



Landsbankinn's 2021 results

News Release, 3 February 2022

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Financial results of Landsbankinn for 2021

- Landsbankinn's net profit in 2021 was ISK 28.9 billion.
- After-tax return on equity (ROE) was 10.8% in 2021. The Bank's long-term ROE target is 10% at a minimum.
- ROE after taxes was 10.5% in Q4 2021 as compared with an ROE of 15.5% for the same quarter in 2020.
- Net fee and commission income increased by 24% between years, mostly as a result of increased activity in asset management and market transactions.
- Market share in the retail market is around 39.5% and has never been higher. Never before have there been as many new additions to Landsbankinn's group of satisfied customers.
- Around 2,500 corporates and sole proprietors became Landsbankinn customers in 2021, a record increase.
- Portfolio management agreements increased by 25% between years.
- Operational efficiency continued to grow. The cost/income ratio in 2021 was 43.2% and operating expenses as a ratio of average total asset position was 1.4%.
- The Bank's total equity amounted to ISK 282.6 billion at year-end 2021 and the Bank's total capital ratio was 26.6%.
- The Board of Directors will propose that the AGM approve payment of an ISK 14.4 billion dividend to shareholders for the year 2021. Should this proposal be approved, dividends paid by the Bank in 2013-2022 will amount in total to ISK 160.6 billion.
- The Board of Directors is also considering proposing a special dividend in 2022.
- The Annual & Sustainability Report of Landsbankinn and the Pillar III risk report for 2021 are published alongside the Annual Financial Statements.

Landsbankinn's profit in 2021 was ISK 28.9 billion after taxes, as compared with ISK 10.5 billion in 2020. After-tax ROE for 2021 was 10.8%, as compared with 4.3% the previous year.

Net interest income amounted to ISK 39.0 billion in 2021, compared with ISK 38.1 billion in 2020. The net interest margin as a ratio of average total assets was 2.3%, compared with 2.5% the previous year. Landsbankinn's net fee and commission income was ISK 9.5 billion in 2021, compared with ISK 7.6 billion in 2020. Other operating income amounted to ISK 13.9 billion, compared with a negative operating income of ISK 7.5 billion in 2020. There was a reversal in impairment leading to a net release of credit impairment of ISK 7.0 billion in 2021 compared with an ISK 12.0 billion charge in 2020. This reversal reflects the improved economic outlook in Iceland and less than expected economic impact from the pandemic on the Bank's loan portfolio.

The Bank's operating profit for 2021 amounted to ISK 62.3 billion, compared to ISK 38.3 billion the previous year.

Operating expenses amounted to ISK 25.9 billion in 2021, compared with ISK 25.6 billion in 2020. Of that amount, salaries and related expenses were ISK 14.8 billion, the same amount as in 2020. Other operating expenses were ISK 9.1 billion in 2021, unchanged from the previous year.

Pre-tax profit in 2021 amounted to ISK 36.5 billion, compared with ISK 12.6 billion in 2020. Imputed taxes, including a special tax on liabilities of financial undertakings and a special financial activities tax on salaries, amount to ISK 10.3 billion in 2021, compared with ISK 4.6 billion in 2020.

The cost/income ratio in 2021 was 43.2% in 2021, down from 47.4% in 2020.

Landsbankinn's total assets grew by ISK 165.6 billion between years and amounted to ISK 1,730 billion at year-end 2021. Lending increased by 9% between years, or by just over ISK 114 billion. The increase in lending is driven by growth in mortgage lending to individuals. At year-end 2021, deposits from customers amounted to ISK 900 billion, compared with ISK 793 billion at year-end 2020, increasing by ISK 107 billion.

Total equity at year-end 2021 was ISK 282.6 billion, compared with ISK 258.3 billion at year-end 2020. In 2021, Landsbankinn paid ISK 4.5 billion in dividends to shareholders. Total capital ratio at year-end 2021 was 26.6%, compared with 25.1% at year-end 2020. The Financial Supervisory Authority of the Central Bank of Iceland (FSA) sets Landsbankinn's total capital requirement at 18.9%.

The Board of Directors of Landsbankinn will propose to the AGM on 23 March 2022 that shareholders be paid a dividend amounting to ISK 0.61 per share for the year 2021, a total amount of ISK 14.4 billion. The dividend is equivalent to 50% of the Group's 2021 net profit. Should this proposal be approved, dividends paid by the Bank in the years 2013-2022 will in total amount to ISK 160.6 billion. The Board of Directors is also considering proposing the payment of a special dividend in 2022.

Lilja Björk Einarsdóttir, CEO of Landsbankinn:

“Our results show that Landsbankinn's operation was successful in 2021. The Bank's ROE was 10.8%, which is in line with our goals; an extremely good result, especially considering the Bank's strong equity of ISK around 283 billion and a capital ratio well in excess of regulatory requirements. Income has grown while operational improvements have enhanced efficiency and costs have remained stable over the past several years. Growth in fee and commission income exceeded our goals considerably, mostly from increased market transactions and successful asset management. We worked on several fruitful share and bond offerings in 2021 and Landsbankinn Corporate Finance coordinated the IPO of Síldarvinnslan, which was very successful.

Despite the effects of Covid-19, the Bank's employees achieved a great deal. Customer numbers grew considerably in all of the Bank's business units and we introduced numerous new solutions and improved service for individuals, corporates, institutional investors and asset management customers. For the third year in a row, Landsbankinn tops the list of banks in the Icelandic Performance Satisfaction Index. We look forward to launching even more new solutions and good services to the record number of new customers who came to bank with us in 2021.

The Bank's successes are passed on to customers and, for the past three years, we have been able to offer the lowest interest rates on non-indexed housing mortgages. This has led more and more people to take out mortgages with us and, in 2021, on average over 700 families and individuals took out loans with the Bank every single month. Corporates have been cautious in all the uncertainty and sought less funding, with the exception of the construction sector. The Bank participated in the construction funding of 3,800 residential apartments in 2021. The Bank's position in the seafood and fisheries sectors remains strong, forming the single largest sector in the Bank's loan book, exceeded only by loans to individuals. Despite general good standing among corporates, the outlook for next year is yet unclear as regards lending to corporates since the risk of inflation and price hikes add to uncertainty. Landsbankinn has worked industriously on sustainability in its operation in recent years, efforts that can safely be said to have borne fruit in 2021. The Bank's new Sustainable Finance Framework has diversified the funding structure with the issuance of two green bond series in the total amount of EUR 600 million in 2021. The Bank's work on sustainability has also created opportunities to offer customers enhanced services, such as bond issuances and in lending. The international rating agency Sustainalytics considers the Bank at negligible risk of impact from ESG factors - an important message to investors, shareholders and the Bank's customers.

The Bank's good performance provides considerable scope to pay a dividend to shareholders. The Bank's equity is also significantly in excess of regulatory requirements and higher than what we consider sustainable. We see this as an opportunity to optimise the Bank's funding structure by releasing equity and the Board of Directors will propose that the AGM approve payment of a dividend amounting to about half of the profit of 2021.

Landsbankinn is still popularly referred to as the Bank “where all of Iceland banks”. This is an old slogan but we are still proud of our connections with the entire country. We aim for continuous advancement, to maintain a presence in all of Iceland, simplify customers’ lives and provide first-rate financial service to all manner of industry and companies of all shapes and sizes. We want people throughout Iceland to choose Landsbankinn in order to get access to banking service around the clock and expert advice, both on-site and through remote meetings. Last but not least, we want to develop in line with society. That’s Landsbankinn, an ever-smarter bank.

Key figures from the income statement for Q4 2021

- Landsbankinn’s net profit in Q4 of 2021 amounted to ISK 7.3 billion, compared with ISK 9.8 billion in the same quarter of 2020.
- After-tax return on equity was 10.5% in Q4 of 2021, compared with 15.5% in the same quarter of 2020.
- Net interest income in the quarter was ISK 10.4 billion and was ISK 9.7 billion in Q4 of 2020.
- There was a net release of credit impairment in the amount of ISK 3.2 billion in Q4 of 2021, compared with ISK 1.5 billion in Q4 2020.
- Net fee and commission income was ISK 2.6 billion compared to ISK 2.0 billion in Q4 2020.
- The net interest margin as a ratio of average total assets was 2.4% in Q4 2021, the same as in Q4 of 2020.
- Salaries and related expenses amounted to ISK 4.0 billion, unchanged from Q4 2020.
- Operating expenses less salaries and related expenses amounted to ISK 2.4 billion in Q4 2021, the same as in Q4 2020.
- The cost/income ratio in Q4 2021 was 47.6% as compared with 38.8% in the same quarter the previous year.

Key figures from the income statement and balance sheet for 2021

Operations:

- Landsbankinn’s net profit in 2021 was ISK 28.9 billion after taxes, compared with ISK 10.5 billion in 2020.
- After-tax return on equity was 10.8%, compared with 4.3% the previous year.
- Net interest income amounted to ISK 39.0 billion in 2021 compared with ISK 38.1 billion in 2020.
- The net interest margin as a ratio of average total assets was 2.3% in 2021 and 2.5% in 2020
- Landsbankinn's net fee and commission income was ISK 9.5 billion in 2021, compared with ISK 7.6 billion in 2020.
- Other operating income amounted to ISK 13.9 billion, compared with ISK 7.5 billion in 2020. There was a reversal in impairment leading to a net release of credit impairment of ISK 7.0 billion in 2021, compared with an ISK 12.0 billion charge in 2020. This reversal reflects the improved economic outlook in Iceland and less than expected economic impact from the pandemic on the Bank’s loan portfolio.
- Salaries and related expenses amounted to ISK 14.8 billion in 2021, unchanged between years.
- Operating expenses less salaries and related expenses amounted to ISK 11.1 billion, compared with ISK 10.9 billion in 2020.
- The cost/income ratio decreases between years. This ratio was 43.2% in 2021 compared with 47.4% in 2020.
- Income tax paid by Landsbankinn in 2021 amounted to ISK 7.5 billion, as compared with ISK 2.1 billion in 2020.
- Full-time equivalent positions at Landsbankinn were 816 at year-end 2021 and were 878 at the end of 2020.

Balance sheet:

- Landsbankinn's total equity at year-end 2021 was ISK 282.6 billion, an increase of ISK 24.4 billion compared with total equity at year-end 2020. In 2021, Landsbankinn paid ISK 4.5 billion in dividends to shareholders.
- The Bank's total capital ratio at year-end 2021 was 26.6% compared with 25.1% at the end of 2020. This is well above the 18.9% minimum requirement of the Financial Supervisory Authority of the Central Bank of Iceland.
- The Bank's total assets amounted to ISK 1,730 billion at year-end 2021, an increase of just over 11% between years.
- Lending increased by 9% between years, or by just over ISK 114 billion. Lending to individuals grew by ISK 133 billion and lending to corporates contracted by ISK 19 billion, with exchange rate translations accounting for ISK 8.8 billion thereof.
- Deposits from customers grew by 13.4% in 2021, or by ISK 106.7 billion. Deposits from financial institutions and Central Bank amounted to ISK 10.4 billion at year-end 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 179% at year-end 2021 as compared with 154% at year-end 2020.
- In 2021, the item assets classified as held for sale decreased by ISK 733 million.
- Loans to customers in arrears were 0.3% of lending at year-end 2021 compared with 0.8% at year-end 2020. Temporary Covid-19 relief measures positively impacts the value of loans in arrears.

	2021	2020	Q4 2021	Q4 2020
Amounts in ISKbn				
After-tax profit	28,919	10,521	7,322	9,822
After-tax ROE	10.8%	4.3%	10.5%	15.5%
Net interest margin as a ratio of average total assets	2.3%	2.5%	2.4%	2.4%
Cost/income ratio *	43.2%	47.4%	47.6%	38.8%
	31.12.2021	31.12.2020		
Total assets	1,729,798	1,564,177		
Loans to customers	1,387,463	1,273,426		
Customer deposits	900,098	793,427		
Equity	282,645	258,255		
Total capital ratio	26.6%	25.1%		
Net stable funding ratio for foreign currency (NSFR FX)	142%	132%		
Total LCR	179%	154%		
LCR FX	556%	424%		
Loans in arrears (>90 days)	0.3%	0.8%		
Full-time equivalent positions	816	878		

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

Other operating highlights in 2021

- Landsbankinn was ranked highest by banking customers in the Icelandic Performance Satisfaction Index 2021, for the third year running.
- Active retail customers of the Bank increased in number by 5,100 in the year. At year-end 2021, the Bank's market share in retail banking was 39.5%, according to the Bank's data, and has never been higher. The Bank has held the largest share of the retail market since 2014.
- The Bank's market share in the corporate market is 33.6% based on companies who have submitted annual financial statements. The Bank has a 40% share in lending to corporates.
- Companies who bank with Landsbankinn are most satisfied with the service of their main bank of business. Our self-service solutions receive top marks.
- Assets under management by the Landsbankinn Group totalled ISK 726 billion at year-end 2021, growing by 31% between years.
- The Bank's share in the mortgage lending continued to grow and was 29.1% in 2021.
- Users of Landsbankinn's app numbered 91,800 at year-end 2021, up by 23.8% between years
- Deposits from customers amounted to ISK 900 billion, a YoY increase of 13.4%.
- In 2021, 1,544 families and individuals took out housing mortgages to purchase their first real estate with Landsbankinn.
- Transactions in the mutual funds of Landsbréf, the Bank's subsidiary, grew by 40% between years and transactions in equities doubled. Independently executed transactions in stocks and mutual funds were around 80%.
- Landsbréf launched three new funds in 2021: Horn IV, Brunnur vaxtarsjóður II and Eignadreifing sjálfbær.
- Around half of all vehicle loans in 2021 funded the purchase of eco-friendly cars.
- In February, Landsbankinn concluded the sale of its first EUR-denominated green bonds. The EUR 300 million bonds were issued at the lowest funding rates the Bank has achieved to date.
- We issued our second series of EUR-denominated green bonds in November.
- In November, we opened a so-called sandbox developers can use to create fintech solutions to connect to the Bank's systems. This is part of preparation for entry into force of the EU's PSD2 directive.
- Branch opening hours were in October changed to 10:00-16:00. At the same time, we increased flexibility in our service by offering appointments for financial advice between 10:00-18:00.
- Landsbankinn Economic Research published a new macroeconomic forecast in October. The forecast assumes 5.5% economic growth in 2021 and for the Central Bank's key rates to rise to 5.5%.
- We hosted a successful information session on the importance of asset diversification in September.
- In July, international finance magazine Euromoney selected Landsbankinn as the best bank in Iceland, the third year in a row.
- Landsbankinn issued its Sustainable Financing Label for the first time in July. UR Seafood (Útgerðarfélag Reykjavíkur hf.) was the initial recipient of the Label for its MSC Certified Sustainable Seafood. Later in the year, Ljósleiðarinn and Orkuveita Reykjavíkur also received the Label.
- In June, the municipality Árborg issued the first sustainability bond in Iceland - a successful issuance. Landsbankinn coordinated the entire process.
- In June, the Bank completed calculation of GHG emissions from its loan book, one of the first banks world-wide to do so.
- Eignadreifing sjálfbær is a new investment fund in the selection of Landsbréf, Landsbankinn's subsidiary. The fund began operation in June.

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- In May, we announced that Landsbankinn Asset Management had concluded a partnership agreement with US investment bank Goldman Sachs.
 - Landsbankinn achieved its best rating yet in a new ESG risk rating from Sustainalytics and is rated as having negligible risk of experiencing material financial impact from ESG factors - a leading rating on a global level.
 - Landsbankinn Corporate Finance coordinated the successful IPO of Síldarvinnslan hf. held 10-12 May.
 - The annual general meeting of Landsbankinn, held on 24 March 2021, agreed to pay a dividend amounting to ISK 4.5 million to shareholders.
 - In February, the Bank worked with Natural Capital Partners to carbon-offset its 2020 activity and achieved CarbonNeutral® company certification.
 - The Bank's first Sustainable Finance Framework was published in January and was reviewed by international rating agency Sustainalytics.
 - In January, international rating agency S&P Global Ratings assigned a credit rating for covered bonds issued by Landsbankinn. This is the first time an international rating agency issues a rating grade for the covered bonds of an Icelandic bank.

Teleconference to present results

On Friday 4 February 2022, at 10:00, the Bank will host a teleconference on its results in English. Please register by email to ir@landsbankinn.is.

Landsbankinn's financial calendar

Annual General Meeting, 23 March 2022

Q1 2022 results 5 May 2022

Q2 2022 results 21 July 2022

Q3 2022 results 27 October 2022

Annual results 2022 2 February 2023.