

A smiling woman with dark hair, wearing a dark cardigan over a light-colored collared shirt, is holding a large bouquet of tulips. She is looking off to the side with a pleasant expression. The background is a blurred city street scene with buildings and other flowers in vases. A large, stylized red graphic, consisting of a circle and a swoosh, is overlaid on the right side of the image.

Annual and Sustainability Report

Íslandsbanki

2025



About this report

This Annual and Sustainability Report is Íslandsbanki's integrated core report. We also publish other reports designed to provide stakeholders with additional information on specific subjects such as risk management, and financial and sustainability performance.

Together, these reports provide a comprehensive and detailed picture of the Bank's activities in 2025, along with its main priorities. They are prepared in accordance with global standards such as the International Financial Reporting Standards (IFRS), the Nasdaq ESG Reporting Guide, the Partnership for Carbon Accounting Financials (PCAF), and the Task Force on Climate-Related Financial Disclosures (TCFD), as well as Icelandic law and European regulation. The Bank emphasises an increased flow of transparent information on sustainability. Auditing firm KPMG ehf. reviewed and confirmed, with limited assurance, the selected sustainability disclosures in the Annual and Sustainability Report for 2025.

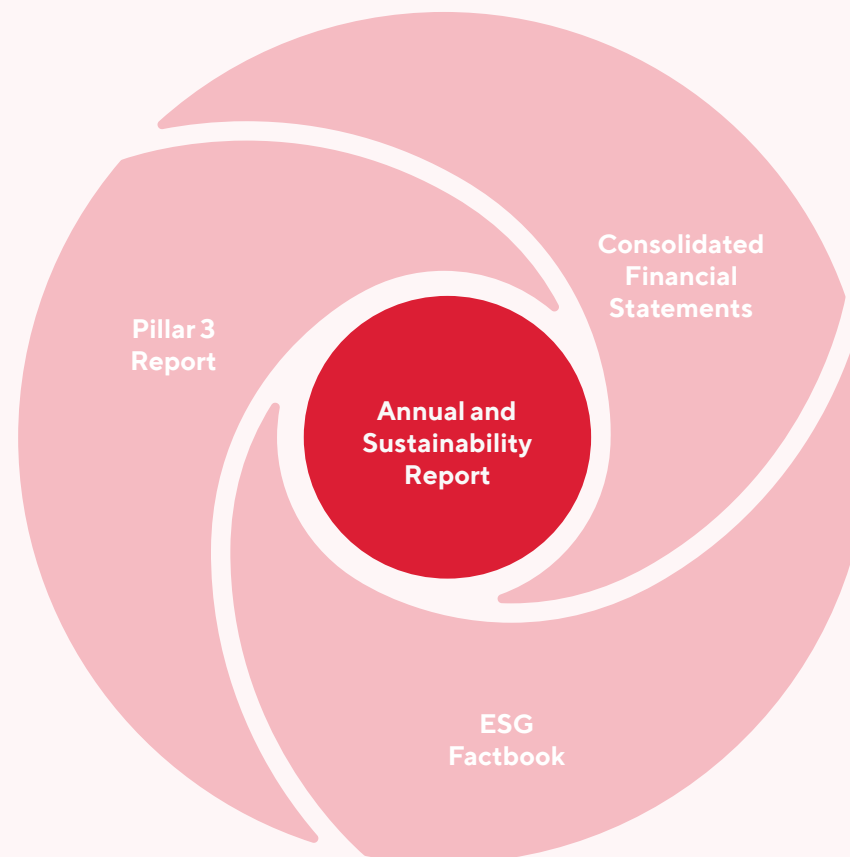




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you back here.





This is Íslandsbanki 2025





Chairman's statement

The year 2025 represented a decisive structural shift for Íslandsbanki. With the Icelandic State completing the sale of its remaining 45.2% shareholding, the Bank transitioned fully into private ownership and became one of Iceland's most widely held listed companies, with more than 25,000 shareholders at year-end 2025. This transformation did not simply broaden the shareholder base; it also altered the Bank's fundamental operating environment. Market based ownership brought sharper expectations regarding discipline, capital efficiency, and strategic clarity, while removing the long-standing constraints and uncertainties associated with mixed public-private governance. For the first time in more than a decade, the Bank could operate within the Icelandic market purely based on commercial considerations.

This transition coincided with an unusual shift in Board circumstances. The Board that was elected at the Annual General Meeting in 2025 reflected an ownership structure in which the Icelandic State still held a significant stake and had nominated three directors. Shortly thereafter, the State divested its stake completely, while a significant number of private investors had entered the share register. This created a brief period in which ownership had changed rapidly, but the shareholder base following the divestment had not yet fully settled. With no established factions and limited engagement from many of the new, predominantly small shareholders, it became increasingly important for the Board to renew its mandate once the ownership structure had stabilised. This realignment underscored the need for the Board's authority to reflect a fully private and broadly dispersed shareholder base, and for governance and strategic priorities to align with the requirements of a modern, privately owned financial institution.

In this context, strengthening the link between the Board and the Bank's new ownership profile became a priority. Iceland's most widely held bank must operate with a Board that clearly reflects the interests of its shareholders and possesses a current, legitimate mandate to guide long term strategic decisions. This principle was central to my decision to assume the chairmanship at a meeting of shareholders in January 2026. The Nomination Committee received unanimous support from the Bank's largest shareholders for new leadership, reflecting a shared commitment to ensuring that the Board's authority aligned fully with the expectations of the current ownership landscape.

Íslandsbanki demonstrated resilience in 2025, a year shaped by modest economic growth, shifting inflation dynamics, and a rapidly evolving financial landscape both domestically and globally. Despite a demanding environment, Íslandsbanki delivered a strong and steady performance, affirming the Bank's central role in Iceland's financial system. The Bank further strengthened its digital foundations

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Going forward, the Board places strong emphasis on open and structured engagement with shareholders. Regular dialogue and a clear articulation of strategic priorities help ensure that stakeholders have insight into the Board's work and its decision-making framework.

and employees have shown progressiveness through their adoption of artificial intelligence in daily tasks. In a time when vast technological developments are introduced within a span of only a few years, and in some cases weeks or conduct months, the banking sector must be ready to fend off the parties misusing new technology to further fraudulent activities or cyberattacks. Íslandsbanki has taken, and will continue to take, crucial steps to equip our customers with tools and guidance on how to better protect themselves against such activities, while also being available in times of need and maintaining appropriate systems and measures to navigate these challenges.



**Heiðar
Guðjónsson**

Chairman of
the Board



Going forward, the Board places strong emphasis on open and structured engagement with shareholders. Regular dialogue and a clear articulation of strategic priorities help ensure that stakeholders have insight into the Board's work and its decision-making framework.

As Íslandsbanki looks ahead, the most immediate and actionable opportunities lie within the Bank's existing operations. The Bank's strong market position across all its operating segments, together with its extensive customer relationships, provides a solid foundation for further strengthening its services and capabilities as customer needs evolve. Continued development in these areas can enhance the overall customer experience and support a more balanced, resilient business model. By building deliberately on these strengths, Íslandsbanki can generate more robust income streams and establish a business model better positioned to anticipate and respond to long-term shifts in customer expectations and market dynamics.

Realising this potential will require steady effort and a long-term approach. Íslandsbanki's scale, brand, and history of innovation provide a strong platform, but sustained progress depends on how effectively these strengths are developed and applied. The Board's role is to support this work by promoting clarity in strategic priorities, encouraging disciplined investment

in technology and service development, and ensuring that decisions are grounded in long-term value creation. By advancing deliberately and building on its existing capabilities, the Bank can strengthen its position in a competitive market and create a durable foundation for customers, employees, and shareholders alike.

Íslandsbanki moves forward with a renewed and strengthened mandate, a broader ownership base, and a more firmly established strategic direction. The foundations are solid, and the Bank is fortunate to have committed employees who are ready and willing to go the extra mile to reach strategic milestones and ensure the quality of the services provided to Íslandsbanki's customers. The Board remains committed to steady, long term value creation, ensuring that Íslandsbanki strengthens its competitive position, enhances the customer experience, and creates lasting value for its shareholders.



CEO's address

2025 was a year of delivery, discipline, and direction for Íslandsbanki. We navigated a demanding macroeconomic environment with resilience, sharpened our operating model, and maintained a clear focus on our customers and the long-term health of the Bank. Empowering our customers to be a force for good remained central to our work throughout the year and guided the strategic choices we made. A central purpose of our strategy is to increase returns for shareholders, and our progress in 2025 reflects disciplined execution and a long-term commitment to value creation. In May, the Icelandic State completed the divestment of its remaining stake in the Bank, a milestone that broadened our shareholder base, improved liquidity in our stock, and marked the Bank's transition into a fully market-owned institution.

Íslandsbanki stands on solid foundations, supported by strong capital, ample liquidity, and a balanced funding profile. Customer engagement remains high, strengthened by ongoing improvements in our digital services. With 2026 underway, we move forward with measured confidence, aware of external uncertainties yet firmly grounded in our capabilities, culture, and commitment to responsible banking.

Economic and Market Developments

The Icelandic economy experienced moderate yet uneven growth in 2025. These conditions shaped the needs and behaviours of our customers throughout the year. Households benefited from rising real wages and stable employment, which supported resilient private consumption despite elevated interest rates. At the same time, businesses operated in a mixed environment; strong investment in capital-intensive sectors created financing opportunities, while a deteriorating outlook in tourism and energy-intensive industries required closer planning with clients. Inflation remained elevated for much of the year, keeping monetary policy restrictive while domestic demand remained firm and housing-related pressures eased. Labour market conditions became more balanced during the year, as stable employment continued to underpin customers' ability to manage their financial commitments. However, unemployment edged higher toward year-end, and a broader degree of slack began to emerge in the labour market.

Delivering strong results

Against this backdrop, Íslandsbanki delivered a strong and steady performance in 2025. Profit amounted to ISK 25.2 billion, and return on equity reached 11.2%, supported by a cost-to-income ratio of 42.4% that reflects disciplined execution across the business. The Bank maintained a robust balance sheet, with a CET1 ratio of 20.1% and a total capital ratio of 24%, alongside liquidity buffers comfortably above requirements. Asset quality remained strong throughout the year, and the increase in stage 2 loans at the end of the year was mainly related to a handful of credit cases. Total assets reached ISK 1,728 billion at year-end, underlining the scale and stability of the franchise.

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Dedicated and motivated employees continue to deliver strong service, forming deeper relationships that ultimately build trust, which forms the foundation of our future progress.

Household loan demand remained steady in 2025, though tempered by the interest rate environment, and corporate lending reflected prudent investment decisions among firms. Impairments stayed low and in line with expectations, and deposit growth



Jón Guðni Ómarsson

Chief Executive Officer



remained solid across both retail and corporate segments. Our funding strategy supported a diversified and stable investor base. Íslandsbanki operated with 725 FTEs across 12 branches at year-end and maintained strong market positions, with an overall market share of 31% in Personal Banking and 37% in Business Banking.

Strategic Progress

Digital development

A key theme of 2025 was continued investment in digital solutions. The new online bank delivered a simpler and more intuitive experience for customers, while the *My Family* feature in the app improved financial coordination within households. We expanded the use of Copilot across the organisation, embedding AI-enabled capabilities in service, support, and documentation processes. Business Banking advanced its digital offering with a new online bank and enhanced app features that streamline invoicing, payments, and daily financial management for companies.

Risk and resilience

The Bank maintained excellent asset quality, supported by strong underwriting discipline, resilient customers, and robust collateralisation. Liquidity and capital buffers remained high throughout the year, ensuring resilience as regulatory expectations continue to evolve.

Selective growth

We are exploring opportunities for selective growth in foreign lending. Before embarking on this new path, we established a clear

framework defining where the Bank is best positioned to participate. Central to this approach is partnering with well-established counterparties and focusing on projects where we have a solid understanding of the underlying industry. This ensures that international participation aligns with the Bank's long-term objectives for profitability, resilience, and responsible risk-taking. Our ambition is not volume for its own sake but carefully chosen projects that support sustainable returns and reinforce the strength of the Bank over time.

A Strong and Engaged Team

Employee engagement, commitment, and pride continued to strengthen in 2025, reflecting a steady and positive trend that is essential to the Bank's long-term success. Customer sentiment improved noticeably from the weaker levels seen at the start of the year and showed clear strengthening as the year progressed, even though conditions softened somewhat toward year-end. Our reputation and brand perception strengthened, satisfaction rose throughout the year, and a higher proportion of customers were willing to recommend the Bank. Dedicated and motivated employees continue to deliver strong service, forming deeper relationships that ultimately build trust, which forms the foundation of our future progress.

Work on the Bank's new incentive framework began following the shareholders' meeting in June 2025, where an amendment to the remuneration policy was approved, allowing for performance-based incentives

and stock options. The new framework is designed to better align the interests of employees and shareholders, strengthen our performance-driven culture, and ensure transparency. Incentives will be linked to operational results and long-term objectives, without encouraging undue risk-taking. This ensures that we can attract and retain the expertise essential for delivering sustainable returns to our shareholders.

Developments Shaping Our Strategic Direction

The Icelandic State's Divestment

In May, the Icelandic State completed the sale of its remaining stake in Íslandsbanki. This marked an important milestone for the Bank, broadening our shareholder base and strengthening the liquidity of Íslandsbanki's shares. A fully market-based ownership structure enhances transparency, supports strong governance practices, and provides a clearer foundation for long-term value creation. We welcome continued interest from both domestic and international investors and remain committed to upholding the trust that this diversified ownership reflects.

Interest-rate ruling

The Supreme Court ruling on variable-rate mortgages in October 2025 was an important development for the banking sector. With the ruling, our focus shifted from navigating uncertainty to implementing the outcome in a clear and orderly manner. Within weeks, we updated our product offering to reflect the ruling and ensured that customers continue to benefit from a robust range of products.



Proposed merger with Skagi

The proposed merger with Skagi, a company in the Icelandic financial services sector, represents an important strategic opportunity for Íslandsbanki and has naturally prompted thoughtful discussion among our shareholders. The combination would broaden capabilities across retail, SME, and corporate banking, and strengthen our platform in investment banking and asset management. The merger is expected to improve efficiencies through technology, operational integration, and further the streamlining of the organisation. Our priority throughout the process is to safeguard the interests of customers, employees, and shareholders, and to ensure a careful and well-managed transition that maintains the high standard of service for which both institutions are known.

Outlook for 2026

The operating environment is expected to continue normalising in 2026 as inflation gradually eases and monetary policy becomes less restrictive. While economic growth is likely to remain modest, household finances are sound, and investment activity is expected to stabilise as confidence improves. For Íslandsbanki, our focus will remain on maintaining strong capital and liquidity positions, sustaining robust asset quality, and advancing our digital and service agenda. We are committed to delivering higher returns to shareholders, supported by disciplined execution and responsible growth. With a resilient balance sheet, a clear strategy, and a dedicated team, Íslandsbanki is well positioned to maintain its momentum and deliver on its long-term objectives.

As we look ahead, I am grateful for the commitment of our employees, the confidence shown by our customers, and the continued support of our shareholders. The progress we made in 2025, from improved customer sentiment and disciplined performance to strategic clarity in key growth areas, has strengthened the foundations we rely on. Our purpose of empowering our customers to be a force for good provides direction as we refine the Bank's strategy and focus on delivering higher returns. With this shared focus, we will continue to support the development of Iceland's economy by financing sound investments, strengthening financial wellbeing, and creating lasting value for our shareholders.





Financials and funding

Entering 2025, expectations were for a relatively rapid moderation of inflation, on the back of which a reduction in policy rates was anticipated.

As the year progressed, the economy continued to show signs of persistent inflation, although meaningful rate-cut steps were taken. However, following a long period of both high inflation and a high interest rate environment, customers increasingly refinanced their loans into CPI-linked instruments, resulting in a shift in the Bank's portfolio. The Bank has placed emphasis on strategic international loan growth within the Corporate and Investment Banking loan book, mainly in projects related to infrastructure financing. In addition to reducing geographical concentration within the Bank's loan book, lending outside Iceland allows for better usage of the Bank's existing FX reserves, providing the Bank with an overall margin uplift.

Despite a prolonged period of elevated interest rates, the loan book continues to demonstrate strong credit quality. Overall collateralisation is high, at over 94% of the book. NPLs remain stable and credit losses are minimal, aside from impairments related to a handful of distressed credit cases. Time on the market for new residential housing has, however, increased considerably throughout the year, driven both by a softening economy and by uncertainty regarding mortgage product offerings following a Supreme Court ruling during the fourth quarter of 2025. As a result, the residential real estate segment of the construction portfolio has begun to show signs of stress, leading to the transfer of a few cases into stage 2. At present, the Bank does not consider its risk of losses to be significant but continues to monitor the situation closely.

The Bank's operations were strong in 2025 and showed improvement from the previous year. Profit for the year amounted to ISK 25.2 billion, equivalent to an 11.2% return on equity. The cost-to-income ratio for the year as a whole

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Strong growth in the Bank's loan portfolio in 2025, or 5.5% year-on-year, is attributable to all business units though most growth is coming from Corporate and Investment Banking.

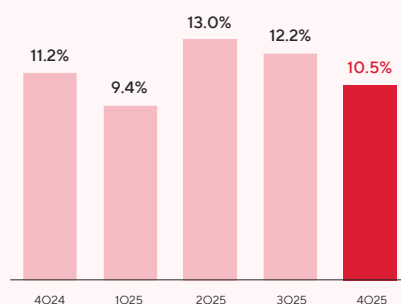
was 42.4%. This performance is attributable to strong activity across all business units, healthy balance sheet growth, and high asset quality.

Net interest margin increased year-on-year, in line with expectations. This was mainly due to a reducing adverse impact from the fixed-rate imbalance in the banking book and to more stable real rates, which have positively affected the CPI-linked imbalance. Furthermore, efficient use of FX reserves through increased international lending has delivered positive results.

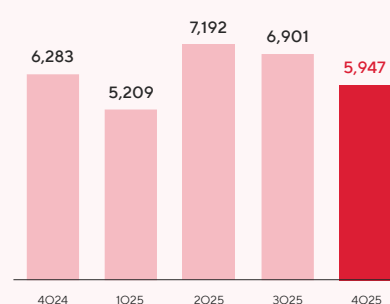
Ellert
Hlöðversson

Chief Financial
Officer

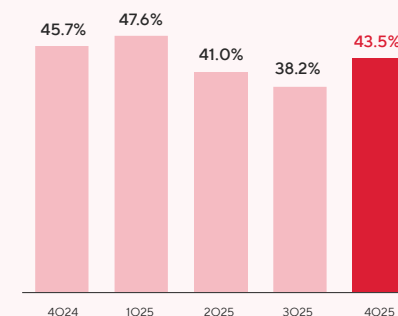
Return on equity



Profit after tax
(ISKm)



Cost-to-income ratio¹



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



Due to the seasonality of inflation and the Bank's current long CPI position, NIMs exhibit seasonal patterns, with the first half of the year historically stronger than, in particular, the fourth quarter. Similar fluctuations are expected in 2026, although the overall impact of the imbalance is projected to decline rapidly.

Fees and commission income showed strong performance in 2025, with substantial growth during the year. This increase was driven primarily by investment banking services and asset management, where both volumes and market prices in the capital markets improved throughout the year. In addition, card-related fees grew robustly on the back of the Bank's strong market share and higher activity levels.

On the back of this strong performance, the Bank has decided to revise its financial targets. The Bank is now aiming for an ROE in excess of 13% and a cost-to-income ratio below 43% for the medium term. Guidance for 2026 indicates

an ROE of around 12% and a cost-to-income ratio of around 43%, assuming normalised impairment levels.

In terms of funding, the Bank took advantage of constructive market conditions both domestically and internationally in 2025. During the year, the Bank issued two green EUR 300 million senior preferred notes, the first in March and the second in November. Both were issued at more favourable spreads and with longer maturities than historically, with the November issuance being the longest-dated issuance ever completed by the Bank. In parallel, the Bank repurchased and repaid at maturity several less favourable international issuances, bringing the overall international funding costs to a very competitive level. Domestically, the Bank remained an active and adaptable issuer in both the covered bonds market and the senior market.

Towards the end of the year, CRR3 was implemented into Icelandic law, resulting in considerable positive impacts on the Bank's capital position. Overall, this change reduced REA by ISK 89 billion, or 8% - slightly above the Bank's previous guidance. As a result, CET1 ratio strengthened by 1.5 percentage points, bringing the Bank's excess capital position to ISK 36 billion at year-end 2025.

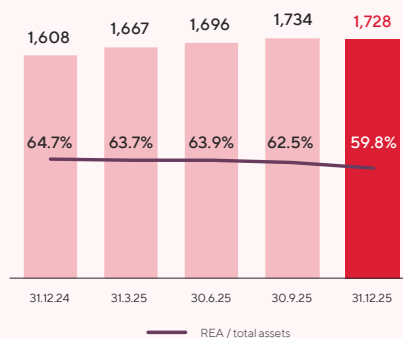
A meaningful step towards further capital optimisation was taken with the issuance of AT1 notes in November, fully utilising the AT1 bucket. This issuance, in SEK and NOK, was completed at record-low spreads for comparable instruments issued by any Icelandic bank since 2008, demonstrating the strong operations and balance sheet of the Bank.

In 2025, a dividend of ISK 12.1 billion was paid to shareholders, amounting to around 50% of the previous year's profits, which is in line with

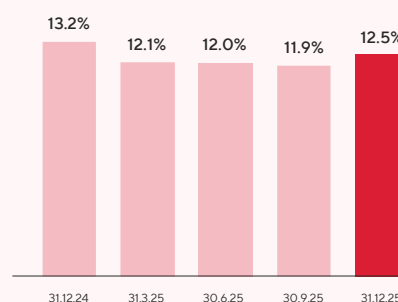
the Bank's dividend policy. In addition, share buybacks amounted to around ISK 14.6 billion in 2025. In total, distributions to shareholders therefore amounted to more than 100% of the previous year's profits.

The Bank remains committed to completing its capital optimisation and expects to do so during 2026, subject to market conditions. The Board of Directors will propose to the Annual General Meeting a dividend payment to shareholders in the amount of ISK 12.6 billion, in line with the Bank's dividend policy. Additionally, the Financial Supervisory Authority of the Central Bank of Iceland granted the Bank an authorisation in February 2026 to buy back its own shares for a market value of ISK 15 billion, with such buybacks expected to commence during the first quarter of 2026.

Total assets
(ISKbn)

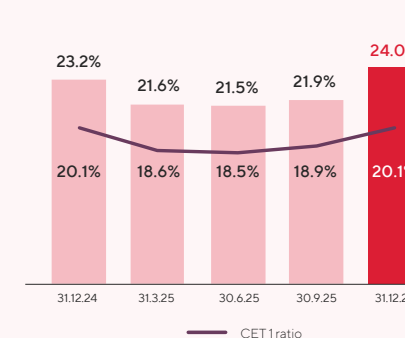


Leverage ratio¹



¹Including 3Q25 profit for 30.9.25

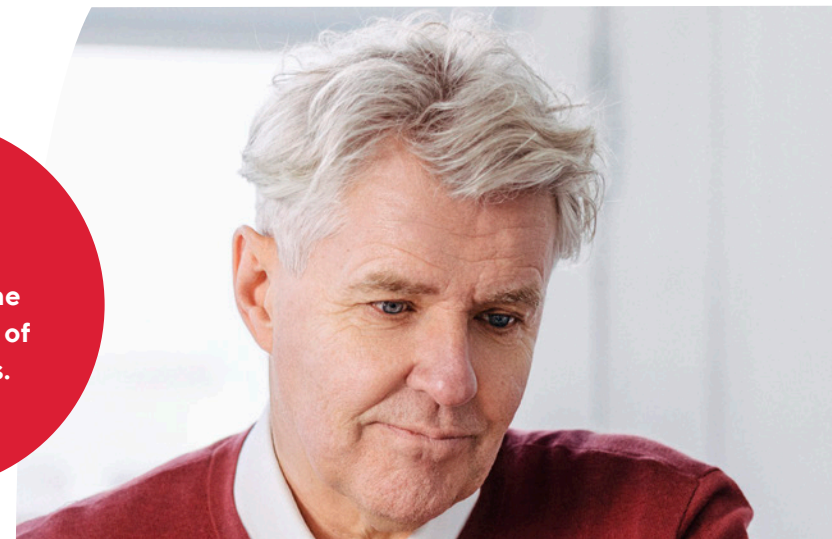
Total capital ratio¹






Business model

Íslandsbanki's role is to be a force for good by creating value for the future in a sustainable way – for our customers, shareholders, and employees, and for society as a whole.



	Personal Banking	Business Banking	Corporate and Investment Banking	Iceland Funds
 Who?	Households and individuals.	Small and medium-sized companies all over Iceland.	Large firms, pension funds, municipalities, UCITS funds, institutional investors, and affluent individuals.	A diverse group of investors and savers.
 What?	We provide a wide range of deposit accounts, payment cards, mortgages, other loans, and private pension savings plans.	We offer a wide range of financing options, deposit accounts, collections services, claims financing, and payment intermediation.	We offer a wide range of financing options, foreign currency services, securities sales, corporate finance, securities advisory, asset management, and investment advisory.	We offer a wide range of bond, equity, and mixed funds; alternative investment funds; and real estate, credit, and venture capital funds.
 How?	Customers can serve themselves through our digital solutions while also having ready access to services related to mortgages and pension savings, as well as emergency payment card services.	Customers have access to comprehensive financial services, as well as Ergo, the Bank's asset financing service.	Customers have access to tailor-made services guided by their individual needs.	Customers have ready access to funds from Iceland Funds through the Bank's distribution channels, as well as through Íslandsbanki's Securities Advisory and Asset Management departments.



2025 in numbers

The Bank

 **725**
number of FTEs
at Íslandsbanki at
year-end



 **12** branches



Listed on Nasdaq Iceland
as of June 2021

Ratings and certifications

S&P Global **BBB+/A-2**
Ratings Positive outlook

MOODY'S **A3**
Stable outlook

ESG risk rating

 **A3**
Exceptional




EQUAL PAY
CERTIFICATE
2025 - 2028





Key Figures 2025

Profit	ISK 25.2bn
ROE	11.2%
Cost-to-income ratio	42.4%
CET1 ratio	20.1%
Total capital ratio Group, all currencies	24.0%
LCR Group, all currencies	203%
NSFR	127%
Leverage ratio	12.5%
Total assets	ISK 1,728bn


Sustainability


 The share of the credit portfolio assessed for ESG risk remained stable year-on-year, at 88%.¹


 Sustainability risk is integrated into Íslandsbanki's risk model for corporate lending.

 Íslandsbanki's sustainable assets amounted to ISK 178 billion at year end.

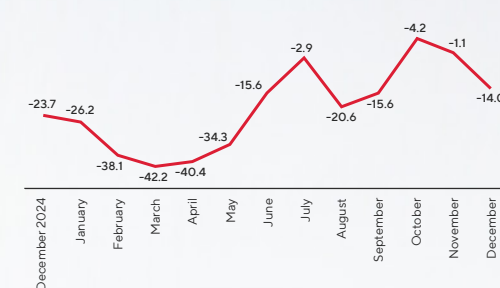
Digital milestones

 The launch of the new online bank led to a 70% reduction in logged issues from 2024 to 2025.

 No high or very high severity incidents were reported throughout 2025.

 The AI-powered M365 Copilot productivity tool was deployed to all staff, with training and integration into knowledge repositories.

NPS development



¹ Except individuals and small companies, which are not included in the dataset. The Bank's objective is to assess the ESG risk of all its large customers.



Timeline 2025

Try clicking the news for further information

1Q

JANUARY

Cooperation agreement between Islandsbanki and VÍS signed.

Macroeconomic forecast published: **Tailwinds picking up speed.**

FEBRUARY

New **online banking platform** launched.

Íslandsbanki receives a **proposal from Arion banki** to enter merger discussions.

Moody's affirms Íslandsbanki at **A3 with a stable outlook.**

The Board of Íslandsbanki decides **not to enter merger discussions** with Arion banki.

MARCH

Ergo celebrates **40 years.**

Report on **infrastructure financing** published.

Private pension savings exceed **ISK 100bn.**



2Q

3Q



Changes to the **Remuneration Policy** approved at a shareholders' meeting.

New **IS Funds** website goes live.

Kvika announces that it **will not enter merger discussions** based on the proposals received.

Moody's affirms Íslandsbanki at **A3 with a stable outlook.**

JUNE

Íslandsbanki contacts Kvika to **propose initiating merger discussions.**

Macroeconomic forecast published: **Economy touches down, then lifts off gradually.**

The Icelandic State completes the sale of its remaining **45.2% shareholding** in Íslandsbanki.

Strategic partnership with **VÍS** launched.

MAY

APRIL

JULY

Íslandsbanki **reiterates its interest in initiating merger discussions** with Kvika.

Kvika **rejects the renewed proposal** for merger discussion.

Corporate Finance advises on the expanded **Eldisgarður equity increase** for a new land-based salmon facility on Reykjanes.

Corporate Finance advises **Arctic Adventures** on its acquisition of **Happy Campers.**

AUGUST

Record number of **charity pledges** in the Reykjavík Marathon.

Formal launch of the Bank's **corporate market partnership with VÍS.**

SEPTEMBER

Macroeconomic forecast published: **Economic equinox.**

An **AI-powered scoring model for consumer loans** is launched, increasing automation and efficiency in the lending process.



4Q

2026



Corporate Finance advises on the **sale of Festing to Eik.**

Corporate Finance advises on the **ISK 3.6 billion equity raise of Drangar.**

DECEMBER

Íslandsbanki supports **16 projects** through the Entrepreneur Fund, awarding **ISK 60 million.**

Moody's affirms Íslandsbanki at **A3 with a stable outlook.**

Final changes to the Bank's **loan product offering** announced following the interest rate ruling.

NOVEMBER

Financing secured for the new **Ölfusárbrú bridge** project.

Íslandsbanki **pauses the issuance of indexed loans** with variable interest rates.

Supreme Court ruling on **interest rates.**

Íslandsbanki **initiates merger discussions** with Skagi hf.

OCTOBER



Economic summary

The Icelandic economy grew moderately in 2025 following a mild recession, as resilient private consumption and strong investment offset a significant drag from net trade. Robust import growth—driven mainly by datacentre and aquaculture projects—stood in contrast to modest export performance, with sector-specific setbacks weighing on the export sector. Despite a persistent current account deficit, the króna remained broadly stable. Labour market pressures eased, although wage growth remained high. Slow GDP growth is expected in 2026, as resilient consumption and slowing imports are set against contracting investment and a moderate decline in exports.

2025

Following a mild contraction in 2024, the Icelandic economy grew moderately in 2025. From the beginning of the year through September, GDP growth reached 1.5%, supported by a robust 16% increase in business investment and 3.6% growth in private consumption. However, net trade subtracted nearly 4% from headline growth, as imports surged by over 11% while exports grew by a modest 2.4%. The spike in imports largely reflects concentrated investment in datacenters and land-based aquaculture, sectors that are heavily reliant on imported goods. Excluding these sectors, both investment and import growth were relatively moderate.

For the full year 2025, GDP growth is expected to measure close to 1.3%. This moderate growth reflects a combination of resilient private consumption, an investment boom in the aforementioned capital-intensive sectors, stability in overall business investment, and a negative contribution from net exports, as import growth was considerable in 2025 while exports were broadly unchanged year-over-year (YoY).

A stable króna despite a significant current account deficit

The export sector faced numerous headwinds during the year. Following a bleak winter, tourism rebounded during the high season, only to revert to contraction in the fourth quarter of 2025. Overall, tourist arrivals in 2025 were nearly unchanged from 2024. The energy-intensive industry had a slew of setbacks, including the closure of a silicon

metal plant and output cuts in another facility due to a deteriorating market environment, and a serious power supply failure at an aluminium smelter that will negatively affect aluminium production in Iceland well into 2026. Meanwhile, in the seafood sector, a failed capelin season for the second year running was partially offset by increased export revenues from farmed salmon and high prices for a number of Iceland's most valuable fish species.

As imports rose while exports stagnated, the current account deficit remained persistent, measuring around 3.7% of GDP in the year to September. However, as the deficit was wholly funded, either directly by foreign FDI inflows or indirectly, the króna was relatively stable throughout the year, appreciating by just over 1% in trade-weighted terms.

Labour market seeking equilibrium

Labour market conditions eased noticeably in 2025 following the tight labour market of 2023–2024. The registered unemployment rate rose from 3.8% in December 2024 to 4.4% by December 2025, while the number of available jobs declined and the share of firms reporting labour shortages dropped sharply.

Nevertheless, wage growth remained substantial, driven by generous contractual increases negotiated during tighter labour market conditions, as well as by wage drift. As a result, wage growth outpaced inflation, with real wages rising by an average of 3.6% over the course of 2025.





Economic summary

Inflation proved persistent, limiting the scope for policy rate cuts

Inflation remained near the Central Bank of Iceland's 4% upper tolerance limit through most of 2025, measuring 4.5% in December 2025 compared to 4.8% in December 2024. December 2025 CPI came in above forecasts due to sharp increases in heating costs and airfares. Services and domestically produced goods contributed more strongly to inflation, reflecting rising domestic cost pressures including labour costs, while housing-related pressures eased in line with a cooling residential real estate market. Imported inflation remained broadly stable.

Improved inflation prospects and a cooling economy supported continued policy rate cuts in early 2025, with the Central Bank lowering the policy rates from 8.5% at year-end 2024 to 7.5% in May 2025. Rates then held steady as inflation proved persistent and domestic demand remained firm. In November 2025, the Bank resumed cuts following weaker export performance, tighter mortgage lending conditions, and easing inflation. Despite a temporary deterioration in the inflation outlook, further rate reductions are expected in 2026, with the policy rate projected to end the year close to 6%.

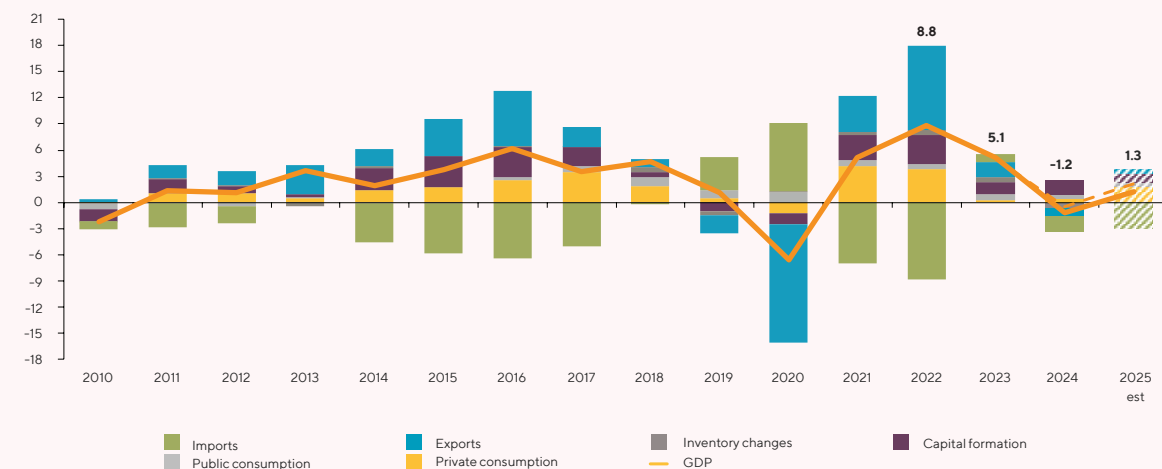
Slow GDP growth amid persistent inflation in the cards for 2026

The growth outlook for 2026 has deteriorated recently following setbacks in the export sector, early indications of a weak start to the year in the tourism sector, and worsening near-term inflation prospects. Resilient private consumption and a contraction in imports of investment goods are likely to partially offset moderate declines in investment and exports. Growth may measure close to 0.6% for the year.

Within the export sector, increased revenues from aquaculture and IP-related activities, along with improved terms of trade, are set to partially offset a moderate contraction in tourism and a temporary decline in power-intensive industry exports. The

GDP and contribution of its subcomponents

Volume change from prior year (%)



Shaded columns and broken lines: Islandsbanki Research forecast / Source: Statistics Iceland

Real exchange rate and current account balance

Index and share of GDP



Shaded columns and broken lines: Islandsbanki Research forecast / Source: Central Bank of Iceland



Economic summary

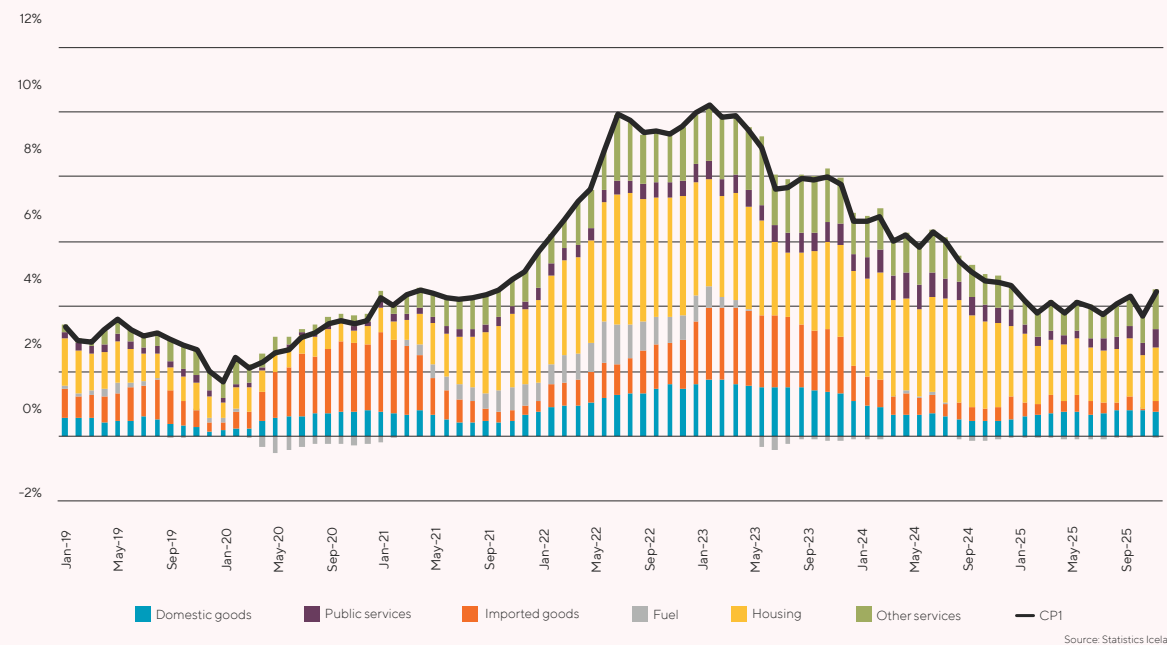
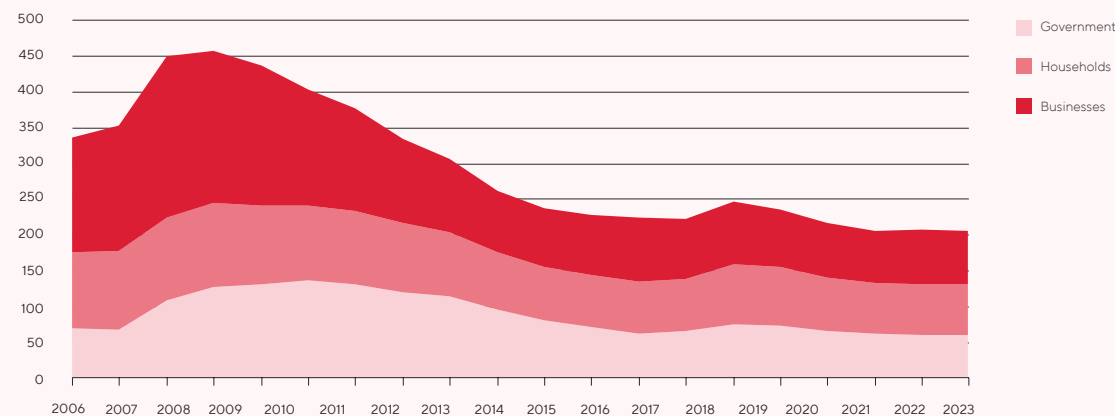
current account is likely to improve, although it is expected to remain in a modest deficit.

Private consumption will be supported by modest real-wage growth and the robust financial standing of most households, while rising unemployment, slower population growth, and increased household pessimism, as reported by sentiment surveys, are expected to weigh on consumption growth.

Wage growth is expected to moderate to just over 6% YoY due to easing wage drift and relatively moderate collective agreement increases. With inflation expected to average 4%, real wages should rise by just over 2%. Unemployment, however, is expected to increase to an average of 4.5% in 2026, compared to 3.9% in 2025.

The króna is expected to weaken marginally, as steady capital inflows are likely to offset a moderate current account deficit and outward portfolio investments. Inflation is projected to remain persistent in the first third of 2026 before declining gradually to around 3.6% by year-end. Cautious policy rate reductions are expected to resume in the second quarter of 2026, with the policy rate declining from 7.25% at year-end 2025 to 6.25% by the end of 2026.

Inflation, by source (%)

Household, corporate, and public debt
% of GDP



Strategy



The Bank's strategy, Íslandsbanki's strategic lighthouse

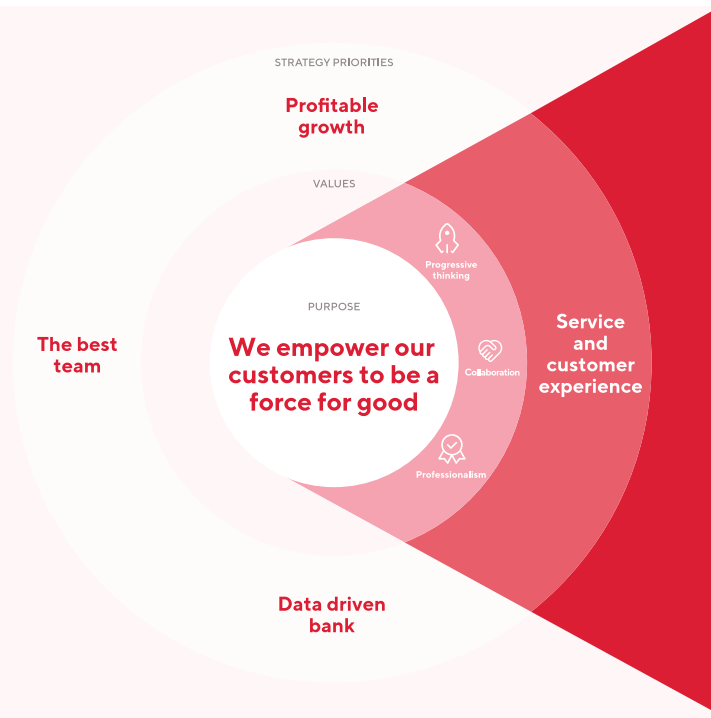
Íslandsbanki operates in accordance with a strategy updated in 2024, when the Bank undertook a major review of its strategic direction which subsequently came into force in 2025.

During the autumn of 2024, small-group workshops were held with all employees, emphasising open discussion and the exchange of views on strategy formulation. The Executive Committee and the Board then engaged in extensive discussion, after which the Board approving the new strategy at the end of 2024. The strategy was then introduced to employees at the beginning of 2025, with a strong focus on robust implementation and follow-up during the year. The strategy reflects Íslandsbanki's commitment to putting customers first by providing outstanding service and promoting their financial health.

The Bank's Strategy Lighthouse provides the framework for the strategy, setting a clear vision for the future, and mapping the paths needed to reach the Bank's objectives. With the updated strategy, the Bank introduced **progressive thinking** as one of its core values to support the development of a forward-looking service culture. The Bank's purpose is to empower its customers to be a **force for good**. The strategy is built around four strategic themes to support the Bank's objectives: **service and customer experience**, **a data-driven bank, profitable growth**, and **the best team**. Under each theme are strategic projects that support the strategy's successful execution.

Financial health is a central element of the Strategy Lighthouse, and all strategic themes aim to support and strengthen our customers' financial health and wellbeing and to be there for them as they realise their goals.

To ensure effective implementation, the Bank introduced the OKR (Objectives and Key Results) methodology. OKRs sharpen focus, encourage forward thinking, and ensure that all employees understand the Bank's strategic direction while working toward shared goals. Executive management sets quarterly OKR targets for the Bank to support the overall strategy. Each team then defines its own OKRs



We enhance your financial health



The Bank's strategy, Islandsbanki's strategic lighthouse

Our values

Íslandsbanki's strengths lie in its diverse group of employees, who make a concerted effort to serve the Bank's customers with experience, inventiveness, and ambition. All decisions are guided by the Bank's values: progressive thinking, collaboration, and professionalism.



Progressive Thinking

With progressive thinking, we show initiative and constantly seek new solutions that create value for our customers. We are curious and open to new technology and how it can enhance the service experience. We are enterprising, courageous, and committed to making things happen.



Collaboration

We base all our work on trust and collaboration. We stand by our customers and support them at major turning points and milestones in their lives. We are solutions-driven and we work together as a team to achieve our goals and those of our customers and society as a whole.



Professionalism

We are professional and thorough in our work. We listen to our customers to understand their situation and share our expertise in order to strengthen their financial health.

in alignment with these bank-wide targets, and progress is tracked in Lattice, the performance management system implemented in 2025. At the end of each quarter, results are presented to employees to maintain transparency and visibility. All OKRs, both Bank-wide and team-specific, are accessible to employees

The Bank also holds annual strategy meetings, where the themes for the year and future prospects are reviewed, and the strategy is fine-tuned. These meetings ensure that employees know and understand what the themes and objectives are and how the Bank intends to achieve them. Furthermore, staff ownership of the strategy is essential, as successful implementation depends on broad engagement across the organisation.



The Bank's purpose

Our purpose is to empower our customers to be a **force for good** in Icelandic society and to create value for the future in a sustainable way – for our customers, shareholders, employees, and for society as a whole. We place particular emphasis on supporting the **financial health** of our customers and we will continue to make every effort to strengthen it, through both educational initiatives and our product offerings.



Strategic priorities

The Bank's strategic priorities focus on promoting customers' financial health and creating value for the future by providing outstanding service.

Service and experience

We aim to provide our customers with outstanding, personalised service that strengthens their financial health, builds trust, and fosters valuable long-term relationships. We place strong emphasis on identifying and understanding the needs of different customer groups so that we can meet those needs and enhance their banking experience. We offer secure, user-friendly digital financial solutions for all day-to-day banking needs and are always available when our customers require more complex services.

In 2025, we introduced our collaboration with VÍS, one of Iceland's leading insurance companies, to offer customers holistic financial services. In parallel with this, the Bank emphasised improving its app with the aim of expanding services and enhancing the customer experience.

A data-driven Bank

We use data, digital processes, and artificial intelligence to tailor our services to customers' needs. By being data-driven, we ensure efficiency, as data and analysis form the cornerstone of sound decision-making.

All of the Bank's employees have completed a course on the use of artificial intelligence (AI) and are increasingly using AI in their day-to-day work.

Profitable growth

We are continuously seeking growth opportunities, with profitability as a guiding principle. Progressiveness and innovation remain at the forefront, with emphasis on further development and projects that have a positive impact on our customers, shareholders, employees, and society as a whole. We optimise our use of capital and thereby ensure efficiency in the Bank's operations.

In 2025, the Bank focused on keeping costs below the business plan.

The best team

We want Íslandsbanki to be a desirable workplace for growth. Together we form an outstanding, cohesive team and an encouraging work environment that sparks creativity, and fosters success. We work together as a single solutions-driven team.



Business units





Personal Banking

Personal Banking aims to proactively meet customer needs through digital solutions and personalised financial services.

Personal Banking serves individuals through a branch network, an advisory centre, and through digital solutions. The division has 147,000 active customers, with most choosing to manage their daily banking through the Íslandsbanki app, which reached 137,000 active users in 2025.

In 2025, the focus was on enhancing the Íslandsbanki app with new features to further improve the customer experience and provide greater convenience in everyday banking. Proactive customer engagement centered on understanding customer needs and delivering services and solutions at the most relevant moments.

A strategic partnership with VÍS, one of Iceland's leading insurance companies, expanded opportunities to offer integrated solutions that support customers and strengthen their long-term financial health.



Ólög Jónsdóttir
Managing Director,
Personal Banking

“ We proactively engage with customers through digital and personalised services

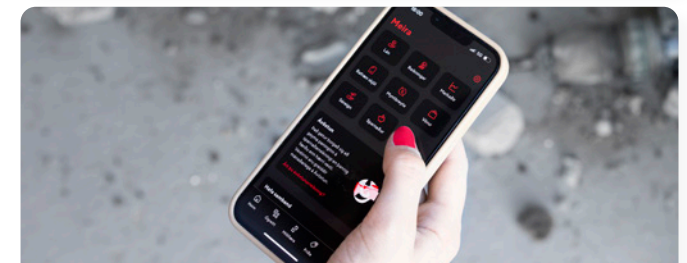
Personal Banking continued to strengthen its position in 2025 through proactive customer engagement and a strong focus on digital development. Personalised and digital services have been our priority this year, with a continued focus on improving customer satisfaction and supporting our customers' financial health. The Íslandsbanki app remains the primary digital channel for our customers, and significant effort has been dedicated to introducing new features that reflect customer needs.

We will continue to take a proactive approach to customer relationships, combining personal advice with digital solutions so customers can make confident financial decisions and maintain strong financial health.



Strategic Partnership with VÍS

In 2025, Íslandsbanki advanced its strategy to deliver integrated financial solutions through a **partnership with VÍS**, one of Iceland's leading insurance companies. The partnership enables customers of both companies to access combined banking and insurance solutions, creating added value at key life moments. VÍS advisors are now available in two Íslandsbanki's branches, including the Akranes branch, which has been redesigned with a shared entrance with VÍS to provide a seamless customer experience. The partnership reflects a shared vision of combining expertise and innovation to simplify financial and insurance services while supporting customers in achieving all round financial health.



New and Improved Íslandsbanki App

In 2025, the Íslandsbanki app was redesigned to make everyday banking simpler and more personalised than before. New features include savings goals, a customised home screen, and **My Family**, which allows customers to manage family accounts and open accounts for children. Tools such as **How much did I spend?** and **My Flexibility** help customers track spending and set personal targets for better financial control. Customers can also view recent transfers quickly, making daily banking easier and more transparent. These improvements have contributed to a higher app rating and reflect a strong commitment to delivering simplicity, convenience, and customer satisfaction.

Market share¹

31% overall
28% deposits
20% mortgages
36% credit cards



The **new and improved app** introduced personalised home screen and multiple other new features which has led to the app rating in App Store **increasing from 3.6 to 4.1** in 2025.



Customer engagement was strengthened through clearer and more proactive communication including adjustments to **how and when** customers are contacted.



Cooperation with VÍS was launched in May, with a VÍS insurance overview becoming visible in the Íslandsbanki app. Customers of both companies now benefit from **expanded rewards and enhanced services**.

¹For individual banking, the based on the number of customers with active deposits as percentage of people with domicile in Iceland. For deposits, mortgages, and credit cards it's based on Central Bank data.



Business Banking

Business Banking provides small and medium-sized enterprises (SMEs) with comprehensive financial services. Ergo, the Bank's asset financing service, is also part of Business Banking.

Business Banking serves a growing group of SMEs in Iceland. Our customers create value in all economic sectors throughout the country, which is instrumental in ensuring economic and social stability.

Our experienced team offers personalised service through local business centres and branches, complemented by accessible digital solutions.

With years of expertise, we have built strong relationships with thousands of companies. We emphasise being there for our customers and provide outstanding personal and digital service and advice. Committed to being a positive force in the community, we consistently rank highest among SMEs in service surveys, outperforming our peers in market share and customer satisfaction.



“ Driving Iceland's Economy with Our Customers

Business Banking strengthened relationships with thousands of SMEs during 2025. Together with our customers, Business Banking played a key role in driving Iceland's economy forward while navigating a challenging economic environment. Despite economic turbulence, new lending exceeded expectations by 40%, reaching ISK 128 billion. This performance was supported by advanced customer segmentation, the ability to serve clients with the right solutions through a hybrid service structure, and the resilience and adaptability of Icelandic companies.

Our commitment to sustainability remained strong throughout the year and we significantly expanded our green financing. This growth was driven by Ergo, which provides financing solutions for vehicles and professional equipment, as well as by a strategic partnership with Tesla. Digital innovation also progressed, with enhanced online solutions, complementing our personalised service in local communities. By leveraging data and expertise, we delivered outstanding service, maintained our long-standing market leadership, and achieved the highest levels of customer satisfaction.



Ergo celebrating 40 years of success

In 2025, Ergo celebrated 40 years as Iceland's leading asset leasing company. This milestone year saw record new car loans and the highly successful product **Cars with experience** launched, which was well received by the market. Ergo increased its market share and maintained strong customer satisfaction. Looking ahead, Ergo remains committed to digital solutions, sustainability, and supporting Icelandic businesses with flexible financing options. Ergo's competitive advantage lies in its broad product range, professional service, and its experienced, knowledgeable staff.



Business Banking digital journey

In 2025, Business Banking accelerated its digital journey with major milestones, including the launch of a new online bank, offering improved usability and efficiency for customers. The app now includes a built-in **Payday** feature, allowing businesses to seamlessly create, issue, and manage invoices directly within the app. Expense management enables companies to capture receipts, categorise costs, and transfer data directly to accounting systems. Additionally, the collections service was integrated into the app, streamlining invoice management and payment tracking. These innovations strengthened Business Banking's commitment to digital solutions, empowering Icelandic companies to manage their finances more effectively and support long-term sustainability and growth.

Market share¹

37% overall

41% greater Reykjavik area

30% countryside



We serve over **50% of Iceland's outstanding companies.**



42% of car loans from Ergo are green.



Loan growth was **7% in Business Banking and 11% in Ergo.**



New lending totalled **ISK 128 billion.**



Corporate and Investment Banking

Corporate and Investment Banking, Iceland's leading investment bank, delivers comprehensive financial and investment services to corporations, municipalities, institutional investors, and high-net-worth individuals.

Corporate and Investment Banking employs experts with decades of financial experience, including in securities and FX sales, investment advisory, corporate finance, lending, and private banking. Building on its extensive experience across complex, wide-ranging projects, the team has led many of the largest transformational endeavours in the Icelandic economy in recent years.

We give top priority to our customers' needs and financial health, supported by a dedicated team with expertise in all key sectors of the economy. We emphasise initiative and comprehensive service, with short and smooth communication channels. This enables us to meet our customers' needs as effectively as possible while acting as a force for good in the community.

Internationally, Íslandsbanki focuses on seafood, infrastructure, and leveraged finance.



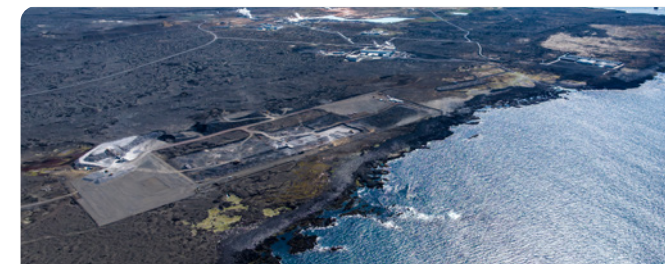
Kristín Hrönn Guðmundsdóttir
Managing Director,
Corporate and
Investment Banking

“ Committed to delivering exceptional service and value to our customers

Corporate and Investment Banking completed landmark projects and delivered tailor-made solutions to our valued customers. We strengthened our role as the country's infrastructure bank, and despite modest domestic corporate activity, lending remained active. We advanced our international strategy with outstanding results.

Corporate Finance completed major transactions, including an equity raise for Drangar, underwritten by Corporate Banking, and the sale of Festing, one of the largest property transactions in recent years. Securities Sales held the largest share of the OMXI turnover, and Íslandsbanki continues to lead in Foreign Exchange Sales, working closely with our customers. Asset Management saw solid progress despite challenging markets, as lower rates and inflation encouraged diversification and revitalised investment opportunities.

We are committed to maintaining our strong position as the leading investment bank.



Samherji fiskeldi

Íslandsbanki led the financing of **Eldisgarður**, Samherji fiskeldi's land-based salmon farming project powered by renewable energy near Reykjanesvirkjun. The facility, built in three phases, will produce 36,000 tonnes of salmon annually at full capacity.

In 2025, Íslandsbanki structured and executed a EUR 320 million (approx. ISK 45 billion) package combining equity and syndicated loans. Strong investor demand increased the equity raise from EUR 125 million to EUR 210 million, with participation from Icelandic pension funds and international investors. Íslandsbanki's Corporate Finance team played a key role in structuring the transaction and supporting sustainable aquaculture growth.



Ölfusá bridge

Íslandsbanki, in partnership with several Icelandic pension funds, is providing funding for the new **Ölfusá bridge** in South Iceland – the country's largest infrastructure project in recent years. The bridge will improve safety, reduce travel times, and ease congestion on the current structure, which is used by around 14,500 vehicles daily.

With a total budget of ISK 18 billion, the project involves broad public-sector collaboration. Construction commenced in November 2024 and is expected to be completed in late 2028, with costs largely recovered through road toll revenues.

Market share

21.3% – largest share of OMXI combined equity and fixed income market turnover.

22.3% largest share of OMXI equity market turnover.



New lending totalled **ISK 110 billion**, and **loan refinancing** amounted to another **ISK 62 billion**.



ISK 12.5 billion net inflow of AuM and an **8% increase in the number of customers** in Asset Management during the year.



Foreign lending amounted to **13% of the CIB loan portfolio** at year-end 2025, up from 3% at year-end 2024.



Iceland Funds Ltd.

Iceland Funds Ltd., the oldest fund management company in Iceland, was founded in 1994. Iceland Funds is a subsidiary of Íslandsbanki.

Iceland Funds has long held a strong position in managing funds for retail investors in Iceland, with a market share of around 28%. The company manages 23 funds for retail investors, including bond, equity, and mixed funds, as well as alternative and specialised investment funds specialised in credit, real estate, and private equity. Iceland Funds has approximately ISK 364 billion in assets under management, and around 12,000 investors and savers.

Iceland Funds has been recognised for excellence in corporate governance annually since 2013 and has received numerous certificates for outstanding governance and operations from Creditinfo, a leading information and service company, Keldan, a financial and business information website, and Iceland Financial News.



Kjartan Smári
Höskuldsson
Managing Director,
Iceland Funds Ltd.

“ A bright outlook in times of lower interest rates and inflation

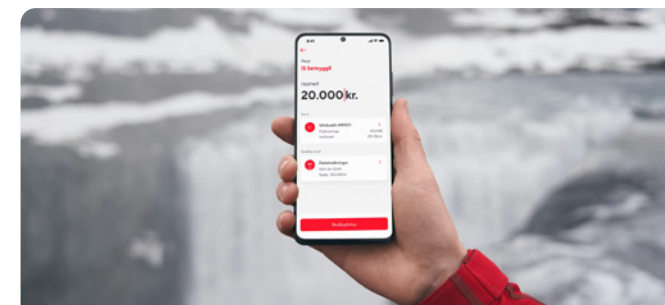
After a prolonged period of high interest rates and inflation, capital markets now look favourable for domestic savers. Global markets remain strong, bond yields are attractive, and stock valuations are moderate. Monetary easing has begun, with further easing expected.

Since its launch in 2024, IS Fixed Income Strategy has performed well, leveraging a broader approach than traditional bond funds. All Iceland Funds bond funds delivered positive real returns in 2025, reinforcing the company's 28% market share leadership. Young people's financial position and interest in private pension savings continue to grow. Íslandsbanki's private pension plan now exceeds 43,000 members, with all investment strategies achieving strong returns during the year.



Kirkjusandur

105 Miðborg slhf. is an alternative investment fund that is operated and managed by Iceland Funds. It oversees the development of real estate at **Kirkjusandur**, one of the largest densification areas in Reykjavik. The project offers a unique location in the heart of the capital, close to Laugardalur, a major centre for sports and recreation in the capital. Despite challenging conditions in the real estate market in Iceland, apartment sales have gone well given the circumstances, and 40% of the apartments have already been sold.



Fund trading at a lower cost

Íslandsbanki was the first Icelandic bank to enable fund trading through its app. Customers can easily trade Iceland Fund's funds both in the Íslandsbanki app and via online banking. During 2025 the cost of fund trading was significantly reduced. Customers can set up regular savings in funds through Íslandsbanki's online banking, allowing them to enjoy the best possible discount terms, including a 100% discount on fund subscriptions. Regular savings help spread risk and build long-term investments in a cost-effective way.

Market share¹

~28%

of the domestic fund market for retail investors



Around **12,000 customers** choose to **invest their savings** in Iceland Funds' funds.



Bond funds **delivered strong performance** during the year, and most of the company's bond funds achieved **better returns** than traditional savings accounts.



In 2025, Iceland Funds developed a **Good Governance Playbook** for its alternative and specialised investment funds to **promote and uphold strong governance practices** within the companies the funds invest in.

¹Based on information from Keldan and websites of the fund management companies.



Support units



Digital and Data

Empowering Transformation: Teamwork, Technology, and Customer-Centric Progress

In 2025, the Digital and Data division accelerated Íslandsbanki's digital transformation with a clear vision and consistent delivery. It redefined industry standards by promoting financial health and embedding data-driven decision-making at the core of operations. Through the launch of cutting-edge websites for Ergo and Iceland Funds as well as by providing an expense management solution for customers, the division set a new benchmark for innovation and customer experience.

Collaboration with stakeholders delivered the new Kids App and advanced the phased rollout of the Online Bank, ensuring seamless, intuitive experiences for customers of all ages. By leveraging AI-powered tools like Copilot and GenAI-driven solutions in our chatbot Fróði, we have enabled smarter banking, more personalised banking and streamlined internal processes. A strategic partnership with VÍS resulted in an integrated customer offering, launched in record time, now fully visible in the app.

Automation and machine learning now support faster credit decisions and optimised overdraft management, while the new data warehouse and Power BI platform enable real-time insights and robust analytics. We reinforced security and operational resilience through progress toward full DORA compliance, major audit checkpoints were cleared, and advanced fraud prevention measures were implemented.

The division's focus on teamwork and education is evident in multiple certifications and Copilot training for all employees.

Together, we shape the Bank's future – delivering sustainable value and driving innovation across the financial sector.



Interesting facts

70% fewer issues

The new **Online Bank** launch led to a reduction in logged issues from 2024 to 2025, boosting reliability and user satisfaction.

200% growth in monthly applications for car financing

Volumes jumped from an average of 281 to over 750 per month after the introduction of **Cars with Experience** and Tesla's low-interest offer.

14% biometric adoption

In-app biometric authorisation now accounts for 14% of all **Strong Customer Authentication** (SCA) calls.

500+ Power BI users

Over 500 users now leverage the **Power BI platform**, with 310 new reports created, reducing reliance on legacy systems by half.

70 data dimensions

The new **data warehouse** expanded to 70 dimensions and over 100 fact tables, supporting advanced analytics.

64% automation in Markets and Securities

Automated document processing in **Markets and Securities** improved from 33% to 64%.

+5% automated loan decisions

Machine learning models increased **automated term loan decisions** by 5%.

96% reduction in tax reporting time

Manual data preparation for tax authorities dropped from as much as two days per month to just 30 minutes.

26,895 digital visits

The **Customer interaction portal platform** saw 26,895 visits and 1,667 digital document signings.

0 major security incidents

No high or very high **severity security incidents** were reported throughout 2025.

Building Trustworthy AI: Structured Rollout, Real Results

Íslandsbanki's Copilot and GenAI adoption has progressed through clear governance and structured delivery. Developers in the Bank began experimenting with Copilot in 2023 and the Digital and Data division prioritised foundational work, including migration to SharePoint Online, expanded AI driven document processing, and strengthened Data Loss Prevention controls to ensure consistent classification and compliant content handling.

By mid-2025, the governance and security framework had been approved for a bank-wide rollout of Copilot. Digital and Data supported this rollout with training, advanced feature sessions, multilingual materials, and a community for rapid issue resolution and knowledge sharing.

Íslandsbanki's broader GenAI ambition is guided by three focus areas:

People: ensuring all employees receive appropriate training and can identify practical, role-specific use cases.

Process: establishing a repeatable, LLM-ready development framework, both for low-code and more advanced agents.

Platform: developing a sustainable operating model for AI-enabled agents, including enhanced Fróði capabilities and structured experimentation through an internal beta-testing community.

Adoption has expanded steadily, with over 700 employees trained and growing use of bank-approved AI tools. Integrated summarisation, meeting recap features, and improved access to organisational knowledge have contributed to more efficient workflows.

Priorities for 2026 include continuing training initiatives for employees, creating solutions to streamline business processes in the new world of agents and GenAI, implementing LLM capabilities for our chatbots, and establishing consistent, scalable GenAI use across the Bank.

Bringing Banking and Insurance Together in One Digital Journey

In 2025, Íslandsbanki and VÍS launched a strategic partnership that brings banking and insurance together in a single, seamless customer journey. Through the Íslandsbanki app, customers can now connect directly with VÍS advisors and request insurance quotes with ease—strengthening convenience and widening access to essential financial services.

The collaboration integrates the loyalty programmes of both organisations, linking VÍS benefits with personalised offers delivered through Fríða. This supports our ambition to enhance financial wellbeing for customers while unlocking responsible cross-sell opportunities in all the Bank's channels.

Digital and Data ensured that the integration was built on secure, privacy-by-design principles. The partnership introduced clear in-app overviews of customers' insurance policies and simplified the quote-request process, laying the groundwork for relevant, consent-based personalisation through Fríða. Close cooperation between Íslandsbanki and VÍS teams enabled rapid development and delivery of the solution.

For customers, banking and insurance services are now readily available within our channels. For the Bank, the partnership creates a scalable platform that can extend into business segments and deepen personalised value as adoption grows.





Top 10 digital wins 2025

Bank-wide Rollout of M365 Copilot

AI-powered productivity tools were deployed to all staff, with training and integration into knowledge repositories.

Biometric Payment Verification and PSD2/SCA Compliance

Deloitte audit confirmation and in-app biometrics, strengthening security and user experience.

Bloomberg Implementation in Markets and Securities

Significant upgrade to market data infrastructure, supporting trading, analytics, and compliance for financial markets operations.

Data Loss Prevention (DLP) Journey Launched

Foundational controls established to enable responsible GenAI adoption and strengthen information protection.

Integration Platform Major Upgrade

Bank-wide, multi-team technical uplift executed to improve reliability and compliance.

Kids App Launch

A playful, goal-driven digital banking experience for families and children, including savings goals and parental controls.

New Data Warehouse and Power BI Platform

Enterprise analytics scaled to 500+ users, enabling real-time insights and robust reporting across the Bank.

New Online Bank (Netbanki) Phased Rollout

Major usability, stability, and feature upgrades, including corporate user self-management and enhanced expense management.

Overdraft Optimisation with Machine Learning

Automation uplift for term loans and corporate overdraft improvements, driving faster, data-driven credit decisions.

SharePoint Online Migration

Modern collaboration platform and AI-driven document processing completed and adopted.





Risk Management

Íslandsbanki applies cautious risk assessment and prudent pricing through a robust three-lines of defence risk management and internal control framework. This approach ensures sound decisions, effective monitoring, and strong organisational risk awareness across the Bank's operations.

The Bank fosters a strong risk culture, emphasising transparency, open communication, accountability, responsiveness, and respect for risk. Business units manage all decisions and related risks under clearly defined review and monitoring processes, with authorisations determined by the scope and complexity of the underlying risk.

The Bank is well prepared to address uncertainty from internal and external factors, and has the financial strength to provide households and businesses with essential services, promoting financial health and ensuring sustainable growth.

Three lines of defence model

The first line of defence owns all risk and is responsible for day-to-day risk management.

The second line of defence maintains an effective internal framework to ensure satisfactory risk monitoring, prudent business practices, reliable information disclosure, and compliance with regulatory instruments, financial supervisors' requirements, and internal policies and procedures.

The third line of defence provides impartial assurance that the monitoring framework in the first and second lines of defence is effective and appropriate.



Guðmundur
Kristinn Birgisson
Chief Risk Officer

“ Robust risk management fosters stable and sustainable growth

The banking environment in Iceland is constantly evolving, with new risks emerging from technology, regulation, and global developments. Vigilance and flexibility in risk management are essential to identify and assess these risks effectively, ensuring that Íslandsbanki remains resilient and prepared to safeguard its operations and support customers amid changing conditions.



Risk profile

Credit risk is the principal risk factor in Íslandsbanki's operations, accounting for roughly 90% of risk-weighted assets. Credit risk is the risk of customers being unable to honour their contractual obligations, including timely repayment of loans.

The objectives of managing credit risk are to maintain an acceptable balance between risk, and income and to minimise any adverse impact on the Bank's overall performance. The Bank adheres to a prudent credit risk policy that has resulted in a well-diversified and well-secured loan portfolio.

The Bank is expanding its digital products and services with the aim of making lending decisions more data-driven and further strengthening risk management.





Compliance

Íslandsbanki places strong emphasis on ensuring that its employees comply with laws and regulations while supporting society's efforts to combat financial crime, contributing to a sound, healthy, and well-functioning Icelandic financial market.

The Compliance Function oversees the Bank's compliance risk through a risk-based monitoring and training plan. It provides advice, delivers training, conducts testing, and performs daily oversight. Regular reports are submitted to the Board of Directors. These activities promote sound and responsible business practices and help prevent misconduct, market abuse, and insider trading, while also supporting efforts to combat financial crime, including money laundering, terrorist financing, and breaches of data protection regulations.

Data Privacy in Data-Driven Banking

Data analytics and personalisation are increasingly important in banking services. These developments involve the use of personal data, which must be managed in accordance with legal and regulatory requirements. The Bank incorporates privacy considerations into its data processes to ensure the secure and transparent handling of information. Established policies and procedures guide employees in applying these principles, and regular training supports consistent compliance. This approach enables the Bank to use data effectively while respecting individual rights.



“ Value-Adding and Empowering

The Compliance Function places strong focus on solution-oriented advisory services and guiding supervision, leveraging the expertise of its staff. It applies risk-based monitoring with the aim of strengthening and supporting the Bank's operations and practices. In doing so, the Compliance Function seeks to foster trust among shareholders, senior management, and regulatory authorities, while supporting the Bank's purpose: to empower customers to be a force for good.

Regulatory sanctions

Sanctions screening is a key part of Íslandsbanki's compliance framework and supports the Bank's efforts to operate in accordance with applicable laws and regulations. In a continually evolving regulatory environment, the Bank places sustained emphasis on maintaining effective processes and controls, strengthening governance, and building strong capabilities in sanctions compliance.



Conflict of interest

Data driven analytical capabilities strengthen the Bank's conflict of interest management by providing clear and consistent insights into potential risks. By continuing to incorporate robust data into decision making processes, the Bank enhances transparency and reinforces the fairness and consistency of its governance and compliance processes. This supports the ongoing commitment to a proactive and well structured approach to safeguarding integrity across the organisation.



Sailing in sync: Our People – Our Future

Íslandsbanki is committed to supporting its employees as they develop and nurture their skills and knowledge, recognising that this is crucial in today's ever-evolving work environment.

In 2025, we focused on aligning people, culture, and purpose—ensuring that every employee feels part of our journey toward shared goals. By fostering engagement, strengthening leadership, and investing in growth, we are not only navigating today's challenges but charting a clear course toward a future where our people thrive.

Hafsteinn Bragason
Head of Human Resources



“ Encouraging innovation and ownership through performance driven culture

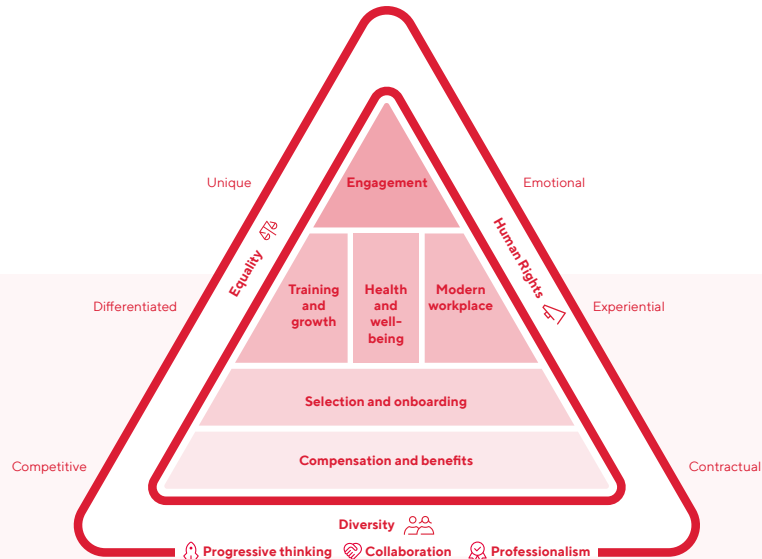
We firmly believe that a performance-driven culture is fundamental to fostering innovation, customer satisfaction, and employee engagement which ultimately enhance operational efficiency and improves financial outcomes.

The performance driven culture at Íslandsbanki is built on our strategic pillars – profitable growth, service and customer experience, a data-driven bank, and the best team – supported by the Objectives and Key Results (OKRs) methodology to drive the process.

To further foster the performance-driven culture, we introduced a stock option plan in August 2025 and are preparing the implementation of an incentive scheme in 2026. The aim is to align the long-term interests of shareholders, employees, customers, and other stakeholders in a transparent manner. Furthermore, it enables the Bank to attract and retain qualified employees by rewarding sustainable and risk-adjusted performance beyond job descriptions.

The Bank's HR Pyramid

The Bank's Human Resources Pyramid reflects the Bank's human resources policy and its key elements.





Sailing in sync: Our People – Our Future

Empowering leadership and embracing innovation

In 2025, we placed a strong emphasis on equipping our managers with practical and relevant tools to lead effectively in an environment that is constantly evolving. This approach was shaped by a comprehensive needs analysis conducted earlier in the year, ensuring that our leadership development initiatives were closely aligned with the specific challenges and opportunities our leaders face.

At the same time, we recognised the importance of staying at the forefront of technological advancement. We therefore prioritised AI education for all employees, encouraging them to integrate AI into their daily tasks—an initiative that was met with strong enthusiasm for innovation and improvement.

Performance culture

This year, we continued building on our OKR journey—rolling out OKRs across the Bank to sharpen alignment and increase transparency. By shifting the focus from tasks to measurable outcomes, we are fostering a culture of accountability, ambition, and continuous improvement.

OKRs have also strengthened collaboration between departments within the Bank, since many objectives call for cross-functional teamwork and shared ownership. Working in shorter OKR cycles has made us more agile, helping teams adjust quickly when priorities change while staying aligned with long-term goals. Throughout the process, OKRs have been tied closely to our strategic initiatives—so everyday work moves the needle on things like digital development, customer experience, and operational excellence.

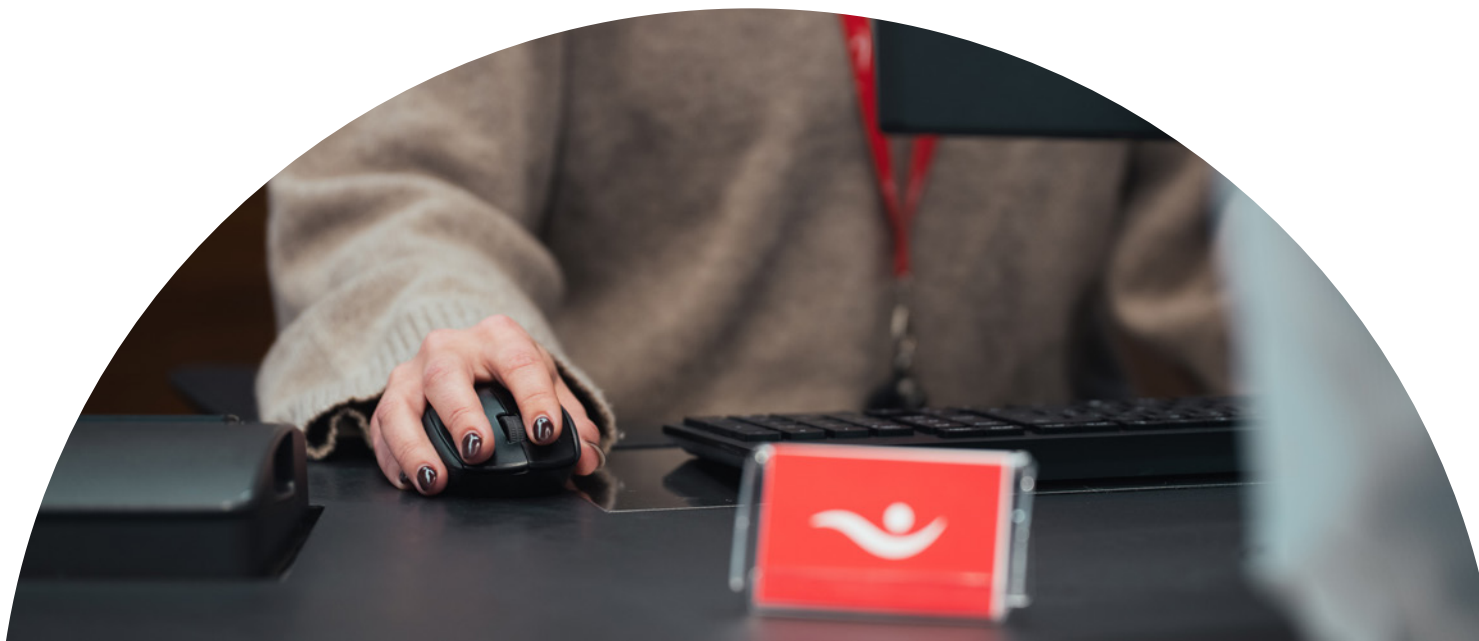
Overall, OKRs have been a big step toward building a performance-driven culture and turning our strategy into real, measurable results.

Ongoing dedication

We have refined both our internal and external processes and communications for the internship programme, with a commitment to ongoing improvements in 2026. Internships are central to shaping our future workforce, and in the summer of 2025, around 100 summer employees joined the Bank in various roles, gaining valuable experience and contributing to our community. Many of these employees have developed professionally, moving into new roles with greater responsibilities.

Lattice, a performance management system, has been instrumental in facilitating structured conversations and providing valuable feedback supporting employees.

Our dedication to the key elements outlined in the Bank's HR strategy (HR Pyramid) remains unwavering and continues to guide all aspects of our work.





Sailing in sync: Our People – Our Future

Remuneration Policy

Íslandsbanki's Remuneration Policy was approved at a shareholders' meeting held on 30 June 2025. In accordance with statutory requirements, Íslandsbanki's Remuneration Policy is submitted annually to the Bank's Annual General Meeting (AGM) for approval.

Remuneration Policy

Implementation of Remuneration Policy

The objective of the Remuneration Policy is to make employment with the Bank an attractive option for qualified personnel, thereby ensuring the Bank's competitiveness, development, and satisfactory profitability.

The Bank emphasises that the remuneration of executives and other staff shall be competitive but moderate and not market leading. In determining remuneration, primary consideration shall be given to relevant work experience, responsibilities as per job description, and adherence to recognised principles of gender equality.

This policy is intended to promote sound long-term operations, be consistent with and support effective risk management so that risk-taking does not exceed the Bank's risk appetite, align with the Bank's strategies, plans, goals, values, and long-term interests, and prevent the risk of conflicts of interest.

In implementing the Remuneration Policy, the Bank ensures that no discrimination occurs when determining salaries and other remuneration.

The average fixed salary increased by 5.5% during 2025, which includes a mandatory collective labour agreement increase of 3.5% indicating a merit-based salary increase of 2.0% during the period.

Total cost of salaries and benefits amounted to ISK 16.7 billion, of which ISK 804 million related to expected employee departures in 2026. The average number of employees was 755 full-time equivalents (FTEs), and the number of FTEs at year-end was 725

The Remuneration Policy does not permit severance agreements for the CEO or executives that include severance payments beyond what is specified in employment contracts, collective agreements, or applicable legal obligations.

Stock option and short-term incentive scheme

At a shareholders' meeting held on 30 June 2025, amendments to the Remuneration Policy were approved. The key changes authorised the Board of Directors to implement (1) a dedicated incentive scheme for employees and (2) a stock option plan pursuant to Article 10 of the Income Tax Act No. 90/2003.

The purpose of the stock option plan is to align the long-term interests of the Bank and its employees and allow employees to benefit from the Bank's success. The Board approved a five-year stock option plan for all permanent employees on 30 June 2025, covering the period 2026–2030. It enables all permanent employees to purchase shares in the Bank for up to ISK 1.5 million per year at a predefined price over five years. A total of 741 employees have signed the stock option agreement. The first opportunity to exercise options will be in August 2026.

The Bank's incentive scheme has been approved by the Board and will be implemented over the course of the first quarter of 2026.





**Sustainable
Íslandsbanki**



Working towards a sustainable future

Íslandsbanki has resolved to be a force for good in the Icelandic economy. The Bank is dedicated to working with its customers and, in doing so, to making a positive impact on Icelandic society.

Continued commitment

Íslandsbanki remained committed to its sustainability journey throughout 2025. This commitment was demonstrated through a number of meetings with customers to discuss sustainability and carbon neutrality. Employees also attended sustainability-centred educational meetings as well as meetings in the sustainability council. A strong focus was put on strengthening sustainability related processes and estimating sustainability related risk. Íslandsbanki received an ESG rating of A3 from Reitun, the Icelandic rating agency.

Sustainability disclosures

Considerable work was done on implementing sustainability related legislation during 2025. The purpose of the legislation is to enhance transparency in information disclosures and reduce the risk of greenwashing. During the year, the Bank

completed its double materiality assessment, which is the first step towards preparing for non-financial disclosures.

The results of the double materiality analysis have been used in the preparation of the Sustainability chapter in this report. The Bank has also taken account of the Nasdaq ESG guidelines, the Global Reporting Initiative (GRI) standards, the UN Principles for Responsible Banking, and their relevance to the UN Sustainable Development Goals (SDGs). In recent years, the Bank has prioritised four of the SDGs: **Education for All, Gender Equality, Innovation and Infrastructure, and Climate Action.**



Cooperation

Íslandsbanki cooperates with various domestic and international organisations on sustainability. The Bank acknowledges the importance of participating in international commitments, as well as supporting domestic cooperation in the field of sustainability. Íslandsbanki is a member of

the UN Global Compact, PCAF, TCFD, the UN Principles for Responsible Investing (via Iceland Funds), Festa – Centre for Sustainability, Iceland SIF, and the UN Principles for Responsible Banking.¹



¹In 2025 members of the Net-Zero Banking Alliance (NZBA) voted to transition away from a member-based alliance and to establish its guidance as a framework. As a result, NZBA ceased operations immediately.



Sustainability milestones in 2025

Overall, the Bank was successful in meeting its sustainability targets, with many employees across the Bank working towards achieving these targets. A majority of the targets were reached, although a few were not fully met by the end of 2025. One such objective was the setting of a science-based target for the Bank's carbon footprint, as further examination of the premises for this target is needed.

The share of ESG risk-assessed credit risk remained stable between years, at

88%¹

The Bank's Sustainability Council held

5

meetings during the year. The Council is composed of a broad group of Bank employees.

5

new sustainability focus area for 2030, as well as sustainability goals for 2026, were approved.

10

sustainability seminars were held for a broad group of Íslandsbanki employees.

Sustainability risk was integrated into the Bank's risk model for corporate lending in 2025.

3

NGOs/educational institutions were supported through donations of computer equipment.

25

meetings on sustainability and carbon neutrality were held with customers of Corporate and Investment Banking.



¹Except individuals and small companies, which are not included in the dataset. The Bank's objective is to assess all of its large customers' ESG risk.

Double materiality assessment

Íslandsbanki is a founding signatory of the UN Principles for Responsible Banking (PRB). The first step in implementing the PRB is to conduct an impact analysis that identifies the key impacts of the Bank's products and services on the communities, economies, and environment in which the Bank operates. Íslandsbanki is in the final stages of finalising its double materiality analysis to identify these key impacts.

Double materiality methodology

A double materiality assessment, according to the European Sustainability Reporting Standards (ESRS), focuses on assessing the Bank's positive and negative impacts on the environment and society, as well as assessing financial risks and opportunities based on sustainability topics. The impact, risks, and opportunities may have already materialised, but possible future developments must be examined as well. The ESRS comprise ten topics that must be prioritised during a materiality assessment.

In preparing a double materiality assessment, it is important to identify the Bank's stakeholders. Íslandsbanki's stakeholders include employees, customers, suppliers, shareholders, and the public. It is important to take stakeholders' opinions into account in the assessment process.

Our methodology

Strategy and sustainability formed the working group, with The Bank's Sustainability Committee serving as an advisory and focus group. The assessment of impact, risks, and opportunities was analysed, with the assistance of employees from across the Bank. In total, ten workshops addressing impact, risks, and opportunities were conducted, involving about 30 participants from nine departments, as well as stakeholder interviews supporting the results of the assessment.

ESRS topical standards

- Climate change
- Pollution
- Water and marine resources
- Biodiversity and ecosystems
- Resource use and circular economy
- Own workforce
- Workers in the value chain
- Affected communities
- Consumers and end-users
- Business conduct

Results of Íslandsbanki's materiality assessment

Through the assessment process, four areas stood out in terms of importance and from the standpoint of impact, risk and opportunities. Those areas were climate change, human resources (own workforce), consumers and end-users (customers), and business conduct. These areas are in line with the Bank's previous assessment of impact areas, carried out in 2019 which identified **climate change** and **equal rights** as priority topics. Stakeholders' perspectives were aligned with these findings and the results of Íslandsbanki Double materiality assessment.





Double materiality assessment

Priority issues for Íslandsbanki

Based on the current results, four topics take priority for Íslandsbanki.

Business conduct

Business conduct is a broad topic with numerous important applications for Íslandsbanki. The Bank has placed strong emphasis on its corporate culture. Among other important points of tangency are cooperation with suppliers and defences against money laundering, fraud, corruption, and bribery.

Information security /cyberattacks

Sound governance practices

Consumers and end-users

The Bank has a wide-ranging impact on consumers and end-users. With increased emphasis on financial health and digital development, service has grown simpler, but risks associated with cyber- and information security have increased markedly.

Financial health

Climate change

The world is profoundly threatened by climate change, and it is important to respond appropriately to it. Iceland has adopted ambitious targets of achieving carbon neutrality by 2040 and reducing greenhouse gas emissions by 40% between 2019 and 2030. Reaching these targets requires a joint effort from both public and private sectors.

Financed emissions

Carbon neutral operations

Own workforce

Íslandsbanki's employees are among its most important resources. The Bank places significant emphasis on fostering diversity and is committed to creating an inclusive environment, where everyone feels welcome and valued for who they are.

Diversity for the future





Sustainable Funding Framework

Íslandsbanki's sustainable funding framework was established in 2020 and updated in 2024. With the update, the Bank adapted the framework to the most recent developments in the market. The Sustainable Funding Framework adheres to the ICMA Green, Social, and Sustainable Bond Principles.

Steady growth in sustainable assets

Sustainable assets grew by 40% in 2025, to ISK 178 billion at the end of 2025. In addition, loans totalling ISK 21 billion were approved but had not been disbursed by the end of the year. Growth in sustainable assets is in line with expectations. Green loans accounted for 90% of sustainable loans, and social loans for 10%. Green loans increased by 44% year-on-year, while social loans decreased by 29%.

Íslandsbanki's sustainable financing totalled ISK 178 billion at the end of the year, including ISK 32 billion that is more than 18 months old. According to the Sustainable Funding Framework, sustainable financing must be allocated to sustainable assets within 18 months.

In 2025, the sustainable assets grew by ISK 55 billion in the Green Houses category, following the development of an assessment model for Íslandsbanki's mortgage portfolio designed to identify energy efficient properties.

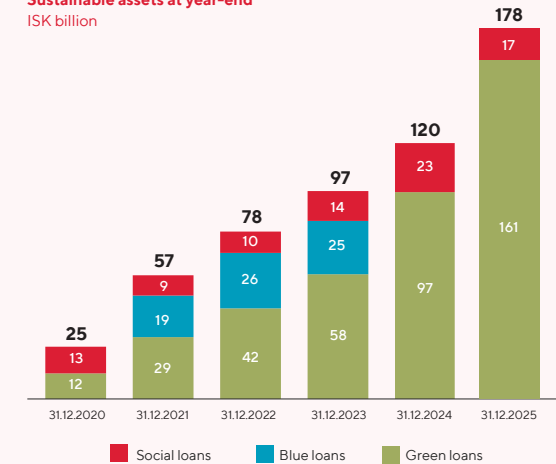
Information

Further information can be found in the links below.

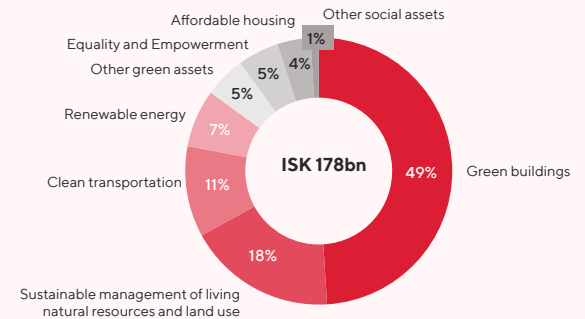
[Sustainable Funding Framework](#)[ESG factbook](#)

Assured by an independent party

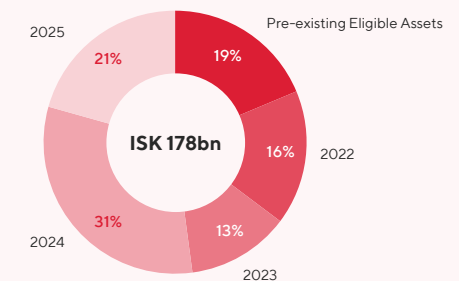
Sustainable assets at year-end
ISK billion



Classification of sustainable assets by category in the Sustainable Funding Framework at the year-end¹



Sustainable assets as of end-2025, by year of loan issuance



¹Other green loans consists of Sustainable and circular processes and biodiversity and Sustainable waste management. Other social loans consist of Access to Essential Services and Education and vocational training.

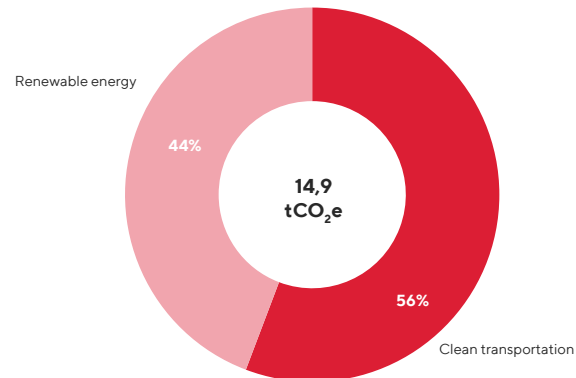


Impact indicators 2025

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Information on impact indicators is collected from the relevant customers and from public data sources.

Avoided greenhouse gas emissions 2025



¹Distance driven per year is obtained from the Icelandic Transport Authority. Because year-2025 distances were not available at the time this report was prepared, information from 2023 is used. Information on avoided emissions is based on emissions coefficients from car manufacturers, and information on average motor vehicle emissions from various production years is obtained from the European Environment Agency: [CO2 emissions performance of new passenger cars in Europe](#) | [European Environment Agency home page](#)

²Only electric vehicles are eligible for the G10 category in an updated Sustainable Financing Framework.

³Estimate based on the year-end 2025 loan balance compared with customer financing in 2025, as information from the customers concerned was not available when this report was prepared.

⁴Estimate based on year-end 2024 information as more recent data were not available.

Financed impact in 2025



2,519

green vehicles.²



10,863

tonnes of additional recycled waste.³



27,799

tonnes of certified fish.³



268 GWh

of green energy produced.³



9,685 m²

of green buildings.³



23 km

of fibre optic cables laid.



1

primary school building for 120 students financed.



59

service apartments for social and healthcare operations financed.

Accumulated from 2020 through 2024



3,171

green vehicles.



4,500 km

of fibre optic cables laid.



25

loans to companies with equal gender ratios.



64,276

eco efficient products.⁴



1

farm with geothermally heated greenhouse.



247

service apartments for social and healthcare operations financed.



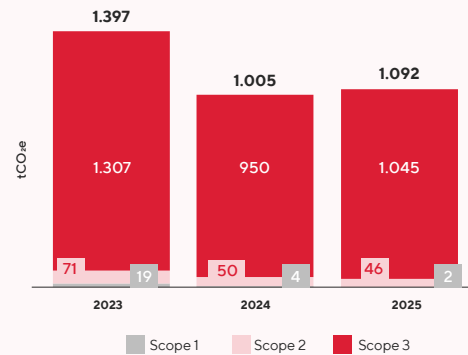
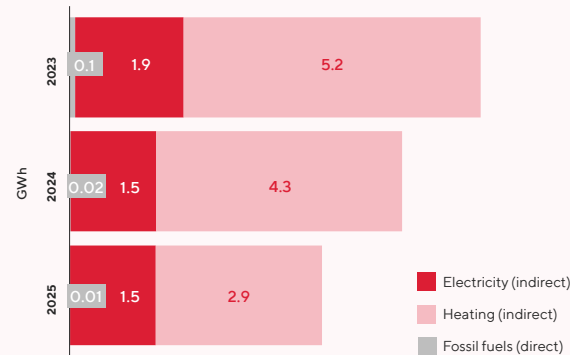
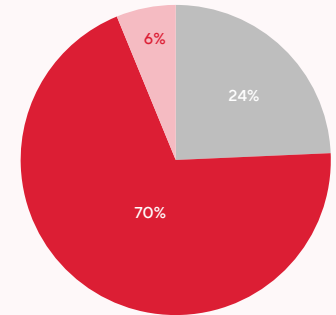
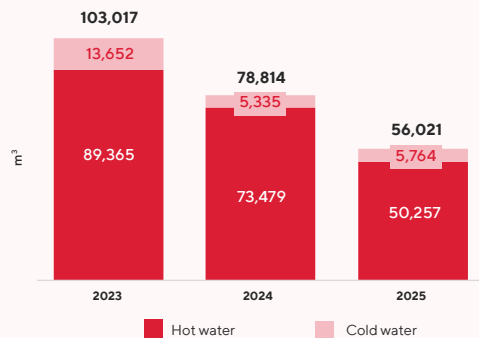
55

companies supported with COVID-19 loans.



89,150 m²

of eco-friendly buildings.³

**E1-6 Greenhouse gas emissions location-based****Gross operational carbon emission****E1-5 Energy usage****E5 Energy mix market-based****Share of total energy usage (4.4 GWh)****E1-5 Water usage****E1-7 Greenhouse Gas mitigation**

Total amount of carbon credits outside value chain that are verified against recognised quality standards and cancelled.

1,100 tCO₂e

E1-2 Policies related to climate change

Does your company follow a formal environmental policy?
See the Bank's Sustainability Policy, chapter two on environmental factors, which includes the Bank's climate change ambitions.



Does your company follow specific waste, water, energy, and/or recycling policies?



Better monitoring of waste in HQ is expected to lead to a significant reduction in unsorted waste. The objective was to reach 90% recycling rate by 2025 the latest.

Other environmental factors selected based on sector and internal materiality assessment

Does your Senior Management Team oversee and/or manage climate-related risks?



Are ESG factors considered in connection with the development of new and existing products?

Consideration is given to sustainability risk in product development.



Has the company's board of directors approved and published targets for reduction of greenhouse gas emissions?



Does your Board of Directors oversee and/or manage climate-related risk?



Does the company offer employees regular education on ESG factors?



The Bank's objective was to shrink the carbon footprint from its operations by 50% between 2019 and 2024 and reach net zero (including financed emissions from loan portfolio) by 2040.

Are ESG factors considered in relation to lending and/or investments?



Has the company measured the carbon footprint from its loan and investment portfolios?

Íslandsbanki has reported financed emissions since 2019.



Does the company publish a discussion of sustainability risk and climate risk in compliance with international Task Force on Climate-related Financial Disclosures (TCFD) criteria?



The Bank's Pillar 3 Report for 2024 contains a separate chapter on sustainability risk and climate risk in compliance with TCFD criteria.

Environmental 2025

Assured by an
independent party

ESG factbook

Strategy
and policies

Auditor's Limited
Assurance Report



Financed emissions

The Bank calculates its financed emissions using the Partnership for Carbon Accounting Financials (PCAF) methodology. Wherever possible, it uses data provided directly by customers. When that is not possible, the Bank estimates emissions using sector-level and loan-class data. External data sources are used to estimate emissions for Icelandic companies, always applying the most recent available information. Historical emission factors, mileage estimates, and financial data are combined with the Bank's loan exposures as of 31.12.2025. Based on the Bank's experience, this approach produces reliable results.

In 2025, the Bank updated its carbon-footprint calculations for 2024 and 2023, which resulted in some adjustments to previously reported figures.

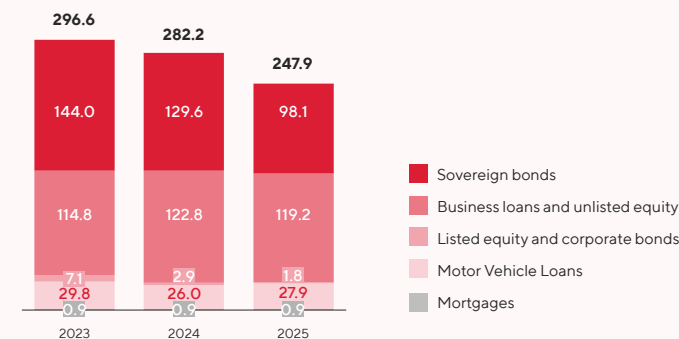
Emissions within various sectors in the Bank's loan portfolio are broadly unchanged year-on-year and have stayed relatively steady since 2020. The Bank uses the Treasure Map to determine where small changes can have the biggest impact on the Bank's carbon footprint. Based on the treasure map perspective, road vehicles produce the largest carbon footprint in the Bank's loan portfolio, at 21%, whilst being only 8% of lending. Road vehicles include vehicle loans as well as loans to car rentals and other road vehicle service companies. Due to Iceland's unique attributes, the country's electricity production is almost solely from renewables, or over 99% in 2025¹. This means that electric vehicles are a very suitable solution in Iceland. Increasing the share of electric vehicles and accelerating the energy shift in transport is a focal point in the Icelandic government's Climate Action plan for 2025-2026. The share of battery electric vehicles, hybrids, plug-in hybrids, and methane driven vehicles in the Bank's loan portfolio was 51% in 2025, compared to 31% nationally.²

Aviation is the most carbon intensive industry in the portfolio. Aviation and the maritime shipping industry face technical constraints that limit their ability to achieve a significant decrease in emissions. As Iceland is an island, the country is heavily reliant on aviation and shipping for international travel, import and export of goods.

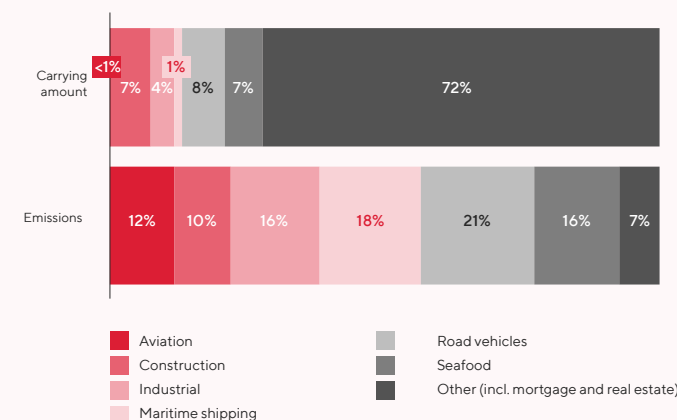
The least carbon intensive industry is what is categorised as "Other". Within that category mortgages and real estate account for 77% of the lending but only 18% of emissions, or 1% of total loan portfolio emissions despite representing 56% of the total lending portfolio. This is a result of Iceland's unique attributes, such as availability of hydro and geothermal power, producing electricity and heating for Icelandic homes.

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Íslandsbanki's total emissions 2023-2025
ktCO₂e



Emissions from balance sheet activities in 2025
(total = 148 ktCO₂e)



¹According to the Icelandic Environment and Energy Agency

²According to the Icelandic Transport Authority from 23rd of January 2026



Financed emissions

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Information

For further information on the methodology, please view the Bank's report on the Road to net Zero, and for further breakdowns of the emissions, please view the Bank's ESG factbook accompanying the annual and sustainability report this year.

[Road to net zero](#)
[ESG factbook](#)

Assets	Total assets	In scope for financed emissions	Coverage	Motor vehicle loans	Mortgages	Business loans and unlisted equity	Listed equity and corporate bonds	Out of scope	Emissions	Intensity	Data quality
	(ISK m)	(ISK m)		(ISK m)	(ISK m)	(ISK m)	(ISK m)	(ISK m)	(kt CO ₂ eq)	(tCO ₂ eq/ISKm)	
Cash and balances with Central Bank	80,394							80,394			
Loans to credit institutions	79,939							79,939			
Bonds and debt instruments	151,959	151,797	90.7%				151,797	162	98.5	0.72	1.74
Derivatives	5,304							5,304			
Loans to customers	1,367,106	1,305,718	89.1%	76,424	587,187	642,107		61,388	148.1	0.13	3.72
Shares and equity instruments	18,823	18,481	76.1%				18,481	342	1.4	0.10	1.95
Investment in associates	5,384							5,384			
Property and equipment	4,680							4,680			
Intangible assets	2,620							2,620			
Other assets	6,367							6,367			
Non-current assets at disposal groups held for sale	0							0			
Total	1,722,576	1,475,996	89.1%	76,424	587,187	642,107	170,278	246,580	247.9	0.19	3.49

Loans to customers											
Individuals	653,291	607,631	97.1%	20,444	587,187			45,660	7.5	0.01	3.94
Commerce and services	210,241	203,832	85.6%	45,793		158,040		6,409	25.3	0.14	3.27
Construction	99,990	97,424	84.8%	2,934		94,490		2,566	16.1	0.19	3.81
Energy	17,001	16,856	81.2%	4		16,852		145.38	4.4	0.32	3.41
Financial services	119	119	96.6%			119		0.26	0.0	0.00	3.91
Industrial and transportation	92,018	86,783	79.7%	6,710		80,073		5,235	70.5	1.02	3.18
Investment companies	46,597	46,536	84.6%	286		46,249		61.43	0.3	0.01	3.89
Public sector and non-profit organisations	16,673	15,804	0.0%	21		15,783		869	0.0	0.00	2.00
Real estate	141,267	141,046	89.6%	204		140,842		221.32	1.0	0.01	3.46
Seafood	89,909	89,688	74.9%	28		89,660		220.59	22.9	0.34	3.91
Total	1,367,106	1,305,718	89.1%	76,424	587,187	642,107	0	61,388	148.1	0.13	3.72



On the road to a net-zero loan portfolio

Íslandsbanki has adopted a range of climate-related measures and was the only Icelandic bank among the founding members of the Net-Zero Banking Alliance (NZBA), an international network of banks dedicated to achieving carbon neutrality in their operations.

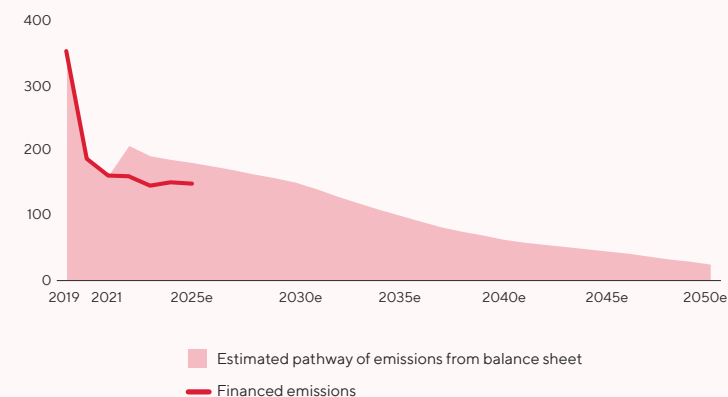
The NZBA initially functioned as an alliance where participating banks shared their experiences and ideas on how to work toward carbon neutrality. In 2025, the alliance changed course and now provides a public framework for banks on how they can work towards carbon neutrality. Íslandsbanki believes this is the correct step for the alliance, as the ever-changing field of sustainability evolves and banks all over the world become more robust.

Íslandsbanki has published targets for 64% of its loan portfolio and 78% of total emissions (based on 2019 figures).

The methodology used to develop the targets is based on recommendations from the NZBA. Íslandsbanki aims to adopt science-based targets and will therefore have to adapt its targets to reflect that methodology.

Road to net zero

Estimated pathway of emissions from balance sheet
ktCO₂e



Sectoral target for carbon footprint reduction in the Bank's loan portfolio¹
Contraction relative to base year (2019)

Sector	2030	2040	2050
 Aviation and maritime shipping	>65%	>75%	>95%
 Road vehicles	>50%	>75%	>95%
 Commercial and residential real estate	<0%	<0%	<0%
 Power generation	<0%	<0%	<0%
 Seafood	>43%	>75%	>95%

¹No sectoral targets have been defined for sectors other than the five listed in the table. The graph assumes a 50% contraction for other sectors, in accordance with Iceland's climate objectives and commitments.



Carbon-neutral operations

The banking industry is not energy-intensive; nevertheless, Íslandsbanki considers it important to set an example by adopting ambitious targets for emissions from its operations, minimising its carbon footprint, and implementing mitigating measures. In this way, the Bank contributes to bringing about the changes in attitude that are essential in supporting climate action.

Since 2018, the carbon footprint from Íslandsbanki's operations has been estimated and published in accordance with the Greenhouse Gas Protocol methodology. Íslandsbanki's total emissions from operations amounted to 1,090 tonnes of carbon dioxide equivalent (tCO₂e) in 2025. During the year, the Bank expanded its emissions reporting to include a broader scope of food-purchase emissions, which have historically been one of the largest contributors to operational emissions and were the highest source in 2025. The Bank's operational footprint is quite lean, as the Bank's operations are office-based. The Bank's emissions remained consistent

between years after successful emission reduction initiatives since 2019. The primary drivers include the transition to an electric vehicle fleet, reduced waste generation, and being mindful with respect to purchases and business travel. The Bank continues to strive to find opportunities to reduce the carbon footprint even further more but as the carbon footprint shrinks, it becomes a more demanding task to identify these opportunities.

Top 5 emission sources were food purchases, 43% of the total footprint, employee commute and business travel amounting to 19% each, furniture purchases amounted to 7%, and Scope 2 electricity emissions 4%.

Carbon neutralisation with mitigating measures

Since 2019, the Bank has ensured that its operations are carbon-neutralised by using mitigating measures to offset the portion that it has not been able to reduce. Íslandsbanki undertakes a variety of projects to offset the carbon footprint from its operations in full. Priority is given to certified international projects. Íslandsbanki neutralised its activities in full by purchasing 1,100 certified carbon emission reduction units through the International Carbon Registry. The credits are from a windfarm producing avoided emissions credits and are in line with the ICR requirements v4.0.





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S1-7 Characteristics of the Undertaking's Employees

Total employees	818
Male	350
Female	468
Number of permanent employees	746
Male	338
Female	408

Number of non-guaranteed hours employees	18
Male	6,6
Female	11,8
Top management gender diversity	
Male	58%
Female	42%
Total employee turnover rate	9.6%

S1-10 Coverage of the health and safety management system

The percentage of workforce covered by health and safety management system.

100%

Islandsbanki cares about its employees' well-being and supports their health in a number of ways, in line with its human resources policy. The policy covers factors such as the importance of an encouraging work environment.

S1-11 Performance of the health and safety management system

Fatalities as a result of work-related -injuries and -ill health.	0
Fatalities as result of work-related injuries and work-related ill health of other workers working on undertaking's sites.	0
Number of recordable work related accidents.	5

S1-9 Training and Skills Development

The percentage of employees that participated in regular performance and career development reviews.

100%

The average number of training hours per employee and by gender.	
Male	11
Female	13

S1-13 Work-life Balance

The percentage of employees entitled to take family-related leave.

100%

The percentage of entitled employees that took family-related leave.	20.7%
Male	9%
Female	11.76%

S1-16 Pay gap between women and men

The gender pay gap, defined as the difference of average pay levels between female and male employees, expressed as percentage of the average pay level of male employees.

21.5%

Outcome of equal pay certification.

0.1%

Islandsbanki has received equal pay certification according to the ÍST 85:2012 standard every year since 2018. According to the most recent equal pay appraisal, the unexplained pay gap for jobs of equal value is 0.2%

S1-17 Annual total compensation ratio

The annual total remuneration ratio of the highest paid individual to the median annual total remuneration for all employees (excluding the highest-paid individual).

512.98%

S1-18 Discrimination incidents related to equal opportunities

Total number of incidents of discrimination, including harassment.

0

The Bank has in place a policy of sexual harassment and/or equality.

S1-19 Identified cases of severe human rights issues and incidents

The number of severe human rights incidents connected to the undertaking's workforce.

0

The Bank's Sustainability Policy states that the Bank emphasises respect for human rights and that it does not conduct business related to any human rights violations, such as discrimination based on gender, religion or race, inequality in the labour market as well as slavery and child labour. Further, suppliers must comply with laws, regulations and international agreements on the protection of human rights according to suppliers' code of conduct.

S1-22 Collective bargaining coverage

The percentage of total employees covered by collective bargaining agreements.

100%

All employees except for the CEO are covered by a collective bargaining agreement

S4-3 Channels for consumers and end-users to raise concerns

Number of complaints received from consumers and/or end users during the reporting period.

292

Consumers and/or end-users can raise concerns through the Bank's website. Covers complaints the Bank received from customers and consumers through the Bank's business units.

Other social factors selected based on sector and internal materiality assessment

Does the company have procedures for detection and reporting of alleged misconduct that are well known by employees?

Mechanisms for anonymous reporting of inappropriate conduct are available to all employees.



Are the company and its products accessible to marginalised groups, small companies, or If yes, does your human rights policy cover communities?



Various factors such as equal rights and accessibility are considered. Furthermore, the Bank stresses that its offices and branches must be accessible to marginalised groups, small companies, and communities

Are managers assigned responsibility for ethical marketing and reputational risk?



Managers are responsible for ethical marketing and reputational risk, and there is targeted annual management training covering a large number of these and related factors.

Is there a plan for human resource development that includes targets for recruitment, staff development, and turnover?



Does the company offer sustainable loans that support the Government's social objectives?



The Bank's Sustainable Funding Framework includes categories that support the Government's social objectives

Has the company board of directors approved and published equal rights objectives?



The Bank aims to ensure that no single gender accounts for more than 60% of each management layer.



Diversity for the future

Íslandsbanki places significant emphasis on fostering diversity and is committed to creating an inclusive working environment where everyone feels welcome and valued for who they are.

The Bank's policies and practices are designed to support fairness and equal opportunities for all, aiming to eliminate any form of discrimination or bias. Each year, the Bank evaluates its progress and seeks new ways to advance its objectives, striving to be a force for good within the society.

Íslandsbanki Human Resources Policy

Íslandsbanki's Human Resources Policy supports the Bank's overall strategy which is based on the values **progressive thinking**, **collaboration** and **professionalism**.

Human Resources Policy

Systematic steps in the right direction

Íslandsbanki endeavours to maintain equal gender ratios in all divisions, departments, committees, councils, boards, and executive positions. One of the Bank's most important sustainability targets is to ensure that no single gender accounts for more than 60% of the Bank's management team. The Bank has taken systematic steps towards gender equality and is viewed as a model for good practice in this respect in Icelandic business.

The Bank has adopted an equal rights plan that is, in compliance with the Act on Equal Status and Equal Rights Irrespective of Gender, no. 150/2020. The plan lays down the Bank's equal pay targets. Íslandsbanki has received equal pay certification every year since 2018.

Strong emphasis is placed on enabling employees to balance their professional responsibilities and their family life, with flexible work hours, the possibility of working remotely, part-time employment, and other adjustments insofar as is feasible and necessary at any given time.

The Bank continued its collaboration with **BARA TALA** in 2025 offering employees access to Icelandic language training, with the aim of fostering inclusion both in and out of the workplace.

Respect and well-being

All employees deserve to be treated with respect and must not be subjected to any type of bullying, gender-based or sexual harassment, or violence (BHV).

In 2025, the Bank continued to hone its procedures relating to BHV and communication challenges. All employees received annual training to strengthen their proficiency in addressing all types of communication challenges. Through these measures, the Bank ensures the safety, health, and well-being of its employees.

Equality Scale

Íslandsbanki received the **Equality Scale** gold seal in 2025, for the seventh year in a row. The Equality Scale is a dynamic project undertaken by the Icelandic Association of Businesswomen in Iceland (FKA). An important element in the programme is to raise consciousness about the value of diversity and equal rights through greater gender equality in management positions. The recognition

confirms that the Bank has made outstanding progress towards the programme's goals and has equalised the gender ratios in its layers of management. As part of this initiative, the Bank planted a tree in its name in the FKA Equality Grove in Heiðmörk contributing to reducing its carbon footprint while symbolically showing support for gender equality.

Parental leave

Íslandsbanki encourages its employees, fathers and mothers alike, to exercise their right to parental leave. With the aim of further increasing gender equality, the Bank guarantees its employees 80% of their salary during parental leave.

The Bank makes a concerted effort to meet its employees' needs for flexible parental leave, with the aim of making it easier for them to return to work.





Financial health

Financial health is an integral part of the Bank's strategy, with every strategic theme designed to support customers in achieving stronger financial well-being. The Bank strives to build financial knowledge among its customers and the public, as well as enable its customers to take responsibility for their own finances and enhance their security and financial freedom. With financial health as a priority, all marketing, product development, service interfaces, and digital sales emphasise enhancing customers' financial health. There is a strong focus on helping customers gain a better overview of their finances, with the Bank's employees available when needed.

Educational information

Íslandsbanki has long been a leader in financial education in Iceland, with thousands of Icelanders attending the Bank's seminars and events on financial matters, both in person and online. One of the four United Nations Sustainable Development Goals (SDGs) that Íslandsbanki supports is **Education for All**.

Íslandsbanki provided a range of educational offerings on financial matters in 2025, through events, written articles, and informational outreach on social media. Around 1,700 guests attended 20 open lectures held by the Bank. Topics ranged from teaching the basics of saving, how to read annual accounts, explaining different types of mortgage loans, facts about parental leave, and how to prepare for retirement. The events were held at Íslandsbanki's headquarters in Norðurturn, online via Teams, in various branches of the Bank throughout Iceland, and in public auditoriums.

The Bank emphasised sharing instructional information on financial matters on social media, as videos with employees explaining financial terminology and concepts in plain language. In addition, summaries of articles by employees and the Íslandsbanki Research were published on social media, and ensuring a wide distribution.

Word Bank

Íslandsbanki focused on education when it comes to terms and concepts relating to banking and finance. In 2023, it launched the Word Bank, where users can find explanations of various financial terms and concepts. The idea behind the Word Bank is to bolster financial literacy regarding terms and phrases used in the banking industry. Users can also send in terms for which they want definitions, thereby further expanding their financial literacy.

The Word Bank contained over 90 terms by the end of 2025.

Word Bank (in Icelandic)





Information security and defences against cyberattacks

Íslandsbanki prioritises digital development and the use of information technology (IT). Increased use of IT can have both positive and negative effects on the Bank's customers. While digital development enhances efficiency and can expedite and simplify the provision of service, it can also expose the Bank and its customers to fraud and cyberattacks.

The Bank's Operational and Security Committee, which operates under the authority of the Bank's CEO, is tasked with analysing matters relating to operations, systems, and security, as well as the health of information systems. To mitigate emerging risks, the Bank proactively strengthens, adapts, and upgrades its security controls to ensure alignment with the evolving threat landscape.

Information security

In order to ensure customers' security, the Bank has an information security management system that protects data from unauthorised access, modification, destruction, or loss. The Bank has been certified according to the information security standard 27001 since 2016. In 2025, the Bank successfully transitioned to the updated ISO 27001:2022 standard, reflecting its commitment to continuous improvement in information security. Compliance with the standard is now appraised annually by BSI Iceland, a

conformity assessment body. The certification indicates that Íslandsbanki has verifiably set up, executed, maintained, and updated its information security management system in a responsible and reliable manner. It also means that the Bank has selected and applied the appropriate measures to protect the information it possesses or handles, by taking into account potential threats and weaknesses and the impact they have on information security. By leveraging advanced classification and data loss prevention technologies, the Bank ensures that sensitive information is accurately managed and protected, thereby, digital resilience is strengthened in accordance with regulatory compliance, further supporting

customers trust in the Bank. Additionally, the Bank has strengthened its focus on enabling quicker responses to security incidents, enhancing risk-based security testing of applications, and creating a framework for cyber threat assessment.

To protect its customers and safeguard value, Íslandsbanki combats fraud via three key initiatives:

Education and awareness

Preventing fraud before it happens by educating and increasing customer awareness of how fraud works and the Bank's defences against emerging scam types.

Threat resilience and cooperation

Thwarting fraud as it happens with robust fraud controls, which are continuously hardened in tune with emerging threats, through technical innovation and collaborative threat sharing.

Recovery and compliance

Reducing fraud profitability through aggressive fund recovery and close cooperation with law enforcement authorities.





Statistics for 2025

ISK 258 million

worth of disputed payments successfully settled and recovered.

11.000

card transactions were processed by the Chargeback department, of which 35% were due to disruption in the aviation industry.

84%

success rate for settled chargebacks on cards by the Chargeback department.

8.786

calls received by the Emergency service which is open 24/7.

3.360

fraud related inquiries resolved with assistance from the Anti-fraud team.

161

suspicious cross-border payments were intercepted and investigated by the Clearing department to prevent fraud.

Fraud and payments

Íslandsbanki recognises its key role in the fight against fraud in the financial system. Unchecked cyber threats such as fraud are a societal issue that can have wide-reaching and debilitating effects on those whom they impact, such as financial loss to victims and the deterioration of trust in digital solutions in general. Fraud does not occur in a vacuum. Criminals abuse a variety of platforms and technology across multiple industries to defraud their victims, requiring a cross-sector approach to increase resilience to and deter fraud.

Education and awareness

The Anti-fraud team trains employees on external fraud handling procedures, along with managing educational activities, ranging from bi-weekly emails on fraud trends to hosting quarterly fraud seminars. The team also supports external awareness efforts by contributing specialised knowledge for various agencies and organisations seeking consultation on fraud topics. To warn and educate customers, the Bank issues fraud warnings and instructions both on its cybersecurity page and with targeted communication via email and social media. In 2025, the Anti-fraud team published a governing document for external fraud handling procedures and committed to revamping the Bank's cybersecurity page in 2026.

Cybersecurity

Threat resilience and cooperation

Íslandsbanki participates in both public and private threat sharing, which contributes to increased threat resilience not only for our customers but the financial sector as well. The Bank does this by collaboratively disseminating methods of cyber-attacks and fraud. Notable undertakings include the Bank's membership in the Nordic Financial CERT, Finance Iceland, and recently, MobeyForum. To defend against fraud, Íslandsbanki's specialised Anti-fraud team utilises robust fraud controls in conjunction with strategic threat profiling and cross-functional incident response harmonisation to protect its clients. As a response to the increasingly complex and sophisticated fraud methods driven by rapid technological innovations, such as AI, the Bank will continue to invest in technical security.

Recovery and compliance

Íslandsbanki recovered ISK 258 million disputed payments for its customers in 2025. Distinctive accomplishments of the year include offering a streamlined recovery process for domestic payments and an 84% success rate for settled chargebacks on cards.



Cooperation and dialogue with customers

Íslandsbanki prioritises wide-ranging dialogue with its customers. Sustainability is becoming more prominent as interest in sustainable financing options has grown. In line with this trend, Íslandsbanki has strengthened its educational material on sustainability as it applies to various sectors, published sectoral guidelines, and held educational seminars with employees.

Sustainable financing and financial incentives

The transition to carbon neutrality demands substantial investment, which creates opportunities for banks to meet their customers' financing needs. The Bank is determined to create positive incentives to expedite investment in the transition needed to combat climate change. The possibility of providing such incentives stems from more favourable financing terms offered to the Bank for sustainable bond issues and from robust management of sustainability risk, which can affect credit risk. This enables the Bank to offer more favourable interest rates for sustainable projects undertaken by its customers.

Sustainable loans accounted for 13% of the Bank's total loan portfolio at the end of 2025. Sustainable loans are categorised under the Sustainable Funding framework, which the Bank has had since 2020.

Sustainable Funding Framework

Sustainability training and education

Íslandsbanki endeavours to support its customers on their sustainability journey.

The Bank's customers operate in a wide range of sectors and are faced with various sustainability related risks and opportunities. The Bank has issued four sets of sectoral guidelines covering the construction, fishing, and tourism industries, as well as the manufacturing, retail trade, and services sectors. The guidelines are conceived as a tool to provide firms with a better overview of the sustainability related risks and opportunities in their industry. Exposure to risks varies from one sector to another, and the guidelines contain tailored advice on risk management. The Bank hopes that the guidelines will create a shared foundation for Íslandsbanki, its customers, and other stakeholders to engage in further dialogue on sustainability.

Sustainability Word Bank

In 2025 Íslandsbanki published a Sustainability Word Bank, where users can find explanations of various sustainability terms. The idea is to help people to better understand the terms, phrases and abbreviations commonly used in the field of sustainability.

Word Bank (in Icelandic)

Sector guidelines (in Icelandic)

ESG risk assessment and management of sustainability risk

By the end of 2025, 88% of all credit risk had undergone an ESG risk assessment.¹ The Bank therefore has a good overview of where in the loan portfolio the key sustainability related risks lie, and it is committed to taking into account of ESG criteria when assessing risk and determining the pricing of its loans, thereby integrating sustainability risk into its lending decisions.



¹Except individuals and small companies, which are not included in the dataset.



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GOV1 The role of the administrative, supervisory and management bodies

Does the company prohibit the CEO from serving as board chair?



In accordance with the Act on limited companies No. 2/1995 and the companies Articles of association the CEO of the company cannot serve as board chair.

Share of independents in board.

100%

GOV2 Board diversity

43%

Total board seats occupied by women.

50%

Committee chairs occupied by women.

GOV3 Incentivised pay

Are executives formally incentivised to perform on sustainability?



According to Article 7 of the Bank's employment terms policy, the Bank does not authorise bonus payments.

G1-2 Management of relationships with suppliers

Are your vendors or suppliers required to follow a code of conduct?



If yes, what percentage of your suppliers have formally certified their compliance with the code?

88%

G1-3 Prevention and detection of corruption or bribery

Does your company follow an ethics and/or anti-corruption policy?



Íslandsbanki has a policy on Anti Bribery and Corruption. Further the Bank has a policy against money laundering and as well as it has established a Code of Conduct for its employees and the Bank's Sustainability Policy also addressed ethics and anti-corruption.

If yes, what percentage of your workforce has formally certified its compliance with the policy?

99%

G1-4 Confirmed incidents of corruption or bribery

Number of convictions for violation of anti-corruption and anti-bribery laws.

0

Number of confirmed incidents of corruption or bribery

0

G1-5 Political influence

Financial political contributions made.

0 ISK m

In accordance with the Bank's Grant policy, the Bank does not support political organisations or individual campaigns, neither on behalf of organisations nor individuals.

G1-6 Payment practices

Number of outstanding legal proceedings for late payments.

0

Other governance factors selected based on sector and internal materiality assessment

Does your company follow a data privacy policy?



The Bank's Data Privacy Policy is comprehensive and available online. Data privacy is an important component to Íslandsbanki's operations and the Bank takes these responsibilities seriously.

Does your company publish a sustainability report?



Íslandsbanki publishes an integrated Annual and Sustainability Report each year.

Is sustainability data included in your regulatory filings?



The Bank provides the Central Bank of Iceland with sustainability information.

Does your company provide sustainability data to sustainability reporting frameworks?



Íslandsbanki provides information on its sustainability activities to CDP, the UN Global Compact and UN Environmental Programme - Financial Initiative.

Does your company focus on specific UN Sustainable Development Goals (SDGs)?

Íslandsbanki places special emphasis on four of the UN's Sustainable Development Goals: # 4 education for all, # 5 gender equality, # 9 innovation and infrastructure, # 13 climate action.

Does your company set targets and report progress on the UN SDGs?

Íslandsbanki has published sustainability goals for 2026 with special emphasis on four of the UN SDGs.

Has the company examined ESG risk in connection with unlikely major occurrences?

Yes, as part of internal stress tests.



Has the company examined long-term risk in connection with ESG factors?

For further information, see the Pillar 3 Report for 2025.

Does the company enforce a competition law plan?

Does the company enforce a policy on conflicts of interests?

Does the company enforce a policy on handling of complaints?

What obligations or accords has the company undertaken in connection with ESG issues?

UN Global Compact, UN Principles for Responsible Banking, CDP, NZBA, TCFD, PCAF, UN Principles for Responsible Investments (Iceland Funds), Festa - Center for Sustainability, Iceland SIF.



Sound governance practices

One of Íslandsbanki's Board of Directors' key goals is to continuously develop and strengthen the Bank's governance practices. The Board is committed to adhering to exemplary corporate governance practices that align with applicable regulatory provisions, internationally recognised criteria, and established best practices in corporate governance. For example, the Bank routinely reviews its internal regulatory framework to ensure it reflects significant developments in both its internal operations and the broader external environment.

Guidelines on Corporate Governance

The Bank's governance practices are in compliance with the Guidelines on Corporate Governance, and each year the Bank conducts an appraisal to ensure that they remain in line with the Guidelines. The Bank's governance practices are described in more detail in the Bank's Corporate Governance Statement.

Corporate Governance

Code of Conduct

The Bank's Code of Conduct aims to promote sound governance within the Bank and to support the regulatory framework applicable to its activities. It provides essential guidance for employees, including risk culture, data protection, and reporting instances of misconduct.

Code of Conduct

Policy on conflicts of interests

The Bank emphasises that all its employees must be aware of the risk of conflicts of interest in their work. Employees are expected to be able to recognise situations, both within the Bank as well as in their personal lives, where potential conflicts of interest might arise. Employees receive training on how to prevent conflicts from arising and how to address them promptly if they do occur. The Bank's policy on conflicts of interest provides clear guidelines on what constitutes as a conflict of interest and how to address it.

Policy on conflicts of interests

Anti-money laundering and terrorist financing measures

Measures to combat financial crime, such as money laundering, terrorist financing, and financing of weapons of mass destruction, are an important facet of Íslandsbanki's operations. The Bank is committed to ensuring that neither it nor its products are used to launder money, finance acts of terrorism, or support the financing of weapons of mass destruction. Strong defences against such illicit activity are based on an effective mixture of monitoring by employees and system-based monitoring, as well as on sound governance. In addition to the Bank's anti-money laundering and terrorist financing policy, employees work according to procedures designed to reduce the risk of such activity, and all employees receive training and education on the topic at least once a year.

Competition law compliance plan

The Bank is committed to fair and active competition in all markets where it operates and ensures its activities always comply with competition legislation. Employees receive training and guidance to help ensure ethical business practices and strong competition. The Bank reviews its competition law compliance plan annually to ensure ongoing alignment with evolving competition regulations and industry standards.





Employee participation and sustainability culture

Employee participation is key to achieving the Bank's sustainability objectives and to creating a corporate culture that supports the process.

A Helping Hand

For over 10 years, Íslandsbanki has encouraged its employees to contribute to charitable causes. Employees can dedicate one workday per year to a charitable cause under the Bank's Helping Hand programme.

In 2025, in the spirit of the Helping Hand programme, employees took part in a range of projects such as Christmas gift distribution and wrapping for the Mothers' Support Organisation, assisting the Icelandic Cancer Society's Pink Ribbon initiative, and acting as patrols during the Cancer Society's Mustache March race. Many of Íslandsbanki's departments have supported the same cause or NGO for several years; for instance, one group of Bank employees has helped the cancer survivors' association Ljósið with Christmas season cleaning and decoration every year since 2016.

In May, the Bank received a community recognition award from the Icelandic Cancer Society. The award is presented to those whom the Society considers to have contributed to the fight against cancer in a noteworthy manner.

Helping hand

Social grants and a record-breaking Reykjavík Marathon

Íslandsbanki supports charitable causes both locally and internationally and sees its role as being a driving force for good in the Icelandic economy. The Bank operates under approved rules for granting donations and places emphasis on supporting projects that strengthen society, protect the environment, and contribute to positive social development.

When awarding grants, consideration is given to their connection with the SDGs that the Bank has chosen to emphasise: Quality Education, Gender Equality, Industry, Innovation and Infrastructure, and Climate Action.

The grant allocation process is well-defined and aims to ensure equality, objectivity, and transparency, while safeguarding against any risk of conflicts of interest or reputational risk for the Bank.

For the third year in a row, the **Íslandsbanki Reykjavík Marathon** generated a record amount in pledges, which totalled ISK 326 million, up from ISK 257 million the year before. The pledges are donated to the charitable organisations listed as beneficiaries of the race. Íslandsbanki is also the primary sponsor of the Reykjavík Marathon, the biggest charity donation drive in Iceland. Íslandsbanki covers all costs of **Hlaupastyrkur.is**, the website set up for the collection of pledges, and these funds revert in full to the beneficiary organisations. Over ISK 2 billion have been raised since the fundraising began in 2006. In November 2025, the Bank received the Þjóðmál Society Award for its outstanding support of the Reykjavík Marathon over the past decades.

In 2025, a record number of 17,786 people of all ages and genders, participated in the event, and the half marathon event sold out like the year before.





Innovation

Íslandsbanki is committed to fostering innovation in Iceland, with SDG 9 – Industry, Innovation, and Infrastructure – being one of the four goals the Bank supports in various ways.

Iceland Innovation week

Íslandsbanki supports innovation and was a sponsor of Iceland Innovation Week, which is held annually, focusing on innovation, startups, and technological advancements.

KLAK health

Íslandsbanki was a sponsor of the Klak Health accelerator. KLAK Health is a five-week business accelerator tailored to the needs of startups in health technology. The purpose of the accelerator is to strengthen the Icelandic health tech ecosystem by

providing participants with access to specialised education, expert guidance, and connections with investors and key players in the environment. Emphasis is placed on participants gaining a deeper understanding of regulations, technical requirements, and business opportunities within the healthcare sector. Upon completing the accelerator, participants have developed a clear business plan and are prepared to present their ideas to investors, partners, and other key stakeholders.

Drift EA

In June 2025, the Bank became a key supporter of Drift EA in Akureyri, a dynamic hub for entrepreneurship and innovation. The partnership with Drift EA is part of the Bank's vision to support entrepreneurs and communities that create value and drive progress, thereby strengthening innovation in Iceland. By supporting this initiative, Íslandsbanki demonstrates a clear commitment to actively participating in future development through innovation and social responsibility.

Companies that received grants in 2025

Foreldrastuðningur	Synia
Undralingur	AVEO
Tootor	Hvað nú?
ALO ÍSLAND	Sagareg
Bella Books	Píkkoló
Hoobla	SEA Growth
Iceland at Night	Cannarctica
AKURÓS	Eldblóm

Further descriptions of the projects

Grants from the Entrepreneurship Fund

Sixteen projects received grants from the Íslandsbanki Entrepreneurship Fund in 2025, in the combined amount of ISK 60 million. A total of 1025 applications have been submitted since 2019, including 150 in 2025. Total allocations from the Fund now amount to ISK 325 million. The Íslandsbanki Entrepreneurship Fund encourages innovation and development and supports entrepreneurial endeavours that further the four SDGs the Bank has decided to prioritise.

Behind the projects that received grants in 2025 are diverse teams of entrepreneurs, as in previous years. Regional Iceland was well represented, with almost one-fourth of applicants. This year, 22% of the teams were composed of women, 23% of men, and 55% were mixed groups.

“

Innovation and entrepreneurial activity are thriving in Iceland. Hardly a week goes by without hearing about start-ups that are excelling and attracting attention. At Íslandsbanki, we feel this energy and momentum in our work and have actively participated as a driving force in numerous projects across the country. It is, of course, fantastic to see the number of applications grow year after year and deeply rewarding to watch many of these projects flourish over time—proving that every million can make a difference.

Una Steinsdóttir
Managing Director,
Business Banking





Sustainability targets further ahead



Sustainability Focus areas for 2030

Sustainability goals for 2026



Environmental

Net-zero emissions and transition

Conversation with 80 SMEs in business with the Bank on sustainability and transition.

Meet the Icelandic companies that account for the top 80% financed emissions in Íslandsbanki's loan portfolio and discuss transition opportunities.

Start the process of setting a confirmed scientific target for total short- and medium-term emissions.

Support vehicle rental companies finance clean energy vehicles in line with the Icelandic government Climate Action Plan.

Maintain 15% of corporate loan portfolio within the Sustainable funding framework.



Social

Financial health of customers

Own workforce, diversity and inclusion

Tailored education for different groups to support their financial health.

Balance the ratio between men's median pay and women's median deliberately.

Promote increased participation and interest of young women in IT and investment banking.



Governance

Clear and strong governance

Continued commitment to support strong and transparent governance pay practices.

Implementation of an incentive system.

Further development and strengthening of the Bank's sustainability risk assessment.



Reporting disclosure and education

Sustainability education to be part of mandatory education for workforce.



The secondary objectives for 2026 have also been approved.

The Board has accepted Íslandsbanki's updated sustainability focus areas for the next 5 years, through 2030. The five focus areas have a clear link to the SDGs and the Bank's double materiality assessment. These are the areas where the Bank believes it has the greatest opportunity to be a force for good. Emphasis has been placed on Climate Change, the Financial Health of Consumers and Customers, Equal Rights and Inclusion, and Strong Governance, which were spotlighted in the Bank's previous impact analysis. The focus areas were set based on the Bank's double materiality results, previous materiality assessments and experience within the Bank.





Corporate and organisational structure





Organisational structure

Management and control over Íslandsbanki are allocated among shareholders, the Board of Directors, and the CEO, pursuant to the Bank's Articles of Association and regulatory requirements.

Íslandsbanki Articles of Association

The Bank's Articles of Association contain provisions on, among other things, the Bank's share capital, shareholders' meetings, election of the Board, the Board's duties, and the CEO's duties.

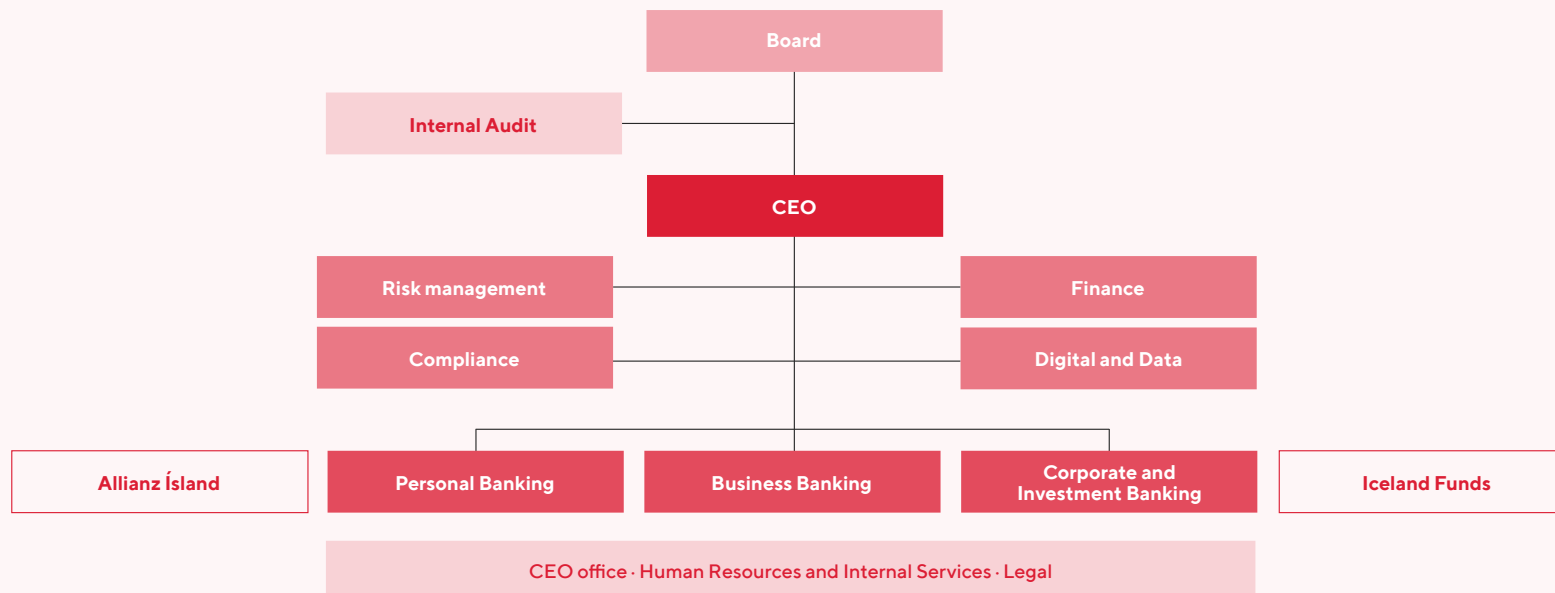
Íslandsbanki Articles of Association

Ownership structure

The Bank's shares are listed on Nasdaq OMX Iceland. The Bank publishes a list of shareholders who own more than 1% of the shares in the Bank on its website.

Shareholders

Organisational Chart





Board of Directors and Board subcommittees

The Board is responsible for setting the Bank's strategy, instructs the CEO on its further implementation and execution. The Board oversees the Bank's activities and ensures that they are in compliance with the applicable regulatory provisions, sound business and governance practices, and rules adopted by the Board for the Bank's activities.

The Bank's Board of Directors

The Board comprises seven non-executive members and two alternates, who are elected at each Annual General Meeting for a term of one year. Further provisions on the functions of the Board can be found in the Board Rules of Procedure.

[Rules of Procedure](#)

Board subcommittees

In order to support the development, execution, and supervision of the Board's tasks, which require additional expertise or attention, the Board appoints subcommittees that operate according to a mandate defined by the Board. There are four subcommittees, all comprising Board members. In addition, the Board Audit Committee and the Board Corporate Governance and Human Resources Committee each include one external member.

The committees' letters of mandate can be found on the Bank's website.

[Risk Management Committee](#)

[Audit Committee](#)

[The Board Corporate Governance and Human Resources Committee](#)

[The Board Innovation and Technology Committee](#)





Board of Directors



Heiðar Guðjónsson

Chairman of the Board
since January 2026

**Haukur Örn
Birgisson**

Joined the Board
in July 2023



**Helga Hlín
Hákonardóttir**

Joined the Board
in July 2023



**Margrét
Pétursdóttir**

Joined the Board
in January 2026



**Stefán
Pétursson**

Vice-Chairman
of the Board
since July 2023



**Stefán
Sigurðsson**

Joined the Board
in March 2024



**Valgerður Hrunn
Skúladóttir**

Joined the Board
in March 2024



[Further information on the Board of Directors of Íslandsbanki](#)



CEO and CEO's advisory committees

The CEO is responsible for ensuring that the Bank's operations and activities consistently adhere to the Bank's Articles of Association, approved policies and strategies, directives issued by the Board, and all applicable regulatory requirements.

The CEO hires Managing Directors to lead the Bank's divisions and appoints members to serve on the CEO's advisory committees. These advisory committees are divided into two categories: **Policy-Setting Committees**, which implement Board policies, and **Business Committees**, which take a position on specific business matters.

The **Executive Committee** and the **All-Risk Committee** are considered policy-setting committees. They take major decisions on the implementation of the policies set by the Board. Committee members include all of the Bank's Managing Directors, along with other managers appointed by the CEO.

The **Executive Committee** oversees and coordinates key aspects of the Bank's activities and has authority to decide on matters delegated by the CEO, in line with policies, goals, and risk appetite as defined by the Board.

The **All-Risk Committee** takes major decisions on implementation of the Bank's risk management and internal control frameworks and monitors that the Bank's risk profile remains within the limits defined in the Board's Risk Appetite Statement.

The **Bank's Business Committees** take decisions on individual business and operational matters in accordance with policies, rules, and other guidelines approved by the Board, the Executive Committee, or the All-Risk Committee. These Committees include the **Senior Credit Committee**, the **Asset and Liability Committee**, the **Investment Committee**, the **Operational and Security Committee**, the **Sustainability Committee**, and the **Digital Product Committee**.





Executive Committee



Jón Guðni Ómarsson

Chief Executive
Officer

**Barbara Inga
Albertsdóttir**

Chief
Compliance
Officer



Ellert Hlökkversson

Chief Financial
Officer



**Guðmundur
Kristinn
Birgisson**

Chief Risk
Officer



**Kristín Hrönn
Guðmundsdóttir**

Managing Director
of Corporate and
Investment Banking



**Ólöf
Jónsdóttir**

Managing Director
of Personal
Banking



**Una
Steinsdóttir**

Managing
Director of
Business Banking



[Further information on the Executive Committee](#)



Independent Auditor's Limited Assurance Report

To the Board of Directors of Íslandsbanki hf.



Limited assurance report on selected information in Íslandsbanki hf.'s sustainability report for the year 2025.

Conclusion

We have been engaged by Íslandsbanki hf. (Íslandsbanki or the Bank) to provide limited assurance on selected information in Íslandsbanki's sustainability report for the year 2025 (information or the sustainability information). The information has been prepared in accordance with Nasdaq ESG guidelines, the Partnership for Carbon Accounting Financial (PCAF) methodology, the UN Principles for Responsible Banking and the UN Sustainable Development Goals.

Assurance scope

- Sustainable lending under the Sustainable Funding Framework as presented on page 41
- Sustainable financing impact indicators on page 42
- The Bank's ESG statement as follows:
 - Environmental statement
 - Environmental statement and indicators on page 43
 - Financed emissions in accordance with PCAF methodology on page 44-45
 - Social factors on page 48
 - Governance on page 54
- Íslandsbanki's self-assessment of its fulfilment of its commitments as a signatory of the Principles for Responsible Banking for the year 2025, as presented in accordance with template published by UNEP FI in October 2024.

Based on the procedures performed and evidence obtained, nothing has come to our attention to cause us to believe that the selected sustainable information in Íslandsbanki hf. sustainability report for the year 2025 are not prepared, in all material respects, in accordance with Nasdaq ESG guidelines, the Partnership for Carbon Accounting Financial (PCAF) methodology, the UN Principles for Responsible Banking and the UN Sustainable Development Goals and the underlying data of the sustainability report.

Basis for conclusion

We conducted our engagement in accordance with *International Standard on Assurance Engagements (ISAE) 3000 (Revised), Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*, issued by the International Auditing and Assurance Standards Board (IAASB). Our responsibilities under this standard are further described in the "Our responsibilities" section of our report.

We have complied with the independence and other ethical requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA).

Our firm applies International Standard on Quality Management (ISQM) 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*, issued by the IAASB. This standard requires the firm to design, implement and operate a system of quality management, including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Responsibilities for the sustainability information

The Board of Directors and the Executive Management are responsible for preparing and presenting the sustainability information. This responsibility includes the decision of presenting the information in accordance with Nasdaq ESG guidelines, the Partnership for Carbon Accounting Financial (PCAF) methodology, the UN Principles for Responsible Banking, and the UN Sustainable Development Goals. They are responsible for designing, implementing, and maintaining internal control relevant to the preparation of the sustainability information in accordance with Nasdaq ESG guidelines, the Partnership for Carbon Accounting Financial (PCAF) methodology, the UN Principles for Responsible Banking, and the UN Sustainable Development Goals. They are also responsible for collecting, analysing, and presenting information which is presented in the sustainability information such that it is free from material misstatement, whether due to fraud or error. Furthermore, they are responsible for ensuring that employees involved in the processing and presentation of the sustainability information have received appropriate training and that information systems are appropriate.

Our responsibilities

We are responsible for providing independent limited assurance of selected information in the Bank's sustainability statement. This responsibility includes planning and performing the engagement to obtain limited assurance about whether the sustainability information is free from material misstatement, whether due to fraud or error. We are responsible for forming an independent conclusion, based on the procedures we have performed and the evidence we have obtained and reporting our conclusion to the Board of Directors of Íslandsbanki.

Summary for the work we performed as the basis for our conclusion

We exercised professional judgment and maintained professional scepticism throughout the engagement. We designed and performed our procedures to obtain evidence about the sustainability information that is sufficient and appropriate to provide a basis for our conclusion. Our procedures selected depended on our understanding of the sustainability information and other engagement circumstances, and our consideration of areas where material misstatements are likely to arise. In carrying out our engagement, the procedures we performed primarily consisted of:

- Obtaining information, mainly from those employees that were responsible for the information presented in the sustainability information, analyse, evaluate, and obtain confirmations as appropriate.
- Inquiries to management and other appropriate employees to obtain understanding of the Bank's process preparing and reviewing the sustainability information.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Reykjavík, 12th of February 2026

KPMG ehf.
Hrafnhildur Helgadóttir
 State Authorised Public Accountant

