



Results of Landsbankinn

January - September 2015

News announcement to accompany 9M financial statement

Landsbankinn hf. announces a profit of ISK 12 bn in Q3 2015

- » Landsbankinn's profit in Q3 of 2015 amounted to ISK 12 billion.
- » A reversal of past years provisions on foreign currency linked loans to companies accounts for ISK 6.8 bn of after-tax profit in Q3 2015.
- » The Bank's profit during the first 9 months of 2015 was ISK 24.4 bn.
- » The cost-income ratio for the first nine months of the year was 45.7%, down from 55.3% for the same period last year.
- » The Bank's equity currently amounts to ISK 252.5 bn and its capital adequacy ratio (CAR) was 29.2%, well above the 21.8% FME's requirements.

Steinthór Pálsson, CEO of Landsbankinn: "Landsbankinn's performance during the first nine months of the year has been successful, better than for the same period last year. After-tax return on equity was 13.5% and the Bank's financial strength is excellent. The third quarter results were greatly affected by Supreme Court rulings Nos. 34/2015 and 35/2015, in cases concerning disputed foreign currency loans to larger companies. Due to the precedent set by these rulings, the Bank is reversing provisions from past years, which positively impacts the Bank's after-tax results by ISK 6.8 bn.

The Bank's operation continues to improve. The cost-income ratio is favourable, or 45.7%. Revenues have increased due to increased activities and more favourable economic conditions. Restrictive measures have also yielded positive results. The consolidation of Sparisjóður Norðurlands with Landsbankinn is proceeding smoothly.

The Bank's financing has strengthened considerably with the issue of bonds on international financial markets. Deposits and lending have also grown considerably. Lending growth can be expected to slow down in coming months and deposits to decrease following approval of the composition agreements of the failed financial undertakings together with steps taken to start lifting capital controls. Landsbankinn's balance sheet can be expected to shrink by up to 10% as a result. The Bank places great emphasis on maintaining a strong liquidity position and is well prepared for the expected changes. We at Landsbankinn are optimistic about the future. We have shaped a clear strategy which will strengthen the Bank's competitive position even further, generating value for customers and shareholders."

Key indicators

	9M 2015	9M 2014	Q3 2015	Q3 2014
After-tax profit	24,413	19,985	12,008	5,107
ROE after taxes	13.5%	11.4%	19.5%	8.6%
Adjusted ROE after taxes*	9.8%	6.9%	8.1%	6.9%
Interest margin on assets and liabilities**	2.3%	2.0%	1.9%	2.4%
Cost-income ratio***	45.7%	55.3%	47.9%	43.7%

	9M 2015	9M 2014	2014	2013
Total assets	1,175,804	1,201,247	1,098,370	1,151,516
Loans to customers	807,033	719,627	718,355	680,468
Customer deposits	624,924	497,583	551,435	456,662
Equity	252,484	240,987	250,803	241,359
CAR	29.2%	27.1%	29.5%	26.7%
Loans in arrears (>90 days)	2.0%	3.3%	2.3%	5.3%

* **Adjusted ROE after taxes** = [Profit after taxes – positive value adjustments after taxes – tax on the total liabilities of financial institutions – profit from discontinued operations after taxes] / average equity position

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

*** **Cost-income ratio** = Total operating expenses less expensed equity-based wage items / (Net operating revenue – value change of lending).

Further details are available on Landsbankinn's website, www.landsbankinn.is.

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