Landkreddit Bank AS

Issuer rating report

Issuer rating

A-

Outlook

Stable

Summary and Outlook

Lankdreditt Bank is the main operating company of Landkreditt SA, a cooperative owned by Norwegian farmers. The group is a leading provider of financial services to Norway's agricultural sector with a market share of 20%. Management continues to pursue a growth strategy in the agricultural sector as well as with personal customers to achieve greater scale and to diversify the business. Ongoing efforts to develop the group's insurance, asset management and real estate brokerage businesses enables the group to meet the broad financial needs of its customers.

Building upon its origins as a digital bank, Landkreditt continues to invest in technology to support business growth and increase efficiency. Work is ongoing to incorporate ESG considerations into the credit process and to develop capabilities to meet evolving sustainability disclosure requirements. The group has material exposure to the agricultural sector, an industry which is more sensitive to environmental factors. Landkreditt aims to encourage the sustainability efforts of Norwegian farmers.

Reflecting its cooperative business model and low risk culture, Landkreditt generates relatively stable but somewhat lower returns than domestic peers. Earnings, nevertheless, are more than sufficient to absorb credit costs. Asset quality remains sound despite elevated interest rates and a more uncertain economic backdrop. Most lending is secured by residential property or agricultural property and land. Norwegian farmers also continue to receive material government support.

Landkreditt maintains robust solvency metrics underpinned by material earnings retention. Cooperative members understand the need to safeguard the group's solidity and that retained earnings are important for future growth. Like with other Norwegian banks, Landkreditt relies to some extent on market funding, including covered bonds. Customer deposits, however, remain the primary funding source. Management targets a deposit-to-loan ratio of at least 70%, a level which is higher than for many peers.

Outlook
The Stable Outlook reflects our view that the group's business and operating performance will remain resilient over the next 12 to 18 months.

What could move the rating up

- Further diversification of the business while controlling risks and maintaining satisfactory returns

What could move the rating down

- A deterioration in earnings which impedes the group's business development and resilience
- Business expansion which materially increases the group's risk profile

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Related research

2024 European Banking Outlook, January 2024

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Rating drivers overview table

Step		Assessment			Summary rationale
STEP 1	Operating environment	Very supportive	H	L	♦ Norway is a wealthy economy with well-developed capital markets and a strong record of resilience to shocks ♦ Supportive operating environment for banking activities ♦ Relatively stringent and active financial regulator
		Supportive	H	L	
		Moderately supportive	H	L	
		Constraining	H	L	
		Very constraining	H	L	
	Business model	Very resilient	H	L	♦ Leading financial services provider to agricultural sector ♦ Cooperative model underpins relatively low risk business ♦ National presence, with a concentration in the Oslo region ♦ Record of resilient operating performance
		Resilient	H	L	
		Consistent	H	L	
		Focused	H	L	
		Narrow	H	L	
	Initial mapping	**bbb**			
	Long-term sustainability	Best in class			♦ Supporting the sustainability efforts of farmers ♦ Building on digital origins with further technology investments to support business growth and efficiency ♦ Developing capabilities to include ESG considerations in credit process and prepare for reporting requirements
		Advanced			
		Developing			
		Constrained			
		Lagging			
	Adjusted anchor	**bbb**			
STEP 2	Earnings capacity & risk exposures	Very supportive			♦ Reflecting cooperative business model and low risk culture, relatively stable but somewhat lower returns than domestic peers ♦ Earnings are more than sufficient to cover credit costs ♦ Largely secured loan portfolio with history of low losses
		Supportive			
		Neutral			
		Constraining			
		Very constraining			
	Financial viability management	Ample			♦ Robust prudential metrics which comfortably meet regulatory requirements ♦ Deposits are primary funding source ♦ Good access to wholesale debt markets, including covered bonds
		Comfortable			
		Adequate			
		Limited			
		Stretched			
		At risk			
	Additional factors	Significant upside factor			♦ No further considerations
		Material upside factor			
		Neutral			
		Material downside factor			
		Significant downside factor			
	Standalone	**a-**			
STEP 3	External support	Not applicable			
Issuer rating		**A-**			

Issuer profile

Landkreditt Bank is the main operating company of Landkreditt SA, a cooperative owned by Norwegian farmers. Landkreditt began as a credit union in 1915. The other companies of the Lankdreditt group are Landkreditt Forsikring AS (insurance company), Landkreditt Eiendom AS (real estate broker) and Landkreditt Forvaltning AS (asset manager).

The group is the leading provider of financial services to Norway's agricultural sector. In addition to banking, the group provides insurance, asset management and real estate brokerage services. Landkreditt is also part of the Federation of Norwegian Agricultural Cooperatives.

Customers of Landkreditt Bank with a loan secured by agricultural property or with an agricultural production operating credit become members of Landkreditt SA. There are about 8,400 cooperative members. In addition, the group is a mortgage lender in the retail market. In total, the group serves about 100,000 customers.

As of YE 2023, the group had total assets of NOK 36bn and approximately 200 employees.

Recent events

- **FY 2023 results**. Landkreditt reported a net profit of NOK 307m (NOK 217m, 2022), the best result in the group's history, with performance benefitting from loan growth and the high interest rate environment. All of the group's business contributed to the strong results. Asset quality remained sound during the year, with loan losses amounting to NOK 1m. The group's solvency position further strengthened, with the CET1 ratio increasing to 23.7% at YE 2023, from 23.4% at YE 2022.

Rating drivers

Cooperative financial services group owned by Norwegian farmers

The 'focused - high' business model assessment reflects Landkreditt's focus on the agricultural sector and residential mortgage lending. While insurance, asset management and real estate brokerage businesses are being developed, they remain relatively small compared to the group's banking activities.

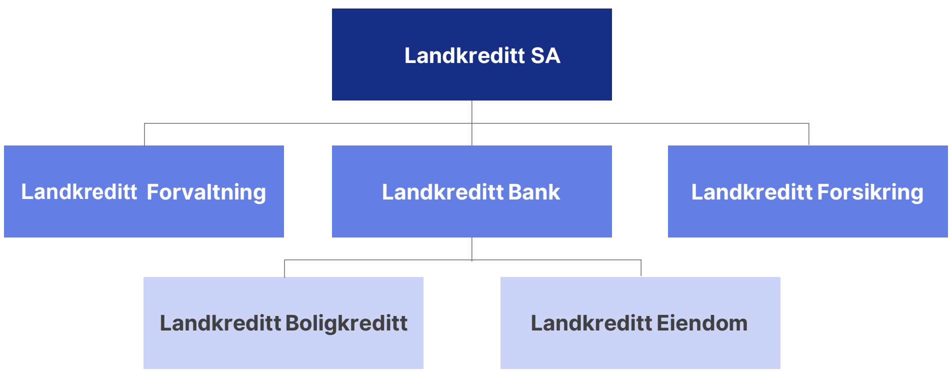
The 'very supportive - low' operating environment assessment reflects Norway's wealthy and resilient economy as well as the supportive operating environment for banking activities. The bank's activities in the agricultural sector are nationwide while retail activities are centred around the broader Oslo region and other large cities.

Leading provider of financial services to agricultural sector

Landkreditt is a leading provider of financial services to the Norwegian agricultural sector, with a market share of 20%. Banking activities account for about 85% of the group's net income. To complement the banking business, the group in recent years acquired an insurer originally established to serve members of the agricultural cooperative and a real estate broker specialising in agricultural property. In addition, the group established a fund management business.

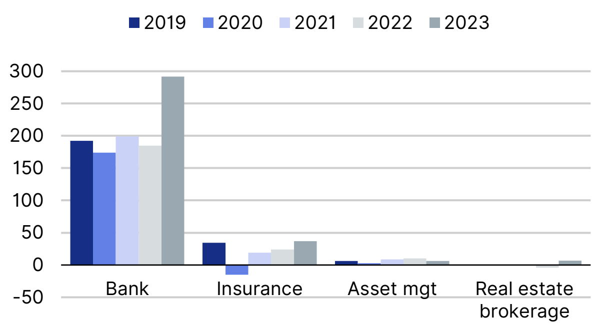
Integrating and increasing the cooperation amongst the various businesses is a management priority. Efforts are being supported by IT investments as well as a small number of district offices in key agricultural regions staffed with employees from the bank, the insurance company, and the real estate broker. The group's expanded service offering strengthens the business franchise and diversifies revenues.

Figure 1: Group structure



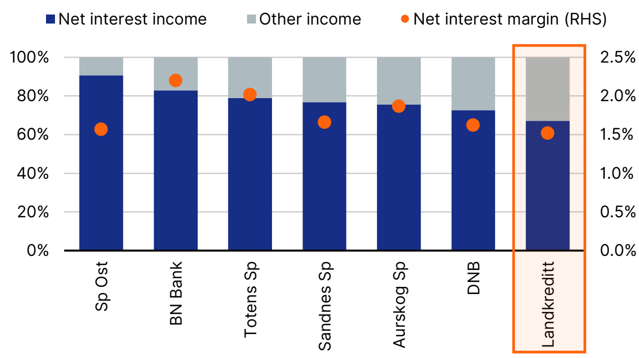
Source: Company data, Scope Ratings

Figure 2: Net profit by business (NOK m)



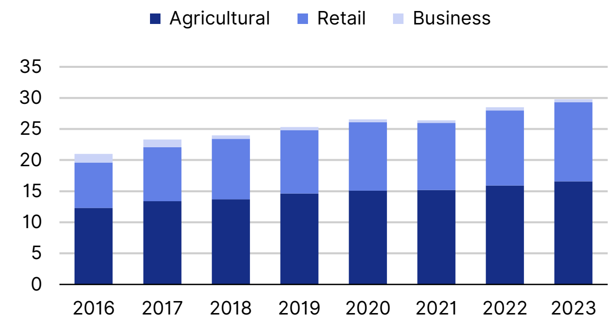
Note: Real estate brokerage business was acquired in 2020
Source: Company data, Scope Ratings

Figure 3: Revenue profile – peer comparison



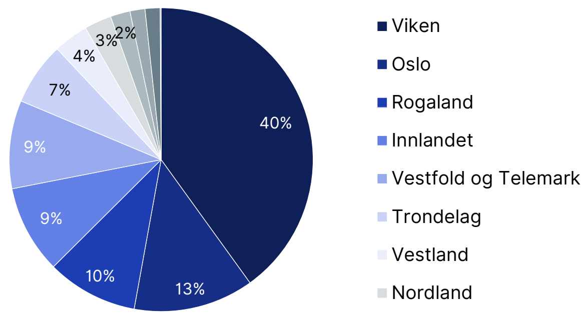
Note: Three-year average based on 2021-2023
Source: SNL, Scope Ratings

Figure 4: Loans by customer segment



Source: Company data, Scope Ratings

Figure 5: Loans by geography (NOK bn, end-2023)



Source: Company data, Scope Ratings

Growing residential mortgage business

Alongside the focus on farmers, the group continues to grow in the retail mortgage market to achieve greater scale and a more diversified business. Personal customers account for about half of the loan book (Figure 4). In the retail market, the group aims to be an attractive and competitive alternative for customers. Landkreditt ranks highly in the annual EPSI bank satisfaction survey, with retail clients noting the good level of customer service, the ease of dealing with the bank, and attractive products.

The group operates on a national scale. Nevertheless, there is a focus on regions where agriculture is an important industry. Meanwhile, retail activities are concentrated in the broader Oslo area given the bank's greater expertise in these markets and the higher activity level. Around half of the group's credit exposure is in the greater Oslo region, with the remainder spread throughout the country (Figure 5).

Strategy centred on profitable growth across all businesses

Landkreditt's strategy for 2024-2026 entails further profitable growth in all of the group's businesses to increase economies of scale and efficiencies. Management sees opportunities in the retail market given the group's current market position and the structural changes happening in the Norwegian banking sector. Other key priorities include remaining an attractive employer and using technology and data to enable and grow the business.

Box A: Overview of Landkreditt's non-banking businesses	
Landkreditt Forsikring (insurance)	The company was established in 2001 to provide personal insurance for members of the agricultural cooperative. The business has since expanded to offer both life and non-life insurance to farmers, individuals, and certain businesses, including cover for property, crops, vehicles, occupational injury, and loss of income. Gross premiums amounted to about NOK 820m as of YE 2023. The company became a fully consolidated subsidiary in 2018.
Landkreditt Forvaltning (asset management)	The company manages three equity and two bond funds. Assets under management amounted to NOK 7bn as of YE 2023.
Landkreditt Eiendom (real estate brokerage)	The company specializes in real estate brokerage services for the agricultural segment but also serves personal customers. The company was acquired in March 2020 and is a wholly owned subsidiary of Landkreditt Bank.

Source: Company data, Scope Ratings

Box B: Focus on Landkreditt's country of domicile: Norway

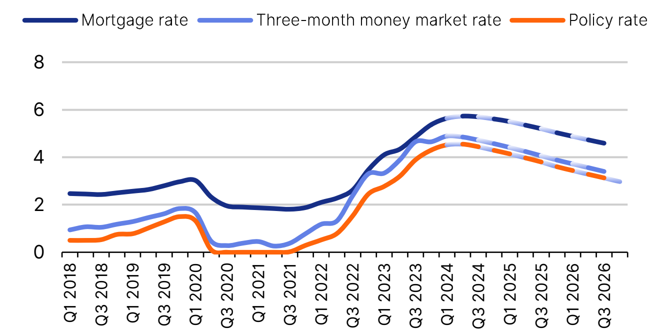
Economic assessment:

- With a population of 5.4m and a nominal GDP of USD 470bn, Norway is a relatively small open economy with one of the world's highest per capita incomes.
- The Norwegian economy demonstrated significant resilience during the Covid-19 pandemic and the energy crisis following the escalation of the Russia-Ukraine war.
- While we expect a gradual recovery in household consumption and investment, the combination of high private sector debt and higher rates will moderate economic activity. Economic growth is expected to stay below potential in 2024 at 0.9%.
- A very strong government fiscal position provides ample capacity to support the economy as needed. Savings are accumulated through the world's largest sovereign wealth fund. The strength of the oil and gas sector is expected to help sustain large current-account surpluses in 2024 and 2025.
- The high home ownership rate of around 80% is a driver for high levels of household debt, both in historical terms and in comparison, to other countries. Macroprudential measures concerning mortgages and consumer debt are in place to manage risks. Mortgage debt is primarily on floating rate terms.
- Commercial property prices have risen substantially for many years, constituting a vulnerability for the financial system.
- The country's reliance on the oil and gas sector exposes it to long-term transition risks.

Key economic indicators	2020	2021	2022	2023 E	2024 F
Real GDP growth, %	-1.9	4.0	3.2	1.7	0.9
Inflation, % change	1.3	3.5	5.8	5.5	4.0
Unemployment rate, %	4.8	4.4	3.2	3.6	3.8
Policy rate, %	0.0	0.5	2.75	4.25	4.0
Public debt, % of GDP	45	43	37	38	37
General government balance, % of GDP	-2.6	10.6	26.0	21.5	14.5

Source: Scope Ratings

Figure A: Interest rates (%)



Source: Norges Bank, Dec 2023 MPR, Scope Ratings

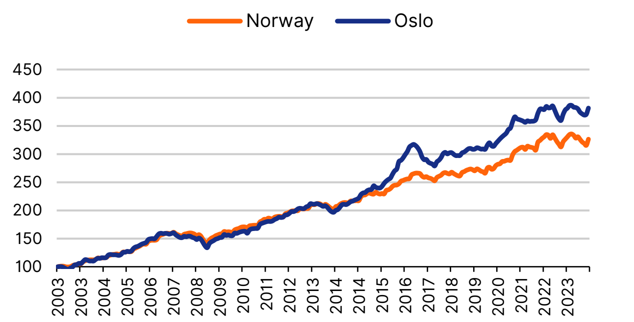
Soundness of the banking sector:

- The Norwegian banking system is dominated by DNB Bank, with a market share of around 30%. Nordea and other foreign banks account for about 20% of the retail market and 30% of the corporate market. There are also nearly 90 savings banks, with their size ranging from less than NOK 5bn to NOK 365bn in assets. Savings banks tend to operate locally or regionally and are part of alliances (SpareBank 1, Eika, DSS).
- Smaller savings banks are consolidating due to increasing competitive and regulatory pressures.
- Residential mortgages account for more than half of total lending while the commercial real estate sector accounts for 15% of total lending (or nearly half of corporate lending).
- Digitalisation is high and the use of cash is amongst the lowest in the world.
- A rigorous regulatory framework, with some of the highest solvency requirements amongst European banks.
- Norwegian banks are generally profitable, cost efficient and exhibit sound asset quality and solvency metrics.
- While customer deposits are the primary source of funding, the use of market funding is material, especially covered bonds.

Banking system indicators	2019	2020	2021	2022	2023
ROAA, %	1.1	0.8	1.0	1.0	1.1
ROAE, %	11.2	8.5	10.1	10.9	12.2
Net interest margin, %	1.8	1.7	1.6	1.7	2.0
CET1 ratio, %	17.8	18.3	18.4	18.1	18.0
Problem loans/gross customer loans, %	1.3	1.6	1.4	1.2	1.1
Loan-to-deposit ratio, %	163.3	152.2	143.7	144.7	145.4

Source: SNL, Scope Ratings

Figure B: House price index (Jan 2003 = 100)



Source: Eiendom Norge, Macrobond, Scope Ratings.

Developing capabilities to address ESG-related risks and opportunities

The 'developing' long-term sustainability assessment reflects the group's ongoing efforts to address ESG-related risks and opportunities. Having roots as a digital bank and a cooperative support the long-term sustainability of the group's business franchise but does not warrant further credit differentiation in this step of the rating construct.

Figure 6: Long-term sustainability overview table[1]

	Industry level			Issuer level						
	Materiality			Exposure			Management			
	Low	Medium	High	Low	Neutral	High	Weak	Needs attention	Adequate	Strong
E Factor		◇				◇			◇	
S Factor	◇				◇					◇
G Factor			◇		◇				◇	
D Factor			◇			◇			◇	

Source: Scope Ratings

Digitalization: strategic priority with ongoing investments

Since its founding in 2002, Landkreditt has been a digital bank and is therefore not burdened by a legacy branch network. Management, however, sees advantages to having a local presence in key agricultural regions and has established a small number of district offices to offer a combination of banking, insurance, and agricultural real estate brokerage services.

In 2022 and 2023, the group made significant technology investments, including upgrades to several central IT systems, the migration of analytical and reporting systems to the cloud and a new cloud-based core system for the insurance business.

A key part of the group's strategy entails further digitalisation to support business growth and increase efficiency. To drive these efforts, a new data and insight team has been established, drawing on resources and competence from both the bank and the insurance business. With insights gained from investments in digital platforms, the group aims to further strengthen its relationships with customers.

Environment: supporting the transition efforts of farmers

Environmental factors are a part of Landkreditt's risk assessment and credit processes. Various physical risks such as floods and landslides are considered. The group also collects data from agricultural customers to understand their emissions. As well, farmers are assessed on whether they adopt and follow national ESG initiatives. Further, the group continues to develop its stress testing and climate reporting capabilities.

As a signatory to the UN Principles for Responsible Banking, Lankdreditt conducted materiality and impact assessments in 2023. The group seeks to contribute to more sustainable food production and assist the agricultural sector in achieving its commitment to reduce CO2 emissions by five million tons by 2030. Three key performance indicators have been set: (i) the proportion of agricultural customers with green agricultural loans, (ii) the proportion of agricultural customers

[1] The ESG-D heatmap is not a scorecard but illustrates how each factor informs our overall assessment. The Materiality table shows how we assess the credit relevance of each factor for the entire European banking industry. The Exposure table shows to what extent the bank is exposed to risks or benefits from opportunities compared to peers, given its business model and countries of operation. The Management table shows how we view the bank's navigation through transitions.

who have engaged a climate advisor and/or use a carbon calculator, and (iii) the proportion of agricultural customers who have received funds for more sustainable production. The group is also working on strengthening the ability of its advisors to guide customers on investing in sustainable activities.

Landkreditt first offered green agricultural loans in 2021 and expanded its product offering last year, providing favourable terms for investments that contribute to more sustainable food production. The group has also offered green mortgage loans to retail customers since 2020.

Landkreditt's green bond framework has been independently assessed as being aligned with the 2021 version of the Green Bond Principles published by the International Capital Markets Association.

Governance: customers have significant influence given cooperative structure

Landkreditt's governance structure is based on elected representatives drawn from the cooperative's approximately 8,400 members. The representatives come from 16 electoral districts around the country, with elections being held electronically to ensure wide participation. The representatives are responsible for electing the board of directors. In line with national corporate governance practices, two employee representatives also sit on the board. As well, the board has audit, risk, and remuneration committees.

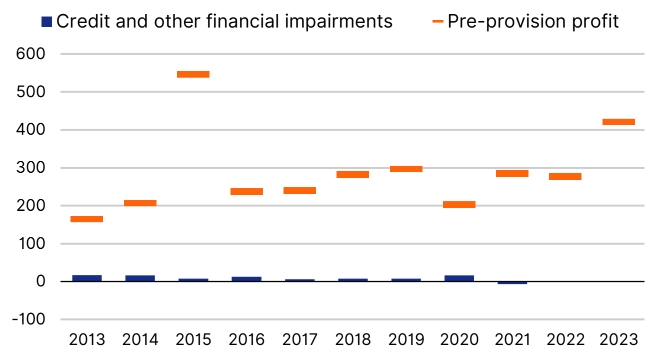
Social: an important advocate for farmers

Landkreditt's cooperative business model inherently incorporates social objectives. In particular, the group advocates for better funding for the agricultural sector, given the increasingly challenging operating conditions for farmers. Further, the group's close ties to the agricultural industry means it plays an important role in maintaining the high quality and self-sufficiency of food production in Norway.

Returns reflect cooperative business model and low risk culture

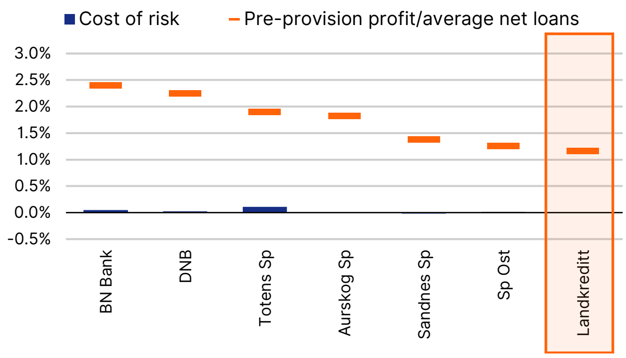
The 'supportive' earnings and risk exposures assessment reflects the group's ability to generate returns which meet members' expectations for competitive financial products and provide a strong buffer against potential credit losses. Asset quality is sound, underpinned by a low risk culture and a largely secured loan book.

Figure 7: Pre-provision profit vs impairments (NOK m)



Note: 2015 pre-provision profit includes NOK 359m gain from the sale of the group's head office. Source: Company data, Scope Ratings

Figure 8: Pre-provision profit vs cost of risk – peer comparison



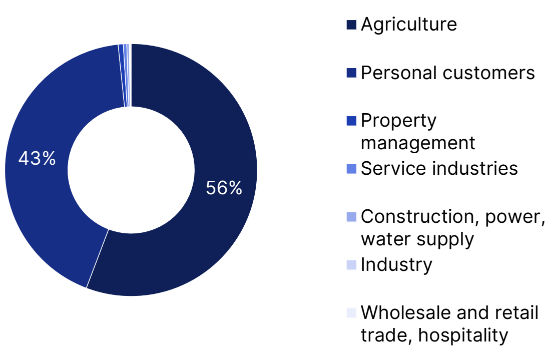
Note: Three-year average based on 2021-2023
Source: SNL, Scope Ratings

Reflecting its cooperative business model and low risk culture, Landkreditt generates relatively stable but somewhat lower returns than domestic peers. Earnings, nevertheless, are more than sufficient to absorb credit costs (Figure 7). Management's focus is on providing attractive and competitive financial services for members and customers, with earnings being used to ensure the group's financial solidity.

Balancing members' interests and maintaining financial strength

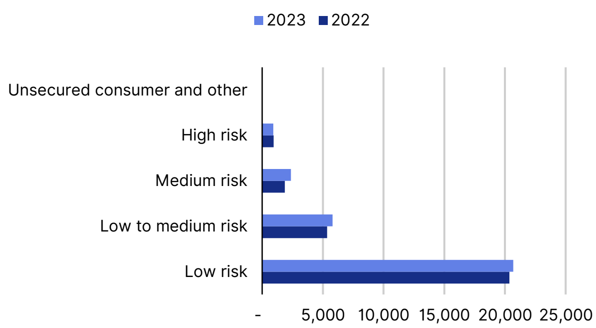
Landkreditt has demonstrated the ability to grow the business while maintaining low credit losses. Credit decisions involving agricultural customers benefit from the group's in-depth knowledge and expertise in the sector. Agricultural production in Norway is diverse, with the bank's customers producing around 20 different products in about 300 various combinations. Farmers typically also have income sources which are not solely related to agricultural production, with less than 20% of them relying on agriculture for more than 75% of their income. Further, the agricultural sector continues to benefit from strong government support.

Figure 9: Loan book composition – YE 2023



Source: Company data, Scope Ratings

Figure 10: Internal risk classification of loan book (NOK m)



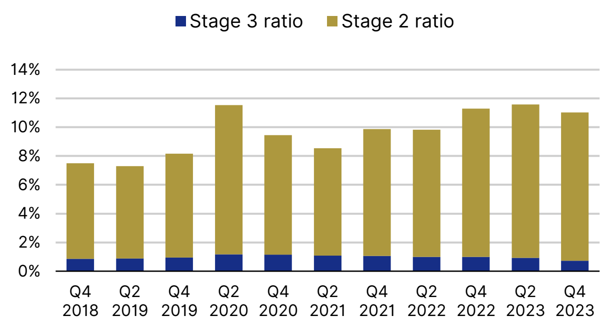
Source: Company data, Scope Ratings

Nearly all credit exposure is secured by residential properties or agricultural buildings and land. As farms are often used as primary residences, this further supports the credit quality of the loan book. Nearly 90% of agricultural loans have an LTV below 80%. At the same time, over 95% of residential mortgages have an LTV below 80%, with the average LTV being 55%. Close to 90% of the loan portfolio is considered to be in the low and low-to-medium risk categories as of YE 2023, stable compared to YE 2022 (Figure 10).

History of low credit losses

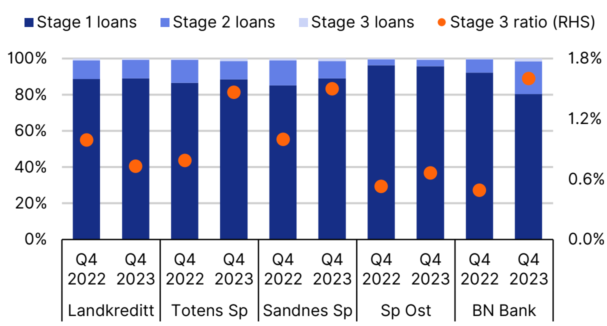
Asset quality has remained resilient and compares well to peers despite more challenging economic conditions (Figure 12). While the economic assumptions in the group's IFRS 9 ECL model has been adjusted downwards to reflect greater uncertainty, there has not been a material deterioration in credit quality, nor a material increase in customers seeking payment deferrals. At YE 2023, the proportion of Stage 3 loans amounted to 0.7%, down from 1% at YE 2022.

Figure 11: Stage 2 and 3 ratio development (%)



Source: SNL, Scope Ratings

Figure 12: IFRS 9 loan staging – selected peer comparison

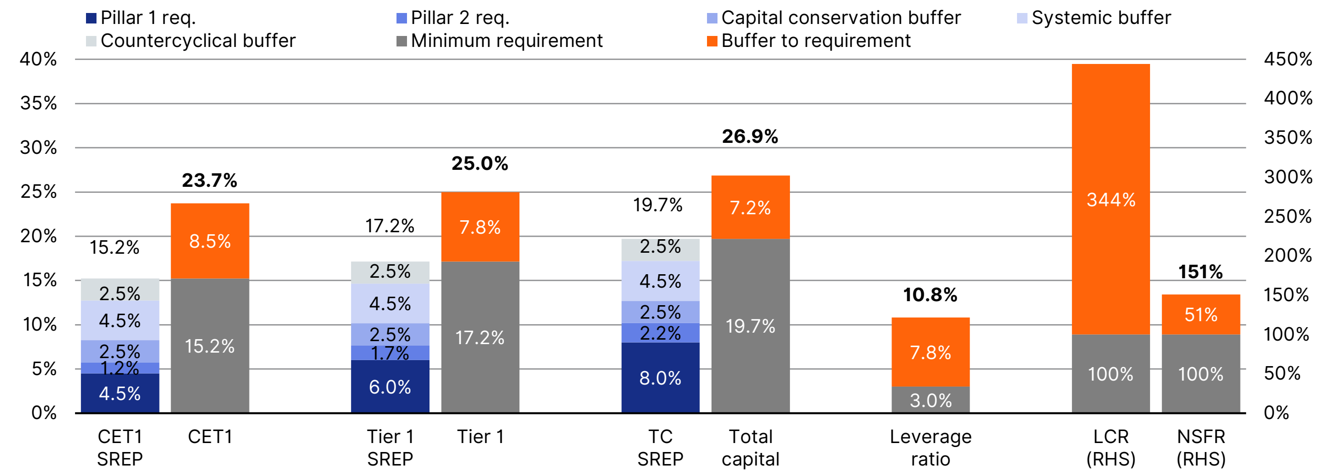


Source: SNL, Scope Ratings

Robust prudential metrics with comfortable buffers to requirements

The 'comfortable' financial viability management assessment reflects the group's robust prudential metrics and the meaningful buffers to requirements. Customer deposits are the main source of funding. At the same time, the group maintains good access to wholesale funding markets, including covered bonds.

Figure 13: Overview of distance to requirements (YE 2023)



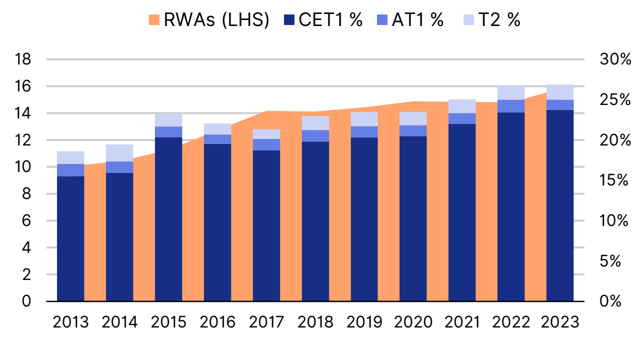
Note: LCR and NSFR figures are for Landkreditt Bank Group
Source: Company data, Scope Ratings

Robust capital position to support growth plans

Landkreditt manages growth to ensure a balance between profitability and maintaining a solid solvency position. The group's current capital position is expected to support planned business growth over the next few years. Further, cooperative members understand the need to maintain the group's financial solidity and do not expect earnings distributions.

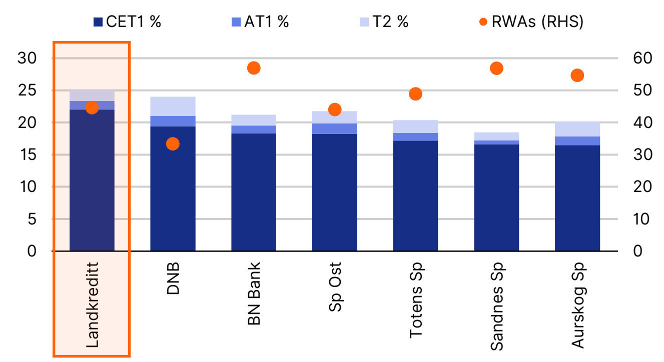
The group's solvency metrics continue to be robust and stand well above requirements. As of YE 2023, the systemic risk buffer increased to 4.5% from 3% for banks like Landkreditt using standardised models for credit risk. At the same time, the group was allowed to meet its Pillar 2 requirement of 2.2% with a mix of capital rather than just CET1 capital, in line with CRR. Management aims to maintain a buffer of at least 1% above requirements.

Figure 14: Capital (%) and RWA (NOK bn) development



Source: SNL, Scope Ratings.

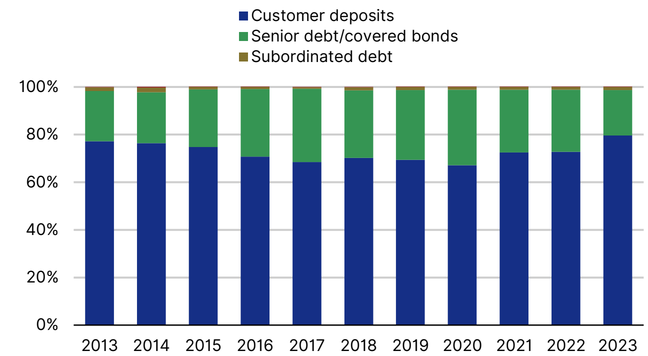
Figure 15: Capital profile – peer comparison



Note: Data as of YE 2023
Source: SNL, Scope Ratings

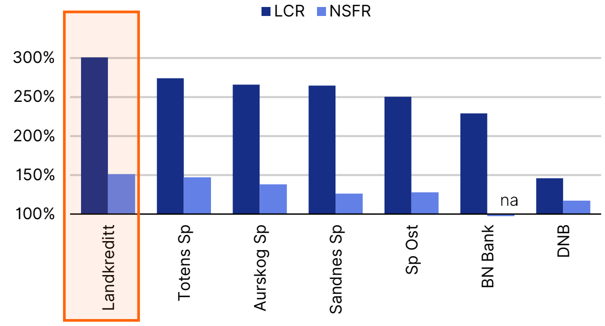
There is an ongoing review of the appropriate risk weights for agricultural loans and the degree of discretion banks will have to classify these exposures as business or retail loans. In March 2024, the Norwegian FSA proposed reducing the risk weight to 50% from 100% on business loans secured by agricultural property. While the outcome is pending, management currently does not expect this to have a material impact on the group's risk-weighted assets.

Figure 16: Funding profile



Source: SNL, Scope Ratings

Figure 17: LCR & NSFR – peer comparison



Notes: Data as of YE 2023. Landkreditt's figures are for the bank group. Landkreditt's LCR stands above 400%
Source: Company data, Scope Ratings

Higher proportion of deposit funding compared to peers

Customer deposits remain the primary source of funding for the group. As with other Norwegian banks, however, they are insufficient to fully fund lending activity. Recognising the importance of maintaining a sound liquidity profile, management targets a minimum deposit-to-loan ratio of 70%, above the level of many domestic peers. In addition, the group focuses on smaller more granular deposits rather than larger deposits. Given the elevated cost of market funding, Landkreditt actively gathered more deposits in 2023, with deposits increasing 17% year-over-year.

To diversify funding sources, a fully owned covered bond issuer, Landkreditt Boligkreditt, was established in 2010. About 30% of residential mortgage loans were transferred to the covered bond company in 2023, less than in previous years. Landkreditt is a regular issuer in the domestic bond market, issuing secured, senior unsecured, and subordinated debt. As of YE 2023, covered bonds accounted for around 60% of outstanding debt.

Rated group members

Landkreditt Boligkreditt

The A- issuer rating of Landkreditt Boligkreditt, a wholly owned subsidiary, is aligned with that of Landkreditt Bank. Through the issuance of covered bonds, Landkreditt Boligkreditt provides secured funding for its parent. Scope expects it to benefit from full support from its parent in case of need.

Scope rates the covered bonds issued by Landkreditt Boligkreditt at AAA.

Debt ratings

Senior unsecured debt

Landkreditt Bank's senior unsecured debt rating is at the same level as the issuer rating.

Senior unsecured (subordinated) debt

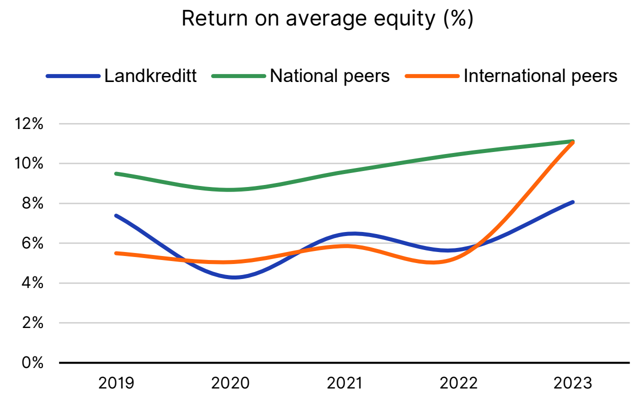
Landkreditt Bank's senior unsecured (subordinated) debt rating is one notch below the issuer rating.

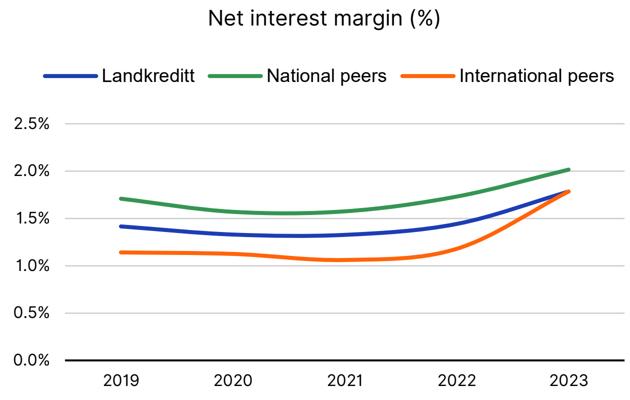
Credit rating list

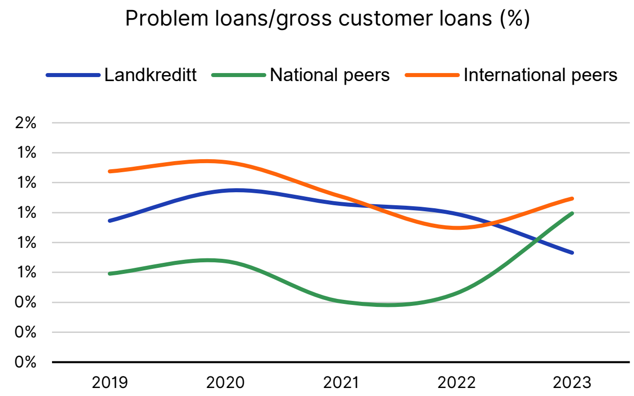
		Credit rating	Outlook
Issuer	Landkreditt Bank SA		
	Issuer rating	A-	Stable
	Senior unsecured debt rating	A-	Stable
	Senior unsecured (subordinated) debt rating	BBB+	Stable
Issuer	**Landkreditt Boligkreditt SA**		
	Issuer rating	A-	Stable

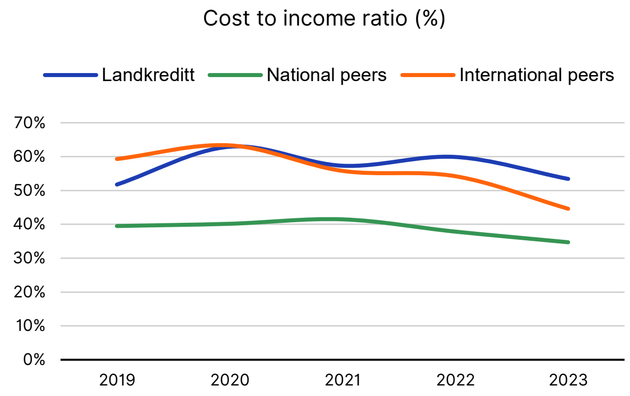
Financial appendix

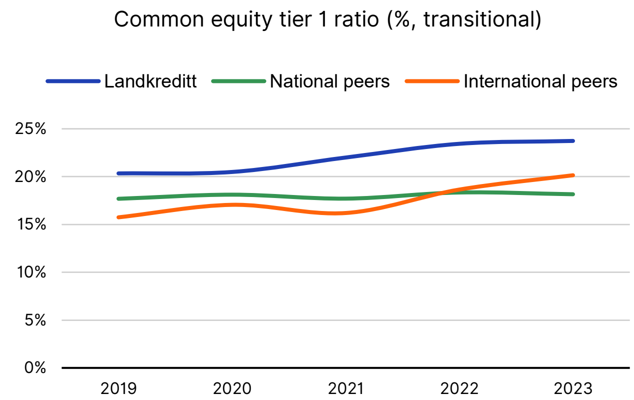
I. Appendix: Peer comparison

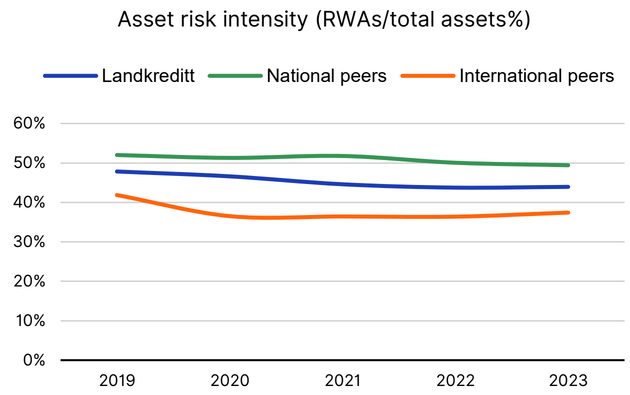












National peers: BN Bank ASA, Sandnes Sparebank, Totens Sparebank, Aurskog Sparebank, Sparebanken Ost, DNB Bank ASA.
International peers: Bausparkasse Wüstenrot AG, Banca Popolare di Sondrio S.p.A, de Volksbank N.V, Landshypotek Ekonomisk Förening, DLR Kredit A/S.
Note: Bausparkasse Wüstenrot AG's 2023 figures are not currently available.
Source: SNL, Scope Ratings

II. Appendix: Selected financial information – Landkreditt SA group

	2019	2020	2021	2022	2023
Balance sheet summary (NOK m)					
Assets					
Cash and interbank assets	931	1,246	1,306	1,169	1,463
Total securities	3,188	3,338	4,322	3,094	3,728
of which, derivatives	0	0	0	0	0
Net loans to customers	25,421	26,635	26,841	28,849	30,154
Other assets	614	742	782	736	627
Total assets	**30,155**	**31,961**	**33,251**	**33,848**	**35,972**
Liabilities					
Interbank liabilities	0	0	0	0	0
Senior debt	7,580	8,665	7,456	7,485	5,871
Derivatives	0	0	0	0	0
Deposits from customers	17,931	18,405	20,608	20,941	24,349
Subordinated debt	331	331	331	332	375
Other liabilities	1,079	1,195	1,273	1,263	1,292
Total liabilities	**26,922**	**28,596**	**29,668**	**30,021**	**31,887**
Ordinary equity	3,012	3,145	3,360	3,566	3,855
Equity hybrids	199	199	199	233	199
Minority interests	22	20	23	29	32
Total liabilities and equity	**30,155**	**31,961**	**33,251**	**33,848**	**35,972**
Core tier 1/ common equity tier 1 capital	*2,934*	*3,052*	*3,262*	*3,470*	*3,751*
Income statement summary (NOK m)					
Net interest income	411	410	430	476	610
Net fee & commission income	98	117	139	136	99
Net trading income	48	-30	5	-34	41
Other income	59	48	91	112	151
Operating income	**615**	**545**	**665**	**690**	**902**
Operating expenses	319	343	381	413	482
Pre-provision income	**297**	**202**	**284**	**277**	**420**
Credit and other financial impairments	7	16	-7	-1	1
Other impairments	0	0	0	0	0
Non-recurring income	NA	NA	NA	NA	0
Non-recurring expense	NA	NA	NA	NA	0
Pre-tax profit	**290**	**186**	**291**	**278**	**419**
Income from discontinued operations	0	0	0	0	0
Income tax expense	59	47	66	70	101
Other after-tax Items	0	0	0	0	0
Net profit attributable to minority interests	3	-1	1	2	3
Net profit attributable to parent	**228**	**141**	**223**	**206**	**315**

Source: SNL

III. Appendix: Selected financial information – Landkreditt SA group

	2019	2020	2021	2022	2023
Funding and liquidity					
Net loans/ deposits (%)	142%	145%	130%	138%	124%
Liquidity coverage ratio (%) *	263%	391%	293%	241%	444%
Net stable funding ratio (%) *	NA	NA	156%	146%	151%
Asset mix, quality and growth					
Net loans/ assets (%)	84.3%	83.3%	80.7%	85.2%	83.8%
Problem loans/ gross customer loans (%)	0.9%	1.1%	1.1%	1.0%	0.7%
Loan loss reserves/ problem loans (%)	31.4%	26.7%	28.3%	27.3%	29.9%
Net loan growth (%)	5.7%	4.8%	0.8%	7.5%	4.5%
Problem loans/ tangible equity & reserves (%)	7.5%	9.2%	8.1%	7.7%	5.6%
Asset growth (%)	4.2%	6.0%	4.0%	1.8%	6.3%
Earnings and profitability					
Net interest margin (%)	1.4%	1.3%	1.3%	1.4%	1.8%
Net interest income/ average RWAs (%)	2.8%	2.7%	2.9%	3.2%	4.0%
Net interest income/ operating income (%)	66.7%	75.2%	64.6%	69.0%	67.7%
Net fees & commissions/ operating income (%)	15.9%	21.4%	20.9%	19.7%	11.0%
Cost/ income ratio (%)	51.8%	62.9%	57.3%	59.9%	53.4%
Operating expenses/ average RWAs (%)	2.2%	2.3%	2.6%	2.8%	3.2%
Pre-impairment operating profit/ average RWAs (%)	2.1%	1.3%	1.9%	1.9%	2.8%
Impairment on financial assets / pre-impairment income (%)	2.4%	7.8%	-2.4%	-0.5%	0.2%
Loan loss provision/ average gross loans (%)	0.0%	0.1%	0.0%	0.0%	0.0%
Pre-tax profit/ average RWAs (%)	2.0%	1.2%	2.0%	1.9%	2.8%
Return on average assets (%)	0.8%	0.4%	0.7%	0.6%	0.9%
Return on average RWAs (%)	1.6%	0.9%	1.5%	1.4%	2.1%
Return on average equity (%)	7.4%	4.3%	6.5%	5.7%	8.1%
Capital and risk protection					
Common equity tier 1 ratio (%, fully loaded)	20.3%	20.5%	22.0%	23.4%	23.7%
Common equity tier 1 ratio (%, transitional)	20.3%	20.5%	22.0%	23.4%	23.7%
Tier 1 capital ratio (%, transitional)	21.7%	21.8%	23.3%	25.0%	25.0%
Total capital ratio (%, transitional)	23.5%	23.5%	25.0%	26.7%	26.9%
Leverage ratio (%)	10.3%	10.1%	10.3%	10.8%	10.8%
Asset risk intensity (RWAs/ total assets, %)	47.8%	46.6%	44.6%	43.7%	43.9%
Market indicators					
Price/ book (x)	NA	NA	NA	NA	NA
Price/ tangible book (x)	NA	NA	NA	NA	NA
Dividend payout ratio (%)	NA	NA	NA	NA	NA

Note: LCR and NSFR figures are for Landkreditt Bank group
Source: SNL

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