



Financial results of Landsbankinn for the first nine months of 2024

Press release, 23 October 2024

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- Landsbankinn's after-tax profit in the first nine months of 2024 amounted to ISK 26.9 billion, ISK 10.8 billion thereof in the third quarter.
- Return on equity (ROE) was 11.7%, compared with 10.5% for the same period the previous year.
- The net interest margin was 2.9% and the net interest margin of domestic households rises from 2% to 2.1% due to higher reserve requirements.
- Net interest income amounted to ISK 44.1 billion and net fee & commission income was ISK 8.1 billion.
- Net impairments were negative by ISK 2.0 billion, largely attributable to uncertainty about the financial impact of natural disaster on the Reykjanes peninsula.
- The cost-income ratio was 32.3%, compared with 34.6% in the same period of 2023.
- The total capital ratio was 24.1% at the end of the period. The total capital requirement of the Financial Supervisory Authority (FSA) of the Central Bank of Iceland is 20.4%.
- In September, the FSA published the results of its assessment, finding that Landsbankinn is eligible to control a qualifying holding in TM tryggingar hf. (TM). The conclusion of the Icelandic Competition Authority in the same case is pending.

Lilja Björk Einarsdóttir, CEO of Landsbankinn:

"These results reflect sound operation and growing activity. The Bank is advancing in all areas and fee and commission income is robust in line with our focus on adding services and growing our market share. On-going development of Landsbankinn's app and new features are clearly translating into increased use, not least among young customers. We see this in pension savings, for example, where growth in supplementary pension agreements with young people has reached 17.3% since the feature was added to the app.

While use of our digital solutions continues to grow, customers are still active in visiting the Bank to seek advice and other services offered in our branches and Customer Service Centre. We operate 35 branches and outlets around Iceland and are always happy to see our customers - in the past quarter, around 85,000 visits were logged with cashiers and advisors. We emphasise initiative in our customer relations and mortgage holders with the Bank, whose mortgages were nearing the end of a fixed-rate term, received a call from the Bank and a consultation offer.

In recent years, higher interest rates have resulted in good returns on the Bank's liquid assets yet also made funding more costly, especially with higher deposit rates which customers enjoy in the form of improved return on their savings. As an example, the most favourable deposit rates the Bank currently offers corporates are 8.65% on an annualised basis. The Bank's net interest margin has narrowed since the previous quarter and the interest margin of households, which is the difference between non-indexed mortgage rates and interest on non-fixed term savings, is currently 2.1%.

Robust lending growth this year to date has been somewhat surprising in light of high interest rate levels but funding to meet this increase has been successful, and delinquencies remain low. The Bank's loan book has grown by ISK 155 billion, or 9.5%. Of the total, loans to retail customers represent ISK 53.6 billion, almost all in the form of mortgages. Because of increased demand for inflation-indexed mortgages and higher funding terms on indexed bonds, we have changed the availability of indexed mortgages to, among other things, reduce demand. We continue to offer the best terms among the domestic banks but now only offer equal payment mortgages to first-time buyers. While monthly payments will be higher for those who select indexed loans, asset formation will also be quicker. This allowed us to keep interest rate hikes moderate and we are of the opinion that this change is more positive for the majority of our customers.

A recent green issuance in the amount of EUR 300 million was very successful, achieving the most favourable terms any Icelandic bank has gotten in quite some while. Part of the proceeds from the issuance will be allocated to repay older bonds issued at even more favourable terms so that the net impact is slightly higher funding cost for the Bank.

We await the conclusion of the Icelandic Competition Authority in the matter of the Bank's purchase of TM. In the interim, there are rules that limit communication between the companies. If the conclusion is positive, the Bank will finalise the purchase without delay and the project can get off to a full start. With the Bank's purchase of TM, our aim is to offer customers even better and varied service through all our service channels."

Key figures from the income statement and balance sheet for Q3 2024

Profit and loss:

- After-tax profit in Q3 of 2024 was ISK 10.8 billion, compared with ISK 7.9 billion for the same period of 2023.
- Return on equity (ROE) was 14.0% in Q3 2024, compared with 10.9% for the same period the previous year.
- Net interest income amounted to ISK 15.0 billion compared to ISK 15.2 billion in Q3 2023.
- Net fee & commission income was ISK 2.7 billion, compared with ISK 2.3 billion in Q3 2023.
- Net impairments were positive by ISK 1.4 million in Q3 2024.
- The Bank is assessing the option of initiating an open sale process involving its 47.9% holding in Greiðslumiðlun Íslands ehf., whose asset portfolio includes subsidiary Motus.

Balance sheet:

- Lending increased by 9.5% in the first nine months of the year, or by ISK 154.6 billion. Lending to retail customers increased by ISK 53.6 billion. Corporate lending increased by ISK 101 billion, including an ISK 0.5 billion positive exchange rate impact.
- Deposits grew by 16.2% from the beginning of the year, or by ISK 169.9 billion. The balance on savings accounts in the app grew by 62.6%.
- The majority of customers in Grindavík who hold mortgages with the Bank, have elected to sell to real estate company Fasteignafélagið Thórkatla. While the transactions between these parties have not been fully settled at the end of Q3, the mortgages of 464 of the Bank's retail customers had been paid off and Thórkatla had been extended credit in the amount of ISK 12.4 billion.
- 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 263% at the end of Q3 2024, compared with 238% at the end of Q3 2023.

KPIs of the Group

OPERATIONS	9M 2024	9M 2023	Change	Change%	Q3 2024	Q3 2023	Change	Change%
Amounts are in ISK million								
Profit for the period	26,908	22,383	4,525	20.2%	10,787	7,910	2,877	36.4%
Net interest income	44,090	42,776	1,314	3.1%	14,955	15,241	(286)	(1.9%)
Net fee and commission income	8,068	8,087	(19)	(0.2%)	2,690	2,336	354	15.2%
Net other operating income (expenses)	6,445	1,150	5,295	460.4%	3,571	(41)	3,612	
Total operating income	58,603	52,013	6,590	12.7%	21,216	17,536	3,680	21.0%
Salaries and related expenses	(12,005)	(11,534)	(471)	4.1%	(3,582)	(3,221)	(361)	11.2%
Other operating expenses	(7,569)	(7,113)	(456)	6.4%	(2,492)	(2,388)	(104)	4.4%
Total operating expenses	(21,529)	(20,410)	(1,119)	5.5%	(6,793)	(6,252)	(541)	8.7%

BALANCE SHEET	30.9.2024	31.12.2023	Change	Change%
Total assets	2,185,796	1,960,776	225,020	11.5%
Loans and advances to customers	1,785,470	1,630,894	154,576	9.5%
Deposits from customers	1,218,394	1,048,537	169,857	16.2%
Equity	314,049	303,754	10,295	3.4%

KEY FIGURES AND RATIOS	9M 2024	9M 2023	Q3 2024	Q3 2023
Return on equity after taxes	11.7%	10.5%	14.0%	10.9%
Interest spread as ratio of average total assets	2.9%	3.0%	2.8%	3.1%
Operating expenses as a ratio of average total assets	1.3%	1.3%	1.1%	1.2%
Cost/income ratio*	32.3%	34.6%	30.7%	31.5%

	30.9.2024	30.6.2024	31.3.2024	31.12.2023	31.12.2022
Total capital ratio	24.1%	24.4%	24.9%	23.6%	24.7%
Net stable funding ratio FX (NSFR)	136%	138%	157%	145%	132%
Liquidity coverage ratio total (LCR)	263%	177%	272%	181%	134%
LCR EUR (was LCR FX up to and including 2022)	666%	447%	947%	1.499%	351%
Loans in arrears (>90 days)	0.6%	0.5%	0.7%	0.3%	0.2%
Average number of full-time positions	807	824	824	849	843
Full-time equivalent positions	813	824	826	817	813

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

Landsbankinn's financial calendar

- Annual results 2024 30 January 2025
- Annual General Meeting 19 March 2025
- Q1 2025 30 April 2025
- Q2 2025 17 July 2025
- Q3 2025 23 October 2025
- Annual results 2025 29 January 2026