



Landsbankinn: Financial Results

January - September 2018



News Release, 25 October 2018

Financial results of Landsbankinn for the first nine months of 2018

In the first nine months of 2018, Landsbankinn's after-tax profit was ISK 15.4 bn as compared to ISK 16.8 bn for the same period in 2017. Annualised ROE was 8.8% as compared to 9.4% for the same period the previous year.

Net interest income was ISK 29.8 bn, up by 10.3% between periods. Net commission income amounted to ISK 5.8 bn, increasing by 12% from the same period the previous year. Positive value changes amounted to ISK 1.6 bn in the period, as compared with ISK 2.1 bn in the same period of 2017. At the end of September 2018, the default rate was 0.5% as compared with 1.0% for the same period in 2017.

The Bank's operating income in the first 9M of 2018 was ISK 41.1 bn as compared to ISK 41.6 bn for the same period of 2017. Other operating income amounted to ISK 3.8 bn as compared to ISK 5.9 bn in the same period of 2017, which is a 36% decrease. Unfavourable conditions on securities markets account for this decrease for the most part.

The interest margin on assets and liabilities was 2.7% in the first nine months of 2018, up from 2.5% in the same period of 2017.

The Group's operating expenses in the first 9M of 2018 totalled ISK 17.7 billion, remaining unchanged between periods. Labour cost accounts for ISK 10.8 bn of that figure as compared with ISK 10.3 bn for the same period in 2017, which is a 4.3% increase. Other operating expenses are down by 5.5% compared to the same period last year and amount to ISK 7.0 bn.

The cost-income ratio for the first 9M of the year was 45.0%, as compared to 44.7% for the same period last year.

Lending increased by 12.1% since the beginning of the year, or by just over ISK 112.4 bn. Growth of the lending portfolio is for both households and corporates. Customer deposits with Landsbankinn increased by 14.5% this year to date, or by ISK 87.5 billion.

Landsbankinn's equity amounted to ISK 235.9 bn as at 30 September this year and its CAR was 24.8%.

On 19 September, Landsbankinn paid a special dividend in the amount of ISK 9.5 bn. This year, the Bank has paid a total of ISK 24.8 bn in dividend with total dividend payments from the Bank since 2013 amounting to ISK 131.7 bn. Around 99.7% of dividend payments accrue to the National Treasury.

Lilja Björk Einarsdóttir, CEO of Landsbankinn:

"I am pleased to see the Bank's market share at the end of the year's third quarter measures close to an all-time high. It is also great to see how well customers have received a number of new digital solutions we have introduced recently. Our aim is to provide outstanding digital service, as well as enhance personal advice and strengthen relationships. Landsbankinn's employees possess a great deal of knowledge and we are proud of the fact that 90 of our employees are accredited as a Financial Consultant. This valuable knowledge and experience is imperative in our 360° Review, a comprehensive financial consultation for individuals, which the Bank first began offering in 2015. Our experience of the 360° Review has been good and in September this year, we introduced tailored financial consultancy for small and medium-sized enterprises based on the same methodology. This new financial consultancy service is called a 360° Corporate Conversation and has been well received.

On the balance sheet, both lending and deposits have increased considerably this year and in August, the Bank's financing was strengthened further with the issuance of its first subordinated bond. This issuance is an important milestone along the Bank's path to its stated 10% profitability goal. In that regard, it is also important that operations continue to be run prudently. The Bank's cost-income ratio in the first nine months of the year is 45% and costs, measured in ISK, are similar to the previous year. We will continue our efforts to increase efficiency and take every opportunity to lower costs.

This year to date, and especially in the third quarter, the securities market has been volatile for various reasons. Landsbankinn is a market maker for numerous Icelandic companies. In that role, the Bank contributes to normal price formation and saleability on markets for Icelandic investors, regardless of economic conditions.

Overall, Landsbankinn's position is strong. Building on a foundation of solid equity and robust financing, the Bank is well placed to operate in a dynamic environment."

Key figures from the profit and loss account for Q3 2018

Operations:

- » Landsbankinn's profit for Q3 of 2018 was ISK 3.8 bn, as compared with ISK 4.2 bn for the same quarter of 2017.
- » Return on equity (ROE) after taxes was 6.5% as compared to an ROE of 6.9% for the same period of 2017.
- » Net interest income was ISK 10.4 bn, as compared to ISK 8.9 bn in same quarter of 2017.
- » Value changes in the credit portfolio were negative by ISK 89 m in Q3 of 2018 as compared to positive changes to the tune of ISK 766 m in Q3 of 2017.
- » Net commission income was ISK 1.9 bn as compared to ISK 2.2 bn in Q3 of 2017.
- » The interest margin on assets and liabilities was 2.7% as compared with 2.5% in Q3 of 2017.
- » Salaries and related costs amounted to ISK 3.2 billion, an increase of 1.9% between periods.
- » Excluding salaries and related expenses, operating costs decreased by 4.9% compared to the same period the previous year.
- » The cost-income ratio for Q3 of 2018 was 45.9%, as compared to 48.7% for the same time last year.
- » Full-time equivalent positions at Landsbankinn were 948 as at 30 September 2018, down from 998 the same time the previous year.

Balance sheet:

- » Landsbankinn's equity amounted to ISK 235.9 bn at the end of September and has decreased by 4.1% since the beginning of the year. This is because Landsbankinn has paid dividend in the total amount of ISK 24.8 bn in 2018.
- » The Bank's total capital ratio on 30 September 2018 was 24.8%, down from 26.8% at the end of September 2017. This is well above the 20.5% minimum requirement determined by the Financial Supervisory Authority, Iceland.
- » Landsbankinn's total assets were ISK 1,317 bn at the end of September 2018.
- » Customer deposits amounted to ISK 692.7 bn at the end of September 2018 as compared to ISK 605.2 bn at the end of 2017.
- » New lending to customers in the first 9M of the year amounted to ISK 475 billion. Having regard for instalments, revaluations and other factors, total loans to customers increased by ISK 112 billion during the period.
- » The Bank's liquidity position remains strong, both in foreign currency and Icelandic króna, and well above regulatory limits. The total liquidity coverage ratio (LCR) was 154% at the end of September 2018.
- » Total defaults by companies and households were 0.5% at the end of September 2018, as compared with 0.9% at year-end 2017.

	9M 2018	9M 2017	Q3 2018	Q3 2017
Amounts in ISKmn				
After-tax profit	15,393	16,841	3,780	4,188
ROE after taxes	8.8%	9.4%	6.5%	6.9%
Adjusted ROE after taxes*	9.7%	9.9%	8.3%	7.5%
Interest margin on assets and liabilities**	2.7%	2.5%	2.7%	2.5%
Cost-income ratio***	45.0%	44.7%	45.9%	48.7%

	30.9.2018	30.9.2017	31.12.2017	31.12.2016
Total assets	1,317,205	1,198,958	1,192,870	1,111,157
Loans to customers	1,038,005	905,927	925,636	853,417
Customer deposits	692,675	638,781	605,158	589,725
Equity	235,892	243,132	246,057	251,231
Total capital ratio	24.8%	26.8%	26.7%	30.2%
Net stable funding ratio on foreign currency	168%	185%	179%	154%
Net LCR	154%	158%	157%	128%
Foreign currency LCR	392%	873%	931%	743%
Loans in arrears (>90 days)	0.5%	1.0%	0.9%	1.5%
Full-time equiv. positions	948	998	997	1,012

* Adjusted after-tax ROE = (After-tax profit – positive value adjustments after taxes – taxes on financial undertakings' total liabilities – after-tax profit on discontinued operations) / avg. equity position

** Interest margin on assets and liabilities = (interest revenue / avg. total assets) – (interest expenses / avg. total liabilities).

*** Cost-income ratio = Total operating expenses / (Net income from operations – loan revaluations)

Investor call in English

Landsbankinn will be hosting an investor call in English covering the main results of for the first nine months 2018 on Friday, 26 October, at 10 am local time. Please register participation by emailing ir@landsbankinn.is.