



Q1 2019 Results

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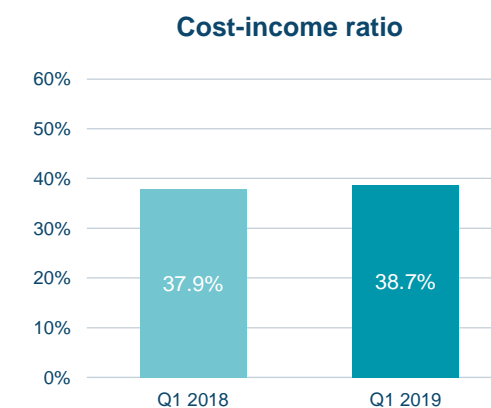
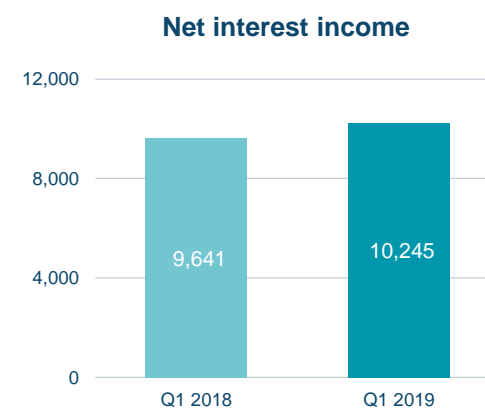
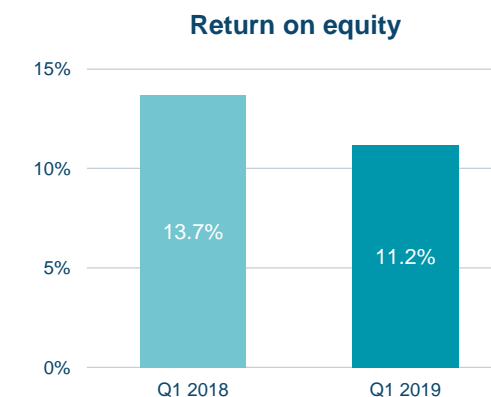
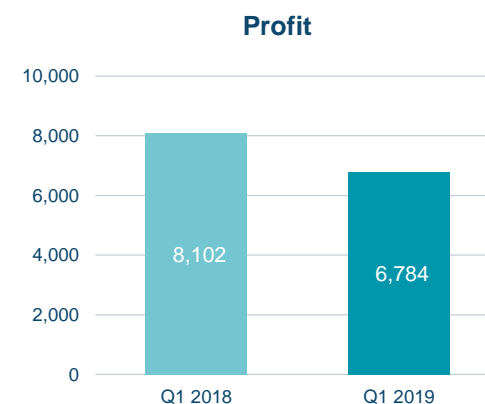
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Highlights - Operations

Highlights of Q1 2019

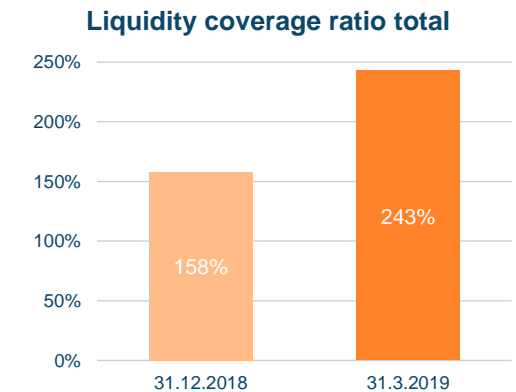
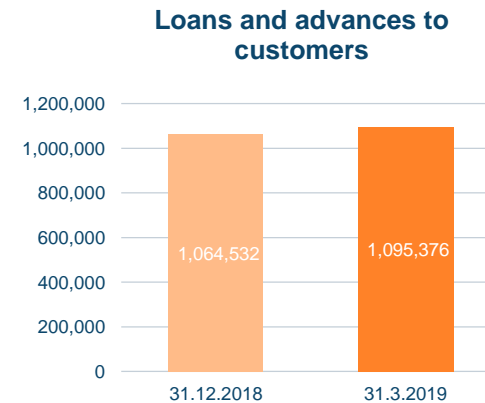
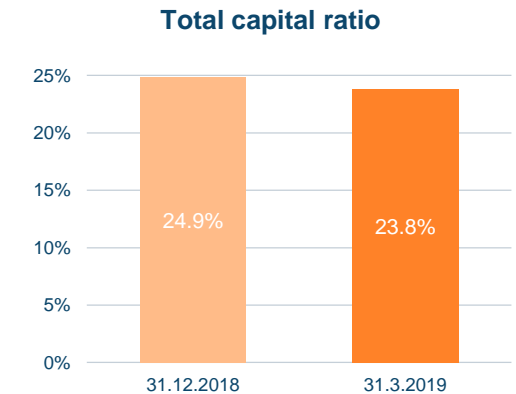
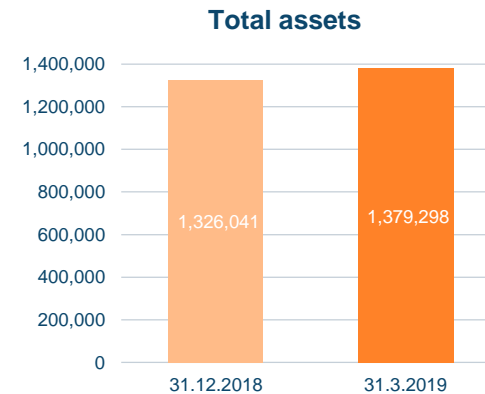
- The Bank's after-tax profit in Q1 of 2019 was ISK 6.8 bn, as compared with ISK 8.1 bn for the same period of 2018.
- Net interest income was ISK 10.2 bn, as compared with ISK 9.6 bn in Q1 2018.
- Value changes during the period were negative by ISK 1.0 bn as compared with a positive change in the amount of ISK 1.0 bn in Q1 of 2018.
- Net commission income for the period amounted to ISK 2.1 bn as compared with ISK 1.7 bn during the same period the previous year.
- Other operating income amounted to ISK 3.7 bn, as compared with ISK 4.5 bn in Q1 2018.
- Operating cost was ISK 6.2 bn, as compared with ISK 6.0 bn in Q1 2018.
- The interest margin on assets and liabilities was 2.5% at the end of Q1 2019, as compared to 2.7% at the end of Q1 2018.
- Return on equity (ROE) after taxes was 11.2% in Q1 2019 as compared with a ROE of 13.7% for the same period in 2018.
- The cost-income ratio for the first three months of the year was 38.7%, as compared with 37.9% for the same time last year.
- The effective income tax rate for Q1 of 2019 was 13.3%.



Amounts in ISKbn

Highlights – Balance sheet

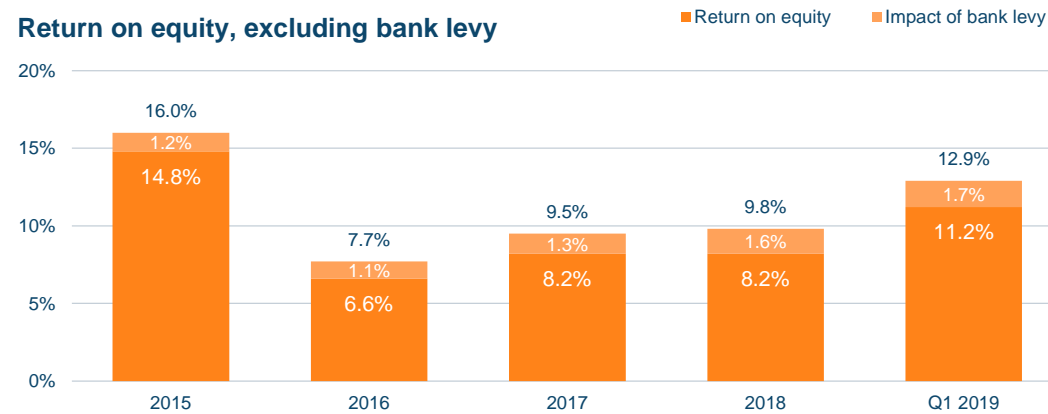
- Total assets amounted to ISK 1,379 bn at the end of March 2019.
- Lending increased by ISK 31 billion in Q1 2019. Lending to corporates increased by ISK 18 bn and lending to households by ISK 13 bn.
- Landsbankinn's equity was ISK 246.2 bn at the end of March 2019, up from ISK 239.6 bn the beginning of this year.
- The total capital ratio is now 23.8%, down from 24.9% at year-end 2018, and well above the FME's requirement of 20.5%.
- The Bank's AGM, held on 4 April 2019, approved a motion from the Board of Directors to pay a dividend in the amount of ISK 9,922 m for the 2018 operating year. The dividend payment leads to a decrease in equity in Q2 2019.
- The Bank's liquidity position is strong, overall and in foreign currencies, and well above regulatory requirements.



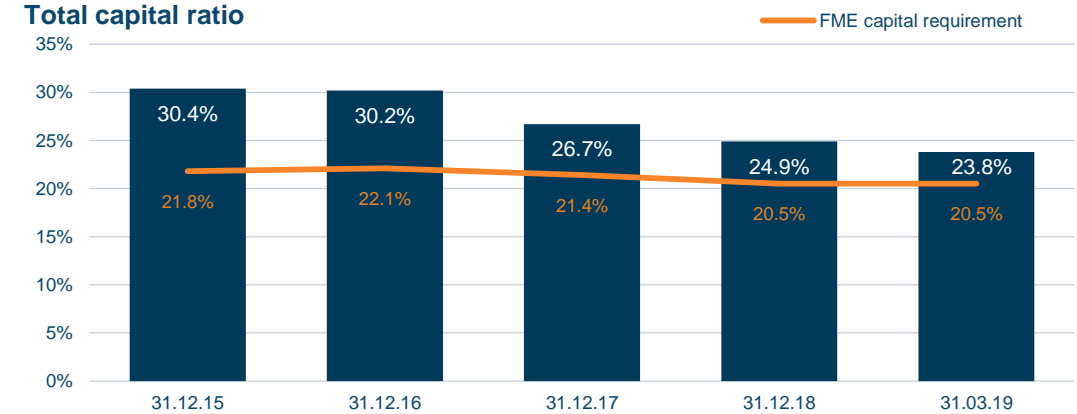
Amounts in ISKm

Development of KPIs

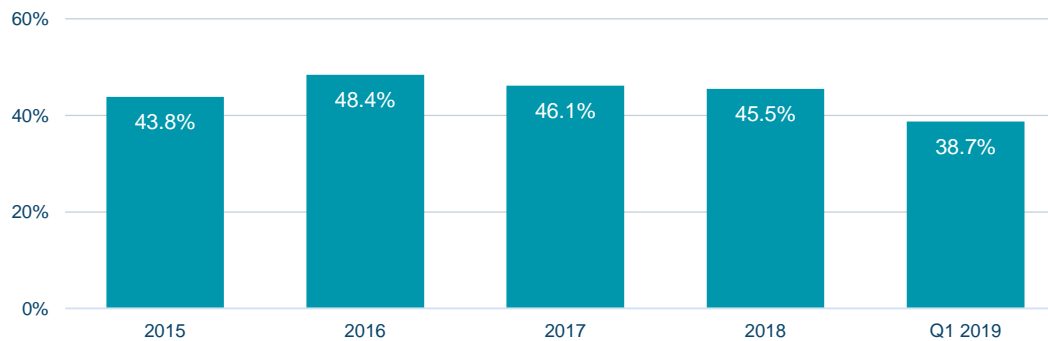
Return on equity, excluding bank levy



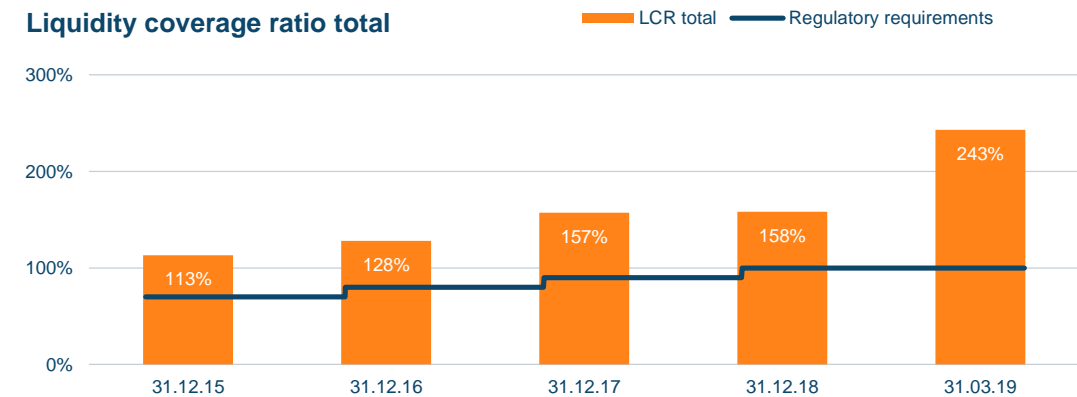
Total capital ratio



Cost-income ratio



Liquidity coverage ratio total

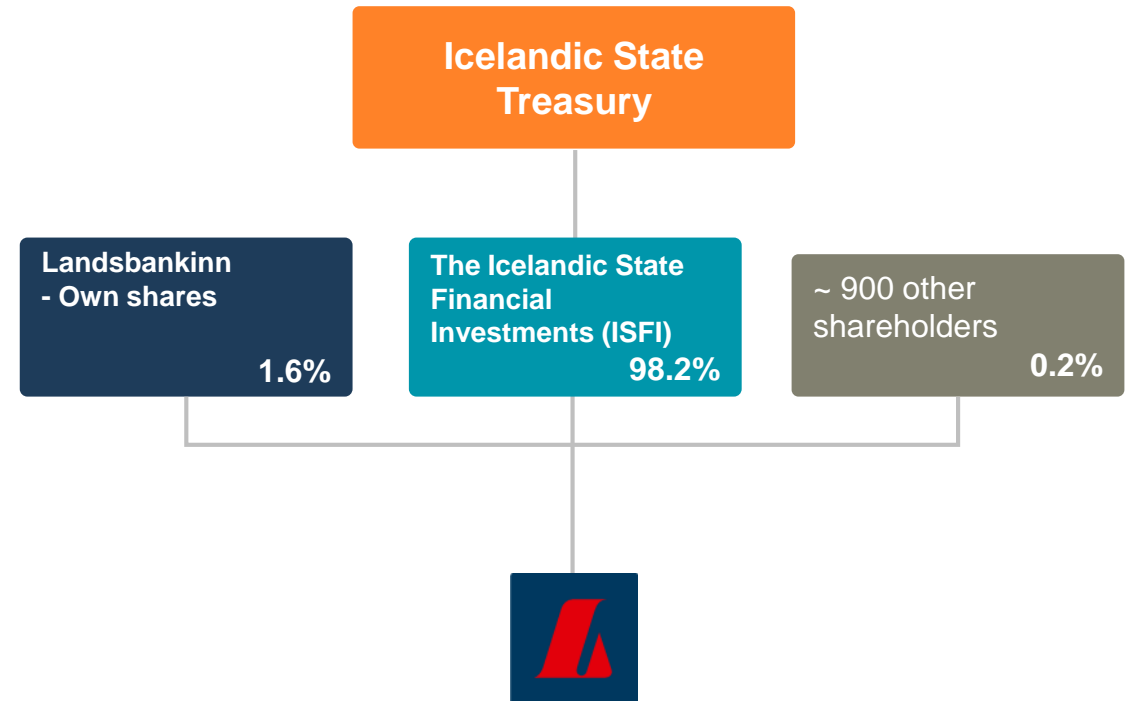


Ownership

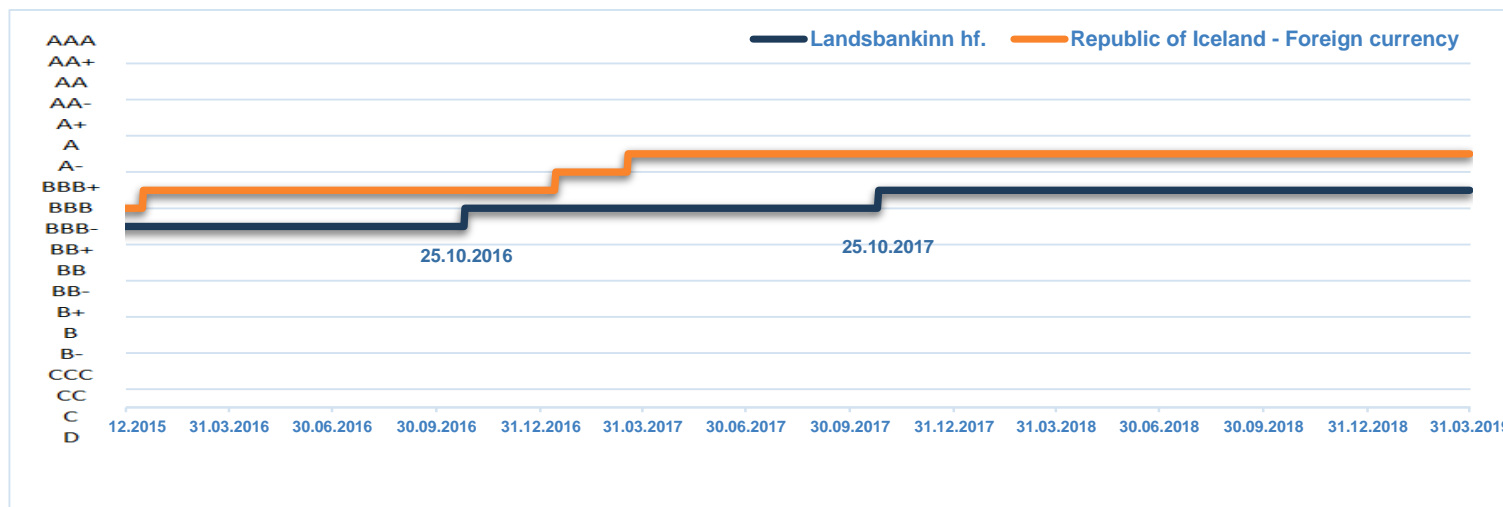
- The Finance Ministry published an ownership policy in July 2017 in regards to equity holdings in financial companies that are supervised by the Icelandic State Financial Investments (ISFI).

In regards to Landsbankinn the policy states

- The government will retain a significant equity stake in the bank (34-40%) to ensure stability in the domestic financial sector.
- The remaining equity stake will be sold in the next few years given favorable market conditions.
- Equity in Landsbankinn will be listed on a stock exchange.



Credit rating



Fundamental factors for Landsbankinn:

- Very strong capital and earnings
- Adequate liquidity position
- Average funding profile
- Adequate business position
- Moderate risk position

	Icelandic sovereign	Landsbankinn hf.
Long-term rating	A	BBB+
Short-term rating	A-1	A-2
Outlook	Stable	Stable
Last rating action	March 2017	October 2017

Financial objectives

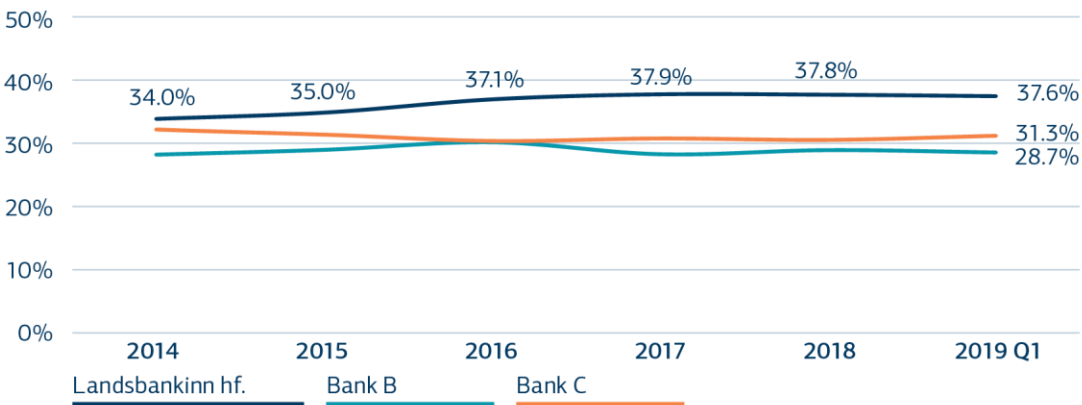
	Objective	Q1 2019	Guidelines
Return on equity, excluding bank levy ¹ (ROE)	≥ 10%	12.9%	Expected ROE, excluding bank levy in 2019 is 9.5 – 10.5%.
Cost-income ratio (C/I ratio)	≤ 45%	38.7%	Expected ratio in 2019 is 40-44%.
Total capital ratio (TCR)	≥ 23%	23.8%	<p>The Bank's aim is to maintain capital ratios above the FME's capital requirements at any given time, plus a 1.5-2.5% management buffer.</p> <p>The Bank also aims to be in the highest category for risk-adjusted capital ratio, as determined and measured by the relevant credit rating agencies.</p> <p>The Bank intends to raise subordinated market funding, if suitable and favourable for the Bank's capital structure</p>
Common Equity Tier 1 capital (CET1)	≥ 18%	22.4%	
Dividend payout ratio	≥ 50%	52% ²	The aim is also to make special dividend payments to further optimise the Bank's capital structure.

¹ Special tax on financial institutions of 0.376% is levied of the carrying amount of total liabilities at year-end, excluding tax liabilities, in excess of ISK 50,000 million as determined for tax purposes. The special income tax on financial institutions is a non-deductible expense

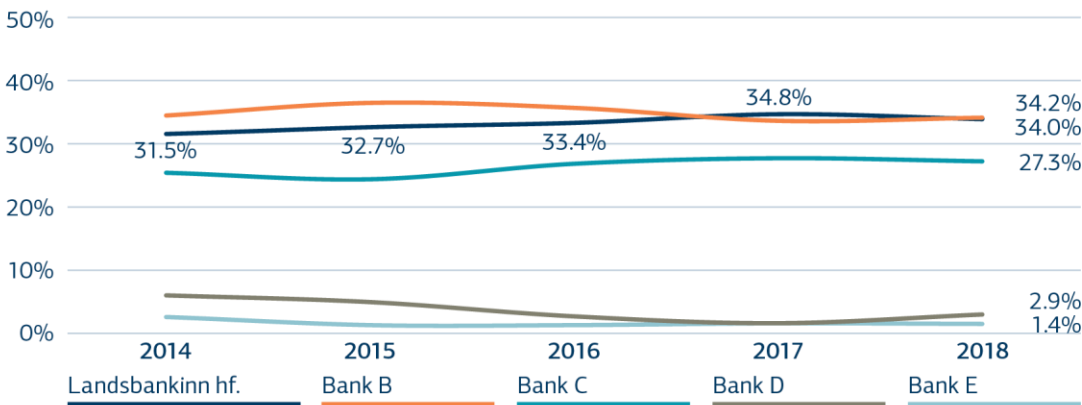
² Regular dividend payout ratio of last year profit.

Landsbankinn's successes

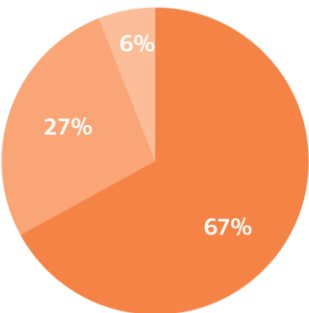
Marketshare – Retail banking



Marketshare – Corporate banking

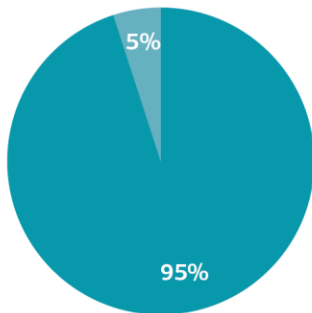


Customer satisfaction – Individuals



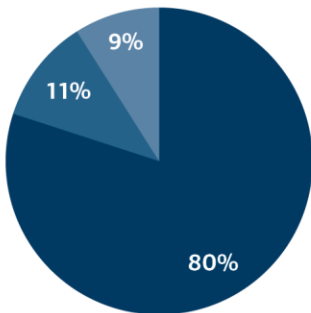
■ Satisfied ■ Neither nor ■ Dissatisfied

Satisfaction with online banking – Individuals



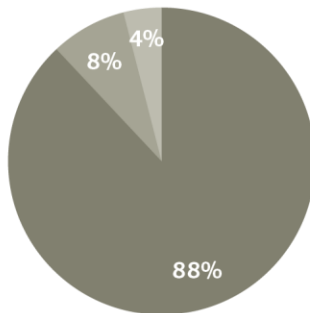
■ Satisfied ■ Neither nor ■ Dissatisfied

Customer satisfaction – Business



■ Satisfied ■ Neither nor ■ Dissatisfied

Satisfaction with online banking – Business



■ Satisfied ■ Neither nor ■ Dissatisfied

Source: Gallup

Aukakrónur



24% of Icelanders use Aukakrónur, according to Gallup.

Capacent's Equality Indicator



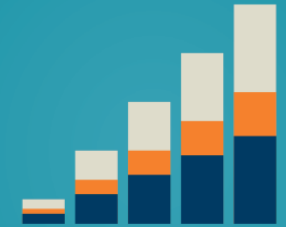
Landsbankinn became a member of Capacent's Equality Indicator (Jafnréttisvísir) in 2018. The Equality Indicator is a strategy and promotes awareness about equality.

Credit rating



S&P Global Ratings upgraded Landsbankinn's credit rating to BBB+/A-2 with a stable outlook.

Pension savings



The market share in supplementary pension savings is 21%, according to Gallup.

Share in the retail market



Market share in the retail market measured 38% for the second year in a row and Landsbankinn remains by far the largest bank in Iceland, according to Gallup.

Share in the corporate market



Gallup surveys show that Landsbankinn held a 34% share in the corporate market in 2018. Customer satisfaction has never scored higher at Landsbankinn.

App of the Year



Landsbankinn's app was selected App of the Year 2018 at the Icelandic Web Awards.

Landsbankinn's app



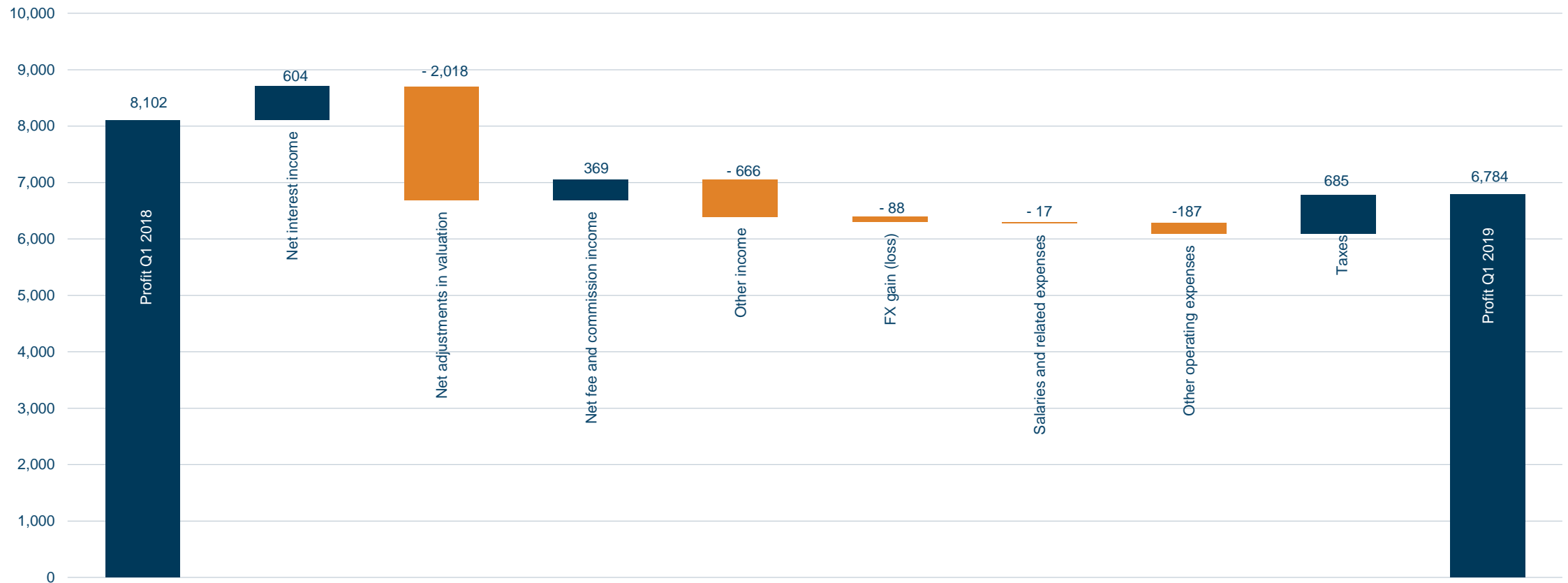
Landsbankinn's app has been downloaded over 75,000 times.

A scenic landscape photograph featuring a calm lake under a blue sky with scattered clouds. In the foreground, a grassy shore is partially covered by the shadow of a large tree on the left. Two blue and white tents are pitched on the grass near the water's edge. A small red wooden boat is pulled up onto the shore, and a dark wooden plank or log lies nearby. In the background, a large, rounded mountain rises from the far side of the lake. The text "Income Statement" is overlaid in white, centered horizontally, with two thin white horizontal lines above and below it.

Income Statement

Income statement

Change from Q1 2018 to Q1 2019



Amounts in ISKm

Income statement

	Q1 2019	Q1 2018	Change	
Net interest income	10,245	9,641	604	6%
Net adjustments in valuation	-994	1,024	-2,018	-197%
Net interest income after adjustments in valuation	9,251	10,665	-1,414	-13%
Net fee and commission income	2,060	1,691	369	22%
Other net operating income	3,722	4,476	-754	-17%
Total operating income	15,033	16,832	-1,799	-11%
Salaries and related expenses	3,680	3,663	17	0%
Other operating expenses	2,522	2,335	187	8%
Total operating expenses	6,202	5,998	204	3%
Profit before tax	8,831	10,834	-2,003	-18%
Income tax expense and tax on liabilities of financial institutions	2,047	2,732	-685	-25%
Profit for the period	6,784	8,102	-1,318	-16%

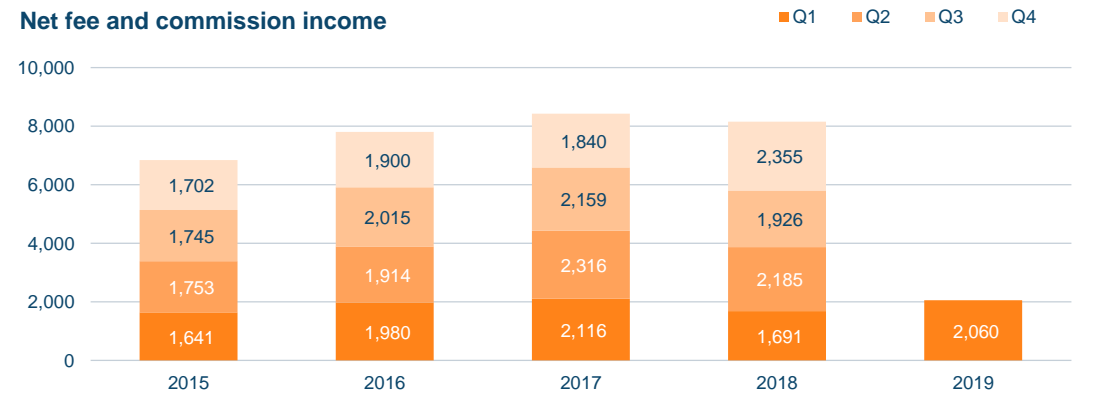
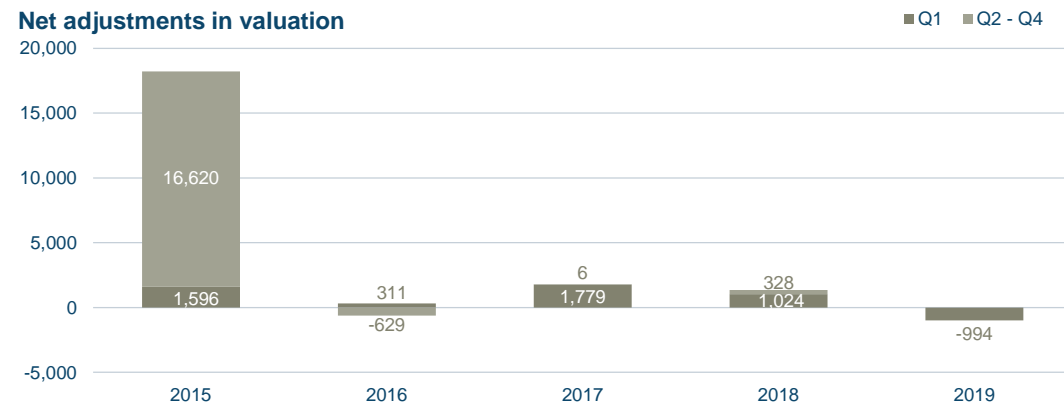
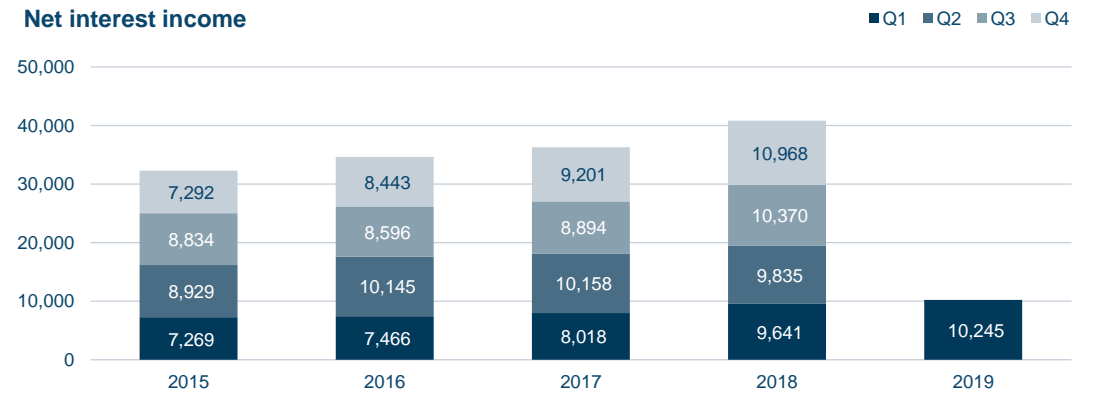
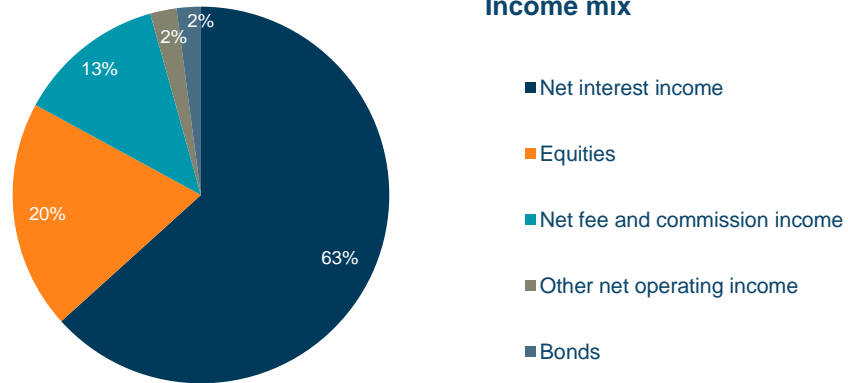
Amounts in ISKm

Net interest income and valuation adjustments

	Q1 2019	Q1 2018	Change	
Interest income	17,899	16,059	1,840	11%
Interest expense	-7,654	-6,418	-1,236	-19%
Net interest income	10,245	9,641	604	6%
Net impairment loss on loans	-1.024	1.024	-2.048	-200%
Other impairment	30	0	30	
Net valuation adjustments	-994	1.024	-2.018	-197%
Net interest income after net valuation adjustments	9.251	10.665	-1.414	-13%

Amounts in ISKm

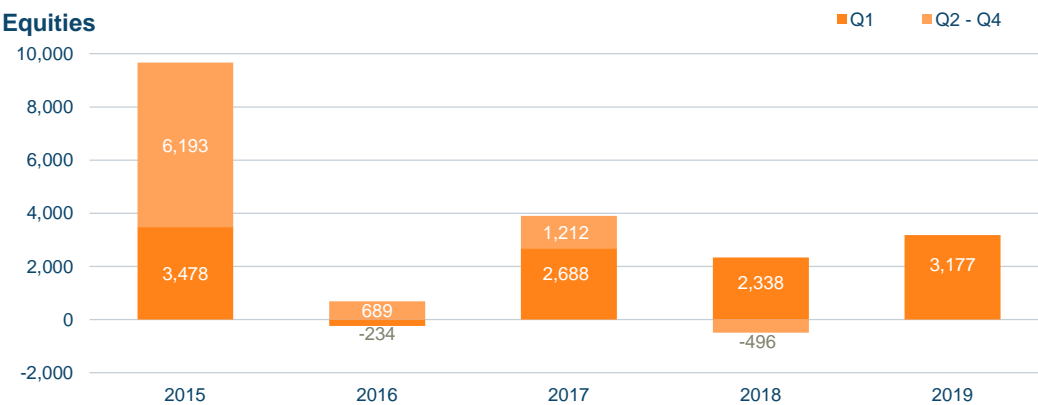
Net operating income



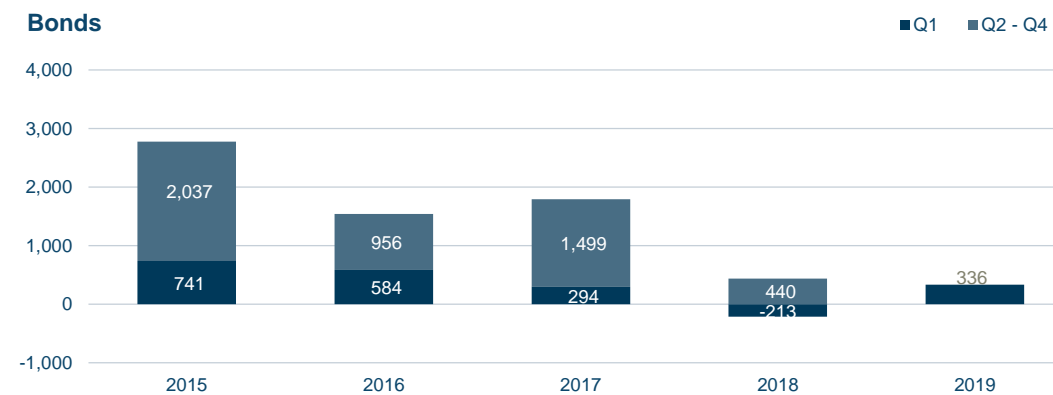
Amounts in ISKm

Net operating income

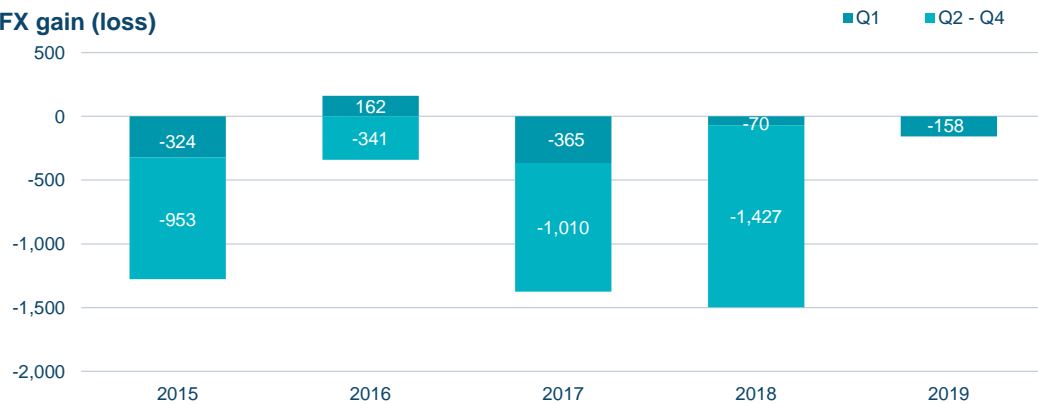
Equities



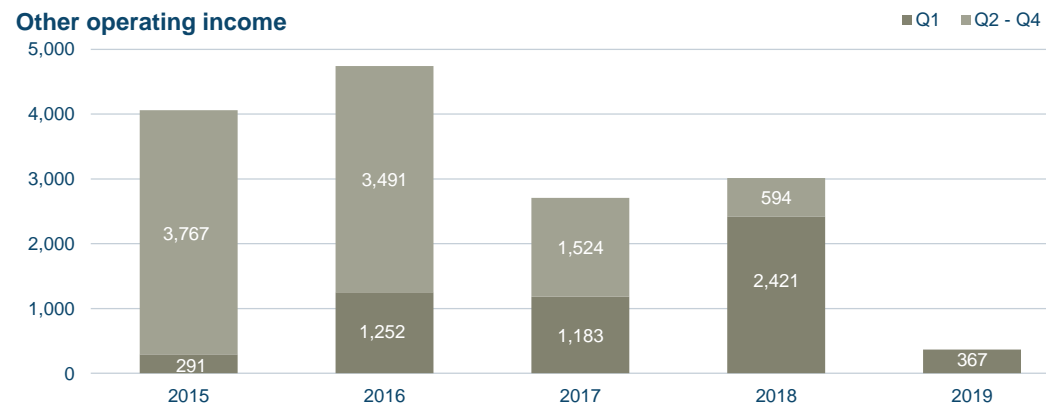
Bonds



FX gain (loss)



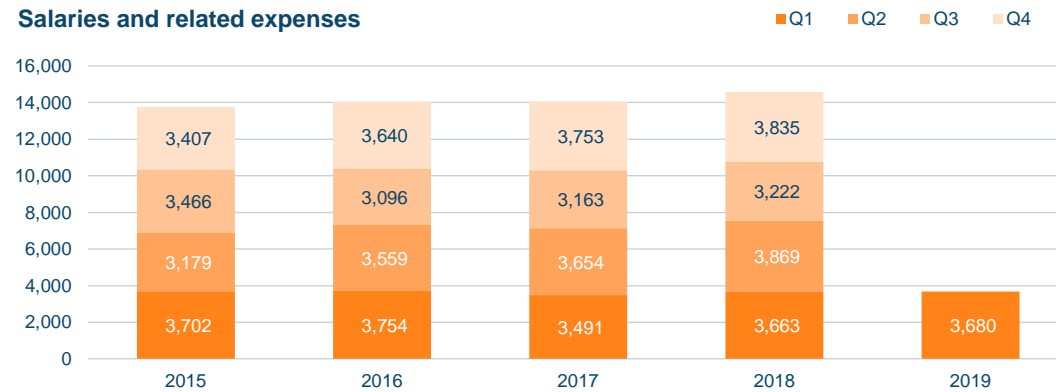
Other operating income



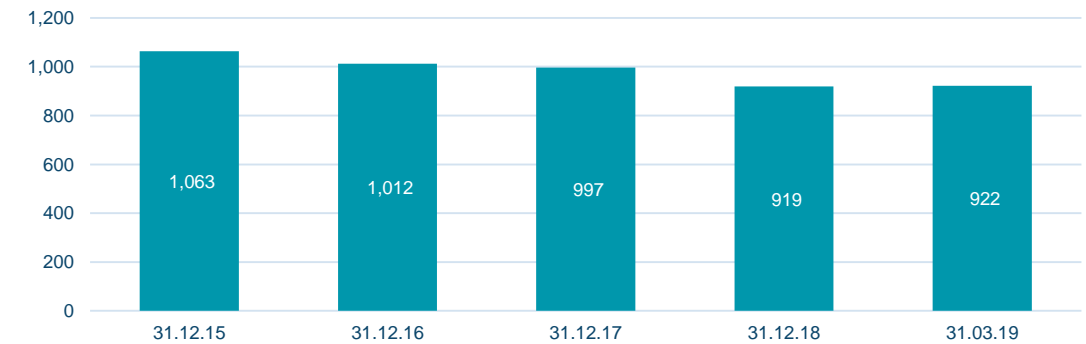
Amounts in ISKm

Operating expenses

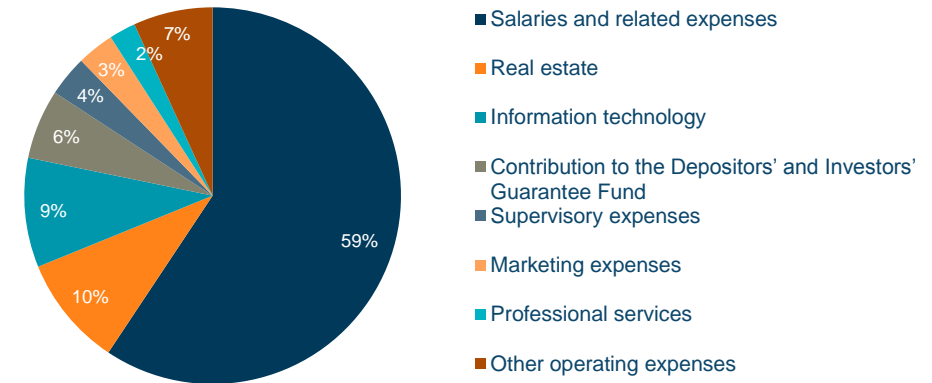
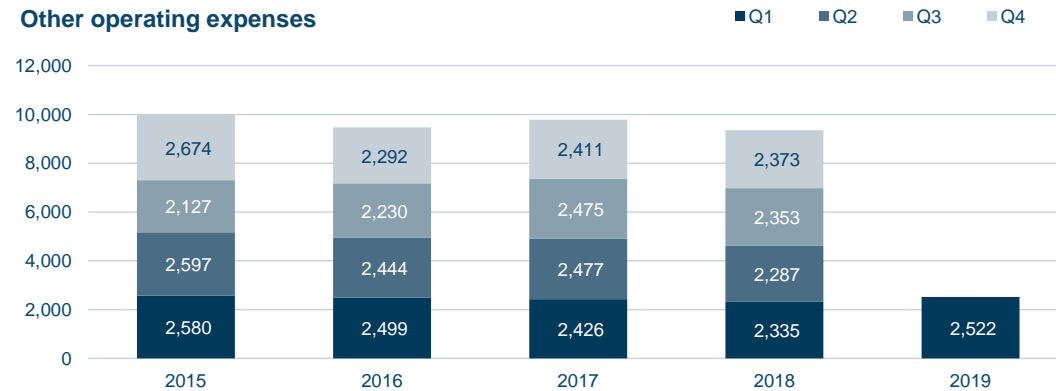
Salaries and related expenses



Full time eqv. positions



Other operating expenses



Amounts in ISKm

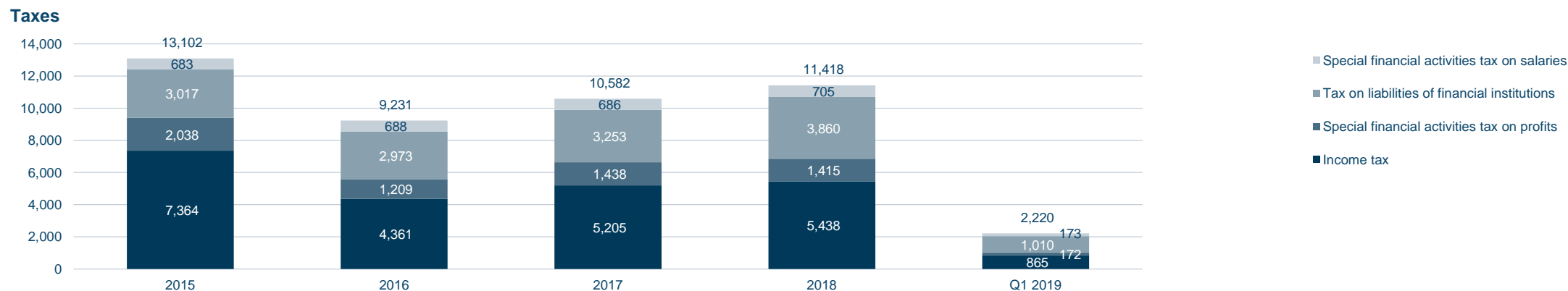
Taxes

	Q1 2019	Q1 2018	Change	
Income tax	865	1,594	-729	-46%
Special financial activities tax on profits ¹	172	298	-126	-42%
Income Tax	1,037	1,892	-855	-45%
Tax on liabilities of financial institutions ²	1,010	840	170	20%
Special financial activities tax on salaries ³	173	168	5	3%
Total	2,220	2,900	-679	-23%

¹ A 6% additional tax on pre-tax profit over ISK 1 bn

² Special tax on financial institutions of 0.376% is levied of the carrying amount of total liabilities at year-end, excluding tax liabilities, in excess of ISK 50,000 million as determined for tax purposes. The special income tax on financial institutions is a non-deductible expense

³ A 5.5% tax on salaries which is expensed in the line item "Salaries and related expenses" in the income statement



Amounts in ISKm

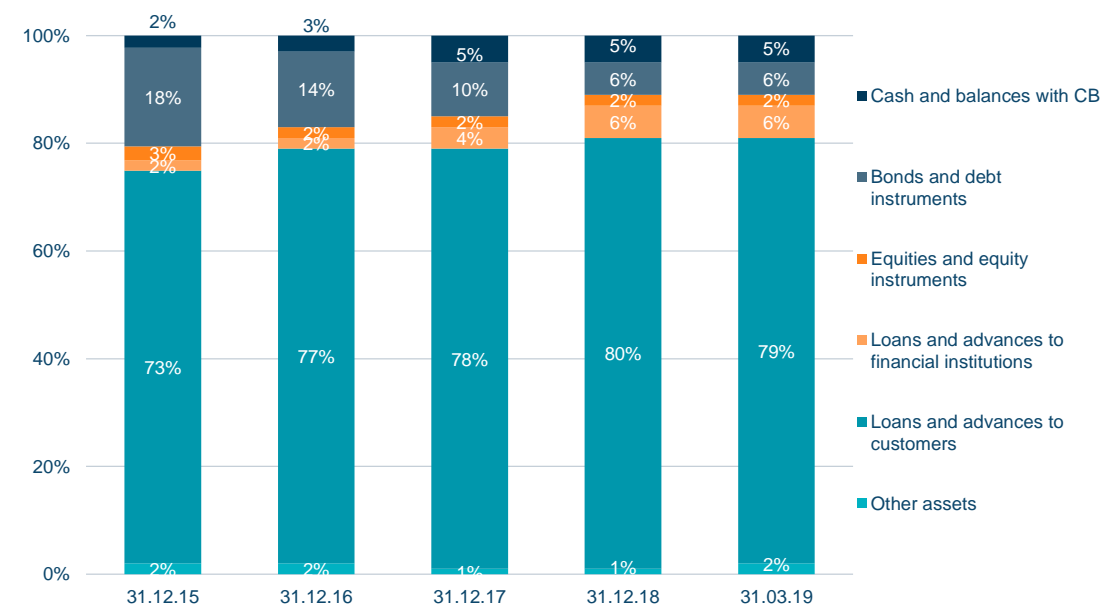
An aerial photograph of a mountain range with vibrant, multi-colored slopes in shades of green, yellow, orange, and red. The terrain is rugged and appears to be a mix of different geological layers. Two small figures of people are visible on a dark, rocky path in the lower foreground, providing a sense of scale. The text "Balance Sheet" is centered in white, bold font, flanked by two horizontal white lines.

Balance Sheet

Assets

	31.03.2019	31.12.2018	Change	
Cash and balances with CB	63,014	70,854	-7,840	-11%
Bonds and debt instruments	80,954	77,058	3,896	5%
Equities and equity instruments	25,151	23,547	1,604	7%
Loans and advances to financial institutions	88,664	71,385	17,279	24%
Loans and advances to customers	1,095,376	1,064,532	30,844	3%
Other assets	24,744	17,335	7,409	43%
Assets classified as held for sale	1,395	1,330	65	5%
Total	1,379,298	1,326,041	53,257	4%

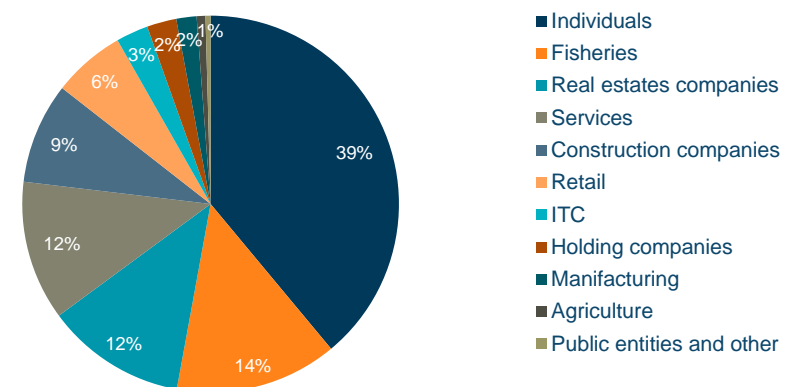
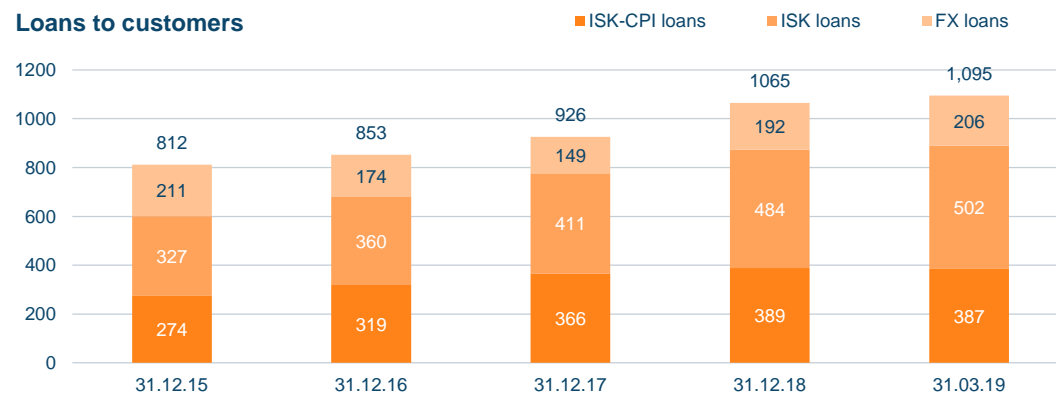
Assets



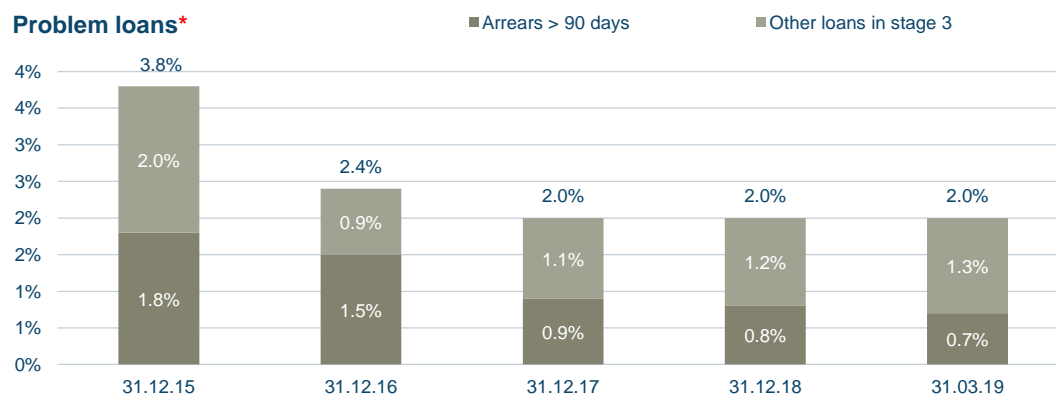
Amounts in ISKm

Loans

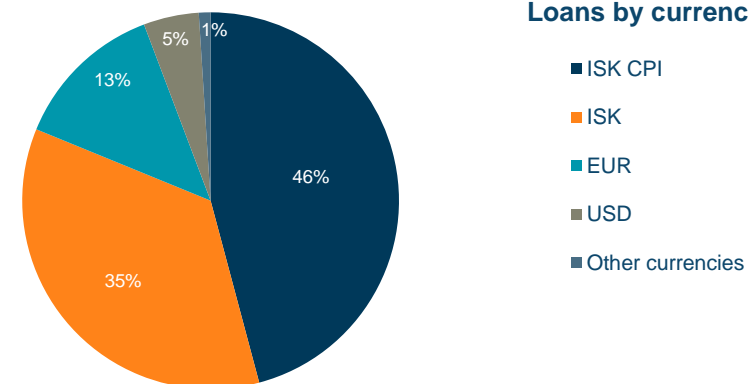
Loans to customers



Problem loans*



Loans by currencies

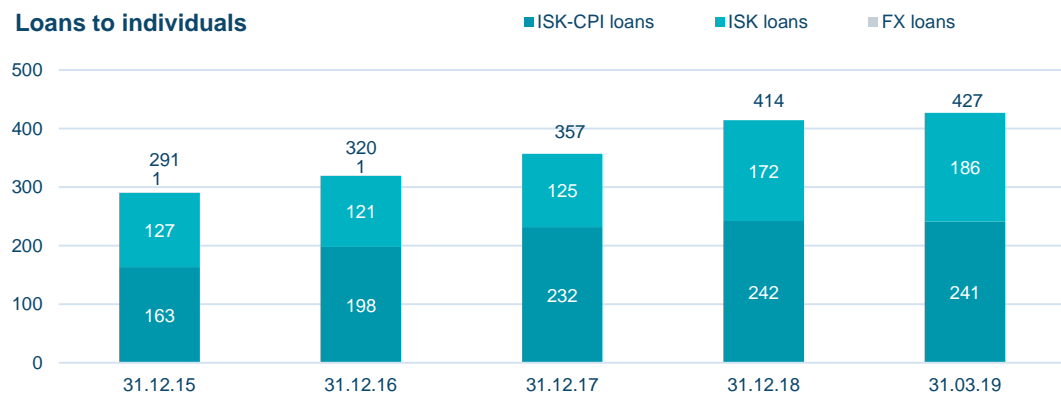


Amounts in ISKbn

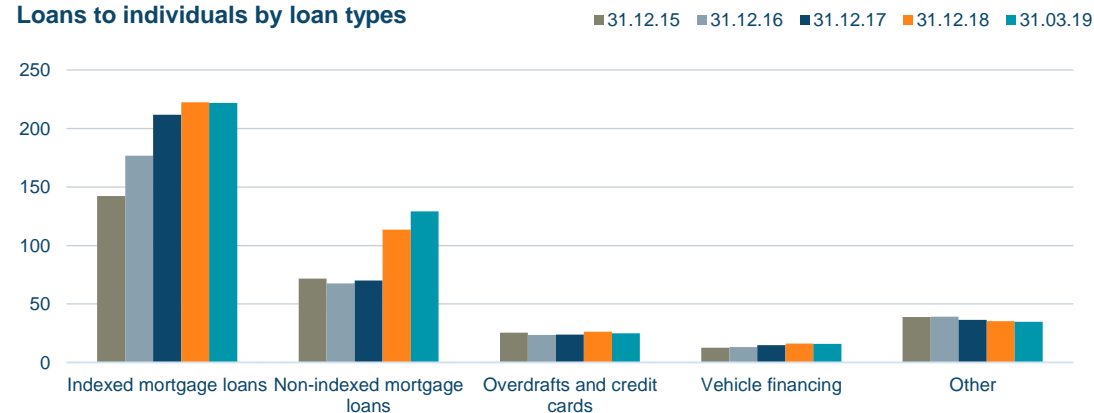
* until 31.12.2017 problem loans were defined as loans and advances with individual allowance and/or more than 90 days in arrears

Loans to individuals

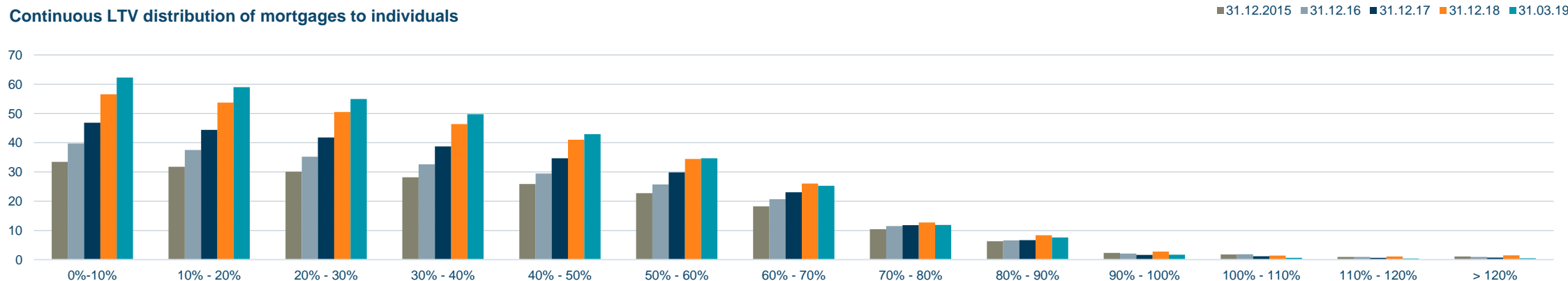
Loans to individuals



Loans to individuals by loan types



Continuous LTV distribution of mortgages to individuals

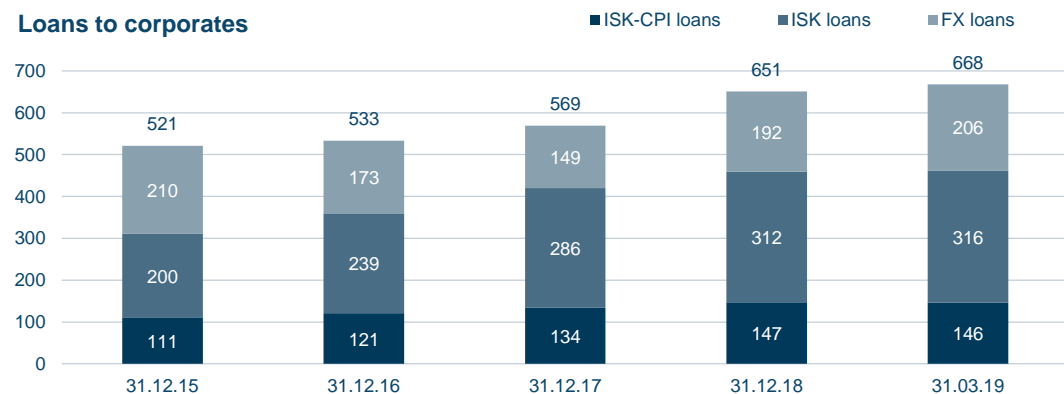


Weighted average LTV 55.6% 31.03.19
57.6% 31.12.18; 62.3% 31.12.17 and 31.12.16 ; 63.4% 31.12.15

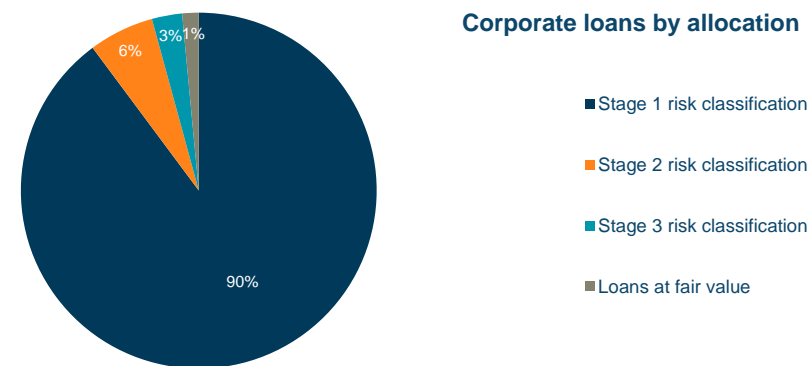
Amounts in ISKbn

Loans to corporates

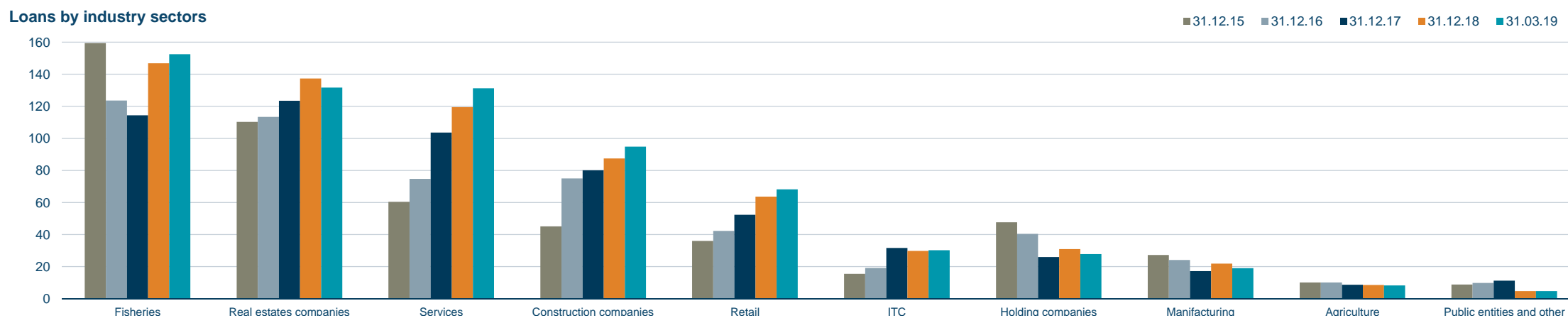
Loans to corporates



Corporate loans by allocation



Loans by industry sectors



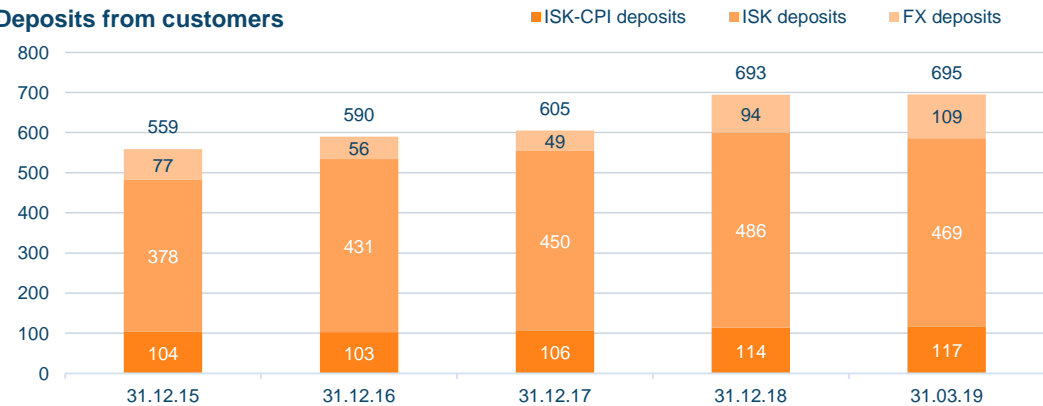
Amounts in ISKbn

Liabilities and equity

	31.03.2019	31.12.2018	Change	
Due to financial institutions and CB	36,636	34,609	2,027	6%
Deposits from customers	694,820	693,043	1,777	0%
Borrowings	351,005	314,412	36,593	12%
Other liabilities	36,731	31,027	5,704	18%
Subordinated liabilities	13,900	13,340	560	4%
Equity	246,206	239,610	6,596	3%
Total	1,379,298	1,326,041	53,257	4%

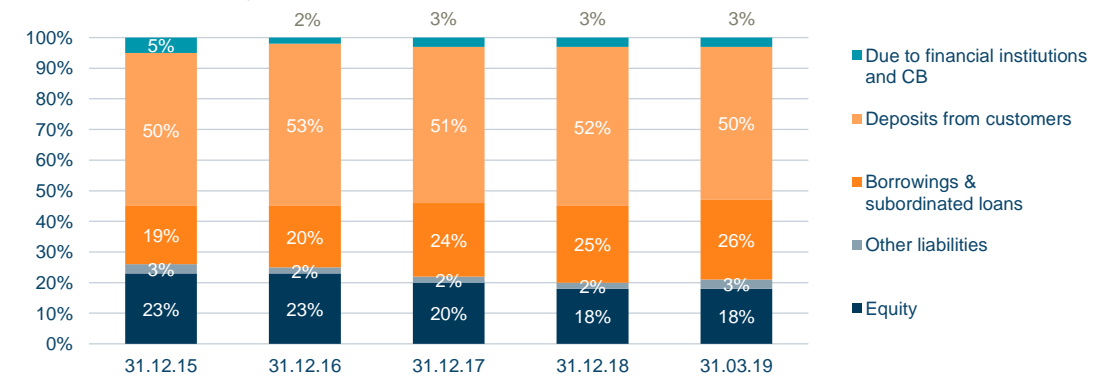
Amounts in ISKmn

Deposits from customers



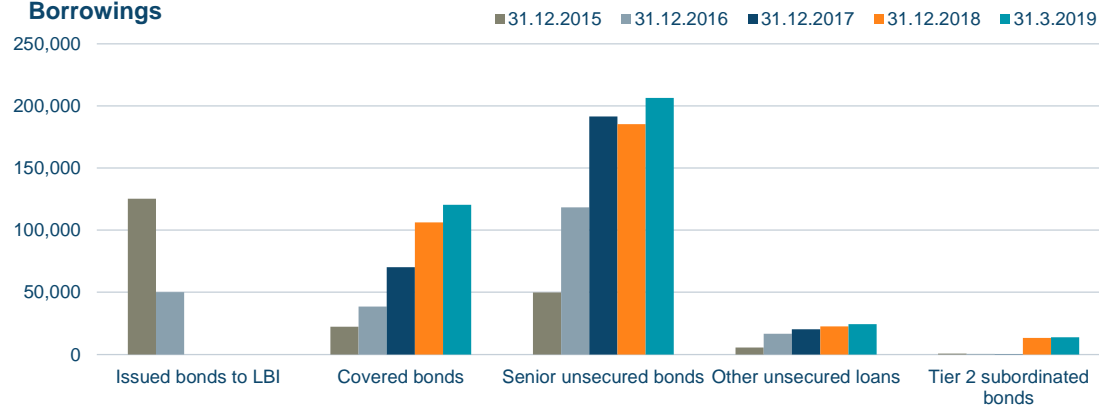
Amounts in ISKbn

Liabilities and equity

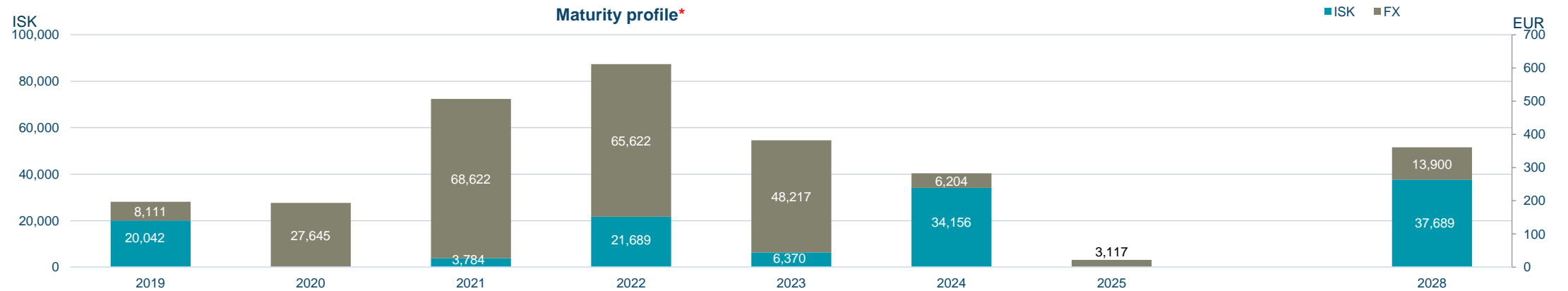
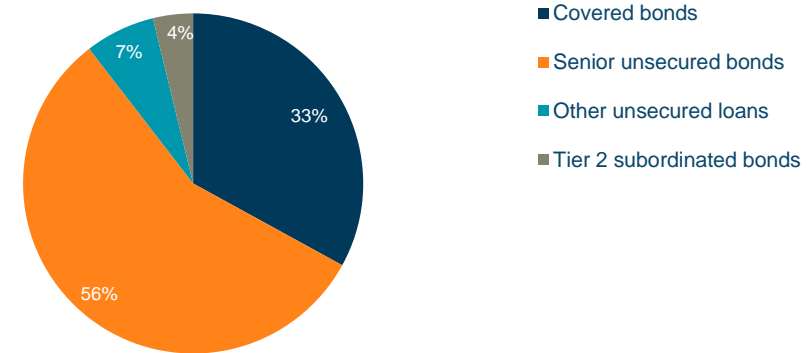


Borrowings

Borrowings



Borrowings 31.03.2019

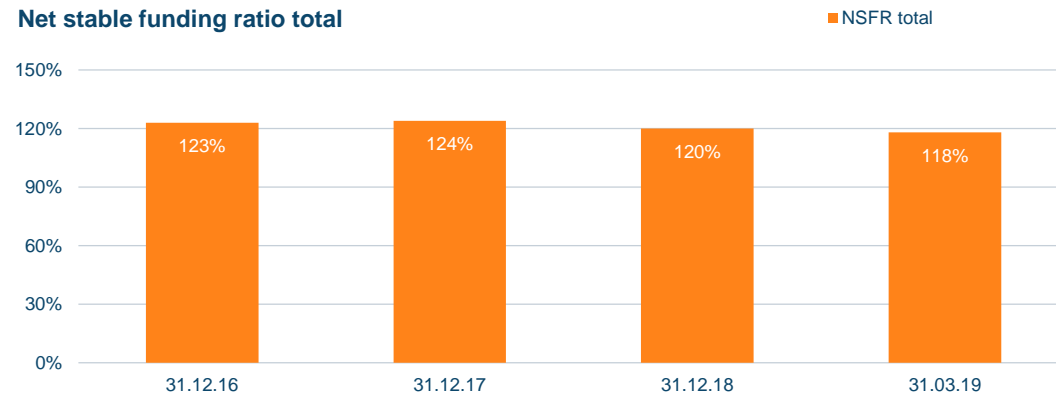


*EUR 100 million Tier 2 Subordinated bonds maturing in 2028 are callable in 2023

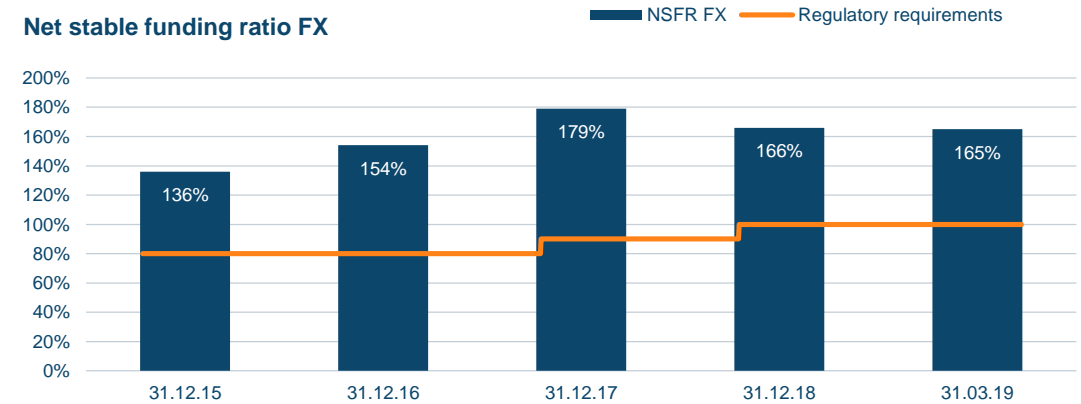
Amounts in ISKm

Net stable funding and liquidity ratios

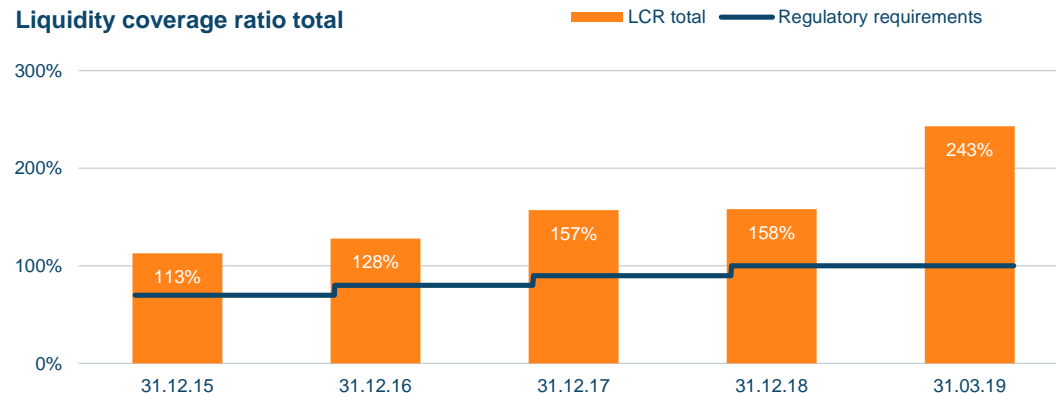
Net stable funding ratio total



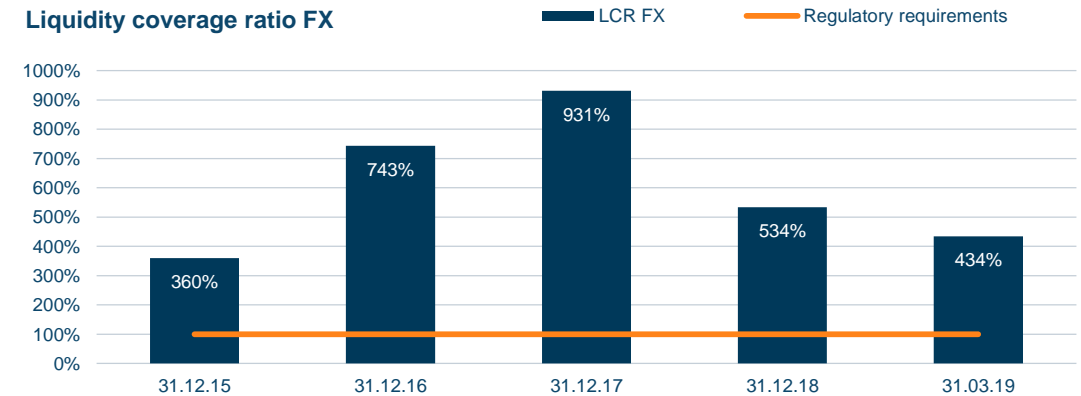
Net stable funding ratio FX



Liquidity coverage ratio total



Liquidity coverage ratio FX

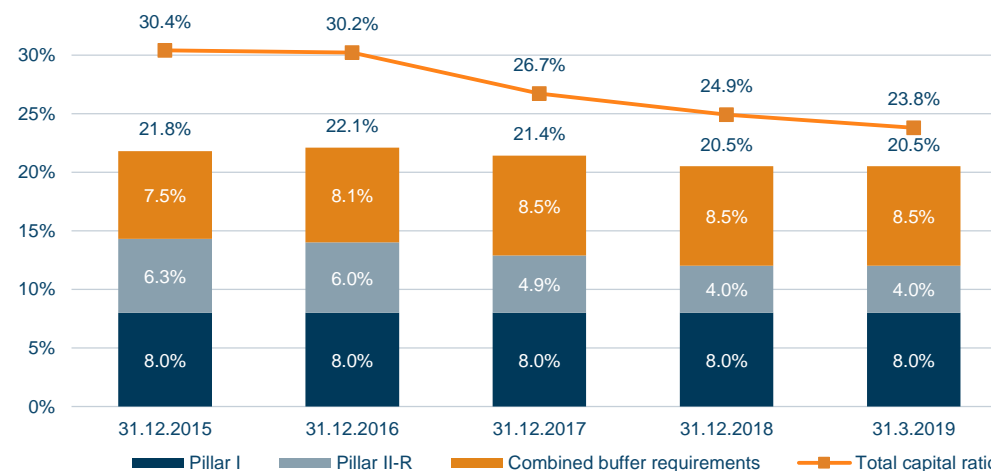


Amounts in ISKm

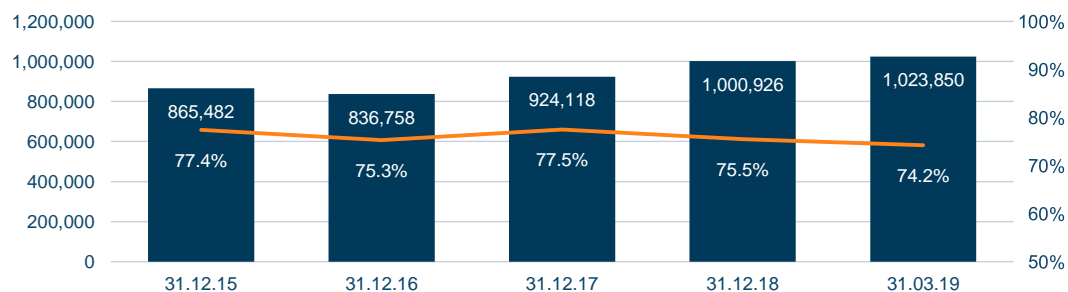
Capital requirements

	CET1	Tier 1	Alls
Pillar I	4.5%	6.0%	8.0%
Pillar II-R	2.3%	3.0%	4.0%
Minimum requirements undr Pillar I and Pillar II-R	6.8%	9.0%	12.0%
Systemic risk buffer	2.85%	2.85%	2.85%
Capital buffer for systematically important institutions	2.00%	2.00%	2.00%
Countercyclical capital buffer	1.19%	1.19%	1.19%
Capital conservation buffer	2.50%	2.50%	2.50%
Combined buffer requirements under Pillar II-G	8.54%	8.54%	8.54%
Total capital requirements	15.3%	17.5%	20.5%
Total capital ratio 31.03.19	22.4%	22.4%	23.8%

Total capital requirements as defined by FME



Risk exposure amount



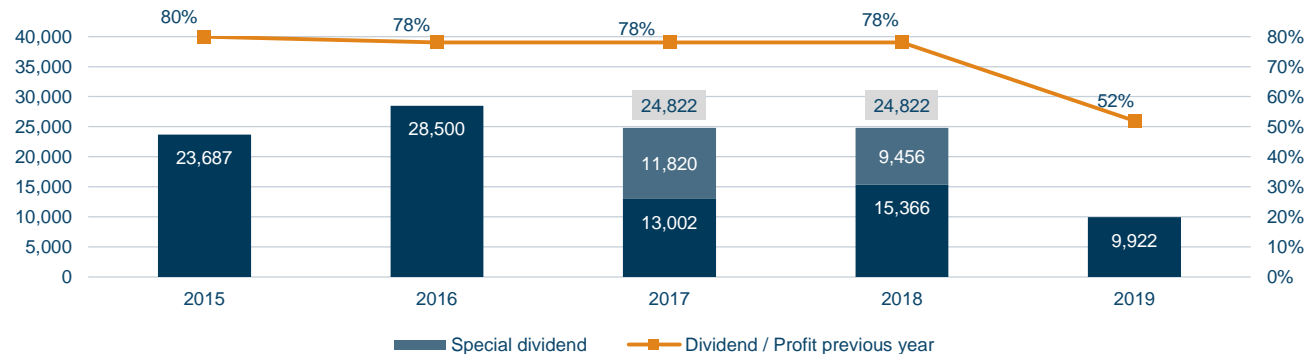
Amounts in ISKm

■ Risk exposure amount — REA / total assets

- The Group uses the Standardized Approach in measuring Pillar I capital requirements for credit risk and market risk. For operational risk it uses the Basic Indicator Approach.
- The countercyclical capital buffer on domestic exposures will increase in two stages in the coming months, by a total of 0.75%:
 - On 15 May 2019, by 0.5 percentage points, from 1.25% to 1.75%.
 - On 1 February 2020, by 0.25 percentage points, from 1.75% to 2%.

Dividend payments and capital base

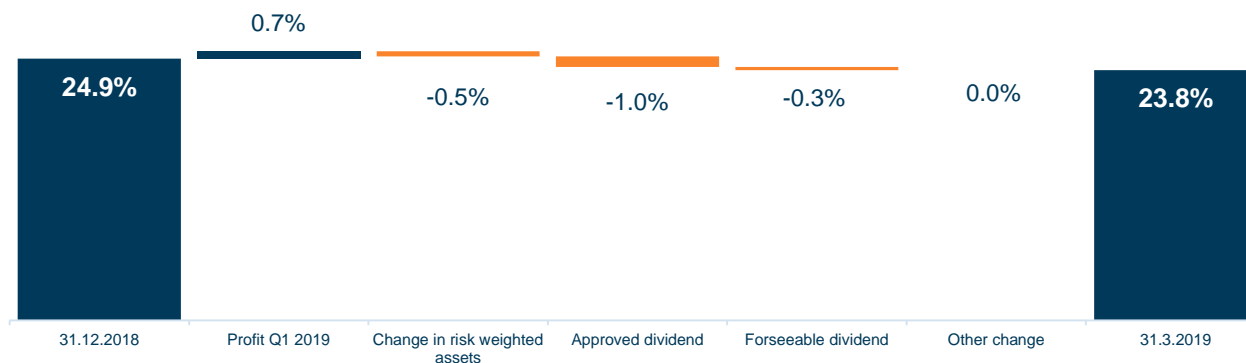
Dividend payments



Dividend payments for 2019

- Regular dividend of ISK 0.42 per share
 - The total amount is ISK 9,922 m.
 - This is equivalent to 52% of previous year's profit.
 - Paid in two equal instalments in April and October 2019
- The above dividend proposal was approved by the AGM of Landsbankinn on 4 April 2019.
 - The dividend payment leads to a decrease in Landsbankinn's equity in Q2 2019.

Total Capital Ratio, change Q1 2019



Capital base

- Landsbankinn includes reviewed interim profits in the Group's common equity tier 1 capital (CET 1), but deducts the following items:
 - Approved dividend
 - Foreseeable dividend
- Foreseeable dividend at the end of the period equals 50% of the interim profits, which is in accordance with the Bank's dividend policy.

Amounts in ISKm



Annex - further information

Key financial ratios

	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018	2018	2017	2016	2015
Profit after taxes	6,784	3,867	3,780	3,511	8,102	19,260	19,766	16,643	36,460
Return on equity before taxes	14.5%	11.2%	11.1%	10.5%	18.3%	12.8%	12.3%	9.9%	19.9%
Return on equity after taxes	11.2%	6.5%	6.5%	6.1%	13.7%	8.2%	8.2%	6.6%	14.8%
After tax return on average assets	2.0%	1.2%	1.2%	1.1%	2.7%	1.5%	1.7%	1.5%	3.2%
Total capital ratio	23.8%	24.9%	24.8%	24.1%	24.7%	24.9%	26.7%	30.2%	30.4%
Net interest income	10,245	10,968	10,370	9,835	9,641	40,814	36,271	34,650	32,324
Interest spread as a ratio of assets and liabilities	2.5%	2.8%	2.7%	2.7%	2.7%	2.7%	2.5%	2.3%	2.2%
Cost-income ratio	38.7%	47.3%	45.9%	53.6%	37.9%	45.5%	46.1%	48.4%	43.8%
Net stable funding ratio NSFR total	118%	120%	120%	119%	120%	119%	124%	123%	
Net stable funding ratio NSFR FX	165%	166%	168%	165%	168%	166%	179%	154%	1.36
Liquidity ratio LCR total	243%	158%	154%	164%	171%	158%	157%	128%	113%
Liquidity LCR FX	434%	534%	392%	743%	751%	534%	931%	743%	360%
Operating expenses as a ratio of average total assets	1.8%	1.9%	1.7%	2.0%	2.0%	1.9%	2.0%	2.1%	2.1%
Total assets	1,379,298	1,326,041	1,317,205	1,249,853	1,206,148	1,326,041	1,192,870	1,111,157	1,118,658
Loans / deposits ratio	157.6%	153.6%	149.9%	151.1%	150.6%	153.6%	153.0%	144.7%	145.2%
Full-time eqv.positions	922	919	948	955	998	919	997	1,012	1,063

Amounts in ISKm

Operations

	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018	2018	2017	2016	2015
Net interest income	10,245	10,968	10,370	9,835	9,641	40,814	36,271	34,650	32,324
Net valuation adjustments	-994	-286	-89	703	1,024	1,352	1,785	-318	18,216
Net interest income after valuation adjustments	9,251	10,682	10,281	10,538	10,665	42,166	38,056	34,332	50,540
Net fee commission income	2,060	2,355	1,926	2,185	1,691	8,157	8,431	7,809	6,841
Net foreign exchange gain (loss)	-158	-676	-352	-399	-70	-1,497	-1,375	-179	-1,277
Other net operating income	3,880	479	197	-138	4,547	5,084	8,400	6,738	16,507
Total operating income	15,033	12,840	12,052	12,186	16,832	53,910	53,512	48,700	72,611
Salaries and related expenses	3,680	3,835	3,222	3,869	3,663	14,589	14,061	14,049	13,754
Other operating expenses	2,522	2,373	2,353	2,287	2,335	9,348	9,789	9,465	9,978
Total operating expenses	6,202	6,208	5,575	6,156	5,998	23,937	23,850	23,514	23,732
Profit before tax	8,831	6,632	6,477	6,030	10,834	29,973	29,662	25,186	48,879
Income tax expense	2,047	2,765	2,697	2,519	2,732	10,713	9,896	8,543	12,419
Profit for the period	6,784	3,867	3,780	3,511	8,102	19,260	19,766	16,643	36,460

Amounts in ISKm

Balance Sheet

	31.3.2019	31.12.2018	Change		31.12.2017	31.12.2016	31.12.2015
Cash and balances with CB	63,014	70,854	-7,840	-11%	55,192	30,662	25,164
Bonds and debt instruments	80,954	77,058	3,896	5%	117,310	154,892	203,684
Equities and equity instruments	25,151	23,547	1,604	7%	27,980	26,688	29,192
Loans and advances to fin institutions	88,664	71,385	17,279	24%	44,866	20,408	20,791
Loans and advances to customers	1,095,376	1,064,532	30,844	3%	925,636	853,417	811,549
Other assets	24,744	17,335	7,409	43%	18,238	17,641	16,323
Assets classified as held for sale	1,395	1,330	65	5%	3,648	7,449	11,955
Total	1,379,298	1,326,041	53,257	4%	1,192,870	1,111,157	1,118,658
Due to financial institutions and CB	36,636	34,609	2,027	6%	32,062	20,093	56,731
Deposits from customers	694,820	693,043	1,777	0%	605,158	589,725	559,051
Borrowings	351,005	314,412	36,593	12%	281,874	223,944	209,344
Other liabilities	36,701	30,997	5,704	18%	27,615	24,681	26,844
Liabilities associated with assets classified as held for sale	30	30	0	0%	27	1,095	1,518
Subordinated liabilities	13,900	13,340	560	4%	77.150217	388	639
Equity	246,206	239,610	6,596	3%	246,057	251,231	264,531
Total	1,379,298	1,326,041	53,257	4%	1,192,870	1,111,157	1,118,658

Amounts in ISKm

Segments

Q1 2019	Personal banking	Corporate Banking	Markets	Treasury	Support functions	Reconciliation	Total
Net interest income (expense)	4,017	4,765	196	1,340	-14	-59	10,245
Net valuation adjustments	-224	-768	-1	-1	0	0	-994
Net fee and commission income (expense)	980	182	959	-111	116	-66	2,060
Other net operating income (expense)	297	61	45	3,214	135	-30	3,722
Total operating income (expense)	5,070	4,240	1,199	4,442	237	-155	15,033
Operating expenses	-1,555	-534	-604	-512	-3,068	71	-6,202
Cost allocated from support functions to business segments	-1,157	-693	-374	-216	2,440	0	0
Profit (loss) before tax	2,358	3,013	221	3,714	-391	-84	8,831
Total assets	471,766	588,798	12,697	564,043	22,549	-280,555	1,379,298
Total liabilities	432,994	483,933	4,591	469,580	22,549	-280,555	1,133,092
Allocated capital	38,772	104,865	8,106	94,463	0	0	246,206

Amounts in ISKm

Landsbankinn's successes

First to join Nordic collaboration



Nordic Financial CERT

Landsbankinn is the first Icelandic bank to become a member of this Nordic collaboration to boost cyber security.

Best CSR report



Festa, Stjórnvísir and the Icelandic Chamber of Commerce have selected Landsbankinn's Report on Social Responsibility as the best CSR report of 2018.

Principles for Responsible Banking



Landsbankinn has decided to endorse UNEP FI's new Principles for Responsible Banking.

Good governance



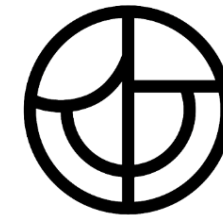
Landsbankinn was recognised as a model of good corporate governance in 2015, 2016, 2017, 2018 and 2019.

PRI



Landsbankinn is a member of the United Nations Principles for Responsible Investment (UNPRI)

Equal pay certification



Landsbankinn received equal pay certification in April 2019. The certification confirms that the bank's remuneration system complies with the Equal Pay Standard (IST 85:2012).