



Landsbankinn's January - March 2022 results

News Release, 5 May 2022

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Financial results of Landsbankinn for the first three months of 2022

- Landsbankinn's net profit in the first three months of 2022 was ISK 3.2 billion.
- Return on equity (ROE) was 4.7%.
- Net fee and commission income increased by 28.5% YoY, mainly from growing activity in asset management and capital markets.
- Net interest income grew by 19%, mainly driven by a larger balance sheet and better returns on liquid assets.
- Market share in the retail market measured 39% at the end of the quarter, slightly higher than in the same quarter last year.
- The cost/income ratio was 54.9% and costs remain stable. Operating expenses as a ratio of average total assets were 1.4%.
- Growth in mortgage lending has declined while lending to corporates increased by ISK 20.7 billion, not having regard for exchange rate impact.
- Around 90% of new housing mortgages in the first quarter were non-indexed and 58% of the mortgages carry fixed rates, in most cases for a 3-year period.
- Landsbankinn became a Visa principal member, increasing operational efficiency and making it easier for the Bank to offer new services linked to payment cards, among other things.
- Mortgage papers were registered electronically for the first time in February, with Landsbankinn becoming the first Icelandic bank to offer this service.
- The transaction volume in Landsbréf's mutual funds has grown by 30% between years.

Landsbankinn's net profit during the first three months of 2022 was ISK 3.2 billion, compared with ISK 7.6 billion for the same period in 2021. Return on equity (ROE) for the period was 4.7% on an annualised basis, compared with 11.7% in the same period of 2021.

Net interest income amounted to ISK 10.3 billion, compared with ISK 8.6 billion for the same period the previous year, which is an 19% increase between periods. Landsbankinn's net fee and commission income was ISK 2.6 billion, compared with ISK 2.1 billion for the same period the previous year. Other operating income was negative by ISK 1 billion; was ISK 5.1 billion in the same period of 2021. Net credit impairment release was 0.8 billion in Q1, compared with a release of ISK 2.5 billion in the same period of 2021.

The net interest margin calculated as a ratio of average total assets was 2.4% in the first three months of 2022, compared with 2.2% in the same period the previous year.

The Bank's operating expenses in the first three months of 2022 amounted to ISK 6.7 billion, compared with ISK 6.6 billion for the same period the previous year. Salaries and related expenses were ISK 3.8

billion thereof, unchanged between periods. Other operating expenses were ISK 2.9 billion, compared to ISK 2.8 billion for the same period the previous year.

The cost/income ratio for the first three months of 2022 was 54.9%, compared with 45.8% in the same period of 2021.

Landsbankinn's total assets increased by ISK 3.8 billion during the period, amounting to ISK 1.734 billion as at 31 March 2022. Loans to customers grew by ISK 29 billion during the first three months of 2022, due to increased lending both to individuals and corporates. Deposits from customers amounted to ISK 922.6 billion, compared with ISK 900.1 billion at year-end 2021, increasing by ISK 22.5 billion.

Landsbankinn's equity amounted to ISK 265.3 billion as at 31 March 2022 and the total capital ratio was 24.3%. The Bank's AGM, held on 23 March 2022, approved a motion from the Board of Directors to pay a dividend in the amount of ISK 14,409 million for the 2021 operating year and that the payment be in two instalments. The first instalment in the amount of ISK 7,323 million was paid to shareholders on 30 March 2022. The second instalment in the amount of ISK 7,086 million will be paid out on 21 September 2022. The AGM also approved the Board's motion to pay a special dividend of ISK 6,141 million and it was paid to shareholders on 28 April 2022. Dividend payments from the Bank since 2013 total ISK 166.7 billion.

Direct effects of the ongoing war in Ukraine on the Bank's risk profile are minimal and indirect effects mainly express themselves in changing market conditions that can affect the Bank's customers, increased inflation in Iceland and in the economies of Iceland's main trading partners, increased volatility in financial markets and a potential increase in cyber risk.

Lilja Björk Einarsdóttir, CEO of Landsbankinn:

"These results represent a strong beginning to the year for Landsbankinn and describe a robust operation and strong market position. Net interest income grew by 19% and net fee and commission income by 28%, results that are mainly driven by an increased market share and successful asset management and capital markets activity. Landsbréf continues its good performance following excellent 2021 results. While fluctuating equity markets have a negative effect on the quarter's results, release of credit impairment contributes positively.

Good operation and strong standing allow the Bank to pay ISK 20.6 billion in dividend this year, lowering the Bank's capital ratio slightly. The Bank's liquidity and capital position remains considerably higher than regulatory requirements and is extremely robust compared to European banks. Following successful bond issuances earlier this year, the Bank's funding need is low in the near term - a positive point as we move into yet another period of uncertainty.

Increased lending to corporates leads to an ISK 37 billion growth in lending, not having regard for exchange rate impact. The Bank is strongly positioned in the housing mortgage market and maintains its lead in the construction market. We see a clear trend of households seeking to fix rates on their mortgages and understandably so, in light of the current uncertainty about developments in the interest rate environment and inflation.

We reached an important milestone in February, when we began public registration of mortgages via digital channels. We are introducing this solution by steady measures and aim to finalise implementation in May. We are proud of this achievement and pleased about how much this simplifies life for customers. We have collaborated extensively and well with the authorities to achieve electronic public registration of documents, moving mountains to get to this point. We've also launched securities trading in the app, a welcome new feature for customers who refinance with the Bank. Around 80% of transactions with equities and Landsbréf funds are now executed through the app or online banking. The highlight of the first quarter was topping the list of banks in the Icelandic Performance Satisfaction Index for the third year in a row. Landsbankinn holds a strong position in the Icelandic economy and we will continue our efforts to introduce smarter banking service and strengthen bonds with our customers.

We have for several years been focused on promoting sustainability and are very pleased to see high demand for the Bank's sustainable finance products. Eleven businesses and projects have now received Landsbankinn's Sustainable Financing Label, attesting to their fulfilment of the criteria set forth in the Bank's sustainable finance framework. The most effective way for banks to contribute to sustainable development is to support and promote increased sustainability of its customers - we intend to continue to lead in this field."

Key figures from the financial results for Q1 2022

Operations:

- Landsbankinn's net profit in Q1 2022 amounted to ISK 3.2 billion, compared with ISK 7.6 billion in Q1 2021.
- Return on equity (ROE) was 4.7% in Q1 2022, compared with 11.7% for the same period the previous year.
- Net interest income in the quarter amounted to ISK 10.3 billion, compared with ISK 8.6 billion in Q1 of 2021.
- Net credit impairment release was ISK 0.8 billion in Q1 2022, compared with a release of ISK 2.5 million in Q1 2021.
- Net fee and commission income was ISK 2.6 billion, compared with ISK 2.1 billion in Q1 2021.
- Net interest margin calculated as a ratio of total assets was 2.4% in Q1 2022, compared with 2.2% in the same period the previous year.
- Salaries and related expenses amounted to ISK 3.8 billion, unchanged between periods.
- Operating expenses less salaries and related expenses amounted to ISK 2.9 billion in Q1 2022 as compared with ISK 2.8 billion for the same period in 2021.
- The cost/income ratio in Q1 2022 was 54.9%, compared with 45.8% in the same quarter the previous year.
- Full-time equivalent positions at Landsbankinn were 791 as at 31 March 2022, down from 869 the same time the previous year.

Balance Sheet:

- Landsbankinn's equity as at the end of March 2022 amounted to ISK 265.3 billion, down by ISK 17.3 billion from year-end 2021.
- The first instalment of dividends to shareholders in the amount of ISK 7,323 million was paid to shareholders on 30 March 2022. The second instalment in the amount of ISK 7,086 million will be paid out on 21 September 2022. A special dividend of ISK 6,141 million was paid to shareholders on 28 April 2022.
- The Bank's total capital ratio on 31 March 2022 was 24.3%, as compared with 26.6% at year-end 2021. This is significantly higher than the 18.9% minimum requirement of the Financial Supervisory Authority of the Central Bank of Iceland.
- Landsbankinn's total assets were ISK 1.734 billion at the end of March 2022.
- Loans to customers grew by ISK 29 billion in the first three months of 2022 with lending to individuals increasing by ISK 17 billion and lending to corporates increasing by ISK 13 billion.
- Deposits from customers amounted to ISK 923 billion at the end of March 2022, compared with ISK 900 billion at the end of 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 142% at the end of March 2022, compared with 179% at year-end 2021.
- Loans in arrears (>90 days) by corporates and individuals were 0.2% of lending at the end of Q1. Temporary Covid-19 relief measures and payment moratoria likely lead to lower numbers.

	Q1 2022	Q1 2021	2021	2020
Amounts in ISK millions				
Net profit	3,216	7,618	28,919	10,521
ROE after taxes	4.7%	11.7%	10.8%	4.3%
Interest margin on average total assets	2.4%	2.2%	2.3%	2.5%
Cost/income ratio*	54.9%	45.8%	43.2%	47.4%
	31.3.2022	31.3.2021	31.12.2021	31.12.2020
Total assets	1,733,644	1,600,952	1,729,798	1,564,177
Loans to customers	1,416,504	1,287,448	1,387,463	1,273,426
Deposits from customers	922,556	794,252	900,098	793,427
Equity	265,310	261,384	282,645	258,255
Total capital ratio	24.3%	24.9%	26.6%	25.1%
Net stable funding ratio (FX)	143%	140%	142%	132%
Liquidity coverage ratio (total)	142%	202%	179%	154%
Liquidity coverage ratio (FX)	292%	477%	556%	424%
Loans in arrears (>90 days)	0.2%	0.6%	0.3%	0.8%
Full-time equivalent positions	791	869	816	878

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

Remote meeting to present results

On Friday 6 May at 10:00, the Bank will host a remote meeting on its Q1 2022 results in English. Please register by email to ir@landsbankinn.is.

Landsbankinn's financial calendar

Q2 2022 results	21 July 2022
Q3 2022 results	27 October 2022
Annual results 2022	2 February 2023.