

Landsbankinn hf.

December 19, 2025

This report does not constitute a rating action.

Ratings Score Snapshot

SACP: bbb+

Support: +1

Additional factors: 0

Anchor	bbb	
Business position	Adequate	0
Capital and earnings	Very Strong	2
Risk position	Moderate	-1
Funding	Adequate	0
Liquidity	Adequate	
CRA adjustment		0

ALAC support	1
GRE support	0
Group support	0
Sovereign support	0

Issuer credit rating
A-/Stable/A-2
Resolution counterparty rating
A/--/A-1

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

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Credit Highlights

Overview

Key strengths

Robust capitalization and sound earnings generation capacity.

Market leader by assets, with a stable franchise underpinned by long-standing government ownership.

Advanced digital agenda and leading cost efficiency.

Key risks

Geographical concentration in Iceland's small and comparatively cyclical economy.

Large exposure to the domestic real estate market where overvaluation remains, although imbalances have narrowed.

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) 2,298 billion (€16.1 billion) and a domestic market share in lending to private customers of about 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. On Feb. 28, 2025, Landsbankinn finalized its acquisition of insurer TM tryggingar hf. (TM), broadening its service offering and position in its domestic financial market.

We forecast high and stable earnings generation will continue to support very strong capitalization. We project the risk-adjusted capital (RAC) ratio to be in the range of 16%-17% over 2025-2027, versus 15.8% in 2024. This assumes 4%-6% growth in S&P Global Ratings risk-weighted assets (RWAs), in line with recovering loan growth and ordinary annual dividend distribution of 50% of net income. Our base case also anticipates hybrid capital issuance of ISK16 billion-ISK17 billion in 2026-2027 to free up capacity for extraordinary dividends to replace part of Landsbankinn's common equity Tier 1 (CET 1) capital with additional Tier 1 capital. Our earnings forecast for 2025-2027 projects net income of ISK35.5 billion-ISK37.5 billion (€249 million-€263 million), with return on equity of 10%-12%. While 2025 earnings have benefited from rising real interest rates and falling non-indexed funding cost, we expect moderate margin pressure over 2026-2027.

We assume manageable pressure on asset quality over 2026-2027. Muted economic activity, continued high financing costs for borrowers, and a moderate rise in unemployment could exert some pressure on Icelandic banks' asset quality over the next two years, in our view. However, we project Landsbankinn's nonperforming asset (NPA) ratio will remain reasonably resilient at 1.2%-1.4% over 2026-2027, with an annual loan loss provisioning need of 10 basis points (bps)-20 bps. Despite the muted Icelandic economy, Landsbankinn's asset quality has improved in 2025, with the NPA ratio declining to 1.1% as of Sept. 30, 2025 from 1.6% in 2024. 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.

Granular retail deposits and adequately spread wholesale funding maturities should ensure funding stability over the next two years. We expect core deposits, representing 67% of the funding base as of Sept. 30, 2025 and a more or less equal split between private and corporate customers, will remain Landsbankinn's main funding source. With a loan-to-deposit ratio of 144%, 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 adequately spread with annual wholesale funding maturities below 15% in 2026-2027. Alongside ample liquidity buffers--after haircuts representing 3.6x wholesale funding maturing within a year--this should support the funding profile in the event of temporary episodes of market stress.

We anticipate that Landsbankinn will sustainably maintain additional loss-absorbing capacity (ALAC) for one notch of rating uplift on the issuer credit rating. In the second half of 2024 and early 2025, Landsbankinn issued senior nonpreferred notes, callable over 2027-2029, in four tranches. This boosted the bank's stock of ALAC-eligible instruments to ISK79.8 billion (€560 million), equivalent to 4.3% of S&P Global Ratings' projected risk-weighted assets at end-2025. Further supported by the updated resolution plan--including a 23.4% subordination requirement for Landsbankinn effective from October 2027, we expect the bank will durably maintain a meaningful amount of senior nonpreferred instruments.

Outlook

The stable outlook reflects our expectation that Landsbankinn will maintain a robust credit profile with strong income generation, ample capitalization, and sound asset quality comparable

with its domestic peers. In particular, we expect Landsbankinn will sustain its ALAC ratio above 4% of S&P Global Ratings' RWAs and its RAC ratio above 15%, notwithstanding the potential for distribution of excess capital, over the next two years.

Downside scenario

We could lower the ratings if Landsbankinn failed to sustain its ALAC above our adjusted threshold or if its RAC ratio weakened sustainably below 15%. This could materialize, for example, if credit losses rose significantly above our base-case expectations, or if risk-weighted assets outgrew its capital position.

We could also take a negative rating action if we observed a material deterioration in Iceland's macroeconomic indicators, to which Landsbankinn would not be immune.

Upside scenario

Although unlikely at this stage, we could upgrade Landsbankinn if we considered that the risks in Icelandic banks' operating environment had materially lowered.

Key Metrics

Landsbankinn hf.--Key Ratios And Forecasts

(%)	2023a	2024a	2025f	2026f	2027f
Growth in operating revenue	52.6	7.1	1.2-1.4	0.9-1.1	(1.1)-(1.4)
Growth in customer loans	5.9	9.2	2.7-3.3	3.6-4.4	5.4-6.6
Growth in total assets	9.7	11.3	2.4-3.0	3.2-4.0	4.7-5.8
Net interest income/average earning assets (NIM)	3.2	2.9	2.9-3.2	2.8-3.0	2.6-2.8
Cost to income ratio	33.8	32.5	32.2-33.8	32.8-34.5	34.2-36.0
Return on average common equity	11.4	11.9	10.8-11.9	10.9-12.0	10.0-11.1
Return on assets	1.8	1.8	1.5-1.8	1.5-1.8	1.3-1.6
New loan loss provisions/average customer loans	0.20	0.16	0.15-0.20	0.10-0.20	0.10-0.20
Gross nonperforming assets/customer loans	1.4	1.6	1.1-1.3	1.3-1.4	1.3-1.5
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	15.8	16.0-17.0	16.0-17.0	16.0-17.0

Fiscal years ended Dec. 31. All figures are S&P Global Ratings-adjusted. a--Actual. e--Estimate. f--Forecast. NIM--Net interest margin.

Anchor: 'bbb' For Banks 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 as being 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 wealthy economy, high income levels, and sound lending standards against volatility and external vulnerabilities of the small open economy. After contracting in 2024, economic output grew by a mere 0.3% in the first half of 2025, due to weaker exports. Nevertheless, growth prospects for the Icelandic economy remain relatively

benign, and we project GDP growth will average 2.5% in 2026-2027. While we remain mindful of unexpected developments in key export sectors that could alter our outlook for Iceland’s concentrated economy, our base case assumes no sustained adverse impact from disruptive volcanic activity, trade tensions or broader geopolitical instability.

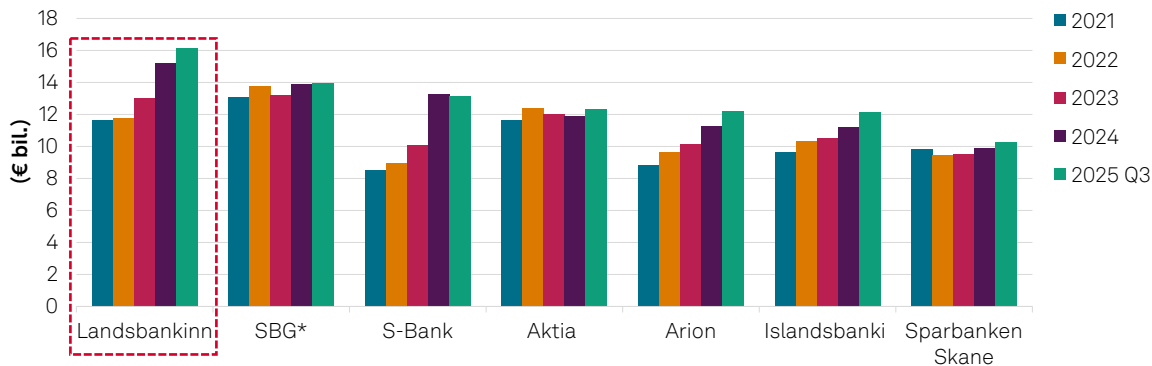
Risks emanating from economic imbalances have narrowed thanks to lower private-sector leverage and a stabilizing housing market. While overvaluation remains, prices in relation to underlying fundamentals such as wages and rents have consequently narrowed. Slower population growth and increased housing supply have resulted in a better market balance, in our view.

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

We expect sound loan growth and manageable cost inflation including cost of risk will support strong profitability and capitalization, despite earnings pressures from lower interest rates. Growing deposits have lowered the D-SIBs’ reliance on wholesale funding, while the refinancing risk from foreign market funding is mitigated by ample liquidity buffers and well-spread maturities through 2028-2029.

Landsbankinn is the market leader in Iceland but small in a Nordic comparison

Total assets compared with selected Nordic peers



*As of June 30, 2025. SBG--Savings Banks Group Finland. Source: S&P Global Ratings.

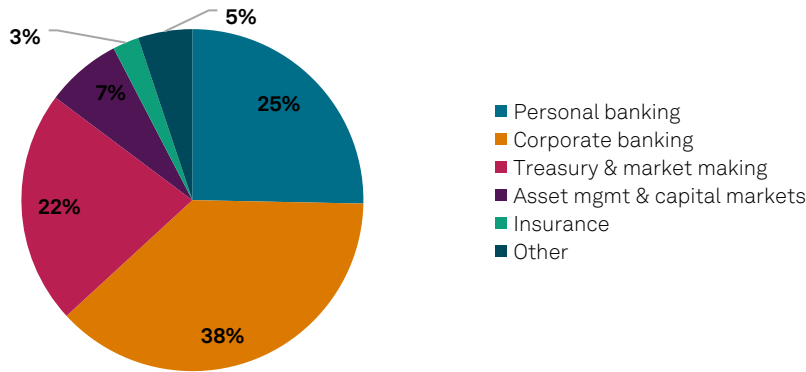
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With total assets of ISK2,298 billion (€16.1 billion), Landsbankinn has a diversified franchise and presence across several business lines--including corporate and personal banking, which accounts for the majority of revenue--complemented by investment banking and asset management services. The bank has 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 the first nine months of 2025, net interest income accounted for 77% of revenue, with the remainder generated through stable and diversified fee and commission income (14% of income), insurance services (2%) and other operating income (6%). Corporate banking, assets management and capital markets activities accounted for 45% of net income; 25% from private and 22% from treasury and market making.

Landsbankinn has a diversified income base in terms of business lines

Net income per segment, first three quarters of 2025



Source: S&P Global Ratings.

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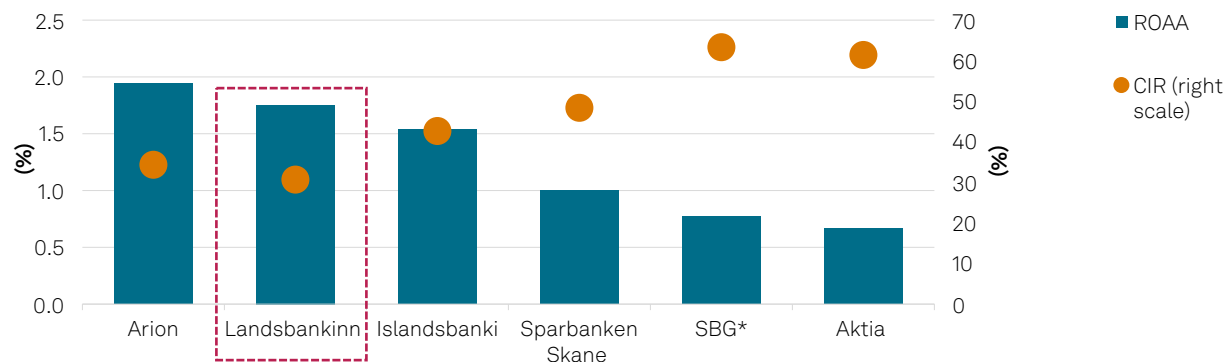
On Feb. 28, 2025, Landsbankinn completed its acquisition of TM tryggingar hf. from Kvika bank hf for a purchase price of ISK32.2 billion (€222 million). TM is the third-largest insurance company in Iceland, with an overall market share of 21%, providing both life and non-life insurance to private and corporate customers. The acquisition has broadened Landsbankinn's product offering and advanced its competitive position, although we expect the earnings contribution from the segment to be limited over the next two years. Since the acquisition date, TM has contributed ISK12,822 million in insurance revenue and ISK796 million in profit, equivalent to 2.7% of net income for the first nine months of 2025.

We consider Landsbankinn 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%. 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 compared with peers, Landsbankinn's cost efficiency--31% in first nine months of 2025 and averaging 37% over the past five years--compares favorably with its D-SIB peers (five-year average of 43%) and places the bank among the most cost-efficient institutions in Europe. This underpins Landsbankinn's strong earnings generation capacity. The return on average assets was 1.75% for the first nine months of 2025, slightly above its 2021-2024 average of 1.61%, and compares favorably with most peers.

In tandem with the muted Icelandic economy, loan growth has slowed in 2025 and reached 2.1% for the first three quarters of the year. However, earnings have been supported by a widening of the net interest margin, which underpinned net interest income growth of 12% year on year in the first three quarters of 2025 compared with the same period in 2024. As with the other Icelandic D-SIBs, this is the result of Landsbankinn's large imbalance of inflation-linked assets and liabilities, which has benefitted from rising real interest rates, upward adjusted loan principal, and the falling cost of non-indexed funding. While we expect this will continue to result in temporary earnings fluctuations over the next two years, we expect a declining policy rate will exert moderate pressure on net interest income generation.

Landsbankinn's operating efficiency compares favorably to peers'

ROAA and CIR compared with selected Nordic peers', Q3 2025



*As of June 30, 2025. SBG--Savings Banks Group Finland. ROAA--Return on average assets. CIR--Cost-to-income ratio. Source: S&P Global Ratings.

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While the Icelandic government retains 98% ownership, Landsbankinn has no public policy role and competes on fully commercial terms. While there are currently no indications of a change in ownership, following the full divestment of the government's remaining holding in Islandsbanki in May 2025, we do not rule out a partial privatization being an option for the government over the medium to longer term.

Capital And Earnings: Strong Earnings Underpin Robust Capitalization

We expect Landsbankinn's capital position will remain a key rating strength and project the RAC ratio will be 16.0%-17.0% over 2025-2027, compared with 15.8% in 2024. This assumes annual dividends of 50% of net income and extraordinary dividends of ISK20 billion over 2026-2027, with the capital impact partly offset by hybrid capital issuance of ISK16 billion-ISK17 billion in the same period.

We forecast net income of ISK35.5 billion-ISK37.5 billion (€249 million-€263 million) over 2025-2027, just shy of the ISK37.5 billion recorded in 2024, with a return on average equity of 10%-12%. This reflects our expectation that annual loan growth of 3%-6% will largely counterbalance a moderate decline in the net interest margin, coupled with steady fee and commission income growth and increasing earnings contribution from the insurance segment. We forecast operating expenses will grow by 2%-4% over 2025-2027, largely in line with domestic inflation, resulting in a cost-to-income ratio of 33%-35% (31% in the first nine months of 2025). We project cost of risk will remain broadly stable, with annual loan loss provisioning of 10 bps-20 bps over 2025-2027, versus 16 bps in 2024; it was and 22bps annualized in the first nine months of 2025, including the ISK2.4 billion reservation.

Landsbankinn comfortably meets regulatory capital requirements. As of Sept. 30, 2025, the bank reported a CET1 ratio of 20.5%, down from 21.5% at year-end 2024. Landsbankinn consequently demonstrates a strong buffer of 470 bps above its regulatory requirement. The bank expects a moderately positive impact of the ongoing Capital Requirements Regulation 3 (CRR3) implementation, estimated to reduce the regulatory risk exposure amount by 4% and thereby increase the total capital ratio by one percentage point to 25%.

Risk Position: Broad Domestic Exposure Profile Correlated With 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 Sept. 30, 2025, private individuals accounted for about 48% of loans; this represents predominantly a well-collateralized mortgage portfolio with average loan to value (LTV) of 46.5% 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 (about 22% of total loans) and Iceland's key exports such as fish (10%) and tourism (6%). We expect Landsbankinn will also have high indirect exposure to Iceland's tourism sector, which creates sensitivity to external shocks such as shifts in travel preferences.

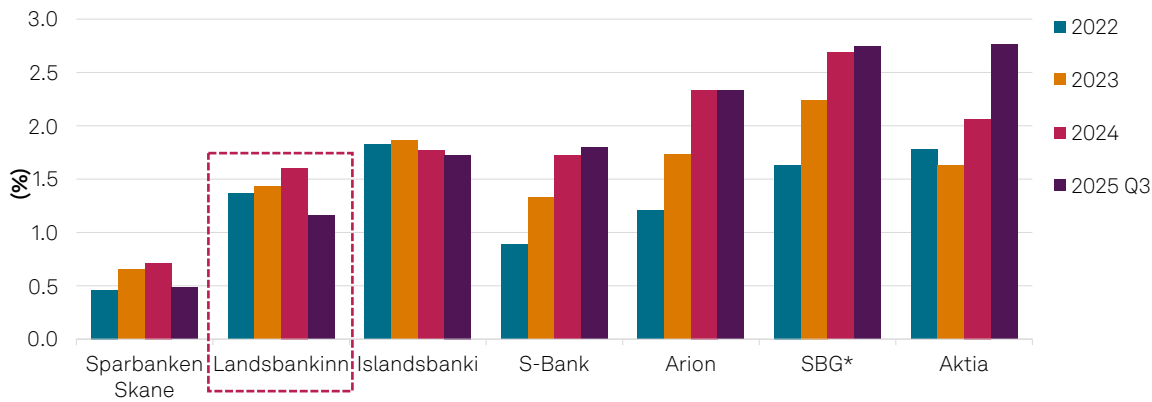
Loan growth slowed in 2025, measuring 2.1% for the first nine months, due to muted activity in the Icelandic economy. While household mortgages saw a moderate contraction, corporate lending remained fairly robust and grew by 5.1%. In particular, Landsbankinn has increased its exposure to commercial real estate and construction companies, growing by an aggregate 15%. Although potentially indicative of a higher risk appetite, we note that the expansion has been driven in part by upwardly adjusted principal on inflation-indexed loans. Additionally, Landsbankinn demonstrates sound credit quality of these exposures--with aggregated stage 2 and 3 loans of 2.4% of total sector exposure; coupled with robust underlying demand for commercial and residential property, this should continue to underpin performance.

On Oct. 14, 2025, the Supreme Court ruled that Islandsbanki's terms for variable interest rate changes on non-indexed mortgages were invalid. While the court did not order reimbursement, the ruling implied that thousands of loans across the Icelandic market would need to be recalculated and could expose banks to legal and financial risk. Landsbankinn faces a similar pending litigation case and therefore announced that it is now reviewing the terms on variable interest rates on new housing mortgage loans. As a precautionary measure, the bank booked a loan loss provision of ISK2.4 billion (€16.8 million) in the third quarter of 2025.

Despite the economic slowdown, Landsbankinn's asset quality has improved to 1.2% over the course of 2025, supported by positive stage migration of exposures to the travel industry. We expect asset quality to remain sound with NPAs (stage 3 loans) contained at 1.2%-1.4% of gross loans over the next two years and annual loan loss provisioning of 10 bps-20 bps. While muted near-term growth and moderately rising unemployment pose downside risk, Iceland's medium- to long-term growth prospects remain benign, which we expect will support asset quality.

Landsbankinn's asset quality is comparable to similarly rated Nordic peers'

Nonperforming asset ratios, 2022-Q3 2025



*As of June 30, 2025. SBG--Savings Banks Group Finland. Source: S&P Global Ratings.

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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 3% of the capital base as of Sept. 30, 2025. Landsbankinn's inflation imbalance has, however, grown significantly, with rising demand for inflation-linked loan products. As of Sept. 30, 2025, the bank had a net long inflation imbalance equivalent to 81% of the capital base, largely stable from end-2024 but up from 25% at year-end 2023. However, inflation sensitivity remains manageable, with a 1% increase or decrease resulting in an ISK2,890 million change in net interest income at the current imbalance. 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.

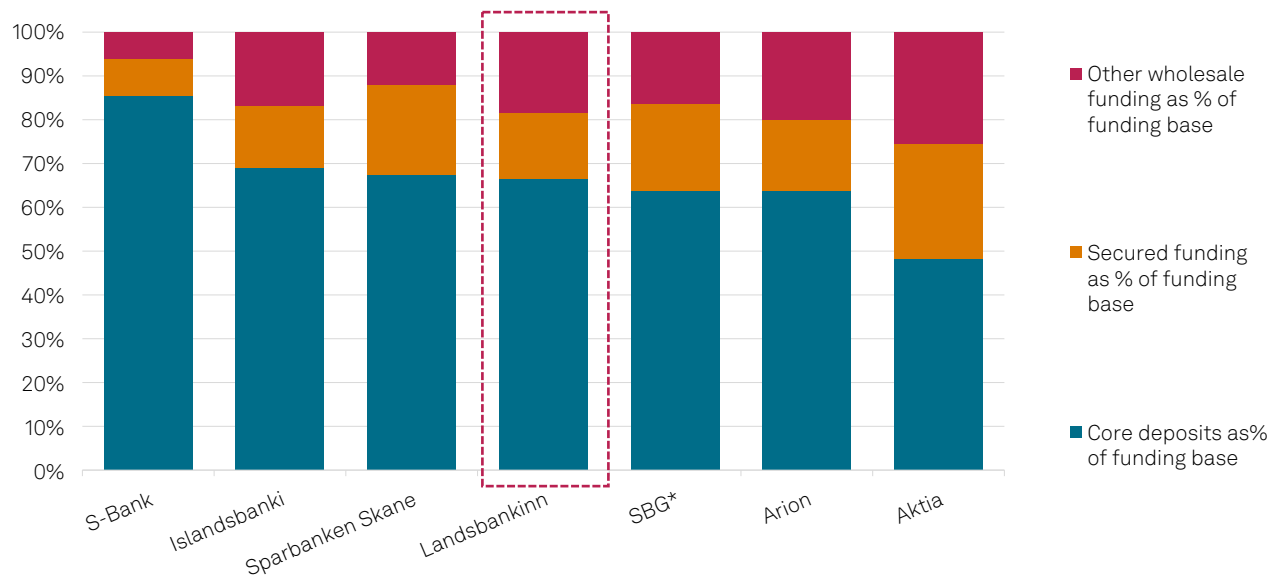
Funding And Liquidity: Covered Bonds And Offshore Senior Issuance Complement Large Domestic Deposit Franchise

Landsbankinn's funding profile is based on stable core deposits, accounting for about 67% of the funding base as of Sept. 30, 2025. Households account for 58%--of which 69% is covered under the state insurance guarantee scheme--and 42% from corporates. Deposit inflow has slowed in 2025, growing by 2.5% by Sept. 30, 2025 compared with end-2024. At the same date, the loan-to-deposit ratio stood at 144%, largely stable from end-2024.

The structural funding gap is bridged by covered bonds issuance, with the vast majority in ISK, and offshore senior issuance in Scandinavian currencies and EUR. We consider the maturity profile to be adequately spread, with annual wholesale funding maturities of 11% and 15% in 2026 and 2027, respectively. Coupled with the bank's majority use of stable deposits, we therefore project the stable funding ratio should remain comfortably above 100%, from 108% as of Sept. 30, 2025, slightly higher than the level at year-end 2024. Our view is also supported by the bank's regulatory net stable funding ratio of 128% as of Sept. 30, 2025.

Core customer deposits are the primary source of Landsbankinn's funding

Percentage of funding base, Q3 2025



*As of June 30, 2025. SBG--Savings Banks Group Finland. Source: S&P Global Ratings.

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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 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 reflected in rising senior bond spreads during episodes of global capital market 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 Sept. 30, 2025, the bank's buffer of broad liquid assets stood at ISK328 billion (€2.3 billion), which equates to about 14% of total assets and 3.6x wholesale funding maturing within a year. In the same period, the regulatory liquidity coverage ratio was 229%, compared with the minimum regulatory requirement of 100%

Support: One Notch Of Uplift For ALAC Support

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 Landsbankinn would be subject to an open-bank bail-in resolution should the bank fail.

The one-notch uplift to Landsbankinn's stand-alone credit profile reflects our expectation that the bank will durably maintain a buffer of bail-inable debt instruments above our 4% threshold, adjusted for maturity concentration. As of Sept. 30, 2025, Landsbankinn held senior nonpreferred and Tier 2 instruments equivalent to ISK79.8 billion (€560 million), which we estimate at 4.3% of our projected S&P Global Ratings RWAs as of year-end 2025. In a resolution scenario, this buffer would be available to absorb losses and recapitalize the bank, thus further reducing the likelihood of authorities imposing losses on senior unsecured obligations.

Resolution Counterparty Ratings (RCRs)

We assign long- and short-term 'A/A-1' 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.

In 2025, Landsbankinn has issued two international green and sustainable bonds, totaling €600 million, under its updated sustainable finance framework. To date, the bank has a total of €1.5 billion outstanding. Moreover, since 2019 the bank has been a member of the Partnership for Carbon Accounting Financials (PCAF) and was the first Icelandic bank to publish its carbon footprint from its lending activities and own operations. Its new headquarters in Reykjavik are 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 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 of which was 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-' rating on Landsbankinn's subordinated debt (Tier 2) is two notches below the 'bbb+' stand-alone credit profile (SACP) on the bank, to reflect the contractual subordination to senior creditors' claims and the instruments' ability to absorb losses at the point of nonviability via statutory loss absorption.

Additional Tier 1 hybrids:

The 'BB' rating on Landsbankinn's junior subordinated notes (contingent additional Tier 1 capital) is four notches below the 'bbb+' SACP. We include this instrument in our measure of going-concern capital because we view the capital as permanent, and the instrument can absorb losses on a going-concern basis through coupon nonpayment without triggering default.

Key Statistics

Landsbankinn hf. Key Figures

Mil. ISK	2025*	2024	2023	2022	2021
Adjusted assets	2,282,233	2,180,423	1,959,304	1,785,295	1,728,017
Customer loans (gross)	1,814,628	1,776,833	1,626,664	1,536,391	1,379,144
Adjusted common equity	299,580	297,085	279,174	265,972	253,378
Operating revenues	65,090	82,387	76,894	50,379	55,006
Noninterest expenses	19,979	26,736	25,958	23,763	23,864
Core earnings	29,286	37,446	33,116	16,766	28,703

*2025 data is for the 9 months to end-September. ISK--Icelandic krona.

Landsbankinn hf. Business Position

(%)	2025*	2024	2023	2022	2021
Total revenues from business line (currency in millions)	65,334	82,475	76,968	50,780	55,293
Commercial & retail banking/total revenues from business line	65.9	67.0	62.4	82.1	73.7
Trading and sales income/total revenues from business line	21.5	24.3	28.8	4.2	14.3
Insurance activities/total revenues from business line	2.5	-	-	-	-
Asset management/total revenues from business line	7.0	7.9	7.5	11.3	11.6
Other revenues/total revenues from business line	3.3	0.8	1.4	2.4	0.4
Investment banking/total revenues from business line	21.5	24.3	28.8	4.2	14.3
Return on average common equity	11.9	11.9	11.4	6.1	10.7

*2025 data is for the 9 months to end-September.

Landsbankinn hf. Capital And Earnings

(%)	2025*	2024	2023	2022	2021
Tier 1 capital ratio	21.3	21.5	22.0	22.9	24.8
S&P Global Ratings' RAC ratio before diversification	N/A	15.8	14.2	15.2	18.4
S&P Global Ratings' RAC ratio after diversification	N/A	11.4	10.2	10.8	13.3
Adjusted common equity/total adjusted capital	96.1	100.0	100.0	100.0	100.0
Net interest income/operating revenues	75.9	69.4	74.9	92.2	70.8
Fee income/operating revenues	14.1	13.8	14.5	21.1	17.2
Market-sensitive income/operating revenues	6.7	16.0	9.2	(16.0)	10.3
Cost to income ratio	30.7	32.5	33.8	47.2	43.4
Preprovision operating income/average assets	2.7	2.7	2.7	1.5	1.9
Core earnings/average managed assets	1.7	1.8	1.8	1.0	1.7

*2025 data is for the 9 months to end-September. N.M.--Not meaningful.

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	260,772	4,263	2	5,081	2

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 (%)
Of which regional governments and local authorities	14,357	3,188	22	861	6
Institutions and CCPs	40,484	7,725	19	12,892	32
Corporate	886,062	772,888	87	1,014,790	115
Retail	964,631	382,575	40	446,310	46
Of which mortgage	800,174	283,513	35	291,756	36
Securitization§	0	0	0	0	0
Other assets†	57,782	64,550	112	71,648	124
Total credit risk	2,209,731	1,232,000	56	1,550,721	70
Credit valuation adjustment					
Total credit valuation adjustment	'--	764	'--	0	'--
Market Risk					
Equity in the banking book	15,302	22,238	145	145,002	948
Trading book market risk	'--	14,635	'--	21,953	'--
Total market risk	'--	36,873	'--	166,955	'--
Operational risk					
Total operational risk	'--	131,388	'--	162,617	'--

(Mil. ISK)	Exposure	Basel III RWA	Average Basel II RW (%)	S&P Global RWA	% of S&P Global RWA
Diversification adjustments					
RWA before diversification	'--	1,401,025	'--	1,880,293	100
Total Diversification/ Concentration Adjustments	'--	'--	'--	734,472	39
RWA after diversification	'--	1,401,025	'--	2,614,766	139
Capital ratio					
Capital ratio before adjustments		300,976	21.5	297,085	15.8
Capital ratio after adjustments‡		300,976	21.5	297,085	11.4

*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--Icelandic krona. Sources: Company data as of 'Dec. 31 2024', S&P Global Ratings.

Landsbankinn hf. Risk Position

(%)	2025*	2024	2023	2022	2021
Growth in customer loans	2.1	9.2	5.9	11.4	7.6
Total diversification adjustment/S&P Global Ratings' RWA before diversification	N/A	39.1	39.1	40.9	38.6
Total managed assets/adjusted common equity (x)	7.7	7.3	7.0	6.7	6.8
New loan loss provisions/average customer loans	0.2	0.2	0.2	(0.2)	(0.5)
Net charge-offs/average customer loans	0.0	0.1	0.1	0.1	0.3
Gross nonperforming assets/customer loans + other real estate owned	1.2	1.6	1.4	1.4	2.4
Loan loss reserves/gross nonperforming assets	49.3	37.3	48.9	47.7	42.0

*2025 data is for the 9 months to end-September.

Landsbankinn hf. Funding And Liquidity

(%)	2025*	2024	2023	2022	2021
Core deposits/funding base	66.6	67.7	64.90	65.6	63.3
Customer loans (net)/customer deposits	144.2	143.8	154.1	157.7	151.7
Long-term funding ratio	95.9	93.8	91.8	92.5	93.7
Stable funding ratio	108.1	105.7	102.9	100.3	108.0
Short-term wholesale funding/funding base	4.8	7.3	9.8	9.0	7.6
Regulatory net stable funding ratio	128.0	124.0	123.0	117.0	121.0
Broad liquid assets/short-term wholesale funding (x)	3.6	2.2	1.6	1.4	2.4
Broad liquid assets/total assets	14.3	13.2	13.0	10.0	15.1
Broad liquid assets/customer deposits	26.2	23.4	24.4	18.5	28.9
Net broad liquid assets/short-term customer deposits	19.3	12.8	9.5	5.0	17.4
Regulatory liquidity coverage ratio (LCR) (x)	229.0	164.0	1.8	1.3	1.8
Short-term wholesale funding/total wholesale funding	14.2	22.5	27.9	26.0	20.7
Narrow liquid assets/3-month wholesale funding (x)	12.9	6.9	5.4	23.8	4.4
*2025 data is for the 9 months to end-September.					

Rating Component Scores

Issuer Credit Rating	A-/Stable/A-2
SACP	bbb+
Anchor	bbb
Business position	Adequate (0)
Capital and earnings	Very Strong (2)
Risk position	Moderate (-1)
Funding and liquidity	Adequate and Adequate (0)
Comparable ratings analysis	0
Support	1
ALAC support	1
GRE support	0
Group support	0
Sovereign support	0
Additional factors	0
SACP--Stand-alone credit profile. ALAC--Additional loss-absorbing capacity. GRE--Government-related entity.	

Related Criteria

- [General Criteria: Hybrid Capital: Methodology And Assumptions](#), Oct. 13, 2025
- [Criteria | Financial Institutions | General: Risk-Adjusted Capital Framework Methodology](#), April 30, 2024
- [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: Iceland](#), Dec. 19, 2025
- [Banking Industry Country Risk Assessment Update: December 2025](#), Dec. 17, 2025
- [Resilient Nordic Banks Poised For Earnings Stability And Loan Rebound In 2026](#), Dec. 3, 2025
- [Banking Brief: Icelandic Banks Reposition For Scale And Efficiency](#), July 3, 2025
- [Stress Test Highlights European Banks' Resilience To Potential Trade Escalations](#), June 24, 2025
- [Iceland-Based Landsbankinn hf. Upgraded To 'A-' On Additional Loss-Absorbing Capacity; Outlook Stable](#), April 28, 2025
- [Landsbankinn hf.'s Proposed Additional Tier 1 Notes Assigned 'BB' Rating](#), Feb. 10, 2025
- [The Top Trends Shaping European Bank Ratings In 2025: Solid Positions, Growing Ambitions](#), Jan. 27, 2025
- [Nordic Banking Outlook 2025: Ample Resilience Amid Lingering Uncertainty](#), Jan. 24, 2025
- [Two Icelandic Bank Outlooks Revised To Positive On Potential ALAC Uplift](#), Nov. 12, 2024
- [Bulletin: TM Acquisition Will Broaden Landsbankinn hf.'s Customer Offering And Will Have A Moderate Effect On Capital](#), June 5, 2024

Ratings Detail (as of December 19, 2025)*

Landsbankinn hf.	
Issuer Credit Rating	A-/Stable/A-2
Resolution Counterparty Rating	A/--/A-1
Junior Subordinated	BB
Senior Secured	A+/Stable
Senior Subordinated	BBB
Senior Unsecured	A-
Short-Term Debt	A-2
Subordinated	BBB-
Issuer Credit Ratings History	
28-Apr-2025	A-/Stable/A-2
12-Nov-2024	BBB+/Positive/A-2
04-Apr-2024	BBB+/Stable/A-2
17-Nov-2023	BBB/Positive/A-2

Ratings Detail (as of December 19, 2025)*

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.	

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