



# Landsbankinn's January - June 2023 results

News Release, 20 July 2023

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# Financial results of Landsbankinn in H1 of 2023

- Landsbankinn's profit in the first half of the year amounted to ISK 14.5 billion, ISK 6.7 billion thereof in the second quarter.
- Return on equity (ROE) was 10.3% in H1.
- Net fee and commission income grew by 6.1% between years, reflecting good breadth in the Bank's service platform and a strong market share.
- Net interest income grew by 28.6%, mainly driven by a growing loan book and rising interest levels.
- The interest margin is 2.9%, up by 0.4 percentage points compared with the same period in 2022. Improved return on the Bank's liquid assets positively impacts the interest margin.
- The cost/income ratio was 36.1%.
- Lending to corporates increased by ISK 47.5 billion in H1, not having regard for exchange rate impact, mostly to the construction sector and real estate companies.
- Customer deposits have grown by 5% since the beginning of the year.
- Loans in arrears have not changed and impairment provisions are in line with the Bank's estimates.

The interest margin on average total asset position was 2.9% in the first half of 2023, compared with 2.5% in the same period the previous year.

The Bank's operating cost amounted to ISK 14.2 billion in the period, compared with ISK 12.9 billion for the same period the previous year. Salaries and related expenses were ISK 8.3 billion thereof, compared with ISK 7.3 billion in the same period the previous year. Other operating cost was ISK 5.8 billion, compared with ISK 5.5 billion for the same period last year.

The cost/income ratio for the first half of 2023 was 36.1%, compared with 52% in the same period in 2022.

Landsbankinn's total assets increased by ISK 109.3 billion during the period, amounting to ISK 1.896 billion at the end of H1 2023. Loans to customer grew by ISK 51.0 billion in H1 2023. Deposits from customers amounted to ISK 1,012 billion at the end of the first half of 2023, compared with ISK 967.9 billion at year-end 2022, increasing by ISK 44.6 billion.

Landsbankinn's equity amounted to ISK 285.1 billion as at 30 June this year and its total capital ratio was 25.3%.

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The Bank's Annual General Meeting, held on 23 March 2023, approved a motion from the Board of Directors to pay a dividend to shareholders for the operating year 2022 in the amount of ISK 8.5 billion in two instalments. The first instalment in the amount of ISK 4,251 million was paid to shareholders on 29 March 2023. The second instalment in the amount of ISK 4,251 million will be paid out on 20 September 2023. As a result, total dividend paid by the Bank in 2013-2023 will amount to ISK 175.1 billion.

Construction of the Bank's new headquarters at Reykjastræti 6 are nearing completion and is expected to be finalised in early fall. The building is 16,500 square metres; 21,500 square metres including the underground car park and technical spaces. An estimate prepared towards the end of 2019 set construction cost of the building at ISK 11.8 billion, less inflation indexation. Additional cost of construction is ISK 3.4 billion. This additional cost is due largely to longer duration of construction than originally estimated, increased volume of building materials and deviations that occurred during the construction period. During the construction period, the Construction Terms Index has risen by 25%, leading to an estimated cost increase of ISK 1.4 billion. The total cost of construction of the building will be around ISK 16.5 billion. This amount is offset by the sales value of those parts of the building the Bank will not use for own purposes and the estimated sales value of the old Landsbankinn building in Austurstræti with connected buildings, in total around ISK 7.8 billion. In addition, annual savings achieved with the move to Reykjastræti amount to around ISK 600 million, including ISK 480 per annum in paid rent.

### **Lilja Björk Einarsdóttir, CEO of Landsbankinn:**

"Landsbankinn's operations in the first half of the year were successful and we achieved all of our financial targets. The Bank's profit was ISK 14.5 billion and return on equity was 10.3%, in line with our long-term goals.

We have recently emphasised offering help to customers who are experiencing higher interest expenses as well as to customers who are looking to achieve better returns on their savings in the current high inflation environment. We introduced a new inflation-indexed Landsbók savings account with a shorter fixed period, suitable for both individuals and businesses who want to ensure that their savings retain their value. We talk to customers who are struggling with higher interest expenses and find solutions together, such as extending loan terms, refinancing, etc.

The move to the Bank's new headquarters at Reykjastræti has been going well and we have achieved all our main goals for increased efficiency and a modern work environment that contributes to enhanced collaboration. We are moving from facilities that are more than twice as large as the new building and the cost efficiencies achieved amount to around ISK 600 million per year. We have dealt with various challenges, much as others who have been engaged in construction projects recently, and are relatively happy with the results even though exceeding scheduled cost is never the desired outcome. We are building for the future, much as when Austurstræti 11 was rebuilt a 100 years ago, and the move will clearly result in improved operation and a stronger bank. This is an amazing change for our people and I firmly believe that this revitalisation and improvement of our work environment will be reflected in even better service for our customers.

Looking back at operating results for the past six years is interesting - that is the period since the final decision to build at Reykjastræti was taken. We have reduced the number of square metres housing the Bank's activities by 36%, full time positions have decreased by 20%, major digital advances have improved our services even more and we are proud of operating many branches and outlets throughout Iceland. We continue to advance, to reach more customers and to add robust new services, such as merchant acquiring. Landsbankinn's app is excellent, a reliable and secure banking app that our customers can trust. The Bank has proven that it is always developing and our customers respond by showing that they appreciate simpler and accessible solutions."

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## Key figures from the profit and loss account for Q2 2023

### Operation:

- Landsbankinn's profit in Q2 2023 amounted to ISK 6.7 billion, compared with ISK 2.3 billion in Q2 2022.
- Return on equity (ROE) was 9.5% in Q2 2023, compared with 3.5% for the same period the previous year.
- Net interest income in the quarter amounted to ISK 14.5 billion, compared with ISK 11.2 billion in Q2 2022.
- Net credit release was ISK 520 million in Q2 2023, compared with credit impairment charges in the amount of ISK 735 million in Q2 2022.
- Net fee and commission income was ISK 2.7 billion, compared with ISK 2.8 billion in Q2 2022.
- Net interest margin as a ratio of total assets was 3.0% in Q2 2023, compared with 2.6% in the same period the previous year.
- Salaries and related expenses amounted to ISK 4.2 billion, compared with ISK 3.6 billion in Q2 2022.
- Operating expenses less salaries and related expenses amounted to ISK 2.4 billion in Q2 2023, compared with ISK 2.1 billion for the same period in 2022.
- The cost/income ratio in Q2 2023 was 39.5%, compared with 49.3% in the same quarter the previous year.
- Full-time equivalent positions at Landsbankinn were 801 as at 30 June 2023; were 786 the same time the previous year.

### Balance sheet:

- Landsbankinn's equity as at the end of June 2023 amounted to ISK 285 billion.
- The Bank's total capital ratio as at 30 June 2023 was 25.3%, up from 24.7% at year-end 2022. This is significantly higher than the 20.2% minimum requirement of the Financial Supervisory Authority of the Central Bank of Iceland.
- Landsbankinn's total assets amounted to ISK 1.896 billion at the end of June 2023.
- Loans to customer grew by ISK 51.0 billion in H1 2023. Lending to individuals increased by ISK 10.5 billion and lending to corporates by ISK 40.5 billion.
- Deposits from customers were ISK 1,012 billion at the end of June 2023, compared with ISK 968 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 165% at the end of June 2023, compared with 134% at year-end 2022.
- Total loans in arrears by companies and households were 0.3% of lending.

	H1 2023	H1 2022	Q2 2023	Q2 2022
Amounts in ISK millions				
After-tax profit	14,473	5,557	6,717	2,341
ROE after taxes	10.3%	4.1%	9.5%	3.5%
Interest margin on average total asset position	2.9%	2.5%	3.0%	2.6%
Cost-income ratio*	36.1%	52.0%	39.5%	49.3%
	<b>30.6.2023</b>	<b>30.6.2022</b>	<b>31.12.2022</b>	<b>31.12.2021</b>
Total assets	1,896,369	1,728,143	1,787,024	1,729,798
Loans to customers	1,595,392	1,445,339	1,544,360	1,387,463
Deposits from customers	1,012,482	935,123	967,863	900,098
Equity	285,060	267,650	279,091	282,645
Total capital ratio	25.3%	24.9%	24.7%	26.6%
Net stable funding ratio in foreign currency	136%	136%	132%	142%
Total liquidity coverage ratio (LCR)	165%	144%	134%	179%
LCR EUR (was LCR FX up to and including 2022)	623%	184%	351%	556%
Loans in arrears (>90 days)	0.3%	0.2%	0.2%	0.3%
Full-time equiv. positions	801	786	813	816

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

## Other aspects of Landsbankinn's operation in the first half of 2023

- Around the turn of the year, the Bank signed an agreement with the Nordic Investment Bank (NIB) providing for a 15-year USD 40 million loan in connection with the Bank's new headquarters at Reykjastræti in Reykjavík. The loan is eligible for funding from NIB's environmental bond proceeds.
- In January, Landsbankinn was ranked highest by banking customers in the Icelandic Performance Satisfaction Index 2023.
- We continued to host popular seminars on cyber security, including in collaboration with the Senior Citizens' Society of Akureyri and the Icelandic Organization of the Visually Impaired.
- In February, we launched our own merchant acquiring service which has been extremely well received.
- In March, we issued European Covered Bonds (Premium) in the amount of EUR 300 million, the first such issuance by an Icelandic bank.
- We continued to enhance security in banking, including by requiring authentication with electronic ID to confirm ecommerce transactions.
- In March, the Bank finalised issuance of two subordinated bond series under Tier 2 capital in the amount of ISK 12 billion.
- The annual general meeting of Landsbankinn, held on 23 March, agreed to pay a dividend amounting to ISK 8.5 million to shareholders. As a result, total dividend paid by the Bank in 2013-2023 amounts to ISK 175.1 billion.

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- We hosted two successful Financial Forums, one in Stúdentakjallarinn and one in our new headquarters at Reykjastræti.
  - The economic forecast published by Landsbankinn Economic Research at the end of April 2023 is for more growth than previous forecasts. This is primarily driven by an improved outlook in the travel sector.
  - In May, we introduced a new service that allows customers to grant others view or transfer access to their finances through Landsbankinn's app.
  - Sustainalytics updated the Bank's ESG risk rating. The Bank received a rating of 8.5 on a scale to 100 where the lowest rating indicates the lowest risk.
  - Three events hosted in Landsbankinn's new headquarters at Reykjastræti in collaboration with DesignMarch in May were well attended.
  - As of 1 June, we have offered a shorter fixed period on inflation-indexed deposits, or 11 months instead of three years previously.
  - The Amaroq Minerals Capital Markets Day was hosted at Reykjastræti on 2 June and was a success.
  - Sixteen exceptional students were awarded scholarships from Landsbankinn's Community Fund in June.
  - Since the latter part of June, our customers have been able to view the balance on their accounts with other banks in Landsbankinn's app.
  - At the end of June, we announced an agreement providing for new housing for Landsbankinn in Akureyri at Hofsbót 2-4, almost next door to the Bank's current premises.

### Landsbankinn's financial calendar

Q3 2023 results	26 October 2023
Annual results 2023	1 February 2024