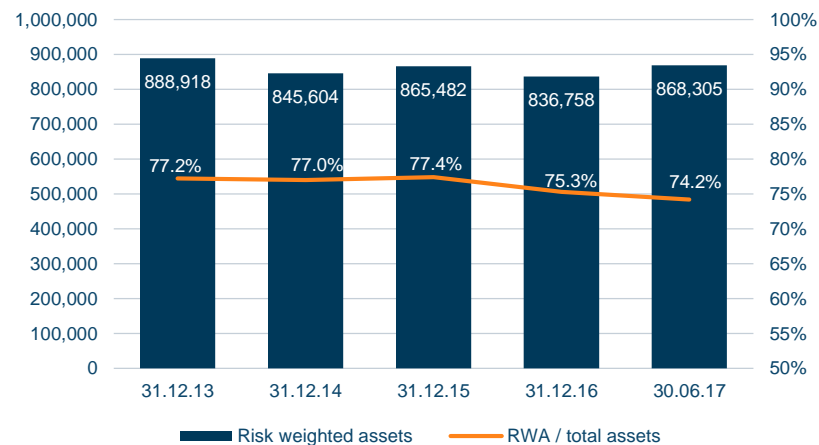


Capital requirements

Total capital requirements as defined by FME



Risk weighted assets



- Total capital ratio was 27.6% end of Q1 2017, as compared with 30.2% at year-end 2016
- In September 2016, the Icelandic parliament Althingi approved a bill of legislation amending the Act on Financial Undertakings to transpose into Icelandic law various provisions from CRD IV / CRR
- Capital requirements pertaining to Landsbankinn as provided for in the Act on Financial Undertakings, guidelines on capital buffers from the Financial Stability Counsel and decisions made by the Financial Supervisory Authority, Iceland (FME), in the yearly ICAAP/SREP are stated in the above table
- The Bank's target is to maintain a capital ratio above the FME's total capital requirement at any given time, plus an administration buffer specified in the Bank's risk appetite. The Bank also aims to be in the highest category for risk-adjusted capital ratio, as determined and measured by the relevant credit rating agencies



Annex further information

Key financial ratios

	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	2016	2015	2014
Profit after taxes	5,077	7,576	243	5,102	7,983	16,643	36,460	29,737
Return on equity before taxes	12.6%	16.2%	1.7%	12.5%	17.2%	9.9%	19.9%	16.7%
Return on equity after taxes	8.6%	12.5%	0.4%	8.2%	12.4%	6.6%	14.8%	12.5%
After tax return on average assets	1.7%	2.7%	0.1%	1.8%	2.9%	1.5%	3.2%	2.6%
Total capital ratio	27.6%	27.4%	30.2%	29.1%	28.9%	30.2%	30.4%	29.5%
Net interest income	10,158	8,018	8,443	8,596	10,145	34,650	32,324	28,073
Interest spread as a ratio of assets and liabilities	2.9%	2.2%	2.2%	2.4%	2.8%	2.3%	2.2%	1.9%
Cost-income ratio*	43.6%	42.5%	50.7%	48.9%	40.8%	48.4%	43.8%	56.0%
Net stable funding ratio NSFR total	125%	122%	123%			123%		
Net stable funding ratio NSFR FX	169%	159%	154%	149%	145%	154%	136%	134%
Liquidity ratio LCR total	183%	158%	128%	140%	123%	128%	113%	131%
Liquidity LCR FX	470%	153%	743%	594%	684%	743%	360%	614%
Operating expenses as a ratio of average total assets	2.1%	2.1%	2.1%	1.9%	2.2%	2.1%	2.1%	2.1%
Total assets	1,170,628	1,182,467	1,111,157	1,133,802	1,109,844	1,111,157	1,118,658	1,098,370
Loans / deposits ratio	138.6%	146.7%	144.7%	143.5%	148.6%	144.7%	145.2%	130.3%
Full-time eqv.positions	988	1,000	1,012	1,043	1,040	1,012	1,063	1,126

* Cost-income ratio = total operating expenses / (total operating income – net adjustments in valuation)

Operations

	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	2016	2015	2014
Net interest income	10,158	8,018	8,443	8,596	10,145	34,650	32,324	28,073
Net valuation adjustments	-478	1,779	-4,737	2,144	1,964	-318	18,216	20,128
Net interest income after valuation adjustments	9,680	9,797	3,706	10,740	12,109	34,332	50,540	48,201
Net fee commission income	2,316	2,116	1,900	2,015	1,914	7,809	6,841	5,836
Net foreign exchange gain (loss)	-518	-365	-212	25	-154	-179	-1,277	67
Other net operating income	2,097	4,165	1,614	330	3,192	6,738	16,507	9,510
Total operating income	13,575	15,713	7,008	13,110	17,061	48,700	72,611	63,614
Salaries and related expenses	3,654	3,491	3,640	3,096	3,559	14,049	13,754	13,567
Other operating expenses	2,477	2,426	2,292	2,230	2,444	9,465	9,978	10,521
Total operating expenses	6,131	5,917	5,932	5,326	6,003	23,514	23,732	24,088
Profit before tax	7,444	9,796	1,076	7,784	11,058	25,186	48,879	39,526
Income tax expense	2,367	2,220	833	2,682	3,075	8,543	12,419	9,789
Profit for the period	5,077	7,576	243	5,102	7,983	16,643	36,460	29,737

Balance Sheet

	30.6.2017	31.12.2016	Change		31.12.15	31.12.14	31.12.13
Cash and balances with CB	32,216	30,662	1,554	5%	25,164	10,160	21,520
Bonds and debt instruments	162,520	154,892	7,628	5%	203,684	243,589	290,595
Equities and equity instruments	30,934	26,688	4,246	16%	29,192	29,433	36,275
Loans and advances to fin institutions	49,292	20,408	28,884	142%	20,791	49,789	67,916
Loans and advances to customers	870,483	853,417	17,066	2%	811,549	718,355	680,468
Other assets	20,317	17,641	2,676	15%	16,323	28,832	29,719
Assets classified as held for sale	4,866	7,449	-2,583	-35%	11,955	18,212	25,023
Total	1,170,628	1,111,157	59,471	5%	1,118,658	1,098,370	1,151,516

Due to financial institutions and CB	23,486	20,093	3,393	17%	56,731	53,827	167,218
Deposits from customers	627,954	589,725	38,229	6%	559,051	551,435	456,662
Borrowings	242,274	223,944	18,330	8%	209,344	207,028	239,642
Other liabilities	37,441	24,681	12,760	52%	26,844	32,443	42,750
Liabilities associated with assets classified as held for sale	155	1,095	-940	-86%	1,518	2,834	3,885
Subordinated liabilities	374	388	-14	-4%	639	0	0
Equity	238,944	251,231	-12,287	-5%	264,531	250,803	241,359
Total	1,170,628	1,111,157	59,471	5%	1,118,658	1,098,370	1,151,516

Segments

H1 2017	Personal Banking	Corporate Banking	Markets	Treasury	Support functions	Recon- ciliation	Total
Net interest income (expense)	7,733	8,086	137	2,265	24	-69	18,176
Net valuation adjustments	520	775	0	6	0	0	1,301
Net fee and commission income (expense)	1,742	608	2,281	-175	113	-137	4,432
Other net operating income (expense)	200	-7	-117	4,372	863	68	5,379
Total operating income (expense)	10,195	9,462	2,301	6,468	1,000	-138	29,288
Operating expenses	-3,073	-789	-1,054	-760	-6,509	137	-12,048
Profit (loss) before cost allocation and tax	7,122	8,673	1,247	5,708	-5,509	-1	17,240
Cost allocated from support functions to business segments	-2,596	-1,744	-757	-500	5,597	0	0
Profit (loss) before tax	4,526	6,929	490	5,208	88	-1	17,240
Total assets	426,324	469,885	43,733	445,579	16,133	-231,026	1,170,628
Total liabilities	370,945	360,264	39,549	375,819	16,133	-231,026	931,684
Allocated capital	55,379	109,621	4,184	69,760	0	0	238,944