



# Landsbankinn's January - September 2021 results

News Release, 28 October 2021



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# Financial results of Landsbankinn for the first nine months of 2021

- Landsbankinn's profit in the third quarter of 2021 amounted to ISK 7.5 billion.
- The Bank's results in the first nine months of 2021 were positive by ISK 21.6 billion.
- Return on equity (ROE) in the first nine months of the year was 10.9%.
- Net fee and commission income increased by 22% YoY, mainly from growing activity in asset management and capital markets.
- Market share in the retail market is around 39% and has never been higher.
- The Bank's share in the housing mortgage market has grown by 2.7 percentage points since the beginning of the year. It is currently 28.7% - a record high.
- Around 1,540 companies have become Landsbankinn customers this year, representing the sharpest increase to date.
- Subscriptions to Landsbréf funds grew by 35% and agreements for securities trading services with the Bank increased by 40%.
- The cost-income ratio was 41.7% and costs remain stable.
- Operating efficiency continues to grow and operating expenses as a ratio of average total assets is now 1.4%.
- For over three years, Landsbankinn has almost continuously offered the lowest variable rate on non-indexed housing mortgages available to all customers.
- Around 93% of new housing mortgages are non-indexed and just under 40% of new loans carry a fixed interest rate.
- Around 40% of customers who wish to fix the interest rate on their housing mortgage do so by clicking the button "Fix interest rate" in Landsbankinn's app.

In the first nine months of 2021, Landsbankinn's after-tax results were positive by ISK 21.6 billion, compared with ISK 699 million for the same period in 2020. Return on equity for the period was 10.9% on an annualised basis, compared with 0.4% in the same period of 2020.

Net interest income in the first nine months of 2021 was ISK 28.6 billion, compared with ISK 28.4 billion for the same period the previous year. Landsbankinn's net fee and commission income amounted to ISK 6.9 billion, compared with ISK 5.7 billion for the same period the previous year. Other operating income was ISK 10.2 billion; was negative by ISK 13.9 billion in the same period of 2020. There is a marked turnaround in value change in lending with a positive change of ISK 3.8 billion, compared with an ISK 13.6 billion impairment in the same period of 2020. This turnaround is attributable to a stronger standing of both households and corporates than expected in the aftermath of Covid-19.

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The interest margin on average total asset position was 2.3% in the first nine months of 2021, compared with 2.5% in the same period the previous year.

The Bank's operating expenses in the first nine months of 2021 were ISK 17.5 billion, compared with ISK 17.4 billion for the same period the previous year. Salaries and related expenses were ISK 10.7 billion thereof, down by ISK 50 million between periods. Other operating expenses were ISK 6.7 billion, compared to ISK 6.6 billion for the same period the previous year.

The cost/income ratio for the first nine months of 2021 was 41.7%, compared with 51.6% in the same period of 2020.

Landsbankinn's total assets increased by ISK 154 billion during the period, amounting to ISK 1,718 billion as at 30 September 2021. Loans to customers grew by ISK 103 billion during the first nine months of 2021, mainly due to increased lending to individuals. Deposits from customers amounted to ISK 869 billion, compared with ISK 793 billion at year-end 2020, increasing by ISK 76 billion.

Landsbankinn's equity amounted to ISK 275.3 billion as at 30 September this year and its total capital ratio was 24.9%.

### **Lilja Björk Einarsdóttir, CEO of Landsbankinn:**

"Landsbankinn's results in the third quarter and the year reflect both successful operation and activities, and improvement in the economy. Revenues have increased and more individuals, companies and professional investors now take their growing business to the Bank. At the same time, we have managed to limit operating expenses and our cost/income ratio is one of the lowest amongst European banks. As a result of less severe economic ramifications of the pandemic, impairment reversals play a large part in the Bank's good results this year.

The Bank's fee and commission income continued to improve in the third quarter, mostly from increased activity in asset management and trading. The Bank has been mandated to lead several successful bond issuances, new products have led to an increase in capital markets customers, asset management agreements have increased by 15% and assets under management have grown by just under 25% this year to date.

We have focused on offering favourable terms on non-indexed housing mortgages and on simplifying the loan and refinancing application process. This has led to a surge in new customers, increased market share and significant growth in lending. This year, non-indexed loans are 93% of new mortgages to Landsbankinn's customers. There is also a very clear and increasing trend to fix interest rates. We have made this simple for customers and rates can now be fixed with the click of a button in Landsbankinn's app.

Businesses welcome our efforts to simplify banking and are using the app to monitor company finances and tend to main banking business. Landsbankinn has never welcomed as many new corporate customers as this year and we think that our efforts to make on-boarding easier for companies is the main driver behind this increase. Feedback also shows that companies appreciate having a good overview of collection issues and other important aspects of operations.

In addition to allowing customers to fix the interest rate on housing mortgages with a button in the app, we have introduced several new digital solutions this year. Our customers have always responded quickly to new solutions and the pandemic has certainly accelerated this development even more. Visits to branches have decreased considerably as ever more customers take the opportunity to simplify their lives by using digital services and self-service equipment. We continue to align our services to changing times and in October, the opening hours of our larger branches changed - they now open at 10:00. At the same time, we extended the time customers have access to financial advice over the phone or remote meetings until 18:00, as we aim to be available when it best suits our customers.

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Projects related to sustainability have grown in number and we have added to our offering of sustainable financial services. Multi-Asset Fund Sustainable (Eignadreifing sjálfbær) is a mixed equity and bond fund at Landsbréf, which has been well received by customers. Recently we introduced a sustainable savings account for people who want their savings to contribute to sustainability.

Earlier this month, the Bank's Economic Research department published a macroeconomic and inflation forecast for 2021-2024, projecting considerable economic growth in the coming years. The travel sector is regaining its footing and the outlook is for a good capelin season which will contribute considerably to the national economy. The best news of all is that unemployment is anticipated to continue to fall and to recede to below pre-pandemic levels.

We are very optimistic about the Bank's further advancement. We are focused on customer satisfaction. The Bank's employees are proud of the success we have achieved with digital solutions and of how we simplify life for our customers. We intend to continue to offer our customers top service, anywhere and anytime, and good access to the Bank's excellent advisory service. Landsbankinn, an ever-smarter bank, will continue to change and develop in harmony with the community it serves."

## Key figures from the profit and loss account for Q3 2021

### Operations:

- Landsbankinn's profit in Q3 2021 amounted to ISK 7.5 billion, as compared to ISK 4 billion in Q3 2020.
- Return on equity (ROE) was 11% in Q3 2021, compared with 6.5% for the same period the previous year.
- Net interest income in the quarter amounted to ISK 9.6 billion, compared with ISK 9.4 billion in Q3 of 2020.
- Net impairment changes were positive by ISK 1 billion in Q3 2021, compared with impairment of ISK 120 million in Q3 2020.
- Net fee and commission income was ISK 2.5 billion, compared with ISK 2.1 billion in Q3 2020.
- Net interest margin as a ratio of total assets was 2.3% in Q3 2021, compared with 2.4% in the same period the previous year.
- Salaries and related expenses amounted to ISK 3.2 billion, compared with ISK 3.1 billion in Q3 2020.
- Operating expenses less salaries and related expenses amounted to ISK 2.2 billion in Q3 2021 as compared with ISK 2 billion for the same period in 2020.
- The cost/income ratio in Q3 2021 was 37.9%, compared with 46.6% in the same quarter the previous year.
- Full-time equivalent positions at Landsbankinn were 837 as at 30 September 2021, down from 884 the same time the previous year.

### Balance Sheet:

- Landsbankinn's equity as at the end of September 2021 amounted to ISK 275.3 billion.
- The Bank's total capital ratio on 30 September 2021 was 24.9%, down from 24.7% at the end of September 2020. 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 1,718 billion at the end of September 2021.

- Loans to customers grew by ISK 103 billion in the first nine months of 2021 with lending to individuals increasing by ISK 110 billion while lending to corporates contracted by ISK 7 billion.
- Customer deposits amounted to ISK 869 billion at the end of September 2021, compared with ISK 793 billion at the end of 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 172% at the end of September 2021, compared with 154% at year-end 2020.
- Total default by companies and households were 0.3% of lending. Temporary Covid-19 relief measures and payment moratoria likely lead to lower default values.

	9M 2021	9M 2020	Q3 2021	Q3 2020
Amounts in ISK millions				
After-tax profit	21,597	699	7,492	3,986
ROE after taxes	10.9%	0.4%	11.0%	6.5%
Interest margin on average total asset position	2.3%	2.5%	2.3%	2.4%
Cost/income ratio*	41.7%	51.6%	37.9%	46.6%
	<b>30.9.2021</b>	<b>30.9.2020</b>	<b>31.12.2020</b>	<b>31.12.2019</b>
Total assets	1,718,358	1,610,265	1,564,177	1,426,328
Loans to customers	1,375,536	1,255,393	1,273,426	1,140,184
Deposits from customers	869,463	813,784	793,427	707,813
Equity	275,344	248,433	258,255	247,734
Total capital ratio	24.9%	24.7%	25.1%	25.8%
Net stable funding ratio in foreign currency	122%	116%	132%	143%
Total liquidity coverage ratio (LCR)	172%	186%	154%	161%
Foreign currency LCR	443%	379%	424%	769%
Loans in arrears (>90 days)	0.3%	0.6%	0.8%	0.8%
Full-time equiv. positions	837	884	878	893

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

## Teleconference to present results

On Friday 29 October at 10:00, the Bank will host a teleconference on its Q3 2021 results in English. Please register by email to [ir@landsbankinn.is](mailto:ir@landsbankinn.is).

## Landsbankinn's financial calendar

Annual results 2021 3 February 2022.