



Landsbankinn's January - June 2021 results

News Release, 22 July 2021



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Financial results of Landsbankinn in H1 of 2021

- Landsbankinn's profit in the second quarter of 2021 amounted to ISK 6.5 billion.
- The Bank's profit in the first half of 2021 amounted to ISK 14.1 billion.
- Return on equity (ROE) was 10.8%.
- The cost/income ratio was 43.7% and operating efficiency continues to improve.
- Market share in the retail market was just below 39% - a record high.
- Mortgage lending has grown by 14.0% from the beginning of the year and the Bank's share in the housing loan market has never been higher.
- Almost every week for three years, Landsbankinn has offered the lowest variable rate on non-indexed housing mortgages available to all customers.
- Net fee and commission income increased by 21% since the beginning of the year, mainly from increasing asset management and corporate finance activity.
- The number of subscriptions to the funds of Landsbréf, the Bank's subsidiary, was up 19% and agreements for securities transaction services with the Bank increased by 34%.
- Assets under management by Landsbankinn are ISK 643 billion, an ISK 90 billion increase from the beginning of the year.
- Around 1,100 companies have become new Landsbankinn customers in the first six months of the year.
- Around 4,500 accounts have been created through the Save in App function, launched towards the end of March.

Landsbankinn's profit was ISK 14.1 billion during the first half of 2021, compared with a loss of ISK 3.3 billion for the same period in 2020. Return on equity (ROE) for the period was 10.8% on an annualised basis, compared with -2.7% during the same period of 2020.

In the first half of the year, net interest income was ISK 19 billion, the same amount as the previous year. Net fees and commissions amounted to ISK 4.4 billion, compared with ISK 3.6 billion for the same period the previous year. Other operating income was positive by ISK 6.9 billion; was negative by ISK 13.3 billion in the same period of 2020. The year-over-year change is explained by an ISK 2.8 billion impairment reversal, compared with an ISK 13.4 billion impairment in the same period of 2020 caused by uncertainty about the impact of the then nascent Covid-19 pandemic. Impairment reversals in the first half of the year are attributable to a less pronounced economic contraction in 2020 than expected and expectations for a turnaround in 2021.

The net interest margin as a ratio of total assets was 2.4% in the first half of 2021, compared with 2.5% in the same period the previous year.

Operating expenses were ISK 13 billion in the period, compared with ISK 13.2 billion for the same period last year. Salaries and related expenses were ISK 7.5 billion thereof, down by ISK 153 million between periods. Other operating expenses were ISK 4.5 billion, compared with ISK 4.6 billion for the same period last year.

The cost/income ratio for the first half of 2021 was 43.7%, compared with 54.1% in the same period in 2020.

Landsbankinn's total assets increased by ISK 113 billion during the period, amounting to ISK 1,677 billion at the end of the first half of 2021. Loans to customers grew by ISK 54.6 billion during the first half of the year, mainly due to increased lending to individuals. Deposits from customers amounted to ISK 843 billion at the end of the first half of 2021, compared with ISK 793 billion at year-end 2020, increasing by ISK 50 billion.

As at 30 June this year, Landsbankinn's equity amounted to ISK 267.9 billion and its capital ratio was 25.1%.

Lilja Björk Einarsdóttir, CEO of Landsbankinn:

"The Bank's results for the first six months of the year are very good - return on equity is good, operational expenses have decreased, and all business segments had solid results. There is a notable increase in asset management activity and the Bank's market share has never been higher.

Around mid-year 2020, we made considerable provisions for possible loan impairment. Few customer defaults and positive developments in the economy allow for the reversal of some of these provisions. The Bank continues to be well prepared to meet uncertainty caused by Covid-19.

Ongoing good operational results in recent years have given us an opportunity to improve customer pricing. For a span of almost 3 years, we have offered the lowest non-indexed mortgage loan rates. At the same time, we have emphasised swift and good customer service and continue to add new borrowing products. Our customers can get more favourable terms on fixed-rate loans if the mortgage ratio is below 60% and better again if the ratio is below 50%. We have also made it possible to fix interest rates directly in our banking app, making life much easier for customers.

Throughout the pandemic, we have provided strong support for our customers in the travel sector and for other customers experiencing difficulties. We consider it very important for companies to be able to begin the process of re-hiring and operating at full capacity after this difficult period. We have been leading in the construction market, financing thousands of apartments in the past year, and have continued to build solid relationships with leading contractors. Business with the seafood and fisheries sector has grown and the highlight in this sector year to date is undoubtedly the very successful public offering of Síldarvinnslan, coordinated by Landsbankinn Corporate Finance.

In the past year, public interest in investing savings in mutual funds and equities has grown considerably. In the first half of the year, the Bank's subsidiary Landsbréf, launched two new funds. The fund Eignadreifing sjálfbær was added to the selection of asset allocation funds and is available to all interested parties through Landsbankinn online banking. Brunnur vaxtarsjóður, a venture capital fund, began operating after raising ISK 8.3 billion from institutional investors. A third fund, Horn IV, is set to be launched soon. This is a new ISK 15 billion venture capital fund following up on the success of former Horn funds; it is intended for institutional investors. Our success in asset management is a reflection of trust towards the bank and Landsbréf.

In early summer, I visited all outlets of the Bank and was especially pleased to feel the energy that characterises the Landsbankinn team. We've recently made changes that make it easier for employees to offer customers service and advice, regardless of geographical location. These changes were extremely successful and perfectly fit our strategy of maintaining a presence throughout Iceland, at the same time

as we continue to promote our excellent digital service platform. Employee satisfaction is at a record high, rising alongside Landsbankinn topping the Icelandic Performance Satisfaction Index with the most satisfied customers in the banking market for two years in a row.

Our management of the Bank is sound, we are generating good returns for shareholders and connecting well with our customers. The Bank's new strategy is a strong guiding light. We are on a journey of continuous development and we are driven to succeed. That's Landsbankinn, an ever-smarter bank."

Key figures from the profit and loss account for Q2 2021

Operations:

- Landsbankinn's profit in Q2 2021 amounted to ISK 6.5 billion, compared with a profit of ISK 341 million in the same quarter of 2020.
- Return on equity (ROE) was 9.8% in Q2 2021, compared with 0.6% for the same period the previous year.
- Net interest income in the quarter amounted to ISK 10.3 billion, compared with ISK 9.5 billion in Q2 of 2020.
- Net impairment changes were positive by ISK 293 million in Q2 2021, compared with impairment of ISK 8.2 billion in Q2 2020.
- Net fee and commission income was ISK 2.3 billion, compared with ISK 1.7 billion in Q2 2020.
- The net interest margin as a ratio of total assets was 2.4% in Q2 2021, compared with 2.5% for the same period in 2020.
- Salaries and related expenses amounted to ISK 3.7 billion, compared with ISK 3.8 billion in Q2 2020.
- Operating expenses less salaries and related expenses amounted to ISK 2.2 billion in Q2 2021 and was also ISK 2.2 billion for the same period in 2020.
- The cost/income ratio in Q2 2021 was 41.7%, compared with 42.7% in the same quarter the previous year.
- Full-time equivalent positions at Landsbankinn were 844 as at 30 June 2021, down from 872 the same time the previous year.

Balance Sheet:

- Landsbankinn's equity as at the end of June 2021 amounted to ISK 267.9 billion.
- The Bank's total capital ratio as at 30 June 2021 was 25.1%, unchanged from the end of 2020. This is significantly higher than the 18.9% minimum requirement of the Financial Supervisory Authority of the Central Bank of Iceland.
- The Bank's total assets amounted to ISK 1,677 billion at the end of June 2021.
- Loans to customer grew by ISK 54.6 billion in the first half of 2021, with lending to individuals increasing by ISK 74.1 billion while lending to corporates contracted by ISK 19.5 billion.
- Deposits from customers were ISK 843 billion at the end of June 2021, compared with ISK 793 billion at year-end 2020.
- The Bank closely monitors and manages its liquidity risk, overall, and in both FX and ISK. The Bank's liquidity coverage ratio (LCR) was 180% at the end of June 2021, compared with 154% at year-end 2020.
- Total default by companies and households were 0.4% of lending. Temporary Covid-19 relief measures and payment moratoria likely lead to lower values for loans 90 days in arrears.

	H1 2021	H1 2020	Q2 2021	Q2 2020
Amounts in ISK millions				
After-tax profit (loss)	14,105	(3,287)	6,487	341
ROE after taxes	10.8%	-2.7%	9.8%	0.6%
Interest margin on average total asset position	2.4%	2.1%	2.5%	2.5%
Cost/income ratio*	43.7%	54.1%	41.7%	42.7%
	30.6.2021	30.6.2020	31.12.2020	31.12.2019
Total assets	1,677,297	1,501,110	1,564,177	1,426,328
Loans to customers	1,328,031	1,198,210	1,273,426	1,140,184
Deposits from customers	842,624	758,700	793,427	707,813
Equity	267,871	244,447	258,255	247,734
Total capital ratio	25.1%	24.9%	25.1%	25.8%
Net stable funding ratio in foreign currency	140%	121%	132%	143%
Total liquidity coverage ratio (LCR)	180%	191%	154%	161%
Foreign currency LCR	420%	476%	424%	769%
Loans in arrears (>90 days)	0.4%	0.8%	0.8%	0.8%
Full-time equiv. positions	844	872	878	893

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

Other aspects of Landsbankinn's operations in the first half of 2021

- Landsbankinn's market share in the retail market continues to grow. It was just under 39% at the end of June 2021, according to the Bank's data, and has never been higher. The Bank has held the largest share of the retail market since 2014.
- Mortgage lending has grown by 14.0% from the beginning of the year and the Bank's share in the housing loan market has never been higher.
- Landsbankinn was ranked highest by banking customers in the Icelandic Performance Satisfaction Index 2020, for the second year running.
- Around 4,500 accounts have been created through the Save in App function, launched towards the end of March. Most accounts were created for the purpose of saving for travel, the family and the home.
- Around 1,100 companies have become new Landsbankinn customers in the first six months of the year. In most cases, these companies on-boarded independently through the Bank's website or app. The registration process is simple and, in most cases, takes less than 90 seconds to complete.
- Net fee and commission income grew by 21% in the first half of the year, driven by an increase in new customers and business activity, not least in asset management and corporate finance.
- Agreements for securities trading service increased by 34% from the same time last year. This increase reflects growing interest in securities among both the general public and companies.
- Assets under management by Landsbankinn Group have increased by just under ISK 90 billion from the beginning of the year, or around 16%.
- Subscriptions to Landsbréf funds have gone up 19% since the beginning of the year. Landsbréf is a subsidiary of Landsbankinn.
- In the first half of the year, 55% more lenders took loans to purchase eco-friendly vehicles than in the same period last year.
- In July, international finance magazine *Euromoney* selected Landsbankinn as the best bank in Iceland, the third year in a row. International finance magazine *The Banker* had previously named Landsbankinn best bank in Iceland in 2020.

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- Landsbankinn issued its Sustainable Financing Label for the first time in July. UR Seafood (Útgerðarfélag Reykjavíkur hf.) was the initial recipient of the Label for its MSC Certified Sustainable Seafood.
 - In June, the municipality Árborg issued the first sustainability bond in Iceland - a successful issuance. Landsbankinn coordinated the process from start to finish, from acting as advisor in the development of a sustainable finance framework for the municipality, to the sale of the bonds and their admittance to trading.
 - Landsbankinn's branch in Ísafjörður moved to new and more suitable housing at Hafnarstræti 19 in June. The Bank accepted the highest offer received for its old building at Pólgata 1 and a purchase contract has been signed.
 - In June, the Bank finalised measurement of GHG emissions from its loan portfolio, first among domestic financial undertakings.
 - Eignadreifing sjálfbær (Asset Allocation Sustainable) is a new investment fund in the selection of Landsbréf, Landsbankinn's subsidiary. The fund began operation in June.
 - In May, it was announced that Landsbankinn Asset Management had partnered with international investment bank Goldman Sachs.
 - Landsbankinn achieved its best rating yet in a new ESG risk rating from Sustainalytics and now ranks no. 1 of the 423 banks the company assesses in Europe. Sustainalytics considers Landsbankinn at exceedingly low risk of experiencing material financial impacts from ESG factors.
 - A detailed macroeconomic forecast for 2021-2023, published by Landsbankinn Economic Research in May, has GDP growing by 5% this year and expects the travel sector to recover more quickly than previously forecast.
 - Landsbankinn Corporate Finance coordinated the successful PO of Síldarvinnslan hf. held 10-12 May.
 - The annual general meeting of Landsbankinn, held on 24 March 2021, agreed to pay a dividend amounting to ISK 4.5 million to shareholders. The dividend is equivalent to 43.7% of 2020 profits. Dividend payments from the Bank since 2013 total ISK 146 billion.
 - In February, Landsbankinn concluded the sale of its first EUR-denominated green bonds. The EUR 300 million bonds were issued at the lowest funding rates the Bank has achieved to date.
 - In February, Landsbankinn worked with Natural Capital Partners to carbon-offset its 2020 activity and achieved CarbonNeutral® company certification.
 - The Bank's first sustainable finance framework was published in January and was reviewed by international rating agency Sustainalytics.
 - In January, international rating agency S&P Global Ratings assigned a credit rating for covered bonds issued by Landsbankinn. The bonds are rated A- with stable outlook. This is the first time an international rating agency issues a rating grade for the covered bonds of an Icelandic bank.

Teleconference to present results

On Friday 23 July, at 10:00, the Bank will host a teleconference on its Q2 2021 results in English. Please register by email to ir@landsbankinn.is.

Landsbankinn's financial calendar

Q3 2021 results 28 October 2021

Annual results 2021 3 February 2022.