

2021 results

Lilja B. Einarisdóttir

CEO

Hreiðar Bjarnason

CFO



Sound operation for the future

Emphasis on secure and sound operation for the future

- Important milestones in optimising infrastructure
- Affirmed credit rating
- Almost all active customers with valid due diligence
- Certified under ISO 27001 on information security

Strong operating results for 2021 and sound balance sheet

- Target ROE of 10% achieved
- Growing commission income in line with the Bank's objectives
- The balance sheet grew by 11%
- Planned dividend of ISK 14.4 billion
- Increased credit quality

Leading financial institution in sustainability

- New sustainable funding programme
- Carbon footprint of loan book calculated
- Sustainable Financing Label issued
- Entire operation carbon equalised
- Sustainability reports audited
- Two green bond issuances

Growing customer numbers create income opportunities

- Largest market share in the retail market, 39.5%
- Largest share among banks in the mortgage market
- Topped the Icelandic Performance Satisfaction Index the third year in a row
- Record growth in new corporate customers
- Three new Landsbréf funds created in the year
- 25% increase in portfolio management agreements

Solid results under a new strategy - Landsbankinn, an ever-smarter bank

- Sound operation and strong financial position

Profit

- Profit in 2021 amounts to ISK 28.9 billion and ROE is 10.8%.
- A strong share in all markets, coupled with effective operation form the basis for a solid performance in 2021.
- Increased efficiency results in decreased operating cost as a ratio of total assets to 1.44%, down by 8% between years.

Operating income

- Net fee and commission income grew by 24% in 2021, mostly as a result of increased activity in asset management and market transactions. Assets under management grew by 31% between years.
- The net interest margin on average total asset position was 2.3% in 2021.
- There was a reversal in impairment resulting in a net release of credit impairment of ISK 7,037 million (2020: ISK 12,020 million charge). This reversal reflects a better standing of both households and corporates than expected in the aftermath of Covid-19.

Leading lender

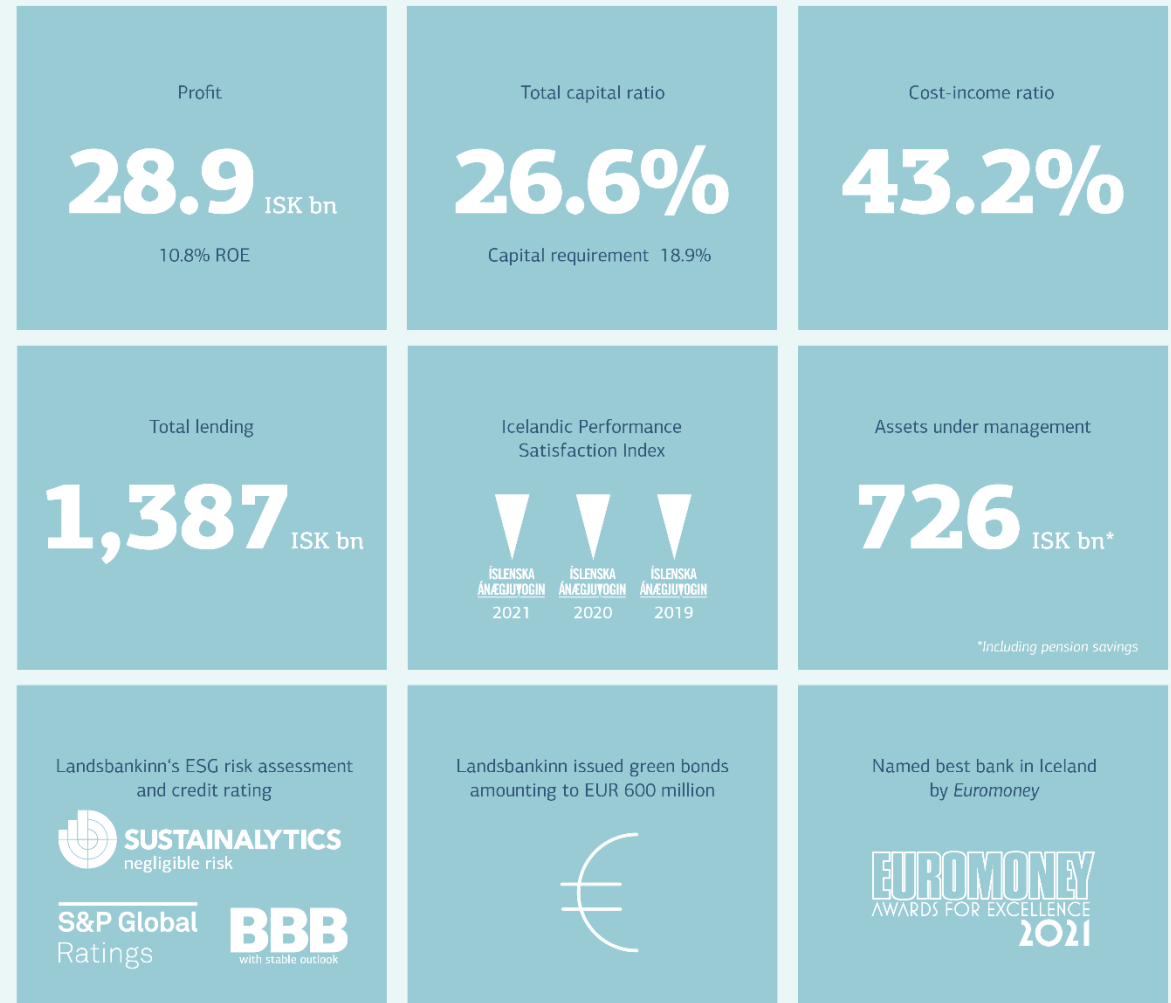
- Landsbankinn is the largest lender in Iceland to both corporates and retail customers and the Bank's market share in housing mortgages has never been higher.
- Probability of default for both individuals and companies continues to decline.

Diversified funding

- Continued bond issuance on the domestic market to finance the growing housing mortgage portfolio.
- Good access to international capital markets. First two issuances of EUR-denominated green bonds by the Bank in 2021.
- Customer deposits increase by 13% and amount to ISK 900 billion, around half of the Bank's total funding.

Strong equity position

- The Bank's equity at year end was ISK 283 billion.
- Core capital is ISK 53 billion higher than the Bank's target and ISK 88 billion higher than total equity requirements set by the Financial Supervisory Authority of the Central Bank of Iceland.



Changed organisation supports the Bank's strategy and puts customers first

Community is a new division that unites human resources, marketing, communication, research and sustainability to strengthen the Bank's activities as much as possible.

Revitalisation and development with three new managing directors and several new managers within the Bank.

Strong standing throughout Iceland and increased emphasis on ensuring that all branches can assist customers, regardless of location.



Individuals

Increased customer satisfaction through smarter solutions

39.5%

market share in the retail market

80%

of consumer loans applications are through self-service

36,100,000

logins to app and online banking

320,000

phone calls to the Customer Service Centre

63%

of use of the app and online banking is outside of traditional opening hours

95%

of customers alter their credit card limit through self-service

34,000

appointments for financial advice and remote meetings



ÍSLENSKA
ÁNÆGJUVOGIN

2021



ÍSLENSKA
ÁNÆGJUVOGIN

2020

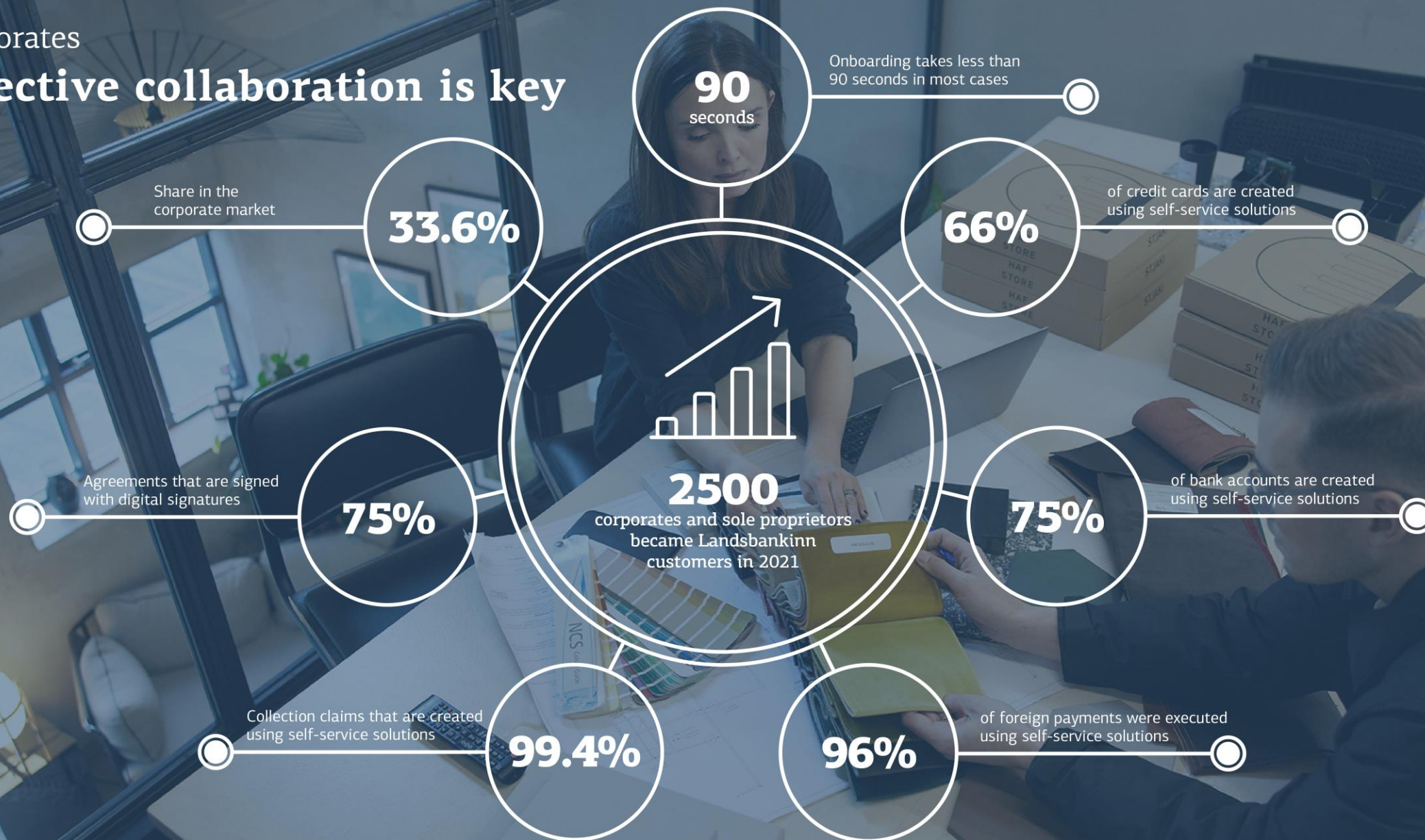


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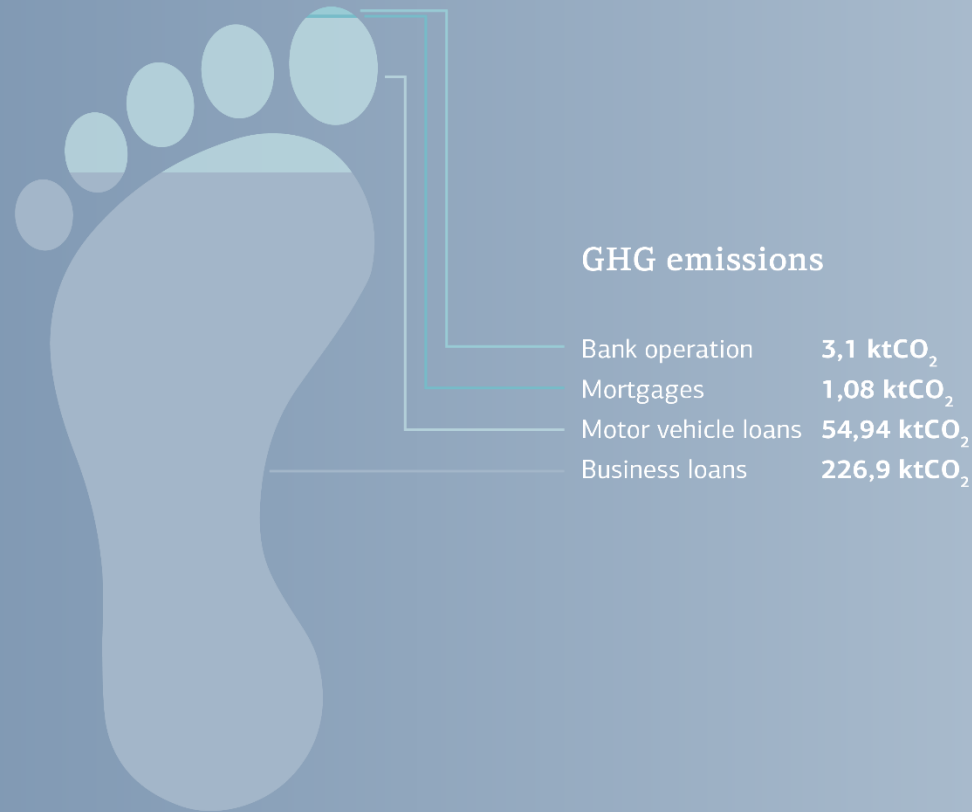
2019

Corporates

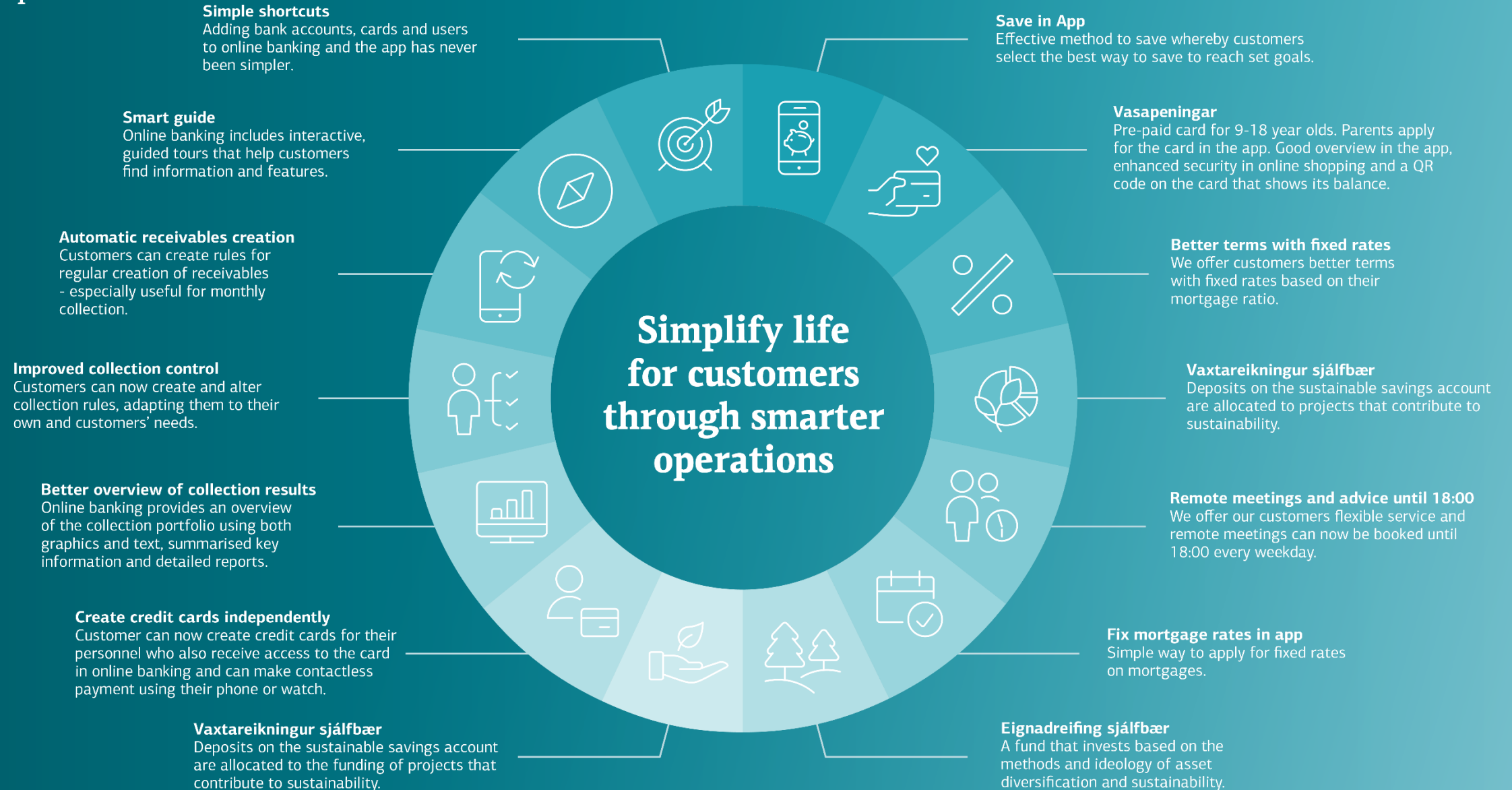
Effective collaboration is key



Sustainable finances contribute positively to the environment and society



	Landsbankinn published its first Sustainable Finance Framework in 2021 and it has been reviewed by international rating agency Sustainalytics.
	Landsbankinn issued green bonds in February and November in the total amount of EUR 600 million. The green bond issuances broadened the Bank's investor base considerably and were well received by international investors.
	We introduced a new asset allocation fund that emphasises investment in companies that run on a sustainability platform and yield good returns.
	Part of our enhanced customer service is sharing our work and knowledge to promote sustainability. This allows legal entities to finance projects in a sustainable manner and receive Landsbankinn's Sustainable Financing Label for use in promotional material.
	The Bank achieved its best rating in the annual ESG risk assessment by Sustainalytics to date and is considered at negligible risk of experiencing material financial impacts from ESG factors.
	The Bank calculated and published greenhouse gas emissions from its credit portfolio based on the PCAF methodology in 2021, first among the Icelandic banks.
	We again carbon neutralised the Bank's operation in 2021 and renewed our international CarbonNeutral® company certification.
	Landsbankinn adopted an updated and comprehensive Sustainability Policy in 2021, including an amended approach to the UN Sustainable Development Goals. We now focus on four SGDs: 5 - Gender equality, 8 - Decent work and economic growth, 9 - Industrial innovation and infrastructure, and 13 - Climate action.

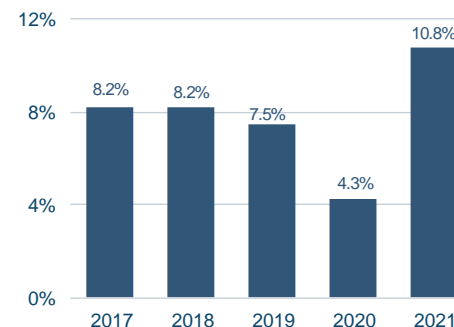


Financial objectives and development of KPIs

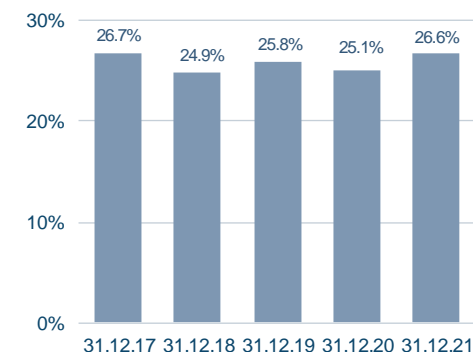
- Strong balance sheet supports the Bank's ambitious strategy

	Targets	2021	Guidelines
Profitability			
Return on equity (ROE)	≥ 10%	10.8%	The Bank's long-term target is for ROE to be around or over 10%. ROE is expected to range between 7.5 – 9.0% in 2022.
Efficiency			
Cost / Income ratio	≤ 45%	43.2%	Expected ratio is 40 – 42% for the year 2022.
Financial strength			
Dividend payout ratio	~ 50%	42.7%	The Board of Directors intends to propose that around 50% of the previous year's profit be paid out in dividends. Additionally, the Board of Directors is considering proposing a special dividend payment to the AGM.
Common equity tier 1 ratio (CET1)	≥ 18%	24.8%	The Bank will seek to issue subordinated funding provided that it is economical and favourable for its funding structure.
Total capital ratio	≥ 22%	26.6%	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.

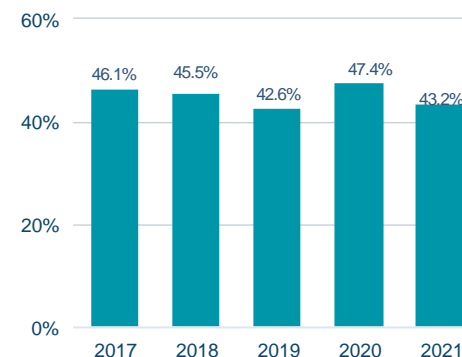
Return on equity



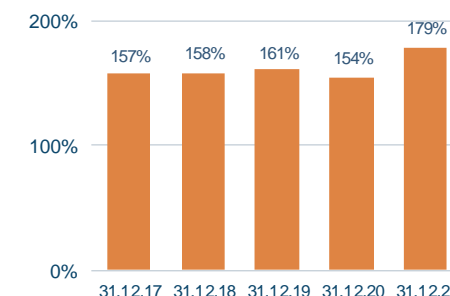
Total capital ratio



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

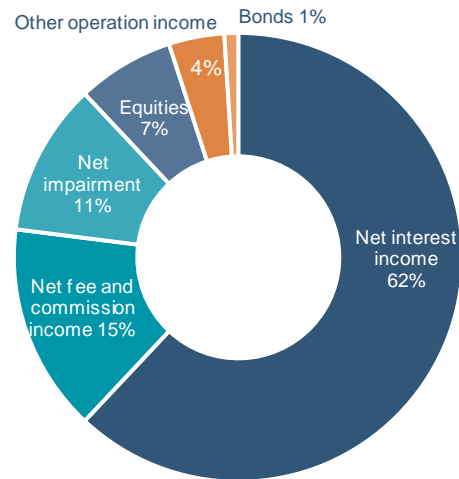


Income statement

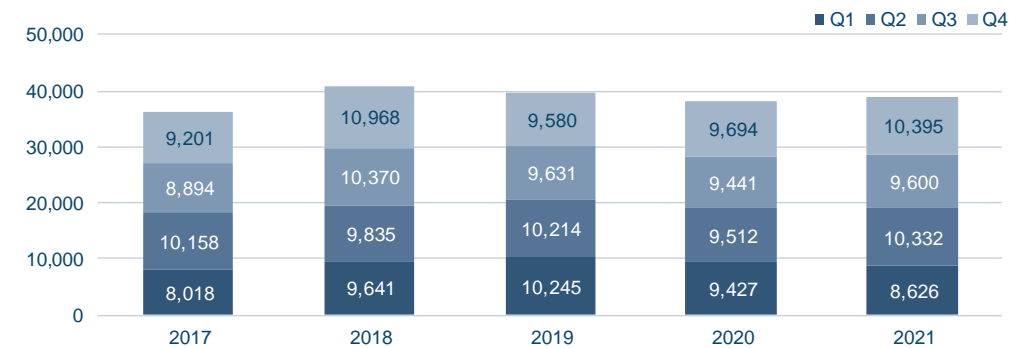
	2021	2020	Change		Q4 2021	Q4 2020	Change	
Net interest income	38,953	38,074	879	2%	10,395	9,694	701	7%
Net fee and commission income	9,483	7,638	1,845	24%	2,593	1,981	612	31%
Net impairment changes	7,037	-12,020	19,057	-159%	3,247	1,535	1,712	112%
Other net operating income	6,857	4,561	2,296	50%	482	4,867	-4,385	-90%
Total operating income	62,330	38,253	24,077	63%	16,717	18,077	-1,360	-8%
Salaries and related expenses	14,759	14,767	-8	0%	4,028	3,986	42	1%
Other operating expenses	9,105	9,064	41	0%	2,386	2,434	-48	-2%
Tax on liabilities of financial institutions	2,013	1,815	198	11%	508	400	108	27%
Total operating expenses	25,877	25,646	231	1%	6,922	6,819	103	2%
Profit before tax	36,453	12,607	23,846	189%	9,795	11,258	-1,463	-13%
Income tax	7,534	2,086	5,448	261%	2,473	1,436	1,037	72%
Profit for the period	28,919	10,521	18,398	175%	7,322	9,822	-2,500	-25%

Net operating income

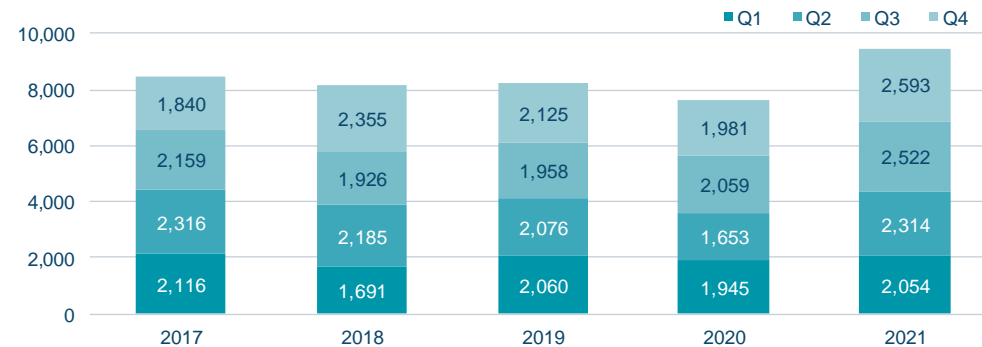
- High activity in securities markets and increased emphasis on fee and commission income yield results



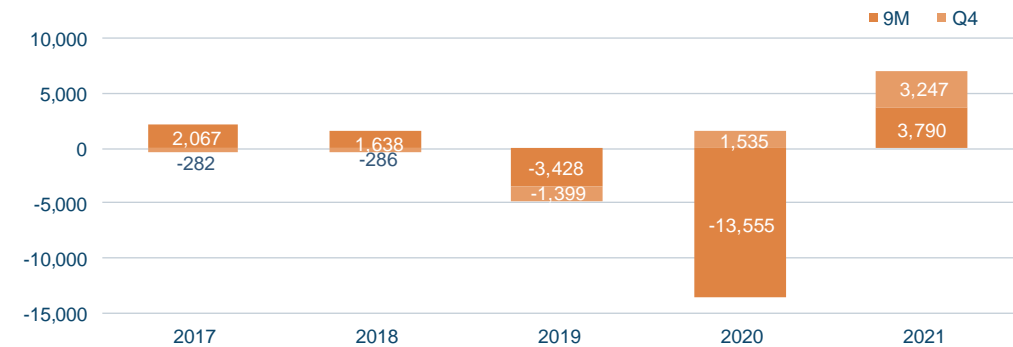
Net interest income



Net fee and commission income



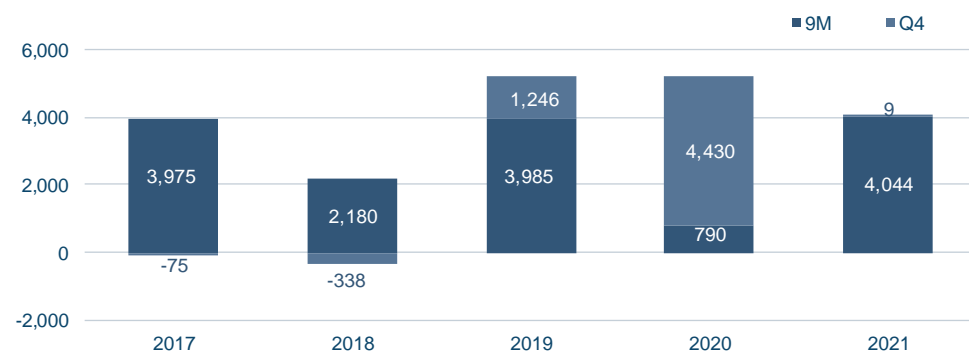
Net impairment changes



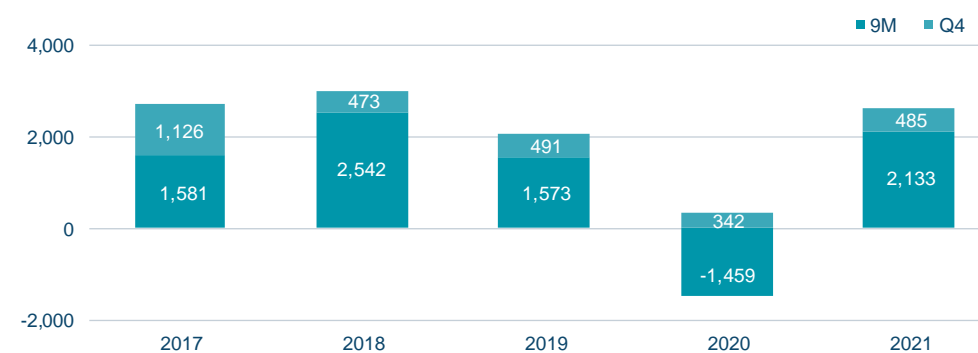
Net operating income

- Equity holdings continue to deliver good returns

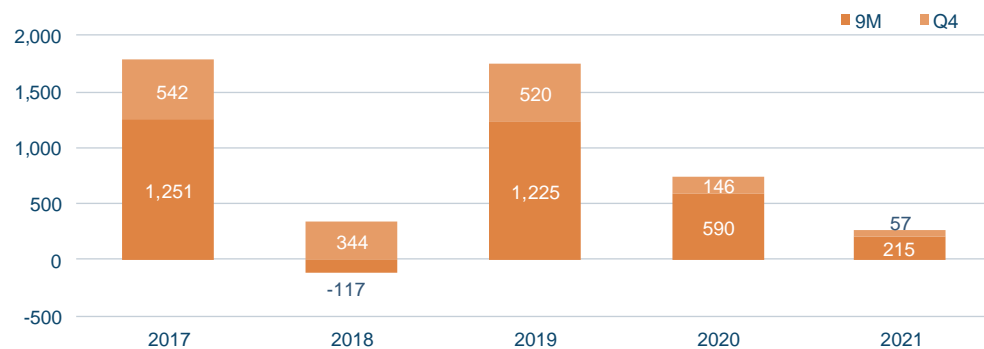
Equities



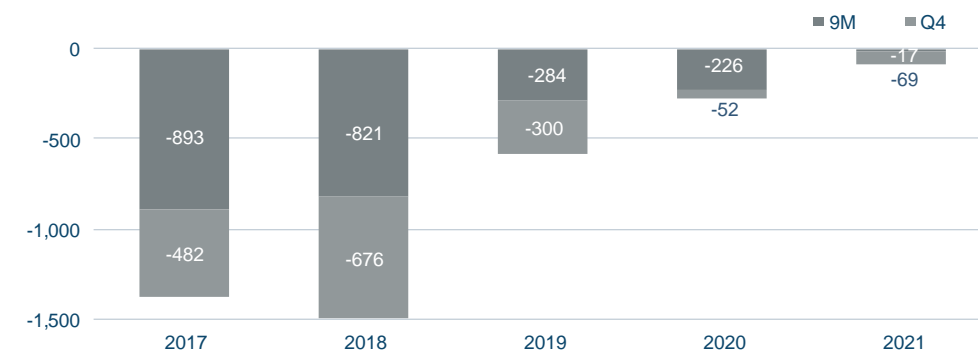
Other operation income (expenses)



Bonds



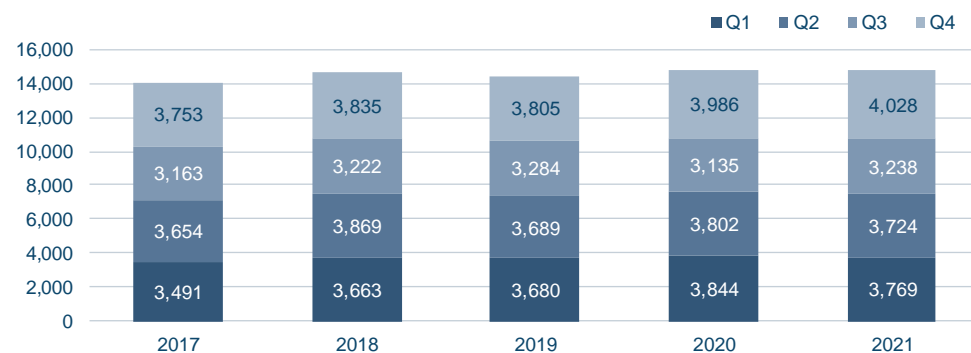
FX gain (loss)



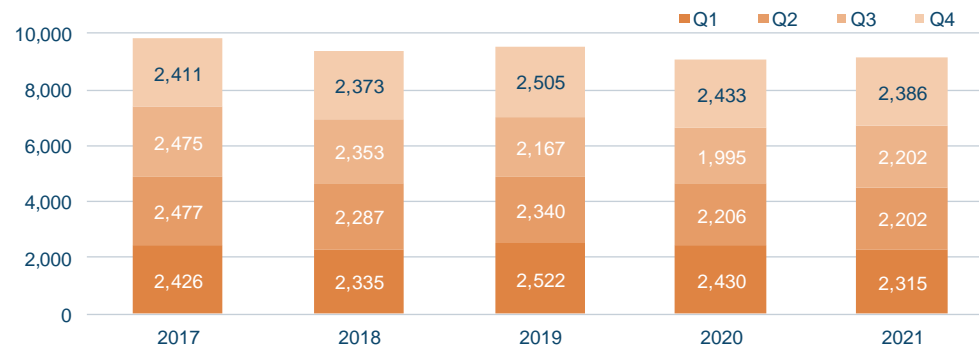
Operating expenses

- Stable operating expenses in the recent years

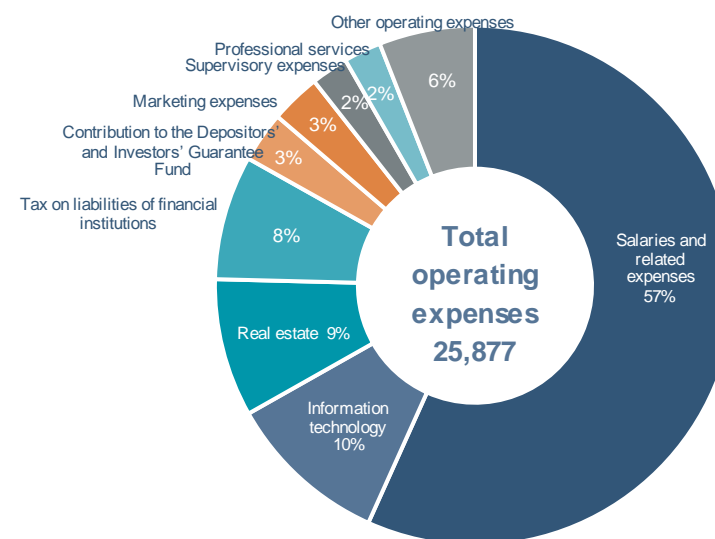
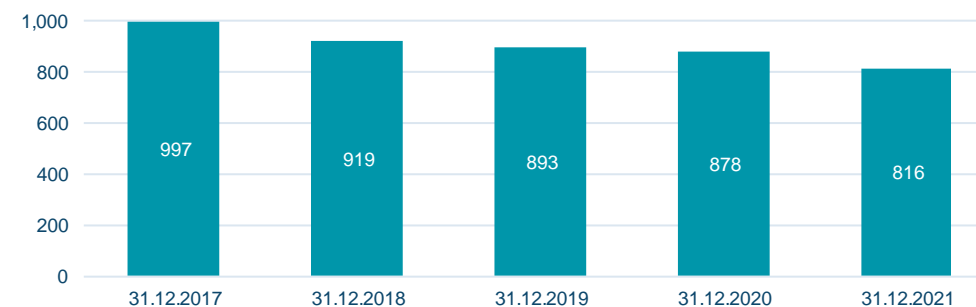
Salaries and related expenses



Other operating expenses



Full-time equivalent positions



Taxes

- Paid tax increases as a result of improved performance

	2021	2020	Change	
Income tax	5,927	1,692	4,235	250%
Special financial activities tax on profits ¹	1,607	394	1,213	308%
Income tax	7,534	2,086	5,448	261%
Tax on liabilities of financial institutions ²	2,013	1,815	198	11%
Special financial activities tax on salaries ³	716	707	9	1%
Social security contributions ⁴	794	816	-22	-3%
Total taxes	11,057	5,424	5,633	104%

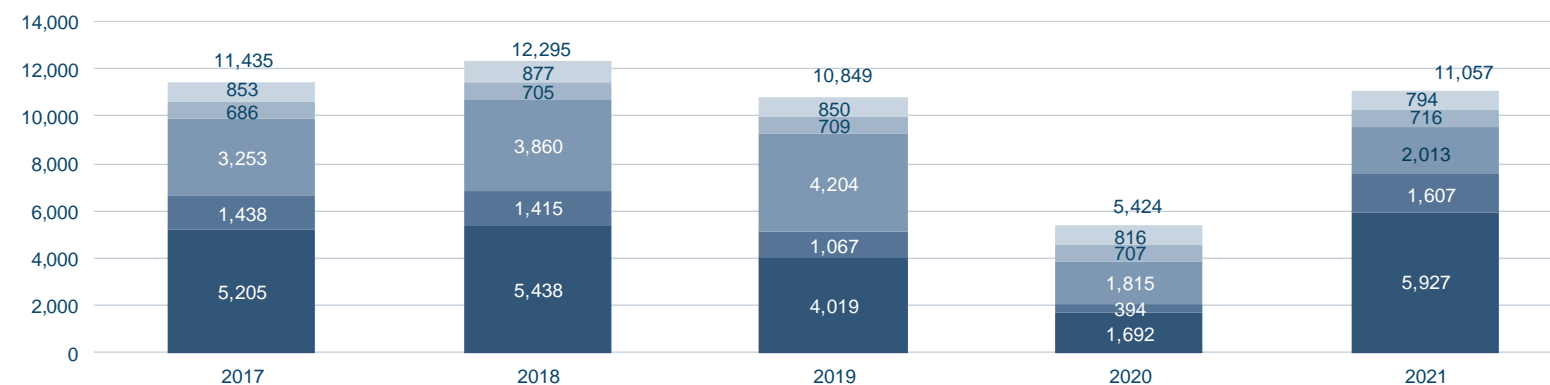
¹ 6% additional tax on a taxable income base in excess of ISK 1bn

² The special tax on financial undertakings is 0.145% based on the book value of liabilities at year-end, and is paid annually. The tax is levied on the book value of liabilities, including tax liabilities, in excess of ISK 50 billion. The special tax on financial undertakings comes under non-deductible income tax fees.

³ 5.5% tax on wages, entered as wages and related expenses in the annual financial statements.

⁴ 6.35% social security contributions (6.1% 2020), entered as wages and related expenses in the annual financial statements.

Taxes



- Social security contributions
- Special financial activities tax on salaries
- Tax on liabilities of financial institutions
- Special financial activities tax on profits
- Income tax

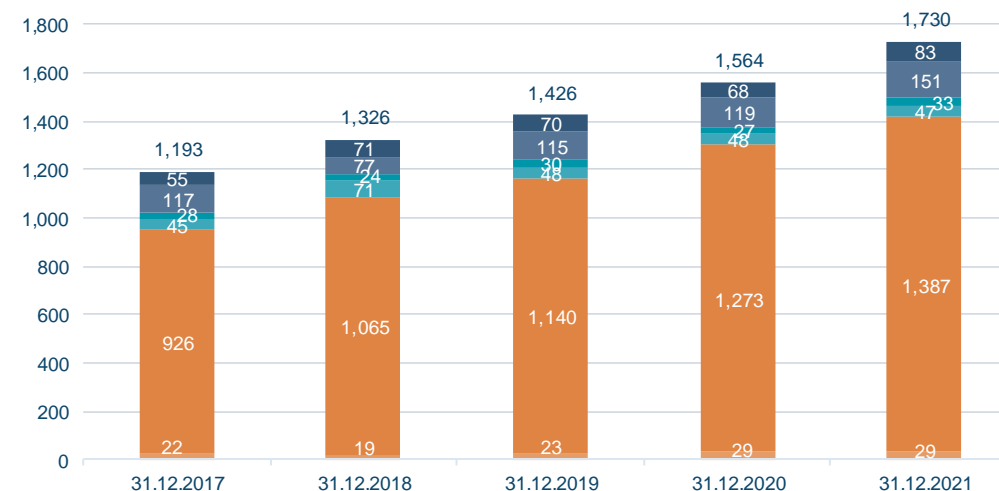
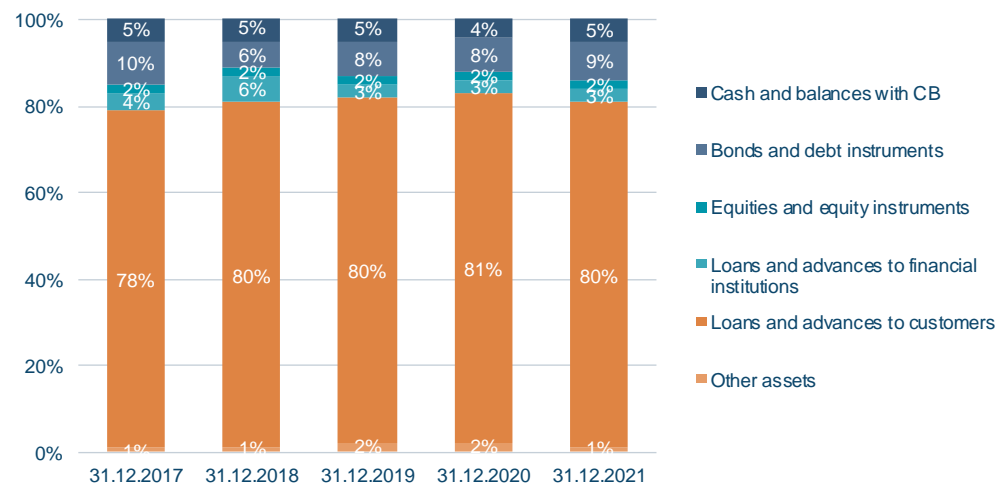
Balance sheet



Total assets

	31.12.2021	31.12.2020	Change	
Cash and balances with Central Bank	83	68	15	22%
Market bonds	151	119	32	27%
Equities	33	27	6	22%
Loans and receivables to credit institutions	47	48	-1	-2%
Loans and receivables to customers	1,387	1,273	114	9%
Other assets	29	29	0	0%
Total	1,730	1,564	166	11%

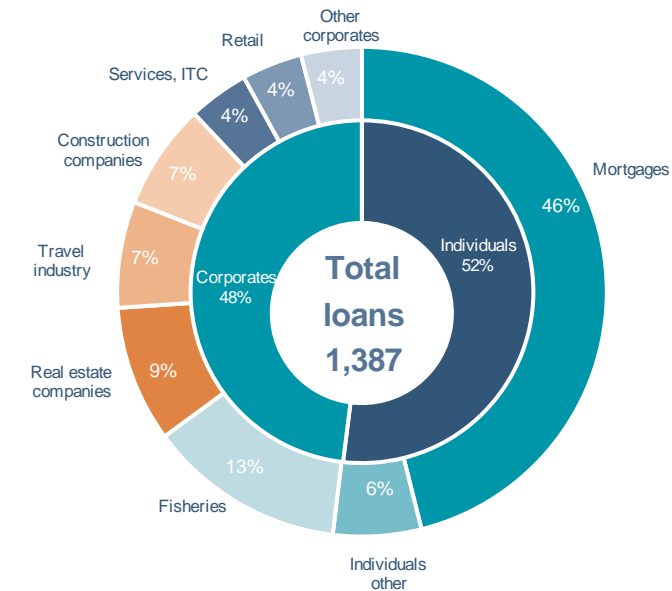
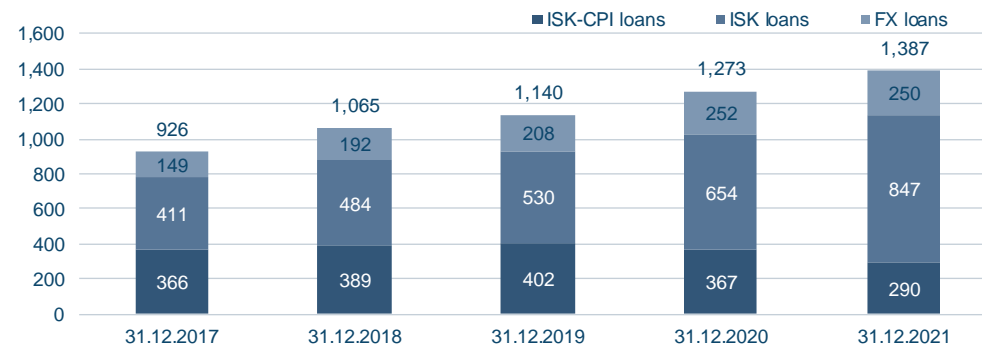
- Lending to individuals increased by ISK 133 billion. Mortgage loans grew by 25%, or around ISK 128 billion.
- Lending to corporates contracted by ISK 19 billion, with exchange rate changes accounting for ISK 8,8 billion thereof.



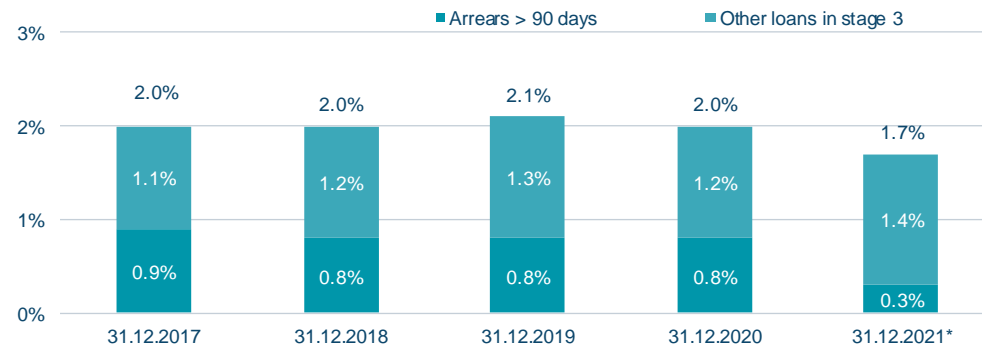
Loans

- Considerable growth in non-indexed lending alongside repayment of indexed loans - default rates at an historic low

Total loan portfolio



Problem loans



*Temporary COVID-19 measures and payment holidays lead to lower values for loans 90 days in arrears

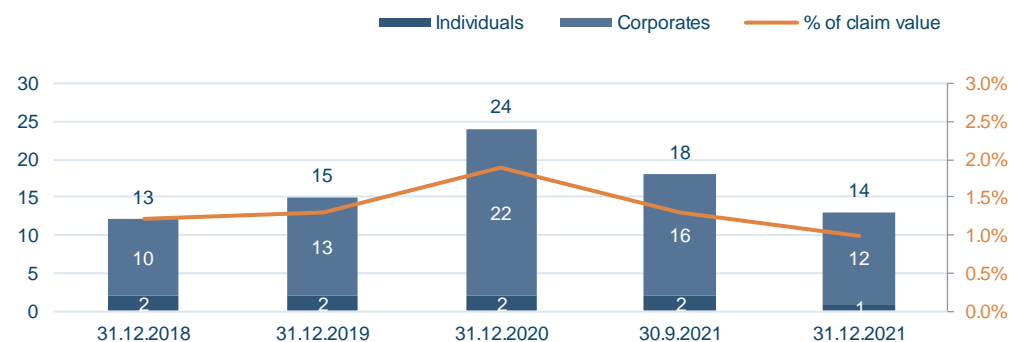
Loan staging

	Gross carrying amount		Allowance for impairment		Carrying amount	
Stage 1	1,240	88.5%	2	0.1%	1,238	89.3%
Stage 2	107	7.6%	4	3.8%	103	7.4%
Stage 3	32	2.3%	8	24.6%	24	1.7%
Fairvalue	22	1.6%			22	1.6%
Total	1,401	100%	14	1%	1,387	100%

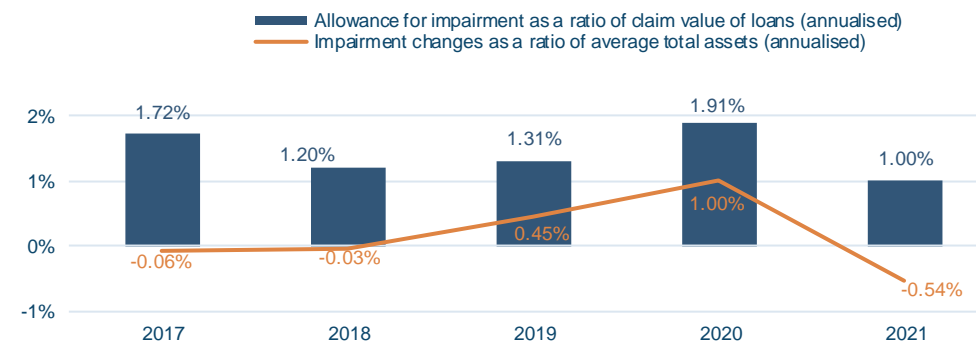
Impairment on loans

- A rapid economic recovery and high resilience of both households and companies leads to a write-back of credit impairments

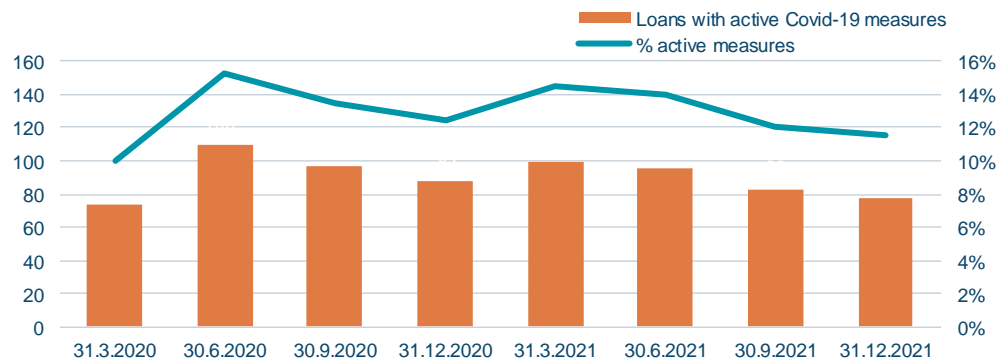
Allowance for impairment on loans and advances to customers



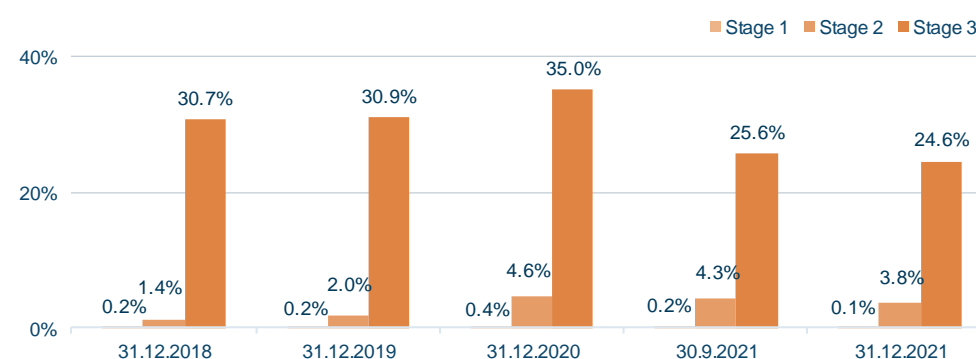
Cost of risk



Companies – Gross carrying amount of loans with Covid- 19 measures



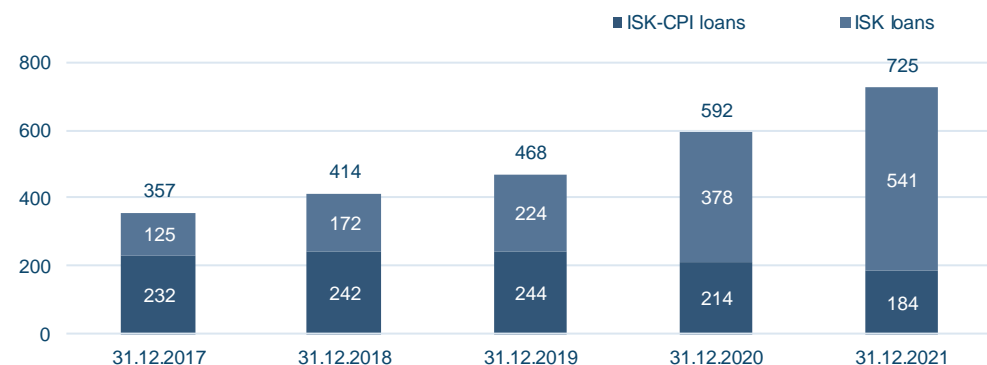
Allowance as percentage of gross carrying amount



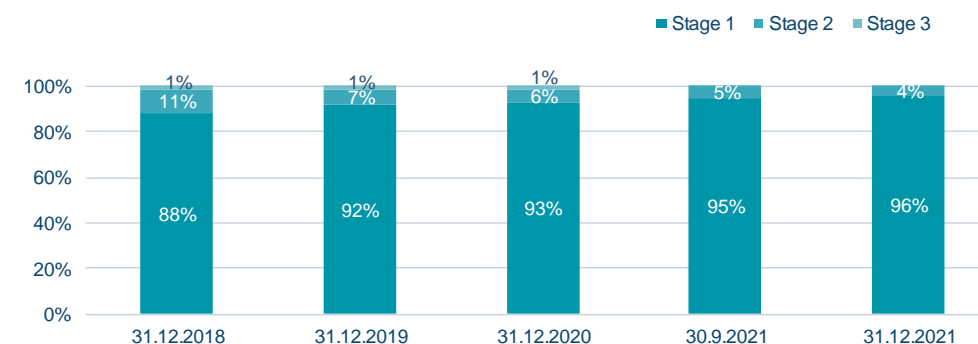
Loans to individuals

- Landsbankinn is the largest lender of housing mortgages in Iceland - mortgage ratios continue to decline

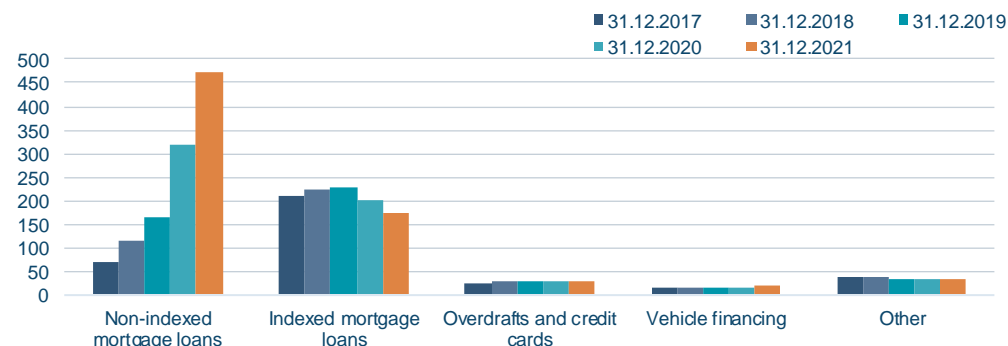
Loans to individuals



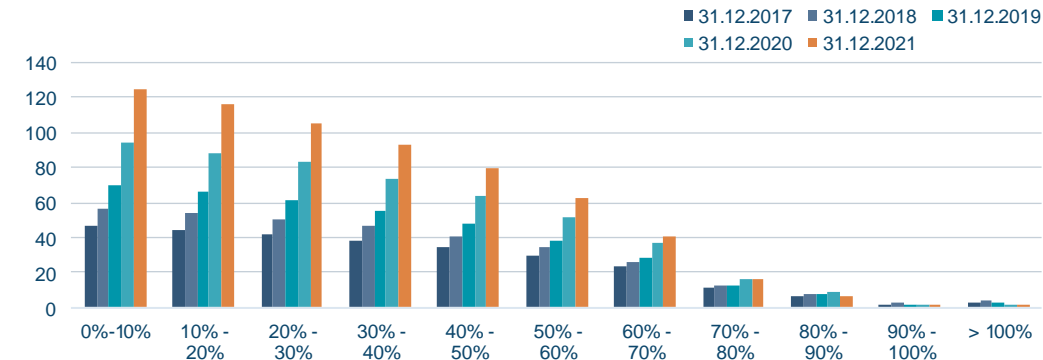
Stage allocation of loans to individuals



Loans to individuals by loan types



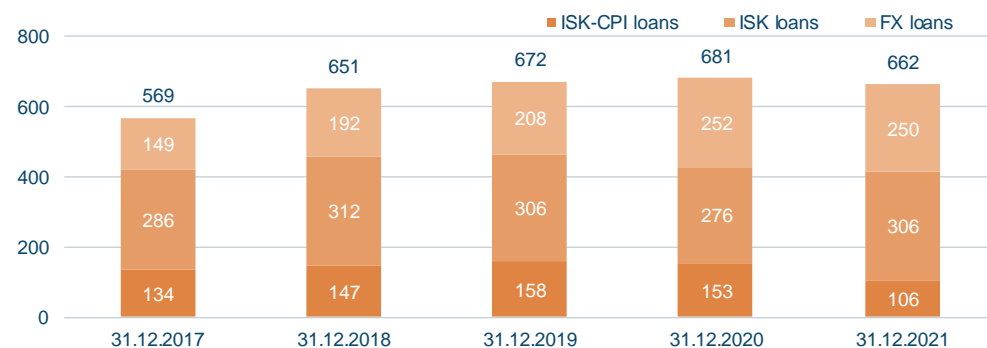
Continuous LTV distribution of mortgages



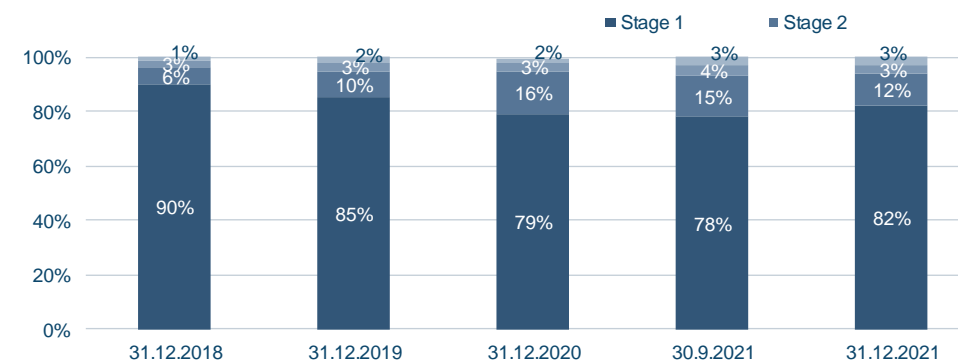
Loans to corporates

- Strong standing of corporates in most sectors - considerable repayment of indexed loans

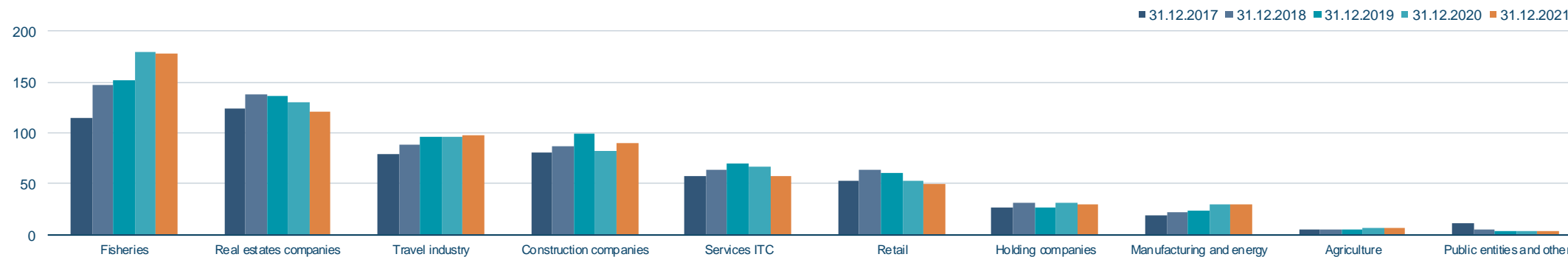
Loans to corporates



Stage allocation of loans to corporates



Loans to corporates by industry sector

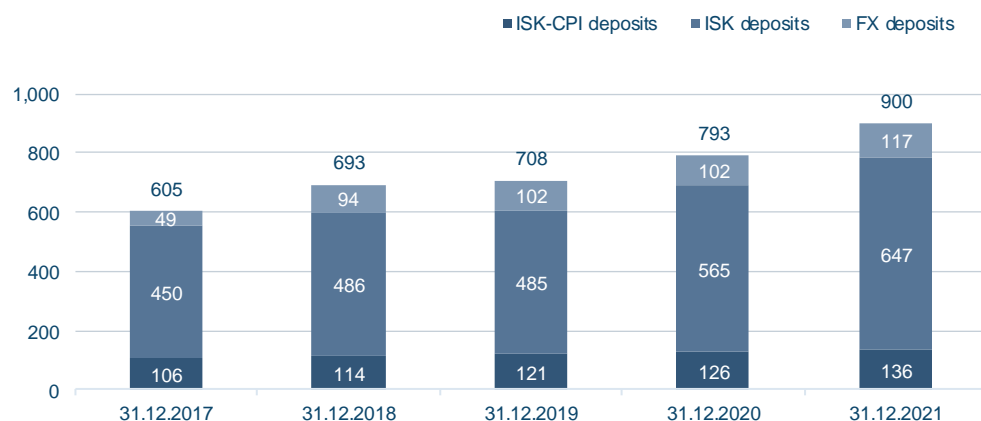


Liabilities and equity

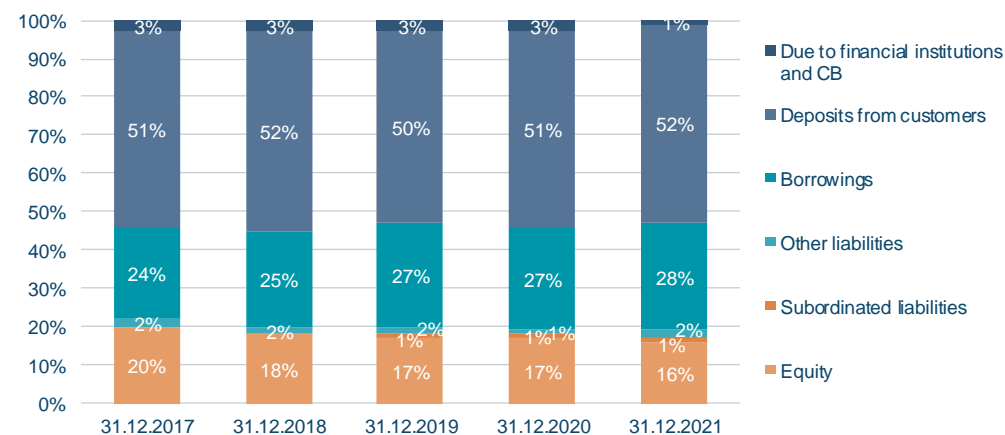
	31.12.2021	31.12.2020	Change	
Due to financial institutions and CB	10	49	-39	-80%
Deposits from customers	900	793	107	13%
Borrowings	486	420	66	16%
Other liabilities	30	23	7	30%
Subordinated liabilities	21	21	0	0%
Equity	283	258	25	10%
Total	1,730	1,564	166	11%

- Customer deposits increased by ISK 106 billion from the beginning of the year
- Further issuance of covered bonds alongside growth in mortgage lending.

Deposits from customers



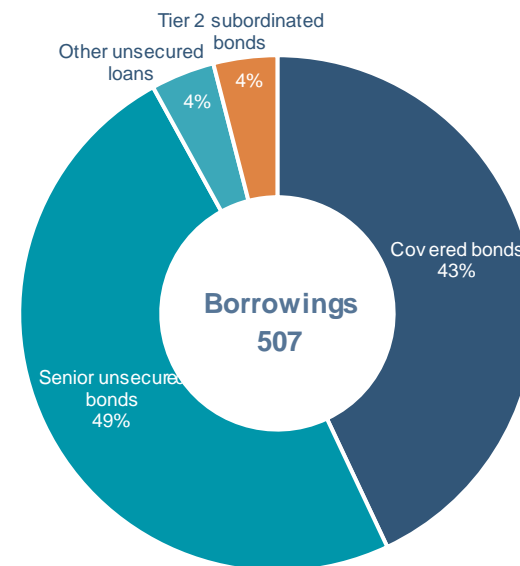
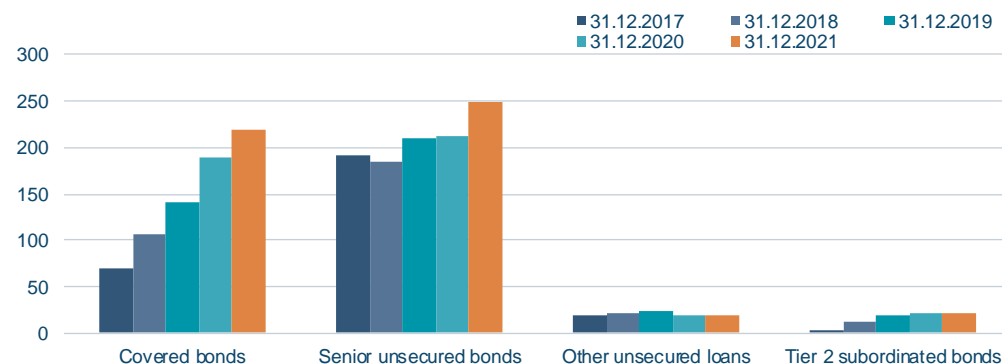
Liabilities and equity



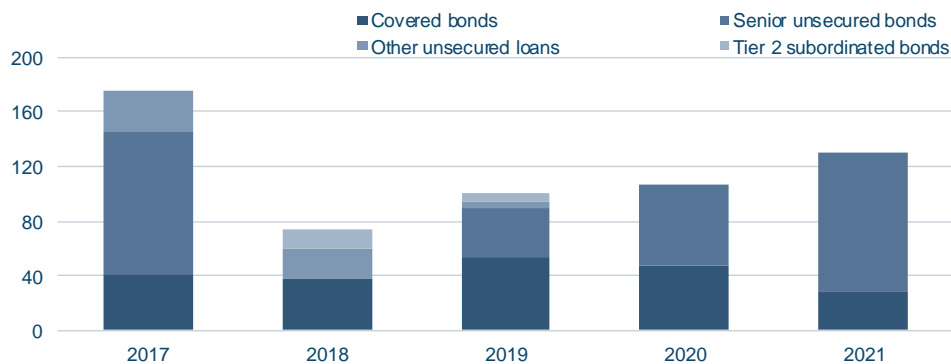
Borrowings

- Issuance of green bonds in the amount of EUR 600 million in 2021 and continued issuance of ISK-denominated covered bonds

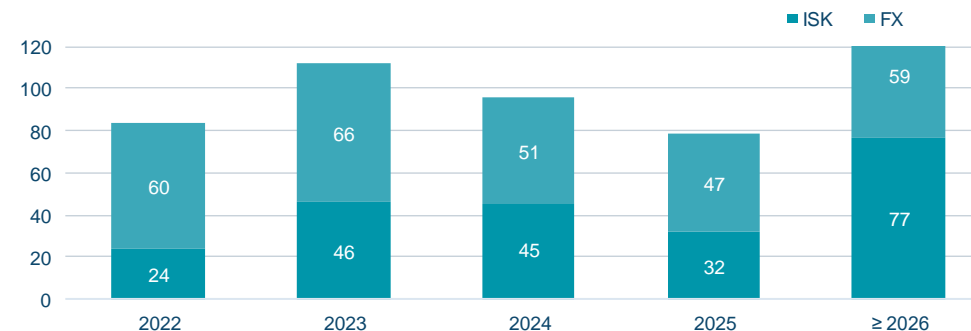
Borrowings



Borrowing issuance



Maturity profile*

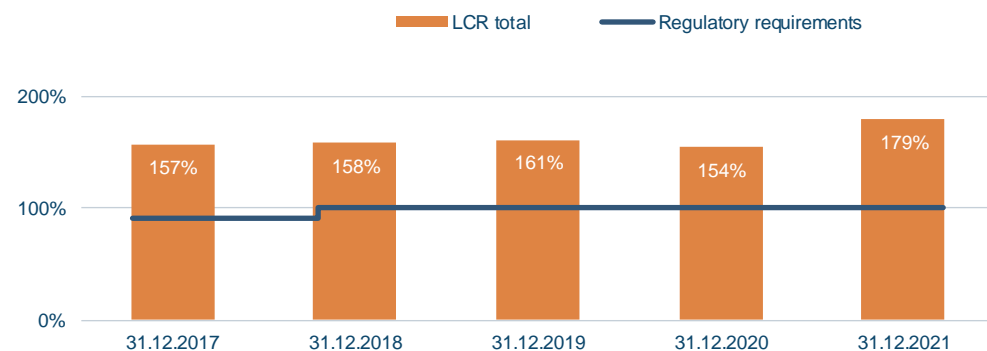


*EUR 100 m subordinated debt matures in 2028 with a 10NC5 structure.
ISK 5.5 bn subordinated debt matures in 2029 with a 10NC5 structure.

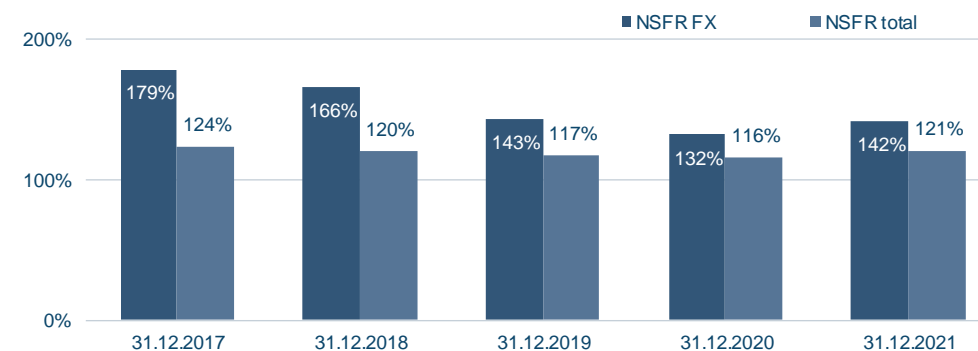
Liquidity ratio and net stable funding ratio

- Strong liquidity and funding ratios

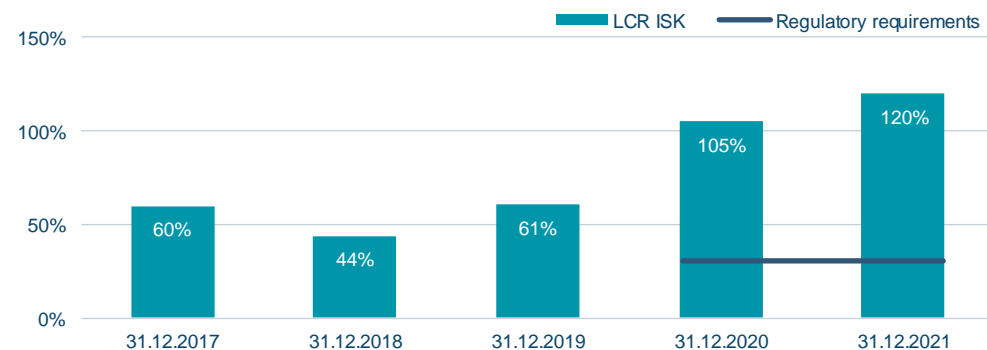
Liquidity coverage ratio total



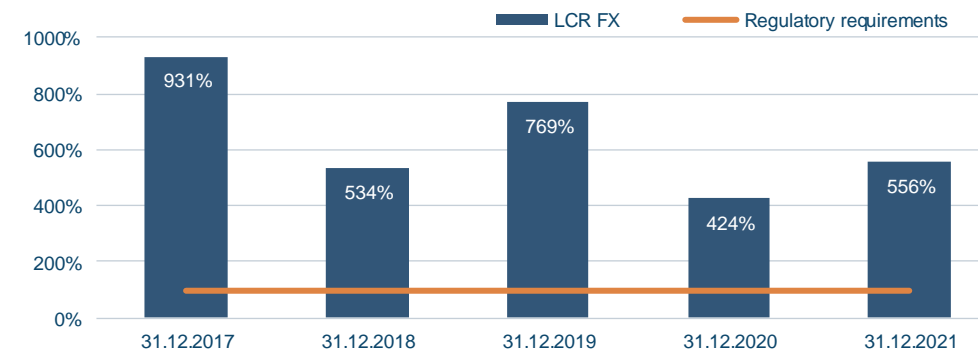
Net stable funding ratio



Liquidity coverage ratio ISK



Liquidity coverage ratio FX

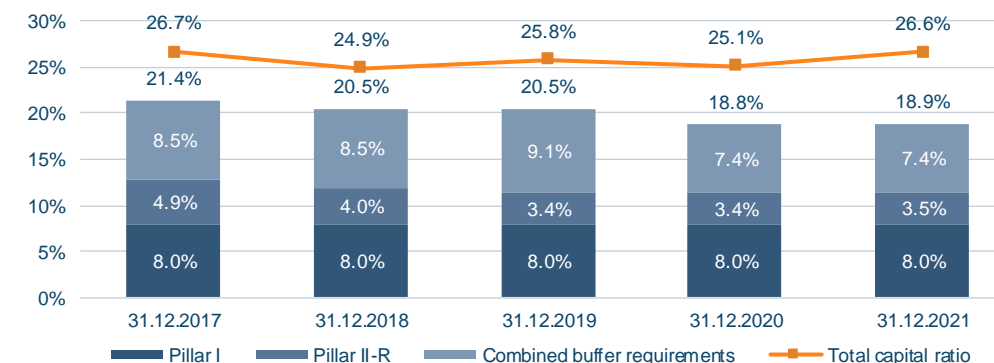


Capital requirements

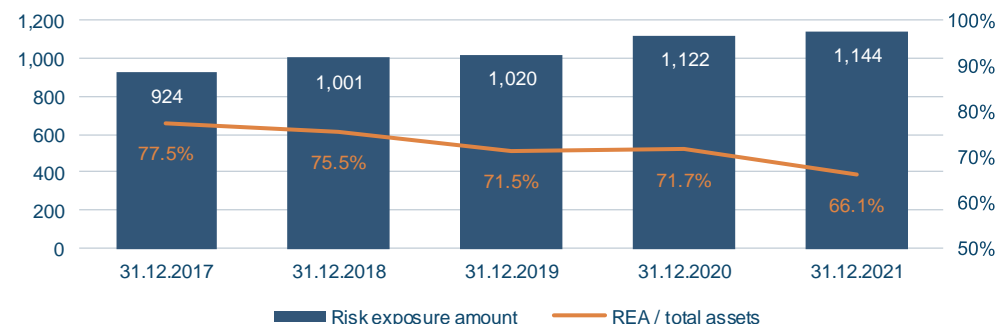
- Strong capital ratios make the Bank well placed to comply with intended increase of countercyclical capital buffer

	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 31.12.2021	24.8%	24.8%	26.6%

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 Resolution Authority of the Central Bank of Iceland has begun the process of determining Landsbankinn's institution-specific MREL and the decision is expected in the first half of 2022.

Dividends and capital ratio

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

Dividend 2021

- A regular dividend in the amount of 0.19 pr share
- This is equivalent to ISK 4.489 m. 52% of the previous year's profit

Dividend proposal for 2022*

- Regular dividend in the amount of ISK 0.61 per share, in the total amount of ISK 14,409, equal to 50% of the profit in 2021.
- If the AGM approves the Board's proposal in March 2022, the Bank's capital ratio will, other things remaining equal, decrease by 1.3 percentage points.
- Additionally, the Board of Directors is considering proposing a special dividend payment to the AGM.

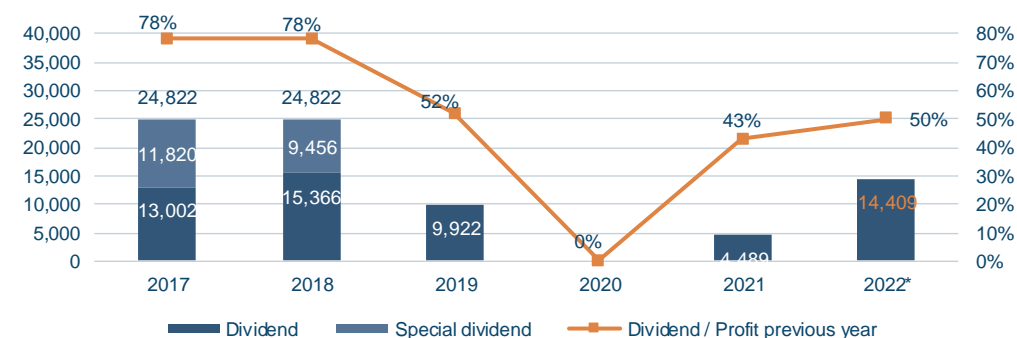
Buyback of own shares

- The Bank will offer to purchase own shares from shareholders, based on a resolution of the AGM, in the total maximum amount of ISK 57 million shares, or around 0.24% of issued share capital in the Bank.

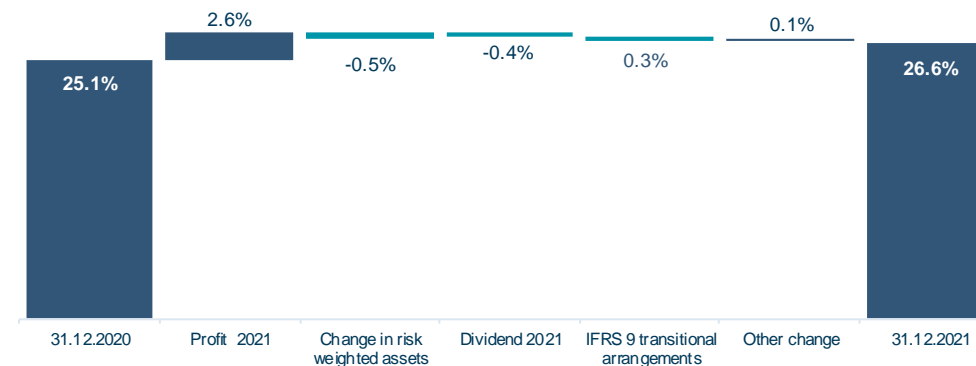
Landsbankinn's dividend policy

- 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 2021



Appendix

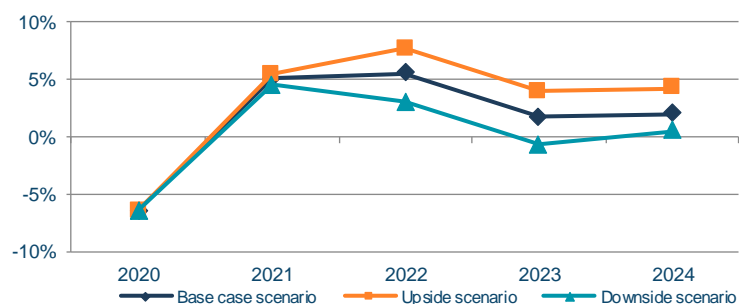
Further information



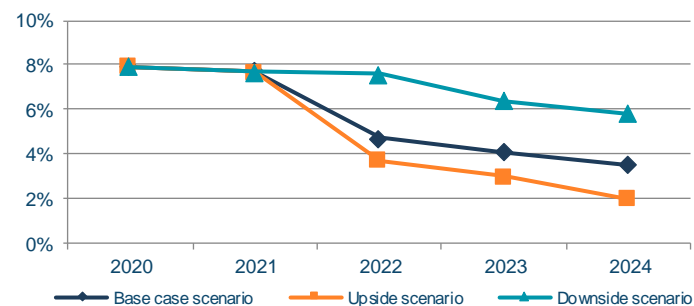
Economic scenarios for expected credit loss

- 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 25% weight, the baseline 50% weight and the pessimistic scenario 25% weight.

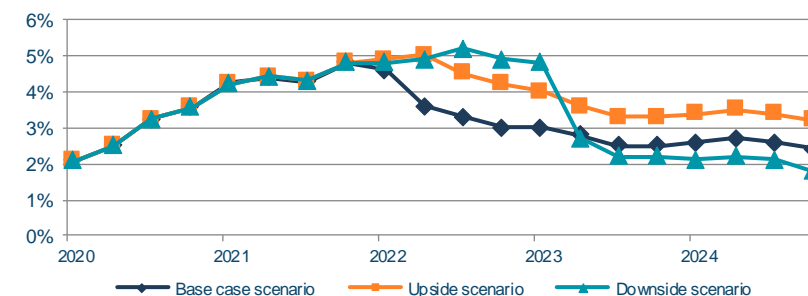
Economic growth



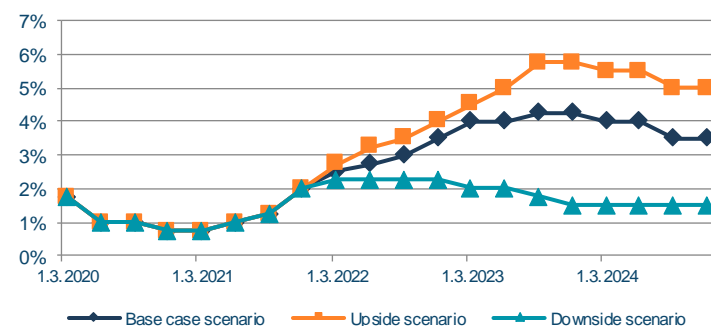
Unemployment



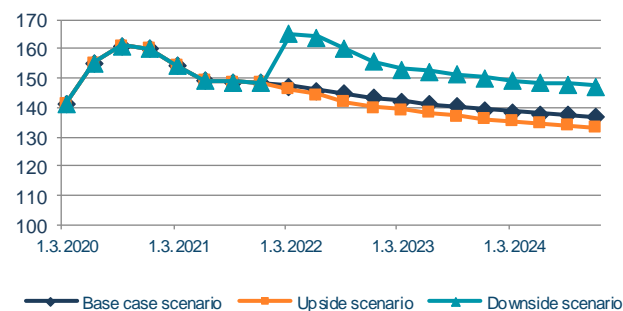
Inflation



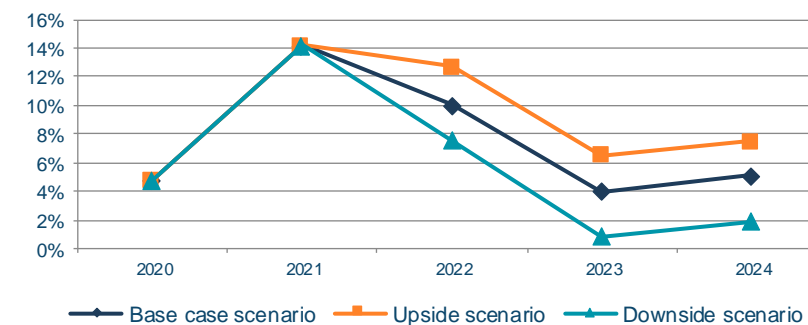
CBI's key rate (seven-day term deposits)



EUR/ISK



Housing price (YoY change)



Key financial ratios

	Q4 2021	Q3 2021	Q2 2021	Q1 2021	Q4 2020	2021	2020	2019	2018	2017
Profit (loss) after taxes	7,322	7,492	6,487	7,618	9,822	28,919	10,521	18,235	19,260	19,766
Return on equity before taxes	14.0%	13.8%	12.2%	14.2%	17.8%	13.6%	5.1%	9.6%	11.1%	11.0%
Return on equity after taxes	10.5%	11.0%	9.8%	11.7%	15.5%	10.8%	4.3%	7.5%	8.2%	8.2%
After-tax return on average assets	1.7%	1.8%	1.6%	1.9%	2.5%	1.7%	0.7%	1.3%	1.5%	1.7%
Total capital ratio	26.6%	24.9%	25.1%	24.9%	25.1%	26.6%	25.1%	25.8%	24.9%	26.7%
Net interest income	10,395	9,600	10,332	8,626	9,694	38,953	38,074	39,670	40,814	36,271
Interest spread as a ratio of average total assets	2.4%	2.3%	2.5%	2.2%	2.4%	2.3%	2.5%	2.8%	3.2%	3.1%
Cost-income ratio	47.6%	37.9%	41.7%	45.8%	38.8%	43.2%	47.4%	42.6%	45.5%	46.1%
Liquidity ratio LCR total	179%	172%	180%	202%	154%	179%	154%	161%	158%	157%
Liquidity LCR FX	556%	443%	420%	477%	424%	556%	424%	769%	534%	931%
Liquidity LCR ISK	120%	113%	112%	120%	105%	120%	105%	61%	44%	60%
Net stable funding ratio NSFR total	121%	118%	121%	118%	116%	121%	116%	117%	120%	124%
Net stable funding ratio NSFR FX	142%	122%	140%	140%	132%	142%	132%	143%	166%	179%
Operating expenses as a ratio of average total assets	1.5%	1.3%	1.4%	1.5%	1.6%	1.4%	1.6%	1.7%	1.9%	2.0%
Total assets	1,729,798	1,718,358	1,677,297	1,600,952	1,564,177	1,729,798	1,564,177	1,426,328	1,326,041	1,192,870
Loans / deposits ratio	154.1%	158.2%	157.6%	162.1%	160.5%	154.1%	160.5%	161.1%	153.6%	153.0%
Full-time equiv. positions	816	837	844	869	878	816	878	893	919	997

Operations

	Q4 2021	Q3 2021	Q2 2021	Q1 2021	Q4 2020
Net interest income	10,395	9,600	10,332	8,626	9,694
Net fee & commission income	2,593	2,522	2,314	2,054	1,981
Net impairment changes	3,247	1,008	293	2,489	1,535
Net foreign exchange gain (loss)	-69	55	-45	-27	-52
Other net operating income	551	2,161	1,614	2,618	4,919
Total operating income	16,717	15,346	14,508	15,759	18,077
Salaries and related expenses	4,028	3,238	3,724	3,769	3,986
Other operating expenses	2,386	2,202	2,202	2,315	2,433
Tax on liabilities of financial institutions	508	525	513	467	400
Total operating expenses	6,922	5,965	6,439	6,551	6,819
Profit before tax	9,795	9,381	8,069	9,208	11,258
Income tax	2,473	1,889	1,582	1,590	1,436
Profit for the period	7,322	7,492	6,487	7,618	9,822

	2021	2020	2019	2018	2017
Net interest income	38,953	38,074	39,670	40,814	36,271
Net fee & commission income	9,483	7,638	8,219	8,157	8,431
Net impairment changes	7,037	-12,020	-4,827	1,352	1,785
Net foreign exchange gain (loss)	-86	-278	-584	-1,497	-1,375
Other net operating income	6,943	4,839	9,039	5,084	8,400
Total operating income	62,330	38,253	51,517	53,910	53,512
Salaries and related expenses	14,759	14,767	14,458	14,589	14,061
Other operating expenses	9,105	9,064	9,534	9,348	9,789
Tax on liabilities of financial institutions	2,013	1,815	4,204	3,860	3,253
Total operating expenses	25,877	25,646	28,196	27,797	27,103
Profit before tax	36,453	12,607	23,321	26,113	26,409
Income tax	7,534	2,086	5,086	6,853	6,643
Profit for the period	28,919	10,521	18,235	19,260	19,766

Balance sheet

	31.12.2021	31.12.2020	Change	
Cash and balances with CB	82,425	67,604	14,821	22%
Bonds and debt instruments	150,435	119,330	31,105	26%
Equities and equity instruments	33,347	26,808	6,539	24%
Loans and advances to fin institutions	47,231	48,073	-842	-2%
Loans and advances to customers	1,387,463	1,273,426	114,037	9%
Other assets	28,897	28,936	-39	0%
Total assets	1,729,798	1,564,177	165,621	11%
Due to financial institutions and CB	10,425	48,725	-38,300	-79%
Deposits from customers	900,098	793,427	106,671	13%
Borrowing	486,042	420,178	65,864	16%
Other liabilities	29,803	22,227	7,576	34%
Subordinated liabilities	20,785	21,366	-581	-3%
Equity	282,645	258,255	24,390	9%
Total liabilities and equity	1,729,798	1,564,177	165,621	11%

	31.12.2019	31.12.2018	31.12.2017
	69,824	70,854	55,192
	115,262	77,058	117,310
	30,019	23,547	27,980
	47,929	71,385	44,866
	1,140,184	1,064,532	925,636
	23,110	18,665	21,886
	1,426,328	1,326,041	1,192,870
	48,062	34,609	32,062
	707,813	693,043	605,158
	373,168	314,412	281,874
	30,470	31,027	27,642
	19,081	13,340	77
	247,734	239,610	246,057
	1,426,328	1,326,041	1,192,870

Operating segments

1.1.2021 - 31.12.2021	Personal Banking	Corporate Banking	Asset Management & Capital Market	Treasury and Market Making	Other segments	Reconciliation	Total
Net interest income	16,986	18,754	468	2,843	-62	-36	38,953
Net fee and commission income	3,072	1,612	5,388	-241	-2	-346	9,483
Net impairment changes	1,424	5,596	0	13	4	0	7,037
Net other operating income (expense)	238	100	559	5,305	670	-15	6,857
Total operating income (expense)	21,720	26,062	6,415	7,920	610	-397	62,330
Operating expenses	-6,783	-2,981	-2,102	-1,528	-10,835	365	-23,864
Tax on liabilities of financial institutions	-845	-370	-8	-776	-14	0	-2,013
Allocated expenses	-4,245	-2,786	-1,079	-920	9,030	0	0
Profit (loss) before tax	9,847	19,925	3,226	4,696	-1,209	-32	36,453
Income tax	-2,609	-5,061	264	-382	254	0	-7,534
Profit (loss) for the period	7,238	14,864	3,490	4,314	-955	-32	28,919
Total assets	772,724	613,071	12,004	672,837	20,214	-361,052	1,729,798
Total liabilities	728,841	491,925	7,259	559,966	20,214	-361,052	1,447,153
Allocated capital	43,883	121,146	4,745	112,871	0	0	282,645

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