



Landsbankinn: Financial Results

January- September 2016



27 October 2016

Landsbankinn reports profit of ISK 16.4 billion in the first 9 months of 2016

Landsbankinn's after-tax outcome for the first nine months of 2016 was positive in the amount of ISK 16.4 billion, compared to an after-tax profit of ISK 24.4 billion for the same period in 2015.

Net interest income amounted to ISK 26.2 billion, an increase of 4.7% between periods, while fees and commissions were ISK 5.9 billion, a YoY increase of 15%. Loan revaluations amounted to ISK 4.4 billion, compared to ISK 12.3 billion during this same period in Q1 2015. Other operating income amounted to ISK 4.7 billion, compared to ISK 8.4 billion a year earlier, with the decline due primarily to lower profit on equities. ROE for the period was 8.5% compared to 13.5% during the same period of 2015.

Total 9M operating income amounted to ISK 41.2 billion, compared to ISK 50.9 billion for the same period in 2015. Operating expenses decreased by 0.4% YoY to ISK 17.6 billion, of which salary expense was ISK 10.4 billion and other operating expenses ISK 7.2 billion. Landsbankinn's total assets as of the end of September were around ISK 1,134 billion, compared to ISK 1,176 billion a year earlier; the bank's balance sheet has therefore contracted by just under 4% during the past 12 months. This year Landsbankinn has paid ISK 28.5 billion in dividends in two payments, in April and September. On 15 September 2016, Landsbankinn announced the bank would offer to purchase own shares from shareholders in accordance with a buy-back programme during three specified repurchase periods. During the first buy-back period the bank acquired 120 million shares, or the equivalent of 0.5% of its issued share capital, for a purchase price of ISK 1.2 billion. Buy-backs under the programme can amount to a maximum of 480 million shares, or the equivalent of 2% of issued share capital. At the end of September the bank's equity was ISK 251.1 billion and its capital adequacy ratio 29.1%, compared to 29.2% a year earlier.

Landsbankinn's CEO Steinþór Pálsson: "Landsbankinn continues to reinforce its position as Iceland's leading financial undertaking: its market share this year is the highest ever. The quality of the bank's assets has increased and its funding terms have improved, thanks to a successful bond issue abroad this year. Considerable fluctuations still remain in one-off items, i.e. loan revaluations and equities. If these items are excluded the bank's performance has improved over that of the previous year, as other income has grown due to higher business volume while at the same time we have managed to reduce operating costs.

The bank has also paid substantial dividends to its owners in 2016, higher than ever before. A new upgrade of Landsbankinn's Standard & Poor's rating in October attests to the bank's strong position. Landsbankinn's results for the first nine months of this year are very positive and exceed expectations. It is gratifying to see that customers find it to their advantage to direct their business to the bank to an increasing extent, and that investors' confidence in the bank is on the rise."

Highlights of Q3 2016 performance

- » Landsbankinn's profit in Q3 2016 amounted to ISK 5.1 billion, as compared to ISK 12 billion in Q3 2015.
- » Net interest income decreased YoY, amounting to ISK 8.6 billion in Q3 2016 compared to ISK 8.8 billion in Q3 2015.
- » Loan revaluations were positive by around ISK 2.1 billion in Q3 2016, while in Q3 2015 loan revaluations were positive by around ISK 10.5 billion.
- » Net fees and commissions rose due to increased transactions, totalling ISK 2 billion in Q3 2016 compared to ISK 1.7 billion in the same quarter of 2015, an increase of 15%.
- » After-tax ROE was 8.2% in Q3 2016, compared to 19.5% for the same quarter in 2015.

Key income statement and balance sheet figures for the first 9M of 2016

Income statement

- » After-tax profit during the first 9M amounted to ISK 16.4 billion 2016, compared to ISK 24.4 billion for the same period of 2015.
- » Net interest income amounted to ISK 26.2 billion, an increase of 5% between periods.
- » Loan revaluations during the period were positive by ISK 4.4 billion, compared to positive revaluations of ISK 12.3 billion for the same period of 2015.
- » Net fees and commissions were ISK 5.9 billion, a YoY increase of 15% as a result of a higher volume of transactions.
- » Other operating income amounted to ISK 4.7 billion as compared to ISK 8.4 billion the previous year, or a decrease of 44%. This is due primarily to lower gains on equities.
- » Net interest margin was 2.3%, the same as for this period of the previous year.
- » Total operating expenses decreased by 0.4% over the same period of the previous year.
- » During the first nine months of this year Landsbankinn's cost-income ratio was 47.7% compared to 45.7% for the same period last year.
- » Full-time equivalent positions as of 30 September were 1,043, compared to 1,092 a year earlier.
- » After-tax ROE was 8.5%, compared to 13.5% for the same period in 2015.

Balance sheet

- » Landsbankinn's total assets amounted to ISK 1,134 billion as of the end of September 2016.
- » New lending to customers in the first nine months of the year amounted to ISK 186 billion, while if regard is had for instalments, revaluations and other factors total lending increased by ISK 25.9 billion since the beginning of the year. At the end of September total lending amounted to ISK 837 billion.
- » Total corporate and household defaults over 90 days in arrears were 1.8% as of the end of September 2016, which is the same as at year-end 2015.
- » Customer deposits were ISK 584 billion at the end of September 2016 as compared to ISK 559 billion at year-end 2015. Deposits from financial undertakings have decreased during the year, primarily as a result of the Central Bank's foreign currency auction in June.
- » FX assets net of liabilities amount to around ISK 2.4 billion, compared to ISK 23.8 billion as of the end of last year.
- » The bank's liquidity is very high, both in foreign currency and in ISK.
- » At the end of September Landsbankinn's equity was ISK 251 billion, a decrease of 5.1% since the beginning of this year. The explanation for this is a dividend payment by Landsbankinn this year of ISK 28.5 billion, made in two instalments, firstly in April and then in September.
- » The bank's capital adequacy ratio (CAR) was 29.1% at the end of September this year, compared to 29.2% a year earlier. This is well above the 22.1% equity requirement set by the Icelandic Financial Supervisory Authority (FME).

	9M 2016	9M 2015	Q3 2016	Q3 2015
				(ISKm)
After-tax profit	16,400	24,413	5,102	12,008
After-tax ROE	8.5%	13.5%	8.2%	19.5%
Adjusted ROE after taxes*	8.0%	9.8%	6.8%	8.1%
Net interest margin**	2.3%	2.3%	2.4%	2.4%
Cost-income ratio***	47.7%	45.7%	48.9%	47.9%

	30/09/2016	30/09/2015	31/12/2015	31/12/2014
Total assets	1,133,802	1,175,804	1,118,658	1,098,370
Loans to customers	837,494	807,033	811,549	718,355
Customer deposits	583,715	624,924	559,051	551,435
Equity	251,146	252,484	264,531	250,803
Capital adequacy ratio (CAR)	29.1%	29.2%	30.4%	29.5%
Funding ratio (NSFR FX)	149%	120%	136%	134%
Total liquidity cover ratio (LCR)	140%	109%	113%	131%
FX liquidity cover ratio	594%	190%	360%	614%
Foreign balance	2,425	22,842	23,795	20,320
Default ratio (over 90 days)	1.8%	2.0%	1.8%	2.3%
Full-time equiv. positions	1,043	1,092	1,063	1,126

* 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

** Net interest margin = (Interest income / avg. gross assets) – (interest expenses / avg. gross liabilities)

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