

February 1, 2024



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

Republic of Iceland



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Introduction

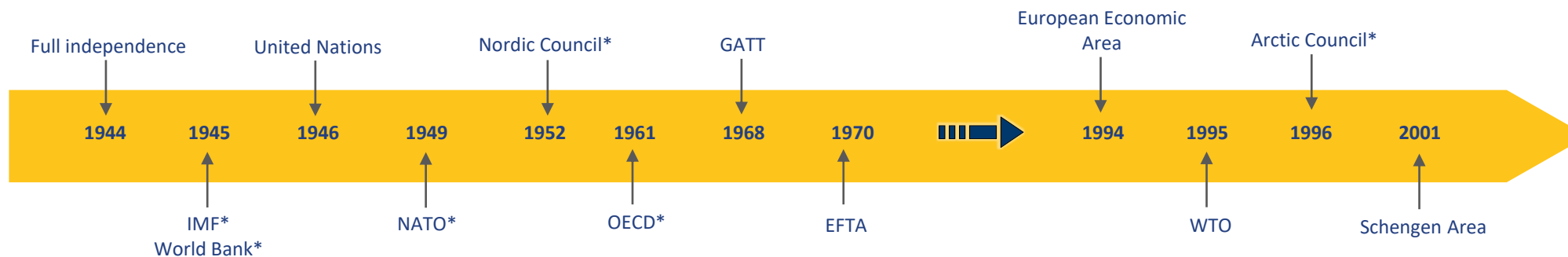
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Key Facts about Iceland

Territory	• 103,000 sq. km / 39,756 sq. miles
Capital	• Reykjavik
Population	• 387,800
Currency	• Icelandic Króna (ISK). December 2023 monthly average: • 1 USD = 138.11 ISK • 1 EUR = 150.56 ISK
GDP per capita	• USD 69,833 (2023) ¹
Long term credit ratings	• Moody's: A2 • S&P: A+ • Fitch: A
Distance to Iceland	• Flying time 5.5 h. and 3 h. to New York and London respectively



Political Milestones



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

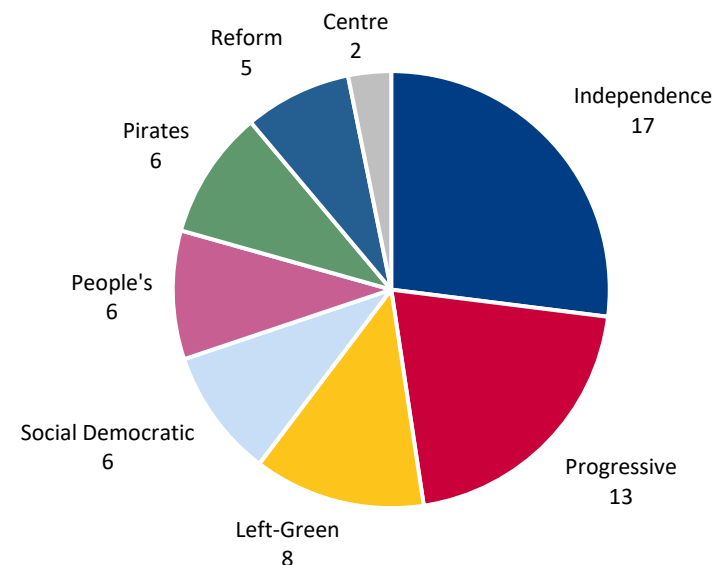
Composition of the Government

Following the parliamentary elections in September 2021, the second cabinet of a coalition government of the Independence Party, the Left-Green Movement and the Progressive Party was formed.

According to the Agreement on the Platform for the Coalition Government, emphasis will be on balancing economic, social and environmental factors, with special focus on:

- The Economy and Public Finances: The Government's priority will be to continue to promote economic and social stability.
- Climate Change: The ideology of sustainability, just transition and increased competitiveness will be the Government's guiding principles in the current transformation in the face of climate threats and technological change that is affecting all areas of society.
- Digital Transformation: Systematic efforts will be made to strengthen network and telecommunications security. Emphasis will be placed on increasing public confidence in information technology, personal data protection and the importance of freedom of expression.

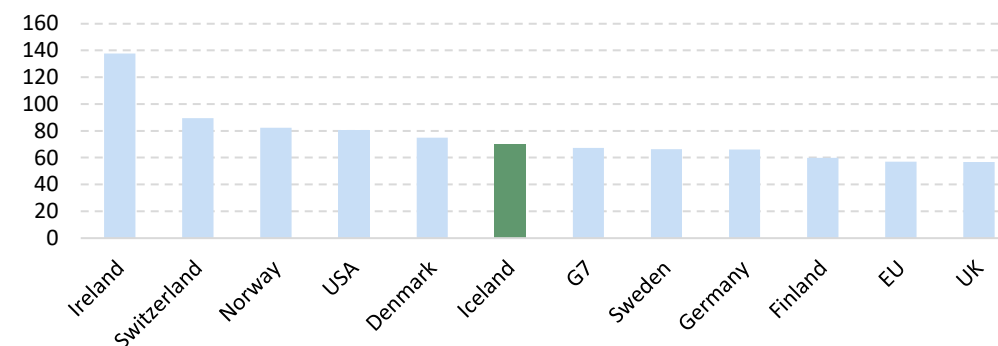
Composition of the newly elected Parliament
Number of parliamentary seats by party



Economic and social indicators

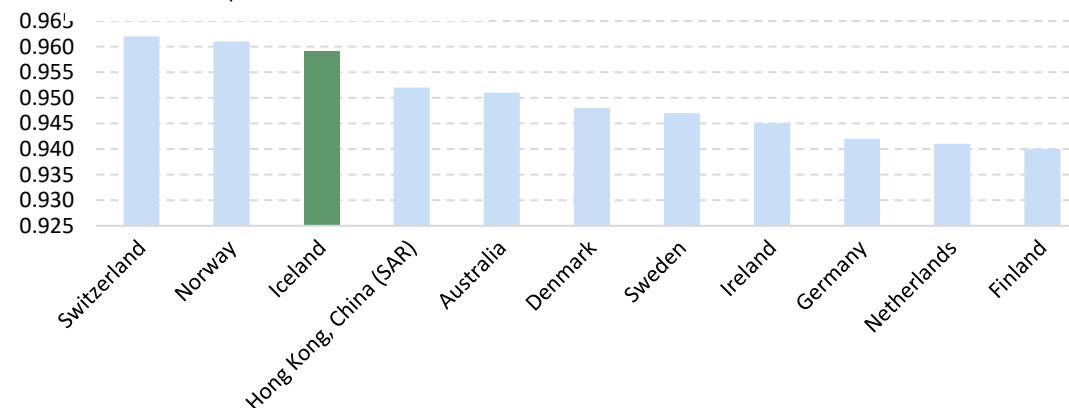
- The economic and social situation in Iceland is strong according to various indicators.
- The Icelandic economy generated GDP of ISK 3,797 billion in 2022. Iceland's living standards are among the highest in the world. According to IMF data, GDP per capita measured in terms of purchasing power parities, amounted to USD 69,833 in 2023.
- The Human Development Index as 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 normalized indices for each of the three dimensions (life expectancy index, education index and GNI index).

GDP per capita in 2023
PPP, thousand international dollars per capita



Source: IMF. Current prices.

Human Development index

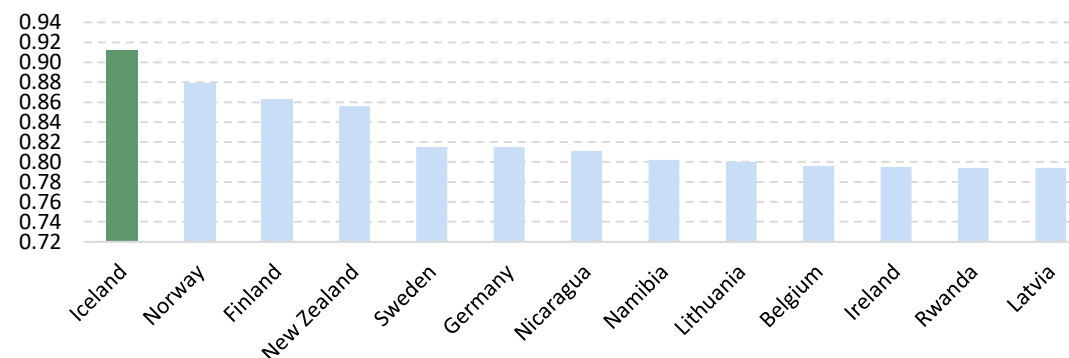


Source: The 2021/2022 Human Development Report. United Nations Development Programme.

Gender equality and digital transformation

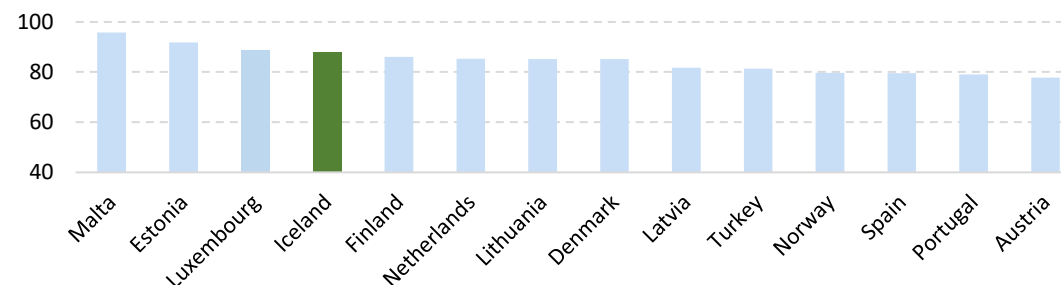
- The Global Gender Gap Index benchmarks the current state and evolution of gender parity across four key dimensions (Economic Participation and Opportunity, Educational Attainment, Health and Survival, and Political Empowerment). It is the longest-standing index which tracks progress towards closing these gaps over time since its inception in 2006.
- For the 14th consecutive year, Iceland (1st) tops the index with an overall score of 0.912 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 2022 as 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 governments Digital policy published in 2021, Iceland aims at being a leading nations in the world in digital services.

World Economic Forum – Gender Equality 2023



Source: Global Gender Gap Report 2023. World Economic Forum.

Overall eGovernment maturity score
Biennial average 2021/2022 (%)



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



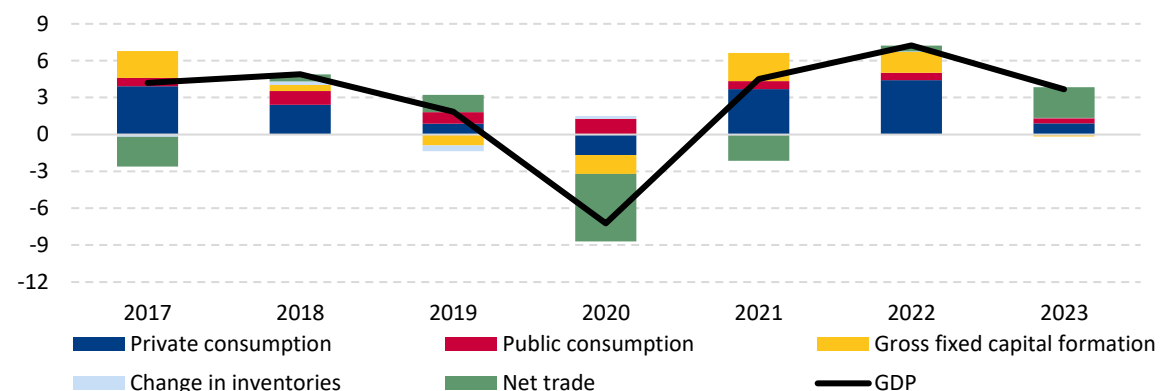
Macroeconomic developments

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Gross domestic product

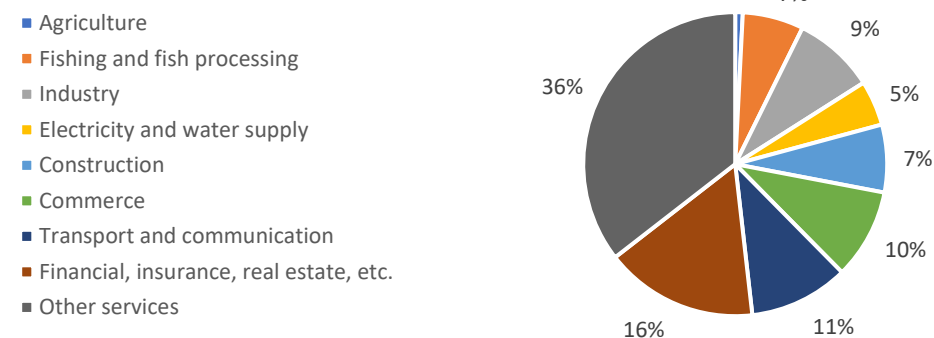
- GDP grew by 7.2% 2022. The main driver of GDP growth in 2022 was private consumption, which grew by 8.5% during the year, its strongest since 2005.
- GDP growth measured 5.8% in H1/2023. Growth was driven largely by favorable external trade built on strong revenues from tourism, plus 2.7% growth in domestic demand. For the year as a whole, GDP growth is estimated at 3.7%.
- 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 7.8% of GDP in 2022.

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



Sources: Statistics Iceland, Central Bank of Iceland.

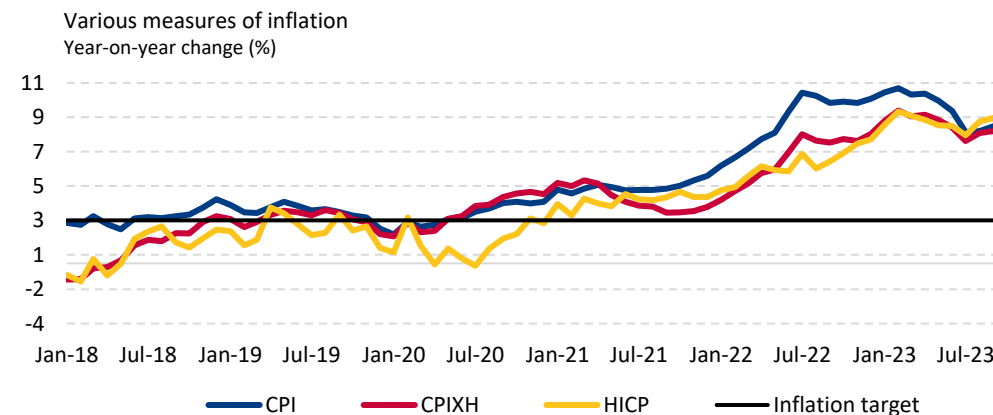
Breakdown of GDP by sector 2022



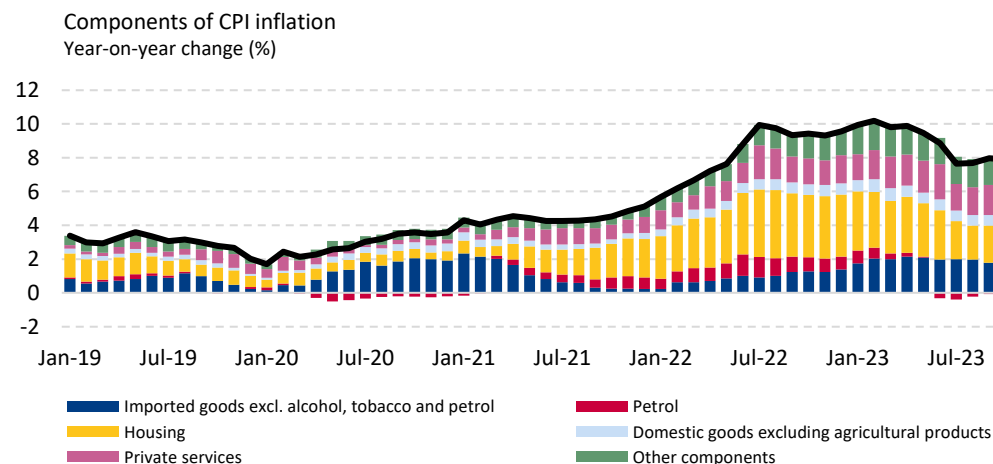
Source: Statistics Iceland

Inflation (1/2)

- Inflation has remained above the inflation target since the summer of 2020. Housing prices rose rapidly in 2021 and 2022 which was the principal driver of rising inflation during this time period. In 2023, inflationary pressures became increasingly widespread with rising house, food and services prices.
- Inflation has declined after peaking at 10.2% in February 2023 and measured 7.7% in December 2023. Inflation excluding housing measured 6.7% in December and underlying inflation was 6.2% according to the average of various measures. Both measures have declined in recent months. Inflationary pressures have therefore diminished over the course of the year, although they still remain, and inflation continues to be widespread.



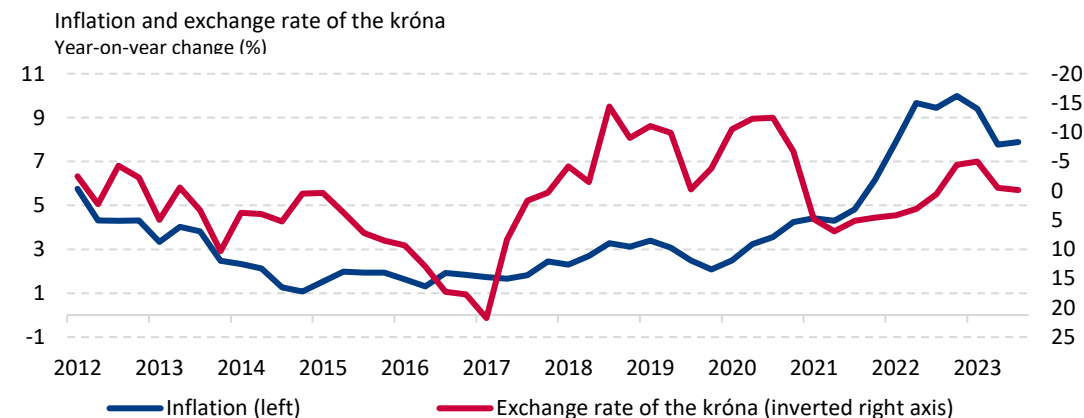
Source: Statistics Iceland, Central Bank of Iceland.



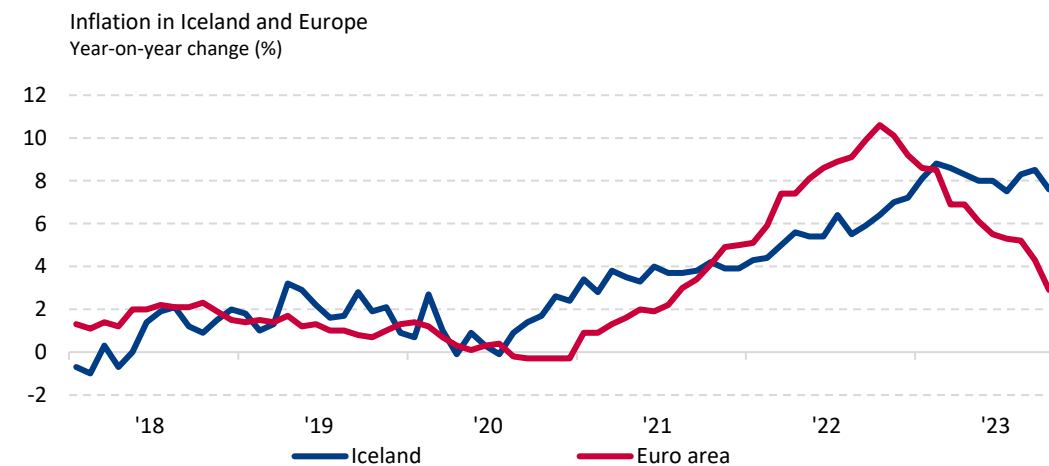
Source: Statistics Iceland.

Inflation (2/2)

- The króna appreciated by 1.5% in listed trade-weighted terms and by 0.7% against the euro in 2023. The exchange rate of the króna fluctuated less in 2023 than in the years immediately preceding. Greater foreign exchange market stability can be attributed in part to better balanced external trade.



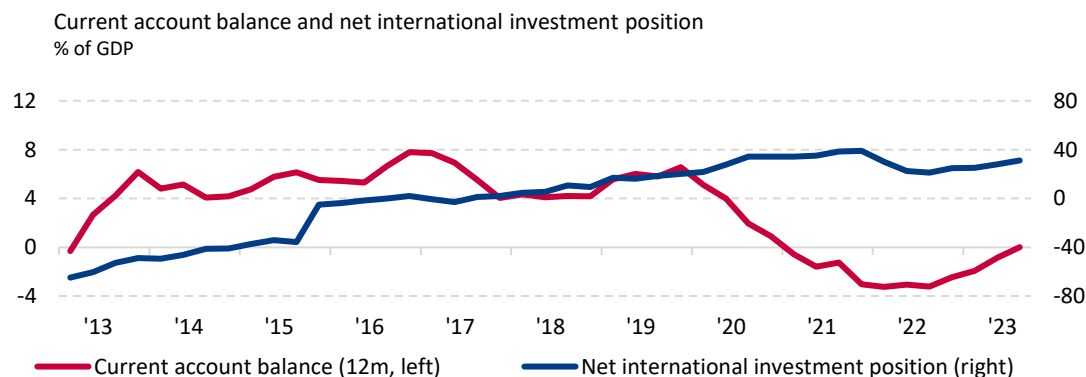
Quarterly data. Based on the narrow trade-weighted exchange rate of the króna.
Source: Statistics Iceland, Central Bank of Iceland.



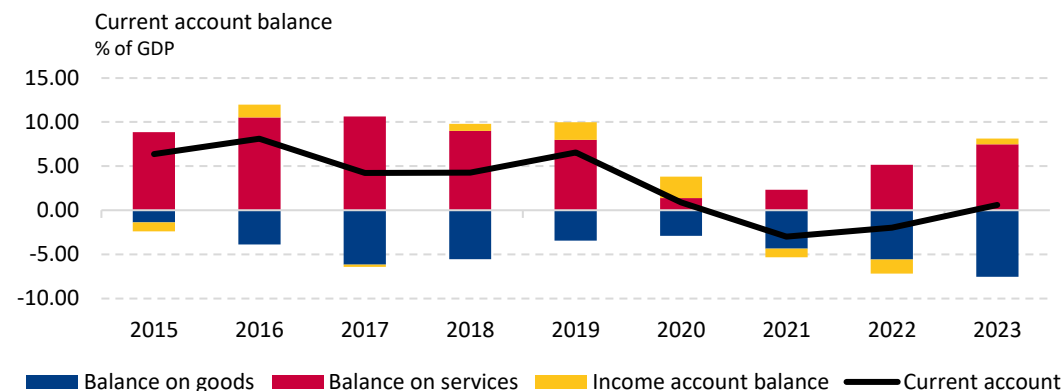
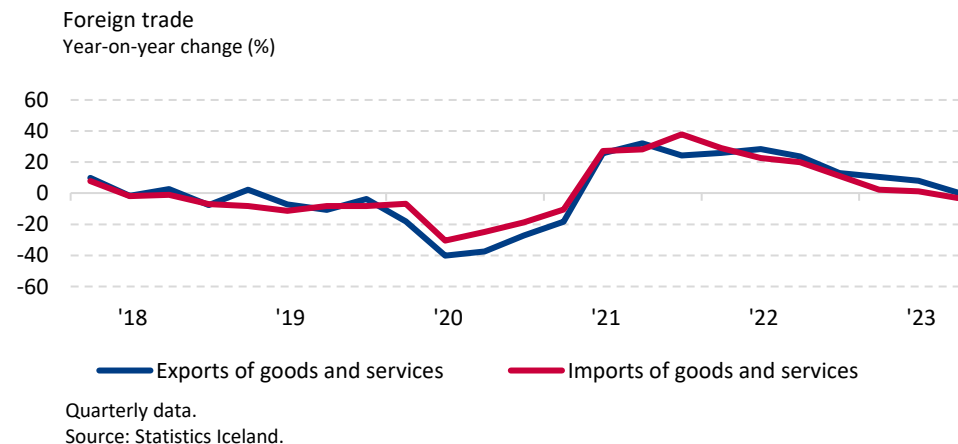
Harmonised indices of consumer prices. Monthly data.
Source: Statistics Iceland.

Foreign trade and external position

- In 2022, the current account deficit measured 2% of GDP. Iceland's current account showed a deficit of 0.5% of GDP in H1/2023.
- The outlook is for the current account balance to show a surplus of 0.6% of GDP in 2023, owing largely to the prospect of weaker imports and a larger surplus on services trade, which stems from revision of last year's figures and a strong Q3 in the tourism industry.
- Iceland's net international investment position was positive by 29% of GDP at the end of Q2/2023 compared to 24.8% of GDP at the end 2022. The improvement was driven mainly by higher foreign securities prices, concurrently domestic securities fell in price over the same period.



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

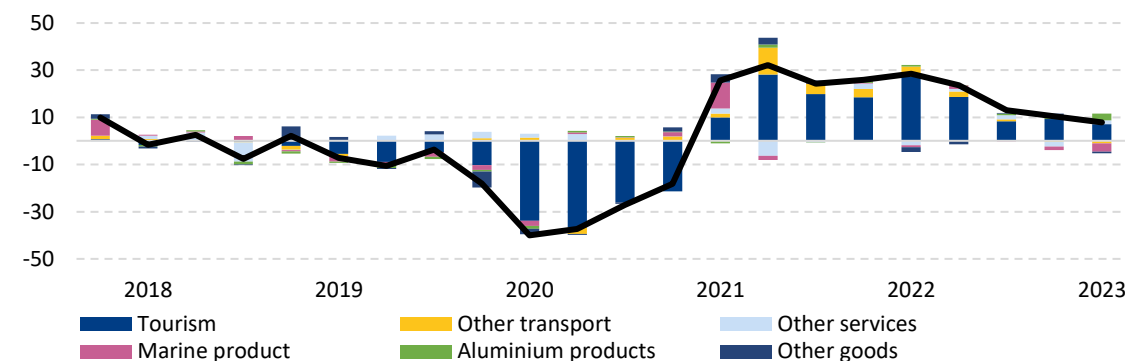


Balance 2023 is according to the Central Bank of Iceland's forecast.
Source: Statistics Iceland, Central Bank of Iceland

Exports (1/2)

- Exports of goods and services grew by 7.9% year-on-year in Q2/2023. Goods exports contracted by 0.9%, while services exports grew by 19.5%.
- Continued growth in tourism alongside an increase in flight offerings explain most of the export growth during the quarter. From April 2023 onwards tourist number arrivals have been similar to their previous peak in 2018, reaching 2.2 million visits during the year 2023 as a whole.
- Goods exports contracted marginally in Q2/2023, primarily due to a year-on-year reduction in catch quotas for capelin and cod. Offsetting the decline in marine product exports was a marked increase in exports of aluminium products and other goods. In the latter category, exports of silicon products, other manufactured goods, and pharmaceuticals and medical equipment increased somewhat, while exports of aquaculture products shrank.
- Services exports are expected to grow by 13.6% in 2023, goods exports are projected to contract by 1.3% and total exports are projected to grow by 5.1% in 2023.

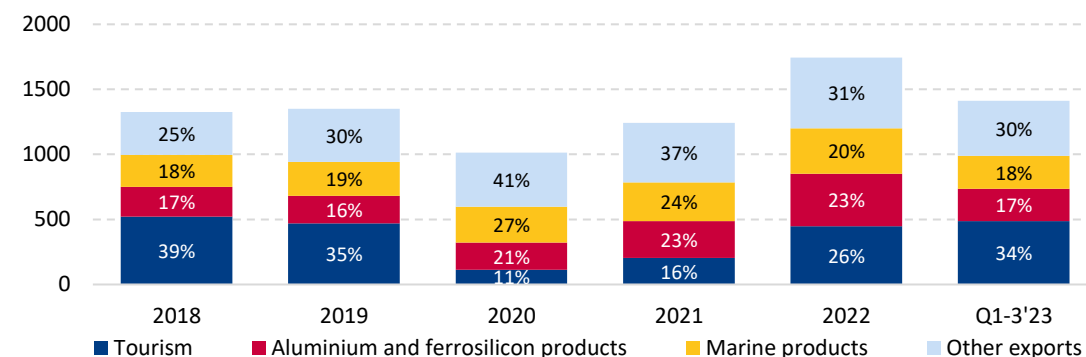
Exports and contribution of subcomponents
Year-on-year change (%)



Quarterly data.

Source: Statistics Iceland, Central Bank of Iceland.

Goods and services exports
Bn. króna



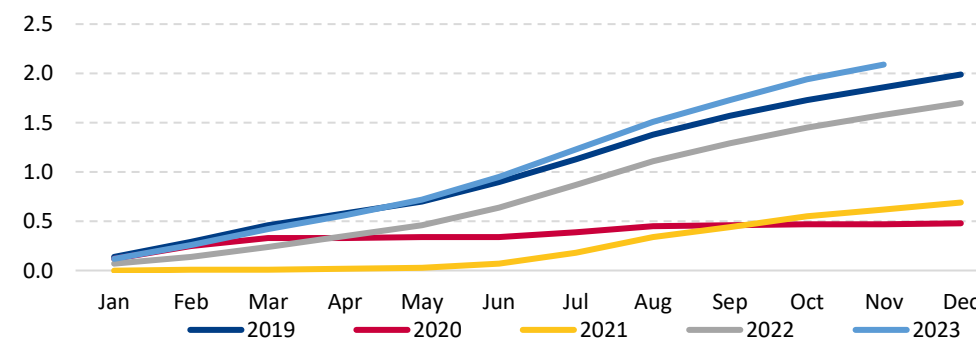
Annual and cumulative quarterly data.

Source: Statistics Iceland, Central Bank of Iceland.

Exports (2/2)

- In the first ten months of the year, 1.9 million tourists visited Iceland and since March 2023, monthly totals have been similar to those in 2018. Indicators of tourist spending in Iceland suggest that their average spending in foreign currency declined by 4% year-on-year in Q3 2023. Their average stay grew shorter relative to the same period in 2022, however, while stronger spending is probably attributable to an increase in the number of cruise ship passengers arriving in July and August.
- Growing activity in the tourism industry can be seen clearly in payment card-related foreign currency inflows, which have risen year-to-date despite a simultaneous increase in Icelanders' foreign travel.

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



Source: Icelandic Tourist Board, Central Bank of Iceland.

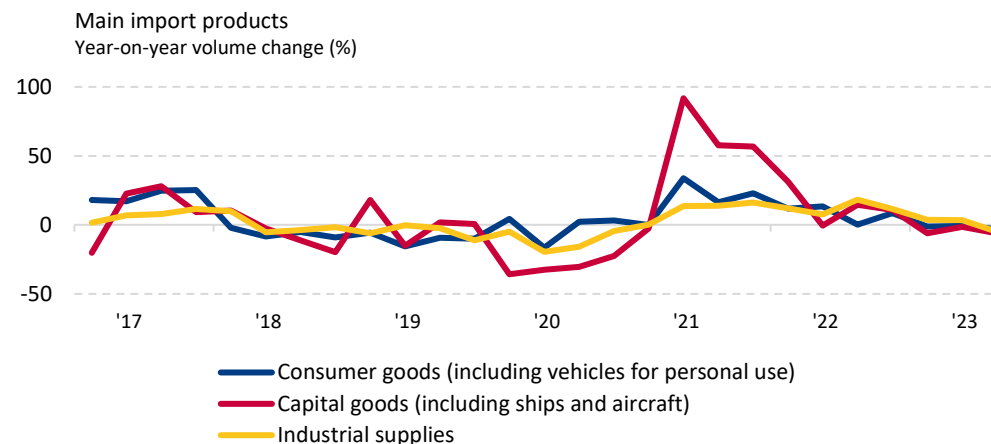
Net payment card flows
B.kr.



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

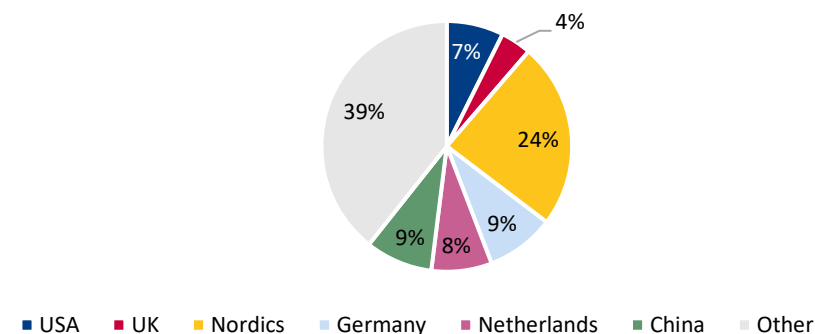
Imports

- Goods and services imports grew by 1.1% in Q2/2023. Goods imports grew by 2.3% year-on-year in Q2 2023, while services imports contracted by 0.8% year-on-year in Q2/2023.
- In H1/2023, goods imports increased by 0.4%, after growing nearly 11% in 2022. Goods imports have been unusually strong in the recent term but their share in nominal GDP appears to have been easing closer to the historical average.
- Services imports are projected to grow by 2.1% in 2023, goods imports are estimated to contract by 1.3% and total imports are projected to contract marginally in 2023.
- 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 27% of total goods imports and 18% of total imports in 2022. Capital goods constituted 23% of total goods imports and consumer goods constituted 20% (16% and 14%, respectively, of total imports in 2022), while services contributed 32% of total imports.



Source: Statistics Iceland. Quarterly data.

Share of imports by country, 2023

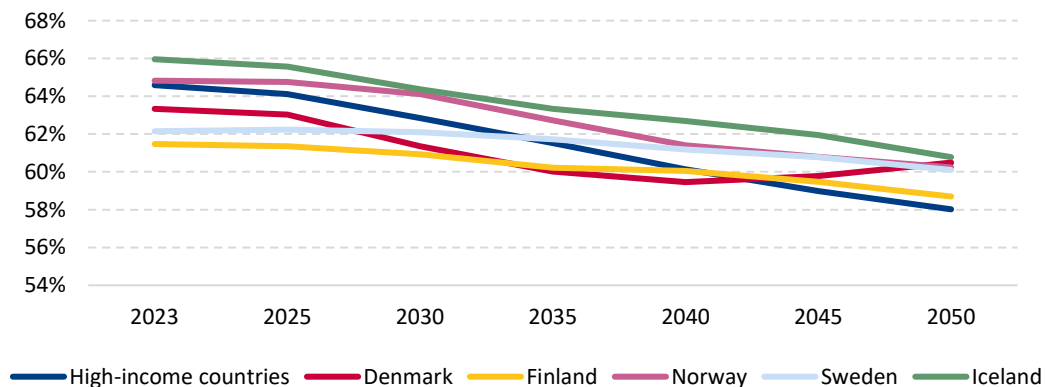


Source: Statistics Iceland

Labour market (1/2)

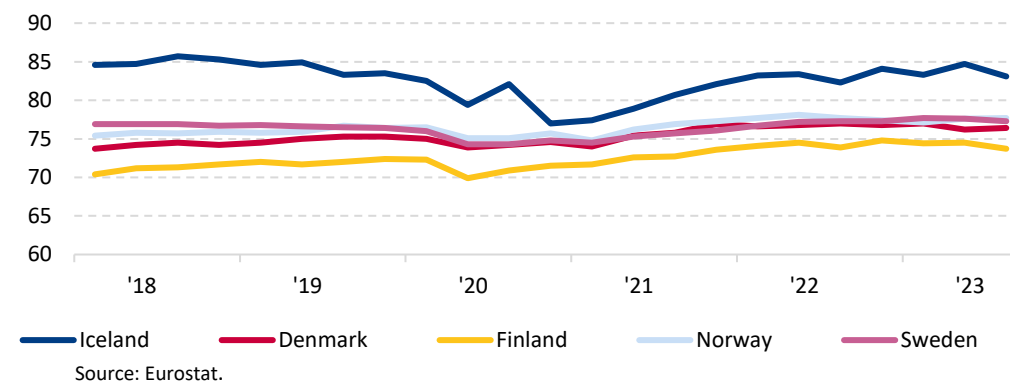
- Labour market conditions deteriorated following the onset of the COVID-19 pandemic. Since then, the labour market has recovered quickly and has become tight by most measures. In the three months to October 2023, total hours worked well exceeded their pre-pandemic level and the unemployment rate was below the levels seen before the pandemic.
- In Q3 2023, the unemployment rate was 3.3%. Seasonally adjusted registered unemployment was low as well and measured 3.2% in Q3.

Projected share of 15–64-year-olds in total population

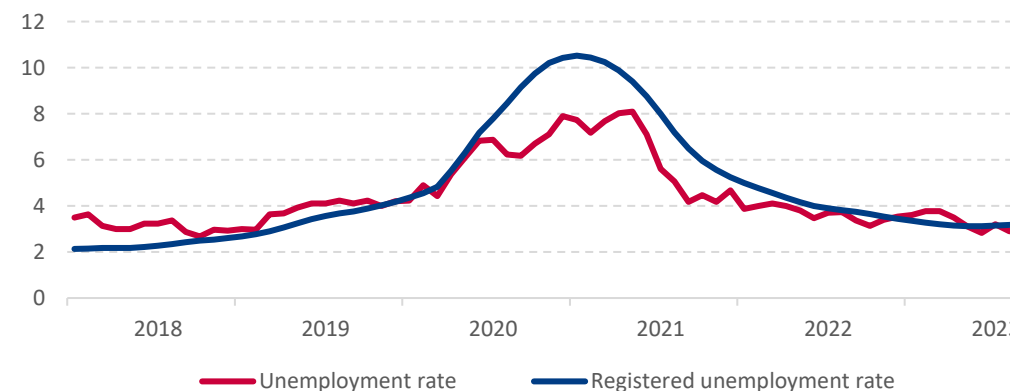


Source: United Nations, Department of Economic and Social Affairs, Population Division..

Employment rate in the Nordic countries
% of population aged 15-64



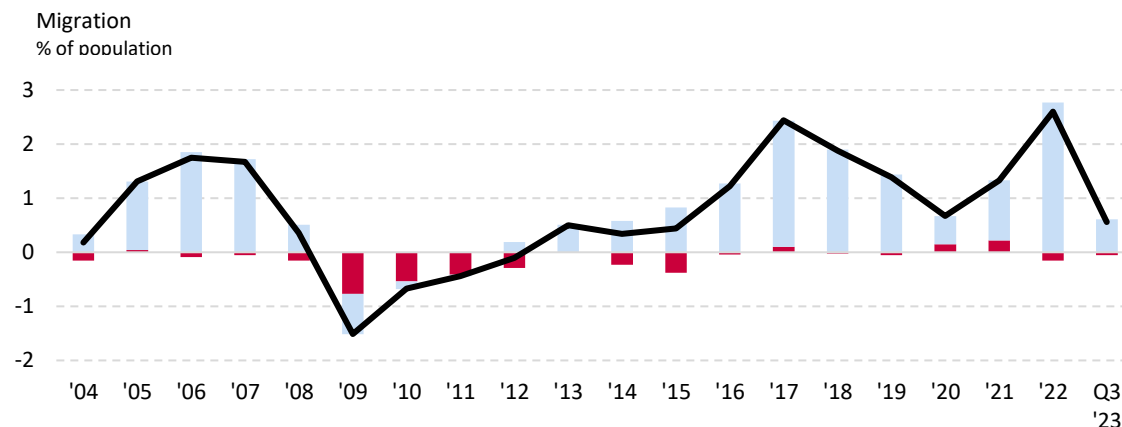
Unemployment
% of labour force



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)

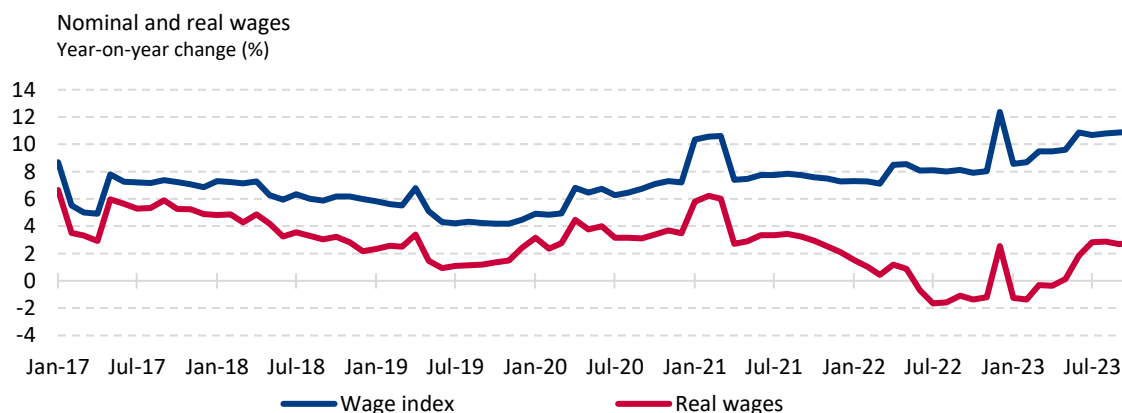
- Although the labor market remains tight there are indications of it slowing down as employment growth and survey measures of labor demand have eased somewhat and short-term unemployment has risen slightly. However, the year-on-year increase in hourly wages, as measured by the general wage index, remains 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 or 2.8% year-on-year.
- Wage bargaining in Iceland is highly centralised and coordinated. A new private sector wage bargaining round has begun as most private sector agreements are set to expire at the end of January 2024. As for the public sector, most agreements expire at the end of March 2024.
- Iceland's population grew by 3% year-on-year in Q3 2023. Net inward migration of foreign nationals, the main driver of job creation in the recent term, was just over 2,400 during the quarter. Increased inflows of refugees have also explained a fair share of population growth from 2022 onwards. Although population growth is still strong in historical context, it has eased somewhat in the past two quarters.



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

Annual and cumulative quarterly data.

Source: Statistics Iceland.

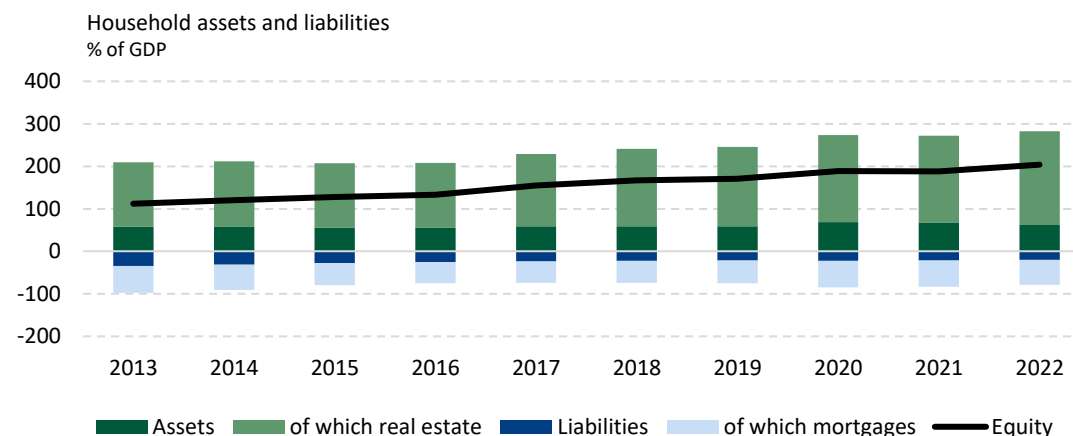
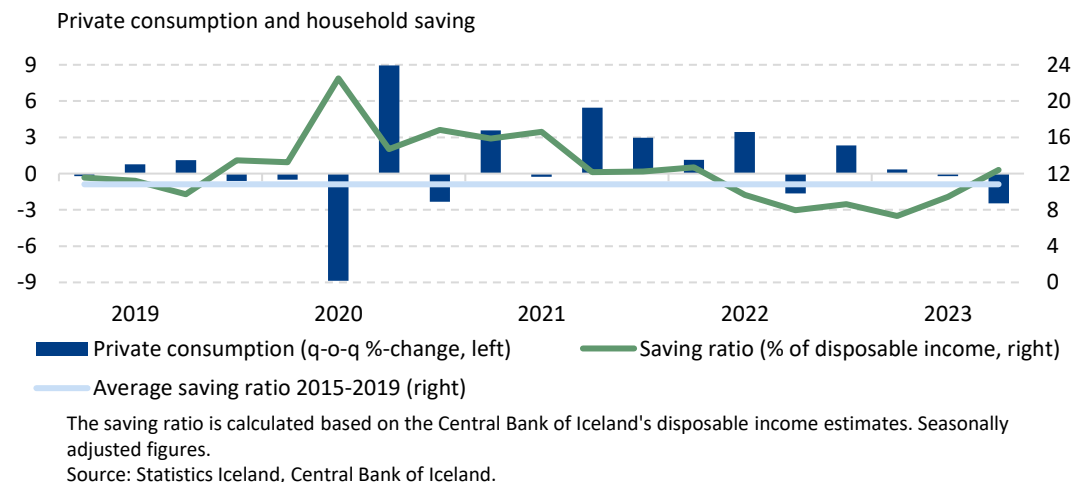
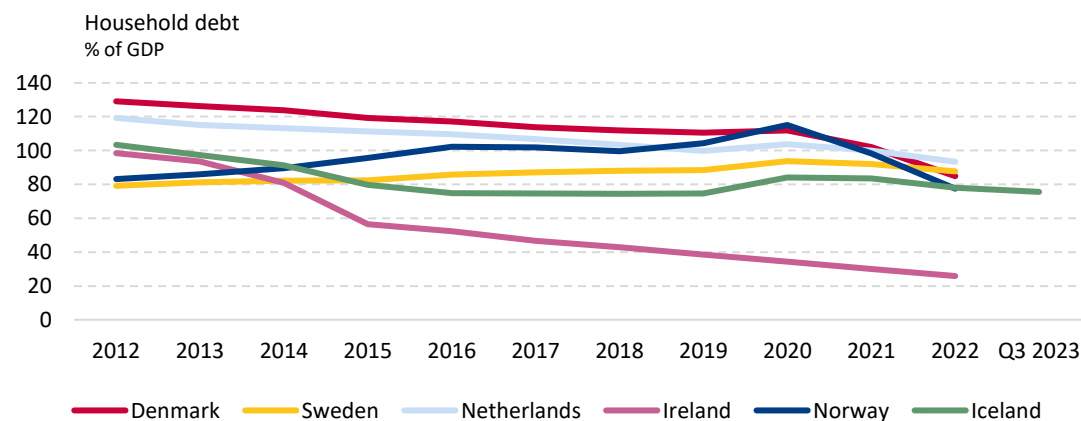


Real wages are the wage index deflated by the CPI. Monthly data.

Source: Statistics Iceland.

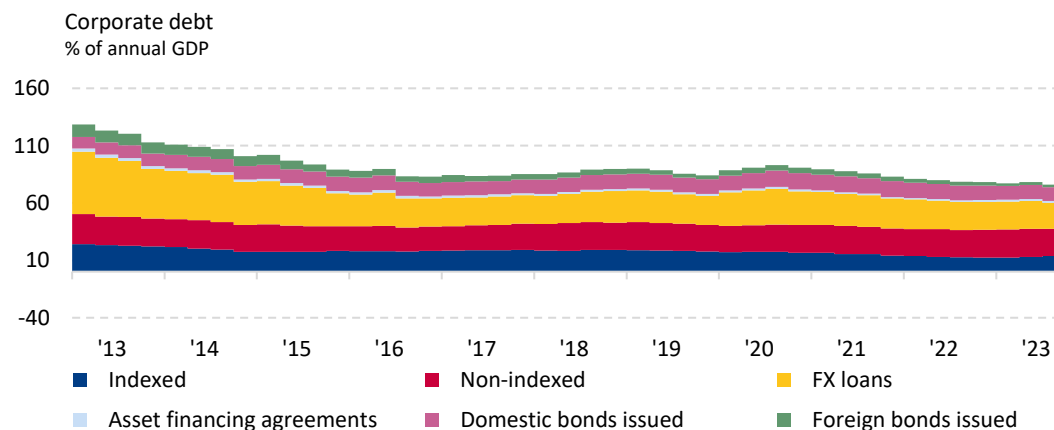
Private consumption and households

- In the beginning of the year, growth in household consumption spending was strong but has since eased considerably. According to preliminary figures from Statistics Iceland, seasonally adjusted household consumption spending shrank by 0.2% quarter-on-quarter in Q2/2023. The Gallup Consumer Confidence Index suggests that households have grown more pessimistic, and financial conditions are tighter than they were a year ago. Private consumption growth is estimated at 1.8% for 2023 as a whole.
- In Q2 2023, households stepped up their saving again.
- Households' equity position has increased substantially in the past decade. Furthermore, the household debt to-GDP ratio has held broadly steady in recent years and remains historically low. Unemployment is low as well, and households are therefore strong overall.



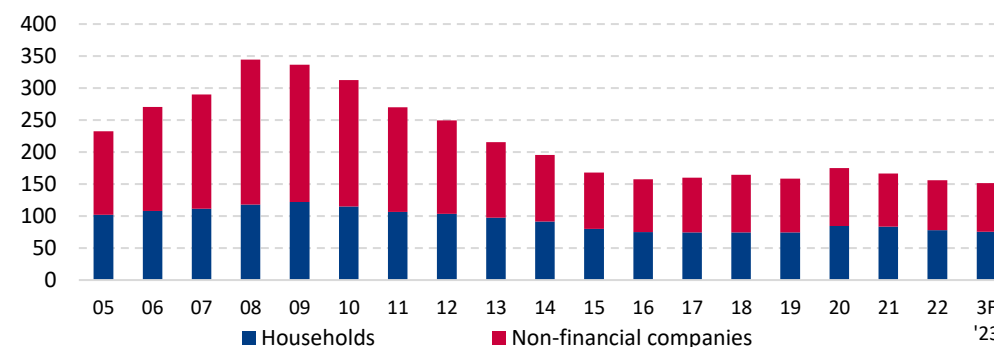
Private sector debt

- At the end of Q2 2023, corporate debt had increased in real terms by 1% year-on-year. Demand for credit has been strong among companies this year, and most of that demand has been met by credit institutions, whereas corporate bond issuance has contracted relative to 2022. The corporate debt-to-GDP ratio stood at 77.6% in Q2/2023, after falling by 2.2 percentage points year-on-year but rising marginally between quarters.
- Household debt has contracted in real terms this year. Real growth in household debt was negative by 0.8% at the end of July 2023, whereas nominal growth was positive by 6.8%. The household debt-to-GDP ratio is falling as well, measuring 75.6% at the end of Q2 2023.

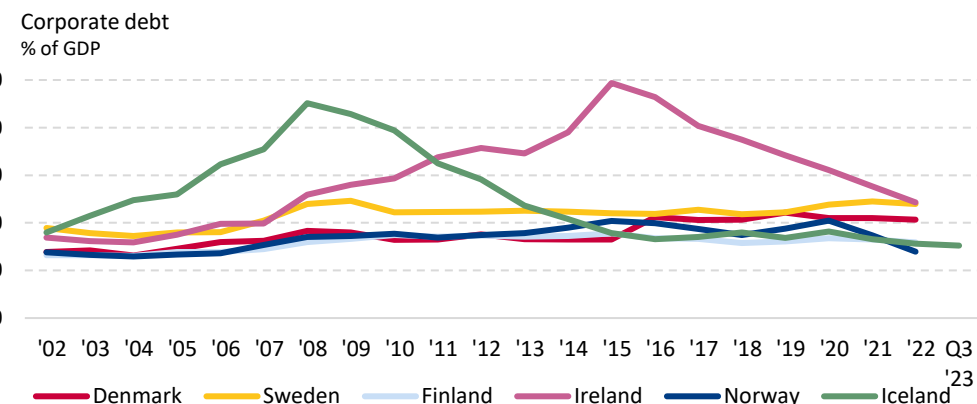


Debt owed to foreign financial undertakings and market bonds issued. Quarterly data.
Source: Statistics Iceland, Central Bank of Iceland.

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.



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

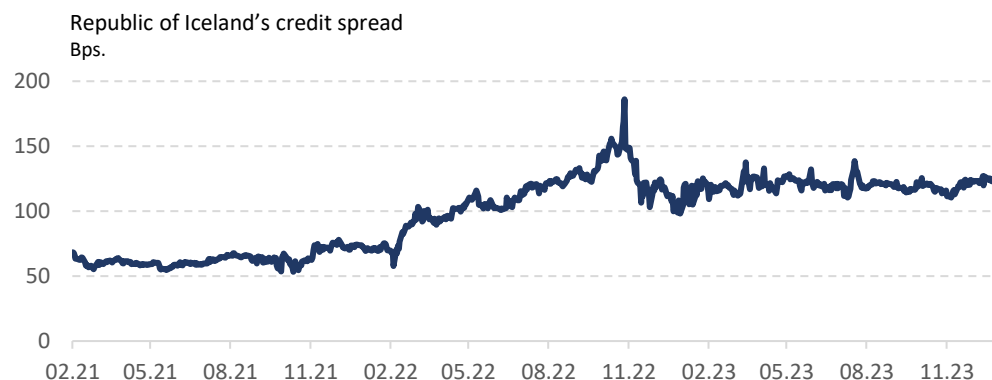


Financial sector

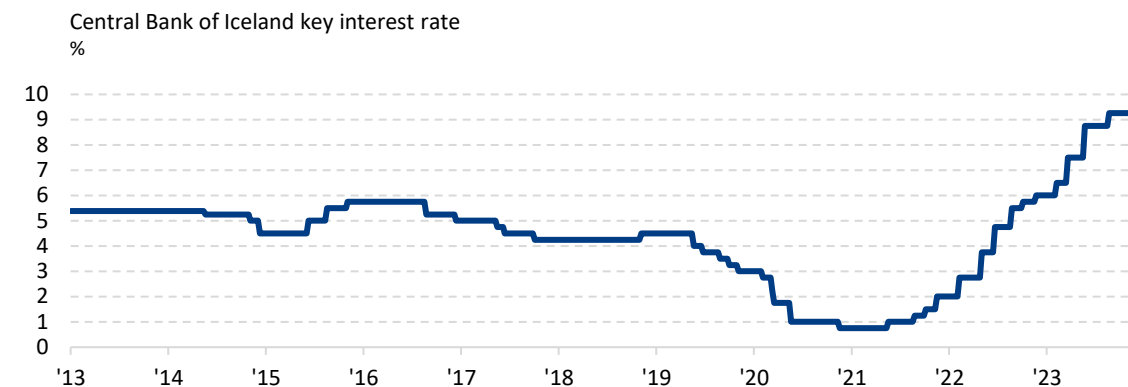
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Financial conditions and FX reserves

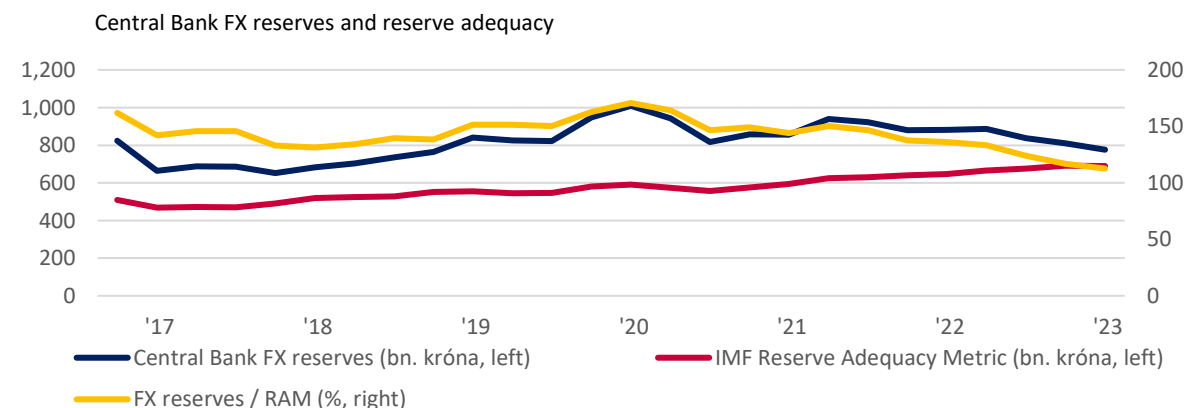
- At year-end 2023 the Central Bank's key interest rate was 9.25%. It has been raised by 3.25% in 2023 and is 8.5% higher than it was three years ago, when it bottomed out after the onset of the COVID-19 pandemic. Short-term market rates have risen correspondingly.
- Credit spreads on the Republic of Iceland's foreign issues were relatively stable in 2023.
- At the end of 2023, the Central Bank's international reserves amounted to 790 b.kr., some 47 b.kr. less in krónur terms than at year-end 2022. In US dollar terms, the reserves shrank by 0.3 billion dollars, to a total of 5.9 billion dollars at the year-end. At that time, the reserves totalled 20% of GDP. Buybacks of just over half of the Treasury's June 2024 foreign bond maturities totalled 38 b.kr. These buybacks were the main reason for the decline in reserves during the year. The international reserves equalled 113% of the International Monetary Fund's (IMF) reserve adequacy metric (RAM) in mid-2023. Even though the reserves have declined, they still exceed key reserve adequacy metrics.



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.

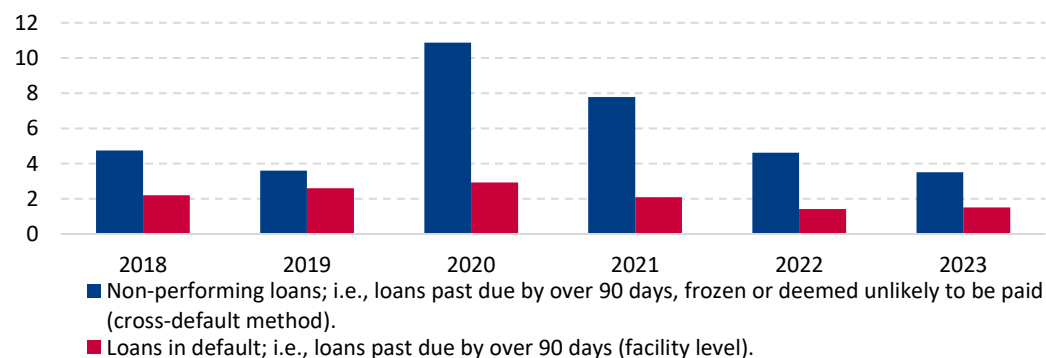


Source: Central Bank of Iceland.

Banks (1/2)

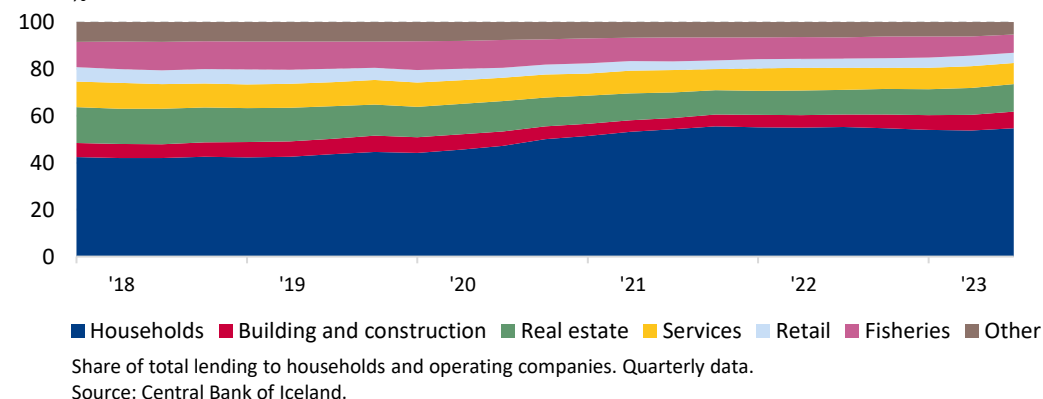
- The three largest commercial banks, classified as Domestic Systemically Important banks (D-SIBs), are well capitalized. The D-SIBs' combined capital ratio was 24.2% at the end of June, 0.5% higher than at the turn of the year and 1% higher than in June 2022.
- At the end of June 2023, the total amount of loans to the tourism industry came to 8.8% of the D-SIBs' total lending to customers and has increased by 5.4% year-on-year.
- The majority of the D-SIBs' funding is in the form of deposits and marketable bonds.

D-SIB default ratios
%

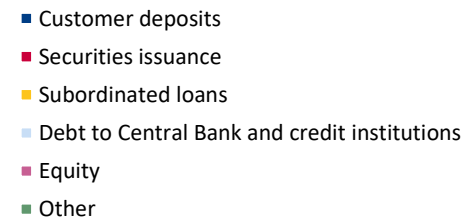


Parent companies, book value. EBA definition for non-performing loans used from 2018 onwards (red).
Source: Central Bank of Iceland.

D-SIB lending classified by borrower
%



D-SIB funding
% of total debt, Q2 2023

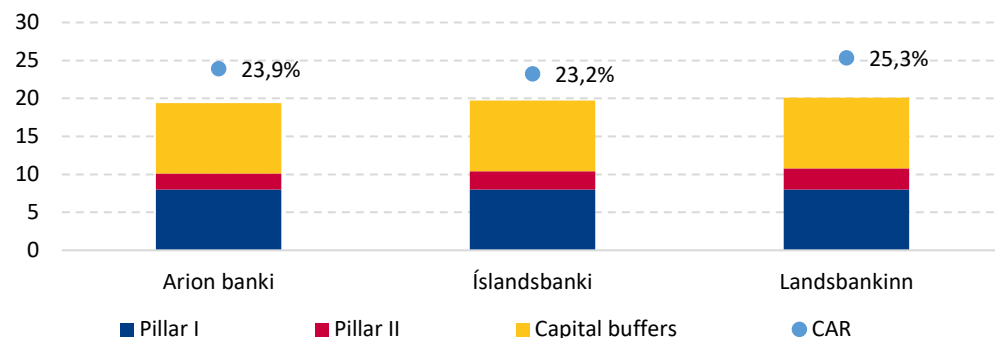


Parent companies.
Source: Statistics Iceland, Central Bank of Iceland.

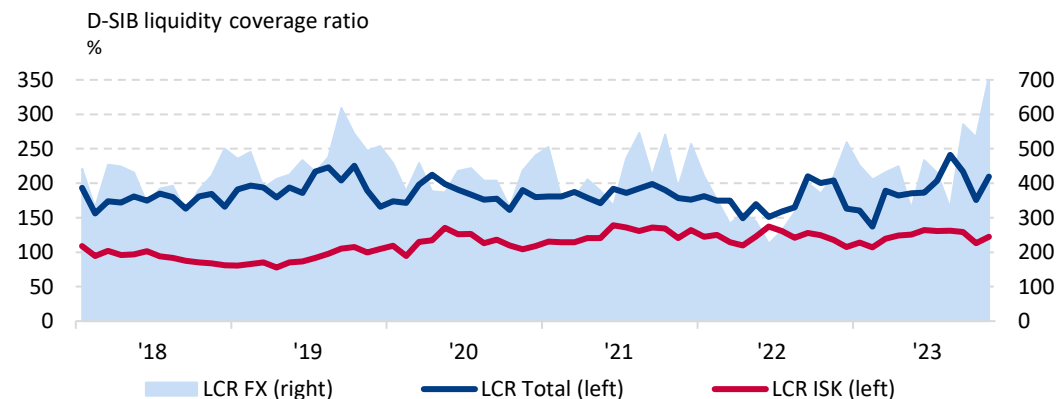
Banks (2/2)

- The domestic systemically important banks' (D-SIB) liquidity has improved in 2023 to date and has been stable in the past few months. Their liquidity coverage ratios (LCR) increased with foreign bond issues in spring 2023.
- At the end of July, the D-SIBs' combined liquidity ratio in all currencies was 204%, well above the 100% minimum required under Central Bank rules. The liquidity ratio in foreign currencies was 429% at the end of August 2023, whereas the ratio in Icelandic krónur was 131%.
- The liquidity ratio in euros was 804% at the end of July but varies from bank to bank. An 80% minimum liquidity ratio in euros was introduced on 1 January 2023. The liquidity ratio in all foreign currencies combined has been relatively stable in recent months.

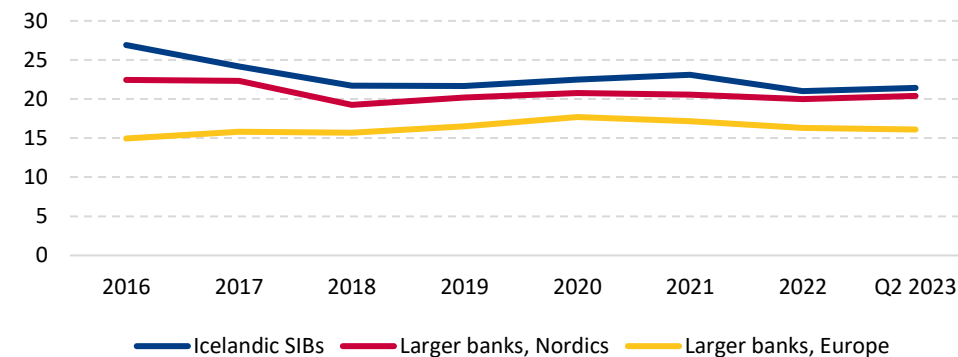
D-SIB capital requirements and CARs
%, Q2 2023



Source: Central Bank of Iceland.



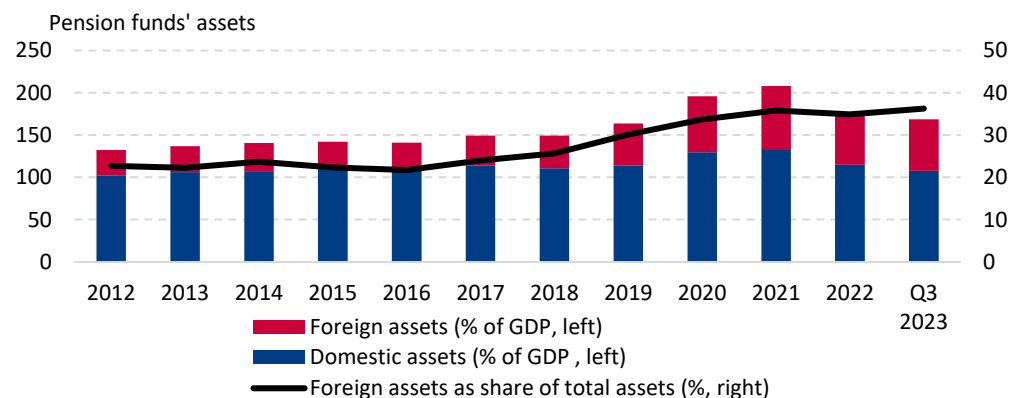
Capital Adequacy Ratio comparison
Average tier 1 capital ratios



Source: Central Bank of Iceland.

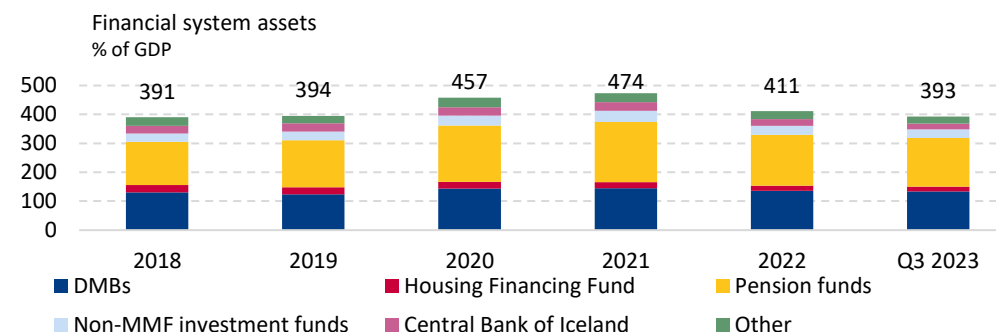
Financial system

- Financial system assets amounted to 397% of GDP as of end-June 2023, after falling 14% during the first half of the year. The decline is due to stronger growth in GDP than in financial system assets. Since year-end 2021, the ratio has fallen by 77%, even though financial system assets have increased by 4% over the same period, but nominal GDP has surged recently, driven by strong output growth and high inflation.
- Pension fund assets amounted to 6,950 b.kr. or 173% of GDP, at the end of June, after increasing by 324 b.kr., or about 5%, in H1/2023. In krónur terms, two-thirds of this increase was due to foreign assets. Foreign assets accounted for 36.4% of total pension fund assets as of end-June 2023.



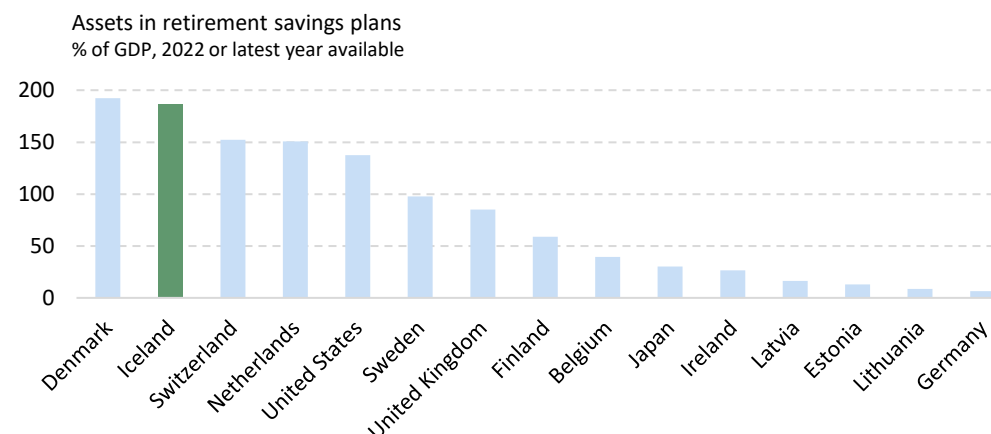
Annual data. Latest data based on preliminary figures. Data for the third quarter of 2023.

Source: 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 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. Data for the third quarter of 2023.

Source: Statistics Iceland, Central Bank of Iceland.



Source: OECD (2023), Pension Markets in Focus 2023, OECD Publishing, Paris

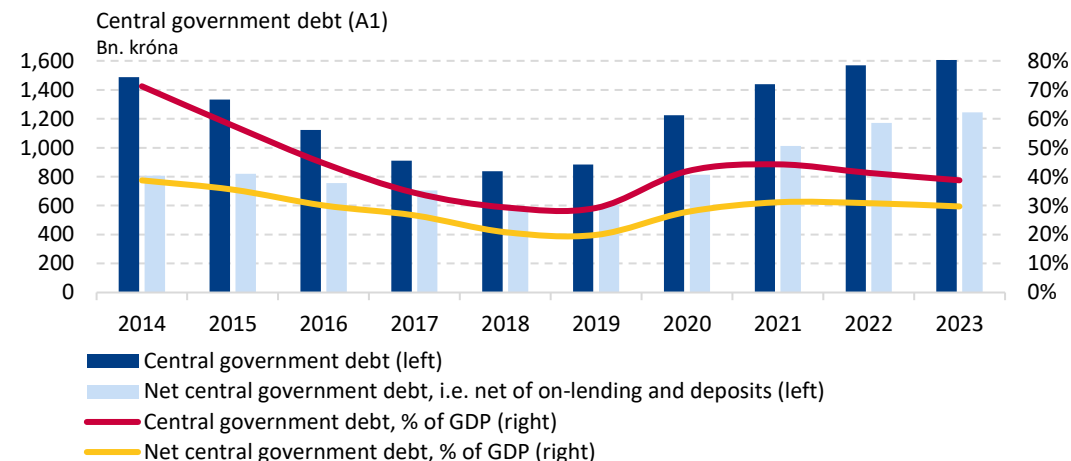


Government debt management

| Republic of Iceland

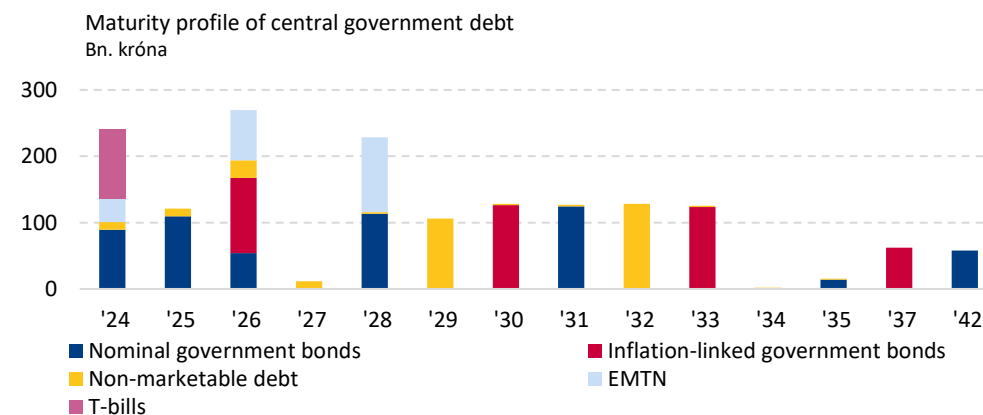
Debt profile (1/3)

- At the end of December 2023, the central government debt amounted to 1,625. bn. króna, including foreign debt (i.e. debt in foreign currency) of 266 bn. króna.
- At the end of December 2023, the Treasury's current account balance with the Central Bank of Iceland was 82 bn. króna plus 197 bn. króna equivalent in foreign currencies. On-lending amounted to 102 bn. króna. Taking these factors into consideration the net central government debt amounted to 1,245 bn. króna.
- The central government debt was 38.8% of GDP at the end of 2023 and at the same time, net central government debt was 29.7% of GDP.
- Foreign bond of EUR 241 million will mature in 2024. It is assumed that the loan will be paid using Treasury's foreign deposits with the Central Bank, although the option of issuing a foreign bond, potentially a green bond, will also be considered.
- A domestic nominal government bond of 89 bn. króna will mature in 2024. A new nominal bond maturing in 2027 is expected to be issued in 2024. Other series will be expanded during the year. Planned government bond issuance for 2024 in the domestic market totals 120 bn. króna.
- The non-marketable debt consists primarily of loans from the HF Fund (formerly The Housing Financing Fund). Approximately 13% of the non-marketable debt is denominated in foreign currencies.



Central government debt, A1 part excluding pension liabilities and accounts payable. GDP for 2023 is according to the latest forecast of the Central Bank of Iceland.

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

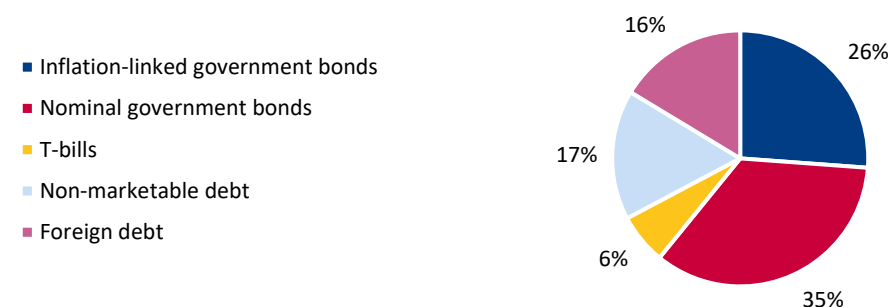


Source: Government Debt Management.

Debt profile (2/3)

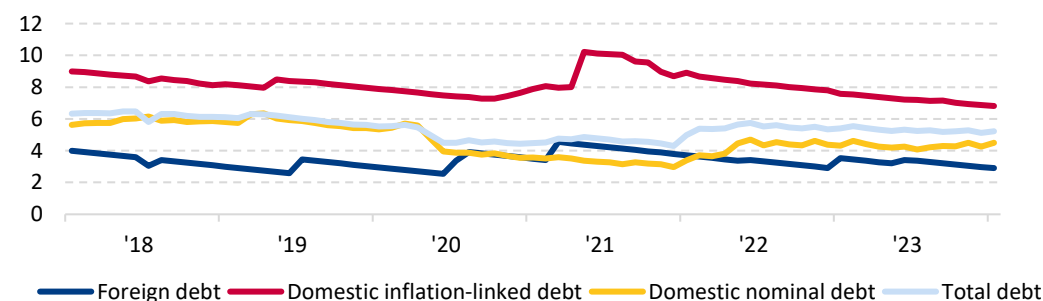
- The Medium-Term Debt Management Strategy lays down the government's debt financing plans for the next five years.
- The strategy is based on the fiscal plan and sets forth targets and criteria for Treasury debt management over the specified period.
- The key objective of the strategy is to ensure that 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 2024-2028:
 - 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 including swaps
Years

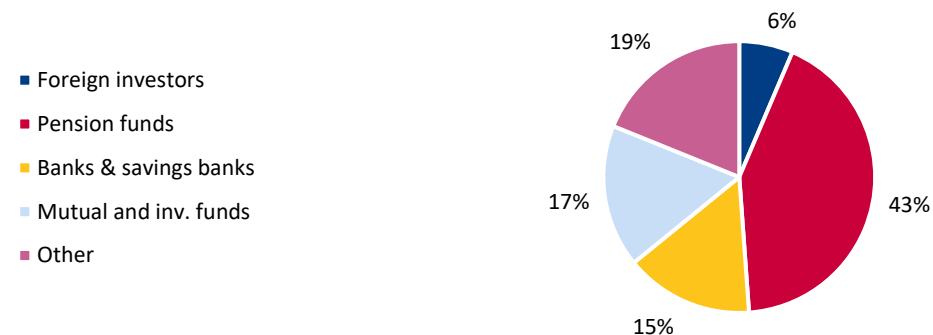


Source: Government Debt Management.

Debt profile (3/3)

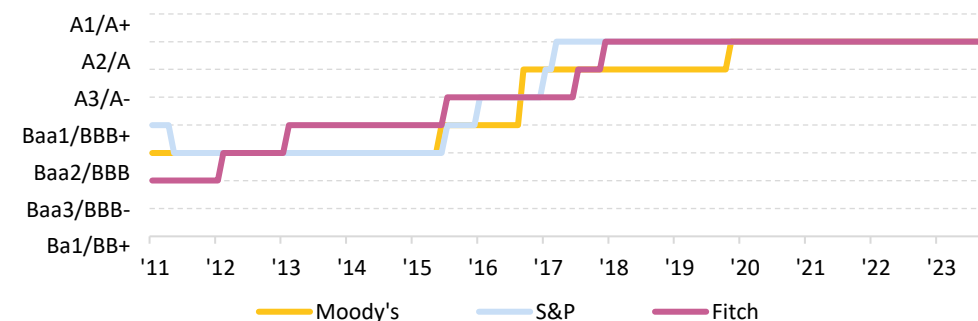
- Pension funds' holdings accounted for 42% of the market value of outstanding domestic government bonds at the end of 2023. Foreign investors held 6.4%, almost entirely in nominal bonds.
- Iceland is rated by Fitch Ratings, Moody's Investor Service and S&P Global Ratings. The last change in Iceland's ratings occurred in November 2023 when S&P Global Ratings raised Iceland's credit ratings from A to A+.

Owners of domestic government bonds



Source: Government Debt Management.

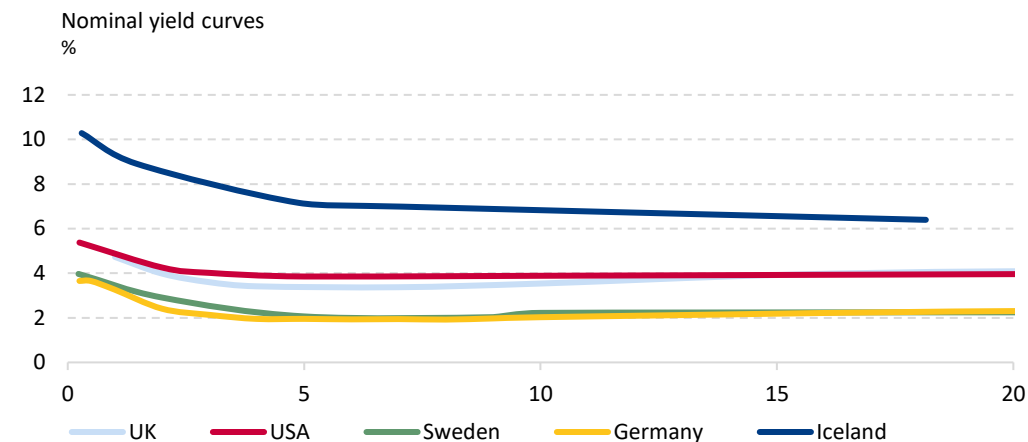
Iceland's credit rating history



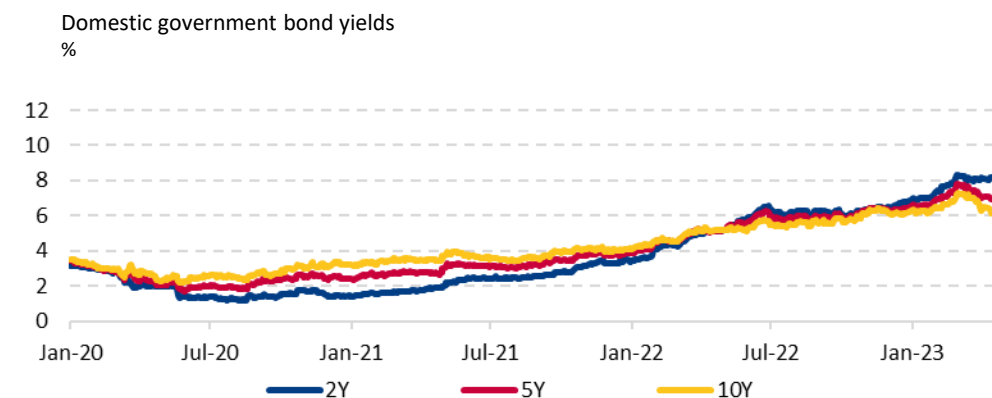
Source: Ministry of Finance and Economic Affairs.

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 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.
 - Receive commissions from the GDM.
- GDM website: www.lanamal.is



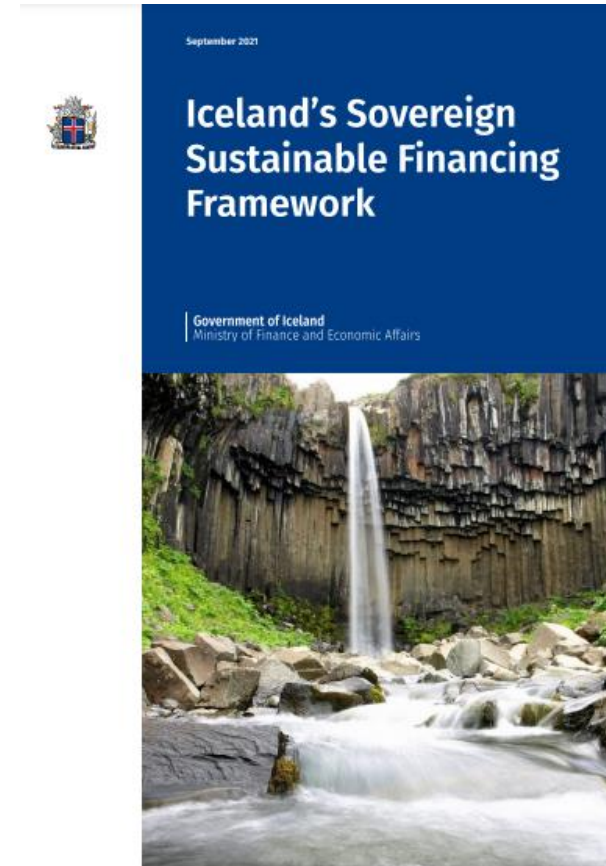
Source: Government Debt Management



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

Sustainable financing framework

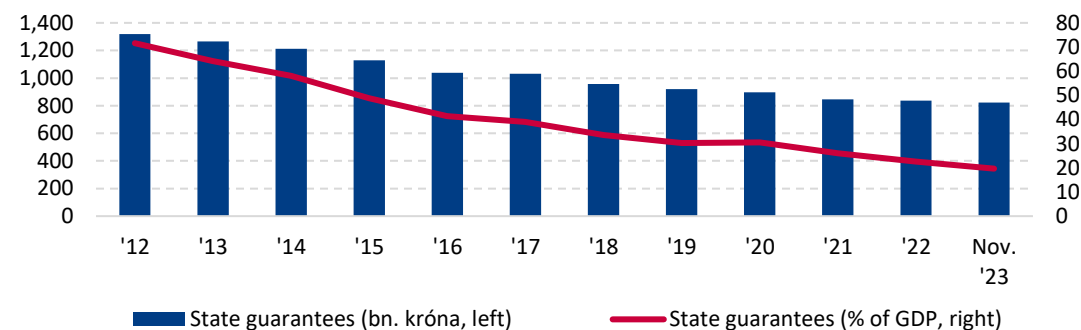
- The Ministry of Finance and Economic Affairs issued an updated Sovereign Sustainable Financing Framework in April 2023 with a new gender annex.
- The Government has set clear objectives for sustainability and gender equality and has taken on international commitments concerning climate action.
- Second 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/>



State guarantees

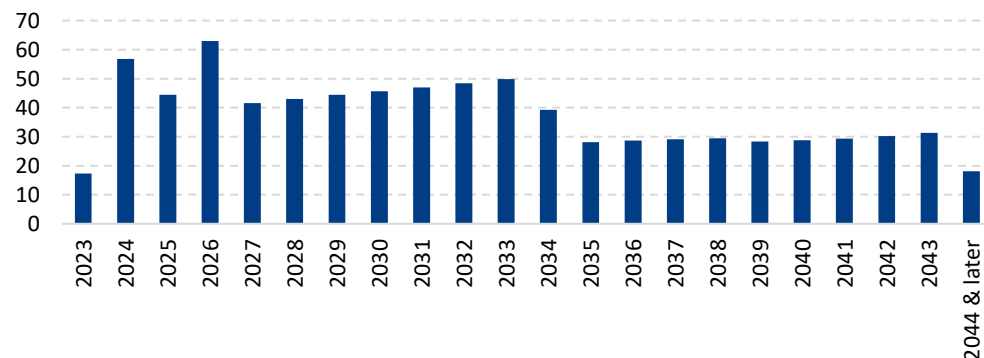
- At the end of November 2023, state guarantees amounted to 823 bn. króna or 20% of GDP.
- Most state guarantees are denominated in Icelandic krona. The largest share of state guarantees covers the HF-Fund or 88%.
- State guarantees are almost exclusively credit guarantees. Almost 90% of the State's credit guarantees are due to domestic marketable bonds.
- From 2012, state guarantees have decreased by 52% of GDP (72% of GDP in 2012 compared to 20% in November 2023).

State guarantees

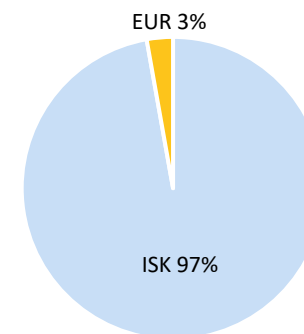


GDP for 2023 is according to the latest forecast of the Central Bank of Iceland.

Maturity profile of state guarantees
Bn. króna



Source: Government Debt Management.



Source: Government Debt Management.



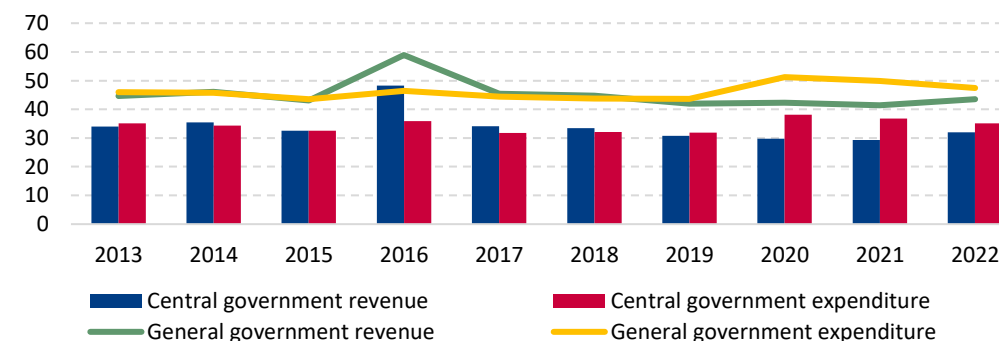
Fiscal discipline

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Framework of public finances

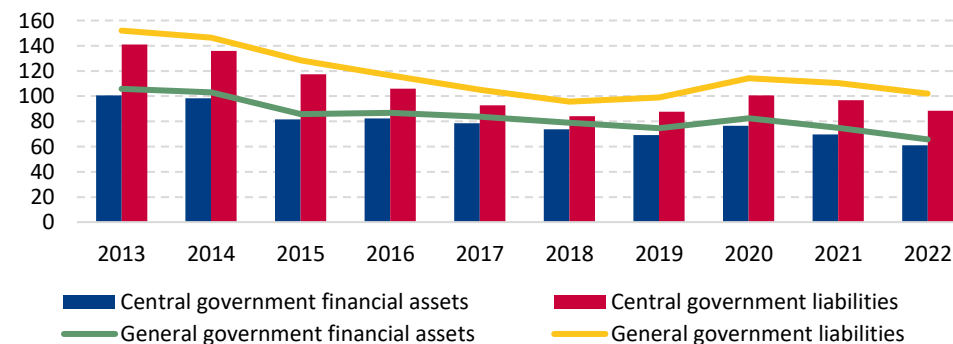
- Public finance policy and planning is carried out according to the 2015 Public Finance Act. The Act stipulates that the government must publish its policy and planning while abiding to fiscal rules and principal values.
- Statutory Publications:
 - Fiscal Policy Statement for the next five years must 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 2025 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.

General/central government revenue and expenditure
% of GDP



Source: Statistics Iceland

General/central government financial assets and liabilities
% of GDP

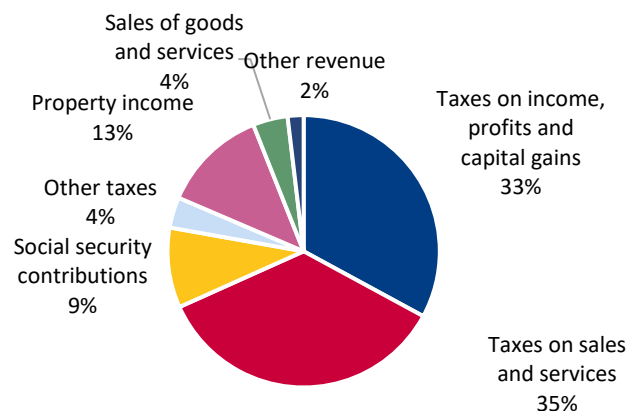


Source: Statistics Iceland.

Composition of expenditure and revenue

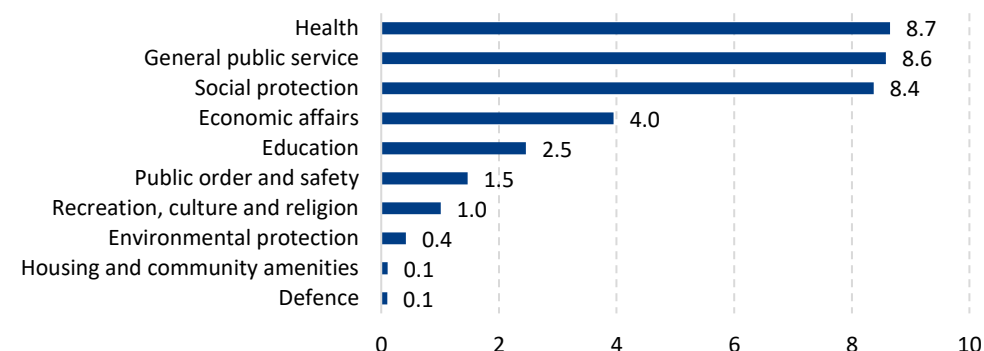
- The Central Government's revenues are comprised primarily of taxes and fees charged and collected based on various Acts. The largest sources of revenue are taxes on income, profits and capital gains and taxes on sales and services.
- The largest expenditure categories of the central government are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

Composition of central government revenue, 2022



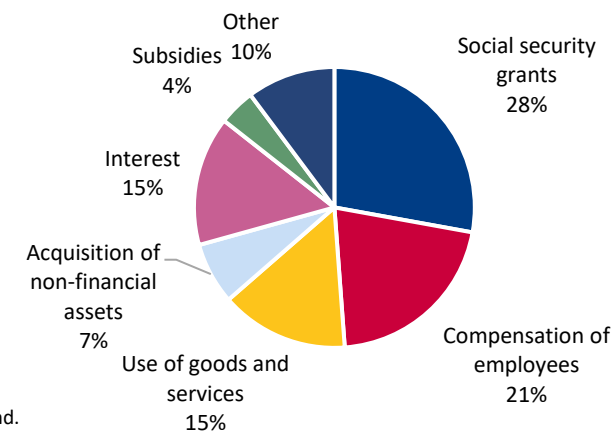
Source: Statistics Iceland

Central government expenditure by function, 2022
% of GDP



Source: Statistics Iceland.

Economic composition of central government expenditure, 2022

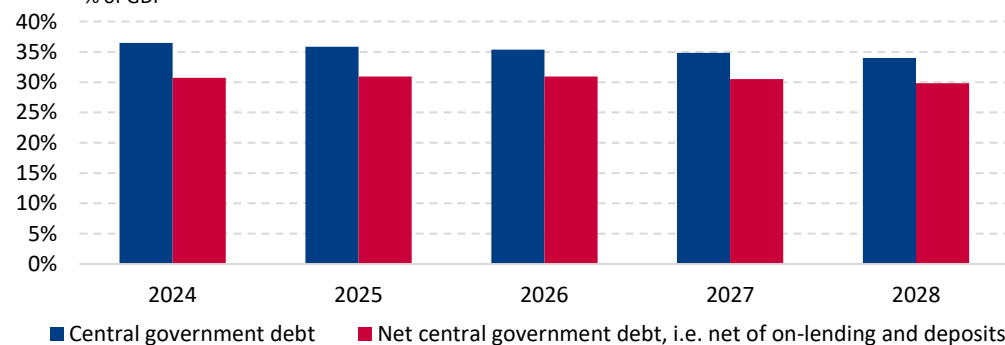


Source: Statistics Iceland.

Fiscal balance and targets

- The 2024 budget was approved by Parliament in December 2023. According to the approved budget, the central government deficit in 2024 is expected to amount to 51 bn. ISK (1% of GDP) and to decrease by around 5 bn. ISK from 2023.
- 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 2024-2028 Fiscal Strategy Plan.
- According to the fiscal plan for 2024-2028 the ratio of Treasury's debt to GDP is projected to be approximately 34% by 2028. The fiscal plan for 2025-2029 will be presented in spring 2024.

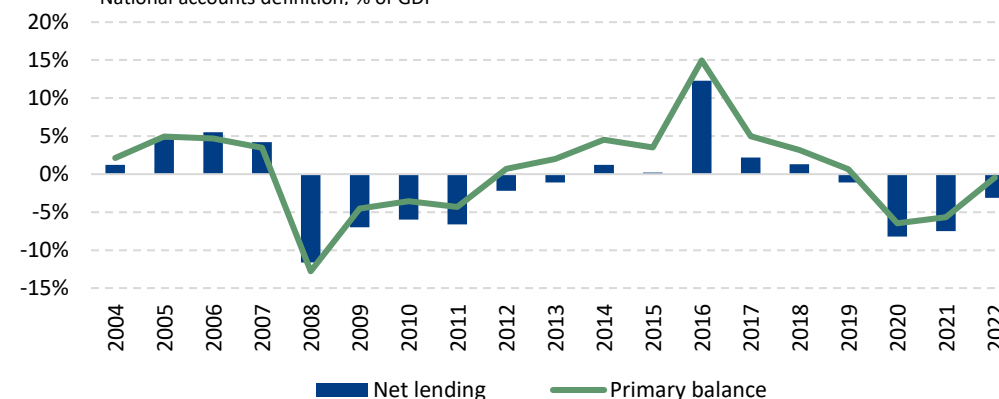
Central government debt ratios according to the Fiscal plan 2024-2028
% of GDP



A1 part excluding pension liabilities and accounts payable.

Source: Ministry of Finance and Economic Affairs, Fiscal Plan 2024-2028.

Central government net lending and primary balance
National accounts definition, % of GDP



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.



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