

3Q2021



Íslandsbanki Factbook

440 4000

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Supplementary information for market participants (Unaudited)

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Investor relations

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Investor relations web-site

<https://www.islandsbanki.is/en/landing/about/investor-relations>

An earnings conference call and webcast in English on Friday 29 October

The Bank will host an investor meeting and webcast in English for investors and market participants on Friday 29 October at 8.30 Reykjavík/GMT, 9.30 London/BST, 10.30 CET. Birna Einarsdóttir, CEO, and Jón Guðni Ómarsson, CFO, will give an overview of the third quarter financial results and operational highlights.

Participant registration is accessible [via this link](#). A recording will be available after the meeting on the Investor Relations website. To participate in the webcast via telephone and in order to be able to ask questions please use the following dial-in details:

Iceland: +354 800 74 37

Denmark: +45 354 45 577

Sweden: +46 8 566 42 651

Norway: +47 235 00 243

United Kingdom: +44 33 330 00 804

United States: +1 631 913 1422

Confirmation Code: 90140657#

Financial calendar

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

4Q21 results — 10 February 2022

Annual General Meeting — 17 March 2022

1Q22 results — 5 May 2022

2Q22 results — 28 July 2022

3Q22 results — 27 October 2022

Please note that these 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 is also available:

<https://www.islandsbanki.is/en/landing/about/investor-relations>

Key performance indicators - 5 years

| | 9M21 | 2020 | 2019 | 2018 | 2017 |
|--|-----------|-----------|---------|---------|---------|
| Profitability | | | | | |
| Return on equity ¹ | 11.7% | 3.7% | 4.8% | 6.1% | 7.5% |
| Return on assets ¹ | 1.6% | 0.5% | 0.7% | 1.0% | 1.3% |
| Earnings per share | 8.25 | 3.58 | 4.59 | 5.06 | 5.50 |
| Core income / total operating income ² | 0.93 | 1.02 | 0.97 | 0.98 | 0.99 |
| Net interest margin | | | | | |
| Net interest margin on total assets ¹ | 2.4% | 2.6% | 2.7% | 2.9% | 2.9% |
| Efficiency | | | | | |
| Cost-to-income ratio ³ | 46.6% | 54.3% | 58.8% | 66.3% | 62.5% |
| Cost-to-total assets ratio ¹ | 1.64% | 1.82% | 2.11% | 2.57% | 2.67% |
| Cost of risk ¹ | -0.30% | 0.91% | 0.39% | -0.20% | -0.21% |
| Number of FTEs at period end - Consolidated ⁴ | 763 | 779 | 984 | 1,075 | 1,042 |
| Number of FTEs at period end - Parent ⁴ | 730 | 745 | 749 | 834 | 860 |
| Number of branches at period end | 12 | 12 | 14 | 14 | 14 |
| Assets | | | | | |
| Loans to customers (ISKm) | 1,081,418 | 1,006,717 | 899,632 | 846,599 | 755,175 |
| LTV on mortgages to individuals ⁵ | 66.0% | 64.0% | 62.0% | 61.0% | 63.3% |
| Risk exposure amount / total assets | 63.0% | 69.4% | 73.7% | 74.8% | 74.9% |
| Non-performing loans (NPL) ratio ⁶ | 2.0% | 2.9% | 3.0% | 2.0% | 1.0% |
| Asset encumbrance ratio | 18.9% | 18.7% | 18.1% | 18.0% | 15.2% |
| Financial strength | | | | | |
| Equity as % of total assets | 13.6% | 13.9% | 15.0% | 15.6% | 17.5% |
| Liquidity | | | | | |
| Net stable funding ratio (NSFR) - All currencies | 121% | 123% | 119% | 114% | 117% |
| Net stable funding ratio (NSFR) - Foreign currencies | 166% | 179% | 156% | 149% | 122% |
| Liquidity coverage ratio (LCR) - All currencies | 225% | 196% | 155% | 172% | 142% |
| Liquidity coverage ratio (LCR) - Domestic currency | 124% | 95% | 110% | n.a. | n.a. |
| Liquidity coverage ratio (LCR) - Foreign currencies | 384% | 463% | 325% | 544% | 155% |
| Term deposits % of total deposits | 20.3% | 24.6% | 28.0% | 27.1% | 29.4% |
| Customer loans to customer deposits ratio | 143% | 148% | 145% | 146% | 133% |
| Capital | | | | | |
| CET 1 ratio ⁷ | 20.6% | 20.1% | 19.9% | 20.3% | 22.6% |
| Tier 1 ratio ⁷ | 21.8% | 20.1% | 19.9% | 20.3% | 22.6% |
| Total capital ratio ⁷ | 24.7% | 23.0% | 22.4% | 22.2% | 24.1% |
| Leverage ratio ⁷ | 13.2% | 13.6% | 14.2% | 14.6% | 16.2% |
| Risk exposure amount (ISKm) | 917,764 | 933,521 | 884,550 | 845,949 | 775,492 |

1. Calculated based on annualised figures.

2. Core income is defined as net interest income plus net fee & commission income.

3. Calculated as (Administrative expenses + Contribution to the Depositors' and Investors' Guarantee Fund – One-off items) / (Total operating income – One-off items).

4. Numbers exclude seasonal employees.

5. The average LTV can be calculated in many different ways and therefore the definition is important for comparison to other banks.

The weight is Íslandsbanki's total amount outstanding on the property and the LTV used is the maximum LTV of all Íslandsbanki's loans of the property.

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

7. Including third quarter profit.

Income statement - 5 year summary

| ISK million | 9M21 | 2020 | 2019 | 2018 | 2017 |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|
| Interest income | 42,455 | 55,695 | 61,965 | 61,675 | 56,767 |
| Interest expense | (17,056) | (22,324) | (29,143) | (29,738) | (26,768) |
| Net interest income | 25,399 | 33,371 | 32,822 | 31,937 | 29,999 |
| Fee and commission income | 10,776 | 12,651 | 12,052 | 19,853 | 20,855 |
| Fee and commission expense | (1,580) | (2,126) | (1,153) | (7,626) | (7,105) |
| Net fee and commission income | 9,196 | 10,525 | 10,899 | 12,227 | 13,750 |
| Net financial income (expense) | 1,853 | (1,391) | (820) | (962) | (715) |
| Net foreign exchange gain | 320 | 451 | 139 | 1 | 527 |
| Other operating income | 286 | 197 | 2,125 | 1,784 | 628 |
| Other net operating income | 2,459 | (743) | 1,444 | 823 | 440 |
| Total operating income | 37,054 | 43,153 | 45,165 | 44,987 | 44,189 |
| Administrative expenses | (17,428) | (22,746) | (24,488) | (27,650) | (26,968) |
| Contribution to the Depositors' and Investors' Guarantee Fund | (517) | (679) | (936) | (1,173) | (1,083) |
| Bank tax | (1,294) | (1,588) | (3,528) | (3,281) | (2,892) |
| Total operating expenses | (19,239) | (25,013) | (28,952) | (32,104) | (30,943) |
| Profit before net impairment on financial assets | 17,815 | 18,140 | 16,213 | 12,883 | 13,246 |
| Net impairment on financial assets | 2,379 | (8,816) | (3,480) | 1,584 | 1,556 |
| Profit before tax | 20,194 | 9,324 | 12,733 | 14,467 | 14,802 |
| Income tax expense | (3,703) | (2,472) | (3,909) | (4,734) | (4,151) |
| Profit for the period from continuing operations | 16,491 | 6,852 | 8,824 | 9,733 | 10,651 |
| Discontinued operations held for sale, net of income tax | 142 | (97) | (370) | 912 | 2,575 |
| Profit for the period | 16,633 | 6,755 | 8,454 | 10,645 | 13,226 |
| Basic earnings per share from profit for the period | 8.25 | 3.58 | 4.59 | 5.06 | 5.50 |

Balance sheet - 5 year summary

| ISK million | 30.9.21 | 2020 | 2019 | 2018 | 2017 |
|--|------------------|------------------|------------------|------------------|------------------|
| Cash and balances with Central Bank | 110,233 | 78,948 | 146,638 | 135,056 | 189,045 |
| Loans to credit institutions | 81,117 | 89,920 | 54,376 | 41,577 | 26,617 |
| Bonds and debt instruments | 123,599 | 128,216 | 52,870 | 69,415 | 27,090 |
| Derivatives | 2,374 | 6,647 | 5,621 | 4,550 | 2,896 |
| Loans to customers | 1,081,418 | 1,006,717 | 899,632 | 846,599 | 755,175 |
| Shares and equity instruments | 31,456 | 14,851 | 18,426 | 13,074 | 10,177 |
| Investments in associates | 952 | 775 | 746 | 682 | 704 |
| Property and equipment | 7,082 | 7,341 | 9,168 | 5,271 | 7,128 |
| Intangible assets | 3,249 | 3,478 | 4,330 | 5,002 | 4,231 |
| Other assets | 13,954 | 4,125 | 6,608 | 9,177 | 12,759 |
| Non-current assets and disposal groups held for sale | 938 | 3,173 | 1,075 | - | - |
| Total Assets | 1,456,372 | 1,344,191 | 1,199,490 | 1,130,403 | 1,035,822 |
| Deposits from Central Bank and credit institutions | 20,409 | 39,758 | 30,925 | 15,619 | 11,189 |
| Deposits from customers | 754,442 | 679,455 | 618,313 | 578,959 | 567,029 |
| Derivative instruments and short positions | 10,869 | 6,936 | 6,219 | 5,521 | 5,492 |
| Debt issued and other borrowed funds | 397,672 | 387,274 | 306,381 | 300,976 | 217,748 |
| Subordinated loans | 36,923 | 27,194 | 22,674 | 16,216 | 9,505 |
| Tax liabilities | 6,256 | 5,450 | 7,853 | 7,150 | 7,787 |
| Other liabilities | 32,420 | 11,920 | 27,063 | 29,649 | 36,027 |
| Total Liabilities | 1,258,991 | 1,157,987 | 1,019,428 | 954,090 | 854,777 |
| Share capital | 10,000 | 10,000 | 10,000 | 10,000 | 10,000 |
| Share premium | 55,000 | 55,000 | 55,000 | 55,000 | 55,000 |
| Reserves | 5,738 | 6,181 | 7,065 | 6,499 | 6,179 |
| Retained earnings | 126,653 | 113,529 | 105,569 | 102,496 | 107,387 |
| Total Shareholder's Equity | 197,391 | 184,710 | 177,634 | 173,995 | 178,566 |
| Non-controlling interests | (10) | 1,494 | 2,428 | 2,318 | 2,479 |
| Total Equity | 197,381 | 186,204 | 180,062 | 176,313 | 181,045 |
| Total Liabilities and Equity | 1,456,372 | 1,344,191 | 1,199,490 | 1,130,403 | 1,035,822 |

Net interest income - 5 year summary

| ISK million | 9M21 | 2020 | 2019 | 2018 | 2017 |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|
| Cash and balances with Central Bank | 556 | 1,750 | 4,452 | 7,279 | 10,541 |
| Loans to credit institutions | 103 | 215 | 812 | 543 | 224 |
| Loans to customers | 40,246 | 51,413 | 54,025 | 51,919 | 44,938 |
| Financial assets mandatorily at fair value through profit or loss | 1,544 | 2,314 | 2,630 | 1,825 | - |
| Financial assets designated at fair value through profit or loss | - | - | - | - | 50 |
| Financial assets held for trading | - | - | - | - | 879 |
| Other assets | 6 | 3 | 46 | 109 | 135 |
| Total interest income | 42,455 | 55,695 | 61,965 | 61,675 | 56,767 |
| Deposits from Central Bank and credit institutions | (254) | (736) | (625) | (409) | (170) |
| Deposits from customers | (4,520) | (7,700) | (15,242) | (16,539) | (17,461) |
| Debt issued and other borrowed funds at fair value through profit and loss | (547) | (608) | (734) | (963) | - |
| Debt issued and other borrowed funds at amortised cost | (9,966) | (11,179) | (9,818) | (9,035) | (8,107) |
| Subordinated loans | (518) | (763) | (501) | (198) | (14) |
| Other liabilities | (1,251) | (1,338) | (2,223) | (2,594) | (1,016) |
| Total interest expense | (17,056) | (22,324) | (29,143) | (29,738) | (26,768) |
| Net interest income | 25,399 | 33,371 | 32,822 | 31,937 | 29,999 |
| Net interest income on loans¹ | | | | | |
| Personal Banking | 5,665 | 5,835 | 3,868 | 3,838 | n.a. |
| Business Banking | 5,926 | 7,702 | 6,010 | 5,276 | n.a. |
| Corporate & Investment Banking | 5,900 | 6,986 | 5,292 | 4,578 | n.a. |
| Total net interest income on loans | 17,491 | 20,523 | 15,170 | 13,692 | - |
| Net interest income on deposits¹ | | | | | |
| Personal Banking | 3,217 | 4,761 | 5,832 | 5,239 | n.a. |
| Business Banking | 2,002 | 2,628 | 3,629 | 3,321 | n.a. |
| Corporate & Investment Banking | 668 | 930 | 1,045 | 1,160 | n.a. |
| Total net interest income on deposits | 5,887 | 8,319 | 10,506 | 9,720 | - |

1. 2017 numbers are not applicable due to structural changes.

Net fee & commission income - 5 year summary

| ISK million | 9M21 | 2020 | 2019 | 2018 | 2017 |
|---|----------------|----------------|----------------|----------------|----------------|
| Asset management | 2,129 | 2,382 | 2,225 | 2,116 | 1,964 |
| Investment banking and brokerage | 2,399 | 2,487 | 2,430 | 2,303 | 2,280 |
| Payment processing | 3,339 | 4,378 | 3,810 | 12,065 | 13,094 |
| Loans and guarantees | 1,604 | 2,014 | 1,510 | 1,467 | 1,427 |
| Other fee and commission income | 1,305 | 1,390 | 2,077 | 1,902 | 2,090 |
| Total fees and commission income | 10,776 | 12,651 | 12,052 | 19,853 | 20,855 |
| Brokerage | (317) | (360) | (337) | (300) | (128) |
| Clearing and settlement | (1,255) | (1,766) | (806) | (7,302) | (6,956) |
| Other fee and commission expense | (8) | - | (10) | (24) | (21) |
| Total fee and commission expense | (1,580) | (2,126) | (1,153) | (7,626) | (7,105) |
| Net fee and commission income | 9,196 | 10,525 | 10,899 | 12,227 | 13,750 |

Loans to customers - 5 year summary

| ISK million | 30.9.21 | 2020 | 2019 | 2018 | 2017 |
|--|------------------|------------------|----------------|----------------|----------------|
| Individuals | 513,555 | 437,377 | 349,181 | 319,390 | 299,350 |
| Commerce and services | 164,167 | 124,260 | 126,488 | 124,242 | 112,144 |
| Construction | 36,193 | 42,352 | 44,420 | 29,095 | 24,797 |
| Energy | 9,508 | 8,673 | 7,887 | 6,858 | 7,109 |
| Financial services | 2,025 | 1,539 | 2,315 | 1,704 | 26 |
| Industrial and transportation | 89,750 | 78,561 | 82,288 | 79,824 | 69,961 |
| Investment companies | 22,567 | 23,440 | 23,590 | 23,799 | 19,726 |
| Public sector and non-profit organisations | 9,919 | 10,911 | 12,312 | 12,087 | 11,871 |
| Real estate | 114,519 | 157,502 | 145,559 | 142,885 | 127,067 |
| Seafood | 119,215 | 122,102 | 105,592 | 106,715 | 84,853 |
| Loans to customers before collective impairment allowance | 1,081,418 | 1,006,717 | 899,632 | 846,599 | 756,904 |
| Collective impairment allowance | - | - | - | - | (1,729) |
| Loans to customers | 1,081,418 | 1,006,717 | 899,632 | 846,599 | 755,175 |

Loans to customers - by product

| | | | | | |
|--|------------------|------------------|----------------|----------------|----------------|
| Overdrafts | 37,915 | 42,212 | 48,938 | 48,581 | 45,650 |
| Credit cards | 17,843 | 16,888 | 19,026 | 18,242 | 18,800 |
| Mortgages | 450,760 | 377,155 | 281,499 | 249,296 | 225,765 |
| Capital leases | 45,671 | 44,194 | 45,623 | 45,116 | 40,765 |
| Government guarantee schemes | 4,206 | 3,594 | - | - | - |
| Other loans | 525,023 | 522,674 | 504,546 | 485,364 | 425,924 |
| Loans to customers before collective impairment allowance | 1,081,418 | 1,006,717 | 899,632 | 846,599 | 756,904 |
| Collective impairment allowance | - | - | - | - | (1,729) |
| Loans to customers | 1,081,418 | 1,006,717 | 899,632 | 846,599 | 755,175 |

Capital and risk exposure amount - 5 year summary

| ISK million | 30.9.21 | 2020 | 2019 | 2018 | 2017 |
|---|----------------|----------------|----------------|----------------|----------------|
| Ordinary share capital | 10,000 | 10,000 | 10,000 | 10,000 | 10,000 |
| Share premium | 55,000 | 55,000 | 55,000 | 55,000 | 55,000 |
| Reserves | 5,738 | 6,181 | 7,065 | 6,499 | 6,179 |
| Retained earnings | 126,653 | 113,529 | 105,569 | 102,496 | 107,387 |
| Unaudited interim net earnings | (7,587) | - | - | - | - |
| Non-controlling interests | (10) | 1,494 | 2,428 | 2,318 | 2,479 |
| IFRS 9 reversal due to transitional rules | 3,239 | 5,164 | - | - | - |
| Fair value changes due to own credit standing | 1,096 | 238 | 392 | 376 | - |
| Expected or proposed dividend payment | (4,523) | - | - | - | - |
| Tax assets | (826) | (259) | (476) | (215) | (4) |
| Intangible assets | (3,249) | (3,478) | (4,330) | (5,002) | (4,231) |
| Other regulatory adjustments | - | - | - | - | (1,285) |
| Total CET1 capital | 185,531 | 187,869 | 175,648 | 171,472 | 175,525 |
| Additional Tier 1 capital | 11,000 | - | - | - | - |
| Tier 1 capital | 196,531 | 187,869 | 175,648 | 171,472 | 175,525 |
| Qualifying subordinated loans | 25,923 | 27,194 | 22,674 | 16,216 | 9,505 |
| Tier 2 capital | 25,923 | 27,194 | 22,674 | 16,216 | 9,505 |
| General credit risk adjustments | - | - | - | - | 1,729 |
| Total capital base | 222,454 | 215,063 | 198,322 | 187,688 | 186,759 |
| Risk exposure amount | | | | | |
| - due to credit risk | 818,932 | 830,141 | 789,180 | 750,801 | 682,525 |
| - due to market risk: | 12,659 | 16,626 | 7,919 | 7,622 | 8,102 |
| Market risk, trading book | 11,408 | 11,306 | 6,488 | 6,649 | 6,709 |
| Currency risk | 1,251 | 5,320 | 1,431 | 973 | 1,393 |
| - due to credit valuation adjustment | 1,147 | 1,728 | 2,027 | 2,385 | 1,534 |
| - due to operational risk | 85,026 | 85,026 | 85,424 | 85,141 | 83,331 |
| Total risk exposure amount | 917,764 | 933,521 | 884,550 | 845,949 | 775,492 |
| Capital ratios | | | | | |
| CET 1 ratio ¹ | 20.6% | 20.1% | 19.9% | 20.3% | 22.6% |
| Tier 1 ratio ¹ | 21.8% | 20.1% | 19.9% | 20.3% | 22.6% |
| Total capital ratio ¹ | 24.7% | 23.0% | 22.4% | 22.2% | 24.1% |
| Leverage ratio ¹ | 13.2% | 13.6% | 14.2% | 14.6% | 16.2% |

1. Including third quarter profit.

Average balances - 5 year summary

| ISK million | 9M21 | 2020 | 2019 | 2018 | 2017 |
|--|-----------|-----------|-----------|-----------|-----------|
| Average assets | | | | | |
| Personal Banking | 466,680 | 355,295 | 317,383 | 299,603 | n.a. |
| Business Banking | 237,145 | 237,632 | 233,470 | 225,408 | n.a. |
| Corporate & Investment Banking | 366,055 | 360,690 | 340,161 | 323,807 | n.a. |
| Íslandsbanki | 1,400,789 | 1,285,310 | 1,206,090 | 1,120,084 | 1,051,241 |
| Average equity | | | | | |
| Personal Banking | 35,405 | 30,995 | 28,222 | 24,632 | n.a. |
| Business Banking | 36,886 | 38,549 | 38,503 | 37,255 | n.a. |
| Corporate & Investment Banking | 62,683 | 61,792 | 58,972 | 57,200 | n.a. |
| Íslandsbanki | 189,488 | 181,587 | 176,967 | 174,183 | 176,891 |
| Average loans to customers | | | | | |
| Personal Banking | 463,349 | 351,584 | 315,128 | 299,429 | n.a. |
| Business Banking | 235,010 | 234,955 | 230,040 | 219,608 | n.a. |
| Corporate & Investment Banking | 360,236 | 355,760 | 336,244 | 322,974 | n.a. |
| Íslandsbanki ¹ | 1,058,595 | 942,299 | 881,412 | 842,011 | - |
| Average deposits from customers | | | | | |
| Personal Banking | 330,586 | 306,871 | 279,627 | 275,265 | n.a. |
| Business Banking | 205,721 | 183,604 | 172,247 | 167,463 | n.a. |
| Corporate & Investment Banking | 138,961 | 130,655 | 107,431 | 101,417 | n.a. |
| Íslandsbanki ¹ | 675,268 | 621,130 | 559,305 | 544,145 | - |

2018 is year-end number for segments and 2017 numbers are not applicable due to structural changes.

Average balances are calculated using month-end figures, including previous period end figure.

1. Sum of average loans to customers and sum of average deposits for Personal Banking, Business Banking and Corporate & Investment Banking

Key performance indicators - 9 quarters

| | 3Q21 | 2Q21 | 1Q21 | 4Q20 | 3Q20 | 2Q20 | 1Q20 | 4Q19 | 3Q19 |
|--|-----------|-----------|-----------|-----------|---------|---------|---------|---------|---------|
| Profitability | | | | | | | | | |
| Return on equity ¹ | 15.7% | 11.6% | 7.7% | 7.6% | 7.4% | 2.8% | -3.0% | 3.7% | 4.7% |
| Return on assets ¹ | 2.1% | 1.6% | 1.1% | 1.1% | 1.0% | 0.4% | -0.4% | 0.5% | 0.7% |
| Earnings per share | 3.75 | 2.70 | 1.80 | 1.68 | 1.54 | 0.87 | (0.50) | 0.96 | 1.07 |
| Core income / total operating income ² | 0.92 | 0.93 | 0.95 | 0.92 | 1.01 | 0.99 | 1.18 | 0.98 | 1.04 |
| Net interest margin | | | | | | | | | |
| Net interest margin on total assets ¹ | 2.4% | 2.4% | 2.4% | 2.5% | 2.5% | 2.6% | 2.8% | 2.7% | 2.7% |
| Efficiency | | | | | | | | | |
| Cost-to-income ratio ^{3,7} | 39.4% | 49.9% | 51.3% | 51.7% | 46.7% | 57.5% | 62.9% | 62.9% | 56.3% |
| Cost-to-total assets ratio ^{1,7} | 1.45% | 1.74% | 1.75% | 1.88% | 1.57% | 1.90% | 1.93% | 2.18% | 1.89% |
| Cost of risk ¹ | -0.64% | -0.42% | 0.20% | 0.73% | 0.44% | 1.03% | 1.51% | 0.64% | 0.09% |
| Number of FTEs at period end - Consolidated ⁴ | 763 | 768 | 774 | 779 | 778 | 770 | 780 | 984 | 1,022 |
| Number of FTEs at period end - Parent ⁴ | 730 | 733 | 739 | 745 | 744 | 735 | 746 | 749 | 784 |
| Asset quality | | | | | | | | | |
| Loans to customers (ISKm) | 1,081,418 | 1,089,723 | 1,029,415 | 1,006,717 | 970,309 | 933,320 | 923,850 | 899,632 | 909,175 |
| LTV on mortgages to individuals ⁵ | 66.0% | 66.0% | 65.0% | 64.0% | 64.0% | 63.0% | 62.0% | 62.0% | 61.0% |
| Risk exposure amount / total assets | 63.0% | 63.9% | 68.9% | 69.4% | 70.9% | 70.8% | 72.6% | 73.7% | 74.0% |
| Non-performing loans (NPL) ratio ⁶ | 2.0% | 2.1% | 2.4% | 2.9% | 3.3% | 3.6% | 2.8% | 3.0% | 2.8% |
| Asset encumbrance ratio | 18.9% | 18.9% | 18.3% | 18.7% | 17.3% | 17.9% | 18.2% | 18.1% | 17.6% |
| Financial strength | | | | | | | | | |
| Equity as % of total assets | 13.6% | 13.2% | 13.4% | 13.9% | 13.7% | 13.8% | 14.3% | 15.0% | 14.4% |
| Liquidity | | | | | | | | | |
| Net stable funding ratio (NSFR) - All currencies | 121% | 122% | 119% | 123% | 113% | 117% | 120% | 119% | 117% |
| Net stable funding ratio (NSFR) - Foreign currencies | 166% | 154% | 182% | 179% | 149% | 147% | 151% | 156% | 163% |
| Liquidity coverage ratio (LCR) | 225% | 187% | 172% | 196% | 136% | 179% | 177% | 155% | 174% |
| Liquidity coverage ratio (LCR) - Domestic currency | 124% | 133% | 93% | 95% | 96% | 119% | n.a. | 110% | n.a. |
| Liquidity coverage ratio (LCR) - Foreign currencies | 384% | 287% | 235% | 463% | 405% | 325% | 324% | 325% | 484% |
| Term deposits % of total deposits | 20.3% | 20.3% | 24.4% | 24.6% | 25.0% | 25.7% | 27.4% | 28.0% | 28.5% |
| Customer loans to customer deposits ratio | 143% | 142% | 147% | 148% | 139% | 137% | 143% | 145% | 149% |
| Capital | | | | | | | | | |
| CET 1 ratio ⁸ | 20.6% | 20.1% | 19.2% | 20.1% | 19.4% | 19.4% | 19.2% | 19.9% | 19.0% |
| Tier 1 ratio ⁸ | 21.8% | 20.1% | 19.2% | 20.1% | 19.4% | 19.4% | 19.2% | 19.9% | 19.0% |
| Total capital ratio ⁸ | 24.7% | 22.9% | 21.9% | 23.0% | 22.2% | 22.2% | 21.9% | 22.4% | 21.4% |
| Leverage ratio ⁸ | 13.2% | 12.4% | 12.6% | 13.6% | 13.4% | 13.4% | 13.5% | 14.2% | 13.6% |
| Risk exposure amount (ISKm) | 917,764 | 924,375 | 954,712 | 933,521 | 942,339 | 923,133 | 911,375 | 884,550 | 912,843 |

1. Calculated based on annualised figures.

2. Core income is defined as net interest income plus net fee & commission income.

3. Calculated as (Administrative expenses + Contribution to the Depositors' and Investors' Guarantee Fund – One-off items) / (Total operating income – One-off items).

4. Numbers exclude seasonal employees.

5. The average LTV can be calculated in many different ways and therefore the definition is important for comparison to other banks.

The weight is Íslandsbanki's total amount outstanding on the property and the LTV used is the maximum LTV of all Íslandsbanki's loans of the property.

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

7. IPO costs in 1Q21 were not adjusted for when 1Q21 results were published.

8. Including third quarter profit.

Income statement - 9 quarter summary

| ISK million | 3Q21 | 2Q21 | 1Q21 | 4Q20 | 3Q20 | 2Q20 | 1Q20 | 4Q19 | 3Q19 |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Net interest income | 8,792 | 8,417 | 8,190 | 8,258 | 8,305 | 8,228 | 8,580 | 8,291 | 8,190 |
| Net fee and commission income | 3,427 | 2,907 | 2,862 | 2,865 | 2,862 | 2,307 | 2,491 | 2,945 | 2,549 |
| Net financial income (expense) | 941 | 619 | 293 | 783 | (255) | (181) | (1,738) | (840) | (602) |
| Net foreign exchange gain (loss) | 95 | 95 | 130 | 87 | 101 | 208 | 55 | 116 | 159 |
| Other operating income | 82 | 82 | 123 | 63 | 44 | 71 | 19 | 920 | 37 |
| Other net operating income | 1,118 | 796 | 546 | 933 | (110) | 98 | (1,664) | 196 | (406) |
| Total operating income | 13,337 | 12,120 | 11,598 | 12,056 | 11,057 | 10,633 | 9,407 | 11,432 | 10,333 |
| Administrative expenses | (5,088) | (6,488) | (5,852) | (6,073) | (5,110) | (5,871) | (5,692) | (6,447) | (5,608) |
| Contribution to the Depositors' and Investors' Guarantee Fund | (173) | (162) | (183) | (154) | (50) | (247) | (228) | (216) | (210) |
| Bank tax | (433) | (451) | (410) | (414) | (416) | (399) | (359) | (814) | (900) |
| Total operating expenses | (5,694) | (7,101) | (6,445) | (6,641) | (5,576) | (6,517) | (6,279) | (7,477) | (6,718) |
| Profit before net impairment on financial assets | 7,643 | 5,019 | 5,153 | 5,415 | 5,481 | 4,116 | 3,128 | 3,955 | 3,615 |
| Net impairment on financial assets | 1,757 | 1,140 | (518) | (1,829) | (1,058) | (2,439) | (3,490) | (1,463) | (208) |
| Profit (loss) before tax | 9,400 | 6,159 | 4,635 | 3,586 | 4,423 | 1,677 | (362) | 2,492 | 3,407 |
| Income tax expense | (1,898) | (769) | (1,036) | (234) | (1,350) | (119) | (769) | (659) | (1,328) |
| Profit (loss) for the period from continuing operations | 7,502 | 5,390 | 3,599 | 3,352 | 3,073 | 1,558 | (1,131) | 1,833 | 2,079 |
| Discontinued operations held for sale, net of income tax | 85 | 41 | 16 | 173 | 288 | (313) | (245) | (174) | 7 |
| Profit (loss) for the period | 7,587 | 5,431 | 3,615 | 3,525 | 3,361 | 1,245 | (1,376) | 1,659 | 2,086 |

Balance sheet - 9 quarter summary

| ISK million | 30.9.21 | 30.6.21 | 31.3.21 | 31.12.20 | 30.9.20 | 30.6.20 | 31.3.20 | 31.12.19 | 30.9.19 |
|--|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Cash and balances with Central Bank | 110,233 | 130,968 | 88,748 | 78,948 | 95,022 | 103,569 | 123,062 | 146,638 | 129,115 |
| Loans to credit institutions | 81,117 | 57,793 | 103,333 | 89,920 | 61,898 | 70,307 | 84,263 | 54,376 | 66,409 |
| Bonds and debt instruments | 123,599 | 110,499 | 103,627 | 128,216 | 149,426 | 140,422 | 69,368 | 52,870 | 73,899 |
| Derivatives | 2,374 | 2,649 | 2,536 | 6,647 | 3,731 | 6,366 | 4,772 | 5,621 | 5,438 |
| Loans to customers | 1,081,418 | 1,089,723 | 1,029,415 | 1,006,717 | 970,309 | 933,320 | 923,850 | 899,632 | 909,175 |
| Shares and equity instruments | 31,456 | 31,751 | 25,763 | 14,851 | 14,657 | 10,943 | 12,496 | 18,426 | 19,200 |
| Investments in associates | 952 | 911 | 841 | 775 | 750 | 750 | 712 | 746 | 687 |
| Property and equipment | 7,082 | 7,246 | 7,191 | 7,341 | 7,409 | 7,549 | 8,015 | 9,168 | 9,442 |
| Intangible assets | 3,249 | 3,307 | 3,357 | 3,478 | 3,554 | 3,667 | 3,736 | 4,330 | 4,709 |
| Other assets | 13,954 | 10,474 | 17,566 | 4,125 | 17,159 | 6,370 | 5,154 | 6,608 | 15,781 |
| Non-current assets and disposal groups held for sale | 938 | 1,539 | 2,858 | 3,173 | 4,809 | 19,993 | 20,263 | 1,075 | - |
| Total Assets | 1,456,372 | 1,446,860 | 1,385,235 | 1,344,191 | 1,328,724 | 1,303,256 | 1,255,691 | 1,199,490 | 1,233,855 |
| Deposits from Central Bank and credit institutions | 20,409 | 32,240 | 31,565 | 39,758 | 36,438 | 35,461 | 33,773 | 30,925 | 31,808 |
| Deposits from customers | 754,442 | 765,614 | 698,575 | 679,455 | 698,610 | 681,223 | 647,795 | 618,313 | 610,281 |
| Derivative instruments and short positions | 10,869 | 10,079 | 9,533 | 6,936 | 8,406 | 7,519 | 12,045 | 6,219 | 7,910 |
| Debt issued and other borrowed funds | 397,672 | 398,786 | 398,225 | 387,274 | 324,752 | 321,803 | 322,280 | 306,381 | 331,938 |
| Subordinated loans | 36,923 | 25,297 | 25,259 | 27,194 | 26,798 | 25,834 | 24,456 | 22,674 | 21,993 |
| Tax liabilities | 6,256 | 6,025 | 5,947 | 5,450 | 7,137 | 6,438 | 8,155 | 7,853 | 10,127 |
| Other liabilities | 32,420 | 18,464 | 30,660 | 11,920 | 44,074 | 45,256 | 27,645 | 27,063 | 41,814 |
| Total Liabilities | 1,258,991 | 1,256,505 | 1,199,764 | 1,157,987 | 1,146,215 | 1,123,534 | 1,076,149 | 1,019,428 | 1,055,871 |
| Share capital | 10,000 | 10,000 | 10,000 | 10,000 | 10,000 | 10,000 | 10,000 | 10,000 | 10,000 |
| Share premium | 55,000 | 55,000 | 55,000 | 55,000 | 55,000 | 55,000 | 55,000 | 55,000 | 55,000 |
| Reserves | 5,738 | 5,401 | 6,353 | 6,181 | 7,258 | 7,262 | 8,016 | 7,065 | 6,801 |
| Retained earnings | 126,653 | 119,535 | 113,335 | 113,529 | 108,383 | 105,681 | 104,349 | 105,569 | 103,785 |
| Total Shareholder's Equity | 197,391 | 189,936 | 184,688 | 184,710 | 180,641 | 177,943 | 177,365 | 177,634 | 175,586 |
| Non-controlling interests | (10) | 419 | 783 | 1,494 | 1,868 | 1,779 | 2,177 | 2,428 | 2,398 |
| Total Equity | 197,381 | 190,355 | 185,471 | 186,204 | 182,509 | 179,722 | 179,542 | 180,062 | 177,984 |
| Total Liabilities and Equity | 1,456,372 | 1,446,860 | 1,385,235 | 1,344,191 | 1,328,724 | 1,303,256 | 1,255,691 | 1,199,490 | 1,233,855 |

Net interest income - 9 quarter summary

| ISK million | 3Q21 | 2Q21 | 1Q21 | 4Q20 | 3Q20 | 2Q20 | 1Q20 | 4Q19 | 3Q19 |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Cash and balances with Central Bank | 298 | 153 | 105 | 105 | 235 | 408 | 1,002 | 1,009 | 993 |
| Loans to credit institutions | 61 | 21 | 21 | 14 | 16 | 33 | 152 | 162 | 192 |
| Loans to customers | 13,272 | 14,754 | 12,220 | 12,497 | 12,985 | 13,993 | 11,938 | 13,111 | 13,002 |
| Financial assets mandatorily at fair value through profit or loss | 684 | 424 | 436 | 661 | 583 | 519 | 551 | 606 | 743 |
| Other assets | 3 | 1 | 2 | - | 1 | - | 2 | 14 | 10 |
| Total interest income | 14,318 | 15,353 | 12,784 | 13,277 | 13,820 | 14,953 | 13,645 | 14,902 | 14,940 |
| Deposits from Central Bank and credit institutions | (63) | (98) | (93) | (124) | (192) | (199) | (221) | (237) | (159) |
| Deposits from customers | (1,400) | (1,925) | (1,195) | (1,376) | (1,625) | (2,236) | (2,463) | (3,064) | (3,475) |
| Debt issued and other borrowed funds at fair value through profit and loss | (183) | (179) | (185) | (162) | (150) | (154) | (142) | (176) | (184) |
| Debt issued and other borrowed funds at amortised cost | (3,219) | (4,096) | (2,651) | (2,826) | (2,979) | (3,327) | (2,047) | (2,414) | (2,271) |
| Subordinated loans | (179) | (176) | (163) | (193) | (211) | (193) | (166) | (160) | (168) |
| Other liabilities | (482) | (462) | (307) | (338) | (358) | (616) | (26) | (560) | (493) |
| Total interest expense | (5,526) | (6,936) | (4,594) | (5,019) | (5,515) | (6,725) | (5,065) | (6,611) | (6,750) |
| Net interest income | 8,792 | 8,417 | 8,190 | 8,258 | 8,305 | 8,228 | 8,580 | 8,291 | 8,190 |
| Net interest income on loans | | | | | | | | | |
| Personal Banking | 1,887 | 1,892 | 1,885 | 1,794 | 1,562 | 1,354 | 1,155 | 1,062 | 968 |
| Business Banking | 1,986 | 1,967 | 1,973 | 2,042 | 2,038 | 1,932 | 1,690 | 1,605 | 1,493 |
| Corporate & Investment Banking | 2,045 | 1,975 | 1,881 | 1,848 | 1,829 | 1,726 | 1,587 | 1,447 | 1,305 |
| Total net interest income on loans | 5,918 | 5,739 | 5,739 | 5,684 | 5,429 | 5,012 | 4,432 | 4,114 | 3,766 |
| Net interest income on deposits | | | | | | | | | |
| Personal Banking | 1,152 | 1,062 | 1,003 | 987 | 1,041 | 1,283 | 1,450 | 1,462 | 1,484 |
| Business Banking | 784 | 634 | 584 | 599 | 586 | 658 | 784 | 858 | 915 |
| Corporate & Investment Banking | 258 | 210 | 201 | 168 | 220 | 253 | 288 | 272 | 265 |
| Total net interest income on deposits | 2,194 | 1,788 | 1,788 | 1,754 | 1,847 | 2,194 | 2,522 | 2,592 | 2,664 |

Net fee and commission income - 9 quarter summary

| ISK million | 3Q21 | 2Q21 | 1Q21 | 4Q20 | 3Q20 | 2Q20 | 1Q20 | 4Q19 | 3Q19 |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Asset management | 705 | 769 | 655 | 636 | 576 | 605 | 565 | 590 | 512 |
| Investment banking and brokerage | 1,050 | 689 | 660 | 656 | 684 | 576 | 571 | 688 | 598 |
| Payment processing | 1,240 | 1,154 | 945 | 1,081 | 1,697 | 786 | 814 | 987 | 947 |
| Loans and guarantees | 540 | 526 | 538 | 690 | 514 | 427 | 383 | 389 | 367 |
| Other fee and commission income | 405 | 391 | 509 | 410 | 322 | 228 | 430 | 734 | 373 |
| Total fee and commission income | 3,940 | 3,529 | 3,307 | 3,473 | 3,793 | 2,622 | 2,763 | 3,388 | 2,797 |
| Brokerage | (91) | (136) | (90) | (127) | (67) | (113) | (53) | (128) | (65) |
| Clearing and settlement | (420) | (486) | (349) | (481) | (864) | (202) | (219) | (324) | (174) |
| Other fee and commission expense | (2) | - | (6) | - | - | - | - | 9 | (9) |
| Total fee and commission expense | (513) | (622) | (445) | (608) | (931) | (315) | (272) | (443) | (248) |
| Net fee and commission income | 3,427 | 2,907 | 2,862 | 2,865 | 2,862 | 2,307 | 2,491 | 2,945 | 2,549 |

Loans to customers - 9 quarter summary

| ISK million | 30.9.21 | 30.6.21 | 31.3.21 | 31.12.20 | 30.9.20 | 30.6.20 | 31.3.20 | 31.12.19 | 30.9.19 |
|--|------------------|------------------|------------------|------------------|----------------|----------------|----------------|-----------------|----------------|
| Individuals | 513,555 | 501,025 | 468,256 | 437,377 | 379,966 | 355,524 | 347,539 | 349,181 | 345,234 |
| Commerce and services | 164,167 | 175,647 | 119,916 | 124,260 | 121,951 | 122,581 | 127,887 | 126,488 | 130,879 |
| Construction | 36,193 | 38,987 | 41,186 | 42,352 | 44,550 | 46,463 | 45,621 | 44,420 | 33,865 |
| Energy | 9,508 | 9,239 | 8,543 | 8,673 | 8,316 | 8,344 | 8,024 | 7,887 | 6,803 |
| Financial services | 2,025 | 1,440 | 1,418 | 1,539 | 1,776 | 2,239 | 1,436 | 2,315 | 2,768 |
| Industrial and transportation | 89,750 | 91,670 | 76,262 | 78,561 | 82,458 | 83,731 | 84,709 | 82,288 | 84,127 |
| Investment companies | 22,567 | 23,805 | 22,337 | 23,440 | 24,747 | 24,578 | 25,184 | 23,590 | 27,507 |
| Public sector and non-profit organisations | 9,919 | 10,113 | 10,497 | 10,911 | 11,622 | 11,641 | 11,339 | 12,312 | 11,615 |
| Real estate | 114,519 | 120,276 | 157,451 | 157,502 | 165,370 | 150,090 | 149,138 | 145,559 | 156,548 |
| Seafood | 119,215 | 117,521 | 123,549 | 122,102 | 129,553 | 128,129 | 122,973 | 105,592 | 109,829 |
| Loans to customers | 1,081,418 | 1,089,723 | 1,029,415 | 1,006,717 | 970,309 | 933,320 | 923,850 | 899,632 | 909,175 |
| Loans to customers - by product | | | | | | | | | |
| Overdrafts | 37,915 | 42,236 | 39,512 | 42,212 | 43,294 | 47,513 | 44,929 | 48,938 | 54,510 |
| Credit cards | 17,843 | 17,308 | 14,811 | 16,888 | 16,060 | 16,704 | 15,621 | 19,026 | 19,777 |
| Mortgages | 450,760 | 439,797 | 410,781 | 377,155 | 316,896 | 293,838 | 285,670 | 281,499 | 274,186 |
| Capital leases | 45,671 | 43,377 | 41,905 | 44,194 | 45,514 | 45,039 | 47,872 | 45,623 | 46,583 |
| Government guarantee schemes | 4,206 | 4,189 | 3,986 | 3,594 | 1,658 | - | - | - | - |
| Other loans | 525,023 | 542,816 | 518,420 | 522,674 | 546,887 | 530,226 | 529,758 | 504,546 | 514,119 |
| Loans to customers | 1,081,418 | 1,089,723 | 1,029,415 | 1,006,717 | 970,309 | 933,320 | 923,850 | 899,632 | 909,175 |

Capital and risk exposure amount - 9 quarter summary

| ISK million | 30.9.21 | 30.6.21 | 31.3.21 | 31.12.20 | 30.9.20 | 30.6.20 | 31.3.20 | 31.12.19 | 30.9.19 |
|---|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Ordinary share capital | 10,000 | 10,000 | 10,000 | 10,000 | 10,000 | 10,000 | 10,000 | 10,000 | 10,000 |
| Share premium | 55,000 | 55,000 | 55,000 | 55,000 | 55,000 | 55,000 | 55,000 | 55,000 | 55,000 |
| Reserves | 5,738 | 5,401 | 6,353 | 6,181 | 7,258 | 7,262 | 8,016 | 7,065 | 6,801 |
| Retained earnings | 126,653 | 119,535 | 113,335 | 113,529 | 108,383 | 105,681 | 104,349 | 105,569 | 103,785 |
| Unaudited interim net earnings | (7,587) | - | - | - | - | - | - | - | - |
| Non-controlling interests | (10) | 419 | 783 | 1,494 | 1,868 | 1,779 | 2,177 | 2,428 | 2,398 |
| IFRS 9 reversal due to transitional rules | 3,239 | 3,699 | 3,853 | 5,164 | 4,088 | 3,810 | - | - | - |
| Fair value changes due to own credit standing | 1,096 | 958 | 434 | 238 | (239) | (427) | (773) | 392 | 731 |
| Expected or proposed dividend payment | (4,523) | (4,271) | (1,725) | - | - | - | - | - | - |
| Tax assets | (826) | (1,200) | (1,087) | (259) | (173) | (88) | (30) | (476) | (445) |
| Intangible assets | (3,249) | (3,307) | (3,357) | (3,478) | (3,554) | (3,667) | (3,736) | (4,330) | (4,709) |
| Total CET1 capital | 185,531 | 186,234 | 183,589 | 187,869 | 182,631 | 179,350 | 175,003 | 175,648 | 173,561 |
| Additional Tier 1 capital | 11,000 | - | - | - | - | - | - | - | - |
| Tier 1 capital | 196,531 | 186,234 | 183,589 | 187,869 | 182,631 | 179,350 | 175,003 | 175,648 | 173,561 |
| Qualifying subordinated loans | 25,923 | 25,297 | 25,259 | 27,194 | 26,798 | 25,834 | 24,456 | 22,674 | 21,993 |
| Tier 2 capital | 25,923 | 25,297 | 25,259 | 27,194 | 26,798 | 25,834 | 24,456 | 22,674 | 21,993 |
| Total regulatory capital | 222,454 | 211,531 | 208,848 | 215,063 | 209,429 | 205,184 | 199,458 | 198,322 | 195,554 |
| Risk exposure amount | | | | | | | | | |
| - due to credit risk | 818,932 | 819,122 | 851,309 | 830,141 | 836,662 | 821,457 | 811,936 | 789,180 | 815,266 |
| - due to market risk: | 12,659 | 18,566 | 17,447 | 16,626 | 18,748 | 14,435 | 12,350 | 7,919 | 10,482 |
| Market risk, trading book | 11,408 | 16,274 | 14,062 | 11,306 | 15,281 | 12,024 | 9,095 | 6,488 | 8,736 |
| Currency risk | 1,251 | 2,292 | 3,385 | 5,320 | 3,467 | 2,411 | 3,255 | 1,431 | 1,746 |
| - due to credit valuation adjustment | 1,147 | 1,661 | 930 | 1,728 | 1,505 | 1,817 | 1,665 | 2,027 | 1,954 |
| - due to operational risk | 85,026 | 85,026 | 85,026 | 85,026 | 85,424 | 85,424 | 85,424 | 85,424 | 85,141 |
| Total risk exposure amount | 917,764 | 924,375 | 954,712 | 933,521 | 942,339 | 923,133 | 911,375 | 884,550 | 912,843 |
| Capital ratios | | | | | | | | | |
| CET 1 ratio ¹ | 20.6% | 20.1% | 19.2% | 20.1% | 19.4% | 19.4% | 19.2% | 19.9% | 19.0% |
| Tier 1 ratio ¹ | 21.8% | 20.1% | 19.2% | 20.1% | 19.4% | 19.4% | 19.2% | 19.9% | 19.0% |
| Total capital ratio ¹ | 24.7% | 22.9% | 21.9% | 23.0% | 22.2% | 22.2% | 21.9% | 22.4% | 21.4% |
| Leverage ratio ¹ | 13.2% | 12.4% | 12.6% | 13.6% | 13.4% | 13.4% | 13.5% | 14.2% | 13.6% |

1. Including third quarter profit.

Average balances - 9 quarter summary

| ISK million | 3Q21 | 2Q21 | 1Q21 | 4Q20 | 3Q20 | 2Q20 | 1Q20 | 4Q19 | 3Q19 |
|--|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Average assets | | | | | | | | | |
| Personal Banking | 492,230 | 469,726 | 439,696 | 395,822 | 352,537 | 335,158 | 332,523 | 330,340 | 321,852 |
| Business Banking | 238,867 | 237,992 | 235,390 | 238,179 | 238,376 | 238,687 | 235,938 | 235,601 | 237,976 |
| Corporate & Investment Banking | 370,586 | 368,735 | 357,527 | 369,606 | 370,135 | 361,538 | 345,602 | 341,460 | 349,150 |
| Íslandsbanki | 1,452,094 | 1,397,070 | 1,360,832 | 1,326,162 | 1,310,526 | 1,285,319 | 1,227,167 | 1,221,755 | 1,228,714 |
| Average equity | | | | | | | | | |
| Personal Banking | 36,077 | 35,051 | 35,157 | 32,695 | 29,837 | 30,192 | 30,637 | 29,765 | 28,947 |
| Business Banking | 35,849 | 37,803 | 37,486 | 38,305 | 38,032 | 38,536 | 39,479 | 39,246 | 39,401 |
| Corporate & Investment Banking | 62,548 | 63,251 | 62,325 | 63,989 | 62,166 | 61,944 | 59,102 | 59,630 | 59,932 |
| Íslandsbanki | 193,348 | 187,638 | 186,690 | 184,489 | 180,698 | 179,761 | 180,651 | 178,999 | 177,261 |
| Average loans to customers | | | | | | | | | |
| Personal Banking | 488,801 | 466,541 | 436,336 | 391,334 | 347,944 | 331,929 | 329,133 | 327,458 | 319,925 |
| Business Banking | 236,675 | 235,871 | 233,281 | 235,927 | 235,921 | 235,820 | 232,786 | 232,459 | 234,609 |
| Corporate & Investment Banking | 364,769 | 362,002 | 351,879 | 365,229 | 366,410 | 357,988 | 338,908 | 340,941 | 342,634 |
| Íslandsbanki ¹ | 1,090,245 | 1,064,414 | 1,021,496 | 992,490 | 950,275 | 925,737 | 900,826 | 900,858 | 897,168 |
| Average deposits from customers | | | | | | | | | |
| Personal Banking | 334,248 | 334,044 | 324,613 | 317,155 | 310,144 | 305,232 | 293,117 | 285,445 | 278,734 |
| Business Banking | 223,235 | 200,692 | 192,024 | 195,641 | 191,660 | 180,183 | 169,702 | 172,685 | 172,649 |
| Corporate & Investment Banking | 142,432 | 136,005 | 137,747 | 136,071 | 146,686 | 131,423 | 115,840 | 106,500 | 111,106 |
| Íslandsbanki ¹ | 699,915 | 670,741 | 654,384 | 648,866 | 648,490 | 616,838 | 578,660 | 564,631 | 562,490 |

Average balances are calculated using month-end figures, including previous period end figure.

1. Sum of average loans to customers and sum of average deposits for Personal Banking, Business Banking and Corporate & Investment Banking

Allocation and Impact of Eligible Projects for Íslandsbanki's Sustainable Financing Framework

| | Allocation to Eligible Projects | | | Selected impact indicators | | | | | | | | Avoided greenhouse gas emissions per million ISK | Avoided greenhouse gas emissions per million EUR ³ |
|---|---------------------------------|------------------|----------------|----------------------------------|-----------------------------|-----------------------|----------------|---------------------------|----------------------------------|------------|------------------|--|---|
| | Amount outstanding 31.12.2020 | Share of funding | Share of capex | Avoided greenhouse gas emissions | Clean vehicles ¹ | Clean energy produced | Green building | Additional waste recycled | Companies supported ² | Dwellings | Students reached | | |
| | ISK million | % | % | tCO2e | number of | GWh | number of | tonnes | number of | number of | number of | tCO2e | tCO2e |
| Clean Transportation | 3,392 | 100% | 100% | 1,734 | 1,190 | | | | | | | 0.5 | 79.7 |
| Renewable energy | 6,307 | 100% | 100% | 3,500 | | 87 | | | | | | 0.6 | 86.6 |
| Green buildings | 1,502 | 11% | 100% | | | | 1 | | | | | | |
| Sustainable waste management | 902 | 30% | 100% | 530 | | | | 800 | | | | 0.6 | 91.7 |
| Government defined company support | 3,271 | n.a. | 0% | | | | | | 342 | | | | |
| Affordable housing | 2,242 | 100% | 100% | | | | | | | 140 | | | |
| Education and vocational training | 7,061 | 60% | 100% | | | | | | | | 3,000 | | |
| | 24,677 | | | 5,764 | 1,190 | 87 | 1 | 800 | 342 | 140 | 3,000 | | |

1. in addition 11 charging stations and 24 electric bikes were funded

2. Average loan size ISK 9.6 m

3. EUR/ISK=156 on 31.12.2020

Macroeconomics - summary

| | 2Q21 | 1Q21 | 4Q20 | 3Q20 | 2Q20 | 1Q20 | 4Q19 | 3Q19 | 2Q19 |
|---|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| YoY change, % | | | | | | | | | |
| GDP growth | 7.3 | -0.2 | -4.9 | -9.2 | -10.5 | -0.9 | 4.8 | 1.8 | 2.6 |
| Total investment | 25.9 | -0.7 | -2.1 | -12.5 | -13.3 | -6.3 | -0.6 | 6.3 | -6.2 |
| Business investment | 41.9 | 0.8 | -9.7 | -23.2 | -13.7 | -8.9 | 6 | -0.7 | -22.8 |
| Residential investment | -2.7 | -10.6 | 14.2 | 3.4 | 9.3 | -2.0 | 13.7 | 52.9 | 39.3 |
| Personal consumption | 8.5 | 1 | -2.7 | -1.2 | -8.8 | 1.1 | 1.1 | 2.7 | 1.2 |
| Unemployment rate, % of workforce | 9 | 11.3 | 7.6 | 5.8 | 7.9 | 4.4 | 3.3 | 3.5 | 4.4 |
| Current account, % of GDP | -3.9 | -3.1 | 2.8 | 0.1 | -0.9 | 1.7 | 6.6 | 8.7 | 2.1 |
| International investment position, % of GDP | 36.6 | 35.1 | 34.6 | 33.6 | 27.3 | 21.1 | 19.6 | 18.3 | 15.8 |
| Gross general govt. debt, % of GDP | | | 79.9 | | | | 68.3 | | |
| Household debt, gross, % of GDP | 85.5 | 85.5 | 84.3 | 81.7 | 78.3 | 75.6 | 74.1 | 74.6 | 74.8 |
| Corporate debt, gross, % of GDP | 86 | 87.5 | 89.4 | 91.8 | 89.5 | 88.0 | 83.0 | 85.2 | 88.1 |
| YoY change, % | | | | | | | | | |
| Inflation | 4.4 | 4.2 | 3.6 | 3.2 | 2.5 | 2.1 | 2.5 | 3.1 | 3.4 |
| Residential real estate price index | 7.2 | 4.2 | 3.5 | 4.1 | 3.6 | 2.6 | 1.9 | 0.2 | 1.3 |
| Wages | 7.5 | 10.5 | 7.2 | 6.5 | 6.7 | 4.9 | 4.3 | 4.3 | 5.4 |
| Real wages | 3 | 6 | 3.5 | 3.1 | 4.1 | 2.8 | 1.7 | 1.2 | 1.9 |
| ISK index, average | 193.8 | 200 | 206.3 | 207.8 | 203.2 | 186.4 | 180.6 | 182.1 | 181.8 |
| Central bank policy rate (1W) | 0.88 | 0.75 | 0.9 | 1.0 | 1.0 | 1.8 | 3.1 | 3.6 | 4.3 |
| Long-term nominal yield | 3.7 | 3.5 | 3.1 | 2.6 | 2.5 | 3.1 | 3.6 | 3.8 | 4.2 |
| Long-term real yield | 0.5 | 0.6 | 0.5 | -0.4 | 0.0 | 0.5 | 0.8 | 0.8 | 1.1 |

Currencies

| | 30.9.21 | 30.6.21 | 31.3.21 | 31.12.20 | 30.9.20 | 30.6.20 | 31.3.20 | 31.12.19 | 30.9.19 |
|-------------------|---------|---------|---------|----------|---------|---------|---------|----------|---------|
| Currencies | | | | | | | | | |
| USD | 130.3 | 123.2 | 126.3 | 127.2 | 138.5 | 138.6 | 141.7 | 121.1 | 123.7 |
| GBP | 175.4 | 170.7 | 173.8 | 173.6 | 177.7 | 170.2 | 175.2 | 159.4 | 152.2 |
| EUR | 150.9 | 146.5 | 148.1 | 156.1 | 162.2 | 155.4 | 155.3 | 135.8 | 135.1 |
| DKK | 20.3 | 19.7 | 19.9 | 21.0 | 21.8 | 20.9 | 20.8 | 18.2 | 18.1 |
| SEK | 14.8 | 14.5 | 14.5 | 15.6 | 15.4 | 14.8 | 14.0 | 13.0 | 12.6 |
| CHF | 139.3 | 133.4 | 133.8 | 144.4 | 150.1 | 145.8 | 146.8 | 125.1 | 124.3 |

Attractive and achievable financial targets

Updated targets define a clear path to ROE expansion, attractive capital return and optimisation

| | Financial targets | 3Q21 | 2Q21 | 2020 | Guidance |
|-----------------------------------|---------------------------------|---------|---------|---------|--|
| Return on equity ¹ | 8-10% by 2023 >10% long-term | 15.7% ✓ | 11.6% ✓ | 3.7% | <ul style="list-style-type: none"> — Based on average expected risk-free rates through the business cycle — The Bank has a clearly identified path to ROE improvements, supported by a clear action plan and economic recovery — The Bank assumes the loan book will grow in line with nominal GDP on average through the business cycle |
| Cost-to-income ratio ² | <45% by 2023 | 39.4% ✓ | 49.9% ✓ | 54.3% ✓ | <ul style="list-style-type: none"> — The Bank continues to invest in IT infrastructure and process efficiency to improve the C/I ratio in the medium to long-term — Costs to remain broadly flat over the next 3 years |
| CET1 capital ratio | >16% | 20.6% ✓ | 20.1% ✓ | 20.1% ✓ | <ul style="list-style-type: none"> — Based on current regulatory requirements and management buffer of 50-200bps, the CET1 target range is currently 13.7-15.2% — The target assumes that the countercyclical buffer increases from 0% to 2% which will take effect from September 2022 — The Bank will start paying out a part of its excess capital in parallel with its ordinary dividend payable for the FY 2021 – the amount to be decided at that time |
| Total capital ratio | 18.3-19.8% | 24.7% ✓ | 22.9% ✓ | 23.0% ✓ | <ul style="list-style-type: none"> — Based on current regulatory requirements and management buffer of 50-200bps — Long term target range is 19.5-21.0%, assuming that the countercyclical buffer increases from 0% to 2%, which will take effect from September 2022, and the COVID-19 effects on the Pillar 2-R requirements is reversed — Íslandsbanki issued AT1 notes amounting to SEK 750m as part of its plan to optimise its capital structure. Further headroom for AT1 issuance remains ISK 6bn |
| Dividend payout ratio | c. 50% | | | 50% ✓ | <ul style="list-style-type: none"> — Target for annual regular dividend — Excess capital to support further dividend payments, buybacks, and/or ROE enhancing growth — Additional capital return to approach capital targets over the medium term |

1. ROE excluding one-off cost is 12.6% for 2Q21, one-off cost for 2Q21 is 627m. 2. Calculated as (Administrative expenses + Contribution to the Depositors' and Investors' Guarantee Fund – One-off items) / (Total operating income – One-off items). IPO costs in 1Q21 were not adjusted for in the 1Q21 results.

Íslandsbanki S&P credit ratings

BBB/A-2 Stable Outlook

Rating Report 18 October 2021

In S&P's latest report on Íslandsbanki, dated 18 October 2021, Íslandsbanki's key strengths are stated as **high leverage ratio and very strong capital, stable franchise and market position across all domestic business lines and limited wholesale financing needs**. The rating agency views key risks as material exposure to tourism and commercial real estate (CRE), concentration in Iceland and exposure to the volatile domestic economy and unpredictable operating environment and strong competition, which could weigh on profitability prospects in S&P's view.

S&P states that they could raise the Bank's ratings if it proves able to strengthen its returns, efficiency, and risk profile such they are significantly better than those of its domestic peers, with no further widening of the gap between the Bank and its foreign peers. They could lower the ratings on Íslandsbanki if the economic environment in Iceland becomes even more difficult, causing banks' profitability prospects to weaken for a prolonged period and Íslandsbanki's RAC ratio to decline below 15%.

| Íslandsbanki | S&P | Icelandic sovereign | S&P | FITCH | MOODY'S |
|-----------------|----------|---------------------|-------------|--------------|-----------|
| Long-term | BBB | Long-term | A | A | A-2 |
| Short-term | A-2 | Short-term | A-1 | | |
| Outlook | Stable | Outlook | Stable | Negative | Stable |
| Affirmed (date) | April 20 | Affirmed (date) | November 20 | September 21 | August 21 |

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