

Íslandsbanki

FACT SHEET 1H12

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OUR PROFILE

- A universal bank offering comprehensive financial services to households, corporations and institutional investors in Iceland with highest ranking for customer service and satisfaction
- Market share of 25 -35% across all business segments
- National coverage with 21 branches and staff of 1,100+
- 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 80% of the Bank's net operating income is from core operations (net interest income and net fee and commission income)

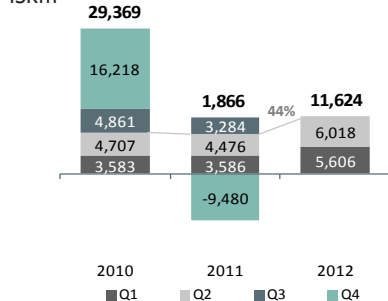
Key figures

	30.06.12	31.03.12
Total assets	790	792
Total loans	596	584
Total deposits	500	509
Equity	135	129
Net Interest Margin	4.0%	4.4%
Deposit / Loan	84%	87%
Tier 1	20.2%	19.7%
Total capital	23.5%	23.3%

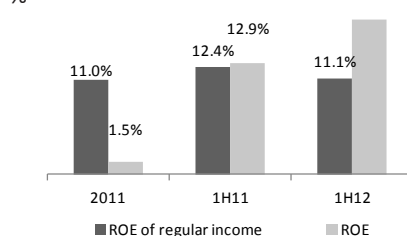
Key figures

	1H12	1H11
ROE	17.9%	12.9%
ROE regular income	11.1%	12.4%
Profit after tax	11.6	8.1
Profit from regular operations	7.2	7.7
Cost / income	52.0%	50.5%
Core Cost / income	65.4%	50.8%

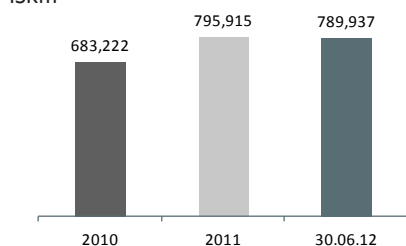
PROFIT



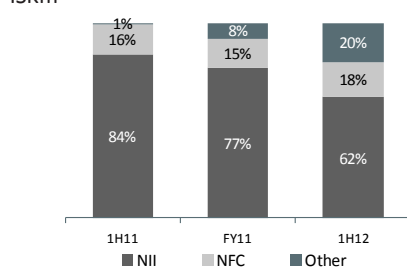
ROE



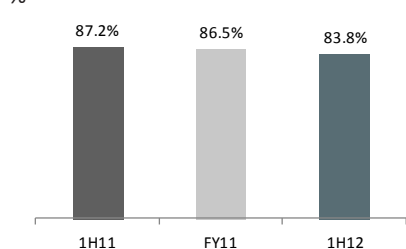
TOTAL ASSETS



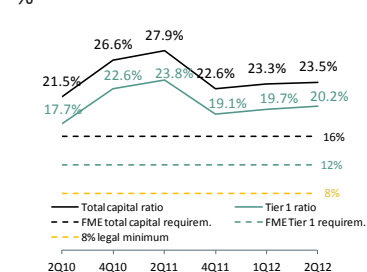
INCOME SPLIT



DEPOSITS / LOANS



CAPITAL RATIO



MACRO HIGHLIGHTS

- 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
- In February, Fitch lifted its rating on Iceland to investment grade citing the nation's progress in restoring macroeconomic stability, pushing ahead with structural reform and rebuilding sovereign creditworthiness
- Consumption growth and rising investments the main driving factors of economic recovery
- GDP growth of 3.1% in 2011, and growth expected in the range 2.6-3.1% in 2012 and 2.2-2.7% in 2013
- Despite consequences of recent currency and banking crisis, Iceland has strong fundamentals and one of the highest GDP per capita amongst developed countries
- Recovery is fragile though, taking place in context of capital controls and in face of systemic challenges, e.g. indebtedness of households and companies and unemployment levels historically high for Iceland albeit low by international comparison

INCOME STATEMENT

ISK m	1H12	1H11	FY11	FY10
Net interest income	15,684	16,303	31,225	34,874
Net valuation changes	2,069	-255	-1,296	14,507
Provision for latent impairment	-270	-155	76	-514
Net interest income after val.changes	17,483	15,894	30,005	48,867
Net fee and commission income	4,426	3,012	5,966	7,380
Net foreign exchange	879	336	937	-963
Other financial income /(loss)	1,876	-468	2,649	-910
Other net operating income	589	656	894	1,186
Total operating income	25,253	19,430	40,451	55,560
Salaries and related expenses	-6,620	-4,968	-10,531	-9,207
Other operating expenses	-5,997	-4,405	-9,339	-8,659
Insurance fund	-526	-432	-965	-607
Total administrative expenses	-13,144	-9,806	-20,835	-18,473
Impairment of goodwill	0	0	-17,872	0
Share profit of associates	0	0	39	0
Profit before tax	12,110	9,624	1,781	37,087
Income tax	-2,997	-2,067	-75	-7,214
Bank tax	-407	-344	-682	-221
Profit from discontinued ops. net of tax	2,919	849	841	-283
Profit after tax	11,624	8,062	1,866	29,369
Earnings from regular operations*	7,174	7,711	13,905	17,756

*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 – main items ISKm	30.06.2012	31.03.2012	31.12.2011
Cash and balances with CB	72,072	78,398	57,992
Bonds and debt instruments	50,386	55,579	58,662
Shares and equity instruments	9,870	12,736	11,107
Loans to credit institutions	50,218	46,461	43,655
Loans to customers	545,898	537,847	564,394
Total assets	789,937	792,418	795,915

LIABILITIES - main items ISKm	30.06.2012	31.03.2012	31.12.2011
Deposits from CB and credit inst.	41,914	52,470	62,845
Deposits from customers	457,887	456,821	462,943
Debt issued and other borrowings	66,513	65,647	63,221
Subordinated loans	21,853	23,303	21,937
Total liabilities	654,456	662,998	672,212
Total equity	135,481	129,420	123,703
Total liabilities and equity	789,937	792,418	795,915

INCOME

- Core operations generate vast majority of income, with over 80% of net operating income from NII and NFC
- NII decrease due to lower amortised discount, with NIM of 4.0% in 1H12 compared to 4.8% in 1H11
- NFC is picking up on back of Byr merger synergies, new fee generating subsidiaries and increased capital markets activity
- NFI includes a mark to market financial gain on large equity stake

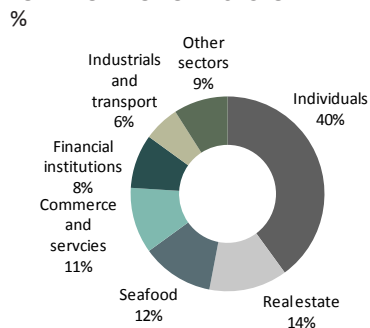
EXPENSES

- Increase in expenses attributable to the acquisition of Byr, increased regulatory requirements and continued restructuring efforts
- Increase in taxation, two new bank taxes introduced in 2011

PROFITABILITY

- Profit after tax was ISK 11,624m in 1H12, compared to ISK 8,062m in 1H11. This translates to a ROE of 17.9%, compared to 12.9% in 1H11.
- Earnings from regular operations resulted in a pre-tax profit of ISK 7,174m and a ROE of 11.1%.

LOAN PORTFOLIO BY SECTOR



DEPOSITS (parent)

Total in ISKbn, split in %

