



Landsbankinn's January - March 2023 results

News Release, 4 May 2023

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Financial results of Landsbankinn for the first three months of 2023

- Return on equity (ROE) at Landsbankinn was 11.1% in the first three months of 2023.
- Net profit was ISK 7.8 billion.
- On-going development of services and sound operation for the past several years result in continued decline of the ratio of operating expenses to average total assets, currently 1.4%.
- Net interest income grew by 27.3% compared to the same period in 2022. The net interest margin is 2.8%, up by 0.4 percentage points from the same period in 2022. Increased interest income is mainly from a growing loan book and improved returns on the Bank's liquidity portfolio. Rising interest rate levels also contribute to growing interest income, yet interest expense has also grown.
- Net fee and commission income grew by 15.5% between years, reflecting good breadth in the Bank's service platform.
- The cost/income ratio was 33.3%, with costs remaining more or less stable.
- Bond issuances in March were successful, on the one hand the issuance of European Covered Bonds (Premium) in the amount of EUR 300 million and, on the other, subordinated ISK-denominated bonds in the amount of ISK 12 billion.
- In January, 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.
- In March, Landsbankinn began its removal from 14 buildings in Kvosin and Borgartún to its new headquarters at Reykjastræti 6.
- Users of Landsbankinn's app have never been as numerous and satisfaction with the Bank's services is high.
- The Annual General Meeting of Landsbréf approved an ISK 700 million dividend payment for the operating year 2022.

Landsbankinn's net profit during the first three months of 2023 was ISK 7.8 billion, compared with ISK 3.2 billion for the same period of 2022. Annualised ROE during the period was 11.1%, compared with 4.7% for the same period the previous year.

Net interest income amounted to ISK 13.1 billion, compared with ISK 10.3 billion in the same period the previous year, an increase of 27.3% between periods. Landsbankinn's net fee and commission income amounted to ISK 3.0 billion, compared with ISK 2.6 billion for the same period the previous year. Other operating income was positive by ISK 1.2 billion; was negative by ISK 1 billion in the same period of 2022. Net gain on financial assets and liabilities at fair value was ISK 3.3 billion, compared with a loss of ISK 2.1 billion in the same period of 2022. Net credit impairment charges were ISK 2.1 billion during the period, compared with an ISK 0.8 billion release in the same period the previous year, as a result of downside development of economic scenarios used in assessment of expected credit losses, mainly due to inflation, key policy rates and housing prices. Loans in arrears have not grown and remain historically low.

The net interest margin was 2.8% in the first three months of 2023, compared with 2.4% in the same period the previous year. The net interest margin was 2.7% in 2022.

The Bank's operating expenses were ISK 7.0 billion during the period, compared with ISK 6.7 billion for the same period the previous year. Salaries and related expenses were ISK 4.1 billion thereof, compared with ISK 3.8 billion in the same period the previous year. Other operating expenses were ISK 2.9 billion, remaining unchanged from the same period the previous year.

The cost/income ratio for the first three months of 2023 was 33.3%, compared with 54.9% in the same period of 2022.

The Bank's total assets grew by ISK 130 billion from the end of 2022, amounting to ISK 1,917 billion at the end of the first quarter of 2023. Loans to customers grew by ISK 32.2 billion in the first three months of 2023. At the end of the first quarter, deposits from customers amounted to ISK 1,001.6 billion, compared with ISK 967.9 billion at year-end 2022, increasing by ISK 33.7 billion.

Landsbankinn's equity amounted to ISK 278.3 billion as at 31 March this year and its total capital ratio was 25.3%.

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. Total dividends paid by the Bank since 2013 will then amount to ISK 175.1 billion.

Lilja Björk Einarsdóttir, CEO of Landsbankinn:

"Landsbankinn's strong first quarter results are a sign of a robust operation and good results across the board. Loans to customers have increased by ISK 160 billion in the past 12 months, resulting in higher interest income. The Bank's balance sheet structure is more cost-effective than before and interest rate levels have risen, resulting in higher returns on liquid assets. A growing customer base, new services and higher activity, such as in Landsbankinn Corporate Finance, result in increased net fee and commission income and the merchant acquiring service, launched by the Bank in the first quarter, has been very well received.

It was positive to complete a successful issuance of a EUR 300 million bond in early March. We had good participation from domestic investors in the Bank's ISK 12 billion subordinated bond. Landsbankinn signed an agreement with the Nordic Investment Bank (NIB) providing for a long-term USD 40 million loan in connection with expected BREEAM certification of the Bank's new headquarters at Reykjastræti. Continued volatility on international financial markets which negatively affects the Bank's interest terms on FX funding.

Rising inflation and high interest rate levels will continue to present a challenge even though loans in arrears still remain very low. Lending growth is still fairly strong, with the good position of the export sectors playing an important role alongside demand for housing, driven by rapid population growth. The Bank currently finances around 4,500 apartments in various stages of construction yet growth in housing mortgages has not increased to the same degree as buyers are turning to inflation-indexed loans outside of the banking system. We will continue to offer competitive terms, both on lending and deposits.

A great turning point was reached in the Bank's history in March when we started our move from Kvosin, where Landsbankinn has operated since 1898, to our new headquarters at Reykjastræti 6. The move itself has been smooth and, when it is finalised later this month, around 80% of the Bank's employees will work together under one roof instead of spreading across 14 buildings in Kvosin and Borgartún. Work conditions in the new headquarters are excellent and the entire team has been very excited and happy about the move. It has long been our goal to create the workplace of tomorrow; a work environment that fosters the welfare of our employees. The synergies of the entire team being gathered under one roof will contribute to a better Bank and help us simplify life for our customers. We are happy that more customers used the app in March than ever before - this gives us great momentum moving forward into summer. And there is a lot to look forward to, in new services for individuals and corporates."

Key figures from the profit and loss account for Q1 2023

Income statement:

- Landsbankinn's profit in Q1 2023 amounted to ISK 7.8 billion, compared with ISK 3.2 billion in Q1 2022.
- Return on equity (ROE) was 11.1% in Q1 2023, compared with 4.7% for the same period the previous year.
- Net interest income in the quarter amounted to ISK 13.1 billion, compared with ISK 10.3 billion in Q1 2022.
- Net credit impairment charges were ISK 2.1 billion in Q1 2023, compared with an ISK 0.8 billion release in Q1 2022.
- Net fee and commission income was ISK 3.0 billion, compared with ISK 2.6 billion in Q1 2022.
- Net interest margin was 2.8% in Q1 2023, compared with 2.4% in the same period the previous year.
- Salaries and related expenses amounted to ISK 4.1 billion, compared with ISK 3.8 billion in Q1 2022.
- Operating expenses less salaries and related expenses amounted to ISK 2.9 billion in Q1 2023, the same amount as in Q1 2022.
- The cost/income ratio in Q1 2023 was 33.3%, compared with 54.9% in the same quarter the previous year.
- Full-time equivalent positions at Landsbankinn were 825 as at 31 March 2023, were 791 the same time the previous year.

Balance sheet:

- Landsbankinn's equity at the end of Q1 2023 was ISK 278.3 billion, a decrease of ISK 0.7 billion compared with year-end 2022.
- The former instalment of a dividend to shareholders, in the amount of ISK 4,251 million, was paid on 29 March 2023. The second instalment in the amount of ISK 4,251 million will be paid out on 20 September 2023.
- The Bank's total capital ratio at the end of Q1 2023 was 25.3%, compared with 24.7% at the end of 2022. This is significantly higher than the 20.8% total capital requirement of the Financial Supervisory Authority of the Central Bank of Iceland.
- Landsbankinn's total assets amounted to ISK 1,917 billion as at end of March 2023.
- Loans to customers grew by ISK 32.2 billion in the first three months of 2023. Lending to individuals grew by ISK 6.8 billion and lending to corporates by ISK 31.6 billion, ISK 6.2 billion thereof are due to exchange rate changes.
- Deposits from customers were ISK 1,001.6 billion at the end of March 2023, compared with ISK 967.9 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 235% at the end of March 2023, compared with 134% at year-end 2022.
- Total loans more than 90 days in arrears were 0.3% of lending to corporates and individuals.

	Q1 2023	Q1 2022	2022	2021
Amounts in ISKm				
After-tax profit	7,756	3,216	16,997	28,919
ROE after taxes	11.1%	4.7%	6.3%	10.8%
Interest margin on average total asset position	2.8%	2.4%	2.7%	2.3%
Operating expenses as a ratio of average total assets	1.40%	1.42%	1.36%	1.44%
Cost-income ratio*	33.3%	54.9%	46.8%	43.2%
	31.3.2023	31.3.2022	31.12.2022	31.12.2021
Total assets	1,916,993	1,733,644	1,787,024	1,729,798
Loans to customers	1,576,589	1,416,504	1,544,360	1,387,463
Deposits from customers	1,001,580	922,566	967,863	900,098
Equity	278,343	265,310	279,091	282,645
Total capital ratio	25.3%	24.3%	24.7%	26.6%
Net stable funding ratio in foreign currency	145%	143%	132%	142%
Total liquidity coverage ratio (LCR)	235%	142%	134%	179%
Loans in arrears (>90 days)	0.3%	0.2%	0.2%	0.3%
Avg. no. full-t. pos.	826	797	843	890
Full-time equiv. positions	825	791	813	816

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

Landsbankinn's financial calendar

Q2 2023 results 20 July 2023

Q3 2023 results 26 October 2023

Annual results 2023 1 February 2024