Press Release

Fourth Quarter 2025 and Full Year 2025 Results

Íslandsbanki hf.

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ÍSLANDSBANKI RESULTS HIGHLIGHTS

Fourth quarter 2025 (4Q25) financial highlights

- Net profit amounted to ISK 5.9 billion in the fourth quarter of 2025 (4Q24: ISK 6.3 billion), generating an annualised return on equity (ROE) of 10.5% (4Q24: 11.2%).
- Net interest income (NII) amounted to ISK 12.4 billion and increased by ISK 1,516 million in 4Q25 compared to 4Q24.
- The net interest margin (NIM) was 2.9% in 4Q25 compared to 2.7% in 4Q24.
- Net fee and commission income (NFCI) was 4.2 billion in 4Q25, an increase of 16.0% from 4Q24.
- Net financial income was ISK 404 million in 4Q25, compared to an income of ISK 169 million in 4Q24.
- Other operating income was ISK 447 million in 4Q25, compared to ISK 777 million in 4Q24.
- Administrative expenses in 4Q25 amounted to ISK 8.3 billion, having been ISK 7.1 billion in 4Q24.
- The cost-to-income ratio was 43.5% in 4Q25, excluding salary expenses of ISK 804 million due to early retirement of employees and an income of ISK 237 million within net interest income (ISK 550 million reversed from charge in 3Q25 due to provision for legal proceedings and a charge of ISK 313 million due to correction from previous years. The cost-to-income ratio for 4Q24 was 45.7%.
- The net impairment on financial assets increased to ISK 1,087 million in 4Q25, compared to a reversal of ISK 352 million in 4Q24. The net impairment charge as a share of loans to customers, the annualised cost of risk, was 32bps in 4Q25, compared to -11bps in 4Q24.
- Loans to customers grew by ISK 33.9 billion during the fourth quarter of 2025, reaching a total of ISK 1,367 billion at the end of 4Q25.
- Deposits from customers contracted by 4.0% in the fourth quarter and amounted to ISK 969 billion at the end of 4Q25.
- Total equity at the end of 4Q25 amounted to ISK 225.4 billion compared to ISK 227.4 billion at year-end 2024.
- The total capital ratio was 24.0% at the end of 4Q25, compared to 23.2% at year-end 2024. The corresponding CET1 ratio was 20.1% at the end of 4Q25, the same as at year-end 2024. The CET1 ratio at the end of 4Q25 was 510bps above regulatory requirements, and above the Bank's financial target of having a 100-300 bps capital buffer on top of CET1 regulatory requirements.
- The minimum requirement for own funds and eligible liabilities (MREL) for the Bank is 18.8% of the total risk exposure amount, in addition to the combined buffer requirement. At the end of 4Q25, the Bank's MREL ratio was 44.0%, 1,550 bps on top of requirements.

Full Year 2025 (FY25) financial highlights

- Íslandsbanki's net profit for 2025 was ISK 25.2 billion (2024: ISK 24.2 billion), with return on equity for 2025 of 11.2%, compared to 10.9% in 2024.
- Net interest income totalled ISK 52.5 billion in 2025, an increase of 11.0% YoY.
- Net fee and commission income (NFCI) amounted to ISK 14.1 billion in 2025 which is an increase of 7.4% from 2024, when it amounted to ISK 13.1 billion.
- Net financial expense was ISK 922 million in 2025 compared to an expense of ISK 338 million in 2024.
- Administrative expenses were ISK 29.5 billion in 2025, having been ISK 27.6 billion in 2024, when a charge for an administrative fine in the amount of ISK 470 million in 2Q24 is excluded.
- Cost-to-income ratio improved YoY from 43.8% in 2024 to 42.4% in 2025. Cost-to-income ratio for 2025 excludes salary expenses of ISK 804 million due to early retirement of employees and a charge of 313 million within net interest income due to correction from previous years. Cost-to-income ratio for 2024 excludes an administrative fine of ISK 470 million charged in 2Q24.

- Net impairment on financial assets was ISK 681 million in 2025, compared to a reversal of ISK 645 million in 2024.

Capital optimisation, dividend and further distribution of excess capital

- The Bank remains committed in its efforts to optimise its capital structure, subject to market conditions.
- A dividend payment of ISK 12.6 billion, in line with the dividend policy of paying out around 50% of preceding year's profit, will be proposed by the Board of Directors of the Bank to the 2026 Annual General Meeting (AGM) to be held in March 2026.
- The Financial Supervisory Authority of the Central Bank of Iceland (FSA) has granted the Bank authorisation to buy back own shares of an amount up to ISK 15 billion market value. The Bank will announce the timing and execution of the repurchase of own shares under the aforementioned authorisation once a decision to that effect has been made. The FSA has also granted the Bank authorisation to reduce its share capital in an amount equivalent to the own shares purchased based on previous authorisations granted by the FSA.
- The Board of Directors will seek a renewed authorisation to buy back own shares at the 2026 AGM to the legally allowed extent.
- CRR 3 was implemented in Iceland in December 2025 and had a significant impact on the Bank's risk exposure amount (REA) and capital ratios. The implementation led to an ISK 88 billion (7.8%) decrease in REA, driven mainly by a reduction in REA due to credit risk. The reduction in REA led to an increase in capital ratios with CET 1 increasing from 18.5% to 20.1%, Tier 1 ratio increasing from 20.0% to 21.7% and the total capital ratio increasing from 22.1% to 24.0%.

Updated financial targets for the medium term.

- The Bank has set new financial targets for the medium term, i.e., 3-4 years, as follows:

	Previous target	Updated target for the medium term	2025 result	Guidance for year-end 2026
Return on equity	10%	>13%	11.2%	~12%
Cost-to-income	<45%	<43%	42.4%	~43%
CET1 excess	100-300 bps	100-300 bps	510 bps	200 bps
Dividend payout ratio	50%	50%	50%	50%

Key figures and ratios

		4Q25	3Q25	2Q25	1Q25	4Q24
PROFITABILITY	Profit for the period, ISKm	**5,947**	6,901	7,192	5,209	6,283
	Return on equity	**10.5%**	12.2%	13.0%	9.4%	11.2%
	Net interest margin (on total assets)	**2.9%**	3.1%	3.3%	3.2%	2.7%
	Cost-to-income ratio[1]	**43.5%**	38.2%	41.0%	47.6%	45.7%
	Cost of risk[2]	**0.32%**	(0.00%)	(0.12%)	0.00%	(0.11%)
		31.12.25	30.9.25	30.6.25	31.3.25	31.12.24
BALANCE SHEET	Loans to customers, ISKm	**1,367,106**	1,333,234	1,331,288	1,298,849	1,295,388
	Total assets, ISKm	**1,728,147**	1,734,056	1,696,034	1,667,429	1,607,807
	Risk exposure amount, ISKm	**1,033,788**	1,084,527	1,084,492	1,061,903	1,040,972
	Deposits from customers, ISKm	**968,695**	1,008,919	966,075	936,779	926,846
	Customer loans to customer deposits ratio	**141%**	132%	138%	139%	140%
	Non-performing loans (NPL) ratio[3]	**1.5%**	1.6%	1.6%	1.8%	1.6%
LIQUIDITY	Net stable funding ratio (NSFR), for all currencies	**127%**	129%	125%	128%	125%
	Liquidity coverage ratio (LCR), for all currencies	**203%**	207%	185%	202%	168%
CAPITAL	Total equity, ISKm	**225,359**	226,974	224,725	217,894	227,355
	CET 1 ratio[4]	**20.1%**	18.9%	18.5%	18.6%	20.1%
	Tier 1 ratio[4]	**21.7%**	19.8%	19.4%	19.5%	21.0%
	Total capital ratio[4]	**24.0%**	21.9%	21.5%	21.6%	23.2%
	Leverage ratio[4]	**12.5%**	11.9%	12.0%	12.1%	13.2%
	MREL ratio[5]	**44.0%**	36.8%	36.7%	37.8%	33.4%

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 3Q25 profit for 30.9.25.
5. MREL ratio includes the CET1 capital held to meet the combined buffer requirement.

Jón Guðni Ómarsson, CEO of Íslandsbanki:

The year 2025 will be remembered for many things. A significant and meaningful event in Íslandsbanki's history took place when the Government of Iceland completed the sell down of its stake in the Bank. The offering was a great success, the offer size was upsized due to unprecedented demand, and the number of shareholders peeked off at around 35 thousand shareholders immediately following the offering. Significant changes in Íslandsbanki's shareholder base prompted increased involvement by investors to the Bank's Board of Directors and during a shareholders' meeting held at the beginning of 2026 a new Board of Directors was elected with Heiðar Guðjónsson as chairman.

The Bank's operations during the fourth quarter of 2025 were robust and the profit for the period amounted to ISK 5.9 billion and annualised return on equity was 10.5%. The overall profit for 2025 amounted to ISK 25.2 billion and return on equity was 11.2%. The Bank thus achieved all its financial targets during the year.

Additional steps were taken toward the Bank's optimal capitalisation structure through a successful issuance of Additional Tier 1 (AT1) notes in November. The issuance totalled SEK 700 million and NOK 200 million and represented the tightest spread by an Icelandic bank since 2008. This issue not only demonstrates the financial strength of Íslandsbanki but also that of the entire Icelandic financial system.

Various opportunities lie in a further utilisation of artificial intelligence, technical developments and sharpened focus on excellent service to our customers. Íslandsbanki's app enhancements have been very well received by our customers as well as product development such as Ergo's new "Cars with experience" product, which opened up new possibilities for financing older cars. The Bank has expressed its willingness to take part in the needed financing of infrastructures in Iceland. Íslandsbanki participation in the financing of the new Ölfusá bridge is a clear indication of follow-through by the Bank.

A new year always brings around vast opportunities, both for the operations of the Bank as well as in various projects with our customers. We are well equipped and welcome the coming months determined to continue to be a force for good within Icelandic society.

Fourth quarter 2025 (4Q25) operational highlights

- The Bank announced on 6 October 2025 that it had initiated merger discussions with Skagi hf. According to the term sheet the parties envisage Skagi's operations to be merged with the Bank's and Skagi's shareholders to receive 323,859,440 new shares in Íslandsbanki in exchange for their shares in Skagi, corresponding to around 15% of the issued share capital in the merged entity.
- Following the ruling of the Supreme Court on 14 October 2025 in a case brought against the Bank by two borrowers owing a non-index linked mortgage bearing variable interest rates, the Bank temporarily halted mortgage lending to take into account the decision of the Supreme Court. Shortly thereafter the Bank introduced certain changes to its product offering and was the first bank in Iceland to launch a new mortgage product following the judgement.
- The Resolution Authority of the Central Bank of Iceland (the Resolution Authority) announced on 17 October 2025 that a resolution plan had been approved for Íslandsbanki and thereby establishing a minimum requirement for own funds and eligible liabilities (MREL) for the Bank. According to the decision of the Resolution Authority, the MREL-REA for the Bank is 18.8% and MREL-TEM is 6%. The subordinated part of the Bank's MREL is equivalent to 13.5% of REA and the deadline for the Bank to meet the subordinated part of MREL is 4 October 2027. The decision applies from the date of the announcement. The Bank fulfils its MREL.
- In November 2025, Íslandsbanki issued a 7-year EUR 300 million green senior preferred bond, its longest maturity to date, at mid-swaps +130bps. Later that same month the Bank issued AT1 bonds in the Nordic market, SEK 700 million and NOK 200 million at Stibor+350bps and Nibor+358bps, which represented the tightest AT1 spread by an Icelandic bank since 2008.
- Moody's Ratings (Moody's) affirmed on 18 November 2025 Íslandsbanki's A3 long-term foreign and local currency issuer ratings on a stable outlook. The rating action followed the updating of the agency's Banks methodology on 17 November 2025.
- On 8 December 2025, Linda Jónsdóttir, chairman of the Board of Directors of Íslandsbanki announced that she would not seek re-election as chairman at the upcoming Annual General Meeting of Íslandsbanki, scheduled to be held in March 2026. That same day, Íslandsbanki received a demand from shareholders who collectively held more than 1/20 of shares in the Bank requesting a shareholder meeting be convened with an election for the Board of Directors on the agenda. The Board of Directors gave notice to a meeting of shareholders to be held on 19 January 2026.
- Íslandsbanki Corporate Finance had an eventful fourth quarter, where many milestone projects were successfully completed, including the ISK 3.6 billion equity raise of Drangar and the sale of Festing to Eik fasteignafélag hf.
- At the end of 2025 the Bank owned 100.5 million of its own shares, equivalent to 5.35% of issued shares. The Bank was engaged in buybacks throughout the fourth quarter and bought around 56.0 million own shares for approximately ISK 7.3 billion. The Bank continues its path towards capital optimisation, subject to market conditions.

Operational highlights after the period-end

- On 6 January Íslandsbanki announced a further implementation of a share repurchase programme, with the aim of purchasing a maximum of 27 million own shares during a new round, representing around 1.44% of issued shares, the total purchase price for repurchased shares however not to exceed ISK 3.9 billion. The Bank announced the end of that round with an announcement to the market on 4 February 2026 and had has thereby fully utilised the ISK 15 billion authorisation to purchase own shares granted by the FSA in February 2025.
- A shareholders' meeting was held on 19 January 2026 where a new Board of Directors was elected. Two new individuals were elected to serve on the Board, including a new chairman of the Board of Directors, Heiðar Guðjónsson.
- On 4 February 2026 the FSA granted the Bank authorisation to buy back own shares of an amount of up to ISK 15 billion market value, which were deducted from the capital base in parallel.

- Íslandsbanki Research published its macroeconomic forecast for 2026-2028 on 28 January 2026, available here.
- The milestones and victories of 2025 in Íslandsbanki's operations are celebrated in Íslandsbanki's 2025 Annual and Sustainability Report, which is published alongside the release of the 4Q25 and full-year 2025 financial results, and available here.

INCOME STATEMENT

Income statement, ISKm	4Q25	4Q24	Δ%	2025	2024	Δ%
Net interest income	**12,391**	10,875	14%	**52,471**	47,265	11%
Net fee and commission income	**4,183**	3,607	16%	**14,099**	13,122	7%
Net financial income (expense)	**404**	169	139%	**(922)**	(338)	173%
Net foreign exchange gain	**157**	113	39%	**427**	607	(30%)
Other operating income	**447**	777	(42%)	**1,165**	2,401	(51%)
Total operating income	**17,582**	15,541	13%	**67,240**	63,057	7%
Salaries and related expenses	**(5,110)**	(4,244)	20%	**(17,804)**	(16,329)	9%
Other operating expenses	**(3,234)**	(2,856)	13%	**(11,676)**	(11,299)	3%
Administrative fines	**-**	-	-	**-**	(470)	(100%)
Administrative expenses	**(8,344)**	(7,100)	18%	**(29,480)**	(28,098)	5%
Bank tax	**(522)**	(454)	15%	**(2,084)**	(1,900)	10%
Total operating expenses	**(8,866)**	(7,554)	17%	**(31,564)**	(29,998)	5%
Net impairment on financial assets	**(1,087)**	352	-	**(681)**	645	-
Profit before tax	**7,629**	8,339	(9%)	**34,995**	33,704	4%
Income tax expense	**(1,682)**	(2,056)	(18%)	**(9,746)**	(9,458)	3%
Profit for the period	**5,947**	6,283	(5%)	**25,249**	24,246	4%
Key ratios						
Net Interest Margin (NIM)	**2.9%**	2.7%		**3.1%**	2.9%	
Cost-to-income ratio (C/I)	**43.5%**	45.7%		**42.4%**	43.8%	
Return on Equity (ROE)	**10.5%**	11.2%		**11.2%**	10.9%	
Cost of risk (COR)	**0.32%**	(0.11%)		**0.05%**	(0.05%)	

Net interest income in 4Q25 increased by 14% compared to 4Q24

Net interest income amounted to ISK 12,391 million during the fourth quarter of 2025, marking a 13.9% increase compared to the same quarter in 2024. The CPI imbalance rose to ISK 200 billion at the end of 2025, compared to a position of ISK 182 billion at the end of the third quarter of 2025. Continued run-off from the fixed rate imbalance in the mortgage book continued to affect net interest income positively as in previous quarters, with this run-off effectively completed by the turn of the year. Low inflationary ticks for the fourth quarter adversely impacted profitability of the CPI imbalance. The Central Bank policy rate was lowered during the fourth quarter by 0.25 percentage points and was at 7.25% at period end. The average CB policy rate was thus 7.38% in 4Q25, compared to 8.77% in 4Q24. Net interest margin (NIM) on total assets was 2.9% in 4Q25 (2.7% in 4Q24).

Net fee and commission income (NFCI) during the fourth quarter of 2025 grew by 16.0% compared to 4Q24, to ISK 4.2 billion. As before, cards and payments remain the largest fee income stream. Recovery and increasing volumes in capital markets strengthened growth in both asset management and investment banking and brokerage in the fourth quarter.

Other operating income amounted to ISK 447 million in 4Q25 (ISK 777 million in 4Q24), mainly attributable to share of profit of associates. Core operating income, defined as net interest income and net fee and commission income, for the fourth quarter of 2025 grew by 14.4% compared to the same period last year.

Net financial income amounted to ISK 404 million in the fourth quarter of 2025, compared to net financial income of ISK 169 million for the same quarter during the previous year, mainly attributable to gains on bonds as well as through economic hedges.

Strong underlying cost-to-income ratio in the quarter

The cost-to-income ratio was 43.5% in the fourth quarter of 2025, excluding the effect of one-off items.

Salaries and related expenses grew 20.4% in 4Q25 compared to 4Q24 and were ISK 5.1 billion during the quarter, mainly due to one-off costs related to early retirement of employees. Other operating expenses increased by 13.2% compared to 4Q24.

The number of FTEs at Íslandsbanki at the end of the fourth quarter of 2025 was 725 compared to 733 at the end of 2024.

Taxes

The income tax rate for legal entities in 2025 is 20% (2024: 21%). Special financial activities tax is calculated as 6% of the Bank's taxable profit exceeding ISK 1 billion. Effective income tax rate for the fourth quarter of 2025 was 22.0% having been 24.7% in 4Q24.

Net impairment in 4Q25

The net impairment on financial assets was increased to ISK 1,087 million in 4Q25 (4Q24: net impairment was a reversal of ISK 352 million). This change was mostly due to a few distressed credit cases, updated macroeconomic and inflation forecasts and other changes in the loan portfolio. The annualised cost of risk, measured as net impairment charge as a share of loans to customers, was 32bps in 4Q25 (-11bps in 4Q24).

BALANCE SHEET

Assets, ISKm	31.12.25	30.9.25	Δ	Δ%	31.12.24	Δ	Δ%
Cash and balances with Central Bank	**80,394**	114,055	(33,661)	(30%)	65,716	14,678	22%
Loans to credit institutions	**80,009**	99,117	(19,108)	(19%)	50,486	29,523	58%
Bonds and debt instruments	**151,959**	139,432	12,527	9%	142,618	9,341	7%
Derivatives	**5,304**	5,092	212	4%	5,324	(20)	(0%)
Loans to customers	**1,367,106**	1,333,234	33,872	3%	1,295,388	71,718	6%
Shares and equity instruments	**20,517**	16,815	3,702	22%	24,330	(3,813)	(16%)
Investment in associates	**5,384**	4,948	436	9%	4,701	683	15%
Investment property	**2,900**	2,900	-	-	2,600	300	12%
Property and equipment	**4,702**	4,769	(67)	(1%)	5,039	(337)	(7%)
Intangible assets	**2,682**	2,632	50	2%	2,684	(2)	(0%)
Other assets	**7,190**	11,062	(3,872)	(35%)	8,921	(1,731)	(19%)
Total Assets	**1,728,147**	1,734,056	(5,909)	(0%)	1,607,807	120,340	7%
Key ratios							
Risk Exposure Amount (REA)	**1,033,788**	1,084,527	(50,739)	(5%)	1,040,972	(7,184)	(1%)
REA / total assets	**59.8%**	62.5%			64.7%		
Non-performing loans (NPL) ratio[1]	**1.5%**	1.6%			1.6%		

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

Loan portfolio well diversified and highly collateralised

Loans to customers grew by 2.5% in the fourth quarter of 2025 and amounted to ISK 1,367 billion at period-end. Mortgages account for 43% of loans to customers, and the remaining part continues to be split between various industries. Loans to customers are predominantly well covered by stable collateral, the majority of which is in residential and commercial property. At the end of 4Q25, 94% of the loan portfolio is fully covered by collateral. The weighted average loan-to-value (LTV) ratio for the loan portfolio was 52% at the end of 4Q25 (54% at the end of 4Q24), and the LTV for the residential mortgage portfolio was 54% at the end of 4Q25 (54% at the end of 4Q24). This low LTV for the residential mortgage portfolio resulted in considerable gains from the implementation of CRR3.

Overall credit quality is strong with limited delinquencies

Overall asset quality remains solid. The shift of customers towards CPI-linked loans has started to normalise, with 65% of the Bank's mortgage portfolio being CPI-linked at the end of 4Q25 (64% at the end of 3Q25).

At the end of 4Q25, 2.1% of the gross performing loan book (not in Stage 3) was classified as forborne, unchanged from the end of 3Q25. The ratio of credit-impaired loans to customers, Stage 3, was 1.5% (gross) at the end of 4Q25 (1.6% at the end of 3Q25). For the mortgage portfolio, the ratio was 1.0% at the end of 4Q25, same as at end of 3Q25.

The ratio of loans to customers in Stage 2 was 4.6% at the end of 4Q25, rising from 3.6% at the end of 3Q25. The primary reason for the increase is due to a handful of credit cases, including in the construction industry. For the mortgage portfolio, the ratio of loans in Stage 2 was 1.3% at the end of 4Q25 (1.1% at 3Q25).

Liabilities – capital and liquidity ratios well in excess of regulatory requirements in addition to low leverage

Liabilities & Equity, ISKm	31.12.25	30.9.25	Δ	Δ%	31.12.24	Δ	Δ%
Deposits from Central Bank and credit institutions	**13,250**	15,972	(2,722)	(17%)	12,535	715	6%
Deposits from customers	**968,695**	1,008,919	(40,224)	(4%)	926,846	41,849	5%
Derivative instruments and short positions	**6,183**	5,599	584	10%	7,306	(1,123)	(15%)
Debt issued and other borrow ed funds	**444,593**	409,170	35,423	9%	367,586	77,007	21%
Subordinated loans	**40,315**	32,550	7,765	24%	31,695	8,620	27%
Tax liabilities	**12,757**	14,544	(1,787)	(12%)	12,916	(159)	(1%)
Other liabilities	**16,995**	20,328	(3,333)	(16%)	21,568	(4,573)	(21%)
Total Liabilities	**1,502,788**	1,507,082	(4,294)	(0%)	1,380,452	122,336	9%
Total Equity	**225,359**	226,974	(1,615)	(1%)	227,355	(1,996)	(1%)
Total Liabilities and Equity	**1,728,147**	1,734,056	(5,909)	(0%)	1,607,807	120,340	7%

Key ratios							
Customer loans to customer deposits ratio	**141%**	132%			140%		
Net stable funding ratio (NSFR)	**127%**	129%			125%		
Liquidity coverage ratio (LCR)	**203%**	207%			168%		
CET 1 ratio	**20.1%**	18.9%			20.1%		
Tier 1 capital ratio	**21.7%**	19.8%			21.0%		
Total capital ratio	**24.0%**	21.9%			23.2%		
Leverage ratio	**12.5%**	11.9%			13.2%		
MREL ratio[1]	**44.0%**	36.8%			33.4%		

1. MREL ratio includes the CET1 capital held to meet the combined buffer requirements.

Favourable market conditions during 4Q25 and two green EUR 300 million senior preferred bonds issued

The Bank funds its operation using three main funding sources: stable deposits, covered bonds, and senior preferred bonds. Total deposits from customers contracted 4.0% between 3Q25 and 4Q25, while deposit concentration remained stable. The ratio of customer loans to customer deposits was 141% at the end of 4Q25, up from 132% at the end of 3Q25. When excluding mortgages funded with covered bonds, the ratio was 119% at the end of 4Q25.

In terms of market-based funding, the Bank's FX-denominated debt experienced a spread compression of approximately 50bps in secondary markets during 2025. The Bank took advantage of the favourable market conditions and issued two EUR 300 million green senior preferred bonds: a 5.5-year bond in March at mid-swaps +140bps, which is currently trading around mid-swaps +85bps, and a 7-year bond in November at mid-swaps +130bps, which is currently trading around mid-swaps +110bps.

In November, the Bank also issued AT1 bonds in the Nordic market, comprising SEK 700 million and NOK 200 million at STIBOR +350bps and NIBOR +358bps, respectively. This represented the tightest AT1 pricing achieved by an Icelandic bank since 2008.

In the domestic market, the Bank issued ISK 32 billion of covered bonds during the year, as well as ISK 9 billion of senior preferred bonds.

The Bank's total liquidity coverage ratio (LCR) was 203% at the end of 4Q25, decreasing from the end of 3Q25 when it was 207%. The Bank's liquidity position remains strong across currencies. Liquid assets as a percentage of total assets were 18% at end of 4Q25 compared to 20%at the end of 3Q25.

Sound capital position - distribution of excess capital to continue as part of capital optimisation plan

Total equity amounted to ISK 225.3 billion at year-end 2025 compared to ISK 227.4 billion at year-end 2024. The capital base was ISK 248 billion at year-end 2025 compared to ISK 241 billion at year-end 2024. The profit of the year and the issuance of AT1-notes in November 2025 is offset by the Bank's share buyback programme of ISK 15 billion, which was deducted from the capital base following approval from the Central Bank in February 2025. At the end of year 2025 around ISK 4 billion were remaining and had been deducted from the capital base. On 4 February 2026 the Bank announced the end of the ISK 15 billion repurchase programme launched in 2025 that it had completed. At year-end 2025, the total capital ratio was 24.0%, compared to 23.2% at year-end 2024. The corresponding Tier 1 ratio was 21.7% at year-end 2025, compared to 21.0% at the year-end 2024. The CET1 ratio was 20.1%, compared to 20.1% at year-end 2024,

The enactment of CRR 3 into Icelandic law in December 2025 significantly changed the Bank's REA at year-end 2025. The Bank uses the standardised approach to calculate REA, which amounted to ISK 1,034 billion at year-end 2025, compared to ISK 1,041 billion at year-end 2024. The REA would have resulted in ISK 1,122 billion at year-end 2025 according to the preceding capital requirement regulation, with a 1.9 percentage point lower capital position.

The capital ratios are above the Bank's financial target of having a 100-300bps capital buffer on top of regulatory requirements. The Bank's excess capital position at the end of the reporting period, assuming a fully optimised capital structure and the midpoint of the management buffer, therefore amounts to around ISK 36 billion, of which approximately ISK 4 billion have already been used for buybacks at the beginning of 2026 The. Bank remains committed to its capital optimisation and may explore various ways to reach its target capital composition, including growth and/or capital disposals.

The minimum requirement for own funds and eligible liabilities (MREL) for the Bank is 18.8% of REA at year-end 2025. Since any CET1 capital that is maintained to meet the combined buffer requirement (CBR) is excluded, the effective requirement can be monitored as 28.5% of REA at year-end 2025. Own funds and eligible liabilities were 44.0% of REA at year-end 2025 compared to 33.4% at year-end 2024.

The leverage ratio was 12.5% at year-end 2025, compared to 13.2% at year-end 2024.

Investor Material

In the event of discrepancy between the Icelandic and English version of the Press Release the English version prevails.

Disclaimer

INVESTOR RELATIONS

An earnings conference call and webcast will take place on Friday 13 February 2026

Íslandsbanki will host a webcast in English for investors and market participants on Friday 13 February at 8.30 Reykjavík/GMT/London, 9.30 CET. Jón Guðni Ómarsson, CEO, and Ellert Hlöðversson, CFO, will give an overview of the fourth quarter of 2025 and full year 2025 financial results and operational highlights.

The webcast will be accessible live through a link on the Bank's **Investor Relations** website where a recording will also be available after the meeting. For participation and the ability to send in written questions please register **via this link**. To participate in the webcast via teleconference and for the option to ask questions verbally, please register **via this link here**. Information regarding the webcast is available **here**.

Further information is available through Íslandsbanki Investor Relations, ir@islandsbanki.is.

Financial calendar

Íslandsbanki plans to publish its financial statements according to the financial calendar below:

First quarter 2026 results – 7 May 2026
Second quarter 2026 results – 29 July 2026
Third quarter 2026 results – 29 October 2026

Further information on the Bank's financial calendar is available here. Please note that the dates are subject to change.

Additional investor material

All investor material will subsequently be available and archived on the Bank's Investor Relations website, where other information on the Bank's financial calendar and silent periods can also be found.