

Íslandsbanki

FACT SHEET FY 2011

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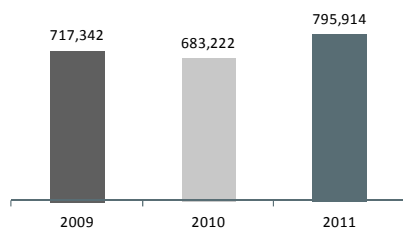
OUR PROFILE

- 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 2011 strengthened the balance sheet by 15% on asset side and 24% on deposit side

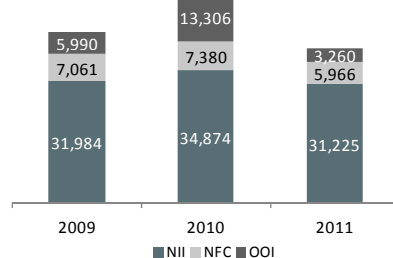
MACRO HIGHLIGHTS

- 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
- 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
- Despite consequences of recent currency and banking crisis, Iceland has strong fundamentals and one of the highest GDP per capita amongst developed countries

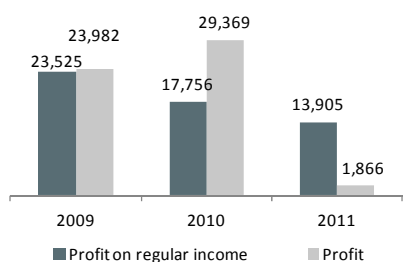
TOTAL ASSETS ISKm



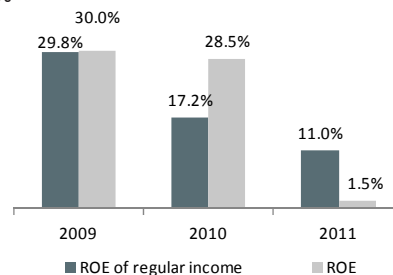
INCOME SPLIT ISKm



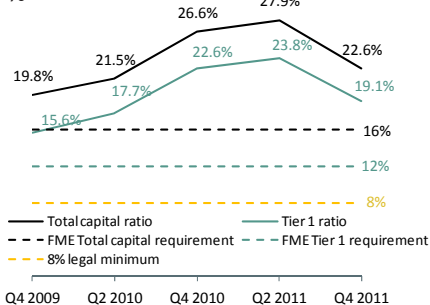
PROFIT ISKm



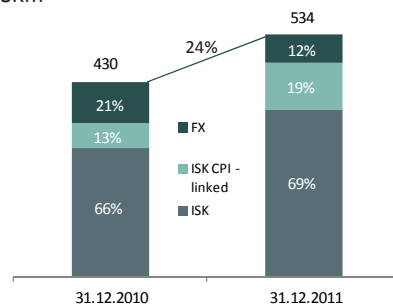
ROE OF REGULAR INCOME %



CAPITAL RATIO %



DEPOSITS - PARENT ISKm



Key financials	2011		2010	
	ISKbn		ISKbn	
Total assets	796	698		
Total loans	608	546		
Total deposits	526	423		
Equity	124	121		
Profit after tax	1.9	29.4		
Profit regular income	13.9	17.8		
Employees – parent	1,003	933		

Ratios	2011		2010	
	%		%	
ROE	11.0	1.5	28.5	28.5
ROE regular income	17.2	11.0	17.2	17.2
Net Interest Margin	4.5	4.5	4.8	4.8
Core Cost / income	56.0	56.0	43.7	43.7
Deposit / Loan	86.5	86.5	77.5	77.5
Tier 1	19.1	19.1	22.6	22.6
Total capital	22.6	22.6	26.6	26.6

CONSOLIDATED FINANCIAL STATEMENTS 2011

INCOME STATEMENT

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

Regular income is defined as earnings excluding one-off items e.g. 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.

BALANCE SHEET

ASSETS	ISK m	31.12.2011	31.12.2010
Cash and balances with CB		57,992	30,799
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
Total assets		795,915	683,222

LIABILITIES	ISK m	31.12.2011	31.12.2010
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
Total liabilities		672,212	561,759
Total equity		123,703	121,463
Total liabilities and equity		795,915	683,222

INCOME

- NII affected by decreasing interest rates throughout 2011
- NFC affected by slow recovery of financial markets and fee driven subsidiary company Borgun leaving the group

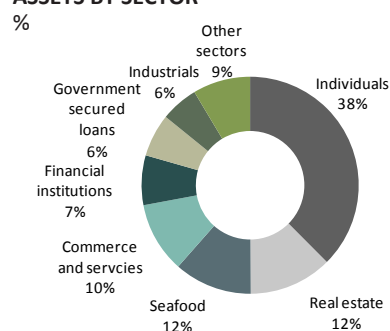
EXPENSES

- A third of the increase in administrative expenses is attributable to the acquisition of Byr
- Effective income tax rate for 2011 was 4.2% compared to 19.6% in 2010
- Two new bank taxes in 2011

PROFITABILITY

- Significant impact of one-off items on profitability
- Goodwill resulting from Byr merger fully impaired in Q4: ISK 17.9bn
- Estimated cost of the February Supreme Court ruling on FX loans: ISK 12.1bn
- Fair value gain following reclassification of equity stakes: ISK 3bn

ASSETS BY SECTOR



DEPOSITS / LOAN RATIO

