



Financial results of Landsbankinn for the first three months of 2024

News Release, 2 May 2024



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- Landsbankinn's net profit in the first three months of 2024 was ISK 7.2 billion.
- Return on equity (ROE) in the period was 9.3%, compared with 11.1% for the same period the previous year.
- The net interest margin was 2.9%. The net interest margin of domestic households was 2% and remains stable.
- Net interest income amounted to ISK 14.4 billion and net fee and commission income was ISK 2.7 billion.
- Net impairments were negative by ISK 2.7 billion and include an ISK 2.0 billion collective allowance against uncertainty related to natural disaster on the Reykjanes peninsula.
- The cost/income ratio was 33.6%, compared with 33.3% in the first quarter of 2023.
- The total capital ratio was 24.9% at the end of the period. The total capital requirement of the Financial Supervisory Authority of the Central Bank of Iceland is 20.7%.
- In March, Landsbankinn finalised the sale of green bonds in the amount of EUR 300 million, with subscriptions coming in at more than six times the size of the issuance.
- Also in March, the Bank issued two Tier 2 bonds, one non-indexed series in the amount of ISK 3 billion and one inflation-linked series in the amount of ISK 12 billion.
- The Bank's AGM, held on 19 April 2024, agreed to pay a dividend to shareholders in the amount of ISK 16.5 billion, or ISK 0.70 per share, for the operating year 2023. The dividend is equivalent to around 50% of the Group's 2023 profit. As a result, total dividend paid by Landsbankinn in 2013-2024 will amount to ISK 191.7 billion.
- In January, 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.
- In early April, S&P Global Ratings upgraded the Bank's credit rating to BBB+/A-2 with stable outlook.

Lilja Björk Einarsdóttir, CEO of Landsbankinn:

“It is quite a milestone that Landsbankinn’s balance sheet has now exceeded ISK 2,000 billion, doubling in size from its initial balance sheet in 2008. The balance sheet has grown surely and steadily, and in the first quarter of this year, the increase amounts to just under ISK 72 billion. A growing balance sheet enables us to provide even better support for Icelandic industry and society. Strong lending activity is a core function of the Bank’s operation. There has been moderate growth in housing mortgages and more refinancing activity. Corporate lending grew steadily to reach an increase of ISK 30 billion in the quarter.

The Bank’s funding was exceptionally successful in the quarter. We issued subordinated bonds in the amount of ISK 15 billion and EUR 300 million green bonds at favourable terms. In April, we received the enjoyable news that international rating firm S&P Global Ratings had raised the Bank’s credit rating a notch.

Profitability has dwindled slightly but remains close to our long-term target. The main reason for lower profitability is the increased allowance the Bank made in the quarter against seismic and volcanic activity in the Grindavík area. It is important that the Bank has the financial strength to respond to the effect of this natural disaster and that it continues to be able to support its Grindavík customers. We expect profitability to grow again as the year progresses and to hover above the Bank’s target. It is worth noting that the recently raised reserve requirement of the Central Bank of Iceland (CBI) means that Landsbankinn will sit with ISK 40 billion on a non-interest-bearing account with the CBI, a 20% increase from the previous requirement. The cost increase for the Bank comes to ISK 1 billion per year.

The Bank’s results reflect solid and robust operations. We continue to develop exciting and efficient new solutions for customers. Among new solutions in the first quarter is the option to refinance housing mortgages through self-service in Landsbankinn’s app. This has never been possible before in Iceland and the solution is innovative even by international standards. It will certainly simplify life for customers. We introduced our chatbot Ellí in the quarter with immediate success - she currently finalises around half of all customer queries in the web chat on landsbankinn.is. Customers have been very happy with the chatbot service. It has also been gratifying to see that customers regularly use the chat function to leave reviews of the Bank’s service and their interaction with employees. By continuing to develop new solutions, we provide even better service to Landsbankinn’s customers, who are the most satisfied in the banking market.”

Key figures from the income statement and balance sheet for Q1 2024

Operations:

- Net profit in Q1 of 2024 was ISK 7.2 billion, compared with ISK 7.8 billion for the same period of 2023.
- Return on equity (ROE) was 9.3% in Q1 2024, compared with 11.1% for the same period the previous year.
- Net interest income amounted to ISK 14.4 billion compared to ISK 13.1 billion in Q1 2023.
- Net fee and commission income was ISK 2.7 billion, compared with ISK 3.0 billion in Q1 2023.
- Net impairments were negative by ISK 2.7 billion in Q1 2024 and include an ISK 2.0 billion collective allowance against uncertainty related to natural disaster on the Reykjanes peninsula.
- Landsbankinn and Kvika Bank agreed to enter into exclusive negotiations for the purchase by Landsbankinn of TM tryggingar hf. based on a binding purchase offer the Bank made 15 March. The proposed acquisition is contingent on such factors as due diligence and approval by the Icelandic Competition Authority and the Financial Supervisory Authority of the Central Bank of Iceland. The Bank has offered an ISK 28.6 billion purchase price; the final consideration depends on a closing adjustment on the date the Bank assumes operation of the company.

Balance sheet:

- Lending increased by 2% between periods, or by ISK 36.4 billion. Lending to retail customers increased by ISK 6 billion. Corporate lending increased by ISK 30 billion, ISK 1.2 billion of which is a positive exchange rate impact.
- Customer deposits grew by 5% since the beginning of the year and currently total ISK 1,103 billion. Around 40,000 customers have opened savings accounts in the app.
- In the quarter, Landsbankinn along with other banks and pension funds, agreed to participate in the funding of real estate company Fasteignafélagið Þórkatla ehf., established by the State for the purpose of purchasing residential housing in Grindavík and giving individuals the option of selling their properties to the company with pre-emption rights.
- 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 272% at the end of Q1 2024 as compared with 235% at the end of Q1 2023.

Key performance indicators of the Group

OPERATIONS	Q1 2024	Q1 2023	Change	Change%	2023	2022		
Amounts are in ISK million								
Profit for the period	7,156	7,756	(600)	(7.7%)	33,167	16,997		
Net interest income	14,383	13,066	1,317	10.1%	57,559	46,464		
Net fee and commission income	2,736	3,048	(312)	(10.2%)	11,153	10,623		
Net other operating income (expenses)	442	1,206	(764)	(63.3%)	5,136	(3,834)		
Total operating income	17,561	17,320	241	1.4%	73,848	53,253		
Salaries and related expenses	(4,233)	(4,119)	(114)	2.8%	(15,866)	(14,474)		
Other operating expenses	(2,586)	(2,355)	(231)	9.8%	(10,092)	(9,289)		
Total operating expenses	(7,419)	(7,044)	(375)	5.3%	(28,248)	(25,860)		

BALANCE SHEET	31.3.2024	31.3.2023	Change	Change%	31.12.2023	31.12.2022	Change	Change%
Total assets	2,032,436	1,916,993	115,443	6.0%	2,032,436	1,960,776	71,660	3.7%
Loans and advances to customers	1,667,343	1,576,589	90,754	5.8%	1,667,343	1,630,894	36,449	2.2%
Deposits from customers	1,103,350	1,001,580	101,770	10.2%	1,103,350	1,048,537	54,813	5.2%
Equity	310,828	278,343	32,485	11.7%	310,828	303,754	7,074	2.3%

KEY FIGURES AND RATIOS	Q1 2024	Q1 2023			31.12.2023	31.12.2022		
Return on equity after taxes	9.3%	11.1%			11.6%	6.3%		
Interest spread as ratio of average total assets	2.9%	2.8%			3.0%	2.7%		
Operating expenses as a ratio of average total assets	1.4%	1.4%			1.4%	1.4%		
Cost/income ratio*	33.6%	33.3%			33.7%	46.8%		

	31.3.2024	31.3.2023			31.12.2023	31.12.2022		
Total capital ratio	24.9%	25.3%			23.6%	24.7%		
Net stable funding ratio FX (NSFR)	157%	145%			145%	132%		
Liquidity coverage ratio total (LCR)	272%	235%			181%	134%		
LCR EUR (was LCR FX up to and including 2022)	947%	724%			1,499%	351%		
Loans in arrears (>90 days)	0.7%	0.3%			0.3%	0.2%		
Average number of full-time positions	824	826			849	843		
Full-time equivalent positions	826	825			817	813		

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

Landsbankinn's financial calendar

- Q2 2024 results 18 July 2024
- Q3 2024 results 23 October 2024
- Annual results 2024 30 January 2025