



Landsbankinn's 2019 results



News Release, 6 February 2020

Financial results of Landsbankinn for 2019

- » Landsbankinn's after-tax profit in 2019 was ISK 18.2 billion.
- » Return on equity (ROE) was 7.5% in 2019, as compared to 8.2% in 2018. Discounting the bank tax, ROE was 9.2% and the Bank's target is 10% at a minimum, having regard for the impact of bank tax.
- » The cost-income ratio decreased between years, was 42.6% in 2019 as compared to 45.5% in 2018.
- » Landsbankinn's credit portfolio grew by ISK 76 billion. The default ratio at year-end 2019 was 0.8%, the same number as at year-end 2018.
- » Landsbankinn's equity amounted to ISK 247.7 bn at year-end 2019 and its CAR was 25.8% of risk-weighted assets.
- » A proposal will be made to the AGM to pay an ISK 9.5 bn dividend to shareholders for the year 2019, the equivalent of ISK 0.40 per share.
- » Landsbankinn's annual report and Pillar III risk report for 2019 are published alongside its annual financial statements. The reports are available on the Bank's website.

The profit of Landsbankinn hf. in 2019 was ISK 18.2 bn after taxes, as compared with ISK 19.3 bn in 2018. After-tax ROE was 7.5% in 2019, compared to 8.2% in 2018. Net interest income amounted to ISK 39.7 bn in 2019, as compared with ISK 40.8 bn in 2018. Landsbankinn's net fee and commission income amounted to ISK 8.2 bn, remaining unchanged from the previous year. Other operating income amounted to ISK 8.5 bn in 2019, as compared with ISK 3.6 bn the previous year, which is a 136% increase between years. The increase is caused mostly by positive changes to the fair value of unlisted equities. Impairment to loans and claims amounted to ISK 4.8 bn as compared with a positive value change of ISK 1.4 bn in 2018. The default ratio of the credit portfolio is unchanged between years, was 0.8% at the end of 2019 and 2018.

The Bank's net operating income for 2019 amounted to ISK 51.5 bn, as compared to ISK 53.9 bn in 2018.

The net interest margin on assets and liabilities was 2.4% compared to 2.7% the previous year.

Other operating expenses amounted to ISK 24 bn in 2019, remaining unchanged between years. Wages and related expenses amounted to ISK 14.5 bn as compared with ISK 14.6 bn the previous year. Other operating income was ISK 9.5 bn in 2019, as compared with ISK 9.3 bn in 2018.

Pre-tax profit in 2019 amounted to ISK 27.5 bn, as compared to ISK 30 bn in 2018. Imputed taxes, including a special financial management tax on wages, amount to ISK 10 bn in 2019 as compared with ISK 11.4 bn in 2018.

Landsbankinn's total assets increased by ISK 100.3 bn between years and amounted to ISK 1,426 bn at year-end 2019. Lending increased by 7.1% between years, or by just over ISK 75.7 bn. The growth in lending is due mostly to an increase in loans to private persons. At the end of 2019, deposits from customers amounted to ISK 708 bn as compared with ISK 693 bn at year-end 2018.

Landsbankinn's equity at year-end 2019 was ISK 247.7 bn, as compared with ISK 239.6 bn at year-end 2018. In 2019, Landsbankinn paid an ISK 9.9 bn dividend to shareholders, with total dividends paid by the Bank since 2013 amounting to ISK 142 bn. Landsbankinn's CAR at year-end 2019 was 25.8%, compared to 24.9% at year-end 2018. The Financial Supervisory Authority, Iceland (FME), sets the minimum requirement for total capital at 20.5%.

The Board of Directors of Landsbankinn will propose to the AGM on 27 March 2020 that shareholders be paid a dividend amounting to ISK 0.40 per share for the year 2019, a total amount of ISK 9.5 bn. The dividend payment represents around 52% of profit for the year 2019.

Lilja Björk Einarsdóttir, CEO of Landsbankinn:

"Landsbankinn has made major advances that are reflected in increased customer satisfaction and a strong market position, along with robust and sound operation.

Increased optimisation and on-going restrictive measures are the main reasons behind a high level of stable operating costs year-over-year, despite contractual wage increases. The Bank's cost-income ratio decreased considerably between years and was 42.6% at year-end 2019. Return on equity (ROE) was 7.5%; 9.2% discounting the bank tax.

The most important aspect of Landsbankinn's operation is its relationship with customers. Topping the Icelandic Performance Satisfaction Index is an excellent start to 2020, as the survey, carried out in late 2019, measures overall customer satisfaction. We focus jointly on the personal relationship with customers and the development of new digital solutions. Digital service contributes to more accessible and simpler banking. Personal service ensures that customers receive solid financial advice and assistance when needed.

The Bank's employees have taken advantage of opportunities to strengthen and build customer relationships and we welcomed several new customers in 2019. This applies to both corporates and private individuals. We are proud to have supported over a 1000 families and individuals taking their first steps in the real estate market. Landsbankinn held a 38% market share in housing loans to first-time buyers in 2019. Landsbankinn offers competitive terms whenever possible yet it should be clear that competing on terms against parties who pay lower levies than the Bank is difficult. Taxation on large financial undertakings, well beyond what applies in neighbouring countries, skews the competitive position severely and negatively impacts terms to customers. Landsbankinn will continue to work on reducing operating costs, with the largest opportunities lying in further standardisation and simplification of the joint infrastructure of the financial system.

The Landsbankinn team is highly motivated as ever and is currently working with the Bank's management to shape a new future strategy for the Bank, to be introduced in fall. The Bank's new strategy will focus on further strengthening our relationship with customers while continuing to deliver good and competitive operating results."

Key figures from the profit and loss account for Q4 2019

- » Landsbankinn's profit for Q4 2019 was 3,9 bn, almost unchanged from the same quarter in 2018.
- » Return on equity (ROE) was 6,3% in Q4 2019 as compared with 6,5% for the same period the previous year.
- » Net interest income in the quarter amounted to ISK 9,6 bn as compared with ISK 11 bn in Q4 of 2018.
- » Value changes in the credit portfolio were negative by ISK 1,4 bn in Q4 2019 as compared with negative value changes of ISK 286 m in Q4 2018.
- » Net commission income was ISK 2,1 bn as compared with ISK 2,4 bn in Q4 of 2018.
- » Interest margin on assets and liabilities was 2,3% in Q4 2019 as compared with 2,8% for the same period in 2018.
- » Wages and related expenses amounted to ISK 3,8 billion, remaining unchanged between periods.
- » Operating costs less wages and related expenses amounted to ISK 2,5 billion in Q4 2019 as compared with ISK 2,4 bn for the same period in 2018.
- » The cost-income ratio for Q4 of 2019 was 46,2%, as compared with 47,3% for the same period the previous year.
- » Full-time equivalent positions at Landsbankinn were 893 at year-end 2019, compared with 919 at the end of 2018.

Key figures from the profit and loss account and balance sheet for 2019

Operations:

- » Landsbankinn's Landsbankinn's profit in 2019 amounted to ISK 18,2 bn, as compared to ISK 19,3 bn in 2018.
- » Return on equity (ROE) after-taxes was 7,5% as compared with a ROE of 8,2% the previous year.
- » Net interest income amounted to ISK 39,7 bn in 2019, as compared with ISK 40,8 bn in 2018.
- » The interest margin on assets and liabilities was 2,4% in 2019 and 2,7% in 2018.
- » Impairment of loans and claims was ISK 4,8 bn in 2019 as compared with positive value changes in the amount of ISK 1,4 bn in 2018.
- » Net fee and commission income remained more or less unchanged between years at ISK 8,2 bn.
- » Other operating income amounted to ISK 8,5 bn, as compared to ISK 3,6 bn in 2018. The increase is caused mostly by positive changes to the fair value of unlisted equities.
- » Wages and related expenses amounted to ISK 14,5 bn in 2019, as compared with ISK 14,6 bn in 2018.
- » Other operating expenses amounted to ISK 9,5 bn, as compared to ISK 9,3 bn in 2018.
- » The cost-income ratio decreased between years. It was 42,6% in 2019, as compared to 45,5% in 2018.
- » The total number of full-time equivalent positions at Landsbankinn decreased by 26 in 2019, to 893 at year-end.
- » Taxes paid by Landsbankinn in 2019 amounted to ISK 9,3 bn, as compared to ISK 10,7 bn in 2018.

Balance Sheet:

- » Landsbankinn's equity at year-end 2019 was ISK 247.7 bn, an increase of ISK 8.1 bn as compared with equity at year-end 2018. In 2019, Landsbankinn paid ISK 9.9 bn in dividend to shareholders.
- » The Bank's total capital ratio (CAR) at year-end 2019 was 25.8% as compared with 24.9% at the end of 2018. This is significantly in excess of the 20.5% capital requirement determined by the FME.
- » The Bank's total assets amounted to ISK 1,426 bn at year-end 2019, a year-over-year increase of just over 7.6%.
- » Lending increased by 7.1% between years, or by just over ISK 76 bn. Lending to corporates grew by ISK 21 bn, while loans to retail customers increased by ISK 55 bn.
- » Customer deposits, not counting financial undertakings, grew by 2.1% during the year, or by ISK 14.8 bn. Deposits from financial undertakings increased by ISK 13.5 bn in 2019.
- » The Bank closely monitors and manages its overall liquidity risk, in both FX and ISK. The Bank's liquidity coverage ratio (LCR) was 161% at year-end 2019.
- » In 2019, the item assets held for sale decreased by ISK 308 m.
- » Total defaults by companies and households remained stable between years and stood at 0.8% at year-end 2019.

	2019	2018	4Q 2019	4Q 2018
	<i>Amounts in ISKm</i>			
After-tax profit	18,235	19,260	3,875	3,867
ROE after taxes	7.5%	8.2%	6.3%	6.5%
ROE after taxes, less bank tax*	9.2%	9.8%	8.0%	8.2%
Interest margin on assets and liabilities**	2.4%	2.7%	2.3%	2.8%
Cost-income ratio***	42.6%	45.5%	46.2%	47.3%

	31.12.2019	31.12.2018
Total assets	1,426,328	1,326,041
Loans to customers	1,140,184	1,064,532
Customer deposits	707,813	693,043
Equity	247,734	239,610
Total capital ratio	25.8%	24.9%
Net stable funding ratio on foreign currency	143%	166%
Aggregate liquidity coverage ratio	161%	158%
Foreign currency LCR	769%	534%
Loans in arrears (>90 days)	0.8%	0.8%
Full-time equiv. positions	893	919

* ROE after taxes, less bank tax = (After-tax profit - taxes on the total liabilities of financial undertakings - profit from discontinued operations after taxes) / average equity position.

** Interest margin on assets and liabilities = (interest revenue / avg. total assets) - (interest expenses / avg. total liabilities).

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

Other aspects of Landsbankinn's operation in 2019

- » Landsbankinn was ranked highest by banking customers in the Icelandic Performance Satisfaction Index 2019.
- » Gallup surveys have in recent years shown growing confidence in the Bank and increased satisfaction with its services, both among retail and corporate customers.
- » The Bank's market share in loans to first-time housing buyers was 38% in 2019. In 2019, the Bank issued loans to 1,056 families or individuals for first-time housing purchases, a total of ISK 30 billion.
- » The Bank's market share in new housing loans was 28.2% and the Bank issued a total of ISK 138 bn in new housing loans.
- » Landsbankinn has held the highest market share in the retail market six years running and it measured 37.2% in 2019.
- » Several new digital solutions were introduced in 2019. Use of the Bank's self-service solutions is high and growing and Gallup surveys show that customers are very satisfied with the service.
- » Satisfaction among Landsbankinn's corporate customers has never rated higher.
- » The Bank maintained its strong position in the corporate market with its market share remaining similar between years, at around 34%.
- » Landsbankinn's share in loans to corporates remains the largest of the three commercial banks, or 41.7%, a 1.1 percentage point increase as compared to the previous year.
- » The scope of Landsbankinn's asset management continued to grow. At year-end 2019, the Group had around ISK 475 billion under management.
- » Íslenski lífeyrissjóðurinn pension fund performed very well in 2019. The fund is managed by Landsbankinn. Real net returns of the fund's divisions ranged between 4.6-12.5%, according to unaudited results.
- » In February, Landsbankinn issued senior unsecured floating rate bonds with a maturity of three years in the amount of NOK 1,000 m and SEK 500 m in March.
- » The Landsbankinn app was chosen App of the Year at the Icelandic Web Awards in February.
- » In April, Landsbankinn was awarded equal pay certification, confirming that the Bank's equal pay system complies with the requirements of the Equal Pay Standard ÍST 85: 2012.
- » The Annual General Meeting (AGM) of Landsbankinn, held on 4 April 2019, agreed to pay dividends in the total amount of ISK 9.9 billion.
- » Also in April, the Centre of Corporate Governance (CCG) of the University of Iceland renewed its recognition of Landsbankinn as a model of good corporate governance.
- » On 8 May 2019, Apple opened Apple Pay for use in Iceland and Landsbankinn simultaneously granted customers' access to the feature. Landsbankinn was the first Icelandic bank to offer payment solutions for all types of mobile phones.
- » In June, Landsbankinn became a member of the NASDAQ exchanges in Stockholm, Copenhagen and Helsinki and can now trade directly in listed securities on these markets.

- » In July, Landsbankinn and Landsbréf signed a service agreement providing for the EGS rating of issuers of equities and bonds in portfolios under management by the latter two companies. ESG stands for environmental, social and governance.
- » In July, Landsbankinn became the first Icelandic bank to offer access to an A2A payment solution which allows fintech companies to install software solutions (apps) enabling the Bank's customers to pay directly from their accounts.
- » The international financial magazine Euromoney has selected Landsbankinn as the best bank in Iceland.
- » International rating agency S&P Global Ratings today affirmed Landsbankinn's long and short-term issuer credit rating of BBB+/A-2, but revised its outlook from stable to negative. S&P's announcement mentions specifically that Landsbankinn's market share is higher than other Icelandic banks, and that its operations are both more efficient and more profitable.
- » In September, the CEO of Landsbankinn signed new Principles for Responsible Banking. The Principles for Responsible Banking were developed by a core group of 30 international banks through an innovative global partnership between banks and the UNEP Finance Initiative (UNEP FI).
- » Landsbankinn hosted a successful conference on the travel industry in Harpa on 26 September 2019. Landsbankinn Economic Research presented its detailed analysis of the status and outlook for the travel sector at the conference.
- » Over 200 individuals attended Landsbankinn's information session on cyber security held in Reykjavík in October. The session was tailored to the needs of the staff of companies and institutions.
- » Landsbankinn's macroeconomic forecast for 2019-2022 was presented at well-attended morning meeting in Harpa on 30 October. The title of the 2019 conference was: "The economy comes in for a soft landing".
- » Landsbankinn Markets partnered with Municipality Credit Iceland to create a certified green bonds framework, as well as on the sale and issuance of the bonds.
- » Since November, Landsbankinn's customers have been able to link their payment cards to Garmin Pay and Fitbit Pay.
- » Landsbankinn received a very good ESG rating following an ESG risk assessment by the international ratings and analytics firm Sustainalytics, ranking 6th out of 376 banks assessed by the firm in Europe.
- » In December, the Bank issued subordinated bonds for ISK 5,520 million under the ISK 50 bn debt issuance programme. The bond issuance was the Bank's inaugural ISK-denominated subordinated bond issuance.
- » In December, Landsbankinn signed a Statement of Commitment to the FX Global Code, a set of principles of good practice for foreign exchange.

Teleconference to present results

A teleconference to present the Bank's 2019 financial statements will be held for analysts at 10:00 (GMT+0), on Friday 7 February. The meeting will be held in English. Please register for participation by emailing ir@landsbankinn.is.

Landsbankinn's financial calendar

27 March 2020 – Annual General Meeting

7 May 2019 - Q1 2020 results

30 July 2020 – H1 2020 results

29 October - Q3 2020 results

11 February 2021 – Annual Financial Statements 2020