

Results 6M 2022

Lilja B. Einarsdóttir
CEO

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CFO



Continuous success - Landsbankinn, an ever-smarter bank

- Strong balance sheet supports the Bank's ambitious strategy.

Growing income

Net interest income grew by 13% YoY and net fee & commission income by 24%. The increase is driven by rising interest rates, growing customer numbers and increased activity in asset management and capital markets. The net interest margin as a ratio of total assets was 2.5%, up by 10 bps from the same period the previous year.

Increase in lending and strong balance sheet

Lending to individuals grew by 4.8% YtD and by 5% to corporates, adjusting for exchange rate impact.

Sound and financially robust bank

The Bank's equity amounted to ISK 268 bn at the end of June, exceeding regulatory requirements by ISK 70 bn. In 2013 to 2022, total dividends paid by the Bank amount to ISK 166.7 bn.

Most satisfied customers and smarter solutions

Customer satisfaction surveys show that customers are very well satisfied with the Bank's services. Around 89% of services previously requiring front office interaction can now be discharged using digital or electronic solutions. In May, Landsbankinn became the first bank to offer electronic registration of mortgages.

Sustainable finance is the future

Landsbankinn remains in the highest category of international rating firm Sustainalytics as regards ESG factors. 11 businesses have been issued with Landsbankinn's Sustainable Financing Label which links the Bank's net EUR 600 m sustainable financing to lending.

Profit in the first half of the year

ISK **5.6** bn
4.1% ROE

Total capital ratio

24.9%
Capital requirement 18.8%

Cost-income ratio

52%

Total lending

ISK **1,445** bn

Icelandic Performance
Satisfaction Index

ISLENSKA
ÁNÆGIJUTOGIN
2021

ISLENSKA
ÁNÆGIJUTOGIN
2020

ISLENSKA
ÁNÆGIJUTOGIN
2019

Credit rating

Covered bonds
A
with stable outlook

Landsbankinn
BBB
with stable outlook

S&P Global
Ratings

Customer loyalty very high at Landsbankinn

Our customers are least likely to move to another bank.

Source: Gallup



90 seconds

Save in App

Effective method to save - customers select a savings plan to reach set goals.

More ways to utilise banking services (PSD2)

Third party service providers can display information about our customers' payment accounts in their own apps.

Electronic registration of documents

Improved service and shorted waiting times with electronic registration.

Share in the housing mortgage market

Landsbankinn's market share in housing mortgages is 28.8% and the Bank's position in this market is very strong.

28.8%	Landsbankinn
42.2%	Other commercial banks
22.2%	Pension funds
6.7%	HMS / ÍLS

Source: Published results of the banks and statistics from Central Bank of Iceland

Smarter operation and more satisfied customers

Digital credit assessment

The lion's share of customers complete their credit assessments online in a matter of minutes.

Market share

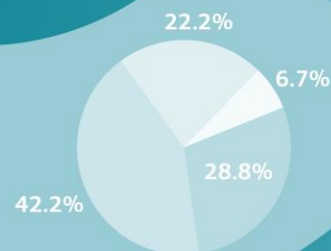
Market share in the retail market.

Due diligence

99.1% of retail customers have completed legally required due diligence.

39.3%

99.1%



**Corporates
achieve better
results with
our numerous
new solutions
and exceptional
service**

168%

increase in corporate use
of Landsbankinn's app

64%

of collection service
agreements concluded
through self-service
solutions

97%

of foreign payments by
corporates carried out in
self-service

44%

increase in automatic
accounting action by
customers

70%

of all customer
agreements are signed
electronically

33%

share in the corporate
banking market

Team up for sustainability



Updated ESG risk rating

Landsbankinn has received an updated ESG risk rating from Sustainalytics, maintaining its negligible risk position with a rating of 9.9 on a scale to 100. This means that Sustainalytics considers Landsbankinn at exceedingly low risk of experiencing material financial impacts from environmental, social and governance factors (ESG).



Sustainability Fund

Six applicants received grants from Landsbankinn's Sustainability Fund in Q2 of 2022. Emphasis was placed on supporting the development of solutions that expedite the switch from fossil fuels to power sources with a smaller carbon footprint.



Electric vehicle loans

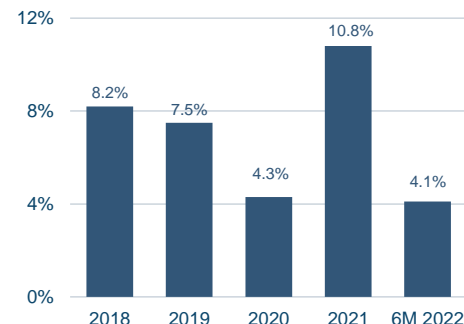
Landsbankinn made the terms on electric vehicle loans more favourable in Q2 to support the move away from fossil fuels. Borrowing charges on electric vehicles are cancelled and better financing terms offered.

Financial objectives and development of KPIs

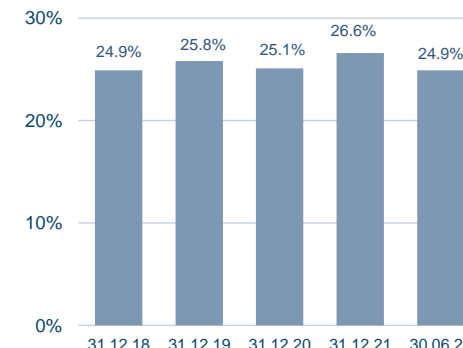
- Strong financial position and more opportunities to optimise capital structure.

	Targets	6M 2022	Guidelines
Profitability			
Return on equity (ROE)	≥ 10%	4.1%	The Bank's long-term target is for ROE to be around or over 10%. ROE is expected to range between 7.0 – 8.0% in 2022.
Efficiency			
Cost / Income ratio	≤ 45%	52.0%	Expected ratio is 40 – 43% for the year 2022.
Financial strength			
Dividend payout ratio	~ 50%	50%	Regular dividend is to be 50% of the previous year's profit. The aim is also to make special dividend payments to optimise the Bank's capital structure.
Common equity tier 1 ratio (CET1)	≥ 18%	23.1%	The Bank will seek to issue subordinated funding, depending on market conditions.
Total capital ratio	≥ 22%	24.9%	The Bank aims to be in the highest category for risk-adjusted capital ratio, as estimated by credit rating agencies.

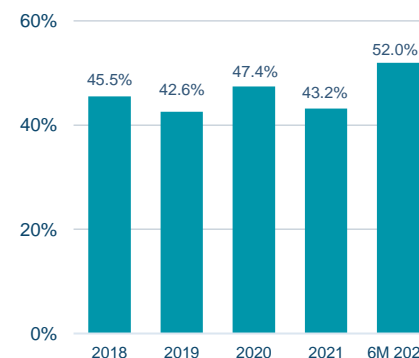
Return on equity



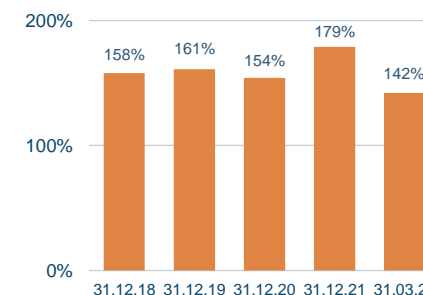
Total capital ratio



Cost / Income ratio



Liquidity coverage ratio total



Strong supporter

Landsbankinn sponsors the Football Association of Iceland (KSÍ). Landsbankinn, along with five other companies, supports the development of Icelandic football around the country, including all youth national teams and the A-level men's and women's teams.

Landsbankinn is an active participant in the Icelandic community. Providing support for a range of activities is an important part of our social responsibility.

Fourth European Women's Championship

The women's national team is currently ranked 17th in the world by FIFA and the 10th in Europe.



Income statement



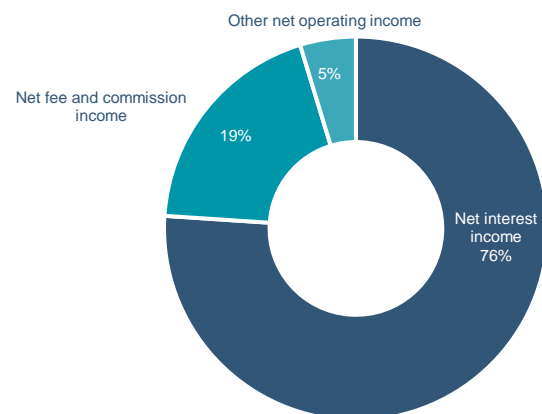
Income statement

	6M 2022	6M 2021	Change	
Net interest income	21,418	18,958	2,460	13%
Net fee and commission income	5,422	4,368	1,054	24%
Net impairment changes	43	2,782	-2,739	-98%
Other net operating income	-4,051	4,159	-8,210	-197%
Total operating income	22,832	30,267	-7,435	-25%
Salaries and related expenses	7,339	7,493	-154	-2%
Other operating expenses	4,517	4,517	0	0%
Tax on liabilities of financial institutions	1,015	980	35	4%
Total operating expenses	12,871	12,990	-119	-1%
Profit before tax	9,961	17,277	-7,316	-42%
Income tax	4,404	3,172	1,232	39%
Profit for the period	5,557	14,105	-8,548	-61%

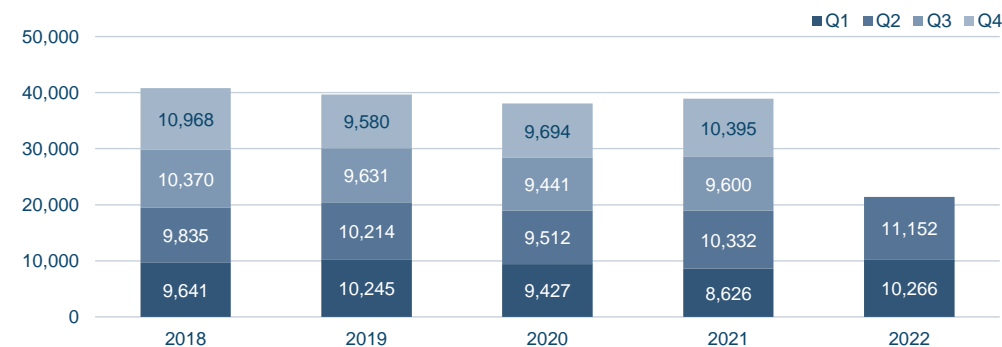
	Q2 2022	Q2 2021	Change	
Net interest income	11,152	10,332	820	8%
Net fee and commission income	2,783	2,314	469	20%
Net impairment changes	-735	293	-1,028	-351%
Other net operating income	-2,358	1,569	-3,927	-250%
Total operating income	10,842	14,508	-3,666	-25%
Salaries and related expenses	3,584	3,724	-140	-4%
Other operating expenses	2,118	2,202	-84	-4%
Tax on liabilities of financial institutions	505	513	-8	-2%
Total operating expenses	6,207	6,440	-232	-4%
Profit before tax	4,635	8,068	-3,434	-43%
Income tax	2,294	1,582	712	45%
Profit for the period	2,341	6,487	-4,146	-64%

Net operating income

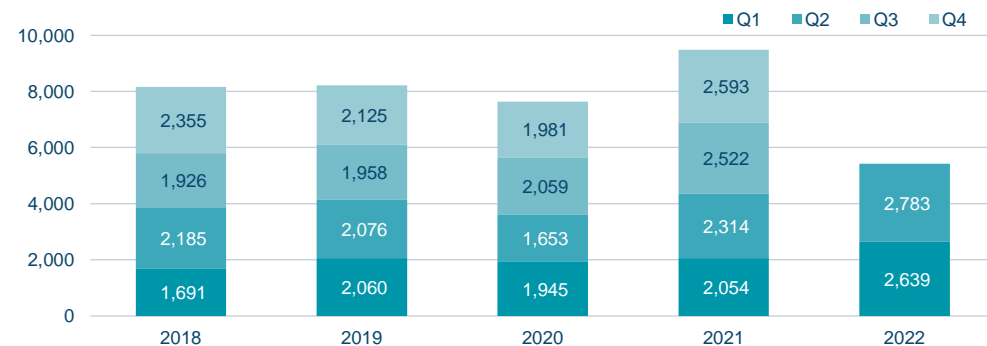
- Increased activity results in a 24% growth in fee and commission income year over year.



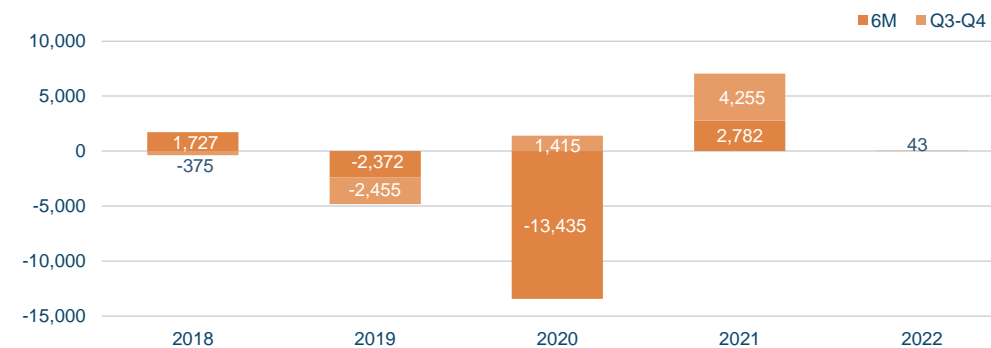
Net interest income



Net fee and commission income



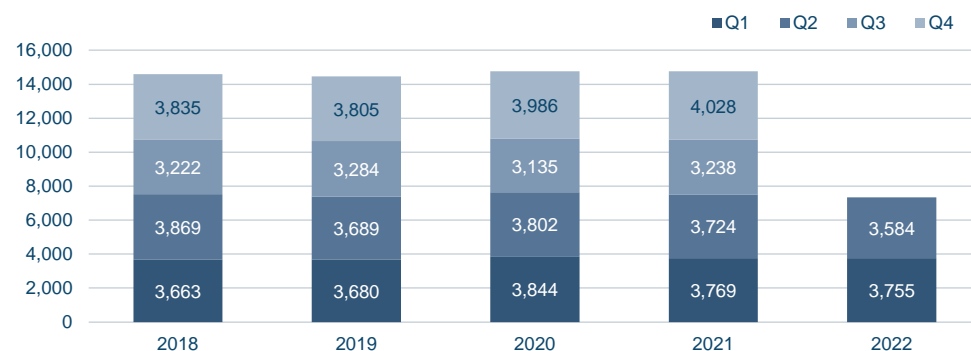
Net impairment changes



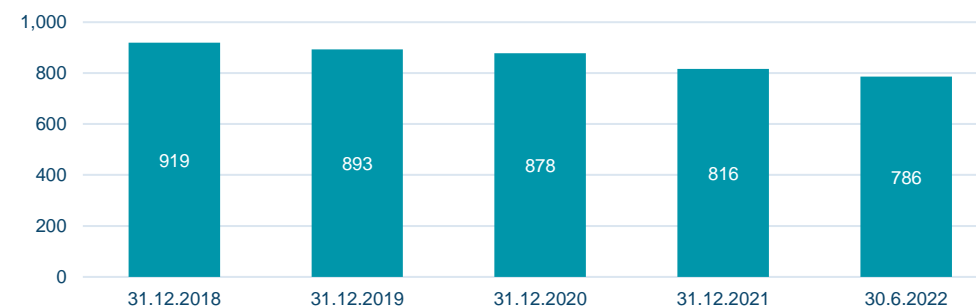
Operating expenses

- Fewer full-time equivalent positions and operating expenses is steady.

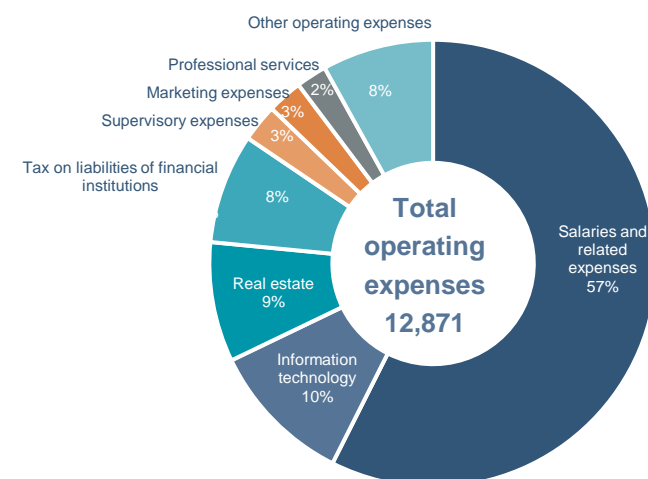
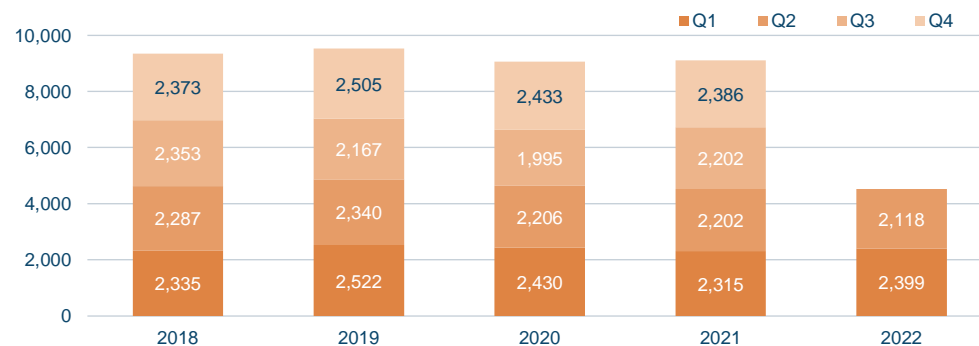
Salaries and related expenses



Full-time equivalent positions



Other operating expenses



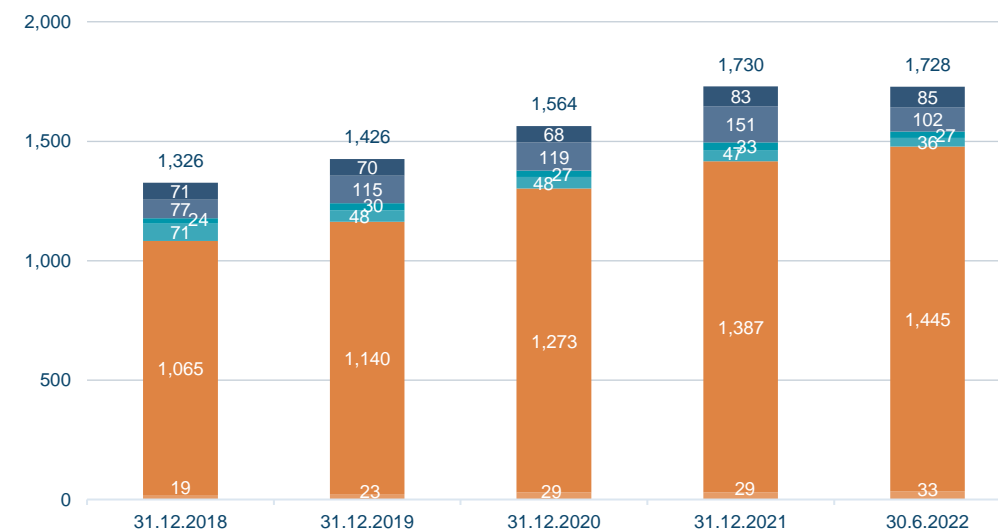
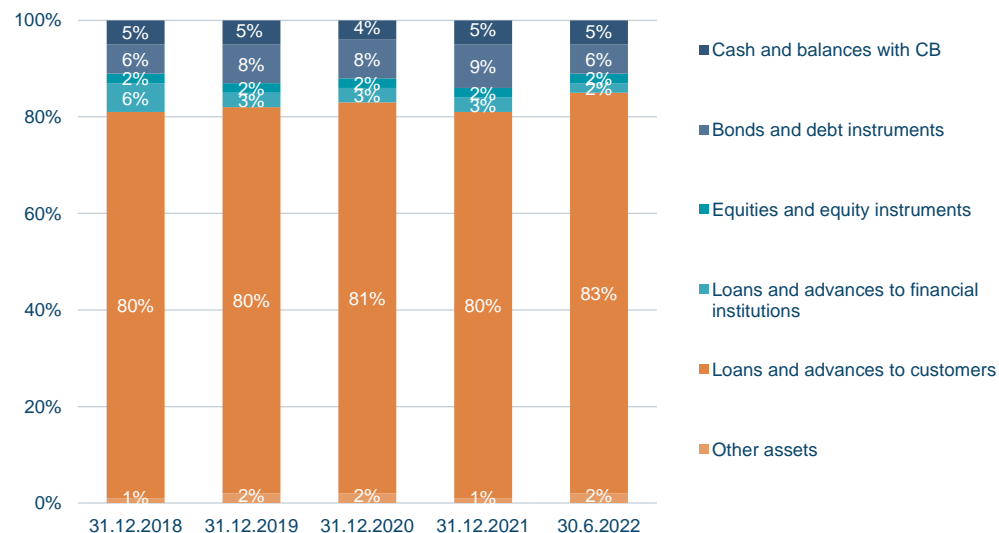
Balance sheet



Total assets

	30.6.2022	31.12.2021	Change	
Cash and balances with Central Bank	85	83	2	2%
Market bonds	102	151	-49	-32%
Equities	27	33	-6	-18%
Loans and receivables to credit institutions	36	47	-11	-23%
Loans and receivables to customers	1,445	1,387	58	4%
Other assets	33	29	4	14%
Total	1,728	1,730	-2	0%

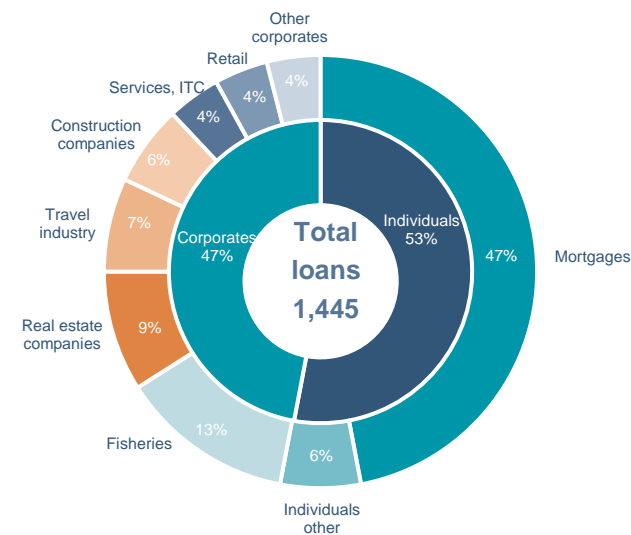
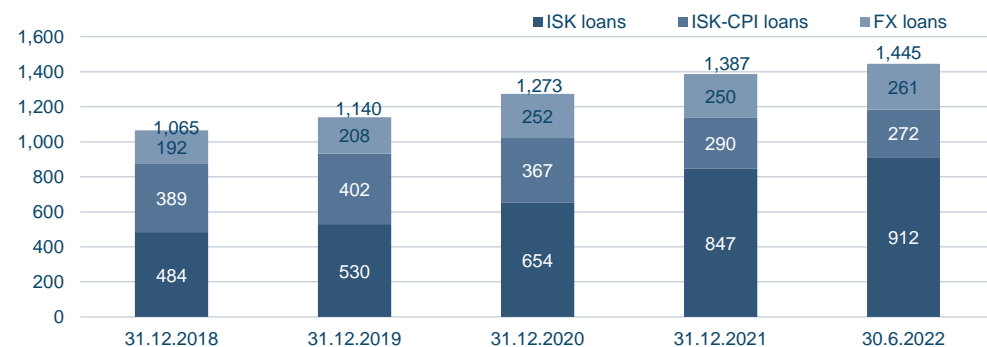
- Lending to individuals increased by ISK 35 billion. Mortgage loans grew by 5%, or around ISK 30 billion.
- Lending to corporates increased by ISK 33 billion, ignoring the impact of exchange rates.



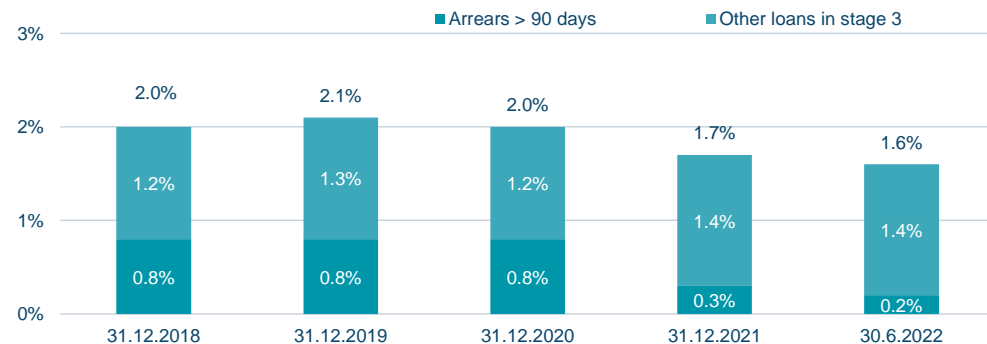
Loans

- Popularity of non-indexed loans continues to grow alongside record low default rates.

Total loan portfolio



Problem loans



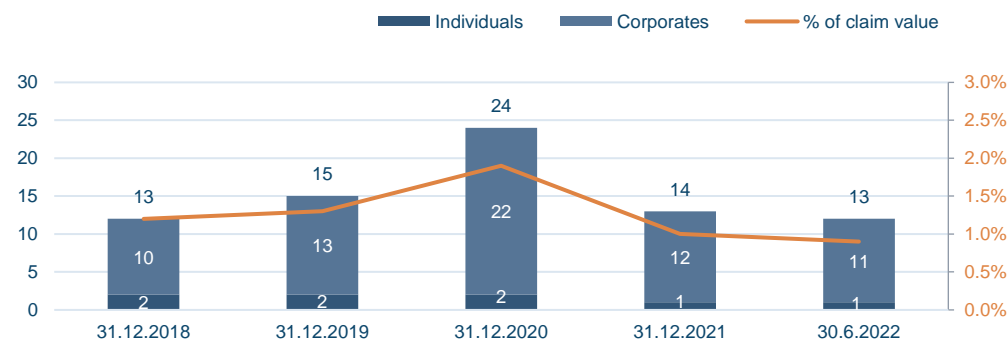
Loan staging

	Gross carrying amount		Allowance for impairment		Carrying amount	
Stage 1	1,339	91.8%	3	0.3%	1,336	92.3%
Stage 2	71	4.9%	3	3.7%	68	4.8%
Stage 3	29	2.0%	7	22.4%	22	1.6%
Fair value	19	1.3%			19	1.3%
Total	1,458	100%	13	0.9%	1,445	100%

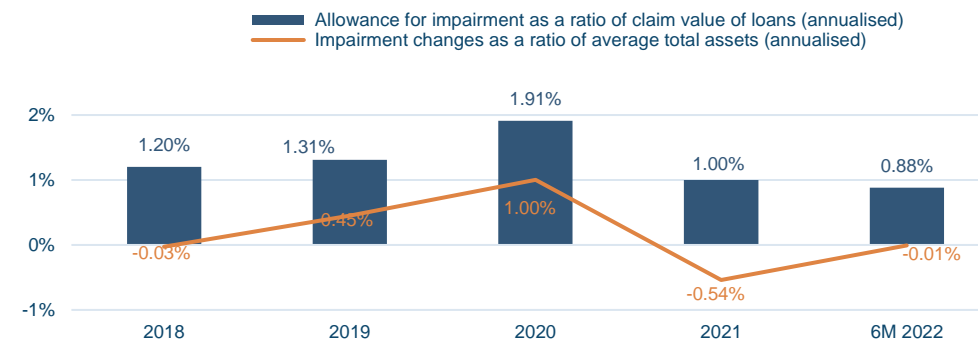
Impairment on loans

- Rapidly declining impact of Covid-19 on the Bank's loan book.

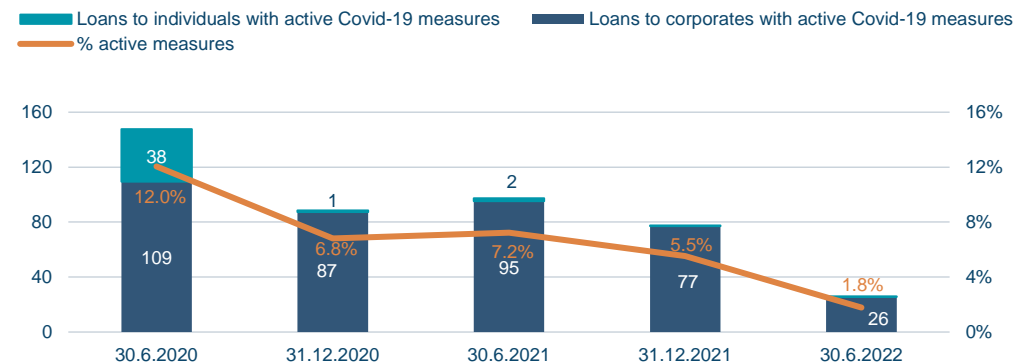
Allowance for impairment on loans and advances to customers



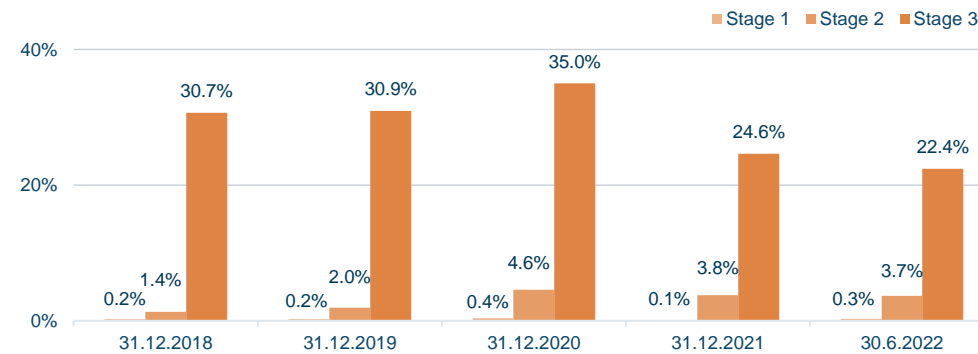
Cost of risk



Gross carrying amount of loans with Covid-19 measures



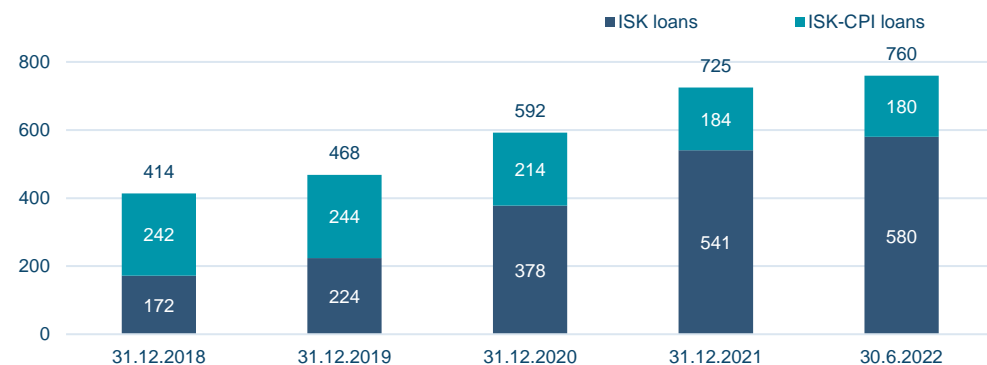
Allowance as percentage of gross carrying amount



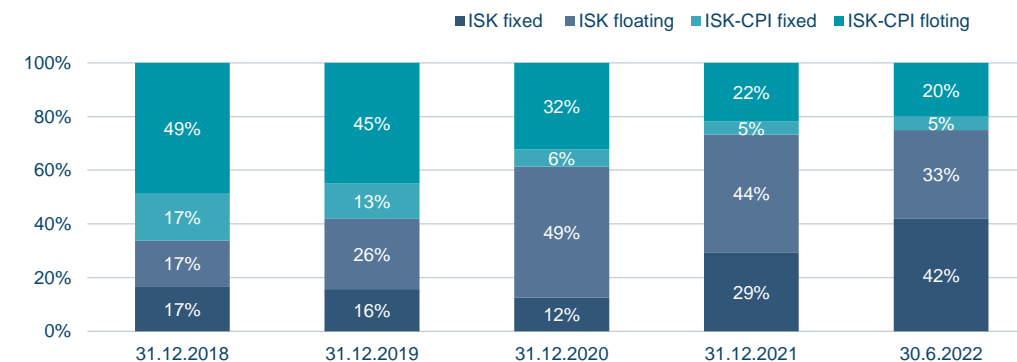
Loans to individuals

- Significant increase in fixed rate non-indexed mortgages, related to increase in inflation and higher interest rates.

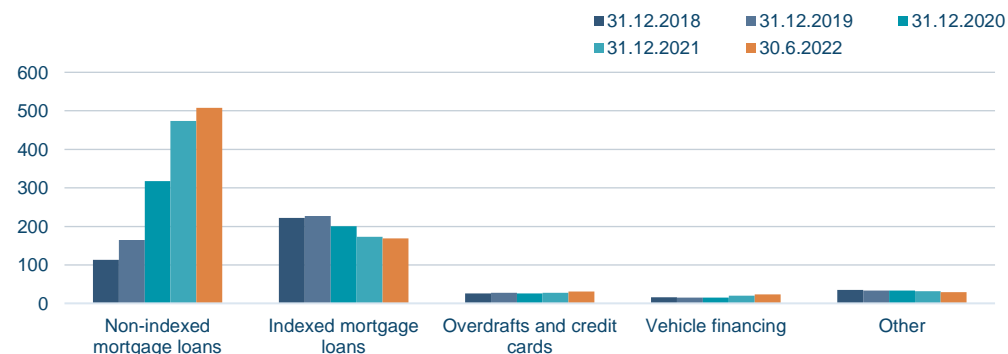
Loans to individuals



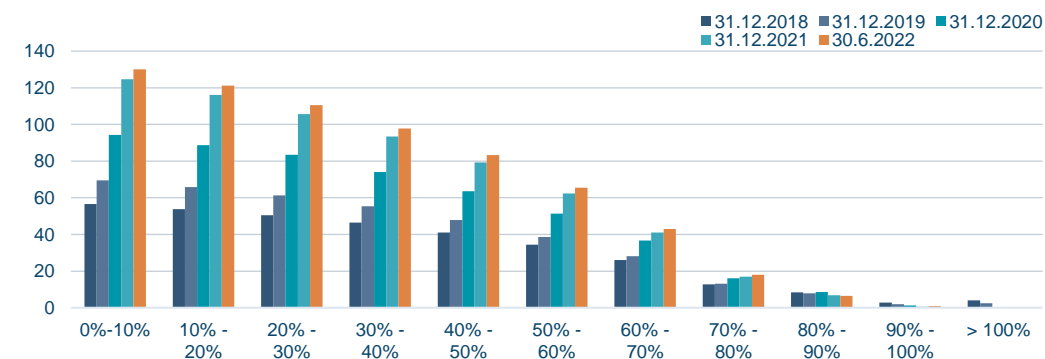
Mortgage loans by interest types



Loans to individuals by loan types



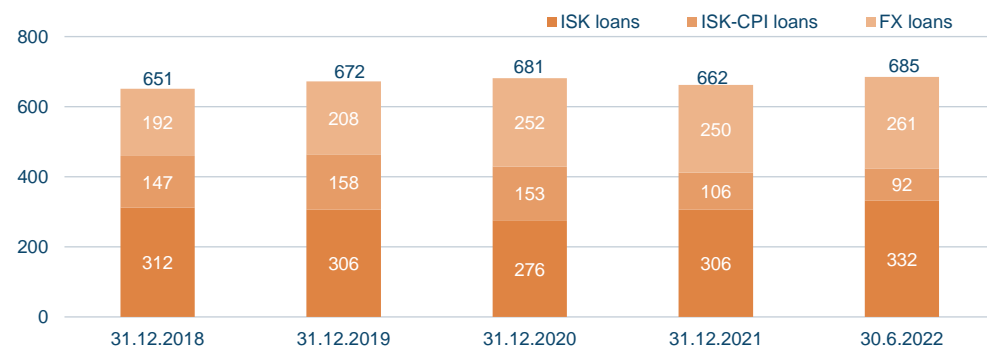
Continuous LTV distribution of mortgages



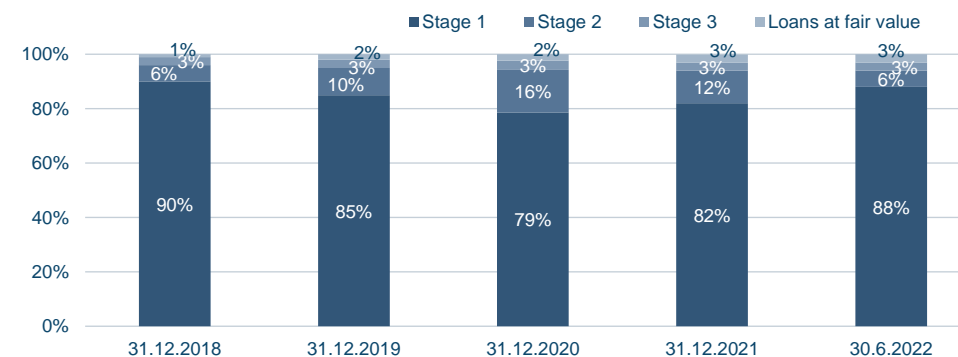
Loans to corporates

- Corporate lending is starting to pick-up again.

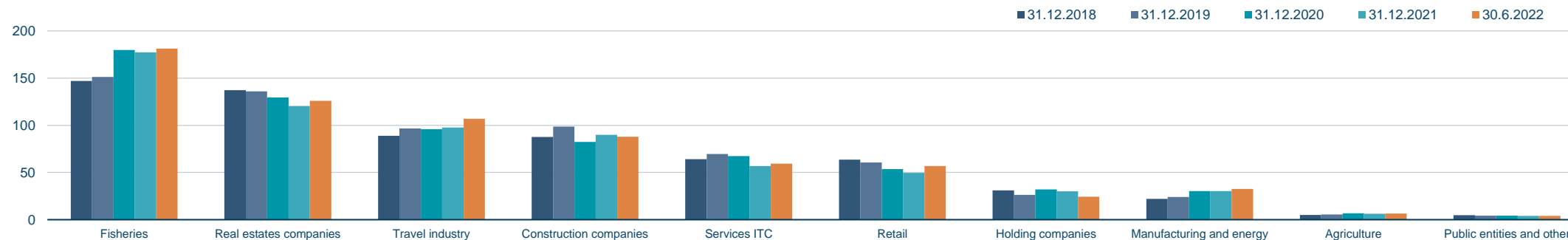
Loans to corporates



Stage allocation of loans to corporates



Loans to corporates by industry sector

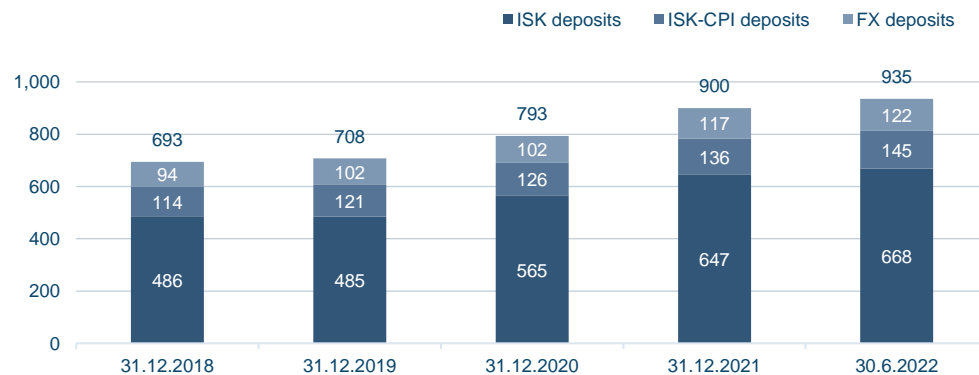


Liabilities and equity

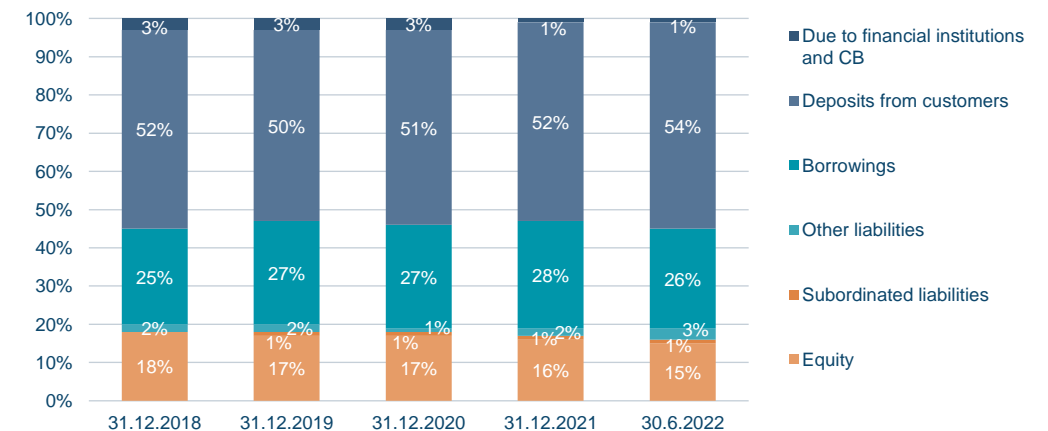
	30.6.2021	31.12.2021	Change	
Due to financial institutions and CB	5	10	-5	-50%
Deposits from customers	935	900	35	4%
Borrowings	452	486	-34	-7%
Other liabilities	48	30	18	60%
Subordinated liabilities	20	21	-1	-5%
Equity	268	283	-15	-5%
Total	1,728	1,730	-2	0%

- Customer deposits increased by ISK 35 billion from the beginning of the year.
- Borrowings decreased by ISK 34 billion. Ignoring the exchange rates impact the decrease would be 17 billion.

Deposits from customers



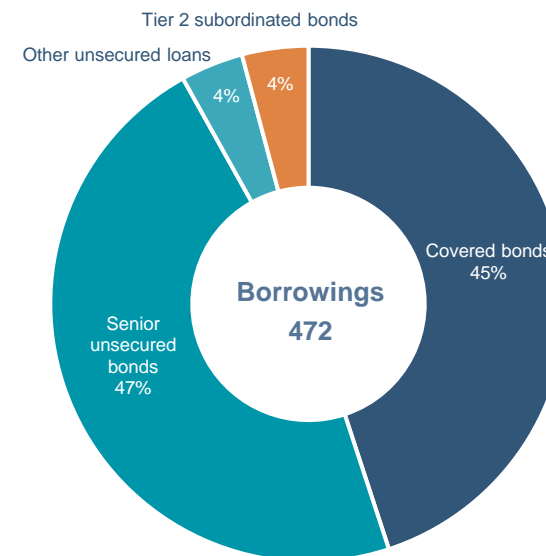
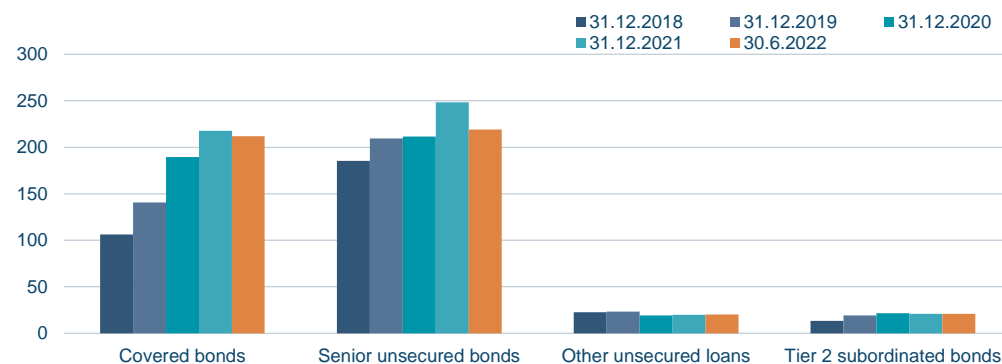
Liabilities and equity



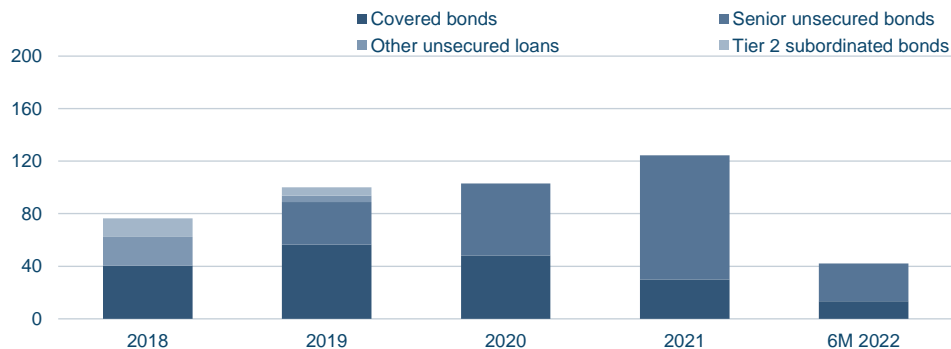
Borrowings

- Diversified funding in domestic and foreign markets.

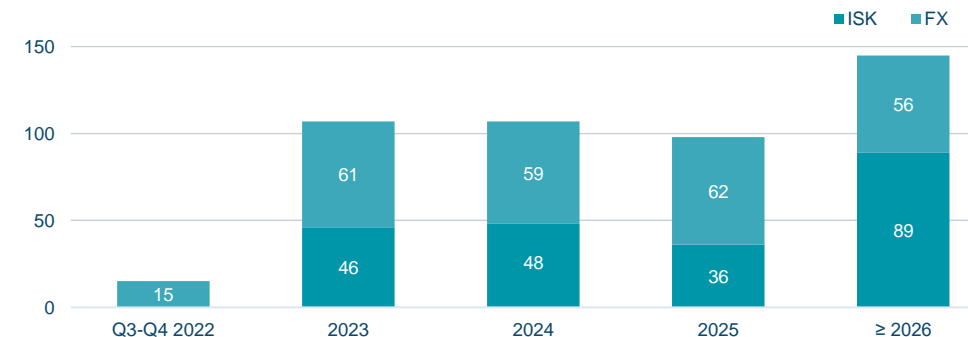
Borrowings



Borrowing issuance



Maturity profile*



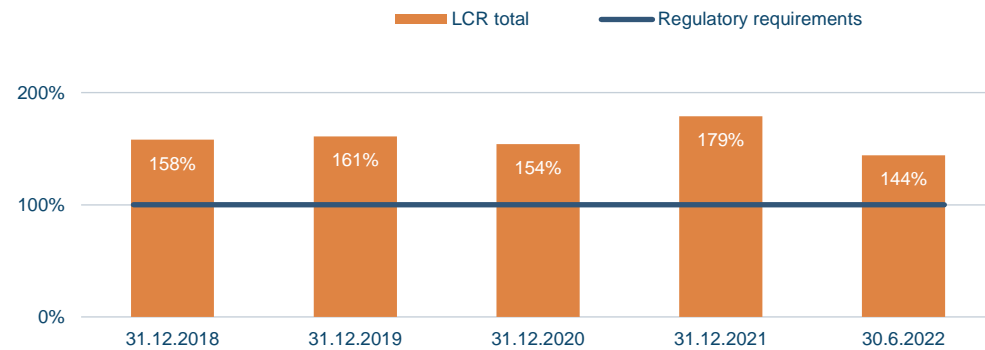
*EUR 100 m subordinated debt matures in 2028 with a 10NC5 structure.
ISK 5.5 bn subordinated debt matures in 2029 with a 10NC5 structure.

Amounts in ISK bn

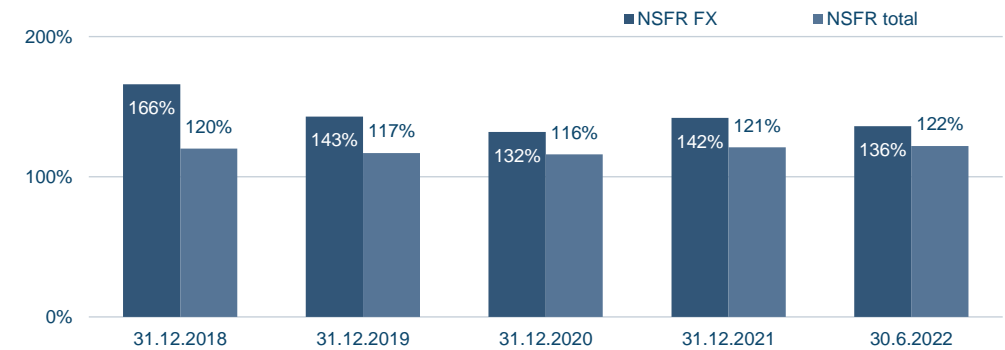
Liquidity ratio and net stable funding ratio

- Liquidity and funding ratios well above regulatory requirements.

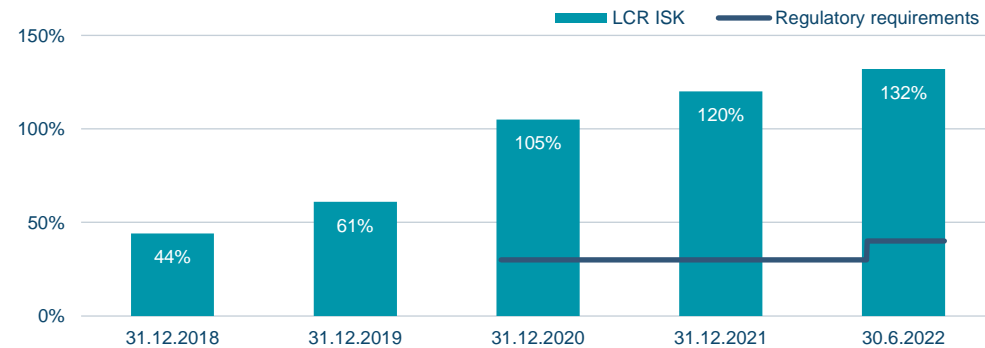
Liquidity coverage ratio total



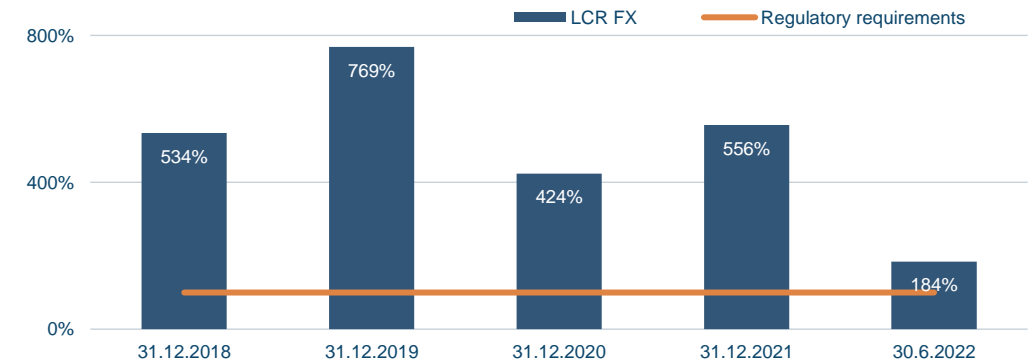
Net stable funding ratio



Liquidity coverage ratio ISK



Liquidity coverage ratio FX

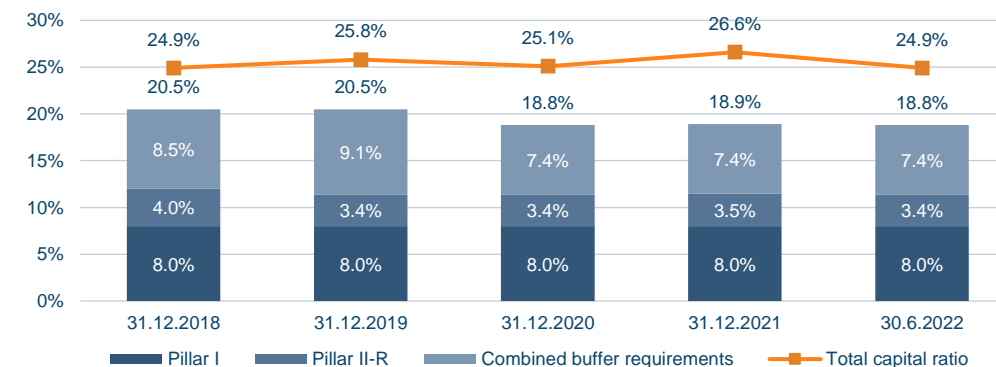


Capital requirements

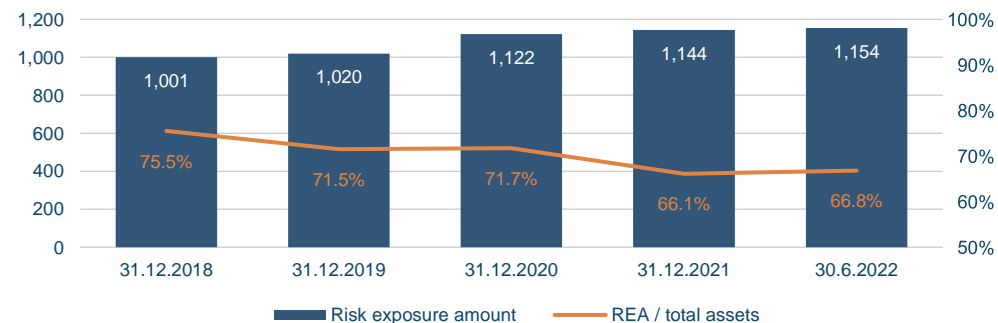
- Capital ratios well above regulatory requirements.

	CET1	Tier 1	Total
Pillar I	4.5%	6.0%	8.0%
Pillar II-R	1.9%	2.6%	3.4%
Minimum requirement under Pillar I and Pillar II-R	6.4%	8.6%	11.4%
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	13.8%	16.0%	18.8%
Total capital ratio as at 30.6.2022	23.1%	23.1%	24.9%

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 Central Bank resolution authority has approved Landsbankinn's resolution plan and determined its minimum required own funds and eligible liabilities (MREL). MREL as a percentage of total risk exposure amount is 23%.

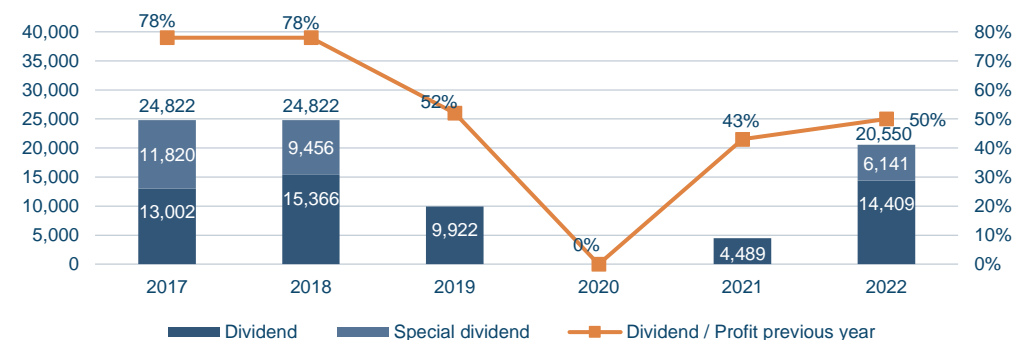
Dividends and capital ratio

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

Dividend 2022

- The Bank's Annual General Meeting, held on 23 March 2022, approved a motion from the Board of Directors to pay a dividend to shareholders for the operating year 2021 corresponding to ISK 0.61 per share. The amount of the dividend payment based on outstanding shares is ISK 14,409 million, the equivalent of 50% of the year's profit.
- The AGM also approved a special dividend in the amount of ISK 6,141 million.
- The dividend lowers the Bank's capital ratio by 1.8 percentage points.

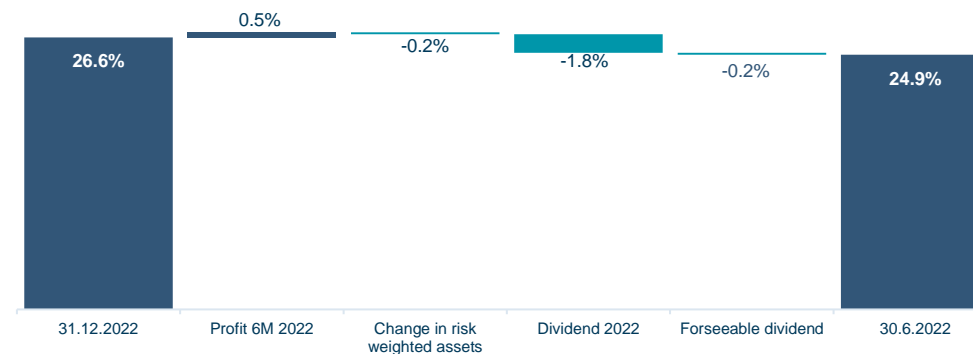
Dividends



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 6M 2022



Appendix

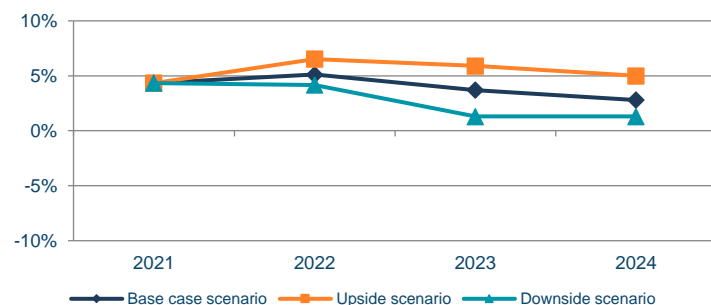
Further information



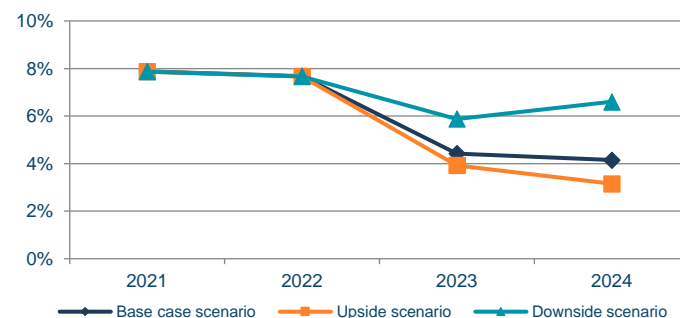
Economic scenarios for expected credit loss

- 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 20% weight, the baseline 60% weight and the pessimistic scenario 20% weight.

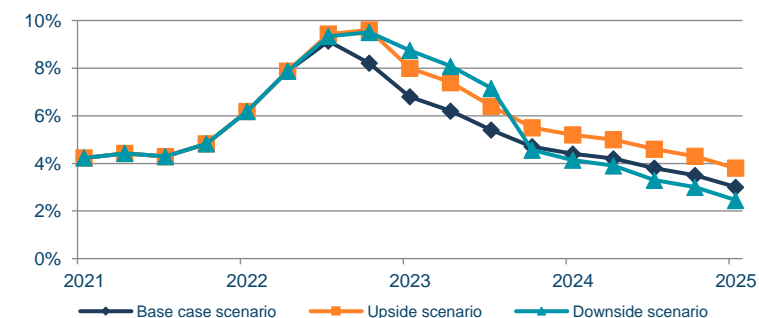
Economic growth



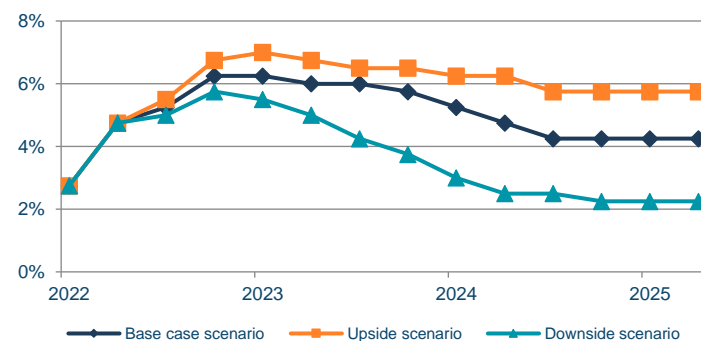
Unemployment



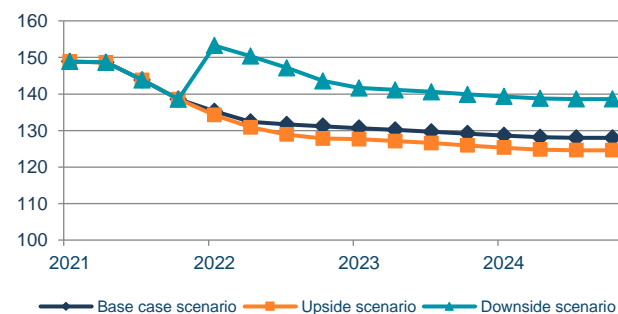
Inflation



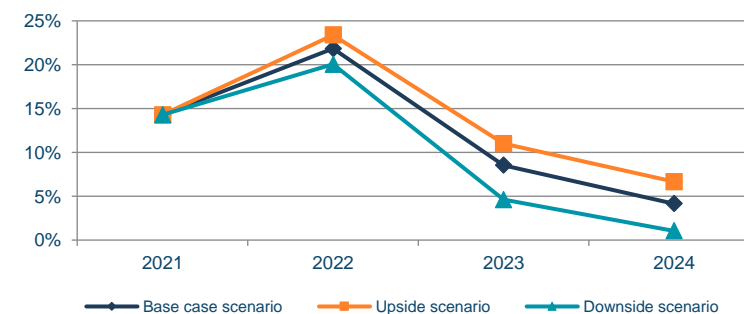
CBI's key rate (seven-day term deposits)



EUR/ISK



Housing price (YoY change)



Key financial ratios

	Q2 2022	Q1 2022	Q4 2021	Q3 2021	Q2 2021	6M 2022	2021	2020	2019	2018
Profit (loss) after taxes	2,341	3,216	7,322	7,492	6,487	5,557	28,919	10,521	18,235	19,260
Return on equity before taxes	7.0%	7.8%	14.0%	13.8%	12.2%	7.4%	13.6%	5.1%	9.6%	11.1%
Return on equity after taxes	3.5%	4.7%	10.5%	11.0%	9.8%	4.1%	10.8%	4.3%	7.5%	8.2%
After-tax return on average assets	0.5%	0.7%	1.7%	1.8%	1.6%	0.6%	1.7%	0.7%	1.3%	1.5%
Total capital ratio	24.9%	24.3%	26.6%	24.9%	25.1%	24.9%	26.6%	25.1%	25.8%	24.9%
Net interest income	11,152	10,266	10,395	9,600	10,332	21,418	38,953	38,074	39,670	40,814
Interest spread as a ratio of average total assets	2.6%	2.4%	2.4%	2.3%	2.5%	2.5%	2.3%	2.5%	2.8%	3.2%
Cost-income ratio	49.3%	54.9%	47.6%	37.9%	41.7%	52.0%	43.2%	47.4%	42.6%	45.5%
Liquidity ratio LCR total	144%	142%	179%	172%	180%	144%	179%	154%	161%	158%
Liquidity LCR FX	184%	292%	556%	443%	420%	184%	556%	424%	769%	534%
Liquidity LCR ISK	132%	101%	120%	113%	112%	132%	120%	105%	61%	44%
Net stable funding ratio NSFR total	122%	122%	121%	118%	121%	122%	121%	116%	117%	120%
Net stable funding ratio NSFR FX	136%	143%	142%	122%	140%	136%	142%	132%	143%	166%
Operating expenses as a ratio of average total assets	1.3%	1.4%	1.5%	1.3%	1.4%	1.4%	1.4%	1.6%	1.7%	1.9%
Total assets	1,728,143	1,733,644	1,729,798	1,718,358	1,677,297	1,728,143	1,729,798	1,564,177	1,426,328	1,326,041
Loans / deposits ratio	154.6%	153.5%	154.1%	158.2%	157.6%	154.6%	154.1%	160.5%	161.1%	153.6%
Full-time equiv. positions	786	791	816	837	844	786	816	878	893	919

Operations

	Q2 2022	Q1 2022	Q4 2021	Q3 2021	Q2 2021
Net interest income	11,152	10,266	10,395	9,600	10,332
Net fee & commission income	2,783	2,639	2,593	2,522	2,314
Net impairment changes	-735	778	3,247	1,008	293
Other net operating income	-2,358	-1,693	482	2,216	1,569
Total operating income	10,842	11,990	16,717	15,346	14,508
Salaries and related expenses	3,584	3,755	4,028	3,238	3,724
Other operating expenses	2,118	2,399	2,386	2,202	2,202
Tax on liabilities of financial institutions	505	510	508	525	513
Total operating expenses	6,207	6,664	6,922	5,965	6,439
Profit before tax	4,635	5,326	9,795	9,381	8,069
Income tax	2,294	2,110	2,473	1,889	1,582
Profit for the period	2,341	3,216	7,322	7,492	6,487

6M 2022	2021	2020	2019	2018
21,418	38,953	38,074	39,670	40,814
5,422	9,483	7,638	8,219	8,157
43	7,037	-12,020	-4,827	1,352
-4,051	6,857	4,561	8,455	3,587
22,832	62,330	38,253	51,517	53,910
7,339	14,759	14,767	14,458	14,589
4,517	9,105	9,064	9,534	9,348
1,015	2,013	1,815	4,204	3,860
12,871	25,877	25,646	28,196	27,797
9,961	36,453	12,607	23,321	26,113
4,404	7,534	2,086	5,086	6,853
5,557	28,919	10,521	18,235	19,260

Balance sheet

	30.6.2022	31.12.2021	Change	
Cash and balances with CB	84,895	82,425	2,470	3%
Bonds and debt instruments	102,018	150,435	-48,417	-32%
Equities and equity instruments	27,368	33,347	-5,979	-18%
Loans and advances to fin institutions	36,119	47,231	-11,112	-24%
Loans and advances to customers	1,445,399	1,387,463	57,936	4%
Other assets	32,344	28,897	3,447	12%
Total assets	1,728,143	1,729,798	-1,655	0%
Due to financial institutions and CB	4,813	10,425	-5,612	-54%
Deposits from customers	935,123	900,098	35,025	4%
Borrowing	451,524	486,042	-34,518	-7%
Other liabilities	48,483	29,803	18,680	63%
Subordinated liabilities	20,550	20,785	-235	-1%
Equity	267,650	282,645	-14,995	-5%
Total liabilities and equity	1,728,143	1,729,798	-1,655	0%

	31.12.2020	31.12.2019	31.12.2018
	67,604	69,824	70,854
	119,330	115,262	77,058
	26,808	30,019	23,547
	48,073	47,929	71,385
	1,273,426	1,140,184	1,064,532
	28,936	23,110	18,665
	1,564,177	1,426,328	1,326,041
	48,725	48,062	34,609
	793,427	707,813	693,043
	420,178	373,168	314,412
	22,227	30,470	31,027
	21,366	19,081	13,340
	258,255	247,734	239,610
	1,564,177	1,426,328	1,326,041

Operating segments

1.1.2022 - 30.6.2022	Personal Banking	Corporate Banking	Asset Management & Capital Market	Treasury and Market Making	Other segments	Reconciliation	Total
Net interest income	8,332	9,340	358	3,306	-27	109	21,418
Net fee and commission income	1,486	1,073	3,055	-130	16	-78	5,422
Net impairment changes	-153	197	-1	0	0		43
Net other operating income (expense)	-63	-21	-329	-4,272	646	-12	-4,051
Total operating income (expense)	9,602	10,589	3,083	-1,096	635	19	22,832
Operating expenses	3,153	1,546	996	507	5,744	-90	11,856
Tax on liabilities of financial institutions	403	205	4	398	5		1,015
Allocated expenses	2,096	1,412	538	482	-4,528		0
Profit (loss) before tax	3,950	7,426	1,545	-2,483	-586	109	9,961
Income tax	1,140	1,951	746	711	-144		4,404
Profit (loss) for the period	2,810	5,475	799	-3,194	-442	109	5,557
Total assets	808,794	626,580	11,036	688,467	22,054	-428,788	1,728,143
Total liabilities	767,514	522,012	6,150	571,551	22,054	-428,788	1,460,493
Allocated capital	41,280	104,568	4,886	116,916		-	267,650

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