Press Release

Second Quarter 2025 Results

Íslandsbanki hf.

31 July 2025

2Q25 RESULTS HIGHLIGHTS

Second quarter 2025 (2Q25) financial highlights

- Net profit amounted to ISK 7.2 billion in the second quarter of 2025 (2Q24: ISK 5.3 billion), generating an annualised return on equity (ROE) of 13.0% (2Q24: 9.7%).
- Net interest income (NII) amounted to ISK 13.9 billion and increased by ISK 1,390 million in 2Q25 compared to 2Q24.
- The net interest margin (NIM) was 3.3% in 2Q25 compared to 3.1% in 2Q24.
- Net fee and commission income (NFCI) grew by 12.8% compared to 2Q24 and amounted to ISK 3.6 billion in 2Q25.
- Net financial income was ISK 13 million in 2Q25, compared to an expense of ISK 499 million in 2Q24.
- Other operating income was ISK 143 million in 2Q25, compared to ISK 45 million in 2Q24.
- Administrative expenses in 2Q25 amounted to ISK 7.3 billion, having been ISK 7.0 billion in 2Q24 when an administrative fine of ISK 470 million charged in 2Q24 is excluded.
- The cost-to-income ratio was 41.0% in 2Q25 compared to 45.7% in 2Q24, which excludes an administrative fine of ISK 470 million charged in 2Q24.
- The net impairment on financial assets was a reversal of ISK 402 million in 2Q25, compared to a reversal of ISK 137 million in 2Q24. The net impairment charge as a share of loans to customers, the annualised cost of risk, was -12bps in 2Q25, compared to -4bps in 2Q24.
- Loans to customers grew by ISK 32.4 billion during the second quarter of 2025, reaching a total of ISK 1,331 billion at the end of the second quarter of 2025.
- Deposits from customers grew by 3.1% in the quarter and amounted to ISK 966 billion at the end of 2Q25.
- Total equity at period-end amounted to ISK 224.7 billion compared to ISK 227.4 billion at year-end 2024.
- The total capital ratio was 21.5% at the end of 2Q25, compared to 23.2% at year-end 2024. The corresponding CET1 ratio was 18.5% at the end of 2Q25, compared to 20.1% at year-end 2024. The CET1 ratio at the end of 2Q25 was 330bps above regulatory requirements, and above the Bank's financial target of having a 100-300 bps capital buffer on top of CET1 regulatory requirements.
- The minimum requirement for own funds and eligible liabilities (MREL) for Íslandsbanki is 19.6% of the total risk exposure amount, in addition to the combined buffer requirement. At the end of second quarter 2025, the Bank's MREL ratio was 36.7%, 720 bps on top of requirements.

First half 2025 (1H25) financial highlights

- Íslandsbanki's net profit for the first half of 2025 was ISK 12.4 billion (1H24: ISK 10.7 billion), with an annualised return on equity for 1H25 of 11.1%, compared to 9.8% in 1H24. The Bank is guiding towards an ROE of 10-11% for the year as a whole, assuming normalised level of impairments.
- Net interest income totalled ISK 26.8 billion in 1H25, an increase of 9% YoY.
- Net fee and commission income (NFCI) amounted to ISK 6.7 billion in 1H25 which is an increase of 7.5% from first half of 2024, when it amounted to ISK 6.2 billion.
- Net financial expense was ISK 973 million in 1H25 compared to an expense of ISK 735 million in 1H24.
- Administrative expenses were ISK 14.7 billion in 1H25, having been ISK 14.2 billion in 1H24, when a charge for an administrative fine in the amount of ISK 470 million charge in 2Q24 is excluded.
- Cost-to-income ratio fell YoY from 44.8% in 1H24 to 44.1% in 1H25. Cost-to-income ratio for 1H24 excluded an administrative fine of ISK 470 million charged in the second quarter of 2024.
- Net impairment on financial assets was a reversal of ISK 399 million in the first half of 2025, as compared to an impairment of ISK 567 million for the first half of 2024.

Key figures and ratios

		2Q25	1Q25	4Q24	3Q24	2Q24
PROFITABILITY	Profit for the period, ISKm	**7,192**	5,209	6,283	7,280	5,266
	Return on equity	**13.0%**	9.4%	11.2%	13.2%	9.7%
	Net interest margin (of total assets)	**3.3%**	3.2%	2.7%	2.9%	3.1%
	Cost-to-income ratio[1,2]	**41.0%**	47.6%	45.7%	40.4%	45.7%
	Cost of risk[3]	**(0.12%)**	0.00%	(0.11%)	(0.27%)	(0.04%)
		30.6.25	31.3.25	31.12.24	30.9.24	30.6.24
BALANCE SHEET	Loans to customers, ISKm	**1,331,288**	1,298,849	1,295,388	1,274,094	1,276,608
	Total assets, ISKm	**1,696,034**	1,667,429	1,607,807	1,622,458	1,595,896
	Risk exposure amount, ISKm	**1,084,492**	1,061,903	1,040,972	1,021,243	1,019,494
	Deposits from customers, ISKm	**966,075**	936,779	926,846	927,011	916,127
	Customer loans to customer deposits ratio	**138%**	139%	140%	137%	139%
	Non-performing loans (NPL) ratio[4]	**1.6%**	1.8%	1.6%	1.6%	1.8%
LIQUIDITY	Net stable funding ratio (NSFR), for all currencies	**125%**	128%	125%	126%	123%
	Liquidity coverage ratio (LCR), for all currencies	**185%**	202%	168%	223%	190%
CAPITAL	Total equity, ISKm	**224,725**	217,894	227,355	223,388	216,501
	CET1 ratio[5]	**18.5%**	18.6%	20.1%	20.2%	19.9%
	Tier 1 ratio[5]	**19.4%**	19.5%	21.0%	21.2%	20.9%
	Total capital ratio[5]	**21.5%**	21.6%	23.2%	23.4%	23.1%
	Leverage ratio	**12.0%**	12.1%	13.2%	13.0%	13.0%
	MREL ratio[6]	**36.7%**	37.8%	33.4%	35.6%	35.6%

1. Calculated as (Administrative expenses – One-off expenses) / (Total operating income – One-off income).
2. C/I ratio for 2Q24 excludes a charge of ISK 470m related to an administrative fine.
3. Negative cost of risk means that there is a net release of impairments.
4. Stage 3, loans to customers, gross carrying amount.
5. In 1Q25 the Central Bank granted the Bank permission to buy back ow n shares and reduce its share capital, as a result capital ratios at 31.3.25 and 30.6.25 declined from year-end 2024.
6. MREL ratio includes the CET1 capital held to meet the combined buffer requirement.

Jón Guðni Ómarsson, CEO of Íslandsbanki:

The second quarter of 2025 was an eventful one for Íslandsbanki. The Government of Iceland's sale of its remaining stake in Íslandsbanki last May was a success. The sale itself marked a milestone for the Bank, and there are exciting opportunities that arise at such points. It was particularly gratifying to see private individuals taking part in the offering in a very significant way. Active participation by retail investors in the stock market is a significant step towards increasing the activity and depth of the market domestically, and is a development that is very much welcomed.

Profit from Íslandsbanki's operations during the second quarter of 2025 amounted to ISK 7.2 billion, which is around 18% above analyst consensus. The profit for the first half of 2025 amounted to ISK 12.4 billion. Core operations are doing very well and interest income increased by more than 11% for the second quarter, compared to the same quarter last year and fee and commission income increased by almost 13%. Net interest margin for the second quarter was 3.3%. Annualised return on equity for the second quarter was 13.0% and cost-to-income ratio was 41.0%. The same ratios for the first half of 2025 were 11.1% and 44.1%, respectively, in line with the Bank's financial targets.

The Bank's services to companies around the country has been vast, and the Bank is proud of its longstanding relationship with them and its participation in diverse projects. Íslandsbanki's Corporate Finance unit has recently concluded important projects and the project pipeline remains strong for the coming months. The Business Banking division continues to soar and now receives the highest net promoter score, NPS, in Iceland amongst SMEs and enjoys a strong market share. The collaboration between Íslandsbanki and VÍS insurance company is off to a great start and customers of both companies enjoy added benefits due to the partnership.

The road ahead looks promising and Íslandsbanki's position is strong. The Bank's excess capital (CET1) amounted to around ISK 40 billion at the end of second quarter and the Bank is looking towards growth opportunities, both internal and external. The Bank resumed its share buybacks in early July, having paused near the end of the first quarter of 2025, with the aim of acquiring up to a market value of ISK 15 billion.

The Íslandsbanki Reykjavík Marathon will take place on 23 August and there is, as in previous years, great anticipation for the event this year. Runners' charity collection is going well, and it will be exciting to see downtown Reykjavík filled with runners of all ages reaping the rewards after weeks and months of preparation.

Second quarter 2025 (2Q25) operational highlights

- On 13 May 2025, the Ministry of Finance and Economic Affairs, on behalf of the Treasury of Iceland, announced the secondary fully marketed offering of the Government of Iceland's shares in the Bank, initially announcing the base offering of shares amounting to a 20% stake in the Bank. The offering was a success and ultimately lead to the Government selling its entire stake, with individuals taking the lion's share of the offering, resulting with more than 31,000 retail investors receiving allocation. An announcement on the end of offering and allocations was made on 27 May 2025.
- On 21 May 2025 the Central Bank of Iceland decided to lower the policy rate by 0.25 percentage points, landing the policy rate at 7.50%. Íslandsbanki made rate changes in the second quarter to reflect those changes. The changes included rates on non-index linked deposits and loans, including mortgages, generally being reduced by 25bps.
- On 28 May 2025 Íslandsbanki announced that the Board of Directors of the Bank had decided to contact the Board of Directors of Kvika banki hf. (Kvika), to request the initiation of merger talks between the two companies. The announcement was made the day after Arion Bank hf. announced its willingness to enter merger discussions with Kvika. On 13 June 2025 Kvika announced that, after reviewing the proposals received, it did not consider entering merger discussions in the best interests of Kvika, noting also that should the parties be willing to improve their respective proposals it was open to reevaluate its decision. Following this, on 4 July 2025 the Bank announced that the Board of Directors of the Bank had re-expressed its interest in merging with Kvika by a letter to the Board of Kvika. The Board of Kvika rejected the proposal to enter merger discussions with the Bank on 6 July 2025, as announced by Íslandsbanki to the market that same day.
- Moody's Ratings affirmed the Bank's A3 long-term issuer rating with a stable outlook on 10 June 2025. The rating actions followed the announcement from the Bank on the proposed merger talks with Kvika banki hf.
- On 30 June 2025 the Financial Supervisory Authority of the Central Bank of Iceland announced the conclusion of its annual assessment of risk in the operations of systemically important financial institutions by means of a Supervisory Review and Evaluation Process (SREP). According to the conclusion of this annual process the Bank shall from 30 June 2025 maintain an additional capital requirement of 1.4% of risk-weighted assets, which is a reduction of 0.4 percentage points from the previous assessment. The Bank's total capital requirement, considering the capital buffer on 31 December 2024, falls from 19.7% to 19.3%.
- A shareholders meeting was held on 30 June 2025 where amendments were approved to the Bank's Remuneration Policy, thereby granting the Board of Directors of the Bank the authority to establish a special incentive scheme and stock option plan for its employees, to align better the long-term interests of employees and shareholders, while ensuring the scheme does not encourage excessive risk-taking and is intended to ease the pressure on fixed salary increases.
- Íslandsbanki's Corporate Finance had a strong second quarter completing various milestone projects for its clients and securing a strong project pipeline for the coming months. Amongst the highlights was an agreement reached whereby the Bank agreed to provide an underwriting commitment for the subscription of new share capital for Orkan amounting to at least ISK 2 billion in relation to the purchase of Samkaup. Broad service offering within Íslandsbanki's Corporate and Investment Banking division was also evident when Íslandsbanki lead the financing of Samherji Salmon Garden project and teams from both Íslandsbanki's Corporate Finance and Corporate Banking were involved through a combination of equity private placement and a syndicated loan.
- Reitun, an Icelandic rating agency, raised its ESG rating on Íslandsbanki during the second quarter with the Bank now having a score of A3 for its efforts in the field of sustainability. The assessment

reviews three key factors; environmental, social and governance. The increase in Íslandsbanki's score can be attributed to thorough improvements on both social and governance matters between years.

Operational highlights after the period-end

- At the end of the second quarter of 2025 the Bank owned 6,920,000 of its own shares. Buybacks were resumed on 8 July 2025 when a new round of buybacks commenced, initiating buybacks pursuant to an authorisation to buy back own shares for up to ISK 15 billion market value. At the end of 30 July 2025, the Bank owned roughly 26.5 million own shares. The Bank continues its path towards capital optimisation and has stated that to complete its capital optimisation, subject to market conditions, it may explore both growth opportunities and/or capital disposals.

INCOME STATEMENT

Income statement, ISKm	2Q25	2Q24	Δ%	1H25	1H24	Δ%	2024
Net interest income	**13,881**	12,491	11%	**26,820**	24,613	9%	47,265
Net fee and commission income	**3,620**	3,209	13%	**6,687**	6,219	8%	13,122
Net financial income (expense)	**13**	(499)	(103%)	**(973)**	(735)	32%	(338)
Net foreign exchange gain	**71**	174	(59%)	**118**	370	(68%)	607
Other operating income	**143**	45	218%	**610**	1,143	(47%)	2,282
Total operating income	**17,728**	15,420	15%	**33,262**	31,610	5%	62,938
Salaries and related expenses	**(4,412)**	(4,130)	7%	**(8,901)**	(8,298)	7%	(16,329)
Other operating expenses	**(2,849)**	(2,916)	(2%)	**(5,756)**	(5,858)	(2%)	(11,299)
Administrative fines	**-**	(470)	(100%)	**-**	(470)	(100%)	(470)
Administrative expenses	**(7,261)**	(7,516)	(3%)	**(14,657)**	(14,626)	0%	(28,098)
Bank tax	**(513)**	(459)	12%	**(1,013)**	(952)	6%	(1,900)
Total operating expenses	**(7,774)**	(7,975)	(3%)	**(15,670)**	(15,578)	1%	(29,998)
Net impairment on financial assets	**402**	137	193%	**399**	(567)	(170%)	645
Profit before tax	10,356	7,582	37%	**17,991**	15,465	16%	33,585
Income tax expense	**(3,155)**	(2,403)	31%	**(5,578)**	(4,871)	15%	(9,426)
Profit for the period before profit from non-current assets	**7,201**	5,179	39%	**12,413**	10,594	17%	24,159
Profit from non-current assets held for sale, net of tax	**(9)**	87	-	**(12)**	89	(113%)	87
Profit for the period	**7,192**	5,266	37%	**12,401**	10,683	16%	24,246

Key ratios	2Q25	2Q24	1H25	1H24	2024
Net Interest Margin (NIM)	**3.3%**	3.1%	**3.2%**	3.1%	2.9%
Cost-to-income ratio (C/I)	**41.0%**	45.7%	**44.1%**	44.8%	43.9%
Return on Equity (ROE)	**13.0%**	9.7%	**11.1%**	9.8%	10.9%
Cost of risk (COR)	**(0.12%)**	(0.04%)	**(0.06%)**	0.09%	(0.05%)

Net interest income and net interest margin

The CPI imbalance remained at ISK 178 billion at the end of the second quarter of 2025, comparable to position end of the first quarter of 2025. In parallel, the real rates within the banking book have increased as cost of deposits reduced in line with policy rate cuts. This positively impacted the net interest income which amounted to ISK 13,881 million during the second quarter, marking a 11.1% increase from the previous year. Continued run- off from the fixed rate imbalance in the mortgage book also continued to affect net interest income positively as in previous quarters. The Central Bank policy rate lowered in the second quarter, by 25bps in May 2025 and was at 7.50% at the end of the second quarter of 2025. The average CB policy rate was 7.64% in 2Q25, compared to 9.25% in 2Q24. Net interest margin (NIM) on total assets was 3.3% in 2Q25 (3.1% in 2Q24). Lending margin was 1.6% in 2Q25 (1.7% in 2Q24) while deposit margin was 2.0% in 2Q25 (1.8% in 2Q24).

Net fee and commission income (NFCI) during the second quarter of 2025 grew by nearly 13% compared to 2Q24, to ISK 3.6 billion. Net fee income from investment banking and brokerage outgrow fee income from cards and payment processing in the second quarter of 2025 and was the largest contributor of NFCI in 2Q25. The third in terms of significance was NFCI from asset management, which prolonged its good start to the year for the second quarter of 2025.

Other operating income amounted to ISK 143 million in 2Q25 (ISK 45 million in 2Q24), mainly related to fair value adjustments of investment properties. Compared to 2Q24, core income increased by 11.5%, to ISK 17.5 billion in 2Q25.

Net financial income amounted to ISK 13 million in the second quarter of 2025, compared to an expense of ISK 499 million for the same quarter during the previous year, attributed to stronger capital markets than in the previous year.

Cost-to-income ratio adversely affected by loss in NFI

The cost-to-income ratio was 41.0% in the second quarter of 2025, compared to 45.7% in 2Q24, due to both higher income through all revenue streams and lower expenses than in the previous year.

Salaries and related expenses rose by 6.8% in 2Q25 compared to 2Q24 and were ISK 4.4 billion during the quarter. The number of FTEs at Íslandsbanki at the end of the second quarter of 2025 was 720 compared to 726 at the end of the second quarter of 2024. Other operating expenses dropped by 2.3% compared to 2Q24.

Taxes

The income tax rate for legal entities in 2025 is 20% (2024: 21%). Special financial activities tax is calculated as 6% of the Bank's taxable profit exceeding ISK 1 billion. The Bank saw a high effective income tax rate for the second quarter of 2025 of 30.5% having been 31.7% in 2Q24.

Net impairment in 2Q25

The net impairment on financial assets was a reversal of ISK 402 million in 2Q25 (2Q24: net impairment was a reversal of ISK 137 million). This change was mostly due to a few distressed credit cases and updated macroeconomic and inflation forecasts. The annualised cost of risk, measured as net impairment charge as a share of loans to customers, was -12bps in 2Q25 (-4bps in 2Q24).

BALANCE SHEET

Assets, ISKm	30.6.25	31.3.25	Δ	Δ%	31.12.24	Δ	Δ%
Cash and balances with Central Bank	**87,241**	69,944	17,297	25%	65,716	21,525	33%
Loans to credit institutions	**80,481**	92,259	(11,778)	(13%)	50,486	29,995	59%
Bonds and debt instruments	**138,839**	142,937	(4,098)	(3%)	142,618	(3,779)	(3%)
Derivatives	**7,397**	9,092	(1,695)	(19%)	5,324	2,073	39%
Loans to customers	**1,331,288**	1,298,849	32,439	2%	1,295,388	35,900	3%
Shares and equity instruments	**18,158**	20,606	(2,448)	(12%)	24,330	(6,172)	(25%)
Investment in associates	**4,849**	4,857	(8)	(0%)	4,701	148	3%
Investment property	**2,900**	2,900	-	-	2,600	300	12%
Property and equipment	**4,944**	5,135	(191)	(4%)	5,039	(95)	(2%)
Intangible assets	**2,637**	2,636	1	0%	2,684	(47)	(2%)
Other assets	**15,600**	16,532	(932)	(6%)	7,304	8,296	114%
Non-current assets held for sale	**1,700**	1,682	18	1%	1,617	83	5%
Total Assets	**1,696,034**	1,667,429	28,605	2%	1,607,807	88,227	5%
Key ratios							
Risk Exposure Amount (REA)	**1,084,492**	1,061,903	22,589	2%	1,040,972	43,520	4%
REA / total assets	**63.9%**	63.7%			64.7%		
Non-performing loans (NPL) ratio[1]	**1.6%**	1.8%			1.6%		

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

Loan portfolio well diversified and highly collateralised

Loans to customers grew by 2.5% in the second quarter of 2025 and amounted to ISK 1,331 billion at period-end. Mortgages account for 43% of loans to customers and the remaining part continues to be split between various industries. Loans to customers are predominantly well covered by stable collateral, the majority of which is in residential and commercial property. At the end of 2Q25, 94% of the loan portfolio is fully covered by collateral. The weighted average loan-to-value (LTV) ratio for the loan portfolio was 53% at the end of 2Q25 (57% at 2Q24), and the LTV for the residential mortgage portfolio was 54% at the end of 2Q25 (58% at 2Q24).

Credit quality continues to be strong with limited delinquencies

Asset quality remains both good and stable. The Bank has not seen any material increase in delinquencies in its loan portfolio despite high inflation and interest rates clearly affecting the Bank's customers. The shift of customers towards CPI-linked loans has started to normalise, with 64% of the Bank's mortgage portfolio being CPI-linked at the end of 2Q25, up from 62% at the end of 1Q25.

At the end of 2Q25, 2.0% of the gross performing loan book (not in Stage 3) was classified as forborne, up from 1.7% at the 1Q25. The ratio of credit-impaired loans to customers, Stage 3, was 1.6% (gross) at end of 2Q25, down from 1.8% at the end of 1Q25. For the mortgage portfolio, the ratio was 1.0% remaining stable across quarters.

The ratio of loans to customers in Stage 2 was 3.5% at the end of 2Q25, rising from 3.0% at the end of 1Q25. This increase is primarily related to a handful of credit cases being granted forbearance. For the mortgage portfolio, the ratio of loans in Stage 2 was 1.1% at the end of 2Q25 (1.0% at 1Q25).

Liabilities – capital and liquidity ratios well in excess of regulatory requirements in addition to low leverage

Liabilities & Equity, ISKm	30.6.25	31.3.25	Δ	Δ%	31.12.24	Δ	Δ%
Deposits from Central Bank and credit institutions	**14,876**	14,374	502	3%	12,535	2,341	19%
Deposits from customers	**966,075**	936,779	29,296	3%	926,846	39,229	4%
Derivative instruments and short positions	**8,502**	6,677	1,825	27%	7,306	1,196	16%
Debt issued and other borrow ed funds	**411,009**	407,266	3,743	1%	367,586	43,423	12%
Subordinated loans	**32,687**	32,502	185	1%	31,695	992	3%
Tax liabilities	**13,403**	12,912	491	4%	12,916	487	4%
Other liabilities	**24,757**	39,025	(14,268)	(37%)	21,568	3,189	15%
Total Liabilities	**1,471,309**	1,449,535	21,774	2%	1,380,452	90,857	7%
Total Equity	**224,725**	217,894	6,831	3%	227,355	(2,630)	(1%)
Total Liabilities and Equity	**1,696,034**	1,667,429	28,605	2%	1,607,807	88,227	5%
Key ratios							
Customer loans to customer deposits ratio	**138%**	139%			140%		
Net stable funding ratio (NSFR)	**125%**	128%			125%		
Liquidity coverage ratio (LCR)	**185%**	202%			168%		
CET1 ratio	**18.5%**	18.6%			20.1%		
Tier 1 capital ratio	**19.4%**	19.5%			21.0%		
Total capital ratio	**21.5%**	21.6%			23.2%		
Leverage ratio	**12.0%**	12.1%			13.2%		
MREL ratio[1]	**36.7%**	37.8%			33.4%		

1. MREL ratio includes the CET1 capital held to meet the combined buffer requirements.

Growth in deposits between 1Q25 and 2Q25

The Bank funds its operation using three main funding sources: stable deposits, covered bonds, and senior preferred bonds. Total deposits from customers grew by 3.1% between 1Q25 and 2Q25 and deposit concentration remained stable. The ratio of customer loans to customer deposits was 138% at the end of 2Q25, decreasing slightly from 139% at the end of 1Q25. When excluding mortgages funded with covered bonds, the ratio was 116% at the end of 2Q25.

In terms of funding, the second quarter saw a very marked spread compression of about 25-30 bps in the Bank's secondary levels. The Bank's 5.5-year EUR 300 million green senior preferred bond issued in March at mid-swaps +140bps ended the quarter pricing at around mid-swaps +110bps. Domestically, the Bank sold ISK 4.1 billion of covered bonds during 2Q25.

The Bank's total liquidity coverage ratio (LCR) was 185% at the end of 2Q25, reducing from the end of 1Q25 when it was 202%. The Bank's liquidity position remains strong across currencies. Liquid assets as a percentage of total assets were 18% at end of 2Q25 compared to 19% at the end of 1Q25.

Sound capital position - distribution of excess capital to continue as part of capital optimisation plan

Total equity amounted to ISK 224.7 billion at the end of 2Q25 compared to ISK 227.4 billion at year-end 2024. The capital base was ISK 233 billion at the end of 2Q25, compared to ISK 241 billion at year-end 2024. The reduction is mainly due to the Bank's share buyback programme of ISK 15 billion, which was deducted from the capital base following approval from the Central Bank in February 2025. At the end of 2Q25, the total capital ratio was 21.5%, compared to 23.2% at year-end 2024. The corresponding Tier 1 ratio was 19.4% at the end of 2Q25, compared to 21.0% at the year-end 2024. The CET1 ratio was 18.5% compared to 20.1% at year-end 2024, and within the Bank's financial target of having a 100-300bps capital buffer on top of regulatory requirements. The Bank's excess capital position at the end of the reporting period therefore amounts to around ISK 40 billion, assuming a fully optimised capital structure, the midpoint of the management buffer, the assumed impact from the implementation of CRR3, as well as pending buybacks which have been deducted from the capital base as of end of the reporting period. The Bank remains committed to its capital optimisation and may explore various ways to reach its target capital composition, including growth and/or capital disposals.

The minimum requirement for own funds and eligible liabilities (MREL) for the Bank is 19.6% of REA. Since any CET1 capital that is maintained to meet the combined buffer requirement (CBR) is excluded, the effective requirement can be monitored as 29.5% of REA. Own funds and eligible liabilities were 36.7% of REA at the end of 2Q25 compared to 33.4% at year-end 2024.

The Bank uses the standardised method to calculate its REA, which amounted to ISK 1,084 billion at the end of 2Q25, compared to ISK 1,041 billion at year-end 2024. The REA amounts to 63.9% of total assets at the end of 2Q25, compared to 64.7% at year-end 2024. Adaptation to the new CRR3 framework is underway and is expected to lower the REA by 6-7%. Adaptation of the new CRR3 framework is now expected to materialise over the second half of 2025.

The leverage ratio was 12.0% at the end of 2Q25, compared to 13.2% at year-end 2024.

Investor Material

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

Disclaimer

INVESTOR RELATIONS

An earnings conference call and webcast will take place on Friday 1 August 2025

Íslandsbanki will host a webcast in English for investors and market participants on Friday 1 August at 8.30 Reykjavík/GMT, 9.30 London/BST, 10.30 CET. Jón Guðni Ómarsson, CEO, and Ellert Hlöðversson, CFO, will give an overview of the second quarter of 2025 financial results and operational highlights.

The webcast will be accessible live through a link on the Bank's **Investor Relations** website where a recording will also be available after the meeting. For participation and the ability to send in written questions please register **via this link**. To participate in the webcast via teleconference and for the option to ask questions verbally, please register **via this link here**. Information regarding the webcast is available **here**.

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

Financial calendar

Íslandsbanki plans to publish its financial statements according to the financial calendar below:

Third quarter results 2025 – 30 October 2025
Fourth quarter and year-end results 2025 – 12 February 2026

Further information on the Bank's financial calendar is available here. Please note that the dates are subject to change.

Additional investor material

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