



Landsbankinn's January - September 2022 results

News Release, 27 October 2022

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Financial results of Landsbankinn for the first nine months of 2022

- Landsbankinn's profit in the first nine months of 2022 amounted to ISK 11.3 billion, ISK 5.8 billion thereof in the third quarter.
- Return on equity (ROE) in the first nine months of the year was 5.6% and 8.5% in the third quarter. A decrease in the fair value of the Bank's equity portfolio negatively impacts its profitability this year.
- Net fee and commission income increased by 14.3% between years, mostly as a result of increased activity in asset management and market transactions.
- Net interest income grew by 17.6%, mainly driven by a growing loan book and rising interest levels.
- The ratio of operating expenses to average total assets is now 1.3% and has never been lower.
- The cost-income ratio was 48.9% in the first nine months of the year; 43.2% in the third quarter.
- The imputed tax rate for the first nine months of the year is 40.4%, compared with 19.9% for the same period of 2021. Pre-tax earnings in the first nine months of the year amount to ISK 19.0 billion and imputed taxes to over ISK 7.7 billion. Information about final tax payments for 2022 will be disclosed in the annual financial statements.
- Around a fourth of new vehicle loans in the third quarter were issued for the purchase of electric vehicles and the ratio is growing.
- Since launching securities trading in the app, self-service transactions in securities have increased greatly. Around 90% of fund subscriptions and securities contracts are concluded in the app or online banking.

In the first nine months of the year, net interest income was ISK 33.6 billion, compared with ISK 28.6 billion the same period the previous year, an increase of 17.6% between periods. Landsbankinn's net fee and commission income amounted to ISK 7.9 billion, compared with ISK 6.9 billion for the same period the previous year. Other operating income was negative by ISK 3.8 billion; was positive by ISK 10.2 billion in the same period of 2021. Net credit impairment release was ISK 2.7 billion, compared with ISK 3.8 billion for the same period of 2021. This is largely because there is no longer considered need for specific collective allowance against uncertainty about the final impact of Covid-19.

The interest margin on average total asset position was 2.6% in the first nine months of 2022, compared with 2.3% in the same period the previous year.

The Bank's operating expenses were ISK 17.1 billion in the period, compared with ISK 17.5 billion for the same period the previous year. Salaries and related expenses were ISK 10.5 billion thereof, compared with ISK 10.7 billion the same period the previous year. Other operating expenses were ISK 6.7 billion, remaining unchanged from the same period in 2021.

The cost/income ratio for the first nine months of 2022 was 48.9%, compared with 41.7% in the same period of 2021.

Landsbankinn's total assets increased by ISK 41.3 billion during the period, amounting to ISK 1,771 billion as at 30 September 2022. Loans to customers grew by ISK 108.9 billion in the first nine months of 2022. At the end of September 2022, deposits from customers amounted to ISK 968.0 billion, compared with ISK 900.1 billion at year-end 2021, increasing by ISK 67.9 billion.

Landsbankinn's equity amounted to ISK 273.4 billion as at 30 September this year and its total capital ratio was 24.2%.

Lilja Björk Einarsdóttir, CEO of Landsbankinn:

"The Bank's commission income has grown more than anticipated, mostly driven by increased activity and market share, and interest revenue from a larger credit portfolio is good. Expenses are falling at the same time, with operating expenses to total assets at a historic low. We continue to feel the negative effect of the decline in unlisted equity prices, causing profitability for the year to fall short of our goals. Discounting this fluctuating item, the Bank's results are very good and its position strong in all areas.

Customer satisfaction with our service is high and it is telling that market research going back to 2018 almost continuously shows that most would recommend Landsbankinn. Our principal focus is on offering customers favourable terms while ensuring good and steady performance. At the same time, we cannot but be aware that the Bank's financing terms are rising, competition for customer deposits is growing and bond yields are higher than before. We have met increased competition for customer deposits by offering a 5.25% monthly interest rate on saving in the app. In the app, customers can also buy and sell in Landsbréf funds and trade in domestic equities on the primary market and First North. Investing and saving in the app has never been easier.

Landsbankinn Corporate Finance has achieved good results and been involved in several successful projects this year. We are the largest lender in the domestic corporate market and robust corporate finance activity allows us to better meet the different needs of corporate customers. In the first nine months of the year, corporate lending grew by ISK 53 billion and there is strong growth in corporate vehicle and equipment financing. We remain active in the financing of residential housing, contributing to the supply of new housing in a growing community. Despite rising interest rate levels, we remain a strong lender to the construction sector. We also see that the export sectors are going strong, including the travel industry, yet feel that business managers are treading carefully when it comes to large investment decisions. There is no denying that economic uncertainty is considerable, yet the Bank's newly published economic forecast includes reasons for optimism. Economic growth is good and the domestic outlook is much better than in most neighbouring countries. Default rates are at a record low.

We are always looking to the future and continue to emphasise sustainability. At Landsbankinn's Sustainability Forum in September, we invited strong companies to present methods of increasing sustainability in the construction industry, in transport, and in seafood and fisheries. We also wish to draw attention to successful endeavours by awarding Landsbankinn's Sustainable Financing Label to projects and businesses who fulfil conditions on sustainability.

As recent coverage has highlighted, losses suffered by both private individuals and companies as a result of cybercrime are far too common. In October, we participated in a campaign to increase cyber security by hosting two seminars, one for senior citizens and the other for businesses. In addition to education and a strong commitment to long-standing collaboration both domestically and in the international arena, we meet stringent demands for security certification ourselves.

The Bank's financial standing is strong and its equity position very good, especially compared to non-domestic banks, and well above the regulatory requirements of the Financial Supervisory Authority of the Central Bank of Iceland. Ensuring good return on equity of such strength can be challenging, yet the Bank's successful operation has allowed us to pay an ISK 20 billion dividend to owners this year. We will continue our efforts to run the Bank well and to meet customer needs. The solutions and services

the Bank offers depend on our excellent team of employees who are ready to go the extra mile to take on new challenges and meet rapid changes. We are thankful for the trust and business and offer a warm welcome in branches throughout the country, in the app, over the phone and web chat. Mutual trust and a personal approach to banking continues to speak for itself.”

Key figures from the profit and loss account for Q3 2022

Operations:

- Landsbankinn's profit in Q3 2022 amounted to ISK 5.8 billion, compared with ISK 7.5 billion in Q3 2021.
- Return on equity (ROE) was 8.5% in Q3 2022, compared with 11% for the same period the previous year.
- Net interest income in the quarter amounted to ISK 12.2 billion, compared with ISK 9.6 billion in Q3 2021.
- Net credit release was ISK 2.6 billion in Q3 2022, compared with ISK 1 billion in Q3 2021.
- Net commission income amounted to ISK 2.5 billion, equal to the same period the previous year.
- Net interest margin as a ratio of total assets was 2.8% in Q3 2022, compared with 2.3% in the same period the previous year.
- Salaries and related expenses amounted to ISK 3.1 billion, compared with ISK 3.2 billion in Q3 2021.
- Operating expenses less salaries and related expenses amounted to ISK 2.1 billion in Q3 2022, compared with ISK 2.2 billion for the same period in 2021.
- The cost/income ratio in Q3 2022 was 43.2%, compared with 37.9% in the same quarter the previous year.
- Full-time equivalent positions at Landsbankinn were 824 as at 30 September 2022, down from 837 the same time the previous year.

Balance Sheet:

- Landsbankinn's equity as at the end of September 2022 amounted to ISK 273.4 billion.
- The Bank's total capital ratio as at 30 September 2022 was 24.2%, down from 26.6% at year-end 2021. This is significantly higher than the 20.8% minimum requirement of the Financial Supervisory Authority of the Central Bank of Iceland.
- Landsbankinn's total assets amounted to ISK 1,771 billion at the end of September 2022.
- Loans to customers grew by ISK 108.9 billion in the first nine months of 2022. Lending to individuals increased by ISK 57 billion and lending to corporates increased by ISK 52 billion.
- Deposits from customers were ISK 968.0 billion at the end of September 2022, compared with ISK 900.1 billion at year-end 2021.
- The Bank closely monitors and manages its liquidity risk, both overall, and in both FX and ISK. The Bank's liquidity coverage ratio (LCR) was 147% at the end of September 2022, compared with 179% at year-end 2021.
- Total default by companies and households were 0.2% of lending.

	9M 2022	9M 2021	Q3 2022	Q3 2021
Amounts in ISK millions				
After-tax profit	11,320	21,597	5,763	7,492
ROE after taxes	5.6%	10.9%	8.5%	11.0%
Interest margin on average total asset position	2.6%	2.3%	2.8%	2.3%
Cost/income ratio*	48.9%	41.7%	43.2%	37.9%
	30.9.2022	30.9.2021	31.12.2021	31.12.2020
Total assets	1,771,128	1,718,358	1,729,798	1,564,177
Loans to customers	1,496,347	1,375,536	1,387,463	1,273,426
Deposits from customers	967,965	869,463	900,098	793,427
Equity		275,344	282,645	258,255
Total capital ratio	24.2%	24.9%	26.6%	25.1%
Net stable funding ratio in foreign currency	142%	122%	142%	132%
Total liquidity coverage ratio (LCR)	147%	172%	179%	154%
Foreign currency LCR	204%	443%	556%	424%
Loans in arrears (>90 days)	0.2%	0.3%	0.3%	0.8%
Full-time equiv. positions	824	837	816	878

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

Landsbankinn's financial calendar

Annual results 2022	2 February 2023
Annual General Meeting	22 March 2023
Q1 2023 results	4 May 2023
Q2 2023 results	20 July 2023
Q3 2023 results	26 October 2023
Annual results 2023	1 February 2024