



6M 2023 results

Lilja Björk Einarsdóttir
CEO

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CFO



All financial targets achieved in the first half of the year

Sound operation and strong financial position in the first 6 months of the year



Return on equity (ROE) was 10.3% in the first half of the year and all financial targets were achieved.

Both **interest income and interest expenses** have increased in a higher rate environment and alongside a growing balance sheet.

There was a **reversal in credit impairment** between years, with a charge of ISK 1.6 billion year to date.

Conservative lending growth, with lending increasing by 3% in the first half of the year and low delinquency.

The **cost to income ratio** decreases with increased income. Cost is up between years, driven by salary increases provided for in collective bargaining agreements.

Strong equity position that is 510 points above regulatory requirements. New capital requirement is 20.2%.

Stable operation in Q2

Main changes between the second quarters of 2022 and 2023 include higher net interest income driven by rising interest rate levels and an ISK 3 billion increase in other operating income. Fee and commission income is unchanged.

Profit

6.7

ISKbn

Net interest income

+29.7%

Net fee & commission income

-2.9%

ROE

9.6%

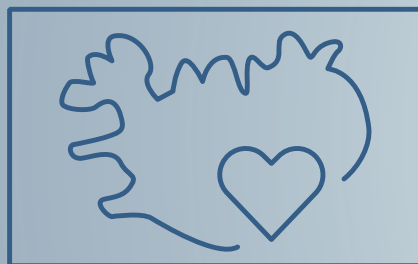
Cost/income ratio

39.5%

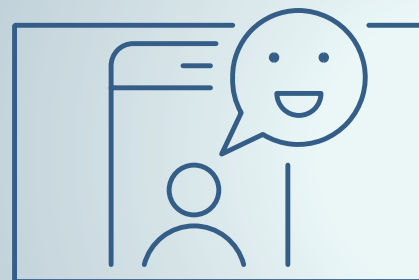


Landsbankinn, an ever-smarter bank

The Bank's strategy supports long-term profitability targets



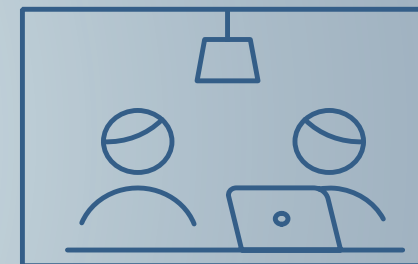
Positive impact on
Icelandic society



Making life easier
for customers with
simple and secure
solutions



Solid operating
results and strong
capacity for
development



Desirable
workplace

Positive impact on Icelandic society

The Bank contributes to Icelandic society in various ways, guided by long-term benefits

DesignMarch

3 events held in Reykjastræti in support of Icelandic design, architecture and the importance of innovation.

Skólahreysti

Over ISK 100 million in financial support over a nine-year period has benefitted several thousand youngsters.

Scholarships

We have awarded grants exceeding ISK 200 million to exceptional students over a 34-year period.





Landsbankinn is leading in sustainability



Best domestic rating by Sustainalytics at 8.5



Design of the Bank's new headquarters at Reykjastræti 6 was rated "excellent"



Rated "exceptional" in Reitun's ESG rating



All the banks in our app

The app is the first choice of 90% of customers

Better together – in the app

Your accounts in other banks now appear in Landsbankinn's app

Contactless ATMs

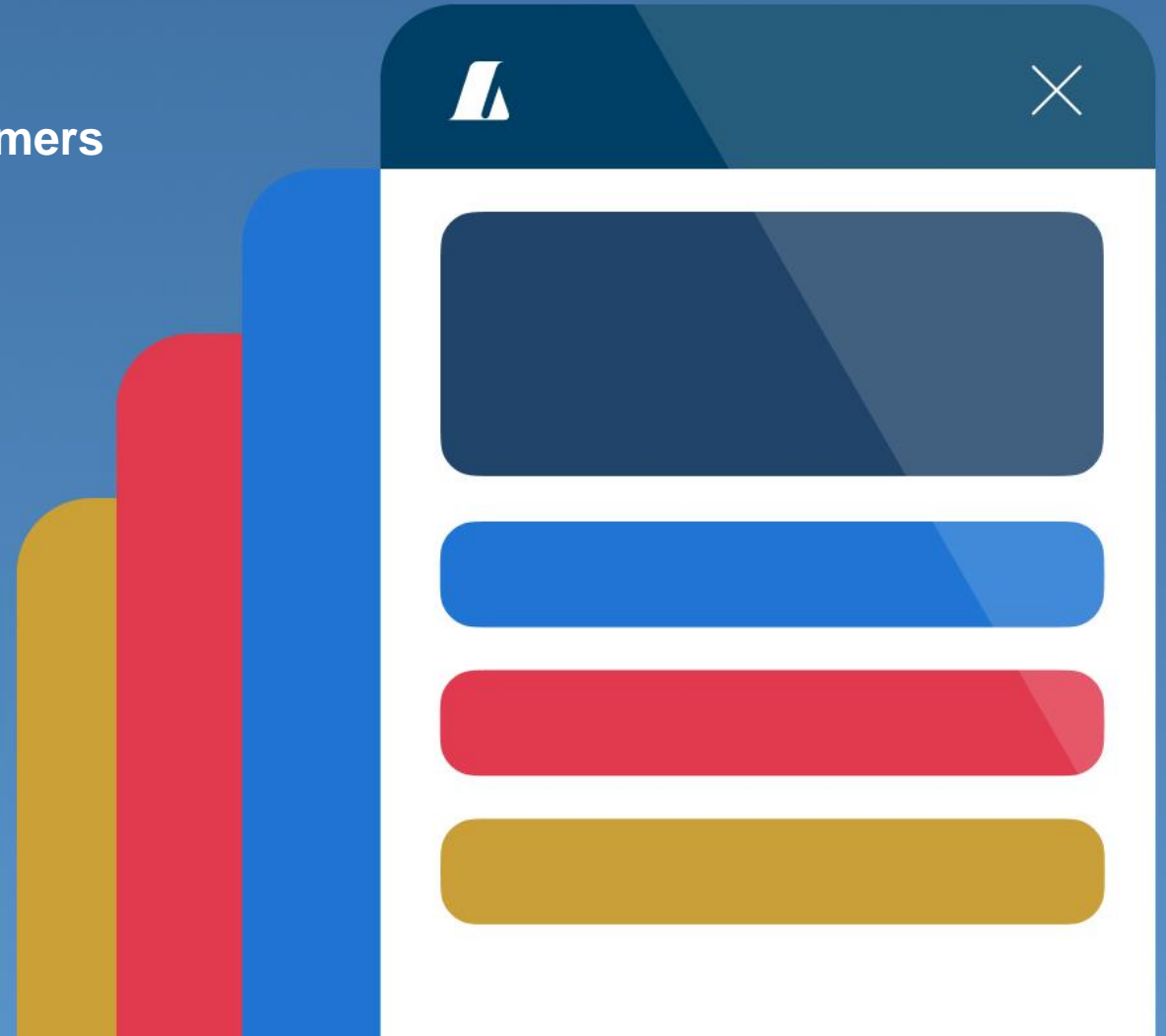
Introduction of contactless ATM service has begun

Sharing access to finances

You can now choose to give others, such as a spouse, access to your bank accounts

Enhanced security in ecommerce

Electronic ID is now a requirement in online transactions





Over 1,000 new corporate customers

Growth continues, with a record number of corporate customers joining the Bank

Fantastic
reception

Acquiring services

130%

increase in customers
in the quarter!

5%

total increase in
lending to corporates
from the beginning
of the year

10%

increase in
new corporate
customers

15%

increase in the
capital region

Vehicle and
equipment financing
has grown by

14%

year to date
- a record



We are better together

Together we find a way

Refinance and combine loans

Extend loan term

Change to composite loan

We already use the 2024 assessed value for real estate



Better ways to invest savings

Save in the app
Fivefold growth in deposits

55% increase in pension savings between years

New Landsbók savings account offers best inflation-indexed interest

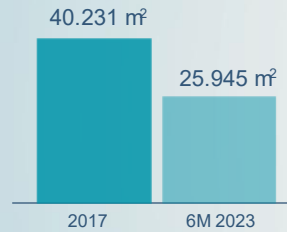




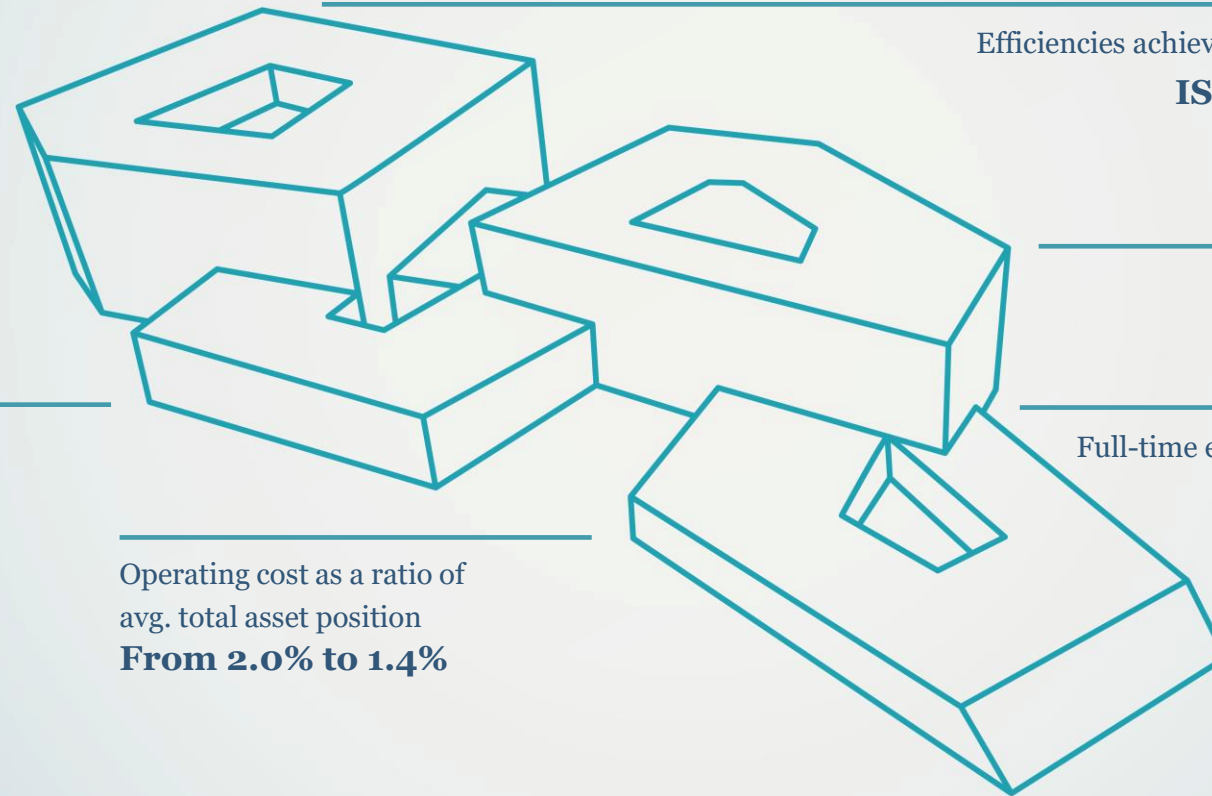
Increased operating efficiency results in a more dynamic bank

Since 2017, customer numbers have grown and the operation has become more efficient

Efficiencies achieved with the move to Reykjastræti 6
ISK 600 million per annum



Total housing occupied by Landsbankinn
-35.5%



Operating cost as a ratio of avg. total asset position
From 2.0% to 1.4%

Branches and outlets
From 37 to 35

Full-time equiv. positions
-19.7%

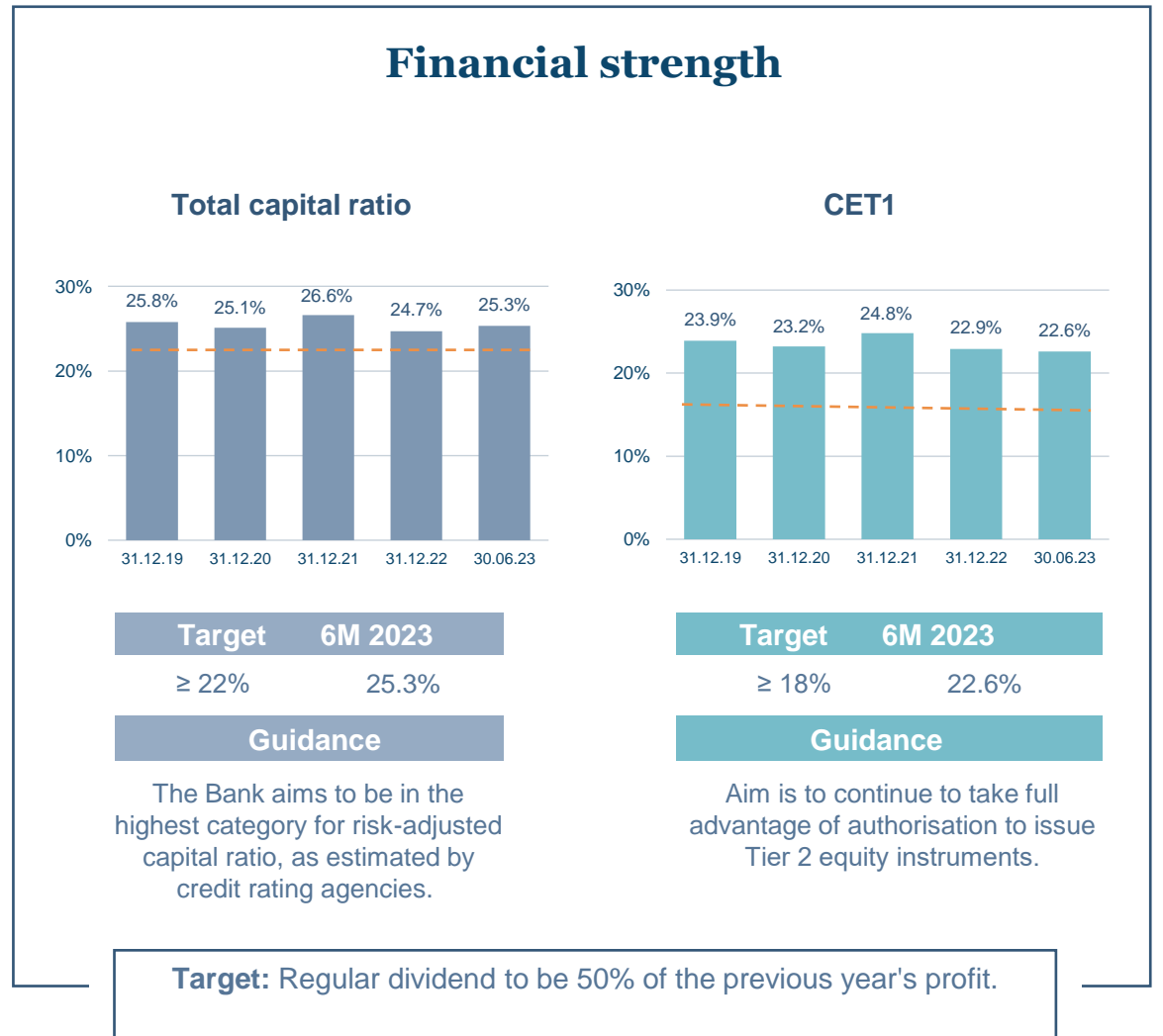


Active retail customers
+20.6%

Total lending
+72.4%

Financial targets and development of KPIs

Strong financial position and efficient operations.



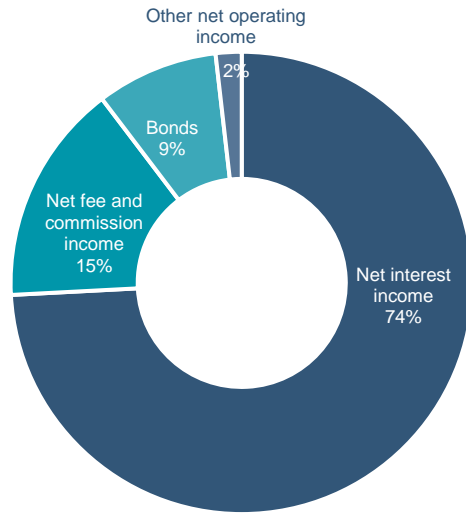
Income statement

Income statement

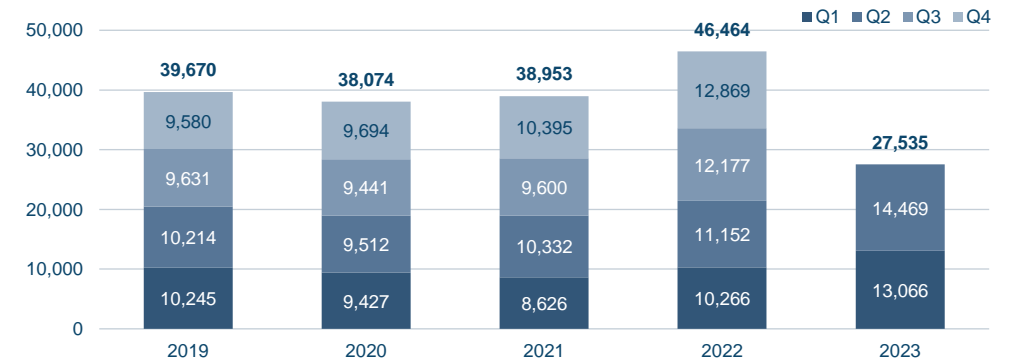
	6M 2023	6M 2022	Change		Q2 2023	Q2 2022	Change	
Net interest income	27,535	21,418	6,117	29%	14,469	11,152	3,317	30%
Net fee and commission income	5,751	5,422	329	6%	2,703	2,783	-80	-3%
Net impairment changes	-1,591	43	-1,634	-3810%	520	-735	1,255	-171%
Other net operating income (expenses)	2,782	-4,051	6,833	-169%	-535	-2,358	1,823	-77%
Total operating income	34,477	22,832	11,645	51%	17,157	10,842	6,315	58%
Salaries and related expenses	8,313	7,339	974	13%	4,194	3,584	610	17%
Other operating expenses	4,725	4,517	208	5%	2,370	2,118	252	12%
Tax on liabilities of financial institutions	1,120	1,015	105	10%	550	505	45	9%
Total operating expenses	14,158	12,871	1,287	10%	7,114	6,207	907	15%
Profit before tax	20,319	9,961	10,358	104%	10,043	4,635	5,408	117%
Income tax	5,846	4,404	1,442	33%	3,326	2,294	1,032	45%
Profit for the period	14,473	5,557	8,916	160%	6,717	2,341	4,376	187%

Net operating income

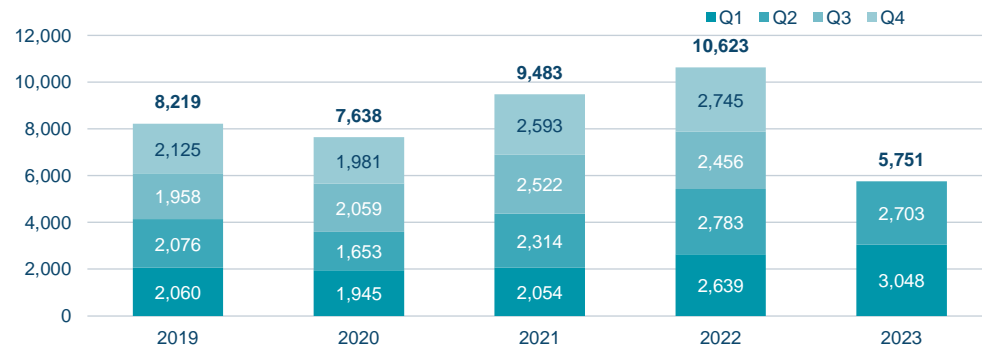
Rising interest rate levels and changed asset structure result in a 29% net increase in interest income.



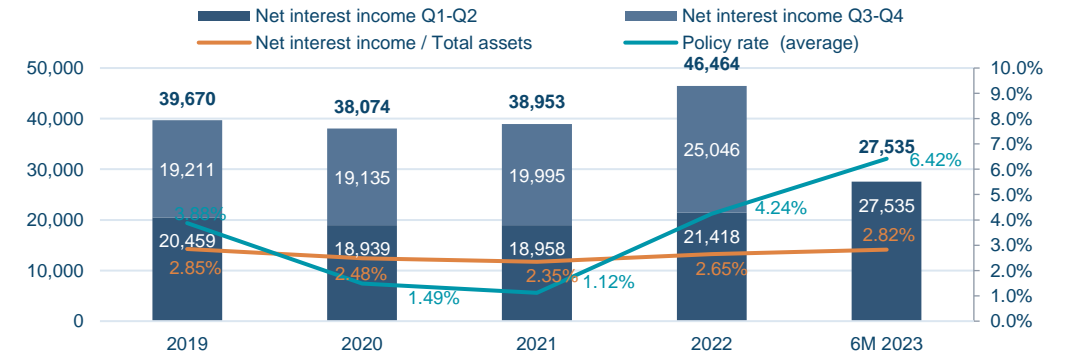
Net interest income



Net fee and commission income



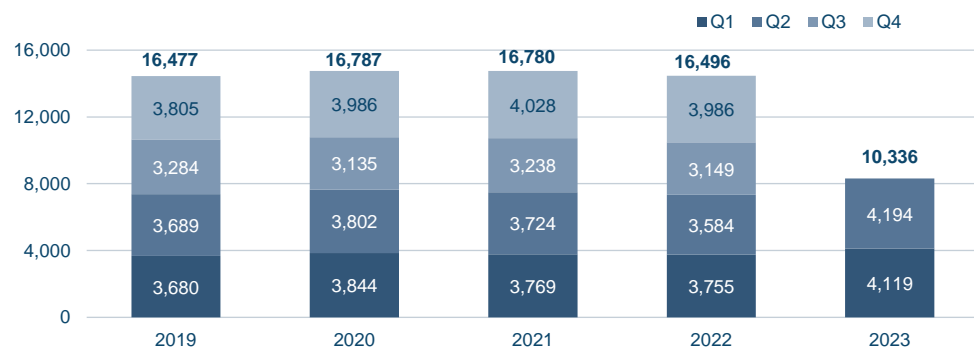
Policy rate and net interest income



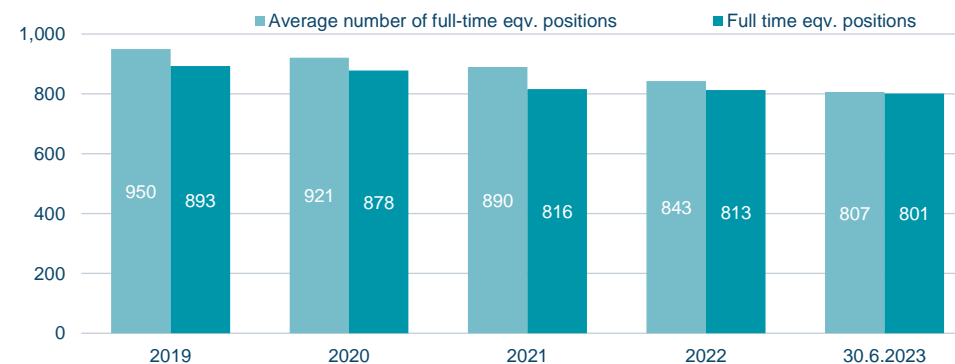
Operating expenses

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

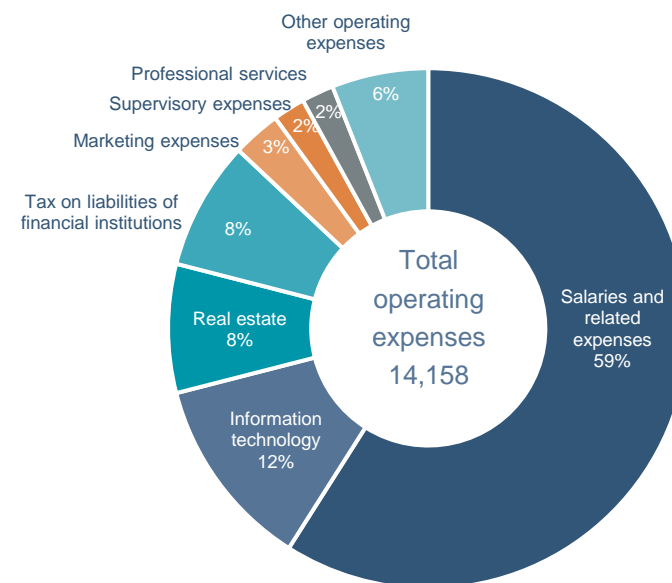
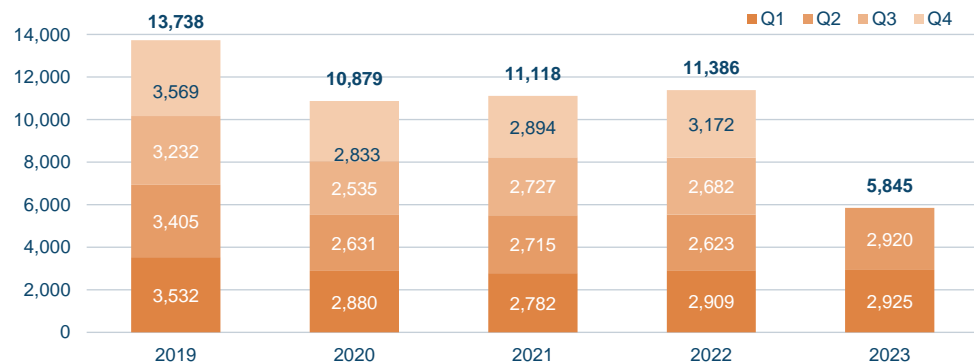
Salaries and related expenses



Full-time equivalent positions



Operating expenses



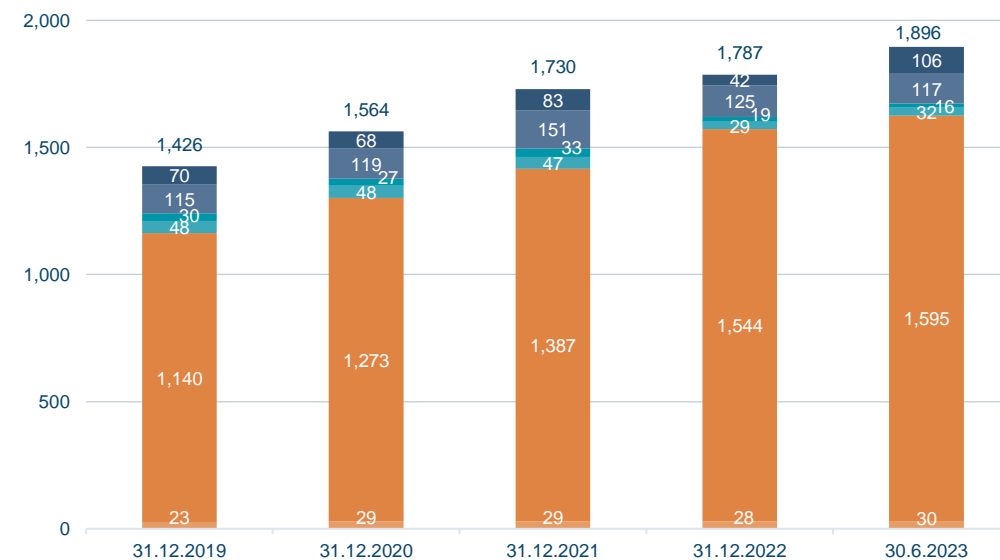
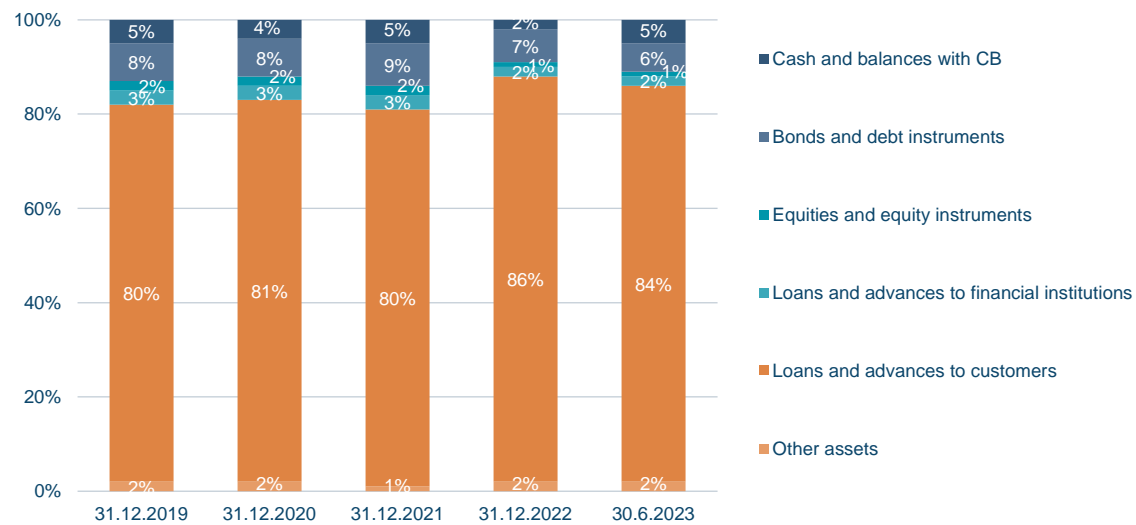
Balance sheet

Total assets

Lending to customers grew by 3% while total assets increase by 6%

	30.6.2023	31.12.2022	Change	
Cash and balances with Central Bank	106	42	64	152%
Market bonds	117	125	-8	-6%
Equities	16	19	-3	-16%
Loans and receivables to credit institutions	32	29	3	10%
Loans and receivables to customers	1,595	1,544	51	3%
Other assets	30	28	2	7%
Total	1,896	1,787	109	6%

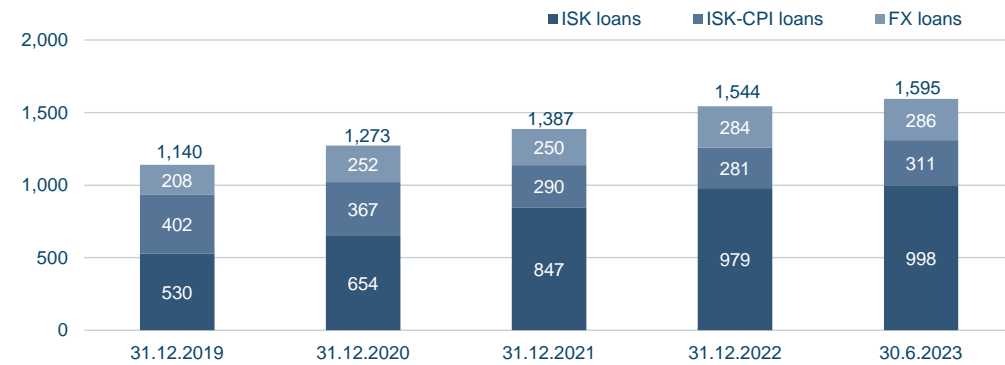
- Lending to individuals increased by ISK 11 billion. Mortgage loans grew by 1%, or around ISK 10 billion.
- Lending to corporates increased by ISK 40 billion having regard for a negative exchange rate impact in the amount of ISK 7.1 billion.



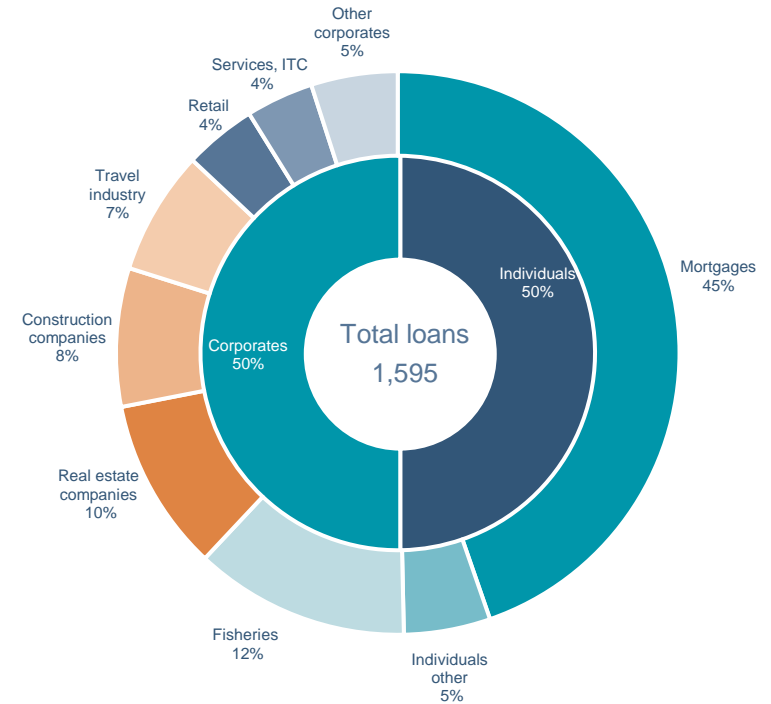
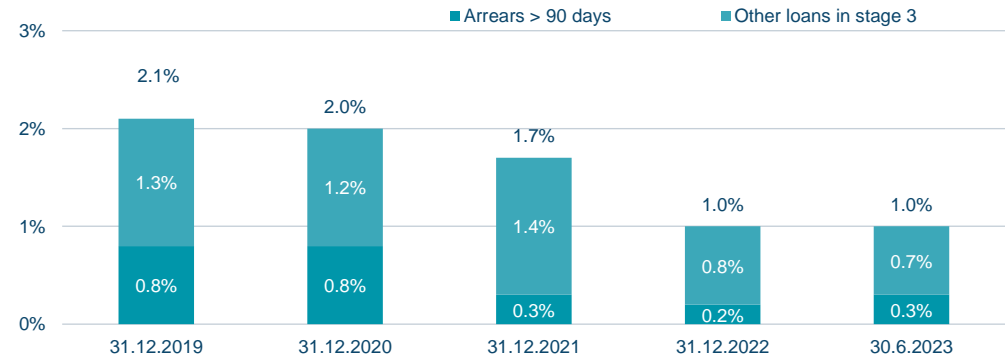
Loans

Conservative lending growth alongside historically low levels of problem loans

Total loan portfolio



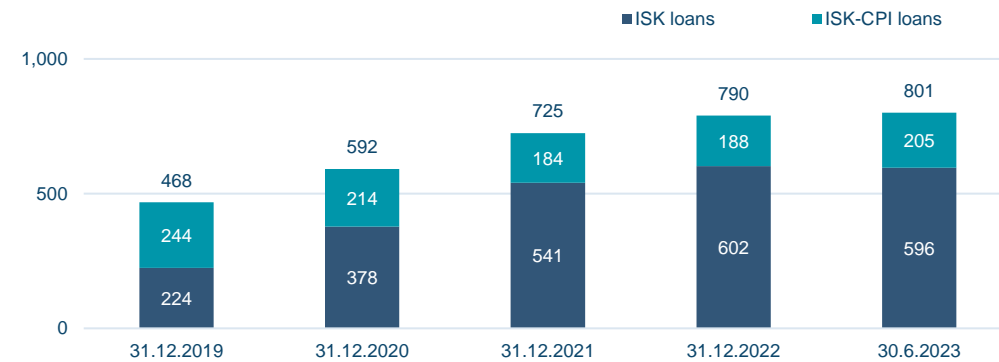
Problem loans



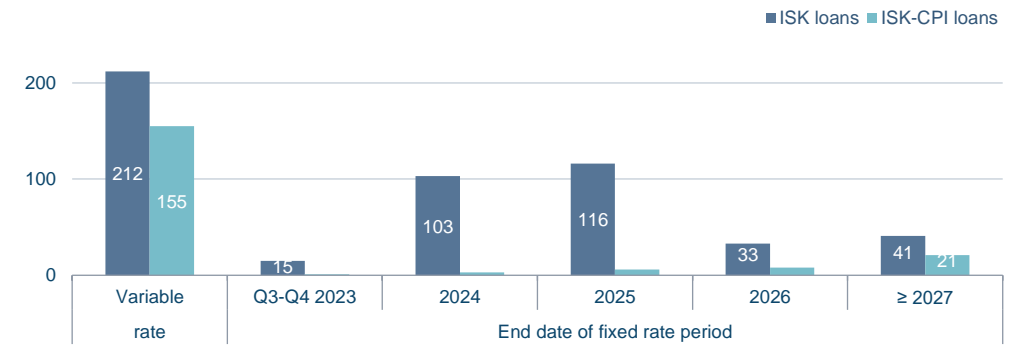
Loans to individuals

Rising inflation and policy rate levels have diminished lending growth to households significantly

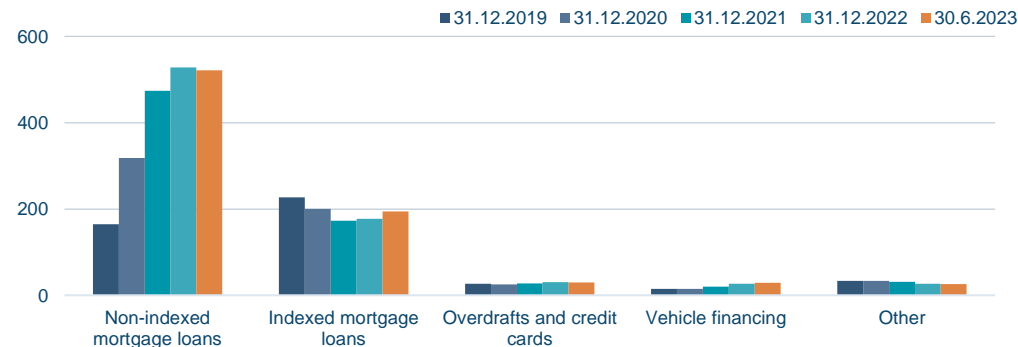
Loans to individuals



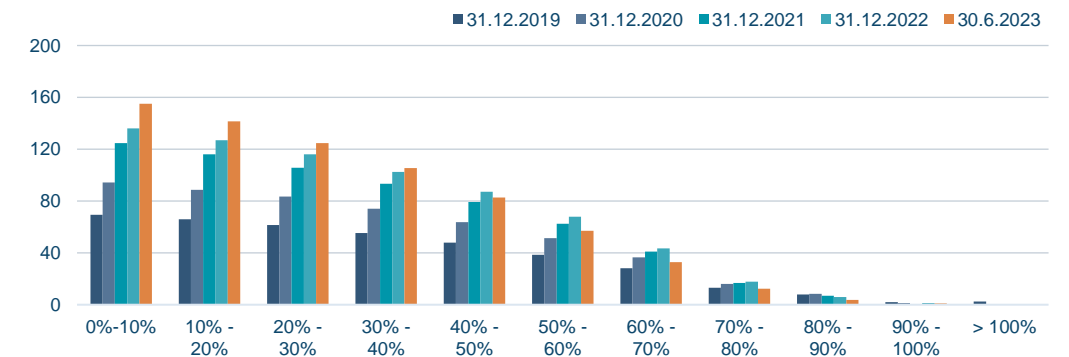
Mortgages - repricing



Loans to individuals by loan type



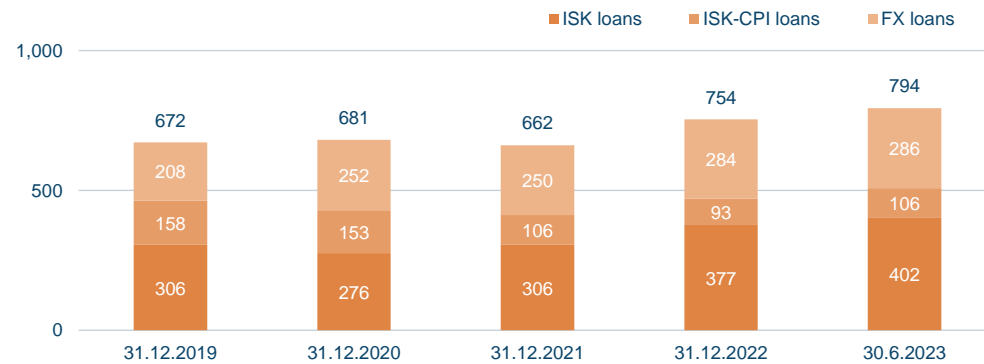
Continuous LTV distribution of mortgages



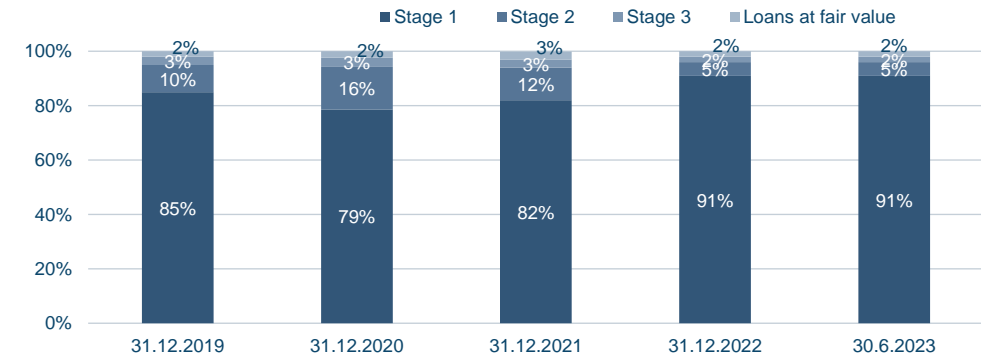
Loans to corporates

Growth in corporate lending continues, most notably to construction and real estate companies

Loans to corporates



Stage allocation of loans to corporates



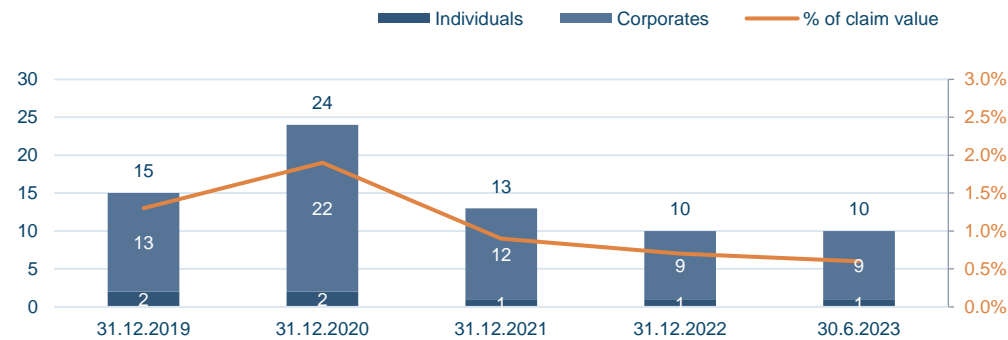
Loans to corporates by industry sector



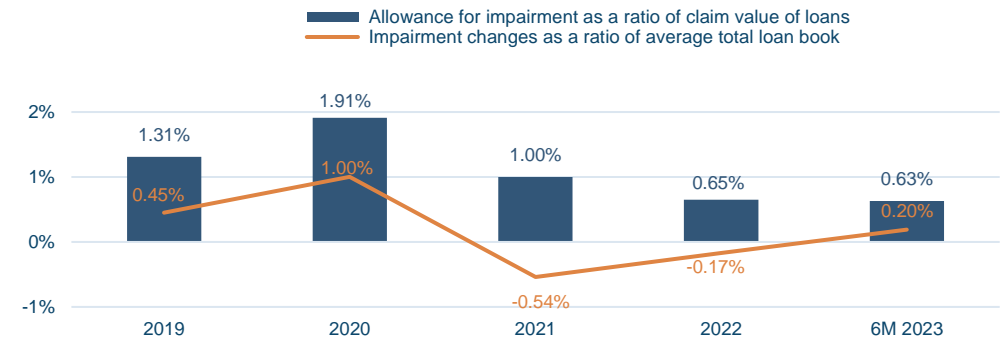
Impairment on loans

Provisions for impairment reflect the strong position of borrowers and well-collateralised loan book

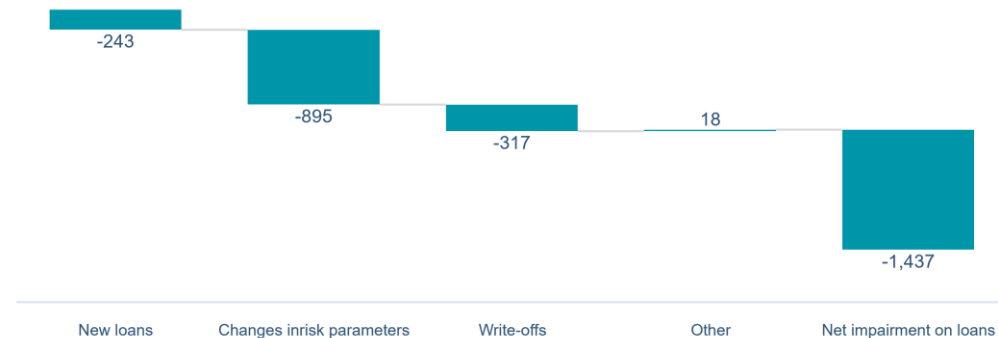
Allowance for impairment on loans and advances to customers



Cost of risk



Impairment on loans – PL impact



Loan staging

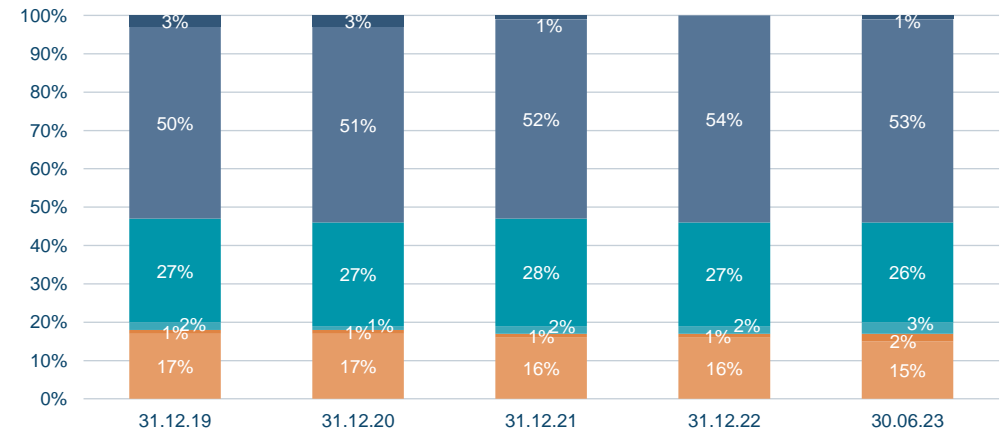
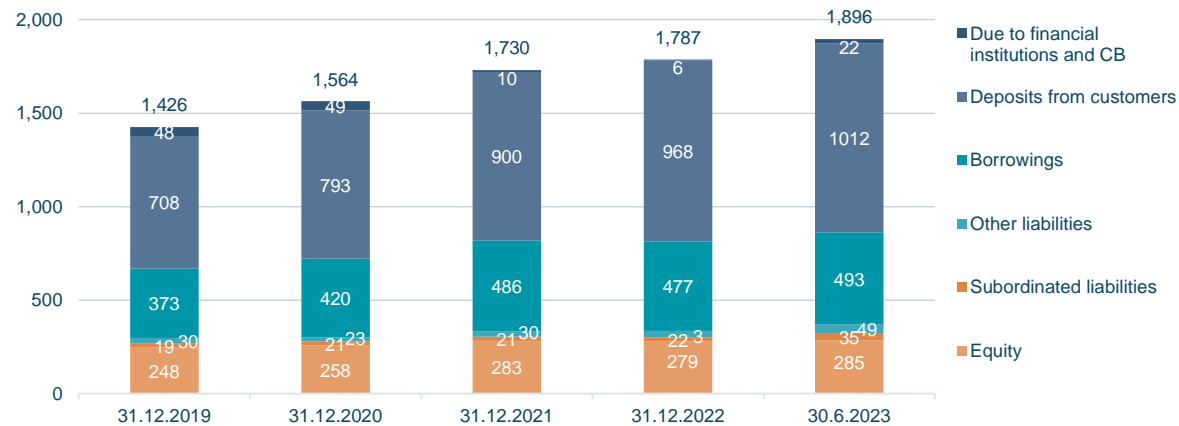
	Gross carrying amount		Allowance for impairment		Carrying amount	
Stage 1	1.493	93,0%	4	0,3%	1.489	93,3%
Stage 2	78	4,9%	2	2,5%	76	4,8%
Stage 3	20	1,2%	4	19,7%	16	1,0%
Fair value	14	0,9%		0%	14	0,9%
Total	1.605	100%	10	0,6%	1.595	100%

Liabilities and equity

Diversified funding and continued deposit growth

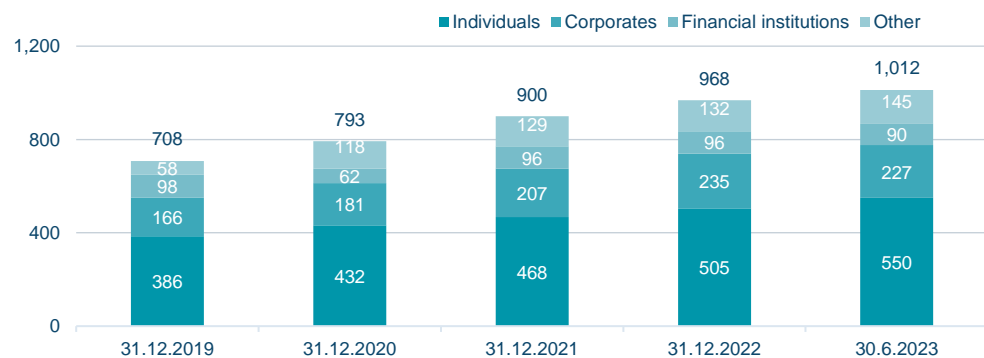
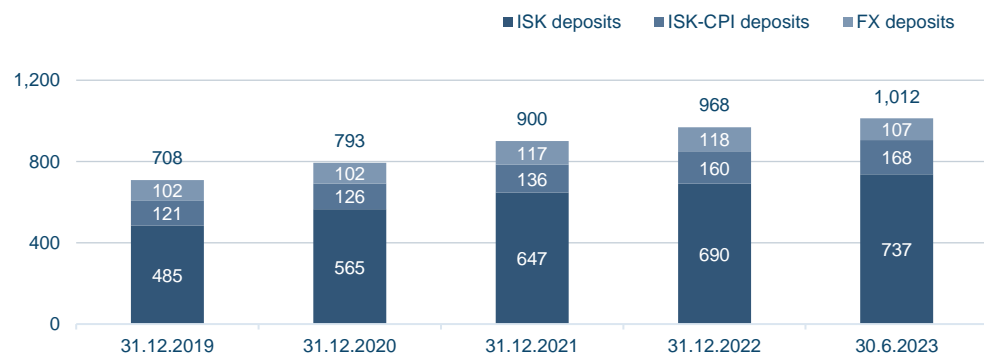
	30.6.2023	31.12.2022	Change	
Due to financial institutions and CB	22	6	16	267%
Deposits from customers	1,012	968	44	5%
Borrowings	493	477	16	3%
Other liabilities	49	35	14	40%
Subordinated liabilities	35	22	13	59%
Equity	285	279	6	2%
Total	1,896	1,787	109	6%

- Customer deposits increased by ISK 44 billion from the beginning of the year.
- Borrowings increased by ISK 16 billion, with exchange rate changes accounting for ISK 9 billion.

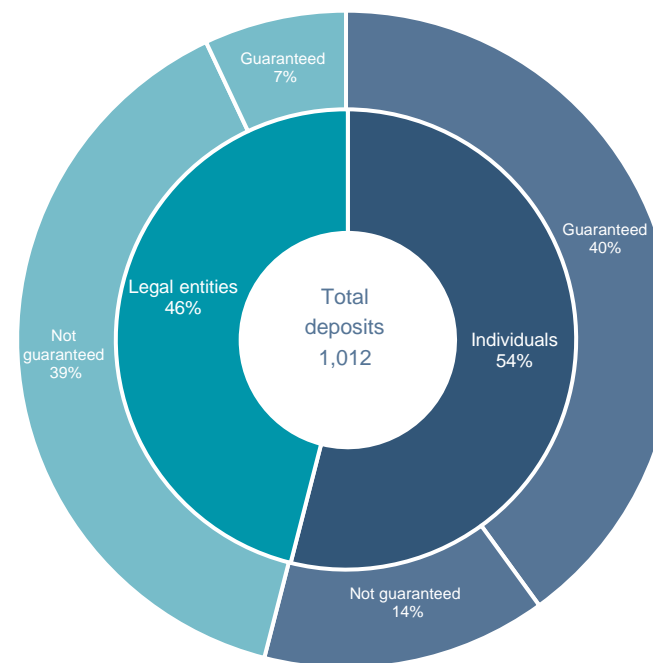


Deposits from customers

Deposits exceed ISK 1,000 billion



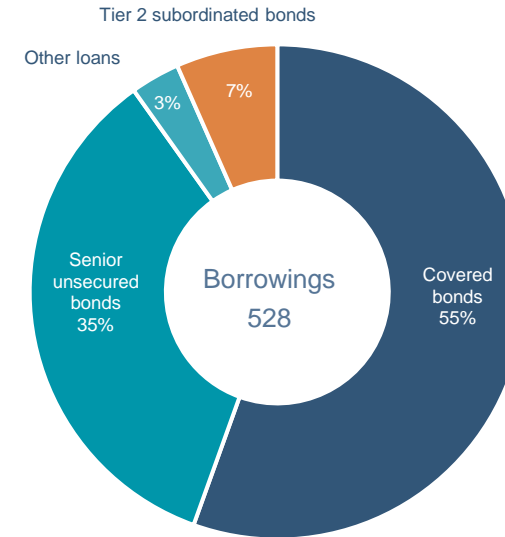
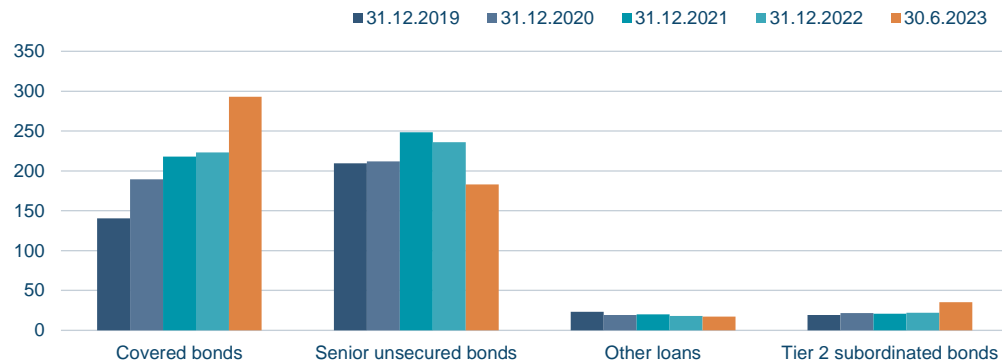
- Household deposits grew by ISK 45 billion from the end of the year, with total customer deposits increasing by ISK 44 billion during the period.
- Deposits have priority over senior unsecured claims in the winding-up of deposit-taking institutions in Iceland. About 47% of total deposits are guaranteed under the Act on Deposit Guarantees and Investor-Compensation Scheme.



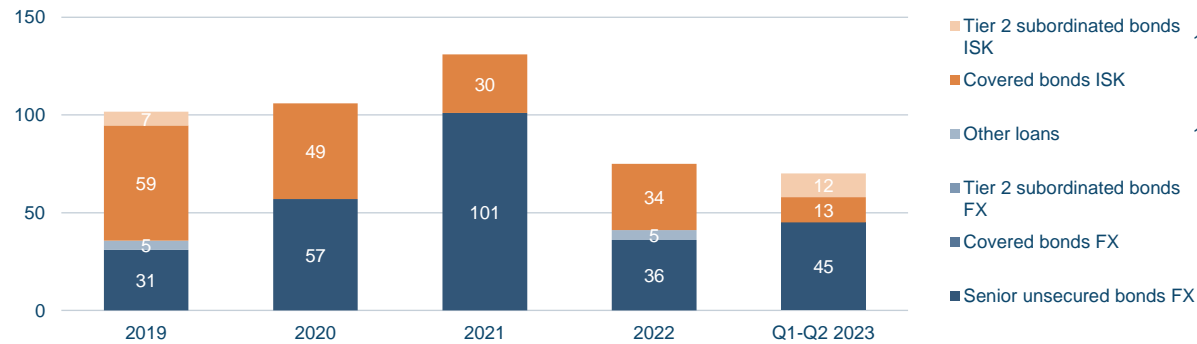
Borrowings

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

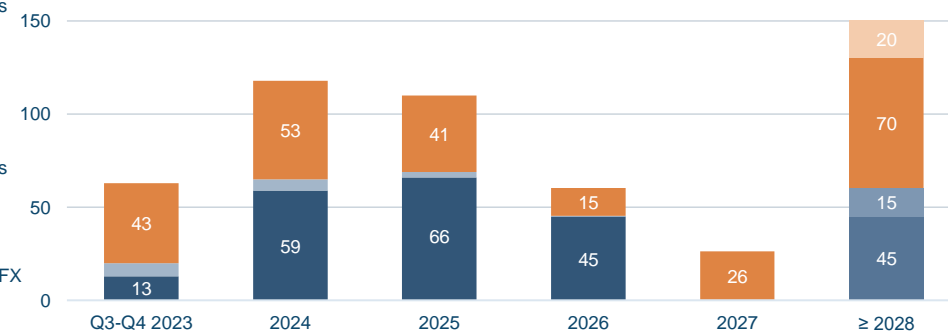
Borrowings



Borrowing issuance



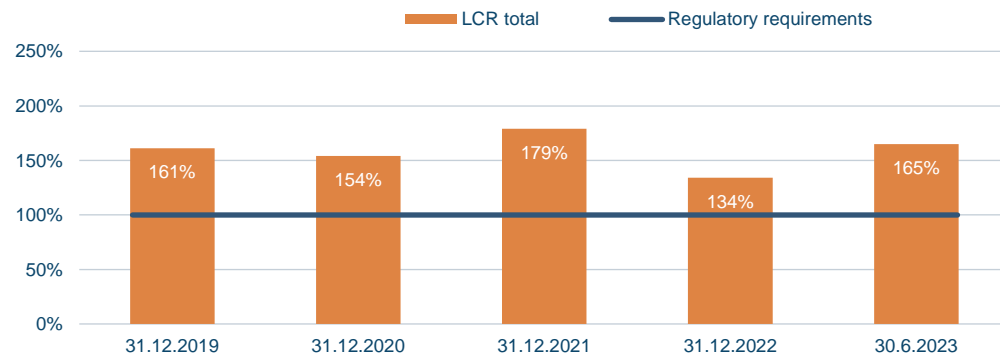
Maturity profile



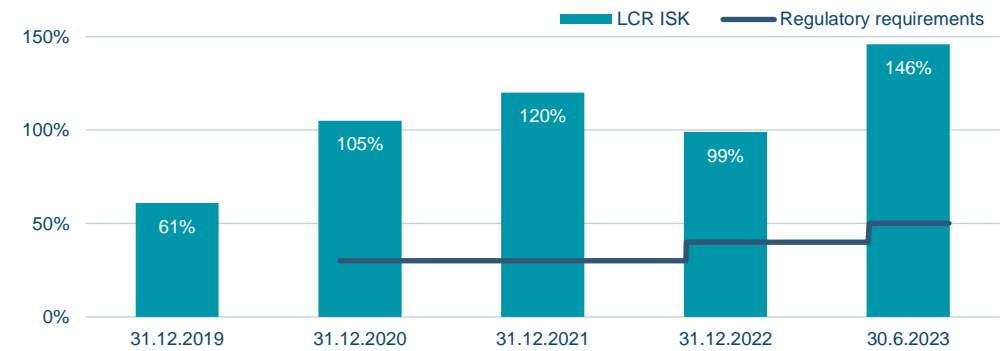
Liquidity ratio and net stable funding ratio

Liquidity and funding ratios well above regulatory requirements

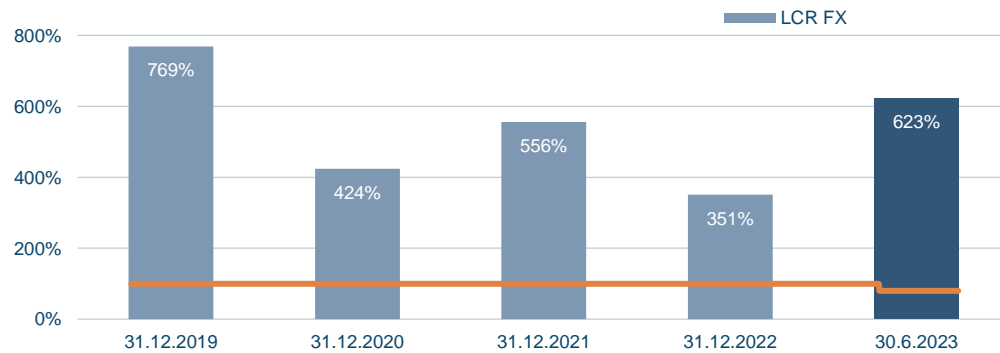
Liquidity coverage ratio total



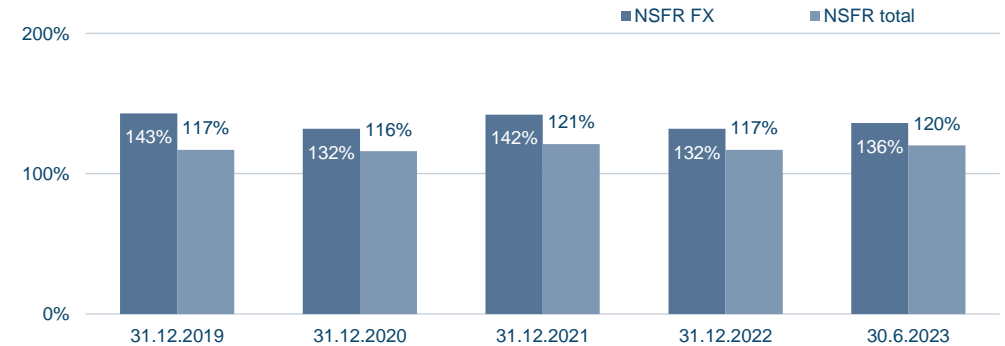
Liquidity coverage ratio ISK



Liquidity coverage ratio FX



Net stable funding ratio



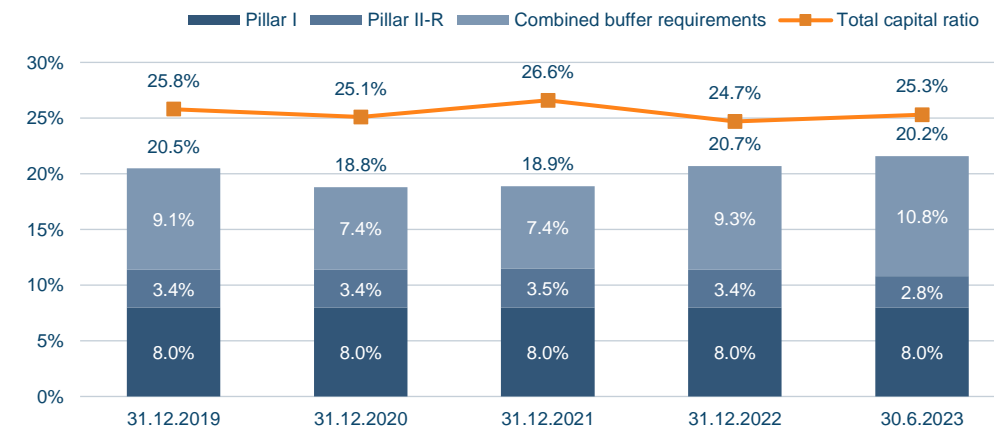
Capital requirements

Capital ratios well above regulatory requirements

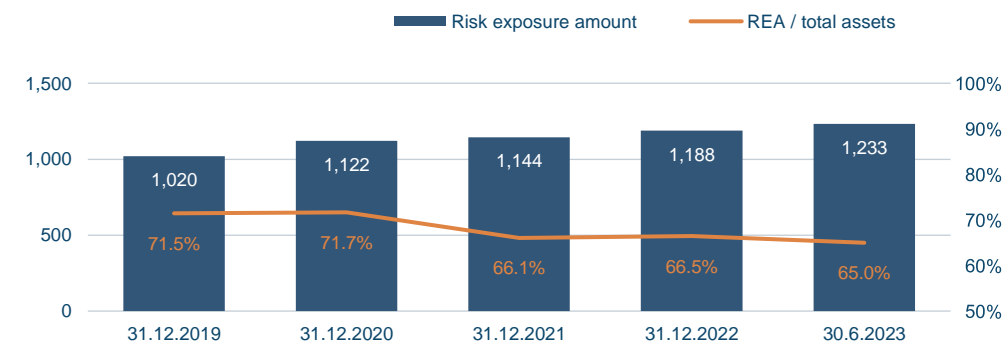
	CET1	Tier 1	Total
Pillar I	4.5%	6.0%	8.0%
Pillar II-R	1.6%	2.1%	2.8%
Minimum requirement under Pillar I and Pillar II-R	6.1%	8.1%	10.8%
Systemic risk buffer	2.9%	2.9%	2.9%
Capital buffer for systematically important institutions	2.0%	2.0%	2.0%
Countercyclical capital buffer	2.0%	2.0%	2.0%
Capital conservation buffer	2.5%	2.5%	2.5%
Combined buffer requirements under Pillar II-G	9.4%	9.4%	9.4%
Total capital requirement	15.5%	17.5%	20.2%
Total capital ratio	22.6%	22.6%	25.3%

- 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 from 2.0% to 2.5%, to take effect twelve months later.
- On 30 June 2023, the Financial Supervisory Authority of the Central Bank announced an additional capital requirement under Pillar II-R, currently 2.8% of Landsbankinn's risk exposure amount (REA) (was 3.4%).

Regulatory total capital requirement as a ratio of REA

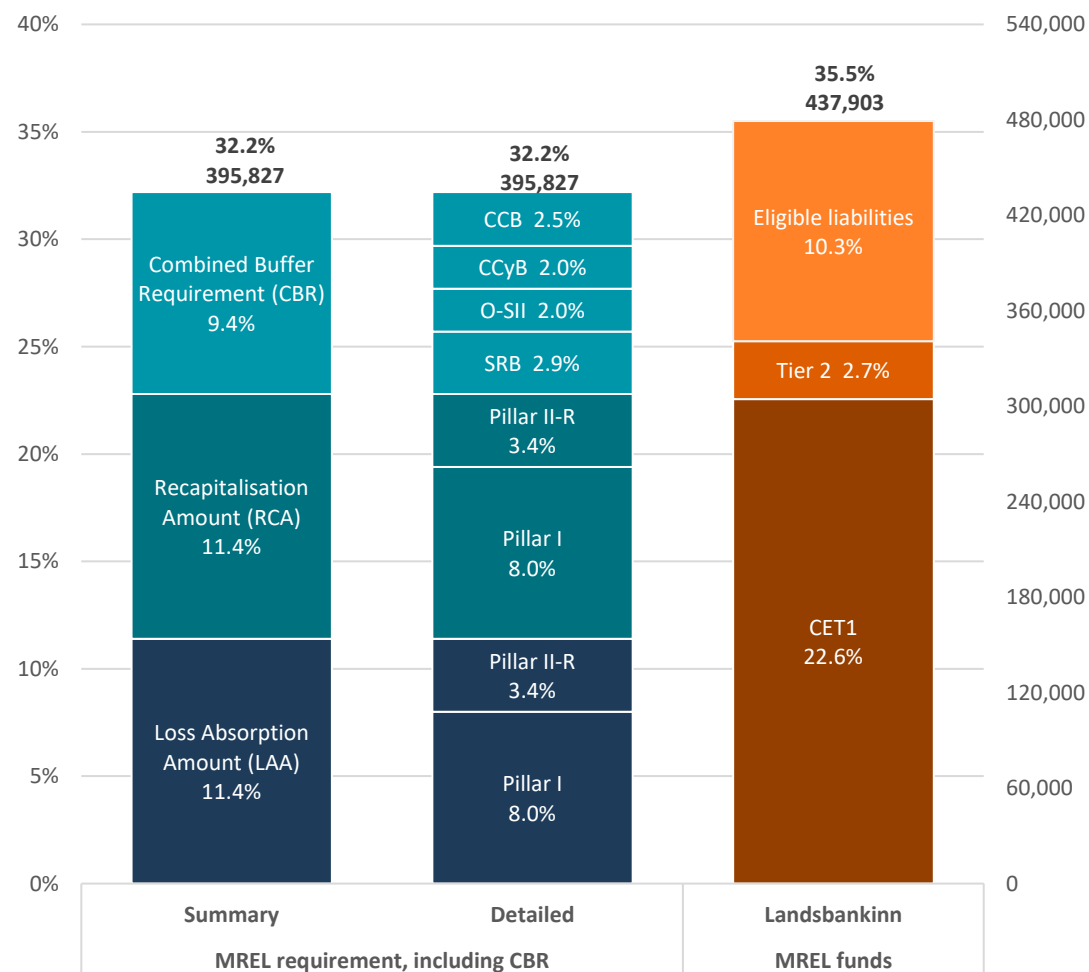


Risk exposure amount



Minimum requirement for own funds and eligible liabilities (MREL)

Landsbankinn's MREL funds are well above requirements



- The latest MREL requirement for Landsbankinn is from September 2022:
 - Landsbankinn's MREL requirement is 22.8% of its 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 30 June 2023, which amounts to ISK 395,8 billion.
 - Market confidence charge (MCC) is not introduced at this point
 - No subordination requirement is applicable at this point
- Landsbankinn's MREL funds at 30 June 2023 are ISK 437.9 billion, equivalent to 35.5% of RWEA.
- The Bank Recovery and Resolution Directive (BRRD) was transposed into Icelandic law in 2020. The 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.

*At the next MREL decision, the Resolution Authority can be expected to lower the requirement from 22.8% of REA to 21.6% to reflect the lower additional capital requirement under Pillar II-R.

Dividends

The Bank's dividend policy is to pay around 50% of last year's profit

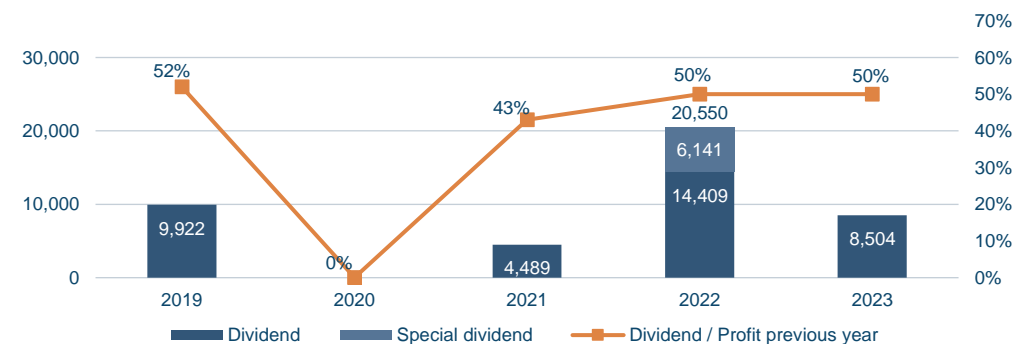
Dividend 2023

- 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.

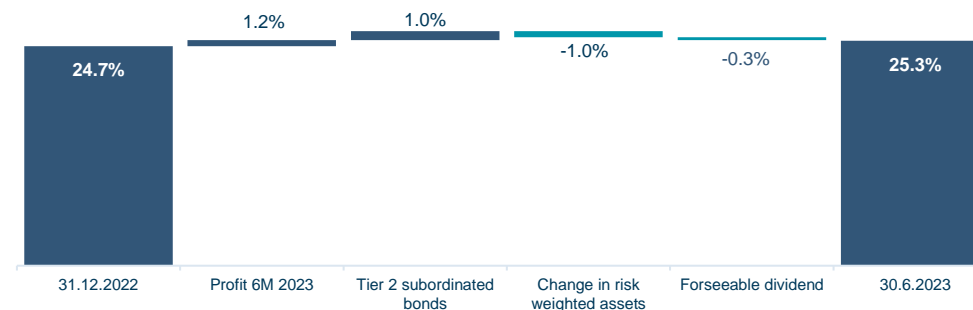
Landsbankinn's dividend policy

- 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 6M 2023



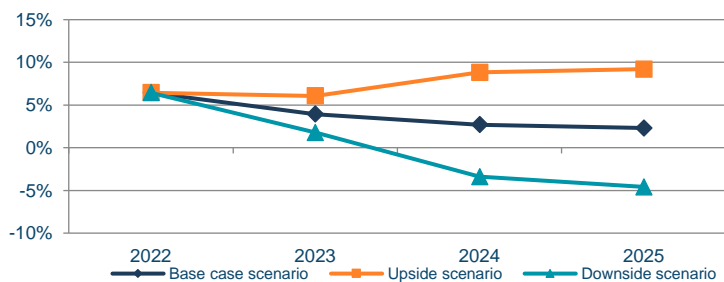
Appendix

Further information

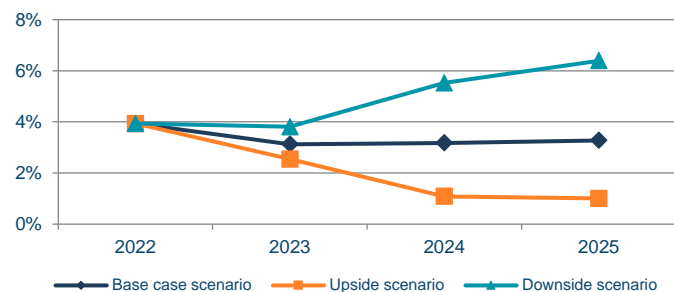
Economic scenarios for expected credit loss

- 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%).

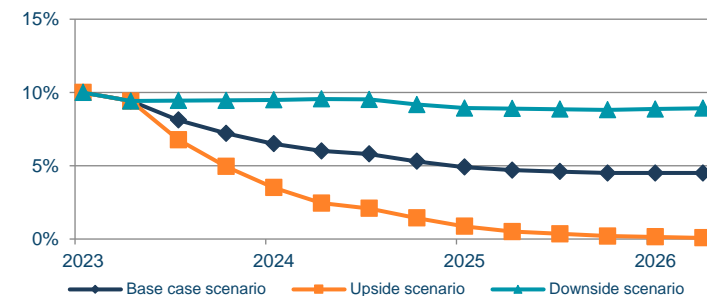
Economic growth



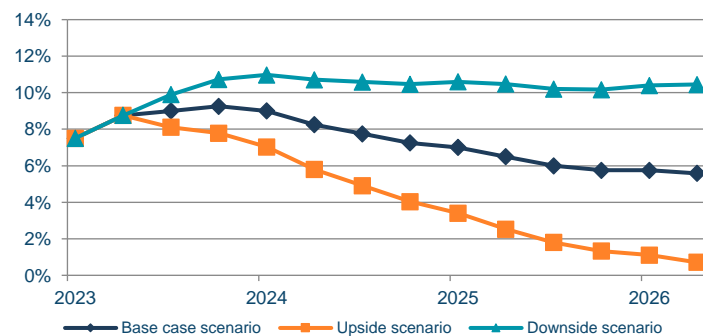
Unemployment



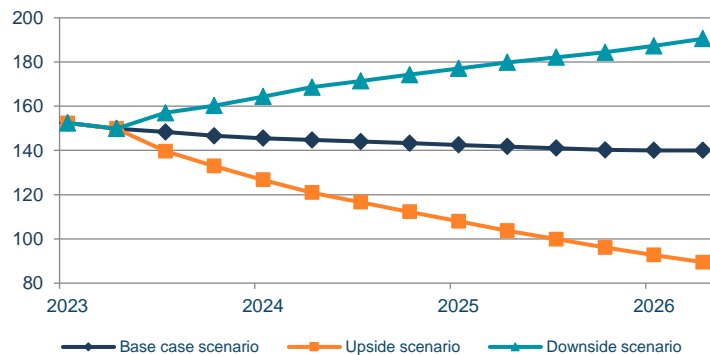
Inflation



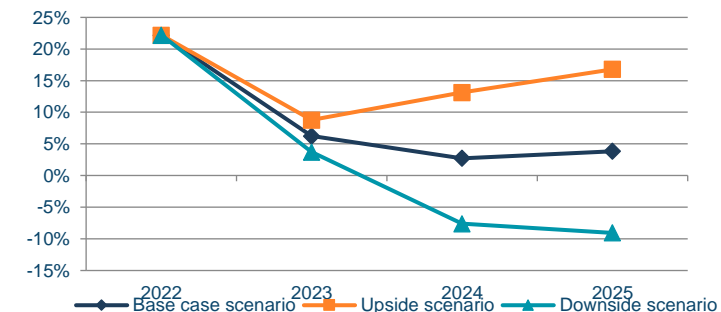
CBI's key rate (seven-day term deposits)



EUR/ISK



Housing price (YoY change)



Key financial ratios

	Q2 2023	Q1 2023	Q4 2022	Q3 2022	Q2 2022	6M 2023	2022	2021	2020	2019
Profit after taxes	6,717	7,756	5,677	5,763	2,341	14,473	16,997	28,919	10,521	18,235
Return on equity before taxes	14.3%	14.7%	12.2%	13.3%	7.0%	14.5%	10.1%	13.6%	5.1%	9.6%
Return on equity after taxes	9.5%	11.1%	8.2%	8.5%	3.5%	10.3%	6.3%	10.8%	4.3%	7.5%
After tax return on average assets	1.4%	1.7%	1.3%	1.3%	0.5%	1.5%	1.0%	1.7%	0.7%	1.3%
Total assets	1,896,369	1,916,993	1,787,024	1,771,128	1,728,143	1,896,369	1,787,024	1,729,798	1,564,177	1,426,328
Net interest income	14,469	13,066	12,869	12,177	11,152	27,535	46,464	38,953	38,074	39,670
Interest spread as a ratio of average total assets	3.0%	2.8%	2.9%	2.8%	2.6%	2.9%	2.7%	2.3%	2.5%	2.8%
Loans / deposits ratio	157.6%	157.4%	159.6%	154.6%	154.6%	157.6%	159.6%	154.1%	160.5%	161.1%
Cost-income ratio	39.5%	33.3%	42.0%	43.2%	49.3%	36.1%	46.8%	43.2%	47.4%	42.6%
Operating expenses as a ratio of average total assets	1.4%	1.4%	1.5%	1.2%	1.3%		1.4%	1.4%	1.6%	1.7%
Total equity	285,060	278,343	279,091	273,414	267,650	285,060	279,091	282,645	258,255	247,734
Total capital ratio	25.3%	25.3%	24.7%	24.2%	24.9%	25.3%	24.7%	26.6%	25.1%	25.8%
MREL		39.4%	40.4%			40.4%	40.4%			
Liquidity ratio LCR total	165%	235%	134%	147%	144%	165%	134%	179%	154%	161%
Liquidity LCR EUR (LCR FX until 31.12.2022)	623%	724%	351%	204%	184%	623%	351%	556%	424%	769%
Liquidity LCR ISK	146%	128%	99%	126%	132%	146%	99%	120%	105%	61%
Net stable funding ratio NSFR total	120%	121%	117%	121%	122%	120%	117%	121%	116%	117%
Net stable funding ratio NSFR FX	136%	145%	132%	142%	136%	136%	132%	142%	132%	143%
Full-time eqv.positions	801	825	813	824	786	801	813	816	878	893

Operations

	Q2 2023	Q1 2023	Q4 2022	Q3 2022	Q2 2022	6M 2023	2022	2021	2020	2019
Net interest income	14,469	13,066	12,869	12,177	11,152	27,535	46,464	38,953	38,074	39,670
Net fee & commission income	2,703	3,048	2,745	2,456	2,783	5,751	10,623	9,483	7,638	8,219
Net impairment changes	520	-2,111	-192	2,622	-735	-1,591	2,473	7,037	-12,020	-4,827
Other net operating income	-535	3,317	144	-2,400	-2,358	2,782	-6,307	6,857	4,561	8,455
Total operating income	17,157	17,320	15,566	14,855	10,842	34,477	53,253	62,330	38,253	51,517
Salaries and related expenses	4,194	4,119	3,986	3,149	3,584	8,313	14,474	14,759	14,767	14,458
Other operating expenses	2,370	2,355	2,637	2,135	2,118	4,725	9,289	9,105	9,064	9,534
Tax on liabilities to fin. institutions	550	570	535	547	505	1,120	2,097	2,013	1,815	4,204
Total operating expenses	7,114	7,044	7,158	5,831	6,207	14,158	25,860	25,877	25,646	28,196
Profit before tax	10,043	10,276	8,408	9,024	4,635	20,319	27,393	36,453	12,607	23,321
Income tax	3,326	2,520	2,731	3,261	2,294	5,846	10,396	7,534	2,086	5,086
Profit for the period	6,717	7,756	5,677	5,763	2,341	14,473	16,997	28,919	10,521	18,235

Balance sheet

	30.6.2023	31.12.2022	Change		31.12.2021	31.12.2020	31.12.2019
Cash and balances with CB	106,299	42,216	64,083	152%	82,425	67,604	69,824
Bonds and debt instruments	116,515	125,265	-8,750	-7%	150,435	119,330	115,262
Equities and equity instruments	15,504	19,106	-3,602	-19%	33,347	26,808	30,019
Loans and advances to fin institutions	31,628	28,621	3,007	11%	47,231	48,073	47,929
Loans and advances to customers	1,595,392	1,544,360	51,032	3%	1,387,463	1,273,426	1,140,184
Other assets	31,031	27,455	3,576	13%	28,897	28,936	23,110
Total assets	1,896,369	1,787,024	109,345	6%	1,729,798	1,564,177	1,426,328
Due to financial institutions and CB	22,132	6,634	15,498	234%	10,425	48,725	48,062
Deposits from customers	1,012,482	967,863	44,619	5%	900,098	793,427	707,813
Borrowing	493,201	476,864	16,337	3%	486,042	420,178	373,168
Other liabilities	48,796	34,820	13,976	40%	29,803	22,226	30,470
Subordinated liabilities	34,698	21,753	12,945	60%	20,785	21,366	19,081
Equity	285,060	279,091	5,969	2%	282,645	258,255	247,734
Total liabilities and equity	1,896,369	1,787,024	109,345	6%	1,729,798	1,564,177	1,426,328

Operating segments

1.1.2023 - 30.6.2023	Personal Banking	Corporate Banking	Asset Management & Capital Markets	Treasury and Market Making	Other divisions	Reconciliation	Total
Net interest income	9,489	11,083	277	6,516	138	32	27,535
Net fee and commission income	1,811	1,546	2,502	-158	125	-75	5,751
Net impairment changes	-294	-1,300	-	3	-	-	-1,591
Net other operating income (expense)	44	48	50	2,562	91	-13	2,782
Total operating income (expense)	11,050	11,377	2,829	8,923	354	-56	34,477
Operating expenses	-3,494	-1,701	-1,156	-485	-6,289	87	-13,038
Tax on liabilities of financial institutions	-445	-227	-6	-439	-3	-	-1,120
Allocated expenses	-2,256	-1,508	-595	-511	4,870	-	0
Profit (loss) before tax	4,855	7,941	1,072	7,488	-1,068	31	20,319
Income tax	-1,370	-2,106	-275	-2,303	208	-	-5,846
Profit (loss) for the period	3,485	5,835	797	5,185	-860	31	14,473
Total assets	853,534	737,796	12,555	737,873	19,906	-465,295	1,896,369
Total liabilities	799,098	620,463	8,558	631,760	16,725	-465,295	1,611,309
Allocated capital	54,436	117,333	3,997	106,113	3,181	-	285,060

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