



Third Quarter 2025 Results

Íslandsbanki hf.

3Q25 RESULTS HIGHLIGHTS

Third quarter 2025 (3Q25) financial highlights

- Net profit amounted to ISK 6.9 billion in the third quarter of 2025 (3Q24: ISK 7.3 billion), generating an annualised return on equity (ROE) of 12.2% (3Q24: 13.2%). Adjusted for the effect of a provision for legal proceedings, return on equity was 12.9%.
- Net interest income (NII) amounted to ISK 13.3 billion and increased by ISK 1,483 million in 3Q25 compared to 3Q24.
- The net interest margin (NIM) was 3.1% in 3Q25 compared to 2.9% in 3Q24. Adjusted for the effect of provision for legal proceedings, the net interest margin was 3.2% in the quarter.
- Net fee and commission income (NFCI) was broadly comparable to 3Q24 and amounted to ISK 3.2 billion in 3Q25.
- Net financial expense was ISK 353 million in 3Q25, compared to an income of ISK 228 million in 3Q24.
- Other operating income was ISK 115 million in 3Q25, compared to ISK 357 million in 3Q24.
- Administrative expenses in 3Q25 amounted to ISK 6.5 billion, having been ISK 6.4 billion in 3Q24.
- The cost-to-income ratio was 38.2% in 3Q25 and excludes a charge of ISK 550 million within net interest income due to a provision for legal proceedings. The cost-to-income ratio for 3Q24 was 40.4%.
- The net impairment on financial assets was a reversal of ISK 7 million in 3Q25, compared to a reversal of ISK 860 million in 3Q24. The net impairment charge as a share of loans to customers, the annualised cost of risk, was 0bps in 3Q25, compared to -27bps in 3Q24.
- Loans to customers grew by ISK 2 billion during the third quarter of 2025, reaching a total of ISK 1,333 billion at the end of 3Q25.
- Deposits from customers grew by 4.4% in the quarter and amounted to ISK 1,009 billion at the end of 3Q25.
- Total equity at the end of 3Q25 amounted to ISK 227.0 billion compared to ISK 227.4 billion at year-end 2024.
- The total capital ratio was 21.9% at the end of 3Q25 including 3Q25 profit, compared to 23.2% at year-end 2024. The corresponding CET1 ratio was 18.9% at the end of 3Q25 including the 3Q25 profit, compared to 20.1% at year-end 2024. The CET1 ratio at the end of 3Q25 was 370bps above regulatory requirements, and above the Bank's financial target of having a 100-300 bps capital buffer on top of CET1 regulatory requirements.
- The minimum requirement for own funds and eligible liabilities (MREL) for the Bank is 19.6% of the total risk exposure amount, in addition to the combined buffer requirement. 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, establishing an updated MREL for the Bank at 18.8% of the total risk exposure amount, in addition to the combined buffer requirement. Following that approval the MREL ratio for the Bank is 37.1% (including the 3Q25 profit), 850 bps on top of requirements.

First nine months of 2025 (9M25) financial highlights

- Íslandsbanki's net profit for the first nine months of 2025 was ISK 19.3 billion (9M24: ISK 18.0 billion), with an annualised return on equity for 9M25 of 11.5%, compared to 10.9% in 9M24. The Bank is guiding towards a ROE around 11% for the year as a whole, assuming more normal level of impairments.
- Net interest income totalled ISK 40.1 billion in 9M25, an increase of 10.1% YoY.
- Net fee and commission income (NFCI) amounted to ISK 9.9 billion in 9M25 which is an increase of 4.2% from 9M24, when it amounted to ISK 9.5 billion.

- Net financial expense was ISK 1,326 million in 9M25 compared to an expense of ISK 507 million in 9M24.
- Administrative expenses were ISK 21.1 billion in 9M25, having been ISK 20.5 billion in 9M24, when a charge for an administrative fine in the amount of ISK 470 million in 2Q24 is excluded.
- Cost-to-income ratio fell YoY from 43.3% in 9M24 to 42.1% in 9M25. Cost-to-income ratio for 9M24 excluded an administrative fine of ISK 470 million charged in 2Q24 and the ratio for 9M25 excludes a charge of ISK 550m within net interest income due to a provision for legal proceedings.
- Net impairment on financial assets was a reversal of ISK 406 million in 9M25, as compared to a reversal of ISK 293 million in 9M24.

Key figures and 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%

1. C/I ratio for 3Q25 excludes a charge of ISK 550m within net interest income due to a provision for legal proceedings.

2. Negative cost of risk means that there is a net release of impairments.

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

4. 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.

5. Including 3Q25 profit for 30.9.25.

6. MREL ratio includes the CET1 capital held to meet the combined buffer requirement.

Jón Guðni Ómarsson, CEO of Íslandsbanki:

Íslandsbanki's operations during the third quarter of 2025 were solid, represented by strong performance across business segments. The Bank's profit amounted to ISK 6.9 billion, exceeding analysts' consensus for the quarter. The interest margin was 3.1%. Annualised return on equity for the quarter was 12.2%, and cost-to-income ratio was 38.2%.

Recent weeks have been eventful for the Bank. Our announcement of merger discussions between Íslandsbanki and Skagi hf. marks the first step in an exciting journey, aligned with our stated ambitions for external growth. There are significant opportunities in the merger between Íslandsbanki and Skagi, and the synergies are considerable. There are many opportunities for integration within the Icelandic financial system, and the merger is expected to create substantial value for the combined entity, its customers, and other stakeholders. The Bank's partnership with VÍS (a subsidiary of Skagi) has been very successful, with high satisfaction among customers and staff.

In October, the Supreme Court of Iceland issued a ruling in a case concerning variable interest rates on a non-index linked home mortgage, partially invalidating the Bank's terms on interest changes. Review of the overall impact is currently underway and the Bank will notify customers once the results are clear.

While the uncertainty around this issue has been resolved, cases involving other banks and loan types are pending before the Supreme Court. It is important to resolve these cases as early as possible to eliminate uncertainty and clarify future product offerings. The Bank has implemented interim measures to its product offering as of now. In addition, the Government of Iceland has announced that, in cooperation with the Central Bank of Iceland, efforts are underway to begin publishing a reference interest rate as soon as possible. The Bank will monitor these developments closely.

The Bank achieved good results in the third quarter of 2025, both in customer service and in building robust internal infrastructure and developing solutions to support our customers. A new feature in the Íslandsbanki app called "My Family" gives parents a good overview of their children's finances and makes it easier to set up and follow savings goals. Recent updates and enhancements of the app have been well received, and the app's rating has improved as a result. The Bank, along with a few pension funds, finance the construction of the new Ölfusá Bridge, a significant road infrastructure project. The Bank welcomes the opportunity to help address the accumulated infrastructure debt in Iceland and is well positioned to participate in other projects of that nature. Ergo, the Bank's asset financing service, is performing strongly, and a new product that facilitates financing for used cars irrespective of its age has been well received. Íslandsbanki enjoys the highest Net Promoter Score (NPS) among SMEs in Iceland. The Bank places great emphasis on personal relationships with business customers and is proud of the strong results achieved across the country.

The Íslandsbanki Reykjavík Marathon in August continues to be the largest charity event in the country, and this year another record was broken in fundraising, with more than ISK 327 million collected. It is fair to say that this event is the most joyful one of the year in the Bank's activities, as thousands of people come together to support charities and organisations all across the country.

Íslandsbanki is in an enviable position, with a large amount of excess capital. The proposed merger with Skagi is further expected to have a positive impact on this excess. The implementation of the CRR3 directive will also have a positive effect. The Bank intends to use this position to expand in foreign lending abroad. Significant work has gone into analysing opportunities related to foreign lending, and a strategy has been set for market entry, focusing on carefully choosing partners and participating in projects where the Bank has relevant expertise. Share buybacks are also an important part of the capital story, and the Bank has been engaged in buybacks throughout the greater part of 2025.

Looking ahead, we are excited about opportunities to support our customers, whether through participation in important projects, by providing financial education at key life milestones, or with new and improved solutions that allow us to keep providing outstanding service.

Third quarter 2025 (3Q25) operational highlights

- On 4 July 2025 the Bank announced that its Board of Directors had re-expressed its interest in merging with Kvika banki hf. by a letter to the Board of Kvika. The Board of Kvika rejected the proposal to enter merger discussions with the Bank on 6 July 2025, as announced by the Bank to the market that same day.
- Share option agreements were implemented amongst employees of the Bank in accordance with an approved share option plan as announced on 6 August 2025. According to the plan the share option applies to all permanent employees of Íslandsbanki, except for employees of the Bank's Internal Audit division. The objective of the plan is to align better the long-term interests of employees and the Bank. According to the plan each option holder acquires the right to buy shares in Íslandsbanki for up to ISK 1,500,000 once a year for five years, following the release of the Bank's six months results in 2026, 2027, 2028, 2029 and 2030, for the total maximum amount of ISK 7,500,000. The purchase price under the agreements is set at ISK 126.4 a share. A total of 743 employees entered into option agreements on up to 8,817,181 shares per year, based on 100% exercise of share options.
- On 20 August 2025 the Central Bank of Iceland decided to keep the policy rate unchanged at 7.50%. Íslandsbanki made no rate changes in the third quarter of 2025.
- At the end of 3Q25 the Bank owned 44,455,092 of its own shares. The Bank was engaged in buybacks throughout 3Q25 during which it bought around 37.5 million own shares for approximately ISK 4.7 billion. The Bank continues its path towards capital optimisation and has stated that to complete its capital optimisation, subject to market conditions, it may explore both growth opportunities and/or capital disposals.

- Íslandsbanki Research published its macroeconomic forecast for 2025-2027 in September, available [here](#).
- The Bank saw a new record during the Íslandsbanki Reykjavík Marathon event in August when over ISK 327 million were raised for charities by participants. 171 local charitable organisations benefitted from the fund-raising part of the Íslandsbanki Reykjavík Marathon this year, which continues to be the biggest charitable event in Iceland annually.

Operational highlights after the period-end

- The Bank announced on 6 October 2025 that it had initiated merger discussions with Skagi hf. According to the term sheet the parties envisage Skagi's operations to be merged with the Bank's and Skagi's shareholders to receive a total of 323,859,440 new shares in Íslandsbanki in exchange for their shares in Skagi, which corresponds to around 15% of the issued share capital in the merged entity
- On 8 October 2025 the Central Bank of Iceland decided to keep the policy rate unchanged at 7.50%.
- The Supreme Court of Iceland ruled on 14 October 2025 in case no. 55/2024 brought against the Bank by two borrowers owing a non-index linked mortgage bearing variable interest rates. The Supreme Court cleared the Bank of all claims of reimbursement but ruled that the Bank's terms related to interest rate changes in the underlying mortgage are deemed invalid insofar they refer to other items than policy rates of the Central Bank of Iceland. According to the Bank's initial impact assessment following the Supreme Court's ruling the impact was estimated to be less than ISK 1 billion, pre-tax. The Bank recognised a provision of ISK 550 million in the third quarter of 2025 through net interest income to account for potential customer claims. Although the Supreme Court ruling concerned a non-index linked mortgage, it cannot be ruled out that the judgement or other pending judgements in cases regarding interest rate interpretation towards other lenders, may set a precedent regarding the interpretation of CPI-linked mortgages and other consumer loans. The Bank's best estimate, at this point in time, is that the potential impact of unfavourable court rulings affecting the Bank's CPI-linked home mortgages could be in the range of ISK 2-5 billion before tax, by applying the lowest market interest rates published by the Central Bank of Iceland and assuming a four-year statute of limitation.
- Íslandsbanki continues to purchase own shares through a regular repurchase programme. As at 29 October the Bank owned 58,442,056 of own shares and had bought 13,986,942 own shares since end of third quarter 2025 for approximately ISK 1.7 billion.
- The Resolution Authority of the Central Bank of Iceland (the Resolution Authority) announced on 17 October 2025 that a resolution plan had been approved for Íslandsbanki and thereby establishing a minimum requirement for own funds and eligible liabilities (MREL) for the Bank, which must be with regard to the total risk exposure amount (TREA) and the total exposure measure (TEM). According to the decision of the Resolution Authority, the MREL-TREA for the Bank is 18.8% and MREL-TEM is 6%. The subordinated part of the Bank's MREL is equivalent to 13.5% of TREA and the deadline for the Bank to meet the subordinated part of MREL is 4 October 2027. The decision applies from the date of the announcement. The Bank is considered to fulfil its MREL requirement from the outset.
- Íslandsbanki was awarded the Equality Scale by the Association of Businesswomen in Iceland for the seventh consecutive year. The award is a clear recognition of the good results achieved by the Bank in terms of equality and a confirmation of the effectiveness and impact of the Bank's equality policy.

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%)

Net interest income in 3Q25 increased by 12.6% compared to 3Q24

Net interest income amounted to ISK 13,260 million during the third quarter of 2025, marking a 12.6% increase compared to the same quarter in 2024. The CPI imbalance rose slightly to ISK 182 billion at the end of the third quarter of 2025, compared to a position of ISK 178 billion at the end of both the first and second quarter of 2025. Continued run-off from the fixed rate imbalance in the mortgage book continued to affect net interest income positively as in previous quarters, with this run-off estimated to be completed by the turn of the year. In parallel, the real rates within the banking book have increased as cost of deposits has reduced as policy rates are lower compared to 3Q24, positively impacting the net interest income during the third quarter of 2025. The Central Bank policy rate remained unchanged during in the third quarter, at 7.50%. The average CB policy rate was thus 7.50% in 3Q25, compared to 9.25% in 3Q24. Net interest margin (NIM) on total assets was 3.1% in 3Q25 (2.9% in 3Q24).

Net fee and commission income (NFCI) during the third quarter of 2025 contracted by nearly 2% compared to 3Q24, to ISK 3.2 billion. Lending fees as a NFCI type amounted to ISK 607 million in the third quarter and have grown by 20.7% year-on-year mainly related to strong lending activity in Business Banking. Fees from cards and payment processing remain the largest NFCI by type, although the income is lower as growth in credit card turnover has resulted in higher loyalty card expenses.

Other operating income amounted to ISK 115 million in 3Q25 (ISK 357 million in 3Q24), mainly attributable to share of profit of associates. Core operating income, defined as net interest income and net fee and commission income, for the third quarter of 2025 grew by 9.4% compared to the same period last year.

Net financial expense amounted to ISK 353 million in the third quarter of 2025, compared to net financial income of ISK 228 million for the same quarter during the previous year, mainly related to softening of capital markets impacting market making operation, economic hedges and the Group's own market positions.

Strong cost-to-income ratio in the quarter

The cost-to-income ratio was 38.2% in the third quarter of 2025 and excludes a charge of ISK 550 million within net interest income due to a provision for legal proceedings, compared to 40.4% in 3Q24. Although the Bank was cleared of the reimbursement claim in the test case brought before the Supreme Court of Iceland, the ruling may affect other mortgages containing the same terms on interest rate changes.



Salaries and related expenses remained flat in 3Q25 compared to 3Q24 and were ISK 3.8 billion during the quarter. The number of FTEs at Íslandsbanki at the end of the third quarter of 2025 was 736 compared to 744 at the end of the third quarter of 2024. Other operating expenses increased by 3.9% compared to 3Q24.

Taxes

The income tax rate for legal entities in 2025 is 20% (2024: 21%). Special financial activities tax is calculated as 6% of the Bank's taxable profit exceeding ISK 1 billion. Effective income tax rate for the third quarter of 2025 was 26.5% having been 25.5% in 3Q24.

Net impairment in 3Q25

The net impairment on financial assets was a reversal of ISK 7 million in 3Q25 (3Q24: net impairment was a reversal of ISK 860 million). This change was mostly due to a few distressed credit cases, updated macroeconomic and inflation forecasts and other changes in the loan portfolio. The annualised cost of risk, measured as net impairment charge as a share of loans to customers, was 0bps in 3Q25 (-27bps in 3Q24).

BALANCE SHEET

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

Loan portfolio well diversified and highly collateralised

Loans to customers grew by 0.1% in the third quarter of 2025 and amounted to ISK 1,333 billion at period-end. Mortgages account for 44% of loans to customers and the remaining part continues to be split between various industries. Loans to customers are predominantly well covered by stable collateral, the majority of which is in residential and commercial property. At the end of 3Q25, 94% of the loan portfolio is fully covered by collateral. The weighted average loan-to-value (LTV) ratio for the loan portfolio was 53% at the end of 3Q25 (56% at the end of 3Q24), and the LTV for the residential mortgage portfolio was 57% at the end of 3Q25 (57% at the end of 3Q24).

Credit quality continues to be strong with limited delinquencies

Asset quality remains both good and stable. The Bank has not seen any material increase in delinquencies in its loan portfolio despite high inflation and interest rates clearly affecting the Bank's customers. The shift of customers towards CPI-linked loans has started to normalise, with 64% of the Bank's mortgage portfolio being CPI-linked at the end of 3Q25, unchanged from the end of 2Q25.

At the end of 3Q25, 2.0% of the gross performing loan book (not in Stage 3) was classified as forborne, unchanged from the end of 2Q25. The ratio of credit-impaired loans to customers, Stage 3, was 1.6%



(gross) at the end of 3Q25 (1.6% at the end of 2Q25). For the mortgage portfolio, the ratio was 1.0% at the end of 3Q25, same as at end of 2Q25.

The ratio of loans to customers in Stage 2 was 3.6% at the end of 3Q25, rising from 3.5% at the end of 2Q25. For the mortgage portfolio, the ratio of loans in Stage 2 was 1.1% at the end of 3Q25 (1.1% at 2Q25).

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

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	18.9%	18.5%	20.1%
Tier 1 capital ratio	19.8%	19.4%	21.0%
Total capital ratio	21.9%	21.5%	23.2%
Leverage ratio	11.9%	12.0%	13.2%
MREL ratio ¹	36.8%	36.7%	33.4%

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

Growth in deposits between 2Q25 and 3Q25

The Bank funds its operation using three main funding sources: stable deposits, covered bonds, and senior preferred bonds. Total deposits from customers grew by 4.6% between 2Q25 and 3Q25 and deposit concentration remained stable. The ratio of customer loans to customer deposits was 132% at the end of 3Q25, decreasing slightly from 138% at the end of 2Q25. When excluding mortgages funded with covered bonds, the ratio was 112% at the end of 3Q25.

In terms of funding, the third quarter saw a very modest spread compression in the Bank's secondary levels. The Bank's 5.5-year EUR 300 million green senior preferred bond issued in March 2025 at mid-swaps +140bps is currently priced around mid-swaps +106bps. Domestically, the Bank sold ISK 8.9 billion of covered bonds during 3Q25.

The Bank's total liquidity coverage ratio (LCR) was 207% at the end of 3Q25, increasing from the end of 2Q25 when it was 185%. The Bank's liquidity position remains strong across currencies. Liquid assets as a percentage of total assets were 21% at end of 3Q25 compared to 18% at the end of 2Q25.

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

Total equity amounted to ISK 227.0 billion at the end of 3Q25 compared to ISK 227.4 billion at year-end 2024. The capital base was ISK 237 billion at the end of 3Q25, including the 3Q25 profit, compared to ISK 241 billion at year-end 2024. The reduction is mainly due to the Bank's share buyback programme of ISK 15 billion, which was deducted from the capital base following approval from the Central Bank in February 2025, of which ISK 5.5 bn have already been bought back from March 2025.

At the end of 3Q25, the total capital ratio was 21.9%, including the 3Q25 profit, compared to 23.2% at year-end 2024. The corresponding Tier 1 ratio was 19.8% at the end of 3Q25, compared to 21.0% at the

year-end 2024. The CET1 ratio was 18.9%, including the 3Q25 profit, compared to 20.1% at year-end 2024, and within the Bank's financial target of having a 100-300bps capital buffer on top of regulatory requirements. The Bank's excess capital position at the end of the reporting period therefore amounts to around ISK 40 billion, assuming a fully optimised capital structure, the midpoint of the management buffer, the assumed impact from the implementation of CRR3, as well as pending buybacks which have been deducted from the capital base as of end of the reporting period. The Bank remains committed to its capital optimisation and may explore various ways to reach its target capital composition, including growth and/or capital disposals.

The minimum requirement for own funds and eligible liabilities (MREL) for the Bank is 19.6% of REA at the end of 3Q25. Since any CET1 capital that is maintained to meet the combined buffer requirement (CBR) is excluded, the effective requirement can be monitored as 29.4% of REA at the end of 3Q25. Own funds and eligible liabilities were 36.8% of REA at the end of 3Q25 compared to 33.4% at year-end 2024. A new resolution plan was approved for the Bank on 17 October 2025, establishing an updated MREL for the Bank at 18.8% of the REA, in addition to the combined buffer requirement. Following that approval the MREL ratio for the Bank is 37.1% (including the 3Q25 profit), 850 bps on top of requirements.

The Bank uses the standardised method to calculate its REA, which amounted to ISK 1,085 billion at the end of 3Q25, compared to ISK 1,041 billion at year-end 2024. The REA amounts to 62.5% of total assets at the end of 3Q25, compared to 64.7% at year-end 2024. Adaptation to the new CRR3 framework is underway and is expected to lower the REA by 6-7%. Adaptation of the new CRR3 framework is now expected to materialise before year-end 2025.

The leverage ratio was 11.9% at the end of 3Q25, including the 3Q25 profit, compared to 13.2% at year-end 2024.

Investor Material

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

Disclaimer

This press release may contain "forward-looking statements" involving uncertainty and risks that could cause actual results to differ materially from results expressed or implied by the statements. Íslandsbanki hf. undertakes no obligation and does not intend to update these forward-looking statements to reflect events or circumstances occurring after this press release. It is the investor's responsibility to not place undue reliance on these forward-looking statements which only reflect the date of this press release. Forward-looking statements should not be considered as guarantees or predictions of future events and all forward-looking statements are qualified in their entirety by this cautionary statement.

INVESTOR RELATIONS

An earnings conference call and webcast will take place on Friday 31 October 2025

Íslandsbanki will host a webcast in English for investors and market participants on Friday 31 October at 8.30 Reykjavik/GMT/London, 9.30 CET. Jón Guðni Ómarsson, CEO, and Ellert Hlöðversson, CFO, will give an overview of the third quarter of 2025 financial results and operational highlights.

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

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

Financial calendar

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

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

First quarter 2026 results – 7 May 2026

Second quarter 2026 results – 29 July 2026

Third quarter 2026 results – 29 October 2026

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

Additional investor material

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