

Results 9M 2021

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CEO

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CFO



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

- Sound operation and strong financial position.

Profit

- Growing market share, effective and efficient operation combined with a more positive economic outlook lead to good results.
- Profit in the first nine months of the year amounts to ISK 21.6 billion and ROE is 10.9%.

Operating income

- Net fee and commission income grew by 22% compared with the first 9 months of 2020, driven by an increase in new customers and growing activity in asset management and capital markets.
- The net interest margin as a ratio of total assets was 2.3% in the first nine months of 2021, compared with 2.5% in the same period the previous year.
- There is a marked turnaround in impairment change in lending, with a positive change of ISK 3,790 million, compared with an ISK 13,555 million impairment in the same period of 2020. This turnaround is attributable to a stronger standing of both households and corporates than expected in the aftermath of Covid-19.

Growth in mortgage loans and deposits

- There is high activity in mortgage loans which have increased by around 20% since the beginning of the year and the Bank's market share is at a record high.
- Customer deposits increase by ISK 76 billion and account for around half of the Bank's total funding.

Strong equity position

- The Bank's equity as at the end of September was ISK 275.3 billion.
- Core capital is ISK 33 billion higher than the Bank's target and ISK 69 billion higher than the total capital requirement set by the Financial Supervisory Authority of the Central Bank of Iceland.

Profit

21.6 ISK bn

10.9% ROE

Total Capital Ratio

24.9%

Capital requirement 18.9%

Cost-income ratio

41.7%

Total deposits

869 ISK bn

Total lending

1,376 ISK bn

Assets under management

692 ISK bn

BBB
with stable outlook

**S&P Global
Ratings**

Landsbankinn's credit rating, issued by S&P Global Ratings, is BBB/A-2 with stable outlook.

EUROMONEY
AWARDS FOR EXCELLENCE
2021

The Banker
GLOBAL FINANCIAL INTELLIGENCE SINCE 1986

Named best bank in Iceland by Euromoney and The Banker

SUSTAINALYTICS

ESG risk rating is 9.7 (negligible risk). Landsbankinn is now in first place out of 423* regional banks analysed by Sustainalytics.

*April 2021

Personal banking

Simplifying life for customers through ever-smarter operation

38.8%

market share in the retail market*

* Source: Landsbankinn

83%

of unsecured consumer loans were self-service in the last quarter*

* Source: Landsbankinn

Customers chose digital distribution channels**

17,700,000

logins to app

7,700,000

logins to online banking

246,000

phone calls to the Customer Service Centre

30,000

appointments for financial advice

**During the period January - September

We aim to simplify life for our customers and take the initiative to offer the services best suited to each and every one. We do this by developing simple and accessible solutions and by utilising data to provide customers with personal and professional advice. Ranking highest in the Icelandic Performance Satisfaction Index, the second year in a row, was a welcome recognition.

ÍSLENSKA
ÁNÆGJUVOGIN
2019

ÍSLENSKA
ÁNÆGJUVOGIN
2020

Corporates

Exceptional service that promotes value creation

Customers choose digital distribution channels**

32%

share in the corporate banking market.*

* Source: Gallup

34%

increase in new corporate customers in the first nine months of the year, compared with the same period in 2020.

6,000

companies use Landsbankinn's corporate app, launched to great acclaim in early 2021.

88%

of new corporate customers have on-boarded through electronic channels.**

We endeavour to build solid long-term relationships, provide exceptional service and support value-creation to help companies succeed. We managed to uphold a high service standard during the pandemic and surveys show that the Bank's customers are the most satisfied in the banking market. ***

*** Source: Gallup

**During the period January - September

Our main sustainability projects in Q3



Vaxtareikningur sjálfbær

Deposits to the savings account Vaxtareikningur sjálfbær are used to finance projects that contribute to sustainability. In this way, savings can have a positive impact on the environment and society.



Sustainability policy updated

Landsbankinn has revised its sustainability policy. The policy sets out in broad strokes the Bank's approach to the issues and extends to all its divisions.



SDG

UN sustainable development goals

Updated SDGs

Landsbankinn is currently focused on the following sustainable development goals: Goal 5 - Gender equality; Goal 8 - Decent work and economic growth; Goal 9 - Industry, innovation and infrastructure, and; Goal 13 - Climate action.



Landsbankinn's Sustainable Financing Label issued for the first time

UR Seafood was the initial recipient of the Label on the Bank's financing of the company's MSC Certified Sustainable Seafood.



Landsbankinn's operation remains carbon neutral

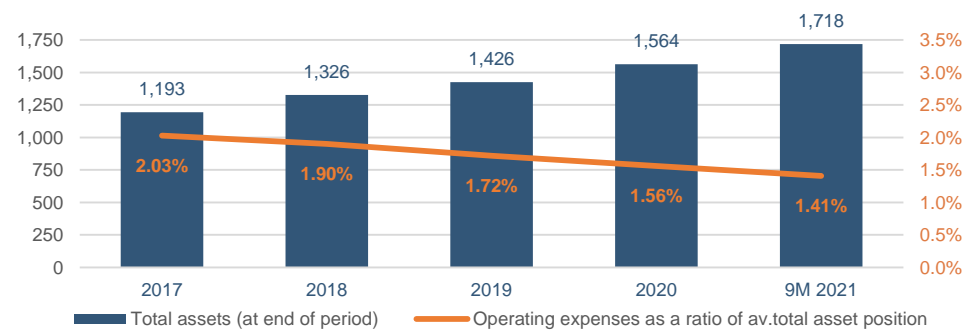
Landsbankinn has renewed its international CarbonNeutral® company certification.



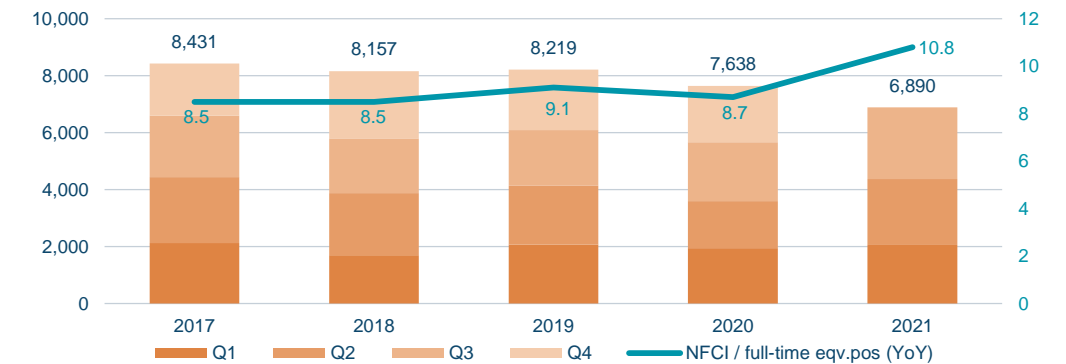
Sound operation and support for customers

- Increased efficiency alongside a growing balance sheet.

Increased efficiency alongside a growing balance sheet

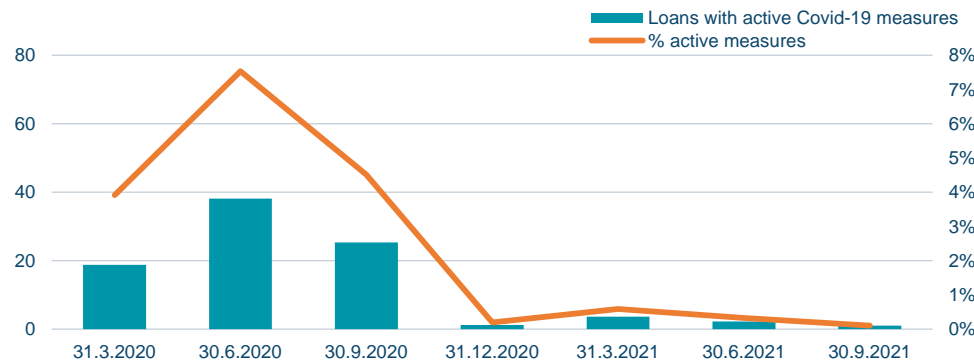


Net fee and commission income per FTE increases

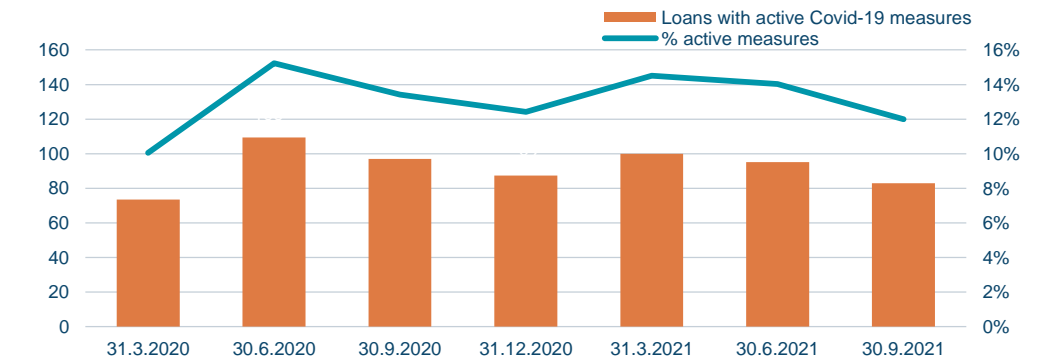


Amounts in ISK million

Individuals - Gross carrying amount of loans with Covid-19 measures



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



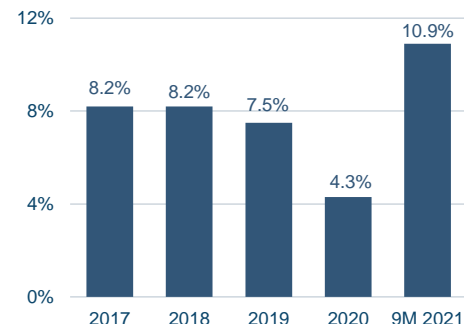
Amounts in ISK bn

Financial objectives and development of KPIs

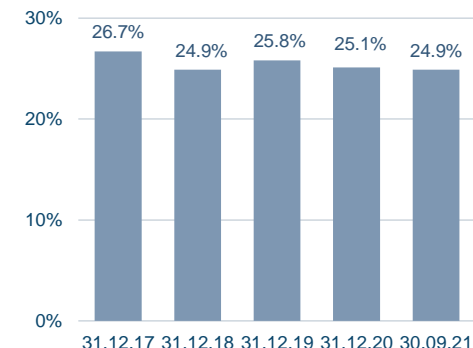
- Increased efficiency alongside a growing balance sheet.

	Targets	9M 2021	Guidelines
Profitability			
Return on equity (ROE)	≥ 10%	10.9%	The Bank's long-term target is for ROE to be around or over 10%. ROE is expected to range between 9.5 – 10.5% in 2021.
Efficiency			
Cost / Income ratio	≤ 45%	41.7%	Expected ratio is 41 – 44% for the year 2021.
Financial strength			
Dividend payout ratio	~ 50%	42.7%	In addition to regular dividend payments the aim is also to make special dividend payments.
Common equity tier 1 ratio (CET1)	≥ 18%	23.1%	The Bank will seek to issue subordinated funding provided that it is economical and favourable for its funding structure.
Total capital ratio	≥ 22%	24.9%	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.

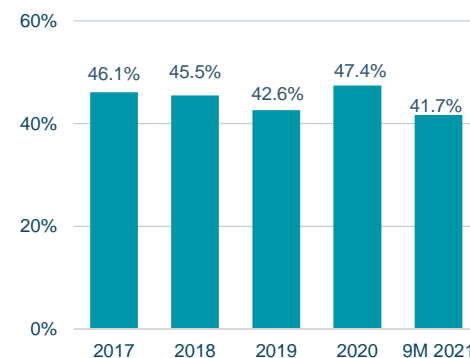
Return on equity



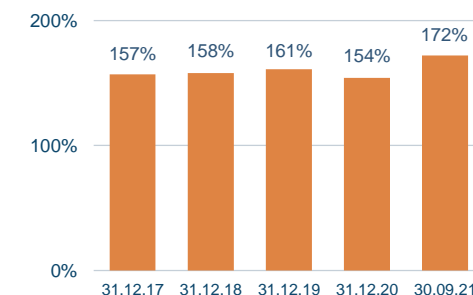
Total capital ratio



Cost / Income ratio



Liquidity coverage ratio total





LANDSBANKINN
AN EVER SMARTER BANK

Income statement

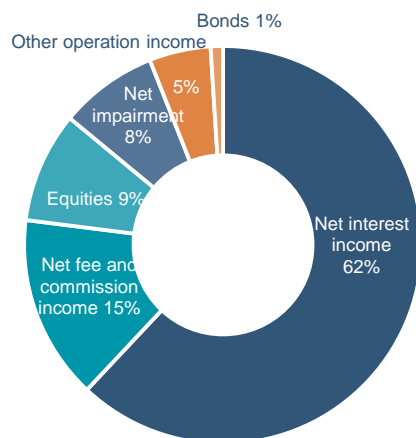


Income statement

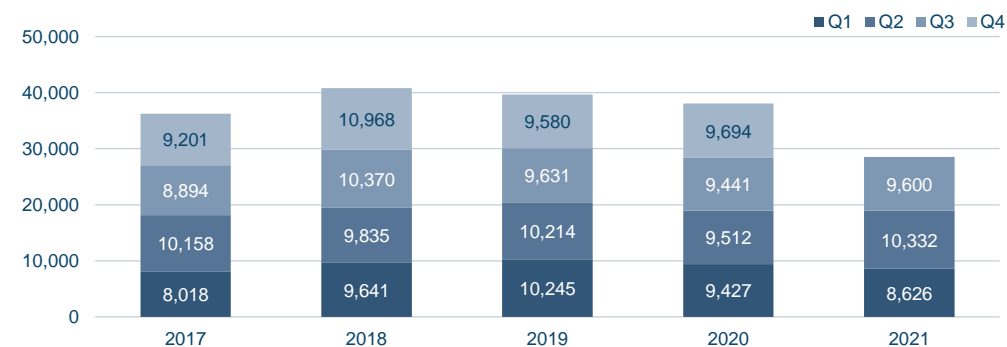
	9M 2021	9M 2020	Change			Q3 2021	Q3 2020	Change	
Net interest income	28,558	28,380	178	1%		9,600	9,441	159	2%
Net fee & commission income	6,890	5,657	1,233	22%		2,522	2,059	463	22%
Net impairment changes	3,790	-13,555	17,345	-128%		1,008	-120	1,128	-944%
Other net operating income	6,375	-306	6,681	-2,177%		2,216	-480	2,696	-562%
Total operating income	45,613	20,176	25,437	126%		15,346	10,901	4,446	41%
Salaries and related expenses	10,731	10,781	-50	0%		3,238	3,135	103	3%
Other operating expenses	6,719	6,631	88	1%		2,202	1,995	207	10%
Tax on liabilities of financial institutions	1,505	1,415	90	6%		525	540	-15	-3%
Total operating expenses	18,955	18,827	128	1%		5,965	5,670	295	5%
Profit before tax	26,658	1,349	25,309	1,876%		9,381	5,231	4,150	79%
Income tax	5,061	650	4,411	679%		1,889	1,245	644	52%
Profit for the period	21,597	699	20,898	2,990%		7,492	3,986	3,506	88%

Net operating income

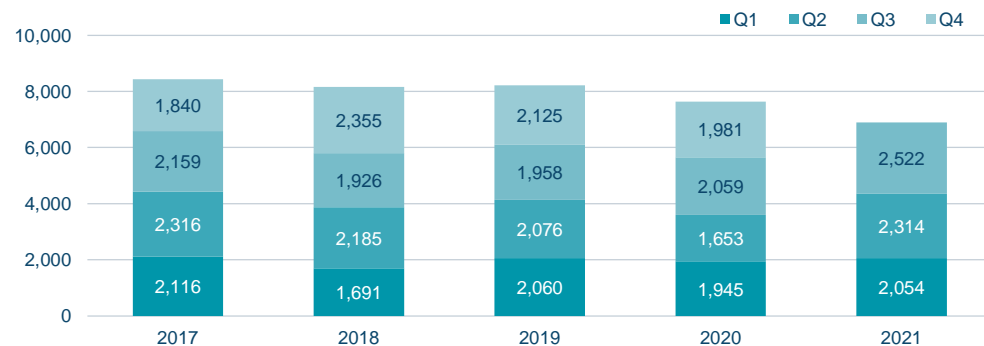
- High activity in securities markets and increased emphasis on fee and commission income yield results.



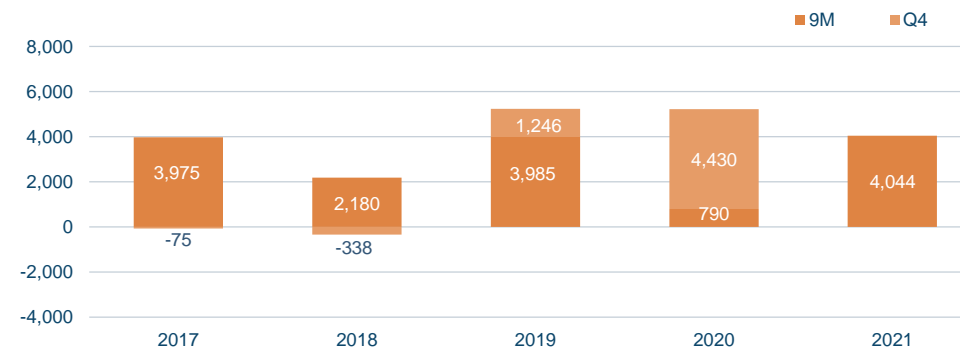
Net interest income



Net fee and commission income



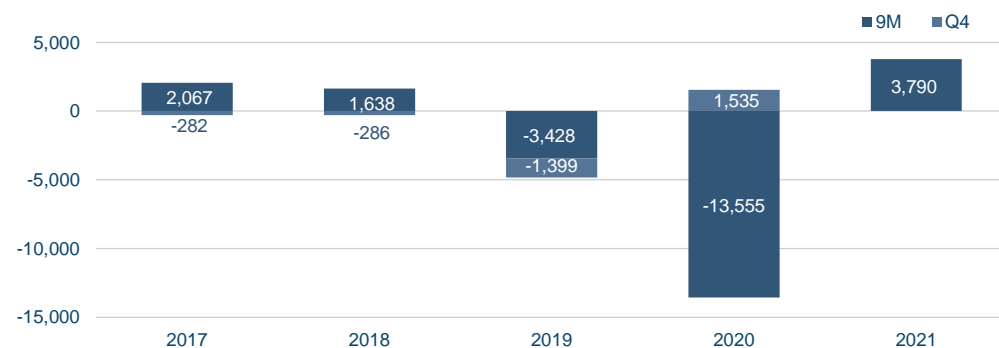
Equities



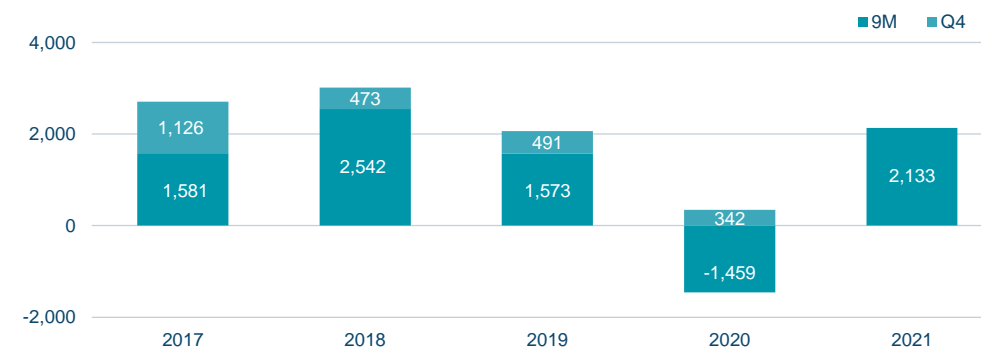
Net operating income

- Equity holdings continue to deliver good returns.

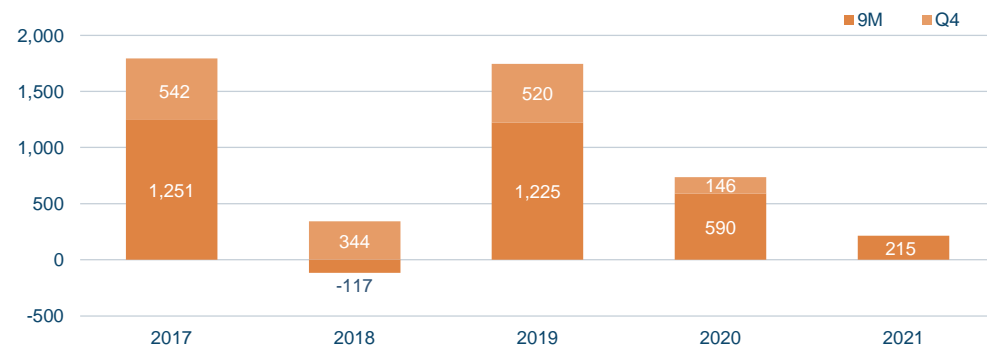
Net impairment changes



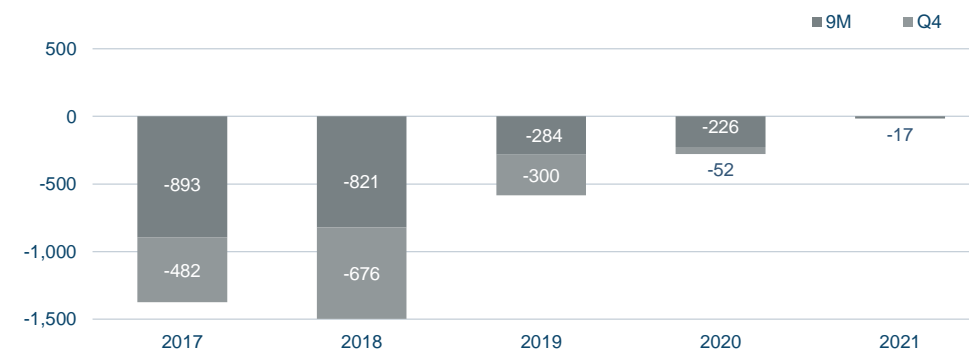
Other operation income (expenses)



Bonds



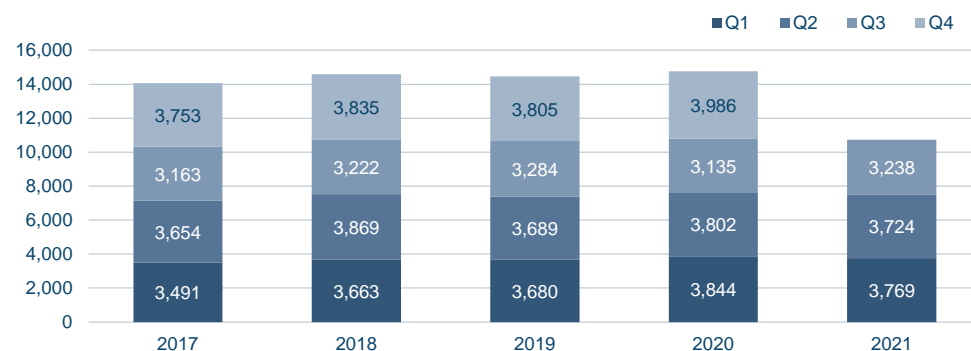
FX gain (loss)



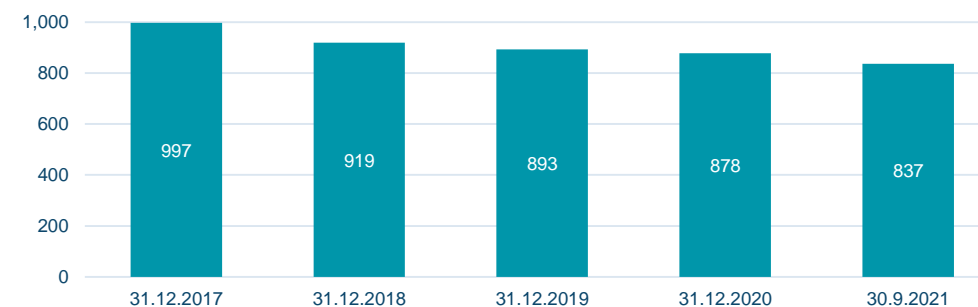
Operating expenses

- Continued cost restraint and reduction in full-time equivalent positions alongside increased automation.

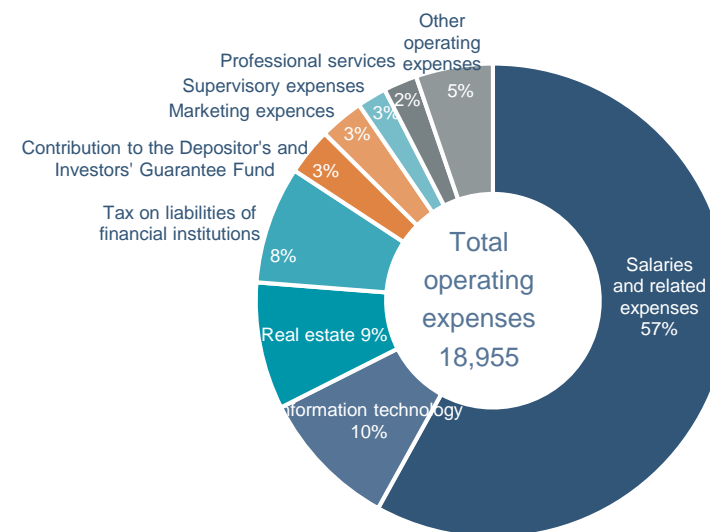
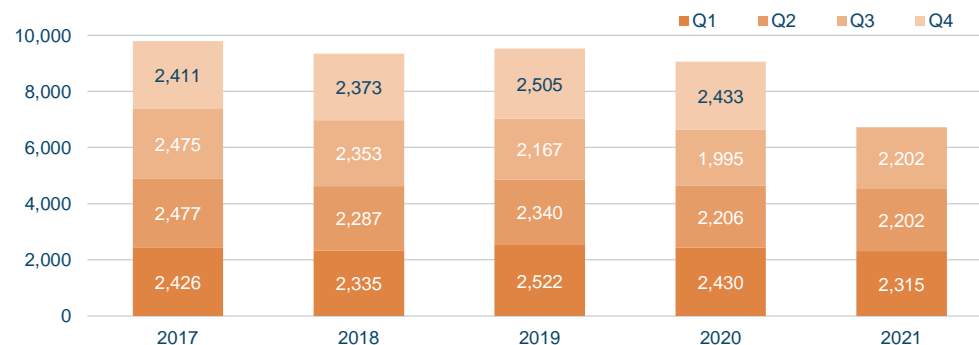
Salaries and related expenses



Full-time equivalent positions



Other operating expenses



Balance sheet

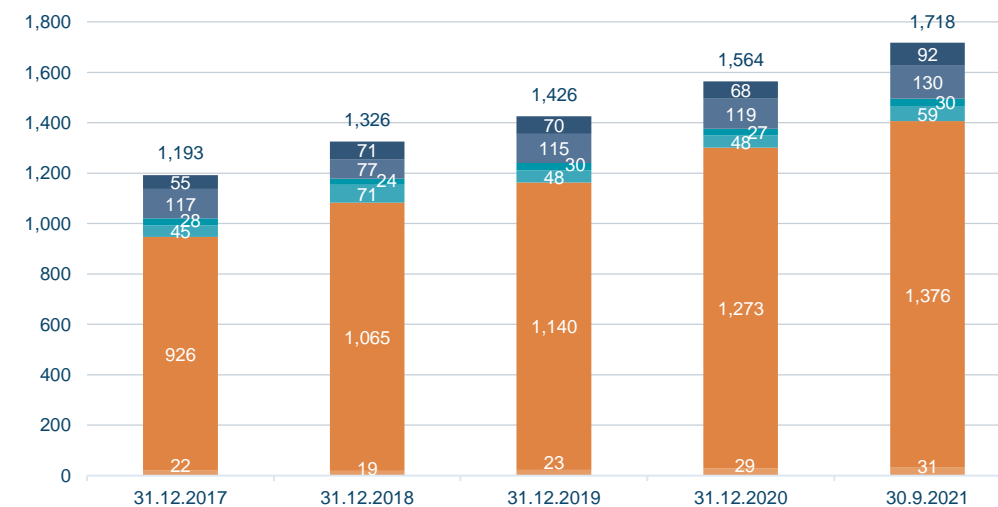
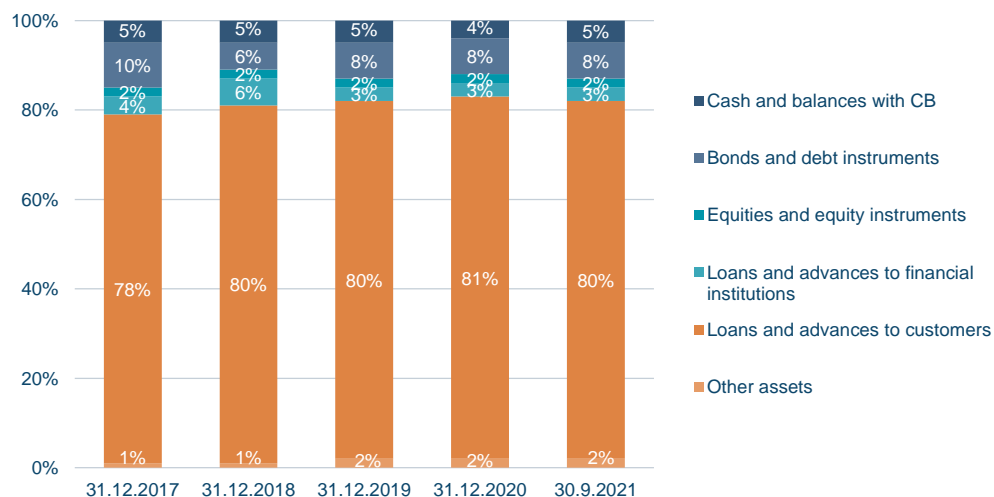


Total assets

- Loans grew by 8%, total assets by 10%.

	30.9.2021	31.12.2020	Change	
Cash and balances with Central Bank	92	68	24	35%
Market bonds	130	119	11	9%
Equities	30	27	3	11%
Loans and receivables to credit institutions	59	48	11	23%
Loans and receivables to customers	1,376	1,273	103	8%
Other assets	31	29	2	7%
Total	1,718	1,564	154	10%

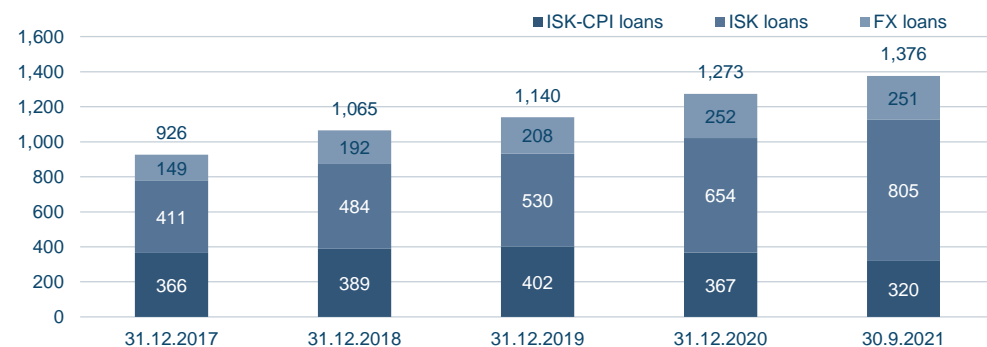
- Lending to individuals increased by ISK 110 billion. Mortgage loans grew by 20%, or around ISK 104 billion.
- Lending to corporates contracted by ISK 7 billion, with exchange rate changes accounting for ISK 4 billion thereof.



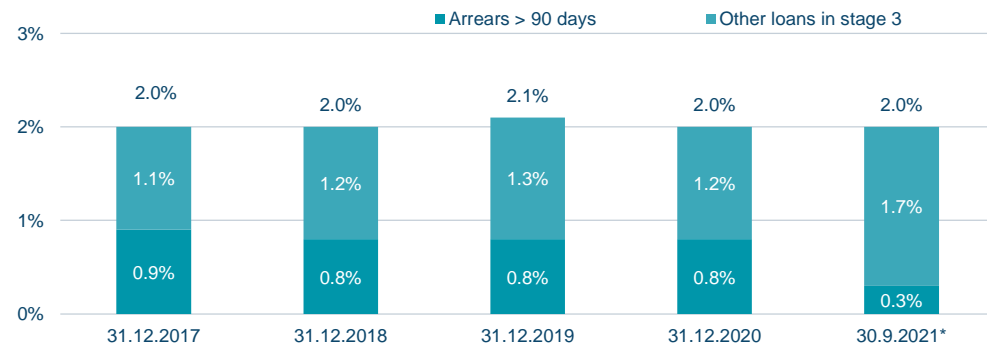
Loans

- Inflation-indexed loans continue to grow in popularity. Contraction in inflation-indexed loans.

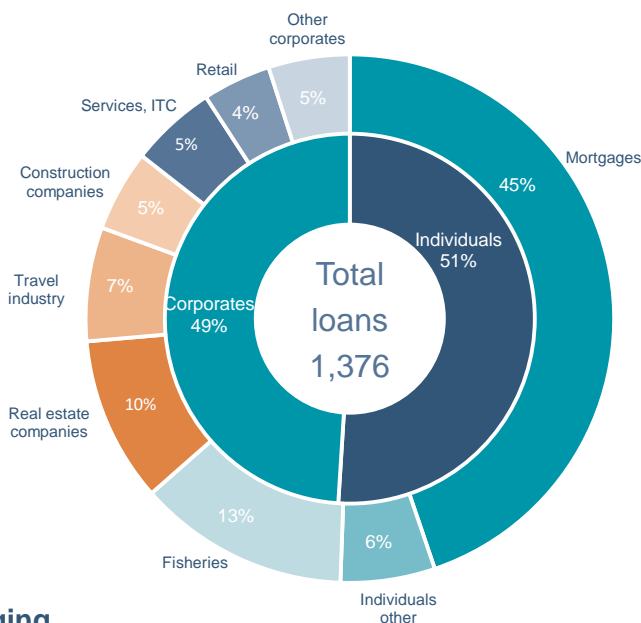
Total loan portfolio



Problem loans



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



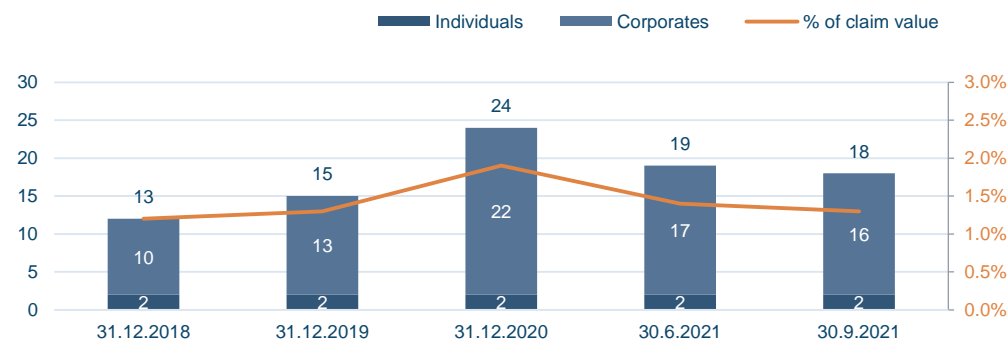
Loan staging

	Gross carrying amount		Allowance for impairment		Carrying amount	
Stage 1	1,193	85.5%	2	0.2%	1,191	86.6%
Stage 2	139	10.0%	6	4.3%	133	9.7%
Stage 3	39	2.8%	10	25.6%	29	2.0%
Fair value	23	1.6%			23	1.7%
Total	1,394	100%	18	1.3%	1,376	100%

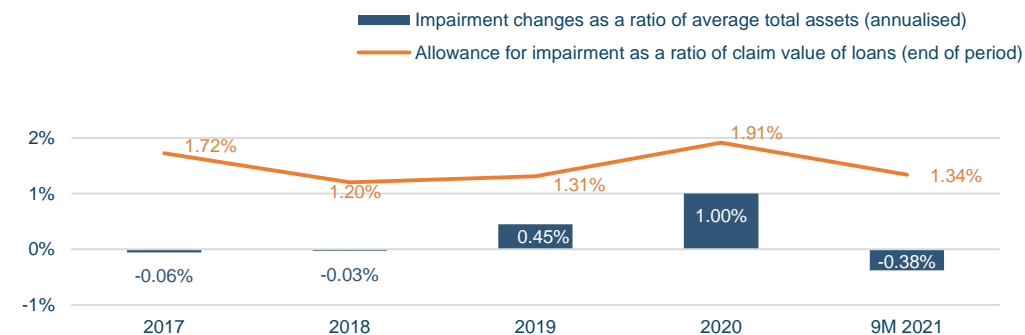
Impairment on loans

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

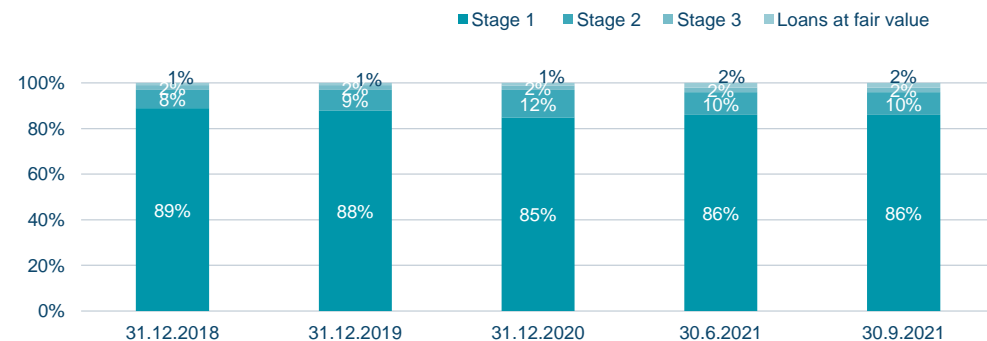
Allowance for impairment on loans and advances to customers



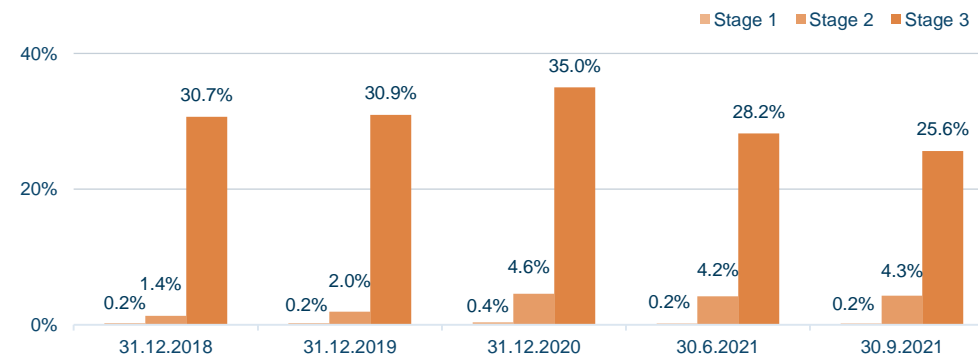
Cost of risk



Stage allocation of the loan portfolio



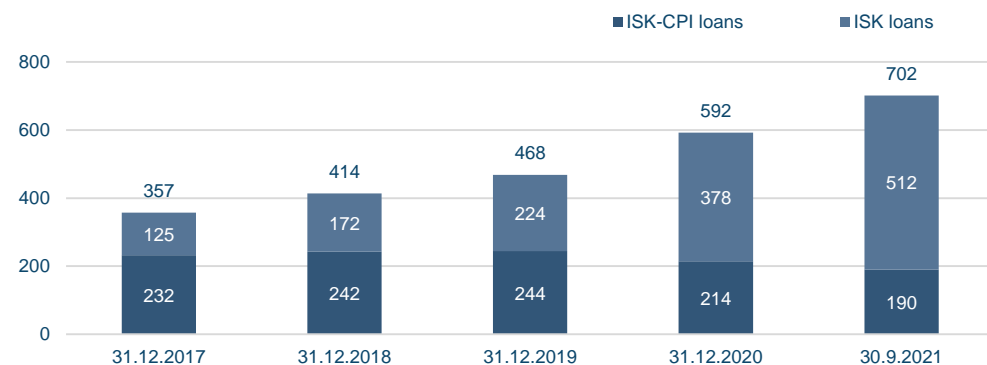
Allowance as percentage of gross carrying amount



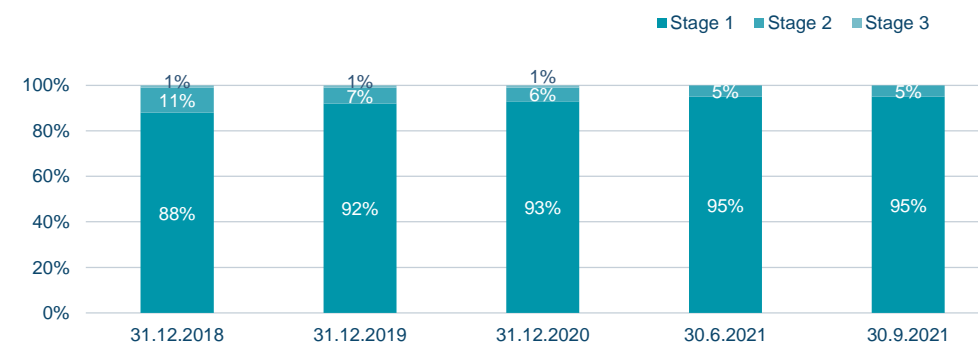
Loans to individuals

- Growth in non-indexed mortgage loans; repayment of CPI-indexed loans continues.

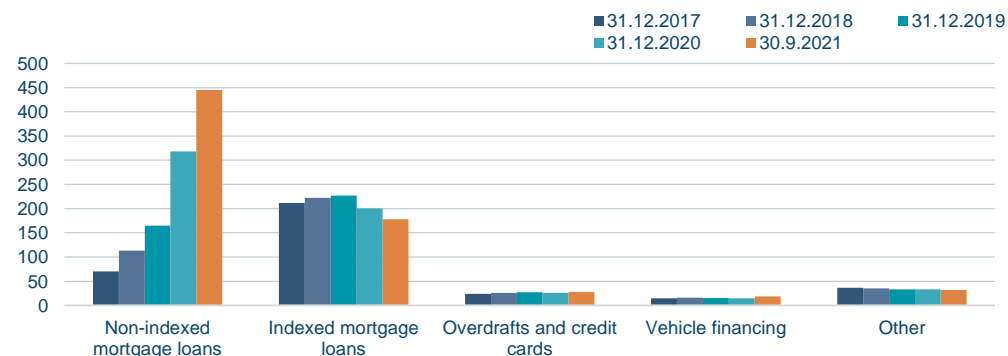
Loans to individuals



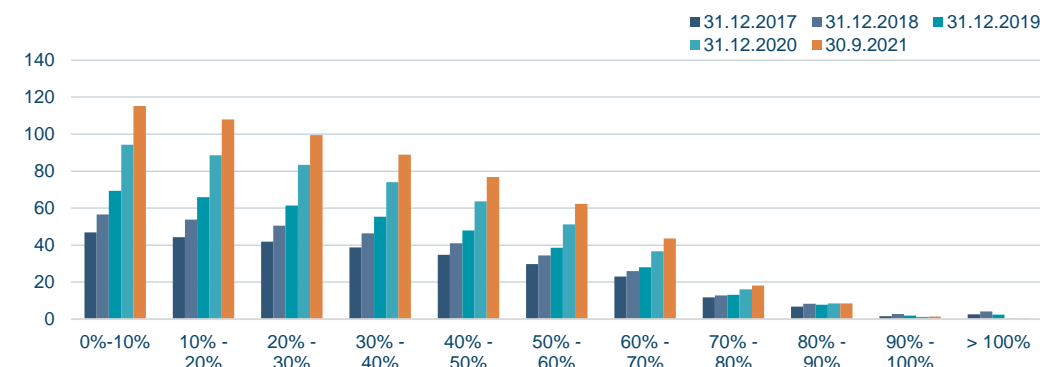
Stage allocation of loans to individuals



Loans to individuals by loan types



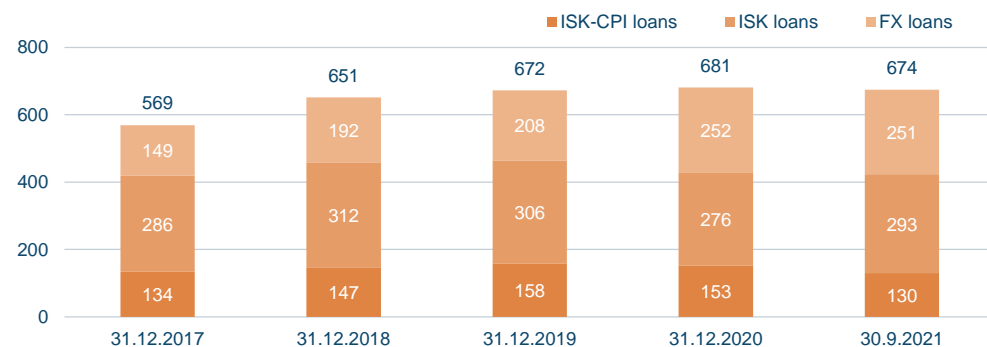
Continuous LTV distribution of mortgages



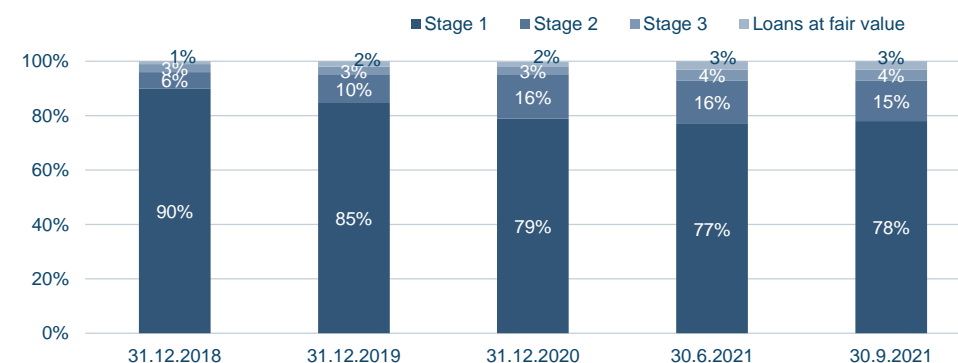
Loans to corporates

- Insignificant change in volume of loans to corporates.

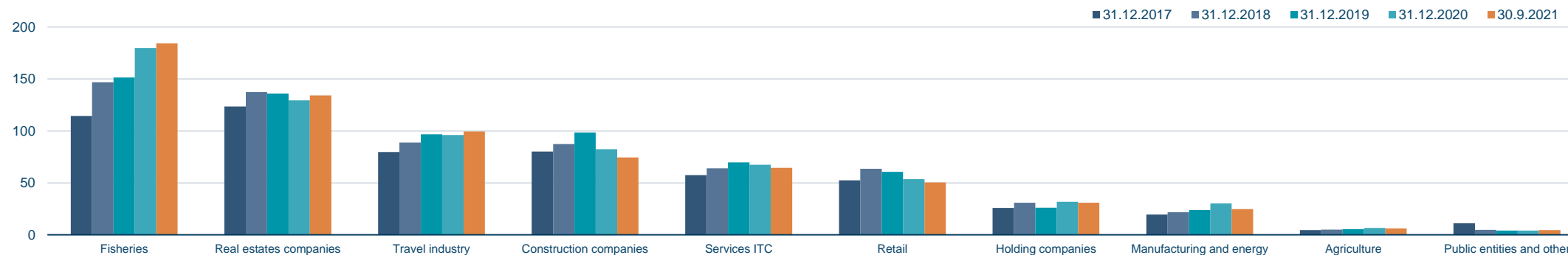
Loans to corporates



Stage allocation of loans to corporates



Loans to corporates by industry sector



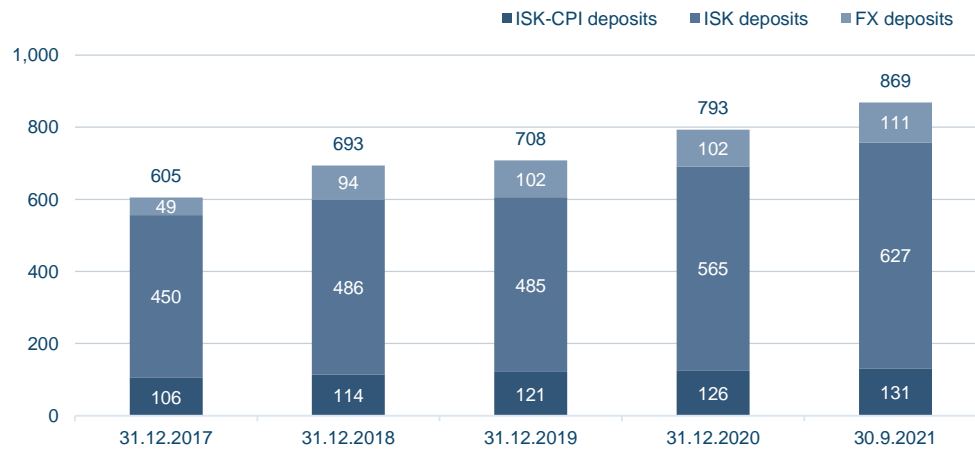
Liabilities and equity

- Well funded bank with substantial equity.

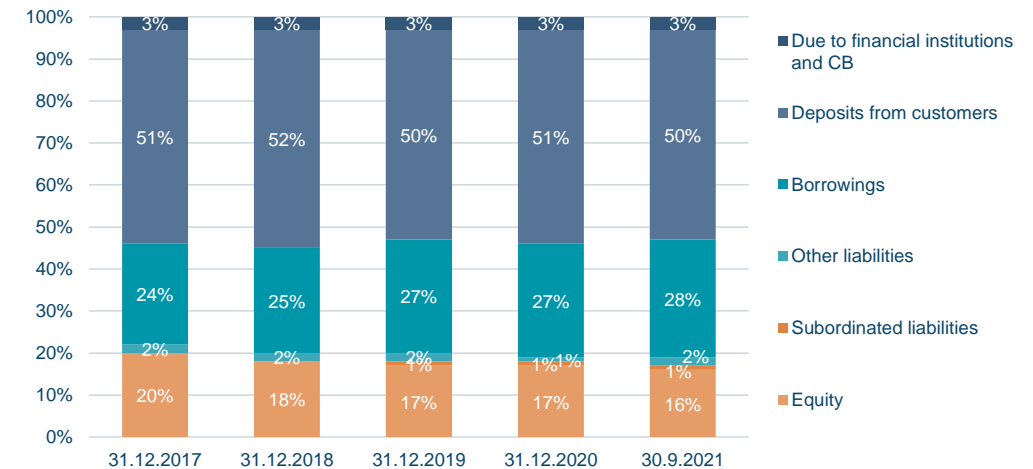
	30.9.2021	31.12.2020	Change	
Due to financial institutions and CB	49	49	0	0%
Deposits from customers	869	793	76	10%
Borrowings	474	420	54	13%
Other liabilities	30	23	7	30%
Subordinated liabilities	21	21	0	0%
Equity	275	258	17	7%
Total	1,718	1,564	154	10%

- Customer deposits increased by ISK 76 billion from the beginning of the year
- Further issuance of covered bonds alongside growth in mortgage lending.

Deposits from customers



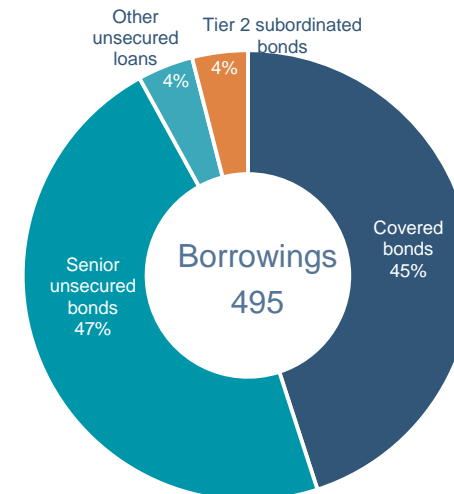
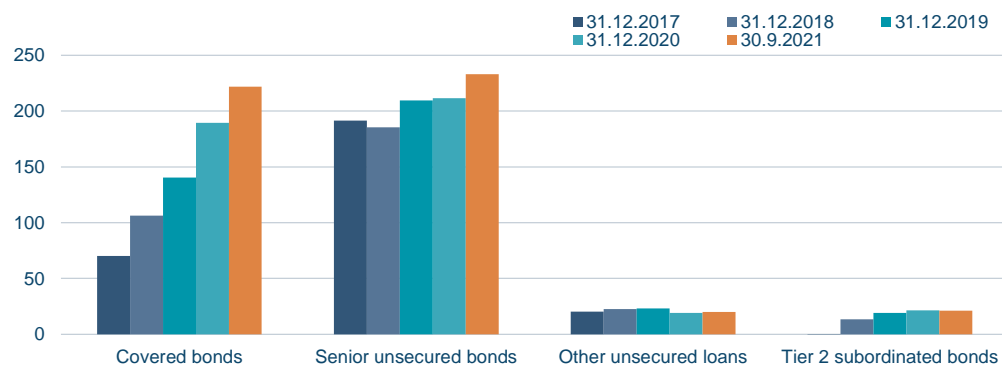
Liabilities and equity



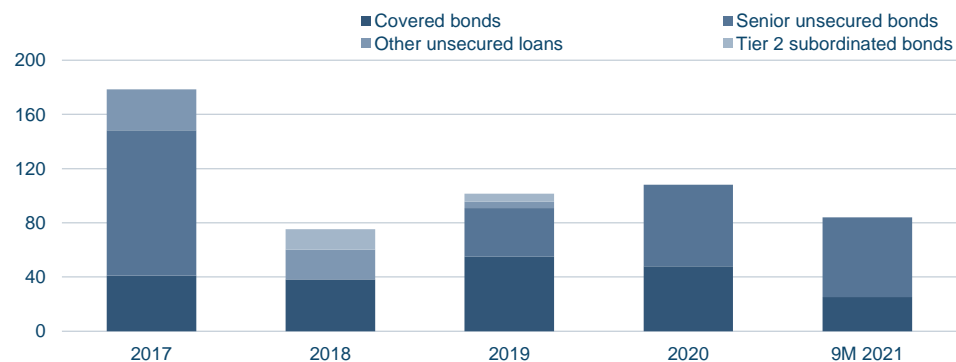
Borrowings

- Steady growth in the issuance of covered bonds in recent years.

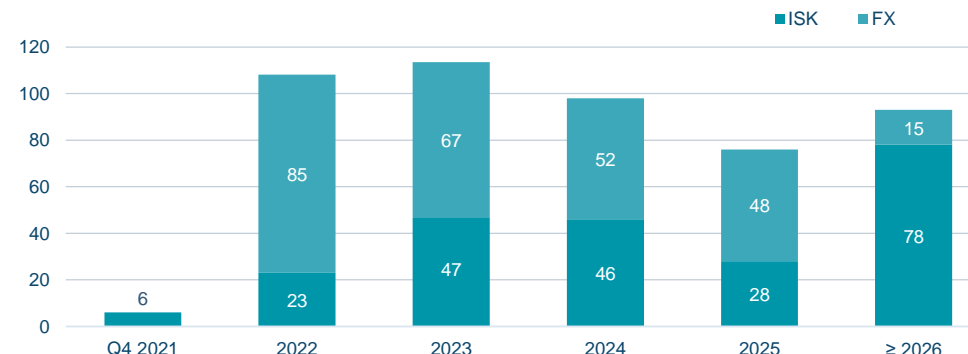
Borrowings



Borrowing issuance



Maturity profile*

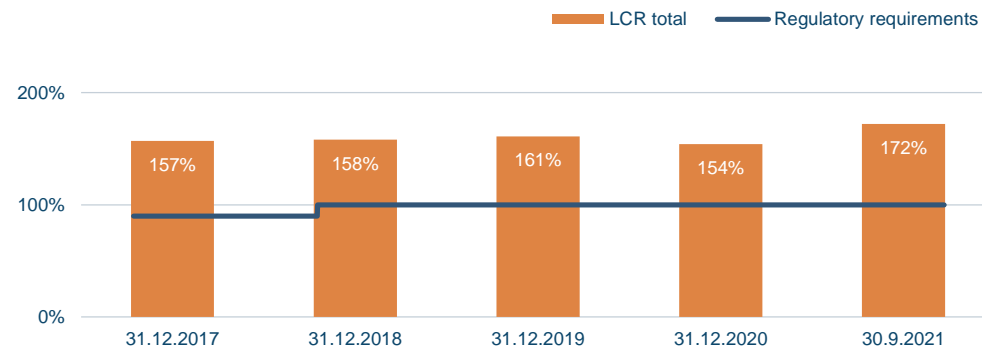


*EUR 100 m subordinated debt matures in 2028 with a 10NC5 structure.
ISK 5.5 bn subordinated debt matures in 2029 with a 10NC5 structure.

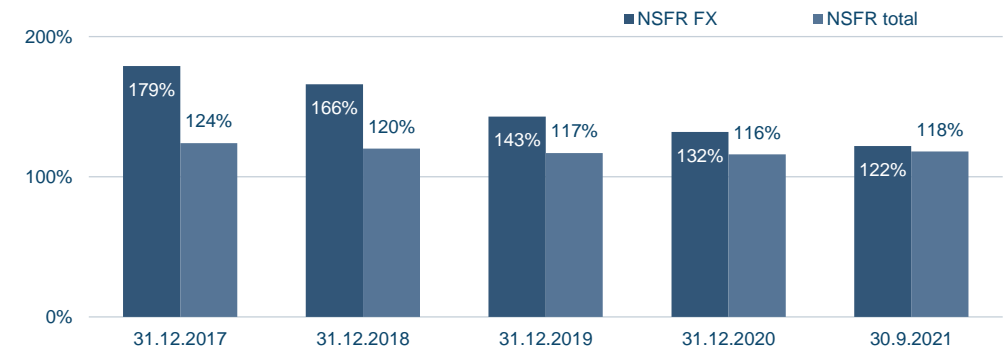
Liquidity ratio and net stable funding ratio

- Strong liquidity and funding ratios.

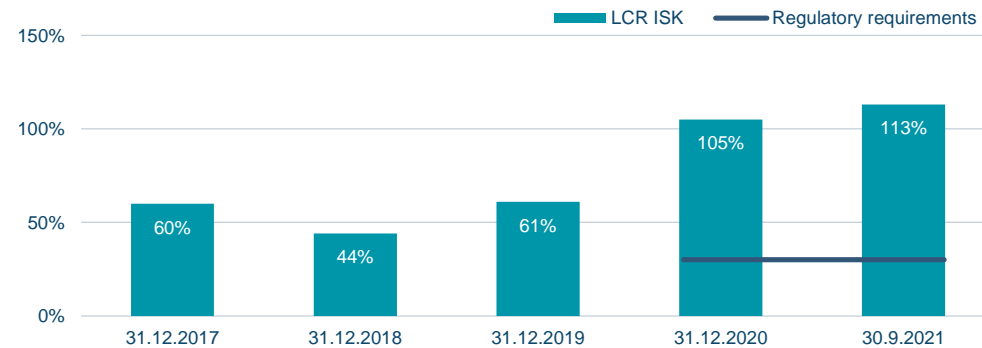
Liquidity coverage ratio total



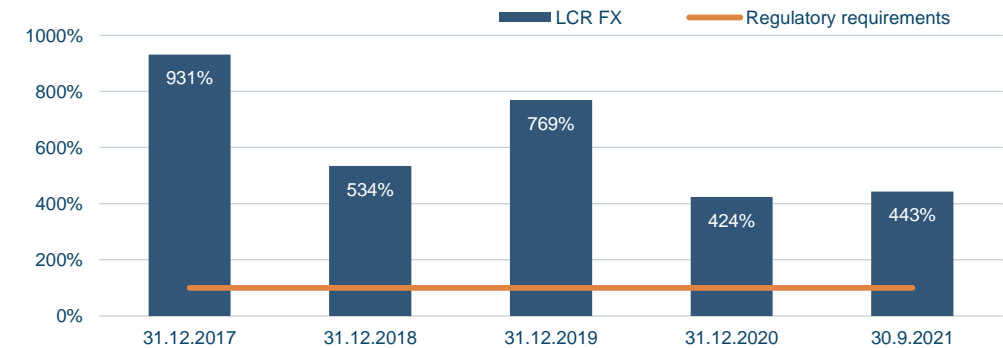
Net stable funding ratio



Liquidity coverage ratio ISK



Liquidity coverage ratio FX

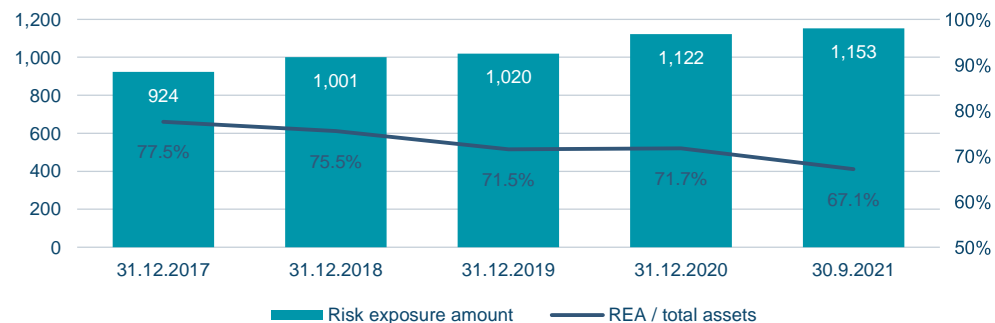


Capital requirements

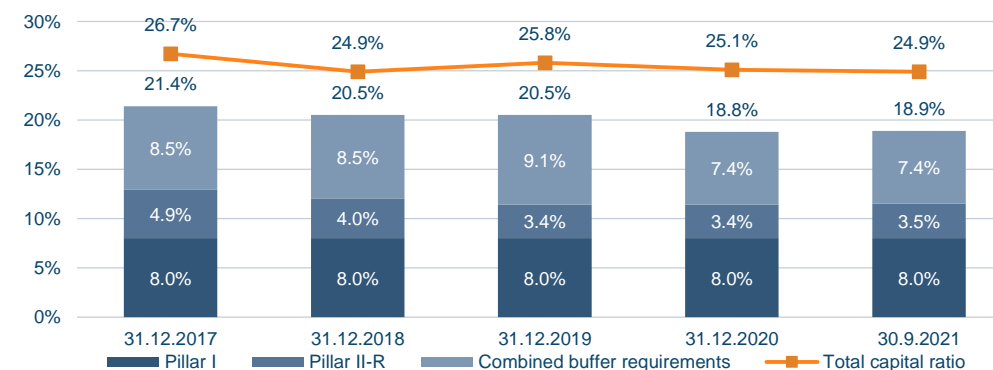
- Strong capital ratio. Central Bank announces higher countercyclical buffer.

	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 30.9.2021	23.1%	23.1%	24.9%

Risk exposure amount



Regulatory total capital requirement as a ratio of REA



- 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.
- At the end of June 2021, the Financial Supervisory Authority of the Central Bank of Iceland (FSA) notified Landsbankinn of the results of the annual Supervisory Review and Evaluation Process (SREP) and its decision on the Group's prudential capital requirements. The Group's total capital requirement is 18.9% of its risk exposure amount (REA) and comprises a minimum capital requirement of 8.0%, a 3.5% additional capital requirement and a total capital buffer requirement of 7.4%.
- On 29 September, the Financial Stability Committee announced an increase in the countercyclical capital buffer to 2.0%, effective as of 29.09.2022.

Dividends and capital ratio

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

Dividend 2021

- The AGM of Landsbankinn, held on 24 March 2021, approved the motion of the Board of Directors to pay a dividend of ISK 0.19 per share to shareholders for the operating year 2020. The total dividend of ISK 4,489 million corresponds to about 42.7% of the consolidated profit in 2020.
- The dividend payment is in accordance with the maximum guidance for dividend payments set by the Central Bank's Financial Supervision Committee on 13 January 2021.
- The dividend was paid to shareholders on 31. March 2021

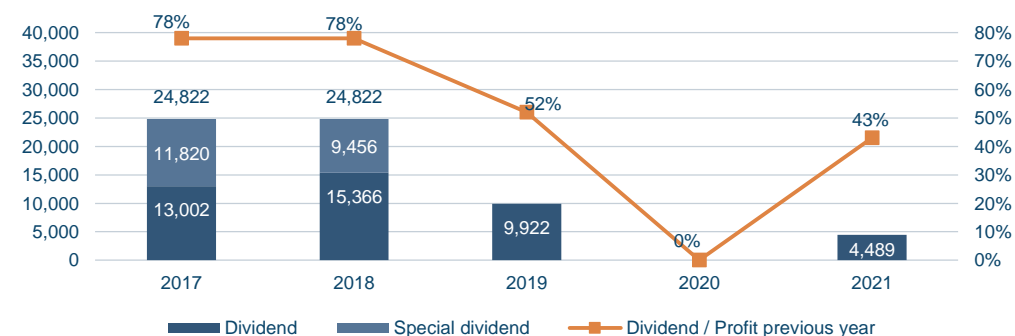
Buyback of own shares

- The Bank purchased 1,7 million own shares, or 0.01% of issued share capital, in accordance with a decision of the Board of Directors from 23 July 2021.
- 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.

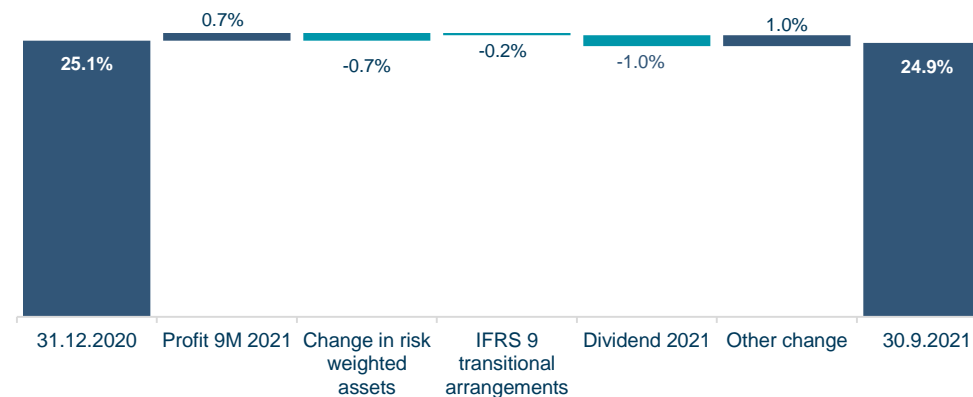
Landsbankinn's dividend policy

- 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 9M 2021



Appendix

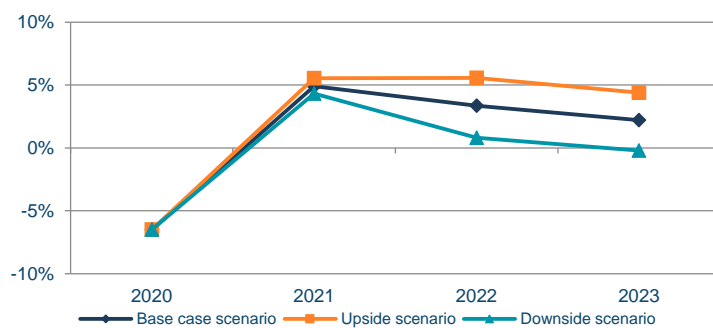
Further information



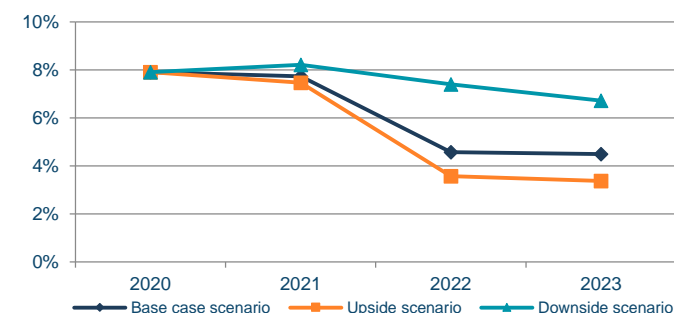
Economic scenarios for expected credit loss

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

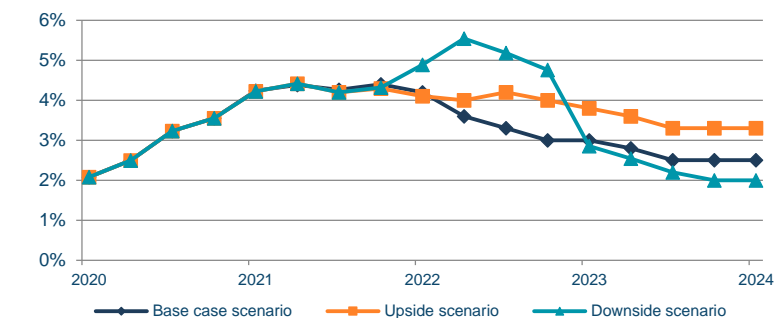
Economic growth



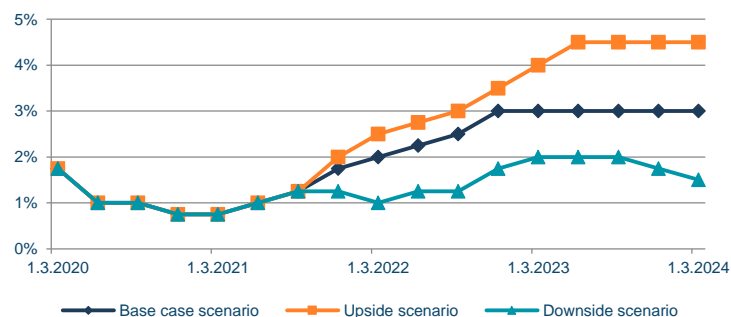
Unemployment



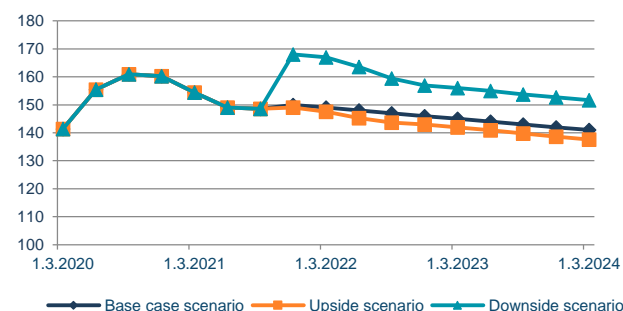
Inflation



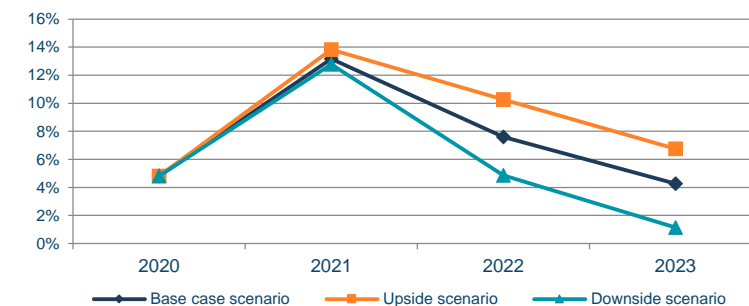
CBI's key rate (seven-day term deposits)



EUR/ISK



Housing price (YoY change)



Key financial ratios

	Q3 2021	Q2 2021	Q1 2021	Q4 2020	Q3 2020	9M 2021	2020	2019	2018	2017
Profit (loss) after taxes	7,492	6,487	7,618	9,822	3,986	21,597	10,521	18,235	19,260	19,766
Return on equity before taxes	13.8%	12.2%	14.2%	17.8%	8.5%	13.4%	5.1%	9.6%	11.1%	11.0%
Return on equity after taxes	11.0%	9.8%	11.7%	15.5%	6.5%	10.9%	4.3%	7.5%	8.2%	8.2%
After-tax return on average assets	1.8%	1.6%	1.9%	2.5%	1.0%	1.8%	0.7%	1.3%	1.5%	1.7%
Total capital ratio	24.9%	25.1%	24.9%	25.1%	24.7%	24.9%	25.1%	25.8%	24.9%	26.8%
Net interest income	9,600	10,332	8,626	9,694	9,441	28,558	38,074	39,670	40,814	36,271
Interest spread as a ratio of average total assets	2.3%	2.5%	2.2%	2.4%	2.4%	2.3%	2.5%	2.8%	3.2%	3.1%
Cost-income ratio	37.9%	41.7%	45.8%	38.8%	46.6%	41.7%	47.4%	42.6%	45.5%	46.1%
Liquidity ratio LCR total	172%	180%	202%	154%	186%	172%	154%	161%	158%	157%
Liquidity LCR FX	443%	420%	477%	424%	379%	443%	424%	769%	534%	931%
Liquidity LCR ISK	113%	112%	120%	105%	107%	113%	105%	61%	44%	60%
Net stable funding ratio NSFR total	118%	121%	118%	116%	115%	118%	116%	117%	120%	124%
Net stable funding ratio NSFR FX	122%	140%	140%	132%	116%	122%	132%	143%	166%	179%
Operating expenses as a ratio of average total assets	1.3%	1.4%	1.5%	1.6%	1.3%	1.4%	1.6%	1.7%	1.9%	2.0%
Total assets	1,718,358	1,677,297	1,600,952	1,564,177	1,610,265	1,718,358	1,564,177	1,426,328	1,326,041	1,192,870
Loans / deposits ratio	158.2%	157.6%	162.1%	160.5%	154.3%	158.2%	160.5%	161.1%	153.6%	153.0%
Full-time equiv. positions	837	844	869	878	884	837	878	893	919	997

Operations

	Q3 2021	Q2 2021	Q1 2021	Q4 2020	Q3 2020
Net interest income	9,600	10,332	8,626	9,694	9,441
Net fee & commission income	2,522	2,314	2,054	1,981	2,059
Net impairment changes	1,008	293	2,489	1,535	-120
Net foreign exchange gain (loss)	55	-45	-27	-52	-52
Other net operating income	2,161	1,614	2,618	4,919	-427
Total operating income	15,346	14,508	15,759	18,077	10,901
Salaries and related expenses	3,238	3,724	3,769	3,986	3,135
Other operating expenses	2,202	2,202	2,315	2,433	1,995
Tax on liabilities of financial institutions	525	513	467	400	540
Total operating expenses	5,965	6,439	6,551	6,819	5,670
Profit before tax	9,381	8,069	9,208	11,258	5,231
Income tax	1,889	1,582	1,590	1,436	1,245
Profit for the period	7,492	6,487	7,618	9,822	3,986

	9M 2021	2020	2019	2018	2017
Net interest income	28,558	38,074	39,670	40,814	36,271
Net fee & commission income	6,890	7,638	8,219	8,157	8,431
Net impairment changes	3,790	-12,020	-4,827	1,352	1,785
Net foreign exchange gain (loss)	-17	-278	-584	-1,497	-1,375
Other net operating income	6,392	4,839	9,039	5,084	8,400
Total operating income	45,613	38,253	51,517	53,910	53,512
Salaries and related expenses	10,731	14,767	14,458	14,589	14,061
Other operating expenses	6,719	9,064	9,534	9,348	9,789
Tax on liabilities of financial institutions	1,505	1,815	4,204	3,860	3,253
Total operating expenses	18,955	25,646	28,196	27,797	27,103
Profit before tax	26,658	12,607	23,321	26,113	26,409
Income tax	5,061	2,086	5,086	6,853	6,643
Profit for the period	21,597	10,521	18,235	19,260	19,766

Balance sheet

	30.9.2021	31.12.2020	Change	
Cash and balances with CB	92,043	67,604	24,439	36%
Bonds and debt instruments	129,579	119,330	10,249	9%
Equities and equity instruments	30,527	26,808	3,719	14%
Loans and advances to fin institutions	59,363	48,073	11,290	23%
Loans and advances to customers	1,375,536	1,273,426	102,110	8%
Other assets	31,310	28,936	2,374	8%
Total assets	1,718,358	1,564,177	154,181	10%
Due to financial institutions and CB	48,991	48,725	266	1%
Deposits from customers	869,463	793,427	76,036	10%
Borrowing	474,415	420,178	54,237	13%
Other liabilities	29,047	22,226	6,821	31%
Subordinated liabilities	21,099	21,366	-267	-1%
Equity	275,343	258,254	17,089	7%
Total liabilities and equity	1,718,358	1,564,177	154,181	10%

	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 - 30.9.2021	Personal Banking	Corporate Banking	Asset Management & Capital Market	Treasury and Market Making	Other segments	Reconciliation	Total
Net interest income	12,573	13,921	386	1,744	-48	-18	28,558
Net fee and commission income	2,126	1,156	4,082	-193	28	-309	6,890
Net impairment changes	687	3,098	-1	6	0	0	3,790
Net other operating income (expense)	229	223	243	5,110	582	-12	6,375
Total operating income (expense)	15,615	18,398	4,710	6,667	562	-339	45,613
Operating expenses	-5,124	-2,188	-1,583	-536	-8,342	323	-17,450
Tax on liabilities of financial institutions	-609	-280	-6	-599	-11	0	-1,505
Allocated expenses	-3,162	-2,076	-809	-697	6,744	0	0
Profit (loss) before tax	6,720	13,854	2,312	4,835	-1,047	-16	26,658
Income tax	-1,734	-3,477	332	-399	217	0	-5,061
Profit (loss) for the period	4,986	10,377	2,644	4,436	-830	-16	21,597
Total assets	750,169	624,769	10,906	687,416	18,640	-373,542	1,718,358
Total liabilities	711,565	504,931	6,527	574,894	18,640	-373,542	1,443,015
Allocated capital	38,604	119,838	4,379	112,522	-		275,343

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