



# Q1 2023 results

Lilja Björk Einarsdóttir  
CEO

Hreiðar Bjarnason  
CFO

# Strong first quarter

- On-going sound operation and strong financial position



**Return on equity (ROE)** was 11.1% in the first quarter and all of the Bank's financial targets were achieved.

**Interest income and interest expenses** have increased with rising interest rate levels and a growing balance sheet.

**Net fee & commission income** increases primarily as a result of growing corporate finance activity.

**Favourable funding** despite challenging conditions on international markets. Landsbankinn is the first Icelandic bank to issue European Covered Bonds (Premium).

**Conservative lending growth**, with lending increasing by 2% in the quarter and loans in arrears remaining at a minimum.

The **cost-income ratio** decreases with growing income, despite a slight increase in cost.

**Strong equity position**, 450 points above regulatory requirements.

# Ambitious and clear strategy

- Goal set for satisfied customers and 10% profitability



Active participant in local communities throughout Iceland and emphasis on sustainability in banking



Increase the Bank's share in both the retail and corporate markets with simple and secure solutions

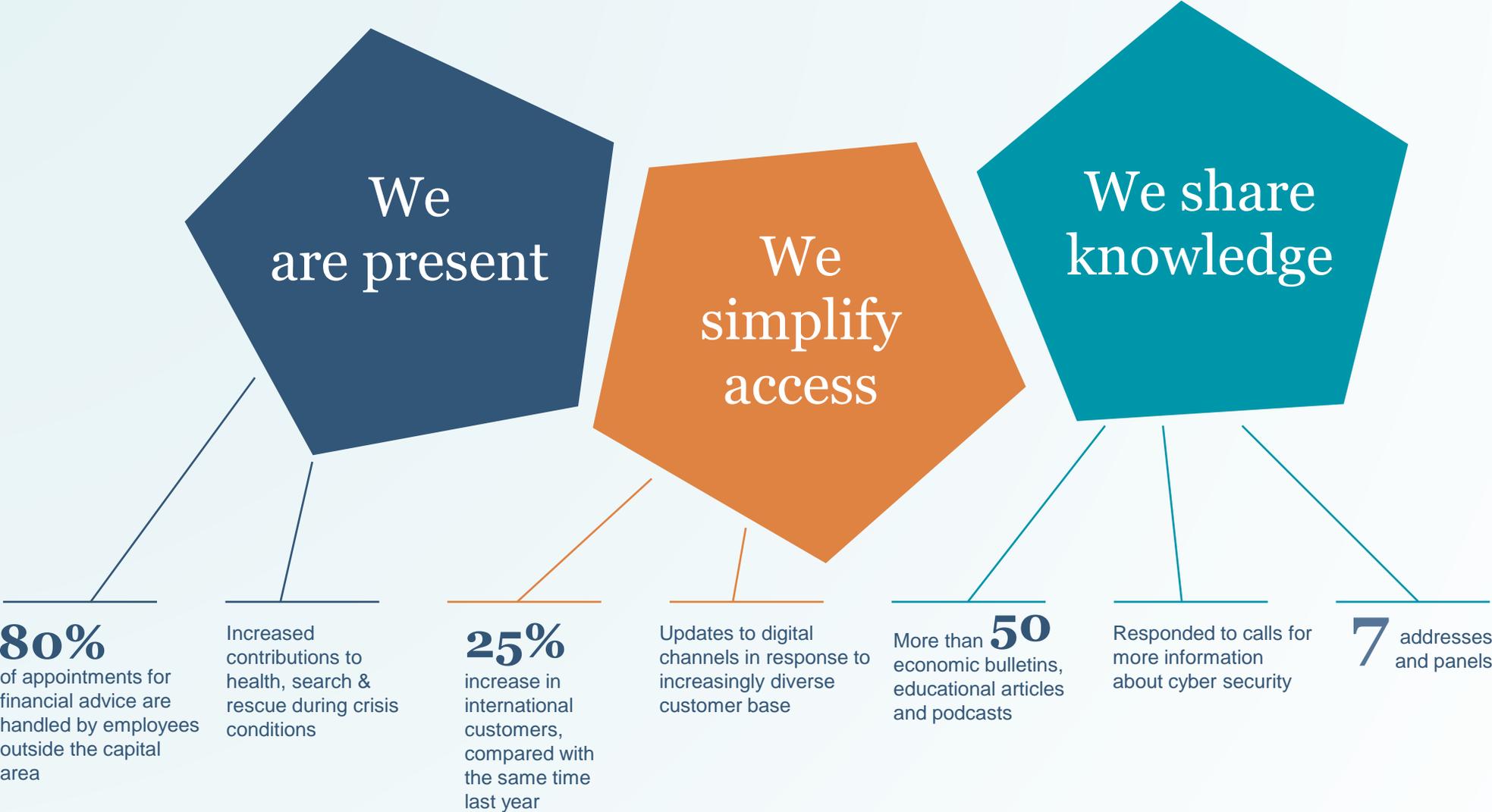


Continuous operational improvement and successful funding



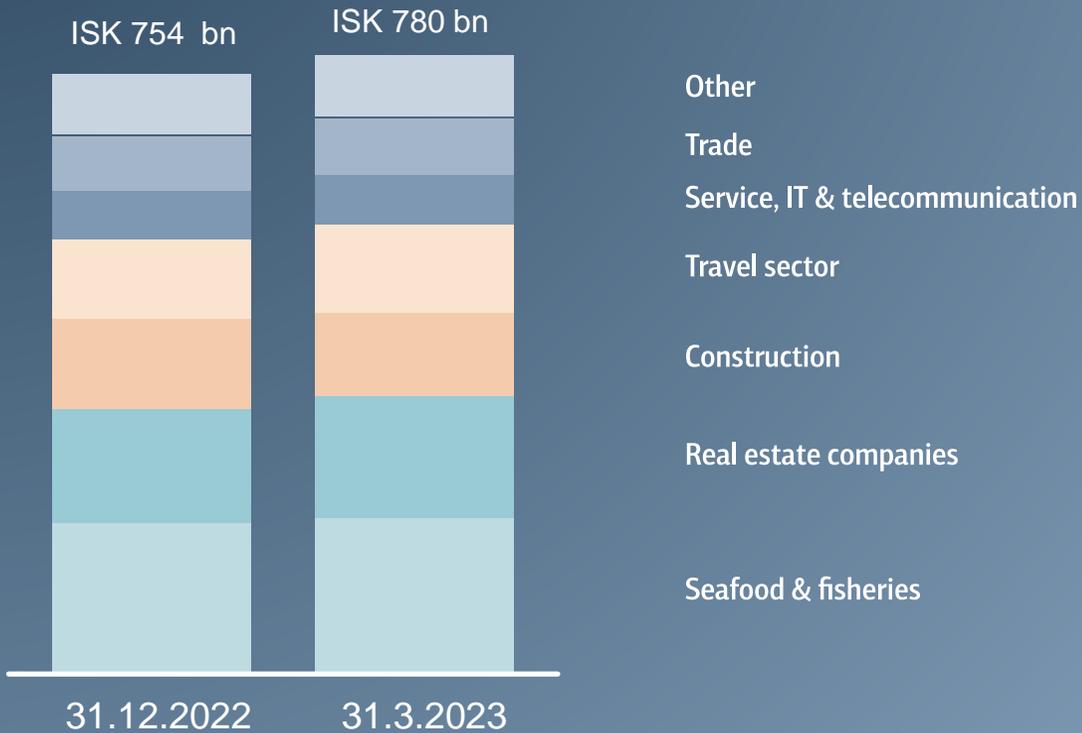
Employees recommend Landsbankinn as a workplace

# Active participant in the community



# Banking for the future

- Increased lending across all sectors and new services launched



Lending growth less exchange rate impact is ISK 31.6 billion



**Merchant acquiring services**  
New service that has been well received

**Direct access to FX trading**  
Simplifying the life of financial directors

**Robust corporate finance**  
Broad service base and growing activity

**Strong in financing**  
4,500 apartments around Iceland financed

# Simplify life for customers

- Market share is 40% in the retail market and the position is strong in all geographies



Record number of app users



Easy to save in the app



Considerable increase  
in use of Aukakrónur  
in the app



---

**Enhance defences with strong customer authentication in online banking and app**

Compared with the same quarter of 2022

# Sound funding

Customer deposits are over

**1,000**  
ISKbn



**300**  
EURm

---

Covered bonds (premium),  
inaugural issuance by an  
Icelandic bank

**12**  
ISKbn

---

Subordinated bonds

**40**  
USDm

---

Long-term loan from the Nordic  
Investment Bank (NIB) for expected  
BREEAM certified new headquarters  
in Reykjastræti

# Workplace of tomorrow

Move to **Reykjastræti 6** began

From 18.500 m<sup>2</sup>  
to 10.000 m<sup>2</sup>



**BREEAM**<sup>®</sup>

BREEAM-  
certification  
on-going

Project-based  
work environment

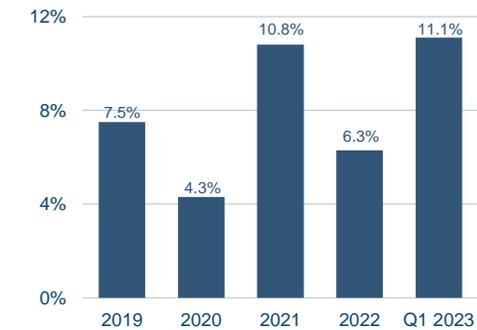


# Financial targets and development of KPIs

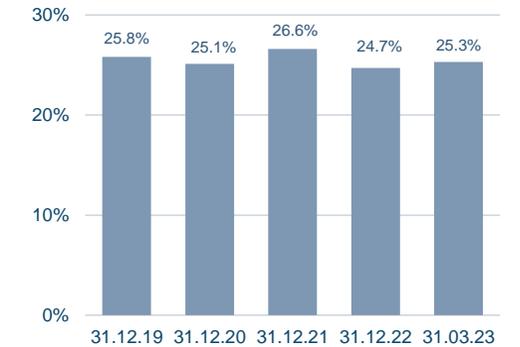
- Strong financial position and efficient operations.

	Target	Q1 2023	Guidance
<b>Profitability</b>			
Return on equity (ROE)	≥ 10%	11.1%	The Bank's long-term target is for ROE to be in general above 10%. Expected ROE in 2023 is 10-12%.
<b>Efficiency</b>			
Cost/income ratio	≤ 40%	33.3%	Projected 2023 cost/income ratio is 32-36%.
<b>Financial strength</b>			
Dividend payout ratio	~ 50%	50%	Regular dividend to be 50% of the previous year's profit.
Common Equity Tier 1 capital (CET1)	≥ 18%	22.6%	Our aim is to continue to fully utilise the Tier 2 capital capacity.
Total capital ratio	≥ 22%	25.3%	The Bank aims to be in the highest category for risk-adjusted capital ratio, as estimated by credit rating agencies.

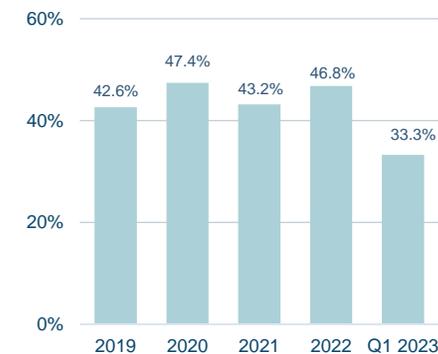
Return on equity (ROE)



Total capital ratio



Cost/income ratio



CET1



# Income statement

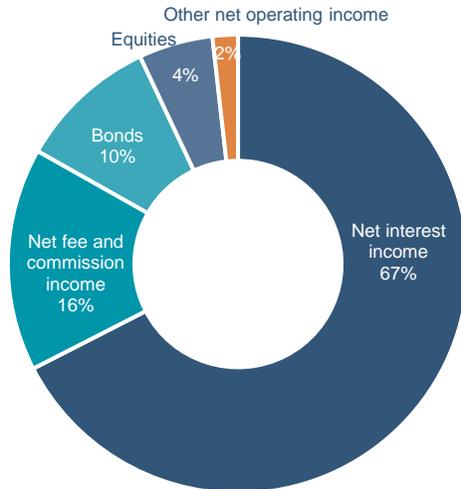


# Income statement

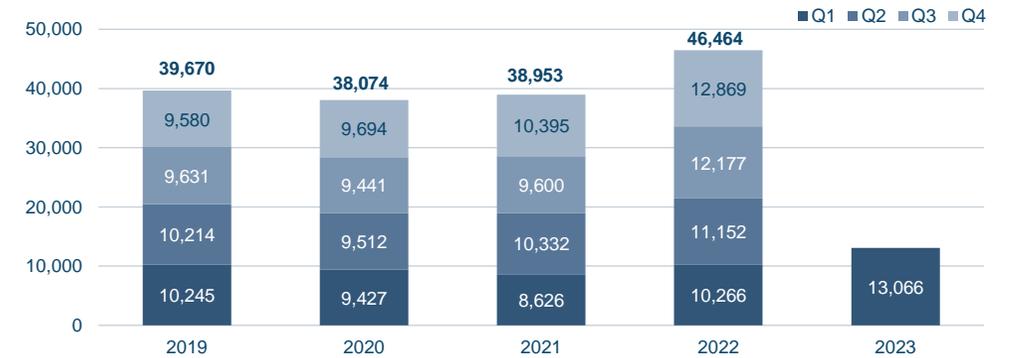
	Q1 2023	Q1 2022	Change	
Net interest income	13,066	10,266	2,800	27%
Net fee and commission income	3,048	2,639	409	15%
Net impairment changes	-2,111	778	-2,889	-371%
Other net operating income (expenditure)	3,317	-1,693	5,010	296%
<b>Total operating income</b>	<b>17,320</b>	<b>11,990</b>	<b>5,330</b>	<b>44%</b>
Salaries and related expenses	4,119	3,755	364	10%
Other operating expenses	2,355	2,399	-44	-2%
Tax on liabilities of financial institutions	570	510	60	12%
<b>Total operating expenses</b>	<b>7,044</b>	<b>6,664</b>	<b>380</b>	<b>6%</b>
<b>Profit before tax</b>	<b>10,276</b>	<b>5,326</b>	<b>4,950</b>	<b>93%</b>
Income tax	2,520	2,110	410	19%
<b>Profit for the period</b>	<b>7,756</b>	<b>3,216</b>	<b>4,540</b>	<b>141%</b>

# Net operating income

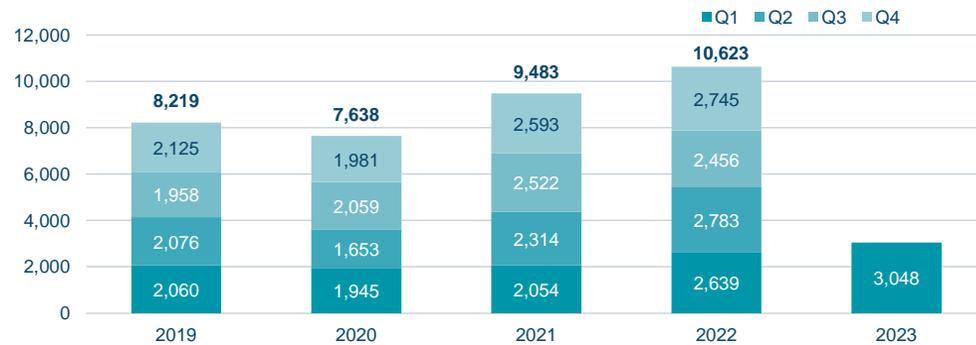
- Rising interest rate levels and changed asset structure result in a 27% net increase in interest income.



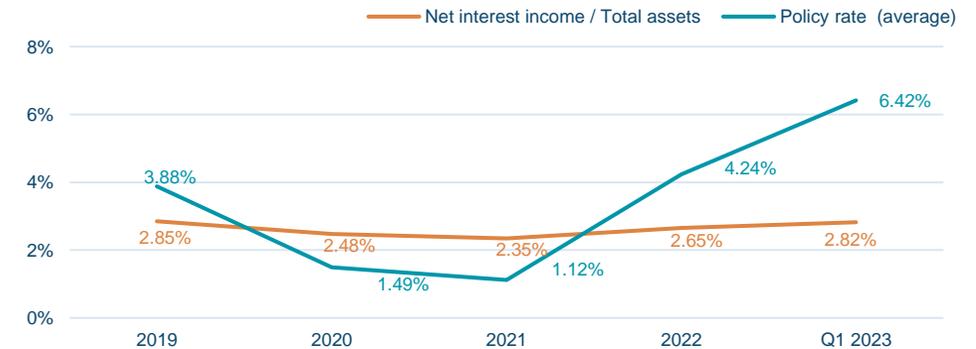
## Net interest income



## Net fee and commission income



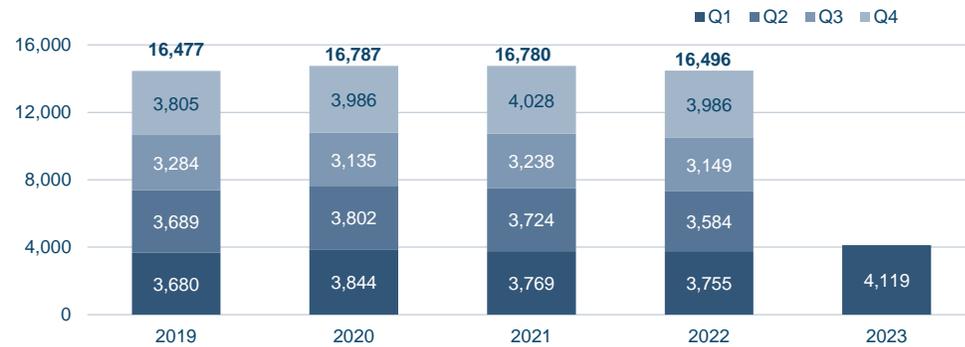
## Policy rate and net interest income



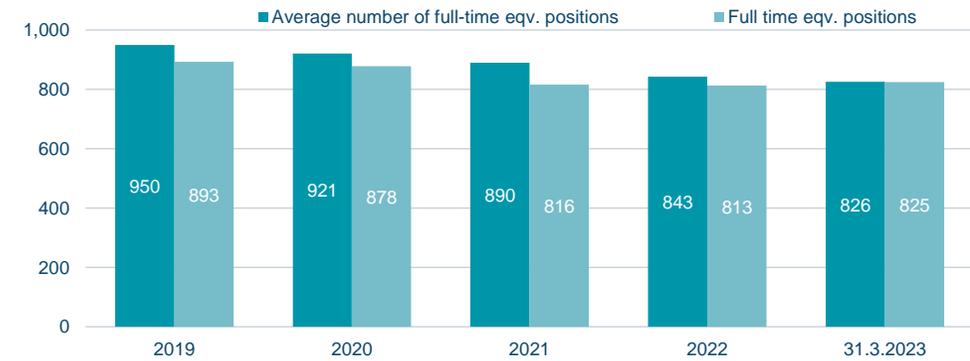
# Operating expenses

- Operating expenses are up, driven by collective bargaining agreements and inflation.

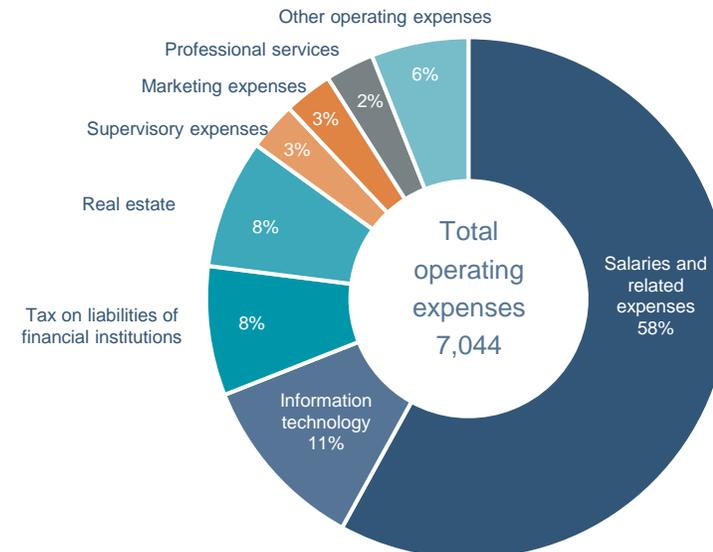
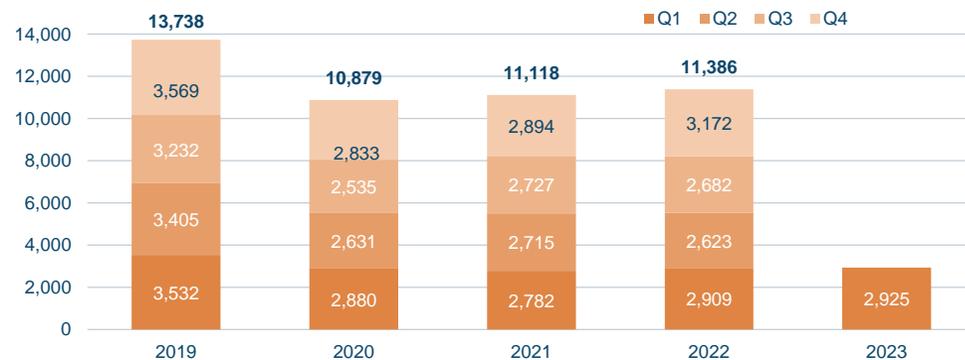
## Salaries and related expenses



## Full-time equivalent positions



## Operating expenses





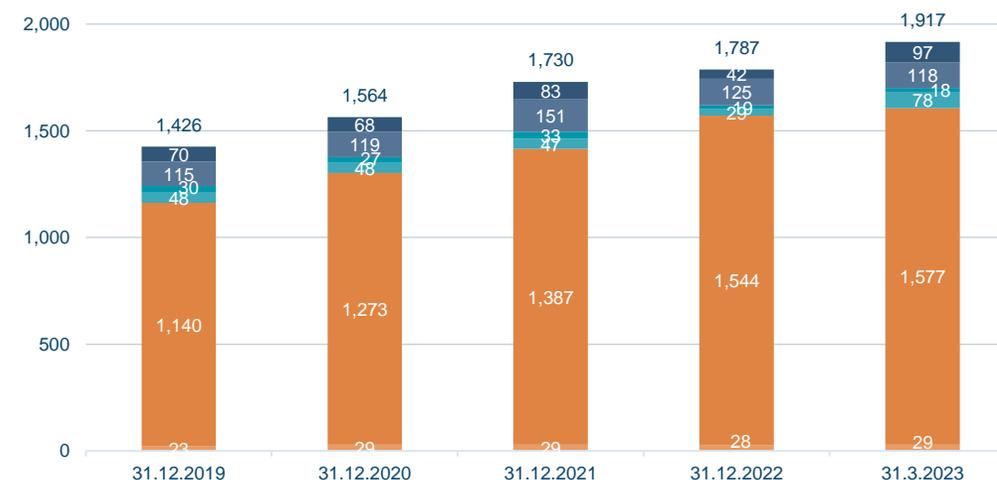
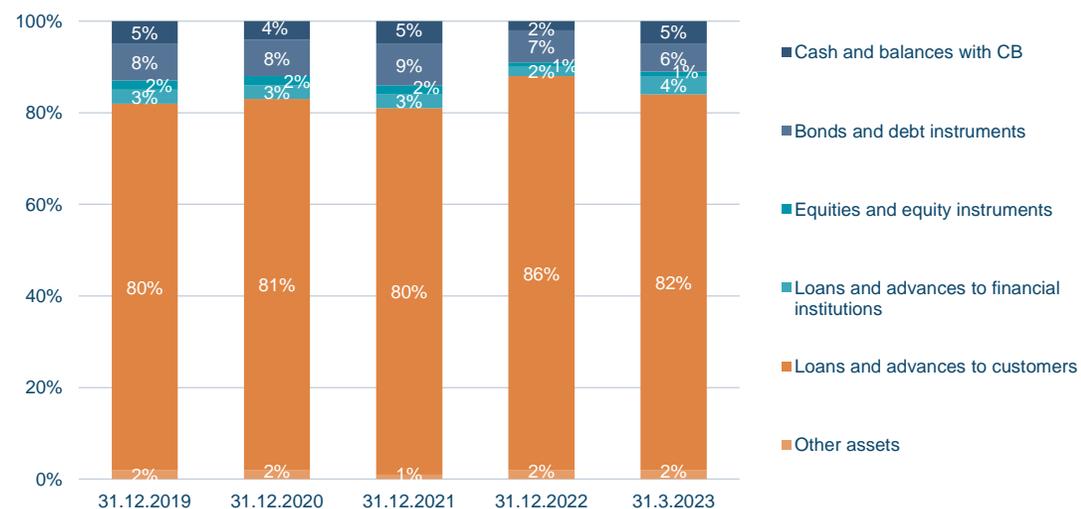
# Balance sheet

# Total assets

- Lending to customers grew by 2% while total assets increase by 7%, mainly as a result of new debt financing and growing customer deposits.

	31.3.2023	31.12.2022	Change	
Cash and balances with Central Bank	97	42	55	131%
Market bonds	118	125	-7	-6%
Equities	18	19	-1	-5%
Loans and receivables to credit institutions	78	29	49	169%
Loans and receivables to customers	1,577	1,544	33	2%
Other assets	29	28	1	4%
<b>Total</b>	<b>1,917</b>	<b>1,787</b>	<b>130</b>	<b>7%</b>

- Lending to individuals increased by ISK 8 billion. Mortgage loans grew by 1%, or around ISK 6 billion.
- Lending to corporates increased by ISK 31.6 billion, with exchange rate changes accounting for ISK 6.2 billion thereof.



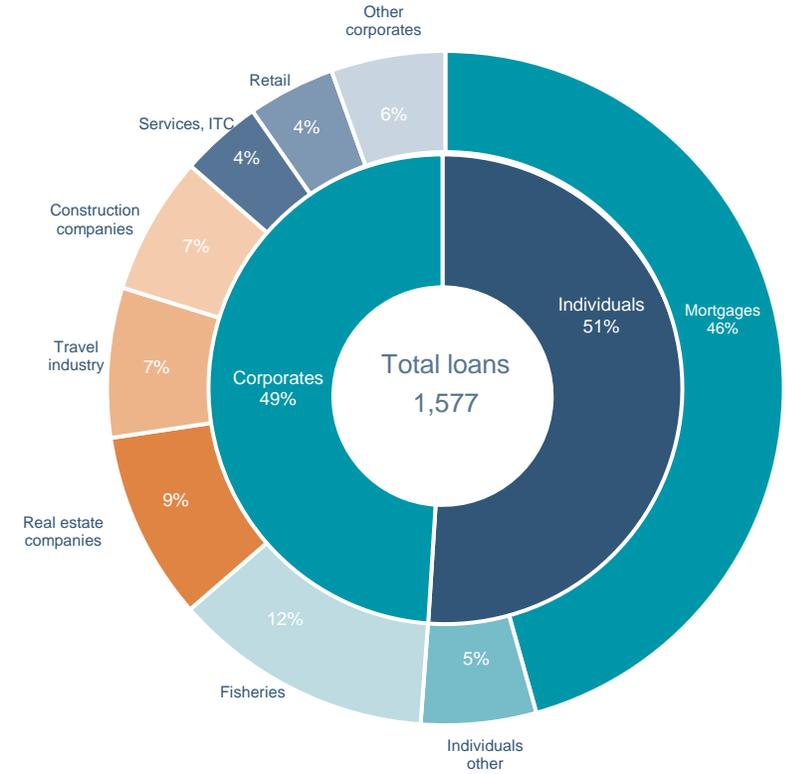
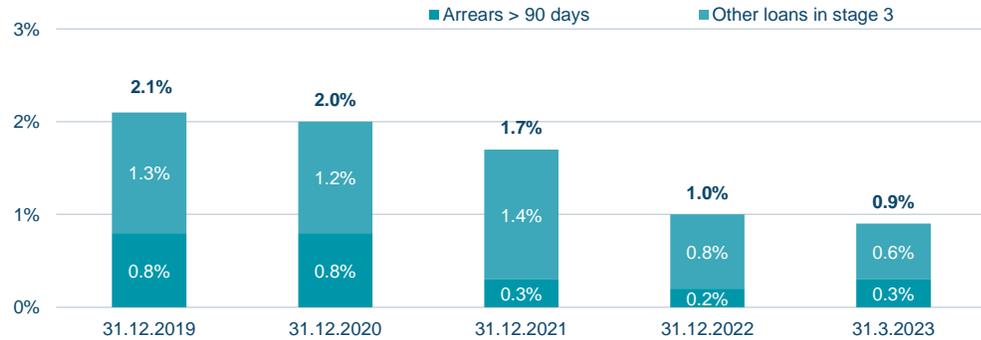
# Loans

- Conservative lending growth alongside historically low levels of problem loans.

## Total loan portfolio



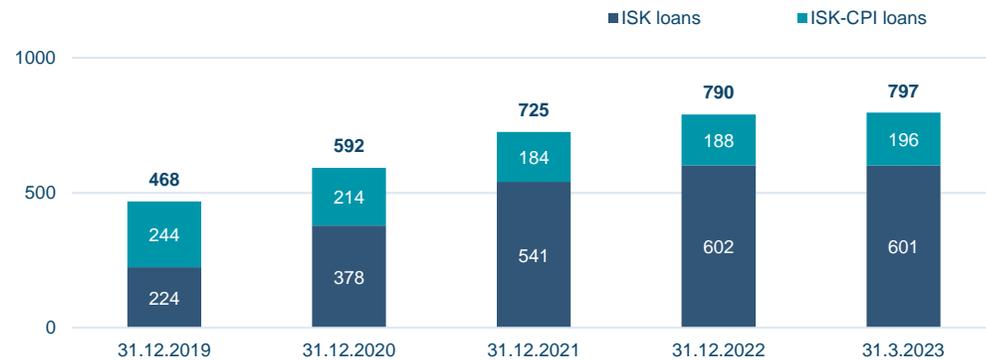
## Problem loans



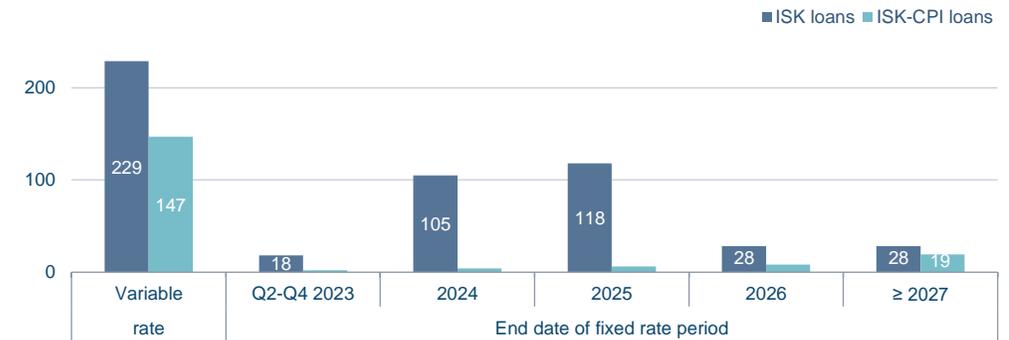
# Loans to individuals

- Rising inflation and policy rate levels have detracted significantly from lending growth to households.

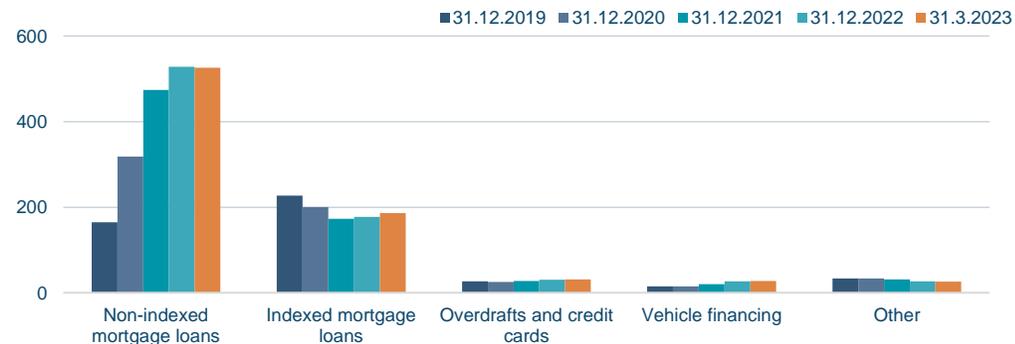
## Loans to individuals



## Mortgages - repricing



## Loans to individuals by loan types



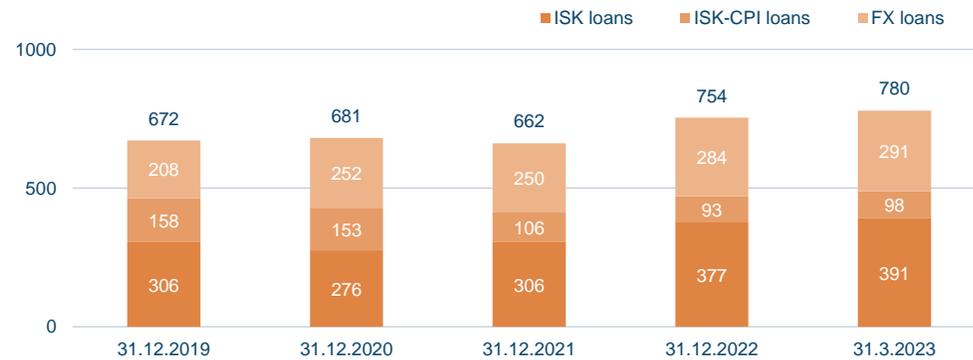
## Continuous LTV distribution of mortgages



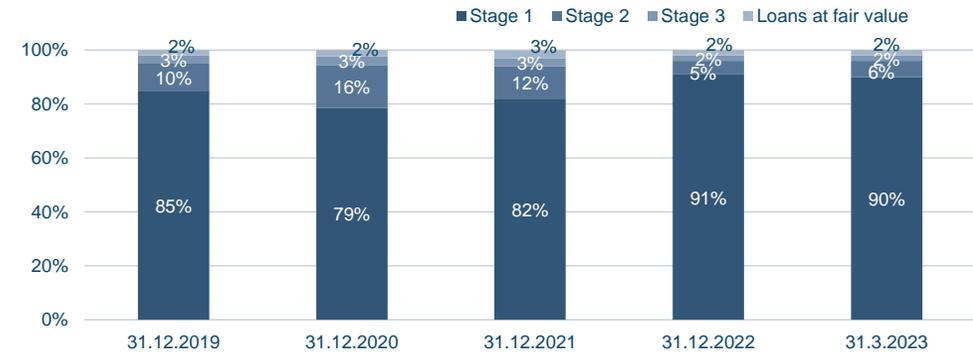
# Loans to corporates

- Growth in corporate lending continues, across all sectors.

## Loans to corporates



## Stage allocation of loans to corporates



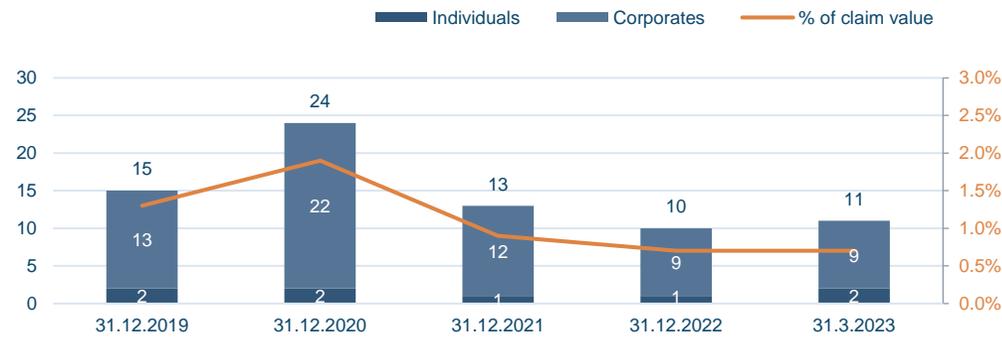
## Loans to corporates by industry sector



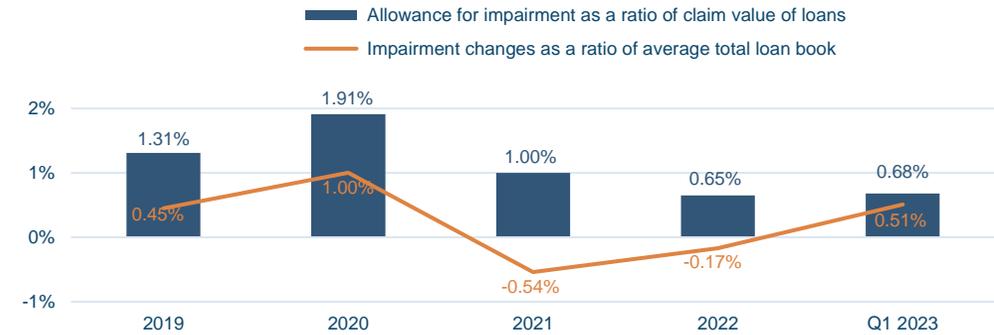
# Impairment on loans

- Provisions for impairment reflect the strong position of borrowers and well-collateralised loan book under challenging economic conditions.

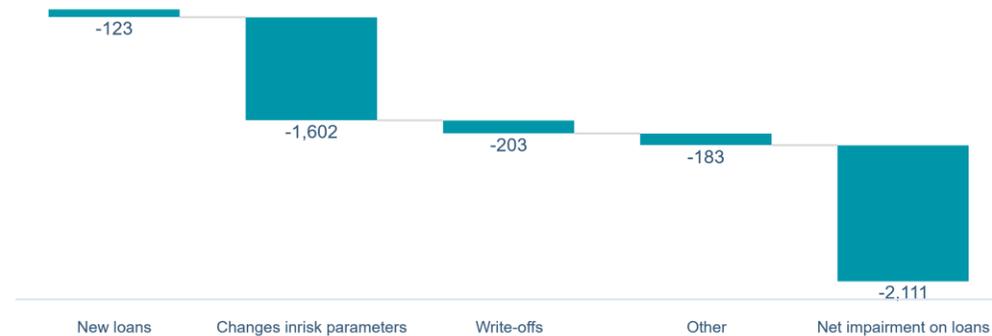
## Allowance for impairment on loans and advances to customers



## Cost of risk



## Impairment on loans – PL impact



## Loan staging

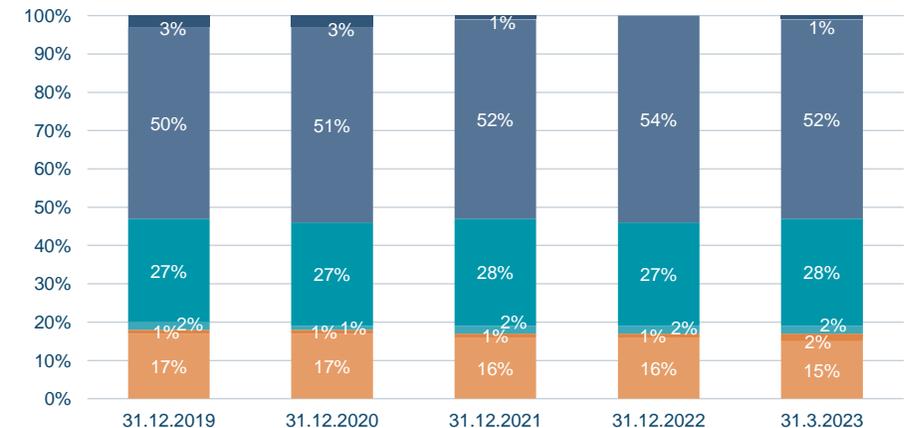
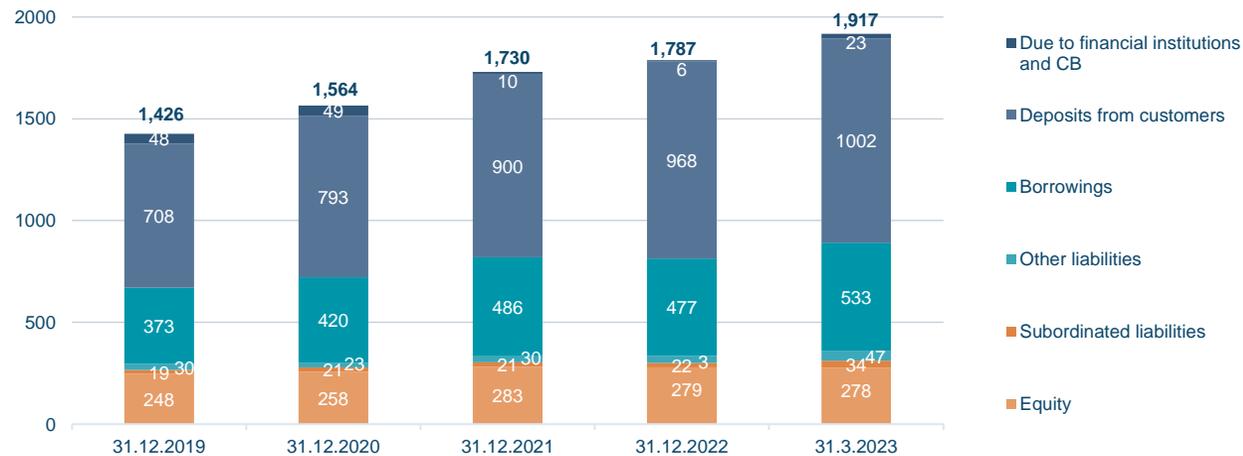
	Gross carrying amount		Allowance for impairment		Carrying amount	
Stage 1	1,470	92.6%	5	0.3%	1,465	93.0%
Stage 2	81	5.1%	2	2.9%	79	5.0%
Stage 3	18	1.1%	4	20.0%	14	0.9%
Fair value	18	1.1%			18	1.3%
<b>Total</b>	<b>1,587</b>	<b>100%</b>	<b>10</b>	<b>0.7%</b>	<b>1,576</b>	<b>100%</b>

# Liabilities and equity

- Diversified funding and continued deposit growth.

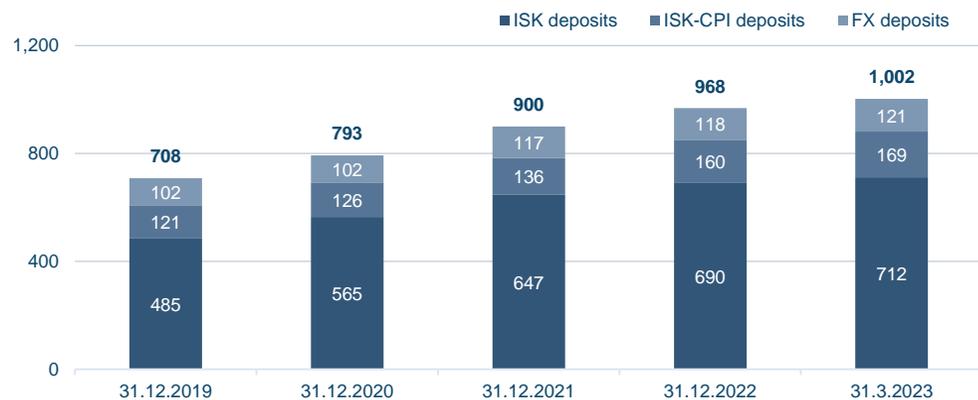
	31.3.2023	31.12.2022	Change	
Due to financial institutions and CB	23	6	17	283%
Deposits from customers	1,002	968	34	4%
Borrowings	533	477	56	12%
Other liabilities	47	35	12	34%
Subordinated liabilities	34	22	12	55%
Equity	278	279	-1	0%
<b>Total</b>	<b>1,917</b>	<b>1,787</b>	<b>130</b>	<b>7%</b>

- Customer deposits increased by ISK 34 billion from the beginning of the year.
- Borrowings increased by ISK 63 billion, with exchange rate changes accounting for ISK 7 billion thereof.

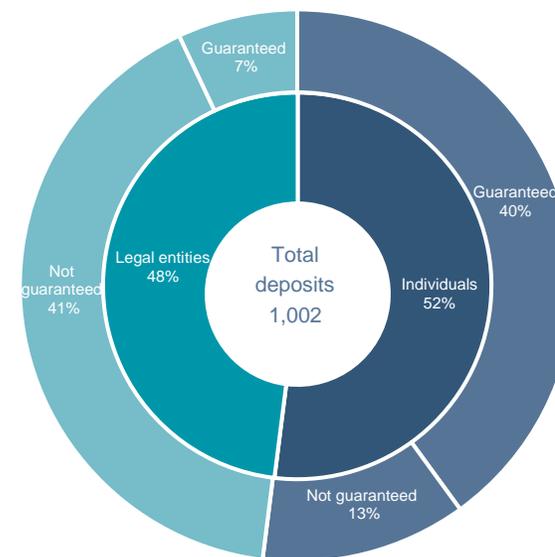


# Deposits from customers

- Deposits exceed ISK 1,000 billion for the first time.



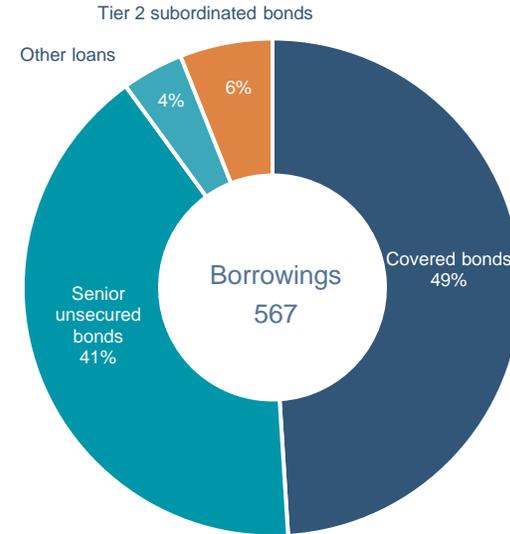
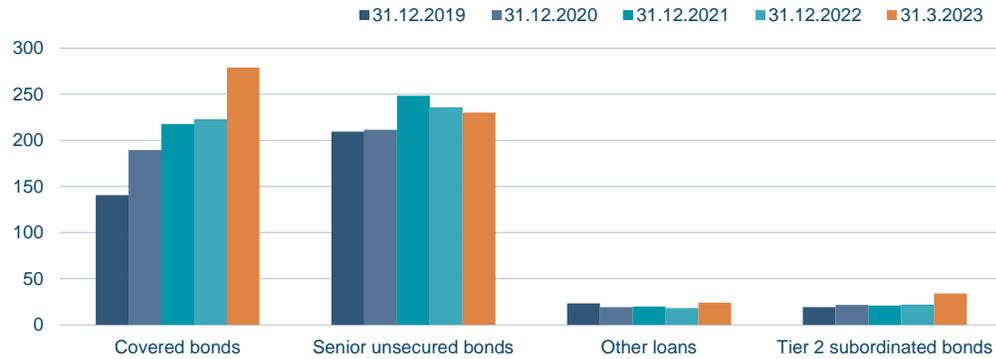
- Customer deposits increased by ISK 34 billion from the end of the year, with household deposits accounting for ISK 21 billion.
- Deposits have priority over senior unsecured claims in the winding-up of deposit-taking institutions in Iceland. About 47% of total deposits are guaranteed under the Act on Deposit Guarantees and Investor-Compensation Scheme.



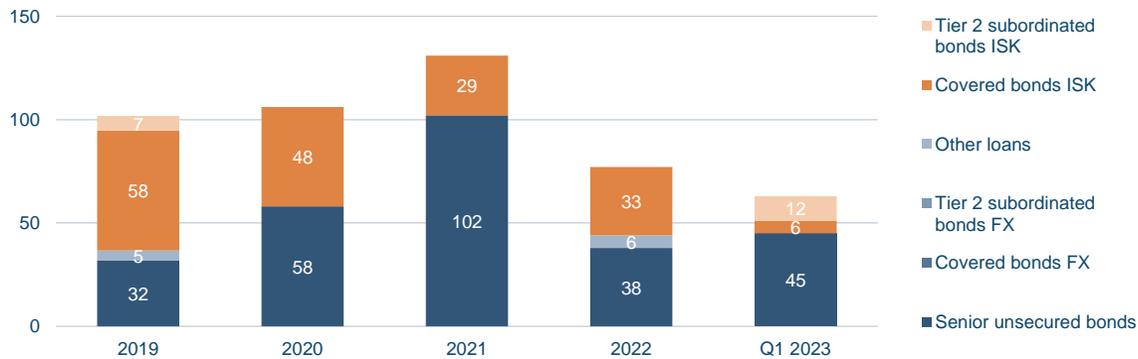
# Borrowings

- New EUR 300 million issuance of covered bonds (premium) in Q1 and ISK 12 billion subordinated bond issuance.

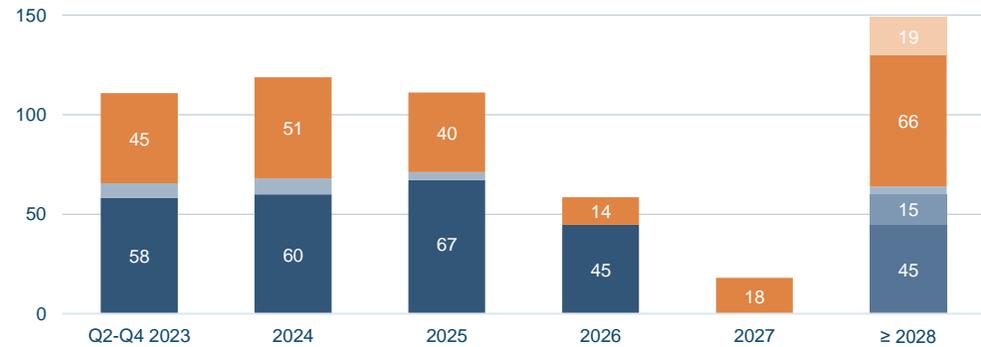
## Borrowings



## Borrowing issuance



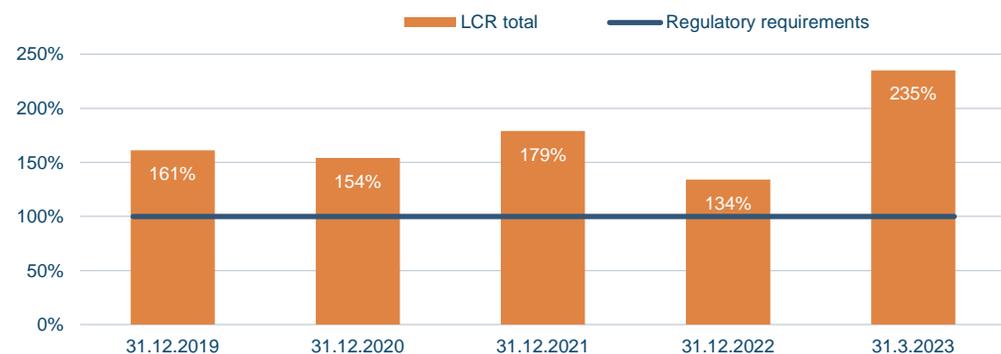
## Maturity profile



# Liquidity ratio and net stable funding ratio

- Liquidity and funding ratios well above regulatory requirements.

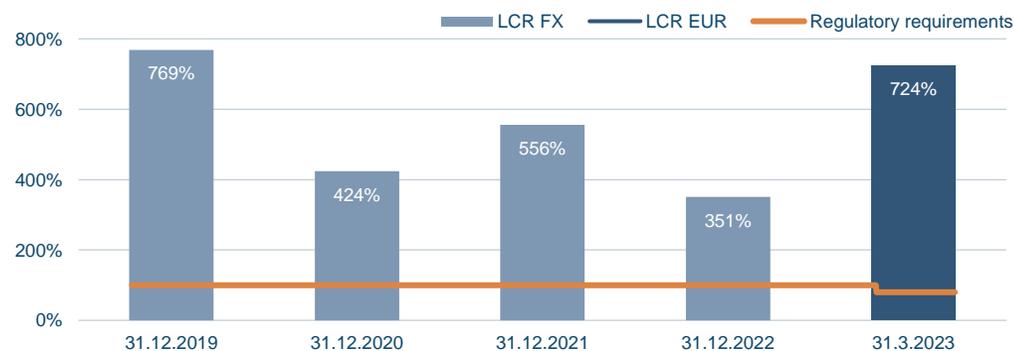
## Liquidity coverage ratio total



## Liquidity coverage ratio ISK



## Liquidity coverage ratio FX



## Net stable funding ratio

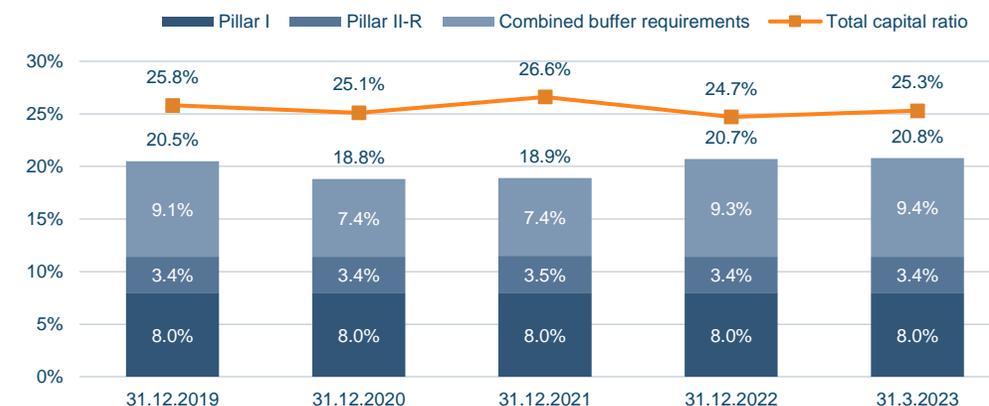


# Capital requirements

- Capital ratios well above regulatory requirements.

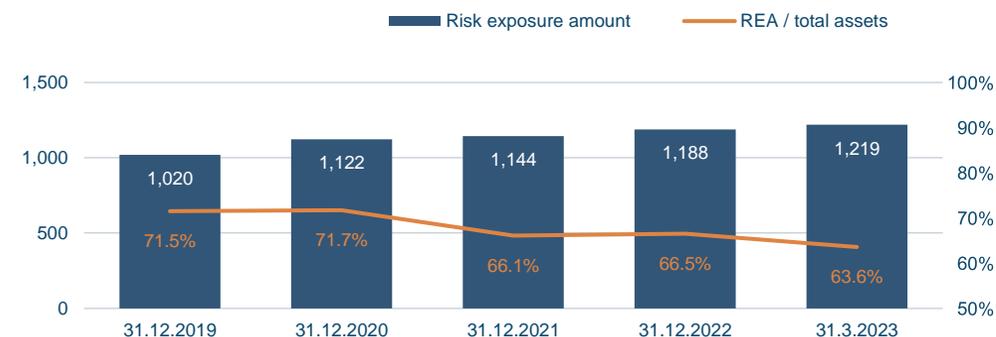
	CET1	Tier 1	Total
Pillar I	4.5%	6.0%	8.0%
Pillar II-R	1.9%	2.6%	3.4%
<b>Minimum requirement under Pillar I and Pillar II-R</b>	<b>6.4%</b>	<b>8.6%</b>	<b>11.4%</b>
Systemic risk buffer	2.9%	2.9%	2.9%
Capital buffer for systematically important institutions	2.0%	2.0%	2.0%
Countercyclical capital buffer	2.0%	2.0%	2.0%
Capital conservation buffer	2.5%	2.5%	2.5%
<b>Combined buffer requirements under Pillar II-G</b>	<b>9.4%</b>	<b>9.4%</b>	<b>9.4%</b>
<b>Total capital requirement</b>	<b>15.8%</b>	<b>18.0%</b>	<b>20.8%</b>
<b>Total capital ratio</b>	<b>22.6%</b>	<b>22.6%</b>	<b>25.3%</b>

## Regulatory total capital requirement as a ratio of REA



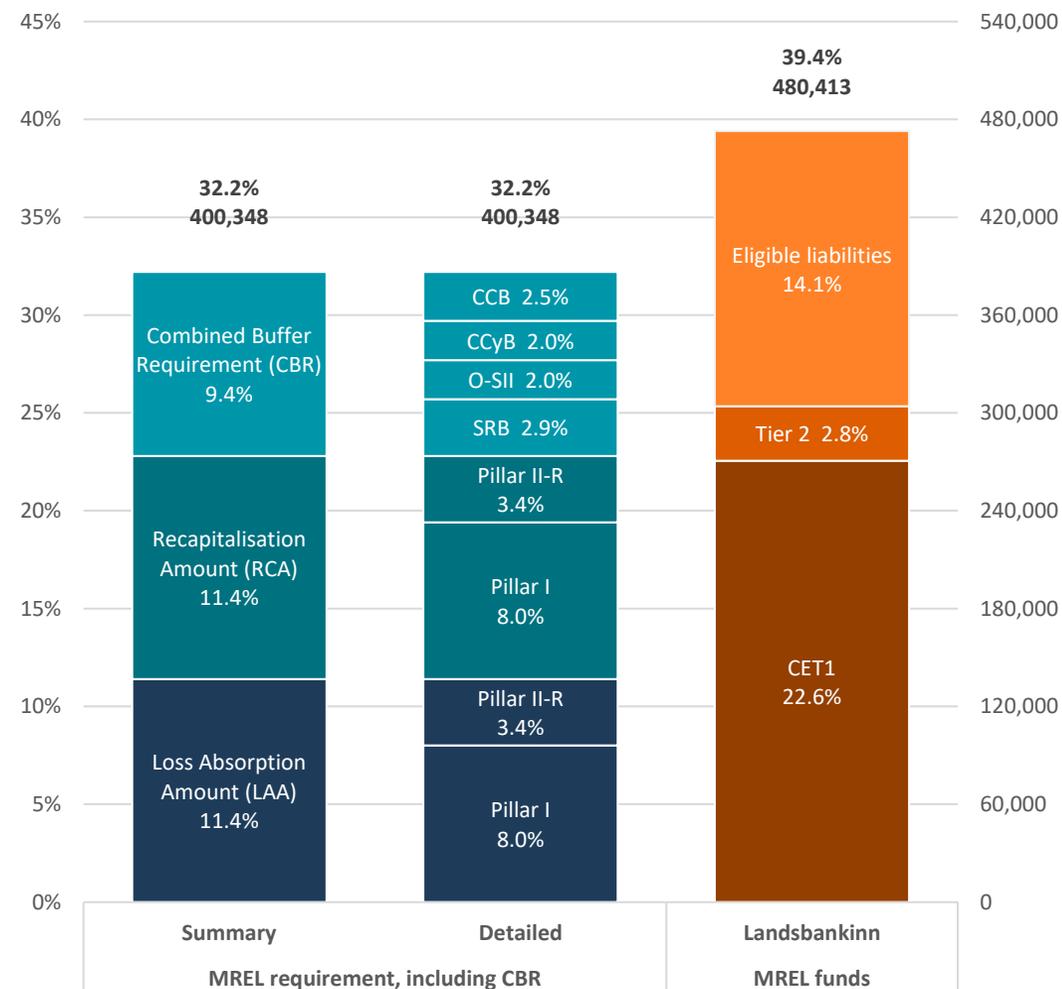
- The Group basis calculation of Pillar 1 capital requirements for lending and market risk on the standardised approach. The basic indicator approach is used to calculate operational risk. The Bank applies the dynamic approach in terms of the IFRS 9 transitional arrangements.
- On 15 March 2023 the Financial Stability Committee decided to increase the countercyclical capital buffer to 2.5% from 2.0% taking effect twelve months thereafter.

## Risk exposure amount



# Minimum Requirement for own funds and Eligible Liabilities (MREL)

- Landsbankinn's MREL funds are well above the requirement



- The latest MREL requirement for Landsbankinn is from September 2022:
  - Landsbankinn's MREL requirement is 22.8% of the bank's Risk Weighted Exposure Amount (RWEA)
    - Equal to 2 x [ Pillar I + Pillar II-R ]
    - The 9,4% Combined Buffer Requirement (CBR) must be met on top of MREL
  - The MREL requirement, including CBR, is thus 32.2% of the RWEA at 31 March 2023, which amounts to ISK 400.3 billion.
  - Market confidence charge (MCC) is not introduced at this point
  - No subordination requirement is applicable at this point
- Landsbankinn's MREL funds at 31 March 2023 are ISK 480.4 billion, equivalent to 39,4% of RWEA.
- The Bank Recovery and Resolution Directive (BRRD) was introduced in Icelandic law in 2020. Minimum Requirement for own funds and Eligible Liabilities (MREL) is part of BRRD.
- The Resolution Authority of the Central Bank of Iceland determines the MREL requirements for Systematically Important Institutions (O-SII) in Iceland
- Landsbankinn is defined by the Icelandic Financial Stability Counsel (FSC) as a Systematically Important Institution (O-SII) in Iceland



# Dividends

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

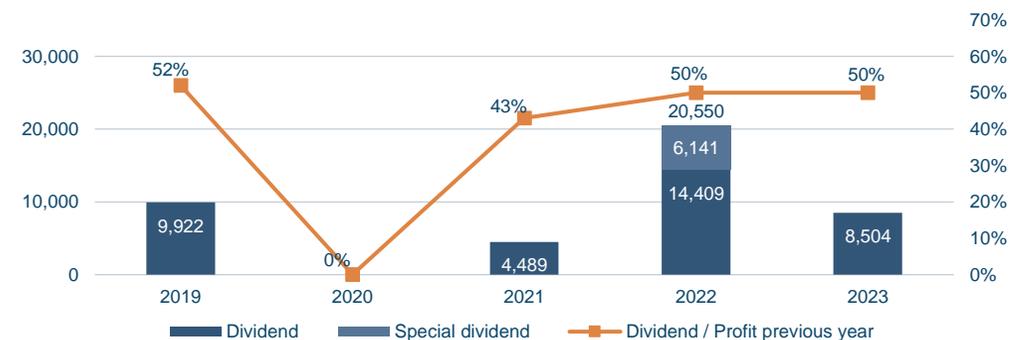
## Dividend 2023

- The 2023 AGM of Landsbankinn, held on 23 March, approved the motion of the Board of Directors to pay shareholders a dividend of ISK 0.36 per share for the fiscal year 2022. The amount of the dividend payment is ISK 8,504 million, the equivalent of 50% of the year's profit.

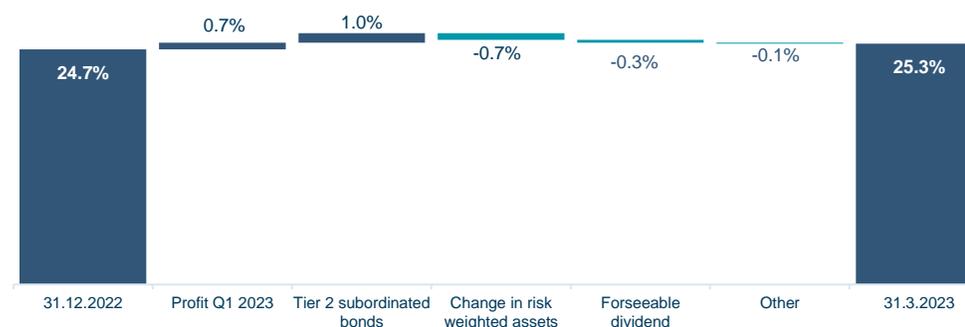
## Landsbankinn's dividend policy

- 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 Q1 2023





Appendix  
Further  
information

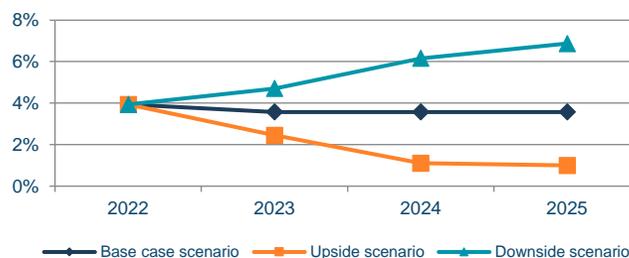
# Economic scenarios for expected credit loss

- 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 10% weight, the baseline 70% weight and the pessimistic scenario 20% weight. (2022: 15%-70%-15%)

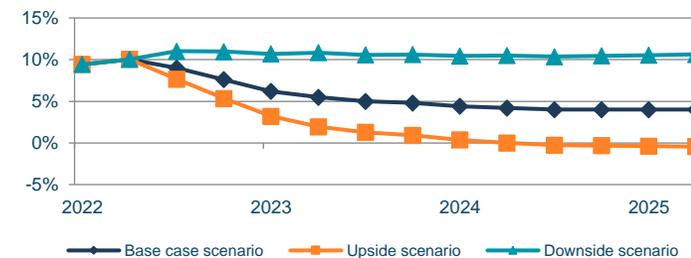
## Economic growth



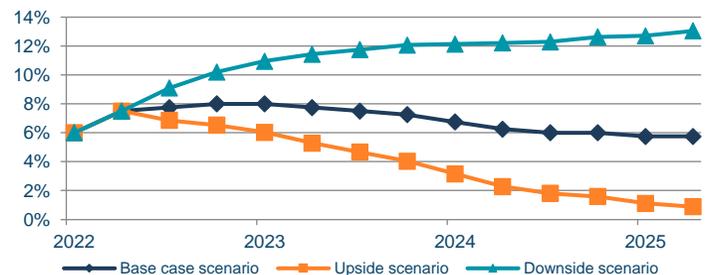
## Unemployment



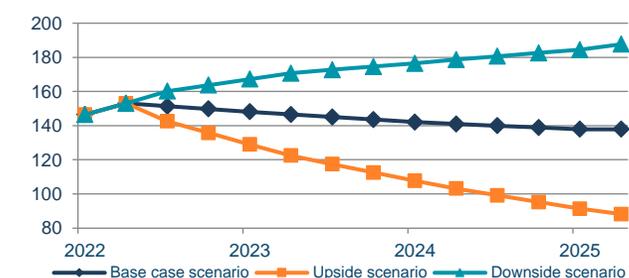
## Inflation



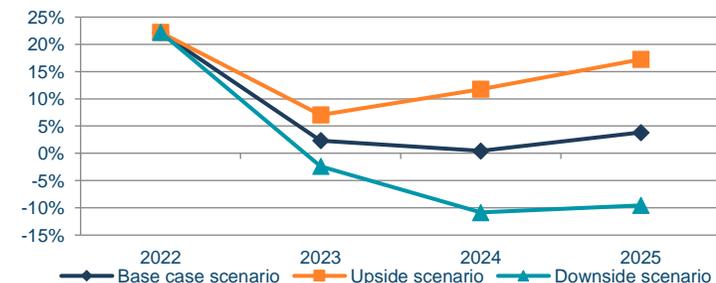
## CBI's key rate (seven-day term deposits)



## EUR/ISK



## Housing price (YoY change)



# Key financial ratios

	Q1 2023	Q4 2022	Q3 2022	Q2 2022	Q1 2022	2022	2021	2020	2019	2018
Profit after taxes	7,756	5,677	5,763	2,341	3,216	16,997	28,919	10,521	18,235	19,260
Return on equity before taxes	14.7%	12.2%	13.3%	7.0%	7.8%	10.1%	13.6%	5.1%	9.6%	11.1%
Return on equity after taxes	11.1%	8.2%	8.5%	3.5%	4.7%	6.3%	10.8%	4.3%	7.5%	8.2%
After tax return on average assets	1.7%	1.3%	1.3%	0.5%	0.7%	1.0%	1.7%	0.7%	1.3%	1.5%
Total assets	1,916,993	1,787,024	1,771,128	1,728,143	1,733,644	1,787,024	1,729,798	1,564,177	1,426,328	1,326,041
Net interest income	13,066	12,869	12,177	11,152	10,266	46,464	38,953	38,074	39,670	40,814
Interest spread as a ratio of average total assets	2.8%	2.9%	2.8%	2.6%	2.4%	2.7%	2.3%	2.5%	2.8%	3.2%
Loans / deposits ratio	157.4%	159.6%	154.6%	154.6%	153.5%	159.6%	154.1%	160.5%	161.1%	153.6%
Cost-income ratio	33.3%	42.0%	43.2%	49.3%	54.9%	46.8%	43.2%	47.4%	42.6%	45.5%
Operating expenses as a ratio of average total assets	1.4%	1.5%	1.2%	1.3%	1.4%	1.4%	1.4%	1.6%	1.7%	1.9%
Total equity	278,343	279,091	273,414	267,650	265,310	279,091	282,645	258,255	247,734	239,610
Total capital ratio	25.3%	24.7%	24.2%	24.9%	24.3%	24.7%	26.6%	25.1%	25.8%	24.9%
MREL	39.4%	40.4%				40.4%				
Liquidity ratio LCR total	235%	134%	147%	144%	142%	134%	179%	154%	161%	158%
Liquidity LCR EUR (LCR FX until 31.12.2022)	724%	351%	204%	184%	292%	351%	556%	424%	769%	534%
Liquidity LCR ISK	128%	99%	126%	132%	101%	99%	120%	105%	61%	44%
Net stable funding ratio NSFR total	121%	117%	121%	122%	122%	117%	121%	116%	117%	120%
Net stable funding ratio NSFR FX	145%	132%	142%	136%	143%	132%	142%	132%	143%	166%
Full-time eqv.positions	825	813	824	786	791	813	816	878	893	919

# Operations

	Q1 2023	Q4 2022	Q3 2022	Q2 2022	Q1 2022	2022	2021	2020	2019
Net interest income	13,066	12,869	12,177	11,152	10,266	46,464	38,953	38,074	39,670
Net fee & commission income	3,048	2,745	2,456	2,783	2,639	10,623	9,483	7,638	8,219
Net impairment changes	-2,111	-192	2,622	-735	778	2,473	7,037	-12,020	-4,827
Other net operating income	3,317	144	-2,400	-2,358	-1,693	-6,307	6,857	4,561	8,455
<b>Total operating income</b>	<b>17,320</b>	<b>15,566</b>	<b>14,855</b>	<b>10,842</b>	<b>11,990</b>	<b>53,253</b>	<b>62,330</b>	<b>38,253</b>	<b>51,517</b>
Salaries and related expenses	4,119	3,986	3,149	3,584	3,755	14,474	14,759	14,767	14,458
Other operating expenses	2,355	2,637	2,135	2,118	2,399	9,289	9,105	9,064	9,534
Tax on liabilities of financial institutions	570	535	547	505	510	2,097	2,013	1,815	4,204
<b>Total operating expenses</b>	<b>7,044</b>	<b>7,158</b>	<b>5,831</b>	<b>6,207</b>	<b>6,664</b>	<b>25,860</b>	<b>25,877</b>	<b>25,646</b>	<b>28,196</b>
<b>Profit before tax</b>	<b>10,276</b>	<b>8,408</b>	<b>9,024</b>	<b>4,635</b>	<b>5,326</b>	<b>27,393</b>	<b>36,453</b>	<b>12,607</b>	<b>23,321</b>
Income tax	2,520	2,731	3,261	2,294	2,110	10,396	7,534	2,086	5,086
<b>Profit for the period</b>	<b>7,756</b>	<b>5,677</b>	<b>5,763</b>	<b>2,341</b>	<b>3,216</b>	<b>16,997</b>	<b>28,919</b>	<b>10,521</b>	<b>18,235</b>

# Balance sheet

	31.3.2023	31.12.2022	Change		31.12.2021	31.12.2020	31.12.2019
Cash and balances with CB	96,986	42,216	54,770	130%	82,425	67,604	69,824
Bonds and debt instruments	117,798	125,265	-7,467	-6%	150,435	119,330	115,262
Equities and equity instruments	17,561	19,106	-1,545	-8%	33,347	26,808	30,019
Loans and advances to fin institutions	78,355	28,621	49,734	174%	47,231	48,073	47,929
Loans and advances to customers	1,576,589	1,544,360	32,229	2%	1,387,463	1,273,426	1,140,184
Other assets	29,704	27,455	2,249	8%	28,897	28,936	23,110
<b>Total assets</b>	<b>1,916,993</b>	<b>1,787,024</b>	<b>129,969</b>	<b>7%</b>	<b>1,729,798</b>	<b>1,564,177</b>	<b>1,426,328</b>
Due to financial institutions and CB	23,907	6,634	17,273	260%	10,425	48,725	48,062
Deposits from customers	1,001,580	967,863	33,717	3%	900,098	793,427	707,813
Borrowing	532,691	476,864	55,827	12%	486,042	420,178	373,168
Other liabilities	46,532	34,820	11,713	34%	29,803	22,226	30,470
Subordinated liabilities	33,940	21,753	12,187	56%	20,785	21,366	19,081
Equity	278,343	279,091	-748	0%	282,645	258,255	247,734
<b>Total liabilities and equity</b>	<b>1,916,993</b>	<b>1,787,024</b>	<b>129,969</b>	<b>7%</b>	<b>1,729,798</b>	<b>1,564,177</b>	<b>1,426,328</b>

# Operating segments

1.1.2023 - 31.3.2023	Personal Banking	Corporate Banking	Asset Management & Capital Market	Treasury and Market Making	Other divisions	Reconciliation	Total
Net interest income	5,040	5,346	145	2,489	50	-4	13,066
Net fee and commission income	767	935	1,342	-106	148	-38	3,048
Net impairment changes	-457	-1,654	-	-	-	-	-2,111
Net other operating income (expense)	54	-3	87	3,177	9	-7	3,317
<b>Total operating income (expense)</b>	<b>5,404</b>	<b>4,624</b>	<b>1,574</b>	<b>5,560</b>	<b>207</b>	<b>-49</b>	<b>17,320</b>
Operating expenses	-1,694	-864	-558	-213	-3,189	44	-6,474
Tax on liabilities of financial institutions	-215	-118	-3	-232	-2	-	-570
Allocated expenses	-1,148	-761	-302	-254	2,465	-	0
<b>Profit (loss) before tax</b>	<b>2,347</b>	<b>2,881</b>	<b>711</b>	<b>4,861</b>	<b>-519</b>	<b>-5</b>	<b>10,276</b>
Income tax	-671	-769	-158	-1,020	98	-	-2,520
<b>Profit (loss) for the period</b>	<b>1,676</b>	<b>2,112</b>	<b>553</b>	<b>3,841</b>	<b>-421</b>	<b>-5</b>	<b>7,756</b>
Total assets	847,612	722,876	15,036	752,443	20,153	-441,127	1,916,993
Total liabilities	789,414	596,369	9,183	667,082	17,729	-441,127	1,638,650
Allocated capital	58,198	126,507	5,853	85,361	2,424	-	278,343

# Disclaimer

---

- This presentation is intended for information purposes only and shall not be construed as an offer or solicitation for subscription, purchase or sale of financial instruments of any type.
- Information in this presentation has not been independently verified. Landsbankinn does not guarantee the accuracy, completeness or fairness of the information or opinions contained in this presentation.
- This presentation may contain estimations or forward-looking statements that are subject to various risks and uncertainty factors that could lead to materially different results and may have a negative financial impact on the content of this presentation.
- Landsbankinn shall not be liable for any direct or indirect damage resulting in any way from the use of this presentation.
- Landsbankinn is not obligated to update this presentation, provide additional information or correct errors that may become apparent.