



3Q25 Financial Results

30 October 2025

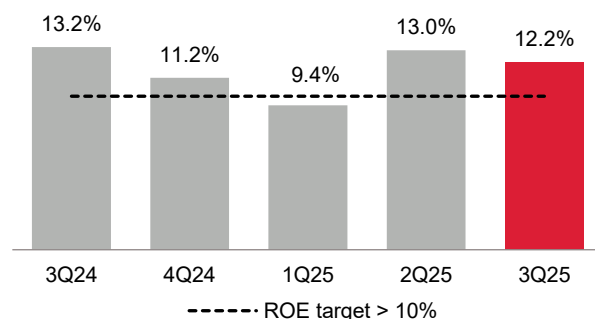
Jón Guðni Ómarsson
Chief Executive Officer

Ellert Hlööversson
Chief Financial Officer

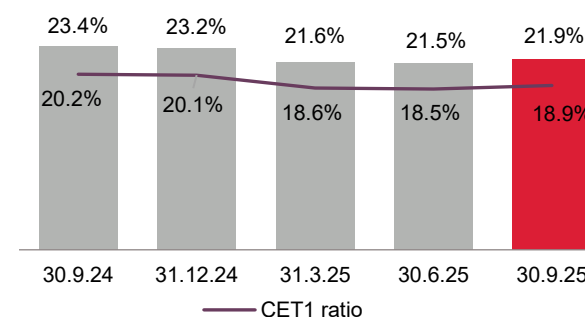
Core operating income grew by 9.4% year-on-year

Net interest income in pair with 2Q25 and considerably over previous year

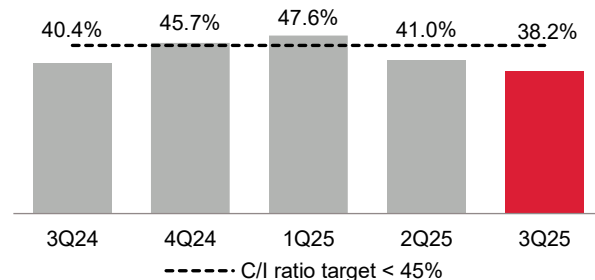
ROE in excess of analyst consensus ROE



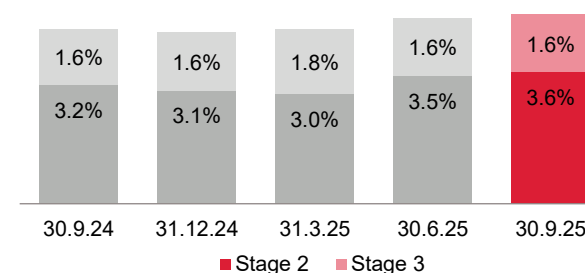
Considerable excess capital in place Total capital ratio¹



C/I well below target of being <45% C/I ratio²



Asset quality remains strong and stable Loans to customers: Stage 2 and 3 (NPL)



Capital optimisation an ongoing priority for the Bank

Financial targets for the medium term to be updated in 4Q25 along with shorter term guidance

	Target	3Q25	9M25
Return on equity	>10%	12.2%	11.5%
Cost-to-income ratio	<45%	38.2%	42.1%
CET1 excess	100-300bps	370bps	370bps
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 ~ 11% for the year as a whole, assuming more normal level of impairments
-  **C/I ratio** expected to be below 42 - 44% in 2025
-  Dividend policy assumes **50% of earnings** to be paid to shareholders
-  Distribution of excess CET1 capital continues – **ISK 11.4bn** remaining as of 30 September 2025 of allocated buybacks
-  Commitment to conclude capital optimisation, subject to market conditions



Everyday banking for families...

- New app feature "**My family**" launched, offering families the chance to join efforts in managing their finances
- With some guidance and support, children can take their first steps towards financial health and develop healthy money habits for the future

Net Promoter Score on the rise



- Positive momentum with Íslandsbanki's NPS on the rise
- Deposits from individuals grew by 2% in 3Q25
- VÍS referrals exceeded 5,000 in total since roll-out of partnership in May 2025
- Development of digital solutions play a significant role in implementing financial health initiative

✓ Higher ranking in App store following updates



Robust performance in Business Banking

Driven by a healthy and strong loan portfolio, supported by dynamic growth and strong market share

Digital solutions helping businesses



- Expense management feature links receipts and credit card transactions and exports them to bookkeeping system
- Better control over expenses
- Enhanced real-time overview
- Transactions all the way to accounting

- Ergo had an exceptionally strong third quarter
- Newly launched product "**Experienced Cars**" very well received, contributing to record-breaking months vehicle loans at Ergo during the quarter



Highest NPS score amongst domestic peers for SMEs



Highest market share amongst SMEs with 38% market share¹



Íslandsbanki displays commitment to infrastructure financing

Participation in foreign infrastructure lending strengthens relationships and builds experience within the Bank

Financing of Ölfusá Bridge

- Íslandsbanki, along with three pension funds, finance the construction of a new bridge over Ölfusá
- Important infrastructure project on one of the busiest sections of Iceland's ring road
- Confirms Íslandsbanki's commitment to take part in important infrastructure projects
- Estimated total cost: **ISK 17.9 billion** and expected completion autumn 2028
- Íslandsbanki is well positioned to participate in other infrastructure financing projects



Foreign loan portfolio has grown by ISK 11 billion YTD

- Strong excess capital position supports internal growth through foreign lending abroad
- Significant growth in infrastructure lending abroad in 2025
- Strategy and planning for further foreign loan growth reinforced



Íslandsbanki Reykjavík Marathon

>170

charitable
organisations
benefit

327

million

raised for
charities

More than
ISK

2 billion

raised
since 2006



FINANCIAL
100% Health
PHYSICAL • EMOTIONAL



Proposed merger with Skagi unlocks opportunities

Where scale meets specialisation and insurance completes the competitive edge



Cross-selling opportunities with a larger customer base



Focus on customer retention through full product offering and personalised services

Asset Management Powerhouse

- Diverse demographic combined in an asset management powerhouse
- Complimentary products offer synergy possibilities

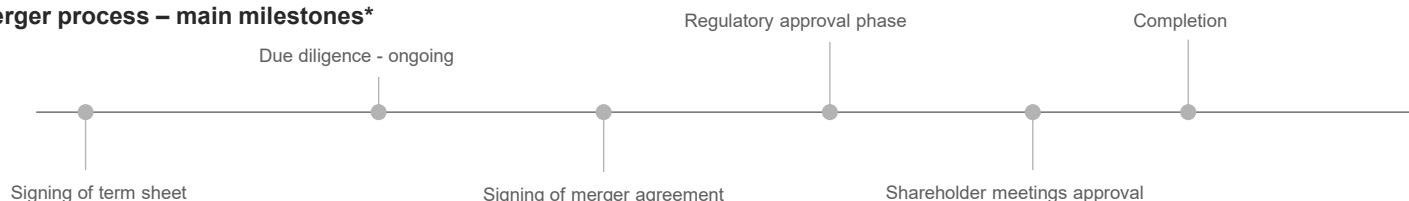


Leading investment bank in Iceland

- Íslandsbanki's strong position in investment banking will be further complimented by a merger
- Merger offers exciting opportunities with high-margin lending activity



Merger process – main milestones*



Merger to unlock synergies, estimated ISK 1.8 – 2.4 billion, annually

Strengthened professional development opportunities for employees

Highly compelling investment opportunity for shareholders





Financial Overview

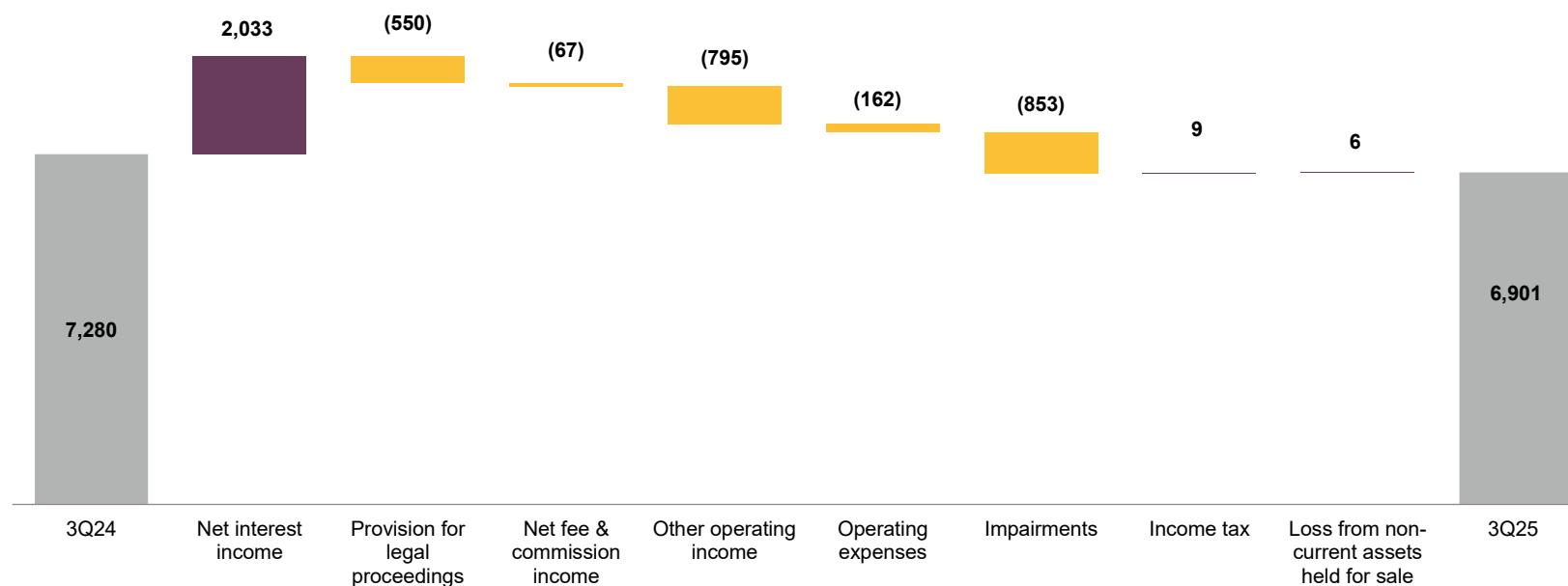


Core income growing by 9.4% between years

NII and cost in excess of analyst consensus despite one-off charge related to provision for legal proceedings

Profit for the period – 3Q24 vs 3Q25

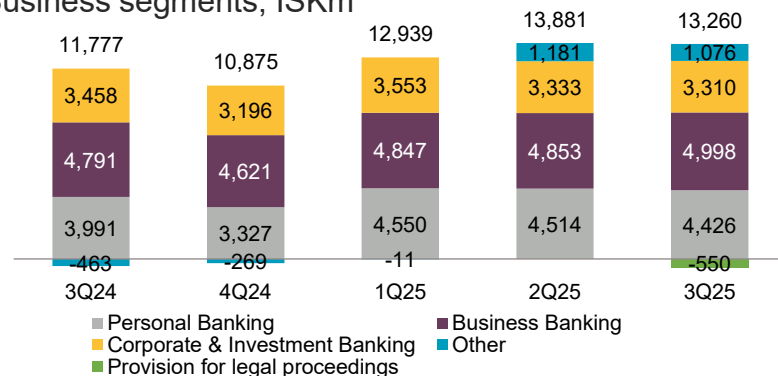
ISKm



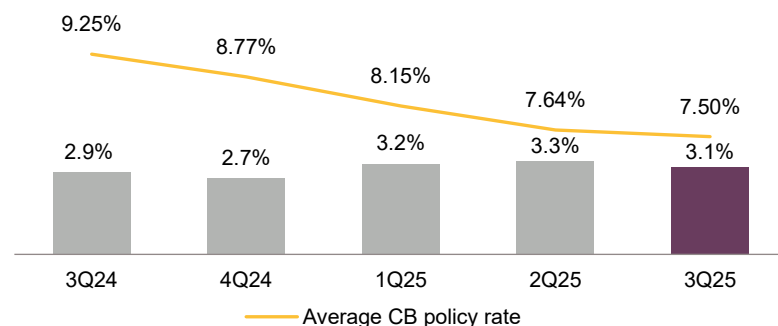
NIM uplift year-on-year on back of repricing and reducing imbalances

Reduced margin expected in the fourth quarter expected due to lower inflationary ticks

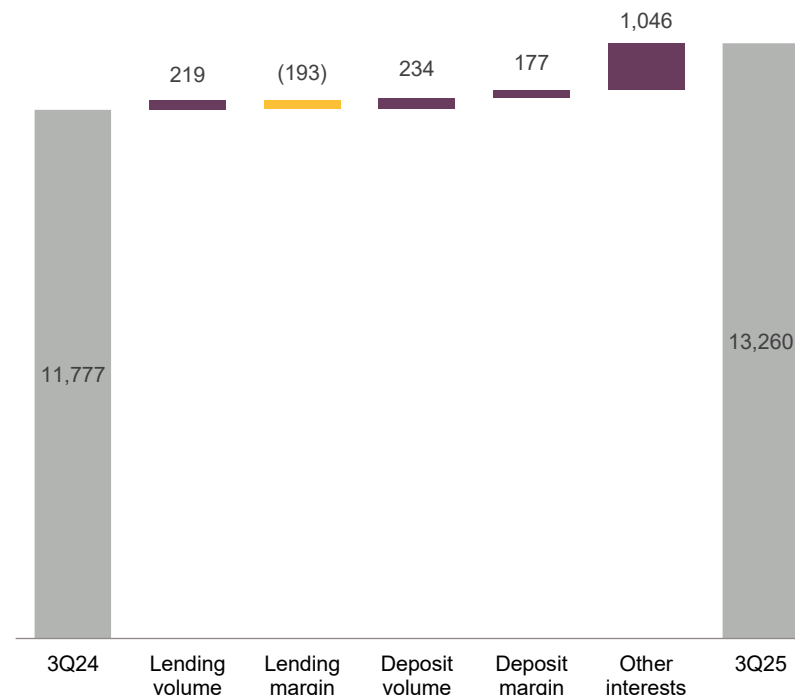
Net interest income
Business segments, ISKm



Net interest margin
On total assets



Net interest income – YoY comparison
ISKm



Highlights

- Net interest margin was 3.1% in 3Q25 (2.9% in 3Q24), while net interest margin for first nine months 2025 was 3.2%.
- Accounted within other interest are among other provision related to legal proceedings, effects of CPI adjustments of the loan book and other items
- Inflation remained persistent in the third quarter and was 4.0% on average whereas CPI imbalance remains broadly flat and closed off at ISK 180 billion at end of 3Q25
- Aggregated inflationary ticks for 4Q25 forecasted to be 0.73% compared to 1.01% accounted for in 3Q25
- Policy rate remained at 7.50% during the quarter, Next rate decision by the Central Bank to be announced 9 November
- Related to a Supreme Court ruling on variable nominal mortgages in October 2025, ISK 550 million were provisioned as contingent liability, adversely impacting NII.
- Adjusted for the effect of the provision, net interest margin for the quarter would have been 3.2%

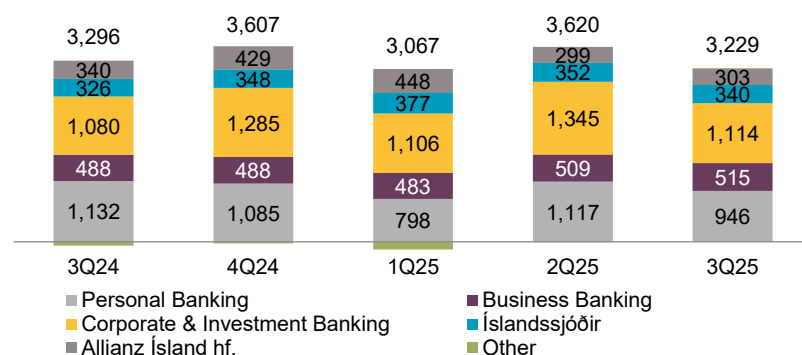


Net fee and commission income broadly flat from previous year

Cards and payment processing pressured as costs of operation increases

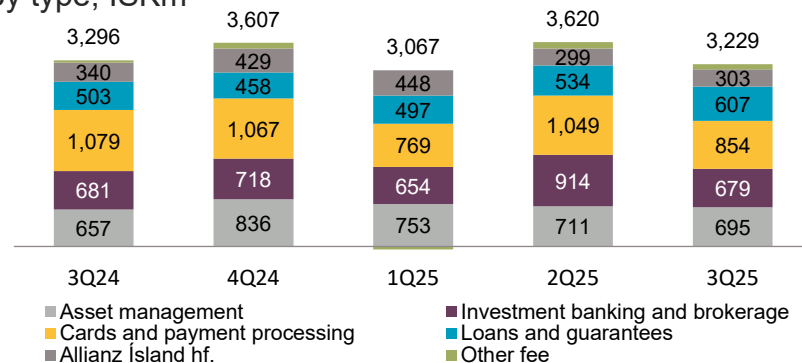
Net fee and commission income

Business segments, ISKm



Net fee and commission income

By type, ISKm



Net fee and commission income – YoY comparison

ISKm



Highlights

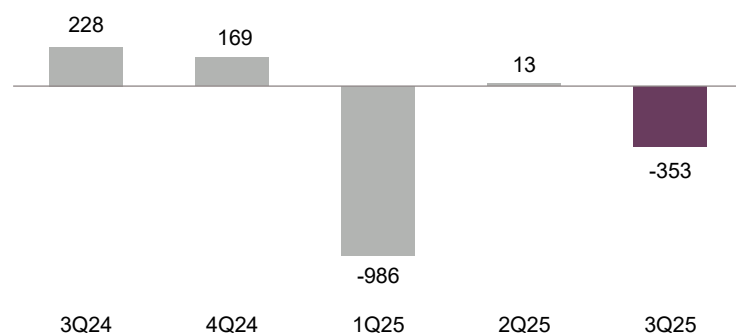
- Lending fee has grown by 20.7% year-on-year mainly related to strong lending activity in Business Banking
- Cards and payment processing with lower income in 3Q25 as growth in credit card turnover has resulted in higher loyalty card expenses – offset through higher annual fees and FX gains
- Capital markets volatility has increased over the third quarter, resulting in slower fee growth in brokerage and asset management
- 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



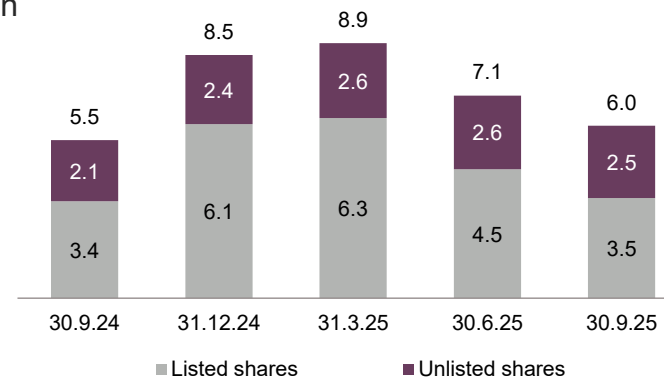
Profits from FX gain and other operating income offset by NFI

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

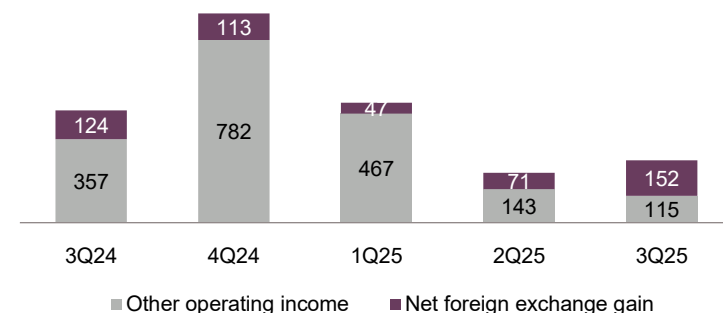
Net financial income (expense)
ISKm



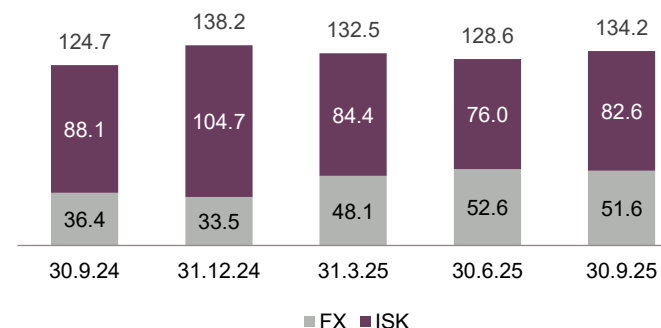
Shares and equity instruments¹
ISKbn



Other operating income and net FX gain
ISKm



Bonds and debt instruments²
ISKbn



Highlights

- Net financial charge of ISK 353 million was recorded in the quarter, mainly attributable to interest rate swaps (offset through net interest income), negative fair value changes of bonds and debt instruments and softening of capital markets impacting market making operation, economic hedges and the Group's own market positions
- Other operating income amounted to ISK 115 million, mainly related to share of profit of associates
- In addition, net FX gain amounted to ISK 152 million, related to gain on FX assets
- 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.

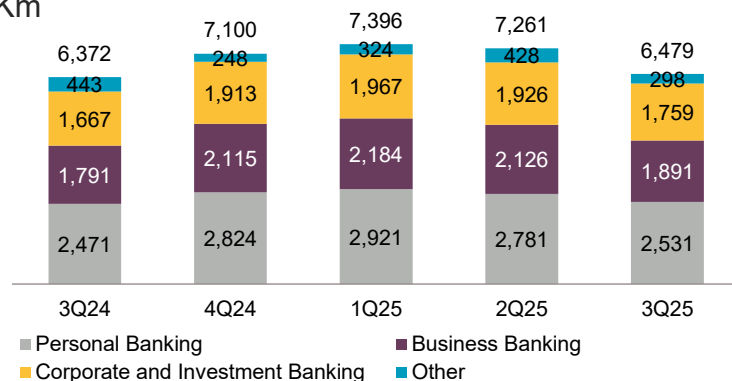


Strong cost-to-income ratio during the quarter

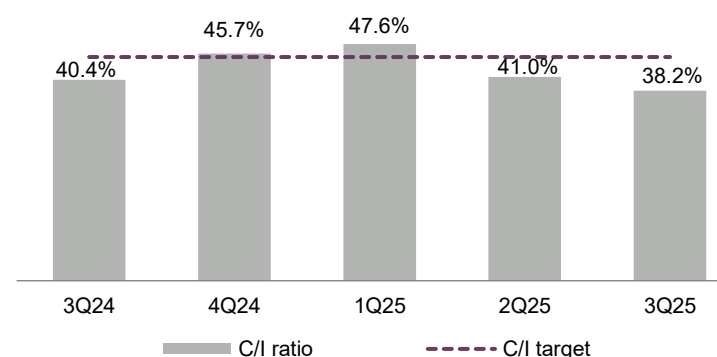
Results continue to be within the Bank's financial targets

Administrative expenses

ISKm



Cost-to-income ratio^{1,2}

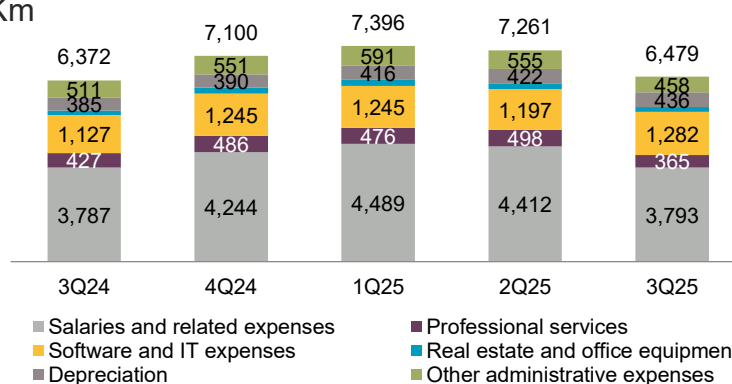


Highlights

- Salaries and related expenses remained broadly flat in 3Q25 compared to 3Q24, and increase 5.0% YTD
- Average FTEs decreased by 2 from previous year while headcount at period end has reduced by 5 year on year
- Other operating expenses increased by 3.9% between years and remained flat YTD between years
- The cost-to-income ratio was 38.2% during the quarter and 42.6% for the first nine months of the year – both within financial target

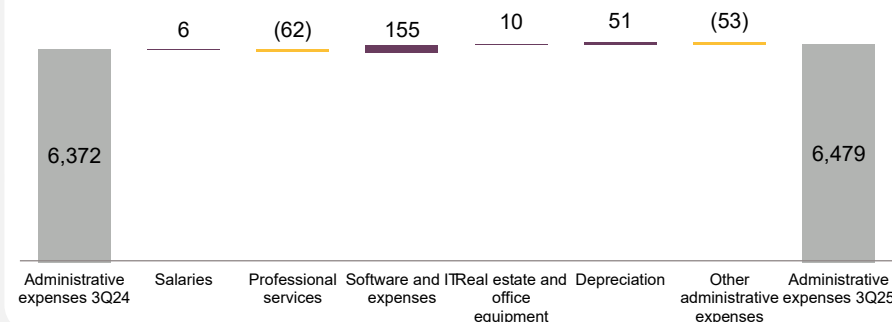
Administrative expenses – by type

ISKm



Administrative expenses – YoY comparison

ISKm

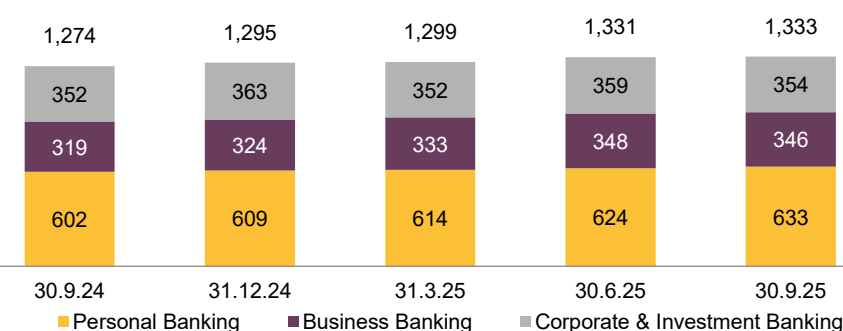


Loan portfolio remains reflective of the underlying economy

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

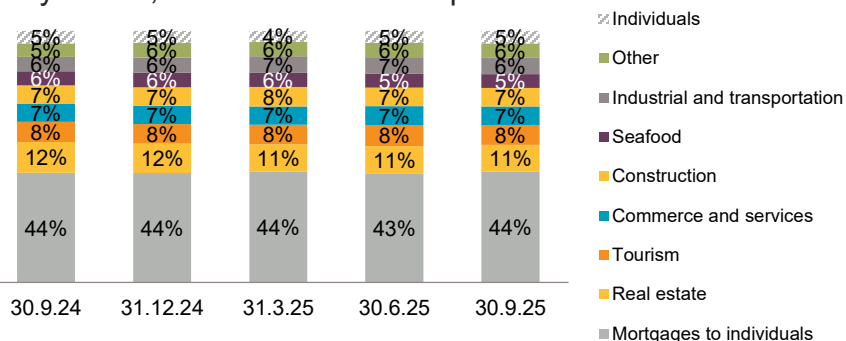
Loans to customers

By business division, ISKbn



Loans to customers

By sector, with tourism as a separate sector

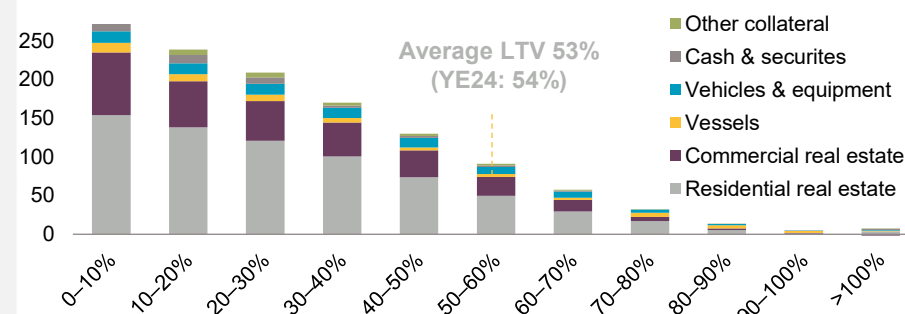


Highlights

- Credit exposure fully covered by collateral is ISK 1,249 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
- Limited loan growth over the quarter while YTD loan growth amounts to 2.9%, or close to 4% annualized

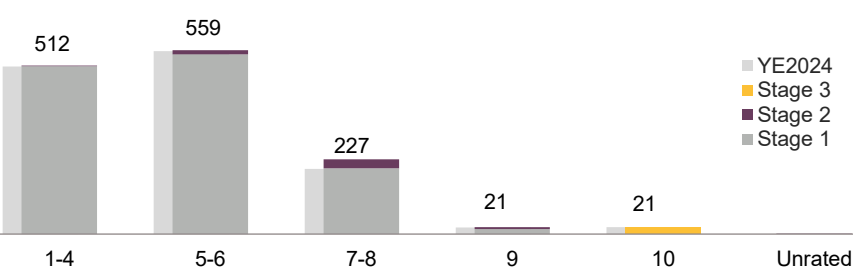
LTV distribution by underlying asset class

Loan splitting approach, ISKbn



Loans to customers: gross carrying amount¹

Risk class and impairment stage, 30.9.2025, ISKbn



1. Risk class distribution at YE24 shown as comparison



Asset quality remains strong, consistent with historical quarters

No significant change in Stage 2 or Stage 3 loan exposures

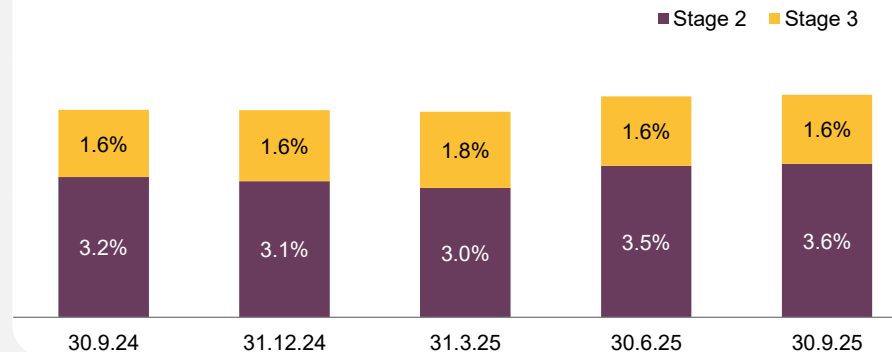
Net impairment on financial assets

By period, ISKbn



Loans to customers: Stage 2 and 3 (NPL)

Development of gross carrying amount as ratio of total loans



Highlights

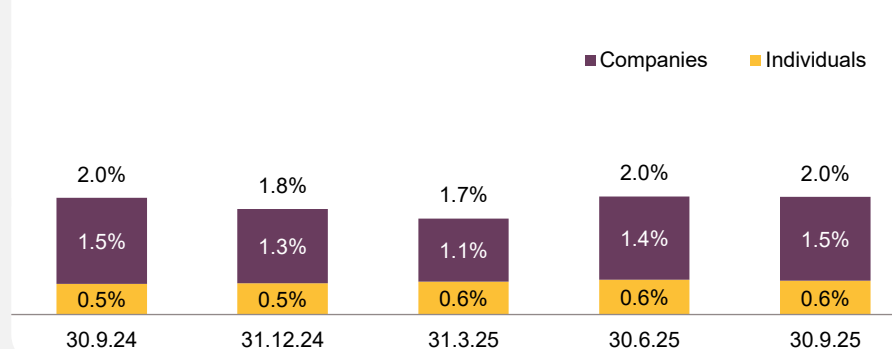
- The definition of forbearance includes a 24-month probation period. Therefore, loans are classified as forborne even after normal payments have resumed
- Ratio of loans to customers on Stage 2 remained stable between quarters following the previous quarter's increase, which was mainly driven by a few credit cases granted forbearance

Current and expected cost-of-risk

- Annualised cost of risk was 0bps in 3Q25 (-27bps for 3Q24)
- The probability weights of economic scenarios were kept unchanged at 20% (good), 50% (baseline), and 30% (bad) at the end of 3Q25. 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

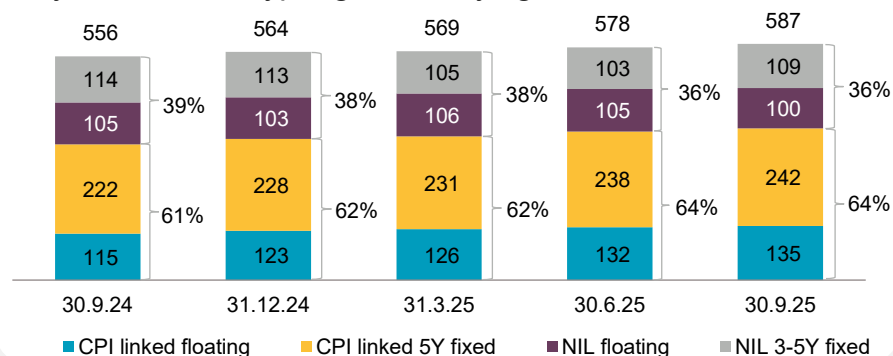


Supreme Court ruling impacts mortgage product offering

Asset quality remains strong while uncertainty related to legal proceedings remains

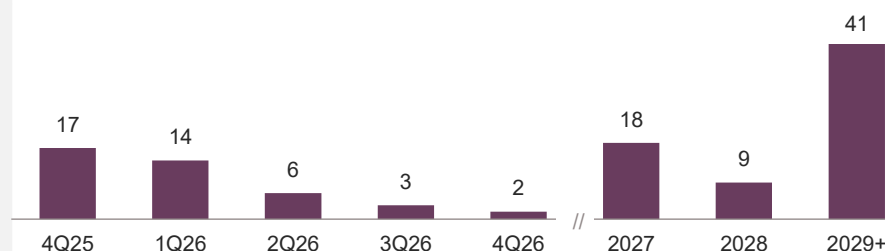
Mortgage portfolio

By interest rate type, gross carrying amount, ISKbn



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

Gross carrying amount, ISKbn

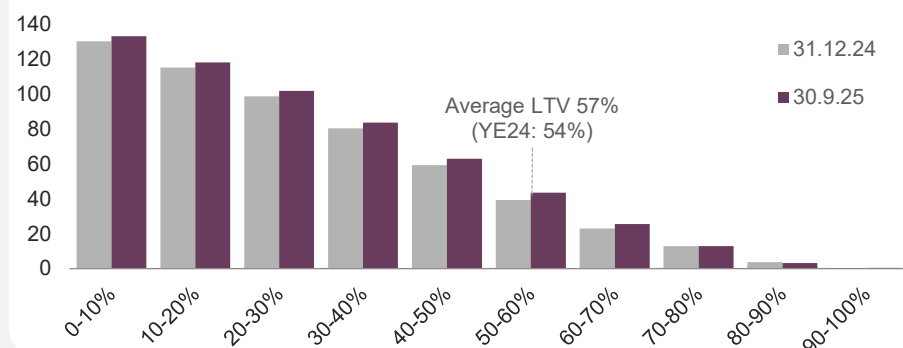


Highlights

- Following a Supreme Court ruling on variable nominal mortgage rates, the Bank has introduced interim changes to its product offering and provisioned ISK 550m due to potential claims of borrowers
- Although the ruling considers non-indexed mortgages, it cannot be ruled out that it may set a precedent for interpretation of indexed linked mortgages, although it is not possible to reliably assess the probability or the potential financial impact thereto.
- Due to that uncertainty, the Bank has not recognised any provision in relation to indexed linked mortgages
- Three cases brought against other Icelandic banks are pending before the Supreme Court, where variable interest rate terms of indexed loans are at issue. The rulings in these cases may impact the Bank's indexed linked product offering

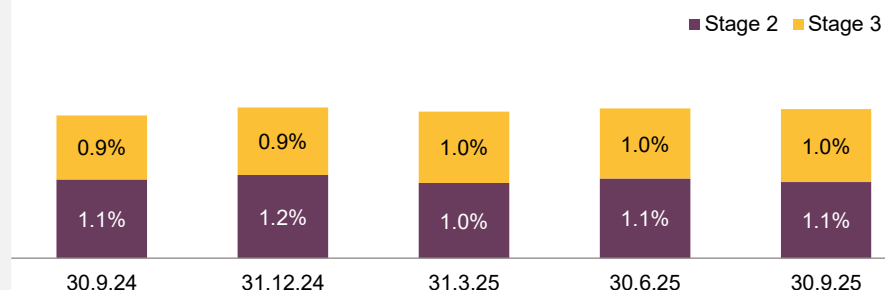
LTV distribution of mortgages

Gross carrying amount, loan splitting approach, ISKbn



Mortgages portfolio: Stage 2 and 3 (NPL)

Gross carrying amount as ratio of total mortgages

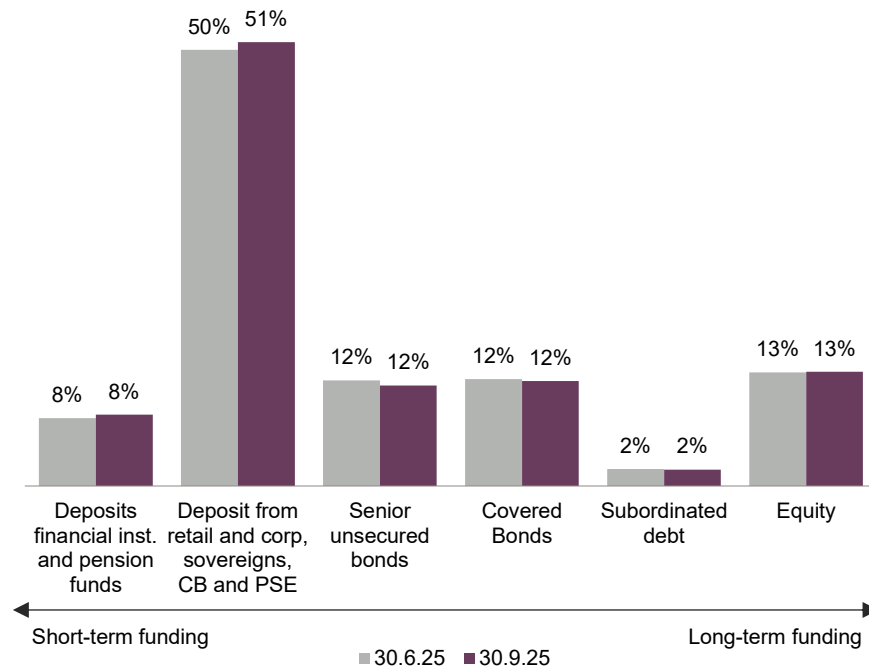


Deposit growth continues in 3Q25 reaching 9.2% YTD

Strong deposit position allows for a more flexible wholesale funding approach

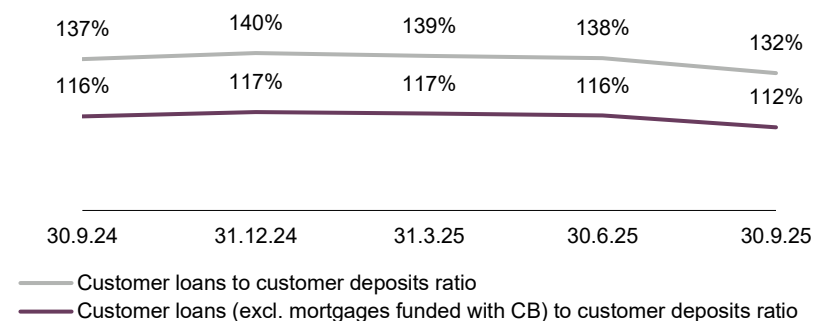
Funding sources

By type, % of total liabilities and equity



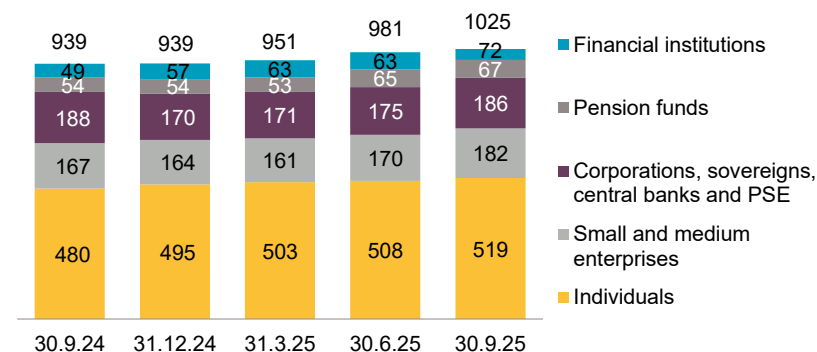
Customer loans to customer deposits ratio

Development, %



Deposits from customers and credit institutions

Development, by LCR category, ISKbn



Highlights

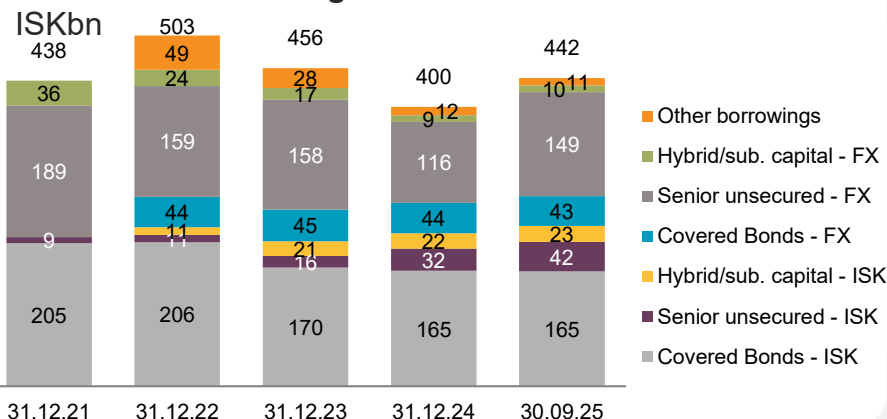
- Deposits grew by 4.6% in 3Q25, mainly due to increase in deposits from financial institutions and small and medium enterprises
- Deposits from individuals remain the strongest segment or 51% of total deposits
- Term deposits were 17% of total deposits at the end of 3Q25
- 69% of deposits held by individuals (and 43% of all deposits) are covered by the deposit guarantee scheme



Light maturity profile through the next two years

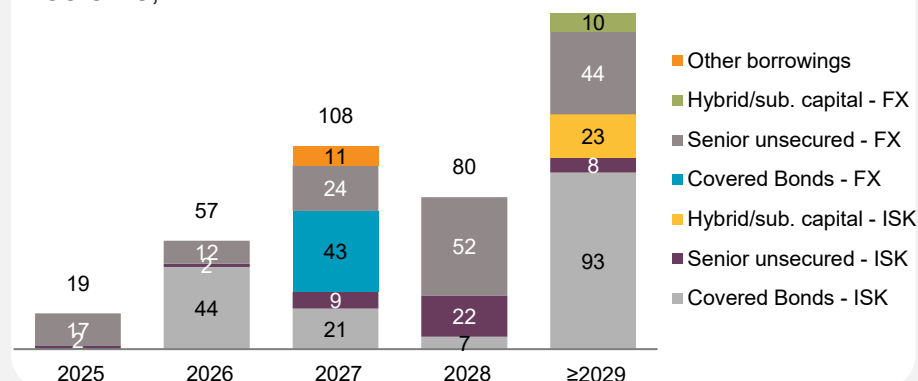
Good diversification of funding sources between products, maturities as well as types and location of investors

Sources of borrowings



Contractual maturity profile of borrowings

30.9.25, ISKbn

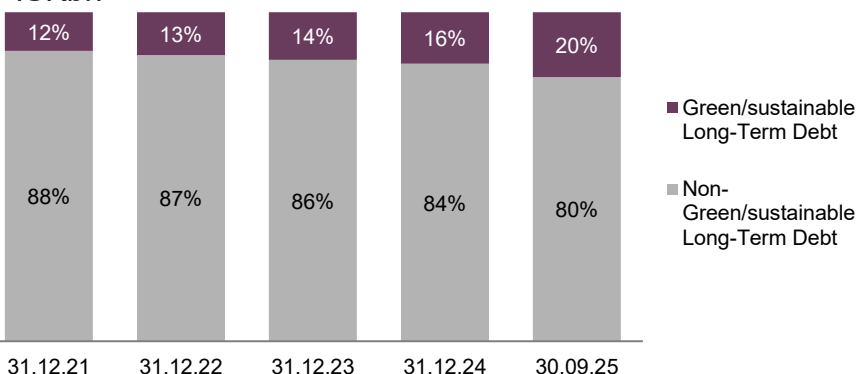


Highlights

- During 3Q25 the Bank sold a total of ISK 8.9 billion of ISK denominated covered bonds
- The Bank's borrowing split remains evenly divided between ISK and foreign currencies
- Limited maturities throughout 2026 allow the Bank to remain an adaptive issuer
- 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 third quarter 2025, the Bank's MREL ratio was 36.8% , 740 bps on top of requirements. A new resolution plan was approved for the Bank on 17 October 2025, following which the MREL ratio for the Bank is 37.1% (including the 3Q25 profit), 850 bps on top of requirements

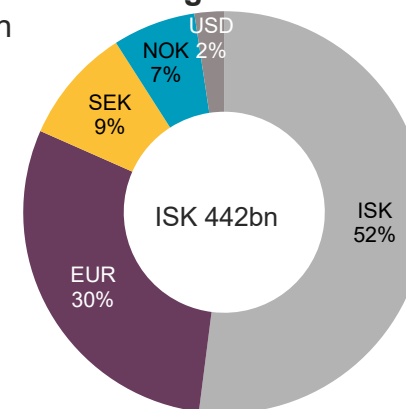
Development of green/sustainable funding

ISKbn



Currency split of borrowings

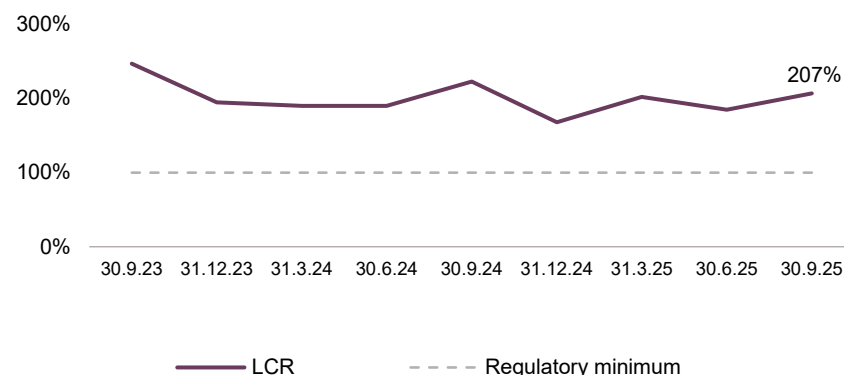
30.09.25, ISKbn



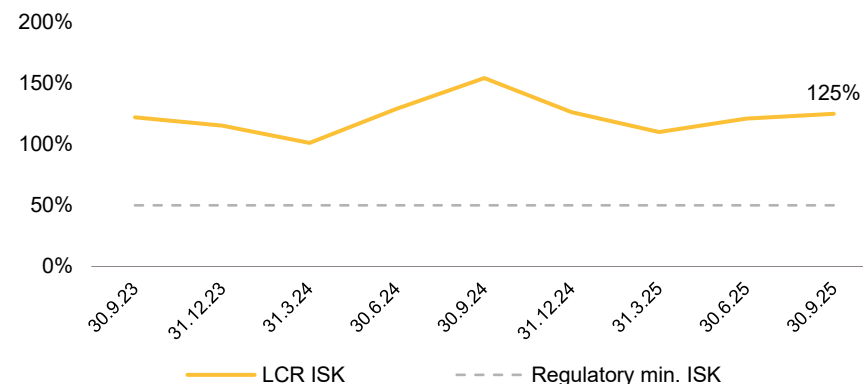
Strong liquidity position, ratios well above requirements

Highly liquid balance sheet allows for fast balance sheet growth in profitable manner

Total liquidity coverage ratio (LCR)

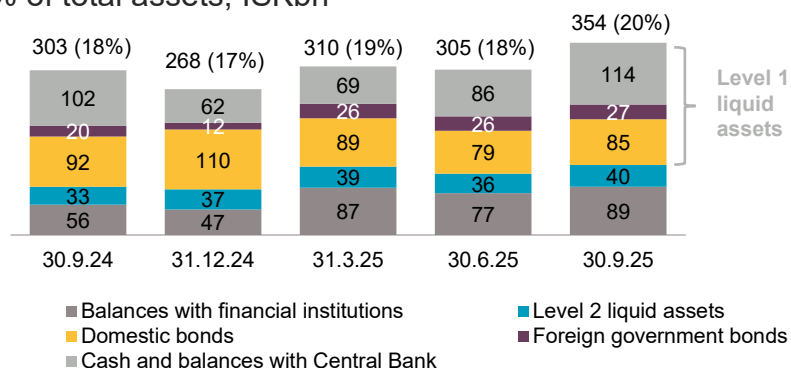


Liquidity coverage ratio for ISK

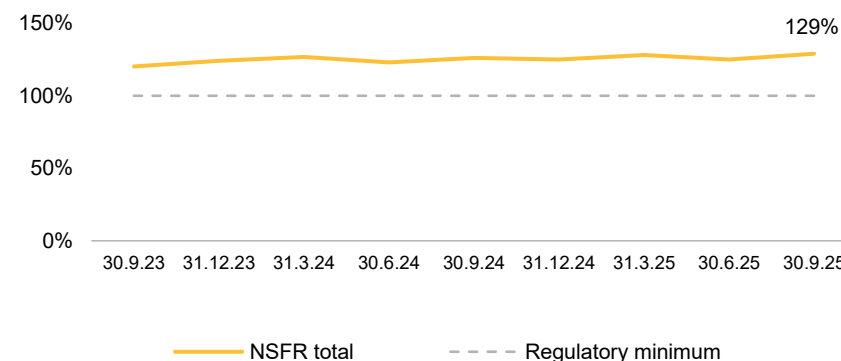


Liquid assets

% of total assets, ISKbn



Net stable funding ratio (NSFR)



Highlights

- All liquidity measures well above regulatory requirements
- Total LCR at 207% and NSFR at 129% at 3Q25
- The Bank's EUR LCR at the end of 3Q25 was 569%
- 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 tests

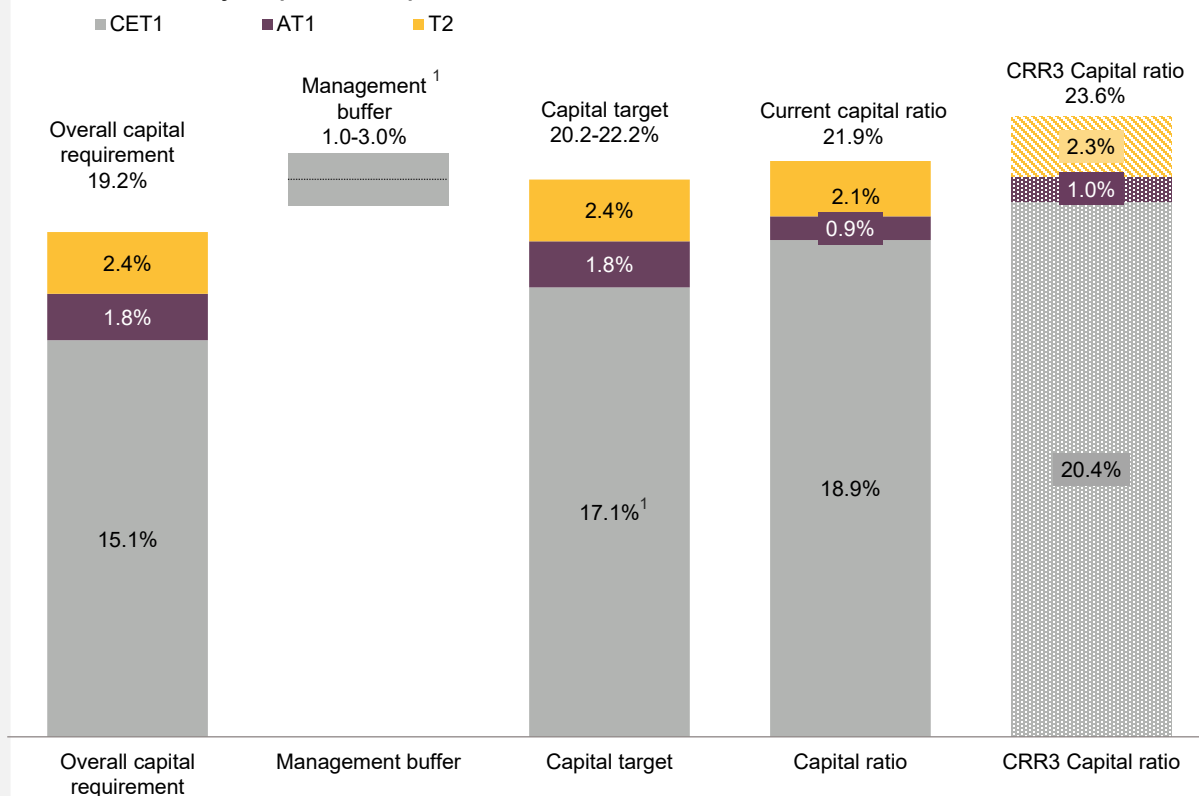


Íslandsbanki's capital ratios well above target

The Bank remains committed to its effort of optimising capital through both growth and distributions

Current regulatory requirements and minimum capital target

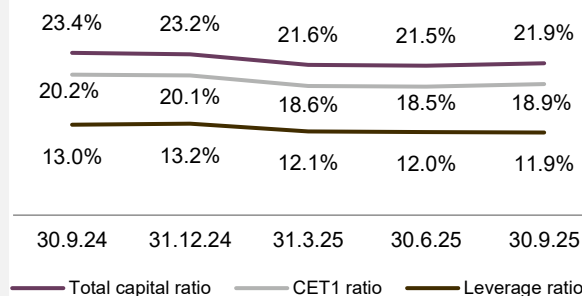
30.9.2025, by capital composition



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

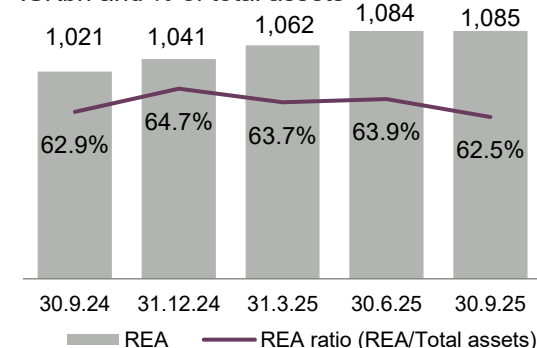
Capital and leverage ratios

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



REA and REA ratio

ISKbn and % of total assets



Highlights

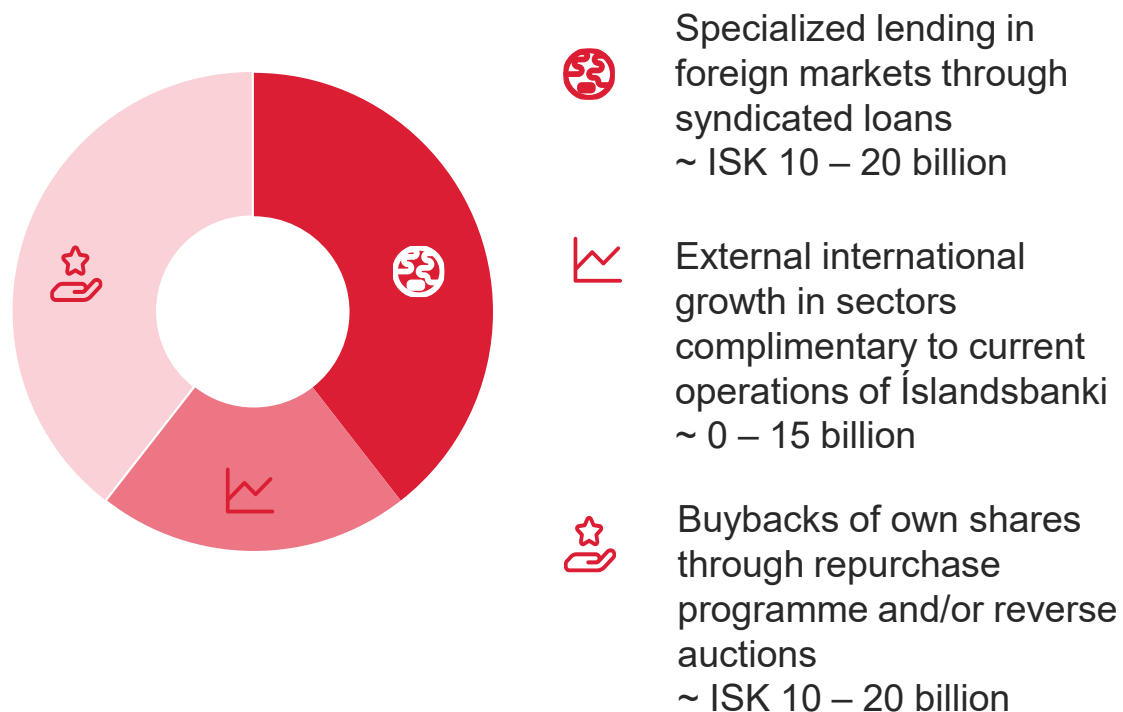
- SREP: As of 30 June 2025, the Bank must maintain an additional capital requirement of 1.4% of the REA, a 0.4 percentage points reduction from the previous assessment – thus reducing the Bank's total SREP capital requirement from 9.8% to 9.4%
- The combined buffer requirement is 9.8%, resulting in an overall capital requirement of 19.2% and capital target of 20.2-22.2% assuming a 100-300bp management buffer
- As of 30 September 2025, ISK 11.4 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 lower the REA by 6-7%, thus boosting capital ratios
- Total distribution capacity (including uncompleted buybacks) amounts to around ISK 43 billion, assuming a fully optimised capital structure and taking into account the effect of CRR3, expected to be implemented before year end 2025



Íslandsbanki's excess capital position fuels further growth

Capital optimization journey continues with currently around **ISK 43 billion** to be utilised through various channels

Indicative allocation of excess capital



Merger with Skagi enhances excess capital position maintaining strong foundation for growth

- Merger likely to benefit from "Danish compromise" enhancing capital position
- Improved profitability and revenue generation capabilities
- Merger offers stronger platforms for asset management and investment banking
- Higher recurrent dividends due to EPS accretion from a solid capital position



Merger assumed to unlock capital synergies



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

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

 **12** branches

Listed on Nasdaq Iceland as of June 2021



Market share¹

 **31%** Retail customers

 **38%** SMEs

 **34%** Large companies

Sustainability in 3Q25



A positive rating of 2 from Sustainable Fitch included an improvement compared to the previous year



Assessment model for Íslandsbanki's mortgage portfolio set to identify energy efficient properties approved - expected to significantly increase the volume of the Bank's sustainable assets



Íslandsbanki's sustainable assets amounted to ISK 107.3 billion

Key Figures 3Q25

ROE	12.2%	LCR Group, all currencies	207%
Cost-to-income ratio	38.2%	NSFR Group, all currencies	129%
CET 1 ratio ²	18.9%	Leverage ratio ²	11.9%
Total capital ratio ²	21.9%	Total assets	ISK 1,734bn

Ratings and certifications

MOODY'S
A3 Stable outlook

ESG risk rating



Reitun
A3 Exceptional



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



EQUAL PAY
CERTIFICATE
2025 - 2026

Digital milestones in 3Q25



New app feature "My family" launched offering families the chance to join efforts in managing their finance



Copilot integration ongoing and Íslandsbanki employees encouraged to adapt solution into everyday tasks



Numerous enhancements introduced to Íslandsbanki's online bank, including improved filtering, document management, payment overviews and new features for corporate users

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 3Q25 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. 2. Including 3Q25 profit.



Financial overview

Key figures & ratios

		3Q25	2Q25	1Q25	4Q24	3Q24
PROFITABILITY	Profit for the period, ISKm	6,901	7,192	5,209	6,283	7,280
	Return on equity	12.2%	13.0%	9.4%	11.2%	13.2%
	Net interest margin (of total assets)	3.1%	3.3%	3.2%	2.7%	2.9%
	Cost-to-income ratio ¹	38.2%	41.0%	47.6%	45.7%	40.4%
	Cost of risk ²	0.00%	(0.12%)	0.00%	(0.11%)	(0.27%)
		30.9.25	30.6.25	31.3.25	31.12.24	30.9.24
BALANCE SHEET	Loans to customers, ISKm	1,333,234	1,331,288	1,298,849	1,295,388	1,274,094
	Total assets, ISKm	1,734,056	1,696,034	1,667,429	1,607,807	1,622,458
	Risk exposure amount, ISKm	1,084,527	1,084,492	1,061,903	1,040,972	1,021,243
	Deposits from customers, ISKm	1,008,919	966,075	936,779	926,846	927,011
	Customer loans to customer deposits ratio	132%	138%	139%	140%	137%
	Non-performing loans (NPL) ratio ³	1.6%	1.6%	1.8%	1.6%	1.6%
LIQUIDITY	Net stable funding ratio (NSFR), for all currencies	129%	125%	128%	125%	126%
	Liquidity coverage ratio (LCR), for all currencies	207%	185%	202%	168%	223%
CAPITAL	Total equity, ISKm	226,974	224,725	217,894	227,355	223,388
	CET 1 ratio ^{4,5}	18.9%	18.5%	18.6%	20.1%	20.2%
	Tier 1 ratio ^{4,5}	19.8%	19.4%	19.5%	21.0%	21.2%
	Total capital ratio ^{4,5}	21.9%	21.5%	21.6%	23.2%	23.4%
	Leverage ratio ⁵	11.9%	12.0%	12.1%	13.2%	13.0%
	MREL ratio ⁶	36.8%	36.7%	37.8%	33.4%	35.6%



Income statement

Income statement, ISKm	3Q25	3Q24	Δ%	9M25	9M24	Δ%	2024
Net interest income	13,260	11,777	13%	40,080	36,390	10%	47,265
Net fee and commission income	3,229	3,296	(2%)	9,916	9,515	4%	13,122
Net financial income (expense)	(353)	228	-	(1,326)	(507)	162%	(338)
Net foreign exchange gain	152	124	23%	270	494	(45%)	607
Other operating income	115	357	(68%)	725	1,500	(52%)	2,282
Total operating income	16,403	15,782	4%	49,665	47,392	5%	62,938
Salaries and related expenses	(3,793)	(3,787)	0%	(12,694)	(12,085)	5%	(16,329)
Other operating expenses	(2,686)	(2,585)	4%	(8,442)	(8,443)	(0%)	(11,299)
Administrative fines	-	-	-	-	(470)	(100%)	(470)
Administrative expenses	(6,479)	(6,372)	2%	(21,136)	(20,998)	1%	(28,098)
Bank tax	(549)	(494)	11%	(1,562)	(1,446)	8%	(1,900)
Total operating expenses	(7,028)	(6,866)	2%	(22,698)	(22,444)	1%	(29,998)
Net impairment on financial assets	7	860	(99%)	406	293	39%	645
Profit before tax	9,382	9,776	(4%)	27,373	25,241	8%	33,585
Income tax expense	(2,488)	(2,497)	(0%)	(8,066)	(7,368)	9%	(9,426)
Profit for the period before profit from non-current assets	6,894	7,279	(5%)	19,307	17,873	8%	24,159
Profit from non-current assets held for sale, net of tax	7	1	600%	(5)	90	(106%)	87
Profit for the period	6,901	7,280	(5%)	19,302	17,963	7%	24,246
Key ratios							
Net Interest Margin (NIM)	3.1%	2.9%		3.2%	3.0%		2.9%
Cost-to-income ratio (C/I)	38.2%	40.4%		42.1%	43.3%		43.9%
Return on Equity (ROE)	12.2%	13.2%		11.5%	10.9%		10.9%
Cost of risk (COR)	0.00%	(0.27%)		(0.04%)	(0.03%)		(0.05%)

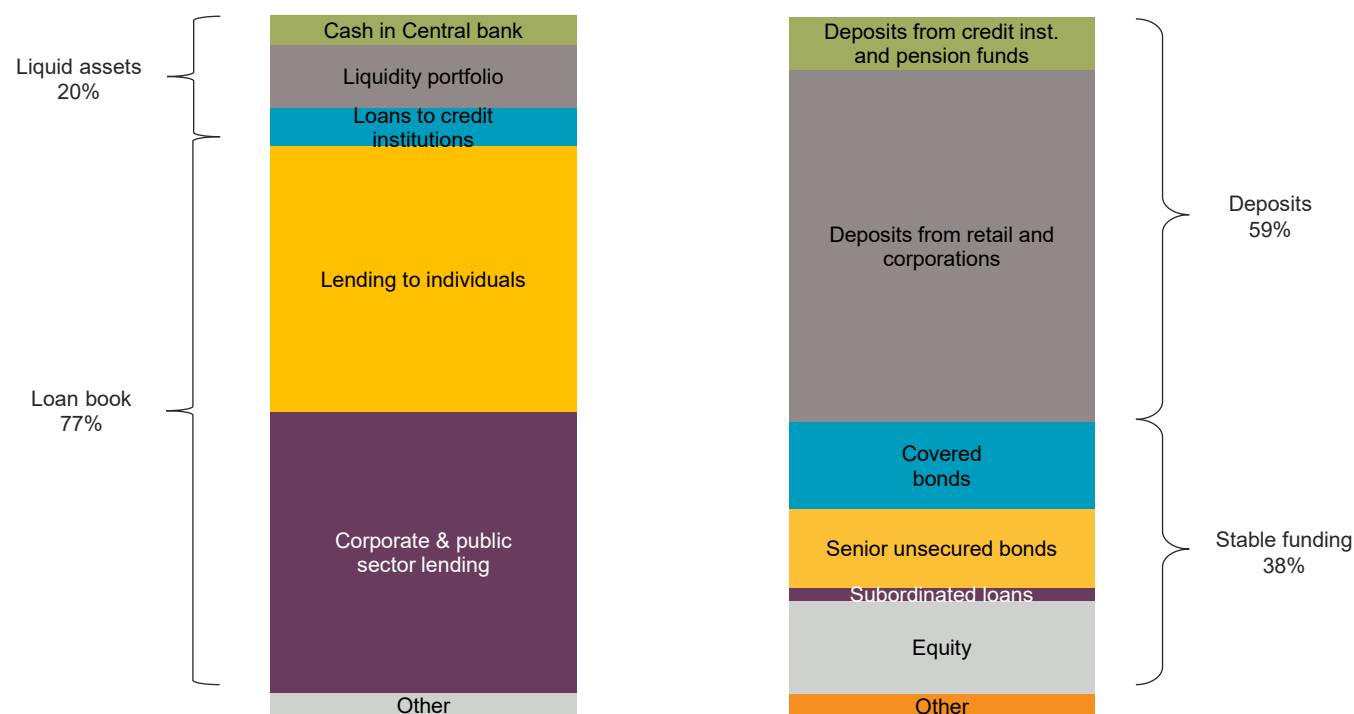


Balance sheet reflects a balanced loan and funding profile

Conservative mix of assets and stable funding

Simplified balance sheet structure

30.9.2025, ISK 1,734bn



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

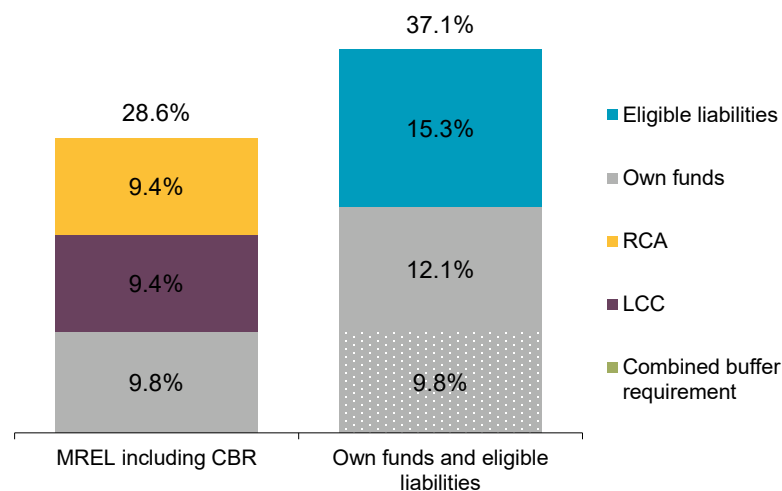
Liabilities

- 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

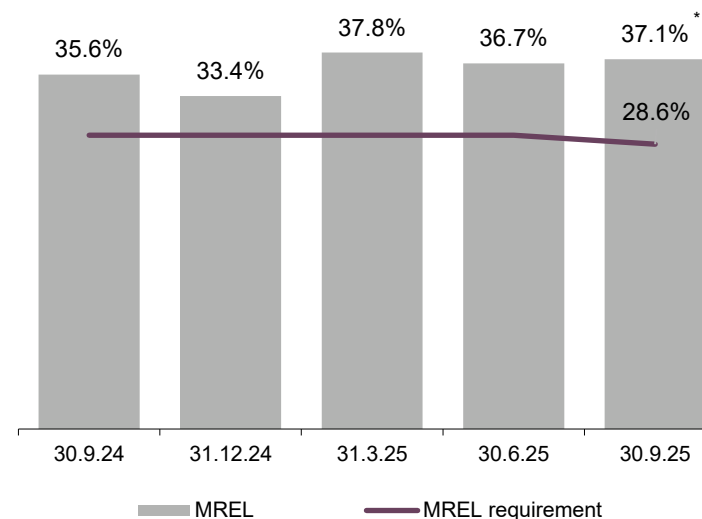
A new resolution plan approved for the Bank on 17 October 2025

Minimum Requirement for Own Funds and Eligible Liabilities (MREL), 30.9.2025



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

MREL Development, %



*including 3Q profit

- 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 (9.4%), resulting in an MREL requirement of 18.8% of REA
- CET1 capital that is maintained to meet the combined buffer requirement can not be used to fulfill MREL, therefore the effective requirement can be monitored as 28.6%
- MR

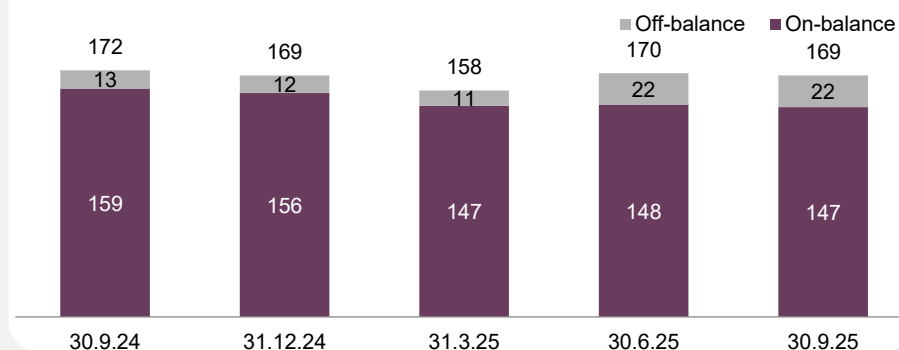


Domestic commercial real estate sector shows strength and stability

Despite sale of new residential housing has slowed down from previous quarters, risk of losses is limited

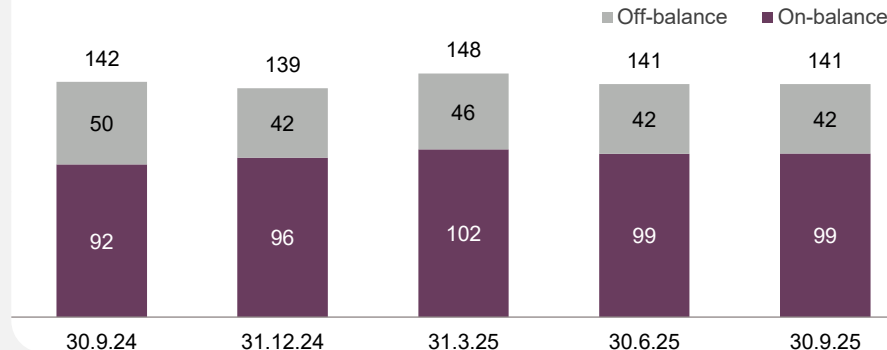
Development of exposure to real estate companies

Gross carrying amount by period, ISKbn



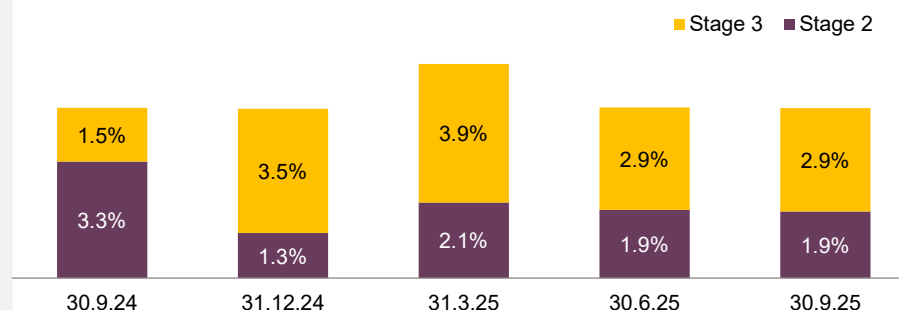
Development of construction exposure

Gross carrying amount by period, ISKbn

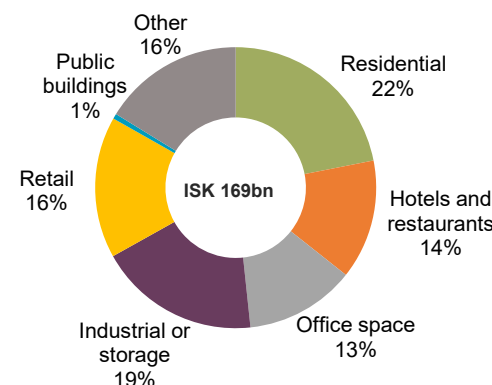


Real estate portfolio: Stage 2 and 3 (NPL) I

Gross carrying amount as ratio of the real estate portfolio



Real estate collateral by type



Highlights

- Loans to real estate companies and construction amount to 14% and 4% 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



Assets

Asset base mainly consists of loans and liquid assets

Assets, ISKm	30.9.25	30.6.25	Δ	Δ%	31.12.24	Δ	Δ%
Cash and balances with Central Bank	114,055	87,241	26,814	31%	65,716	48,339	74%
Loans to credit institutions	99,117	80,481	18,636	23%	50,486	48,631	96%
Bonds and debt instruments	139,432	138,839	593	0%	142,618	(3,186)	(2%)
Derivatives	5,092	7,397	(2,305)	(31%)	5,324	(232)	(4%)
Loans to customers	1,333,234	1,331,288	1,946	0%	1,295,388	37,846	3%
Shares and equity instruments	16,815	18,158	(1,343)	(7%)	24,330	(7,515)	(31%)
Investment in associates	4,948	4,849	99	2%	4,701	247	5%
Investment property	2,900	2,900	-	-	2,600	300	12%
Property and equipment	4,769	4,944	(175)	(4%)	5,039	(270)	(5%)
Intangible assets	2,632	2,637	(5)	(0%)	2,684	(52)	(2%)
Other assets	9,314	15,600	(6,286)	(40%)	7,304	2,010	28%
Non-current assets held for sale	1,748	1,700	48	3%	1,617	131	8%
Total Assets	1,734,056	1,696,034	38,022	2%	1,607,807	126,249	8%
Key ratios							
Risk Exposure Amount (REA)	1,084,527	1,084,492	35	0%	1,040,972	43,555	4%
REA / total assets	62.5%	63.9%			64.7%		
Non-performing loans (NPL) ratio ¹	1.6%	1.6%			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	30.9.25	30.6.25	Δ	Δ%	31.12.24	Δ	Δ%
Deposits from Central Bank and credit institutions	15,972	14,876	1,096	7%	12,535	3,437	27%
Deposits from customers	1,008,919	966,075	42,844	4%	926,846	82,073	9%
Derivative instruments and short positions	5,599	8,502	(2,903)	(34%)	7,306	(1,707)	(23%)
Debt issued and other borrowed funds	409,170	411,009	(1,839)	(0%)	367,586	41,584	11%
Subordinated loans	32,550	32,687	(137)	(0%)	31,695	855	3%
Tax liabilities	14,544	13,403	1,141	9%	12,916	1,628	13%
Other liabilities	20,328	24,757	(4,429)	(18%)	21,568	(1,240)	(6%)
Total Liabilities	1,507,082	1,471,309	35,773	2%	1,380,452	126,630	9%
Total Equity	226,974	224,725	2,249	1%	227,355	(381)	(0%)
Total Liabilities and Equity	1,734,056	1,696,034	38,022	2%	1,607,807	126,249	8%

Key ratios

Customer loans to customer deposits ratio	132%	138%	140%
Net stable funding ratio (NSFR)	129%	125%	125%
Liquidity coverage ratio (LCR)	207%	185%	168%
CET 1 ratio ¹	18.9%	18.5%	20.1%
Tier 1 capital ratio ¹	19.8%	19.4%	21.0%
Total capital ratio ¹	21.9%	21.5%	23.2%
Leverage ratio ¹	11.9%	12.0%	13.2%
MREL ratio ²	36.8%	36.7%	33.4%

1. Including 3Q25 profit for 30.9.25. 2. MREL ratio includes the CET1 capital held to meet the combined buffer requirements.





Appendix II

Icelandic economy update

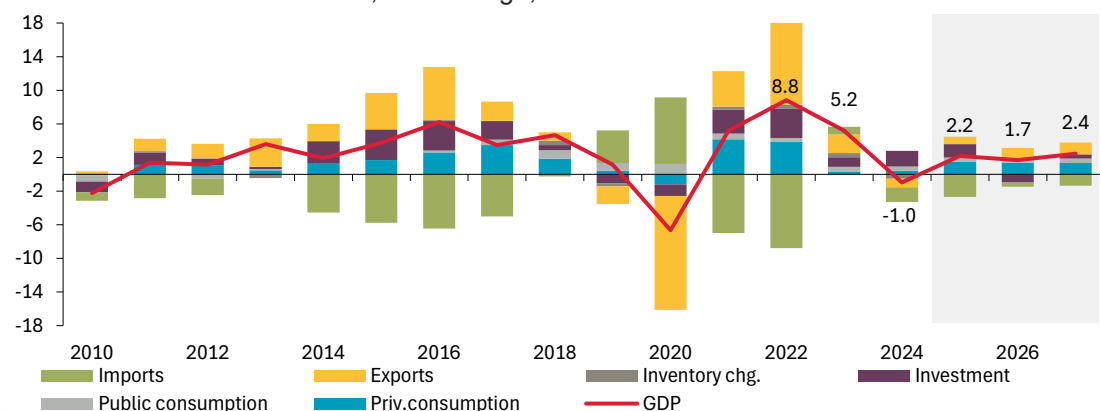


Economy entering a new business cycle

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

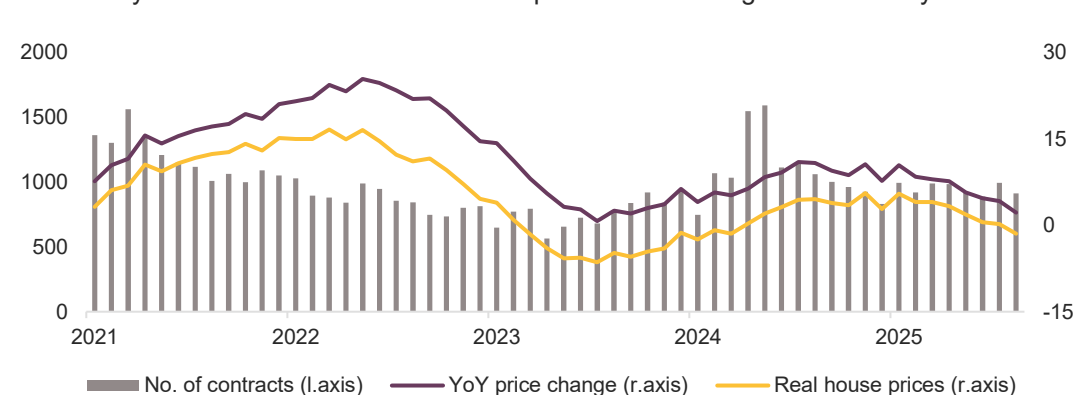
New business cycle, subdued growth following contraction...

Real GDP and main subitems, YoY change, %



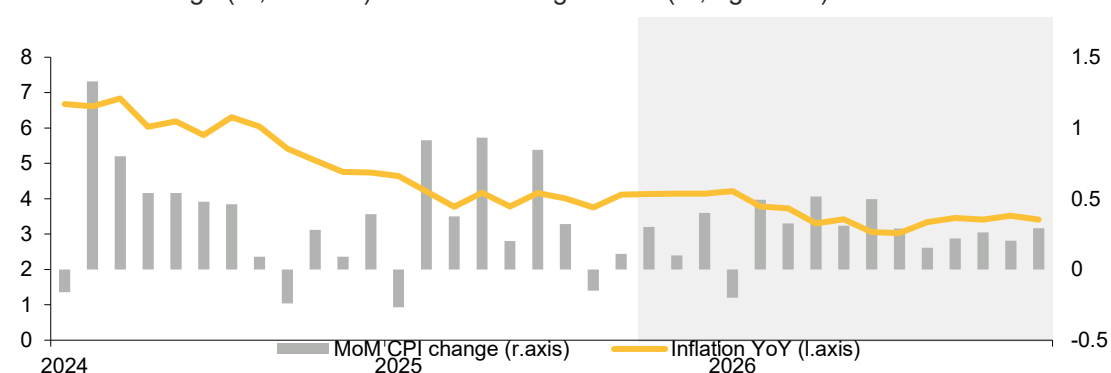
..and housing market remains resilient in the face of high real rates

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



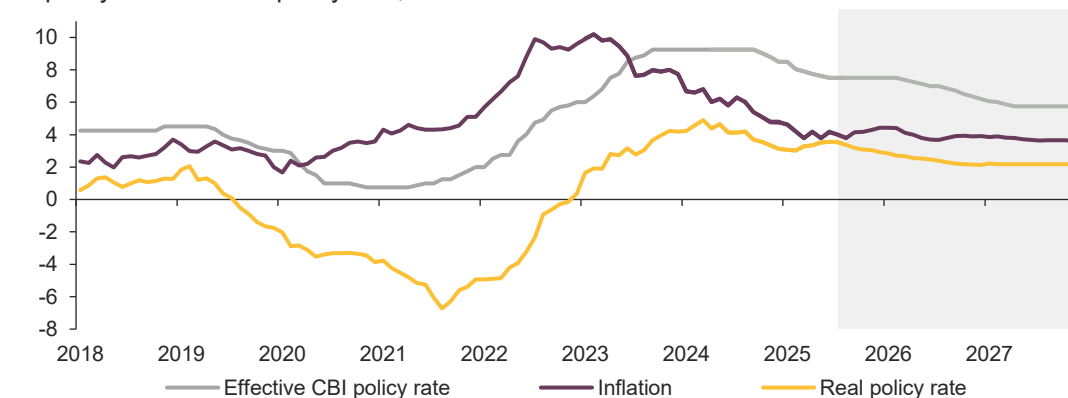
Inflation persistent in the near term but likely to eventually subside ...

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



... and the Central Bank is expected to resume rate cuts in early 2026

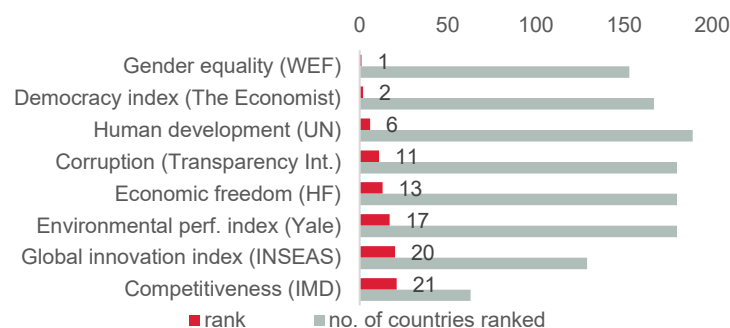
CBI policy rate and real policy rate, %



The Icelandic economy and society draw on many strengths

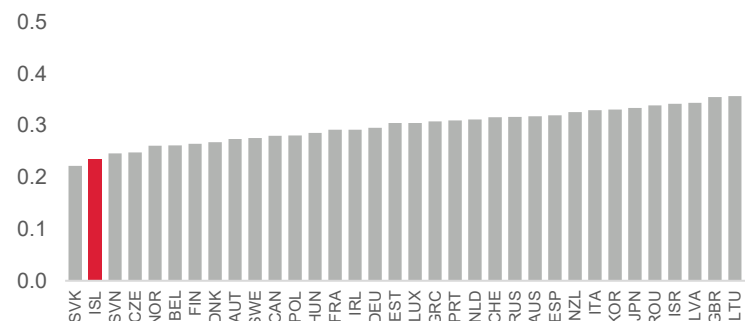
Icelanders enjoy high standards of living in a modern, open and egalitarian society

Iceland ranks highly on a variety of global development benchmarks



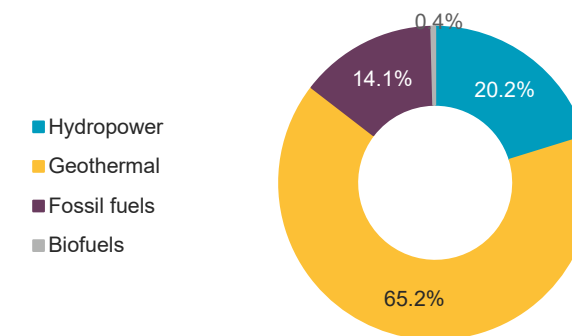
Income inequality is low compared to OECD peers

Gini coefficient, OECD, most recent data available



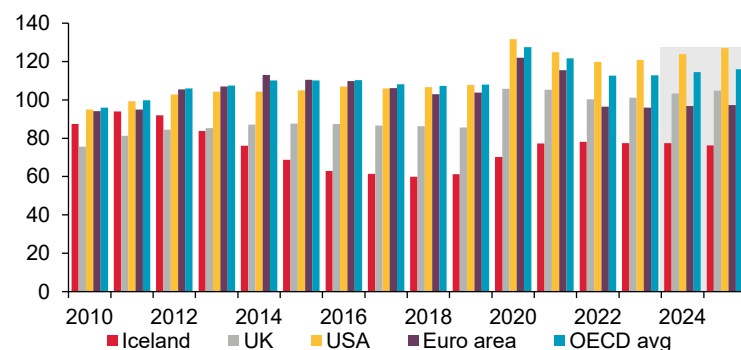
Sustainable energy usage is prevalent

Energy consumption by source, 2022



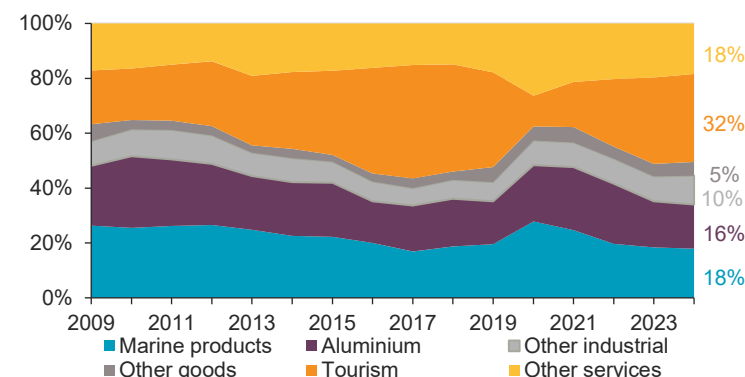
Public debt remains sustainable after pandemic

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

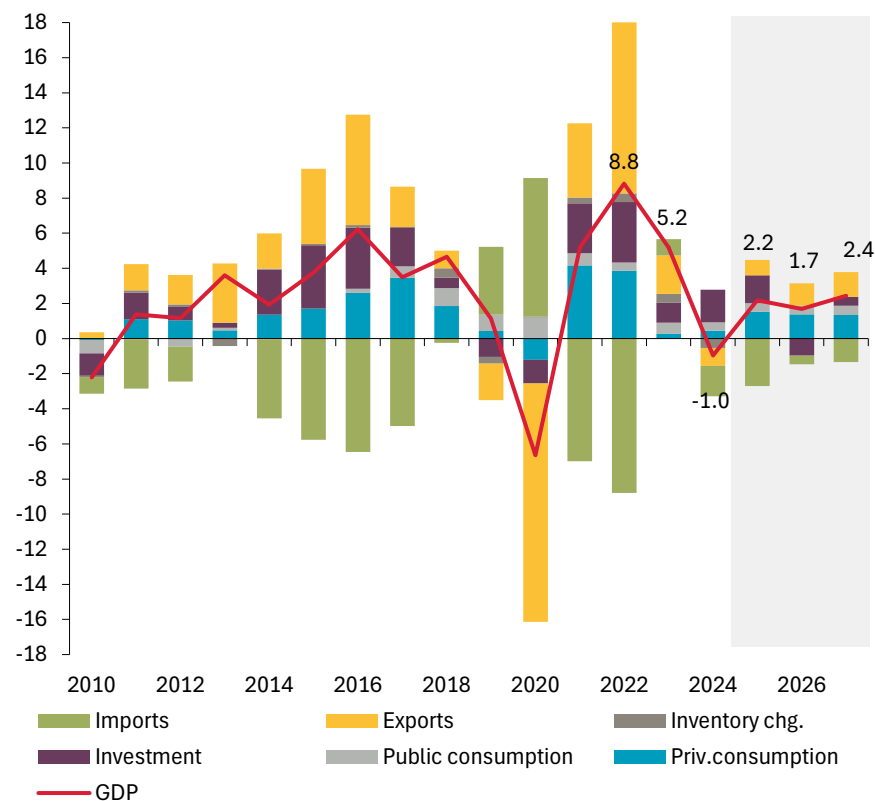


New business cycle, subdued growth following contraction

Fluctuations in investment dominate the growth pattern over the horizon, but exports will pick up again

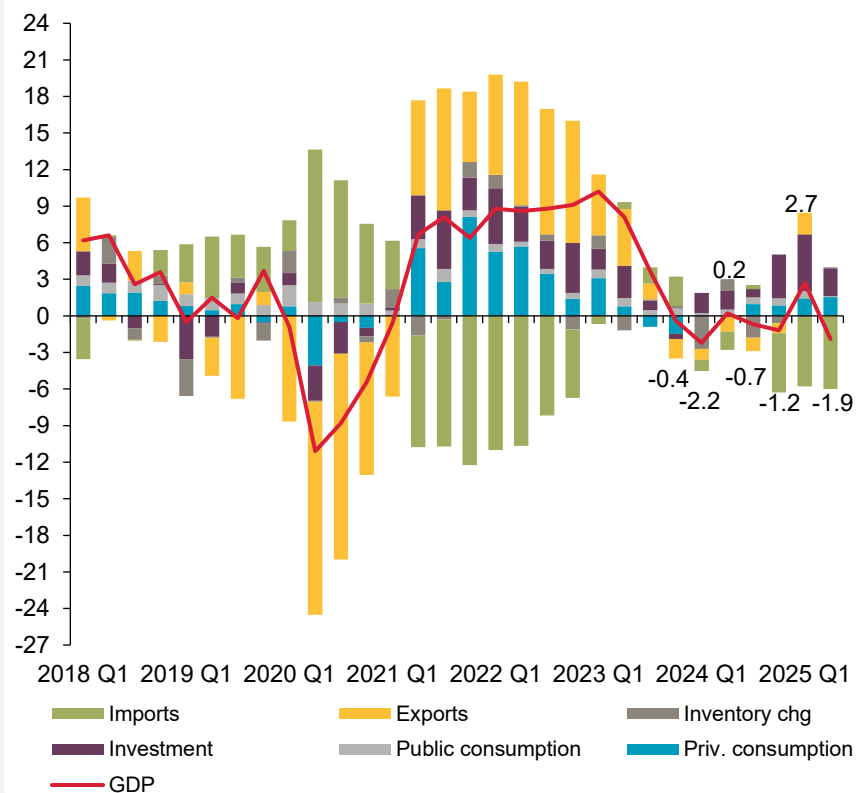
GDP and contribution of its subcomponents

Volume change from prior year (%), annual data



GDP and contribution of its subcomponents

Volume change from prior year (%), quarterly data



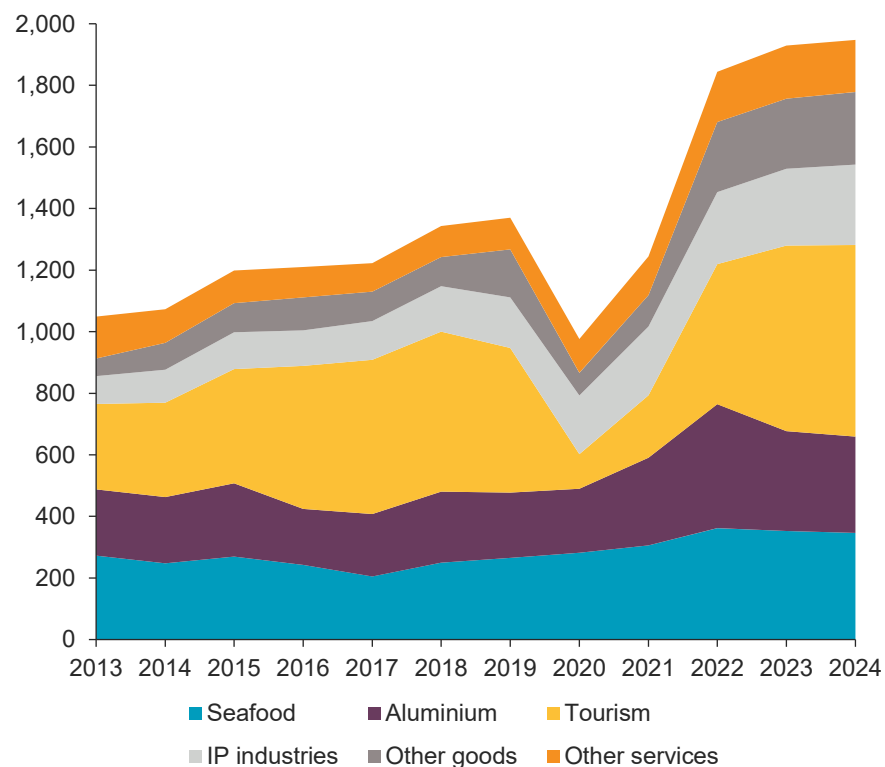
Highlights

- GDP contracted by 1.0% in 2024, marking the first annual decline since 2020 and ending a brief growth period from 2021 to 2023.
- The shift in net trade—from a positive to a negative contribution—was the primary driver of the downturn between 2023 and 2024.
- Domestic demand remained stable across both years, but the reversal in export and import trends weighed on overall output.
- Of the past seven quarters, five recorded contractions, with investment-related imports distorting the picture of underlying investment activity.
- GDP is projected to grow by 2.2% in 2025, led by consumption and investment, though net trade is expected to remain a drag.
- Growth is forecast to moderate to 1.7% in 2026 due to weaker investment, before rebounding to 2.4% in 2027 as investment and exports recover.
- Risks to the outlook include geopolitical tensions, domestic energy constraints, and housing market imbalances driven by population growth and interest rates.

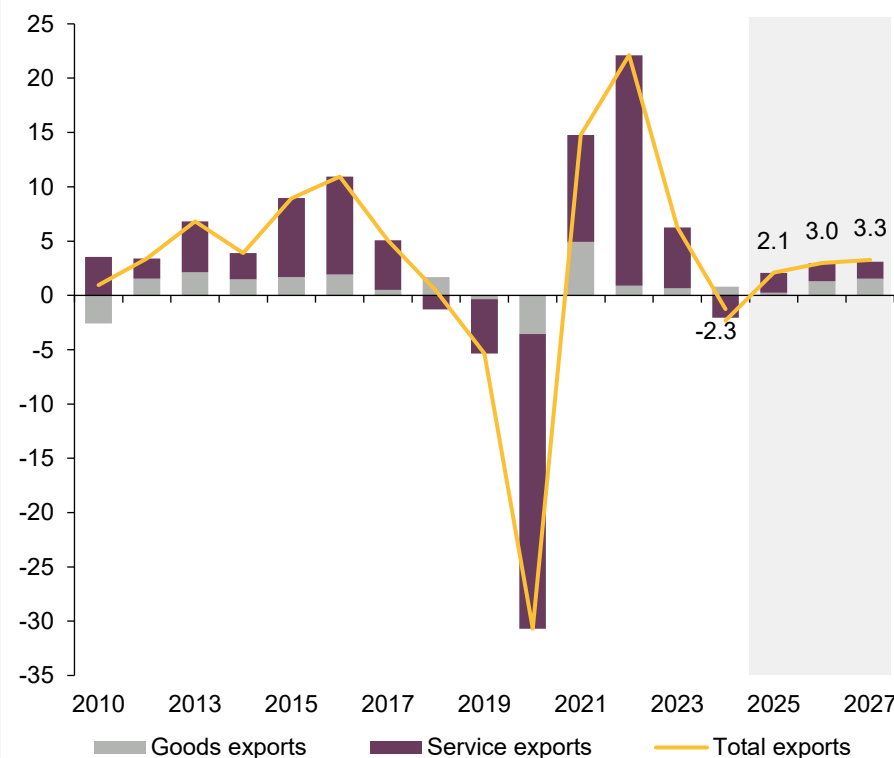
New sources of export growth

Intellectual property and aquaculture will drive export growth, with legacy export sectors lagging behind

Export revenues, by key sector
ISKbn at current prices



Exports and contribution from subcomponents
% change



Highlights

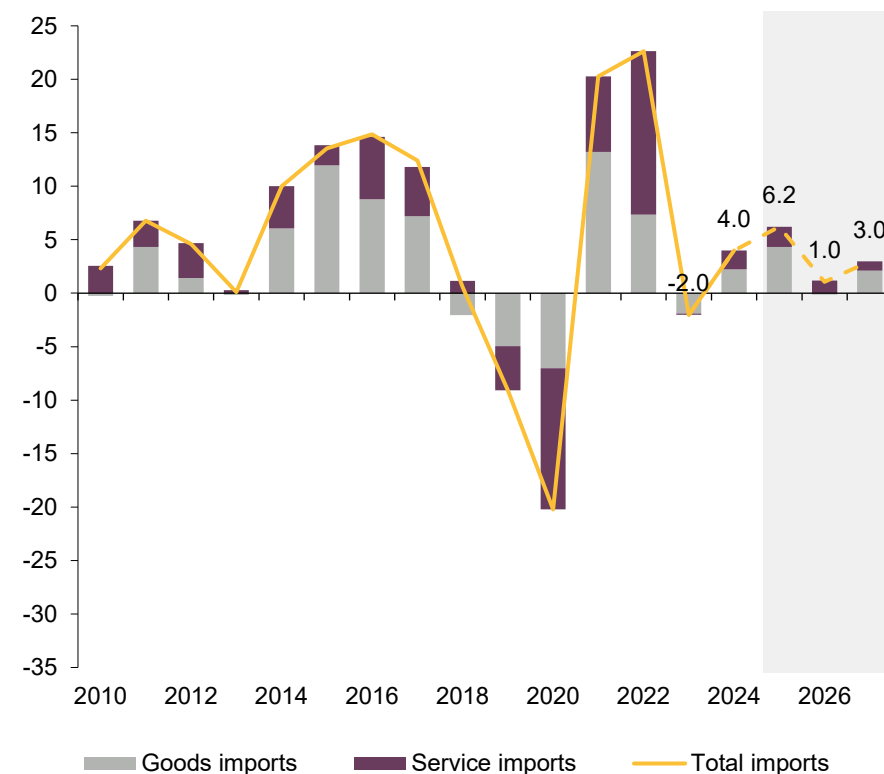
- Tourism rebounded after a weak Q1, with summer visitor numbers rising around 10% year-on-year.
- Modest annual growth is expected through 2027, though winter season uncertainty and external risks remain.
- The sector is projected to maintain its significant role in foreign exchange earnings, contributing nearly 1/3 of total export revenues in coming years.
- Aquaculture, particularly land-based salmon farming, is emerging as a key growth sector, with its export share expected to rise notably.
- Intellectual property exports—spanning pharmaceuticals, media, and tech—have grown rapidly, now accounting for over 13% of export revenues, with further gains anticipated from data centre expansion and R&D-driven industries.
- Following a decline in 2024, export growth is expected to resume in 2025 at just over 2%, driven by tourism and intellectual property services, with modest support from aquaculture and manufactured goods.
- Growth is projected to accelerate to around 3% annually in 2026 and 2027, supported by stronger performance in tourism, aquaculture, and IP-related exports.



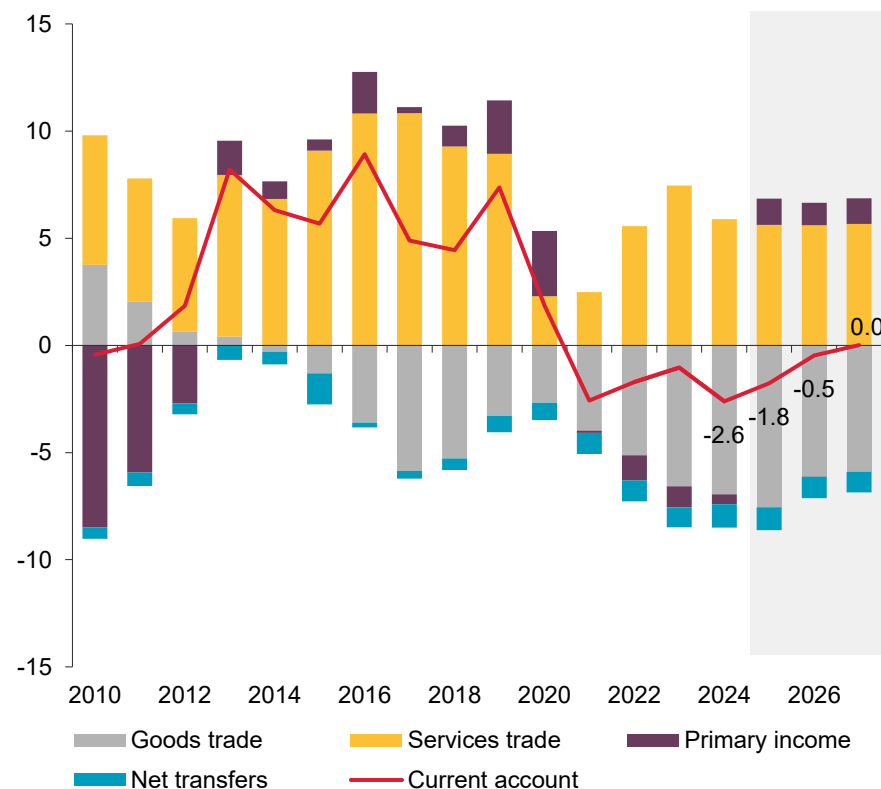
Current account balance improves following deficit in 2025

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

- Import growth is now projected at just over 6% in 2025, driven largely by a surge in investment goods imports related to data centre development in the first half of the year.
- A sharp decline in investment goods imports is expected in 2026, leading to slower import growth, followed by a rebound in 2027.
- Net trade will subtract from GDP growth in 2025, contribute positively in 2026, and be broadly neutral in 2027.
- The current account (CA) has remained in deficit since 2021, averaging 2% of GDP over 2021–2024, with 2024 marking the largest deficit since 2008 at 2.6% of GDP.
- The CA deficit is expected to narrow in the second half of 2025 and improve further in 2026 and 2027, supported by easing imports and strong services revenues.
- Iceland's net international investment position (NIIP), at 44% of GDP in mid-2025, provides a strong buffer for the ISK, reducing the risk of instability despite ongoing CA deficits.

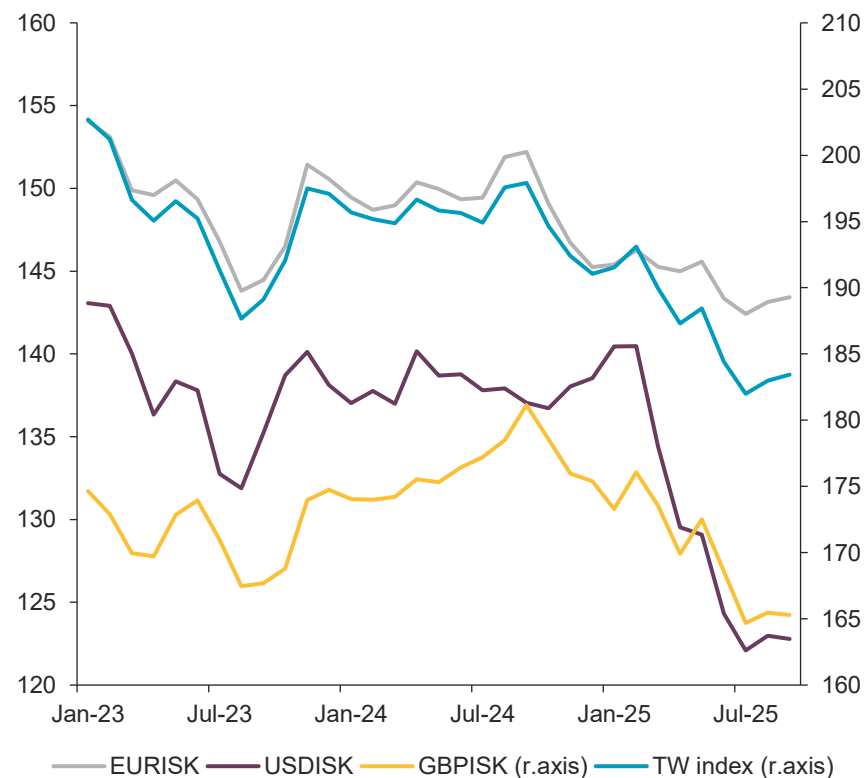


Modest ISK depreciation likely later on

The high real exchange rate is a growing challenge, making ISK depreciation likely further ahead

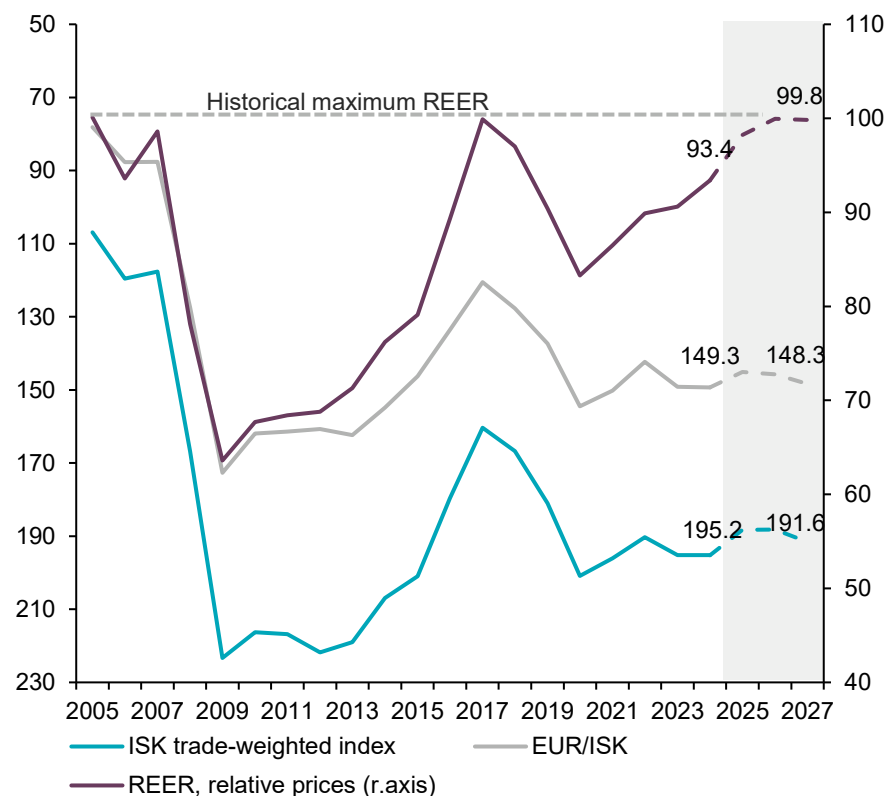
ISK exchange rate

Major currency exchange rates against the ISK and index values



ISK exchange rate and real exchange rate

EURISK levels and indices



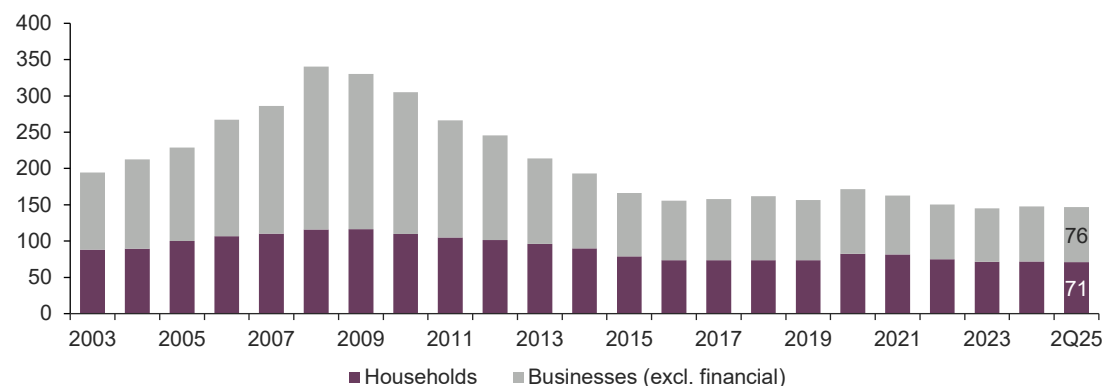
Highlights

- The ISK has remained notably stable despite a persistent current account (CA) deficit and global uncertainty, with the trade-weighted index (TWI) flat on average in 2023–2024.
- In 2025, the ISK has appreciated gradually, gaining around 4% on the TWI by early September, with the strongest gains against the US dollar.
- Several factors have supported the ISK, including favourable FX flows, limited pension fund currency purchases, and increased FX borrowing by firms.
- The near-term outlook is for continued ISK strength, underpinned by external trade improvements, interest rate differentials, and a strong net international investment position (NIIP).
- However, the real exchange rate is high, and further appreciation could erode competitiveness and worsen the external balance.
- A moderate depreciation of 4–5% is expected over the forecast horizon to stabilize the real exchange rate, implying an EURISK rate of around 150 by end-2027.

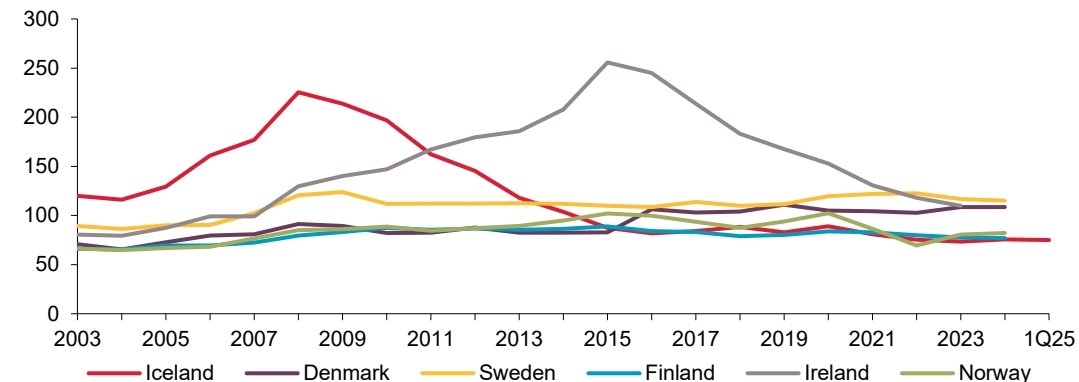
Domestic balance sheets remain broadly healthy

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

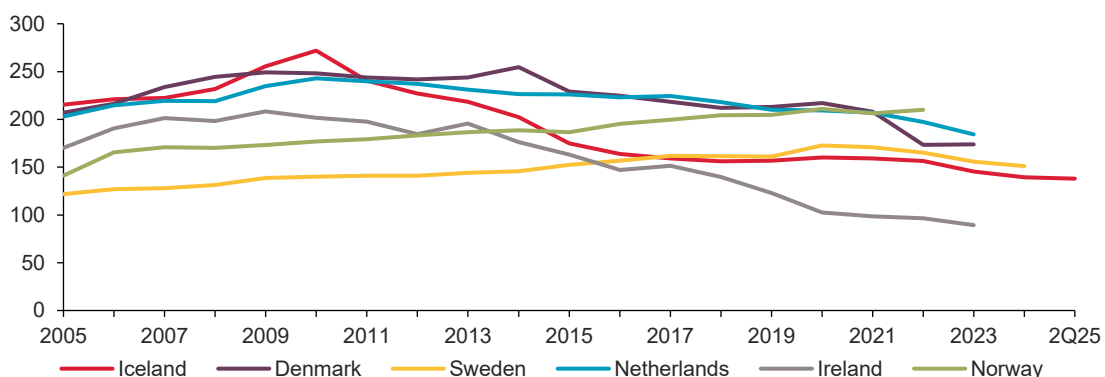
Private sector debt
% of GDP



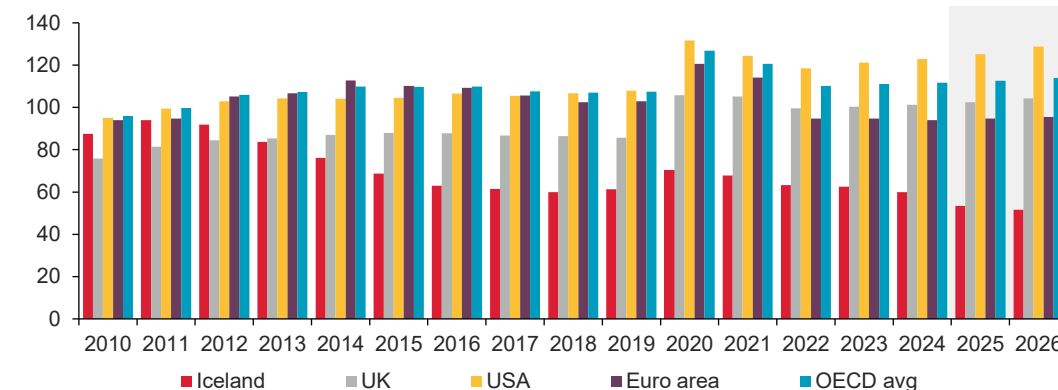
Corporate debt
% of GDP



Household debt
% of disposable income



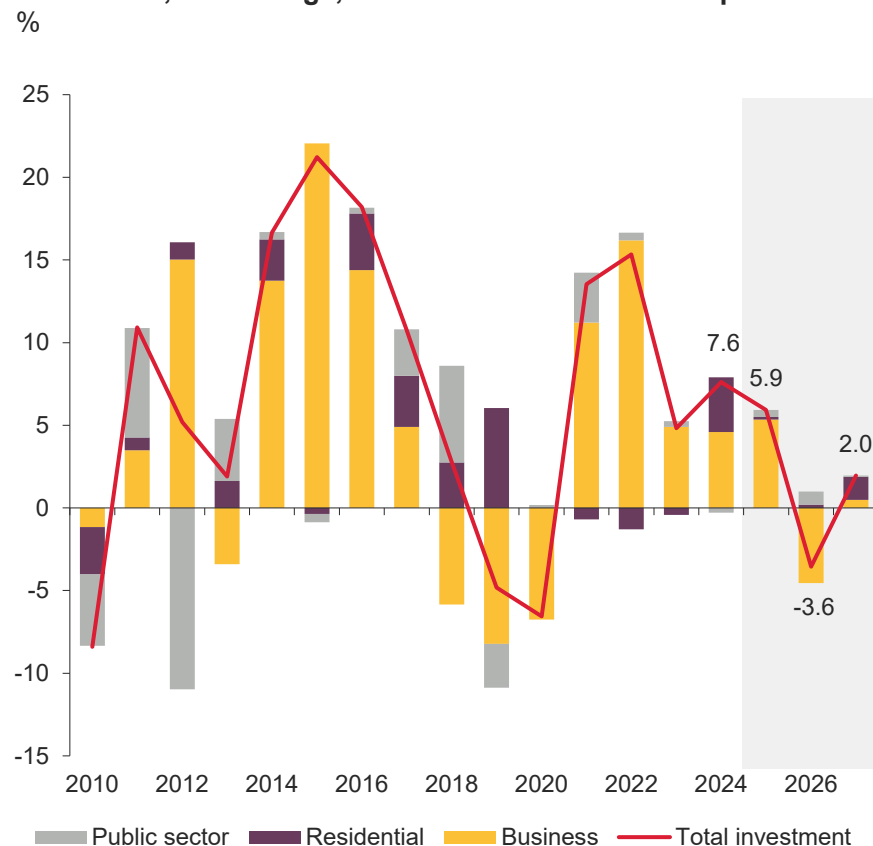
General government gross financial liabilities
% of GDP



Investment cycle determined by large-scale projects

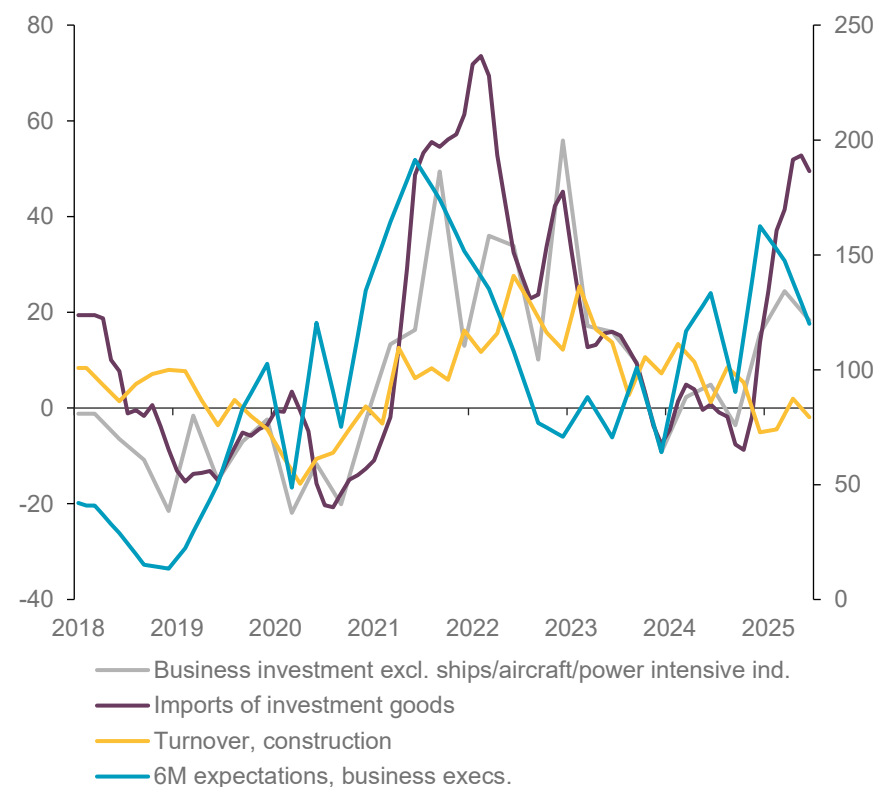
The surge in data centre and aquaculture investment carries significant weight in overall investment

Investment, real change, and contribution of subcomponents



Business investment and related indicators

YoY change (%) and index



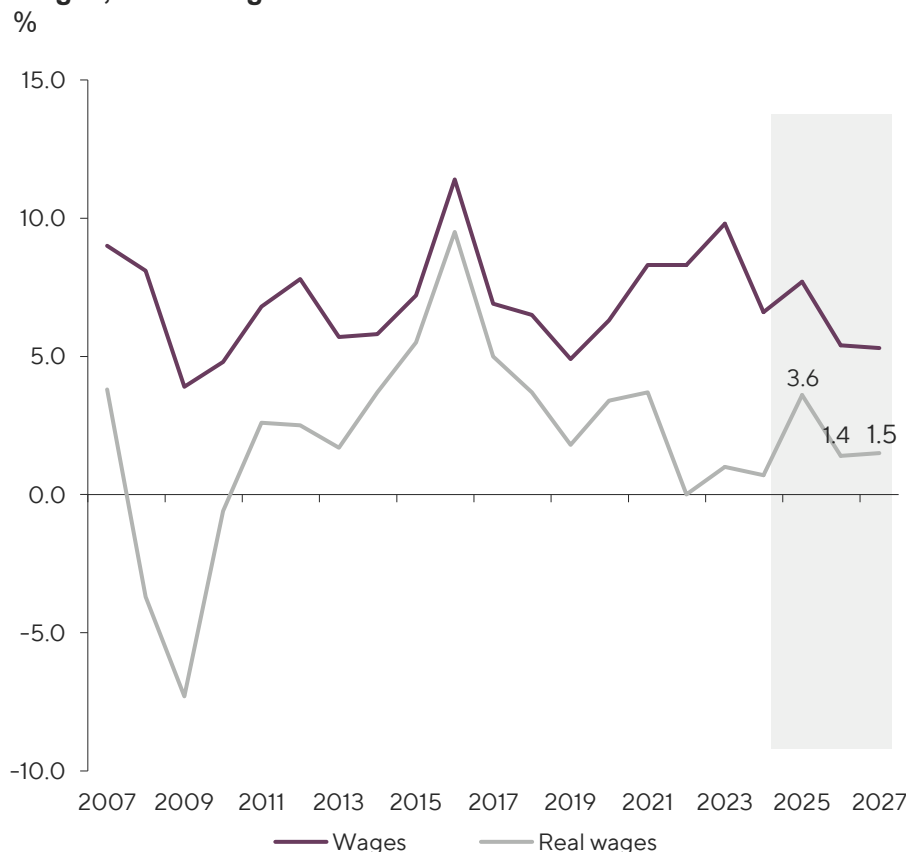
Highlights

- Iceland has experienced robust investment growth in recent years, led by business investment in tourism, fishing, and IT.
- Despite rising real interest rates and export sector challenges, growth in data centres and aquaculture has helped sustain momentum.
- Total investment rose 13% in 1H2025, with business investment up over 16%, and residential and public investment increasing by 5% and 8%, respectively.
- Investment is projected to grow nearly 6% for 2025, driven mainly by large-scale data centre and aquaculture projects, while residential and public investment will see modest gains.
- Investment is forecast to decline by almost 4% in 2026, primarily due to a 7% drop in business investment, as data centre activity slows and real interest rates remain high.
- Investment growth is expected to rebound to 2% in 2027, supported by lower real interest rates and a pickup in residential construction.
- Key risks include global trade disruptions, domestic tax increases, a high real exchange rate, elevated interest rates, and delays in energy procurement.

More stable labour market in the offing

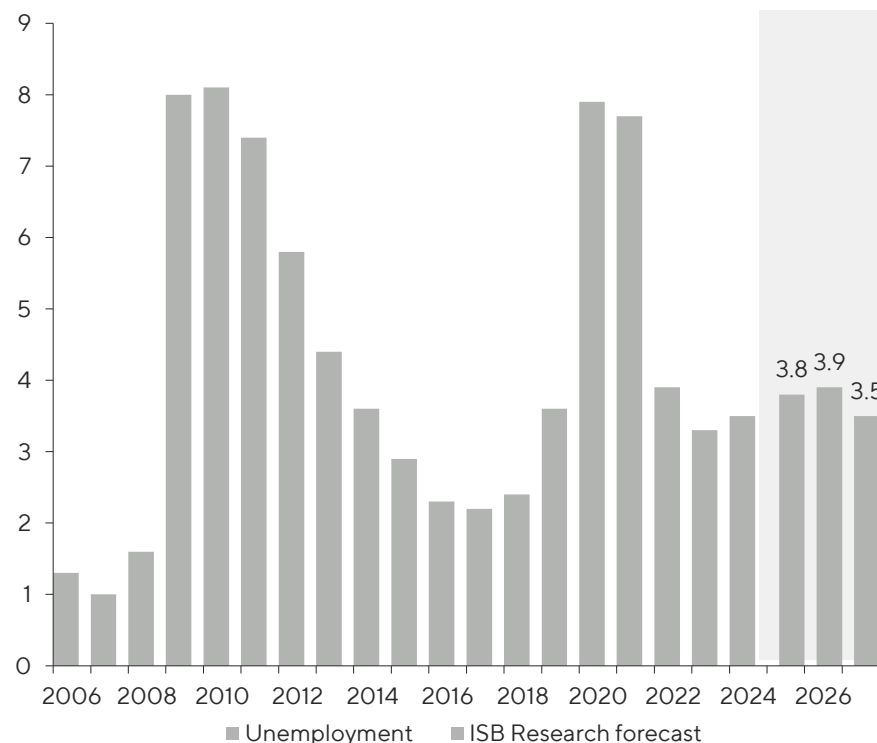
Cooling labour market, with more modest wage gains than before

Wages, YoY change



Unemployment¹

% of workforce, annual average



Highlights

- The labour market has been very tight in the past few years. This has now changed, and there are signs of an increased slack in the market. Most indicators suggest greater labour market stability in the coming term.
- Unemployment looks set to average 3.8% this year according to ÍSB Research. Unemployment is expected to hold broadly at the same level in 2026, but in 2027 it will ease as economic activity gains steam.
- Average unemployment is forecasted to be 3.9% in 2026 and 3.5% in 2027.
- Long-term wage contracts were signed in 2024, when the market was still quite tight. That will affect wage developments in coming years despite the increased slack in the labour market. Wages have risen by an average of 7.5% per year over the last decade.
- The outlook for 2025 is for an increase of 7.8% most of which has already materialised. Wages are forecasted to rise 5.4% in 2026 and 5.3% in 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 3.6% this year, 1.4% next year, and 1.5% in 2027.

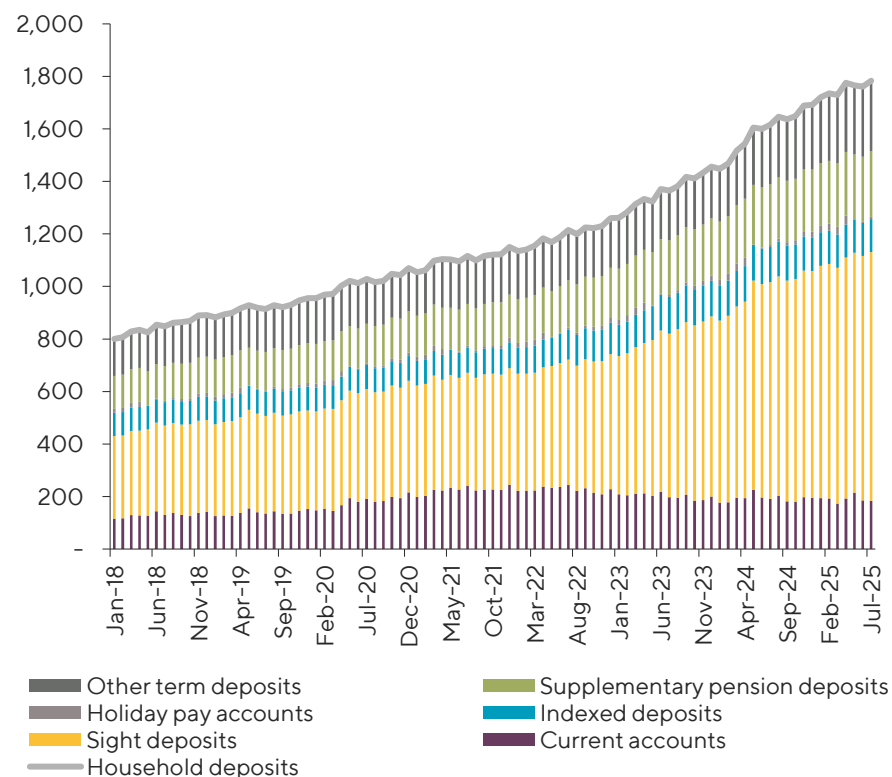


Households open their wallets: from saving to spending

Real wage gains and a high saving rate foster increased consumption in the near term

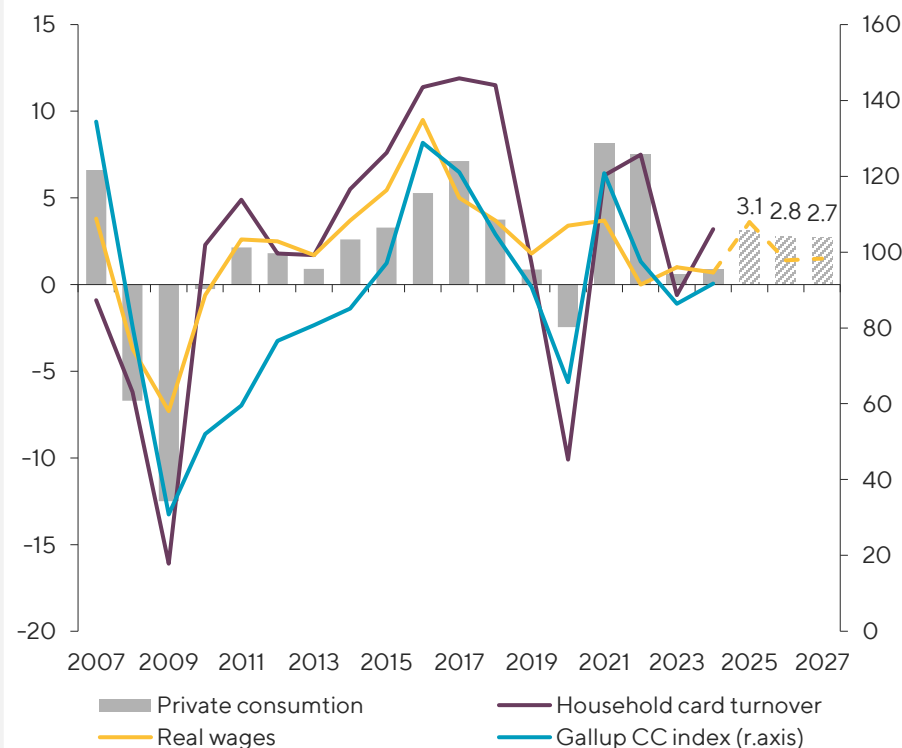
Household saving

Deposits in ISK bn



Private consumption and related indicators

% change YoY (left) and index value (right)



Highlights

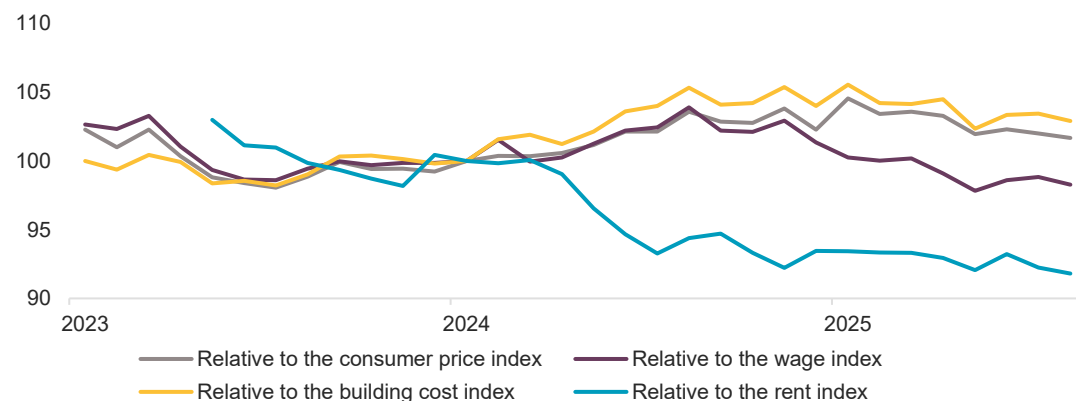
- Private consumption has been reasonably brisk thus far in 2025, growing in H1 by 3% YoY in real terms, its fastest in two years.
- Icelandic households have been spending apace so far this year. Real card turnover has grown, particularly card turnover abroad, which has hit record highs. Icelanders are enthusiastic travellers, and their trips abroad were up 20% YoY in the first eight months of 2025.
- Even though travel and consumption levels are up, households do not appear to be taking on debt to finance their spending. Consumption has correlated well with developments in real wages and population. It is surprising how resilient households have been: their financial position is generally strong, and they do not appear to be drawing down their savings to any significant degree.
- Private consumption is forecasted to grow by 3.1% this year as households draw on their savings to fund consumption spending.
- It will be a bit slower in the next two years at around 2.8% in 2026 and 2.7% in 2027.

The real estate market holds steady despite high interest rates

Tighter monetary policy has cooled the market, but resilient demand and strong fundamentals keep it balanced

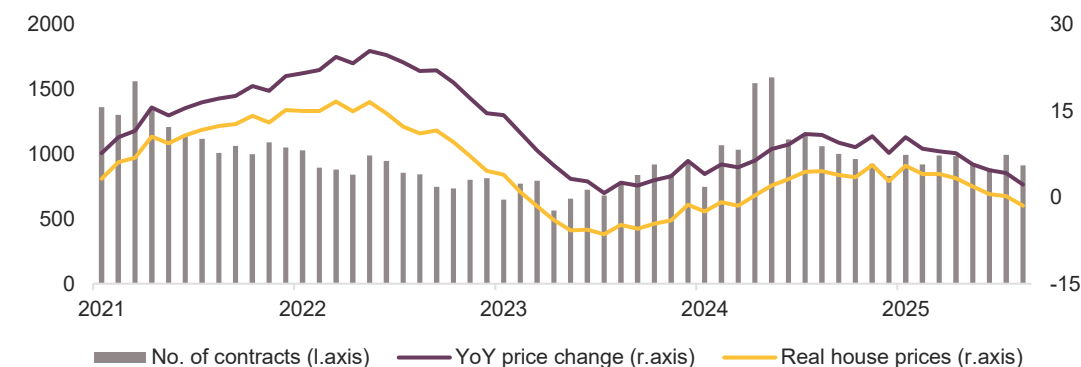
Capital area house prices relative to macroeconomic fundamentals

Index, January 2024=100



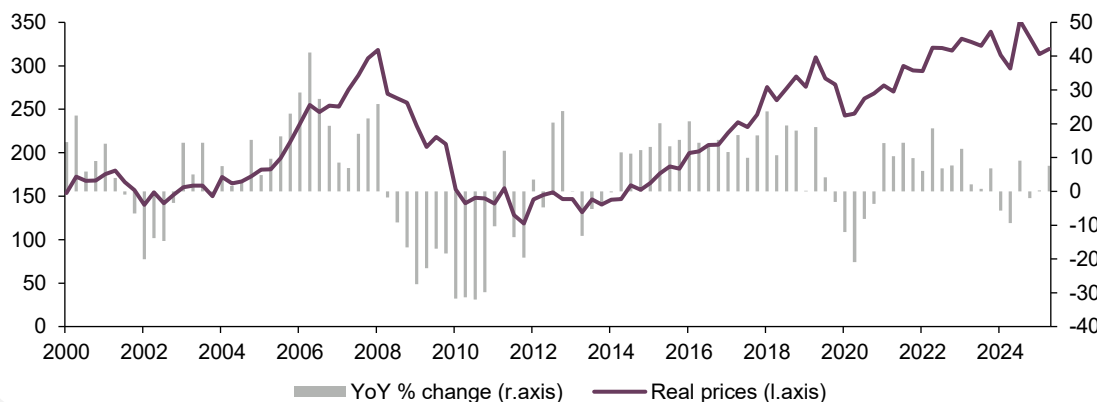
Residential house prices and turnover

% change (r. axis) and number (l. axis)



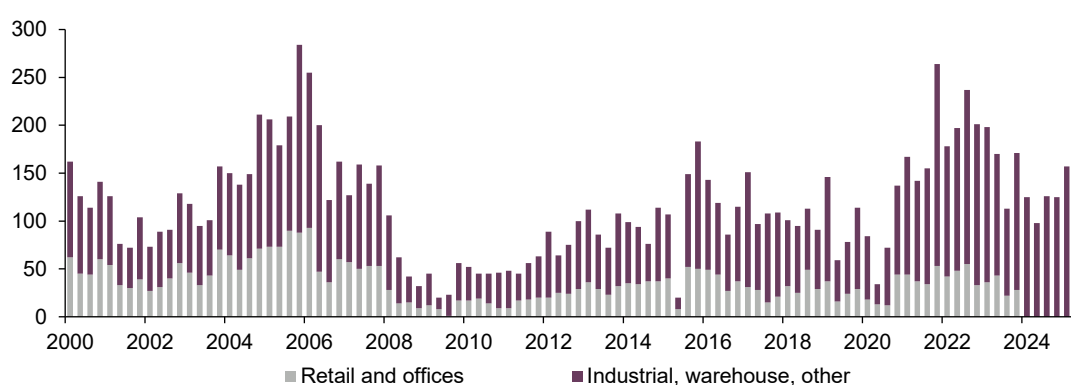
Commercial property real prices in greater Reykjavík

Index, 1995=100 (l.axis) and % change (r. axis)



Commercial real estate market activity

No. of registered purchase agreements

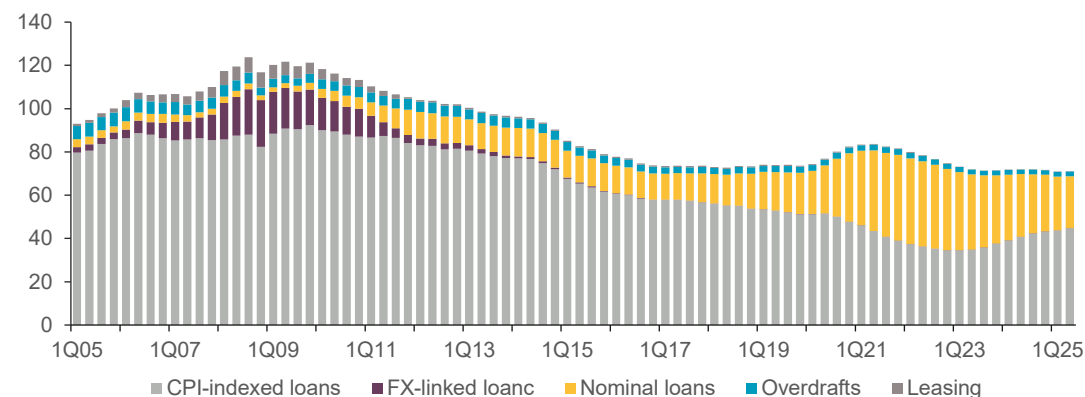


The Icelandic housing market is flexible as conditions change

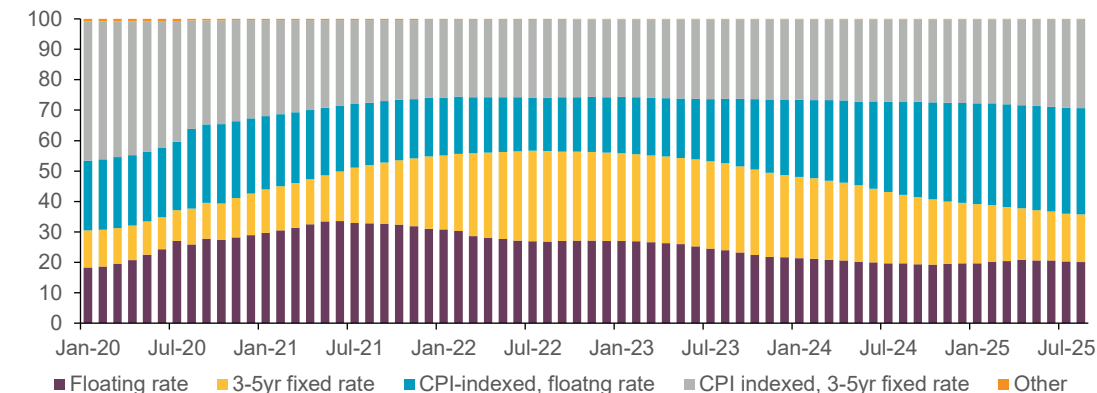
Supply, demand, mortgage market factors combine to make a dynamic market

Households are not highly indebted compared to peers

Household debt, % of GDP

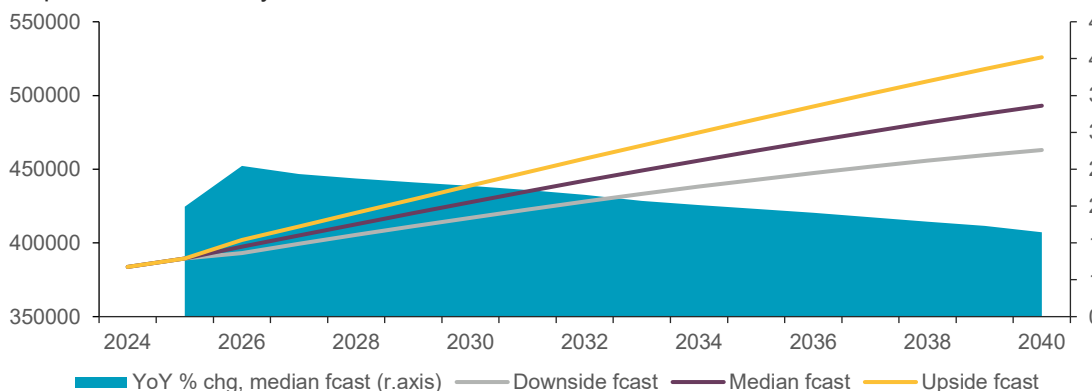


Mortgage market has historically been flexible w.r.t. loan types with different debt service burden, Outstanding mortgage loans, share of total



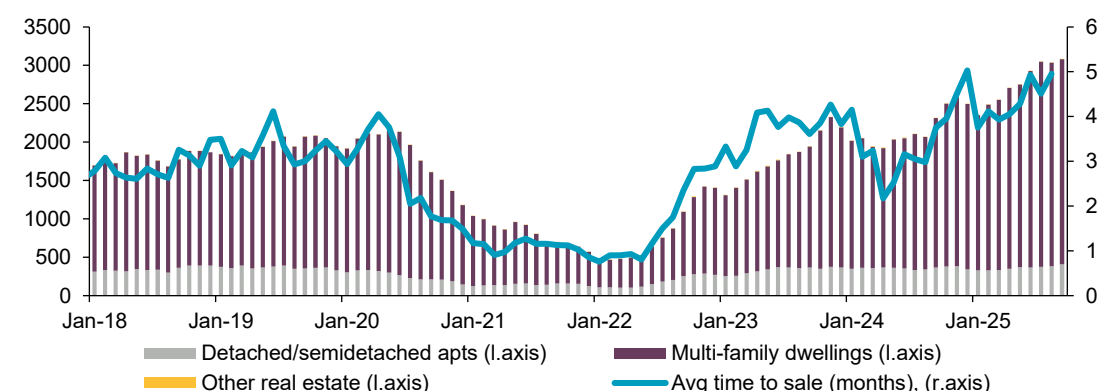
Underlying upward demand trend steady as population growth remains robust

Population forecast by Statistics Iceland



Turnover in the residential housing market remains steady despite rate hikes

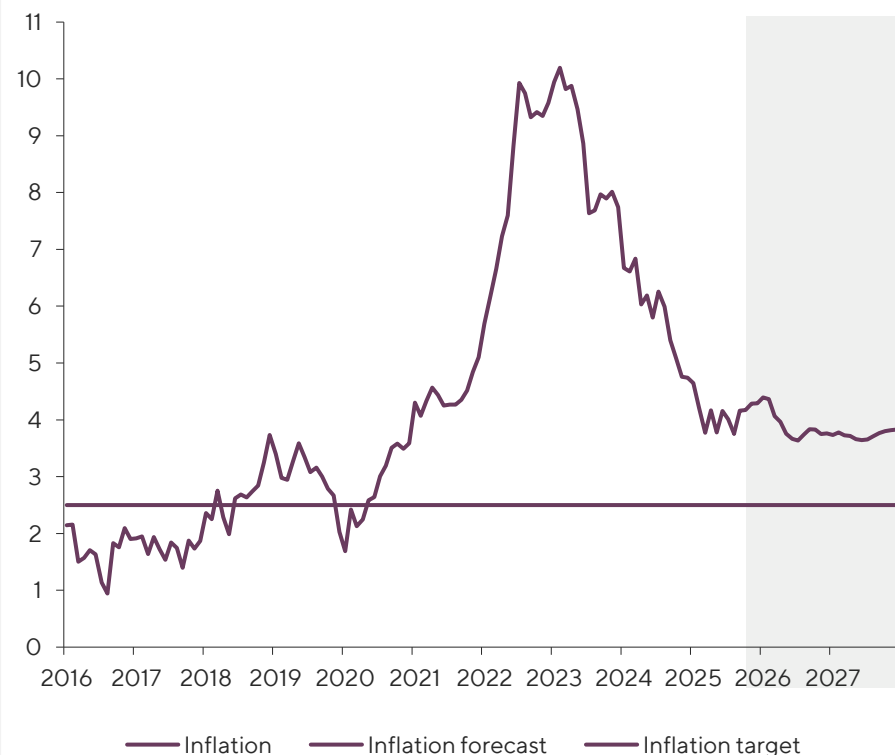
No. of purchase agreements, capital region (left axis) and average time to sale (right axis)



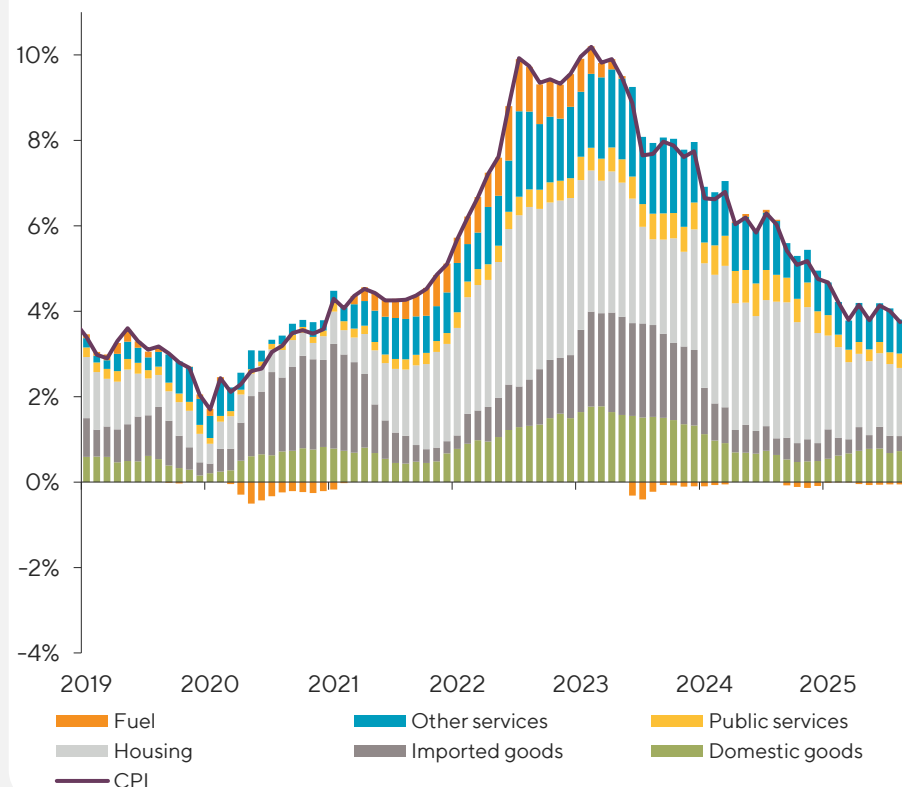
Inflation is hovering around the upper tolerance limit...

... and the last lap of the race to target could prove difficult

Inflation and the CBI inflation target*
% *Forecast as of Oct 2025



Inflation by type and source
%



Highlights

- Headline inflation has plummeted from its February 2023 peak of 10.2%. It fell fastest in 2024, owing mainly to reduced imported inflation and a slower rise in the housing component.
- Months with hefty increases dropped out of twelve-month measurements, and one-off public sector items had a disinflationary impact as well. Most of these effects have now tapered off, and inflation has been dancing around the 4% upper deviation limit of the CBI's target since the beginning of the year.
- Inflation is projected to hover just above the upper deviation limit until 2026 and then start easing again in the spring. Even though the contribution from the housing component has diminished, housing is one of the main drivers of inflation, together with services.
- A stronger ISK and lower fuel prices have helped keep inflation in check but have had less impact than previously hoped.
- In 2026 inflation is projected to subside a little from the current level. ÍSB Research forecast assumes that it will average 3.9% in 2026 and 3.7% in 2027.

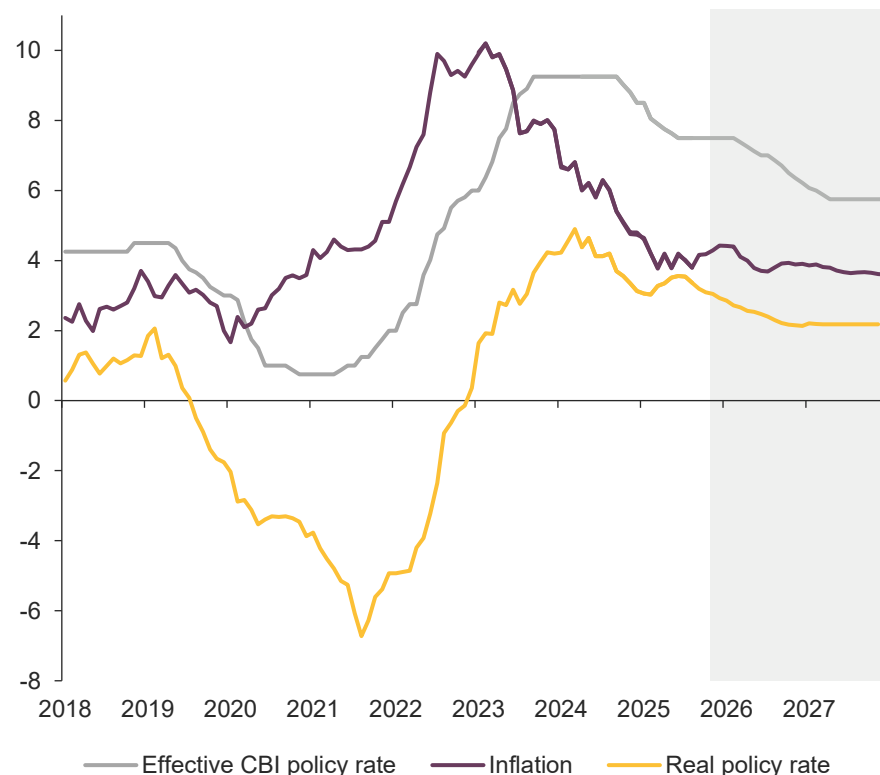
Interest rate cuts set to resume in 2026

The CBI's monetary stance will remain fairly tight, but long-term interest rates will ease later on

Policy rate and inflation*

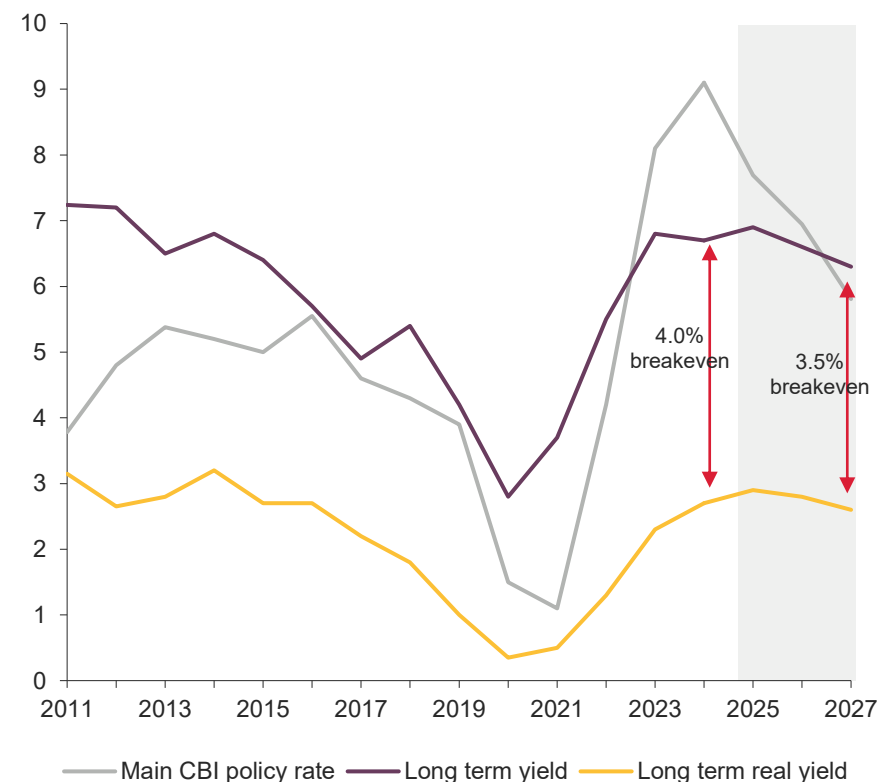
*Forecast as of June 2025

%, Real policy rate based on 12m forward forecast



Key interest rates

%, average per year



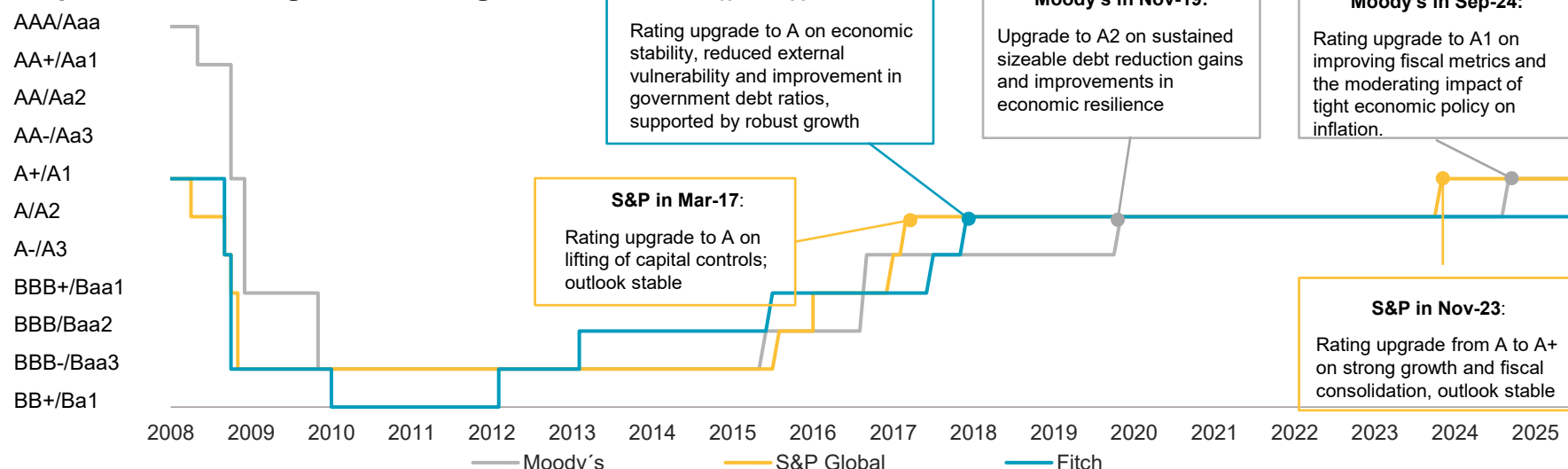
Highlights

- From Oct-24 to May 25, the CBI's policy rate has been lowered by 1.75 percentage points to 7.5%.
- Recent forward guidance by the PSN has stressed that further rate cuts are dependent on headline inflation easing from its recent 4% average.
- No further cuts expected in 2025 based on current inflation forecasts.
- The CBI may ease its disinflation stance if clearer signs of economic cooling and lower inflation expectations emerge, potentially justifying a lower real rate.
- Interest rate cuts are expected to resume in spring 2026 and continue cautiously into early 2027, with the policy rate likely bottoming out at 5.5–6.0%.
- Despite the ongoing rate-cutting phase, long-term interest rates remain high, with nominal ten-year Treasury yields around 7.0% and real rates at 3.0%. Long-term nominal rates are projected to fall slightly to just over 6%, and real rates to 2.6%, with breakeven inflation declining from nearly 4.0% to 3.6%.
- Market-based inflation expectations may be lower than breakeven rates due to uncertainty premiums, although the equilibrium real rate is now estimated to be higher than previously assumed.

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 2025

- “The stable outlook reflects balanced risks at the A1 rating level.”
- “We expect fiscal consolidation to continue over the coming years and the economy is expected to return to robust growth this year, after a temporary contraction last year as tight monetary and fiscal policy helped slow the previously overheated economy.”
- “While Iceland's economic and fiscal conditions could improve faster than we expect, its small and less diverse economy makes it particularly susceptible to shocks affecting specific sectors.”

FITCH IN AUGUST 2025

- “The Positive Outlook reflects Iceland's strengthened public finances. General government debt is projected to fall significantly in 2025 after the successful settlement of the HF Fund liabilities and the full privatization of Islandsbanki.”
- “Fitch's fiscal baseline indicates debt-to-GDP ratio will follow a gradual downward trend, reaching 47.6% in 2 by 2027.”
- Progress continues in diversifying the economy into highvalue-added sectors, such as pharmaceuticals, information and communications technology and biotechnology.”

S&P IN SEPTEMBER 2025

- “The stable outlook reflects our view that Iceland's growth will rebound over the next few years, and 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 aluminum exports are mostly sold to European markets, partially mitigating current U.S. tariff-related risks.”
- We could raise the ratings if Iceland's public finances improved significantly..” [..or..] “..if we took the view that increasing diversification made the economy more resilient to external shocks and current global trade tensions eased.”



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