First Quarter 2026 Results

Íslandsbanki hf.

7 May 2026

ÍSLANDSBANKI RESULTS HIGHLIGHTS

First quarter 2026 (1Q26) financial highlights

- Net profit amounted to ISK 7.5 billion in the first quarter of 2026 (1Q25: ISK 5.2 billion), generating an annualised return on equity (ROE) of 13.6% (1Q25: 9.4%) for the quarter.
- Net interest income (NII) amounted to ISK 17.1 billion and increased by ISK 4.2 billion in 1Q26 compared to 1Q25.
- The net interest margin (NIM) was 3.9% in 1Q26 compared to 3.2% in 1Q25.
- Net fee and commission income (NFCI) was ISK 3.3 billion in 1Q26, an increase of 6.6% from 1Q25.
- Net financial expense was ISK 213 million in 1Q26, compared to an expense of ISK 986 million in 1Q25.
- Administrative expenses in 1Q26 amounted to ISK 7.8 billion, having been ISK 7.4 billion in 1Q25.
- The cost-to-income ratio was 38.5% in 1Q26 compared to 47.6% in 1Q25.
- The net impairment on financial assets increased to ISK 1,219 million in 1Q26, compared to ISK 3 million in 1Q25. The net impairment charge as a share of loans to customers, the annualised cost of risk, was 35bps in 1Q26, compared to 0bps in 1Q25.
- Loans to customers grew by ISK 34.1 billion during the first quarter of 2026, reaching a total of ISK 1,401 billion at the end of 1Q26.
- Deposits from customers grew by 4.6% in the first quarter and amounted to ISK 1,013 billion at the end of 1Q26.
- Total equity at the end of 1Q26 amounted to ISK 212.7 billion compared to ISK 225.4 billion at year-end 2025.
- The total capital ratio was 22.5% at the end of 1Q26, including 1Q26 profit compared to 24.0% at year-end 2025. The corresponding CET1 ratio was 18.6% at the end of 1Q26, including 1Q26 profit, compared to 20.1% at year-end 2025. The CET1 ratio at the end of 1Q26 was 363 bps above regulatory requirements, and above the Bank's financial target of having a 100-300 bps capital buffer on top of CET1 regulatory requirements.
- Total payout capacity amounts to ISK 29.2 billion including 1Q26 profit and uncompleted buybacks at the reporting date.
- The minimum requirement for own funds and eligible liabilities (MREL) for the Bank is 18.8% of the total risk exposure amount, in addition to the combined buffer requirement. Taking into account the Group's combined buffer requirement at 31 March 2026, the resulting MREL as a % of REA requirement was 28.5%. At the end of 1Q26, the Bank's MREL ratio was 40.3%.

Key figures and ratios

		1Q26	4Q25	3Q25	2Q25	1Q25
PROFITABILITY	Profit for the period, ISKm	**7,456**	5,947	6,901	7,192	5,209
	Return on equity	**13.6%**	10.5%	12.2%	13.0%	9.4%
	Net interest margin (on total assets)	**3.9%**	2.9%	3.1%	3.3%	3.2%
	Cost-to-income ratio[1]	**38.5%**	43.5%	38.2%	41.0%	47.6%
	Cost of risk[2]	**0.35%**	0.32%	(0.00%)	(0.12%)	0.00%
		31.3.26	31.12.25	30.9.25	30.6.25	31.3.25
BALANCE SHEET	Loans to customers, ISKm	**1,401,212**	1,367,106	1,333,234	1,331,288	1,298,849
	Total assets, ISKm	**1,786,697**	1,728,147	1,734,056	1,696,034	1,667,429
	Risk exposure amount, ISKm	**1,049,435**	1,033,788	1,084,527	1,084,492	1,061,903
	Deposits from customers, ISKm	**1,013,431**	968,695	1,008,919	966,075	936,779
	Customer loans to customer deposits ratio	**138%**	141%	132%	138%	139%
	Non-performing loans (NPL) ratio[3]	**2.0%**	1.5%	1.6%	1.6%	1.8%
LIQUIDITY	Net stable funding ratio (NSFR), for all currencies	**123%**	127%	129%	125%	128%
	Liquidity coverage ratio (LCR), for all currencies	**177%**	203%	207%	185%	202%
CAPITAL	Total equity, ISKm	**212,718**	225,359	226,974	224,725	217,894
	CET 1 ratio[4]	**18.6%**	20.1%	18.9%	18.5%	18.6%
	Tier 1 ratio[4]	**20.2%**	21.7%	19.8%	19.4%	19.5%
	Total capital ratio[4]	**22.5%**	24.0%	21.9%	21.5%	21.6%
	Leverage ratio[4]	**11.5%**	12.5%	11.9%	12.0%	12.1%
	MREL ratio[5]	**40.3%**	44.0%	36.8%	36.7%	37.8%

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

Jón Guðni Ómarsson, CEO of Íslandsbanki:

Operating profit of Íslandsbanki amounted to ISK 7.5 billion in the first quarter and return on equity on an annualised basis was 13.6%, which is above analyst consensus for the quarter in both measures. An increase in net interest income, which was over 11% above analyst consensus, largely explains the higher profit compared with the first quarter of last year. Performance from core operations shows that the fundamentals of the Bank's operations are strong. Uncertainty in the international environment, volatility in foreign markets and lower activity in the domestic market affected fee income for the quarter, which nevertheless was higher than in the first quarter of 2025.

Íslandsbanki's results reflect the Bank's solid operations despite a challenging external environment. The new Loyalty Services of Íslandsbanki has been very successful, with 38 thousand customers signing up in its first three weeks. Customers' positive response confirms that simpler, more personal, and more transparent service matters, and we will continue developing the service with the aim of making it even better. Íslandsbanki's position within the SME market has been very strong, and we recently began offering payment acquiring as part of our product offering, further strengthening our services in that market.

The effects of uncertainty in the international environment have been felt domestically, as in many other places. Inflation has been persistent, and according to Íslandsbanki Research forecast, policy rates are not expected to decrease until, at the earliest, towards the end of the year. We are in close contact with our customers and monitor the impact of the external environment on activity and asset quality.

With the establishment of a development company focused on the use of artificial intelligence, we took another step toward the goal of implementing AI in an even more targeted way in the Bank's day-to-day operations. The intention is for the company to develop new software solutions in an agile and creative manner, and it will be interesting to follow those areas of the operations as they take off. Within the Bank, emphasis will continue to be placed on empowering employee, training and teaching them to use artificial intelligence in their work. The organisational changes that were recently implemented are a part of an initiative to enhance efficiency, shorten communication channels and simplify decision-making within the Bank. Íslandsbanki has undertaken extensive work to assess the impact of recent technological developments on the Bank's operations and intends to be a leader in implementing new technology and thereby further enhancing our services to customers. The changes were a part in making the Bank better equipped to shape the future of banking services.

First quarter 2026 (1Q26) operational highlights

- Two shareholders' meetings were held during the first quarter of 2026. As announced on 22 December 2025 an extraordinary general meeting was held on 19 January where an election for the Board of Directors was on the agenda. During that meeting two new members were elected to the Board of Directors, including a new chairman, Heiðar Guðjónsson. During the Bank's Annual General Meeting (AGM) the Board of Directors was re-elected.
- The Bank announced on 21 February 2026 that merger discussions with Skagi hf. were discontinued. The announcement does not affect Íslandsbanki's partnership with Skagi's insurance subsidiary VÍS tryggingar hf.
- Íslandsbanki's AGM approved a payment of dividend in the amount of ISK 12.6 billion and renewed the authorisation to buy back the Bank's own shares up to a level of 10% of share capital.
- A proposal to reduce the Bank's share capital by cancelling own shares equivalent to almost 6% of the share capital, was approved at the AGM. Following the reduction, the Bank owned 21,861,379 own shares, which remained unchanged until end of the first quarter.
- Íslandsbanki launched a new Loyalty Services programme in March, with 38 thousand customers signing up during the first three weeks. The programme is structured in tiers, where points are awarded based on various factors, including number of products, relationship length, savings, and card turnover.
- Íslandsbanki bought 48.6 million own shares for ISK 6.9 billion during the first quarter.

Operational highlights after the period-end

- On 4 April Íslandsbanki announced a further implementation of a share repurchase programme, with the aim of purchasing a maximum of 38 million own shares during a new round, representing around 2.17% of issued shares, the total purchase price for repurchased shares however not to exceed ISK 5 billion. As of 6 May 2026 the Bank had purchased 27.7 shares for approximately ISK 4 billion under the current round of buybacks.
- Íslandsbanki announced organisational changes on 28 April 2026 as a part of an initiative to enhance efficiency, shorten communication channels and simplify decision-making within the Bank. It is anticipated that the Íslandsbanki's annual personnel expenses will decrease by approximately ISK 1 billion as a result of these changes as well as changes announced in 4Q25 related to dismantling of an early retirement scheme, and that FTEs will reduce by 7% over the course of 2026. The financial impact will begin to be reflected in the results of the third quarter of 2026 and to be fully realised in 2027.

INCOME STATEMENT

Income statement, ISKm	1Q26	1Q25	Δ%	4Q25	Δ%
Net interest income	**17,100**	12,939	32%	12,391	38%
Net fee and commission income	**3,268**	3,067	7%	4,183	(22%)
Net financial income (expense)	**(213)**	(986)	(78%)	404	(153%)
Net foreign exchange gain	**157**	47	234%	157	0%
Other operating income	**14**	463	(97%)	447	(97%)
Total operating income	**20,326**	15,530	31%	17,582	16%
Salaries and related expenses	**(4,612)**	(4,489)	3%	(5,110)	(10%)
Other operating expenses	**(3,218)**	(2,907)	11%	(3,234)	(0%)
Administrative expenses	**(7,830)**	(7,396)	6%	(8,344)	(6%)
Bank tax	**(546)**	(500)	9%	(522)	5%
Total operating expenses	**(8,376)**	(7,896)	6%	(8,866)	(6%)
Net impairment on financial assets	**(1,219)**	(3)	-	(1,087)	12%
Profit before tax	**10,731**	7,631	41%	7,629	41%
Income tax expense	**(3,275)**	(2,422)	35%	(1,682)	95%
Profit for the period	**7,456**	5,209	43%	5,947	25%

Key ratios	1Q26	1Q25	4Q25
Net Interest Margin (NIM)	**3.9%**	3.2%	2.9%
Cost-to-income ratio (C/I)	**38.5%**	47.6%	43.5%
Return on Equity (ROE)	**13.6%**	9.4%	10.5%
Cost of risk (COR)	**0.35%**	0.00%	0.32%

Net interest income in 1Q26 increased by 14% compared to 1Q25

Net interest income amounted to ISK 17,100 million during the first quarter of 2026, increasing 32.2% compared to the same quarter in 2025. This is mainly attributable to considerable inflation recognised in the quarter, whereas inflationary ticks amounted to 2.47% compared to 1.04% in the previous year. The CPI imbalance remained stable of around ISK 200 billion at the end of March 2026. The Central Bank policy rate was increased during the first quarter by 0.25 percentage points and was at 7.50% at period end. The average CB policy rate was thus 7.29% in 1Q26, compared to 8.15% in 1Q25. Net interest margin (NIM) on total assets was 3.9% in 1Q26 (3.2% in 1Q25).

Net fee and commission income (NFCI) during the first quarter of 2026 grew by 6.6% compared to 1Q25, to ISK 3.3 billion. As before, cards and payments remain the largest fee income stream. Income from fees related to lending and guarantees increased in the quarter while income from both investment banking and asset management was adversely affected by lower volumes and pressure in capital markets.

Core operating income, defined as net interest income and net fee and commission income, for the first quarter of 2026 grew by 27.3% compared to the same period last year.

Net financial expense amounted to ISK 213 million in the first quarter of 2026, compared to net financial expense of ISK 986 million for the same quarter during the previous year.

Strong underlying cost-to-income ratio in the quarter

The cost-to-income ratio was 38.5% in the first quarter of 2026, compared to 47.6% in 1Q25.

Salaries and related expenses grew 2.7% in 1Q26 compared to 1Q25 and were ISK 4.6 billion during the quarter. Other operating expenses increased by 10.7% compared to 1Q25. During the quarter, ISK 247 million was expensed related to employee variable compensation scheme, compared to ISK 0 m during the previous year.

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

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 first quarter of 2026 was 30.5% having been 31.7% in 1Q25.

Net impairment in 1Q26

Net impairment on financial assets increased to ISK 1,219 million in 1Q26. This change was mostly due to specific circumstances of a few borrowers. The annualised cost of risk, measured as net impairment charge as a share of average loans to customers, was 35bps in 1Q26 (0bps in 1Q25).

BALANCE SHEET

Assets, ISKm	31.3.26	31.12.25	Δ	Δ%
Cash and balances w ith Central Bank	**88,909**	80,394	8,515	11%
Loans to credit institutions	**79,739**	80,009	(270)	(0%)
Bonds and debt instruments	**164,093**	151,959	12,134	8%
Derivatives	**4,052**	5,304	(1,252)	(24%)
Loans to customers	**1,401,212**	1,367,106	34,106	2%
Shares and equity instruments	**15,497**	20,517	(5,020)	(24%)
Other assets	**33,195**	22,858	10,337	45%
Total Assets	**1,786,697**	1,728,147	58,550	3%
Key ratios				
Risk Exposure Amount (REA)	**1,049,435**	1,033,788	15,647	2%
REA / total assets	**58.7%**	59.8%		
Non-performing loans (NPL) ratio[1]	**2.0%**	1.5%		

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

Loan portfolio well diversified and highly collateralised

Loans to customers grew by 2.5% in the first quarter of 2026 and amounted to ISK 1,401 billion at period-end. Mortgages account for 43% 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 1Q26, 94% of the loan portfolio is fully covered by collateral. The weighted average loan-to-value (LTV) ratio for the loan portfolio was 51% at the end of 1Q26 (53% at the end of 1Q25), and the LTV for the residential mortgage portfolio was 56% at the end of 1Q26 (54% at the end of 1Q25).

Overall credit quality is strong with limited delinquencies

Overall asset quality remains solid. The shift of customers towards CPI-linked loans has started to normalise, with 65% of the Bank's mortgage portfolio being CPI-linked at the end of 1Q26 (63% at the end of 1Q25).

At the end of 1Q26, 2.0% of the gross performing loan book (not in Stage 3) was classified as forborne (2.1% at the end of 4Q25) The ratio of credit-impaired loans to customers, Stage 3, was 2.0% (gross) at the end of 1Q26 (1.5% at the end of 4Q25) The increase is largely attributable to a limited number of credit cases. For the mortgage portfolio, the ratio was 1.1% at the end of 1Q26 up from 1.0% at end of 4Q25.

The ratio of loans to customers in Stage 2 was 3.9% at the end of 1Q26, down from 4.6% at the end of 4Q25. The change largely reflects migration of a limited number of exposures from Stage 2 to Stage 3. For the mortgage portfolio, the ratio of loans in Stage 2 was 1.4% at the end of 1Q26 (1.3% at 4Q25).

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

Liabilities & Equity, ISKm	31.3.26	31.12.25	Δ	Δ%
Deposits from Central Bank and credit institutions	**11,419**	13,250	(1,831)	(14%)
Deposits from customers	**1,013,431**	968,695	44,736	5%
Derivative instruments and short positions	**5,950**	6,183	(233)	(4%)
Debt issued and other borrowed funds	**452,085**	444,593	7,492	2%
Subordinated loans	**40,530**	40,315	215	1%
Tax liabilities	**13,386**	12,757	629	5%
Other liabilities	**37,178**	16,995	20,183	119%
Total Liabilities	**1,573,979**	1,502,788	71,191	5%
Total Equity	**212,718**	225,359	(12,641)	(6%)
Total Liabilities and Equity	**1,786,697**	1,728,147	58,550	3%

Key ratios		
Customer loans to customer deposits ratio	**138%**	141%
Net stable funding ratio (NSFR)	**123%**	127%
Liquidity coverage ratio (LCR)	**177%**	203%
CET 1 ratio	**18.6%**	20.1%
Tier 1 capital ratio	**20.2%**	21.7%
Total capital ratio	**22.5%**	24.0%
Leverage ratio	**11.5%**	12.5%
MREL ratio[1]	**40.3%**	44.0%

Credit spreads remain stable during market volatility

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% in 1Q26, while deposit concentration remained stable. The ratio of customer loans to customer deposits was 138% at the end of 1Q26, down from 141% at the end of 4Q25. When excluding mortgages funded with covered bonds, the ratio was 116% at the end of 1Q26 (4Q25: 119%).

Íslandsbanki's funding activities during the first quarter of 2026 were mainly in the domestic market through selling ISK 18 billion worth of covered bonds. The Bank on the other hand remained quiet on the foreign funding front during the first quarter after having issued two EUR 300 million senior preferred bonds in 2025 along with SEK 700 million and NOK 200 million AT1. The Bank's MREL, capital and liquidity ratios were well above targets coming into 2026.

During the first quarter of 2026, the Bank's credit spreads demonstrated resilience, remaining relatively stable despite significant market volatility. This stability is notable, as the spreads continued to move in tandem with the broader market trends throughout periods of turmoil. A key indicator of this performance is the Bank's new 7-year EUR 300 million senior preferred bond. Originally issued in November 2025 at mid-swaps plus 130 basis points, the bond was trading at plus 121 basis points at year-end 2025. By the end of the first quarter of 2026, the bond's credit spread had adjusted slightly to mid-swaps plus 123 basis points.

The Bank's total liquidity coverage ratio (LCR) was 177% at the end of 1Q26, decreasing from the end of 4Q25 when it was 203%. The Bank's liquidity position remains strong across currencies. Liquid assets as a percentage of total assets were 19% at end of 1Q26 compared to 18% at the end of 4Q25.

Sound capital position – distribution capacity at ISK 29.2 billion end of 1Q26

Total equity amounted to ISK 212.7 billion at end of 1Q26 compared to ISK 225.3 billion at year-end 2025. The capital base was ISK 236 billion at the end of 1Q26, including the 1Q26 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, which was deducted from the capital base following approval from the Central Bank in February 2026. At the end of 1Q26 around ISK 12 billion were remaining and had been deducted from the capital base. At the end of 1Q26 the total capital ratio was 22.5%, including 1Q26 profit, compared to 24.0% at year-end 2025. The corresponding Tier 1 ratio was 20.2%, compared to 21.7% at the year-end 2025. The CET1 ratio was 18.6%, including 1Q26 profit, compared to 20.1% at year-end 2025.

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

The capital ratios are above the Bank's financial target of having a 100-300bps capital buffer on top of regulatory requirements. The Bank's excess capital position at the end of the reporting period, assuming a fully optimised capital structure and the midpoint of the management buffer, therefore amounts to around ISK 29 billion, including 1Q26 profit and 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 1Q26. Since any CET1 capital that is maintained to meet the combined buffer requirement´s (CBR) is excluded, the effective requirement can be monitored as 28.5% of REA at 1Q26. Own funds and eligible liabilities were 40.3% of REA at the end of 1Q26 compared to 44.0% at year-end 2025.

The leverage ratio was 11.5% at the end of 1Q26, including the 1Q26 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 8 May 2026

Íslandsbanki will host a webcast in English for investors and market participants on Friday 8 May at 8.30 Reykjavík/GMT/, 9.30 London/BST, 10.30 CET. Jón Guðni Ómarsson, CEO, and Ellert Hlöðversson, CFO, will give an overview of the first 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**. 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:

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.