



Landsbankinn's 2020 results

News Release, 11 February 2021



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Financial results of Landsbankinn for 2020

- Landsbankinn's after-tax profit in 2020 was ISK 10.5 billion.
- Return on equity (ROE) was 4.3% in 2020, as compared with 7.5% in 2019. The Bank's target is 10% minimum ROE.
- Return on equity (ROE) was 15.5% in Q4 2020 as compared with 6,3% for the same period the previous year.
- The cost-income ratio grew between years, was 47.4% in 2020 as compared with 42.6% in 2019.
- Landsbankinn's credit portfolio grew by ISK 133.2 billion. The default ratio at year-end 2020 was 0.8%, the same number as at year-end 2019.
- Landsbankinn's equity amounted to ISK 258.3 billion at year-end 2020 and its capital ratio was 25.1% of risk-weighted assets.
- A proposal will be made to the AGM to pay an ISK 4.5 billion dividend to shareholders for the year 2020, the equivalent of ISK 0.19 per share.
- Landsbankinn's annual and ESG report, and Pillar III risk report for 2020 are published alongside its Annual Financial Statements.

The profit of Landsbankinn hf. in 2020 was ISK 10.5 billion after taxes, as compared with ISK 18.2 billion in 2019. After-tax ROE was 4.3% in 2020, as compared with 7.5% in 2018. Net interest income amounted to ISK 38.1 billion in 2020, as compared with ISK 39.7 billion in 2018. Landsbankinn's net fee and commission income was ISK 7.6 billion in 2020, as compared with ISK 8.2 billion in 2019. Other operating income was negative by ISK 7.5 billion in 2020, as compared with ISK 3.6 billion in 2019. The decrease is mainly the result of an ISK 12 billion impairment of financial assets as compared with impairment in the amount of ISK 4.8 billion in 2019. Increased impairment of financial assets is more or less directly attributable to Covid-19.

Total defaults by corporates and households remained stable between years at 0.8%. Temporary Covid-19 relief measures led to lower values for loans 90 days in arrears.

The Bank's operating profit for 2020 amounted to ISK 38.3 billion, as compared to ISK 51.5 billion the previous year. The net interest margin on assets and liabilities was 2.5% as compared with 2.8% the previous year.

Operating expenses amounted to ISK 25.6 billion in 2020, as compared with ISK 28.2 billion in 2019. Wages and related expenses amounted to ISK 14.8 billion as compared with ISK 14.5 billion the previous year. Other operating expenses were ISK 9.1 billion in 2020, as compared with ISK 9.5 billion in 2019.

Pre-tax profit in 2020 amounted to ISK 12.6 billion, as compared with ISK 23.3 billion in 2019. Imputed taxes, including a special financial management tax on wages, amount to ISK 4.6 billion in 2020 as compared with ISK 10 billion in 2019.

Landsbankinn's total assets grew by ISK 137.8 billion between years and amounted to ISK 1,564 billion at year-end 2020. Lending increased by 12% between years, or by just over ISK 133 billion. The growth in lending is due mostly to an increase in loans to private persons. At the end of 2020, deposits from customers amounted to ISK 793 billion as compared with ISK 708 billion at year-end 2019.

Landsbankinn's equity at year-end 2020 was ISK 258.3 billion, as compared with ISK 247.7 billion at year-end 2019. No dividend was paid to shareholders in 2020. Landsbankinn's CAR at year-end 2020 was 25.1%, as compared with 25.8% at year-end 2019. The Financial Supervisory Authority of the Central Bank of Iceland (FSA), sets Landsbankinn's total capital requirement at 18.8%.

The Board of Directors of Landsbankinn will propose to the AGM on 24 March 2021 that shareholders be paid a dividend of ISK 0.19 per share for the year 2020, a total amount of ISK 4.5 billion. The dividend is equivalent to 43% of the Group's 2020 profit.

Lilja Björk Einarsdóttir, CEO of Landsbankinn:

"The 2020 results are a reflection of sound, effective and stable operations. The Bank's profit in 2020 was ISK 10.5 billion, ROE was 4.3% for the year and the Bank's performance was good across the entire operation. Results were good, especially bearing in mind that the Bank made an ISK 12 billion provision for loan impairment, largely to cover the possibility of a credit loss that has not materialised. These results demonstrate that the Bank is strongly placed to support the economic recovery as well as to support customers who have suffered a significant loss of income as a consequence of the pandemic.

Emphasis on operational efficiencies have helped to keep costs stable. The cost-income ratio changes slightly and was 47.7% for the year 2020. Operating costs remained more or less the same, as has been the case for several years. At the same time, we are investing a great deal in digital development. Over the past three years, the Bank has introduced around 40 innovative digital solutions to customers.

Never before has Landsbankinn granted more mortgages, both for buyers as well as for refinancing purposes. The Bank lowered interest rates six times and, despite significant challenges associated with the pandemic, we were able to meet a significant increase in demand for mortgages and ensure very good and competitive terms for our customers. Over 10,000 individuals and families took out a mortgage with us in 2020 and the Bank's overall share in the mortgage market grew to 26.3%.

My first thoughts are expressing gratitude to our loyal customers for their business in a year where all previous plans were turned upside down. We provide customers around the country with financial services, including around 700 companies in the travel sector. We have supported our customers, providing moratorium and assistance, and we all hope to see economic recovery in the autumn. The Bank's employees have risen to the challenge, showing a great deal of resourcefulness and adaptability. We maintained virtually unchanged service levels through our robust digital service platform, supported by our excellent staff. Customers responded well to the changes in service and were quick to adopt new solutions, they knew that Landsbankinn was there for them.

In 2021, Landsbankinn will operate under a new strategy - Landsbankinn, an ever-smarter bank. Our enthusiastic engagement with new technology is fuelled by our drive to achieve success, which strengthens operations and boosts initiative. Our aim is to simplify the life for our customers. We kick off the year with the publication of a new sustainable finance framework and intend to continue to lead the field in sustainability. That's Landsbankinn, an ever-smarter bank."

Key figures from the profit and loss account for Q4 2020

- Landsbankinn's profit in Q4 2020 amounted to ISK 9.8 billion, as compared to ISK 3.9 billion in Q4 2019.
- Return on equity (ROE) was 15.5% in Q4 2020 as compared with 6.3% for the same period the previous year.
- Net interest income in the quarter amounted to ISK 9.7 billion as compared with ISK 9.6 billion in Q4 of 2019.
- Value changes in lending and receivables were positive by ISK 1.5 billion in Q4 2020 as compared with negative value changes of ISK 1.4 billion in Q4 2019.

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- Net fee and commission income amounted to ISK 2.0 billion, the same as in Q4 2019.
 - The net interest margin on assets and liabilities was 2.4% in Q4 2020 as compared with 2.7% for the same period in 2019.
 - Wages and related expenses amounted to ISK 4.0 billion, compared with ISK 3.8 billion in Q4 2019.
 - Operating costs less wages and related expenses amounted to ISK 2.4 billion in Q4 2020 as compared with ISK 2.5 billion for the same period in 2019.
 - The cost-income ratio in Q4 2020 was 38.8% as compared with 46.2% in the same quarter the previous year.
 - Full-time equivalent positions at Landsbankinn were 878 at year-end 2020, compared with 893 at the end of 2019.

Key figures from the profit and loss account and balance sheet for 2020

Operations:

- Landsbankinn's profit in 2020 amounted to ISK 10.5 billion, as compared with ISK 18.2 billion in 2019.
- Return on equity (ROE) after-taxes was 4.3% as compared with an ROE of 7.5% in 2019.
- Net interest income amounted to ISK 38.1 billion in 2020, as compared with ISK 39.7 billion in 2019.
- The net interest margin on assets and liabilities was 2.5% in 2020 and 2.8% in 2019.
- Net impairment on financial assets was ISK 12 billion as compared with net impairment in the amount of ISK 4.8 billion in 2019. Increased impairment on financial assets is more or less directly attributable to Covid-19.
- Landsbankinn's net fee and commission income was ISK 7.6 billion in 2020, as compared with ISK 8.2 billion in 2019.
- Other operating income amounted to ISK 4.6 billion in 2020, as compared with ISK 8.5 billion the previous year, which is a 46.1% decrease between years. Impairment of financial assets was ISK 12 billion in 2020, as compared with ISK 4.8 billion in 2019. Increased impairment is attributable to the impact of the Covid-19 pandemic.
- Wages and related expenses amounted to ISK 14.8 billion in 2020, as compared with ISK 14.5 billion in 2019.
- Operating costs less wages and related expenses amounted to ISK 9.1 billion, as compared with ISK 9.5 billion in 2019.
- The cost-income ratio for 2020 is up between years, was 47.4% in 2020, as compared with 42.6% in 2019.
- The total number of full-time equivalent positions at Landsbankinn decreased by 15 in 2020, to 878 at year-end.
- Income tax paid by Landsbankinn in 2020 amounted to ISK 2.1 billion, as compared with ISK 5.1 billion in 2019.

Balance Sheet:

- Landsbankinn's equity at year-end 2020 was ISK 258.3 billion, an increase of ISK 11 billion as compared with equity at year-end 2019. No dividend was paid to shareholders in 2020.
- The Bank's total capital ratio at year-end 2020 was 25.1% as compared with 25.8% at the end of 2019. This is significantly in excess of the 18.8% minimum requirement determined by the FSA.
- The Bank's total assets amounted to ISK 1,564 billion at year-end 2020, an increase of just over 10% from the previous year.

- Lending increased by 12% between years, or by just over ISK 133 billion. Lending to corporates grew by ISK 9 billion, while loans to retail customers increased by ISK 124 billion. There was high growth in non-indexed lending while inflation-indexed loans contracted.
- Customer deposits, not counting financial undertakings, grew by 12% during the year, or by ISK 85.6 billion. Deposits from financial undertakings increased slightly in 2020 and stand at ISK 48.7 billion at year end.
- The Bank closely monitors and manages its liquidity risk, overall, and in both FX and ISK. The Bank's liquidity coverage ratio (LCR) was 154% at year-end 2020 as compared with 161% at year-end 2019.
- In 2020, the item assets held for sale decreased by ISK 616 million.
- Total defaults by companies and households remained stable between years at 0.8%. Temporary Covid-19 relief measures led to lower values for loans 90 days in arrears.

| | 2020 | 2019 | 4F 2020 | 4Q 2019 |
|---|-------------------|-------------------|---------|---------|
| Amounts in ISKm | | | | |
| After-tax profit | 10,521 | 18,235 | 9,822 | 3,875 |
| ROE after taxes | 4.3% | | 15.5% | 6.3% |
| Interest margin on average total asset position | 2.5% | | 2.4% | 2.7% |
| Cost-income ratio* | 47.4% | 42.6% | 38.8% | 46.2% |
| | 31.12.2020 | 31.12.2019 | | |
| Total assets | 1,564,177 | 1,426,328 | | |
| Loans to customers | 1,273,426 | 1,140,184 | | |
| Customer deposits | 793,427 | 707,813 | | |
| Equity | 258,255 | 247,734 | | |
| Total capital ratio | 25.1% | 25.8% | | |
| Net stable funding ratio on foreign currency | 132% | 143% | | |
| Aggregate liquidity coverage ratio | 154% | 161% | | |
| Foreign currency LCR | 424% | 769% | | |
| Loans in arrears (>90 days) | 0.8% | 0.8% | | |
| Full-time equiv. positions | 878 | 893 | | |

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

Other operating highlights in 2020

- In 2020, we set ourselves a new strategy under the heading Landsbankinn, an ever-smarter bank. The strategy is founded on the ideal of mutual trust and personal approach to banking. With us, customer satisfaction comes first, and we will continue our technological advancement and development of digital solutions.
- In January 2020, it was revealed that Landsbankinn had topped the Icelandic Performance Satisfaction Index in 2019 for banking customers, the second year in a row.
- Landsbankinn held a 38.5% market share in the retail market in 2020 – a record high – and has held the largest share in that market of the Icelandic banks since 2014. In the corporate market, the Bank's market share was 35.7%, according to the Gallup.
- Landsbankinn's share in corporate lending is around 40%.

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- International finance magazines Euromoney and The Banker named Landsbankinn best bank in Iceland in 2020.
 - Landsbankinn's mortgage portfolio expanded to record size in 2020. The Bank's mortgages increased by ISK 123 billion and its market share grew from 22% to 26.3%.
 - Assets under management by the Landsbankinn Group totalled ISK 517 billion at year-end 2020.
 - Several new features were introduced in the online banking platforms and Landsbankinn's app, all aimed at increasing self-service, facilitating access to information and improving customer service.
 - Special emphasis was on improving digital services to corporates. It has never been easier for companies to become Landsbankinn customers, create bank accounts and monitor claim collection, to name a few examples.
 - Landsbankinn's new website was launched in December 2020. The website was re-designed from the ground up with the aim of simplifying life for customers.
 - As of December 2020, companies have been able to tend to their finances in Landsbankinn's app.
 - Increased efforts were made to multiply the availability of electronic signatures in response to the unprecedented conditions under Covid-19. Use of electronic signatures tripled between years.
 - Satisfaction with the Bank's digital solutions is high and their use grows steadily.
 - In all main bank transactions for corporate customers, i.e. domestic and international payments, and claim collection, self-service levels are at 98%.
 - In 99% of cases, individuals use self-service solutions to pay bills and transfer funds.
 - Customers were offered the option of making appointments with the Bank, both for consultation calls and visits to branches. Around 28.400 appointments were booked in the year.
 - Landsbankinn offered customers experiencing payment difficulties several solutions and relief measures. Individuals were offered holidays on mortgage payments for up to six months. Companies were also offered six-month payment holidays. The application process for these relief measures was electronic from the start.
 - Twice as many customers concluded securities transaction contracts with the Bank in 2020 as compared with 2019.
 - Landsbankinn was one of two managers of Icelandair's successful stock offering in September of 2020.
 - The Bank co-ordinated Municipality Credit Iceland's green bond issue.
 - In April 2020, international rating agency S&P Global Ratings lowered the Bank's long-term credit rating by one notch, to BBB/A-2 with stable outlook.
 - In 2020, the Bank worked on its initial sustainable finance framework, which was published in January 2021.
 - In January 2021, S&P Global Ratings assigned a credit rating for covered bonds issued by Landsbankinn at A- with stable outlook.
 - Landsbankinn improved its score in a new ESG risk rating from Sustainalytics, lowering its score from 17.5 to 13.5 on a scale to 100. Landsbankinn now ranks 2nd out of 382 banks operating in Europe which Sustainalytics has analysed. Landsbankinn also achieved an excellent EGS risk rating in Reitun's assessment, or 86 out of 100 points. ESG refers to environmental, social and governance factors.
 - We have offset the Bank's 2020 activities and achieved CarbonNeutral® company certification in accordance with The CarbonNeutral Protocol – the leading global framework for carbon neutrality.
 - In December, Landsbankinn sold its 12.1% shareholding in Stoðir hf. for ISK 3.3 billion.

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- In November, Landsbankinn sold its building in Selfoss. The Bank will continue to operate out of the building until its relocation to new premises in Selfoss.
 - Measurements showed that job satisfaction at Landsbankinn and employee pride is high and has never scored higher.

Teleconference to present results

On Friday 12 February, 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, 24 March 2021

Q1 2021 results 6 May 2021

Q2 2021 results 22 July 2021

Q3 2021 results 28 October 2021

Annual Results 2021 3 February 2022.