

Results Q1 2022

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Continuous success - Landsbankinn, an ever-smarter bank

- Strong balance sheet supports the Bank's ambitious strategy

Good first quarter

Net interest income grew by 19% and net fee & commission income by 28%. Landsbréf continues its good performance following excellent 2021 results.

Increase in lending and strong balance sheet

Lending grew by just under ISK 37 bn, or ISK 30 bn having regard for currency fluctuations, and market share in housing mortgages is 29%.

Low funding need for the remainder of the year

Total issuance amounted to ISK 36 bn under the Bank's EMTN programme and A-rated covered bonds.

Sound and financially robust bank

Strong equity position of ISK 265 bn, ISK 63 bn above regulatory requirements. Total dividend paid in 2022 amounts to ISK 20.6 bn.

Most satisfied customers and smarter solutions

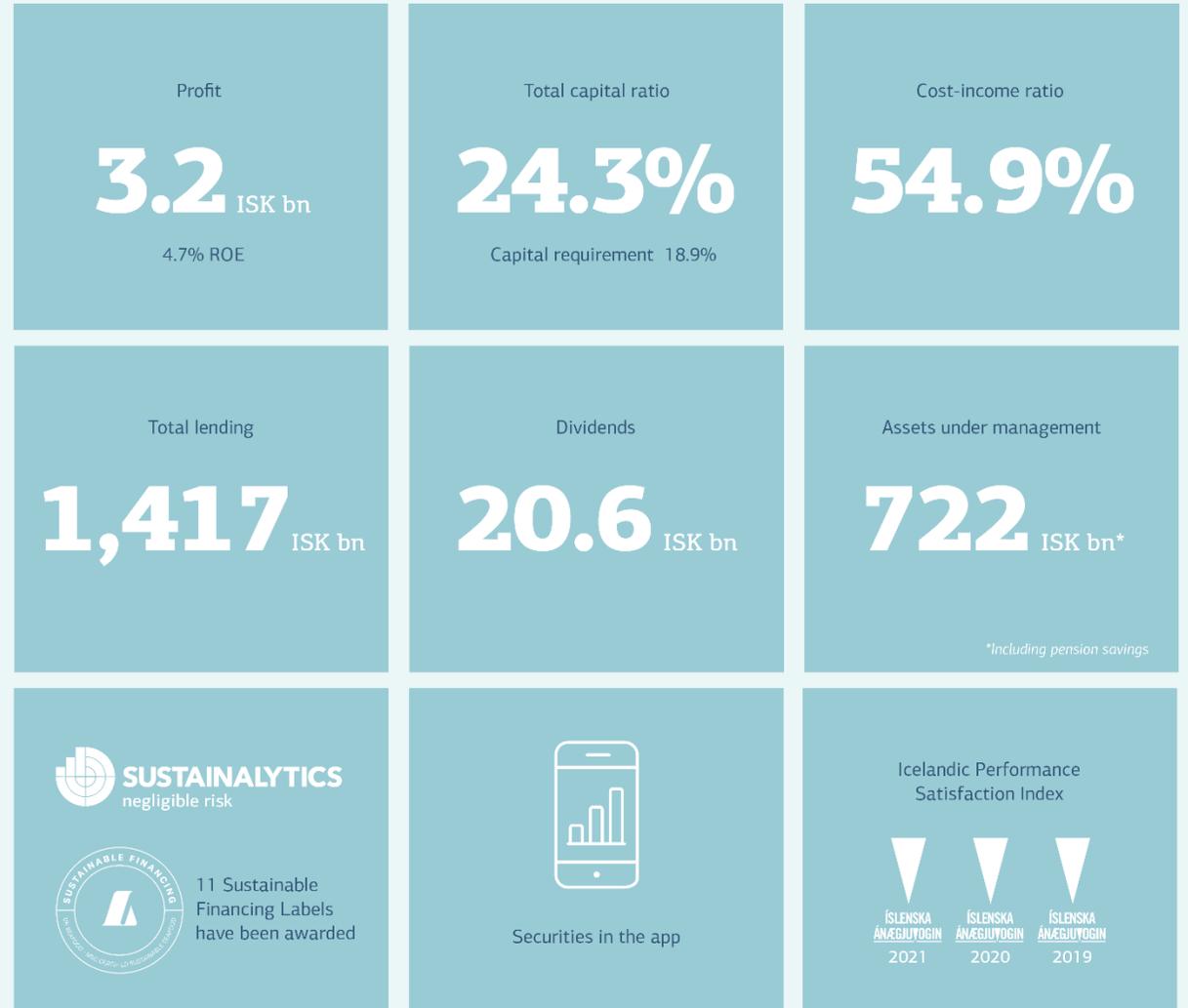
Around 89% of actions previously requiring service are now accessible via self-service solutions and use of these solutions is high. Around 80% of securities are purchased in the app or online banking.

Sustainable finance is the future

11 businesses have been awarded Landsbankinn's Sustainable Financing Label which links the Bank's net EUR 600m sustainable financing to lending.

Continuous development

Landsbankinn was the first domestic bank to offer public registration of mortgage documents through electronic channels, greatly simplifying finalisation of the mortgage process for customers.



We are here to help and simplify life for our customers

39%

market share in the retail market*

*Source: Landsbankinn

58%

of new housing mortgages carried fixed interest rates, compared with 15% in Q1 2021



First electronic public registration

Electronic public registration of documents leads to improved service and shorter waiting times for customers

39%

of new housing mortgages are issued to first-time buyers*

*March 2022

88,000

customers use online banking to tend to their finances

90,000

customers use the app to tend to their finances

Share in the housing mortgage market

Source: Financial results of the banks and figures from the Central Bank of Iceland.



Exceptional corporate banking service

Landsbankinn employs a dedicated team of experts which contributes to value creation by meeting the needs of corporate customers.

32.9%

share in the corporate banking market

75%

of credit cards issued through self-service solutions

80%

of applications for new corporate deposit accounts sent in through self-service solutions

467

legal entities became Landsbankinn customers in Q1

3,409

documents were signed electronically in Q1

Comprehensive saving and investment service

Personal service and responsible advice helps both businesses and individuals to take informed decisions

35%

YoY increase in fee and commission income in asset management and brokerage

30%

YoY increase in purchase transactions in Landsbréf funds

80%

of purchases in Landsbréf funds and equities are executed through self-service solutions

Aiming for sustainability



Landsbankinn emphasises four of the UN Sustainable Development Goals (SDG) in its operation. Goal 5 - Gender equality - is one of them. One of the most important contributions Icelandic businesses can make to equality is to work to eliminate the gendered wage gap and promote equal treatment in the labour market. By implementing an equal pay standard, Landsbankinn has enacted a control system which ensures that handling and decisions about wages is based on objective factors, free of gender-based discrimination.



Equal pay certification became a legal requirement in 2017 and the Bank was certified in 2019. Landsbankinn has always worked to close the gendered wage gap and we are pleased to announce that our equal pay standard was re-certified in February 2022.

Main sustainability projects in Q1



Sustainability Fund

Landsbankinn's Sustainability Fund, which emphasises projects that contribute to the energy transition, opened for applications in Q1.



Ecofriendly vehicles

19% of vehicle loans granted by Landsbankinn fund the purchase of electronic vehicles.



Landsbankinn's Sustainable Financing Label

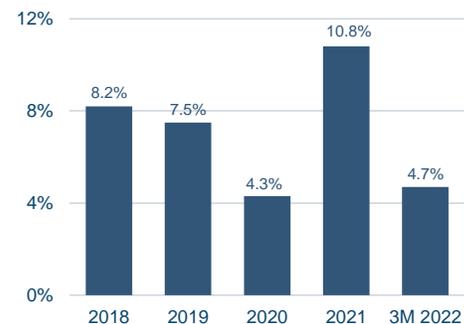
In order to promote sustainability, we share our knowledge with customers, supporting them to achieve sustainable financing for their projects. 11 businesses have received Landsbankinn's Sustainable Financing Label.

Financial objectives and development of KPIs

- Strong financial position and more opportunities to optimise capital structure

	Targets	3M 2022	Guidelines
Profitability			
Return on equity (ROE)	≥ 10%	4.7%	The Bank's long-term target is for ROE to be around or over 10%. ROE is expected to range between 7.0 – 9.0% in 2022.
Efficiency			
Cost / Income ratio	≤ 45%	54.9%	Expected ratio is 40 – 43% for the year 2022.
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%	22.6%	The Bank will seek to issue subordinated funding, depending on market conditions.
Total capital ratio	≥ 22%	24.3%	The Bank aims to be in the highest category for risk-adjusted capital ratio, as estimated by credit rating agencies.

Return on equity



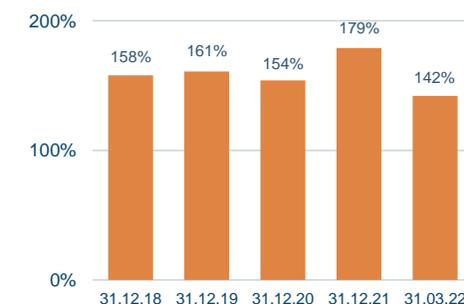
Total capital ratio



Cost / Income ratio



Liquidity coverage ratio total



An ever-smarter bank

SATISFIED CUSTOMERS

—
Simplify life
Show initiative

CONTINUOUS DEVELOPMENT

—
Smarter operations
Trusted banking

PASSION FOR SUCCESS

—
Enthusiasm for results
Workplace of tomorrow

Income statement

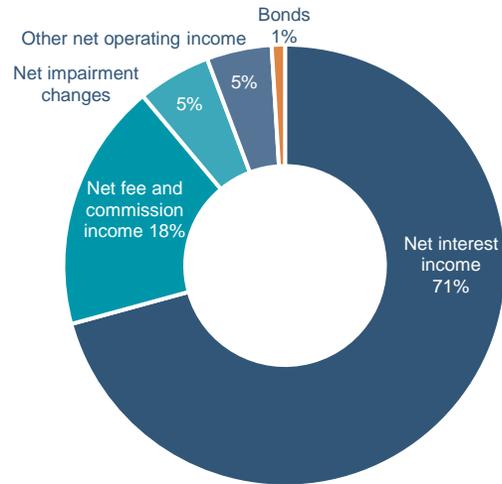


Income statement

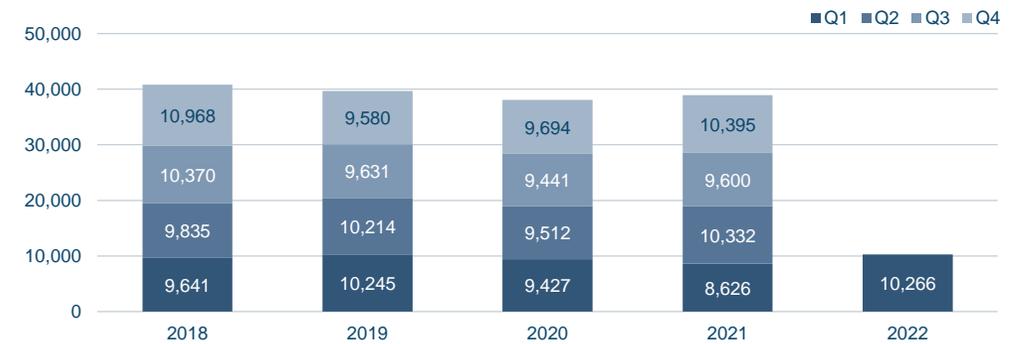
	Q1 2021	Q1 2022	Change	
Net interest income	10,266	8,626	1,640	19%
Net fee and commission income	2,639	2,054	585	28%
Net impairment changes	778	2,489	-1,711	-69%
Other net operating income	-1,693	2,590	-4,283	-165%
Total operating income	11,990	15,759	-3,769	-24%
Salaries and related expenses	3,755	3,769	-14	0%
Other operating expenses	2,399	2,315	84	4%
Tax on liabilities of financial institutions	510	467	43	9%
Total operating expenses	6,664	6,551	113	2%
Profit before tax	5,326	9,208	-3,882	-42%
Income tax	2,110	1,590	520	33%
Profit for the period	3,216	7,618	-4,401	-58%

Net operating income

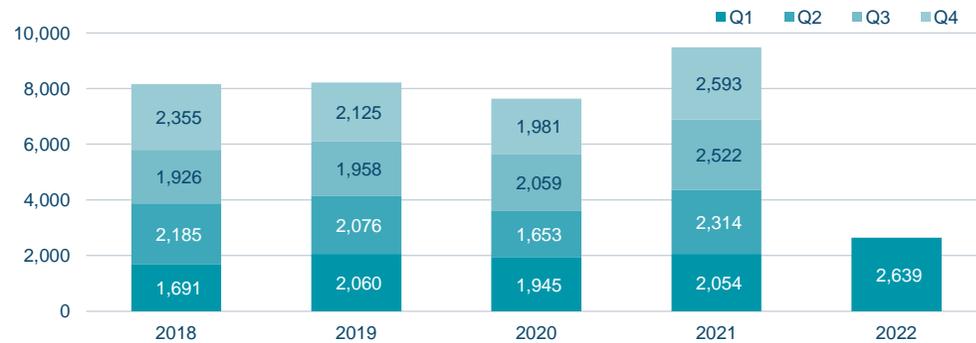
- Increased activity results in a 28% growth in fee and commission income year over year



Net interest income



Net fee and commission income



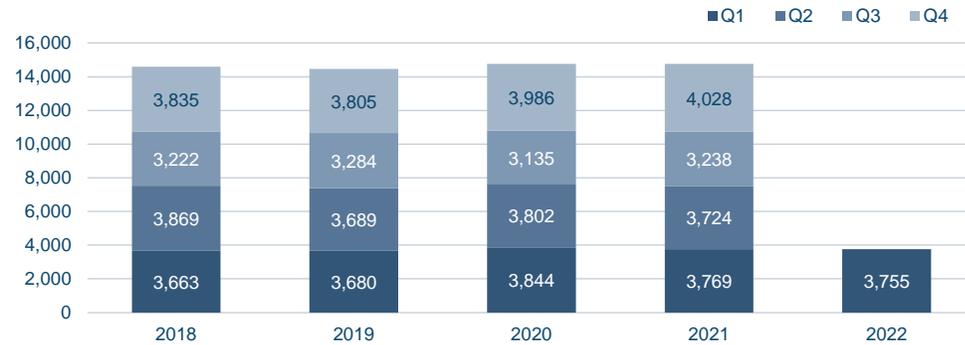
Net impairment changes



Operating expenses

- Fewer full-time equivalent positions and total labour cost is steady

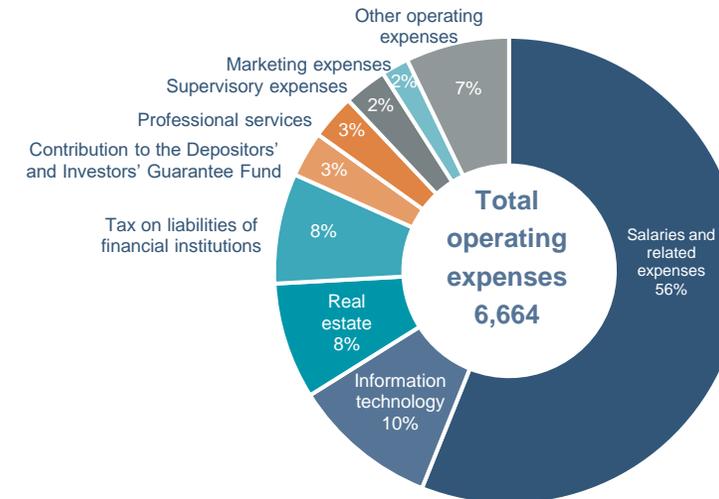
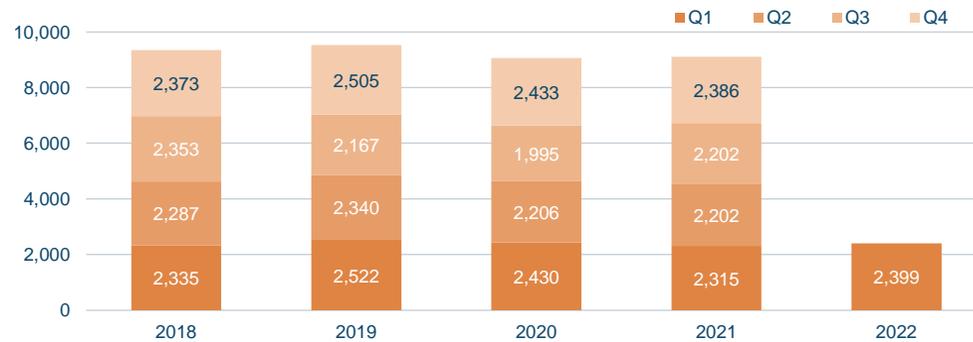
Salaries and related expenses



Full-time equivalent positions



Other operating expenses



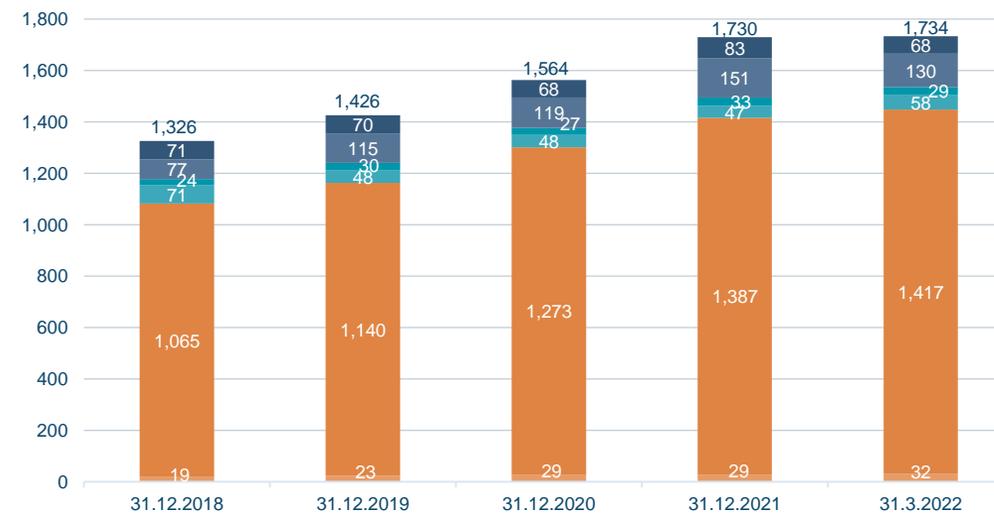
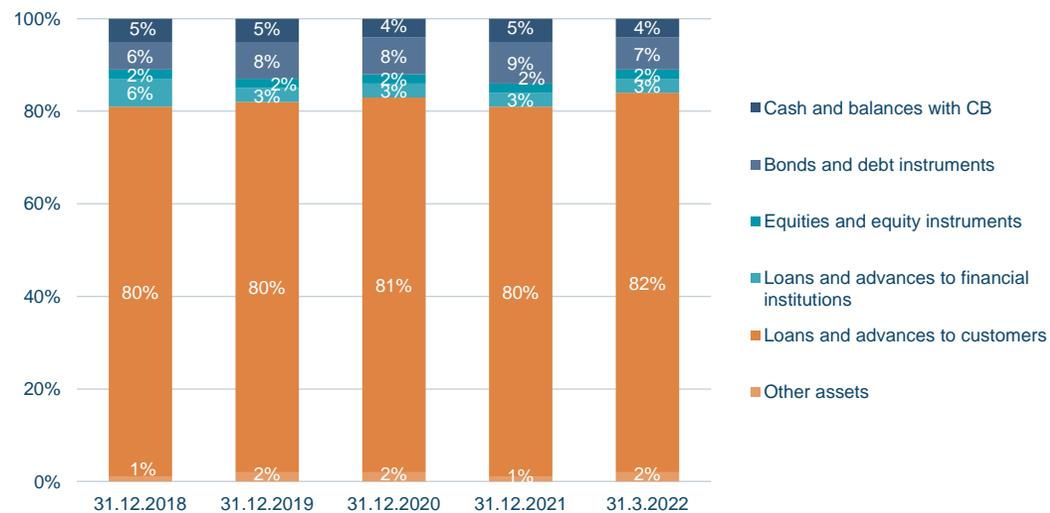
Balance sheet



Total assets

	31.3.2022	31.12.2021	Change	
Cash and balances with Central Bank	68	83	-15	-18%
Market bonds	130	151	-21	-14%
Equities	29	33	-4	-12%
Loans and receivables to credit institutions	58	47	11	23%
Loans and receivables to customers	1,417	1,387	30	2%
Other assets	32	29	3	10%
Total	1,734	1,730	4	0%

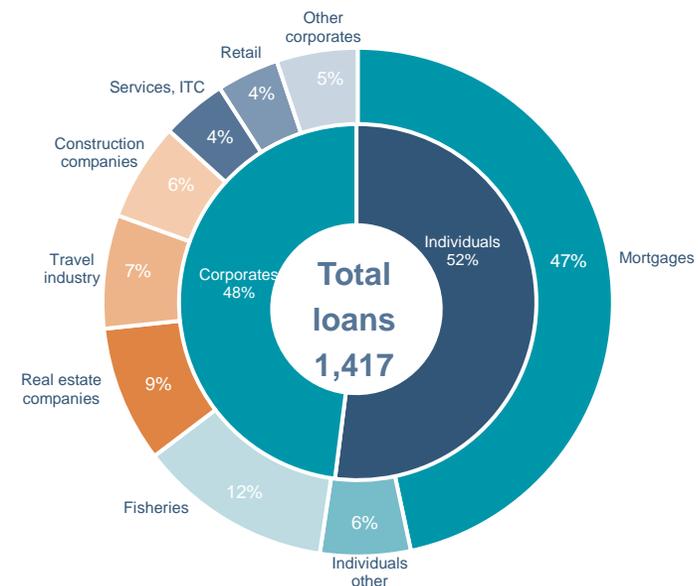
- Lending to individuals increased by ISK 17 billion. Mortgage loans grew by 2%, or around ISK 14 billion.
- Lending to corporates increased by ISK 21 billion, ignoring the impact of exchange rates.



Loans

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

Total loan portfolio



Problem loans



Loan staging

	Gross carrying amount		Allowance for impairment		Carrying amount	
Stage 1	1,276	89.3%	3	0.2%	1,273	89.9%
Stage 2	98	6.9%	3	3.2%	95	6.7%
Stage 3	27	1.0%	6	23.6%	21	1.6%
Fair value	28	2.0%			28	2.0%
Total	1,429	100%	14	0.8%	1,387	100%

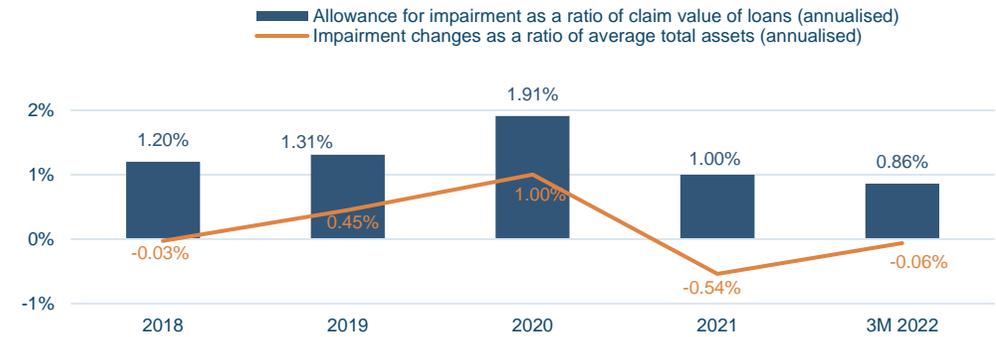
Impairment on loans

- Rapidly declining impact of Covid-19 on the Bank's loan book

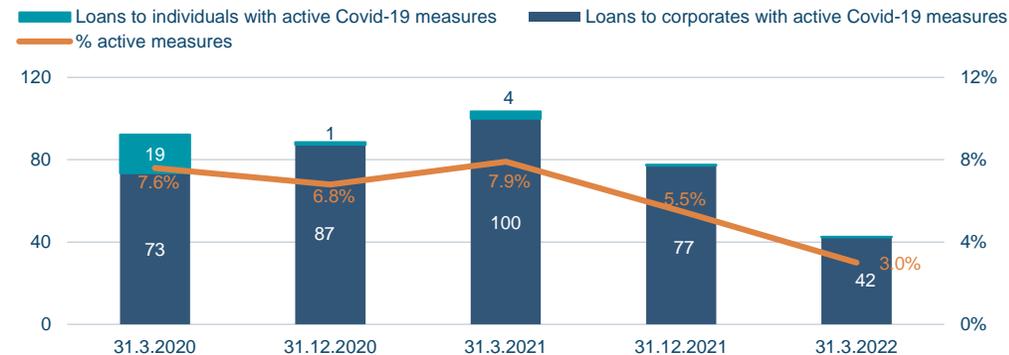
Allowance for impairment on loans and advances to customers



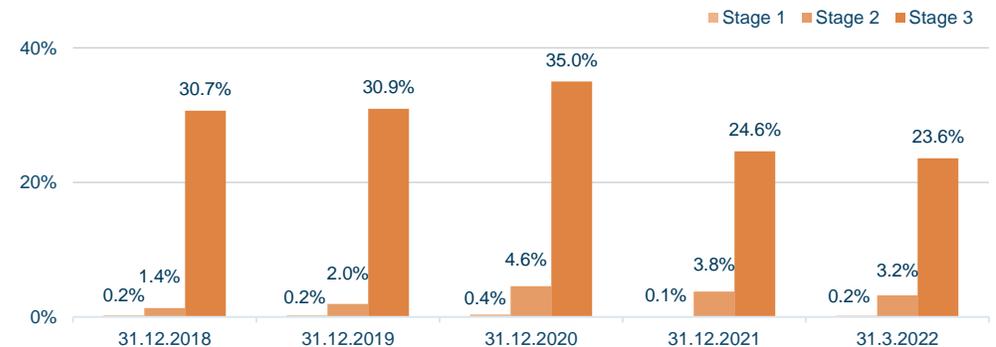
Cost of risk



Gross carrying amount of loans with Covid-19 measures



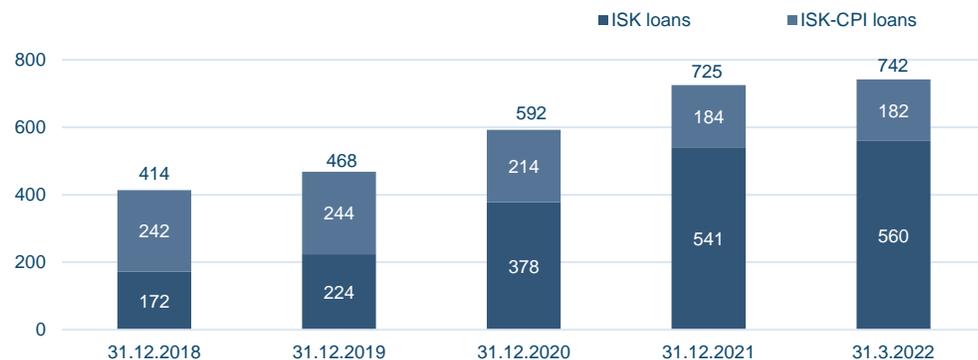
Allowance as percentage of gross carrying amount



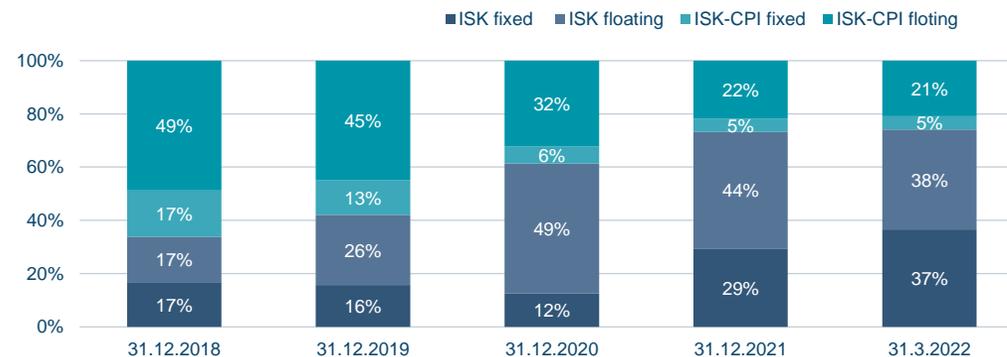
Loans to individuals

- Significant increase in non-indexed, fixed-rate housing mortgages alongside rising inflation and Central Bank rate hikes

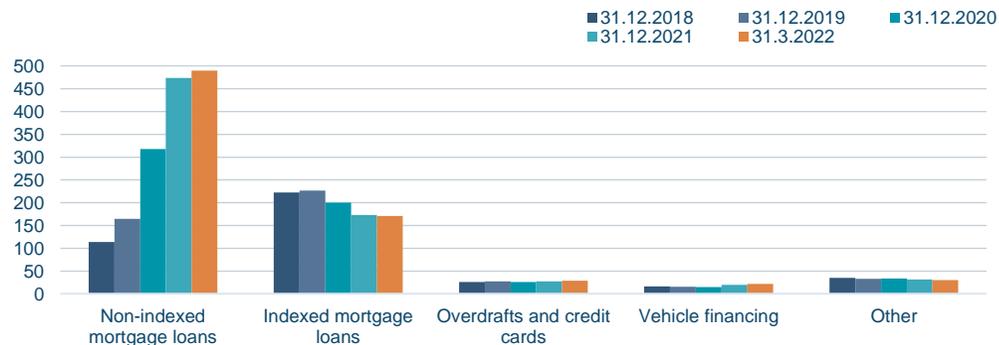
Loans to individuals



Mortgage loans by interest types



Loans to individuals by loan types



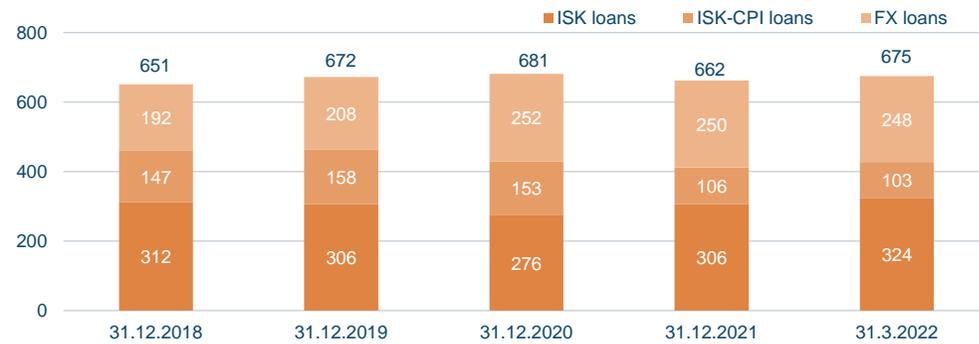
Continuous LTV distribution of mortgages



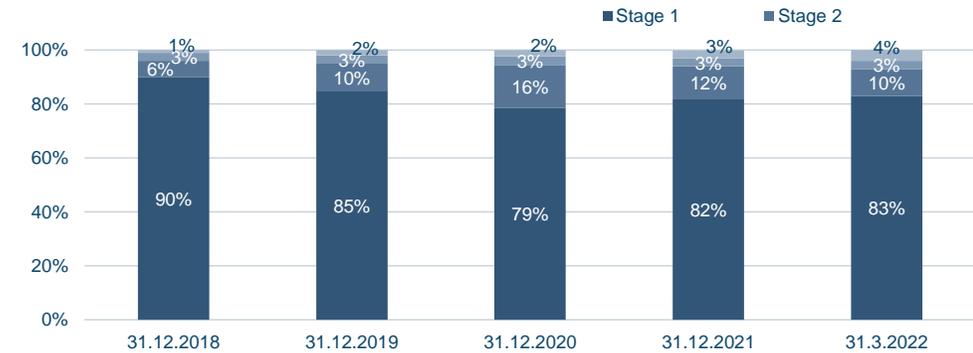
Loans to corporates

- Moderate increase in lending to corporates

Loans to corporates



Stage allocation of loans to corporates



Loans to corporates by industry sector

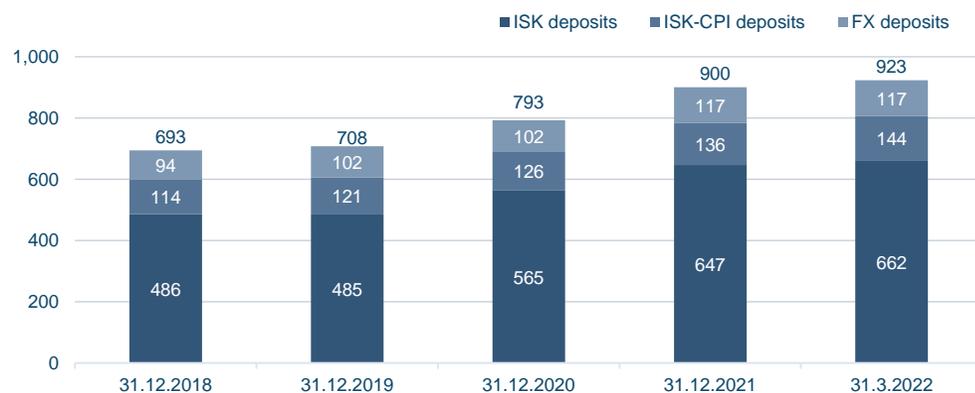


Liabilities and equity

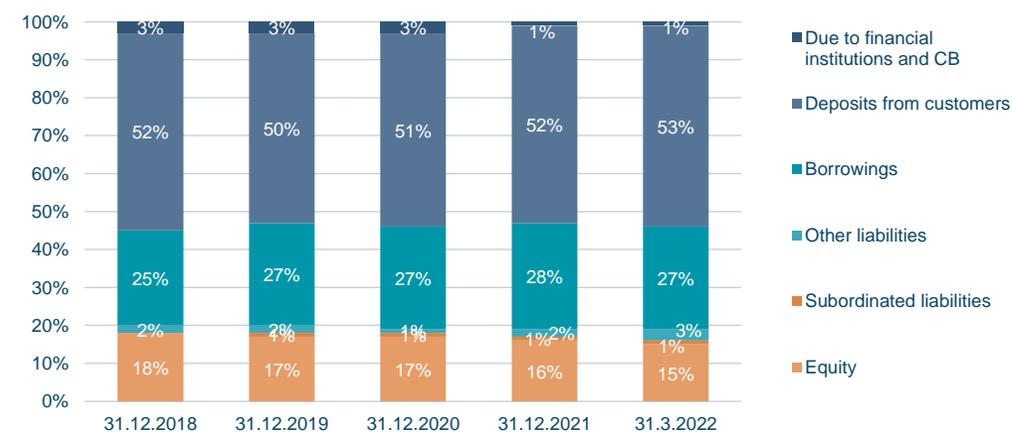
	31.3.2021	31.12.2021	Change	
Due to financial institutions and CB	7	10	-3	-30%
Deposits from customers	923	900	23	3%
Borrowings	473	486	-13	-3%
Other liabilities	46	30	16	53%
Subordinated liabilities	20	21	-1	-5%
Equity	265	283	-18	-6%
Total	1,734	1,730	4	0%

- Customer deposits increased by ISK 23 billion from the beginning of the year
- Further issuance of covered bonds alongside growth in mortgage lending.

Deposits from customers



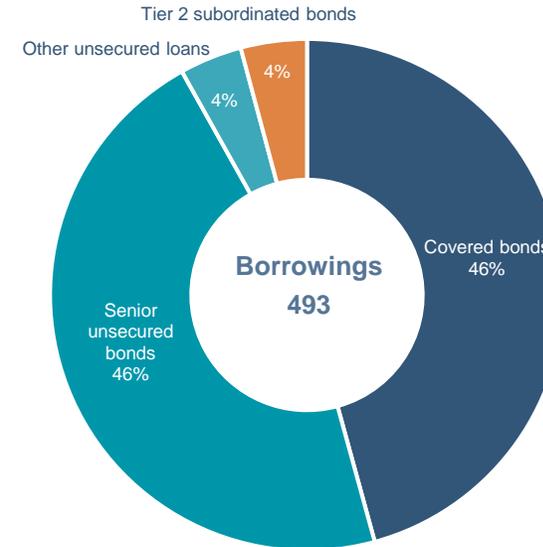
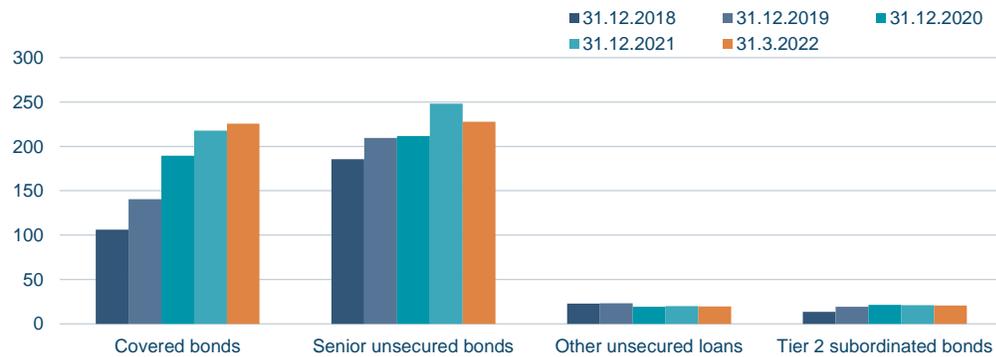
Liabilities and equity



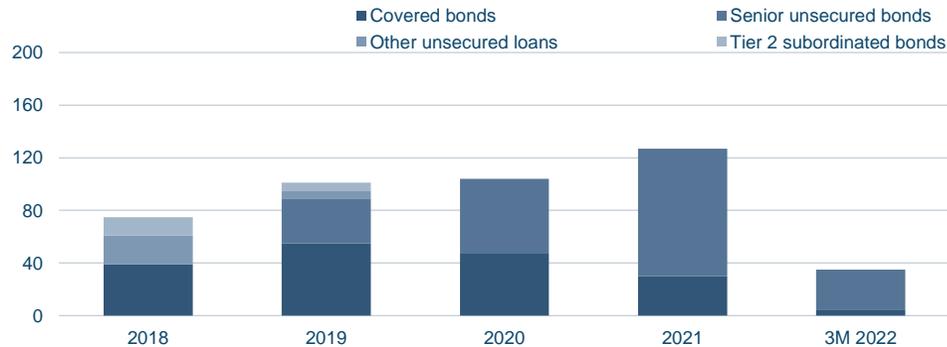
Borrowings

- The Bank continues to have good access to financing, both domestically and abroad

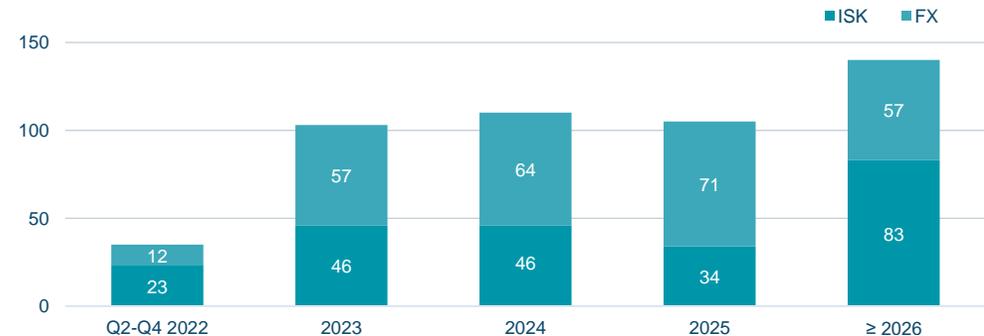
Borrowings



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.

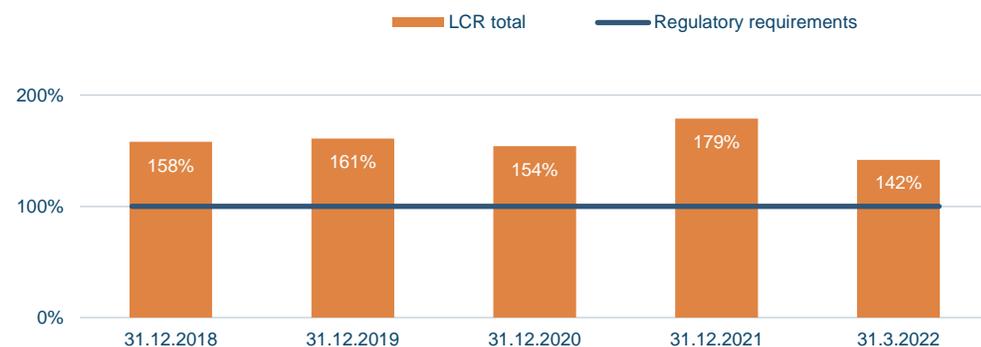
Amounts in ISK bn



Liquidity ratio and net stable funding ratio

- Strong liquidity and funding ratios

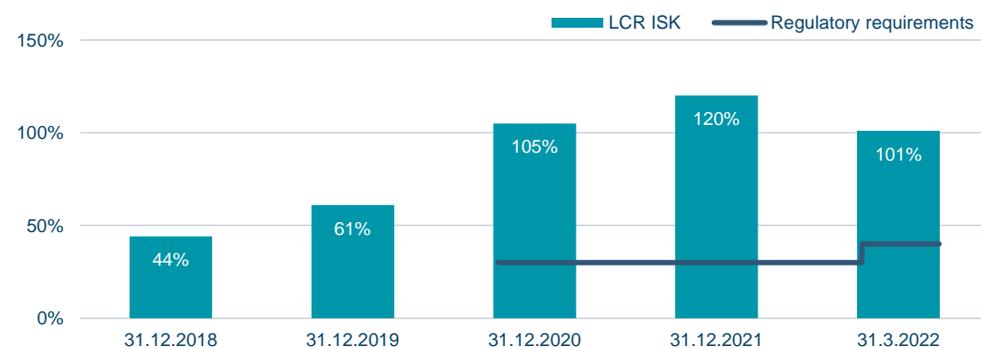
Liquidity coverage ratio total



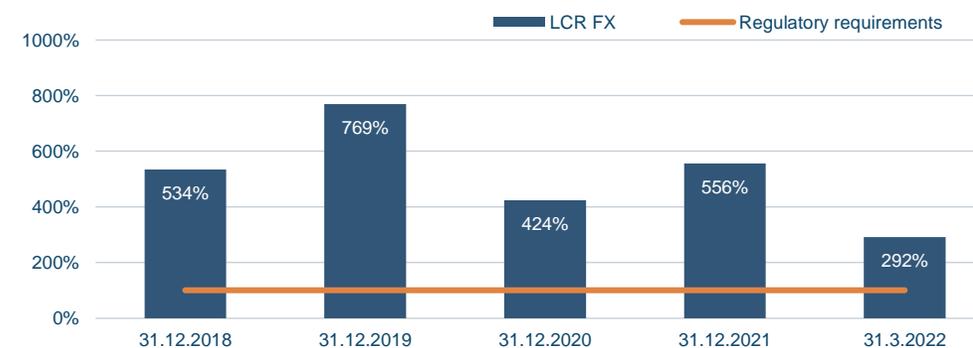
Net stable funding ratio



Liquidity coverage ratio ISK



Liquidity coverage ratio FX

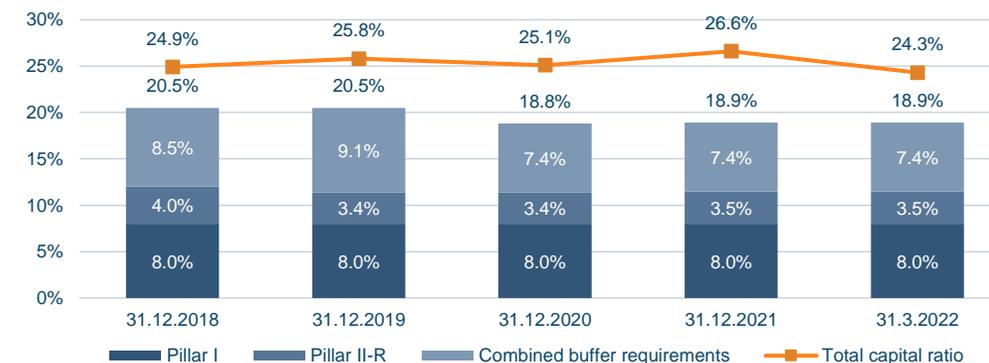


Capital requirements

- Strong capital ratios in line with goals

	CET1	Tier 1	Total
Pillar I	4.5%	6.0%	8.0%
Pillar II-R	2.0%	2.6%	3.5%
Minimum requirement under Pillar I and Pillar II-R	6.5%	8.6%	11.5%
Systemic risk buffer	2.9%	2.9%	2.9%
Capital buffer for systematically important institutions	2.0%	2.0%	2.0%
Countercyclical capital buffer	0.0%	0.0%	0.0%
Capital conservation buffer	2.5%	2.5%	2.5%
Combined buffer requirements under Pillar II-G	7.4%	7.4%	7.4%
Total capital requirement	13.9%	16.0%	18.9%
Total capital ratio as at 31.3.2022	22.6%	22.6%	24.3%

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 Financial Stability Committee announced an increase in the countercyclical capital buffer to 2.0%, effective as of 29.09.2022.
- 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 23%.

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 1.8 percentage points.

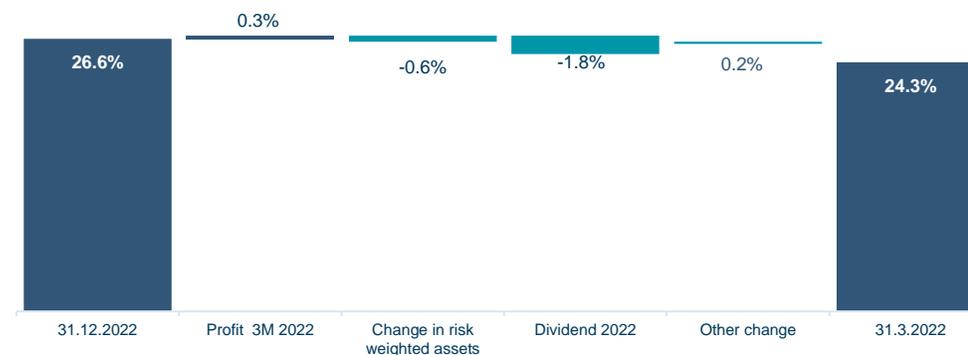
Landsbankinn's dividend policy

- 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.

Dividends



Total capital ratio, changes in 3M 2022



Appendix

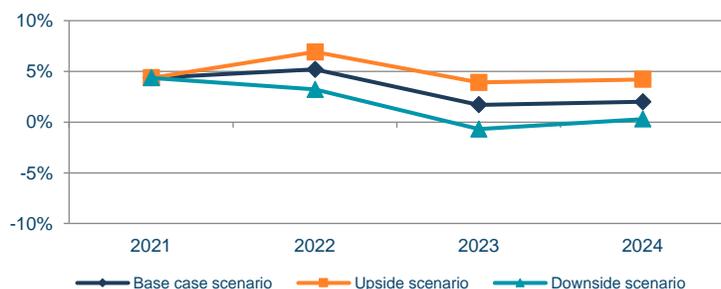
Further information



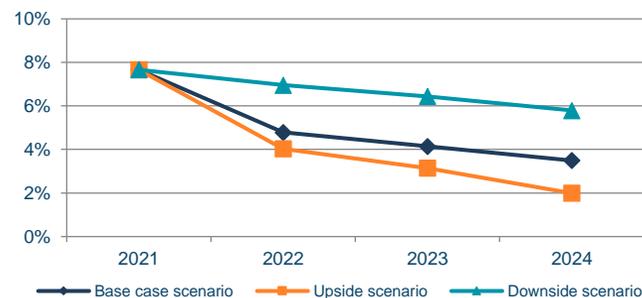
Economic scenarios for expected credit loss

- 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 20% weight, the baseline 50% weight and the pessimistic scenario 30% weight.

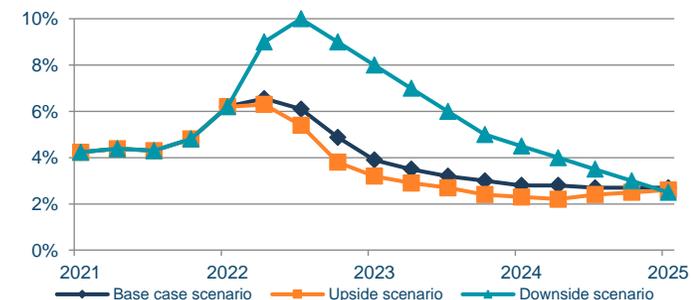
Economic growth



Unemployment



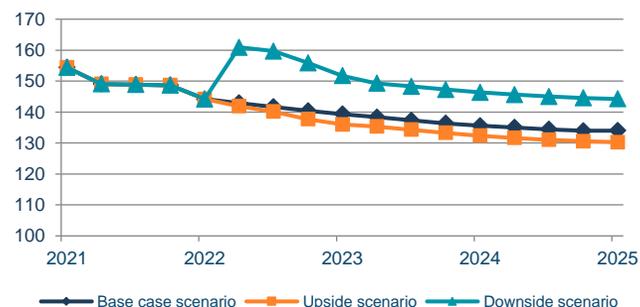
Inflation



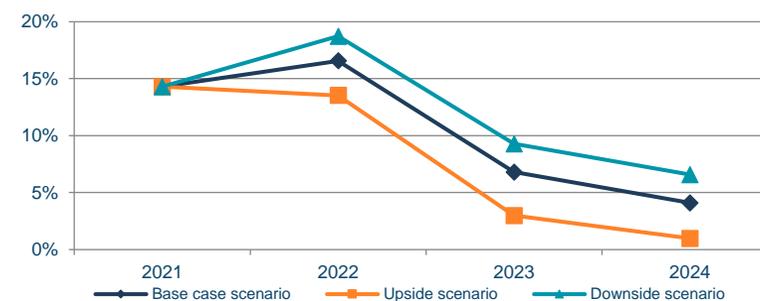
CBI's key rate (seven-day term deposits)



EUR/ISK



Housing price (YoY change)



Key financial ratios

	Q1 2022	Q4 2021	Q3 2021	Q2 2021	Q1 2021	2021	2020	2019	2018
Profit (loss) after taxes	3,216	7,322	7,492	6,487	7,618	28,919	10,521	18,235	19,260
Return on equity before taxes	7.8%	14.0%	13.8%	12.2%	14.2%	13.6%	5.1%	9.6%	11.1%
Return on equity after taxes	4.7%	10.5%	11.0%	9.8%	11.7%	10.8%	4.3%	7.5%	8.2%
After-tax return on average assets	0.7%	1.7%	1.8%	1.6%	1.9%	1.7%	0.7%	1.3%	1.5%
Total capital ratio	24.3%	26.6%	24.9%	25.1%	24.9%	26.6%	25.1%	25.8%	24.9%
Net interest income	10,266	10,395	9,600	10,332	8,626	38,953	38,074	39,670	40,814
Interest spread as a ratio of average total assets	2.4%	2.4%	2.3%	2.5%	2.2%	2.3%	2.5%	2.8%	3.2%
Cost-income ratio	54.9%	47.6%	37.9%	41.7%	45.8%	43.2%	47.4%	42.6%	45.5%
Liquidity ratio LCR total	142%	179%	172%	180%	202%	179%	154%	161%	158%
Liquidity LCR FX	292%	556%	443%	420%	477%	556%	424%	769%	534%
Liquidity LCR ISK	101%	120%	113%	112%	120%	120%	105%	61%	44%
Net stable funding ratio NSFR total	122%	121%	118%	121%	118%	121%	116%	117%	120%
Net stable funding ratio NSFR FX	143%	142%	122%	140%	140%	142%	132%	143%	166%
Operating expenses as a ratio of average total assets	1.4%	1.5%	1.3%	1.4%	1.5%	1.4%	1.6%	1.7%	1.9%
Total assets	1,733,644	1,729,798	1,718,358	1,677,297	1,600,952	1,729,798	1,564,177	1,426,328	1,326,041
Loans / deposits ratio	153.5%	154.1%	158.2%	157.6%	162.1%	154.1%	160.5%	161.1%	153.6%
Full-time equiv. positions	791	816	837	844	869	816	878	893	919

Operations

	Q4 2021	Q4 2021	Q3 2021	Q2 2021	Q1 2021	2021	2020	2019	2018
Net interest income	10,266	10,395	9,600	10,332	8,626	38,953	38,074	39,670	40,814
Net fee & commission income	2,639	2,593	2,522	2,314	2,054	9,483	7,638	8,219	8,157
Net impairment changes	778	3,247	1,008	293	2,489	7,037	-12,020	-4,827	1,352
Other net operating income	-1,693	482	2,216	1,569	2,590	6,857	4,561	8,455	3,587
Total operating income	11,990	16,717	15,346	14,508	15,759	62,330	38,253	51,517	53,910
Salaries and related expenses	3,755	4,028	3,238	3,724	3,769	14,759	14,767	14,458	14,589
Other operating expenses	2,399	2,386	2,202	2,202	2,315	9,105	9,064	9,534	9,348
Tax on liabilities of financial institutions	510	508	525	513	467	2,013	1,815	4,204	3,860
Total operating expenses	6,664	6,922	5,965	6,439	6,551	25,877	25,646	28,196	27,797
Profit before tax	5,326	9,795	9,381	8,069	9,208	36,453	12,607	23,321	26,113
Income tax	2,110	2,473	1,889	1,582	1,590	7,534	2,086	5,086	6,853
Profit for the period	3,216	7,322	7,492	6,487	7,618	28,919	10,521	18,235	19,260

Balance sheet

	31.3.2022	31.12.2021	Change		31.12.2020	31.12.2019	31.12.2018
Cash and balances with CB	68,406	82,425	-14,019	-17%	67,604	69,824	70,854
Bonds and debt instruments	129,661	150,435	-20,774	-14%	119,330	115,262	77,058
Equities and equity instruments	28,990	33,347	-4,356	-13%	26,808	30,019	23,547
Loans and advances to fin institutions	58,179	47,231	10,948	23%	48,073	47,929	71,385
Loans and advances to customers	1,416,504	1,387,463	29,041	2%	1,273,426	1,140,184	1,064,532
Other assets	31,904	28,897	3,006	10%	28,936	23,110	18,665
Total assets	1,733,644	1,729,798	3,847	0%	1,564,177	1,426,328	1,326,041
Due to financial institutions and CB	6,557	10,425	-3,868	-37%	48,725	48,062	34,609
Deposits from customers	922,556	900,098	22,458	2%	793,427	707,813	693,043
Borrowing	472,827	486,042	-13,215	-3%	420,178	373,168	314,412
Other liabilities	45,871	29,803	16,068	54%	22,227	30,470	31,027
Subordinated liabilities	20,524	20,785	-261	-1%	21,366	19,081	13,340
Equity	265,310	282,645	-17,336	-6%	258,255	247,734	239,610
Total liabilities and equity	1,733,644	1,729,798	3,847	0%	1,564,177	1,426,328	1,326,041

Operating segments

1.1.2022 - 31.3.2022	Personal Banking	Corporate Banking	Asset Management & Capital Market	Treasury and Market Making	Other segments	Reconciliation	Total
Net interest income	4,223	4,677	162	1,236	-14	-18	10,266
Net fee and commission income	714	408	1,590	-66	31	-38	2,639
Net impairment changes	-59	841	-1	-3	0	0	778
Net other operating income (expense)	38	-4	21	-1,948	206	-6	-1,693
Total operating income (expense)	4,916	5,922	1,772	-781	223	-62	11,990
Operating expenses	-1,529	-747	-503	-519	-2,901	45	-6,154
Tax on liabilities of financial institutions	-201	-101	-2	-204	-2	0	-510
Allocated expenses	-1,019	-694	-269	-243	2,225	0	0
Profit (loss) before tax	2,167	4,380	998	-1,747	-455	-17	5,326
Income tax	-555	-1,141	-354	-171	111	0	-2,110
Profit (loss) for the period	1,612	3,239	644	-1,918	-344	-17	3,216
Total assets	789,696	607,707	12,471	701,519	23,041	-400,790	1,733,644
Total liabilities	752,331	499,694	7,938	586,120	23,041	-400,790	1,468,334
Allocated capital	37,365	108,013	4,533	115,399	-		265,310

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