



Landsbankinn: Financial Results

January- September 2019



News Release, 24 October 2019

Landsbankinn's results for the first nine months of 2019

In the first nine months of 2019, Landsbankinn's after-tax profit was ISK 14.4 bn as compared with ISK 15.4 bn for the same period in 2018. Return on equity (ROE) for the period was 7.9% on an annualised basis as compared to 8.8% during the same period of 2018.

Net interest income was ISK 30.1 billion, compared to ISK 29.8 billion for the same period last year. Net commission income amounted to ISK 6.1 bn, increasing by 5% from the same period the previous year. Negative value changes amounted to ISK 3.4 bn in the period, as compared with positive value changes of ISK 1.6 bn in the same period of 2018. At the end of September 2019, the default rate was 0.8% as compared with 0.5% for the same period in 2018.

The Bank's operating income in the first nine months of 2019 was ISK 39.3 bn as compared to ISK 41.1 bn for the same period the previous year. Other operating income amounted to ISK 6.5 bn as compared with ISK 3.8 bn in the same period the previous year, which is a 72% increase.

The interest spread on assets and liabilities was 2.4% in the first nine months of 2019, a change from 2.7% in the same period of 2018.

The Group's operating expenses in the first nine months of 2019 totalled ISK 17.7 billion, remaining more or less unchanged between periods. Labour cost accounts for ISK 10.7 bn of that figure as compared with ISK 10.8 bn for the same period in 2018, which is a 0.9% decrease. Other operating expenses amounted to ISK 7 billion, remaining unchanged between years.

The cost-income ratio for the first nine months of the year was 41.4%, as compared to 45.0% for the same period last year.

Lending increased by 6.8% since the beginning of the year, or by just over ISK 72.3 bn. Customer deposits with Landsbankinn increased by 1.5% this year to date, or by ISK 10.7 billion.

Landsbankinn's equity amounted to ISK 243.9 bn as at 30 September this year and its CAR was 23.6%.

Lilja Björk Einarsdóttir, CEO of Landsbankinn:

“Landsbankinn’s nine-month results reflect its stable and sound operation. Costs continue to decrease while revenue grows. The cost-income ratio for the period was 41.4%, lower than for the same period last year. Surveys show that Landsbankinn’s customers are increasingly more satisfied with the service and that trust in the Bank has grown. We intend to continue on this path; to offer top quality and secure financial service while maintaining a focus on cost-efficiency and emphasis on the integration of social responsibility in the Bank’s strategy and operation. The results also reflect the contracting economy. The corporate operating environment is now more challenging and leads to some impairment.

Landsbankinn has lowered interest rates lately. This year, non-indexed variable interest rates on housing loans have been lowered by 0.8 percentage points – non-indexed housing loans are the most common form of financing for individuals. Around 340 families and individuals financed their first housing purchase with the Bank this quarter, overwhelmingly with non-indexed loans. When interest rates trend downwards, deposit rates unavoidably also fall, with common deposit rates being lowered by 0.7 percentage points. In this manner, we accommodate customers who have entrusted us with their savings, as well as customers who have taken out loans. Landsbankinn’s interest rate decisions are based on more factors than Central Bank rates, such as market rates and terms on the Bank’s other funding sources. The Bank has generally reacted quickly to interest rate decreases and offers very competitive terms on the market.

On 2 October, the Bank paid the latter of two scheduled dividend payments for 2018 to shareholders. This latter payment amounted to ISK 4,961 million; together, both dividend payments for 2018 amounted to ISK 9.9 billion. This brings Landsbankinn’s total dividend payments since 2013 to around ISK 142 billion.

Landsbankinn’s employees have recently featured prominently in public debate on changes to banking services and related challenges. The Bank’s experts have spoken and written about open banking and means and ways of increasing cyber security. We warmly appreciate that customers have made a point of complimenting the Bank’s employees on their contribution and swift action to prevent cybercrime. This shows that numerous experts are working behind the scene at the Bank to ensure stable and safe operations. Landsbankinn’s employees are highly motivated and, as always, we emphasise offering customer exceptional services.”

Key figures from the profit and loss account for Q3 2019

Operations:

- » Landsbankinn’s profit for Q3 of 2019 was ISK 3.2 bn, as compared with ISK 3.8 bn for the same quarter of 2018.
- » Return on equity (ROE) after taxes was 5.4% as compared to an ROE of 6.5% for the same period of 2018.
- » Net interest income was ISK 9.6 bn, as compared to ISK 10.4 bn in same quarter of 2018.
- » Revaluations on loans were negative by ISK 1.1 billion in Q3 2019, compared to positive changes of ISK 89 million in the same quarter of 2018.
- » Net commission income was ISK 2.0 bn as compared to ISK 1.9 bn in Q3 of 2018.
- » The interest margin on assets and liabilities was 2.3% as compared with 2.7% in Q3 of 2018.
- » Wages and related expenses amounted to ISK 3.3 billion, remaining unchanged between periods.

- » Operating costs less wages and related expenses decreased by 7.9% compared to the same period the previous year.
- » The cost-income ratio for Q3 of 2019 was 43.9%, as compared to 45.9% for the same time last year.
- » Full-time equivalent positions at Landsbankinn were 903 as at 30 September 2019, down from 948 the same time the previous year.

Balance sheet:

- » Landsbankinn's equity amounted to ISK 243.9 bn at the end of September and has increased by 1.8% since the beginning of the year.
- » The Bank's total capital ratio on 30 September 2019 was 23.6%, down from 24.9% at year-end 2018. This is well above the 20.4% minimum requirement determined by the Financial Supervisory Authority.
- » Landsbankinn's total assets were ISK 1,415 bn at the end of September 2019.
- » Customer deposits amounted to ISK 703.8 bn at the end of September 2019 as compared to ISK 693 bn at year-end 2018.
- » Lending to customers increased by 6.8% in the first nine months of the year, or by ISK 72 bn. Lending to corporates grew by ISK 30 bn, while loans to retail customers increased by ISK 42 bn.
- » The Bank closely monitors and manages its overall liquidity risk, in both FX and ISK. The Bank's liquidity coverage ratio (LCR) was 186% at the end of September 2019.
- » Total defaults by companies and households were 0.8% at the end of September 2019, which is the same ratio as at year-end 2018.

	9M 2019	9M 2018	Q3 2019	Q3 2018
	Amounts in ISKm			
After-tax profit	14,360	15,393	3,247	3,780
ROE after taxes	7.9%	8.8%	5.4%	6.5%
Interest spread on assets and liabilities*	2.4%	2.7%	2.3%	2.7%
Cost-income ratio**	41.4%	45.0%	43.9%	45.9%
	30.9.2019	30.9.2018	31.12.2018	31.12.2017
Total assets	1,415,262	1,317,205	1,326,041	1,192,870
Loans to customers	1,136,804	1,038,005	1,064,532	925,636
Customer deposits	703,762	692,672	693,043	605,158
Equity	243,860	235,892	239,610	246,057
Total capital ratio	23.6%	24.8%	24.9%	26.7%
Net stable funding ratio on foreign currency	158%	168%	166%	179%
Aggregate liquidity coverage ratio	186%	154%	158%	157%
Foreign currency LCR	577%	392%	534%	931%
Loans in arrears (>90 days)	0.8%	0.5%	0.8%	0.9%
Full-time equiv. positions	903	948	919	997

* Net interest margin = (Interest income/average total asset position) – (interest expense/average total liabilities).

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

Financial calendar

6 February 2020 – Annual Financial Statements 2019
27 March 2020 – Annual General Meeting 2020
7 May 2020 – Q1 2020 results
30 July 2020 – Q2 2020 results
29 October 2020 – Q3 2020 results
11 February 2021 – Annual Financial Statements 2020

Teleconference to present results

Landsbankinn's results for the first nine months of 2019 will be presented at a teleconference for market actors at 10:00, Friday 25 October. The meeting will be held in English. Please register for participation by emailing

ir@landsbankinn.is.