

# Íslandsbanki

## FACT SHEET 9M12

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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)

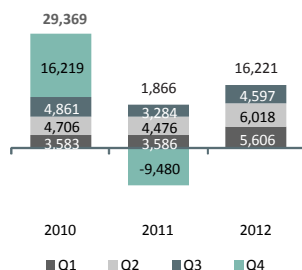
### Key figures 30.09.12 30.06.12

	ISKbn	ISKbn
Total assets	813	790
Total loans	608	596
Total deposits	524	500
Equity	140	135
Net Interest Margin	3.9%	4.0%
Deposit / Loan	86.3%	84%
Tier 1	20.9%	20.2%
Total capital	24.3%	23.5%

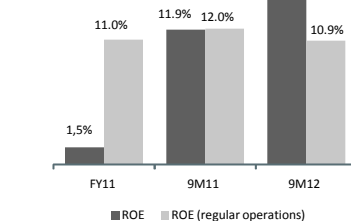
### Key figures 9M12 9M11

	ISKbn	ISKbn
ROE	16.3%	11.9%
ROE regular income	10.9%	12.0%
Profit after tax	16.2	11.3
Profit from regular operations	10.8	11.4
Cost / income	51.0%	50.2%
Core Cost / income	62.3%	51.7%

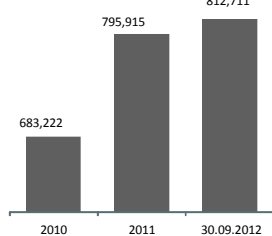
### NET PROFIT ISKm



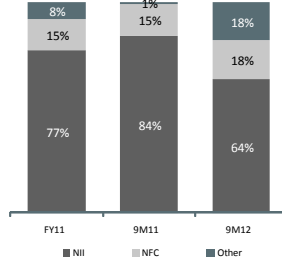
### ROE %



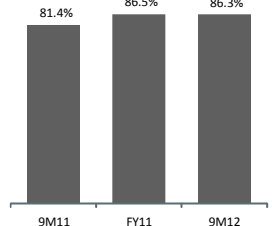
### TOTAL ASSETS ISKm



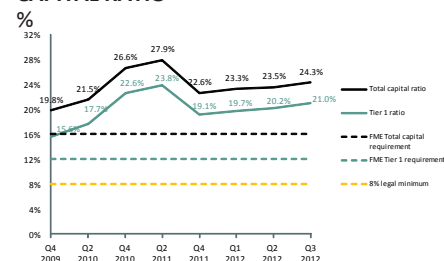
### INCOME SPLIT %



### 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 2012, 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, rising investments and growing exports the main driving factors of economic recovery
- GDP growth of 2.5% in 2012, and growth expected in the range 2.3-3.4% in 2013 and 2.5-3.2% 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 weak global economic recovery and in face of systemic challenges, e.g. capital controls and indebtedness of households and companies

## INCOME STATEMENT

ISK m	9M12	9M11	FY11	FY10
Net interest income	23,285	24,151	31,225	34,874
Net valuation changes	2,782	-831	-1,296	14,507
Provision for latent impairment	-579	12	76	-514
Net interest income after val.changes	25,488	23,332	30,005	48,867
Net fee and commission income	6,704	4,366	5,966	7,380
Net foreign exchange	1,544	408	937	-963
Other financial income /(loss)	2,099	-337	2,649	-910
Other net operating income	815	968	894	1,186
Total operating income	36,650	28,737	40,451	55,560
Salaries and related expenses	-9,429	-7,109	-10,531	-9,207
Other operating expenses	-8,459	-6,643	-9,339	-8,659
Insurance fund	-798	-684	-965	-607
Total administrative expenses	-18,686	-14,436	-20,835	-18,473
Impairment of goodwill	0	0	-17,872	0
Share profit of associates	0	0	39	0
Profit before tax	17,964	14,301	1,781	37,087
Income tax	-4,463	-3,097	-75	-7,214
Bank tax	-631	-509	-682	-221
Profit from discontinued ops. net of tax	3,351	651	841	-283
Profit after tax	16,221	11,346	1,866	29,369
Earnings from regular operations*	10,811	11,359	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	30.09.2012	30.06.2012	31.12.2011
Cash and balances with CB	87,059	72,072	57,992
Bonds and debt instruments	52,127	50,386	58,662
Shares and equity instruments	9,878	9,870	11,107
Loans to credit institutions	60,942	50,218	43,655
Loans to customers	546,905	545,898	564,394
<b>Total assets</b>	<b>812,711</b>	<b>789,937</b>	<b>795,915</b>

LIABILITIES - main items ISKm	30.09.2012	30.06.2012	31.12.2011
Deposits from CB and credit inst.	41,921	41,914	62,845
Deposits from customers	482,544	457,887	462,943
Debt issued and other borrowings	64,693	66,513	63,221
Subordinated loans	22,093	21,853	21,937
<b>Total liabilities</b>	<b>672,666</b>	<b>654,456</b>	<b>672,212</b>
Total equity	140,045	135,481	123,703
<b>Total liabilities and equity</b>	<b>812,711</b>	<b>789,937</b>	<b>795,915</b>

## 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 3.9% in 9M12 compared to 4.8% in 9M11
- 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

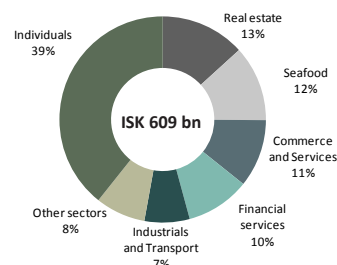
## EXPENSES

- 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 16,221m in 9M12, compared to ISK 11,346m in 9M11. This translates to a ROE of 176.3%, compared to 11.9% in 9M11
- Earnings from regular operations resulted in a pre-tax profit of ISK 10,811m and a ROE of 10.9%

## LOAN PORTFOLIO BY SECTOR %



## DEPOSITS (parent)

Total in ISKbn, split in %

