



Financial statement of Landsbankinn

January - March 2015



11 May 2015

News release for Q1 financial statements

Landsbankinn reports an ISK 6.4 bn profit for the first three months of 2015

In the first three months of 2015, Landsbankinn's net after-tax profit was ISK 6.4 bn as compared with an ISK 4.3 bn profit for the same period in 2014. The Bank's operating income has increased due to a large extent to higher capital gains on equities during the period. The cost-income ratio decreases considerably, is 48% for the first three months of 2015 as compared with 72% for the same period last year. On 29 March 2015, the Financial Supervisory Authority (FME) decided, based on authorisations provided for in the Act on Financial Undertakings, on the merger of Landsbankinn and Sparisjóður Vestmannaeyja ses., without debt composition measures. The effect of the merger on operations will first become evident in the Bank's half year financial statements.

Steinþór Pálsson, CEO of Landsbankinn: "The Bank's operations have been successful so far this year. Its position remains strong and, despite an ISK 24 billion dividend payment the Bank's equity is still high. There has been a significant growth in both lending and deposits and an increasing number of customers choose to bring their business to Landsbankinn. Our customer group grew even larger with the merger with Sparisjóður Vestmannaeyjar and Landsbankinn is very well positioned to receive the newcomers. New shareholders join the Bank's group of owners, which is very pleasing. Extensive strategy planning for the next five years was completed in Q1. The objective of the strategic plan is to ensure profitable and efficient operations for the long term. As before, the Bank's vision is to be exemplary and a trusted financial partner to its customers for the mutual benefit for both. The Bank intends to be a dynamic force and operate in harmony with the environment and the community so that its customers can say: "This is what a bank should be like"."

Key figures from the profit and loss account and balance sheet for Q1 2015

Operations:

- » In the first three months of 2015, Landsbankinn's after-tax profit was ISK 6.4 bn as compared to just under ISK 4.3 bn for the same period in 2014.
- » Return on equity (ROE) after taxes for the period was 10.6% as compared to a ROE of 7.3% for the same period in 2014.
- » Net interest revenue during the first three months of the year was ISK 7.3 bn as compared with ISK 7.9 bn in the same period in 2014.
- » The ratio of interest spread to average capital position is falling, was 2.6% in the first three months of the year as compared to 2.7% for the same period in 2014.
- » Net commission income amounted to ISK 1.6 bn, increasing by 8% from the same period the previous year.
- » Other operating revenues increase by ISK 5 bn to a large extent due to higher capital gains on equities.
- » Net value adjustments of lending in the first three months of the year were positive by ISK 1.6 bn.
- » Allowing for inflation, the real increase of operating expenses amounts to 1.3% between years.
- » Salaries and related expenses increase by 7% between years for the most part due to the cost of severance agreements. Operating expenses less salaries and related expenses drop by 2.6%.
- » The cost-income ratio for the first three months of the year was 48%, as compared with 72% for the same time last year. This decrease is largely due to increased capital gains on equities during the period.
- » Full-time equivalent positions were 1,102 as at 31 March 2015, down from 1,178 the same time the previous year.

Balance sheet:

- » The Bank's equity amounted to ISK 233.9 bn at the end of March and has decreased by 7% since the beginning of the year. An ISK 24 bn dividend payment to shareholders accounts for the decrease.
- » The Bank's capital adequacy ratio (CAR – Capital Adequacy Ratio) is now 26.7%, up from 24.8% at the end of March 2014. This is well above FME requirements.
- » Landsbankinn's total assets amounted to ISK 1,172 bn as at the end of March 2015.
- » Customer deposits have increased considerably and amounted to ISK 624 bn at the end of March 2015.
- » New lending to customers in Q1 amounts to ISK 37 bn yet instalments, valuation adjustments and other factors contribute to a total increase in lending of ISK 17 bn during the period. The merger with Sparisjóður Vestmannaeyja accounts for around ISK 7 bn of that amount.
- » The Bank's liquidity position is very strong, both in foreign currency and Icelandic króna, and is well above regulatory requirements. The Bank's total liquidity position, including its foreign currency liquidity position, is also well above the requirements prescribed by the Central Bank.
- » The Bank has a favourable foreign currency position and assets in foreign currencies amount to around ISK 20 bn in excess of foreign currency liabilities.
- » Total defaults by companies and households were 2.3% at the end of March 2015 and remain unchanged year to date.

| | Q1 2015 | Q1 2014 | 2014 | 2013 |
|------------------------------------|-----------|-----------|-----------|-----------|
| After-tax profit | 6,412 | 4,288 | 29,737 | 28,759 |
| ROE after taxes | 10.6% | 7.3% | 12.5% | 12.4% |
| Net interest spread / total assets | 2.6% | 2.7% | 2.4% | 3.1% |
| Cost-income ratio | 48.0% | 72.0% | 56.0% | 42.9% |
| Real change of operating expenses | 1.3% | 3.3% | 5.9% | -10.1% |
| Total assets | 1,172,380 | 1,153,804 | 1,098,370 | 1,151,516 |
| Loans to customers | 735,479 | 681,883 | 718,355 | 680,468 |
| Customer deposits | 624,063 | 468,661 | 551,435 | 456,662 |
| CAR | 26.7% | 24.8% | 29.5% | 26.7% |
| NSFR FX | 142% | | 134% | |
| Total LCR | 118% | 104% | 131% | 102% |
| LCR FX | 379% | 224% | 614% | 208% |
| Foreign currency position | 19,905 | 18,436 | 20,320 | 14,457 |
| Loans in arrears (>90 days) | 2.3% | 5.0% | 2.3% | 5.3% |
| Full-time equiv. positions | 1,102 | 1,178 | 1,126 | 1,183 |

Key aspects of operations in the first three months of 2015

- » Based on an agreement between Landsbankinn and the Board of Directors of Sparisjóður Vestmannaeyja, the Financial Supervisory Authority (FME) decided on the merger of Landsbankinn and Sparisjóður Vestmannaeyja. The merger became effective as of Sunday, 29 March. As of that time, all employees of the savings bank became employees of Landsbankinn and the Bank took over all assets and liabilities of the savings bank.
- » Landsbankinn continues to hold the largest market share in new housing loans. In Q1, there was a growth spurt in new housing loans which now amount to ISK 12.8 bn, up from ISK 8.5 bn at the same time last year.
- » In the first quarter of 2015 Landsbankinn was the largest broker on Nasdaq OMX Iceland in bonds, with 24.2% market share and also the largest broker in stocks with 28.2% market share.
- » The Bank's AGM, held on 18 March, approved an ISK 24 bn dividend payment to the Bank's owners.
- » In March, Landsbankinn was the first bank in Iceland to be awarded the golden seal of PwC's Equal Pay Audit. Landsbankinn is also the largest company to participate in and pass the Equal Pay Audit.
- » For the second year running, the magazine Global Finance has named Landsbankinn the best bank in Iceland.
- » Also for the second year in a row, International Finance magazine named Landsbankinn the best bank in Iceland and Landsbankinn's online bank the best online banking service.
- » A new version of online banking for individuals was introduced in January. In February, the panel of the Icelandic Web Awards named it the best service website.
- » For the first time, Landsbankinn's annual report was published in electronic format only on the Bank's new annual report website.