

Pillar 3 Report

Íslandsbanki

First quarter 2026



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About this report

This Pillar 3 report for the first quarter of 2026 has been prepared in accordance with the Capital Requirements Regulation (CRR), the Capital Requirements Directive (CRD) and the European Banking Authority (EBA) Guidelines on Pillar 3 disclosures. The report includes the disclosures that are required to be updated quarterly.

Non-disclosed templates

The Bank remains committed to full compliance with applicable regulations and will update its disclosures as new requirements come into effect. Certain templates required under the EBA Pillar 3 framework are omitted due to regulatory exemptions, immateriality, or non-applicability to Íslandsbanki's business model:

- *EU CR8, EU CMS1, EU CMS2 – IRB approach for credit risk*: Íslandsbanki applies the Standardised Approach for credit risk and does not use IRB models.
- *EU CCR7 – Counterparty credit risk under IRB*: Not applicable as the Bank does not use IRB models for credit risk.
- *EU MR2 – Market risk under alternative internal models*: Not disclosed as the Bank does not use alternative internal models for market risk.
- *CVA4 – Credit valuation adjustment risk*: Omitted as Íslandsbanki applies the Reduced Basic Approach under CRR 3, which does not require these templates to be disclosed.

Key metrics

EU KM1: Key metrics template

The reduction in available own funds 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.

(in ISK millions)	a	b	c	d	e
	31.3.2026	31.12.2025	30.9.2025	30.6.2025	31.3.2025
Available own funds (amounts)					
1 Common Equity Tier 1 (CET1) capital	191,949	207,576	201,119	200,801	197,374
2 Tier 1 capital	208,696	224,792	210,744	210,326	207,193
3 Total capital	232,479	247,891	233,670	233,488	229,877
Risk-weighted exposure amounts					
4 Total risk-weighted exposure amount	1,049,435	1,033,788	1,084,527	1,084,492	1,061,903
4a Total risk exposure pre-floor	1,049,435	1,033,788			
Capital ratios (as a percentage of risk-weighted exposure amount)					
5 Common Equity Tier 1 ratio (%)	18.3%	20.1%	18.5%	18.5%	18.6%
5b Common Equity Tier 1 ratio considering unfloored TREA (%)	18.3%	20.1%			
6 Tier 1 ratio (%)	19.9%	21.7%	19.4%	19.4%	19.5%
6b Tier 1 ratio considering unfloored TREA (%)	19.9%	21.7%			
7 Total capital ratio (%)	22.2%	24.0%	21.5%	21.5%	21.6%
7b Total capital ratio considering unfloored TREA (%)	22.2%	24.0%			
Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount)					
EU 7d Additional own funds requirements to address risks other than the risk of excessive leverage (%)	1.4%	1.4%	1.4%	1.4%	1.8%
EU 7e of which to be made up of CET1 capital (percentage points)	0.8%	0.8%	0.8%	0.8%	1.0%
EU 7f of which to be made up of Tier 1 capital (percentage points)	1.1%	1.1%	1.0%	1.0%	1.3%
EU 7g Total SREP own funds requirements (%)	9.4%	9.4%	9.4%	9.4%	9.8%
Combined buffer and overall capital requirement (as a percentage of risk-weighted exposure amount)					
8 Capital conservation buffer (%)	2.5%	2.5%	2.5%	2.5%	2.5%
EU 8a Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	-	-	-	-	-
9 Institution specific countercyclical capital buffer (%)	2.4%	2.4%	2.5%	2.5%	2.5%
EU 9a Systemic risk buffer (%)	1.8%	1.8%	1.9%	1.9%	1.9%
10 Global Systemically Important Institution buffer (%)	-	-	-	-	-
EU 10a Other Systemically Important Institution buffer	3.0%	3.0%	3.0%	3.0%	2.3%
11 Combined buffer requirement (%)	9.7%	9.7%	9.8%	9.9%	9.9%
EU 11a Overall capital requirements (%)	19.1%	19.1%	19.2%	19.3%	19.7%
12 CET1 available after meeting the total SREP own funds requirements (%)	12.8%	14.6%	12.2%	12.1%	11.9%
Leverage ratio					
13 Leverage ratio total exposure measure	1,848,958	1,797,721	1,807,080	1,756,995	1,717,394
14 Leverage ratio	11.3%	12.5%	11.7%	12.0%	12.1%
Additional own funds requirements to address the risk of excessive leverage (as a percentage of total exposure measure)					
EU 14a Additional own funds requirements to address the risk of excessive leverage (%)					
EU 14b of which to be made up of CET1 capital (percentage points)					
EU 14c Total SREP leverage ratio requirements (%)	3.0%	3.0%	3.0%	3.0%	3.0%
Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)					
EU 14e Leverage ratio buffer requirement (%)					
EU 14f Overall leverage ratio requirement (%)	3.0%	3.0%	3.0%	3.0%	3.0%
Liquidity Coverage Ratio¹					
15 Total high-quality liquid assets (HQLA) (Weighted value - average)	235,327	227,548	221,118	219,559	220,267
EU 16a Cash outflows - Total weighted value	231,581	232,342	228,387	220,994	219,238
EU 16b Cash inflows - Total weighted value	110,309	116,728	116,989	109,612	108,195
16 Total net cash outflows (adjusted value)	121,272	115,614	111,398	111,383	111,043
17 Liquidity coverage ratio (%)	194%	197%	199%	197%	198%
Net Stable Funding Ratio					
18 Total available stable funding	1,386,823	1,390,049	1,349,049	1,316,559	1,330,972
19 Total required stable funding	1,125,579	1,090,283	1,043,371	1,050,965	1,037,447
20 NSFR ratio (%)	123%	128%	129%	125%	128%

¹The Liquidity Coverage Ratio is shown as the average ratio over last 12 months as in LIQ1.

Capital Requirements and MREL

EU OV1: Overview of total risk exposure amounts

CRR 3 was implemented in Iceland in December 2025 and had a significant impact on the Group's risk exposure amount (REA) and capital ratios. 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 Group's loan portfolio grew substantially during the quarter resulting in an increase in REA. No other significant risk profile changes affected the REA.

	a	b	c
	Total risk exposure amounts (TREA)	Total risk exposure amounts (TREA)	Total own funds requirements
	31.3.2026	31.12.2025	31.3.2026
1 Credit risk (excluding CCR)	947,835	932,798	75,827
2 Of which the standardised approach	947,835	932,798	75,827
3 Of which the foundation IRB (FIRB) approach	-	-	-
4 Of which slotting approach	-	-	-
EU 4a Of which equities under the simple risk weighted approach	-	-	-
5 Of which the Advanced IRB (AIRB) approach	-	-	-
6 Counterparty credit risk - CCR	6,707	6,970	537
7 Of which the standardised approach	-	-	-
8 Of which internal model method (IMM)	-	-	-
EU 8a Of which exposures to a CCP	-	-	-
9 Of which other CCR	6,707	6,970	537
10 Credit valuation adjustments risk - CVA risk	1,351	1,375	108
EU 10a Of which the standardised approach (SA)	-	-	-
EU 10b Of which the basic approach (F-BA and R-BA)	1,351	1,375	108
EU 10c Of which the simplified approach	-	-	-
15 Settlement risk	-	-	-
16 Securitisation exposures in the non-trading book (after the cap)	-	-	-
17 Of which SEC-IRBA approach	-	-	-
18 Of which SEC-ERBA (including IAA)	-	-	-
19 Of which SEC-SA approach	-	-	-
EU 19a Of which 1250%/ deduction	-	-	-
20 Position, foreign exchange and commodities risks (Market risk)	4,991	4,093	399
21 Of which the standardised approach	-	-	-
EU 21a Of which the Simplified standardised approach (S-SA)	4,991	4,093	399
22 Of which the Alternative Internal Models Approach (A-IMA)	-	-	-
EU 22a Large exposures	-	-	-
23 Reclassifications between trading and non-trading books	-	-	-
24 Operational risk	88,551	88,551	7,084
EU 24a Exposures to crypto-assets	-	-	-
25 Amounts below the thresholds for deduction (subject to 250% risk weight)	-	-	-
26 Output floor applied (%)	-	-	-
27 Floor adjustment (before application of transitional cap)	-	-	-
28 Floor adjustment (after application of transitional cap)	-	-	-
29 Total	1,049,435	1,033,788	83,955

EU KM2: Key metrics - MREL and, where applicable, G-SII requirement for own funds and eligible liabilities

In accordance with Act No. 70/2020 on the Resolution of Credit Institutions and Investment Firms, as amended, transposing Directive 2014/59/EU and Directive (EU) 2019/879 into Icelandic law, the Group is required at all times to meet the minimum requirement for own funds and eligible liabilities (MREL). The Resolution Authority of the Central Bank of Iceland (the Resolution Authority) is responsible for determining the Group's MREL.

On 17 October 2025, the Resolution Authority announced its MREL decision for the Group. According to the decision, the Group's MREL is set at 18.8% of the total risk exposure amount (TREA) and 6.0% of the total exposure measure (TEM). The decision further requires that a portion of the Group's MREL must be met with subordinated instruments. The subordination portion of the MREL is set at 13.5% of TREA and must be fulfilled by 4 October 2027.

The MREL is published irrespective of the value of the combined buffer requirement, which must be met in parallel with both the MREL-TREA and the subordination requirement. Taking into account the Group's combined buffer requirement as at 31 March 2026, the resulting MREL-TREA amounts to 28.5%, while the subordinated portion of the MREL is equivalent to 23.2% of TREA.

		a
		Minimum requirement for own funds and eligible liabilities (MREL)
		31.3.2026
(In ISK millions)		
Own funds and eligible liabilities, ratios and components		
1	Own funds and eligible liabilities	422,942
EU-1a	Of which own funds and subordinated liabilities	232,479
2	Total risk exposure amount of the resolution group (TREA)	1,049,435
3	Own funds and eligible liabilities as a percentage of TREA	40.3%
EU-3a	Of which own funds and subordinated liabilities	22.2%
4	Total exposure measure (TEM) of the resolution group	1,848,958
5	Own funds and eligible liabilities as percentage of the TEM	22.9%
EU-5a	Of which own funds or subordinated liabilities	12.6%
Minimum requirement for own funds and eligible liabilities (MREL)		
EU-7	MREL requirement expressed as percentage of the TREA	28.5%
EU-8	Of which to be met with own funds or subordinated liabilities	23.2%
EU-9	MREL requirement expressed as percentage of the TEM	16.2%
EU-10	Of which to be met with own funds or subordinated liabilities	13.2%

Liquidity Risk

EU LIQ1: Quantitative information of LCR

	a	b	c	d	e	f	g	h
	Total unweighted value (average)				Total weighted value (average)			
	31.3.2026	31.12.2025	30.9.2025	30.6.2025	31.3.2026	31.12.2025	30.9.2025	30.6.2025
	Number of data points used in the calculation of averages							
(In ISK millions)	12	12	12	12	12	12	12	12
High-quality liquid assets								
1 Total high-quality liquid assets (HQLA)					235,327	227,548	221,118	219,559
Cash - Outflows								
2 Retail deposits and deposits from small business customers, of which:	595,107	584,548	573,092	559,569	51,452	50,132	49,011	47,368
3 Stable deposits	327,964	324,087	319,034	315,936	16,398	16,204	15,952	15,797
4 Less stable deposits	266,541	260,071	253,643	243,215	34,452	33,538	32,644	31,154
5 Unsecured wholesale funding	226,647	227,208	225,630	221,077	144,426	145,739	143,059	138,096
6 Operational deposits (all counterparties) and deposits in networks of cooperative banks	6,281	5,865	5,441	4,986	1,570	1,466	1,360	1,247
7 Non-operational deposits (all counterparties)	217,394	216,911	216,810	212,763	139,883	139,841	138,320	133,521
8 Unsecured debt	2,972	4,431	3,379	3,328	2,972	4,431	3,379	3,328
9 Secured wholesale funding					-	-	-	-
10 Additional requirements	39,266	26,560	23,183	19,751	9,951	9,892	9,347	8,853
11 Outflows related to derivative exposures and other collateral requirements	1,737	1,844	2,005	2,235	1,737	1,844	2,005	2,235
12 Outflows related to loss of funding on debt products	1,644	1,637	1,604	1,619	1,644	1,637	1,604	1,619
13 Credit and liquidity facilities	35,885	23,079	19,574	15,898	6,570	6,411	5,738	5,000
14 Other contractual funding obligations	4,205	4,390	4,646	3,681	3,231	3,508	3,847	3,179
15 Other contingent funding obligations	44,057	44,488	44,741	45,085	22,522	23,071	23,122	23,498
16 Total cash outflows					231,581	232,342	228,387	220,994
Cash - Inflows								
17 Secured lending (e.g. reverse repos)	2,692	2,625	3,464	2,590	-	-	-	-
18 Inflows from fully performing exposures	82,923	87,093	86,716	79,469	78,426	82,559	81,913	74,994
19 Other cash inflows	50,963	54,314	56,325	55,384	31,883	34,168	35,076	34,618
19-a (Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)					-	-	-	-
19-b (Excess inflows from a related specialised credit institution)					-	-	-	-
20 Total cash inflows	136,577	144,031	131,942	148,278	110,309	116,728	116,989	109,612
EU-20a Fully exempt inflows	-	-	-	-	-	-	-	-
EU-20b Inflows subject to 90% cap	-	-	-	-	-	-	-	-
20-c Inflows subject to 75% cap	133,885	141,407	130,113	146,409	110,309	116,728	116,989	109,612
Total adjusted value								
21 Liquidity buffer					235,327	227,548	221,118	219,559
22 Total net cash outflows					121,272	115,614	111,398	111,383
23 Liquidity coverage ratio (%)					194%	197%	199%	197%

EU LIQB: On qualitative information on LCR, which complements template EU LIQ1

Main drivers of the LCR

The main drivers of the Bank's LCR are wholesale deposits, inflows from fully performing exposures and holdings of high-quality liquid assets (HQLA).

The liquidity buffer consists mainly of cash held at the Central Bank, government securities and high-quality covered bonds. These assets are predominantly held in Icelandic krona and euro-denominated securities, reflecting the Bank's significant currencies (exposures above 5%).

The LCR in EUR generally exhibits greater volatility than total LCR, reflecting higher concentration of wholesale funding and the regulatory application of inflow caps.

Changes in the LCR over time

Over the reporting period the LCR remained stable and well above regulatory requirement. Periodic fluctuations during the year were mainly driven by funding maturities and movements in wholesale customer deposit.

Actual concentration of funding sources

Weighted outflows within the LCR horizon primarily reflect non-operational wholesale deposits. No material concentration was observed in individual counterparties, funding instruments, or markets that would give rise to elevated liquidity risk within the 30-day stress horizon.

Derivative exposures, including margining requirements, are limited and do not represent a material driver of the Bank's liquidity profile. Currency mismatch risk is actively monitored and is not considered a material driver of the Bank's overall LCR.

