



Financial statements of Landsbankinn

January – March 2017



04 May 2017

Press release for Q1 financial statements

Landsbankinn reports an ISK 7.6 bn profit in the first three months of 2017

In the first three months of 2017, Landsbankinn's net after-tax profit was ISK 7.6 bn as compared with an ISK 3.3 bn profit for the same period in 2016.

Net interest income was ISK 8 bn, up by 7.4% between periods. Net commission income amounted to ISK 2.1 bn, increasing by 7% from the same period the previous year. Other operating income amounted to ISK 3.8 bn as compared with ISK 1.8 bn in Q1 of 2016. This increase is largely due to positive value changes in unlisted equities.

Annualised ROE was 12.5% as compared with 5% for the same period the previous year.

The Bank's operating income in the first three months of the year amounted to ISK 15.7 bn as compared with ISK 11.5 bn for the same period in 2016, which is an increase of 36% between periods. Operating expenses dropped by 5.4% as compared with the same period in 2016. Total operating expenses in Q1 of 2017 amounted to ISK 5.9 bn. Operating expenses less wages and related expenses amounted to ISK 2.4 bn, decreasing by 2.9% from the same period the previous year.

The interest margin on assets and liabilities was 2.2% in Q1 2017, up from 1.9% in Q1 2016.

Landsbankinn's loan portfolio grew by ISK 19 bn in the first three months of 2017, particularly due to new housing loans, despite heavy and growing competition in the loan market. The increase reflects both Landsbankinn's higher market share and great price increases in the real estate market.

The default ratio continues to fall and was 1.3% in Q1, as compared with 1.7% for the same period last year.

The cost-income ratio for the first three months of the year was 42.5%, as compared with 55.8% for the same time last year. The difference is the result of both higher income and lower operating expenses.

Landsbankinn's equity amounted to ISK 233.9 bn at the end of March this year and its total capital ratio was 27.4%. Landsbankinn pays dividend in the total amount of ISK 24.8 bn this year. Dividend is paid in two instalments; ISK 13 bn in dividend for the operating year 2016, the equivalent of 78% of the year's profit, was paid to shareholders on 29 March 2017. The second instalment is a special dividend, payable to shareholders on 20 September 2017, in the amount of ISK 11.8 bn.

Lilja Björk Einarsdóttir, CEO of Landsbankinn:

"Landsbankinn's Q1 results are good and its performance more positive than expected. Revenue continues to increase, with the Bank benefiting from positive developments in the economy and a growing market share. The Bank shows good profitability and visible results from improvements to its operations. While irregulars affect the quarter's performance to some extent, the Bank's core operations show evidence of smooth and steady growth. We maintain our strong position in the corporate market and capital markets. Landsbankinn now holds a 39.2% share in the retail market, according to Gallup polls. We are extremely pleased about these poll results, as the Bank places great emphasis on ensuring that customers consider us a trusted financial partner. The fact that customers increasingly choose to bank with Landsbankinn is an acknowledgement of our efforts. The default ratio has never been lower and we welcome this confirmation of the improved standing of our customers."

Key figures from the profit and loss account for Q1 2017

Operations:

- » Landsbankinn's profit in Q1 amounted to ISK 7.6 bn, as compared to ISK 3.3 bn in Q1 of 2016.
- » Return on equity (ROE) after taxes for the period was 12.5% as compared to 5.0% for the same period of 2016.
- » Net interest revenue during the first three months of the year was ISK 8 bn as compared with ISK 7.5 bn in the same period in 2016.
- » Value changes to lending in the first three months of the year were positive by ISK 1.8 bn.
- » Net commission income increased by 7% and amounted to ISK 2.1 bn as compared with ISK 2 bn in Q1 of 2016.
- » The interest margin on assets and liabilities was 2.2% as compared with 1.9% the previous year.
- » Wages and related expenses amounted to ISK 3.5 bn, down by 7% between periods.
- » Operating expenses amounted to 2.4 bn and have dropped by 2.9% from the same period in 2016.
- » The cost-income ratio for the first three months of the year was 42.5%, as compared with 55.8% for the same time last year.
- » Full-time equivalent positions numbered 1,000 on 31 March, down from 1,063 in the same period last year.

Balance Sheet:

- » The Bank's equity amounted to ISK 233.9 bn at the end of March and has decreased by 7% since the beginning of the year.
- » The Bank's total capital ratio on 31 March 2017 was 27.4%, down from 31.2% at the end of March 2016. This is well above the 22.1% minimum requirement determined by the Financial Supervisory Authority, Iceland.
- » Landsbankinn's total assets amounted to ISK 1,182 bn at the end of March 2017.
- » Customer deposits amounted to ISK 594.6 bn at the end of March as compared to ISK 589.7 bn at the end of 2016.
- » New loans to customers in Q1 are in the amount of ISK 75 bn. Having regard for instalments, value changes and other factors, total lending increased by ISK 19 bn during the period.
- » In March, Landsbankinn issued bonds in the amount of EUR 300 m, the equivalent of ISK 34 bn. These are 5Y bonds maturing in March 2022. They have a fixed 1.375% coupon and were sold at terms equivalent to a 130 basis point spread above mid-swaps in euros.
- » The Bank's liquidity position remains strong, both in foreign currency and Icelandic króna and is above regulatory requirements. The liquidity ratio (LCR) was 158% at the end of March 2017.
- » Total defaults by companies and households were 1.3% at the end of March 2017, as compared with 1.5% at year-end 2016.
- » In September 2016, Landsbankinn announced that the Bank would offer to purchase shares from shareholders pursuant to a buy-back programme during three specified periods. The third acquisition period extended from 13 February 2017 up to and including 24 February 2017. During the third acquisition period, Landsbankinn purchased a total of 8,509,625 own shares at a share price of 10.6226, for the total amount of ISK 90,394,085.

	Q1 2017	Q1 2016	2016	2015
	Amounts in ISKm			
After-tax profit	7,576	3,315	16,643	36,460
ROE after taxes	12.5%	5.0%	6.6%	14.8%
Adjusted ROE after taxes*	11.7%	5.7%	7.7%	10.6%
Interest margin on assets and liabilities**	2.2%	1.9%	2.3%	2.2%
Cost-income ratio***	42.5%	55.8%	48.4%	43.8%

	31.12.2016	31.12.2015		
Total assets	1,182,467	1,106,700	1,111,157	1,118,658
Loans to customers	872,350	814,669	853,417	811,549
Customer deposits	594,565	545,208	589,725	559,051
Equity	233,894	267,846	251,231	264,531
Capital adequacy ratio (CAR)	27.4%	31.2%	30.2%	30.4%
Net stable funding ratio on foreign currency	159%	133%	154%	136%
Aggregate liquidity coverage ratio	158%	134%	128%	113%
Foreign currency liquidity coverage ratio	153%	496%	743%	360%
Loans in arrears (>90 days)	1.3%	1.7%	1.5%	1.8%
Full-time equiv. positions	1,000	1,063	1,012	1,063

* Adjusted ROE after taxes = [Profit after taxes – positive value adjustments (after taxes) – tax on the total liabilities of financial undertakings – profit from discontinued operations after taxes] / average 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 operating revenue – value change of lending)