



Landsbankinn: Financial Results

January- March 2019



Press release 2 May 2019

Financial results of Landsbankinn for the first three months of 2019

In the first three months of 2019, Landsbankinn's after-tax profit was ISK 6.8 bn as compared with ISK 8.1 bn for the same period in 2018. Return on Equity (ROE) for the period was 11.2% compared to 13.7% during the same period of 2018.

Net interest income was ISK 10.2 bn, up by 6.3% between periods. Net commission income amounted to ISK 2.1 bn, increasing by 21.8% from the same period the previous year. Impairment amounted to ISK 1 bn in the period, as compared with positive value changes of ISK 1 bn in the same period of 2018. At the end of March 2019, the default rate was 0.7% as compared with 0.6% for the same period in 2018.

The Bank's operating income in the first three months of 2019 was ISK 15 bn as compared to ISK 16.8 bn for the same period the previous year. Other operating income was ISK 3.7 bn, compared to ISK 4.5 bn for the same period of 2018.

The interest margin on assets and liabilities was 2.5% in the first three months of 2019, up from 2.7% in the same period of the previous year.

The Bank's operating expenses in the first three months of 2019 amounted to ISK 6.2 billion as compared with ISK 6 billion for the same period in 2018, which is an increase of 3.4%.

The cost-income ratio for the first three months of the year was 38.7%, as compared with 37.9% for the same time last year.

Lending increased by 2.9% since the beginning of the year, or by just over ISK 31 bn. Growth of the lending portfolio is driven by both households and corporates. Deposits with Landsbankinn increased by ISK 2 bn from the beginning of the year.

As of 31 March this year, Landsbankinn's equity amounted to ISK 246.2 billion and its capital adequacy ratio was 23.8%. The Bank's AGM, held on 4 April 2019, approved a motion from the Board of Directors to pay a dividend in the amount of ISK 9,922 m. The dividend payment leads to a decrease in equity in Q2 2019.

Lilja Björk Einarsdóttir, CEO of Landsbankinn:

“Landsbankinn’s operations and balance sheet are robust and its profitability good, as evidenced by the Bank’s results for the first quarter of 2019. Lending continues to grow, both to companies and individuals, and the Bank’s credit portfolio is strong. There was a bump in commission income alongside increasing activity.

The numerous digital solutions the Bank has introduced recently have been very positively received by customers and have already lead to increased efficiency in the Bank’s operation. Landsbankinn has recently made a significant investment in new core systems which form the foundation for further innovation and development of banking services. Alongside investment in new technology, care has been taken to exercise restraint to contain operating costs. The Bank’s cost-income ratio for the first quarter was 38.7%, which is well below the Bank’s upper limit.

The results for the first quarter of 2019 provide us with a solid impetus for the rest of the year. Recently, upheaval in the travel industry and uncertainty in the labour market has had a marked effect on the economy. The impact is felt in the Bank’s results as the reporting standard IFRS 9 provides for a forward-looking assessment of expected credit losses (ECL). On the other hand, it should be noted that the full impact on the economy has yet to be felt. Landsbankinn will continue to place firm emphasis on providing customers with outstanding service and ensuring that the Bank’s operation is robust in both the short and longer term.”

Key figures from the profit and loss account for Q1 2019

Operations:

- » Landsbankinn’s profit for Q1 of 2019 was ISK 6.8 bn, as compared with ISK 8.1 bn for the same quarter of 2018.
- » Return on equity (ROE) after taxes was 11.2% as compared to an ROE of 13.7% for the same period of 2018.
- » Net interest income was ISK 10.2 bn, as compared to ISK 9.6 bn in same quarter of 2018.
- » Value changes in the credit portfolio were negative by ISK 994 m in Q1 of 2019 as compared to positive changes to the tune of ISK 1,024 million in Q1 of 2018.
- » Net commission income was ISK 2.1 bn as compared with ISK 1.7 bn in Q1 of 2018.
- » The interest margin on assets and liabilities was 2.5% as compared with 2.7% in Q1 of 2018.
- » The Bank’s operating expenses in the first three months of 2019 amounted to ISK 6.2 billion as compared with ISK 6 billion for the same period in 2018, which is an increase of 3.4%.
- » The cost-income ratio for Q1 of 2019 was 38.7%, as compared to 37.9% for the same time last year.
- » Full-time equivalent positions at Landsbankinn were 922 as at 31 March 2019, down from 998 the same time the previous year.

Balance sheet:

- » Landsbankinn's equity amounted to ISK 246.2 bn at the end of March, increasing by 2.8% since the beginning of the year. The Bank's AGM, held on 4 April 2019, approved a motion from the Board of Directors to pay a dividend in the amount of ISK 9,922 m, equivalent to ISK 0.42 per share, for the 2018 operating year. The dividend will be paid in two equal instalments, on 10 April 2019 and 2 October 2019. The former instalment was paid to shareholders on 10 April 2019.
- » The Bank's total capital ratio on 31 March 2019 was 23.8%, down from 24.7% at the end of March 2018. This is well above the 20.5% minimum requirement determined by the Financial Supervisory Authority, Iceland.
- » Landsbankinn's total assets amounted to ISK 1,379 bn as of the end of March 2019.
- » Customer deposits were ISK 694.8 billion at the end of March 2019 as compared to ISK 693 bn at the beginning of this year.
- » Lending to customers increased by 2.9% in the first three months of the year, or by ISK 30.8 bn. Lending to corporates grew by ISK 17 bn, while loans to retail customers increased by ISK 13 bn.
- » Building on solid results for 2018, Landsbankinn issued senior unsecured floating rate bonds with a maturity of three years in the amount of NOK 1,000 m and SEK 500 m in February. The bonds were priced at a spread of 175 basis points above 3 month STIBOR and 3 month NIBOR. The combined orderbook was in excess of NOK 1.800 m.
- » The Bank's liquidity position remains strong and well above regulatory limits. The Bank's liquidity coverage ratio (LCR) was 243% at the end of March 2019.
- » Total defaults by companies and households were 0.7% at the end of March 2019, as compared with 0.8% at year-end 2018.

	Q1 2019	Q1 2018	2018	2017
	Amounts in ISK m			
After-tax profit	6,784	8,102	19,260	19,766
ROE after taxes	11.2%	13.7%	8.2%	8.2%
Interest spread on assets and liabilities*	2.5%	2.7%	2.7%	2.5%
Cost-income ratio**	38.7%	37.9%	45.5%	46.1%
	31.3.2019	31.3.2018	31.12.2018	31.12.2017
Total assets	1,379,298	1,206,148	1,326,041	1,192,870
Loans to customers	1,095,376	936,636	1,064,532	925,636
Customer deposits	694,820	622,021	693,043	605,158
Equity	246,206	228,601	239,610	246,057
Total capital ratio	23.8%	24.7%	24.9%	26.7%
Net stable funding ratio on foreign currency	165%	168%	166%	179%
Net LCR	243%	171%	158%	157%
Foreign currency LCR	434%	751%	534%	931%
Loans in arrears (>90 days)	0.7%	0.6%	0.8%	0.9%
Full-time equiv. positions	922	998	919	997

* 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)