



Landsbankinn: Financial Results

January- September 2020



News Release, 29 October 2020

Landsbankinn's results for the first nine months of 2020

- » Landsbankinn's after tax profit for Q3 of 2020 was ISK 4 billion.
- » In the first nine months of 2020, Landsbankinn's net after-tax results were ISK 699 million.
- » Landsbankinn made loan impairment provisions in the amount of ISK 13.6 billion in the first nine months of the year.
- » Operating cost is down between years.
- » In the first nine months of the year, 7,700 individuals took out mortgages or refinanced older mortgages at better terms with Landsbankinn. Around 800 were first-time buyers.
- » Deposits with Landsbankinn grew by ISK 106 billion from the beginning of the year, representing a 15% increase.
- » In September, Landsbankinn received an excellent score in Reitun's ESG risk rating, or 86 out of 100. The assessment is based on the Bank's work on environmental, social and governance factors (ESG). Earlier in the year, the Bank was ranked 2nd out of 382 regional European banks assessed for ESG by analytics firm Sustainalytics.
- » Landsbankinn's equity and liquidity positions are strong, well above regulatory requirements.

Landsbankinn's after tax profit for Q3 of 2020 was ISK 4 billion, as compared with ISK 3.2 billion for the same quarter of 2019. Landsbankinn's after-tax results in the first nine months of 2020 were positive by ISK 699 million, as compared with an ISK 14.4 billion profit for the same period in 2019. Return on equity (ROE) for the period was 0.4% on an annualised basis, compared with 7.9% during the same period of 2019.

Net interest income amounted to ISK 28.4 billion, as compared with ISK 30.1 billion in the same period of 2019, which is a 6% decrease between periods. Net commission income amounted to ISK 5.7 billion, decreasing by 7% from the same period the previous year.

Loan impairment amounted to ISK 13.6 billion in the first nine months of 2020, equivalent to 1% of the Bank's asset portfolio, as compared with ISK 3.4 billion for the same period in 2019. Impairment was for the most part recognised in H1 of the year, based, among other factors, on a detailed assessment of expected credit losses caused by COVID-19. Loan impairment in Q3 amounted to ISK 120 million.

The interest spread on assets and liabilities was 2.1% in the first nine months of 2020, a change from 2.4% in the same period of 2019.

The Bank's operating income in the first nine months of 2020 was ISK 17.4 billion, as compared with ISK 17.7 billion for the same period the previous year. Wage expenses amounted to ISK 10.8 billion thereof, compared with ISK 10.7 billion for the same period in 2019. Other operating expenses were ISK 6.6 billion, as compared with ISK 7 billion for the same period last year.

The cost-income ratio for the first nine months of the year was 51.6%, as compared with 41.4% for the same time in 2019.

Lending to individuals and companies increased by 10.1% since the beginning of the year, or by just over ISK 115 billion, whereof around ISK 38 billion are due to exchange rate changes. Never before has Landsbankinn loaned as high an amount to households as in the first nine months of 2020 with total new housing loans amounting to ISK 89 billion. Deposits with Landsbankinn grew by ISK 106 billion from the beginning of the year, representing a 15% increase.

Landsbankinn's equity was ISK 248.4 billion as at 30 September this year and its CAR was 24.7%.

Lilja Björk Einarsdóttir, CEO of Landsbankinn:

"Fine results for the third quarter reflect the Bank's strength in uncertain times and the Bank is as before well placed to support its customers. Despite challenging economic conditions, we have achieved a good momentum. Housing loans from the Bank are in high demand, both by first-time buyers and those seeking refinancing at better terms. Asset management and corporate finance are yielding good results, deposits have grown considerably this year and the Bank recently concluded a successful issuance of unsecured bonds in Norwegian and Swedish krona, showing that the Bank continues to have good access to international capital markets.

We responded swiftly to the impact of the COVID-19 pandemic, both by offering customers various measures to mitigate difficulties and by setting aside significant amounts to meet expected credit losses. The Bank's assessment of necessary provisions for impairment, recognised in the first half of the year, was realistic and provisions for impairment have only been increased slightly in the third quarter. Uncertainty about the impact of the pandemic remains high.

We are pleased to see how positively our customers have responded to necessary changes to our services in response to COVID-19. Most banking business can be tended to over the phone or through a computer. Since the pandemic began, around 20,000 individuals have made appointments to visit branches or receive a consultation call and many have utilised the online chat function. Efficiency, capable personnel and high-performance digital services allow us to deal with increased pressure and resolve customer queries quickly and successfully. Customer satisfaction is high and numerous new customers have joined the Bank, both on the corporate and retail side. The Bank's market share is strong and growing."

Key figures from the profit and loss account for Q3 2020

Operations:

- » Landsbankinn's profit for Q3 of 2020 was ISK 4 billion, as compared with ISK 3.2 billion for the same quarter of 2019.
- » Return on equity (ROE) after taxes was 6.5%, as compared with an ROE of 5.4% for the same period of 2019.
- » Net interest income was ISK 9.4 billion, as compared with ISK 9.6 billion in same quarter of 2019.
- » Value changes to loans were negative by ISK 120 million Q3 2020, as compared with negative value changes of ISK 1.1 billion in the same quarter of 2019.
- » Net commission income was ISK 2.1 billion, as compared with ISK 2 billion in Q3 of 2019.
- » The interest margin on assets and liabilities was 2.1%, as compared with 2.3% in Q3 of 2019.
- » Salaries and related expenses amounted to ISK 3.1 billion, as compared with ISK 3.3 billion in Q3 2019.
- » Operating costs less wages and related expenses decreased by 7.9% as compared with the same period the previous year.
- » The cost-income ratio for Q3 of 2020 was 46.6%, as compared with 43.9% for the same time last year.
- » Full-time equivalent positions were 884 as at 30 September 2020, down from 903 the same time the previous year.

Balance sheet:

- » Landsbankinn's equity amounted to ISK 248.4 billion at the end of September and has increased by 0.3% since the beginning of the year.
- » The Bank's total capital ratio as at 30 September 2020 was 24.7%, up from 23.6% at the end of September 2019. This is well above the 18.8% minimum requirement of the Financial Supervisory Authority of the Central Bank of Iceland.
- » Landsbankinn's total assets amounted to ISK 1,610 billion at the end of September 2020.
- » Customer deposits amounted to ISK 813.8 billion at the end of September 2020, as compared to ISK 707.8 billion at year-end 2019.
- » Lending to customers increased by 10.1% in the first nine months of the year, or by ISK 115 billion. Lending to corporates grew by ISK 26 billion, while loans to retail customers increased by ISK 89 billion.
- » The Bank closely monitors and manages its overall liquidity risk, and in FX and ISK. The Bank's liquidity coverage ratio (LCR) was 186% at the end of September 2020.
- » Total defaults by companies and households were 0.6% at the end of September 2020, as compared with 0.8% at year-end 2019. Temporary COVID-19 measures and payment holidays lead to a decrease in loans 90 days in arrears.

	9M 2020	9M 2019	Q3 2020	Q3 2019
	Amounts in ISKm			
After-tax profit	699	14,360	3,986	3,247
ROE after taxes	0.4%	7.9%	6.5%	5.4%
Interest spread on assets and liabilities*	2.1%	2.4%	2.1%	2.3%
Cost-income ratio**	51.6%	41.4%	46.6%	43.9%
	30.9.2020	30.9.2019	31.12.2019	31.12.2018
Total assets	1,610,265	1,415,262	1,426,328	1,326,041
Loans to customers	1,255,393	1,136,804	1,140,184	1,064,532
Customer deposits	813,784	703,762	707,813	693,043
Equity	248,433	243,860	247,734	239,610
Total capital ratio	24.7%	23.6%	25.8%	24.9%
Net stable funding ratio on foreign currency	116%	158%	143%	166%
Total LCR	186%	186%	161%	158%
Foreign currency LCR	379%	577%	769%	534%
Loans in arrears (>90 days)	0.6%	0.8%	0.8%	0.8%
Full-time equiv. positions	884	903	893	919

* Net interest margin = (Interest income/average total asset position) – (interest expense/average total liabilities).

** Cost ratio = Total operating expenses/(Net income from operations – loan revaluations).

Financial calendar

11 February 2021 - Full Year Results 2020

6 May 2021 – Q1 2021 Results

22 July 2021 – Q2 2021 Results

28 October 2021 – Q3 2021 Results

3 February 2022 – Full Year Results 2021

On Friday 30 October at 10:00, the Bank will host a teleconference in English presenting its results the first nine months of 2020. Please register by email to ir@landsbankinn.is.