



Fossar Investor Day

A force for good – Islandsbanki as an investment





















11 May 2022

Birna Einarisdóttir
Chief Executive Officer



This is Íslandsbanki

 Moving Iceland forward by empowering our customers to succeed

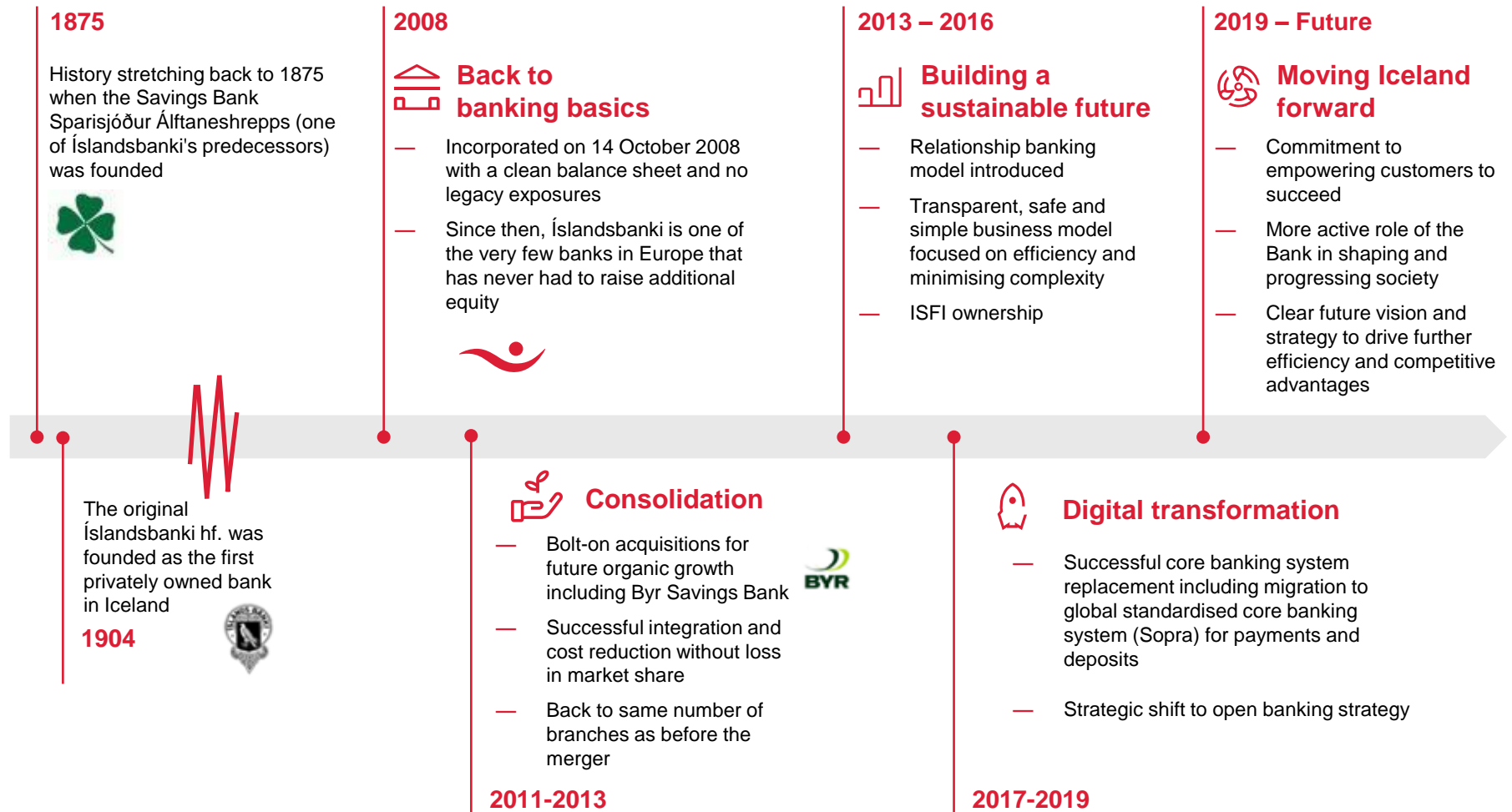
<p>Vision and Values</p> <hr/> <p>Vision to be #1 for service</p> <div style="display: flex; justify-content: space-around; align-items: center;">    </div> <p>Passion Professionalism Collaboration</p>	<p>The Bank</p> <hr/> <div style="display: flex; justify-content: space-between;"> <div style="text-align: center;">  <p>FTEs 706 number of FTEs at Íslandsbanki at period end</p> </div> <div style="text-align: center;">  <p>12 branches</p> </div> </div> <div style="display: flex; justify-content: space-between; align-items: center; margin-top: 20px;">   <p>Listed to Nasdaq Iceland as of June 2021</p>   </div>	<p>Market share¹</p> <hr/> <div style="display: flex; justify-content: space-between; align-items: center; margin-bottom: 20px;">  <p>31% retail customers</p> </div> <div style="display: flex; justify-content: space-between; align-items: center; margin-bottom: 20px;">  <p>37% SMEs</p> </div> <div style="display: flex; justify-content: space-between; align-items: center;">  <p>35% large companies</p> </div>	<p>Sustainability 1Q22</p> <hr/> <div style="display: flex; justify-content: space-between; align-items: flex-start;">  <p>Íslandsbanki regarded as most sustainable bank in Iceland according to a Gallup survey</p> </div> <div style="display: flex; justify-content: space-between; align-items: flex-start; margin-top: 20px;">  <p>Estimates of the financed emissions for 2020 and 2019 published</p> </div> <div style="display: flex; justify-content: space-between; align-items: flex-start; margin-top: 20px;">  <p>Íslandsbanki issued a EUR 300m 0.75% fixed rate senior preferred sustainable bond</p> </div>																
<p>Key Figures 1Q22</p> <hr/> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 30%;">ROE</td> <td style="width: 15%; text-align: right;">10.2%</td> <td style="width: 30%;">LCR <small>Group, all currencies</small></td> <td style="width: 15%; text-align: right;">195%</td> </tr> <tr> <td>Cost-to-income ratio</td> <td style="text-align: right;">47.6%</td> <td>NSFR <small>Group, all currencies</small></td> <td style="text-align: right;">123%</td> </tr> <tr> <td>CET1 ratio²</td> <td style="text-align: right;">18.8%</td> <td>Leverage ratio²</td> <td style="text-align: right;">12.4%</td> </tr> <tr> <td>Total capital ratio²</td> <td style="text-align: right;">22.5%</td> <td>Total assets</td> <td style="text-align: right;">ISK 1,446bn</td> </tr> </table>		ROE	10.2%	LCR <small>Group, all currencies</small>	195%	Cost-to-income ratio	47.6%	NSFR <small>Group, all currencies</small>	123%	CET1 ratio ²	18.8%	Leverage ratio ²	12.4%	Total capital ratio ²	22.5%	Total assets	ISK 1,446bn	<p>Ratings and certifications</p> <hr/> <div style="display: flex; justify-content: space-between; align-items: center;"> <div style="text-align: center;"> <p>S&P Global Ratings BBB/A-2 Stable outlook</p> </div> <div style="text-align: center;">  <p><small>EQUAL PAY CERTIFICATE 2018 - 2021</small></p> </div> </div> <div style="display: flex; justify-content: center; align-items: center; margin-top: 20px;">  <p><small>EXEMPLARY IN CORPORATE GOVERNANCE</small></p> </div>	<p>Digital milestones 1Q22</p> <hr/> <div style="display: flex; justify-content: space-between; align-items: flex-start; margin-bottom: 20px;">  <p>Unified digital sales platform released³</p> </div> <div style="display: flex; justify-content: space-between; align-items: flex-start; margin-bottom: 20px;">  <p>Up to date price information for securities implemented in the app</p> </div> <div style="display: flex; justify-content: space-between; align-items: flex-start;">  <p>Cardless ATM services</p> </div>
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CET1 ratio ²	18.8%	Leverage ratio ²	12.4%																
Total capital ratio ²	22.5%	Total assets	ISK 1,446bn																

1. Based on Gallup surveys regarding primary bank. 12 months rolling average for retail customers, December 2021 survey for SMEs and 2021 average for large companies. 2. Including 1Q22 profit. 3. In beta version at 31 March 2022, and released on 27 April 2022.



The Bank's strategy is key for the achievement of significant milestones from 2008 and onwards

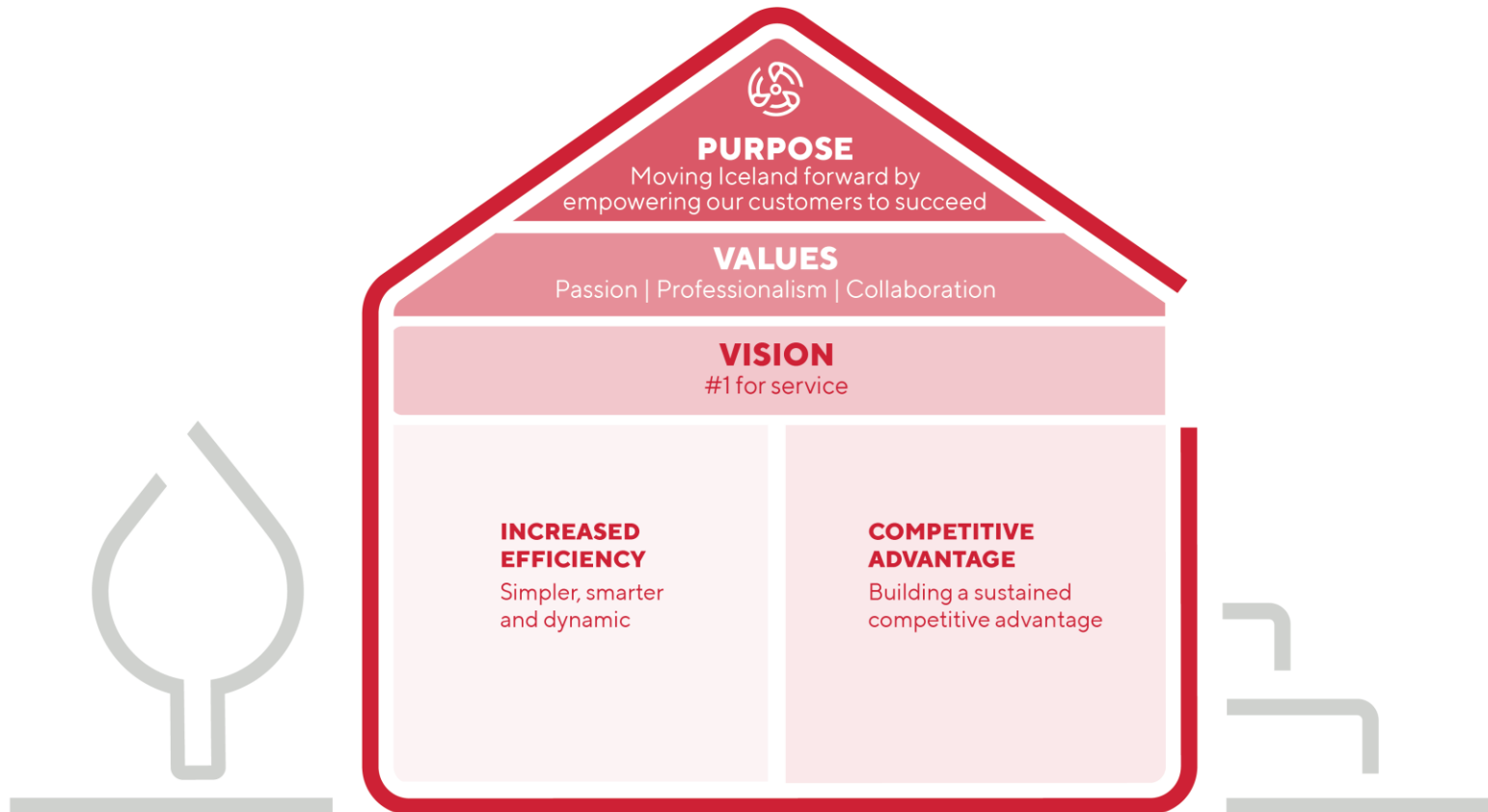
Proven track record in delivering future goals





Clear future vision and strategy

Reviewed strategy in 2019 with all key stakeholders and set for 5 years



Employees that have **good knowledge** of the Bank's strategy¹

88%

<2% say they do not know the strategy well

Employees that **believe in the strategy**¹

83%

<2% say they do not believe in the strategy

Employees that believe the Bank is a **force of positive change**¹

85%

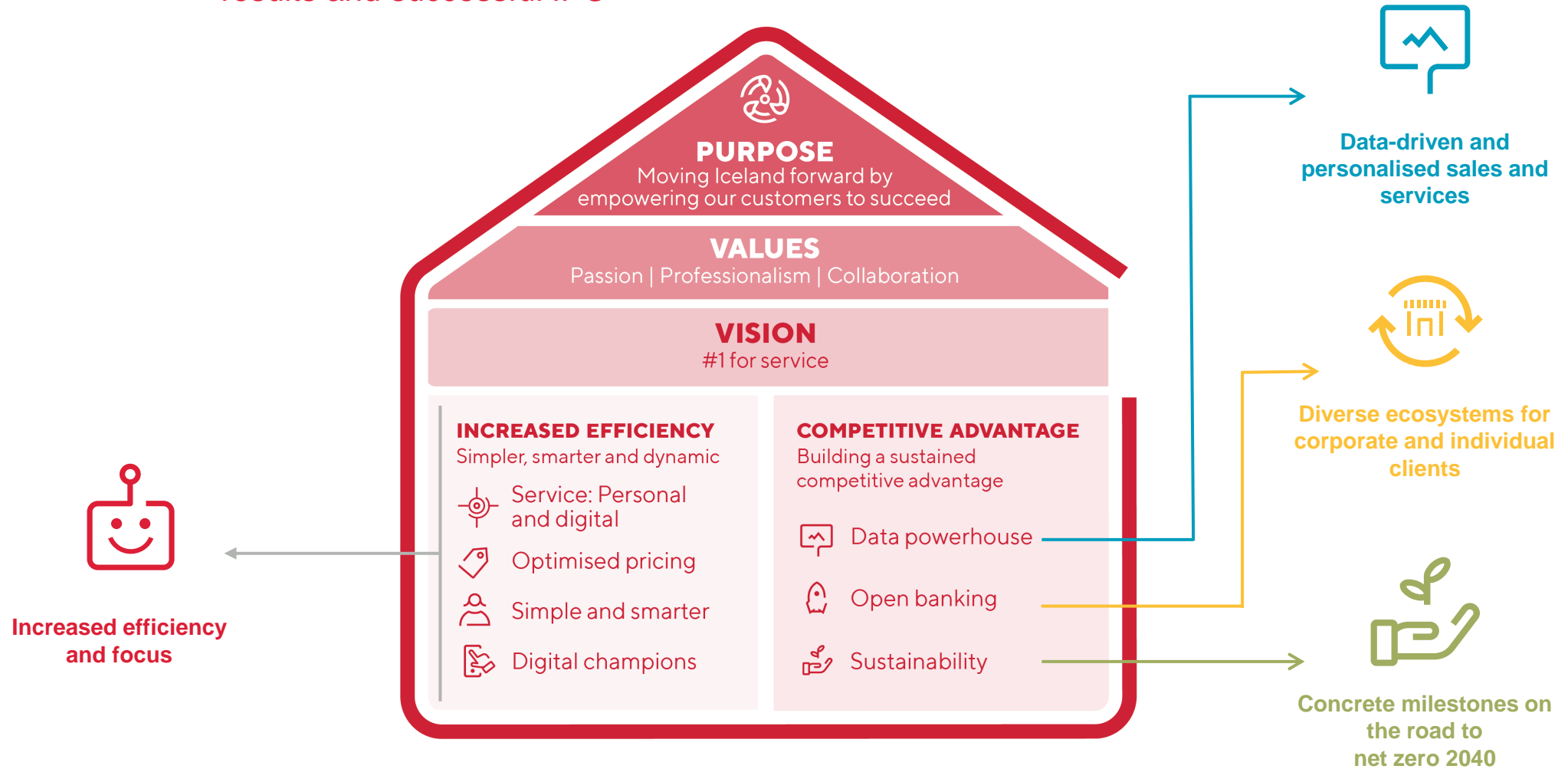
<2% say they do not believe the Bank is a force of positive change

1. Source: Employee survey in Q4 2021.



Íslandsbanki's four strategic themes in 2022

The strategy house has served the Bank well as is reflected in the latest results and successful IPO





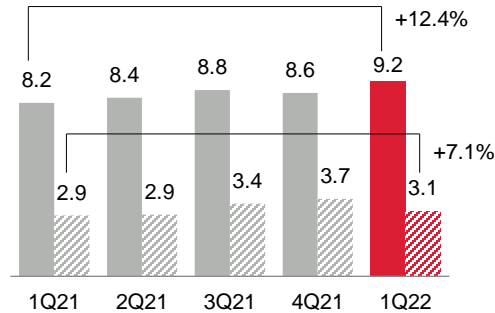
Delivering on financial targets and guidance

Operating income increased by 8.7% in 1Q22 (YoY) and costs were flat despite high inflation

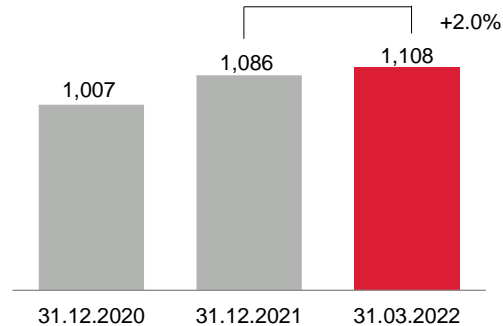


Growth in line with guidance

NII and NFCI, ISKbn

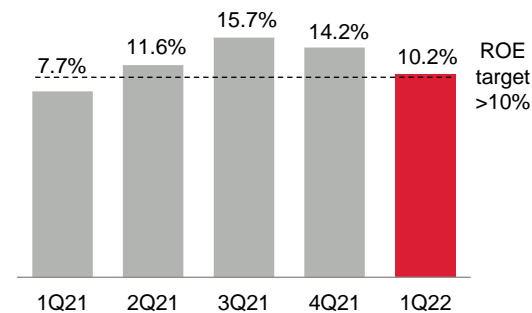


Loans to customers, ISKbn

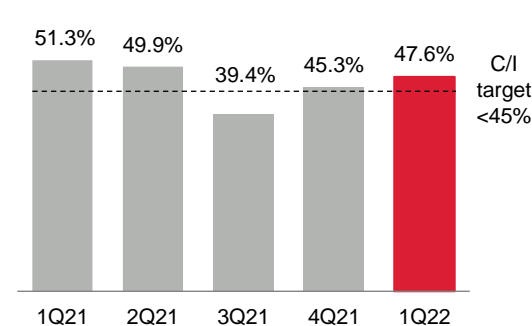


ROE in upper range of guidance

ROE

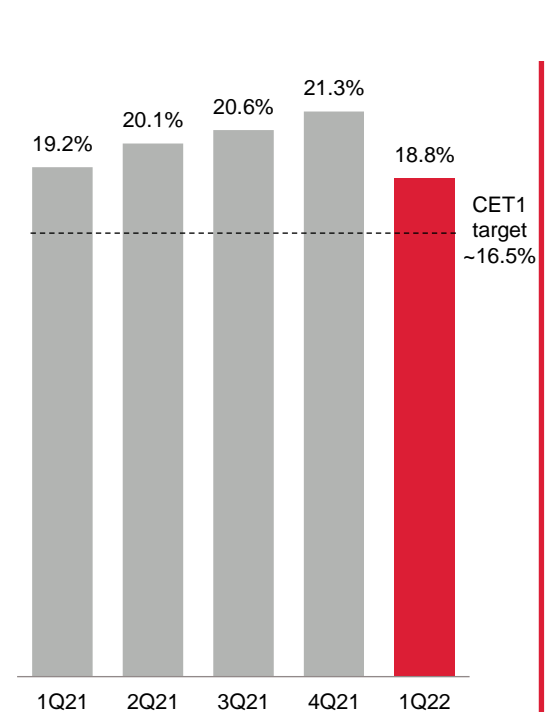


C/I ratio



Excess capital optimised in the next 12-24 months

CET1 ratio¹



1. Including first quarter profit for 1Q22 and third quarter profit for 3Q21

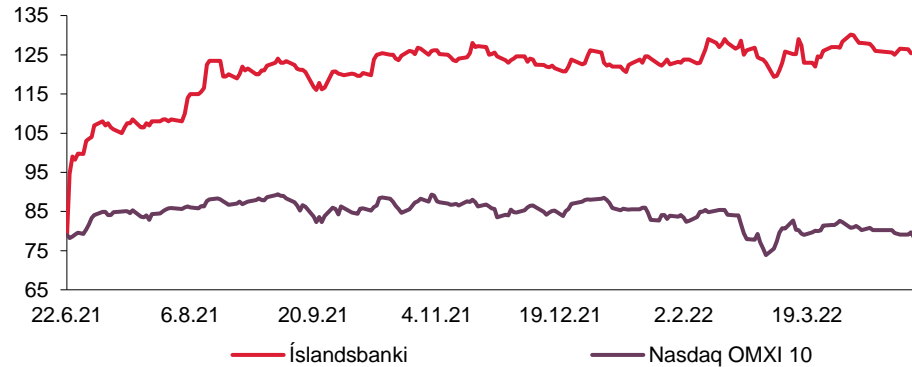


Strong and more diversified shareholder group

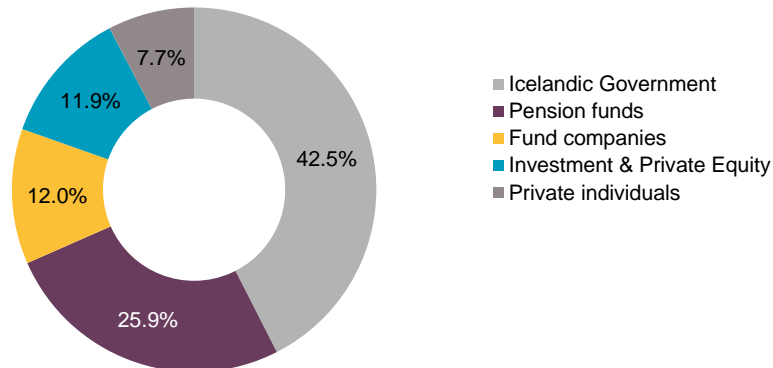
Icelandic government sold a 22.5% stake at the end of March

Íslandsbanki's share price development since IPO

Closing price



Shareholder composition



Largest shareholders 31.3.2022

Largest shareholders	Capital
The Icelandic Government	42.5%
LSR Pension Fund	6.0%
Gildi Pension Fund	5.1%
Capital Group	5.1%
Live Pension Fund	4.6%
Brú Pension Fund	2.0%
Arion Banki hf.	2.0%
Stapi Pension Fund	1.6%
Iceland Funds	1.6%
Landsbankinn hf.	1.5%
RWC Asset Management LLP	1.3%
Lífsværk Pension Fund	1.2%
Jakob Valgeir ehf.	1.0%
Frjálsi Pension Fund	1.0%
Other shareholders	23.6%
	100.0%

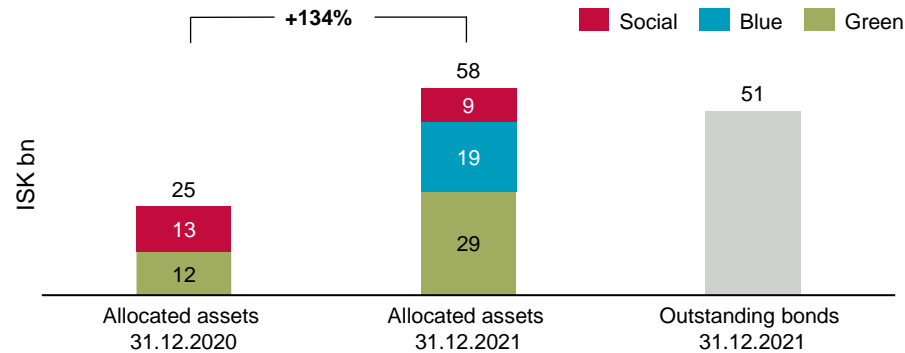
Sustainability priorities ahead in 2022

Increasing sustainable lending and mapping out path to net-zero emissions in 2040 are the Bank's biggest sustainability priorities in 2022

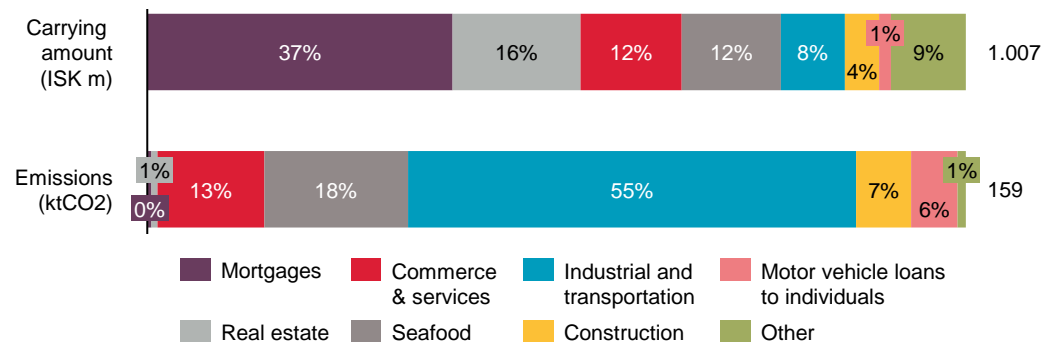
Financed emissions

- Initial estimates of financed emissions for 2019 and 2020 published according to the PCAF standard
- Financed emissions were ~360x higher than emissions from operations in 2020
- This can be compared to a global avg. for finance sector of 700x according to CDP

Sustainable lending more than doubled and outpaced outstanding bonds by year-end



Industrial and transportation account for 55% of emissions from loan book in 2020, although only 8% of carrying amount¹



Sustainability goals for 2022 include²

- Present **officially validated science-based targets** for short- and medium term financed emissions
- Increase sustainable lending by ISK 40bn** bringing % of sustainable corporate loans to **15%**
- >50%** of credit exposure in the loan portfolio to be **ESG risk rated**
- Reduce operations-related carbon footprint by 40%** from 2019-2022
- Further increase customer access to and awareness of **sustainable savings options**

1. Other loans to customers include investment companies, financial services, energy, public sector and non-profit organisations and loans to individuals other than mortgages and motor vehicles some of which are out of scope according to the PCAF methodology, 2. Full list of objectives can be found in the annual and sustainability report for 2021



4. Q&A



Appendix I – Additional financial information



Financial overview

Key figures & ratios

		1Q22	4Q21	3Q21	2Q21	1Q21
PROFITABILITY	Profit for the period, ISKm	5,187	7,092	7,587	5,431	3,615
	Return on equity	10.2%	14.2%	15.7%	11.6%	7.7%
	Net interest margin (of total assets)	2.6%	2.4%	2.4%	2.4%	2.4%
	Cost-to-income ratio ¹	47.6%	45.3%	39.4%	49.9%	51.3%
	Cost of risk	(0.17%)	(0.23%)	(0.64%)	(0.42%)	0.20%
		31.3.22	31.12.21	30.9.21	30.6.21	31.3.21
BALANCE SHEET	Loans to customers, ISKm	1,107,893	1,086,327	1,081,418	1,089,723	1,029,415
	Total assets, ISKm	1,446,355	1,428,821	1,456,372	1,446,860	1,385,235
	Risk exposure amount, ISKm	945,321	901,646	917,764	924,375	954,712
	Deposits from customers, ISKm	761,471	744,036	754,442	765,614	698,575
	Customer loans to customer deposits ratio	145%	146%	143%	142%	147%
	Non-performing loans (NPL) ratio ²	1.8%	2.0%	2.0%	2.1%	2.4%
LIQUIDITY	Net stable funding ratio (NSFR), for all currencies	123%	122%	121%	122%	119%
	Liquidity coverage ratio (LCR), for all currencies	195%	156%	225%	187%	172%
CAPITAL	Total equity, ISKm	197,201	203,710	197,381	190,355	185,471
	CET 1 ratio ³	18.8%	21.3%	20.6%	20.1%	19.2%
	Tier 1 ratio ³	19.9%	22.5%	21.8%	20.1%	19.2%
	Total capital ratio ³	22.5%	25.3%	24.7%	22.9%	21.9%
	Leverage ratio ³	12.4%	13.6%	13.2%	12.4%	12.6%

1. Calculated as (Administrative expenses + Contribution to the Depositors' and Investors' Guarantee Fund – One-off items) / (Total operating income – One-off items).

2. Stage 3, loans to customers, gross carrying amount. 3. Including 3Q21 profit for 30.9.21 and 1Q22 profit for 31.3.22



Financial targets on track

Clear path to ROE expansion, attractive capital return and optimisation

Targets	Revised	2022 Guidance	1Q22	4Q21	2021
Return on equity	>10%	8-10% by 2023	10.2% ✓	14.2% ✓	12.3% ✓
Cost-to-income ratio¹	<45%	45-50%	47.6% ✓	45.3% ✓	46.2% ✓
CET1 capital ratio²	~16.5%	Normalise before YE2023	18.8% ✓	21.3% ✓	21.3% ✓
Dividend-payout-ratio	50%	50%			50% ✓

1. Calculated as (Administrative expenses + Contribution to the Depositors' and Investors' Guarantee Fund – One-off items) / (Total operating income – One-off items). 2. Long term CET1 capital target is subject to regulatory requirements and includes a management buffer of 50-200bp. 2. Including profit for 1Q22

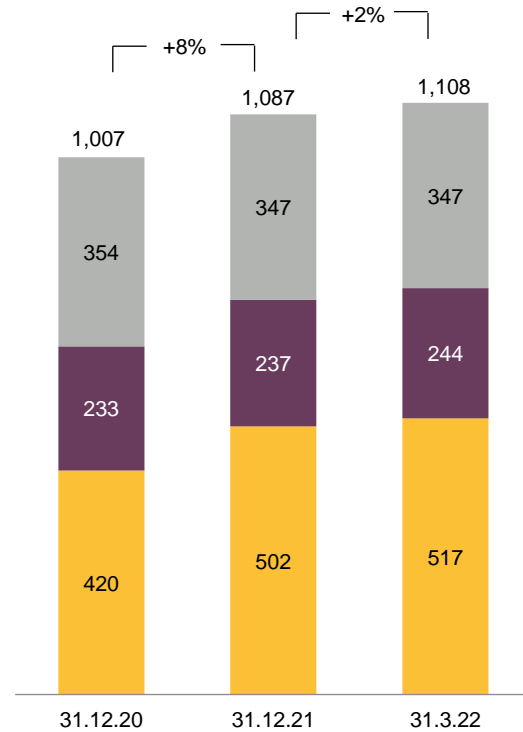


Diversified and highly collateralised loan portfolio

Loans to individuals are 48% of loans to customers, mainly residential mortgages

Loans to customers

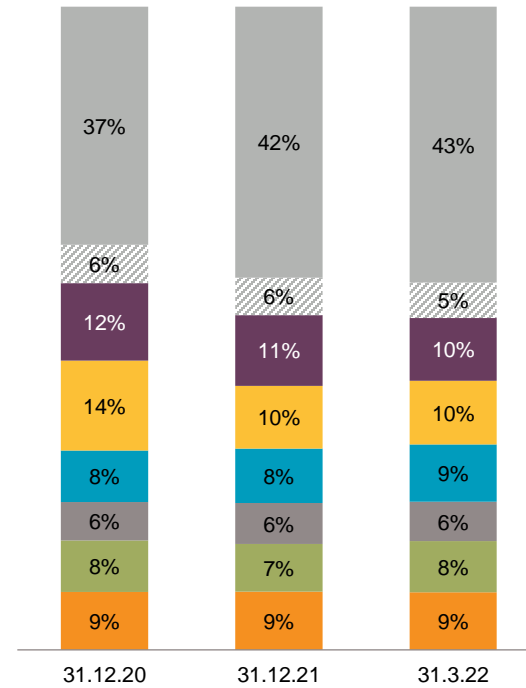
By business division, ISKbn



- Corporate & Investment Banking
- Business Banking
- Personal Banking

Loans to customers

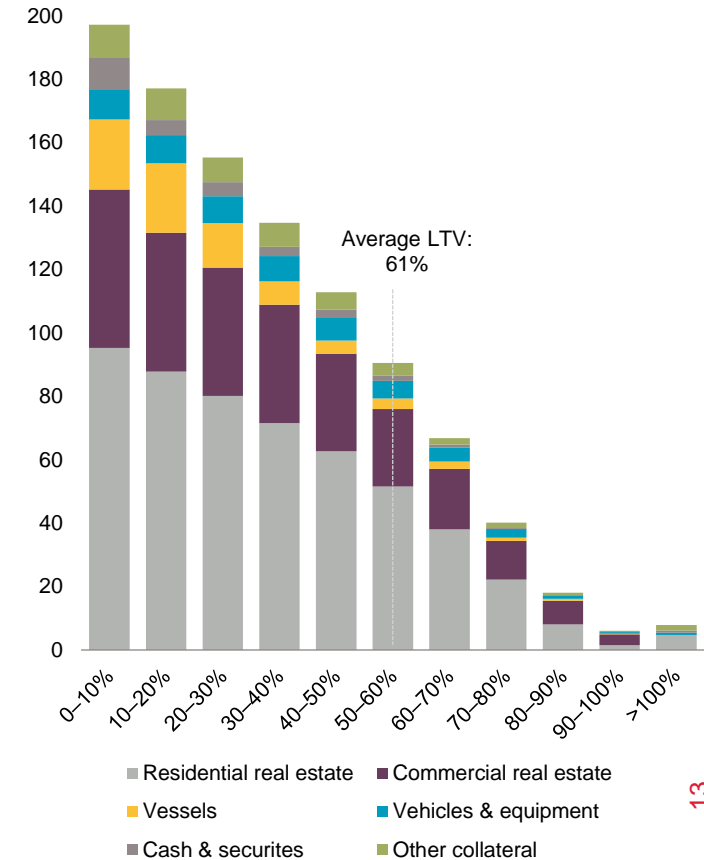
By sector, with tourism as a separate sector



- Mortgages to individuals
- Seafood
- Commerce and services
- Other
- Individuals
- Real estate
- Industrial and transportation
- Tourism

LTV distribution by underlying asset class

31.3.2022, loan splitting approach, ISKbn



- Residential real estate
- Commercial real estate
- Vessels
- Vehicles & equipment
- Cash & securities
- Other collateral



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