



Third Quarter 2026 Results

Íslandsbanki hf.

ÍSLANDSBANKI RESULTS HIGHLIGHTS

Third quarter 2026 (3Q26) financial highlights

- Net profit amounted to ISK 7.3 billion in the third quarter of 2026 (3Q25: ISK 6.9 billion), generating an annualised return on equity (ROE) of 13.6% (3Q25: 12.2%) for the quarter.
- Net interest income (NII) amounted to ISK 15.8 billion and increased by ISK 2.6 billion in 3Q26 compared to 3Q25.
- The net interest margin (NIM) was 3.5% in 3Q26 compared to 3.1% in 3Q25.
- Net fee and commission income (NFCI) was ISK 3.3 billion in 3Q26 compared to ISK 3.2 billion in 3Q25.
- Net financial expense was ISK 223 million in 3Q26, compared to an expense of ISK 353 million in 3Q25.
- Administrative expenses in 3Q26 amounted to ISK 7.3 billion, having been ISK 6.5 billion in 3Q25.
- The cost-to-income ratio was 38.4% in 3Q26 compared to 38.2% in 3Q25.
- The net impairment on financial assets was ISK 1,021 million in 3Q26, compared to a reversal of ISK 7 million in 3Q25. The net impairment charge as a share of loans to customers, the annualised cost of risk, was 29bps in 3Q26, compared to 0bps in 3Q25 and 25bps for 9M26, compared to -4bps for 9M25.
- Loans to customers increased by ISK 15.0 billion in 3Q26, reaching ISK 1,431 billion at quarter-end.
- Deposits from customers grew by 3.9% in the third quarter and amounted to ISK 1,078 billion at the end of 3Q26.
- Total equity at the end of 3Q26 amounted to ISK 215.4 billion compared to ISK 225.4 billion at year-end 2025.
- The total capital ratio was 21.8% at the end of 3Q26, including the 3Q26 profit, compared to 24.0% at year-end 2025. The corresponding CET1 ratio was 18.4% at the end of 3Q26, including half of the profit for the third quarter of 2026, in line with the Group's dividend policy compared to 20.1% at year-end 2025. The CET1 ratio at the end of 3Q26 was 315bps above regulatory requirements, and above the Bank's financial target of having a 100-300bps buffer on top of CET1 regulatory requirements.
- Total payout capacity amounts to ISK 22.3 billion including uncompleted buybacks at the reporting date.
- The minimum requirement for own funds and eligible liabilities (MREL) for the Group is 18.8% of the total risk exposure amount, in addition to the combined buffer requirement. Taking into account the Group's combined buffer requirement at 30 September 2026, the resulting MREL as a % of REA requirement was 28.5%. At the end of 3Q26, the Group's own funds and eligible liabilities as a % of REA was 40.4%. A new resolution plan is expected to be approved for the Group in November, with an increase of MREL to 19.6% in line with the latest SREP results.
- Íslandsbanki bought 25.9 million own shares for ISK 3.7 billion during the third quarter.



Key figures and ratios

		3Q26	2Q26	1Q26	4Q25	3Q25
PROFITABILITY	Profit for the period, ISKm	7,269	7,069	7,456	5,947	6,901
	Return on equity	13.6%	13.3%	13.6%	10.5%	12.2%
	Net interest margin (on total assets)	3.5%	3.4%	3.9%	2.9%	3.1%
	Cost-to-income ratio ¹	38.4%	43.1%	38.5%	43.5%	38.2%
	Cost of risk ²	0.29%	0.13%	0.35%	0.32%	(0.00%)
		30.9.26	30.6.26	31.3.26	31.12.25	30.9.25
BALANCE SHEET	Loans to customers, ISKm	1,431,038	1,416,048	1,401,212	1,367,106	1,333,234
	Total assets, ISKm	1,819,463	1,788,385	1,786,697	1,728,147	1,734,056
	Risk exposure amount, ISKm	1,051,874	1,043,713	1,049,435	1,033,788	1,084,527
	Deposits from customers, ISKm	1,078,259	1,038,206	1,013,431	968,695	1,008,919
	Customer loans to customer deposits ratio	133%	136%	138%	141%	132%
	Non-performing loans (NPL) ratio ³	2.4%	2.6%	2.0%	1.5%	1.6%
LIQUIDITY	Net stable funding ratio (NSFR), for all currencies	122%	126%	123%	127%	129%
	Liquidity coverage ratio (LCR), for all currencies	179%	188%	177%	203%	207%
CAPITAL	Total equity, ISKm	215,393	211,095	212,718	225,359	226,974
	CET 1 ratio ⁴	18.4%	19.1%	18.6%	20.1%	18.9%
	Tier 1 ratio ⁴	19.4%	20.7%	20.2%	21.7%	19.8%
	Total capital ratio ⁴	21.8%	23.0%	22.5%	24.0%	21.9%
	Leverage ratio ⁴	10.9%	11.7%	11.5%	12.5%	11.9%
	MREL ratio ⁵	40.4%	43.9%	40.3%	44.0%	36.8%

1. C/I ratio for 4Q25 excludes salary expenses of ISK 804m due to early retirement of employees and income of ISK 237m within net interest income (ISK 550m reversed from charge in 3Q25 due to provision for legal proceedings and a charge of ISK 313m due to correction from previous year). C/I ratio for 3Q25 excludes a charge of 550m within net interest income due to a provision for legal proceedings.

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

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

4. Including 3Q26 profit for 30.9.26, 1Q26 profit for 31.3.26 and 3Q25 profit for 30.9.25.

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

Jón Guðni Ómarsson, CEO of Íslandsbanki:

Íslandsbanki's operations during the third quarter of 2026 were solid, with strong activity across all business segments. The Bank's net profit amounted to ISK 7.3 billion in the third quarter, compared with ISK 6.9 billion in the same quarter last year. The profit for the first nine months of the year totalled ISK 21.8 billion, compared with ISK 19.3 billion in the corresponding period of 2025. Net interest margin was 3.5% for the quarter. Annualised return on equity for the quarter was 13.6%, and the cost-to-income ratio was 38.4%.

Operationally, the Bank continued to make good progress in line with its strategy. Our Loyalty Services continue to gain traction, with more than 68,000 registered customers and 17,900 loyalty accounts established. We continued to develop the Íslandsbanki app, introducing generative AI functionality that enables users to create AI-generated summaries of their spending. In September, Vanguard funds became available in the app, as the Bank and Vanguard celebrate a 28-year partnership. Business Banking continued to build on its strong position during the quarter, welcoming a number of new customer relationships across the country. Acquiring services, introduced earlier this year, continue to grow. The number of businesses using the service is increasing and we feel a strong customer interest which provides a solid foundation for the continued growth of the service.

The 2027 budget bill proposes raising the bank tax from 0.145% to 0.254%, an increase of around 75%. It has been suggested that the 2020 reduction of the bank tax did not benefit customers, but the data suggests otherwise. Since then, the interest spread faced by households has narrowed despite a sharp rise in policy rates, and service fees have declined in real terms. Special taxes on Icelandic banks are already more than five times the Western European average. This already places the Icelandic financial system at a competitive disadvantage, and the proposed increase would further weaken its competitiveness.

During the quarter, the Central Bank of Iceland authorised Íslandsbanki to buy back own shares of an amount up to ISK 10 billion in market value and reduce its share capital accordingly. This is an important

step in the execution of the Bank's capital strategy and reflects the strength of our balance sheet. Íslandsbanki maintains capital levels comfortably above regulatory requirements, which provides flexibility to support future growth while returning excess capital to shareholders in an efficient manner. Share buybacks remain an important part of the Bank's capital management framework.

The Íslandsbanki Reykjavík Marathon, held in August, continues to be the largest charity event in the country, and this year more than ISK 307 million was raised. The event remains one of the highlights of the year in the Bank's activities, bringing together over 16,000 participants this year in support of charities and organisations across the country.

Looking ahead, we are excited about opportunities to support our customers through new and improved solutions, greater use of technology and continued investment in our services. Our strong capital position provides flexibility to pursue growth opportunities, participate in important projects and create long-term value for customers and shareholders. We remain committed to developing our services in line with our customers' evolving needs while delivering outstanding service.

Third quarter 2026 (3Q26) operational highlights

- The Bank's Loyalty Service has continued to gain traction, now counting more than 68,000 registered customers.
- The Bank concluded a covered bond offering in August in the non-index-linked series ISB CBF 28, selling ISK 400m at 1-month REIBOR +10bps. In addition, the Bank concluded a Tier 2 bond offering on 17 September in the new series ISB T2 36, selling ISK 1,400m at 1-month REIBOR +102bps.
- Íslandsbanki bought 25.9 million own shares for ISK 3.7 billion during the third quarter. The share repurchase programme, which was authorised in February 2026 concluded on 14 August, following the full utilisation of the authorisation. On 18 September, the Central Bank of Iceland granted the Bank a new authorisation to repurchase own shares for an aggregate market value of up to ISK 10 billion. In addition, the Central Bank authorised the Bank to reduce its share capital by an amount corresponding to the own shares already purchased pursuant to the previous authorisation granted as well as in respect of the shares to be purchased pursuant to the most recent authorisation granted. At the close of business on 18 September, the Bank held 98,616,256 own shares, representing 5.63% of issued share capital.
- Following the publication of the Bank's first-half 2026 results on 29 July, employees were given the opportunity to exercise their share options. A total of 6,397,210 shares were sold under existing share option agreements at a price of ISK 126.4 per share, corresponding to total proceeds of ISK 808.6 million. At the same time, 50 new share option agreements were granted, covering 518,650 shares at an exercise price of ISK 144.6 per share.
- Íslandsbanki introduced a generative AI functionality in the app which enables users to create AI-generated summaries of their spending. Furthermore, customers can now buy and sell Vanguard funds directly within the app making Íslandsbanki the first Icelandic bank to offer international fund investments through a mobile banking app.
- The Bank's Net Promoter Score amounted to 19.8 in September. This positive development was also reflected in Customer satisfaction (CSAT) which continued to strengthen during the quarter, reaching 95% in September, the highest level recorded this year.

INCOME STATEMENT

Income statement, ISKm	3Q26	3Q25	Δ%	9M26	9M25	Δ%
Net interest income	15,815	13,260	19%	48,196	40,080	20%
Net fee and commission income	3,299	3,229	2%	9,825	9,916	(1%)
Net financial income (expense)	(223)	(353)	(37%)	(530)	(1,326)	(60%)
Net foreign exchange gain	171	152	13%	595	270	120%
Other operating income	22	124	(82%)	37	718	(95%)
Total operating income	19,084	16,412	16%	58,123	49,658	17%
Salaries and related expenses	(4,152)	(3,793)	9%	(13,860)	(12,694)	9%
Other operating expenses	(3,171)	(2,686)	18%	(9,353)	(8,442)	11%
Administrative expenses	(7,323)	(6,479)	13%	(23,213)	(21,136)	10%
Bank tax	(573)	(549)	4%	(1,667)	(1,562)	7%
Total operating expenses	(7,896)	(7,028)	12%	(24,880)	(22,698)	10%
Net impairment on financial assets	(1,021)	7	-	(2,694)	406	-
Profit before tax	10,167	9,391	8%	30,549	27,366	12%
Income tax expense	(2,898)	(2,490)	16%	(8,755)	(8,064)	9%
Profit for the period	7,269	6,901	5%	21,794	19,302	13%

Key ratios

Net Interest Margin (NIM)	3.5%	3.1%	3.6%	3.2%
Cost-to-income ratio (C/I)	38.4%	38.2%	39.9%	42.1%
Return on Equity (ROE)	13.6%	12.2%	13.4%	11.5%
Cost of risk (COR)	0.29%	(0.00%)	0.25%	(0.04%)

Net interest income in 3Q26 increased by 19.3% compared to 3Q25

Net interest income amounted to ISK 15.8 billion during the third quarter of 2026, increasing by 19.3% compared to the same quarter in 2025. The CPI imbalance remained stable of around ISK 234 billion at the end of September 2026. Aggregated inflationary impact for 3Q26 was 1.5% compared to 1.01% in 3Q25. The Central Bank policy rate was increased during the third quarter by 0.25 percentage points and was at 8.0% at period end. The average CB policy rate was 7.87% in 3Q26, compared to 7.75% in 3Q25. Net interest margin (NIM) on total assets was 3.5% in 3Q26 (3.1% in 3Q25).

Net fee and commission income (NFCI) increased by 2.2% in the third quarter compared to 3Q25, landing at ISK 3.3 billion. Cards and payments continued to be the largest fee income stream. NFCI was adversely affected by lower turnover in capital markets, which decreased by ISK 0.4b billion year-on-year, despite an increase in investment banking income compared to 3Q25.

Core operating income, defined as net interest income and net fee and commission income, for the third quarter of 2026 grew by 15.9% compared to the same period last year and by 16.1% for the first nine months of the year.

Net financial expense amounted to ISK 223 million in the third quarter of 2026, compared to net financial expense of ISK 353 million for the same quarter previous year.

Cost-to-income ratio remains within target for 9M26

The cost-to-income ratio was 38.4% in the third quarter of 2026, compared to 38.2% in 3Q25.

Salaries and related expenses grew 9.5% in 3Q26 compared to 3Q25 and were ISK 4.2 billion during the quarter. During the quarter, ISK 352 million (ISK 1,029 million YTD) was expensed in relation to the employee variable compensation scheme, which was initiated at the beginning of 2026. Other operating expenses increased by 18.1% compared to 3Q25.

The number of FTEs at Íslandsbanki at the end of September 2026 was 717 compared to 725 at the end of 2025.

Taxes

The income tax rate for legal entities in 2026 is 20% (2025: 20%). Special financial activities tax is calculated as 6% of the Bank's taxable profit exceeding ISK 1 billion. Effective income tax rate for the third quarter of 2026 was 28.5% having been 26.5% in 3Q25.

In September, the Government announced plans to increase banking taxation. If the proposal is approved, the special bank tax rate will increase from the current rate of 0.145% to 0.254%. Based on the Bank's tax base as at 30 September 2026, the proposed tax increase would increase the Bank's special bank tax expense by ISK 1,671 million annually, or by approximately 75%. As the special bank tax is not deductible for income tax purposes, the increase would have a corresponding impact on the Bank's profit after tax, all else being equal. Taxation on Icelandic banks is currently among the highest in Europe, and further increases would adversely impact both the Group's profitability and competitiveness.

Net impairment in 3Q26

The net impairment on financial assets was ISK 1,021 million in 3Q26, compared to a reversal of ISK 7 million in 3Q25. The annualised cost of risk, measured as net impairment charge as a share of average loans to customers, amounted to 29bps in 3Q26 (0bps in 3Q25) and 25bps for 9M26 (-4bps for 9M25). As before, most of the impairment charges relate to borrower specific circumstances.

BALANCE SHEET

Assets, ISKmn	30.9.26	30.6.26	Δ	Δ%	31.12.25	Δ	Δ%
Cash and balances with Central Bank	88,676	91,559	(2,883)	(3%)	80,394	8,282	10%
Loans to credit institutions	78,121	65,288	12,833	20%	80,009	(1,888)	(2%)
Bonds and debt instruments	172,452	166,740	5,712	3%	151,959	20,493	13%
Derivatives	2,662	4,047	(1,385)	(34%)	5,304	(2,642)	(50%)
Loans to customers	1,431,038	1,416,048	14,990	1%	1,367,106	63,932	5%
Shares and equity instruments	11,755	12,770	(1,015)	(8%)	20,517	(8,762)	(43%)
Other assets	34,759	31,933	2,826	9%	22,858	11,901	52%
Total Assets	1,819,463	1,788,385	31,078	2%	1,728,147	91,316	5%

Key ratios

Risk Exposure Amount (REA)	1,051,874	1,043,713	8,161	1%	1,033,788	18,086	2%
REA / total assets	57.8%	58.4%			59.8%		
Non-performing loans (NPL) ratio ¹	2.4%	2.6%			1.5%		

¹ Stage 3, loans to customers, gross carrying amount

Loan portfolio well diversified and remains highly collateralised

Loans to customers grew by 1.1% in the third quarter of 2026 and amounted to ISK 1,431 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 collateral, the majority of which is in residential and commercial real estate. At the end of 3Q26, 93% of the loan portfolio is fully covered by collateral. The weighted average loan-to-value (LTV) ratio for the loan portfolio was 52% at the end of 3Q26 (53% at the end of 3Q25), and the LTV for the residential mortgage portfolio was 57% at the end of 3Q26 (57% at the end of 3Q25).

Overall credit quality is strong despite weakening of the residential real estate construction sector

Overall asset quality remains solid. The shift of customers towards CPI-linked loans has stabilised, with 66% of the Bank's mortgage portfolio being CPI-linked at the end of 3Q26 (65% in 2Q26).

At the end of 3Q26, 1.7% of the gross performing loan book (not in Stage 3) was classified as forborne (1.6% at the end of 2Q26). The ratio of credit-impaired loans to customers, Stage 3, was 2.4% (gross) at the end of 3Q26 (1.5% at the end of 4Q25). The increase is mainly driven by a limited number of credit cases. For the mortgage portfolio, the ratio was 1.0% at the end of 3Q26 (1.1% in 2Q26).

The ratio of loans to customers in Stage 2 was 3.0% at the end of 3Q26, up from 2.6% at the end of 2Q26. For the mortgage portfolio, the ratio of loans in Stage 2 was 1.6% at the end of 3Q26, up from 1.4% in 2Q26. Within the construction portfolio, Stage 2 accounts for 10% of gross carrying amount and Stage 3 for 11%. Over half of exposure in the construction sector is for residential real estate with LTV below 80% compared to asking prices. Unit sales are progressing in several projects but slowly in others, and some completed units have been on the market for up to 21 months.

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

Liabilities & Equity, ISKbn	30.9.26	30.6.26	Δ	Δ%	31.12.25	Δ	Δ%
Deposits from Central Bank and credit institutions	21,429	17,664	3,765	21%	13,250	8,179	62%
Deposits from customers	1,078,259	1,038,206	40,053	4%	968,695	109,564	11%
Derivative instruments and short positions	8,181	2,691	5,490	204%	6,183	1,998	32%
Debt issued and other borrowed funds	423,013	440,206	(17,193)	(4%)	444,593	(21,580)	(5%)
Subordinated loans	36,459	40,874	(4,415)	(11%)	40,315	(3,856)	(10%)
Tax liabilities	14,868	13,440	1,428	11%	12,757	2,111	17%
Other liabilities	21,861	24,209	(2,348)	(10%)	16,995	4,866	29%
Total Liabilities	1,604,070	1,577,290	26,780	2%	1,502,788	101,282	7%
Total Equity	215,393	211,095	4,298	2%	225,359	(9,966)	(4%)
Total Liabilities and Equity	1,819,463	1,788,385	31,078	2%	1,728,147	91,316	5%

Key ratios

Customer loans to customer deposits ratio	133%	136%	141%
Net stable funding ratio (NSFR)	122%	126%	127%
Liquidity coverage ratio (LCR)	179%	188%	203%
CET 1 ratio	18.4%	19.1%	20.1%
Tier 1 capital ratio	19.4%	20.7%	21.7%
Total capital ratio	21.8%	23.0%	24.0%
Leverage ratio	10.9%	11.7%	12.5%
MREL ratio ¹	40.4%	43.9%	44.0%

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

Strong ratios underpin limited funding needs

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% in 3Q26, while deposit composition remained stable. The ratio of customer loans to customer deposits was 133% at the end of 3Q26, down from 136% at the end of 2Q26. When excluding mortgages funded with covered bonds, the ratio was 115% at the end of 3Q26 (2Q26: 117%).

In 3Q26 the Bank issued an ISK 1.4 billion 10NC5 floating rate Tier 2 bond in the domestic market. The bond was priced at 1-month REIBOR plus 102bps. The Bank's credit spreads remained relatively stable during the quarter. Following quarter-end, spreads have widened modestly in line with broader market movements. This is reflected in the Bank's outstanding EUR 300 million 7-year senior preferred bond, issued in November 2025 at mid-swaps +130 bps. The bond traded at approximately +106 bps at the end of 3Q26, widening to around +116 bps by mid-October.

The Bank's total liquidity coverage ratio (LCR) was 179% at the end of 3Q26, decreasing from the end of 2Q26 when it was 188%. The Bank's liquidity position remains strong across currencies. Liquid assets as a percentage of total assets were 18% at end of 3Q26 unchanged from the end of 2Q26.

Sound capital position – Total payout capacity amounts to ISK 22.3 billion at end of 3Q26

Total equity amounted to ISK 215.4 billion at end of 3Q26 compared to ISK 225.4 billion at year-end 2025. The capital base was ISK 230 billion, including the 3Q26 profit, compared to ISK 248 billion at year-end 2025. The reduction is mainly due to the Bank's share buyback programme of ISK 15 billion and ISK 10 billion, which was deducted from the capital base following approval from the Central Bank in February and September 2026 respectively. At the end of 3Q26 ISK 10 billion were remaining and had been deducted from the capital base. Additionally, the Bank redeemed AT1 notes amounting to ISK 5bn in September. At the end of 3Q26 the total capital ratio was 21.8%, including the 3Q26 profit, compared to 24.0% at year-end 2025. The corresponding Tier 1 ratio was 19.4%, including the 3Q26 profit, compared to 21.7% at the year-end 2025. The CET1 ratio was 18.4%, including the 3Q26 profit, compared to 20.1% at year-end 2025.

The capital ratios are above the Bank's financial target of having a 100-300bps capital buffer on top of regulatory requirements. The Bank's excess capital position at the end of the reporting period, assuming a fully optimised capital structure and the midpoint of the management buffer therefore amounts to

around ISK 22 billion, including uncompleted buybacks. The Bank remains committed to its capital optimisation and may explore various ways to reach its target capital composition, including growth and/or capital disposals.

The minimum requirement for own funds and eligible liabilities (MREL) for the Bank is 18.8% of REA at the end of 3Q26. Since any CET1 capital that is maintained to meet the combined buffer requirement (CBR) is excluded, the effective requirement can be monitored as 28.5% of REA at 3Q26. Own funds and eligible liabilities were 40.4% of REA at the end of 3Q26, compared to 44.0% at year-end 2025. A new resolution plan is expected to be approved for the Bank in November, with an increase of MREL to 19.6% in line with the latest SREP results.

The leverage ratio was 10,9.% at the end of 3Q26, including the 3Q26 profit, compared to 12.5% at year-end 2025.

Investor Material

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

Disclaimer

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 30 October 2026

Íslandsbanki will host a webcast in English for investors and market participants on Friday 30 October at 8.30 Reykjavík/GMT/London, 9.30 CET. Jón Guðni Ómarsson, CEO, and Ellert Hlöðversson, CFO, will give an overview of the third quarter of 2026 financial results and operational highlights.

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

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

Financial calendar

The financial calendar for 2027 will be published before end of year 2026.

Further information on the Bank's financial calendar is available [here](#).

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.