1Q25 Financial Results

8 May 2025

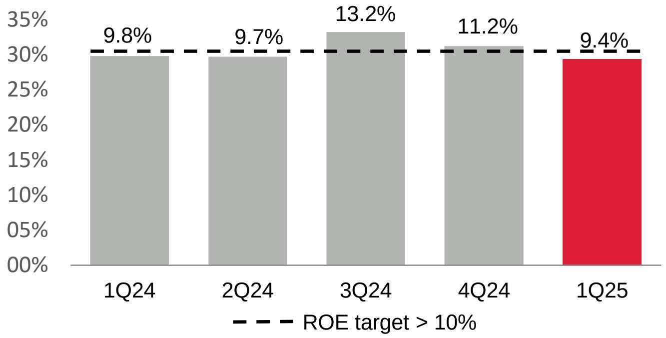
Jón Guðni Ómarsson
Chief Executive Officer

Ellert Hlöðversson
Chief Financial Officer

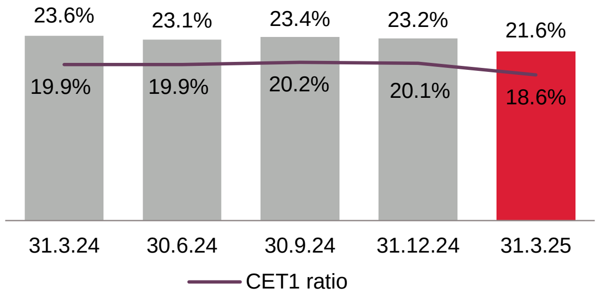
Core operating income grew by 5.8% year-on-year

ROE and cost-to-income ratio expected to be in line with targets for the year as a whole

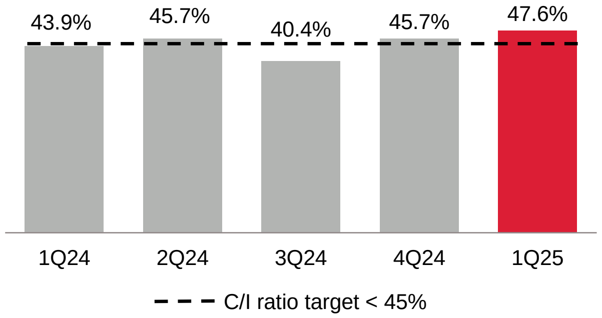
ROE in excess of analyst consensus
ROE



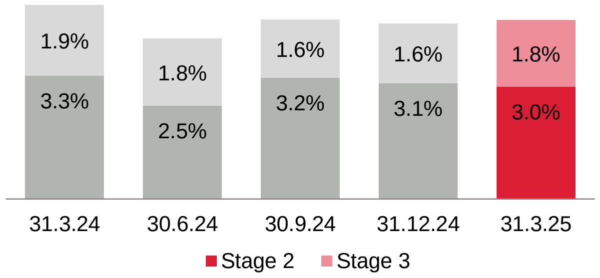
Considerable excess capital in place
Total capital ratio



C/I adversely affected by loss on NFI
C/I ratio[1]



Stable and strong asset quality
Loans to customers: Stage 2 and 3 (NPL)



1. Expenses of ISK 286m for 1Q24, ISK 210m for 2Q24 and ISK 269m for 3Q24 recognised in the line item "Other operating expenses" in the Group's Interim Financial Statements have been reclassified in the line item "Fee and commission expense", C/I ratio has been restated accordingly. C/I ratio for 2Q24 excludes a charge of ISK 470m due to an administrative fine.

Capital optimisation still a priority for the Bank

Month-by-month fluctuations expected as the economy reaches an equilibrium

	Target	1Q25
Return on equity	>10%	9.4%
Cost-to-income ratio	<45%	47.6%
CET1 excess	100-300bps	320bps
Dividend-payout-ratio	50%	

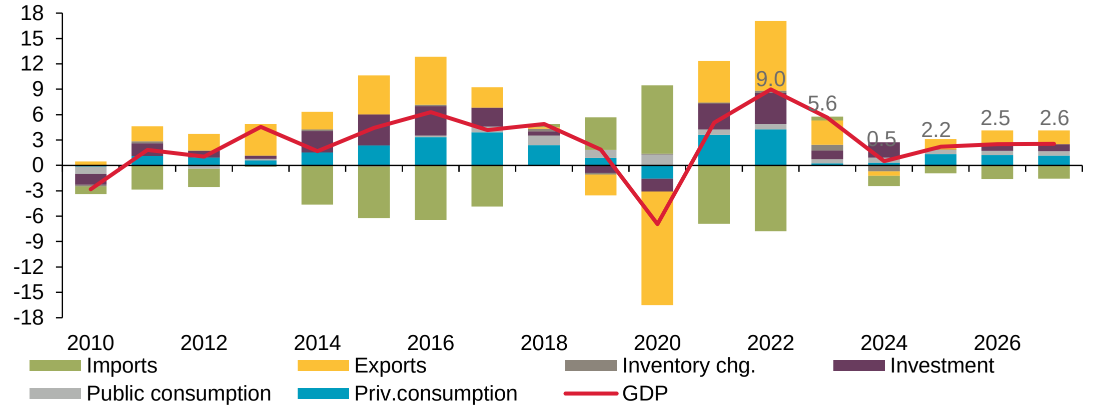
2025 Guidance

- Loans to customers and revenue, in general **to grow** in line with nominal GDP through the business cycle
- **ROE in 2025** expected to be >10% for the year as a whole
- **C/I ratio** expected to be below 45% in 2025
- Dividend policy assumes **50% of earnings** to be paid to shareholders
- Distribution of excess CET1 capital continues – additional **ISK 15bn allocated** to share buybacks and amount has been deducted from capital ratios
- Commitment to conclude capital optimisation, subject to market conditions

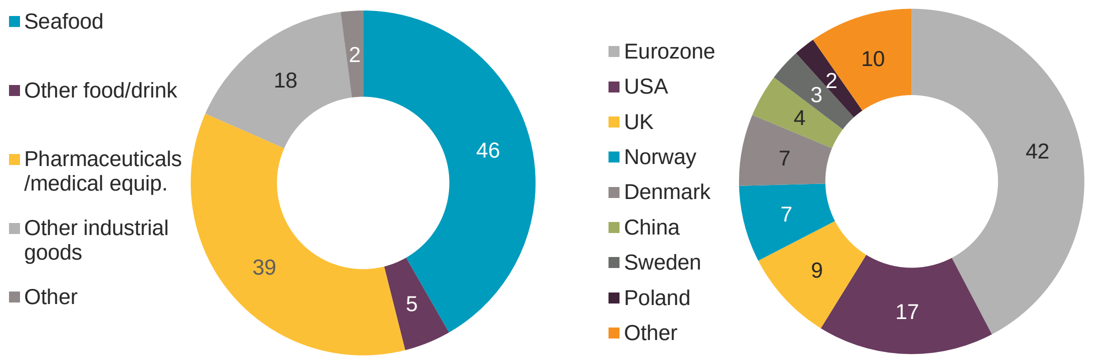
Economic tailwinds picking up speed

A new business cycle is underway as GDP growth accelerates following adjustment phase in 2024

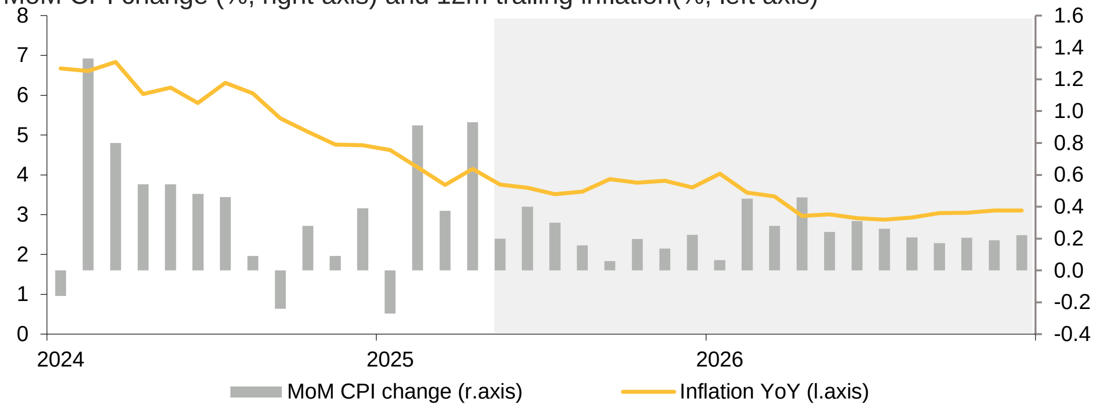
A fairly smooth upward path for the economy following minimal growth in 2024…
Real GDP and main subitems, YoY change, %



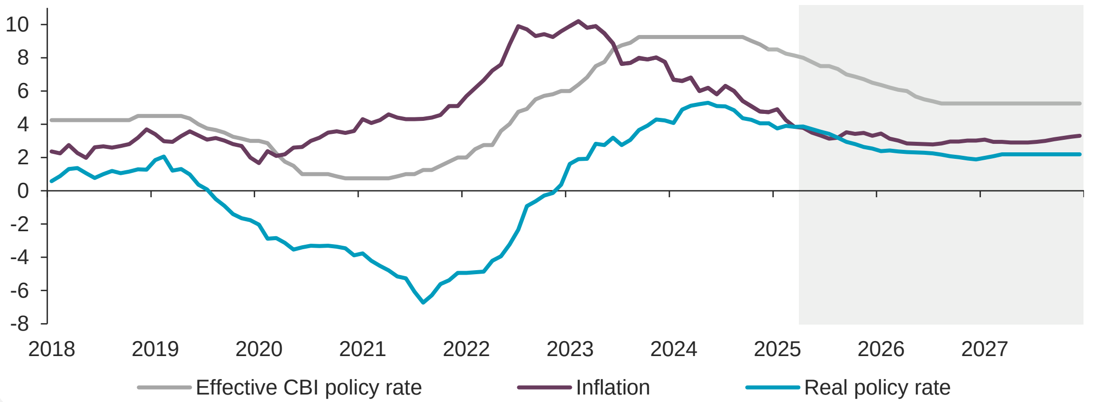
Direct exposure to USA tariffs is modest, concentrated in seafood and medical products
2024 goods exports to USA in ISKbn (left) and Iceland's total external trade in 2023 (%, right)



Inflation looks set to keep subsiding in the near term…
MoM CPI change (%, right axis) and 12m trailing inflation(%, left axis)



…facilitating further gradual rate cuts by the Central Bank
CBI policy rate and real policy rate, %



Source: Statistics Iceland, The Central Bank of Iceland, Islandsbanki Research forecasts

Solid start to the year across all business segments

Personal Banking[1]

13.1% ROE 3.0% NIM

- Loans grew by ISK 4.6 billion in first quarter 2025
- Growth in deposits ISK 8.1 billion during 1Q25
- Partnership with VÍS launched and customers can now view their VÍS insurance products in Íslandsbanki app
- New app launched that includes "Safe to Spend" feature that promotes efficient budgeting and spend control

Business Banking[1]

17.6% ROE 5.9% NIM

- Empowering SME customers across the country in various sectors signifying SMEs' importance for the economy
- Highest market share amongst SMEs with 38% market share[2]
- New lending in 1Q25 totalled ISK 27.5 billion and refinancing ISK 9.5bn
- Ergo has the highest market share in Iceland, with 38% for new registered equipment and machinery financing and 49% for new car rental refinancing in 2024[3]
- Business Banking continues to leverage its strength in market share, services and cross-selling across sectors and regions, with focus on efficiency and delivering top service

Corporate & Investment Banking[1]

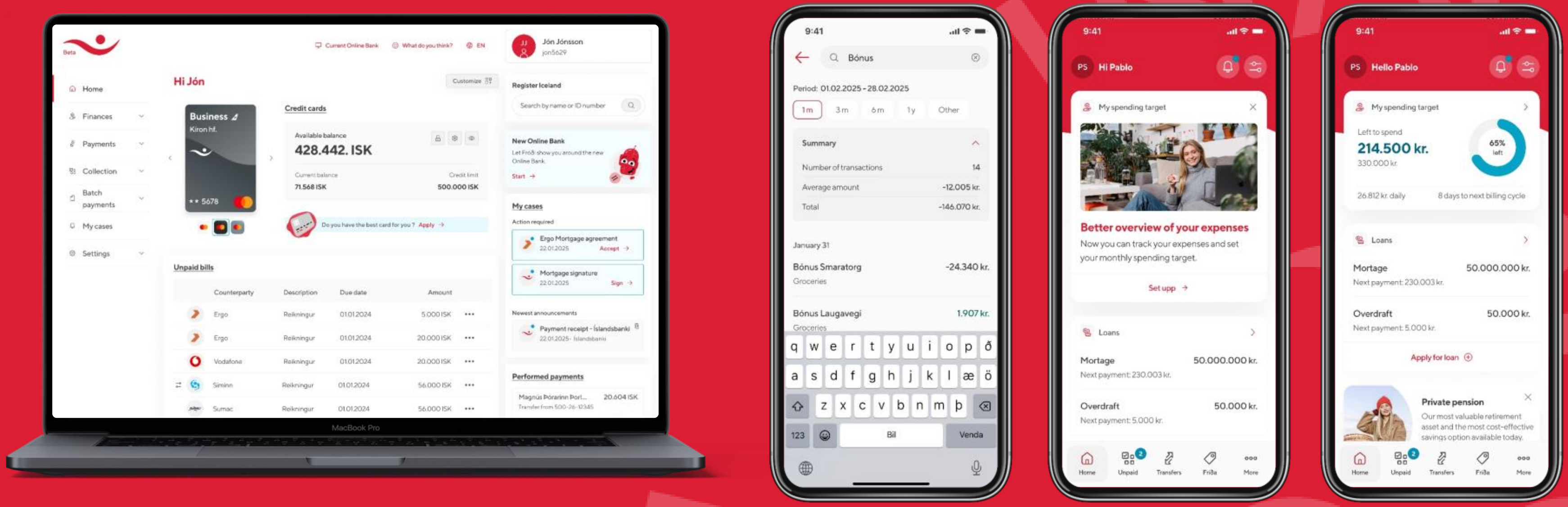
14.3% ROE 3.8% NIM

- Market-leading role domestically in both **equity turnover** on capital markets as well as **in overall securities**
- New lending within CIB in 1Q25 ISK 18.2 billion and refinancing ISK 18.3 billion
- 50% growth of foreign loan portfolio during 1Q25
- Co-hosted a conference on Public Private Partnership and infrastructure financing
- Infrastructure financing abroad – Íslandsbanki is deploying capital and enhancing our experience for the upcoming projects domestically

1. ROE and NIM as of 1Q25 segment reporting, due to internal cost and eliminations aggregated segments may not add up to group figures. 2. Average market share from Gallup's last four corporate surveys, the most recent one conducted in 1Q25. 3. Based on data from The Administration of Occupational Safety and Health and The Icelandic Transport Authority.

Digital innovation continues

New app and new online bank promote customer personalisation and financial health



New app features include

New home screen that includes "**Safe to Spend**" feature that promotes efficient budgeting and spend control

Overdraft applications for SMEs & Corporates improves access to finance when you need it most

Tracking of the status of mortgage applications, helping our customers with having access to credit

Renaming of accounts

Fraud safety settings for debit cards

Extra payment on loans

Partnership with VÍS launched

Important part of enhancing customer loyalty and retention

- Íslandsbanki customers can now have an overview of VÍS insurances in the Íslandsbanki app
- Mutual customers of both companies enjoy special benefits
- VÍS insurance advisors in Íslandsbanki branches adds service value to Íslandsbanki customers visiting branches
- Enhances services to our customers
- The partnership is an important step in enhancing loyalty of our customers and overall customer satisfaction

We create value for the future with our customers

Meaningful participation in projects nurturing long-time relationships and building new ones

Samherji Salmon Garden - Total funding of EUR 235 million

- **Íslandsbanki Corporate Finance** is proud to have been entrusted with leading the financing of the Salmon Garden project
- Total funding of **EUR 235 million**, secured through a combination of **equity private placement** and a **syndicated loan**
- Teams from both Íslandsbanki Corporate Finance and Corporate Banking involved, demonstrating how our broad service offering benefits our customers

Lending by Business Banking in 1Q25

AB VARAHLUTIR

REYKJANES INVESTMENT

Geosea GEOTHERMAL SEA BATHS

Reykjanesbær

Akraneskaupstaður

ARCTIC SEA TOURS DALVÍK

FLÚÐA SVEPPIR FARMERS BISTRO

norlandair

EUR 300 million inaugural Green Senior Preferred issuance

Successful March issuance satisfies the Bank's senior issuance need throughout 2025

Summary terms

Issuer	Íslandsbanki
Issuer's Ratings	A3 (stable)(Moody's)/BBB+ (positive)(S&P)
Issue Rating	A3 (Moody's)
Type	Senior Preferred, Green
Pricing Date	13 March 2025
Maturity date	20 September 2030
Maturity format	5.5 year
Coupon	3.875% per annum
Reoffer spread	MS +140 bps

Transaction Highlights

#45
Allocated orders from **Engaged and Advanced ESG investors**

Green Share 73%

35% from Advanced ESG investors

Inaugural Green in EUR

Order Book Over: **€1Bn**

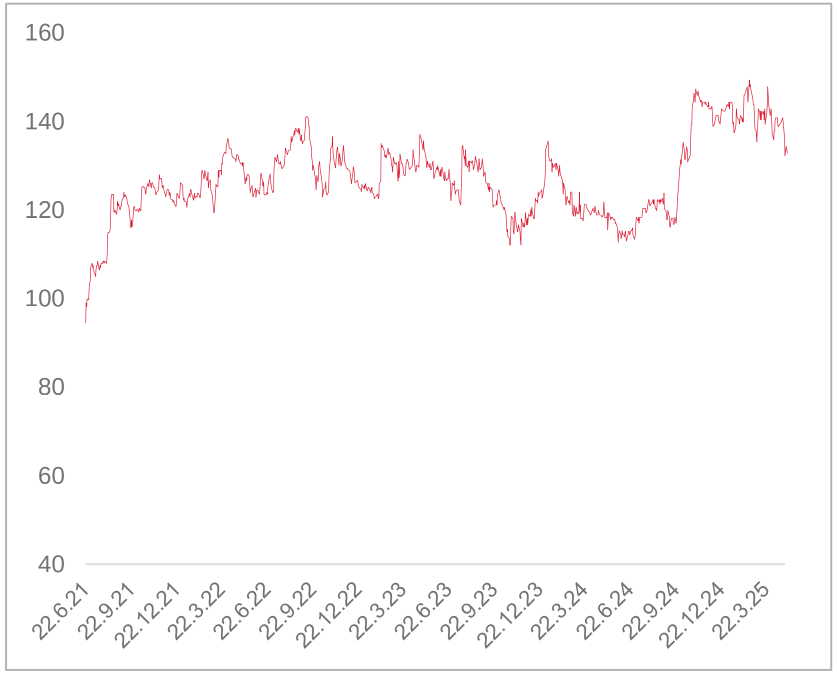
3,3x Oversubscription Ratio

Limited Final NIP: 5bps

Shareholding and share price development

Government clear on intention to continue sell-down of stake in 2025

Íslandsbanki's share price development since IPO
Dividend adjusted price[1]



Íslandsbanki's shareholders
Shareholders of ≥ 1% of the Bank's shares, 31.3.25[2]

The Government of Iceland	45.4%
LSR Pension Fund	7.9%
Gildi Pension Fund	7.1%
Live Pension Fund	5.9%
Capital Group	5.4%
Brú Pension Fund	4.0%
Vanguard	2.4%
Birta Pension Fund	1.6%
Frjálsi Pension Fund	1.6%
Lífsverk Pension Fund	1.2%
Almenni Pension Fund	1.1%
Stapi Pension Fund	1.0%
Festa Pension Fund	1.0%
Other shareholders with less than 1.0% shareholding	14.4%
Total	**100.0%**

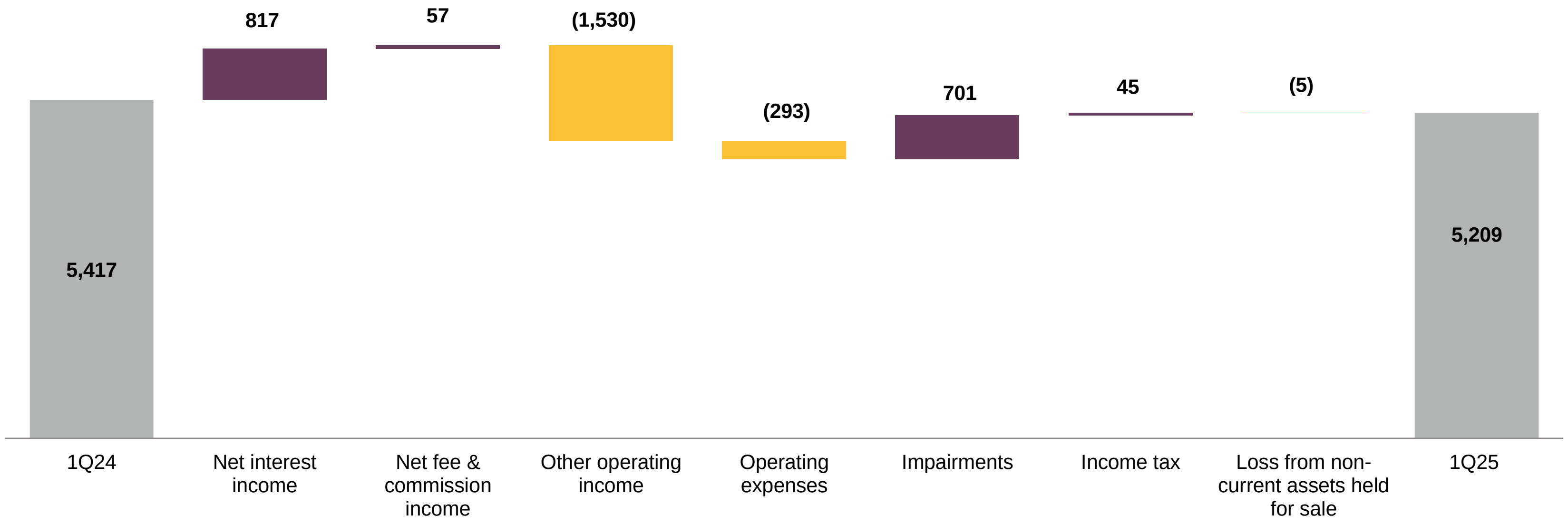
1. Source: Nasdaq Iceland, Share price is adjusted for dividend paid
2. Taking into consideration treasury shares in the ownership calculation

Financial Overview

Positive momentum in net interest income offset by financial expenses

Core income lines growing healthily year-on-year

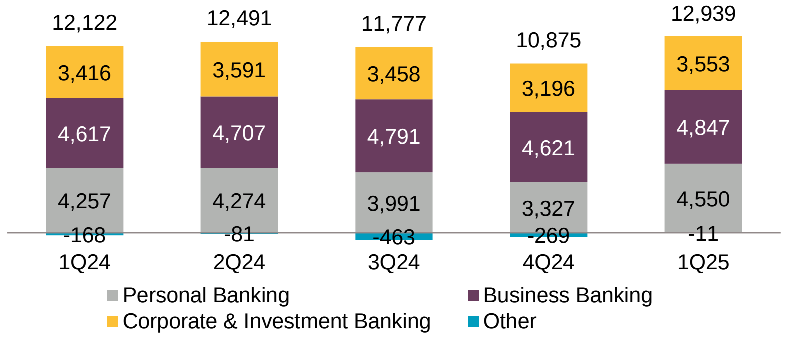
Profit for the period – 1Q24 vs 1Q25
ISKm



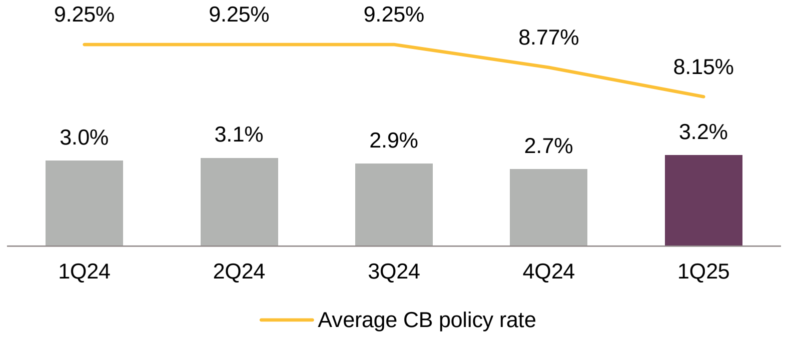
Growing margins year-on-year

Fluctuations assumed for the short term while the economy re-stabilises

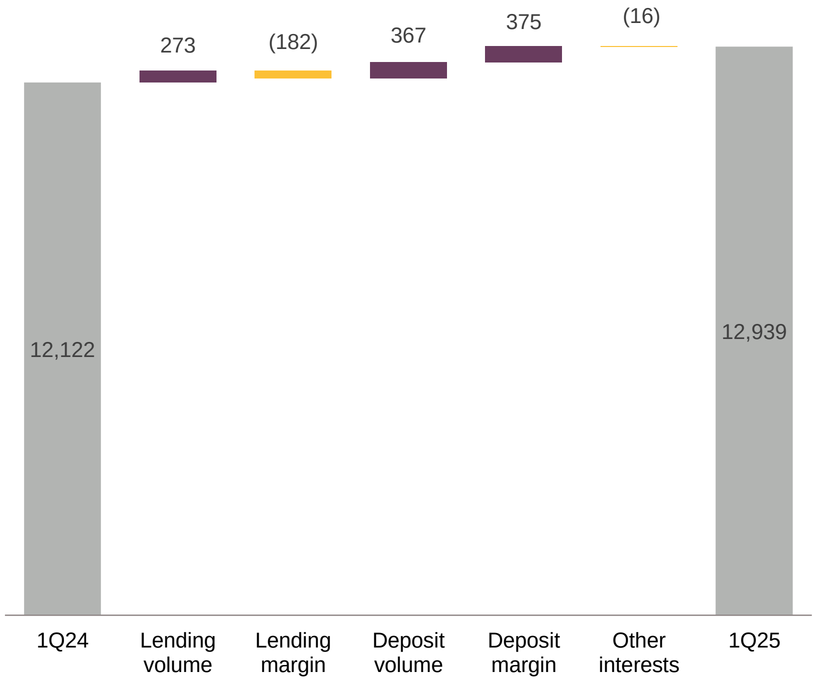
Net interest income
Business segments, ISKm



Net interest margin
On total assets



Net interest income – YoY comparison
ISKm



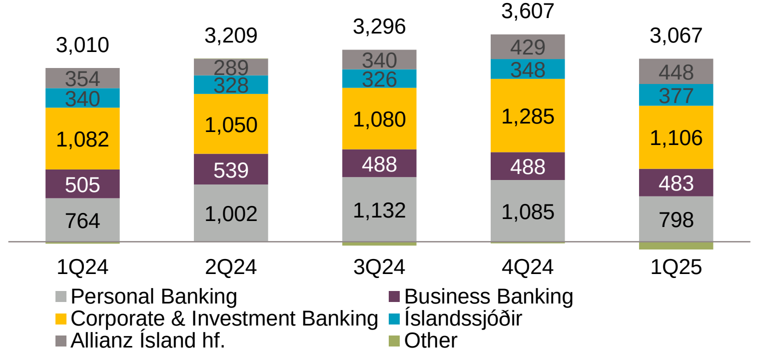
Highlights

- Net interest margin was 3.2% in 1Q25 (3.0% in 1Q24), while net interest margin for 2024 as a whole was 2.9%
- Lending margin was 1.6% in 1Q25 (1.7% in 1Q24)
- Deposit margin was 2.0% in 1Q25 (1.9% in 1Q24)
- Inflation continued to subside during the first quarter, decreasing from 4.6% in January to 3.8% in March
- In line with expectations, the CPI imbalance started to contract during the quarter, from ISK 193 billion to ISK 178 billion
- Aggregated inflationary ticks for 2Q25 forecasted to be 1.50% compared to 1.04% accounted for in 1Q25
- Policy rate cut twice during the quarter by the Central Bank, dropping from 8.5% at January's start to 7.75% by end of March
- Next rate decision by the Central Bank to be announced 21 May

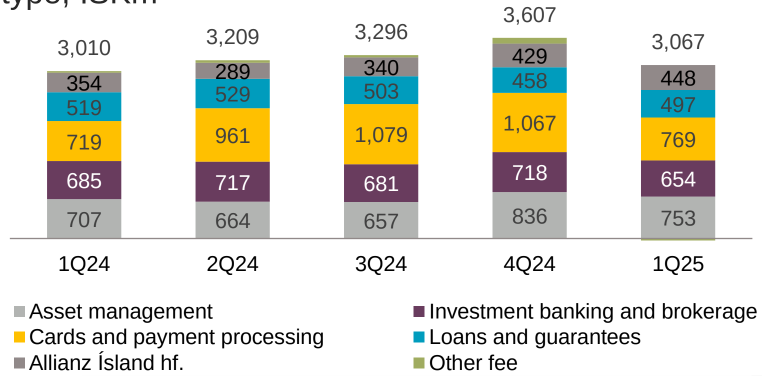
Net fee and commission income increases by 1.9% year-on-year

Turmoil affects fees from capital markets after a strong start to the year

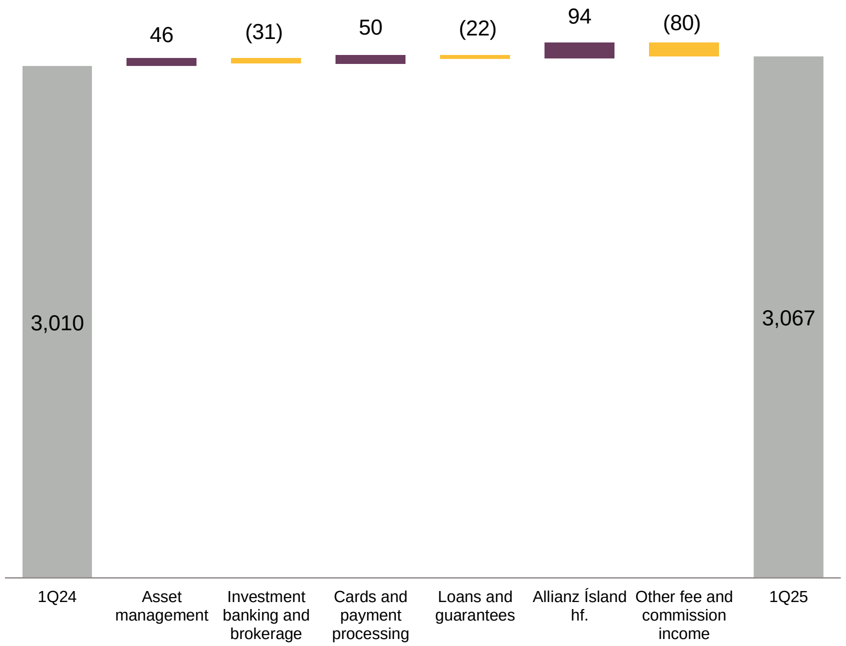
Net fee and commission income
Business segments, ISKm



Net fee and commission income
By type, ISKm



Net fee and commission income – YoY comparison
ISKm



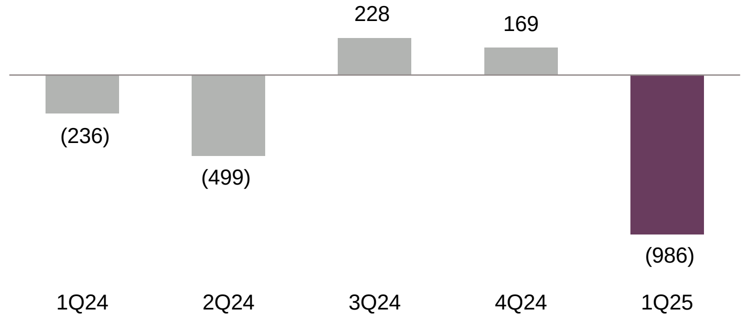
Highlights

- Alllianz Ísland hf., a subsidiary of the Bank, remains, as in recent quarters, a strong contributor to the Group's net fee and commission income
- After a strong start to the year, capital markets experienced considerable turmoil which had an impact in both investment banking and asset management revenues
- Growth in fees related to cards and payment processing year-on-year, while reducing from previous quarter due to seasonality
- Lower interest rate environment expected to continue to boost capital markets and lending activity as the year progresses

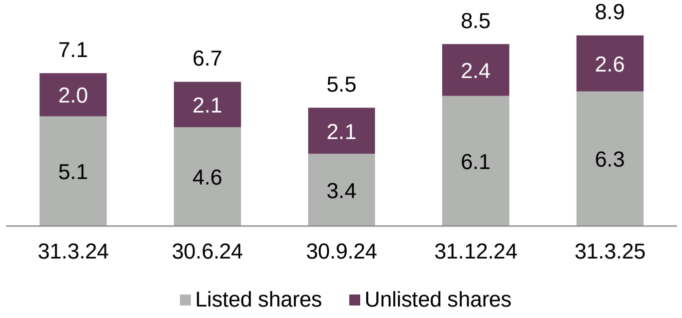
Loss on NFI primarily due to volatility and pressure on capital markets

Other operating income mainly due to fair value adjustment of Kirkjusandur 2

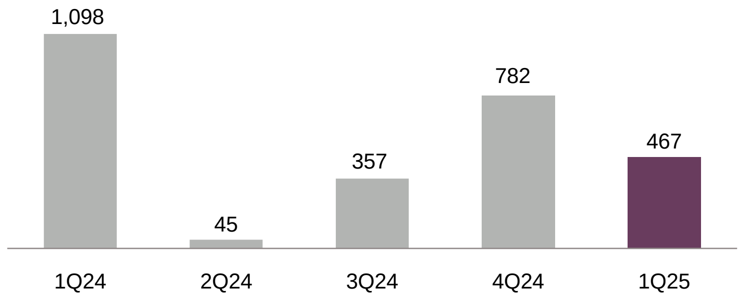
Net financial income (expense)
ISKm



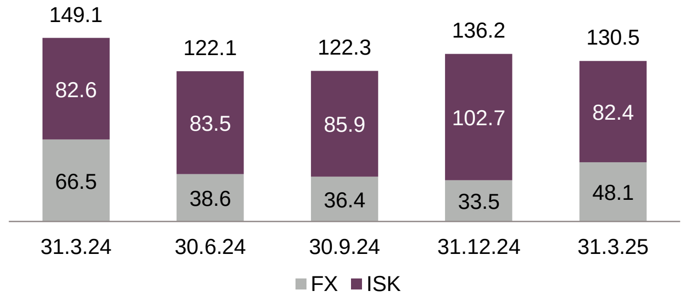
Shares and equity instruments[1]
ISKbn



Other operating income
ISKm



Bonds and debt instruments[2]
ISKbn



Highlights

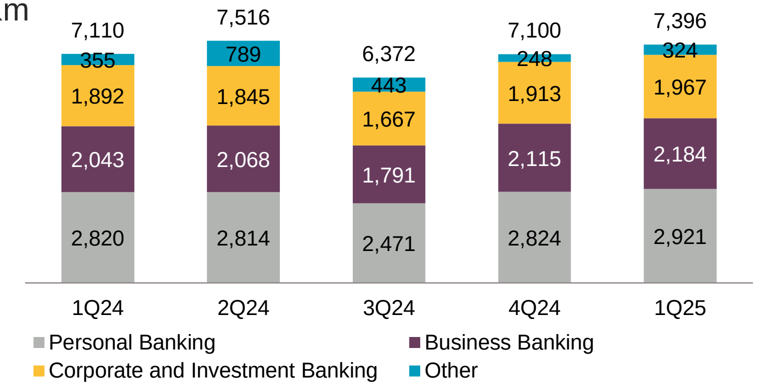
- Net financial expense of ISK 986m in the first quarter, relates to both market making operations, losses related to economic hedging as well as the Group's own market positions
- Other operating income amounted to ISK 467 million, mainly related to fair value adjustments of Kirkjusandur 2
- Equity market risk continues to be limited in size compared to the overall balance sheet of the Bank

1. Excluding listed shares and equity instruments used for economic hedging.
2. Excluding listed bonds and debt instruments used for economic hedging.

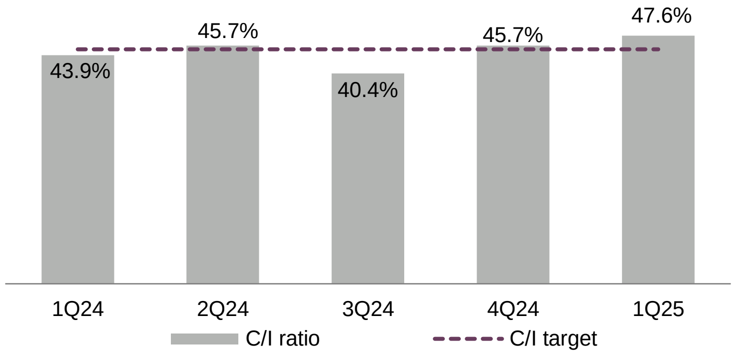
Cost-to-income ratio affected by losses on non-core income lines

The Bank remains committed to its financial target of being below 45% cost-to-income ratio for the year as a whole

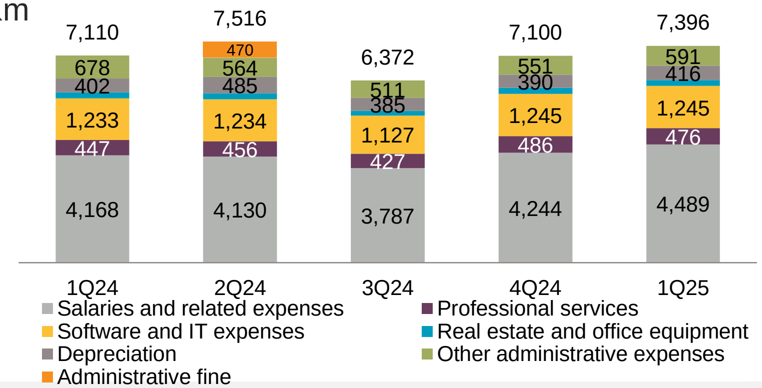
Administrative expenses
ISKm



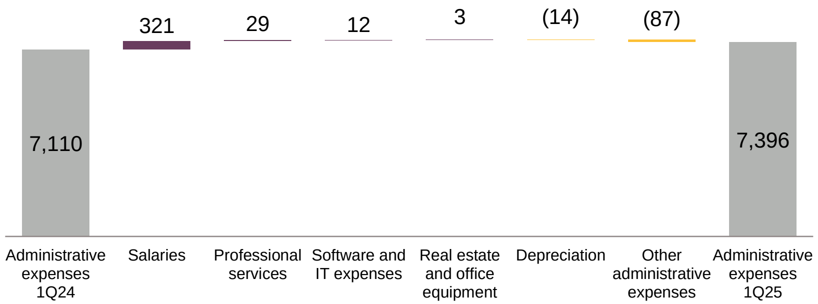
Cost-to-income ratio[1,2]



Administrative expenses – by type
ISKm



Administrative expenses – YoY comparison
ISKm



Highlights

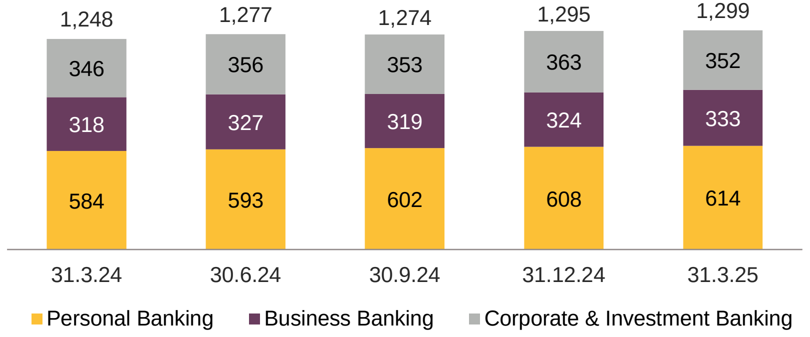
- Salaries and related expenses grew by 7.7% between years
- Average FTEs increased by 5 from previous year while headcount at period-end has started to reduce
- Other operating expenses decreased by 1.2% between years
- The cost-to-income ratio was 47.6% during the quarter, compared to 43.9% for the first quarter of last year, primarily due to lower income attributable to losses on net financial income
- Cost-to-core-income ratio (core income defined as NII and NFCI) however reducing from 47.0% in 1Q24 to 46.2% 1Q25 – no formal guidance in place for cost-to-core-income ratio

1. Calculated as (Administrative expenses – one off items) / Total operating income – one-off items). 2. Expenses of ISK 286m for 1Q24, ISK 210m for 2Q24, and ISK 269m for 3Q24 recognised in the line item "Other operating expenses" in the Group's Interim Financial Statements have been reclassified in the line item "Fee and commission expense", C/I ratio has been restated accordingly. C/I ratio for 2Q24 excludes a charge of ISK 470m due to an administrative fine.

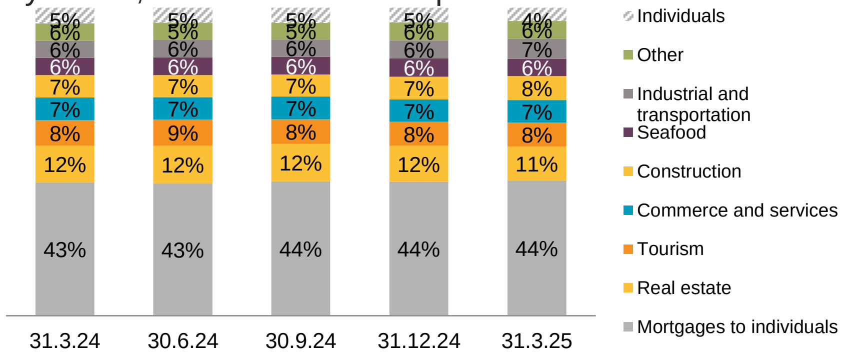
LTVs improve from previous quarter as growth moderates

Loan portfolio focused on lower risk customers and over 93% covered by collateral

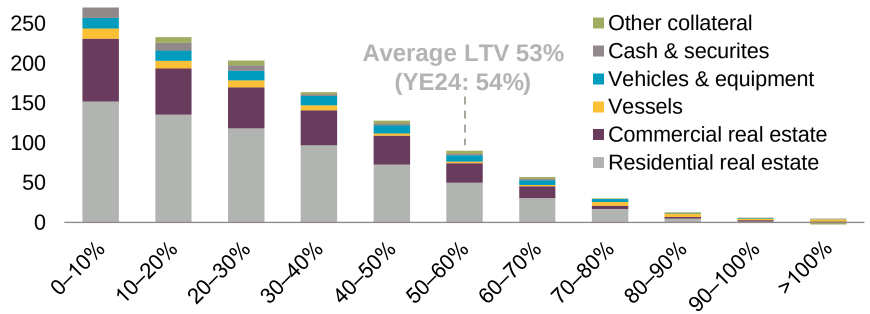
Loans to customers
By business division, ISKbn



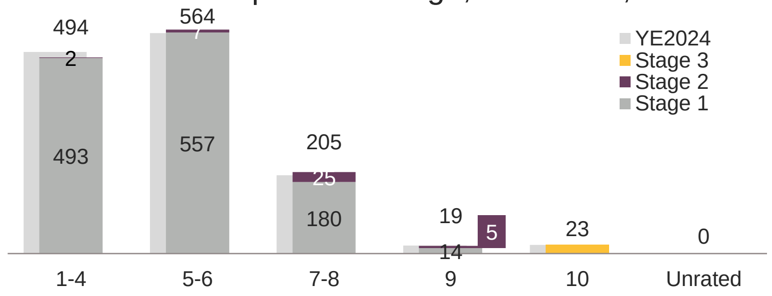
Loans to customers
By sector, with tourism as a separate sector



LTV distribution by underlying asset class
Loan splitting approach, ISKbn



Loans to customers: gross carrying amount[1]
Risk class and impairment stage, 31.3.2025, ISKbn



1. Risk class distribution at YE24 shown as comparison

Highlights

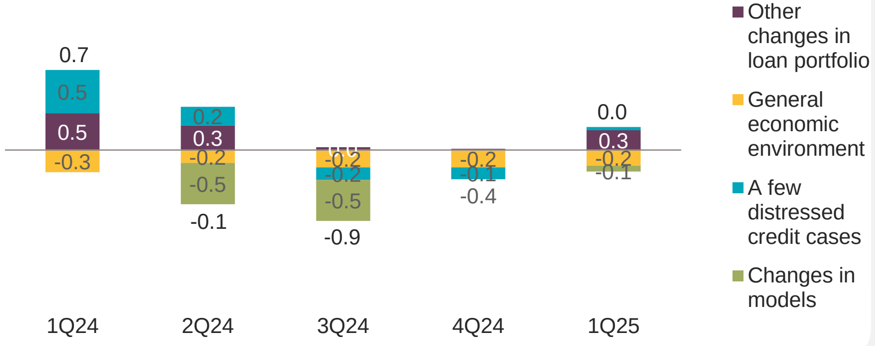
- Credit exposure fully covered by collateral is ISK 1,204bn or 93% of loans to customers
- Composition of the loan portfolio comparable to previous quarters
- The credit quality of assets continues to be robust due to strong risk management practices and conservative lending policies

Asset quality remains both stable and strong

Minimal changes to net impairment during first quarter

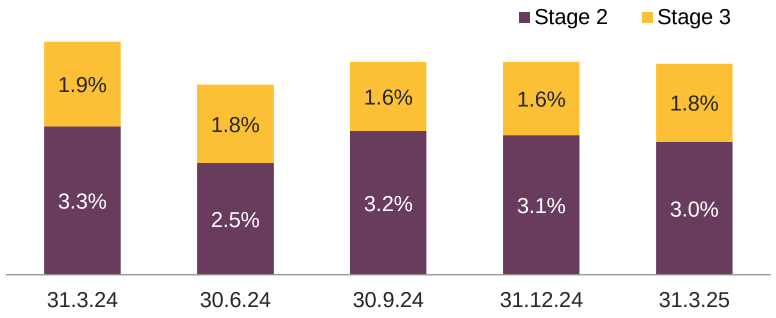
Net impairment on financial assets

By period, ISKbn



Loans to customers: Stage 2 and 3 (NPL)

Development of gross carrying amount as ratio of total loans



Highlights

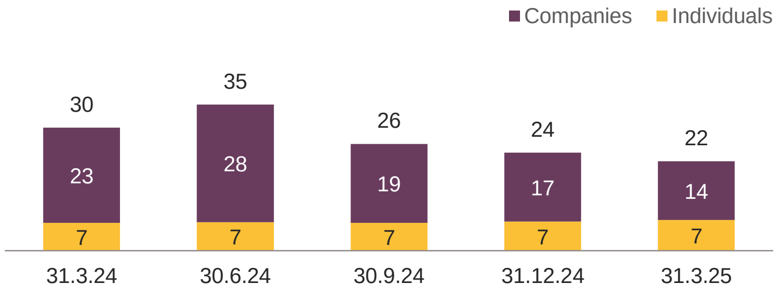
- The Group no longer makes temporary changes to the impairment model due to seismic activity on the Reykjanes peninsula since all customers affected have been assessed on a case-by-case basis
- The definition of forbearance includes a 24-month probation period. Therefore, loans are classified as forborne even after normal payments have resumed
- Reserve coverage ratio (RCR) for impairment allowance on Stage 3 was 16.5% at end of 1Q25, as exposures are very well secured and risk of losses thus limited

Current and expected cost-of-risk

- Annualised cost of risk was 0.1bp in 1Q25 (23bp for 1Q24)
- The probability weights of economic scenarios were kept unchanged at 20% (good), 50% (baseline), and 30% (bad) at the end of 1Q25. The weights were last changed at end of 1Q22.
- A shift of 5% from baseline to the bad scenario would increase the impairment allowance by ISK 0.25bn while 5% shift from the baseline to the good would decrease the allowance by ISK 0.10bn

Performing loans with forbearance

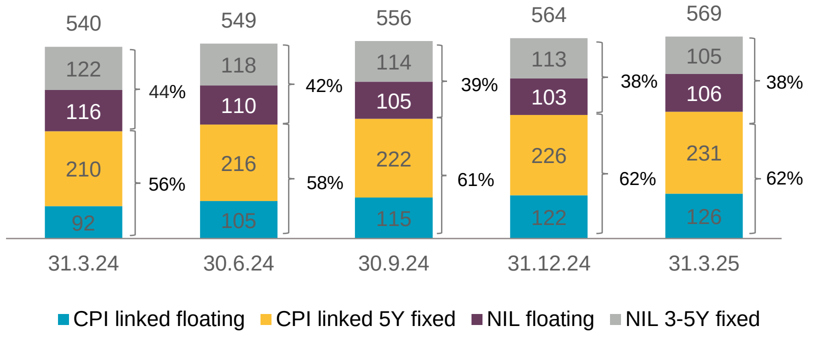
Gross carrying amount, ISKbn



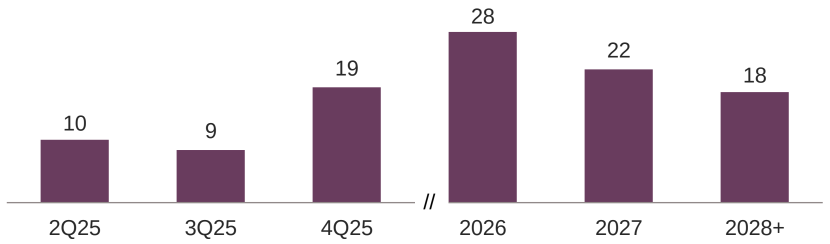
Shift between mortgage products has started to normalise

Fixed rate imbalance continues to run off in line with projections

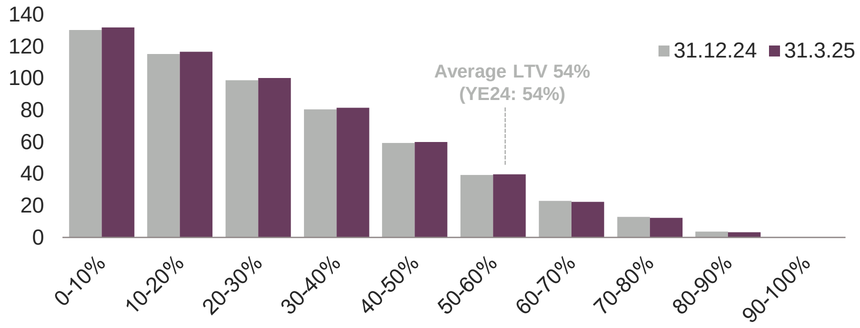
Mortgage portfolio
By interest rate type, gross carrying amount, ISKbn



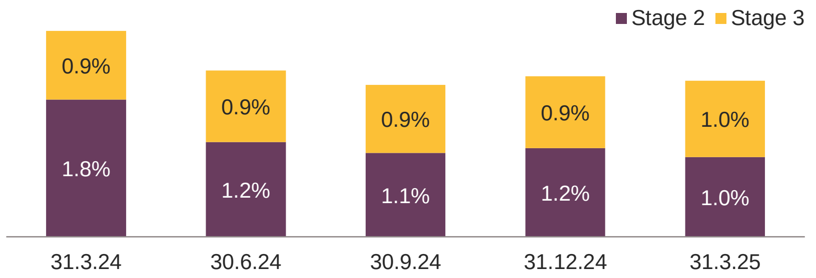
Interest rate reset profile for NIL 3-5y fixed rate mortgages
Gross carrying amount, ISKbn



LTV distribution of mortgages
Gross carrying amount, loan splitting approach, ISKbn



Mortgages portfolio: Stage 2 and 3 (NPL)
Gross carrying amount as ratio of total mortgages



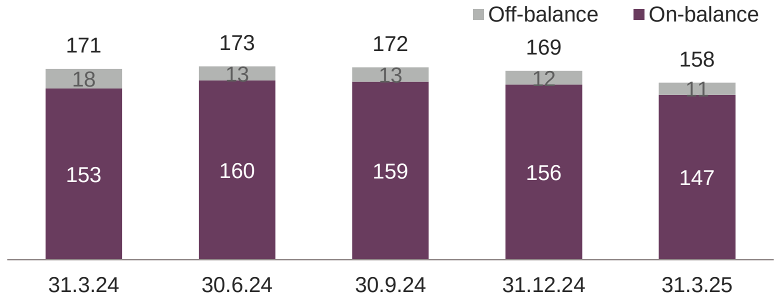
Highlights

- Conservative payment assessment for non-indexed variable rate mortgages in the low interest environment means that households are well prepared for higher interest rate environment
- Growth stabilises in CPI-linked mortgages and increase in variable NIL mortgage rates as customers are managing their payment profile – trend which has started to normalise again
- At origination, LTV is capped at 80% (85% for first time buyers) and debt service-to-income at 30% (35% for first-time buyers)
- Using the loan-splitting approach, the LTV distribution is as follows:
  - 0-55%: 90%
  - 55-80%: 9%
  - 80%+: 1%
- Favourable LTV composition leads to benefits as CRR3 will be implemented

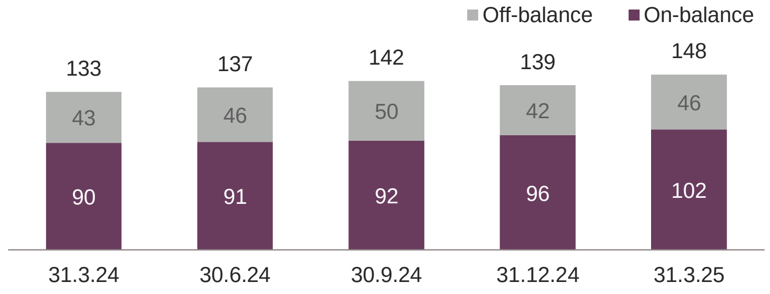
Commercial Real Estate portfolio well diversified and of good quality

Occupancy ratios high for domestic commercial real estate companies

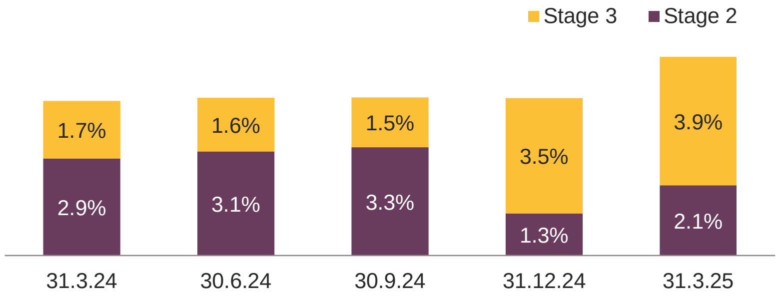
Development of exposure to real estate companies
Gross carrying amount by period, ISKbn



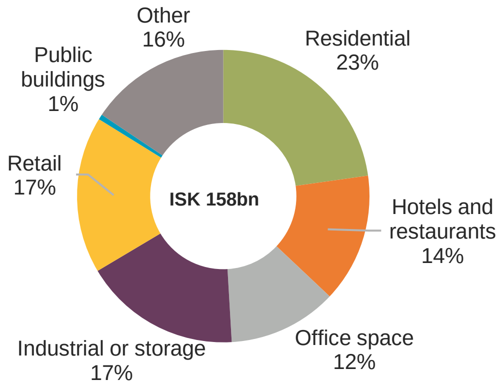
Development of construction exposure
Gross carrying amount by period, ISKbn



Real estate portfolio: Stage 2 and 3 (NPL)
Gross carrying amount as ratio of the real estate portfolio



Real estate collateral by type



Highlights

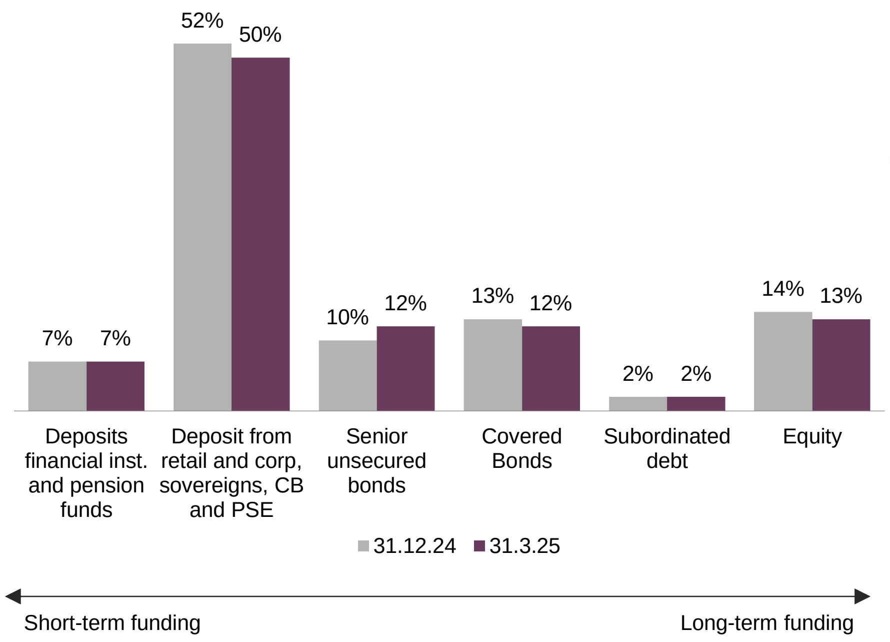
- Growth in Stage 2 relates to a legal dispute between one borrower and a municipality, resulting in a technical default which has since been resolved thus reducing the ratio again in April
- Loans to real estate companies and construction amount to 11% and 8% of loans to customers, respectively
- Disciplined origination with conservative LTV requirements and debt service criteria
- Real estate companies use primarily CPI-linked rental agreements as a form of hedging and have long-term financing to minimise influence of short-term changes in market value of real estate
- High occupancy ratio of the listed commercial real estate companies of around 95%
- Over half of exposure in the construction sector is for residential real estate
- All construction loan commitments are disbursed in line with construction progress as monitored by the Bank or its representatives

Deposits are the largest source of funding

Strong deposit growth makes the Bank more flexible with regards to wholesale funding

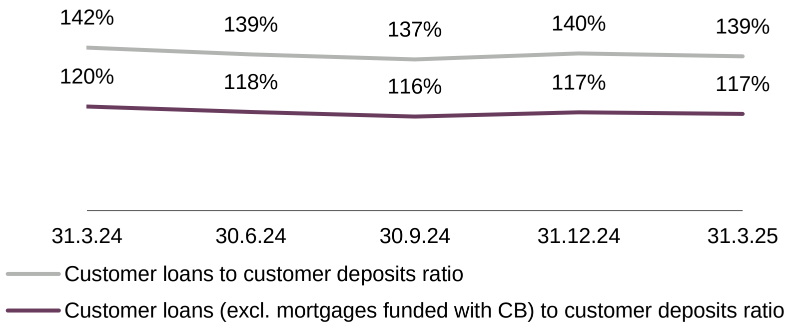
Funding sources

By type, % of total liabilities and equity



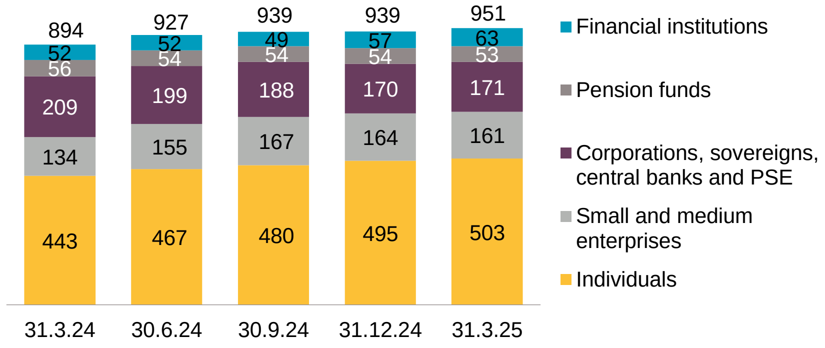
Customer loans to customer deposits ratio

Development, %



Deposits from customers and credit institutions

Development, by LCR category, ISKbn



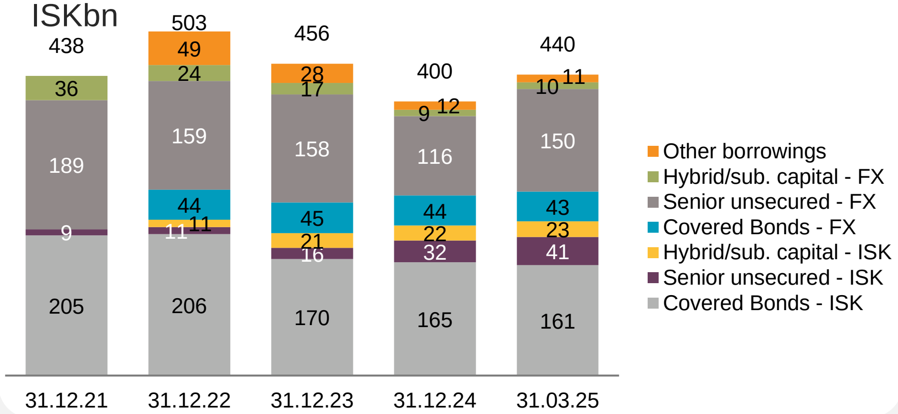
Highlights

- Deposits grew by 1.3% in 1Q25, mainly due to increase in deposits from financial institutions and individuals.
- Retail deposits remain the strongest segment or 53% of total deposits – growing by 4 percentage points year-on-year
- Term deposits were 19% of total deposits at 1Q25
- A detailed split of the deposit base and LCR is provided in the Additional Pillar 3 Disclosure, providing investors with the necessary information to perform their own stress tests on deposits
- 71% of deposits held by individuals (across business segments) and 45% of all deposits covered by deposit guarantee scheme
- Loans to customers ratio decreased slightly from 140% to 139% from YE24

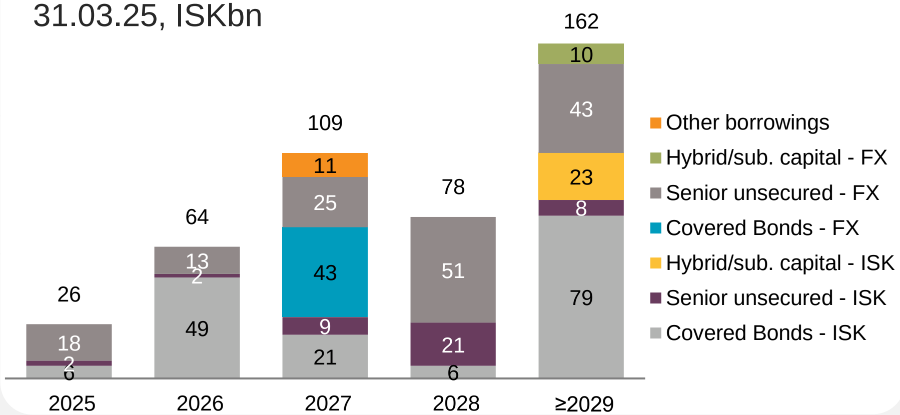
Light maturity profile allows for opportunistic approach to funding

Issuances during the quarter have prefunded the Bank to a large degree limiting exposure to current market volatility

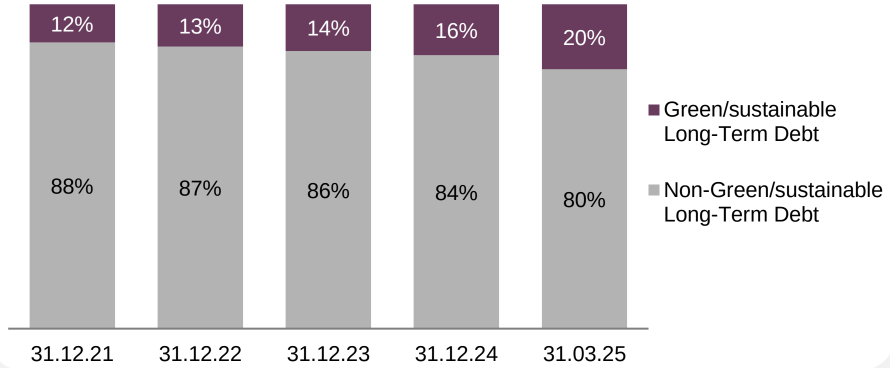
Sources of borrowings
ISKbn



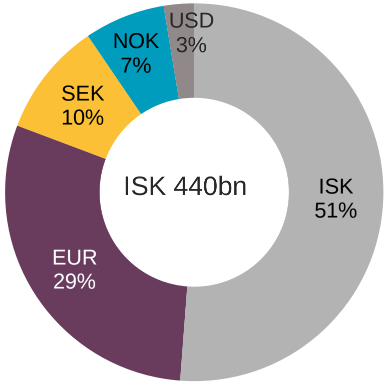
Contractual maturity profile of borrowings
31.03.25, ISKbn



Development of green/sustainable funding
ISKbn



Currency split of borrowings
31.03.25, ISKbn



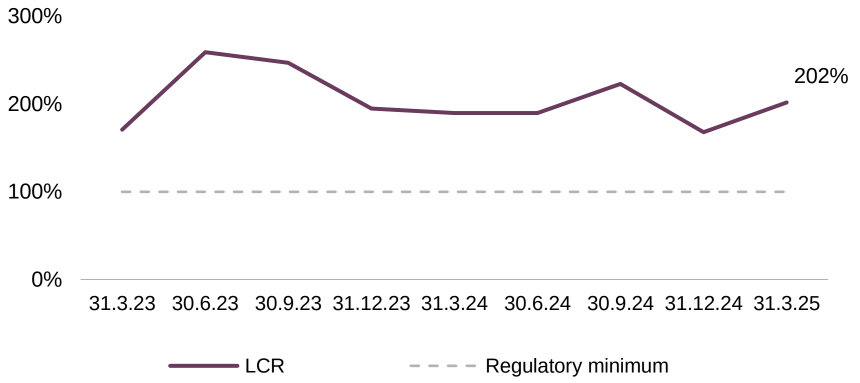
Highlights

- The Bank issued a 5.5yr EUR 300m 2030 senior preferred bond, its first green EUR bond and the longest duration EUR bond in years – strong demand where the book was 3.3x oversubscribed
- Early 1Q25 the Bank also sold a total of SEK/NOK 1bn 2027 and 2028 senior preferred bonds
- In the local market the Bank issued ISK 9bn of senior preferred bonds as well as ISK 3bn of covered bonds
- The Bank's borrowings split remains evenly divided between ISK and foreign currencies
- A light redemption profile through to 2026 allows for an opportunistic approach to funding
- At the end of 1Q25, the Bank's MREL ratio was 37.8%, 830 bps on top of requirements

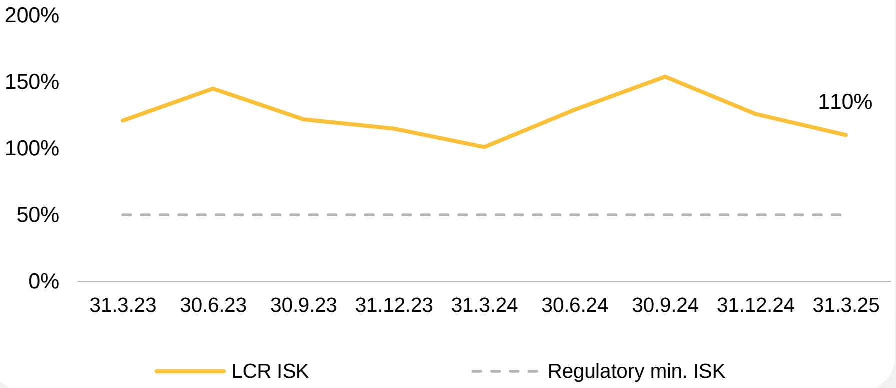
Strong liquidity position, ratios well above requirements

Liquid assets 19% of the total balance sheet and fully marked-to-market

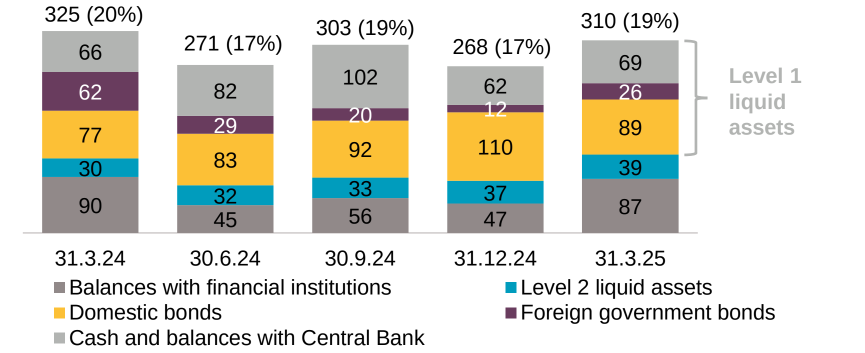
Total liquidity coverage ratio (LCR)



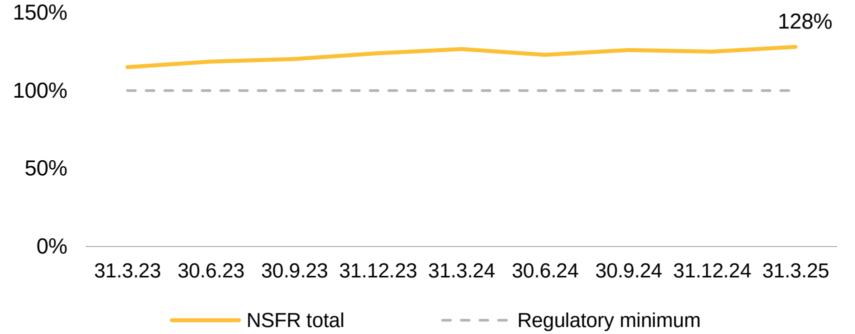
Liquidity coverage ratio for ISK



Liquid assets
% of total assets, ISKbn



Net stable funding ratio (NSFR)



Highlights

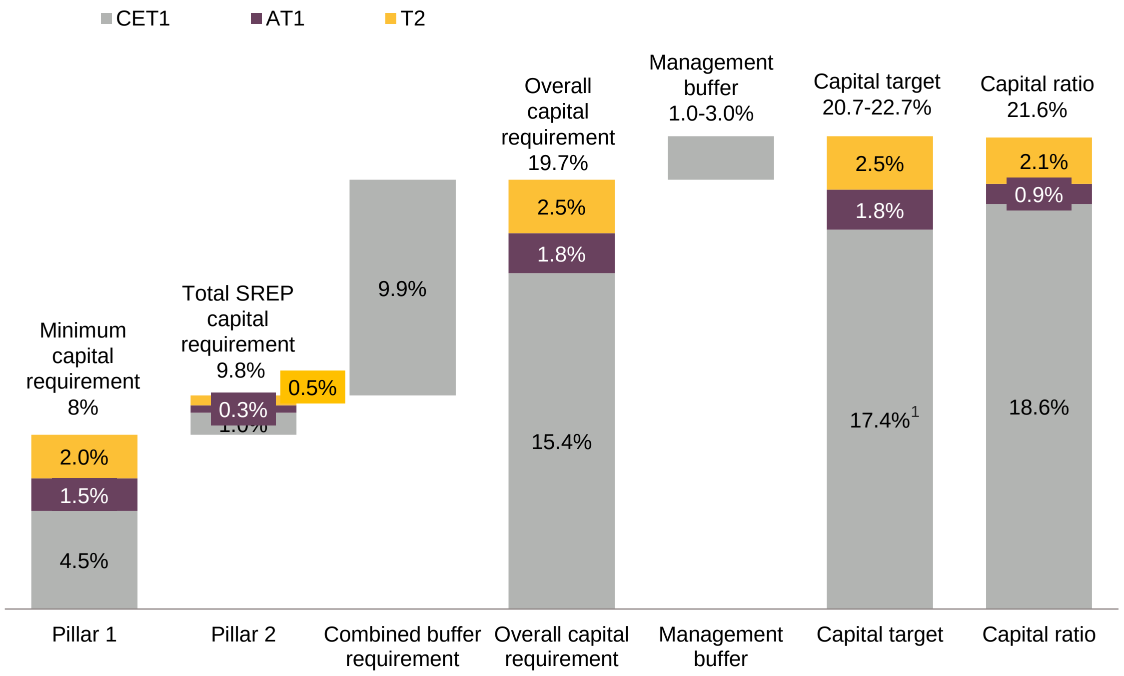
- All liquidity measures well above regulatory requirements
- Total LCR at 202% and NSFR at 128% at 1Q25
- The Bank's EUR LCR at the end of 1Q25 was 736%
- The Bank's securities portfolios are all MtM (FVTPL and FVOCI). There is no unrealised loss due to HtM (amortised cost)
- IRRBB is carefully monitored and managed. The Bank is fully compliant to the supervisory outlier test

Íslandsbanki's capital ratios well above target

Capital optimisation remains a focus point for the Bank, subject to market conditions

Current regulatory requirements and minimum capital target

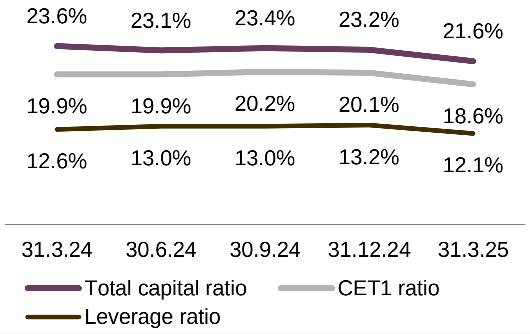
31.3.2025, by capital composition



[1]CET1 capital target set at mid-point of management buffer

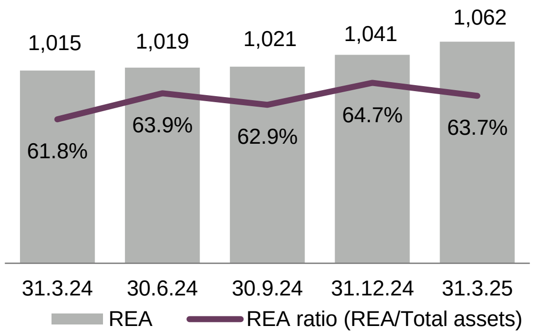
Capital and leverage ratios

% of REA (% of total exposure for leverage ratio)



REA and REA ratio

ISKbn and % of total assets



Highlights

- Íslandsbanki's total capital target ratio is based on the overall regulatory requirement in addition to a 100-300bp management buffer and is currently at 20.7-22.7% compared to an overall capital requirement (incl. combined buffer requirements) of 19.7%
- The Bank remains committed in its efforts to optimise its capital structure through both external and/or organic growth, as well as through distributions to shareholders
- Currently, ISK 16 billion have been allocated to share buybacks which are yet to be completed but deducted from the CET1 capital
- As of now, the Bank estimates the effect of adaptation of CRR3 to be a reduction of REA in the amount of 4-5%, thus boosting capital ratios
- Total distribution capacity (incl uncompleted buybacks) amounts to ISK 37 billion, assuming a fully optimised capital structure and taking into account the effect of CRR3, expected to be implemented in 2Q25

Q&A

Appendix I

About Íslandsbanki and additional financial information

This is Íslandsbanki

We empower our customers to be a force for good

Values

To create value for the future
In a sustainable way

Progressive thinking
Collaboration
Professionalism

The Bank

731 **FTEs**: Number of FTEs at Íslandsbanki at period-end

12 branches

Listed on Nasdaq Iceland as of June 2021

Market share[1]

30% Retail customers

38% SMEs

34% Large companies

Sustainability in 1Q25

- Successful issuance of a EUR 300 million green senior preferred notes with a maturity of 5.5 year
- Íslandsbanki's sustainable assets amounted to ISK 117bn at the end of 1Q25
- Sustainability risk was integrated into the Bank's risk model for corporate lending

Key Figures 1Q25

ROE	9.4%	LCR Group, all currencies	202%
Cost-to-income ratio	47.6%	NSFR Group, all currencies	128%
CET 1 ratio	18.6%	Leverage ratio	12.1%
Total capital ratio	21.6%	Total assets	ISK 1,667bn

Ratings and certifications

Moody's
A3 Stable outlook

S&P Global Ratings
BBB+/A-2
Positive outlook

EQUAL PAY CERTIFICATE 2025 - 2028

EQUALITY SCALE FKA 2024 AWARD

Digital milestones in 1Q25

- New app launched with many new features including promoting efficient budgeting and spend control
- Real time notification when savings realised with Fríða loyalty program that helps creating a savings culture
- Syndicated loans solution for corporate clients launched

1. For retail customers, based on the number of customers with active deposits as percentage of people with domicile in Iceland, for SMEs on average market share from Gallup's last four corporate surveys the most recent one carried out during 1Q25 and for large companies the market share according to a Gallup survey at end of 2024 among top 300 companies according to Frjáls verslun magazine.

Financial overview

Key figures & ratios

		1Q25	4Q24	3Q24	2Q24	1Q24
PROFITABILITY	Profit for the period, ISKm	**5,209**	6,283	7,280	5,266	5,417
	Return on equity	**9.4%**	11.2%	13.2%	9.7%	9.8%
	Net interest margin (of total assets)	**3.2%**	2.7%	2.9%	3.1%	3.0%
	Cost-to-income ratio[1,2]	**47.6%**	45.7%	40.4%	45.7%	43.9%
	Cost of risk[3]	**0.00%**	(0.11%)	(0.27%)	(0.04%)	0.23%
		31.3.25	31.12.24	30.9.24	30.6.24	31.3.24
BALANCE SHEET	Loans to customers, ISKm	**1,298,849**	1,295,388	1,274,094	1,276,608	1,248,295
	Total assets, ISKm	**1,667,429**	1,607,807	1,622,458	1,595,896	1,643,707
	Risk exposure amount, ISKm	**1,061,903**	1,040,972	1,021,243	1,019,494	1,015,161
	Deposits from customers, ISKm	**936,779**	926,846	927,011	916,127	879,554
	Customer loans to customer deposits ratio	**139%**	140%	137%	139%	142%
	Non-performing loans (NPL) ratio[4]	**1.8%**	1.6%	1.6%	1.8%	1.9%
LIQUIDITY	Net stable funding ratio (NSFR), for all currencies	**128%**	125%	126%	123%	127%
	Liquidity coverage ratio (LCR), for all currencies	**202%**	168%	223%	190%	190%
CAPITAL	Total equity, ISKm	**217,894**	227,355	223,388	216,501	215,718
	CET1 ratio[5]	**18.6%**	20.1%	20.2%	19.9%	19.9%
	Tier 1 ratio[5]	**19.5%**	21.0%	21.2%	20.9%	20.9%
	Total capital ratio[5]	**21.6%**	23.2%	23.4%	23.1%	23.6%
	Leverage ratio[5]	**12.1%**	13.2%	13.0%	13.0%	12.6%
	MREL ratio[6]	**37.8%**	33.4%	35.6%	35.6%	39.1%

1. Calculated as (Administrative expenses – One-off items) / (Total operating income – One-off items). 2. Expenses of ISK 286m for 1Q24, ISK 210m for 2Q24, and ISK 269m for 3Q24 recognised in the line item "Other operating expenses" in the Group's Interim Financial Statements have been reclassified in the line item "Fee and commission expense", C/I ratio has been restated accordingly. C/I ratio for 2Q24 excludes a charge of ISK 470m due 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. Including 1Q24 profit for 31.3.24. 6. MREL ratio includes the CET1 capital held to meet the combined buffer requirement.

Income statement

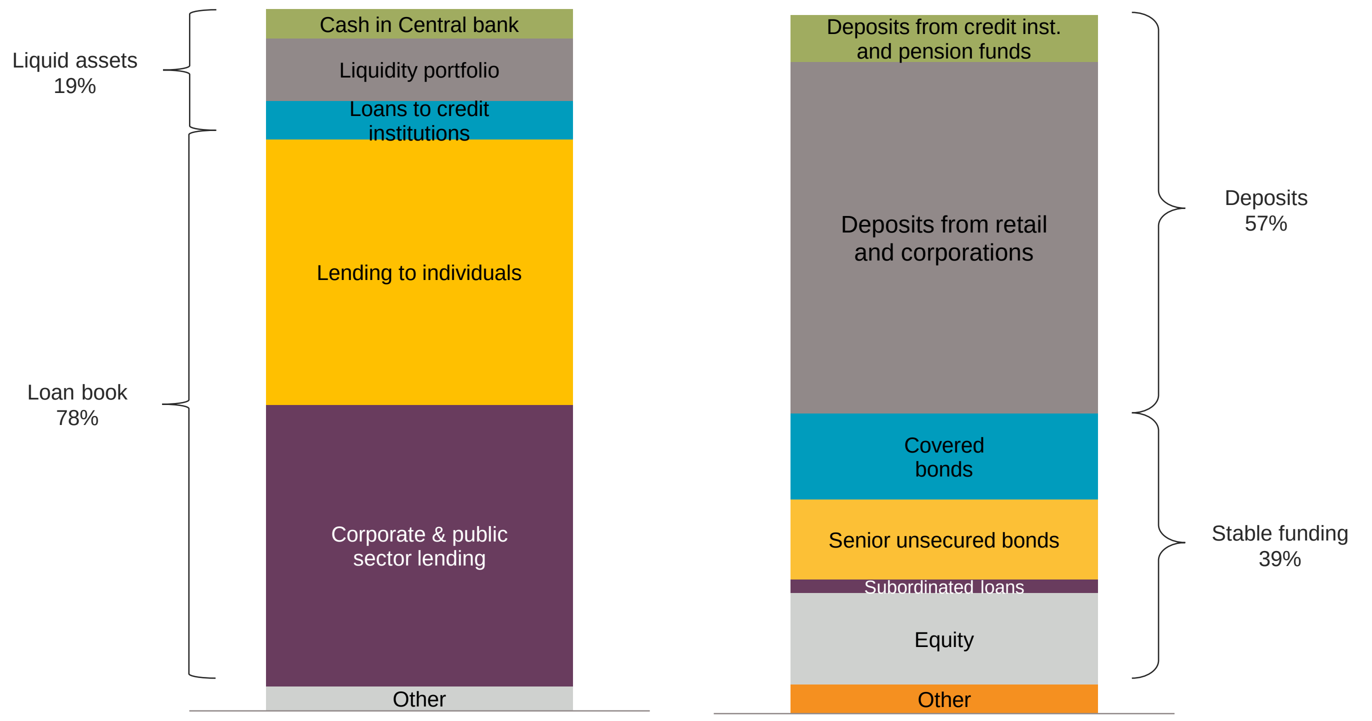
Income statement, ISKm	1Q25	1Q24	Δ%	4Q24	Δ%
Net interest income	**12,939**	12,122	7%	10,875	19%
Net fee and commission income	**3,067**	3,010	2%	3,607	(15%)
Net financial income (expense)	**(986)**	(236)	318%	169	-
Net foreign exchange gain	**47**	196	(76%)	113	(58%)
Other operating income	**467**	1,098	(57%)	782	(40%)
Total operating income	**15,534**	16,190	(4%)	15,546	(0%)
Salaries and related expenses	**(4,489)**	(4,168)	8%	(4,244)	6%
Other operating expenses	**(2,907)**	(2,942)	(1%)	(2,856)	2%
Administrative expenses	**(7,396)**	(7,110)	4%	(7,100)	4%
Bank tax	**(500)**	(493)	1%	(454)	10%
Total operating expenses	**(7,896)**	(7,603)	4%	(7,554)	5%
Net impairment on financial assets	**(3)**	(704)	(100%)	352	-
Profit before tax	7,635	7,883	(3%)	8,344	(8%)
Income tax expense	**(2,423)**	(2,468)	(2%)	(2,058)	18%
Profit for the period before profit from non-current assets	**5,212**	5,415	(4%)	6,286	(17%)
Profit from non-current assets held for sale, net of tax	**(3)**	2	-	(3)	0%
Profit for the period	**5,209**	5,417	(4%)	6,283	(17%)

Key ratios	1Q25	1Q24	4Q24
Net Interest Margin (NIM)	**3.2%**	3.0%	2.7%
Cost-to-income ratio (C/I)	**47.6%**	43.9%	45.7%
Return on Equity (ROE)	**9.4%**	9.8%	11.2%
Cost of risk (COR)	**0.00%**	0.23%	(0.11%)

Balance sheet reflects a balanced loan and funding profile

Conservative mix of assets and stable funding

Simplified balance sheet structure
31.3.25, ISK 1,667bn



Assets

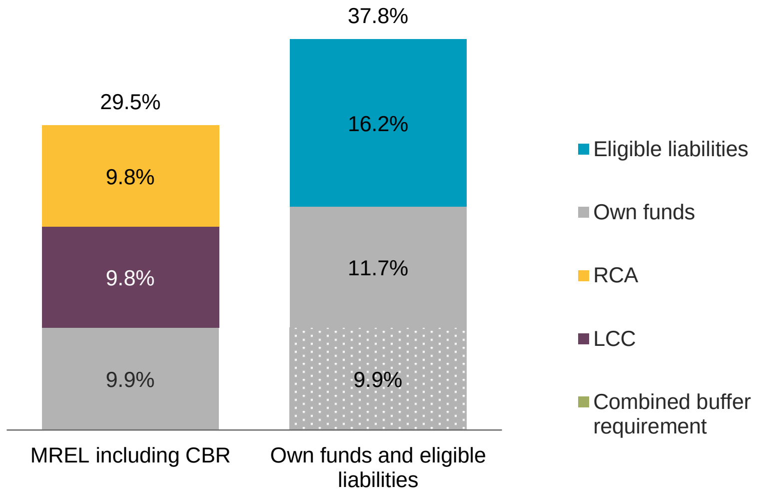
- Vast majority of assets consist of lending to both retail and corporates
- Strong liquidity portfolio is a consistent factor in balance sheet management
- Very limited exposure to non-liquid or non-lending assets

Liabilities

- Deposits from retail and corporates are the single largest funding source
- Bonds and debt instruments have become a more prominent part of the funding mix thanks to continuous focus on attracting new pockets of demand, including foreign currency and ESG issuance

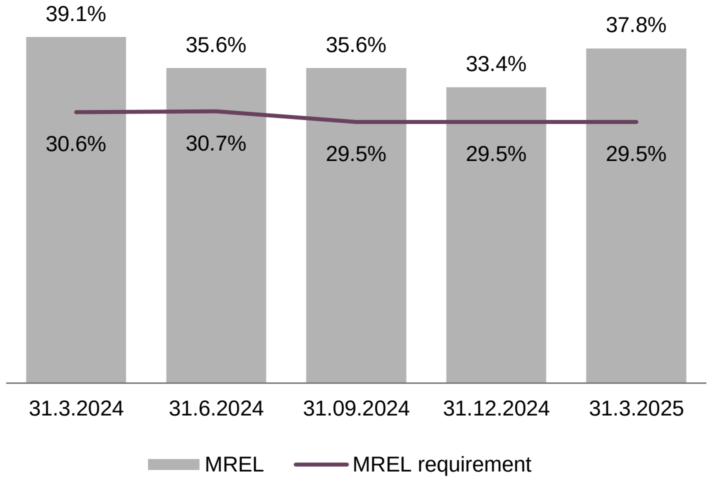
Íslandsbanki's MREL requirement

Minimum Requirement for Own Funds and Eligible Liabilities (MREL), 31.3.2025



MREL = RCA+LCC =2x(P1+P2)

MREL Development, %



- Íslandsbanki's MREL requirement is the sum of the Loss absorption amount (LAA) and Recapitalisation amount (RCA), both equal to the total SREP capital requirement of 9.8%, resulting in an MREL requirement of 19.8% of REA
- CET1 capital that is maintained to meet the combined buffer requirement can not be used to fulfill MREL, therefore the effective requirement can be monitored as 29.5% of REA
- MREL ratio rises to 37.8%, as eligible liabilities increase following the Bank's EUR 300m issuance of senior preferred notes in 1Q25

Assets

Asset base mainly consists of loans and liquid assets

Assets, ISKm	31.3.25	31.12.24	Δ	Δ%
Cash and balances with Central Bank	**69,944**	65,716	4,228	6%
Loans to credit institutions	**92,259**	50,486	41,773	83%
Bonds and debt instruments	**142,937**	142,618	319	0%
Derivatives	**9,092**	5,324	3,768	71%
Loans to customers	**1,298,849**	1,295,388	3,461	0%
Shares and equity instruments	**20,606**	24,330	(3,724)	(15%)
Investment in associates	**4,857**	4,701	156	3%
Investment property	**2,900**	2,600	300	12%
Property and equipment	**5,135**	5,039	96	2%
Intangible assets	**2,636**	2,684	(48)	(2%)
Other assets	**16,532**	7,304	9,228	126%
Non-current assets held for sale	**1,682**	1,617	65	4%
Total Assets	**1,667,429**	1,607,807	59,622	4%

Key ratios

Risk Exposure Amount (REA)	**1,061,903**	1,040,972	20,931	2%
REA / total assets	**63.7%**	64.7%		
Non-performing loans (NPL) ratio[1]	**1.8%**	1.6%		

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

Liabilities and equity

Deposits continue to be the largest source of funding

Liabilities & Equity, ISKm	31.3.25	31.12.24	Δ	Δ%
Deposits from Central Bank and credit institutions	**14,374**	12,535	1,839	15%
Deposits from customers	**936,779**	926,846	9,933	1%
Derivative instruments and short positions	**6,677**	7,306	(629)	(9%)
Debt issued and other borrowed funds	**407,266**	367,586	39,680	11%
Subordinated loans	**32,502**	31,695	807	3%
Tax liabilities	**12,912**	12,916	(4)	(0%)
Other liabilities	**39,025**	21,568	17,457	81%
Total Liabilities	**1,449,535**	1,380,452	69,083	5%
Total Equity	**217,894**	227,355	(9,461)	(4%)
Total Liabilities and Equity	**1,667,429**	1,607,807	59,622	4%

Key ratios

Customer loans to customer deposits ratio	**139%**	140%
Net stable funding ratio (NSFR)	**128%**	125%
Liquidity coverage ratio (LCR)	**202%**	168%
CET1 ratio	**18.6%**	20.1%
Tier1 capital ratio	**19.5%**	21.0%
Total capital ratio	**21.6%**	23.2%
Leverage ratio	**12.1%**	13.2%
MREL ratio	**37.8%**	33.4%

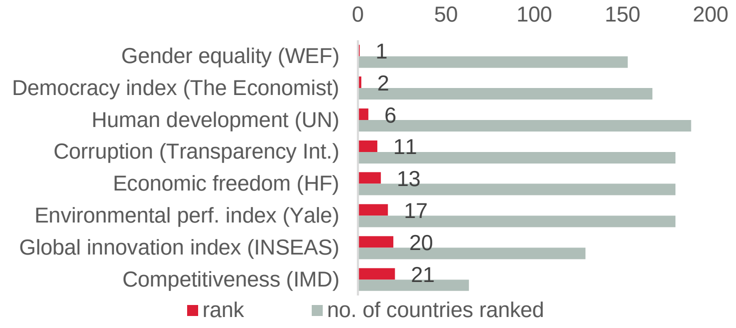
Appendix II

Icelandic economy update

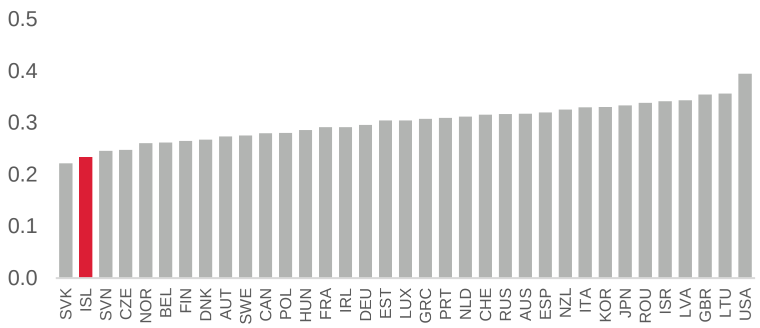
The Icelandic economy and society draw on many strengths

Icelanders enjoy high standards of living in a modern, open and egalitarian society

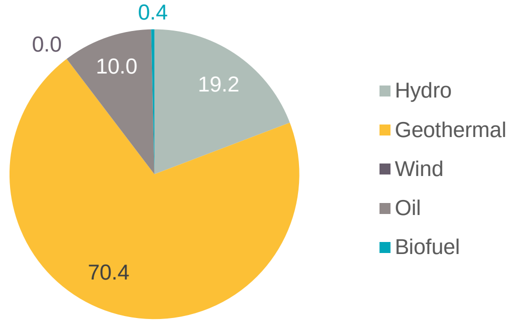
Iceland ranks highly on a variety of global development benchmarks



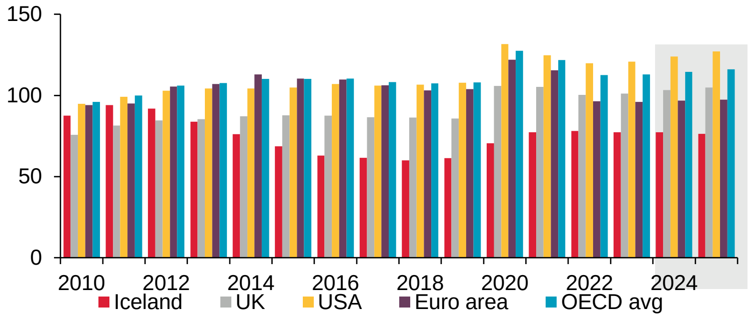
Income inequality is low compared to OECD peers
Gini coefficient, OECD, most recent data available



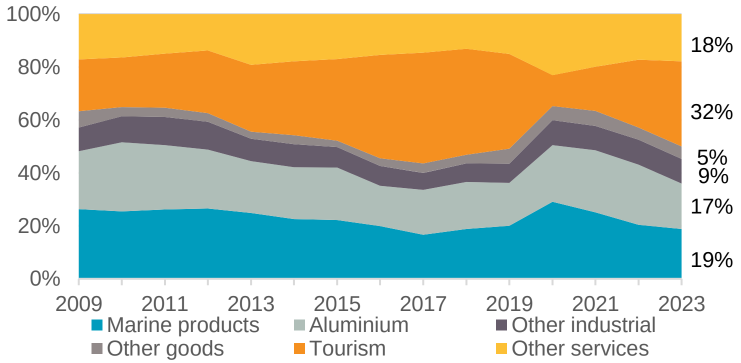
Sustainable energy usage is prevalent
Energy consumption by source, 2020



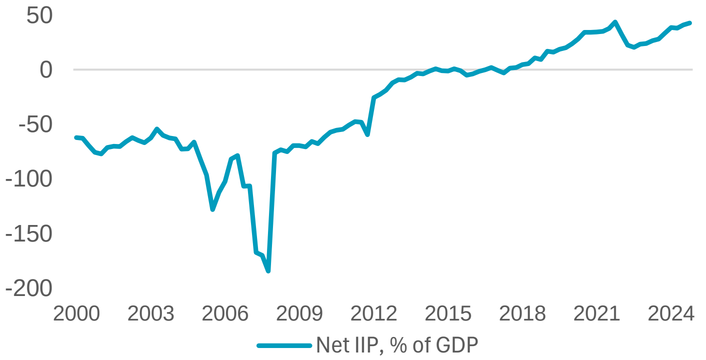
Public debt remains sustainable after pandemic
General govt. gross financial liabilities, % of GDP



Export base has grown more diverse over time
Export contribution by industry



Net international investment position has changed
% of GDP



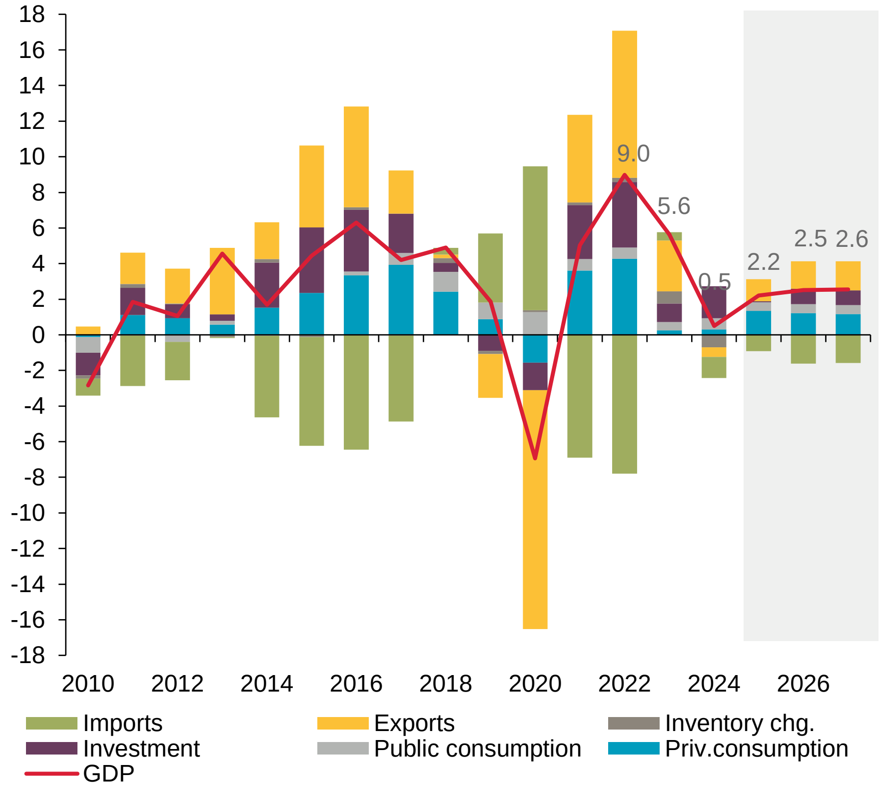
Shaded area denotes OECD forecast

Source: Statistics Iceland, Central Bank of Iceland, OECD, IMF, WEF, IEP, The Economist, UN, Transparency Int., HF, Yale, IMD, INSEAD

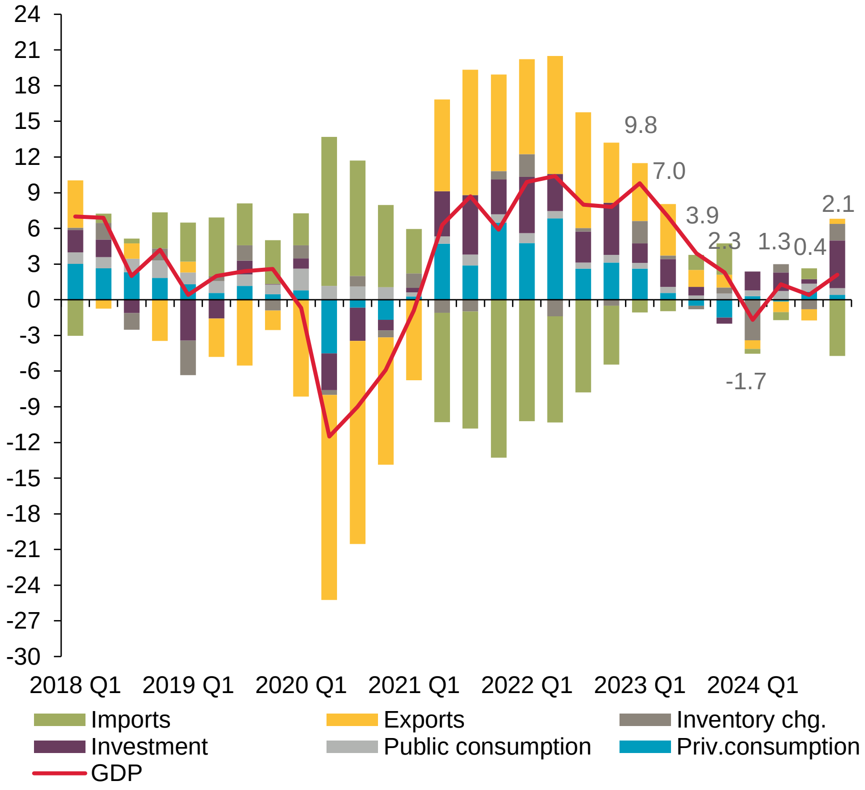
Economic tailwinds picking up speed

A fairly smooth upward path for the economy, driven equally by exports and domestic demand

GDP and contribution of its subcomponents
Volume change from prior year (%), annual data



GDP and contribution of its subcomponents
Volume change from prior year (%), annual data



Highlights

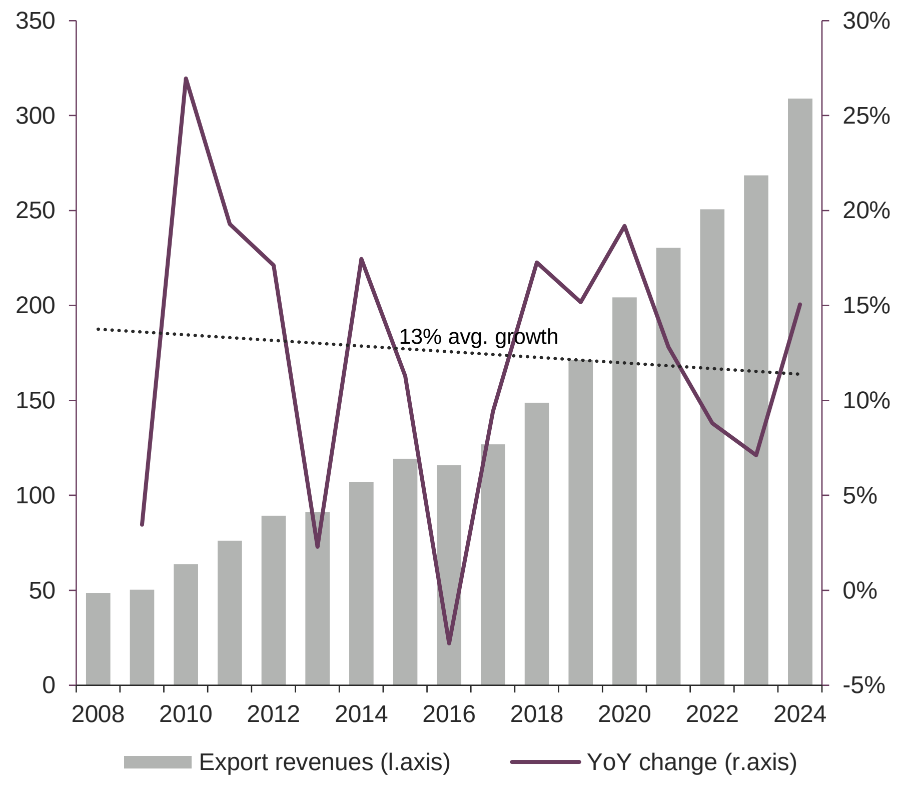
- After robust growth in 2021-2022, GDP growth slowed, culminating in an estimated 0.5% growth in 2024, signaling a shift in the business cycle.
- Despite the slowdown, domestic demand saw modest growth in 2024, though negative contributions from net exports and inventory changes, including a failed capelin catch, weighed on overall performance.
- GDP growth is forecasted at 2.2% for 2025, driven by private consumption supported by real wage growth, population increases, and savings drawdowns, along with a positive contribution from net trade.
- Output growth is projected to rise further, reaching 2.5% in 2026 and 2.6% in 2027, spurred by rebounding investment and stronger demand in the export sector, although private consumption growth may soften slightly.
- The latest forecast adjusts prior projections, attributing stronger GDP growth in 2025 partly to base effects from the 2024 contraction.
- Risks include global factors such as potential tariff wars and escalating conflicts in Eastern Europe and the Middle East, as well as domestic concerns like geological activity, energy production delays, and housing market dynamics.

Sources: Statistics Iceland, ÍSB Research

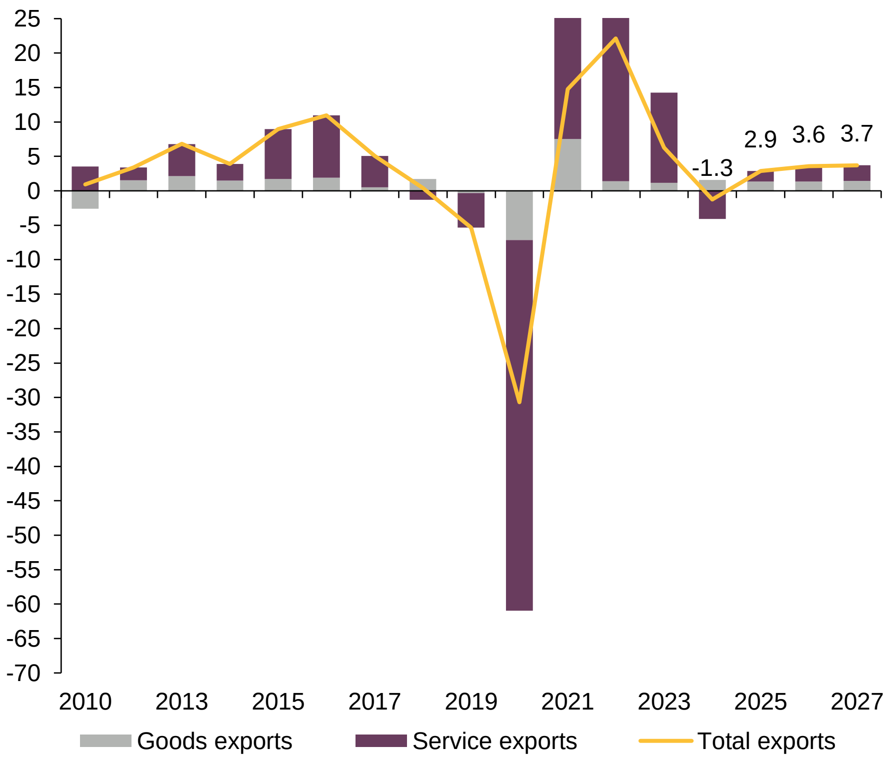
New sources of export growth come to the fore

Export growth resumes following a modest decline in 2024

IP-based sector export revenues
ISKbn



Exports and contribution from subcomponents
% change



Highlights

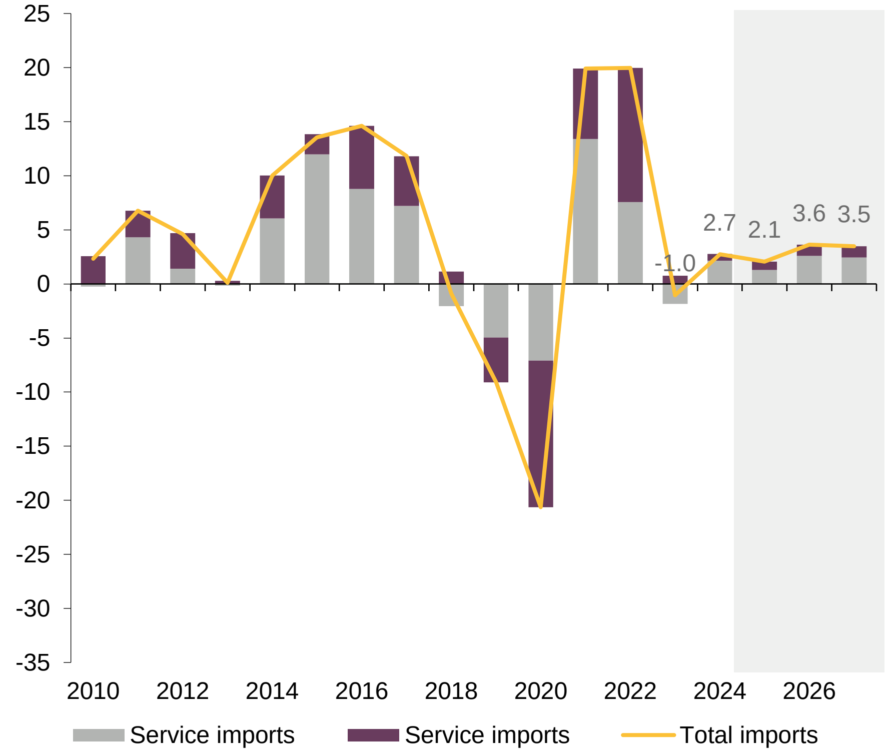
- Visitor numbers rebounded in the second half of 2024, with a total of 2.26 million arrivals via Keflavík Airport, reflecting a 2% increase year-on-year.
- The tourist industry appears to have matured, shifting focus toward value creation, operational efficiency, and maintaining market share amid growing international competition as growth slows.
- Tourism is no longer the dominant driver of export revenues; intellectual property exports and aquaculture are emerging as key growth sectors.
- Export revenues from intellectual property rose sharply, reaching ISK 320 billion in 2024, comparable to fishing and aluminium in contribution to total exports.
- Land-based aquaculture generated ISK 54 billion in export revenues in 2024 and is projected to grow significantly, though possibly below the most ambitious forecasts.
- Despite a marginal contraction in goods and services exports in 2024 due to external shocks, export growth is forecasted at nearly 3% in 2025 and 4% annually in 2026 and 2027, driven in particular by robust export growth in intellectual property and aquaculture products.

Shaded areas and dotted lines denote ISB Research forecasts
Sources: Statistics Iceland, Federation of Icelandic Industries, ÍSB Research

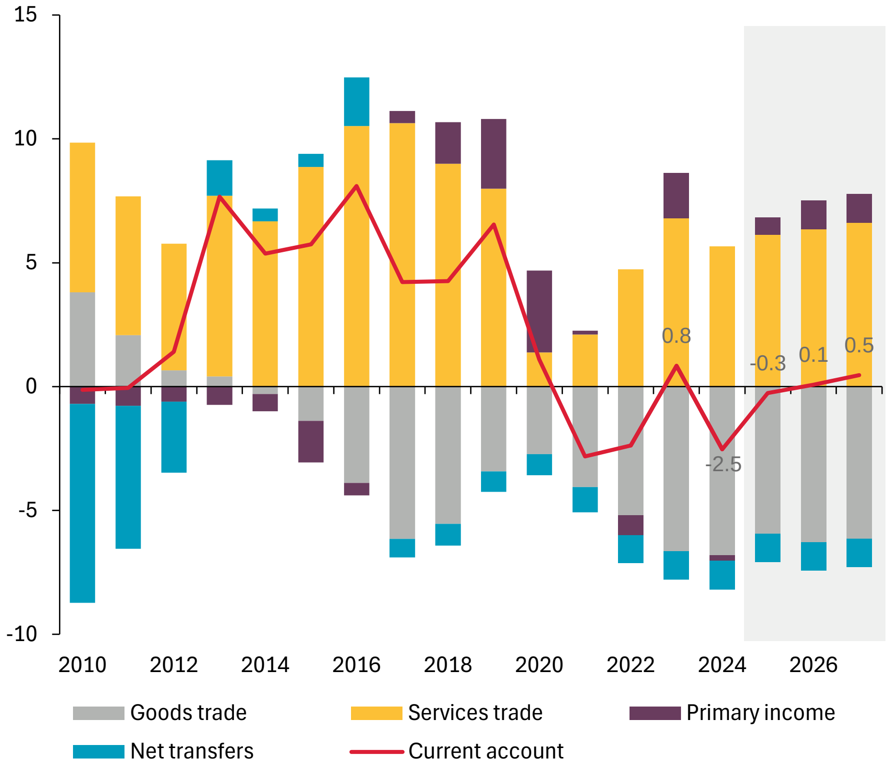
New sources of export growth come to the fore

Export growth resumes following a modest decline in 2024

Imports and contribution from subcomponents
% change



Current account balance
% of GDP



Highlights

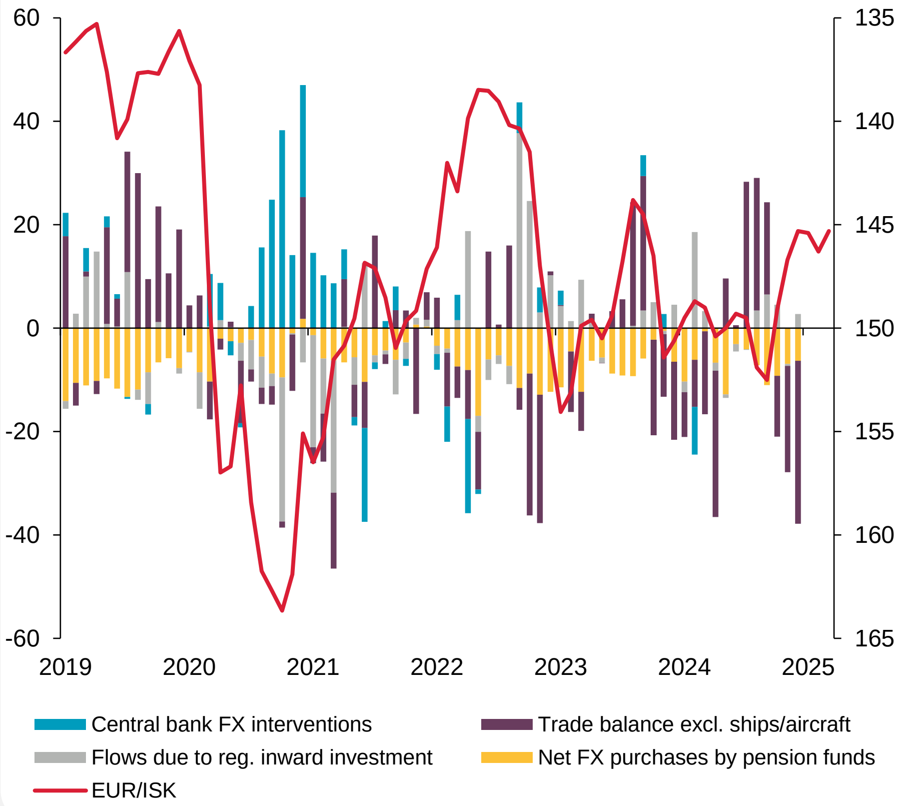
- Export growth is projected at nearly 3% in 2025 and nearly 4% annually in 2026 and 2027. Import growth is expected to slow in 2025, driven by weaker business investment.
- Net trade is anticipated to contribute positively to GDP growth in 2025 but remain neutral in 2026 and 2027 as export and import growth balances out.
- After a deficit of nearly ISK 117bn (2.5% of GDP) in 2024, the current account is expected to improve, with a marginal deficit of 0.3% in 2025, a neutral balance in 2026, and a surplus of 0.5% of GDP in 2027.
- Export prices are forecasted to improve somewhat relative to import prices over the forecast horizon, supporting the current account balance.
- Iceland's net external assets, at 42% of GDP (ISK 1,963bn) as of year-end 2024, remain robust, bolstering exchange rate stability and international confidence.
- Factors such as ISK appreciation, shifts in foreign markets, and changes in trade dynamics could challenge the forecasted improvements in the current account and NIIP

Shaded areas and dotted lines denote ISB Research forecasts
Sources: : Statistics Icelandic, Central Bank of Iceland, ÍSB Research

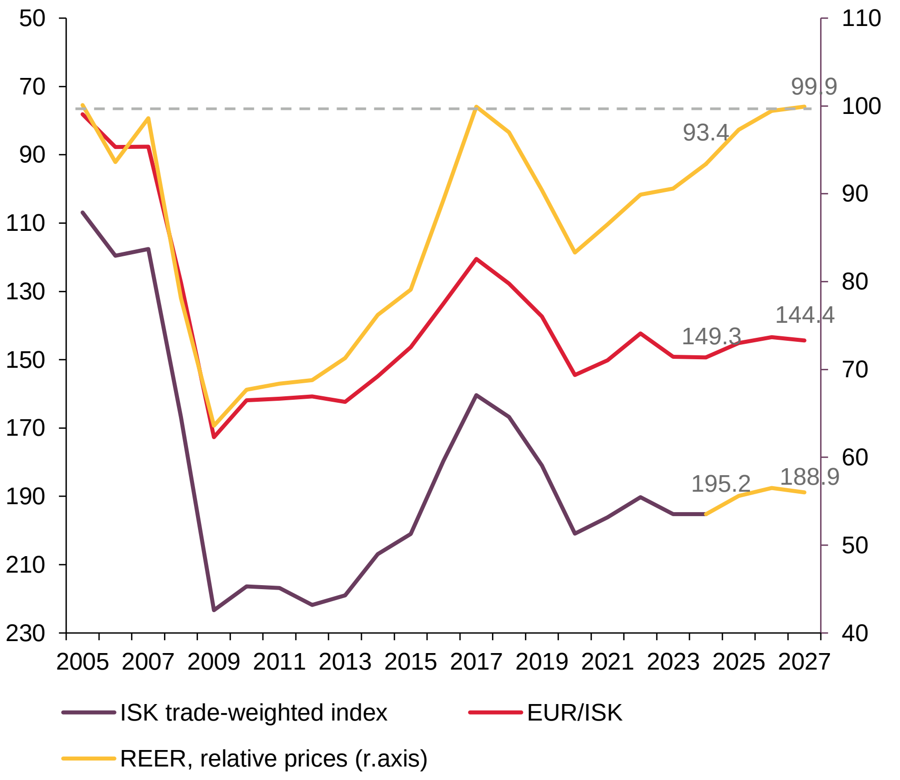
ISK set to be relatively stable over the forecast horizon

Wages and prices to rise faster than abroad, pushing the real exchange rate markedly upwards

ISK exchange rate and selected determinants
ISKbn (left) and EURISK (right)



ISK exchange rate and real exchange rate
EURISK levels and indices



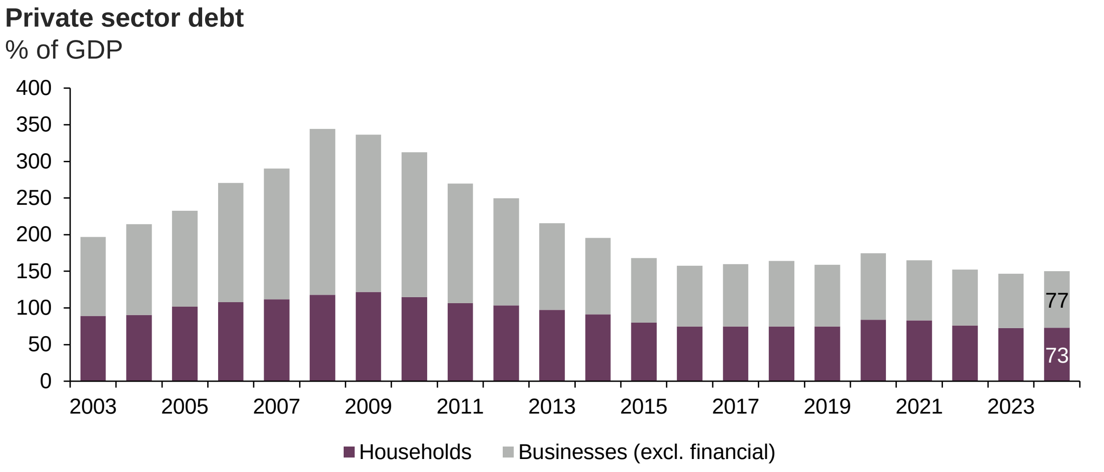
Highlights

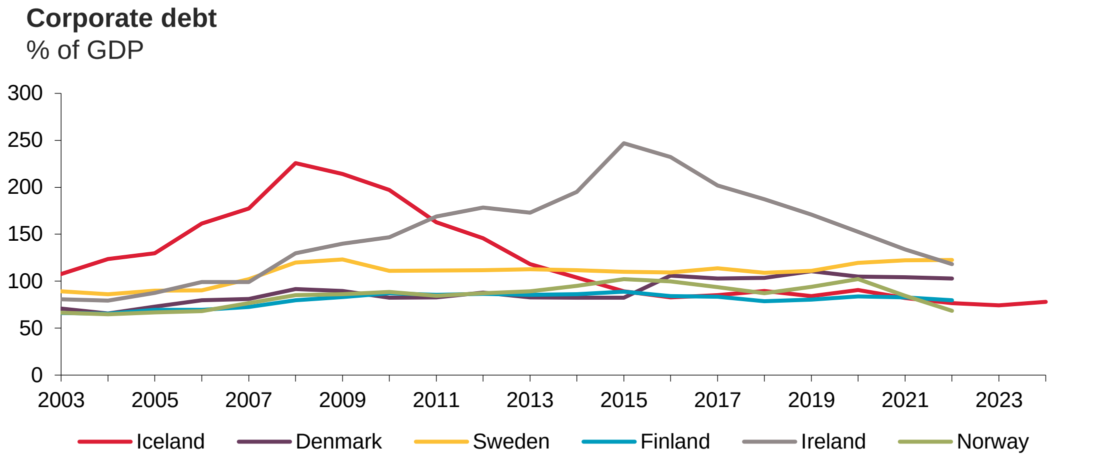
- The Icelandic króna (ISK) remained stable in 2024, with its overall exchange rate similar to 2023 despite a current account deficit. It strengthened significantly from September to year-end, driven by capital inflows and shifting expectations.
- Securities investments, a favourable interest rate differential, and moderate outflows contributed to the ISK's appreciation, counteracting trade deficits and foreign investment by pension funds.
- The real exchange rate of the ISK has risen steadily due to faster wage and price increases in Iceland relative to trading partners, nearing the upper limit for a balanced current account.
- A marginal appreciation of the ISK is expected through 2H2026, with the EURISK exchange rate forecasted at 143 by that time, followed by a slight depreciation in 2027.
- Stronger ISK in the latter forecast period could increase the likelihood of a persistent current account deficit, necessitating an eventual correction through depreciation.
- The balance between foreign investor interest in Icelandic assets and domestic outbound investments will likely determine FX market movements, with periodic fluctuations expected.

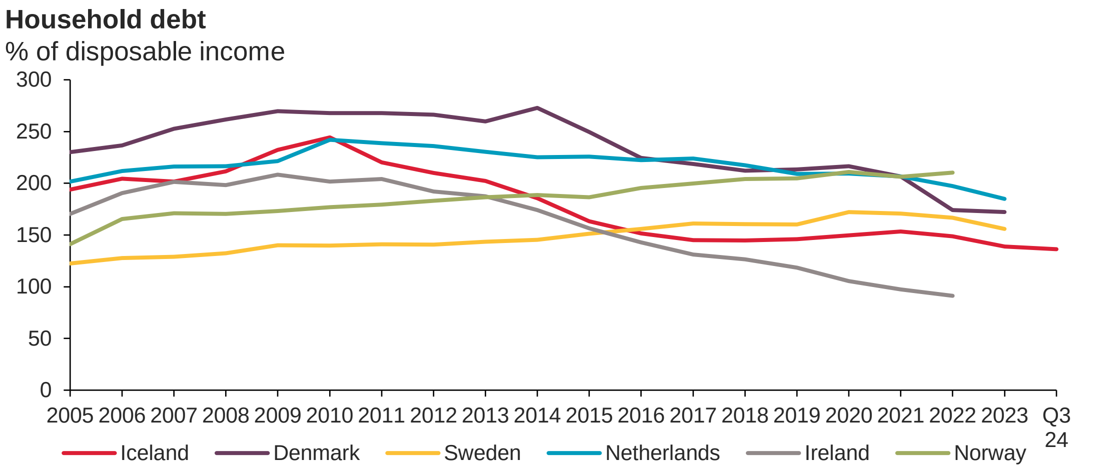
Sources: : Statistics Icelandic, Central Bank of Iceland, ÍSB Research

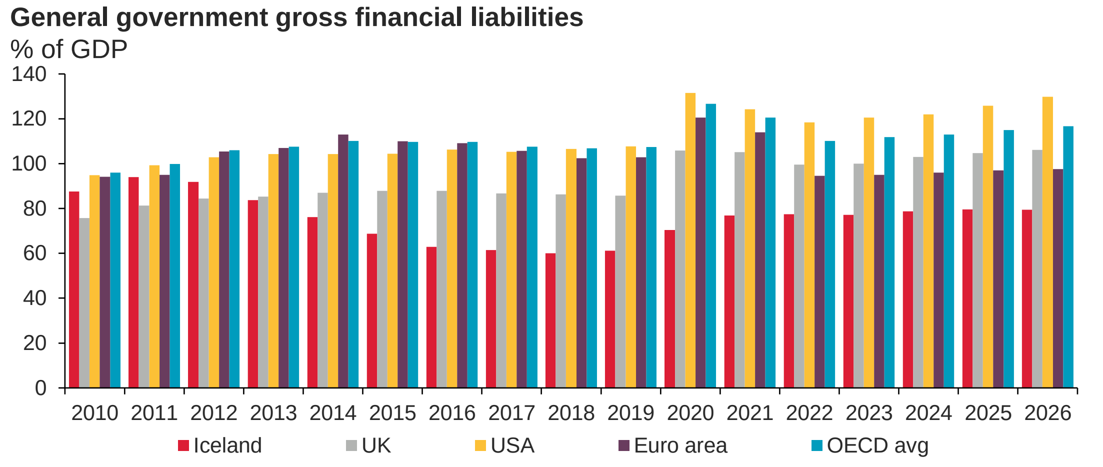
Domestic balance sheets staying robust

Private sector debt ratios are stable and public debt remains moderate in global context







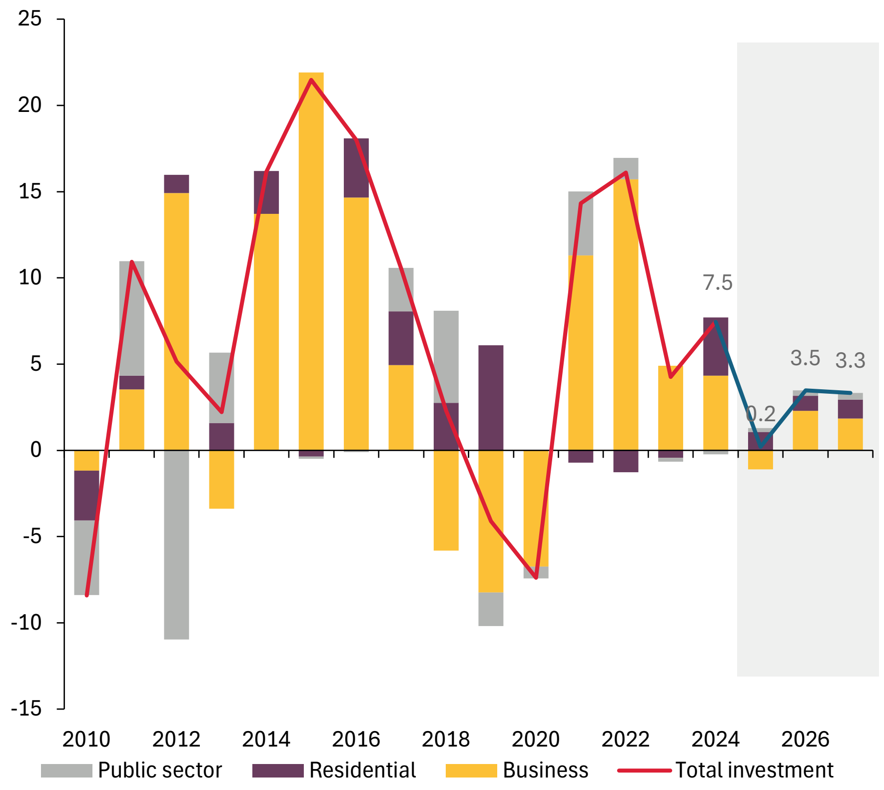


Shaded areas indicate OECD forecasts. Source: Central Bank of Iceland, Eurostat, Statistics Iceland, OECD

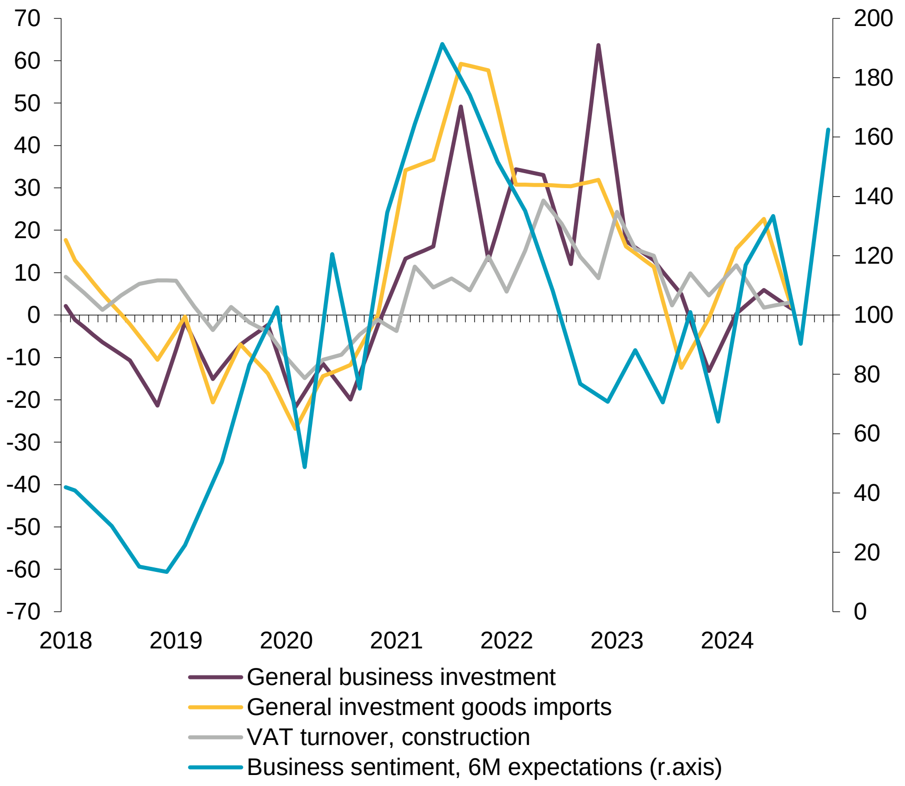
Investment set to grow in coming years after a brief hiatus

High interest rates and a more ambiguous outlook for exports will impede investment temporarily, but growth will pick up again later

Investment, real change, and contribution of subcomponents
%



Business investment and related indicators
YoY change (%) and indices



Highlights

- Investment grew by 7.5% YoY in 2024, driven by an 18% rise in residential investment and nearly 7% increase in business investment, while public investment declined slightly.
- The investment growth in 2024 reflects continued resilience despite a rising real interest rate and tighter fiscal policy.
- Investment volumes are expected to remain flat in 2025, with robust growth in residential investment offset by slower public investment growth and a contraction in business investment.
- Mixed indicators highlight optimism in aquaculture sector development and other sectors, but high real interest rates and subdued tourism-related investment dampen overall prospects for 2025.
- Business investment is projected to rebound strongly in 2026, driven by lower real interest rates and pent-up demand in export sectors, with total investment growing over 3% annually in both years.
- Persistent housing demand will sustain residential construction, while the need for infrastructure investment may lead to increased public sector spending in the medium term.

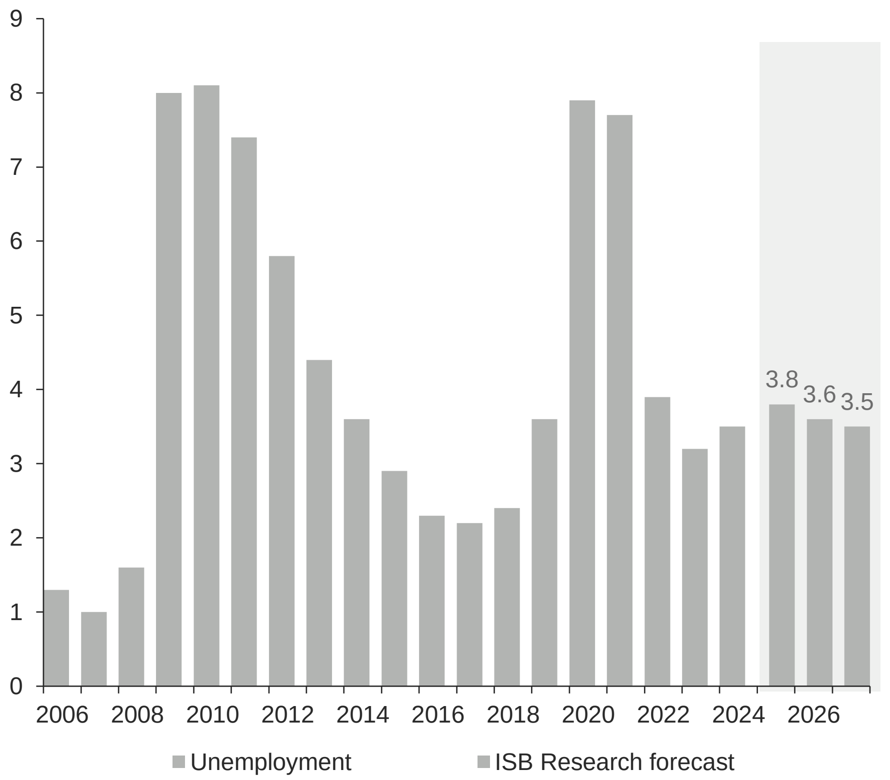
Sources: Central Bank of Iceland, Statistics Icelandic, Gallup

Investment set to grow in coming years after a brief hiatus

Real wages set to grow steadily during the forecast horizon

Wages, YoY change
%

Unemployment[1]
% of workforce, annual average



Highlights

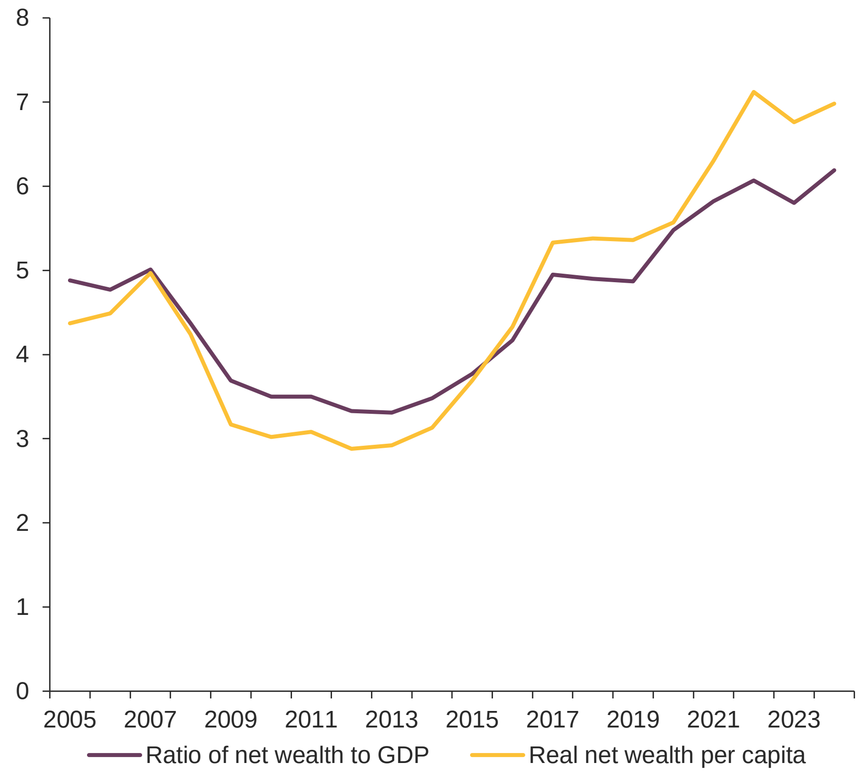
- Unemployment rose to an average of 3.5% in 2024, up 0.3 percentage points year-on-year, though slightly lower than anticipated due to stronger-than-expected tourism in Q4.
- The number of individuals unemployed for 6-12 months increased by nearly 15% YoY in December 2024 but showed improvement later in the year, reflecting seasonal recovery and a strong tourism sector.
- Unemployment is forecasted to rise modestly to 3.8% in 2025, before easing to 3.6% in 2026 and 3.5% in 2027 as the economy strengthens.
- Corporate surveys indicate reduced staffing shortages, with only 23% of executives reporting shortages – the lowest share since mid-2021, suggesting a loosening labour market.
- Wages are expected to grow by 5.1% in 2025, 4.7% in 2026, and 4.4% in 2027, with robust real wage growth of 1.4% in 2025, 1.7% in 2026, and 1.2% in 2027.
- Long-term wage agreements and reduced labour market tightness have helped keep wage drift in check, contributing to stable real wage growth during the forecast period.

1 . Excluding recipients of part-time unemployment benefits.
Sources: : Statistics Icelandic, Central Bank of Iceland, ÍSB Research

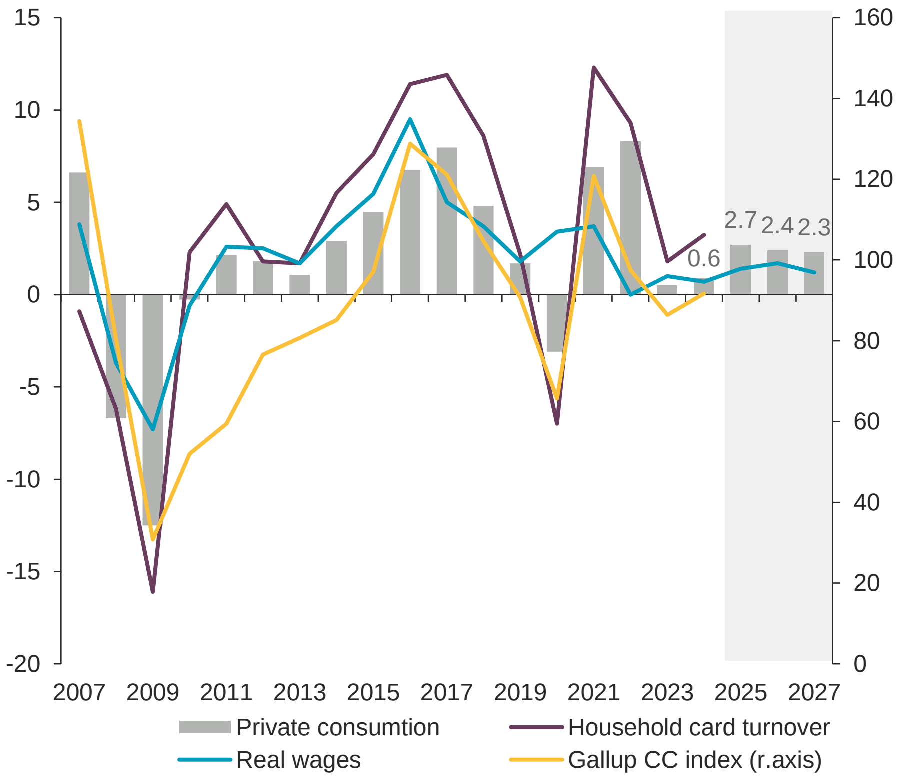
Icelanders put their wallets to work

Private consumption growth to rebound during the forecast horizon

Net household wealth
Selected ratios



Private consumption and related indicators
% change YoY (left) and index value (right)



Highlights

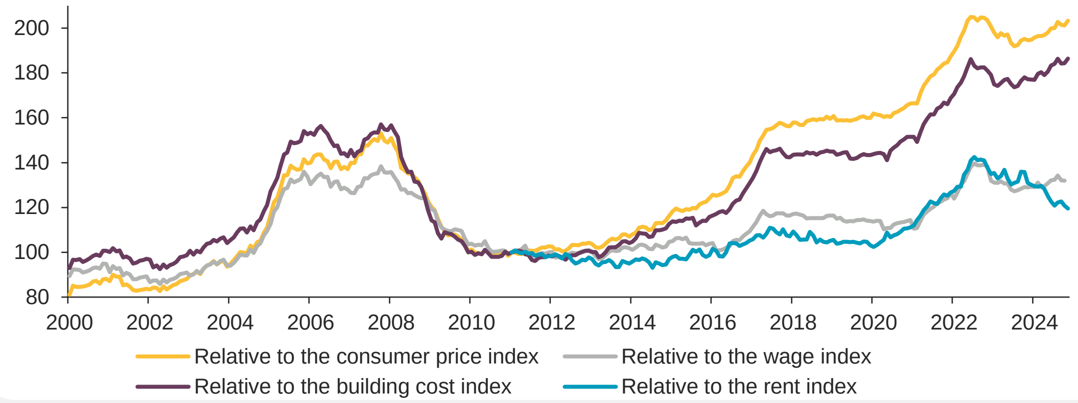
- Private consumption grew by 0.6% in 2024, supported by higher real payment card turnover, despite a 0.4% decline in overseas travel and weaker durable goods purchases such as vehicles.
- Household optimism surged in late 2024, with the Gallup economic sentiment index surpassing 100 in December, indicating a positive outlook for the economy and employment.
- High savings rates, rising property values, and robust net wealth levels have placed Icelandic households in a strong financial position historically.
- Private consumption is projected to grow by 2.7% in 2025, driven by households tapping into accumulated savings and a recovery in durables purchases as interest rates decline.
- Private consumption is expected to expand by 2.4% in 2026 and 2.3% in 2027, supported by stronger purchasing power and continued declines in interest rates.
- Purchases of durable goods, which were deferred during the high-interest rate period, are expected to rebound during the forecast horizon, further boosting consumption.

Sources: Central Bank of Iceland, Statistics Icelandic, ÍSB Research

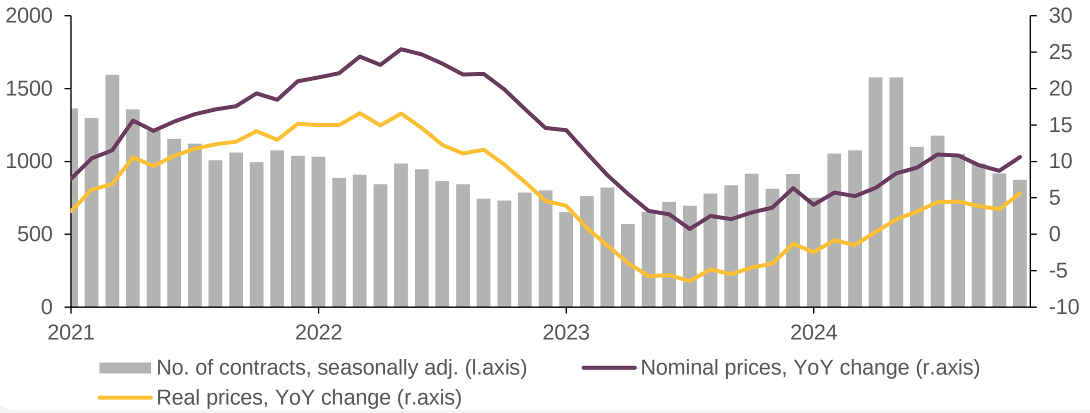
The real estate market shows continued resilience

Central Bank monetary tightening has impact, but underlying demand supports prices and turnover

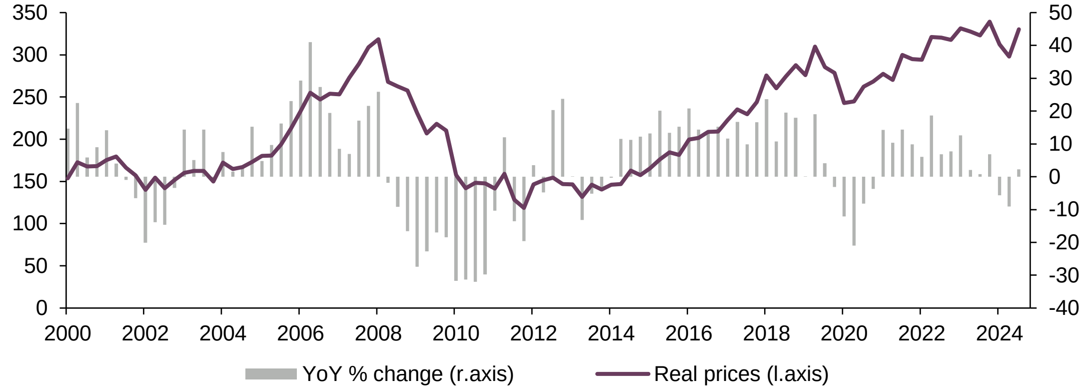
Capital area house prices relative to macroeconomic fundamentals
Index, January 2011=100



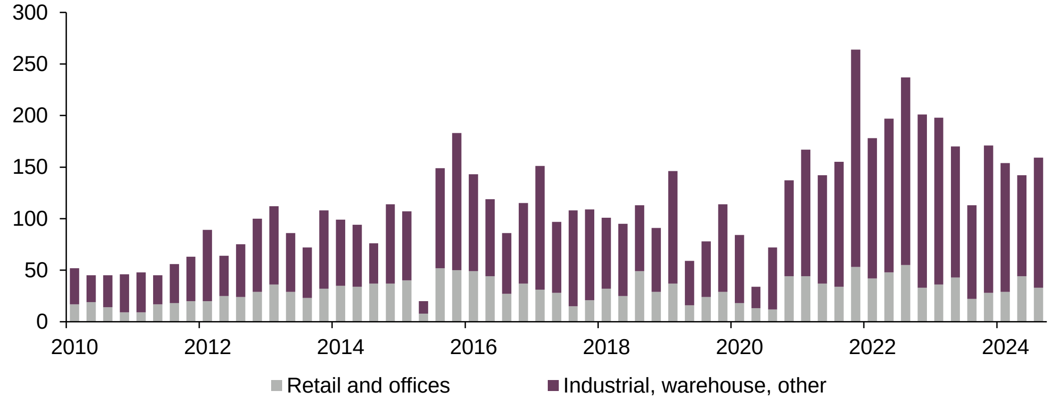
Residential house prices and turnover
% change (r. axis) and number (l. axis)



Commercial property real prices in greater Reykjavík
Index, 1995=100 (l.axis) and % change (r. axis)



Commercial real estate market activity
No. of registered purchase agreements

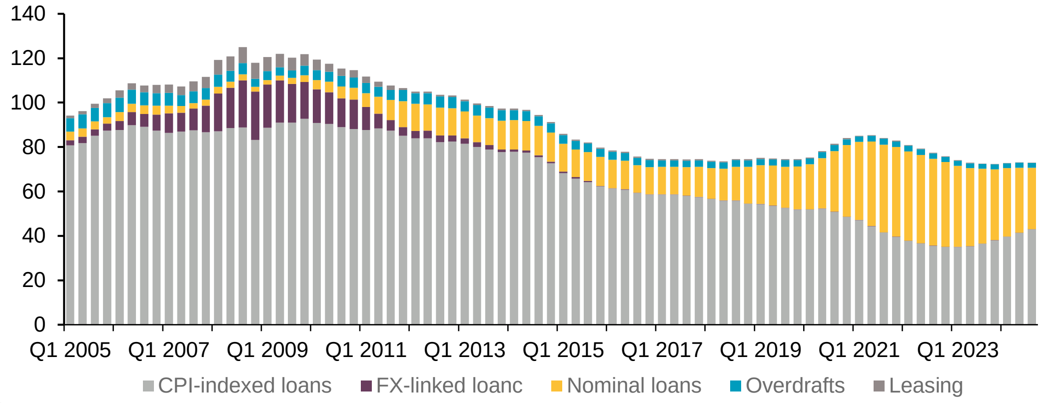


Source: Central Bank of Iceland

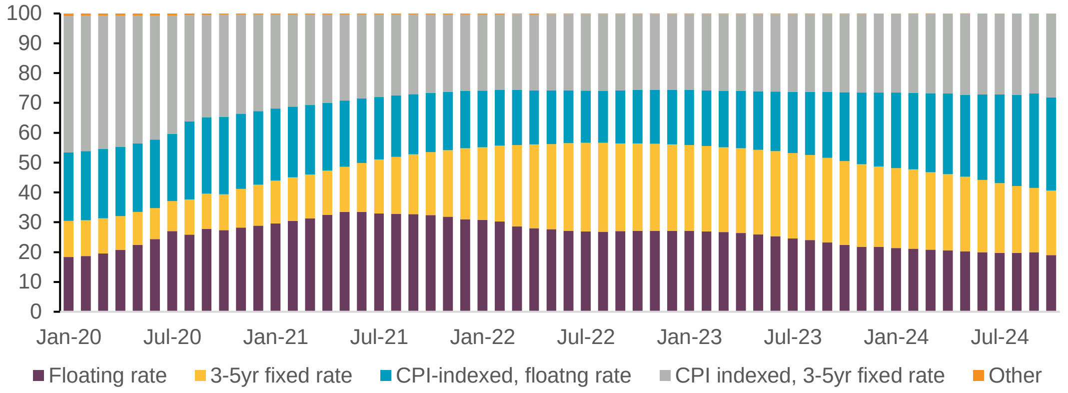
The Icelandic housing market is resilient

Supply, demand, mortgage market factors combine to make a large price correction less likely

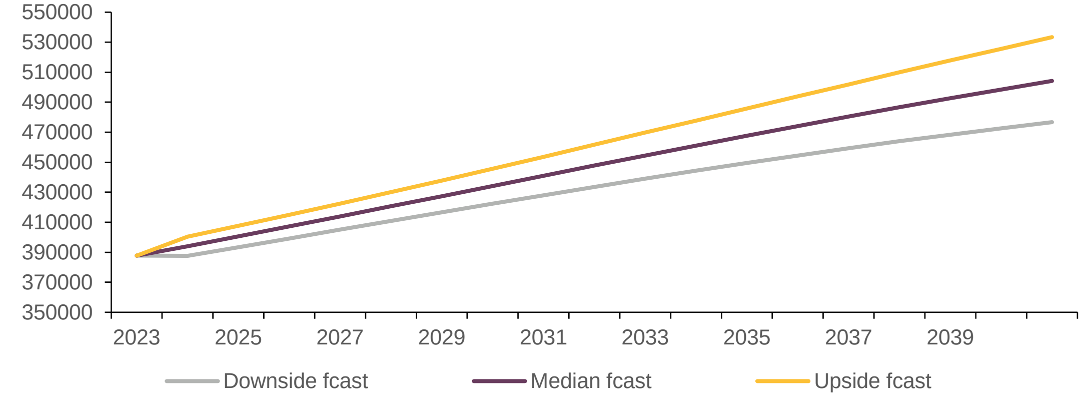
Households are not highly indebted compared to peers
Household debt, % of GDP



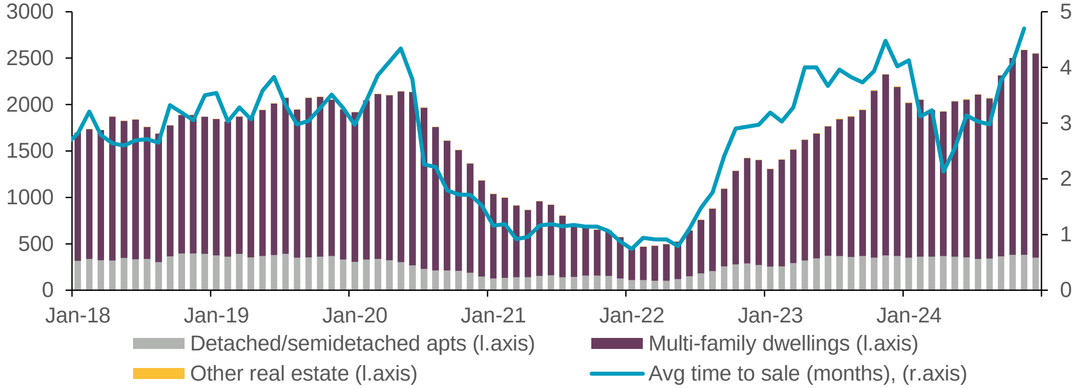
Mortgage market is flexible w.r.t. loan types with different payment burden
Outstanding mortgage loans, share of total



Underlying upward demand trend steady as population growth remains robust
Population forecast by Statistic Iceland



Turnover in the residential housing market remains steady despite rate hikes
No. of purchase agreements, capital region (left axis) and average time to sale (right axis)

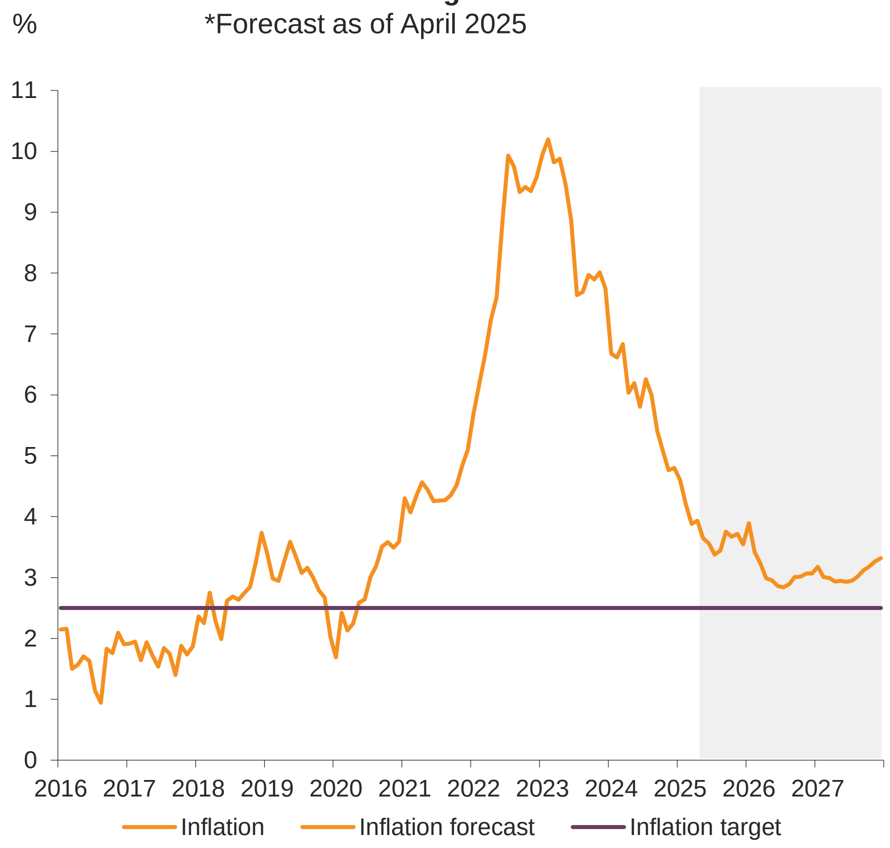


Source: Central Bank of Iceland, Statistics Iceland

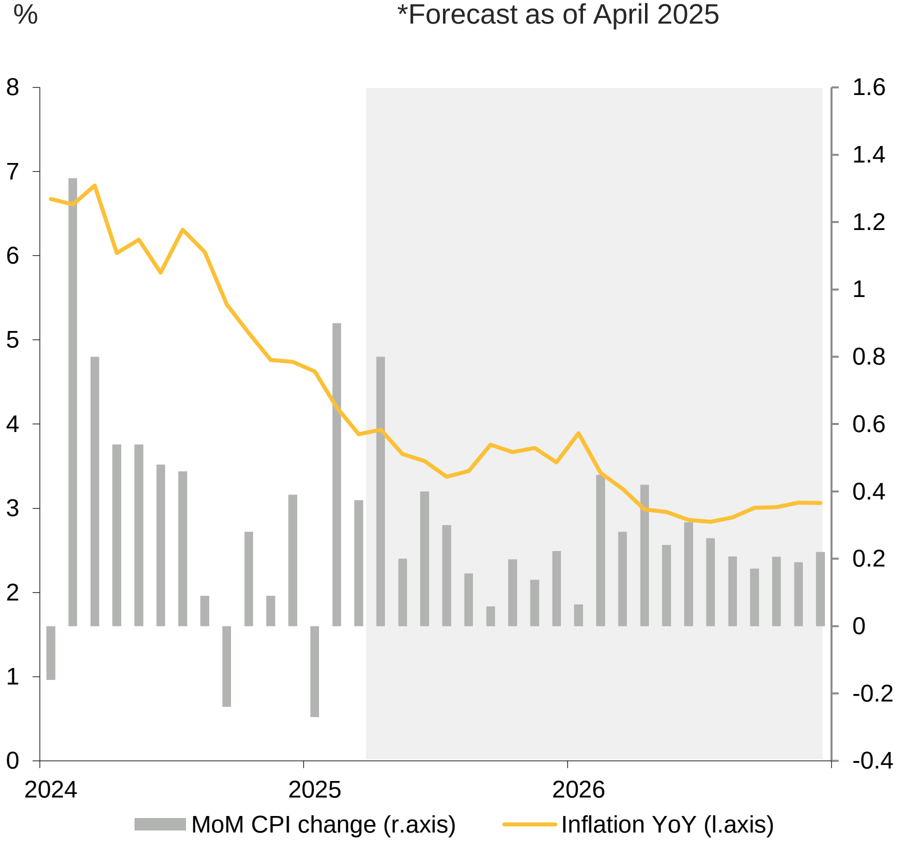
Disinflation set to continue

Inflation rapidly approaching the target but will not reach it during the forecast horizon

Inflation and the CBI inflation target*



Month-on-month and year-on-year CPI change*



Highlights

- Inflation continued to decline throughout 2024, particularly after mid-year, with a rapid reduction in autumn driven by free school meals and university fee cancellations,
- Inflation in trading partner countries moderated, while the ISK appreciated significantly from September onwards due to capital inflows, contributing to easing price pressures.
- Inflation is expected to average 3.8% in 2025, 3.1% in 2026, and 3.1% in 2027, with stability in global prices, limited wage drift, and a stable ISK as key factors.
- Wage agreements for certain labour segments and potential changes in domestic and international government policies pose risks to inflation stability.
- Inflation is not expected to reach the Central Bank's target during the forecast horizon but will stay below the upper deviation band (4%) of the CBI's inflation target from March 2025 onward.
- Some global food commodity prices have risen due to poor harvests, while oil prices are projected to decline amidst high inventories and reduced demand from China.

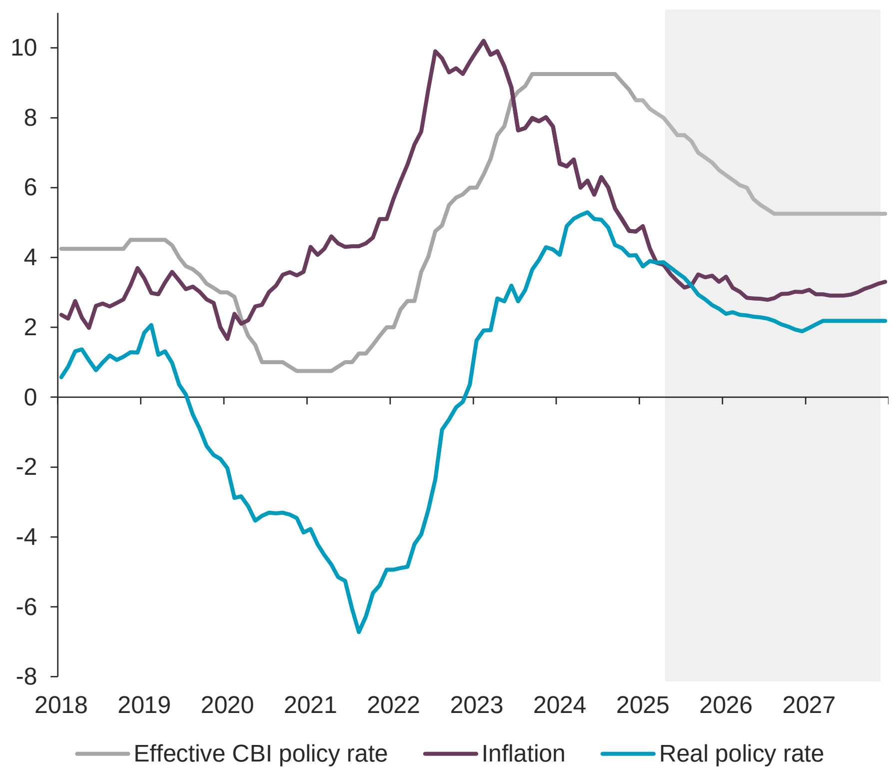
Sources: Central Bank of Iceland, Statistics Icelandic, ÍSB Research

Interest rates on a downward path in the coming term

The Central Bank's monetary easing phase will probably continue until mid-2026, with long-term interest rates following suit

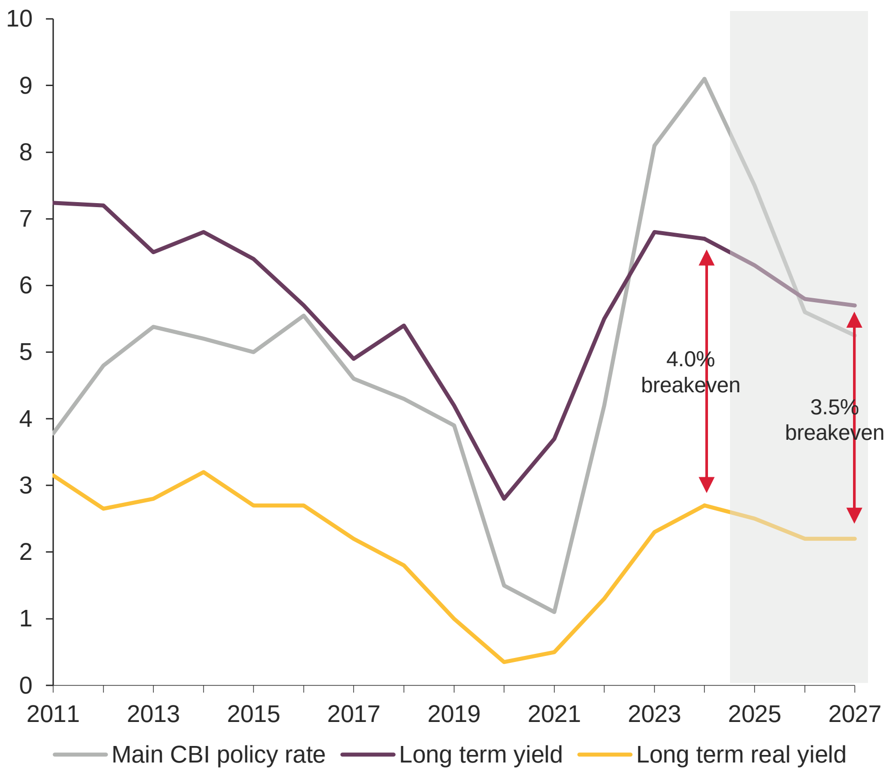
Policy rate and inflation* *Forecast as of April 2025

%, Real policy rate based on 12m forward forecast



Key interest rates

%, average per year



Highlights

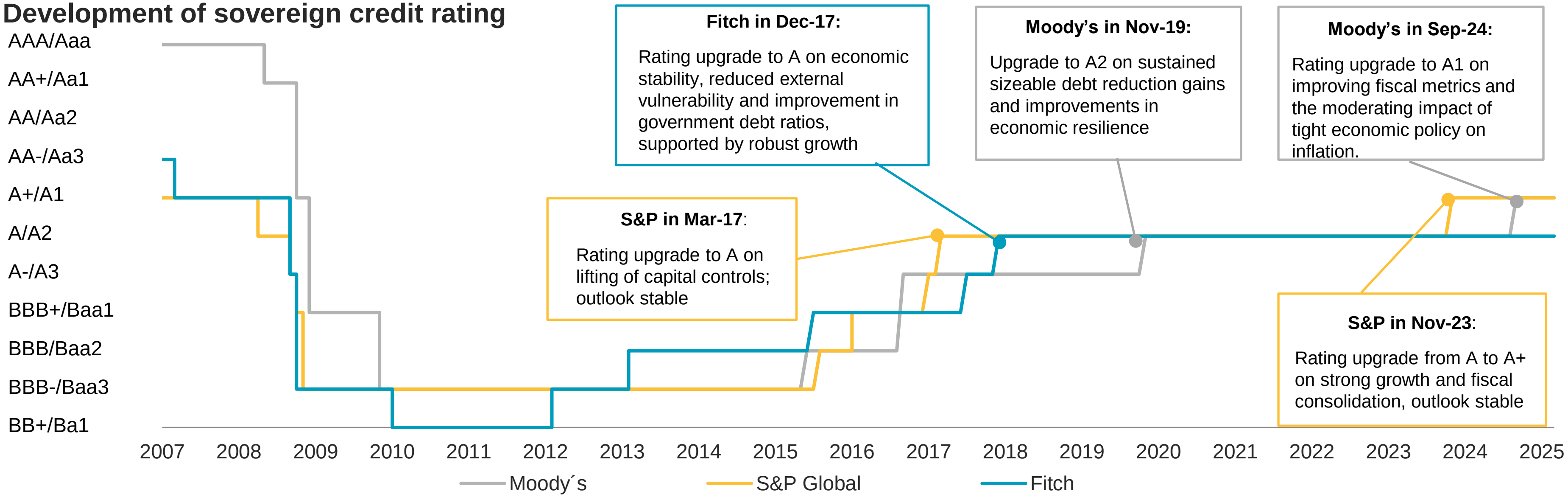
- The Central Bank began cutting the key interest rate in Q4 2024, reducing it from 9.25% to 8.5% amid falling inflation and a slowing economy.
- In Q1 2025, the key rate was cut further to 7.75%.
- Inflation expectations have declined across most measures, though breakeven inflation rates in bond markets have shown slight upward movement recently.
- The narrowing output gap, easing housing market pressures, slower wage growth, and resilient domestic demand suggest continued but moderated economic activity.
- The CBI Policy Rate interest rate is projected to fall to 6.5% by the end of 2025, with the monetary easing phase likely concluding in mid-2026 when the rate reaches 5.0-5.5%.
- Nominal ten-year Treasury rates remain high at 6.7%, with real rates at 2.7%. These are expected to decline to 5.7% and 2.2%, respectively, over the forecast horizon.
- The long-term breakeven inflation rate is forecast to decline from the current 4.0% to 3.5%, with the market likely pricing in lower long-term inflation expectations due to an uncertainty premium.

Sources: Central Bank of Iceland, Statistics Icelandic, ÍSB Research

Iceland's credit rating rising apace

Rating companies acknowledge the flexibility of the economy and improving public debt metrics

Development of sovereign credit rating



MOODY'S IN SEPTEMBER 2024

- "The stable outlook reflects balanced risks at the A1 rating level."
- "We expect fiscal consolidation to continue over the coming years broadly as planned in the medium - term fiscal plan."
- "The alignment of the foreign-currency ceiling with the local-currency ceiling reflects low transfer and convertibility risk, given Iceland's high policy effectiveness and robust net external creditor position at around 37% of GDP."

FITCH IN MARCH 2025

- "The stable outlook reflects our view that, beyond the temporary slowdown in 2024, Iceland's growth will rebound over the next few years while fiscal and external deficits will remain contained."
- "The outlook also reflects our assumption that neither volcanic activity nor global trade tensions will have a significant sustained adverse effect on the country's economic, fiscal, and balance-of-payments performance."
- "Iceland's key aluminium exports are mostly sold to European markets, particularly the Netherlands and Germany, mitigating current direct tariff-related risks."

S&P IN MARCH 2025

- "Iceland's 'A' rating is underpinned by very high income per capita and governance indicators akin to 'AAA' and 'AA' category sovereigns. Strong fundamentals include sizeable pension fund assets, a sound banking sector, and resilient private-sector balance sheets."
- "Ample foreign reserves help mitigate Iceland's external vulnerabilities."
- "However, the rating remains constrained by Iceland's small economy with limited export diversification."

Sources: Central Bank of Iceland, Kodiak, Statistics Iceland, ÍSB Research.

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