

Annual report 2021

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This Annual and Sustainability Report was originally published as an online report. References and further reading can be found on Landsbankinn's website, Landsbankinn.is The report is published subject to reservations regarding possible errors. Should typographical errors, discrepancies or other obvious inconsistencies be discovered, Landsbankinn reserves the right to correct these and to update the Annual and Sustainability Report accordingly in each instance.

A clear strategy has yielded results in the form of new solutions for customers, increased satisfaction and improved and more efficient service. A record number of customers joined the Bank in 2021. Operations were successful - return on equity was good, revenues have grown from increased activity and operational efficiencies contribute to balanced cost levels.

Active personal customers		Market share in personal banking		Assets under management	
115,500	+4.5%	39.5%	+1%	726 bn ISK	+31%
Market share in mortgages		App users		Deposits	
29.1%	+2.8%	91,800	+23.8%	900 bn ISK	+13.4%



3 in a row

More satisfied customers

Landsbankinn was ranked highest by banking customers in the Icelandic Performance Satisfaction Index 2021, for the third year running.



1,544

mortgages for first-time buyers



Sustainability

Great strides in 2021

We calculated GHG emissions from the Bank's loan book, updated our emphasis on work on the UN SDGs and issued two green bond series. We introduced the Bank's Sustainable Financing Label, a savings account and fund that support sustainability.



2,500

Record number of new corporate customers

Around 2,500 corporates and sole proprietors joined Landsbankinn this year - a record increase. 90% onboarded independently. The Bank's share in the corporate market is 33.6% and its share in corporate lending is just over 40%.



No. 1

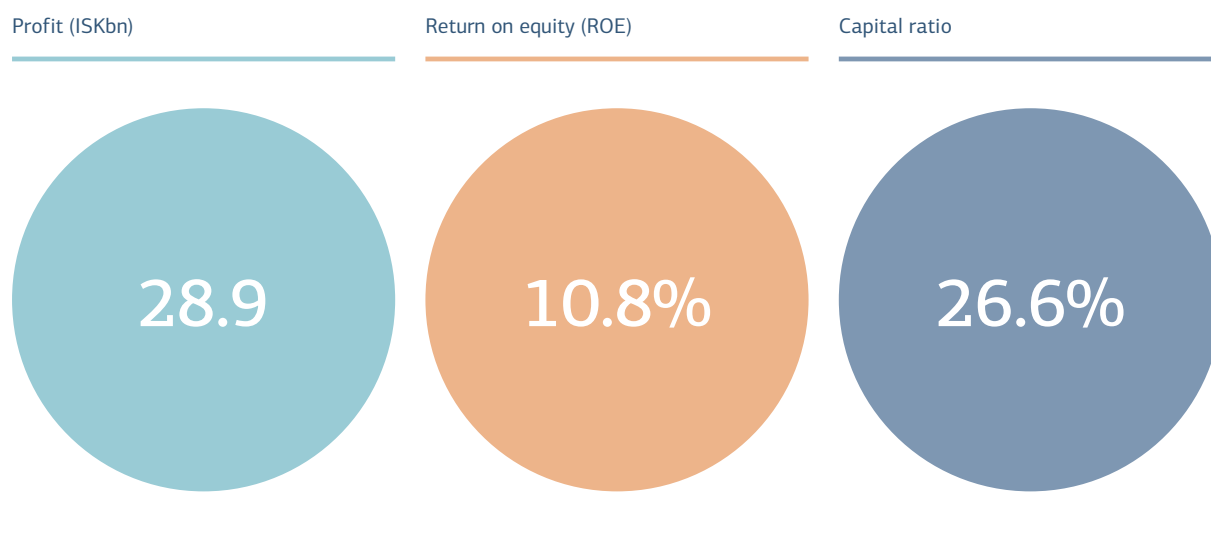
**Best bank in Iceland by
Euromoney**



25%

**growth in portfolio
management contracts**

Landsbankinn's operating profit after taxes amounted to ISK 28.9 bn in 2021 (2020: ISK 10.5 bn). After-tax ROE was 10.8% in 2021 (2020: 4.3%).



A photograph of two young women sitting at a wooden table in a cafe. The woman on the left has long brown hair and is wearing a brown and white checkered shirt. She is smiling and looking towards the woman on the right. The woman on the right has dark skin and long black braids, wearing a green vest over a white shirt. She is also smiling and looking towards the first woman. On the table, there is a glass of iced coffee, a plate with a sandwich and a lemon slice, and some papers. The background is a brick wall with a potted plant hanging from a shelf.

1. Governance and Organisation

Mutual trust

At the core of Landsbankinn's strategy is the ideal of mutual trust and a personal approach to banking. The Bank complies with recognised guidelines on corporate governance and its organisation aims to ensure sound and effective operation while creating opportunities for successful collaboration between departments and groups.



Helga Björk Eiríksdóttir, Chairman of the Board

From the Chairman of the Board

The Bank performed well in 2021 and its position is strong. Profitability was 10.8% in 2021, in line with the Bank's long-term goal of achieving around or over 10% return on equity.

Landsbankinn's success in 2021 is largely grounded on successful work based on its strategy, approved in 2020. One of our key strategic goals is to enhance customer satisfaction. We are very proud and delighted that the Bank topped the Icelandic Performance Satisfaction Index in 2021, for the third year running, an outcome confirmed by our own customer satisfaction surveys. We are also pleased by how many new customers have

joined the Bank. Our market share in the retail market is currently 39.5% and has never been higher.

Emphasis on favourable terms on housing mortgages and smooth and effective service no doubt plays an important part in the increase in new customers and high growth in market share in the mortgage market. In only five years, our share has grown from 17% to 29% and Landsbankinn is now by far the

largest single lender on this market. When compared to only the other two commercial banks, our market share is 41%. The number of customers entering the mortgage market and taking our loans with the Bank reflects the competitive rates we offer first-time buyers. Our market share among first-time buyers was around 46% in 2021, according to Gallup.

This high growth in mortgage lending has for the first time in 2021 led to total lending to individuals in the Bank's loan book exceeding total lending to corporates.

Not by any great margin, yet this is a milestone nevertheless, as corporate lending made up 60% and retail lending around 40% not many years ago.

Costs continue to decrease

While income has increased, operating costs have continued to dwindle. The Bank's success is remarkable and it should be noted that last year, the Bank's cost-income ratio, i.e. cost to total income, was 43.2%, or comparable to the most efficient Nordic banks in terms of operating cost. Operating cost as a ratio of total assets has decreased steadily, from holding steady at around 2% for several years to 1.4% in 2021. Operating cost, calculated as a ratio of total assets and total income, of course takes into account that the Bank's balance sheet has grown substantially and income increased. But even considering the increase measured in Icelandic króna, the success is clear.

Regular and special dividend

Sound and stable operations and a strong financial position allow the Bank to pay a dividend to

shareholders. In line with the Bank's dividend policy, the Board of Directors intends to propose that the Annual General Meeting approve a dividend of ISK 14.4 billion, equivalent to around 50% of 2021 profit. Should this proposal be approved, dividend paid by Landsbankinn in 2013-2022 will in total amount to ISK 160.6 billion, accruing almost in its entirety to the National Treasury. The Board of Directors is also considering proposing payment of a special dividend in 2022.

Supporting our customers

Landsbankinn's operation of course takes into consideration economic conditions in Iceland and it is clear that the economy is now much better placed than most of us dared to hope in the early days of the pandemic. The outlook is for good economic growth, and while there are some negative developments in the inflation rate, interest rates are lower than usual and purchasing power is higher than ever. The recession that followed in the wake of the pandemic is unusual in that it had negative economic consequences mostly for a small segment of the population, i.e. on those who became unemployed or worked in the sectors that were hardest hit by the pandemic - tourism, hotels and restaurants, music and theatre, to name the main sectors.

The travel sector received a tremendous blow. Two million tourists visited Iceland in 2019. The pandemic brought this number down to 480,000 and up a little to 690,000 in 2021. The high investment and development in Icelandic tourism in recent years supports expectations for a bountiful harvest once the pandemic is in the past and travel picks up again.

Service throughout Iceland and around the clock

Landsbankinn is focused on providing outstanding digital solutions. Our customers are very appreciative and use of our digital solutions continues to grow.

Unlike other financial undertakings, we also emphasise maintaining a presence throughout the country. The Bank operates branches and outlets in 29 locations in rural Iceland and 7 branches in the capital region.

This service network is unique in Iceland. This creates unequalled connections, both with individuals and companies. Clearly, the need for branch services has declined and fewer customers visit them. We have responded in various ways, including by shortening opening hours while extending remote meeting hours to 18:00. We have also ensured that employees working out of branches throughout Iceland are able to

work on projects that are not location-dependent. While our policy is still to maintain a presence throughout Iceland, we will continue to develop and adapt our branch network with regard for changes in the operating environment and changing customer needs.

Rapid changes in the financial market

Changes in Landsbankinn's operating environment are not least from growing competition in the financial market from a broader group of fintechs and financial undertakings, both domestic and international. The competitive environment has actually changed more rapidly and extensively than most of us expected. The legal environment, technological changes and changing consumer behaviour all mean that development is proceeding at breakneck speed and we must keep up by offering new solutions that meet customer needs. That is certainly our intention and the Bank is very well placed to grow. These developments also bring more complicated and comprehensive supervision and regulation that Landsbankinn, like other systematically important financial institutions, must comply with. We understand that complying with and meeting stringent requirements creates trust, which we are thankful for. At the same time, it must be noted that it is

important to ensure that such supervision and charges levied on the Bank should not be more encumbering for us than our competitors, both domestic and international.

Leading in sustainability

It is admirable how many individuals and companies have taken the initiative to enhance sustainability in their local environment and operation in recent years.

Landsbankinn has for many years led the field in corporate social responsibility and sustainability and we intend to continue to act as an example in implementing the changes that financial markets are undergoing with increased emphasis on sustainable finances.

We consider that climate issues should rank even higher on the list of risk factors banks should assess and manage. We can look to both local and international examples that show the impact climate change can have on both people and profit in both the long and shorter term. Drought in the winter months has led to unusually low water levels in domestic reservoirs. While this may be a short-term fluctuation only, it is nevertheless a good example of how changing weather patterns can have large and negative impacts on companies and their operation.

New and practical housing opens new opportunities

Changes in banking have called for new work practices at Landsbankinn. Projects are increasingly completed in close collaboration between departments, in larger or smaller teams. One of the reasons for the Board's decision in spring 2017 to begin construction of new headquarters for the Bank was the unsuitability of current housing in Kvosin to such work. Design of the new building has special consideration for these factors and ensures flexibility in the organisation of the building that allows for easy adaptation to changes in line with new approaches. We believe that the move to Austurbakki will create new opportunities to better harness the great energy and knowledge our team possesses.

The Bank's operation in Kvosin is now scattered around 12 buildings, leading to regular and costly disruption when changes are called for, such as due to operational changes. These buildings are also getting on in years, with the oldest house constructed in 1907 and the youngest in 1970. The move to a new building will free up current housing in Austurstræti, Hafnarstræti and Tryggvagata. The Bank owns four of these buildings, Austurstræti 11 and Hafnarstræti 10, 12 and 14. Preparations to sell

these buildings have begun. We will take special care in considering the future of Austurstræti 11, as it holds unique cultural and historic value and must be ensured a worthy future.

Organisation changes release energy

In early 2021, following on the heels of our new strategy, the departments Human Resources, Marketing & Communications and Economic Research all joined forces as the collective Community. The aim was to strengthen and support collaboration between these departments in line with the objectives of the new strategy as regards an innovative customer approach, including through instruction, communication and also as regards employee education and training. To enhance the drive of

these departments even further, it was decided in spring to create a new division out of the Community group to underline our focus on these issues and ensure their progression.

We face many challenges, from growing competition, rapid technological development and regulatory changes. In order to meet these challenges with aplomb, it is important for the Bank to continue to attract and retain strong and talented personnel.

This requires that the Bank can offer both competitive wages and a desirable workplace. We must also ensure that our human resources develop in line with changes to the Bank's activities and to always perform to the best of our ability in order to provide the best service.

Excellent performance under difficult conditions

The Annual General Meeting of the Bank in 2021 elected three new Directors to the Board, Elín H. Jónsdóttir, Guðrún Blöndal and Helgi Friðjón Arnarson. Sigríður Olgeirsdóttir was elected as alternate. The new regular members replace Einar Thór Bjarnason, elected to the Board in 2016, Hersir Sigurgeirsson, elected to the Board in 2016 and serving until November 2020, and Sigríður Benediktsdóttir, elected to the Board in 2017. I thank them all for their excellent work. On behalf of the Board of Directors, I thank Lilja Björk Einarsdóttir, CEO, other executives and the Bank's employees for their outstanding performance under difficult conditions and for pleasant and effective collaboration in 2021.



Lilja Björk Einarsdóttir, CEO of Landsbankinn

From the Chief Executive Officer

We simplify life for our customers by offering first-rate digital service while emphasising personal communication and professional advice.

The results of the Icelandic Performance Satisfaction Index, which we topped for the banking market the third year running, confirms that we are on the right path. Our own surveys also show that satisfaction with our services continues to grow. Our teams in the Customer Service Centre, the Corporate Banking Service Centre and branches throughout Iceland - the teams that are in closest contact with customers - experience an increase in customer satisfaction and confidence in our relationships. This makes us very proud and thankful.

New organisational structure supports the Bank's strategy

Since the beginning of 2021, we have worked systematically on our new strategy headlined Landsbankinn, an ever-smarter bank. The strategy is followed up with detailed metrics to monitor success. We made good headway with the strategy in 2021 and achieved all our main goals.

We changed and strengthened the Bank's organisational structure to advance our strategy, forming a new division that combines important departments that handle human

resources and marketing as well as research, sustainability and communication.

This new division is called Community and the name reflects the Bank's emphasis on being an important link in Icelandic society, a trailblazer in sustainability and corporate social responsibility but also refers inward, to the workplace community. Our intention is to strengthen and fortify the Bank's message about learning, communication, development and human resources.

In its simplest form, our strategy and vision on financial service is

to enable customers to take care of all general banking business independently. Alongside robust self-service solutions, we offer expert knowledge and advice when needed and successful and sound asset management. We aim to tailor service to the needs of customers, both individuals and corporates, providing more holistic and specialised service to larger entities. We provide universal financial services and want to have a positive impact on the society we are a part of.

Excellent performance in 2021

As borne out by our financial statements, Landsbankinn's operation was successful in 2021. Profitability was 10.8%, which is in line with our goals. Revenue has increased while operational improvements have enhanced efficiency surely and steadily, and costs have remained stable over the past years. Growth in fee and commission income exceeded our goals considerably, mostly from increased market activity and successful asset management. We worked on several well executed share offerings in 2021 and Landsbankinn Corporate Finance coordinated the IPO of Sildarvinnsílan, which was very successful.

The Bank's good performance and strong financial standing give considerable scope to pay a dividend to shareholders. The Bank's equity is considerably higher than regulatory requirements demand and also higher than we consider appropriate

in the long term. We see this as an opportunity to optimise the Bank's capital structure by lowering equity through dividend payments alongside continued diversification of funding.

Landsbréf's operation has also been successful and it is noteworthy how much the company has grown in recent years. A recent organisational change resulted in a stronger entity, with the transfer of all fund management to Landsbréf while Landsbankinn's employees can now focus their energy even better on sale and customer service.

Another metric of success is international rating agency Sustainalytics' evaluation of the Bank's sustainability rating. Sustainalytics measures banks around the world and rated Landsbankinn as having negligible risk of experiencing material financial impact from ESG factors - a leading rating on a global level.

Every link in the chain is strong

One of the characteristics of banking activity is that much more happens behind the scenes than customers are aware of. The services we offer, digital service channels, personal advice or other, are usually the last link in a long chain. In order to offer first-rate service, the entire chain must hold. Landsbankinn's chain is extremely strong and underpins the Bank's success. Our team is ambitious and hard-working and the Bank's corporate culture is strong and

success oriented. We build management of risk factors in our operation, service and products on extensive and deep knowledge. The Bank's strategy is to offer employees access to all the training and learning necessary to meet rapid changes and develop on the job. We want to foster a culture that encourages people to speak up and ensure that new solutions reach customers quickly.

We continue to focus on strengthening the Bank's infrastructure to promote efficiency and security. One of our most important tasks in the near future is the move to new housing. The move revolutionises the entire workplace and will promote increased collaboration, strengthen the Bank's corporate culture even further and increase visibility and cooperation among staff. The Bank's employees are excited about the move and ready to take on the resulting challenges.

2021 saw the completion of restructuring of the Icelandic Banks' Data Centre (RB), a joint project involving financial institutions and the Central Bank. This is a great step towards increasing efficiency in the financial system. Landsbankinn's employees showed plenty of initiative in this work. We consider it of prime importance to simplify the operating environment of the banks to strengthen our competitive position against large, international tech giants who are moving into financial service.

Pioneering measurement of the carbon footprint of lending

Landsbankinn has adopted a clear strategy to work on sustainability in society and we focused on sustainability in 2021. One of the major tasks was the Bank's calculation and publication of emissions from its loan book in accordance with the Partnership for Carbon Accounting Financials (PCAF) methodology.

Landsbankinn was one of the first banks globally to calculate the carbon footprint of its loan book. We have in recent years worked to steer the Bank's operation towards sustainability and minimising its carbon footprint.

The greatest impact is not from the Bank's traditional operation but indirect, from its loan book. A closer look at the impact shows that a mere 1% of the Bank's carbon footprint is from its operation; 99% is from lending activity. Our role is to contribute to development and well-being in society through our operation. By measuring emissions from our loan book, we can support companies and individuals through necessary changes in the future.

New Sustainability Policy and increased emphasis on sustainable finance

We completed revision of the Bank's Sustainability Policy in 2021 and published our initial Sustainable Finance Framework.

We issued green bonds under the Framework, becoming one of the largest domestic issuers of green bonds. We continued to assist our customers, including to shape their own financial frameworks for the issuance of sustainability bonds. Part of our customer service is to assist customers to share their sustainability work and, in 2021, we awarded our first Sustainable Financing Label to companies who have received funding from the Bank for projects that fall under the Sustainable Finance Framework. This allows corporates to make their work on sustainable projects visible. We launched two new projects that give customers the opportunity to invest their savings in sustainability. Landsbréf presented a new investment fund, Eignadreifing sjálfbær, which invests in companies who succeed on the sustainability platform and in general operations, and the Bank created sustainable savings account Vaxtareikningur sjálfbær. Deposits to the account are only allocated to projects that promote sustainability.

Strong support for society

Part of the Bank's Sustainability Policy is to provide varied support for projects that have a positive impact on society. Through the Bank's Community Fund, we provide grants for various projects and scholarships for exceptional students. The Fund is only one part of our extensive support system which includes

partnering with sports and youth clubs throughout Iceland and grants to various projects such as Reykjavík Pride, Iceland Airwaves, Reykjavík Culture Night and Skólahreysti.

Towards the end of 2021, we decided to establish a new grant fund, the Sustainability Fund. Initial allocation from the Fund will take place now in spring. The total amount of the allocation will be ISK 10 million and the focus will be on projects linked to the energy transition this time around.

We are very proud of our support for society and see that our customers appreciate this strategy.

Record number of new retail customers

We place a large premium on offering competitive terms and have over the past three years led the field in offering the most favourable terms on non-indexed housing mortgages, in addition to simplifying and speeding up the application process for mortgage loans and credit assessments. This has encouraged an increasing number of people to take out mortgages with Landsbankinn, both to purchase real estate and to refinance at better terms. The Bank's share in the mortgage market has grown rapidly and currently makes up around 29.1% of total lending; 41% if only the three large commercial banks are included. News about favourable terms and good service spreads and, in

2021, individuals who are active customers of the Bank increased by 5,100, a record increase in the span of one year. Landsbankinn's market share in the retail market is now 39.5% - a record high. Our focus on maintaining a presence throughout Iceland no doubt plays a large part in these developments, as our market share is even higher outside of the capital region, or around 45%.

Record number of new corporate customers

The Bank's clear strategy of offering first-rate digital service has led to the development of several new digital solutions and services that have boosted customer satisfaction and created new business opportunities. One example is that in December 2020, onboarding of new corporate customers was made a digital process, making it quick and easy to register new corporate customers in the app. Once this possibility was enabled, more companies and sole proprietors became customers than ever before, or a total of around 2,500 in 2021. Around half of new corporate customers transferred from other banks. Our market share in the corporate market grew to 33.6%, with the Bank's share in total lending to corporates holding steady at just over 40%.

Key role in robust industrial activity

We are focused on fostering business relationships that support domestic industry and attractive investments. As

before, the Bank maintained high lending levels to the construction sector, financing the construction of around 3,800 apartments in 2021. Around 25,000 households finance their real estate purchase with favourable Landsbankinn mortgages and an average of just over 700 families and individuals took out mortgages with the Bank in every single month of the year. We emphasise tailoring our services to customer needs. In 2022, we expect to see increased demand for funding from corporates alongside growing activity in the economy - a welcome change from the past two years, during which companies have been cautious. This is a marker of growing optimism and hopefully an end to the pandemic. We are also ready to assist companies to seek funding on debt capital markets or through stock offerings. We will continue to develop our app and online banking and to add new services.

It is especially good to report that defaults by retail customers of the Bank have never been lower than in 2021. The same applies to corporates, though special relief measures introduced in response to Covid-19 skew the numbers somewhat.

The same applies to corporates, though special relief measures introduced in response to Covid-19 skew the numbers somewhat.

Sound funding

Funding was successful in the year and a newly confirmed credit rating gives reason for

continued optimism though changes in the world economy, brought on by Covid-19, could possibly lead to deteriorating funding terms. Then again, the Bank's funding is diverse, supported most recently by the sustainable finance programme that has opened new markets to the Bank. Deposits from customers who entrust us with the safekeeping and investing of their funds form around half of the Bank's funding. We will continue to emphasise security and sound operations and to offer varied means of investing and saving funds.

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 being connected to 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 seek 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.



Landsbankinn, an ever-smarter bank

Since the beginning of 2021, we have actively worked on the Bank's strategy titled Landsbankinn, an ever-smarter bank. At the core of our strategy is the ideal of mutual trust and personal approach to banking.

We place customer satisfaction first. Our enthusiastic engagement with new technology and development of digital solutions is fuelled by our drive to achieve success, which strengthens operations and boosts initiative. Our aim is to simplify life for our customers by making finance more approachable while simultaneously strengthening advisory service and information provision. We intend to continue to provide customers with exceptional service. That's Landsbankinn, an ever-smarter bank!

Three pillars of the strategy

The strategy is supported by three pillars, each of which promotes principles linked to different aspects of the Bank's operation - customers, infrastructure and human resources.

The first pillar is about customer satisfaction. Under this pillar, the principles are to simplify customers' lives and show initiative. We do this by developing simple solutions that are accessible around the clock

and by utilising data to provide customers with personal and professional advice.

The second pillar is about on-going advancement. It refers to the fact that the Bank operates in a transforming environment and must respond by introducing effective ways to adapt and succeed. We want to advance with ever smarter operation, leveraging the Bank's data to offer tailored services. The Bank's operation is sound and secure, with a special focus on information security. We also



aim to lead the way towards a sustainable future.

The third pillar is all about the success of our customers and the Bank's employees. We share in our customers' success and are driven by enthusiasm for results. It is our intention to develop the workplace of tomorrow, a diverse and flexible workplace that fosters collaboration and the development of ideas into solutions.

Trusted banking

Trust is our core value, a common thread that connects customer relations and external partners to internal activities and operation. Customers should be able to trust that we are there to help and that the Bank is confidently managed.

Clear goals for the next 10 years

As part of our strategic development, we set ambitious key goals leading up to the year 2030. The Bank's success will be evaluated regularly over the period and we'll adjust our focus to reflect the outcome. Measurable goals will be set to evaluate performance under the Bank's new strategy.

Our key goals are that customers should be able to tend to their own banking business independently, always - anywhere and anytime. We aim to increase fee and commission income by presenting new, value-adding solutions to the Bank's customers. Our strategy is to make Landsbankinn a leading Nordic bank in the future of finance.

Good tempo towards key goals

We follow our progress on implementing the strategy closely, as well as our work towards the key goals. The going has been good and we've achieved most of our goals on time or ahead of schedule, including goals to better utilise the Bank's date to improve services, enable customers to finalise most business transactions independently, increase fee and commission income and excel in the field of sustainability. We appreciate that this leads to growing customer satisfaction which encourages us to do even better and continue to succeed for the Bank and our customers.





Governance

Good governance forms the foundation for solid relations between shareholders, the Board of Directors, executives, employees, customers and other stakeholders, and encourages objectivity, integrity, transparency and responsibility in the management of the Bank. We comply with recognised guidelines on corporate governance and publish an annual governance statement with the Annual & Sustainability Report.

The Board of Directors is elected at the AGM for a one-year term. Seven directors and two alternates are elected.

The Board of Directors is ultimately responsible for the Bank's activities as provided for by laws, regulations and its Articles of Association. The Board

of Directors formulates the Bank's general strategy and shall ensure that the Bank's organisation and activities are conducted properly. The Board of Directors also monitors the Bank's general activities and ensures that control of accounting and financial management is satisfactory.

At year-end 2021, shareholders in the Bank were 855, with the National Treasury of Iceland holding a 98.2% share and the Bank itself holding 1.6% of own shares. Icelandic State Financial Investments controls the State's holding in the Bank.



Helga Björk Eiríksdóttir

Chairman of the Board



Berglind Svavarsdóttir

Vice-chairman of the Board



Elín H. Jónsdóttir

Director



Guðbrandur Sigurðsson

Director



Guðrún Ó. Blöndal

Director



Helgi Friðjón Arnarson

Director



Thorvaldur Jacobsen

Director

Board of Directors

There are three sub-committees to the Board of Directors: The Audit Committee, the Risk Committee and the Remuneration Committee. Amongst other duties, the committees prepare the Board's discussion of certain aspects of the Bank's activities and follow up on related matters.

Alternate members of the Board are Sigríður Olgeirsdóttir (since March 2021) and Sigurður Jón Björnsson (since April 2019).



Lilja Björk Einarsdóttir

CEO



Arinbjörn Ólafsson

Managing Director of IT



Árni Þór Þorbjörnsson

Managing Director of Corporate Banking



Bergsteinn Ó. Einarsson

CRO



Eyrún Anna Einarsdóttir

Managing Director of Asset Management
& Capital Markets



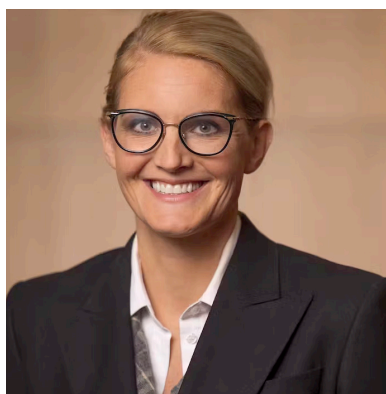
Helgi Teitur Helgason

Managing Director of Personal Banking



Hreiðar Bjarnason

CFO



Sara Pálsdóttir

Managing Director of Community

Executive Board

The Executive Board is comprised of the CEO and managing directors of all divisions. The Bank's CEO is responsible for the Bank's day-to-day operation and is authorised to take decisions on all matters not entrusted to others by law, the Bank's Articles of Association or decisions by the Board of Directors. The CEO shall ensure that the Bank's operation complies with law, regulations and the Articles of Associations, and with Board decisions. She shall ensure that the Bank's accounting complies with law and good business practice and that handling of the Bank's assets is secure.

Chief Audit Executive and Compliant Officer



Kristín Baldursdóttir

Chief Audit Executive of Landsbankinn



Thórdur Örlygsson

Compliance Officer of Landsbankinn



Corporate governance statement

Landsbankinn complies with recognised guidelines on corporate governance and publishes an annual statement on its governance practices in a dedicated chapter in its Annual & Sustainability Report.

In August 2021, Stjórnvísí renewed the recognition of Landsbankinn as a model of corporate governance for the period 2020-2021 based on a review undertaken by external advisors of the Bank's governance practices in March 2020

Organisation of Landsbankinn

Landsbankinn's organisation aims to ensure solid and effective operation while creating opportunities for successful collaboration between departments and groups. Emphasis is placed on ensuring that employ-

ees can cooperate on projects across departments and divisions, sharing and enjoying the benefits of diverse expertise. We work as a team, guided by the interests and satisfaction of our customers.

A new division was created in 2021 to reflect the strategic objectives. The division, called Community, became operational in the latter half of the year with the appointment of a new Managing Director. Community unites marketing, communication, sustainability and economic research.



Personal

Personal Banking provides all services to private individuals, including the development of digital solutions. The focus is on providing first-rate service based on utilisation of the Bank's data and on ensuring that customers can both seek advice and tend to their own business through digital service channels, as well as in the Bank's branches. Service to small and medium-sized companies in rural Iceland is also handled by Personal Banking, in close collaboration with Corporate Banking.

Corporates

Service and financing for corporates, municipalities and institutions lies with the Corporate Banking division, which is sharpening its focus on digital service, especially for small and medium-sized enterprises, and self-service solutions. Specialised account managers attend to the needs of companies and legal entities in all sectors. Corporate Finance is part of Corporate Banking and provides, among other services, comprehensive and professional advice on the purchase, sale and merger of companies.

Asset Management & Capital Markets

Asset Management & Capital Markets offers high-net worth individuals, companies and investors assistance in finding the right investment and asset-building solutions. The division offers extensive services in the field of asset management, both private banking and professional investors services, in addition to brokerage of securities, currency and derivatives for professional investors and larger customers. Emphasis is placed on personal service, responsible advice and informed decisions.

Finance & Operations

The Bank's funding, liquidity management and market making all fall under the scope of the Finance & Operations division. Settlement, accounting and business plans are also under Finance & Operations, along with loan administration and transaction services, and operation of the Bank's property. Project management of construction the Bank's new headquarters at Austurbakki are under this division.

Information Technology (IT)

The IT division is responsible for the operation, security and development of Landsbankinn's digital infrastructure. Its activities are based on multidisciplinary teams and collaboration with the Bank's other units in order to provide and develop first-rate tech solutions and digital services. There is a strong focus on leveraging data on all levels

of the Bank's operation and to ensure that the Bank continues to lead the way in utilising information technology in the domestic financial market.

Risk Management

Risk Management is responsible for the effectiveness of the Group's risk management framework. The division is also responsible for information disclosure on risk exposure to various departments and units within the Bank, and external regulators.

Community

The Community combines human resources, marketing, education, PR, sustainability and economic research under one hat. The division spearheads the shaping of the Bank's corporate culture and plays a key role in implementing its strategy which emphasises a new approach to

customer relations, including through education, communication and employee training.

Compliance and Legal Services

In addition, two departments operate across the Bank and are directly responsible to the CEO.

Internal Audit

Internal Audit is an independent and autonomous function directly responsible to the Board of Directors. The role of Internal Audit is to improve and protect the Bank's value with risk-focused and objective verification, consultation and insight. Internal Audit evaluates and improves the effectiveness of risk management, control measures and governance processes through systematic and disciplined practices.



Assets sold in 2021	Number	Total amount
Residential apartments	10	405,300,000 ISK
Building sites	14	706,100,000 ISK
Commercial housing	11	773,400,000 ISK
Land	3	247,000,000 ISK
Building sites for cottages	59	84,070,000 ISK
Cottages	4	36,500,000 ISK
Other	144	7,768,800 ISK
Shares in unlisted companies	2	145,596,864 ISK
Vehicles and equipment	245	305,937,139 ISK
Total	492	2,711,672,803 ISK

* Securities and other financial instruments listed for trade on a registered market are sold on the market and that process is considered an open sale process. Such transactions are not included in the table above.

** In 2009, the Ministry of Education, Science and Culture commissioned a professional valuation of the Bank's collection. It was suggested that pieces in category I would become public property, that category II pieces should not be sold without consulting with the National Gallery of Iceland and that category III pieces would be offered on loan to cultural institutions. Other pieces were marked as uncategorised and the Bank was made free to dispose of them without any provisos. Since the valuation, pieces owned by savings banks that merged with Landsbankinn have been added to the collection and undergone a similar appraisal. In 2019, the Bank owned around 2,200 pieces of art, mainly paintings, but also ceramic art, reproductions, photographs and more. Around 1,600 pieces were valued as uncategorised and only such pieces have been or will be sold. The sale value of the pieces sold in 2021 totalled ISK 5.6 million, having regard for sales commissions. Sale took place via open sale process (online auction).

Assets sold in 2021*

Landsbankinn has adopted a clear policy on the sale of assets, intended to promote transparency and credibility in the sale of assets and build confidence in the Bank.

In 2021, Landsbankinn sold 331 appropriated assets, ten real estate properties that previously housed Bank operations, six vehicles, shareholdings in two unlisted companies and 143 pieces of art.** The total sale value of these assets was around ISK 2,712 billion.

During the year, the Bank sold holdings in two companies in

connection with the restructuring of financial infrastructure in the financial market and changed emphasis of the Icelandic Banks' Data Centre (RB). The Bank's share in the joint cash centre, JCC ehf., was sold to RB. Part of the Bank's holding in RB was also sold to another shareholder in RB. These sales deviated from the main rule of employing an open sale process, with full authorisation by the Board of Directors and in accordance with the Bank's rules on the sale of assets. The decision is based partly on the interconnected nature of important aspects of the Bank's activities with those of JCC and RB. These companies

play an important role in the Bank's payment transfer and general commercial banking services. The changes were part of a wide-reaching shareholder agreement on changes to RB's operation, aimed at increasing security and enhancing efficiency in the operation of financial infrastructure in Iceland. It was determined that the Bank's interests would be better served by selling its holdings in these companies in a closed sale process. The Bank remains a core investor in RB. Other assets were sold in an open sale process.

Assets for sale at year-end 2021

A total of 164 assets appropriated by the Bank were held for sale as at 31 December 2021. Their book value was around ISK 391 million.

At year-end 2021, sale processes for holdings in 11 unlisted companies were on-going. These holdings are variously owned by Landsbankinn or Hömlur fyrirtæki ehf., a subsidiary of the Bank. Information about these holdings have been disclosed on the Bank's website.

Appropriated assets undergoing sale process at year-end 2021

Residential apartments	1
Commercial housing	4
Building sites for residential apartments and commercial housing	8
Building sites for cottages	147
Land	3
Vehicles and equipment	1
Total	164

Enhanced measures to prevent money laundering

In 2021, Landsbankinn updated its internal control system for measures against money laundering and terrorist financing. Alongside work on the update, utilisation of data from the Bank's data warehouse was enhanced to increase understanding of possible risks. The updated internal control system and enhanced use of data allows the Bank to maintain even more robust control and defences.

Work on updating customer due diligence continued and, at the

end of the year, was complete for 99% of individuals and 96% of legal entities among active customers. The focus has been on simplifying the due diligence process, guided by customer interests.

Assessment of risk from money laundering and terrorist financing in the Bank's operation was updated. Inherent risk was assessed for all evaluated risk factors before factoring in the Bank's control and mitigating measures. Of 65 evaluated risk factors, inherent risk was deemed high in 13 cases and significant in 14 cases. Having regard for the Bank's controls

and measures against money laundering and terrorist financing, the outcome of the risk assessment is that for all evaluated risk factors, residual risk is deemed medium or low; in other words, that residual risk is in no cases high or significant.

As ever, we are focused on safeguarding privacy and the secure processing of personal data. The policies, rules and documented processes that combined form the Bank's data protection governance system were reviewed during the year and amended to enhance the security of customer rights and personal data protection.



Main news 2021

First quarter

14.01.2021

S&P assigns credit rating to Landsbankinn's covered bonds

22.01.2021

Landsbankinn's first sustainable finance framework

29.01.2021

Landsbankinn tops list of banks in the Icelandic Performance Satisfaction Index 2020

09.02.2021

Landsbankinn named best bank in Iceland by The Banker

11.02.2021

Financial results for 2020 and publication of Annual and ESG report and Risk report

17.02.2021

Landsbankinn in Djúpvogur moves

17.02.2021

Landsbankinn carbon-offsets its operation with CarbonNeutral certification

18.02.2021

Landsbankinn issues green euro-denominated bonds

24.03.2021

The AGM of Landsbankinn agrees to pay ISK 4.5 billion in dividends

Second quarter

06.05.2021

Financial results of Landsbankinn for the first three months of 2021

17.05.2021

Landsbankinn receives top marks from Sustainalytics

18.05.2021

Landsbankinn's Economic Forecast for 2021-2023: Glimmer of daylight follows gloomy year

25.05.2021

Landsbankinn partners with Goldman Sachs

02.06.2021

New investment fund, emphasising sustainability

16.06.2021

Landsbankinn in Ísafjörður moves to Hafnarstræti 19

25.06.2021

Árborg issues initial sustainability bond in cooperation with Landsbankinn

Third quarter

05.07.2021

First company to receive Landsbankinn's Sustainable Financing

15.07.2021

Named best bank in Iceland by Euromoney, third year in a row

21.07.2021

Allocation from the Pride Parade Fund of Reykjavík Pride and Landsbankinn

22.07.2021

Financial results of Landsbankinn in H1 of 2021

16.09.2021

Landsbankinn in Þórshöfn moves

24.09.2021

Two new managing directors at Landsbankinn

24.09.2021

Fyrirtækjaráðgjöf Landsbankans ráðgjafi Regins um fasteignapróunarfélag

Fourth quarter

06.10.2021

Eyrún is Managing Director of Landsbankinn Asset Management & Capital Markets

18.10.2021

S&P confirms unchanged credit rating for Landsbankinn

26.10.2021

Changes to opening hours and a more flexible service

28.10.2021

Financial results of Landsbankinn for the first nine months of 2021

03.11.2021

We're opening a sandbox to develop new solutions

08.11.2021

Exhibition of abstract art in Austurstræti 11

17.11.2021

Landsbankinn issues green bonds in euros

24.11.2021

New Head of Landsbankinn Asset Management

03.12.2021

Landsbankinn Corporate Finance advises Reginn on real estate development transaction

16.12.2021

Orkuveita Reykjavíkur fær sjálfbærnimerki Landsbankans

21.12.2021

Three new managers at Landsbankinn

A close-up portrait of a man with a red beard and blue eyes, wearing a dark blue baseball cap with the text 'THE PIZZA FACE' and a logo. He is smiling slightly and looking off-camera. In the background, another person wearing a similar cap is blurred. A dark blue rectangular box is overlaid at the bottom left of the image.

2. Satisfied customers

Simplify life with outstanding service

We endeavour to simplify life for our customers and offer them exceptional service. News about good service spreads and, in 2021, customer numbers grew at a record rate.



Our customers are more satisfied

Our clear strategy has yielded results in the form of new solutions for customers, increased satisfaction and improved and more efficient service. Topping the Icelandic Performance Satisfaction Index, the third year in a row, was a welcome recognition.

Smarter banking service



New solutions to simplify life

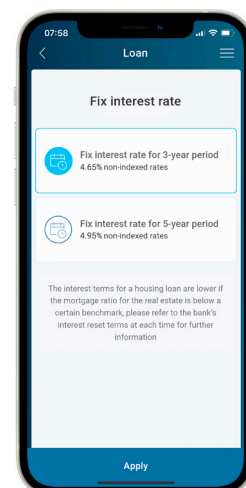
We are enthusiastic about simplifying life for our customers. In 2021, we introduced various new solutions to allow customers to finalise transactions easily and quickly in the app and online banking.

Banking can take place anywhere

Our customers should be able to tend to all their bank business anywhere and anytime. We are focused on taking advantage of the Bank's data to offer customers the service that best suits their needs. By utilising data and information technology, we are able to offer better and faster services.

Fix rates in the app

This year we started offering customers with housing mortgages with variable, non-indexed rates the option of applying to fix rates in a simple manner in the app. If you have a variable rate housing mortgage, all you need to do to apply for fixed rates is touch a button in the app. This solution was well received.



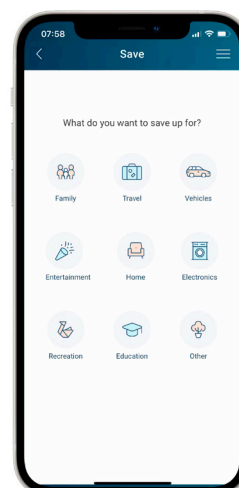


Popular saving option in the app

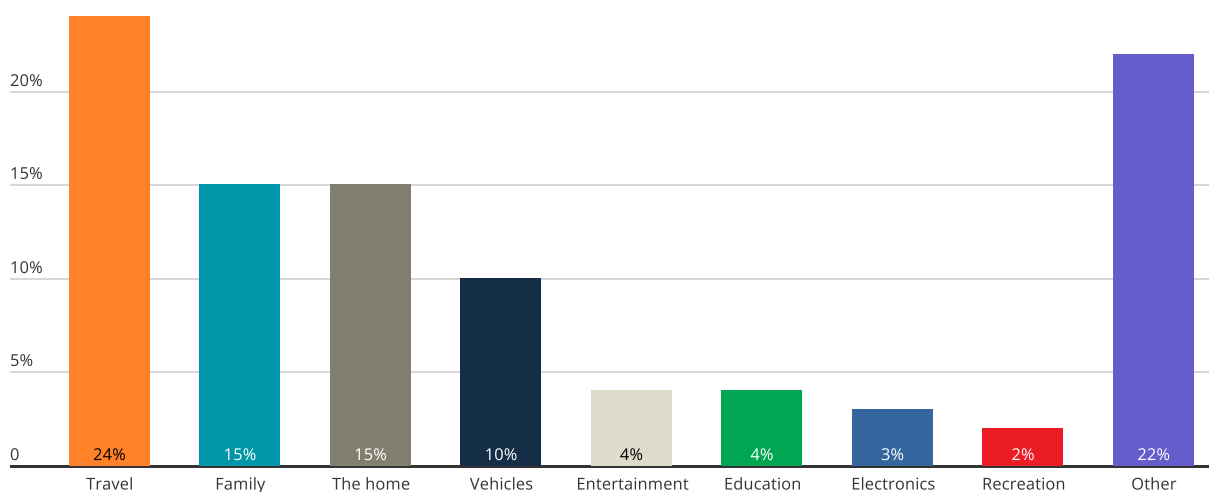
Landsbankinn's app is constantly developing and we ensure that all new services are available in the app. In spring, we presented a new saving solution called Save in App, or Spara í appi. This is a fun way for customers to set goals and save up for something in various ways. Customers can invite family or friends to participate and monitor the progress. This solution was a

success and over the course of the year, around 8,600 accounts were created in the app where over 600 groups are saving up for set goals. Most are saving up to travel.

Several other saving options are available in the app and online banking, such as creating rules for regular transfers and setting credit cards to deposit a certain amount to savings each time the card is used.



Save in App - What are customers saving up for?





Simpler pocket money

Our customers are of all and every age, the youngest are new-borns and the oldest have passed 100. One of the things we did in 2021 to simplify life for our customers was to offer a new payment card for 9-18 year olds. The card is called pocket money, or Vasapeningar, and is a prepaid payment card. The child is the card holder while parents or legal guardians own the card and can monitor its use in the app and online banking. The young

card holder can easily monitor the balance of the card by using a QR code on its back. The card is a simple and safe solution for parents and guardians to make pocket money or other funds available to their kids.

All cards in one place in the app

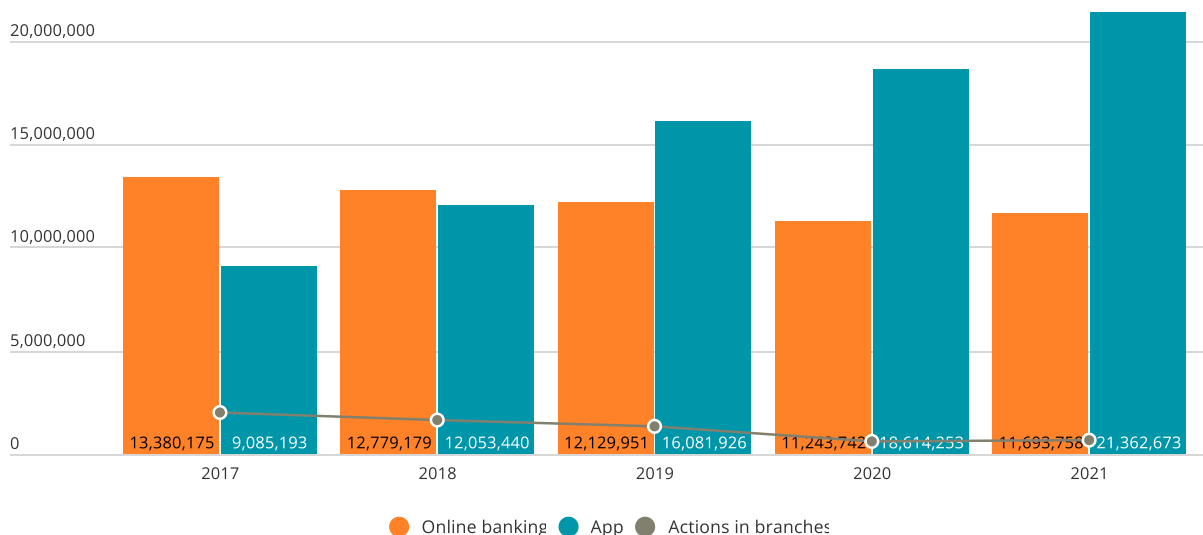
Among other changes to the app was simplification of the presentation of payment card information. Now all cards can be viewed on the same screen,

i.e. both own cards and the Vasapeningar pocket money cards for kids, for example. The same applies to card information of partners who have selected a joint card view. The balance of Aukakrónur cards and gift cards can also be viewed in the same place. Customers with Landsbankinn gift cards can register the cards in the app, monitor the balance and add the cards to the Kort app or Apple Pay and use it to pay online. We've also made applying for new cards even simpler.

All daily banking business in the app and online banking

Our customers have embraced the app and user numbers continue to grow. At the same time, logins to online banking have decreased, as have actions carried out by staff on behalf of customers in branches. All main banking business is taken care of through digital solutions and almost all our customers use the

Logins to the app and online banking



app or online banking to transfer funds and pay bills. Some customers use regular transfers as a saving method and others use card saving options, where a certain sum is deposited to savings whenever a payment card is used.

Loans in the app

Our customers can make payments on their loans in the app and online banking and apply for short-term loans like Aukalán or overdrafts. Customers can also alter their overdraft authorisation independently, lowering and raising the limit within a pre-determined credit framework. If the credit framework is insufficient, the customer can request a temporary increase to finalise his or her business, without having to visit the Bank.

Contactless payments continue to increase

Since 2018, our customers have had the option of linking their cards with our card app (for Androids) and later to Apple Pay (iOS) in order to use their phones to pay for goods and services. Cards can also be linked to Garmin and FitBit-watches to

use them to pay just like Apple watches. Use of contactless payments increases all the time and now 34% of all card payments are contactless. Contactless payments with smart devices are generally considered the safest payment method available as they do not require a PIN or other authentication methods which are sensitive to fraud attempts. We highly recommend using contactless payments with phones or smart watches.

Electronic signatures simplify matters

Our aim is to enable electronic signatures for as many documents as possible. Since 2017, electronic signatures have multiplied sixteen times over and in 2021, around 92,000 documents were signed electronically. Electronic signatures are faster, simpler and reduce the necessity of branch visits. For instance, credit assessments for housing mortgages can now be completed electronically on the Bank's website and, in December 2021, 80% of all credit assessments were finalised with an electronic signature.

80.2%
**of consumer credit
in self-service**

Contactless payments

2019

12%

2020

23%

2021

34%

Rapid technological advances bring many exciting opportunities

“Working in IT and in finance is especially exciting these days! How we provide customer service is changing dramatically alongside rapid technological advances and customers’ understandable demands for as much first-rate self-service as possible. This engenders multiple exciting software development projects which can be tricky to prioritise and select from. We drive these projects as quickly and professionally as possible in so-called cells, where a mixed team of experts work together. The cell members all share a workspace and are collectively responsible for completing the project. The cell includes programmers, analysts, a project manager and lawyer - any and all knowledge and skills necessary to complete the project.

One of the largest issues for almost all financial undertakings in Europe in recent years, and currently my largest project, is implementation of the EU payment services directive, PSD2. The aim of PSD2 is to increase security in web payments and give actors other than banks access to customer accounts, having of course first obtained express permission from each customer! This means that we will open self-service solutions based on APIs that allow service providers to offer customers transaction services and view of their accounts in third-party apps. Such apps communicate securely with the banking system through the APIs. PSD2 also enhances requirements for increased security in payments and our customers will notice various changes in the year, such as in the login and payment confirmation process.

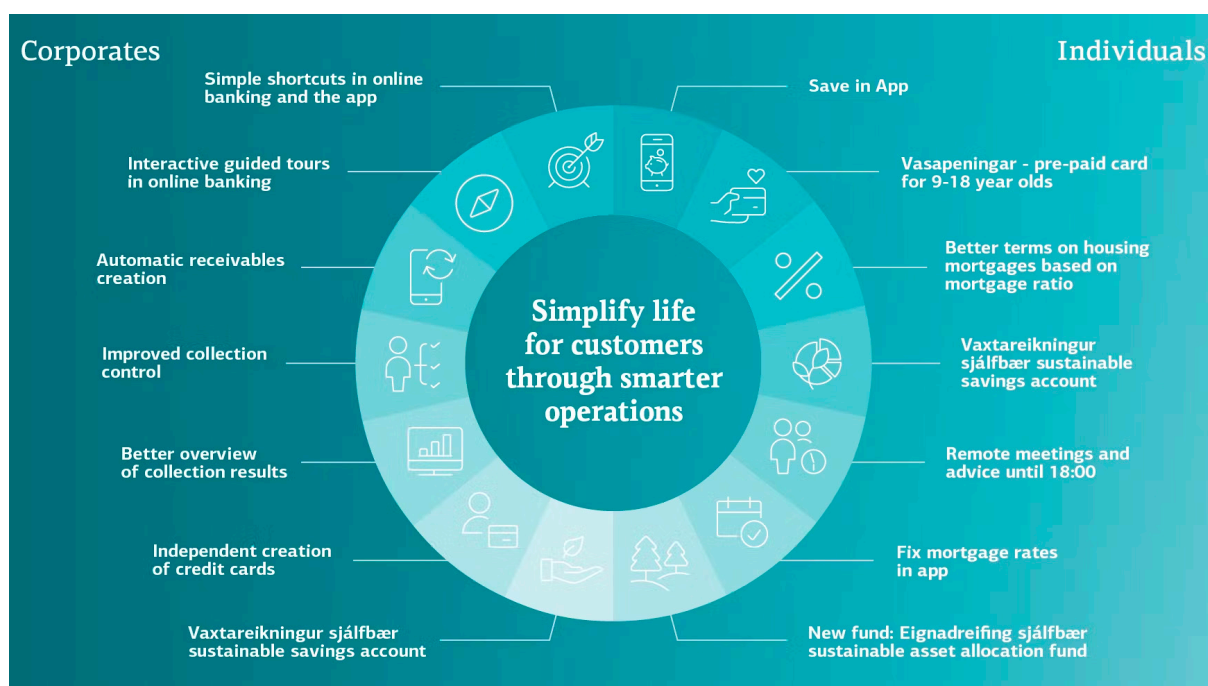
The Icelandic Banks' Data Centre (RB) has worked on implementing the Sopra system in recent years, a comprehensive and wide-reaching undertaking that all domestic banks have participated in, each in its turn. This is clearly the largest single project I have been involved in, with Landsbankinn pioneering the change and completing the transition in fall 2017. The last few entities are scheduled to take the system into use around mid-February. This will allow us to finally phase out use of RB's payment and deposit system. That is a big project that involves Landsbankinn directly as we still host various solutions on RB's mainframe computer that will be decommissioned. I recently became a Director of the Board of RB and it will be interesting to participate in this and other projects, both through the directorship and my work for the Bank.

There are many large and challenging projects on the horizon, including the transposition of European guidelines into Icelandic payment services. We have been used to early technological advancement in Iceland, with real-time payments enabled by RB already in 1987! We were the first country in the world by a considerable margin to make this possible and today, we think nothing of transferring funds in a matter of seconds. This is a recent development for our European friends. They are ahead of us in that they can transfer euros between countries in real time while this takes several hours and up to a day for us. This work in Europe has been led by the European Payments Council (EPC) where I sit on the Board of Directors as a representative of the Icelandic banks. The work is coordinated and undertaken in collaboration with the entire market, meaning that all banks are using the same methods and going by the same guidelines. We are looking to see how we can adapt our infrastructure to the European standards. It is important for us to be on equal footing with the European market as this increases our chances of participating in international or European partnerships on payments, both for the benefit of the Bank and our customers.”



**Halldóra G.
Steindórsdóttir**

Team Manager in IT



Several new features and solutions in 2021

We launched several new features and improvements to online banking and the app, making banking even easier and simpler for both individuals and corporate customers. We introduced several new services and products, such as a sustainable savings account, an asset allocation fund that emphasises sustainability and extended hours to book financial advice meetings to 18:00. The below figure shows some of the solutions launched in 2021 but far from all.

On-boarding in under 90 seconds

We are leading in digital corporate services and a record number of companies came to bank with us during the year. Since the end 2020, companies could, without help from the Bank's employees, become customers through our website or app and choose between Icelandic, Eng-

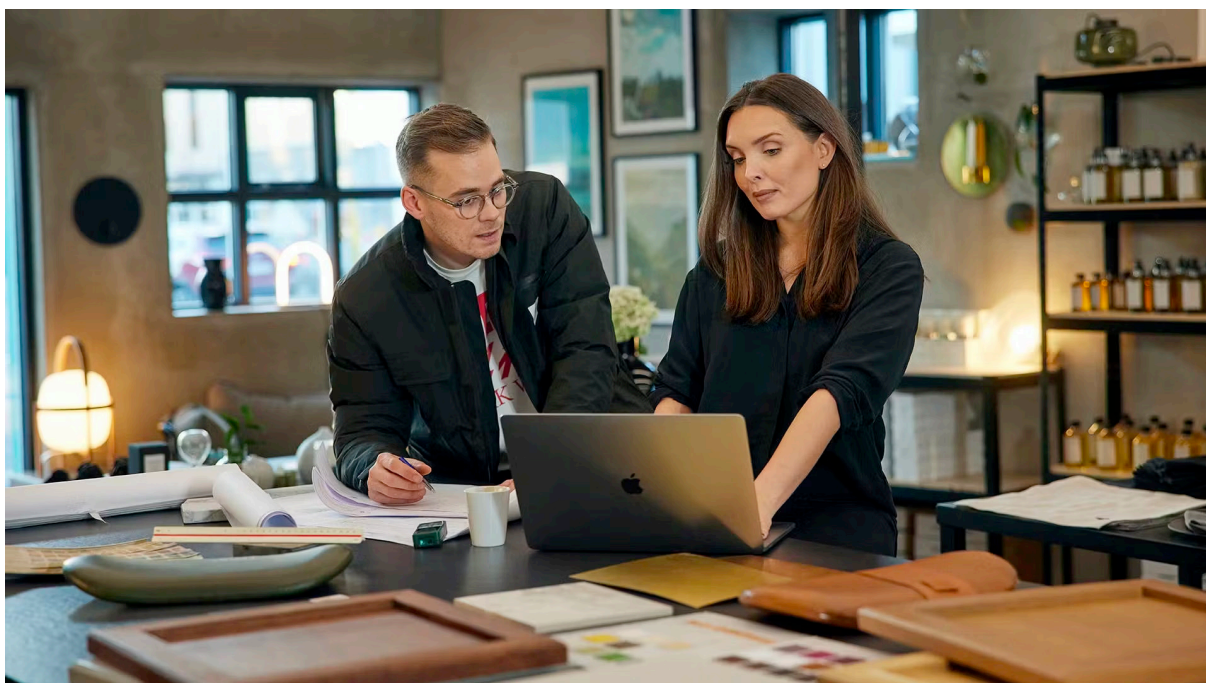
Customers come on board in 4-5 steps and, in 80% of cases, complete the process within 90 seconds. This average used to be 45 minutes on location in branches.

lish and Polish interfaces. This self-service solution suits large and small companies of most all legal forms, including sole proprietors.

Following on-boarding, the company gets access to online banking, B2B, a bank account, debit card and procurement card (if selected). In other words, the company immediately gets access to all the necessary tools of daily banking business and can begin collecting on claims and paying bills. New corporate customers can also immediately begin on-boarding other compa-

nies in the app. Most companies take online banking or the app into use right away and many quickly add users or create new bank accounts.

This new self-service solution led to a record number of new corporate customers in 2021, or a total of just under 2500 companies and sole proprietors, 90% thereof through self-service channels. In 2021, newly established companies were more likely to select Landsbankinn as their commercial bank than at any other time in the past 10 years.



The app trending

Landsbankinn's app for corporates increases efficiency and provides an easy overview of a company's finances, as well as of connected entities. Parent companies can get access to the data and transactions of subsidiaries without switching accounts. The login process is simple, allowing from biometrics instead of a user name and password.

Logins to corporate online banking and the app in 2021 totalled

around 400,000. Just under 20% were for the app and utilisation of it increased considerably. We expect the app to be best suited to the needs of small and medium-sized companies. Online banking will continue to be the banking platform of choice for many medium and large companies for a while longer, as their finance and treasury units often work in the online banking interface, using bank statements, making payments, etc.

95.2%

of domestic payments
using self service

95.7%

of foreign payments
using self service

Companies use the app on average 60% of the time outside of branch opening hours and 40% during opening hours; this ratio is reversed with online banking, which 43% of companies use outside of opening hours and 57% during opening hours.



The app's features are simple and moving between corporate and private accounts is matter of moments. You can move between entities in the app without having to change accounts in order to view data and complete transactions. Parent companies can get access to subsidiaries' data and transactions without switching accounts. It only takes

seconds to move to another entity to collect on its behalf - it doesn't get any simpler!

The little things matter too

At the beginning of the year, Landsbankinn became the first Icelandic banks to let its customers change the security number of bank accounts themselves in

online banking. Previously, this had required a visit to the Bank. We also introduced a button in corporate online banking offering customers a guided tour of online banking to help them find the appropriate information and services. Shortcuts to add users, bank accounts and cards were also added.

Among the app's features:

Become a Landsbankinn customer

Create bank accounts, debit cards, credit cards and procurement cards

Create one-time and monthly claims

Easy organisation of frequent and favourite recipients

Good summary of claims in collection

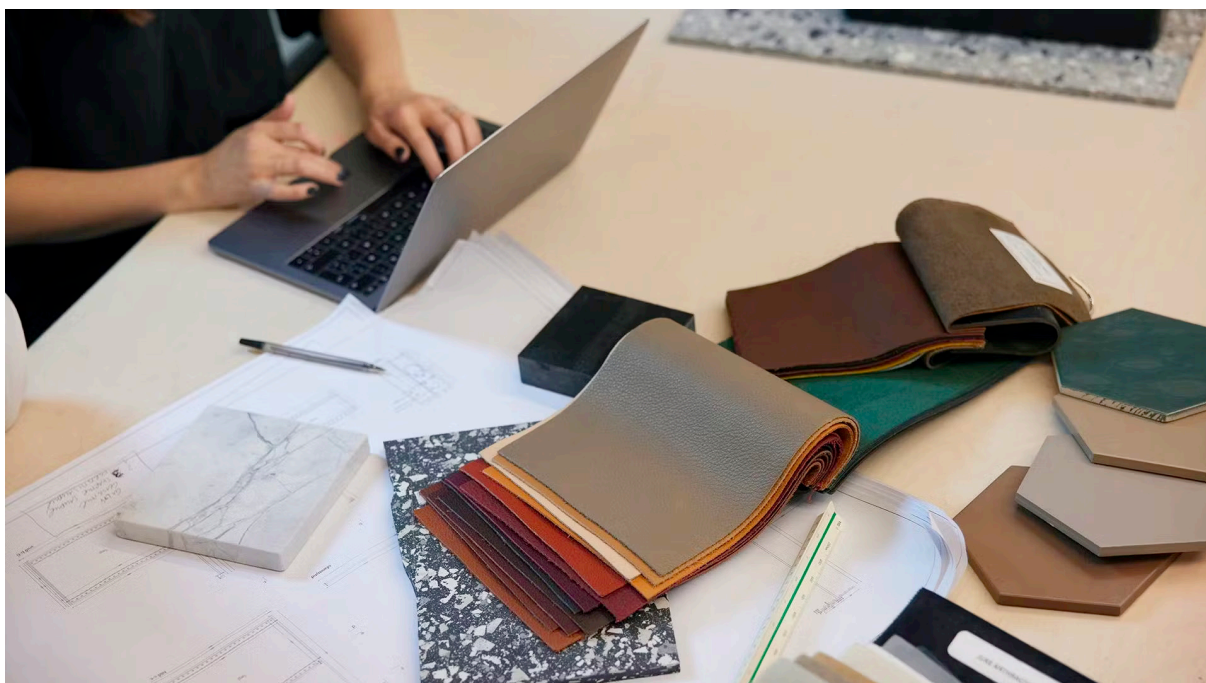
Access unpaid invoices, bank accounts, cards and electronic documents

Create collection processes, change claim settings and extend payment deadlines

Detailed overview of loans and other obligations

View balance and development of securities portfolio and key market information

Landsbankinn's security system utilises risk analysis to increase user convenience



Self-service credit cards and contactless payment

During the year, we made it possible for companies to apply for credit cards independently through online banking and the app. This simplifies the process considerably for companies and, following up on this change and adhering to Landsbankinn's sustainability policy, we ceased sending printed mail containing PINs to card holders. Instead, all corporate credit card holders now get view access to online banking, limited to the card and access to its PIN. This new feature also enables business card holders to share the card details from the app to electronic card solutions and pay with their phone or watch. Companies can now also register their procurement cards to electronic card solutions and use them to make contactless payment.

Quicker and easier collection

We did a great deal to increase the number of self-service features in collection in 2021 and claim issuers increased by 10%. Customers can now create collection actions in online banking and the app and start collecting immediately. Online banking and the app provide the customer with a useful overview of claims under collection, they can adjust the claims and extend payment deadlines. Much as online banking, the app provides an overview of issued claims and their collection status. We made it easy to switch between company accounts in the app in order to view and manage other collection processes. The possibilities are many and varied. Towards the end of the year, we added the option of creating regular claims in the app, first among the Icelandic banks. Customers can now independently create claims

Cards created

66.4%
using self service

33.6%
in a bank branch

for monthly collection, which is especially useful for small and medium-sized companies, as well as sole proprietors. In January 2022, we launched the same feature in corporate online banking.

Valid due diligence for almost all active customers

In 2021, 74% of customers completed due diligence for legal entities in online banking, up from 62% the previous year. Now almost all active customers of Landsbankinn have undergone due diligence and can update the questionnaire in online banking.

Leverage data to provide better service

Landsbankinn's goal is to be a data-driven bank in order to offer smarter and better service and improve operations at the same time. Over the past few years, we have worked systematically on this endeavour and achieved a great deal, as evidenced by increased automation and efficiency in the Bank's operation and services.

Reliable data

Key to leveraging data is ensuring reliability and sufficiency. Our first step was to undertake

a detailed review of all of the Bank's data that relates to risk. This was also instrumental to improving risk management. After that, we could focus on using operating data to optimise and simplify operations. At the same time, we worked to make the data more reliable, standardised and accessible to employees who also received the tools and training necessary to work with and analyse the data. Having completed this considerable internal development and scale-up work, our next step was to leverage the data to enhance services for customers and simplify their lives.

Data warehouse accessible to employees

In 2021, we reached a milestone with the opening of a data warehouse that allows employees to source selected internal and external data in a simple manner. The data warehouse is an access port to data from various sources. The data is virtualized in the warehouse, not moved or copied there. This virtual database allows us to utilise the Bank's data better as much of it was previously inaccessible or required specialist knowledge to access.

Access to the data warehouse is in three stages. The first stage is standardised reporting. The

74.9%

bank accounts created using self service

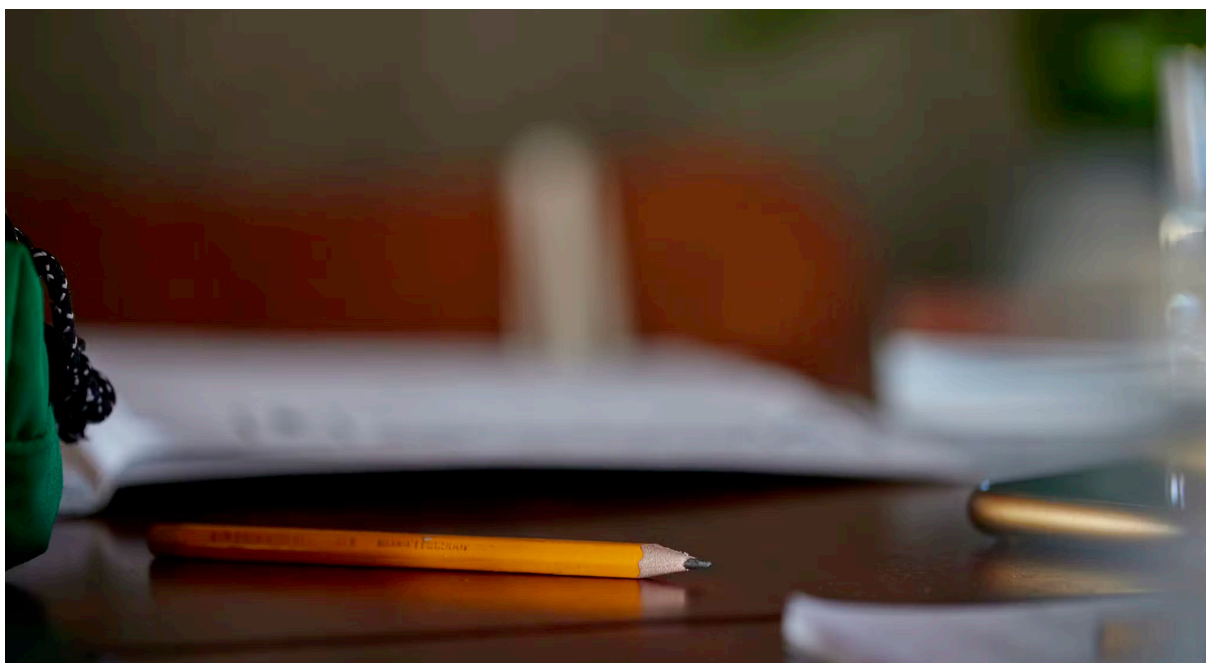
74.7%

contracts signed using self service

Actions using self-service

2021

Domestic payments	95.2%
Foreign payments	95.7%
Claim collection	99.4%
Create bank accounts	74.9%
Create credit cards	66.4%
Contract signatures	74.7%



second stage is a self-service zone where users can work on analysis and reporting without detailed or extensive knowledge. The third stage is mainly the domain of experts who can request further data from the Bank's databases.

It's in stage two that the greatest transformation has taken place in the past three years. It now as a rule provides open access to non-personally identifiable data, meaning that all of the Bank's employees have access and can easily view and compare data. One example of our use of the data warehouse is real-time analysis that allow us to monitor the reception of new products and solutions, which in 2021 included the Vasapeningar allowance card, Save in App and more. Efficiency in amassing and transmitting information, as well as the Bank's overall comprehension of data, has increased greatly and daily measurement has supported a success-oriented culture.

Use the data to prioritise

Our increased utilisation of data has changed the manner in which we approach customers and how we leverage data to provide personal and professional advice. We now have a more holistic overview, can more easily identify new opportunities and see how we can meet the needs and expectations of our customers. Decisions on new services, project prioritisation, work on new solutions and more is now increasingly based on even more reliable data that is easily accessible. This has enhanced and increased our service provision, boosting customer satisfaction.

Leading the field

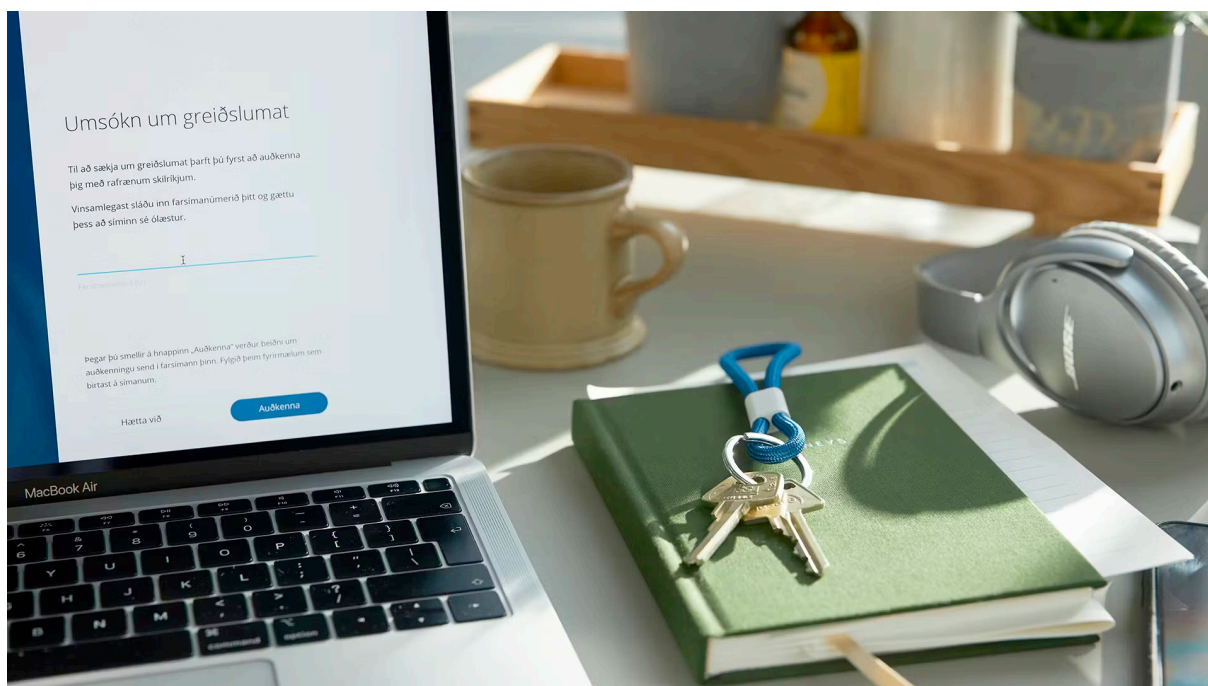
Our communication with both international and domestic consultants has revealed that the Bank's position is unique among the Nordics and a great deal of Europe as regards the integration of virtual data and the data warehouse. The Bank's size and

interdepartmental collaboration has certainly helped us achieve as much. The Bank is on the right data track and the future holds numerous opportunities to improve our services even more and contribute to even better operation.

Enhanced preparedness against cyberattacks

Damages caused by cyberattacks and cybercrime were extensive in 2021, especially from attacks that involved holding corporate data hostage. Such attacks increased sevenfold between years, according to a UN report. Cyberattacks have been defined as the fifth top-risk crimes worldwide. This activity can be highly lucrative and cyber criminals are notoriously difficult to apprehend and prosecute successfully.

To strengthen our cyber defences, we focused our attention mainly on automation and internal control in 2021, including the ability to identify



and prevent damages once cyber criminals have penetrated the Bank's external defences. This is in line with our policy of maintaining a multi-layered cyber security system. We also focused on education employees and customers, as the human aspect generally forms the weakest link in cyber security.

Texts seemingly from Icelandic companies

Phishing is one of the top cyber threats and targets both individuals and companies. According to a 2021 study by US telecom company Verizon, phishing was the preferred mode of attack in around 36% of all cybercrime. Such attacks were rampant in Iceland in 2021, especially in the latter part of the year, when text messages were sent using the names of a number of well-known domestic companies, including Landsbankinn. In the Bank's case, the criminals texted links seemingly to the login page of online banking. The text asked recipients to alternatively confirm or alter information by

logging in to online banking, or rather, the phishing copy of online banking. If the victims entered their user name and password, the criminals got one step closer to breaching the online banking platform, yet not necessarily all the way. We responded variously, including by reaching out to telecom companies to put paid to the messages, and they were quick to respond. We also made certain changes to our own systems and, last but not least, reiterated warnings to our customers to call attention to the threat.

18 million emails to the Bank

Cyber criminals send an enormous amount of messages and emails in the hope of finding victims either through phishing schemes, by downloading malware or other by other means. Landsbankinn alone received around 18 million such emails in 2021.

In 2021, cyberattacks on SMEs increased considerably. Ransomware - holding data hostage

- has become one of the greatest threats, with criminals demanding ransom to release corporate data. Even if the ransom is paid, there is no guarantee that the data will be released. The consequences of such attacks can be serious, as borne out both in Iceland and our neighbouring countries.

One thousand notices of social engineering attempts

So-called social engineering is a large and diverse category of criminal activity. It includes financial fraud whereby the victims are led to believe that they are purchasing stock or cryptocurrency like bitcoin. Another type of social engineering are romance scams, which we have covered extensively before. In 2021, we received around a thousand notifications or phone calls from customers reporting some type of social engineering scam. Open discussion and information about cybersecurity is the only way to prevent this type of crime.

Personal banking



Flexible service to suit your needs

Our goal is to simplify life for our customers and utilise technology to offer more flexible and accessible service. At the same time, we leverage our team's expertise and the Bank's data to offer exceptional service as well as personal and professional advice.

Great satisfaction with the Bank's services

Our clear strategy has yielded results in the form of new solutions for customers, increased satisfaction and improved and more efficient service. Customer satisfaction has grown in recent years, as regularly borne out by Gallup polls and Landsbankinn topping the Icelandic Perfor-

mance Satisfaction Index three years in a row.

Almost all of the Bank's services are available through digital channels or self-service. Our customers are quick to adopt new solutions and in a majority of cases use their phone or computer to take care of banking business, get advice and search for information. On-site service



Market share in the retail market

39.5%

*Source: Gallup

**Source: Central Bank of Iceland

is available throughout the country when needed, through our 36 branches and outlets.

In 2021, our customer base continued to grow and our market share increased. 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.

Better housing loan terms and better service

Over the past three years, we have almost continually offered the lowest rates on non-indexed housing mortgages. We have also improved the mortgaging and refinancing processes, making them simpler and less time-consuming. This has led to people increasingly choosing to

Market share in housing mortgages*

41.2%

take out mortgages with Landsbankinn. In 2021, we granted over 1500 housing mortgages to first-time buyers, a 30% increase from 2020. Our market share among first-time buyers was 46%. We granted new mortgages to almost 9000 households during the year and around 29% of our customers with extant mortgages decided to refinance their loans. There was high demand for housing mortgages and lending increased by 25% between years.

Majority chooses non-indexed housing mortgages

A great majority of new and refinanced housing mortgages in 2021 was non-indexed, or almost

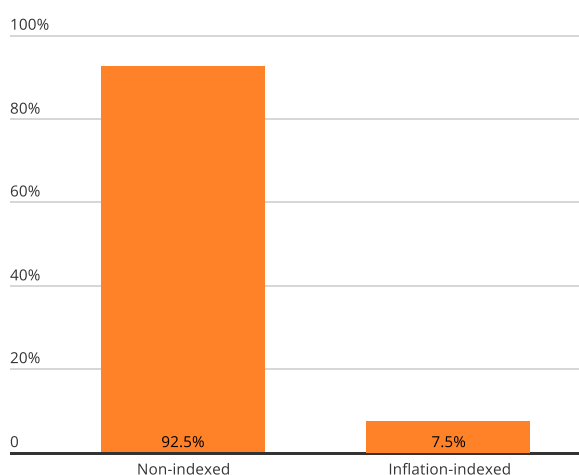
Market share among first-time buyers**

46.0%

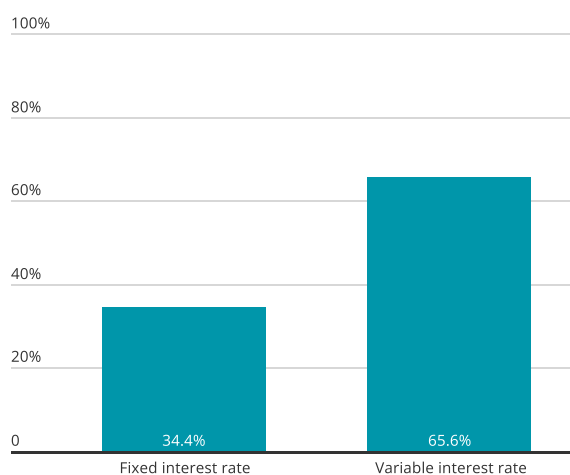
92.5%. Around half of these mortgages carry a fixed interest rate. We saw how the rising policy rate led many customers to fix the interest rate on their variable rate loans. To apply for fixed rates, our customers only needed to touch the "Fix rate" button in Landsbankinn's app. Alongside rising interest rates in the latter part of the year, many customers took advantage of this feature, which we introduced in 2021.

Another change we introduced this year was to offer more favourable terms on fixed-rate loans if the mortgage ratio was lower than 60% of the assessed real estate value; even more favourable with a mortgage ratio under 50%.

Breakdown of housing mortgages in 2021



Housing mortgages: Fixed or variable interest rate



Financial advice in traditional and remote meetings

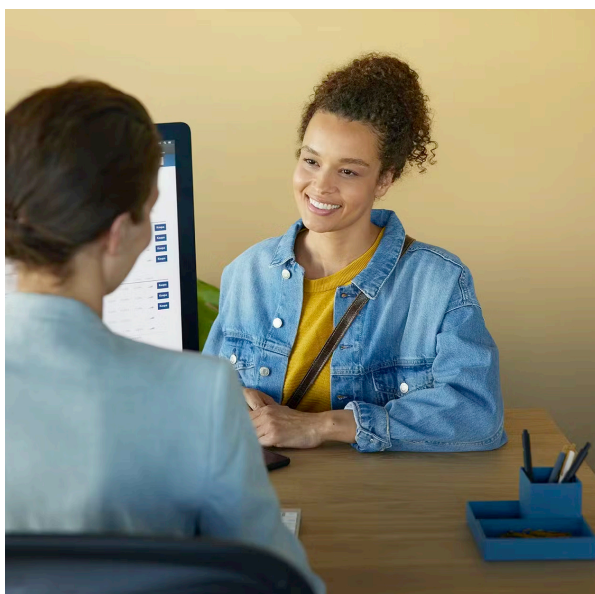
By far the greatest number of business that previously required a bank visit can now be taken care of through the phone or computer. The need for quality financial advice remains unchanged or has even increased. Our focus on providing quality advice and flexible service has as a result strengthened even further.

In October 2021, we changed our branch opening hours, previously open from 9 in the morning, to 10-16. At the same time, we offered customers the opportu-

nity to make appointments for financial advice through Teams between 10 to 18 every weekday. This increased the flexibility of our customer service, meeting the need of customers to have access to us outside of traditional opening hours. One of the changes accelerated by Covid-19 is the transition to remote meetings and we've all become much more familiar with using such communication channels. Remote meetings ensure that customers have easy access to advice, regardless of domicile, and vice versa, allowing employees from all around the country to help regardless of their location.

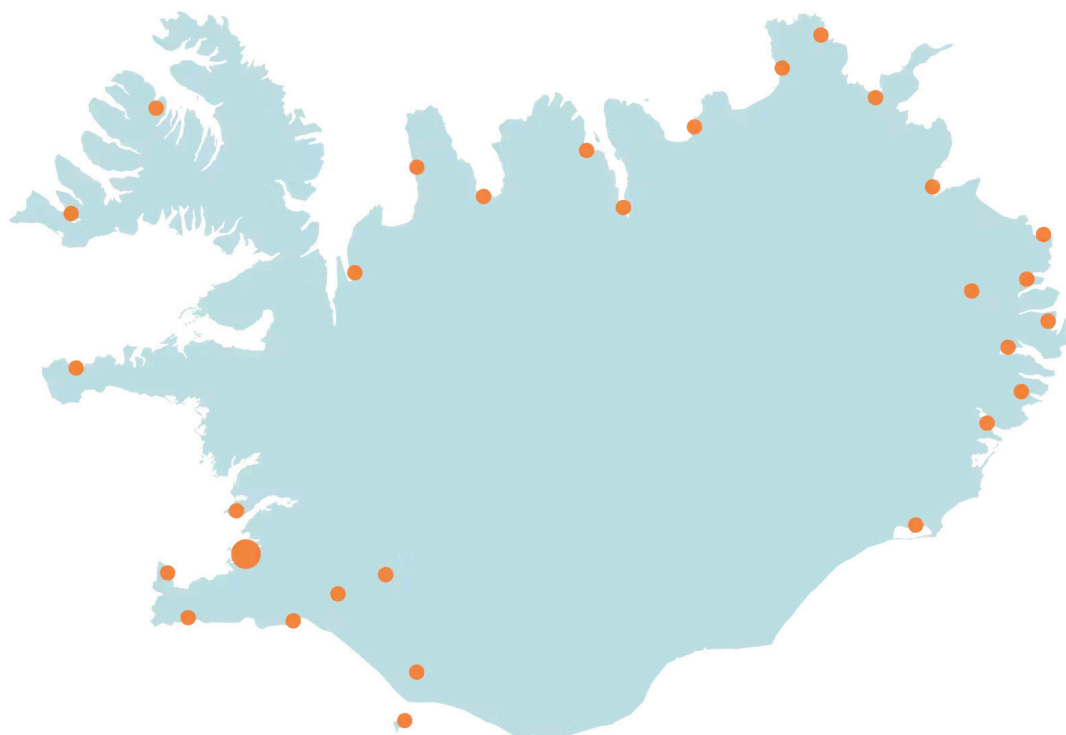
62.6%

of use of the app and online banking takes place outside of traditional opening hours



Appointments well received

In 2021, customers made 34,000 appointments for financial advice or phone calls from the Bank; a 16% increase from the previous year. Our customers have been enthusiastic about this new service with an increasing number choosing to make an appointment for financial advice over the phone or through remote meetings.



More self-service equipment accessible around the clock

When we adjusted our opening hours, we also made changes to the self-service equipment in branches, adding ATMs, coin counting machines and coin roll dispensers and making more of them accessible around the clock. In the capital region, cash service is now available from tellers in Borgartún 33 and Austurstræti 11. Our team in all other branches is as before eager to assist customers in the use of self-service equipment, online banking and the app.

New options in sustainable saving

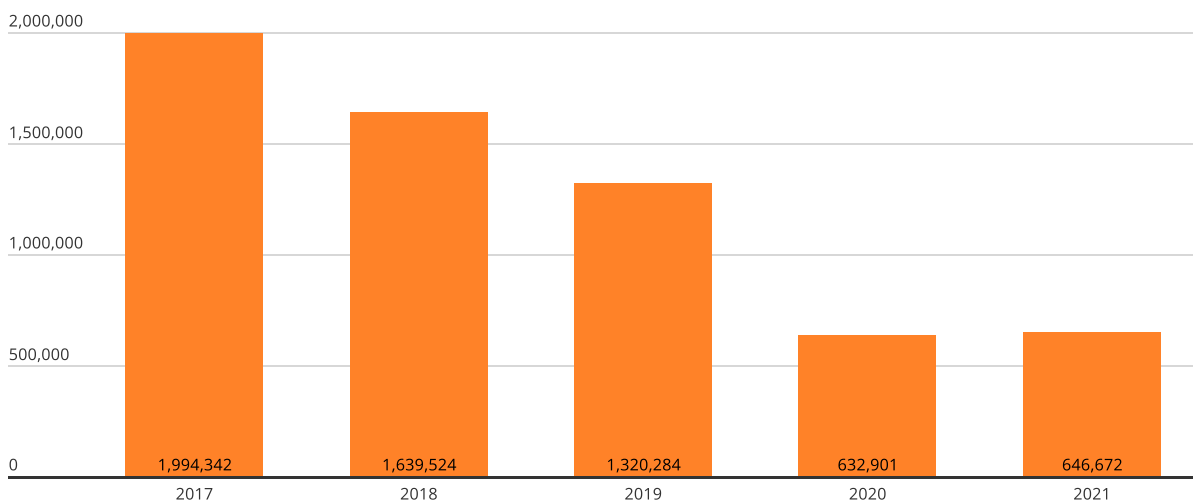
We introduced two new sustainable savings options in 2021. One is an asset allocation

fund managed by Landsbréf, Eignadreifing - sjálfbær, which invests solely in financial instruments, such as equities, bonds and unit shares in issuers who operate on a sound sustainability platform. The other is a sustainable savings account, Vaxtareikningur sjálfbær, for both retail and corporate customers. Landsbankinn finances sustainable projects for the same amount as is deposited to Vaxtareikningur sjálfbær. Landsbankinn's sustainable finance framework lets us allocate funds to various sustainable projects in a transparent and credible manner. Sustainable savings products give our customers the opportunity to support projects that contribute to our environment and community. We are proud to offer customers these options.

49.6%

of owners of
**Vaxtareikningur
sjálfbær** are in the 18-
34 year age bracket

Actions performed by customers in branches



The pandemic changed our practices

The Covid-19 pandemic has led to various changes in how people consume goods and service, manifesting in increased online shopping. More of us also got used to taking care of our bank business online. Indications are that these changes will be permanent. Bank branches were closed for a long time, or access limited, while the pandemic raged in 2020, causing fewer transactions to be carried out by branch employees on behalf of customers during physical bank visits. Once restrictions on gatherings were eased, visits to bank branches and transactions undertaken there have not returned to pre-pandemic values.

Customers have embraced new ways to bank, use of digital solutions has increased and the Bank's Customer Service Centre solves a growing number of issues. Whether this impact of the pandemic will be permanent only time can tell - we consider it likely.

Tasks are done all around the country

Landsbankinn has an extensive network of branches and outlets spanning the country, staffed by enthusiastic and knowledgeable people. When measures against the pandemic put a limit on access to our branches, the jobs and projects done in branches changed, freeing employees to tend to new and different duties.

At the same time, the demand for various advice, especially about housing mortgages, grew. We decided to take the opportunity to spread various tasks and responsibilities more evenly across the branch network. We took up a system that allows employees throughout the country to act as advisors and provide service to customers regardless of physical location or residence. A member of our team working out of Snæfellsbær or Dalvík could provide advice and assistance to a customer in Reykjavík. This improved customer access to expert advice, shortened wait times and put our team's time to better use and diversified their work. Our team is very happy with these changes, especially employees in rural Iceland.

Processing mortgages for the entire country a welcome challenge

“Our main work here in the branch is centred on advice and service to corporates and individuals about loans and deposits, along with general services, such as cash, payment transfer and payment service. Our catchment area is no longer limited to the Snæfellsnes peninsula or parties with ties to that location - we now serve customers around the country. Recently, our main work has been centred on housing mortgages, with customers establishing new mortgages, refinancing, fixing interest rates, etc.

When branches were forced to close their doors due to Covid-19, our activities underwent a great deal of change, change we welcomed. My colleagues have been amazingly resourceful and adept at stepping up to take on new challenges. This has revitalised our operation and presented us with the opportunity to take on new and more varied projects. In addition to more tasks related to housing mortgages, providing advice over the phone has become a large part of our work. Branch employees have taken on work from other departments, one of the team answers the phone for the Customer Service Centre part of the day and another answers the Centre’s mail whenever there is time. We like challenges and taking on new tasks.

My work as Branch Manager involves overall responsibility for the branch’s daily operation and the work we do here but extends to identifying and grabbing new opportunities and tasks. Another important aspect of my duties is to connect with our customers and the community, and to maintain those connections. Landsbankinn is an important part of the Snæfellsbær community. We provide service to both companies and private individuals locally, support sports, culture and charity, and aim to be an active part of the local community. In smaller communities, where industry is perhaps less varied than in larger places, each job becomes very important. This step Landsbankinn has taken, to engage competent employees across the country to work across the Bank’s departments, has been visionary. While it is especially important to service outlets and branches in rural Iceland, the Bank as whole benefits.”



Þórhalla H. Baldursdóttir

Branch Manager
in Snæfellsbær

Don't forget Aukakrónur

Aukakrónur is the strongest benefits system in Iceland, with Landsbankinn's customers collecting 509 million Aukakrónur in the year and purchasing goods and services with the programme's partners for 431 million Aukakrónur. We partnered

with já.is in 2021 to let customers with Aukakrónur search for places and products on which to spend their Aukakrónur. The balance of the Aukakrónur card is easily accessible in the app and in online banking. Customers accrue Aukakrónur when they use their credit cards with our Aukakrónur partners. The



More buyers purchase eco-friendly cars

In 2021, the number of eco-friendly cars multiplied, which was noticeable in the increase in loans to purchase eco-friendly cars. In 2020, around 30% of car loans were to finance eco-friendly cars. This ratio had jumped to 49% in 2021.

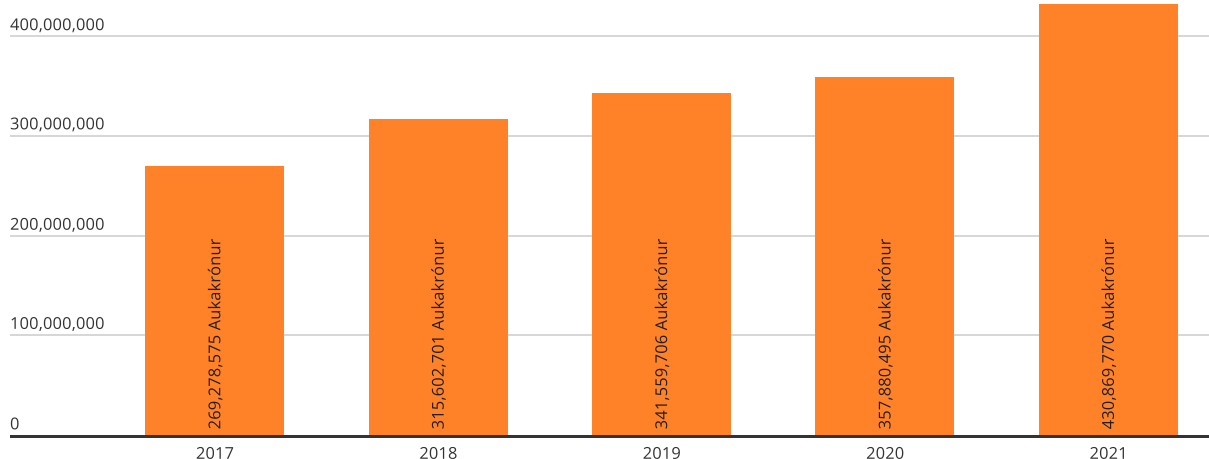
purchase discount is up to 15% and, in addition, the Bank adds 0.2-0.5% of all domestic turnover and payments by instalment to the Aukarónur account.

Housing to suit our needs

We not only made changes to our services in the capital region but also elsewhere in Iceland. Our service outlets in Þórshöfn

and Djúpivogur have moved to new facilities that are better suited to our operation. We also participated in a joint project to open an office collective and remote work facilities in Thorlákshöfn, moving our own operation to new and more fitting facilities there. The Ísafjörður branch also moved to more practical facilities in 2021.

Growing use of Aukakrónur



Corporate banking



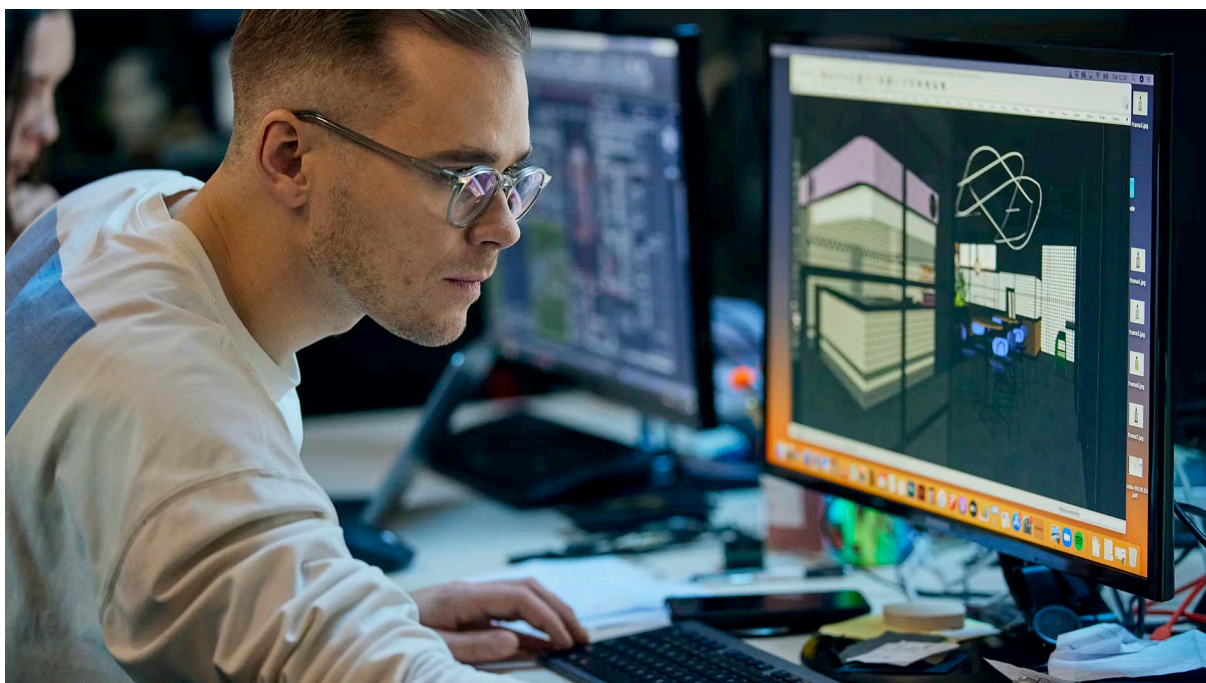
Effective collaboration is key

We are seeing a turn for the better, though not full recovery, in the operation of many companies who were negatively affected by the pandemic. An ever-growing part of our services are accessible via the app, online banking or other self-service solutions and our customers are clear that they want this trend to continue.

The last two years under the pandemic have had an extensive impact on all banking service and altered our services to customers in many ways. We have focused on improving corporates' access to digital services around the clock, boosting efficiency in daily banking and meeting as well as possible the changing needs of companies

that themselves have depended on employees working from home and several restrictions on on-site work. In the early days of the pandemic, we became aware of the importance of maintaining the best user experience, of continuing to offer personal service and finding ways to do so even faster. The valuable experience we garnered these





two years from strong digital development to improve corporate banking will continue to add value in both the Bank's future and that of our customers.

Our customers are quick to adapt to changed conditions and take new solutions into use. In all main bank transactions for corporate customers, i.e. domestic and international payments, and claim collection, self-service levels are at 97-99%. Corporates manage employee access rights independently in online banking, create new users in online banking, B2B access, amend access rights to reflect job requirements and select additions in online banking and the

app, in addition to creating all bank account types, debit cards and credit cards independently. All these actions can be carried out in a few simple steps and the reception has been fantastic. Landsbankinn has topped the Icelandic Performance Satisfaction Index for three years running, aided by all these initiatives.

Corporates happiest with digital solutions

Our customers are as before satisfied with our service, as confirmed in a Gallup survey of the corporate market. Companies who bank with Landsbankinn are most satisfied with the service

of their main bank of business. Our self-service solutions receive the highest marks of the banks' customers, a rating that confirms our experience. Our customers were also most satisfied of the three large banks with Landsbankinn's response to the Covid-19 pandemic.

Digital development and responding to the economic consequences of Covid-19 have been our largest tasks in the past two years and we are very pleased that customers appreciate our handling of them.

The chapter on smarter banking provides a more in-depth review of digital services.

Satisfied customers

Most satisfied with their bank of business

Self-service solutions received top marks

Most satisfied with response to Covid-19

Strive to anticipate customer needs

"My job is extremely varied. The basics consist of evaluating lending opportunities, monitoring outstanding loans and maintaining regular relations with company managers. We account managers are also the corporate customers' link into the Bank. This means that we work a great deal with other employees in various department, as corporates generally require multiple services that extend beyond our specialisation in Corporate Banking. Our role includes anticipating customer needs and facilitating business with other Bank departments and divisions. This is all not to mention the various small jobs that pop up on a daily basis, communicating information to customers, consulting and other issues.

When a new loan is paid out, the work is usually just beginning. We need to maintain very open lines of communication with management and monitor developments closely. We make regular visits to customers and such visits strengthen the business relationship a great deal. We account managers feel how much our customers appreciate these visits.

One of the companies I act as Account Manager for is Algalíf in Reykjanesbær. Algalíf produces high-grade natural astaxanthin from microalgae, which is sold as a vitamin and food supplement. Our partnership with Algalíf began for real in 2015, when the Bank agreed to extend credit in the amount of ISK 900 million to enlarge the company's factory at Ásbrú. The company's Norwegian owners had already provided a similar amount and manufacturing of the company's products was going well. We considered this the right moment to channel funds into the company, fully aware of the fact that there were still uncertainties and certain risks involved. The company's current position is strong and collaboration with Orri Björnsson, CEO, and the company's owners has been exemplary throughout. This has fostered trust and credibility, which is key to such projects."



Hrafn Harðarson

Account Manager
in Corporate Banking

Most actions available in the app

Recently, we have focused on making more actions available to companies through the app and now, SMEs can use it to tend to the largest part of banking business. We simplified the onboarding process and becoming a Landsbankinn customers has never been easier for corporates. A reputation for good service and first-rate digital solutions gets around and a record number of companies became Landsbankinn customers, with just under 2,500 new corporate customers joining us in 2021.

Of these, around 90% onboarded independently.

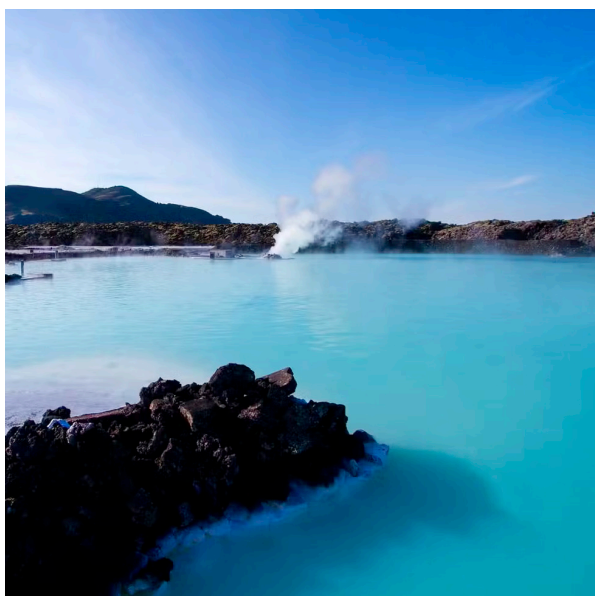
The Bank's market share in corporates was 33.6% at year-end 2021, according to the Bank's definitions and data.

Digital service and personal advice

The companies that bank with Landsbankinn are varied, both big and small and located throughout Iceland. We want to simplify life for our customers by letting them tend to their banking business in the app and online banking whenever it suits. If customers need our

help, we have a strong team of experts standing by in the Corporate Call Centre. Companies can also rely on sound advice from our many account managers and other experts with extensive knowledge and connections with industry.

We place a large premium on solid business relationships, personal advice and long-term partnerships. By making our products and services even more accessible through online banking and the app, we free up time for personal and professional advice on the larger issues. In our experience, companies appreciate this strategy.



Successful meetings

In connection with the economic forecast published by Landsbankinn Economic Research in May 2021, we hosted a series of remote meetings on the economy, tourism and the circular economy. There were four meetings for various geographical locations, either by region or multiple regions. Guests from each region addressed the meetings, adding local flair that was well received.

Oversubscribed offerings

Landsbankinn Corporate Finance achieved very good results and managed or participated in many successful projects. In May, we coordinated the PO of Síldarvinnslan hf. and listing of the company on Nasdaq Iceland's main list. We were well pleased with double over-subscription in the offering. Around 6500 new shareholders joined the company's shareholder group, purchasing shares for ISK 29.7 billion. We were co-managers of the stock offering of Íslandsbanki hf. in June. Around 24000 new shareholders joined the company, purchasing new shares for around ISK 55 billion in a ninefold oversubscribed offering.

Landsbankinn Corporate Finance acted as consultant on the utilisation of warrants attached to new shares in Icelandair, coordinated successful bond

issuances for various companies and managed the issuance and admittance to trade of such bonds on Nasdaq Iceland.

Corporate Finance acted as advisor to Reginn hf. in a transaction involving real estate developer Klasi ehf. and Hagar hf. Reginn and Hagar concluded a subscription agreement to shares in real estate developer Klasi. The agreement provides that Reginn holds one third of share capital in Klasi and the companies will collaborate on the further development of Klasi and its subsidiaries. Sustainable development of the company's assets is one of the objectives of the partnership. The merged company will be in a position to support sustainable city development through a varied mix of commercial, service and residential housing.

Emphasis on sustainable financing of corporates

We are a leader in sustainable financing and such projects are growing in number. In 2021, we launched Landsbankinn's Sustainable Financing Label, issued to companies who borrow from us. In order to receive the Label, financing must meet sustainability criteria and fall into one of the eleven project categories defined in the Bank's Sustainable Finance Framework. Projects which fall under the scope of the Framework include switching public transport to renewable energy, renewable energy production, certified sustainable fisheries, eco-friendly buildings and social development projects. The first recipient of the Label was UR Seafood (Útgerðarfélag Reykjavíkur hf.), followed by Orka náttúrunnar and Ljósleiðarinn.



Deposits can also be sustainable

Not only lending can be sustainable - we introduced a new sustainable savings account for both corporate and retail customers in 2021, Vaxtareikningur sjálfbær. Deposits to the account are used to finance projects that contribute to sustainable development, under the terms of Landsbankinn's Sustainable Finance Framework, just like with sustainable financing. Companies can take advantage of this option to invest funds in a way that positively impacts the environment and society.

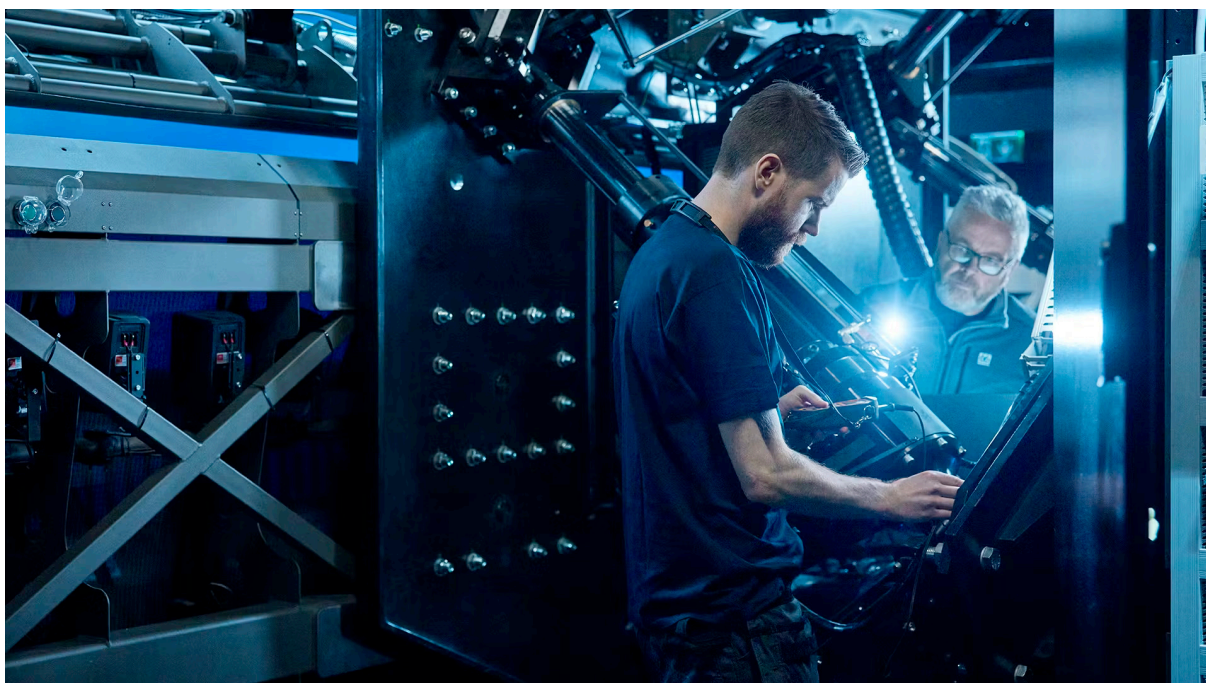
Many corporates were cautious

Lending contracted by 2.3% during the year, with companies maintaining a cautious stance in response to the pandemic. Market share in corporate lending was nevertheless 41.5% based on the 9 month financial statements of the three commercial banks in 2021, increasing slightly between years. Companies could apply for support loans until 31 May 2021 and those with previous support loans were offered an extension of the loan term and repayments by 12 month, in accordance with authorities' rules. Most of the companies who took advantage of this were in the travel sector, which has been hardest hit by the pandemic.

Market share in corporate lending

41.5%

Based on 9M results of the three commercial banks in 2021.



Growth in vehicle and equipment financing

Corporate vehicle and equipment loans contracted considerably in 2020, especially with travel sector companies. Investment started off slowly in 2021 only to pick up the pace, reflecting a great deal of accumulated investment need. The result was an increase in vehicle and equipment loans compared with the previous two years, or 73% growth between years.

Eco-friendly vehicles and equipment

An ever-growing percentage of loans issued by Landsbankinn Vehicle & Equipment Financing to companies is for eco-friendly vehicles and equipment. Just under 70% of all newly registered passenger cars in 2021 were electric or hybrid. This development was clearly reflected in the loan book.

Growth in funding of non-profit activities

Landsbankinn has been leading in construction financing in recent years. We have focused on maintaining frequent and open communication with our customers in order to understand and identify their needs.

We maintained a high level of activity in this field in 2021, providing funding for new residential housing both for the general market and rental market. The projects are tied to various parts of the country, though most are in the capital region. Numerous new construction projects funded by the Bank are under way or in the preparation phase. Project financing of non-profit activities has increased significantly alongside high activity in rental housing construction and development of affordable housing for first-time buyers.

73%

growth in new vehicle and equipment financing

30%

of financed company vehicles with Vehicle & Equipment Financing are eco-friendly

Large construction projects

43 projects

Smaller construction projects

48 projects

Financed residential housing

3.781 apartments

General rental housing

858 apartments

New lending to the construction sector fluctuates based on such factors as time to sell. The sale of residential housing in 2021 was extremely rapid, with assets frequently sold already during construction. This development led to lower demand for credit and thereby lower lending to these projects despite higher loan pledges.

Support for the travel sector

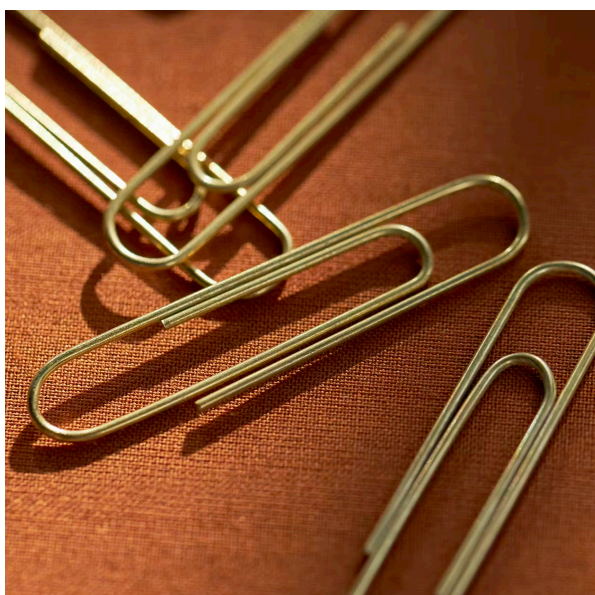
We continued to work closely with our customers to tackle the wide-reaching change the pandemic caused.

Companies with various ties to the travel sector have been hard hit and been forced to deal with unforeseeable circumstances and changing Covid-19 restrictions.

We have done our utmost to meet the different needs of our customers in the travel sector, endeavouring to ensure that they will be ready to receive their own customers when travel increases again and the pandemic ends.

Success in seafood and fisheries

Following numerous challenges and difficulties in 2020, the seafood and fisheries sector pursued growth again in 2021. Investment increased and production and sale was more successful. The outlook is bright for 2022, especially as regards capelin. Fish farming also had a good 2021, with record production and sale. The coming years provide opportunities for growth, both in aquaculture and on land.



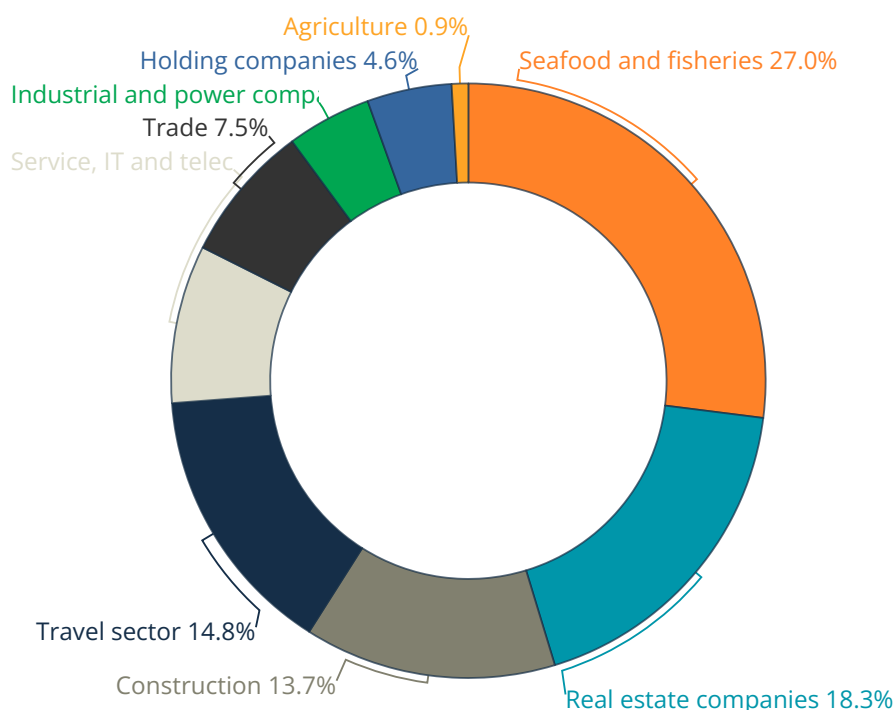
Number of travellers

2019	2,013,200
2020	486,308
2021	687,789
2022	1,500,000*
2023	1,800,000*

Figures from the Icelandic Tourist Board

*Forecast by Landsbankinn Economic Research

Lending by sector in 2021



Lending to the seafood and fisheries sector is again the largest portfolio in the Bank's loan book, excepting only loans to individuals. The success of the seafood and fisheries sector is also reflected in credit quality, with defaults at a minimum. We continue to strive to grow with our customers and support their development. We actively seek out new opportunities in seafood and fisheries and aim to be leading in financial services to Icelandic fisheries companies.

Extensive changes in retail and services

In general, the retail and service sector performed well in 2021,

notwithstanding numerous challenges to operations in the past year. Consumer spending and consumption patterns have altered radically as a result of the pandemic, with greatly increased e-commerce calling for extensive and rapid changes in the retail and service sector. We have been leading in business with companies in retail and service and have provided solid support for our customers in the year.

Agriculture kept its footing in the pandemic

Agriculture has kept its footing in the pandemic, with smooth production levels and good sales despite a changing market.

Retail sale increased considerably in the year while wholesale decreased.

Development and restructuring is on-going in the dairy sector. Dairy producers continue to become fewer and those who continue manage to grow through the acquisition of quota and investment in increased automation. Vegetable production is generally successful, with opportunities for improvement lying in larger production units and more varied produce. As before, sheep farming is struggling. Agriculture has historically been an important part of the Bank's operation and this will continue. We intend to remain a staunch supporter of farmers.

Asset Management & Capital Markets

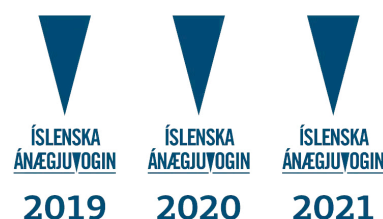


Great and growing interest in securities

Transactions in equities and funds multiplied between years, and asset management, Landsbréf's funds and securities and FX brokerage achieved good results. Customers were very interested in our investment objectives and clearly appreciate how simple it is to trade in equities and funds independently.

The pandemic has restricted our access to travel and other services, leading to a build-up of savings. At the same time, interest rate decreases drove both individuals and legal entities to look for new options to invest their savings. These changes, coupled with interesting stock offerings in 2021, greatly increased interest in securities trading.

The number of new custody accounts, that is accounts that hold securities, multiplied between years. We saw a great increase in transactions involving funds and equities in online banking and growth in asset management. Transactions in funds have grown by 40% between years and trade with equities has doubled in volume.





Engaging articles and meetings on securities trading

We are focused on providing sound and reliable information and, in 2021, we published several articles on securities trading. We wrote about the importance of asset diversification and key points to keep in mind when buying equities or in funds. We hosted a mini-conference in Harpa on the importance of asset diversification under the headline Do markets just go up?

Simple to buy and monitor

Around 80% of all transactions with funds and equities at the Bank are carried out independently by customers. It is really simple to buy in funds and equities online and to monitor your asset portfolio in online banking and the app. A custody account can be created in a matter of minutes and it is easy to trade in funds and equities or set up regular savings. We can clearly see that our customers appreciate being able to trade in Landsbréf's funds or in individual equities anytime and anywhere.

Increased activity and profits

Landsbankinn's Asset Management achieved good results in 2021. Assets under management by the Group grew by

31% and portfolio management agreements increased by 25% from 2020. Income from asset management and capital markets grew considerably between years, including from increased turnover in the equity market, good reception by investors of our new products and successful bond and stock offerings. Since the abolition of capital controls, corporates and investors increasingly take advantage of currency hedges and our new securities derivative products have also yielded good results.

Issuance of initial sustainability bond

Landsbankinn and Landsbréf adopted a clear policy on sustainable investment in 2013 and we are leading in the field. We are convinced that responsible investment positively impacts long-term returns and reduces operational risk. In recent years,

we have presented several new approaches in this field which customers and investors have responded positively to.

Among the projects we worked on in 2021 was the issuance of the first Icelandic sustainability bond by Árborg municipality in June. A sustainability bond differs from a green bond. Green bonds are issued to finance a specific project or investment. Sustainability bonds are issued to finance a company that has committed to obtain specified improvements or goals defined in the company's sustainable finance framework. The Bank coordinated the process from start to finish, from consulting on the development of a sustainable finance framework to the sale of the bonds and their admittance to trading. Investors responded very positively to this new product.

Have to stay on our toes

“My work as an Account Manager in Private Banking is varied and exciting. Private Banking, a department in Asset Management & Capital Markets, is a premium service the Bank offers high net worth customers and I belong to a team that takes care of high net worth individuals. In addition to portfolio management, these customers are assigned a dedicated account manager who they can contact to discuss their investments and for advice, as well as all other general banking services. Once a person has become our customer, it is important to main the relationship, provide professional and personal information and of course ensure that the portfolios under management yield acceptable returns.

The job can be divided into three main areas, that is retaining customers, maintaining customer relationships and keeping abreast of the market in order to provide relevant advice.

New customers join us through various channels. Many come through the Bank’s branch network but others through recommendations from current customers, through personal connections and more. Initially, we perform a needs analysis for each customer. We present the benefits of portfolio management and our services and, if the customer likes what he or she hears and is ready to commit, an asset management agreement is concluded between the customer and the Bank.

Initiative is a requirement of the job - you have to pick up the phone and make unprompted calls to both potential and current customers. Both Asset Management and Private Banking have achieved good results in the past couple of years. We expect to continue this trend, as we enjoy success.

A large part of the job is maintaining your knowledge. The market is a living thing and everything turns on future expectations for returns based on economic indicators and key financials for individual companies. We attend several information meetings with, for example, brokers, domestic and international fund managers and in-house meetings. Following the news and adding to your own knowledge base is also important. Sourcing knowledge and information and communicating it to customers is an on-going process.

The main changes to Private Banking during my tenure involve the practical execution of asset management which has changed from portfolio management to fund management, which is simpler and more efficient. Another big change involves awareness and action about responsible investment that consider ESG factors. Asset management globally is quickly trending towards sustainability and responsible investment.”



Elín Dóra Halldórsdóttir

Account Manager
in Private Banking

Good performance at Landsbréf

Landsbréf hf., the Bank’s subsidiary, performed very well in 2021. Returns from the company’s

funds were generally very good and operating results significantly outpaced 2020 results. Three new funds were launched in the year, all well received by

investors. Other funds under management grew considerably, both in terms of new customers and returns. Landsbréf currently manages around 40 funds.



Landsbréf has in recent years created several venture capital funds which have invested successfully as conversion and strategic investors in domestic companies. The winding-up process of private equity fund Horn II, established in 2013, began in 2021. Return on the fund was very good, achieving around 25% annual return. The initial investment of investors, who were mainly pension funds, has tripled.

New and exciting funds

We launched new funds in 2021: Horn IV, Brunnur vaxtarsjóður II and Eignadreifing sjálfbær.

Horn IV is an ISK 15 billion private equity fund. This is a closed fund of 30 institutional investors with an investment strategy focused on unlisted domestic equities. The fund's investment period is to the end of July 2025 and scheduled lifetime is to year-end 2031.

Brunnur vaxtarsjóður II slhf. is a venture capital fund that began operation in 2021 and is ISK 8.3 billion in size. The fund is a limited partnership managed by Landsbréf in collaboration with the fund's controller, Brunnur Ventures GP ehf. In addition to the controller, 11 institutional investors hold shares in the fund. The fund's investment period is

to 2024 with an authorisation to extend to 2026 and scheduled lifetime is to April 2031.

Eignadreifing sjálfbær hs. is a specialised asset allocation fund for general investors. The fund's objective is to achieve a good rate of return and risk diversification, guided by sustainability. We consider companies with a high sustainability rating more likely to yield good returns on our customers' investments.

With this new fund, we go even further and invest only in financial instruments issued by entities who excel in sustainability and have received high sustainability ratings from independent rating agencies.



Importance of asset diversification and active management

The success of Landsbréf and funds under its management reflects the confidence customers have in the company, favourable market conditions and the principles of asset management and active management guided by the methodology of responsible and sustainable investments.

The past two years have been uniquely educational. In general, Landsbréf's funds have performed well during the pandemic, despite significant market fluctuations and historically low interest rates. Ahead are interesting times where both opportunities and challenges abound. Landsbréf will continue to focus on investing the funds entrusted to the company in a sensible and responsible manner, offering the products our customers desire.

Pension savings increased by ISK 29 billion

We offer a wide array of pension savings plans and services. We offer varied investment options for private pension savings. Pension fund Íslenski lífeyrissjóðurinn invests both mandatory and private pension savings for our customers. Landsbankinn manages daily operation of the fund.

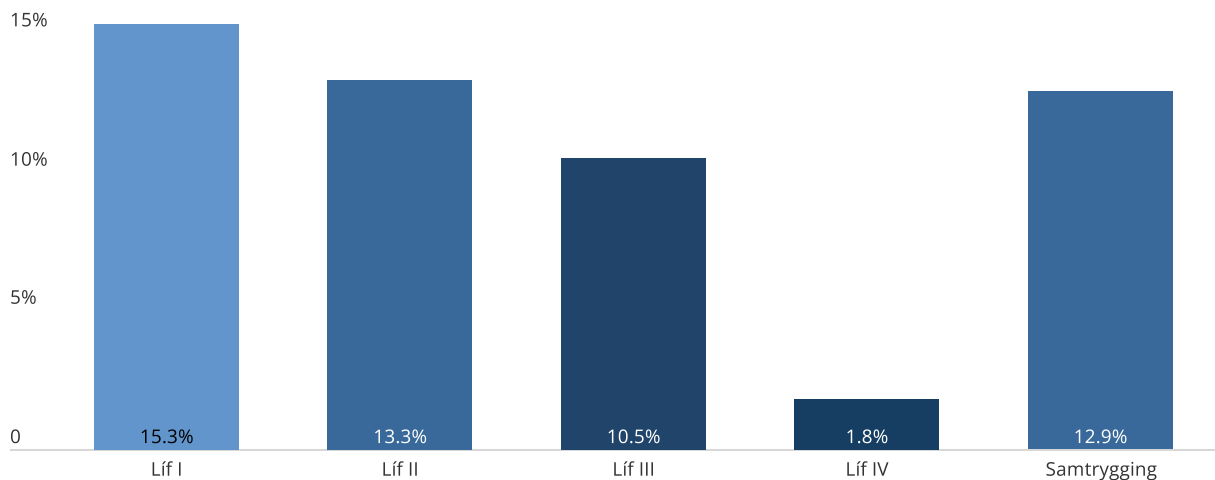
At year-end 2021, pension savings under management by Landsbankinn amounted to ISK 222 billion, growing by ISK 29 billion in the year. The assets of Íslenski lífeyrissjóðurinn were ISK 140 billion thereof. In total, the assets on Landsbankinn Lífeyrisbók pension savings account amounted to ISK 70 billion and assets on pension savings plan Lífeyrissparnaður - erlend verðbréf (non-domes-

tic securities) amounted to ISK 4 billion. Landsbankinn also manages the pension fund of the Icelandic Dental Association (Lífeyrissjóður Tannlæknafélags Íslands), the assets of which amounted to ISK 9 billion at year-end 2021.

Good returns on Landsbankinn pension savings

We achieved good returns on pension savings in 2021. Nominal returns of pension fund Íslenski lífeyrissjóðurinn was up to 15.3%, according to unaudited results. The nominal return of the mutual insurance division was 12.9% and the nominal return of Líf I, the fund's largest private pension scheme, was 15.3% in 2021.

Annual nominal return of pension fund Íslenski lífeyrissjóðurinn



Sustainability and responsible investment

Pension fund Íslenski lífeyrissjóðurinn renewed its policy on sustainability and responsible investment in the year. Íslenski lífeyrissjóðurinn's policy on sustainability and responsible investment sets out a clear intention to place increased emphasis on sustainability, environmental and climate issues, to positively impact society and enact good corporate governance practices in the fund's operation and in investment decisions. Íslenski lífeyrissjóðurinn emphasises responsible investment, including by ensuring that members' funds are invested to achieve a positive impact on the environment

and society, and limit as much as possible the negative impact of investment.

The policy also emphasises disclosure about the pension fund's operation, including information about sustainability and financials. Alongside its new policy, Íslenski lífeyrissjóðurinn has greatly increased disclosure on its asset portfolio, publishing ESG ratings of individual issuers and funds. The fund also publishes information about the carbon footprint of its asset portfolio. In recent years, the fund has increased its investment in green objective and around 25% of its non-domestic assets are now in funds that disclose ESG information.

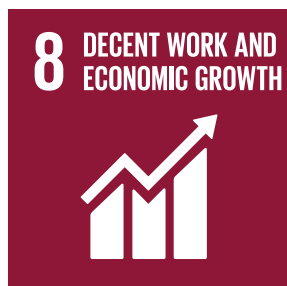
3. Sustainability





Key sustainability initiatives

We made great strides on our sustainability journey in 2021. We assessed GHG emissions from our credit portfolio, first among the domestic banks, updated our focus on the United Nations' sustainable development goals (SDGs) and held two green bond issuances. The Bank's Sustainable Financing Label was created and we introduced a new savings account and fund to contribute to sustainability. We also achieved our best ESG risk rating from Sustainalytics to date.



Sustainability policy updated

We updated our sustainability policy in 2021. The policy extends to all divisions of the Bank, sets out our key focus as regards sustainability and describes how we will implement sustainability in our operation. The policy addresses the UN SDGs, climate concerns, social issues, governance, ESG risk rating, responsible investment and responsible lending.

Altered focus on the SDGs

We are focused on four of the UN SDGs. In 2021, we reconsidered which SDGs best fit the Bank's operation, using the UN's tools and resources. Our conclu-

sion was to shift our emphasis slightly and increase the number of SDGs we focus on from three to four. These goals all directly correlate with the Bank's operation and work to achieve them maximises the Bank's positive impact on the environment and society.

We also follow the Principles for Responsible Banking (PRB) which guide banks in their work on the SDGs and the Paris Agreement.

Landsbankinn's sustainability goals

Our sustainability goals have been reviewed and updated. There is more information about the process in the chapter on Sustainable Accounting.

Be informed and inform about the Bank's impact on sustainability

Emphasise responsible lending

Achieve a reduction in direct GHG emissions

Achieve a reduction in indirect GHG emissions

Attain a gender ratio of executives that accords with set limits

Measures to counteract discrimination - share information about EKKO

Review sustainability information

Direct business to responsible suppliers

Landsbankinn has great momentum

"Community is a new division, made up of three departments that are key to communications with employees and customers - Human Resources, Marketing and Economic Research, with the addition of a Communications Team and Sustainability Team drawn from these departments to increase focus.

There is great momentum at Landsbankinn and to take full advantage of it and reach our goals, we must all coordinate our efforts. This means organising and collaborating, both in the long and short term.

Community's projects are varied by scope and nature, including everything from short-term sale campaigns, detailed research articles to human resources development to meet the future needs of banking. Our role is to build bridges between the expert knowledge and experience that lies with the Bank's teams, both in-house and branching out to customers. The tools we use are campaigns, education, events, grants, articles and podcasts, to name a few. These tools all help us tell a story. Community's success is not measured in numbers except in part, as these are subjective aspects based on both customer and employee experience. We know that we've reached our goal when our customers and employees are satisfied!

Changes create opportunities

The business environment is changing, technology is taking a leap, customer communication and speech is developing as are the ways and means by which both individuals and companies prioritise their time and goals. We want to respond to these changes by offering service solutions that meet needs, save time, are informative and simple. On-going developments of digital solutions, a data-driven market approach and a strong sustainability platform help us reduce inefficiencies in the Bank and in our customers' lives. Here, Community plays a key role.

Our marketing strategy has emphasised building market trust and we will continue to strive to be leading in all matters concerning our human resources, our customers and society. Constant advancement means that we must actively seek out opportunities to excel, such as data-driven marketing that is based on utilising data to take decisions and share information to achieve the maximum measurable results. We intend to use modern means to communicate our message and get customers to respond. We will measure the results of marketing in so far as possible to ensure that we are making good use of our own time and that of our customers."



Sara Pálsdóttir

Managing Director
of Community

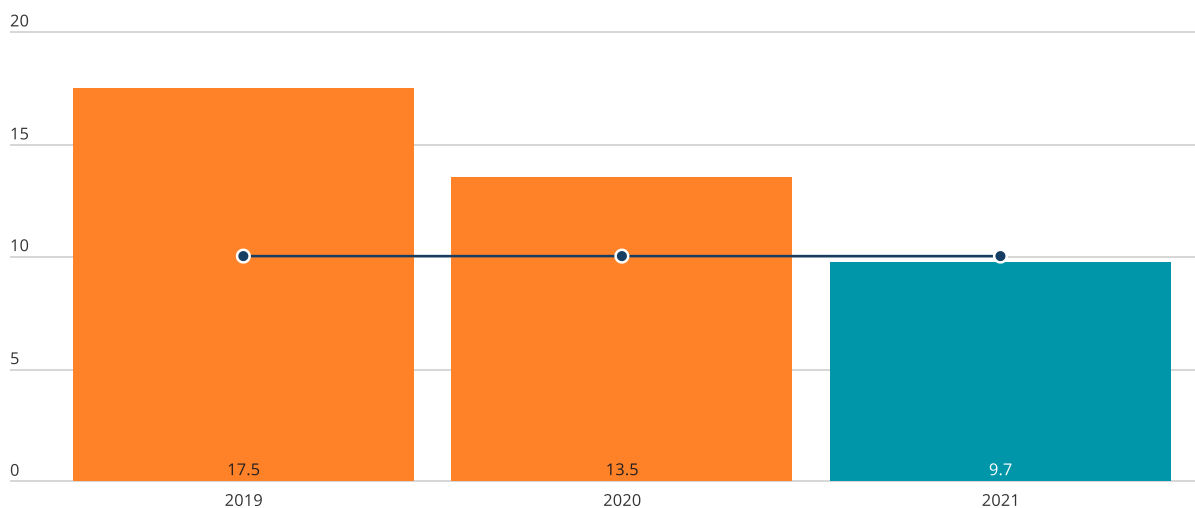
Leading Sustainalytics' ESG risk rating

We achieved our best ESG risk rating from Sustainalytics to date in May 2021. Landsbankinn

led the field of 423 peers rated by Sustainalytics. We went from 13.5 to 9.7 on a scale to 100. This means that Sustainalytics considers Landsbankinn at

exceedingly low risk of experiencing material financial impact from ESG factors, on which the analysis is based.

Development of Sustainalytics rating



Line shows Landsbankinn's aim

Sustainable finance framework

We published our first sustainable finance framework in January 2021. The framework is certified by Sustainalytics and serves to define the Bank's funding of environmental and social initiatives. The framework is based on ICMA's guidelines and the EU's recent taxonomy for green and social financing.

Green issuance

In 2021, we issued two sets of green bonds in the amount of EUR 300 million each. Green bond issuance supports our work towards sustainability, such bonds often carry better returns and reach a broader investor group.

Impact report

In 2021, we worked on a green bonds impact report and published it in early 2022. Investors in the Bank's green bonds receive detailed information about the allocation of proceeds from the bonds and the resulting impact. Sustainalytics verified that the funds were allocated in accordance with the Bank's sustainable finance framework.

Sustainable savings account Vaxtareikningur sjálfbær

In 2021, we introduced a new sustainable savings account, Vaxtareikningur sjálfbær. Deposits to the account are used to finance projects that contribute to sustainable development.

Our customers can use this new account type to let their savings positively impact the environment and community. The account is based on our sustainable finance framework.

Sustainable asset allocation fund Eignadreifing sjálfbær

A new Landsbréf investment fund, Eignadreifing sjálfbær, was launched in 2021. The fund considers ESG factors in its investment decisions. Its inclusion in our product offering broadens the selection of investment objectives based on the methodology of responsible investment available to our customers.



New Sustainable Financing Label: Sustainable financing for companies

We offer companies the option of sustainable financing. When a company has demonstrably met the criteria of sustainable financing, it can be issued with Landsbankinn's Sustainable Financing Label. UR Seafood (Útgerðarfélag Reykjavíkur hf.) was the initial recipient of the label for its MSC Certified Sustainable Seafood in 2021. Later in the year, Reykjavík Energy received the label for low-carbon footprint production of electricity and heat, as did Ljósleiðarinn for the installation and operation of fibre optics.

We know our emissions

In 2021, we assessed GHG emissions from our credit portfolio using PCAF's carbon accounting

method and published our results, first of the Icelandic banks. PCAF stands for the Partnership for Carbon Accounting Financials, an initiative that aims to standardise measurement of emissions from financial undertakings through their lending and investment activity. This is a large step, as one of the main challenges banks have faced has been to assess their indirect environmental impact. We consider it important to gain a thorough knowledge of our carbon footprint - only 1% of our emissions are directly from the Bank's operation.

Leading international development with PCAF

Our experts participated in the development of PCAF's international methodology which allows financial undertakings to assess their indirect environmental impact and present their

carbon accounts in a comparable and coordinated manner. Our experts have been active participants in the project since its inception and leaders in the partnership. Around 170 financial institutions and investors have now undertaken to use the methodology in the assessment of their indirect environmental impact.

Operation again carbon neutralised

We renewed our international CarbonNeutral® company certification and have carbon-offset traditional banking activity for 2021. We work with Natural Capital Partners to carbon-offset operations through carbon sequestration or the avoidance of GHG emissions. Such sequestration complies with strict global standards and has already taken place.



First sustainability bond issued in Iceland

We worked with Árborg municipality on the issuance of the first sustainability bond in Iceland. Landsbankinn consulted throughout the entire process.

Responsible investment and responsible lending

We have emphasised responsible investment for a number of years now, as the strategy positively impacts return on investment in the long term and reduces operational risk. We are guided by the UN's Principles for Responsible Investment (UN PRI) and issue yearly progress reports. We wish to be a leader in responsible lending as well, as the methodology reduces operational risk for companies. For more details, see the Bank's sustainability policy.

Clearer demands for suppliers

At the end of 2021, we finalised work on a compact the Bank's suppliers will be asked to sign. The compact obliges suppliers to ensure human rights and freedom of association in their own operation and with sub-contractors; also to work to prevent corruption. The compact is based on the 10 principles of the UN Global Compact.

Model of good governance

Landsbankinn has been a model of good governance since 2014, as determined by a review of its governance practices. We intend to continue to be a model of good corporate governance and comply with guidelines issued by Nasdaq Iceland, the Iceland Chamber of Commerce and the Confederation of Icelandic Employers.

Strong emphasis on cybersecurity

Cybersecurity is one of our top concerns. We consider wide-reaching education about cybersecurity to be part of our social responsibility. In 2021, the Bank's experts were active participants in discussion about

cybersecurity in the media and we published several articles on the subject to our website and social media.

Active in public debate

Our experts participate actively in public debate about sustainability and social responsibility.

In 2021, we published a number of articles on the topics to our website and social media and, in addition, our experts were prominent on sustainability platforms.

Sustainability obligations

Through participation in the following initiatives, we have obliged the Bank in various ways with regard to sustainability. We communicate our progress on sustainability in a report to the Global Reporting Initiative (GRI).

Festa, Centre for Sustainability

UN Global Compact

UN Principles for Responsible Investment (UN PRI)

UN Environment Programme Finance Initiative (UNEP FI)

IcelandSIF - Iceland Sustainable Investment Forum

Principles for Responsible Banking (PRB)

Partnership for Carbon Accounting Financials (PCAF)



Climate issues

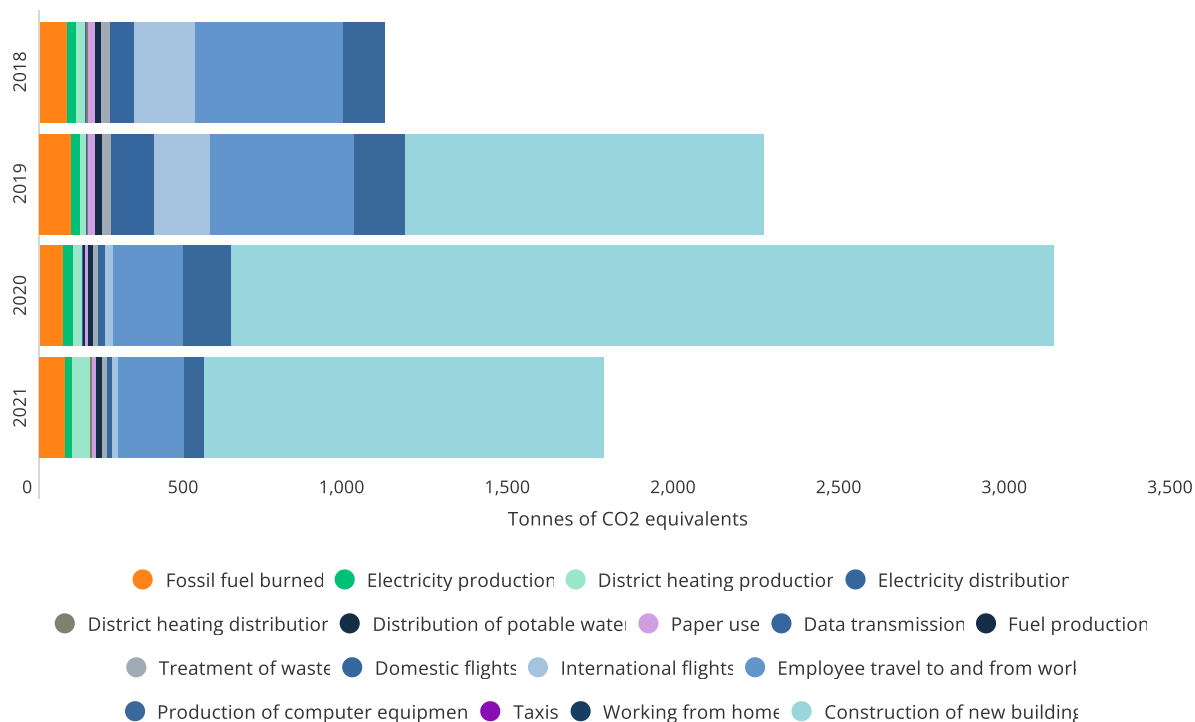
We endeavour to know the environmental impact of our activities. Work on analysing our carbon footprint and impact on society is on-going.

In addition to detailed analysis of our direct and indirect environmental impact higher up in the value chain, we have now for the first time analysed greenhouse gas (GHG) emissions from the Bank's credit portfolio and published that information.

GHG emissions from the Bank's traditional operation is mainly from air travel, employee travel to and from work, fuel consumption by the Bank's cars and indirect emissions from the production of computer equipment.

GHG emissions from our operation decreased by 44% between years, not counting emissions from credit products. This reduction is mainly caused by less use of concrete in construction of the Bank's new building in central Reykjavík.

YoY comparison of GHG emissions



The above figure breaks down emissions by scope as defined by the international guidelines of the Greenhouse Gas Protocol. The GHG Protocol is an internationally approved methodology generally used to calculate the corporate carbon footprint.

Emissions from the Bank's traditional operation amount to a mere 1% of total emissions from our activities, with indirect emissions from the credit portfolio having the largest impact. Indirect emissions are always most significant in our operation. While we can only impact

indirect emissions indirectly, we are working to minimise them, through such actions as communication with our suppliers and customers. Only a small portion of the carbon footprint of the Bank's traditional operation is direct, or from electricity or heat generation.

GHG Protocol methodology

The GHG Protocol methodology defines scope of emission as follows:

Scope 1

Direct emissions from our operation, i.e. emissions from owned or controlled sources.

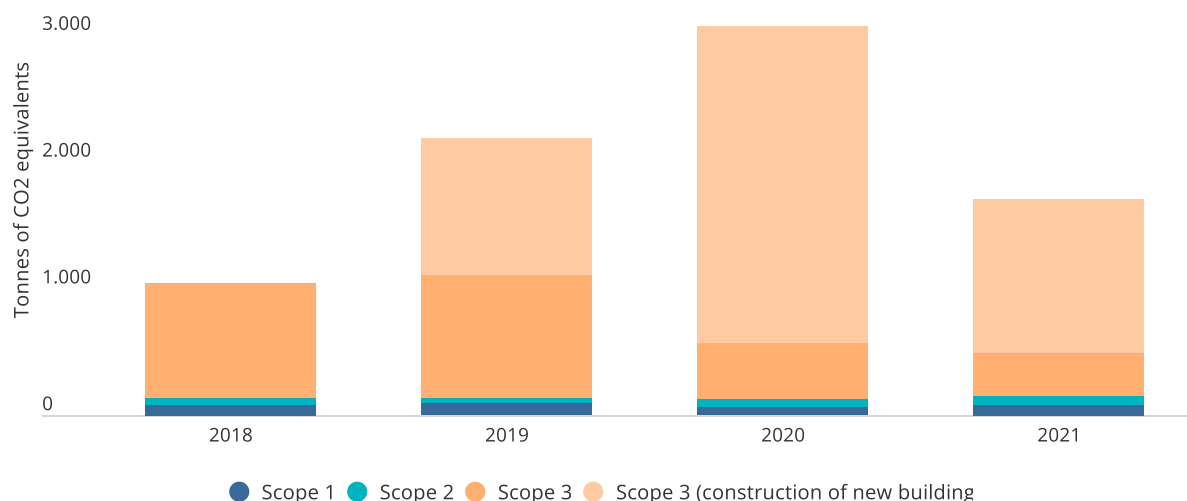
Scope 2

Indirect emissions from the generation of purchased electricity and heating.

Scope 3

Indirect emissions that occur in our value chain. This includes computer equipment, fuel production, concrete, air travel, travel to and from work, etc. Indirect emissions from lending activities also fall under scope 3.

Greenhouse gas emissions by scope



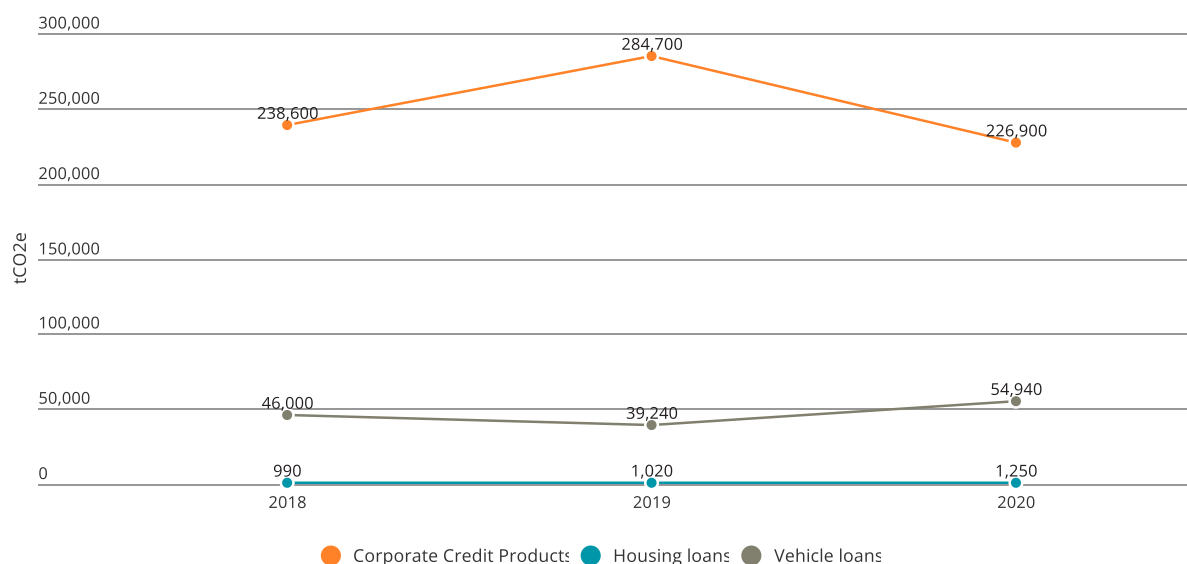
The figure above is a clear representation of the origin of emissions from the Bank's traditional operation. Employee travel to and from work, the production of computer equipment and fuel combustion by the Bank's cars are the largest GHG emission factors in our operation, excepting indirect emissions from the construction of new headquarters and from credit products, which represent the major share of GHG emissions from our operation.

The Covid-19 pandemic has led to changes in the operation of many companies, such as employees working more from home. In calculating the Bank's carbon footprint, we now also factor in GHG emissions from home office work. Construction of the Bank's new building at Austurbakki is still a major factor in GHG emissions even though such emissions have decreased considerably, as shown in the figure above, as concrete work is mostly finished.

It is important for banks to know the indirect impact of their GHG emissions to take informed decisions on climate issues.

This year, we estimated emissions from the Bank's lending activity in 2019 using the methodology of the Partnership for Carbon Accounting Financials PCAF. We have also completed the same calculations for 2018 and 2020 and the main results are presented in the figure below for three credit portfolios: a) corporate loans to legal entities, b) housing mortgages, and c) vehicle loans.

GHG emissions from credit portfolio



This information allows us to focus more on working with companies to finance solutions that will minimise GHG emissions.

Carbon-offset operation

We have carbon-offset the Bank's traditional operation in 2021 and renewed our international-

ly acclaimed certification from CarbonNeutral®. Our operation is carbon-offset through internationally approved actors and the purchase of certified carbon credits. Working with Natural Capital Partners, we have purchased carbon credits that have undergone a strict certification

process and certainly led to carbon sequestration or avoidance of GHG emissions. This allows us to counterbalance our unavoidable emissions. We will nevertheless continue our efforts to reduce emissions from our operation and help customers to do the same.



Sustainability accounts

We comply with the GRI Standards option and the Annual & Sustainability Report also functions as a Communication of Progress report to the UN Global Compact. Landsbankinn will continue to support the Global Compact and adhere to its guidelines.

GRI Standards index and other accompanying documents

GRI Standards index to the Bank's 2021 Annual & Sustainability Report

Appendix to GRI Standards index of Landsbankinn 2021

Landsbankinn's sustainability goals

Attestation of independent auditor of the GRI Standards report by Landsbankinn for 2021

Nasdaq ESG chart for Landsbankinn 2021

Principles for Responsible Banking: Progress report for 2021



Human resources and equality

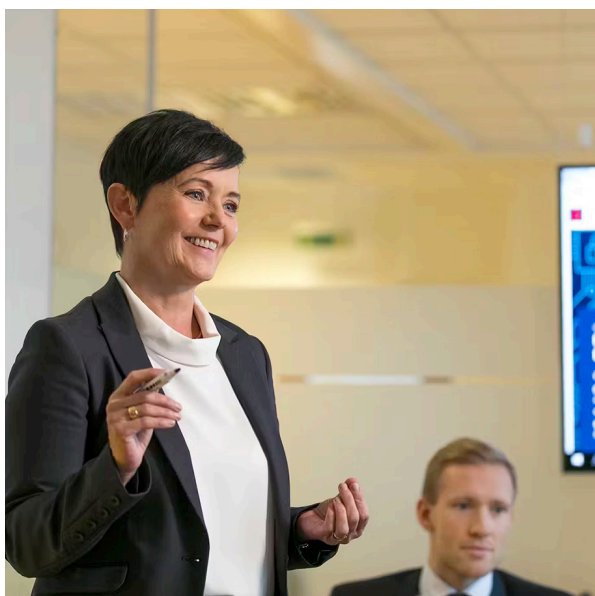
Much as in 2020, the Bank's activities this year were coloured by the various challenges posed by Covid-19. Put simply, the challenge has been to balance health precautions for the Bank's employees while also continuing operation and maintaining a high service level.

New challenges in human resources

Covid-19 has taught us many things and altered peoples' views permanently. Working from home has become a more realistic option and people increasingly expect to be able to work partly from home. Landsbankinn's employees are divided in their opinion when it comes

to home office work. An employee survey carried out in October revealed that 18% of employees are not interested in working from home, 29% want to work from home one day per week, 33% want to work from home two days per week, 14% wish for three days at home, 2% want four days and 4% want to work from home the entire week.

The option of working from home or using some form of remote work has become a real possibility for a much wider selection of jobs and, in 2021, the Bank adopted guidelines for employee home office work that apply regardless of the pandemic. Employees have taken advantage of working from home for reasons other than the pandemic.



HR policy

We employ a team of exceptional individuals with a varied background. The Bank's HR policy emphasises job satisfaction, a positive work environment and effective job development.

More about HR policy on landsbankinn.is.

A survey of employees in March 2021 showed that employee pride and satisfaction had never been higher, indicating that a successful course had been steered through changing restrictions.

The move to new housing at Austurbakki is highly anticipated with over 80% of employees currently positive towards the move and expecting the new

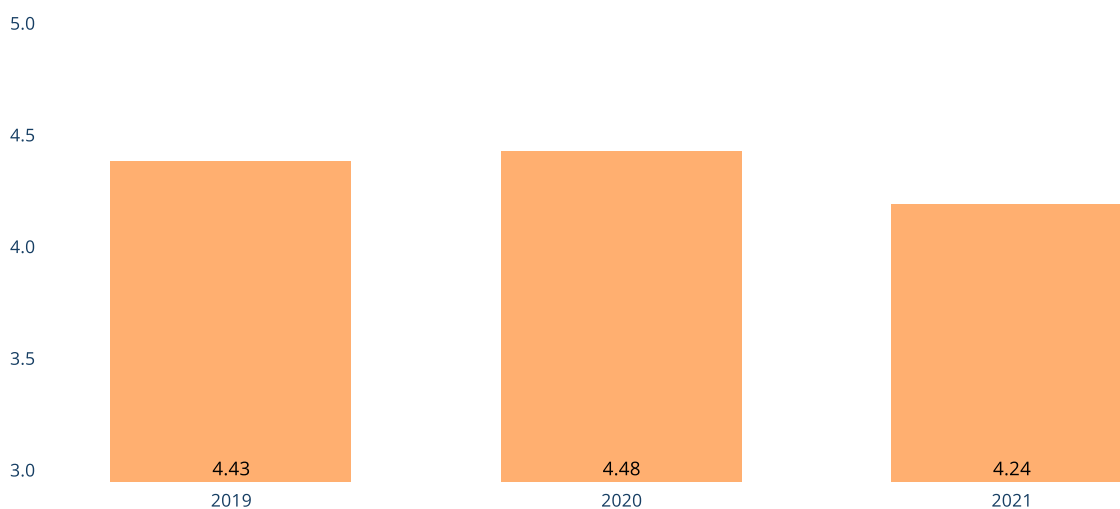
building to improve their work conditions.

Workplace audit and "health check"

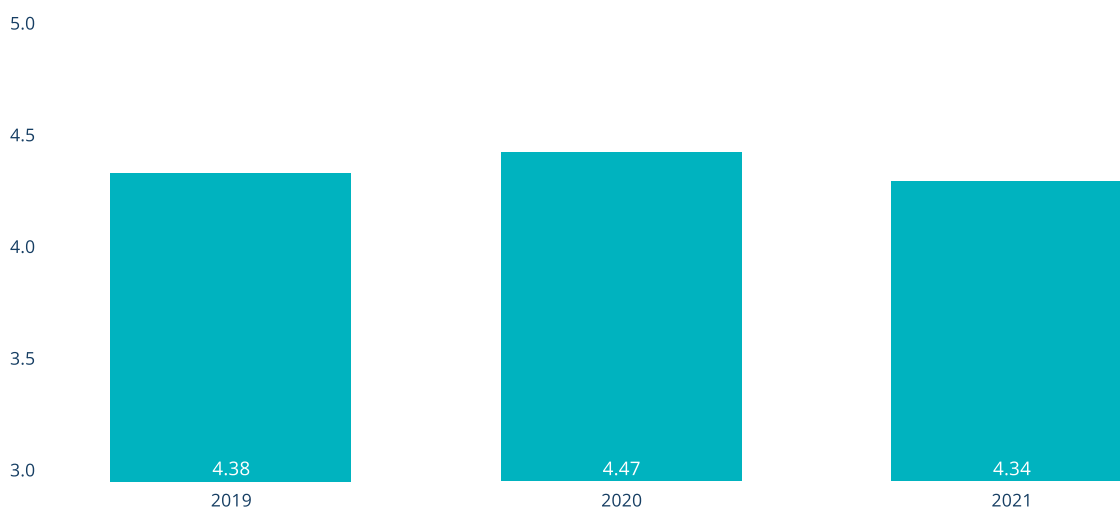
Each year, we carry out a detailed workplace audit in the first half of the year and a second, less comprehensive review in fall. The latter, dubbed the "health check" is intended to follow up on the goals for

improvement set in the wake of the workplace audit. Together, these two surveys provide an important indication of employees' feelings and views on the workplace. The March 2021 survey revealed record job satisfaction, pride and loyalty. A follow-up survey showed that employee satisfaction declined towards year end and we are working on analysing the results.

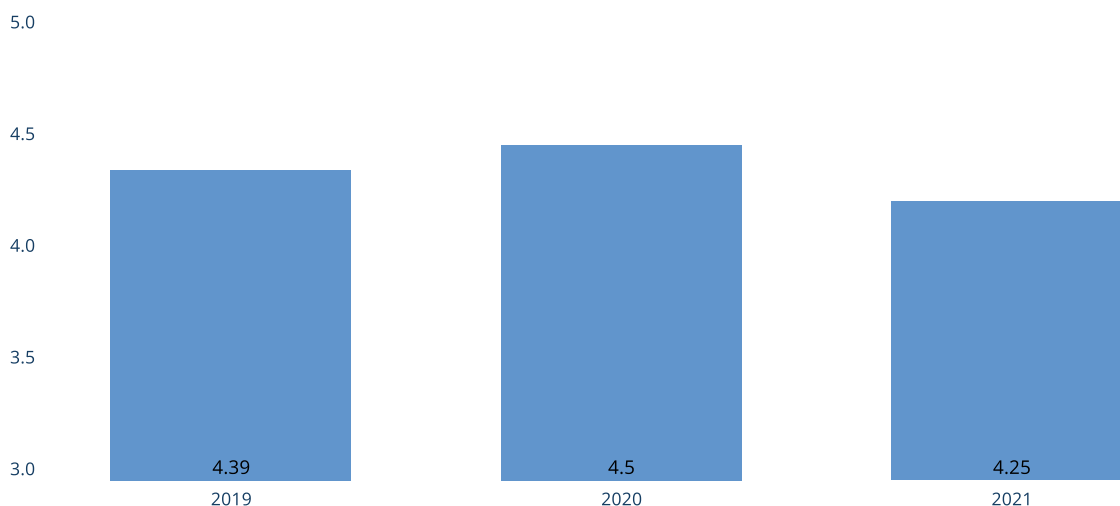
Overall satisfaction



Pride



Would recommend employer



Employees consider sustainability of increasing importance

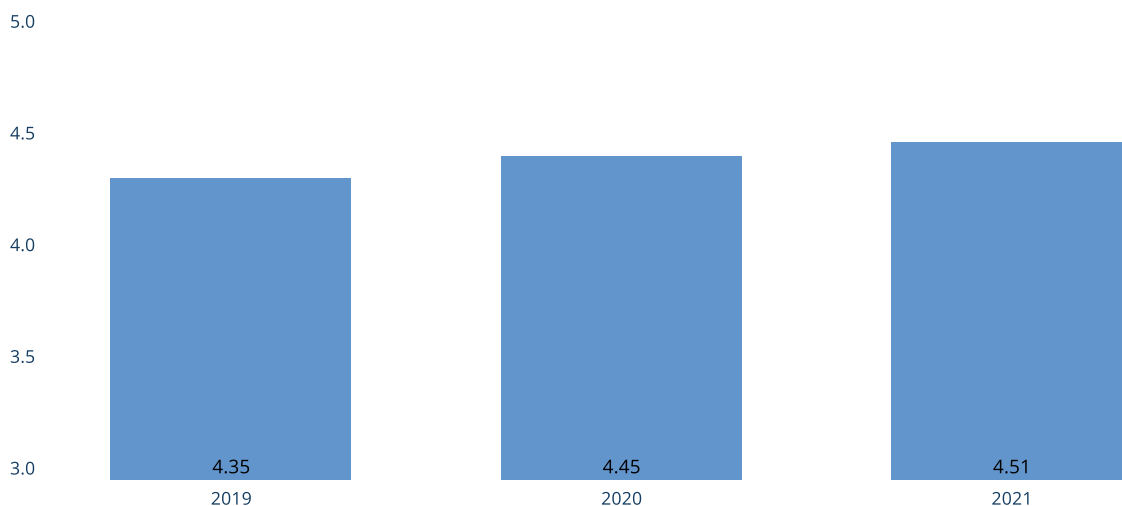
We measure employees' attitude towards the Bank's sustainability platform every year, with a

survey that includes a question about its importance. In the past years, sustainability has been gaining in importance in employees' opinion. In 2021, the importance of sustainability is ranked 4.51 out of 5.

A wider view on equality

In the past, we have looked at equality issues from various vantage points. We have sharpened our focus in recent years, introducing programmes such

Importance of sustainability for the Bank



as the Equality Indicator, and we have worked systematically to foster a good and healthy workplace culture.

We consider equality, human rights and the diversity of the human spectrum at various levels of our operation, including in the hiring process, in ensuring

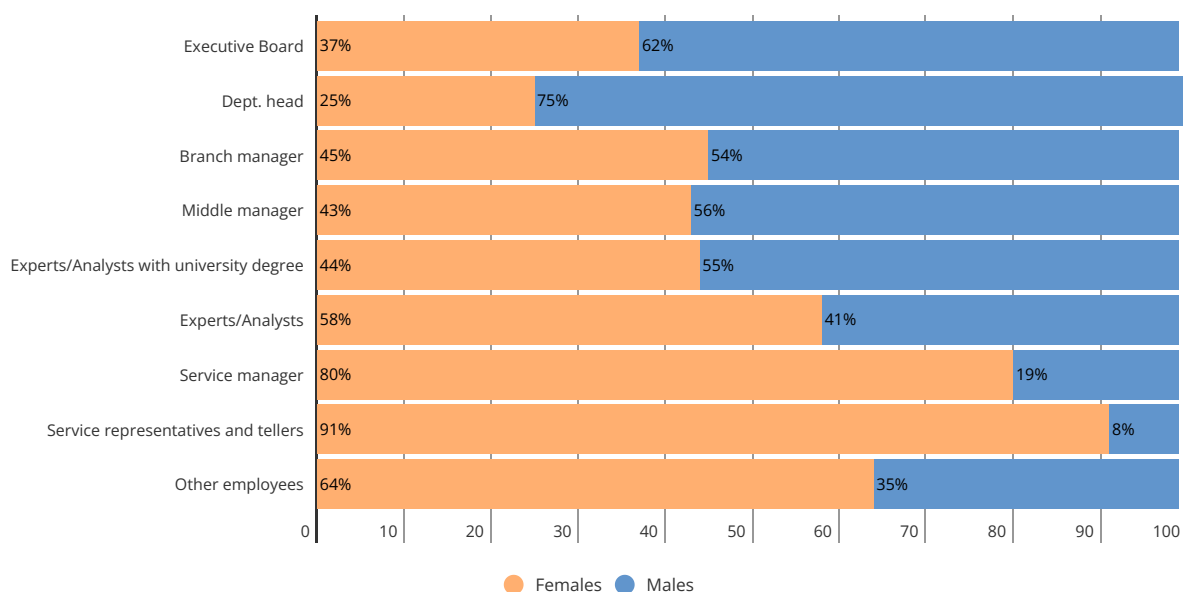
equal job opportunities, collaborations and in deciding who represents the Bank.

Equality in strategy development and wage decisions

We have a clear equality policy. Emphasis is placed on ensuring

equal job opportunities and that no jobs are earmarked by gender. It is important to ensure equal pay for equally valuable work. Our aim is to achieve a 40/60 gender ratio in all levels of management.

Diversity among management and employees





Balance between work and home

We are focused on ensuring wellbeing in the workplace and on ensuring that employees can balance professional and private life. We expect job flexibility to increase even further with the experience gained in the pandemic.

Equal pay certification

Equal pay certification entered formally into effect in March 2019. We monitor these developments closely and information about any pay gap is reported to the Executive Board monthly. Prior to gaining legally required

equal pay certification, the Bank had twice been awarded the golden seal of PwC's Equal Pay Audit, initially in 2015, first of the domestic banks. Regression analysis of December 2021 wages reveals a 1.4% gender-based wage difference. Efforts to close the wage gap are on-going and our aim is to reduce it to zero. Each and every wage decision is taken with regard to its impact on the wage gap.

Equality Indicator

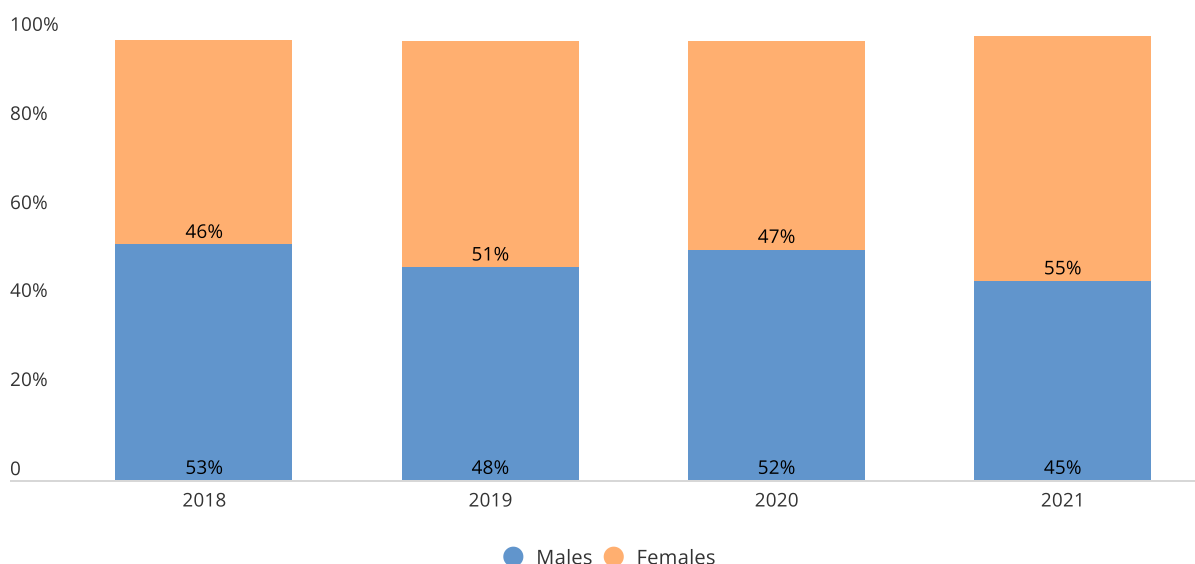
Our participation in the Equality Indicator dates back to 2018 and we set goals to 2022. All employees participated in this

wide-reaching project, analysing the status of equality at the Bank to propose various projects and goals which we are still working on. It is now time to start thinking about new goals.

Equality in the hiring process

A register has been maintained of the gender ratio of applicants in all hiring processes and information about final hiring decisions. Management has been instructed on the pervasiveness of subconscious prejudices in hiring and ways and means of counteracting them.

Gender ratio in internal and external relations



Equal opportunities for job development and continuing education

We are focused on ensuring that everyone enjoys equal education opportunities. A development and mentor system was created to help employees strengthen their job development trajectory. Here regard was had for balancing the gender ratio in management positions. The Bank's workplace audit included specific questions on equal opportunities in the workplace.

Equality in internal and external communication

We are mindful of the importance of role models. Over the past couple of years, we have systematically registered representation of the Bank in the media, in conferences and meetings outside the Bank. We also register authors of articles published on our website. This has proven a good frame of ref-

erence to maintain an overview of persons representing the Bank and, in recent years, the gender balance of representatives of the Bank has been fairly good.

EKKO

We have shaped a response plan for bullying, gender-based discrimination, sexual harassment and violence (EKKO). All employees have been educated on the subject and workshops have been held for managers. Awareness on the subject has increased at all levels and professional handling of issues has been ensured. Employees can speak to an independent external party on any sensitive matter that may arise. We measure the frequency of events, experience and notifications as part of the annual workplace audit.

Equality and diversity in collaborations and marketing

We are mindful of equality concerns, human rights and diversity in marketing material and collaborations. Landsbankinn has been a proud sponsor of Reykjavík Pride since its inception and we are careful about the gender balance when choosing young musicians to work with in connection with Iceland Airwaves, to name a few ventures.

Equal access to app and website

During development of Landsbankinn's app, accessibility was taken into account in the entire process in consultation with stakeholders. We consider it important to think of accessibility in the entire design and development process. The same goes for Landsbankinn's website, where the aim was to ensure equality of access.



Equality for employees of foreign origin

We wish to be a desirable workplace for people of a diverse origin. To better support employees from abroad, with a first language other than Icelandic, we offer Icelandic language instruction in collaboration with professional teachers, designed to fit the needs of each employee.

Support for female entrepreneurs

To foster the commercial activity of companies under female ownership, including small companies and women innovators, we have in collaboration with Svanni- Womens' Loan Guarantee Fund, issued loans to women in business, jointly guaranteed by the fund and the Bank.

International commitments to further equality

We have committed to international initiatives on sustainability intended to boost equality, work on climate issues, reduce poverty and enhance access to education and opportunities for women and girls. Such commitments include the UN PRI, the UN Global Compact and UN-EP-FI PRB.

Comprehensive learning culture

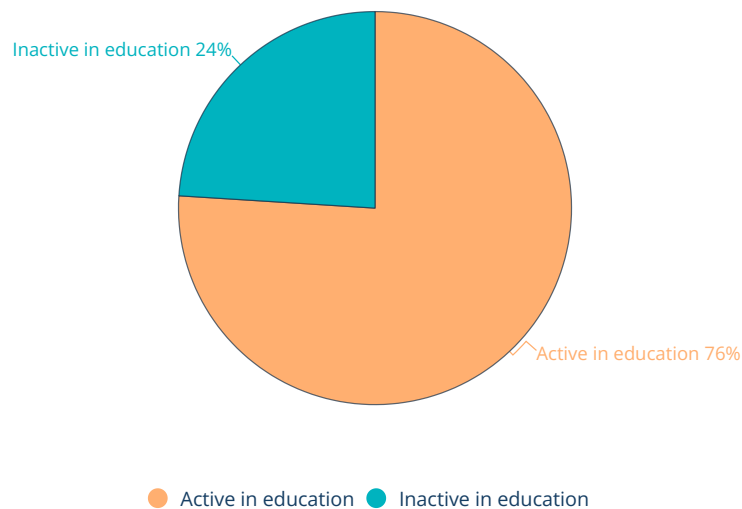
Over the past years, we have done a great deal to ensure that our team receives support and opportunities to develop as professionals and continue learning throughout their careers. Our work environment is undergoing rapid changes, enhancing the importance of ensuring that employees have access to a comprehensive learning programme

within and outside the Bank in line with our strategy, challenges and projects at each time.

Education and training in 2021

The Bank's education and training programme in 2021 was shaped by the implementation of a new strategy, adapting to increased flexibility in the workplace and by a focus on the team's health and wellbeing. We offered regular information meetings on strategic issues, information about returning to the workplace following a period of home office work, courses on electronic teamwork and communication, and other popular and pertinent subjects. The education programme included information on internal processes, such as products and services, laws and rules, and utilised different channels and formats, such as lectures, courses and workshops, and e-learning.

Participation in education (excluding obligatory instruction)



Effective job development

The project effective job development aims to train the Bank's employees in skillsets considered important to the future workplace. These skillsets include leadership, communications skills, critical and solution-oriented thinking and teamwork proficiency. Participants attend courses and targeted training over two semesters. In 2021, 44 persons participated in the project.

As in 2020, we felt the impact of Covid-19 on the Bank's education programme. One of the effects was that we used remote learning more than previously.

Participation in education

Not counting obligatory instruction, 76% of employees attended some job-related instruction offered by the Bank during the year.

Management training

In 2021, managers were offered education and training targeting the challenges managers face in a new and altered work environment. Management training was well attended, with participation rates at 90%. Managers also had the opportunity to attend targeted training classes with a management consultant.

Orientation for new employees

In the first weeks and months on the job, new employees are required to complete obligatory orientation. This includes general information about the Bank's operation, rules and code of ethics. Managers are responsible for ensuring that new employees receive a warm welcome and appropriate training.

Preparation for retirement

Employees planning to retire in the next two years are offered the opportunity to attend a retirement course to prepare for this important milestone. We emphasise physical attendance and networking in these courses. Two retirement courses were held during the year.

Grants to build knowledge

Employees are encouraged to apply for study and continuing education grants through the employees' association (FSLÍ) and their union. Such grants provide employees with the possibility of enrolling in longer programmes or courses outside of the Bank.



Scholarship award ceremony in 2021.

Collaboration, support and instruction

We participate in various projects that encourage development and progress in the community. Grants from our Community Fund are awarded to diverse projects and, in addition, we support local initiatives independently and through partnership agreements. We publish diverse content on economic topics and are enthusiastic about financial instruction.

Community Fund

Landsbankinn's Community Fund is key to our support for the community. In 2021, scholarships were awarded in the amount of ISK 6 million and community grants in the amount of ISK 15 million - a total of ISK 21 million. Since 2011, over 400

projects have received grants from the Community Fund in the total amount of over ISK 200 million. The judging panels are to a majority comprised of experts in each field who do not work for the Bank.

Community grants are intended as support for projects, including

by humanitarian and charitable organisations, projects in the field of education, research and science, projects connected to culture and the arts, preventative measures and youth activities, and environmental and nature conservation.



Sustainability Fund

Towards the end of 2021, it was decided to establish a new grant fund, the Sustainability Fund. Initial allocation from the Fund will take place in spring 2022. The total amount for allocation will be ISK 10 million and the focus will be on projects linked to the energy transition.

Reykjavík Pride

We support the campaign for LGBTIQ+ rights and Landsbankinn has been a proud sponsor of Reykjavík Pride since its inception. Together with Reykjavík Pride, we have also established the Pride Parade Fund, which provides financial support to individuals and smaller groups who participate in the Pride Parade. Tight measures to combat the pandemic sadly led to the cancellation of most educational and celebratory events planned for Reykjavík Pride 2021.

National queer organisation Samtökin '78

In recent years, we have supported the national queer organisation Samtökin '78. One of its aims is to raise the profile of the queer community and ensure equal treatment of its members in Iceland. The organisation offers a wide variety of services, including advisory service and education material. In 2021, Landsbankinn, Samtökin '78 and artists Anna Maggý Grímsdóttir, Ásgeir Skúlason and Helga Páley Friðbjófsdóttir partnered up to create three prints dedicated to Reykjavík Pride. The prints were sold through postprent.is and all proceeds went to Samtökin '78.

Financial instruction

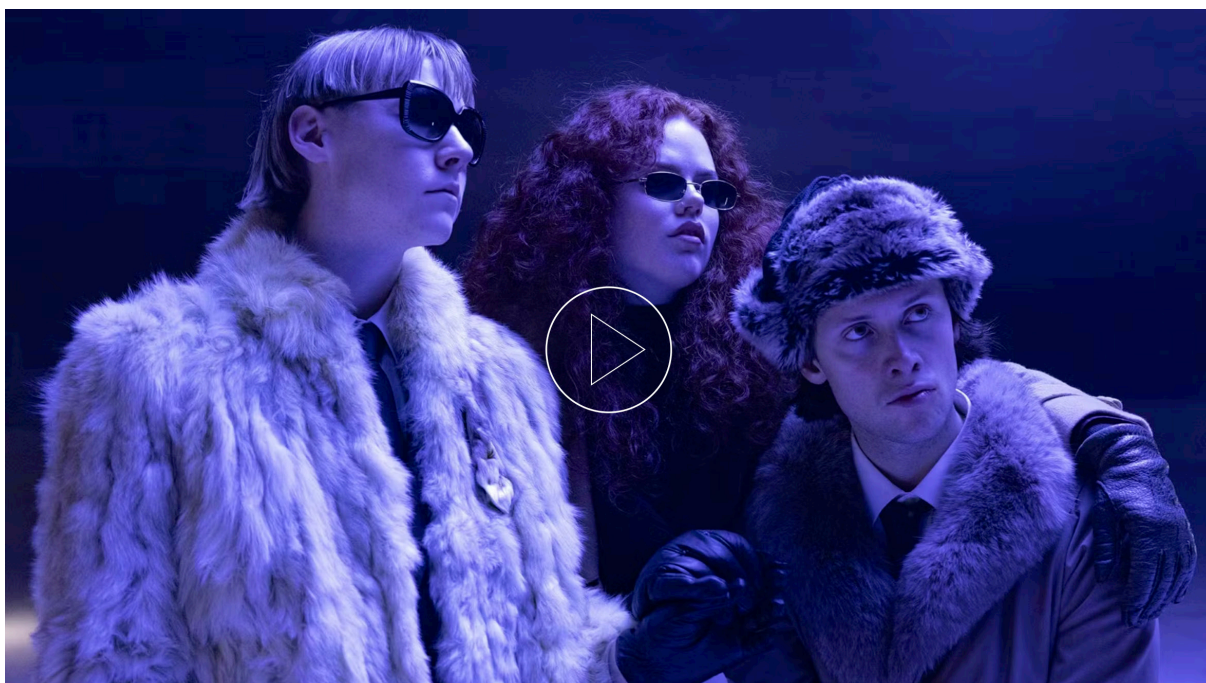
We participate in financial instruction to promote financial literacy through extensive coverage and education of economic issues on Umræðan and educational content on our website.

We focus on financial instruction at upper secondary school level, with the aim of boosting students' financial literacy. This instruction is available to all upper secondary schools and is carried out in collaboration with the schools' representatives. Covid-19 put its mark on the year's educational activity, limiting the number of school visits and relegating instruction to remote meetings for the most part.

We are an active participant in the project Fjármálavit, which produces educational material in financial literacy for older elementary school students. The project is under the auspices of the Icelandic Financial Services Association and the National Association of Pension Funds, in collaboration with members.

Future Programmers

The Future Programmers Fund is a social initiative to promote and increase interest in pro-



gramming and effective use of equipment in Icelandic schools. The Fund provides financial support for schools to provide teachers with programming and technical education, for the purchase of smaller equipment for teaching purposes and donates used computer hardware. Landsbankinn is one of the Fund's patrons.

Iceland Airwaves

We are a proud backer of music festival Iceland Airwaves, held in a different format this year due to the pandemic. Landsbankinn has for several years gotten into gear for Iceland Airwaves by creating new videos featuring promising musicians. This year, we worked with Inspector Space-time, Hipsúmhaps and musician Árný Margrét. The resulting videos can be viewed on Landsbankinn's Airwaves site. Providing support for young musicians allows the Bank to combine social responsibility and its en-

deavour to actively promote art and culture in Iceland.

Svanni - Women's Loan Guarantee Fund

We support Svanni - Women's Loan Guarantee Fund. Svanni issues guaranteed loans to companies that are majority-owned by women. The purpose of the Fund is to boost industry and encourage innovation. Svanni has for many years partnered with Landsbankinn as a credit institution. Four projects were awarded funds this spring: Fæðingarheimili Reykjavíkur, Justikal, Eylíf and FÓLK.

Gulleggið innovation competition

We sponsor Gulleggið, an annual innovation competition hosted by Icelandic Startups. The key goal of the competition is to create a platform for young entrepreneurs to practice and gain experience of shaping new busi-



Landsbankinn's Iceland Airwaves website

Iceland Airwaves has been an important addition to the Icelandic culture scene and invaluable to Icelandic music.



ness ideas and operating a company. As part of the competition, participants are offered courses, advice and specialist assistance with everything from shaping a business idea to budgeting to communication with investors.

Skólahreysti - Fit for School

We are the main sponsor of Skólahreysti, a sports tournament for elementary schools, and an active supporter of the competition. The aim of Skólahreysti is to encourage kids to participate in a comprehensive sports experience based on the tenets of physical education. The competition was held for the 17th time this year, in an altered form due to Covid-19. Around 70 schools participated and all preliminary rounds were broadcast live this year. We got to see four new national records and, in the end, Heiðarskóli emerged victorious after exciting finals.

Chess tournament Friðriksmót

The country's strongest rapid chess tournament, Landsbankinn's Friðriksmót – the Icelandic rapid chess tournament – was held in the Bank's Austurstræti branch in December. This was the 18th annual chess tournament, jointly organised by Landsbankinn and the Icelandic Chess Federation in honour of Friðrik Ólafsson, Iceland's first Grandmaster.

Football Association of Iceland

We sponsor the Football Association of Iceland (KSÍ). Landsbankinn provides financial support for development of Icelandic football country-wide, for all youth national teams and the A-level men's and women's teams.

In recent years, Landsbankinn and KSÍ have presented a new

award to players in the junior leagues throughout Iceland, the Politeness Prize. This prize is intended to encourage honourable conduct and decorum in players and others involved in matches.

Support for sport and youth activities

We are an enthusiastic supporter of the Icelandic sports scene. Landsbankinn's branches reach out to local sports clubs throughout the country, focusing on support for children and youth activities.

Icelandic Student Services and the University of Iceland Student Council

We have collaborated successfully with both Félagsstofnun stúdenta (Icelandic Student Services) and the University of Iceland Student Council. Together, we have worked on various initiatives and hosted joint events.

Reykjavík Cultural Night

We have been an active participant in Reykjavík Cultural Night from the beginning and the Bank is a sponsor of the festival. We have focused on ensuring that financial support directly benefits artists and groups organising events for Reykjavík Cultural Night. Our Reykjavík Culture Night Fund, a collaboration with Höfuðborgarstofa, supports original and special ideas. Sadly, the Reykjavík Culture Night celebrations were cancelled this year because of Covid-19.

Aldrei fór ég suður festival

We are one of the main sponsors of rock festival Aldrei fór ég suður, held in Ísafjörður every Easter. The festival was cancelled this year because of Covid-19. Landsbankinn has supported the festival since 2010 as part of our efforts to actively foster the grassroot music scene in Iceland.

Háskólasjóður Eimskipafélagsins fund

Eight PhD students at the University of Iceland received grants from the Háskólasjóður H/f Eimskipafélags Íslands Fund in 2021. The Fund is managed by Landsbankinn. It was created in memory of Icelanders who emigrated to the USA and Canada and aims to support research students at the University of Iceland.

Iceland Tourism Cluster

We have participated in the Iceland Tourism Cluster initiative since the project was launched

in 2012. Key companies in the travel industry, public entities and companies in tourism support branches or collaborative sectors all join forces in the cluster. Its key goal is to boost competitiveness and value-creation in the travel sector.

The Fintech Cluster

We are one of the founding members of the Fintech Cluster, alongside 62 other companies, universities, organisations and other entities. The aim of the Fintech Cluster is to promote innovation in finance and work to improve and facilitate business transactions of all kinds. The

Sharing knowledge with the public

We publish numerous educational and informative articles on personal finances to our website. In these articles, the Bank's employees discuss a myriad of topics related to finances and offer good advice. These articles are aimed at various age groups and focus on different life events.

In 2021, we published articles on important points to keep in mind before purchasing stock or investing in funds and on the pros and cons of asset allocation funds.

We publish varied content on a wide range of economic topics and provide financial instruction through diverse channels.

Cluster is a community of actors in finance who wish to encourage increased value creation, competition and improve daily life.

Ljósið

In 2021, we made a donation to Ljósið in the name of Exceptional Companies. Ljósið is a cancer rehabilitation and support centre for cancer patients and their next of kin. Ljósið aims to provide specialist rehabilitation and support with the assistance of experts.

Anyone in the market for real estate could read about the subject in articles about important points for first-time buyers, whether or not to fix the interest rate on housing loans and a comparison of renting vs. buying.

Savings were also the focus of two articles on achieving return on investment and how savings can contribute to sustainability. Our youngest customers are very important to us and we published content on the whys and hows of saving intended for a younger audience. We also communicated information



about data protection and privacy for kids in a dedicated article.

The car purchasing process was reviewed, covering key points and also with an article on electric cars.

In addition to the above and much more, we dedicated a special episode of our podcast to how to begin saving and investing.

Podcast

The equity market, business and industry, and various facets of the economy are the subject of our accessible podcast. We take a broad view and consider factors such as tourism, the real estate market, climate change etc. in relation to the economy. The podcast is intended to boost interest in and discussion about the equity market and the economy in general.

In 2021, our podcasts included a review of increased public interest in equities, robust economic

recovery post-Covid, Economic Research's macroeconomic forecast, the results of listed companies, rising real estate prices, GOP26, positive developments in fisheries and the travel sector, and the Christmas shopping season.

Wide approach to social concerns

We also publish diverse content about the Bank's operation and social concerns on our website.

Cybersecurity continued to be front and centre in 2021. The Bank has placed strong emphasis on informing customers and the general community about this issue. We published pointers on cybersecurity and how to detect payment card fraud.

Sustainable finance is a topic we are really engaged in. Publications on the matter included articles on the Bank's new Sustainable Finance Framework, green financing and responsible



Umræðan - Podcast

Our podcast reviews the equity market, business and industry, and various facets of the economy in a relatable and accessible manner.

investment. We wrote about the Partnership for Carbon Accounting Financials (PCAF) and its work to develop a harmonized approach to assess and disclose emissions for financial undertakings. On the occasion of Landsbankinn becoming the first domestic bank to disclose emissions from its credit portfolio, we published another article on the subject. Other publications focused on the circular economy, climate change and more.

When it was time for Reykjavík Pride, we published an article about the project we initiated with Samtökin '78, to partner with artists to create pieces for sale in support of Samtökin '78. We published an article about Svanni - Women's Loan Guarantee Fund and looked at the companies who received grants from the Fund, which the Bank supports. We also took a closer look at Skólahreysti and published a video featuring interviews with the competition's founders. Landsbankinn has supported Skólahreysti for several years.

We presented an interview with three of our IT experts, who discussed the importance of

diversity in programming and IT and encouraged everybody, not least girls and women, to consider a career in programming and the IT sector.

We reviewed the exhibition of Icelandic abstract art from the Bank's collection in our Austurstræti branch and published an interview with the managing director of Sky Lagoon about the company, tourism and our partnership.

Economic Research prolific producer of research and analysis

The Bank's Economic Research department performs robust research and analysis of economic developments which we disseminate through various channels, such as our website, podcast and conferences. The department plays a key role in shaping Landsbankinn's stance on developments and outlook in the economy, both in Iceland and abroad.

Economic Research published numerous articles and analyses in 2021, as in previous years. Their column on our website,

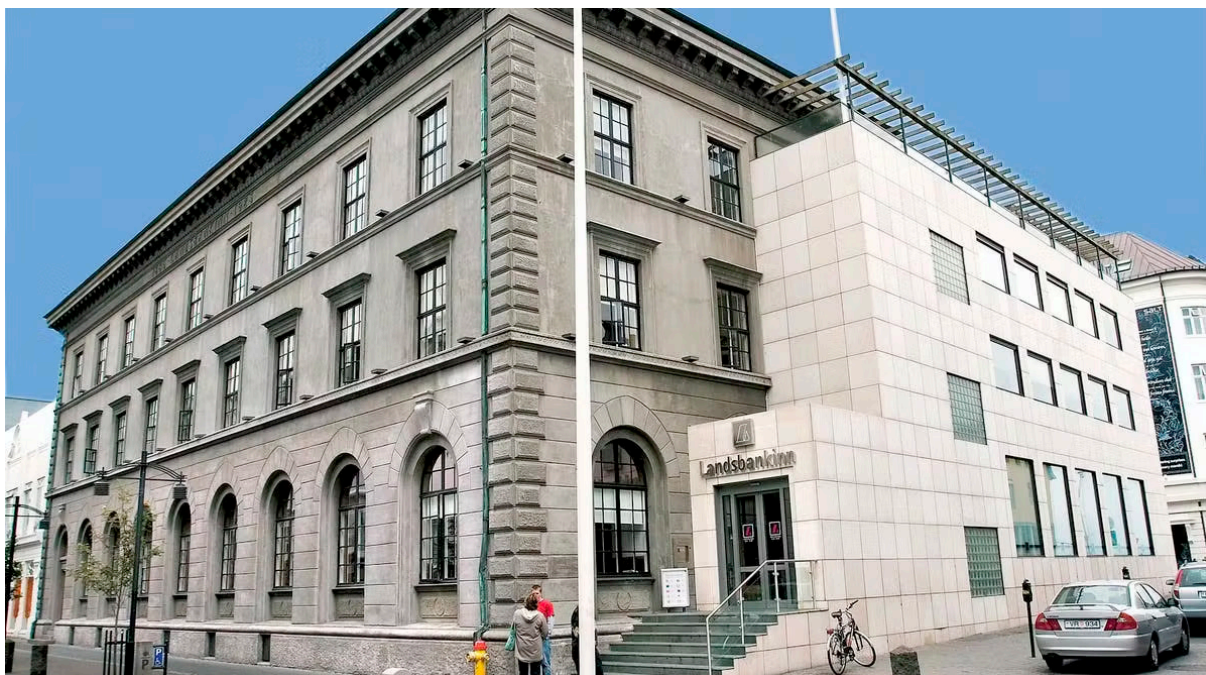
Hagsjá, includes several publications per week on such diverse topics as the domestic economy, State finances, the real estate market, inflation outlook, tourism and more. Regular column Icelandic Economic Weekly includes market information, a review of the previous week and calendar for upcoming financial events, publication of statistics, financial statements, etc.

The year's largest event was the presentation of the Macroeconomic and Inflation Forecast for 2021-2024 at a well-attended meeting in Harpa. The meeting was streamed live and the forecast published simultaneously to our website. At the meeting, Economic Research's analysts discussed the forecast, the outlook in the real estate market, and Paul Donovan, Chief Economist of UBS Global Wealth Management, spoke of how Covid-19 has accelerated the fourth industrial revolution.

Analysts from Economic Research were as usual visible in the media in 2021, as sought-after expert commentators on the economy.

4. Financials





Highlights of the Annual Financial Statement

Landsbankinn's operating profit after taxes amounted to ISK 28.9 bn in 2021 (2020: ISK 10.5 bn). Return on equity was 10.8% in 2021 (2020: 4.3%).

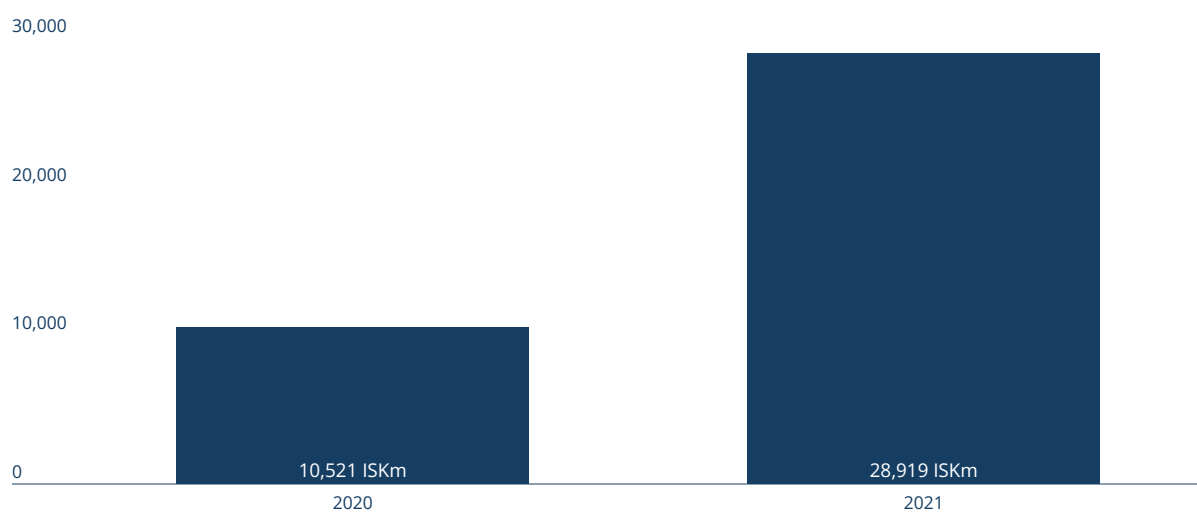
Key figures and ratios	31.12.2021	31.12.2020
Profit for the year	28,919	10,521
Total net operating income	62,330	38,253
Net interest income	38,953	38,074
Return on equity before taxes	13.6%	5.1%
Return on equity after taxes	10.8%	4.3%
Total capital ratio	26.6%	25.1%
Interest spread as ratio of average total assets	2.3%	2.5%
Cost-income ratio	43.2%	47.4%
Liquidity coverage ratio (LCR)	179%	154%
Foreign currency liquidity coverage ratio (LCR FX)	556%	424%
Total assets	1,729,798	1,564,177
Loans / deposits	154.1%	160.5%
Number of full-time equiv. positions at year-end	816	878
All amounts in ISKm		

At the end of 2021, the Bank's CAR was 26.6% as compared to 25.1% at the beginning of the year. The Bank's capital requirement increased from 18.8% to 18.9% from year-end 2020 to

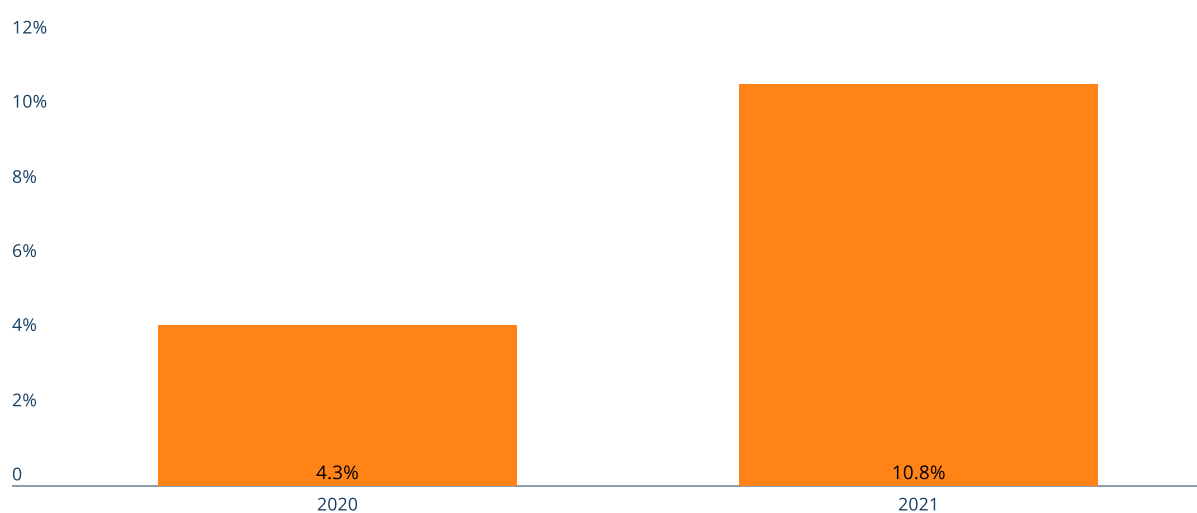
year-end 2021. On 29 September 2021, the Financial Stability Council determined to increase the countercyclical capital buffer on financial undertakings, effective as of 29 September 2022.

The Central Bank of Iceland's Resolution Authority has begun the process of determining Landsbankinn's MREL and the decision is expected in the first half of 2022.

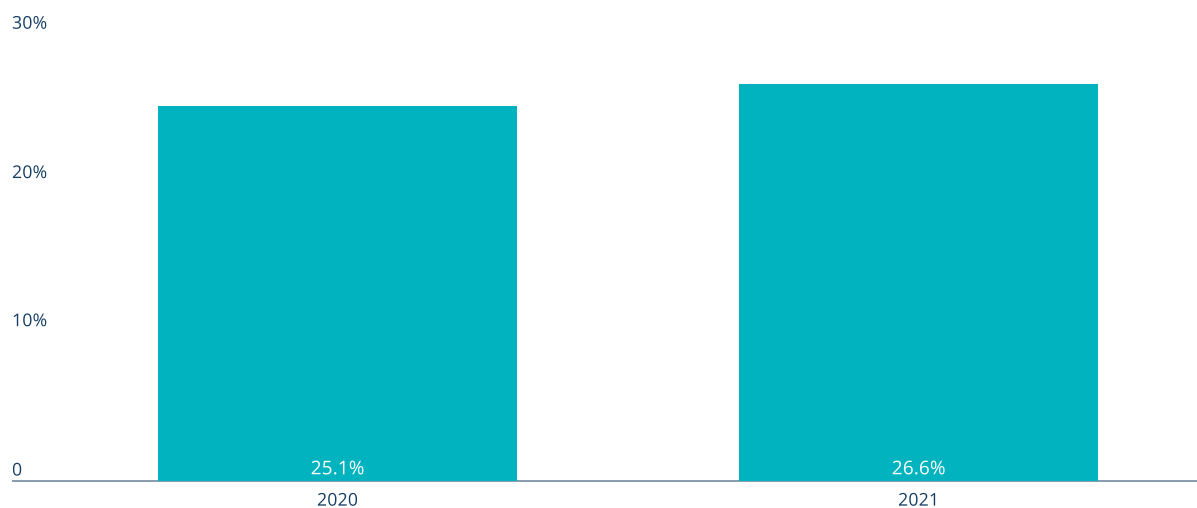
Profit (ISKm)



Return on equity



Total capital ratio

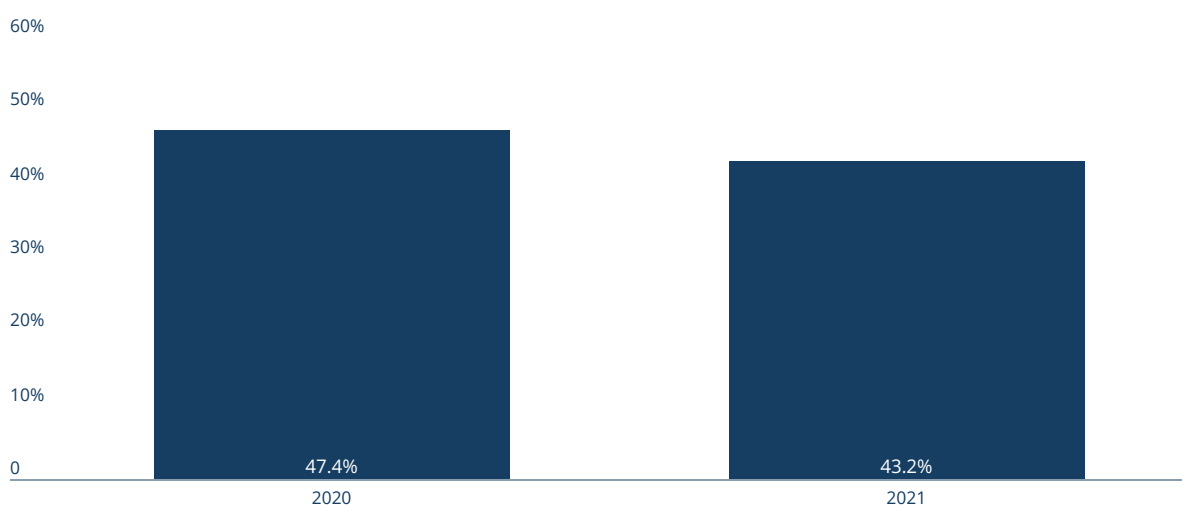


The Bank's net interest income was ISK 39.0 bn (2020: ISK 38.1 bn). In 2021, the interest margin as a ratio of average total assets was 2.3% (2020: 2.5%).

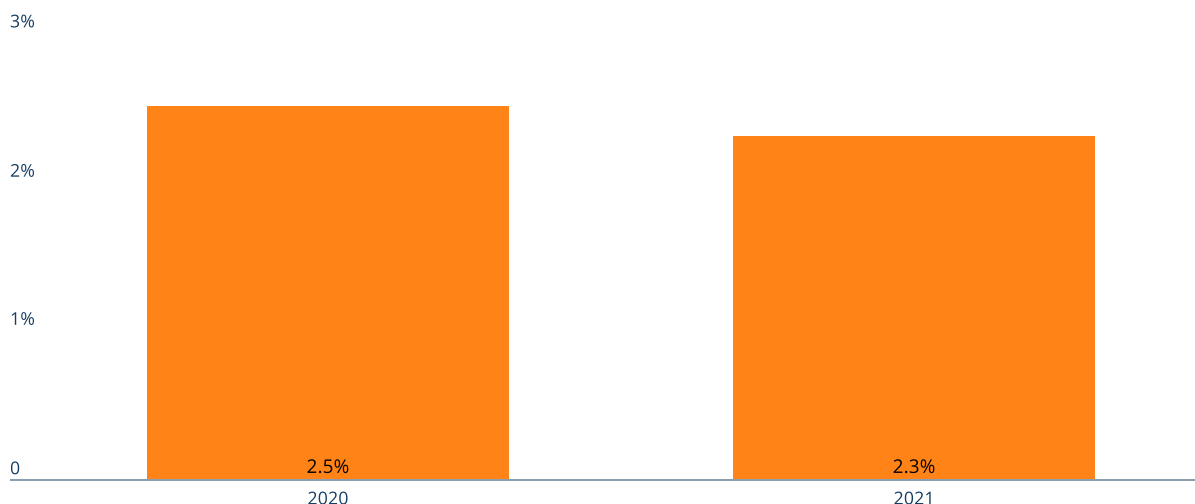
Landsbankinn's net fee and commission income was ISK 9.5 billion in 2021 (2020: ISK 7.6 bn). Other operating income amounted to ISK 13.9 bn (2020:

ISK -7.5 bn). The cost-income ratio in 2021 was 43.2% (2020: 47.4%).

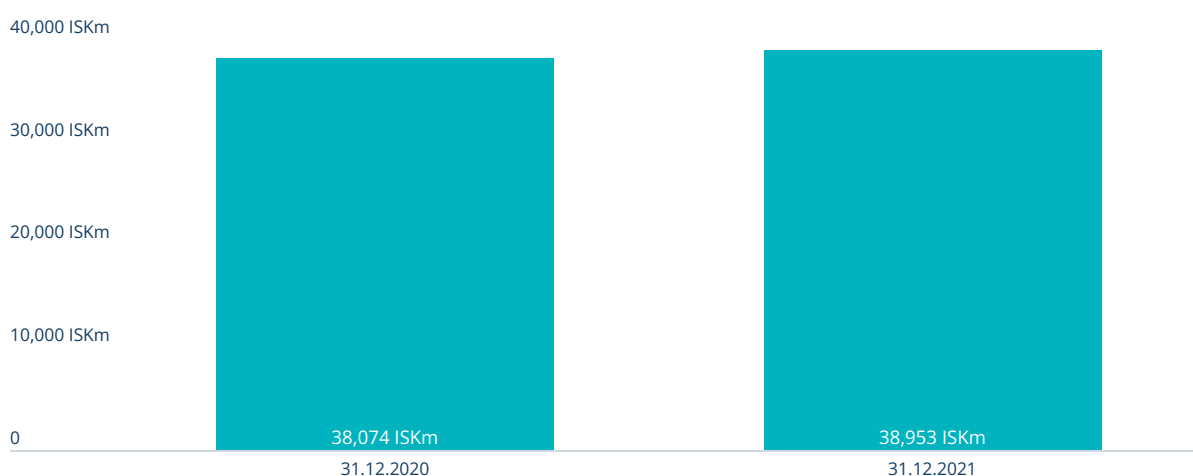
Cost-income ratio



Interest spread



Net interest income (ISKm)



Income statement

Growing market share coupled with efficient and effective operation form the basis for solid performance in 2021.

Net interest income amounted to ISK 39.0 bn in 2021 (2020: ISK 38.1 bn). The net interest margin on average total asset position was 2.3% (2020: 2.5%).

Landsbankinn's net fee and commission income was ISK 9.5 bn in 2021 (2020: ISK 7.6 bn).

Net release of credit impairment was ISK 7,0 bn (2020: ISK 12,0 bn charge). This reversal reflects the better standing of both households and corporates than expected in the aftermath of Covid-19.

Other operating income amounted to ISK 6.9 bn in 2021 (2020: ISK 4.6 bn), which is a 50.3% increase between years.

Operating expenses in 2021 were ISK 25.9 bn, up by 0.9% between years. The increase is attributable to a higher bank tax while wages and related expenses and other operating expenses remain unchanged YoY.

Income Statement (ISKm)	2021	2020	Change 2021	%
Net interest income	38,953	38,074	879	2%
Net fee and commission income	9,483	7,638	1,845	24%
Credit impairment losses	7,037	-12,020	19,057	159%
Other income and expenses	6,857	4,561	2,296	50%
Total net operating income	62,330	38,253	24,077	63%
Salaries and related expenses	-14,759	-14,767	8	0%
Other operating expenses	-9,105	-9,064	-41	0%
Tax on liabilities of financial institutions	-2,013	-1,815	-198	11%
Total operating expenses	-25,877	-25,646	-231	1%
Profit before tax	36,453	12,607	23,846	189%
Income tax	-7,534	-2,086	-5,448	261%
Profit for the year	28,919	10,521	18,398	175%

The cost-income ratio for 2021 is 43.2%. The cost-income ratio is the ratio between the Bank's operating expenses and net operating revenue less value changes of financial assets.

Full-time equivalent positions with the Bank decreased by 62 in 2021, from 878 to 816.

Balance sheet

Landsbankinn's total assets grew by ISK 165.6 bn between years and amounted to ISK 1,730 billion at year-end 2021.

Assets (ISKm)	31.12.2021	31.12.2020	Change 2021	%
Cash and balances with Central Bank	82,425	67,604	14,821	21.9%
Bonds and debt instruments	150,435	119,330	31,105	26.1%
Equities and equity instruments	33,347	26,808	6,539	24.4%
Loans and advances to financial institutions	47,231	48,073	-842	-1.8%
Loans and advances to customers	1,387,463	1,273,426	114,037	9.0%
Other assets	27,992	27,298	694	2.5%
Assets classified as held for sale	905	1,638	-733	-44.7%
Total	1,729,798	1,564,177	165,621	10.6%

Liabilities and equity (ISKm)	31.12.2021	31.12.2020	Change 2021	%
Due to financial institutions and Central Bank	10,425	48,725	-38,300	-78.6%
Deposits from customers	900,098	793,427	106,671	13.4%
Borrowings	486,042	420,178	65,864	15.7%
Other liabilities	29,803	22,226	7,577	34.1%
Subordinated liabilities	20,785	21,366	-581	-2.7%
Total equity	282,645	258,255	24,390	9.4%
Total	1,729,798	1,564,177	165,621	10.6%

Main changes to the asset side of Landsbankinn's balance sheet in 2021 include a 9% increase in loans to customers, or by ISK 114.0 bn. Lending to individuals grew but contracted on the corporate side. There was considerable growth in non-indexed lending to households, or ISK 156 bn, offset by repayment of inflation-indexed housing loans in the amount of ISK 27 bn. Total defaults by corporates and households developed favourably in 2021, with a decreasing probability of default and historically low past due ratios. There is still some uncertainty about loans with moratoria applied in response to the pandemic and, at year-end 2021, the carrying amount of such loans with was ISK 74 billion.

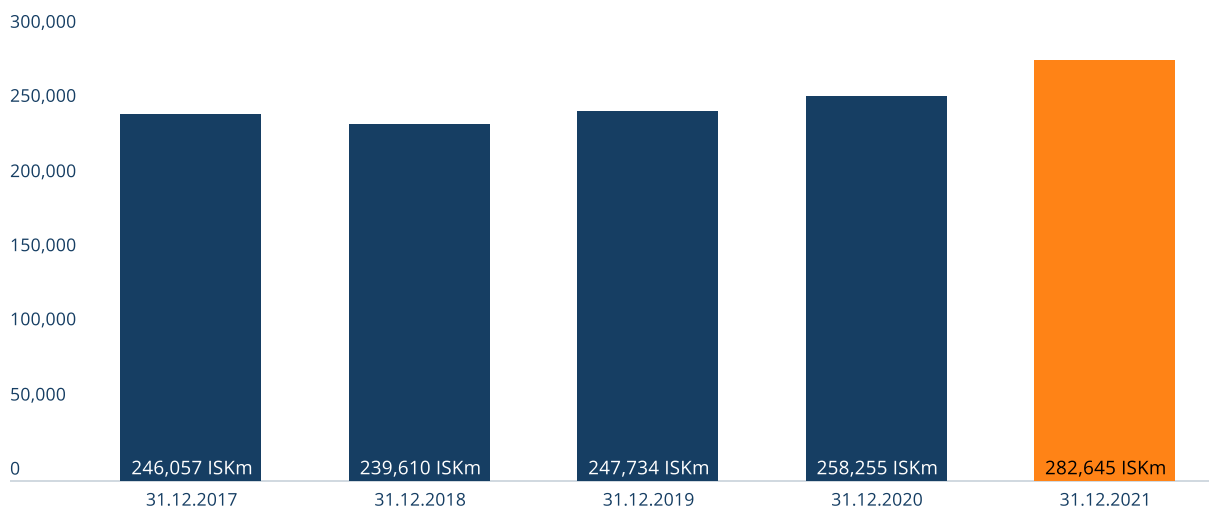
The Bank's market bond assets grew by ISK 31.1 bn during the year. Loans and receivables to credit institutions decreased slightly in 2021, standing at ISK 47.2 bn at year-end.

Main changes to liabilities include an increase in customer deposits by 13.4% in 2021, or by ISK 106.7 bn. Deposits from financial institutions decreased by ISK 38.8 bn during the year to stand at ISK 10.4 bn at year end. Total lending by the Bank increased by ISK 65.9 bn in 2021, or by 15.7%.

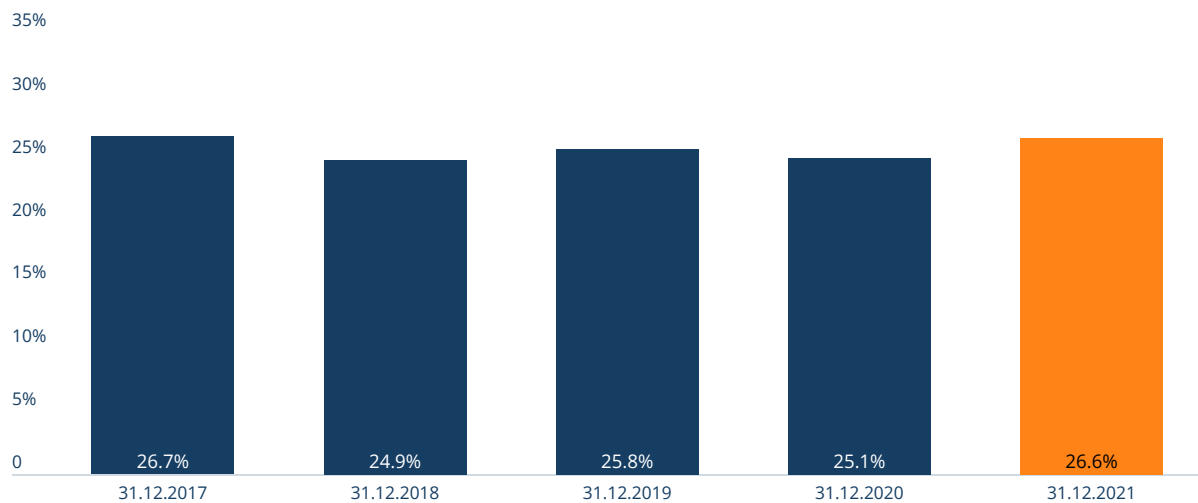
Landsbankinn's equity at year-end 2021 was ISK 282.6 bn (year-end 2020: 258.3 bn). The Bank's AGM, held on 24 March 2021, approved a motion from the Board of Directors to pay a

dividend in the amount of ISK 4.5 bn for the 2020 operating year. The dividend has been paid out to shareholders. The Board of Directors intends to propose to the Annual General Meeting (AGM), scheduled to be held on 23 March 2022, that a dividend of ISK 0.61 per share be paid to shareholders for the operating year 2021. The total dividend of ISK 14,409 million corresponds to around 50% of the consolidated profit in 2021. Should the AGM approve the dividend proposal, the Group's capital base will decrease by an amount equal to the dividend payment and the Bank's capital ratios, in accordance with the Act on Financial Undertakings, will decrease by 1.3 percentage points.

Equity (ISKm)



Total capital ratio



Liquidity position

The Bank's liquidity position both in total and in foreign currencies was sound in 2021 and

its liquidity ratios well in excess of regulatory requirements. Liquid assets amounted to ISK 280.3 bn at year-end 2021.

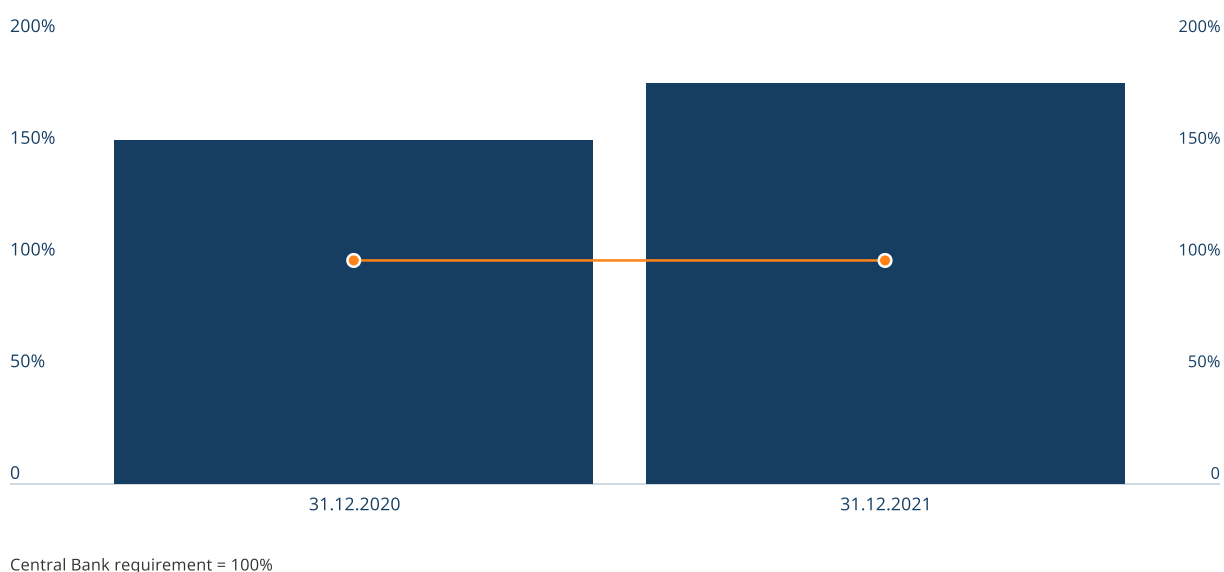
Liquidity reserves (ISKm)	31.12.2021	31.12.2020	Change 2021	%
Cash and balances with the Central Bank	79,271	63,092	16,179	25.6%
Domestic bonds and debt instruments eligible as collateral with the Central Bank	74,228	65,401	8,827	13.5%
Foreign government bonds with 0% risk weight	69,219	41,161	28,058	68.2%
High quality liquidity assets	222,718	169,654	53,064	31.3%
Loans and advances to financial institutions	57,566	60,811	-3,245	-5.3%
Loans and advances to financial institutions	280,284	230,465	49,819	21.6%

The primary measurement of short-term liquidity risk is the liquidity coverage ratio (LCR) which measures the ratio of high quality liquid assets to net outflow over a 30-day period under specific stressed conditions.

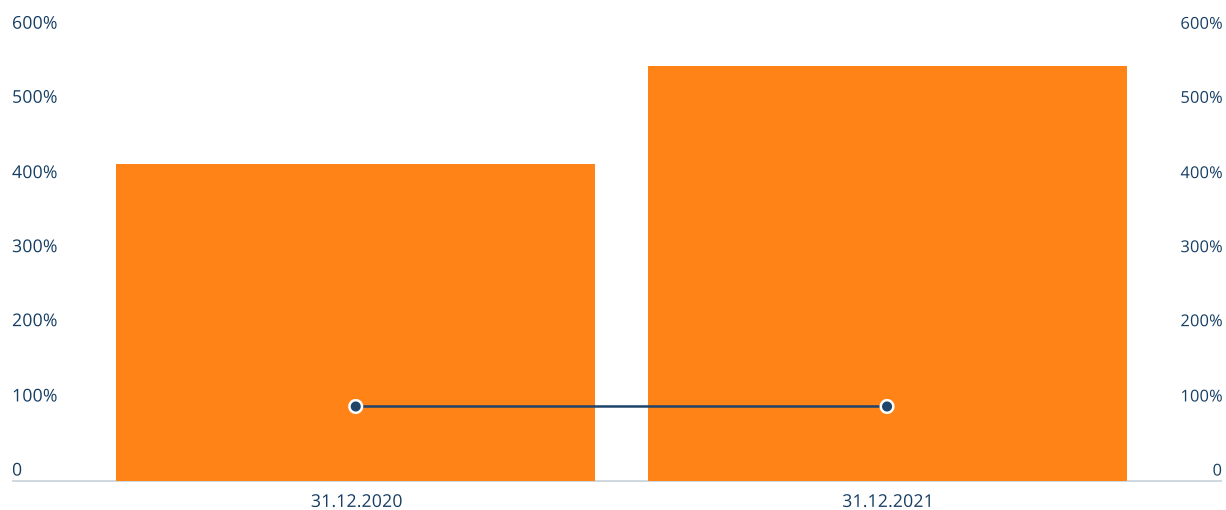
Landsbankinn's LCR was 179% at year-end 2021 and the Central Bank of Iceland (CBI) requires a 100% minimum LCR. The foreign currency LCR for the same period was 556%; the Central Bank requires a 100% mini-

mum. The ISK LCR was 120% at year-end 2021. As of 1 January 2022, the CBI requires a 40% minimum.

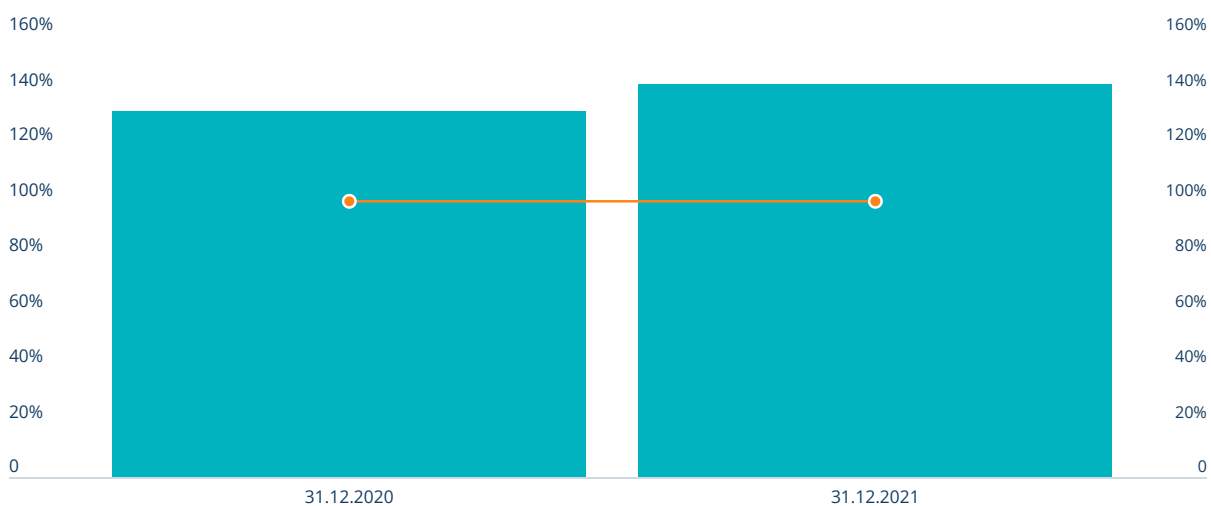
Liquidity ratio LCR total



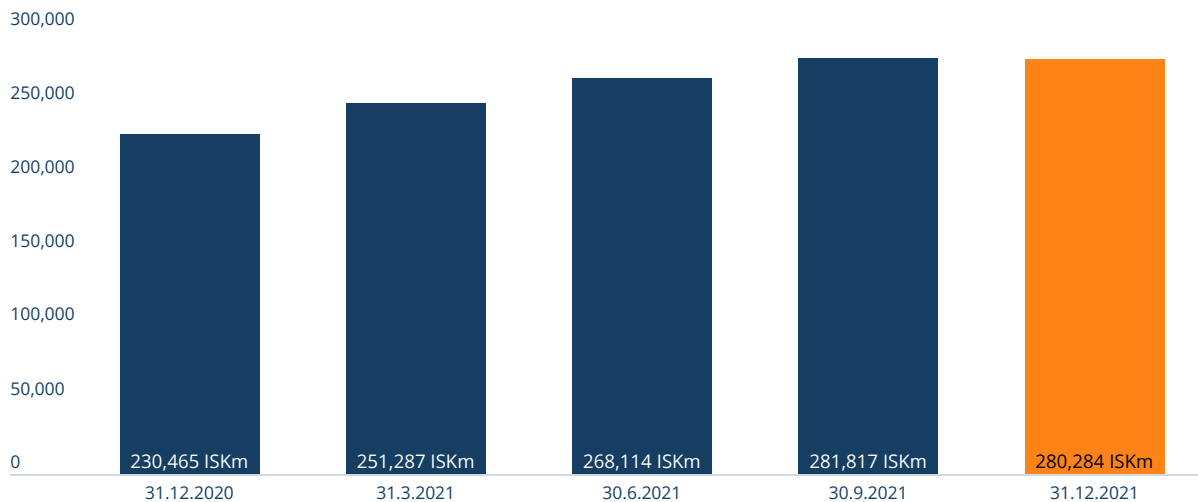
Liquidity LCR FX



Net stable funding ratio NSFR FX



Liquidity development in 2021 (ISKm)



Great progress with new accounting and financial system

“One of the largest projects we worked on in Financial Reporting in 2021 was implementation of the Bank’s new accounting and financial system. The new system replaces several older systems, increases automation and provides a much improved overview of operations - this is only to name a few of its benefits. As in all large projects at the Bank, many of us were involved in one way or another.

The system, which is a cloud-based service called Fusion, is a huge step forward and replaces older accounting, monitoring and group systems. This new system will definitely help us advance the Bank’s strategy of being ever-smarter, to leverage the data we generate and ensure the accuracy of information.

We implemented the system incrementally, ensuring that all components had been tested, employees had been trained and risk minimised before the Bank’s actual books were transferred to the new system. The systems were not combined; rather, our approach was based on transferring the Bank’s books in batches in line with experience gained and processes developed. This turned out to be a good decision and the project is well on track.

One of the benefits of the new system is that it reduces the number of touches needed to approve invoices. We now only issue electronic invoices and are working on accepting only electronic invoices, which would simplify invoice registration significantly. We have various other plans about utilisation of the system and look forward to achieving even more success through enhanced use.”

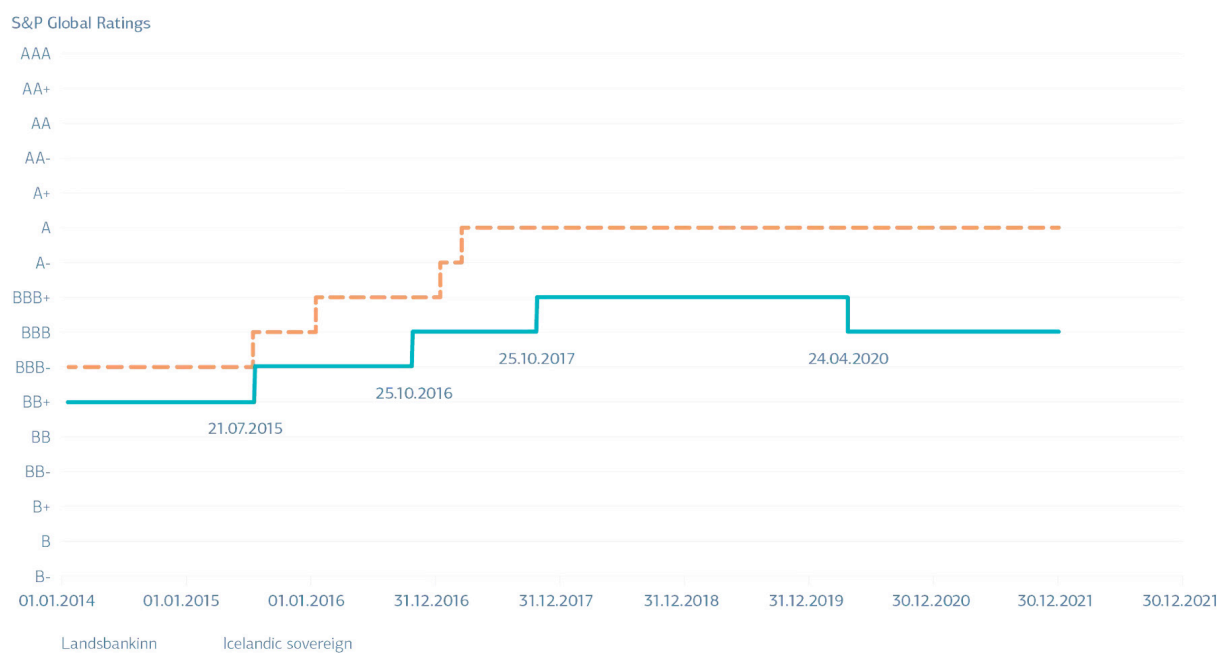


**Margrét Lilja
Hrafnkelsdóttir**

Head of Financial
Reporting

Funding

Landsbankinn's funding rests on three main pillars: Deposits from customers, market funding and equity. The Bank's credit rating by S&P Global Ratings is BBB/A-2 with stable outlook.



Deposits from customers

The largest part of Landsbankinn's funding is in the form of deposits from customers which amounted to ISK 900 billion at year-end 2021, mostly non-indexed and on demand. Deposits from customers increased by 107 billion during the year 2021. Inflation-linked deposits amounted to ISK 136 billion at year-end 2021, increasing by ISK 10 billion from the previous year.

Market funding

EMTN issuance

Bond issuance in foreign currencies is the most important pillar in the Bank's market funding. The size of the Bank's EMTN programme is EUR 2 billion and was increased in size from 1.5 billion in 2017. Inaugural issuance under the programme was made in fall 2015 with continued issuance on a regular basis to

date. In 2021, the Bank published a Sustainable Finance Framework with a second-party opinion from Sustainalytics.

In February, the Bank completed its inaugural green bond issuance with reference to the Sustainable Finance Framework. The 4.25-year bond issuance amounted to EUR 300 million. Concurrent with the issuance, the Bank announced a tender offer of bonds maturing in March 2021 which

Funding pillars (ISKm)



Funding pillars at year-end 2021

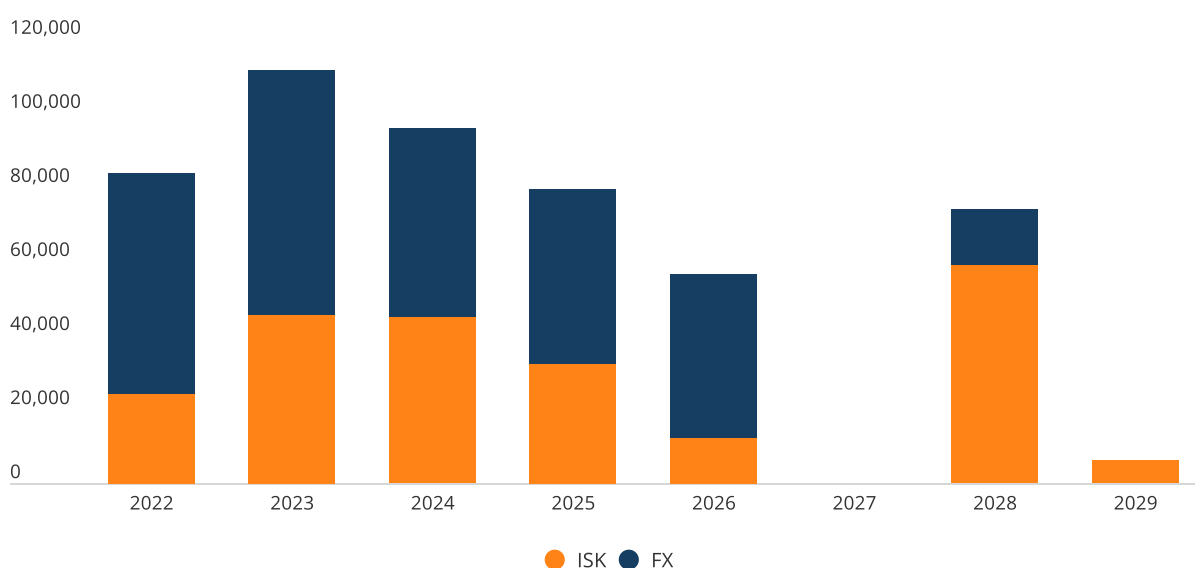
led to a bond buy-back in the amount of EUR 48 million. The remaining outstanding principal was paid in full at maturity. In addition, the Bank issued 1.5-year bonds in February amounting to SEK 900 million.

In November, the Bank issued green 4.5-year bonds for the amount of EUR 300 million in conjunction with a tender offer resulting in a buy-back of bonds maturing in March 2022 amounting to EUR 156 million.

Capital ratio

26.6%

Funding repayment profile (ISKm)



Credit rating

Landsbankinn's credit has been rated by international rating agency S&P Global Ratings since 2014. In April 2020, the Bank's credit rating was lowered to BB-/B/A-2 with stable outlook.

S&P Global Ratings

Long-term	BBB
Short-term	A-2
Outlook	Stable
Issue date	April 2020

At year-end 2021, bond issuance in foreign currency amounted to ISK 248 billion, increasing by ISK 36 billion during the year.

Covered bonds

The size of the programme for covered bond issuance is ISK 250 billion and was increased from ISK 200 billion in 2020. Issuance of covered bonds is primarily intended to fund the Bank's mortgage portfolio and to mitigate interest rate risk.

Regular auctions of covered bonds were held in 2021 where previously issued series were tapped. Non-indexed series LBANK CB 21 matured in 2021. Agreements with market makers in the secondary market for covered bonds were renewed in the year.

At year-end 2021, outstanding covered bonds amounted to ISK 218 billion, increasing by ISK 29 billion during the year.

Commercial paper

No commercial paper auctions were held in 2021 under the ISK 50 billion debt issuance programme. No series matured in 2021 and there was no outstanding issuance of commercial paper at year-end 2021.

Subordinated bond issuance

Subordinated bond issuance under the Bank's debt issuance programme amounted to ISK 5.5 billion at year-end and subordinated issuance under the Bank's EMTN programme amounted to EUR 100 million at the same

time. Both bond issues count as tier 2 capital and amounted to ISK 21 billion at year-end 2021, unchanged from the previous year.

Equity

The Bank's equity amounted to ISK 283 billion at year-end 2021, increasing by ISK 24 billion over the course of the year.

Landsbankinn paid ISK 4,489 million in dividends to shareholders in 2021, in line with directions from the Central Bank of Iceland.

Landsbankinn's total capital ratio was 26.6% at year-end 2021.



Risk management

Risk is inherent in the Bank's entire operation. Robust and sound risk management is key to the Bank's operation and involves analysis, assessment and management of all risk factors.

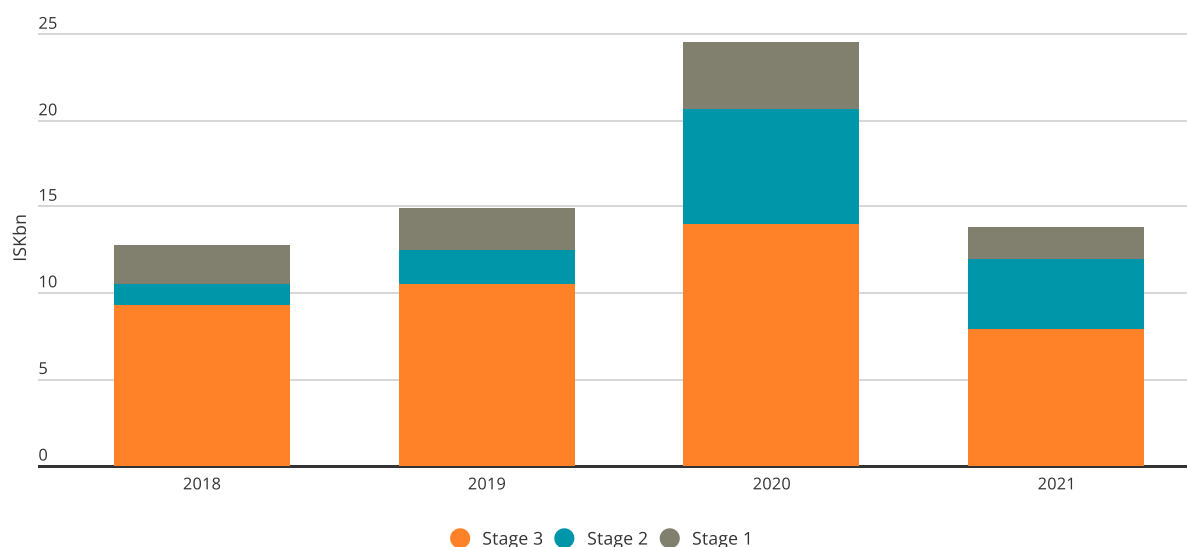
While risk linked to the pandemic has affected the operation over the past two years, all main risk measurements show the Bank's position to be very sound, both with regard to profitability and risk. Despite the many challenges brought by the pandemic, crisis management of the Bank, based on contingency plans and prior experience, has been successful and ensured more or less uninterrupted activities and services.

Risk measurements and the Bank's assessment of material risk factors generally point to a stable and positive outlook. Loans past due are at a historical low, the Bank's capital adequacy and liquidity ratios are strong, and all risk factors are within risk appetite at year end.

Credit risk continues to be the most significant risk in the Bank's operations. The carrying amount of lending increased by ISK 114 billion in 2021, mainly

due to growth in the mortgage portfolio. Favourable developments in credit risk measurements, such as decreasing probability of default and historically low past due ratios, were observed during the year. There is still some uncertainty about loans with moratoria applied in response to the pandemic and, at year-end 2021, the carrying amount of such loans was ISK 74 billion.

Expected credit loss (ECL) - provisions for impairment



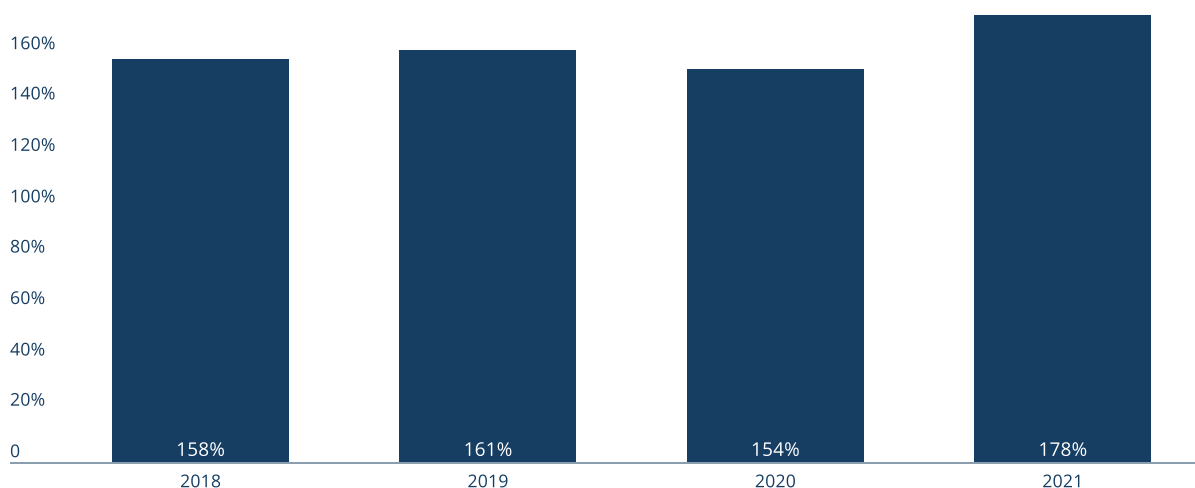
Pillars show ECL (ISKbn) by staging at year end.

In 2021, loan impairment allowances decreased by ISK 7 billion, compared to an ISK 12 billion increase in 2020. Expected increased loan losses as a result of the pandemic have not materialised and the current outlook suggests that loan losses will eventually be

lower than initially expected. The carrying amount of stage 3 loans decreased in 2021, which is explained by a low default rate during the year. The carrying amount of stage 2 loans also decreased during 2021, in line with an improved risk position.

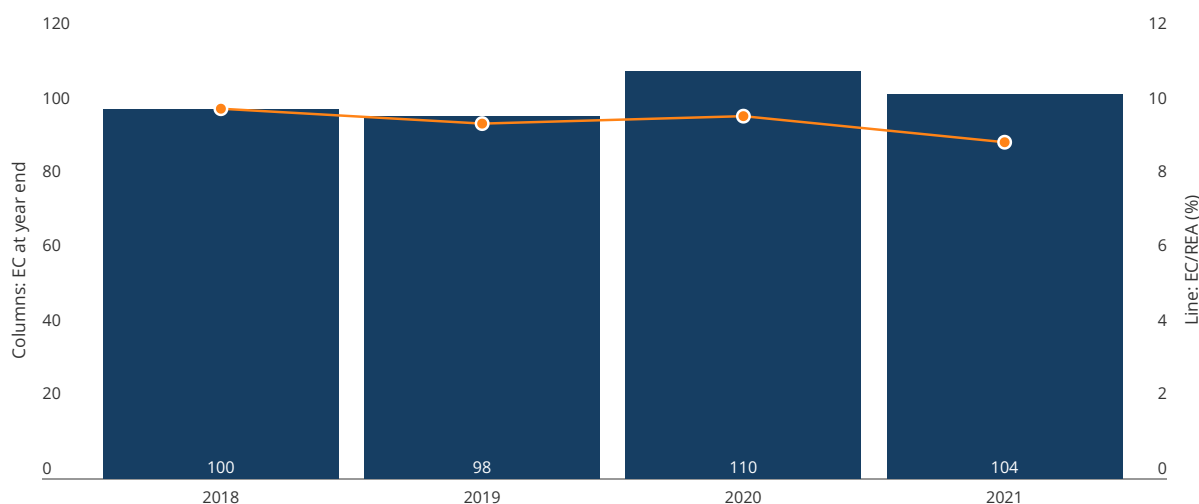
At year-end 2021, the Bank's capital adequacy was 26.6%, well above its capital requirement of 18.8%. The Bank's liquidity position, in total, in foreign currencies and in individual currencies remains good and well above regulatory requirements. The aggregate liquidity coverage

Liquidity coverage ratio (LCR)



Columns represent total LCR for each year.

Economic capital



Columns represent EC at year-end each year. The line shows EC/RWEA.

ratio (LCR) was 178%, 120% in ISK and 555% in foreign currencies at year-end. Total market risk remains low and well within risk appetite.

Risk factors in the Bank's operation are assessed by various measurements, in line with their scope and nature, and these measurements provide the foundation for risk limits, analysis of risk factors, disclosure of information and risk management. A common measurement for all risk factors is the Bank's internal assessment of economic capital (EC).

The Bank's internal EC assessment was ISK 104 billion at year-end 2021, decreasing by ISK 5.5 billion from the previous year. The decrease is mainly due to a decrease in EC for credit

risk, in line with an improved risk position. The Bank's risk-weighted exposure amount (RWEA) increased in 2021, in line with growth in the loan portfolio, and the ratio of EC to RWEA was 9.1% at year-end 2021, compared to 9.8% the year before.

Landsbankinn's risk strategy

The objective of Landsbankinn's risk strategy is to establish a framework for risk management and risk appetite as they are key to long-term profitability and stability. The strategy sets out the parameters for implementing risk culture, risk rules and governance that sets out decision and risk-taking authorisations, follow-up and control by

the Board of Directors, the CEO and individual Bank committees. All main risk factors in the Bank's operation are identified, assessed and measured, both financial and non-financial risks. Risk factors for the Bank are credit risk, market risk, liquidity risk, operational risk, business risk, legal risk, reputational risk, conduct risk, compliance risk, IT risk, data risk, model risk and climate risk.

The Board of Directors has approved a risk appetite which reflects the Bank's risk strategy and functions as a management tool that controls risk-taking, in addition to setting aims for aggregate risk in the Bank's operation. Risk appetite is reviewed at least annually.

Identifying operational risk in the Bank's activities

"In the Operational Risk department, which is part of the Risk Management division, we help the Bank's employees to identify the operational risk in our activities and assist in risk management. Operational risk is the "youngest" risk banks are faced with. What separates operational risk from other risks like credit risk, market risk and liquidity risk is that operational risk originates in the Bank's internal activities and incorporates all the non-financial risks that the classic risk factors do not include. When we do our job right, we are part of internal reform.

Risk Management assists the Bank in assessing and managing the risk we face in the operation and to identify possible issues before they materialise. This involves analysing, measuring and developing metrics for risk factors in the Bank's operation and monitoring these factors.

We work closely with other units within the Bank which makes our jobs varied and enjoyable. We actually work with all of the Bank's departments, though most closely with Compliance and IT. The Operational Risk department spearheads work on the Bank's certification under the information security standard ISO 27001. Information security is continuously evolving. This makes it a challenge we enjoy tackling. Landsbankinn has been certified compliant with ISO 27001 since 2007, a fact we are very proud of.

Information security has been a priority with us in recent years. The Bank has ambitions to do well yet the demands made of us are always growing. This is a challenge but also an opportunity to maintain our position as a domestic leader in information security. I consider us extremely lucky in the team of experts leading this charge in UT. The opportunities for us in Operational Risk lie in supporting the Bank in becoming a data-driven company and to utilise information technology even better in our work.

The external regulatory environment is constantly growing and regulators' interest in operational risk has increased substantially. Information security is a hot topic, as are privacy and data protection - which of course are strongly tied to information security. Another new addition to operational risk in the past 1-2 years is ESG risk, that is risk connected to environmental, social and governance factors. The Bank has adopted a Sustainability Policy and we are working with the Sustainability Team in Community to develop our approach to ESG risk for the future."



Arnar Þór Snorrason

Head of
Operational Risk

Active internal control

Active internal control forms one of the cornerstones of robust risk management and is conducive to the Bank operating in accordance with its risk policy and risk appetite.

Internal control is a process shaped by the Bank's executives and employees and comprises

all actions taken with the aim to support, manage, mitigate or monitor certain activities and in so doing increase the likelihood of the Bank attaining set goals.

Landsbankinn endeavours to maintain good and constructive relations with regulators and to ensure accurate information disclosure.

Risk metrics in Landsbankinn's risk appetite

The Bank's main risk metrics are listed below. In addition, the Bank assesses and measures various other risk factors to support risk management and decision taking.

Risk	Metric
Credit risk	Expected loss
	Average probability of default
Concentration risk	Largest exposure (% of Tier 1 equity)
	Total large exposures (% of Tier 1 equity)
Market risk	Total market risk

Risk	Metric
Liquidity and funding risk	LCR in Icelandic króna (ISK)
	LCR in foreign currency
	LCR - total
	Net stable funding ratio in foreign currency
Capital adequacy risk	Net stable funding ratio - total
	Total capital ratio
Operational risk	Real changes to RWA base
ROE	ROE after taxes

Further information in risk report

Landsbankinn publishes a risk report that provides in-depth information on all risk factors for the Bank and risk assessment methods.

