

# Íslandsbanki

## FACT SHEET 1Q12

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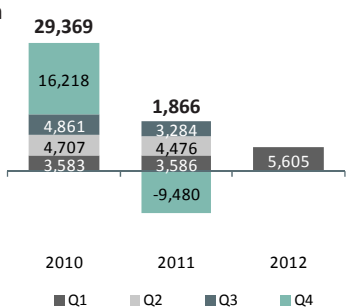
### OUR PROFILE

- 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
- Synergy driven acquisition of Byr, 4th largest commercial bank in Iceland, in Dec 2011 increased market share by 9% and strengthened the balance sheet by 15% on asset side and 24% on deposit side

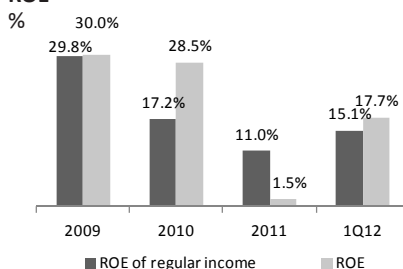
### MACRO HIGHLIGHTS

- 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 2.2-2.5% in 2012 and 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

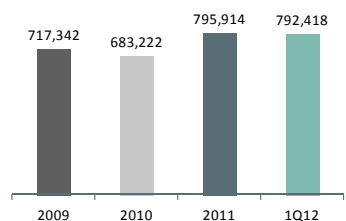
#### PROFIT ISKm



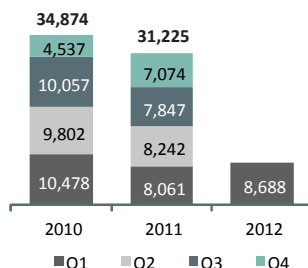
#### ROE %



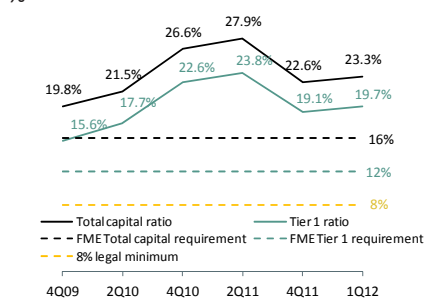
#### TOTAL ASSETS ISKm



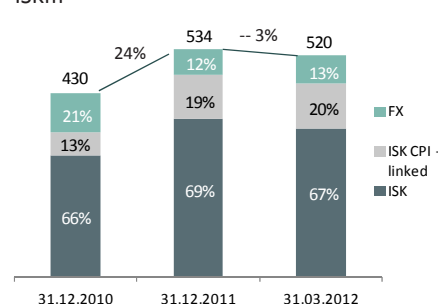
#### NET INTEREST INCOME ISKm



#### CAPITAL RATIO %



#### DEPOSITS - PARENT ISKm



Key figures	31.03.12	31.12.11
	ISKbn	ISKbn
Total assets	792	796
Total loans	584	608
Total deposits	509	526
Equity	129	124
Net Interest Margin	4.4%	4.5%
Deposit / Loan	87%	77%
Tier 1	19.7%	19.1%
Total capital	23.3%	22.6%
Employees, parent, #	1,075	1,003

Key figures	1Q2012	1Q2011
	ISKbn	ISKbn
ROE	17.7%	11.7%
ROE regular income	15.1%	12.4%
Profit after tax	5.6	3.6
Profit adjusted income	4.8	3.8
Core Cost / income	60.7%	52.9%

# CONSOLIDATED INTERIM FINANCIAL STATEMENTS 1Q12



## INCOME STATEMENT

ISK m	1Q12	1Q11	FY11	FY10
Net interest income	8,688	8,061	31,225	34,874
Net valuation changes	-1,544	-664	-1,296	14,507
Provision for latent impairment	-121	-171	76	-514
Net interest income after val.changes	7,023	7,226	30,004	48,867
Net fee and commission income	2,102	1,715	5,966	7,380
Net foreign exchange	1,104	202	937	-910
Other financial (loss) / income	1,323	-138	2,649	-963
Other net operating income	295	359	894	1,186
Total operating income	11,846	9,364	40,450	55,560
Salaries and related expenses	-3,285	-2,492	-10,531	-9,207
Other operating expenses	-2,937	-2,211	-9,339	-8,659
Insurance fund	-325	-467	-965	-607
Total administrative expenses	-6,547	-5,170	-20,835	-18,473
Impairment of goodwill	0	0	-17,873	0
Share profit of associates	0	0	39	0
Profit before tax	5,300	4,194	1,781	37,087
Taxes	-1,659	-920	-757	-7,435
Profit from discontinued ops. net of tax	1,965	312	841	-283
Profit after tax	5,605	3,586	1,866	29,369
Earnings from regular operations	4,783	3,805	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	31.03.2012	31.12.2011
Cash and balances with CB		79,398	57,992
Bonds and debt instruments		55,579	58,662
Shares and equity instruments		12,736	11,107
Loans to credit institutions		46,461	43,655
Loans to customers		537,847	564,394
<b>Total assets</b>		<b>792,418</b>	<b>795,915</b>

LIABILITIES - main items	ISKm	31.03.2012	31.12.2011
Deposits from CB and credit inst.		52,470	62,845
Deposits from customers		456,821	462,943
Debt issued and other borrowings		65,647	63,221
Subordinated loans		23,303	21,937
Total liabilities		662,998	672,212
Total equity		129,420	123,703
<b>Total liabilities and equity</b>		<b>792,418</b>	<b>795,915</b>

## INCOME

- NII increase due to inflation and higher asset base on average over the period
- NFC is picking up slowly, but still affected by slow recovery of financial markets
- Stable cash flow with over 90% of net operating income from NII and NFC

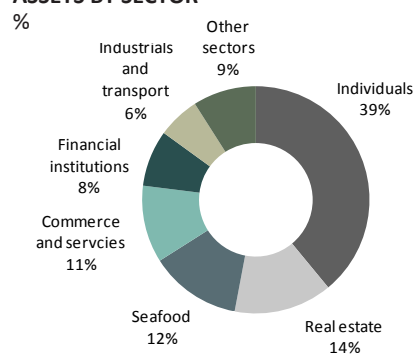
## EXPENSES

- Increase in administrative expenses attributable to the acquisition of Byr
- Increase in taxation, two new bank taxes in 2011 and the effective income tax rate for 1Q12 was 27.4% compared to 20.6% in 1Q11.

## PROFITABILITY

- Profit after tax was ISK 5,605 in 1Q12, compared to ISK 3,586m in 1Q11. This translates to a return on equity of 17.7%, compared to 11.7% in 1Q11.
- Adjusted net earnings resulted in a pre-tax profit of ISK 4,783m and a return on equity of 15.1%, compared to ISK 3,805m and a return on equity of 12.4% in 1Q11.

## ASSETS BY SECTOR



## DEPOSITS / LOAN RATIO

