

# Second quarter and 6M 2025 results

**Press release  
30 July 2025**





# Arion Bank – Q2 2025 results

## Financial highlights for the second quarter of 2025

- Arion Bank reports net earnings attributable to shareholders of Arion Bank of ISK 9.8bn in Q2 2025, compared with ISK 5.5bn in Q2 2024
- Return on equity attributable to shareholders of Arion Bank was 19.7%, compared with 11.5% in Q2 2024
- Earnings per share in ISK of 6.59, compared with 3.86 in Q2 2024
- Net interest margin of 3.5%, compared with 3.2% in Q2 2024
- Net commission income was ISK 4.6bn, compared with ISK 4.0bn in Q2 2024
- Operation of Vördur contributed a standalone profit of ISK 0.8bn in the second quarter of 2025, compared with ISK 0.4bn in the previous year
- Other operating income was ISK 1.3bn due to a valuation increase in development assets
- Core income, defined as net interest income, net commission income and insurance service results (excluding opex of the insurance operation), increased by 19.8%, compared with Q2 2024
- Operating expenses remained relatively stable if one-off items in Q2 2024 are taken into account
- Effective tax rate was 28.0%
- Total cost-to-core income ratio was 36.6%, compared with 46.2% in Q2 2024
- Cost-to-income ratio was 31.4%, compared with 43.1% Q2 2024
- The balance sheet increased by 1.6% during the quarter
- Loans to customers increased by ISK 38.5bn or 3.1% during the quarter
- Share buybacks totalled ISK 3.0bn in the quarter
- The Bank's capital ratio was 22.0% and the CET1 ratio was 18.0% at the end of June. The ratios take into account the deduction of 50% of net earnings as foreseeable dividend in line with the Bank's dividend policy. These ratios comfortably exceed the requirements made by the FSA and Icelandic law

## Financial highlights for the first 6 months of 2025

- Arion Bank reports net earnings of ISK 16.2bn for 6M 2025, compared with ISK 9.9bn in 6M 2024
- Return on equity was 16.1%, compared with 10.3% in 6M 2024
- Earnings per share in ISK of 11.22, compared with 6.92 in 6M 2024
- Net interest margin of 3.3%, compared with 3.1% 6M 2024
- Net commission income of ISK 9.1bn for the first half of the year, compared with ISK 7.3bn in 6M 2024
- Core income, defined as net interest income, net commission income and insurance service results (excluding opex of the insurance operation), increased by 17.8% compared with 6M 2024
- Operating expenses have remained relatively stable
- The effective tax rate was high, 29.9%, due to an unfavorable combination of income
- Total cost-to-core income ratio was 39.4%, compared with 47.2% in 6M 2024
- Cost-to-income ratio was 32.9%, compared with 44.1% in 6M 2024
- The balance sheet increased by 5.9% from year-end 2024
- Dividend payment and share buybacks of ISK 19.1bn in total in 6M 2025



## **Benedikt Gíslason, CEO of Arion Bank**

"Earnings for the second quarter were good and exceeded our expectations. These solid financial results build on a range of factors, but the fact that virtually all the diverse businesses comprising the Group performed strongly was key to success. The market funding has also been positive for the Bank. As for corporate services, it was one of the busiest quarters on record, both in terms of loans and corporate advisory, with falling interest rates providing the incentive for increased investment in the economy. Changes in the valuation of Arion's shareholding in the Arnarland development site, currently in the process of being sold, also had a positive impact on the Bank's results. The Bank's capital and liquidity positions remain robust.

The headline news was the letter of intent signed on 6 July concerning a proposed merger between Arion Bank and Kvika Bank. Under the terms outlined in the letter of intent, shareholders in Kvika will receive a 26% stake in the merged company should the merger go ahead. The aim is to create a solid financial institution which offers a comprehensive range of services for its customers. If the merger is completed, it will significantly enhance the financial services the merged company can offer retail and corporate customers and investors. The merger will create opportunities for more diverse revenue streams and risk distribution, thus creating a more effective business and bringing greater efficiency to the Icelandic financial market.

The Arion app is by far our most popular service channel and we constantly strive to develop and improve it to meet the ever-evolving needs of our customers. We were therefore delighted that the Arion app was voted the best banking app in Iceland in a survey by Maskína for the ninth year in a row. In addition to being able to conduct all your main banking in the app, parents can monitor activity on their children's accounts and both open savings accounts and take out debit cards for them. Users can also trade with securities, invest in Stefnir funds and get a clear overview of their pensions as well as insurance at our subsidiary Vörður. The app also enables customers to sign up for the Arion Reward programme as we want them to reap every benefit of being an Arion customer.

During the quarter we formally completed the acquisition of the advisory firm Arngrímsson Advisors Ltd. The services offered by the company have now been integrated into the Bank's service offering. The company provides asset advisory services to institutional investors, with a focus on international institutional investor funds and alternative investments. Arion customers will benefit from the international connections and extensive experience of investing for individual pension funds, insurance and investment companies which have been developed over years. This augments the partnerships that Arion Bank has nurtured with international financial institutions in recent years and adds to the options available to our customers, particularly when it comes to investing in international alternative investment funds."



## Income Statement

<i>In ISK millions</i>	<b>Q2 2025</b>	<b>Q2 2024</b>	<b>Δ</b>	<b>Δ %</b>	<b>H1 2025</b>	<b>H1 2024</b>	<b>Δ</b>	<b>Δ %</b>
Net interest income	14,200	11,948	2,252	19%	26,366	23,193	3,173	14%
Net commission income	4,553	3,979	574	14%	9,089	7,344	1,745	24%
Insurance service results	1,066	523	543	104%	1,035	307	728	237%
Net financial income	179	99	80	81%	(772)	128	(900)	-
Other operating income	1,324	38	1,286	-	4,645	87	4,558	-
<b>Operating income</b>	<b>21,322</b>	<b>16,587</b>	<b>4,735</b>	<b>29%</b>	<b>40,363</b>	<b>31,059</b>	<b>9,304</b>	<b>30%</b>
Operating expenses	(6,697)	(7,154)	457	(6%)	(13,298)	(13,706)	408	(3%)
Bank levy	(521)	(476)	(45)	9%	(1,029)	(936)	(93)	10%
Net impairment	147	(775)	922	(119%)	(231)	(1,090)	859	(79%)
<b>Net earnings before income tax</b>	<b>14,251</b>	<b>8,182</b>	<b>6,069</b>	<b>74%</b>	<b>25,805</b>	<b>15,327</b>	<b>10,478</b>	<b>68%</b>
Income tax expense	(3,984)	(2,671)	(1,313)	49%	(7,710)	(5,375)	(2,335)	43%
<b>Net earnings from cont. operations</b>	<b>10,267</b>	<b>5,511</b>	<b>4,756</b>	<b>86%</b>	<b>18,095</b>	<b>9,952</b>	<b>8,143</b>	<b>82%</b>
Discontinued operations, net of tax	(11)	(11)	0	0%	(22)	(20)	(2)	10%
<b>Net earnings</b>	<b>10,256</b>	<b>5,500</b>	<b>4,756</b>	<b>86%</b>	<b>18,073</b>	<b>9,932</b>	<b>8,141</b>	<b>82%</b>
Non-controlling interest	(506)	5	(511)	-	(1,902)	17	(1,919)	-
<b>Net earnings attributable to shareholders</b>	<b>9,750</b>	<b>5,505</b>	<b>4,245</b>	<b>77%</b>	<b>16,171</b>	<b>9,949</b>	<b>6,222</b>	<b>63%</b>
<b>KFI's</b>								
Return on equity attributable to shareholders	19.7%	11.5%			16.1%	10.3%		
Return on equity	20.5%	11.5%			17.8%	10.2%		
Return on total assets (ROA)	2.4%	1.4%			2.2%	1.3%		
Earnings per share (in ISK)	11.22	6.92			6.59	3.86		
Total cost to core income ratio	36.6%	46.2%			39.4%	47.2%		
Cost-to-income ratio	31.4%	43.1%			32.9%	44.1%		
Net interest margin (NIM)	3.5%	3.2%			3.3%	3.1%		
Core income / REA	8.1%	7.3%			7.6%	7.0%		

*Net interest income* increased by 18.8%, compared with the second quarter of 2024. The net interest margin (NIM) as a percentage of average interest-bearing assets was 3.5% for the quarter, compared with 3.2% for the second quarter of 2024. The CPI imbalance grew by ISK 52bn between years and was ISK 196bn at the end of June 2025. Average interest-bearing assets increased by 9.6%, compared with the second quarter of 2024, mainly loans to customers and bonds and debt instruments, whereas interest-bearing liabilities increased by 8.9%, mainly deposits. The Bank expects NIM to be around 3% in the coming quarters with fluctuations in line with the trajectory of policy rates and inflation.

*Net commission income* was ISK 4.6bn, compared with ISK 4.0bn in the second quarter of the previous year. The CIB operation remains robust, particularly in terms of fees generated from lending and corporate advisory due to increased activity and focused fee strategy. Asset management fees have remained solid, with Assets under Management and Supervision increasing to ISK 1,806bn at the end of the quarter, following the acquisition of Arion (Financial) Advisory Services Ltd. (previously Arngrimsson Advisors Ltd.). Assets under Supervision increased by ISK 154bn following this acquisition.

*Insurance service results* of Vördur were ISK 1,066m during the quarter, after the elimination of intercompany transactions. Insurance revenues grew by 4.6% compared with the second quarter of 2024. The claims and reinsurance ratio was 60.5% in the quarter, which is favorable compared with 70.5% in the second quarter of 2024. The combined ratio of Vördur for the second quarter was 79.4%, compared with 89.8% for the same period in 2024.

*Net financial income* was ISK 179m for the quarter under challenging market conditions for investment income, especially equities. The investment portfolio of Vördur generated a profit of ISK 120m, which includes adverse net impact from insurance contracts.

*Other operating income* was strong or ISK 1.3bn, mainly due to the valuation of development assets, which is partially linked to non-controlling interest as Arnarland ehf. is 51% owned by Landey ehf. (100% subsidiary of Arion Bank).

*Operating expenses* decreased by 6.4% in the second quarter, compared with the same quarter in 2024, mainly due to a one-off cost of ISK 580m in Q2 2024. If this is excluded, there was a 1.9% increase between years. If the operating expenses of the insurance operation are included (post IFRS 17 cost related to the insurance business is accounted for through insurance service results) the decrease was 5.0% but excluding one-off expenses from the previous year the increase was 2.4%. Total cost-to-core income ratio was 36.6%, compared with 46.2% in the second quarter of 2024, when including the operating expenses of the insurance operation. Salary expenses increased by ISK 184m or 4.2% compared with the second quarter of 2024, which primarily relates to a 6.2% increase in the number of FTEs from June 2024, to 868. The increase was primarily in the insurance business and IT, in line with the investment strategy.



*Net impairment* was positive by ISK 147m in the second quarter of 2025. This is mainly due to a number of loans performing better than previously accounted for.

*Income tax*, as reported in the financial statements, comprises 20% income tax on earnings and a special 6% financial tax on the earnings of financial undertakings of more than ISK 1bn. The effective income tax rate was 28.0% in the quarter. In general, the combination of income is the main driver behind the fluctuation in the effective tax rate.

## Balance sheet

The balance sheet increased by 5.9% from year-end 2024 and the liquidity position remains strong.

### Assets

<i>In ISK millions</i>	<b>30.06.2025</b>	<b>31.12.2024</b>	<b>Δ</b>	<b>Δ %</b>	<b>31.03.2025</b>	<b>Δ</b>	<b>Δ %</b>
Cash & balances with CB	114,114	124,094	(9,980)	(8%)	124,808	(10,694)	(9%)
Loans to credit institutions	34,805	25,690	9,115	35%	27,220	7,585	28%
Loans to customers	1,272,468	1,230,058	42,410	3%	1,234,006	38,462	3%
Financial instruments	238,217	206,417	31,800	15%	261,088	(22,872)	(9%)
Investment property	13,786	9,387	4,399	47%	12,857	929	7%
Intangible assets	7,995	7,688	307	4%	8,018	(23)	(0%)
Other assets	31,760	14,933	16,827	113%	18,658	13,102	70%
<b>Total assets</b>	<b>1,713,145</b>	<b>1,618,267</b>	<b>94,878</b>	<b>6%</b>	<b>1,686,655</b>	<b>26,489</b>	<b>2%</b>

### KFI's

REA / Total assets	60.1%	61.0%	59.5%
Share of stage 3 loans, gross	2.4%	2.3%	2.5%

*Loans to customers* increased by 3.4% or ISK 42bn from the end of 2024, with loans to corporates increasing by 5.5%, whereas loans to individuals increased by 0.9%. The diversification of the corporate loan book continues to be good and in line with the Bank's credit strategy.

The Bank's liquidity position is strong with the total LCR ratio of 156% and the ISK LCR ratio of 143%. This is reflected in the strong position in *Cash and balances with Central Bank*, *Loans to credit institutions* and *Financial instruments*, including bonds and debt instruments. The average duration of liquidity in the bond portfolio is less than one year and there is no HTM accounting.

### Liabilities and equity

<i>In ISK millions</i>	<b>30.06.2025</b>	<b>31.12.2024</b>	<b>Δ</b>	<b>Δ %</b>	<b>31.03.2025</b>	<b>Δ</b>	<b>Δ %</b>
Due to credit institutions & CB	7,368	6,618	750	11%	5,785	1,583	27%
Deposits from customers	899,157	857,443	41,714	5%	884,606	14,551	2%
Other liabilities	77,216	69,405	7,811	11%	69,324	7,892	11%
Borrowings	482,806	433,178	49,628	11%	496,821	(14,015)	(3%)
Subordinated liabilities	42,403	44,537	(2,134)	(5%)	33,331	9,072	27%
<b>Total liabilities</b>	<b>1,508,950</b>	<b>1,411,181</b>	<b>97,769</b>	<b>7%</b>	<b>1,489,867</b>	<b>19,083</b>	<b>1%</b>
Shareholders equity	201,790	206,582	(4,792)	(2%)	194,888	6,902	4%
Non-controlling interest	2,405	504	1,901	377%	1,900	505	27%
<b>Total equity</b>	<b>204,195</b>	<b>207,086</b>	<b>(2,891)</b>	<b>(1%)</b>	<b>196,788</b>	<b>7,407</b>	<b>4%</b>
<b>Total liabilities and equity</b>	<b>1,713,145</b>	<b>1,618,267</b>	<b>94,878</b>	<b>6%</b>	<b>1,686,655</b>	<b>26,490</b>	<b>2%</b>

### KFI's

Loans to Deposits ratio	141.5%	143.5%	139.5%
CET 1 ratio	18.0%	18.2%	18.3%
Capital adequacy ratio	22.0%	22.6%	21.5%

*Deposits from customers* remain the most important source of funding for Arion Bank, with 60% of total liabilities in deposits. The increase from year-end 2024 has primarily been in stable LCR categories and term deposits, reflecting the strategic focus.

The maturity profile of *Borrowings* is balanced, and the Bank has broad funding options with the majority of the 2025 FX funding plan completed. During the second quarter the Bank issued NOK 600m and SEK 900m senior preferred floating rate bonds with a maturity of 2.5 years. In addition, the Bank completed a successful ISK 10bn Tier 2 issuance in Q2 2025, further optimizing its Tier 2 capital position. The Bank continued to pursue regular issuance in the domestic ISK market, issuing ISK 7.5bn in covered bonds.



Shareholders' equity decreased due to the ISK 16.1bn dividend payment and ISK 6.0bn share buyback, which was partly offset by the net earnings of ISK 16.2bn in H1 2025. The leverage ratio was 11.5% at the end of June, compared with 12.2% at the end of 2024, which is high by international standards.

For further information on the accounts please visit Arion Bank's [website](#).

## Medium-term financial targets of Arion Bank

	Q2 2025	H1 2025	Arion Bank's medium-term financial targets
Return on equity attributable to shareholders of Arion Bank	19.7%	16.1%	Exceed 13%
Core income / REA	8.1%	7.6%	Exceed 7.2%
Insurance revenue growth (YoY)	4.6%	5.0%	In excess of market growth (5.4% in Q2 2025 YoY)
Combined ratio Vördur	79.4%	89.4%	Below 95%
Total cost-to-core income ratio	36.6%	39.4%	Below 45%
CET1 ratio above regulatory capital requirements	259 bps	259 bps	150-250 bps management buffer (~16.9 - 17.9%)
Dividend pay-out ratio	50%	50%	Pay-out ratio of approximately 50% of net earnings attributable to shareholders through either dividends or buyback of the Bank's shares or a combination of both

## Investor meeting / webcast in English on 31 July at 10:30 CEST (8:30 GMT)

Arion Bank will be hosting a meeting at the Bank's headquarters in Borgartún 19, Reykjavík, on Thursday 31 July at 10:30 CEST (8:30 GMT) where CEO Benedikt Gíslason and Deputy CEO Ida Brá Benediktsdóttir will present the results and give an update on the economic environment. The meeting will take place in English and will also be streamed live.

The webcast will be accessible live on [Lumiconnect](#) and a link is also available on the Bank's website under [Investor Relations](#).

Participants attending virtually will be able to ask questions during the meeting through a message board on the same site. Answers will be provided by presenters at the end of the webcast.

## Financial calendar

Arion Bank's financial calendar is available on the Bank's [website](#).

For any further information please contact Theodór Fridbertsson, [Investor Relations](#), tel.+354 856 6760, or Haraldur Eidsson, [Head of Corporate Communications](#), tel. +354 856 7108.

## Forward-looking statements

This release contains forward-looking statements that reflect management's current views with respect to certain future events and potential financial performance. The information in the release is based on company data available at the time of the release. Although Arion Bank believes that the expectations reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations will prove to have been correct. Accordingly, results could differ materially from those set out in the forward-looking statements as a result of various factors. The most important factors that may cause such a difference for Arion Bank include, but are not limited to: a) the macroeconomic development, b) change in inflation, interest rate and foreign exchange rate levels, c) change in the competitive environment and d) change in the regulatory environment and other government actions. This release does not imply that Arion Bank has undertaken to revise any forward-looking statements, beyond what is required by applicable law or applicable stock exchange regulations if and when circumstances arise that will lead to changes after the date when this release was made. Arion Bank assumes no responsibility or liability for any reliance on any of the information contained herein. It is prohibited to distribute or publish any information in this release without Arion Bank's prior written consent.

