Fourth Quarter 2023 and Full Year 2023 Results

Íslandsbanki hf.

8 February 2024

4Q23 RESULTS HIGHLIGHTS

Fourth quarter 2023 (4Q23) financial highlights

- Íslandsbanki reported a net profit of ISK 6.2 billion in the fourth quarter of 2023 (4Q22: ISK 6.0 billion), generating an annualised return on equity (ROE) of 11.2% (4Q22: 11.1%). This is in line with the updated ROE guidance for 2023 which is in the range of 10.7-11.7% and above the Bank's financial target of ROE exceeding 10%.
- Net interest income (NII) amounted to ISK 11.7 billion and decreased by 5.0% in 4Q23 compared to 4Q22 when it was ISK 12.3 billion.
- The net interest margin (NIM) was 2.9% in 4Q23, compared to 3.1% in 4Q22.
- Net fee and commission income (NFCI) decreased by 6.6% compared to 4Q22 and amounted to ISK 3.8 billion in 4Q23.
- Net financial income was ISK 455 million in 4Q23, compared to an expense of ISK 899 million in 4Q22.
- Administrative expenses in the fourth quarter 2023 were ISK 7.0 billion compared to ISK 6.5 billion in 4Q22, an increase of 6.9%. The amount for 4Q22 excludes an administrative fine in the amount of ISK 300 million charged in the fourth quarter of 2022.
- The cost-to-income ratio was 42.7% in 4Q23, which is within the Bank's guidance of the ratio being 40-45% and achieves its financial target of the ratio being below 45%. The cost-to-income ratio was 40.6% in 4Q22.
- Net impairment amounted to ISK 1,002 million in 4Q23, compared to an impairment of ISK 647 million in 4Q22. The net impairment charge as a share of loans to customers, the annualised cost of risk, was 33bp in 4Q23, compared to 22bp in 4Q22.
- Loans to customers increased by ISK 12.9 billion in the quarter, or by 1.1% from the third quarter to ISK 1,223 billion at the end of fourth quarter 2023.
- Deposits from customers fell by ISK 13.5 billion, or 1.6%, during the quarter, down to ISK 851 billion.
- Total equity at period-end amounted to ISK 224.7 billion compared to ISK 218.9 billion at year-end 2022.
- The total capital ratio was 25.3% at end of 4Q23, compared to 22.2% at year-end 2022. The corresponding CET1 ratio was 21.4%, compared to 18.8% at year-end 2022, which is 620bp above regulatory requirements, and above the Bank's financial target of having a 100-300bp capital buffer on top of CET1 regulatory requirements.

2023 (FY23) financial highlights

- Net profit for 2023 was ISK 24.6 billion (2022: ISK 24.5 billion), with annualised return on equity for 2023 being 11.3%, compared to 11.8% in 2022.
- Net interest income totalled ISK 48.6 billion in 2023, an increase of 12.7% compared to the previous year. Net interest margin (NIM) for 2023 was 3.0%, having been 2.9% in 2022.
- Net fee and commission income (NFCI) grew by 1.3% YoY and amounted to ISK 14.2 billion in 2023, compared to ISK 14.1 billion in 2022.
- In 2023 net financial income was ISK 241 million compared to an expense of ISK 1,257 million in 2022.
- Administrative expenses were ISK 26.7 billion in 2023, excluding an administrative fine in the amount of ISK 860 million charged in the second quarter of 2023, compared to ISK 23,6 billion in 2022 excluding administrative fine of ISK 300 million.
- Cost-to-income ratio was 41.6% in 2023, the same as it was for 2022.
- Deposits from customers rose by 7.7% from 2022, from ISK 790 billion in 2022 to ISK 851 billion in 2023.
- Net impairment on financial assets amounted to ISK 1,015 million in 2023 having been positive in 2022 by ISK 1.576 million.

Capital optimisation, dividend and further distribution of excess capital

- A dividend payment in the amount of ISK 12.3 billion, in line with the dividend policy of paying out around 50% of preceding year's profit, will be proposed by the Board of Directors to the Annual General Meeting (AGM) to be held in March 2024.
- The Bank announced during its FY22 financial results in February 2023 its plan to commence an ISK 5 billion share repurchase programme. In 2023 the Bank purchased 20,390,831 shares, equivalent to 1.02% of the issued share capital of the Bank, through standard share repurchase program. The total amount paid under the repurchase program in 2023 was ISK 2.3 billion.
- The Bank continues to explore ways to further optimise its capital structure. Distribution of excess CET1 capital in the amount of ISK 10 billion through continued repurchase of own shares, is planned throughout 2024, subject to the AGM renewing an approval to that effect. Additional capital optimisation is planned before year-end 2025, subject to market conditions.

Key figures and ratios

		4Q23	4Q22	2023	2022	2021
PROFITABILITY	Profit for the period, ISKm	**6,228**	5,982	**24,585**	24,535	23,725
	Return on equity	**11.2%**	11.1%	**11.3%**	11.8%	12.3%
	Net interest margin (of total assets)	**2.9%**	3.1%	**3.0%**	2.9%	2.4%
	Cost-to-income ratio[1,2]	**42.7%**	40.6%	**41.6%**	41.6%	46.2%
	Cost of risk[3]	**0.33%**	0.22%	**0.08%**	(0.14%)	(0.28%)
		31.12.23	30.9.23	30.6.23	31.12.22	31.12.21
BALANCE SHEET	Loans to customers, ISKm	**1,223,426**	1,210,499	1,237,758	1,186,639	1,086,327
	Total assets, ISKm	**1,582,694**	1,643,600	1,593,239	1,566,235	1,428,821
	Risk exposure amount, ISKm	**977,032**	986,355	1,015,197	999,491	901,646
	Deposits from customers, ISKm	**850,709**	864,189	816,641	789,897	744,036
	Customer loans to customer deposits ratio	**144%**	140%	152%	150%	146%
	Non-performing loans (NPL) ratio[4]	**1.8%**	1.8%	1.7%	1.8%	2.0%
LIQUIDITY	Net stable funding ratio (NSFR), for all currencies	**124%**	120%	119%	118%	122%
	Liquidity coverage ratio (LCR), for all currencies	**195%**	247%	259%	205%	156%
CAPITAL	Total equity, ISKm	**224,693**	219,694	215,524	218,874	203,710
	CET1 ratio[5]	**21.4%**	20.9%	20.0%	18.8%	21.3%
	Tier 1 ratio[5]	**22.5%**	21.9%	20.9%	19.8%	22.5%
	Total capital ratio[5]	**25.3%**	24.6%	23.2%	22.2%	25.3%
	Leverage ratio[5]	**13.4%**	12.7%	12.8%	12.1%	13.6%
	MREL ratio[6]	**41.3%**	39.2%	38.4%	34.5%	-

1. Calculated as (Administrative expenses + Contribution to the Depositors' and Investors' Guarantee Fund – One-off items) / (Total operating income – One-off items).
2. C/I ratio in 2023 excludes a charge of ISK 860m due to an administrative fine. C/I ratio for 4Q22 and 2022 included a provision of ISK 300m made in connection w ith an administrative fine, the C/I ratio for 4Q22 and 2022 has been restated so it excludes the provision.
3. Negative cost of risk means that there is a net release of impairments.
4. Stage 3, loans to customers, gross carrying amount.
5. Including 3Q23 profit for 30.9.23.
6. MREL ratio includes the CET1 capital held to meet the combined buffer requirement.

Jón Guðni Ómarsson, CEO of Íslandsbanki

The fourth quarter of 2023 was a good one for Íslandsbanki and closed off an eventful and busy year. The fourth quarter profit amounted to ISK 6.2 billion and ISK 24.6 billion for the full year. Return on equity was 11.3% in 2023 and 11.2% for the fourth quarter, which is above our financial targets, and in line with analysts' estimates. The Bank's total operating income rose by more than 12% from previous year, with net interest income increasing the most relatively. Our cost-to-income ratio for the year landed at 41.6% for the year, beating the Bank's target to have it below 45%. Compared to year-end 2022, lending increased by 3.1% for the year which is a more moderate increase than previous years, with the current high interest rate environment clearly playing its part there. Quality of assets is good, and we see limited increase in delinquencies. Deposits from customers increased by 8% during the year, further strengthening the Bank's main source of funding.

I am pleased to note the good results across all the Bank's business units this year. FX Sales had a busy year and towards the end of the year you could finally see signs of a positive turnaround in markets both domestically as well as abroad. The Corporate Finance team participated in many successful projects during the year, including the IPO of Ísfélag hf. to Nasdaq Iceland's main market. The year was characterised by a notable uptick in lending in Business Banking, including at the Bank's leasing unit, Ergo. Focus on the development of digital product offering is resulting in diverse products and increasing our possibilities for personalised services to customers. Sustainability continues to play an important part in our daily tasks and we have set out ambitious sustainability goals for 2025 as can be seen in the Bank's 2023 Annual and Sustainability Report, available on our website.

The Bank's bond issues were well received and as the year drew to a close there were signs of markets abroad reaching a level of normality after turbulent 18 months. The international credit rating agencies S&P Global Ratings (S&P) and Moody's Investor Services (Moody's) have also been positive towards the Bank this year, notably with Moody's assigning an A3 rating to Íslandsbanki in August. Both agencies made reference to the Bank's strong capitalisation and its good and stable profitability.

A new year brings both new opportunities and challenges. We are reminded of the geological forces that are part of this country's story and, just like the entire nation, we stand with the people of Grindavík through the ongoing seismic activity and volcanic eruptions on the Reykjanes peninsula.

The outlook for the Bank businesses is encouraging and our foundations are solid. Íslandsbanki is well prepared to take on the opportunities that will come our way and we look forward to working with our customers and other stakeholders to advance their interests.

Fourth quarter 2023 (4Q23) operational highlights

- On 18 October the Central Bank's Resolution Authority announced that a resolution plan had been approved for Íslandsbanki and it thereby updated the Bank's MREL requirement. The MREL requirement, including the combined buffer requirement, is 30.2% of the Bank's Risk Exposure Amount (REA). The updated requirement applies from the date of the announcement.
- The Bank announced on 26 October that it would continue with its ISK 5 billion share repurchase program which was initially announced during the first quarter of 2023. During the fourth quarter, the Bank purchased 12,910,000 shares, equivalent to 0.65% of the issued share capital. The amount paid was ISK 1.4 billion. In 2023 the Bank purchased 20,390,831 shares as part of the share repurchase program and paid ISK 2.3 billion for the shares purchased.
- Appointments of three new members to the Bank's Executive Committee were announced during the fourth quarter. Ellert Hlöðversson was appointed CFO, Barbara Inga Albertsdóttir was appointed Chief Compliance Officer and Ólöf Jónsdóttir was appointed Managing Director of Personal Banking. All three have assumed their respective positions.
- During the quarter S&P announced that it was raising the outlook on the Bank's BBB long term rating from stable to positive as well as raising the rating on the Bank's covered bonds from A to A+, which is the same rating as the S&P rating of the Icelandic sovereign.
- No changes were made to the policy rate by the Central Bank during the quarter, with policy rate being 9.25% during the period. The Bank made moderate changes to its interest rates, for both loans and deposits.
- Íslandsbanki awarded grants to 14 innovation projects during the annual allocation of funds from Íslandsbanki's Entrepreneurship Fund in December. The total amount of grants awarded this year was ISK 50 million. Each of the projects that received a grant aligns with the Fund's aim of furthering the four UN Sustainable Development Goals the Bank has decided to prioritise; Quality Education, Gender Equality, Industry, Innovation and Infrastructure, and Climate Action. Since its inception, the Fund has awarded grants in the total amount of ISK 215 million.

Operational highlights after the period-end

- The Bank has continued its implementation of the ISK 5 billion share repurchase program after the period-end. On 29 January the Bank announced a new round of buyback, where the aim is to repurchase a maximum of 9.5 million own shares equivalent to 0.475% of issued shares. The total purchase price for repurchased shares during the round shall however not exceed ISK 1 billion. Since the start of 2024 and up until 2 February, the Bank has purchased a total of 6,073,500 own shares for ISK 722,760,500.

- Íslandsbanki Research published its macroeconomic forecast for 2024-2026 on 31 January, available **here**.
- On 7 February 2024 the Central Bank of Iceland announced its decision to keep the policy rate unchanged. The next decision on policy rates will be announced by the Central Bank on 20 March 2024.

INCOME STATEMENT

Income statement, ISKm	4Q23	4Q22	Δ%	3Q23	Δ%	2023	2022	Δ%
Net interest income	**11,730**	12,348	(5%)	11,846	(1%)	**48,611**	43,126	13%
Net fee and commission income	**3,773**	4,038	(7%)	3,400	11%	**14,234**	14,053	1%
Net financial income (expense)	**455**	(899)	-	(193)	-	**241**	(1,257)	-
Net foreign exchange gain	**113**	576	(80%)	176	(36%)	**581**	881	(34%)
Other operating income	**258**	(2)	-	248	4%	**570**	433	32%
Total operating income	**16,329**	16,061	2%	15,477	6%	**64,237**	57,236	12%
Salaries and related expenses	**(3,861)**	(3,718)	4%	(3,353)	15%	**(15,003)**	(13,452)	12%
Other operating expenses	**(3,109)**	(2,800)	11%	(2,687)	16%	**(11,740)**	(10,166)	15%
Administrative fine	**-**	(300)	-	-	-	**(860)**	(300)	187%
Administrative expenses	**(6,970)**	(6,818)	2%	(6,040)	15%	**(27,603)**	(23,918)	15%
Contribution to the Depositor's and Investors' Guarantee Fund	**-**	-	-	-	-	**-**	(165)	-
Bank tax	**(402)**	(481)	(16%)	(522)	(23%)	**(1,871)**	(1,858)	1%
Total operating expenses	**(7,372)**	(7,299)	1%	(6,562)	12%	**(29,474)**	(25,941)	14%
Net impairment on financial assets	**(1,002)**	(647)	55%	(583)	72%	**(1,015)**	1,576	-
Profit before tax	**7,955**	8,115	(2%)	8,332	(5%)	**33,748**	32,871	3%
Income tax expense	**(1,737)**	(2,166)	(20%)	(2,334)	(26%)	**(9,198)**	(8,485)	8%
Profit for the period from continuing operations	**6,218**	5,949	5%	5,998	4%	**24,550**	24,386	1%
Discontinued operations held for sale, net of income tax	**10**	33	(70%)	9	11%	**35**	149	(77%)
Profit for the period	**6,228**	5,982	4%	6,007	4%	**24,585**	24,535	0%
Key ratios								
Net Interest Margin (NIM)	**2.9%**	3.1%		2.9%		**3.0%**	2.9%	
Cost-to-income ratio (C/I)	**42.7%**	40.6%		39.0%		**41.6%**	41.6%	
Return on Equity (ROE)	**11.2%**	11.1%		11.0%		**11.3%**	11.8%	
Cost of risk (COR)	**0.33%**	0.22%		0.19%		**0.08%**	(0.14%)	

2023 saw steady growth in core income compared to 2022

Net interest income (NII) in the fourth quarter of 2023 amounted to ISK 11.7 billion, a reduction of 5% from the fourth quarter of 2022 when it totalled to ISK 12.3 billion, this decrease is mainly the result of higher interest rate environment and a larger balance sheet compared to 4Q22. NII in 2023 rose by 12.7% compared to 2022, from ISK 43.1 billion to ISK 48.6 billion in 2023. The average CB policy rate was 9.25% in the fourth quarter of 2023, compared to 5.9% in 4Q22. Net interest margin (NIM) on total assets was 2.9% in 4Q23 (3.1% in 4Q22) and 3.0% for the year 2023 (2.9% for 2022). Lending margin was 1.8% in 4Q23 (1.8% in 4Q22) while deposit margin was 1.9% in 4Q23 (2.1% in 4Q22).

Net fee and commission income (NFCI) reduced by 6.6% compared to 4Q22 to ISK 3.8 billion. Fees from cards and payment processing remain the largest single component of 4Q23 NFCI, with net fee and commission income from investment banking and brokerage and other fee and commission income in order of significance in the fourth quarter.

Compared to 3Q23 core income rose by 1.7% in the fourth quarter, to ISK 15.5 billion, having been ISK 15.2 billion in 3Q23. Core banking operations remain the most important part of the Bank's revenues, with NII and NFCI accounting for 95% of total operating income in 4Q23 (102% in 4Q22).

The Bank recorded a gain of ISK 455 million in net financial income during the fourth quarter 2023 compared to a loss of ISK 899 million in 4Q22. The turnaround is largely explained by a considerable decrease in the interest rate curve and a recovering equity market in 4Q23.

Cost-to-income ratio beats target in 4Q23 – financial target achieved

The cost-to-income ratio was 42.7% in the fourth quarter of 2023, compared to 40.6% in 4Q22. This is within the Bank's guidance of the ratio being 40-45% and exceeds the Bank's target of staying below 45%.

Salaries and related expenses rose by 3.8% in 4Q23 compared to 4Q22 and were ISK 3.9 billion during the quarter. Other operating expenses rose by 11.1% compared to 4Q22, mostly due to higher inflation and investments in IT.

Net impairment on financial assets in 4Q23

The net impairment on financial assets was ISK 1,002 million in 4Q23 (4Q22: impairment of ISK 647 million). Although the Bank's direct exposure to Grindavík is limited, an impairment allowance relating to uncertainty following seismic activity affecting the town of Grindavík in the amount of ISK 1,7 billion was recognised in the fourth quarter of 2023. Otherwise, the current impairment outlook is relatively benign due to low unemployment, a stable outlook for economic growth and increasing interest rates that have not impacted the NPL ratio. The annualised cost of risk, measured as a net impairment charge as a share of loans to customers, was +33 bp in 4Q23 (+22 bp in 4Q22). For 2023 guidance the Bank assumed normalised through-the-cycle impairment levels at 25-30bp with guidance for 2024 assuming them to be at around 25bp.

BALANCE SHEET

Modest lending growth

Assets, ISKm	31.12.23	30.9.23	Δ	Δ%	31.12.22	Δ	Δ%
Cash and balances with Central Bank	**87,504**	84,332	3,172	4%	94,424	(6,920)	(7%)
Loans to credit institutions	**73,475**	117,699	(44,224)	(38%)	110,364	(36,889)	(33%)
Bonds and debt instruments	**161,342**	178,830	(17,488)	(10%)	130,804	30,538	23%
Derivatives	**5,776**	5,581	195	3%	7,461	(1,685)	(23%)
Loans to customers	**1,223,426**	1,210,499	12,927	1%	1,186,639	36,787	3%
Shares and equity instruments	**13,241**	13,270	(29)	(0%)	15,868	(2,627)	(17%)
Investment in associates	**4,051**	3,841	210	5%	3,844	207	5%
Property and equipment	**6,562**	6,528	34	1%	6,752	(190)	(3%)
Intangible assets	**2,930**	3,120	(190)	(6%)	3,279	(349)	(11%)
Other assets	**3,638**	19,156	(15,518)	(81%)	6,072	(2,434)	(40%)
Non-current assets and disposal groups held for sale	**749**	744	5	1%	728	21	3%
Total Assets	**1,582,694**	1,643,600	(60,906)	(4%)	1,566,235	16,459	1%
Key ratios							
Risk Exposure Amount (REA)	**977,032**	986,355	(9,323)	(1%)	999,491	(22,459)	(2%)
REA/total assets	**61.7%**	60.0%			63.8%		
Non-performing loans (NPL) ratio[1]	**1.8%**	1.8%			1.8%		

1. Stage 3, loans to customers, gross carrying amount

Loan portfolio is well diversified and highly collateralised

Loans to customers increased by 1.1% in the quarter and amounted to ISK 1,223 billion at the end of fourth quarter 2023. Mortgages account for 43% of loans to customers. Loans to customers are generally well covered by stable collateral, the majority of which is in residential and commercial property. The weighted average loan-to-value (LTV) ratio for the loan portfolio was 57% at the end of 4Q23 (58% at YE22), and the LTV for the residential mortgage portfolio was 57% at the end of 4Q23 (60% at YE22).

Credit quality continues to be strong – increase in Stage 2 loans due to mortgages in the town of Grindavík

The Bank is currently not seeing an increase in delinquencies on its loan portfolio but recent policy rate hikes have increasingly turned customers towards CPI-linked loans.

At the end of 4Q23, 2.1% of the gross performing loan book (not in Stage 3) was classified as forborne, up from 1.9% at the end of 3Q23. At the end of the 4Q23, the ratio of credit-impaired loans to customers, Stage 3, was 1.8% (gross) unchanged from 3Q23. For the mortgage portfolio, the ratio was 0.9% at the end of 4Q23 compared to 0.8% at the end of 3Q23.

Loans to customers in Stage 2 was 3.3% at the end of fourth quarter 2023 compared to 2.6% at the end of 3Q23. For the mortgage portfolio the ratio of loans in Stage 2 was 1.8% at the end of 4Q23 compared to 1.1% at end of 3Q23. The increase was due to transfer of loans in Grindavík from Stage 1 to Stage 2. The Bank's direct exposure to Grindavík is limited; only 0.4% of the gross carrying amount of loans to customers is covered by real estate in Grindavík.

Liabilities – strong capital and liquidity ratios combined with low leverage

Liabilities & Equity, ISKm	31.12.23	30.9.23	Δ	Δ%	31.12.22	Δ	Δ%
Deposits from Central Bank and credit institutions	**16,149**	15,159	990	7%	15,269	880	6%
Deposits from customers	**850,709**	864,189	(13,480)	(2%)	789,897	60,812	8%
Derivative instruments and short positions	**5,090**	10,797	(5,707)	(53%)	10,804	(5,714)	(53%)
Debt issued and other borrow ed funds	**417,573**	451,701	(34,128)	(8%)	468,270	(50,697)	(11%)
Subordinated loans	**38,155**	36,517	1,638	4%	34,392	3,763	11%
Tax liabilities	**13,107**	16,323	(3,216)	(20%)	12,128	979	8%
Other liabilities	**17,218**	29,220	(12,002)	(41%)	16,601	617	4%
Total Liabilities	**1,358,001**	1,423,906	(65,905)	(5%)	1,347,361	10,640	1%
Total Equity	**224,693**	219,694	4,999	2%	218,874	5,819	3%
Total Liabilities and Equity	**1,582,694**	1,643,600	(60,906)	(4%)	1,566,235	16,459	1%
Key ratios							
Customer loans to customer deposits ratio	**144%**	140%			150%		
Net stable funding ratio (NSFR)	**124%**	120%			118%		
Liquidity coverage ratio (LCR)	**195%**	247%			205%		
Total capital ratio	**25.3%**	24.6%			22.2%		
Tier 1 capital ratio	**22.5%**	21.9%			19.8%		
Leverage ratio	**13.4%**	12.7%			12.1%		
MREL ratio	**41.3%**	39.2%			34.5%		

Deposits remain the largest source of funding

Funding is mainly raised to match the Bank's lending programmes using three main funding sources: stable deposits, covered bonds and senior preferred bonds. Deposits from customer fell by 1.2% in the fourth quarter but grew in total by ISK 60.8 billion from YE22, or 7.7%. Deposit concentration remained stable. The ratio of customer loans to customer deposits was 144% at the end of 4Q23, increasing from 140% from the end of 3Q23. When excluding mortgages funded with covered bonds, the ratio was 119% for the fourth quarter, having been 111% at the end of 3Q23.

As for funding activities during the fourth quarter Íslandsbanki issued an SEK 500 million senior preferred 3-year bond at a spread of STIBOR +270 basis points. The Bank also initiated a tender offer to buy back several NOK and SEK bonds maturing in 2024 to reduce excess liquidity. The tender resulted in a total volume of NOK 589 million and SEK 481 million being bought back. In December 2023 the Bank issued a senior preferred bond in the domestic market for ISK 5 billion. The Bank also sold ISK 8 billion worth of covered bonds locally while also buying back ISK 23.5 billion worth of covered bonds in the quarter.

The Bank's total liquidity coverage ratio (LCR) was 195% at year-end 2023, down from 247% at 3Q23. The reduction in LCR was mostly due to buybacks as the Bank's liquidity position remains strong across currencies. The Bank may consider further debt buybacks, calls or exchanges of outstanding transactions in the coming months, subject to market conditions.

Strong capital position with ratios well above requirements

Total equity amounted to ISK 225 billion at the end of 4Q23, compared to ISK 219 billion at YE22. At the end of 4Q23, the total capital ratio was 25.3%, compared to 22.2% at YE22. The corresponding Tier 1 ratio was 22.5% at end of fourth quarter 2023, compared to 19.8% at the YE22. The CET1 ratio, was 21.4%, compared to 18.8% at YE22, (620bp above requirement), and above the Bank's financial target of having a 100-300bp capital buffer on top of regulatory requirements. The increase in countercyclical buffer from 2.0% to 2.5%, effective from March 2024, raises the overall capital requirement from 19.8% to 20.3% assuming no other changes.

Íslandsbanki uses the standardised method to calculate its REA, which amounted to ISK 977 billion at the end of 4Q23, compared to ISK 999 billion at YE22. The REA amounts to 61.7% of total assets at the end of 4Q23, compared to 63.8% at YE22. In 4Q23, the Bank reclassified its bond positions in its liquidity portfolio from trading book to non-trading book in pursuant to amendments to Article 104 in the Capital Requirements Regulation (CRR). The Bank received permission from the Central Bank to realise any resulting changes to capital requirement in accordance with the regulation. Bonds in the liquidity portfolio amounted to ISK 174 billion at the end of 3Q23 and the transfer resulted in a reduction of ISK 8.2 billion in REA. The primary goal is to align internal management of the liquidity portfolio with its investment objectives, as stipulated by the updated provisions in the CRR.

The leverage ratio was 13.4% at the end of 4Q23 and was 12.1% at year-end 2022.

Investor Material

In the event of discrepancy between the Icelandic and English version of the Press Release the English version prevails.

Disclaimer

INVESTOR RELATIONS

An earnings conference call and webcast will take place on Friday 9 February 2024

Íslandsbanki will host a webcast in English for investors and market participants on Friday 9 February at 8.30 Reykjavík/GMT/London/BST, 9.30 CET. Jón Guðni Ómarsson, CEO, and Ellert Hlöðversson, CFO, will give an overview of the fourth quarter 2023 and full year financial results and operational highlights.

The webcast will be accessible live through a link on the Bank's **Investor Relations** website where a recording will also be available after the meeting. Participation and the ability to ask written question is accessible **via this link**. If you wish to participate in the webcast via teleconference and be able to ask questions verbally, please register **via this link here**. Information regarding the webcast is available **here**.

Further information is available through Íslandsbanki Investor Relations, ir@islandsbanki.is.

Financial calendar

Íslandsbanki plans to publish its financial statements and hold its Annual General Meeting on the below dates:

21 March 2024 – Annual General Meeting
2 May 2024 - Interim financial results 1Q24
25 July 2024 - Interim financial results 2Q24
23 October 2024 - Interim financial results 3Q24

Please note that the dates are subject to change.

Additional investor material

All investor material will subsequently be available and archived on the Bank's Investor Relations website, where other information on the Bank's financial calendar and silent periods can also be found.