Pillar 3 Report

Íslandsbanki Second quarter 2026

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Introduction

About this report

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

Non-disclosed templates

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

- *EU CR2a – Non-performing and forborne exposures:* Íslandsbanki's non-performing loan (NPL) ratio is 2.6%, below the 5% threshold. The Bank is therefore exempt from completing template EU CR2a.
- *EU CR6–CR8, EU CMS1, EU CMS2 – IRB approach for credit risk:* Íslandsbanki applies the Standardised Approach for credit risk and does not use IRB models.
- *EU CR10 – Specialised lending exposures under slotting approach:* Not applicable as the Bank applies the Standardised Approach for credit risk.
- *EU CCR4, EU CCR7 – Counterparty credit risk under IRB:* Not applicable as the Bank does not use IRB models for credit risk. *EU CCR6 - Credit derivatives exposures, EU CCR8 – Exposures to CCPs*: Not disclosed as the Bank had neither credit derivatives exposures nor exposures to Central Counterparties (CCPs) during the reporting period.
- *EU-SEC1–SEC5 – Securitisation exposures:* Not disclosed as the Bank does not engage in securitisation activities.
- *EU MR2, EU MR3, EU MR4 – Market risk under alternative internal models:* Not disclosed as the Bank does not use alternative internal models for market risk.
- *CVA4 – Credit valuation adjustment risk:* Omitted as Íslandsbanki applies the Reduced Basic Approach under CRR 3, which does not require this templates to be disclosed.
- *Templates 6–10 – ESG and taxonomy-related disclosures:* Summary of KPIs on taxonomy-aligned exposures, GAR, BTAR and other climate-related actions are not disclosed due to the EBA no-action letter regarding Regulation (EU) 2020/852. The Bank will provide these disclosures once the regulatory framework is finalised and applicable.

Key metrics

EU KM1: Key metrics template

		a	b	c	d	e
	(in ISK millions)	**30.6.2026**	31.3.2026	31.12.2025	30.9.2025	30.6.2025
	Available own funds (amounts)					
1	Common Equity Tier 1 (CET1) capital	199,081	191,949	207,576	201,119	200,801
2	Tier 1 capital	215,685	208,696	224,792	210,744	210,326
3	Total capital	239,955	232,479	247,891	233,670	233,488
	Risk-weighted exposure amounts					
4	Total risk-weighted exposure amount	1,043,713	1,049,435	1,033,788	1,084,527	1,084,492
4a	Total risk exposure pre-floor	1,043,713	1,049,435	1,033,788		
	Capital ratios (as a percentage of risk-weighted exposure amount)					
5	Common Equity Tier 1 ratio (%)	19.1%	18.3%	20.1%	18.5%	18.5%
5b	Common Equity Tier 1 ratio considering unfloored TREA (%)	19.1%	18.3%	20.1%		
6	Tier 1 ratio (%)	20.7%	19.9%	21.7%	19.4%	19.4%
6b	Tier 1 ratio considering unfloored TREA (%)	20.7%	19.9%	21.7%		
7	Total capital ratio (%)	23.0%	22.1%	24.0%	21.5%	21.5%
7b	Total capital ratio considering unfloored TREA (%)	23.0%	22.1%	24.0%		
	Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount)					
EU 7d	Additional own funds requirements to address risks other than the risk of excessive leverage (%)	1.8%	1.4%	1.4%	1.4%	1.4%
EU 7e	of which to be made up of CET1 capital (percentage points)	1.0%	0.8%	0.8%	0.8%	0.8%
EU 7f	of which to be made up of Tier 1 capital (percentage points)	1.4%	1.1%	1.1%	1.0%	1.0%
EU 7g	Total SREP own funds requirements (%)	9.8%	9.4%	9.4%	9.4%	9.4%
	Combined buffer and overall capital requirement (as a percentage of risk-weighted exposure amount)					
8	Capital conservation buffer (%)	2.5%	2.5%	2.5%	2.5%	2.5%
EU 8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	-	-	-	-	-
9	Institution specific countercyclical capital buffer (%)	2.4%	2.4%	2.4%	2.5%	2.5%
EU 9a	Systemic risk buffer (%)	1.8%	1.8%	1.8%	1.9%	1.9%
10	Global Systemically Important Institution buffer (%)	-	-	-	-	-
EU 10a	Other Systemically Important Institution buffer	3.0%	3.0%	3.0%	3.0%	3.0%
11	Combined buffer requirement (%)	9.7%	9.7%	9.7%	9.8%	9.8%
EU 11a	Overall capital requirements (%)	19.5%	19.1%	19.1%	19.2%	19.2%
12	CET1 available after meeting the total SREP own funds requirements (%)	13.2%	12.8%	14.6%	12.2%	12.1%
	Leverage ratio					
13	Leverage ratio total exposure measure	1,847,106	1,848,958	1,797,721	1,807,080	1,756,995
14	Leverage ratio	11.7%	11.3%	12.5%	11.7%	12.0%
	Additional own funds requirements to address the risk of excessive leverage (as a percentage of total exposure measure)					
EU 14a	Additional own funds requirements to address the risk of excessive leverage (%)					
EU 14b	of which to be made up of CET1 capital (percentage points)					
EU 14c	Total SREP leverage ratio requirements (%)	3%	3%	3%	3%	3%
	Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)					
EU 14e	Leverage ratio buffer requirement (%)					
EU 14f	Overall leverage ratio requirement (%)	3%	3%	3%	3%	3%
	Liquidity Coverage Ratio[1]					
15	Total high-quality liquid assets (HQLA) (Weighted value - average)	241,916	235,327	227,548	221,118	219,559
EU 16a	Cash outflows - Total weighted value	233,946	231,581	232,342	228,387	220,994
EU 16b	Cash inflows - Total weighted value	103,934	110,309	116,728	116,989	109,612
16	Total net cash outflows (adjusted value)	130,011	121,272	115,614	111,398	111,383
17	Liquidity coverage ratio (%)	186%	194%	197%	198%	197%
	Net Stable Funding Ratio					
18	Total available stable funding	1,436,629	1,386,823	1,390,049	1,349,049	1,316,559
19	Total required stable funding	1,143,992	1,125,579	1,090,283	1,043,371	1,050,965
20	NSFR ratio (%)	126%	123%	127%	129%	125%

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

Capital Position

Own funds

EU CC1: Composition of regulatory own funds

The main restrictions that apply to the calculation of own funds for the Group and result in a deduction from CET1 capital are the following:

- Intangible assets, excluding prudentially valued software assets
- Deferred tax assets
- Gains or losses on liabilities valued at fair value resulting from changes in own credit standing

In addition, foreseeable dividend payment and buyback approved by the Bank's AGM are deducted from retained earnings before calculating the CET1 capital.

	(in ISK millions)	a
	Common Equity Tier 1 (CET1) capital: instruments and reserves	
1	Capital instruments and the related share premium accounts	34,751
	of which: Instrument type 1	
	of which: Instrument type 2	
	of which: Instrument type 3	
2	Retained earnings	144,896
3	Accumulated other comprehensive income (and other reserves)	5,774
EU-3a	Funds for general banking risk	-
4	Amount of qualifying items referred to in Article 484 (3) and the related share premium accounts subject to phase out from CET1	-
5	Minority interests (amount allowed in consolidated CET1)	-
EU-5a	Independently reviewed interim profits net of any foreseeable charge or dividend	14,525
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	**199,946**
	Common Equity Tier 1 (CET1) capital: regulatory adjustments	
7	Additional value adjustments (negative amount)	-
8	Intangible assets (net of related tax liability) (negative amount)	(1,933)
9	N/A	
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) CRR are met) (negative amount)	(162)
11	Fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value	-
12	Negative amounts resulting from the calculation of expected loss amounts	-
13	Any increase in equity that results from securitised assets (negative amount)	-
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	1,261
15	Defined-benefit pension fund assets (negative amount)	-
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)	-
17	Direct, indirect and synthetic holdings of the CET 1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-
18	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-
19	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-
20	N/A	
EU-20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative	-
EU-20b	of which: qualifying holdings outside the financial sector (negative amount)	-
EU-20c	of which: securitisation positions (negative amount)	-
EU-20d	of which: free deliveries (negative amount)	-
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in Article 38 (3) CRR are met) (negative amount)	-
22	Amount exceeding the 17,65% threshold (negative amount)	-
23	of which: direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities	-
24	N/A	
25	of which: deferred tax assets arising from temporary differences	-
EU-25a	Losses for the current financial year (negative amount)	-

	(in ISK millions)	a
EU-25b	Foreseeable tax charges relating to CET1 items except where the institution suitably adjusts the amount of CET1 items insofar as such tax charges reduce the amount up to which those items may be used to cover risks or losses (negative amount)	-
26	N/A	
27	Qualifying AT1 deductions that exceed the AT1 items of the institution (negative amount)	-
27a	Other regulatory adjustments *(including IFRS 9 transitional adjustments when relevant)*	(31)
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	**(865)**
29	**Common Equity Tier 1 (CET1) capital**	**199,081**
	Additional Tier 1 (AT1) capital: instruments	
30	Capital instruments and the related share premium accounts	16,604
31	of which: classified as equity under applicable accounting standards	-
32	of which: classified as liabilities under applicable accounting standards	16,604
33	Amount of qualifying items referred to in Article 484 (4) CRR and the related share premium accounts subject to phase out from AT1 as described in Article 486(3) of CRR	-
EU-33a	Amount of qualifying items referred to in Article 494a(1) CRR subject to phase out from AT1	-
EU-33b	Amount of qualifying items referred to in Article 494b(1) CRR subject to phase out from AT1	-
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties	-
35	of which: instruments issued by subsidiaries subject to phase out	-
36	**Additional Tier 1 (AT1) capital before regulatory adjustments**	**16,604**
	Additional Tier 1 (AT1) capital: regulatory adjustments	
37	Direct and indirect holdings by an institution of own AT1 instruments (negative amount)	-
38	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-
39	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-
40	Direct, indirect and synthetic holdings by the institution of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	-
41	N/A	
42	Qualifying T2 deductions that exceed the T2 items of the institution (negative amount)	-
42a	Other regulatory adjustments to AT1 capital	-
43	**Total regulatory adjustments to Additional Tier 1 (AT1) capital**	**-**
44	**Additional Tier 1 (AT1) capital**	**16,604**
45	**Tier 1 capital (T1 = CET1 + AT1)**	**215,685**
	Tier 2 (T2) capital: instruments	
46	Capital instruments and the related share premium accounts	24,270
47	Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from T2 as described in Article 486 (4) CRR	-
EU-47a	Amount of qualifying items referred to in Article 494a (2) CRR subject to phase out from T2	-
EU-47b	Amount of qualifying items referred to in Article 494b (2) CRR subject to phase out from T2	-
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties	-
49	of which: instruments issued by subsidiaries subject to phase out	-
50	Credit risk adjustments	-
51	**Tier 2 (T2) capital before regulatory adjustments**	**24,270**
	Tier 2 (T2) capital: regulatory adjustments	
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)	-
53	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-
54	Direct and indirect holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-
54a	N/A	
55	Direct and indirect holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	-
56	N/A	
EU-56a	Qualifying eligible liabilities deductions that exceed the eligible liabilities items of the institution (negative amount)	-
56b	Other regulatory adjustments to T2 capital	-
57	**Total regulatory adjustments to Tier 2 (T2) capital**	**-**
58	**Tier 2 (T2) capital**	**24,270**
59	**Total capital (TC = T1 + T2)**	**239,955**

	(in ISK millions)	a
60	**Total risk exposure amount**	**1,043,713**
	Capital ratios and buffers	
61	Common Equity Tier 1 (as a percentage of total risk exposure amount)	19.1%
62	Tier 1 (as a percentage of total risk exposure amount)	20.7%
63	Total capital (as a percentage of total risk exposure amount)	23.0%
64	Institution CET1 overall capital requirement (CET1 requirement in accordance with Article 92 (1) CRR, plus additional CET1 requirement which the institution is required to hold in accordance with point (a) of Article 104(1) CRD, plus combined buffer requirement in accordance with Article 128(6) CRD) expressed as a percentage of risk exposure amount)	15.2%
65	of which: capital conservation buffer requirement	2.5%
66	of which: countercyclical buffer requirement	2.4%
67	of which: systemic risk buffer requirement	1.8%
EU-67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer requirement	3.0%
EU-67b	of which: additional own funds requirements to address the risks other than the risk of excessive leverage	1.0%
68	**Common Equity Tier 1 available to meet buffer (as a percentage of risk exposure amount) available after meeting the minimum capital requirements**	13.2%
69	[non relevant in EU regulation]	
70	[non relevant in EU regulation]	
71	[non relevant in EU regulation]	
	Amounts below the thresholds for deduction (before risk weighting)	
72	Direct and indirect holdings of own funds and eligible liabilities of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	-
73	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 17.65% thresholds and net of eligible short positions)	-
74	N/A	
75	Deferred tax assets arising from temporary differences (amount below 17.65% threshold, net of related tax liability where the conditions in Article 38 (3) CRR are met)	-
	Applicable caps on the inclusion of provisions in Tier 2	
76	Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)	-
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach	
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	-
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	-
	Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2014 and 1 Jan 2022)	
80	Current cap on CET1 instruments subject to phase out arrangements	-
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	-
82	Current cap on AT1 instruments subject to phase out arrangements	-
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	-
84	Current cap on T2 instruments subject to phase out arrangements	-
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	-

EU CC2: Reconciliation of regulatory own funds to balance sheet in the audited financial statements

The entire balance sheet falls within the prudential scope.

	(in ISK millions)	a Balance sheet as in published financial statements As at period end	b Under regulatory scope of consolidation As at period end
	Assets		
1	Cash and balances with Central Bank	91,559	91,559
2	Loans to credit institutions	65,288	65,288
3	Bonds and debt instruments	166,740	166,740
4	Derivatives	4,047	4,047
5	Loans to customers	1,416,048	1,416,048
6	Shares and equity instruments	12,770	12,770
7	Investments in associates	5,496	5,496
8	Investment property	2,900	2,900
9	Property and equipment	4,833	4,833
10	Intangible assets	2,813	2,813
11	Other assets	10,436	10,436
12	Non-current assets and disposal groups held for sale	5,454	5,454
	Total assets	**1,788,384**	**1,788,384**
	Liabilities		
1	Deposits from Central Bank and credit institutions	17,664	17,664
2	Deposits from customers	1,038,206	1,038,206
3	Derivative instruments and short positions	2,691	2,691
4	Debt issued and other borrowed funds	440,206	440,206
5	Subordinated loans	40,874	40,874
6	Tax liabilities	13,440	13,440
7	Other liabilities	22,031	22,031
8	Non-current liabilities and disposal groups held for sale	2,178	2,178
	Total liabilities	**1,577,290**	**1,577,290**
	Equity		
1	Share capital	8,371	8,371
2	Share premium	28,572	28,572
3	Reserves	3,583	3,583
4	Retained earnings	170,570	170,570
	Total shareholders' equity	**211,095**	**211,095**

*Breakdown by asset, liability and equity classes according to the balance sheet in the published financial statements.

Capital requirements

EU OV1: Overview of total risk exposure amounts

CRR 3 became applicable in Iceland in December 2025 and had a significant impact on the Group's risk exposure amount (REA) and capital ratios. In January 2026, the Central Bank of Iceland approved the use by Icelandic banks of the loan splitting approach for exposures secured by mortgages where the underlying collateral consists of income-producing real estate. The Group's application of this approach reduced its REA by approximately 2%.

		a	b	c
		Total risk exposure amounts (TREA)		Total own funds requirements
		30.6.2026	31.3.2026	**30.6.2026**
1	**Credit risk (excluding CCR)**	**942,330**	**947,835**	**75,386**
2	Of which the standardised approach	942,330	947,835	75,386
3	Of which the foundation IRB (FIRB) approach	-	-	-
4	Of which slotting approach	-	-	-
EU 4a	Of which equities under the simple risk weighted approach	-	-	-
5	Of which the Advanced IRB (AIRB) approach	-	-	-
6	**Counterparty credit risk - CCR**	**5,579**	**6,707**	**446**
7	Of which the standardised approach	-	-	-
8	Of which internal model method (IMM)	-	-	-
EU 8a	Of which exposures to a CCP	-	-	-
9	Of which other CCR	5,579	6,707	446
10	**Credit valuation adjustments risk - CVA risk**	**1,835**	**1,351**	**147**
EU 10a	Of which the standardised approach (SA)	-	-	-
EU 10b	Of which the basic approach (F-BA and R-BA)	1,835	1,351	147
EU 10c	Of which the simplified approach	-	-	-
15	**Settlement risk**	-	-	-
16	**Securitisation exposures in the non-trading book (after the cap)**	-	-	-
17	Of which SEC-IRBA approach	-	-	-
18	Of which SEC-ERBA (including IAA)	-	-	-
19	Of which SEC-SA approach	-	-	-
EU 19a	Of which 1250%/ deduction	-	-	-
20	**Position, foreign exchange and commodities risks (Market risk)**	**5,417**	**4,991**	**433**
21	Of which the standardised approach			
EU 21a	Of which the Simplified standardised approach (S-SA)	5,417	4,991	433
22	Of which the Alternative Internal Models Approach (A-IMA)			
EU 22a	**Large exposures**	-	-	-
23	Reclassifications between trading and non-trading books	-	-	-
24	**Operational risk**	**88,551**	**88,551**	**7,084**
EU 24a	Exposures to crypto-assets	-	-	-
25	**Amounts below the thresholds for deduction (subject to 250% risk weight)**	-	-	-
26	Output floor applied (%)	-	-	
27	Floor adjustment (before application of transitional cap)	-	-	
28	Floor adjustment (after application of transitional cap)	-	-	
29	**Total**	**1,043,713**	**1,049,435**	**83,497**

Countercyclical capital buffer

EU CCyB1: Geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer

		a	b	c	d	e	f
		General credit exposures		Relevant credit exposures – Market risk		Securitisation exposures Exposure value for non-trading book	Total exposure value
	(in ISK millions)	Exposure value under the SA approach	Exposure value under the IRB approach	Sum of long and short positions of trading book exposures for SA	Value of trading book exposures for internal models		
	Breakdown by country:						
010	Iceland	1,577,062	-	1,554	-	-	1,578,616
	Norway	12,341	-	-	-	-	12,341
	Australia	8,615	-	-	-	-	8,615
	Sweden	8,158	-	-	-	-	8,158
	Denmark	8,122	-	-	-	-	8,122
	Belgium	7,610	-	-	-	-	7,610
	Netherlands	6,594	-	-	-	-	6,594
	United Kingdom	6,472	-	-	-	-	6,472
011	Other w. CCyB	1,922	-	7	-	-	1,929
012	Other	26,226	-	48	-	-	26,274
020	**Total**	**1,663,122**	**-**	**1,610**	**-**	**-**	**1,664,732**

		g	h	i	j	k	l	m
		Own fund requirements			Total	Risk-weighted exposure amounts	Own fund requirements weights (%)	Countercyclical buffer rate (%)
	(in ISK millions)	Relevant credit risk exposures – Credit risk	Relevant credit exposures – Market risk	Relevant credit exposures – Securitisation positions in the non-trading book				
	Breakdown by country:							
10	Iceland	67,903	124	-	68,027	850,343	92.0%	2.50%
	Norway	909	-	-	909	11,361	1.2%	2.50%
	Australia	676	-	-	676	8,452	0.9%	1.00%
	Sweden	588	-	-	588	7,348	0.8%	2.00%
	Denmark	469	-	-	469	5,863	0.6%	2.50%
	Belgium	572	-	-	572	7,146	0.8%	1.00%
	Netherlands	382	-	-	382	4,771	0.5%	2.00%
	United Kingdom	341	-	-	341	4,256	0.5%	2.00%
11	Other w. CCyB	94	1	-	95	1,186	0.1%	0.77%
12	Other	1,843	4	-	1,847	23,082	2.5%	0.00%
020	**Total**	**73,776**	**129**	**-**	**73,905**	**923,809**	**100%**	

EU CCyB2: Amount of institution-specific countercyclical capital buffer

1	Total risk exposure amount	1,043,713
2	Institution specific countercyclical capital buffer rate	2.40%
3	Institution specific countercyclical capital buffer requirement	25,061

Leverage ratio

EU LR1 - LRSum: Summary reconciliation of accounting assets and leverage ratio exposures

	(In ISK millions)	a Applicable amount
1	Total assets as per published financial statements	1,788,384
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	-
3	(Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference)	-
4	(Adjustment for temporary exemption of exposures to central bank (if applicable))	-
5	(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio total exposure measure in accordance with point (i) of Article 429a(1) CRR)	-
6	Adjustment for regular-way purchases and sales of financial assets subject to trade date accounting	-
7	Adjustment for eligible cash pooling transactions	-
8	Adjustments for derivative financial instruments	4,251
9	Adjustment for securities financing transactions (SFTs)	-
10	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	62,644
11	(Adjustment for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital)	-
EU-11a	(Adjustment for exposures excluded from the leverage ratio total exposure measure in accordance with point (c) of Article 429a(1) CRR)	-
EU-11b	(Adjustment for exposures excluded from the leverage ratio total exposure measure in accordance with point (j) of Article 429a(1) CRR)	-
12	Other adjustments	(8,173)
13	**Total exposure measure**	**1,847,106**

EU LR3 - LRSpl: Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)

	(In ISK millions)	**CRR leverage ratio exposures** a
EU-1	**Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:**	**1,776,164**
EU-2	Trading book exposures	26,248
EU-3	Banking book exposures, of which:	1,749,917
EU-4	Covered bonds	32,767
EU-5	Exposures treated as sovereigns	195,878
EU-6	Exposures to regional governments, MDB, international organisations and PSE **not** treated as sovereigns	12,399
EU-7	Institutions	70,469
EU-8	Secured by mortgages of immovable properties	845,658
EU-9	Retail exposures	134,470
EU-10	Corporate	396,569
EU-11	Exposures in default	32,564
EU-12	Other exposures (eg equity, securitisations, and other non-credit obligation assets)	29,142

MREL

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

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

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

The MREL is published irrespective of the value of the combined buffer requirement, which must be met in parallel with both the MREL-TREA and the subordination requirement. Taking into account the Group's combined buffer requirement as at 30 June 2026, the resulting MREL-TREA amounts to 28.5%, while the subordinated portion of the MREL is equivalent to 23.2% of TREA.

		a
		Minimum requirement for own funds and eligible liabilities (MREL)
	(In ISK millions)	30.6.2026
	Own funds and eligible liabilities, ratios and components	
1	Own funds and eligible liabilities	458,227
EU-1a	Of which own funds and subordinated liabilities	239,955
2	Total risk exposure amount of the resolution group (TREA)	1,043,713
3	Own funds and eligible liabilities as a percentage of TREA	43.9%
EU-3a	Of which own funds and subordinated liabilities	23.0%
4	Total exposure measure (TEM) of the resolution group	1,847,106
5	Own funds and eligible liabilities as percentage of the TEM	24.8%
EU-5a	Of which own funds or subordinated liabilities	13.0%
	Minimum requirement for own funds and eligible liabilities (MREL)	
EU-7	MREL requirement expressed as percentage of the TREA	28.5%
EU-8	Of which to be met with own funds or subordinated liabilities	23.2%
EU-9	MREL requirement expressed as percentage of the TEM	16.1%
EU-10	Of which to be met with own funds or subordinated liabilities	13.1%

Credit Risk

Credit risk quality

EU CR1: Performing and non-performing exposures and related provisions

		a	b	c	d	e	f
		Gross carrying amount/nominal amount					
		Performing exposures			Non-performing exposures		
	(in ISK millions)		of which stage 1	of which stage 2		of which stage 2	of which stage 3
005	**Cash balances at central banks and other demand deposits**	**94,487**	**94,487**	**-**	**-**	**-**	**-**
010	**Loans and advances**	**1,446,042**	**1,408,378**	**37,663**	**36,510**	**-**	**36,510**
020	Central banks	1	1	-	-	-	-
030	General governments	16,887	16,886	1	-	-	-
040	Credit institutions	58,841	58,841	-	-	-	-
050	Other financial corporations	53,600	49,277	4,324	412	-	412
060	Non-financial corporations	632,222	609,337	22,885	27,375	-	27,375
070	Of which SMEs	263,080	247,284	15,797	19,206	-	19,206
080	Households	684,491	674,037	10,454	8,724	-	8,724
090	**Debt securities**	**148,817**	**146,048**	**-**	**-**	**-**	**-**
100	Central banks	-	-	-	-	-	-
110	General governments	104,318	103,639	-	-	-	-
120	Credit institutions	39,505	39,505	-	-	-	-
130	Other financial corporations	-	-	-	-	-	-
140	Non-financial corporations	4,994	2,904	-	-	-	-
150	**Off-balance-sheet exposures**	**237,696**	**234,978**	**2,718**	**1,128**	**-**	**1,128**
160	Central banks	1	1	-	-	-	-
170	General governments	5,446	5,446	-	-	-	-
180	Credit institutions	9,605	9,605	-	-	-	-
190	Other financial corporations	31,693	31,540	153	2	-	2
200	Non-financial corporations	150,545	148,106	2,439	1,069	-	1,069
210	Households	40,408	40,282	126	57	-	57
220	**Total**	**1,927,041**	**1,883,891**	**40,381**	**37,638**	**-**	**37,638**

		g	h	i	j	k	l	m	n	o
		Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Accumulated partial write-off	Collaterals and financial guarantees received	
		Performing exposures - Accumulated impairment and provisions			Non-performing exposures - Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions				On performing exposures	On non-performing exposures
	(in ISK millions)		of which stage 1	of which stage 2		of which stage 2	of which stage 3			
005	**Cash balances at central banks and other demand deposits**	**(47)**	**(47)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
010	**Loans and advances**	**(3,756)**	**(3,114)**	**(642)**	**(3,959)**	**-**	**(3,959)**	**-**	**1,296,700**	**31,334**
020	Central banks	-	-	-	-	-	-	-	-	-
030	General governments	(23)	(23)	-	-	-	-	-	3,930	-
040	Credit institutions	(38)	(38)	-	-	-	-	-	-	-
050	Other financial corporations	(299)	(201)	(98)	(123)	-	(123)	-	52,234	281
060	Non-financial corporations	(2,384)	(2,022)	(361)	(3,277)	-	(3,277)	-	595,627	23,501
070	Of which SMEs	(1,290)	(1,023)	(267)	(2,520)	-	(2,520)	-	247,347	16,256
080	Households	(1,012)	(829)	(183)	(560)	-	(560)	-	644,909	7,552
090	**Debt securities**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**35,672**	**-**
100	Central banks	-	-	-	-	-	-	-	-	-
110	General governments	-	-	-	-	-	-	-	-	-
120	Credit institutions	-	-	-	-	-	-	-	32,767	-
130	Other financial corporations	-	-	-	-	-	-	-	-	-
140	Non-financial corporations	-	-	-	-	-	-	-	2,904	-
150	**Off-balance-sheet exposures**	**(718)**	**(642)**	**(76)**	**(215)**	**-**	**(215)**		**84,193**	**608**
160	Central banks	-	-	-	-	-	-		-	-
170	General governments	(2)	(2)	-	-	-	-		3	-
180	Credit institutions	(6)	(6)	-	-	-	-		222	-
190	Other financial corporations	(56)	(55)	(2)	(1)	-	(1)		9,641	-
200	Non-financial corporations	(586)	(516)	(71)	(201)	-	(201)		73,609	607
210	Households	(67)	(64)	(3)	(13)	-	(13)		718	1
220	**Total**	**(4,474)**	**(3,757)**	**(717)**	**(4,175)**	**-**	**(4,175)**	**-**	**1,416,564**	**31,942**

EU CR1-A: Maturity of exposures

		a	b	c	d	e	f
		Net exposure value					
	(in ISK millions)	On demand	<= 1 year	> 1 year <= 5 years	> 5 years	No stated maturity	Total
1	Loans and advances	13,968	263,211	445,061	752,597	-	1,474,837
2	Debt securities	-	73,314	71,278	4,225	-	148,817
3	**Total**	**13,968**	**336,525**	**516,339**	**756,822**	**-**	**1,623,654**

EU CR2: Changes in the stock of non-performing loans and advances

The Bank's definition of default is fully aligned with the definition in Article 178 of the Capital Requirements Regulation (CRR). See chapter 3.1.2 in the Bank's 2025 Pillar 3 report for further information.

Inflows and outflows are inflated due to reclassifications of loan commitments in FINREP template 24, which forms the basis for this disclosure template.

	(in ISK millions)	a Gross carrying amount
010	**Initial stock of non-performing loans and advances**	**20,413**
020	Inflows to non-performing portfolios	25,232
030	Outflows from non-performing portfolios	(9,135)
040	Outflows due to write-offs	(424)
050	Outflow due to other situations	(8,711)
060	**Final stock of non-performing loans and advances**	**36,510**

EU CQ1: Credit quality of forborne exposures

		a	b	c	d	e	f	g	h
		Gross carrying amount/ Nominal amount of exposures with forbearance measures				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collaterals received and financial guarantees received on forborne exposures	
		Performing forborne	Non-performing forborne						
	(in ISK millions)			Of which defaulted	Of which impaired	On performing forborne exposures	On non-performing forborne exposures		Of which collateral and financial guarantees received on non-performing exposures with forbearance measures
005	**Cash balances at central banks and other demand deposits**	-	-	-	-	-	-	-	-
1	**Loans and advances**	**23,271**	**12,488**	**12,488**	**12,488**	**(206)**	**(1,833)**	**32,549**	**10,324**
2	Central banks	-	-	-	-	-	-	-	-
3	General governments	-	-	-	-	-	-	-	-
4	Credit institutions	-	-	-	-	-	-	-	-
5	Other financial corporations	5,411	218	218	218	(41)	(115)	5,470	97
6	Non-financial corporations	7,065	9,331	9,331	9,331	(108)	(1,592)	14,053	7,486
7	Households	10,795	2,939	2,939	2,939	(57)	(125)	13,027	2,742
8	**Debt Securities**	-	-	-	-	-	-	-	-
9	**Loan commitments given**	**126**	**327**	**327**	**327**	**3**	**75**	**219**	**182**
10	**Total**	**23,397**	**12,815**	**12,815**	**12,815**	**(203)**	**(1,757)**	**32,768**	**10,506**

EU CQ4: Quality of non-performing exposures by geography

	(in ISK millions)	a	b	c	d	e	f	g
		Gross carrying amount/ Nominal amount				Accumulated impairment	Provisions on off-balance sheet commitments and financial guarantee given	Accumulated negative changes in fair value due to credit risk on non-performing exposures
			of which non-performing		of which subject to impairment			
				of which defaulted				
010	**On balance sheet exposures**	**1,631,369**	**36,510**	**36,510**	**1,628,600**	**(7,715)**		**-**
020	Iceland	1,479,557	36,261	36,261	1,476,788	(7,390)		
030								
040								
050								
060								
070	Other countries	151,812	249	249	151,812	(325)		
080	**Off balance sheet exposures**	**238,824**	**1,128**	**1,128**			**933**	
090	Iceland	212,713	1,128	1,128			904	
100								
110								
120								
130								
140	Other countries	26,111	-	-			29	
150	**Total**	**1,870,193**	**37,638**	**37,638**	**1,628,600**	**(7,715)**	**933**	**-**

EU CQ5: Credit quality of loans and advances to non-financial corporations by industry

	(in ISK millions)	a	b	c	d	e	f
		Gross carrying amount				Accumulated impairment	Accumulated negative changes in fair value due to credit risk on non-performing exposures
			Of which non-performing		Of which loans and advances subject to impairment		
				Of which defaulted			
010	Agriculture, forestry and fishing	66,372	23	23	66,372	(163)	-
020	Mining and quarrying	3,517	-	-	3,517	(14)	-
030	Manufacturing	61,862	750	750	61,862	(223)	-
040	Electricity, gas, steam and air conditioning supply	19,099	-	-	19,099	(38)	-
050	Water supply	5,916	-	-	5,916	(17)	-
060	Construction	101,257	12,484	12,484	101,257	(2,032)	-
070	Wholesale and retail trade	48,324	8,032	8,032	48,324	(939)	-
080	Transport and storage	36,193	167	167	36,193	(98)	-
090	Accommodation and food service activities	42,742	392	392	42,742	(181)	-
100	Information and communication	47,117	40	40	47,117	(222)	-
110	Financial and insurance activities	-	-	-	-	-	-
120	Real estate activities	131,379	4,844	4,844	131,379	(1,190)	-
130	Professional, scientific and technical activities	10,837	76	76	10,837	(94)	-
140	Administrative and support service activities	73,061	312	312	73,061	(317)	-
150	Public administration and defense, compulsory social security	6	-	-	6	-	-
160	Education	3,308	128	128	3,308	(64)	-
170	Human health services and social work activities	1,344	16	16	1,344	(20)	-
180	Arts, entertainment and recreation	1,801	119	119	1,801	(24)	-
190	Other services	5,477	5	5	5,477	(24)	-
200	**Total**	**659,611**	**27,389**	**27,389**	**659,611**	**(5,661)**	**-**

EU CQ7: Collateral obtained by taking possession and execution processes

	(in ISK millions)	a	b
		Collateral obtained by taking possession	
		Value at initial recognition	Accumulated negative changes
1	Property, plant and equipment (PP&E)	-	-
2	Other than PP&P	2,844	(1,122)
3	Residential immovable property	132	(34)
4	Commercial Immovable property	2,378	(960)
5	Movable property (auto, shipping, etc.)	1	-
6	Equity and debt instruments	-	-
7	Other collateral	333	(129)
8	**Total**	**2,844**	**(1,122)**

Use of credit risk mitigation techniques

EU CR3: CRM techniques overview – Disclosure of the use of credit risk mitigation techniques

The increase in unsecured carrying amount is attributed to an increase in corporate loans.

	(in ISK millions)	a Unsecured carrying amount	b Secured carrying amount	c Of which secured by collateral	d Of which secured by financial guarantees	e Of which secured by credit derivatives
1	Loans and advances	281,313	1,287,978	1,284,000	3,977	-
2	Debt securities	113,145	35,672	32,767	2,904	
3	**Total**	**394,458**	**1,323,649**	**1,316,768**	**6,882**	**-**
4	Of which non-performing exposures	1,231	31,334	31,282	52	-
5	Of which defaulted	1,231	31,334			

Use of the Standardised Approach

EU CR4: Standardised approach – Credit risk exposure and CRM effects

The implementation of CRR 3 into Icelandic law had a significant impact on the Group's REA, reflecting more risk-sensitive exposure classes and risk weights, particularly for real estate exposures.

		a	b	c	d	e	f
		Exposures before CCF and before CRM		Exposures post CCF and post CRM		RWEAs and RWEAs density	
	(in ISK millions)	On-balance sheet exposures	Off-balance sheet exposures	On-balance sheet exposures	Off-balance sheet exposures	RWEAs	RWEA density
	Exposure classes						
1	Central governments or central banks	195,878	1	204,730	2,593	1,799	1%
2	Non-central government public sector entities	12,399	5,186	16,341	85	3,303	20%
EU 2a	Regional government or local authorities	12,399	5,186	16,341	85	3,303	20%
EU 2b	Public sector entities	-	-	-	-	-	
3	Multilateral development banks	-	-	-	-	-	
EU 3a	International organisations	-	-	-	-	-	
4	Institutions	70,469	12,499	66,668	837	14,704	22%
5	Covered bonds	32,767	-	32,767	-	4,873	15%
6	Corporates	396,569	99,838	371,162	21,825	370,453	94%
6.1	Of which Specialised Lending	-	-	-	-	-	
7	Subordinated debt exposures and equity	7,722	-	7,722	-	10,038	130%
EU 7a	Subordinated debt exposures	-	-	-	-	-	
EU 7b	Equity	7,722	-	7,722	-	10,038	130%
8	Retail	134,470	59,553	134,346	1,776	91,165	67%
9	Secured by mortgages on immovable property and ADC exposures	845,658	59,838	845,334	23,935	383,336	44%
9.1	Secured by mortgages on residential immovable property - non IPRE	625,093	-	625,037	-	161,827	26%
9.2	Secured by mortgages on residential immovable property - IPRE	15,642	-	15,642	-	3,052	20%
9.3	Secured by mortgages on commercial immovable property - non IPRE	40,112	-	40,112	-	23,750	59%
9.4	Secured by mortgages on commercial immovable property - IPRE	100,137	-	100,073	-	62,098	62%
9.5	Acquisition, Development and Construction (ADC)	64,674	59,838	64,470	23,935	132,608	150%
10	Exposures in default	32,564	895	32,483	270	41,511	127%
EU 10a	Claims on institutions and corporates with a short-term credit assessment	-	-	-	-	-	
EU 10b	Collective investment undertakings	2,255	-	2,255	-	1,984	88%
EU 10c	Other items	19,166	52	19,166	-	19,166	100%
11	Not applicable						
12	**Total**	**1,749,917**	**237,861**	**1,732,974**	**51,322**	**942,330**	**53%**

EU CR5: Standardised approach

The implementation of CRR 3 in Icelandic law had a significant impact on the Group's risk exposure amount (REA), primarily through more risk-sensitive exposure classes and risk weights, particularly for real estate exposures.

		Risk weight								
		0%	2%	4%	10%	20%	30%	35%	40%	45%
	Exposure classes									
1	Central governments or central banks	198,333	-	-	-	8,994	-	-	-	-
2	Non-central government public sector entities	-	-	-	-	16,367	-	-	-	-
EU 2a	Regional governments or local authorities	-	-	-	-	16,367	-	-	-	-
EU 2b	Public sector entities	-	-	-	-	-	-	-	-	-
3	Multilateral development banks	-	-	-	-	-	-	-	-	-
EU 3a	International organisations	-	-	-	-	-	-	-	-	-
4	Institutions	-	-	-	-	62,019	6,720	-	1	-
5	Covered bonds	-	-	-	16,800	15,967	-	-	-	-
6	Corporates	-	-	-	-	-	-	-	-	-
6.1	Of which Specialised Lending	-	-	-	-	-	-	-	-	-
7	Subordinated debt exposures and equity	-	-	-	-	-	-	-	-	-
EU 7a	Subordinated debt exposures	-	-	-	-	-	-	-	-	-
EU 7b	Equity	-	-	-	-	-	-	-	-	-
8	Retail exposures	-	-	-	-	-	-	-	-	14,913
9	Secured by mortgages on immovable property and ADC exposures	-	-	-	-	576,307	-	-	-	-
9.1	Secured by mortgages on residential immovable property - non IPRE	-	-	-	-	561,511	-	-	-	-
9.1.1	no loan splitting applied	-	-	-	-	-	-	-	-	-
9.1.2	loan splitting applied (secured)	-	-	-	-	561,511	-	-	-	-
9.1.3	loan splitting applied (unsecured)	-	-	-	-	-	-	-	-	-
9.2	Secured by mortgages on residential immovable property - IPRE	-	-	-	-	14,796	-	-	-	-
9.3	Secured by mortgages on commercial immovable property - non IPRE	-	-	-	-	-	-	-	-	-
9.3.1	no loan splitting applied	-	-	-	-	-	-	-	-	-
9.3.2	loan splitting applied (secured)	-	-	-	-	-	-	-	-	-
9.3.3	loan splitting applied (unsecured)	-	-	-	-	-	-	-	-	-
9.4	Secured by mortgages on commercial immovable property - IPRE	-	-	-	-	-	-	-	-	-
9.5	Acquisition, Development and Construction (ADC)	-	-	-	-	-	-	-	-	-
10	Exposures in default	-	-	-	-	-	-	-	-	-
EU 10a	Claims on institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-
EU 10b	Collective investment undertakings (CIU)	356	-	-	-	147	-	-	-	-
EU 10c	Other items	-	-	-	-	-	-	-	-	-
11	not applicable									
12	**Total**	**198,689**	**-**	**-**	**16,800**	**679,802**	**6,720**	**-**	**1**	**14,913**

		Risk weight 50%	60%	70%	75%	80%	90%	100%	105%	110%
	Exposure classes									
1	Central governments or central banks	-	-	-	-	-	-	-	-	-
2	Non-central government public sector entities	59	-	-	-	-	-	-	-	-
EU 2a	Regional governments or local authorities	59	-	-	-	-	-	-	-	-
EU 2b	Public sector entities	-	-	-	-	-	-	-	-	-
3	Multilateral development banks	-	-	-	-	-	-	-	-	-
EU 3a	International organisations	-	-	-	-	-	-	-	-	-
4	Institutions	2,435	-	-	32	-	-	-	-	-
5	Covered bonds	-	-	-	-	-	-	-	-	-
6	Corporates	-	-	-	-	-	-	397,532	-	-
6.1	Of which Specialised Lending	-	-	-	-	-	-	-	-	-
7	Subordinated debt exposures and equity	-	-	-	-	-	-	-	-	-
EU 7a	Subordinated debt exposures	-	-	-	-	-	-	-	-	-
EU 7b	Equity	-	-	-	-	-	-	-	-	-
8	Retail exposures	-	-	-	121,209	-	-	-	-	-
9	Secured by mortgages on immovable property and ADC exposures	-	114,706	-	51,202	-	-	38,649	-	-
9.1	Secured by mortgages on residential immovable property - non IPRE	-	-	-	49,252	-	-	14,274	-	-
9.1.1	no loan splitting applied	-	-	-	-	-	-	-	-	-
9.1.2	loan splitting applied (secured)	-	-	-	-	-	-	-	-	-
9.1.3	loan splitting applied (unsecured)	-	-	-	49,252	-	-	14,274	-	-
9.2	Secured by mortgages on residential immovable property - IPRE	-	-	-	574	-	-	273	-	-
9.3	Secured by mortgages on commercial immovable property - non IPRE	-	34,086	-	434	-	-	5,592	-	-
9.3.1	no loan splitting applied	-	-	-	-	-	-	-	-	-
9.3.2	loan splitting applied (secured)	-	34,086	-	-	-	-	-	-	-
9.3.3	loan splitting applied (unsecured)	-	-	-	434	-	-	5,592	-	-
9.4	Secured by mortgages on commercial immovable property - IPRE	-	80,620	-	942	-	-	18,511	-	-
9.5	Acquisition, Development and Construction (ADC)	-	-	-	-	-	-	-	-	-
10	Exposures in default	-	-	-	-	-	-	15,432	-	-
EU 10a	Claims on institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-
EU 10b	Collective investment undertakings (CIU)	-	-	-	-	-	-	1,078	-	-
EU 10c	Other items	-	-	-	-	-	-	19,166	-	-
11	not applicable									
12	**Total**	**2,493**	**114,706**	**-**	**172,442**	**-**	**-**	**471,858**	**-**	**-**

		Risk weight								
		130%	150%	250%	370%	400%	1250%	Others	Total	Of which unrated
	Exposure classes									
1	Central governments or central banks	-	-	-	-	-	-	-	207,327	-
2	Non-central government public sector entities	-	-	-	-	-	-	-	16,426	16,426
EU 2a	Regional governments or local authorities	-	-	-	-	-	-	-	16,426	16,426
EU 2b	Public sector entities	-	-	-	-	-	-	-	-	-
3	Multilateral development banks	-	-	-	-	-	-	-	-	-
EU 3a	International organisations	-	-	-	-	-	-	-	-	-
4	Institutions	-	49	-	-	-	-	-	71,255	4,108
5	Covered bonds	-	-	-	-	-	-	-	32,767	32,767
6	Corporates	-	-	-	-	-	-	-	397,532	397,532
6.1	Of which Specialised Lending	-	-	-	-	-	-	-	-	-
7	Subordinated debt exposures and equity	7,722	-	-	-	-	-	-	7,722	7,722
EU 7a	Subordinated debt exposures	-	-	-	-	-	-	-	-	-
EU 7b	Equity	7,722	-	-	-	-	-	-	7,722	7,722
8	Retail exposures	-	-	-	-	-	-	-	136,122	136,122
9	Secured by mortgages on immovable property and ADC exposures	-	88,405	-	-	-	-	-	869,269	869,269
9.1	Secured by mortgages on residential immovable property - non IPRE	-	-	-	-	-	-	-	625,037	625,037
9.1.1	no loan splitting applied	-	-	-	-	-	-	-	-	-
9.1.2	loan splitting applied (secured)	-	-	-	-	-	-	-	561,511	561,511
9.1.3	loan splitting applied (unsecured)	-	-	-	-	-	-	-	63,526	63,526
9.2	Secured by mortgages on residential immovable property - IPRE	-	-	-	-	-	-	-	15,642	15,642
9.3	Secured by mortgages on commercial immovable property - non IPRE	-	-	-	-	-	-	-	40,112	40,112
9.3.1	no loan splitting applied	-	-	-	-	-	-	-	-	-
9.3.2	loan splitting applied (secured)	-	-	-	-	-	-	-	34,086	34,086
9.3.3	loan splitting applied (unsecured)	-	-	-	-	-	-	-	6,026	6,026
9.4	Secured by mortgages on commercial immovable property - IPRE	-	-	-	-	-	-	-	100,073	100,073
9.5	Acquisition, Development and Construction (ADC)	-	88,405	-	-	-	-	-	88,405	88,405
10	Exposures in default	-	17,320	-	-	-	-	-	32,753	32,753
EU 10a	Claims on institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-
EU 10b	Collective investment undertakings (CIU)	674	-	-	-	-	-	-	2,255	2,255
EU 10c	Other items	-	-	-	-	-	-	-	19,166	19,166
11	not applicable									
12	**Total**	**8,396**	**105,774**	**-**	**-**	**-**	**-**	**-**	**1,792,594**	**1,514,052**

Counterparty credit risk

EU CCR1: Analysis of CCR exposure by approach

	(in ISK millions)	Replacement cost (RC)	Potential future exposure (PFE)	EEPE	Alpha used for computing regulatory exposure value	Exposure value pre-CRM	Exposure value post-CRM	Exposure value	RWEA
		a	b	c	d	e	f	g	h
EU1	EU - Original Exposure Method (for derivatives)	-	-		1.4	-	-	-	-
EU2	EU - Simplified SA-CCR (for derivatives)	1,751	4,176		1.4	8,298	8,298	8,298	5,579
1	SA-CCR (for derivatives)	-	-		1.4	-	-	-	-
2	IMM (for derivatives and SFTs)			-	-	-	-	-	-
2a	Of which securities financing transactions netting sets			-		-	-	-	-
2b	Of which derivatives and long settlement transactions netting sets			-		-	-	-	-
2c	Of which from contractual cross-product netting sets			-		-	-	-	-
3	Financial collateral simple method (for SFTs)					-	-	-	-
4	Financial collateral comprehensive method (for SFTs)					-	-	-	-
5	VaR for SFTs					-	-	-	-
6	**Total**					**8,298**	**8,298**	**8,298**	**5,579**

EU CCR3: Standardised approach – CCR exposures by regulatory exposure class and risk weights

Year-on-year exposure classes remained broadly unchanged, with lower overall exposures driven mainly by a reduction in corporate exposures.

	(in ISK millions)	a	b	c	d	e	f	g	h	i	j	k	l
		Risk weight											Total
		0%	2%	4%	10%	20%	50%	70%	75%	100%	150%	Others	
	Exposure classes												
1	Central governments or central banks	4	-	-	-	-	-	-	-	-	-	-	4
2	Regional government or local authorities	-	-	-	-	-	-	-	-	-	-	-	-
3	Public sector entities	-	-	-	-	-	-	-	-	-	-	-	-
4	Multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	-
5	International organisations	-	-	-	-	-	-	-	-	-	-	-	-
6	Institutions	-	-	-	-	2,192	332	-	-	-	49	1,177	3,750
7	Corporates	-	-	-	-	-	-	-	-	4,544	-	-	4,544
8	Retail	-	-	-	-	-	-	-	-	-	-	-	-
9	Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-
10	Other items	-	-	-	-	-	-	-	-	-	-	-	-
11	**Total**	**4**	**-**	**-**	**-**	**2,192**	**332**	**-**	**-**	**4,544**	**49**	**1,177**	**8,298**

EU CCR5: Composition of collateral for CCR exposures

		a	b	c	d	e	f	g	h
		Collateral used in derivative transactions				Collateral used in SFTs			
		Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received		Fair value of posted collateral	
	(in ISK millions)	Segregated	Unsegregated	Segregated	Unsegregated	Segregated	Unsegregated	Segregated	Unsegregated
	Collateral type								
1	Cash – domestic currency	-	10,646	-	110	-	-	-	-
2	Cash – other currencies	-	2,794	-	1,342	-	-	-	-
3	Domestic sovereign debt	-	338	-	-	-	-	-	-
4	Other sovereign debt	-	-	-	-	-	-	-	-
5	Government agency debt	-	-	-	-	-	-	-	-
6	Corporate bonds	-	743	-	-	-	-	-	-
7	Equity securities	-	5,220	-	-	-	-	-	-
8	Other collateral	-	48	-	-	-	-	-	-
9	**Total**	**-**	**19,788**	**-**	**1,452**	**-**	**-**	**-**	**-**

Market Risk

Trading book activities

EU MR1: Market risk under the alternative standardised approach (ASA)

Market risk exposure increased through 1H26, primarily reflecting higher interest rate risk in the trading book. Overall market risk remains limited and is managed under the standardised approach.

		a
	(In ISK millions)	REAs
	Outright products	
1	Interest rate risk (general and specific)	2,198
2	Equity risk (general and specific)	3,219
3	Foreign exchange risk	-
4	Commodity risk	-
	Options	
5	Simplified approach	-
6	Delta-plus method	-
7	Scenario approach	-
8	Securitisation (specific risk)	-
9	**Total**	**5,417**

Interest rate risk of non-trading book activities

EU IRRBB1: Interest rate risks of non-trading book activities

Interest rate risk in the banking book increased during the first half of 2026, primarily reflecting a widening mismatch between assets and liabilities. This development was largely driven by the significant growth in fixed-rate lending, which increased the average duration of assets and, consequently, the sensitivity of economic value to changes in interest rates.

The Bank continues to monitor IRRBB exposures closely through established metrics, including EVE and Net Interest Income (NII) sensitivity, and manages the risk within approved limits. Hedging strategies, including the use of interest rate derivatives, are employed where appropriate to mitigate excessive exposure arising from structural balance sheet developments.

		a	b	c	d
		Changes of the economic value of equity		Changes of the net interest income	
	(In ISK millions)	Current period	Last period	Current period	Last period
	Supervisory shock scenarios				
1	Parallel up	(7,315)	(2,504)	(5,515)	(4,203)
2	Parallel down	2,217	8	1,181	239
3	Steepener	106	230		
4	Flattener	(2,804)	(2,133)		
5	Short rates up	(5,624)	(2,905)		
6	Short rates down	1,592	224		

In addition, the Bank's assessment of Credit Spread Risk in the Banking Book (CSRBB), measured in terms of potential impact on economic value of equity (EVE), remained stable at around ISK 200 million at the end of Q2 2026, in line with year-end 2025. Note that CSRBB is not included in the table above.

Liquidity Risk

Liquidity requirements

EU LIQ1: Quantitative information of LCR

		a	b	c	d	e	f	g	h
		Total unweighted value (average)				Total weighted value (average)			
		30.6.2026	31.3.2026	31.12.2025	30.9.2025	30.6.2026	31.3.2026	31.12.2025	30.9.2025
		Number of data points used in the calculation of averages							
	(In ISK millions)	12	12	12	12	12	12	12	12
	High-quality liquid assets								
1	Total high-quality liquid assets (HQLA)					241,916	235,327	227,548	221,118
	Cash - Outflows								
2	Retail deposits and deposits from small business customers, of which:	609,449	595,107	584,548	573,092	53,162	51,452	50,132	49,011
3	Stable deposits	333,014	327,964	324,087	319,034	16,651	16,398	16,204	15,952
4	Less stable deposits	275,636	266,541	260,071	253,643	35,712	34,452	33,538	32,644
5	Unsecured wholesale funding	227,812	226,647	227,207	225,630	144,388	144,426	145,739	143,059
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	6,679	6,281	5,865	5,441	1,670	1,570	1,466	1,360
7	Non-operational deposits (all counterparties)	218,197	217,394	216,911	216,810	139,782	139,883	139,841	138,320
8	Unsecured debt	2,936	2,972	4,431	3,379	2,936	2,972	4,431	3,379
9	Secured wholesale funding	-	-	-	-	-	-	-	-
10	Additional requirements	60,348	39,266	26,560	23,183	12,433	9,951	9,892	9,347
11	Outflows related to derivative exposures and other collateral requirements	1,698	1,737	1,844	2,005	1,698	1,737	1,844	2,005
12	Outflows related to loss of funding on debt products	4,005	1,644	1,637	1,604	4,005	1,644	1,637	1,604
13	Credit and liquidity facilities	54,645	35,885	23,079	19,574	6,729	6,570	6,411	5,738
14	Other contractual funding obligations	4,129	4,205	4,390	4,646	3,178	3,231	3,508	3,847
15	Other contingent funding obligations	42,507	44,057	44,488	44,741	20,785	22,522	23,071	23,123
16	**Total cash outflows**					**233,946**	**231,581**	**232,342**	**228,387**
	Cash - Inflows								
17	Secured lending (e.g. reverse repos)	1,842	2,692	2,625	3,464	-	-	-	-
18	Inflows from fully performing exposures	77,488	82,923	87,093	86,715	72,622	78,426	82,559	81,913
19	Other cash inflows	49,702	50,963	54,314	56,325	31,312	31,883	34,168	35,076
19-a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)					-	-	-	-
19-b	(Excess inflows from a related specialised credit institution)					-	-	-	-
20	**Total cash inflows**	**129,032**	**136,577**	**144,031**	**146,504**	**103,934**	**110,309**	**116,728**	**116,989**
EU-20a	Fully exempt inflows	-	-	-	-	-	-	-	-
EU-20b	Inflows subject to 90% cap	-	-	-	-	-	-	-	-
20-c	Inflows subject to 75% cap	127,190	133,885	141,407	143,040	103,934	110,309	116,728	116,989
	Total adjusted value								
21	**Liquidity buffer**					**241,916**	**235,327**	**227,548**	**221,118**
22	**Total net cash outflows**					**130,011**	**121,272**	**115,614**	**111,398**
23	**Liquidity coverage ratio (%)**					**186%**	**194%**	**197%**	**198%**

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

Main drivers of the LCR

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

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

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

Changes in the LCR over time

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

Actual concentration of funding sources

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

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

EU LIQ2: Net Stable Funding Ratio

	Total currency (in ISK millions)	a	b	c	d	e
		Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
	Available stable funding (ASF) Items					
1	Capital items and instruments	215,751	-	-	23,633	239,384
2	Own funds	215,751	-	-	23,633	239,384
3	Other capital instruments		-	-	-	-
4	Retail deposits		708,955	3,684	40,196	701,109
5	Stable deposits		388,477	2,270	32,328	403,538
6	Less stable deposits		320,479	1,414	7,868	297,571
7	Wholesale funding:		296,827	2,464	2,331	89,361
8	Operational deposits		-	-	-	-
9	Other wholesale funding		296,827	2,464	2,331	89,361
10	Interdependent liabilities		-	-	-	-
11	Other liabilities:	743	45,480	32,355	390,597	406,775
12	NSFR derivative liabilities	743				
13	All other liabilities and capital instruments not included in the above categories		45,480	32,355	390,597	406,775
14	**Total available stable funding (ASF)**					**1,436,629**
	Required stable funding (RSF) Items					
15	Total high-quality liquid assets (HQLA)					8,355
EU-15a	Assets encumbered for more than 12m in cover pool		3,396	3,569	371,853	321,996
16	Deposits held at other financial institutions for operational purposes		-	-	-	-
17	Performing loans and securities:		231,802	73,963	762,920	736,728
18	Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut		56,723	-	-	684
19	Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions		651	125	473	600
20	Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:		167,209	71,427	528,814	565,812
21	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		1,002	6,912	30,417	23,728
22	Performing residential mortgages, of which:		2,155	2,282	222,245	157,355
23	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		1,623	1,713	168,858	111,425
24	Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products		5,064	129	11,389	12,277
25	Interdependent assets		-	-	-	-
26	Other assets:		9,398	1,653	55,605	64,070
27	Physical traded commodities				-	-
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs		-	-	-	-
29	NSFR derivative assets		1427			1,427
30	NSFR derivative liabilities before deduction of variation margin posted				-	-
31	All other assets not included in the above categories		7,972	1,653	55,605	62,643
32	Off-balance sheet items		245,505	3,659	7,721	12,844
33	**Total RSF**					**1,143,992**
34	**Net Stable Funding Ratio (%)**					**126%**

Sustainability Risk

Environmental, Social and Governance risk

Tables 1, 2 and 3: Qualitative information on Environmental, Social and Governance (ESG) risk

This chapter is based on the Implementing Technical Standards (ITS) on prudential disclosures of Environmental, Social and Governance (ESG) risks, in accordance with Article 449a of the Capital Requirements Regulation (CRR) and set out in the EBA ITS 2022/01. It covers the required qualitative disclosure areas, including Business Strategy and Processes, Governance, and Risk Management.

Business strategy and processes

Strategic approach

Íslandsbanki integrates Environmental, Social and Governance (ESG) considerations into its business model, strategy and financial planning to ensure resilience and long-term value creation. ESG risk is embedded within the Bank's Risk Taxonomy and assessed through the Risk Assessment Framework. This integration reflects the Bank's commitment to responsible banking and alignment with international standards, including the UN Sustainable Development Goals (SDGs) and the Paris Climate Agreement and EU regulatory requirements such as the Capital Requirements Regulation (CRR) and the European Sustainability Reporting Standards (ESRS).

Sustainability is fundamental to the Bank's overall approach to responsible business. The Bank aims to be a leader in sustainable development, adhering to ESG criteria in risk management and actively evaluating sustainability-related business opportunities. The Bank focuses on integrating sustainability considerations into its activities, alongside its financial objectives and profitability goals.

Environmental and social factors are incorporated into strategic planning, capital allocation and product development. The Bank applies a double materiality assessment to identify and evaluate ESG risks and opportunities, mapping its business model against ESRS and considering both financial materiality and environmental and social impacts.

The Board of Directors approves the Sustainability Policy and the Risk Appetite Statement, which include qualitative statements on sustainability risk. Oversight is ensured through the Board's Corporate Governance and Human Resource Committee and the Executive Committee. The Bank participates in global initiatives such as the UN Global Compact, Principles for Responsible Banking (PRB) and Principles for Responsible Investment (PRI).

Objectives, targets and limits

Íslandsbanki has set short-, medium- and long-term goals to support its Sustainability Policy, as outlined in the Annual and Sustainability Report 2025. These objectives guide the Bank's approach to managing environmental and social risks and are embedded in its strategic planning and risk management framework.

For environmental risk, the Bank focuses primarily on climate-related risks by setting medium- and long-term carbon emission reduction targets to mitigate transition and physical risks. The Bank aims to achieve net-zero financed emissions by 2040, with interim targets of 60% reduction by 2030 and 85% by 2040, compared with the 2019 baseline. In addition, targets are set for the Bank's own operations to limit CO_2 emissions, supporting its commitment to reducing its direct environmental footprint.

Climate risk management is reinforced through qualitative principles on sustainability risk aligned with the Bank's Sustainability Policy. These principles apply when undertaking new business or evaluating proposals related to existing business relationships, ensuring full alignment with sustainability objectives. For social risk, the Bank sets objectives to maintain gender balance in management, ensuring no gender exceeds 60%, and to close the unexplained pay gap, currently at 0.1%. Broader social risk management includes commitments to human rights and labour standards across the Bank's supply chain. Social risk considerations are also embedded in the Risk Appetite Statement, ensuring that sustainability principles guide decision-making.

Performance against these objectives and targets is monitored and reported regularly to the Board. Forward-looking information, including climate scenarios and transition pathways, informs the design of business strategy and processes, ensuring that the Bank remains resilient and aligned with its sustainability commitments.

Investment in sustainable activities

Íslandsbanki reports EU Taxonomy-aligned exposures in accordance with Regulation (EU) 2020/852 and discloses Green Asset Ratio (GAR) metrics for turnover and capital expenditure. The Sustainable Funding Framework governs issuance of green, social and sustainability instruments, ensuring proceeds finance eligible projects under ICMA principles.

The Bank has set annual targets for sustainable finance within its business units for several years. The goal is for 15% of total lending by business units to be sustainable. The Bank remains committed to increasing the share of lending and investment activities that support environmental objectives and align with the EU Taxonomy.

Risk mitigation measures

The Sustainability Policy aligns Íslandsbanki with society's goals as expressed in the UN SDGs and the Paris Climate Agreement. ESG criteria are considered in lending decisions and pricing. The ESG risk assessment score of a client can affect the future business relationship, and the Bank may terminate relationships if ESG issues are not adequately addressed.

Counterparty engagement follows a structured process, including dialogue, improvement plans and escalation steps where necessary. Additional measures include climate stress testing, scenario analysis, sector-specific guidelines for high-impact industries and engagement with customers to support decarbonisation and social responsibility initiatives. The Bank also implements a Supplier Code of Conduct and provides training programmes for employees on climate risk, diversity and ethics. Internal operations are managed to reduce environmental impact through energy efficiency and responsible procurement.

Governance

Role of the management body

The Board of Directors is responsible for establishing the overall risk management framework and approving the Sustainability Policy. This policy defines Íslandsbanki's priorities for environmental, social and governance matters and ensures that these considerations are embedded in the Bank's strategy, risk culture and decision-making processes. The Board also approves the Risk Appetite Statement and the Corporate Governance and Human Resource Committee, a subcommittee of the Board, supports oversight of the implementation of the Sustainability Policy.

The Board ensures ESG risks are considered across all transmission channels, including physical, transition and liability risks for environmental factors, and reputational, legal and operational channels for social factors such as labour standards, human rights and customer protection. Governance factors such as ethics and transparency are also monitored. Regular updates on sustainability matters are provided to the Board through the monthly Risk Dashboard and through the Internal Capital Adequacy Assessment Process (ICAAP), which contains a dedicated section on sustainability risks. The Board reviews and approves the Annual Sustainability Report and Pillar 3 disclosures, ensuring transparency on ESG performance.

Executive management

The Chief Executive Officer (CEO) is responsible for executing the Sustainability Policy. Risk governance follows the three-lines-of-defence model. Business units integrate ESG factors into strategies, lending and advisory processes. Risk Management provides oversight, challenges business units and ensures ESG risks are treated as drivers of prudential risks. Internal Audit provides independent assurance. ESG factors are considered in the Bank's planning over short, medium and long-term horizons, taking into account near-term regulatory changes, sector transition risks and long-term climate scenarios.

Integration of ESG risks

Environmental, social and governance risks are fully integrated into the Bank's risk taxonomy and risk assessment framework. ESG factors influence credit, market, liquidity, operational and reputational risks. Environmental risks, including climate-related physical and transition risks, are assessed through sector heatmaps and stress tests. Social risks, such as human rights, equality and customer protection, are addressed through due diligence and internal policies. Governance risks, including ethics, anti-corruption and transparency, are evaluated in counterparties' ESG ratings and credit assessments. Business units set ESG-related goals in their five-year plans, which are reported to the Board. Insights from ESG risk assessments inform strategic planning and influence lending and investment decisions, supporting alignment with the Bank's sustainability objectives.

Committees and allocation of responsibilities

Committees have clearly defined responsibilities. The All Risk Committee (ARC) reviews sustainability risk as part of the overall risk framework. The Executive Committee supervises ESG initiatives, while ALCO approves sustainable financing proposals under the Sustainable Funding Framework. The Board's Corporate Governance and Human Resource Committee oversees the implementation of relevant policies, diversity objectives and social topics such as labour standards and human rights.

Internal reporting

ESG risks are embedded in the Bank's internal reporting framework. Semi-annual reporting includes comprehensive ESG disclosures in the Pillar 3 report, while the Annual and Sustainability Report is published annually.

Remuneration policy

The Bank's remuneration policy aims to ensure that remuneration does not encourage excessive risk-taking, including in relation to sustainability risks. Employees are required to comply with applicable laws, regulations and internal policies concerning sustainability, in particular when making investment decisions or providing advice. Variable pay, where granted, is based only on predefined financial and non-financial metrics, and performance evaluations are individualised and take into account compliance with internal and external requirements. Failure to comply may result in reduction, cancellation or clawback of incentive pay. The policy therefore supports prudent risk-taking and incentivises compliance with applicable sustainability-related laws, guidelines and internal standards.

Counterparty governance performance

Governance risk management includes evaluating counterparties on ethical conduct, anti-bribery and anti-corruption measures, strategy and risk management practices, inclusiveness and diversity, transparency in disclosures, and conflict of interest management and internal communication processes. These factors are assessed during ESG due diligence and credit rating processes, influencing lending decisions and pricing. Counterparties with weak governance performance may be subject to stricter conditions or declined financing.

Risk management

Íslandsbanki recognises sustainability risk as a key prudential risk category within its risk taxonomy, encompassing environmental, social and governance factors. Sustainability risk refers to the potential for the Bank to be negatively affected by externalities related to climate change, biodiversity loss, social inequality and governance failures. These risks can materialise through transmission channels such as lower profitability, reduced asset values, increased compliance costs and reputational harm.

The Bank's ESG risk management framework is fully integrated into its overall risk governance structure, based on the three lines of defence model, and is aligned with the UN Sustainable Development Goals, the Paris Climate Agreement and relevant EU regulations, including CRR and the EU Taxonomy.

Environmental risk management

Integration into risk framework

Environmental factors are embedded in the Bank's Risk Appetite Statement and Risk Assessment Framework, covering short-, medium- and long-term horizons. Climate-related risks are assessed through two main categories: transition risk, which arises from regulatory, technological and market shifts towards a low-carbon economy, and physical risk, which results from acute and chronic climate events such as floods, storms and long-term changes in sea temperature. The Bank uses climate risk heatmaps, stress tests and scenario analysis to identify exposures sensitive to environmental risks. These tools are applied at sectoral and counterparty levels and provide input to the ICAAP process.

Definitions, standards and methodologies

Íslandsbanki's Sustainability Policy aims to make the Bank a model of exemplary operations in the Icelandic business community and a catalyst for positive social action, moving Iceland forward by empowering its customers to succeed.

The Bank's ESG risk management framework draws on the EU Taxonomy Regulation for sustainable activities, the Partnership for Carbon Accounting Financials (PCAF) for financed emissions, Nasdaq ESG Guidelines, and GRI Standards for reporting.

In addition, the Bank applies an internal ESG rating methodology using a six-category scale from A (best) to F (worst) to rank customers on sustainability-related matters. This framework undergoes an annual review, and continuous improvements are made as the Bank refines its methodologies and strengthens its approach to ESG risk assessment.

The Iceland Chamber of Commerce, in collaboration with Nasdaq, Festa, IcelandSIF and the Icelandic Standards Council, has published ESG guidelines in Icelandic. Using this standard, Risk Management has established an internal ESG framework, which serves as a comprehensive list of relevant ESG factors to be considered for risk management purposes when they are deemed relevant or material.

These standards are consistent with international benchmarks and comply with EBA Guidelines on ESG risk management.

Identification and monitoring processes

Environmental risk identification occurs during loan origination and credit assessment, incorporating ESG due diligence, and during portfolio monitoring using heatmaps and financed emissions data. Environmental factors are embedded in Íslandsbanki's due diligence requirements for both lending and investment decisions. These assessments contribute to the overall decision-making process and facilitate ongoing monitoring of aggregate ESG risk levels.

Additionally, environmental factors are identified, assessed and monitored as part of portfolio risk assessments. The climate risk heatmap is a key tool for identifying exposures most sensitive to climate-related risks, including both transition and physical risks. Sector-specific guidelines are applied for high-impact industries such as seafood, construction, tourism as well as industrials, and commerce & services. Sensitive sectors include agriculture, fisheries, forestry and real estate, especially in regions vulnerable to flooding or biodiversity loss.

Mitigation activities

Íslandsbanki actively engages in mitigating environmental risks through a variety of initiatives, primarily focused on climate-related risks. These efforts include conducting ESG due diligence assessments to address risks associated with financing activities, setting CO_2 emission reduction targets across the loan portfolio, and incorporating an exclusion list into the Sustainability Policy. The Bank aims to set a positive precedent by demonstrating its commitment through concrete actions, thereby earning and maintaining the trust of customers and other stakeholders. Proactive communication with customers and collaborators regarding responsible business practices is essential to ensuring that the Bank serves as a force for good in society.

Mitigation measures include the Sustainable Funding Framework, which is aligned with ICMA Green and Social Bond Principles, and an exclusion list for activities harmful to environmental objectives. The Bank has committed to achieving net-zero emissions by 2040, with sectoral targets for aviation and maritime, road vehicles, commercial and residential real estate, power generation and seafood. Engagement with clients is a key component of mitigation, and loans rated D or worse under the ESG framework are excluded from sustainable financing.

Implementation of tools and results

Climate stress tests and heatmaps provide insights into short- and long-term vulnerabilities. Residual climate risk is captured through credit risk parameters in ICAAP, and to date, no material impact on capital ratios has been identified. Quantitative estimates of potential credit loss impact under severe climate scenarios are being developed as part of the Bank's stress testing programme.

To support this analysis, Íslandsbanki applies a range of tools to manage risks from environmental factors, including:

- Sustainable Funding Framework, aligned with ICMA Green and Social Bond Principles.

- ESG risk due diligence assessments for both lending and investment processes, enabling monitoring of ESG risks.
- Climate risk heatmap to identify exposures most sensitive to transition and physical risks.
- CO_2 emission data, based on PCAF methodology and external sources, to measure transition risks and estimate the carbon footprint of the loan book.
- Long-term emission reduction targets and an exclusion list to manage transition-related concentration risks.

These tools are integrated into the Bank's risk governance and decision-making processes, ensuring that environmental risks are systematically identified, measured and managed across portfolios.

Data availability, quality and accuracy

Data availability remains a challenge, particularly for energy efficiency of buildings, as Directive 2010/31/EU has not been implemented in Iceland. Environmental risk data primarily relies on qualitative assessments conducted as part of due diligence processes or obtained from external sources. Quantitative data is more readily available for climate risk, such as CO_2 emission estimates based on the Partnership for Carbon Accounting Financials (PCAF) methodology and external data sources.

The Bank applies PCAF data quality scoring to assess the reliability of financed emissions data and is committed to maintaining transparency regarding the quality of climate data and methodologies. While the Bank has made good progress, there is still considerable room for improvement. Collaboration with customers is expected to lead to enhanced data granularity and accuracy.

Limits and escalation

Íslandsbanki integrates sustainability criteria into its risk analysis and decision-making. Qualitative limits include ESG rating cut-offs and sectoral sustainability criteria. Counterparties rated E or F under the Bank's ESG framework are generally excluded from new lending..

New business and existing relationships must align with the Sustainability Policy. Exclusions are listed in the policy appendix. Through the Sustainable Funding Framework, the Bank supports financing for sustainable projects. ESG scores influence lending decisions and pricing, and the Bank may terminate relationships if clients fail to address ESG issues. Additional risk indicators and refinements to risk appetite will be introduced as the ESG framework matures.

Transmission channels and integration into risk framework

Sustainability risk is one of six main risk types within the Bank's Risk Taxonomy. To ensure thorough oversight, relevant sustainability risk issues are reviewed by the ARC and incorporated into the Risk Assessment Framework. This framework is essential for identifying risks inherent in the Bank's operations and assessing both capital and liquidity adequacy. It encompasses all significant risks faced by the Bank and its subsidiaries, forming the foundation of the Bank's risk and capital management strategy. By integrating sustainability risk into this framework, the Bank ensures that potential ESG factors are evaluated alongside traditional financial risks.

Although the Bank's operations are not carbon-intensive and climate change does not affect day-to-day activities, the Bank is exposed to climate risk through its customers. Climate risk comprises transition risk and physical risk. Transition risk arises from policy and legal changes, technological developments, market behaviour and reputational factors. Physical risk includes acute events, such as extreme weather, and chronic changes, such as rising sea levels.

These risks materialise via several channels, including lower profitability, reduced real estate values, decreased household wealth, diminished asset performance, increased compliance costs and higher legal expenses.

Ultimately, these transmission channels affect financial risk categories within the Bank's Risk Taxonomy. Environmental risks affect credit risk through increased probabilities of default and loss given default, as well as lower collateral valuations. Market risk arises from shifts in market prices and stranded assets. Liquidity and funding risk may occur if clients withdraw deposits or refinancing costs increase. Operational risk includes physical damage and business continuity issues. Reputational risk may arise from association with environmentally harmful activities.

By recognising these transmission channels, the Bank ensures that sustainability risk is fully integrated into its risk and capital management processes.

Social risk management

Social risks are managed under the Sustainability Policy and include human rights, labour standards, diversity and customer protection. The Bank adheres to the UN Global Compact, Icelandic ESG guidelines and its internal ESG framework for social factors, based on standards published by the Iceland Chamber of Commerce, Nasdaq, Festa, IcelandSIF and the Icelandic Standards Council.

Methodologies and identification

Social factors are assessed during loan origination, investment decisions and portfolio reviews. Due diligence incorporates ESG criteria and supports ongoing monitoring of aggregate social risk. High-risk sectors include those with migrant labour, low wages or poor working conditions.

Mitigation and monitoring

Íslandsbanki mitigates social risks through equal-pay certification under ÍST 85:2012, diversity targets for gender balance and a Supplier Code of Conduct. Engagement with clients addresses social issues, and an exclusion list applies to severe breaches. Scenario analysis considers demographic trends, migration and social impacts of climate change across short-, medium- and long-term horizons.

Tools include:

- Sustainable Funding Framework
- ESG due diligence for lending and investment
- External data sources

The Bank also communicates proactively with customers and stakeholders to promote responsible business practices.

Limits and transmission channels

Social risk is assessed through the Bank's ESG due diligence process. The Risk Appetite Statement includes qualitative requirements for sustainability risk, including social risk, requiring alignment with the Sustainability Policy. Breaches of these requirements are escalated to the Sustainability Committee. Social risks can lead to reputational damage, litigation costs and operational disruptions, affecting credit and liquidity risk. ESG scores influence lending decisions and pricing, and the Bank may terminate relationships if clients fail to address social issues.

Governance risk management

Governance risks relate to decision-making structures, transparency and ethical conduct. The Bank evaluates counterparties' governance performance through ESG due diligence and credit rating processes, including KYC and AML measures under Act No. 140/2018. Factors assessed include board composition, audit practices, conflict of interest management, and supply chain governance.

Governance factors are embedded in lending and investment policies, and poor governance may lead to exclusion from financing. Internal governance follows the three-lines-of-defence model, with oversight by the Board and the All Risk Committee.

ESG 1: Banking book – climate change transition risk: Credit quality of exposures by sector, emissions and residual maturity

Íslandsbanki monitors transition risk in its banking book by assessing credit quality across sectors, emissions, and residual maturity. Exposures are reported by NACE sector, including carbon-intensive industries, and classified by credit quality indicators such as non-performing status and IFRS 9 Stage 2.

The Bank calculates financed greenhouse-gas (GHG) emissions in line with the Partnership for Carbon Accounting Financials (PCAF) standard. This covers Scope 1 and Scope 2 emissions where data is available, and Scope 3 on a best-effort basis. Figures are based on client data and sector averages when necessary. Further details on methodology and data sources are provided in the Annual and Sustainability Report 2025 and Road to net-zero 2022.

Íslandsbanki continues to improve data coverage and estimation processes for financed emissions and alignment metrics. These disclosures support compliance with Article 449a of the CRR and EBA ITS requirements.

The table below shows the Bank's exposure to non-financial corporates, as well the scope 1, 2 and 3 financed emissions. Note that the table is split in two parts with columns a-h in the first part and columns i-p in the second part.

		a	b	c	d	e	f	g	h
		30 June 2026							
		Gross carrying amount (ISK m)					Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions (ISK m)		
			Of which exposures towards companies excluded from EU Paris-aligned Benchmarks²	Of which environmentally sustainable (CCM)	Of which stage 2 exposures	Of which non-performing exposures		Of which stage 2 exposures	Of which non-performing exposures
	Sector/subsector								
1	**Exposures towards sectors that highly contribute to climate change¹**	**525,706**		**-**	**18,090**	**30,742**	**(5,503)**	**(311)**	**(3,712)**
2	A - Agriculture, forestry and fishing	66,373		-	599	23	(163)	(21)	(2)
3	B - Mining and quarrying	3,517		-	844	-	(14)	(12)	-
4	*B.05 - Mining of coal and lignite*	-		-	-	-	-	-	-
5	*B.06 - Extraction of crude petroleum and natural gas*	-		-	-	-	-	-	-
6	*B.07 - Mining of metal ores*	-		-	-	-	-	-	-
7	*B.08 - Other mining and quarrying*	3,509		-	844	-	(14)	(12)	-
8	*B.09 - Mining support service activities*	8		-	-	-	-	-	-
9	C - Manufacturing	61,861		-	2,074	749	(222)	(24)	(91)
10	*C.10 - Manufacture of food products*	40,682		-	618	303	(77)	(8)	(30)
11	*C.11 - Manufacture of beverages*	9,637		-	68	-	(11)	(1)	-
12	*C.12 - Manufacture of tobacco products*	-		-	-	-	-	-	-
13	*C.13 - Manufacture of textiles*	131		-	5	97	(31)	(1)	(29)
14	*C.14 - Manufacture of wearing apparel*	11		-	2	-	(1)	-	-
15	*C.15 - Manufacture of leather and related products*	-		-	-	-	-	-	-
16	*C.16 - Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials*	785		-	138	-	(14)	(4)	-
17	*C.17 - Manufacture of paper and paper products*	1		-	-	-	-	-	-
18	*C.18 - Printing and reproduction of recorded media*	288		-	-	3	(5)	-	-

		a	b	c	d	e	f	g	h
									30 June 2026
		Gross carrying amount (ISK m)					Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions (ISK m)		
			Of which exposures towards companies excluded from EU Paris-aligned Benchmarks[2]	Of which environmentally sustainable (CCM)	Of which stage 2 exposures	Of which non-performing exposures		Of which stage 2 exposures	Of which non-performing exposures
	Sector/subsector								
19	*C.19 - Manufacture of coke and refined petroleum products*	-		-	-	-	-	-	-
20	*C.20 – Manufacture of chemicals and chemical products*	282		-	1	-	(9)	-	-
21	*C.21 – Manufacture of basic pharmaceutical products and pharmaceutical preparations*	406		-	-	-	(2)	-	-
22	*C.22 - Manufacture of rubber products*	145		-	1	-	(2)	-	-
23	*C.23 - Manufacture of other non-metallic mineral products*	2,358		-	282	45	(13)	(5)	(4)
24	*C.24 - Manufacture of basic metals*	49		-	-	-	-	-	-
25	*C.25 - Manufacture of fabricated metal products, except machinery and equipment*	3,396		-	931	116	(12)	(5)	(3)
26	*C.26 - Manufacture of computer, electronic and optical products*	-		-	-	-	-	-	-
27	*C.27 - Manufacture of electrical equipment*	187		-	2	-	-	-	-
28	*C.28 - Manufacture of machinery and equipment n.e.c.*	791		-	-	175	(25)	-	(24)
29	*C.29 - Manufacture of motor vehicles, trailers and semi-trailers*	5		-	-	-	-	-	-
30	*C.30 - Manufacture of other transport equipment*	27		-	-	-	-	-	-
31	*C.31 - Manufacture of furniture*	1,503		-	-	-	(13)	-	-
32	*C.32 - Other manufacturing*	452		-	-	10	(2)	-	(1)
33	*C.33 - Repair and installation of machinery and equipment*	725		-	26	-	(5)	-	-
34	D - Electricity, gas, steam and air conditioning supply	22,003		-	545	-	(38)	(1)	-

		a	b	c	d	e	f	g	h
									30 June 2026
		Gross carrying amount (ISK m)					Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions (ISK m)		
			Of which exposures towards companies excluded from EU Paris-aligned Benchmarks²	Of which environmentally sustainable (CCM)	Of which stage 2 exposures	Of which non-performing exposures		Of which stage 2 exposures	Of which non-performing exposures
	Sector/subsector								
35	*D35.1 - Electric power generation, transmission and distribution*	19,189		-	545	-	(34)	(1)	-
36	*D35.11 - Production of electricity*	13,802		-	507	-	(20)	(1)	-
37	*D35.2 - Manufacture of gas; distribution of gaseous fuels through mains*	-		-	-	-	-	-	-
38	*D35.3 - Steam and air conditioning supply*	2,815		-	-	-	(4)	-	-
39	E - Water supply; sewerage, waste management and remediation activities	9,969		-	-	4,052	(627)	-	(609)
40	F - Construction	101,255	-	-	3,163	12,484	(2,031)	(53)	(1,337)
41	*F.41 - Construction of buildings*	79,591		-	1,731	12,035	(1,872)	(30)	(1,286)
42	*F.42 - Civil engineering*	2,414		-	145	3	(10)	-	-
43	*F.43 - Specialised construction activities*	19,250		-	1,287	446	(149)	(23)	(51)
44	G - Wholesale and retail trade; repair of motor vehicles and motorcycles	48,323		-	6,332	8,032	(939)	(109)	(661)
45	H - Transportation and storage	36,194		-	66	166	(98)	(2)	(18)
46	*H.49 - Land transport and transport via pipelines*	6,705		-	63	162	(45)	(2)	(16)
47	*H.50 - Water transport*	12,099		-	-	-	(3)	-	-
48	*H.51 - Air transport*	2,527		-	-	4	(4)	-	(2)
49	*H.52 - Warehousing and support activities for transportation*	14,863		-	3	-	(46)	-	-
50	*H.53 - Postal and courier activities*	-		-	-	-	-	-	-
51	I - Accommodation and food service activities	42,742		-	1,153	392	(181)	(24)	(78)
52	L - Real estate activities	133,469		-	3,314	4,844	(1,190)	(65)	(916)
53	**Exposures towards sectors other than those that highly contribute to climate change¹**	**158,095**		**-**	**4,796**	**715**	**(795)**	**(50)**	**(176)**
54	K - Financial and insurance activities	-		-	-	-	-	-	-

		a	b	c	d	e	f	g	h
									30 June 2026
		Gross carrying amount (ISK m)					Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions (ISK m)		
			Of which exposures towards companies excluded from EU Paris-aligned Benchmarks[2]	Of which environmentally sustainable (CCM)	Of which stage 2 exposures	Of which non-performing exposures		Of which stage 2 exposures	Of which non-performing exposures
	Sector/subsector								
55	Exposures to other sectors (NACE codes J, M - U)	158,095		-	4,796	715	(795)	(50)	(176)
56	**Total**	**683,801**	**-**	**-**	**22,886**	**31,457**	**(6,298)**	**(361)**	**(3,888)**

[1] In accordance with Commission Delegated Regulation (EU) 2020/1818 (Climate Benchmark Standards Regulation), the scope of this table is limited to exposures to counterparties operating in sectors listed in Sections A to H and Section L of Annex I to Regulation (EC) No 1893/2006.
[2] In accordance with points (d) to (g) of Article 12.1 and in accordance with Article 12.2 of Climate Benchmark Standards Regulation.

(In ISK millions)		i	j	k	l	m	n	o	p
									30 June 2026
		GHG financed emissions (scope 1, scope 2 and scope 3 emissions of the counterparty) (in tons of CO2 equivalent)		GHG emissions (column i): gross carrying amount percentage of the portfolio derived from company-specific reporting					
			Of which Scope 3 financed emissions		≤ 5 years	> 5 year ≤ 10 years	> 10 year ≤ 20 years	> 20 years	Average weighted maturity
	Sector/subsector								
1	**Exposures towards sectors that highly contribute to climate change[1]**	**358,388**	**232,869**	**29.2%**	**320,926**	**66,423**	**51,668**	**86,689**	**6**
2	A - Agriculture, forestry and fishing	23,356	8,642	2.3%	48,423	12,117	2,454	3,379	4
3	B - Mining and quarrying	1,034	1	0.0%	1,575	1,055	538	349	7
4	*B.05 - Mining of coal and lignite*	-	-	0.0%	-	-	-	-	-
5	*B.06 - Extraction of crude petroleum and natural gas*	-	-	0.0%	-	-	-	-	2
6	*B.07 - Mining of metal ores*	-	-	0.0%	-	-	-	-	-
7	*B.08 - Other mining and quarrying*	1,031	1	0.0%	1,567	1,055	538	349	7
8	*B.09 - Mining support service activities*	3	-	0.0%	8	-	-	-	4
9	C - Manufacturing	45,281	15,441	1.1%	26,695	20,024	6,659	8,483	6
10	*C.10 - Manufacture of food products*	32,141	4,285	1.6%	17,307	18,585	1,269	3,521	6
11	*C.11 - Manufacture of beverages*	194	167	0.0%	5,784	380	3,320	153	8
12	*C.12 - Manufacture of tobacco products*	-	-	0.0%	-	-	-	-	-
13	*C.13 - Manufacture of textiles*	52	13	0.0%	55	30	-	46	3
14	*C.14 - Manufacture of wearing apparel*	22	22	0.0%	2	-	-	9	1
15	*C.15 - Manufacture of leather and related products*	-	-	0.0%	-	-	-	-	3
16	*C.16 - Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials*	1,207	1,161	0.0%	67	51	190	477	6
17	*C.17 - Manufacture of paper and paper products*	-	-	0.0%	1	-	-	-	1
18	*C.18 - Printing and reproduction of recorded media*	1,521	1,493	0.0%	70	7	15	196	4
19	*C.19 - Manufacture of coke and refined petroleum products*	-	-	0.0%	-	-	-	-	-
20	*C.20 - Manufacture of chemicals and chemical products*	1	-	9.8%	186	11	32	53	2

		i	j	k	l	m	n	o	p
									30 June 2026
		GHG financed emissions (scope 1, scope 2 and scope 3 emissions of the counterparty) (in tons of CO2 equivalent)		GHG emissions (column i): gross carrying amount percentage of the portfolio derived from company-specific reporting					
	(In ISK millions)		Of which Scope 3 financed emissions		≤ 5 years	> 5 year ≤ 10 years	> 10 year ≤ 20 years	> 20 years	Average weighted maturity
21	*C.21 - Manufacture of basic pharmaceutical products and pharmaceutical preparations*	5	3	0.0%	406	-	-	-	3
22	*C.22 - Manufacture of rubber products*	66	65	0.0%	4	10	14	117	17
23	*C.23 - Manufacture of other non-metallic mineral products*	4,756	4,020	0.0%	464	336	81	1,477	3
24	*C.24 - Manufacture of basic metals*	334	-	0.0%	-	47	-	2	8
25	*C.25 - Manufacture of fabricated metal products, except machinery and equipment*	185	7	0.0%	1,187	423	837	949	6
26	*C.26 - Manufacture of computer, electronic and optical products*	-	-	0.0%	-	-	-	-	-
27	*C.27 - Manufacture of electrical equipment*	2,288	2,280	0.0%	2	7	174	4	18
28	*C.28 - Manufacture of machinery and equipment n.e.c.*	549	159	0.0%	29	4	271	487	11
29	*C.29 - Manufacture of motor vehicles, trailers and semi-trailers*	8	6	0.0%	5	-	-	-	4
30	*C.30 - Manufacture of other transport equipment*	149	147	0.0%	1	-	-	26	21
31	*C.31 - Manufacture of furniture*	920	858	0.0%	810	30	-	663	7
32	*C.32 - Other manufacturing*	280	249	0.3%	52	15	270	115	12
33	*C.33 - Repair and installation of machinery and equipment*	603	506	0.0%	263	88	186	188	7
34	D - Electricity, gas, steam and air conditioning supply	6,044	1,621	0.0%	14,850	6,146	272	735	4
35	*D35.1 - Electric power generation, transmission and distribution*	1,899	1,414	0.0%	12,238	6,128	88	735	4
36	*D35.11 - Production of electricity*	1,777	1,375	0.0%	7,231	5,869	72	630	3
37	*D35.2 - Manufacture of gas; distribution of gaseous fuels through mains*	-	-	0.0%	-	-	-	-	-
38	*D35.3 - Steam and air conditioning supply*	4,144	207	0.0%	2,612	18	185	-	3
39	E - Water supply; sewerage, waste management and remediation activities	19,183	15,672	0.0%	8,517	52	512	888	5

	(In ISK millions)	i	j	k	l	m	n	o	p
									30 June 2026
		GHG financed emissions (scope 1, scope 2 and scope 3 emissions of the counterparty) (in tons of CO2 equivalent)		GHG emissions (column i): gross carrying amount percentage of the portfolio derived from company-specific reporting					
			Of which Scope 3 financed emissions		≤ 5 years	> 5 year ≤ 10 years	> 10 year ≤ 20 years	> 20 years	Average weighted maturity
40	F - Construction	19,448	3,216	1.9%	77,236	3,617	6,014	14,388	4
41	*F.41 - Construction of buildings*	4,217	1,010	9.0%	65,926	1,965	3,332	8,368	3
42	*F.42 - Civil engineering*	2,187	1,942	0.0%	718	260	598	838	10
43	*F.43 - Specialised construction activities*	13,044	264	0.0%	10,592	1,392	2,084	5,182	5
44	G - Wholesale and retail trade; repair of motor vehicles and motorcycles	159,957	157,241	57.1%	22,462	1,733	4,817	19,311	7
45	H - Transportation and storage	63,293	15,410	19.0%	16,919	12,236	3,760	3,279	5
46	*H.49 - Land transport and transport via pipelines*	2,739	208	0.0%	3,177	1,233	549	1,746	6
47	*H.50 - Water transport*	40,213	7,403	0.0%	2,679	5,555	2,818	1,047	8
48	*H.51 - Air transport*	12,405	593	46.5%	2,518	-	-	9	1
49	*H.52 - Warehousing and support activities for transportation*	7,936	7,206	78.4%	8,545	5,448	393	477	4
50	*H.53 - Postal and courier activities*	-	-	0.0%	-	-	-	-	-
51	I - Accommodation and food service activities	14,128	13,255	0.0%	29,969	756	5,275	6,742	7
52	L - Real estate activities	6,664	2,370	0.8%	74,280	8,687	21,367	29,135	9
53	**Exposures towards sectors other than those that highly contribute to climate change[1]**	**38,319**	**18,026**	**0.1%**	**126,369**	**13,678**	**5,763**	**12,285**	**4**
54	K - Financial and insurance activities	-	-	0.0%	-	-	-	-	-
55	Exposures to other sectors (NACE codes J, M - U)	38,319	18,026	0.1%	126,369	13,678	5,763	12,285	4
56	**Total**	**396,707**	**250,895**	**26.4%**	**447,295**	**80,101**	**57,431**	**98,974**	**6**

[1] In accordance with Commission Delegated Regulation (EU) 2020/1818 (Climate Benchmark Standards Regulation), the scope of this table is limited to exposures to counterparties operating in sectors listed in Sections A to H and Section L of Annex I to Regulation (EC) No 1893/2006.

[2] In accordance with points (d) to (g) of Article 12.1 and in accordance with Article 12.2 of Climate Benchmark Standards Regulation.

ESG 2: Banking book - Indicators of potential climate change transition risk: Loans collateralised by immovable property - Energy efficiency of the collateral

Information on the energy efficiency of buildings in Iceland remains limited, as Directive 2010/31/EU on the energy performance of buildings has not been implemented in Iceland and there is currently no comprehensive national database or standardised reporting framework for energy performance certificates.

Where energy-efficiency information is not available, the Bank estimates the energy performance of collateral using available property-level information, including property type, year of construction, floor area and other relevant characteristics.

These estimates are used for Pillar 3 climate-risk disclosure purposes and should be interpreted in light of the data limitations described above. Íslandsbanki will refine its disclosure approach as more reliable and standardised energy-efficiency information becomes available.

		a	b	c	d	e	f	g
		Total gross carrying amount amount (ISK m)						
			Level of energy efficiency (EP score in kWh/m² of collateral)					
	(In ISK millions)		0; ≤ 100	>100; ≤ 200	>200; ≤ 300	>300; ≤ 400	>400; ≤ 500	>500
	Counterparty sector							
1	**Total EU area**	**1,036,955**	-	318,271	241,512	41,684	29,600	4,164
2	Of which Loans collateralised by commercial immovable property	326,601	-	1,547	898	11,706	93	-
3	Of which Loans collateralised by residential immovable property	708,632	-	316,724	240,614	29,978	29,507	4,164
4	Of which Collateral obtained by taking possession: residential and commercial immovable properties	1,722	-	-	-	-	-	-
5	*Of which Level of energy efficiency (EP score in kWh/m² of collateral) estimated*	635,231	-	318,271	241,512	41,684	29,600	4,164
6	**Total non-EU area**	**-**	-	-	-	-	-	-
7	Of which Loans collateralised by commercial immovable property	-	-	-	-	-	-	-
8	Of which Loans collateralised by residential immovable property	-	-	-	-	-	-	-
9	Of which Collateral obtained by taking possession: residential and commercial immovable properties	-	-	-	-	-	-	-
10	*Of which Level of energy efficiency (EP score in kWh/m² of collateral) estimated*	-	-	-	-	-	-	-

		h	i	j	k	l	m	n	o	p
		30 June 2026								
		Total gross carrying amount amount (ISK m)								
		Level of energy efficiency (EPC label of collateral)							Without EPC label of collateral	
	(In ISK millions)	A	B	C	D	E	F	G		Of which level of energy efficiency (EP score in kWh/m² of collateral) estimated
	Counterparty sector									
1	**Total EU area**	-	-	-	-	-	-	-	**1,036,955**	**635,231**
2	Of which Loans collateralised by commercial immovable property	-	-	-	-	-	-	-	326,601	14,244
3	Of which Loans collateralised by residential immovable property	-	-	-	-	-	-	-	708,632	620,987
4	Of which Collateral obtained by taking possession: residential and commercial immovable properties	-	-	-	-	-	-	-	1,722	-
5	*Of which Level of energy efficiency (EP score in kWh/m² of collateral) estimated*	-	-	-	-	-	-	-	635,231	635,231
6	**Total non-EU area**	-	-	-	-	-	-	-	**-**	**-**
7	Of which Loans collateralised by commercial immovable property	-	-	-	-	-	-	-	-	-
8	Of which Loans collateralised by residential immovable property	-	-	-	-	-	-	-	-	-
9	Of which Collateral obtained by taking possession: residential and commercial immovable properties	-	-	-	-	-	-	-	-	-
10	*Of which Level of energy efficiency (EP score in kWh/m² of collateral) estimated*	-	-	-	-	-	-	-	-	-

ESG 3: Banking book - Indicators of potential climate change transition risk: Alignment metrics

Íslandsbanki has committed to supporting Iceland's transition to a net-zero economy by 2040 and aligning its lending activities with the goals of the Paris Agreement. To monitor potential climate-related transition risks in the banking book, the Bank uses alignment metrics that assess whether its loan portfolio is on track with sectoral decarbonisation pathways.

The Bank calculates financed emissions in line with the Partnership for Carbon Accounting Financials (PCAF) methodology. The Bank reports financed emissions for sectors which represent a significant share of its credit exposure. These calculations provide a baseline for assessing transition risk and identifying sectors where emissions intensity may indicate misalignment with Iceland's climate targets.

The Bank has set interim targets for reducing financed emissions in key sectors, consistent with its commitment to achieve net-zero financed emissions by 2040. These targets are guided by recognised frameworks such as the Net Zero Banking Alliance and the International Energy Agency (IEA) scenarios. For example, the Bank aims to lower emissions intensity in real estate through energy efficiency measures and green building standards, and in transport by financing low-emission vehicles and related infrastructure.

Alignment metrics compare the current portfolio against these decarbonisation pathways. Positive alignment indicates progress towards long-term climate goals, while negative alignment highlights areas of potential transition risk.

All figures presented in this table have been calculated on a best-effort basis, using the information available at the time of preparation. The Bank has applied reasonable efforts to ensure accuracy, completeness and consistency; however, deviations may occur due to data updates, system limitations or methodological refinements.

	a	b	c	d	e	f	g
		NACE Sectors (a minima)	Portfolio gross carrying amount	Alignment metric	Year of reference	Distance to IEA NZE2050 in % *	Target (year of reference + 3 years)
	Sector						
1	Power	3511	13802	*< 10 gCO2/kWh*	2019	0%	*434 gCO2/kWh*
2	Fossil fuel combustion						
3	Automotive						
4	Aviation	5110	2527	*4.67 tCO2e/ISKm*	2019	0%	*5.80 tCO2e/ISKm*
5	Maritime transport	5020	12099	*2.71 tCO2e/ISKm*	2019	6%	*2.71 tCO2e/ISKm*
6	Cement, clinker and lime production						
7	Iron and steel, coke, and metal ore production						
8	Chemicals						
9	Commercial and residential real estate	6810, 6820	133469	*0.03 tCO2e/ISKm*	2019	0%	*2.57 tCO2e/ISKm*
10	Seafood	*0311, 1020*	*92427*	*0.33 tCO2e/ISKm*	2019	10%	*0.30 tCO2e/ISKm*

*PiT distance to 2030 NZE2050 scenario in % (for each metric)

ESG 4: Banking book - Indicators of potential climate change transition risk: Exposures to top 20 carbon-intensive firms

In accordance with the EBA guidelines on ESG disclosures under Pillar 3, ESG Template 4 requires reporting of exposures to the top 20 carbon-intensive firms globally.

Íslandsbanki does not have any exposures to these firms. Therefore, this template does not apply to the Bank, and no data is reported in this section. The Bank's disclosures comply with applicable regulatory requirements and reflect its commitment to responsible lending and sustainability.

ESG 5: Banking book - Indicators of potential climate change physical risk: Exposures subject to physical risk

Íslandsbanki acknowledges that climate change may increase the likelihood and severity of physical risks, including flooding, landslides and extreme weather events, which could affect the value and resilience of assets financed by the Bank. These risks may affect collateral values, borrower cash flows and overall credit quality.

The Bank assesses potential exposure to physical climate risk as part of its broader climate-related risk management activities. Further development of this assessment depends on the availability of reliable, comparable and sufficiently granular data, including official hazard mapping and other Iceland-specific data from public authorities. At present, limited availability of such data constrains the Bank's ability to quantify exposures by geographic location, sector and risk driver with sufficient precision for regulatory disclosure purposes.

Within these limitations, Íslandsbanki monitors developments in climate science, regulatory guidance and industry practice, and considers external data sources where relevant. Priority areas include real estate and infrastructure, which may be more exposed to physical climate risk due to their location and asset characteristics. In an international context, physical climate risk in Iceland is generally considered low to moderate over the long term, reflecting Iceland's relatively stable climate, limited exposure to certain major natural hazards and robust infrastructure.

Future disclosures will provide more detailed information as the Bank's assessment approach is further developed and reliable data sources are integrated into the risk management framework.

		a	b	c	d	e	f	g
		Gross carrying amount (ISK m)						
			Breakdown by maturity bucket					Of which exposures sensitive to impact from chronic climate change events
	(In ISK millions)		≤ 5 years	> 5 year ≤ 10 years	> 10 year ≤ 20 years	> 20 years	Average weighted maturity	
	Geographical area subject to climate change physical risk - acute and chronic events							
1	A - Agriculture, forestry and fishing	66,373						
2	B - Mining and quarrying	3,517						
3	C - Manufacturing	61,861						
4	D - Electricity, gas, steam and air conditioning supply	22,003						
5	E - Water supply; sewerage, waste management and remediation activities	9,969						
6	F - Construction	101,255						
7	G - Wholesale and retail trade; repair of motor vehicles and motorcycles	48,323						
8	H - Transportation and storage	36,194						
9	L - Real estate activities	133,469						
10	Loans collateralised by residential immovable property	708,632						
11	Loans collateralised by commercial immovable property	326,601						
12	Repossessed collaterals	1,722						

(In ISK millions)		h	i	j	k	l	m	n
								30 June 2026
								Gross carrying amount (ISK m)
								Of which exposures sensitive to impact from climate change physical events
						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		
		Of which exposures sensitive to impact from acute climate change events	Of which exposures sensitive to impact both from chronic and acute climate change events	Of which Stage 2 exposures	Of which non-performing exposures		Of which Stage 2 exposures	Of which non-performing exposures
	Geographical area subject to climate change physical risk - acute and chronic events							
1	A - Agriculture, forestry and fishing							
2	B - Mining and quarrying							
3	C - Manufacturing							
4	D - Electricity, gas, steam and air conditioning supply							
5	E - Water supply; sewerage, waste management and remediation activities							
6	F - Construction							
7	G - Wholesale and retail trade; repair of motor vehicles and motorcycles							
8	H - Transportation and storage							
9	L - Real estate activities							
10	Loans collateralised by residential immovable property							
11	Loans collateralised by commercial immovable property							
12	Repossessed collaterals							