



Landsbankinn's January - March 2021 results

Press Release, 6 May 2021



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Financial results of Landsbankinn for the first three months of 2021

- The Bank's profit in the first three months of 2021 amounted to ISK 7.6 billion.
- Return on equity (ROE) was 11.7%.
- Net fee and commission income grew alongside increased capital market activity while net interest margin decreased, mostly because of the Bank's emphasis on offering very competitive terms on housing mortgages.
- The cost/income ratio was 45.8% and operational efficiency continues to grow.
- Forecasts for economic revival and a detailed assessment of the Bank's loan book lead to an ISK 2.5 billion impairment reversals.
- Market share in the retail market is around 38%.
- Market share in mortgage lending has never been higher and has grown to 26.8% from 22.0% since the beginning of 2020.
- Around 500 companies have become new Landsbankinn customers in the first three months of the year.
- During the first three months of the year, customers booked a total of 15,000 consultation calls and appointments.
- Around 1,900 accounts have been created through Save in the App function, launched towards the end of March.
- Important milestones in the journey towards sustainability were reached during the period.

Landsbankinn's after-tax profit during the first three months of 2021 was ISK 7.6 bn, compared with ISK 3.6 billion loss for the same period of 2020. Return on equity (ROE) for the period was 11.7% on an annualised basis, compared with -5.9% during the same period of 2020.

Net interest income amounted to ISK 8.6 billion, compared with ISK 9.4 billion in the same period the previous year, which is an 8.5% decrease between periods. Net fee and commission income amounted to ISK 2.1 billion, compared with ISK 1.9 billion for the same period the previous year. Other operating income was positive by ISK 5.1 billion; negative by ISK 8 billion in 2020. The year-over-year change is explained by an ISK 2.5 billion impairment reversals, compared with ISK 5.2 billion impairment in 2020 caused by uncertainty about the impact of the then nascent Covid-19 pandemic. Impairment reversals in the quarter are attributable to a less serious economic contraction in 2020 than expected and expectations for a turnaround in 2021.

Net interest margin as a ratio of total assets was 2.2% in the first three months of 2021, compared with 2.6% in the same period the previous year.

Other operating expenses were ISK 6.6 billion, compared with ISK 6.7 billion for the same period last year. Salaries and related expenses were ISK 3.8 billion thereof, remaining unchanged between periods. Other operating expenses were ISK 2.8 billion, compared with ISK 2.9 billion for the same period last year.

The cost/income ratio for the first three months of the year was 45.8%, compared with 72.6% for the same time last year.

Landsbankinn's total assets increased by ISK 36.8 billion during the period, amounting to ISK 1,601 billion at the end of the first quarter. Loans to customers grew by ISK 14 billion during the first quarter, mainly due to increased lending to individuals. Deposits from customers amounted to ISK 794 billion at the end of the quarter, compared with ISK 793 billion at year-end 2020.

As at 31 March this year, Landsbankinn's equity amounted to ISK 261.4 billion and its total capital ratio was 24.9%. The Bank's AGM, held on 24 March 2021, approved a motion from the Board of Directors to pay a dividend in the amount of ISK 4,489 million for the 2020 operating year. The dividend has been paid out to shareholders.

Lilja Björk Einarsdóttir, CEO of Landsbankinn:

"Landsbankinn's good results in the first quarter reflect successful activity across all aspects of its operation and improving economic conditions. The Bank's market share in the retail market is around 38% and, in just over one year, the Bank's share in the mortgage market has grown from 22.0% to 26.8% and has never been higher. In the first three months of the year, over two thousand individuals and families took out mortgages with the Bank and just under 400 of those customers were first-time housing buyers. The Bank's standing in the corporate market is also strong and satisfaction with its services high.

Most notable in these results is the increase in net fee and commission income, including income from increased activity in capital markets, not least as a result of the Bank's successful asset management activity. Performance of bonds held by the Bank is good and interest income solid. Net interest margin continues to decrease, most notably as a result of the Bank's emphasis on offering very competitive rates on housing mortgages. We have been successful in keeping operating expenses down and efficiency in the Bank's operation continues to grow. Operating expenses as a ratio of total assets is 1.5% and has decreased surely and steadily in recent years.

The Bank's total profit for the first quarter was ISK 7.6 billion, compared with a loss of ISK 3.6 billion in the same quarter 2020. Profitability was 11.7%, compared with -5.9% in the same period last year. Our detailed assessment of expected credit loss and forecasts of an expected turnaround in the economy account for positive valuation changes in the amount of ISK 2.5 billion.

The first quarter was also a very important part of the Bank's sustainability journey, including several important milestones. We published a sustainable finance framework and subsequently issued green bonds in the amount of EUR 300 million at the most favourable terms the Bank has ever achieved. The Bank's team has deep and solid knowledge of sustainable financial services and the Bank continues to be a leader in the field, both internally and on the customer side.

A clear strategy has yielded results in the form of new solutions for customers, increased satisfaction and improved and more efficient service. Since 2017, we have been focused on boosting our digital service platform following a long period of building up infrastructure. Around 40 new solutions have been introduced since. At the same time, we have continued to build strong technological foundations and emphasised data development and utilisation. Our success manifests among other things in that the majority of the 500 companies, who became Landsbankinn customers in the first quarter, did so through our app or website. On average, the process of becoming a customer took 85 seconds. Nearly all contracts and communication are electronic and customers have been quick to take advantage of the option to make appointments online. A total of 15,000 consultation calls and appointments were made online in the first quarter. We made life simpler for individuals, friends and families by introducing the option of saving in the app, either individually or together. Since the solution was introduced in March, around 1,900 savings accounts have been created. Most people are saving up for a holiday, something we're all looking forward to doing once the pandemic is finally over. We're simplifying life for our customers. That's what Landsbankinn, an ever-smarter bank, is all about."

Key figures from the profit and loss account for Q1 2021

Operations:

- Landsbankinn's profit in Q1 2021 amounted to ISK 7.6 billion, compared with a loss of ISK 3.6 billion in the same quarter of 2020.
- Return on equity (ROE) was 11.7% in Q1 2021, compared with -5.9% for the same period the previous year.
- Net interest income in the quarter amounted to ISK 8.6 billion as compared with ISK 9.4 billion in Q1 of 2020.
- Net impairment changes were positive by ISK 2.5 billion in Q1 2021, compared with impairment of ISK 5.2 billion in Q1 2020.
- Net fee and commission income was ISK 2.1 billion, compared with ISK 1.9 billion in Q1 of 2020.
- Net interest margin as a ratio of total assets was 2.2% in Q1 2021, compared with 2.6% for the same period in 2020.
- Salaries and related expenses amounted to ISK 3.8 billion, compared with ISK 3.8 billion in Q1 2020.
- Operating expenses less salaries and related expenses amounted to ISK 2.8 billion in Q1 2021, compared with ISK 2.9 billion for the same period in 2020.
- The cost/income ratio in Q1 2021 was 45.8%, compared with 72.6% in the same quarter the previous year.
- Full-time equivalent positions at Landsbankinn were 869 as at 31 March 2021, down from 886 the same time the previous year.

Balance Sheet:

- Landsbankinn's equity at the end of Q1 2021 was ISK 261.4 billion, an increase of ISK 3.1 billion compared with equity at year-end 2020. An ISK 4,489 million dividend was paid to shareholders on 31 March.
- The Bank's total capital ratio at the end of Q1 2021 was 24,9% as compared with 25.1% at year-end 2020. This is significantly higher than the 18.8% minimum requirement set by the Financial Supervisory Authority of the Central Bank of Iceland.
- Landsbankinn's total assets amounted to ISK 1,601 billion as of the end of March 2021.
- Loans to customers grew by ISK 14 billion, with lending to individuals increasing by ISK 26 billion while lending to corporates contracted by ISK 12 billion.
- Deposits from customers were ISK 794 billion at the end of March 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 202% at the end of March 2021, compared with 154% at year-end 2020.
- Total defaults by companies and households remained stable between years at 0.6%. Temporary Covid-19 relief measures lead to lower values for loans 90 days in arrears.

	Q1 2021	Q1 2020	2020	2019
Amounts in ISKm				
After-tax profit (loss)	7,618	(3,628)	10,521	18,235
ROE after taxes	11.7%	-5.9%	4.3%	7.5%
Interest margin on average total asset position	2.2%	2.6%	2.5%	2.8%
Cost/income ratio*	45.8%	72.6%	47.4%	42.6%
	31.3.2021	31.3.2020	31.12.2020	31.12.2019
Total assets	1,600,952	1,523,188	1,564,177	1,426,328
Loans to customers	1,287,448	1,190,536	1,273,426	1,140,184
Customer deposits	794,252	755,160	793,427	707,813
Equity	261,384	244,106	258,255	247,734
Total capital ratio	24.9%	24.8%	25.1%	25.8%
Net stable funding ratio in foreign currency	140%	127%	132%	143%
Total liquidity coverage ratio (LCR)	202%	196%	154%	161%
Foreign currency LCR	477%	489%	424%	769%
Loans in arrears (>90 days)	0.6%	0.7%	0.8%	0.8%
Full-time equiv. positions	869	886	878	893

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

Teleconference to present results

On Friday 7 May, at 10:00, the Bank will host a teleconference on its Q1 2021 results in English. Please register by email to ir@landsbankinn.is.

Landsbankinn's financial calendar

Q2 2021 results 22 July 2021

Q3 2021 results 28 October 2021

Annual results 2021 3 February 2022.