

Results 9M 2022

Lilja Björk Einarsdóttir

Bankastjóri

Hreiðar Bjarnason

Framkvæmdastjóri
Fjármála og rekstrar



Continuous success - Landsbankinn, an ever-smarter bank

- Strong balance sheet supports the Bank's ambitious strategy.

Good results from core operation

- Profit in 9M 2022 amounts to ISK 11.3 billion and ROE is 5.6%.
- Profit in Q3 2022 amounts to ISK 5.8 billion and ROE is 8.5%.
- A strong market share and rising interest rate levels lead to an 18% increase in net interest income YoY and the net interest spread is 2.6%..
- Net commission income grows by 14% between years, with an especially strong showing in income from payment cards in the quarter.
- Operating costs were stable, as in previous quarters.

Moderate lending growth and low default rates among borrowers

- Lending growth continues, up by 8% since the beginning of the year.
- Net release of credit impairment was ISK 2,665 million during the period.
- Default rates are at a historic low.

Sound and financially robust bank

- The Bank's equity amounted to ISK 273 billion at the end of September, exceeding regulatory requirements by ISK 41 billion.
- Diversified funding on both domestic and international markets.

Most satisfied customers and smarter solutions

- Customer satisfaction surveys show that customers are very well satisfied with the Bank's services.
- Around 90% of services previously requiring front office interaction can now be discharged using digital or electronic solutions.
- Landsbankinn has organised effective education events and information campaigns on cyber security and ways to prevent fraud. Several seminars and meetings have been hosted on such topics as information on cyber security for the public.

Profit
ISK 11.3 bn
5.6% ROE

Cost-income
48.9%

Total capital ratio
24.2%
Capital requirement 20.8%

Total lending
ISK 1,496 bn

Responsible advice supports value creation

More success with sustainability

Landsbankinn continues to support sustainable development in Iceland and work with customers on responsible financing and investment. In September, we hosted a Sustainability Forum where attendees were offered an insight into key issues and what steps businesses can take towards sustainability.



Excellent ESG rating

Landsbankinn is rated A3, or excellent, in an ESG rating by Reitun, or 90 points out of 100.



Sustainable financing

We assist corporates and share our knowledge and experience in order to promote sustainability. We help companies to achieve sustainable financing for their initiatives.



Electric vehicle loans

23% of all vehicle loans in the third quarter financed the purchase of electric cars.

We know good business

A dedicated team of experts meets the needs of corporate customers in all sectors. Landsbankinn Corporate Finance is comprised of an experienced group of experts that provides comprehensive and quality advice on the financing, acquisition, sale and merger of corporates.

Good results

33%

share in the corporate market

29%

increase in lending to corporate vehicle and equipment financing in the first nine months of the year.

4.2

Landsbankinn scores highest of the largest banks in customer satisfaction on the corporate market, with 4.2 of 5 points.

10,000

Over 10,000 businesses have used Landsbankinn's app to simplify operations.

Recent projects



Acquisition by Síldarvinnslan hf. of all shares in Vísir hf.



Share capital increase of Alvotech and dual listing of the company on Nasdaq NY and First North Iceland



Investment by Reginn hf. in real estate developer Klasi ehf.



Financing the acquisition of Ardian France SA of Míla ehf.



Sale of all shares in Eldum rétt ehf. to Hagar hf.

Landsbankinn's customers are more satisfied and take increasing advantage of smart solutions

Landsbankinn has topped the Icelandic Performance Satisfaction Index three years in a row. We strive to simplify life for our customers and offer excellent service.



Landsbankinn tops the Performance Satisfaction Index, three years in a row.

39.5%

Landsbankinn holds the highest market share in the retail market.



Landsbankinn's customers can use Google Pay when paying with their phones.



If choosing a bank today, Landsbankinn would be Icelanders' first choice. Landsbankinn has a significant lead, maintaining it over decades.

Source: Gallup



73,700 customers use the benefit system Aukakrónur and use has jumped by 22% between years.



85% of securities contracts are created in self-service.

92%

of fund subscriptions are created in self-service.



30% increase in logins to Landsbankinn's app in the first nine months of the year.

93%

increase in new supplementary pension savings in self-service.

Financial objectives and development of KPIs

- Strong financial position and efficient operations.

	Targets	9M 2022	Guidelines
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Profitability

Return on equity (ROE)	≥ 10%	5.6%	The Bank's long-term target is for ROE to be around or over 10%. ROE is expected to range between 6.5 – 7.5% in 2022.
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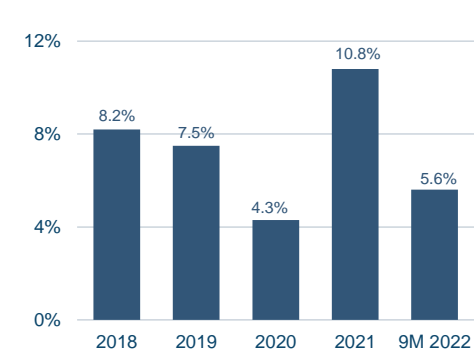
Efficiency

Cost / Income ratio	≤ 45%	48.9%	Expected ratio is 44 – 46% for the year 2022.
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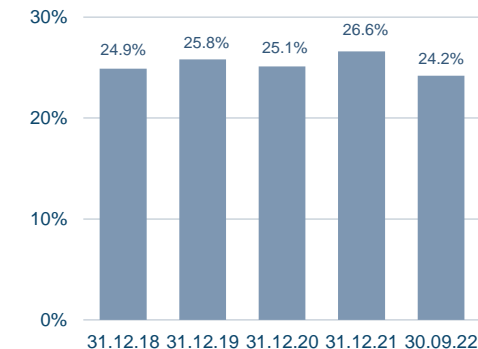
Financial strength

Dividend payout ratio	~ 50%	50%	Regular dividend is to be 50% of the previous year's profit. The aim is also to make special dividend payments to optimise the Bank's capital structure.
Common equity tier 1 ratio (CET1)	≥ 18%	22.5%	The Bank will seek to issue subordinated funding, depending on market conditions.
Total capital ratio	≥ 22%	24.2%	The Bank aims to be in the highest category for risk-adjusted capital ratio, as estimated by credit rating agencies.

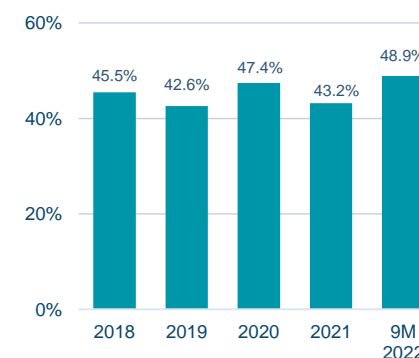
Return on equity



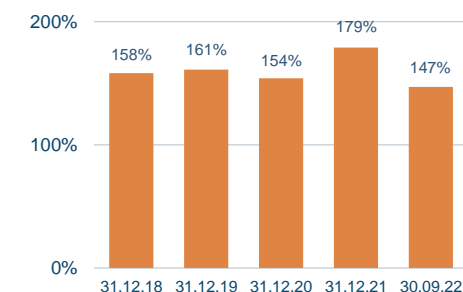
Total capital ratio



Cost / Income ratio



Liquidity coverage ratio total



Income statement

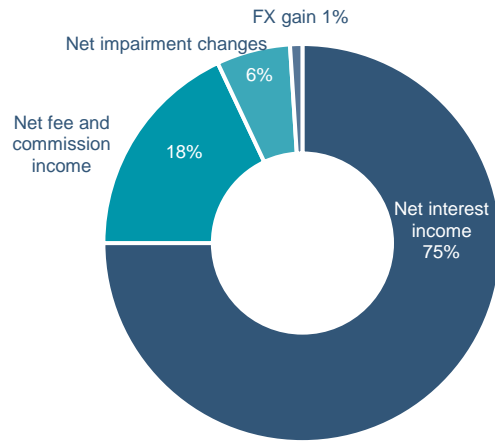


Income statement

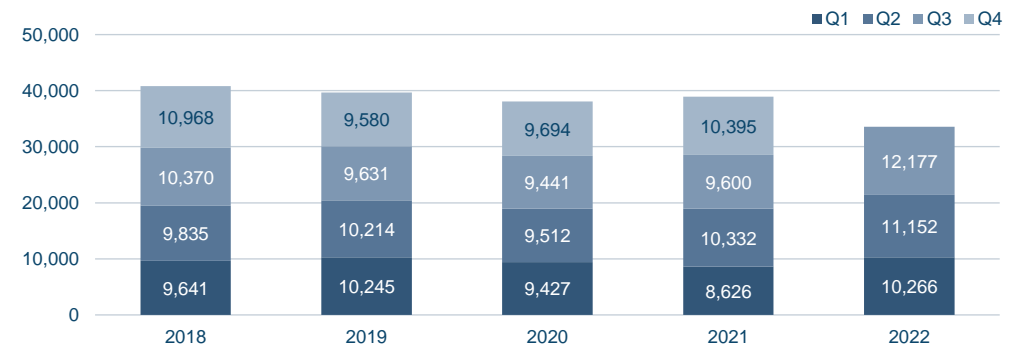
	9M 2022	9M 2021	Change		Q3 2022	Q3 2021	Change	
Net interest income	33,595	28,558	5,037	18%	12,177	9,600	2,577	27%
Net fee and commission income	7,878	6,890	988	14%	2,456	2,522	-66	-3%
Net impairment changes	2,665	3,790	-1,125	-30%	2,622	1,008	1,614	160%
Other net operating income	-6,451	6,375	-12,826	-201%	-2,400	2,216	-4,616	-208%
Total operating income	37,687	45,613	-7,926	-17%	14,855	15,346	-491	-3%
Salaries and related expenses	10,488	10,731	-243	-2%	3,149	3,238	-89	-3%
Other operating expenses	6,652	6,719	-67	-1%	2,135	2,202	-67	-3%
Tax on liabilities of financial institutions	1,562	1,505	57	4%	547	525	22	4%
Total operating expenses	18,702	18,955	-253	-1%	5,831	5,965	-134	-2%
Profit before tax	18,985	26,658	-7,673	-29%	9,024	9,381	-357	-4%
Income tax	7,665	5,061	2,604	51%	3,261	1,889	1,372	73%
Profit for the period	11,320	21,597	-10,277	-48%	5,763	7,492	-1,729	-23%

Net operating income

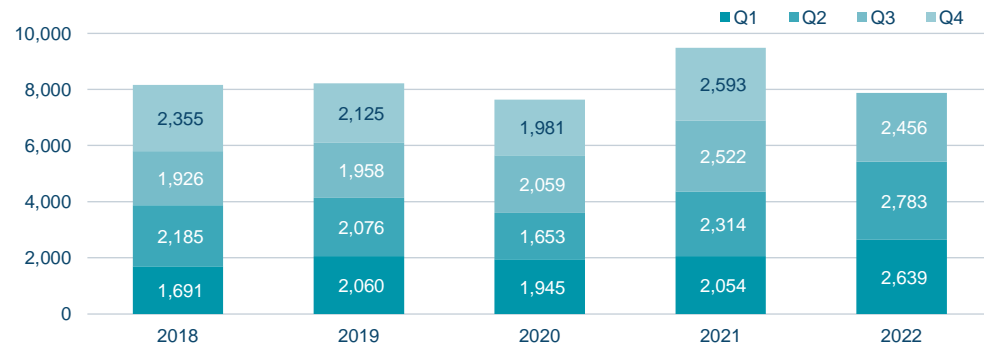
- Lending growth and rising interest rate levels lead to an 18% increase in net interest income.



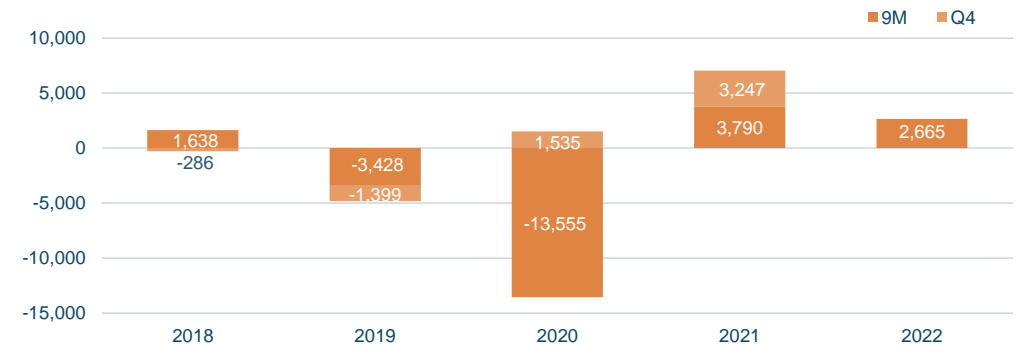
Net interest income



Net fee and commission income



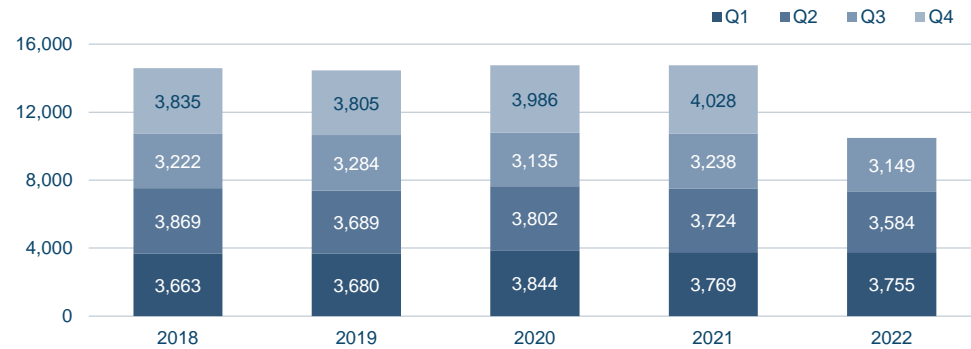
Net impairment changes



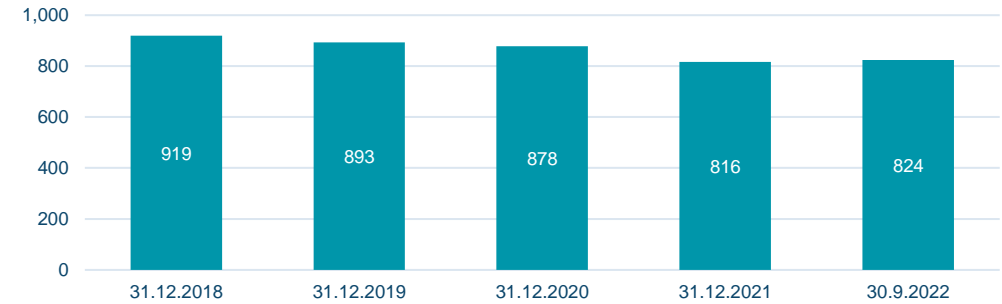
Operating expenses

- Fewer full-time equivalent positions and operating expenses is steady.

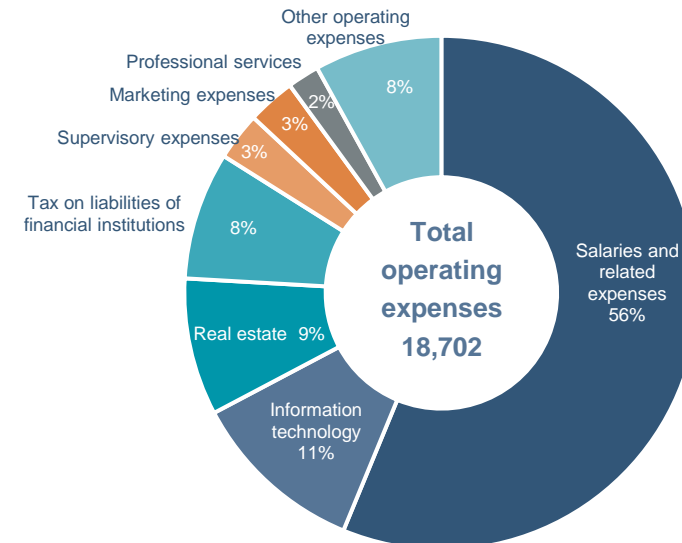
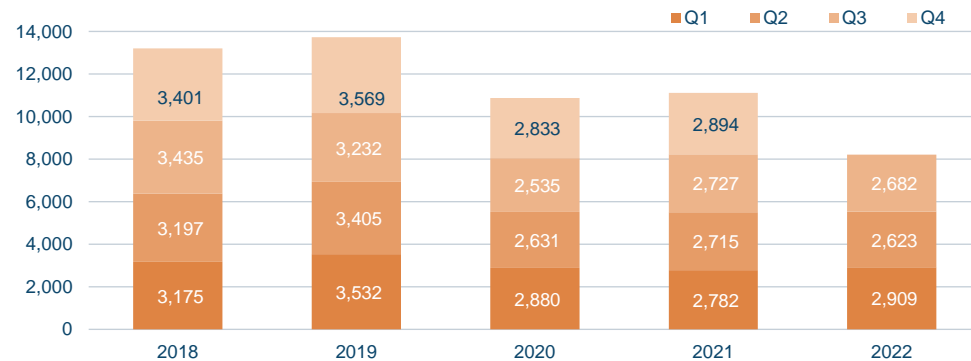
Salaries and related expenses



Full-time equivalent positions



Operating expenses



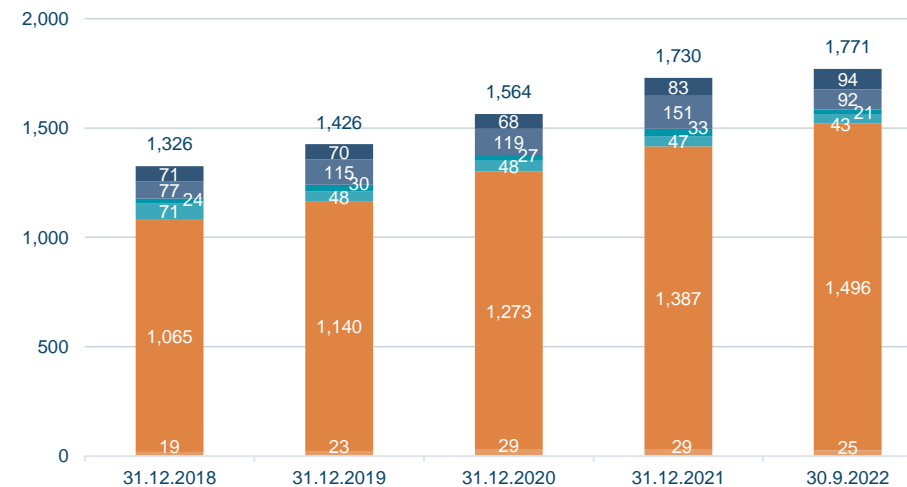
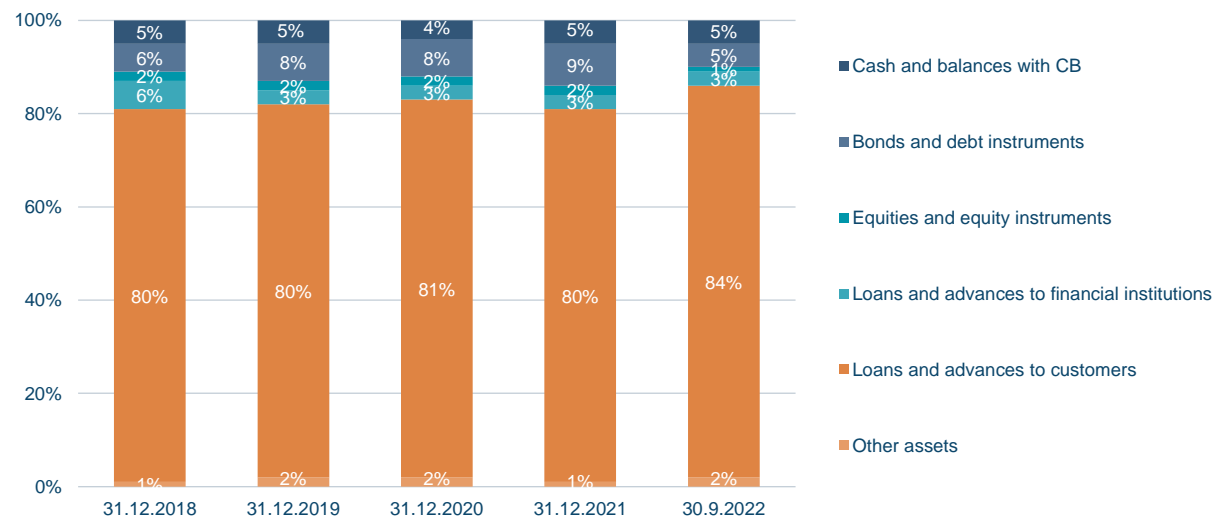
Balance sheet



Total assets

	30.9.2022	31.12.2021	Change	
Cash and balances with Central Bank	94	83	11	13%
Market bonds	92	151	-59	-39%
Equities	21	33	-12	-36%
Loans and receivables to credit institutions	43	47	-4	-9%
Loans and receivables to customers	1,496	1,387	109	8%
Other assets	25	29	-4	-14%
Total	1,771	1,730	41	2%

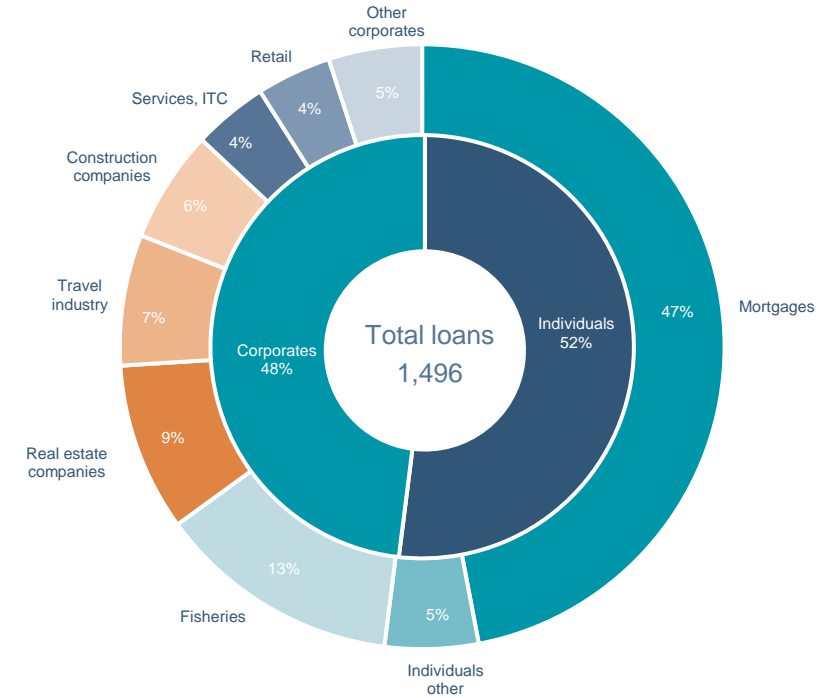
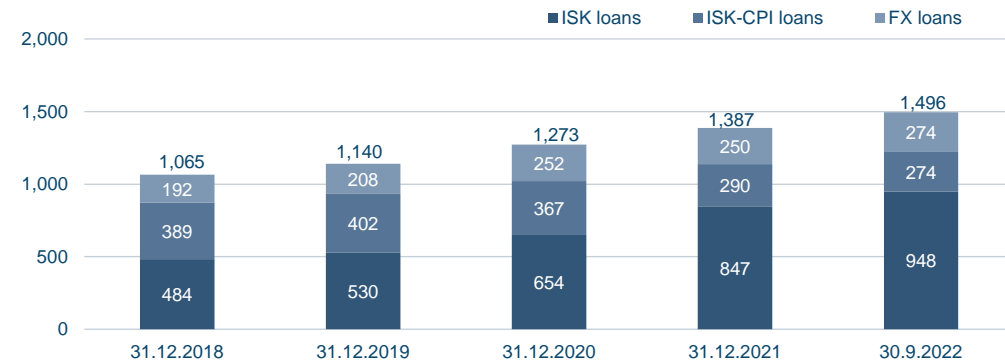
- Lending to individuals increased by ISK 56 billion. Mortgage loans grew by 8%, or around ISK 51 billion.
- Lending to corporates increased by ISK 53 billion.



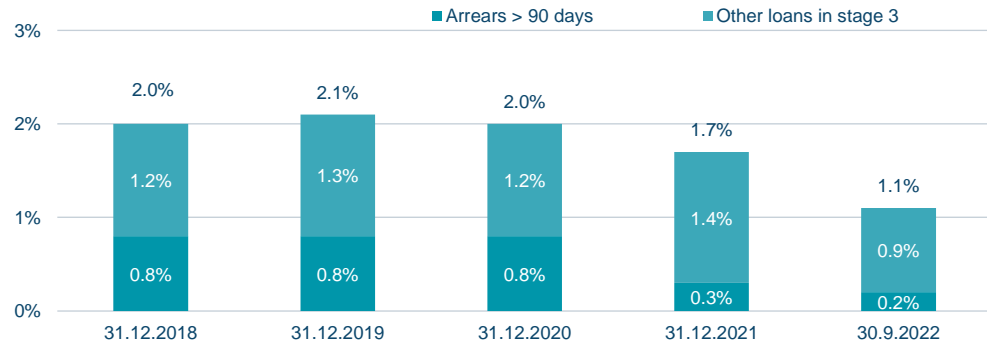
Loans

- Popularity of non-indexed loans continues to grow alongside record low default rates.

Total loan portfolio



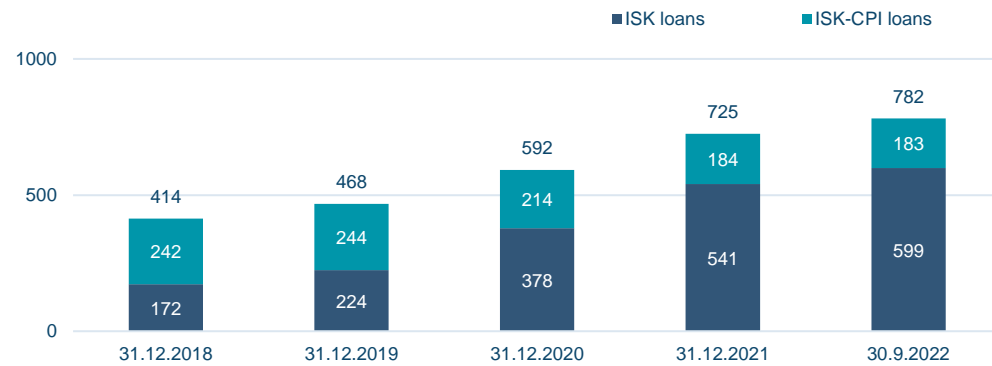
Problem loans



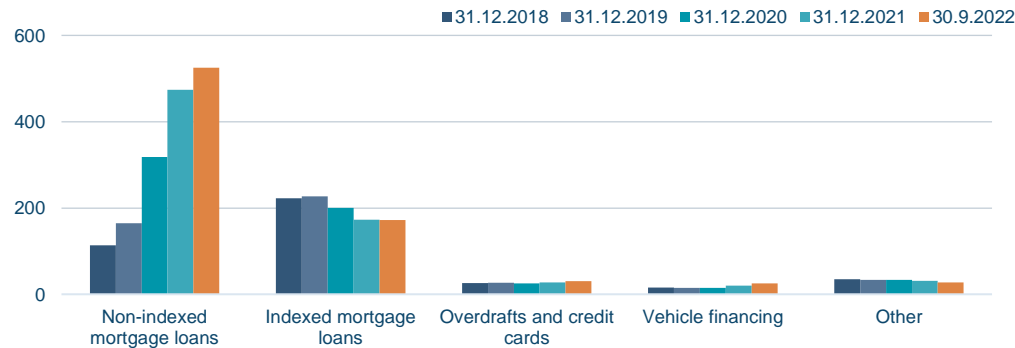
Loans to individuals

- Increase in non-indexed lending, whilst CPI-indexed lending has stabilized.

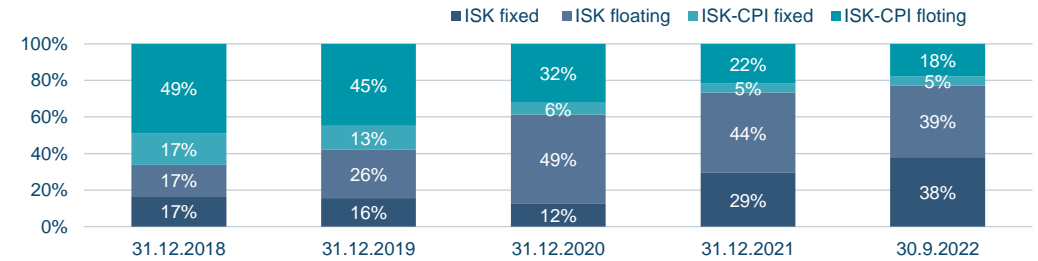
Loans to individuals



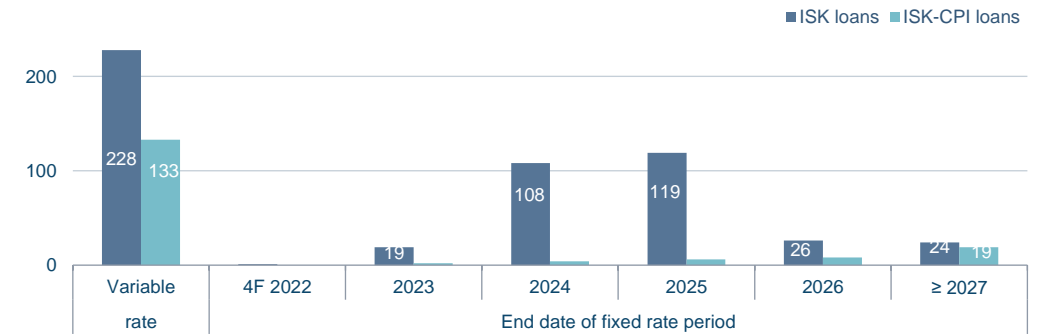
Loans to individuals by loan types



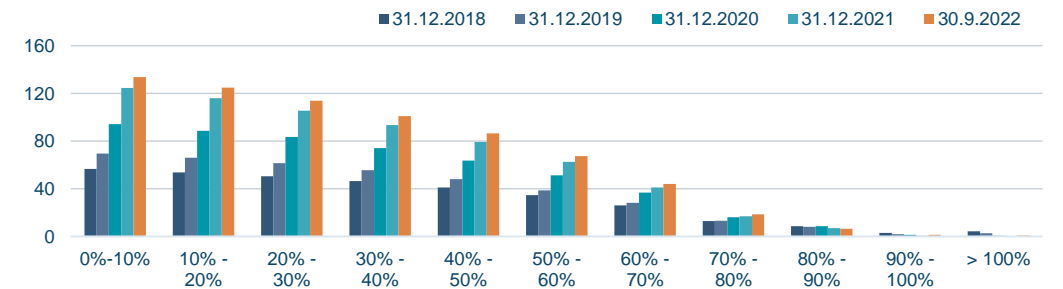
Mortgage loans by interest types



Mortgage - end date of fixed rate period



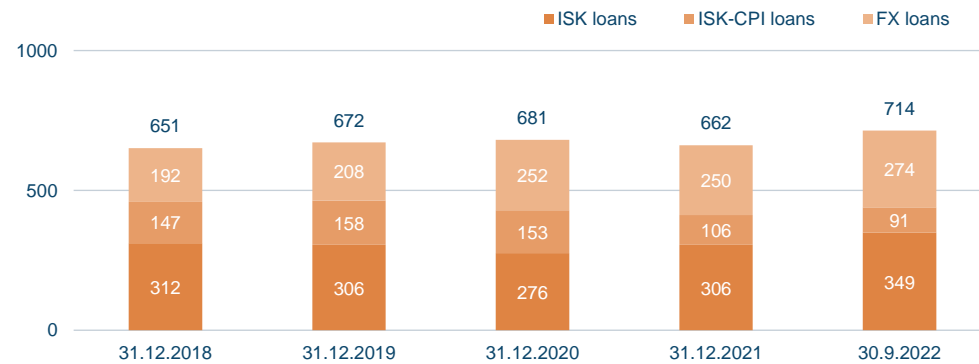
Continuous LTV distribution of mortgages



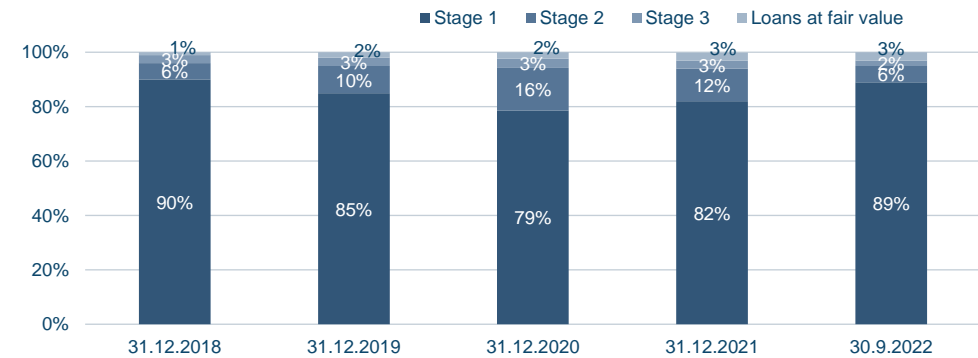
Loans to corporates

- Lending to corporates has picked up again and asset quality has attained pre-pandemic levels.

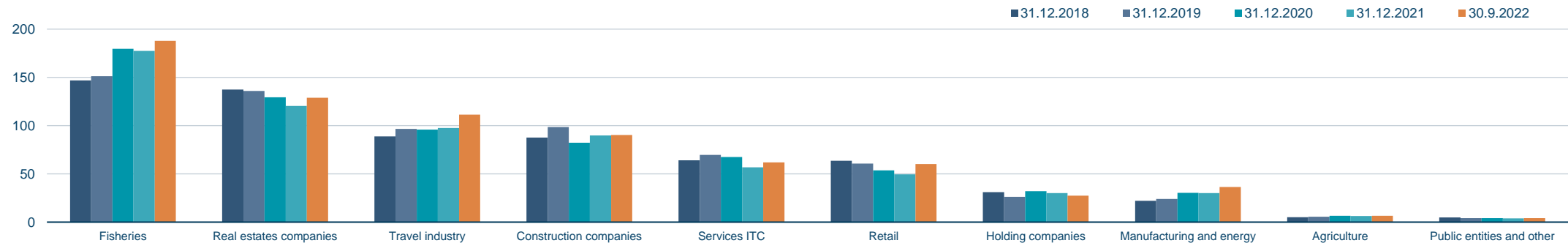
Loans to corporates



Stage allocation of loans to corporates



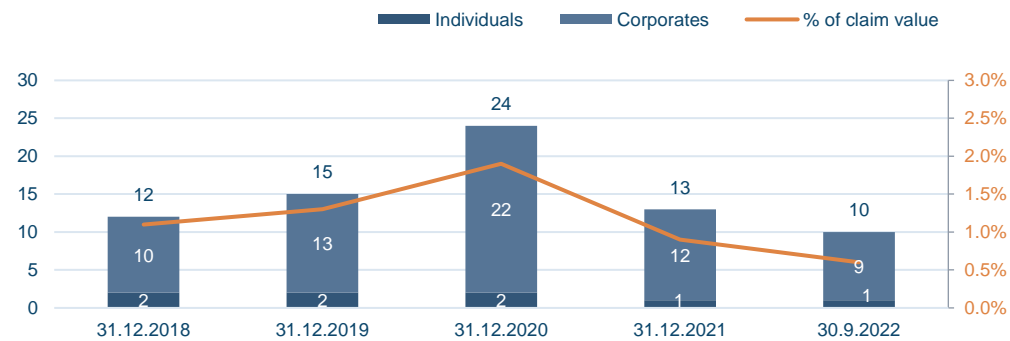
Loans to corporates by industry sector



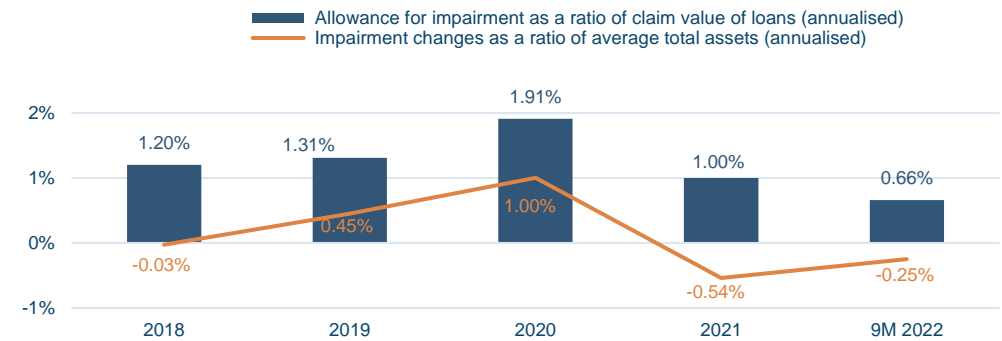
Impairment on loans

- Specific collective allowance for Covid-19 fully reversed in the quarter.

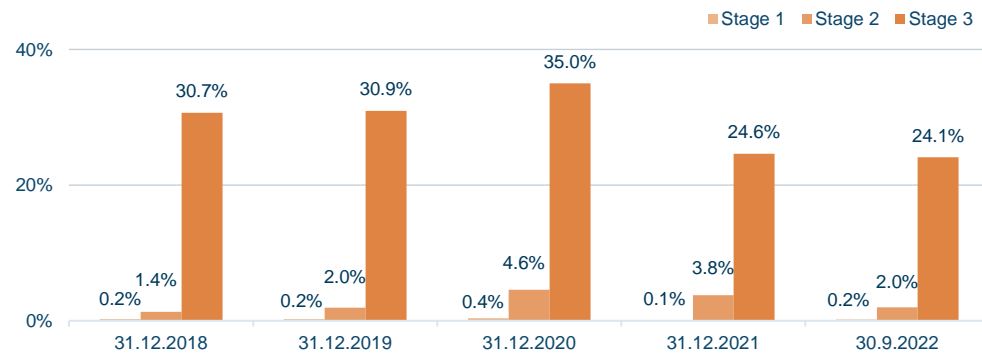
Allowance for impairment on loans and advances to customers



Cost of risk



Allowance as percentage of gross carrying amount



Loan staging

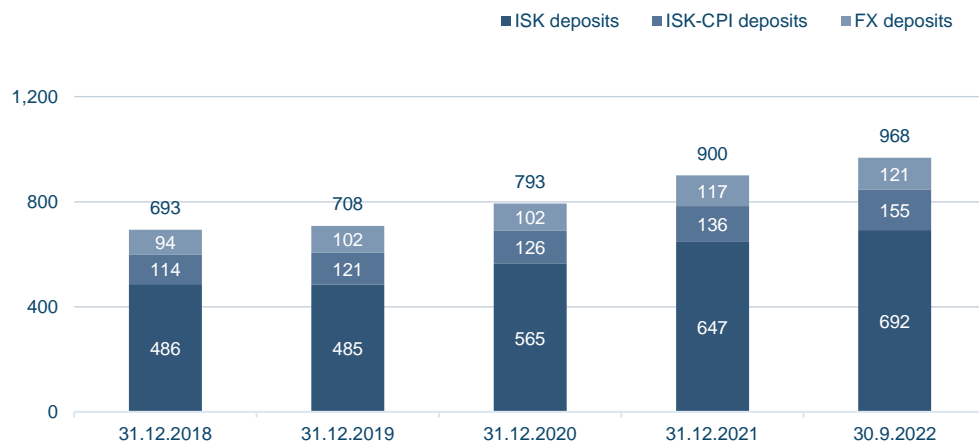
	Gross carrying amount		Allowance for impairment		Carrying amount	
Stage 1	1,396	92.7%	3	0.2%	1,393	93.1%
Stage 2	68	4.5%	2	2.0%	66	4.5%
Stage 3	22	1.5%	5	24.1%	17	1.1%
Fair value	20	1.3%			20	1.3%
Total	1,506	100%	10	0,6%	1,496	100%

Liabilities and equity

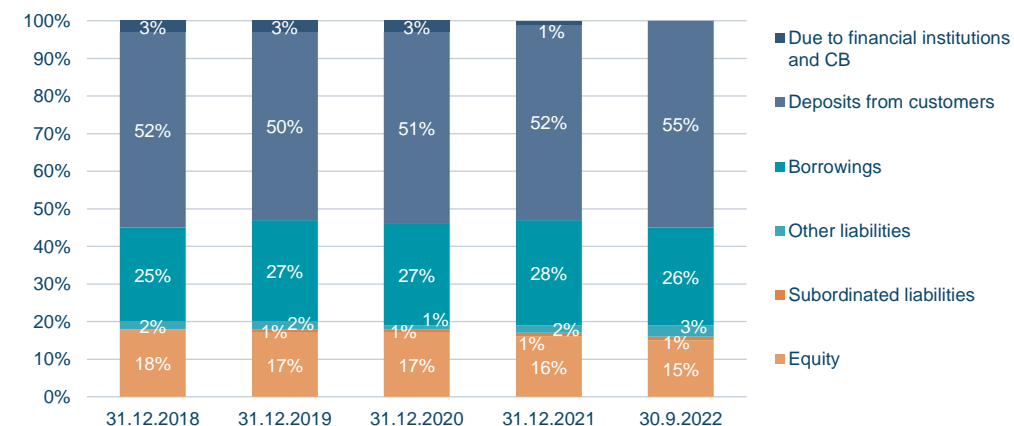
	30.9.2022	31.12.2021	Change	
Due to financial institutions and CB	5	10	-5	-50%
Deposits from customers	968	900	68	8%
Borrowings	459	486	-27	-6%
Other liabilities	45	30	15	50%
Subordinated liabilities	21	21	0	0%
Equity	273	283	-10	-4%
Total	1,771	1,730	41	2%

- Customer deposits increased by ISK 68 billion from the beginning of the year.
- Borrowings decreased by ISK 27 billion. Ignoring the exchange rates impact the decrease would be 14 billion.

Deposits from customers



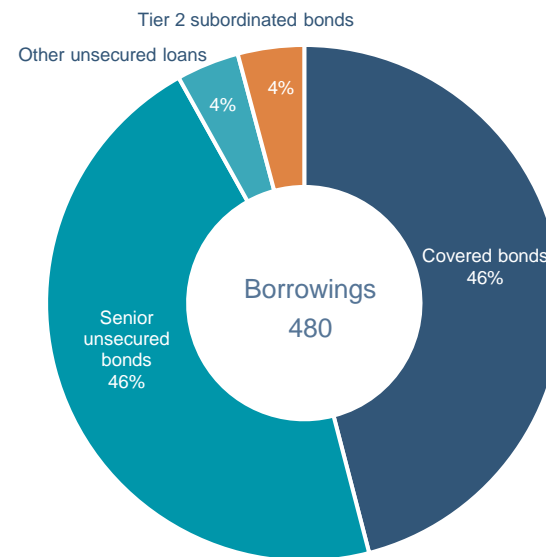
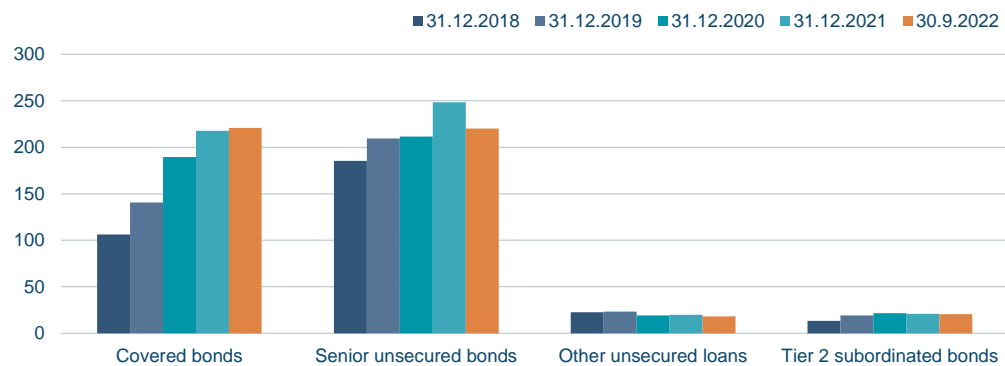
Liabilities and equity



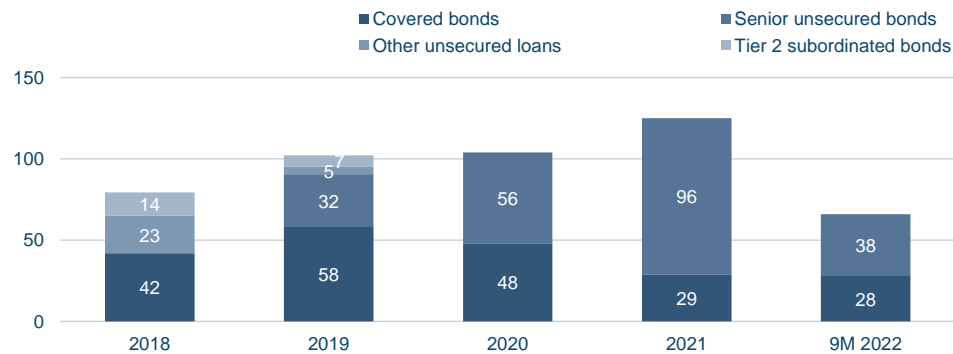
Borrowings

- Diversified funding in domestic and foreign markets.

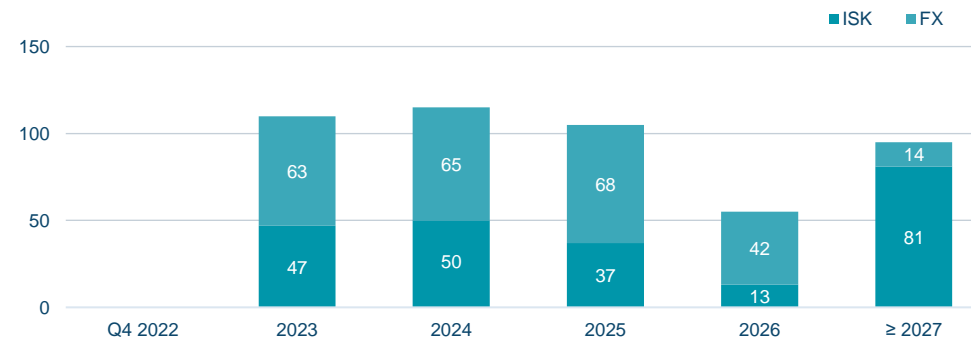
Borrowings



Borrowing issuance



Maturity profile*



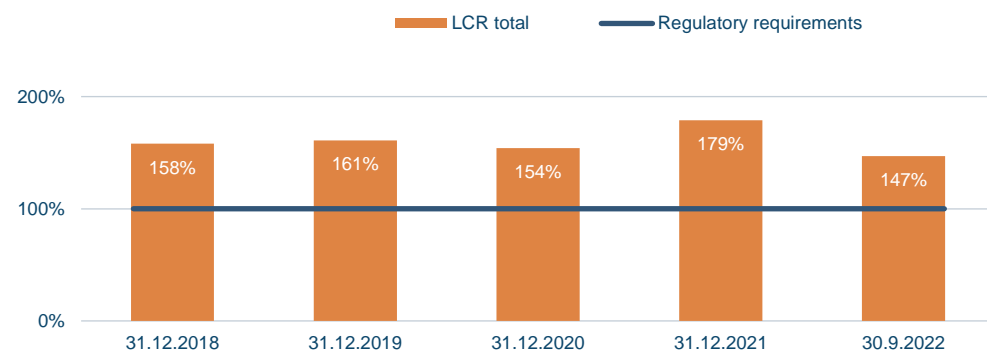
*EUR 100 m subordinated debt matures in 2028 with a 10NC5 structure.
ISK 5.5 bn subordinated debt matures in 2029 with a 10NC5 structure.



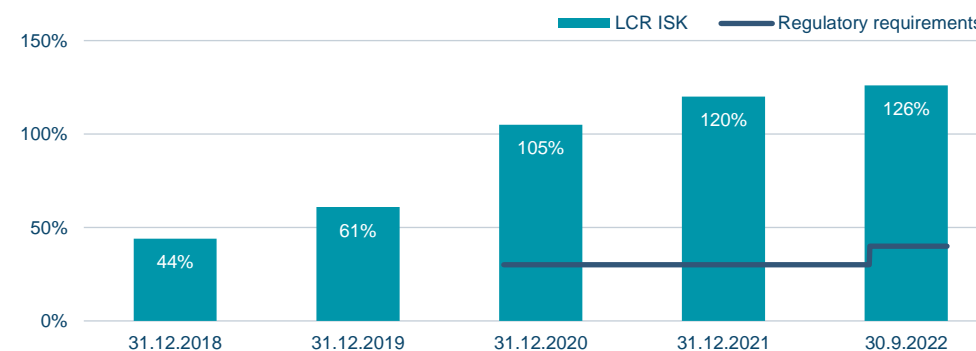
Liquidity ratio and net stable funding ratio

- Liquidity and funding ratios well above regulatory requirements.

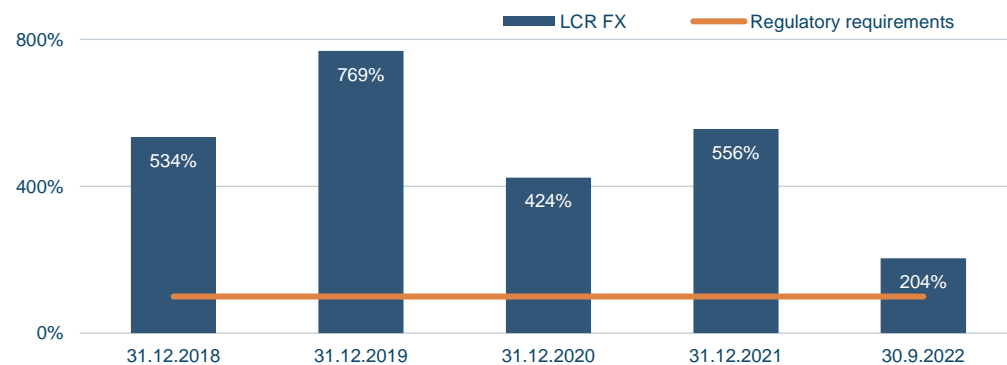
Liquidity coverage ratio total



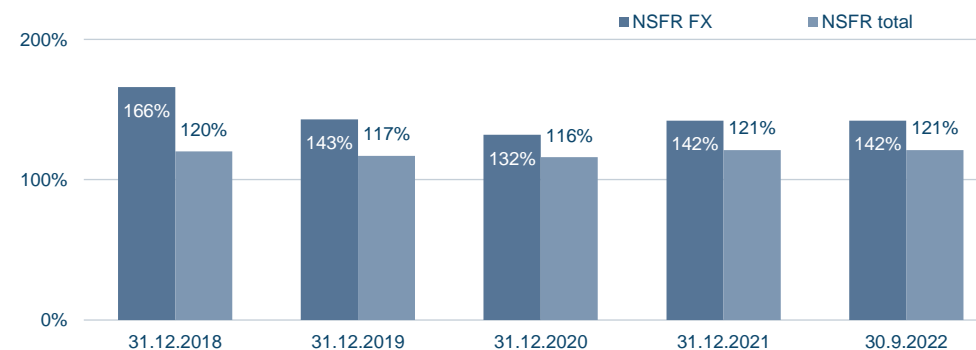
Liquidity coverage ratio ISK



Liquidity coverage ratio FX



Net stable funding ratio

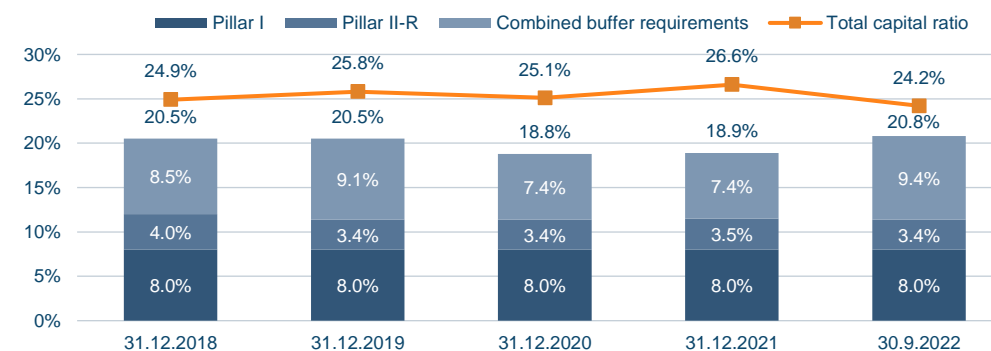


Capital requirements

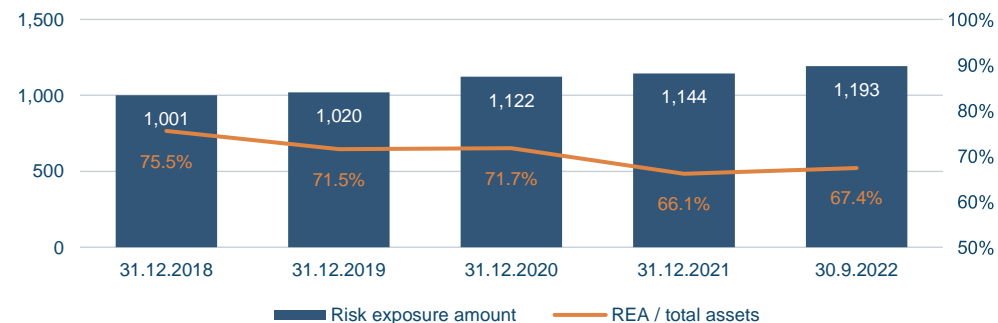
- Capital ratios well above regulatory requirements.

	CET1	Tier 1	Total
Pillar I	4.5%	6.0%	8.0%
Pillar II-R	1.9%	2.6%	3.4%
Minimum requirement under Pillar I and Pillar II-R	6.4%	8.6%	11.4%
Systemic risk buffer	2.9%	2.9%	2.9%
Capital buffer for systematically important institutions	2.0%	2.0%	2.0%
Countercyclical capital buffer	2.0%	2.0%	2.0%
Capital conservation buffer	2.5%	2.5%	2.5%
Combined buffer requirements under Pillar II-G	9.4%	9.4%	9.4%
Total capital requirement	15.8%	18.0%	20.8%
Total capital ratio	22.5%	22.5%	24.2%

Regulatory total capital requirement as a ratio of REA



Risk exposure amount



- The Group basis calculation of Pillar 1 capital requirements for lending and market risk on the standardised approach. The basic indicator approach is used to calculate operational risk. The Bank applies the dynamic approach in terms of the IFRS 9 transitional arrangements.
- On 29 September, the countercyclical capital buffer increased to 2.0%.
- The Central Bank resolution authority has approved Landsbankinn's resolution plan and determined its minimum required own funds and eligible liabilities (MREL). MREL as a percentage of total risk exposure amount is 22.8%.

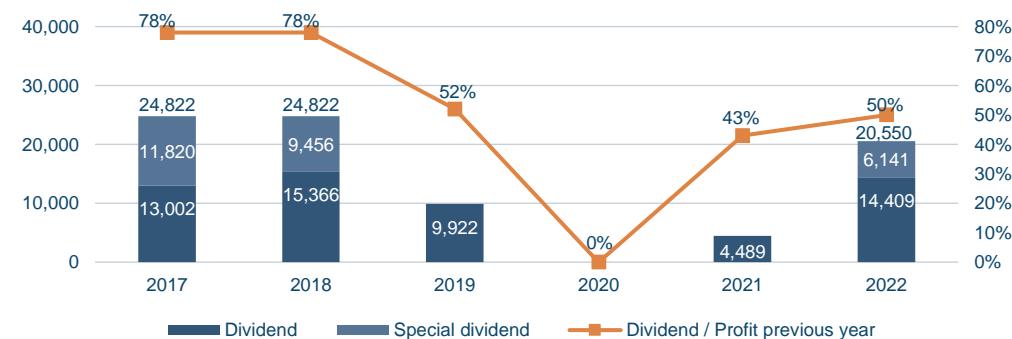
Dividends and capital ratio

- Dividend policy is to pay around 50% of last year's profit.

Dividend 2022

- The Bank's Annual General Meeting, held on 23 March 2022, approved a motion from the Board of Directors to pay a dividend to shareholders for the operating year 2021 corresponding to ISK 0.61 per share. The amount of the dividend payment based on outstanding shares is ISK 14,409 million, the equivalent of 50% of the year's profit.
- The AGM also approved a special dividend in the amount of ISK 6,141 million.
- The dividend lowers the Bank's capital ratio by 1.7 percentage points.

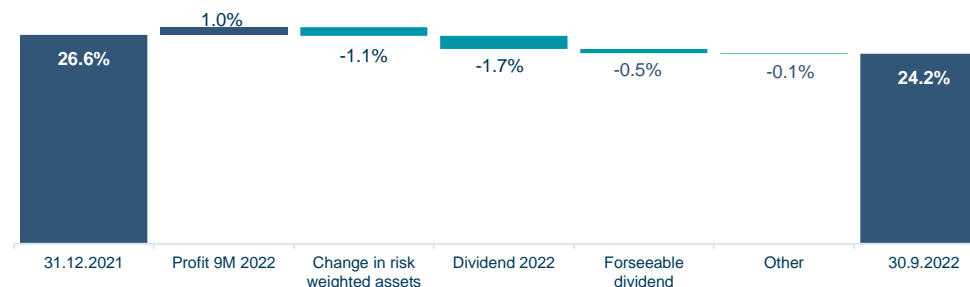
Dividends



Landsbankinn's dividend policy

- Landsbankinn aims to pay regular dividends to shareholders amounting in general to around 50% of the previous year's profit. To achieve Landsbankinn's target capital ratio, the aim is also to make special dividend payments to optimise the Bank's capital structure.
- In determining the amount of dividend payments, the Bank's continued strong financial position shall be ensured. Regard shall be had for risk in the Bank's internal and external environment, growth prospects and the maintenance of a long-term, robust equity and liquidity position, as well as compliance with regulatory requirements of financial standing at any given time.

Total capital ratio, changes in 9M 2022



Appendix

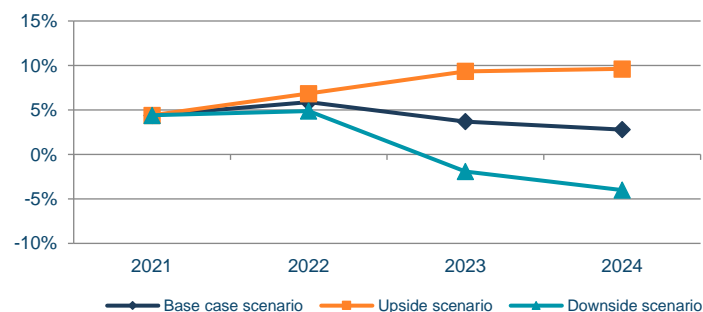
Further information



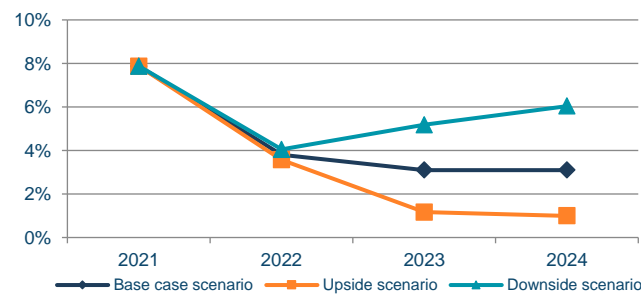
Economic scenarios for expected credit loss

- Landsbankinn Economic Research prepares scenarios to support forecasts for important economic variables.
- These scenarios show key economic variables used to calculate expected credit loss (ECL) for stages 1 and 2.
- The forecasts show averages for the 12-month outlook and to the medium-term forecast horizon.
- In calculating ECL, the optimistic scenario is given 15% weight, the baseline 70% weight and the pessimistic scenario 15% weight. (2021: 20%-60%-20%)

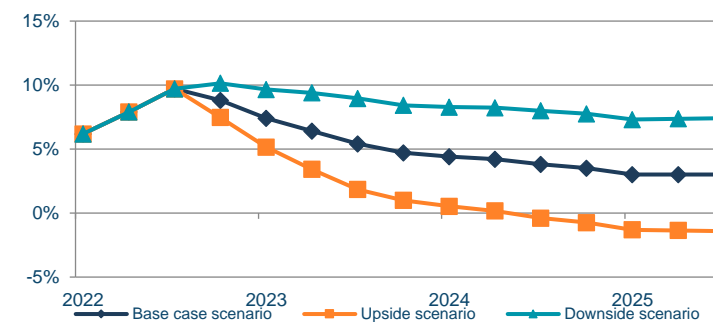
Economic growth



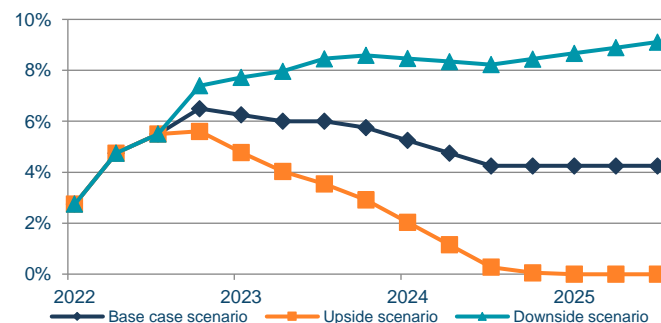
Unemployment



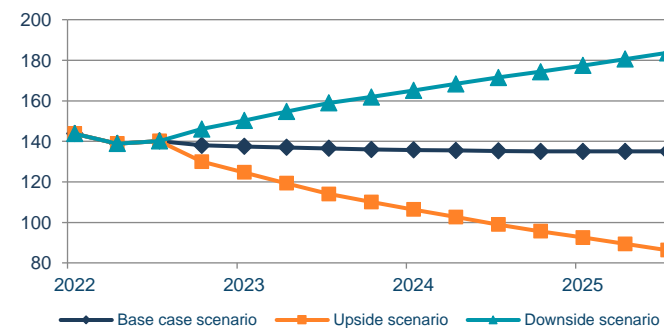
Inflation



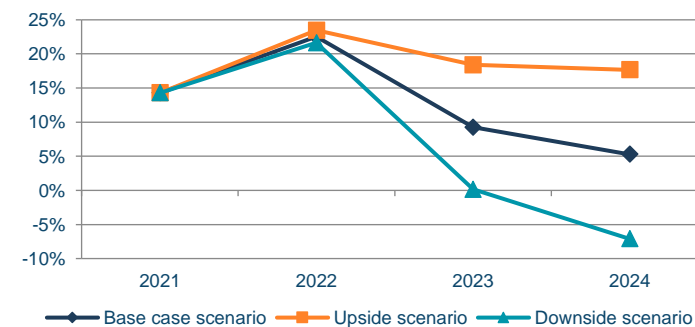
CBI's key rate (seven-day term deposits)



EUR/ISK



Housing price (YoY change)



Key financial ratios

	Q3 2022	Q2 2022	Q1 2022	Q4 2021	Q3 2021	9M 2022	2021	2020	2019	2018
Profit after taxes	5,763	2,341	3,216	7,322	7,492	11,320	28,919	10,521	18,235	19,260
Return on equity before taxes	13.3%	7.0%	7.8%	14.0%	13.8%	9.4%	13.6%	5.1%	9.6%	11.1%
Return on equity after taxes	8.5%	3.5%	4.7%	10.5%	11.0%	5.6%	10.8%	4.3%	7.5%	8.2%
After-tax return on average assets	1.3%	0.5%	0.7%	1.7%	1.8%	0.9%	1.7%	0.7%	1.3%	1.5%
Total capital ratio	24.2%	24.9%	24.3%	26.6%	24.9%	24.2%	26.6%	25.1%	25.8%	24.9%
Net interest income	12,177	11,152	10,266	10,395	9,600	33,595	38,953	38,074	39,670	40,814
Interest spread as a ratio of average total assets	2.8%	2.6%	2.4%	2.4%	2.3%	2.6%	2.3%	2.5%	2.8%	3.2%
Cost-income ratio	43.2%	49.3%	54.9%	47.6%	37.9%	48.9%	43.2%	47.4%	42.6%	45.5%
Liquidity ratio LCR total	147%	144%	142%	179%	172%	147%	179%	154%	161%	158%
Liquidity LCR FX	204%	184%	292%	556%	443%	204%	556%	424%	769%	534%
Liquidity LCR ISK	126%	132%	101%	120%	113%	126%	120%	105%	61%	44%
Net stable funding ratio NSFR total	121%	122%	122%	121%	118%	121%	121%	116%	117%	120%
Net stable funding ratio NSFR FX	142%	136%	143%	142%	122%	142%	142%	132%	143%	166%
Operating expenses as a ratio of average total assets	1.2%	1.3%	1.4%	1.5%	1.3%	1.3%	1.4%	1.6%	1.7%	1.9%
Total assets	1,771,128	1,728,143	1,733,644	1,729,798	1,718,358	1,771,128	1,729,798	1,564,177	1,426,328	1,326,041
Loans / deposits ratio	154.6%	154.6%	153.5%	154.1%	158.2%	154.6%	154.1%	160.5%	161.1%	153.6%
Full-time equiv. positions	824	786	791	816	837	824	816	878	893	919

Operations

	Q3 2022	Q2 2022	Q1 2022	Q4 2021	Q3 2021	9M 2022	2021	2020	2019	2018
Net interest income	12,177	11,152	10,266	10,395	9,600	33,595	38,953	38,074	39,670	40,814
Net fee & commission income	2,456	2,783	2,639	2,593	2,522	7,878	9,483	7,638	8,219	8,157
Net impairment changes	2,622	-735	778	3,247	1,008	2,665	7,037	-12,020	-4,827	1,352
Other net operating income	-2,400	-2,358	-1,693	482	2,216	-6,451	6,857	4,561	8,455	3,587
Total operating income	14,855	10,842	11,990	16,717	15,346	37,687	62,330	38,253	51,517	53,910
Salaries and related expenses	3,149	3,584	3,755	4,028	3,238	10,488	14,759	14,767	14,458	14,589
Other operating expenses	2,135	2,118	2,399	2,386	2,202	6,652	9,105	9,064	9,534	9,348
Tax on liabilities of financial institutions	547	505	510	508	525	1,562	2,013	1,815	4,204	3,860
Total operating expenses	5,831	6,207	6,664	6,922	5,965	18,702	25,877	25,646	28,196	27,797
Profit before tax	9,024	4,635	5,326	9,795	9,381	18,985	36,453	12,607	23,321	26,113
Income tax	3,261	2,294	2,110	2,473	1,889	7,665	7,534	2,086	5,086	6,853
Profit for the period	5,763	2,341	3,216	7,322	7,492	11,320	28,919	10,521	18,235	19,260

Balance sheet

	30.9.2022	31.12.2021	Change		31.12.2020	31.12.2019	31.12.2018
Cash and balances with CB	93,799	82,425	11,374	14%	67,604	69,824	70,854
Bonds and debt instruments	91,951	150,435	-58,484	-39%	119,330	115,262	77,058
Equities and equity instruments	20,559	33,347	-12,788	-38%	26,808	30,019	23,547
Loans and advances to fin institutions	42,706	47,231	-4,525	-10%	48,073	47,929	71,385
Loans and advances to customers	1,496,347	1,387,463	108,885	8%	1,273,426	1,140,184	1,064,532
Other assets	25,766	28,897	-3,131	-11%	28,936	23,110	18,665
Total assets	1,771,128	1,729,798	41,331	2%	1,564,177	1,426,328	1,326,041
Due to financial institutions and CB	5,059	10,425	-5,366	-51%	48,725	48,062	34,609
Deposits from customers	967,965	900,098	67,868	8%	793,427	707,813	693,043
Borrowing	459,365	486,042	-26,676	-5%	420,178	373,168	314,412
Other liabilities	44,596	29,803	14,794	50%	22,227	30,470	31,027
Subordinated liabilities	20,729	20,785	-56	0%	21,366	19,081	13,340
Equity	273,414	282,645	-9,230	-3%	258,255	247,734	239,610
Total liabilities and equity	1,771,128	1,729,798	41,332	2%	1,564,177	1,426,328	1,326,041

Operating segments

1.1.2022 - 30.9.2022	Personal Banking	Corporate Banking	Asset Management & Capital Market	Treasury and Market Making	Other segments	Reconciliation	Total
Net interest income	12,268	14,312	577	6,344	-40	134	33,595
Net fee and commission income	2,336	1,516	4,334	-199	7	-116	7,878
Net impairment changes	9	2,660	-1	-3	0	-	2,665
Net other operating income (expense)	185	3	-393	-6,998	770	-18	-6,451
Total operating income (expense)	14,798	18,491	4,517	-856	737	0	37,687
Operating expenses	-4,865	-2,353	-1,484	-731	-7,842	135	-17,140
Tax on liabilities of financial institutions	-611	-306	-7	-632	-6		-1,562
Allocated expenses	-3,168	-2,140	-816	-729	6,853		0
Profit (loss) before tax	6,154	13,692	2,210	-2,948	-258	135	18,985
Income tax	-1,684	-3,579	-890	-1,603	91		-7,665
Profit (loss) for the period	4,470	10,113	1,320	-4,551	-167	135	11,320
Total assets	830,388	657,636	12,058	733,777	18,130	-480,861	1,771,128
Total liabilities	788,568	558,176	7,000	606,701	18,130	-480,861	1,497,714
Allocated capital	41,820	99,460	5,058	127,076	-		273,414

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