



Landsbankinn's 2022 results

News Release, 2 February 2023

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Financial results of Landsbankinn for 2022

- Landsbankinn's net profit in 2022 was ISK 17.0 billion.
- There was good growth in loans to corporates, ISK 92.0 billion or the equivalent of 10%, having regard for currency changes.
- Mortgage loans grew by 59.0 billion with demand decreasing in the fourth quarter.
- ROE in the fourth quarter of 2022 was 8.2%, compared with 10.5% ROE in the same quarter of 2021.
- ROE in 2022 was 6.3%, despite solid core earnings. The negative impact reducing profitability was mainly a decrease in the fair value of the Bank's holding in Eyrir Invest hf. The Bank's target ROE is 10% at a minimum.
- Operating expenses are stable.
- Landsbankinn topped the Icelandic Performance Satisfaction Index for banking customers the fourth year in a row. The Bank's market share in the retail market has never been higher and measures over 40% for the first time.
- Loans in arrears are at a historic low and loans in arrears were 0.2% at the turn of the year.
- In 2022, the Bank paid a dividend of ISK 20.5 billion and ISK 14.1 billion in taxes.
- The Board of Directors intends to propose to the Annual General Meeting scheduled to be held on 23 March 2023 that the Bank pay a regular dividend of ISK 8.5 billion to shareholders for the 2022 operating year.
- Today, the Bank publishes detailed sustainability information, a GRI Standards index along with an appendix and PRB report and discloses calculations of its carbon footprint in 2021 based on the methodology of the Principles for Carbon Accounting Financials (PCAF). The reports, as well as PCAF data, are reviewed in part or fully by Deloitte.
- Calculations of emissions from the Bank's credit portfolio using the PCAF methodology have been completed for 2021 and were 280 kilotons of CO₂ equivalents. Emissions from the Bank's own operation measured just under 1 kilotons of CO₂ equivalents in 2022.
- The Pillar III risk report for 2022 is published alongside the annual financial statements.
- Landsbankinn's Annual & Sustainability Report will be published 16 February 2023.

The net profit of Landsbankinn in 2022 was ISK 17.0 billion (2021: ISK 28.9 billion). After-tax return on equity for 2022 was 6.3% (2021: 10.8%).

Net interest income amounted to ISK 46.5 billion in 2022 (2021: ISK 39.0 billion). The net interest margin was 2.7% in 2022 (2021: 2.3%). Landsbankinn's net fee and commission income was ISK 10.6 billion in 2022 (2021: ISK 9.5 billion). Other operating income was negative by ISK 3.8 billion but was positive by ISK 13.9 billion in 2021. Net loss on financial assets and liabilities at fair value was ISK 7,963 million (2021: ISK 5,980 million net gain). A decrease in the fair value of an unlisted shareholding in Eyrir Invest hf., amounting to ISK 10,500 million in 2022 (2021: ISK 2,076 million increase) weights heaviest. Net release of credit impairment was ISK 2.5 billion in 2022 (2021: ISK 7.0 billion).

The Bank's operating income for 2022 amounted to ISK 53.3 billion (2021: ISK 62.3 billion).

Operating expenses were ISK 25.9 billion in 2022, unchanged from the previous year. Salaries and related expenses amounted to ISK 14.5 billion thereof (2021: ISK 14.8 billion). Other operating expenses were ISK 9.3 billion in 2022 (2021: ISK 9.1 billion).

Net profit in 2022 amounted to ISK 27.4 billion (2021: ISK 36.5 billion). Imputed taxes, including a special bank tax and a financial activity tax on salaries, amount to ISK 13.2 billion in 2022 (2021: ISK 10.3 billion).

The cost/income ratio in 2022 was 46.8% (2021: 43.2%).

Landsbankinn's total assets grew by ISK 57.2 billion between years and amounted to ISK 1,787 billion at year-end 2022. Loans to customers increased by 11.3% between years, or by just over ISK 156.9 billion. At year-end 2022, deposits from customers amounted to ISK 967.9 billion (2021: ISK 900.1 billion) increasing by ISK 67.8 billion.

Total equity at year-end 2022 was ISK 279.1 billion (2021: ISK 282.6 billion). In 2022, Landsbankinn paid ISK 14.4 billion in dividends to shareholders, in addition to a special dividend of ISK 6.1 billion. The total capital ratio at year-end 2022 was 24.7% (2021: 26.6%). The Financial Supervisory Authority of the Central Bank of Iceland (FSA) sets Landsbankinn's total capital requirement at 20.7%.

The Board of Directors of Landsbankinn will propose to the AGM on 23 March 2023 that shareholders be paid a dividend amounting to ISK 0.36 per share for the year 2022, a total amount of ISK 8.5 billion. The dividend is equivalent to 50% of the Group's 2022 profit. Should this proposal be approved, dividend paid by Landsbankinn in 2013-2023 will amount to ISK 175.2 billion.

Lilja Björk Einarsdóttir, CEO of Landsbankinn:

"While we achieved good results from core operations in a challenging year, a drop in the value of equity holdings had a negative impact on performance. It was good to see an increase in lending to corporates, with new mortgage lending ticking over nicely yet slowing down somewhat in the latter part of the year. The Bank's customers continued to grow in number, income from the Bank's varied activities increased and operating expenses remained stable. Deposit growth was considerable and the Bank's success in funding in 2021 allowed us to sit tight and weather the worst fluctuations on capital markets in 2022.

Topping the Icelandic Performance Satisfaction Index in the banking market for the fourth year in a row was a huge recognition. It wasn't the only success we achieved in simplifying life for our customers. Our Save in the App function was a complete success. The solution is simple and offers the exciting possibility of saving up to a common goal together, in addition to carrying our best rates for unrestricted savings. Savings in the app increased 35fold which goes to show that the app is both an important sales channel for new products and services, and that our customers appreciate new and exciting solutions. Other successes include electronic registration of mortgage documents, Aukakrónur on mobiles and much safer customer authentication during login and payment verification in online banking and the app. Use of the app increased greatly, especially on the corporate side, as everything is simpler and more convenient in Landsbankinn's app.

Around 6,000 individuals joined our group of satisfied customers in 2022 and our market share in the retail market now measures 40.1%, higher than ever. Our corporate customer base grew by 2,000 entities during the same time. Our focus on simplifying use of our services and improving the app's functionality for corporates has been very positively received. We are not done, not by far, and look forward to presenting even more new features for corporate customers, including the acquiring service that we're launching these days.

Landsbankinn leads in lending to corporates and holds around 40% of the market share. It is pleasing to see that the corporate loan book is growing across all sectors, with lending increasing by ISK 92 billion, or by ISK 80 billion with 10% growth, having regard for currency fluctuations. We were a strong lender to construction projects in 2022 despite total lending growth to the sector not showing a concomi-

tant increase due to the rapid sale of assets and rapid repayment. According to our books, we financed around 4,300 apartments built as part of 142 construction projects in 2022. We have supported residential housing development handsomely, lending on average ISK 36 billion to construction projects each year.

We achieved good results in other aspects of corporate banking, not least in FX sales and liquidity management. The Bank's Corporate Finance department completed several successful projects during the year. The result of hard work over the span of several years allowed the Bank's subsidiary, Landsbréf, to achieve continued growth in core income. The subsidiary has achieved good results and its operation was successful, resulting in an ISK 3 billion dividend payment to the Bank in 2022.

Vigorous corporate service, successful mutual fund development and increased activity in asset management play a large part in the 12% increase in the Bank's fee and commission income in 2022.

Landsbankinn has in recent years continued to invest in its technological infrastructure which, while not readily apparent to customers, results in numerous new features, better security and stability. We are as before strongly focused on cyber security. Sadly, attempts at cyberfraud have been rampant both online and through text messages recently. Sharing knowledge and open discussion is the best defence and the Bank's employees have shared their knowledge on cyber security actively through both written articles and presentations to individuals and businesses alike, most recently hosting senior citizens this week in Akureyri to good acclaim.

The Bank has a significant positive impact on society. We are one of the largest sponsors in Iceland, supporting around 250 individuals, associations and projects in 2022 through various means. Every year, we publish numerous articles on the economy and varied financial information, and in doing so, encourage and promote knowledge about finances and economic affairs. The web publications of Landsbankinn Economic Research, Vikubyrjun and Hagsjá, are a staple of all discussion about the economy. The Bank's dividend and tax contributions also make a difference, with ISK 20.5 billion paid in dividends and ISK 14.1 billion paid in tax in 2022, over ISK 34.6 billion in total.

It has been good to welcome the Bank's employees back to the workplace post-pandemic. At the same time, our new policy on remote work, setting clear guidelines and providing opportunities to work from different locations, has been very well received. We also wanted to support our younger employees by raising payments while on parental leave to 80% of wages. We want the Bank's employees to be proud of Landsbankinn and to recommend the workplace to others. This is one of the Bank's key goals.

The Bank's employees are energized and we have a positive outlook. Robust service to corporates and institutional investors plus our highest share in the retail market yet - there are opportunities for further advancement. We counter competition with good access to experienced employees, a great app and fair terms. That's Landsbankinn, an ever-smarter bank."

Key figures from the profit and loss account for Q4 2022

- Landsbankinn's profit net in Q4 of 2022 amounted to ISK 5.7 billion, compared with ISK 7.3 billion in the same quarter of 2021.
- Return on equity was 8.2% in Q4 of 2022 after taxes, compared with 10.5% in the same quarter of 2021.
- Net interest income in the quarter was ISK 12.9 billion and was ISK 10.4 billion in Q4 of 2021.
- There was credit impairment in the amount of ISK 0,2 billion in Q4 of 2022, compared with a net release of ISK 3.2 billion in Q4 2021.
- Net fee and commission income was ISK 2.7 billion, compared with ISK 2.6 billion in Q4 2021.
- The net interest margin was 2.9% in Q4 2022; was 2.4% in Q4 of 2021.
- Salaries and related expenses amounted to ISK 4.0 billion in Q4 2022, unchanged from Q4 2021.

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- Operating expenses less salaries and related expenses amounted to ISK 2.6 billion in Q4 2022, compared with ISK 2.4 billion in Q4 2021.
 - The cost/income ratio in Q4 2022 was 42.0%, compared with 47.6% in the same quarter the previous year.

Key figures from the income statement and balance sheet for 2022

Operations:

- Net profit of Landsbankinn in 2022 was ISK 17.0 billion, compared with ISK 28.9 billion in 2021.
- Return on equity was 6.3% after taxes, compared with 10.8% the previous year.
- Net interest income amounted to ISK 46.5 billion in 2022, compared with ISK 39.0 billion in 2021.
- The net interest margin was 2.7% in 2022 and 2.3% in 2021.
- Landsbankinn's net fee and commission income was ISK 10.6 billion in 2022, compared with ISK 9.5 billion in 2021.
- Other operating income was negative by ISK 3.8 billion, compared with a positive amount of ISK 13.9 billion in 2021. Net release of credit impairment was ISK 2.5 billion in 2022, compared with ISK 7.0 billion in 2021. This change reflects the improved economic outlook in Iceland and lower than expected economic impact from the pandemic on the Bank's loan book.
- Salaries and related expenses amounted to ISK 14.5 billion in 2022, compared with ISK 14.8 the previous year.
- Operating expenses less salaries and related expenses amounted to ISK 11.4 billion, compared with ISK 11.1 billion in 2021.
- The cost/income ratio was 46.8% in 2022, compared with 43.2% in 2021.
- Income tax paid by Landsbankinn in 2022 amounted to ISK 10.4 billion, compared with ISK 7.5 billion in 2021.
- Average number of full-time employees was 843 in 2022, 891 in 2021. Full-time equivalent positions were 813 at year-end 2022.

Balance sheet:

- Landsbankinn's total equity at year-end 2022 was ISK 279.1 billion, a decrease of ISK 3.6 billion compared with equity at year-end 2021.
- In 2022, Landsbankinn paid a dividend of ISK 14.5 billion to shareholders, plus a special dividend in the amount of ISK 6.1 billion.
- The Bank's total capital ratio at year-end 2022 was 24.7% compared with 26.6% at the end of 2021. This is well above the 20.7% minimum requirement of the Financial Supervisory Authority of the Central Bank of Iceland.
- The Bank's total assets amounted to ISK 1,787 billion at year-end 2022, an increase of just over 3.3% between years.
- Loans to customers increased by 11.3% between years, or by ISK 156.9 billion. Lending to individuals grew by ISK 64.7 billion and lending to corporates by ISK 92.0 billion, with currency changes accounting for ISK 12.3 billion thereof.

- Deposits from customers grew by 7.5% in 2022, or by ISK 67.8 billion. Deposits from financial institutions amounted to ISK 6.6 billion at year-end 2022.
- 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 134% at year-end 2022 as compared with 179% at year-end 2021.
- In 2022, the item assets held for sale decreased by ISK 397 million.
- Loans in arrears by corporates and households were 0.2% of loans to customers at year-end 2022 compared with 0.3% at year-end 2021.

	2022	2021	Q4 2022	Q4 2021
Fjárhæðir í milljónum króna				
Net profit	16,997	28,919	5,677	7,322
After-tax ROE	6.3%	10.8%	8.2%	10.5%
Net interest margin	2.7%	2.3%	2.9%	2.4%
Cost/income ratio*	46.8%	43.2%	42%	47.6%
	31.12.2022	31.12.2021		
Total assets	1,787,024	1,729,798		
Loans to customers	1,544,360	1,387,463		
Deposits from customers	967,863	900,098		
Total equity	279,091	282,645		
Total capital ratio	24.7%	26.6%		
Net stable funding ratio for foreign currency (NSFR FX)	132%	142%		
Total LCR	134%	179%		
LCR FX	351%	556%		
Loans in arrears (>90 days)	0.2%	0.3%		
Average number of full-time employees	843	890		
Full-time equivalent positions	813	816		

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

Other operating highlights in 2022

- Landsbankinn was ranked highest by banking customers in the Icelandic Performance Satisfaction Index 2022, for the fourth year running.
- The Bank's market share in the retail market was 40.1% at year-end 2022, according to the Bank's data, and has never been higher. Active retail customers of the Bank increased in number by 6,000 in the year. The Bank has held the largest share of the retail market since 2014.
- Visits to Landsbankinn's app increased by 35% in the year and now sees more use than online banking for individuals.
- Pension agreements increased by 7% during the year.

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- Corporate use of the app grew by 168% following changes to its functionality.
 - Just under 2,000 new corporate customers joined Landsbankinn in 2022. Market share in the corporate banking market measured 33.1% according to the Bank's data, with other measurements showing an even higher share. As before, the Bank holds around 40% of corporate lending.
 - Landsbankinn Corporate Finance completed several successful projects in 2022, including coordination of the share capital increase and listing of biosimilars company Alvotech, acting as advisor in the sale of Míla from Síminn to Ardian in one of the largest international investments domestically in recent years, and coordinated several successful sale processes.
 - In December, it was announced that Landsbankinn would sponsor Hönnunarmars for the next three years.
 - Landsbankinn joined the Partnership for Biodiversity Accounting Financials (PBAF), an organisation that is developing a standard to enable financial institutions to assess and disclose impact and dependencies on biodiversity.
 - In December, Landsbankinn Economic Research published an in-depth analysis of domestic trade and services.
 - In November, it was announced that investment firm Kaldbakur had purchased Landsbankinn's building in Akureyri.
 - According to the economic forecast of Economic Research for the years up to 2025, robust economic growth is expected while purchasing power will lag behind.
 - Landsbankinn decided to ensure payment of 80% of wages to personnel on parental leave.
 - An agreement was signed in September, providing for the purchase by the Icelandic State of the North Wing of Landsbankinn's new headquarters.
 - In July, allocations were made from Landsbankinn's and the City of Reykjavík's Culture Night Fund and from the Pride Parade Fund of Reykjavík Pride and Landsbankinn.
 - We now allow third party service providers to display information about our customers' payment accounts in their own solutions.
 - 18 companies have now received Landsbankinn's Sustainable Financing Label, 15 thereof in 2022. The Label is awarded to corporates who meet the sustainability criteria in the Bank's Sustainable Finance Framework and fulfil strict ESG requirements.
 - We adopted new remote work guidelines, setting out the general criteria that employees can work from home eight days each month yet no more than two consecutive days. Longer consecutive time working from home can be applied for, such as in the case of moving or for personal reasons.
 - We made changes to the login process for online banking and the app that require strong customer authentication.
 - In August, the Bank issued 2 and 3-year bonds in NOK, in the total amount of NOK 650 million.
 - Six projects were awarded grants from Landsbankinn's Sustainability Fund at initial allocation in June. We also awarded scholarships to 15 exceptional students from our Community Fund and grants to 32 projects that are of communal importance.
 - Landsbankinn concluded an agreement with Occupational Health Service providing for health and welfare service to the Bank's employees.
 - According to an updated ESG risk rating from Sustainalytics, Landsbankinn is considered at negligible risk of experiencing material financial impacts from environmental, social and governance factors (ESG).

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- International rating agency S&P Global Ratings announced in May that it had upgraded the credit rating for covered bonds issued by Landsbankinn to A with stable outlook.
 - In May, Landsbankinn became the first bank to offer electronic registration of documents for refinanced mortgages.
 - In January, the Bank issued 2 and 3 year bonds in the total amount of SEK 1,700 million and a 3-year bond in the amount of NOK 500 million.

Landsbankinn's financial calendar

Annual General Meeting, 23 March 2022

Q1 2023 results 4 May 2023

Q2 2023 results 20 July 2023

Q3 2023 results 26 October 2023

Annual results 2023 1 February 2024