



2023 financial results of Landsbankinn

News Release, 1 February 2024

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- Landsbankinn's after-tax profit in 2023 was ISK 33.2 billion and return on equity was 11.6%.
- The Board of Directors intends to propose to the Bank's AGM that the Bank pay a dividend in the amount of ISK 16.5 billion in 2024.
- The interest margin of domestic households is 2% and remains stable between years.
- Operating expenses rise in line with a general price increase, but the Bank's cost-income ratio has never been lower, or 33.7%.
- Profit in the fourth quarter of 2023 was ISK 10.8 billion and return on equity 14.5%.
- Rising prices of equities and non-domestic bonds in the Bank's asset portfolio in 2023 amounted to ISK 15.3 billion.
- For the fifth year in a row, customers in the banking market are most satisfied with Landsbankinn's services, according to the Icelandic Performance Satisfaction Index 2023.
- The Bank's green bond issuance was very successful and green funding now makes up 46.5% of its non-domestic funding profile and 26.6% of total borrowing.
- The Bank publishes detailed sustainability information today, including calculation of the carbon footprint of its credit portfolio, which has decreased by 8% compared to the reference year, 2019.
- The Pillar III risk report for 2023 is published alongside the annual financial statements.
- Landsbankinn's Annual & Sustainability Report will be published 15 February 2024.

Landsbankinn's after-tax profit in 2023 was ISK 33.2 billion (2022: ISK 17.0 billion). Return on equity (ROE) was 11.6% in 2023 after tax (2022: 6.3%). Net interest income was ISK 57.6 billion in 2023 (2022: ISK 46.5 billion). The net interest margin on average total asset position was 3.0% in 2023 (2022: 2.7%). Net fee and commission income amounted to ISK 11.2 billion in 2023 (2022: 10.6 billion). Other operating income was positive by ISK 5.1 billion (2022: negative by ISK 3.8 billion). Net gain on financial assets and liabilities at fair value was ISK 6,719 million (2022: ISK 7,963 million loss). Net credit impairment was ISK 3.1 billion in 2023 (2022: net release of ISK 2.5 billion), with ISK 1,670 million thereof being a collective provision against uncertainty concerning the financial impact of the seismic and volcanic activity on the Reykjanes peninsula. The change between years is mainly from loans past due and the aforementioned natural disaster, in addition to a credit release from the reversal of a collective provision for Covid-19.

The Bank's operating income in 2023 was ISK 73.8 billion (2022: ISK 53.3 billion).

Operating expenses were ISK 28.2 billion in 2023 (2022: ISK 25.9 billion). Of that amount, salaries and related expenses were ISK 15.9 billion (2022: ISK 14.5 billion). Other operating expenses were ISK 10.1 billion in 2023 (2022: ISK 9.3 billion).

Pre-tax profit in 2023 amounted to ISK 45.6 billion (2022: ISK 27.4 billion). Imputed taxes, including a special tax on the total liabilities of financial undertakings and a special financial management tax on wages, amount to ISK 15.5 billion in 2023 (2022: ISK 13.2 billion).

The cost/income ratio in 2023 was 33.7% (2022: 46.8%)

Total assets grew by ISK 173.8 billion between years and amounted to ISK 1,961 billion at year-end 2023. Lending increased by 5.6% between years, or by ISK 86.5 billion. At year-end 2023, deposits from customers amounted to ISK 1,048.5 billion (2022: ISK 967.9 billion) up by ISK 80.7 billion.

Equity at year-end 2023 amounted to ISK 303.8 billion (2022: ISK 279.1 billion). In 2023, Landsbankinn paid ISK 8.5 bn in dividends to shareholders. The Bank's CAR at year-end 2023 was 23.6% (2022: 24.7%). The Financial Supervisory Authority of the Central Bank of Iceland (FSA) sets Landsbankinn's total capital requirement at 20.2%.

The Board of Directors of Landsbankinn intends to propose to the AGM, scheduled to be held on 20 March 2024, that shareholders be paid a dividend amounting to ISK 0.70 per share for the year 2023, a total amount of ISK 16.5 billion. The dividend is equivalent to 50% of the Group's 2023 profit. Should this proposal be approved, dividend paid by Landsbankinn in 2013-2024 will amount to ISK 191.7 billion.

Lilja Björk Einarsdóttir, CEO of Landsbankinn:

"Landsbankinn delivered robust results in 2023. The Bank is well funded, its cost-income ratio is low by international standards and its dividend capacity is strong. All aspects of the Bank's operation returned good results and return on equity was 11.6%, higher than the Bank's long-term profitability target. Higher returns on liquid assets, a turnaround in the stock market, lending growth and altered balance sheet composition are the main drivers of increased profit between years. It is good to see that the household interest margin remains stable despite high interest rate levels.

Several years of sound operation and a dynamic strategy that focuses on simplifying life for customers has changed the Bank. We are exceedingly proud to top the Icelandic Performance Satisfaction Index in the banking market for the fifth year in a row. Our customer base continues to grow and our market share in the retail market now measures 40.5%, higher than ever.

Landsbankinn's app and other digital solutions are very popular. Our customers also appreciate being able to get advice and assistance in our 35 branches and outlets throughout Iceland, in addition to access to our extremely capable Customer Service Centre. We have involved employees in rural Iceland in consultations and other service provided over the phone, email and remote meetings; service that doesn't depend on physical location. This bolsters our operation in all parts of the country, allows us to mitigate pressure and boost service. In 2023, branches in rural Iceland handled 80% of all advisory service in remote meetings and 70% of phone consultations.

Landsbankinn has provided firm support for the people of Grindavík in the uncertainty that continues about seismic and volcanic activity. Our trusted network of fantastic advisors certainly proved their mettle when the Bank contacted all Grindavík customers who have mortgages with the Bank and helped them take advantage of the payment deferral and cancellation of interest and indexation.

The Bank is strongly placed in the corporate market and leading in many sectors, such as seafood and fisheries, and in construction. Around 3,600 apartments currently under construction are financed by the Bank which corresponds to around half of all current construction projects. Landsbankinn Corporate Finance had a very good year and the Bank's Acquiring Service has been extremely well received since the service was launched in 2023. We will continue to grow Landsbankinn's service platform and diversify income sources.

The Bank is a leader in open banking as provided for in PSD2, legislation that is intended to support competition in the financial market. Customers reap the benefit of this technological lead, including in Landsbankinn's app, which now includes features that no other banking app has. This development will continue and we will soon launch new features that will simplify borrowing and refinancing of housing mortgages even simpler.

Successful bond issuance in 2023 is a testament to confidence in the Bank in both domestic and international credit markets. The Bank's most recent green issuance, which was oversubscribed five times over, was extremely successful and, as a result, now almost 50% of the Bank's international funding is green.

Economic uncertainty has certainly not lessened in recent months. We all feel the effect of persistent inflation and high interest rates which are increasingly hampering business activities. With that in mind, it is positive to see that even despite more stringent demands made of financial undertakings, the cost of banking service has not increased. To the contrary - concerted efforts spanning several years to achieve simpler and more efficient operations has resulted in one of the lowest cost-income ratios in banking anywhere in the world. This has contributed to a lower interest margin for households. It should also be noted that the Bank's growing balance sheet allows us to offer the country's largest companies competitive terms and services. In so doing we contribute to a flourishing domestic economy and continued value creation that forms the foundation for welfare in Iceland. Landsbankinn's purpose is to ensure trusted banking for the future and we intend to continue to be a leader in Icelandic banking service."

Key figures from the profit and loss account for Q4 2023

- Landsbankinn's profit in Q4 2023 amounted to ISK 10.8 billion, compared with ISK 5.7 billion in the same quarter of 2022.
- Return on equity (ROE) was 14.5% in Q4 2023, compared with 8.2% in the same period the previous year.
- Net interest income in the quarter amounted to ISK 14.8 billion, compared with ISK 12.9 billion in Q4 of 2022.
- Net impairment charges were ISK 1.3 billion in Q4 2023; were ISK 0.2 billion in Q4 2022.
- Net fee and commission income was ISK 3.1 billion, compared with ISK 2.7 billion in Q4 2022.
- Net interest margin as a ratio of total assets was 3.0% in Q4 2023, compared with 2.9% in the same period the previous year.
- Salaries and related expenses amounted to ISK 4.3 billion in Q4 2023, compared with ISK 4.0 billion in Q4 2022.
- Operating expenses less salaries and related expenses amounted to ISK 3.0 billion in Q4 2023, compared with ISK 2.6 billion for the same period in 2022.
- The cost-income ratio for Q4 of 2023 was 31.6%, as compared with 42.0% for the same period the previous year.

Key figures from the profit and loss account and balance sheet for 2023

Operations:

- Landsbankinn's profit in 2023 was ISK 33.2 billion after taxes, compared with ISK 17.0 billion in 2022.
- Return on equity (ROE) after-taxes was 11.6% as compared with a ROE of 6.3% in 2022.
- Landsbankinn's net fee and commission income was ISK 57.6 billion in 2023, as compared with ISK 46.5 billion in 2022.
- The net interest margin as a ratio of total assets was 3.0% in 2023, compared with 2.7% in 2022.
- Landsbankinn's net fee and commission income was ISK 11.2 billion in 2023, as compared with ISK 10.6 billion in 2022.
- Other operating income was positive by ISK 5.1 billion; was negative by ISK 3.8 billion in 2022. Net credit impairment was ISK 3.1 billion in 2023, compared with a net credit release of ISK 2.5 billion in 2022.
- Wages and related expenses amounted to ISK 15.9 bn in 2023, as compared with ISK 14.5 billion the previous year.
- Operating costs less wages and related expenses amounted to ISK 12.4 billion, as compared to ISK 11.4 billion in 2022.
- The cost-income ratio was 33.7% in 2023, compared with 46.8% in 2022.
- Income tax paid in 2023 was ISK 12.4 billion, as compared to ISK 10.4 billion in 2022.
- The average number of full-time equivalent positions were 849 and were 843 in 2022. Full-time equivalent positions at year-end 2023 were 817.

Balance sheet:

- Equity at year-end 2023 was ISK 303.8 billion, an increase of ISK 24.7 billion as compared with equity at year-end 2022.
- In 2023, Landsbankinn paid ISK 8.5 billion in dividends to shareholders.
- The Bank's total capital ratio at year-end 2023 was 23.6% as compared with 24.7% at the end of 2022. This is well above the 20.2% minimum requirement of the Financial Supervisory Authority of the Central Bank of Iceland.
- The Bank's total assets amounted to ISK 1,961 billion at year-end 2023, an increase of just over 9.7% between years.
- Lending increased by 5.6% between years, or by just over ISK 86.5 billion. Lending to individuals grew by ISK 29 billion and lending to corporates by ISK 63 billion, with currency changes in the amount of ISK 5.5 billion bringing the total increase to ISK 58 billion.
- Customer deposits increased by 8.3% in 2023, or by ISK 80.7 billion. Deposits from Financial Institutions amounted to ISK 30.0 billion at year-end 2023.
- The Bank closely monitors and manages its liquidity risk, both overall, and in both FX and ISK. The Bank's liquidity coverage ratio (LCR) was 181% at year-end 2023 as compared with 134% at year-end 2022.
- In 2023, the item assets held for sale decreased by ISK 353 million.
- Total defaults by companies and households were 0.3% of lending at year-end 2023 compared with 0.2% at year-end 2022. .

	2023	2022	Q4 2023	Q4 2022
Amounts in ISKm				
Profit after taxes	33.167	16.997	10.784	5.677
Return on equity after taxes	11,6%	6,3%	14,5%	8,2%
Interest spread as a ratio of average total assets	3,0%	2,7%	3,0%	2,9%
Cost-income ratio	33,7%	46,8%	31,6%	42,0%
	31.12.2023	31.12.2022		
Total assets	1.960.776	1.787.024		
Loans and advances to customers	1.630.894	1.544.360		
Deposits from customers	1.048.537	967.863		
Total equity	303.754	279.091		
Total capital ratio	23,6%	24,7%		
Net stable funding ratio NSFR FX	145%	132%		
Liquidity ratio LCR total	181%	134%		
Liquidity LCR FX	1499%	351%		
Arrears > 90 days	0,3%	0,2%		
Average number of full-time eqv. positions	849	843		
Full time eqv. positions	817	813		

* Cost/income ratio = Total operating expenses / (Net operating revenue - value change of lending).

Other operating highlights in 2023

- Landsbankinn topped the Icelandic Performance Satisfaction Index for banking customers in 2023, the fifth year running.
- Market share in the retail market measured 40.5% at year-end 2023, according to the Bank's data, and has never been higher. Active retail customers of the Bank increased in number by 5,500 in the year. The Bank has held the largest share of the retail market for 10 consecutive years.
- The outlook of the Bank's credit rating was revised from stable to positive and the credit rating of its covered bonds rose from A to A+.
- Around 150,000 people used Landsbankinn's app in 2023, an 35.6% increase between years.
- In 2023, Landsbankinn's customers used 608 million Aukakrónur with over 200 programme partners - a new record.
- Corporate customers grew by 18% between years, more than in any other year.
- In 2023, Landsbankinn paid ISK 8.5 billion in dividends to owners.
- We concluded loan agreements with the Nordic Investment Bank in the total amount of USD 115 million in 2023. We issued European Covered Bonds (Premium) in the amount of EUR 300 million and issued 3.5Y green bonds in the amount of EUR 300 million in the Bank's third EUR-denominated bond issuance. We also issued an ISK 12 billion subordinated bond.

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- Among the new solutions we introduced in 2023 was that users can now link to other banks and transfer from their accounts there through Landsbankinn's app. We bolstered security in sign on and online payments, and made it exceedingly simple to allow joint view on bank accounts and payment card information. Towards the end of the year, we offered electronic public registration of pledge documents, the first to do so in Iceland.
 - Sustainalytics' ESG risk rating considers the Bank at negligible risk of experiencing material financial impacts from ESG factors. The Bank was rated 8.5 and is among the top 1% of European banks assessed by Sustainalytics. Landsbankinn also received an excellent score in Reitun's newest ESG risk rating, or 90 out of 100 in class A3.
 - We allocated ISK 167 million in various grants and collaborations with such partners as Skólahreysti (Fit for School), the Football Association of Iceland (KSÍ), DesignMarch, Reykjavík Pride, Reykjavík Culture Night and sports and charitable organisations around Iceland. We offered scholarships to outstanding students and allocated community and sustainability grants.
 - Corporate Finance worked on many successful projects, acting as advisor in the PO of Alvotech, the transfer of Amaroq to the Nasdaq Iceland Main Market and the share capital increase of First Water.
 - We launched merchant acquiring services which have been very well received.
 - We hosted a number of educational forums and meetings on finance and cybersecurity and published diverse material to our website and social media.
 - We moved the Bank's operation from 14 buildings in Kvosin and Borgartún to new headquarters at Reykjastræti 6. We closed our branch at Austurstræti 11, where the Bank initially began operation in 1989. We also closed our branch at Hagatorg in Reykjavík but opened a new branch in Reykjastræti 6 and the Bank now operates in Blönduós for the first time.
 - In 2023, we shortened opening hours in eight of our branches in response to fewer physical visits. Alongside these developments, we have enabled employees around the country to offer services regardless of their physical location or the location of customers - through remote meetings, over the phone and email.

Landsbankinn's financial calendar

- Annual General Meeting, 20 March 2024
- Q1 2024 results 2 May 2024
- Q2 2024 results 18 July 2024
- Q3 2024 results 23 October 2024
- 2024 results 6 February 2025