



Landsbankinn: Financial Results

January- March 2018



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Financial results of Landsbankinn for Q1 2018

In the first three months of 2018, Landsbankinn's net after-tax profit was ISK 8.1 billion. Profit for the same period of 2017 amounted to ISK 7.6 billion. Return on equity (ROE) in Q1 was 13.7% compared to 12.5% during the same period of 2017.

Net interest income was ISK 9.6 billion, up by 20.2% between periods. Net commission income amounted to ISK 1.7 billion, decreasing by 20.1% as compared with the same period the previous year. Positive value changes amounted to ISK 1.0 billion in Q1, as compared with ISK 1.8 billion in Q1 2017.

Other operating income amounted to ISK 4.5 billion as compared with ISK 3.8 billion in Q1 of 2017, which is an 18% increase between periods. The default ratio continued to drop, was 0.6% in Q1 as compared with 1.3% for the same period of 2017.

The interest margin on assets and liabilities was 2.7% in Q1 2018, up from 2.2% in Q1 2017.

The Bank's operating income in the first three months of the year amounted to ISK 16.8 billion as compared with ISK 15.7 billion for the same period in 2017, which is an increase of 7% between periods. Operating expenses increased by 1.4% as compared with the same period in 2017. Total operating expenses in Q1 2018 amounted to ISK 6 billion as compared with ISK 5.9 billion in Q1 2017. Operating expenses less wages amounted to ISK 2.3 billion, decreasing by 3.8% from the same period the previous year. The cost-income ratio for the first three months of the year was 37.9%, as compared with 42.5% for the same period last year.

Landsbankinn's lending portfolio grew by ISK 11 billion during the period, with lending to both individuals and corporate clients increasing. Deposits from customers with Landsbankinn increased by 2.8% between periods, or by ISK 16.9 billion. Individuals deposits account for around ISK 8 billion of the increase.

As of 31 March this year, Landsbankinn's equity amounted to ISK 228.6 billion and its capital adequacy ratio was 24.7%. Landsbankinn pays dividend in the total amount of ISK 24.8 bn this year. Dividends are paid in two instalments, ISK 15.4 billion in dividend for the operating year 2017, which is equivalent to 78% of that year's profit, and a special dividend to shareholders in the amount of ISK 9.5 billion, to be paid to shareholders on 19 September 2018.

Lilja Björk Einarsdóttir, CEO of Landsbankinn:

“Landsbankinn’s performance in the first quarter of 2018 was positive. A higher market share alongside stronger economic activity have contributed to a significant growth in both lending and deposits between periods. At the same time, the Bank has achieved positive results through efficiency measures and a more favourable funding structure. It is enjoyable that we continue to see the increasingly stronger position of both households and companies reflected in the both growing deposits and not least in falling default rates.

Landsbankinn places strong emphasis on building solid and long-term business relationships with both individuals and corporations. We consider this strong focus to be one of the main reasons that surveys show increased satisfaction with the Bank’s services, record-high trust in the Bank and a growing market share in both the retail and corporate markets.

In recent months, Landsbankinn has introduced several new electronic service solutions, including the Landsbankinn App. The Bank had previously offered customers the opportunity to adjust their overdraft manually through online banking and apply for payment equalisation for their credit cards online. Reception of these solutions has exceeded all expectations - customers clearly appreciate the opportunity to tend to their banking business via computer or mobile device, anywhere and anytime it suits them. Towards the end of 2017, Landsbankinn implemented a new payment and deposit system from Sopra, the first Icelandic bank to do so. The Bank can base future digital growth on solid foundations and will place even more emphasis on innovative electronic solutions.”

Key figures from the profit and loss account for Q1 2018

Operations:

- » Landsbankinn’s profit in Q1 amounted to ISK 8.1 bn, as compared to ISK 7.6 bn in Q1 2017.
- » Return on equity (ROE) after taxes was 13.7% as compared to 12.5% for the same period of 2017.
- » Net interest income during the first three months of the year was ISK 9.6 bn as compared with ISK 8.0 bn in the same period in 2017.
- » Value changes to lending in the first three months of the year were positive by ISK 1.0 bn.
- » Net commission income decreased by 20.1% and amounted to ISK 1.7 bn as compared with ISK 2.1 bn in Q1 2017.
- » The net interest margin on assets and liabilities was 2.7%, as compared to 2.2% for the same period the previous year.
- » Wages and related expenses amounted to ISK 3.7 billion, an increase of 4.9% between periods.
- » Other operating expenses amounted to ISK 2.3 bn, decreasing by 3.8% from the same period the previous year.
- » The cost-income ratio for the first three months of the year was 37.9%, as compared with 42.5% for the same time last year.
- » Full-time equivalent positions numbered 998 on 31 March, down from 1,000 the same time last year.

Balance sheet:

- » Landsbankinn's equity at the end of March 2018 amounted to ISK 228.6 billion, decreasing by 7.1% from the beginning of this year.
- » The Bank's total capital ratio as at 31 March 2018 was 24.7%, down from 27.4% at the end of March 2017. This is well above the 21.4% capital requirement determined by the Financial Supervisory Authority, Iceland.
- » Landsbankinn's total assets amounted to ISK 1,206 bn as of the end of March 2018.
- » Customer deposits amounted to ISK 622 bn at the end of March 2018 as compared to ISK 605.2 bn at the end of 2017.
- » New loans to customers in Q1 are in the amount of ISK 142 bn. Having regard for instalments, revaluations and other factors, total loans to customers increased by ISK 11 billion during the period.
- » The Bank's liquidity position remains strong, both in foreign currency and Icelandic króna and well above regulatory requirements. At the end of March 2018, the Bank's liquidity ratio was 171%.
- » Total defaults by companies and households were 0.6% at the end of March 2018, as compared with 0.9% at year-end 2017.

	Q1 2018	Q1 2017	2017	2016
	Amounts in ISKm			
After-tax profit	8,102	7,576	19,766	16,643
ROE after taxes	13.7%	12.5%	8.2%	6.6%
Adjusted ROE after taxes*	13.8%	11.7%	9.0%	7.7%
Interest margin on assets and liabilities**	2.7%	2.2%	2.5%	2.3%
Cost-income ratio***	37.9%	42.5%	46.1%	48.4%

	31.03.2018	31.03.2017	31.12.2017	31.12.2016
Total assets	1,206,148	1,182,467	1,192,870	1,111,157
Loans to customers	936,636	872,350	925,636	853,417
Customer deposits	622,021	594,565	605,158	589,725
Equity	228,601	233,894	246,057	251,231
Total capital ratio	24.7%	27.4%	26.7%	30.2%
Net stable funding ratio on foreign currency	168%	159%	179%	154%
Aggregate liquidity coverage ratio	171%	158%	157%	128%
Foreign currency liquidity coverage ratio	751%	153%	931%	743%
Loans in arrears (>90 days)	0.6%	1.3%	0.9%	1.5%
Full-time equiv. positions	998	1,000	997	1,012

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

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

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