

January 30, 2026



# The Republic of Iceland

## Investor Presentation

### in relation to the EMTN programme

Republic of Iceland



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# Introduction

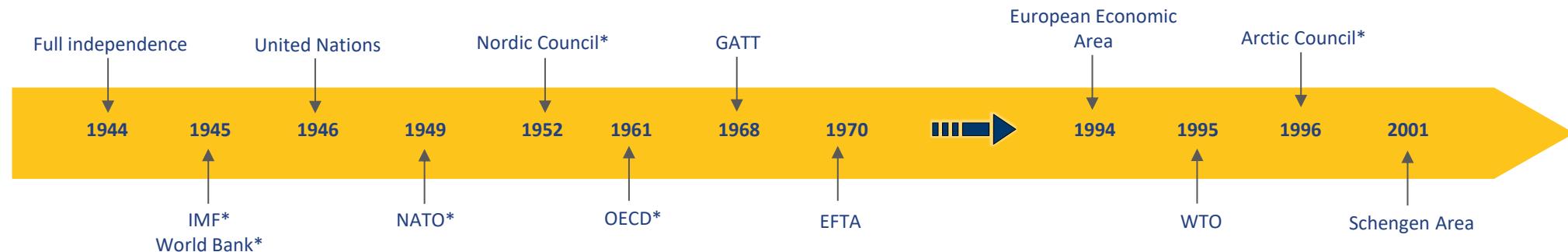
Republic of Iceland

# Key facts about Iceland

Territory	• 103,000 sq. km / 39,756 sq. miles
Capital	• Reykjavík
Population	• 389,000
Currency	• Icelandic Króna (ISK). December 2025 monthly average: • 1 USD = 126.68 ISK • 1 EUR = 148.24 ISK
GDP per capita	• USD 80,470 (2025) <sup>1</sup>
Long term credit ratings	• Moody's: A1 • S&P: A+ • Fitch: A
Distance to Iceland	• Flying time 5.5 h. to New York and 3 h. to London



## Political Milestones



<sup>1</sup> Source: IMF. PPP, international dollars per capita. \*Founding member.

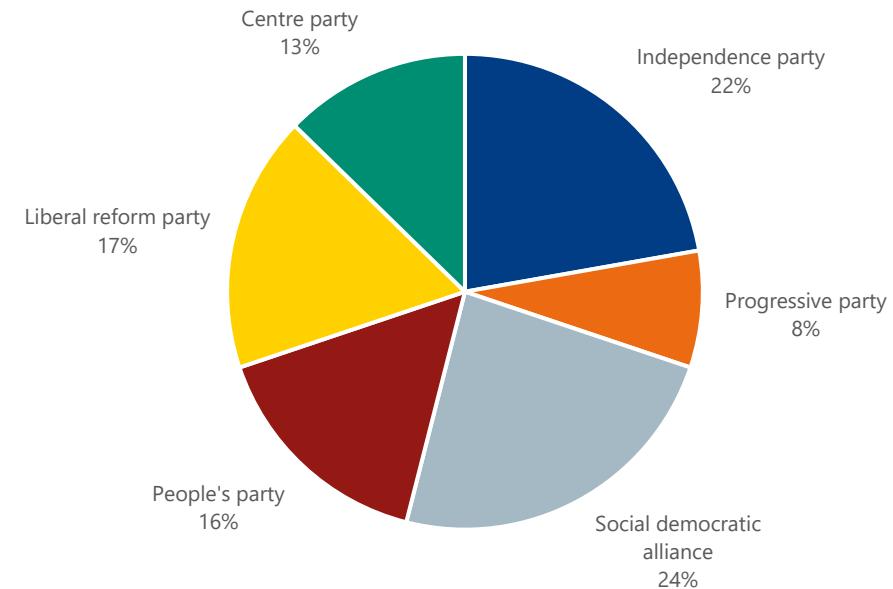
# Composition of the Government

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.

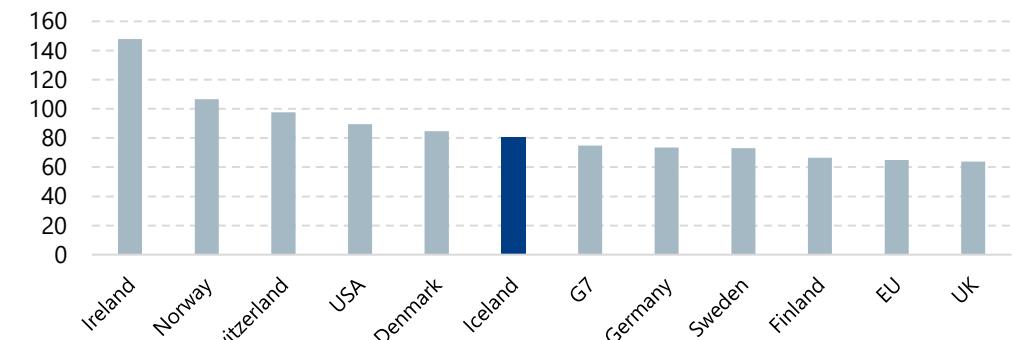
Composition of the newly elected Parliament  
Number of parliamentary seats by party



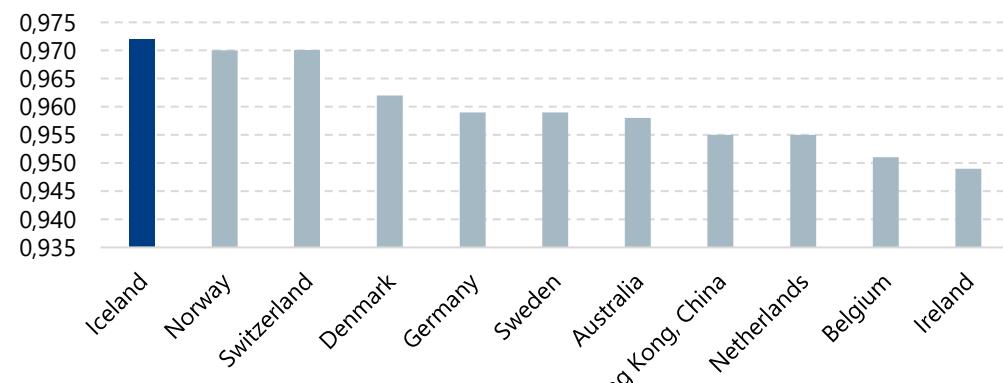
# Economic and social indicators

- The economic and social situation in Iceland is strong according to various indicators.
- The Icelandic economy generated GDP of ISK 4,950 billion in 2025 according to the latest Central bank forecast. 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 80,470 in 2025.
- 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



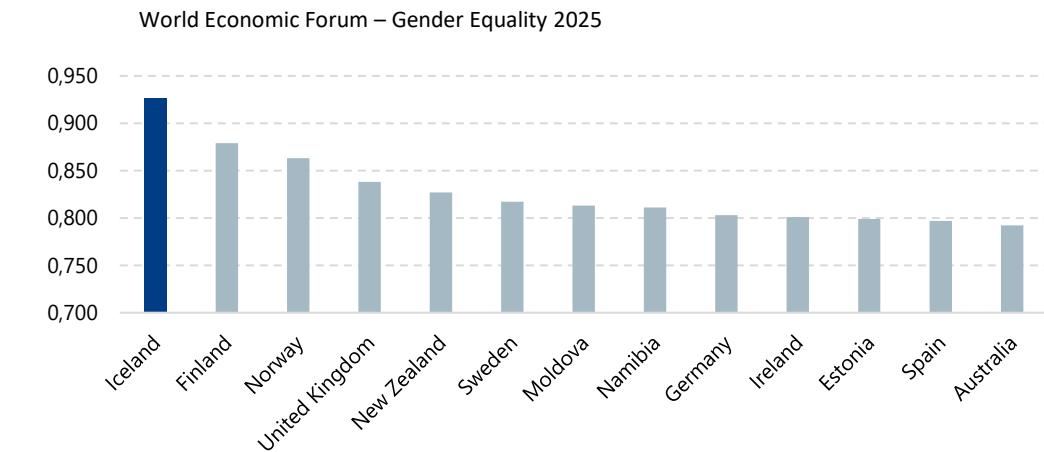
Source: IMF. Current prices.  
Human development index



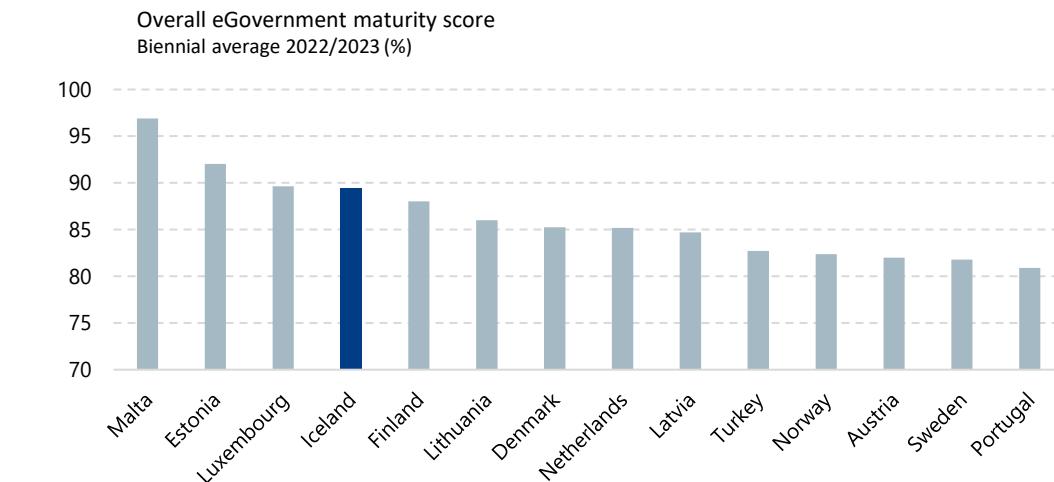
Source: UNDP (United Nations Development Programme). 2025. Human Development Report 2025

# 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 16th consecutive year, Iceland (1st) tops the index with an overall score of 0.926 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.



Source: Global Gender Gap Report 2025. World Economic Forum.





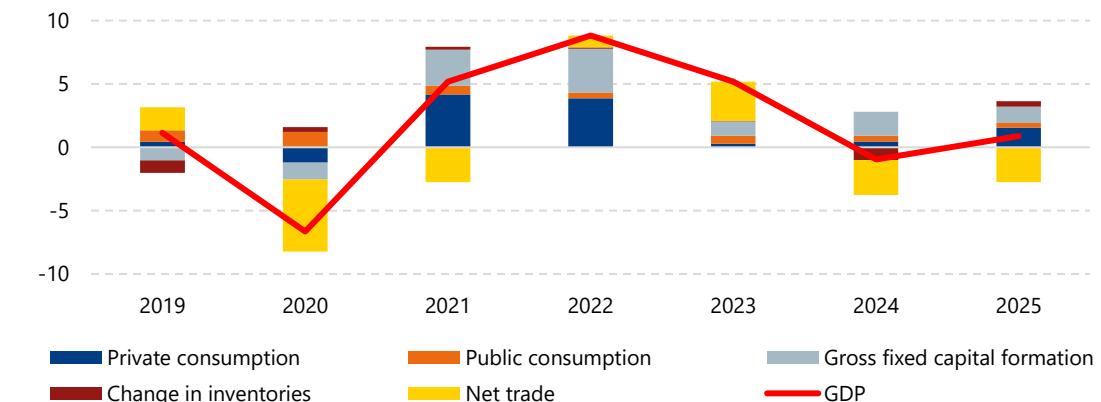
# Macroeconomic developments

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# Gross domestic product

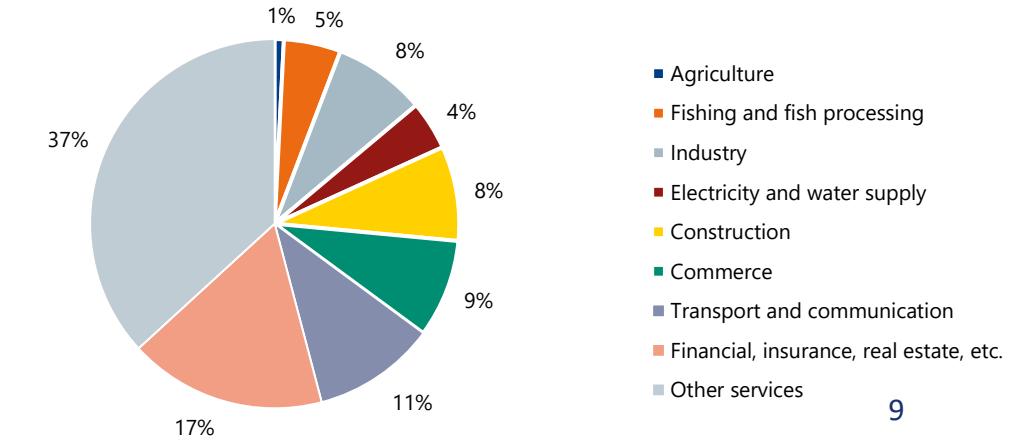
- GDP contracted by 1.0% in 2024 owing largely to a negative contribution from inventory changes, which stemmed from failed capelin catch, as well as a negative contribution from net trade, which primarily reflects a 2.3% contraction in exports.
- GDP only grew by 0.3% year-on-year in H1/2025, owing largely to a negative contribution from net trade, which primarily reflects a 4.5% contraction in goods exports. For the year as a whole, GDP growth is projected at 1.6%.
- 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 8.1% of GDP in 2024.

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



Sources: Statistics Iceland, Central Bank of Iceland.

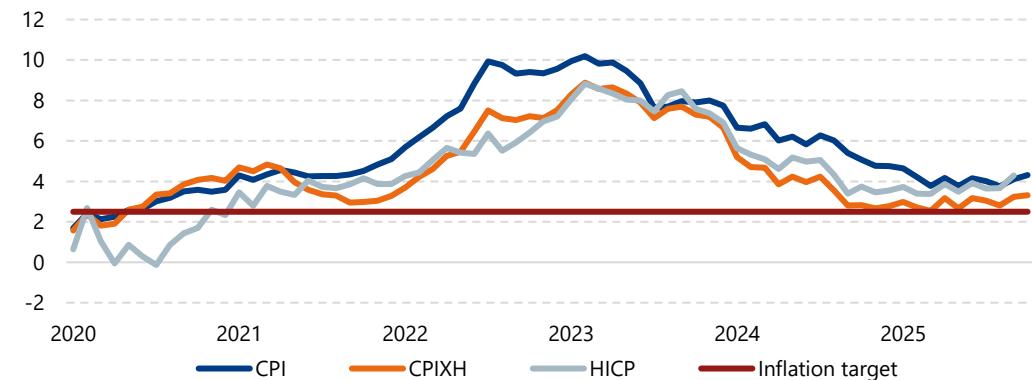
Breakdown of GDP by sector 2024



# Inflation (1/2)

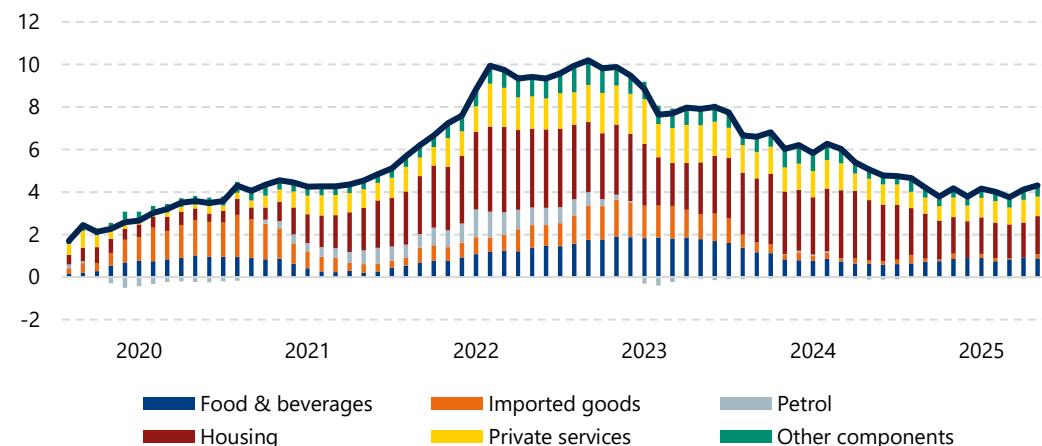
- Inflation has remained above the inflation target for more than four years. Rapidly rising housing prices in 2021 and 2022 were the principal driver of rising inflation during this period. In 2023, inflationary pressures became increasingly widespread with rising prices in housing, food and services.
- Inflation has declined after peaking at 10.2% in February 2023 and measured 4.5% in December 2025. Inflation excluding housing measured 3.8% in the same month. Both measures have declined in recent months. Inflationary pressures have been persistent in the recent term. A large share of headline inflation can be attributed to the housing component and the rise in food and beverage prices, particularly domestic foods, now accounts for about a fifth of twelve-month inflation.

Various measures of inflation  
Year-on-year change (%)



Sources: Statistics Iceland, Central Bank of Iceland.

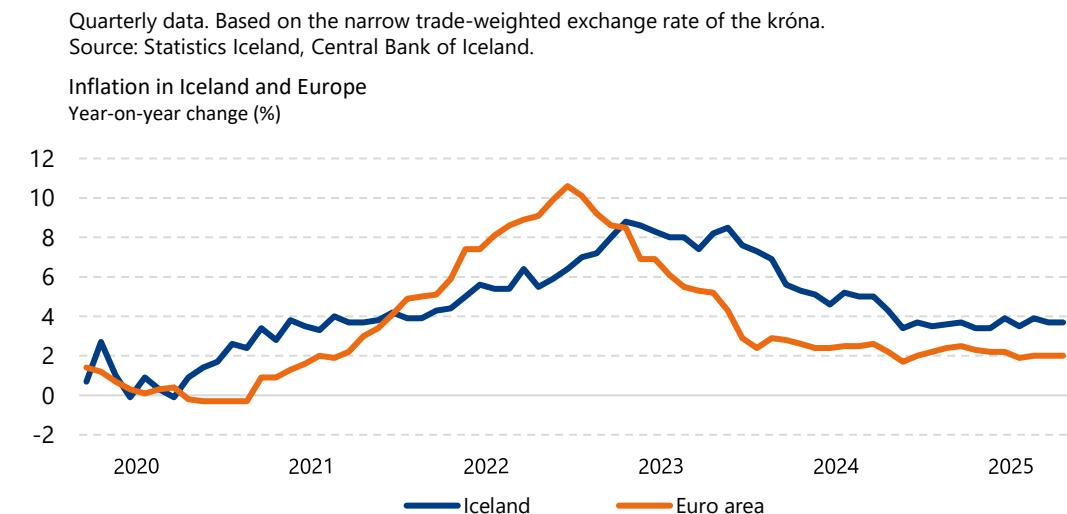
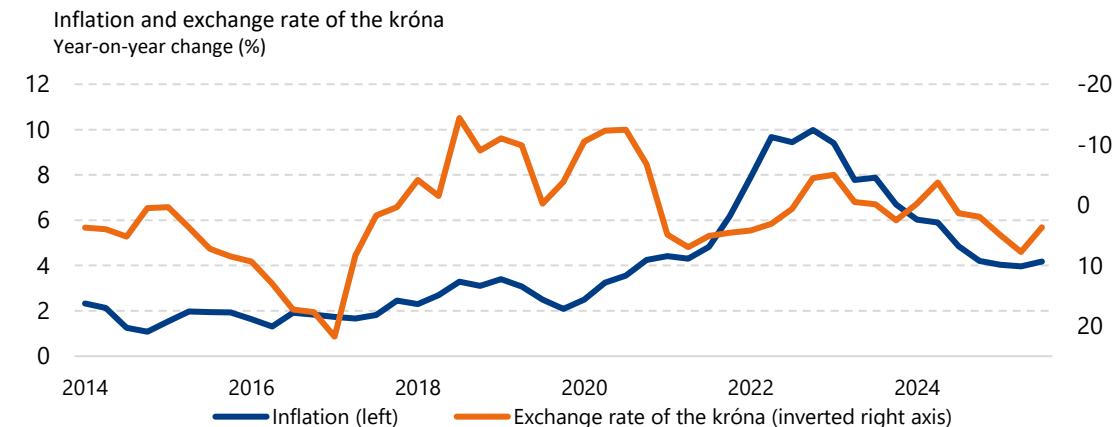
Components of CPI inflation  
Year-on-year change (%)



Sources: Statistics Iceland, Central Bank

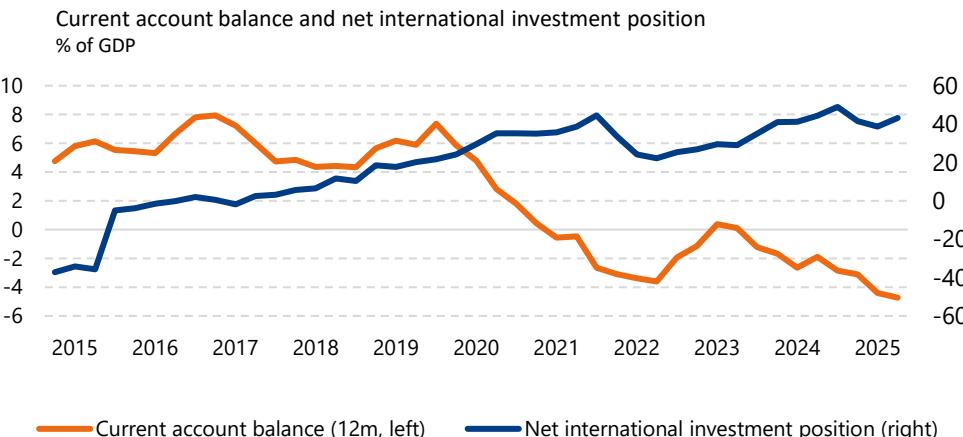
# Inflation (2/2)

- The Icelandic króna appreciated by 0.7% in trade-weighted terms but depreciated 2.3% against the euro in 2025. 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.

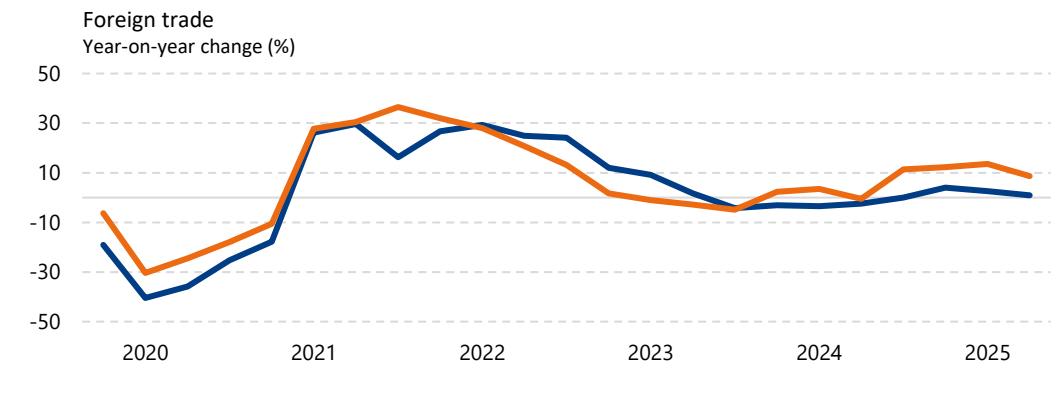


# Foreign trade and external position

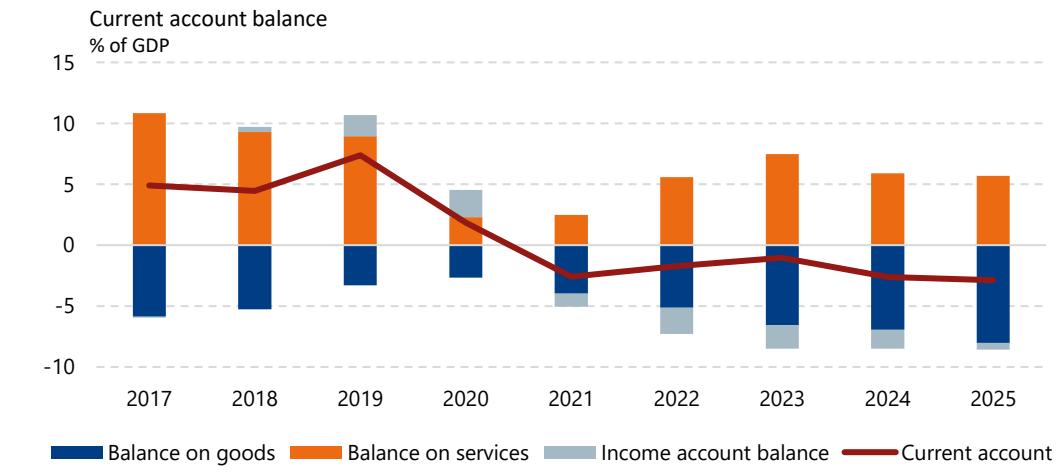
- In 2024, the current account deficit measured 2.6% of GDP. Iceland's current account showed a deficit of 3.6% of GDP in H1/2025.
- The outlook is for the current account balance to show a deficit of 2.9% of GDP in 2025, owing to a contraction in goods exports due in part to the trade disputes between the US and other countries and weaker growth in services exports.
- Iceland's net international investment position was positive by 43% of GDP at the end of Q3/2025 compared to 44% of GDP a year earlier. Consistent current account surplus in the 2010s have brought the NIIP up from negative 96% at the end of 2011 to being considerably positive today.



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



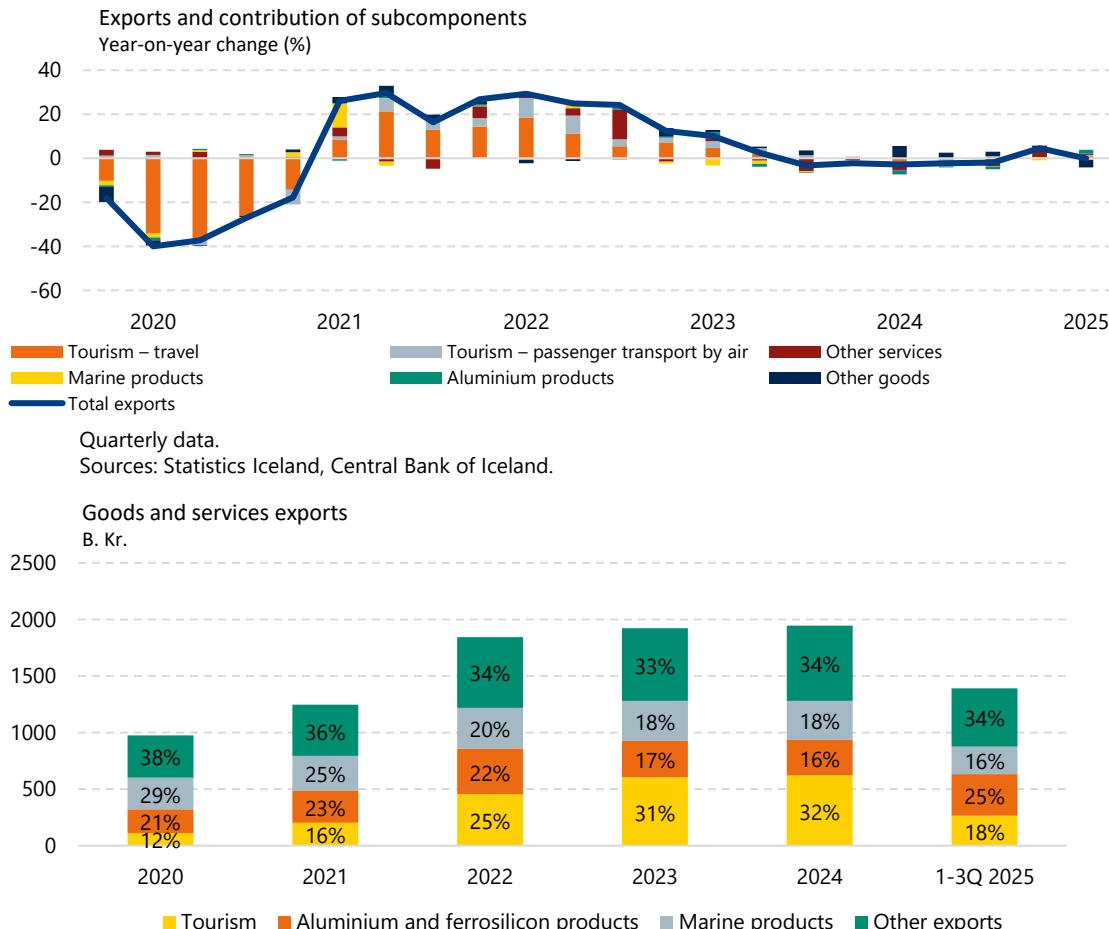
Quarterly data.  
Source: Statistics Iceland.



Source: Statistics Iceland, Central Bank of Iceland.

# Exports (1/2)

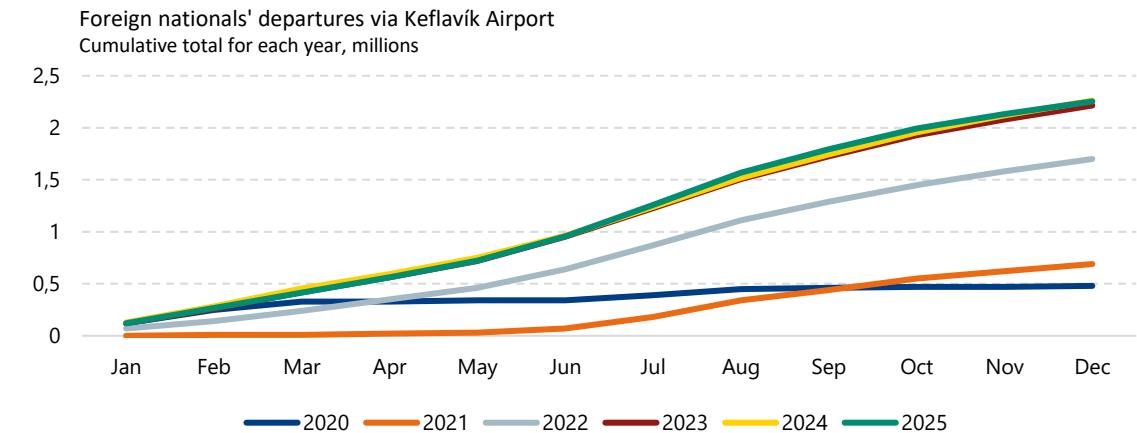
- Exports of goods and services contracted by 0.2% year-on-year in Q2/2025. Services exports grew by 2%, but that was more than offset by contraction in exports of goods other than aluminium and marine products.
- Goods exports contracted by 4.5% year-on-year in Q2/2025, primarily due to one-off effects due to exportation of a ship and a drilling rig in Q2/2024. Exports of goods other than aluminium and marine products also contracted between years. The downturn was broad-based and is probably due in part to the trade disputes between the US and other countries, especially China.
- Services exports are expected to grow by 2.8% in 2025, goods exports are projected to contract by 2.8% and total exports are projected to stay unchanged in 2025.



Source: Statistics Iceland, Central Bank of Iceland.

# Exports (2/2)

- In 2025, just under 2.3 million tourists visited Iceland, which is the third highest number on record. Only 2018 and 2024 had more tourist visits. Fewer tourists visited Iceland early this year than in the same period of 2024, but demand for travel to Iceland was robust in Q3/2025, as was also reflected in surging arrival and departure numbers, while the number of transit passengers continued to fall. Total export revenues from passenger transport are estimated to have contracted year-on-year in Q3, however, owing to the reduction in flight offerings by airline Play and the appreciation of the króna against the US dollar.
- 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.



Sources: Icelandic Tourist Board, Central Bank of Iceland.

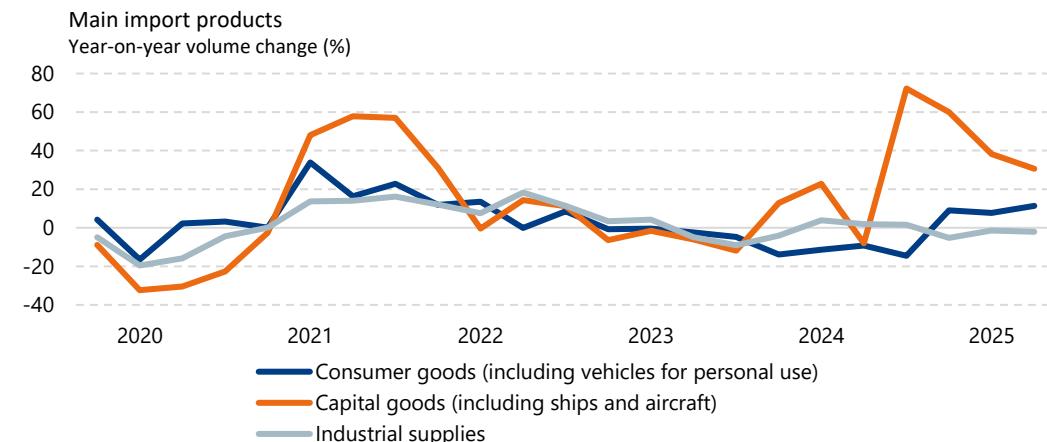
Net payment card flows  
B.kr.



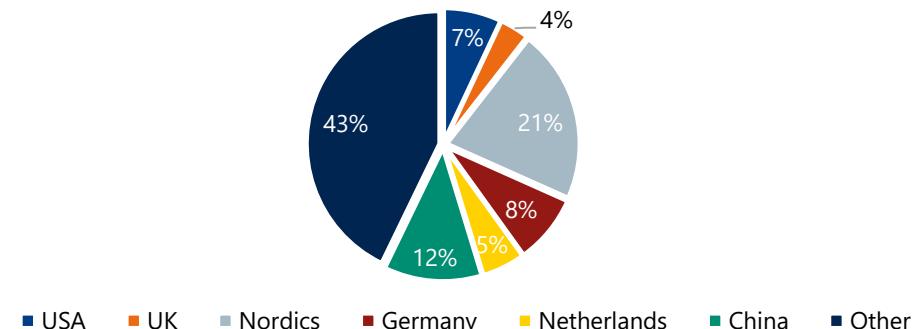
Domestic turnover with foreign payment cards net of foreign turnover with domestic payment cards. Seasonally adjusted figures.  
Source: Central Bank of Iceland.

# Imports

- Goods and services imports grew by 13.5% year-on-year in Q2/2025. Capital goods imports grew by 38.3% year-on-year in Q2 2025. The increase stems largely from imports of computer equipment in connection with investments in data centres, plus robust growth in imports of passenger cars.
- Services imports are projected to grow by 5.1% in 2025, goods imports are estimated to grow by 7% and total imports are projected to grow by 6.4% in over the same period. 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 28% of total goods imports and 18% of total imports in 2024. Capital goods constituted 27% of total goods imports and consumer goods constituted 20% (17% and 13%, respectively, of total imports in 2024), while services contributed 37% of total imports.



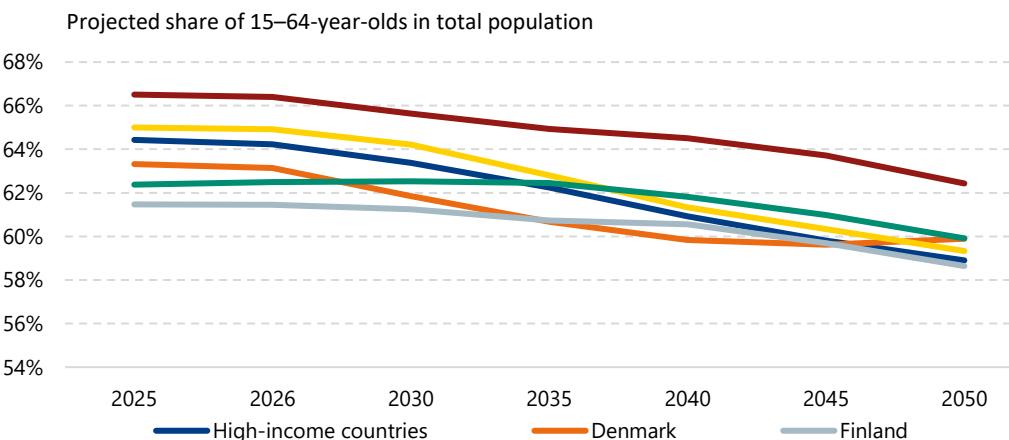
Share of imports by country, 2025



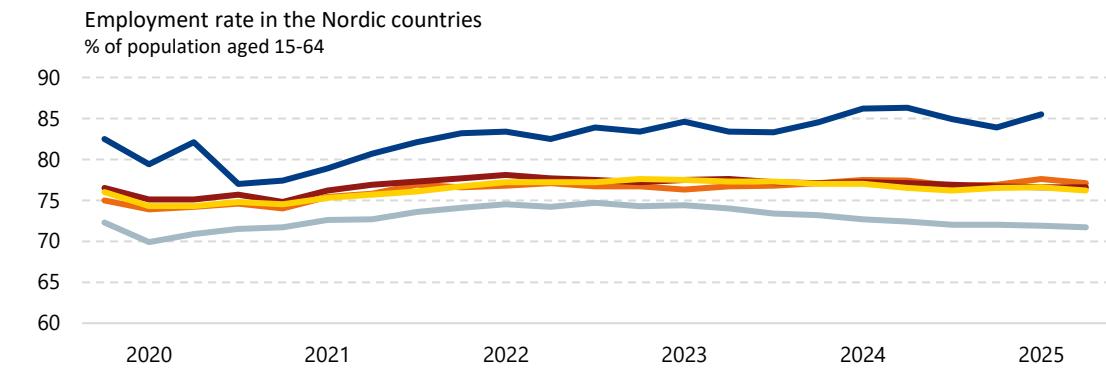
Source: Statistics Iceland

# Labour market (1/2)

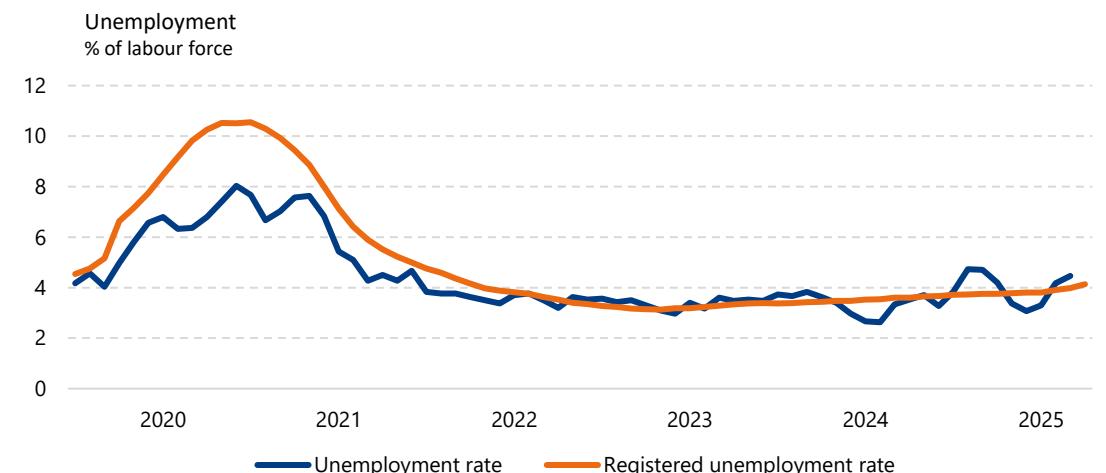
- Labour market conditions deteriorated following the onset of the COVID-19 pandemic. Since then, the labour market has recovered quickly and reached its post-pandemic trough of 3.2% seasonally adjusted unemployment in May 2023. Since then, unemployment has been slowly inching upwards.
- In Q3/2025, the unemployment rate was 4.5%. Seasonally adjusted registered unemployment was low as well and measured 4% in Q3.



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



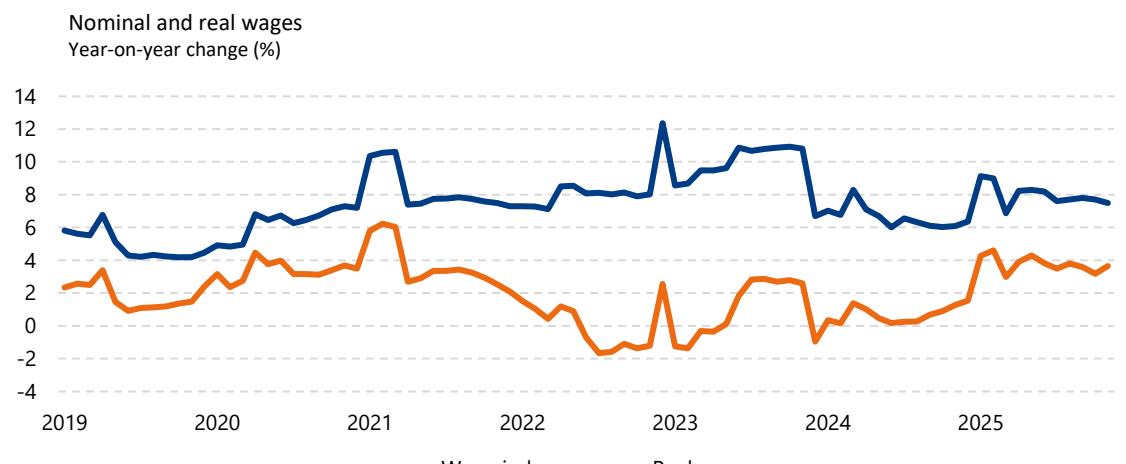
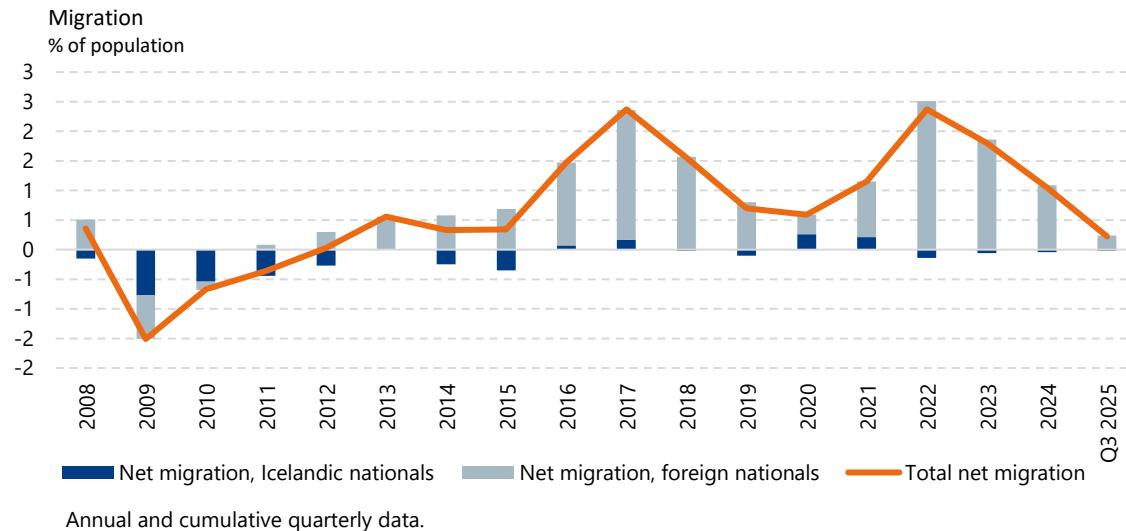
Source: Eurostat.



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)

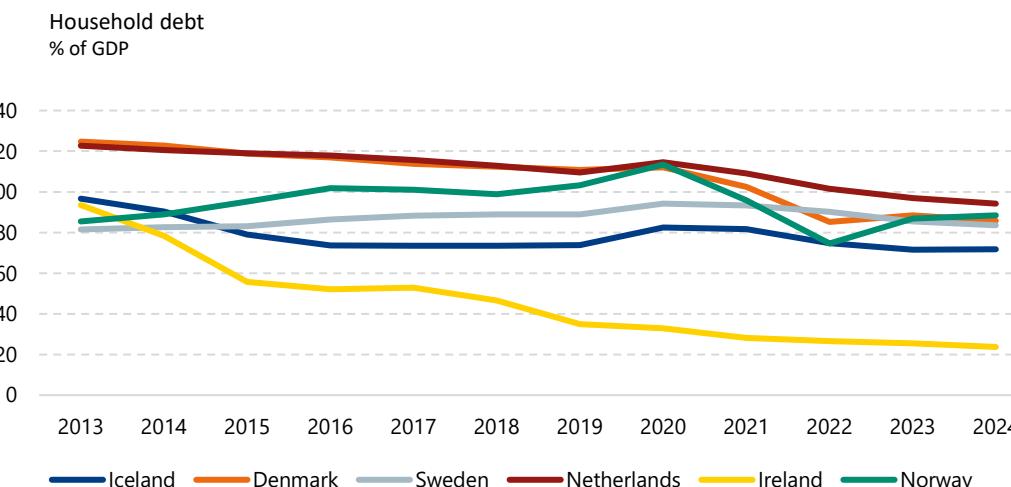
- After a number of years of tight labour market job growth has begun slowing significantly and job numbers in August 2025 were only marginally higher than in August 2024. The year-on-year increase in hourly wages however, as measured by the general wage index, remains high and was 6.1% in Q4/2024. This 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 1.5% year-on-year.
- Iceland's population grew by 1.1% 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. Migration by Icelandic and foreign nationals contributed equally to population growth during the period.



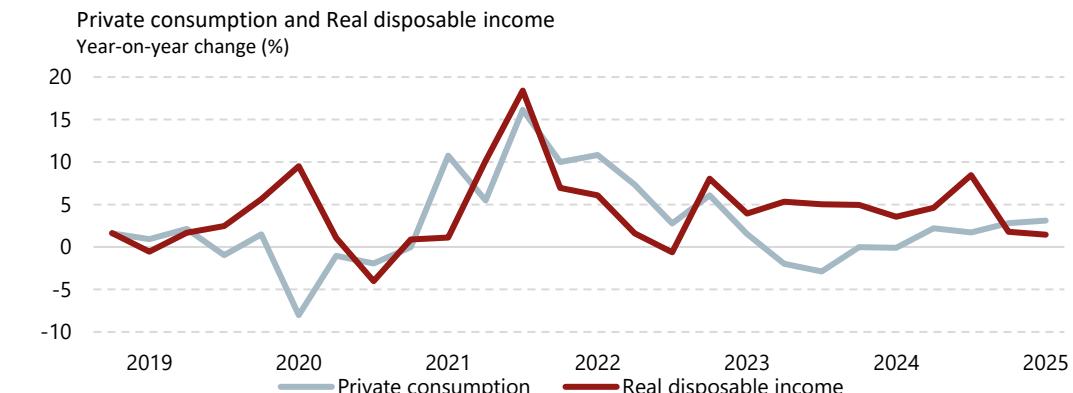
Real wages are the wage index deflated by the CPI. Monthly data.  
Source: Statistics Iceland.

# Private consumption and households

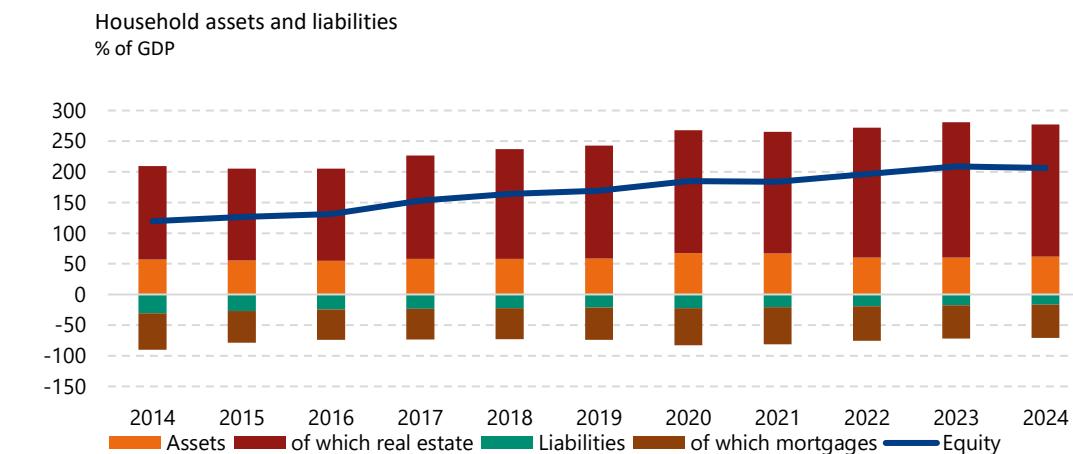
- Private consumption picked up in H2/2024 and grew by 0.5% quarter-on-quarter in Q2/2025. The increase measured 3.1% year-on-year, its strongest in over two years. Private consumption growth is estimated at 3.1% for 2025 as a whole. Private consumption growth exceeded growth in real disposable income in H1/2025, for the first time since 2022. Household savings therefore shrank marginally relative to 2024 but remained robust and should support household demand in the coming term
- 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 relatively low as well, and households are therefore robust overall.



Source: Eurostat, Statistics Iceland, Central Bank of



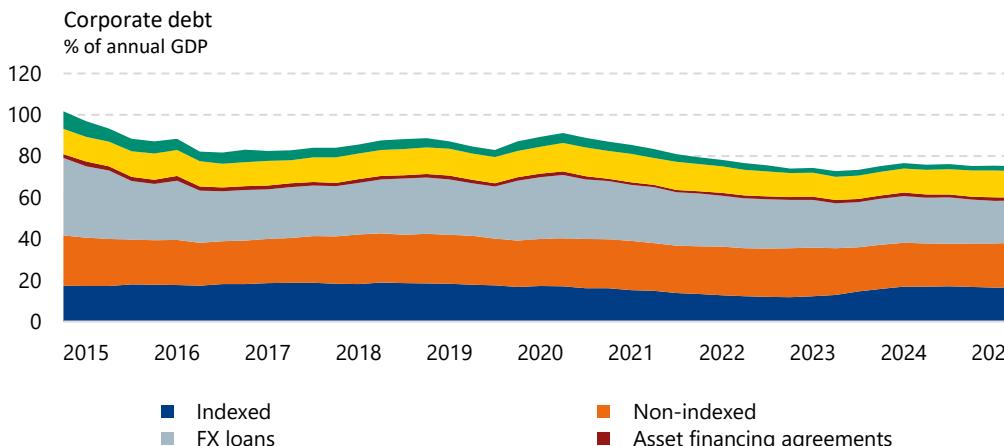
Statistics Iceland's estimate of disposable income taken from the sectoral accounts. It is entered at constant prices and deflated with the private consumption price deflator.



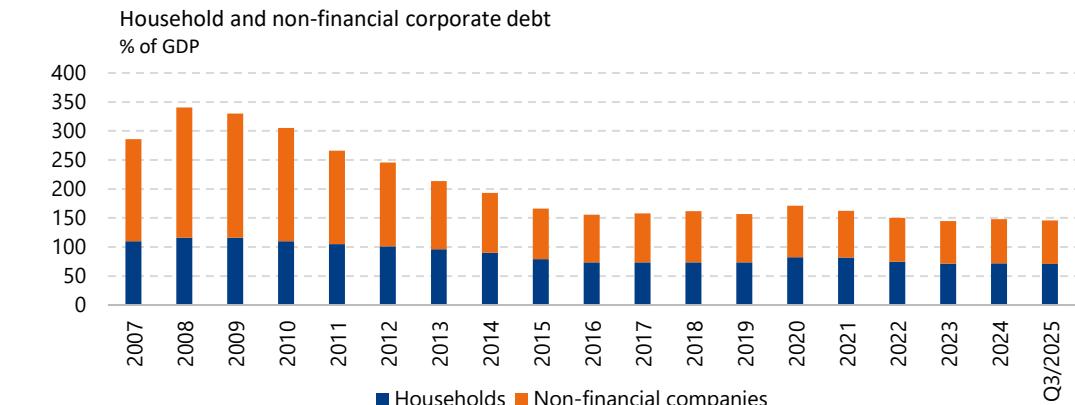
Source: Statistics Iceland, Central Bank of Iceland.

# Private sector debt

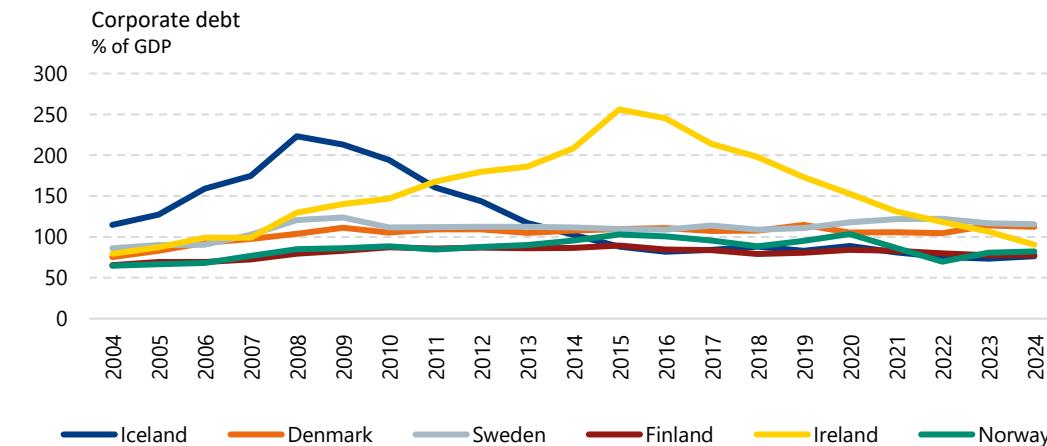
- Year-on-year growth in corporate debt measured 1.4% in real terms at the end of Q2. Nominal growth measured 5.6% over the same period. Total corporate debt equalled 76% of GDP at the end of Q2/2025, after declining by just over 1 percentage point between years. The ratio is low in both historical and international context. Demand for corporate credit has been met primarily by domestic credit institutions and with bond issuance in the domestic market.
- Household debt has risen marginally in the past year, mainly because of an increase in mortgage loans. Real growth in household debt measured 1.6% year-on-year at the end of July, while the nominal growth rate was 5.7%. The household debt-to-GDP ratio is slightly lower than at year-end 2024, measuring 71% at the end of Q3/2025.



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



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

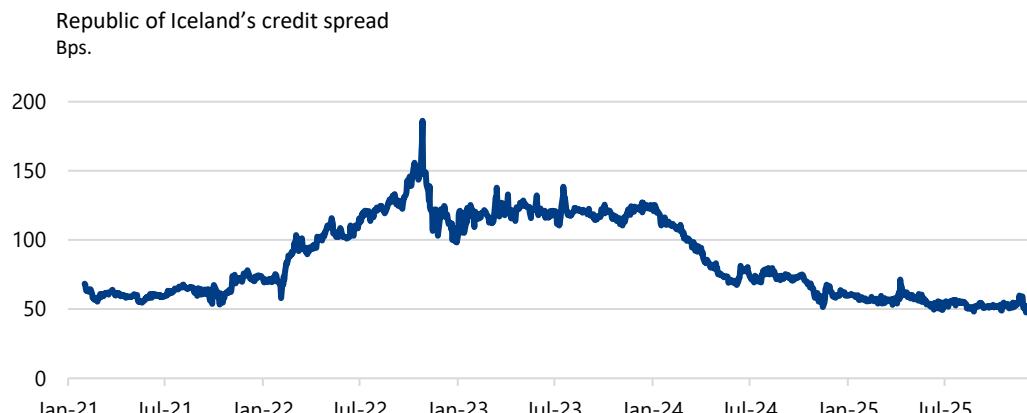


# Financial sector

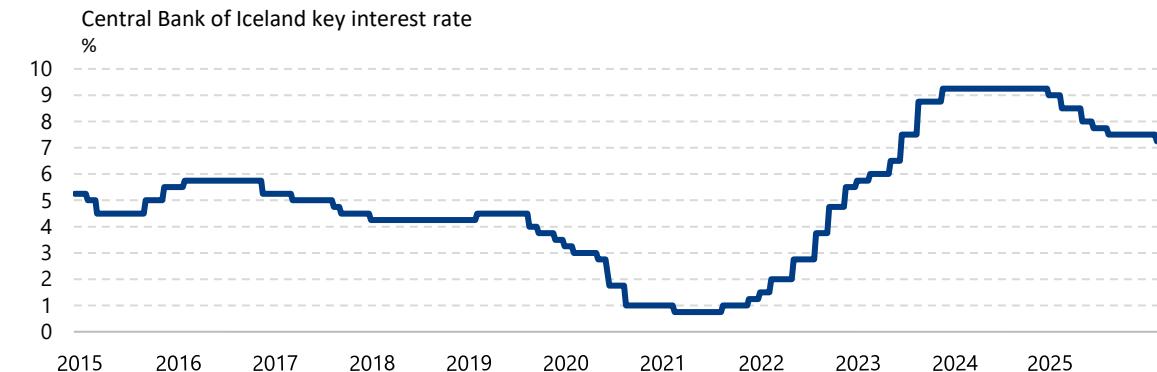
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# Financial conditions and FX reserves

- At year-end 2024, the Central Bank's key interest rate was 7.25%. It has been cut by 1.25% in 2025 and is 6.5% 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 were stable in 2025.
- As of end-August 2025, the Central Bank's international reserves totalled 917 b.kr., or 19% of GDP, an increase of just over 30 b.kr. since the turn of the year. Iceland's international reserves amounted to 114.6% of the International Monetary Fund's (IMF) reserve adequacy metric (RAM) at the end of Q2/2025, a decrease of 5 percentage points since the beginning of the year.<sup>9</sup> The ratio has declined because the RAM has increased, primarily due to an increase in issuance of foreign bonds by financial institutions and foreign bonds maturing in Q2/2026.

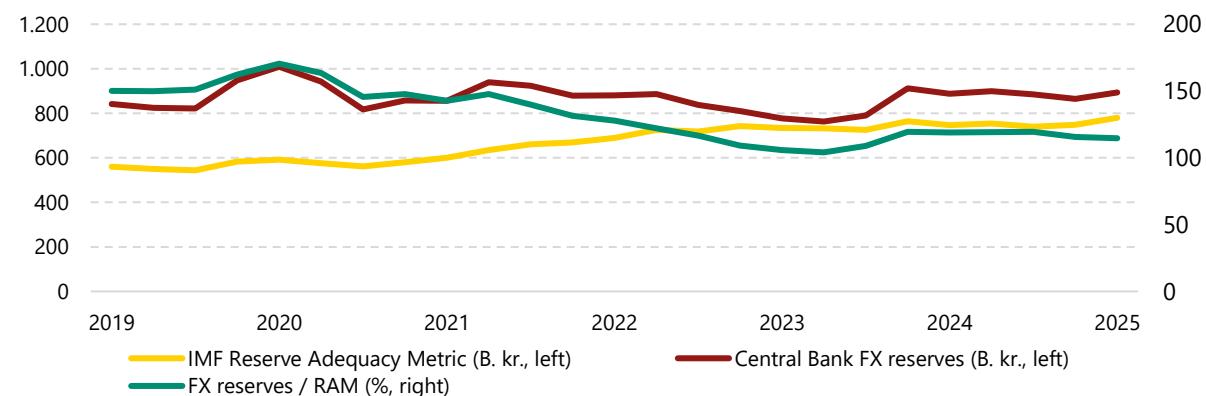


Difference in yield on Icelandic and German government bonds issued in EUR and maturing in 2028.  
Source: Bloomberg.



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.

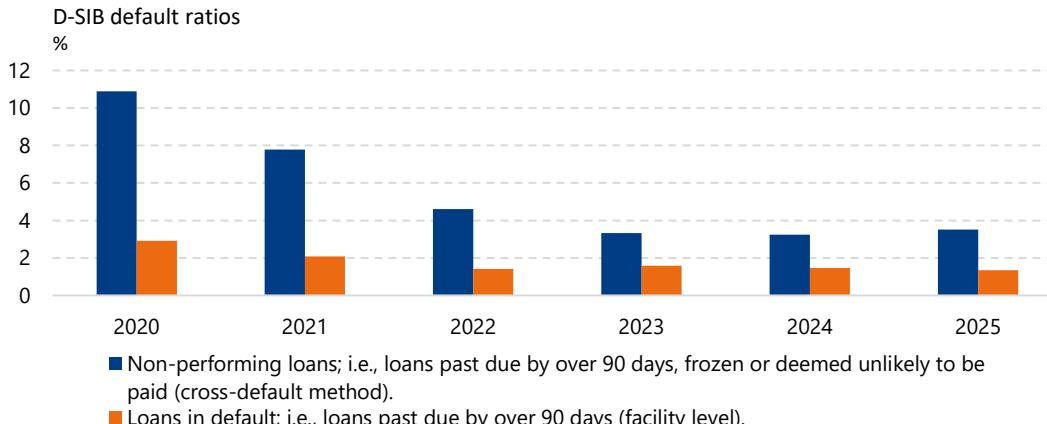
Central Bank FX reserves and reserve adequacy



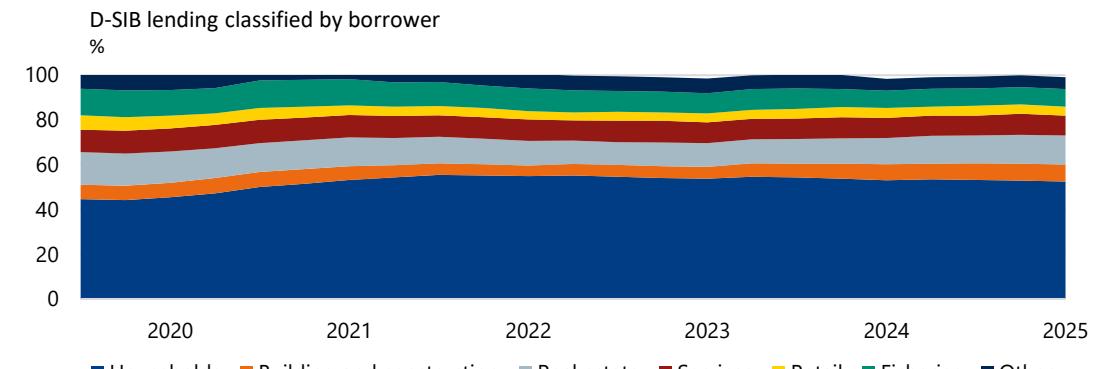
Source: Central Bank of Iceland.

# Banks (1/2)

- The three largest commercial banks, classified as Domestic Systemically Important banks (D-SIBs), are well capitalized. The banks' combined capital adequacy ratio at the end of June was 22.7%, after declining by 0.8 percentage points between years.
- The decline in nominal interest rates over the past year has had a positive impact on loan quality and arrears. On the other hand, real interest rates have risen with the decline in inflation. Households and businesses are well positioned, and arrears have increased very little and remain low in historical context.
- The majority of the D-SIBs' funding is in the form of deposits and marketable bonds.



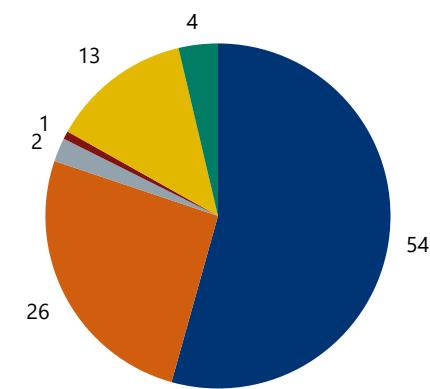
Parent companies, book value. EBA definition for non-performing loans used from 2018 onwards (orange).  
 Source: Central Bank of Iceland.



Share of total lending to households and operating companies. Quarterly data.  
 Source: Central Bank of Iceland.

D-SIB funding % of total debt, Q2 2025

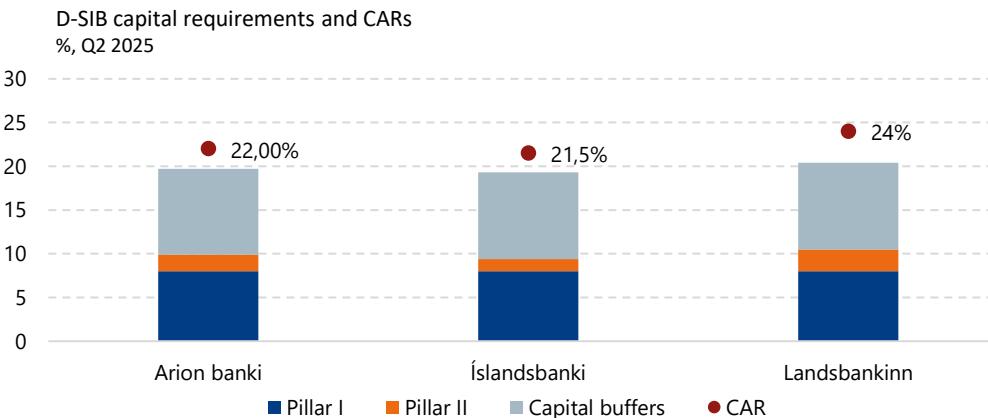
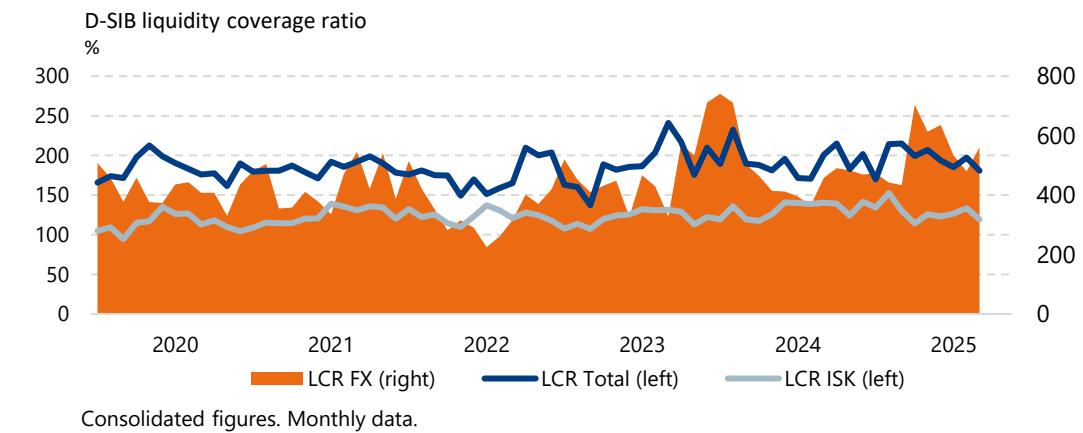
- Customer deposits
- Securities issuance
- Subordinated loans
- Debt to Central Bank and credit institutions
- Equity
- Other



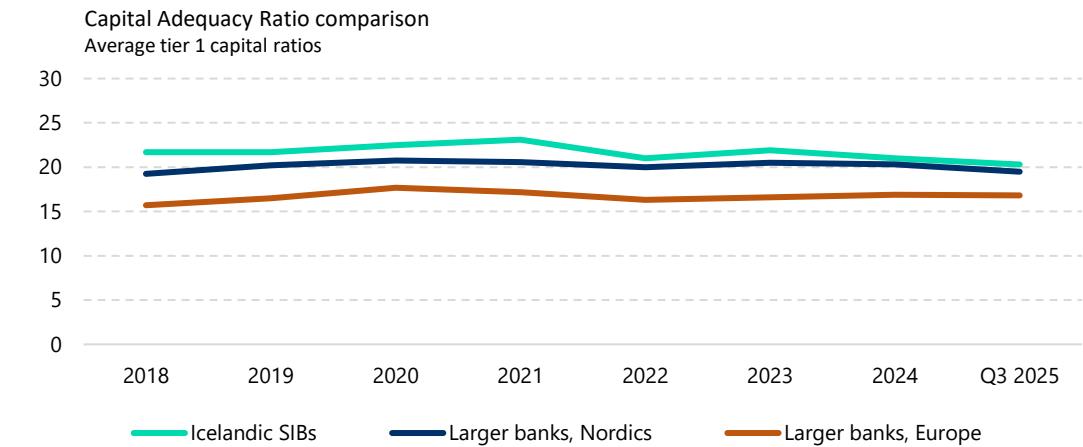
Parent companies.  
 Source: Statistics Iceland, Central Bank of

# Banks (2/2)

- The D-SIBs' liquidity position is strong, and their liquidity coverage ratios (LCR) are well above the required minimum
- At the end of Q2/2025, the D-SIBs' combined liquidity ratio in all currencies was 185%, well above the 100% minimum required under Central Bank rules. The liquidity ratio in foreign currencies was 534%, whereas the ratio in Icelandic krónur was 127%.
- The ratio for euros often fluctuates from month to month but is usually well above the 80% which was introduced on January 1st, 2023. The liquidity ratio in all foreign currencies combined has been relatively stable in recent months.



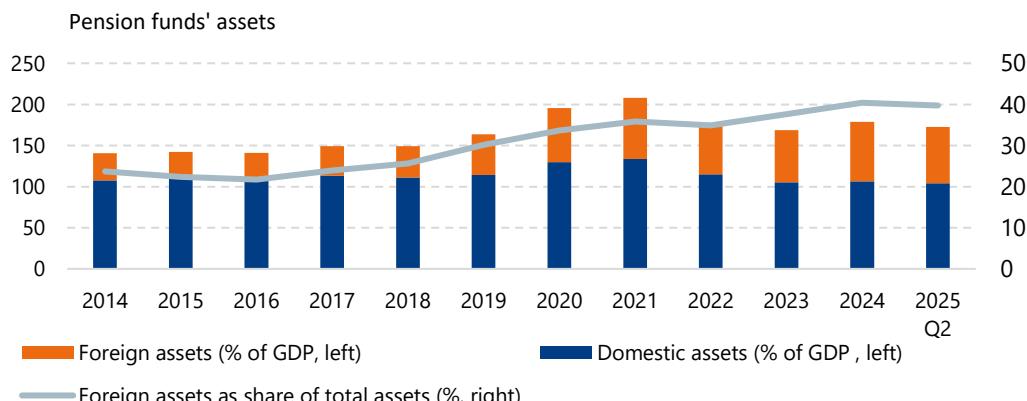
Source: Central Bank of Iceland.



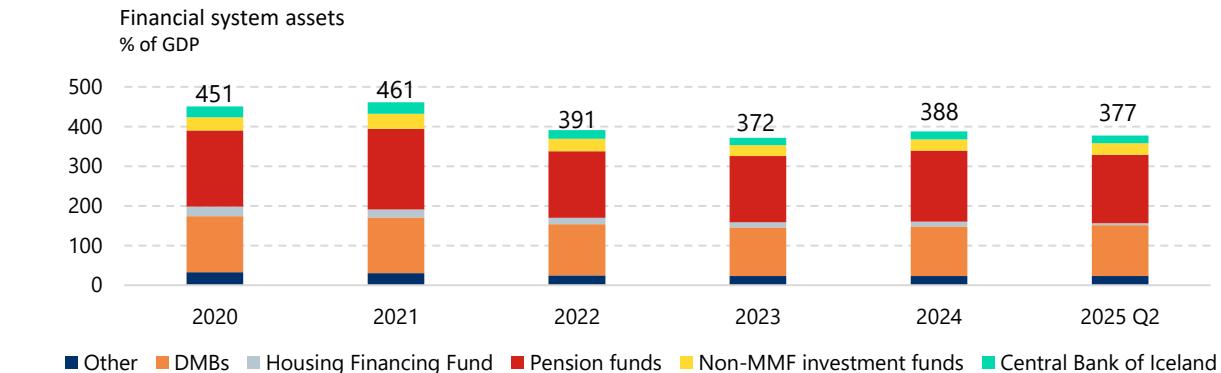
Source: Central Bank of Iceland.

# Financial system

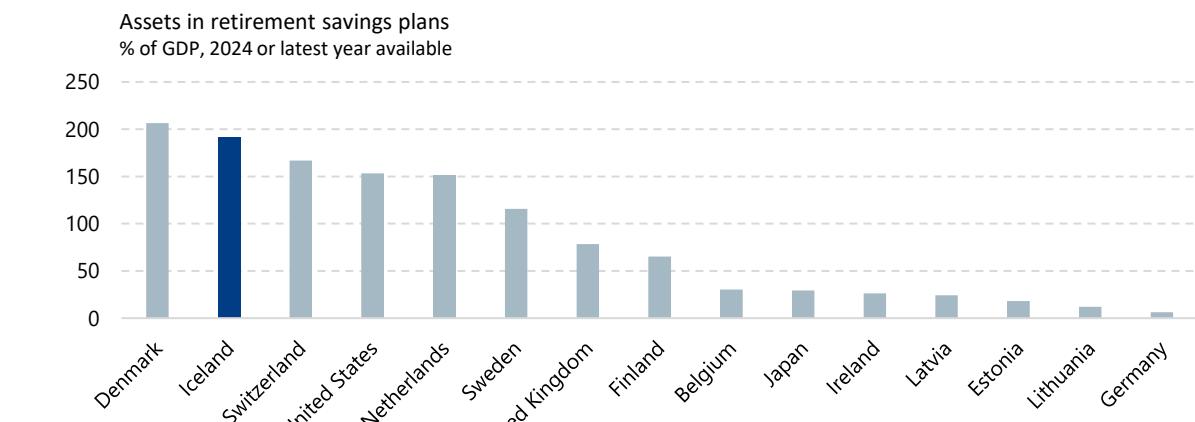
- Financial system assets equalled 377% of GDP at the end of Q2/2025, after shrinking by 11 percentage points since the turn of the year because of an increase in GDP. In nominal terms, financial system assets totalled 17,935 b.kr. at the end of June, an increase of 0.4% since the turn of the year, whereas in real terms they contracted by 2.5% over the same period
- Pension fund assets shrank in real terms by 3.4% in H1/2025, to 8,212 b.kr, or 173% of GDP, at the end of June. Foreign assets accounted for 40% of total pension fund assets as of end-June 2025, the largest share on record.



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



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



Source: OECD (2025), Pension Markets in Focus 2025, OECD Publishing, Paris

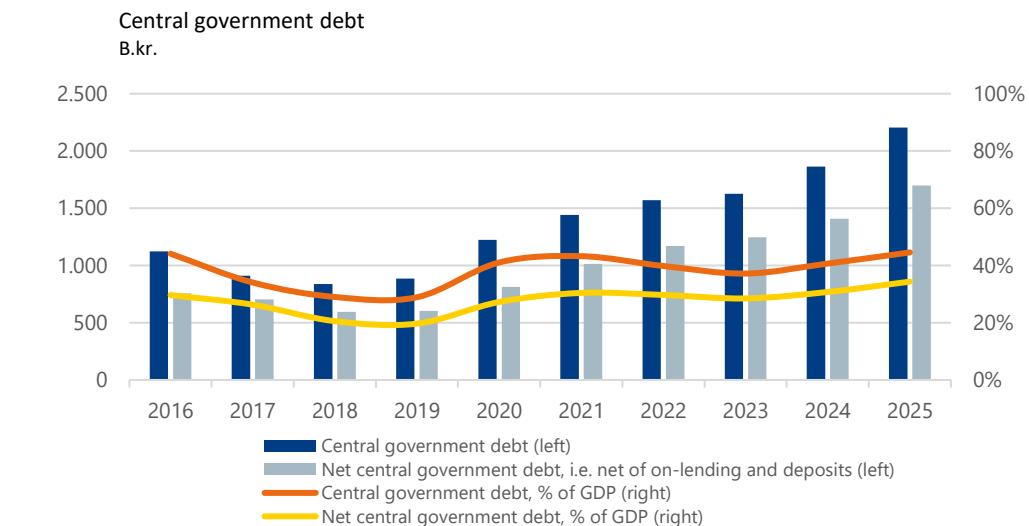


# Government debt management

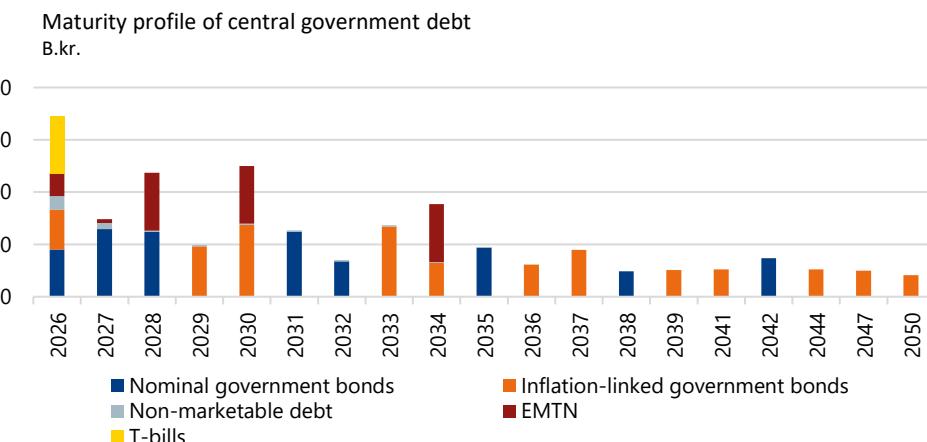
Republic of Iceland

# Debt profile (1/3)

- At the end of December 2025, the central government debt amounted to 2,205 b.kr., including debt in foreign currency of 409 b.kr.
- The Treasury's current account balance with the Central Bank of Iceland was 89 b.kr. plus 295 b.kr. equivalent in foreign currencies. On-lending amounted to 122 b.kr. Net central government debt amounted to 1,699 b.kr.
- The central government debt was 44.5% of GDP at the end of 2025 and net central government debt was 34.3% of GDP.
- The increase of debt in 2025 is mainly due to the winding-up of HF Fund (formerly The Housing Financing Fund). For the same reason, government guarantees were significantly reduced.
- An inflation-linked domestic government bond of 76 b.kr. and a nominal government bond of 90 b.kr. will mature in 2026. A new nominal Treasury bond maturing in 2029 is expected to be issued in 2026. Other series will be expanded during the year. Planned government bond issuance for 2026 in the domestic market totals 200 b.kr.
- Foreign bond of EUR 296 million will mature in 2026. A new foreign bond may be issued if market conditions permit. Otherwise, the debt will be repaid using the Treasury's foreign deposits with the Central Bank.



Central government debt, A1 part excluding pension liabilities and accounts payable. GDP for 2025 is according to the latest forecast of the Central Bank of Iceland.  
Sources: Government Debt Management, Statistics Iceland, Central Bank of Iceland.

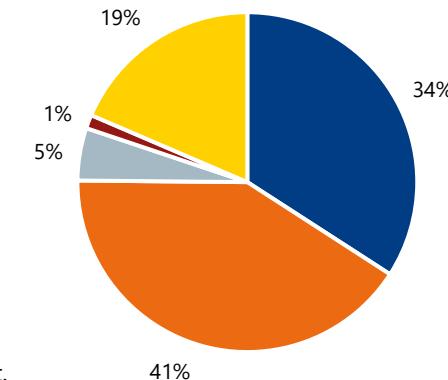


Source: Government Debt Management.

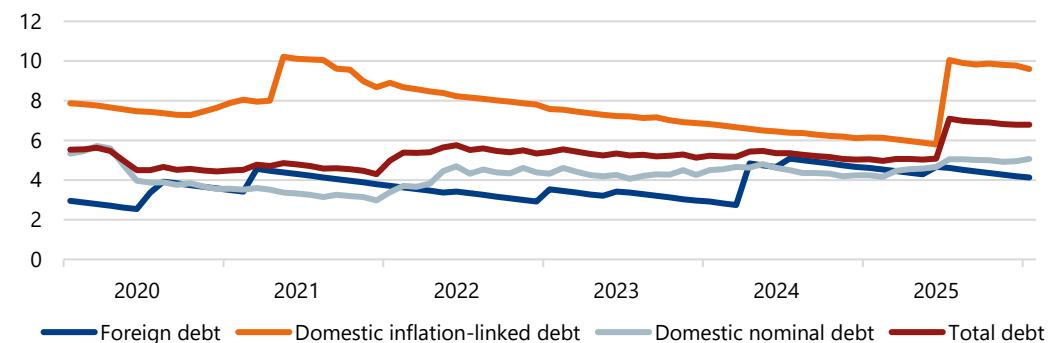
# Debt profile (2/3)

- 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 2026-2030:
  - The structure of debt portfolio:
    - Nominal debt 45% (deviation band 10%)
    - Inflation-linked debt 40% (deviation band 10%)
    - Foreign debt 15% (deviation band 5%)
  - 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  
Years

Source: Government Debt Management.

# Debt profile (3/3)

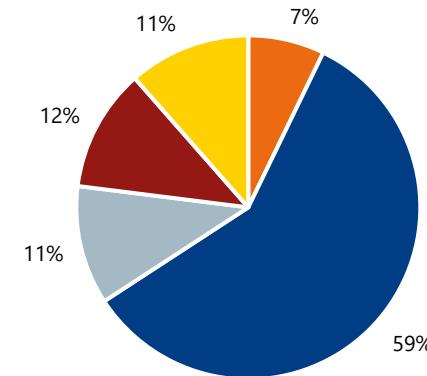
- Pension funds' holdings accounted for 59% of the nominal value of outstanding domestic government bonds at the end of 2025. Foreign investors held 7%, almost entirely in nominal bonds.
- Iceland is rated by Fitch Ratings, Moody's Investor Service and S&P Global Ratings. The last change in Iceland's ratings occurred in September 2024 when Moody's raised Iceland's credit ratings from A2 to A1.

Domestic government bond benchmark series as of year-end 2025  
M.kr.

Nominal series		Inflation-linked series	
RIKB 26 1015	90,334	RIKS 26 0216	75,675
RIKB 27 0415	129,438	RIKS 29 0917	96,414
RIKB 28 1115	124,037	RIKS 30 0701	137,175
RIKB 31 0124	124,632	RIKS 33 0321	134,144
RIKB 35 0917	94,141	RIKS 37 0115	89,290
RIKB 38 0215	48,541	RIKS 50 0915	40,939
RIKB 42 0217	73,719		

Source: Government Debt Management.

Owners of domestic government bonds



Source: Government Debt Management.

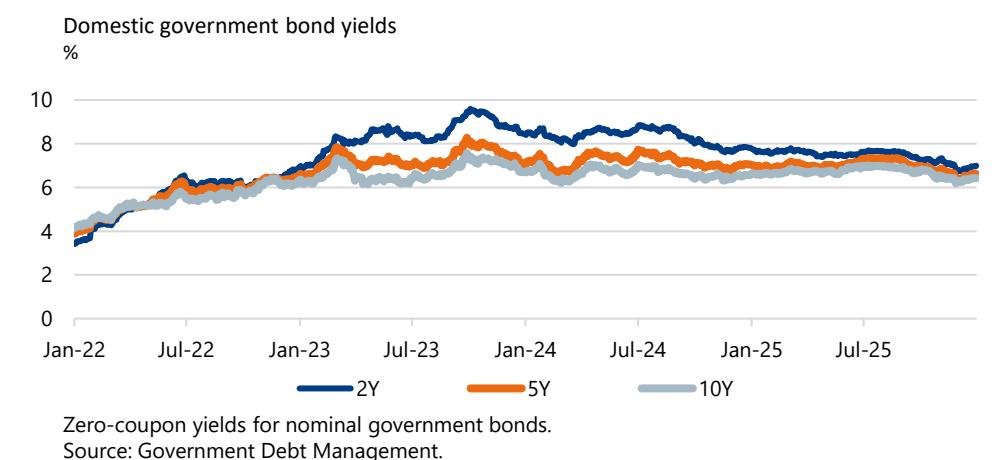
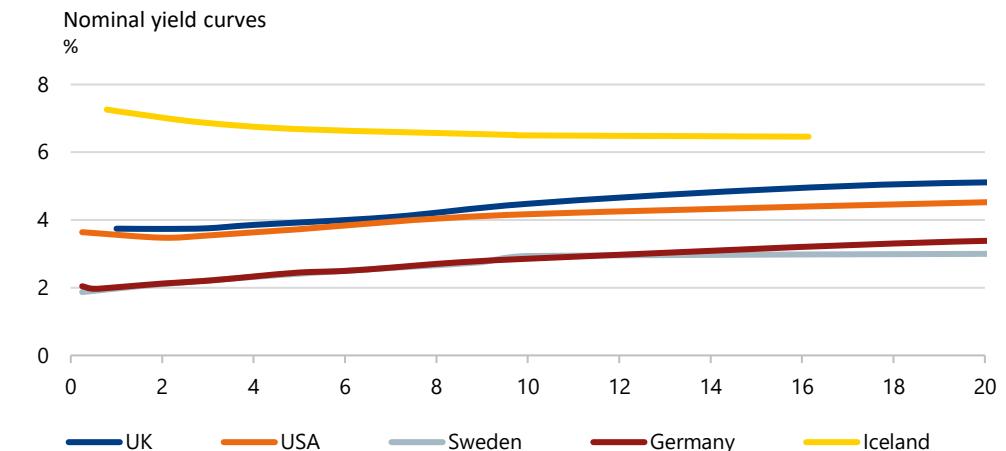
Iceland's credit rating history

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

Source: Ministry of Finance and Economic Affairs.

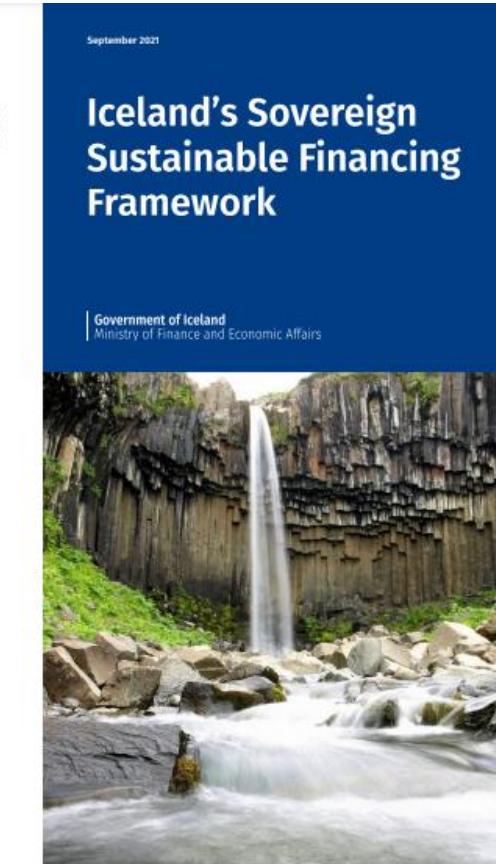
# Domestic government bond market

- The Government Debt Management Office (GDMO) at the Central Bank of Iceland implements the debt strategy for the Ministry of Finance and Economic Affairs.
- GDMO and the Treasury prepare and publish annual and quarterly issuance plans.
- Auction calendar is published at the start of each year.
- There are 20 government bond series in total, of which 13 are benchmark series i.e., series with market making.
- Government bond auctions are conducted via Bloomberg.
- Government bonds are traded on the Nasdaq Iceland stock exchange and registered at Nasdaq CSD.
- Clearstream settlement is available.
- Primary dealers are five:
  - They have exclusive rights to participate in regular auctions.
  - They are market makers in the secondary market on the Nasdaq Iceland stock exchange:
    - PDs must submit bid and ask offers for each benchmark series
    - There is a maximum bid-ask spread
    - PDs are required to renew offers within 10 minutes
  - Primary dealers have access to repo facilities.
- The Government Debt Management Office publishes a monthly newsletter entitled *Market Information*.
- GDMO's website: [www.lanamal.is](http://www.lanamal.is) Bloomberg pages: ICDO



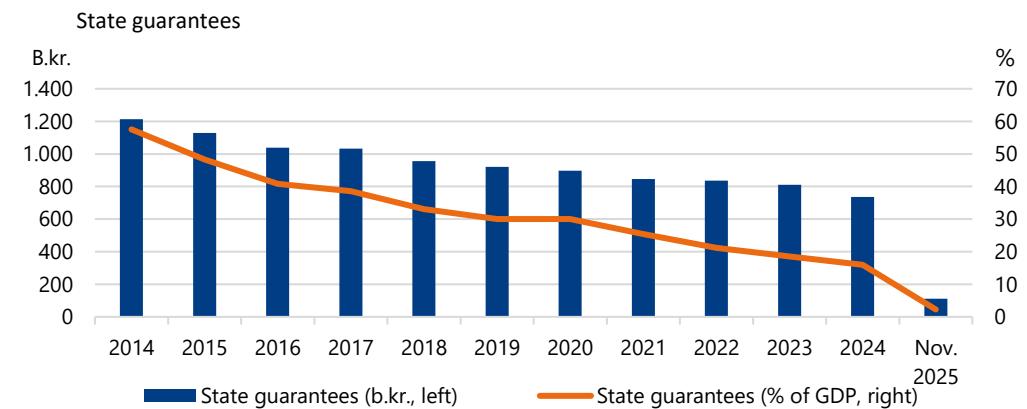
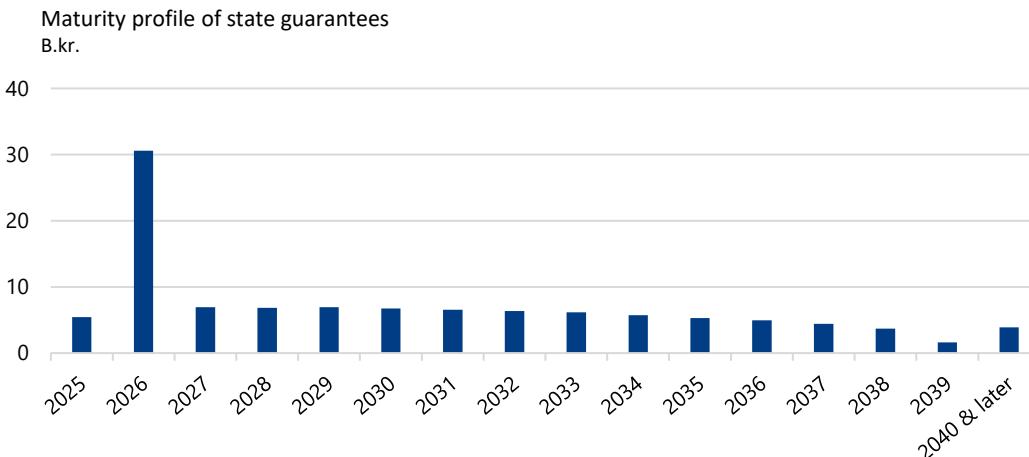
# Sustainable financing framework

- The Ministry of Finance and Economic Affairs issued an updated Sovereign Sustainable Financing Framework in April 2023 with a new gender annex.
- 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.gov.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 had previously issued labelled gender bonds. The transaction was a private placement.

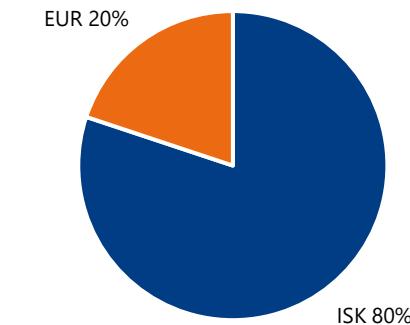


# State guarantees

- At the end of November 2025, state guarantees amounted to 112 b.kr. or 2.3% of GDP.
- Most state guarantees are denominated in ISK. The largest share of state guarantees covers the Icelandic student loan fund or 50%.
- State guarantees have declined materially in recent years by policy. The significant decrease in 2025 is due to the winding-up of HF Fund (formerly The Housing Financing Fund). Furthermore, approximately quarter of the remaining state guarantees are on maturity before year-end 2026 and according to the Financial Plan 2026-2030, no new guarantees are planned.



Currency composition of state guarantees  
November 2025



Source: Government Debt Management.

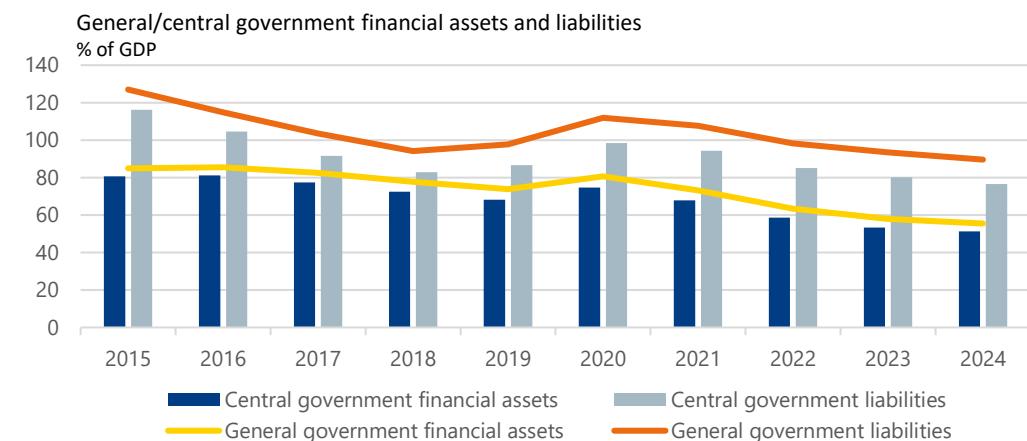
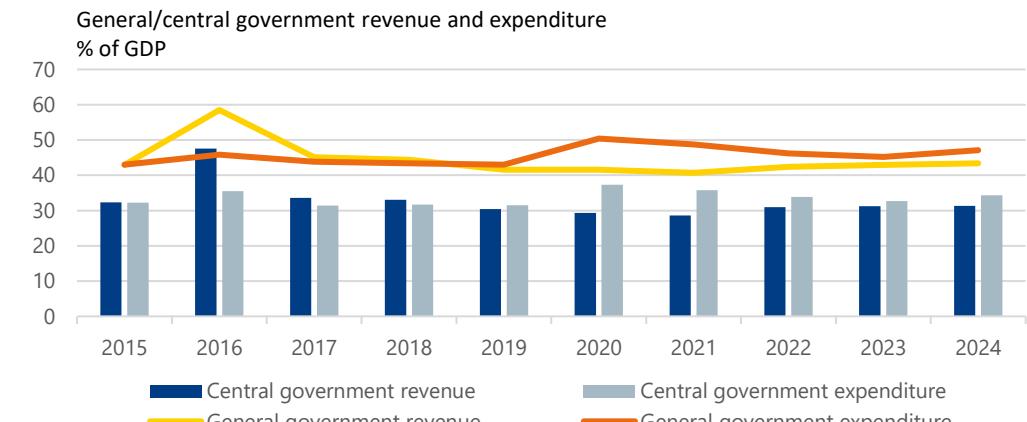


# Fiscal discipline

Republic of Iceland

# Framework of public finances

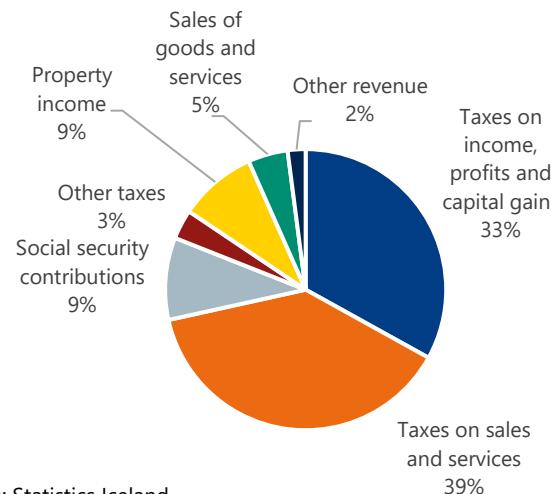
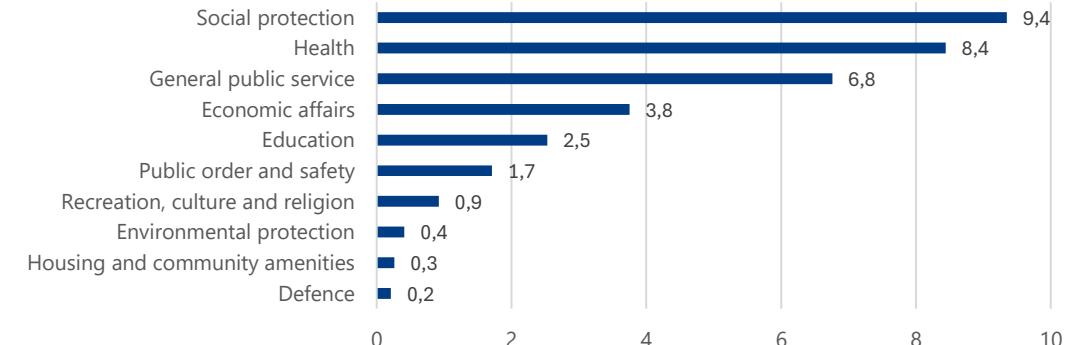
- Public finance policy and planning is carried out according to the 2015 Public Finance Act. The Act stipulates that the government must publish its policy and planning while abiding to fiscal rules and principal values.
- Statutory Publications:
  - Fiscal Policy Statement for the next five years must 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.
- New fiscal rules of the Treasury implemented:
  - Expenditure rule replaces the balanced budget rule. Real expenditure growth shall not exceed 2% annually. Excludes certain expenditure items e.g. interest payments, investment and unemployment benefits.
  - Debt rule. Debt net of liquid assets shall be lower than 30% of GDP.
  - If the debt ratio according to the debt rule exceeds 30% of GDP, the government must set forth in its Fiscal Policy Statement a credible plan to reach the debt target within an acceptable time frame.
- Principal values:
  - Sustainability, prudence, stability, predictability, transparency.



# Composition of expenditure and revenue

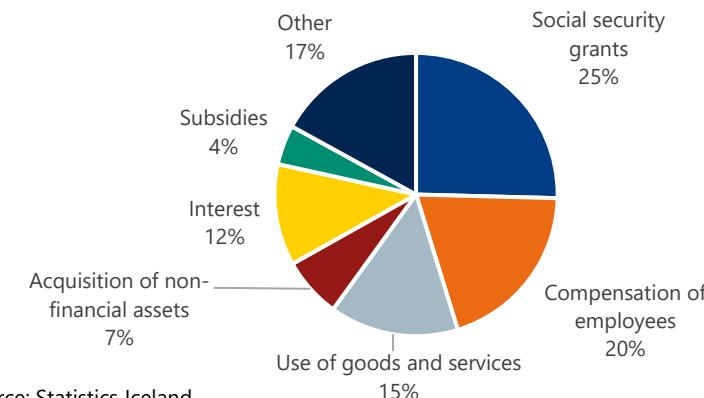
- The Central Government's revenues are comprised primarily of taxes and fees charged and collected based on various Acts. The largest sources of revenue are taxes on income, profits and capital gains and taxes on sales and services.
- The largest expenditure categories of the central government are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

Composition of central government revenue, 2024

Central government expenditure by function, 2024  
% of GDP

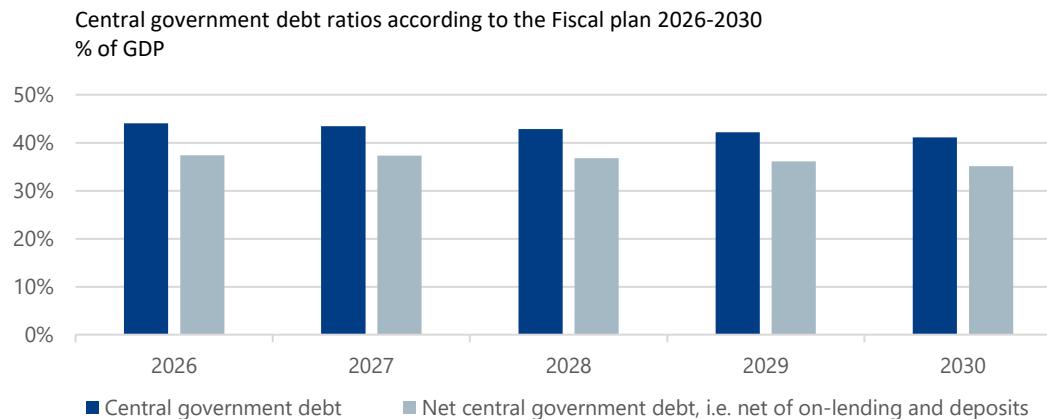
Source: Statistics Iceland.

Economic composition of central government expenditure, 2024



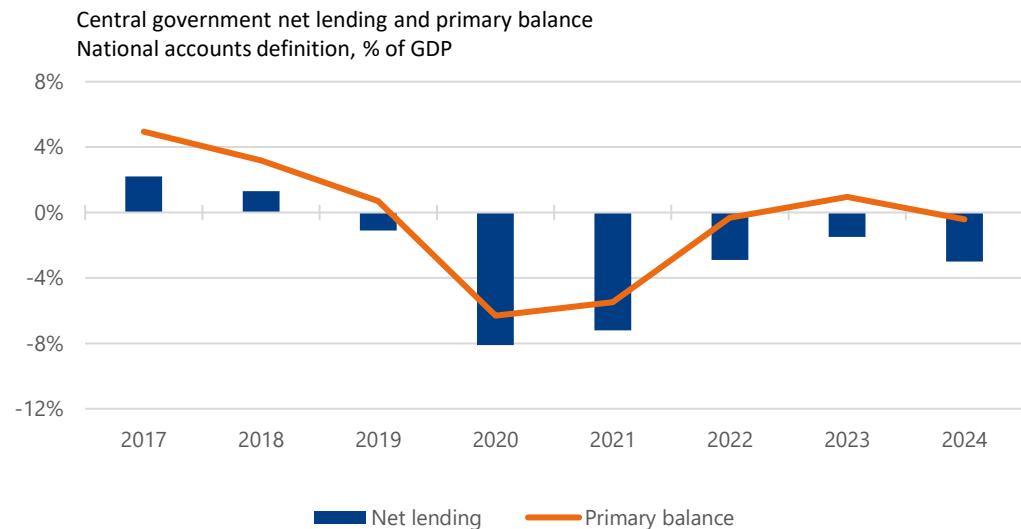
# Fiscal balance and targets

- The 2026 budget was approved by Parliament in December 2025. According to the approved budget, the central government deficit in 2026 is expected to amount to ISK 28 bn. (0.5% of GDP) and to decrease by around ISK 7 bn. from 2025.
- The budget is based on the 2026-2030 Fiscal Policy Statement, amended in 2025 to allow for increased deficits due to the COVID-19 pandemic, and the 2025-2029 Fiscal Strategy Plan.
- According to the fiscal plan for 2026-2030, the ratio of Treasury's debt to GDP is projected to be approximately 41% by 2030. The fiscal plan for 2027-2031 will be presented in spring 2026.



A1 part excluding pension liabilities and accounts payable.

Source: Ministry of Finance and Economic Affairs, Parliament approved Fiscal Plan 2026-2030.



Source: Statistics Iceland.



Republic of Iceland