3Q26 Financial Results

29 October 2026

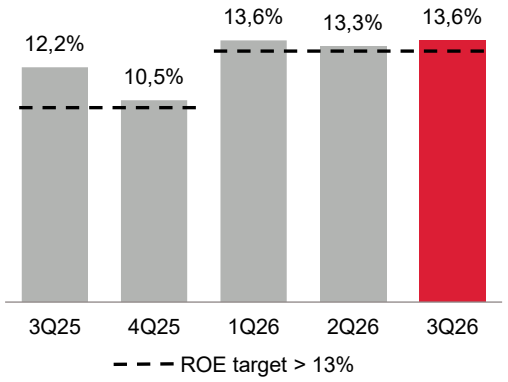
Jón Guðni Ómarsson
Chief Executive Officer

Ellert Hlöðversson
Chief Financial Officer

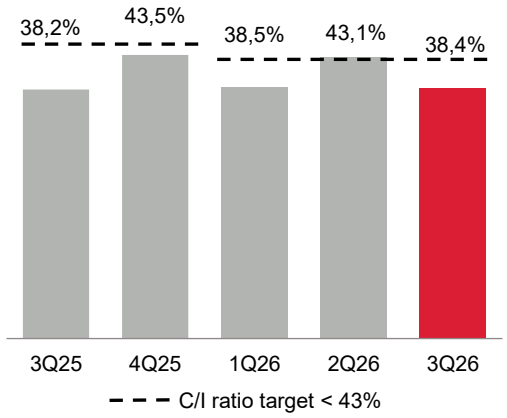
Financial metrics tracking in excess of target

Earnings positively impacted by high inflation despite reduced volumes in capital markets

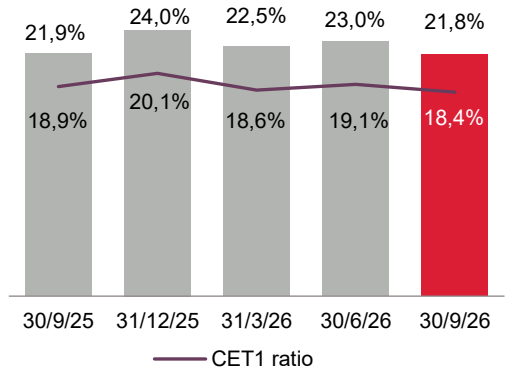
ROE in excess of updated financial target
ROE[1]



C/I below the financial target
C/I ratio[2,3]



Considerable excess capital remains
Total capital ratio[4]



1. ROE target was > 10% until year-end 2025. 2. C/I ratio target was < 45% until year-end 2025. 3. C/I ratio for 4Q25 excludes salary expenses of ISK 804m due to early retirement of employees and an income of ISK 237m within net interest income (ISK 550m reversed from charge in 3Q25 due to provision for legal proceedings and a charge of ISK 313m due to correction from previous years). C/I ratio for 3Q25 excludes a charge of ISK 550m within net interest income due to a provision for legal proceedings. 4. Including 3Q26 profit for 30.9.26, 1Q26 profit for 31.3.26 and 3Q25 profit for 30.9.25.

YTD returns in excess of guidance and medium-term target

ROE guidance for 2026 reaffirmed to being in excess of 12.5%

	Medium-term target	3Q26	9M26	2026 Guidance*
Return on equity	**>13%**	13.6%	13.4%	>12.5%**
Cost-to-income ratio	**<43%**	38.4%	39.9%	41-43%
CET1 excess	**100-300bps**	315bps***	315bps***	~300bps
Dividend payout ratio	**50%**	50%	50%	50%

*Guidance assumes a normalised cost of risk for the year as a whole

Loans to customers and revenue, in general **to grow** in line with nominal GDP through the business cycle while international lending provides additional growth

Cost of Risk is expected to average 20-25 bps over the cycle

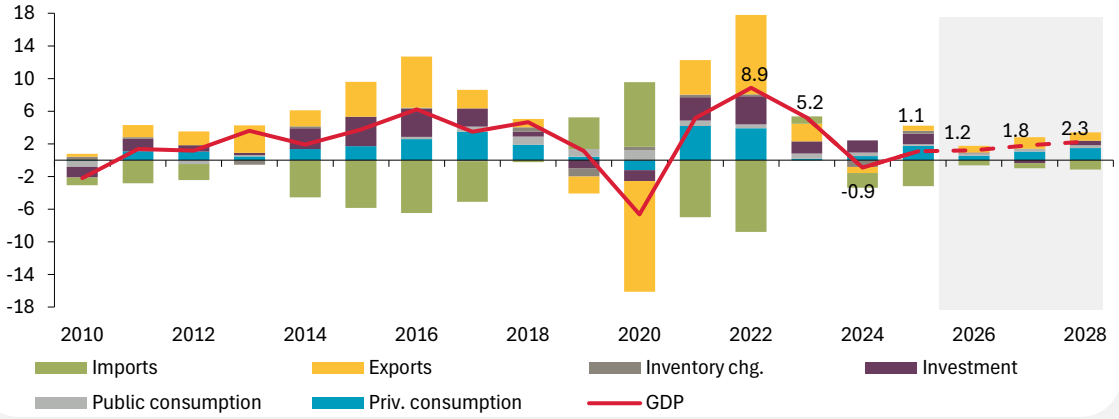
International loan growth continues to provide additional balance sheet growth

*Including third quarter profit.
**Assuming the current level of bank tax.
***Including half of the profit for the third quarter of 2026, in accordance with the dividend policy.

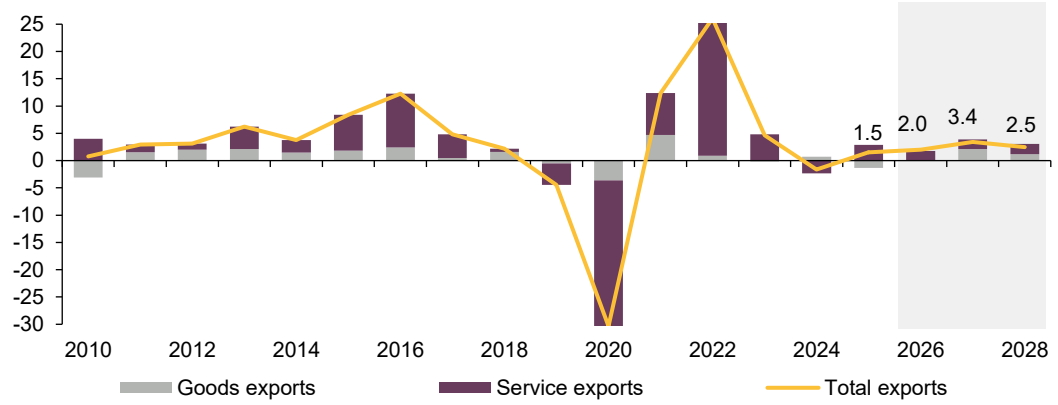
GDP growth gradually regains steam after a mild recession

Persistent inflation forces the Central Bank to hold rates high for longer

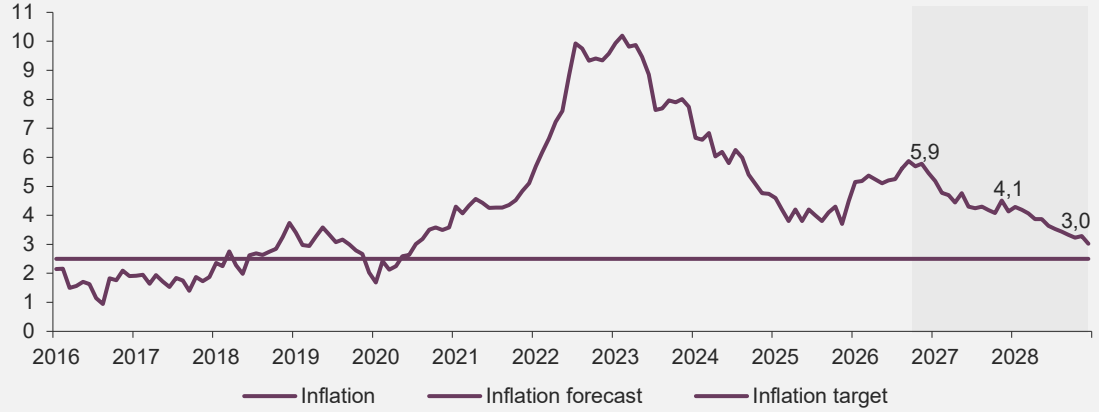
Economic growth to accelerate in coming years…
Real GDP and main subitems, YoY change, %



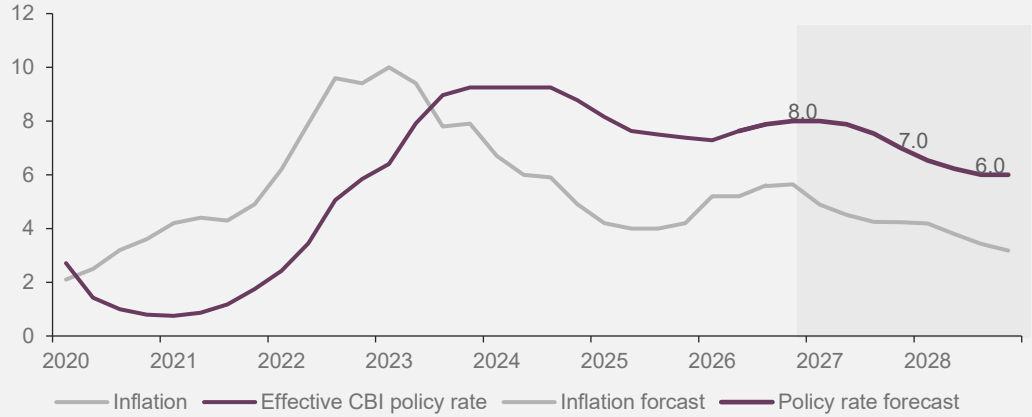
...as exports return to more robust growth from 2026 after a soft patch
Exports and contribution from subcomponents, % change



Inflation has proven persistent but looks likely to decline in coming years..
Inflation, %



…facilitating gradual policy rate cuts from spring 2027 onwards
CBI policy rate and real policy rate, %



Driving digital innovation across the Bank

AI and new digital solutions simplify banking for our customers

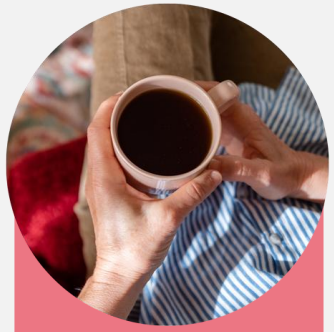
Continued momentum in app-based securities offering

New equity trading capabilities in the app

Enhanced mortgage calculator

Major improvements in digital solutions for businesses' online banking platform

International funds launched in the app
the first Icelandic bank to offer international fund investments through a mobile banking app

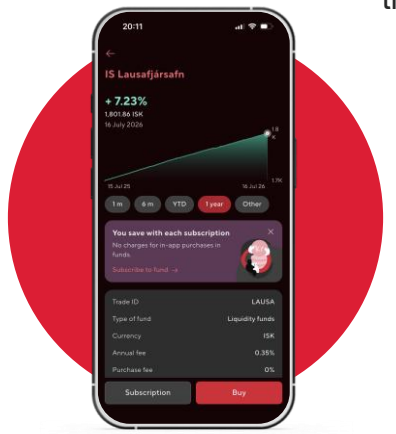


Loyalty Services in the app extended to customers aged 67+

AI journey in the Bank app

AI-generated spending summaries in the app

Highlights significant and recurring transactions



Analyses spending activity and benchmarks it against the customer's spending targets

Provides insights into the three largest spending categories

Overall market share
31.5%[1]

Strong growth in Fríða
Transaction volume up 30% YoY in 9M 2026

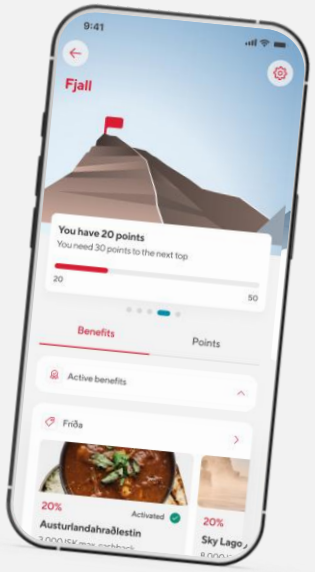
Personal Banking momentum

Customer satisfaction peaked at 95%[2] in September, the highest this year

NPS increase from **14.3** in August to **19.8** in September

Loyalty Services continue to gain traction
Over **68,000 customers** and **17,900 loyalty accounts**

10,000+ products added through the **Loyalty Services**, with higher rewards for customers



1. Based on the number of customers with active deposit accounts on 30 September 2026, expressed as a percentage of individuals with domicile in Iceland.
2. Measured by CSAT.

Business Banking building on a position of strength

Leading market positions, strong customer acquisition and continued growth across key products

37%
Highest average market share[1]

40% in capital area
30% in rural areas

Highest NPS
among domestic banks

Expanding our reach across Iceland

Acquiring services

- **Strong momentum** since launch earlier this year
- **Growing number** of businesses actively using the service
- Sustained **customer interest** supports further growth

Ergo's loan portfolio grew by 12% YoY

1. Average market share from Gallup's last four corporate surveys, the most recent one carried out during 3Q26.

Strong performance across Corporate and Investment Banking

Leading market positions, strong business activity and continued growth across key business areas

#1 in turnover on Nasdaq Iceland in equities and bonds year-to-date

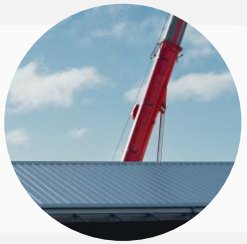
Highest market share in turnover on Nasdaq Iceland in equities and bonds in 3Q26 with the following share:

20.2% in equities

19.7% in bonds

Year-to-date market share at month-end

- **International lending** amounted to ISK 18bn in 9M26
- In the last 12 months international lending has amounted to ISK 44bn



- **10% growth** in customers within **asset management** year-to-date
- A successful 28-year partnership between Íslandsbanki and Vanguard, further strengthened by the Vanguard funds being available through the Bank's app

- **ISK 75bn of bond issuance** (nominal value) handled by **Íslandsbanki Securities** in 9M 2026, a 30.4% share of primary issuance
- Of which **ISK 49bn on behalf of customers**, including ISK 9bn for Brim, and ISK 26bn for the Bank

BRIM

FESTI · REITIR FASTEIGNAFÉLAG · Skeljungur · BERA · ÍSLENSKA FASTEIGNAFÉLAG · ALMA · Akureyrarbær

Creating value beyond banking

Íslandsbanki Reykjavík Marathon

- **>170** charitable organisations supported
- ISK **307 million** raised for charities
- More than ISK **2.5 billion** raised since 2006
- Over **16,000** runners participated

FINANCIAL · PHYSICAL · EMOTIONAL
100% Health

Entrepreneurs' Fund of Íslandsbanki

- **54%** increase in applicants
- ISK **70** million awarded this year
- Each grant ranging from ISK **1 – 5 million**
- A diverse range of applicants
- Grants will be awarded at an event on **2 November**.

Financial planning for retirement

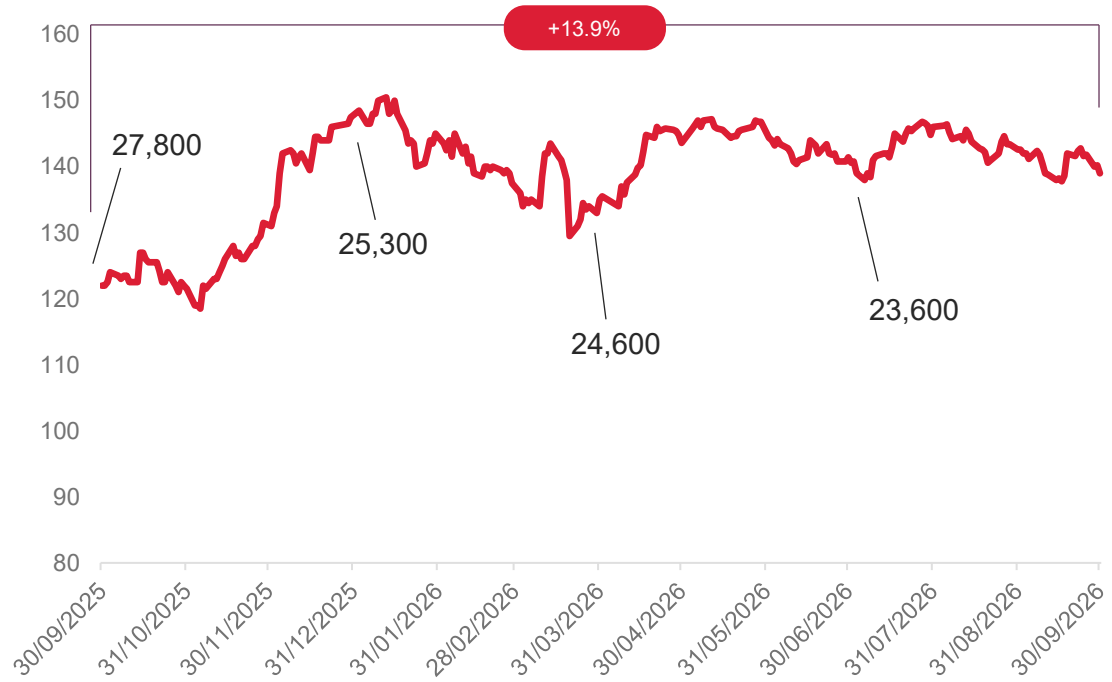
- A successful Financial Planning for Retirement seminar in September
- These seminars are one of the Bank's most popular financial education seminars

Strong shareholder engagement

Positive share price development and a diversified shareholder base

Íslandsbanki's share price development

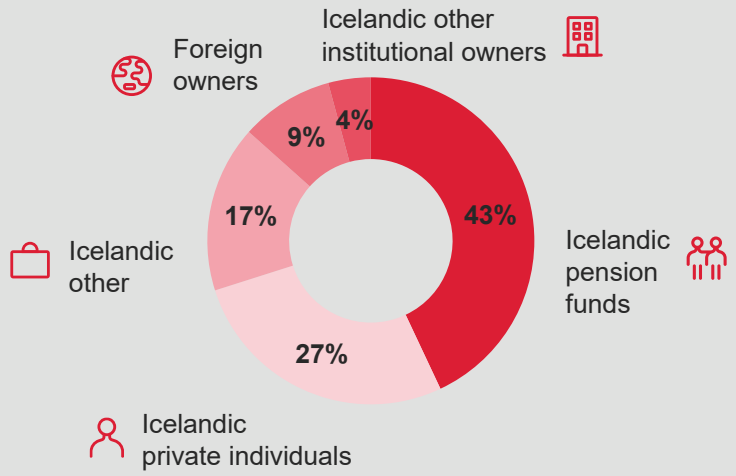
Price in ISK[1] and number of shareholders



22,961 shareholders[2]

5.63% own shares

- Diversified shareholder base
- Share buybacks continue under a new ISK 10bn authorisation from the Central Bank



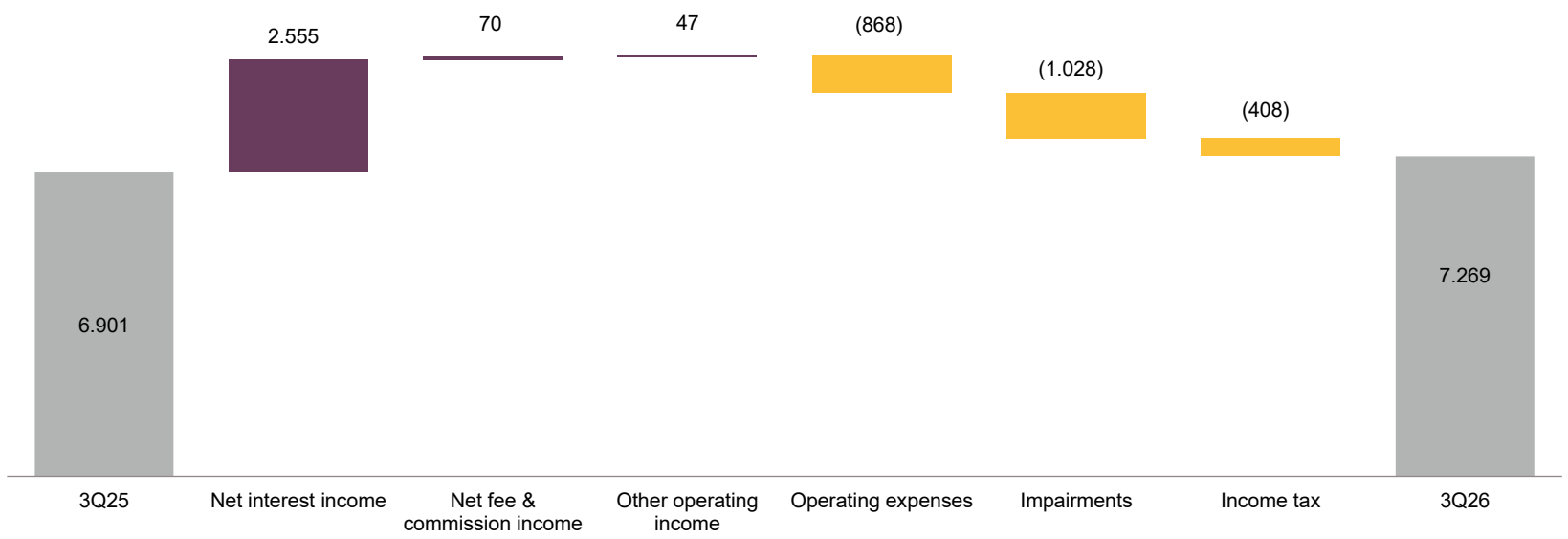
1. Source: Nasdaq Iceland.
2. At 30 September 2026.

Financial Overview

Increased profit between years due to higher inflation and interest rate environment

Higher net interest income offset by increased operating expenses and impairments

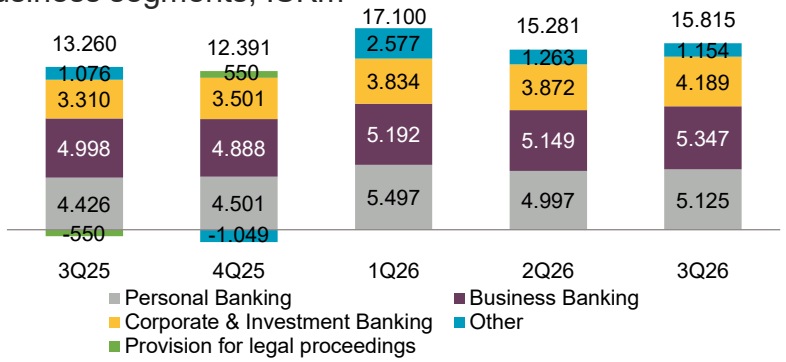
Profit for the period – 3Q25 vs 3Q26
ISKm



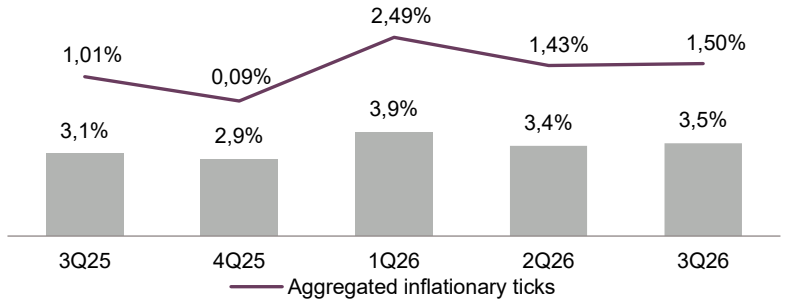
NIMs improving year-on-year along with higher inflationary ticks in the quarter

Growth in international lending and strong margin control provide additional NIM uplift year on year

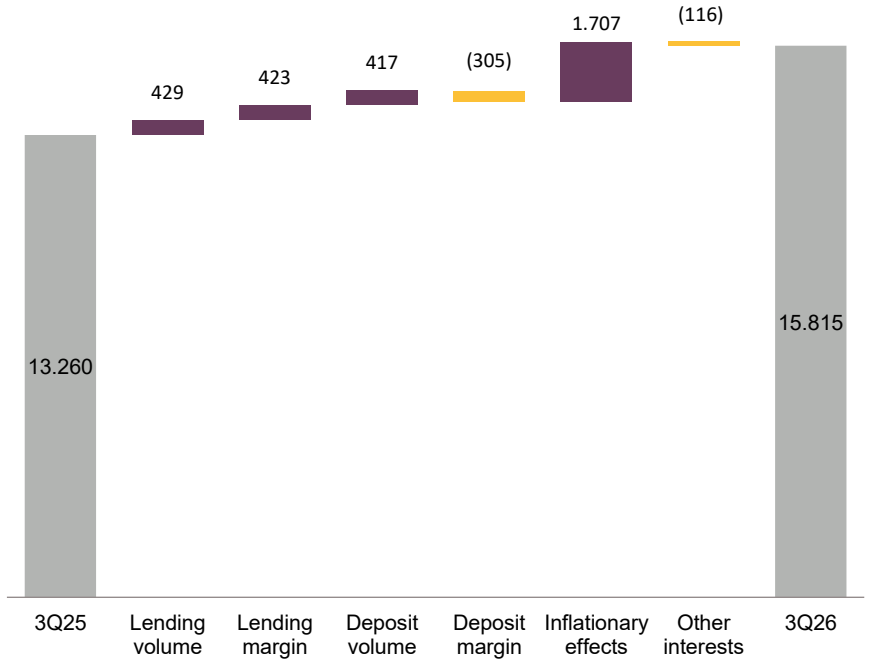
Net interest income
Business segments, ISKm



Net interest margin
On total assets



Net interest income - YoY comparison
ISKm



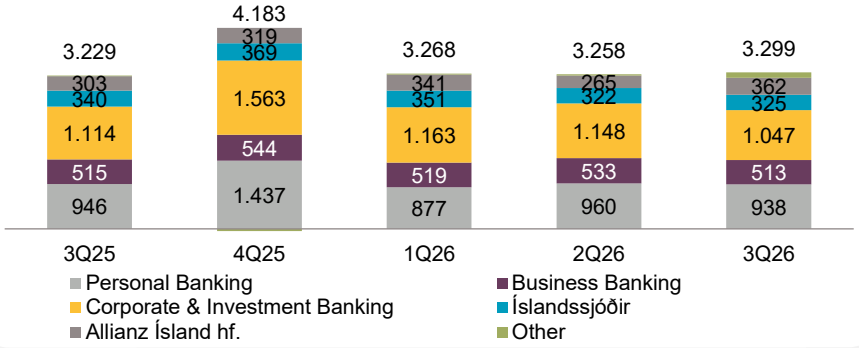
Highlights

- NII grew across all three business segments. Corporate & Investment Banking had the largest increase, ISK 879m YoY
- Net interest margin was 3.5% in 3Q26, up from 3.1% in 3Q25 and 3.4% in 2Q26
- Net interest income reached ISK 15,815m, up ISK 2,555m, or 19.3% YoY
- Aggregated inflationary ticks were 1.50% in 3Q26 versus 1.01% in 3Q25
- Aggregated inflationary ticks for 4Q26 expected to be 0.45%

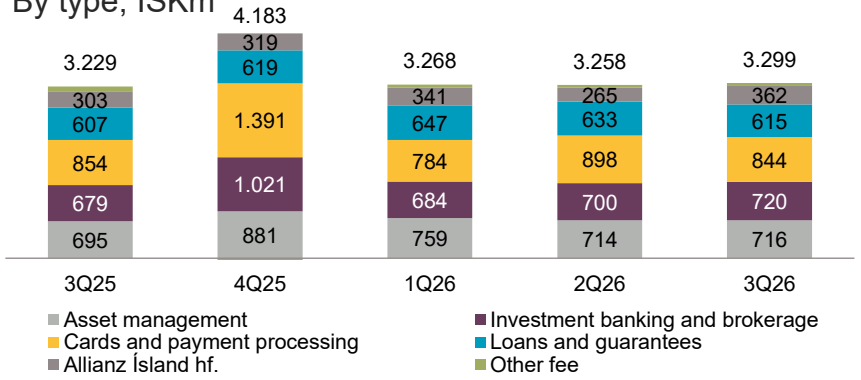
Net fee and commission income continues to be subdued

Volume on capital markets continues to subdue both investment banking and asset management revenues

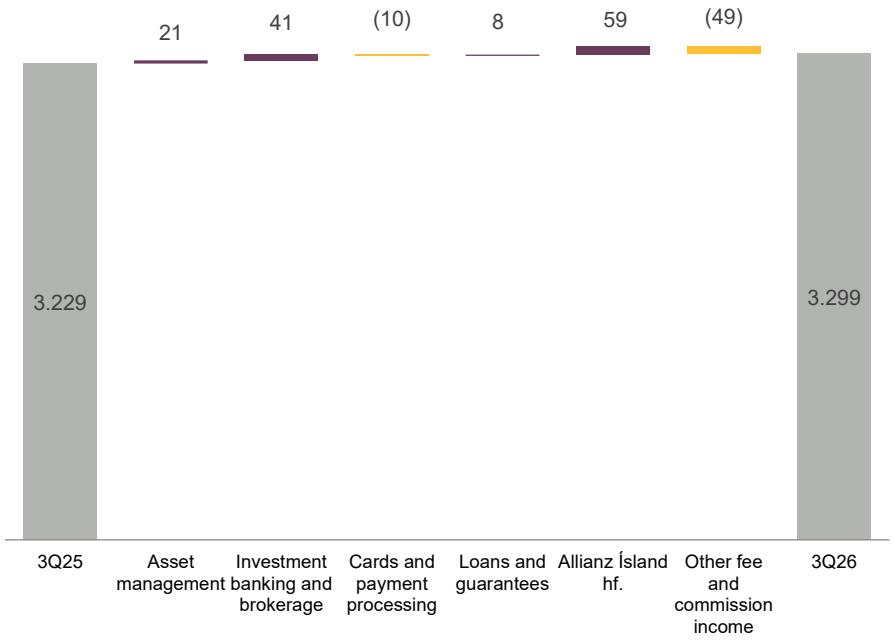
Net fee and commission income
Business segments, ISKm



Net fee and commission income
By type, ISKm



Net fee and commission income – YoY comparison
ISKm



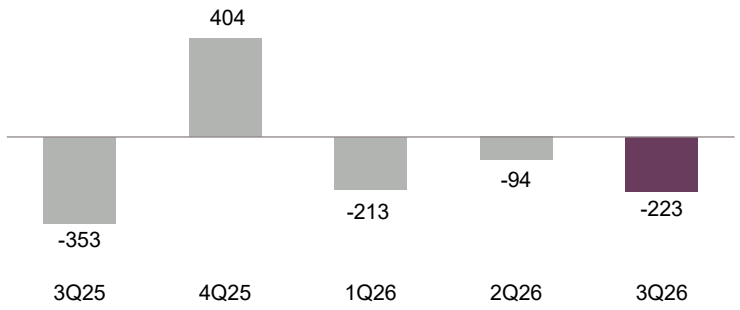
Highlights

- Net fee and commission income was ISK 3,299m in Q3, up 2.2% YoY
- Lending related fees continue to grow between years
- Equity trading volume declined 4.2% YoY, while bond trading volume was down 6.4% YoY
- Allianz delivered strong operating performance in the quarter, primarily driven by revenue growth

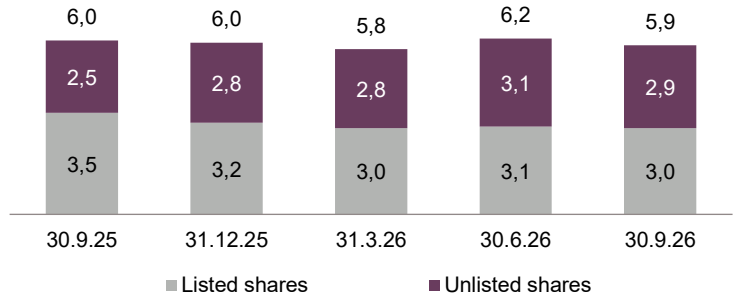
Market risk exposure continues to be a limited part of the Bank's operations

Loss on NFI mostly related to adverse market conditions

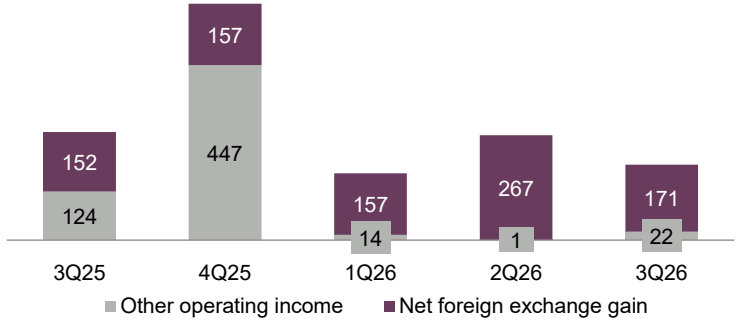
Net financial income (expense)
ISKm



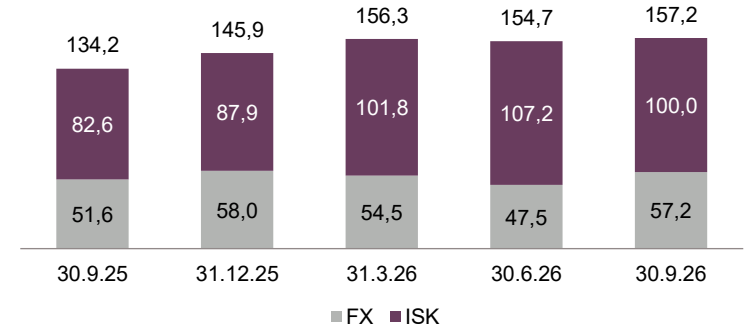
Shares and equity instruments[1]
ISKbn



Other operating income and net FX gain
ISKm



Bonds and debt instrumentsˆ2
ISKbn



Highlights

- Net financial expense was ISK 223m in Q3, compared with ISK 353m in 3Q25 and ISK 94m in 2Q26
- Net FX gains of ISK 171m and other operating income of ISK 22m
- Unlisted equity holdings include strategic assets related to the Bank's operations

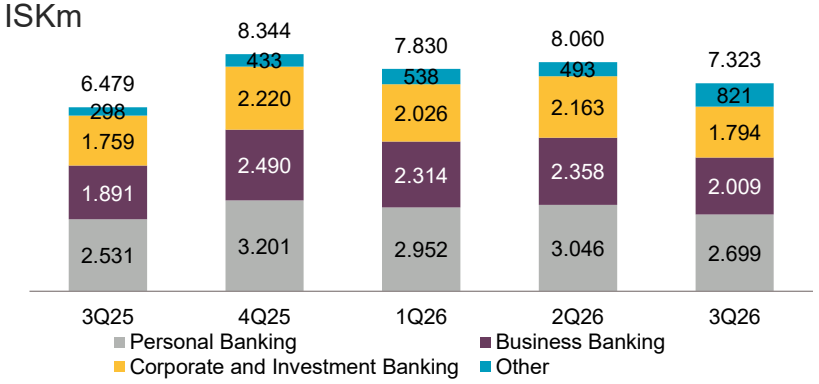
1. Excluding listed shares and equity instruments used for economic hedging.
2. Excluding listed bonds and debt instruments used for economic hedging.

Cost-to-income ratio remains well within target

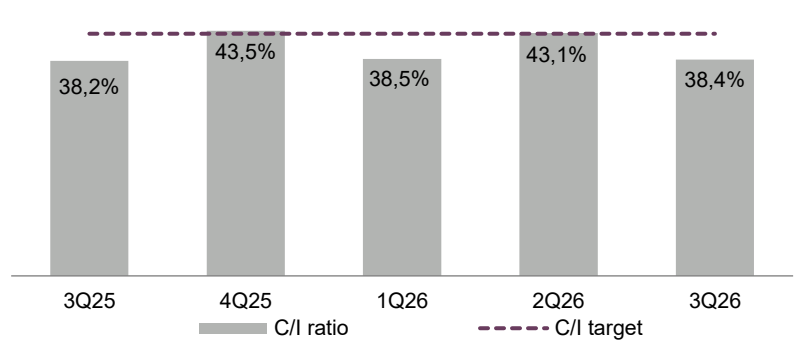
Introduction of variable compensation scheme impacts comparability between years

Administrative expenses

ISKm

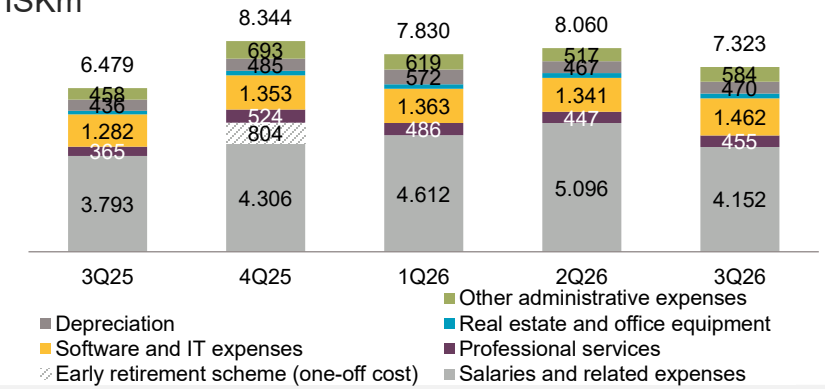


Cost-to-income ratio[1]



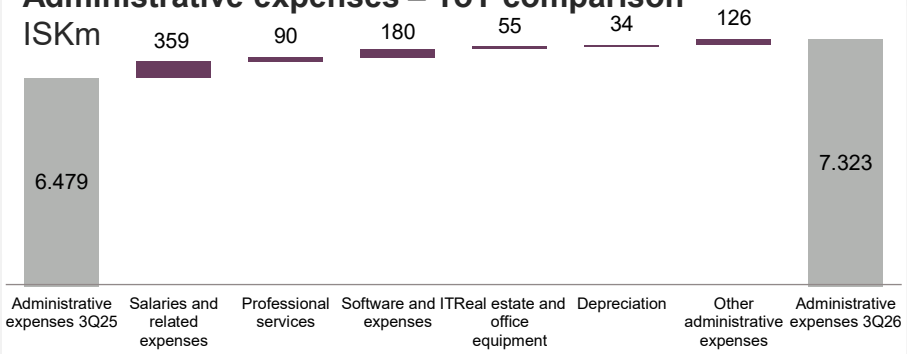
Administrative expenses – by type

ISKm



Administrative expenses – YoY comparison

ISKm



Highlights

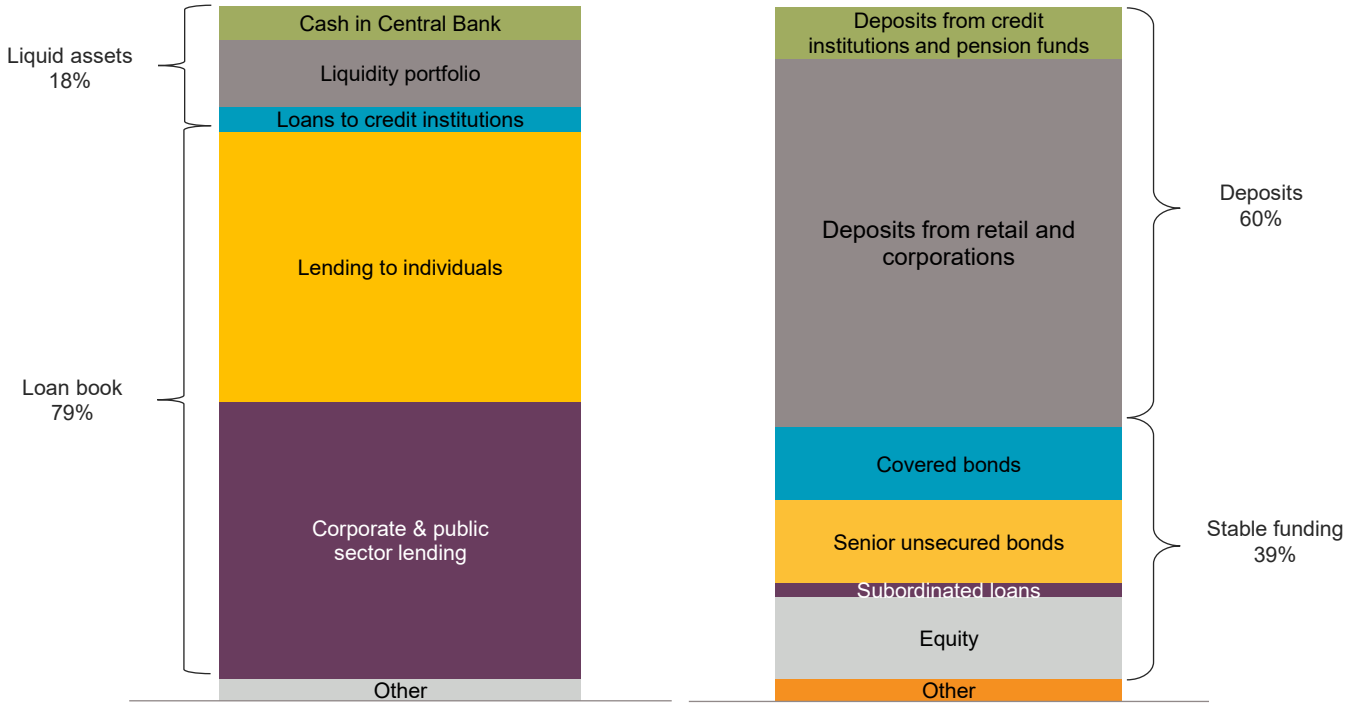
- Q3 administrative expenses rose by ISK 844m YoY to ISK 7,323m
- Salaries and related expenses increased 9.5% YoY in Q3 and 9.2% in 9M26, with both increases primarily reflecting costs related to the incentive scheme.
- Other operating expenses rose by ISK 485m YoY in Q3. Software and IT added ISK 180m and other administrative expenses ISK 126m
- Cost-to-income traditionally lower in the third quarter compared to other quarters due to accrual of holiday leaves and less corporate activity
- The cost-to-income ratio decreased to 39.9% for the first nine months of the year (9M25: 42.1%), reflecting income growth outpacing costs

1. C/I ratio for 4Q25 excludes salary expenses of ISK 804m due to early retirement of employees and an income of ISK 237m within net interest income (ISK 550m reversed from a charge in 3Q25 due to a provision for legal proceedings and a charge of ISK 313m due to correction from previous years). C/I ratio for 3Q25 excludes a charge of ISK 550m within net interest income due to a provision for legal proceedings.

Composition of balance sheet remains well-adjusted

All liquid assets marked to market

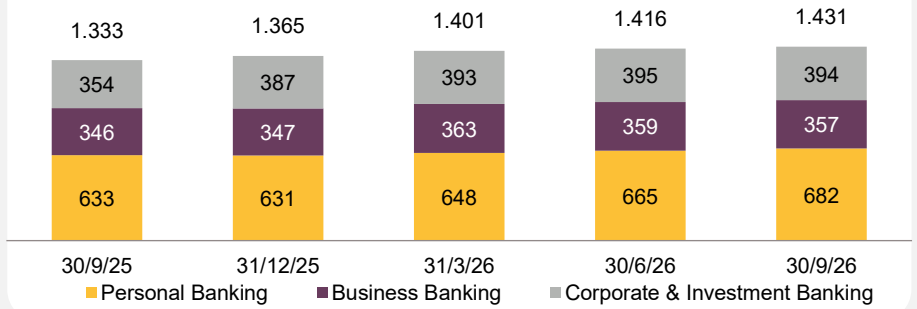
Simplified balance sheet structure
30.9.2026, ISK 1,819bn



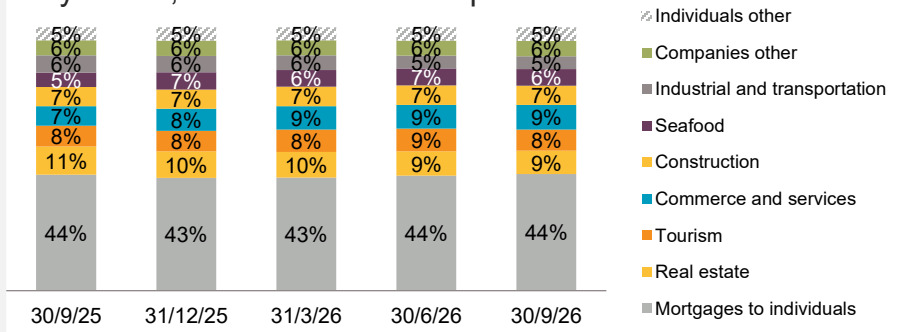
Loan book composition remains strong and diversified

Portfolio based on robust credit culture and very high collateralisation

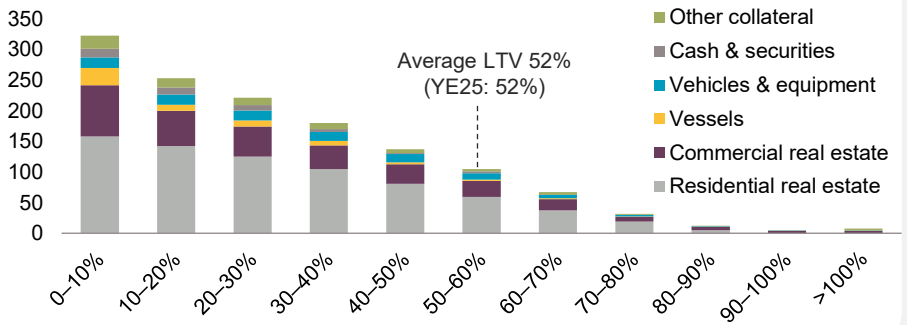
Loans to customers
By business division, ISKbn



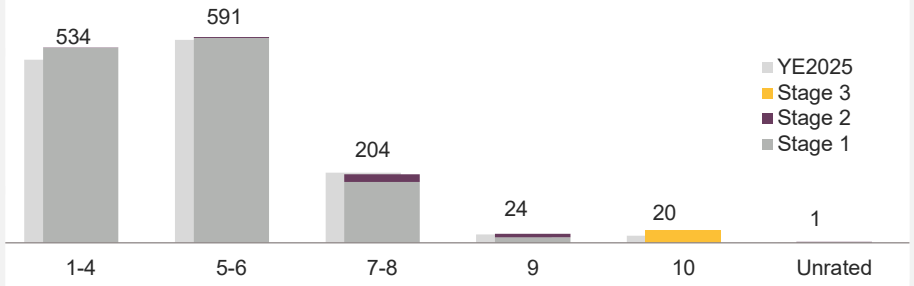
Loans to customers
By sector, with tourism as a separate sector



LTV distribution by underlying asset class
Loan splitting approach, ISKbn



Loans to customers: gross carrying amount[1]
Risk class and impairment stage, 30.09.2026, ISKbn



Highlights

- The composition of the loan portfolio remains broadly unchanged
- Around 93% of the loan book is covered by collateral - comparable to previous quarters
- Around 5% of loans to customers are to international parties (outside Iceland)
- The credit quality of the portfolio remains robust, supported by sound risk management and disciplined lending practices

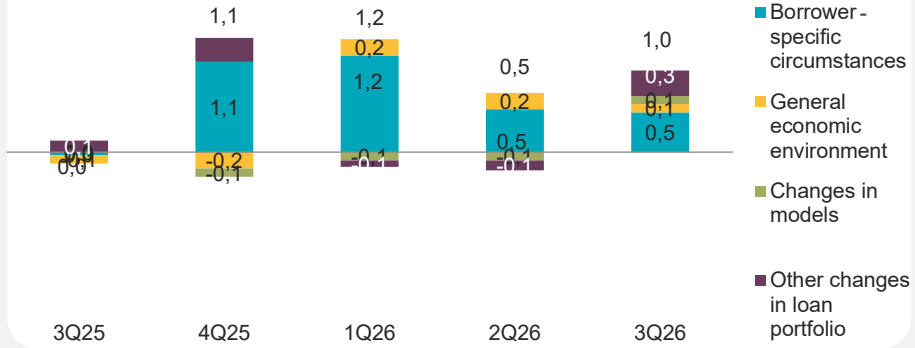
1. Risk class distribution at YE25 shown for comparison

Asset quality remains broadly high despite sector specific slowdown

The year-on-year increase in Stage 3 relates, among other things, to exposures in the construction sector

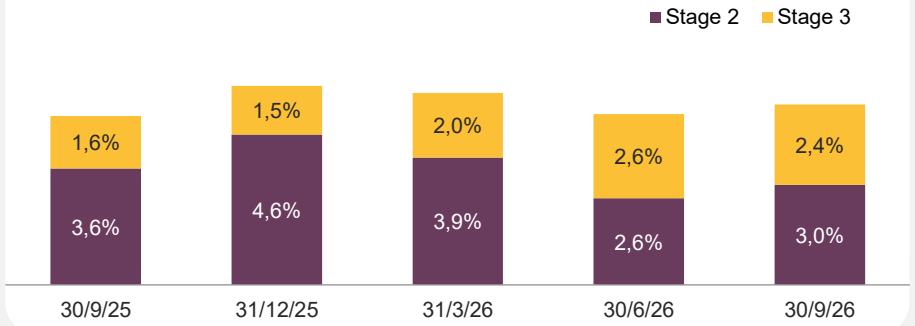
Net impairment on financial assets

By period, ISKbn



Loans to customers: Stage 2 and 3 (NPL)

Development of gross carrying amount as a ratio of total loans

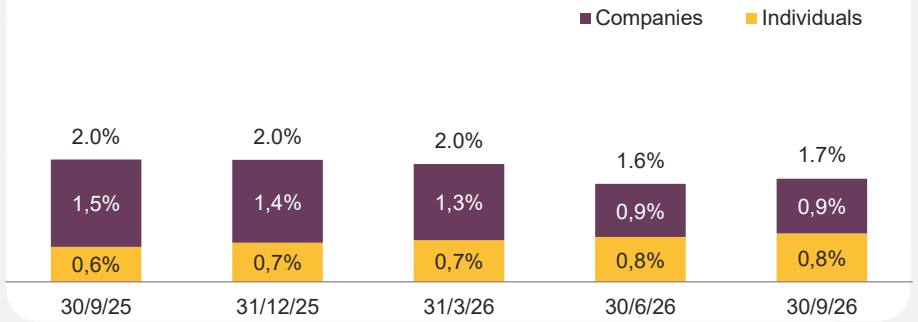


Current and expected cost-of-risk

- Annualised cost of risk was 29bps in 3Q26 (0bps for 3Q25) and 25bps for 9M26 (-4bps for 9M25)
- The probability weights of economic scenarios were kept unchanged at 20% (good), 50% (baseline), and 30% (bad) at the end of 3Q26. The weights were last changed at the end of 1Q22.
- A 5-percentage-point shift from baseline to the bad scenario would increase the impairment allowance by ISK 290 million while the same shift from the baseline to the good would decrease the allowance by ISK 120 million

Performing loans with forbearance

Development of gross carrying amount as a ratio of total loans



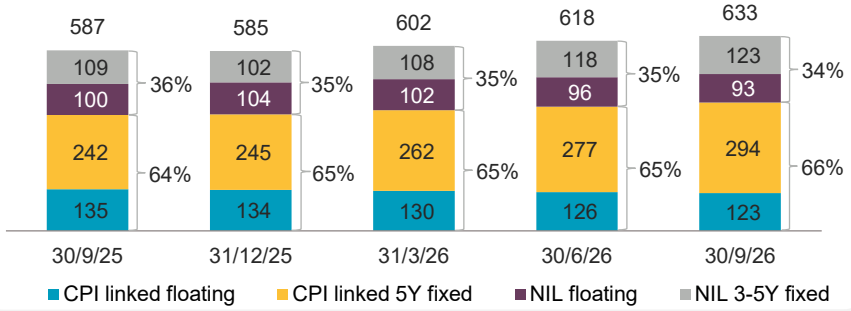
Highlights

- Changes in Stage 3 loans mainly reflect borrower-specific circumstances
- As new residential properties continue to take a long time to sell, loans to a few construction projects have been classified as Stage 2
- There are clear indications that the prolonged high-interest-rate and inflationary environment has started to have an impact
- The definition of forbearance includes a 24-month probation period. Therefore, loans are classified as forborne even after normal payments have resumed

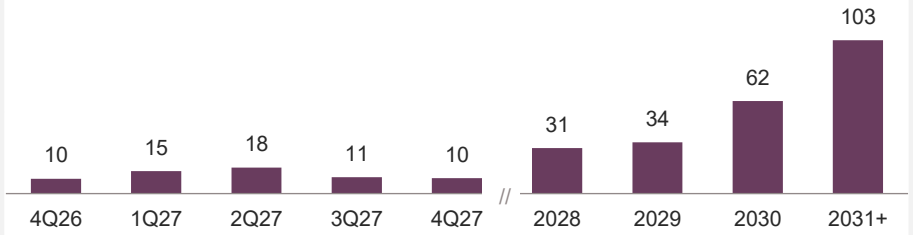
NPLs in the mortgage book remain low

Upside to be realised as CPI-linked fixed-rate imbalance is refinanced

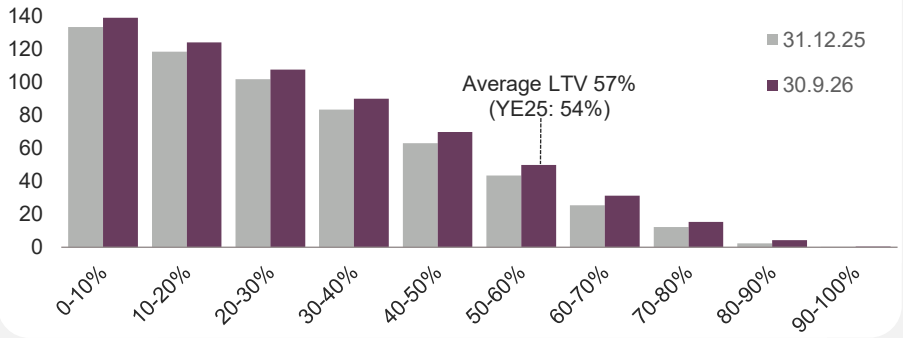
Mortgage portfolio
By interest rate type, gross carrying amount, ISKbn



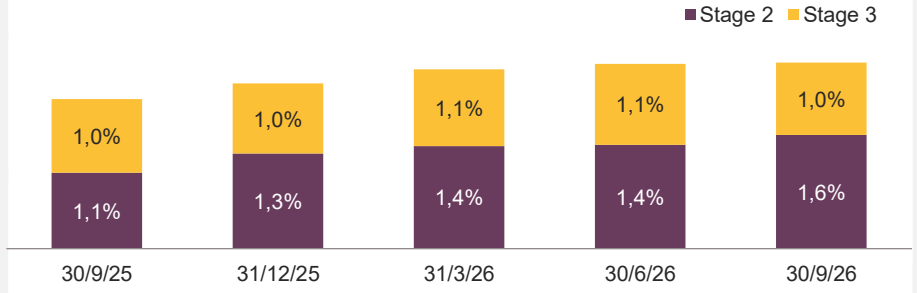
Interest rate reset profile for CPI fixed rate mortgages
Gross carrying amount, ISKbn



LTV distribution of mortgages
Gross carrying amount, loan splitting approach, ISKbn



Mortgage portfolio: Stage 2 and 3 (NPL)
Gross carrying amount as a ratio of total mortgages



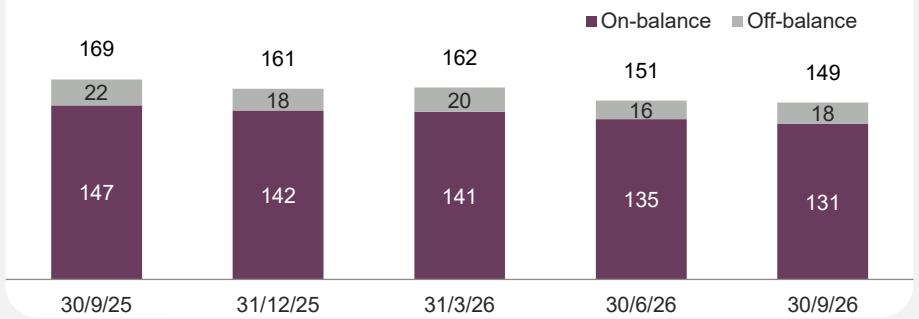
Highlights

- Mortgage portfolio growth is led by CPI-linked fixed-rate loans, with nominal fixed-rate loans also increasing
- At origination, LTV is capped at 80% (85% for first-time buyers) and debt service-to-income at 30% (35% for first-time buyers)
- Healthy LTVs in the mortgage book, with an average LTV of 57% (54% year-end 2025)
- NIL fixed-rate resets are effectively complete, with the focus shifting to upcoming interest rate resets on CPI fixed-rate mortgages

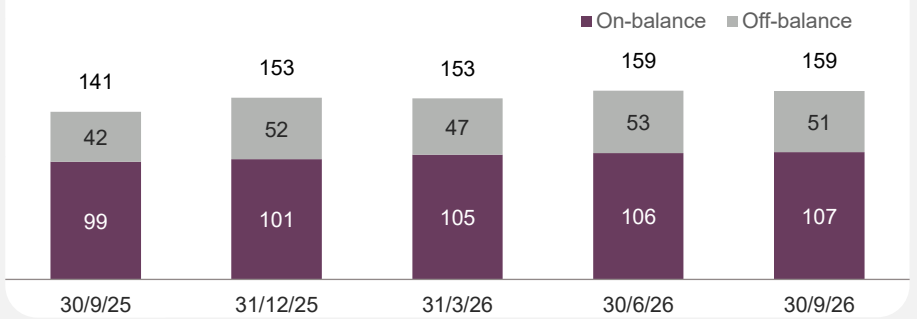
Despite slowdown in residential construction sector, LTVs remain low

New-build sales progressing across several projects

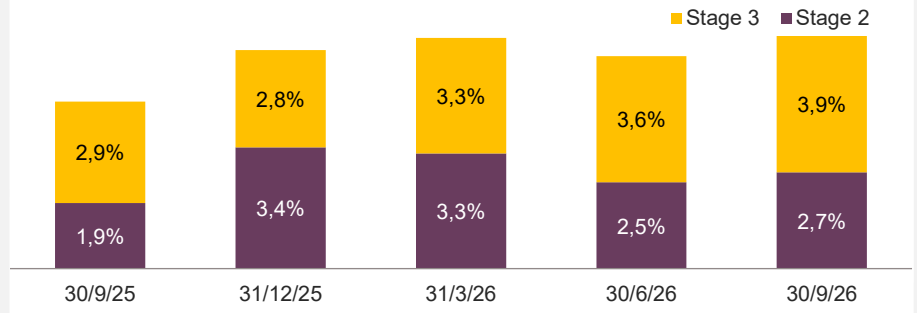
Development of exposure to real estate companies
On- and off-balance-sheet exposure, ISKbn



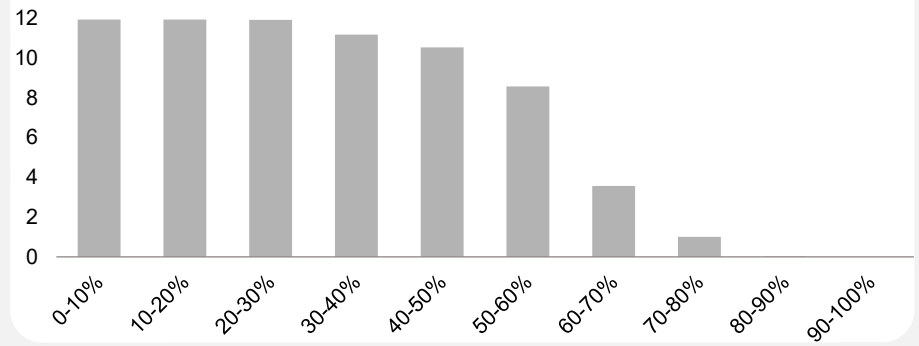
Development of construction exposure
On- and off-balance-sheet exposure, ISKbn



Real estate portfolio: Stage 2 and 3 (NPL)
Gross carrying amount as a ratio of the real estate portfolio



LTV of residential real estate construction loans[1]
Gross carrying amount, loan splitting approach, ISKbn



Highlights

- Loans to real estate companies and construction amount to 9% and 7% of loans to customers, respectively
- Disciplined origination with conservative LTV requirements and debt service criteria
- Real estate companies are naturally hedged, as both rental agreements and financing are long-term and primarily CPI-linked
- High occupancy ratio of the listed commercial real estate companies of around 95%
- Within the construction portfolio, Stage 2 accounts for 10% of gross carrying amount and Stage 3 for 11%.
- Over half of exposure in the construction sector is for residential real estate with low LTV compared to asking prices. Unit sales are progressing in several projects but slowly in others, and some completed units have been on the market for up to 21 months.

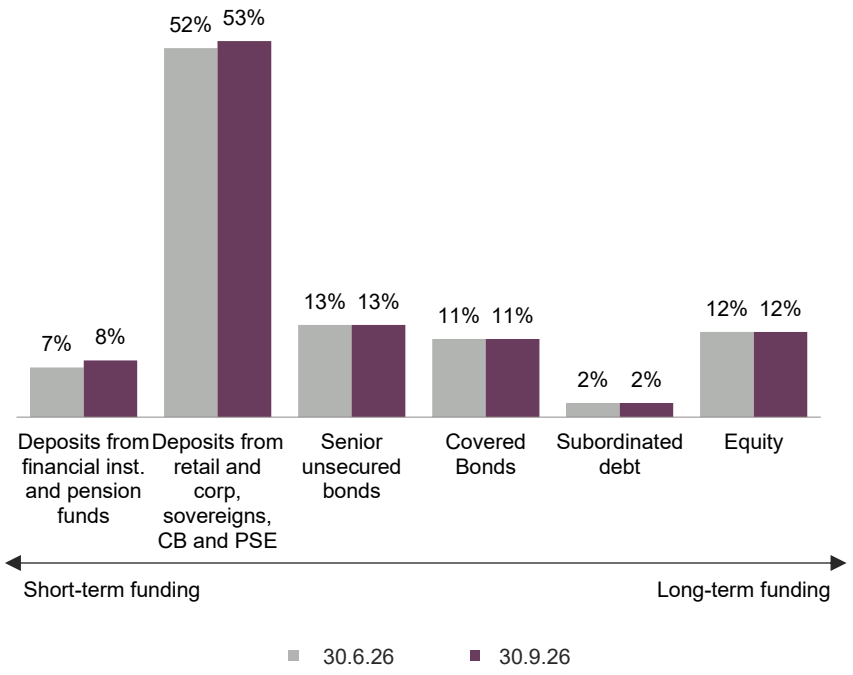
1. Loan splitting approach based on asking prices.

Deposit growth continues to outpace lending growth

Strong deposit position allows for a more flexible wholesale funding approach

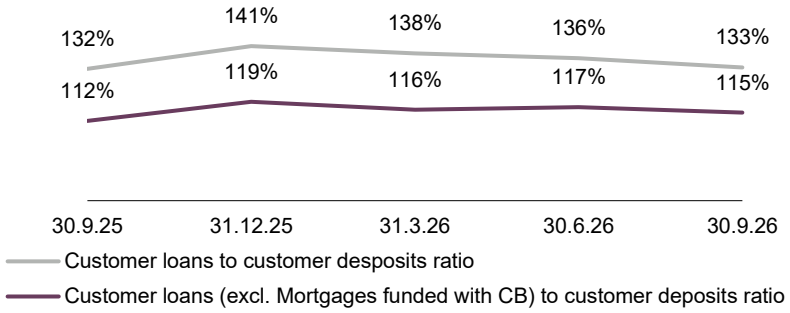
Funding sources

By type, % of total liabilities and equity



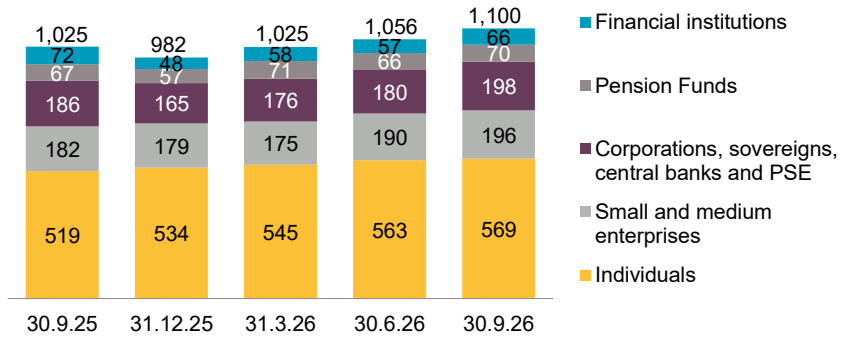
Customer loans to customer deposits ratio

Development, %



Deposits from customers and credit institutions

Development, by LCR category, ISKbn



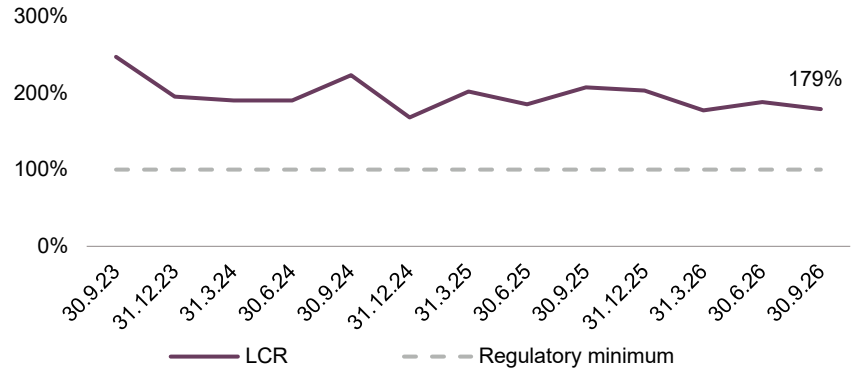
Highlights

- Overall deposit levels grew by 4% in 3Q26, mainly due to an increase in corporate deposits
- Continued growth in deposits by individuals, which grew by 1% in 3Q26 and 6.7% from end of last year
- Term deposits were 16% of total deposits at the end of 3Q26
- Year to date, deposits have grown by 11.3%, or by 15% on an annualised basis
- 66% of deposits held by individuals (and 42% of all deposits) are covered by the deposit guarantee scheme

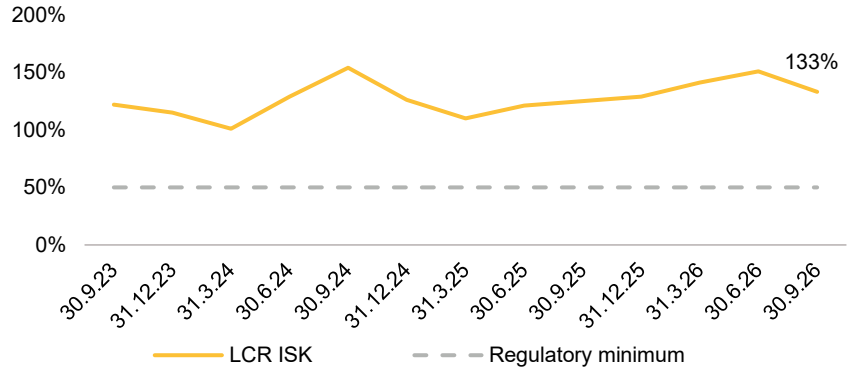
Strong liquidity position, ratios well above requirements

Liquid assets 18% of the total balance sheet and fully marked-to-market

Total liquidity coverage ratio (LCR)

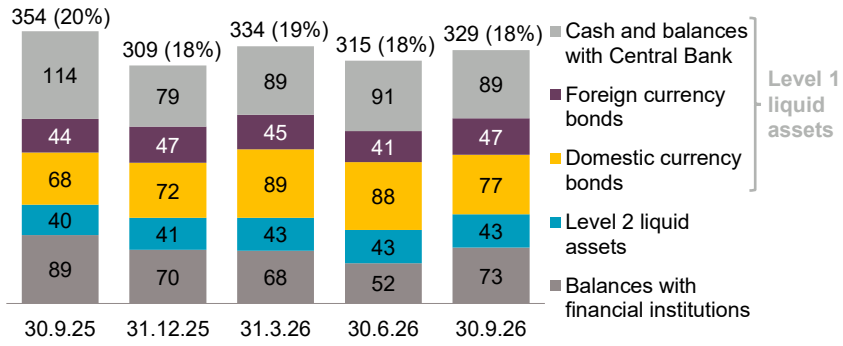


Liquidity coverage ratio for ISK

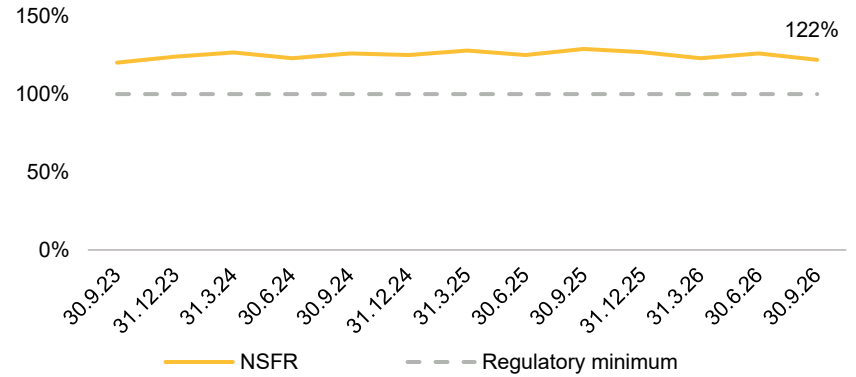


Liquid assets

% of total assets, ISKbn



Net stable funding ratio (NSFR)



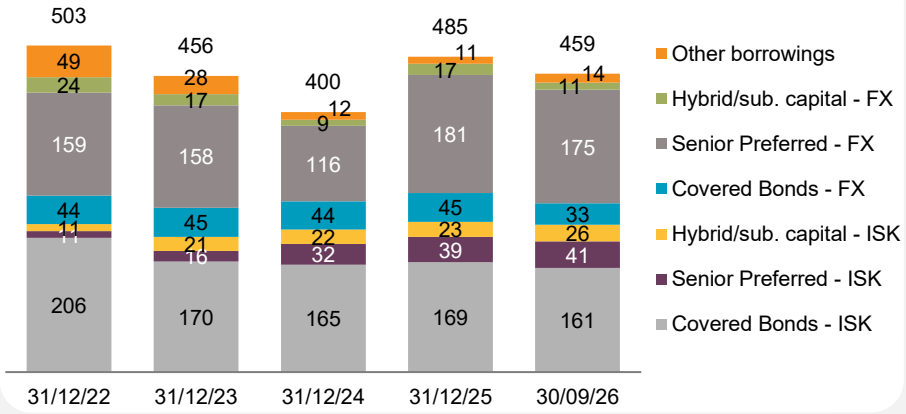
Highlights

- All liquidity measures well above regulatory requirements
- Total LCR at 179% and NSFR at 122% at end of 3Q26
- The Bank's EUR LCR at the end of 3Q26 was 478%
- The Bank's securities portfolios are all measured at fair value (FVTPL and FVOCI); there are therefore no unrealised losses on held-to-maturity (amortised cost) holdings

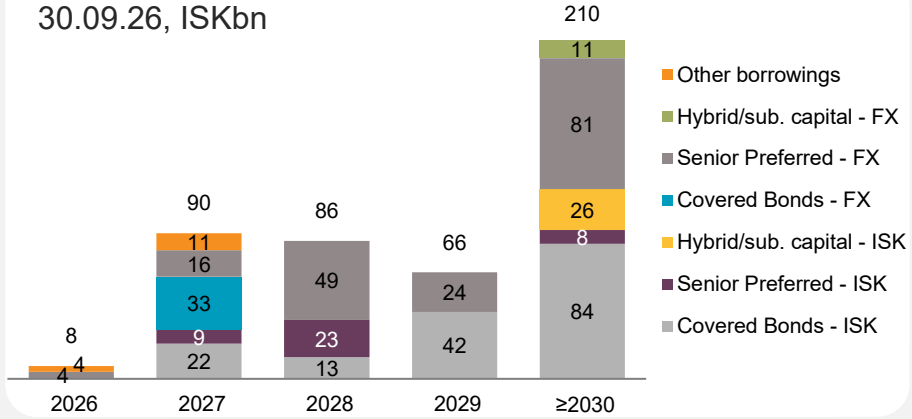
The Bank is fully MREL funded well into 2027

Good diversification of funding sources across products and maturities, as well as across investor types and locations

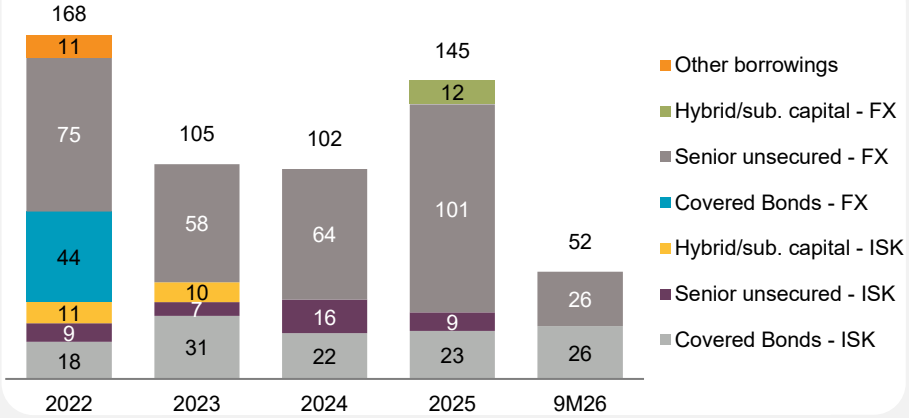
Sources of borrowings, ISKbn



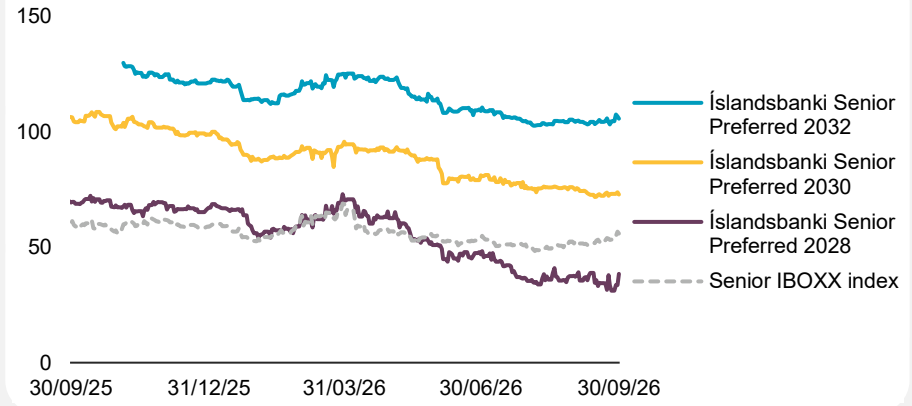
Contractual maturity profile of borrowings
30.09.26, ISKbn



Borrowings per year, ISKbn



Development of EUR funding spread, bps



Highlights

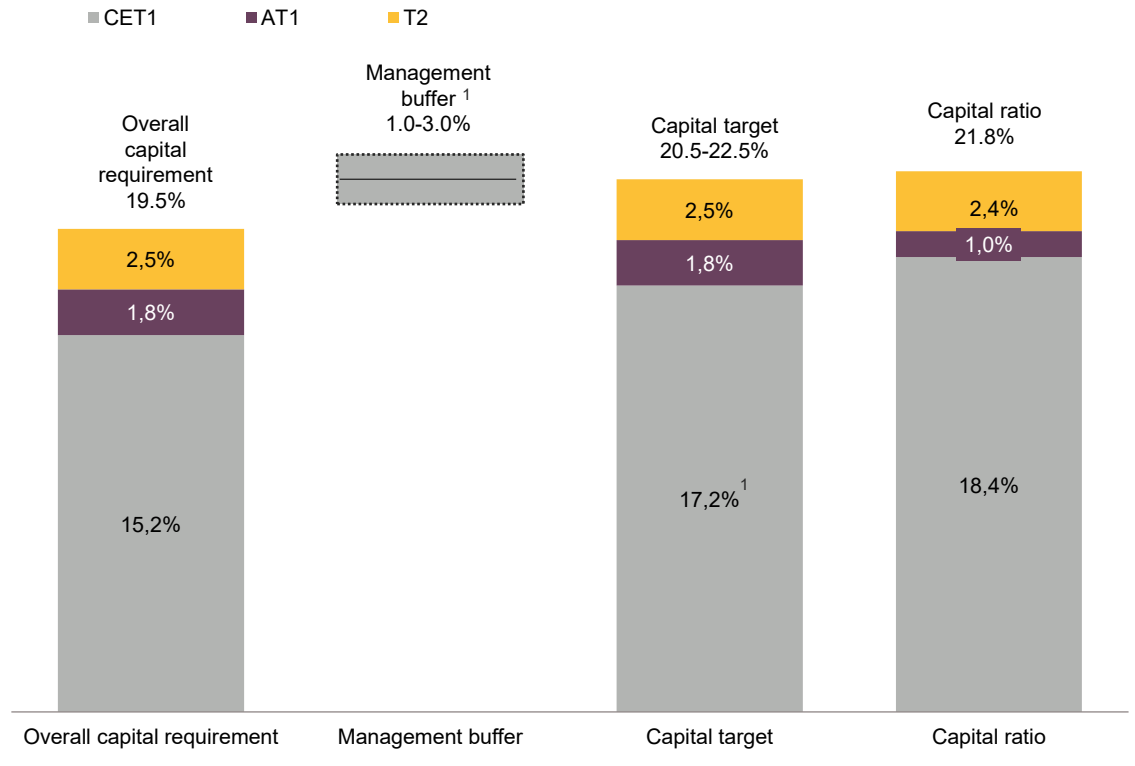
- The Bank's wholesale borrowing split remains evenly divided between ISK and foreign currencies
- Limited maturities for the remainder of 2026 allow the Bank to remain an adaptive issuer
- The Bank issued ISK 1.4bn 10NC5 Tier 2 notes in September
- In September, the Bank called the remaining SEK 388m of its SEK 750m AT1 notes at the first call date
- In March S&P affirmed the Bank's covered bond programme rating of A+ and revised the outlook from stable to positive
- In November 2025, Moody's Ratings affirmed Íslandsbanki's A2 long-term deposit and A3 long-term issuer ratings, with a stable outlook

Capital optimisation remains a focal point

Total distribution capacity (incl. unfinished buybacks) amounts to ISK 22.3bn

Current regulatory requirements and minimum capital target

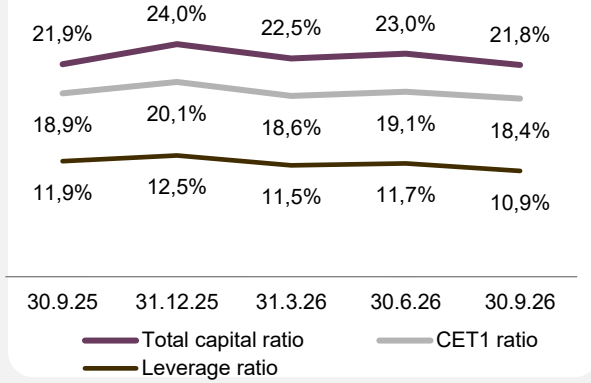
30.9.2026, by capital composition



[1]CET1 capital target set at mid-point of management buffer

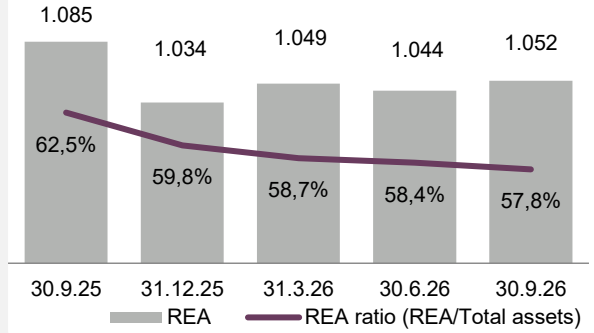
Capital and leverage ratios

% of REA (% of total exposure for leverage ratio)



REA and REA ratio

ISKbn and % of total assets

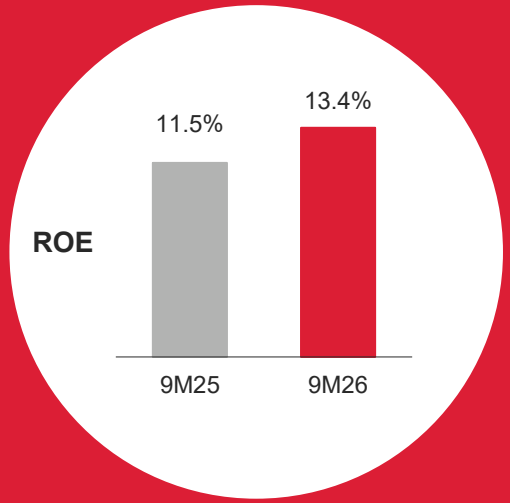


Highlights

- Following a favourable CRR 3 implementation year-end 2025, a further reduction of 2% of the Group's REA was realised following the Central Bank's adoption of a loan splitting approach for IPRE exposures
- SREP: As of 30 June 2026, the Bank must maintain an additional capital requirement of 1.8% of the REA, resulting in an overall capital requirement of 19.5% and capital target of 21.5%, assuming the midpoint of the management buffer
- Total distributions over the first nine months of the year amounted to ISK 31.5bn
- As of 30 September 2026, ISK 10bn have been allocated to share buybacks which are deducted from the CET1 capital but yet to be completed
- Total distribution and/or growth capacity (including uncompleted buybacks) assuming a fully optimised capital structure amounts to ISK 22.3bn, which will partly be used to service additional international loan growth
- The Bank remains committed in its efforts to optimise its capital structure through growth and distributions to shareholders

Emphasis on service enhancements

ROE tracking in excess of financial targets



Capital optimisation remains a focal point through a mixture of distributions and growth

Excess CET1 ISK 22.3bn

Q&A

Appendix I

About Íslandsbanki and additional financial information

This is Íslandsbanki

We empower our customers to be a force for good

Values

Progressive thinking | Collaboration | Professionalism

The Bank

717 **FTEs**: Number of FTEs at Íslandsbanki at period-end

12 branches

Listed on Nasdaq Iceland as of June 2021

Market share[1]

31.5% Retail customers

37% SMEs

Key figures 3Q26

ROE	13.6%
Cost-to-income ratio	38.4%
CET1 ratio	18.4%
Total capital ratio	21.8%
LCR Group, all currencies	179%
NSFR Group, all currencies	122%
Leverage ratio	10.9%
Total assets	**ISK 1,819bn**

Sustainability in 3Q26

Supporting customers' financial health through targeted education and guidance based on individual needs and life stages. During the quarter, the relevant customers were encouraged to review their pension savings and consider increasing their contributions

Íslandsbanki's sustainable assets amounted to ISK 184bn at end of 3Q26

Digital milestones in 3Q26

AI-generated spending summaries in the app. It analyses spending activity and benchmarks it against the customer's spending targets

Major improvements in digital solutions for businesses and homeowners' associations through the Bank's new online banking platform

Continued momentum in app-based securities offering

Ratings and certifications

Moody's A3 Stable outlook

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

ESG risk rating

Reitun A3 Exceptional

EQUALITY SCALE FKA 2026 AWARD

EQUAL PAY CERTIFICATE 2025 - 2028

1. For retail customers, based on the number of customers with active deposits as percentage of people with domicile in Iceland, for SMEs on average market share from Gallup's last four corporate surveys the most recent one carried out during 3Q26.

Financial overview

Key figures & ratios

		3Q26	2Q26	1Q26	4Q25	3Q25
PROFITABILITY	Profit for the period, ISKm	**7,269**	7,069	7,456	5,947	6,901
	Return on equity	**13.6%**	13.3%	13.6%	10.5%	12.2%
	Net interest margin (on total assets)	**3.5%**	3.4%	3.9%	2.9%	3.1%
	Cost-to-income ratio[1]	**38.4%**	43.1%	38.5%	43.5%	38.2%
	Cost of risk[2]	**0.29%**	0.13%	0.35%	0.32%	(0.00%)
		30.9.26	30.6.26	31.3.26	31.12.25	30.9.25
BALANCE SHEET	Loans to customers, ISKm	**1,431,038**	1,416,048	1,401,212	1,367,106	1,333,234
	Total assets, ISKm	**1,819,463**	1,788,385	1,786,697	1,728,147	1,734,056
	Risk exposure amount, ISKm	**1,051,874**	1,043,713	1,049,435	1,033,788	1,084,527
	Deposits from customers, ISKm	**1,078,259**	1,038,206	1,013,431	968,695	1,008,919
	Customer loans to customer deposits ratio	**133%**	136%	138%	141%	132%
	Non-performing loans (NPL) ratio[3]	**2.4%**	2.6%	2.0%	1.5%	1.6%
LIQUIDITY	Net stable funding ratio (NSFR), for all currencies	**122%**	126%	123%	127%	129%
	Liquidity coverage ratio (LCR), for all currencies	**179%**	188%	177%	203%	207%
CAPITAL	Total equity, ISKm	**215,393**	211,095	212,718	225,359	226,974
	CET 1 ratio[4]	**18.4%**	19.1%	18.6%	20.1%	18.9%
	Tier 1 ratio[4]	**19.4%**	20.7%	20.2%	21.7%	19.8%
	Total capital ratio[4]	**21.8%**	23.0%	22.5%	24.0%	21.9%
	Leverage ratio[4]	**10.9%**	11.7%	11.5%	12.5%	11.9%
	MREL ratio[5]	**40.4%**	43.9%	40.3%	44.0%	36.8%

1. C/I ratio for 4Q25 excludes salary expenses of ISK 804m due to early retirement of employees and an income of ISK 237m within net interest income (ISK 550m reversed from charge in 3Q25 due to provision for legal proceedings and a charge of ISK 313m due to correction from previous year). C/I ratio for 3Q25 excludes a charge of 550m within net interest income due to a provision for legal proceedings. 2 Negative cost of risk means that there is a net release of impairments. 3. Stage 3 loans to customers, gross carrying amount. 4. Including 3Q26 profit for 30.9.26, 1Q26 profit for 31.3.26 and 3Q25 profit for 30.9.25. 5. MREL ratio includes the CET1 capital held to meet the combined buffer requirement.

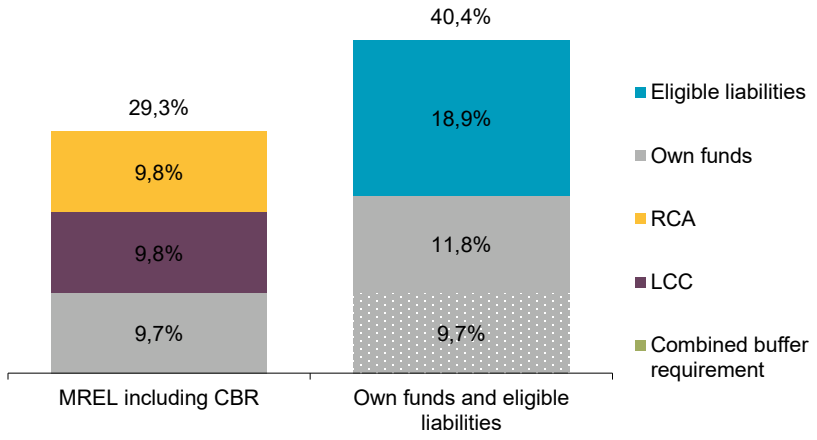
Income statement

Income statement, ISKm	3Q26	3Q25	Δ%	9M26	9M25	Δ%
Net interest income	**15,815**	13,260	19%	**48,196**	40,080	20%
Net fee and commission income	**3,299**	3,229	2%	**9,825**	9,916	(1%)
Net financial income (expense)	**(223)**	(353)	(37%)	**(530)**	(1,326)	(60%)
Net foreign exchange gain	**171**	152	13%	**595**	270	120%
Other operating income	**22**	124	(82%)	**37**	718	(95%)
Total operating income	**19,084**	16,412	16%	**58,123**	49,658	17%
Salaries and related expenses	**(4,152)**	(3,793)	9%	**(13,860)**	(12,694)	9%
Other operating expenses	**(3,171)**	(2,686)	18%	**(9,353)**	(8,442)	11%
Administrative expenses	**(7,323)**	(6,479)	13%	**(23,213)**	(21,136)	10%
Bank tax	**(573)**	(549)	4%	**(1,667)**	(1,562)	7%
Total operating expenses	**(7,896)**	(7,028)	12%	**(24,880)**	(22,698)	10%
Profit before net impairment on financial assets	**11,188**	9,384	19%	**33,243**	26,960	23%
Net impairment on financial assets	**(1,021)**	7	-	**(2,694)**	406	-
Profit before tax	**10,167**	9,391	8%	**30,549**	27,366	12%
Income tax expense	**(2,898)**	(2,490)	16%	**(8,755)**	(8,064)	9%
Profit for the period	**7,269**	6,901	5%	**21,794**	19,302	13%
Key ratios						
Net Interest Margin (NIM)	**3.5%**	3.1%		**3.6%**	3.2%	
Cost-to-income ratio (C/I)	**38.4%**	38.2%		**39.9%**	42.1%	
Return on Equity (ROE)	**13.6%**	12.2%		**13.4%**	11.5%	
Cost of risk (COR)	**0.29%**	(0.00%)		**0.25%**	(0.04%)	

Íslandsbanki's MREL requirement

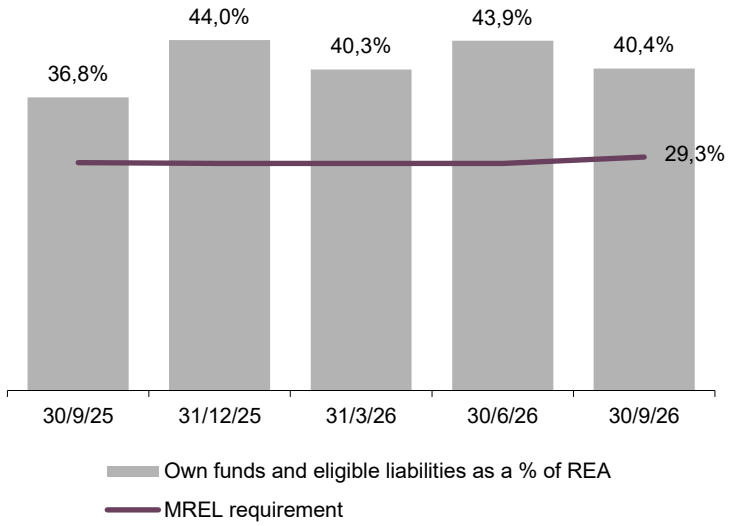
A resolution plan for the Bank is expected to be approved in early November

Minimum Requirement for Own Funds and Eligible Liabilities (MREL), 30.9.2026



MREL = LAA + RCA =2x(P1+P2)

MREL Development, %



- The Icelandic Resolution Authority approves annually a resolution plan for the Bank. The Resolution plan stipulates that the MREL requirement for Íslandsbanki is the sum of the Loss absorption amount (LAA) and Recapitalisation amount (RCA), both equal to the total SREP capital requirement in force at the date of approval (9.8%) which is expected in November 2026, resulting in an MREL requirement of 19.6% of REA.
- CET1 capital that is maintained to meet the combined buffer requirement cannot be used to fulfil MREL, therefore the effective requirement can be monitored as 29.3%

Assets

Asset base mainly consists of loans and liquid assets

Assets, ISKm	30.9.26	30.6.26	Δ	Δ%	31.12.25	Δ	Δ%
Cash and balances with Central Bank	**88,676**	91,559	(2,883)	(3%)	80,394	8,282	10%
Loans to credit institutions	**78,121**	65,288	12,833	20%	80,009	(1,888)	(2%)
Bonds and debt instruments	**172,452**	166,740	5,712	3%	151,959	20,493	13%
Derivatives	**2,662**	4,047	(1,385)	(34%)	5,304	(2,642)	(50%)
Loans to customers	**1,431,038**	1,416,048	14,990	1%	1,367,106	63,932	5%
Shares and equity instruments	**11,755**	12,770	(1,015)	(8%)	20,517	(8,762)	(43%)
Other assets	**34,759**	31,933	2,826	9%	22,858	11,901	52%
Total Assets	**1,819,463**	1,788,385	31,078	2%	1,728,147	91,316	5%
Key ratios							
Risk Exposure Amount (REA)	**1,051,874**	1,043,713	8,161	1%	1,033,788	18,086	2%
REA / total assets	**57.8%**	58.4%			59.8%		
Non-performing loans (NPL) ratio[1]	**2.4%**	2.6%			1.5%		

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

Liabilities and equity

Deposits continue to be the largest source of funding

Liabilities & Equity, ISKm	30.9.26	30.6.26	Δ	Δ%	31.12.25	Δ	Δ%
Deposits from Central Bank and credit institutions	**21,429**	17,664	3,765	21%	13,250	8,179	62%
Deposits from customers	**1,078,259**	1,038,206	40,053	4%	968,695	109,564	11%
Derivative instruments and short positions	**8,181**	2,691	5,490	204%	6,183	1,998	32%
Debt issued and other borrowed funds	**423,013**	440,206	(17,193)	(4%)	444,593	(21,580)	(5%)
Subordinated loans	**36,459**	40,874	(4,415)	(11%)	40,315	(3,856)	(10%)
Tax liabilities	**14,868**	13,440	1,428	11%	12,757	2,111	17%
Other liabilities	**21,861**	24,209	(2,348)	(10%)	16,995	4,866	29%
Total Liabilities	**1,604,070**	1,577,290	26,780	2%	1,502,788	101,282	7%
Total Equity	**215,393**	211,095	4,298	2%	225,359	(9,966)	(4%)
Total Liabilities and Equity	**1,819,463**	1,788,385	31,078	2%	1,728,147	91,316	5%

Key ratios					
Customer loans to customer deposits ratio	**133%**	136%			141%
Net stable funding ratio (NSFR)	**122%**	126%			127%
Liquidity coverage ratio (LCR)	**179%**	188%			203%
CET 1 ratio	**18.4%**	19.1%			20.1%
Tier 1 capital ratio	**19.4%**	20.7%			21.7%
Total capital ratio	**21.8%**	23.0%			24.0%
Leverage ratio	**10.9%**	11.7%			12.5%
MREL ratio	**40.4%**	43.9%			44.0%

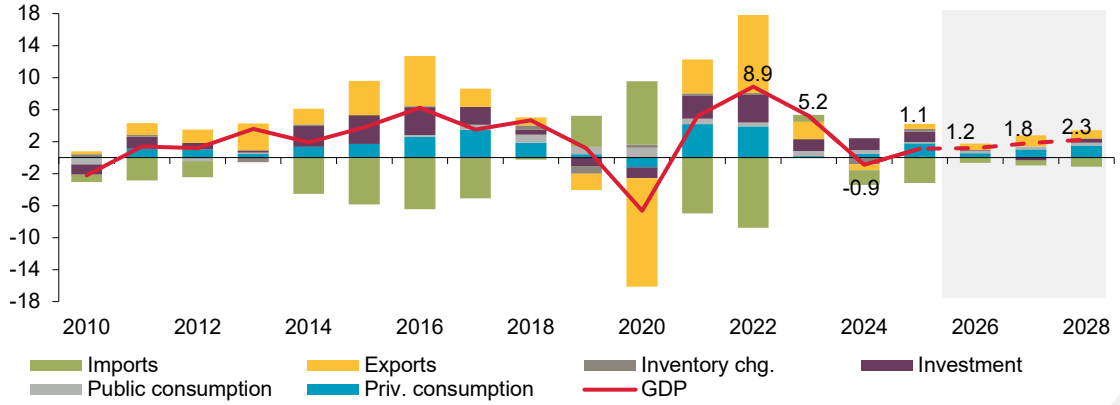
Appendix II

Icelandic economy update

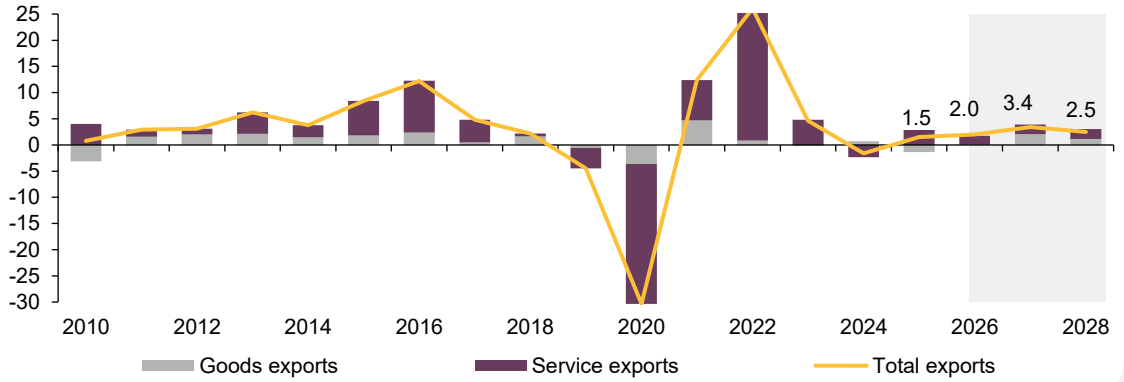
GDP growth gradually regains steam after a mild recession

Persistent inflation forces the Central Bank to hold rates high for longer

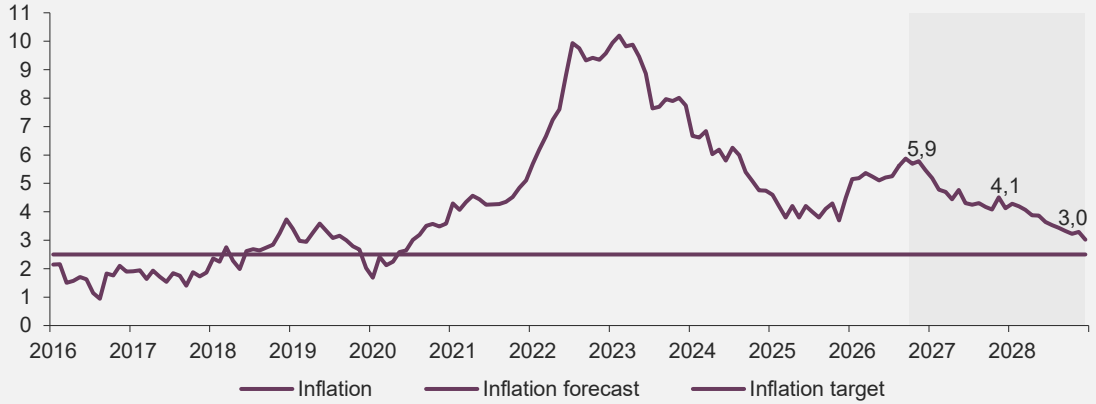
Economic growth to accelerate in coming years…
Real GDP and main subitems, YoY change, %



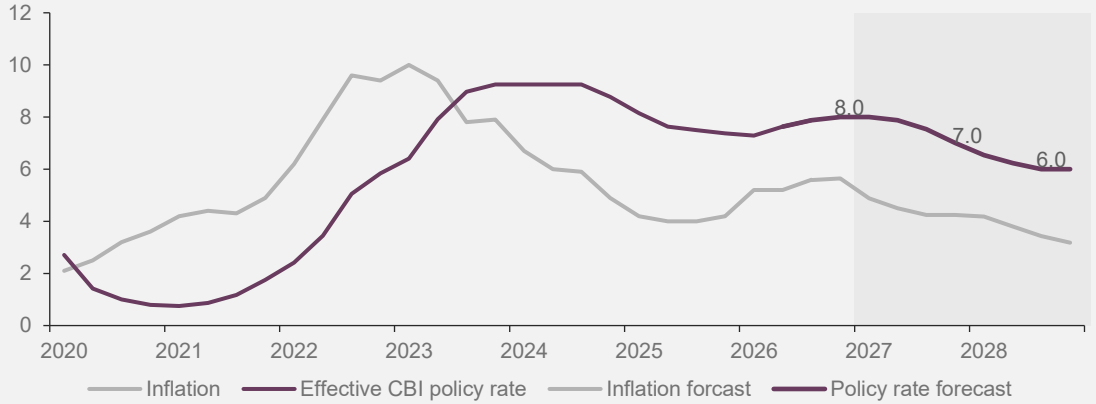
...as exports return to more robust growth from 2026 after a soft patch
Exports and contribution from subcomponents, % change



Inflation has proven persistent but looks likely to decline in coming years..
Inflation, %



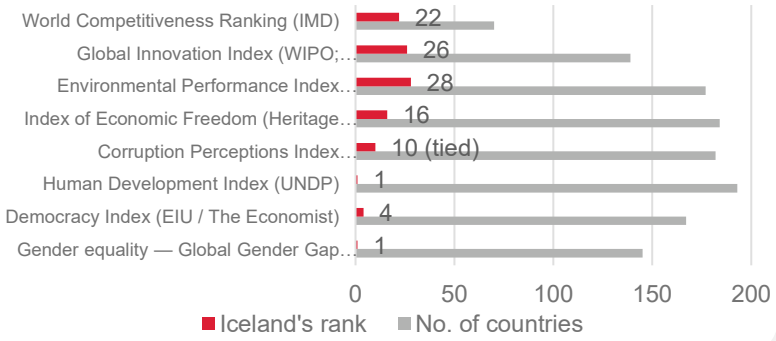
…facilitating gradual policy rate cuts from spring 2027 onwards
CBI policy rate and real policy rate, %



The Icelandic economy and society draw on many strengths

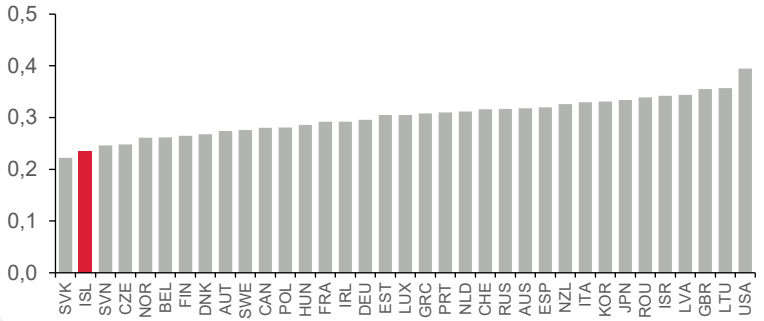
Icelanders enjoy high standards of living in a modern, open and egalitarian society

Iceland ranks highly on a variety of global development benchmarks



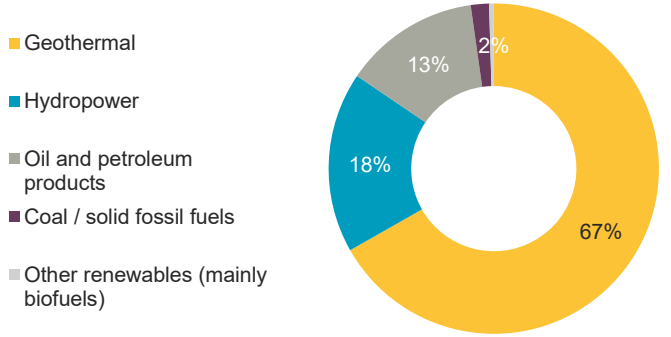
Income inequality is low compared to OECD peers

Gini coefficient, OECD, most recent data available



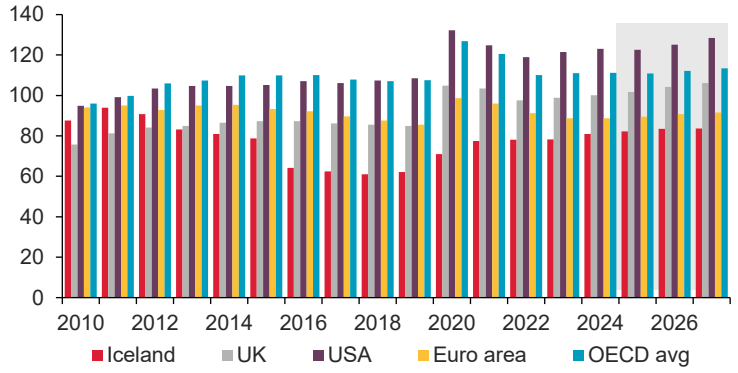
Sustainable energy usage is prevalent

Energy consumption by source, 2024



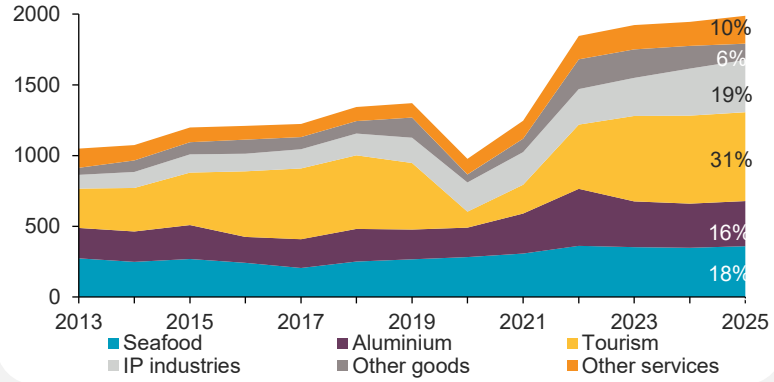
Public debt remains sustainable after pandemic

General govt. gross financial liabilities, % of GDP



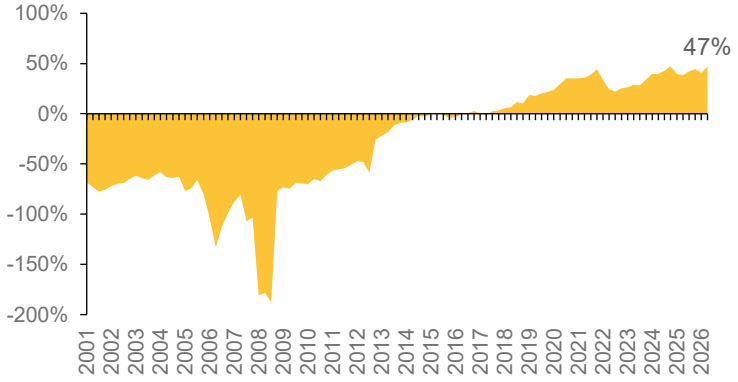
Export base has grown more diverse over time

Export contribution by industry



Net international investment position has changed

% of GDP



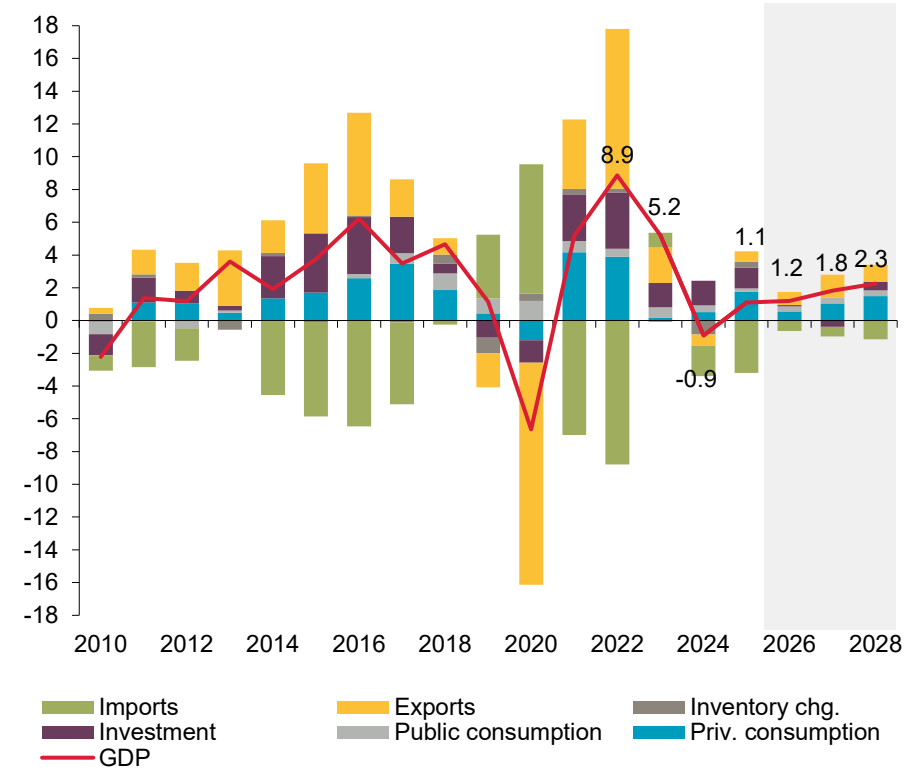
Shaded area denotes OECD forecast

Source: Statistics Iceland, Central Bank of Iceland, OECD, IMF, WEF, IEP, The Economist, UN, Transparency Int., HF, Yale, IMD, INSEAD

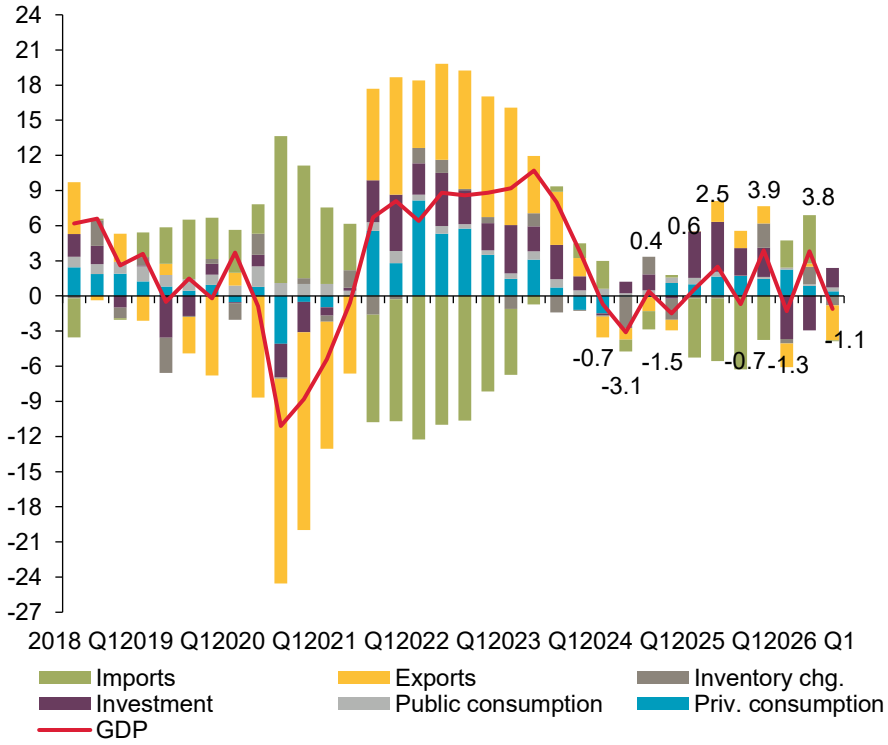
Economic growth to accelerate in coming years

Temporary sluggishness caused mainly by a brief setback in exports and a high real interest rate

GDP and contribution of its subcomponents
Volume change from prior year (%), annual data



GDP and contribution of its subcomponents
Volume change from prior year (%), quarterly data



Highlights

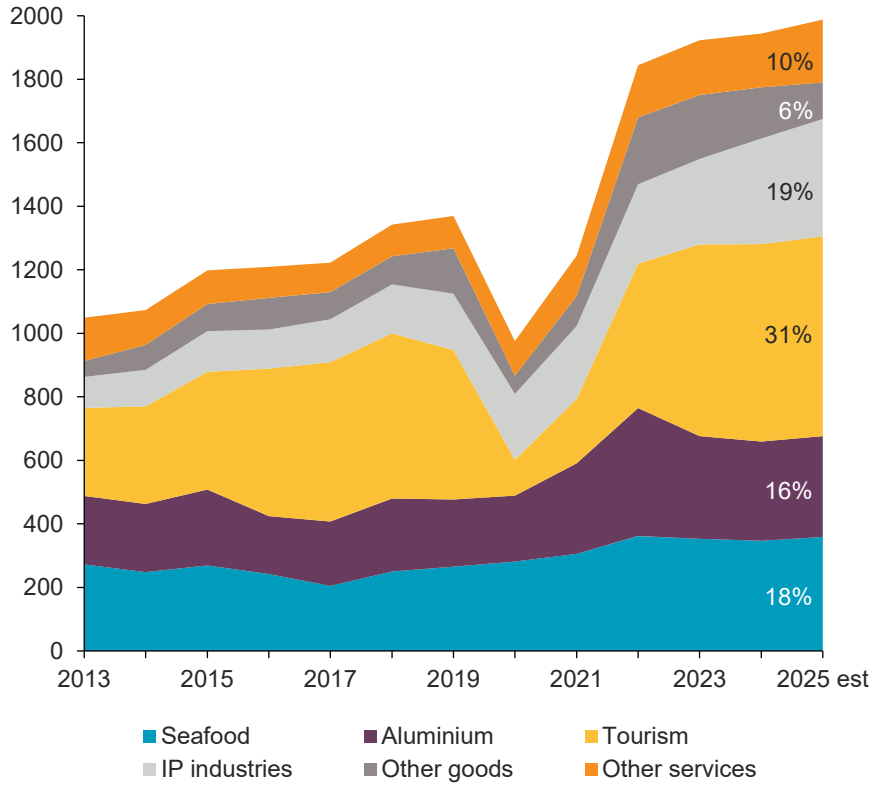
- GDP rebounded from a 0.9% contraction in 2024 to 1.1% growth in 2025, supported by consumption and investment.
- Growth is forecast at 1.2% in 2026, with modest consumption growth and virtually unchanged investment.
- Net trade should support 2026 growth, with exports rising by 2.0% and imports 1.5%, reversing 2025's drag.
- Growth should strengthen to 1.8% in 2027 and 2.3% in 2028, despite contracting business investment in 2027. Consumption and residential investment strengthen in 2028.
- Global trade uncertainty, commodity prices and wars pose risks; favourable developments could support Icelandic exports and domestic demand.
- Labour market developments, Reykjanes seismic activity and housing vulnerabilities create domestic uncertainty.
- AI-driven productivity and intellectual-property activity could deliver stronger sustainable medium-term growth than forecast.

Shaded areas and dotted lines denote ÍSB Research forecasts
Sources: Statistics Iceland, ÍSB Research

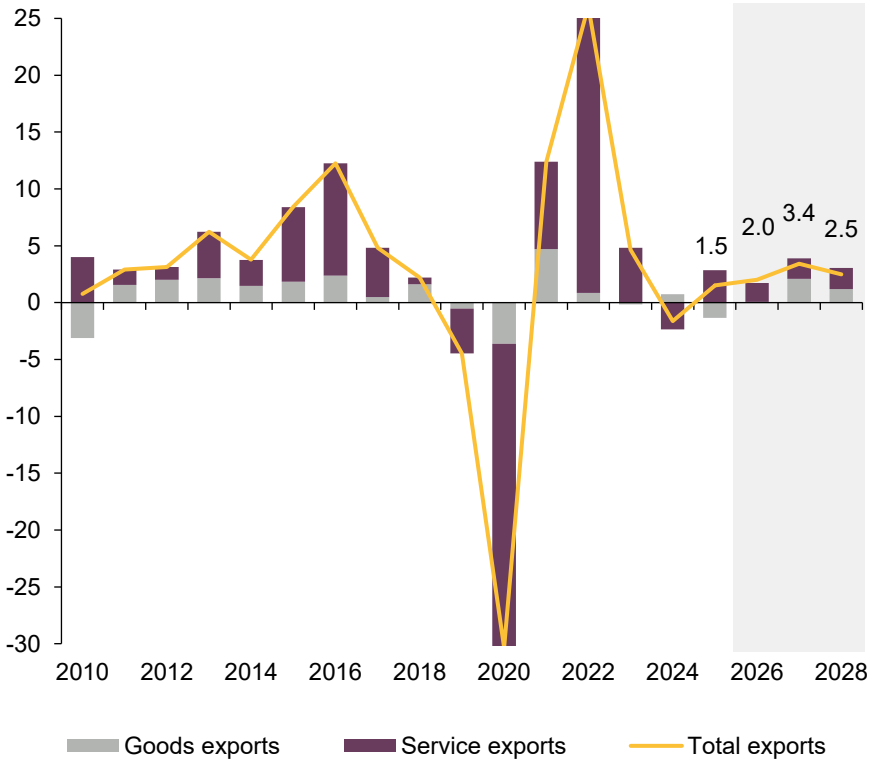
Traditional pillars of exports grow slowly, new sectors blossom

Intellectual property and aquaculture take the lead in export growth

Export revenues, by key sector
ISKbn at current prices and share of total in 2025



Exports and contribution from subcomponents
% change



Highlights

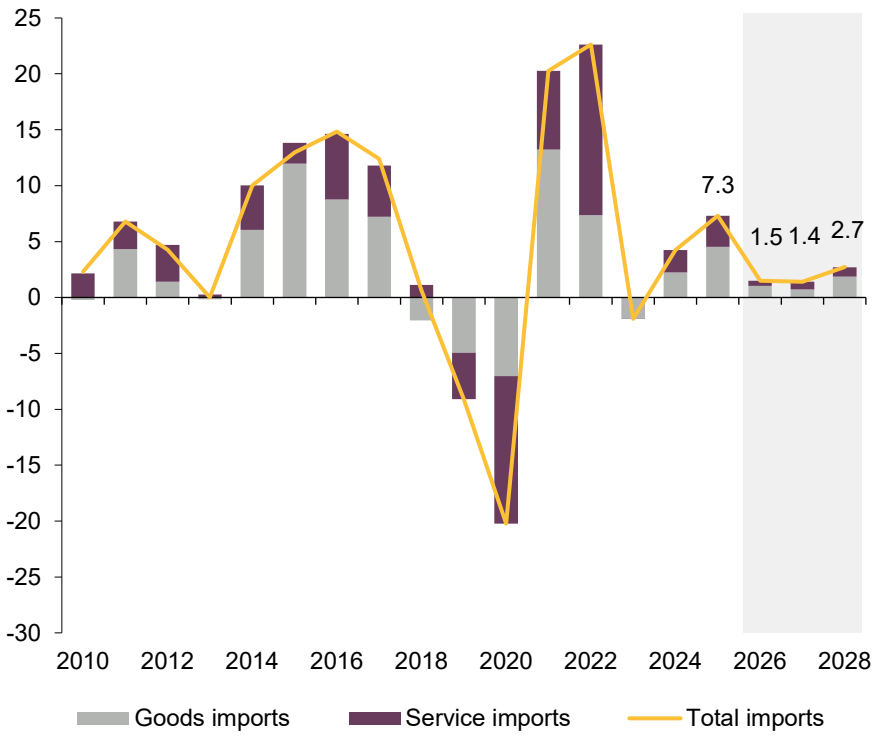
- Tourism remained resilient despite mounting challenges, with visitor numbers growing marginally in 2024 and 2025.
- A slight tourism contraction is expected in 2026. Keflavík tourist departures fell 1% in January-August, while transit passengers declined markedly.
- Winter tourist numbers remain highly uncertain, but modest tourism growth is forecast for 2027-2028.
- Metals and groundfish exports set to contract in 2026, although capelin and aquaculture growth should more than offset the groundfish decline.
- Aluminium production is returning to full capacity following a severe smelter equipment failure in 2H25.
- Intellectual-property exports reached ISK 369bn in 2025, doubling since the decade began.
- ICT service exports rose by 65% to ISK 129bn in the year to June 2026, mainly through data centres; broader intellectual-property export growth remains strong.

Shaded areas and dotted lines denote ISB Research forecasts
Sources: Statistics Iceland, Federation of Icelandic Industries, ÍSB Research

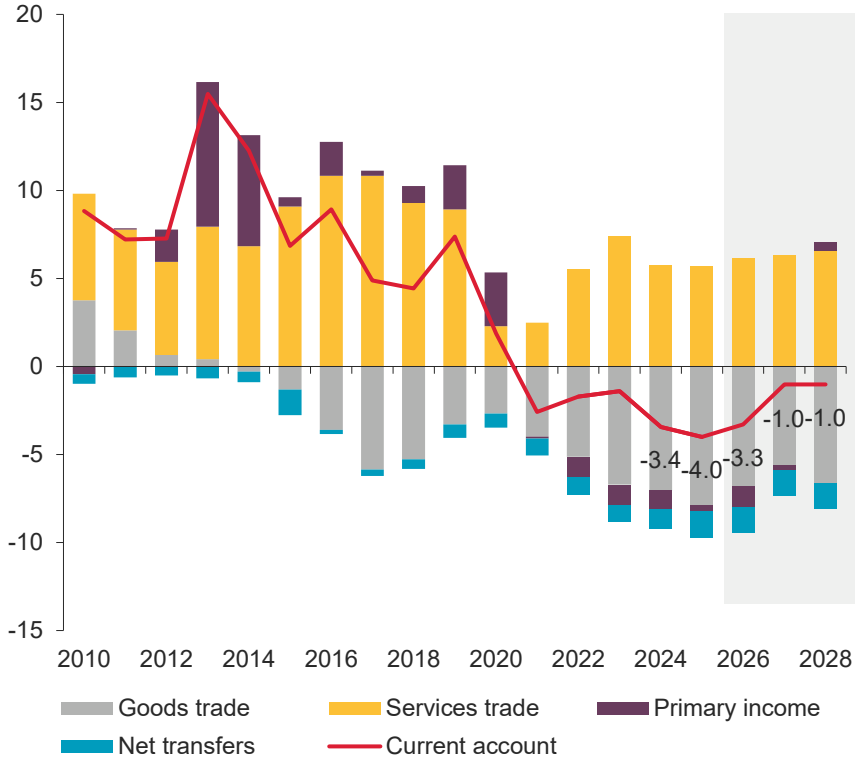
External trade moving towards equilibrium

Modest CA deficit in the latter half of the horizon, but the high real exchange rate is a barrier to external equilibrium

Imports and contribution from subcomponents
% change



Current account balance
% of GDP



Highlights

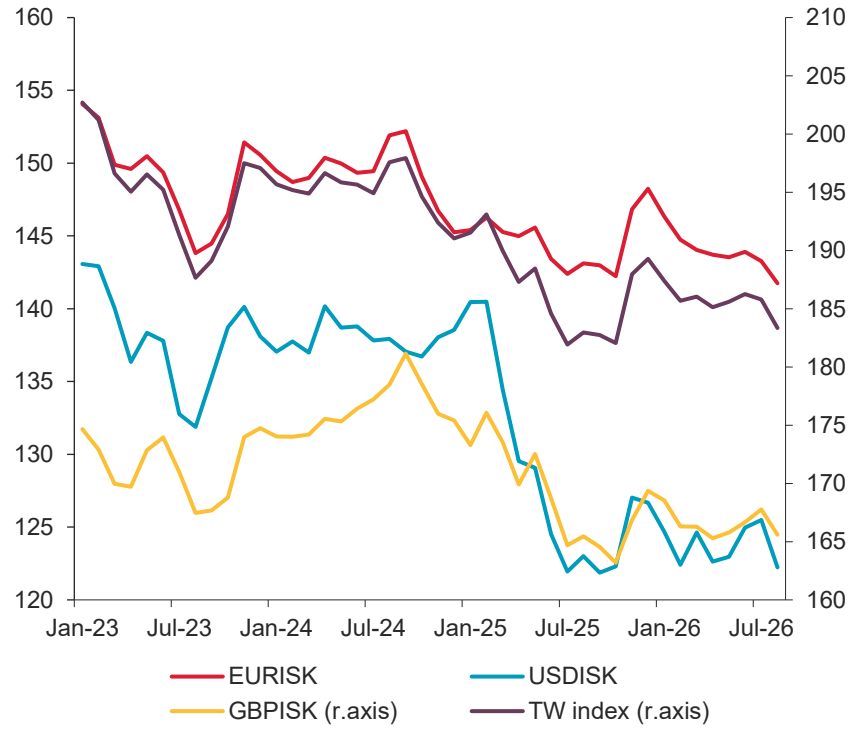
- Imports are forecast to rise by 1.5% in 2026, mainly reflecting reduced purchases of data-centre equipment, rental cars and other capital goods.
- Imports should regain momentum as domestic activity strengthens.
- Net trade will support growth in 2026-2027 before turning slightly negative in 2028.
- External balances should improve after substantial 2024-2025 deficits, helped by stronger terms of trade, including elevated marine product and aluminium prices.
- The current account deficit is projected at over 3% of GDP in 2026 and around 1% in 2027–2028, considered sustainable.
- Longer-term balance remains preferable, but the high real exchange rate suggests eventual ISK depreciation may be needed.
- Net external assets reached 47% of GDP at end-Q2 2026, supporting exchange rate stability and investor confidence.

Shaded areas and dotted lines denote ISB Research forecasts
Sources: Statistics Iceland, Central Bank of Iceland, ÍSB Research

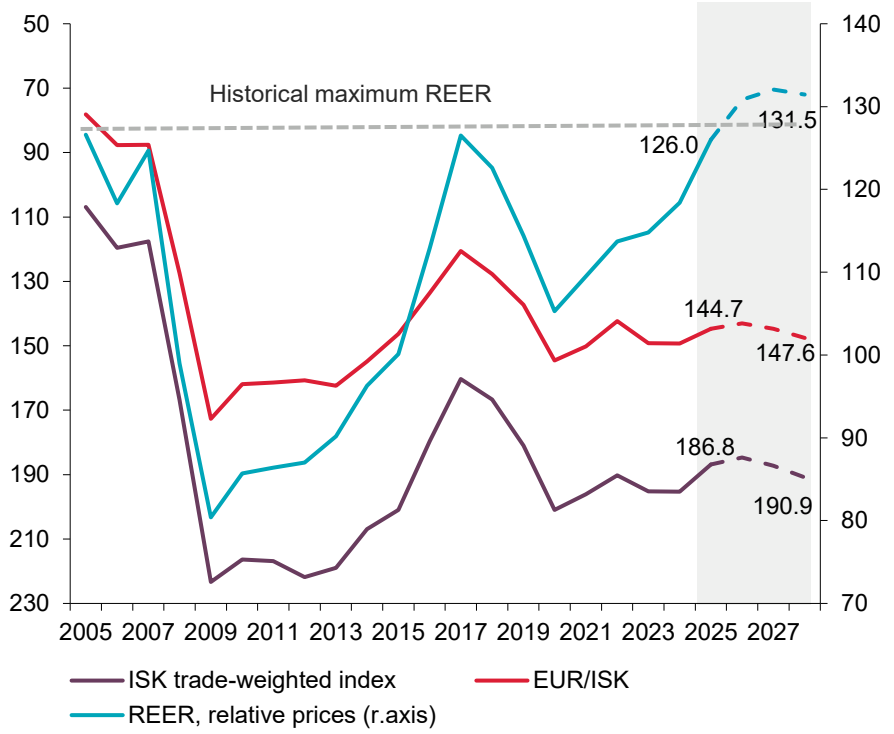
ISK to remain strong at first and then soften over time

High real exchange rate challenges exporters and puts downward pressure on the ISK

ISK exchange rate
Major currency exchange rates against the ISK and index values



ISK exchange rate and real exchange rate
EURISK levels and indices



Highlights

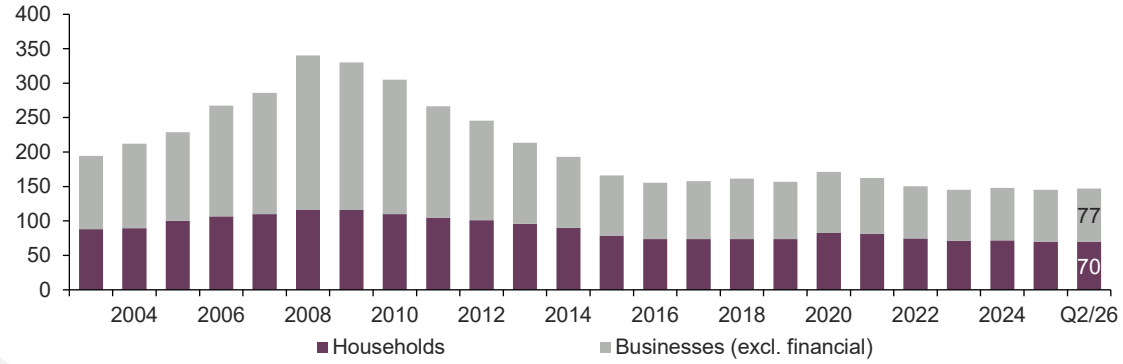
- The ISK has been remarkably stable despite domestic and external shocks, with the trade-weighted index virtually unchanged in 2023 and 2024.
- It strengthened marginally in 2025 and gained further in 2026; by September it was nearly 5% stronger in trade-weighted terms than in December 2025.
- Exchange rate stability despite a sizeable current account deficit reflected favourable FX flows, with much of it financed by non-residents, limited forward sales of peak-season tourism revenues, modest pension-fund FX purchases, and sizeable corporate FX borrowing.
- Near-term support should persist through a narrowing current account deficit, a strong NIIP, ample reserves, solid fundamentals, and a wide interest-rate differential.
- The ISK could weaken, however, if next winter's tourist season disappoints, investment-related inflows contract sharply, or terms of trade worsen materially.
- The real exchange rate should stay near historical highs if export sectors avoid a larger setback, but faster domestic wage and price growth in Iceland than main trading partners means the nominal rate must eventually fall.
- The baseline assumes gradual depreciation, ending about 5% weaker than end-2025 - near EURISK 153 and USDISK 132 - though the forecast is highly uncertain.

Sources: Statistics Iceland, Central Bank of Iceland, ÍSB Research

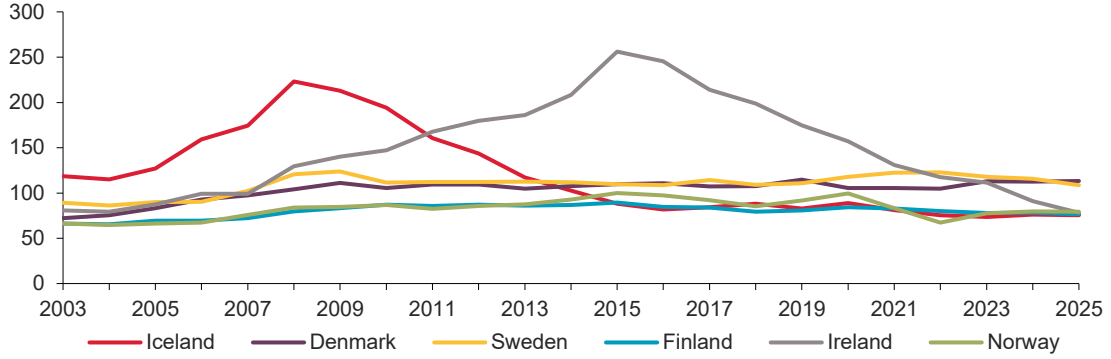
Domestic balance sheets remain broadly robust

Private sector debt ratios are stable, and public debt is on a more favourable trajectory than many major economies

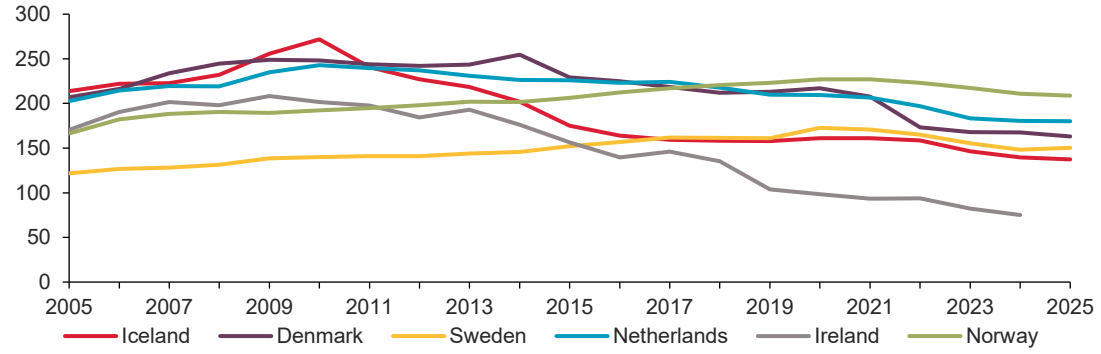
Private sector debt
% of GDP



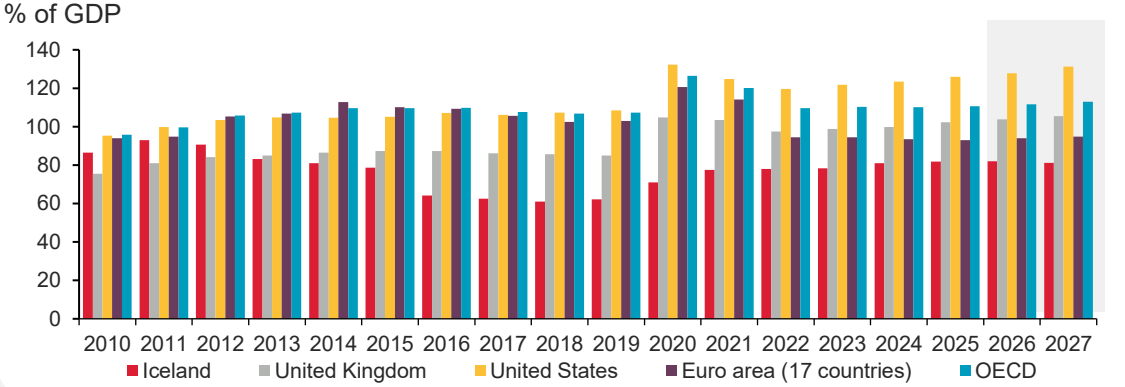
Corporate debt
% of GDP



Household debt
% of disposable income



General government gross financial liabilities
% of GDP

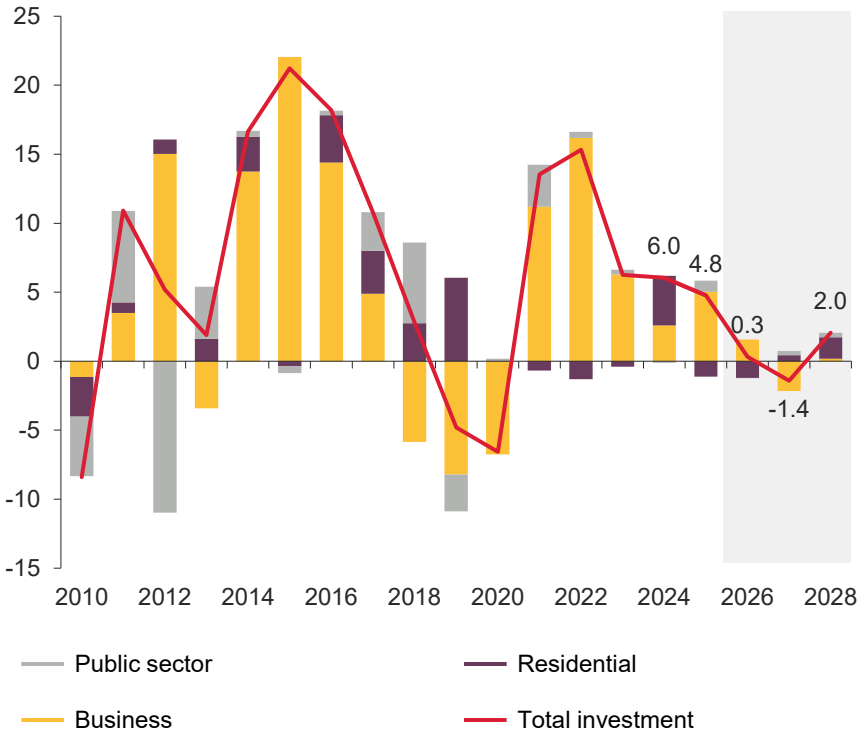


Shaded areas indicate OECD forecasts. Source: Central Bank of Iceland, Eurostat, Statistics Iceland, OECD

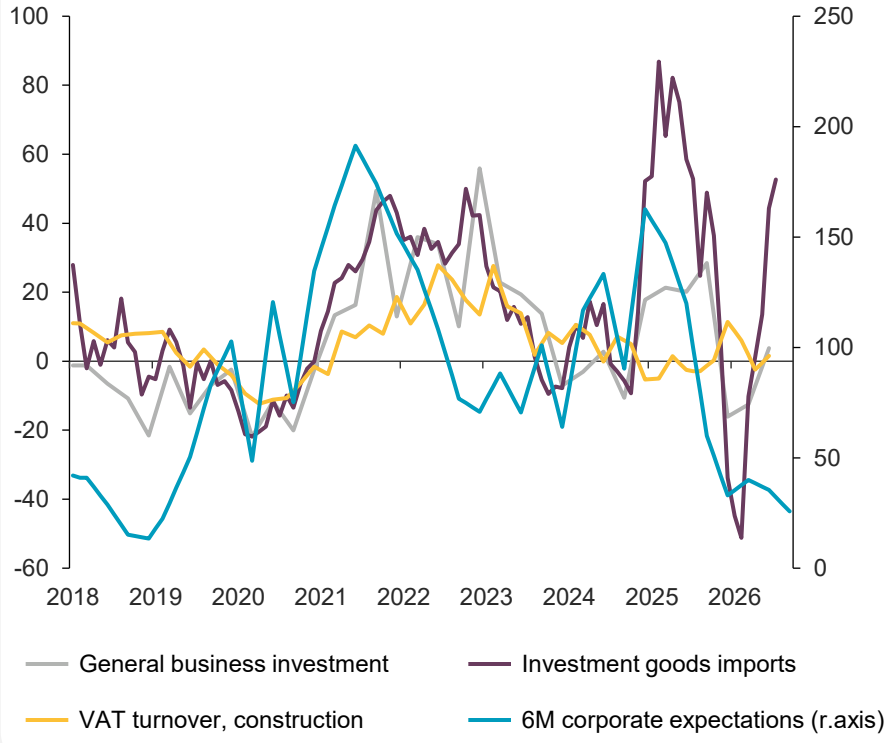
Investment set for a moderate dip in 2027

Turning point in data centre development and a demanding environment affect investment in the near term

Investment, real change, and contribution of subcomponents
%



Business investment and related indicators
YoY change (%) and index



Highlights

- Investment has risen for five years, led by tourism, fishing and ICT businesses; data centres and aquaculture have offset slowing growth elsewhere.
- Capital formation grew nearly 5% in 2025, below its ten-year average of just over 8%.
- Business and public investment supported 2025 growth, while residential investment contracted markedly after surging in 2024.
- Investment should grow marginally in 2026, with modest business growth, slowing residential investment and unchanged public investment.
- Data centres, energy infrastructure and aquaculture support investment, offset by weaker commercial property, hotel and rental-car spending.
- Investment is forecast to fall 1.4% in 2027 and rise by 2% in 2028 as housing and public investment recover.
- High real interest rates constrain investment; energy-procurement delays and firms' external conditions threaten the rebound.

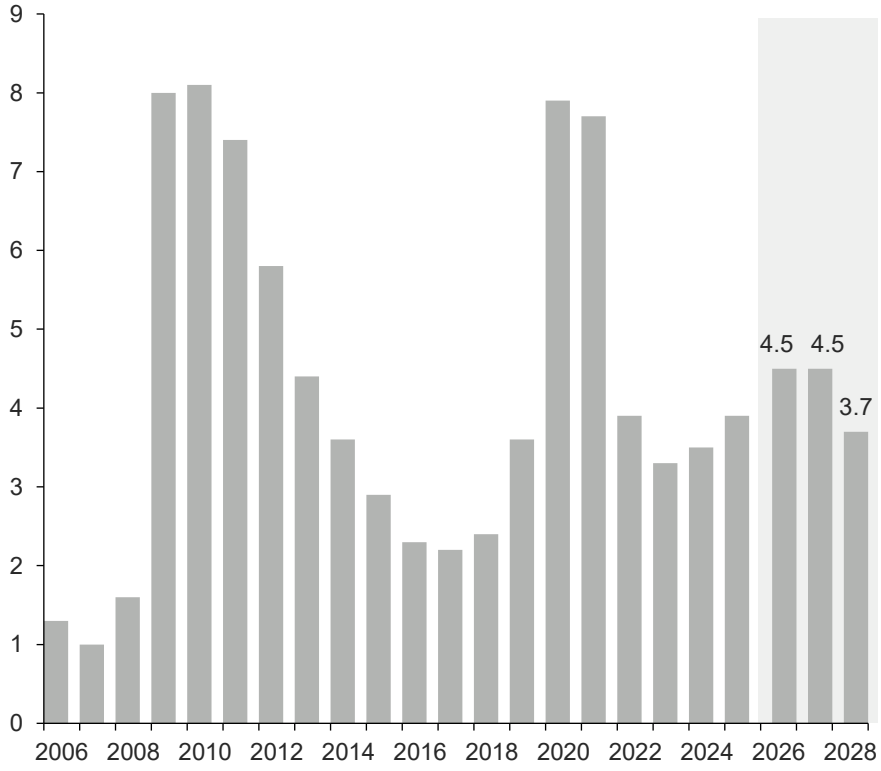
Sources: Central Bank of Iceland, Statistics Iceland, Gallup

Labour market chill drags on

Increasing labour market slack eases wage pressures

Wages, YoY change
%

Unemployment[1]
% of workforce, annual average



Highlights

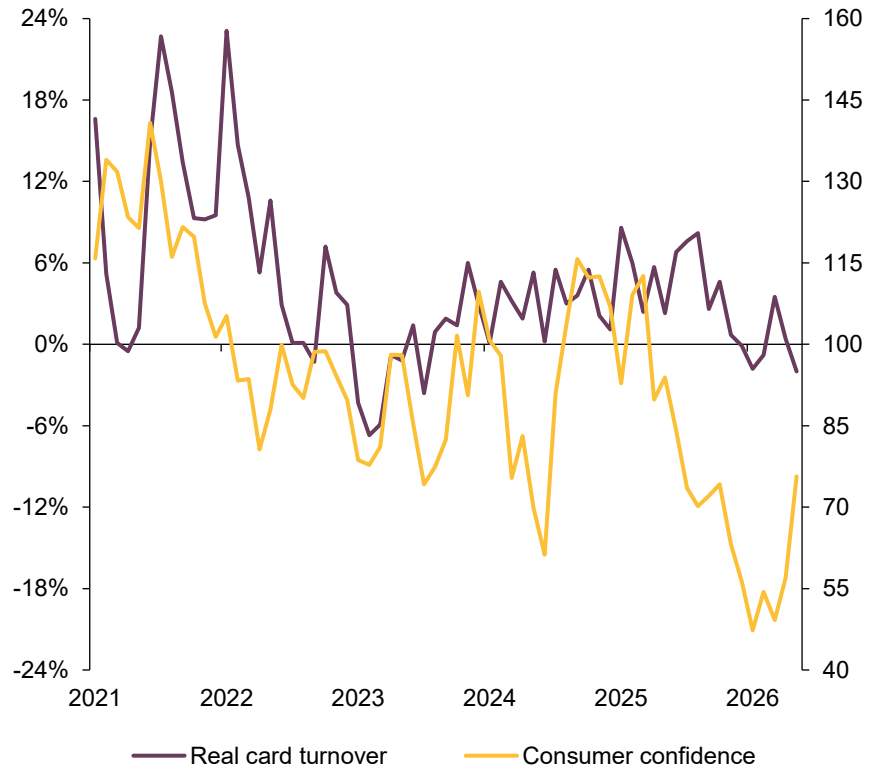
- Labour market slack has increased as the economy cools and labour demand falls. Registered unemployment is at its highest since the pandemic's effects began to abate.
- Redundancy plans outnumber hiring plans, with labour shortages at historic lows. Only 15% of executives at Iceland's largest firms report understaffing, versus over 50% in 2022. Just 9% plan to hire within six months.
- Immigration has slowed. Foreign nationals face much higher unemployment, despite a narrowing gap. Adjustment appears partly through reduced labour immigration and increased emigration.
- Elevated unemployment should persist well into next year, then gradually decline as activity recovers, supported by Iceland's flexible labour market.
- Long-term 2024 settlements anchor wages, while wage drift has subsided considerably. Annual wage index growth is the slowest since early 2020, with more moderate wage inflation ahead.
- Most private and public sector wage agreements expire in early 2028 amid high uncertainty. Despite persistent inflation, real wages should hold up and rise marginally.

1. Excluding recipients of part-time unemployment benefits.
Sources: Statistics Iceland, Central Bank of Iceland, ÍSB Research

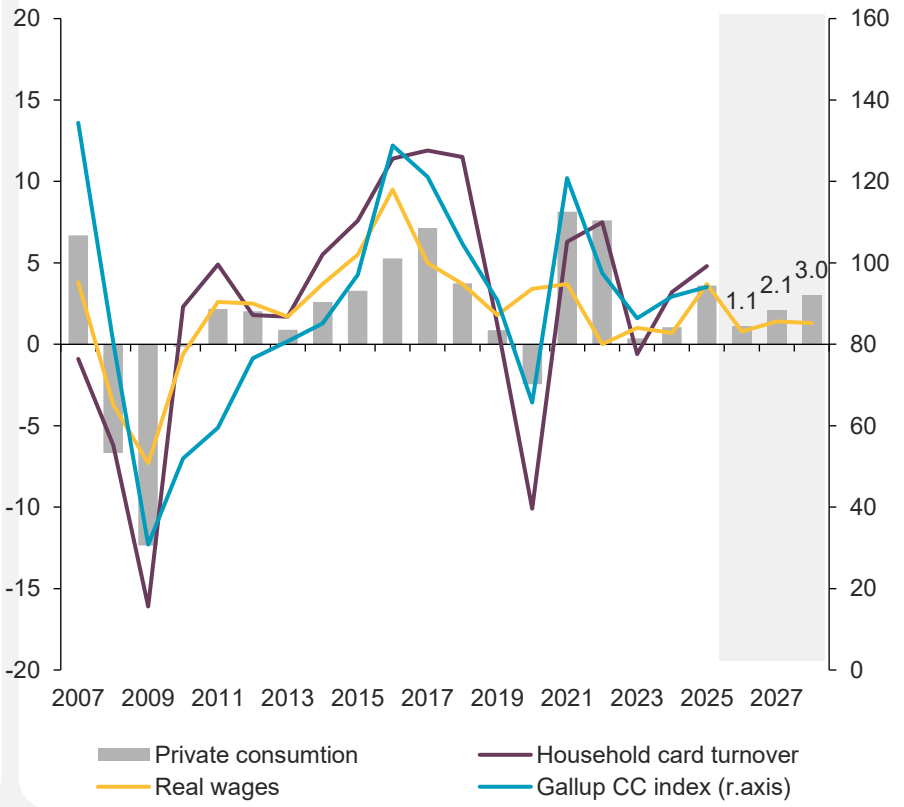
Subdued private consumption growth ahead

Households' strong financial position supports continued private consumption growth

Consumer confidence index and card turnover
Real card turnover (left) and Gallup CC index (right)



Private consumption and related indicators
% change YoY (left) and index value (right)



Highlights

- Private consumption picked up in 2025, growing 3.6% despite rising labour market slack and a cooling economy. Growth has slowed markedly in 2026, faster than expected.
- Consumption growth was only 1.3% YoY in 1H26. Most indicators suggest households have reined in spending further in Q3.
- Payment card turnover, household sentiment and overseas travel suggest households are cutting back amid persistent inflation, high interest rates and heightened economic and labour market uncertainty.
- Households remain financially strong, with modest debt, historically low arrears and sizeable pandemic-era savings, despite some drawdown. Purchasing power has held up and should continue growing, supporting consumption.
- Consumption forecasts for 2026 and 2027 have been lowered somewhat, mainly because economic cooling and labour market slack should persist longer than expected.
- Consumption should still grow each year, gradually accelerating as inflation, interest rates and unemployment ease and economic activity recovers.

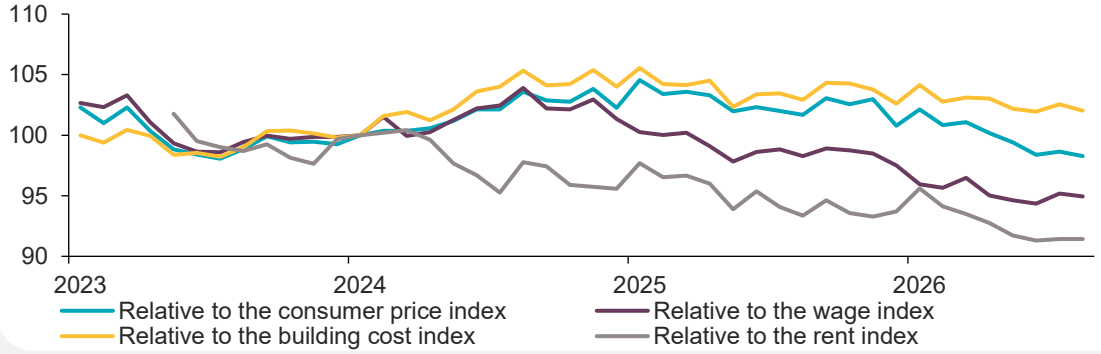
Sources: Central Bank of Iceland, Statistics Iceland, ÍSB Research

The real estate market cools as interest rates bite

Tighter monetary policy has cooled the market with real residential house prices declining in recent quarters

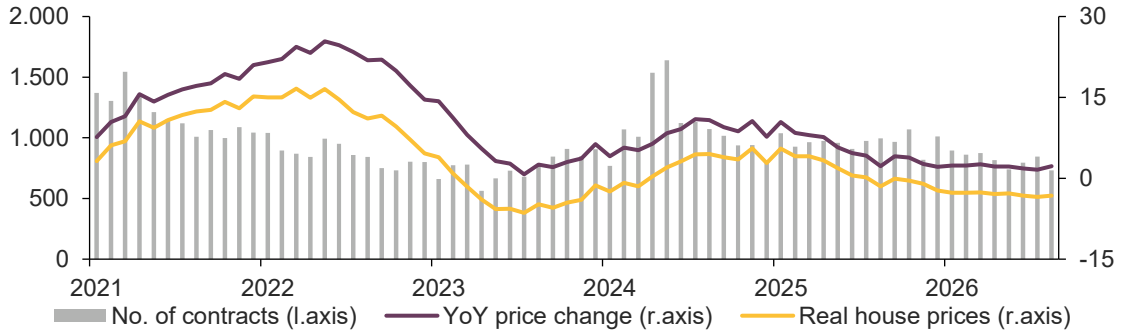
Capital area house prices relative to macroeconomic fundamentals

Index, January 2024=100



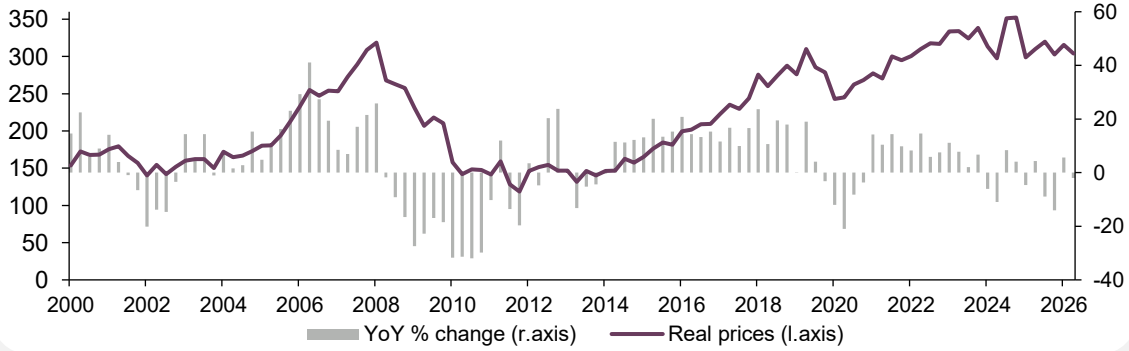
Residential house prices and turnover

% change (r. axis) and number (l. axis)



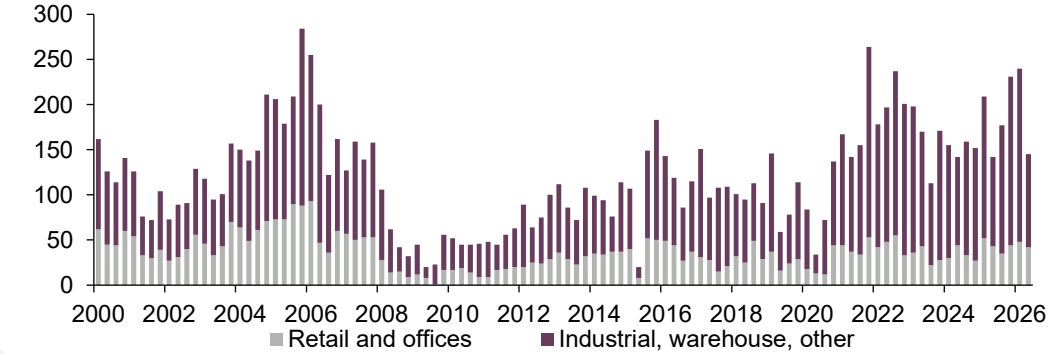
Commercial property real prices in greater Reykjavík

Index, 1995=100 (l.axis) and % change (r. axis)



Commercial real estate market activity

No. of registered purchase agreements

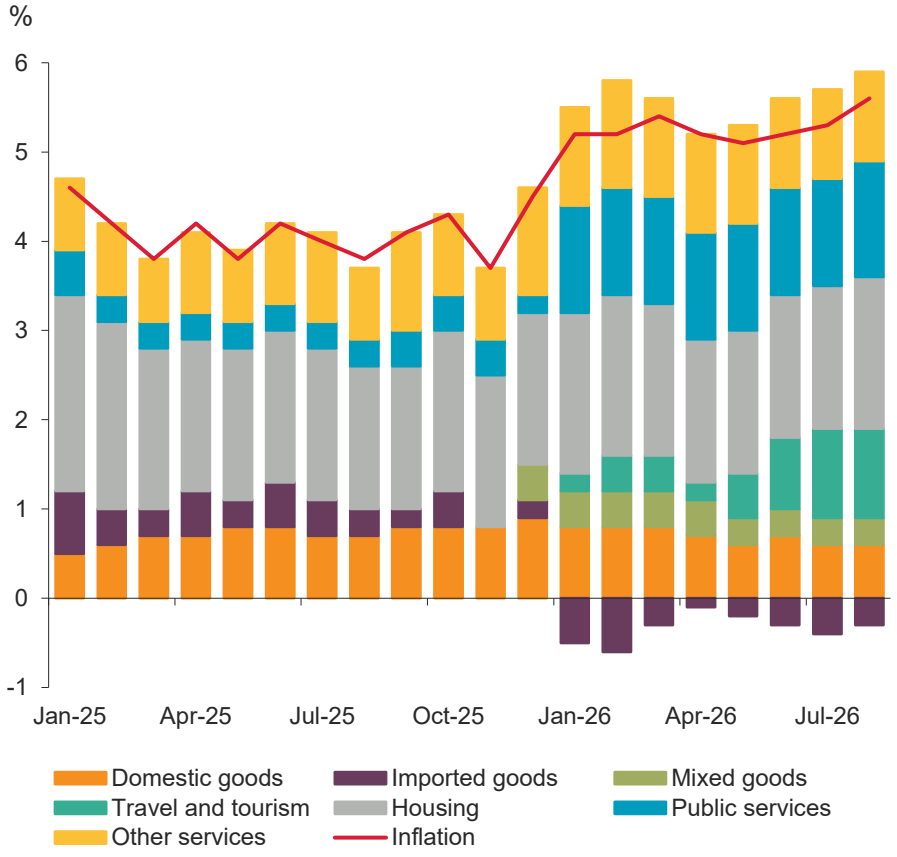


Source: Central Bank of Iceland

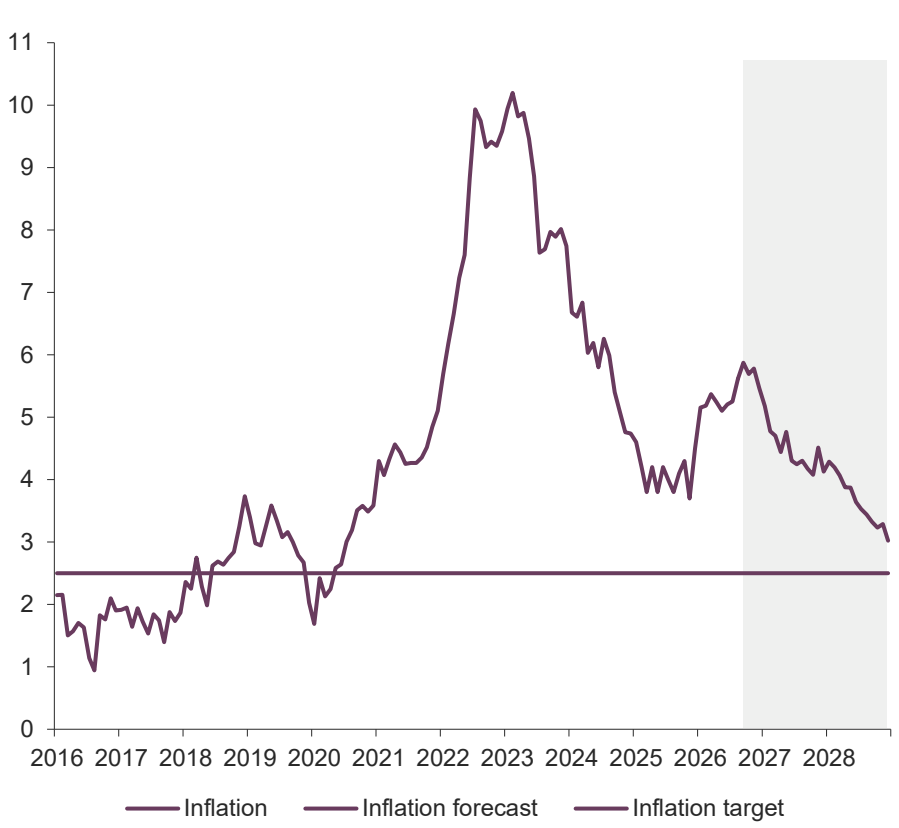
Inflation remains stubbornly above target

Rising uncertainty as the Persian Gulf conflict drags on

Inflation and the CBI inflation target



MoM CPI change and 12m trailing inflation



Highlights

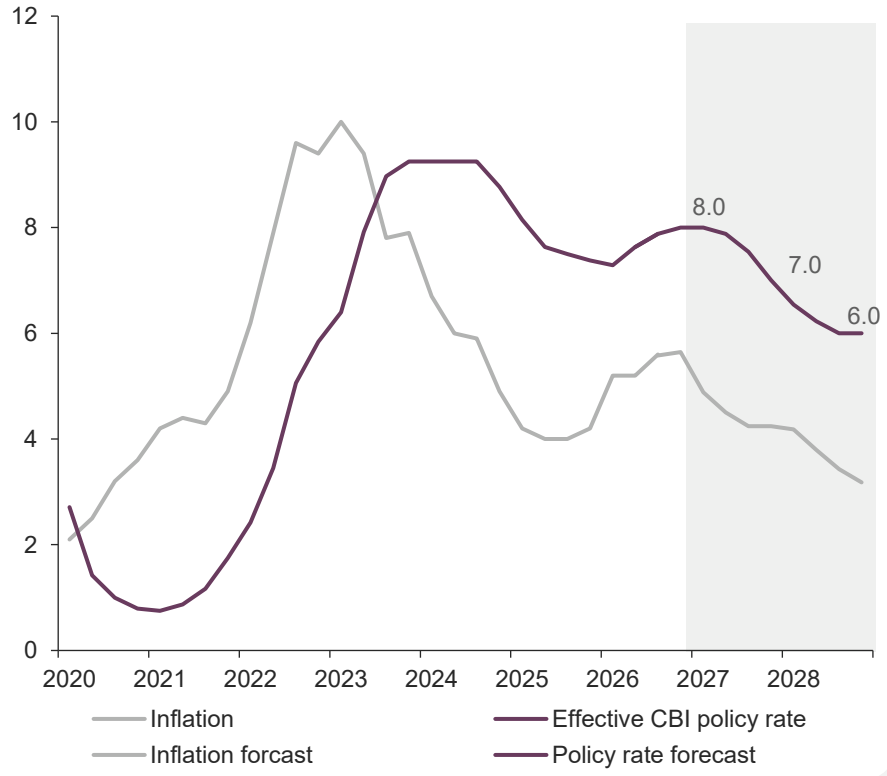
- Inflation has risen towards 6% in 2026, a two-year high, after hovering around the 4% upper deviation limit of the CBI's target throughout 2025.
- Services drive most inflation. Housing accounts for just over 30%, down from over half at its peak. Public services contribute just under a quarter and other services just under one-fifth, a marked shift since the inflation peak in early 2023.
- The outlook is for somewhat higher and more persistent inflation in 2026-2027 than previously forecast, but inflation should fall fairly quickly in 2027 and stay near the 4% upper deviation limit for most of that year.
- Returning to target requires slower services price rises. Greater economic slack and more modest pay increases should help, but inflation remains above target throughout the forecast horizon, approaching 3% at end-2028.
- Risks lean upwards: Persian Gulf developments, sustained recent oil price increases, labour market disputes delaying disinflation, and a weaker ISK prolonging inflation.
- Conversely, tight monetary policy could cool the economy more than expected, bringing inflation down faster than forecast.

Sources: Central Bank of Iceland, Statistics Iceland, ÍSB Research

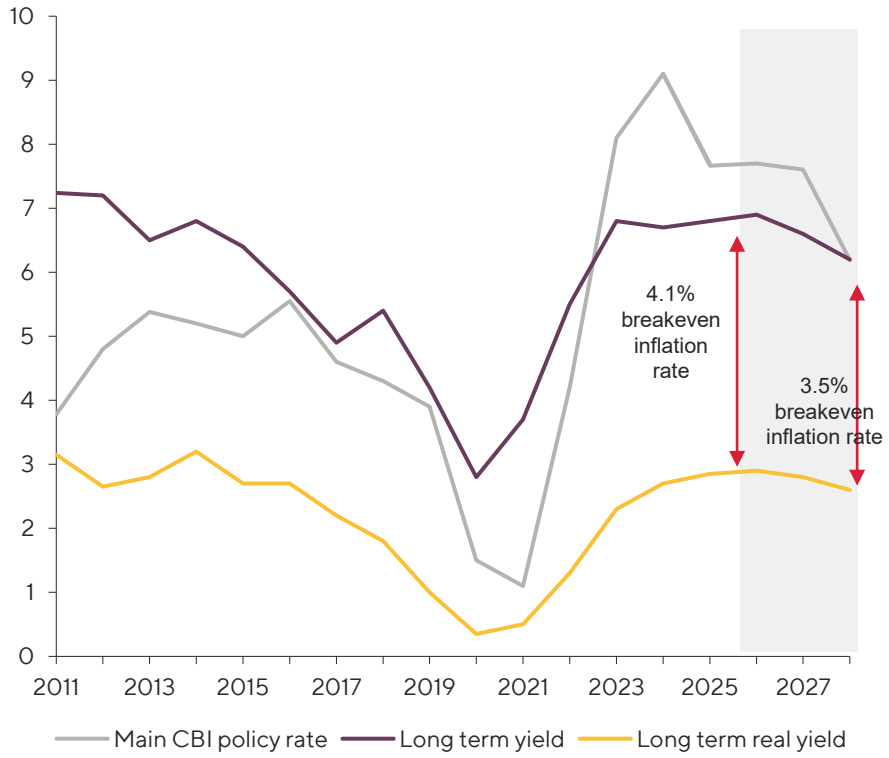
Central Bank likely to start monetary easing next spring

Policy rate could fall by 2 points during the forecast horizon, paving the way for a drop in long-term rates

Policy rate and inflation
%, Real policy rate based on 12m forward forecast



Key interest rates
%, average per year



Highlights

- Following a period of policy rate cuts throughout 2025, the CBI resumed tightening in March 2026, raising its policy rate by 0.75 percentage points to 8.0%.
- In August, the rate hike was accompanied by relatively dovish forward guidance and 1 out of 5 MPC members voted against the hike, preferring to keep rate at 7.75%.
- In October, the MPC voted unanimously to hold rates at 8.0%.
- No further hikes are expected in the near term unless inflation exceeds forecasts; rates should remain unchanged until spring 2027.
- Gradual easing could then bring the policy rate to around 6.0% by H1 2028, conditional on forecast developments.
- Ten-year nominal Treasury yields are currently around 7.0%, with indexed real yields at 3.0%; both remain high.
- Long-term nominal and real rates could fall to 6.0% and 2.5%, respectively; breakeven inflation includes an uncertainty premium.
- The 2028 forecast is considered near equilibrium, reflecting persistent inflation, economic resilience and a higher equilibrium real interest rate.

Sources: Central Bank of Iceland, Statistics Iceland, ÍSB Research

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