



9M 2017 Results

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Highlights

Operations

Highlights of Q3 2017

- After-tax profit in Q3 2017 was ISK 4.2 bn, as compared with ISK 5.1 bn for the same period of 2016.
- Net interest income amounted to ISK 8.9 bn, as compared with ISK 8.6 bn in Q3 of 2016.
- Value changes in the credit portfolio in Q3 were positive by ISK 766 millions as compared with a positive change in the amount of ISK 2.1 bn in Q3 of 2016.
- Net commission income increased by 7% as compared to the same period the previous year, first and foremost due to increased activity in capital markets and asset management.
- Return on equity (ROE) after taxes was 6.9% in Q3 as compared with a ROE of 8.2% for the same period in 2016.

Key aspects of operations in the first nine months of 2017

- After-tax profit during the first nine months of 2017 was ISK 16.8 bn, as compared with ISK 16.4 bn for the same period of 2016.
- Net interest income amounted to ISK 27.1 bn, increasing by 3% as compared with the same period in 2016.
- Value changes in the credit portfolio in Q3 were positive by ISK 2.1 bn as compared with ISK 4.4 bn during the same period of 2016.
- Net commission income increased by 12% as compared to the same period last year, first and foremost due to increased activity in capital markets and asset management.
- Other operating income increased by 15% between years, accounted for mostly by positive changes in the fair value of unlisted equities.

- The interest margin on assets and liabilities was 2.5% at the end of September 2017, as compared to 2.3% at the end of September 2016.
- After-tax return on equity (ROE) was 9.4% as compared with 8.5% for the same period in 2016.
- Operating costs increase by 1% as compared with the same period in 2016.
- The cost-income ratio for the first nine months of the year was 44.7%, as compared with 47.7% for the same period in 2016.
- The effective income tax rate for end of September 2017 is 21.5%.

Balance sheet

- Total assets amounted to ISK 1,199 bn at the end of September 2017.
- Lending increased by ISK 52 bn from the beginning of the year. New loans in 2017 YtD are both to households and corporates.
- Deposits increased by ISK 49 bn since the beginning of the year. Deposits of individuals increased by ISK 28 bn.
- The total capital ratio is now 26.8%, down from 30.2% at year-end 2016. The Bank's liquidity position is strong, both in foreign currency and Icelandic *króna*. Liquidity positions are well above regulatory requirements.
- Landsbankinn's equity at the end of September 2017 amounted to ISK 243.1 bn, down by 3% since the beginning of the year, which is due to ISK 24.8 bn dividend payments.

Main results

	9M 2017	9M 2016	Q3 2017	Q3 2016	2016	2015
Profit after taxes	16,841	16,400	4,188	5,102	16,643	36,460
Return on equity after taxes	9.4%	8.5%	6.9%	8.2%	6.6%	14.8%
Adjusted return on equity after taxes*	9.9%	8.0%	7.5%	6.8%	7.7%	10.6%
Interest spread as a ratio of assets and liabilities	2.5%	2.3%	2.5%	2.4%	2.3%	2.2%
Cost-income ratio **	44.7%	47.7%	48.7%	48.9%	48.4%	43.8%
	30.09.17	30.09.16	31.12.16	31.12.15		
Total assets	1,198,958	1,133,802	1,111,157	1,118,658		
Loans to customers	905,927	837,494	853,417	811,549		
Deposits from customers	638,781	583,715	589,725	559,051		
Equity	243,132	251,146	251,231	264,531		
Total capital ratio	26.8%	29.1%	30.2%	30.4%		
Net stable funding ratio NSFR total	126%		123%			
Net stable funding ratio NSFR FX	185%	149%	154%	136%		
Liquidity ratio LCR total	158%	140%	128%	113%		
Liquidity ratio LCR FX	873%	594%	743%	360%		
Net FX position	5,173	2,425	3,480	23,795		
Arrears (>90 days)	1.0%	1.8%	1.5%	1.8%		
Full-time eqv. positions	998	1,043	1,012	1,063		

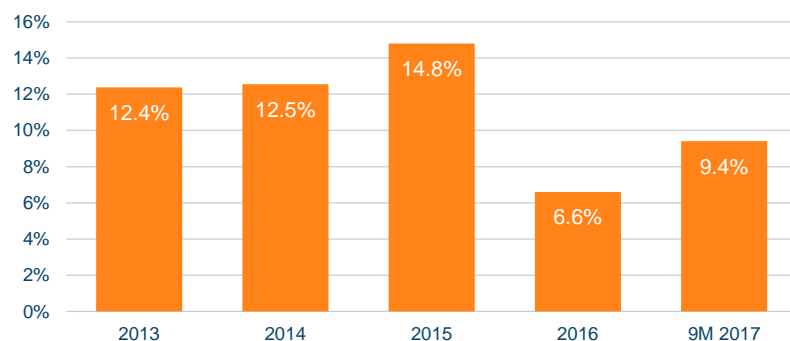
*Adjusted ROE after taxes= (Profit after taxes – positive value adjustments after taxes – tax on total liabilities of financial institutions – profit from discontinued operations after taxes) / average equity position

**Cost-income ratio = Total operating expenses / (Net operating revenue-value change of lending)

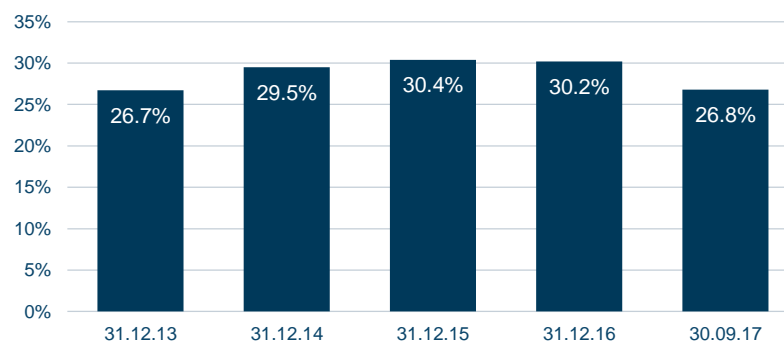


Development of KPIs

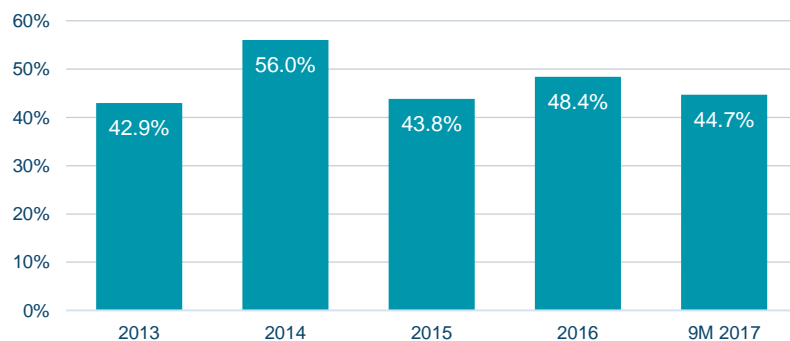
Return on equity after taxes



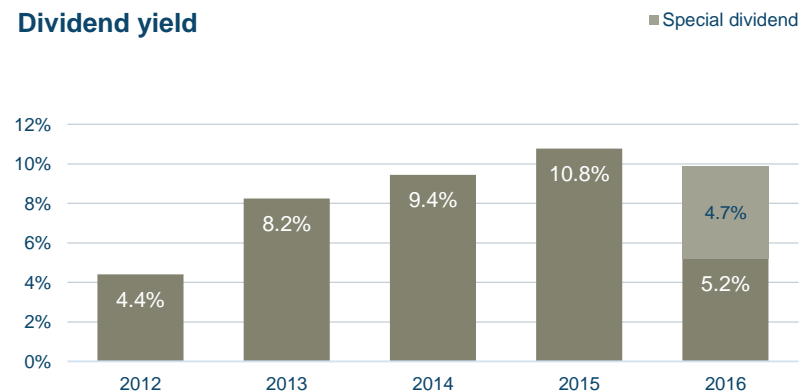
Total capital ratio



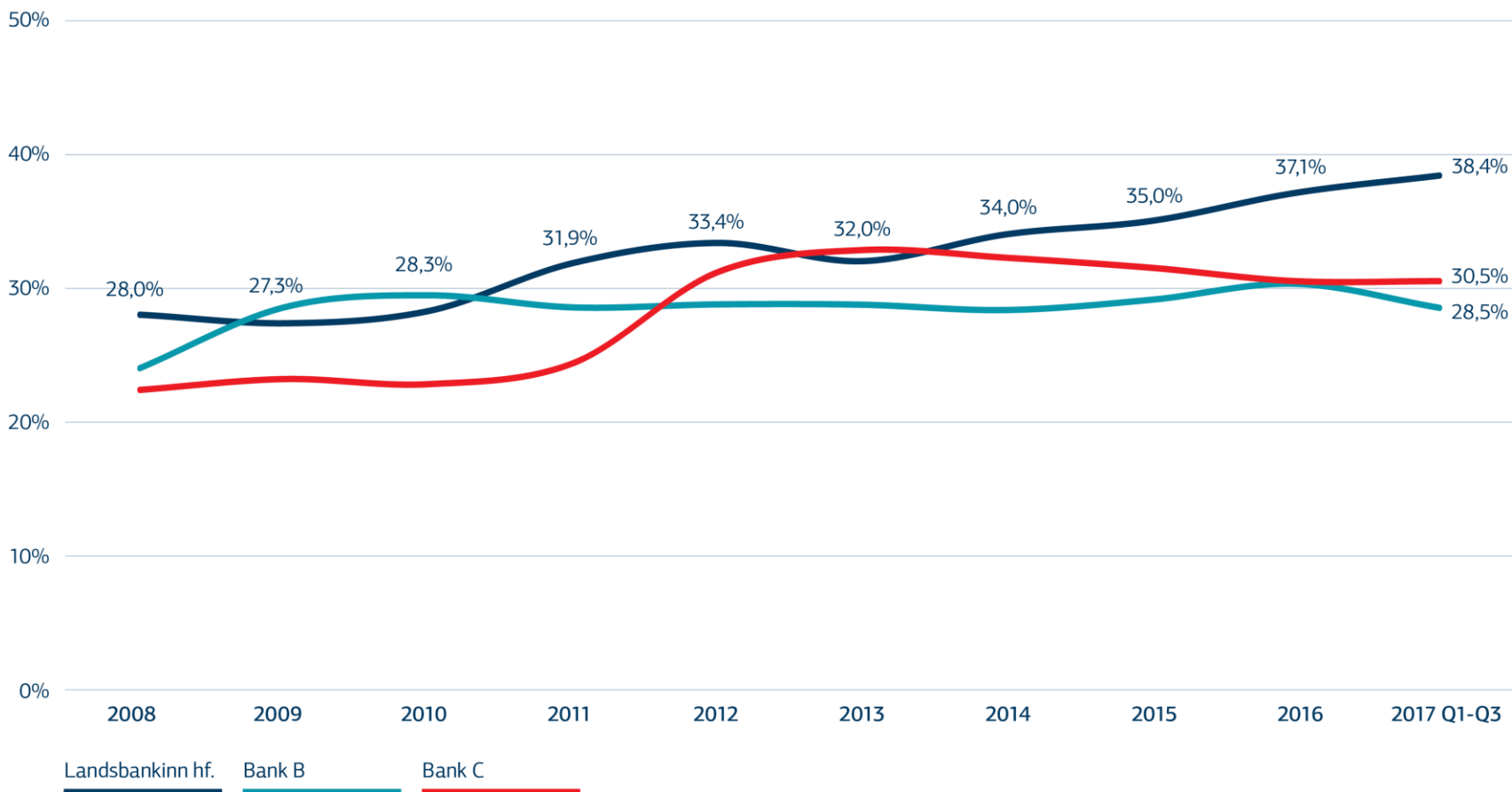
Cost-income ratio excluding valuation adjustments



Dividend yield



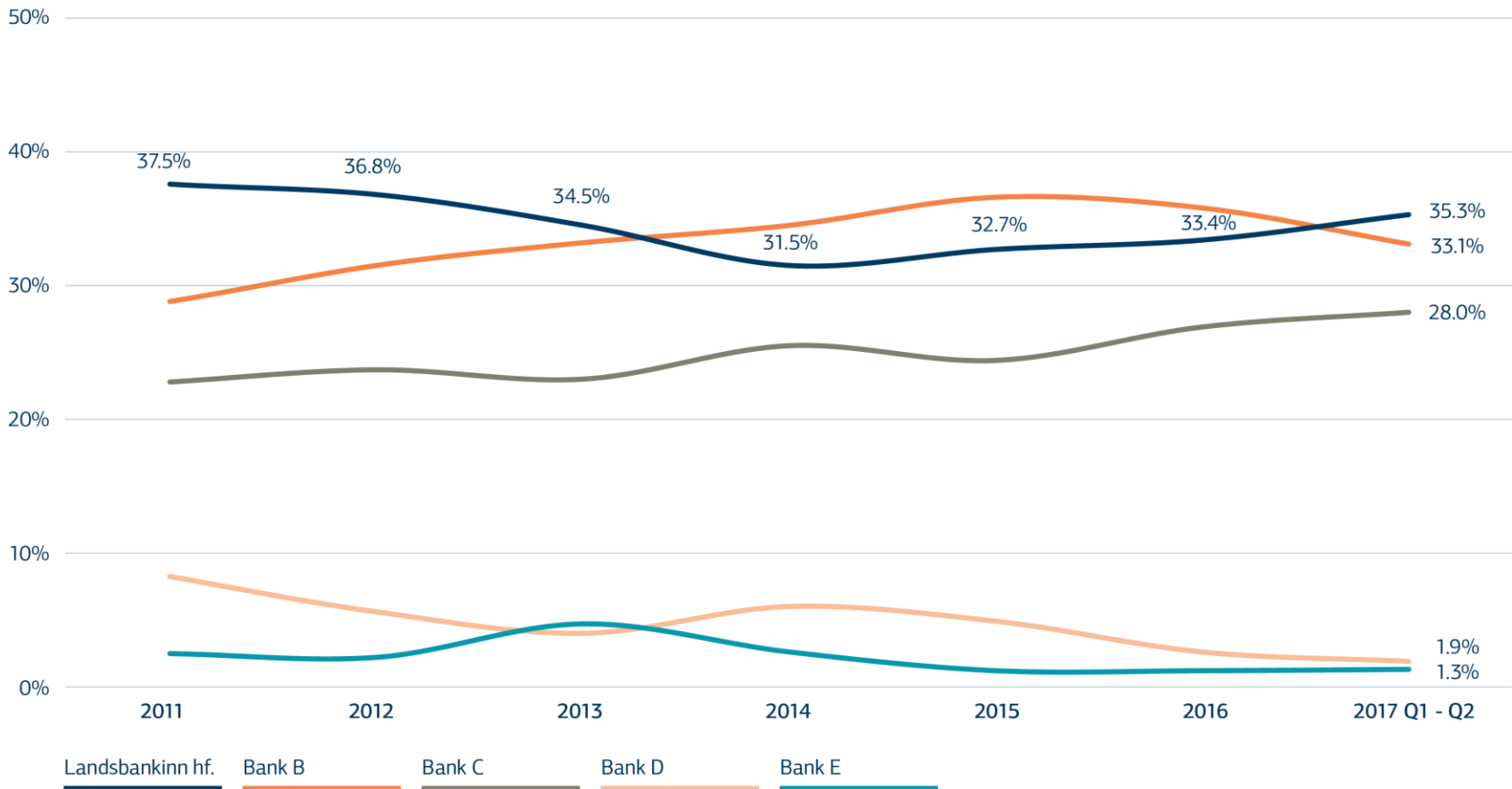
Marketshare – Retail banking



Source: Gallup



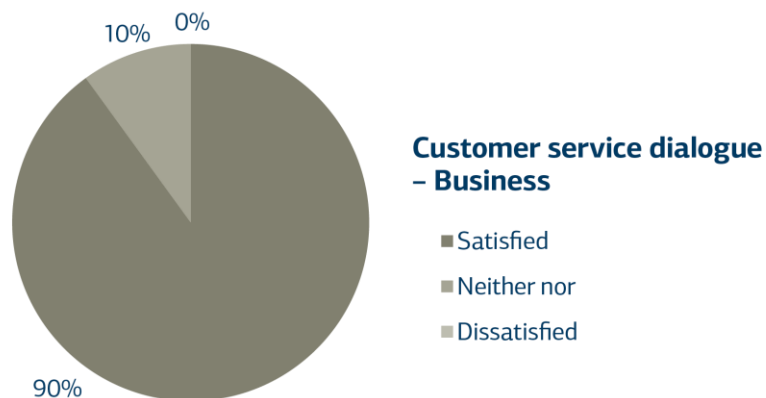
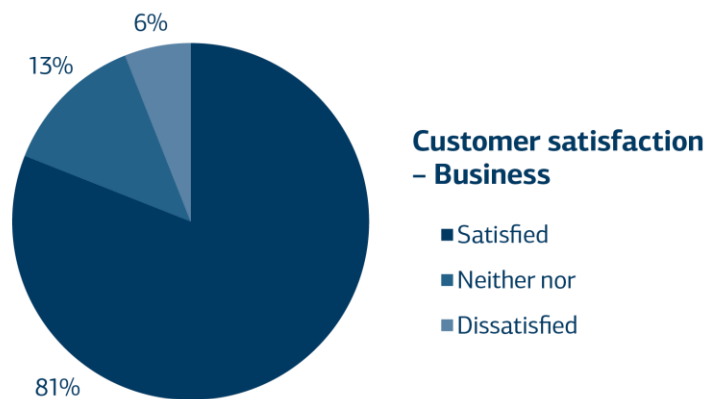
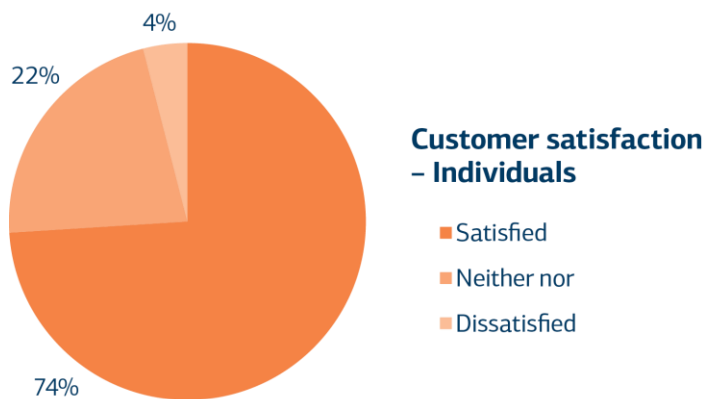
Marketshare – Corporate banking



Source: Gallup



Landsbankinn's successes



Source: Gallup, Landsbankinn

Landsbankinn's successes

Security Certification



Landsbankinn is certified compliant with ISO 27001 for information security management.

Credit rating



Standard & Poor's upgraded Landsbankinn's credit rating to BBB+/A-2 with a stable outlook.

Aukakrónur



84.1% of customers that use our benefit system, Aukakrónur, are satisfied with the benefits the system provides.

Good governance



Landsbankinn was recognised as a model of good corporate governance in 2015, 2016 and 2017.

PRI



Landsbankinn is a member of the United Nation's Principles for Responsible Investment (UNPRI)

PwC's Equal Pay Audit



Landsbankinn was awarded the golden seal of PwC's Equal Pay Audit for the second time.

Strategy

Vision:

Landsbankinn is to be exemplary

Mission:

The trusted financial partner

Our relationship with customers is based on mutual benefit. We are a trusted financial partner that supports customers towards success. We aim to tailor our services to fit their needs and to operate in harmony with our environment and society. We want our customers to be able to say...

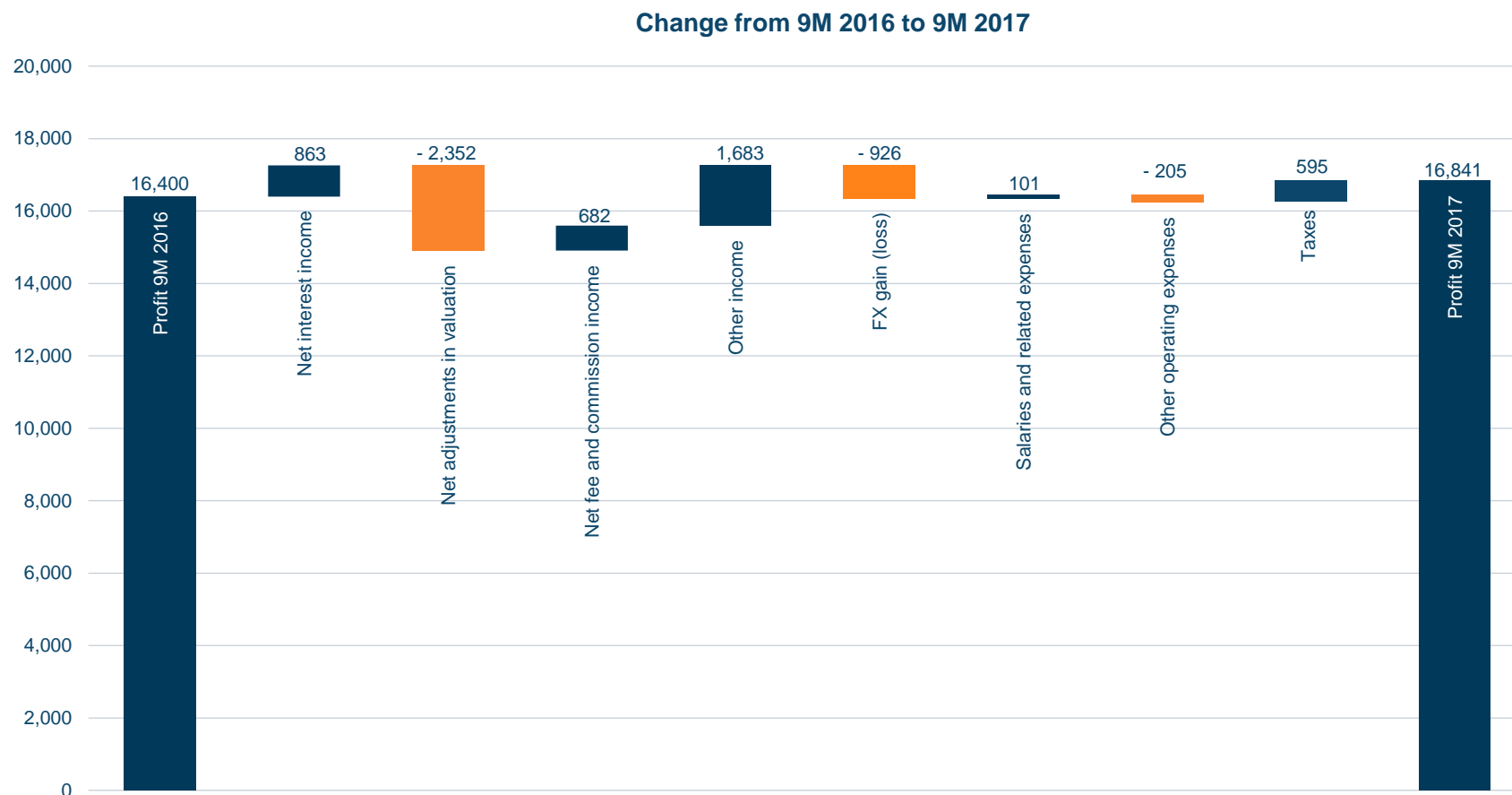
“This is how a bank should be”



Income Statement



Income Statement



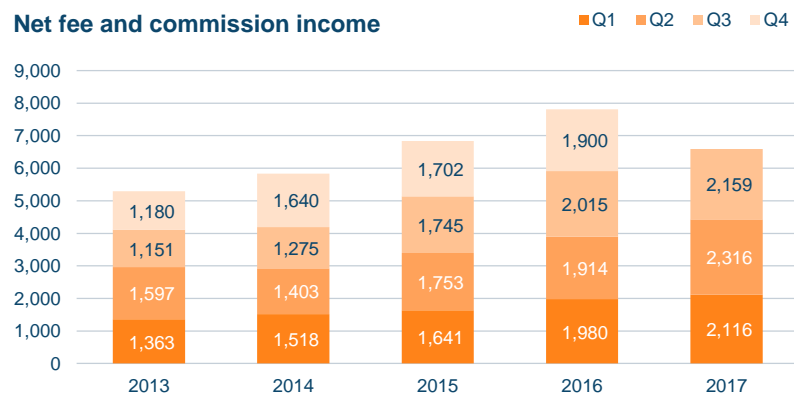
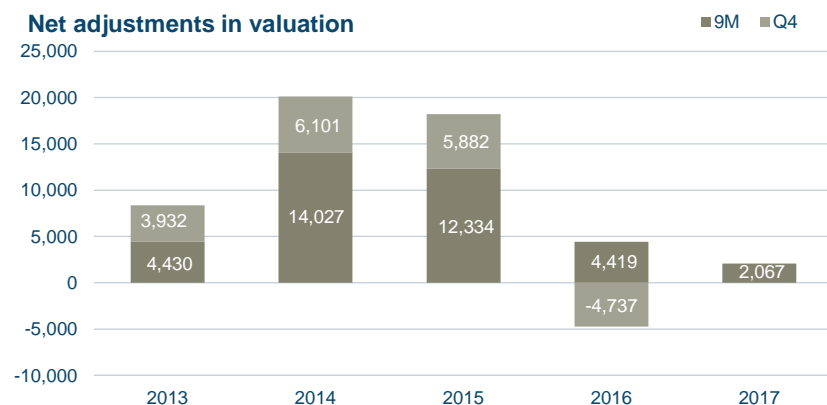
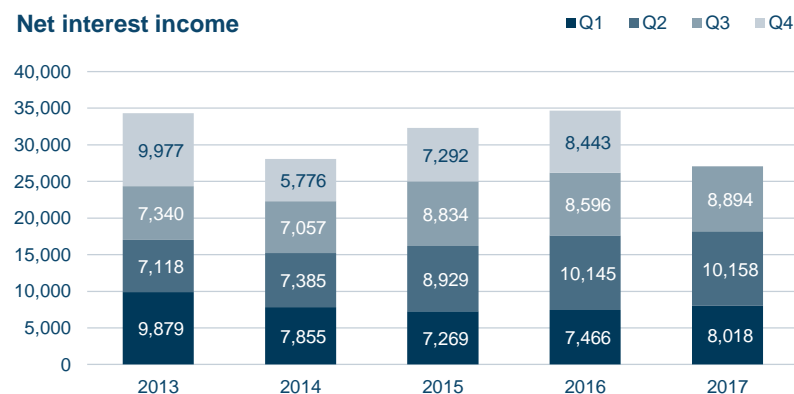
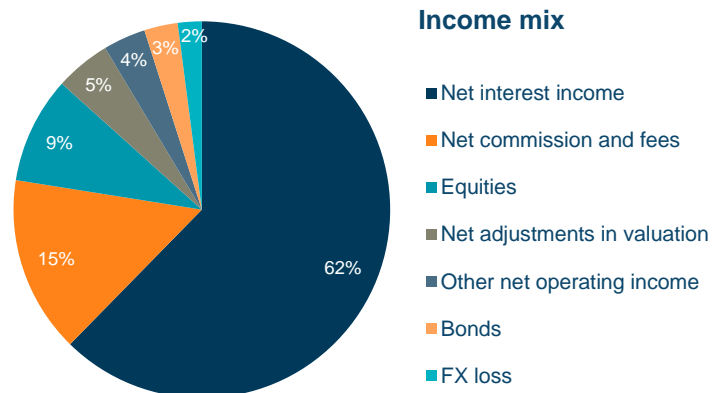
Income Statement

	9M 2017	9M 2016	Change	Q3 2017	Q3 2016	Change
Net interest income	27,070	26,207	3%	8,894	8,596	3%
Net adjustments in valuation	2,067	4,419	-53%	766	2,144	-64%
Net interest income after adjustments in valuation	29,137	30,626	-5%	9,660	10,740	-10%
Net fee and commission income	6,591	5,909	12%	2,159	2,015	7%
Other net operating income	5,914	5,157	15%	535	355	51%
Total operating income	41,642	41,692	0%	12,354	13,110	-6%
Salaries and related expenses	10,308	10,409	-1%	3,163	3,096	2%
Other operating expenses	7,378	7,173	3%	2,475	2,230	11%
Total operating expenses	17,686	17,582	1%	5,638	5,326	6%
Profit before tax	23,956	24,110	1%	6,716	7,784	-14%
Income tax expense and tax on liabilities of financial institutions	7,115	7,710	-8%	2,528	2,682	-6%
Profit for the period	16,841	16,400	3%	4,188	5,102	-18%

Net interest income and valuation adjustments

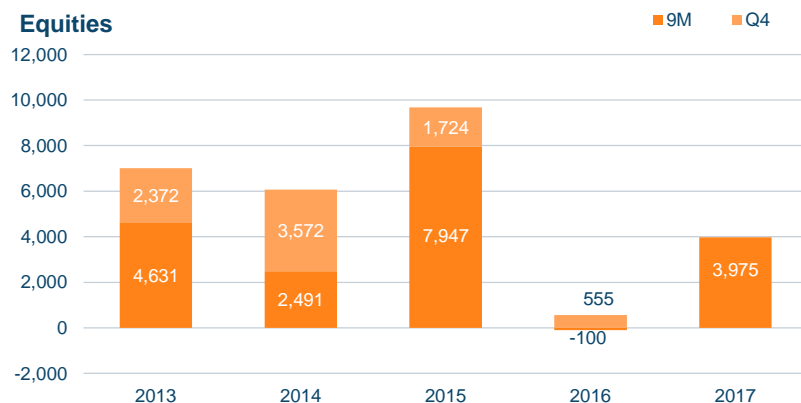
	9M 2017	9M 2016	Change			Q3 2017	Q3 2016	Change	
Interest income	46,586	48,371	-1,785	-4%		14,916	15,528	-612	-4%
Interest expense	-19,516	-22,164	2,648	12%		-6,022	-6,932	910	13%
Net interest income	27,070	26,207	863	3%		8,894	8,596	298	3%
Net impairment loss on loans and guarantees	952	4,419	-3,467	-78%		419	2,144	-1,725	-80%
Net impairment from foreign currency linkage of loans and advances to customers	1,115	0	1,115			347	0	347	0%
Net valuation adjustments	2,067	4,419	-2,352	-53%		766	2,144	-1,378	-64%
Net interest income after net valuation adjustments	29,137	30,626	-1,489	-5%		9,660	10,740	-1,080	-10%

Net operating income

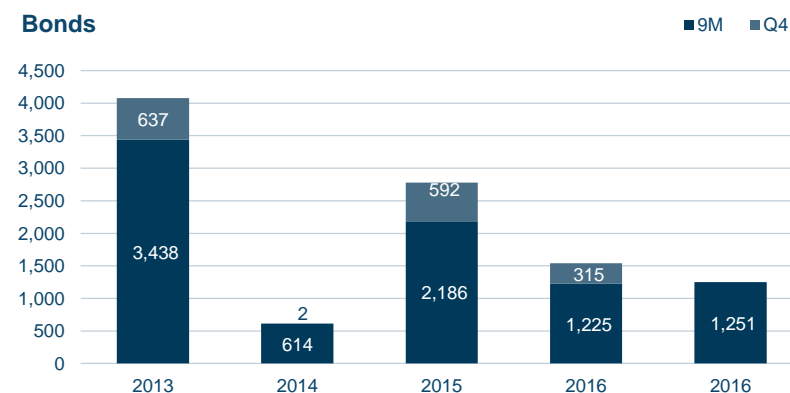


Net operating income

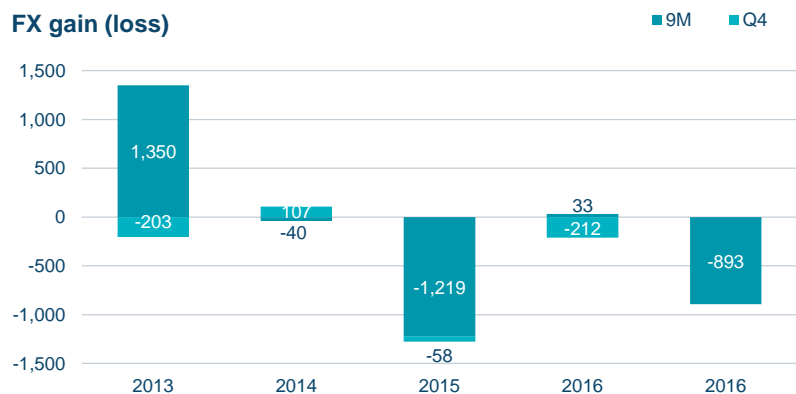
Equities



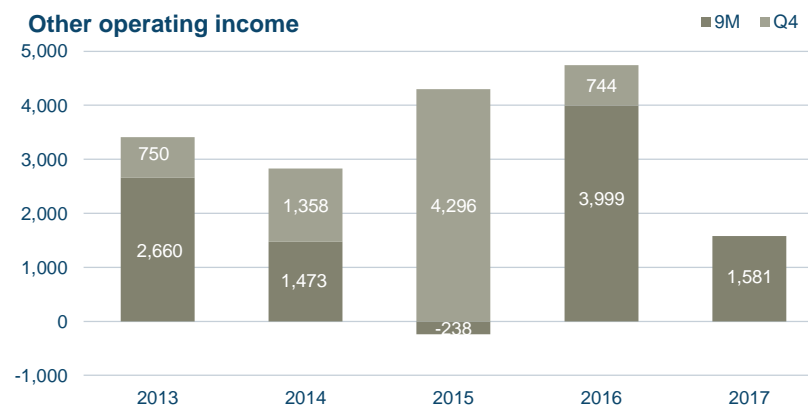
Bonds



FX gain (loss)

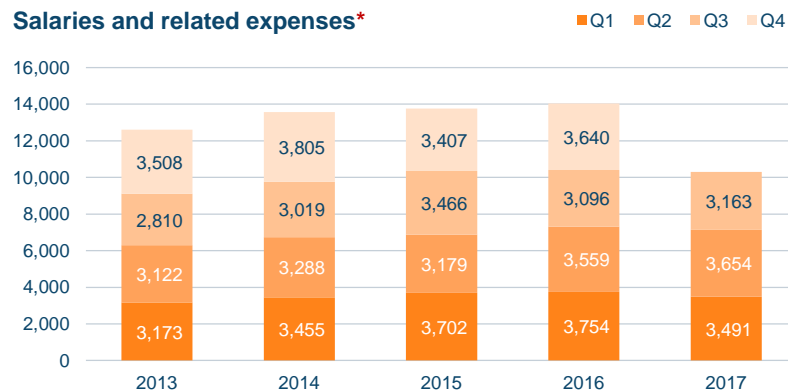


Other operating income



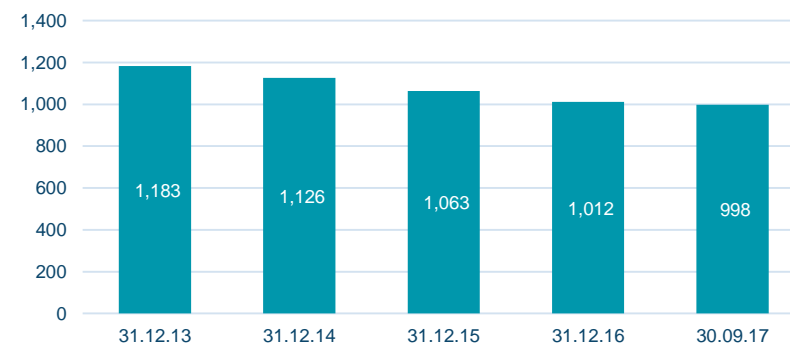
Operating expenses

Salaries and related expenses*

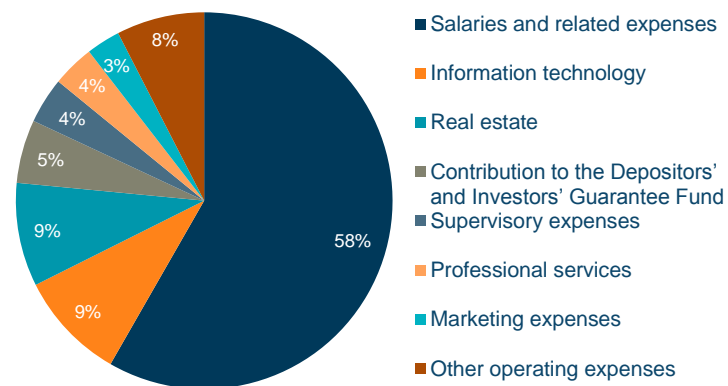
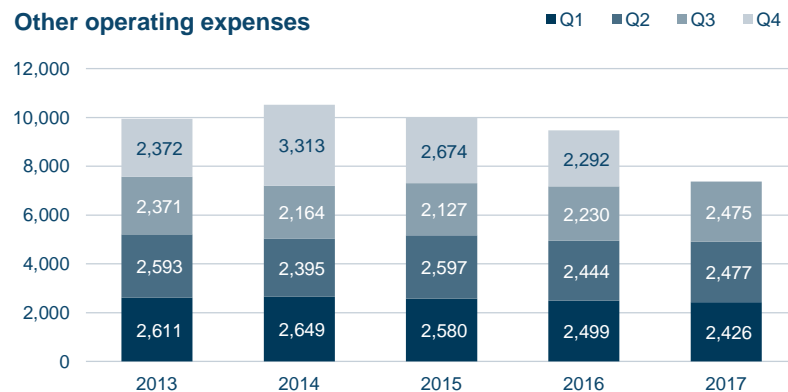


*2013, less expensed equity-based wages

Full time employees



Other operating expenses



Taxes

	9M 2017	9M 2016	Change	
Income tax	3,618	4,257	-639	-15%
Special financial activities tax on profits ¹	997	1,183	-186	-16%
Income Tax	4,615	5,440	-825	-15%
Tax on liabilities of financial institutions ²	2,500	2,270	230	10%
Special financial activities tax on salaries ³	510	520	-10	-2%
Total	7,625	8,230	-605	-7%

¹ A 6% additional tax on pre-tax profit over ISK 1 bn

² Special tax on financial institutions of 0.376% is levied of the carrying amount of total liabilities at year-end, excluding tax liabilities, in excess of ISK 50,000 million as determined for tax purposes. The special income tax on financial institutions is a non-deductible expense

³ A 5.5% tax on salaries which is expensed in the line item "Salaries and related expenses" in the Condensed consolidated income statement

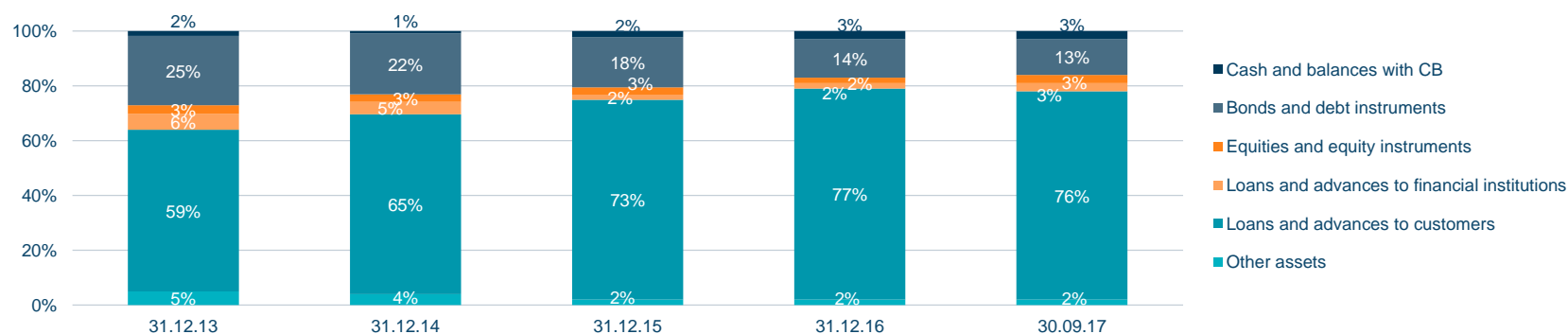


Balance sheet

Assets

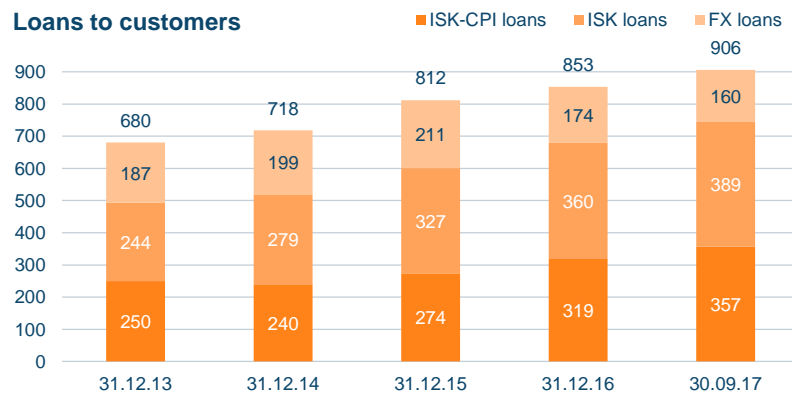
	30.09.17	31.12.16	Change	
Cash and balances with CB	33,157	30,662	2,495	8%
Bonds and debt instruments	160,223	154,892	5,331	3%
Equities and equity instruments	31,049	26,688	4,361	16%
Loans and advances to financial institutions	41,485	20,408	21,077	103%
Loans and advances to customers	905,927	853,417	52,510	6%
Other assets	22,740	17,641	5,099	29%
Assets classified as held for sale	4,377	7,449	-3,072	-41%
Total	1,198,958	1,111,157	87,801	8%

Assets

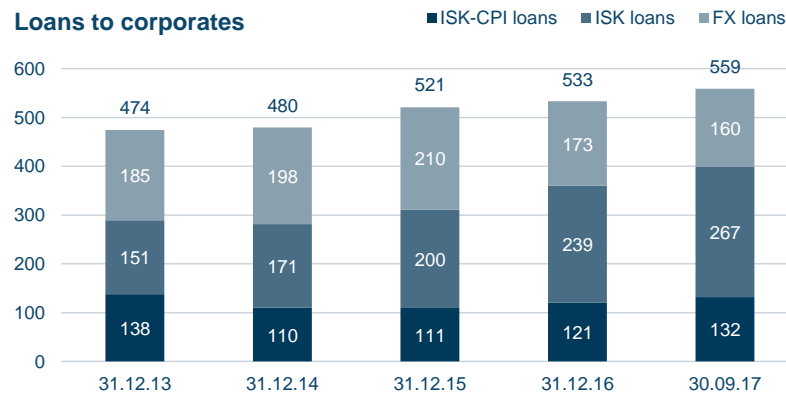


Loans

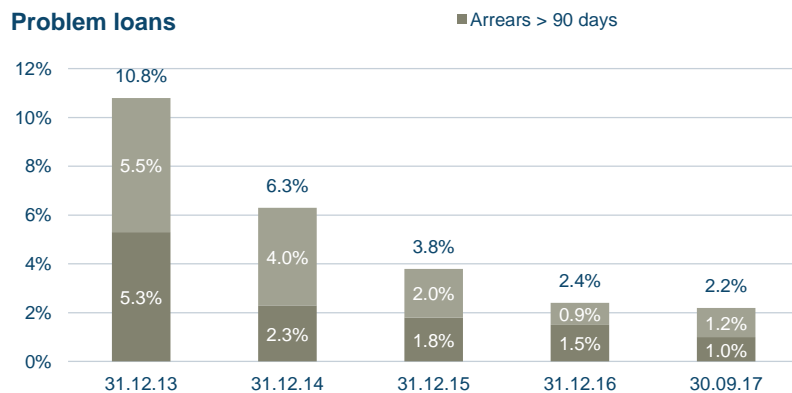
Loans to customers



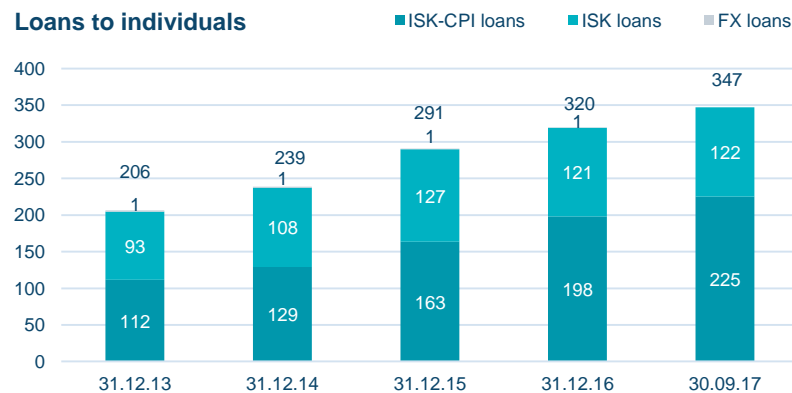
Loans to corporates



Problem loans

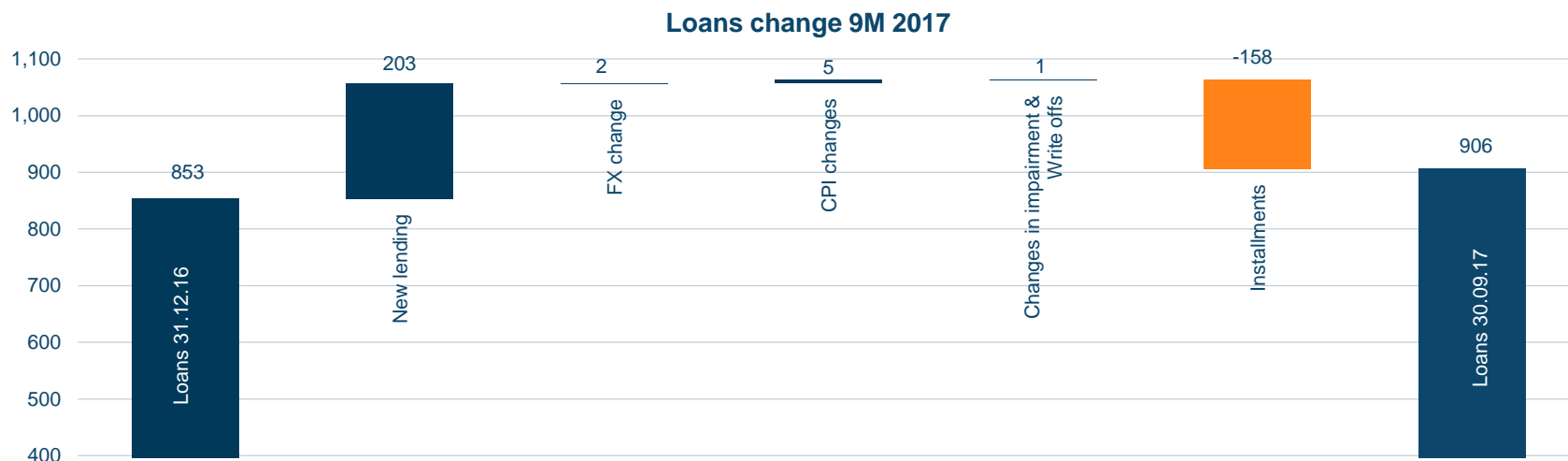


Loans to individuals

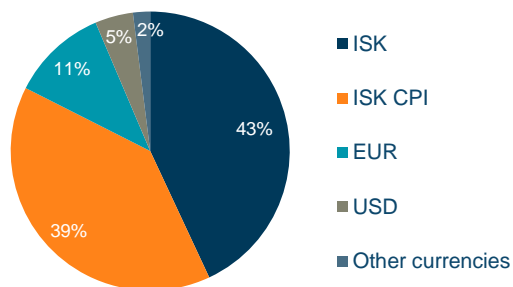


* Problem loans are defined as loans and advances with individual allowance and / or more than 90 days in arrears

Loans



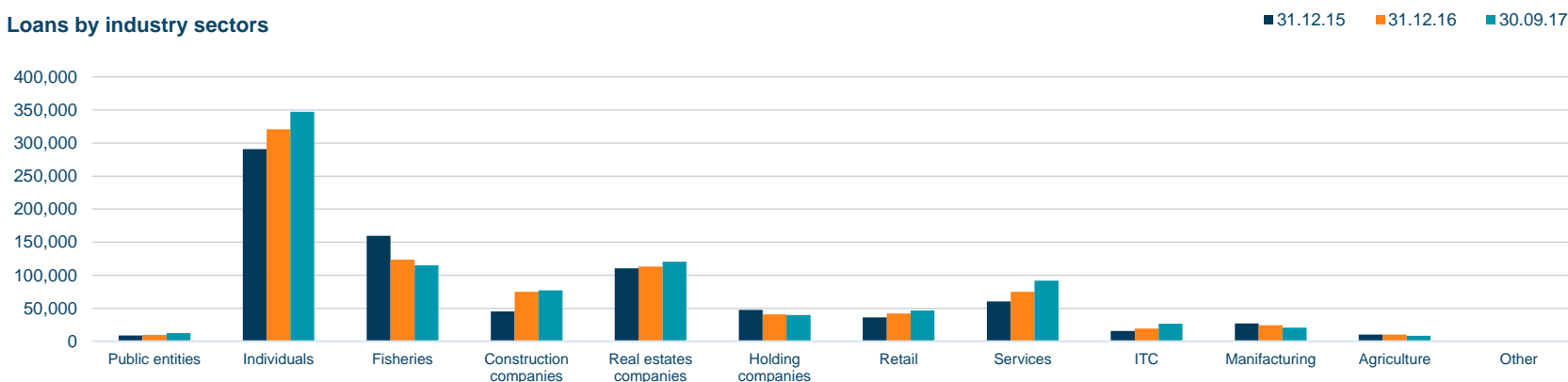
Loans by currencies



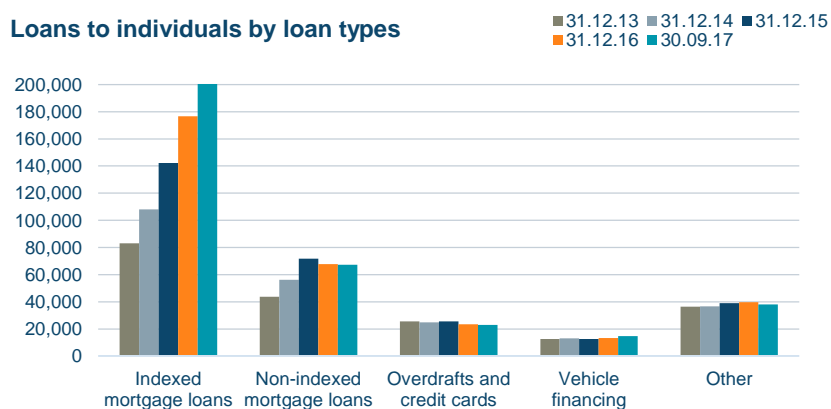
	30.09.2017	31.12.2016	Change	
ISK	394	361	33	9%
ISK CPI	357	319	38	12%
EUR	102	93	9	10%
USD	40	61	-21	-34%
Other currencies	13	19	-6	-32%
Total loans	906	853	53	6%

Loans

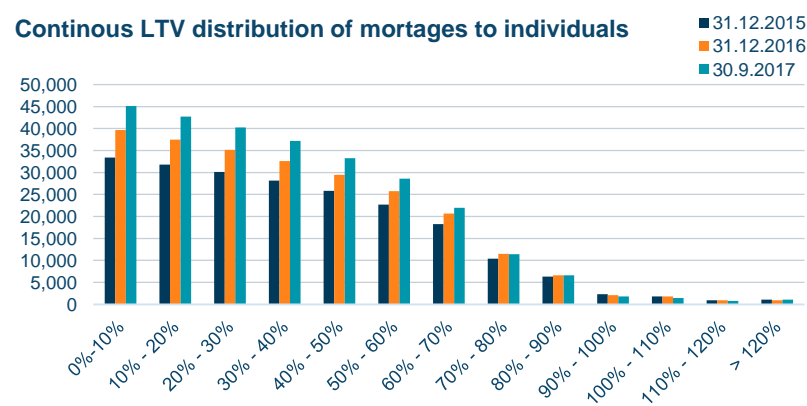
Loans by industry sectors



Loans to individuals by loan types



Continuous LTV distribution of mortgages to individuals

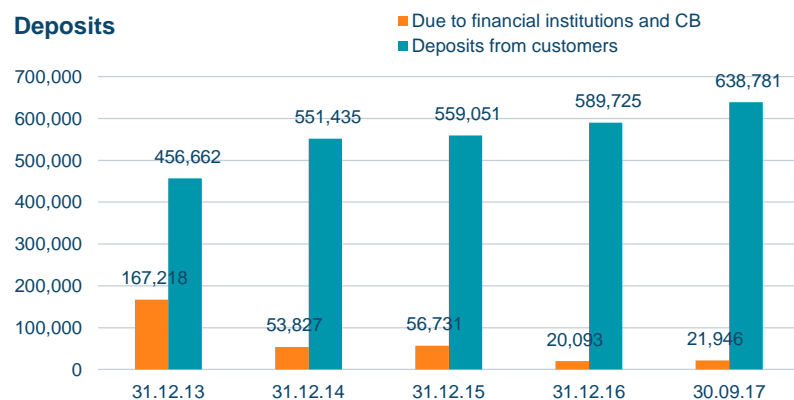


Weighted average LTV 30.09.17 60.1% (62.3% 31.12.16 ; 63.4% 31.12.2015)

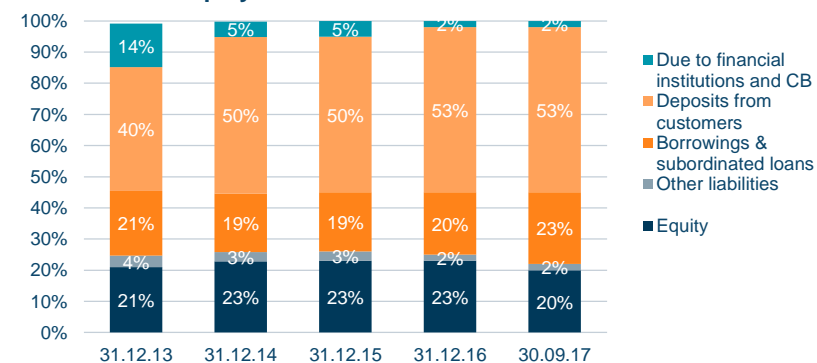
Liabilities and equity

	30.09.17	31.12.16	Change	
Due to financial institutions and CB	21,946	20,093	1,853	9%
Deposits from customers	638,781	589,725	49,056	8%
Borrowings	267,853	223,944	43,909	20%
Other liabilities	27,017	25,776	1,243	5%
Subordinated liabilities	229	388	-159	-41%
Equity	243,132	251,231	-8,099	-3%
Total	1,198,958	1,111,157	87,801	8%

Deposits

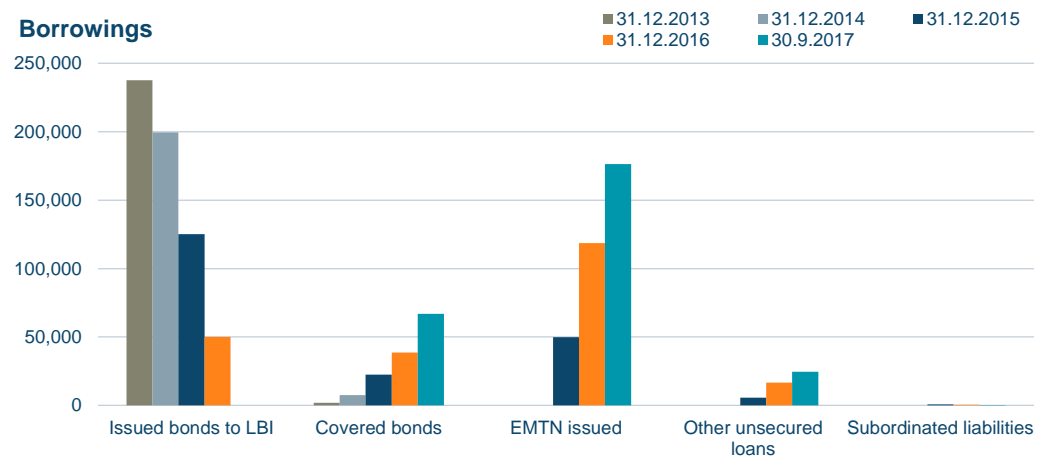


Liabilities and equity

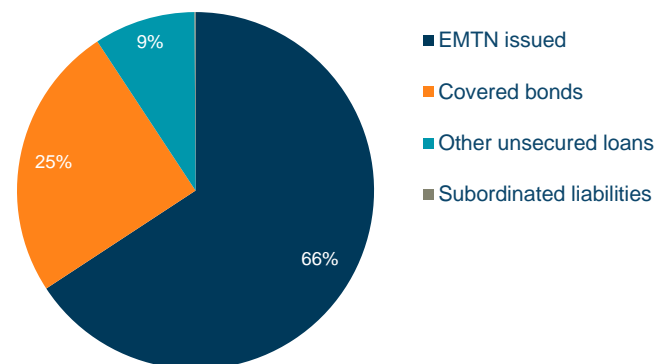


Borrowings

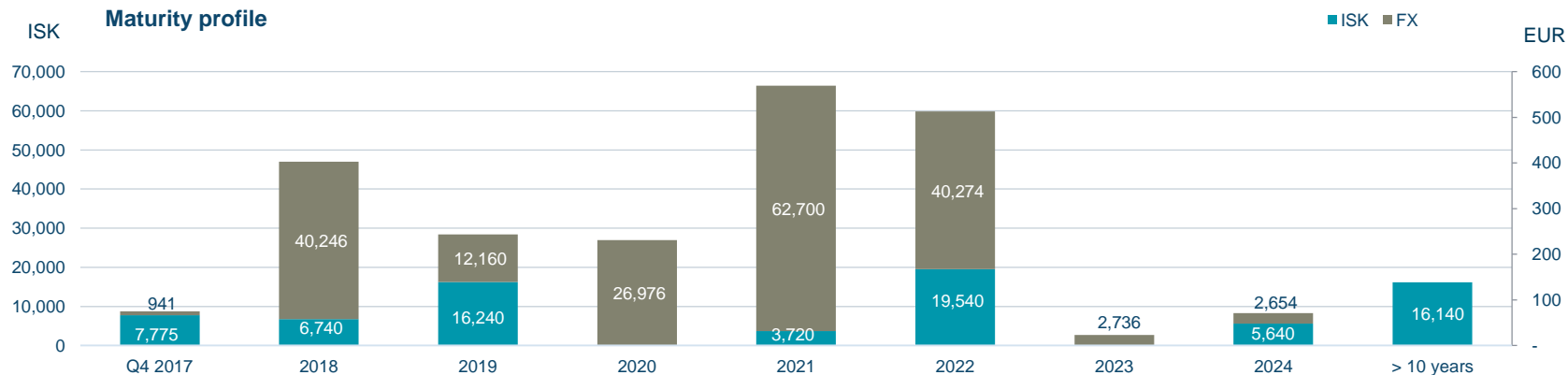
Borrowings



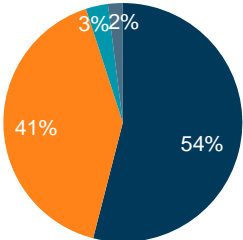
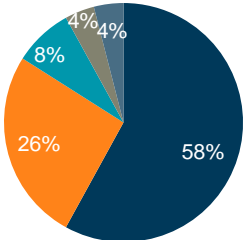
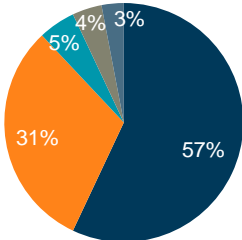
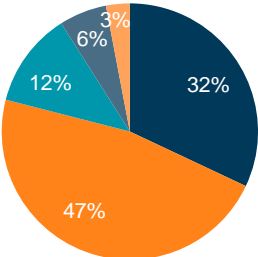
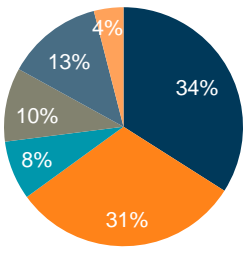
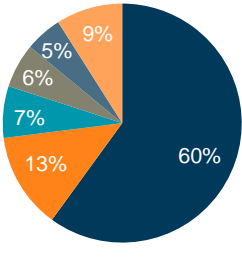
Borrowings 30.09.2017



Maturity profile



Landsbankinn's EUR senior unsecured issuance

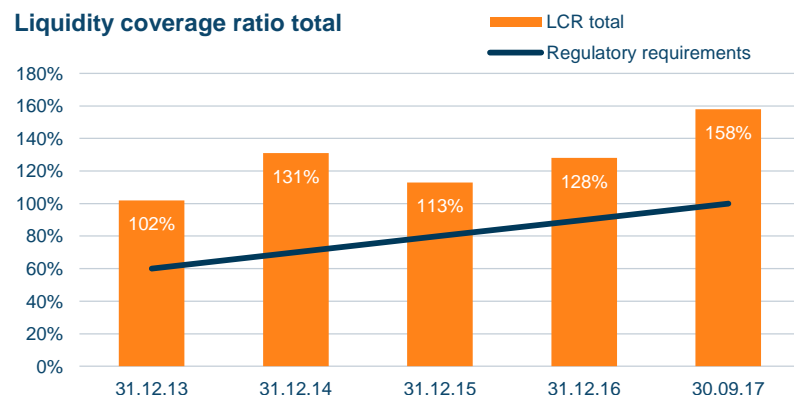
Issue date:	October 2015	September 2016	March 2017
Size:	€ 300 m	€ 500 m	€ 300 m
Issue rating (S&P):	BBB- (positive outlook)	BBB- (positive outlook)	BBB (positive outlook)
Tenor:	3-year	4,5-year	5-year
Maturity date:	October 2018	March 2021	March 2022
Launch spread:	+ 295 bp	+ 190 bp	+ 130 bp
Joint lead managers:	Citi, DB, JP Morgan	Barclays, Citi, DB	Barclays, BAML, Citi, JP Morgan
Roadshow locations:	Copenhagen, Oslo, Helsinki, Stockholm, London	Copenhagen, Helsinki, London, Paris, Holland	London, Paris, Holland
Investors			
- investor types	 <p>● Asset Managers ● Insureres / Pensions ● Banks ● Official Institutions ● Other</p>		
- geography			
	<p>● UK / Ireland ● Nordics ● France ● Ger / Aus / Swiss ● BeNeLux ● Asia / Other</p>		

Liquidity

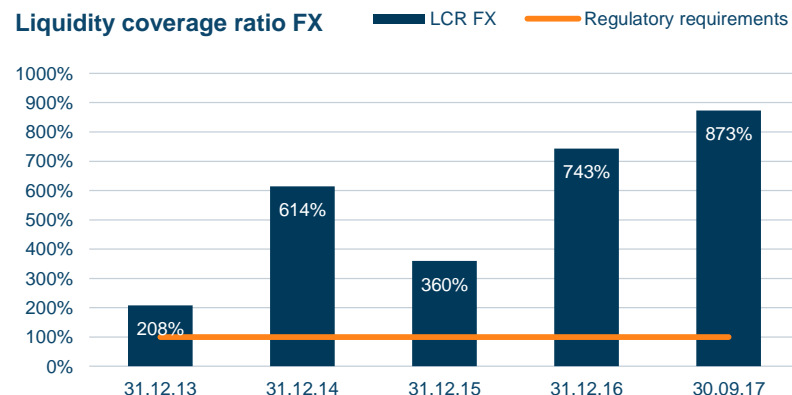
30.09.2017	Total*		FX*	
	Unweighted	Weighted	Unweighted	Weighted
Level 1 liquid assets	128,927	128,927	49,299	49,299
Level 2 liquid assets	0	0	0	0
information items	28,806	0	10,375	0
A. Total liquid assets	157,733	128,927	59,674	49,299
Deposits	428,579	113,894	46,714	17,859
Borrowing	2,089	2,089	1,129	1,129
Other outflows	139,651	21,406	33,276	3,610
B. Total outflows (0-30 days)	570,319	137,389	81,119	22,598
Loans and advances to financial institutions	47,413	35,848	37,152	35,787
Other inflows	42,193	20,145	10,891	5,701
Limit on inflows	0	0	0	-24,540
C. Total inflows (0-30 days)	89,606	55,993	48,043	16,948
Liquidity coverage A/(B-C)		158%		873%

*according to the liquidity and funding rules set by the Central Bank of Iceland, No. 266/2017

Liquidity coverage ratio total



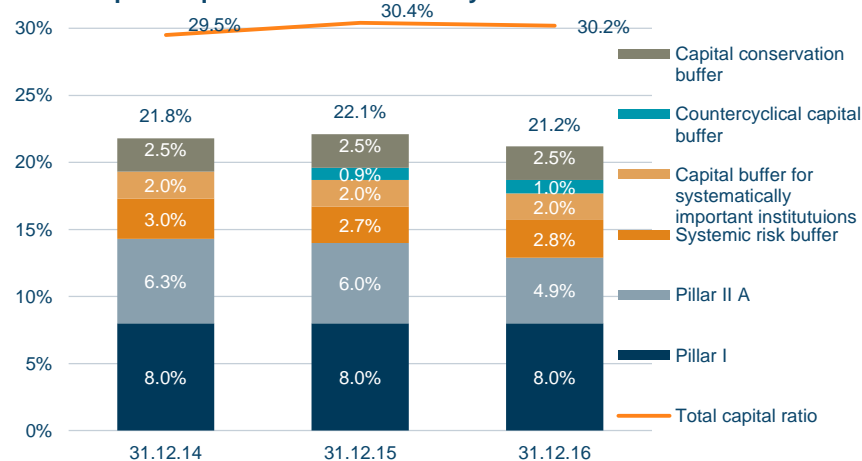
Liquidity coverage ratio FX



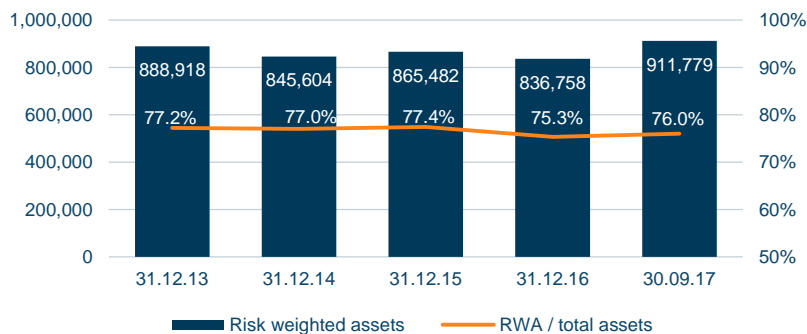
Capital requirements

	CET1	Tier 1	Total
Pillar I	4.5%	6.0%	8.0%
Pillar II A	2.8%	3.7%	4.9%
Minimum requirements under Pillar I and Pillar II A	7.3%	9.7%	12.9%
Systemic risk buffer	2.8%	2.8%	2.8%
Capital buffer for systematically important institutions	2.0%	2.0%	2.0%
Countercyclical capital buffer	1.0%	1.0%	1.0%
Capital conservation buffer	2.5%	2.5%	2.5%
Combined buffer requirements under Pillar II B	8.3%	8.3%	8.3%
Total capital requirements	15.5%	17.9%	21.2%

Total capital requirements as defined by FME



Risk weighted assets



- Total capital ratio was 26.8% end of September 2017, as compared with 30.2% at year-end 2016
- The Bank's target is to maintain a capital ratio above the FME's total capital requirement at any given time, plus an administration buffer specified in the Bank's risk appetite. The Bank also aims to be in the highest category for risk-adjusted capital ratio, as determined and measured by the relevant credit rating agencies



Annex further information

Key financial ratios

	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	2016	2015	2014
Profit after taxes	4,188	5,077	7,576	243	5,102	16,643	36,460	29,737
Return on equity before taxes	11.1%	12.6%	16.2%	1.7%	12.5%	9.9%	19.9%	16.7%
Return on equity after taxes	6.9%	8.6%	12.5%	0.4%	8.2%	6.6%	14.8%	12.5%
After tax return on average assets	1.4%	1.7%	2.7%	0.1%	1.8%	1.5%	3.2%	2.6%
Total capital ratio	26.8%	27.6%	27.4%	30.2%	29.1%	30.2%	30.4%	29.5%
Net interest income	8,894	10,158	8,018	8,443	8,596	34,650	32,324	28,073
Interest spread as a ratio of assets and liabilities	2.5%	2.9%	2.2%	2.2%	2.4%	2.3%	2.2%	1.9%
Cost-income ratio*	48.7%	43.6%	42.5%	50.7%	48.9%	48.4%	43.8%	56.0%
Net stable funding ratio NSFR total	126%	125%	122%	123%		123%		
Net stable funding ratio NSFR FX	185%	169%	159%	154%	149%	154%	136%	134%
Liquidity ratio LCR total	158%	183%	158%	128%	140%	128%	113%	131%
Liquidity LCR FX	873%	470%	153%	743%	594%	743%	360%	614%
Operating expenses as a ratio of average total assets	1.9%	2.1%	2.1%	2.1%	1.9%	2.1%	2.1%	2.1%
Total assets	1,198,958	1,170,628	1,182,467	1,111,157	1,133,802	1,111,157	1,118,658	1,098,370
Loans / deposits ratio	141.8%	138.6%	146.7%	144.7%	143.5%	144.7%	145.2%	130.3%
Full-time eqv.positions	998	988	1,000	1,012	1,043	1,012	1,063	1,126

* Cost-income ratio = total operating expenses / (total operating income – net adjustments in valuation)

Operations

	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	2016	2015	2014
Net interest income	8,894	10,158	8,018	8,443	8,596	34,650	32,324	28,073
Net valuation adjustments	766	-478	1,779	-4,737	2,144	-318	18,216	20,128
Net interest income after valuation adjustments	9,660	9,680	9,797	3,706	10,740	34,332	50,540	48,201
Net fee commission income	2,159	2,316	2,116	1,900	2,015	7,809	6,841	5,836
Net foreign exchange gain (loss)	-10	-518	-365	-212	25	-179	-1,277	67
Other net operating income	545	2,097	4,165	1,614	330	6,738	16,507	9,510
Total operating income	12,354	13,575	15,713	7,008	13,110	48,700	72,611	63,614
Salaries and related expenses	3,163	3,654	3,491	3,640	3,096	14,049	13,754	13,567
Other operating expenses	2,475	2,477	2,426	2,292	2,230	9,465	9,978	10,521
Total operating expenses	5,638	6,131	5,917	5,932	5,326	23,514	23,732	24,088
Profit before tax	6,716	7,444	9,796	1,076	7,784	25,186	48,879	39,526
Income tax expense	2,528	2,367	2,220	833	2,682	8,543	12,419	9,789
Profit for the period	4,188	5,077	7,576	243	5,102	16,643	36,460	29,737

Balance Sheet

	30.9.2017	31.12.2016	Change	
Cash and balances with CB	33,157	30,662	2,495	8%
Bonds and debt instruments	160,223	154,892	5,331	3%
Equities and equity instruments	31,049	26,688	4,361	16%
Loans and advances to fin institutions	41,485	20,408	21,077	103%
Loans and advances to customers	905,927	853,417	52,510	6%
Other assets	22,740	17,641	5,099	29%
Assets classified as held for sale	4,377	7,449	-3,072	-41%
Total	1,198,958	1,111,157	87,801	8%

Due to financial institutions and CB	21,946	20,093	1,853	9%
Deposits from customers	638,781	589,725	49,056	8%
Borrowings	267,853	223,944	43,909	20%
Other liabilities	26,862	24,681	2,182	9%
Liabilities associated with assets classified as held for sale	155	1,095	-940	-86%
Subordinated liabilities	229	388	-159	-41%
Equity	243,132	251,231	-8,099	-3%
Total	1,198,958	1,111,157	87,801	8%

	31.12.15	31.12.14	31.12.13
	25,164	10,160	21,520
	203,684	243,589	290,595
	29,192	29,433	36,275
	20,791	49,789	67,916
	811,549	718,355	680,468
	16,323	28,832	29,719
	11,955	18,212	25,023
	1,118,658	1,098,370	1,151,516

	56,731	53,827	167,218
	559,051	551,435	456,662
	209,344	207,028	239,642
	26,844	32,443	42,750
	1,518	2,834	3,885
	639	0	0
	264,531	250,803	241,359
	1,118,658	1,098,370	1,151,516

Segments

9M 2017	Personal Banking	Corporate Banking	Markets	Treasury	Support functions	Recon- ciliation	Total
Net interest income (expense)	11,683	12,296	277	2,859	28	-73	27,070
Net valuation adjustments	620	1,440	0	7	0	0	2,067
Net fee and commission income (expense)	2,621	754	3,598	-293	111	-200	6,591
Other net operating income (expense)	52	1	-585	5,376	1,079	-9	5,914
Total operating income (expense)	14,976	14,491	3,290	7,949	1,218	-282	41,642
Operating expenses	-4,689	-1,191	-1,596	-1,329	-9,185	304	-17,686
Profit (loss) before cost allocation and tax	10,287	13,300	1,694	6,620	-7,967	22	23,956
Cost allocated from support functions to business segments	-3,689	-2,616	-1,156	-775	8,236	0	0
Profit (loss) before tax	6,598	10,684	538	5,845	269	22	23,956
Total assets	440,464	494,836	26,111	438,859	15,307	-216,619	1,198,958
Total liabilities	380,894	378,620	17,514	380,110	15,307	-216,619	955,826
Allocated capital	59,570	116,216	8,597	58,749	0	0	243,132