FY13
Financial Results

20 February 2014

Íslandsbanki

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OVERVIEW

A strong bank ready for a sustainable future

Serving over 200,000 customers, Íslandsbanki has market share of +30% in retail and 37% in corporate

1. INCOME MIX IS CHANGING AS RESTRUCTURING COMES TO AN END

- Net fee and commission income (NFC) in 2013 is up 10% YoY
- Net interest income (NII) continues to decrease in line with amortisation of discount, or down 14% YoY
- Retail banking is by far the largest driver of total operating income, followed by corporate banking

2. COSTS PROGRAMS ARE DELIVERING RESULTS

- Administrative expenses excluding one-offs, was down 3% YoY or 7% in real terms
- 6% reduction in average FTEs in 2013 for parent company YoY
- Cost-income ratio was 58.5% in 2013, but improvements in cost control were mostly offset by increased taxation

2013

3. CAPITAL REMAINS STRONG

4. DIVERSIFICATION OF FUNDING

- First FX issue of SEK 500m under the USD 250m Global Medium Term Note (GMTN) programme
- Proven access to international capital markets ensures autonomy in funding and competitive advantage
- Largest issuer of covered bonds in Iceland, and regular issuer of commercial paper

5. RESTRUCTURING ALMOST COMPLETED

- Ratio of loans in restructuring (LPA) down to 8.3%, down from 13.6% in YE12 and 22.6% in YE11
- Loans more than 90 days past due was 3.5%, down from 7.5% at YE12 and 12.9% at YE11

Íslandsbanki

Universal bank with client focus

Awarded 'Best bank in Iceland' by Euromoney and 'Best Wealth Management' by World Finance

RETAIL

CORPORATE

ISK 40bn in new lending

Most efficient branch network

ISK 60bn in new lending

EUROMONEY 2013 Awards for excellence

N-Atlantic strategy

92% of customers are online

First FX issue of SEK 500m

VÍB hosted 59 events & audience of 16,000

#1 in equities #2 in fixed income

WORLD FINANCE INVESTMENT MANAGEMENT AWARDS 2013

IS Equity Fund - best return 3 years in a row

44% market share in IPOs 2010-13

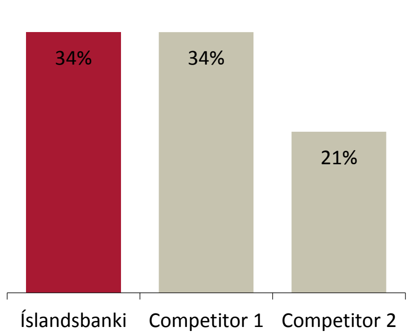
VÍB / WEALTH MANAGEMENT

MARKETS

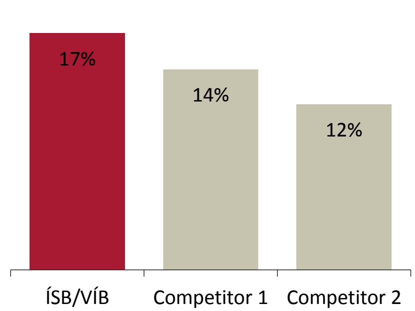
The leading bank in Iceland

Leading market shares in all business segments and considered the most professional bank

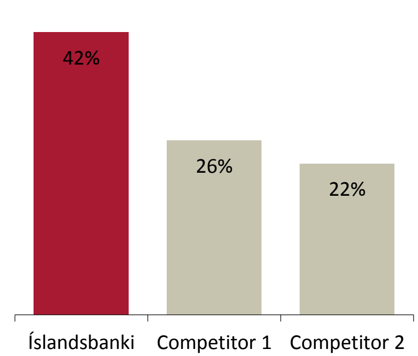
WHICH BANK IS THE LEADING BANK FOR INDIVIDUALS?



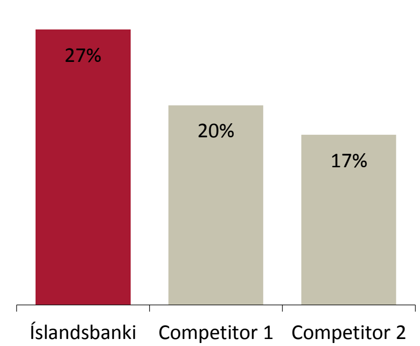
WHO IS YOUR FIRST CHOICE FOR ASSET MANAGEMENT?



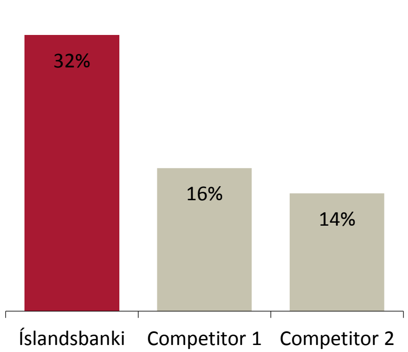
WHICH BANK IS MOST PROFESSIONAL FOR SMEs?



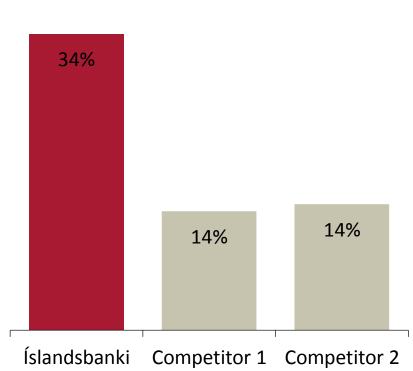
WHICH BANK BEST SERVES SMEs?



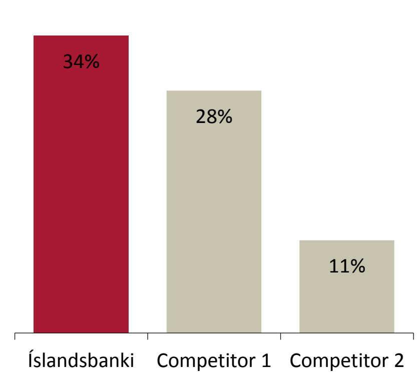
WHICH BANK IS THE LEADING BANK FOR LARGE CORPORATES?



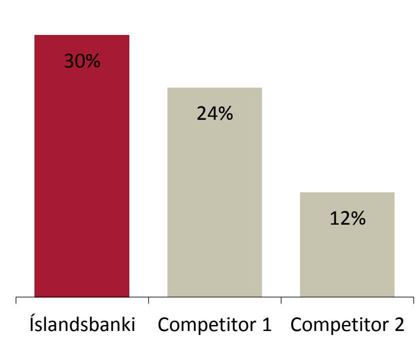
WHICH CORPORATE BANK IS OVERALL MOST PROFESSIONAL?



WHICH BANK IS THE LEADING IN INVESTMENT BANKING?



WHICH BANK IS THE LEADING IN CORPORATE FINANCE?



Source: Capacent Gallup December 2013 and January 2014. Large corporate survey among 300 top corporates in Iceland according to Frjáls Verslun, an Icelandic Business Magazine.

Financial overview

Strong ROE despite high capital levels, costs set to decline as restructuring is completed

		2013	2012	2011	2010	2009
PROFITABILITY	ROE (after tax), %	**14.7%**	17.2%	1.5%	28.5%	30.4%
	ROE from regular operations (after tax), %	**7.8%**	12.2%	12.1%	17.7%	29.9%
	Net interest margin (of total assets), %	**3.4%**	4.1%	4.5%	5.0%	4.6%
	Cost to income ratio, %*	**58.5%**	53.8%	50.0%	44.4%	36.0%
	After tax profit, ISKm	**23,069**	23,418	1,866	29,369	23,982
	Earnings from regular operations, ISKm**	**12,169**	16,552	15,196	18,267	23,604
		31/12/2013	31/12/2012	31/12/2011	31/12/2010	31/12/2009
CAPITAL	Total equity, ISK m	**167,319**	147,660	123,703	121,463	91,724
	Tier 1 capital ratio, %	**25.1%**	22.0%	19.1%	22.6%	15.5%
	Total capital ratio, %	**28.4%**	25.5%	22.6%	26.6%	19.6%
BALANCE SHEET	Total assets, ISKm	**866,009**	823,375	795,915	683,222	717,342
	Risk weighted assets ISKm	**659,757**	664,689	629,419	534,431	589,819
	Total loans, ISKm	**598,819**	611,900	608,049	546,031	478,751
	Total deposits, ISKm	**519,019**	509,427	525,788	423,396	7,103,280
	Total deposit / loan ratio, %	**86.7%**	83.3%	86.5%	77.5%	83.0%

* Calculated as (Administrative expenses + Contribution to the Depositors´ and Investors´ Guarantee Fund – One off items) / Total operating income

**Earnings from regular operations is defined as earnings excluding one-off items e.g. bank tax, net valuation changes from the loan portfolio, fair value gain deriving from changes in classification of assets, costs associated with the Byr merger and the impairment of goodwill, and net earnings from discontinued operations

FY13

II

INCOME STATEMENT

Income statement

Robust earnings from regular operations have been supported by gains on from restructuring (NVC)

ISKm	FY13	FY12	FY11	FY10	FY09
Net interest income	**28,430**	32,940	31,225	34,874	31,984
Net fee and commission income	**10,433**	9,459	5,966	7,380	7,061
Net foreign exchange (loss) gain	**(2,423)**	2,737	937	(963)	2,621
Net financial income	**4,612**	1,517	2,649	(910)	286
Share profit of associates	**3**	0	39	0	0
Other net operating income	**1,542**	996	894	1,186	2,760
Total operating income	**42,597**	47,649	41,710	41,567	44,712
Salaries and related expenses	**(13,361)**	(13,080)	(10,531)	(9,207)	(8,036)
Other operating expenses	**(12,190)**	(11,508)	(9,339)	(8,659)	(7,404)
Administrative expenses	**(25,551)**	(24,589)	(19,870)	(17,866)	(15,440)
Impairment of goodwill	**0**	(425)	(17,873)	0	0
Contribution to the Depositors´ and Investors´ Guarantee Fund	**(1,016)**	(1,055)	(965)	(607)	(673)
Bank Tax	**(2,321)**	(858)	(682)	(221)	0
Total operating expenses	**(28,888)**	(26,927)	(39,390)	(18,694)	(16,113)
Profit before impairment & net valuation changes	**13,709**	20,722	2,320	22,873	28,599
Loan impairment charges and net valuation changes	**16,299**	5,710	(1,220)	13,993	324
Profit before tax	**30,008**	26,431	1,100	36,866	28,923
Income tax	**(7,866)**	(6,253)	(75)	(7,214)	(4,678)
Profit (loss) from discontinued ops. net of tax	**927**	3,239	841	(283)	(263)
Profit after tax	**23,069**	23,417	1,866	29,369	23,982

Please note that the Bank has changed its presentation in the consolidated income statement as follows:

- The line item Loan impairment charges and net valuation changes, previously presented as Net valuation changes on loans and receivables, has been moved down from being below Net interest income to being below the line item Profit before loan impairment charges and net valuation changes. As a result Total operating income changed from 53,359 to 47,649 for 2012.
- The line item Bank tax has been moved from being below Income tax to being part of Total operating expenses. Comparable figures have been adjusted accordingly.

Earnings from regular operations

High ROA and ROE from regular operations show the intrinsic strength of ÍSB's core business versus peers

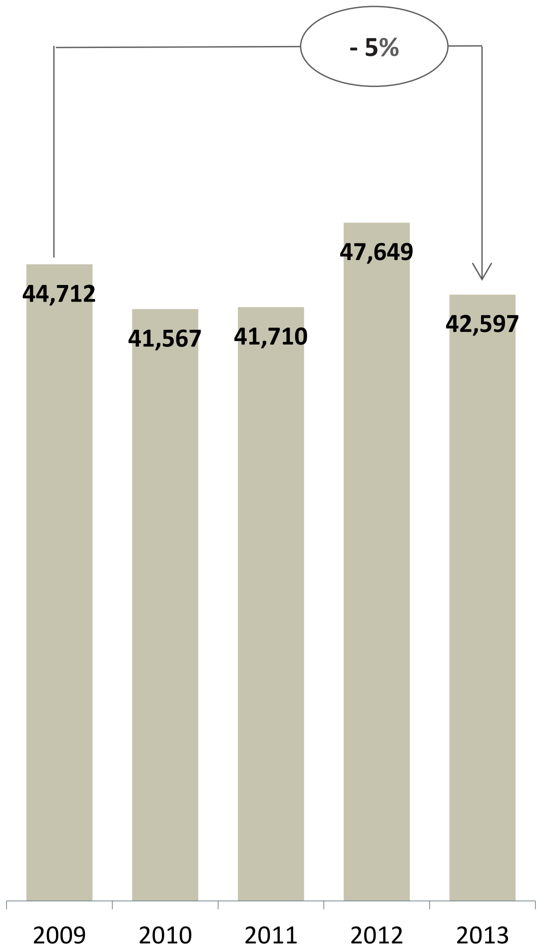
ISKm	2013	2012	2011	2010	2009
Reported after tax profit	**23,069**	23,418	1,866	29,369	23,982
Net valuation changes on loans and receivables	**(18,239)**	(6,486)	1,296	(14,507)	(801)
Bank tax	**2,321**	858	682	221	0
Fair value change	**0**	0	(3,050)	0	0
One-off costs	**1,627**	425	18,616	0	0
Profit (loss) from discontinued ops	**(927)**	(3,239)	(841)	283	263
Tax impact of adjustments	**4,319**	1,576	(3,372)	2,901	160
Earnings from regular operations	**12,169**	16,552	15,196	18,267	23,604
ROE (after tax)	**14.7%**	17.2%	1.5%	28.5%	30.4%
ROE from regular operations (after tax)	**7.8%**	12.2%	12.1%	17.7%	29.9%
ROA (after tax)	**2.7%**	2.9%	0.3%	4.2%	3.4%
ROA from regular operations (after tax)	**1.4%**	2.1%	2.2%	2.6%	3.4%

- Bank tax is a special tax intrduced in 2010. The Bank tax increased in 2013 from 0,1285% to 0,376% to fund the Government‘s debt relief programs. The increased taxation is assumed to be a temporary measure.
- One-off costs in 2013 include impairment of goodwill, a potential settlement with the competition authorities, write-down of a specific real estate and closure of operations in the US
- Please note that the line item ‚Loan impairment charges and net valuation change‘ in the Income Statement, indcludes the latent impairment. The line item in the Regular Operations Statement above, includes only net valuation changes

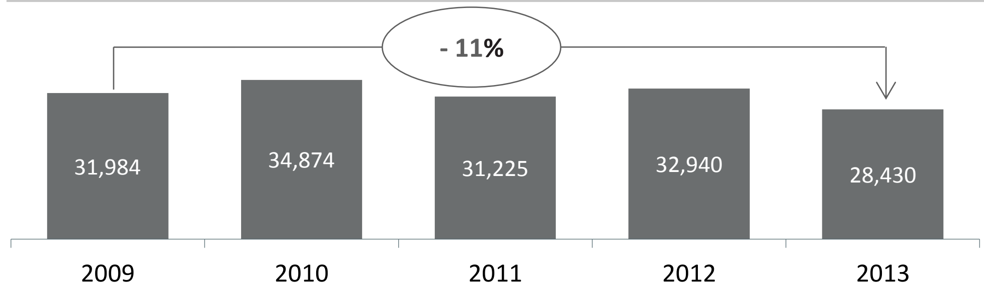
91% of operating income from NII & NFC

Focus on long-term stable cash flows, core operations continue to generate majority of total income

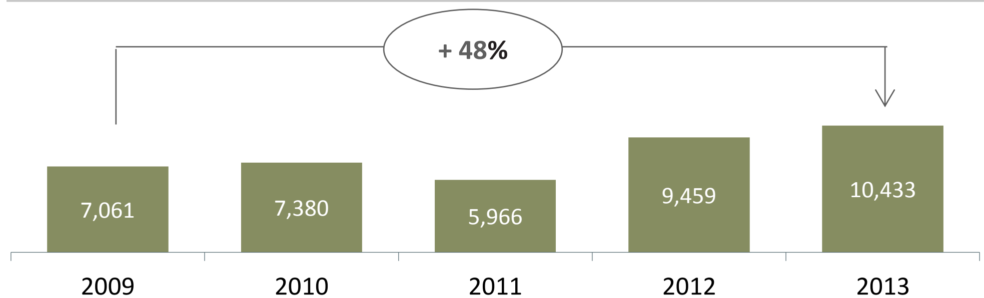
TOTAL OPERATING INCOME
ISKm



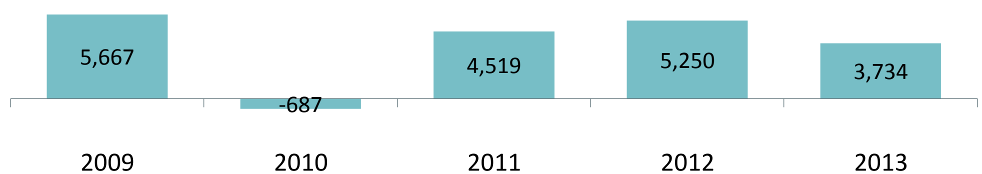
NET INTEREST INCOME (NII)
ISKm



NET FEE AND COMMISSION INCOME (NFC)
ISKm



OTHER INCOME [1)]
ISKm

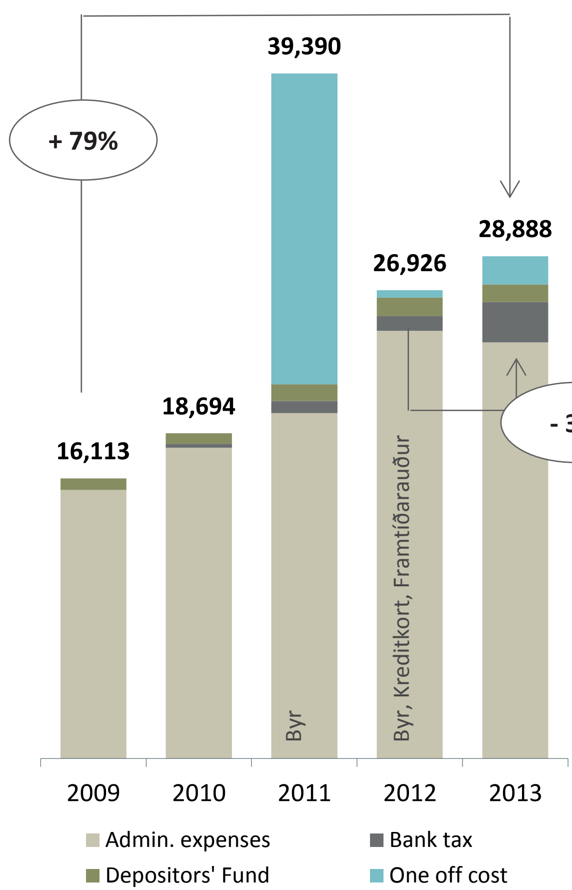


1) Note that other income includes, net foreign exchange (loss) gain, net financial income,, share profit of associates and other net operating income. The line item Loan impairment charges and net valuation changes, previously presented as Net valuation changes on loans and receivable, has been moved down from being below Net interest income to being below the line item Profit before loan impairment charges and net valuation changes.

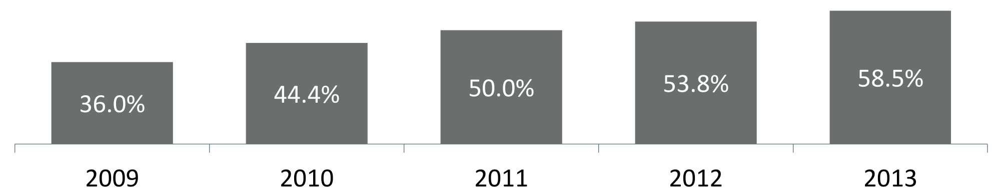
Results from cost projects coming through

Cost increase since 2009 largely due to mergers, new subsidiaries and inflation

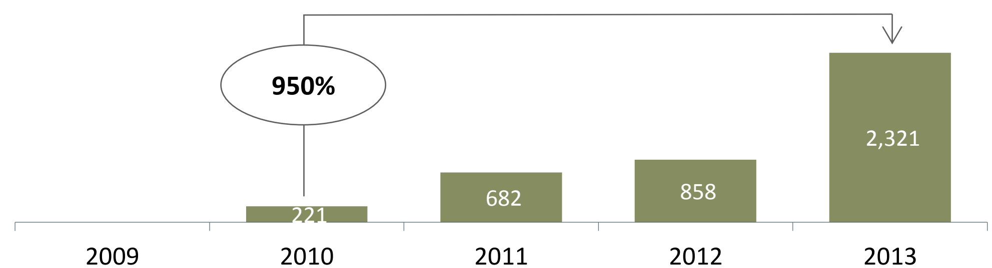
TOTAL OPERATING EXPENSES
ISKm



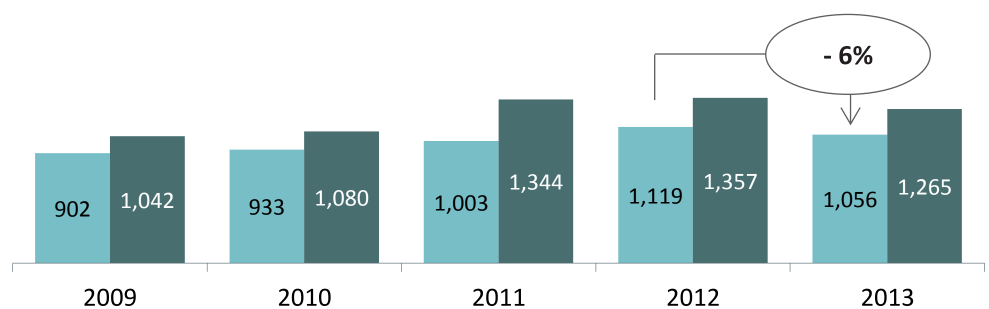
COST / INCOME RATIO [1)]
%



BANK TAX
ISKm



AVERAGE FTEs
Parent vs Consolidated

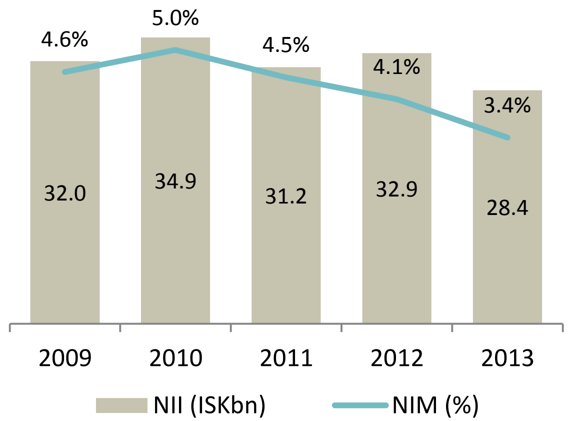


1) Calculated as (Administrative expenses + Contribution to the Depositors´ and Investors´ Guarantee Fund – One off items) / Total operating income

Net valuation changes and restructuring

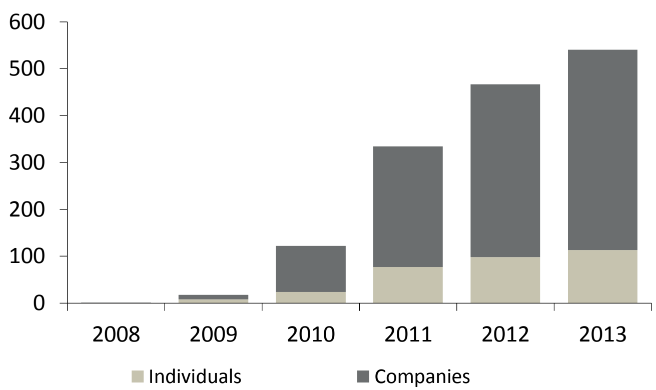
The net position is positive ISK 39bn, initial valuation has well matched actual impairment needs

NET INTEREST INCOME AND NIM



CUMULATIVE WRITE-OFFS AND REMISSIONS

ISKbn, amount to ISK540bn since 2008

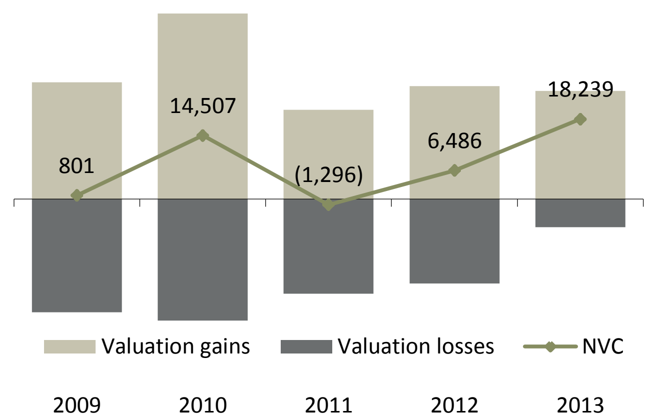


DEEP DISCOUNT AND EFFECT ON NIM

- Deep discount was initially divided into two parts:
  - *Impairment:* intended to absorb incurred and expected credit losses
  - *Discount:* intended to cover the difference between contractual interest rates and the required return, taking into account the Bank´s funding cost, availability to funding and risk premium
- The discount is amortised over the restructuring period and charged to profit or loss as part of Interest Income

NVC SINCE ACQUISITION

ISKbn, cumulative positive ISK 39bn

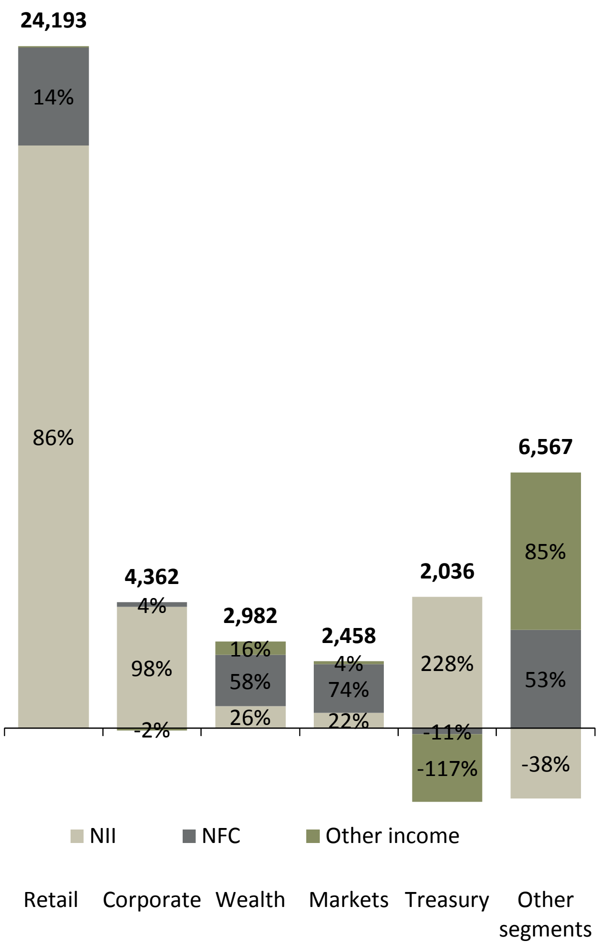


- Loan book from Glitnir was acquired at a deep discount, or 47% - goal of internal valuation was to reflect realistic recovery
- Net valuation changes (NVC) reflect income due to positive revaluations less specific impairments
- Cumulative NVC since 2008 is positive of ISK 39bn
- Yearly NVC are expected to reduce now that the financial restructuring of the loan portfolio is almost finished
- Goal of restructuring has been to transform assets into performing loans with normal term structure at market rates
- Roughly 35,500 individuals and 4,100 companies have received some form of debt relief amounting to ISK 548bn - Only a handful of restructuring projects have had to be re-addressed

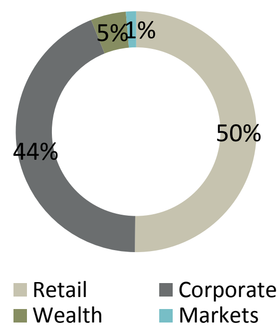
Retail banking largest driver of income

NFC income has increased on the back of more market activity in Iceland

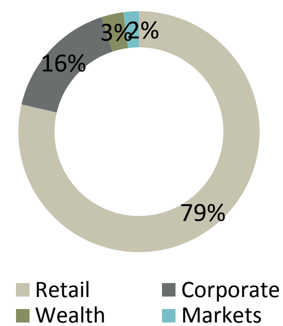
TOTAL OPERATING INCOME
(ISKm, %)



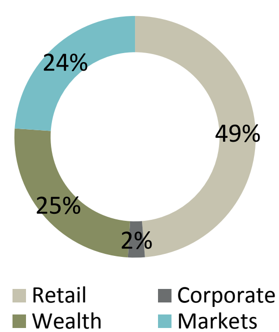
NET PROFIT SPLIT



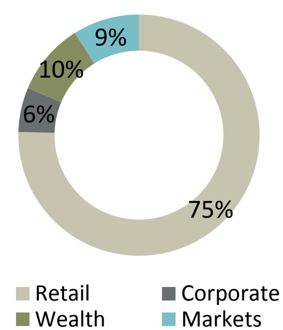
NII INCOME SPLIT



NFC INCOME SPLIT



ADMIN. EXPENSES SPLIT



- Retail banking is by far the largest driver of total operating income, followed by corporate banking
- Treasury holds the Bank's unallocated equity and a large proportion of the Bank's balance sheet as their part of their liquidity management
- Other segments include subsidiaries and equity investments as well as cost centres and eliminations
- Subsidiaries and equity investments includes e.g. Borgun, credit card acquiring company, and fair value gains from equity shares held in restructured entities, which contribute to NFC and other income

Aside from the business segments and Treasury, other segments includes subsidiaries and equity investments as well as cost centres and eliminations.

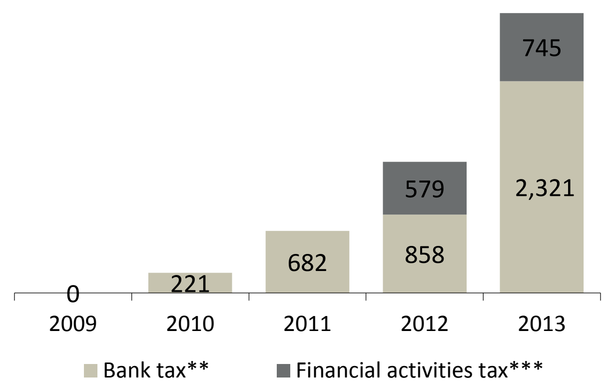
Chart pies show the proportion each business segment contributes in the total amount for the four business segments, not the total amount for all segments.

Tax & levies paid to various institutions

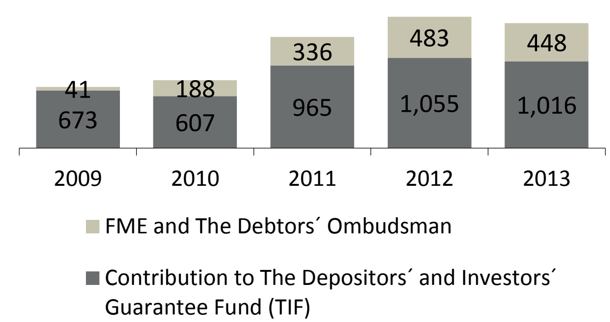
Taxation has increased considerably in recent years

ISKm	**2013**	2012	2011	2010	2009
Income tax*	**7,866**	6,253	75	7,214	4,678
Bank tax**	**2,321**	858	682	221	0
Financial activities tax***	**745**	579	0	0	0
FME and The Debtors´ Ombudsman	**448**	483	336	188	41
Contribution to The Depositors´ and Investors´ Guarantee Fund (TIF)	**1,016**	1,055	965	607	673
Total	**12,396**	9,228	2,058	8,230	5,392

EXTRAORDINARY TAXATION
ISKm



CONTRIBUTION TO TIF, FME & OMBUDSMAN
ISKm



- Taxation in general has increased considerably in recent years
  - The effective income tax rate in the Bank's income statement was 26.2% in 2013 and 23.7% in 2012
- Extraordinary taxation includes a special Financial Activites Tax and the Bank tax
- The Financial activities tax was introduced in 2012,
  - Calculated as 6% of taxable profits above ISK 1bn
  - 6.75% calculated on salaries in 2013, was 5.45% before
- The Bank tax which had had an added special tax on liabilities 2011-12
  - Bank tax increased in 2013 from 0.1285% to 0.376% to fund the Government's debt relief programs

* Calculated at 20%. In addition, a new special financial activities tax was introduced in 2012 which is calculated as 6% of taxable profits above ISK billion. The effective income tax rate in the Bank's income statement was 26.2% YTD 2013 and 23.7% for the year 2012.

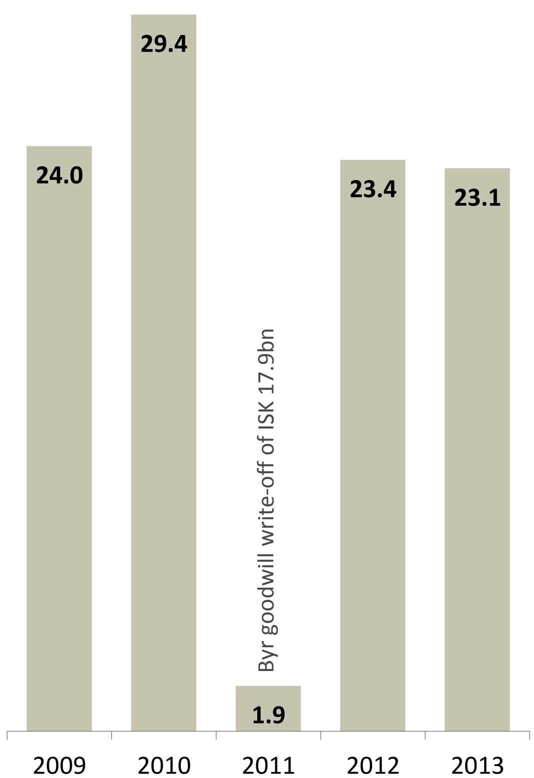
** Bank tax increased in 2013 from 0.1285% to 0.376%. It includes a 0.041% tax on liabilities and a 0.0875% special tax on liabilities for the year 2012 and 2011.

*** 6.75% calculated on salaries in 2013. Was 5.45% before.

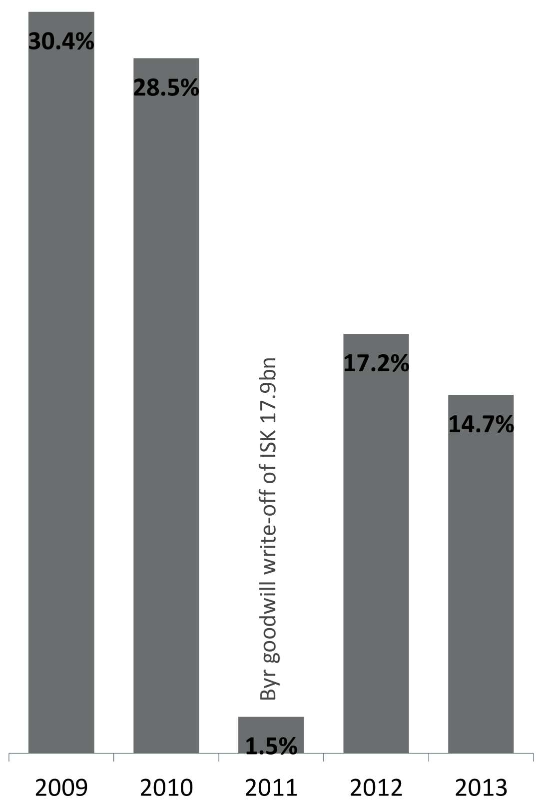
Good return despite growing equity base

Íslandsbanki's equity has more than doubled since establishment in 2008 or 157%

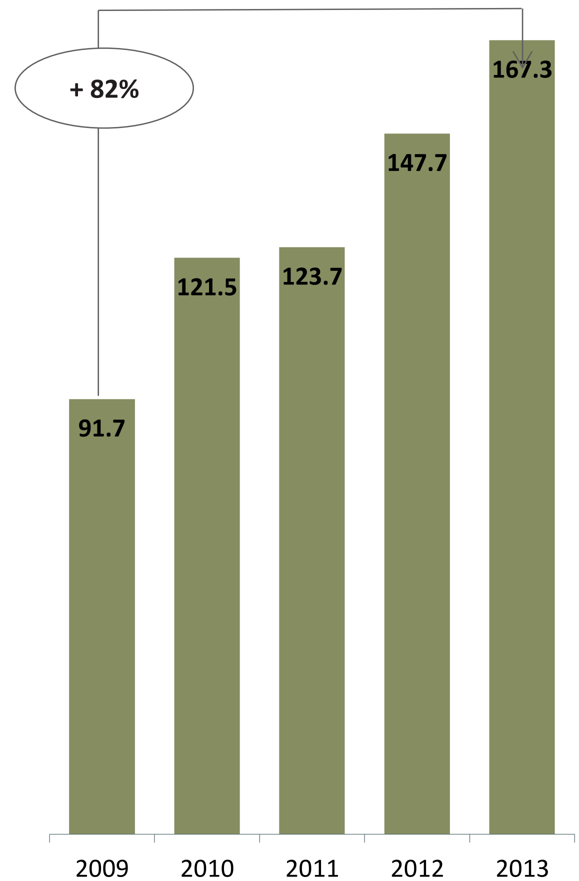
PROFIT AFTER TAX
ISKbn



RETURN ON EQUITY
%



TOTAL EQUITY
ISKbn



Íslandsbanki

FY13

III

ASSETS & RESTRUCTURING

Assets

Consolidated

ISKm	31.12.13	31.12.12	31.12.11
Cash and balances with CB	**111,779**	85,500	57,992
Derivatives	**843**	127	339
Bonds and debt instruments	**75,186**	64,035	58,662
Shares and equity instruments	**9,208**	10,445	11,107
Loans to credit institutions	**44,078**	54,043	43,655
Loans to customers	**554,741**	557,857	564,394
Investment in associates	**1,563**	503	1,070
Property and equipment	**8,772**	5,579	5,276
Intangible assets	**299**	261	544
Deferred tax assets	**1,275**	864	2,629
Non-current assets held for sale	**47,106**	39,046	42,690
Other assets	**11,159**	5,115	7,557
Total assets	**866,009**	823,375	795,916

Liquid assets

- The three line items, Cash and balances with CB, Bonds and debt instruments, and Loans to credit institutions, amount to about ISK 231bn, whereby ISK 202bn are considered to be liquid assets

Bonds and debt instruments

- Mainly G5 government bonds in the Bank's liquidity portfolio

Loans to credit institutions

- Part of liquidity portfolio placed with well ranked banks outside of Iceland

Shares and equity instruments

- Decrease due to sale of equity stakes

Loans to customers

- ISK 91.6b new lending throughout the year, although repayments continue to be high
- In addition, restructuring projects which have resulted in the takeover of companies have also lowered the loan portfolio, as loans to companies owned by the Bank are not included in the Consolidated statements
- Restructuring of loan portfolio largely completed by end of 2014

Non current assets

- Increase due to continued restructuring. Expected to decrease in 2014 as several large restructuring projects will be finalised

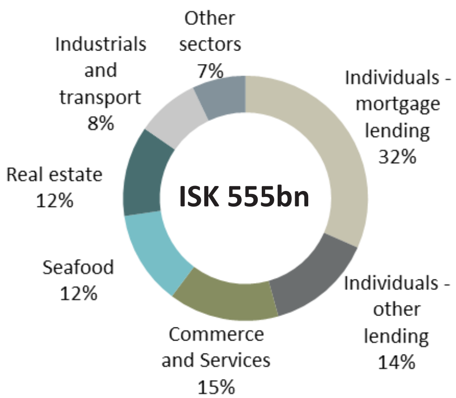
Other assets

- Is comprised of unsettled securities transactions whereby the date of settling fluctuates month by month

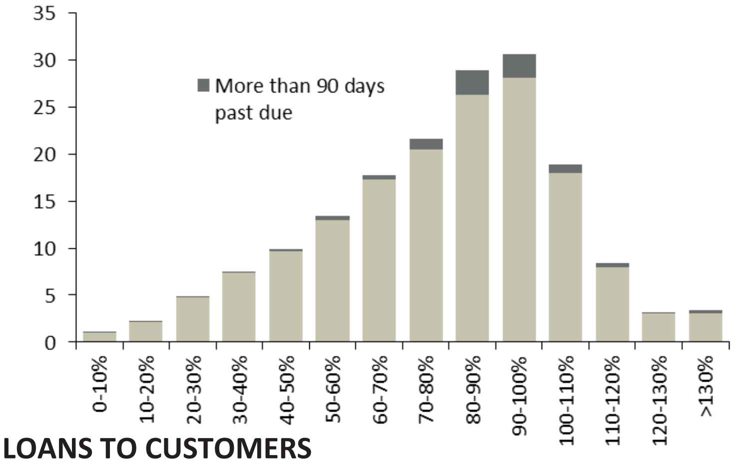
Good sector diversification of loan portfolio

Conversion of FX loans to customers with ISK revenue almost completed

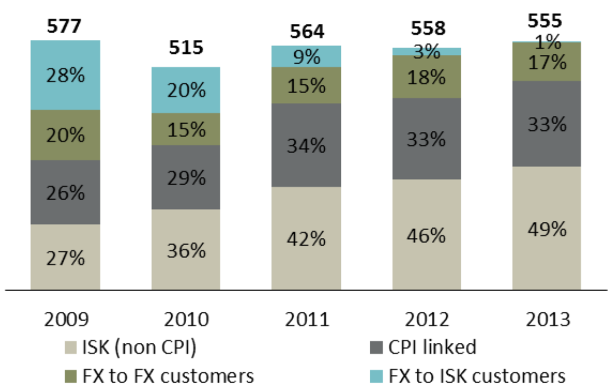
LOANS TO CUSTOMERS
% by sector, consolidated as of 31.12.2013



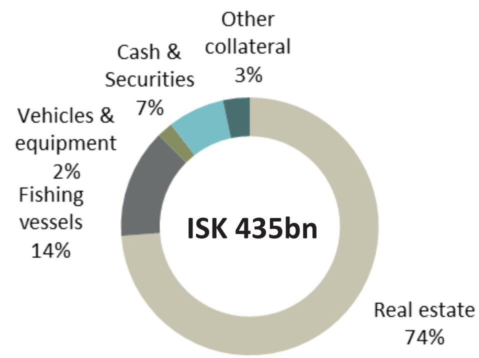
LTV DISTRIBUTION OF MORTGAGES TO INDIVIDUALS
ISKbn, consolidated as of 31.12.2013 – average 78%*



LOANS TO CUSTOMERS
% by currency, ISKbn, consolidated



LOANS TO CUSTOMERS
% by collateral, consolidated as of 31.12.2013



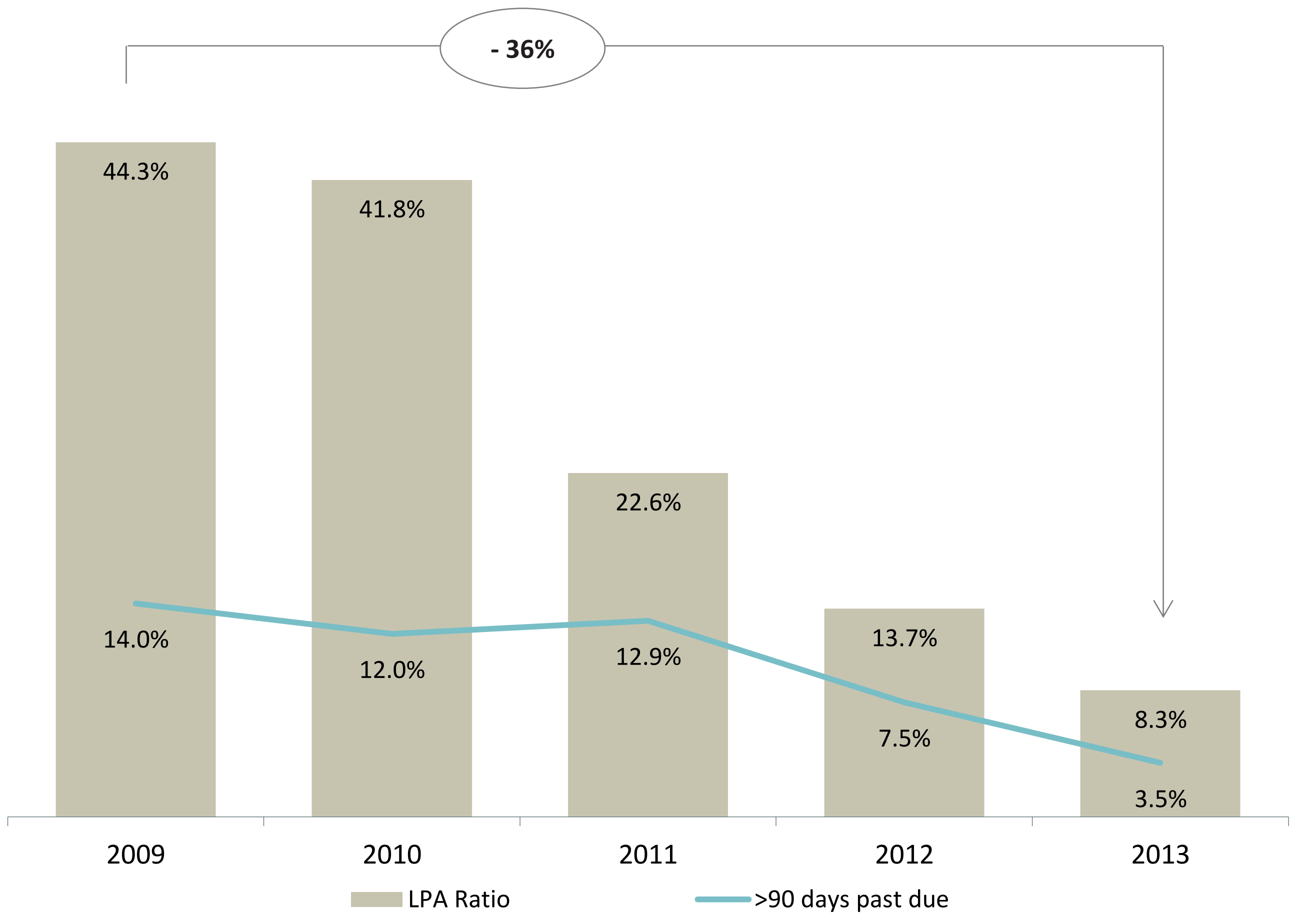
* The weight is Íslandsbanki's total amount outstanding on the property and the LTV used is the maximum LTV of all Íslandsbanki's loans of the property. The calculation is based on tax value. Please note that the average LTV can be calculated in many different ways and therefore the definition is important for comparison to other banks

Restructuring on track

Extensive work with households and corporates since 2008

LOAN PORTFOLIO ANALYSIS

LPA (proportion of loans in restructuring, % book value) and 90 days past due (% book value)



- Significant success in transforming loans in restructuring to performing loans
- LPA ratio measures the progress of restructuring and was 8.3% at YE13
- LPA is an Iceland-specific credit quality measure defined on the obligor level (cross default)
- Proportion of loans performing w/o restructuring has remained stable
- Only a handful of restructuring projects have had to be re-addressed
- Loands more than 90 days past due was 3.5% at YE13, compared to 7.5% at YE12

FY13

IV

LIABILITIES, LIQUIDITY & CAPITALISATION

Liabilities

Consolidated

ISKm	31.12.13	31.12.12	31.12.11
Derivatives and short positions	**11,176**	18,435	13,373
Deposits from CB and credit inst.	**29,688**	38,272	62,845
Deposits from customers	**489,331**	471,156	462,943
Debt issued and other borrowings	**89,193**	66,571	63,221
Subordinated loans	**21,890**	23,450	21,937
Current tax liabilities	**10,806**	2,052	2,670
Deferred tax liabilities	**20**	20	17
Non-current liabilities held for sale	**9,456**	6,805	7,317
Other liabilities	**37,130**	48,954	37,889
Total liabilities	**698,691**	675,715	672,212
Total equity	**167,319**	147,660	123,703
Total liabilities and equity	**866,009**	823,375	795,915

Deposits

- Customers deposits were stable, and the deposit to loan ratio of 86.7% remains strong
- Customer term deposit of parent company now 40% of total customer deposits
- Deposits/loans ratio is 90.2% if covered bond funded mortgages are excluded

Debt issued and other borrowings

- ISK 9bn senior unsecured bond in issued in FX (SEK 500m)
- ISK 40bn bond issued to the Central Bank secured on a pool of mortgages
- ISK 6.6bn bond as a consideration for Byr issued in 4Q11
- ISK 23.3bn in covered bonds

Subordinated loans

- EUR 139m denominated Tier 2

Other liabilities

- Includes accruals, provisions , unsettled securities transactions and liabilities in subsidiaries

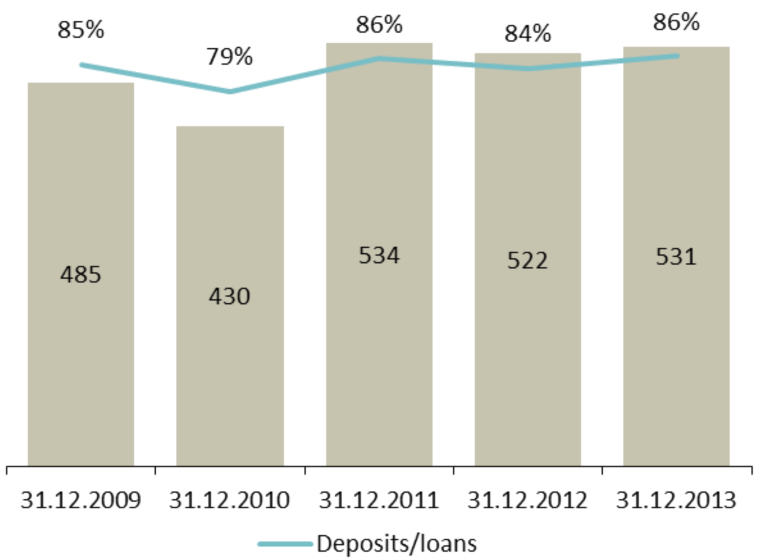
Equity

- Total equity was up 14% YoY, despite an ISK3bn dividend being paid out in 2Q13

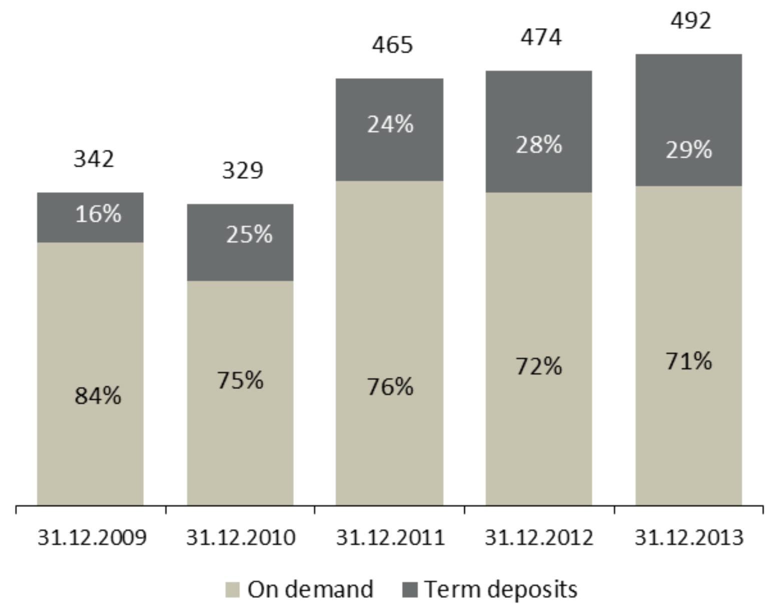
Deposits remain a stable source of funding

Normal fluctuations in deposit base

DEPOSIT DEVELOPMENT AND DEPOSIT RATIO
ISKbn, total amount, parent company



DEPOSITS FROM CUSTOMERS
ISKbn and %, parent company



Deposit development

- Deposits/loans ratio is stable, may decrease somewhat as more investment opportunities arise in domestic market
- Deposits remain the main funding source for the Bank
- Core deposits are stable while some fluctuations are due to less sticky deposits from financial institutions

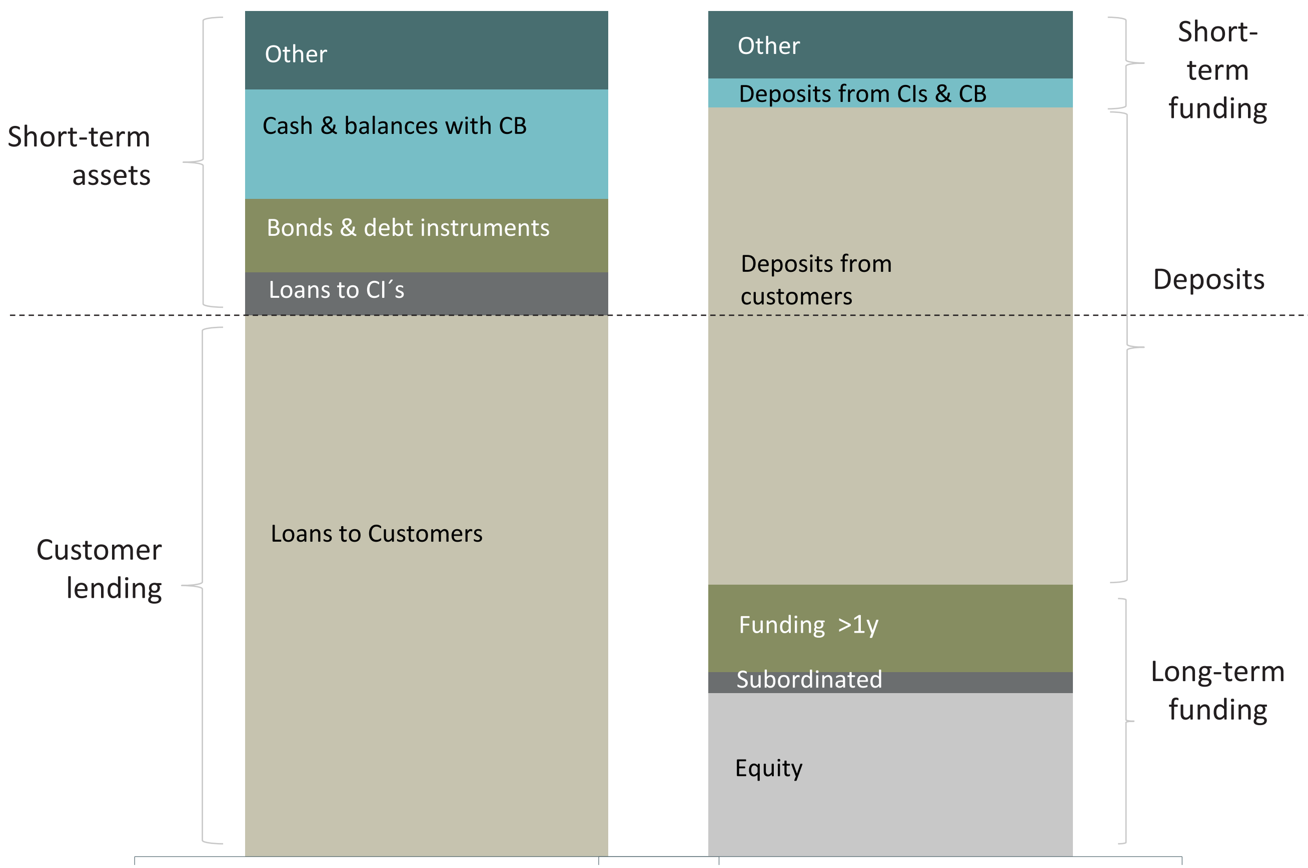
Increased focus on term deposits

- Product development on deposit side has been focused on term-related offerings
- Notice accounts and fixed interest accounts have been added to product offering
- Treasury pays a premium to business units for term deposits in internal pricing scheme

Structurally sound balance sheet

Solid funding base where deposits are the largest source of funding

BALANCE SHEET COMPOSITION
31 December 2013



- Prudent asset and liability management
- The Bank has short term assets that can easily be liquidated to cover substantial outflow of deposits

Diversification of funding continues

Íslandsbanki issued bond in international markets in Q4 2013

Domestic bonds

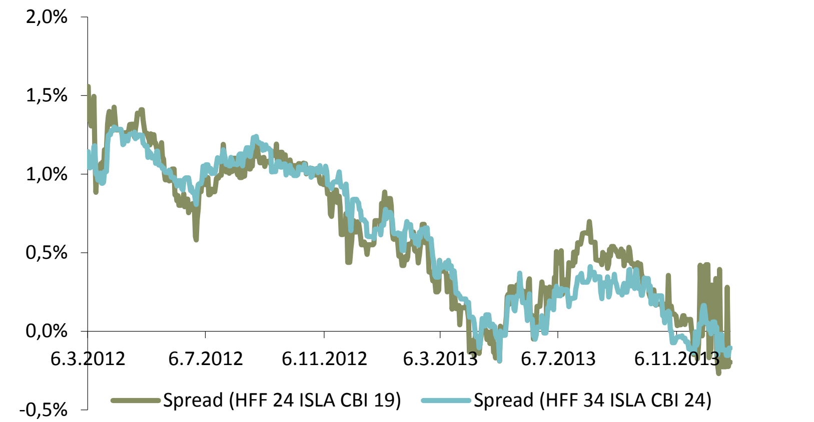
- Covered bond issue to continue at pace of ISK 10bn annually
  - Total outstanding covered bonds amount to ISK 23.3bn
  - ISK 100bn covered bond programme in place
- Regular issue of short-term listed bonds (commercial paper)
  - Total outstanding commercial paper amounts to ISK 8.5bn
  - ISK 25bn bond programme in place
  - Íslandsbanki issues commercial paper on a monthly basis with maturities of up to 6 months
- Encumbrance relatively low
- Pledged assets as a percentage of balance sheet was 12.3%

International funding

- In December 2013 Íslandsbanki issued a SEK 500m bond
  - Sold to over 40 investors mostly from Sweden, Norway and Finland
  - The senior unsecured bond pays a quarterly coupon of 3 month Stibor + 400bp
  - Secondary trading has been at Stibor+335bp
  - Listed on the Irish Stock Exchange
- Bond was issued under Íslandsbanki´s USD 250m Global Medium Term Note (GMTN) which enables Íslandsbanki to issue bonds in a broad range of currencies at fixed or floating interest rates

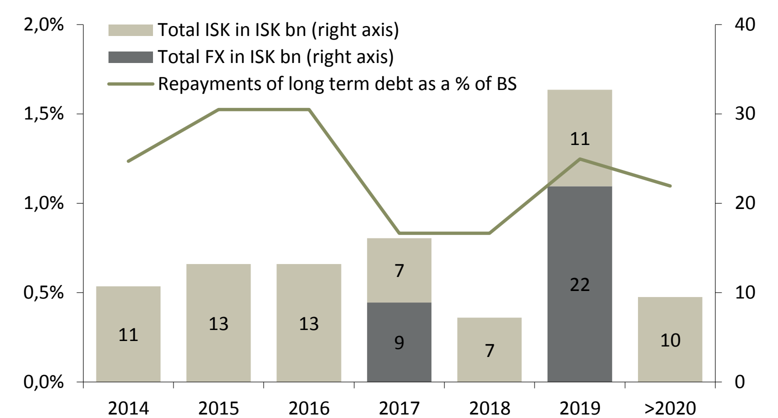
COVERED BONDS PERFORMING WELL IN AFTERMARKET

Spread on top of HFF bonds



MATURITY PROFILE OF LONG-TERM DEBT

31.12.2013, ISKbn



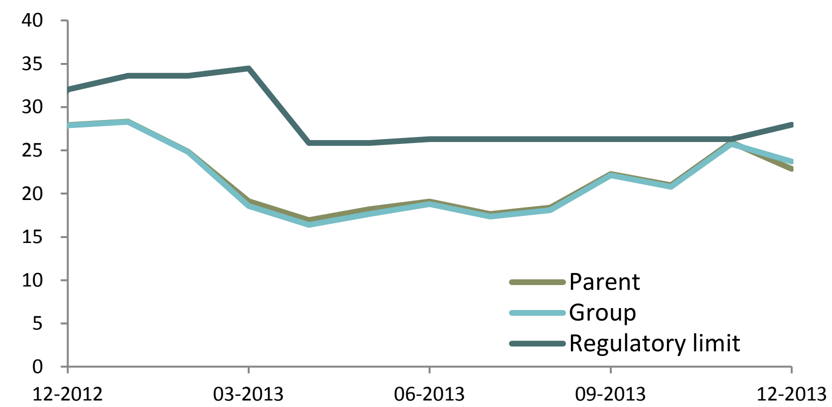
Imbalances

Imbalances are strictly monitored and remain within acceptable limits

Currency imbalance (FX risk)

- Regulatory requirement is that the currency imbalance (total long or short) must be less than 15% of regulatory capital
- Until the end of 1Q13 the Bank operated under a temporary exemption from the 15% limit
- Volatility of the imbalances due to revaluations and recalculations of loans has decreased over time

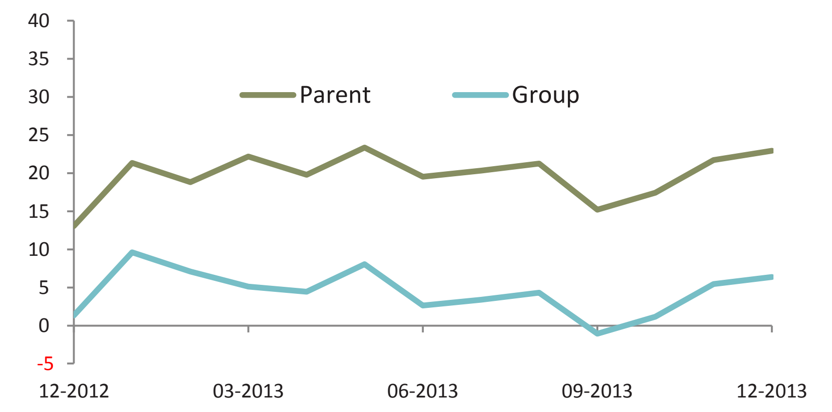
FX GAP
ISKbn



Inflation imbalance (CPI risk)

- The Bank seeks to manage the CPI gap within a moderate range to prevent large fluctuations in operating income

CPI GAP
ISKbn



Sound management of liquidity

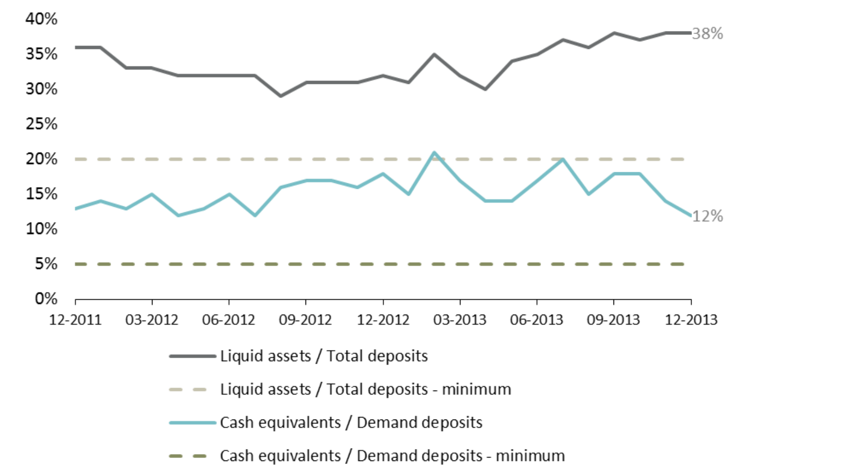
Liquid assets of ISK 202bn exceed internal and external requirements

LIQUIDITY BACK-UP / DEPOSIT COVERAGE RATIO
31.12.13, parent company, ISKbn

Asset type	ISK	FX	Total
Cash and balances with CB	104	1	105
Balances with credit institutions	-	41	41
Repo eligible bonds	21	-	21
Foreign government bonds	-	35	35
Total	**125**	**77**	**202**
Total deposits (parent)	438	92	531
Liquid assets to total deposits	29%	83%	38%

- Liquid assets fluctuate with changes in deposits
- All liquidity measures well above regulatory requirements
- FX government bonds have a minimum requirement of AA rating
- FX cash placed with foreign banks (>96% have A rating or better)
- The newly implemented LCR liquidity measure was 120% at year end compared, to the regulatory limit of 70% as of 01.01.2014
- The corresponding LCR in foreign currency (FX LCR) was 290% at year-end, compared to the regulatory limit of 100% as of 01.01.2014."

FME LIQUIDITY RATIOS

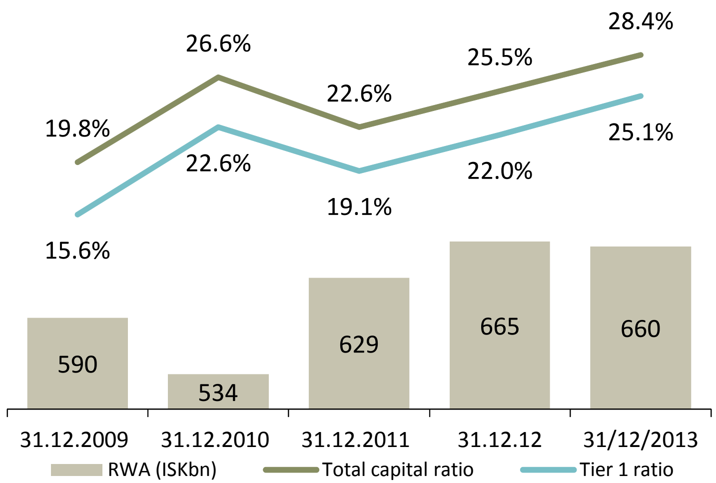


CENTRAL BANK LIQUIDITY RATIO

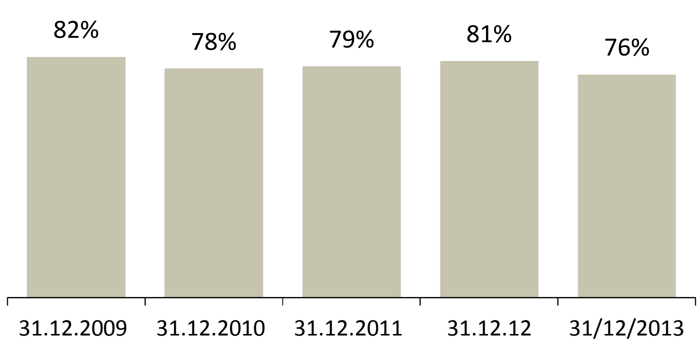
Sound capital position

Capital ratios steadily increasing, decrease in RWA/Total assets indicates improved credit quality

CAPITAL RATIOS AND RWA



RATIO OF RWA TO TOTAL ASSETS



Capital ratios

- Capital ratios steadily rising between years, with the exemption in 2011 due to the acquisition of BYR
- Board of Directors has approved a minimum capital target of 18%
- The Bank is well prepared for the upcoming regulatory requirements relating to Basel III

Risk weighted assets (RWA)

- The Bank uses standardised approach to calculate RWA for credit risk and market risk and the basic indicator approach for operational risk
- The increase in RWA in 2011 because of the BYR acquisition. Increase in 2012 RWA due to a larger currency gap

RWA/Total assets

- The RWA over total assets has been decreasing, indicating increased credit quality (lower risk weights) of the loan portfolio
- The lower risk weights are explained by lower amounts past due and a larger part of the portfolio categorised as secured by residential real estate
- Mortgages usually have around 35-75% risk weights

5 key messages

2013 consolidated financial results

1. NFC in 2013 is up 10% YoY while NII decreasing in line with expectations as discount, following the acquisition of Glitnir loan book, is being amortized

2. Administrative expenses excluding one-offs, was down 3% YoY or 7% in real terms, rendering a cost-income ratio of 58.5%

3. Restructuring largely completed, asset quality improving with LPA ratio of 8.3%, down from 13.6% in 2012,and loans > 90 days past due was 3.5%

4. Diversification continues with first FX issue of SEK 500m under GMTN program, in addition to being the largest Icelandic issuer of covered bonds

5. Total capital ratio of 28.4% and Tier 1 of 25.1%, ROE of 14.7% at YE13 remains high despite growing equity base

Disclaimer

Important information

All information contained in this presentation should be regarded as preliminary and based on company data available at the time of the presentation. Due care and attention has been used in the preparation of forecast information. However, actual results may vary from their forecasts, and any variation may be materially positive or negative. Forecasts, by their very nature, are subject to uncertainty and contingencies, many of which are outside the control of Íslandsbanki.

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Thank you

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