



Landsbankinn's January – June 2022 results

News Release, 21 July 2022

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Financial results of Landsbankinn in H1 of 2022

- The Bank's profit in the first half of 2022 amounted to ISK 5.6 billion, ISK 2.3 billion thereof in the second quarter.
- Return on equity (ROE) was 4.1%, falling short of the Bank's 10% target mainly because of fluctuations in equities held by the Bank.
- Net fee and commission income increased by 24% between years, mostly as a result of increased activity in asset management and market transactions.
- Net interest income grew by 13%, mainly driven by a growing loan book and rising interest rate levels.
- Market share in the retail market has increased steadily over the past few years and currently measures 39.3%.
- Operating expenses continue to decrease and the ratio of operating expenses to average total assets is now under 1.4%.
- Lending to corporates increased by ISK 33 billion in H1 of 2022, not having regard for exchange rate impact, mostly to the travel and fisheries sectors.
- A significant number of customers have fixed the rates on their non-indexed loans recently. At year-end 2021, 29% of non-indexed lending to individuals carried fixed rates; the percentage was 42% as at 30 June 2022.

In the first half of the year, net interest income was ISK 21.4 billion, compared with ISK 19.0 billion in the same period the previous year, an increase of 13% between periods. Landsbankinn's net fee and commission income amounted to ISK 5.4 billion, compared with ISK 4.4 billion for the same period the previous year. Other operating income was negative by ISK 4 billion; was positive by ISK 6.9 billion in the same period of 2021. Net credit impairment release was ISK 43 million YtD, compared with ISK 2.8 billion for the same period of 2021.

The interest margin on average total asset position was 2.5% in the first half of 2022, compared with 2.4% in the same period the previous year.

The Bank's operating expenses in the first half of 2022 were ISK 12.9 billion, compared with ISK 13 billion for the same period the previous year. Salaries and related expenses were ISK 7.3 billion thereof, compared with ISK 7.5 billion the same period the previous year. Other operating expenses were ISK 4.5 billion, remaining unchanged from the same period in 2021.

The cost/income ratio for the first half of 2022 was 52%, compared with 43.7% in the same period in 2021.

Landsbankinn's total assets decreased by ISK 1.7 billion during the period, amounting to ISK 1.728 billion at the end of H1 2022. Loans to customers grew by ISK 57.9 billion during the first half of 2022. Deposits from customers amounted to ISK 935 billion at the end of H1 2022, compared with ISK 900 billion at year-end 2021, increasing by ISK 35 billion.

Landsbankinn's equity amounted to ISK 267.7 billion as at 30 June this year and its total capital ratio was 24.9%.

The Bank's Annual General Meeting, held on 23 March 2022, approved a motion from the Board of Directors to pay a dividend to shareholders for the operating year 2021 in the amount of ISK 14,409 million. The AGM also approved the Board's motion to pay a special dividend of ISK 6,141 million. Dividend payments from the Bank since 2013 total ISK 166.7 billion.

Lilja Björk Einarsdóttir, CEO of Landsbankinn:

"The Bank is going strong and has introduced several new solutions recently. The app is constantly being enhanced, securities in the app have been a real hit and electronic registration of mortgage papers was a great milestone. The Bank's market share continues to grow. Surveys show that our customers are very satisfied with our services and that loyalty increases.

As these results show, the Bank's operation is sound and stable, with fluctuating items linked to equities markets reducing profits so far this year. Interest income increases alongside growing activity as does commission income, mainly driven by successful asset management and capital market activity based on the Bank's clear strategy. Operating expenses decrease slightly compared with the same period in 2021 and have been stable for several years.

Our lending activity is robust. Lending to corporates grew by ISK 33 billion in H1, disregarding exchange rate impact. This increase was led by lending to the export sector, both the travel sector and fisheries enterprises - a clear sign of the strength of these sectors. Lending to residential housing construction continues to be a large part of the Bank's lending activity. The lending/repayment cycle is shorter in the construction sector, leading to a balanced loan portfolio. We increased loan loss provisions against possible impairment mainly caused by growing risk from higher inflation and interest rate levels. In general, the position of borrowers is good and payment delinquency low. We are ready with varied solutions for customers who experience financial blows and encourage our customers to contact the Bank for advice and assistance.

The Bank has long been a proponent of sustainability and a new assessment by international rating firm Sustainalytics confirms for the second year in a row that the Bank is at exceedingly low risk of experiencing financial loss from environmental, social and governance factors (ESG). The Bank is among leading European banks in this field. This is an important outcome, one that solidifies Landsbankinn's reputation. It is also great to see how many companies are incorporating sustainability concerns to ensure operational success in the long term and contribute to responsible use of resources. We continue to issue Landsbankinn's Sustainable Financing Label to companies who meet the criteria for sustainable financing.

The Bank's success is based on strong foundations and fantastic staff. We want to foster an active and enjoyable workplace while also allowing for flexibility to work remotely in the short or longer term when it suits both parties. In the last quarter, we introduced new guidelines on remote work and flexibility that have been very well received. We also decided to ensure that employees receive 80% of wages during parental leave to support younger people.

I am satisfied with our results. We intend to achieve our 10% ROE target and offer customers good and competitive terms. We are focused on simplifying life for our customers by offering smart solutions, easy access to advice and good support for business and investment activity. We are Landsbankinn, an ever-smarter bank - a modern bank with a personal approach. This results in strong customer relationships and makes Landsbankinn an exceptional partner."

Key figures from the profit and loss account for Q2 2022

Operations:

- Landsbankinn's profit in Q2 2022 amounted to ISK 2.3 billion, compared with ISK 6.5 billion in Q2 2021.
- Return on equity (ROE) was 3.5% in Q2 2022, compared with 9.8% for the same period the previous year.
- Net interest income in the quarter amounted to ISK 11.2 billion, compared with ISK 10.3 billion in Q2 2021.
- Value changes to lending and claims were positive by ISK 735 billion in Q2 2022 as compared with a positive change in the amount of ISK 293 billion in Q2 2021.
- Net fee and commission income was ISK 2.8 billion, compared with ISK 2.3 billion in Q2 2021.
- Net interest margin as a ratio of total assets was 2.6% in Q2 2022, compared with 2.5% in the same period the previous year.
- Salaries and related expenses amounted to ISK 3.6 billion, compared with ISK 3.7 billion in Q2 2021.
- Operating expenses less salaries and related expenses amounted to ISK 2.1 billion in Q2 2022, compared with ISK 2.2 billion for the same period in 2021.
- The cost/income ratio in Q2 2022 was 49.3%, compared with 41.7% in the same quarter the previous year.
- Full-time equivalent positions at Landsbankinn were 786 as at 30 June 2022, down from 844 the same time the previous year.

Balance sheet:

- Landsbankinn's equity as at the end of June 2022 amounted to ISK 267.7 billion.
- The Bank's total capital ratio on 30 June 2022 was 24.9%, down from 26.6% at year-end 2021. This is significantly higher than the 18.8% minimum requirement of the Financial Supervisory Authority of the Central Bank of Iceland.
- Landsbankinn's total assets were ISK 1.728 billion at the end of June 2022.
- Loans to customers grew by ISK 57.9 billion in H1 2022. Lending to individuals increased by ISK 35 billion and lending to corporates increased by ISK 23 billion.
- Deposits from customers were ISK 935 billion at the end of June 2022, compared with ISK 900 billion at year-end 2021.
- The Bank closely monitors and manages its liquidity risk, overall, and in both FX and ISK. The Bank's liquidity coverage ratio (LCR) was 144% at the end of June 2022, compared with 179% at year-end 2021.
- Total default by companies and households was 0.2% of lending. Temporary Covid-19 relief measures and payment moratoria likely lead to lower values for loans 90 days in arrears.

	H1 2022	H1 2021	Q2 2022	Q2 2021
Amounts in ISK million				
After-tax profit	5,557	14,105	2,341	6,487
ROE after taxes	4.1%	10.8%	3.5%	9.8%
Interest margin on average total asset position	2.5%	2.4%	2.6%	2.5%
Cost/income ratio*	52.0%	43.7%	49.3%	41.7%
	30.6.2022	30.6.2021	31.12.2021	31.12.2020
Total assets	1,728,143	1,677,297	1,729,798	1,564,177
Loans to customers	1,445,399	1,328,031	1,387,463	1,273,426
Deposits from customers	835,123	842,624	900,098	793,427
Equity	267,650	267,871	282,645	258,255
Total capital ratio	24.9%	25.1%	26.6%	25.1%
Net stable funding ratio in foreign currency	136%	140%	142%	132%
Total liquidity coverage ratio (LCR)	144%	180%	179%	154%
Foreign currency LCR	184%	420%	556%	424%
Loans in arrears (>90 days)	0.2%	0.4%	0.3%	0.8%
Full-time equiv. positions	786	844	816	878

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

Other aspects of Landsbankinn's operations in the first half of 2022

- The Bank's market share continued to grow and is currently just over 39.3% of the retail market.
- We now allow third party service providers to display information about our customers' payment accounts in their own apps. This was an important milestone in meeting the requirements of the PSD2 directive and we are the first Icelandic bank to make this happen.
- The customer response to basing refinancing on 2023 real estate value as soon as it was published in June was overwhelmingly positive. Many customers were as a result able to lighten debt service on their mortgages.
- 11 businesses have received Landsbankinn's Sustainable Financing Label. Landsbankinn's Sustainable Financing Label is awarded to corporates who meet the sustainability criteria in the Bank's Sustainable Finance Framework and fulfil strict ESG requirements.
- This spring, we decided to ensure that full-time employees receive 80% of wages during parental leave by offering a supplemental grant against payment from the parental leave fund for a period of six months. The aim is to encourage and help all parents to take advantage of parental leave.
- We introduced new remote work guidelines, setting out the general criteria that employees can work from home eight days each month yet no more than two consecutive days. While remote work can be a good option, we think it equally important to attend the workplace. Longer consecutive time working from home can be applied for, such as in the case of moving or for personal reasons.

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- We made changes to the login process for online banking and the app in May. This involves requiring customers who log in with a username and password to confirm their login with a security number texted to their phones. This change reflects new rules on payment services.
 - Landsbankinn Corporate Finance acted as certified advisor to Alvotech in the preparation and execution of listing on the Nasdaq First North Iceland Growth Market and was among the company's advisors in the preparation for listing on Nasdaq New York.
 - Six applicants received grants from Landsbankinn's Sustainability Fund in June. This is the initial allocation from the Fund. We also awarded scholarships to fifteen exceptional students from our Community Fund.
 - An updated ESG risk rating from Sustainalytics considers Landsbankinn at exceedingly low risk of experiencing material financial impacts from environmental, social and governance factors (ESG).
 - International rating agency S&P Global Ratings announced in May that it had upgraded the credit rating for covered bonds issued by Landsbankinn.
 - The finals of sports tournament Skólahreysti were held in May. A total of 67 schools competed in the preliminaries, 12 advanced to the finals and Flóaskóli emerged victorious. Landsbankinn is the main sponsor Skólahreysti.
 - Landsbankinn Economic Research published a macroeconomic and inflation forecast to year-end 2024.
 - In May, Landsbankinn became the first bank to offer electronic public registration of refinanced mortgages.
 - In January, it was revealed that Landsbankinn had topped the Icelandic Performance Satisfaction Index for banking customers, or the third year in a row.

Landsbankinn's financial calendar

Q3 2022 results	27 October 2022
Annual results	2 February 2023