S&P Global
Ratings

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Landsbankinn hf.

Primary Credit Analyst:
Niklas Dahlstrom, Stockholm +46 84405358; niklas.dahlstrom@spglobal.com

Secondary Contact:
Salla von Steinaecker, Frankfurt +49 69 33999 164; salla.vonsteinaecker@spglobal.com

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Landsbankinn hf.

Ratings Score Snapshot

Global Scale Ratings
Issuer Credit Rating
BBB+/Positive/A-2
Resolution Counterparty Rating
A-/--/A-2

SACP: bbb+ → **Support: 0** → **Additional factors: 0**

SACP: bbb+		
Anchor	bbb	
Business position	Adequate	0
Capital and earnings	Very strong	+2
Risk position	Moderate	-1
Funding	Adequate	0
Liquidity	Adequate	
CRA adjustment		0

Support: 0	
ALAC support	0
GRE support	0
Group support	0
Sovereign support	0

Additional factors: 0
Issuer credit rating
BBB+/Positive/A-2
Resolution counterparty rating
A-/A-2

ALAC--Additional loss-absorbing capacity. CRA--Comparable ratings analysis. GRE--Government-related entity. ICR--Issuer credit rating. SACP--Stand-alone credit profile.

Credit Highlights

Overview

Key strengths	Key risks
Robust capitalization and sound earnings generation capacity.	Geographical concentration on Iceland's small and comparatively cyclical economy.
Market leader by assets with a stable franchise underpinned by long-standing government ownership.	Large exposure to the domestic real estate market where imbalances remain significant.
Advanced digital agenda and leading cost efficiency.	Dependence on wholesale funding including on foreign capital markets.

The ratings on Landsbankinn balance the bank's leading domestic market position, robust capitalization, and improved earnings generation against its concentration in Iceland's small economy. With total assets of Icelandic krona (ISK) 2,182 billion (€15.2 billion) and a domestic market share in lending to private customers of around 30% and large corporates of close to 40%, Landsbankinn has a leading market position. However, it is not significantly ahead of the two other domestic systemically important banks (D-SIBs): Arion and Islandsbanki. The bank has a relatively broad franchise with a presence across several business lines including investment banking and asset management services. We consider Landsbankinn's ongoing acquisition of TM tryggingar hf. (TM), expected to complete in first-half 2025 pending regulatory approval, could potentially further diversify the revenue base and cement the bank's domestic market position.

We forecast sound earnings generation and potential hybrid capital instruments issuance will keep Landsbankinn's risk-adjusted capital (RAC) ratio at 15%-16% over the next two years. This compares to a pro forma RAC ratio of 16.5% in 2023 (including our revised economic risk assessment for Iceland in March 2024). We forecast net income of ISK32.0 billion-ISK33.0 billion (€222 million-€229 million) over 2025-2026, compared with ISK37.5 billion in 2024, and a return on average equity of 9%-11% (11.9% in 2024). In our base case we project robust loan growth of 5%-7% in 2025-2026 will partly offset waning margins and inflationary pressures on operating expenses, including normalizing cost of risk.

We assume manageable pressure on asset quality over 2025-2026. Muted economic activity, high borrowing costs, and moderately rising unemployment could exert some downside pressure on Icelandic banks' asset quality over the next two years, in our view. However, we project Landsbankinn's nonperforming assets (NPAs) ratio will remain reasonably resilient at 1.7%-1.9% over 2025-2026, from 1.6% as of Dec. 31, 2024, with an annual loan loss provisioning need of 20 basis points (bps)-25 bps. More broadly, we consider Landsbankinn to have sound underwriting standards and a well-spread exposure structure, albeit inherently concentrated in the Icelandic economy and its key export sectors. While any potential downside from the recent volcanic activity on the Reykjarnes peninsula appears contained for now, we continue to see tail-risk from further seismic activity that could prove more devastating than previous episodes.

Granular retail deposits and adequately spread wholesale funding maturities should ensure funding stability despite potential episodes of market funding volatility. We expect core deposits, representing 68% of the funding base as of 2024 and more-or-less equally split between private and corporate customers, will remain Landsbankinn's main funding source. With a loan-to-deposit ratio of 142%, the bank has a structural funding gap that is mostly filled with issuance of domestic covered bonds and offshore senior instruments. While we view the confidence-sensitive nature of this franchise as an inherent downside risk, we consider Landsbankinn's maturity profile to be reasonably spread. Alongside ample liquidity buffers--after haircuts representing 2.2x wholesale funding maturing within a year--this should support the funding profile amid temporary episodes of market stress.

We anticipate that continued issuance of subordinated debt instruments over the next two years could bolster Landsbankinn's additional loss-absorbing capacity (ALAC). We view the Icelandic resolution regime as sufficiently effective. This renders its domestic systemically important banks (D-SIBs), including Landsbankinn, eligible for ALAC rating uplift. As the first Icelandic bank, Landsbankinn entered the senior nonpreferred (SNP) market on Sept. 4, 2024, by issuing callable floating rate SNP notes with a four-year tenor. This boosted the bank's stock of ALAC-eligible instruments to ISK55.6 billion (€386 million), equivalent to 2.9% of S&P Global Ratings' projected risk-weighted assets. Supported by the updated resolution plan including a 23.4% subordination requirement for Landsbankinn, we expect the bank will continue to issue a material amount of SNP instruments during the phase-in period until October 2027.

Outlook

The positive outlook reflects our view that Landsbankinn could issue substantial amounts of ALAC-eligible instruments over the next 12-24 months to meet the subordinated MREL requirement by 2027.

Downside scenario

We could revise the outlook to stable if Landsbankinn failed to reach our adjusted ALAC threshold.

We could also take a negative rating action if Landsbankinn's RAC ratio fell the below the 15% that indicates very strong capital and earnings, or if we observed a material deterioration in Iceland's macroeconomic indicators, to which Landsbankinn would not be immune.

Upside scenario

We could take a positive rating action if Landsbankinn's subordinated buffer exceeded our adjusted threshold of 4% of S&P Global Ratings' RWAs.

A positive rating action would also be consistent with Landsbankinn maintaining its sound financial position, supported by strong profitability and robust capitalization, notwithstanding the potential for distribution of excess capital.

Key Metrics

Landsbankinn hf.--Key ratios and forecasts

	--Fiscal year ended Dec. 31 --				
(%)	**2023a**	**2024a**	**2025f**	**2026f**	**2027f**
Growth in operating revenue	52.6	7.1	(4.0)-(4.9)	0.4-0.5	3.9-4.7
Growth in customer loans	5.9	9.2	4.5-5.5	5.4-6.6	4.5-5.5
Growth in total assets	9.7	11.3	3.9-4.8	4.7-5.7	4.0-4.9
Net interest income/average earning assets (NIM)	3.2	2.9	2.6-2.9	2.5-2.7	2.5-2.7
Cost to income ratio	33.8	32.5	34.1-35.9	34.8-36.6	34.4-36.1
Return on average common equity	11.4	11.9	9.6-10.6	9.4-10.4	9.6-10.6
Return on assets	1.8	1.8	1.3-1.6	1.3-1.5	1.3-1.6
New loan loss provisions/average customer loans	0.20	0.16	0.20-0.25	0.20-0.25	0.20-0.25
Gross nonperforming assets/customer loans	1.4	1.6	1.7-1.9	1.7-1.9	1.6-1.8
Net charge-offs/average customer loans	0.1	0.1	0.1-0.1	0.1-0.1	0.1-0.1
Risk-adjusted capital ratio	14.2	15.9e	15.0-16.0	15.0-16.0	15.0-16.0

All figures are S&P Global Ratings-adjusted. a--Actual. f--Forecast. NIM--Net interest margin.

Anchor: 'bbb-' For A Bank Operating Primarily In Iceland

Under our bank criteria, we use our Banking Industry Country Risk Assessment (BICRA) economic risk and industry risk scores to determine the anchor, the starting point for our bank rating. The anchor for Landsbankinn is 'bbb', in line with that for commercial banks based in Iceland. We classify Iceland's banking sector in group '4' under our BICRA. Both the economic risk trend and the industry risk trend are stable.

Our economic risk assessment considers Iceland's relatively wealthy economy, high income levels, and sound lending standards against economic volatility and external vulnerabilities. After growing strongly in 2022-2023, economic output contracted by 1.9% in first-half 2024 and we forecast the economy will grow by a mere 0.1% for the full year. Supported by improving private consumption and exports, we project growth will rebound and average 2.35% over 2025-2026.

Risks to the banks emanating from economic imbalances have moderated, in our view, in tandem with a stabilized housing market and lower private sector leverage, although residential property prices remain overvalued by most measures. We project balanced real property price growth of 3%-4% per year in 2025-2026, from 2.7% in 2024. Inflation has started to edge down and stood at 4.8% in November 2024, and the central bank has cut the key interest rate by 0.75% since the beginning of fourth-quarter 2024. Still, real interest rates have not fallen and continue to pose downside risks to economic activity and bank's asset quality. We also continue to see tail-risk from further volcanic activity.

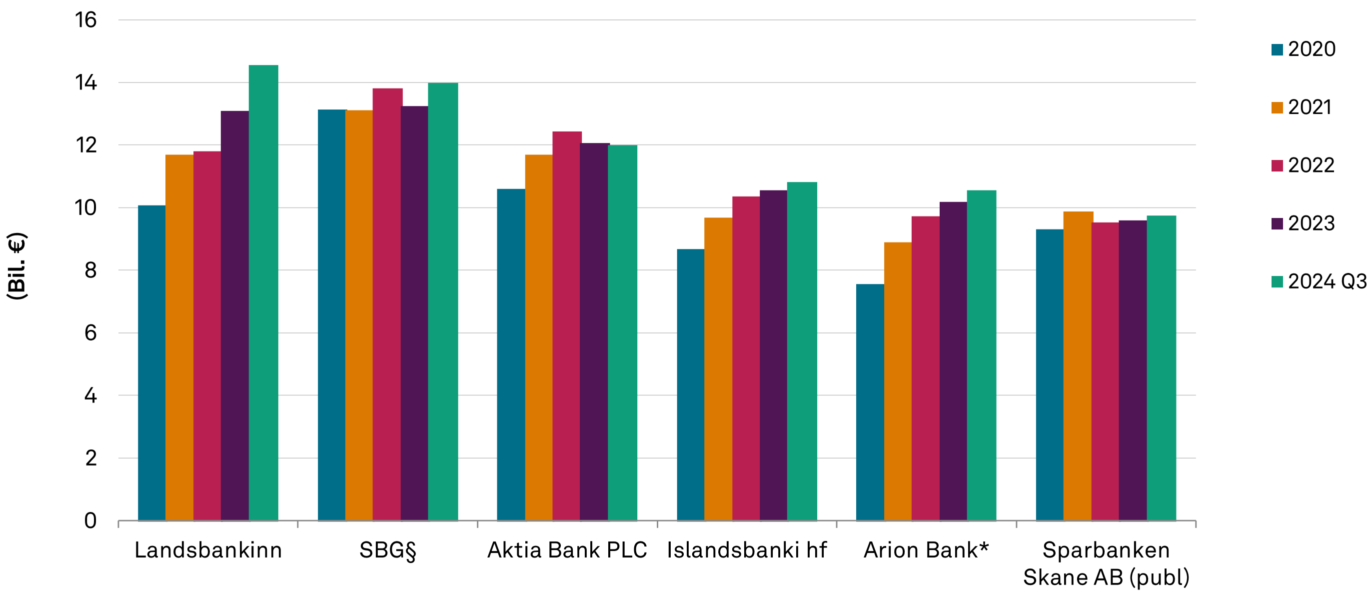
In our view, Iceland's institutional framework and banking supervision are broadly consistent with that of the European Union. The banking system is dominated by three incumbent banks--Arion, Islandsbanki hf, and Landsbankinn hf. With limited foreign competition and the sector's close collaboration with emerging tech firms, we expect banks will maintain their dominant positions in the market despite mortgage market competition from domestic pension funds.

We expect banks' profitability will remain sound but edge downward with moderating margins and cost inflation, including normalizing cost of risk. We forecast a sector-wide return on average assets of 1.3%-1.4% per year in 2024-2026, from 1.7% in 2023. Still, we anticipate growing lending volumes and healthy fee and commission income alongside market-leading operating efficiency will partly curtail pressures on revenues. The D-SIBs' foreign funding maturities are well distributed through to 2028 and refinancing risk is further mitigated by banks' ample liquidity buffers.

Chart 1

Landsbankinn is the domestic market leader but a mid-size bank in a Nordic comparison

Total assets compared to selected Nordic peers



*As of June 30, 2024. §Savings Banks Group Finland. Source: S&P Global Ratings.

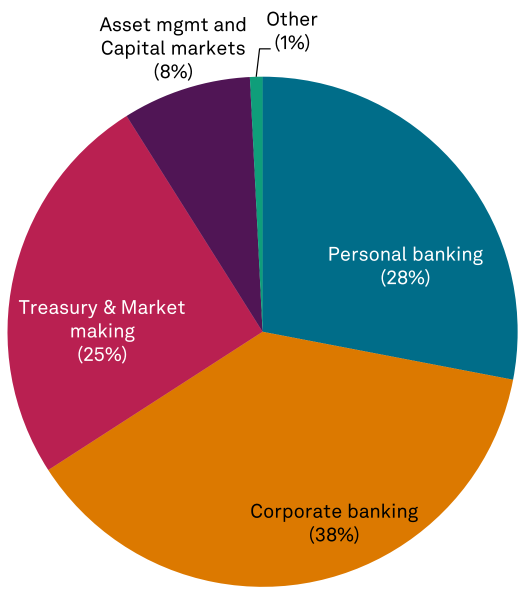
Business Position: The Largest Of Three Incumbents Dominating Icelandic Banking

With total assets of ISK2,182 billion (€15.2 billion), Landsbankinn has a diversified franchise and presence across several business lines including corporate and personal banking, which accounts for the majority of revenue, complemented by investment banking and asset management services. The bank holds a market share of about 28% in mortgages and 39% in corporate lending--slightly higher than the other two D-SIBs: Islandsbanki and Arion.

In 2024, net interest income accounted for 69% of revenues, of which 61% from corporate banking, asset management, and capital markets activities and 38% from personal banking. Additional revenue is generated through stable and diversified fee and commission income and more volatile trading income, contributing 14% and 17%, respectively, in 2024.

Chart 2

Landsbankinn has a diversified income base in terms of business lines
Net income per segment (FY2024)



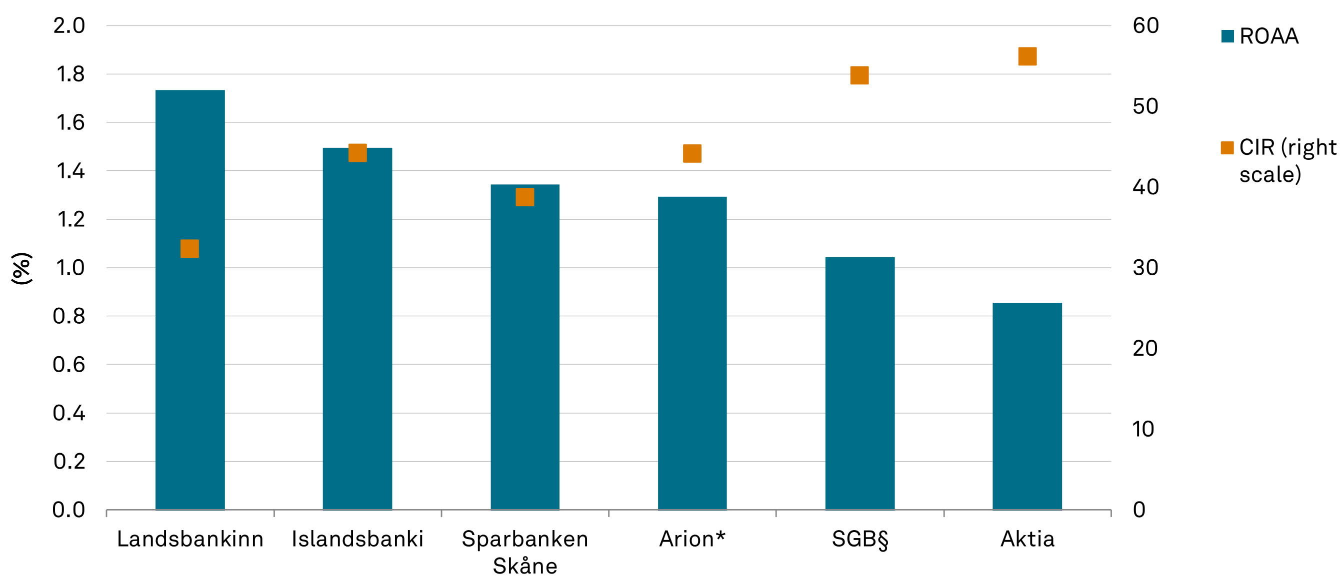
Source: S&P Global Ratings.

Together with D-SIB peers, Landsbankinn is at the forefront of digital banking, which we consider a key contributor to its solid cost efficiency. Despite operating a broader branch network, Landsbankinn's cost efficiency--32% as of 2024 and averaging 43% over the past five years--compares favorably with its D-SIB peers (five-year average of 48%) and positions the bank among the leaders in Europe. Although we expect to see moderate pressure on Landsbankinn's cost base and earnings generation over the next two years, we consider the bank well-placed to meet its financial targets. These include cost-to-income below 40%, return on equity above 10%, and a common equity tier 1 (CET1) ratio above 18%.

Chart 3

Landsbankinn's operating efficiency compares favorably to peers

Return on average assets (ROAA) and Cost to income ratio (CIR) compared with selected Nordic peers



Data as of Sept. 30, 2024. *As of June 30, 2024. §Savings Banks Group Finland. Source: S&P Global Ratings.

On May 30, 2024, Landsbankinn signed an agreement with Kvika Bank for the acquisition of TM for a purchase price of ISK28.6 billion (€199 million), paid in cash and subject to closing adjustments. TM is the third largest insurance company in Iceland with an overall market share of 21%, providing both life and non-life insurance to private and corporate customers. As such we think the deal could diversify Landsbankinn's revenue streams and market position over time, although we expect the profit contribution would be limited to below 5% of net income over the next two years. We expect the deal to finalize in first-half 2025 subject to approval by the Icelandic Competition Authority.

While the Icelandic government retains 98% ownership, Landsbankinn has no public policy role and competes on fully commercial terms. We do not exclude a partial privatization of Landsbankinn over the medium to longer term but consider it unlikely to take place before the full privatization of Islandsbanki is completed.

Capital And Earnings: Sound Earnings Underpin Robust Capitalization

We expect Landsbankinn's capital position will remain a key rating strength and project the RAC ratio at 15.0%-16.0% over 2025-2026, assuming annual dividends of 50%-60%. While our projections are impacted by high credit growth, particularly for corporates, the RAC ratio will benefit from our revision of Iceland's economic risk in March 2024--when we lowered the risk weights we apply to domestic exposures. In 2023, the RAC ratio was 14.2% and 16.5% on a pro forma basis applying revised risk weights under our economic risk score of '4'.

We forecast revenues of ISK78 billion-ISK80 billion (€542 million-€556 million) over 2025-2026, below the ISK82.4 billion recorded in 2024. This reflects our expectation of 5%-7% annual loan growth over the next two years, with the positive effects of inflation-linked lending gradually abating with inflation. Coupled with 3%-5% growth in net fee and commission income, we expect this will sufficiently offset a gradually waning net interest margin.

We forecast operating expenses will grow largely in line with domestic inflation and average 3% over 2025-2026, resulting in a cost-to-income ratio of 35%-36% (32% in 2024). We expect cost of risk will normalize and average 20-25 bps over 2025-2026, from 16 bps in 2024. This translates into net income of ISK32.0 billion-ISK33.0 billion and return on average equity of 9%-11%.

Moreover, our base case includes the impact from the TM acquisition, which we expect will close in first-half 2025 pending regulatory approval. We estimate the transaction will have a moderate impact of around 150 bps on Landsbankinn's RAC ratio but expect this will likely be countered by hybrid capital issuance (see "TM Acquisition Will Broaden Landsbankinn hf.'s Customer Offering And Will Have A Moderate Effect On Capital," June 5, 2024).

Landsbankinn comfortably meets regulatory capital requirements. As of Dec. 31, 2024, the bank reported a CET1 ratio of 21.5%, down from 22.0% at year-end 2023. As such, Landsbankinn demonstrates a strong buffer of 570 bps above its regulatory requirement.

Risk Position: Broad But Correlated Domestic Focus On Iceland's Concentrated Economy

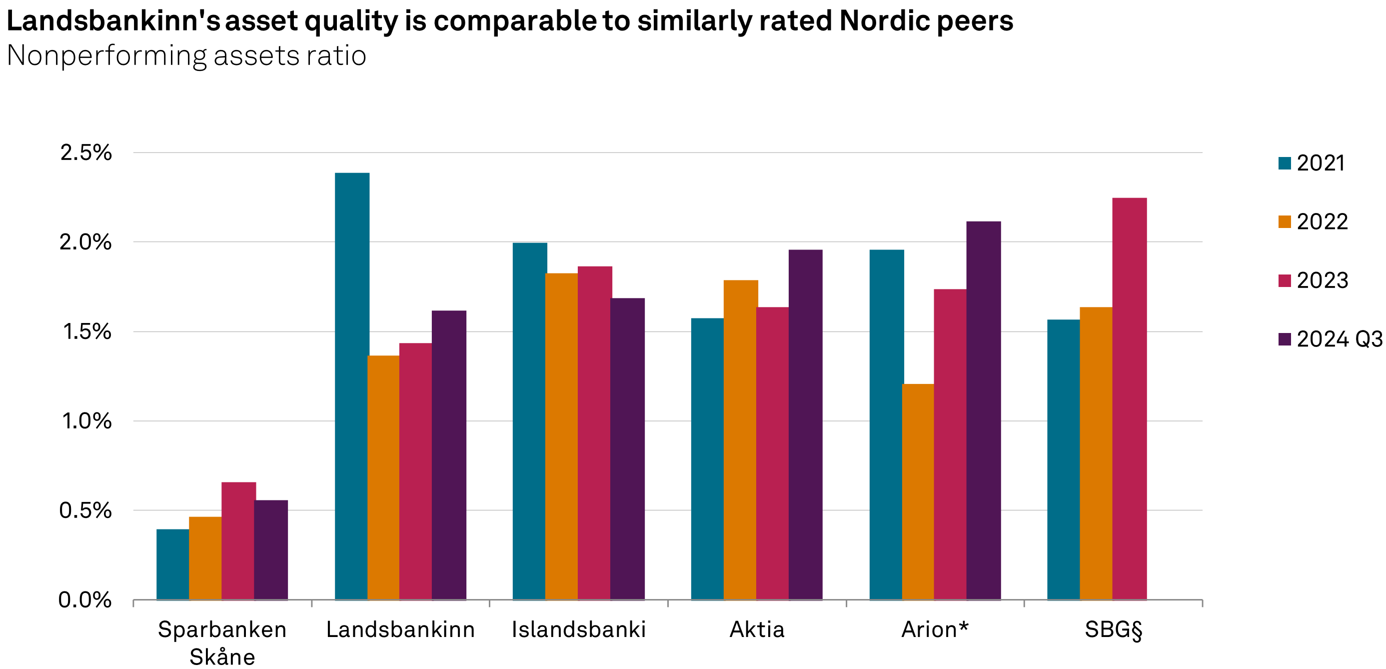
Our risk position assessment balances Landsbankinn's well-spread loan distribution against its inherent concentration in Iceland's small economy and key export sectors. As of Dec. 31, 2024, private individuals accounted for 48% of loans; this represents predominantly a well-collateralized mortgage portfolio with an average loan-to-value (LTV) of 48% and about 95% of loans with an LTV below 75%. The remainder is spread across corporate segments with some concentration in real estate and construction (20% of total loans) and Iceland's key exports such as fisheries (11%) and the travel industry (6%). Additionally, we expect Landsbankinn to have high indirect exposure to Iceland's tourism sector, which creates sensitivity to external shocks such as shifts in travel preferences.

Landsbankinn expanded its loan book significantly over 2024, growing it by 9.2% despite the muted economic environment. In particular, the bank has increased its exposure to commercial real estate and construction companies by an aggregated 22%, driven in part by upward-adjusted principles on indexed-linked loans. Although supply and demand dynamics appear well-balanced for now, we continue to monitor these loans given the inherently volatile nature of the sector.

Asset quality has remained resilient despite negative pressure from volcanic activity and the evacuation of the town of Grindavik in late 2023 and early 2024. As of Dec. 31, 2024, NPAs were 1.60% of gross loans, compared to 1.76% as of June 30, 2024 and 1.43% as of year-end 2023. Similarly, stage 2 loans are adequately contained at 5.2% of total loans.

Although we expect financial conditions will ease and economic activity will rebound over the next two years, we project that high borrowing costs and lingering inflation coupled with the economic slowdown could moderately weaken asset quality. In our base case we project NPAs will rise to 1.7%-1.9% over 2025-2026 with cost of risk at 20-25 bps.

Chart 4



*As of June 30, 2024. §Savings Banks Group Finland. Source: S&P Global Ratings.

Moreover, we consider Landsbankinn is adequately managing market risks. The bank has a reasonably balanced asset-liability structure and uses derivatives to hedge residual interest rate risk, which results in a limited repricing gap. The net foreign currency position is well contained at an estimated 1% of the capital base as of Dec. 31, 2024. We note, however, that Landsbankinn's inflation imbalance has grown significantly. As of Dec. 31, 2024, the bank had a net long inflation imbalance equivalent to 78% of the capital base, up from 25% at year-end 2023. Still, the inflation-sensitivity remains manageable with 1% increase or decrease resulting in an ISK 2,666 million change in net interest income. We anticipate the imbalance will gradually decline over the next two years in tandem with falling interest rates and customers switching back to non-indexed loans.

Funding And Liquidity: Covered Bonds And Offshore Senior Issuance Complement Large Domestic Deposit Franchise

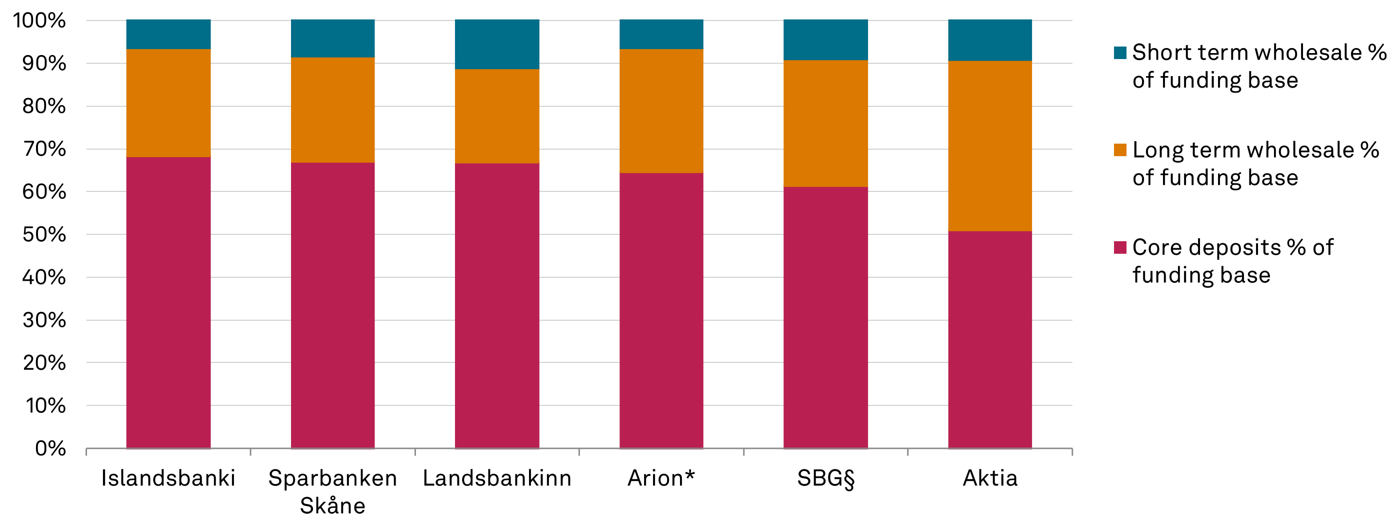
Landsbankinn's funding profile is based on stable core deposits, accounting for 68% of the funding base as of Dec. 31, 2024. Households account for 55%--of which 71% is covered under the state insurance guarantee scheme--and 45%

from corporates. Deposit inflow has been strong in recent years with customer deposits growing by 17% in 2024 after expanding by close to 10% in 2023. Consequently, Landsbankinn has lowered its loan-to-deposit ratio to 144% as of Dec. 31, 2024, from close to 160% five years ago.

The structural funding gap is bridged by covered bonds issuance, with the vast majority in ISK, and offshore senior issuance in Scandinavian currencies and the euro. We consider the maturity profile to be adequately spread with annual wholesale funding maturities of 17% and 11% in 2025 and 2026, respectively. Coupled with the bank's majority use of stable deposits, we therefore project the stable funding ratio should remain comfortably above 100%, from 106% as of Dec. 31, 2024, slightly higher than the level at year-end 2023. Our view is also supported by the bank's regulatory net stable funding ratio of 124% as of Dec. 31, 2024.

Chart 5

Core customer deposits are the primary source of Landsbankinn's funding
% of funding base (2024 Q3)



*As of June 30, 2024. §Savings Banks Group Finland. Source: S&P Global Ratings.

Domestic pension funds are large investors in Icelandic banks' covered bonds, including Landsbankinn's, together owning more than half of the systemwide stock. This presents concentration risk, but the funds' capital is long-term and stable with ample capacity to fund banks. We therefore view banks' offshore bond franchises as providing funding diversity and access to a broader range of investors, although this access is more confidence sensitive--as seen in rising senior bond spreads amid global capital markets turmoil in recent years.

Refinancing risk is further mitigated by Landsbankinn's sound liquidity position comprising predominantly cash, government securities, and deposits due from banks. As of Dec. 31, 2024, the bank's buffer of broad liquid assets stood at ISK287 billion (€2.0 billion) equaling about 13% of total assets and 2.2x wholesale funding maturing within a year. In the same period, the regulatory liquidity coverage ratio was 164% against the minimum regulatory requirement of 100%.

Support: Potential Support From Ongoing ALAC Build-Up

In September 2024, the Resolution Authority of the Central Bank of Iceland published an update to its policy on the minimum requirement for own funds and eligible liabilities (MREL) and approved the resolution plans, and thereby MREL, for the country's three D-SIBs. The updated MREL requires Landsbankinn to hold 30.9% in eligible funds including a minimum of 23.4% in subordinated liabilities and own funds. We therefore believe the bank would be subject to an open-bank bail-in resolution should the bank be failing.

Generally, the rating on Landsbankinn could benefit from ALAC uplift if we expect its ALAC buffer to settle above the adjusted threshold of 400 bps of S&P Global Ratings' RWAs. This is 100 basis points higher than the standard threshold, reflecting the presumed concentration of ALAC in a small number of instruments, as is the case for other midsize Nordic banks, which implies higher refinancing risks. As of Dec. 31, 2024, Landsbankinn held senior nonpreferred and tier 2 instruments equivalent to 2.9% of our projected S&P Global Ratings RWAs as of year-end 2024.

Resolution Counterparty Ratings (RCRs)

We assign long- and short-term 'A-/A-2' RCRs to Landsbankinn. An RCR is a forward-looking opinion of the relative default risk of certain liabilities, in particular those legally exempt from bail-in (such as insured deposits or secured liabilities), that may be better protected from default in an effective resolution scenario than other senior liabilities.

Environmental, Social, And Governance (ESG)

ESG factors are a neutral consideration in our credit rating analysis of Landsbankinn. This reflects our view that ESG considerations do not have a material bearing on the bank's creditworthiness.

In September 2024, Landsbankinn issued its fifth international green and sustainable bond, a €300 million senior instrument, under its updated sustainable finance framework. To date, the bank has issued a total of €1.4 billion. Moreover, since 2019 the bank has been a member of the Partnership for Carbon Accounting Financials (PCAF) and Landsbankinn was the first Icelandic bank to publish its carbon footprint from its lending activities and own operations. Its new headquarters in Reykjavik is close to carbon neutral and rated excellent on the BREEAM certification level. We consider transition risk in Iceland to be limited since almost all electricity is produced using renewable energy sources.

We consider governance factors as a neutral factor for the bank. The composition of the board of directors appears to combine relevant knowledge and experience. The board comprises four sub-committees; the Audit Committee, the Risk Committee, the Remuneration Committee, and the Sustainability Committee, the latter established in 2023. We consider the bank has a moderately conservative business strategy and exhibits disciplined execution and operational control.

Hybrid Ratings

Tier-2 hybrids:

The 'BBB-' issue rating on Landsbankinn's subordinated debt (Tier 2) is two notches below the 'bbb+' SACP. Because the instruments do not absorb losses while the issuer is a going concern, we do not include them in our calculation of total adjusted capital. We deduct:

- One notch due to contractual subordination to senior creditors' claims; and
- One notch because the instruments can absorb losses at the point of nonviability via statutory loss absorption.

Key Statistics

Table 1

Landsbankinn hf.--Key figures					
	--Fiscal year end Dec. 31--				
(Mil. ISK)	**2024**	**2023**	**2022**	**2021**	**2020**
Adjusted assets	2,180,423.0	1,959,304.0	1,785,295.0	1,728,017.0	1,562,481.0
Customer loans (gross)	1,776,833.0	1,626,664.0	1,536,391.0	1,379,144.0	1,281,386.0
Adjusted common equity	297,085.0	279,174.0	265,972.0	253,378.0	242,479.0
Operating revenues	82,387.0	76,894.0	50,379.0	55,006.0	50,384.0
Noninterest expenses	26,736.0	25,958.0	23,763.0	23,864.0	23,944.0
Core earnings	37,446.0	33,116.0	16,766.0	28,703.0	10,520.0

ISK--Icelandic krona.

Table 2

Landsbankinn hf.--Business position					
	--Fiscal year end Dec. 31--				
(%)	**2024**	**2023**	**2022**	**2021**	**2020**
Total revenues from business line (currency in millions)	82,475.0	76,968.0	50,780.0	55,293.0	50,386.0
Commercial banking/total revenues from business line	37.5	33.0	42.4	37.0	35.4
Retail banking/total revenues from business line	29.5	29.4	39.7	36.7	42.3
Commercial & retail banking/total revenues from business line	67.0	62.4	82.1	73.7	77.7
Trading and sales income/total revenues from business line	24.3	28.8	4.2	14.3	12.0
Asset management/total revenues from business line	7.9	7.4	11.3	11.6	N/A
Other revenues/total revenues from business line	0.8	1.4	2.4	0.4	10.3
Investment banking/total revenues from business line	24.3	28.8	4.2	14.3	12.0
Return on average common equity	11.9	11.4	6.1	10.7	4.2

N/A--Not applicable.

Landsbankinn hf.--Capital and earnings					
	--Fiscal year end Dec. 31--				
(%)	**2024**	**2023**	**2022**	**2021**	**2020**
Tier 1 capital ratio	21.5	22.0	22.9	24.8	23.2
S&P Global Ratings' RAC ratio before diversification	N/A	14.2	15.2	18.4	18.9
S&P Global Ratings' RAC ratio after diversification	N/A	10.2	10.8	13.3	13.3
Adjusted common equity/total adjusted capital	100.0	100.0	100.0	100.0	100.0
Net interest income/operating revenues	69.4	74.9	92.2	70.8	75.6
Fee income/operating revenues	13.8	14.5	21.1	17.2	15.2
Market-sensitive income/operating revenues	16.0	9.2	(16.0)	10.3	6.8
Cost to income ratio	32.5	33.8	47.2	43.4	47.5
Preprovision operating income/average assets	2.7	2.7	1.5	1.9	1.8
Core earnings/average managed assets	1.8	1.8	1.0	1.7	0.7

N/A--Not applicable.

Table 4

Landsbankinn hf. RACF--Risk-adjusted capital framework data					
(Mil. ISK)	**Exposure***	**Basel III RWA**	**Average Basel III RW(%)**	**Standard & Poor's RWA**	**Average Standard & Poor's RW (%)**
Credit risk					
Government & central banks	219,466.0	5,675.0	3.0	6,043.0	3.0
Of which regional governments and local authorities	11,494.0	2,875.0	25.0	690.0	6.0
Institutions and CCPs	55,476.0	10,750.0	19.0	22,821.0	41.0
Corporate	807,277.0	705,163.0	87.0	1,078,972.0	134.0
Retail	886,411.0	356,138.0	40.0	510,762.0	58.0
Of which mortgage	728,539.0	258,375.0	35.0	340,274.0	47.0
Securitization§	0.0	0.0	0.0	0.0	0.0
Other assets†	53,923.0	50,863.0	94.0	71,278.0	132.0
Total credit risk	2,022,553.0	1,128,588.0	56.0	1,689,876.0	84.0
Credit valuation adjustment					
Total credit valuation adjustment	--	2,750.0	--	0.0	--
Market Risk					
Equity in the banking book	11,014.0	15,913.0	144.0	94,106.0	854.0
Trading book market risk	--	17,800.0	--	26,700.0	--
Total market risk	--	33,713.0	--	120,806.0	--
Operational risk					
Total operational risk	--	114,400.0	--	151,578.0	--
	Exposure	**Basel III RWA**	**Average Basel II RW (%)**	**S&P Global Ratings RWA**	**% of S&P Global Ratings RWA**
Diversification adjustments					
RWA before diversification	--	1,279,450.0	--	1,962,259.0	100.0
Total Diversification/ Concentration Adjustments	--	--	--	767,729.0	39.0

Table 4

Landsbankinn hf. RACF--Risk-adjusted capital framework data (cont.)

RWA after diversification	--	1,279,450.0	--	2,729,988.0	139.0

	Tier 1 capital	Tier 1 ratio (%)	Total adjusted capital	S&P Global Ratings RAC ratio (%)
Capital ratio before adjustments	281,798.0	22.0	279,174.0	14.2
Capital ratio after adjustments‡	281,798.0	22.0	279,174.0	10.2

*Exposure at default. §Securitization Exposure includes the securitization tranches deducted from capital in the regulatory framework. †Exposure and S&P Global Ratings' risk-weighted assets for equity in the banking book include minority equity holdings in financial institutions. ‡Adjustments to Tier 1 ratio are additional regulatory requirements (e.g. transitional floor or Pillar 2 add-ons). RWA--Risk-weighted assets. RW--Risk weight. RAC--Risk-adjusted capital. ISK--Iceland krona. Sources: Company data as of Dec. 31 2023, S&P Global Ratings.

Table 5

Landsbankinn hf.--Risk position

	--Fiscal year end Dec. 31--				
(%)	2024	2023	2022	2021	2020
Growth in customer loans	9.2	5.9	11.4	7.6	12.4
Total diversification adjustment/S&P Global Ratings' RWA before diversification	N/A	39.1	40.9	38.6	42.2
Total managed assets/adjusted common equity (x)	7.3	7.0	6.7	6.8	6.5
New loan loss provisions/average customer loans	0.2	0.2	(0.2)	(0.5)	1.0
Net charge-offs/average customer loans	0.1	0.1	0.1	0.3	0.2
Gross nonperforming assets/customer loans + other real estate owned	1.6	1.4	1.4	2.4	3.2
Loan loss reserves/gross nonperforming assets	37.3	48.9	47.7	42.0	59.2

N/A--Not applicable.

Table 6

Landsbankinn hf.--Funding and liquidity

	--Fiscal year end Dec. 31--				
(%)	2024	2023	2022	2021	2020
Core deposits/funding base	67.7	64.9	65.6	63.3	61.7
Customer loans (net)/customer deposits	143.8	154.1	157.7	151.7	158.4
Long-term funding ratio	93.8	91.8	92.5	93.7	93.6
Stable funding ratio	105.7	102.9	100.3	107.9	107.0
Short-term wholesale funding/funding base	7.3	9.8	9.0	7.6	7.6
Regulatory net stable funding ratio	124.0	123.0	117.0	121.0	116.0
Broad liquid assets/short-term wholesale funding (x)	2.2	1.6	1.4	2.4	2.2
Broad liquid assets/total assets	13.1	13.0	10.0	15.1	13.9
Broad liquid assets/customer deposits	23.3	24.4	18.5	28.9	27.5
Net broad liquid assets/short-term customer deposits	12.8	9.5	5.0	17.3	15.4
Regulatory liquidity coverage ratio (LCR) (%)	164.0	1.8	1.3	1.8	1.5
Short-term wholesale funding/total wholesale funding	22.5	27.9	26.0	20.7	19.9
Narrow liquid assets/3-month wholesale funding (x)	6.9	5.3	23.8	4.4	2.6

Landsbankinn hf.--Rating component scores	
Issuer Credit Rating	**BBB+/Positive/A-2**
SACP	bbb+
Anchor	bbb
Economic risk	4
Industry risk	5
Business position	Adequate
Capital and earnings	Very strong
Risk position	Moderate
Funding	Adequate
Liquidity	Adequate
Comparable ratings analysis	0
Support	0
ALAC support	0
GRE support	0
Group support	0
Sovereign support	0
Additional factors	0

ALAC--Additional loss-absorbing capacity. GRE--Government-related entity. SACP--Stand-alone credit profile.

Related Criteria

- Criteria | Financial Institutions | General: Risk-Adjusted Capital Framework Methodology, April 30, 2024
- General Criteria: Hybrid Capital: Methodology And Assumptions, March 2, 2022
- Criteria | Financial Institutions | Banks: Banking Industry Country Risk Assessment Methodology And Assumptions, Dec. 9, 2021
- Criteria | Financial Institutions | General: Financial Institutions Rating Methodology, Dec. 9, 2021
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- General Criteria: Group Rating Methodology, July 1, 2019
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Related Research

- Banking Industry Country Risk Assessment Update: January 2025, Jan. 30, 2025
- Nordic Banking Outlook 2025: Ample Resilience Amid Lingering Uncertainty, Jan. 24, 2025
- Resilient Profitability And Ample Capitalization Continue To Support Nordic Banks' Financial Performance, Nov. 27, 2024
- European Banks Will Pull Multiple Levers To Protect Operating Performance in 2025-2026, Nov. 25, 2024

- Two Icelandic Bank Outlooks Revised To Positive On Potential ALAC Uplift , Nov. 12, 2024
- Banking Industry Country Risk Assessment: Iceland, Sep. 17, 2024
- Bulletin: TM Acquisition Will Broaden Landsbankinn hf.'s Customer Offering And Will Have A Moderate Effect On Capital, June 5, 2024
- Three Icelandic Banks Upgraded On Receding Economic Imbalances; Outlooks Stable, April 4, 2024

Ratings Detail (As Of February 10, 2025)*	
Landsbankinn hf.	
Issuer Credit Rating	BBB+/Positive/A-2
Resolution Counterparty Rating	A-/--/A-2
Senior Secured	A+/Stable
Senior Subordinated	BBB
Senior Unsecured	BBB+
Short-Term Debt	A-2
Subordinated	BBB-
Issuer Credit Ratings History	
12-Nov-2024	BBB+/Positive/A-2
04-Apr-2024	BBB+/Stable/A-2
17-Nov-2023	BBB/Positive/A-2
24-Apr-2020	BBB/Stable/A-2
Sovereign Rating	
Iceland	A+/Stable/A-1

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.