

LANDSBANKINN HF. | Reg. No. 471008 0280 | LANDSBANKINN.IS

Annual & sustainability report 2023

1 February 2024

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This Annual and Sustainability Report was originally published as an online report. References and further reading can be found on Landsbankinn´s website, Landsbankinn.is The report is published subject to reservations regarding possible errors. Should typographical errors, discrepancies or other obvious inconsistencies be discovered, Landsbankinn reserves the right to correct these and to update the Annual and Sustainability Report accordingly in each instance.

Landsbankinn's performance was good in 2023 and the Bank is securely funded. We continued to launch new and exciting solutions that simplify life for customers, are leading in the open banking system and top the Icelandic Performance Satisfaction index for customers in the banking market for the fifth year in a row. Core operations are sound, the cost-income ratio has never been lower and the Bank has a positive impact on Icelandic society.

Active retail customers		Customers who save in the app		App users	
127,100	+4.5%	42,400	+57%	150,000	+35.6%

Deposits		Aukakrónur spent		Corporate lending	
1,048 ISKbn	+8.3%	608 m	+15.6%	812 ISKbn	+7.7%

ÍSLENSKA ÁNÆGJUVOGIN

Thanks!

Five years in a row!

Landsbankinn was ranked highest by banking customers in the Icelandic Performance Satisfaction index 2023, for the fifth year running.

46.5%

of international funding is green

81%

of all consultations managed by team in rural Iceland

Over 14,000 customers booked appointments for financial advice in 2023. The vast majority of such appointments were handled by our employees in rural Iceland.

Leadership

The open banking system has arrived

In summer 2023, we offered customers the option to gather their bank accounts, both with Landsbankinn and other banks, in one place - our app!

46%

of total car loan amounts are for electric vehicles

≈2,100

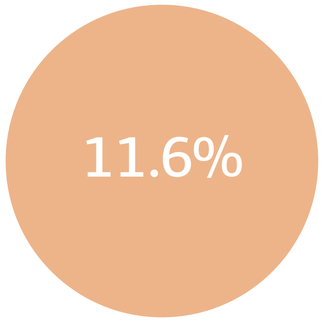
legal entities became customers

The profit of Landsbankinn in 2023 was ISK 33.2 billion after taxes, compared with ISK 17.0 billion in 2022. After-tax return on equity for 2023 was 11.6%, compared with 6.3% the previous year.

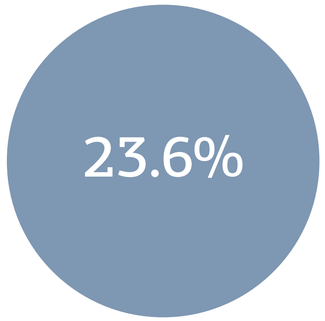
Profit (ISKbn)



Return on equity



Total capital ratio





1. Governance & organisation

Good results and positive impact

Landsbankinn is trusted bank for a successful future. Sound operation and healthy profitability are key to on-going development of products and services and the Bank aims to create benefits for both its customers and owners.

From the Chairman of the Board

The Icelandic economy showed resilience and drive in 2023, despite various challenges. While economic growth has slowed, the outlook for 2024 remains good, provided inflation can be brought under control and conditions created for rate cuts.



Helga Björk Eiríksdóttir, Chairman of the Board

There is uncertainty in the economy, stemming from international conflicts, collective bargaining agreements that have expired and not least because of ongoing volcanic and seismic activity on the Reykjanes peninsula. The people of Grindavík have been in all of our thoughts here at Landsbankinn since 10 November last year. Many of our valued customers hail from Grindavík, both individuals and companies, as well as important members of our team.

Landsbankinn has supported the people of Grindavík in various ways during these difficult times. All retail customers with housing mortgages were immediately offered a six-month payment deferral. Soon after, the Bank offered to cancel interest and inflation-indexation on Grindavík housing mortgages for a period of three months. When volcanic activity reached the town itself in January, another three months were added to the cancellation period. The Bank expects to participate in funding of the National Treasury's purchase based on the proposal of

the Minister of Finance and Economic Affairs, currently before Parliament. I hope that the people of Grindavík, both families and businesses, can get their bearings again soon.

Landsbankinn had positive results in 2023. The Bank's profitability was 11.6%, in line with its own target 10% long-term profitability. This profitability target aligns with the targets of similarly sized Nordic banks and it is natural that the Bank's owners expect a return on the considerable equity bound in the Bank.

Sound and profitable operation allows the Bank to pay dividends that benefits the entire community and is also vital to the Bank itself.

Only through profitable operations can the Bank continue to invest, to develop and to counter increased competition with full force and by offering its customers exemplary service.

The Bank's position is strong by any measure. Funding went well in 2023 and covered bond issuances in foreign currency, in the total amount of EUR 600 million, were successful. It is also worth mentioning the Bank's long-term loan agreement with the Nordic Investment Bank (NIB) to partly finance the Bank's new headquarters and our fifth loan agreement with NIB for the funding of domestic SMEs and projects with an environmental component. Issuance of ISK 12 billion sub-ordinated bonds was successful and customer deposits, which are the Bank's main funding source, grew by 8.3% in 2023.

Important to pressure inflation down

Many of the Bank's customers took out non-indexed housing mortgages with variable interest while interest rates were low. These customers are now facing considerably higher debt service on their mortgages following the increase in interest rate levels. The fixed-rate period will end for many customers this year and, all things remaining equal, their debt service will increase significantly. Despite higher interest rates, arrears on housing mortgage are at a low, indicating that most of our customers were not stretched to their limit. But even though both people and businesses have been able to shoulder higher interest rates at least temporarily, the importance of contributing to stability and creating conditions that allow for lower rates should be clear to all. The results of collective bargaining in the private sector will be a determining factor.

Continue to lead

In recent years, financial services and the financial market have undergone significant and rapid change, both internationally and in Iceland. Several companies now offer financial services and competition has grown stiffer regarding certain services. In an increasingly competitive environment, the Bank benefits from having in recent years invested extensively in IT and the development of digital services. As a result, the Bank is more agile and can be quicker to respond to technical innovations and legal requirements. We are no less dynamic when it comes to implementing new and interesting ideas. The Bank has also responded to stiffer competition by adding to its income streams through new services such as merchant acquiring service, which has been well received. To ensure continued success, the Bank must continue to add income streams that strengthen its operation and allow it to offer even more diverse and better financial services.

Service charges and interest margin fund exemplary service
We are proud that Landsbankinn operates the strongest service network of all financial undertakings in Iceland and will continue to endeavour to offer first-rate banking service, both through digital solutions,personal advisory and other service channels. Alongside the Bank's significant investment in the development of financial infrastructure and new technology, the interest margin for households has decreased as have service fees, in real terms. Public debate does not often mention that the interest margin and service fees fund both comprehensive and complex service as well as higher tax levies than what is common in our neighbouring countries. A comparison

of service fees and interest margin, published in a report from a workgroup under the auspices of the Minister of Culture and Commerce last year, was favourable for Landsbankinn and an encouragement to de even better.

Complicated regulatory environment

The legislation that applies to financial undertakings is extensive and complicated. A large part of such laws originates in European regulations that are built around companies that operate in much larger markets. Obviously, the Bank always aims to comply with new legal requirements but it is no secret that this can be a gargantuan task. The most comprehensive such task in 2023 was implementation of the PSD2 directive, intended to open the banking system and facilitate competition. This proved a technological challenge that required considerable investment but the project went well and was successful.

In fall of 2023, the Bank pioneered new service based on PSD2 whereby we offered customers the option of viewing all their bank accounts, both with us and other banks, in one and the same place - Landsbankinn's app.

The Bank's employees can be proud of the initiative we have taken in this field, as in so many others.

Work on implementation of European regulations continues in force in 2024, is such areas as digital resilience, payment service and not least sustainability. Sustainability has become an increasingly important aspect of the Bank's operation in recent years and more directly linked to treasury and funding activities. Upcoming projects include work on the EU Taxonomy, disclosure on sustainability and assessment of ESG risk. In response, the Board of Directors decided to create a Sustainability Committee which will work as a sub-committee of the Board for period of 1-2 years. The Committee will have finished its work when new sustainability metrics, monitored by the Board and its sub-committees, have been implemented by the Bank and it has become clear to what extent the EU directive on financial disclosure will be transposed into Icelandic law and how compliance will be managed by the Bank.

Trust, professionalism and sound risk culture

Landsbankinn places great emphasis on complying with new rules in a prompt and professional manner and on ensure effective education to ensure that they are followed in full. Trust, professionalism and sound risk culture is a priority. These factors influence the Bank's entire operation and communication with customer, regulators and shareholders.

In 2023, the Financial Supervisory Authority (FSA) of the Central Bank of Iceland published the results of two comprehensive reviews of the Bank's activities, on the one hand on measures to combat money laundering and terrorist financing and on the other hand, on Landsbankinn's actions in the Icelandic State Financial Investments' public offering of the state's 22.5% stake in Íslandsbanki in 2022. The results of both of these reviews were published in December. The FSA remarked on certain aspects of the Bank's measures to combat money laundering and terrorist financing. As regards the offering of the state's share in Íslandsbanki, the FSA remarked on the value assessment of financial instruments and the timing of the categorisation of four clients as professional investors. The Bank agreed with the FSA's findings and has put in place necessary improvement measured. The FSA did not see reason to fine or otherwise penalise the Bank in either case.

Landsbankinn is a strong bank and we are experiencing great momentum. The Bank is strongly placed to advance, support developments and respond to the various changes occurring in Iceland. Landsbankinn is a trusted bank for a successful future.

On behalf of the Board of Directors, I thank Lilja Björk Einarsdóttir, CEO, other executives and the Bank's employees for pleasant and effective collaboration. I also extend our thanks to shareholders, regulators and other stakeholders, for good relations in the past year.

From the Chief Executive Officer

The operating year 2023 was strong for the Bank but also a year of milestones and changes. We are proud that banking customers are most satisfied with Landsbankinn's service and intend to continue to simplify life for them and have a positive impact on Icelandic society.



Lilja Björk Einarsdóttir, Chief Executive Officer

Landsbankinn delivered robust results in 2023. The Bank is well funded, its cost-income ratio among the lowest in banking by international standards and the Bank's dividend capacity is strong. All aspects of the Bank's operation returned good results and return on equity was 11.6%, higher than the Bank's long-term profitability target. Higher returns on liquid assets, a turnaround in the stock market, lending growth and altered balance sheet composition are the main drivers of increased profit between years. It is good to see that the household interest margin remains stable despite high interest rate levels.

Sound operations in the past several years and a dynamic strategy that focuses on simplifying life for customers has changed the Bank. We are exceedingly proud of topping the Icelandic Performance Satisfaction index in the banking market for the fifth year in a row.

This success is no coincidence - it is the result of systematic efforts to make the Bank's service first-rate, simple and accessible. Our customer base continued to grow and Landsbankinn's market share in the retail market is now 40.5% - a record.

Service around the country and fantastic app

There is great satisfaction with Landsbankinn's app and other digital solutions. Our customers also appreciate the availability of advice and service in our 35 branches and outlets throughout Iceland, in addition to our dynamic Customer Service Centre. We have involved employees in rural Iceland in consultations and other services provided over the phone, email and remote meetings; service that doesn't depend on physical location. This bolsters our operation in all parts of the country, allows us to mitigate pressure and boost service. In 2023, branches in rural Iceland handled over 80% of all advisory service in remote meetings and 70% of phone consultations.

Landsbankinn has stood firm with the people of Grindavík in the uncertainty that seismic and volcanic activity continues to cause. Our team of fantastic advisors certainly proved their worth when the Bank contacted all its Grindavík customers who have housing mortgages to help them take advantage of payment deferral and cancellation of interest and indexation.

Strong in the corporate banking market

The Bank is strongly placed in the corporate market and leading in many sectors, such as seafood and fisheries, and in construction. The Bank funds around 3,600 apartments that are currently under construction, corresponding to around half of all current construction projects. Landsbankinn Corporate Finance had a very good year and the Bank's Acquiring Service has been extremely well received since the service was launched in 2022. We will continue to grow Landsbankinn's service platform and broaden its income sources.

Leading in open banking

We have taken the lead in ushering in the open banking system. Customers reap the benefit of this technological lead, including in Landsbankinn's app, which now includes features that no other banking app has. Our Annual & Sustainability Report reviews the numerous new initiatives launched in 2023 and the journey behind our great capacity for change and development. The journey continues and this year we look forward to offering customers the option of refinancing their mortgages in the app, which will be another large milestone in banking service.

Successful bond issue

The Bank was active on capital markets in 2023, having weathered difficult conditions on international markets in 2022. Successful bond issuance in 2023 is a testament to confidence in the Bank in both domestic and international financial markets. The Bank's most recent green issuance, which was oversubscribed five times over, was extremely successful and, as a result, almost 50% of the Bank's international funding is now green.

Sustainability is an important aspect of the Bank's operation and we are working towards the goals of the Paris Climate Agreement. The Bank's most effective tool to have a positive impact is through lending to corporates that are working effectively on sustainability, especially on environmental issues. If the companies succeed, so does Landsbankinn and society in general.

We have adopted scientific goals to reduce emissions and, in February 2024, our goals were verified by the Science Based Targets initiative (SBTi). We are the first Icelandic bank to achieve this.

Household interest margin decreases

Economic uncertainty has certainly not lessened in recent months. We all feel the effect of persistent inflation and high interest rates which are increasingly hampering business activities. With that in mind, it is positive to see that even despite more stringent demands made of financial undertakings, the cost of Landsbankinn's customer service has not increased. To the contrary - years of working to simplify and make the Bank's operation more efficient has resulted in fewer employees at the same time the Bank's balance sheet has doubled and customer numbers are up by tens of thousands. This economy of scale and emphasis on efficient operation has contributed to lower interest margins for households, which is the difference between the interest on unrestricted savings accounts and variable interest on housing mortgages.

Milestone move

In recent years, we have worked on moving the Bank's operation from unnecessarily large facilities to more suitable and practical housing. The efficiencies achieved are considerable. Since 2017, total housing occupied by the Bank has decreased by nearly 40%, from over 40,000 to around 25,000 square metres.

The year 2023 marked a milestone in Landsbankinn's operation when we moved from Austurstræti 11 where the Bank had operated for around 100 years. We also moved operations from eleven other buildings in Kvosin and two in Borgartún, joining forces under one roof in Reykjastræti 6.

Total square metres occupied by the Bank in central Reykjavík were reduced from 18,000 to 10,000, operating expenses are down permanently and the work environment changed for the better. We wanted the design of the new building to contribute to communication and collaboration and it certainly has. We who work here feel how much energy and capacity for change was released as a result of the move and surveys of employee well-being show a marked increase in satisfaction with the work environment. The new building is only one of numerous changes that have been made to the Bank's operation in recent years, enabling it to continue to offer first-rate service around Iceland and competitive terms. Of no less importance is the boost these changes give to employee satisfaction, contributing to a positive attitude. This provides us with solid momentum going forward.

Grow with the economy

Healthy profitability is proof of sound operations and long-term operating goals. Steady and solid results coupled with yearly lending growth expands the Bank's balance sheet, ensuring that it grows in tandem with the economy. This enables the Bank to offer both small and large companies competitive terms and first-rate service. Increased economy of scale in operations also results in improved terms and even better services for individuals.

I am happy with the Bank's leadership in financial services in Iceland and pleased that our customers appreciate our service. We know that higher interest rates create various difficulties and will stand with our customers going forward as we have in the past.

To the Bank's employees - thank you for a great year. This fantastic team embodies drive and a positive attitude. We are soundly supported by the Bank's Board which provides both supervision and guidance. We are determined to simplify life for our customers, to contribute to good and sound operation and to have a positive impact on society. Landsbankinn's purpose is to ensure trusted banking for the future and we intend to continue to be a leader in Icelandic banking.

Landsbankinn, an ever-smarter bank

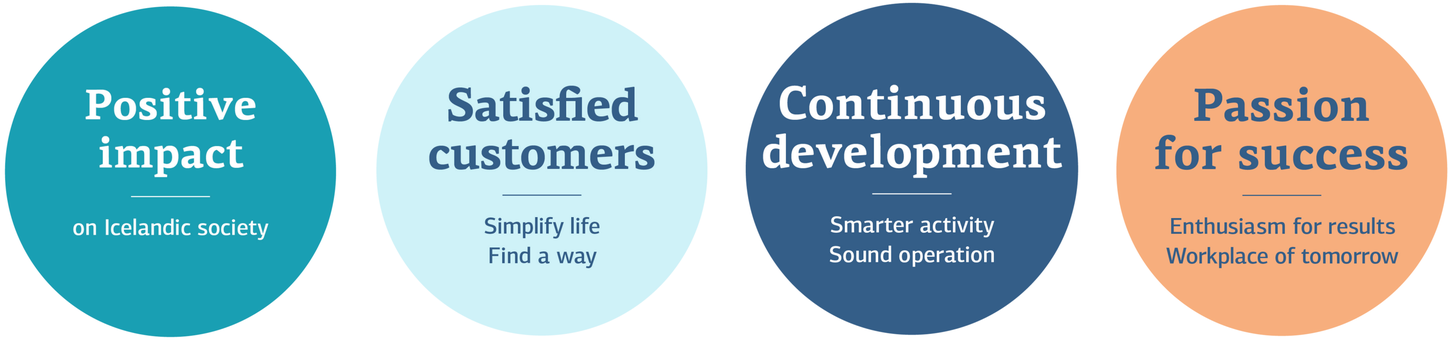
At the core of our strategy - Landsbankinn, an ever-smarter bank - is the ideal of mutual trust and a personal approach to banking. We want to take advantage of all the opportunities technology affords without losing our personal touch. The strategy also describes our dynamic ability to develop and evolve.

Implementation of the strategy began in 2021. Landsbankinn, an ever-smarter bank, directly supports our purpose of offering trusted banking for the future. These words capture the Bank's core purpose which refers to and builds on our history going back to the establishment of Landsbanki Íslands in 1886.

Trust

Trust is the Bank's core value, a common thread that runs through the entire operation, connecting customer relations and external partners to internal and general activities. Customers can trust that we are there for them and that the Bank is confidently managed.





Pillars of the strategy

The strategy rests on four sound pillars that support the key elements necessary to excel in the long term.

Positive impact. Landsbankinn is a part of its environment, Icelandic society. We are focused on being a positive and dynamic force throughout Iceland and on promoting future welfare for the country and its inhabitants. The Bank's positive impact is measured in participation in the community, dividend payments and successful work on sustainability.

Robust operation should deliver steady and good profits and support regular dividend payments.If the 2024 AGM approves the dividend proposal of the Board of Directors, the Bank will have paid its owners a total of ISK 191.7 billion in 2013-2024. Landsbankinn ranks highly in the ESG risk assessment of international rating agency Sustainalytics with negligible risk - this is among the best results of any European bank. In recent years, the Bank's green funding has grown to 26.6% of total funding. The Bank is a proud supporter of sports and youth activities as well as advancement initiatives, with over ISK 450 million donated to such activities in the past three years.

Satisfied customers. This pillar is about simplifying life for customers and also relates to the personal aspect of Landsbankinn's service. We always find a way to do even better and successfully respond to challenges. This involves initiative, the mindset behind Landsbankinn, an ever-smarter bank. We put customer satisfaction first and aim to offer accessible and secure banking anywhere and anytime.

The Bank's brand is strong and in a class of its own. People understand that we are better together and growing customer numbers and fee income reflect that fact. Our customers are the best satisfied in the banking market and we are focused on anticipating their needs and on finding appropriate solutions.

We capitalise on the strength of our human resources by connecting our Customer Service Centre and branches around the country. This allows us to provide customers with the best service while also having a positive impact country wide.

Continuous development. Robust and stable operations along with a strong balance sheet form the foundation for the progress that allows us to grow ever smarter.

Technical innovation is not only a factor in developing customer service but also in solidifying the Bank's operation and ensuring stability in financial services. Stable operations revolve largely around what's under the hood; unseen, yet nevertheless the foundation for further development. This includes ambition and positive attitude towards change. Success is achieved by a dynamic team that takes care of important tasks linked to operations, efficiency, development, quality, funding, financial statements, control and other indispensable functions.

Passion for success. The workplace should be an environment that fosters excellence for both customers and employees. Passion for success refers to personal success but also joint success achieved by a positive and solution-oriented team that works across departments to provide exceptional service. Our corporate culture is success-driven, guided by the interests of our customers, the community, our colleagues and owners.

The move to Reykjastræti 6 has gone well. Since the move, 80% of the Bank's team now works together under one roof in the workplace of tomorrow. The objectives we set for efficiencies and a modern work environment that contributes to improved collaboration and a success-driven culture have been achieved.

Clear goals support the strategy

Landsbankinn's strength builds on its team, corporate culture, image and reputation. It rests on the Bank's business relationships and understanding of its customer base. A sound balance sheet that can withstand shock further cements its strength.

Success is only achieved when everyone works toward common goals. Landsbankinn, an ever-smarter bank, is the concept that underpins the Bank's business plan at each time and is the common thread in all undertakings. Clearly formed key goals supported by strategic projects, effective implementation and well-reasoned decisions guided by long-term interests result in trusted banking for our future.

That's Landsbankinn, an ever-smarter bank.

Corporate governance

Good governance forms the foundation for solid relations between shareholders, the Board of Directors, executives, employees, customers and other stakeholders and encourages objectivity, integrity, transparency and responsibility in the management of the Bank.

The Board of Directors is elected at the AGM for a one-year term. Seven directors and two alternates are elected.

The Board of Directors is ultimately responsible for the Bank's activities as provided for by law, regulations and its Articles of Association. The Board of Directors formulates the Bank's general strategy and shall ensure that the Bank's organisation and activities are conducted properly. The Board of Directors also monitors the Bank's general activities and ensures that control of accounting and financial management is satisfactory.

Shareholders of the Bank at year-end 2023 numbered 849 compared to 851 at year-end 2022. The National Treasury of Iceland holds a 98.2% share and the Bank itself holds 1.6% of own shares. Icelandic State Financial Investments manages the State's holding in the Bank.



Board of Directors



Helga Björk Eiríksdóttir

Chairman of the Board



Berglind Svavarsdóttir

Vice-chairman of the Board



Elín H. Jónsdóttir

Director



Guðbrandur Sigurðsson

Director



Guðrún Ó. Blöndal

Director



Helgi Friðjón Arnarson

Director



Þorvaldur Jacobsen

Director

There are four sub-committees of the Board of Directors: The Audit Committee, the Risk Committee, the Remuneration Committee and the Sustainability Committee, the last of which was established in 2023. The Committee's main responsibilities are to formulate a sustainability strategy, develop and standardise sustainability metrics, review disclosure and publication of sustainability data, compliance with laws and rules on sustainability, and ensure continuous education of the Board on sustainability concerns. Amongst other duties, the sub-committees prepare the Board's discussion of certain aspects of the Bank's activities and follow up on related matters.

Executive Board



Lilja Björk Einarsdóttir

CEO



Arinbjörn Ólafsson

Managing Director of IT



Árni Þór Þorbjörnsson

Managing Director of
Corporate Banking



Bergsteinn Ó. Einarsson

CRO



Eyrún Anna Einarsdóttir

Managing Director of Asset
Management & Capital Markets



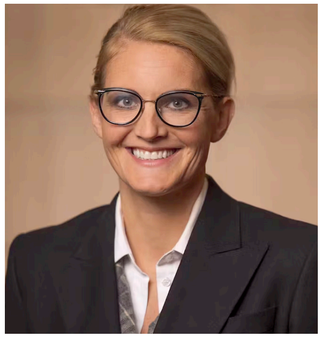
Helgi Teitur Helgason

Managing Director of Personal Banking



Hreiðar Bjarnason

CFO



Sara Pálsdóttir

Managing Director of
Communication & Culture

The Executive Board is a forum for consultation and decision-making by the CEO and managing directors. The Executive Board sees to strategy formulation and shall ensure that Landsbankinn's operations accord with current laws and rules at each time. In addition, the CEO has appointed four cross-disciplinary standing committees, comprised of managing directors and other managers, with the aim of ensuring collaboration and implementation of the Bank's strategy. These are: The Credit Committee, the Risk & Finance Committee (RAFC), the Operational Risk Committee and the Project Committee.

Innri endurskoðandi og regluvörður



Thórður Örlygsson

Chief Audit Executive of Landsbankinn



Sunna Ó. Friðbertsdóttir

Compliance Officer of Landsbankinn



Corporate governance statement

The Bank complies with the Guidelines on Corporate Governance published by the Iceland Chamber of Commerce, Nasdaq OMX Iceland and the Confederation of Icelandic Employers, which entered into effect on 1 July 2021.

The corporate governance statement, published alongside the Bank's annual financial statement, reviews the main aspects of risk management and internal control, the election and activities of the Board of Directors and executive management.

Organisation of Landsbankinn

Landsbankinn's organisation aims to ensure solid and effective operation while creating opportunities for successful collaboration between departments and groups. Emphasis is placed on ensuring that employees can cooperate on projects across departments and divisions, sharing and enjoying the benefits of diverse expertise. We work as a team, guided by the interests and satisfaction of our customers.



Retail customers

Personal Banking provides all services to retail customers, including the development of digital solutions. The focus is on providing first-rate service by leveraging the Bank's data resources. We want our customers to receive personal advice in our branches and outlets, and enable them to take care of all main banking business using digital service channels. Service to small and medium-sized companies in rural Iceland is also handled by Personal Banking, in close collaboration with Corporate Banking.

Corporate customers

Service and financing for corporates, municipalities and institutions lies with the Corporate Banking division, which is sharpening its focus on digital service, especially for small and medium-sized enterprises, and self-service solutions. Special-

ised account managers attend to the needs of companies and legal entities in all sectors. Corporate Banking also provides comprehensive and professional advice on the purchase, sale and merger of companies.

Asset Management & Capital Markets

Asset Management & Capital Markets offers high-net worth individuals, companies and investors assistance in finding the right investment and asset development solutions. The division offers extensive services in the field of asset management, both private banking and professional investor services, in addition to brokerage of securities, currency and derivatives for professional investors and larger customers. Emphasis is placed on personal service, responsible advice and informed decisions.

Finance

The Bank’s funding, liquidity management and market making all fall under the scope of the Finance division. Settlement, accounting and business plans are also under Finance, along with loan administration and transaction services, and sustainability.

Information Technology (IT)

The IT division is responsible for the operation, security and development of Landsbankinn’s digital infrastructure. Its activities are based on multidisciplinary teams and collaboration with the Bank’s other units in order to provide and develop first-rate tech solutions and digital services. There is a strong focus on leveraging data in all the Bank’s activities and to ensure that the Bank continues to lead the way in utilising information technology in the domestic financial market.

Risk Management

Risk Management is responsible for the effectiveness of the Group’s risk management framework. The division is also responsible for information disclosure on risk exposure to various departments and units within the Bank, and external regulators.

Communication & Culture

Previously the Community, this division was renamed as part of organisational changes in 2023, which included moving the sustainability team to Finance. The new name refers to both internal and external communication and the division’s key role in shaping and fostering corporate culture. The division incorporates human resources, marketing, education, PR, economic research, management of property and equipment, security and canteen operation.

Compliance, Legal Services and Business Strategy & Corporate Management

Three departments operate across the Bank and are directly under the CEO. Compliance carries out risk-based internal control to ensure that managers and employees carry out their duties in accordance with the policies, rules and processes the Bank has adopted. Legal Services offers legal counsel to all departments and divisions and works to ensure that the Bank's activities accord with laws and regulations. Business Strategy & Corporate Management supports the CEO in strategy formulation, creates business plans, furthers the Bank's goals and maintains a clear and holistic view of operations. Jointly, these units participate in shaping and implementing policies and methodologies based on the Bank’s strategy.

Internal Audit

Internal Audit is an independent and autonomous function directly responsible to the Board of Directors. The role of Internal Audit is to improve and protect the Bank’s value with risk-focused and objective verification, consultation and insight. Internal Audit evaluates and improves the effectiveness of risk management, control measures and governance processes through systematic and disciplined practices.

Assets sold in 2023

Landsbankinn has adopted a clear policy on the sale of assets, intended to promote transparency and credibility in the sale of assets and build confidence in the Bank.

Securities and other financial instruments listed for trade on a registered market are sold on the market and that process is considered an open sale process. Such transactions are excluded from the table listing sold assets.

In 2023, Landsbankinn sold 22 appropriated assets, six vehicles, shareholdings in two unlisted companies and 182 pieces of art. The total sales value of these assets was around ISK 519 billion.

In 2009, the Ministry of Education, Science and Culture commissioned a professional valuation of the Bank's collection. It was suggested that pieces in category I would become public property, that category II pieces should not be sold without consulting with the National Gallery of Iceland and that category III pieces would be offered on loan to cultural institutions. Other pieces were marked as uncategorised and the Bank was made free to dispose of them without any provisos. Since the valuation, pieces owned by savings banks that merged with Landsbankinn have been added to the collection and undergone a similar appraisal. In 2019, the Bank owned a total of around 2,200 pieces of art, mainly paintings but also ceramic art, reproductions, photographs and more. Around 1,600 pieces were valued as uncategorised and only such pieces have been or will be sold. The sale value of the pieces sold in 2023 totalled ISK 10.5 million, having regard for sales commissions. Sale took place via open sale process (online auction).



Assets sold in 2023	Number	Total
Residential apartments	2	ISK 58,250,000
Building sites	2	ISK 58,000,000
Commercial housing	2	ISK 265,000,000
Land	1	ISK 23,000,000
Building sites for vacation housing	7	ISK 16,800,000
Other	182	ISK 10,516,600
Shares in unlisted companies	2	ISK 62,317,674
Vehicles and equipment	14	ISK 24,769,400
Total	**212**	**ISK 518,653,674**

Assets for sale at year-end 2023

A total of 125 assets appropriated by the Bank were held for sale as at 31 December 2023. Their book value was around ISK 175 billion.

Appropriated assets undergoing sale process at year-end 2023	
Building sites for residential apartments and commercial housing	6
Building sites for vacation housing	116
Land	3
Total	**125**

At year-end 2023, sale processes for holdings in 12 unlisted companies were on-going. These holdings are variously owned by Landsbankinn or Hömlur fyrirtæki ehf., a subsidiary of the Bank. Information about these holdings has been disclosed on the Bank's website.

Sale of shareholding in Frumtak I and Frumtak GP

In 2023, Landsbankinn sold a 7.4% share in Frumtak I for a selling price of ISK 59 million. The Bank also sold its 19% share in Frumtak GP for ISK 3.4 million.

The sale of the shareholdings in Frumtak I and Frumtak GP deviated from the main rule of employing an open sale process, with full authorisation by the Board of Directors and in accordance with the Bank’s rules on the sale of assets.

The Bank sold one vehicle without advertisement and the sale price, based on the valuation of a car dealer, was ISK 5.2 million.

Main news

Here are the main news items published about Landsbankinn's operations in 2023.



First quarter

11.01.2023

Einar and Thorbjörg to Landsbankinn Corporate Finance

13.01.2023

Landsbankinn tops the Performance Satisfaction Index the fourth year in a row

23.01.2023

Landsbankinn Corporate Finance advisor to Alvotech in private placement

02.02.2023

Financial results of Landsbankinn for 2022

13.02.2023

Winners of Gulleggið 2023

27.02.2023

Landsbankinn launches acquiring service

27.02.2023

Eimskip University Fund allocates ISK 127.5 million to grants

09.03.2023

Landsbankinn sells European Covered Bond (Premium) in euros

14.03.2023

AB-Fasteignir receive Landsbankinn's Sustainable Financing Label

15.03.2023

Electronic ID in ecommerce

17.03.2023

Productive meeting with the Icelandic Organization of the Visually Impaired

23.03.2023

Results of the 2023 AGM of Landsbankinn

27.03.2023

Landsbankinn issues ISK 12 billion subordinated bonds

29.03.2023

Landsbankinn nominated for best website

31.03.2023

Successful Financial Forum with university students

Second quarter

24.04.2023

Economic forecast for 2023-2025: Slower rhythm succeeds rapid turnaround

04.05.2023

Financial results of Landsbankinn for the first three months of 2023

04.05.2023

Simple to share access to finances in the app

05.05.2023

Landsbankinn maintains low impact rating in Sustainalytics' ESG risk rating

10.05.2023

Fantastic turnout at DesignMarch events

17.05.2023

Financial forum for young adults

Third quarter

01.06.2023

Shorter fixed term and higher interest on inflation-indexed savings

05.06.2023

Landsbankinn supports Leiknir

27.06.2023

All the banks in Landsbankinn's app

04.07.2023

First Water completes EUR 82 million equity raise

14.07.2023

The design of Reykjastræti 6 is excellent according to the BREEAM standard

25.07.2023

Thórður Örlygsson new Chief Audit Executive of Landsbankinn

31.07.2023

New housing for Landsbankinn in Akureyri

31.07.2023

Seven interesting projects receive sustainability grants

31.07.2023

Fifteen entries receive grants from the Pride Parade Fund of Reykjavík Pride and Landsbankinn

18.08.2023

Cyclical– art exhibition opens in Austurstræti 11 on Reykjavík Culture Night

Fourth quarter

05.09.2023

Landsbankinn issues green bonds for EUR 300 million

12.09.2023

Sunna Ósk Friðbertsdóttir new Landsbankinn Compliance Officer

13.09.2023

Branch opening in Reykjastræti

21.09.2023

Landsbankinn Corporate Finance co-ordinated uplisting of Amaroq to the Nasdaq Iceland Main

22.09.2023

Last day in Austurstræti

31.10.2023

Landsbankinn makes a donation to Ljónshjarta in the name of Exceptional Companies

01.11.2023

Use Landsbankinn's app to transfer from accounts with other banks

18.11.2023

S&P revises outlook on credit rating from stable to positive

23.11.2023

No interest or indexation accrues to Grindavík housing mortgages for three months

27.11.2023

S&P raises Landsbankinn's covered bond rating to A+

28.11.2023

Open sale process of Landsbankinn's 35% holding in Keahótel ehf.

30.11.2023

Landsbankinn's Forum - content, information and interesting facts in English

30.11.2023

Successful Financial Forum in Polish

08.12.2023

Landsbankinn signs a loan facility with the Nordic Investment Bank

12.12.2023

Record set at strong rapid chess tournament - Landsbankinn's Friðriksmót

22.12.2023

Landsbankinn awards ISK 15 million in community grantsi



2. Satisfied customers

Modern and personal financial service that simplifies life

We take full advantage of technology to provide first-rate banking service and simplify life for our customers. At the same time, we take care to offer professional, personal service and financial advice for both businesses and individuals.



Satisfied customers

Landsbankinn was ranked highest by banking customers in the Icelandic Performance Satisfaction Index 2023, the fifth year running.

Smarter banking built on technical innovation

Landsbankinn takes full advantage of digital service channels to advance its operation and simplify life for customers. In recent years, development of Landsbankinn's app has been one of our main priorities. We want our customers, both retail and corporate, to be able to tend to their banking business easily, anytime and anywhere.

The app has changed considerably in 2023. No longer limited to conventional banking service, it now links work, personal overview and finances in a new way. Landsbankinn's app has also become the Bank's main distribution channel and we are more successful than ever in providing service through the app.

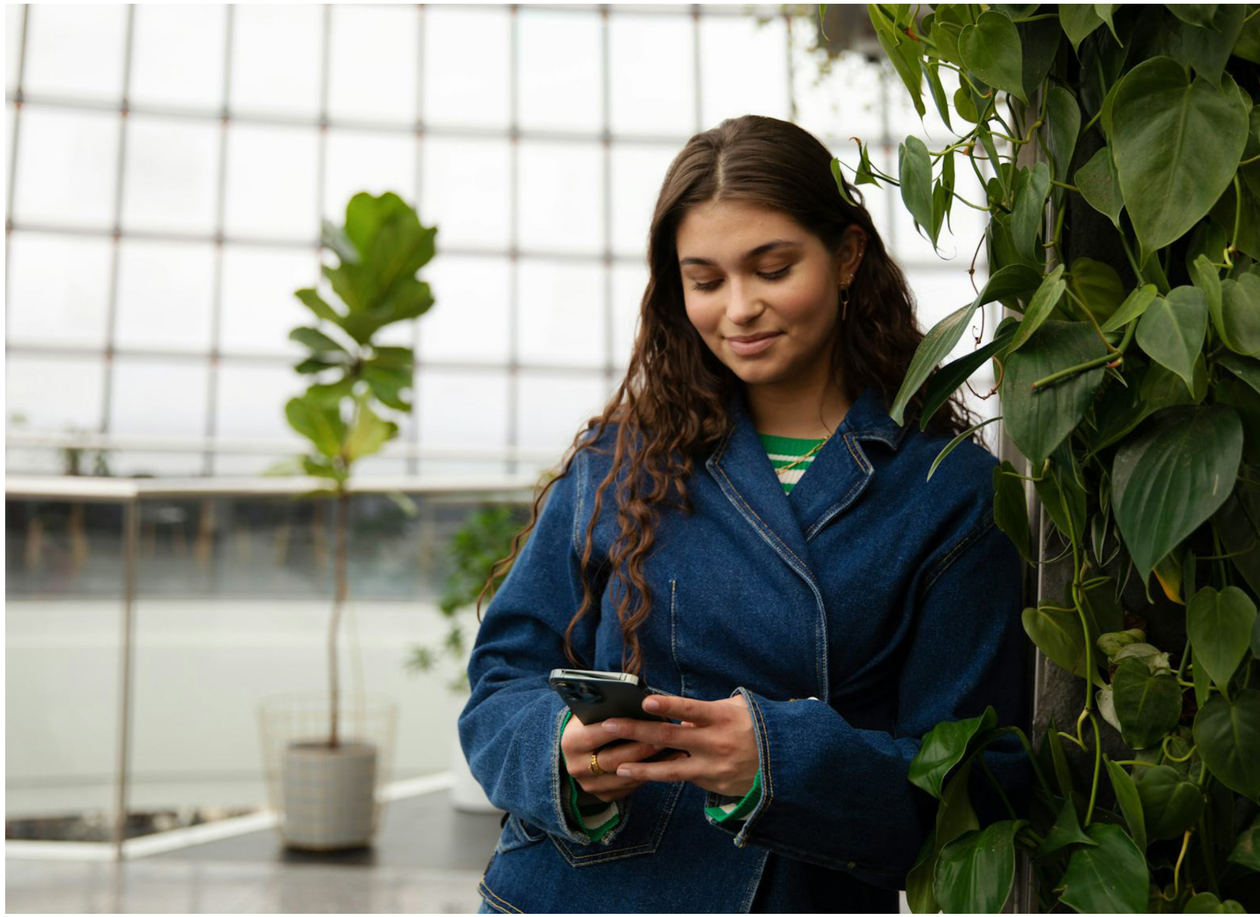
Leading the open banking system

In 2023, we introduced the option of showing bank accounts with all the other Icelandic commercial banks in our app. Our customers can view all their finances in the app, including the balance and movements on their payment accounts in other banks, and they can transfer funds from payment accounts with other banks - all in Landsbankinn's app.



Satisfied customers

Landsbankinn was ranked highest by banking customers in the Icelandic Performance Satisfaction Index 2023, the fifth year running.



By leading the way and being the only bank to offer this link to bank accounts with other banks, strong customer authentication in the log-in process and payments, and shared access to finances through access authorisations in the app, Landsbankinn's app ushers the domestic market into the open banking system.

Part of implementing new payment service legislation was to allow such connections through APIs. Now other banks and fintechs can link to the Bank and, through their own solutions, offer own customers access to information about bank accounts, movements and main payments.

Shared view of finances connects us

We have introduced several features in the app that let families share access to their finances. This service is unique to Landsbankinn.

We created a function that lets customers grant others access to their bank accounts, payment cards, unpaid invoices, securities assets and electronic documents. Customers can also authorise others to transfer from their accounts and, conversely, it is easy to revoke such authorisation.



19

new versions of Landsbankinn's app were released in 2023

Parents and legal guardians now automatically have access to information about their children until the age of 18, regardless of legal domicile.

New look and redesign

In 2023, we took a new design system into use to continue development of the app and used the system to update the look of all pages in the app. The system is a collection of units designers organise to ensure good flow. A UI kit is a collection of predefined components that reflect the units in the design system. The kit is used to build the final solution.

We took the opportunity to improve most processes by synchronising the entire user interface, ensuring a uniform design and smooth user experience.

The design system allows us to develop new solutions faster. This supports our aim to publish new solutions quickly through smaller releases. This also provides rapid feedback that again allow us to respond promptly.

In all, 19 new versions of Landsbankinn's app were released in 2023.

Strong customer authentication

"In the past two years, a great deal of work has gone into changing online banking and the app to enhance customer security in payment transfers. The changes are extensive and implemented in stages.

They are fully realised on the retail side and work is under way on similar changes for legal entities. The main change involves the addition of so-called strong customer authentication (SCA) in all main payment processes in the app and online banking, online payments with payment cards and the log-in process for both the app and online banking.

Legislation on payment service is intended to enhance security in payment services and protect customers. The old security codes are not deemed to meet modern security requirements. SCA enhances customer security through the combined use of two of the following three criteria to authenticate:

- Something that you own, like a phone
- Something that you are, like a fingerprint
- Something that you know, like a PIN

At the moment, our retail customers can choose between using biometrics (fingerprint or face ID), electronic ID on phones and the Auðkenni app in SCA. The Bank follows technological advances closely and will no doubt add more secure channels in coming years. We take advantage of numerous methods to strengthen the Bank's defences and increase customer security on the digital platform."



Arinbjörn Ólafsson
Managing Director of IT

Stable growth in contactless payments

Payment card turnover in 2023 exceeded ISK 500 billion for the first time and the year-over-year increase amounted to ISk 61 billion. Of this figure, ISK 100 billion was non-domestic turnover, which is up by ISK 16 billion between years.

In 2023, there were more than 76 million card transactions, up by 5 million from the previous year.

Per month

6,400,000
transactions

Per day

200,000
transactions

Per second

2.4 transactions

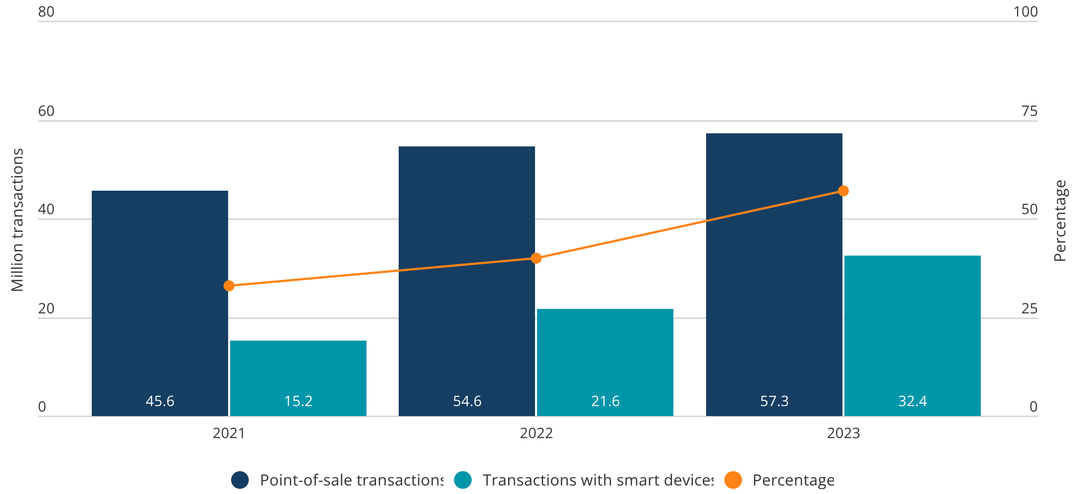
Of these 76 million transactions, 19.5 million took place on ecommerce platforms Around 57% of point-of-sale transactions are made using phones or watches, which is a considerable increase from 40% the previous year. We are increasingly leaving our physical cards at home, which increases security in card commerce.

Robust infrastructure

Two comprehensive updates to material systems were made during the year. The Bank's CRM system was updated and moved to the cloud. The update creates opportunities to simplify and integrate with other solutions and moving the system into the cloud ensures that the Bank always operates on the newest version. The Murex system, used in FX and derivatives transactions, also underwent a large update.

Contactless payments

Landsbankinn launched contactless payments with Apple Pay and later Google Pay.



Public registration in six seconds

Landsbankinn finalised public registration of a pledge agreement via electronic means on 23 November 2023, first in Iceland. Electronic public registration of pledge agreements is an

important milestone for Landsbankinn's customers as the turn-around time on loans secured with electronically registered pledge documents is shortened many times over.

Public registration of the first pledge agreement took around 6 seconds instead of several days or even weeks.

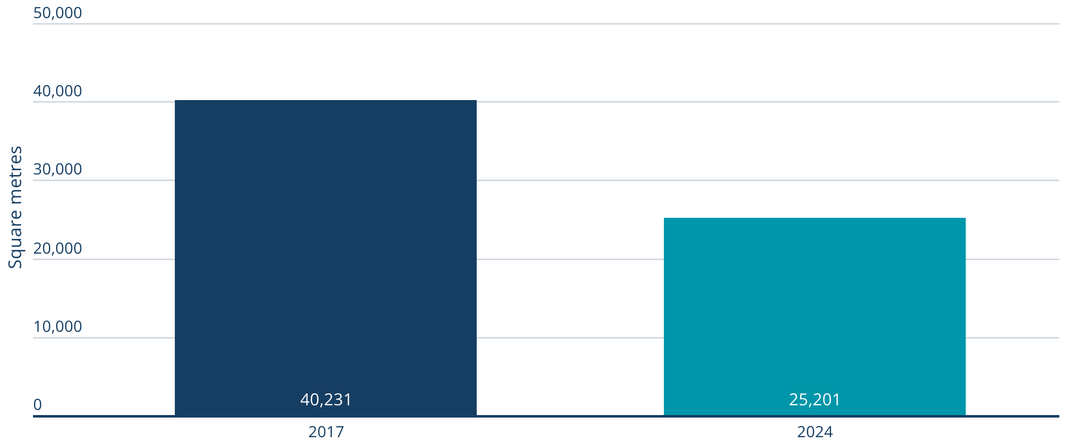
Straight-through processing of car loans

A new solution for car loans for used cars was introduced in 2023. The customer is in the front seat and tailors the loan to fit their needs, either in the phone or computer, once the car dealer has sent the application. The customer can adjust the loan amount and term, review debt service and the cost of borrowing, and sign the required documents. The new solution also makes it easier to initiate the financing process on behalf of Landsbankinn customers as the loan application is sent directly from the car dealer's system.

Occupied square metres down by 40%

In recent years, we have worked towards moving Landsbankinn's operation from older facilities, often impractical and too large, to better suited and more efficient housing. We have sold our old buildings in Akureyri, Ísafjörður and Selfoss. In 2023, the Bank reached a milestone when we moved from Austurstræti 11, eleven nearby buildings in Kvosin and two in Borgartún, and joined forces under one roof in Reykjastræti 6. Since 2017, total square metres occupied by the Bank have decreased by almost 40%, from over 40,000 to around 24,000 square metres.

Total square metres occupied by Landsbankinn



Ever-smarter Customer Service Centre

We have taken systematic steps to enhance quality and efficiency in Landsbankinn's Customer Service Centre. Customer expectations as regards service quality have increased and, alongside more self-service features in the app and online banking, simple requests grow fewer while more complex

matters become more frequent. Where self-service ends, the human touch is needed and this calls for changes in both organisation and approach.

In 2023, we merged the teams from the Customer Service Centre, the Corporate Call Centre and User Support in one Customer Service Centre. The aim is to improve the service experience and ensure quick and effective service. The team in the Customer Service Centre has extensive experience of financial service, tech support and comprehensive product knowledge.

The Customer Service Centre aims to resolve as many issues as possible at first touch and, to help us attain that goal, we also began using a new system. The system provides employees with a holistic overview of all customer interactions, i.e. requests communicated over the phone, web chat, email and social media. The system facilitates access to data-driven information through links to internal systems like CRM. This strengthens the business relationship as it enables us to provide even better service and shorten wait times.

We consider these changes to have strengthened the Bank's competitive position even further and a positive attitude among employees as regards the new system and organisation ensures modern work practices.

Account monitoring and notifications

Push notifications have developed by leaps and bounds. Customers can now set up monitoring of all their bank accounts, receive notifications when payments are deposited to accounts of in case of insufficient funds, monitor their savings goals and request notifications about new, unpaid invoices and due dates.

A modern work environment and organisation that encourages development and flexibility forms the foundation of improved and more efficient work processes.

Sound and sophisticated financial service

We simplify life for our customers by offering smart solutions that make our service accessible anytime and anywhere. The personal touch remains indispensable and by drawing on the great resource that our team in rural Iceland is, we are able to offer even better banking service.



Satisfied customers

Landsbankinn was ranked highest by banking customers in the Icelandic Performance Satisfaction Index 2023, the fifth year running.

Customer satisfaction comes first

We follow a clear strategy in our work - to provide first-class service and put customer satisfaction first. This has yielded results. Our own surveys show that customers are very happy with our service and, in 2023, the Bank topped the Icelandic Performance Satisfaction index for customers in the banking market for the fifth year in the row!

News of good service gets around and our customer base is growing steadily. In 2023, active customers increased by 5,500. The Bank's share in the retail market measured 40.5% at year end and has never been higher.

Banking that suits our customers' needs

Landsbankinn's app is the first choice among customers. We added even more features to the app in 2023 and a better bank-



ing app is hard to find, in our opinion. As the majority of our customers use the Bank's app or other digital services and seldom or never visit a branch, it is vital to offer tech solutions that people like. We do, and there is great satisfaction with our app, as we discuss in detail in our chapter on smarter banking.

We have adapted our service to the fact that increased use of digital solutions reduces branch visits and that the service customers require in person has changed. We have shifted our focus from simple requests to consultancy and advice and enabled branch employees throughout the country to offer advice over the phone, email and remote meetings, regardless of the geographical location of the customer. This fortifies our activities around the country, allows us to equalise pressure and boost service by reducing waiting times.

Advice in rural Iceland

Over 14,000 customers made appointments with our advisors in 2023. A majority of such appointments were handled by employees in rural Iceland.

Remote advisory meetings

81%

Advice over the phone

70%

Advice in branches

38%

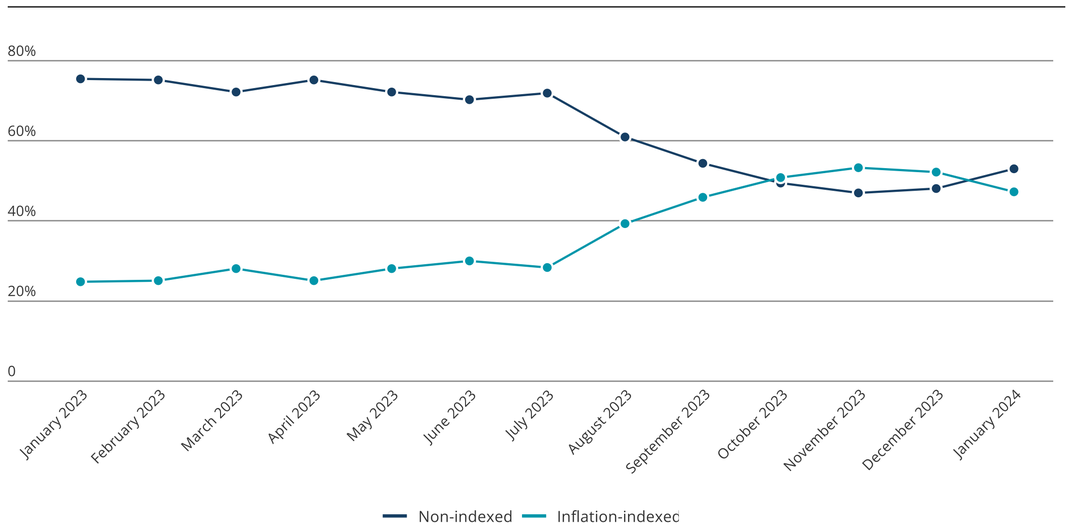
We closed our Austurstræti and Vesturbær branches in 2023 and opened a new branch in our headquarters at Reykjastræti 6. Opening hours were shortened in eight branches in rural Iceland. An ATM and service outlet were opened in Blönduós, where Landsbankinn has not previously operated. At the end of 2023, Landsbankinn operated 35 branches and outlets around Iceland.

More customers choose inflation-indexed mortgages

In 2023, the Central Bank of Iceland raised the policy rate four times, from 6.0% to 9.75%. Interest rates on housing mortgages grew alongside these hikes. The debt service on variable rate non-indexed loans increased considerably and significantly more than debt service on inflation-indexed loans. As a result, there was an increase in demand for inflation-indexed mortgages, both from customers applying for new loans and in refinancing transactions. At the beginning of the year, around a fourth of new housing mortgages were inflation-indexed. Towards the end of the year, the ratio had reached 55%.

Inflation-indexed loans can be expected to be more popular while interest rate levels remain high, as the debt service on such loans is lower.

New mortgages, inflation-indexed and non-indexed

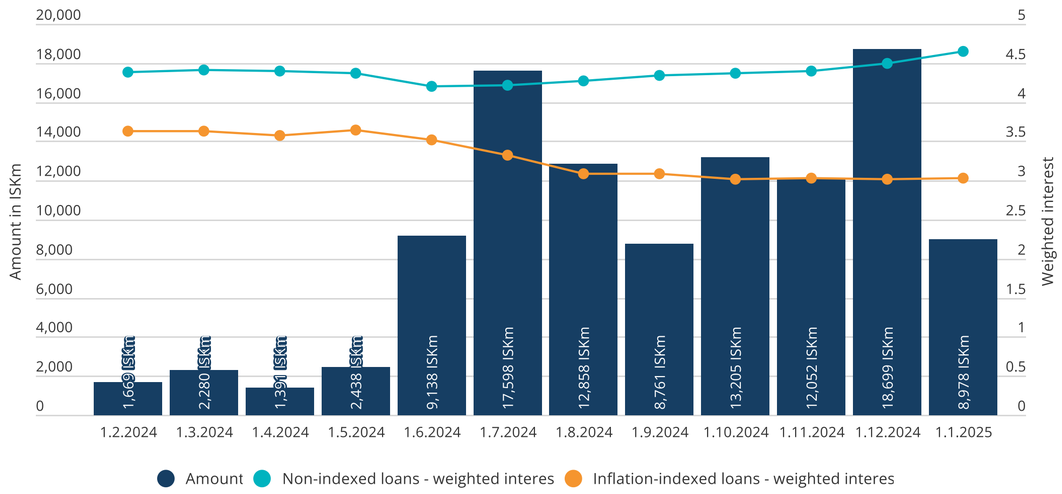


Fixed rate period ends for many borrowers

When interest rates were at a low point, many customers took the opportunity to fix the rates on their non-indexed mortgages, most commonly for a three-year period. This fixed-rate period ends for a considerable number of customers in 2024, around the middle og the year or later for most.

End of fixed-rate period

Scope and weighted interest



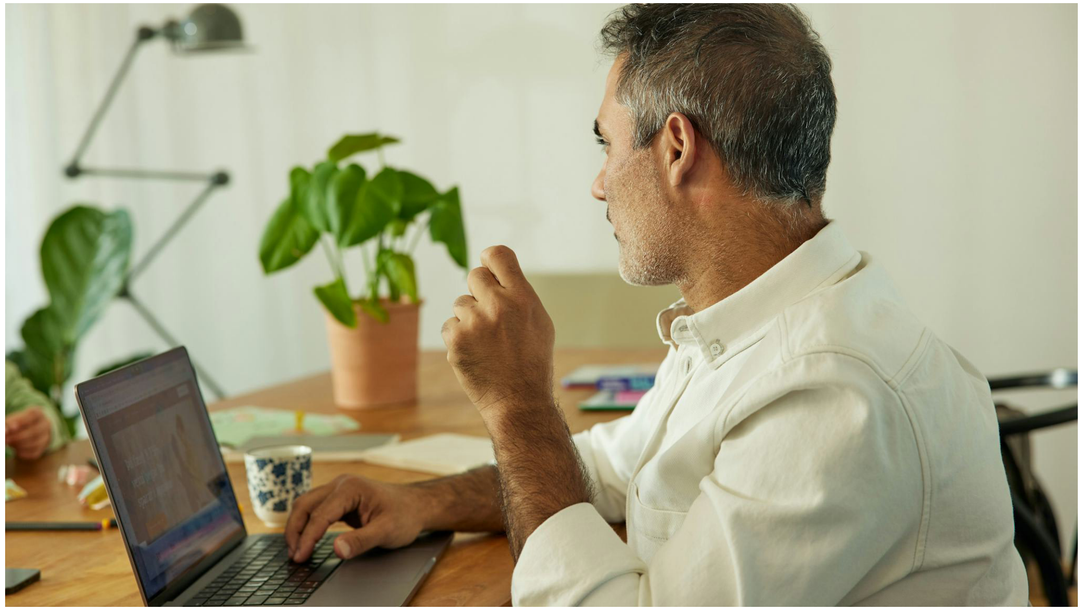
The average amount of fixed-rate non-indexed housing mortgages (primary loans) is around ISK 24.5 million. Interest rates were commonly fixed at around 4.5%. Interest rates are much higher now, or 10.75% on the Bank's non-indexed mortgages at year-end 2023. All things remaining equal, debt service will increase significantly once the fixed-rate period ends. Based on the average loan, the increase amounts to tens of thousands. It is to be expected that many customers will want to refinance their loans to lower debt service.

Around a third of customers with non-indexed mortgages that transitioned from fixed rates in 2023 applied for a credit assessment and refinanced their loans. Over half of the customers who refinanced did so with a new inflation-indexed loan. Around 44% of these customers took no action and their loans changed to variable rate mortgages.

Despite higher interest and inflation, customer defaults (over 90 days in arrears) remain very low. Loans in arrears were 0.2% at year-end 2023, as compared to 0.1% at the beginning of the year.

Much simpler mortgage application process

In 2023, we began working on simplification of the application process for housing mortgages. The entire process has been streamlined considerably, having regard for customers' needs. Not long ago, applying for a mortgage loan was quite an undertaking, involving print-out of loan documents, physical signatures, various stamps and public registration of documents. The system has been simplified considerably in recent years and once the new mortgage system is launched, customers will be able to apply for housing mortgages without a single physical visit to the Bank. This is just one of the ways in which we simplify life for customers and provide even better service.



Payment deferral and cancellation of interest and indexation for Grindavík customers

We responded to the seismic and volcanic activity on the Reykjanes peninsula by offering all Grindavík customers payment deferral, that is to defer payment of instalments, interest and indexation on their housing mortgages for a period of six months. Deferred interest is added to the loan principal twelve months after the deferral period begins and deferred interest payments do not accrue interest for the first twelve months. We also cancelled interest and indexation for a period of total six months in an unusual and unprecedented action, as banks carry no legal obligation to recompense customers for damages caused by natural disaster and pricing of housing mortgages does not include the cost of such action. That being said, banks have certain scope to respond to extraordinary circumstances, if it is deemed in the interest of the bank and its customers. That was the case here.

We focused on keeping the process as simple as possible. Our Grindavík customers, who were legally domiciled and resided in the town, were contacted with the offer to defer payment and cancel interest in the app, where they could sign all necessary documents using electronic ID.

More than twice as many save in the app

Our customers continue to build their savings and customer deposits with the Bank grew by ISK 72 billion in 2023. The simplest and most fun savings method is Smart Savings in the app and, in 2023, 57% more customers had opened one or more Smart Savings accounts than in 2022.

> With Smart Savings, customers get the most favourable terms available on unrestricted savings accounts and can start saving in a simple and secure manner.

Smart Savings allows customers to select different savings goals, with family being the most popular goal, followed by travel, home and vehicles. The highest amounts were saved towards the goal home in 2023. And the goals are ambitious. The average amount to reach a goal is around ISK 2 million and the time to reach the goal is 15 months on average.

Don’t save on new solutions

Following changes to the Central Bank rules on minimum fixed-term conditions for inflation-indexed bank accounts, we introduced Landsbók 12, an inflation-indexed savings account with a 12-month restricted term. The account has been well received.

Among other changes was the option to order withdrawal from premium rate accounts in the app, which was previously only possible in online banking or by contacting the Customer Service Centre or branch. We also introduced text message alerts for deposits to bank accounts through Landsbankinn’s app, making it easier for customers to monitor their accounts.

Cybercrime proves the importance of education and preventative measures

Since 2016, we have put concerted effort into warning against the risk of cybercrime and fraud, through accessible educational material and other means. We have hosted several informative events and our experts have been visible participants in

Opening of the open banking system at Landsbankinn

“In recent years, we have poured a lot of effort, time and funds into implementation of the PSD2 directive in the Bank's operation. PSD2 is intended to open the banking system by requiring banks and other credit institutions to allow third-party service provider access to their customers’ payment accounts, with their consent of course.

The result of this hard work is showing across the Bank. We have renewed and updated many older systems - “under the hood” work that customers generally don’t see.

Our aim was to ensure that our customers also notice that the Bank is a pioneer in this field. We did this by enabling our customers to view their bank accounts with other banks and transfer to and from these accounts in Landsbankinn’s app. All you need now is our app, even though you also hold accounts with other banks. We launched this feature in July 2023, in effect opening the open banking system in Iceland - at Landsbankinn.

We are very happy to have achieved this milestone and hope that our success will encourage others to take advantage of the wide-ranging opportunities the open banking system affords. I can envision fintechs building apps for large department stores that allow customers to pay directly from their bank accounts, without having to use payment cards. Airlines could also do something similar.

The banks currently accessible through Landsbankinn’s app are Arion Bank, Íslandsbanki and Kvika. We look forward to welcoming other banks and savings banks to our app as soon as they are ready.

The option to view and make transfers from accounts with other banks gives customers a better overview of their finances, which is one of our goals. In 2023, we also introduced the option for customers to grant others view and transfer access to their bank accounts. This makes it exceedingly easy for spouses to let each other view their balance and transfer from accounts. Sharing access to finances is very important for spouses in my opinion - it simplifies life and helps people plan and manage their spending.

Implementation of PSD2 has been a comprehensive and expensive undertaking that has resulted in various benefits for the Bank going forward. Our customers will experience these benefits through even better service and more efficient operation.”



Viggó Ásgeirsson
Head of Business Development, Personal Banking division



Stay safe in cyberspace

We have compiled accessible information on how to recognise cyberfraud and private measures we can all take to protect against it.

media discussion about the subject. There was considerable cybercrime activity in 2023, mostly based on fraudulent email or text messages that trick people to divulge their payment card information or use electronic ID to give the cybercriminals access to customers' app or online banking accounts. We responded in various ways and, as the year progressed, the frequency of these offences fell.

In 2023, we hosted six seminars on cybersecurity, including in collaboration with the Senior Citizens' Society of Akureyri, the Icelandic Organization of the Visually Impaired. Our expert on cybercrime prevention appeared in the media several times and published articles to both our website and news outlets. The volume of cybercrime in 2023 demonstrated the importance to remain vigilant and we will continue to emphasise cybercrime prevention.

Moderate growth in payment card turnover

Payment card turnover with Landsbankinn's customers increased by 13% between years. The increase is driven mostly by inflation and growing customer numbers.

Icelanders clearly travelled a lot during the year, as non-domestic card use increased even more, or by 17% between years. Ecommerce with non-domestic platforms grew rather more, or around 21%.

Aukakrónur customers are happier!

Aukakrónur is one of the country's strongest benefit systems. Surveys show that Aukakrónur are very popular, both among our customers and partners. Customers who use Aukakrónur are both more satisfied and more loyal.

Customers easily accrue Aukakrónur when they use their credit cards with our partners. A record was set in both the collection and use of Aukakrónur in 2023. Landsbankinn's customers collected 570 million Aukakrónur and, for the first time ever, they purchased goods and services with our partners for a higher amount than was collected during the year, or for 608 million Aukakrónur. Use is up by 16% between years and one of the reasons is that in late 2022, Aukakrónur became available in phones, making it much simpler for customers to use their Aukakrónur.

Collection

Aukakrónur **570** m

Use

Aukakrónur **608** m

Partners

200+ all over the country

Customers collect Aukakrónur on all domestic turnover and also receive a discount in the form of Aukakrónur from our partners. Our partners number more than 200. Working with our partners, we started an offer of the month campaign for our Aukakrónur customers in 2023.

Solid support and new solutions for companies

A record number of corporate customers joined Landsbankinn in 2023. We continued to support a vital economy with secure funding and new digital solutions. The Bank's corporate loan portfolio grew by 7.7% in 2023.

In 2023, 3,500 legal entities became Landsbankinn customers, both new and established businesses. Sole proprietors make up 1,400 of that number.

Our service platform for corporate customers has grown and we aim to offer simple and accessible financial service, all in one place. Our customers opened more bank accounts than ever before, 38% more than the previous year, and 83% of new corporate bank accounts were created through self-service solutions.

In 2023, Landsbankinn's lending to businesses grew by ISK 63 billion but having regard for an ISK 5.5 billion exchange rate impact, the total increase is ISK 58 billion, or 7,7% growth.

Growth was highest in real estate financing where we remain active in the financing of residential housing, continuing to contribute to the supply of new housing in a growing community.



Satisfied customers

Landsbankinn was ranked highest by banking customers in the Icelandic Performance Satisfaction Index 2023, the fifth year running.

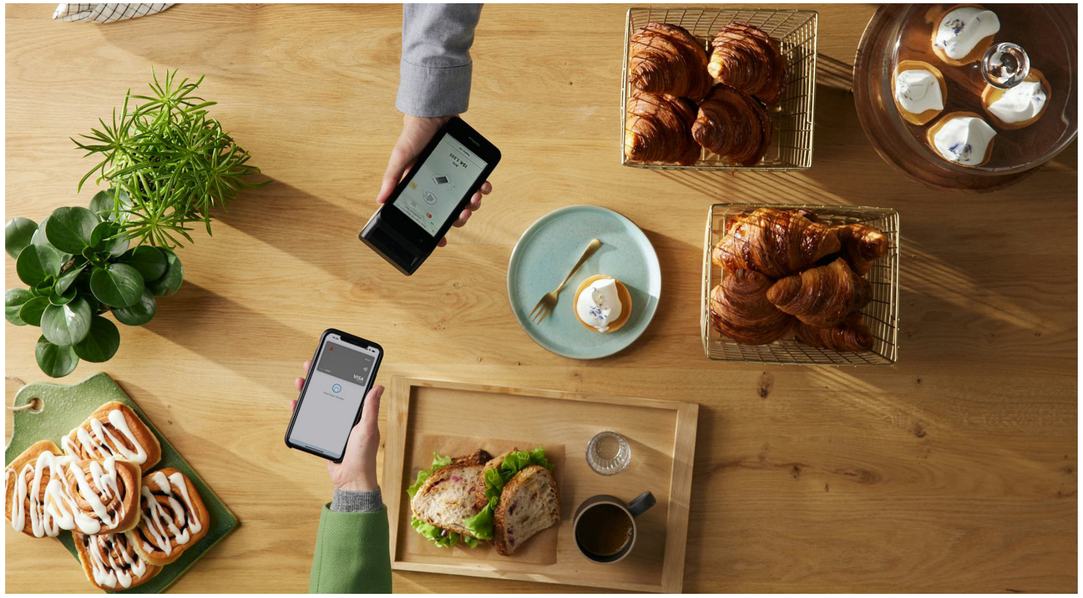


The year was our largest yet in vehicle and equipment financing and eco-friendly cars were prominent.

The Bank's market share in corporates who submit annual financial statements was 32.8% and our share in total lending to corporates is around 40.0%.

Merchant acquiring

Landsbankinn launched its own merchant acquiring service in February. This was a considerable broadening of our service platform to corporates and diversification of own activities.



Landsbankinn's acquiring service accepts payments in point-of-sale devices and ecommerce platforms, supports Apple Pay and Google Pay, offers securer settlement windows and more practical settlement periods. The system allows for the integration of POS equipment and payment gateways for online service which creates opportunities to link in benefit systems, increase loyalty and improve the overall customer experience.

A robust and secure payment transaction opens various new avenues to both streamline and simplify operations. Merchants who bank with us can now have all their payment service in one place, resulting in increased efficiency and a better overview of operations.

Positive outlook in fisheries and seafood

The year 2023 was challenging in fisheries and seafood. Difficult conditions on international markets and a contraction in capelin fishing led to poorer performance across the entire sector when compared with the record year 2022.

The outlook in fisheries and seafood is rather good despite difficult economic conditions and dwindling purchasing power in main trading partner countries, which will impact both prices and demand. Main fishing stocks are in good shape and both fishing and processing is going strong.

Salmon aquaculture has been a growing industry in recent years. Aquaculture companies experienced some growing pains associated with development, such as disease, escape of farmed stock and weather-related damage. This has caused fluctua-

Flying start to merchant acquiring

“Since Landsbankinn began offering acquiring services, more customers from around the country have joined us and we now have active customers in all parts of Iceland. We have emphasised service to small and medium-sized enterprises to begin with and reception has exceeded our expectations.

In merchant acquiring much as with other services, Landsbankinn focuses on offering a technically robust solution that boosts automation and makes it easy for companies and their service providers to link payment solutions to systems or other tech solutions.

Companies who use Landsbankinn as their universal bank have grown in number since we introduced acquiring service and 33% of companies who purchase acquiring service are new customers.

When the department was created, we had to make extensive changes to systems and infrastructure to support high product growth. We have succeeded in building a great team that has extensive knowledge of merchant acquiring, and we have developed and grown in the course of the year. We use our experience to offer strong advisory service as part of our work, as merchant acquiring is a technical and often complicated field.

The activities of our department differ in many ways from the general activities in the Corporate Banking division as we sell a product and service, and our product is based on collaboration with both domestic and non-domestic partners.

What makes acquiring service interesting is the innovation angle. All the Bank’s divisions have been involved in the project in some way. The result is a product and service that fortifies the Bank’s platform as a whole, as we now offer all payment service in one place.

Our customers can download all main acquiring data directly to their accounting system through Landsbankinn’s B2B system, both settlement statements and transaction summaries that ensure good bookkeeping practices. They include exhaustive information such as MIDs, transaction type, date, currency and other key data.

The web service simplifies reconciliation greatly and saves a lot of manual labour. Our customers can also use this data to build own management reports and statistical analyses and create sale summaries that show changes between periods, both in graphic and tabular form.

The data can be used for analytical review, such as analysis of turnover per sales point, sales numbers, average amounts, variance analysis, seasonal fluctuation etc., etc. The accounting systems synchronise with the Bank as often as deemed necessary. Customers can also create own search engines using the same web services. We are the first domestic bank to offer this service.”



Ragnar Einarsson
Head of Acquiring

tions in performance and some reputational damage. Going forward, there is more development work to be done and the outcome important.

In response to these challenges, land-based salmon farming has received a boost and there are large plans to build the industry, especially on the Reykjanes peninsula and in Ölfus. Land-based fish farming comes with a set of its own challenges and very limited experience.

Landsbankinn aims to remain a leader in funding to Icelandic fisheries and seafood. Loans to the sector are around 23% of the Bank’s credit portfolio to corporates and the market share in lending is around 35%. The Bank’s share has grown in recent years, driven by improved competitiveness. The aim is to increase the weight of fisheries and seafood in the Bank’s corporate credit portfolio so that lending to the sector aligns with new investments.



Tourist numbers from 2019 and forecast development leading up to 2026

2019	2,013,200
2020	486,308
2021	687,789
2022	1,696,785
2023	2,224,000
2025	2,300,000*
2026	2,500,000*

*Forecast by Landsbankinn Economic Research

Fantastic year in the hospitality sector

The year 2023 will be remembered as one of the better years in the travel industry. Around 2.2 million tourists visited Iceland, the second-highest number ever, and overnight stays were the highest ever recorded. Capacity utilisation was at its best for both airlines, hotels and car rentals, and many were sold out in the summer months. The fall season began strong but seismic and volcanic activity on the Reykjanes peninsula caused uncertainty.

There was a turnaround in performance - a positive change from the difficult post-pandemic years. Most companies have yet to publish annual financial statements but the results of the travel sector can be expected to very good in 2023 and the outlook is positive. Continued growth requires more investment and Landsbankinn intends to continue to be an active participant in these undertakings.

The outlook is bright, yet all growth comes with a set of challenges. It is important to take measured and considered steps and not move too fast. History has shown that conditions can change quickly.

At year-end 2023, Landsbankinn's total lending to the travel sector amounts to ISK 107.9 billion, was ISK 111.1 billion at year-end 2022. Landsbankinn's estimated market share is 35% and the aim is to increase that share.

Focus on residential housing

Following years of high activity in the construction market, 2023 saw a slight slowdown. Much higher interest rate levels reduce demand. Sales times are more protracted which makes it difficult for contractors to begin new projects. A limited supply of building lots also has an effect on new construction. Demand still exists and the construction market can be expected to pick up once interest rates decrease again.

According to the Housing and Construction Authority, annual need for new residential housing is 4,000-4,500 apartments over the next five years. The Authority assumes that just over 3,000 new apartments entered the market in 2023 and that the number will be lower in 2024. Clearly, more production is needed in order to meet demand.

Landsbankinn has been a leader in construction financing and intends to remain so. Emphasis is placed on financing of residential housing for the general market and rental market, but also on office, commercial and service housing, such as hotels. While the majority of projects is naturally concentrated in the capital city area, there has also been high activity in neighbouring municipalities.

Large construction projects

63 projects

Smaller construction projects

133 projects

Financed residential housing

3.600 apartments

Leading in retail and services

The Bank continued to be a lead bank for the retail and service sector in 2023, firmly supporting its customers under demanding conditions. As in previous years, the Bank gained numerous new customers and continued to work on exciting projects with current customers.

The trade and service sector includes a wide range of customers in retail, transport, IT and other services. In recent years, the sector has faced significant challenges, such as altered procurement and consumption patterns, in addition to rising import prices on commodities. These companies generally had a good year and the Bank's diversified loan portfolio to the retail and service sector strengthens the overall corporate credit portfolio.

Corporate vehicle and equipment financing

Lending by Landsbankinn's Vehicle & Equipment Financing to fund eco-friendly vehicles is going strong and such loans now make up just over half of the total portfolio. New sold vehicles that are powered solely be electricity are now at 47% and, including other eco-friendly vehicles (hybrids), the ratio was over 75% of all newly registered passenger cars in 2023. The loan portfolio will continue to reflect these developments.

Lending growth to the travel sector continued at a strong pace at the beginning of the year driven by accumulated investment need in a post-pandemic era. Tourist arrivals increased significantly from the previous year, alongside growth in the sector. Around the middle of the year, rising interest rate levels began having a significant impact on investment in cars and equipment, which reduced lending to this sector.

> Overall, 2023 was the strongest showing in vehicle and equipment financing and lending growth was considerable. Customers appear well positioned and defaults are at historically low levels.

New loans for vehicle and equipment financing to corporates amounted to ISK 36.6 billion in 2023, which is an 11.1% increase from the previous year. The credit portfolio of Landsbankinn Vehicle & Equipment Financing grew by around 17%, from ISK 37.4 billion to ISK 43.7 billion.

Favourable winds in Corporate Finance

Corporate Finance has had a good year that saw the completion of many successful projects.

In early 2023, Landsbankinn Corporate Finance coordinated the private placement of shares in Icelandic biotech company Alvotech in the amount of USD 137 million. Around mid-year, Alvotech concluded a successful auction of convertible bonds in the amount of USD 100 million in a private placement where Corporate Finance also acted as advisor. Finally, Corporate Finance acted as advisor on the listing of Alvotech's convertible bonds on First North Iceland.

Landsbankinn Corporate Finance coordinated the ISK 13.7 billion share capital increase of First Water hf., which was concluded in September. The share capital increase was one the larger increases of an unlisted company in Iceland in recent years. First Water, previously Landeldi hf., operates a hatchery near Hveragerði and a fish farm in Thorlákshöfn, where development of sustainable land farming of salmon is under way. The share capital increase secured funding for development of the first phase of First Water’s land-based fish farm and there are exciting times ahead for the company.

Corporate Finance coordinated the listing of Amaroq Minerals on the Main Market of Nasdaq Iceland in September. Amaroq is a mining company focused on the identification of gold properties and other strategic mineral assets and the company aims to develop sustainable mining operations in collaboration with the local community in Greenland. We hosted the well-attended and successful Amaroq Minerals Capital Markets Day at our new headquarters at Reykjastræti 6 in spring.

Samherji and Síldarvinnslan concluded the purchase by Síldarvinnslan of half of shares in sales company Ice Fresh Seafood. Landsbankinn Corporate Finance acted as advisor to Samherji in the transaction.

Corporate Finance coordinated preparation of the base prospectus and issuance programme for real estate company Kaldalón and then the sale of the company’s initial bill issuance under its new ISK 30 billion programme. Publication of a base prospectus provides Kaldalón with access to market funding and the company intends to be a regular issuer on the bond market in the next 1-2 years.

In December, the public offering of Ísfélag hf., the oldest operating public limited liability company in Iceland, was concluded and Landsbankinn Corporate Finance was co-manager of the issuance. The PO was a resounding success, with subscriptions from investors amounting to ISK 58 billion, or fourfold over subscription. Ísfélag is the third listed seafood and fisheries company on the market. With its listing, around a third of catch quotas in Icelandic waters are owned by companies listed on the Main Market of Nasdaq Iceland.

In addition to the above, we concluded various other projects successfully. The outlook is bright for Corporate Finance and current projects include the sale of Landsbankinn's 35% shareholding in Keahótel ehf.



Good year for SMEs

In 2023, Landsbankinn's Corporate Banking Service Centre moved from Borgartún 33 to Reykjastræti 6. The name of the unit was changed to SMEs at the same time. Today, the entire Corporate Banking division of Landsbankinn is gathered under one roof though three corporate account managers continue to receive customers in Borgartún 33.

As in previous years, most new loans to SMEs were to construction companies, real estate development and to the travel sector.

SMEs in the construction sector have performed well in recent years, much as the larger companies. Increased demand for residential housing and rising real estate prices drove lending growth to these companies. As 2023 progressed, rising interest rates began putting a damper on developments and sales started to contract. Sales picked up again when the criteria for participation loans was widened.

Rising interest rates have also caused problems for some smaller real estate companies, as rental income no longer covers wage cost. This can generally be solved by changing non-indexed loans to inflation-indexed - most customers had non-indexed loans. Luckily, most customers had inflation-indexed rental agreements to balance the situation.

A great number of tourists have visited Iceland in 2023 and smaller hospitality companies are generally performing well.

> Our goal is to offer SMEs first-rate service. We are focused on ensuring that our customers continue to receive personal service while also proliferating the availability of fantastic self-service solutions.

All new corporate customers receive an email welcoming them to the Bank and containing some basic information about the Bank's services. In 2023, we started a new initiative where we call new customers, welcome then and provide holistic advice about the Bank’s services. These phone conversations have been successful and customers who receive the calls are quicker to become active customers and utilise more products.

Sustainable Financing Label has run its course

Landsbankinn will not issue any more Sustainable Financing Labels. The Bank's Sustainable Financing Label was created in 2021 as a vehicle to enable companies who received funding under the Bank’s Sustainable Finance Framework to announce this in a verified manner.

The Label is unique in that Landsbankinn’s Sustainable Finance Framework is issued with a second-party opinion and aligns with ICMA’s guidelines and market practice.

Since then, the European Union has created its Taxonomy that sets out a common classification system for sustainable economic activity. The Label was based on a wider set of criteria than set out in the Taxonomy. Landsbankinn has been an active participant in creating common criteria and metrics for sustainability. To prevent any misunderstanding, we have decided not to issue any more Sustainable Financing Labels.



Corporates respond positively to new digital solutions

One of the new features in Landsbankinn’s app in 2023 was the option to close bank accounts. To dispose of any funds on the account, the customer simply selects another account to deposit to. The same applies to a negative balance that can be settled from another account. All services that are linked to the bank account cease to function when it is closed, including debit cards scheduled payments and regular transfers.

Bank accounts closed

—

60%

in self-service

This solution was immediately well received as it really simplifies matters. Of all bank accounts that are closed, customers now take care of 60% themselves. We are the first bank to make this available in self-service and it is a logical extension to allowing customers to create bank accounts through self-service solutions, which we began offering in 2020.

Companies can now set up regular transfers in Landsbankinn's app. The payor determines the period in which the transfers are to occur, whether temporary or continuous. Regular transfers come in handy in treasury activity, transfers between own accounts or within a group of companies.

Corporate use of Landsbankinn's app increased by just over a third among larger companies in 2023 and by around 43% among smaller companies. Use of the B2B service grew by 12% as compared with 2022, having regard for number of actions. Landsbankinn's B2B service is a robust electronic business solution that shortens work processes and streamlines accounting. B2B provides real-time insight in bookkeeping and helps users take informed decisions based on the newest data at each time.

Advantages of B2B

- Reduces manual data entry and reduces risk of error
- Simpler entry and confirmation process
- Shorter processing time and work processes
- Improved use of human resources, efficient time management and increased performance
- Increased automation and speedier reconciliation
- Full utilisation of automation can improve cash flow

Corporates can execute international payments in Landsbankinn's app

We are the first bank to offer corporates cross-border payments in an app. We also improved the view of recipients and the user experience in carrying out foreign transfers. This is the first taste of many planned changes to the app and corporate online banking in 2024.

Even more effective control in international payments

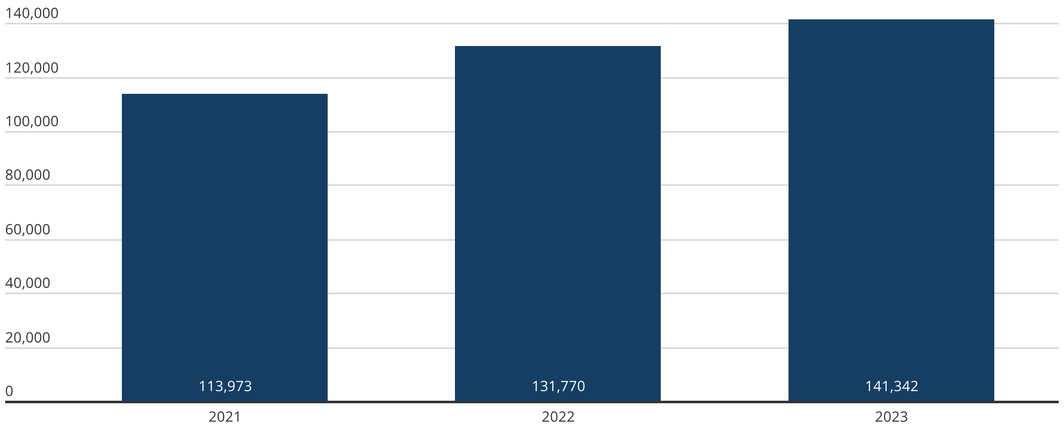
We implemented a new payment control system from SWIFT based on real-time monitoring of actions, blocking payment actions and daily reports to the Bank's employees. The system helps us prevent fraud. It uses variance analysis based on the comparison of historic and real-time date. We also took into use a new sanction screening system that verifies payment instructions against international regulations and standards. Both these systems are additions to the Bank's other systems in this field. The new process reduces error risk and increases the efficacy of control.

International payments up by 7% between years

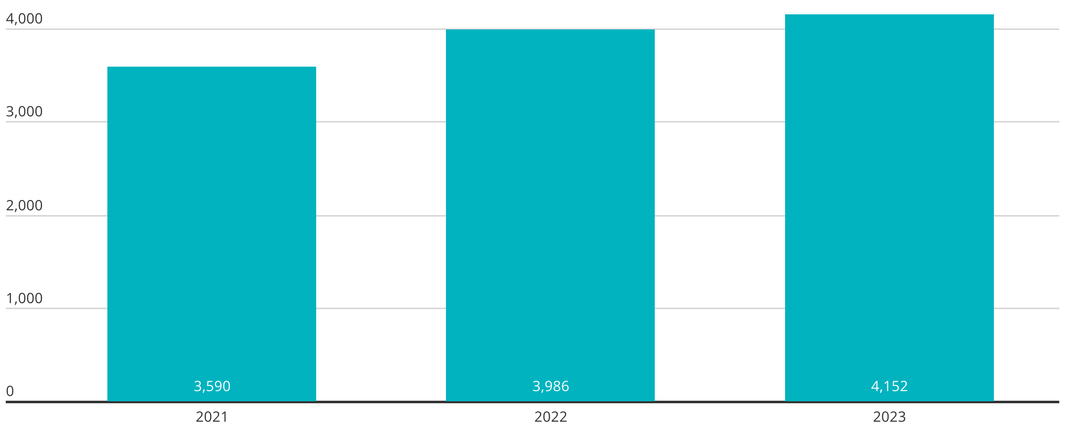
Companies that use international payments are up by 4% between years, mainly among new and smaller companies. International payments increased by 7% between years.

Trade sanctions still apply to Russian banks because of the suffering caused by the war on Ukraine. These sanctions impact Icelandic business transactions but little as their transactions with the banks in questions are generally limited.

Number of international payments - corporates



Number of payors - corporates



Reliable communication and increased use of self-service solutions

Customers adapted quickly to new solutions and emphasis was placed on enhancing the quality of communication with customers through increased use of self-service solutions and robust information sharing. High interest rate levels, persistent inflation and the expectation that it will continue to persist in conjunction with looming difficult collective bargaining negotiations in the labour market impacted the market significantly in 2023.

Some market fluctuation is to be expected in early 2024. Collective bargaining will be a large influencing factor, instrumental as it is to the development of both inflation and domestic interest rates levels. Developments at Marel and Alvotech will also be interesting to follow.



Satisfied customers

Landsbankinn was ranked highest by banking customers in the Icelandic Performance Satisfaction Index 2023, the fifth year running.



45 years of FX trading

"I was a fresh graduate from Menntaskólinn in Akureyri secondary school when I came to work for Landsbankinn in 1078 and really only intended to work for the Bank for a short time. I accepted work at Landsbankinn in Akureyri but always intended to study physical therapy.

But then I just kept working at the Bank and am retiring from Landsbankinn after a rather varied career in banking. I have been involved in currency throughout my career yet the nature of the work has changed a lot through the years.

I worked at Akureyri til 1980 when I moved to Reykjavík and started working at Landsbankinn's Austurbær branch. I worked there until 1982, then moved back to Akureyri and lived there until 1995, when I moved to Norway where I worked for three different banks.

In Akureyri, I worked in a department that handled collection and guarantees. We received invoices from overseas, for companies that were importing goods. Everything was possible - import of cars, food and practically everything that could be bought and sold. Iceland was undergoing significant changes at this time, developments that were on-going since WWII, and import was an important sector.

At that time, I processed such receivables and handled tourist currency - everything was rationed. We also managed guarantee letters, mainly for the import sector but also for exports to a lesser degree. In the era of the co-op factories in North Iceland, export blossomed and import was not far behind.

The currency was regularly devalued at that time and there was no market with Icelandic króna. The banks purchased the currency directly from the Central Bank and this continued for quite some time.

When I began, importers regularly had to apply to postpone payment. We had to find the toll code for the product in a binder and determine whether the code required an exemption to postpone payment. Then we had to apply for exemption with the Central Bank with an application that was mailed to the Central Bank. Processing of such applications could take days or weeks. Fax machines were a revolution in this process!

It wasn't until I returned to Landsbankinn in 1996 that the Trade department was created and it is the forerunner of the capital markets currency brokerage we know today. We began by calling customers to offer currency for purchase and sale which led to the formation of a more active market. We were the first to offer this service in June 1996. There were two of us in FX trading for customers at the time, one handled the ISK market, two were in the interbank market and one person handled back-office activities. He certainly had his hands full! We also handled deposits and money market facilities and this is where the FX market has its roots in Iceland.

Recent years have been dynamic in the FX market. The environment has changed, we have worked under capital controls more than once as well as various other limitations. In the period following abolition of all capital controls, the FX market has been strong, especially in the past two years."



Ólafur Örn Haraldsson

Growing assets under management

The main goal of Asset Management & Capital Markets is to contribute to increased returns and the safeguarding of our customers' assets. As always, we emphasise asset diversification and work in accordance with investment strategy authorisations. The investment strategy of Private Banking yielded positive return figures in 2023 and assets under management grew considerably.

Strong forex turnover

Turnover in the forex market remained strong and income from FX trading was similar to the record levels attained in 2022. Our customers adapted quickly to a new solution

launched in early 2023, when Landsbankinn became the first Icelandic financial undertaking to offer self-service FX trading, i.e. the option to send and receive bids for FX transactions.

Improve communication with customers through self-service solutions

We have focused on advertising Landsbankinn's pension fund services and products. We will continue to inform customers about the advantages of our B2B system. Landsbankinn is the first domestic financial undertaking to offer automatic translation of securities transaction data to customers' books.



Good flow of interesting and informative material

Events and information targeting customers and employees has been well received and well attended. In addition to hosting events, we publish varied articles on securities trading to the Bank's content and news site, Umræðan.

There was an increase in new parties with direct market access agreements and we have partnered with new international investment houses.

Fund managing firm LGT Capital Partners, a leader in sustainable investment, visited Landsbankinn to introduce their products and asset management methodology, based on utilisation of ESG data in both direct investment and portfolios under management. Landsbankinn has enjoyed a successful partnership with LGT CP for several years and the Bank's customers can invest in the Firm's varied selection of funds.

Landsbankinn and LGT CP paid joint visits to customers and pension funds to present the LGT Sustainable Equity Fund Global. The fund emphasises global equities and ESG in its investments.

LGT CP's approach to integrating ESG factors was introduced to Landsbankinn's employees and Landsbréf fund managers at a special event.

Growing customer numbers in pension savings

New pension customers continued to join us in 2023, up by 6% from the previous year. We continued to polish our services and launched new self-service options. One of the goals we reached in 2023 was an upgrade to pension savings in the app, which includes a new design og statements and summaries and two new pages that show detailed information about the development of both mandatory and supplementary pension savings.

Changes to the entitlement tables and articles of association of Íslenski lífeyrissjóðurinn pension fund entered into effect on 1 January 2023, reflecting death and reversionary tables published by the Ministry of Finance and Economic Affairs at year-end 2021. The tables are based on suggestions by the Association of Icelandic Actuarial Mathematicians. The main change from the previous technical basis is that life expectancy now differs for year of birth. As the fund now expects to pay pension longer for those born later, earning of entitlement falls based on rising year of birth.



The main changes to the fund's Articles of Association are to the effect that the combined mandatory premium changes as the part of mutual insurance in all payment plans increases.

Mixed funds in the lead

Landsbréf hf., the Bank's subsidiary, performed well in 2023 despite challenging market conditions in the first half of the year, especially in the domestic market. Inflation increased throughout the year, along with interest rates. In the last few weeks of the year, markets took a more positive turn with the expectation that the rate-hike cycle was coming to a close. Investors also responded to a clearer understanding of the position of the two largest companies on the stock exchange, Marel and Alvotech, about which there had been considerable uncertainty earlier in the year.

In broad terms, Landsbréf's operation is twofold, i.e. fund management on the one hand and asset management on the other. As regards fund management, Landsbréf's results were good having regard for market conditions and competitors. Bond funds yielded good returns in the year, as did Landsbréf's international equity funds, with poorer performance from domestic equities. Even so, Landsbréf's equity funds performed well in comparison with competitors.

Landsbréf's mixed funds, i.e. funds that invest in both international and domestic equities and bonds, performed very well in 2023, leading the Icelandic fund market.

Landsbréf managed 41 funds at year-end 2023, both UCITS and AIFs. Landsbréf offers a varied selection of funds and most investors can find options and opportunities that meet their needs.

Two new funds were created in 2023, the initiative fund FW Horn slhf. And the AIF Landsbréf- Eignadreifing varfærin hs., which will open to investment in the first quarter of 2024.

In addition, Landsbréf took over operation of the initiative fund TF II slhf. at shareholders' request - it was previously managed by another fund operator. Returns on portfolios under asset management were also good. Landsbréf Asset Management only handles asset portfolios for Landsbankinn's customers, including pension funds managed by the Bank.

Active and responsible management coupled with good asset diversification has repeatedly proven its worth. Landsbréf is leading in this regard and the company's employees take pride in being worthy of the trust thousands of fund members place in Landsbréf when they invest in the company's funds.



3. Sustainability & society

Positive impact on sustainable development and society

We are leading in sustainability, an ambitious participant in public debate on economic affairs and an active publisher on varied topics. Our goal is to have a positive impact on Icelandic society and be a desirable workplace.

Key sustainability initiatives

In 2023, we hosted Landsbankinn’s Sustainability Forum for the second time, assessed greenhouse gas emissions from our credit portfolio for the third time and adopted science-based emission targets which were approved in February 2024. Six interesting projects received grants from Landsbankinn’s Sustainability Fund in the second round of allocations and we remain a global leader according to the ESG risk rating of Sustainalytics.



Landsbankinn's Sustainability Policy

Our Sustainability Policy extends to all divisions of the Bank, sets out our key focus as regards sustainability and describes how we implement sustainability in our operation. The Policy addresses the UN SDGs, climate concerns, social issues, governance, ESG risk rating, responsible investment and responsible lending.

Goals are instrumental to achieving success, in sustainability much as in other fields. We have challenged ourselves with ambitious goals which we review regularly and are based on the Bank’s Sustainability Policy. Landsbankinn’s disclosure is also linked to its sustainability goals and we publish information about our progress, both in order to promote transparency and to share information.

1

Be informed and inform about the Bank's impact on sustainability

2

Emphasise responsible lending

3

Achieve a reduction in direct GHG emissions

4

Achieve a reduction in indirect GHG emissions

5

Attain a gender ratio of executives that accords with set limits

6

Measures to counteract discrimination - share information about EKKO

7

Review sustainability information

8

Direct business to responsible suppliers

Sustainability goals

Our eight goals fall into the categories sustainability, environment, social and governance.

Goal 1: Be informed and inform about the Bank's impact on sustainability

We intend to be leading in disclosure on sustainability. This requires that we:

- Comply with the regulatory environment for sustainability as and when it enters into force with appropriate disclosure, i.e. SFDR, the EU Taxonomy and CSRD.
- Publish an annual GRI report.
- Discuss our climate risk in our Pillar III risk report according to the guidelines of the Task Force for Climate related Financial Disclosure (TCFD).
- Publish our emission figures, including emissions from our loan book under the PCAF methodology.

Sustainability related disclosure is likely to increase in the near future, including under the Science Based Targets initiative (SBTi), our obligations as a PBAF member and with audited sustainability accounts, including the GRI report and emission accounts, both of which are audited with reasonable assurance by Deloitte.

Goal 2: Emphasise responsible lending

Landsbankinn will measure its green asset ratio (GAR) in accordance with its obligations and, when reliable information has been obtained, the Bank will set targets for responsible lending.

Goal 3: Achieve a reduction in direct GHG emissions

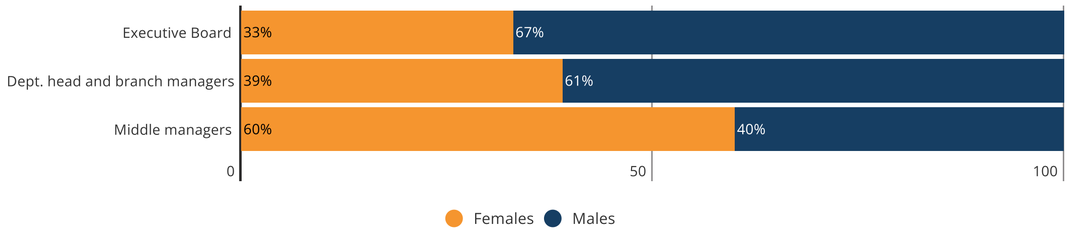
The Bank aims to reduce emissions under Scope 1, i.e. its direct emissions, by 80% by 2025 compared with 2018 emissions and by around 100% in 2030. Landsbankinn shall also maintain its carbon neutral status under CarbonNeutral® from 2020 onwards.

- As of 1 January 2025, the Bank will cease purchasing vehicles solely fuelled by fossil fuels.
- As of 1 January 2027, the Bank will only purchase vehicles that are fuelled by renewable energy sources, such as electricity.

Goal 4: Achieve a reduction in indirect GHG emissions

- In 2022, we applied to join SBTi.
- In 2023, Landsbankinn adopted goals to reduce indirect emissions using the SBTi guide for financial institutions and applied to have them approved. The approval process was concluded in February 2024. The key goal applies to financed emissions under PCAF and we are also adopting goals to reduce indirect emissions from the Bank's operation.
- The goal the Bank adopted for own operations was to reduce indirect emission by 50% before 2030 as compared with 2019.

Gender ratio of executives



Figures for non-binary employees have been left out for privacy purposes

Goal 5: Attain a gender ratio of executives that accords with set limits

By 2030, we want the gender ratio in our top management levels to maintain a balance of no more than 60% representation by any gender and aim to maintain that ratio once it is achieved. Top management breaks down into three groups: managing directors, department heads and branch managers, and other middle managers.

Goal 6: Measures to counteract discrimination - share information about EKKO

We intend to do more to show how we use the Bank's EKKO policy to counteract bullying, sexual or gender-based harassment, and violence. Our sustainability report will contain information about events reported to Human Resources and number of events measured in the Bank's workplace audit.

Bullying	Sexual	Gender-based	Violence	Events reported to HR
2.16%	0.72%	1.57%	0.86%	0 EKKO incidents

Goal 7: Review sustainability information.

All financial and sustainability information will be reviewed and analysed by a third party to the proper extent.

Current status:

- The GRI report and emission accounts are audited with reasonable assurance by Deloitte.
- The Bank's PRB report is audited with limited assurance.
- The Bank's PCAF report is audited with limited assurance.
- Landsbankinn's Sustainable Finance Framework is reviewed by a competent third party.
- The Bank's green bond impact report is reviewed by a competent third party.

Goal 8: Direct business to responsible suppliers.

Our aim is that 80% of the cost of purchased services and goods will be paid to suppliers who have committed to the Bank's ethical guidelines by 2025 or who have adopted comparable rules.

Current status:

A code of conduct for suppliers was implemented at year-end 2021 and the goal for the extent of spending with responsible suppliers was reached in 2022 and 2023. We will continue to direct our business to responsible suppliers and again aim to ensure that 80% of the cost of purchased services and goods will be paid to responsible suppliers.

Landsbankinn's Sustainability Forum

Landsbankinn's Sustainability Forum was held in Gróska 7 September 2023. This Forum was focused on the work Icelandic businesses have been doing to boost sustainability in their operations and on opportunities to do even more. The topics



included emissions from air travel, real estate operation and development, and the future of land transport. Lilja Björk Einarsdóttir, CEO of Landsbankinn, opened the Forum and Guðlaugur Thór Thórðarson, Minister for the Environment and Natural Resources, addressed guests. We heard from speakers from large domestic companies who are facing significant challenges in their operations as well as smaller businesses who are integrating the circular economy in their activity.

Emissions from credit portfolio

We know the total emissions from our credit portfolio. In 2023, we assessed GHG emissions from the Bank's credit portfolio for the third time. We have participated actively in the devel-

Sustainable Development Goals

We are focused on four of the UN Sustainable Development Goals (SDGs). These goals all directly correlate with the Bank's operation and work to achieve them maximises the Bank's positive impact on the environment and society. We also follow the Principles for Responsible Banking (PRB) which guide banks in their work on the SDGs and the Paris Agreement.

Fast-paced sustainability keeps us on our toes!

“Sustainability is developing fast and is becoming an integral part of business activity. These developments are hastened along by a growing regulatory environment and the demands of both the public and customers, who increasingly expect business operations to be sustainable.

In 2023, Iceland adopted sustainability legislation that transposed into domestic law the EU Taxonomy. It makes more stringent demands of companies about sustainability and sets out improved criteria for the sustainability environment and data quality.

The legislation facilitates comparison of sustainability data disclosed by corporates, as the criteria it espouses allows for comparison. This requires a better dialogue between financial institutions and their customer - to achieve climate targets, we all need to collaborate. And comparable information allows us to assess the alignment of loan products with the criteria of the Taxonomy.

In my work for the Bank, I participate in preparation and work with the Bank’s divisions to implement this new legislation and the appropriate technical standards. It is important to make the employee and customer experience as simple and comfortable as possible as the technical demands are very complex and can easily contribute to a negative experience if not handled with care. It’s important to ensure a smooth and successful process.

Green and eco-friendly housing

In January, the Bank finished updating its Sustainable Finance Framework to align with the EU Taxonomy in so far as possible. Not all categories of the Framework can be aligned with the Taxonomy criteria as not all domestic industries fit its definitions.

The update is based on the most recent draft of the EU Green Bond Standard, meaning that we will have limited need to update it again when the Standard enters into force. Other changes include that the updated Framework provides definitions of eco-friendly and green residential housing, based on the Bank’s own methodology.

EUR 900 million in green bonds

The Bank has issued a total of EUR 900 million in green bonds. The reception has been good and issuances have been considerably oversubscribed. It’s important to ensure good information management for these issuances, communicate them securely and ensure that the Bank can demonstrate that it is allocating the proceeds to projects that meet green funding criteria, while also assessing the option of further issuance.

I have also overseen calculation of financed emission from the Bank’s loan and asset portfolios, using the PCAF methodology. Landsbankinn has been an active participant in PCAF since becoming a member in 2019 and I am currently the Bank’s representative and co-chair of PCAF Nordic, a European subgroup of PCAF. At the turn of the year, around 40 financial undertakings in the Nordics were part of PCAF Nordic and our numbers are growing. The group shares information and creates work groups that develop the PCAF methodology to reflect the local environment. The Bank published its second PCAF report in 2023 and became one of few businesses who have achieved a limited assurance engagement for the report.

Among other projects is the Bank’s work on adopting scientific targets to reduce carbon emissions from its operation based on the Science Based Targets initiative (SBTi).

These are some of the larger projects I’m involved in with the Sustainability Team. We work on many other and sometimes unexpected tasks as well, as sustainability is developing at a fast pace and is by its very nature quite comprehensive. The work is diverse and dynamic and keeps me on my toes.”



Jón Ragnar Guðmundsson
Specialist in sustainability

opment of the Partnership for Carbon Accounting Financials (PCAF) methodology. In general, the main challenge for banks on the road to carbon neutrality has been to assess their indirect environmental impact. In Landsbankinn's case, less than 1% of emissions are from its direct operation. Our experts participate in leading the development of the PCAF methodology which allows financial undertakings to assess their indirect environmental impact and present their carbon accounts in a comparable and coordinated manner.

More than 450 financial undertakings have now undertaken to use the methodology in the assessment of their indirect environmental impact. In 2022, we became a member of PCAF Nordic, a platform for financial undertakings in the Nordic Countries to adapt the methodology to their circumstances and for collaboration on the issues. A specialist from Landsbankinn is co-chair of PCAF Nordic.

Impact on biodiversity

In 2022, Landsbankinn was the first Icelandic bank to become a member of the Partnership for Biodiversity Accounting Financials (PBAF), an association working to enable financial institutions to assess and disclose impact and dependencies on biodiversity of loans and investments. Biodiversity describes changes to ecosystems, species and genes in the world or in a certain area. Earth's ecosystems are biodiverse systems that affect human welfare.

We continued to investigate our impact on biodiversity in 2023. The Icelandic Marine Research Institute reviewed the status of the ocean around Iceland with us and we familiarised ourselves with the fourth report from the Intergovernmental Panel on Climate Change (IPCC). Our main project going forward is to assess the current status based on this information. To date, the PBAF methodology does not extend to marine biodiversity. Our main focus is on ocean acidification, rising sea temperatures and ocean currents.

> Our aim is to ascertain whether the changes that are occurring will have a material impact on our loan portfolio to the fisheries and seafood sector, and the potential to have a positive impact through our customers.

The aim is also to assess whether rising temperatures and acidification can cause specific commercial fishing stocks to migrate and whether new stocks may replace them. This will improve our understanding of the potential changes in seafood and fisheries sector and the possible effect on our lending to the sector. We participated in an event hosted by the Icelandic Meteorological Office (IMO) where the topic was potential adjustment measures in response to climate change.

Our next steps are to continue to work with PBAF and disclose nature-related financial information in accordance with TNFD.

The recommendations from TNFD are intended to help companies to contribute to the goals of the Convention on Biological Diversity concluded at the COP15 conference. By collecting, analysing and disclosing this information, we will over time be able to map the Bank's risks from changes the natural environment. This information will be useful for funding purposes, as investors increasingly consider nature-related risk in connection with financial undertakings.

Operation again carbon neutralised

We have carbon-offset the Bank's 2023 activity and received internationally acclaimed certification from CarbonNeutral®. The Bank's operation was carbon-offset through carbon sequestration or the reduction of GHG emissions. Working with Climate Impact Partners, we have purchased carbon credits that have undergone a strict certification process and have certainly led to carbon sequestration or avoidance of GHG emissions.

Responsible investment and responsible lending

We have emphasised responsible investment for a number of years now, as the strategy positively impacts return on investment in the long term and reduces operational risk. We are guided by the UN Principles for Responsible Investment (UN PRI). We wish to be a leader in responsible lending as well, as the methodology reduces operational risk for companies.

Landsbankinn aims to measure its GAR based on the EU Taxonomy and adopt responsible lending goals, see the Bank's sustainability goals.

Science-based climate targets

To achieve a contraction in indirect GHG emissions., Landsbankinn has joined the Science-Based Targets initiative and intends to set goals to reduce indirect emissions using the SBTi guide for financial institutions. Using SBTi, we adopt scientific and measurable emission goals based on real data from our operation. The approval process was concluded in February 2024 and Landsbankinn now has an SBTi approved goal to reduce indirect emissions.



Allocation report

In 2023, we published the second allocation report for the Bank's green bond issuance. Investors in the Bank's green bonds receive detailed information about the allocation of proceeds form the bonds. Deloitte verified that the funds were allocated in accordance with the Bank's Sustainable Finance Framework.

In 2023, Landsbankinn finalised the sale of green bonds in the amount of EUR 300 million, the Bank's third EUR-denominated green bonds issuance. These are 3.5Y bonds maturing in March 2027.

Eignadreifing and Vaxtareikningur sjálfbær

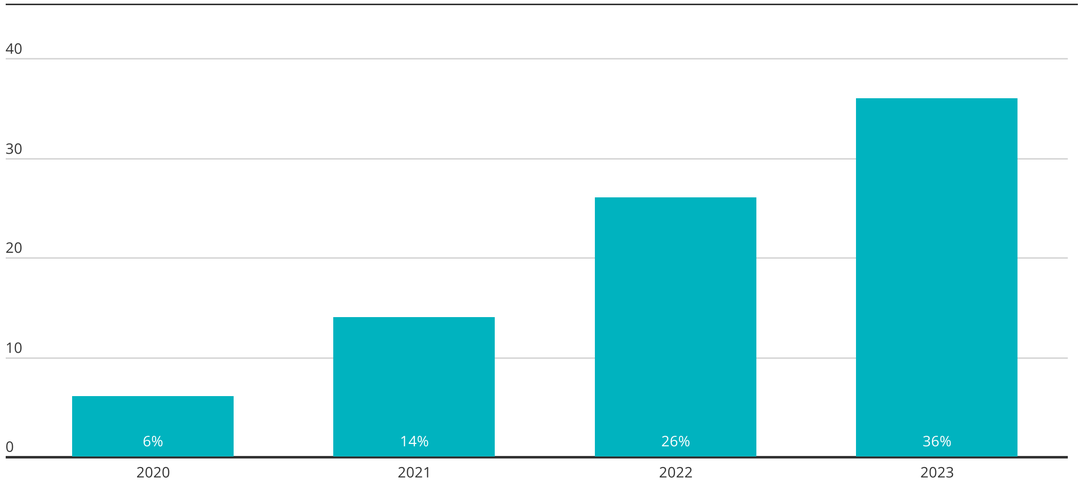
We continued to offer sustainable investment methods in 2023, on the one hand with Eignadreifing sjálfbær sustainable asset allocation fund managed by Landsbréf and on the other with Vaxtareikningur sjálfbær sustainable savings account. Eignadreifing sjálfbær was launched in 2021. The fund considers ESG factors in its investment decisions. Vaxtareikningur sjálfbær sustainable savings account, also introduced in 2021, allocates deposits to the financing of projects that contribute to sustainable development. Our customers can use these investment channels to let their savings positively impact the environment and community.

Green vehicle loans

Landsbankinn supports the energy transition. Electric cars are an important aspect of the transition as their emission factor is lower and their operation more efficient, especially in Iceland. We continue to cancel the borrowing charge on electric cars and offer a 0.6 percentage point discount on their financing.

In 2023, 46% of the total amount of vehicle loans was for the purchase of electric cars. Landsbankinn's customers purchased more electric cars in 2023 than in the previous years.

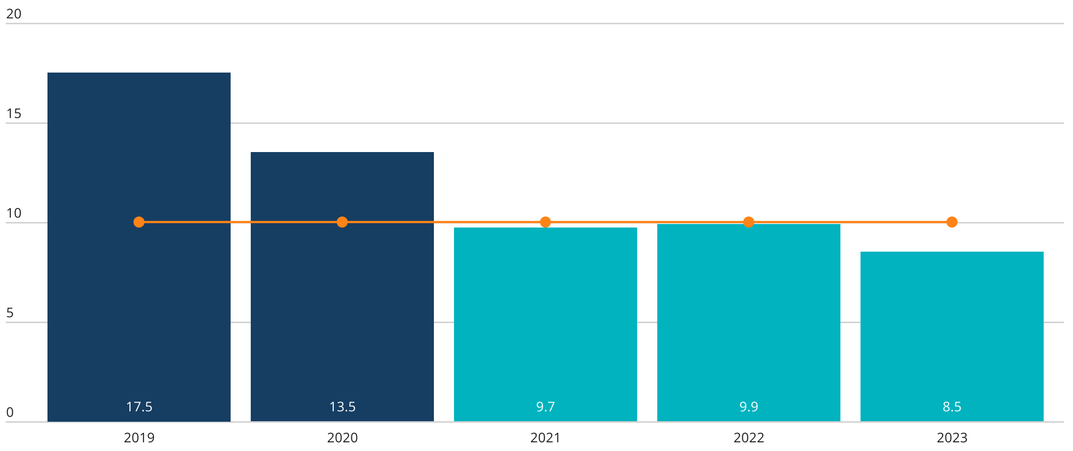
Loans for electric cars over third of all vehicle loans



Sustainalytics' ESG risk rating

According to Sustainalytics' ESG risk rating, we continue to lead the field on an international level. The Bank scored 8.5 in the 2023 ESG risk assessment, its lowest score yet on a scale where the goal is to achieve as low a rating as possible. We are among the top 1% of regional European banks assessed by Sustainalytics. Sustainalytics considers Landsbankinn at negligible risk of experiencing material financial impacts from ESG factors, on which the risk assessment is based.

Development of Sustainalytics rating



Line shows Landsbankinn's aim
The goal is to achieve as low a rating as possible.

Climate issues

We put a great deal of effort into knowing the environmental impact of our operation. We continue to analyse our carbon footprint and our impact on society.

We carry out an in-depth analysis of both the direct and indirect environmental impact of our value chain based on the internationally approved methodology GHG Protocol, the methodology generally used by businesses to calculate their carbon footprint. Calculation and disclosure of greenhouse gas (GHG) emissions from the Bank's loan and asset portfolios is based on the methodology of the Partnership for Carbon Accounting Financials (PCAF).

GHG Protocol methodology

The scopes are defined as follows:

Scope 1

Direct emissions from our operation, i.e. emissions from sources owned or controlled by the Bank.

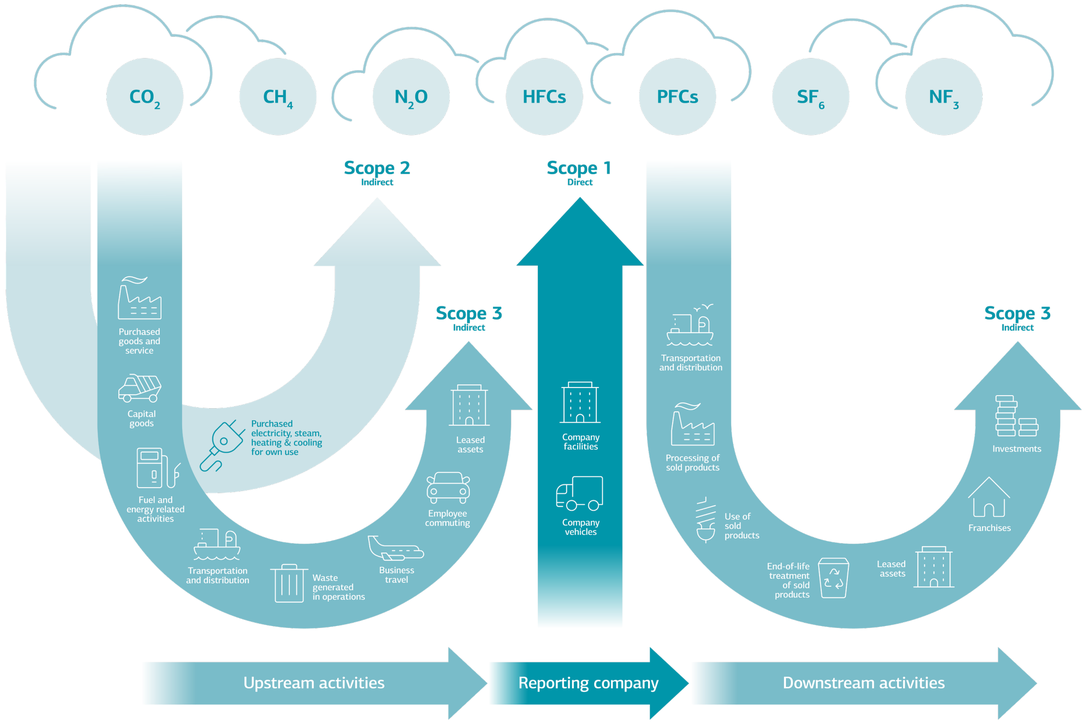
Scope 2

Indirect emissions from the generation of electricity and heating that we purchase.

Scope 3

Indirect emissions that occur in our value chain. Indirect emissions from lending activities also fall under scope 3.





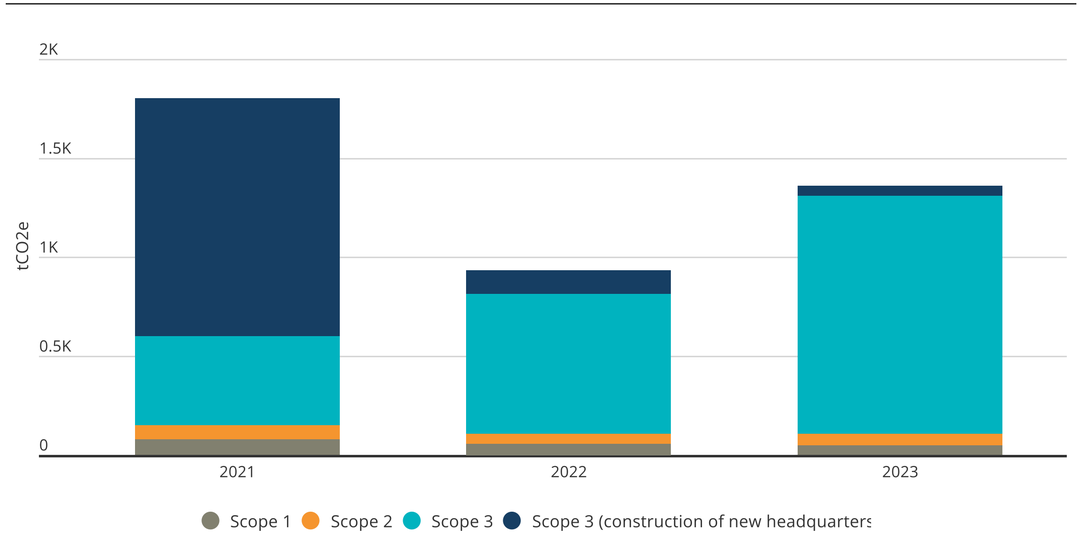
Source: WRI and WBCSD

Total emissions

The Bank's total emissions, excluding from construction of new headquarters and financed emissions (Scopes 1 and 2), have contracted by 24% as compared with 2019. Emission from vehicles has dropped by 47% while emission from housing has increased by 25%. We aim to reduce emissions under Scope 1 by 80% by 2025 compared with 2018 emissions and by around 100% in 2030.

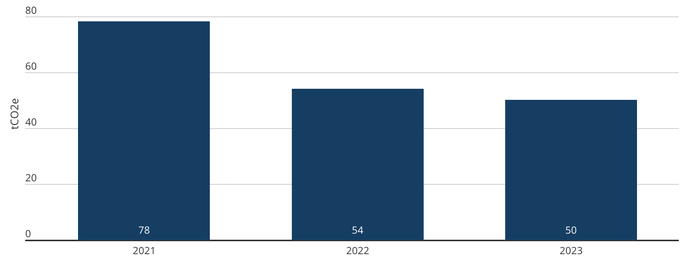
Indirect emission from the Bank under Scope 3 increased from the previous year, almost solely from purchased goods and services. The Bank renewed technical equipment for employee workstations and in conference rooms in its new headquarters, and invested in new computers. Emission from the construction of new headquarters continued to contract and work is now concentrated on outdoor areas. Emissions from business trips have increased post-pandemic and are up slightly between 2022 and 2023. Emission from domestic and international air travel as well as rental cars is included in business trips, as is accommodation. The Bank discloses employee ac-

Greenhouse gas emissions by scopes

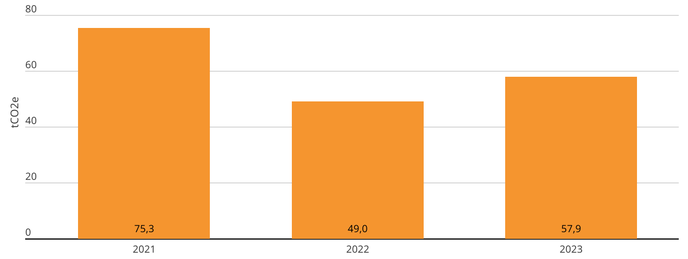


commodation on business trips for the first time this year. Employee travel to and from work includes remote work and falls under commuting. Included under purchased goods and services is paper use, data transfer, fuel production, production of computer equipment and sewerage.

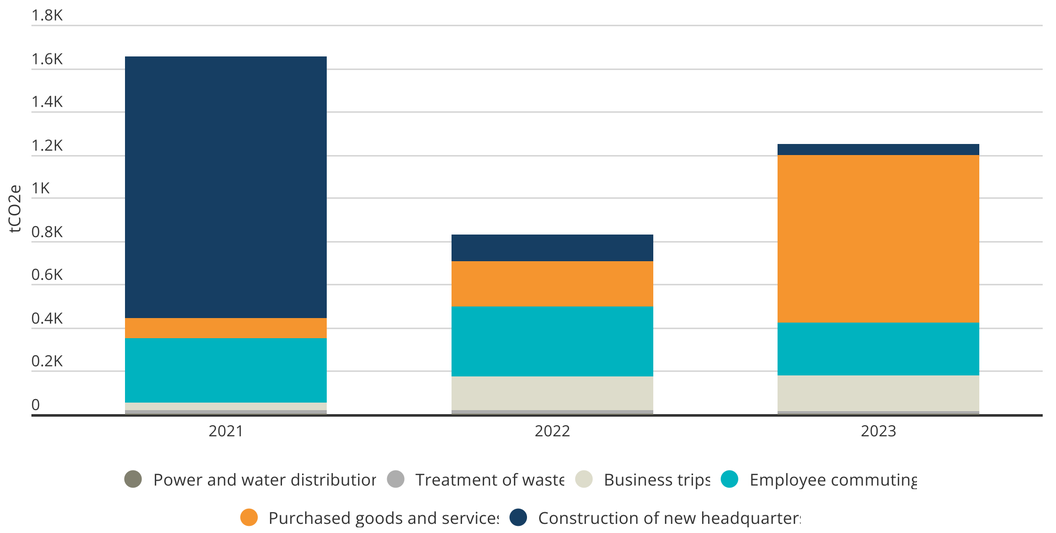
Emissions from vehicles - Scope 1



Emissions from housing - Scope 2



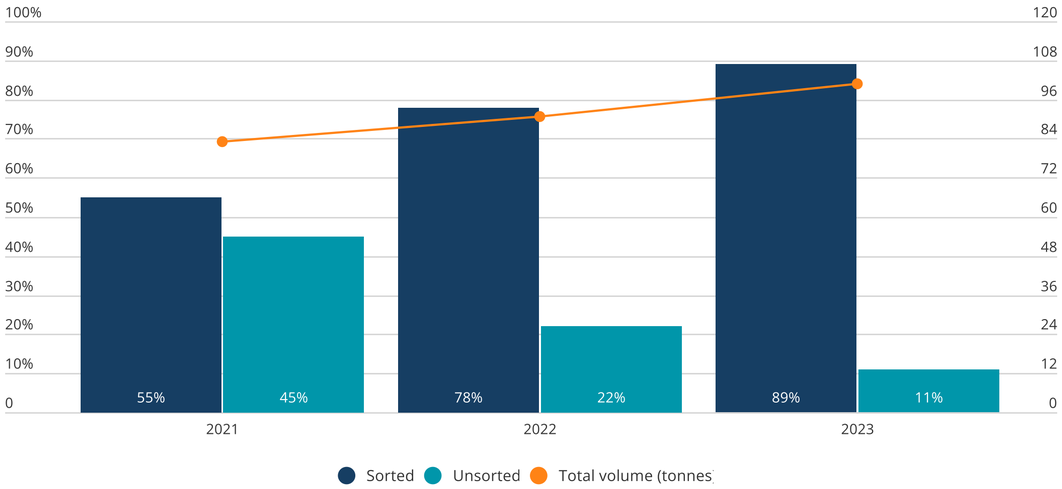
Scope 3



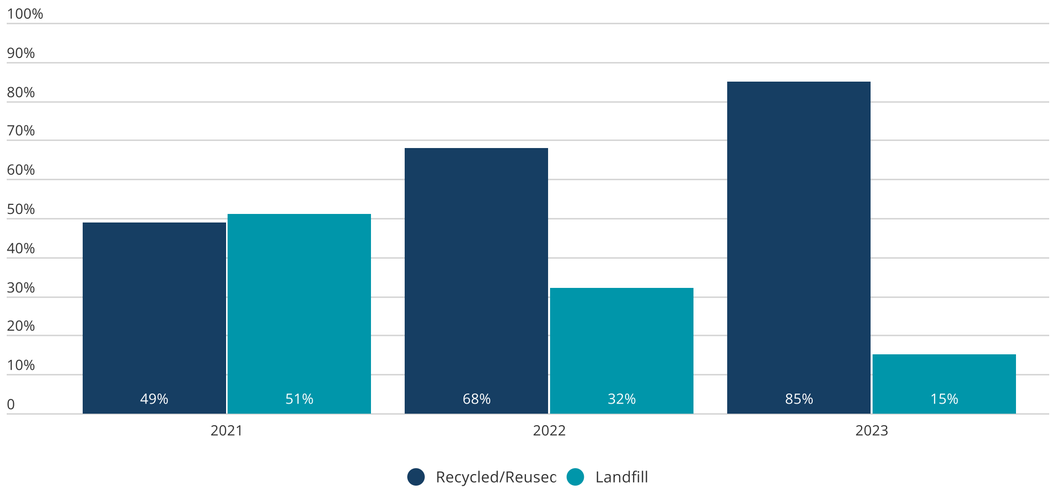
Waste sorting and recycling

Landsbankinn has in recent years worked systematically to reduce its impact on the environment through waste, working both to reduce emissions and contribute to evolution of the circular economy by reusing and recycling. In the span of just three years, the ratio of sorted waste has increased from around 55% to just under 90% in 2023. Alongside higher sorting ratios, recycling and reuse of waste from the Bank has also increased to 85% in 2023, up from 49% in 2021. This increase in sorting, recycling and reuse is achieved while the volume of waste from the Bank increased by over 20%, or almost 18 tonnes.

Waste sorted



Recycled



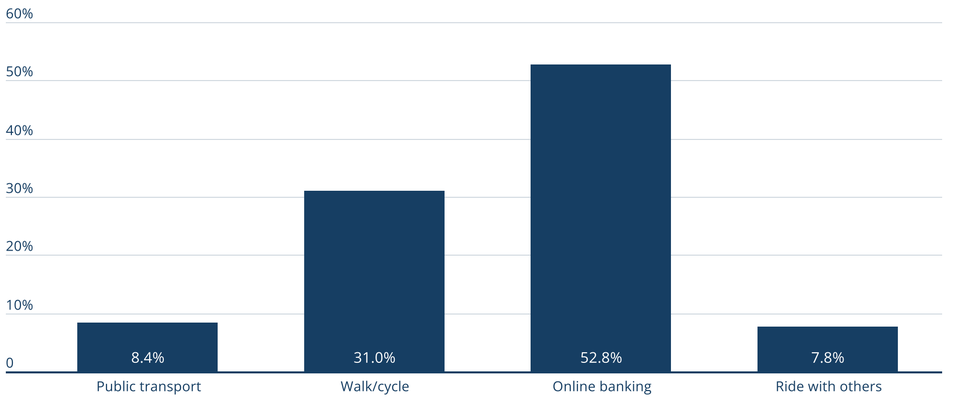
Employee commuting

Landsbankinn emphasises flexibility and offers employees the opportunity to use different workstations, including remote work as and when tasks allow. Landsbankinn also offers employees a transport contract that promotes eco-friendly transport.

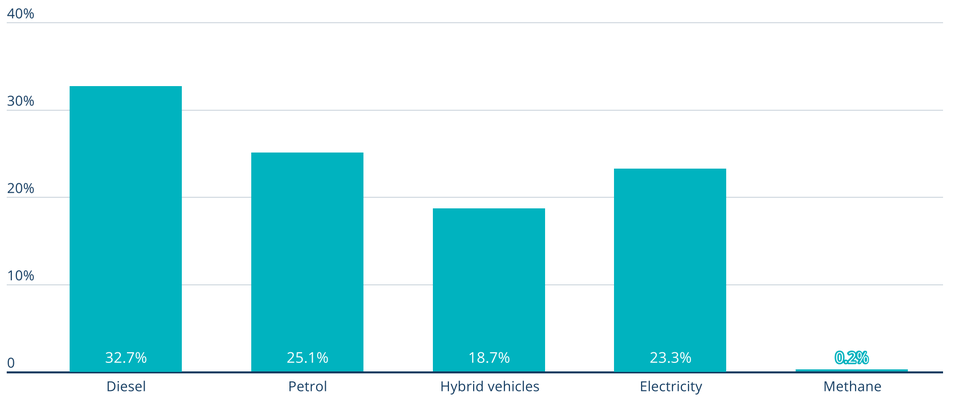
Landsbankinn has an agreement with Hopp and employees can utilise scooters from Hopp to run work errands free of charge between 8-17:00 on weekdays. Facilities for cyclists are excellent in the Bank's new headquarters, with spacious bicycle storage and airing cupboards.

We carried out an annual commute survey among employees at year-end 2023 and 509 employees responded. The survey shows that employees commute to work by the following means: 8.4% utilise public transportation, 31% walk or cycle, 52.8% drive own cars and 7.8% catch a ride. Of the walking and cycling employees that fall in the same category, 15% walk, just over 8% cycle and 8% use electric bicycles or scooters.

Means of commuting



Employee vehicles



The majority of employees that drive their own car to and from work drive fossil-fuelled cars. Just under a fourth of employees drive electric cards and just under 20% drive plug-in hybrid or hybrid cars.

Financed emissions

Landsbankinn's analysis of GHG emissions also extends to its balance sheet. 2022 emissions are calculated using the PCAF methodology, also referred to as financed emissions. It is classified as indirect emissions under the fifteenth and final category of Scope 3 as it includes emissions in Scopes 1 and 2 from customers and assets in the Bank's loan and asset portfolios.

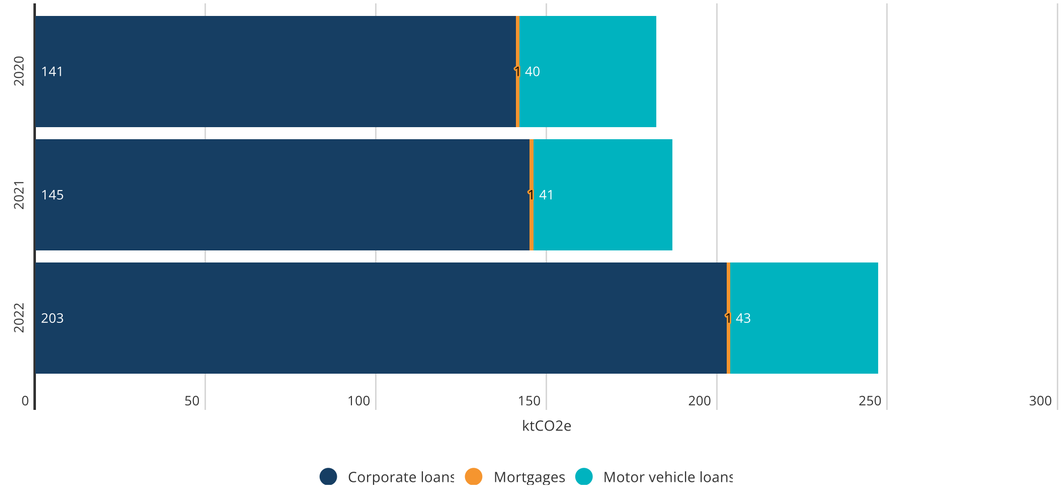
Emission from loans to customers is estimated at 247 $ktCO_2e$ in 2022.

Since publication of the last report on the Bank's financed emissions a year ago, baseline data for the relevant emission factors has been updated. The aim is always to improve basic and supplementary data for carbon calculations. When setting carbon emission goals for the Bank's credit and asset portfolio, the reference year is 2019. Financed emissions from the Bank's credit portfolio in 2022 are ca. 20 $ktCO_2e$ lower than in the reference year, which can be attributed to lower emissions from vehicle and equipment loans.

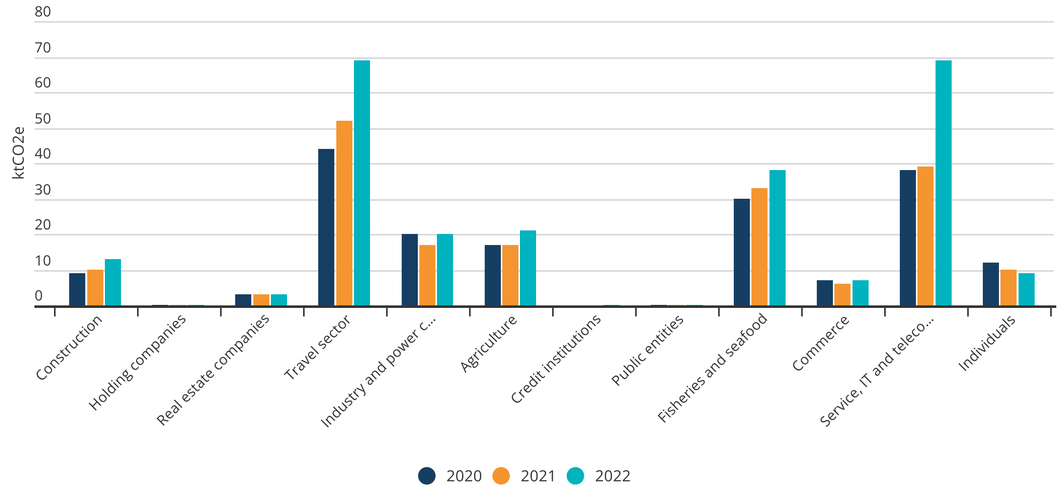
The three sectors in the Bank’s credit portfolio with the highest emissions are the travel sector, fisheries and seafood, and services, IT and telecommunication. These sectors are responsible for over 70% of estimated total emissions from the Bank’s credit portfolio. The travel sector on the one hand and services, IT and telecommunications on the other have the highest emissions in 2022, or about 69 ktCO₂e each. The travel industry has traditionally had the highest total emissions, although emissions have decreased since 2019, when they stood at close to 130 ktCO2e.

Further information is disclosed in the Bank's financed emissions report.

Carbon emissions in Landsbankinn's credit portfolios 2020-2022



Carbon emissions by sector



Operation again carbon neutralised

We have carbon-offset the Bank’s 2023 activity and received internationally acclaimed certification from CarbonNeutral®. The Bank’s operation was carbon-offset through carbon sequestration or the reduction of GHG emissions. Working with Climate Impact Partners, we have purchased carbon credits that have undergone a strict certification process and have certainly led to carbon sequestration or avoidance of GHG emissions.

Sustainability accounts

We comply with the GRI Standards option and our Annual & Sustainability Report also functions as a Communication of Progress report to the UN Global Compact. We continue to support the Global Compact and adhere to its guidelines. We also submit a Communication of Progress report to the UN Global Compact through their web portal.



GRI Standards index and other accompanying documents

GRI Standards index to the Bank's 2023 Annual & Sustainability Report

Appendix to GRI Standards index of Landsbankinn 2023

Landsbankinn's sustainability goals

Financed emissions - PCAF 2022

Nasdaq ESG chart for Landsbankinn 2023

Principles for Responsible Banking: Progress report for 2023

Human resources and equality

Human resources are always an important aspect of the Bank's operation. We emphasise individual development, the work environment and corporate culture in all our undertakings. The Bank's employees are a font of knowledge, experience and they build on a strong tradition of taking on new professional skills. This allows us to maintain a good blend of experienced personnel and new team members.



Several complex projects were on the human resources agenda in 2023, most notably the removal of over six hundred employees to new headquarters at Reykjastræti 6, the annual employee conference in September and implementation of a new HR policy.

The Policy is based on work sessions with employees that aimed at clarifying what an attractive workplace is, the corporate culture Landsbankinn wishes to maintain, how to foster employee welfare and a good work environment.

The Policy is based on three pillars: culture, environment and welfare. Alongside the new Policy, an action plan was presented for all projects that are intended to support individual aspects of the Policy and how we measure success.

HR Policy

Implementation of a new HR Policy began in 2023. The aim of the new Policy is to better reflect the new work environment and contribute to momentum and drive.

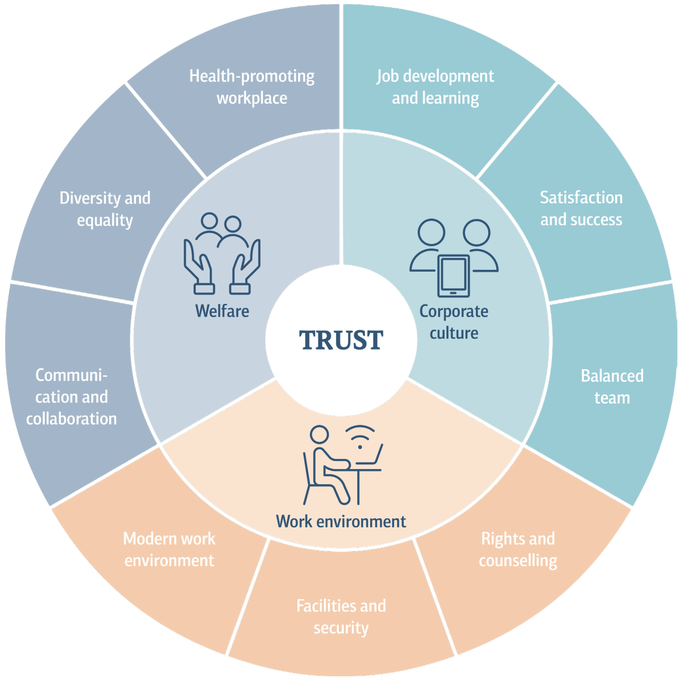
Culture

Job development and training

In 2023, the majority of the Bank’s employees moved to its new headquarters at Reykjastræti 6, finally joining forces under one roof after having worked out of various locations in Reykjavík for decades. Emphasis was placed on cultivating a positive corporate culture that can change when such a large step is taken. We took advantage of this opportunity to shape the Bank's common culture under one roof by publishing the Banks purpose for the first time: trusted banking for the future. Corporate culture is constantly evolving and the work environment is a large and important influence on both culture and success. We are all jointly responsible for shaping a sound and engaging workplace and, through effective instruction and training, we have the opportunity to affect our corporate culture.

Our focus was placed on instruction and training that supports welfare and well-being, both physical and psychological. The aim was to create a work environment where employees felt good, that supports development, success and personal growth as well as a balance between personal and professional life.

Employees were as in previous years offered access to numerous job-related courses aimed at deepening professional abilities, such as security courses and a course to renew securities brokerage licences. Building knowledge about sustainability was front and centre in 2023, such as on the circular economy, on biodiversity and PBAF.



A successful annual employee conference was held in September and included several educational events aimed to support the Bank’s strategy and purpose. The event was a good blend of training and relaxation that contributed to an even more tightly knit team.

A robust management training programme began in 2023. The main emphasis of the programme, which extends throughout 2024, is on enhancing management skills and on equality, inclusion and diversity.

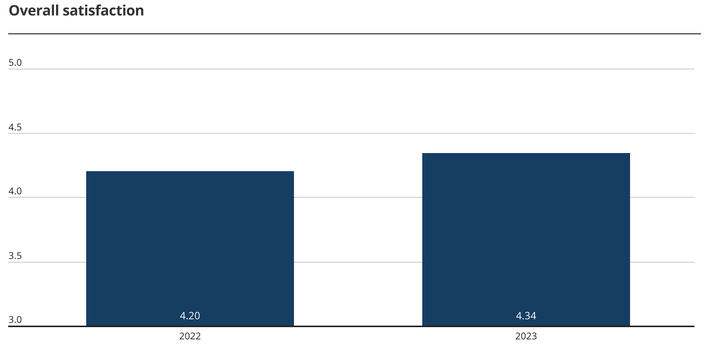
Satisfaction and success

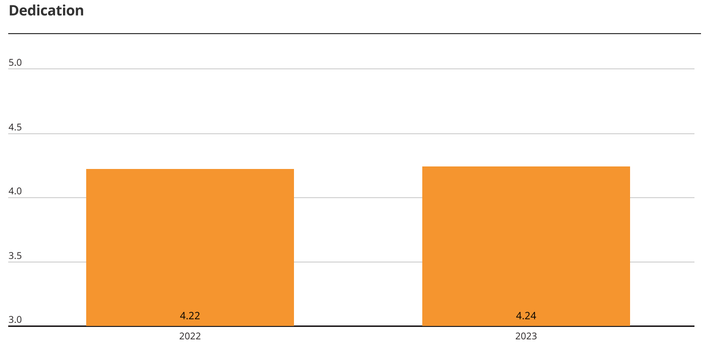
The Bank’s HR Policy is under constant development and is reviewed based on ideas and input from employees. Lively social activity is emphasised at the Bank. Regular analysis and interviews are carried out to measure employee satisfaction, provide feedback and evaluate success. The results are used to improve training and instruction, shape a dynamic and healthy corporate culture and sharpen the hiring process.

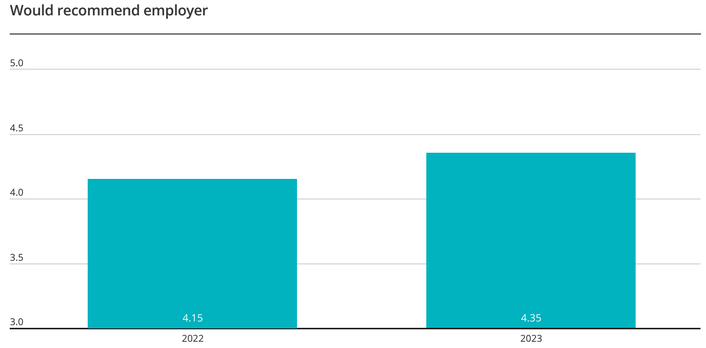
Job satisfaction and other aspects of the work environment are measured in four annual surveys. This year's survey results have been good and overall satisfaction and dedication has increased. One measurement of employee satisfaction is whether employees would recommend the workplace as a fantastic place to work and 88% of employees agreed strongly or somewhat with the assertion. The four surveys each have a specific focus. If further analysis is considered necessary, it is carried out through interviews with groups or shorter additional surveys. Employee participation in the surveys is good, generally around 85%.

Environment

We are focused on ensuring effective and successful operations and aim to ensure mutual flexibility that enables a balance between work and private life. All facilities should be optimal and we take advantage of smart solutions that allow employees to use various workstations.







The move to our new headquarters at Reykjastræti 6 began in spring 2023. The move went well and there were no operational disruptions as the move was well prepared. All employees who moved from offices in Kvosin and Borgartún to the new headquarters had participated in work sessions about the move, work relations in the new project-based work environment and the opportunities the new workplace affords. In the project-based work environment at Reykjastræti 6, employees select a workstation that best suits their tasks at each time. This includes remote work, as and when projects allow.

These options have been very well received by employees and surveys show that 85% of employees feel that the workplace facilitates collaboration and that they can work effectively both from home and other places.

Reykjastræti 6

The new headquarters at Reykjastræti have proved effective since it they were fully taken into use in summer of 2023. Surveys were carried out among employees in spring 2021 and again towards the end of 2023, around 6 months after the move. The results were positive and employees rate all surveyed aspects higher than in previous workplaces in Kvosin and Borgartún. In addition to surveys, special sessions have been held where employees are invited to share their opinion on both successes and room for improvement. The results of these sessions have been used to prioritise projects and make changes that are necessary to ensure a positive experience.

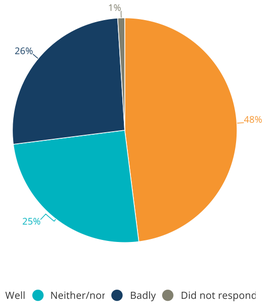
Welfare

Health-promoting workplace

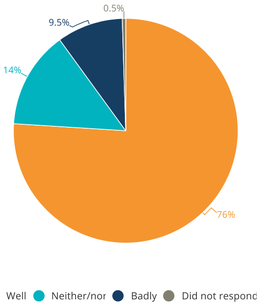
We are focused on helping our employees promote both physical and psychological health through various means. Health promotion in the workplace is a common and on-going aim of

Overall, how well or badly does your work environment suit your duties?

2021



2023



both employees and employer. The Bank offers healthy food, gym facilities and aims to maintain a healthy work environment. Employees are offered an annual health assessment and good access to healthcare professionals.

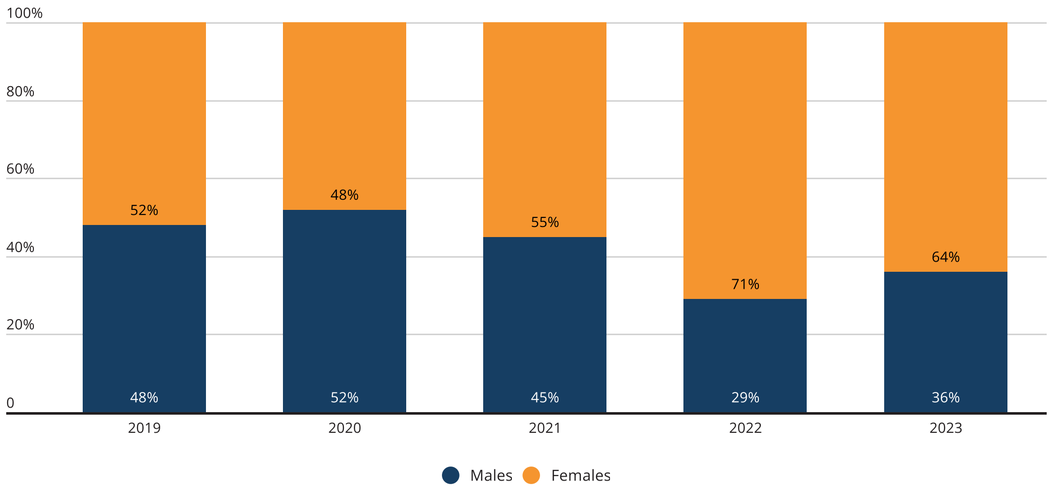
Diversity and equality

Equality has long been emphasised at the Bank and work is based on a clear equal rights policy and plan. At Landsbankinn, all individuals are given equal opportunities for job development and their worth measured individually. Discrimination based on gender, race, sexual orientation, religion or nationality is never tolerated. The Bank has attained equal pay certification since early 2019. Landsbankinn aims to close the wage gap as nearly as possible at 0%, taking care that it never exceeds 2.5% in either direction. The gendered wage gap was 1.1-1.8% in 2023. Revision of the equality policy began in 2023 to ensure that it aligns with modern development and reflects the workplace.

Equality in internal and external communication

Over the past couple of years, we have systematically registered who represents the Bank in the media, in conferences and meetings outside the Bank. We also register authors of articles published on our website. This has proven a good guide for us. The gender ratio of people representing the Bank has been fairly balanced in the past few years but favoured women slightly in recent years. In the long term, we aim to maintain a good balance.

Gender ratio in internal and external relations



Figures for non-binary employees have been left out for privacy purposes.

Clear response plan

We have a clear response plan for bullying, gender-based discrimination, sexual harassment and violence (EKKO). All employees receive regular education on the subject and workshops are held for managers. Regular information sharing and education has raised awareness on the subject at all levels and professional handling of issues has been ensured. Employees can speak to an independent external party if sensitive matters arise. We measure the frequency of incidents, experience and notifications as part of the annual workplace audit. Information is regularly shared on the Bank's communication channels.

Community support

We participate in various projects that encourage development and progress in society and strive to throw our weight behind different projects and associations around the country. We want our contribution to be dynamic by being a trusted partner for a number of years and then moving on to a new initiative. We look to supporting both sports, culture and the arts, in addition to charities and education. We publish an extensive selection of content on the economy and focus on education and debate about finances.





Funds and grants

We have established funds to support projects that we consider likely to enrich Icelandic society for the future. Special judging panels, made up of experts in each field, many of who are independent of the Bank, review the applications and the application process is both transparent and professional.

Community Fund and scholarships

Landsbankinn's Community Fund is key to our support for the community. In 2023, scholarships were awarded in the amount of ISK 6 million and community grants in the amount of ISK 15 million - a total of ISK 21 million. Since 2011, 466 projects have received grants from the Community Fund in the total amount of ISK 225 million. Community grants are intended as support for projects, including by humanitarian and charitable organisations, projects in the fields of education, research and science, projects connected to culture and the arts, preventative measures and youth activities, and environmental and nature conservation.

Sustainability Fund

Seven interesting projects were awarded grants from Landsbankinn’s Sustainability Fund in the total amount of ISK 10 million. The projects share the common factor of having a positive impact on the environment and contributing to growing sustainability in industry and the community. The allocation process has a special focus on the energy transition and supports the UN Sustainable Development Goals no. 13, on climate action, and no. 9, on industry, innovation and infrastructure.



Culture and the arts

Providing support for a wide array of cultural events, festivals and musicians allows the Bank to combine social responsibility and its endeavour to actively promote art and culture in Iceland.

DesignMarch

In 2023, Landsbankinn became a sponsor of DesignMarch to enhance our support for innovation and the arts even further. We participated in various ways, such as by hosting events at our new headquarters at Reykjastræti. Before the festival began, we visited eight designers and created videos to that give an insight into their work.

Reykjavík Pride

We support the campaign for LGBTQIA+ rights and Landsbankinn has been a proud sponsor of Reykjavík Pride since its inception. This year, fifteen entries receive grants from the Pride Parade Fund of Reykjavík Pride and Landsbankinn which provides financial support to individuals and smaller groups who participate in the Pride Parade.

Reykjavík Culture Night

We have been an active participant in Reykjavík Cultural Night from the beginning and sponsor the festival. We have focused on ensuring that financial support directly benefits artists and groups organising events for Reykjavík Cultural Night. Our Reykjavík Culture Night Fund, a collaboration with Höfuðborgarstofa, supports original and special ideas. In 2023, 22 exciting projects received grants from the Culture Night Fund of Landsbankinn and Reykjavík.

The Árni Magnússon Institute

We support the project “In the footsteps of Árni Magnússon in the New World”. The project sets out to record manuscripts in public and private collections in both Canada and the US in a database on the website handrit.is. The database ensures scholarly access to information about Icelandic manuscripts in the New World and provides new options to undertake comparative studies.

Aldrei fór ég suður festival

Landsbankinn is one of the main sponsors of rock festival Aldrei fór ég suður, held in Ísafjörður around Easter. Landsbankinn has supported the festival since 2010 as part of our efforts to actively foster the grassroots music scene in Iceland.



Innovation and education

We publish several educational and informative articles on private finances to our website, Umræðan. In these articles, the Bank's experts discuss various topics related to finances and offer good advice in line with our strategy to have a positive impact on Icelandic society. These articles are aimed at various age groups and focus on different life events. In the choice of topic, we focus on current events and economic conditions.

Among the articles we published in 2023, "What does it cost to take short-term loans and spread payments?", "Higher debt service - what are my options?" and "Inflation, inflation, inflation - some key facts".

Financial instruction

We are happy to participate in financial education and in promoting financial literacy. We focus on financial instruction at upper secondary school level, with the aim of boosting students' financial literacy. This instruction is available to all upper secondary schools and is carried out in collaboration with the schools' representatives.

We are also an active participant in the project Fjármálavit, which is educational material in financial literacy for older elementary school students. The project is under the auspices of the Icelandic Financial Services Association and the National Association of Pension Funds in collaboration with members.

Gulleggið innovation competition

We sponsor Gulleggið, an annual innovation competition hosted by Klak. The key goal of the competition is to create a platform for entrepreneurs to practice and gain experience of shaping new business ideas and operating a company. As part of the competition, participants are offered courses, advice and specialist assistance with everything from shaping a business idea to budgeting to communication with investors.

Future Programmers

The Future Programmers Fund is social initiative to promote and increase interest in programming and effective use of equipment in domestic schools. The Fund provides financial support for schools to provide teachers with programming and technical education, for the purchase of smaller equipment for teaching purposes and donates used computer hardware. Landsbankinn is one of the Fund's patrons.



Sports and youth activities

We are very interested in promoting sports and youth activities throughout Iceland. The Bank's branches do so through direct partnership agreements with sports clubs and organisations in their local communities and we partner with various associations that operate across Iceland. We focus on support for children and youth activities in such partnerships.

Skólahreysti - Fit for School

We are the main sponsor of Skólahreysti, a sports tournament for elementary schools, and an active supporter of the competition. The aim of Skólahreysti is to encourage kids to participate in a comprehensive sports experience based on the tenets of physical education. The competition was held for the 19th time in 2023. We got to see four new national records and in the end, Heiðarskóli emerged victorious after exciting finals in Laugardalshöll.

Chess tournament Friðriksmót

The country's strongest rapid chess tournament, Landsbankinn's Friðriksmót – the Icelandic rapid chess tournament – was held at the Bank's headquarters at Reykjastræti in December. This was the 20th Friðriksmót jointly organised by Landsbankinn and the Icelandic Chess Federation in honour of Friðrik Ólafsson, Iceland's first Grandmaster.

Football Association of Iceland

We sponsor the Football Association of Iceland (KSÍ). Landsbankinn provides financial support for development of Icelandic football country-wide, for all youth national teams and the A-level men's and women's teams.

In recent years, Landsbankinn and KSÍ have presented a new award to players in the junior leagues throughout Iceland, the Politeness Prize. This prize is intended to encourage honourable conduct and decorum in players and others involved in matches.



Collaboration with institutions

Landsbankinn's strong collaborative efforts with Icelandic industry aim to promote value creation, competition and improve daily life.

Icelandic Student Services and the University of Iceland Student Council

We have collaborated successfully with both Félagsstofnun stúdenta and the University of Iceland Student Council. Together, we have worked on various initiatives and hosted joint events.

Svanni - Women's Loan Guarantee Fund

We support Svanni - Women's Loan Guarantee Fund. Svanni issues guaranteed loans to companies that are majority-owned by women. The purpose of the Fund is to boost industry and encourage innovation. Svanni has for many years partnered with Landsbankinn as a credit institution.

Háskólasjóður Eimskipafélagsins fund

The Board of Directors of Eimskip University Fund awarded ISK 127.5 million in grants to PhD students at the University of Iceland in 2023. The Fund is managed by Landsbankinn. It was created in memory of Icelanders who emigrated to the USA and Canada and aims to support research students at the University of Iceland. While the Board of the Fund determines the amount for allocation each year, grant allocation is coordinated by the Board of Directors of the University of Iceland Research Fund. Since regular allocations from the Fund began in 2006, total allocation amounts to ISK 1.6 billion, ISK 500 million thereof allocated to the construction of Háskólatorg in 2006 and 2007.

Cluster initiative in tourism

We have participated in a tourism cluster initiative since the project was launched in 2012. Key companies in the travel industry, public entities and companies in tourism support branches or collaborative sectors all join forces in the cluster. Its key goal is to boost competitiveness and value-creation in the travel sector.

The Fintech Cluster

We are one of the founding members of the Fintech Cluster, alongside 62 other companies, universities, organisations and other entities. The aim of the Fintech Cluster is to promote innovation in finance and work to improve and facilitate business transactions of all kinds.

Ljónshjarta

As in previous years, Landsbankinn has made a donation to a good cause in the name of all Exceptional Companies recognised by Creditinfo. This year, the donation of ISK 4 million, goes to Ljónshjarta.



Research and publications by Economic Research

The Bank’s Economic Research department analyses and publishes content on economic developments. Varied content is published to the Bank’s website and as a podcast, in addition to which the department organises meetings, both in-house and out. The department plays a key role in shaping Landsbankinn's stance on developments and outlook in the economy.

Economic Research published numerous analytical pieces in 2023, both internally and to our website, and the department's economists are visible in media, popular respondents in interviews on economic forecasts, inflation, interest and the real estate market.

Strong economic analysis and publication

Hagsjá is an e-zine comprised of short articles published 1-3 times per week. The Hagsjá is published to Landsbankinn’s website, to a mail list with an extensive readership and is often the focus of media coverage. The articles discuss the economy, State finances, the real estate market, inflation outlook, tourism and more, analyse newly published statistics and contain forecasts. In Vikubyrjun, a short e-zine published every Monday in both Icelandic and English, Economic Research reviews the past week and discusses the coming week on markets, publication of statistics, financial statements and more. In the past year, the Bank’s economists have also published informative articles on the Bank's website and op-eds for public media.

Podcast on the economy

The financial market, business and industry, and various facets of the economy are the subject of Landsbankinn’s accessible podcast. The topics generally reflect current issues and, in 2023, the podcast has covered the real estate market, the travel sector, interest rates, inflation, public finances and the labour market. The podcast also dove deep into the macroeconomic and inflation forecasts published by Economic Research in April and October. The podcast in intended to boost interest in economic affairs and share information in an accessible manner.

Macroeconomic and inflation forecast

The largest single event on Economic Research's calender in 2023 was the publication and presentation of its macroeconomic and inflation forecast for 2023-2026. The forecast was presented at a well-attended meeting in Harpan Conference Centre, which was also streamed live, and the forecast was published online. Following the presentation of the forecast, Arnaud Marès, Chief European Economist with Citi, addresses the meeting and the event wound up with panel discussions on interest rates and the inflation outlook.



Umræðan - Podcast

Our podcast reviews the equity market, business and industry, and various facets of the economy in a relatable and accessible manner.



Active in public debate

We continued to be active and visible in public debate. We contribute to discussion about important issues through Landsbankinn's Sustainability Forum, presentations, articles, publications of the Economic Research department and radio, podcast and TV interviews about the economy, sustainability and more.

Action against cybercrime

We have actively shared information and educated the public about cybersecurity for several years. In 2023, we wrote articles and hosted six popular seminars on cyber security, including in collaboration with the Senior Citizens' Society of Akureyri, the Icelandic Organization of the Visually Impaired and Búmenn housing co-operative. We also hosted a well-attended seminar about cybersecurity for corporates.

Umræðan in English - the Forum

Landsbankinn's content and news site is now also available in English as the Forum. Sharing information is one of the best ways to promote financial health and cybersecurity, and we have been an active contributed in that field. By offering accessible material in several languages, we also promote inclusion, embrace diversity and increase awareness about financial matters.



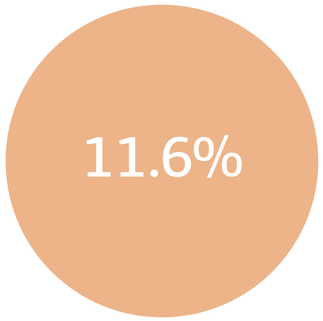
4. Financials

The profit of Landsbankinn in 2023 was ISK 33.2 billion after taxes, compared with ISK 17.0 billion in 2022. After-tax return on equity was 11.6%, as compared with 6.3% the previous year.

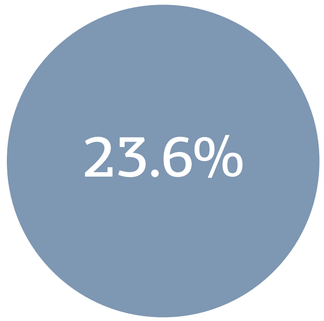
Profit (ISKbn)



Return on equity



Total capital ratio

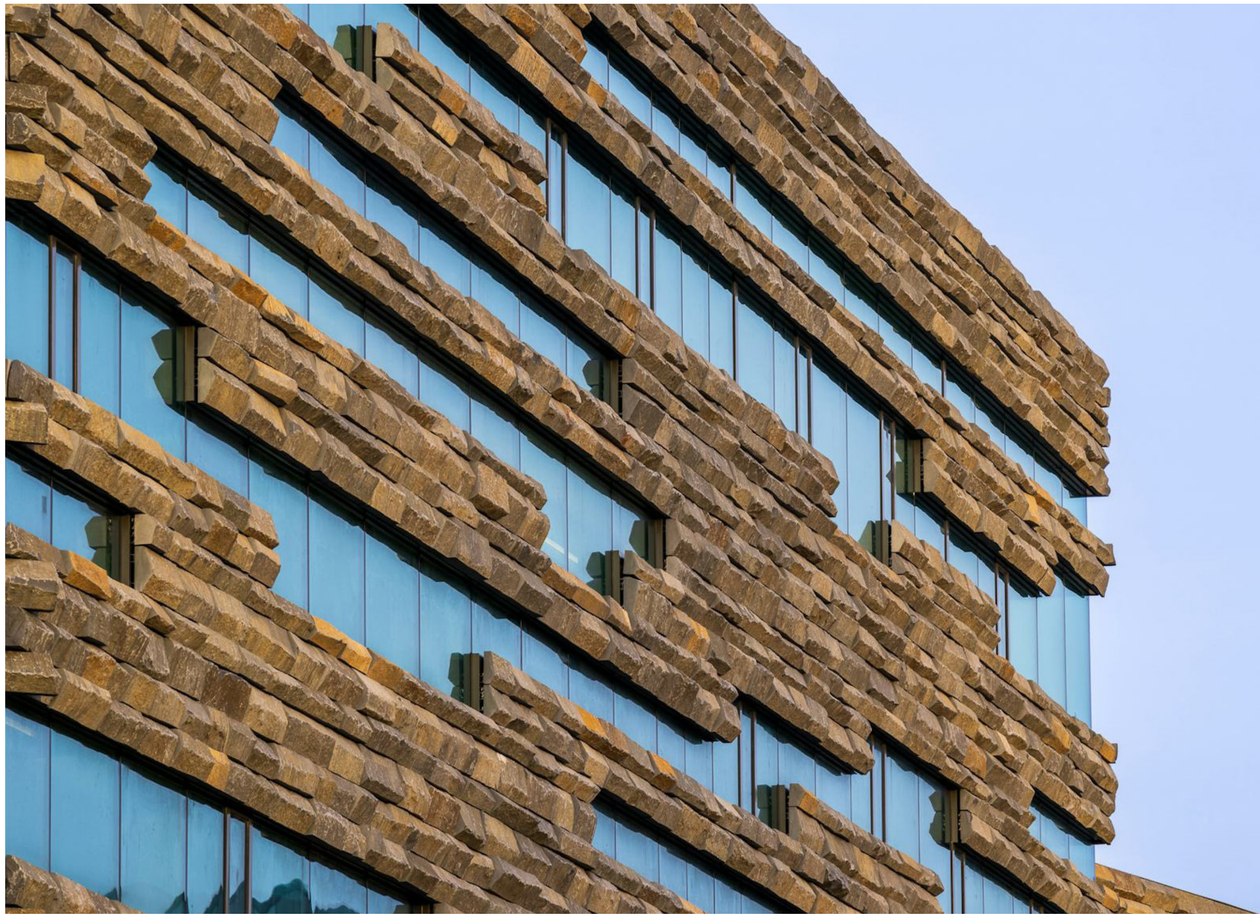


Highlights of the Annual Financial Statement

The profit of Landsbankinn in 2023 was ISK 33.2 billion after taxes, compared with ISK 17.0 billion in 2022. After-tax return on equity for 2023 was 11.6%, compared with 6.3% the previous year.

Key figures and ratios	31.12.2023	31.12.2022
Profit for the year	33,167	16,997
Net interest income	57,559	46,464
Total net operating income	73,848	53,253
Return on equity after taxes	11.6%	6.3%
Total capital ratio	23.6%	24.7%
Minimum Requirement for Own Funds and Eligible Liabilities (MREL)	37.9%	40.4%
Interest spread as ratio of average total assets	3.0%	2.7%
Cost-income ratio	33.7%	46.8%
Liquidity coverage ratio (LCR)	181%	134%
Liquidity coverage ratio EUR (LCR FX 2022)	1499%	351%
Total assets	1,960,776	1,787,024
Loans / deposits	155.5%	159.6%
Average number of full-time equivalent positions during the year	849	843
Number of full-time positions at year-end	817	813

All amounts in ISKm



Landsbankinn returned solid results in 2023. The Bank is well funded, its cost-income ratio among the lowest in the international banking sector and dividend capacity is strong. All aspects of the Bank’s operation returned good results and return on equity was 11.6%, higher than the Bank’s long-term profitability target. Higher returns on liquid assets, a turnaround in the stock market, lending growth and altered balance sheet composition are the main drivers of increased profit between years. It is good to see that the household interest margin remains stable despite high interest rate levels.

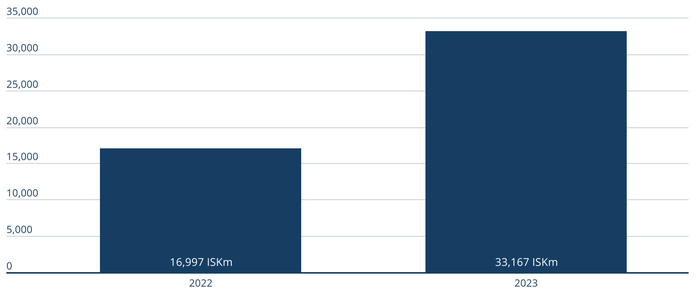
The Bank's total capital ratio at year-end 2023 was 23.6% (2022: 24.7%). The Bank’s capital requirement decreased from 20.7% to 20.2% from year-end 2022 to year-end 2023.

The cost-income ratio in 2023 was 33.7%, down from 46.8% in 2022.

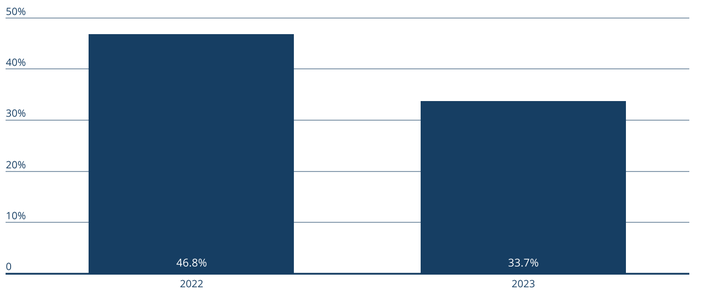
In 2023, the interest margin as a ratio of average total assets was 3.0% (2022: 2.7%).

The Bank’s net interest income was ISK 57.6 billion (2022: ISK 46.5 billion).

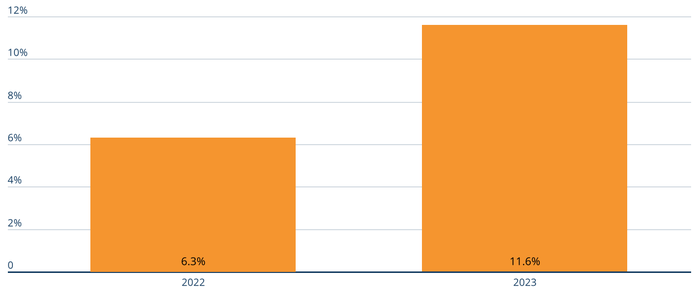
Profit (ISKm)



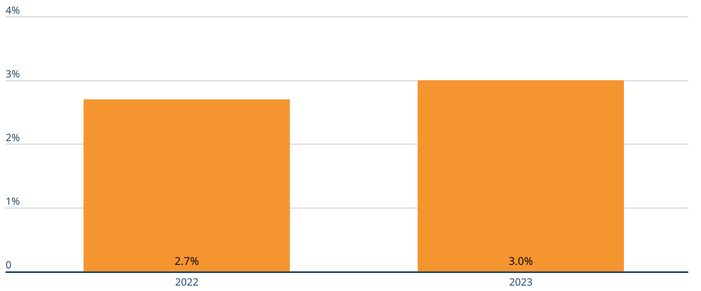
Cost-income ratio



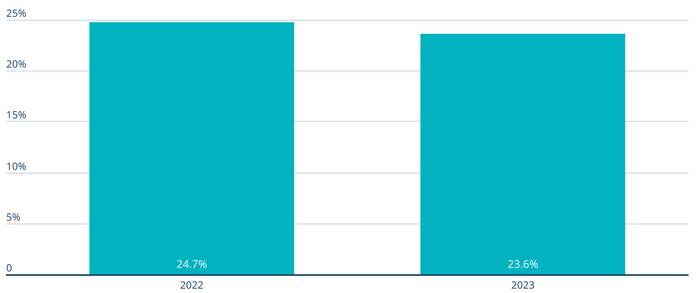
Return on equity



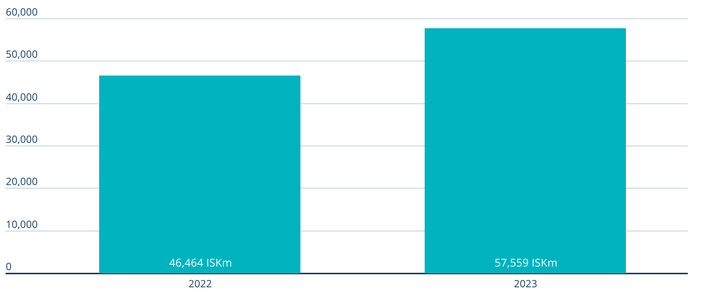
Interest spread



Total capital ratio



Net interest income (ISKm)



Landsbankinn's net fee and commission income was ISK 11.2 billion in 2023 (2022: ISK 10.6 billion). Other operating income amounted to ISK 5.1 billion, compared with a negative operating income of ISK 3.8 billion in 2022.

Income statement

Landsbankinn's after-tax profit in 2023 was ISK 33.2 billion.

Net interest income amounted to ISK 57.6 billion in 2023 (2022: ISK 46.5 billion). The net interest margin on average total asset position was 3.0% (2022: 2.7%).

Landsbankinn's net fee and commission income was ISK 11.2 billion in 2023, as compared with ISK 10.6 billion in 2022.

Net impairment of financial assets was negative by ISK 3.1 billion and includes an ISK 1.7 billion collective provision against uncertainty related to natural disaster on the Reykjanes peninsula. At year-end 2022, there was a net credit release of ISK 2.5 billion. The year-over-year change is mainly caused by non-fulfilment and the aforementioned natural disaster, plus the reversal of a collective provision for Covid-19.

Other operating income was ISK 8,3 billion in 2023, compared with negative operating income in the amount of ISK 6,3 billion in 2022. The fair value of listed inflation-indexed market bonds is the weightiest component.

Operating expenses in 2023 were ISK 28.2 billion (2022: 25.9 billion). Wages and related expenses were ISK 15.9 billion, up by 9.6% between years, mostly because of contractual increases. Other operating expenses amounted to ISK 10.1 billion in 2023, as compared with ISK 9.3 billion in 2022.

ncome Statement (ISKm)	2023	2022	Change	%
Net interest income	57,559	46,464	11,095	24%
Net fee and commission income	11,153	10,623	530	5%
Net impairment changes	-3,120	2,473	-5,593	-226%
Other income and expenses	8,256	-6,307	14,563	-231%
Total net operating income	**73,848**	**53,253**	**20,595**	**39%**
Salaries and related expenses	-15,866	-14,474	-1,392	10%
Other operating expenses	-10,092	-9,289	-803	9%
Tax on liabilities of financial institutions	-2,290	-2,097	-193	9%
Total operating expenses	**-28,248**	**-25,860**	**-2,388**	**9%**
Profit before tax	**45,600**	**27,393**	**18,207**	**66%**
Income tax	-12,433	-10,396	-2,037	20%
Profit for the year	**33,167**	**16,997**	**16,170**	**95%**

All amounts in ISKm

The cost-income ratio for 2023 is 33.7%. The cost-income ratio is the ratio between the Bank's operating expenses and net operating revenue less value changes of financial assets. Full-time equivalent positions with the Bank increased by 4 in 2023, from 813 to 817.

Balance sheet

Total assets amounted to ISK 1,960.8 billion at year-end 2023, with the balance sheet growing by 9.7%, or ISK 173.8 billion, between years.

Main changes to the asset side of Landsbankinn’s balance sheet in 2023 include a 5.6% increase in loans to customers, or by ISK 86.5 billion. Lending to customers increased by 6%, or ISK 87 billion. Lending to corporates grew by ISK 63 billion in 2023 but the total increase is ISK 58 billion, having regard for ISK 5.5 billion exchange rate impact. Lending to retail customers increased by ISK 29 billion, thereof ISK 26 billion in housing mortgages, or around 4%.

Lending growth was moderate in 2023 with loans in arrears and problem loans remaining close to historically low levels.

Cash and balances with the Central Bank decreased by ISK 33.1 billion between years and amounted to ISK 75 billion at year-end 2023.

The Bank's market bond assets grew by ISK 22.9 billion during the year. Loans and receivables to credit institutions increased by ISK 25.5 billion during the year to stand at ISK 54.1 billion at year-end.

Assets (ISKm)	31.12.2023	31.12.2022	Change	%
Cash and balances with Central Bank	75,350	42,216	33,134	78%
Bonds and debt instruments	148,182	125,265	22,917	18%
Equities and equity instruments	19,012	19,106	-94	0%
Loans and advances to financial institutions	54,101	28,621	25,480	89%
Loans and advances to customers	1,630,894	1,544,360	86,534	6%
Other assets	33,237	27,456	5,781	21%
Total assets	**1,960,776**	**1,787,024**	**173,752**	**10%**

Liabilities and equity (ISKm)	31.12.2023	31.12.2022	Change	%
Due to financial institutions and Central Bank	29,968	6,634	23,334	352%
Deposits from customers	1,048,537	967,863	80,674	8%
Borrowings	513,687	476,864	36,823	8%
Other liabilities	44,654	34,819	9,835	28%
Subordinated liabilities	20,176	21,753	-1,577	-7%
Equity	303,754	279,091	24,663	9%
Total liabilities and equity	**1,960,776**	**1,787,024**	**173,752**	**10%**

Deposits from customers are the Bank’s primary source of funding. Total deposits amounted to ISK 1,048.5 billion at year-end 2023, an increase of ISK 80.7 billion or 8.3% between years. Household deposits increased by 72 billion in 2023.

Deposits are mainly non-indexed and unrestricted. Deposits from financial institutions increased by ISK 23.3 billion and were ISK 30.0 billion at year end.

In November 2023, S&P confirmed Landsbankinn’s credit rating of BBB/A-2 and revised the outlook from stable to positive. A positive outlook reflects S&P’s expectation that economic risk is declining for Icelandic banks.

EMTN-issuance and covered bond issuance on both domestic and international markets has been the Bank’s main source of market funding. The carrying value of such funding increased in total by ISK 34 million in 2023. The Bank’s bond issuance on international markets was successful in 2023, with both demand and terms reflecting improved access by the Bank following rather worse access for smaller issuers to global credit markets in the wake of the pandemic.

Landsbankinn’s equity at year-end 2023 was ISK 303.8 billion (2022: 279.1 billion). Total assets amounted to ISK 1,960.8 billion at year-end 2023, with the balance sheet growing by 9.7%, or ISK 173.8 billion, during the year.

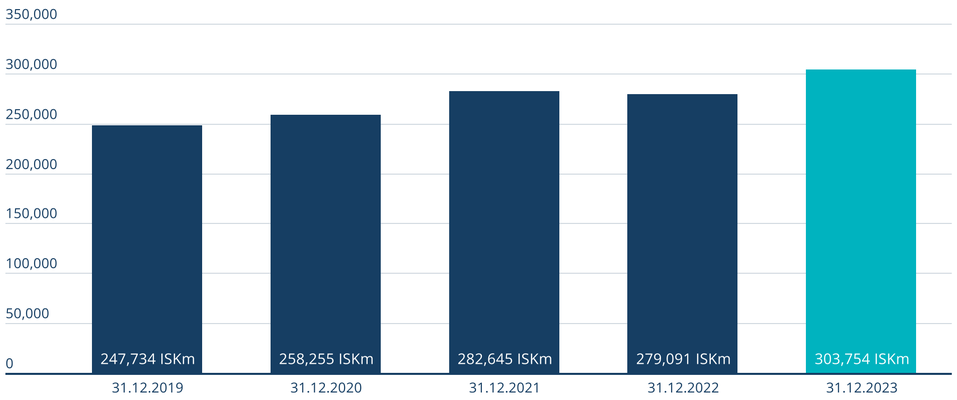
Landsbankinn's Annual General Meeting, held on 23 March 2023, approved a motion from the Board of Directors to pay a dividend to shareholders for the operating year 2022 corresponding to ISK 0.36 per share in two tranches. The former dividend payment of ISK 0.18 per share was paid to shareholders on 29 March 2023 and the latter, ISK 0.18 per share, was paid out on 20 September 2023. The total dividend amounted to ISK 8.5 billion or the equivalent of 50% of profit for the year 2022.

The 2023 AGM also renewed the Bank’s authorisation to acquire up to 10% of the nominal value of own share capital. The authorisation is valid until the 2024 AGM.

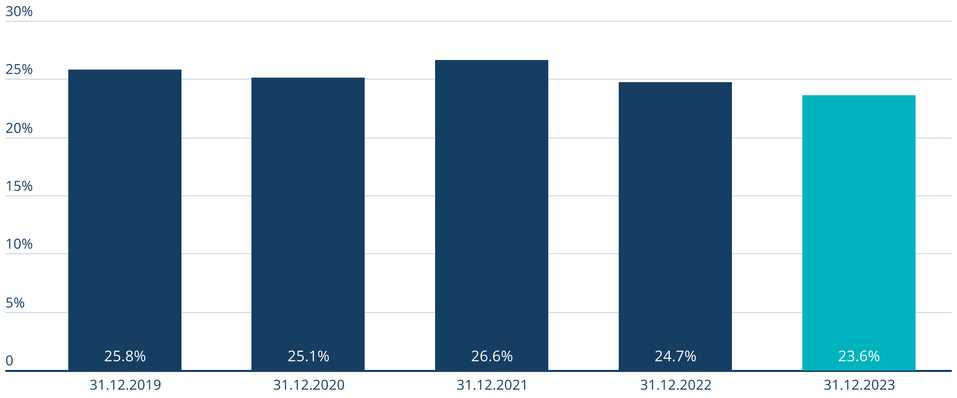
The Board of Directors intends to propose to the AGM of Landsbankinn 2024, scheduled to be held on 20 March this year, that the Bank pay shareholders a dividend in accordance with its dividend policy, amounting to ISK 16.5 billion. Calculation of the Group’s capital ratios as at year-end 2023 is inclusive of this foreseeable dividend payment.

In October 2023, the Resolution Authority of the Central Bank of Iceland announced the annual MREL requirement for Landsbankinn. The decision requires the Bank to at all times maintain a minimum 21.6% MREL funds as percentage of its risk-weighted exposure (RWE). The Bank also anticipates that the Resolution Authority will in the latter part of 2024 introduce a subordination requirement of 13.5% of the Bank’s RWE.

Equity (ISKm)



Total capital ratio

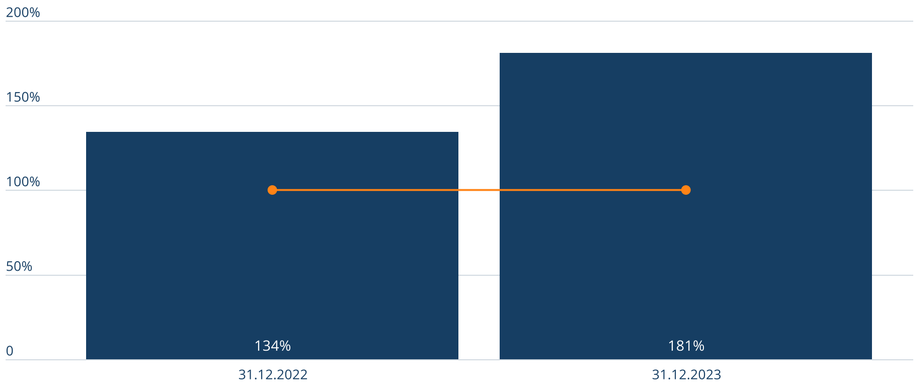


Liquidity reserves (ISKm)	31.12.2023	31.12.2022	Change	%
Cash and balances with the Central Bank	73,451	41,838	31,613	75.6%
Domestic bonds and debt instruments eligible as collateral with the Central Bank	74,450	75,180	-730	-1.0%
Foreign government bonds with 0% risk weight	75,457	40,063	35,394	88.3%
High quality liquidity assets	**223,358**	**157,081**	**66,277**	**42.2%**
Loans and advances to financial institutions	54,316	28,704	25,612	89.2%
Total liquidity reserves	**277,674**	**185,785**	**91,889**	**49.5%**

Liquidity position

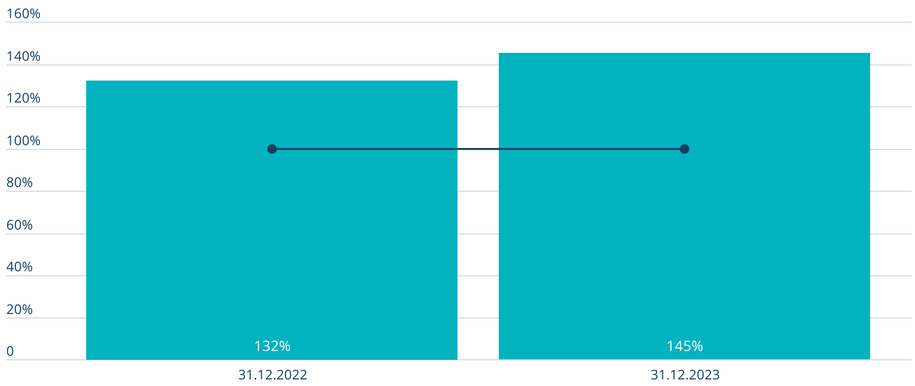
Liquidity and funding ratios are well above regulatory requirements and within the Bank's internal risk limits. The Bank's liquidity position at year-end 2023 is strong. The total liquidity coverage ratio (LCR) was 181%, 129% in ISK and 1,499% in EUR. Liquid assets amounted to ISK 277.7 billion at year-end 2023.

Liquidity ratio LCR total



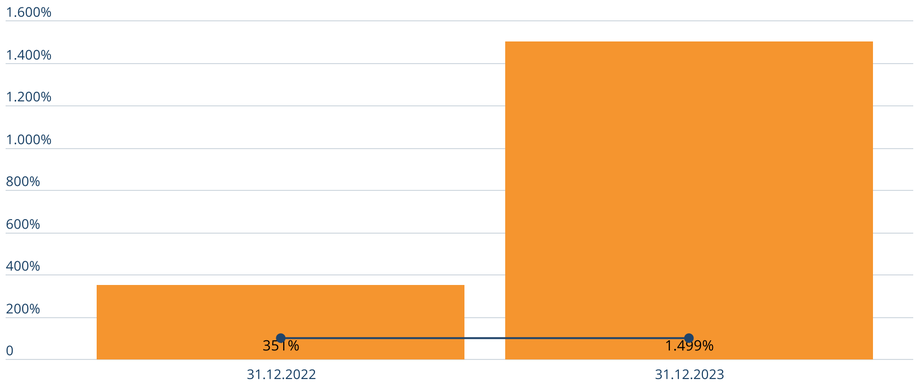
Central Bank requirement = 100%

Net stable funding ratio NSFR FX



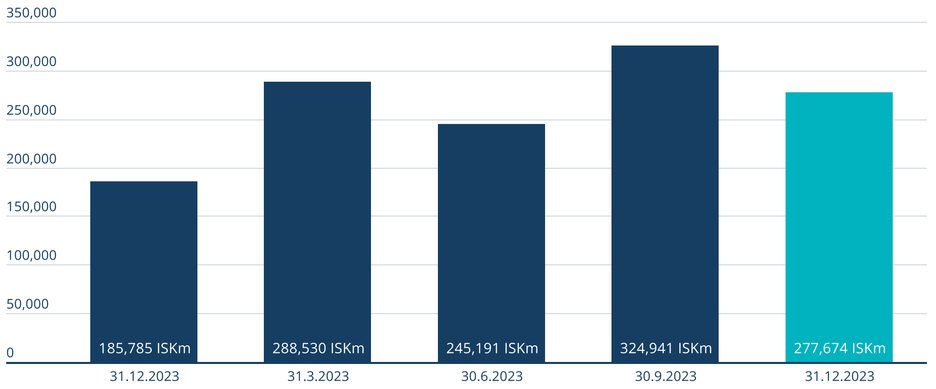
Central Bank requirement = 100%

Liquidity LCR FX



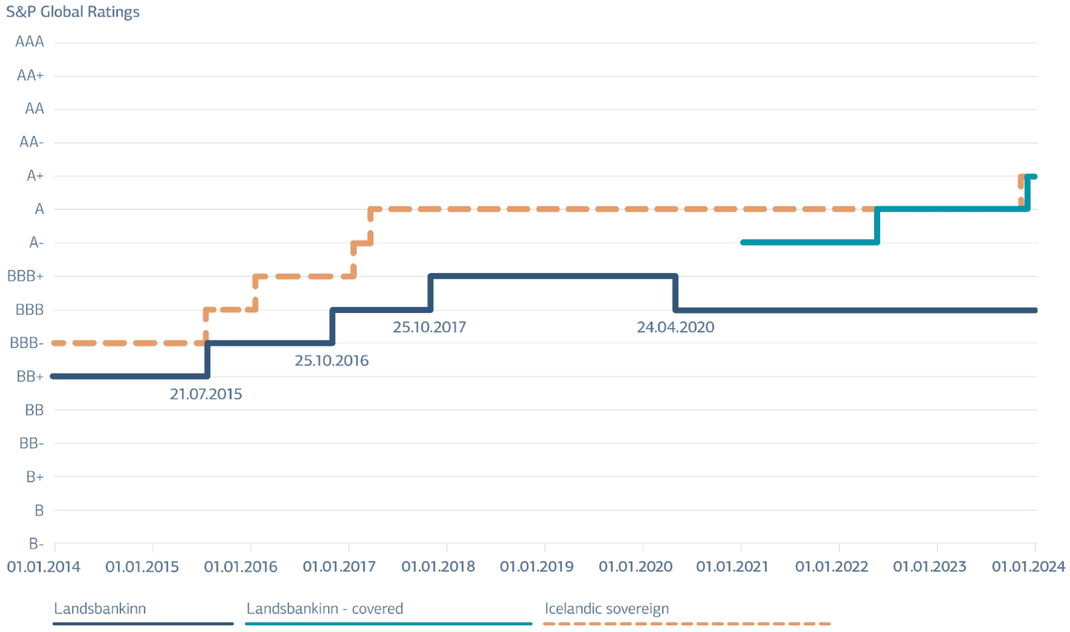
Central Bank requirement = 100%

Liquidity development in 2023 (ISKm)



Funding

Landsbankinn’s funding rests on three main pillars: Deposits from customers, market funding and equity. The Bank’s credit rating by S&P Global Ratings is BBB/A-2 with positive outlook.

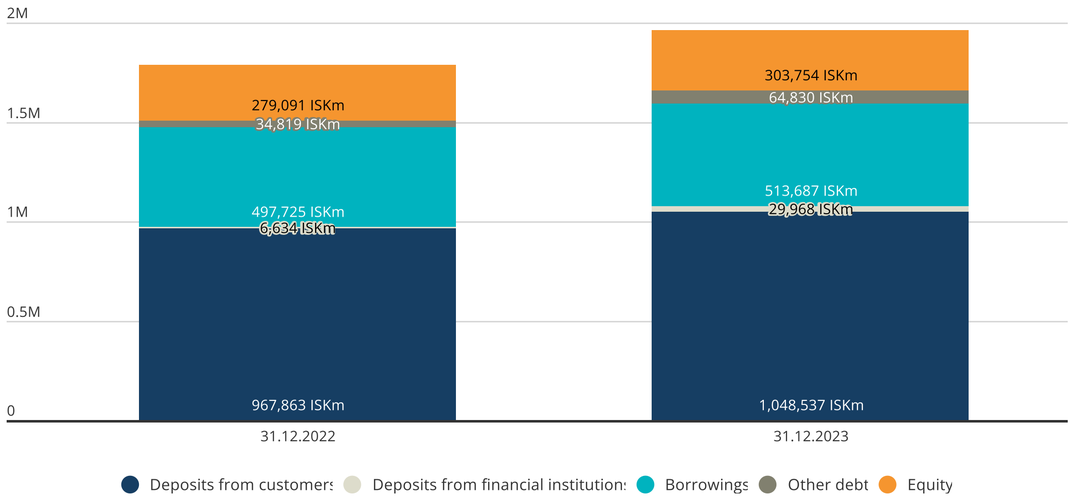




Deposits from customers

The largest part of Landsbankinn's funding is in the form of deposits from customers which amounted to ISK 1,049 billion at year-end 2023, mostly non-indexed and on demand. Deposits from customers grew by ISK 81 billion during the year. Inflation-linked deposits amounted to ISK 180 billion at year-end 2023, increasing by ISK 20 billion from the previous year.

Funding pillars (ISKm)



Funding pillars at year-end 2023

Market funding

EMTN issuance

Unsecured bond issuance in foreign currencies is the most important pillar in the Bank's market funding. The size of the Bank's EMTN programme is EUR 2 billion and was increased in size from EUR 1.5 billion in 2017. Inaugural issuance under the programme was in 2015, with continued issuance on a regular basis to date. In 2021, the Bank published a Sustainable Finance Framework with a second-party opinion from Sustainalytics.

The Bank secured funding from the Nordic Investment Bank (NIB) in January in relation to construction of its new headquarters. The loan amount is USD 40 million with a 15-year term.

Bonds in the amount of EUR 300 million matured in May 2023.

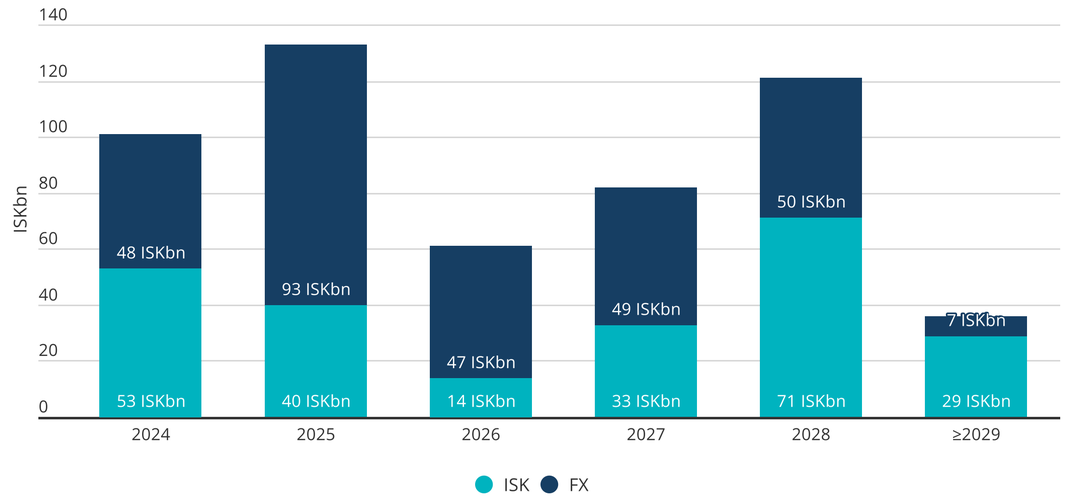
In August, the Bank issued 2-year bonds in the amount of NOK 1,000 million and SEK 450 million.

The Bank issued green 3.5-year bonds for EUR 300 million in September. The bond was the Bank's third green bond issuance in euros. In conjunction with the issuance, the Bank offered to tender outstanding bonds maturing in May 2024, resulting in a buyback of EUR 132 million.

A second loan agreement with NIB was finalised in December, amounting to USD 75 million for seven years.

At year-end 2023, unsecured bond issuance in foreign currency amounted to ISK 241 billion, increasing by ISK 13 billion during the year.

Maturity profile at year-end 2023



Covered bonds

The size of the programme for covered bond issuance is EUR 2,500 million and was increased from ISK 250 billion in 2022. The programme was updated in 2022 to allow for covered bond issuance in foreign currency under the programme in addition to its listing on the Irish stock exchange, Euronext Dublin.

In March, the Bank issued European Covered Bonds (Premium) in euros, the first from an Icelandic bank, in the amount of EUR 300 million for 5 years. The bond issuance further diversified the Bank's funding sources.

Regular auctions of covered bonds were held in 2023 where previously issued series were tapped and addition to issuance of a new non-indexed series, LBANK CB 29. The non-indexed series LBANK CB 23 matured in 2023. Agreements with market makers in the secondary market for the Bank's covered bonds were renewed in the year.

At year-end 2023, outstanding covered bonds amounted to ISK 268 billion, increasing by ISK 45 billion during the year.

Commercial paper

No commercial paper auctions were held in 2023 under the ISK 50 billion debt issuance programme. No series matured in 2023 and there was no outstanding issuance of commercial paper at year-end 2023.

Subordinated bond issuance

In March, the Bank issued subordinated bonds in the amount of ISK 12 billion for 10 years, callable in 5 years. The issuance counts as Tier 2 capital.

A call option on outstanding EUR 100 million subordinated bonds was exercised in September.

Subordinated bond issuance under the Bank's debt issuance programme amounted to ISK 20 billion at year-end, decreasing by ISK 2 billion from the previous year.

Equity

The Bank's equity amounted to ISK 304 billion at year-end 2023, increasing by ISK 25 billion during the year.

Landsbankinn paid ISK 8,504 million in dividends to shareholders in 2023.

Landsbankinn's total capital ratio was 23.6% at year-end 2023.

Credit rating

Landsbankinn's credit has been rated by international rating agency S&P Global Ratings since 2014. In November 2023, the outlook for the Bank's credit rating was revised from stable to positive and its current rating is BB-B/A-2 with positive outlook.

S&P Global Ratings	
Long-term	BBB
Short-term	A-2
Outlook	Positive
Issue date	November 2023

Credit rating for covered bonds

In January 2021, covered bonds issued by Landsbankinn were rated by S&P Global Ratings. In November 2023, the credit rating of the covered bonds was raised to A+ with stable outlook.

Risk management

Risk is inherent in Landsbankinn's entire activity and robust, sound risk management is key to the Bank's operation. Risk management involves identification, assessment, disclosure and control of all risks.

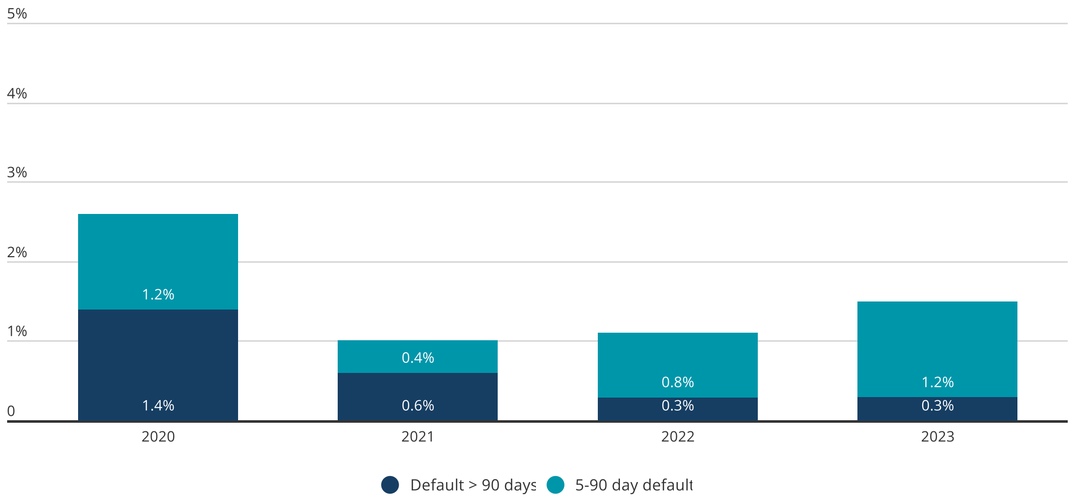


In general, the Bank's risk measurements and assessment of material risk factors are positive and all key risk factors were within risk appetite at year-end 2023. Defaults in the Bank's loan portfolio remain minimal, the Bank is securely funded and its liquidity and equity positions are strong.

Credit risk is the most significant risk in the Bank's operation, or 89% of risk-weighted exposure. The carrying amount of loans to customers increased by ISK 87 billion in 2023, with growth in both the retail and corporate portfolios.

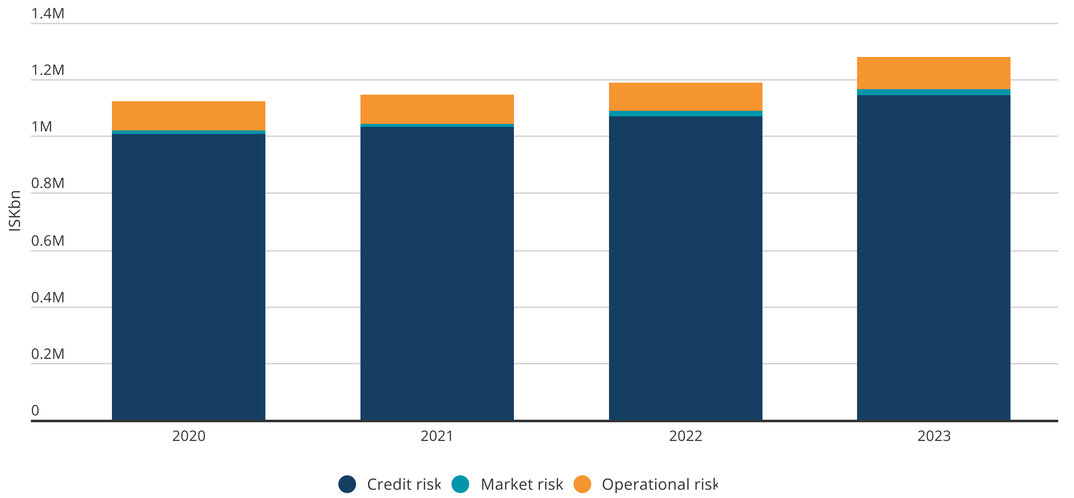
The second most significant risk in the Bank's operation is operational risk, which includes numerous sub-risks. The Bank has been focused on protecting customers against cyberattacks, which remain a growing threat. The Bank has been certified under the ISO 27001 information security standard for over 15 years. The certification along with staff and customer education on information security is one of the main pillars of the Bank's cybersecurity.

Defaults - Loans to customers



Pillars show the gross carrying amount of default loans at year end.

Risk-weighted exposure (RWE)



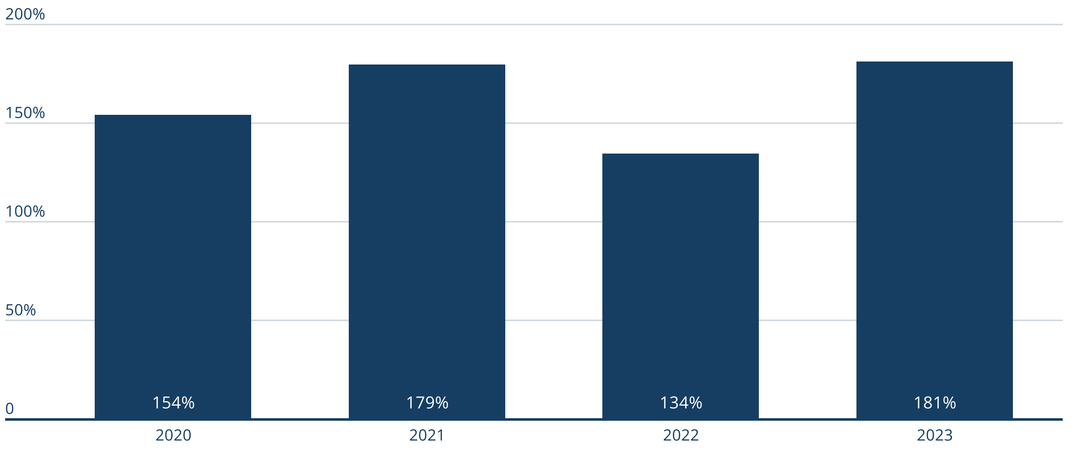
Pillars show RWA (ISKbn) by risk factor at year end.

At year-end 2023, the Bank's total capital ratio of 23.6% was well above current regulatory requirement of 20.2%.

The Bank's liquidity position was very strong at year end and liquidity ratios well above regulatory requirements and the Bank's internal risk limits. The total liquidity coverage ratio (LCR) was 181%, 129% in ISK and 1,499% in EUR.

Risk factors in the Bank's operations are assessed by various measurements, in line with their scope and nature, and these measurements provide the foundation for risk limits, analysis of risk factors, disclosure of information and risk management. A common measurement for all risk factors is the Bank's internal assessment of economic capital (EC). In 2023, internal assessment of the Bank's capital requirements was considerably lower than capital requirements.

Total liquidity coverage ratio (LCR)



Pillars show total LCR at year

Landsbankinn's risk policy

Landsbankinn has adopted a risk policy that provides a framework for the Bank's risk management and risk appetite and forms the basis for long-term profitability and stability. The Bank's risk policy also sets out the parameters for implementing risk culture, risk rules and governance that sets out decision and risk-taking authorisations, follow-up and control of risk management.

All main risks in the Bank's operation are identified, assessed and measured, both financial and non-financial risks. The main risks in the Bank's operation are credit risk, market risk, liquidity risk, concentration risk, operational risk, business risk, legal risk, reputational risk, conduct risk, compliance risk, IT risk, data risk, model risk and climate risk.

Landsbankinn's governance structure sets out the main decision process on key risks, the decision-making and risk-taking authority of individuals, follow-up and control by the Board of Directors, CEO and individual Bank committees.

The Board of Directors has approved a risk appetite which reflects the Bank's risk strategy and functions as a management tool that controls risk-taking, in addition to setting aims for aggregate risk in the Bank's operation. Risk appetite is reviewed at least annually.

Active internal control

Active internal control forms one of the cornerstones of robust risk management and is conducive to the Bank operating in accordance with its risk policy and risk appetite.

Internal control is a process shaped by the Bank's executives and employees and comprises all actions taken with the aim to support, manage, mitigate or monitor certain activities and in so doing increase the likelihood of the Bank attaining set goals.

Landsbankinn endeavours to maintain good and constructive relations with regulators and to ensure accurate information disclosure.

Risk metrics in Landsbankinn's risk appetite

The Bank's main risk metrics are listed below. In addition, the Bank assesses and measure various other risk factors to support risk management and decision taking.

Further information in risk report

Landsbankinn publishes a risk report that provides in-depth information on all risk factors for the Bank and risk assessment methods.

Risk	Metric
Credit risk	Expected loss
	Average probability of default
Concentration risk	Largest exposure (% of Tier 1 equity)
	Total large exposures (% of Tier 1 equity)
Market risk	Total market risk

Risk	Metric
Liquidity and funding risk	LCR in Icelandic króna (ISK)
	LCR in foreign currency
	LCR in euro (EUR)
	LCR - total
	Net stable funding ratio - total
Capital adequacy risk	Total capital ratio
Operational risk	Real changes to RWA base
Profitability	ROE after taxes