2Q25 Financial Results

31 July 2025

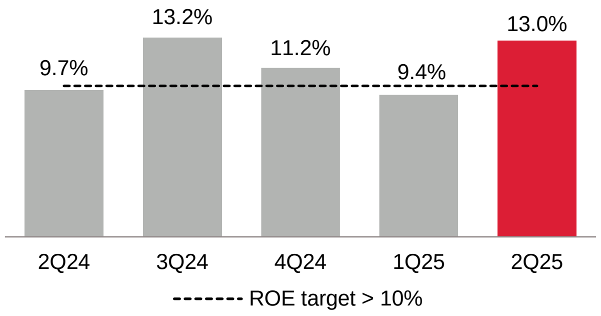
Jón Guðni Ómarsson
Chief Executive Officer

Ellert Hlöðversson
Chief Financial Officer

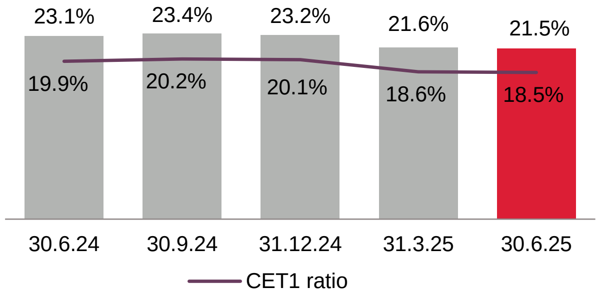
Core operating income grew by 11.5% year-on-year

All core revenue streams performing in excess of previous year

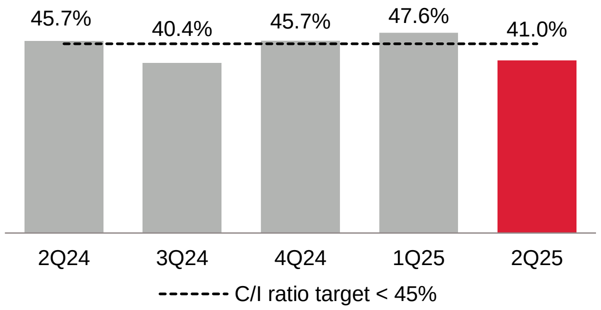
ROE in excess of analyst consensus
ROE



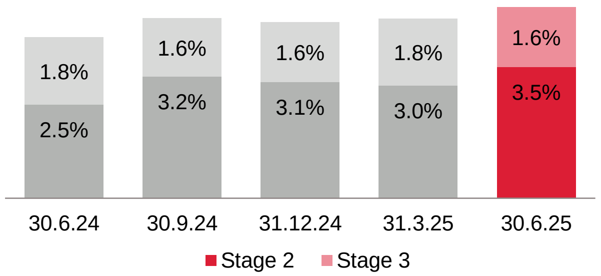
Considerable excess capital in place
Total capital ratio



C/I in line with targets
C/I ratio[1]



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



1. Expenses of 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 an ongoing priority for the Bank

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

	Target	2Q25	1H25
Return on equity	**>10%**	13.0%	11.1%
Cost-to-income ratio	**<45%**	41.0%	44.1%
CET1 excess	**100-300bps**	330bps	330bps
Dividend-payout-ratio	**50%**		

2025 Guidance

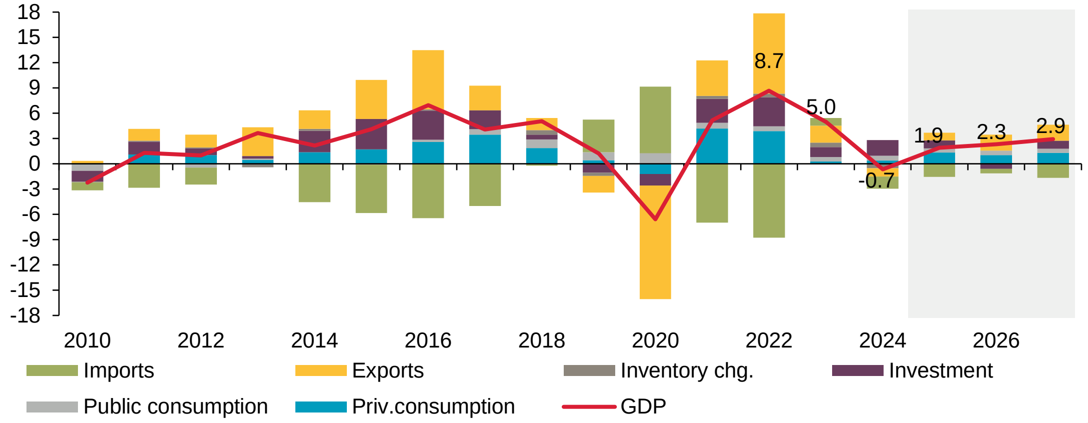
- Loans to customers and revenue, in general **to grow** in line with nominal GDP through the business cycle
- **ROE in 2025** expected to be 10-11% for the year as a whole, assuming normalised level of impairments
- **C/I ratio** expected to be below 45% in 2025
- Dividend policy assumes **50% of earnings** 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

Economy lifting off gradually after a brief touch-down

A new business cycle following mild GDP contraction likely to bring healthy growth

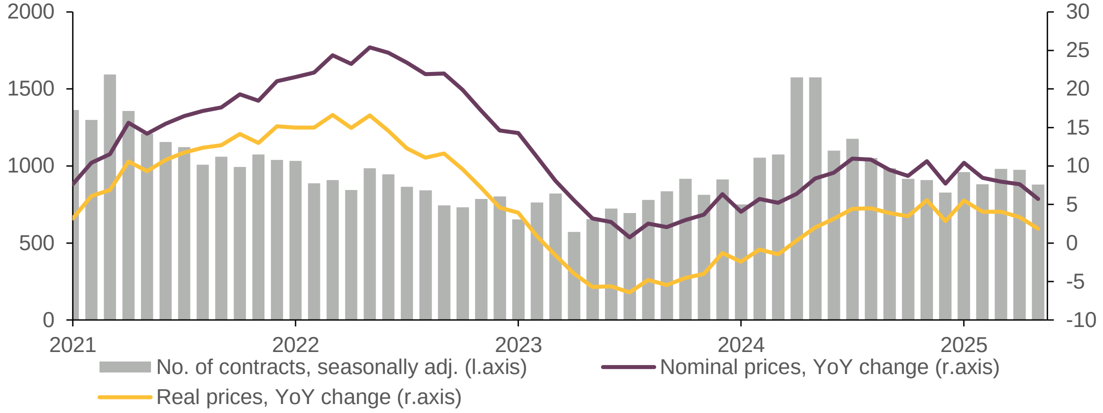
Economic growth to accelerate gradually following mild contraction..

Real GDP and main subitems, YoY change, %



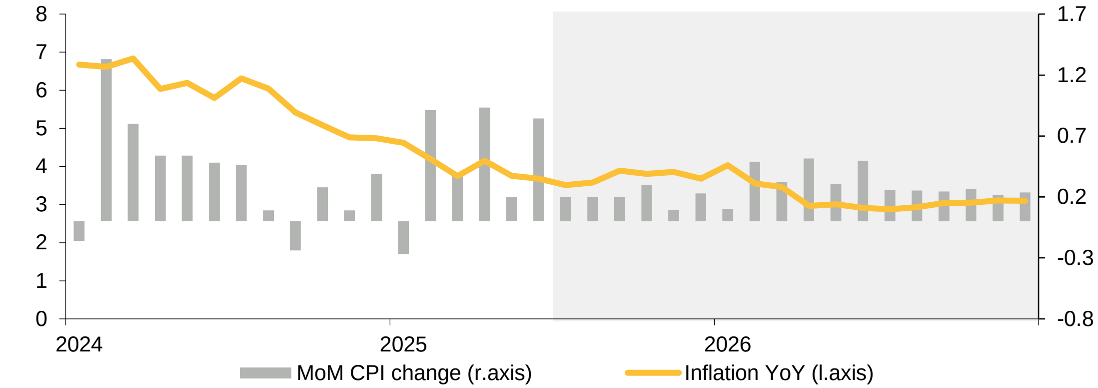
..and housing market remains resilient in the face of high real rates

Year-on-year increase in residential house prices and housing market activity



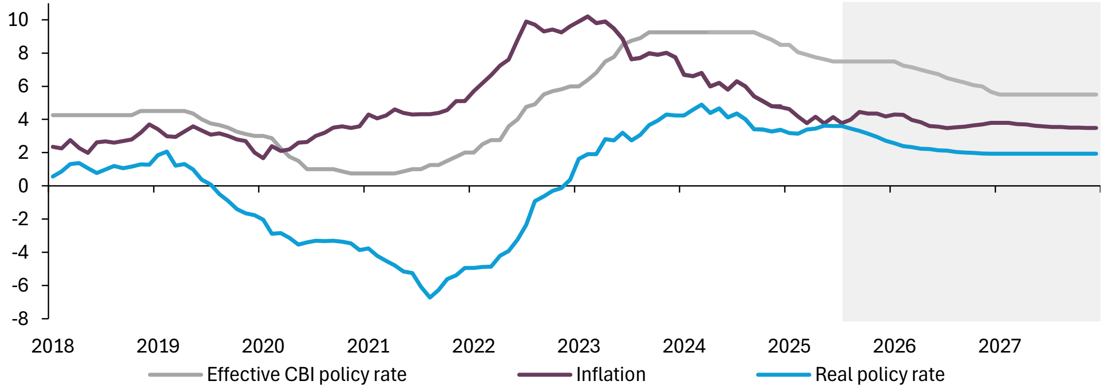
Inflation persistent in the near term but likely to eventually subside …

MoM CPI change (%, right axis) and 12m trailing inflation(%, left axis)



… leading to continued need for monetary restraint by the Central Bank

CBI policy rate and real policy rate, %



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

Solid start to the year across all business segments

Personal Banking

- Growth in deposits ISK 5.9 billion during 2Q25
- Loans grew by ISK 10.7 billion in 2Q25
- App improvements continue and customers can now name their accounts, view their private pension and view loan applications under “my cases” section
- Customers can now choose online which advisor they want to meet for an appointment, directly through the Íslandsbanki web

Business Banking

- Empowering SME customers across the country in various sectors, highlighting the importance of SMEs to the economy
- Highest market share amongst SMEs with 39% market share[1]
- Sustainable loans counted for 15% of the BB loan portfolio at end of 2Q25
- Ergo is celebrating its 40th anniversary this year with new products and various activities
- Collaboration agreement with Drift EA through which the Bank will support Drift EA's operations and actively participate in strengthening the framework for entrepreneurial initiatives and creative solutions across the country

Corporate & Investment Banking

- Securities Sales continue to hold a market-leading role domestically in both **equity turnover** on capital markets as well as **in overall securities**
- New lending within CIB in 2Q25 ISK 26.1 billion and refinancing ISK 25 billion
- Project pipeline in Corporate Finance is strong and various milestone projects completed in 2Q25
- Lending outside of Iceland in infrastructure and leveraged finance space diversifies risk

1. Average market share from Gallup's last four corporate surveys, the most recent one conducted in 2Q25.

Sale of Government's stake in the Bank completed in May, attracting **more than 31,000 individuals** as participants

Lending **outside of Iceland** within CIB has grown YTD and is now 7% of CIB loan portfolio

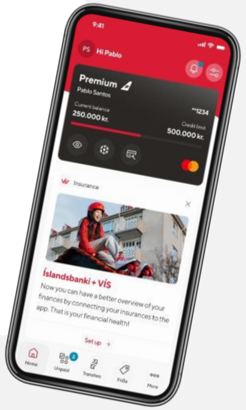
Highest market share in turnover on Nasdaq Iceland **in equities** and **total turnover** YTD

Multiple app enhancements implemented

- New home screen that includes "**Safe to Spend**" feature that promotes efficient budgeting and spend control
- **Fraud safety settings** for debit cards
- **Extra payments** on loans
- **Renaming** of accounts

Íslandsbanki 1H2025

Íslandsbanki x **VÍS** partnership rolled-out in record time and included CRM systems integration and visibility within apps



FINANCIAL • EMOTIONAL • PHYSICAL

100% Health

Rating action

A3 Stable outlook

MOODY'S

Capital optimisation journey:

Share buybacks pursuant to an ISK 15 billion authorisation commenced early July

A3 Íslandsbanki's ESG rating from Reitun, an Icelandic rating agency

Additional capital requirement decreased by 0.4 percentage points in annual FSA assessment

Highest market share amongst SMEs with **39%** market share[1]

1. Average market share from Gallup's last four corporate surveys, the most recent one conducted in 2Q25.

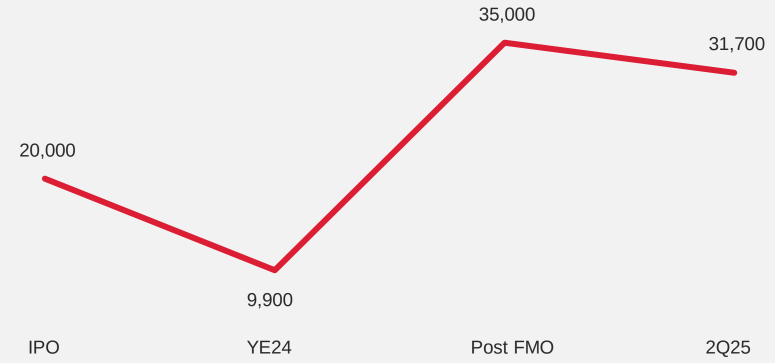
Full sale of Government's stake completed in a successful FMO

Lion's share of the remaining 42.5% stake sold to individuals during a May transaction

Íslandsbanki's shareholders
Shareholders of ≥ 1% of the Bank's shares, 30.6.25[1]

LSR Pension Fund	8.2%
Gildi Pension Fund	7.3%
Live Pension Fund	5.8%
Capital Group	5.4%
Vanguard	4.2%
Brú Pension Fund	4.0%
Frjálsi Pension Fund	2.1%
Birta Pension Fund	1.6%
Stapi Pension Fund	1.4%
Lífsverk Pension Fund	1.2%
Almenni Pension Fund	1.1%
Eaton Vance	1.1%
Festa Pension Fund	1.0%
Other shareholders with less than 1.0% shareholding	55.6%
Total	**100.0%**

Number of shareholders still >30,000 following FMO



- **42.5%** stake in the Bank sold in a fully marketed offering in May
- More than **31,000 investors** received allocation, nearly all being domestic retail investors
- **Pension funds** the largest investor group (35.9%) followed by **retail investors** (35.5%)

Trading volume of shares in Íslandsbanki rose by more than **400%** in 2Q25 compared to 2Q24[2]

1. Taking into consideration treasury shares in the ownership calculation. 2. Source: Nasdaq market data and volume of Government's sale excluded from total 2Q25 numbers.

Our commitment to companies and investors continues

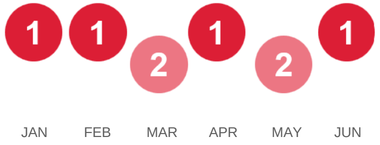
Lively activity and milestone projects concluded with a continued strong pipeline in Corporate Finance

Strong cross-functional culture paves the way for the success of our customers

Íslandsbanki to provide **underwriting commitment** for the subscription of new share capital in **Orkan** amounting to at least **ISK 2 billion** relating to the **purchase of Samkaup.**

Samherji Fiskeldi – equity private placement and **syndicated loan** demonstrating how our broad service offering benefits our customers.

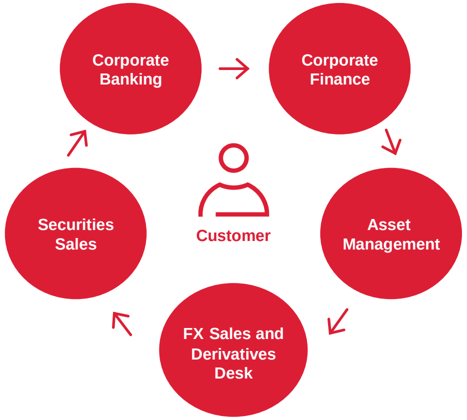
#1 investment bank in Iceland, leading in all categories



Highest share in turnover on Nasdaq Iceland in equities and total turnover YTD with the following YTD share:

- 22.2% in equities
- 22.7% in bonds

- Highest **turnover in equities** on Nasdaq Iceland during four of the first six months of the year
- Diversification of risk through lending outside Iceland
- Leading in FX Sales and in FX forward contracts



Business Banking reaching new heights

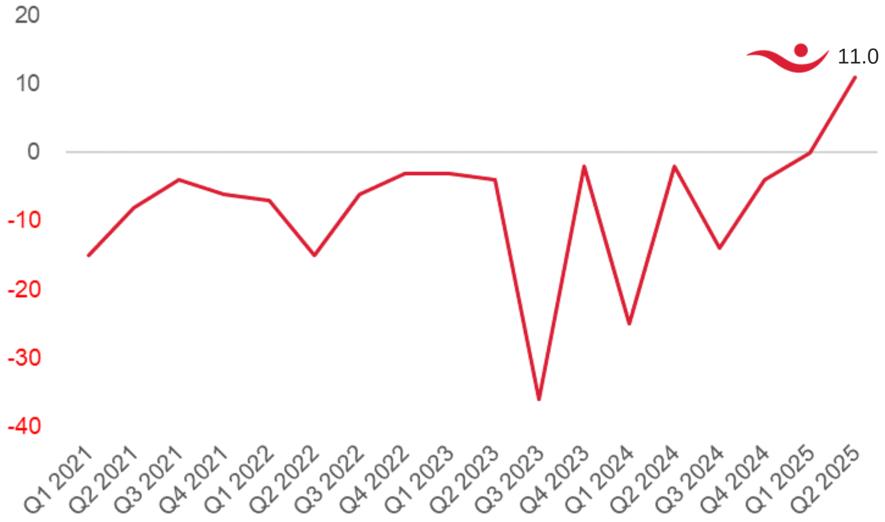
Strong team delivering meaningful milestones securing highest NPS score amongst domestic peers

NPS and market share reaching record heights[1]

39% market share

44% in the capital area

Net Promoter Score on the rise

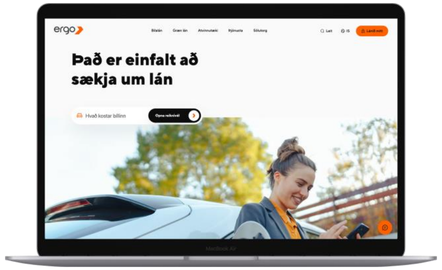


ergo

Ergo is leading in asset lending and holds the highest market share in equipment financing[2]

New product, which provides up to 100% financing regardless of the car's age, now available

New Ergo web launched



Continued commitment to businesses across the country

New lending: Forest Lagoon expansion and Hotel Gjá

Íslandsbanki to provide construction financing for a new 120-room hotel in North Iceland and finance an expansion of Skógarböðin (Forest Lagoon)

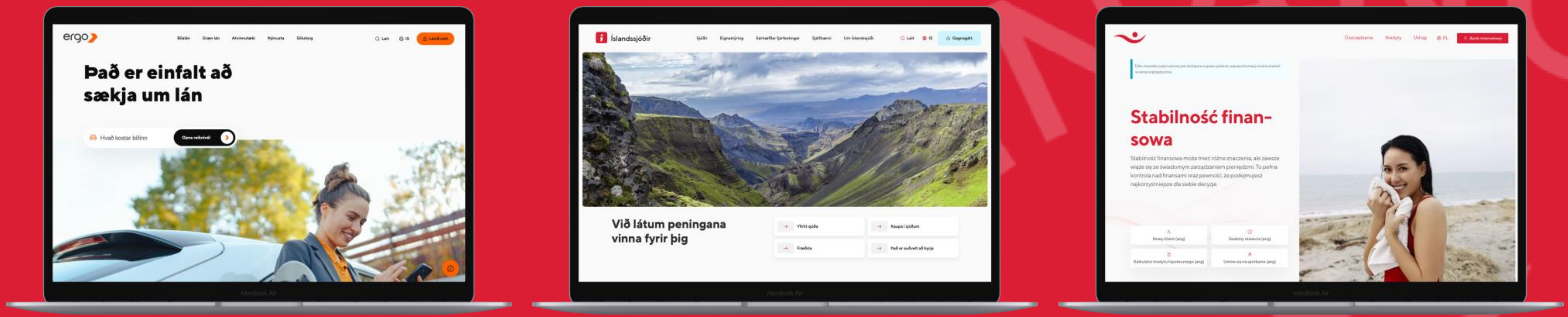
Íslandsbanki is proud to support projects that elevate important sectors in their respective communities

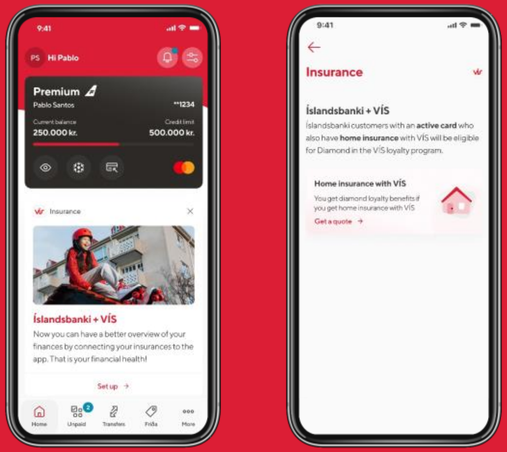
HRÍFUNES NATURE PARK | Hertz | Efstidalur II Velkomin | gæða egg

1. Average market share from Gallup's last four corporate surveys, the most recent one conducted in 2Q25 and Business Banking NPS development amongst SMEs from Gallup 2. Based on data from The Administration of Occupational Safety and Health and The Icelandic Transport Authority

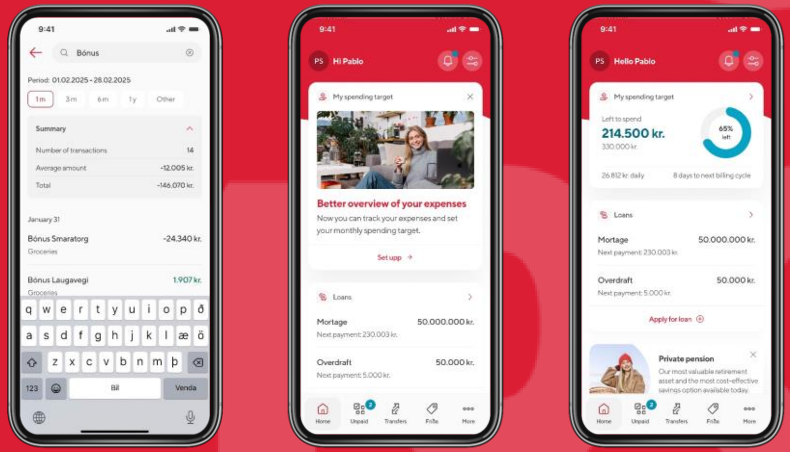
Digital innovation soaring in the first half of 2025

New Iceland Fund web and Ergo web add to already strong gateways for products and services





Launch of collaboration with VÍS in record time included CRM systems integration and visibility within apps



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

Íslandsbanki Reykjavík Marathon

Largest charitable event in Iceland annually

ISK 255 million raised in 2024 - ISK **1.7 billion** since 2006

Held for the **40th time** in 2025

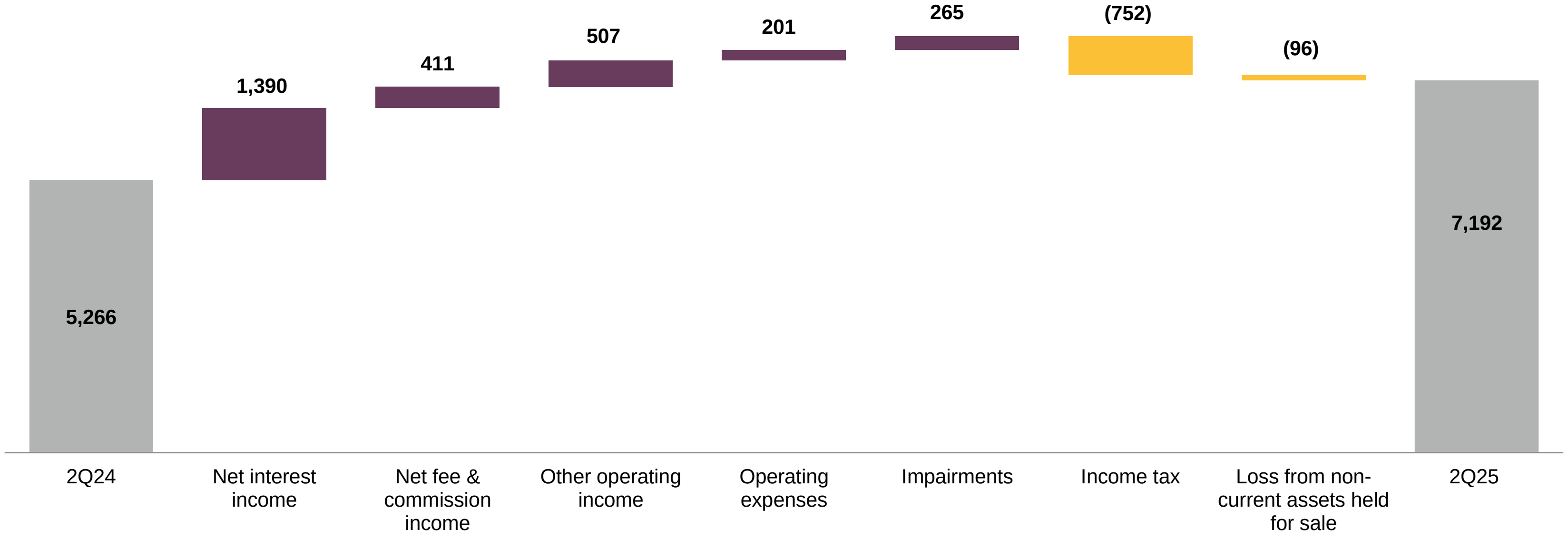
23 August 2025

Financial Overview

Quarterly profits 37% higher than in the previous year

Nearly all line-items are developing in a favourable manner year-on-year

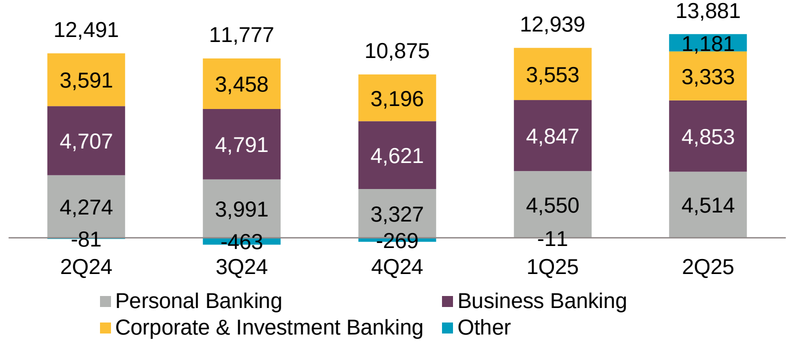
Profit for the period – 2Q24 vs 2Q25
ISKm



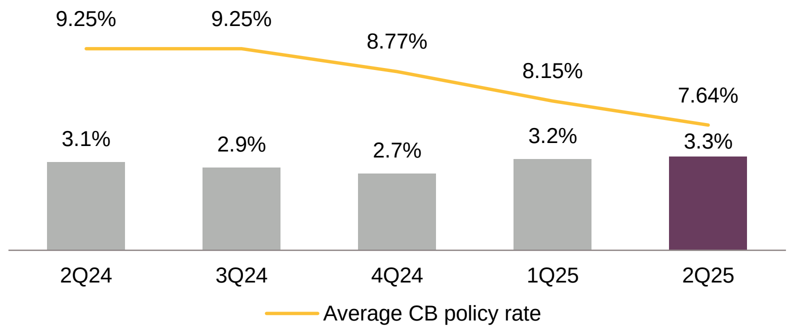
NIM uplift year-on-year as effects of imbalances are reducing

Volatility still assumed for the short term for CPI imbalance while the economy re-stabilises

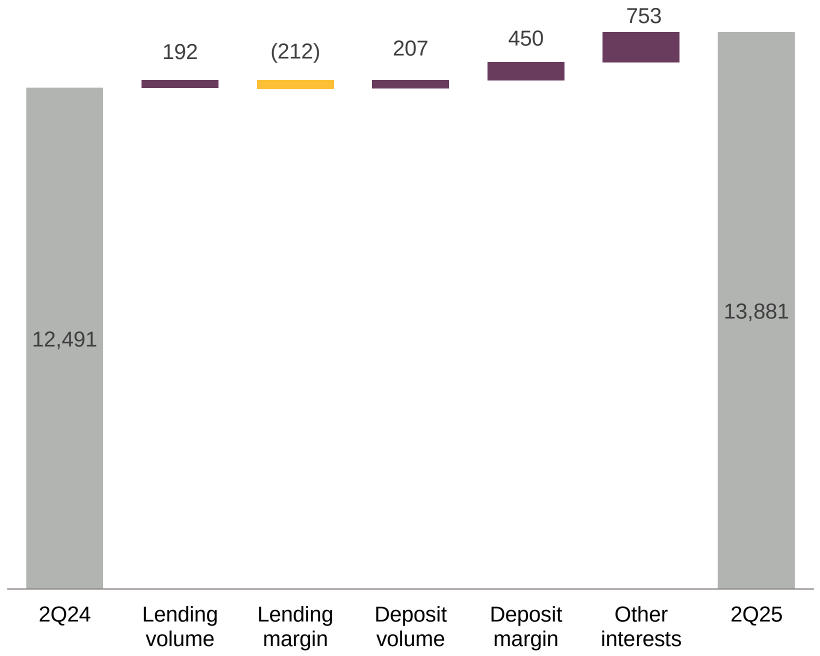
Net interest income
Business segments, ISKm



Net interest margin
On total assets



Net interest income – YoY comparison
ISKm



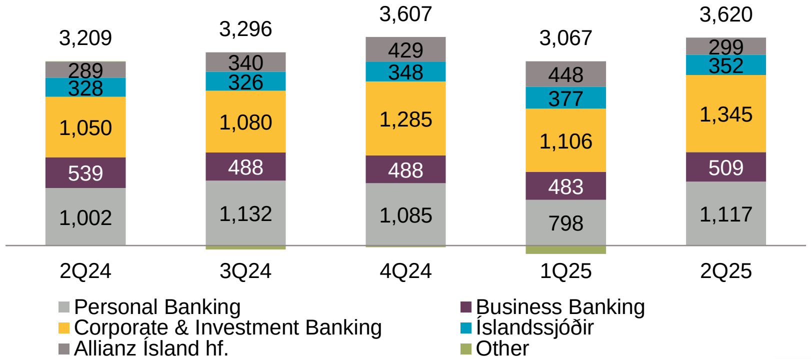
Highlights

- Net interest margin was 3.3% in 2Q25 (3.1% in 2Q24), while net interest margin for first half 2025 was 3.2%
- Lending margin was 1.6% in 2Q25 (1.7% in 2Q24)
- Deposit margin was 2.0% in 2Q25 (1.8% in 2Q24)
- Inflation remained persistent in the second quarter reaching 4.2% in June, from 3.8% in March
- The CPI imbalance amounted to ISK 178 million at end of 2Q25, comparable to end of 1Q25
- Aggregated inflationary ticks for 3Q25 forecasted to be 1.36% compared to 1.51% accounted for in 2Q25
- Policy rate cut once during the quarter by the Central Bank, dropping from 7.75% to 7.50% by end of May
- Next rate decision by the Central Bank to be announced 20 August

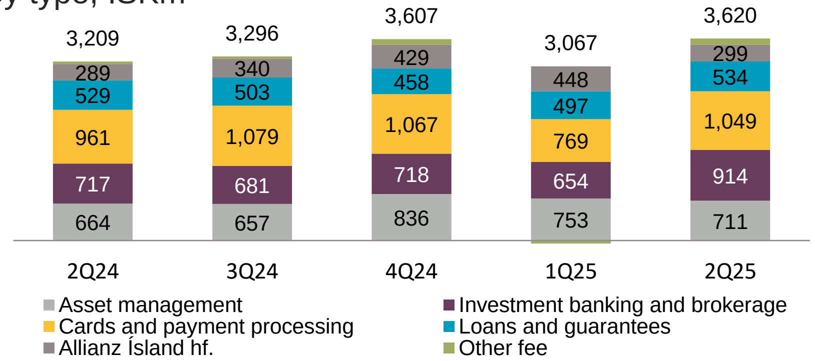
Net fee and commissions growing by 13% year-on-year

Healthy growth across all types of fees and commissions

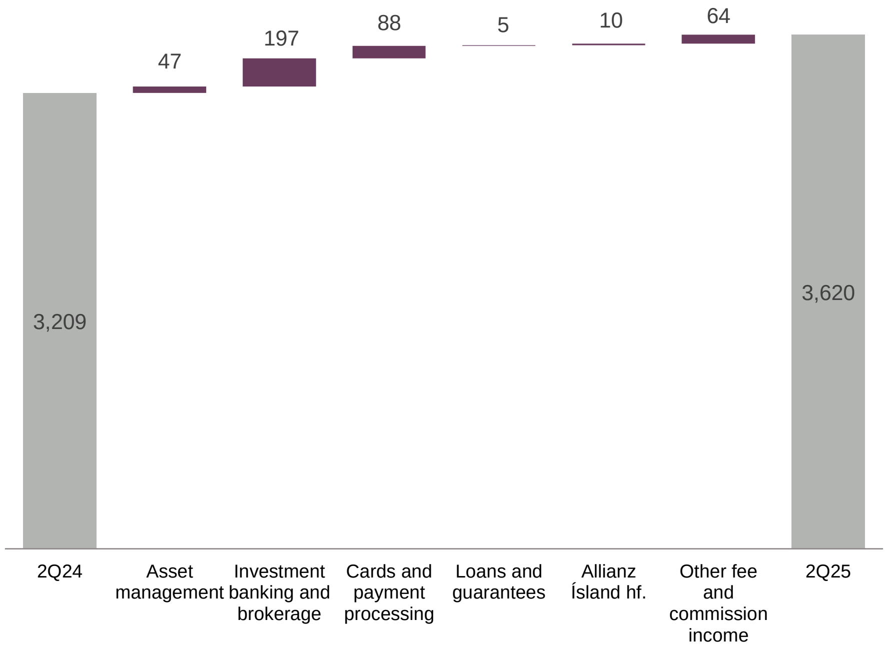
Net fee and commission income
Business segments, ISKm



Net fee and commission income
By type, ISKm



Net fee and commission income – YoY comparison
ISKm



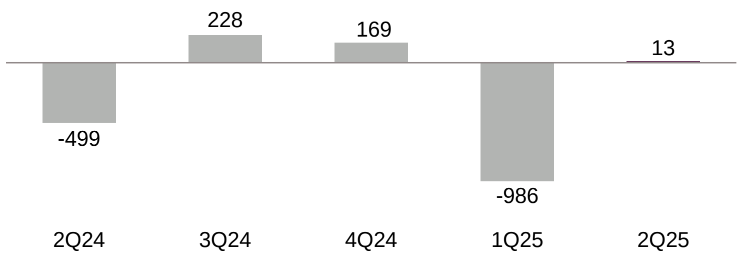
Highlights

- Following turmoil in 1Q25, capital markets have recovered to a large degree as evident by growth of fees in investment banking and asset management
- Strong quarter in cards and payment processing shown by a growth of around 10% year-on-year, and over 36% quarter-on-quarter as seasonality adversely impacts the first quarter every year
- Allianz Ísland hf., a subsidiary of the Bank, remains, as in recent quarters, a strong contributor to the Group's net fee and commission income

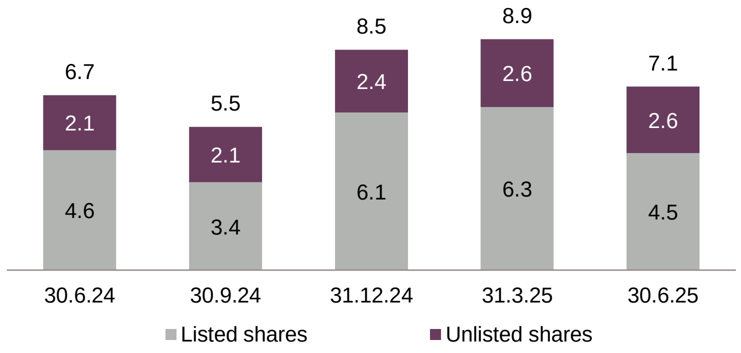
Neutral results from NFI following a turbulent first quarter

Market risk exposure remains a small part of the Bank's operations

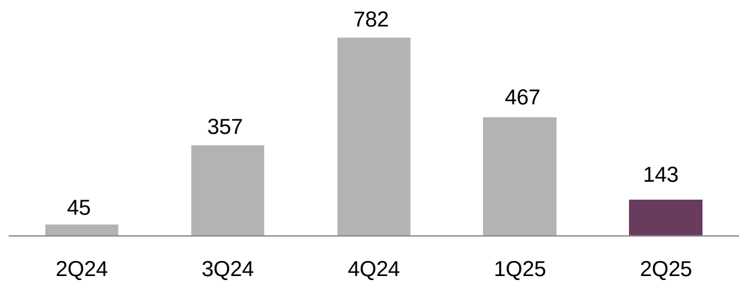
Net financial income (expense)
ISKm



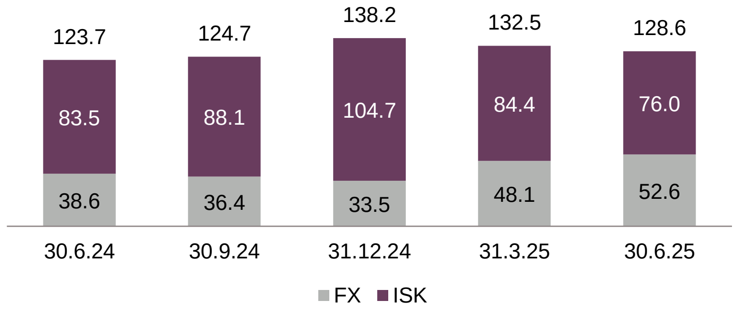
Shares and equity instruments[1]
ISKbn



Other operating income
ISKm



Bonds and debt instruments[2]
ISKbn



Highlights

- Net financial income close to zero this quarter compared to a loss of ISK 986 million in the first quarter – mainly attributable to recovery in capital markets impacting market making operations, economic hedges and the Group's own market positions in a positive manner
- Other operating income amounted to ISK 143 million, mainly related to gain from sales of property and equipment.
- Equity market risk continues to be limited in size compared to the overall balance sheet of the Bank

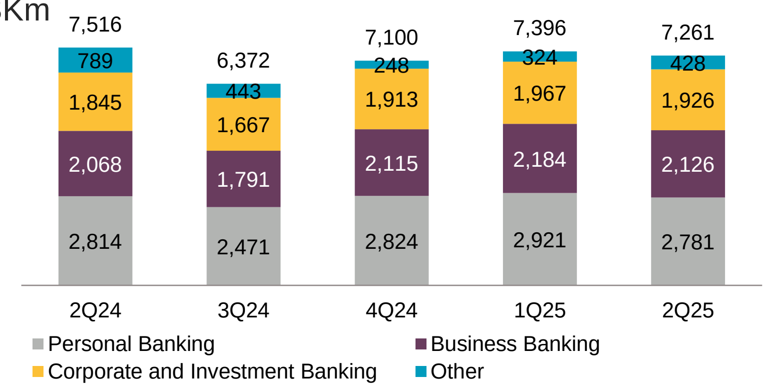
1. Excluding listed shares and equity instruments used for economic hedging.
2. Excluding listed bonds and debt instruments used for economic hedging.

Strong cost-to-income ratio within financial target

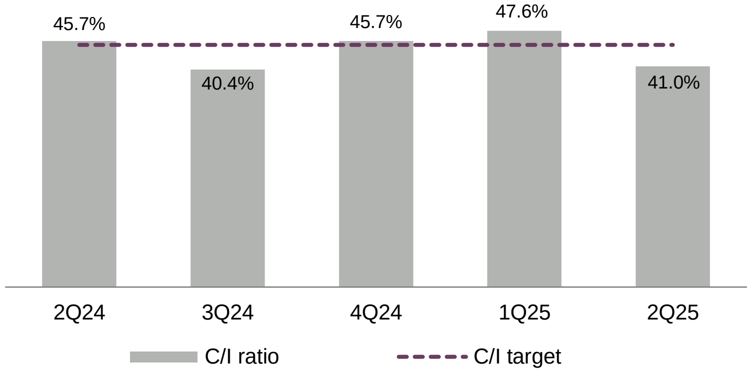
Results driven by both reducing administrative expenses and growth in income

Administrative expenses

ISKm



Cost-to-income ratio[1,2]

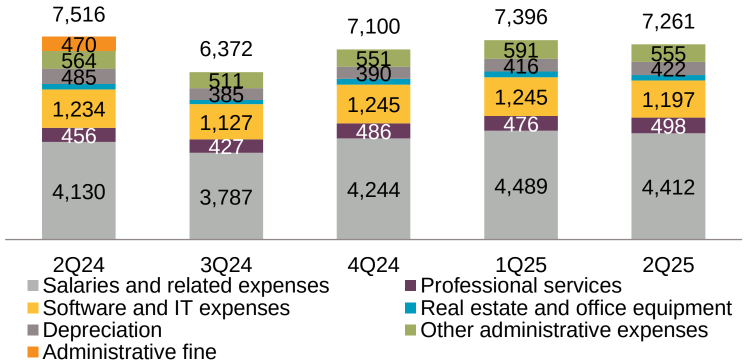


Highlights

- Salaries and related expenses in 2Q25 grew by 6.8% between years
- Average FTEs increased by 3 from previous year while headcount at period-end has reduced by 6 year-on-year
- Other operating expenses decreased by 2.3% between years and 1.7% YTD between years
- The cost-to-income ratio was 41.0% during the quarter and 44.1% for the first half of the year – both within financial target

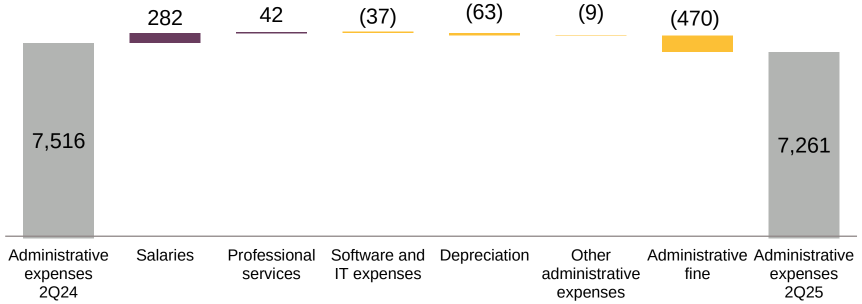
Administrative expenses – by type

ISKm



Administrative expenses – YoY comparison

ISKm

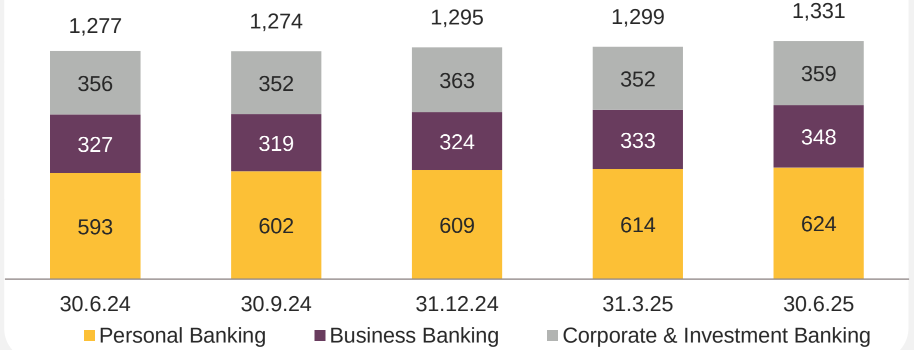


1. Calculated as (Administrative expenses – one-off expenses) / Total operating income – one-off income). 2. Expenses of ISK 210m for 2Q24, and ISK 269m for 3Q24 recognised in the line item "Other operating expenses" in the Group's Interim Financial Statements have been reclassified in the line item "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.

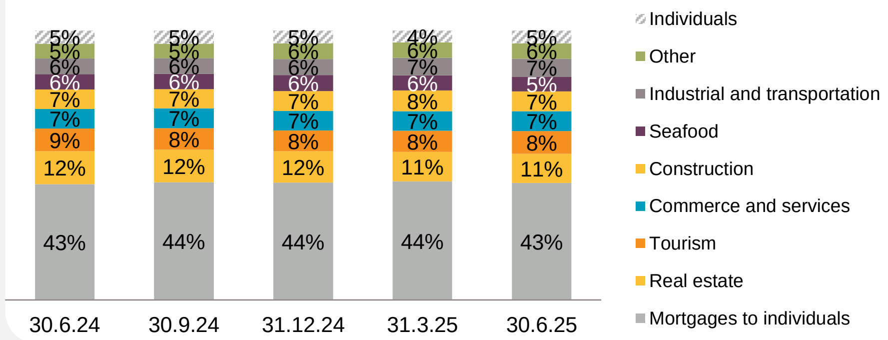
Healthy loan portfolio growth over the quarter

Portfolio based on robust credit culture and very high collateralisation (>94%) of the loan book

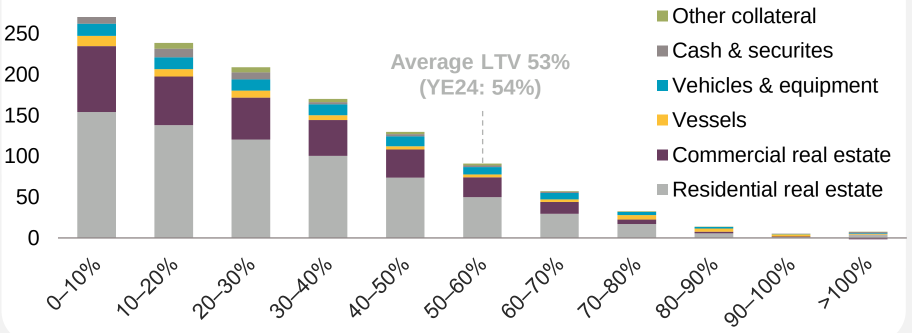
Loans to customers
By business division, ISKbn



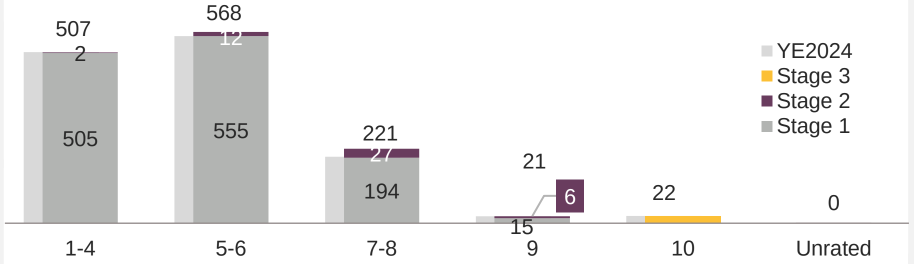
Loans to customers
By sector, with tourism as a separate sector



LTV distribution by underlying asset class
Loan splitting approach, ISKbn



Loans to customers: gross carrying amount[1]
Risk class and impairment stage, 30.6.2025, ISKbn



1. Risk class distribution at YE24 shown as comparison

Highlights

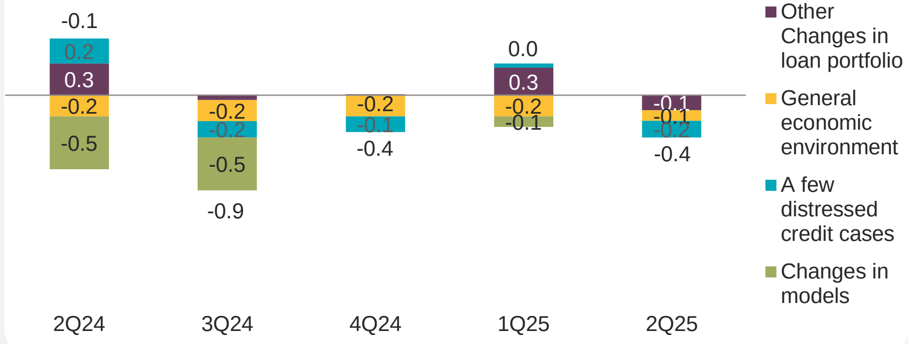
- Credit exposure fully covered by collateral is ISK 1,247 billion or 94% of loans to customers
- Composition of the loan portfolio comparable to previous quarters
- The credit quality of assets continues to be robust due to strong risk management practices and conservative lending policies

Asset quality remains strong consistent with historical quarters

Stage 3 declines while increase in Stage 2 loans is related to a handful of credit cases

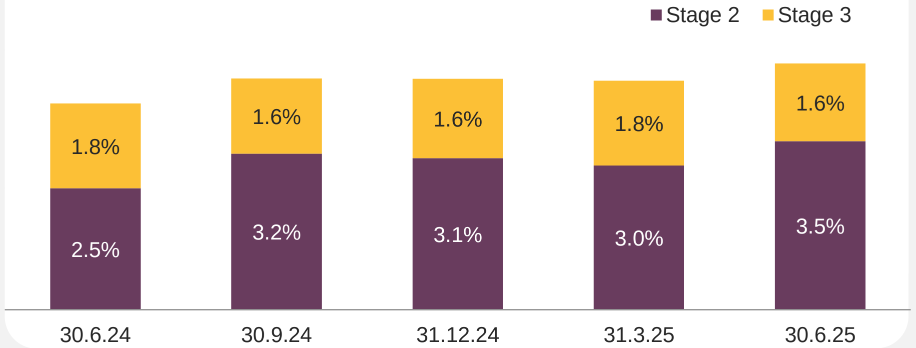
Net impairment on financial assets

By period, ISKbn



Loans to customers: Stage 2 and 3 (NPL)

Development of gross carrying amount as ratio of total loans



Highlights

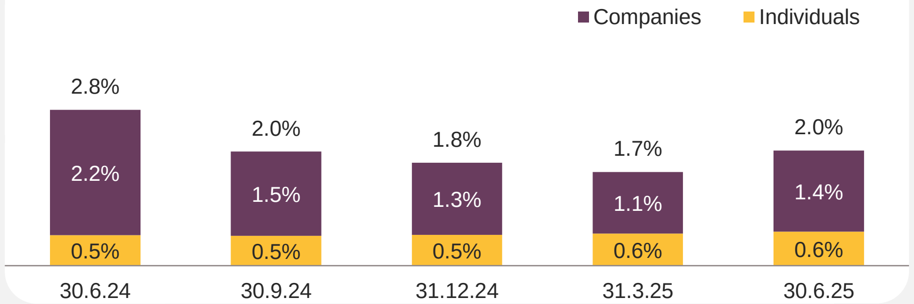
- Increase in Stage 2 is primarily related to a handful of credit cases being granted forbearance in the quarter
- The definition of forbearance includes a 24-month probation period. Therefore, loans are classified as forborne even after normal payments have resumed
- Reserve coverage ratio (RCR) for impairment allowance on Stage 3 was 15.4% at end of 2Q25, as exposures are very well secured and risk of losses thus limited

Current and expected cost-of-risk

- Annualised cost of risk was -12bps in 2Q25 (-4bps for 2Q24)
- The probability weights of economic scenarios were kept unchanged at 20% (good), 50% (baseline), and 30% (bad) at the end of 2Q25. 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 240 million while 5% shift from the baseline to the good would decrease the allowance by ISK 90 million

Performing loans with forbearance

Development of gross carrying amount as ratio of total loans

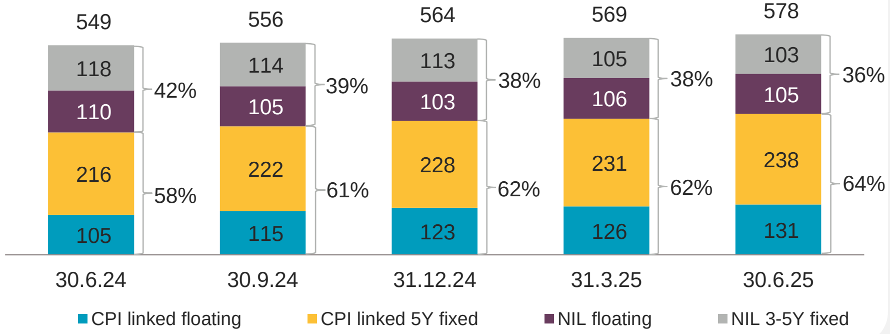


Shift between mortgage products normalising

Fixed rate imbalance continues to run off in line with projections

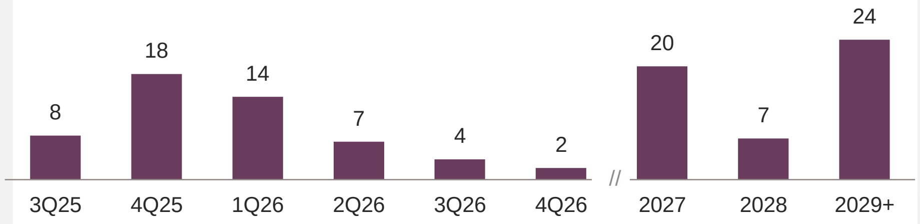
Mortgage portfolio

By interest rate type, gross carrying amount, ISKbn



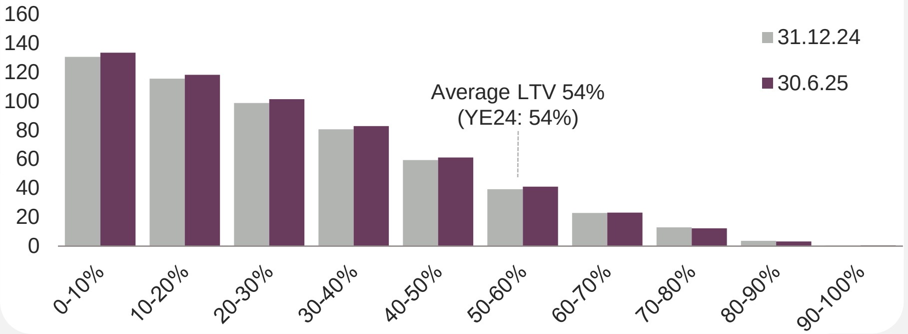
Interest rate reset profile for NIL 3-5y fixed rate mortgages

Gross carrying amount, ISKbn



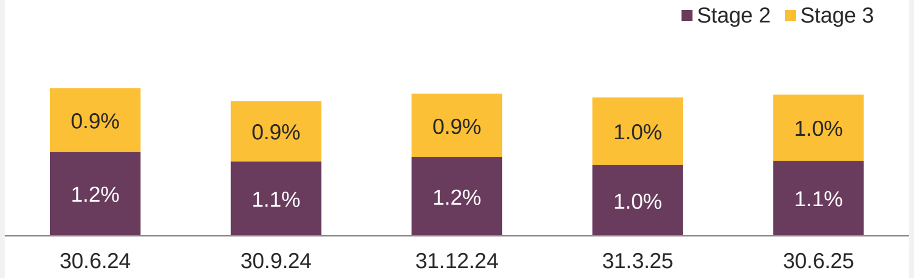
LTV distribution of mortgages

Gross carrying amount, loan splitting approach, ISKbn



Mortgages portfolio: Stage 2 and 3 (NPL)

Gross carrying amount as ratio of total mortgages



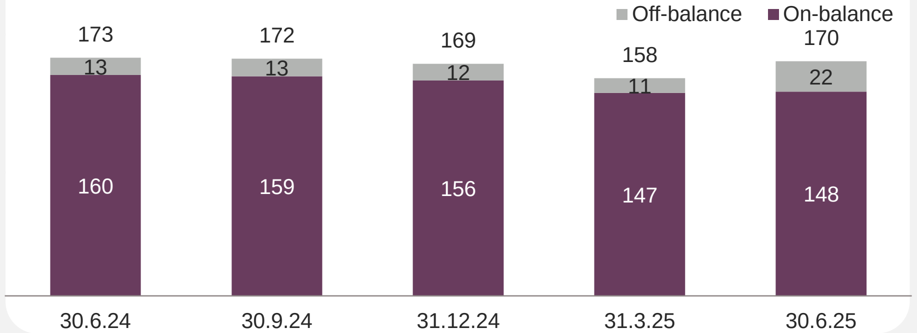
Highlights

- 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

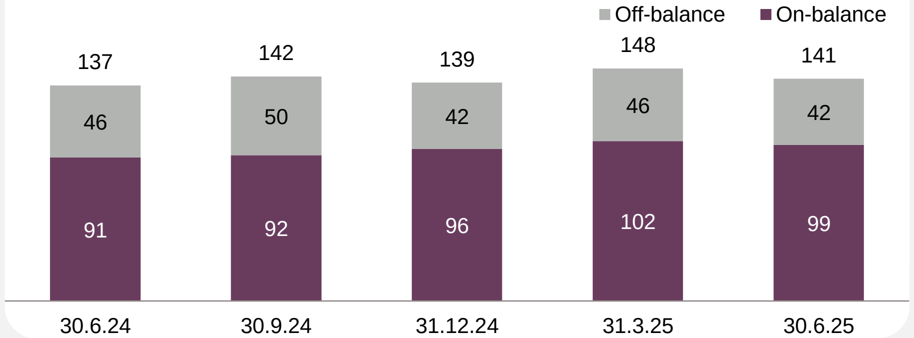
Commercial Real Estate portfolio well diversified and of good quality

Occupancy ratios high for domestic commercial real estate companies

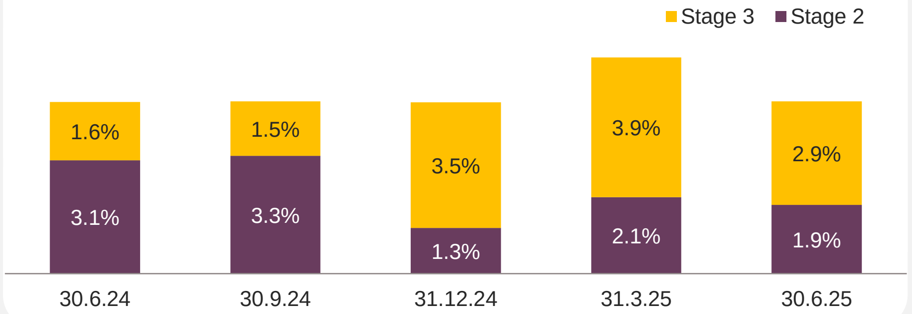
Development of exposure to real estate companies
Gross carrying amount by period, ISKbn



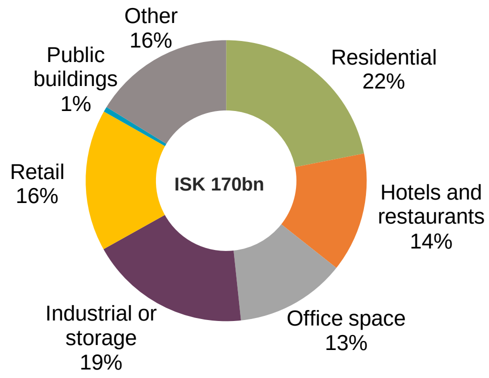
Development of construction exposure
Gross carrying amount by period, ISKbn



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



Real estate collateral by type



Highlights

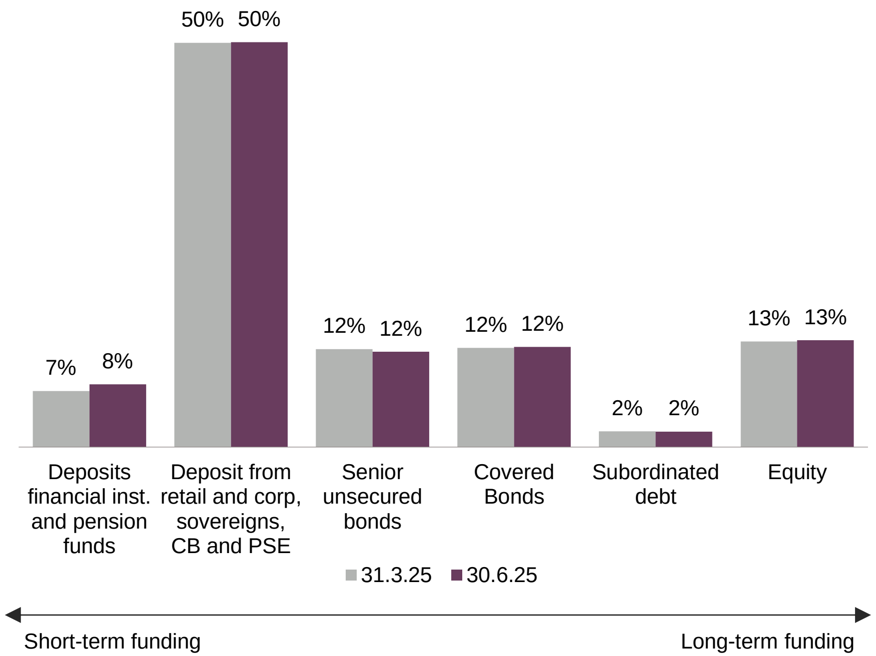
- Decrease in Stage 2 was mainly due to a resolution of a legal dispute between one borrower and a municipality, which had initially led to a technical default. Additionally, the decline in Stage 3 was due to the repayment of loans from a single distressed credit case.
- Loans to real estate companies and construction amount to 11% and 7% of loans to customers, respectively
- Disciplined origination with conservative LTV requirements and debt service criteria
- Real estate companies naturally hedged in cash flow as both rental agreements and financing are both long-term and primarily CPI linked.
- 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 with low LTV compared to expected sales values
- All construction loan commitments are disbursed in line with construction progress as monitored by the Bank or its representatives

Deposit growth continues in 2Q25 reaching 4.4% YTD

Strong deposit position allows for a more flexible wholesale funding approach

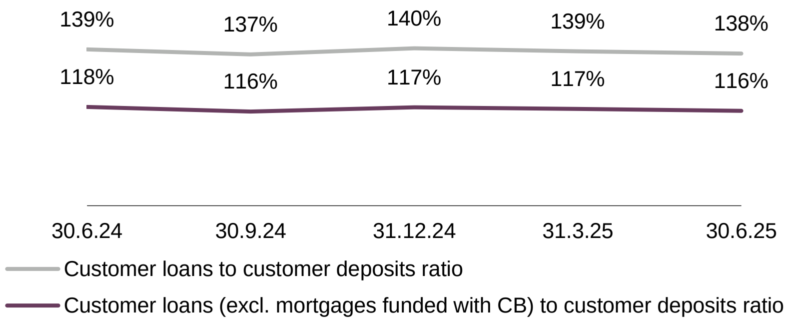
Funding sources

By type, % of total liabilities and equity



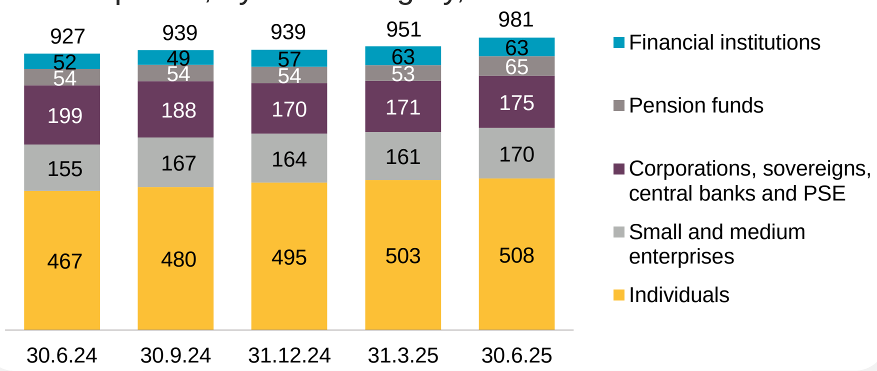
Customer loans to customer deposits ratio

Development, %



Deposits from customers and credit institutions

Development, by LCR category, ISKbn



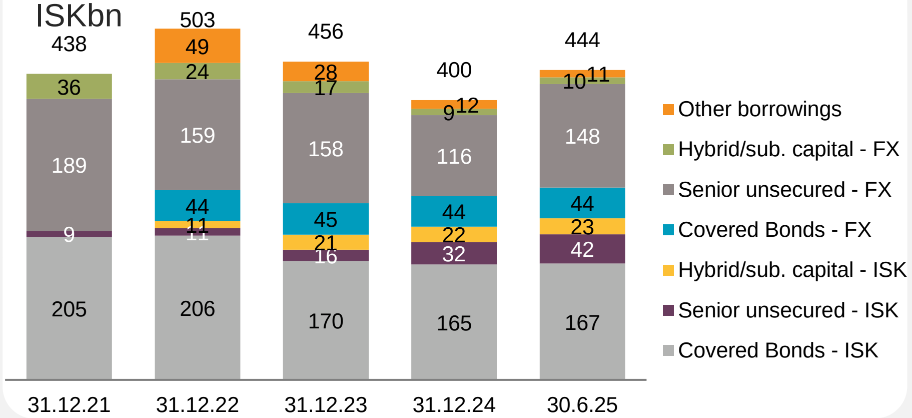
Highlights

- Deposits grew by 3.1% in 2Q25, mainly due to increase in deposits from pension funds and small and medium enterprises.
- Deposits from individuals remain the strongest segment or 52% of total deposits
- Term deposits were 17% of total deposits at the end of 2Q25
- 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
- 70% of deposits held by individuals (across business segments) and 44% of all deposits covered by deposit guarantee scheme

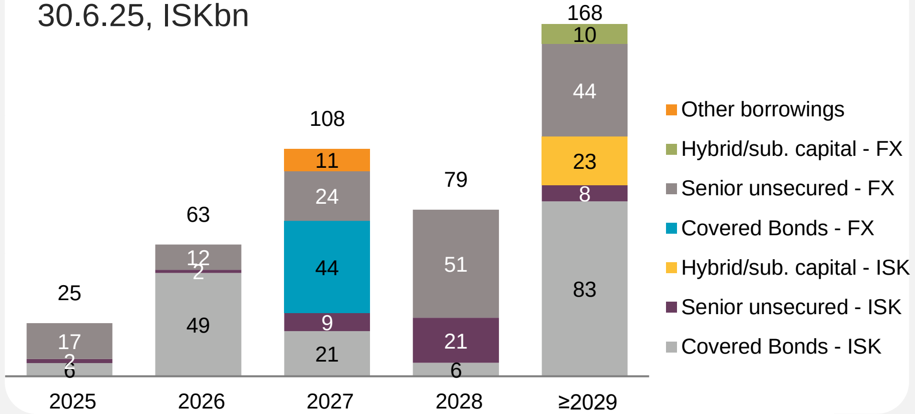
Light maturity profile through the next two years

Good diversification of funding sources as domestic senior market has been maturing rapidly

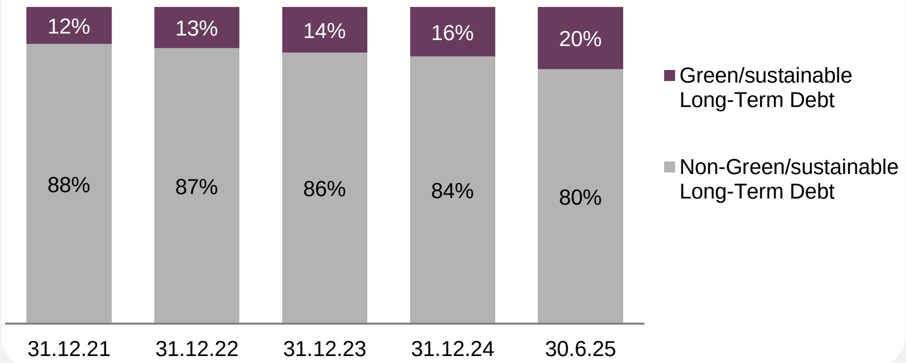
Sources of borrowings
ISKbn



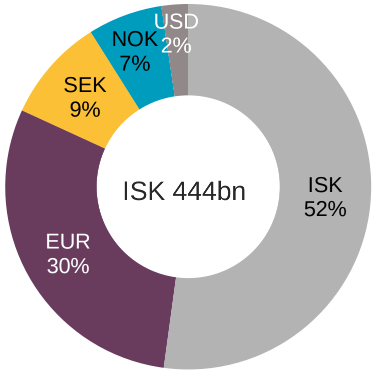
Contractual maturity profile of borrowings
30.6.25, ISKbn



Development of green/sustainable funding
ISKbn



Currency split of borrowings
30.06.25, ISKbn



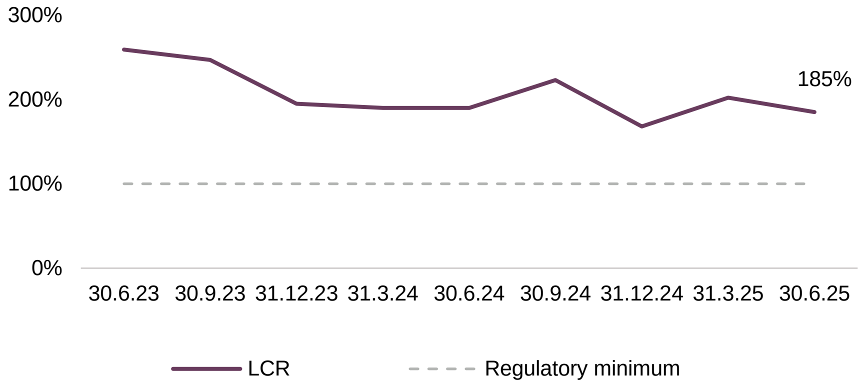
Highlights

- In the local market the Bank issued a new covered bond ISB CB 31 a 6yr non-index linked bond
- During 2Q25 the Bank sold a total of ISK 4.1 billion of covered bonds
- The Bank’s borrowings split remains evenly divided between ISK and foreign currencies
- Low maturities throughout 2026 allow the Bank to remain an adaptive issuer in capital markets
- In June Moody's Ratings affirmed Íslandsbanki' s A2 long-term deposit and A3 long-term issuer ratings, with a stable outlook
- At the end of 2Q25, the Bank's MREL ratio was 36.7%, 720 bps on top of requirements

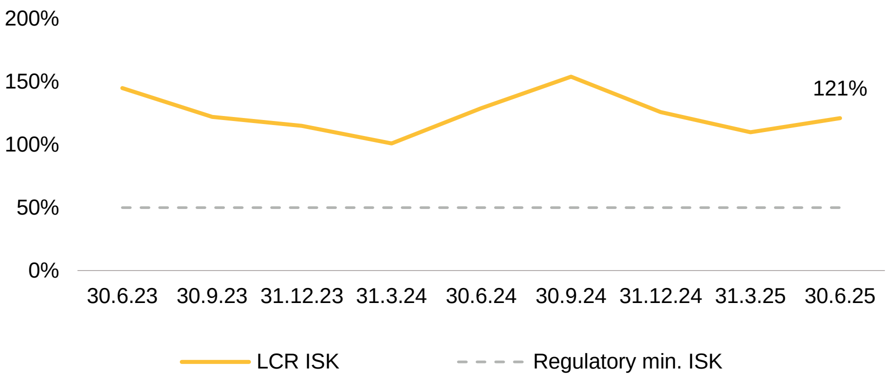
Strong liquidity position, ratios well above requirements

Liquid assets 18% of the total balance sheet and fully marked-to-market

Total liquidity coverage ratio (LCR)

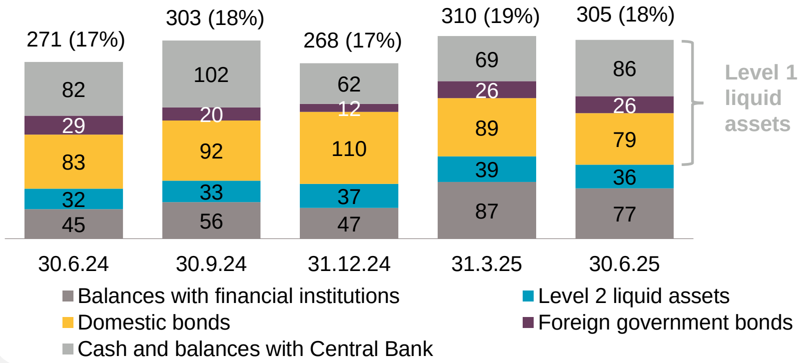


Liquidity coverage ratio for ISK

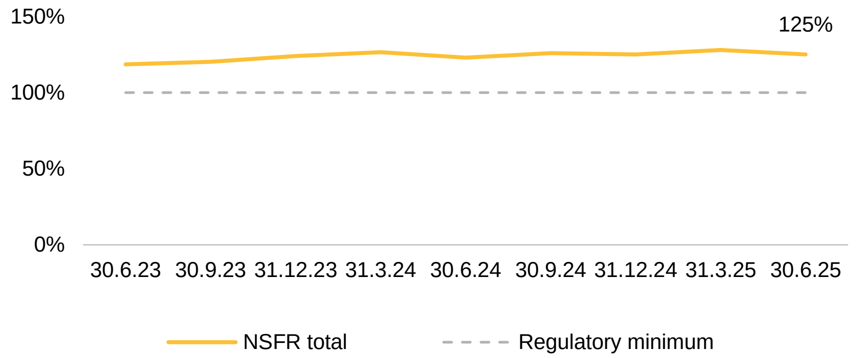


Liquid assets

% of total assets, ISKbn



Net stable funding ratio (NSFR)



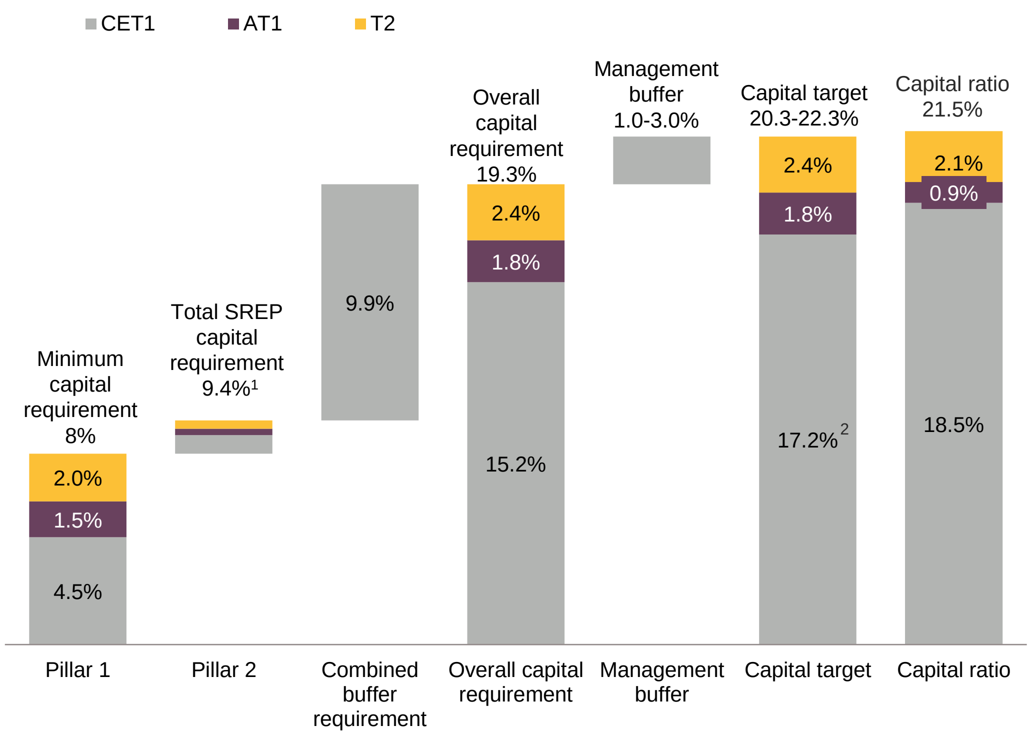
Highlights

- All liquidity measures well above regulatory requirements
- Total LCR at 185% and NSFR at 125% at 2Q25
- The Bank's EUR LCR at the end of 2Q25 was 542%
- 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

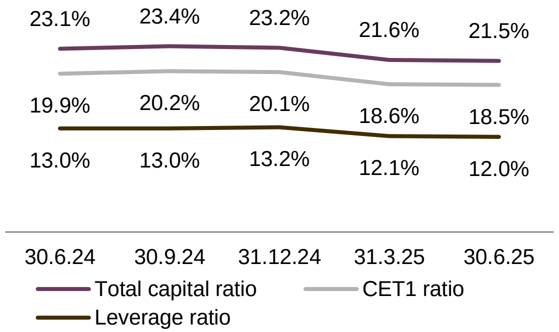
Results of SREP and expected implementation of CRR3 to provide additional capital optimisation capacity

Current regulatory requirements and minimum capital target
30.6.2025, by capital composition

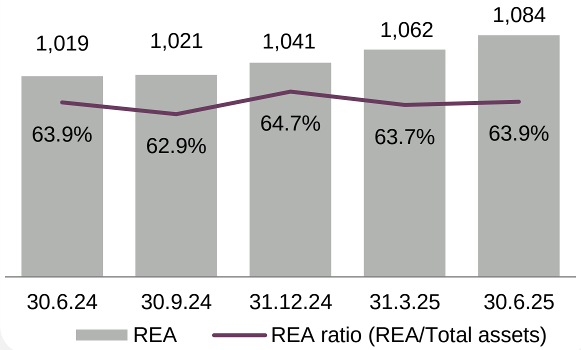


1. CET1 0.8%, AT1 0.3% and T2 0.4%. 2. CET1 capital target set at mid-point of management buffer

Capital and leverage ratios
% of REA (% of total exposure for leverage ratio)



REA and REA ratio
ISKbn and % of total assets



Highlights

- SREP: As of 30 June 2025, the Bank must maintain an additional capital requirement of 1.4% of the REA, a 0.4 percentage points reduction from the previous assessment – thus reducing the Bank's total SREP capital requirement from 9.8% to 9.4%
- The combined buffer requirement is 9.9%, resulting in an overall capital requirement of 19.3% and capital target of 20.3-22.3% assuming a 100-300bp management buffer
- 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 6-7%, thus boosting capital ratios
- Total distribution capacity (including uncompleted buybacks) amounts to around ISK 40 billion, assuming a fully optimised capital structure and taking into account the effect of CRR3, expected to be implemented in 2025

Strong results for the second quarter

Good underlying momentum in all revenue streams

Momentum in all revenue streams drives strong results

- Return on equity of 13.0% for the quarter and 11.1% for the first half of the year, healthily above previous year
- Net interest margin at 3.3% for the second quarter and 3.2% for the first half of the year as effects of imbalances continue to subside
- Strong fee and commission income driven by investment banking activities and strong card and payments quarter
- Reduction in other operating expenses while salaries are in line with expectations

Loan portfolio remains strong and asset quality high

- Healthy loan growth of close to 5.5% over the first half of the year on an annual basis, mainly attributable to the second quarter
- Deposit growth in the first half of close to 8.5% on an annualised basis, mainly coming from retail
- Stage 3 loans remain strong and stable at 1.8%
- Loan portfolio over 94% secured by collateral and skewed toward lower risk classes

Capital optimisation an ongoing focal point

- Latest SREP process yielded a 0.4 percentage point reduction in Pillar-2 requirements
- Total capital requirement as of now 19.3% and CET1 requirement of 15.2%
- Effects of CRR3 assumed to reduce REA by 6-7% thus boosting capital ratios
- Total excess capital (including uncompleted buybacks) around ISK 40 billion

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

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

12 **branches**

Listed on Nasdaq Iceland as of June 2021

ergo

Market share[1]

31% Retail customers

39% SMEs

34% Large companies

Sustainability in 2Q25

Íslandsbanki received an ESG rating of A3 from Reitun, an Icelandic rating agency

Statement of principle adverse impact published

Íslandsbanki's sustainable assets amounted to ISK 110bn at end of 2Q25

Key Figures 2Q25

ROE	13.0%	LCR Group, all currencies	185%
Cost-to-income ratio	41.0%	NSFR Group, all currencies	125%
CET 1 ratio	18.5%	Leverage ratio	12.0%
Total capital ratio	21.5%	Total assets	ISK 1,696bn

Ratings and certifications

Moody's
A3 Stable outlook

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

ESG risk rating
Reitun
A3 Exceptional

EQUALITY SCALE FKA 2024 AWARD

EQUAL PAY CERTIFICATE 2025 - 2028

Digital milestones in 2Q25

Customers can reduce their overdraft in the app and Íslandsbanki x VÍS partnership introduced in distribution channels

New webs published for Ergo and Íslandssjóðir (Iceland Funds) and Íslandsbanki web also available in Polish

Numerous PSD2 services supporting the FinTech ecosystem implemented; strengthening comprehensive services offered

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 2Q25 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

		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. Expenses of 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. In 1Q25 the Central Bank granted the Bank permission to buy back own 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.

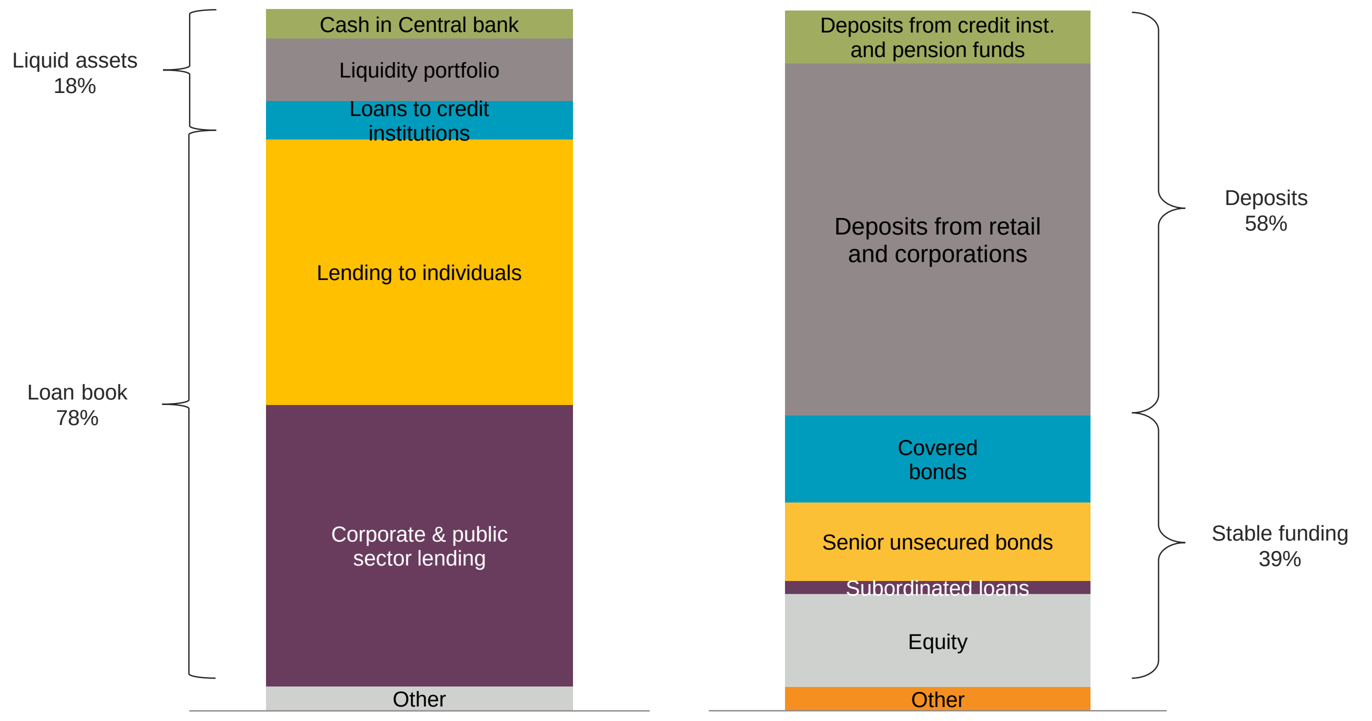
Income statement

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							
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%)

Balance sheet reflects a balanced loan and funding profile

Conservative mix of assets and stable funding

Simplified balance sheet structure
30.6.25, ISK 1,696bn



Assets

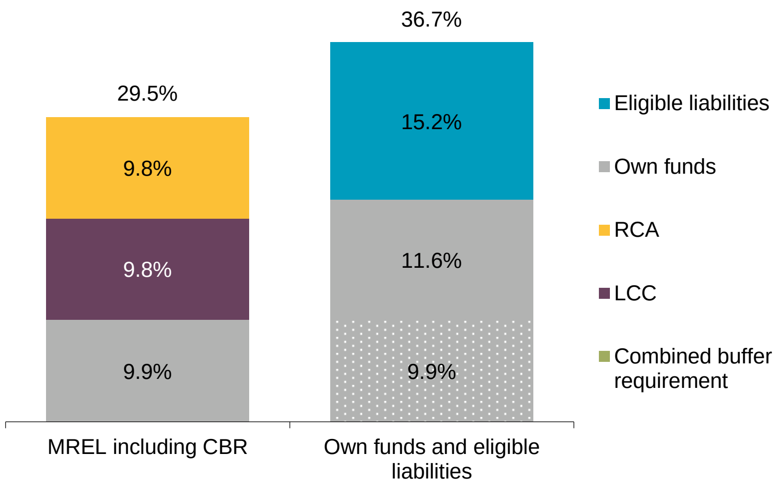
- Vast majority of assets consist of lending to both retail and corporates
- Strong liquidity portfolio is a consistent factor in balance sheet management
- Very limited exposure to non-liquid or non-lending assets

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

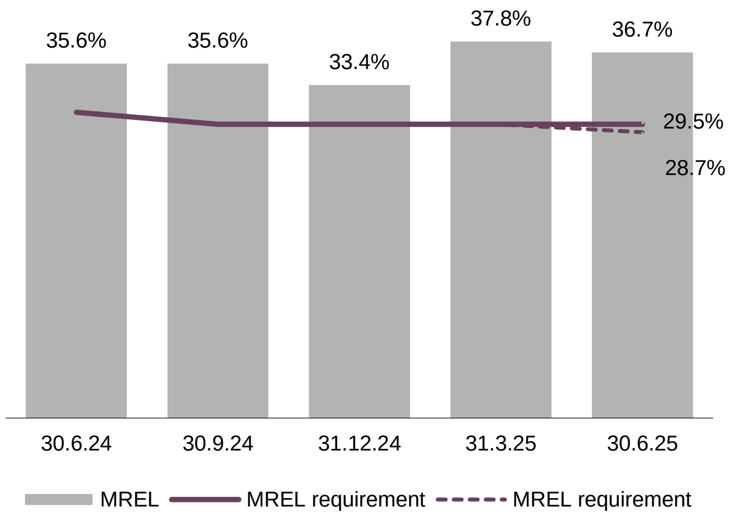
Íslandsbanki's MREL requirement

Minimum Requirement for Own Funds and Eligible Liabilities (MREL), 30.6.2025



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

MREL Development, %



- The Icelandic Resolution Authority approves annually a resolution plan for the Bank. The Resolution plan stipulates that the MREL requirement for Íslandsbanki is the sum of the Loss absorption amount (LAA) and Recapitalisation amount (RCA), both equal to the total SREP capital requirement in force at the date of approval (9.8%), resulting in an MREL requirement of 19.6% of REA.
- The reduction in the SREP requirement to 9.4% is expected to lower the MREL requirement to 18.8% when the resolution plan will be updated later this year.
- 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 and is expected to be 28.7% with the updated Resolution plan.

Assets

Asset base mainly consists of loans and liquid assets

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.

Liabilities and equity

Deposits continue to be the largest source of funding

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 borrowed 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	30.6.25	31.3.25	31.12.24
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%
Tier1 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	**36.7%**	37.8%	33.4%

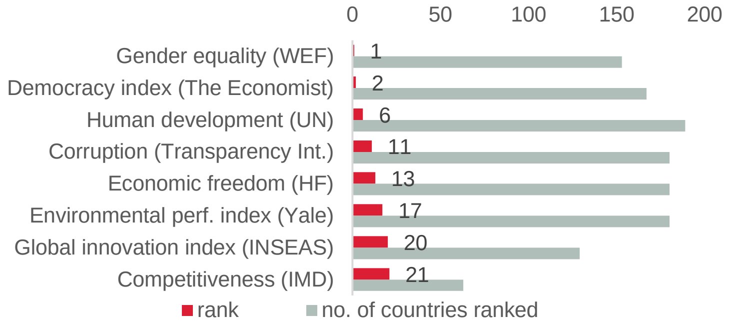
Appendix II

Icelandic economy update

The Icelandic economy and society draw on many strengths

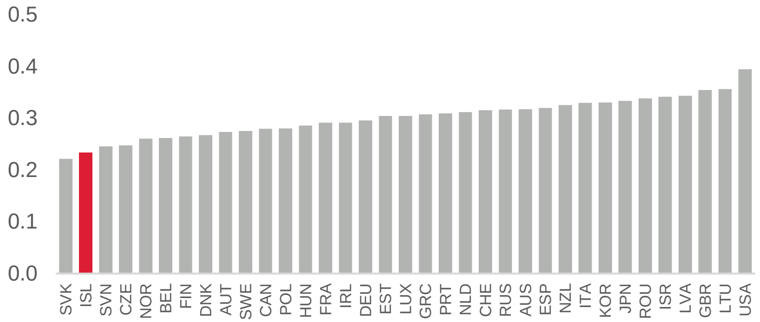
Icelanders enjoy high standards of living in a modern, open and egalitarian society

Iceland ranks highly on a variety of global development benchmarks



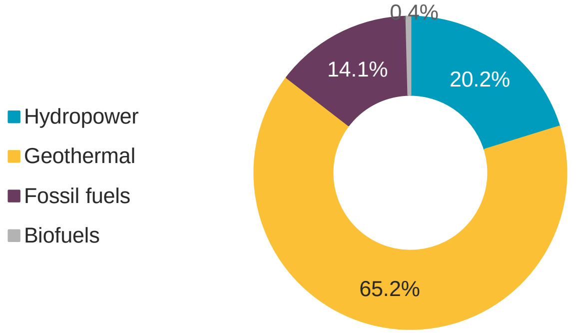
Income inequality is low compared to OECD peers

Gini coefficient, OECD, most recent data available



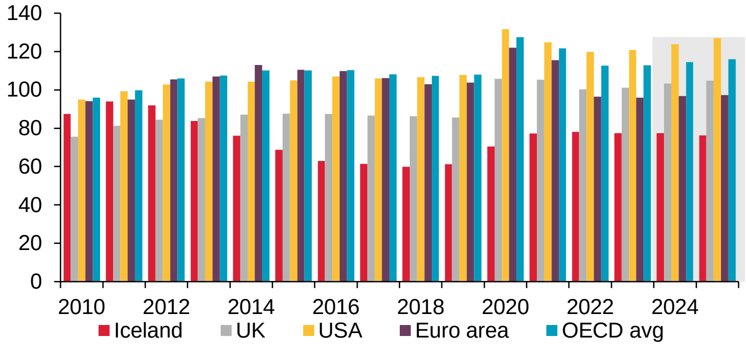
Sustainable energy usage is prevalent

Energy consumption by source, 2022



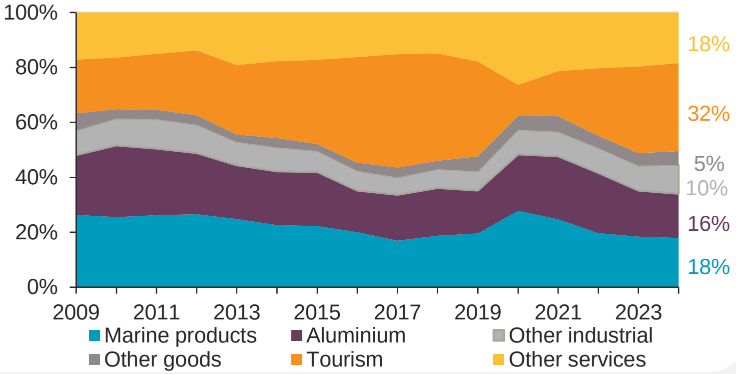
Public debt remains sustainable after pandemic

General govt. gross financial liabilities, % of GDP



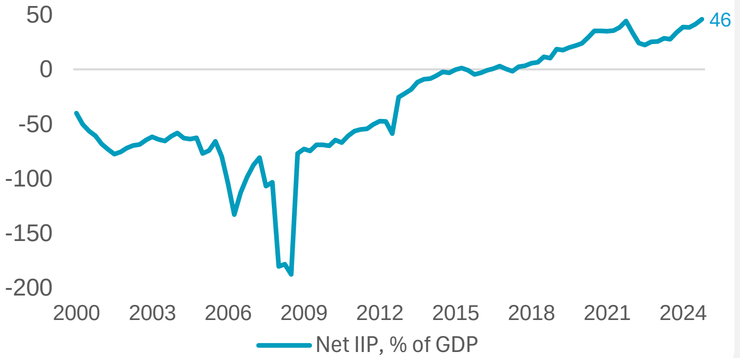
Export base has grown more diverse over time

Export contribution by industry



Net international investment position has changed

% of GDP



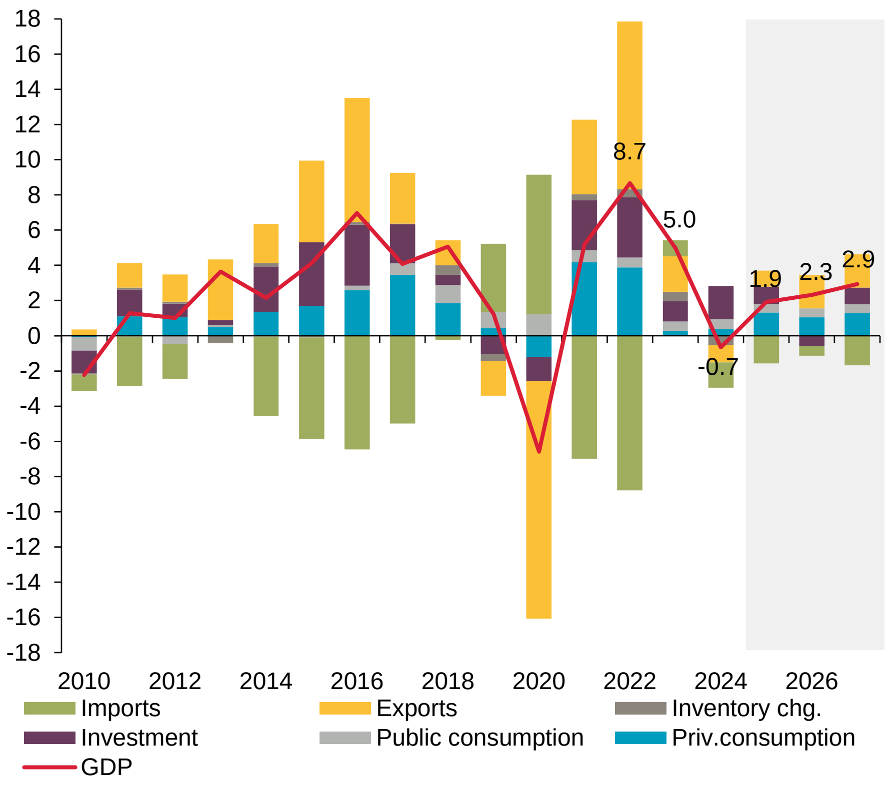
Shaded area denotes OECD forecast

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

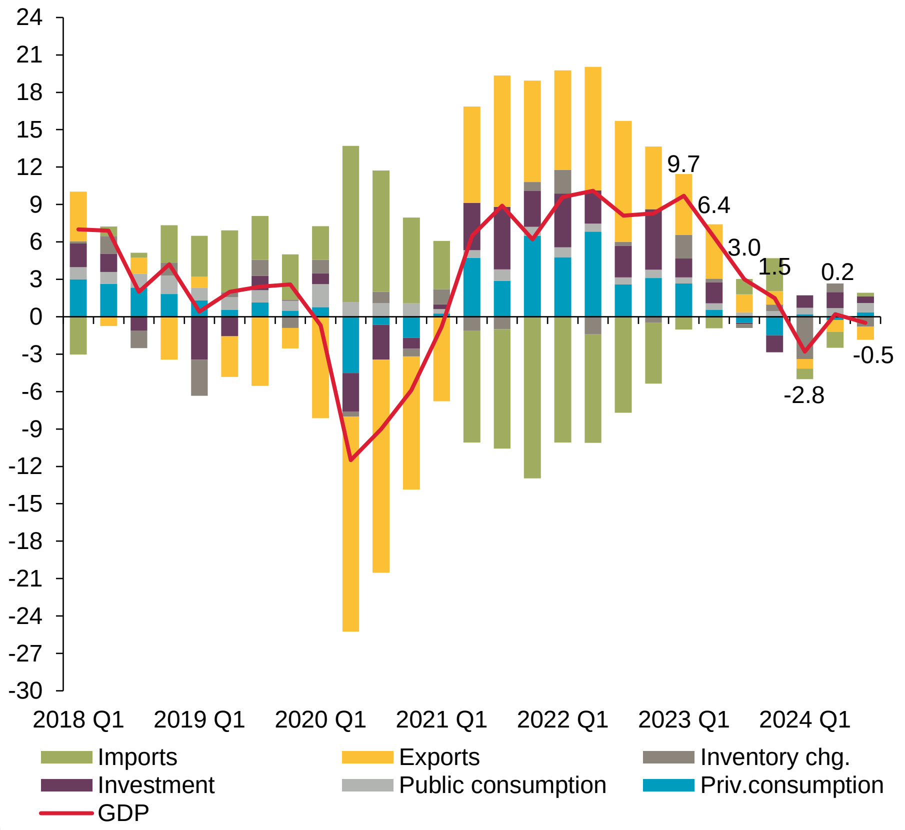
GDP growth picks up again

Increased exports and private consumption to play a leading role in post-adjustment growth

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



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



Highlights

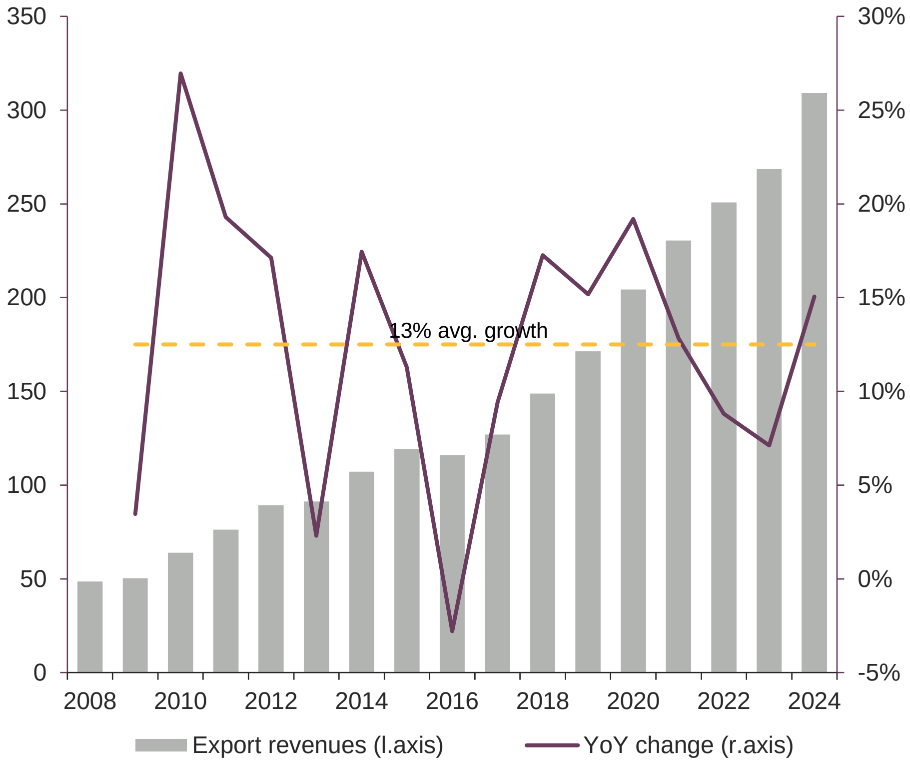
- GDP growth slowed through 2023, followed by a shallow contraction in 2024. Statistics Iceland estimates 2024 GDP contraction at 0.7%, following a substantial revision of initial figures.
- 2024 marked a cyclical turning point: exports weakened, private consumption was sluggish, but investment outperformed.
- Growth is projected at 1.9% in 2025, driven by rising private consumption, with continued support from investment and moderate export gains.
- Further acceleration is expected: 2.3% growth in 2026 and 2.9% in 2027, with private consumption and exports as main drivers; investment dips in 2026 but recovers in 2027.
- Key risks include escalating trade tensions (notably the ongoing US-initiated trade war), geopolitical instability in Eastern Europe and the Middle East, and domestic seismic activity.
- Structural uncertainties persist: delays in energy procurement, a potentially unbalanced housing market, and slowing net migration may all affect the medium-term outlook.

Shaded areas and dotted lines denote ISB Research forecasts
Sources: Statistics Iceland, ÍSB Research

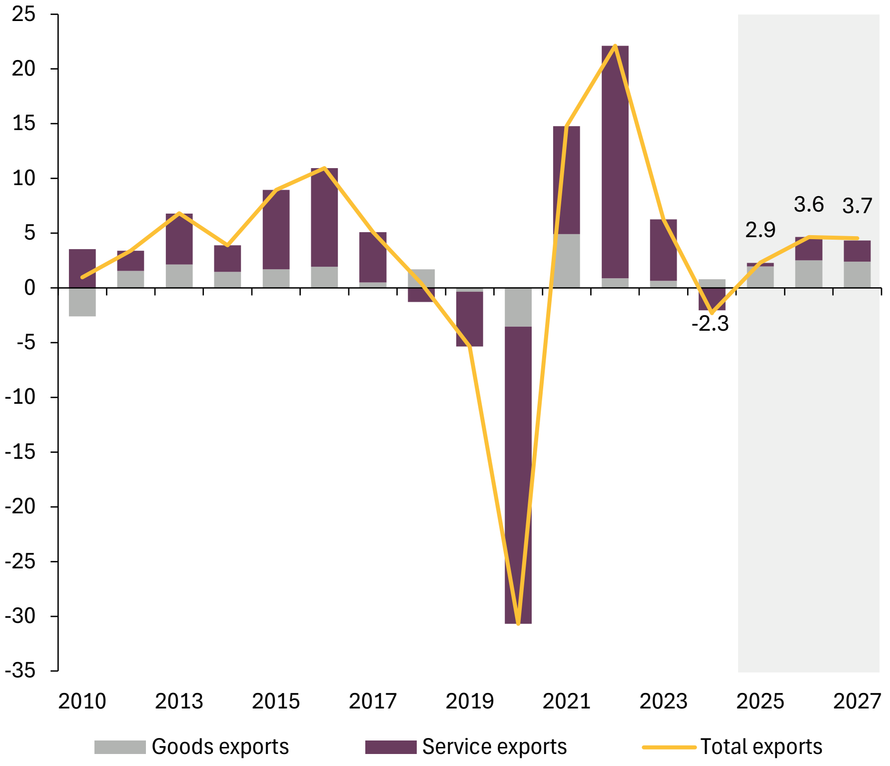
New sources of export growth come to the fore

Export growth resumes following a modest decline in 2024

IP-based sector export revenues
ISKbn



Exports and contribution from subcomponents
% change



Highlights

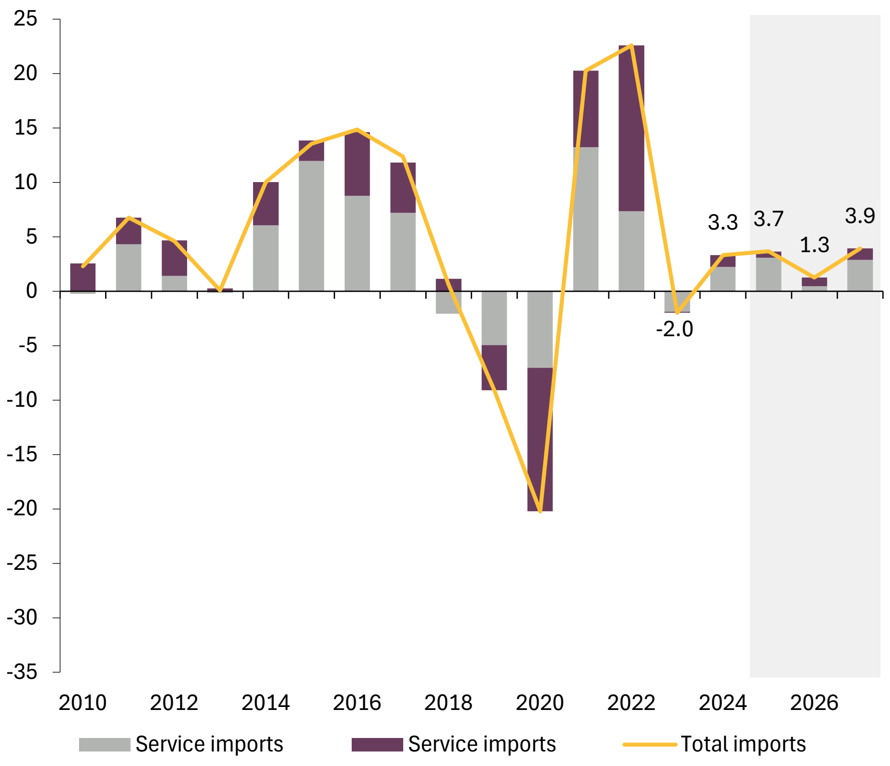
- Visitor numbers rebounded in the second half of 2024, with a total of 2.26 million arrivals via Keflavík Airport, reflecting a 2% increase year-on-year.2025.
- The tourist industry appears to have matured, shifting focus toward value creation, operational efficiency, and maintaining market share amid 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

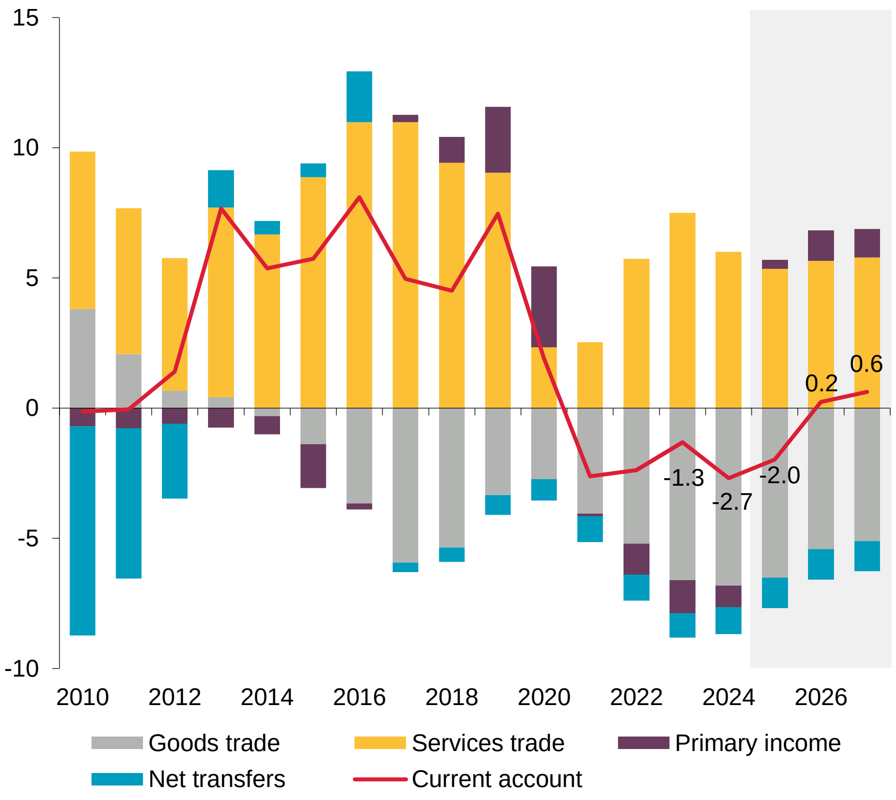
Current account balance improves in coming years

Improved CA balance due to a shrinking goods account deficit, modest surplus on primary income

Imports and contribution from subcomponents
% change



Current account balance
% of GDP



Highlights

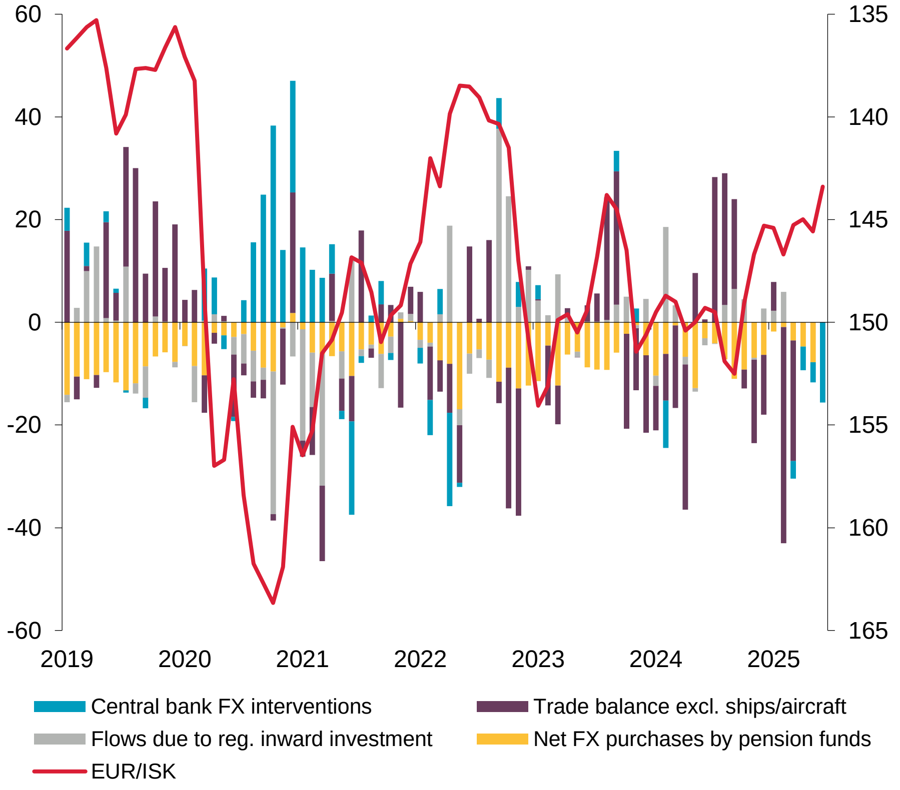
- Imports are now expected to grow by nearly 4% in 2025, reflecting improved investment prospects and increased demand for imported inputs.
- Import growth will likely slow in 2026 due to reduced investment goods imports, then accelerate again in 2027 as investment picks up.
- Net trade is projected to drag on GDP in 2025 but contribute positively in 2026 and 2027 as export growth outpaces imports.
- The CA shifted from a surplus in 2023 to a deficit of ISK 117 billion (2.5% of GDP) in 2024—the largest since 2008—due to a wide goods trade deficit and weaker primary income.
- The CA deficit is expected to persist in 2025 (around 2% of GDP) but move into modest surplus in 2026 (0.2% of GDP) and 2027 (0.6%), supported by stronger services exports and a narrowing goods deficit.
- An ISK appreciation or global trade tensions could jeopardise the recovery.
- However, Iceland's strong net external asset position (42.5% of GDP) mitigates risk of instability or capital outflows.

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

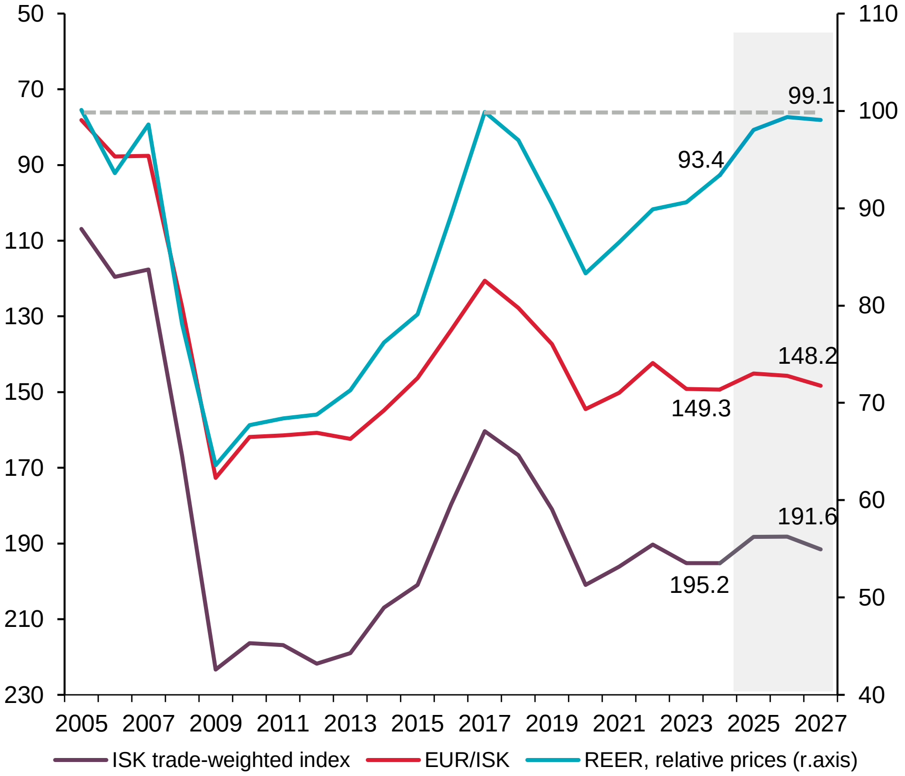
Modest ISK depreciation likely as the forecast horizon advances

High RER seems to have fuelled CA deficit, and further ISK appreciation erodes competitiveness

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



ISK exchange rate and real exchange rate
EURISK levels and indices



Highlights

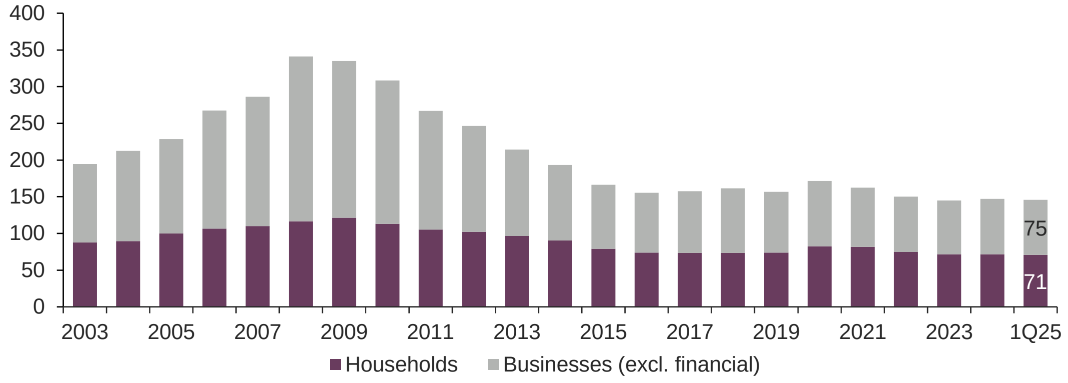
- The ISK remained broadly stable in 2024 despite a significant current account deficit.
- A notable appreciation occurred from September to year-end, supported by capital inflows and changing expectations.
- Despite ongoing trade deficit, the ISK appreciated against both the euro (by 5%) and against the US dollar (by 15%) in 1H25. Modest investment-related outflows and securities inflows have underpinned its strength.
- The ISK is expected to stay relatively strong in the near term, bolstered by peak-season tourism FX inflows and limited pension fund currency purchases.
- Further appreciation appears constrained due to Iceland's already elevated real exchange rate and the drag of a persistent CA deficit. Export competitiveness may suffer if the ISK strengthens further.
- The ISK is projected to weaken moderately over the forecast horizon, with the EURISK rate forecast at ~144 by end-2025, 147 in 2026, and 150 by 2027.
- Exchange rate volatility has diminished recently, but short-term fluctuations are likely to continue influencing the ISK.

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

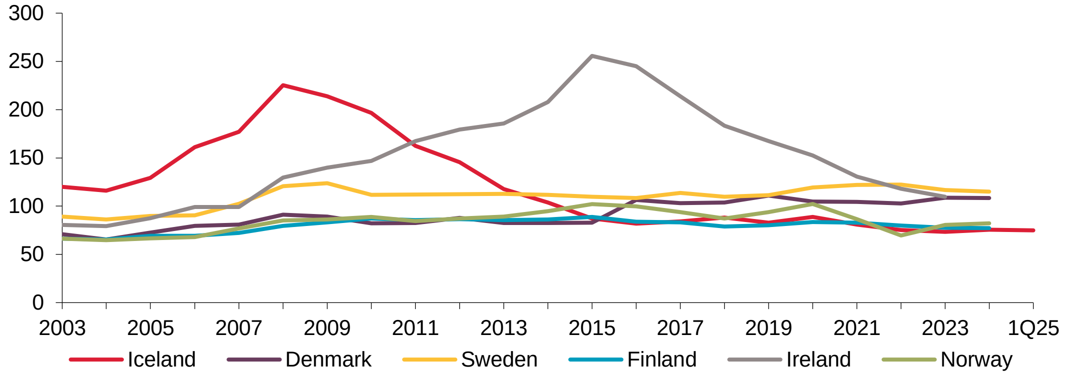
Domestic balance sheets remain broadly healthy

Private sector debt ratios are stable and public debt is on a more favourable trajectory than major economies

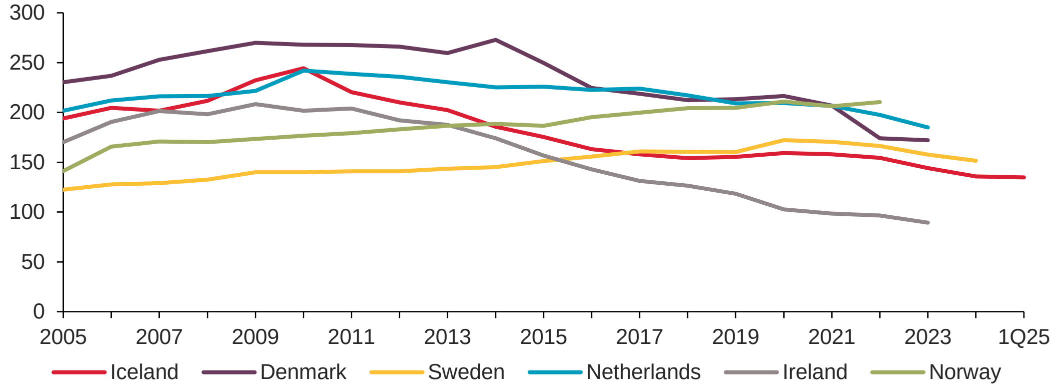
Private sector debt
% of GDP



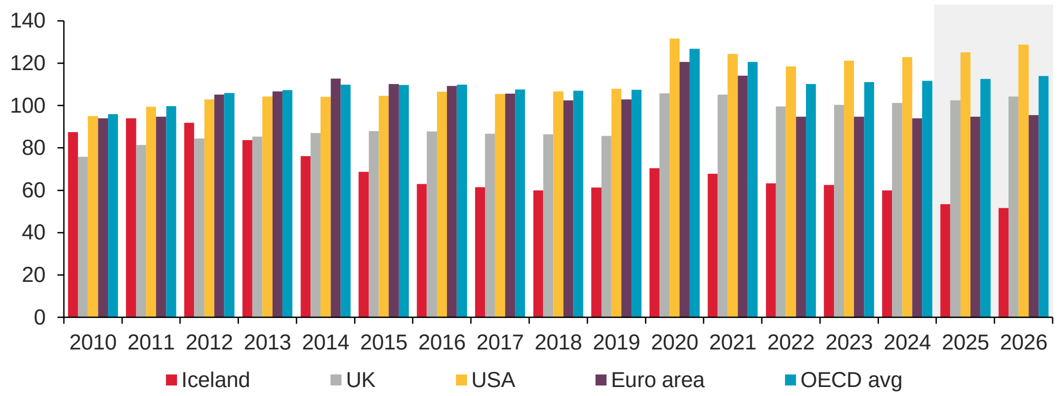
Corporate debt
% of GDP



Household debt
% of disposable income



General government gross financial liabilities
% of GDP

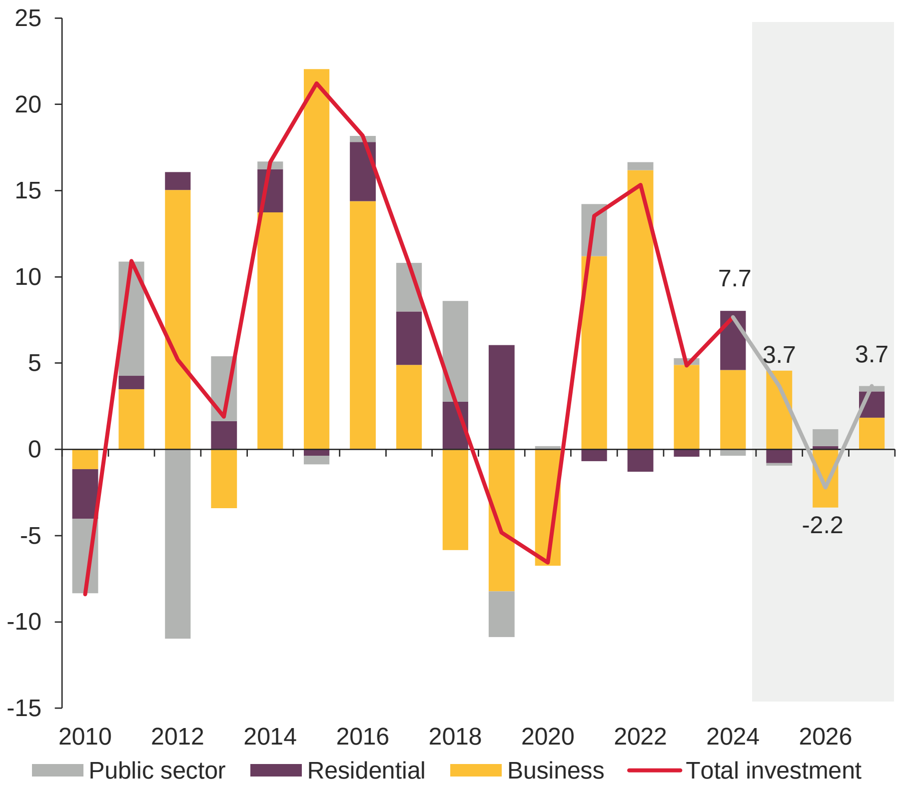


Shaded areas indicate OECD forecasts. Source: Central Bank of Iceland, Eurostat, Statistics Iceland, OECD

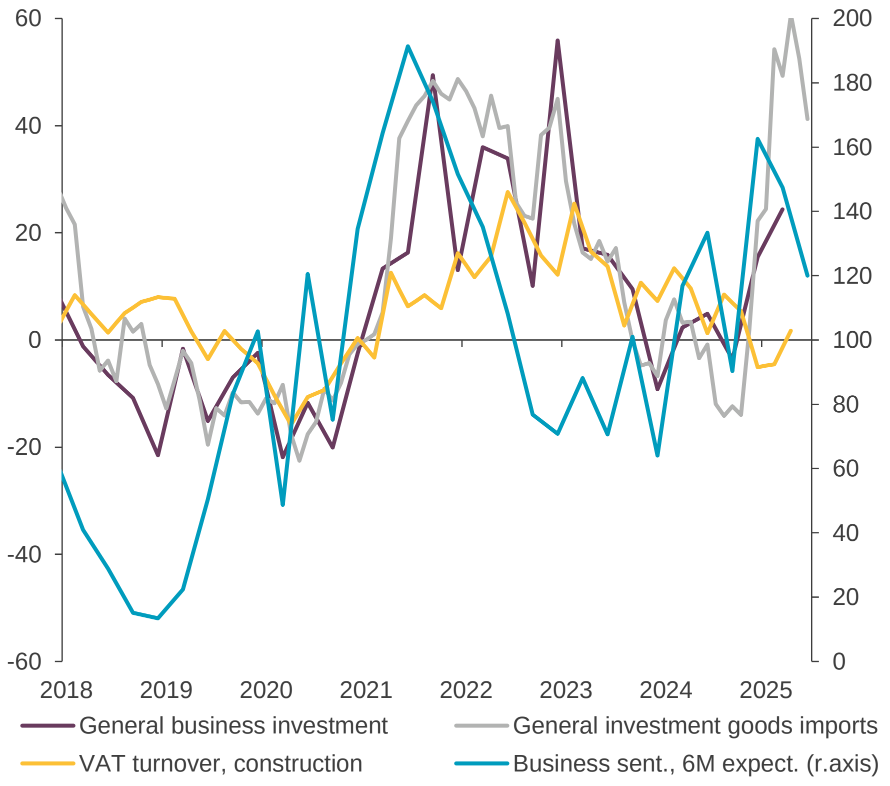
Investment takes a short breather following growth spurt

Large export-oriented projects heighten and curtail investment by turns

Investment, real change, and contribution of subcomponents
%



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



Highlights

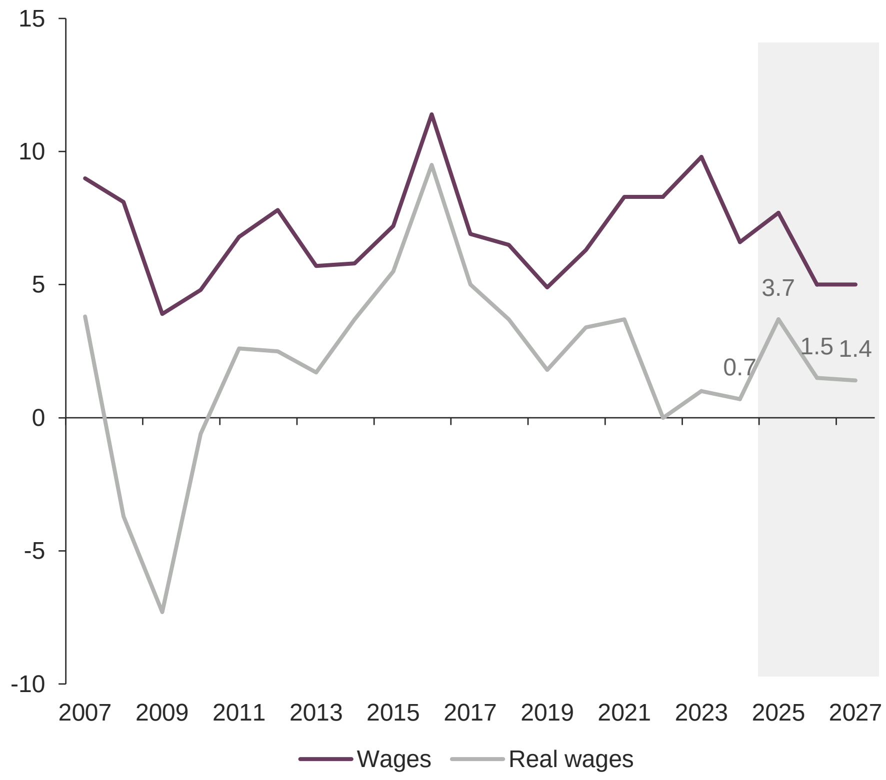
- Investment rose sharply in 2024 despite headwinds such as a high real exchange rate and declining exports. Residential investment surged by 18%, and business investment grew nearly 7%, led by ships, aircraft, and equipment.
- Office equipment investment jumped 41% while ships and aircraft rose 64%, whereas business investment in passenger cars declined sharply as rental agencies and firms cut purchases.
- Gross capital formation is set to rise again in 2025, driven by a strong increase in business investment. This will offset declines in residential and public sector investment.
- Data centre and aquaculture projects are fueling the 2025 investment surge, as seen in the rise in imports of investment goods and passenger cars. However, data centre growth is expected to taper off soon.
- Investment is forecast to decline by 2.2% in 2026, with a 5% drop in business investment partially cushioned by growth in residential and public investment. A recovery is expected in 2027, with 3.7% growth.
- Key risks include global trade disruptions, domestic tax hikes on export sectors, and delays in energy infrastructure, all of which could significantly dampen investment momentum.

Sources: Central Bank of Iceland, Statistics Icelandic, Gallup

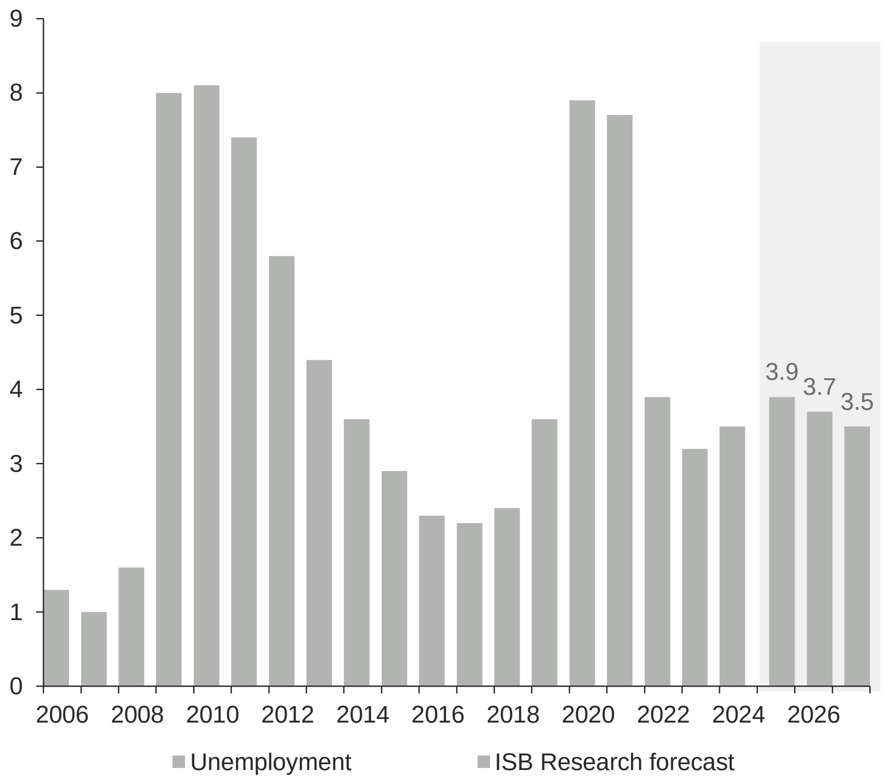
Slack in the labour market, yet sizeable wage gains in 2025

Unemployment will peak this year and ease in the two years thereafter

Wages, YoY change
%



Unemployment[1]
% of workforce, annual average



Highlights

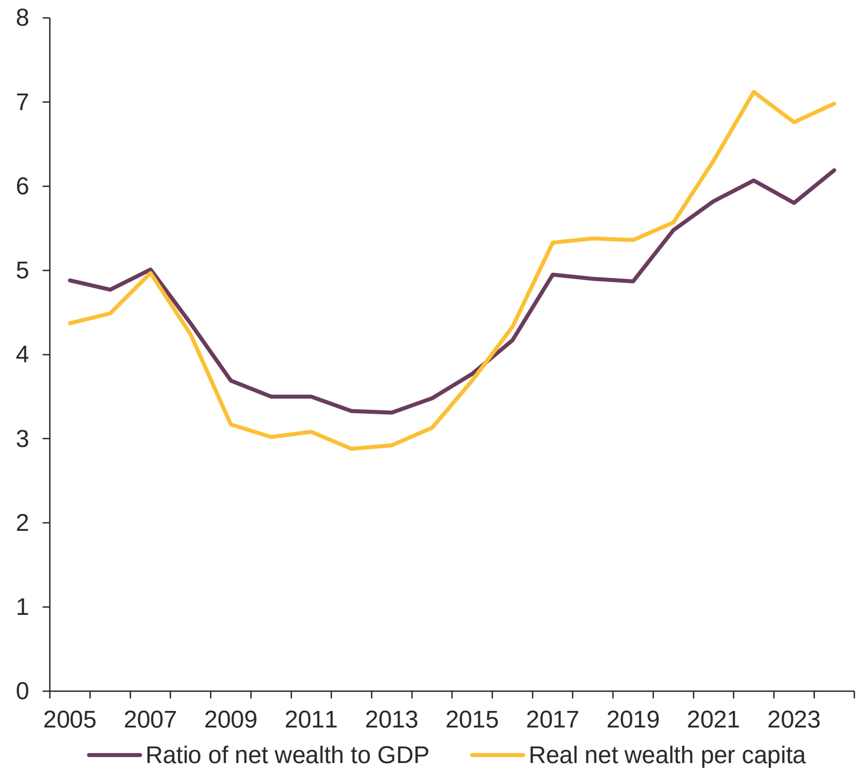
- The labour market has been very tight in the past few years but looks set to cool, and unemployment has risen steadily in the recent term. Unemployment measured 3.9% in 1H/25, its highest since 1H22.
- Unemployment is forecasted to rise modestly and peak this year at an average of 3.9%, or 0.4 percentage points higher than in 2024.
- In 2026 and 2027 unemployment is expected to ease slightly as economic activity picks up. Average unemployment is forecasted to be 3.7% in 2026 and 3.5% in 2027.
- Long-term contracts were signed in 2024, when the market was still quite tight. That will affect near-term wage developments, even though the slack in the market has widened.
- Wages are forecasted to rise 5.0% per year in both 2026 and 2027, thereby falling short of the recent average during the last two years of the forecast period. If this forecast materialises, real wage growth will measure 3.7% this year, 1.5% next year, and 1.4% in 2027.

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

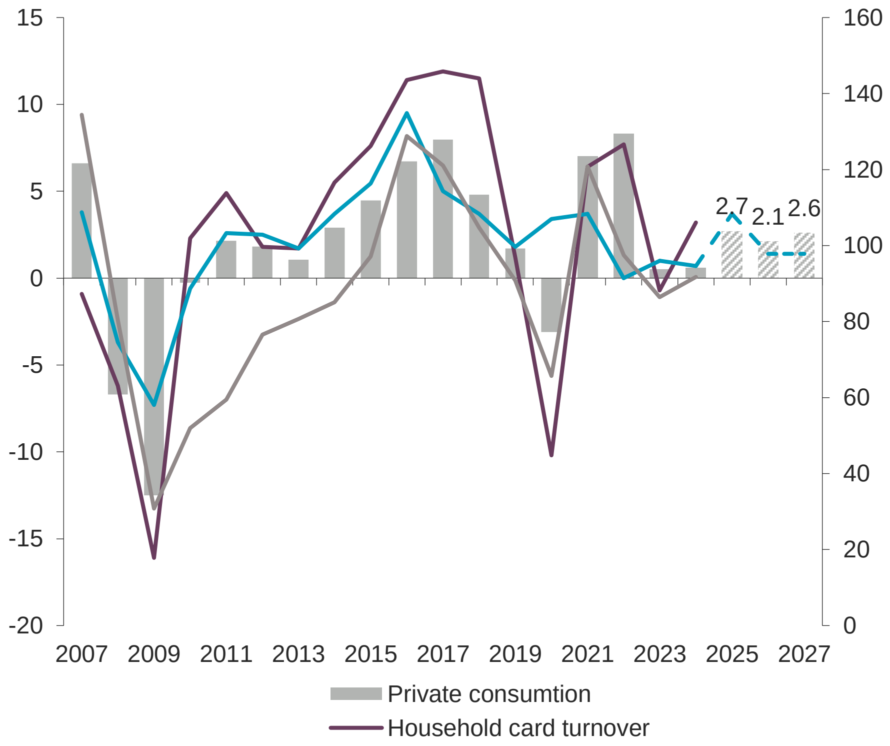
Icelanders put their wallets to work

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

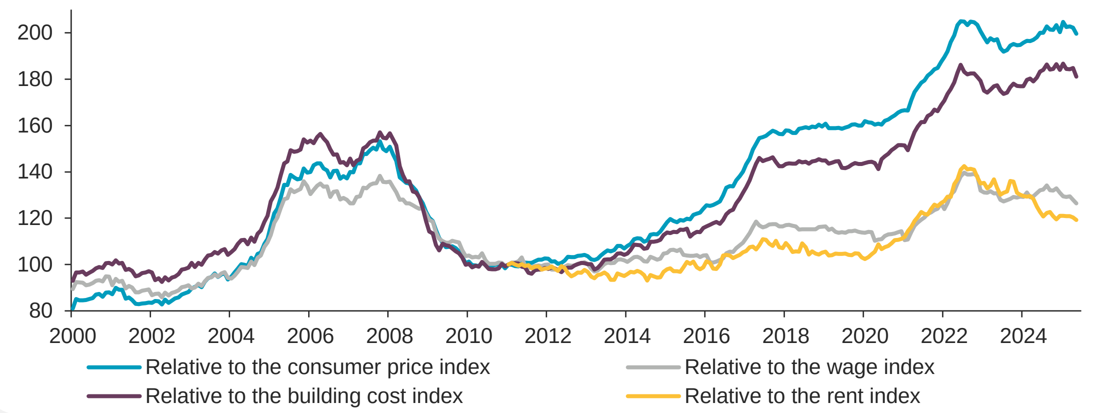
- Private consumption has gained steam recently, after a brief contraction in 2H23. In real terms, it grew by 2.3% YoY in 1Q25, its strongest in more than two years.
- This robust growth rate does not come entirely as a surprise, given that indicators such as payment card turnover and new motor vehicle registrations suggest that households have been spending more freely after clutching their wallets fairly tightly from spring 2023 until mid-2024.
- Real payment card turnover has grown each month, especially turnover abroad. Card turnover abroad hit an all time single-month high in April, owing to a surge in Icelanders' Easter travel and a jump in online shopping with foreign merchants.
- Private consumption is forecasted to grow by 2.7% this year as households draw on their savings to fund consumption spending.
- In 2026, private consumption growth is forecasted to be marginally weaker, at around 2.1%.In the final year of the forecast horizon, a private consumption growth rate is forecasted at 2.6%, in tandem with real wage growth and lower interest rates.

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

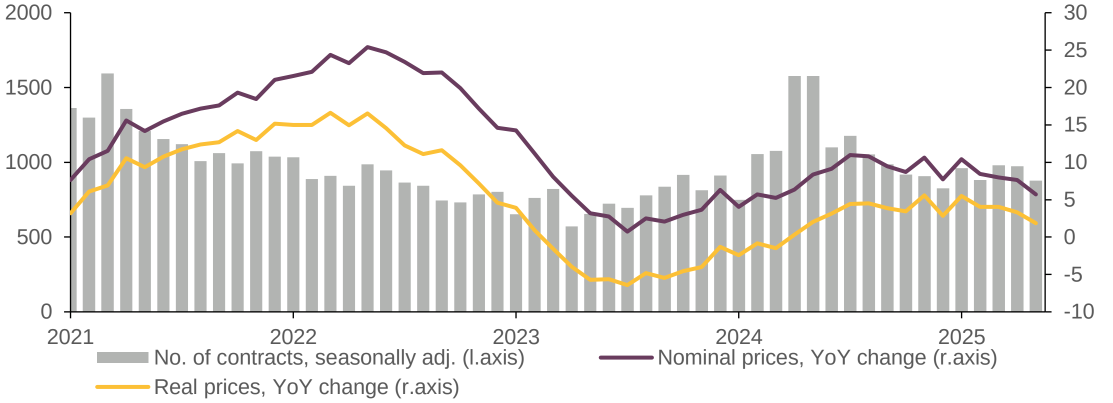
The real estate market shows continued resilience to high real rates

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

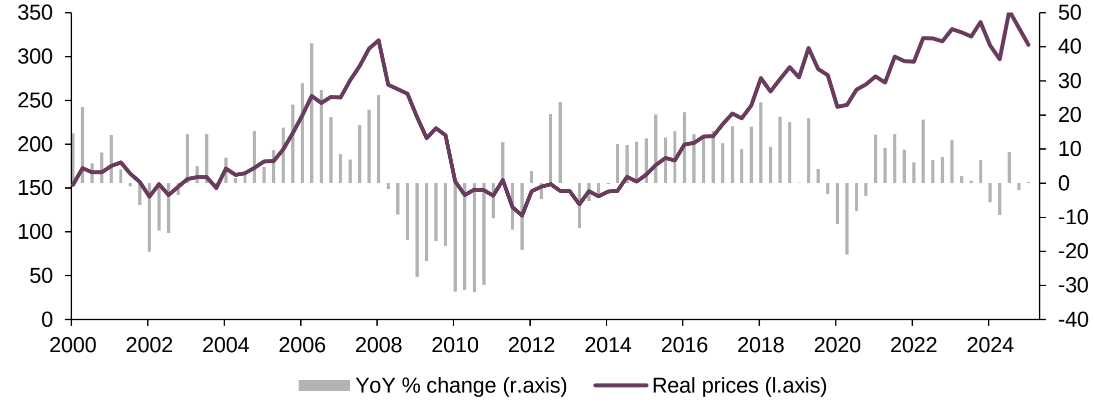
Capital area house prices relative to macroeconomic fundamentals
Index, January 2011=100



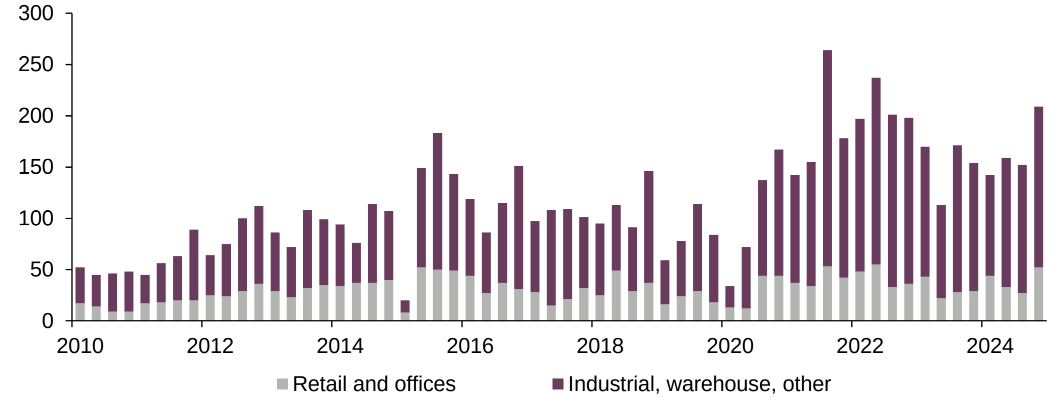
Residential house prices and turnover
% change (r. axis) and number (l. axis)



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

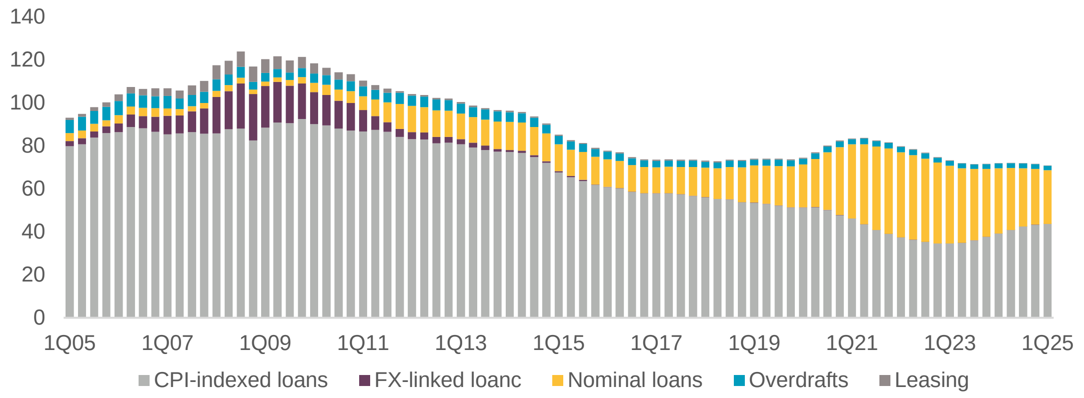


Source: Central Bank of Iceland

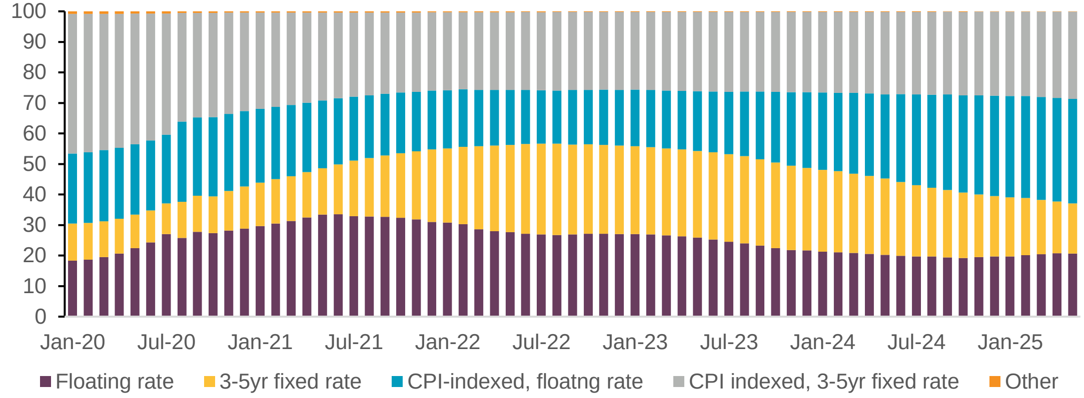
The Icelandic housing market is flexible as conditions change

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

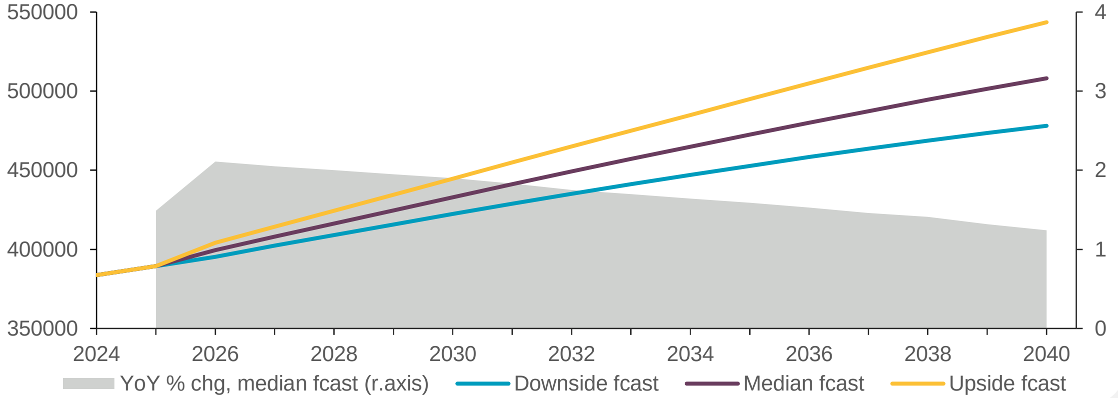
Households are not highly indebted compared to peers
Household debt, % of GDP



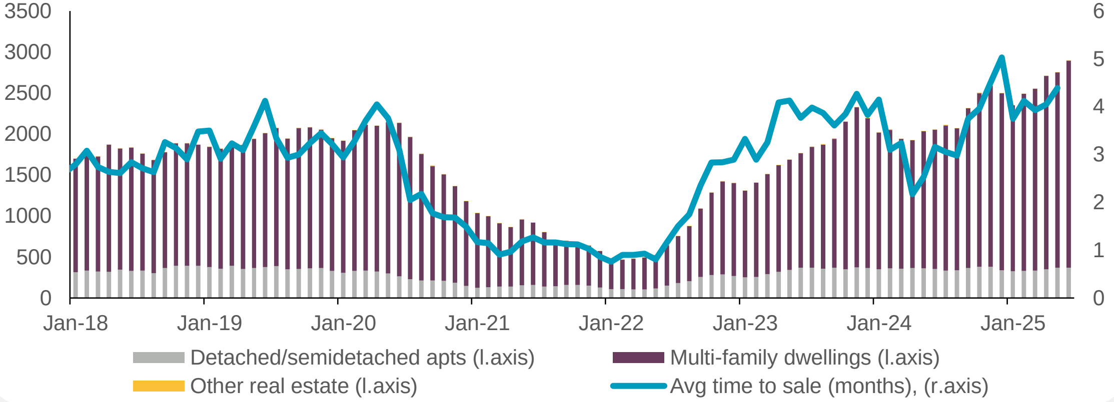
Mortgage market is flexible w.r.t. loan types with different payment burden
Outstanding mortgage loans, share of total



Underlying upward demand trend steady as population growth remains robust
Population forecast by Statistics 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)

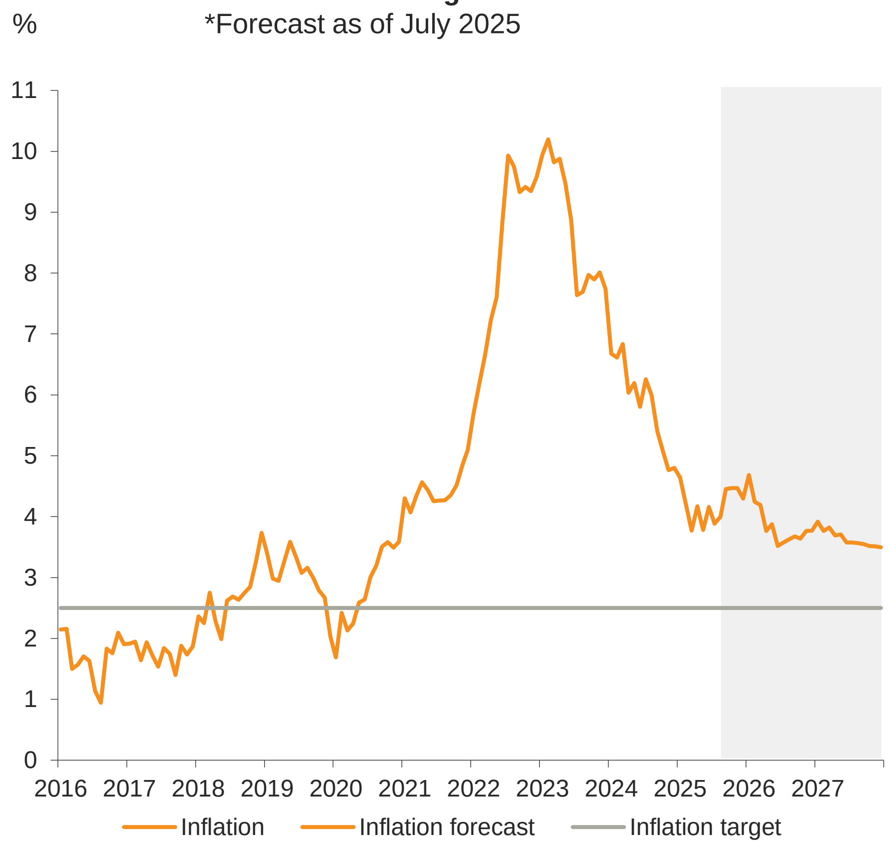


Source: Central Bank of Iceland, Statistics Iceland

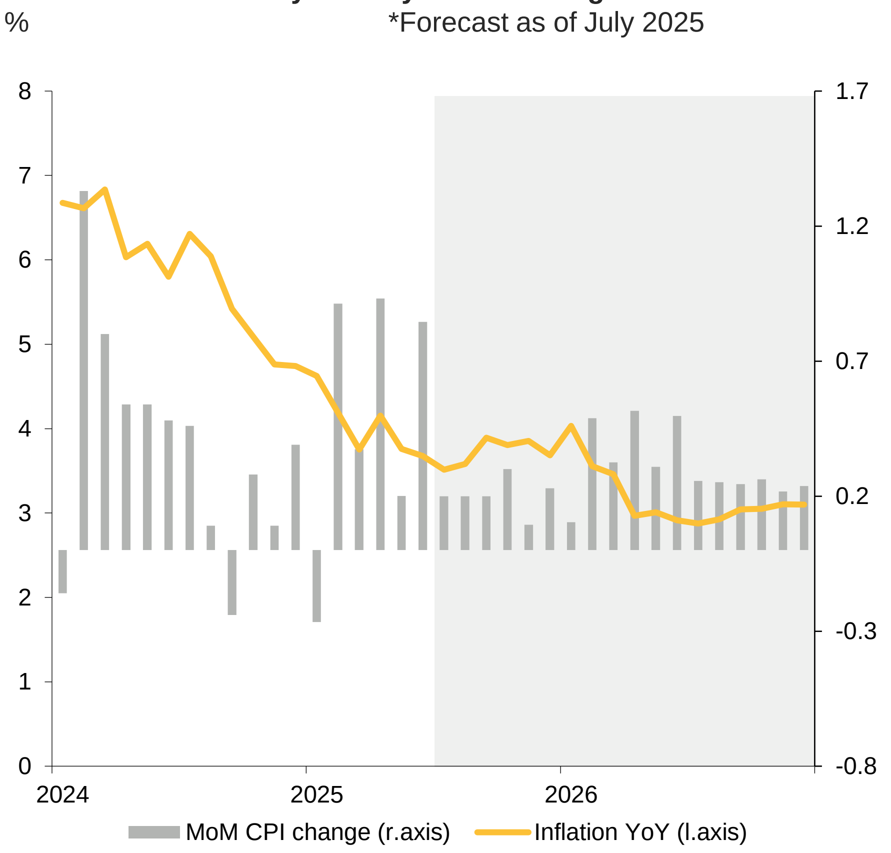
Inflation proves persistent following disinflation period

Inflation eventually falls further but is likely to stay somewhat above the CBI's target in coming years

Inflation and the CBI inflation target*



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



Highlights

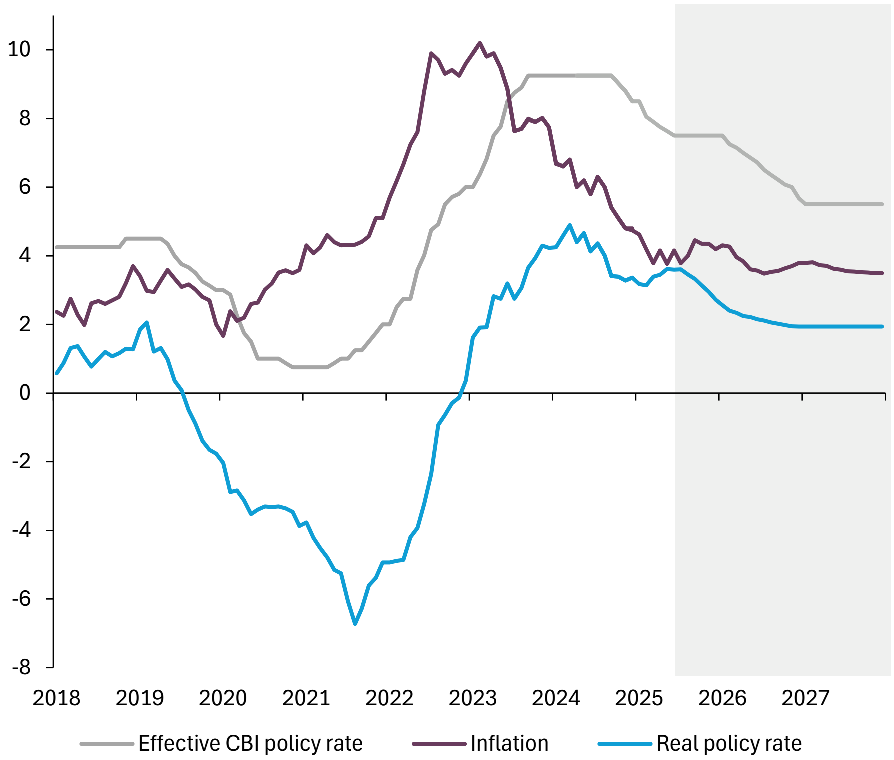
- Inflation slowed significantly in 2024, driven by reduced housing cost pressures, strong one-off effects, and easing inflation abroad. A temporary housing demand spike due to the Grindavík evacuation delayed early-year disinflation.
- Inflation began falling more decisively after mid-2024, partly due to one-off public service cost cuts linked to general wage agreements.
- Inflation has been somewhat higher than expected so far in 2025, mainly due to surging domestic goods prices linked to rising wage costs. The ISK's strength and falling oil prices have moderated inflation, but less than anticipated.
- The 2025 inflation forecast has been revised from 3.6% to 4.2%, reflecting a weaker starting point. As the year progresses, declining oil prices and slower domestic price hikes should help dampen inflation.
- Inflation is projected to continue easing but remain slightly above target. The average inflation rate is forecast at 3.9% for 2026 and 3.5% for 2027, just below the CBI's upper deviation threshold.
- USA tariffs have had no discernible impact on inflation in Iceland so far. The risk of their eventual inflation impact is broadly symmetrical.

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

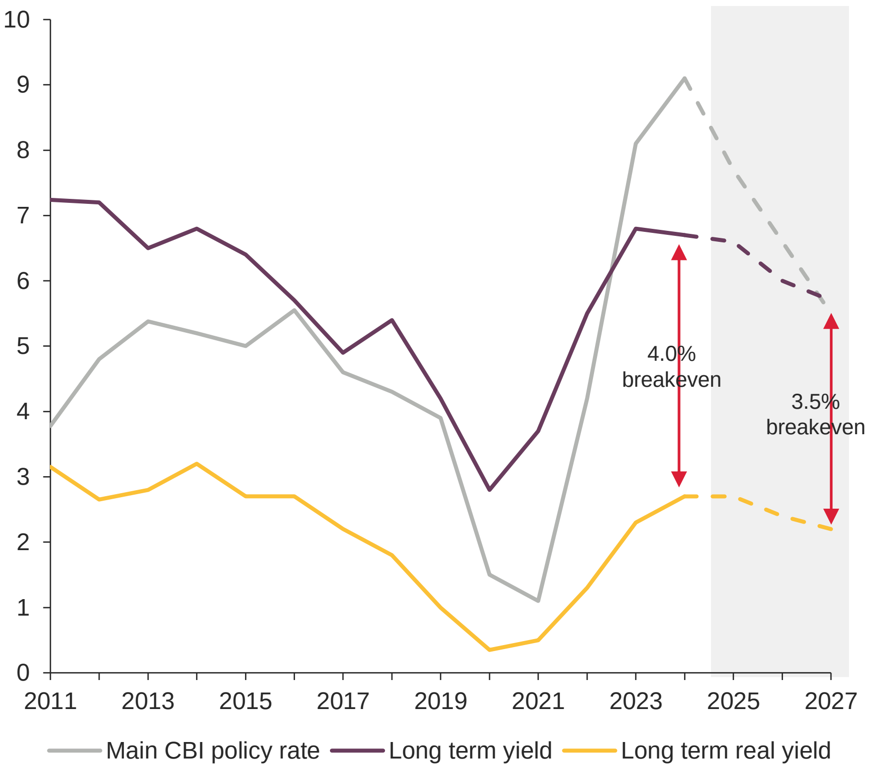
Interest rates likely to fall… eventually

The Central Bank's policy rate is likely to stay on hold throughout 2H25, then be cut gradually in following quarters

Policy rate and inflation* *Forecast as of June 2025
%, Real policy rate based on 12m forward forecast



Key interest rates
%, average per year



Highlights

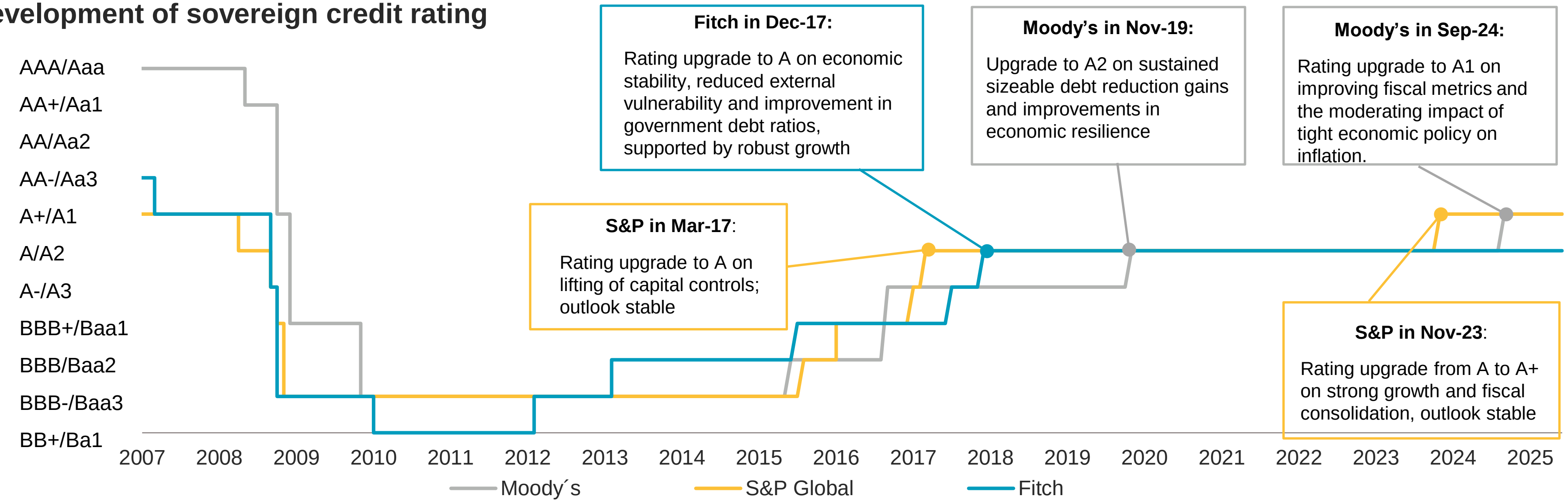
- After holding steady at 9.25% for over a year, the CBI began cutting rates in 4Q24 amid declining inflation and slowing economic activity. The policy rate now stands at 7.5%, down 1.75 percentage points.
- In May 2025, the CBI indicated that further rate cuts would depend on additional inflation reduction. Its forecast assumes ~4.0% inflation until 1Q26, suggesting limited near-term scope for cuts.
- The policy rate is expected to stay at 7.5% throughout 2025.
- Further rate reductions are likely in 2026 as disinflation and a cooling economy continue. The policy rate is forecast to settle between 5.0% and 5.5% by year-end 2026.
- Despite monetary easing, 10-year nominal Treasury yields are still around 7.0%, and real yields on long-term indexed bonds are 3.0% — high by historical and international standards.
- Nominal long-term rates are projected to fall to 5.7% and real rates to 2.2% by the end of the horizon. This implies a breakeven inflation rate of 3.5%, although market expectations may be slightly lower due to uncertainty premium on nominal rates..

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

Iceland's credit rating on a secular upward path

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."

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- "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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