ISSUED: 30 MAY 2013

Íslandsbanki

FACT SHEET **1Q2013**

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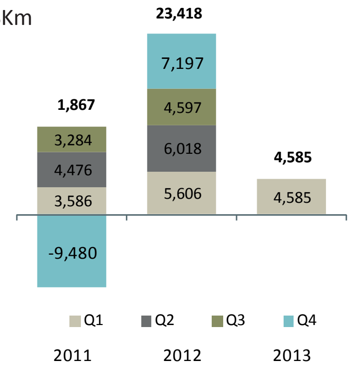
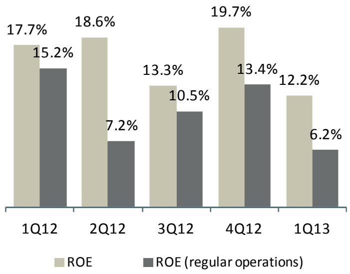
OUR PROFILE

- A universal bank offering comprehensive financial services to households, corporations and institutional investors in Iceland
- Market share of 20 - 45% across all business segments, thereof 31% in retail and 37% in corporate , 42% in corporate finance and 33% in equities trading
- National coverage with 21 branches and staff of 1,000+, the most efficient branch network in Iceland or 20% of total branches rendering 32% retail market share
- One of Iceland's leading wealth managers by AUM, managed through an independent unit, VÍB providing regulated investment advice
- Leading capital markets covering equities, fixed income, FX, corporate finance and research, and is the country's largest trader by volume of sovereign bonds
- International sector expertise in two industries – seafood and geothermal energy - building on a heritage of servicing these industries in Iceland
- Over 78% of the Bank's net operating income is from core operations (net interest income and net fee and commission income)
- Moderate growth through acquisitions in 2012 and 1Q13 has increased customer base by around 42% for individuals and 33% for corporates, which creates opportunities for organic growth and cross sales

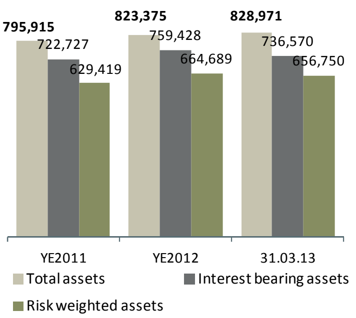
NET PROFIT
ISKm



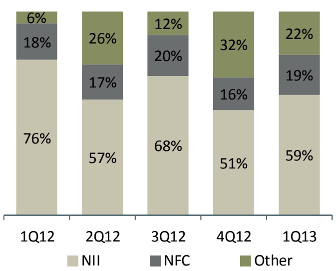
ROE
%



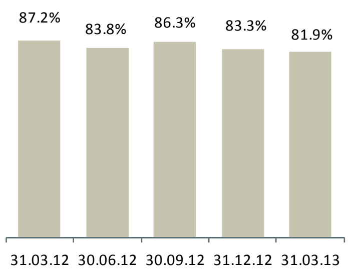
TOTAL ASSETS
ISKm



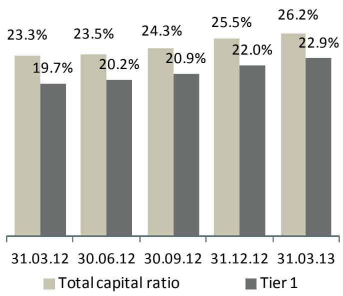
INCOME SPLIT
%



DEPOSITS / LOANS
%



CAPITAL RATIO
%



KEY FIGURES	**31.03.13**	**31.12.12**
Balance sheet	ISKbn	ISKbn
Total assets	**829**	823
Total loans	**601**	612
Total deposits	**492**	509
Equity	**152**	148
Deposit / Loan ratio	**82%**	83%
Tier 1 ratio	**22.9%**	22.0%
Total capital ratio	**26.2%**	25.5%

KEY FIGURES	**1Q2013**	**1Q2012**
Income statement	ISKbn	ISKbn
ROE	**12.2%**	17.7%
ROE regular operations	**6.2%**	15.2%
Profit after tax	**4.6**	5.6
Profit from regular operations	**2.3**	4.8
Cost / income ratio	**51.8%**	57.0%
Net Interest Margin	**3.6%**	4.4%

MACRO HIGHLIGHTS

- GDP growth of 1.6% last year and 1.5-2% growth expected in 2013. Expected to rise to above 3% in 2014-15.
- As the first country to suffer the full force of the global financial crisis, Iceland was also the first country to successfully complete a three-year IMF programme in August 2011
- Rating agencies have marked Iceland's progress in restoring macroeconomic stability, structural reform and rebuilding sovereign creditworthiness
- Fitch Ratings have upgraded Iceland's sovereign credit rating from BBB- to BBB with stable outlook and Moody's revised its outlook for Iceland's sovereign credit rating from negative to stable
- Iceland has strong fundamentals and one of the highest GDP per capita amongst developed countries
- Consumption growth, rising investments and growing exports as well as services the main driving factors of economic recovery
- Rapid growth in tourism. The year 2012 was the biggest year for tourism in Icelandic history with number of foreign visitors more than double the Icelandic population for the first time.
- Recovery is fragile though, taking place in context of weak global economic recovery and systemic challenges, e.g. capital controls and indebtedness of households and companies

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CONSOLIDATED INTERIM FINANCIAL STATEMENTS 1Q2013

INCOME STATEMENT

ISK m	1Q13	4Q12	1Q12
Net interest income	**7,473**	8,560	**9,010**
Net valuation changes on loans and receivables	**3,117**	3,704	**(1,544)**
Provision for latent impairment	**(124)**	(197)	**(121)**
Net interest income after net valuation changes	**10,466**	12,067	**7,345**
Net fee and commission income	**2,452**	2,755	**2,102**
Net foreign exchange (loss)gain	**(1,563)**	1,507	**1,191**
Net financial income	**881**	199	**914**
Other net operating income	**412**	181	**295**
Total operating income	**12,648**	16,709	**11,847**
Salaries and related expenses	**(3,468)**	(3,652)	**(3,285)**
Other operating expenses	**(2,835)**	(3,276)	**(3,144)**
Insurance fund	**(246)**	(257)	**(325)**
Administrative expenses	**(6,549)**	(7,185)	**(6,754)**
Impairment of goodwill	**0**	(425)	**0**
Share profit of associates	**3**	0	**0**
Profit before tax	**6,102**	9,099	**5,093**
Income tax	**(1,448)**	(1,790)	**(1,452)**
Profit (loss)from discontinued ops. net of tax	**(69)**	(112)	**1,965**
Profit after tax	**4,585**	7,197	**5,606**
Earnings from regular operations	**2,346**	4,568	**4,783**

*Earnings from regular operations is defined as earnings excluding one-off items e.g. net valuation changes from the loan portfolio, fair value gain deriving from changes in accounting treatment, costs associated with the Byr merger and the impairment of goodwill, and net earnings from discontinued operations.

BALANCE SHEET

ASSETS ISK m	31.03.13	31.12.12	31.12.11
Cash and balances with CB	**65,822**	85,500	57,992
Derivatives	**119**	127	339
Bonds and debt instruments	**71,796**	64,035	58,662
Shares and equity instruments	**9,730**	10,445	11,107
Loans to credit institutions	**57,633**	54,043	43,655
Loans to customers	**543,269**	557,857	564,394
Investment in associates	**505**	503	1,070
Property and equipment	**9,740**	5,579	5,276
Intangible assets	**277**	261	544
Deferred tax assets	**1,100**	864	2,629
Non-current assets held for sale	**46,929**	39,046	42,690
Other assets	**22,051**	5,115	7,557
Total assets	**828,971**	823,375	795,915

LIABILITIES ISKm	31.03.13	31.12.12	31.12.11
Derivatives and short positions	**12,141**	18,435	13,373
Deposits from CB and credit inst.	**26,313**	38,272	62,845
Deposits from customers	**465,735**	471,156	462,943
Debt issued and other borrowings	**68,227**	66,571	63,221
Subordinated loans	**22,014**	23,450	21,937
Current tax liabilities	**3,396**	2,052	2,670
Deferred tax liabilities	**29**	20	17
Non-current liabilities held for sale	**10,522**	6,805	7,317
Other liabilities	**68,493**	48,954	37,889
Total liabilities	**676,870**	675,715	672,212
Total equity	**152,101**	147,660	123,703
Total liabilities and equity	**828,971**	823,375	795,915

INCOME

- Core operations generate vast majority of income, with over 78% of net operating income from NII and NFC
- NII decreasing in line with expectations as the discount following the acquisition of Glitnir loan book is amortized, net interest margin was 3.6%
- NFC up 17% YoY on the back of retail, wealth management and fee generating subsidiaries
- Net foreign exchange loss in 1Q2013 mainly attributable to strengthening of the ISK
- Profit from discontinued operations in 1Q2012 was due to the sale of equity stakes owned by Miðengi (Íslandsbanki subsidiary)
- NFI includes a mark to market financial gain on large equity stakes

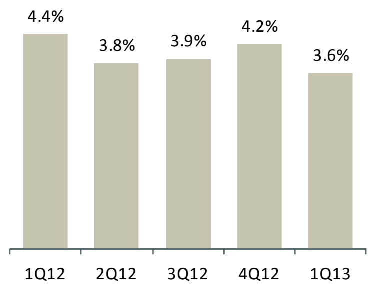
EXPENSES

- Total expenses down 3% YoY
- Cost to income ratio decreased to 51.8% (1Q2012: 57.0%) as results from various cost programmes are coming through
- A 10% reduction in staff from 3Q2012

PROFITABILITY

- Profit after tax was ISK 4.6bn in 1Q13, compared to ISK 5.6bn for the same period in 2012 - difference is primarily driven by lower net interest income and fluctuations in the ISK.
- Return on equity decreased to 12.2% (1Q2012: 17.7%)
- The YoY decrease in ROE is primarily driven by higher equity which has increased by 18% YoY, from ISK 129bn to ISK 152bn.

NET INTEREST MARGIN
%



LOAN PORTFOLIO BY SECTOR
%