

January 29, 2025



The Republic of Iceland Investor Presentation in relation to the EMTN programme

Republic of Iceland



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Introduction

Republic of Iceland

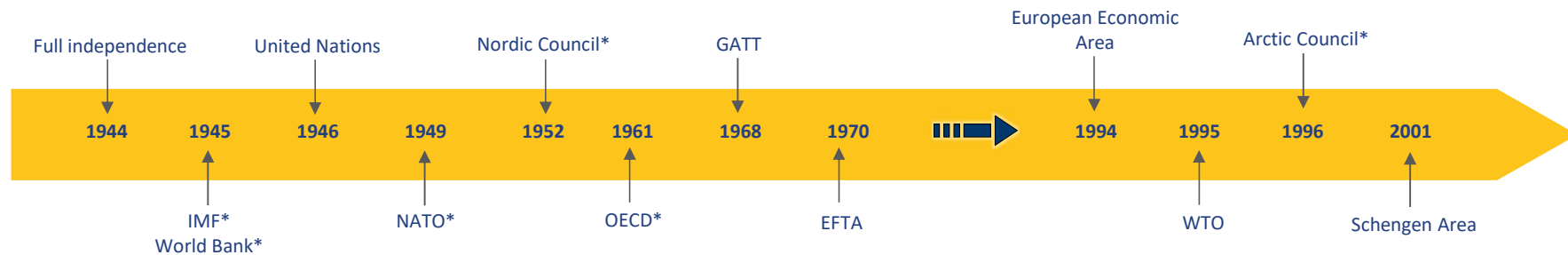


Key facts about Iceland

Territory	<ul style="list-style-type: none"> • 103,000 sq. km / 39,756 sq. miles
Capital	<ul style="list-style-type: none"> • Reykjavík
Population	<ul style="list-style-type: none"> • 387,800
Currency	<ul style="list-style-type: none"> • Icelandic Króna (ISK). December 2024 monthly average: • 1 USD = 138.54 ISK • 1 EUR = 145.25 ISK
GDP per capita	<ul style="list-style-type: none"> • USD 80,320 (2024)¹
Long term credit ratings	<ul style="list-style-type: none"> • Moody's: A1 • S&P: A+ • Fitch: A
Distance to Iceland	<ul style="list-style-type: none"> • Flying time 5.5 h. to New York and 3 h. to London



Political Milestones



¹ Source: IMF. PPP, international dollars per capita. *Founding member.



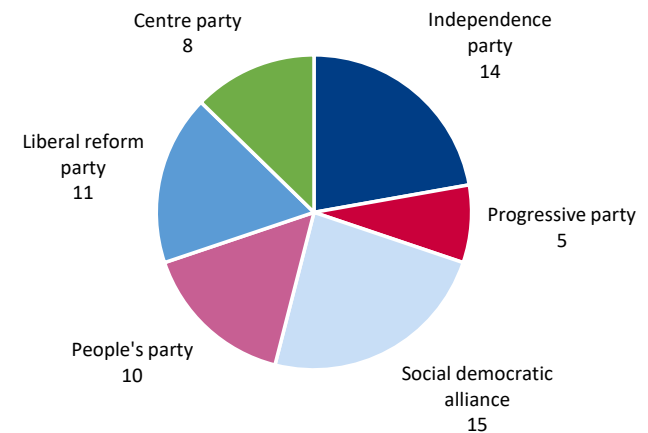
Composition of the Government

Following the parliamentary elections in November 2024, a cabinet of a coalition government of the Social Democratic Party, the Liberal Reform Party and the People's Party was formed.

According to the Agreement on the Platform for the Coalition Government, emphasis will be on achieving economic stability, prioritising people's housing security, simplifying public administration and streamlining state operations. The government intends to achieve its objectives through the following actions:

- By effectively managing government finances and creating conditions for interest rate cuts, by introducing a stability rule and eliminating the budget deficit.
- By formulating a resource policy for sustainable utilisation and fair resource rents, accruing partly to the local community.
- By rapidly increasing the number of homes and by implementing systemic changes aimed at achieving housing market balance.

Composition of the newly elected Parliament
Number of parliamentary seats by party

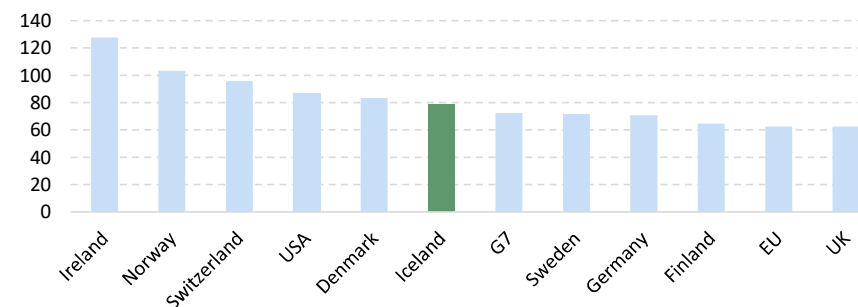




Economic and social indicators

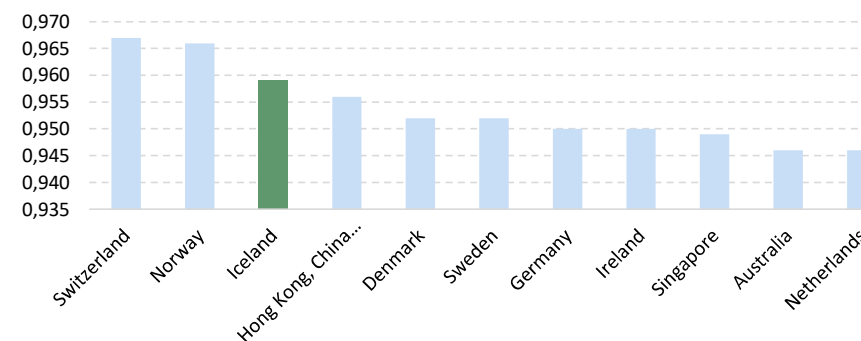
- The economic and social situation in Iceland is strong according to various indicators.
- The Icelandic economy generated GDP of ISK 4,550 billion in 2024. Iceland's living standards are among the highest in the world. According to IMF data, GDP per capita, measured in terms of purchasing power parities, amounted to USD 78,808 in 2024.
- The Human Development Index compiled by the United Nations Development Programme is a summary measure of average achievement in key dimensions of human development: a long and healthy life, being knowledgeable and have a decent standard of living. The HDI is the geometric mean of normalised indices for each of the three dimensions (life expectancy index, education index and GNI index).

GDP per capita in 2024
PPP, thousand international dollars per capita



Source: IMF. Current prices.

Human development index



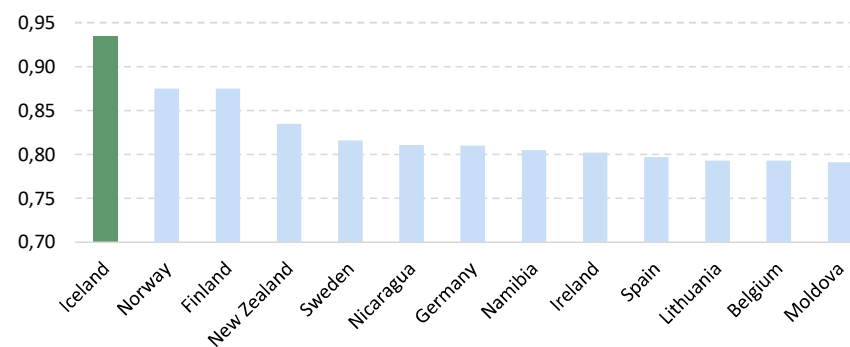
Source: The 2023/2024 Human Development Report. United Nations Development Programme.



Gender equality and digital transformation

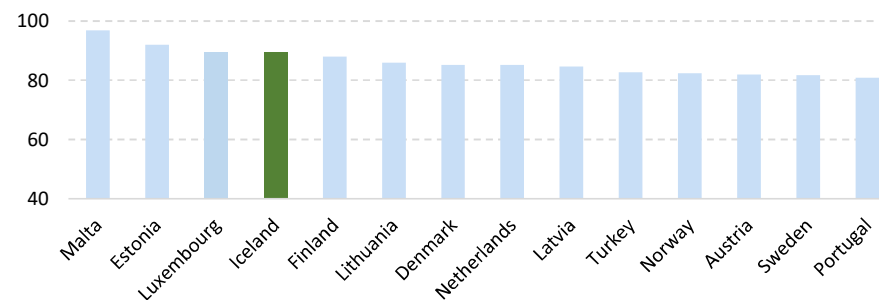
- The Global Gender Gap Index benchmarks the current state and evolution of gender parity across four key dimensions (Economic Participation and Opportunity, Educational Attainment, Health and Survival, and Political Empowerment). It is the longest-standing index which tracks progress towards closing these gaps over time since its inception in 2006.
- For the 15th consecutive year, Iceland (1st) tops the index with an overall score of 0.935 and high scoring performances in all subindexes. Iceland remains the only economy to have closed more than 90% of its gender gap.
- The eGovernment Benchmark 2023 published by the European Commission compares how governments across Europe deliver digital public services. The study evaluates online public services on four dimensions (user centricity, transparency, key enablers and cross-border services), which consist of 14 underlying indicators.
- According to the government’s Digital policy published in 2021, Iceland aims at being a leading nation in the world in digital services.

World Economic Forum – Gender Equality 2024



Source: Global Gender Gap Report 2024. World Economic Forum.

Overall eGovernment maturity score
Biennial average 2022/2023 (%)



Source: European Commission. Directorate-General for Communications Networks, Content and Technology eGovernment Benchmark.



Macroeconomic developments

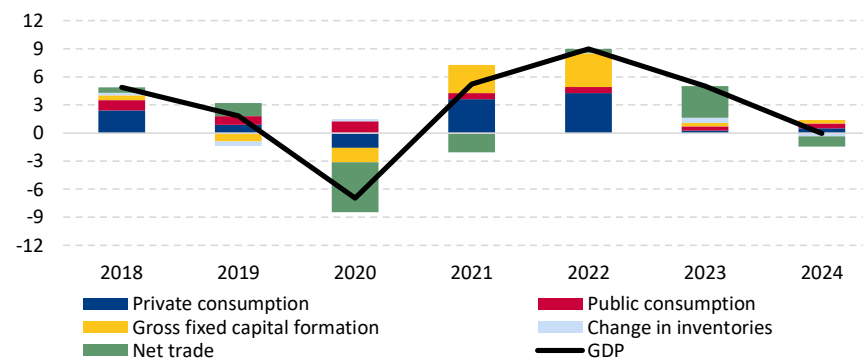
Republic of Iceland



Gross domestic product

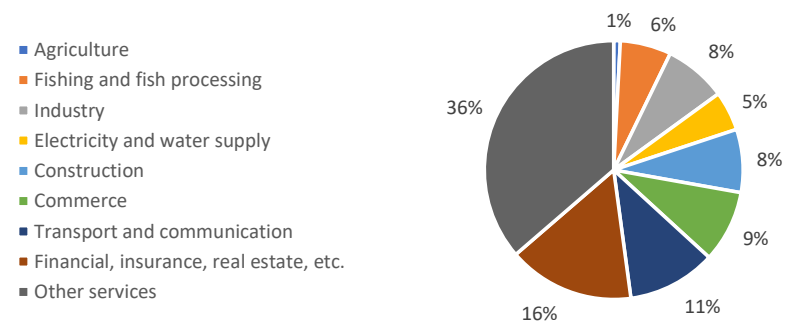
- GDP grew by 5.0% in 2023. The main driver of GDP growth in 2023 was services exports, which grew by 13.1% during the year.
- GDP contracted by 1.9% year-on-year in H1/2024, owing largely to a negative contribution from inventory changes, which stemmed from the failed capelin catch, as well as a negative contribution from net trade, which primarily reflects a 2.1% contraction in exports. For the year as a whole, GDP is estimated to have remained flat.
- The weight of tourism (not shown in the breakdown in the pie-chart), is a part of several subcomponents. Statistics Iceland measured tourism as being approximately 8.8% of GDP in 2023, which is a record for the industry.

GDP growth and contribution of subcomponents
Year-on-year change (%)



Sources: Statistics Iceland, Central Bank of Iceland.

Breakdown of GDP by sector 2023

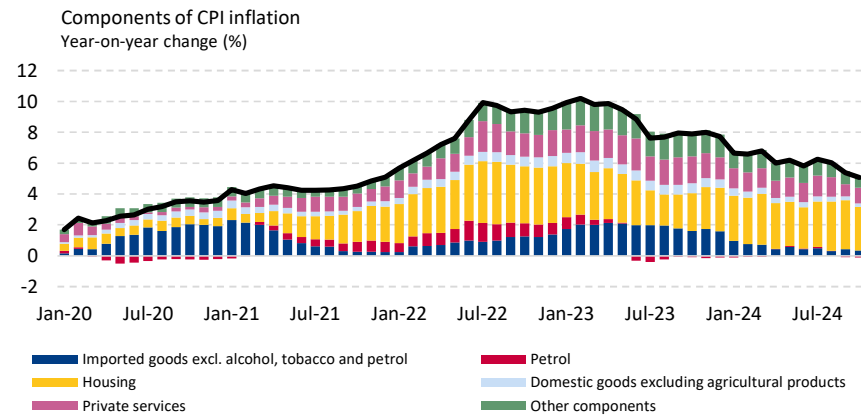
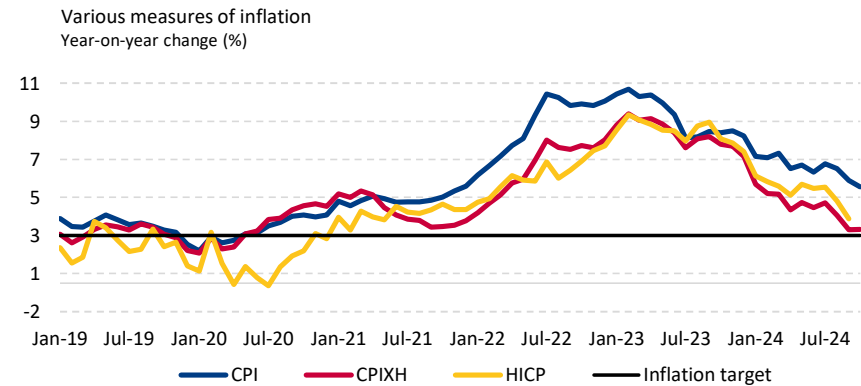


Source: Statistics Iceland.



Inflation (1/2)

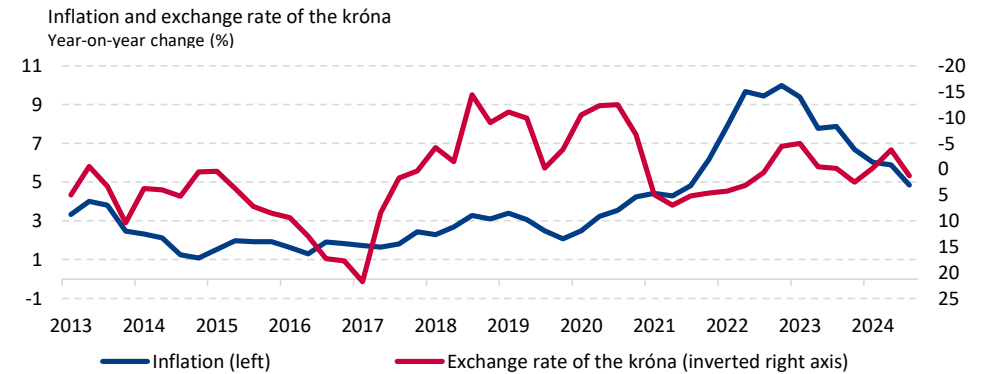
- Inflation has remained above the inflation target for more than four years. Rapidly rising housing prices in 2021 and 2022 were the principal driver of rising inflation during this period. In 2023, inflationary pressures became increasingly widespread with rising prices in housing, food and services.
- Inflation has declined after peaking at 10.2% in February 2023 and measured 4.8% in December 2024. Inflation excluding housing measured 2.8% in the same month. Both measures have declined in recent months. Inflationary pressures have diminished over the course of the year, although the housing component still accounts for over half of inflation, and service price inflation remains high.



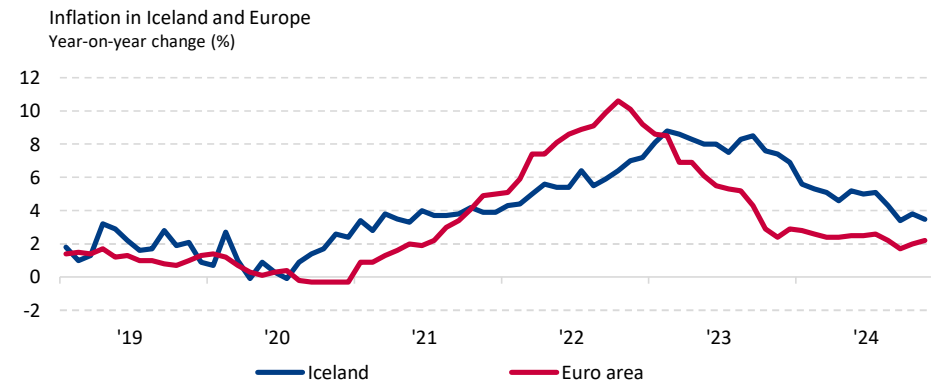


Inflation (2/2)

- The Icelandic króna appreciated by 4% in trade-weighted terms and by 4.6% against the euro in 2024. The exchange rate of the króna was less volatile than in previous years. Greater foreign exchange market stability can be attributed in part to better balanced external trade.



Quarterly data. Based on the narrow trade-weighted exchange rate of the króna.
Source: Statistics Iceland, Central Bank of Iceland.

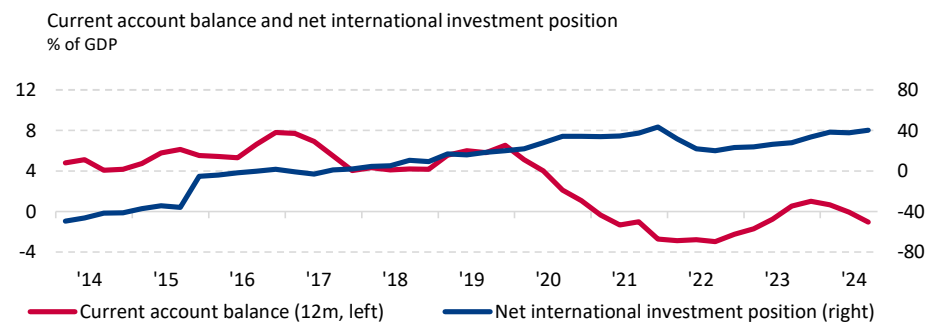


Harmonised indices of consumer prices. Monthly data.

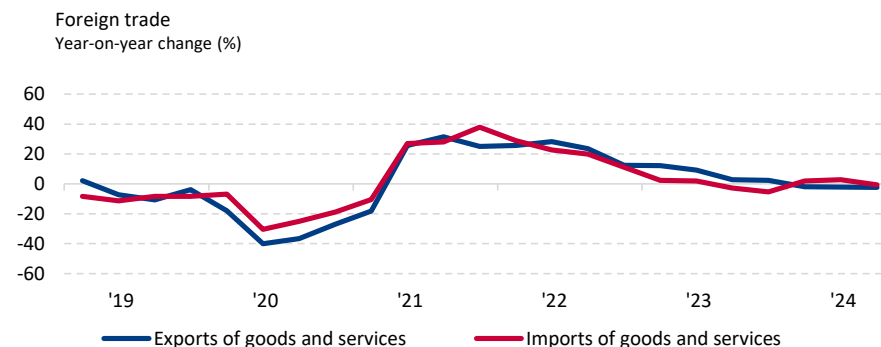


Foreign trade and external position

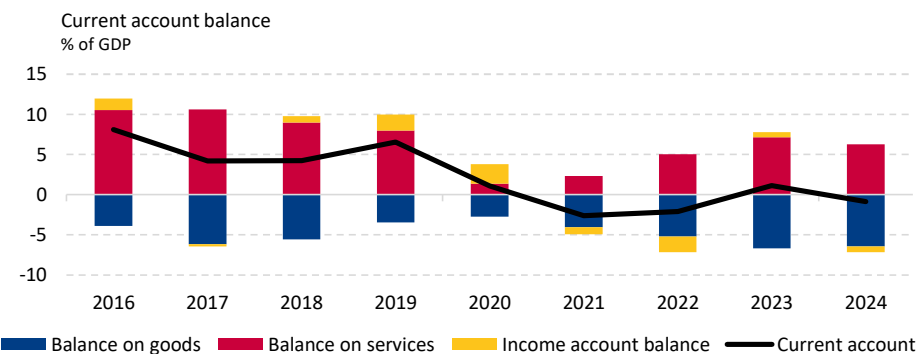
- In 2023, the current account surplus measured 1% of GDP. Iceland's current account showed a deficit of 3.6% of GDP in H1/2024.
- The outlook is for the current account balance to show a deficit of 0.9% of GDP in 2024, owing to a contraction in other services exports and weaker growth in goods exports, specifically in exports of marine and aluminium products.
- Iceland's net international investment position was positive by 40% of GDP at the end of Q3/2024 compared to 33.5% of GDP at the end 2023. The improvement was driven mainly by higher foreign securities prices, while domestic securities rose relatively less over the same period.



Quarterly data.
Source: Statistics Iceland, Central Bank of Iceland.



Quarterly data.
Source: Statistics Iceland.

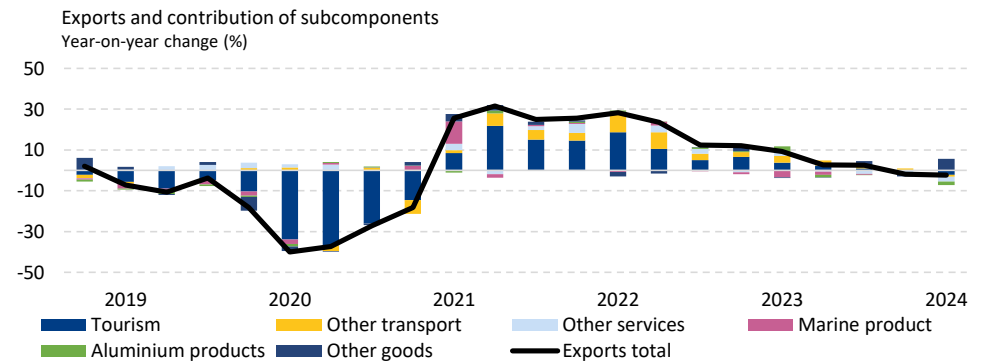


Balance 2023 is according to the Central Bank of Iceland's forecast.
Source: Statistics Iceland, Central Bank of Iceland

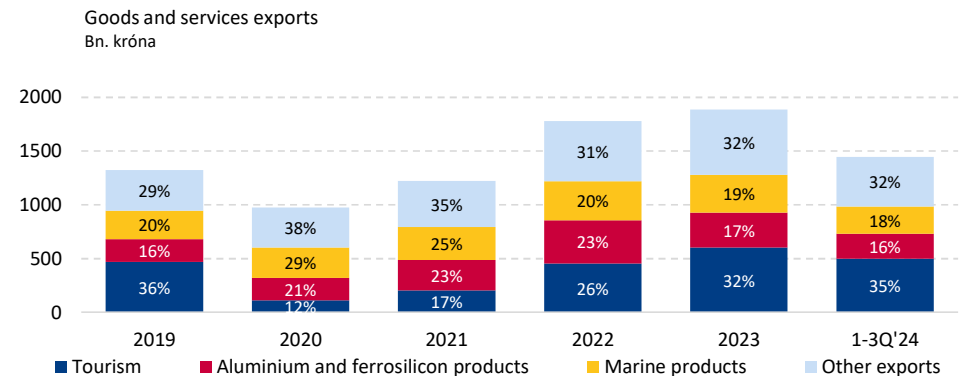


Exports (1/2)

- Exports of goods and services contracted by 2.2% year-on-year in Q2/2024. Services exports contracted by 10%, but that was offset largely by strong growth in exports of goods other than aluminium and marine products.
- Goods exports grew by 5.7% year-on-year in Q2/2024, primarily due to 29% year-on-year growth in exports of aquaculture products, other manufactured goods, and pharmaceutical and medical equipment. The National Power Company of Iceland's (Landsvirkjun) cutbacks in electricity supplies to large-scale users affected aluminium manufacturing in H1, however, and exports of aluminium products shrank by 9.6% year-on-year in Q2.
- Services exports are expected to contract by 3% in 2024, goods exports are projected to grow by 1.3% and total exports are projected to contract by 0.8% in 2024.



Quarterly data.
Source: Statistics Iceland, Central Bank of Iceland.



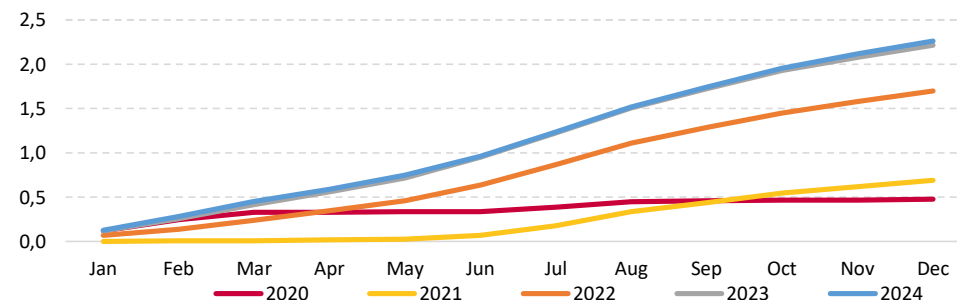
Annual and cumulative quarterly data.
Source: Statistics Iceland, Central Bank of Iceland.



Exports (2/2)

- In 2024, 2.3 million tourists visited Iceland, which is the second highest number on record. Only 2018 had more tourist visits. Average spending per tourist in foreign currency terms appears to have increased slightly compared to the same period in 2023. Their average stay grew shorter relative to the same period in 2022 although developments diverged by region. Overnight stays increased in the capital area but fell in many other parts of the country. The shift could reflect changed tourist demographics, as the number of visitors from China has increased in line with global trends, while the number of tourists from the US has fallen.
- Growing activity in the tourism industry since the pandemic can be seen clearly in payment card-related foreign currency inflows, although they have contracted somewhat from the same period last year.

Foreign nationals' departures via Keflavík Airport
Cumulative total for each year, millions



Source: Icelandic Tourist Board, Central Bank of Iceland.

Net payment card flows
B.kr.



Domestic turnover with foreign payment cards net of foreign turnover with domestic payment cards. Seasonally adjusted figures.

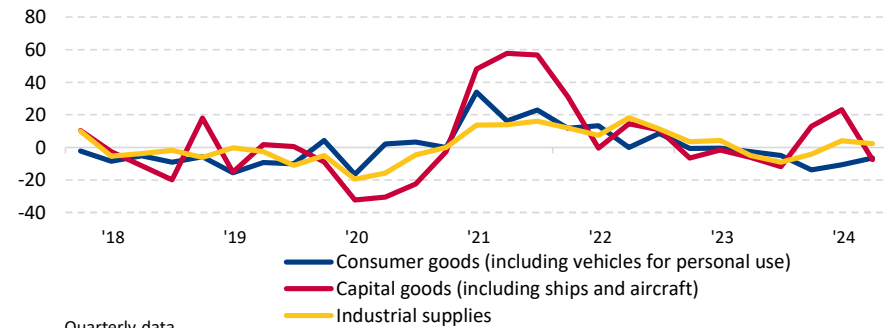
Source: Central Bank of Iceland.



Imports

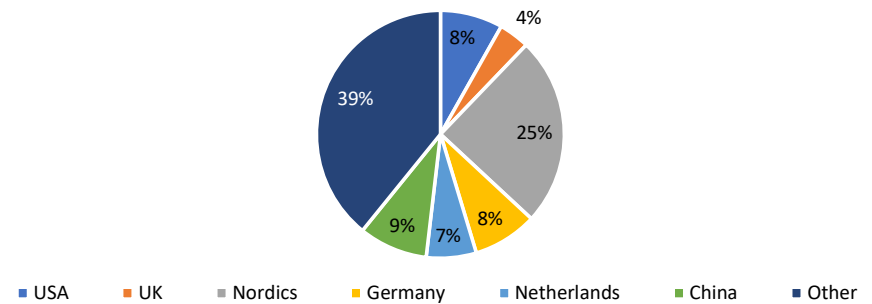
- Goods and services imports grew by 2.9% in Q2/2024. Goods imports grew by 2.8% year-on-year in Q2 2024, while services imports were flat year-on-year in Q2/2024.
- Services imports are projected to grow by 3% in 2024, goods imports are estimated to grow by 1.1% and total imports are projected to grow by 1.7% in 2024. The ratio of total imports to GDP is expected to continue moving towards its historical average.
- In addition to large-scale importation of consumer goods and food, Iceland imports a wide range of manufactured goods and commodities, reflecting both the small size of the economy and the limited range of natural resources. Imports of industrial supplies accounted for 26% of total goods imports and 17% of total imports in 2023. Capital goods constituted 24% of total goods imports and consumer goods constituted 21% (17% and 14%, respectively, of total imports in 2023), while services contributed 34% of total imports.

Main import products
Year-on-year volume change (%)



Quarterly data.
Source: Statistics Iceland.

Share of imports by country, 2024

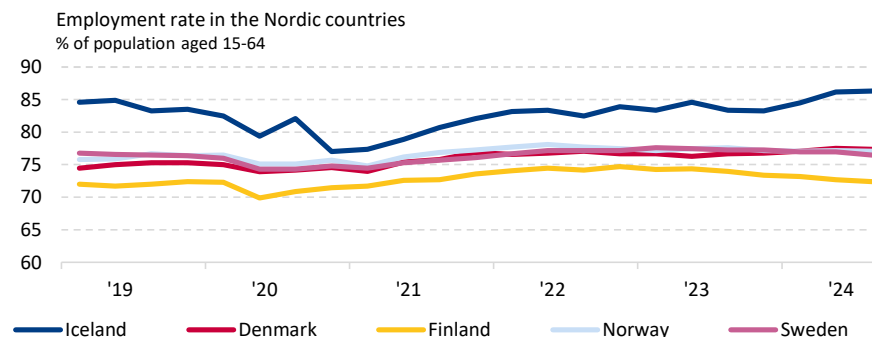


Source: Statistics Iceland.

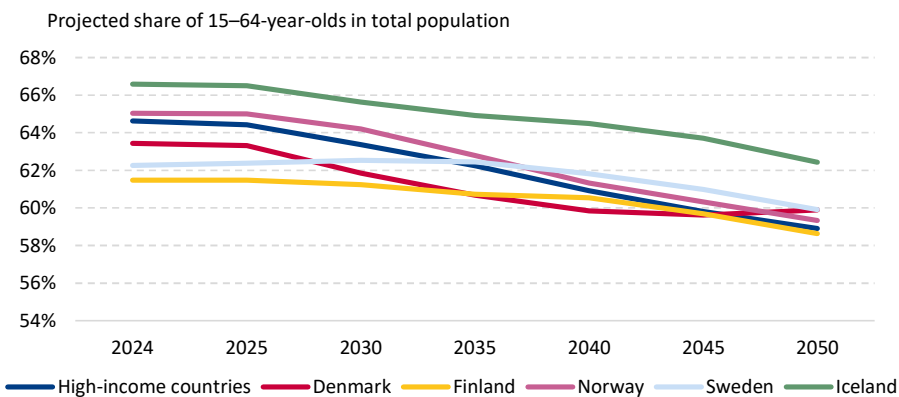


Labour market (1/2)

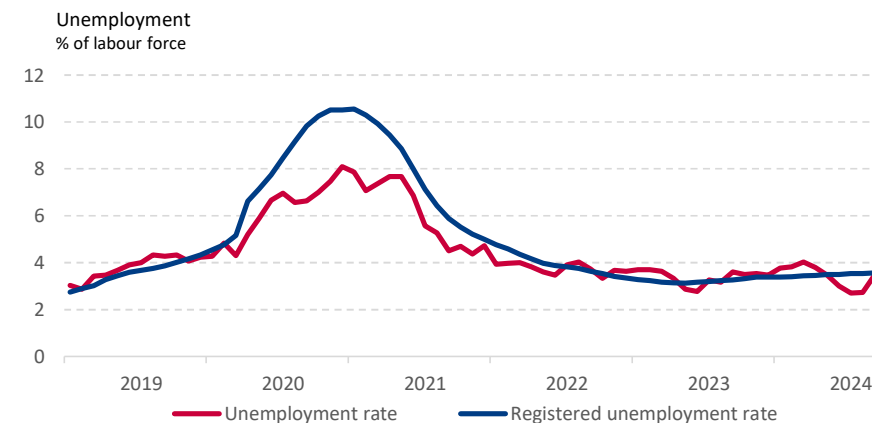
- Labour market conditions deteriorated following the onset of the COVID-19 pandemic. Since then, the labour market has recovered quickly and reached its post-pandemic trough of 3.2% seasonally adjusted unemployment in May 2023. Since then, unemployment has been slowly inching upwards.
- In Q3/2024, the unemployment rate was 3.5%. Seasonally adjusted registered unemployment was low as well and measured 3.6% in Q3.



Source: Eurostat.



Source: United Nations, Department of Economic and Social Affairs, Population Division.

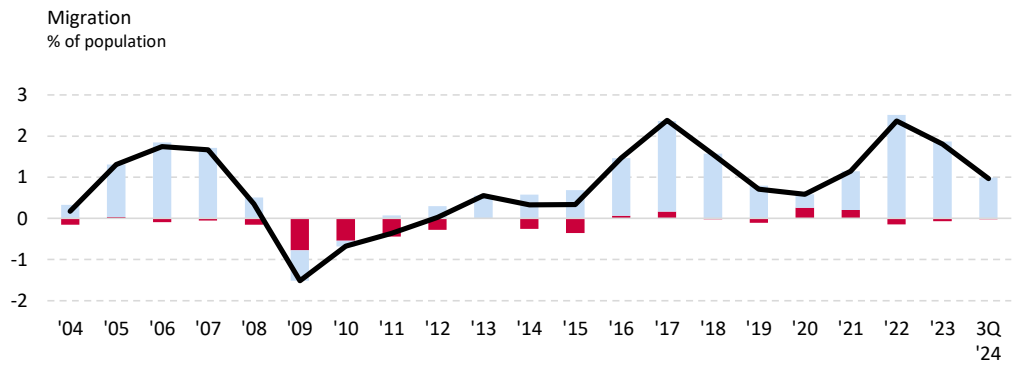


Registered unemployment excludes persons receiving part-time unemployment benefits from March 2020 onwards. Three-month moving average of seasonally adjusted figures.
Sources: Directorate of Labour, Statistics Iceland, Central Bank of Iceland.



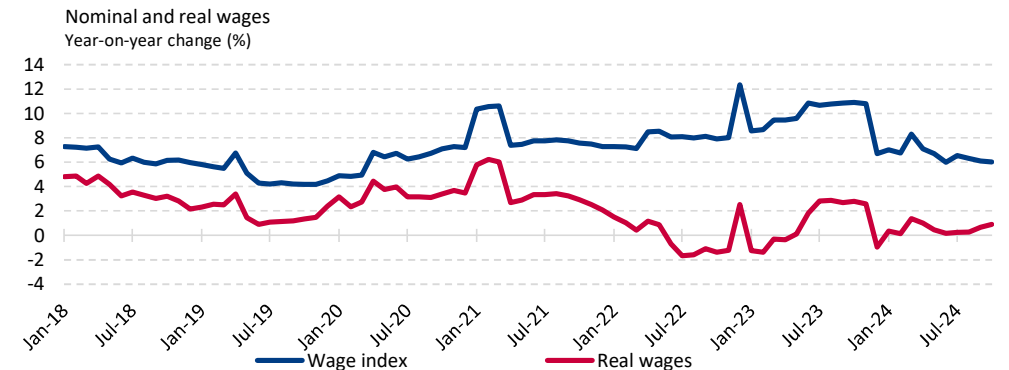
Labour market (2/2)

- Although the labour market remains tight there are indications of a slowdown as employment growth and survey measures of labour demand have eased somewhat, and short-term unemployment has risen slightly. However, the year-on-year increase in hourly wages, as measured by the general wage index, remains high and was 11% in Q3/2023. This reflects both generous wage agreements made since November 2022 and considerable wage drift. At the same time, real wages had risen less than that or 2.8% year-on-year.
- Iceland's population grew by 1.7% year-on-year in Q3. The growth rate has slowed since mid-2023, as the number of immigrants has declined, and more foreign nationals are leaving the country. The reduction in growth rate is due in part to a reduced influx of refugees. Over the first ten months of 2024, just under 1,700 applications for political asylum were submitted, less than half the number filed during the same period in 2023.



■ Net migration, Icelandic nationals ■ Net migration, foreign nationals — Total net migration

Annual and cumulative quarterly data.
Source: Statistics Iceland.

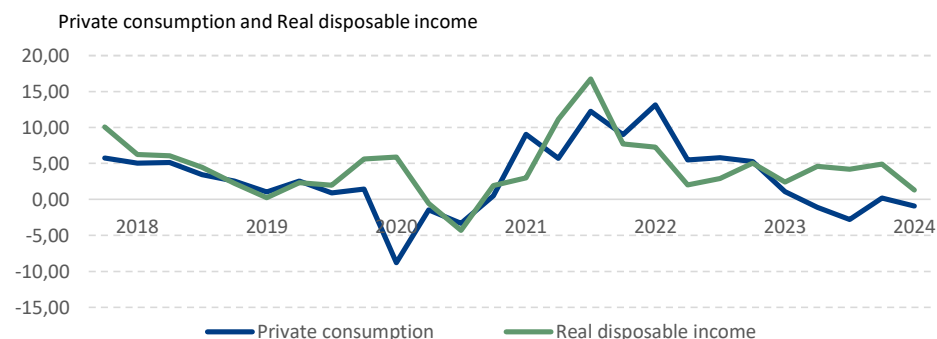


Real wages are the wage index deflated by the CPI. Monthly data.
Source: Statistics Iceland.

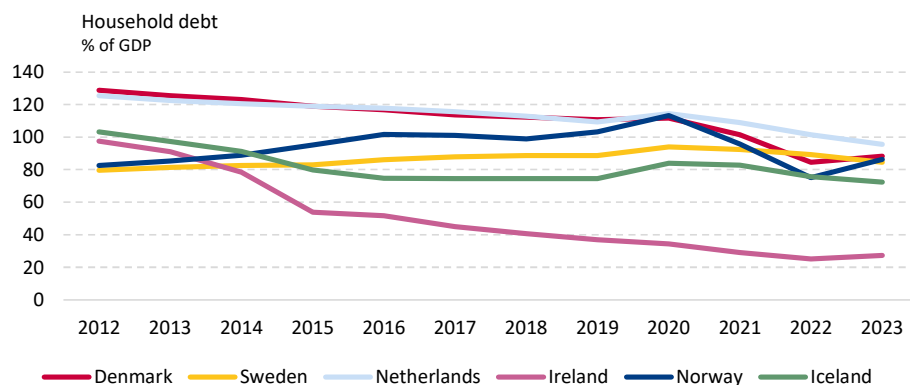


Private consumption and households

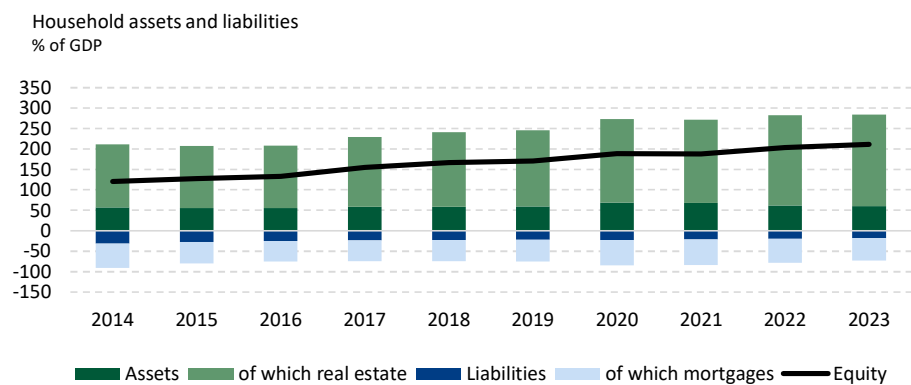
- Private consumption growth has lost considerable steam in the recent term. According to preliminary figures from Statistics Iceland, it contracted by 0.3% year-on-year in H1. Despite indicators of a bounce-back in private consumption in Q3, the Gallup Consumer Confidence Index continued to decline in Q3, falling to its lowest since H2/2020. Private consumption growth is estimated at 1% for 2024 as a whole.
- Households' equity position has increased substantially in the past decade. Furthermore, the household debt to-GDP ratio has held broadly stable in recent years and remains historically low. Unemployment is low as well, and households are therefore robust overall.



Statistics Iceland's estimate of disposable income taken from the sectoral accounts, calculated at constant prices and deflated with the private consumption price deflator.
Source: Statistics Iceland, Central Bank of Iceland.



Source: Eurostat, Statistics Iceland, Central Bank of Iceland.



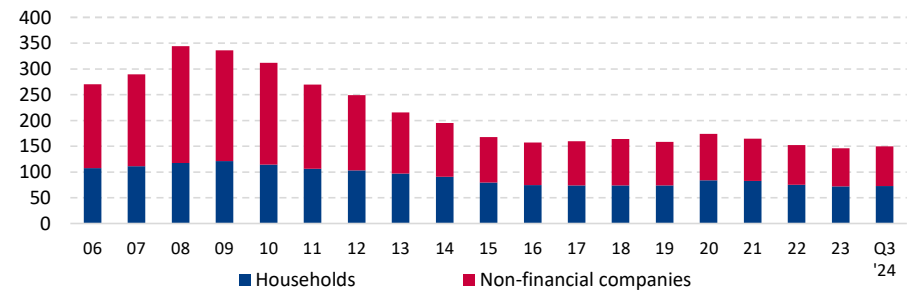
Source: Statistics Iceland, Central Bank of Iceland.



Private sector debt

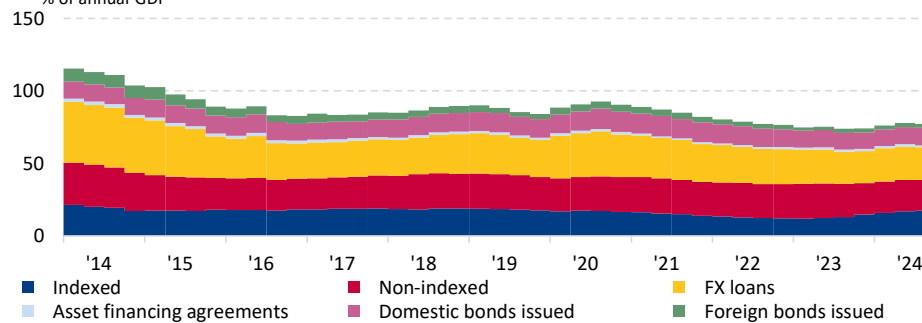
- At the end of Q3/2024, corporate debt had increased in real terms by 5.4% year-on-year. Corporate credit demand has been strong this year, and most of that demand has been met by credit institutions, whereas corporate bond issuance has remained flat relative to 2023. The corporate debt-to-GDP ratio stood at 77.3% in Q3/2024, after rising 3.4 percentage points year-on-year but contracting marginally between quarters.
- Household debt has contracted in real terms this year. Real growth in household debt was negative by 3.1% at the end of Q3/2024, whereas nominal growth was positive by 0.8%. The household debt-to-GDP ratio is flat from year-end 2023, measuring 73% at the end of Q3/2024.

Household and non-financial corporate debt
% of GDP



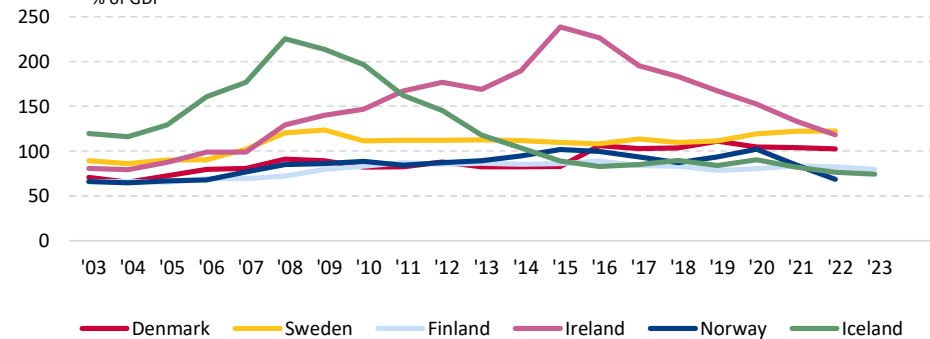
Debt owed to financial undertakings and market bonds issued. GDP is the sum of the last four quarters. Annual data.
Source: Statistics Iceland, Central Bank of Iceland.

Corporate debt
% of annual GDP



Debt owed to foreign financial undertakings and market bonds issued. Quarterly data.
Source: Statistics Iceland, Central Bank of Iceland.

Corporate debt
% of GDP



Source: Eurostat, Statistics Iceland, Central Bank of Iceland.



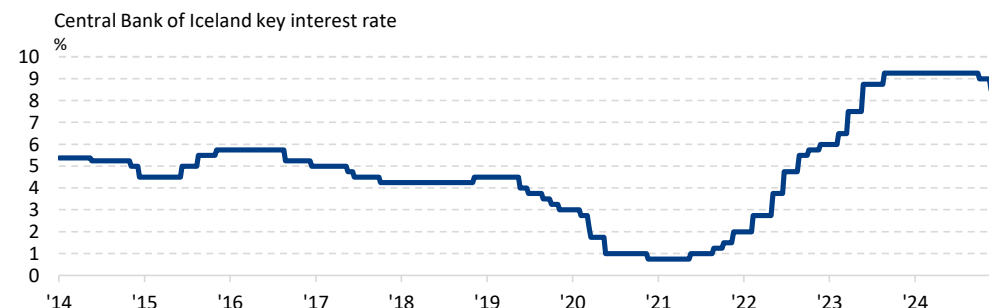
Financial sector

Republic of Iceland



Financial conditions and FX reserves

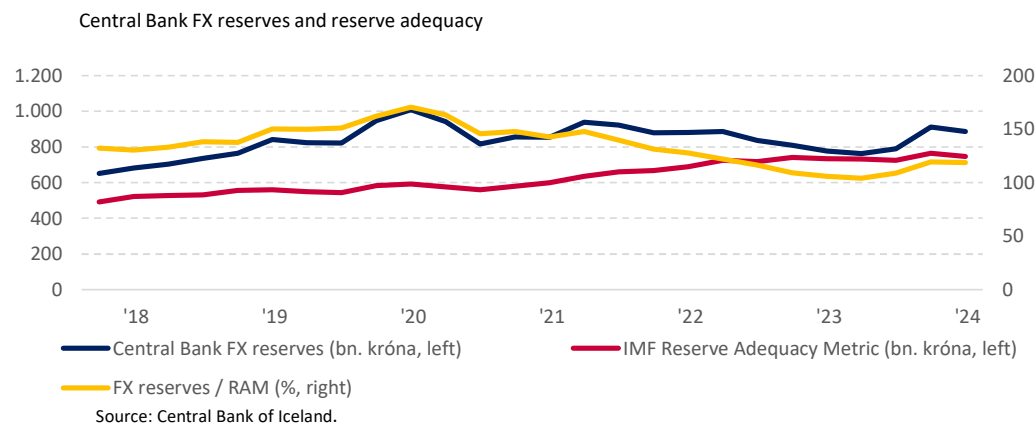
- At year-end 2024, the Central Bank’s key interest rate was 8.5%. It has been cut by 0.75% in 2024 and is 7.75% higher than it was four years ago, when it bottomed out after the onset of the COVID-19 pandemic. Short-term market rates have come down correspondingly.
- Credit spreads on the Republic of Iceland’s foreign issues tightened substantially in 2024.
- At year-end 2024, the Central Bank’s international reserves amounted to ISK 886 bn., some ISK 96 bn. more in krónur terms than at year-end 2023. In US dollar terms, the reserves increased by USD 0.9 bn., to a total of USD 6.5 bn. at the year-end. At that time, the reserves totalled 19.5% of GDP. The main reason for the increase in reserves during the year were a EUR 750 m. green bond issue maturing in 2034 and a EUR 50 m. gender bond issue maturing in 2027. The international reserves equalled 119% of the International Monetary Fund’s (IMF) reserve adequacy metric (RAM) in mid-2024, an increase of 13% year-on-year.



From September 2009 to May 2014, the effective policy rate was the average of the current account rate and the maximum rate on 28-day CDs. From May 2014, the effective rate is the Bank's seven day term deposit rate.
Source: Central Bank of Iceland.



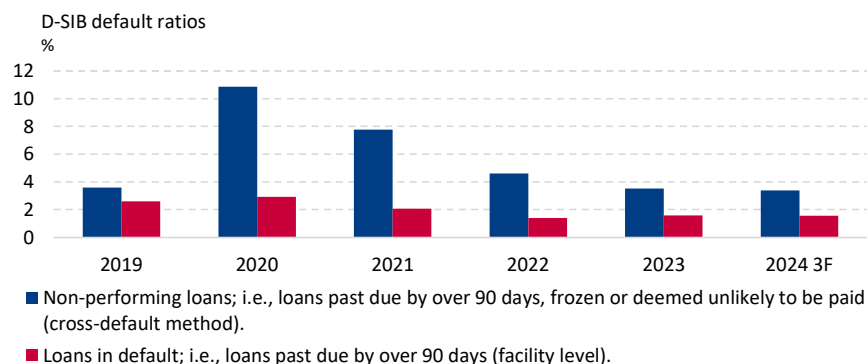
Difference in yield on Icelandic and German government bonds issued in EUR, maturing in 2028.
Source: Bloomberg.





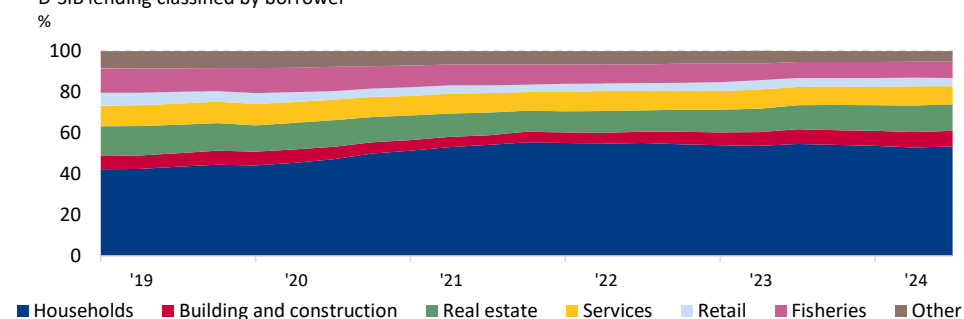
Banks (1/2)

- The three largest commercial banks, classified as Domestic Systemically Important banks (D-SIBs), are well capitalized. The D-SIBs' combined capital ratio was 23.6% at the end of June 2024, 0.6% lower than a year earlier.
- About a third of corporate debt is in foreign currencies, but the exchange rate impact on measured growth in debt was negligible. The main drivers of growth in debt this year are inflation and the concurrent increase in the share of indexed loans.
- The majority of the D-SIBs' funding is in the form of deposits and marketable bonds.



Parent companies, book value. EBA definition for non-performing loans used from 2018 onwards (red).
 Source: Central Bank of Iceland.

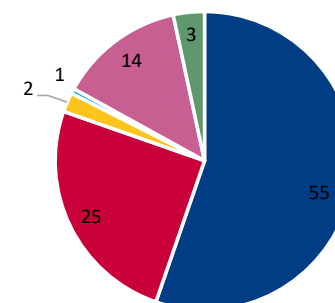
D-SIB lending classified by borrower



Share of total lending to households and operating companies. Quarterly data.

D-SIB funding % of total debt, Q3 2024

- Customer deposits
- Securities issuance
- Subordinated loans
- Debt to Central Bank and credit institutions
- Equity
- Other

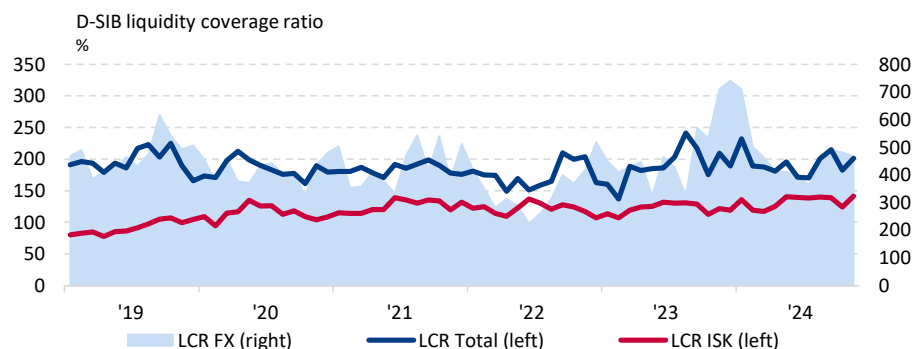


Parent companies.
 Source: Statistics Iceland, Central Bank of Iceland.

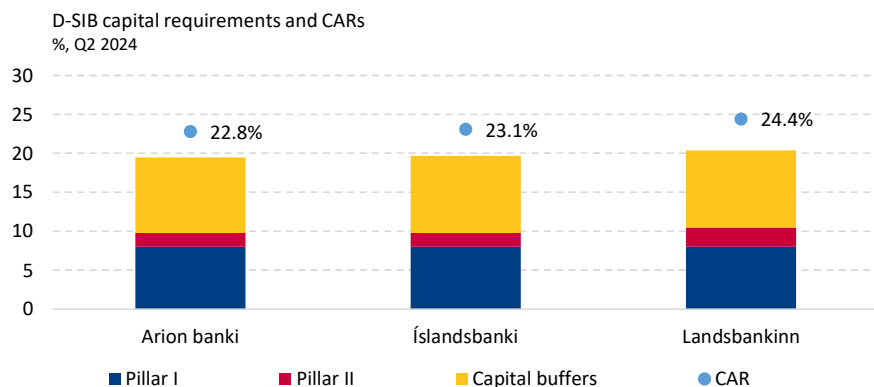


Banks (2/2)

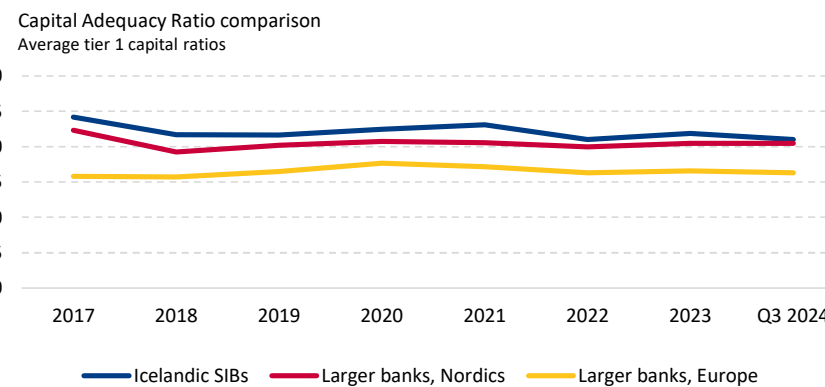
- The domestic systemically important banks' (D-SIB) liquidity has improved marginally in 2024 to date.
- At the end of Q3/2024, the D-SIBs' combined liquidity ratio in all currencies was 215%, well above the 100% minimum required under Central Bank rules. The liquidity ratio in foreign currencies was 490%, whereas the ratio in Icelandic krónur was 139%.
- The liquidity ratio in euros was 678% at the end of August but varies between banks. An 80% minimum liquidity ratio in euros was introduced on January 1st, 2023. The liquidity ratio in all foreign currencies combined has been relatively stable in recent months.



Consolidated figures. Monthly data. Source: Central Bank of Iceland.



Source: Central Bank of Iceland.

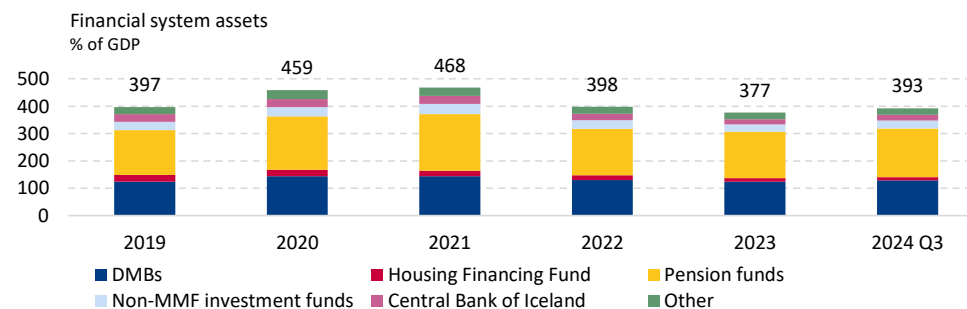


Source: Central Bank of Iceland.

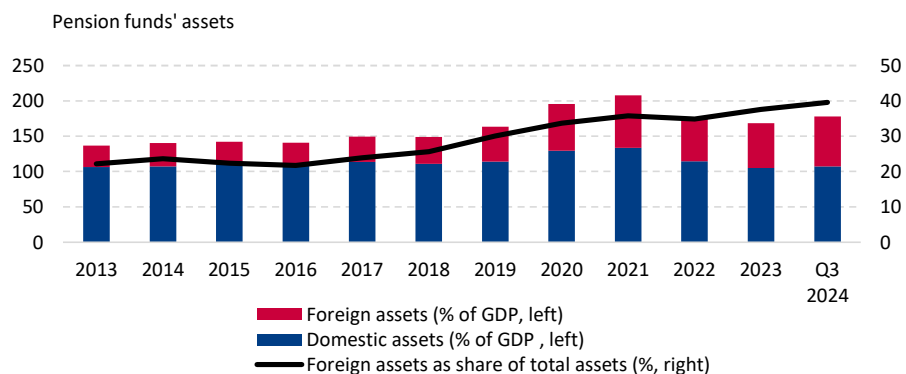


Financial system

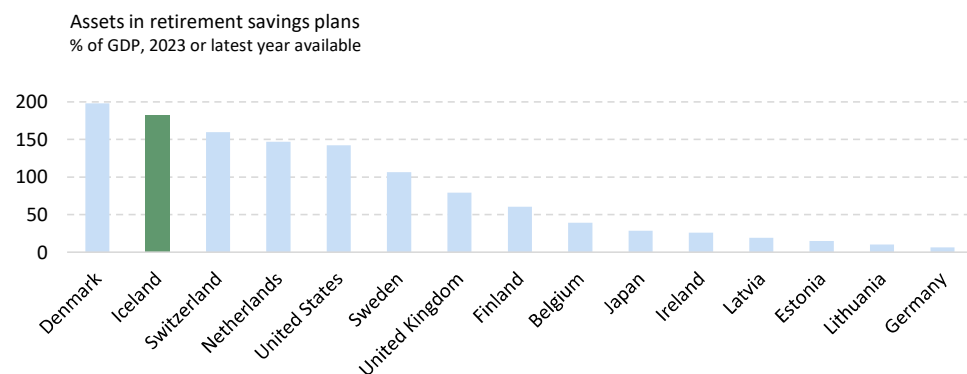
- Financial system assets amounted to 393% of GDP at the end of Q3/2024, after rising 16% during the first half of the year. The decline is due to stronger growth in financial system assets than in GDP. Since year-end 2021, the ratio has fallen by 75%, even though financial system assets have increased over the same period, but nominal GDP has surged recently, driven by strong output growth and high inflation.
- Pension fund assets amounted to ISK 7,674 bn. or 174% of GDP at the end of Q2/2024, after increasing by ISK 396 bn., or about 5%, in H1. Foreign assets accounted for 40% of total pension fund assets as of end-June 2024, the largest share on record.



Parent companies. Other: Failed financial institutions that have undergone composition are included with other financial institutions as of the time their composition agreements were approved. The Central Bank of Iceland Holding Company ehf. (ESÍ) is also included with other financial institutions from its establishment in December 2009 until its dissolution in February 2019. The Housing Financing Fund (HFF) merged with the Iceland Construction Authority on 1 January 2020. HFF assets from 2020 onwards are the assets of the ÍL Fund, which took over the processing of the HFF's assets and liabilities at the beginning of 2020. Annual data. Sources: Statistics Iceland, Central Bank of Iceland.



Annual data. Latest data based on preliminary figures. Sources: Statistics Iceland, Central Bank of Iceland.



Source: OECD (2024), Pension Markets in Focus 2024, OECD Publishing, Paris



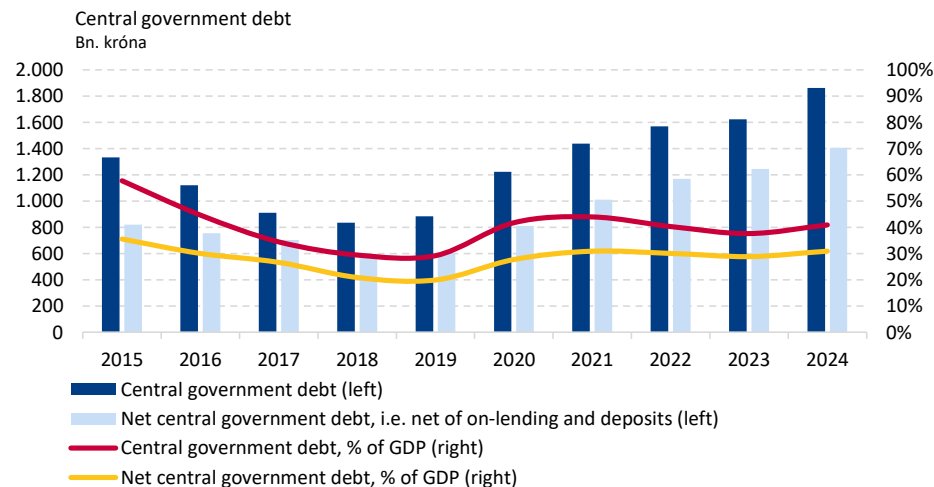
Government debt management

Republic of Iceland



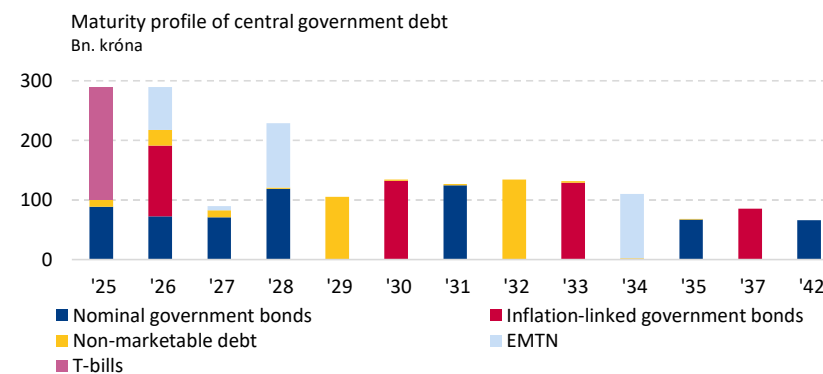
Debt profile (1/3)

- At the end of December 2024, the central government debt amounted to ISK 1,863 bn., including foreign debt (i.e., debt in foreign currency) of ISK 329 bn.
- At the end of December 2024, the Treasury's current account balance with the Central Bank of Iceland was ISK 74 bn. plus ISK 260 bn. equivalent in foreign currencies. On-lending amounted to ISK 121 bn. Net central government debt amounted to ISK 1,408 bn.
- The central government debt was 41% of GDP at the end of 2024 and net central government debt was 30.9% of GDP.
- No foreign bonds are scheduled to mature in 2025.
- A domestic nominal government bond of ISK 89 bn. will mature in 2025. A new nominal Treasury bond maturing in 2038 and two new inflation-linked bonds maturing in 2029 and 2044 are expected to be issued in 2025. Other series will be expanded during the year. Planned government bond issuance for 2025 in the domestic market totals ISK 180 bn.
- The non-marketable debt consists primarily of loans from the HF Fund (formerly The Housing Financing Fund). Approximately 11% of the non-marketable debt is denominated in foreign currencies.



Central government debt, A1 part excluding pension liabilities and accounts payable. GDP for 2024 is according to the latest forecast of the Central Bank of Iceland.

Sources: Government Debt Management, Statistics Iceland, Central Bank of Iceland.



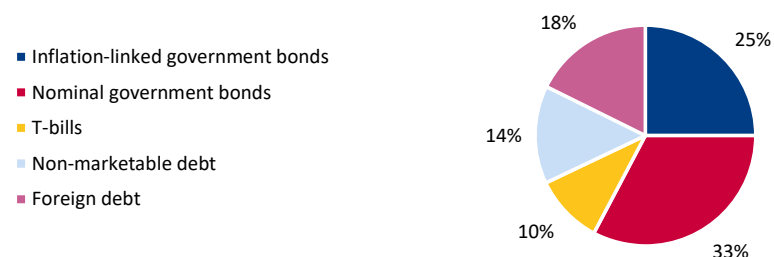
Source: Government Debt Management.



Debt profile (2/3)

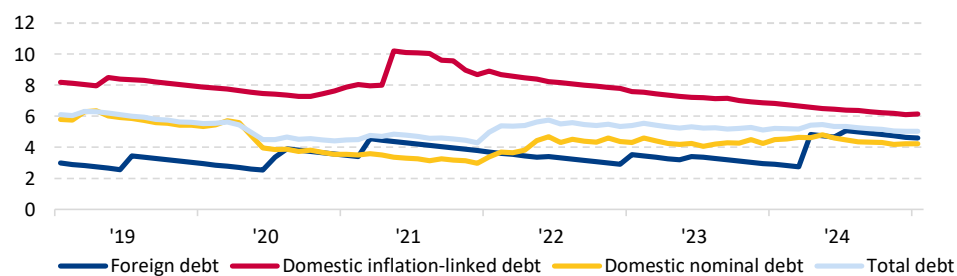
- The Medium-Term Debt Management Strategy lays down the government’s debt financing plans for the next five years.
- The strategy is based on the fiscal plan and sets forth targets and criteria for Treasury debt management over the specified period.
- The key objective of the strategy is to ensure that the government’s financing needs, and payment obligations are met at the lowest possible cost over the medium- to long-term, in a way that is consistent with a prudent degree of risk, and to promote the maintenance and further development of efficient primary and secondary markets for domestic government securities.
- Debt management guidelines 2025-2029:
 - The structure of debt portfolio:
 - Non-indexed debt 50-70%
 - Indexed debt 20-30%
 - Foreign debt 15-25%
 - The average time to maturity of the debt portfolio must be at least five years and no longer than seven years.

Composition of central government debt



Source: Government Debt Management.

Average time to maturity of government debt



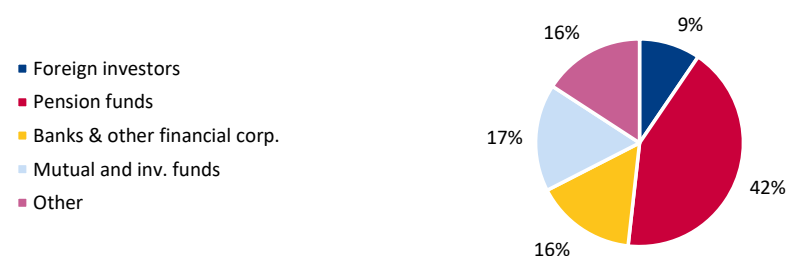
Source: Government Debt Management.



Debt profile (3/3)

- Pension funds’ holdings accounted for 42% of the market value of outstanding domestic government bonds at the end of 2024. Foreign investors held 9.5%, almost entirely in nominal bonds.
- Iceland is rated by Fitch Ratings, Moody’s Investor Service and S&P Global Ratings. The last change in Iceland’s ratings occurred in September 2024 when Moody’s raised Iceland’s credit ratings from A2 to A1.

Owners of domestic government bonds



Source: Government Debt Management.

Domestic government bond series as of year-end 2024
M. króna

Nominal series		Inflation-linked series	
RIKB 25 0612	88,859	RIKS 26 0216	118,694
RIKB 26 1015	72,924	RIKS 30 0701	132,253
RIKB 27 0415	71,051	RIKS 33 0321	129,332
RIKB 28 1115	118,882	RIKS 37 0115	85,777
RIKB 31 0124	124,632		
RIKB 35 0917	67,257		
RIKB 42 0217	66,082		

Source: Government Debt Management.

Iceland's credit rating history

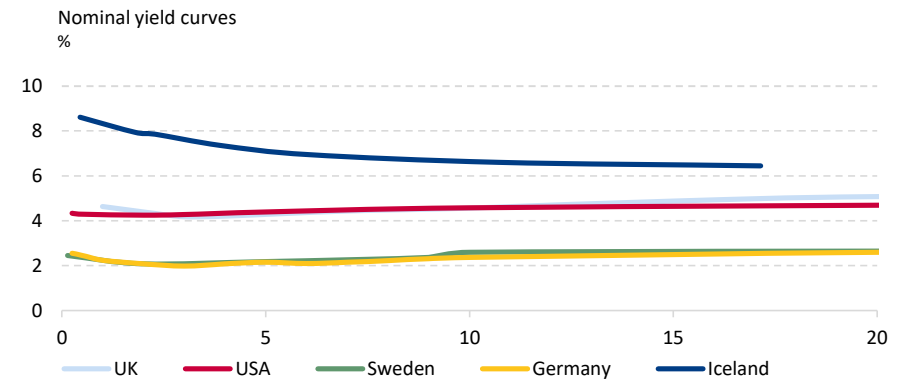
Moody's	S&P	Fitch
A1 September 2024	A+ November 2023	A December 2017
A2 November 2019	A March 2017	A- July 2017
A3 September 2016	A- January 2017	BBB+ July 2015
Baa2 June 2015	BBB+ January 2016	BBB February 2013
	BBB July 2015	

Source: Ministry of Finance and Economic Affairs.

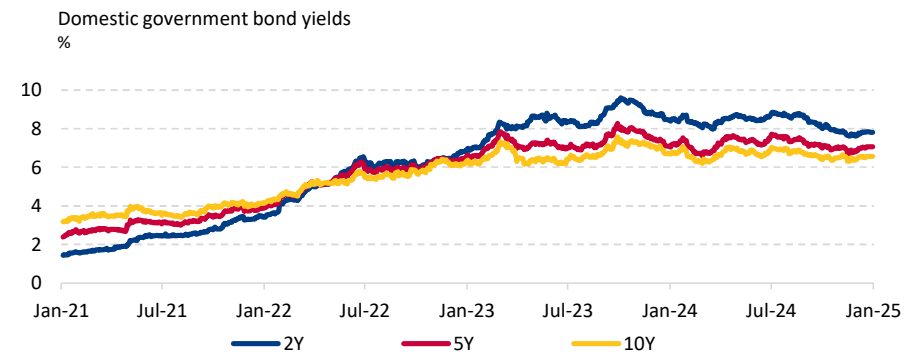


Domestic government bond market

- Government Debt Management (GDM) at the Central Bank of Iceland implements the debt strategy for the Ministry of Finance.
- GDM and the Treasury prepare and publish annual and quarterly issuance plans.
- Auction calendar published at the start of each year.
- Benchmark series are 11 in total.
- Government bond auctions conducted via Bloomberg.
- Government bonds are traded on the Nasdaq Iceland stock exchange and registered at Nasdaq CSD.
- Clearstream settlement is available.
- Currently 5 domestic primary dealers:
 - They have exclusive rights to participate in auctions.
 - Are market makers in the secondary market on the Nasdaq Iceland stock exchange:
 - Must submit bid and ask offers for each benchmark series
 - There is a maximum bid-ask spread
 - Required to renew offers within 10 minutes
 - Have access to repo facilities.
- GDM website: www.lanamal.is Bloomberg: ICDO



Source: Government Debt Management

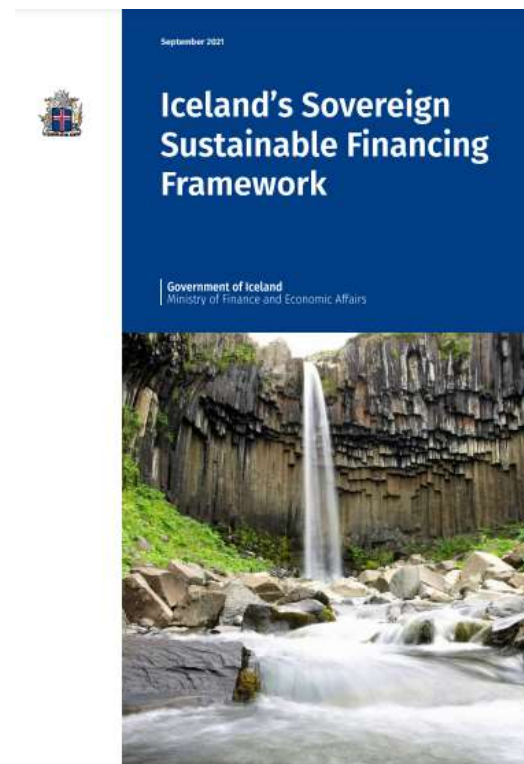


Zero-coupon yields for nominal government bonds.
Source: Government Debt Management.



Sustainable financing framework

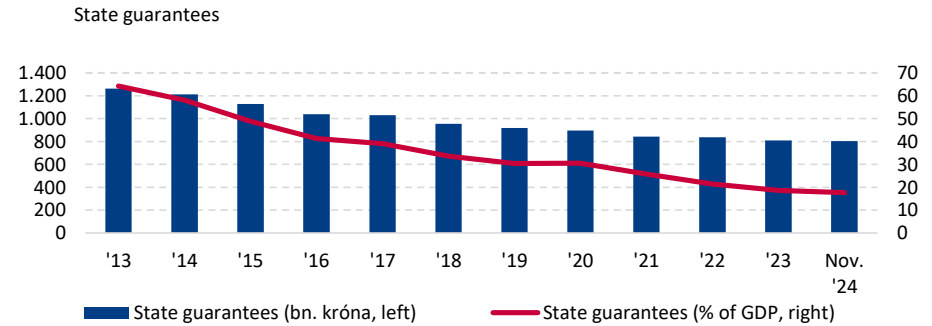
- The Ministry of Finance and Economic Affairs issued an updated Sovereign Sustainable Financing Framework in April 2023 with a new gender annex.
- The Government has set clear objectives for sustainability and gender equality and has taken on international commitments concerning climate action.
- Second party opinion was provided by CICERO Shades of Green and green projects financed under the framework was rated dark green.
- The score indicates that the projects to be financed support the long-term vision of a low-carbon future and climate resilient future.
- The framework enables the Government to finance its activities in a sustainable way, including by issuing green or other kind of labelled bonds, domestically and abroad.
- For more information:
<https://www.government.is/news/article/2023/04/28/Updated-Sovereign-Sustainable-Financing-Framework-and-an-Annex-on-Financing-for-Gender-Equality/>
- In May 2024, the Republic of Iceland issued its first green bond in the amount of 750 million euros. The bond has a 10-year maturity.
- In June 2024, The Republic of Iceland issued a gender bond in the amount of 50 million euros. The bond has a 3-year maturity. No sovereign has previously issued labelled gender bonds. The transaction was a private placement.





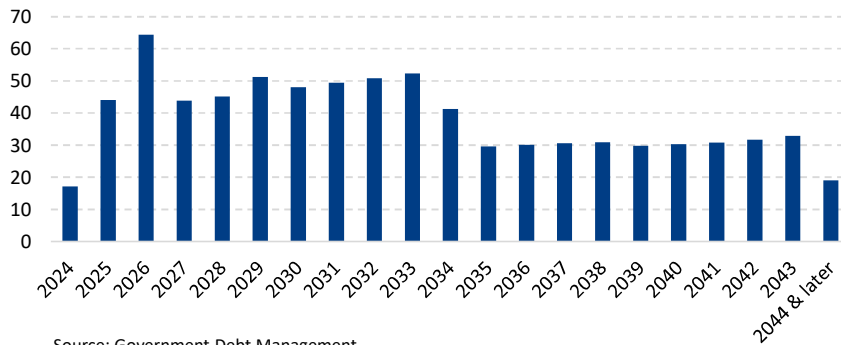
State guarantees

- At the end of November 2024, state guarantees amounted to 804 bn. króna or 18% of GDP.
- Most state guarantees are denominated in Icelandic króna. The largest share of state guarantees covers the HF-Fund or 88%.
- State guarantees are almost exclusively credit guarantees. Almost 90% of the State's credit guarantees are due to domestic marketable bonds.
- From 2013, state guarantees have decreased by 46% of GDP (64% of GDP in 2013 compared to 18% in November 2024).



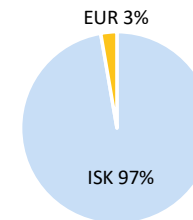
GDP for 2024 is according to the latest forecast of the Central Bank of Iceland.
Source: Government Debt Management.

Maturity profile of state guarantees
Bn. króna



Source: Government Debt Management.

Currency composition of state guarantees
November 2024



Source: Government Debt Management.



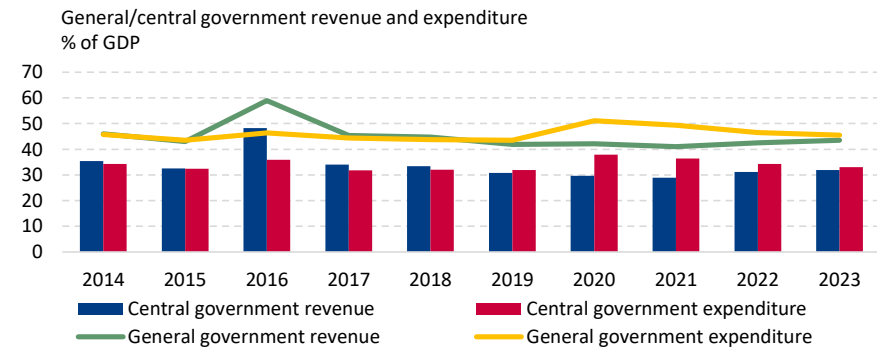
Fiscal discipline

Republic of Iceland

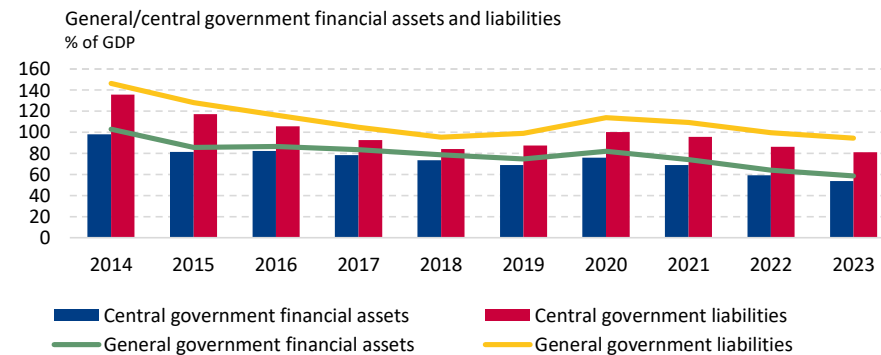


Framework of public finances

- Public finance policy and planning is carried out according to the 2015 Public Finance Act. The Act stipulates that the government must publish its policy and planning while abiding to fiscal rules and principal values.
- Statutory Publications:
 - Fiscal Policy Statement for the next five years must be issued from the formation of a government. The statement should list the objectives of public finances and set budget and debt targets for the five years.
 - Fiscal Plan is submitted annually for the next five years (rolling spring plan). It entails further elaboration of the objectives of fiscal policy.
 - Annual Budget is also submitted annually and is consistent with the targets of the Fiscal Plan.
- Fiscal rules of the Treasury (suspended until 2026 due to COVID-19):
 - Overall balance rule for a 5-year horizon.
 - Max deficit 2.5% of GDP in any year.
 - Debt rule (debt net of liquid assets shall be lower than 30% of GDP).
 - Debt reduction rule (if debt net of liquid assets exceeds 30% of GDP, the part in excess thereof shall be reduced by at least 1/20 each year).
- Principal values:
 - Sustainability, prudence, stability, predictability, transparency.



Source: Statistics Iceland



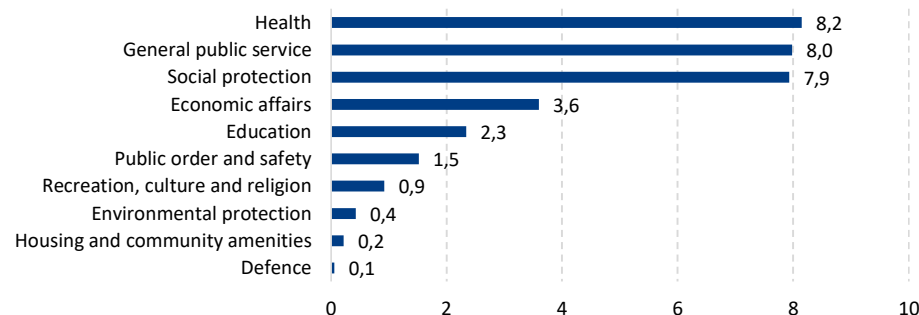
Source: Statistics Iceland.



Composition of expenditure and revenue

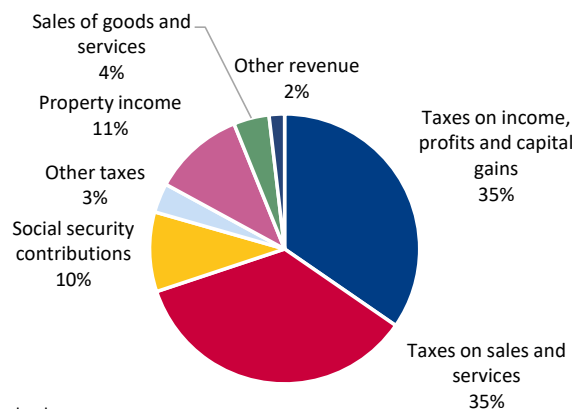
- The Central Government's revenues are comprised primarily of taxes and fees charged and collected based on various Acts. The largest sources of revenue are taxes on income, profits and capital gains and taxes on sales and services.
- The largest expenditure categories of the central government are health, general public services and social protection.

Central government expenditure by function, 2023
% of GDP



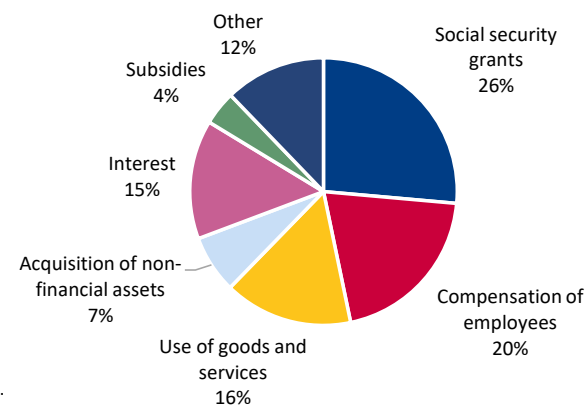
Source: Statistics Iceland.

Composition of central government revenue, 2023



Source: Statistics Iceland.

Economic composition of central government expenditure, 2023

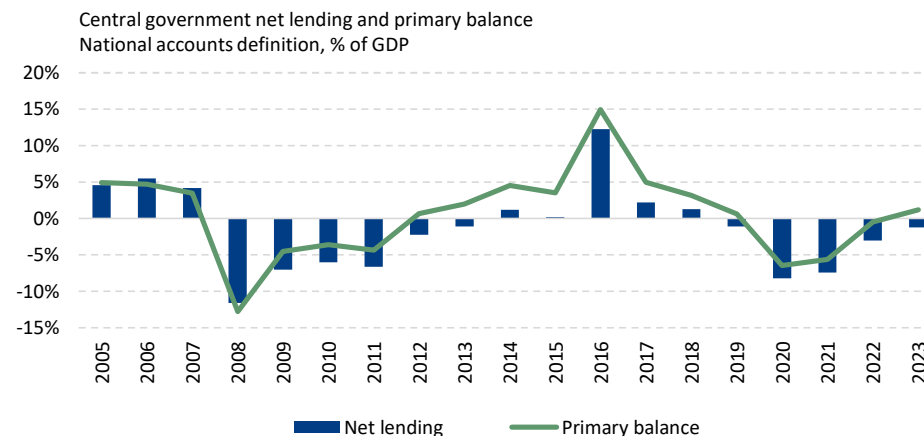


Source: Statistics Iceland.

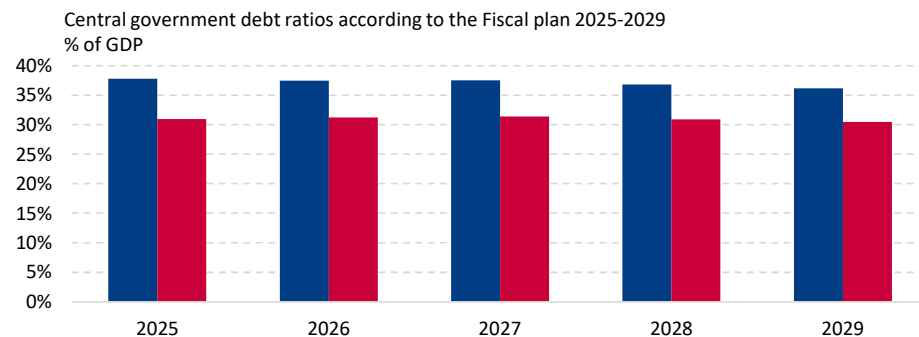


Fiscal balance and targets

- The 2025 budget was approved by Parliament in December 2024. According to the approved budget, the central government deficit in 2025 is expected to amount to ISK 62 bn. (1.3% of GDP) and to decrease by around ISK 13 bn. from 2024.
- The budget is based on the 2022-2026 Fiscal Policy Statement, amended in 2021 to allow for increased deficits due to the COVID-19 pandemic, and the 2025-2029 Fiscal Strategy Plan.
- According to the fiscal plan for 2025-2029, the ratio of Treasury’s debt to GDP is projected to be approximately 36% by 2029. The fiscal plan for 2026-2030 will be presented in spring 2025.



The central government debt assumption is included as an expense in 2008 (12.1% of GDP). In 2016, the central government’s contribution to the A-part of the State Pension Fund is included as an expense (4.2% of GDP) and stability contribution is included as revenue (15.3% of GDP).
Source: Statistics Iceland.



■ Central government debt ■ Net central government debt, i.e. net of on-lending and deposits

A1 part excluding pension liabilities and accounts payable.
Source: Ministry of Finance and Economic Affairs, Fiscal Plan 2025-2029.



Republic of Iceland