Second Quarter 2026 Results

Íslandsbanki hf.

29 July 2026

ÍSLANDSBANKI RESULTS HIGHLIGHTS

Second quarter 2026 (2Q26) financial highlights

- Net profit amounted to ISK 7.1 billion in the second quarter of 2026 (2Q25: ISK 7.2 billion), generating an annualised return on equity (ROE) of 13.3% (2Q25: 13.0%) for the quarter.
- Net interest income (NII) amounted to ISK 15.3 billion and increased by ISK 1.4 billion in 2Q26 compared to 2Q25.
- The net interest margin (NIM) was 3.4% in 2Q26 compared to 3.3% in 2Q25.
- Net fee and commission income (NFCI) was ISK 3.3 billion in 2Q26 compared to ISK 3.6 billion in 2Q25.
- Net financial expense was ISK 94 million in 2Q26, compared to an income of ISK 13 million in 2Q25.
- Administrative expenses in 2Q26 amounted to ISK 8.1 billion, having been ISK 7.3 billion in 2Q25.
- The cost-to-income ratio was 43.1% in 2Q26 compared to 41.0% in 2Q25.
- The net impairment on financial assets was ISK 454 million in 2Q26, compared to a reversal of ISK 402 million in 2Q25. The net impairment charge as a share of loans to customers, the annualised cost of risk, was 13bps in 2Q26, compared to -12bps in 2Q25.
- Loans to customers grew by ISK 14.8 billion during the second quarter of 2026, reaching a total of ISK 1,416 billion at the end of 2Q26.
- Deposits from customers grew by 2.4% in the second quarter and amounted to ISK 1,038 billion at the end of 2Q26.
- Total equity at the end of 2Q26 amounted to ISK 211.1 billion compared to ISK 225.4 billion at year-end 2025.
- The total capital ratio was 23.0% at the end of 2Q26 compared to 24.0% at year-end 2025. The corresponding CET1 ratio was 19.1% at the end of 2Q26 compared to 20.1% at year-end 2025. The CET1 ratio at the end of 2Q26 was 385bps above regulatory requirements, and above the Bank's financial target of having a 100-300bps buffer on top of CET1 regulatory requirements.
- Total payout capacity amounts to ISK 23.1 billion including uncompleted buybacks at the reporting date.
- The minimum requirement for own funds and eligible liabilities (MREL) for the Bank is 18.8% of the total risk exposure amount, in addition to the combined buffer requirement. Taking into account the Group's combined buffer requirement at 30 June 2026, the resulting MREL as a % of REA requirement was 28.5%. At the end of 2Q26, the Bank's MREL ratio was 43.9%. A new resolution plan is expected to be approved for the Bank in October, with an increase of MREL to 19.6% in line with the latest SREP results.
- Íslandsbanki bought 57.2 million own shares for ISK 8.2 billion during the second quarter.

Key figures and ratios

		2Q26	1Q26	4Q25	3Q25	2Q25
PROFITABILITY	Profit for the period, ISKm	**7,069**	7,456	5,947	6,901	7,192
	Return on equity	**13.3%**	13.6%	10.5%	12.2%	13.0%
	Net interest margin (on total assets)	**3.4%**	3.9%	2.9%	3.1%	3.3%
	Cost-to-income ratio[1]	**43.1%**	38.5%	43.5%	38.2%	41.0%
	Cost of risk[2]	**0.13%**	0.35%	0.32%	(0.00%)	(0.12%)
		30.6.26	31.3.26	31.12.25	30.9.25	30.6.25
BALANCE SHEET	Loans to customers, ISKm	**1,416,048**	1,401,212	1,367,106	1,333,234	1,331,288
	Total assets, ISKm	**1,788,385**	1,786,697	1,728,147	1,734,056	1,696,034
	Risk exposure amount, ISKm	**1,043,713**	1,049,435	1,033,788	1,084,527	1,084,492
	Deposits from customers, ISKm	**1,038,206**	1,013,431	968,695	1,008,919	966,075
	Customer loans to customer deposits ratio	**136%**	138%	141%	132%	138%
	Non-performing loans (NPL) ratio[3]	**2.6%**	2.0%	1.5%	1.6%	1.6%
LIQUIDITY	Net stable funding ratio (NSFR), for all currencies	**126%**	123%	127%	129%	125%
	Liquidity coverage ratio (LCR), for all currencies	**188%**	177%	203%	207%	185%
CAPITAL	Total equity, ISKm	**211,095**	212,718	225,359	226,974	224,725
	CET 1 ratio[4]	**19.1%**	18.6%	20.1%	18.9%	18.5%
	Tier 1 ratio[4]	**20.7%**	20.2%	21.7%	19.8%	19.4%
	Total capital ratio[4]	**23.0%**	22.5%	24.0%	21.9%	21.5%
	Leverage ratio[4]	**11.7%**	11.5%	12.5%	11.9%	12.0%
	MREL ratio[5]	**43.9%**	40.3%	44.0%	36.8%	36.7%

1. C/I ratio for 4Q25 excludes salary expenses of ISK 804m due to early retirement of employees and an income of ISK 237m within net interest income (ISK 550m reversed from charge in 3Q25 due to provision for legal proceedings and a charge of ISK 313m due to correction from previous year). C/I ratio for 3Q25 excludes a charge of 550m within net interest income due to a provision for legal proceedings.
2. Negative cost of risk means that there is a net release of impairments.
3. Stage 3, loans to customers, gross carrying amount.
4 Including 1Q26 profit for 31.3.26 and 3Q25 profit for 30.9.25.
5. MREL ratio includes the CET1 capital held to meet the combined buffer requirement.

Jón Guðni Ómarsson, CEO of Íslandsbanki:

The quarter delivered a solid performance, broadly in line with expectations. Operating profit of Íslandsbanki amounted to ISK 7.1 billion in the second quarter and return on equity on an annualised basis was 13.3%. Both measures ahead of the same quarter last year while landing slightly below analyst consensus for the quarter. Net interest income increased by 10% for the second quarter compared to the same quarter last year. Net interest margin was 3.4% for the quarter. Performance from core operations shows that the fundamentals of the Bank's operations are strong. Uncertainty in the international environment, volatility in foreign markets and lower activity in the domestic capital markets affected fee income for the quarter.

Operationally, the Bank has continued to progress in line with its strategy. We welcomed a number of new client relationships during the period, while demand for our newly launched Loyalty Services continued to build. Activity in debt and equity brokerage was also healthy. These results demonstrate the strength of our client relationships and the breadth of our operations, and we look forward to building on this momentum in the period ahead.

There remains some uncertainty regarding the Government's stated intention to review the taxation of financial institutions, as no concrete proposals have yet been presented. The taxation of Icelandic financial institutions is already higher than that of our peers in other Nordic countries, and any further increase would risk weakening the competitiveness of the Icelandic financial system.

The Íslandsbanki Reykjavík Marathon is approaching and will take place on 22 August. As in previous years, there is great anticipation for the event. The most significant purpose of the Marathon is to enable charity collection as for many of the charity's this is the single most important collection of the year. Since 2006, a total of ISK 2 billion has been collected. It will be exciting to see downtown Reykjavík filled with runners of all ages trying to achieve their personal bests or enjoying their day.

Second quarter 2026 (2Q26) operational highlights

- The Bank's Loyalty Services continue to perform strongly, reaching 50 thousand members in June and currently exceeding 55 thousand members, reflecting sustained customer engagement and growth.
- On 20 May 2026 the Central Bank of Iceland decided to raise the policy rate by 0.25 percentage points, landing the policy rate at 7.75%. Íslandsbanki made rate changes in the second quarter to reflect those changes. Rates on loans, including mortgages, were generally increased by 25bps, while rates on non-indexed deposit accounts were raised by up to 25bps.
- In June, the Bank concluded a 3-year green senior preferred bond offering of NOK 600 million and SEK 1.4 billion at 3-month NIBOR over 78bps and 3-month STIBOR over 80bps, respectively. An amount equal to the net proceeds of that issue will be used to finance or refinance, in whole or in part, green loans, as further described in the Bank's Sustainable Funding Framework. In connection with the issuance, the Bank also carried out a tender offer for certain outstanding NOK and SEK denominated notes.
- On 30 June 2026 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 2026 maintain an additional capital requirement of 1.8% of risk-weighted assets, which is an increase of 0.4 percentage points from the previous assessment. The increase is driven by credit risk associated with the growth of the international loan portfolio. The Bank's total capital requirement, taking into account the capital buffer on 31 December 2025, increases from 19.1% to 19.5%.
- Reitun, an Icelandic rating agency, maintained its exceptional ESG rating on Íslandsbanki during the second quarter with the Bank having a score of A3 for its efforts in the field of sustainability. The assessment reviews three key factors; environmental, social and governance.

INCOME STATEMENT

Income statement, ISKm	2Q26	2Q25	Δ%	1H26	1H25	Δ%
Net interest income	**15,281**	13,881	10%	32,381	26,820	21%
Net fee and commission income	**3,258**	3,620	(10%)	6,526	6,687	(2%)
Net financial income (expense)	**(94)**	13	-	(307)	(973)	(68%)
Net foreign exchange gain	**267**	71	276%	424	118	259%
Other operating income	**1**	131	(99%)	15	594	(97%)
Total operating income	**18,713**	17,716	6%	39,039	33,246	17%
Salaries and related expenses	**(5,096)**	(4,412)	16%	(9,708)	(8,901)	9%
Other operating expenses	**(2,964)**	(2,849)	4%	(6,182)	(5,756)	7%
Administrative expenses	**(8,060)**	(7,261)	11%	(15,890)	(14,657)	8%
Bank tax	**(548)**	(513)	7%	(1,094)	(1,013)	8%
Total operating expenses	**(8,608)**	(7,774)	11%	(16,984)	(15,670)	8%
Net impairment on financial assets	**(454)**	402	-	(1,673)	399	-
Profit before tax	**9,651**	10,344	(7%)	20,382	17,975	13%
Income tax expense	**(2,582)**	(3,152)	(18%)	(5,857)	(5,574)	5%
Profit for the period	**7,069**	7,192	(2%)	14,525	12,401	17%
Key ratios						
Net Interest Margin (NIM)	**3.4%**	3.3%		3.7%	3.2%	
Cost-to-income ratio (C/I)	**43.1%**	41.0%		40.7%	44.1%	
Return on Equity (ROE)	**13.3%**	13.0%		13.4%	11.1%	
Cost of risk (COR)	**0.13%**	(0.12%)		0.24%	(0.06%)	

Net interest income in 2Q26 increased by 10% compared to 2Q25

Net interest income amounted to ISK 15.3 billion during the second quarter of 2026, increasing by 10.1% compared to the same quarter in 2025. The CPI imbalance remained stable of around ISK 231 billion at the end of June 2026. Aggregated inflationary ticks for 2Q26 were 1.43% compared to 1.51% in 2Q25. The Central Bank policy rate was increased during the second quarter by 0.25 percentage points and was at 7.75% at period end. The average CB policy rate was thus 7.62% in 2Q26, compared to 7.64% in 1Q25. Net interest margin (NIM) on total assets was 3.4% in 2Q26 (3.3% in 2Q25).

Net fee and commission income (NFCI) during the second quarter of 2026 decreased by ISK 363 million compared to 2Q25, landing at ISK 3.3 billion. As before, cards and payments remain the largest fee income stream. Income from fees related to lending and guarantees increased in the quarter while income from investment banking was adversely affected by lower volumes and pressure in capital markets.

Core operating income, defined as net interest income and net fee and commission income, for the second quarter of 2026 grew by 5.9% compared to the same period last year and by 16.1% for the first half of the year.

Net financial expense amounted to ISK 94 million in the second quarter of 2026, compared to net financial income of ISK 13 million for the same quarter during the previous year.

Cost-to-income ratio remains within target for 1H26

The cost-to-income ratio was 43.1% in the second quarter of 2026, compared to 41.0% in 2Q25.

Salaries and related expenses grew 15.5% in 2Q26 compared to 2Q25 and were ISK 5.1 billion during the quarter. During the quarter, ISK 436 million was expensed related to the employee variable compensation scheme, compared to ISK 0 m during the previous year. In addition, the Group expensed around ISK 370 million during the second quarter related to organisational changes in the Bank in April and its subsidiary, Íslandssjóðir, in June. Other operating expenses increased by 4.0% compared to 2Q25.

The number of FTEs at Íslandsbanki at the end of June 2026 was 691 compared to 725 at the end of 2025.

Taxes

The income tax rate for legal entities in 2026 is 20% (2025: 20%). Special financial activities tax is calculated as 6% of the Bank's taxable profit exceeding ISK 1 billion. Effective income tax rate for the first quarter of 2026 was 26.8% having been 30.5% in 2Q25.

Net impairment in 2Q26

The net impairment on financial assets was ISK 454 million in 2Q26, compared to a reversal of ISK 402 million in 2Q25. The annualised cost of risk, measured as net impairment charge as a share of average loans to customers, amounted to 13bps in 2Q26 (-12bps in 2Q25). As before, most of the impairment charges relate to borrower specific circumstances.

BALANCE SHEET

Assets, ISKm	30.6.26	31.3.26	Δ	Δ%	31.12.25	Δ	Δ%
Cash and balances with Central Bank	**91,559**	88,909	2,650	3%	80,394	11,165	14%
Loans to credit institutions	**65,288**	79,739	(14,451)	(18%)	80,009	(14,721)	(18%)
Bonds and debt instruments	**166,740**	164,093	2,647	2%	151,959	14,781	10%
Derivatives	**4,047**	4,052	(5)	(0%)	5,304	(1,257)	(24%)
Loans to customers	**1,416,048**	1,401,212	14,836	1%	1,367,106	48,942	4%
Shares and equity instruments	**12,770**	15,497	(2,727)	(18%)	20,517	(7,747)	(38%)
Other assets	**31,933**	33,195	(1,262)	(4%)	22,858	9,075	40%
Total Assets	**1,788,385**	1,786,697	1,688	0%	1,728,147	60,238	3%
Key ratios							
Risk Exposure Amount (REA)	**1,043,713**	1,049,435	(5,722)	(1%)	1,033,788	9,925	1%
REA / total assets	**58.4%**	58.7%			59.8%		
Non-performing loans (NPL) ratio[1]	**2.6%**	2.0%			1.5%		

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

Loan portfolio well diversified and highly collateralised

Loans to customers grew by 1.1% in the second quarter of 2026 and amounted to ISK 1,416 billion at period-end. Mortgages account for 44% 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 2Q26, 94% of the loan portfolio is fully covered by collateral. The weighted average loan-to-value (LTV) ratio for the loan portfolio was 52% at the end of 2Q26 (53% at the end of 2Q25), and the LTV for the residential mortgage portfolio was 56% at the end of 2Q26 (54% at the end of 2Q25).

Overall credit quality is strong with limited delinquencies

Overall asset quality remains solid. The shift of customers towards CPI-linked loans has started to normalise, with 65% of the Bank's mortgage portfolio being CPI-linked at the end of 2Q26, unchanged from 1Q26.

At the end of 2Q26, 1.6% of the gross performing loan book (not in Stage 3) was classified as forborne (2.1% at the end of 4Q25). The ratio of credit-impaired loans to customers, Stage 3, was 2.6% (gross) at the end of 2Q26 (1.5% at the end of 4Q25). The increase is largely attributable to a limited number of credit cases. For the mortgage portfolio, the ratio was 1.1% at the end of 2Q26, the same as in 1Q26.

The ratio of loans to customers in Stage 2 was 2.6% at the end of 2Q26, down from 3.9% at the end of 1Q26. The change largely reflects migration of a limited number of exposures from Stage 2 to Stage 3. For the mortgage portfolio, the ratio of loans in Stage 2 was 1.4% at the end of 2Q26, the same as in 1Q26.

Liabilities – capital and liquidity ratios well in excess of regulatory requirements, leverage remains low

Liabilities & Equity, ISKm	30.6.26	31.3.26	Δ	Δ%	31.12.25	Δ	Δ%
Deposits from Central Bank and credit institutions	**17,664**	11,419	6,245	55%	13,250	4,414	33%
Deposits from customers	**1,038,206**	1,013,431	24,775	2%	968,695	69,511	7%
Derivative instruments and short positions	**2,691**	5,950	(3,259)	(55%)	6,183	(3,492)	(56%)
Debt issued and other borrow ed funds	**440,206**	452,085	(11,879)	(3%)	444,593	(4,387)	(1%)
Subordinated loans	**40,874**	40,530	344	1%	40,315	559	1%
Tax liabilities	**13,440**	13,386	54	0%	12,757	683	5%
Other liabilities	**24,209**	37,178	(12,969)	(35%)	16,995	7,214	42%
Total Liabilities	**1,577,290**	1,573,979	3,311	0%	1,502,788	74,502	5%
Total Equity	**211,095**	212,718	(1,623)	(1%)	225,359	(14,264)	(6%)
Total Liabilities and Equity	**1,788,385**	1,786,697	1,688	0%	1,728,147	60,238	3%
Key ratios							
Customer loans to customer deposits ratio	**136%**	138%			141%		
Net stable funding ratio (NSFR)	**126%**	123%			127%		
Liquidity coverage ratio (LCR)	**188%**	177%			203%		
CET 1 ratio	**19.1%**	18.6%			20.1%		
Tier 1 capital ratio	**20.7%**	20.2%			21.7%		
Total capital ratio	**23.0%**	22.5%			24.0%		
Leverage ratio	**11.7%**	11.5%			12.5%		
MREL ratio[1]	**43.9%**	40.3%			44.0%		

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

Credit spreads tightening in good market conditions

The Bank funds its operation using three main funding sources: stable deposits, covered bonds, and senior preferred bonds. Total deposits from customers grew by 2% in 2Q26, while deposit concentration remained stable. The ratio of customer loans to customer deposits was 136% at the end of 2Q26, down from 138% at the end of 1Q26. When excluding mortgages funded with covered bonds, the ratio was 117% at the end of 2Q26 (1Q26: 116%).

In 2Q26 the Bank sold ISK 7 billion of covered bonds in the domestic market. The Bank also concluded a 3-year green senior preferred bond offering of NOK 600 million and SEK 1.4 billion in June at 3-month NIBOR over 78bps and 3-month STIBOR over 80bps respectively.

During the quarter, the Bank's credit spreads continued to strengthen somewhat. A key indicator of this performance is the Bank's outstanding 7-year EUR 300 million senior preferred bond issued in November 2025 at mid-swaps plus 130bps, the bond was trading at plus 108 bps at the end of 2Q26, coming in by about 10bps in 2Q26.

The Bank's total liquidity coverage ratio (LCR) was 188% at the end of 2Q26, increasing from the end of 1Q26 when it was 177%. The Bank's liquidity position remains strong across currencies. Liquid assets as a percentage of total assets were 18% at end of 2Q26 compared to 19% at the end of 1Q26.

Sound capital position – Total payout capacity amounts to ISK 23.1 billion end of 2Q26

Total equity amounted to ISK 211.1 billion at end of 2Q26 compared to ISK 225.3 billion at year-end 2025. The capital base was ISK 240 billion, compared to ISK 248 billion at year-end 2025. 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 2026. At the end of 2Q26 ISK 3.9 billion were remaining and had been deducted from the capital base. At the end of 2Q26 the total capital ratio was 23.0%, compared to 24.0% at year-end 2025. The corresponding Tier 1 ratio was 20.7%, compared to 21.7% at the year-end 2025. The CET1 ratio was 19.1% compared to 20.1% at year-end 2025.

CRR 3 was implemented in Iceland in December 2025 and had a significant impact on the Group's REA. In addition, in January 2026, the Central Bank approved the adoption of a loan splitting approach for exposures secured by mortgages, where the underlying collateral consists of income producing real estate. The implementation of this approach led to a 2% reduction in the Group's REA.

The capital ratios are above 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, assuming a fully optimised capital structure and the midpoint of the management buffer, therefore amounts to around ISK 23 billion, including uncompleted buybacks. 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 18.8% of REA at the end of 2Q26. Since any CET1 capital that is maintained to meet the combined buffer requirement (CBR) is excluded, the effective requirement can be monitored as 28.5% of REA at 2Q26. Own funds and eligible liabilities were 43.9% of REA at the end of 2Q26 compared to 44.0% at year-end 2025.

The leverage ratio was 11.7% at the end of 2Q26 compared to 12.5% at year-end 2025.

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 Thursday 30 July 2026

Íslandsbanki will host a webcast in English for investors and market participants on Thursday 30 July 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 2026 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**.

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 2026 results – 29 October 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.