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## **PRICE RANGE ANNOUNCED AND PROSPECTUS PUBLISHED FOR ÍSLANDBANKI IPO**

Reykjavík, 7 June 2021, Iceland. Bankasýsla ríkisins (Icelandic State Financial Investments, "ISFI"), on behalf of the Treasury of Iceland, and Íslandsbanki hf. ("Íslandsbanki" or the "Bank"), today announce the offer size and indicative price range for the offering of existing Shares of Íslandsbanki hf. and the publication of the related prospectus.

### **Highlights of the Offering**

- The Offering will comprise up to 636,363,630 existing Shares of Íslandsbanki hf. ("Offer Shares") offered by Icelandic State Financial Investments on behalf of the Treasury of Iceland (the "Selling Shareholder").
- In addition, the managers have been granted, as part of the Offering, an over-allotment option of 63,636,363 existing shares, representing up to an additional 10% of the Offer Shares (the "Over-Allotment Shares").
- The Offer Shares and the Over-Allotment Shares together represent 35% of the Shares of the Bank.
- The indicative price range for the Offering has been set at ISK 71 to ISK 79 per Offer Share.
- The Bank's implied market capitalisation following the Offering will be approximately ISK 150 billion, assuming that the offer price is set at the mid-point of the indicative price range.
- The Offering consists of a public offering of the Offer Shares to institutional and retail investors in Iceland and a private placement to certain institutional investors in various other jurisdictions.
- Each of (i) funds managed and advised by Capital World Investors, (ii) RWC Asset Management LLP, (iii) Gildi-lífeyrissjóður and (iv) Lífeyrissjóður verzlunarmanna, as Cornerstone Investors, has committed to acquire at the Offer Price (and at any such price throughout the Offer Price Range) 76,923,077, 30,769,231, 46,153,846 and 46,153,846 Offer Shares, respectively.
- The offer period commences on Monday 7 June at 9:00 GMT and is expected to close on Tuesday 15 June at 12:00 GMT
- The Financial Supervisory Authority of the Central Bank of Iceland approved the prospectus for the Offering.

- The Board of Directors of the Bank will submit an application for all shares in the Bank to be admitted to trading on the regulated market of Nasdaq Iceland.
- The Selling Shareholder will receive all the net proceeds from the Offering.
- The Treasury of Iceland, directly and indirectly, currently holds 100% of the issued and outstanding ordinary shares of the Bank and following closing of the Offering will hold at least 65% of the Shares.
- The Selling Shareholder will not divest its remaining Shares for a period of 180 days after the first day of trading in the Shares on Nasdaq Iceland, subject to certain exceptions – in line with standard market practice.
- Citigroup Global Markets Europe AG, Íslandsbanki hf. and J.P. Morgan AG are acting as Joint Global Coordinators and Joint Bookrunners of the Offering, alongside the Joint Bookrunners Barclays Bank Ireland PLC, HSBC Continental Europe, Fossar markaðir hf. and Landsbankinn hf., and the Joint Lead Managers Arion Bank hf. and Kvika banki hf., and the Co-Lead Managers Arctica Finance hf., Íslenskir fjárfestar hf. and Íslensk verðbréf hf.

Bjarni Benediktsson, Minister of Finance and Economic Affairs:

*“I am pleased to see Íslandsbanki’s IPO commence following great commitment and work during the last few months. It has long been our goal to reduce the Icelandic state’s significant ownership of the financial market and move towards an order comparable to that of our neighboring countries. The IPO is an important first step in that direction. Furthermore, Íslandsbanki’s listing on the Nasdaq Iceland main market will contribute to a growing Icelandic stock market, with new investment opportunities for the public and professional investors alike.”*

Lárus L. Blöndal, Chairman of the Board of Directors of ISFI:

*“It is a great pleasure to witness the launch of Íslandsbanki’s IPO and an important moment for ISFI. We believe that market conditions are favourable and the offering in line with the decision of the Ministry of Finance. The overall sale process has gone according to plan which can be attributed to enormous efforts by all parties. We are confident that Íslandsbanki will enjoy a stable future as a listed company.”*

Birna Einarsdóttir, CEO of Íslandsbanki:

*“I look forward to presenting Íslandsbanki to potential investors in our forthcoming meetings and setting out our strategy for the continuing development of the Bank. Since my appointment in 2008, Íslandsbanki has established a strong and successful business model, with a proven track record of executing strategic initiatives and driving shareholder value, both in terms of growth and dividend payments. This model has proved its resilience during the challenge of the pandemic and as a result we stand ready to benefit from renewed growth in the Icelandic economy. I embrace the opportunity to begin to return the Bank to private ownership.”*

## Overview of Íslandsbanki

- Íslandsbanki is headquartered in Iceland, its primary market. In December 2020, the Bank had approximately 31% market share in Personal Banking, 35% market share in Business

Banking and 35% market share in Corporate & Investment Banking in Iceland. Íslandsbanki has a BBB/A-2 rating (stable outlook) from S&P Global Ratings.

- Íslandsbanki is a customer-centric universal bank in Iceland with strong positions across the personal, SME, corporate banking sectors, investment banking and asset management.
- The Bank is well-positioned to capture opportunities ahead in the attractive domestic market, as the outlook is vital both in terms of GDP growth and rising interest rates.
- Íslandsbanki leverages its omnichannel delivery model to maintain high customer satisfaction while operating the most efficient domestic branch network.
- The Bank considers itself a digital champion with a state-of-the-art banking platform, investing significantly in digital development and replacing all legacy core systems.
- The Bank is a sustainability frontrunner in Iceland and a global leader in gender equality and has successfully translated sustainability ambitions into differentiated customer propositions. Íslandsbanki is the first Icelandic bank to develop and publish a Sustainable Financing Framework for sustainable loans in its portfolio.
- In addition to being a model of environmental, social, and governance (ESG) in its operations, the Bank is committed to initiating broader collaboration on responsible business practices that contribute to sustainable development in the Icelandic economy.
- Íslandsbanki has a clean and robust balance sheet and a solid foundation to deliver strong financial performance. The Bank has committed itself to ambitious targets and has a clear path to provide increased return on equity (RoE) over the coming years.
- Strong capitalisation provides opportunities for capital return and further RoE growth.

### Key Investment Highlights

- Attractive industry dynamics with a concentrated banking market exhibiting strong capitalisation ratios compared to European peers<sup>1</sup>, the highest level of digital banking penetration in Europe<sup>2</sup>, and an outlook for strong growth.
- Icelandic macro-economic landscape benefiting from proven track record of a fast recovery with a domestic economy that is well positioned to benefit from the on-going re-opening of the global economy from tourism, and a positive interest rate environment.
- The Bank considers itself a digital champion with 99% of customer interactions with individuals through digital channels in 2020, supported by a solid technical foundation, a customer base of which 71% are digital-only, and an efficient omnichannel strategy with the most efficient branch network in Iceland.
- The Bank has a clean and robust balance sheet with a diversified loan portfolio (where mortgages represent the largest category at 37%<sup>3</sup>) and funding structure (of which 54% represent deposits from customers<sup>4</sup>), supported by a disciplined risk management culture of which non-performing loans comprised 2.9% of gross carrying amount as at 31 December 2020 (compared to 3.0% in 2019).

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<sup>1</sup> Source: European Banking Authority

<sup>2</sup> 96% of individuals (Source: Eurostat, 2020)

<sup>3</sup> As of year-end 2020

<sup>4</sup> As of year-end 2020

- The Bank is a prominent domestic universal bank in Iceland with a differentiated and innovative approach and market leading positions across its business segments of Personal Banking, Business Banking, Corporate & Investment Banking and Iceland Funds subsidiary.
- The Bank is a sustainability frontrunner in the Icelandic financial services industry with an ESG-ingrained culture embedded across its banking activities and own operations, and currently holds the highest ESG rating in Iceland as evaluated by Reitun (90 out of 100 points).<sup>5</sup>
- Íslandsbanki is led by a strong and experienced management team with a proven track record of delivery at the Bank, including successful restructuring of the loan book since 2011, rigorous execution of the Bank's strategy towards increased efficiency and competitiveness, and an impactful response to the COVID-19 pandemic.
- The Bank has a solid financial foundation underpinning a clear path towards double-digit return on equity in the medium term, and capital return potential through sustainable ordinary dividends and opportunity for capital optimisation.

### **Expected Timetable**

The timetable below sets forth certain expected key dates for the Offering:

- The offering commences Monday, 7 June 2021, at 9:00 GMT.
- The offering is expected to close on Tuesday, 15 June 2021, at 12:00 GMT (for both institutional and retail investors).
- Determination and announcement of the Offer Price, and number of the Offer Shares, are expected to take place on or about Tuesday, 15 June 2021.
- Results of allocations under the Offer are expected to be notified to investors on Wednesday, 16 June 2021.
- Payment for Offer Shares is expected to take place by Monday, 21 June 2021.
- Admission to trading and commencement of unconditional trading on Nasdaq Iceland is expected at 9:30 GMT on Tuesday, 22 June 2021.
- Delivery of Offer Shares is expected in most cases to occur by Tuesday, 22 June 2021.<sup>6</sup>

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<sup>5</sup> Reitun is an Icelandic rating agency.

<sup>6</sup> Because the final due date for payment of the allocated Offer Shares is set for 21 June 2021, and paid Offer Shares are expected to be delivered to the investors within two business days after payment is received, the estimated final date for delivery of the Offer Shares to investors is no later than 23 June 2021.

## Publication of Prospectus

The prospectus has been published on [Íslandsbanki's website](#) and on the [website of the Financial Supervisory Authority](#).

## Enquiries

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This announcement does not constitute or form a part of any offer or solicitation to purchase or subscribe for, or otherwise invest in, securities to any person in the United States, Australia, Canada, Japan or in any jurisdiction to whom or in which such offer or solicitation is unlawful. The securities referred to herein may not be offered or sold in the United States unless registered under the U.S. Securities Act of 1933, as amended (the “Securities Act”) or offered in a transaction exempt from, or not subject to, the registration requirements of the Securities Act. The proposed offer and sale of securities referred to herein has not been and will not be registered under the Securities Act or under the applicable securities laws of Australia, Canada or Japan. Subject to certain exceptions, the securities referred to herein may not be offered or sold in Australia, Canada or Japan or to, or for the account or benefit of, any national, resident or citizen of Australia, Canada or Japan. There will be no public offer of the securities referred to herein in the United States, Australia, Canada, Japan, or elsewhere.

In any member state of the European Economic Area, other than Iceland, this announcement and any offer if made subsequently is, and will be, directed only at persons who are “qualified investors” within the meaning of Article 2(e) of Regulation (EU) 2017/1129 and amendments thereto.

In the United Kingdom, this announcement is only being distributed to and is directed at “qualified investors” within the meaning of Article 2(e) of Regulation (EU) 2017/1129, as it forms part of domestic law in the United Kingdom by virtue of the European Union (Withdrawal) Act 2018, (a) having professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act (Financial Promotion) Order 2005, as amended (the “Order”); (b) who are high net worth entities described in Article 49(2) (a) to (d) of the Order; or (c) other persons to whom they may lawfully be communicated (all such persons together being referred to as “Relevant Persons”). Any investment or investment activity to which this announcement relates will only be available to and will only be engaged in with Relevant Persons. Any person who is not a Relevant Person should not act or rely on this announcement or any of its contents.

This announcement may include statements that are, or may be deemed to be, “forward-looking statements”. These forward-looking statements may be identified by the use of forward-looking terminology, including the terms “believes”, “estimates”, “plans”, “projects”, “anticipates”, “expects”, “intends”, “may”, “will” or “should” or, in each case, their negative or other variations or comparable terminology, or by discussions of strategy, plans, objectives, goals, future events or intentions. Forward-looking statements may and often do differ materially from actual results. Any forward-looking statements reflect the Bank’s current view with respect to future events and are subject to risks relating to future events and other risks, uncertainties and assumptions relating to the Bank’s

business, results of operations, financial position, liquidity, prospects, growth and strategies. Forward-looking statements speak only as of the date they are made.

Each of the Bank, the Selling Shareholder, Citigroup Global Markets Europe AG, Íslandsbanki hf., J.P. Morgan AG, Barclays Bank Ireland PLC, HSBC Continental Europe, Fossar Markaðir hf., Landsbankinn hf., Arion banki hf., Kvika banki hf., Arctica Finance hf., Íslenskir fjárfestar hf. and Íslensk verðbréf hf. (together, except for the Bank and the Selling Shareholder, the “Managers”) and their respective affiliates as defined under Rule 501(b) of Regulation D of the Securities Act (“affiliates”), expressly disclaims any obligation or undertaking to update, review or revise any forward looking statement contained in this announcement whether as a result of new information, future developments or otherwise, and the distribution of this announcement shall not be deemed to be any form of commitment on the part of the Selling Shareholder to proceed with the Offering or any transaction or arrangement referred to therein.

Any purchase of any securities in the proposed Offering should be made solely on the basis of information contained in the Prospectus which has been issued by the Bank in connection with the Offering. The information in this announcement is subject to change. Before purchasing any securities in the Offering, persons viewing this announcement should ensure that they fully understand and accept the risks which have been set out in the Prospectus. No reliance may be placed for any purpose on the information contained in this announcement or its accuracy or completeness. This announcement shall not form the basis of or constitute any offer or invitation to sell or issue, or any solicitation of any offer to purchase any securities nor shall it (or any part of it) or the fact of its distribution, form the basis of, or be relied on in connection with, any contract therefor.

The date of Admission may be influenced by a variety of factors which include market conditions. The Bank may decide not to go ahead with the Offering and there is therefore no guarantee that Admission will occur. You should not base your financial decision on this announcement. Acquiring investments to which this announcement relates may expose an investor to a significant risk of losing all of the amount invested.

Persons considering making investments should consult an authorised person specialising in advising on such investments. This announcement does not form part of or constitute a recommendation concerning any offer. The value of securities can decrease as well as increase. Potential investors should consult a professional advisor as to the suitability of a possible offer for the person concerned.

None of the Selling Shareholder, the Managers or any of their respective affiliates or any of their or their affiliates’ directors, officers, employees, advisers or agents accepts any responsibility or liability whatsoever for/ or makes any representation or warranty, express or implied, as to the truth, accuracy or completeness of the information in this announcement (or whether any information has been omitted from the announcement) or any other information relating to the Bank, its subsidiaries or associated companies, whether written, oral or in a visual or electronic form, and howsoever transmitted or made available or for any loss howsoever arising from any use of the announcement or its contents or otherwise arising in connection therewith. Accordingly, each of the Selling Shareholder, the Managers, and any of their respective affiliates and any of their or their affiliates’ directors, officers, employees, advisers or agents expressly disclaims, to the fullest extent possible, any and all liability whatsoever for any loss howsoever arising from, or in reliance upon, the whole or any part of the contents of this announcement, whether in tort, contract or otherwise which they might otherwise have in respect of this announcement or its contents or otherwise arising in connection therewith.



Each of the Managers is acting exclusively for the Bank and no-one else in connection with the proposed Offering. They will not regard any other person as their respective clients in relation to the proposed Offering and will not be responsible to anyone other than the Bank for providing the protections afforded to their respective clients, nor for providing advice in relation to the proposed Offering, the contents of this announcement or any transaction, arrangement or other matter referred to herein.

In connection with the Offering, the Managers and any of their respective affiliates, may take up a portion of the Shares as a principal position and in that capacity may retain, purchase, sell, offer to sell or otherwise deal for their own accounts in such Shares and other securities of the Bank or related investments in connection with the Offering or otherwise. Accordingly, references in the Prospectus, to the Shares being issued, offered, subscribed, acquired, placed or otherwise dealt in should be read as including any issue or offer to, or subscription, acquisition, placing or dealing by the Managers and any of their respective affiliates acting in such capacity. In addition, the Managers and any of their respective affiliates may enter into financing arrangements (including swaps or contracts for differences) with investors in connection with which they may from time to time acquire, hold or dispose of Shares. None of the Managers nor any of their respective affiliates intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligations to do so.

Solely for the purposes of the product governance requirements contained within: (a) EU Directive 2014/65/EU on markets in financial instruments, as amended ("MiFID 2"); (b) Articles 9 and 10 of Commission Delegated Directive (EU) 2017/593 supplementing MiFID 2; and (c) local implementing measures (together, the "MiFID 2 Product Governance Requirements"), and disclaiming all and any liability, whether arising in tort, contract or otherwise, which any "manufacturer" (for the purposes of the Product Governance Requirements) may otherwise have with respect thereto, the Shares have been subject to a product approval process, which has determined that such Shares are: (i) compatible with an end target market of retail investors and investors who meet the criteria of professional clients and eligible counterparties, each as defined in MiFID 2; and (ii) eligible for distribution through all distribution channels as are permitted by MiFID 2 (the "Target Market Assessment"). Notwithstanding the Target Market Assessment, distributors should note that: the price of the Shares may decline and investors could lose all or part of their investment; the Shares offer no guaranteed income and no capital protection; and an investment in the Shares is compatible only with investors who do not need a guaranteed income or capital protection, who (either alone or in conjunction with an appropriate financial or other adviser) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may result therefrom. The Target Market Assessment is without prejudice to the requirements of any contractual, legal or regulatory selling restrictions in relation to the Offering. Furthermore, it is noted that, notwithstanding the Target Market Assessment, the Managers will only procure investors who meet the criteria of professional clients and eligible counterparties. For the avoidance of doubt, the Target Market Assessment does not constitute: (a) an assessment of suitability or appropriateness for the purposes of MiFID 2; or (b) a recommendation to any investor or group of investors to invest in, or purchase, or take any other action whatsoever with respect to the Shares. Each distributor is responsible for undertaking its own target market assessment in respect of the Shares and determining appropriate distribution channels.