



9M 2023 results

Lilja Björk Einarsdóttir
CEO

Hreiðar Bjarnason
CFO

Well financed bank in a demanding environment

All financial targets of the Bank achieved in the first 9 months of the year

Profit 22.4 ISKbn	ROE 10.5%	Net fee & commission income +3%
Total assets 1,982 ISKbn	Cost/income ratio 34.6%	Net interest income +27%
Equity 293 ISKbn	Total capital ratio 23.7%	

Return on equity (ROE) was 10.5% in the first 9 months of the year and all financial targets of the Bank were achieved.

Both **interest income and expenses** continue to increase alongside rising interest rates and in line with the Bank's growing balance sheet.

Moderate lending growth, with lending increasing by 4% since the beginning of the year.

Well financed bank in a demanding environment. This year to date, the Bank has completed two EUR-denominated issuances, with the latter also being its third green issuance.

The **cost to income ratio** continues to drop.

Strong equity position that is 350 points above the regulatory requirements of 20.2%.

Sound operation in the third quarter

Demanding market conditions and rising interest rate levels

Net fee and commission income contracts slightly between the third quarters of 2022 and 2023 while interest income grows.

Profit

7.9

ISKbn

ROE

10.9%

Net fee & commission income

-5%

Net interest income

+25%

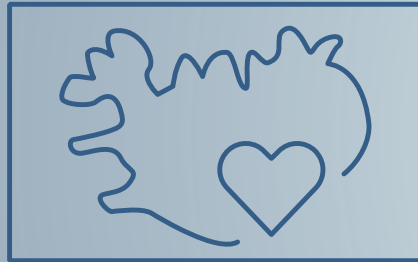
Cost/income ratio

31.5%



Landsbankinn, an ever-smarter bank

The Bank's strategy supports long-term profitability targets



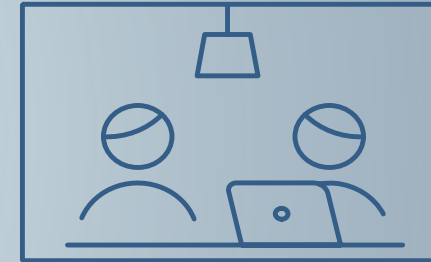
Positive impact on
Icelandic society



Making life easier
for customers with
simple and secure
solutions



Solid operating
results and strong
capacity for
development



Desirable
workplace

Positive impact on the community

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

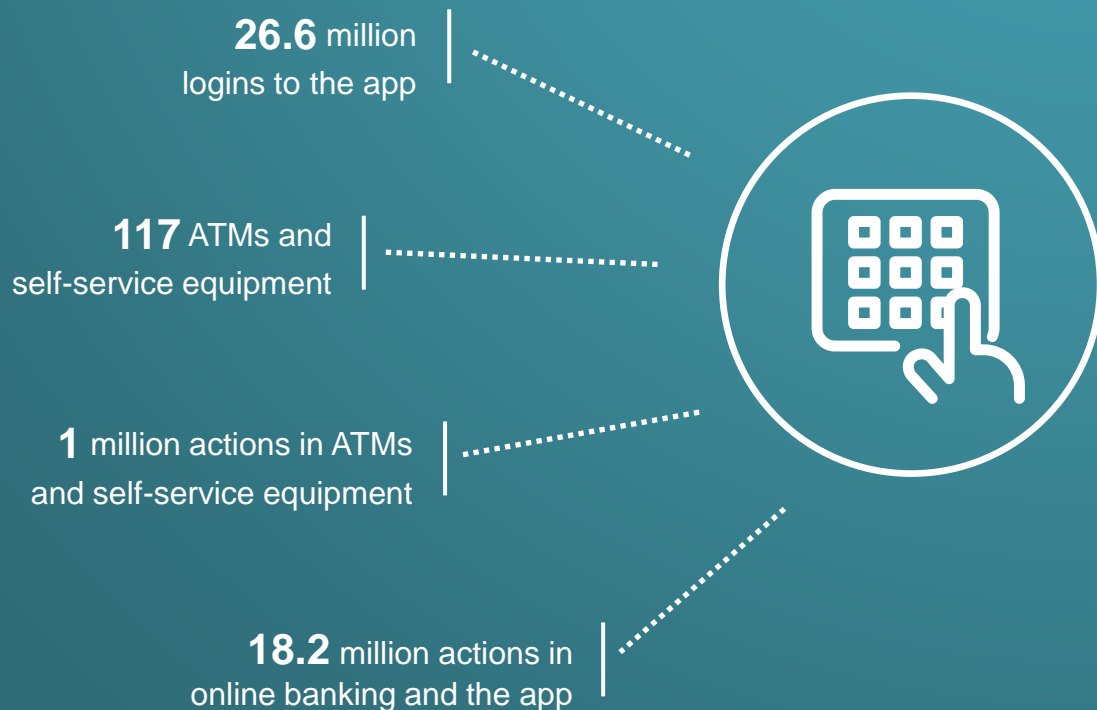
We supported Reykjavík Culture Night and Reykjavík Pride handsomely this quarter, hosted Landsbankinn's Sustainability Forum for the second time and awarded ISK 10 million in sustainability grants, to name but a few examples.



Universal services around the clock



Robust self-service solutions always open



Personal service throughout Iceland



First 9 months of the year

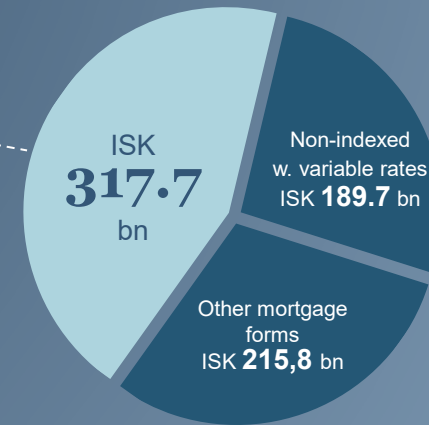


Finding the right solution with our customer

Total housing mortgages
ISK 723.2 bn

Non-indexed with fixed rates

Average amount: ISK 27.5 m



Example of monthly payments on 25-year ISK 27.5 bn mortgage

Current payment

Non-indexed with 4.5% fixed interest ISK 153,000

Payment once rates become variable

Non-indexed with 10.75% variable interest ISK 265,000

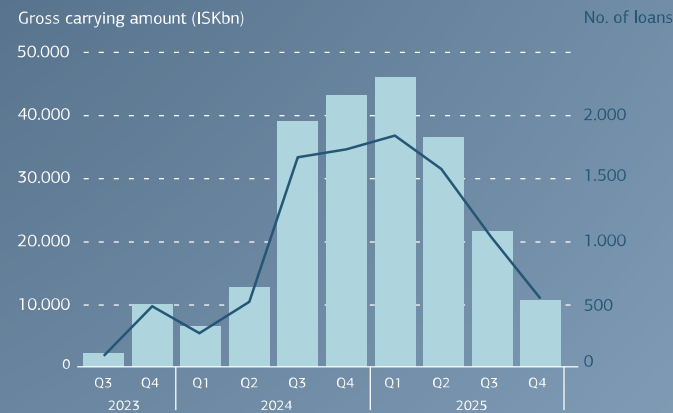
Several measures available to decrease payments, incl.

Mixed loan mortgage with variable rates ISK 199,000

50% non-indexed and 50% indexed

Indexed with 3.15% interest ISK 134,000

Bulk of fixed-rate periods end after mid-2024



Fixed-rate terms end on non-indexed mortgages

Assumptions: Average amount of non-indexed fixed rate housing mortgages was ISK 27.5 m on 30.09.2023. Many customers fixed rates when the policy rate was at its lowest, at 4.5%. Without restructuring, these variable non-indexed rates, currently 10.75%, will apply to these mortgages once the fixed-rate term ends.

Green financing

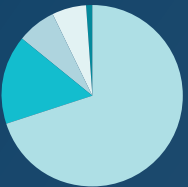
Strong support for businesses



Green bonds
EUR 300 m

Total demand of
EUR 1.5 bn
by 149 parties

Allocation spread across diverse investor group



- Fund managers
- Hedge funds
- Insurance and pension funds
- Private banking
- Other

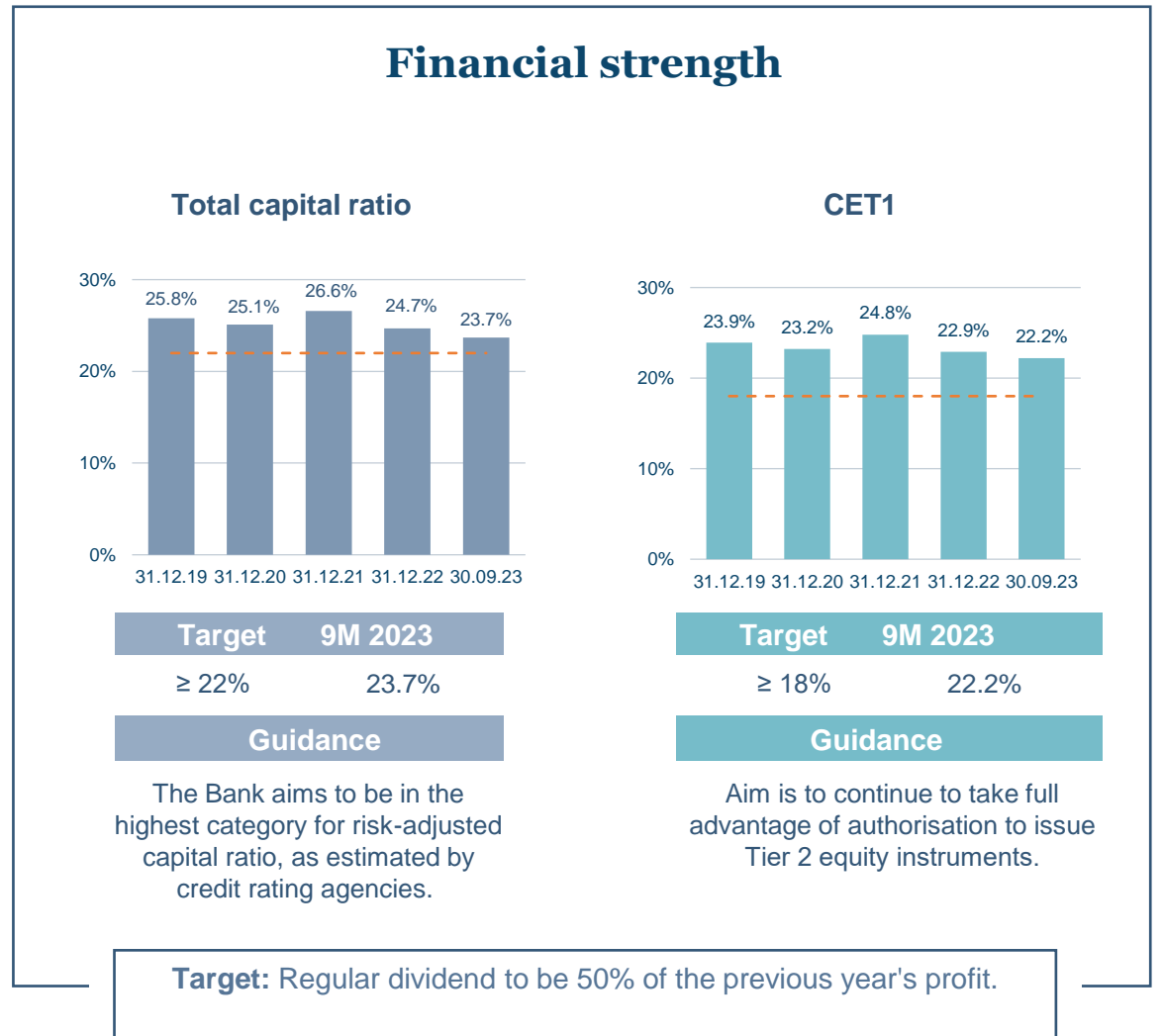


- UK
- Nordic countries
- DACH
- BeNeLux
- South Europe, France and other countries

New corporate customers up by **20% between years**

Financial targets and development of KPIs

Strong financial position and efficient operations



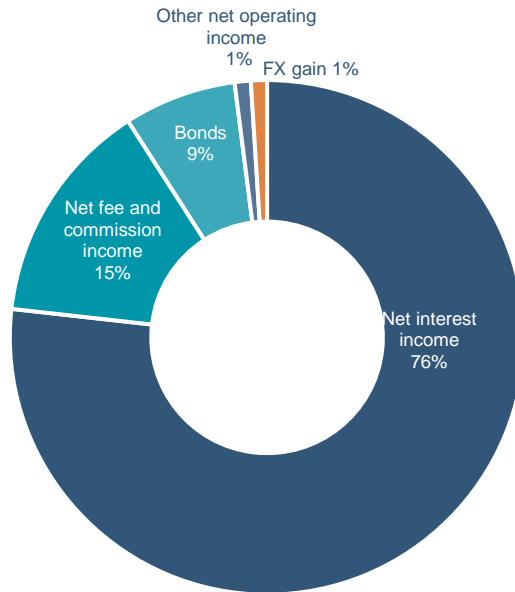
Income statement

Income statement

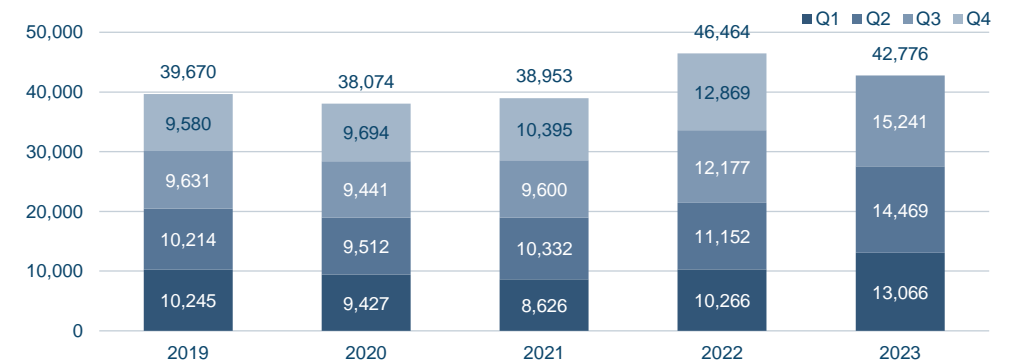
	9M 2023	9M 2022	Change		Q3 2023	Q3 2022	Change	
Net interest income	42,776	33,595	9,181	27%	15,241	12,177	3,064	25%
Net fee and commission income	8,087	7,878	209	3%	2,336	2,456	-120	-5%
Net impairment changes	-1,839	2,665	-4,504	-169%	-248	2,622	-2,870	-109%
Other net operating income (expenses)	2,989	-6,451	9,440	-146%	207	-2,401	2,608	-109%
Total operating income	52,013	37,687	14,326	38%	17,536	14,855	2,681	18%
Salaries and related expenses	11,534	10,488	1,046	10%	3,221	3,149	72	2%
Other operating expenses	7,113	6,652	461	7%	2,388	2,135	253	12%
Tax on liabilities of financial institutions	1,763	1,562	201	13%	643	547	96	18%
Total operating expenses	20,410	18,702	1,708	9%	6,252	5,831	421	7%
Profit before tax	31,603	18,985	12,618	66%	11,284	9,024	2,260	25%
Income tax	9,220	7,665	1,555	20%	3,374	3,261	113	3%
Profit for the period	22,383	11,320	11,063	98%	7,910	5,763	2,147	37%

Net operating income

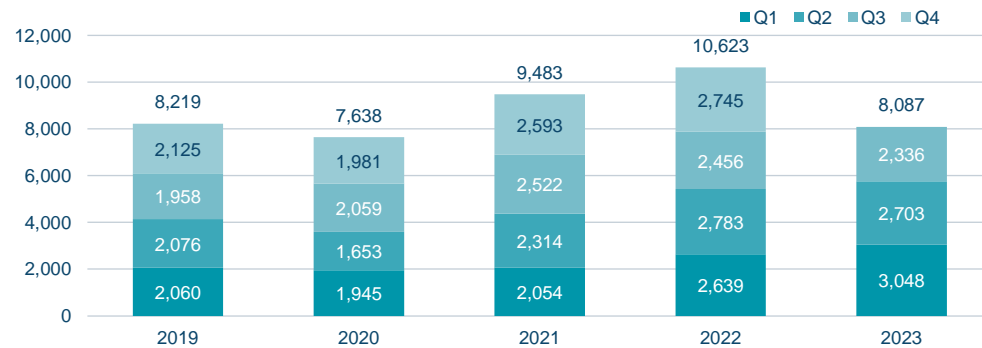
Rising interest rate levels and changed asset structure result in a 27% net increase in interest income



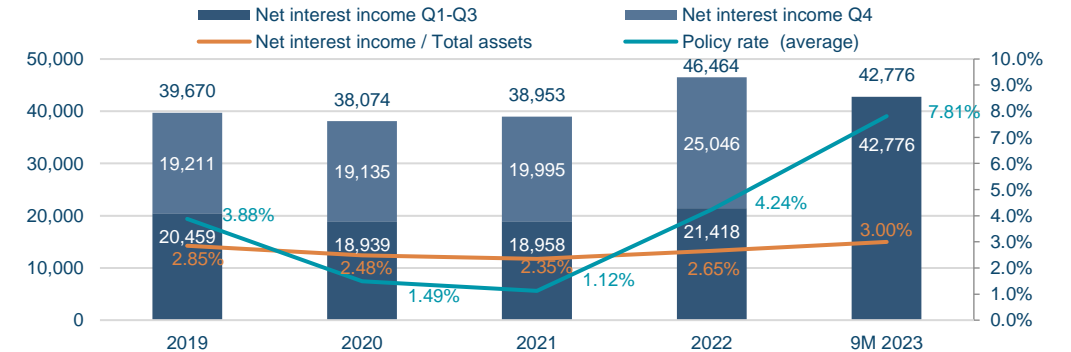
Net interest income



Net fee and commission income



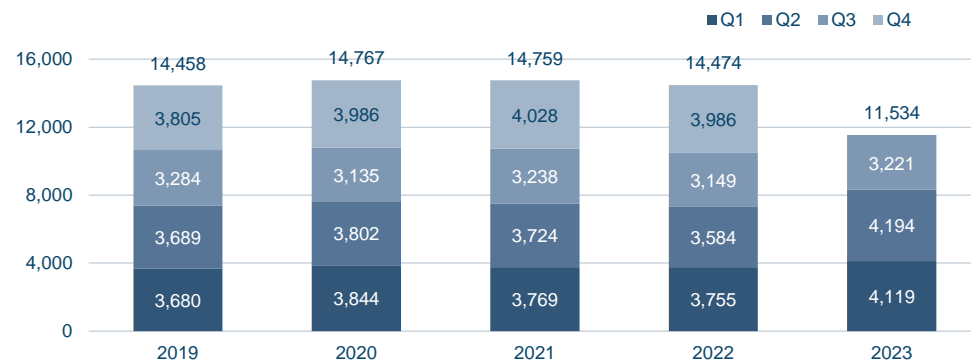
Policy rate and net interest income



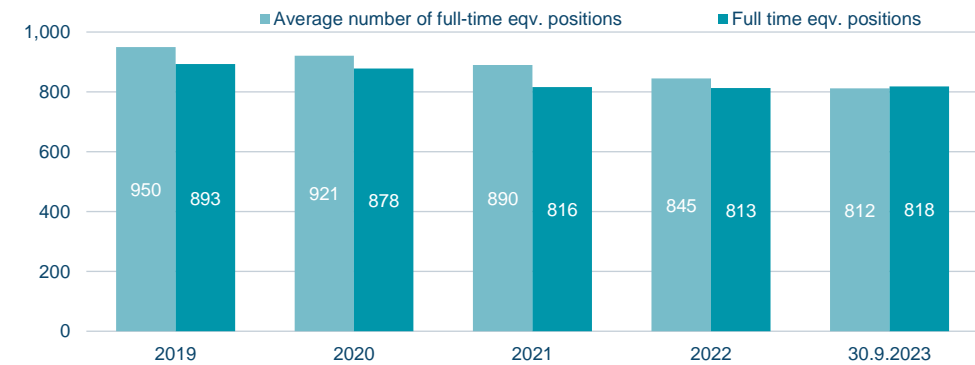
Operating expenses

Operating expenses increased by 9.1% between years, driven by rising wage cost and prices

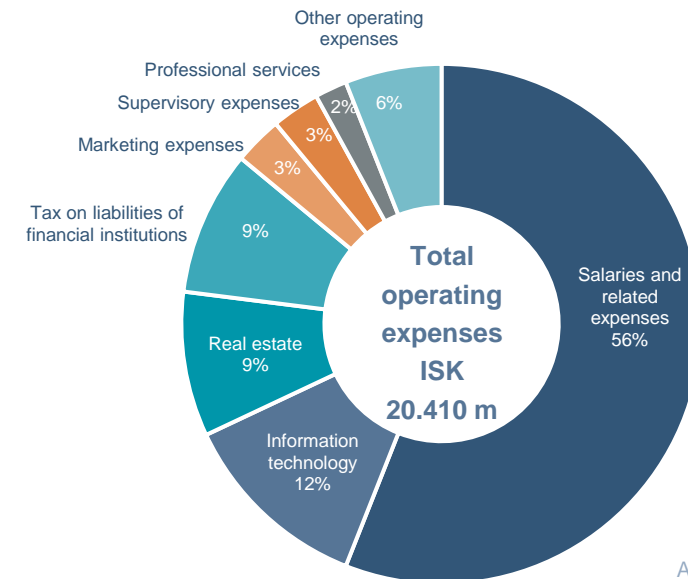
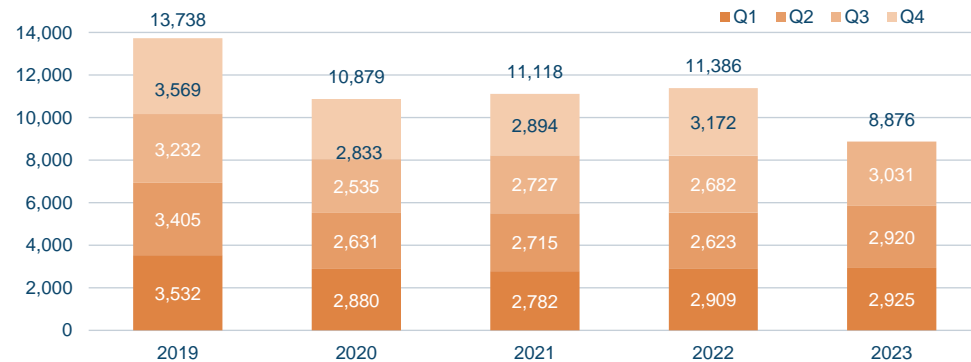
Salaries and related expenses



Full-time equivalent positions



Operating expenses



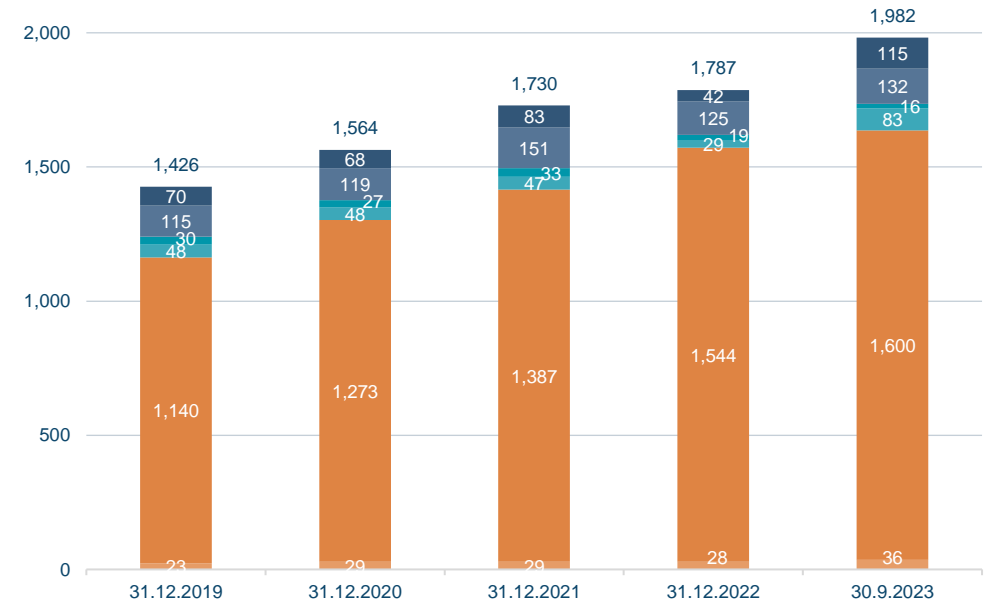
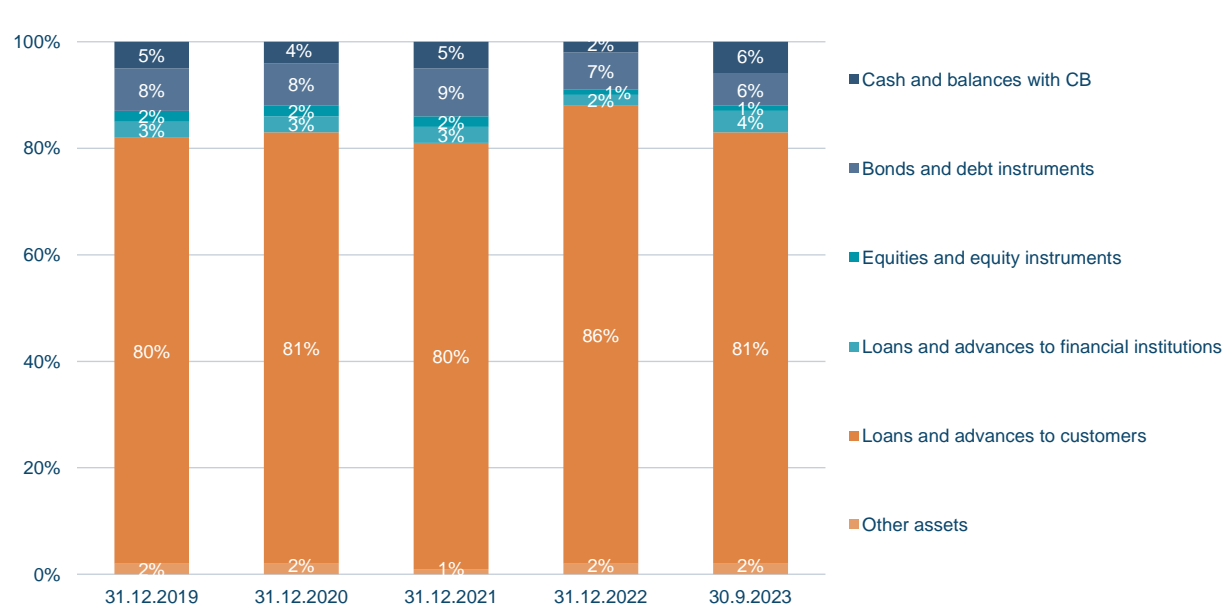
Balance sheet

Total assets

Lending to customers grew by 4% while total assets increase by 11%

	30.9.2023	31.12.2022	Change	
Cash and balances with Central Bank	115	42	73	174%
Market bonds	132	125	7	6%
Equities	16	19	-3	-16%
Loans and receivables to credit institutions	83	29	54	186%
Loans and receivables to customers	1,600	1,544	56	4%
Other assets	36	28	8	29%
Total	1,982	1,787	195	11%

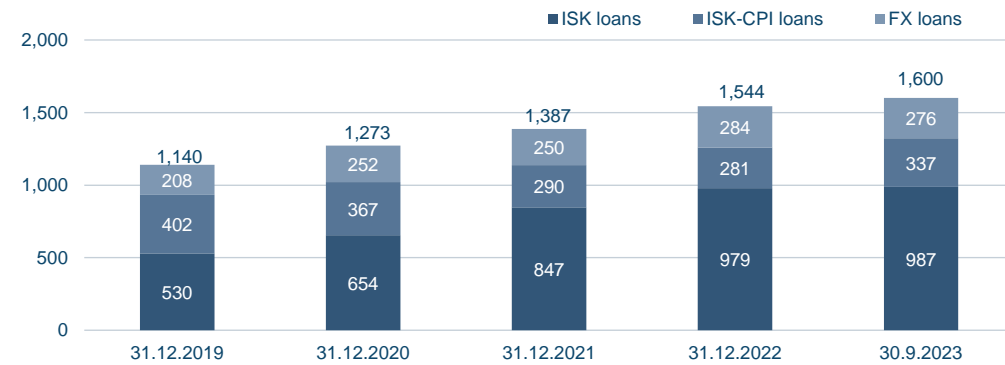
- Lending to individuals increased by ISK 20 billion. Mortgage loans grew by 2%, or around ISK 17 billion.
- Lending to corporates increased by ISK 47 billion. A negative exchange rate impact in the amount of ISK 11 billion results in a net increase of ISK 36 billion.



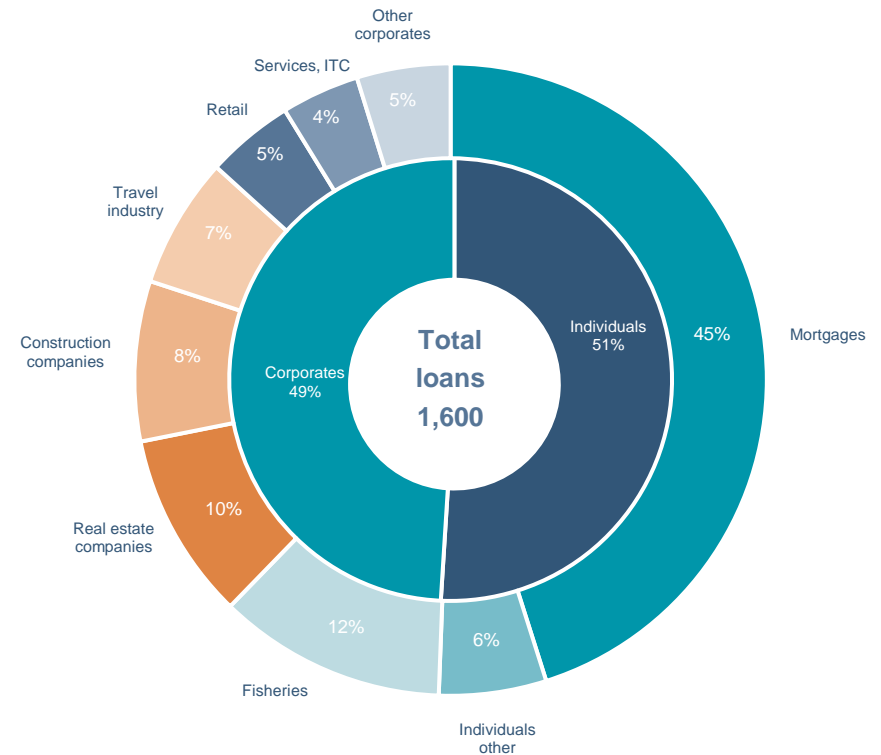
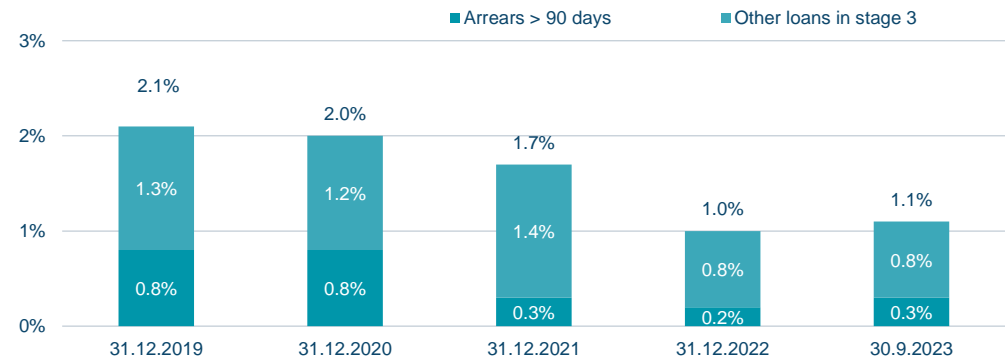
Loans

Conservative lending growth alongside historically low problem loan levels

Total loan portfolio



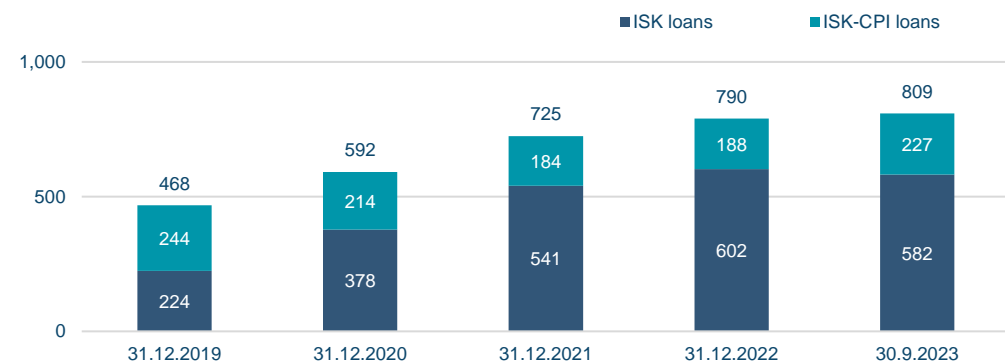
Problem loans



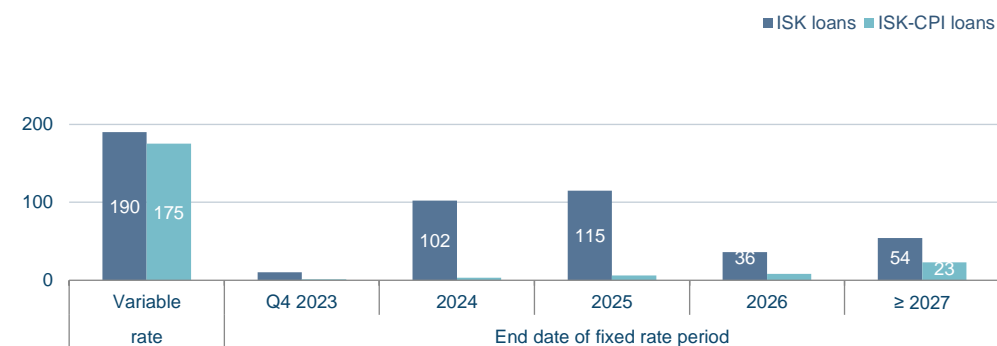
Loans to individuals

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

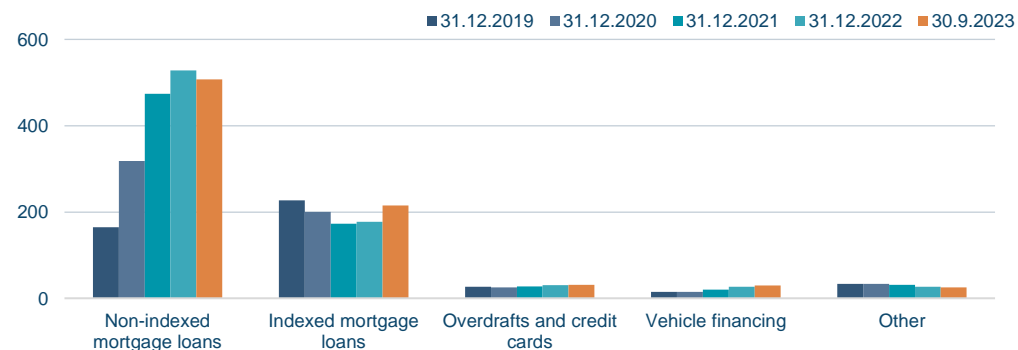
Loans to individuals



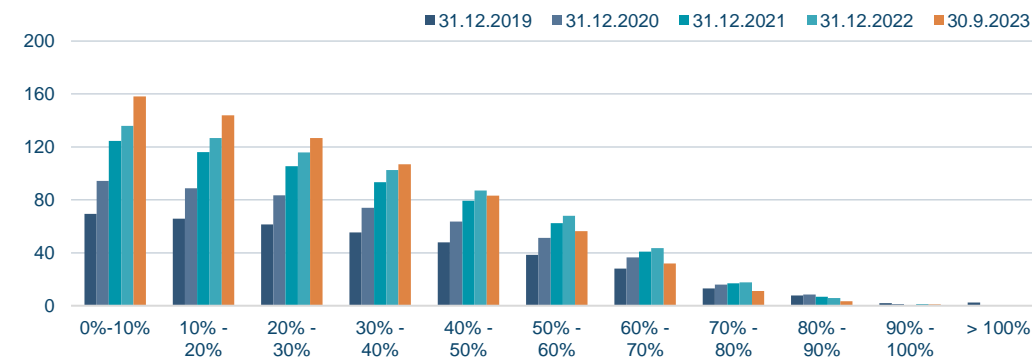
Mortgages - repricing



Loans to individuals by loan type



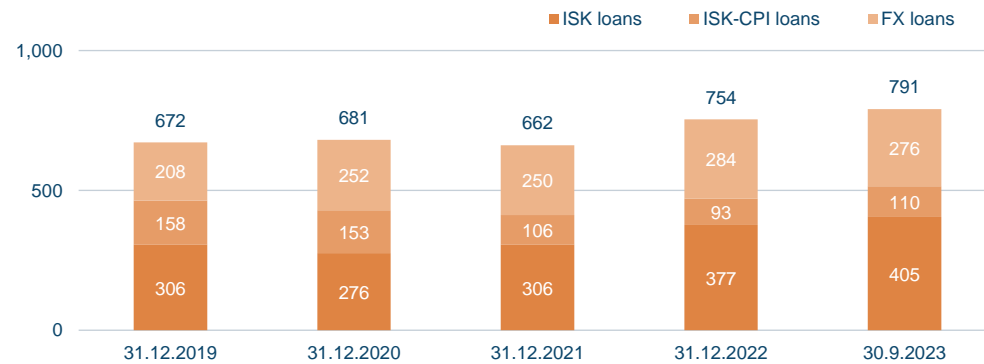
Continuous LTV distribution of mortgages



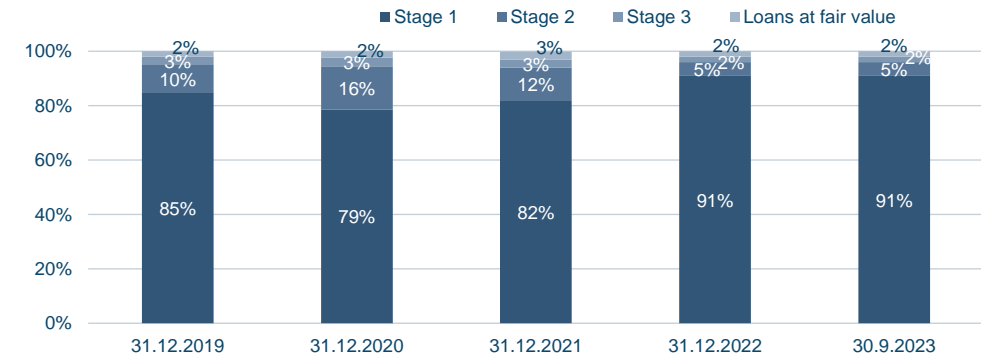
Loans to corporates

Moderate lending growth YtD and new corporate lending has slowed in the third quarter of the year

Loans to corporates



Stage allocation of loans to corporates



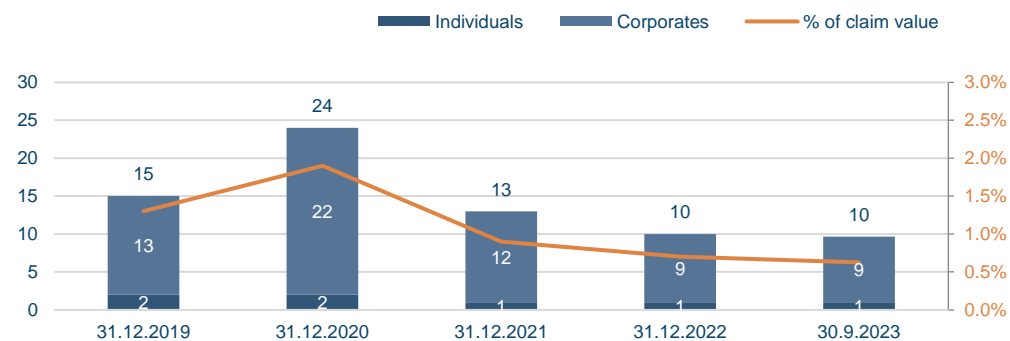
Loans to corporates by industry sector



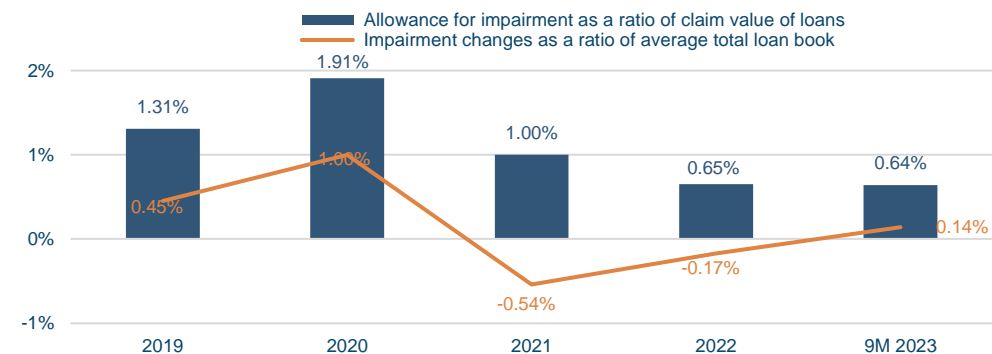
Impairment on loans

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

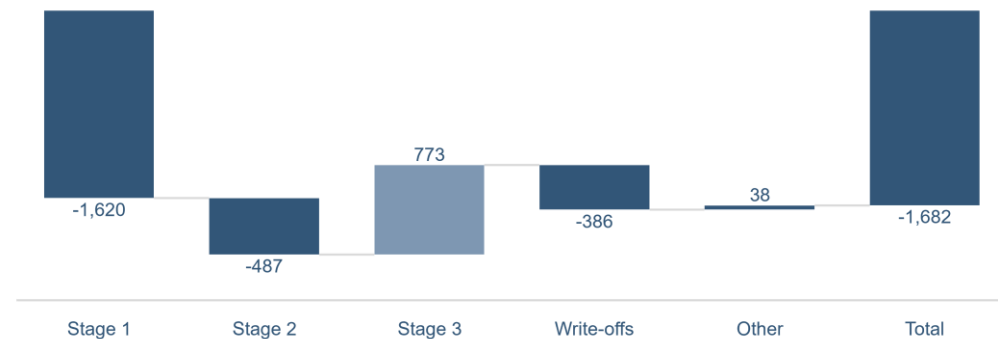
Allowance for impairment on loans and advances to customers



Cost of risk



Impairment on loans – PL impact



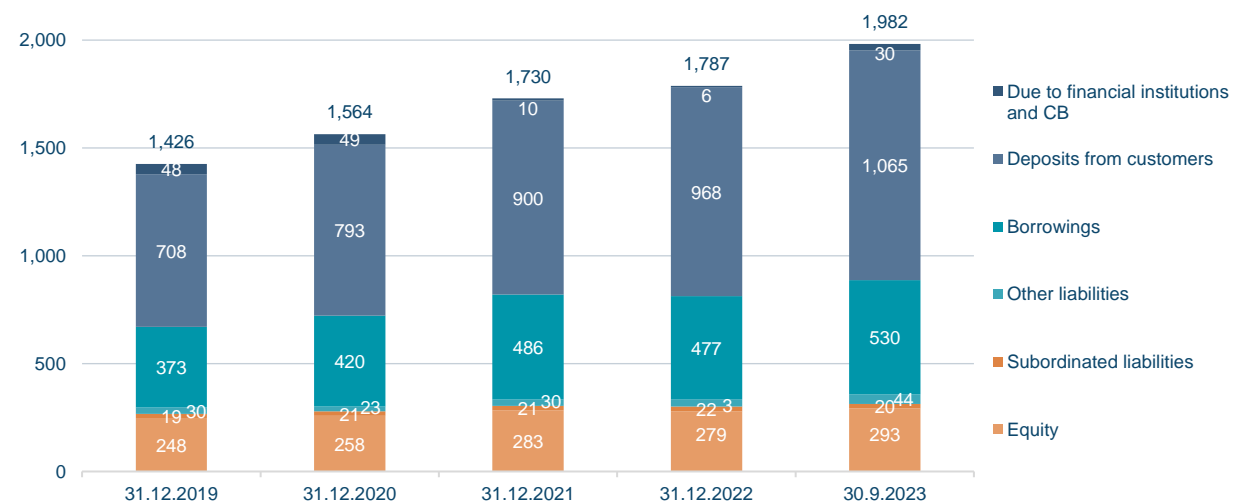
Loan staging

	Gross carrying amount		Allowance for impairment		Carrying amount	
Stage 1	1,494	92.8%	4	0.3%	1,490	93.1%
Stage 2	80	5.0%	2	2.3%	78	4.9%
Stage 3	21	1.3%	4	20.3%	17	1.1%
Fair value	15	0.9%		0%	15	1.0%
Total	1,610	100%	10	0.6%	1,600	100%

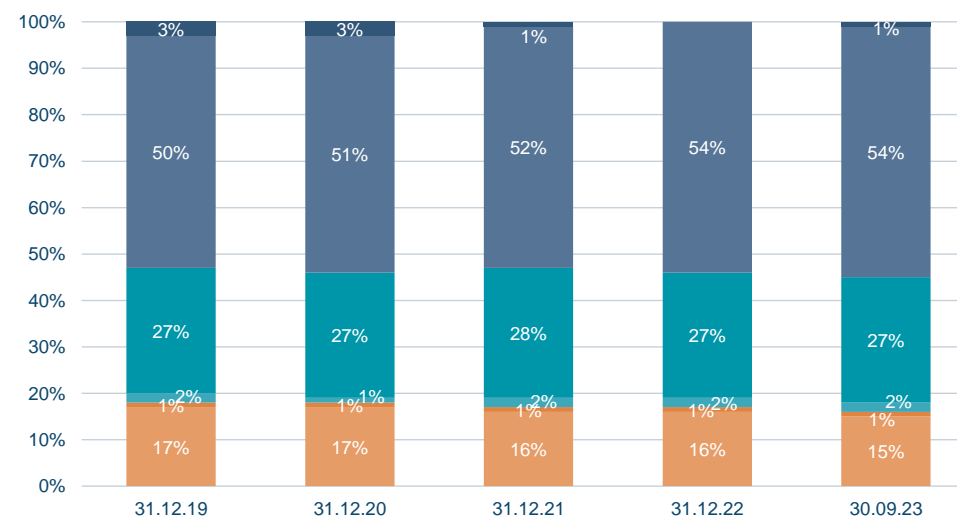
Liabilities and equity

Diversified funding and continued deposit growth

	30.9.2023	31.12.2022	Change	
Due to financial institutions and CB	30	6	24	400%
Deposits from customers	1,065	968	97	10%
Borrowings	530	477	53	11%
Other liabilities	44	35	9	26%
Subordinated liabilities	20	22	-2	-9%
Equity	293	279	14	5%
Total	1,982	1,787	195	11%



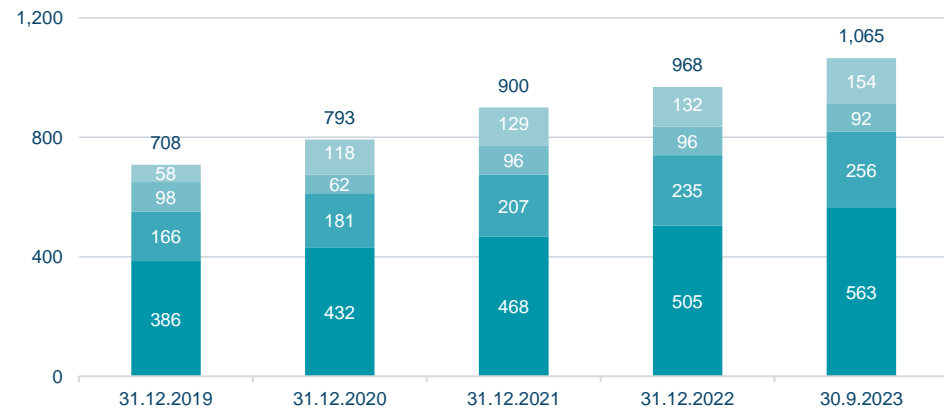
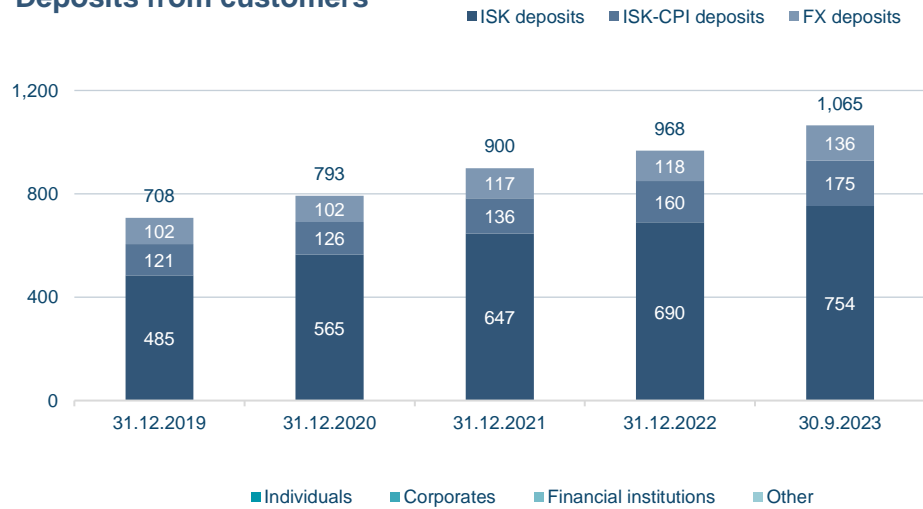
- Customer deposits increased by ISK 97 billion from the beginning of the year.
- Net borrowings increased by ISK 53 billion, having regard for negative exchange rate changes in the amount of ISK 11 billion.



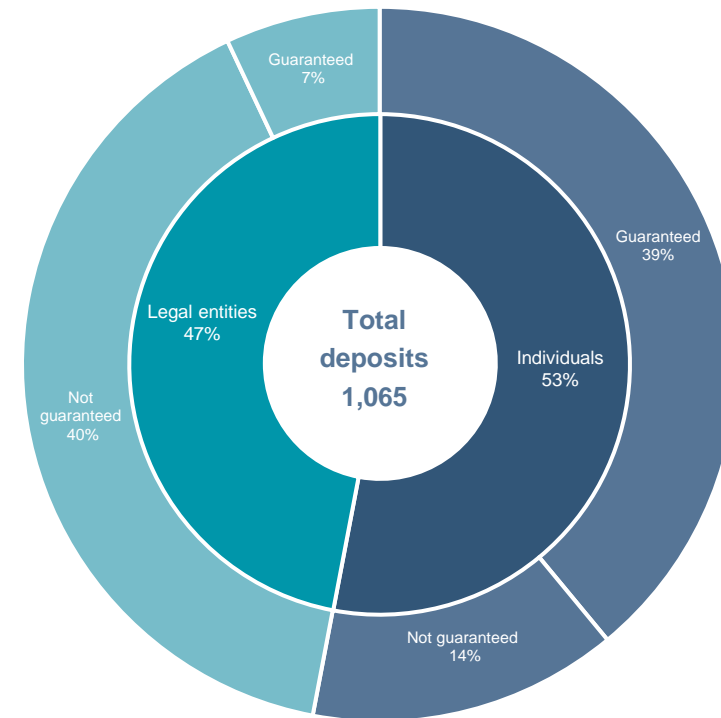
Deposits from customers

Deposits exceed ISK 1,000 billion and are growing

Deposits from customers



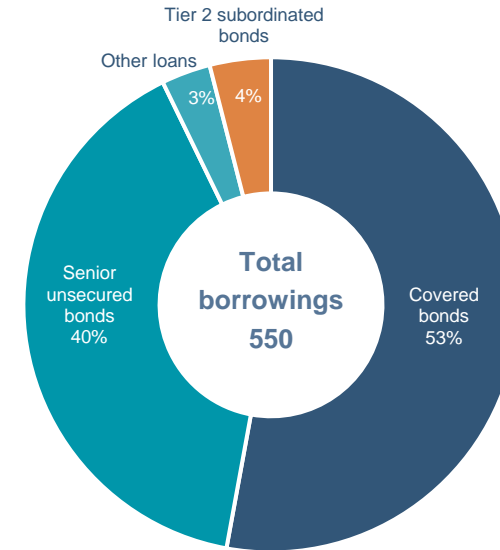
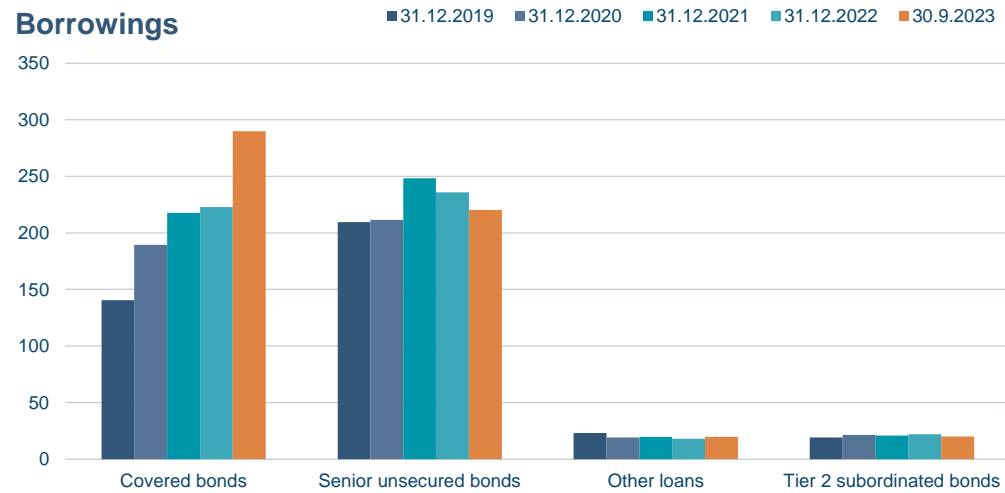
- Household deposits grew by ISK 58 billion from the end of the year, with total customer deposits increasing by ISK 97 billion during the period.
- Deposits have priority over senior unsecured claims in the winding-up of deposit-taking institutions in Iceland. About 46% of total deposits are guaranteed under the Act on Deposit Guarantees and Investor-Compensation Scheme.



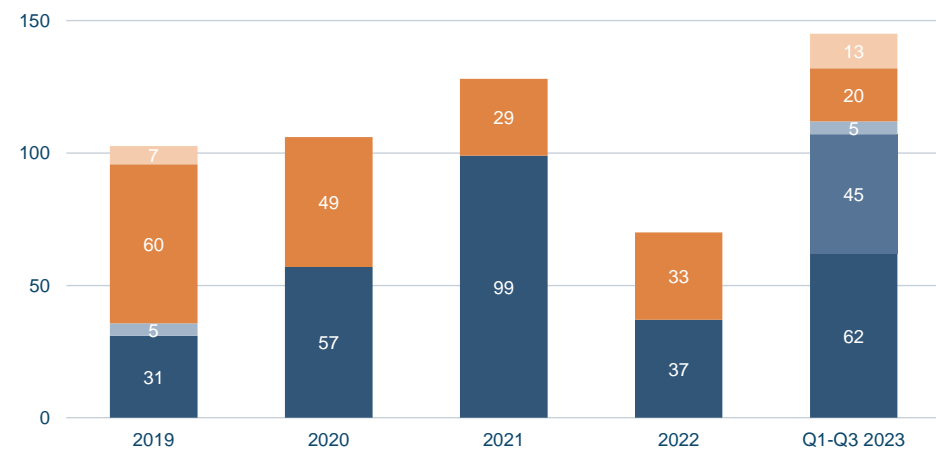
Borrowings

Successful green bond issuance in the third quarter in the amount of EUR 300 million

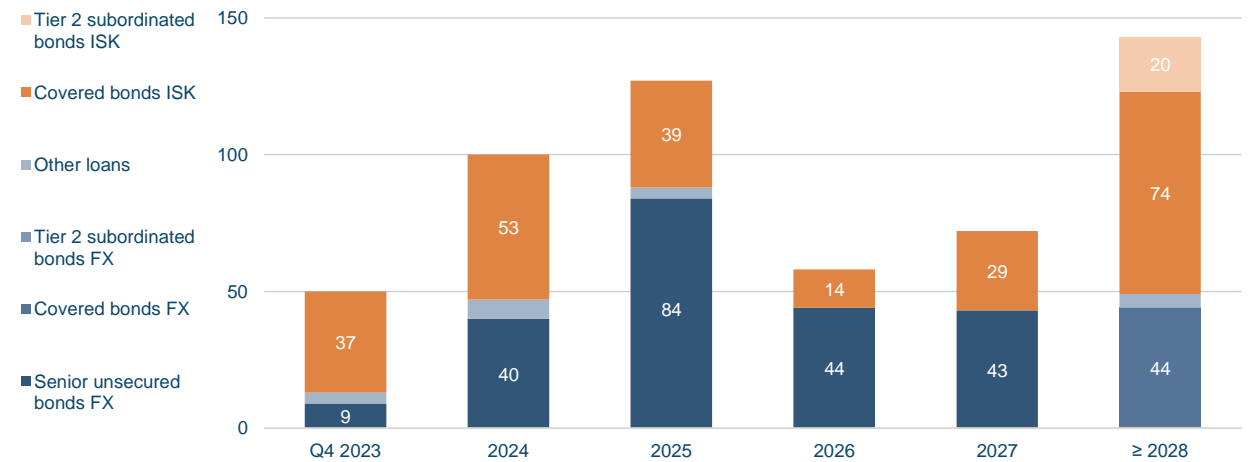
Borrowings



Borrowing issuance



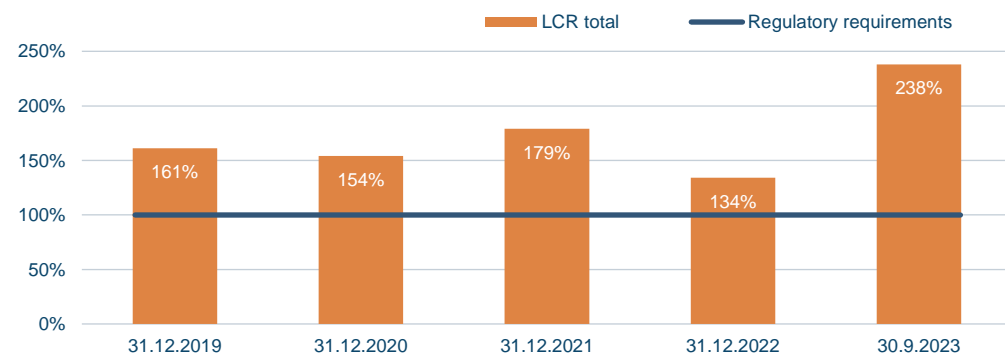
Maturity profile



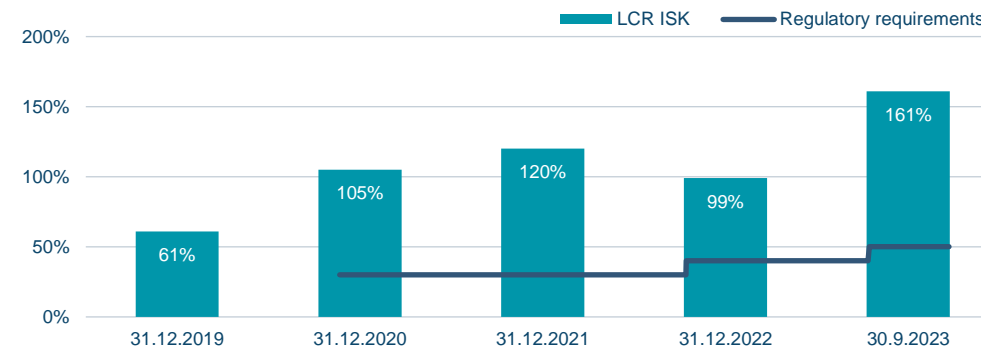
Liquidity ratio and net stable funding ratio

Liquidity and funding ratios well above regulatory requirements

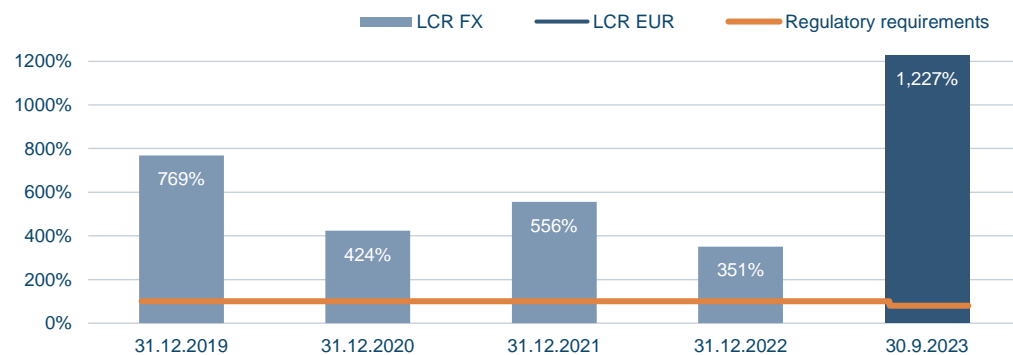
Liquidity coverage ratio total



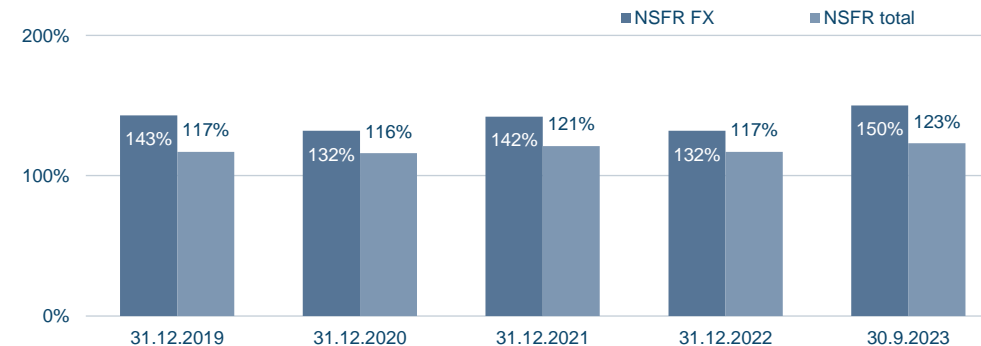
Liquidity coverage ratio ISK



Liquidity coverage ratio FX



Net stable funding ratio



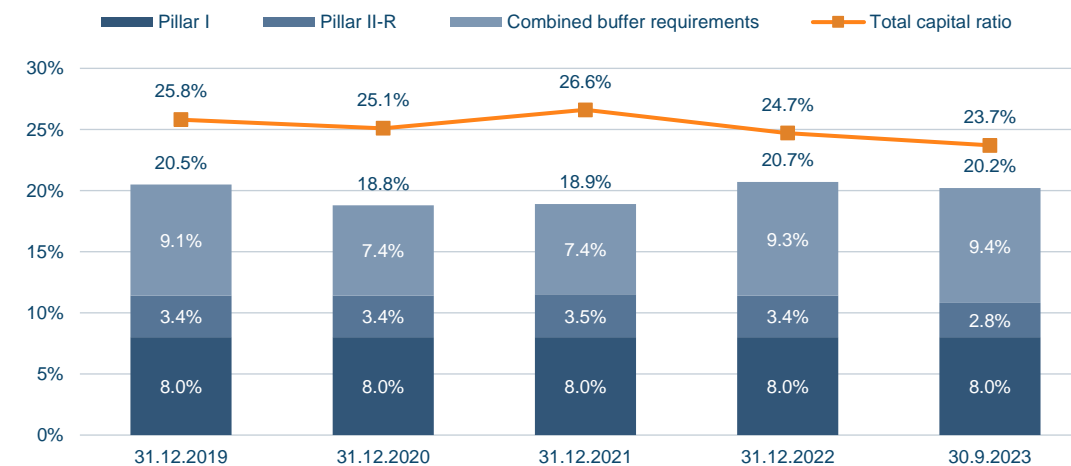
Capital requirements

Capital ratios well above regulatory requirements

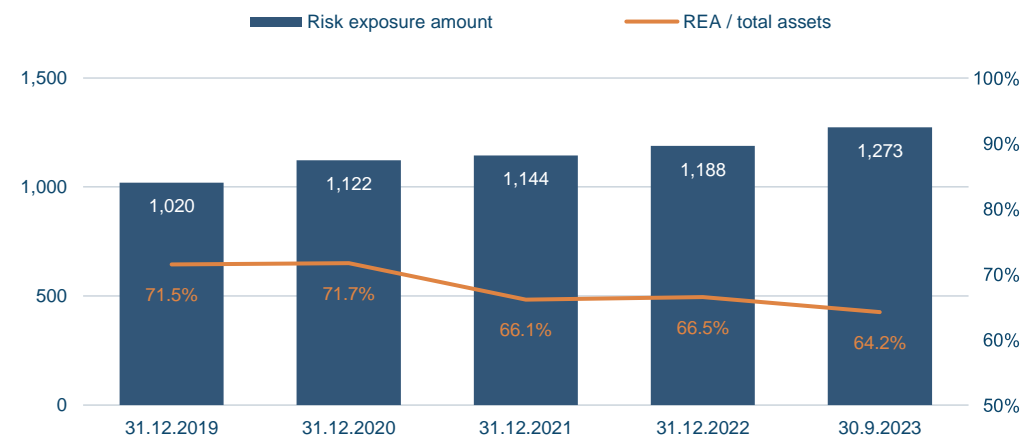
	CET1	Tier 1	Total
Pillar I	4.5%	6.0%	8.0%
Pillar II-R	1.6%	2.1%	2.8%
Minimum requirement under Pillar I and Pillar II-R	6.1%	8.1%	10.8%
Systemic risk buffer	2.9%	2.9%	2.9%
Capital buffer for systematically important institutions	2.0%	2.0%	2.0%
Countercyclical capital buffer	2.0%	2.0%	2.0%
Capital conservation 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	22.2%	22.2%	23.7%

- 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, a change from 3.4% to 2.8% of Landsbankinn's risk exposure amount (REA).

Regulatory total capital requirement as a ratio of REA

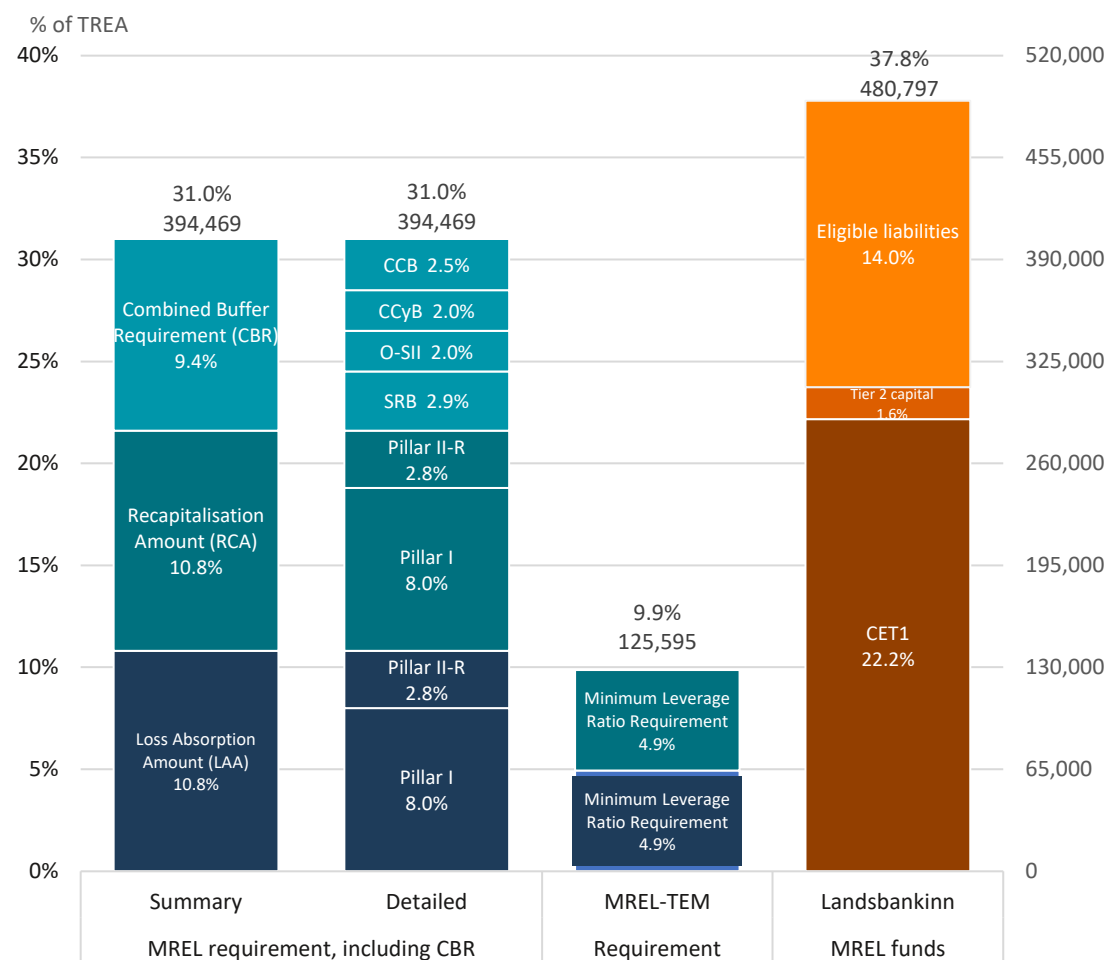


Risk exposure amount



Minimum requirement for own funds and eligible liabilities (MREL)

Landsbankinn's MREL funds are well above requirements



- The most recent MREL decision of the Resolution Authority of the Central Bank of Iceland (RA of the CBI) is from October 2023 and, according to law, is the higher of either:
 - **Risk-based:**
2 x (Pillar I + Pillar II-R) + Combined buffer requirements (CBR)
 - **Leverage-based:**
2 x Minimum leverage ratio requirement (3.0% of total exposure amount)
- Landsbankinn's MREL requirement as determined by the RA is 31.0% of RWEA at the end of September 2023, or the equivalent of ISK 394,5 billion.
 - There is no subordination requirement at this time.
- Landsbankinn's MREL funds total ISK 480.8 billion as at the end of September 2023, or 37.8% of RWEA. This is ISK 86 billion in excess of the RA's minimum requirement.
- The EU's Bank Recovery and Resolution Directive (BRRD) was transposed into Icelandic law in 2020.
 - The MREL is part of BRRD.
 - The RA of the CBI determines the MREL requirement for Landsbankinn as a systematically important institution (O-SII).

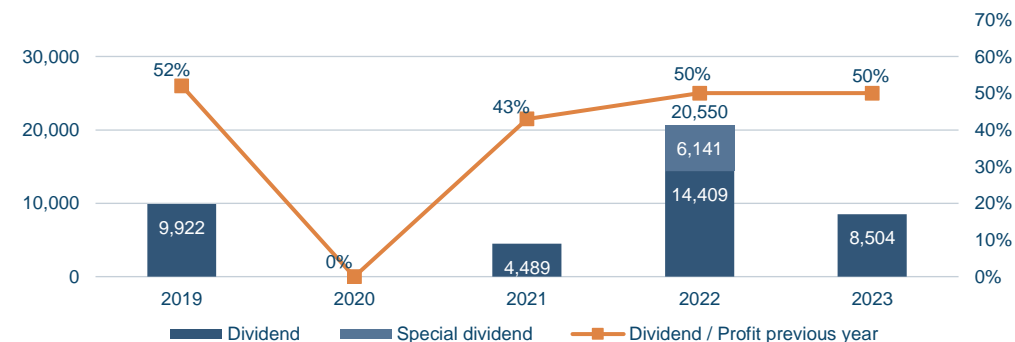
Dividends

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.

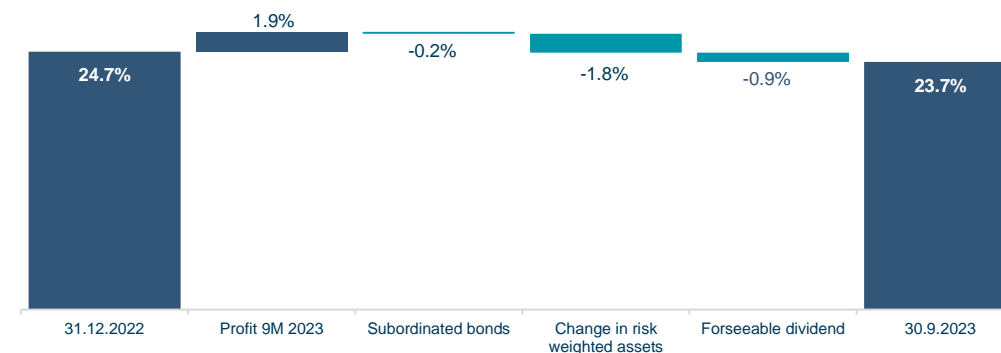
Dividends



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.

Total capital ratio, changes in 9M 2023



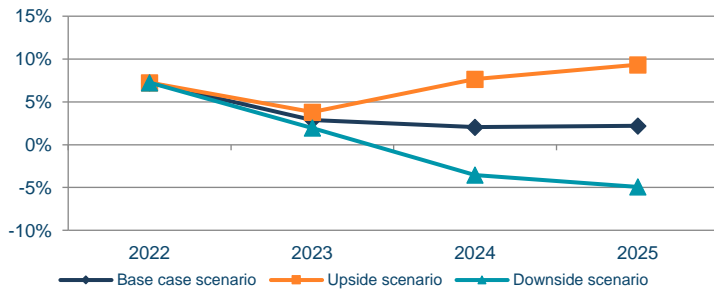
Appendix

Further information

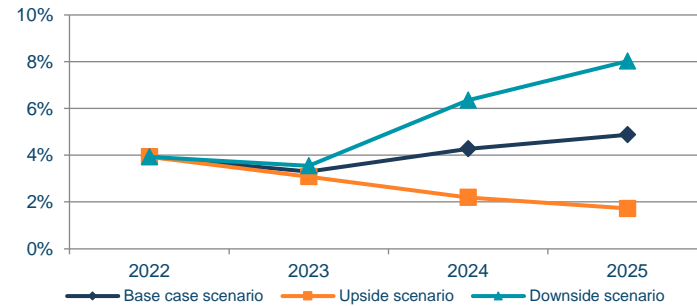
Economic scenarios for expected credit loss

- 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%).

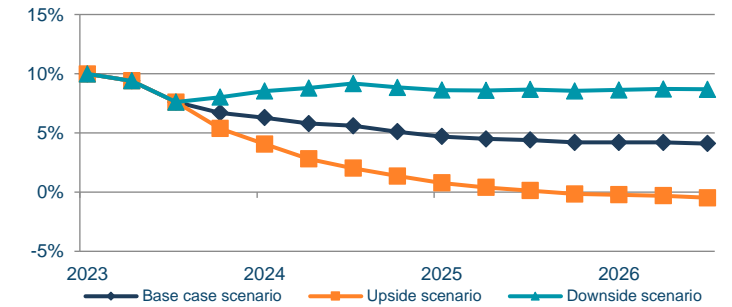
Economic growth



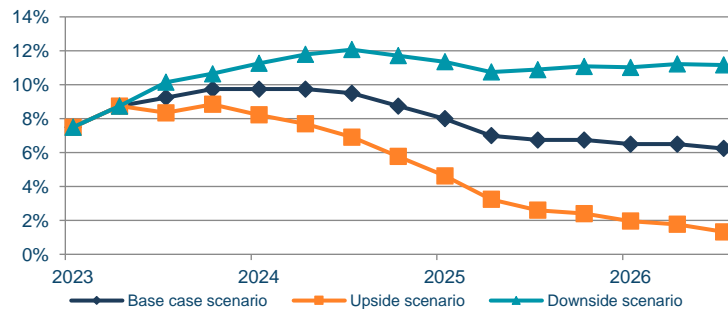
Unemployment



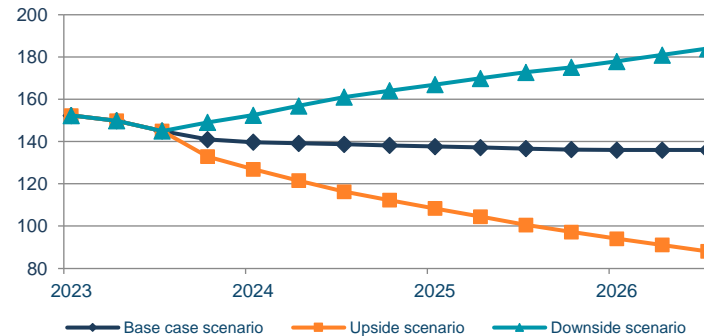
Inflation



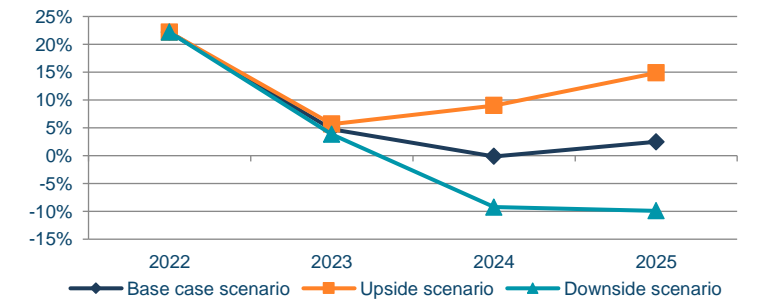
CBI's key rate (seven-day term deposits)



EUR/ISK



Housing price (YoY change)



Key financial ratios

	Q3 2023	Q2 2023	Q1 2023	Q4 2022	Q3 2022	9M 2023	2022	2021	2020	2019
Profit after taxes	7,910	6,717	7,756	5,677	5,763	22,383	16,997	28,919	10,521	18,235
Return on equity before taxes	15.6%	14.3%	14.7%	12.2%	13.3%	14.9%	10.1%	13.6%	5.1%	9.6%
Return on equity after taxes	10.9%	9.5%	11.1%	8.2%	8.5%	10.5%	6.3%	10.8%	4.3%	7.5%
After tax return on average assets	1.6%	1.4%	1.7%	1.3%	1.3%	1.6%	1.0%	1.7%	0.7%	1.3%
Total assets	1,982,403	1,896,369	1,916,993	1,787,024	1,771,128	1,982,403	1,787,024	1,729,798	1,564,177	1,426,328
Net interest income	15,241	14,469	13,066	12,869	12,177	42,776	46,464	38,953	38,074	39,670
Interest spread as a ratio of average total assets	3.1%	3.0%	2.8%	2.9%	2.8%	3.0%	2.7%	2.3%	2.5%	2.8%
Loans / deposits ratio	150.2%	157.6%	157.4%	159.6%	154.6%	150.2%	159.6%	154.1%	160.5%	161.1%
Cost-income ratio	31.5%	39.5%	33.3%	42.0%	43.2%	34.6%	46.8%	43.2%	47.4%	42.6%
Operating expenses as a ratio of average total assets	1.2%	1.4%	1.4%	1.5%	1.2%	1.3%	1.4%	1.4%	1.6%	1.7%
Total equity	292,971	285,060	278,343	279,091	273,414	292,971	279,091	282,645	258,255	247,734
Total capital ratio	23.7%	25.3%	25.3%	24.7%	24.2%	23.7%	24.7%	26.6%	25.1%	25.8%
MREL	37.8%	35.5%	39.4%	40.4%		37.8%	40.4%			
Liquidity ratio LCR total	238%	165%	235%	134%	147%	238%	134%	179%	154%	161%
Liquidity LCR EUR (LCR FX until 31.12.2022)	1227%	623%	724%	351%	204%	1227%	351%	556%	424%	769%
Liquidity LCR ISK	161%	146%	128%	99%	126%	161%	99%	120%	105%	61%
Net stable funding ratio NSFR total	123%	120%	121%	117%	121%	123%	117%	121%	116%	117%
Net stable funding ratio NSFR FX	150%	136%	145%	132%	142%	150%	132%	142%	132%	143%
Full-time eqv.positions	818	801	825	813	824	818	813	816	878	893

Operations

	Q3 2023	Q2 2023	Q1 2023	Q4 2022	Q3 2022	9M 2023	2022	2021	2020	2019
Net interest income	15,241	14,469	13,066	12,869	12,177	42,776	46,464	38,953	38,074	39,670
Net fee & commission income	2,336	2,703	3,048	2,745	2,456	8,087	10,623	9,483	7,638	8,219
Net impairment changes	-249	520	-2,111	-192	2,622	-1,839	2,473	7,037	-12,020	-4,827
Other net operating income	208	-535	3,317	144	-2,400	2,989	-6,307	6,857	4,561	8,455
Total operating income	17,536	17,157	17,320	15,566	14,855	52,013	53,253	62,330	38,253	51,517
Salaries and related expenses	3,221	4,194	4,119	3,986	3,149	11,534	14,474	14,759	14,767	14,458
Other operating expenses	2,388	2,370	2,355	2,637	2,135	7,113	9,289	9,105	9,064	9,534
Tax on liabilities to fin. institutions	643	550	570	535	547	1,763	2,097	2,013	1,815	4,204
Total operating expenses	6,252	7,114	7,044	7,158	5,831	20,410	25,860	25,877	25,646	28,196
Profit before tax	11,284	10,043	10,276	8,408	9,024	31,603	27,393	36,453	12,607	23,321
Income tax	3,374	3,326	2,520	2,731	3,261	9,220	10,396	7,534	2,086	5,086
Profit for the period	7,910	6,717	7,756	5,677	5,763	22,383	16,997	28,919	10,521	18,235

Balance sheet

	30.9.2023	31.12.2022	Change		31.12.2021	31.12.2020	31.12.2019
Cash and balances with CB	114,774	42,216	72,558	172%	82,425	67,604	69,824
Bonds and debt instruments	131,605	125,265	6,340	5%	150,435	119,330	115,262
Equities and equity instruments	15,785	19,106	-3,321	-17%	33,347	26,808	30,019
Loans and advances to fin institutions	83,244	28,621	54,623	191%	47,231	48,073	47,929
Loans and advances to customers	1,599,871	1,544,360	55,511	4%	1,387,463	1,273,426	1,140,184
Other assets	37,124	27,456	9,668	35%	28,897	28,936	23,110
Total assets	1,982,403	1,787,024	195,379	11%	1,729,798	1,564,177	1,426,328
Due to financial institutions and CB	30,263	6,634	23,629	356%	10,425	48,725	48,062
Deposits from customers	1,065,210	967,863	97,347	10%	900,098	793,427	707,813
Borrowing	529,809	476,864	52,945	11%	486,042	420,178	373,168
Other liabilities	44,195	34,819	9,376	27%	29,803	22,226	30,470
Subordinated liabilities	19,955	21,753	-1,798	-8%	20,785	21,366	19,081
Equity	292,971	279,091	13,880	5%	282,645	258,255	247,734
Total liabilities and equity	1,982,403	1,787,024	195,379	11%	1,729,798	1,564,177	1,426,328

Operating segments

1.1.2023 - 30.9.2023	Personal Banking	Corporate Banking	Asset Management & Capital Markets	Treasury and Market Making	Other divisions	Reconciliation	Total
Net interest income	14,199	16,370	400	11,470	251	86	42,776
Net fee and commission income	2,485	2,152	3,662	-222	122	-112	8,087
Net impairment changes	-616	-1,226	-	3	-	-	-1,839
Net other operating income (expense)	80	-16	-51	2,842	148	-14	2,989
Total operating income (expense)	16,148	17,280	4,011	14,093	521	-40	52,013
Operating expenses	5,323	2,525	1,692	716	8,515	-124	18,647
Tax on liabilities of financial institutions	687	377	5	687	7	-	1,763
Allocated expenses	3,385	2,269	890	779	-7,323	-	0
Profit (loss) before tax	6,753	12,109	1,424	11,911	-678	84	31,603
Income tax	1,914	3,221	469	3,747	-131	-	9,220
Profit (loss) for the period	4,839	8,888	955	8,164	-547	84	22,383
Total assets	862,196	735,740	8,422	765,098	22,448	-411,501	1,982,403
Total liabilities	808,849	610,390	4,671	658,402	18,621	-411,501	1,689,432
Allocated capital	53,347	125,350	3,751	106,696	3,827	0	292,971

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