20 March 2012

FY 2011 Results

Birna Einarsdóttir, CEO
Jón Gudni Ómarsson, CFO

Íslandsbanki

Forward Looking Statements

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I. Íslandsbanki milestones in 2011

Important events during 2011

Many significant milestones reached during the year

1ST QUARTER

- Íslandsbanki´s Asset Management unit rebranded as VÍB
- Glacier Securities, a US based subsidiary, obtains a broker dealer licence in the US
- The Icelandic Association of Women Entrepreneurs awards Íslandsbanki the “Gæfuspor” awards

2ND QUARTER

- Íslandsbanki the first Icelandic bank to publish a special Risk Report on risk management and risk assessment
- Íslandsbanki acquires all remaining shares in Kreditkort hf., previously the Bank held a 55% share
- Íslandsbanki signs the UN Women and UN Global Compact Women´s Empowerment Principles

3RD QUARTER

- Íslandsbanki´s Asset Based Financing unit rebranded as ERGO
- New mobile web opened and the first mobile app for Android and iPhone by an Icelandic bank launched
- Íslandsbanki Reykjavik Marathon – ISK 45m raised for various charities

4TH QUARTER

- Icelandic Parliament approves the sale of the State’s shareholding in Byr to Íslandsbanki
- Íslandsbanki the first bank to issue bonds on NASDAQ OMX Iceland since the fall of 2008
- The headquarters of Íslandsbanki and Byr merged at Kirkjusandur

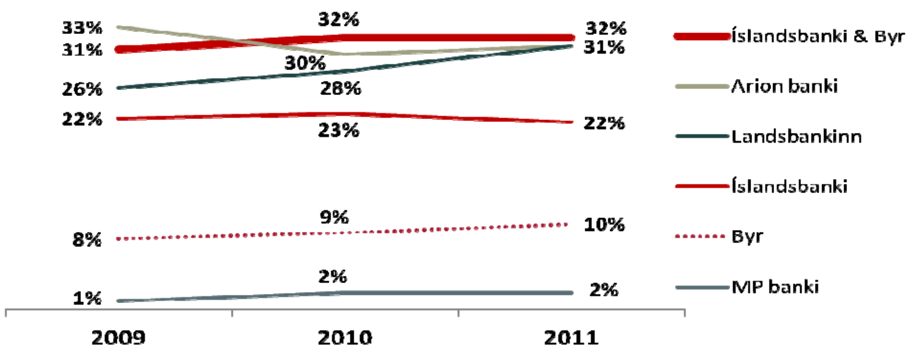
Synergy driven merger with Byr

Necessary consolidation in Icelandic retail sector - the last substantial acquisition target remaining

Byr an excellent fit with Íslandsbanki

- With market share of about 9%, Byr was focused on retail banking and SMEs
- The merger pushes Íslandsbanki's market share to 32%, on par with Arion and Landsbankinn
- Balance sheet increase of 15% on the asset side and 24% on the deposit side, bringing deposit to loan ratio to 86.5% in 2011 from 77.5% in 2010
- Increased deposit base will strengthen Íslandsbanki's operations and profitability

MARKET SHARE IN ICELANDIC RETAIL MARKET
By %



Source: Capacent Gallup – numbers show 12 month trailing average

A synergy-driven acquisition

- Acquisition price of ISK 6.6bn
- Substantial IT synergies projected
- Scope for significant cost cutting and improved efficiency in branch network
  - In total 4 branches were merged with existing Byr or Íslandsbanki locations, and 2 Byr branches rebranded
  - only net increase of 1 branch in the combined entity

Smooth transition for customers

- Integration has been a great success operationally
  - Byr head office merged with Íslandsbanki HQ at Kirkjusandur and Lyngháls in Dec 2011
  - Internet bank and corporate online bank were rebranded as Íslandsbanki in Jan 2012
  - Integration of branch network finished in Feb 2012
- Similar corporate cultures and focus on customer service

Successful covered bond issuances

Íslandsbanki the first bank to list securities on NASDAQ OMX Iceland since the fall of 2008

ISK 100bn covered bond programme in place

- Three oversubscribed issuances to date:
  - Dec 2011: ISK 4bn, five year, CPI-linked bonds with one payment of principal on maturity date
  - Mar 2012: ISK 1.8bn, 7-year CPI-linked bonds at a real yield of 2.84%
  - Mar 2012: ISK 1.5bn, 12-year CPI-linked bonds at a real yield of 3.45%
- Issuances were sold to a broad group of institutional investors, i.e. domestic pension funds, mutual funds and insurance companies
- Íslandsbanki plans to issue around ISK 10bn of covered bonds annually
  - Refinancing needs
  - Funding of new loans / funding diversification
  - Depends on demand for financing and pre-payments of outstanding loans

Covered bonds a sensible funding option

- Increasingly popular as means of funding in wake of financial crisis as the bonds are secured on a pool of mortgage loans
  - Investor has a claim on the issuer
  - Collateralised by the underlying asset cover pool that needs to withstand weekly stress testing
  - Clear legal framework (Act 11/2008 on Covered Bonds)
  - Independent inspector monitoring each programme
  - Supervised by the Financial Supervisory Authority
- Domestic investor's appetite expected to continue as sovereign bond issuance is expected to be less than in previous years

II. Income Statement FY 2011

FY 2011 financial highlights

Key ratios

RESULTS

ROE EXCLUDING ONE-OFF ITEMS*

11.0%

2010: 17.2%

RESULTS

ROE

1.5%

2010: 28.5%

PROFITABILITY

NET INTEREST MARGIN

4.5%

2010: 5.0%

FUNDING

TOTAL DEPOSIT / LOAN RATIO

86.5%

2010: 77.5%

COST

CORE COST / INCOME RATIO**

56.0%

2010: 43.7%

STRENGTH

TOTAL CAPITAL RATIO

22.6%

2010: 26.6%

* One-off items include goodwill impairment, costs associated with the Byr merger, loan portfolio net valuation change, and fair value gains from shares.
** Excluding impairment of goodwill associated with the merger with Byr

Income statement

Full year comparison

ISK m	FY 2011	FY 2010
Net interest income	31,225	34,874
Net valuation changes on loans and receivables	(1,296)	14,507
Provision for latent impairment	76	(514)
Net fee and commission income	5,966	7,380
Net financial income (expenses)	2,649	(910)
Net foreign exchange gain (loss)	937	(963)
Other net operating income	894	1,186
Total operating income	40,451	55,560
Administrative expenses	(19,870)	(17,866)
Impairment of goodwill	(17,873)	-
Contribution to the Depositors' and Investors' Guarantee Fund	(965)	(607)
Share of profit of associates	39	-
Profit before tax	1,782	37,087
Income tax	(75)	(7,214)
Bank tax	(682)	(221)
Profit for the year from continuing operations	1,025	29,652
Profit (loss) from discontinued operations, net of income tax	841	(283)
Profit for the year	1,866	29,369
Regular income	13,902	17,756

Net interest income

- Decreasing interest rate environment in Iceland

Net valuation changes

- Comprises future estimated cash flow from loans and collectively and specifically assessed impairment
- Includes estimated financial impact of the recent Supreme Court ruling of ISK 12.1bn

Net fee & commission

- Fee driven subsidiary company Borgun left the group in March 2011
- Slower than expected recovery of the financial markets

Net financial income

- Includes a fair value gain following reclassification of equity stakes

Impairment of goodwill

- Intangible assets on balance sheet fully impaired
- Goodwill impairment consists largely of synergies and economies of scale expected from the Byr merger

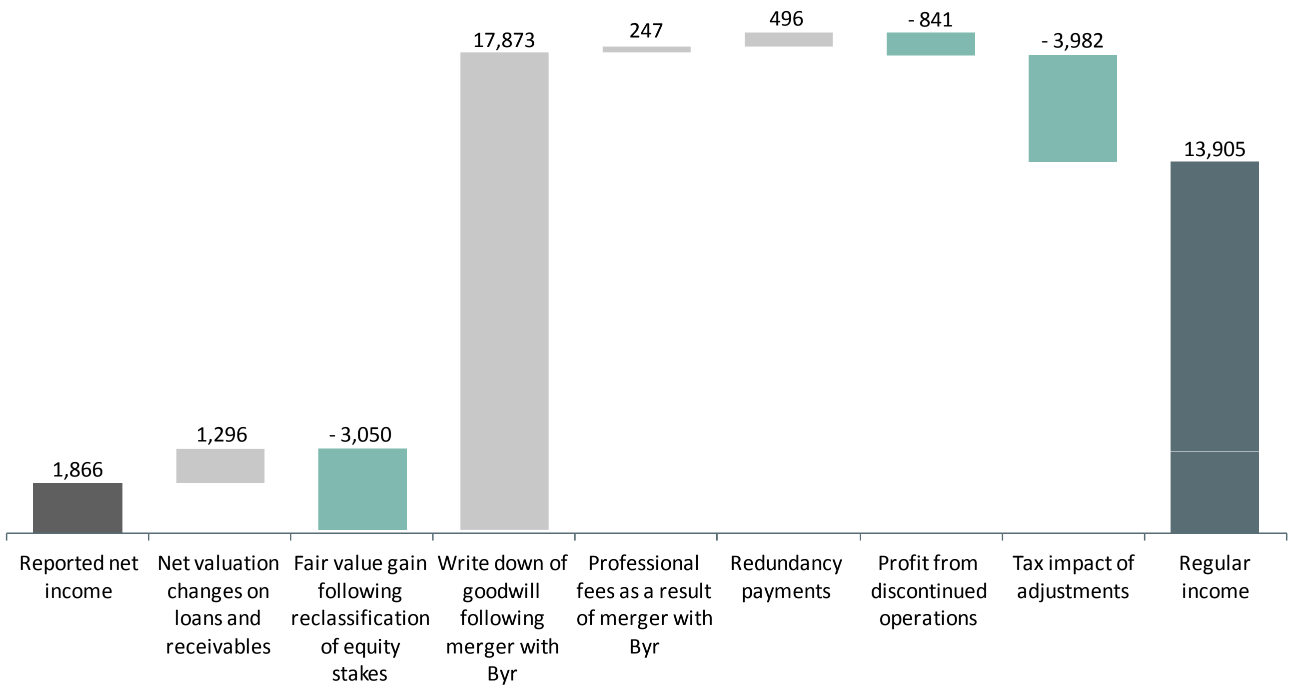
Profit - regular earnings

- Adjusted after tax profit of ISK 13.9bn
- ROE of 11.0%

Significant impact of one-off items on profit

January – December 2011

ONE-OFF ITEMS AND OTHER EXTRAORDINARY ITEMS
ISK m



Regular income is defined as earnings excluding one-off items such as net valuation changes from the loan portfolio, net gains from unrealised fair value adjustments of equities, costs associated with the Byr merger and the goodwill impairment, and net gains from discontinued operations.

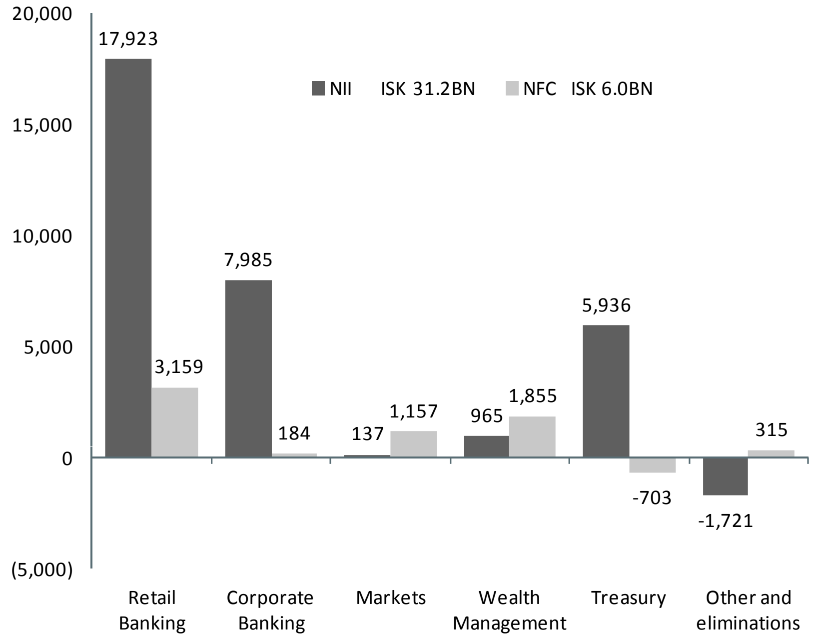
Largest one-off items

- Goodwill resulting from Byr merger fully impaired in Q4: ISK 17.9bn
- Estimated cost of the February Supreme Court ruling: ISK 12.1bn
- Fair value gain following reclassification of equity stakes: ISK 3bn

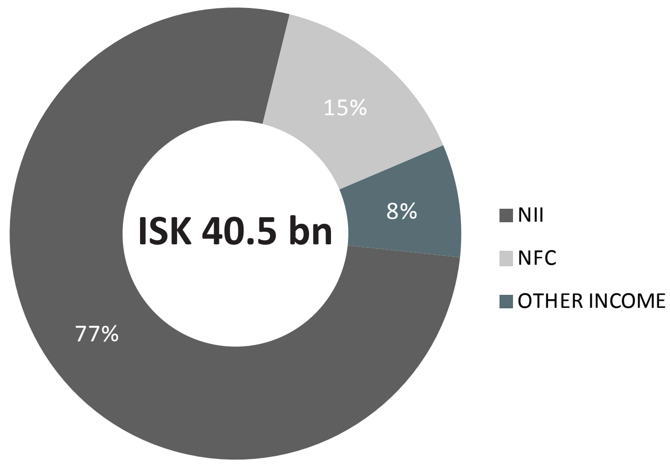
FY 2011 income split

Core operations continue to generate vast majority of income

CORE INCOME – NII and NFC
By business segment, ISK m



OPERATING INCOME SPLIT
By income type



Net interest income impacted by lower interest rates

- Consistent progress in resetting of contractual interest rates
- Net interest margin of 4.5% in 2011, expected to be approximately 3%, on average going forward
- Treasury manages unallocated equity and collects interest return

Net fee and commission income affected by market environment

- Domestic equity and non-government bond markets still dormant
- Capital controls limit revenue growth in FX trading
- Restructuring of companies taking longer than anticipated

III. Assets & Restructuring FY 2011

Assets

Consolidated – 31 December 2011

ISK m	31.12.2011	31.12.2010
Cash and balances with CB	**57,992**	30,799
Derivatives	**339**	70
Bonds and debt instruments	**58,662**	68,024
Shares and equity instruments	**11,107**	3,022
Loans to credit institutions	**43,655**	30,870
Loans to customers	**564,394**	515,161
Investment in associates	**1,070**	354
Property and equipment	**5,276**	5,419
Intangible assets	**544**	187
Deferred tax assets	**2,629**	283
Non-current assets held for sale	**42,690**	23,489
Other assets	**7,557**	5,544
Total assets	**795,915**	683,222

Cash and balances with Central Bank

- Changes in cash balance mainly due to management of liquid assets between cash and bonds

Bonds and debt instruments

- Mainly G5 government bonds
- No exposure to GIPSIs

Shares and equity instruments

- Increase due to reclassification of equity stakes and the Byr merger

Loans to credit institutions

- Majority to banks outside of Iceland
- No exposure to troubled banks

Loans to customers

- Repayments continue to exceed new lending
- Growth in loan book a result of Byr merger

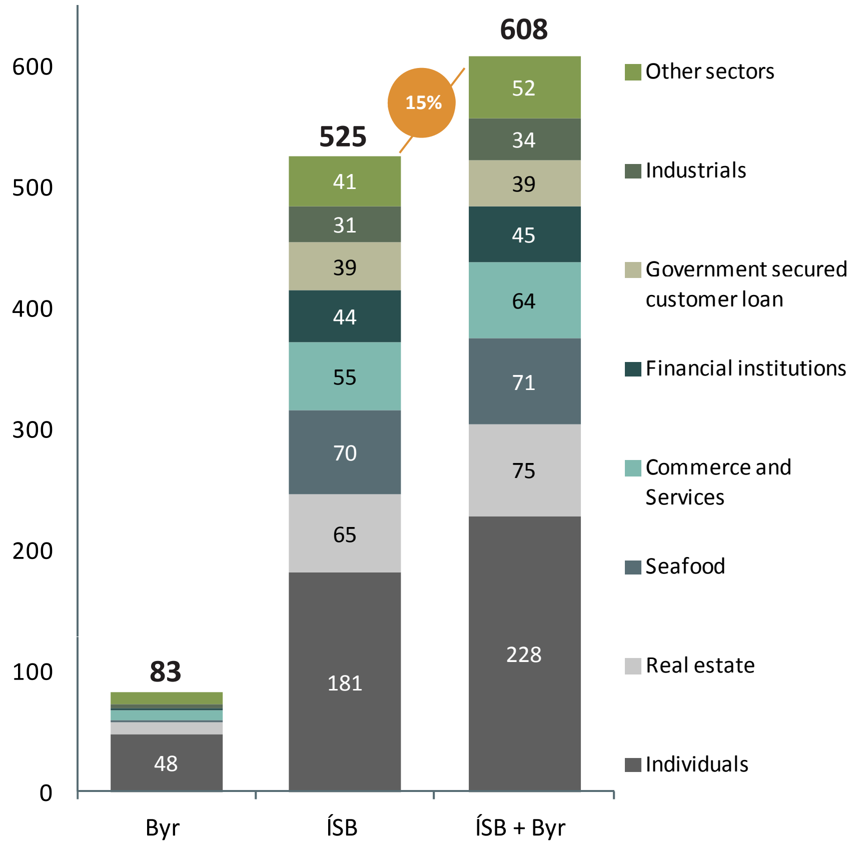
Non-current assets held for sale

- Increase due to Byr merger

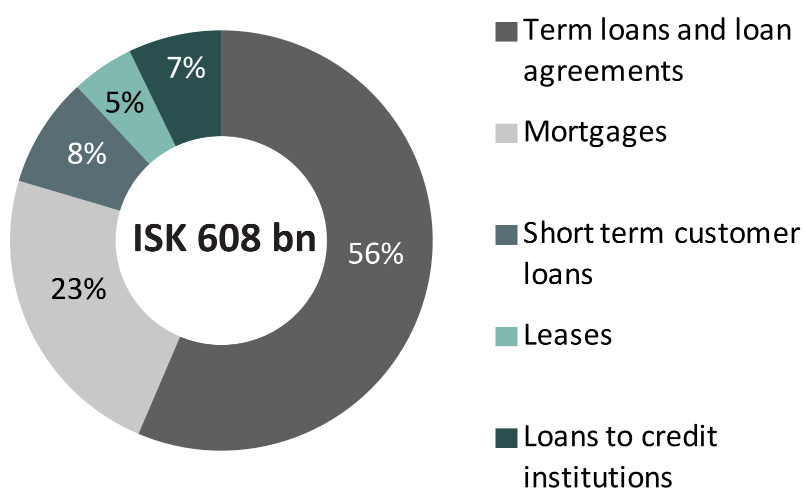
Well diversified loan portfolio

Acquisition of Byr diversified the portfolio further

CONSOLIDATED LOAN PORTFOLIO
ISK bn, by sector



CONSOLIDATED LOAN PORTFOLIO
By type of exposure



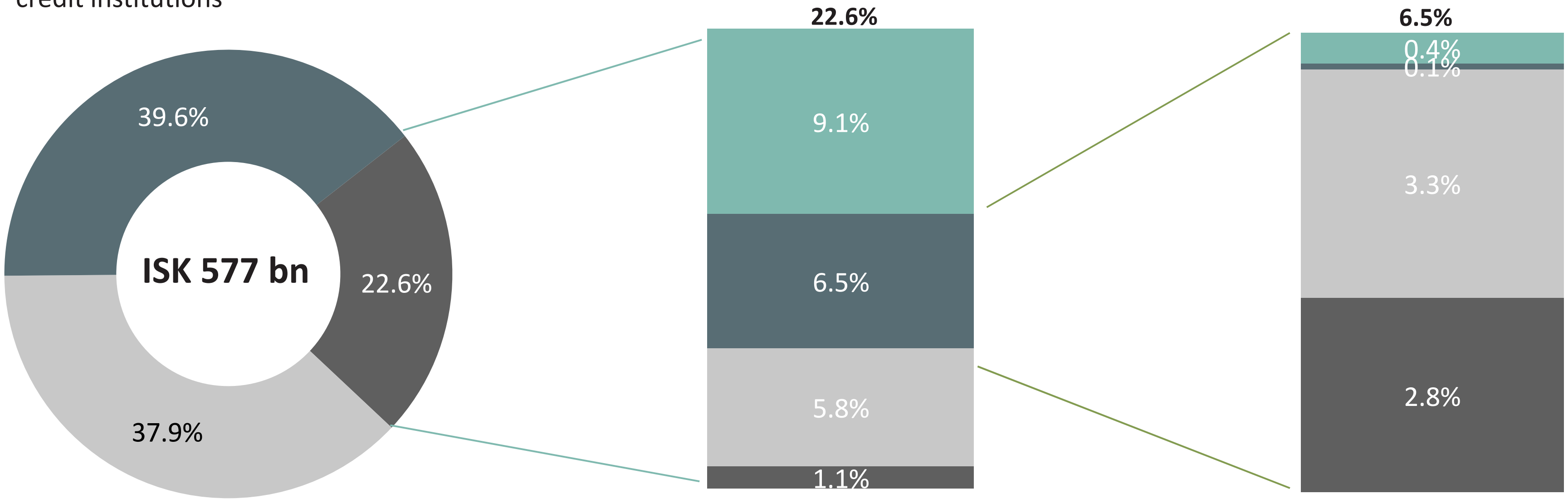
Loan portfolio performance

No further impairments expected on portfolio, carrying amount reflects expected recovery of loans

LOAN PORTFOLIO ANALYSIS (LPA[1])
Excluding fully performing loans to credit institutions

LOANS IN RESTRUCTURING
By status of restructuring

TRANSFERRED TO WORKOUT
By level of completion



- In restructuring[2]
- Performing after restructuring
- Performing w/o restructuring

- Payments postponed
- 90 days past due / individually impaired
- Transferred to workout
- In collection

- In documentation
- In negotiation
- Offer made
- Initial analysis

- LPA report submitted monthly to the FME
- Exposure is monitored on obligor level – not facility level

- Vast majority already in workout process
- Carrying amount reflects expected recovery of all outstanding loans

- More than half of workout portfolio already in advanced stages of documentation

1. Parent company only, numbers as of 31 December 2011
2. As defined by Loan Portfolio Analysis (LPA)

IV. Liabilities, Liquidity & Capitalisation

Liabilities

Consolidated – 31 December 2011

Íslandsbanki

ISK m	31.12.2011	31.12.2010
Financial liabilities	**9,346**	9,090
Derivatives	**4,027**	429
Deposits from CB and credit inst.	**62,845**	96,238
Deposits from customers	**462,943**	327,158
Debt issued and other borrowings	**63,221**	55,425
Subordinated loans	**21,937**	21,241
Current tax liabilities	**2,670**	9,024
Deferred tax liabilities	**17**	18
Non-current liabilities held for sale	**7,317**	16,442
Other liabilities	**37,889**	26,694
Total liabilities	**672,212**	561,759
Total equity	**123,703**	121,463
Total liabilities and equity	**795,915**	683,222

Deposits

- Increase due to Byr

Debt issued and other borrowings

- ISK 52bn bond issued to the Central Bank secured on a pool of mortgages
- ISK 6.6bn bond as a consideration for Byr issued in Q4 2011
- ISK 4bn covered bond issue issued in Q4 2011

Subordinated loans

- EUR 138m denominated Tier II Government bond provided as liquidity and equity support following agreement with creditors in September 2009

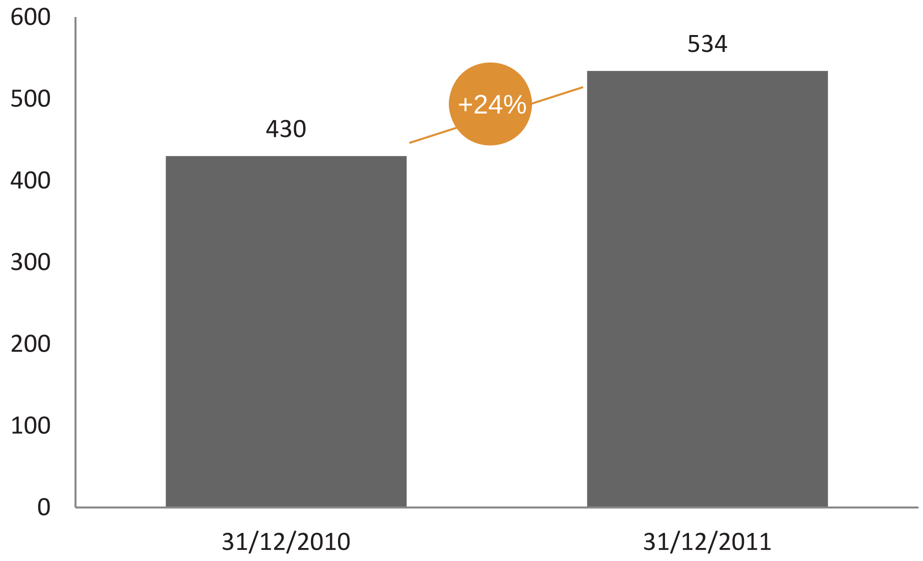
Other liabilities

- Unsettled securities transactions

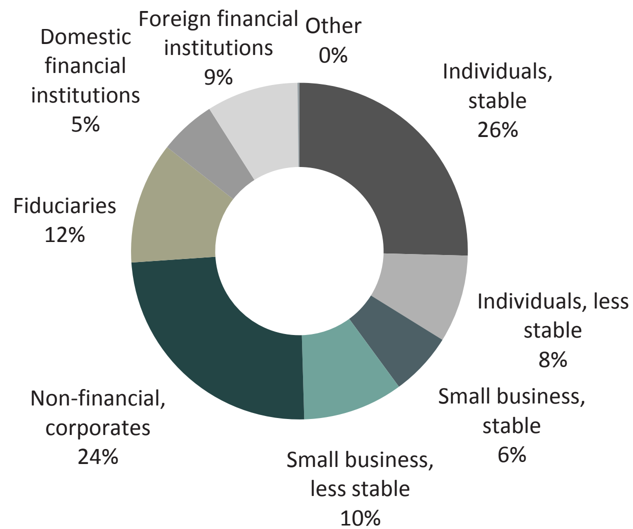
Deposits

Deposits of parent company increased by 24% due to Byr merger

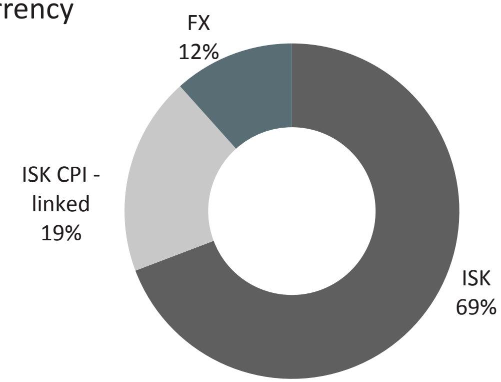
DEPOSIT DEVELOPMENT
Total exposure, parent company, ISK bn



DEPOSIT COMPOSITION
By customer type



DEPOSIT COMPOSITION
By currency



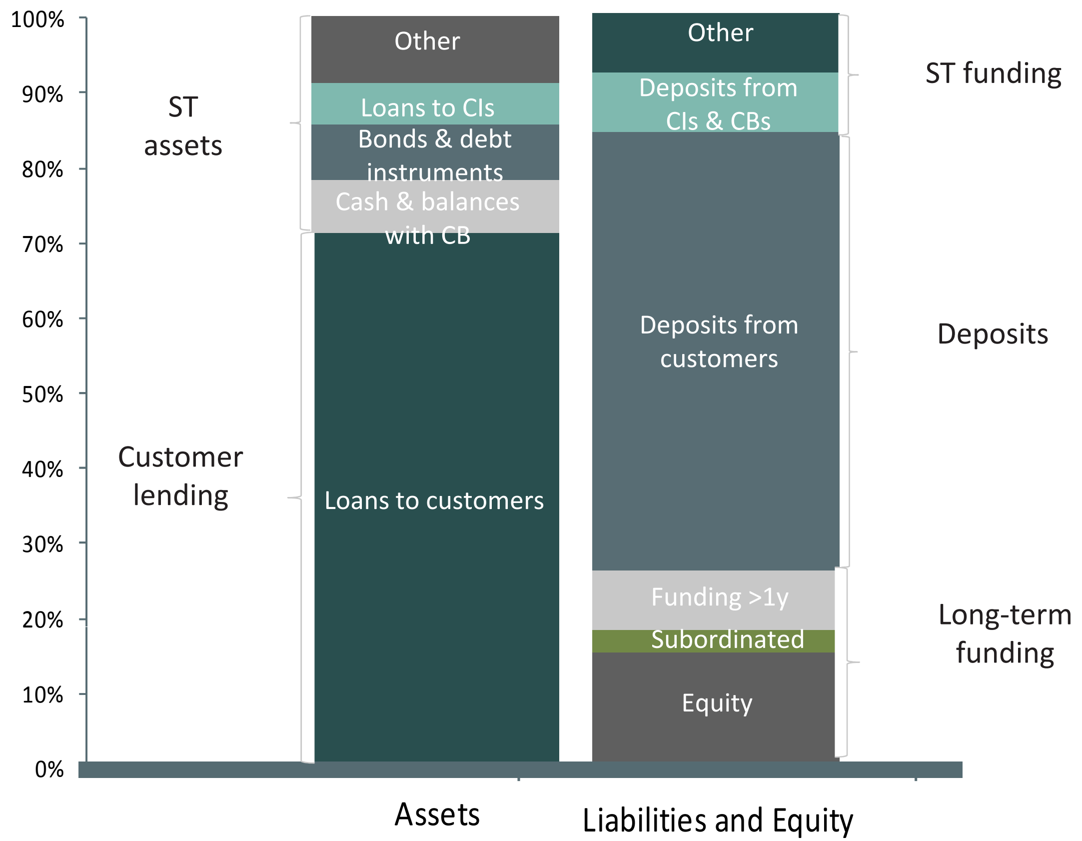
Concentration is monitored closely

- Funding and liquidity management aims at diversifying funding sources
- Increased focus on term funding

Solid funding base

Deposits largest source of funding

FUNDING STRUCTURE
Prudent asset and liability management



Diversification of funding

- Íslandsbanki is aiming for further diversification of funding sources
- Three domestic covered bond issuances have been issued to date

Sound management of liquidity

Liquid assets of ISK 186bn far exceed regulatory targets

LIQUIDITY BACK-UP* / DEPOSIT COVERAGE RATIO
31 December, parent company, ISK bn

Asset type	ISK	FX	Total
Cash and balances with CB	52.2	1.0	53.2
Balances with credit institutions	3.0	33.7	36.7
Repo eligible bonds	55.0	0.0	55.0
Foreign government bonds	0.0	16.3	16.3
Government facility line	25.0	0.0	25.0
Total	**135.2**	**51.0**	**186.2**
Total deposits	469.9	64.1	534.0
Liquid assets to total deposits	29%	80%	35%

Regulatory liquidity requirements

- FME requires cash or cash-like assets against demand deposits of 5%
  - Íslandsbanki (31.12.2012): 22%
- FME requires liquid assets against all deposits of 20%
  - Íslandsbanki (31.12.2012): 36%
- CB: Liquid assets and expected loan inflow cover 100% of all expected outflow over the next 3 months according to CB definitions
  - Íslandsbanki (31.12.2012): 142%
- The Icelandic regulator has not issued any guidelines on the implementation of the Basel III liquidity measures, Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR)
  - Íslandsbanki is prepared for adopting the Basel III liquidity measures.

* Consists of both on and off-balance sheet assets that the Bank holds and are considered liquid

Imbalances strictly monitored

Gross foreign currency gap actively improved through restructuring

IMBALANCES
31 December

ISKm	FX	Inflation
Assets	215	194
Adjustments for FX / ISK assets	(47)	
Net assets	**168**	**194**
Liabilities	(155)	(172)
Net gap	**14**	**22**

FX assets

- Categorisation based on customer cash flow
- Real FX assets (FX/FX) amount to ISK 168bn
- Exchange rate changes are fully offset in the impairment account in cases were recovery is fixed in ISK
- Net FX gap is strictly monitored and is within regulatory limit of 15% of capital

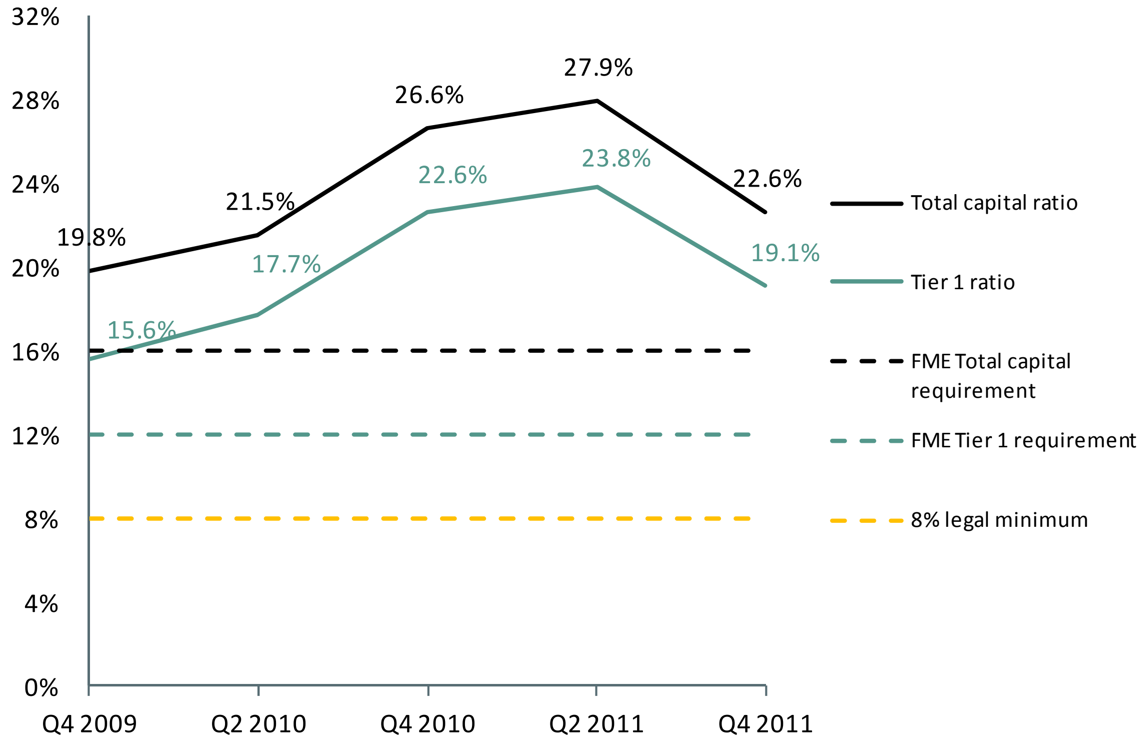
Net gap between inflation indexed assets and liabilities

- CPI-linked swaps used to reduce the gap
- Issuance of CPI linked covered bonds also reduces the gap

Sound capital position

Exceeds legal and regulatory requirements of 16% and legal limit of 8%

CAPITAL RATIOS
Development, %



Strong capitalisation

- The total capital ratio decreased in Q4 2011 mainly due to Byr merger
- Still far exceeds regulatory requirements of 16% and legal limit of 8%

Summary

Economy is bouncing back and Íslandsbanki sound progress in 2011 paves way for continued success

Íslandsbanki

- Universal bank offering comprehensive financial services to households, corporates and investors in Iceland
- Total assets of ISK 796bn
- Market share of 25% -35% across all business segments
- National coverage with 21 branches
- Staff of 1,000+ on a parent level

Economy bouncing back

- Iceland the first country after the global financial crisis to successfully complete a three-year IMF programme in August 2011.
- *“Public finances are on a stable path, the exchange rate has stabilized, and the financial sector has been restructured ”* IMF
- In February, Fitch lifted its rating on Iceland to investment grade
- 3.1% GDP growth in 2011

Consolidation in Icelandic Banking

- Íslandsbanki's acquisition of Byr is part of the necessary consolidation in the Icelandic banking sector
- Also improved efficiency in the Bank’s own branch network
- Pushed Íslandsbanki’s retail market share to around 32%
- Part of natural consolidation in sector as total banking assets now equal 2xGDP, down from 10xGDP in 2008

On-going focus on restructuring

- Percentage of loans in restructuring has come down significantly but small increase due to Byr merger
- No further impairments expected on loan portfolio
- Carrying amount reflects expected recovery of all outstanding loans
- More than half of workout portfolio already in advanced stages of documentation

Healthy Balance Sheet & capitalisation

- Initial balance sheet valuation means significant impairments could still be taken with zero impact to the capital position
- Entire goodwill from the acquisition of Byr impaired to minimize intangible assets on Balance Sheet
- Total capital ratio of 22.6% remains well above FME’s regulatory requirement of 16%

Diversification of funding sources

- Successful domestic covered bond issuance in Dec 2011 of ISK 4bn, with a ISK 100bn program in place
- Two new oversubscribed issuances of covered bonds in Mar 2012
- Deposit base grew considerably following the merger with Byr - single currency system means capital controls cannot dilute overall volume of ISK deposits in Icelandic banks

V. Appendix: Íslandsbanki Profile

Strong banking heritage

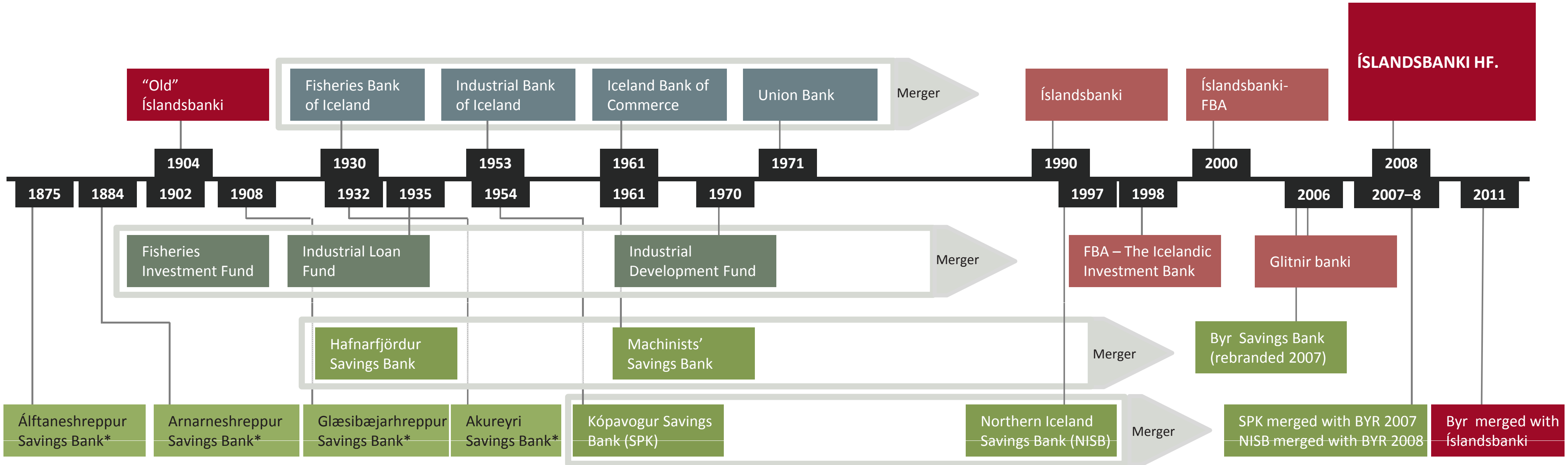
Serving Icelandic households, agriculture, industry and commerce since 1875

Íslandsbanki was established on 15 Oct 2008 after the collapse of financial system

- Assumed Glitnir's domestic assets and deposits
- Glitnir was a leading domestic franchise with strong share of domestic deposits and an attractive retail and SME portfolio
- International and domestic expertise in fisheries and geothermal lending

Íslandsbanki's merger with Byr in December 2011

- Byr, the result of a line of mergers of Iceland's savings banks, has heritage extending back to 1875
- Byr was Iceland's fourth largest bank in Iceland with assets of ISK 120bn



* Álftaneshreppur Savings Bank, a regional south-west Iceland bank, merged with other local, Hafnarfjördur Savings Bank, in 1902.
Arnarneshreppur Savings Bank, a regional northern bank, merged with Akureyri Savings Bank in 1988 and later with Glæsibæjarhreppur Savings Bank in 1997 to form the Northern Iceland Savings Bank.

Universal banking in Iceland

International reach in niche sectors of Seafood and Geothermal energy

- One of Iceland´s largest universal banking and financial services groups dating back to 1875
- Staff of 1,100+
- Total assets of ISK 796bn (USD 6.3bn, EUR 4.8bn)
- Market share of 25% - 35% across all domestic franchise areas
- International reach through focus on special niche industry sectors
- Strong capital base, high liquidity and a quality loan book after comprehensive restructuring in 2008

Retail

21 BRANCHES PROVIDE NATIONAL COVERAGE

- Highly ranked in customer service and satisfaction
- Merged with Byr commercial bank in 2011
- Independent Asset Based Financing unit – ERGO
- Market share of 30%+

Corporate

FULL-SERVICE CORPORATE BANK

- Domestic corporate banking for industries
- Specialist industry teams in Iceland and in the US for geothermal energy & seafood
- Market share of 25%

Wealth

LEADING FUND MANAGER

- One of Iceland's leading wealth manager by AUM
- Managed through independent unit, VÍB providing regulated investment advice
- Market share of 20-40%

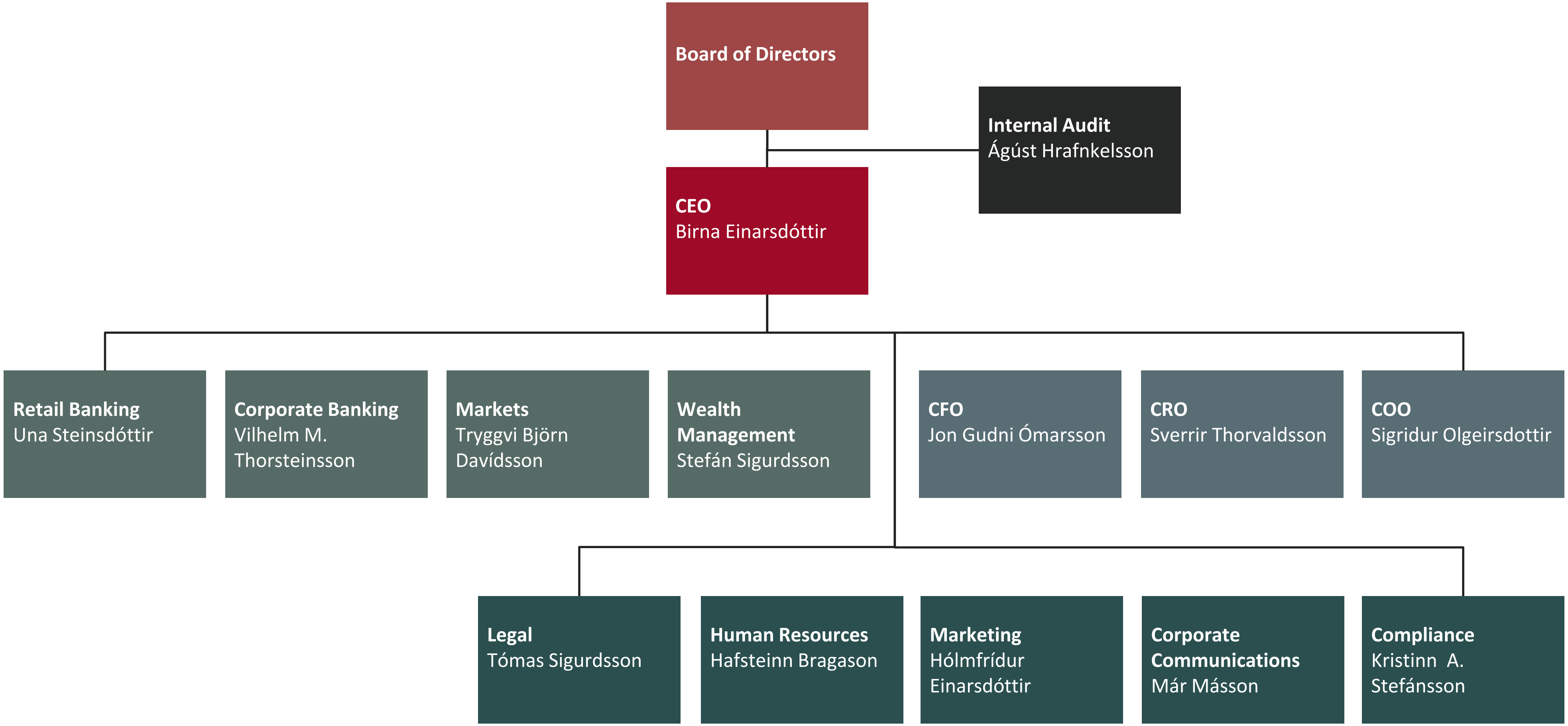
Markets

CAPITAL MARKETS & NICHE SECTORS

- Equities, fixed income, FX, corporate finance and research
- Corporate advisory in the US for geothermal energy & seafood industries
- Market share of 25-35%

Increased management reporting clarity

Clearer reporting structure to improve accountability and transparency



Executive Management Board

A strong team holding diversified backgrounds within banking and finance

BIRNA EINARSDÓTTIR
Chief Executive Officer

Birna Einarsdóttir first joined Íslandsbanki (then Idnadarbankinn) in 1987. After six years with Royal Bank of Scotland she rejoined the Bank in 2004 and was appointed CEO of Íslandsbanki in October 2008.

Einarsdóttir holds a cand.oecon. degree in Business Administration from the University of Iceland and an MBA from the University of Edinburgh.

UNA STEINSDÓTTIR
Retail Banking

Una Steinsdóttir joined Íslandsbanki in 1991 as a specialist in International Banking. She was appointed Managing Director of Retail Banking in October 2008. Steinsdóttir has a cand.oecon. degree in Business Administration from the University of Iceland.

VILHELM M. THORSTEINSSON
Corporate Banking

Vilhelm Már Thorsteinsson joined Íslandsbanki in 1999 and was appointed Managing Director of Corporate Banking in October 2008. Thorsteinsson holds an MBA degree from Pace University and is a licensed securities broker.

STEFÁN SIGURDSSON
Wealth Management

Stefán Sigurdsson joined Íslandsbanki in 2006 and was appointed Managing Director of Wealth Management in October 2008. Sigurdsson has worked in the financial sector since 1997. He holds a Master's in Economics from the University of Copenhagen.

TRYGGVI BJÖRN DAVÍDSSON
Markets

Tryggvi Björn Davídsson was appointed Managing Director of Markets in September 2011. Davidsson has broad experience of international financial markets. having worked for among others Barclays Capital. He holds an MBA from INSEAD in France .

JÓN GUDNI ÓMARSSON
Chief Financial Officer

Jón Ómarsson was appointed to the role of Chief Financial Officer of Íslandsbanki in October 2011.

Prior to that Ómarsson served as Head of Treasury at Íslandsbanki from 2008. Ómarsson holds a Master's in Quantitative and Computational Finance from Georgia Tech.

SVERRIR Ö. THORVALDSSON
Chief Risk Officer

Sverrir Thorvaldsson joined Íslandsbanki in 2006 as executive director of Risk Management. Prior to joining the Bank he worked in research, software development for Decode Genetics. Thorvaldsson holds a Master's in financial mathematics from Stanford University.

SIGRIDUR OLGEIRSDOTTIR
Chief Operating Officer

Sigrídur Olgeirsdóttir was appointed Chief Operating Officer in September 2010. Prior to joining Íslandsbanki Olgeirsdóttir worked in the IT industry from 1984. Olgeirsdóttir is a Systems Analyst from EDB skolen in Denmark and holds an MBA degree from Reykjavík University.

Ownership structure

Current owner intends to exit within 5 years, has mandated UBS as advisor

Shareholders

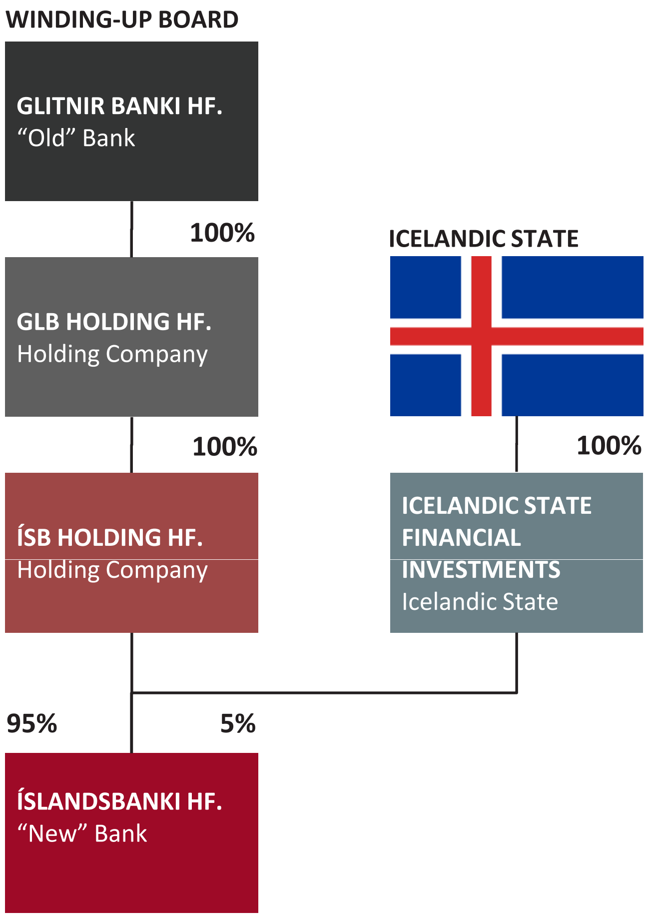
- On 13 Sept 2009 Glitnir, Íslandsbanki and the Icelandic Government agreed on the settlement of assets and liabilities between the “old” and the “new” banks
- A Winding-up Board, on behalf of the creditors of Glitnir, the "old" bank, owns a 95% stake in Íslandsbanki
- The Icelandic Government, through Icelandic State Financial Investments retains a 5% stake

Dividend expectations

- The shareholder agreement states a ban on dividend payments for 3 years, or up until Oct 2012

Future ownership

- Glitnir does not intend to be a long-term owner of Íslandsbanki and has publically stated it will sell its stake within the next five years
- Glitnir has mandated UBS as their advisor



Board of Directors

Independent board combining international experience with domestic expertise

FRIDRIK SOPHUSSON
Chairman of the Board

Mr. Sophusson is an Icelandic national, with nearly forty years of wide-ranging experience in fiscal policy making, management and public service in Iceland.

Mr. Sophusson was appointed the CEO of The National Power Company, in 1999 and held that position for almost 11 years.

Mr. Sophusson served as a Member of Parliament for a period of twenty years from 1978 to 1998, during which time he was appointed as Iceland's Minister of Industry and Energy, 1987 – 1988, and Minister of Finance, 1991 – 1998.

JOHN E. MACK
Vice-Chairman

A US national, Mr. Mack was Corporate Executive Officer and CFO of Shinsei Bank from 2002 - 2005. He spent 27 years working for Bank of America. Has specific experience in corporate work-outs and problem loans through his former role as director of Strategic Solutions, Inc.

NEIL GRAEME BROWN

A British national, has extensive experience of finance and restructuring of international businesses. Among positions held by Mr. Brown are head of buyouts and financial services at Apax Partners and partner at Coopers & Lybrand (now PwC).

ÁRNI TÓMASSON

An Icelandic national, Mr. Tomasson began his work in accounting in 1979 and has worked in bank and financial institution auditing since 1985.

Mr. Tómasson was appointed chairman of Glitnir's Resolution Committee in October 2008 and has led the committee's work since that time.

DANIEL LEVIN

Dr. Daniel Levin is a US and Swiss national, with broad experience of governance, finance and markets. He has advised financial supervisory authorities on the implementation of ethical and corporate governance and has represented corporate and sovereign issuers and borrowers.

MARIANNE ØKLAND

A Norwegian national, currently holds the position of Managing Director of Avista Partners.

Ms. Økland has spent most of her career in banking dealing with debt financing in various positions at JP Morgan and UBS.

KOLBRÚN JÓNSDÓTTIR

An Icelandic national, was the managing director of finance for VÍS Insurance from 2008-2010.

She worked in Íslandsbanki from 1996-2008 both as branch manager in the Reykjavik area and head of back office. Prior to that she was the managing director of finance for the home improvement and construction retailer Húsasmidjan.

Íslandsbanki different from predecessor

Significant change in operations and overall direction

	WEAKNESSES IN GLITNIR'S OPERATIONS	CHANGE
Loss of focus on core operations and competencies	• Expansion into highly leveraged LBO and commercial real estate markets outside Iceland • Rapid acquisitive growth outside Iceland	• Focus on the strengths derived from the acquisition of Glitnir's assets such as domestic banking and seafood and geothermal energy expertise
Reliance on wholesale foreign currency funding	• Lack of funding diversification • Mismatch of maturities • Unsustainable size of the banking system	• Liquidity requirements tightened, both internally and by regulator • Plan to use broad range of funding sources • Reduction in size of banking system from 11 to 2x GDP
Lending practices	• Large single name exposures • Lack of discipline in definition of related parties • Lending against own shares • Lending in FX to non-FX income clients	• Strict controls on loan concentration • Stricter rules on related party lending • FX-loans only granted to FX income customers • Lending against own shares abolished • Review of all lending processes
Weaknesses in Corporate Governance	• Corporate controls which turned out to be insufficient to prevent excessive leverage • Insufficient attention to long-way risks especially for equity hedged as collateral	• Strong and experienced, in vast majority independent, Board of Directors in order to strengthen corporate governance • Substantive changes to policies and approval structures to a similar end

Thank you

Íslandsbanki