

Íslandsbanki

FACT SHEET FY12

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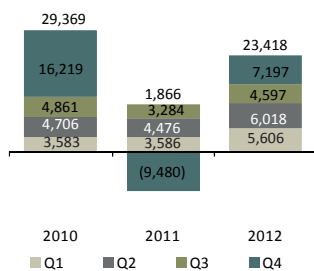
OUR PROFILE

- A universal bank offering comprehensive financial services to households, corporations and institutional investors in Iceland
- Market share of 20 - 40% across all business segments, thereof +30% in retail and 25% in corporate
- 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 75% of the Bank's net operating income is from core operations (net interest income and net fee and commission income)

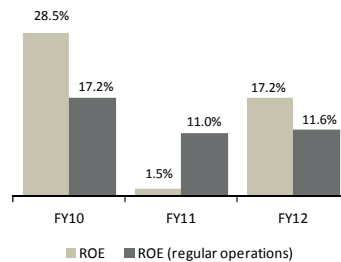
Key figures	31.12.12	31.12.11
	ISKbn	ISKbn
Total assets	823	796
Total loans	612	608
Total deposits	509	526
Equity	148	124
Deposit / Loan	83%	87%
Tier 1	22.0%	19.1%
Total capital	25.5%	22.6%

Key figures	FY12	FY11
	ISKbn	ISKbn
ROE	17.2%	1.5%
ROE regular income	11.6%	11.0%
Profit after tax	23.4	1.9
Profit from regular operations	15.7	13.9
Cost / income	48.1%	51.5%
Net Interest Margin	3.9%	4.5%

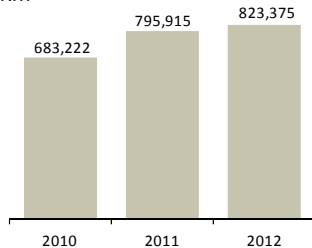
NET PROFIT ISKm



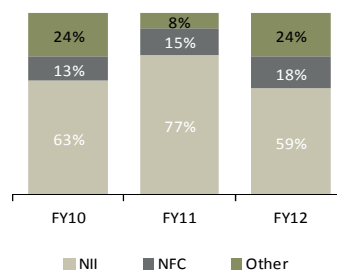
ROE %



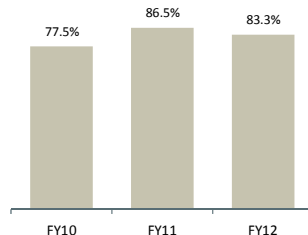
TOTAL ASSETS ISKm



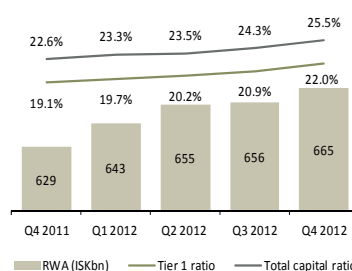
INCOME SPLIT %



DEPOSITS / LOANS %



CAPITAL RATIO %



MACRO HIGHLIGHTS

- GDP growth of 2.2% in 2012, and growth expected in the range 2.1-2.5% in 2013.
- 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

CONSOLIDATED FINANCIAL STATEMENTS FY12



INCOME STATEMENT

ISK m	FY12	FY11	FY10
Net interest income	31,235	31,225	34,874
Net valuation changes	6,485	(1,296)	14,507
Provision for latent impairment	(776)	76	(514)
Net interest income after valuation changes	36,945	30,005	48,867
Net fee and commission income	9,459	5,966	7,380
Net foreign exchange	3,304	937	(963)
Net financial income /(loss)	2,655	2,649	(910)
Other net operating income	996	894	1,186
Total operating income	53,359	40,451	55,560
Salaries and related expenses	(13,080)	(10,531)	(9,207)
Other operating expenses	(11,508)	(9,339)	(8,659)
Contribution to the Depositors' and Investors' Guarantee Fund	(1,055)	(965)	(607)
Administrative expenses	(25,644)	(20,835)	(18,473)
Impairment of goodwill	(425)	(17,873)	0
Share profit of associates	0	39	0
Profit before tax	27,290	1,782	37,087
Income tax	(6,253)	(75)	(7,214)
Bank tax	(858)	(682)	(221)
Profit from discontinued ops. net of tax	3,239	841	(283)
Profit after tax	23,418	1,866	29,369
Earnings from regular operations*	15,694	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	31.12.2012	31.12.2011	31.12.2010
Cash and balances with CB	85,500	57,992	30,799
Bonds and debt instruments	64,035	58,662	68,024
Shares and equity instruments	10,445	11,107	3,022
Loans to credit institutions	54,043	43,655	30,870
Loans to customers	557,857	564,394	515,161
Total assets	823,375	795,915	683,222

LIABILITIES - main items ISKm	31.12.2012	30.12.2011	31.12.2010
Deposits from CB and credit inst.	38,272	62,845	96,238
Deposits from customers	471,156	462,943	327,158
Debt issued and other borrowings	66,571	63,221	55,425
Subordinated loans	23,450	21,937	21,214
Total liabilities	675,715	672,212	561,759
Total equity	147,660	123,703	121,463
Total liabilities and equity	823,375	795,915	683,222

INCOME

- Core operations generate vast majority of income, with over 75% of net operating income from NII and NFC
- NII amounted to ISK 31.2bn, compared to ISK 31.2bn in 2011, with NIM of 3.9% in 12M12 compared to 4.5% in 12M11
- 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

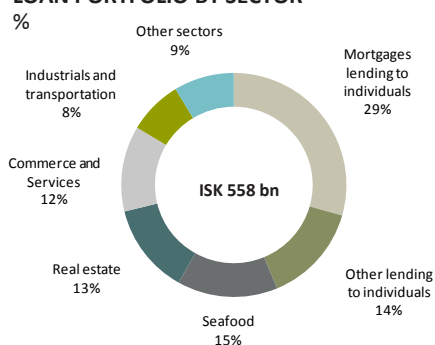
EXPENSES

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

PROFITABILITY

- Profit after tax was ISK 23.4bn in 2012, compared to ISK 1.9bn in 2011. This translates to a ROE of 17.2%, compared to 1.5% in 2011. The YoY increase is due to the one-off impairment of goodwill of ISK 17.9bn in 2011 which negatively affected profitability and thereby ROE.
- Earnings from regular operations resulted in a pre-tax profit of ISK 15.7bn and a ROE of 17.2%

LOAN PORTFOLIO BY SECTOR



DEPOSITS (parent)

Total in ISKbn, split in %

