Q4 and full-year results 2025

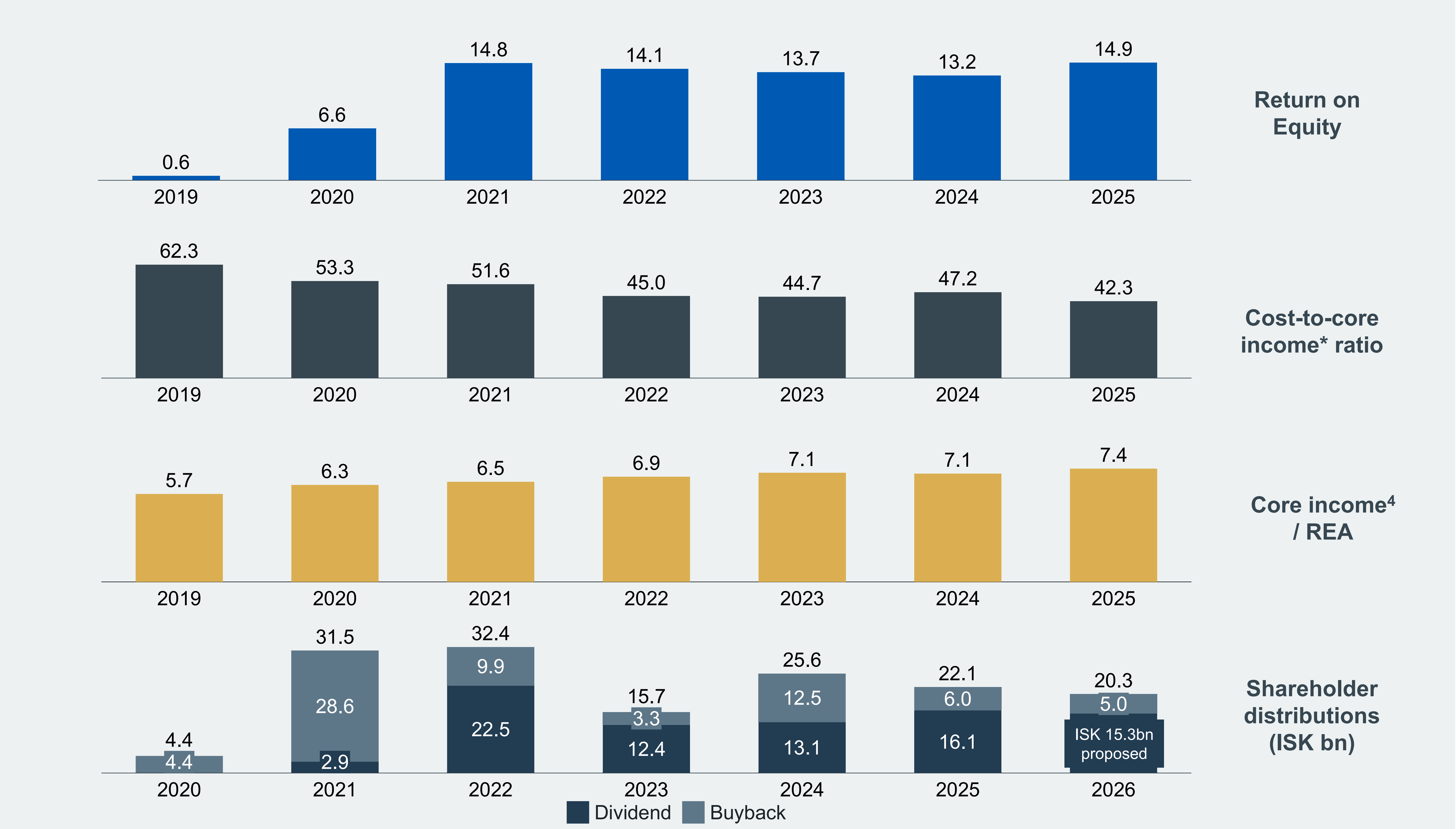
Investor presentation
11 February 2026

Continued delivery on financial targets

Strong 14.9% ROE in 2025 and a dividend proposal of ISK 11.5 per share

	2025	Medium-term targets
ROE	14.9% ✓	Exceed 13%
Cost-to-core income ratio[1]	42.3% ✓	Below 45%
Core income[2] / REA	7.4% ✓	Exceed 7.2%
Insurance revenue growth (YoY)[3]	5.5%	In excess of market growth
Combined ratio Vördur	89.8% ✓	Below 95%
CET1 ratio above regulatory capital requirements	308 bps	150-250 bps management buffer[4]
Dividend payout ratio[5]	50% ✓	50%

Historical performance – selected metrics



1) Cost to core income ratio: Operating expenses, including opex from insurance operation / Core income
2) Core income: Net interest income, net fee and commission income and insurance service results (excluding opex)
3) Insurance revenue growth in the domestic insurance market in 9M 2025 was 5.7%
4) Approx.16.8-17.8%
5) 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. Additional distributions will be considered when Arion Bank's capital levels are above the minimum requirements set by the regulators in addition to the Bank's management buffer

Key milestones of the year

Retail bank drove loyalty and growth through customer rewards

- Successful launch of Arion Rewards with over **45,000 customers** joining Arion Rewards in under 10 months with insurance sale increasing **13.2%** YoY
- Arion Rewards savings accounts launched with significant early uptake, providing members exclusive **top-tier interest paid weekly.** Household deposits increased **14.7%** YoY

Merger discussion initiated between Arion and Kvika

Stefnir Funds changed the game with customer-focused enhancements

- Stefnir strengthened its value proposition with lower premium fund fees, no upfront fees, elimination of minimum investment amounts and digital automation
  - Number of clients increased by **11%**
  - Monthly subscriptions to funds grew by **41%**
  - Through increased digitalization, **89%** of customer fund transactions were fully automated

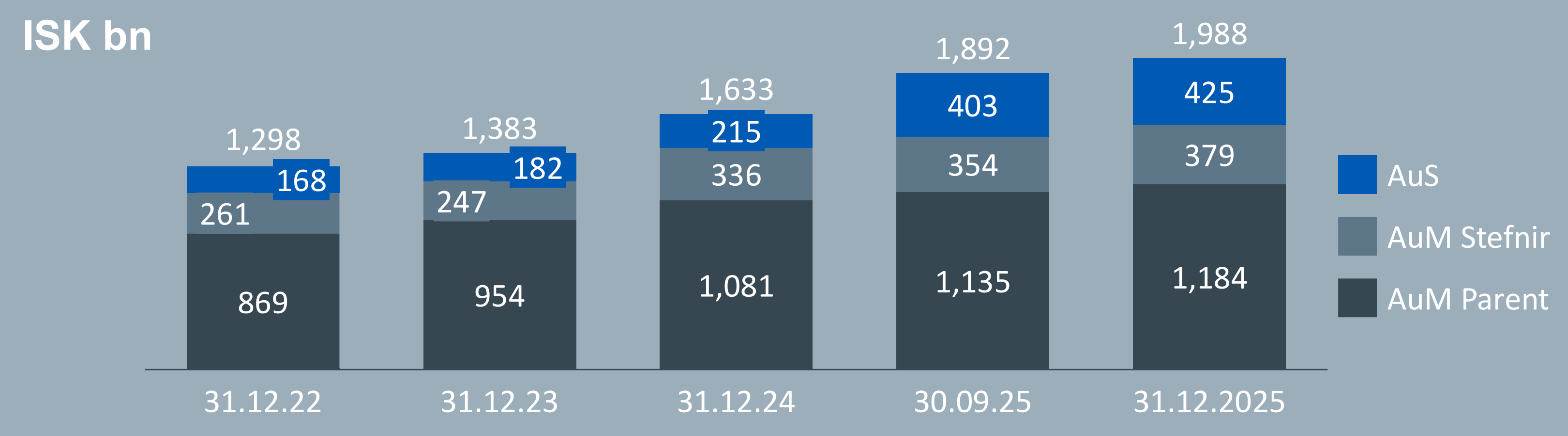
Record performance across Corporate & Investment Banking

- Best year in terms of fee generation of **ISK 6.8bn**
- **16.6%** loan growth YoY
- Strong acceleration in digital solutions

Key corporate finance transactions in 2025

Markets delivered 22% growth YoY and leading brand performance

- Combined AuM and AuS approached the **ISK 2,000bn milestone**
- Our affluent Premía service **ranks highest in brand strength** among Icelandic banks' reward programs*



*EMC Market Research, 2025

Sale of Arnarland development asset successfully concluded

Continued growth and strong performance at Vördur insurance

- Net earnings of ISK 2.0bn and 13.7% ROE despite challenging year for investment income
- Combined ratio below 90% for the second year in a row
- Bancassurance ratios:
  - Individuals 41.9% vs. 36.7% YE 2024
  - Corporates 29.6% vs. 28.5% YE 2024

Merger discussions between Arion Bank and Kvika Bank continue

Focus has been on pre-discussions with the ICA which are going according to schedule

Discussions with the ICA regarding pre-notification are still in progress

These discussions are expected to be completed in the first quarter of 2026 or early second quarter

The outcome of these discussions will determine the next steps

Phase 1 — Completed

- ✓ Letter of intent signed on 6 July 2025
- ✓ Agreement on heads of terms, including exchange ratios

Phase 2 — Ongoing

- Due diligence progress
- Pre-notification discussions with the ICA

Phase 3 — Not started

- Merger agreement signed
- Merger notification sent to regulatory bodies

Pending phase 2

Phase 4 — Not started

- Conditions fulfilled (approval by regulatory bodies)
- Kvika's shareholders receive new Arion shares
- Shareholder meetings of merging companies

Pending phase 3

Arion Bank's Arctic strategy and growing regional presence

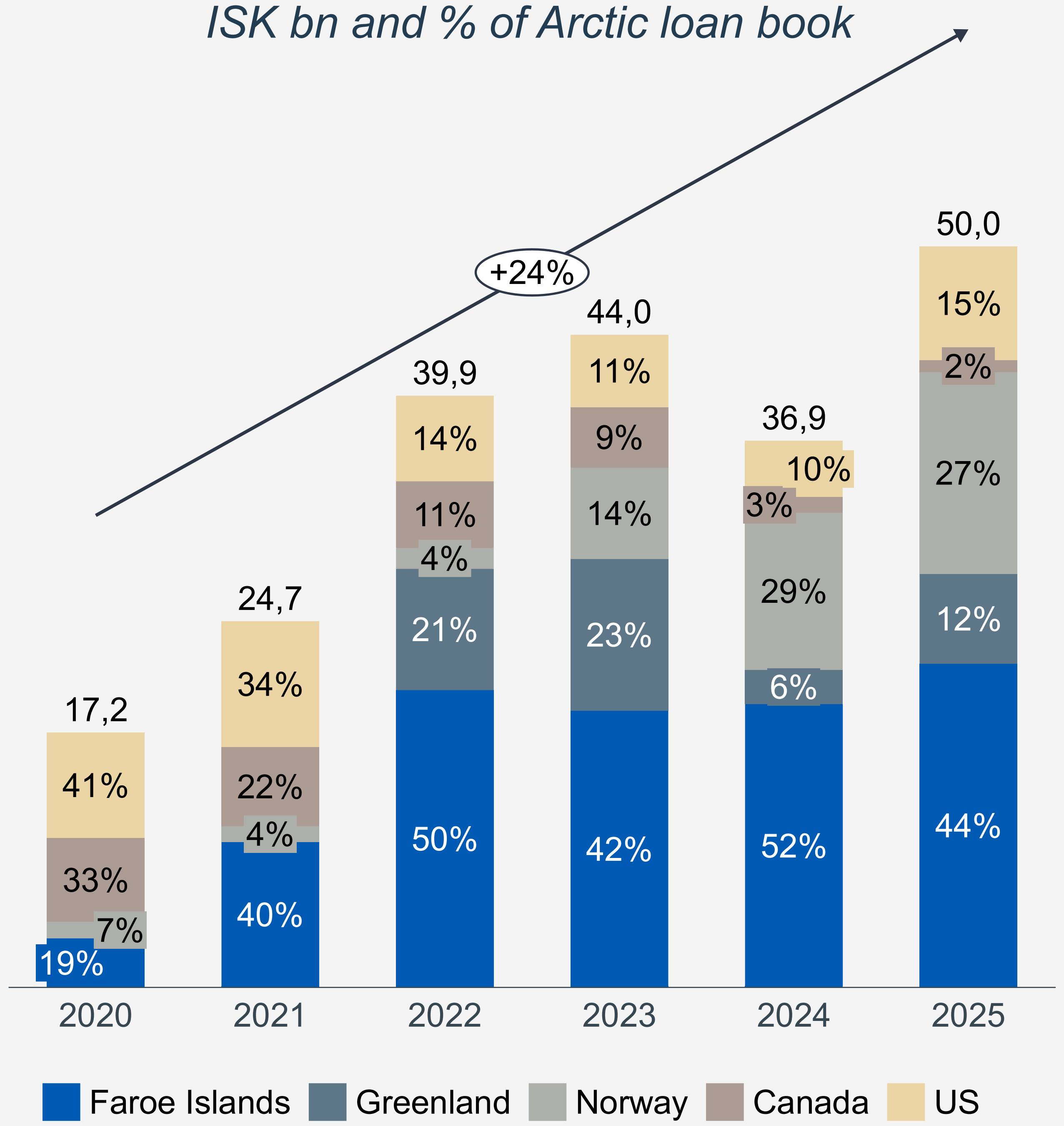
The Arctic region has gained increased attention amid heightened geopolitical interest due to its strategic location and resources

Our focus in the Arctic

- Our Arctic region presence has been growing via **Corporate Finance advisory and syndicated lending**, with the Arctic loan book (outside Iceland) **growing 24% annually since 2020** and is now the largest part of the foreign credit portfolio.
- Largest exposure is in the **Faroe Islands**, with strong growth in recent years.
- Pipeline remains **robust,** including promising projects in Greenland, as Arion continues to support emerging opportunities across Arctic communities.

Arctic loan book

ISK bn and % of Arctic loan book



Key sectors[1]

Fisheries 48%

Transportation 16%

Commerce and services 14%

Financial and insurance 9%

[1]Percentage of Arctic loan book, end of year 2025

Arctic Investments Conference 2025

- fourth consecutive year

The first phase of Blikastaðir due to be approved in Q2 2026

- Arion Bank and Mosfellsbær municipality signed a new development agreement for the land of Blikastadir in January
  - The main changes are earlier payments to fund infrastructure, including schools and preschools
  - Increase in payments from ISK 12bn to ISK 16bn, now fully in cash rather than a mix of assets and cash
- Phase one was submitted to the planning committee in January, with open consultation underway and approval expected in Q2 2026
- The first phase includes 1,250 homes with a nature-based design that enhances public spaces, sustainability, and quality of life
- The site offers a unique opportunity for investors and contractors to deliver large-scale projects and boost housing supply in the capital area

Expected timeline 2026	Jan	Feb	Mar	Apr	May
Plan advertised	◆				
Open consultation period	■	■			
National Planning Agency review			■	■	
Municipality final approval				◆	

Women Invest

Initiative launched in January 2024

- Seminars and online resources providing accessible guidance on how to start investing
- Aimed at increasing women’s participation in financial markets

First two years

8,000 women have participated in 95 seminars

- Women's subscription to funds increased by 67%
- Women's transactions in funds increased by 45.5%
- Women's assets on brokerage accounts increased by 27%

Broad reach

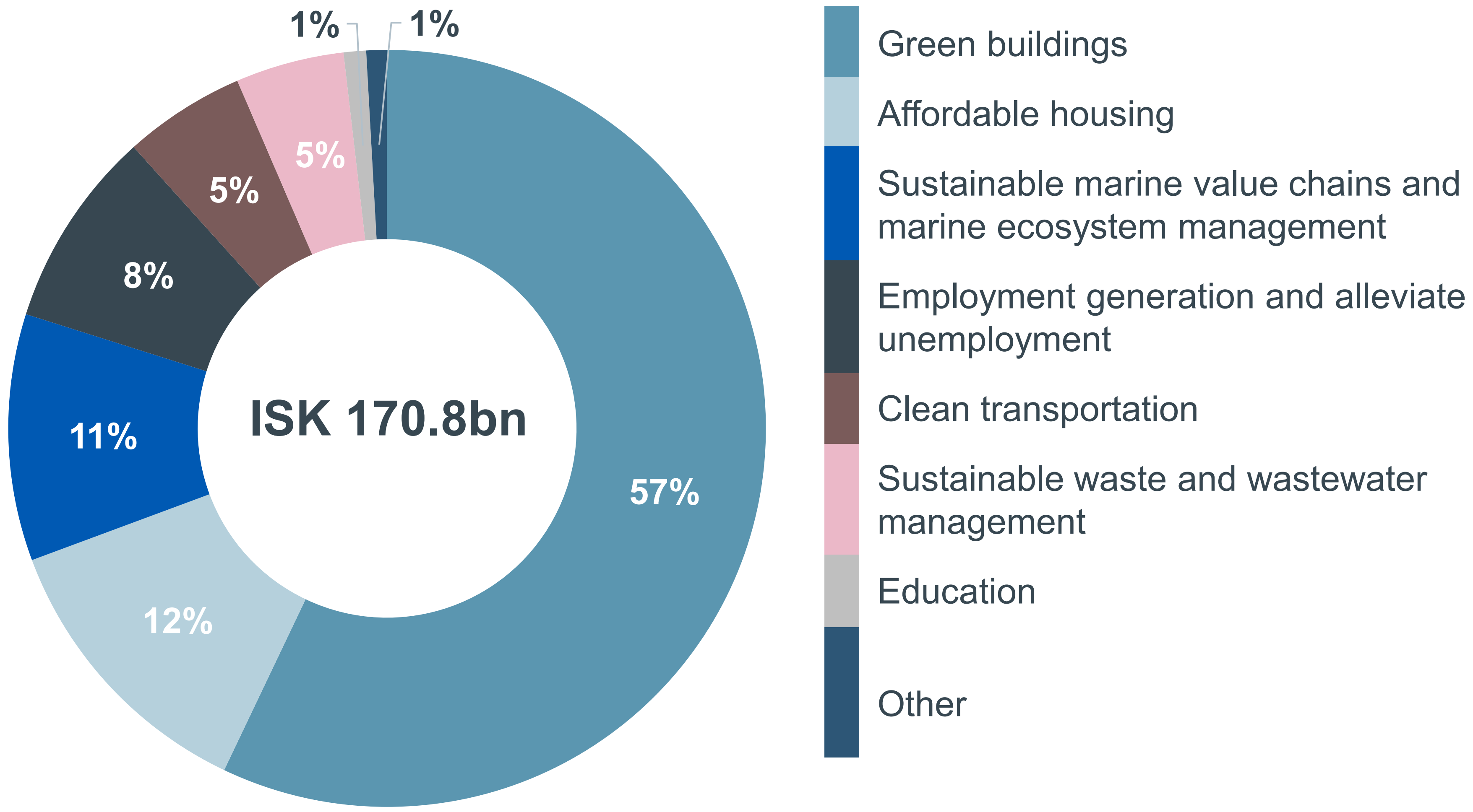
Key sponsor and collaborator with the Center for Research on Gender Equality in the Economy and Business Sector

Investment competition: **1,435** women participated. The highest turnout to date

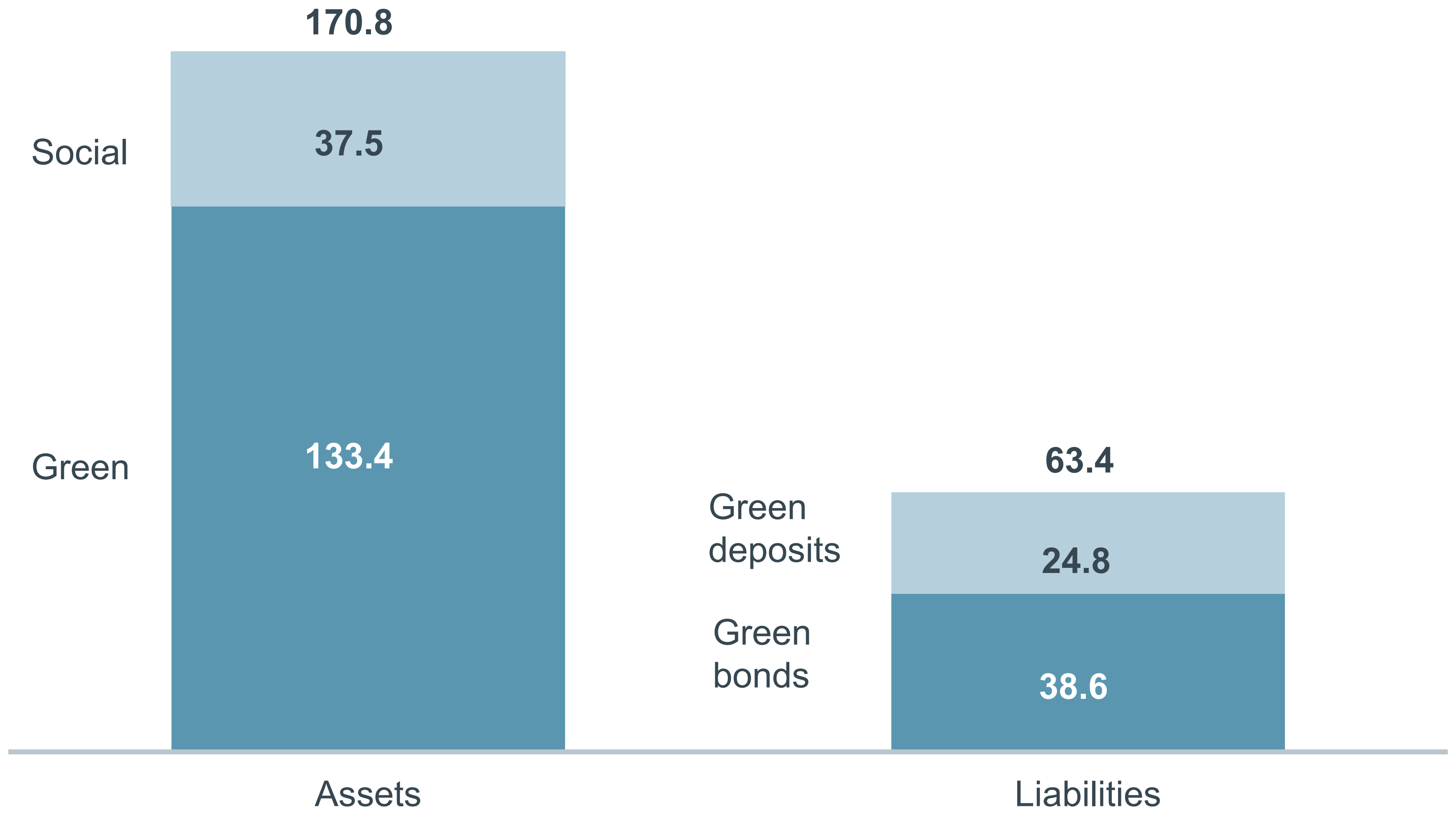
Broad participation and support across Arion, Stefnir and Vordur

Sustainability highlights 2025

Committed sustainable finance by category



Sustainable assets and liabilities as of 31.12.2025 *ISK bn.*



Environmental

- Reduction of GHG emissions from own activities (scopes 1&2) by **64.7%** in 2025 calculated from 2015
- Emission intensity for lending and investments (excluding sovereign bonds) decreased from 0.148 tCO_2e/ISKm to 0.146 tCO_2e/ISKm, a **1% reduction**
- Sustainable lending accounted for **12.86%** of the loan book

Social

- The results of the equal pay certification indicated that the unexplained gender pay gap is **0.2%** during the year 2025
- The 2025 average score on the Arion Index was **4.49** for the Bank and **4.44** for Vörður (on a scale of 1–5)*
- L&D index is currently **99.2%**

Governance

- The Bank's credit policy emphasizes sustainability, requiring ESG factors to be assessed whenever a credit rating is needed or when a company falls under Article 66d of the Annual Accounts Act
- **93%** of new suppliers at Arion Bank underwent supplier assessment which appraises suppliers on their performance in terms of environmental and climate issues as well as equality and labor laws

*The results for Stefnir are not published as the number of answers does not meet the minimum threshold for publication of data in order to ensure data protection.

Strong ESG ratings

Arion Bank ranks in the

TOP 3%

of regional banks globally rated by Morningstar Sustainalytics

2025 SUSTAINALYTICS INDUSTRY ESG TOP RATED MORNINGSTAR

2025 SUSTAINALYTICS REGIONAL ESG TOP RATED MORNINGSTAR

Rated MORNINGSTAR | SUSTAINALYTICS

MSCI ESG RATINGS AA

CCC | B | BB | BBB | A | AA | AAA

Laggard | Average | Leader

MSCI concludes that Arion Bank is now in **category AA** with a score **of 8.4** (on a scale of 1–10).

A score of 8.4 is in the upper range of AA and only 0.18 points away from reaching AAA.

The Bank is classified as a **"Leader"**.

Reitun

Outstanding rating from Reitun, six years in a row

90/100 | A3

Arion Bank has achieved the score **"outstanding"** in Reitun's ESG rating, placing it in category A3. The rating is based on the Bank's performance in **environmental, social and governance (ESG) issues** in its operations. The Bank once again scored **90 out of a possible 100 points** and thus met the stricter requirements made in this year's assessment. 90 points is the highest score given by Reitun, and the Bank is one of six issuers placed in category A3.

Poor | **Medium** | **Good** | **Excellent**

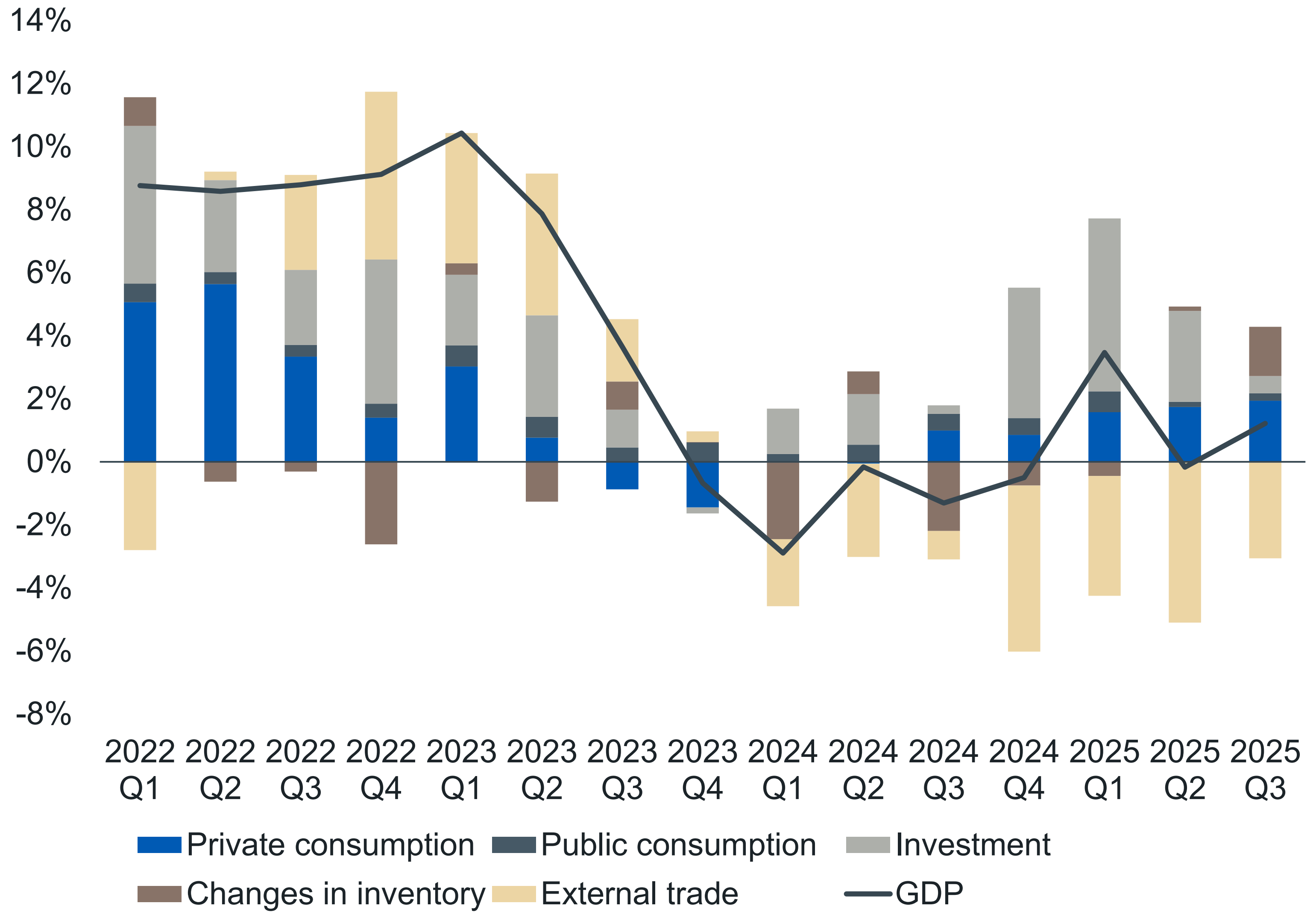
Economic conditions remain challenging

GDP increased by 1.2% year-on-year in Q3, according to preliminary data. As in previous quarters, private consumption was the main driver behind economic growth, expanding by 4.2% between years. Subdued GDP growth stems from a sharp deterioration in net trade. Imports - mainly services and data center equipment - rose 8.6% year-on-year in Q3, while goods exports declined slightly

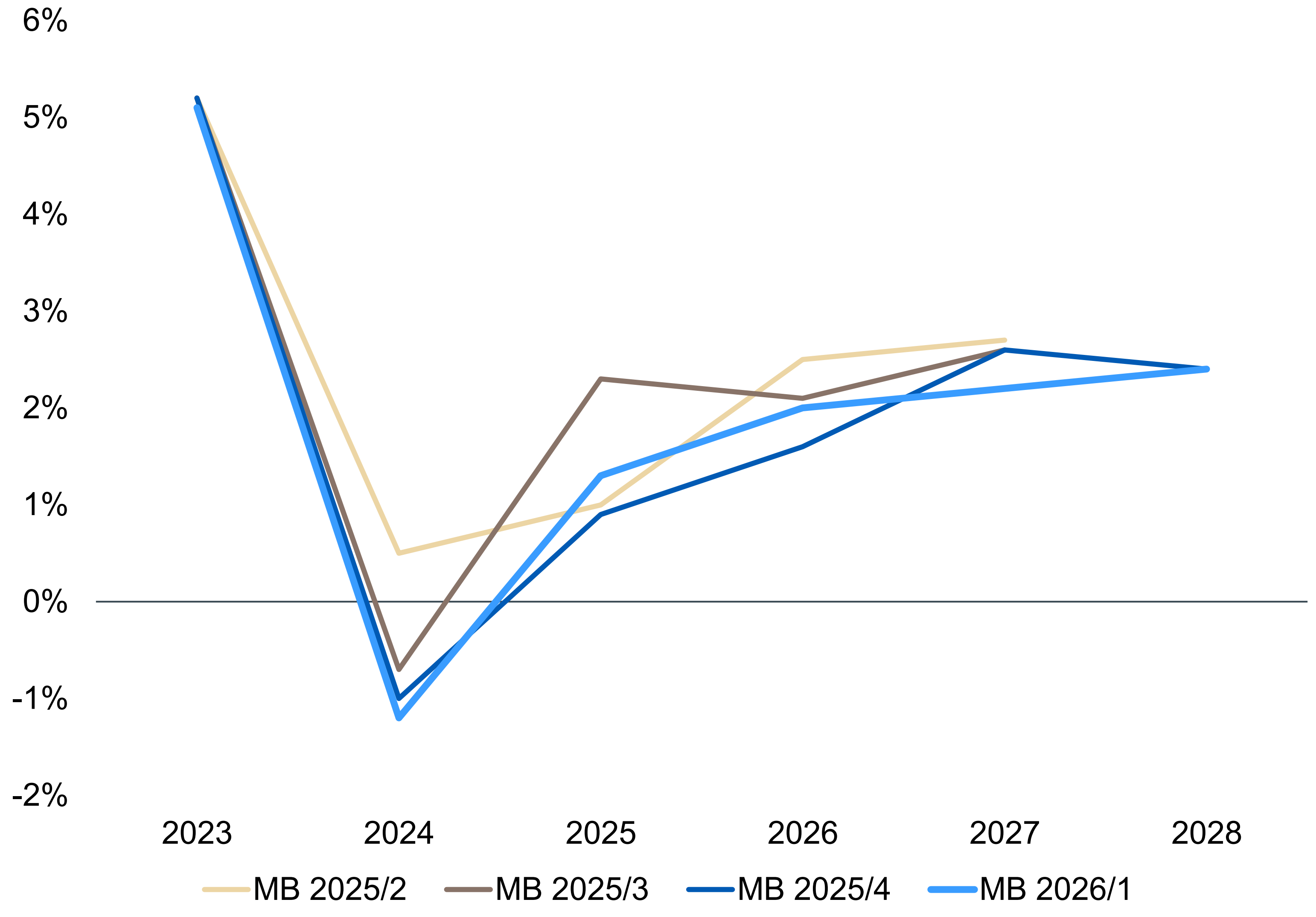
A continued rise in payment card turnover in Q4 highlights the robustness of private consumption and is expected to offset bleaker exports outlook in 2026. Despite rising unemployment, household resilience remains strong overall; purchasing power is increasing, debt levels are moderate, and debt-servicing burdens remain manageable, as evidenced by low arrears

Pre-summer concerns about tourism didn’t materialize, but uncertainty for the coming months remains high. Meanwhile, fisheries face headwinds as next year’s catch quotas will be reduced, and aluminium production has been significantly scaled back due to electrical equipment failure at one of the aluminium smelters. Nevertheless, positive news has emerged in recent weeks, including an increased capelin quota and strong booking status for the latter half of the year, not least in connection with the solar eclipse

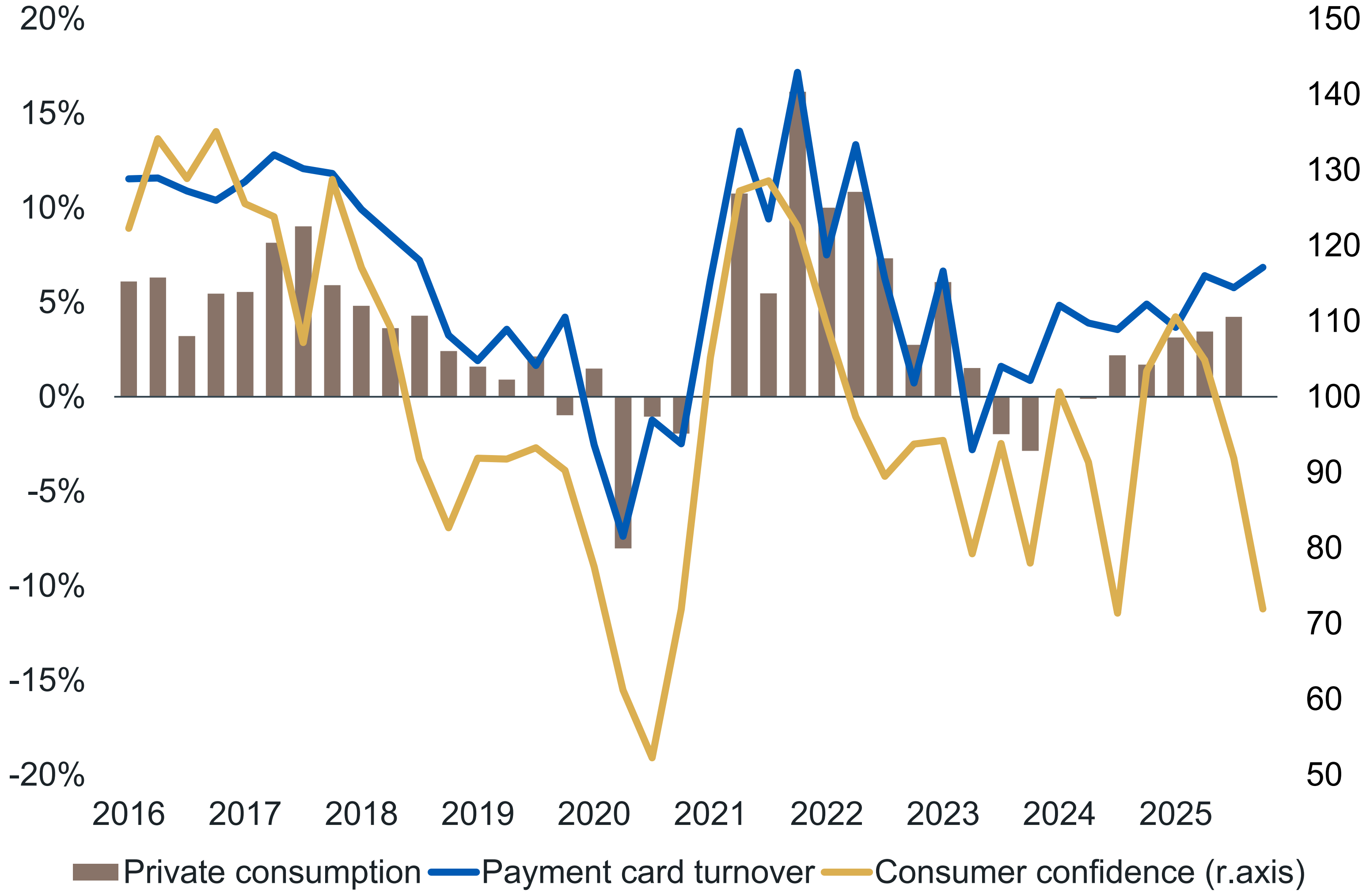
Growth contributions of GDP components



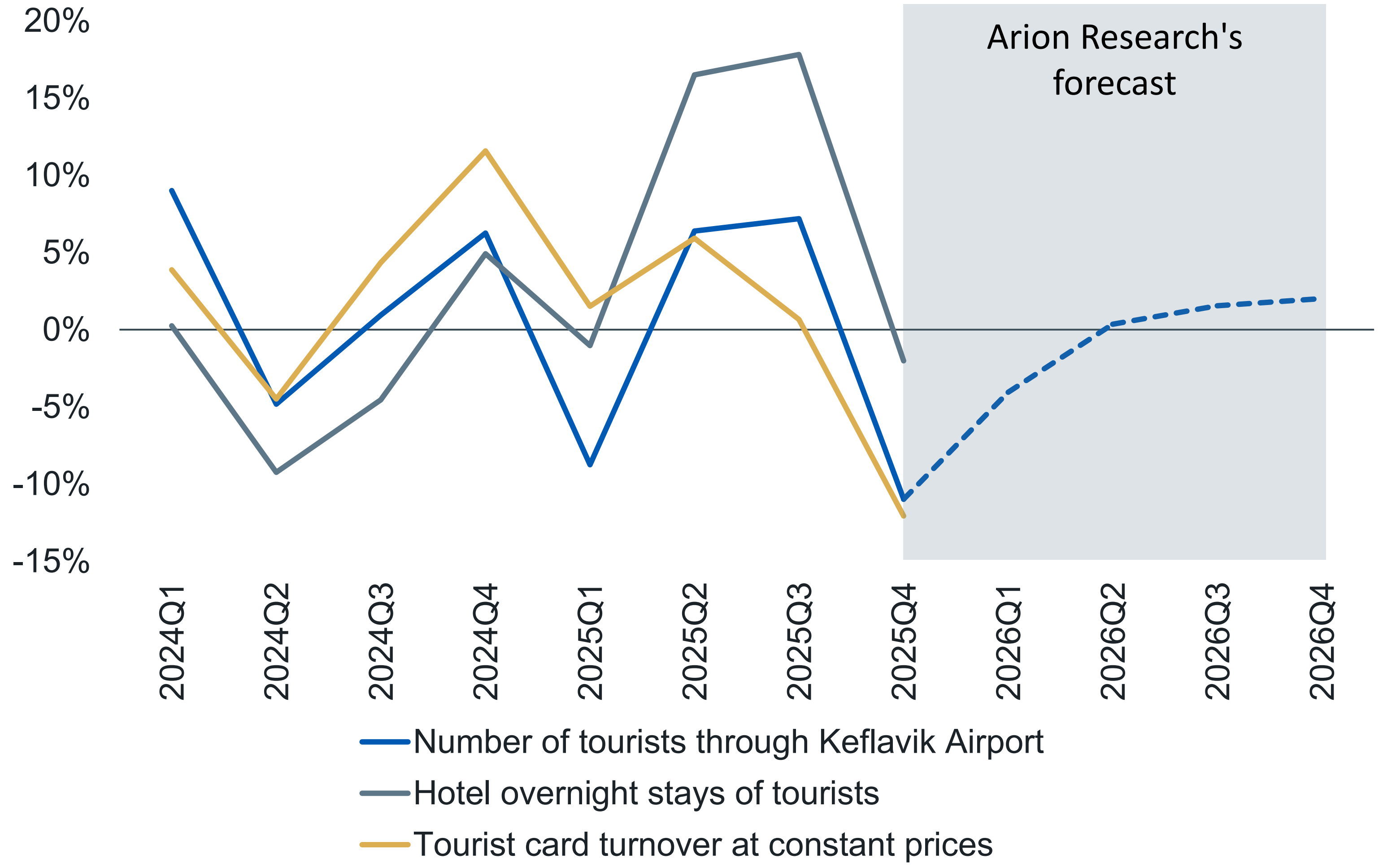
CBI's GDP growth forecasts



Payment card turnover and private consumption
- quarterly data, YoY-% growth, constant prices/exchange rate



Card turnover, hotel overnight stays and number of tourists
- YoY %-change



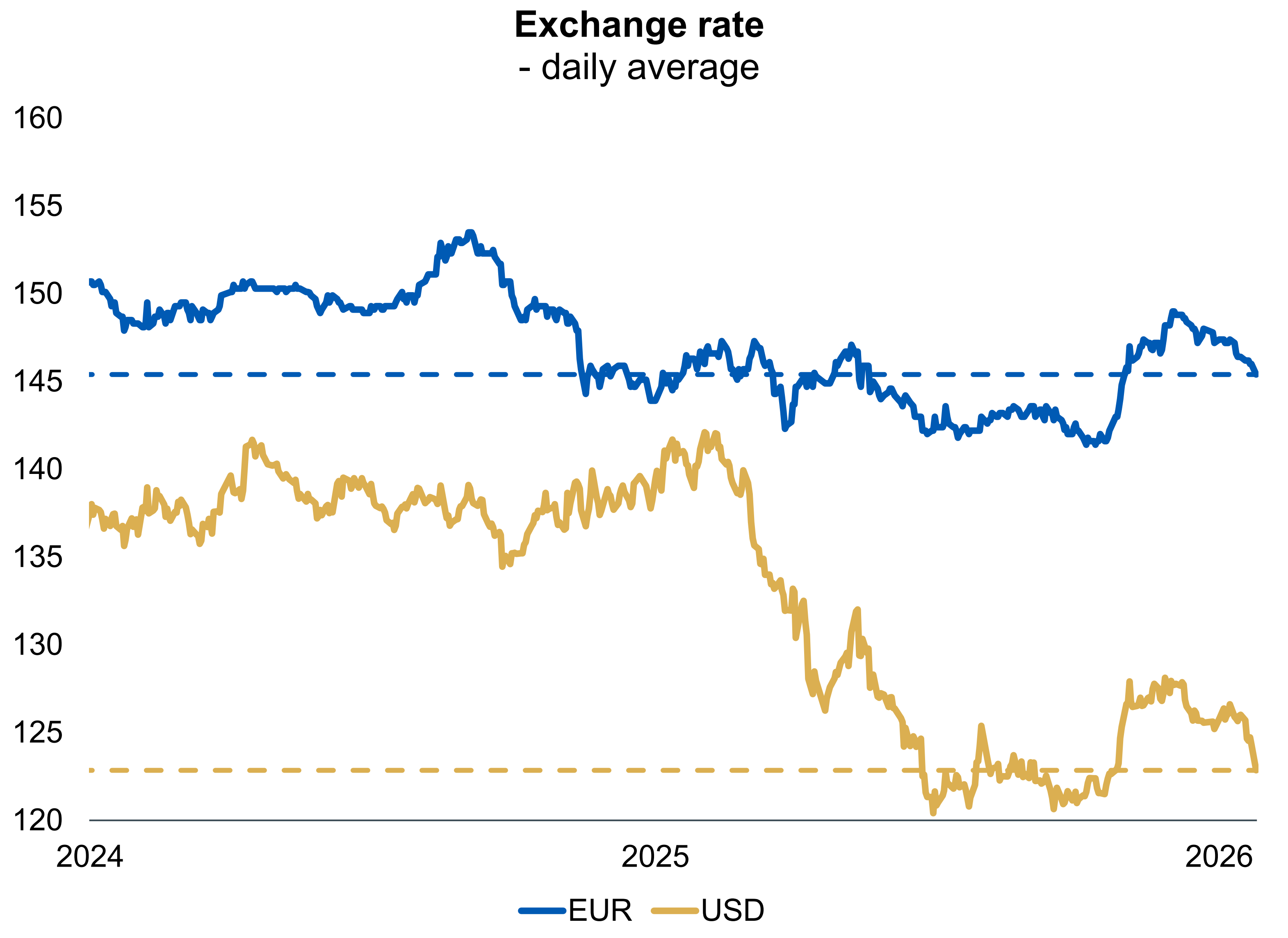
Sources: Statistics Iceland, Central Bank of Iceland, Icelandic Tourist Board, Arion Research.

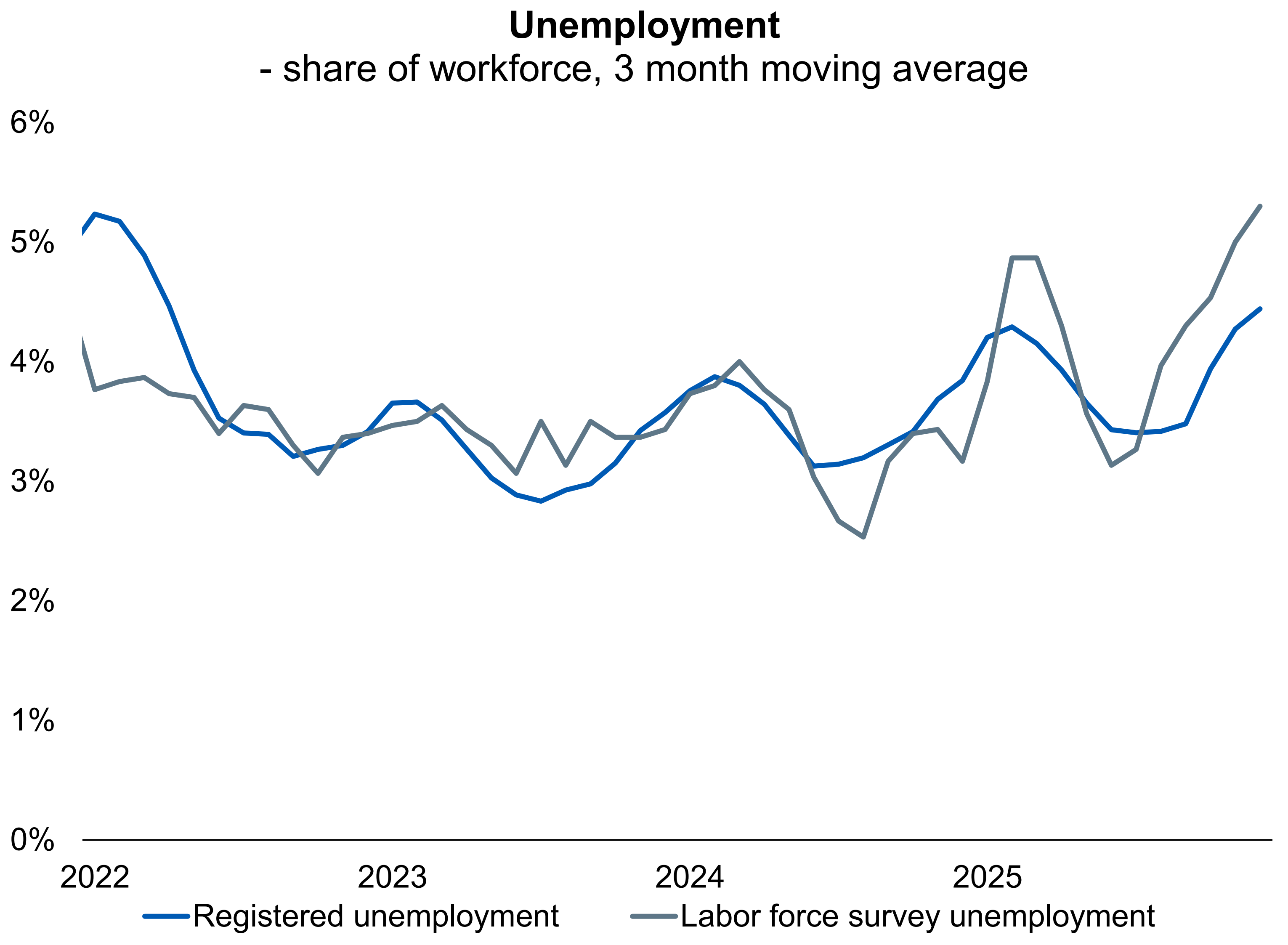
Cooling economy, persistent inflation

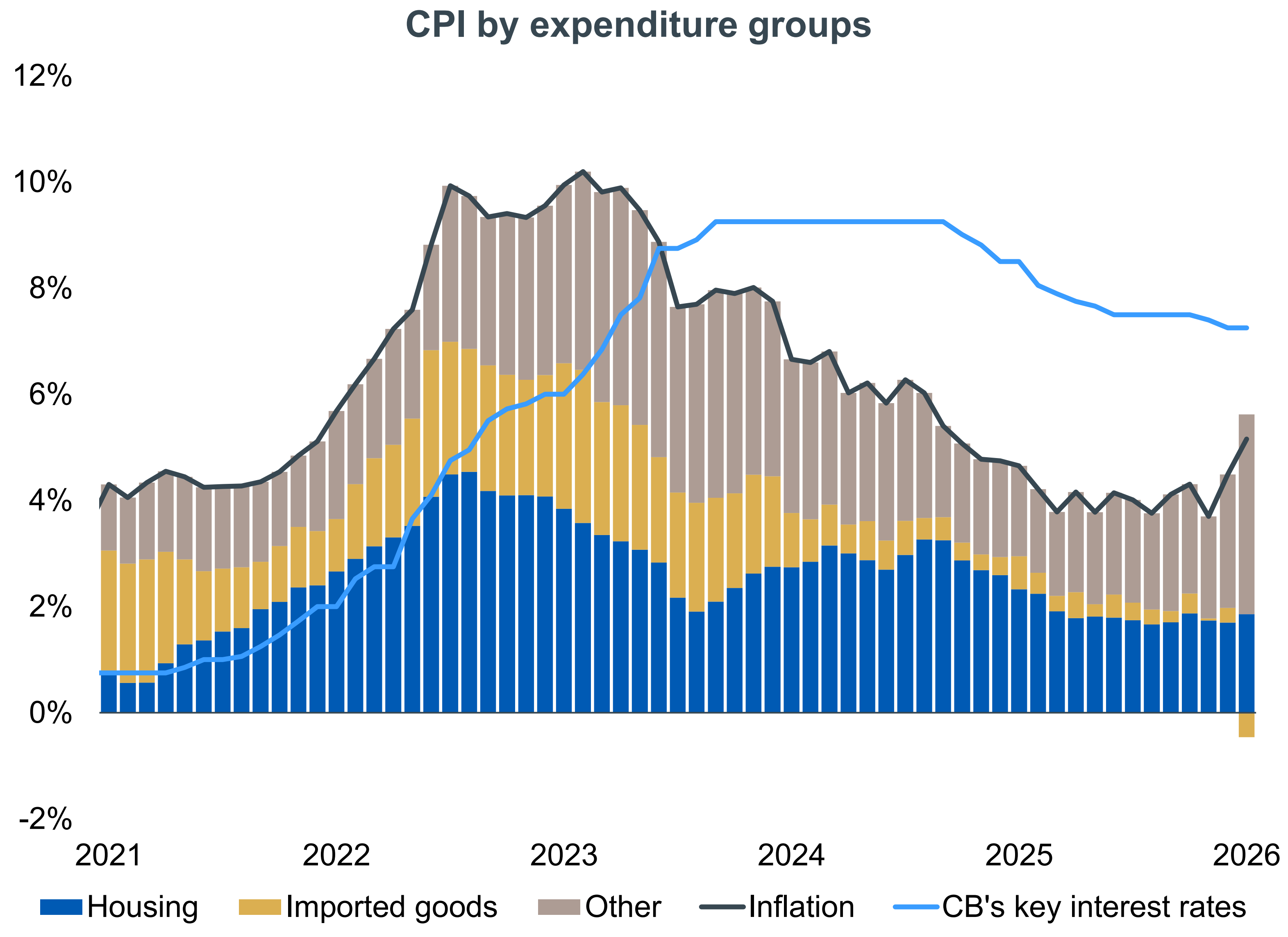
The labor market is showing signs of moderation. Private-sector employment has fallen year-on-year, pushing unemployment gradually higher. Unemployment is projected to continue rising in the coming months, as labor demand has weakened sharply and business sentiment, particularly among export-oriented firms, has deteriorated. Although the depreciation of the ISK in the final months of 2025 provided export sectors with temporary relief, the ISK remains strong by most measures

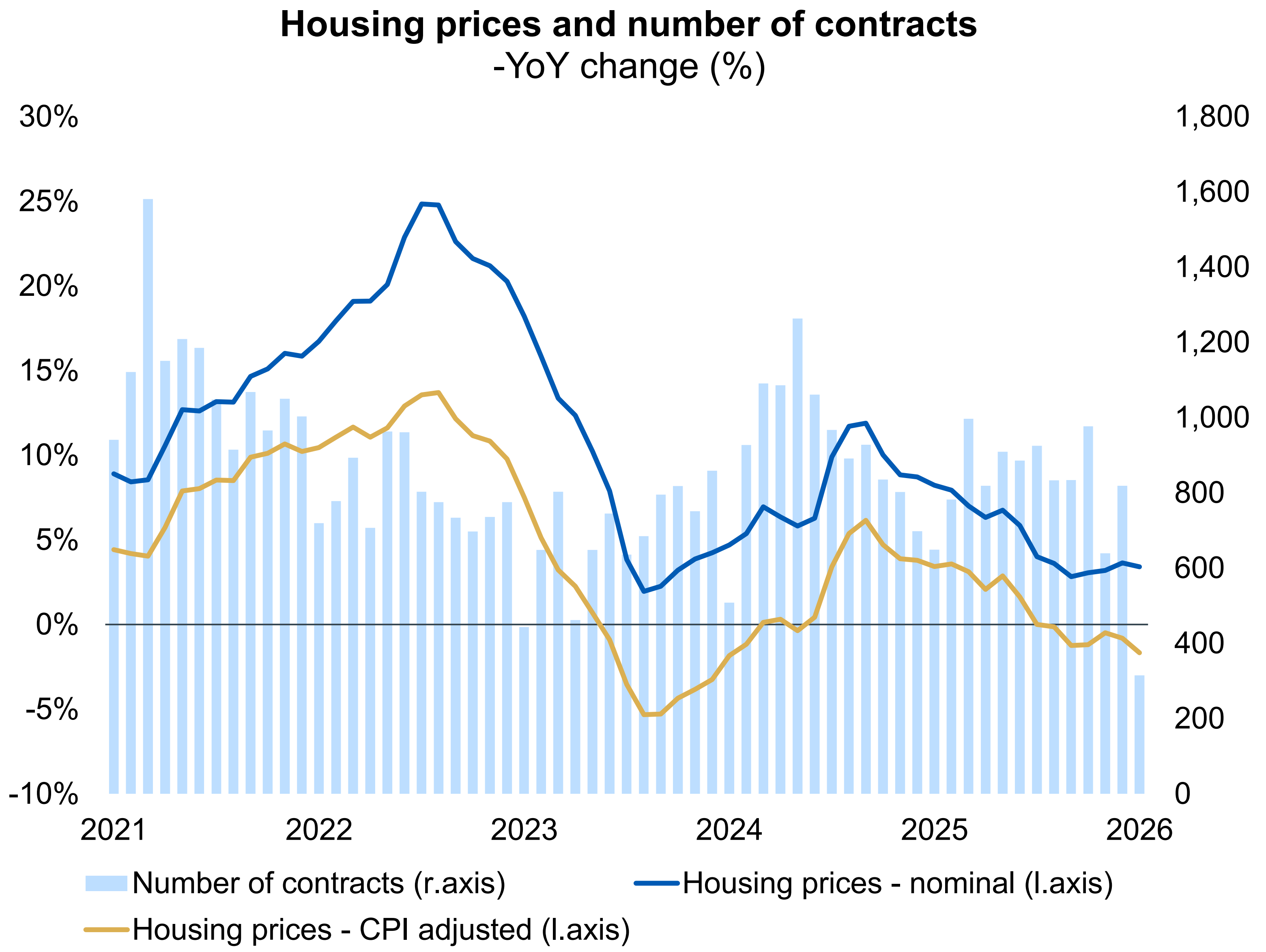
The strength of the ISK has supported the Central Bank of Iceland's inflation target, helping to suppress imported inflation. Yet, headline inflation has proven persistent, climbing to 5.2% in January. Consequently, monetary policy is expected to remain firm

While progress in curbing inflation and anchoring expectations has been slower than anticipated, the policy stance is beginning to show tangible effects – most notably in the housing market, where demand has softened and price growth has moderated. The tightening of access to inflation-indexed mortgages may accelerate the cooling of the housing market - potentially easing demand pressures, dampening inflation. While the tighter financial conditions, due to turbulence in the mortgage market, prompted the MPC to cut rates in November, rising inflation halted further rate cuts in February





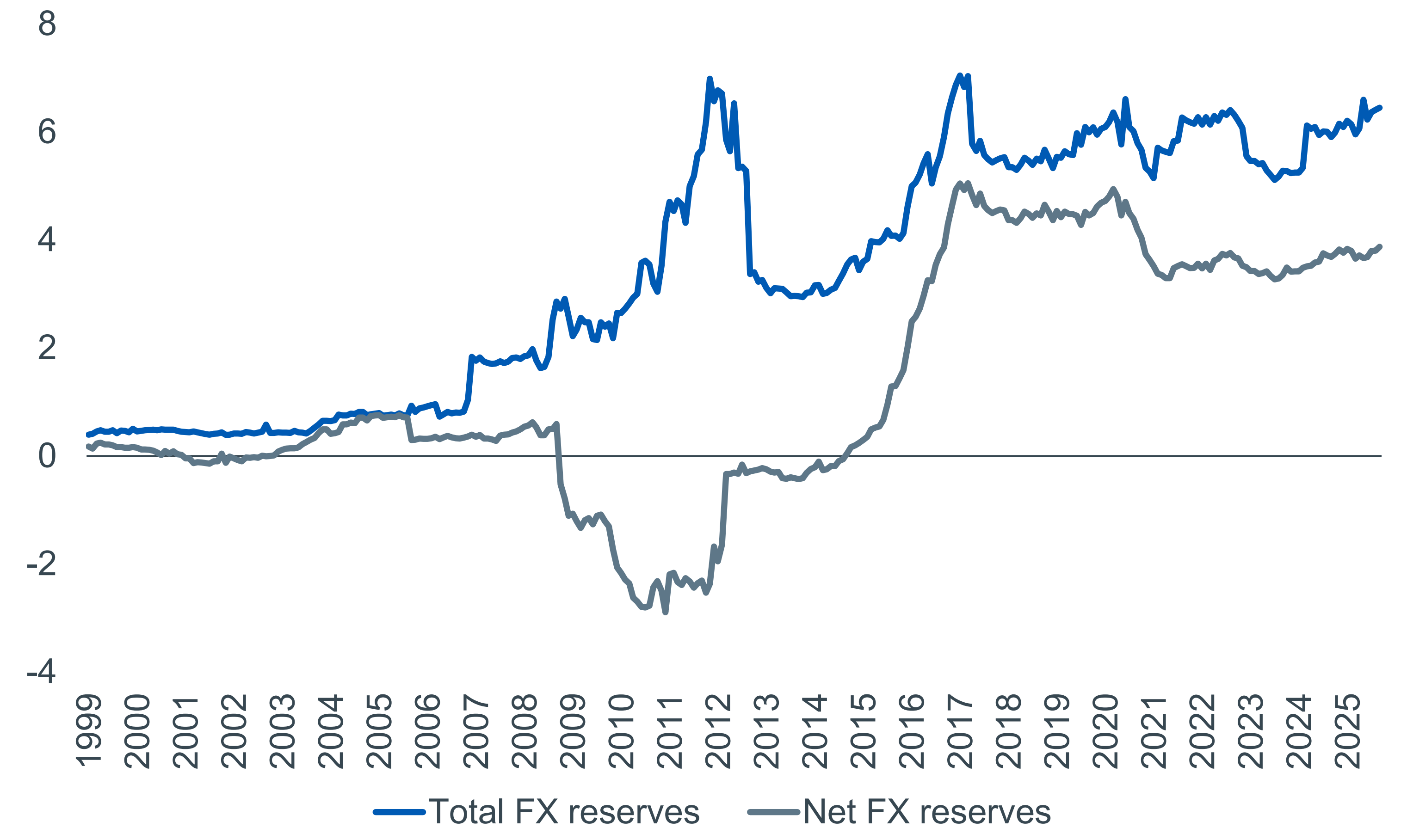




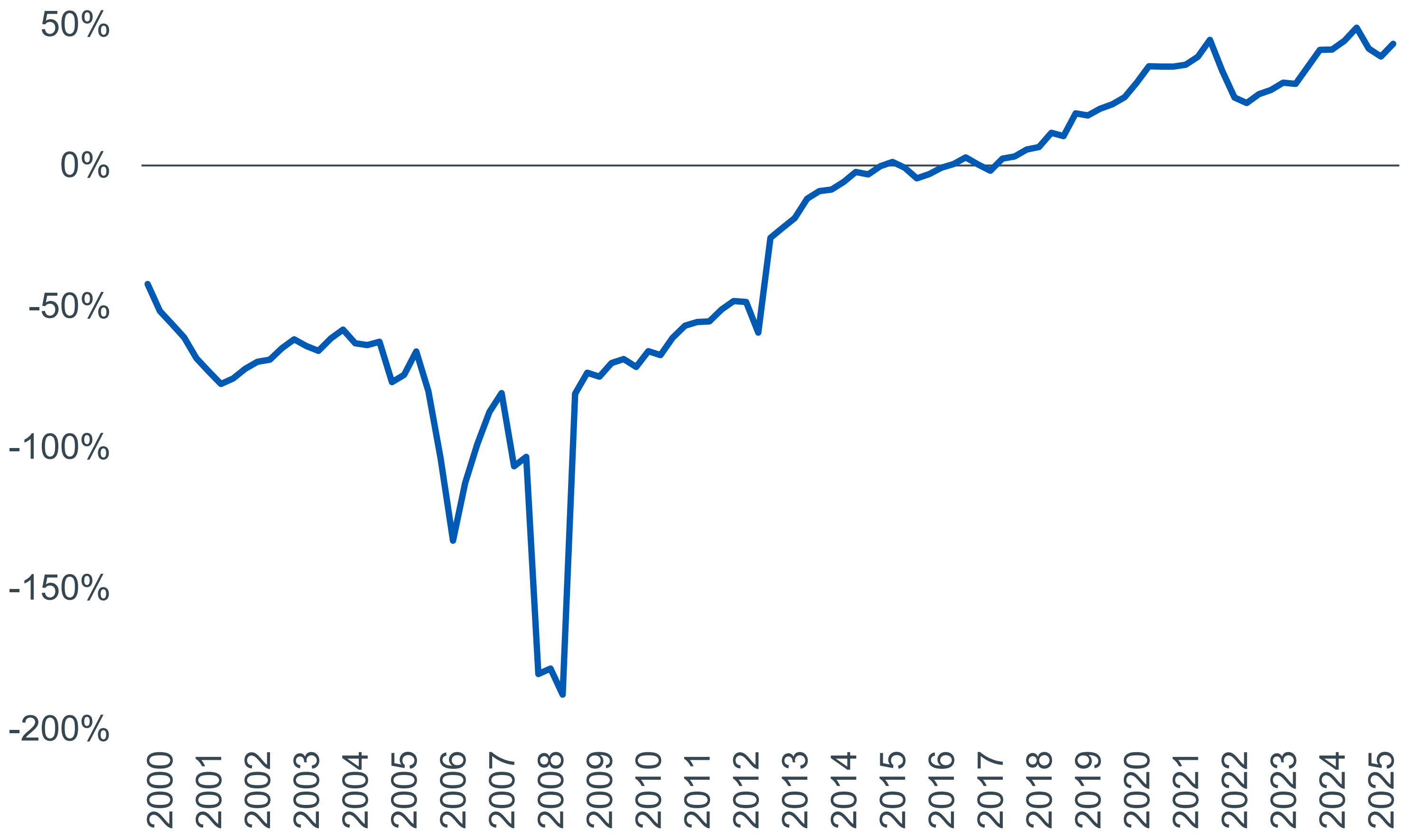
Sources: Statistics Iceland, Central Bank of Iceland, Icelandic Tourist Board, Arion Research.

Small economy, strong foundations

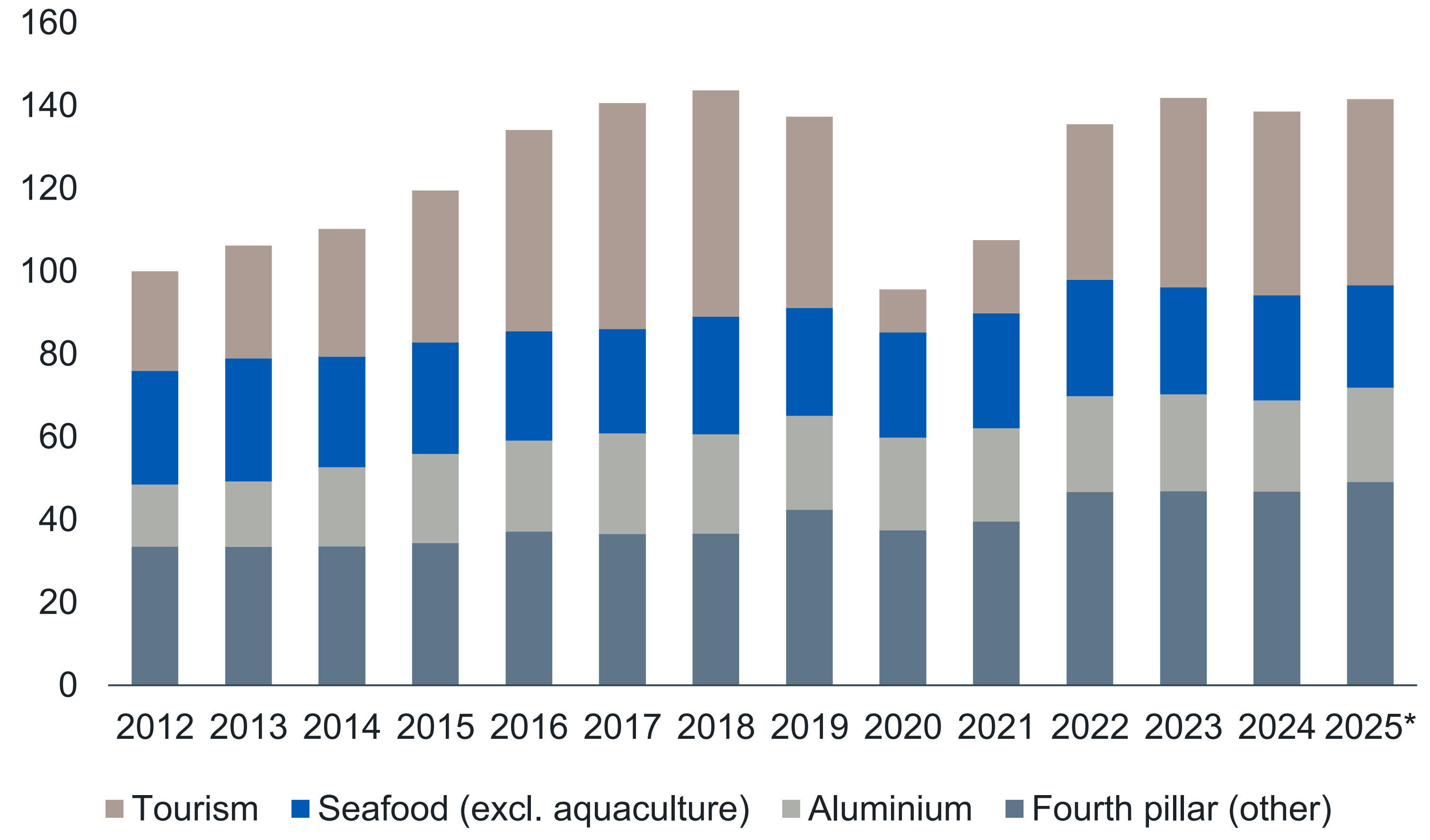
CBI's FX reserves
- bn. EUR



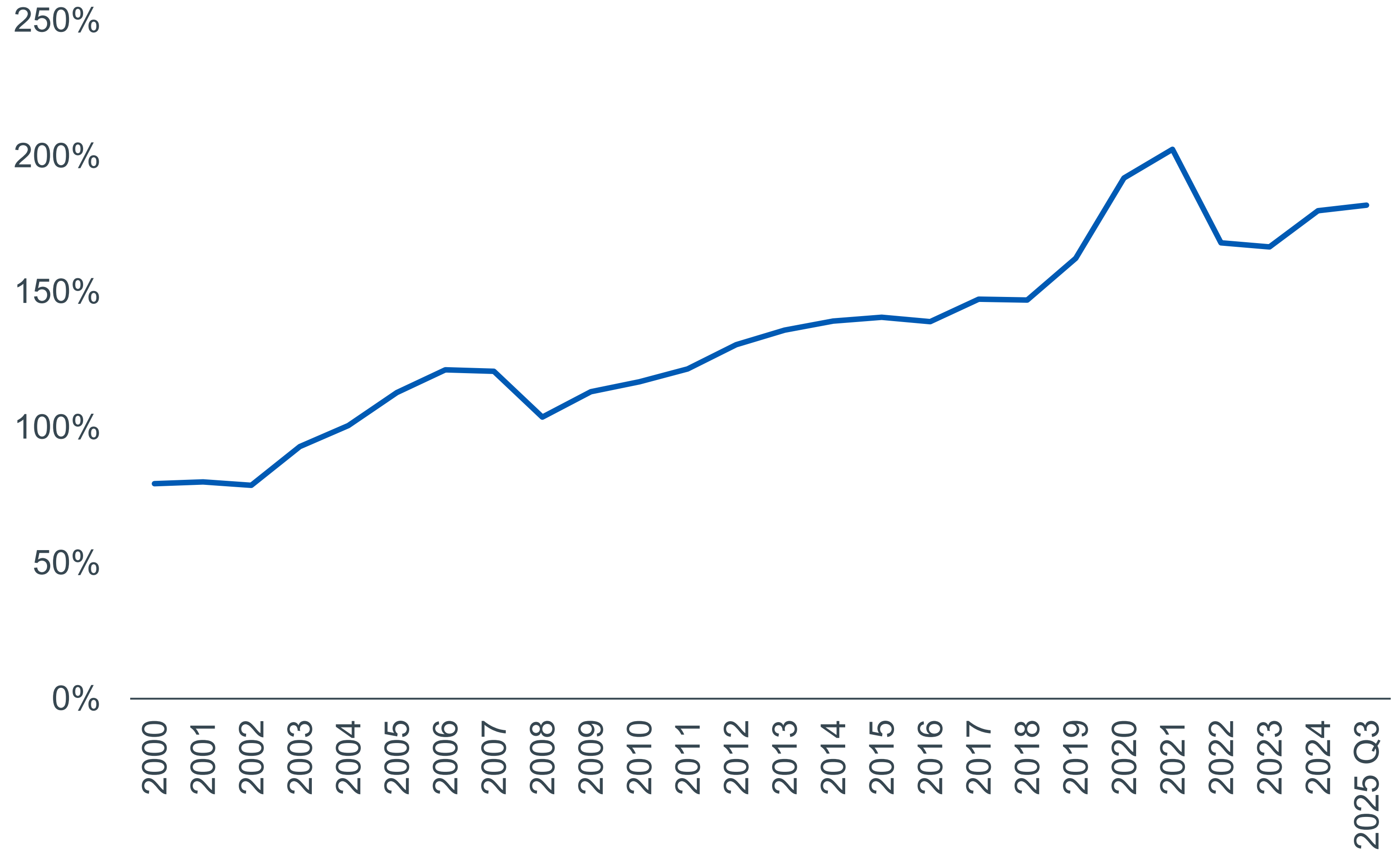
Net international investment position
- % of GDP



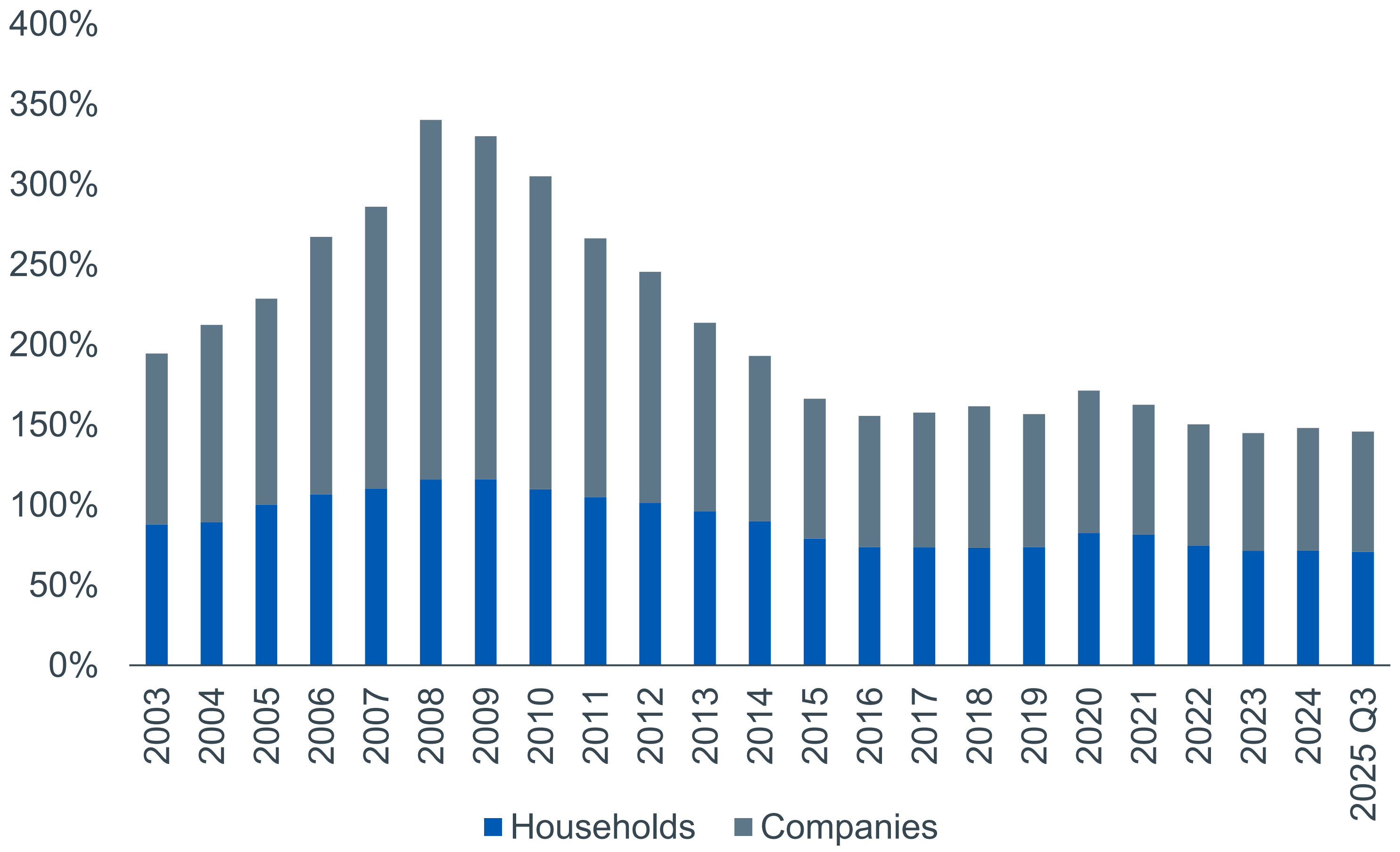
Total exports composition
- index, total in 2012=100



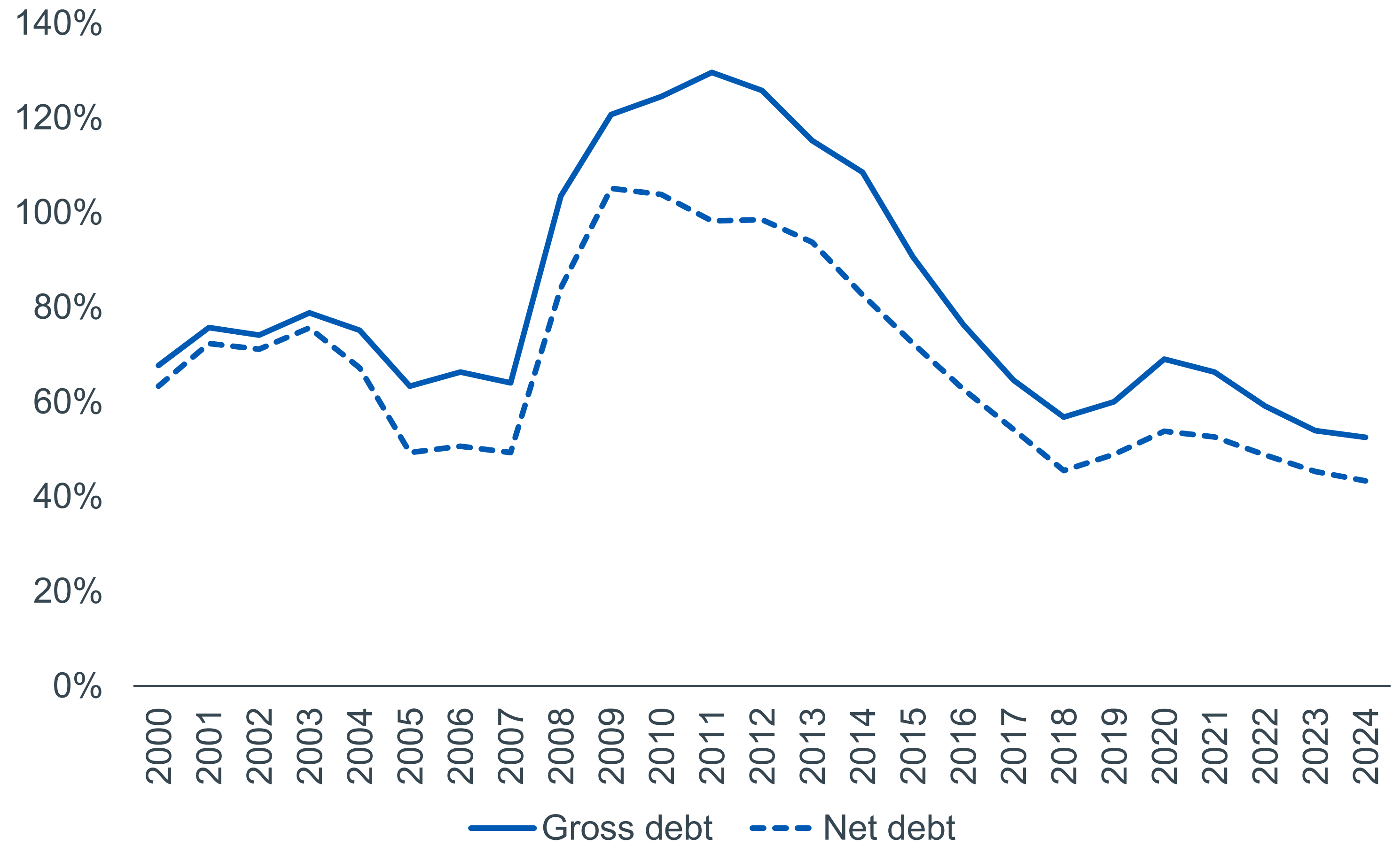
Pension funds assets
- % of GDP



Household and non-financial corporate debt
- % of GDP



Debt of central government
- % of GDP



 Sources: Statistics Iceland, Central Bank of Iceland, Arion Research. *Arion Research's forecast.

Key takeaways from Q4 2025 and for the full year

Operational performance

- Solid quarter with an ROE of 11.6% concluding a strong year for the Group, with an ROE of 14.9%
- Fourth quarter results include provisioning for annual employee incentive scheme
- Diversified pillars of the Group continue to support robust earnings momentum through the cycle

Core income

- NIM in the quarter impacted by high real policy rate, while margin over the year and fluctuations are in line with guidance
- Solid quarter in insurance income concludes a strong year, driven by favourable trend in claims
- Continued stability in fee generating businesses despite evolving economic backdrop

Loan book

- Continued robust growth in corporate lending opportunities, while mortgage book relatively stable
- Loan growth supported by continued growth in stable deposits
- Impairments in the quarter above longer-term guidance, primarily due to a single name exposure

Capital, funding and liquidity

- Capital position strong with a CET1 ratio of 18.4% or 308bps above regulatory minimum
- Share buyback program of ISK 5bn ongoing and proposed ISK 15.3bn dividend payment
- Liquidity position very strong with ISK 151bn surplus in high quality liquid assets (HQLA), supported by successful funding activities and growth in stable deposits

Income statement Q4 2025

- Net earnings attributable to shareholders of ISK 6.2bn, resulting in a return on equity (ROE) of 11.6% in the quarter
- Core income* increased by 7.3% year-on-year driven by strong growth in net interest income, while net fee income remained stable
- Other income for the quarter mainly reflects the sale of the Arnarland development asset
- Operating expenses increased by 1.8% year-on-year, equivalent to ISK 155m
  - Results for the quarter were affected by specific items, primarily cost related to the merger process with Kvika of ISK 250m
  - A revised approach for the share-based incentive scheme resulted in a lower expense of ISK 400m offset by increased number of employees with corresponding salary increase
- Net impairment charges were higher than in prior quarters, corresponding to 51bps on annualized basis, largely due to single name exposure

	Q4 2025	Q4 2024	Diff	Q3 2025	Diff
Net interest income	12,350	11,246	10%	13,826	(11%)
Net fee and commission income	4,055	4,136	(2%)	4,003	1%
Insurance service results	446	326	37%	630	(29%)
Net financial income	1,364	2,193	(38%)	483	182%
Other operating income	826	3	-	45	-
Operating income	**19,041**	**17,904**	**6%**	**18,987**	**0%**
Operating expenses	(8,756)	(8,599)	2%	(6,194)	41%
Bank levy	(547)	(488)	12%	(530)	3%
Net impairment	(1,694)	913	-	(1,128)	50%
Net earnings before taxes	**8,044**	**9,730**	**(17%)**	**11,135**	**(28%)**
Income tax expense	(1,820)	(1,430)	27%	(2,928)	(38%)
Net earnings from continuing operations	**6,224**	**8,300**	**(25%)**	**8,207**	**(24%)**
Discontinued operations net of tax	0	(11)	-	3	-
Net earnings	**6,224**	**8,289**	**(25%)**	**8,210**	**(24%)**
Non-controlling interest	2	1	-	19	-
Net earnings attributable to shareholders	**6,226**	**8,290**	**(25%)**	**8,229**	**(24%)**
Return on equity attributable to shareholders	11.6%	16.4%		16.0%	
Earnings per share	4.50	6.01	(25.2%)	5.95	(24.3%)
Core income*	17,952	16,728	7.3%	19,266	(6.8%)
Net interest margin	2.9%	2.9%		3.3%	
Total cost-to-core income ratio	54.9%	57.5%		36.3%	
Cost-to-income ratio	46.0%	48.0%		32.6%	

*Core income: Net interest income, net fee and commission income and insurance service results (excluding opex)

14 All amounts in ISK million

Income statement 2025

- Net earnings attributable to shareholders of ISK 30.6bn, resulting in a return on equity (ROE) of 14.9%
- Core income* increased by 12.3% year-on-year
- Financial income lower compared to 2024 impacted by volatile markets
- Other operating income derived from development assets, partially linked to non-controlling interests
- Operating expenses have remained relatively stable, with fluctuations in underlying items (settlement fine and higher cost of incentive scheme in 2024 whereas 2025 is affected by revised approach regarding cost of incentive scheme and by the Kvika merger process)
- Higher net impairment compared to recent years, calculated as 24bps on loans to customers for the year, in line with the 20-25bps guidance through the cycle
- The effective tax rate is 27.7%, which is relatively high, primarily due to subdued performance of equity holdings

	2025	2024	Diff
Net interest income	52,542	46,302	13%
Net fee and commission income	17,147	15,360	12%
Insurance service results	2,111	2,166	(3%)
Net financial income	1,075	2,845	(62%)
Other operating income	5,516	(222)	-
Operating income	**78,391**	**66,451**	**18%**
Operating expenses	(28,248)	(28,328)	(0%)
Bank levy	(2,106)	(1,924)	9%
Net impairment	(3,053)	(1,131)	170%
Net earnings before taxes	**44,984**	**35,068**	**28%**
Income tax expense	(12,458)	(8,919)	40%
Net earnings from continuing operations	**32,526**	**26,149**	**24%**
Discontinued operations net of tax	(19)	(37)	(49%)
Net earnings	**32,507**	**26,112**	**24%**
Non-controlling interest	(1,881)	(2)	-
Net earnings attributable to shareholders	**30,626**	**26,110**	**17%**

Return on equity attributable to shareholders	14.9%	13.2%	
Earnings per share	22.05	18.31	20.5%
Core income*	75,459	67,219	12.3%
Net interest margin	3.2%	3.1%	
Total cost-to-core income ratio	42.3%	47.2%	
Cost-to-income ratio	36.0%	42.6%	

*Core income: Net interest income, net fee and commission income and insurance service results (excluding opex)

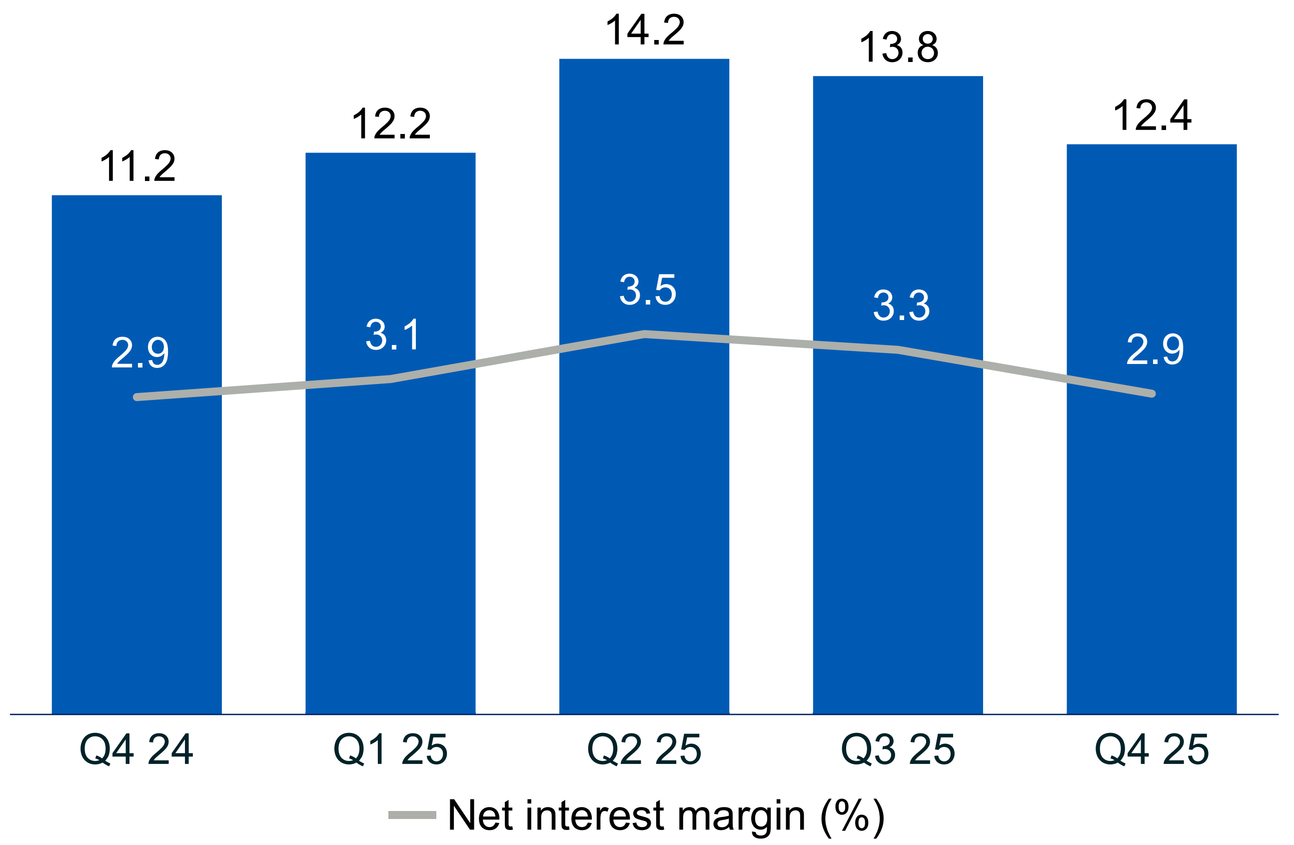
 All amounts in ISK million

Net interest income

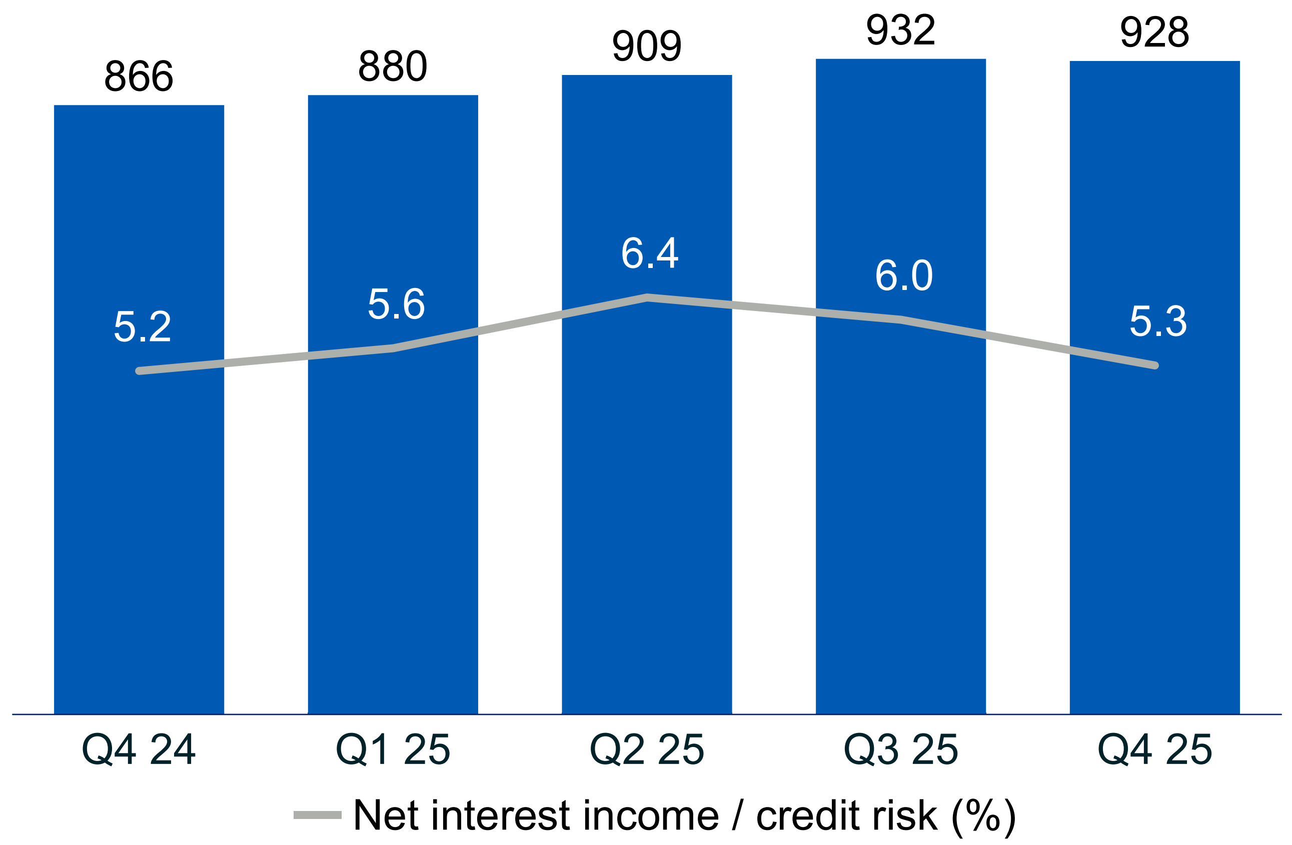
Fluctuations in net interest income mainly results from change in inflation between periods

- In Q4, net interest income reached ISK 12.4bn, reflecting a 9.8% annual increase
- NIM was 2.9% in Q4, the same as in Q4 2024
  - The CPI imbalance was ISK 209bn at year-end and rose by ISK 41bn since year-end 2024
  - Despite this, the effect from CPI changes is negative due to high real interest rate in the quarter with low inflation in Q4, calculated as 0.36% on annualized basis compared to 0.57% in Q4 2024
- With increased corporate lending, the net interest margin is likely to trend above 3%. However, the relative growth of mortgages versus corporate loans, along with CPI developments, will be key determinants in the near term
- Net interest margin for 2025 was 3.2% with significant fluctuations between quarters, mainly due to inflation

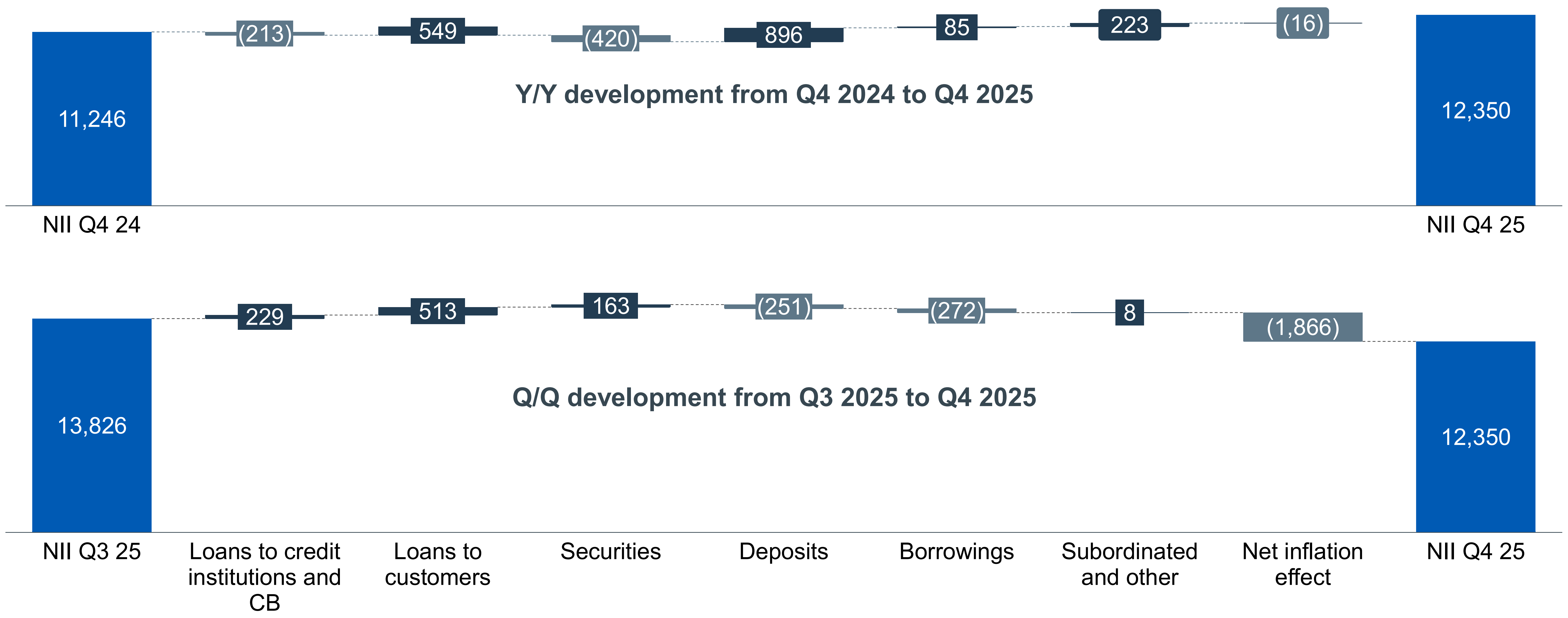
Net interest income (ISK bn)



Credit risk (ISK bn)



Net interest income development (ISK m)

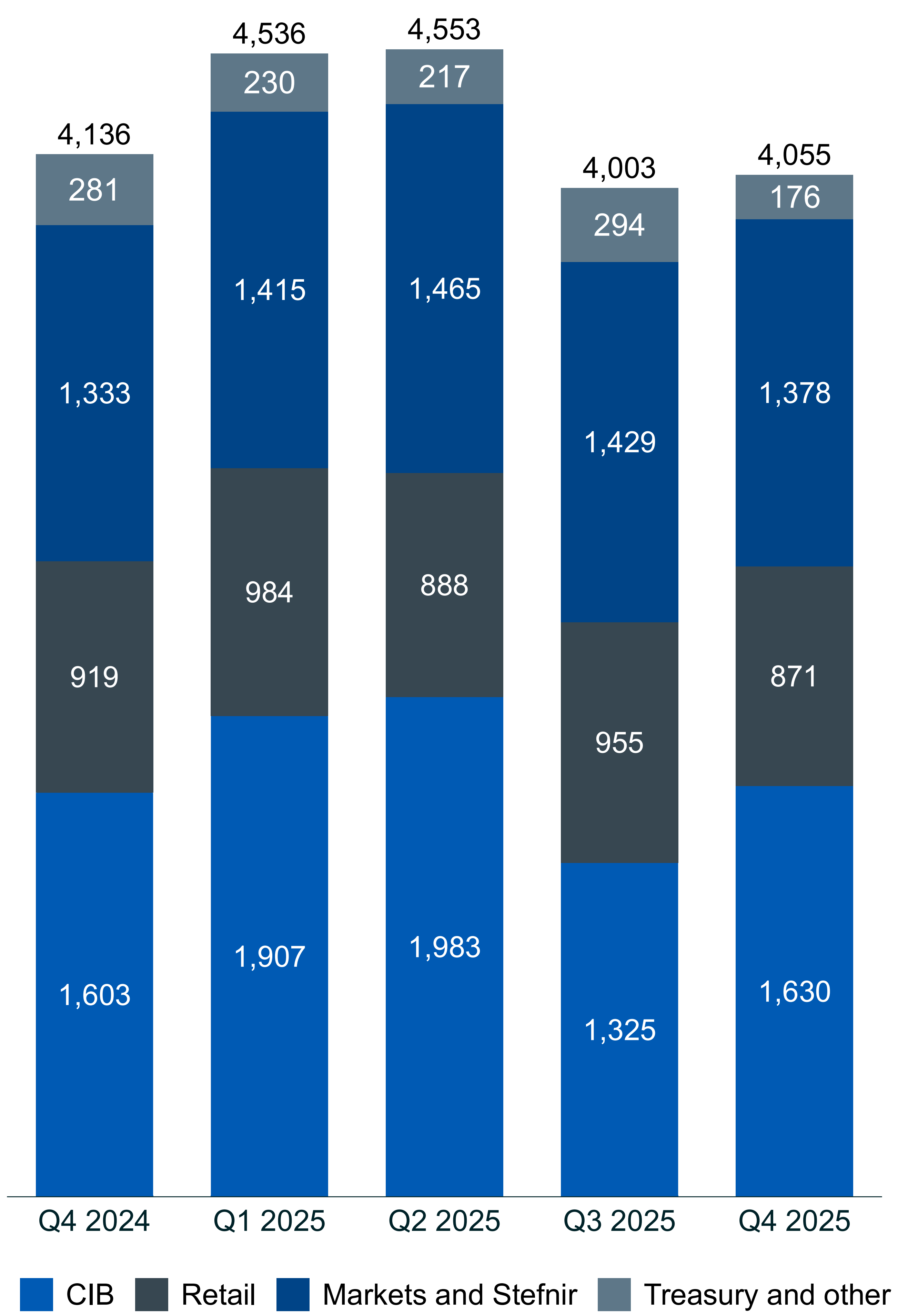


Net fee and commission income

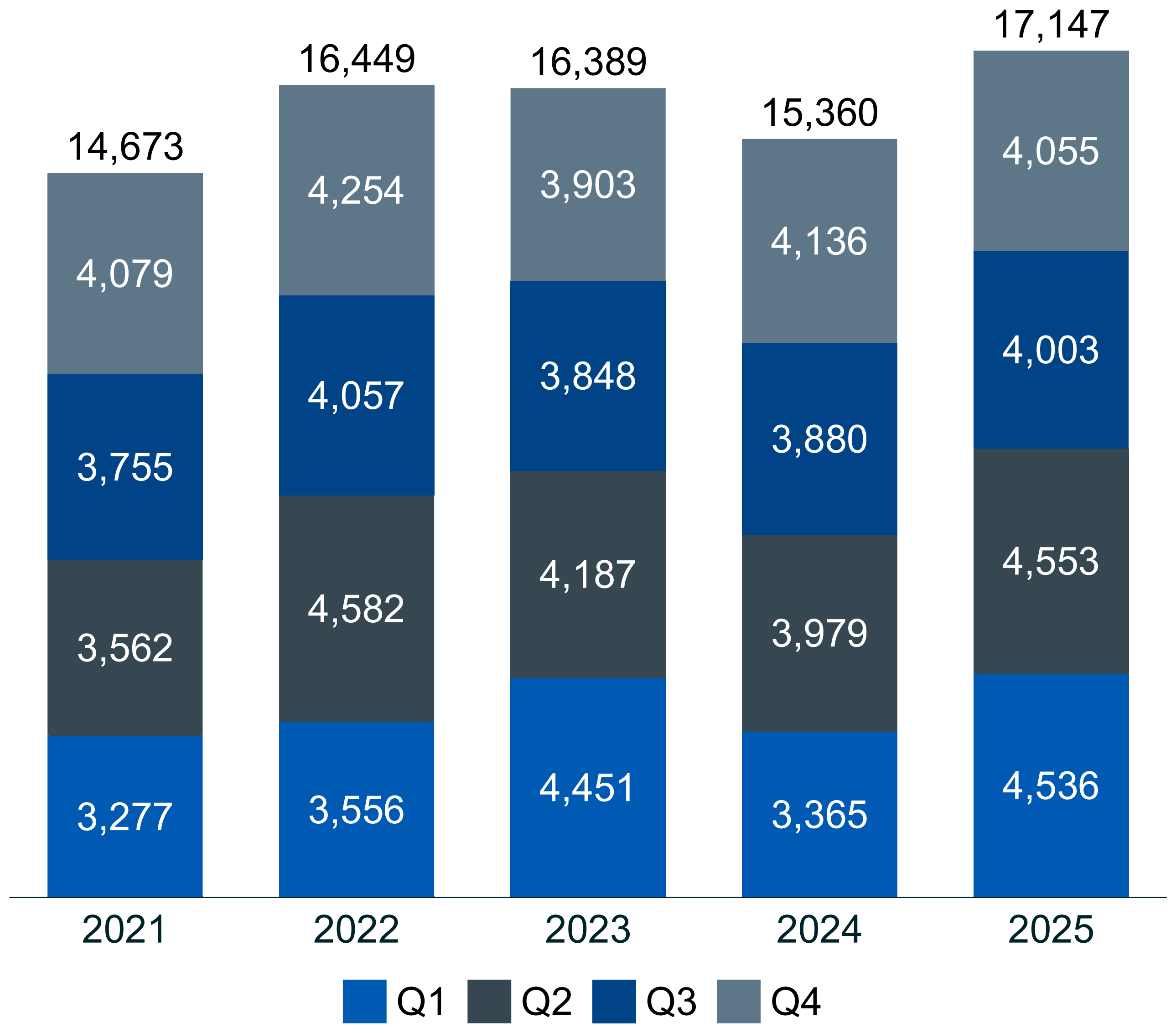
Fees remain diversified and robust

- Diversified fee income delivered above ISK 4bn for every quarter in 2025
- Asset management fees remained strong. Assets under Management and Supervision grew by 22% during the year, reaching ISK 1,989bn at year-end, partly driven by the acquisition of Arion Financial Advisory Services Ltd.
- The CIB operation remains strong, both in terms of fees generated from lending, service on loans, and as a result of the increased focus on fees in line with strategy
- Retail Banking activities have shown stable income in recent quarters, with main fee income from cards and collection and payment services. Activities have been under pressure due to automation and change in regulation regarding foreign payments. Additional repayments in the new rewards system, Arion Rewards, is also included

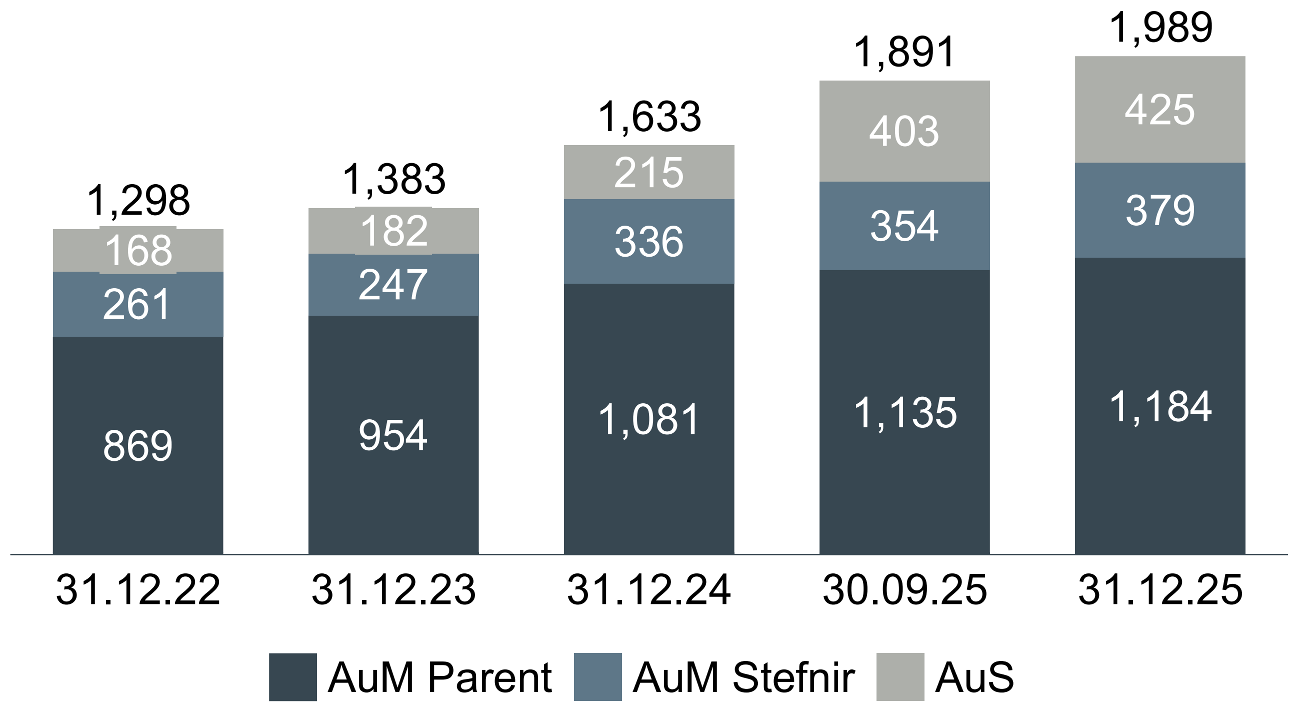
Net fee and commission income (ISK m)



Net fee and commission income (ISK m)



Assets under Management and Supervision (ISK bn)



Combined ratio below 90% for the second year in a row

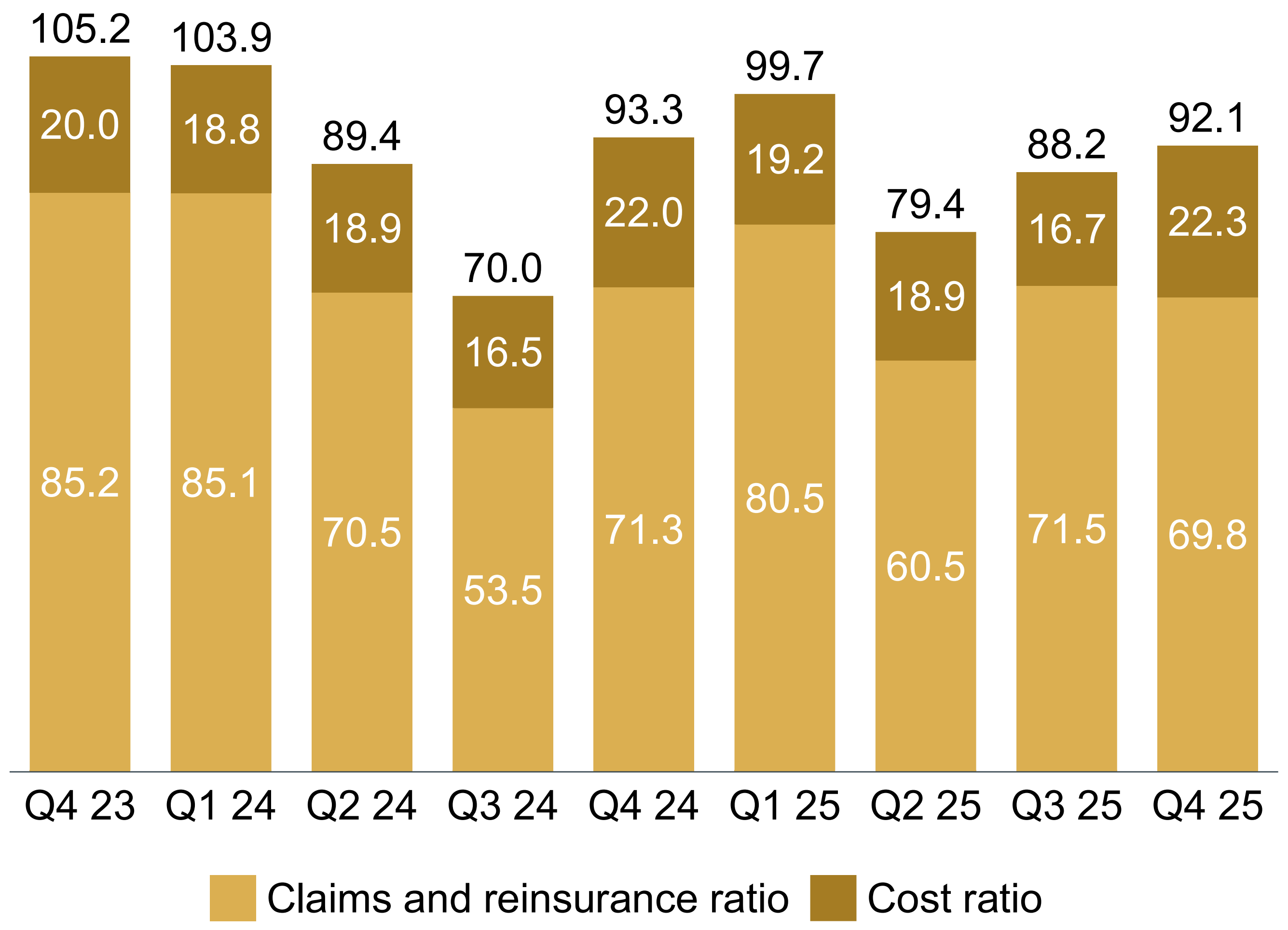
Q4 2025

- Profit from insurance operations in Q4 were ISK 395m compared with ISK 348m in Q4 2024
- Claims ratio was similar to the ratio in Q4 2024 whereas net reinsurance cost was lower in 2025

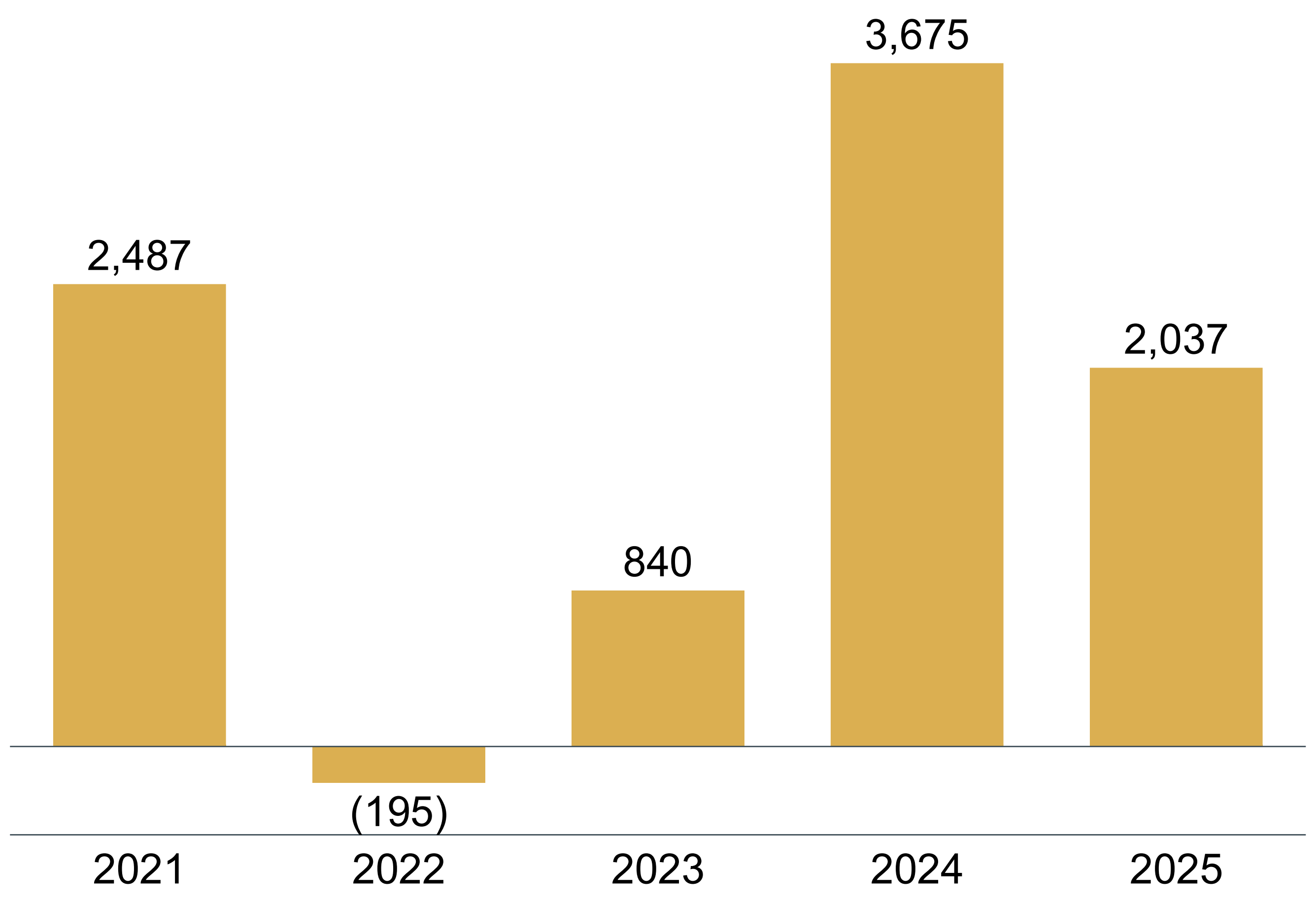
Full year 2025

- Vördur's stand-alone operations resulted in a net profit of ISK 2,037m in 2025 compared with ISK 3,675m in 2024
- ROE of 13.7% in 2025 compared with 30.8% in 2024
- Combined ratio of 89.8% in 2025 compared with 88.9 % in 2024
- Income from investments was under par with negative results from equities while the fixed income market recovered somewhat

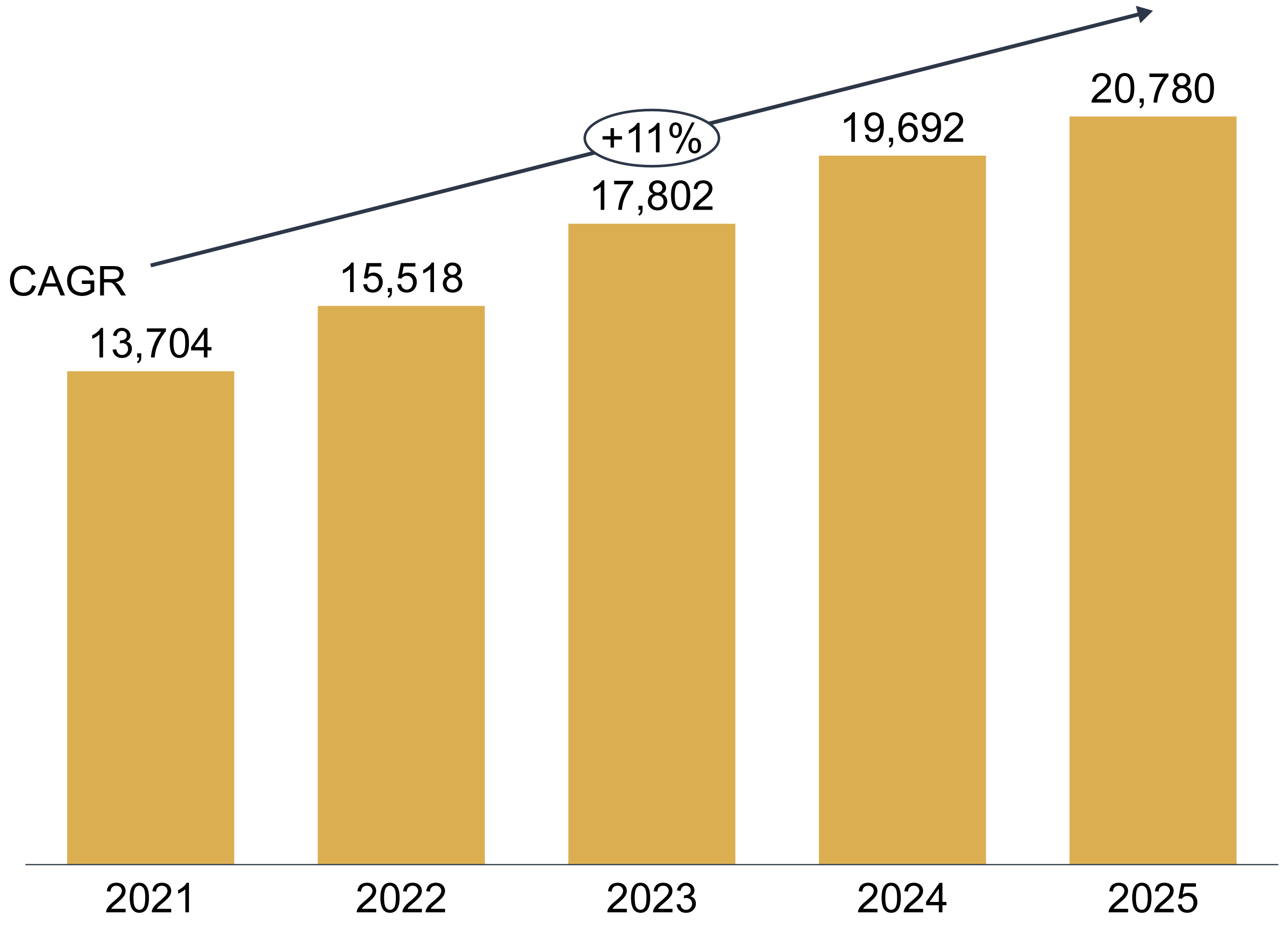
Combined ratio (%)



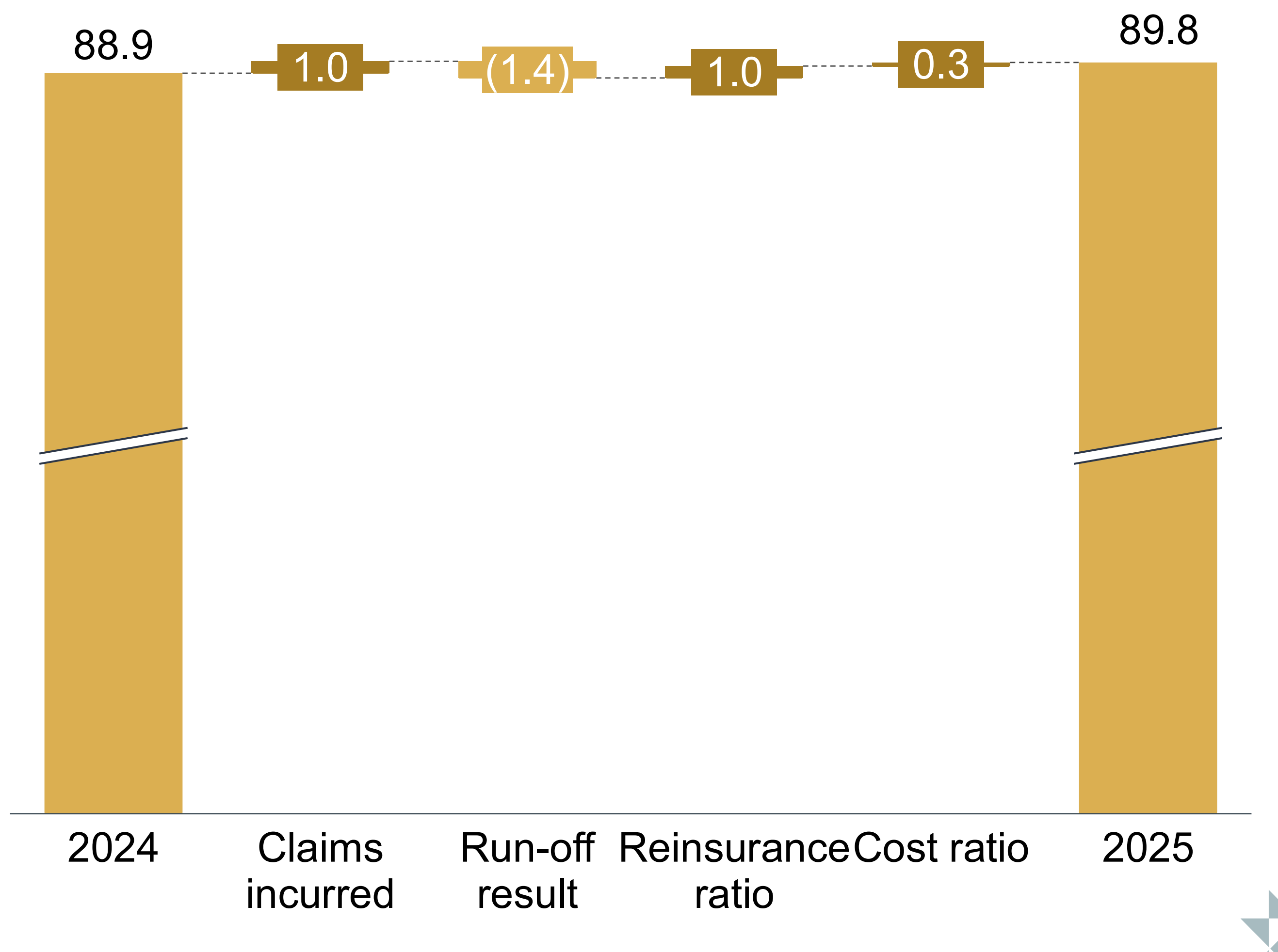
Vördur net earnings (ISK m)



Insurance revenue (ISK m) **



Change in combined ratio from Q3 2024 (%)



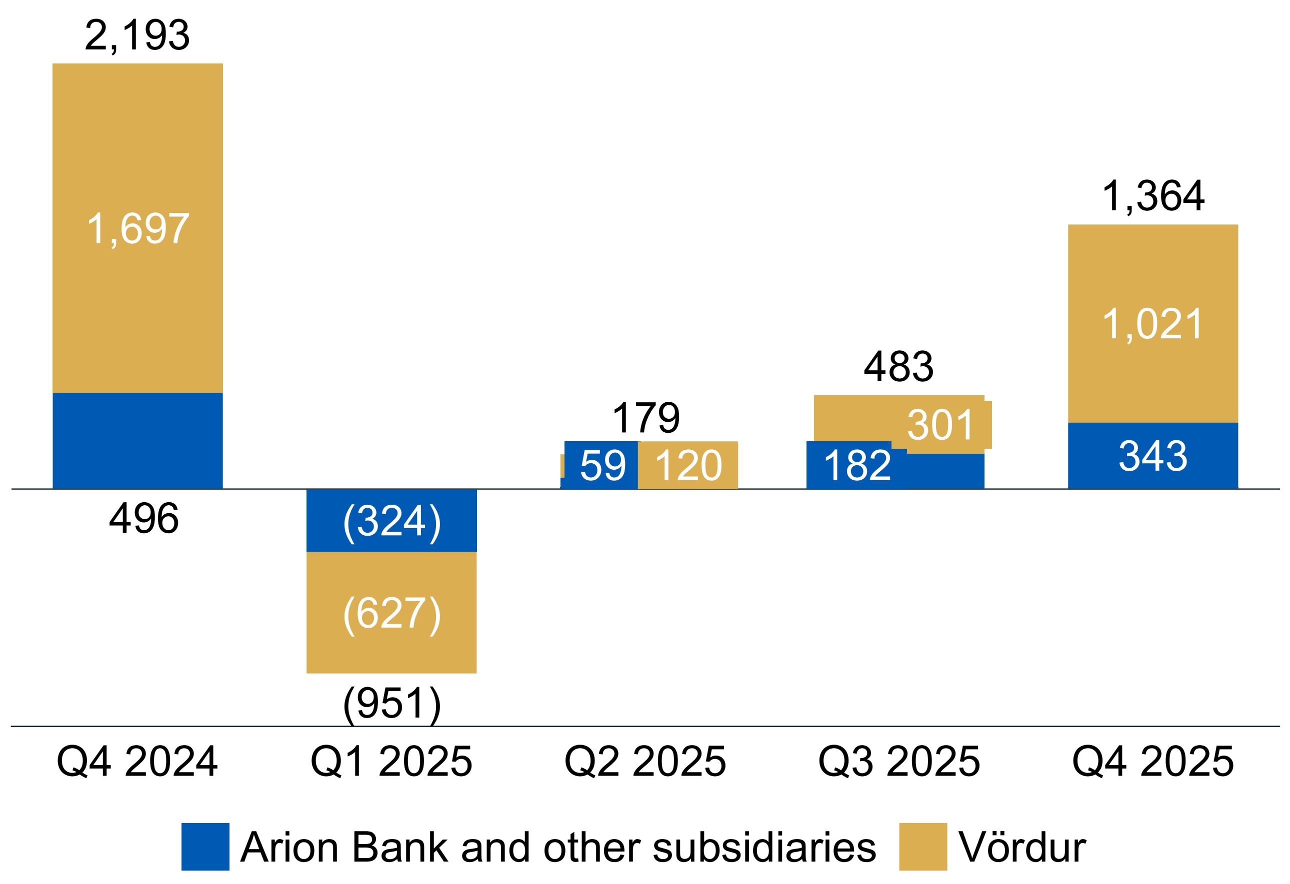
* Figures based on Vördur standalone financial results, before elimination within the Group.
** Figures for 2022 have been restated in accordance with IFRS 17 while figures for 2021 have not

Net financial income

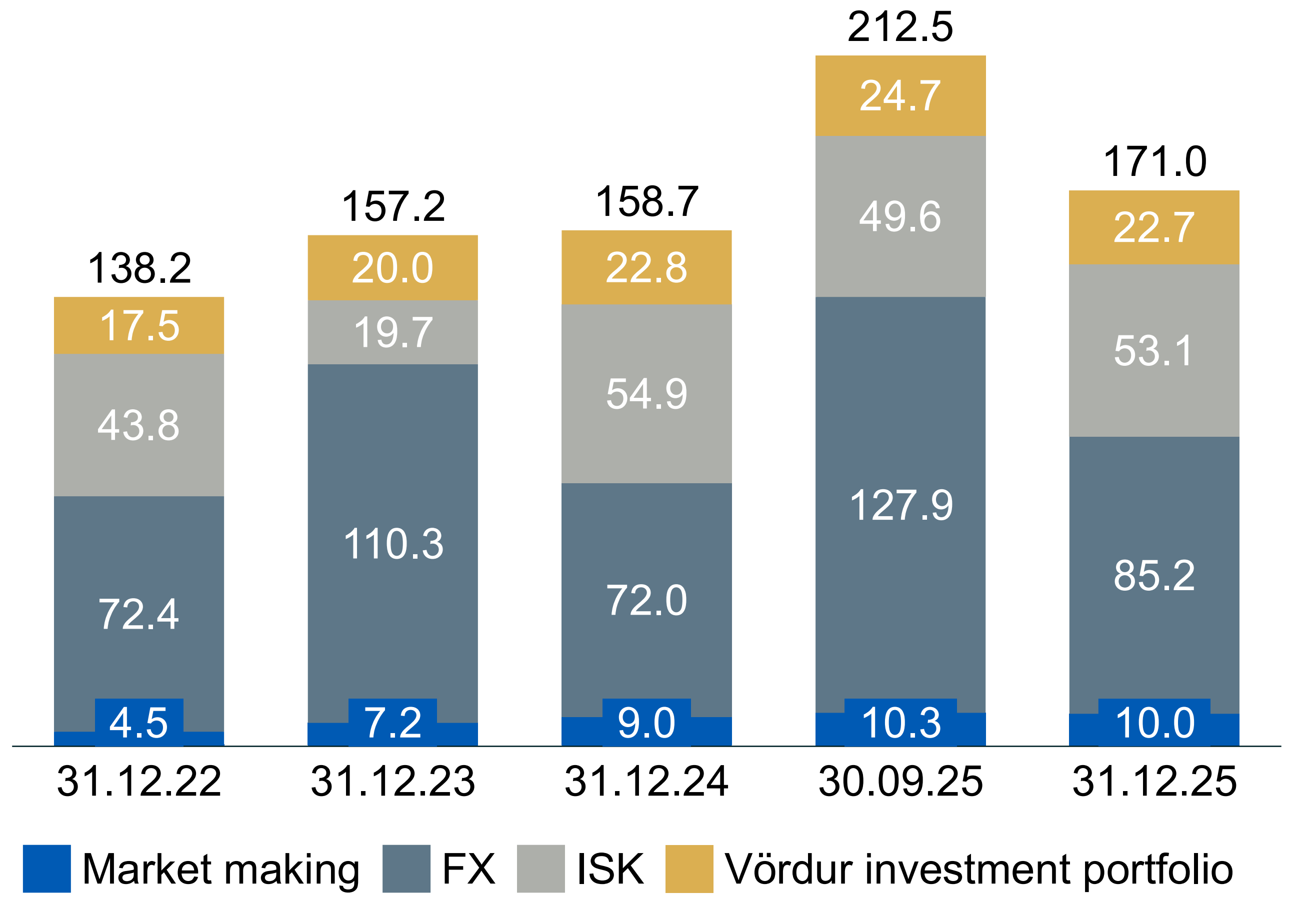
Recovery in markets in the quarter following challenging first nine months

- Vördur's total investment portfolio stands at ISK 34.7bn, generating a profit of ISK 1,021m for the quarter, which includes adverse net impacts from insurance contracts
- Bond holdings vary from quarter to quarter as part of liquidity management and funding strategies
  - The average duration of the liquidity portfolio is less than one year
  - The bond portfolio does not utilize held-to-maturity (HTM) accounting, and all changes in market value are reflected in the capital position

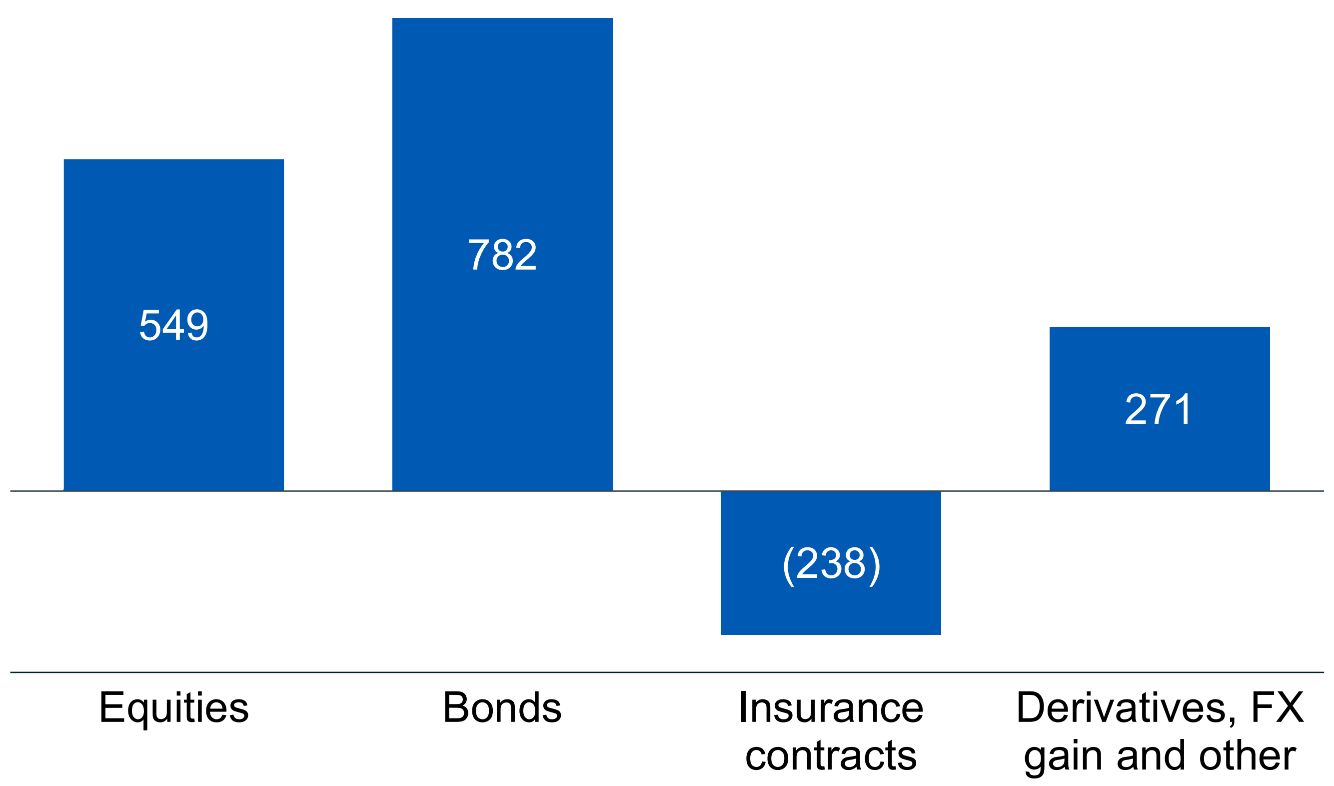
Net financial income (ISK m)



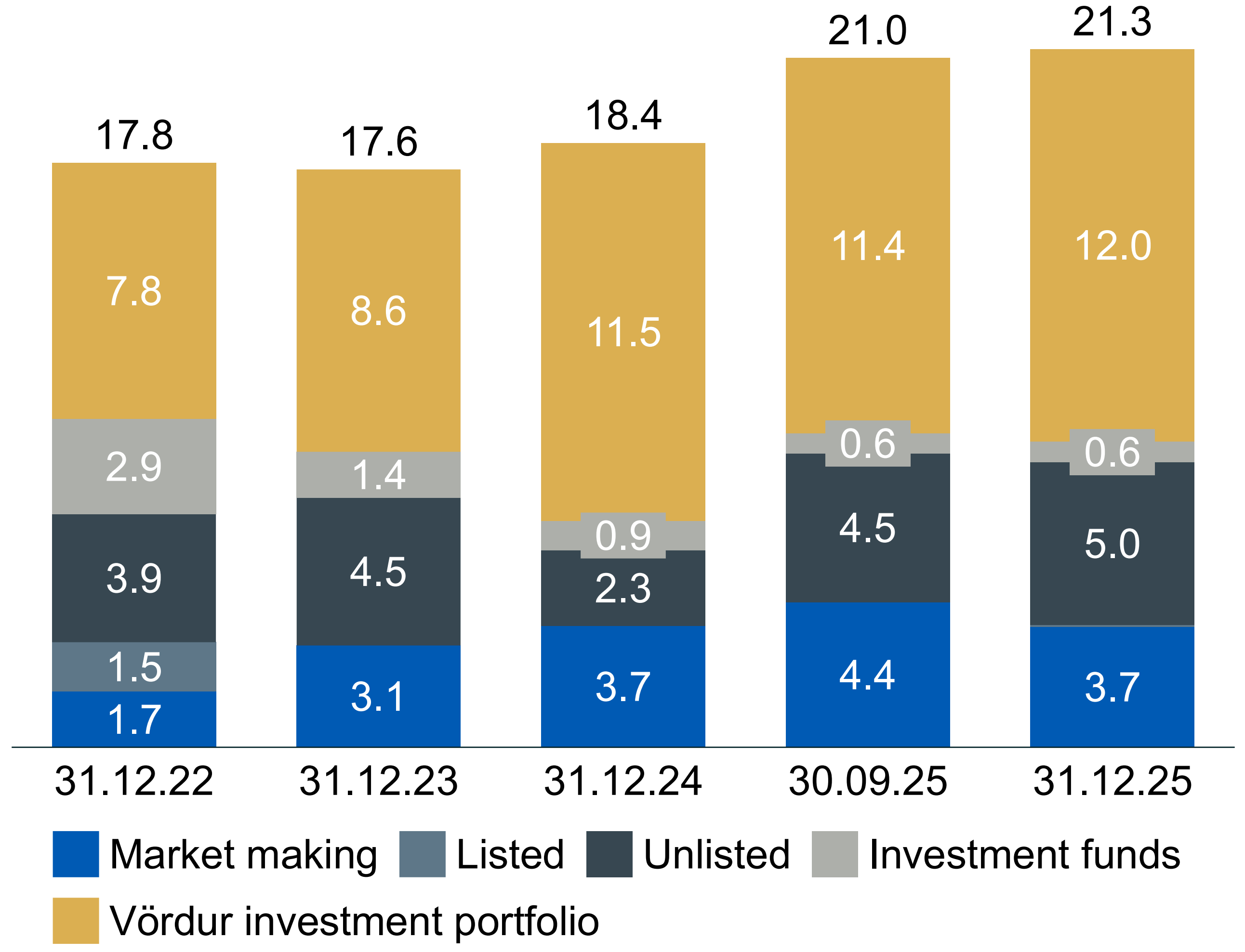
Bond holdings (ISK bn)



Net financial income by type Q4 2025 (ISK m)



Equity holdings (ISK bn)

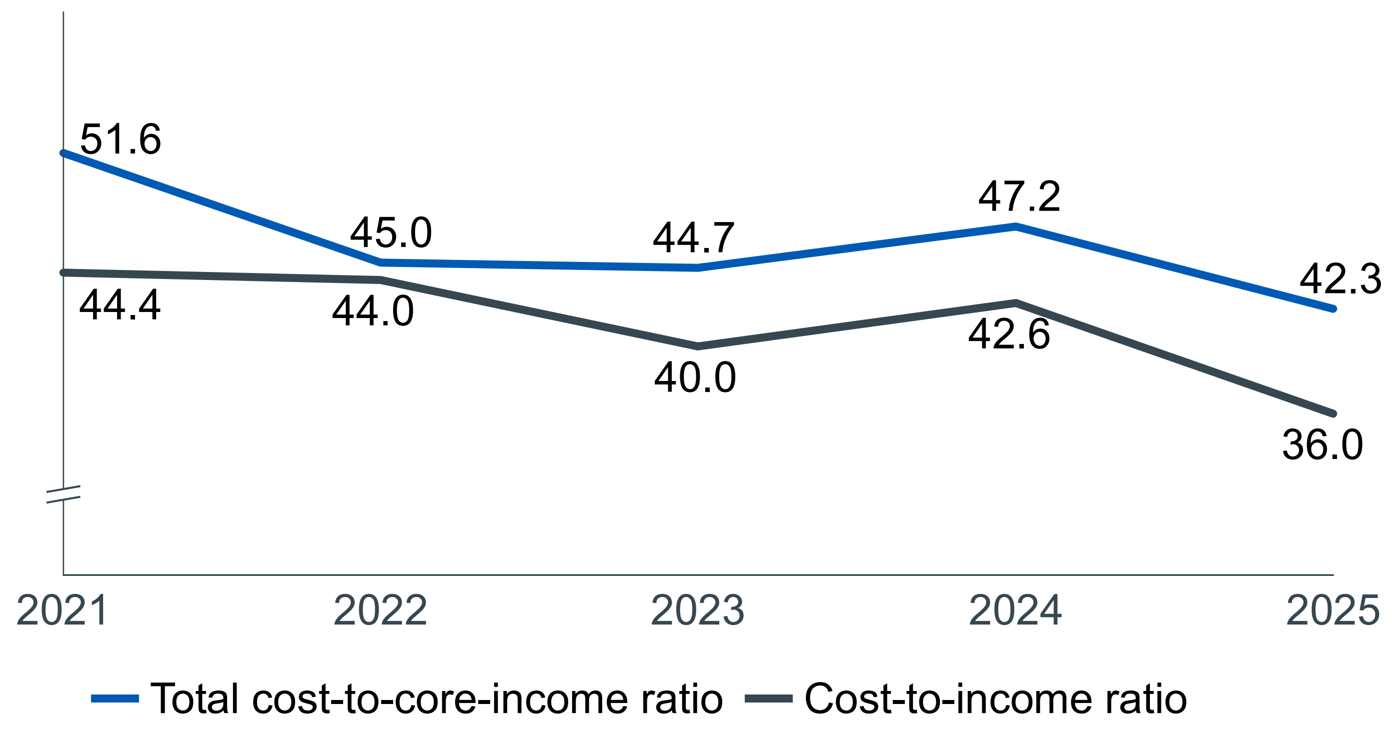


Operating expenses*

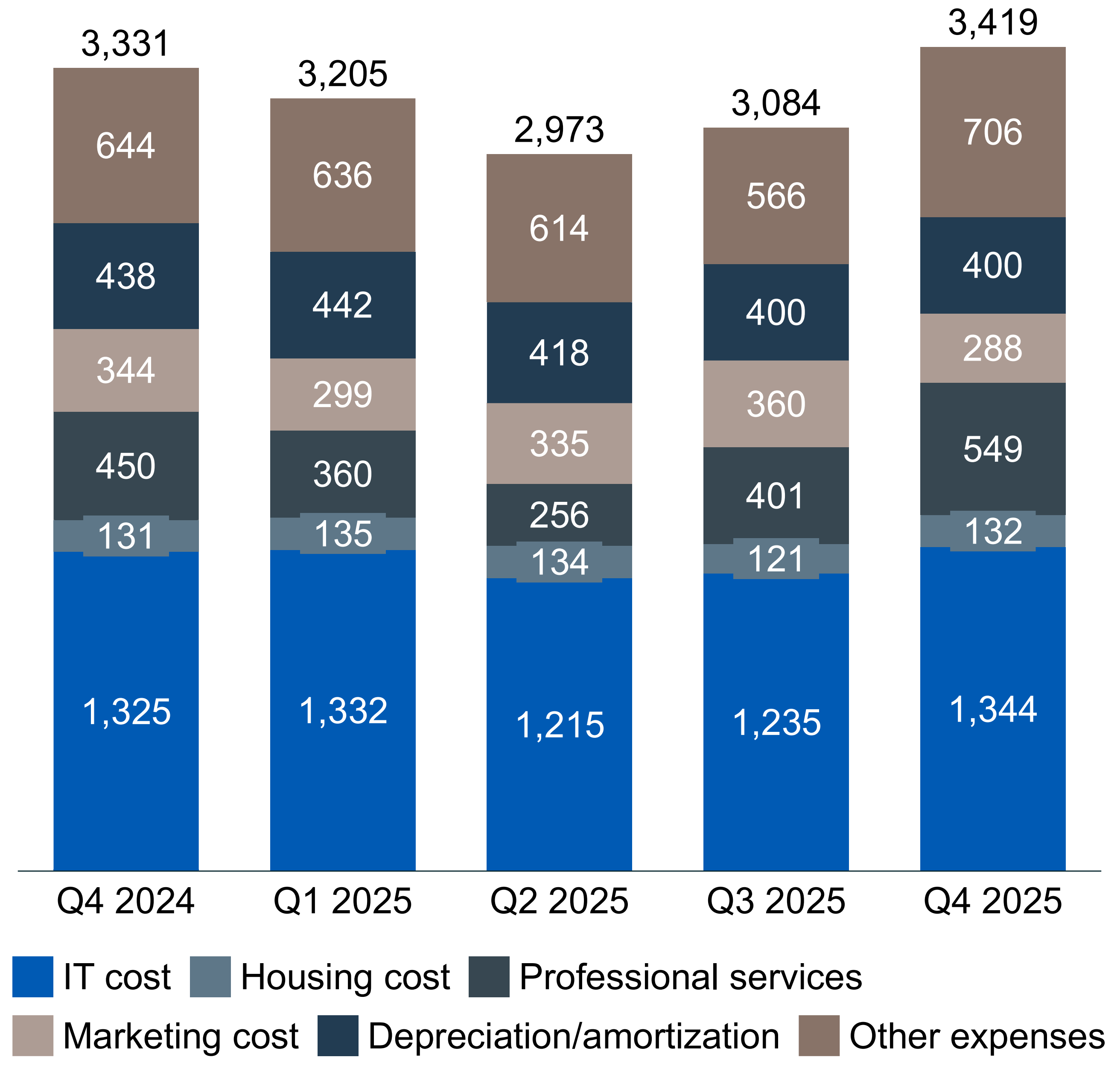
Stable cost base

- Total operating expenses outlined here encompass costs associated with the insurance business which is reflected through insurance service results post IFRS 17
- Total operating expenses increased by ISK 237m, or 2.5%, compared with Q4 2024
  - Salaries and related expenses increased by ISK 149m or 2.4%, despite revised approach of incentive scheme which is reflected in lower expenses of ISK 0.4bn in the quarter
  - Other operating expenses increased by 2.6% from Q4 2024, largely related to merger discussions between Arion and Kvika
  - Increase in number of FTE's during 2025 is mainly in IT, internal controls and growth in subsidiaries

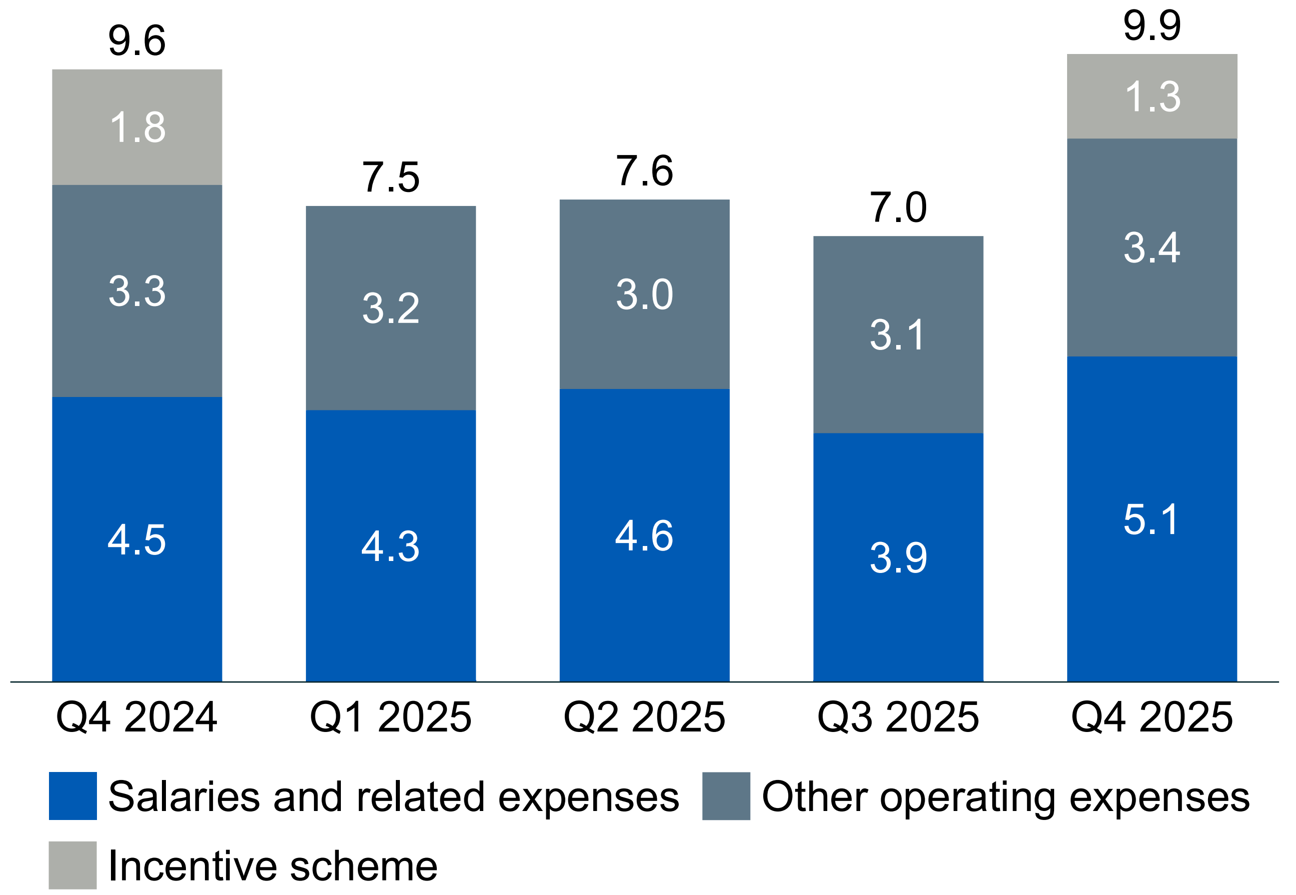
Cost ratios (%)



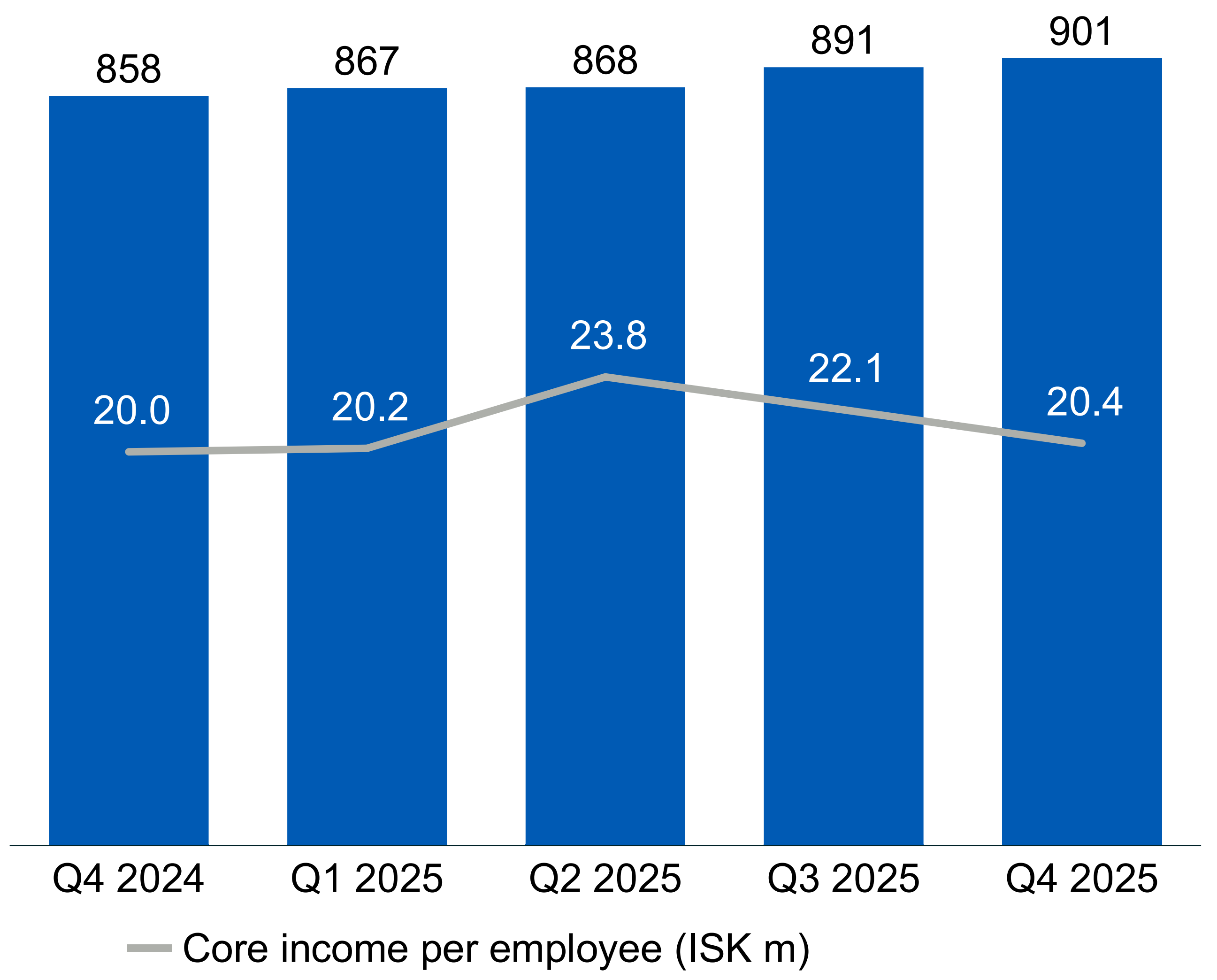
Other operating expenses (ISK m)



Total operating expenses (ISK bn)



Number of FTEs



*Operating expenses from insurance operations are included in all figures for comparative purposes
Total cost to core income: Operating expenses including opex from insurance operations / Core operating income excluding opex from insurance operations
Cost to income ratio: Operating income / Operating expenses

Balance sheet

Solid growth in loans and deposits

- Loans to customers increased by ISK 27bn or 2.1% in Q4
- Deposits increased by ISK 4bn or 0.4% in Q4
  - Loans to deposits ratio of 144.3% and 118.5% without loans financed by covered bonds
- Very strong liquidity position:
  - Liquidity coverage ratio (LCR) of 199% (166% in ISK)
  - Net stable funding ratio (NSFR) of 118%

Assets	**31.12.2025**	**30.09.2025**	**Diff.**	**31.12.2024**	**31.12.2023**	**31.12.2022**
Cash & balances with CB	150	110	36%	124	102	114
Loans to credit institutions	23	26	(12%)	26	29	46
Loans to customers	1,329	1,302	2%	1,230	1,153	1,085
Financial assets	216	260	(17%)	206	206	193
Investment property	7	14	(47%)	9	9	8
Other assets	31	25	23%	23	27	20
Total Assets	**1,756**	**1,737**	1%	**1,618**	**1,526**	**1,466**

Liabilities and Equity						
Due to credit institutions & CB	12	9	36%	7	3	12
Deposits from customers	921	917	0%	857	793	755
Other liabilities	67	73	(8%)	69	69	71
Borrowings	495	482	3%	433	420	393
Subordinated liabilities	44	43	2%	45	41	47
Total Liabilities	**1,538**	**1,524**	1%	**1,411**	**1,326**	**1,278**
Shareholders equity	217	210	3%	207	199	187
Non-controlling interest	0	2	(97%)	1	1	1
Total equity	**217**	**213**	**2%**	**207**	**199**	**188**
Total Liabilities and Equity	**1,756**	**1,737**	1%	**1,618**	**1,526**	**1,466**

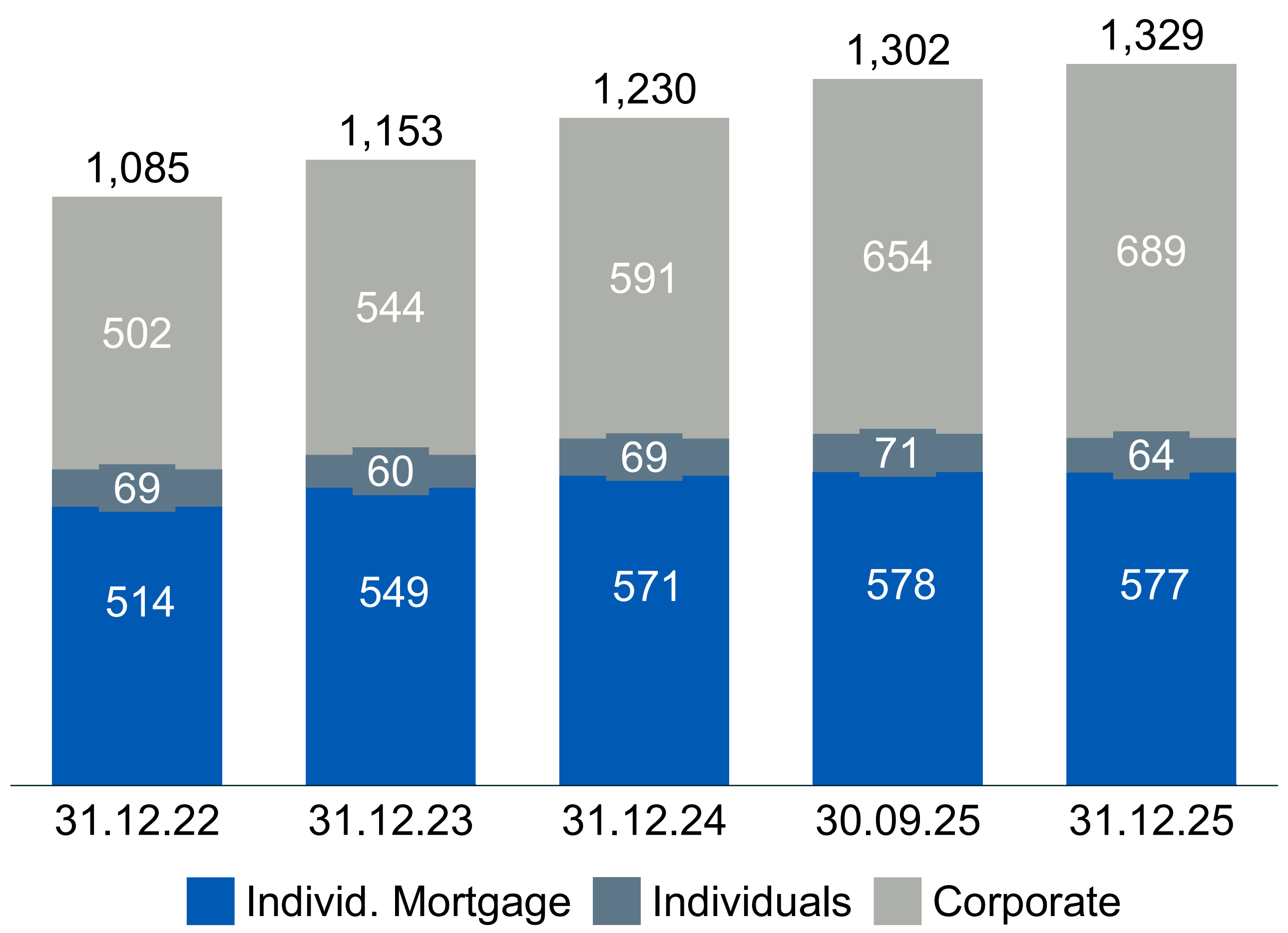
All amounts in ISK billion

Loans to customers

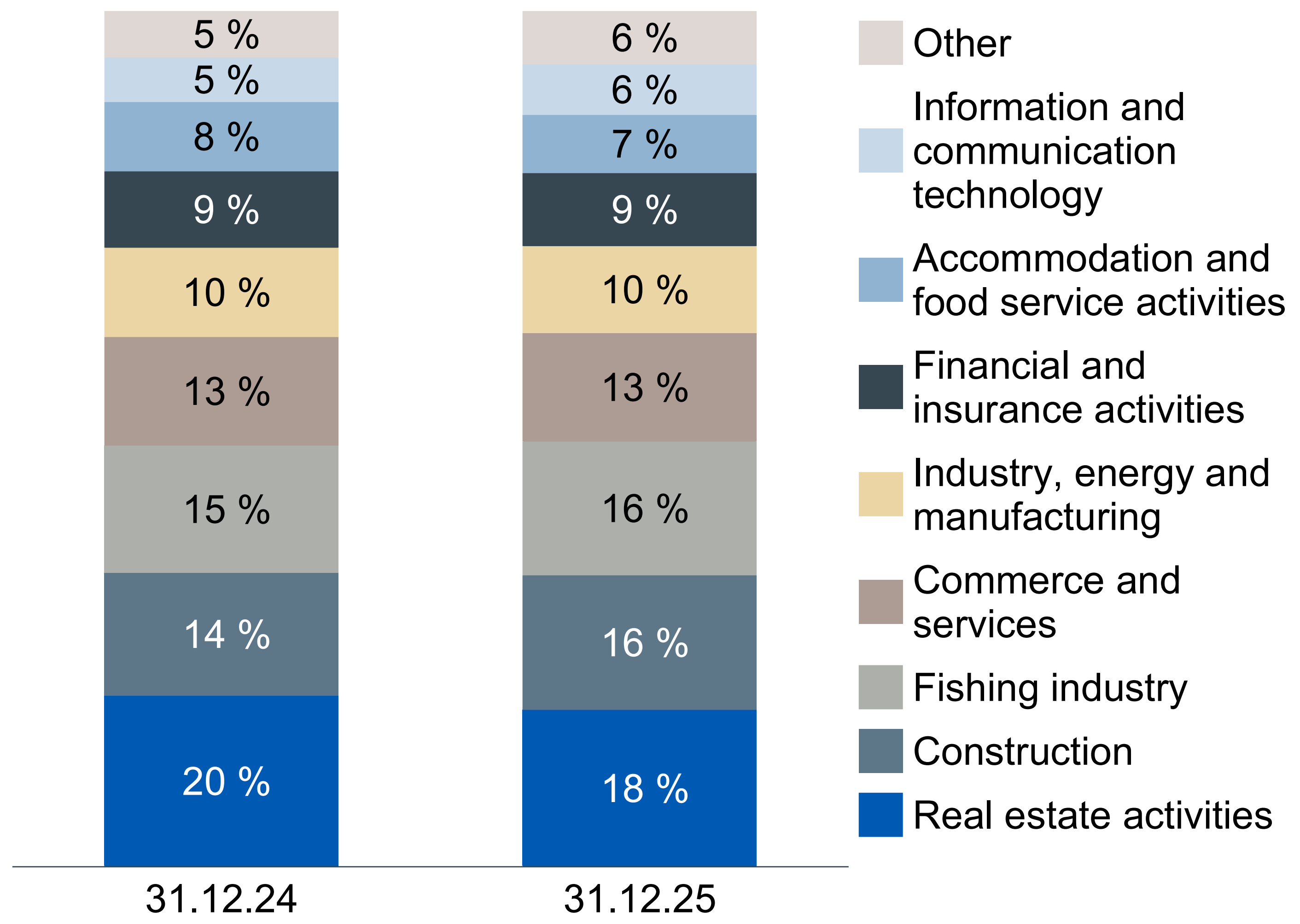
Balanced loan portfolio

- Loans to customers total ISK 1,329bn at the end of the year, increasing by ISK 99bn or 8.0% during the year. Loan growth is almost entirely due to loans to corporates which grew by 16.6% in 2025 while loans to individuals grew by 0.2%
  - Loan growth in Q4 was 2.1%; 5.4% in loans to corporates but 1.2% decrease in loans to individuals
  - Corporate loan growth is expected to slow down in the coming quarters
- The diversification in terms of sector and single name concentration of the corporate loan book continues to be good and in line with the Bank's credit strategy

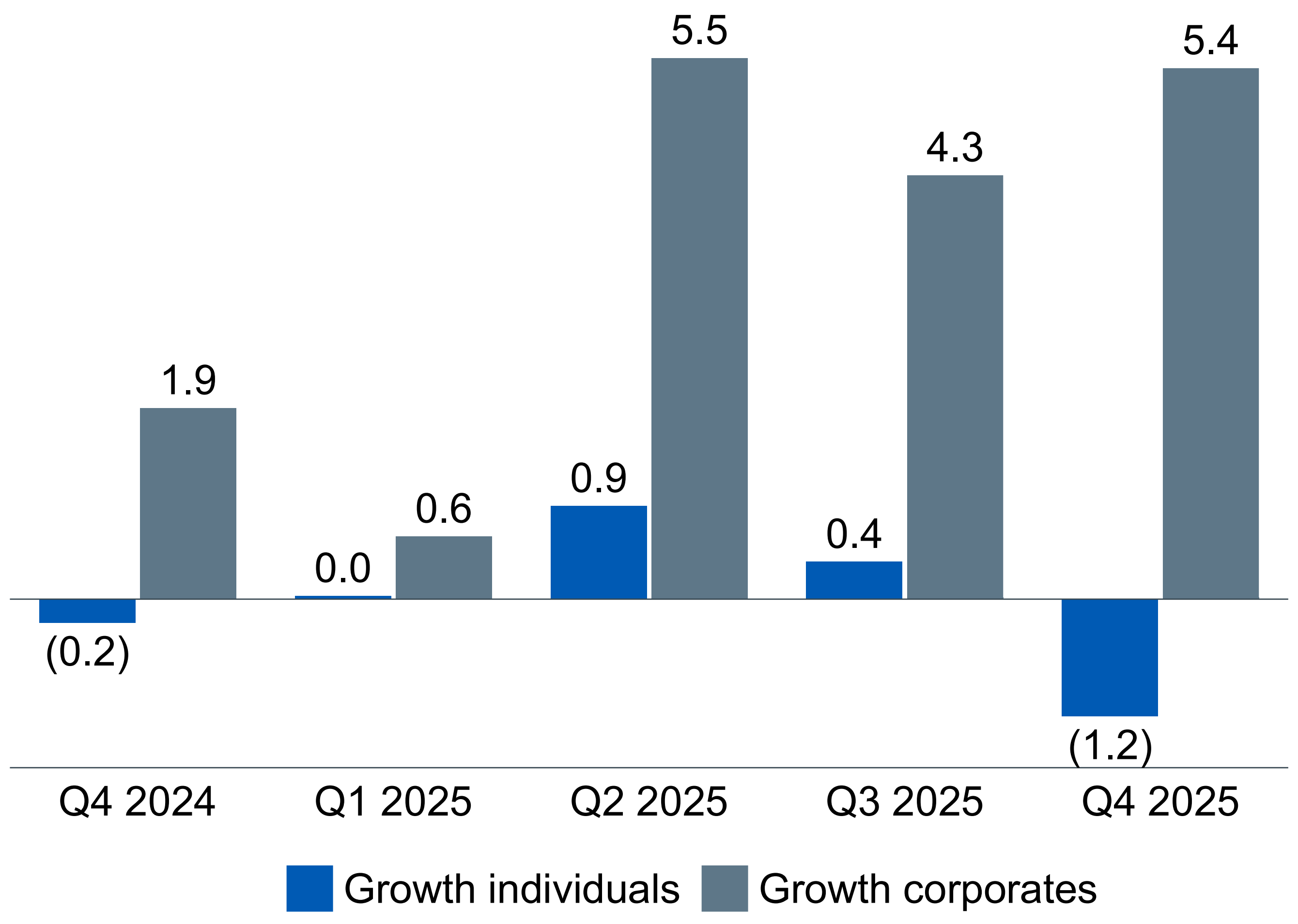
Loans to customers (ISK bn)



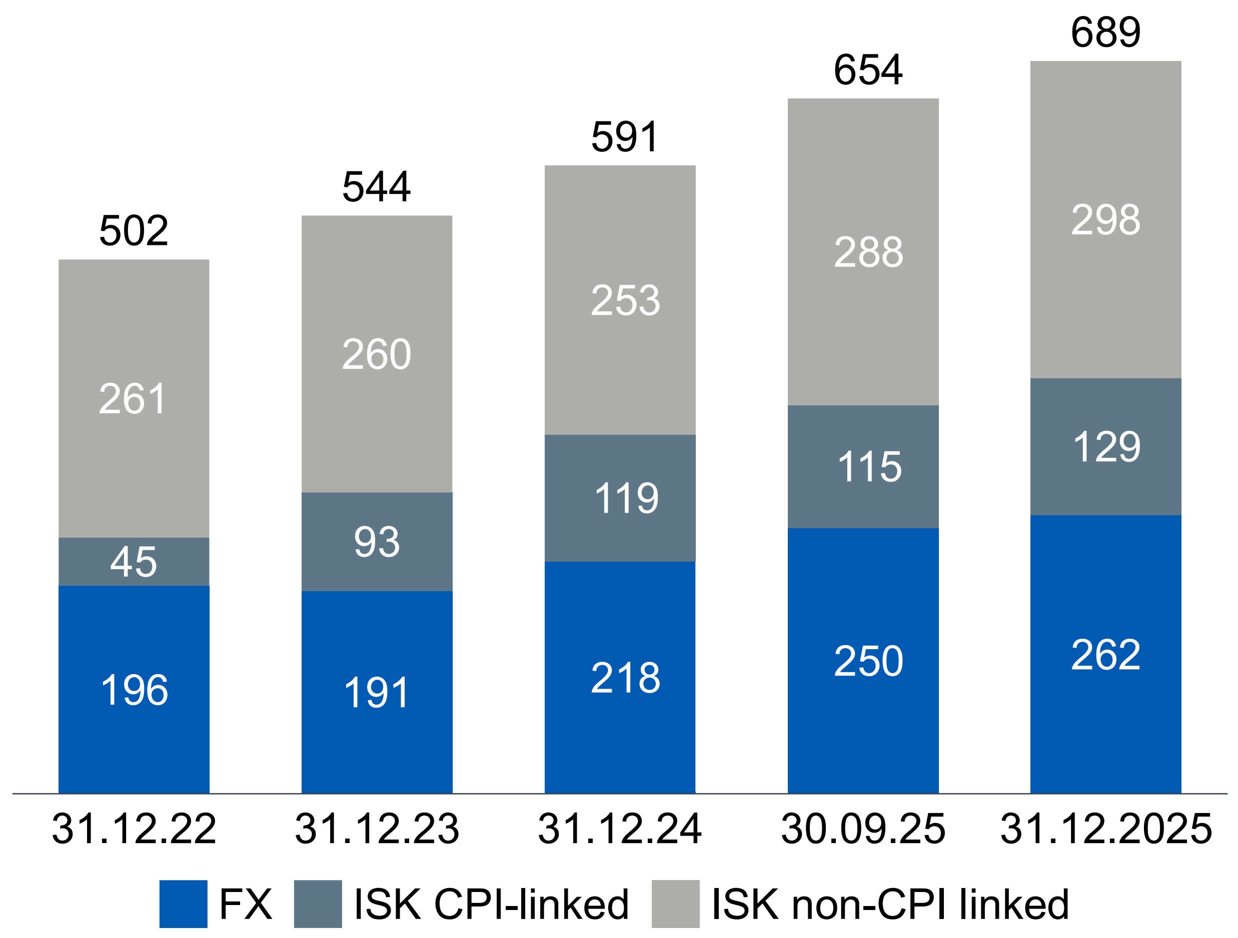
Loans to corporates by sector (%)



Loan growth (%)



Loans to corporates by type (ISK bn)

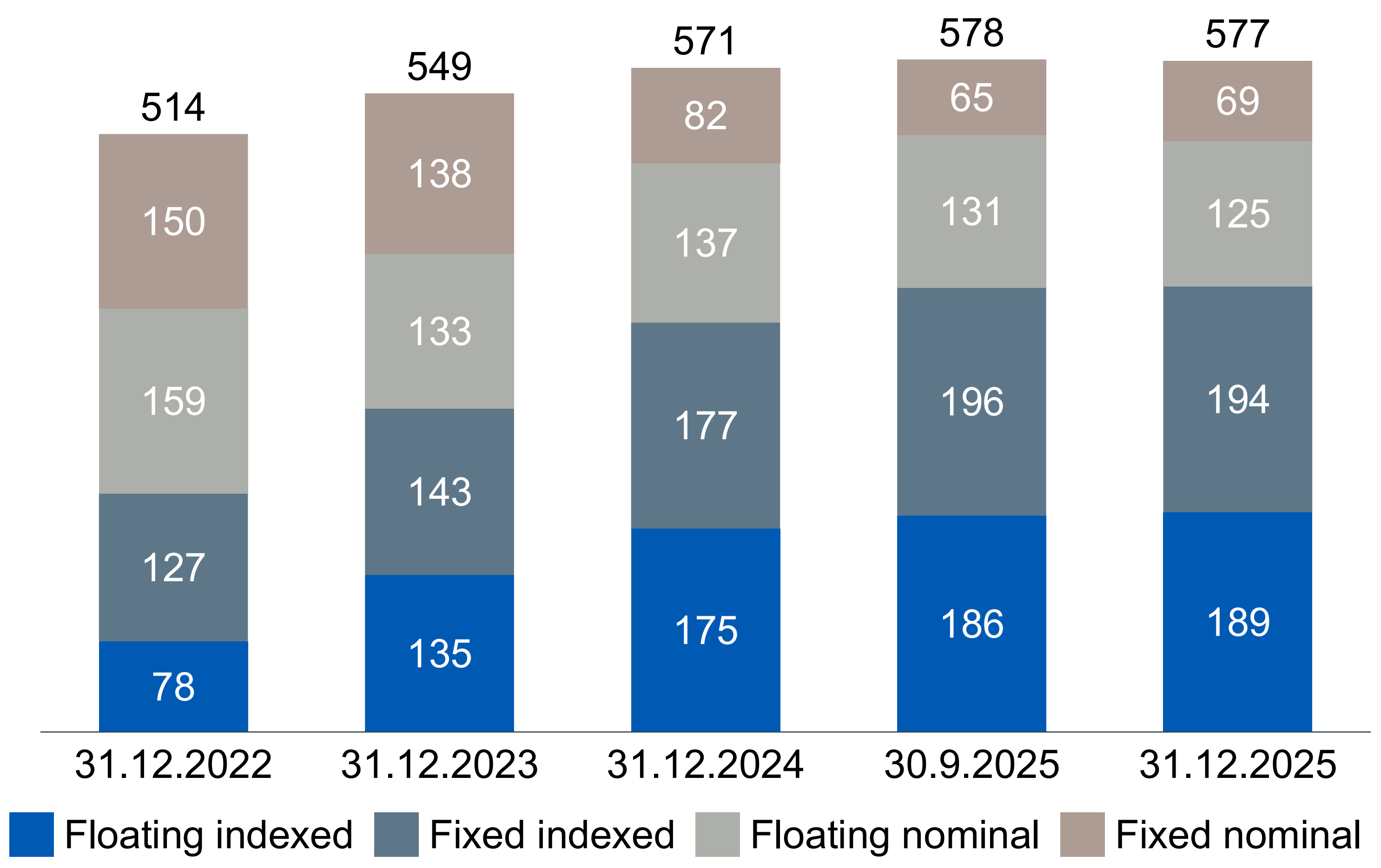


Residential mortgages

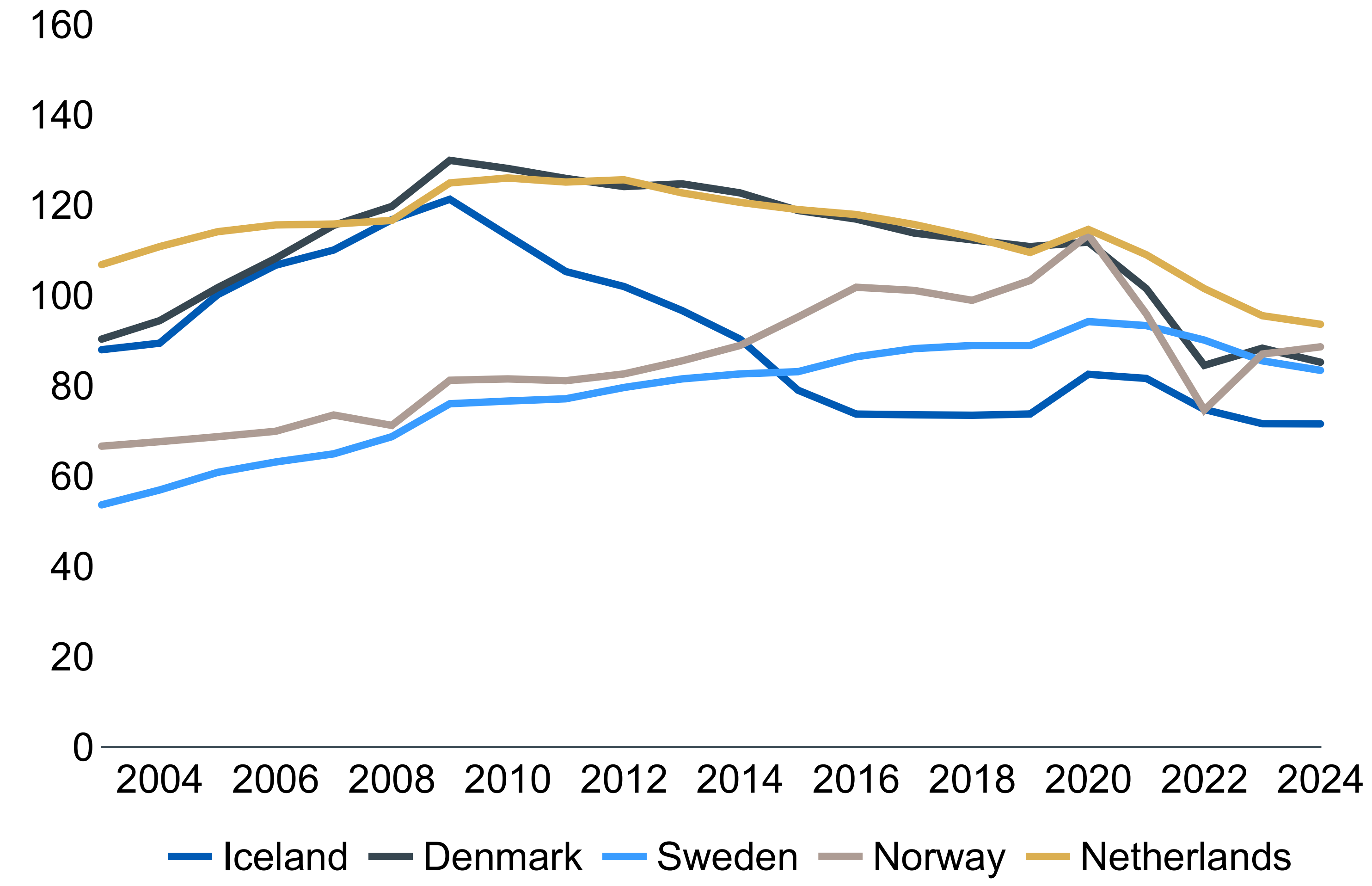
Low default rates and comfortable LTV levels. Interest rate levels and recent legal uncertainty have impacted portfolio growth and composition

- Monetary tightening has resulted in a significant shift towards indexed mortgages since 2022
- Towards the end of 2025, legal uncertainty in relation to variable rate terms resulted in a market-wide reduction of the supply of indexed mortgages
- In December, the Supreme Court affirmed the validity of Arion's loan terms, upholding earlier lower-court decisions
- CPI-linked loans are now 66% of the mortgage portfolio, compared to 40% at year-end 2022
- Household debt to GDP is relatively low in international comparison
- The average loan-to-value of the mortgage portfolio is 48.2%. More than 90% of mortgage exposures have LTV below 80%
- The non-performing loan ratio is 1.6%, which is close to pre-Covid levels
- The Bank periodically reviews its underwriting criteria and assessment of customer debt servicing capacity

Residential mortgages by interest rate type (ISK bn)

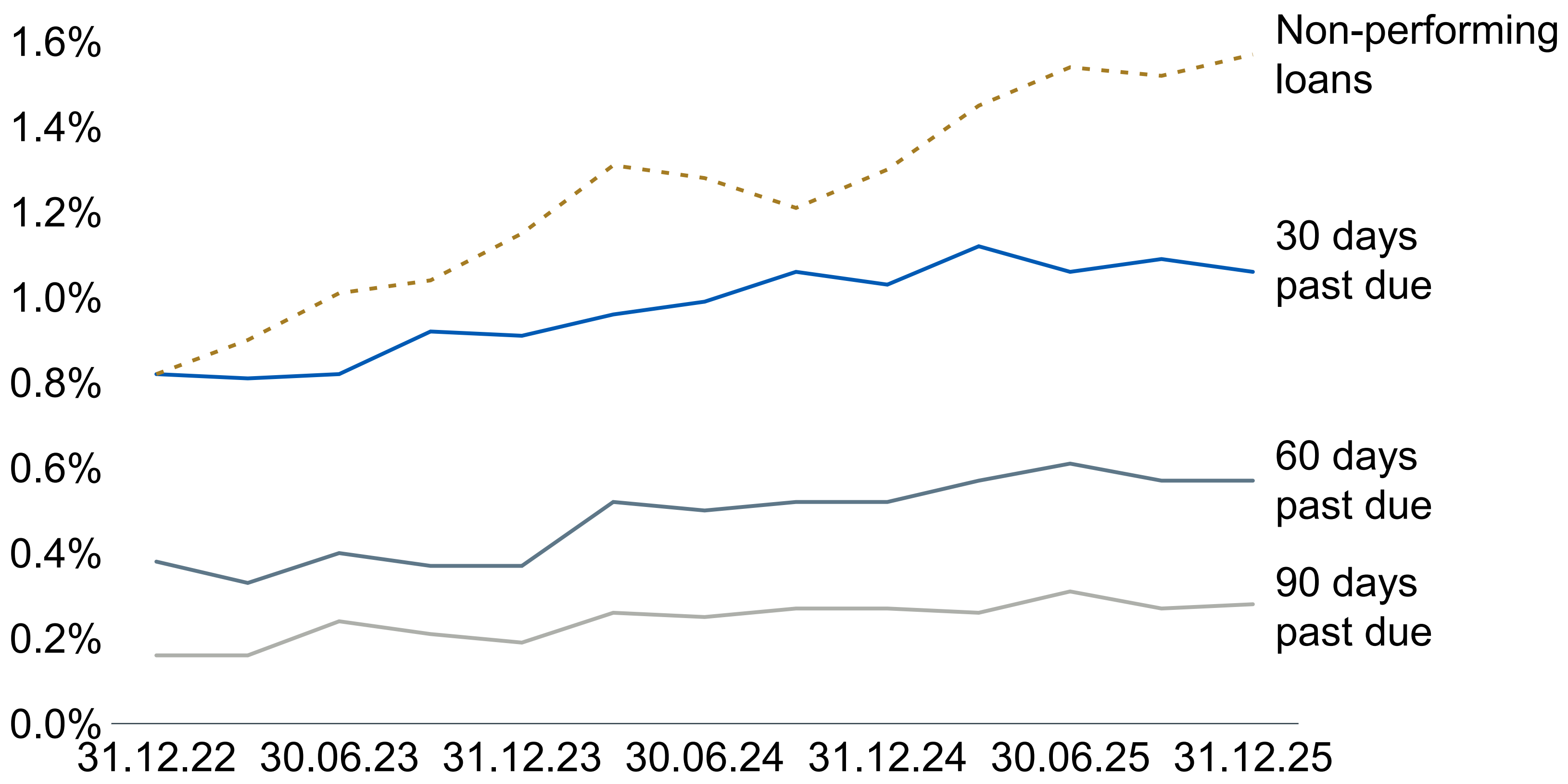


Household debt to GDP (%)



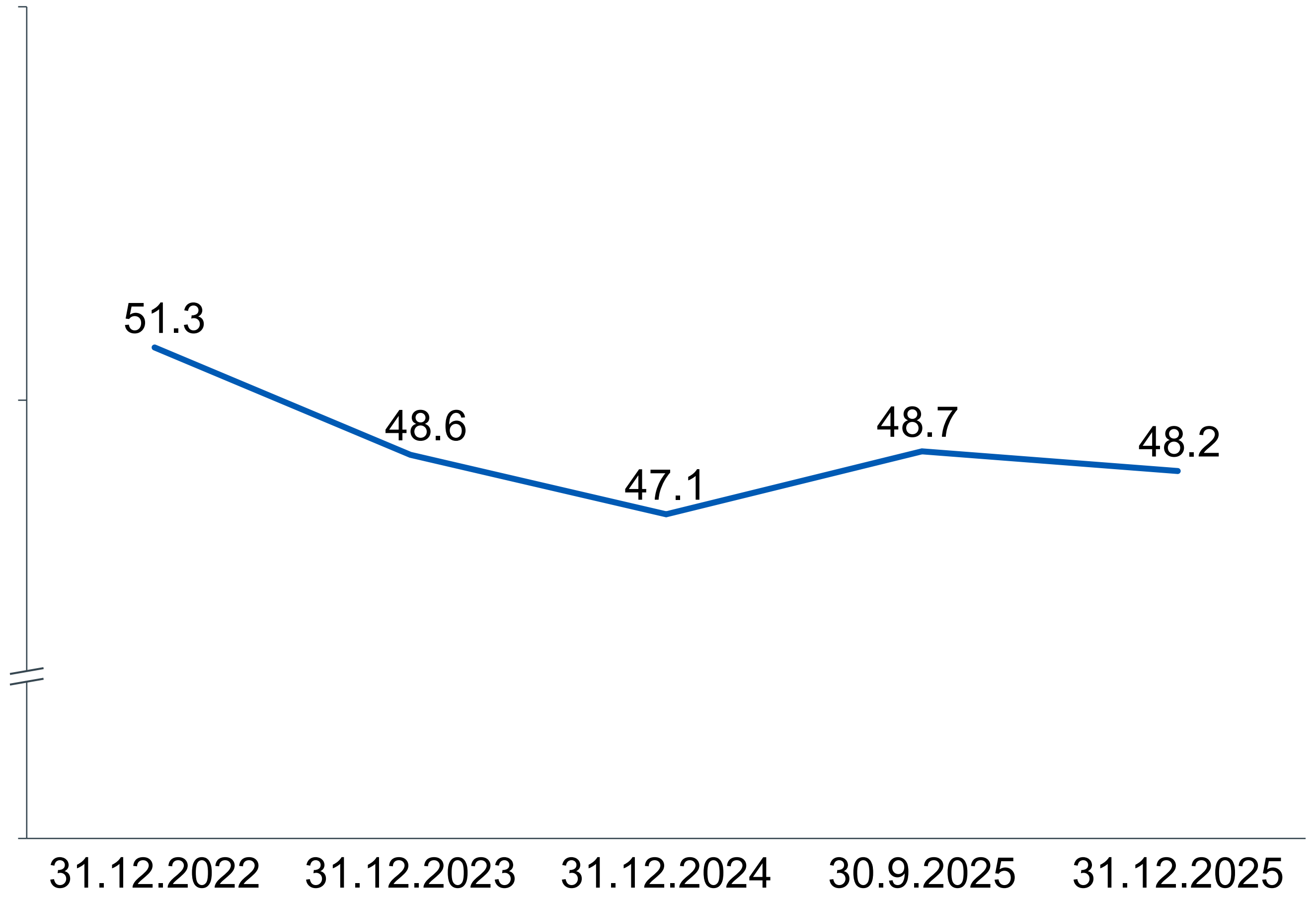
Source: OECD, Statistics Iceland and Central Bank of Iceland

Rate of defaults and payments past due



Non-performing loans: Loans in Stage 3 according to IFRS 9

Average loan to value (%)

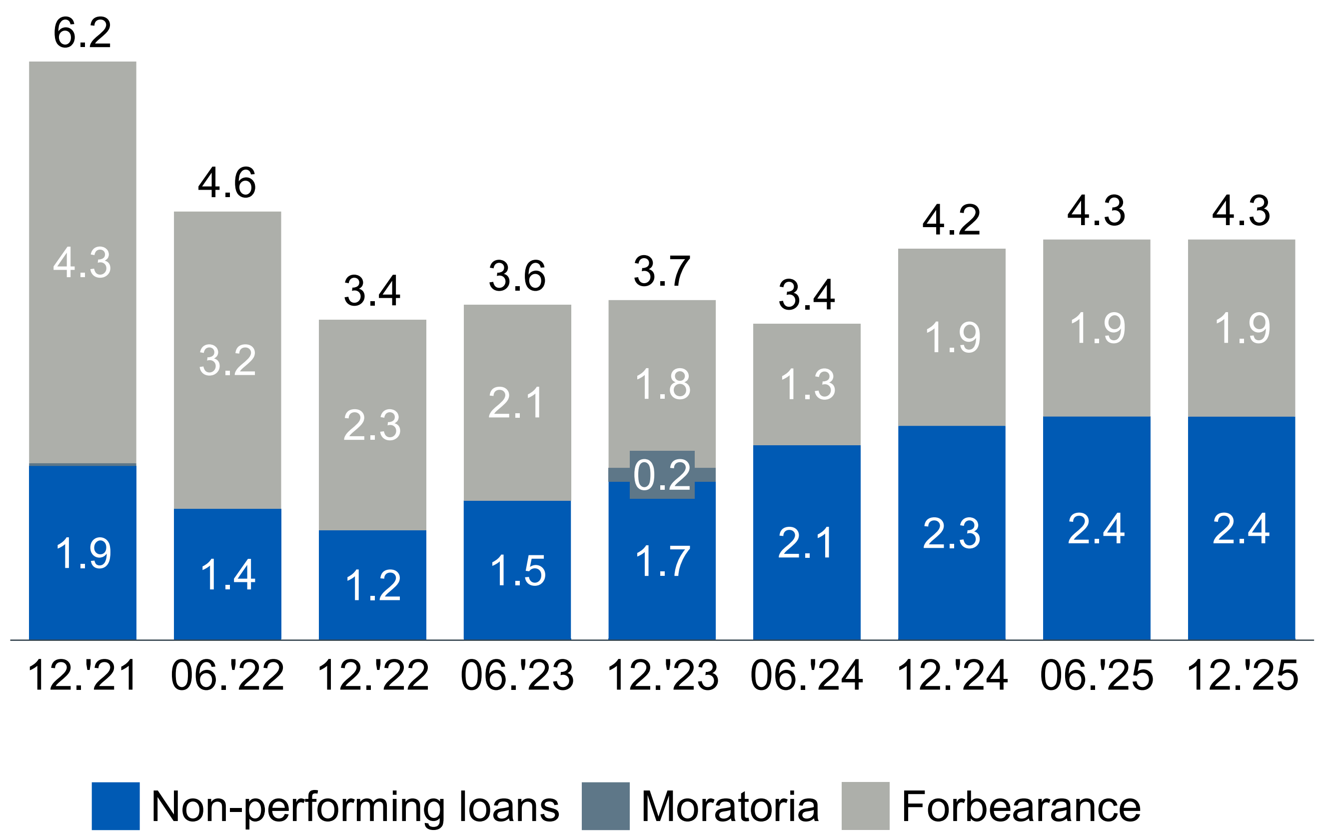


Risk profile

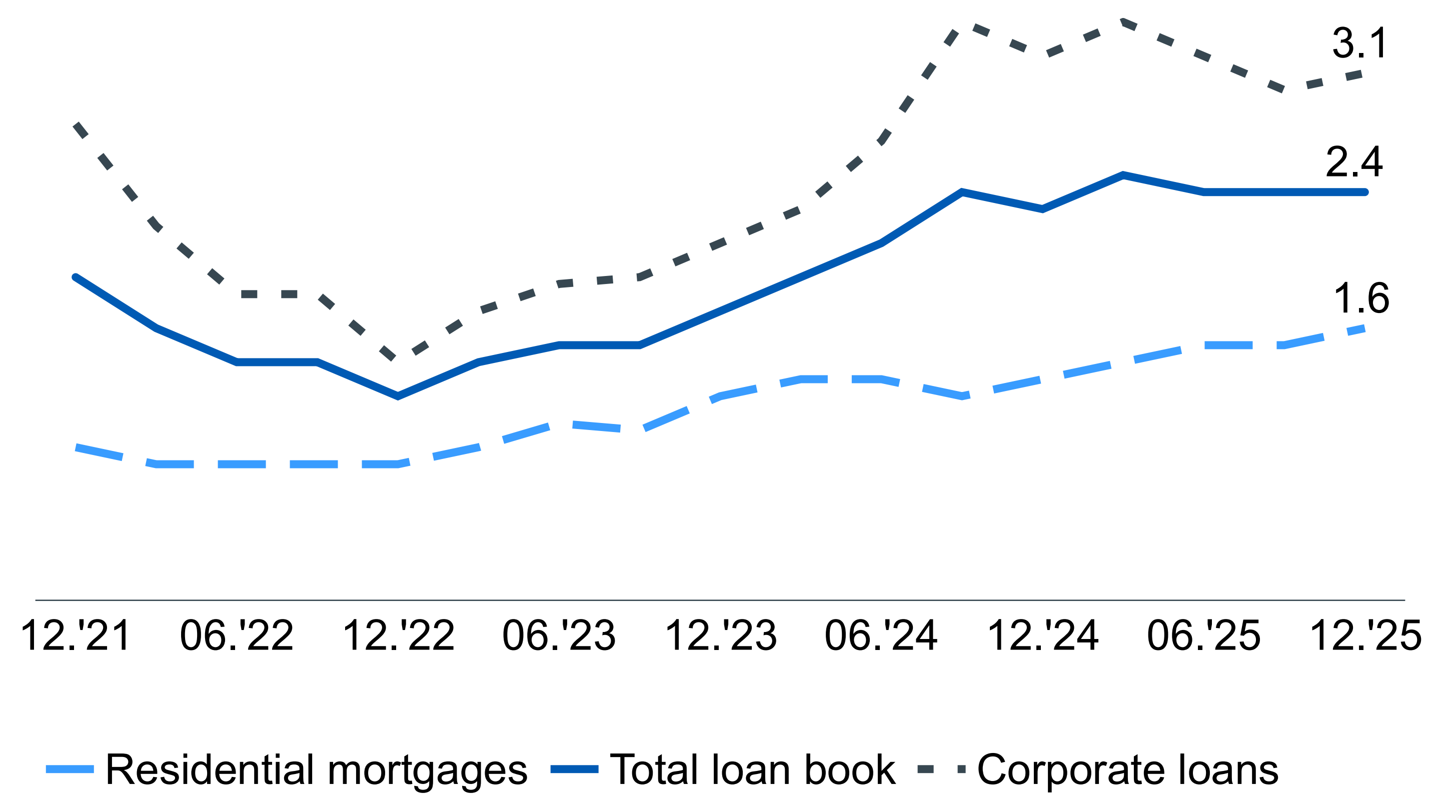
Strong credit quality indicators while the NPL ratio has recently trended upwards

- The non-performing loans ratio has increased in correlation with interest rate levels and unemployment rate. Future development is likely to depend on the pace of monetary easing
- Since 2023, the increase to corporate NPLs has to a large degree been concentrated in the construction sector, which is impacted by elevated funding costs amid a slowing housing market
- NPLs generally have good collateral coverage, as reflected in a Stage 3 coverage ratio of 23.6%
- Forborne exposures that are not in Stage 3 represent 1.9% of loans to customers at year-end
- Total expected credit loss is expected to approach between 20-25bps in the long term based on current loan book composition. At the end of Q4 the 12-month expected credit loss ratio of 30bps reflects management's prudent view given current economic conditions

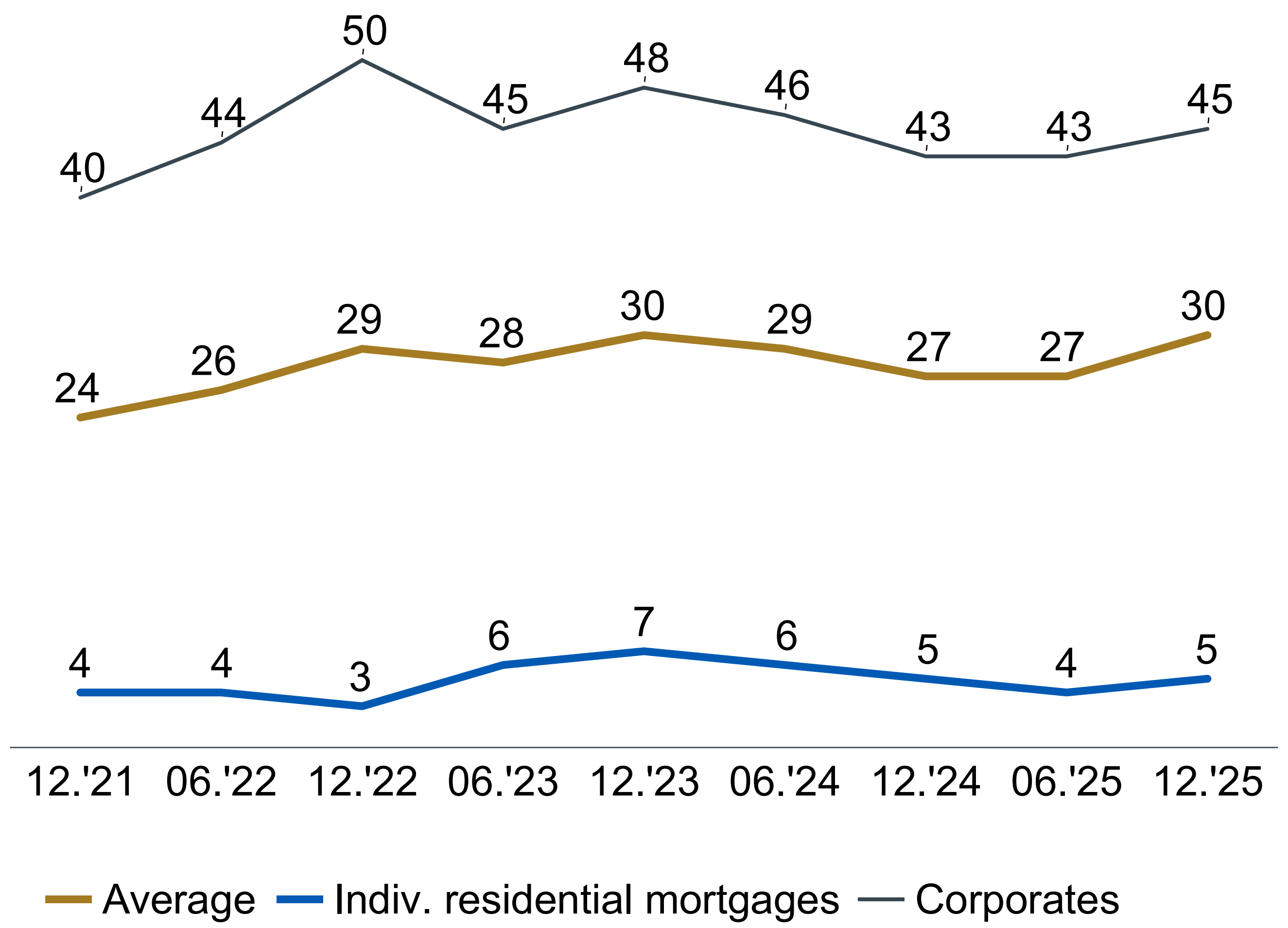
Development of non-performing loans, moratoria and forbearance (% of total loan book)



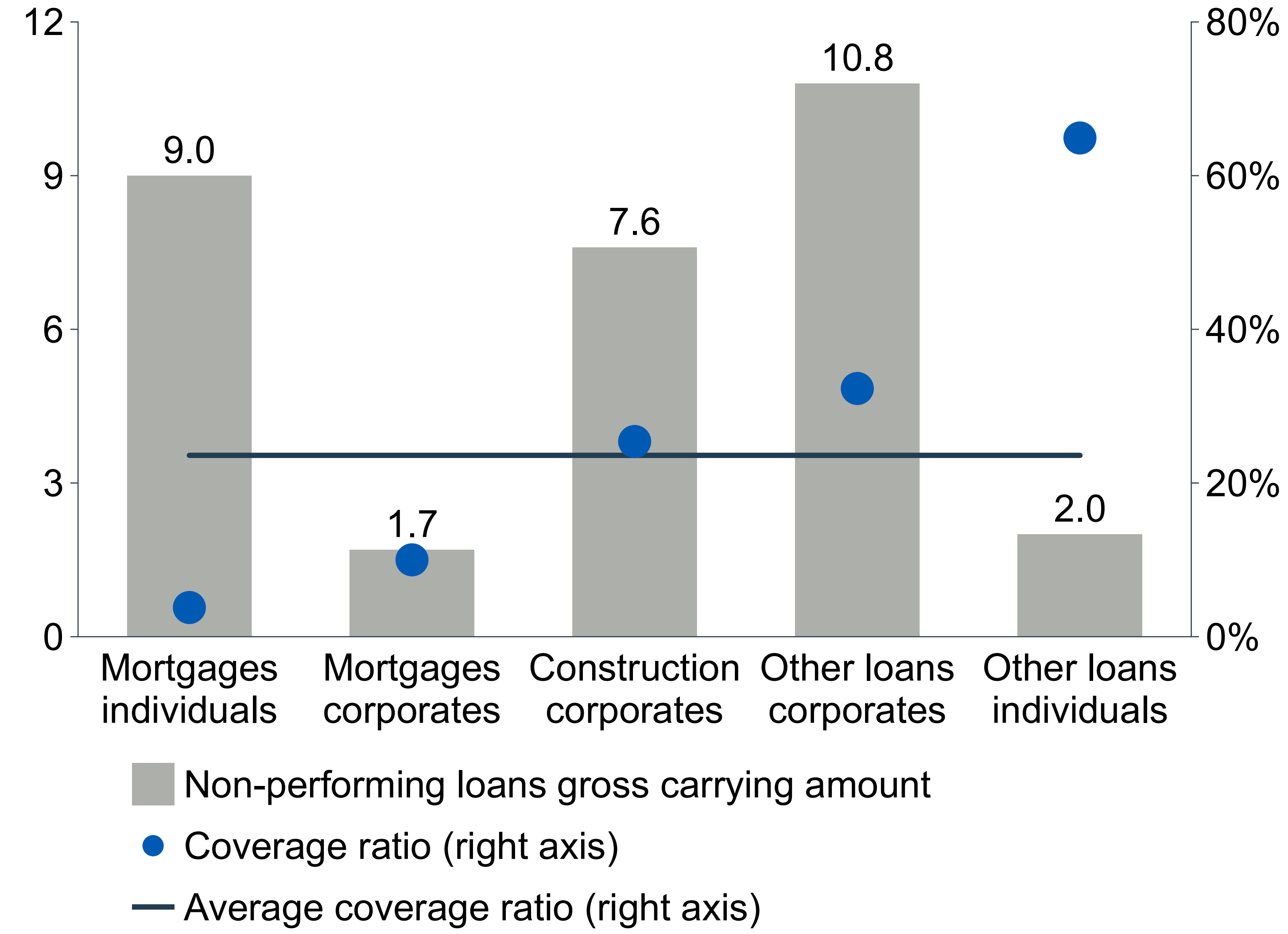
Development of NPL ratio between segments
(% of relevant loan book)



12-month expected credit loss for performing loans to customers (on balance sheet) (bps)



NPL coverage breakdown* (ISK bn)



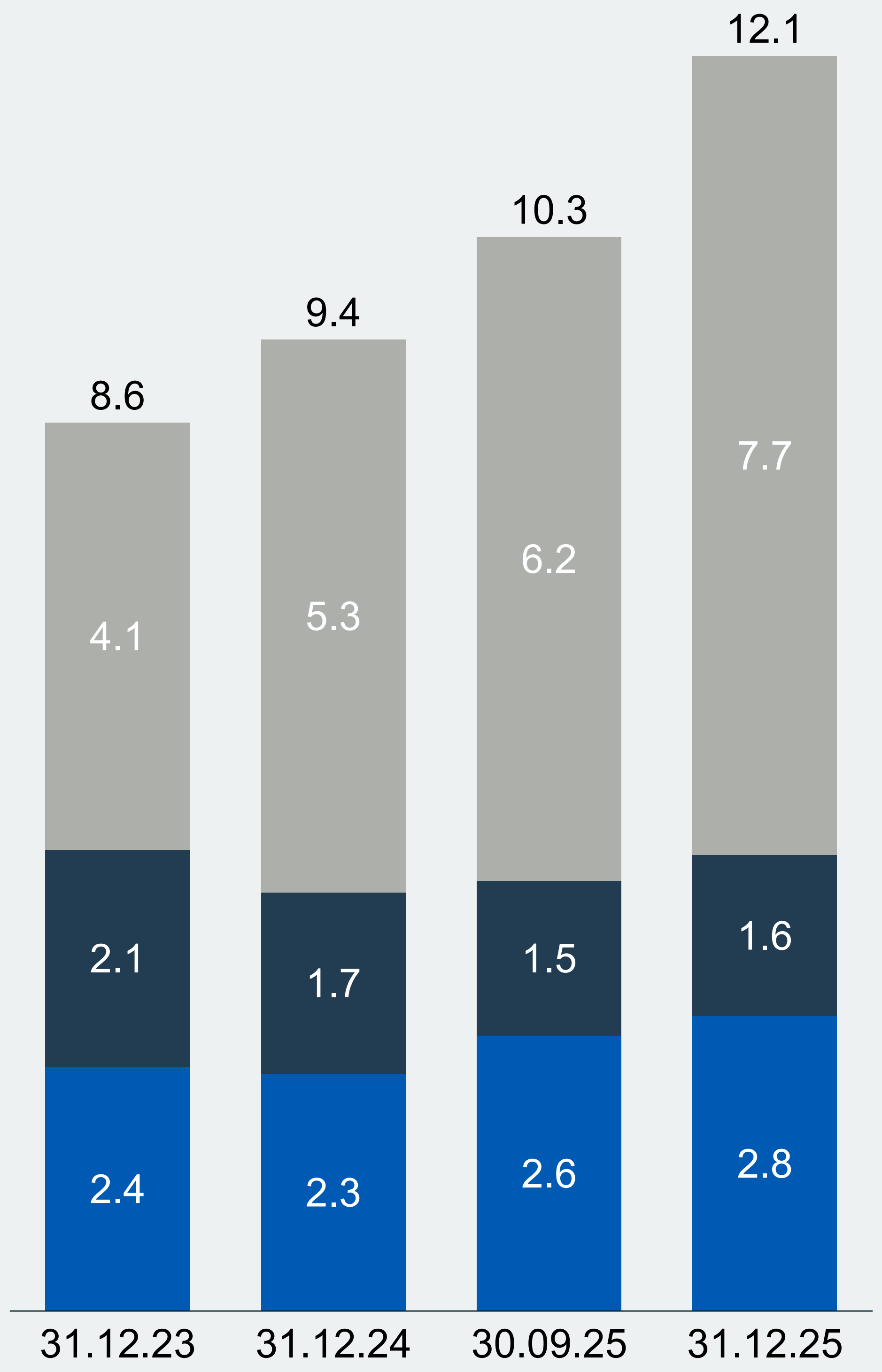
Non-performing loans: Loans in Stage 3 according to IFRS 9

*Residential property development or secured by residential real estate or land

Loss allowance by IFRS 9 stages

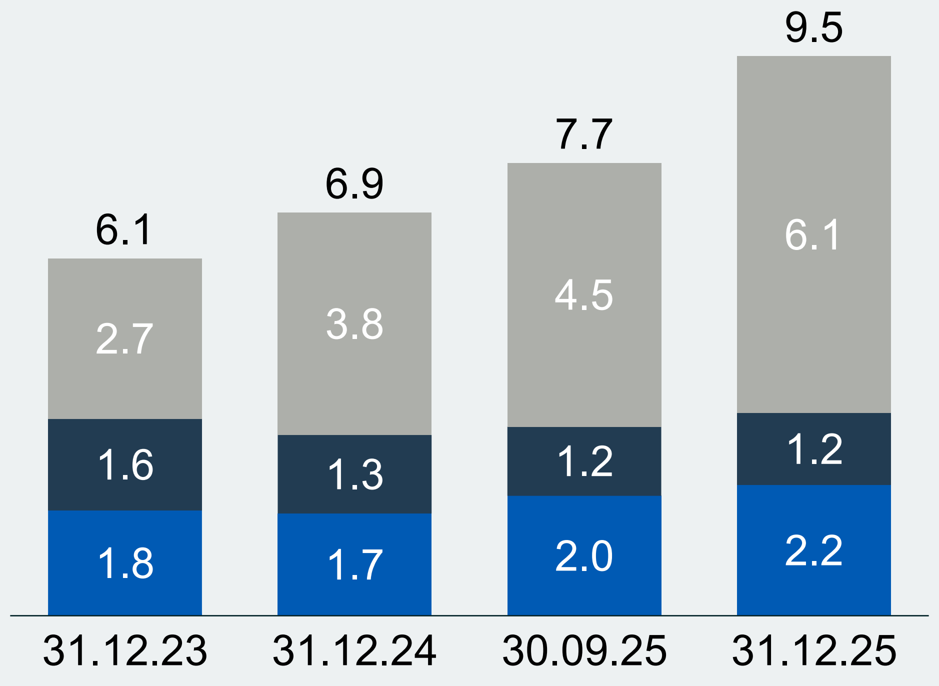
On loans to customers total (ISK bn)

Loans to customers are 0.94% provisioned at 31.12.2025, was 0.75% at 31.12.2024



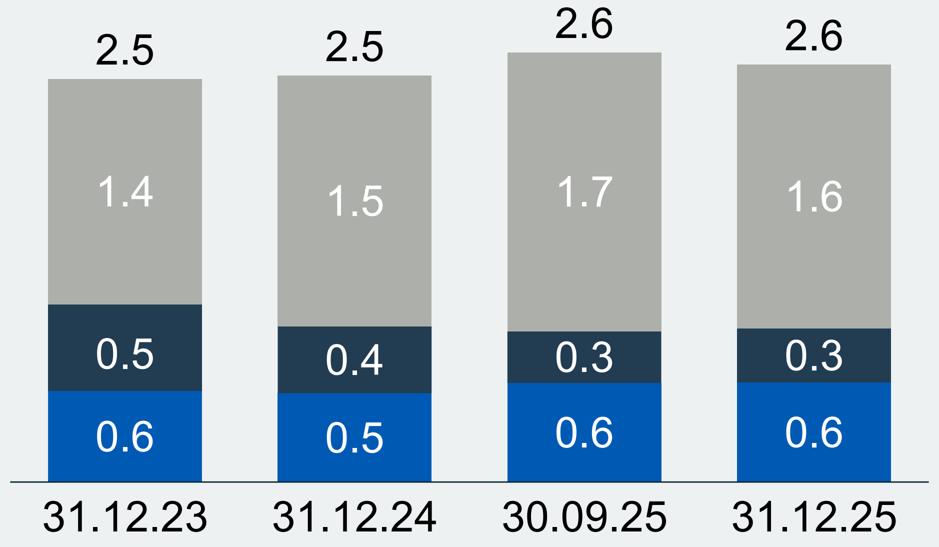
On loans to corporates (ISK bn)

Loans to corporates are 1.43% provisioned at 31.12.2025



On loans to individuals (ISK bn)

Loans to individuals are 0.40% provisioned at 31.12.2025



Stage 1 Stage 2 Stage 3

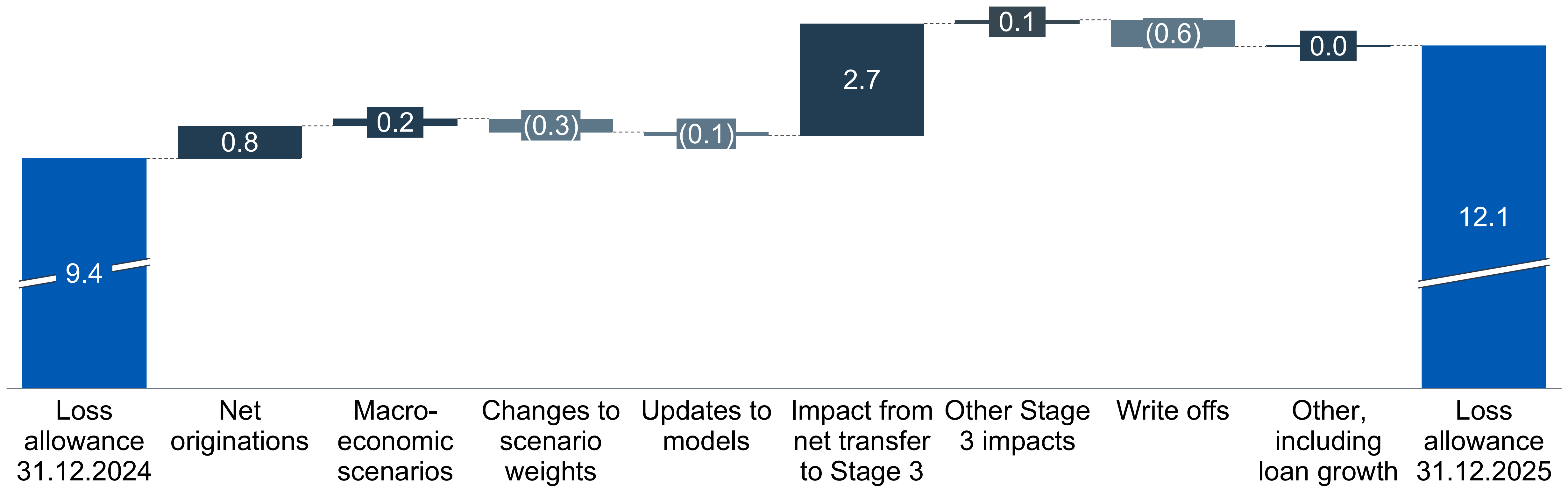
IFRS 9 economic scenarios and assumptions

Expected normalization of economic conditions on the back of high real rates are reflected in the shift of scenario weights from pessimistic to optimistic. However, the weight assigned to the pessimistic scenario remains relatively high based on historical values, highlighting the continued uncertainty in the economic outlook

IFRS9 scenario likelihood	YE 2022	YE 2023	YE 2024	YE 2025
Optimistic	10%	10%	10%	15%
Base case	65%	60%	60%	60%
Pessimistic	25%	30%	30%	25%

Changes to loss allowance on loans to customers YTD (ISK bn)

Increase to Stage 3 impairment in Q4 mainly due to a single credit exposure. Included are FX changes and calculated interest on Stage 3 provision, which are not reflected in Net impairment line in the Income Statement. Off-balance impairments and effect of payments of loans previously written off are excluded from this analysis.

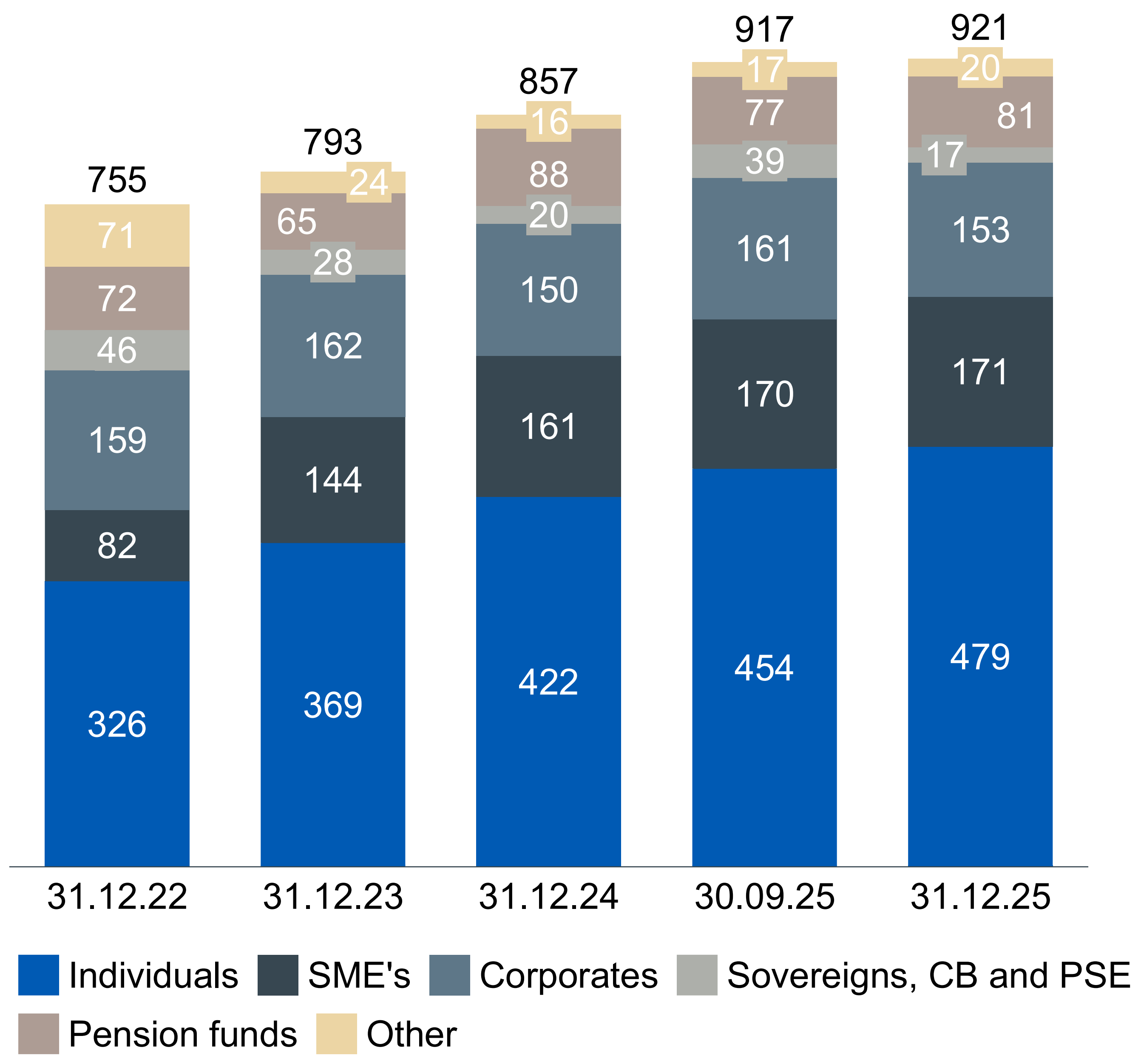


Deposits from customers

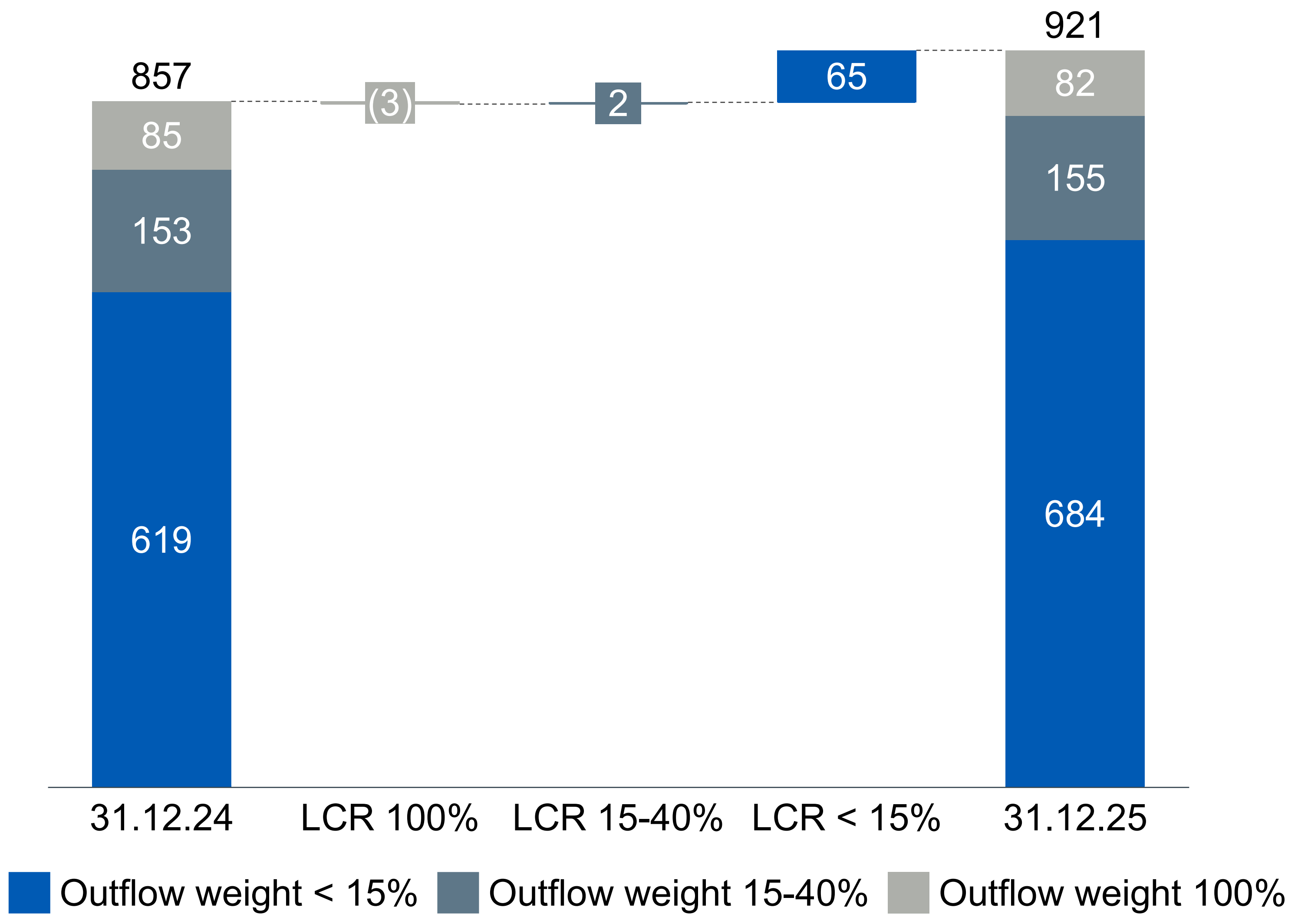
Continued momentum in stable deposits

- Deposits from customers of ISK 921bn represent 60% of the Bank's total liabilities
- Stable deposits consist of deposits from individuals, SME's and corporates with low LCR outflow weight, stable deposits increased by 10.5% during the year
  - Deposits from individuals increased by 13.6% in 2025 and by 5.6% in Q4
  - Successful launch of a new retail savings account within Arion Rewards led to a significant increase in deposits in Q4
  - Corporate deposits generally decline in Q4 due to income tax payments
- Loans to deposits ratio of 144% at the end of the year and has been relatively stable over the last few years

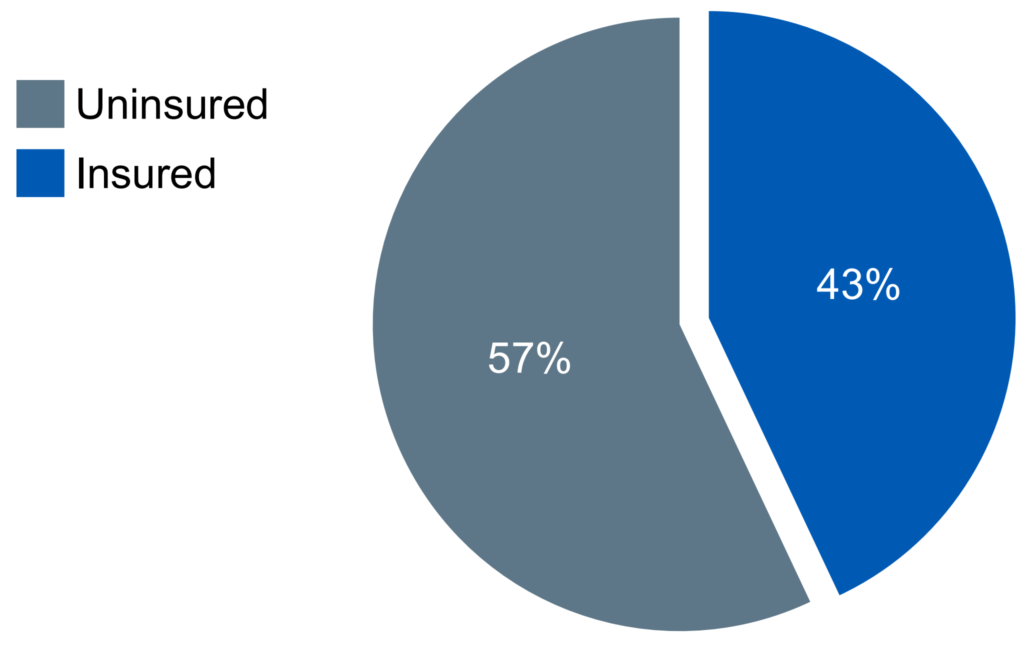
Deposits from customers (ISK bn)



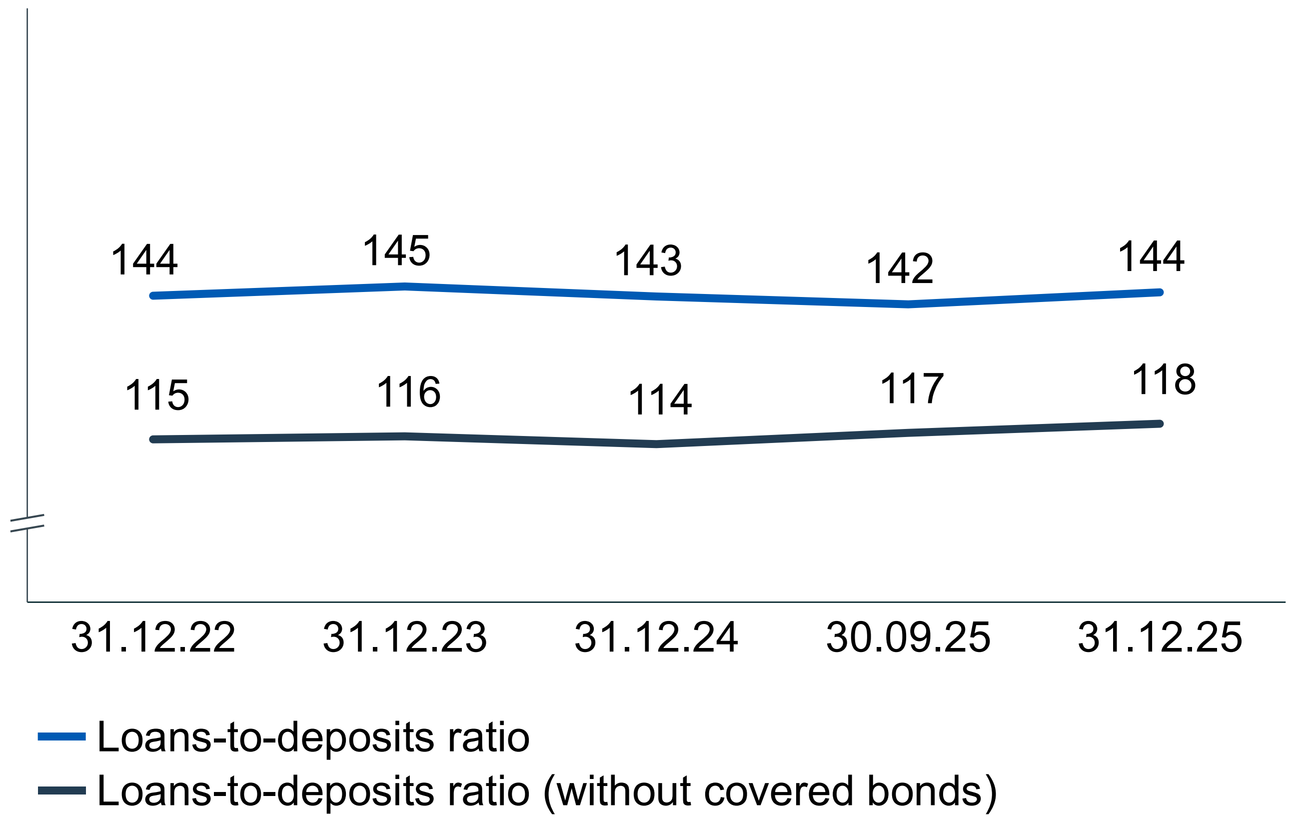
Deposit growth by LCR outflow category (ISK bn)



Deposits by insurance scheme



Loans to deposits ratio (%)

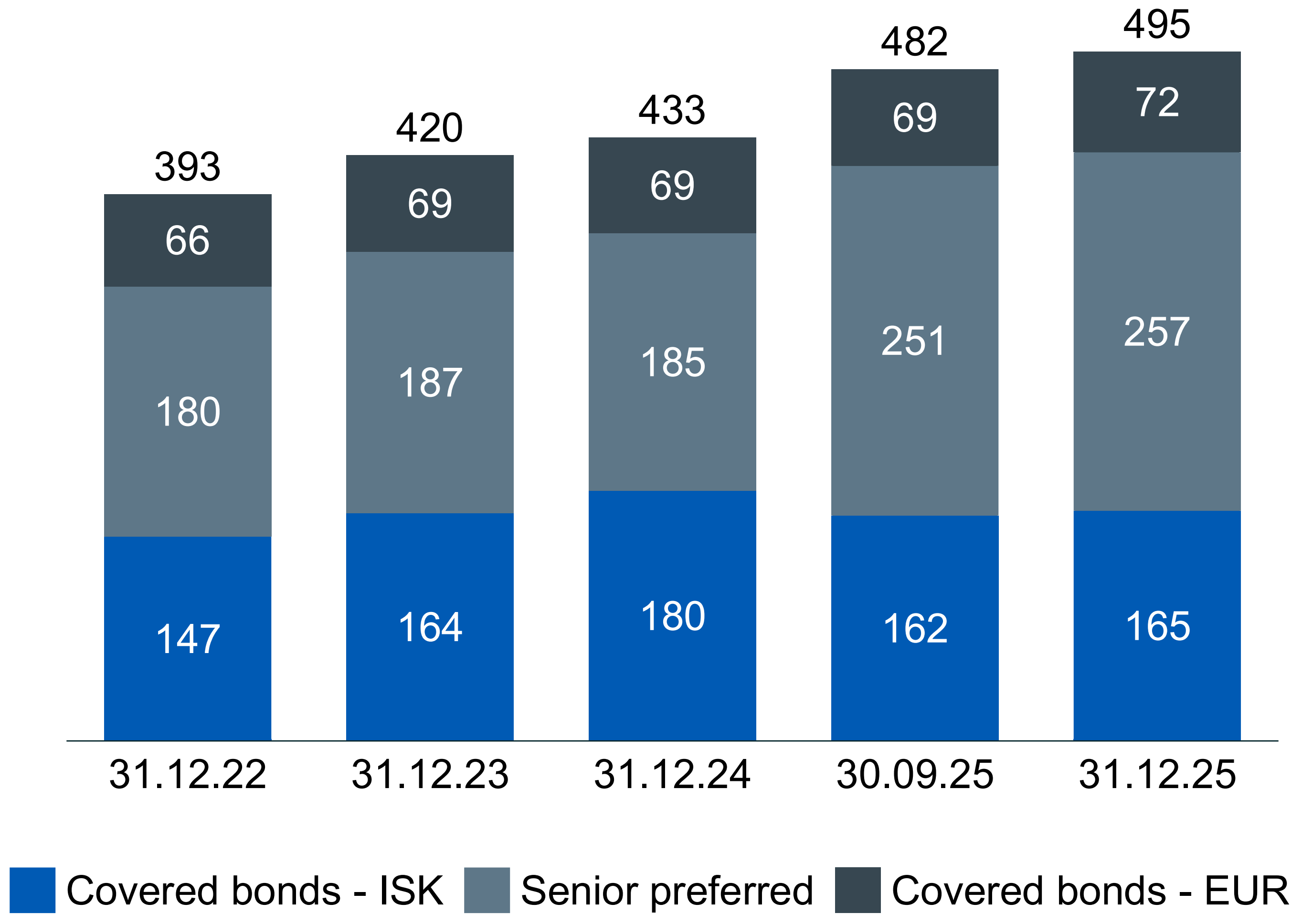


Funding and rating

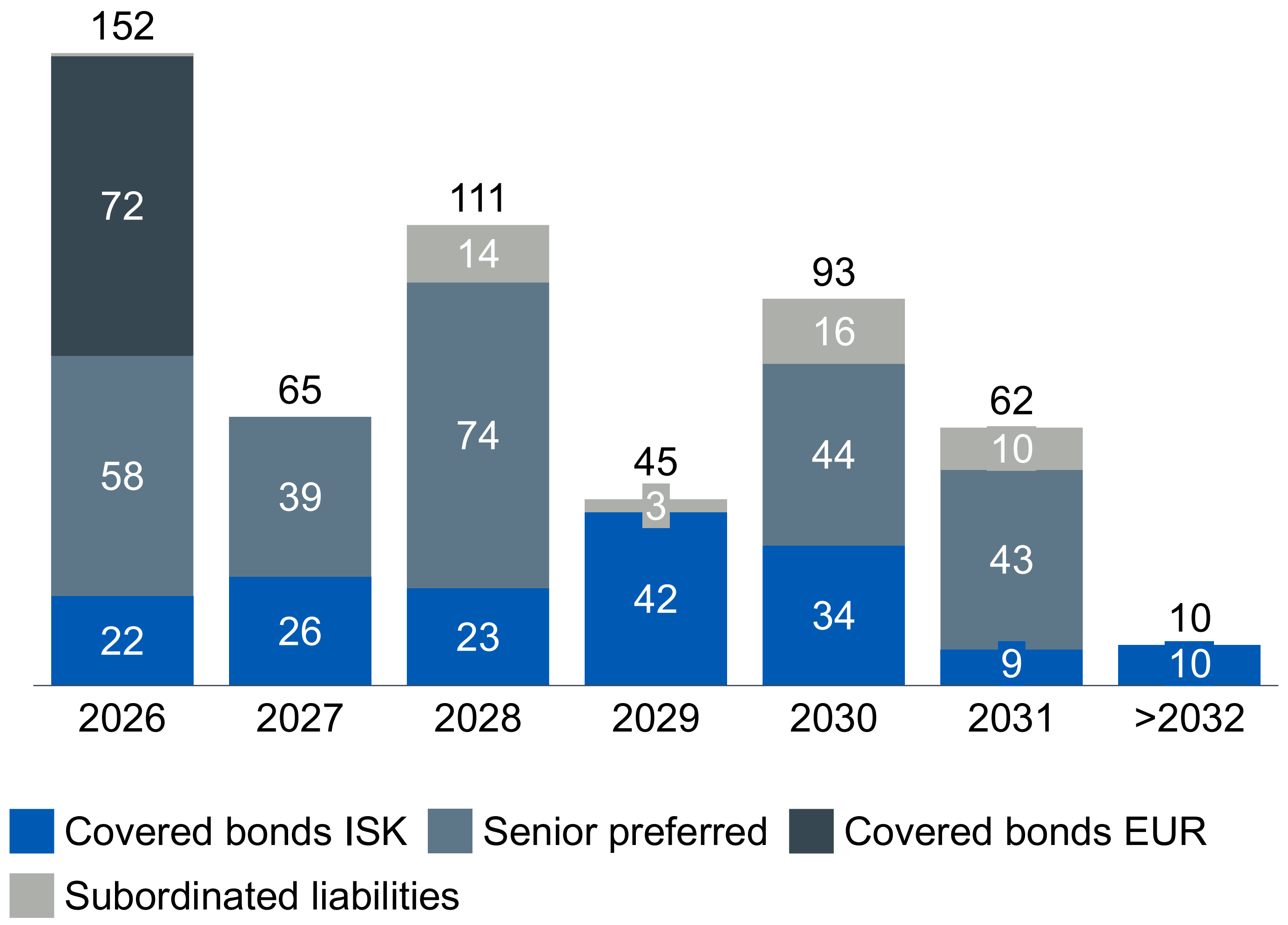
Robust funding profile and stable ratings

- Refinance of 2026 maturities began in Q3 2025
  - Refinance of EUR senior preferred bond maturing in 2026 was successfully completed
  - Successful issuance of green bonds denominated in SEK and NOK in January 2026
  - Funding activities in 2026 will focus largely on refinancing the Q4 EUR 500m covered bond maturity
- Total issuance of ISK covered bonds amounted to ISK 6bn in Q4 2025 and ISK 18.5bn for the full year
- In June 2025 Moody's affirmed Arion Bank's long term issuer rating with stable outlook following proposed merger announcement with Kvika

Borrowings by type (ISK bn)



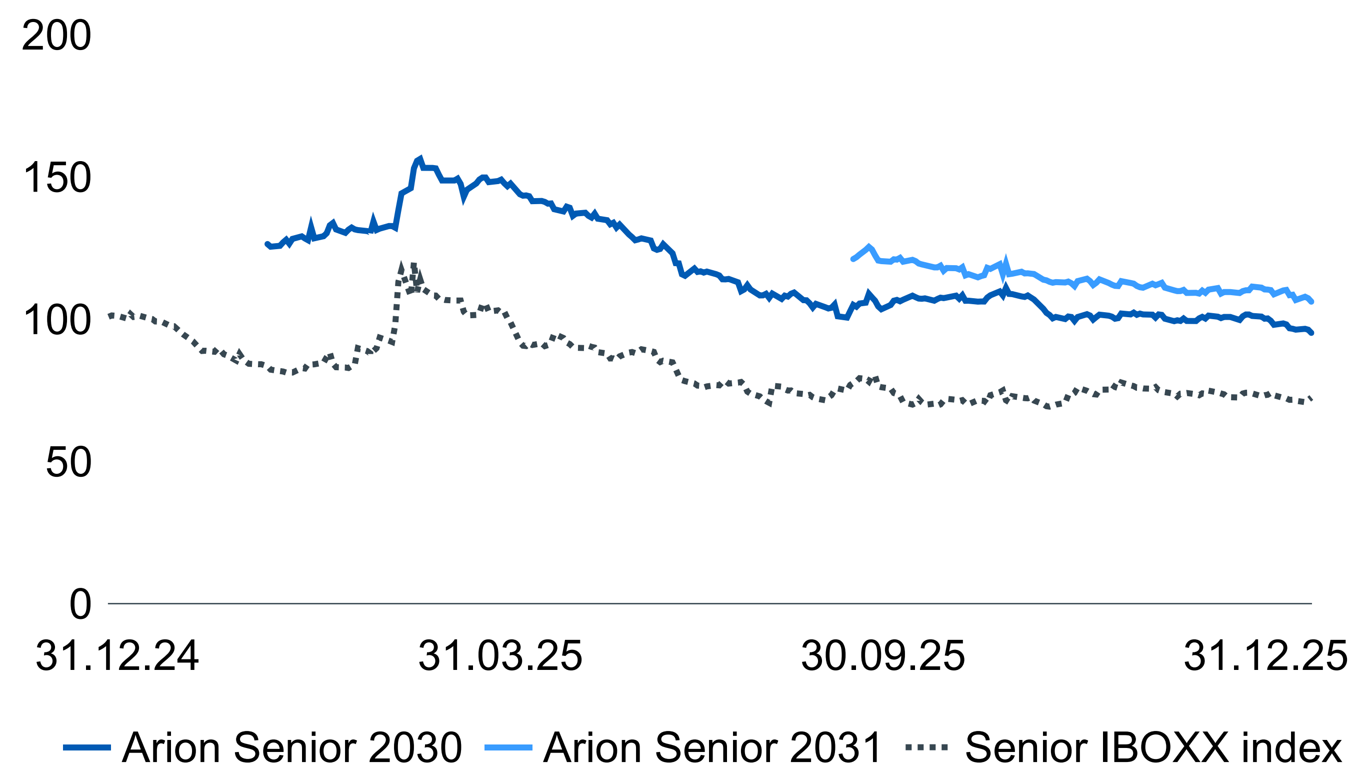
Maturities of borrowings and call dates on subordinated liabilities (ISK bn)



Ratings

MOODY'S		
Issuer - long term	A3	A1
Covered bond	Aa1	N/A
Outlook	Stable	Stable

Development of EUR funding spreads (bps)

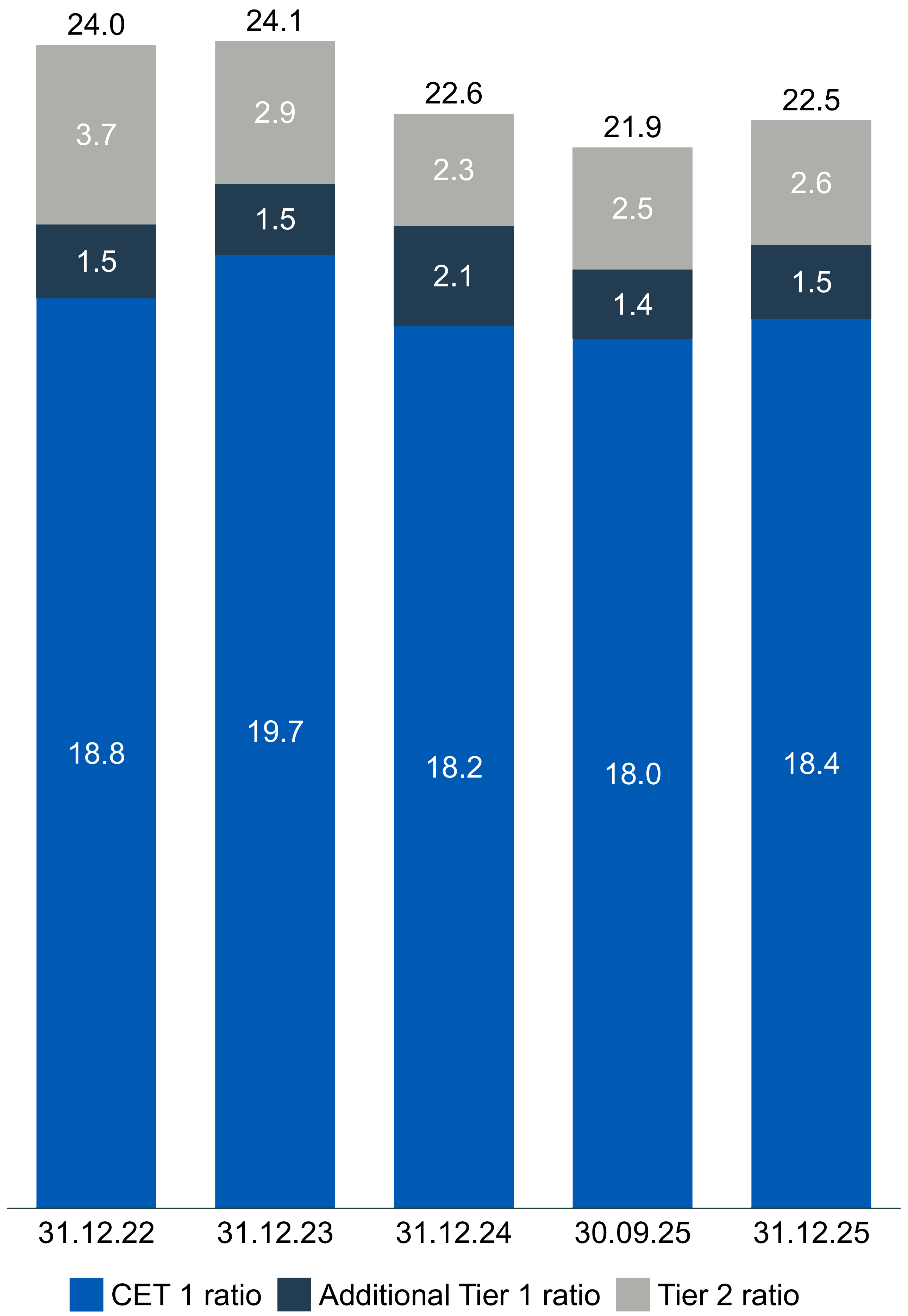


Own funds

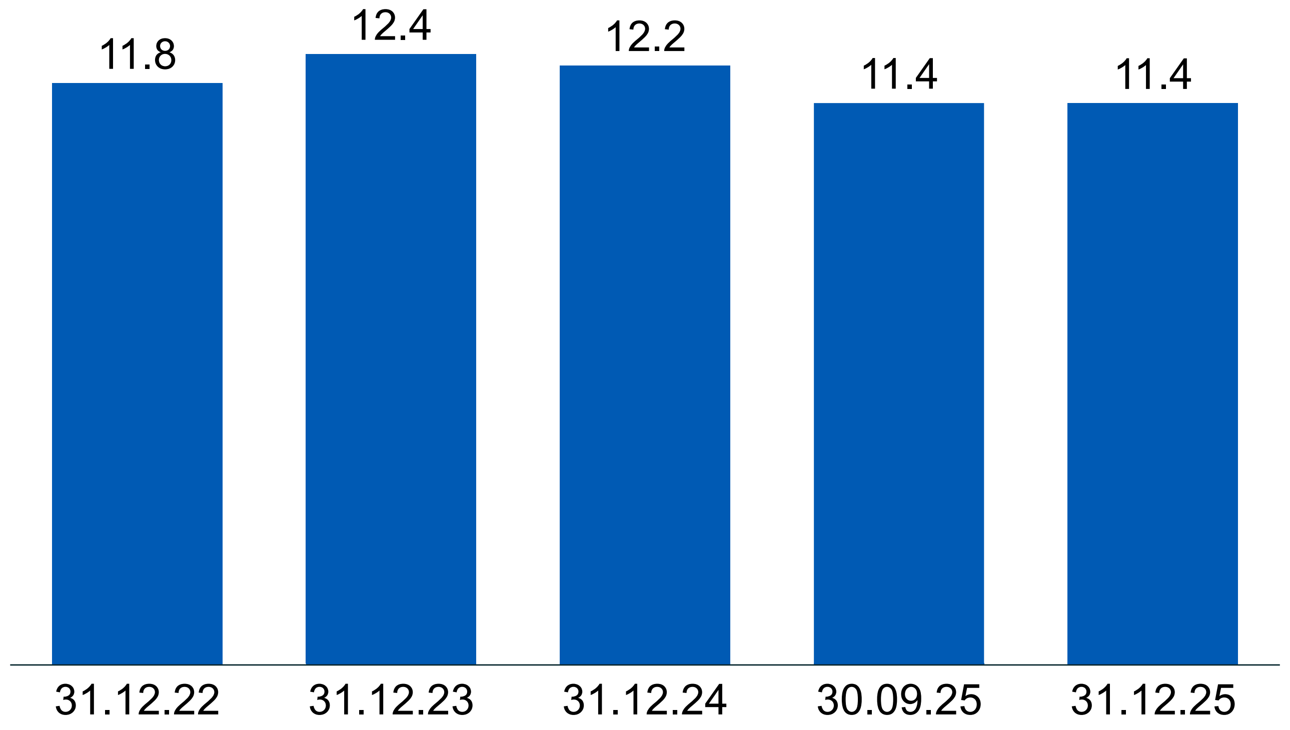
Strong capital position

- CET1 position is 308bps above regulatory requirement
- Net earnings 2025 of ISK 30.6bn and foreseeable dividends of 50% thereof are included in the capital ratios presented
- A buy-back of ISK 5bn approved by the Board of Directors in 2025 and the FSA in 2026 is also accounted for in the ratios
- Total risk-weighted exposure amount (REA) decreased by ISK 29bn or 2.8% during the quarter. The implementation of CRR3 resulted in a REA decrease of around ISK 55bn, which was partly offset by loan growth of ISK 27bn
- Leverage ratio of 11.4%, significantly above most international peers and regulatory requirement

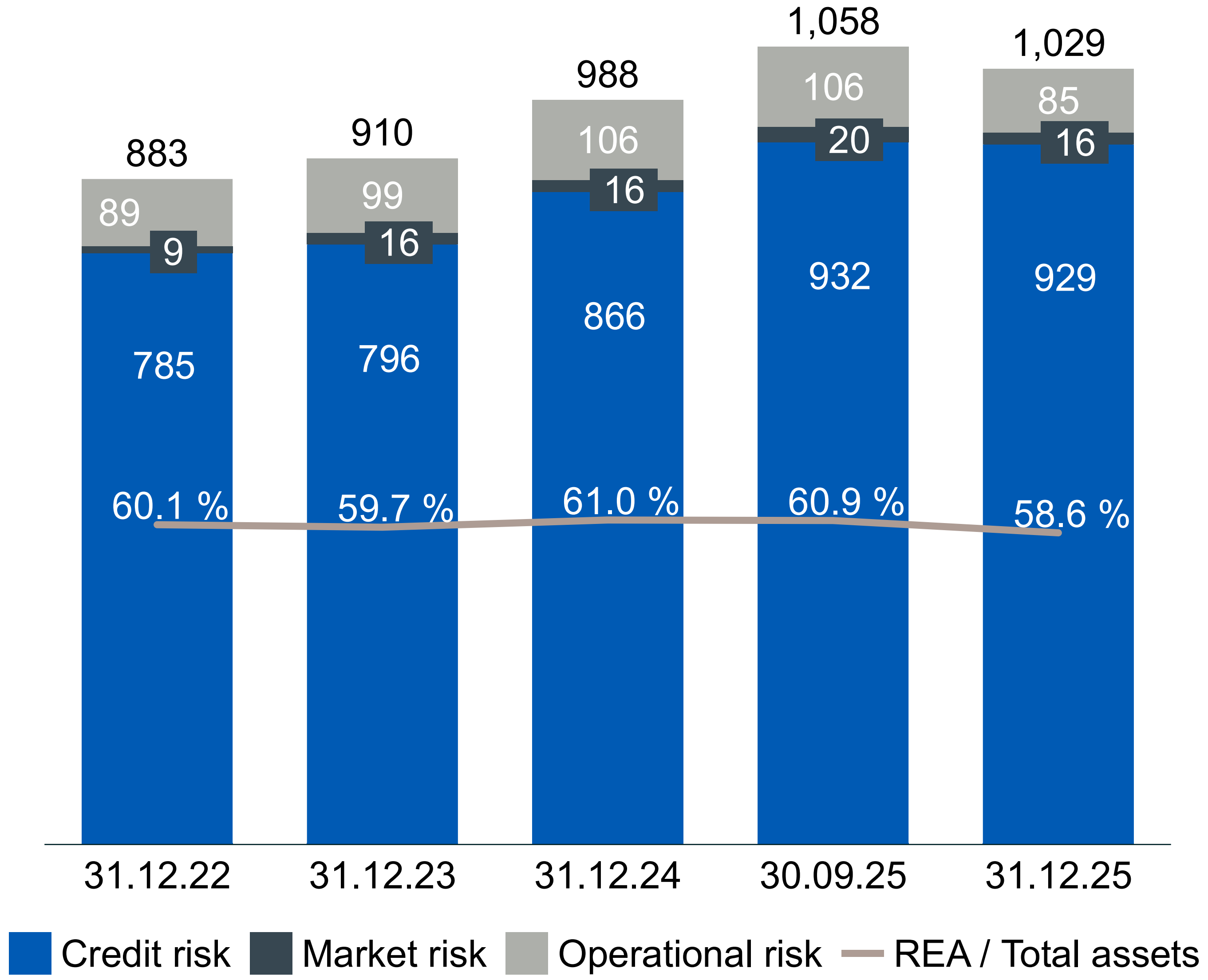
Capital ratio (%)



Leverage ratio (%)



Risk-weighted exposure amount (ISK bn)

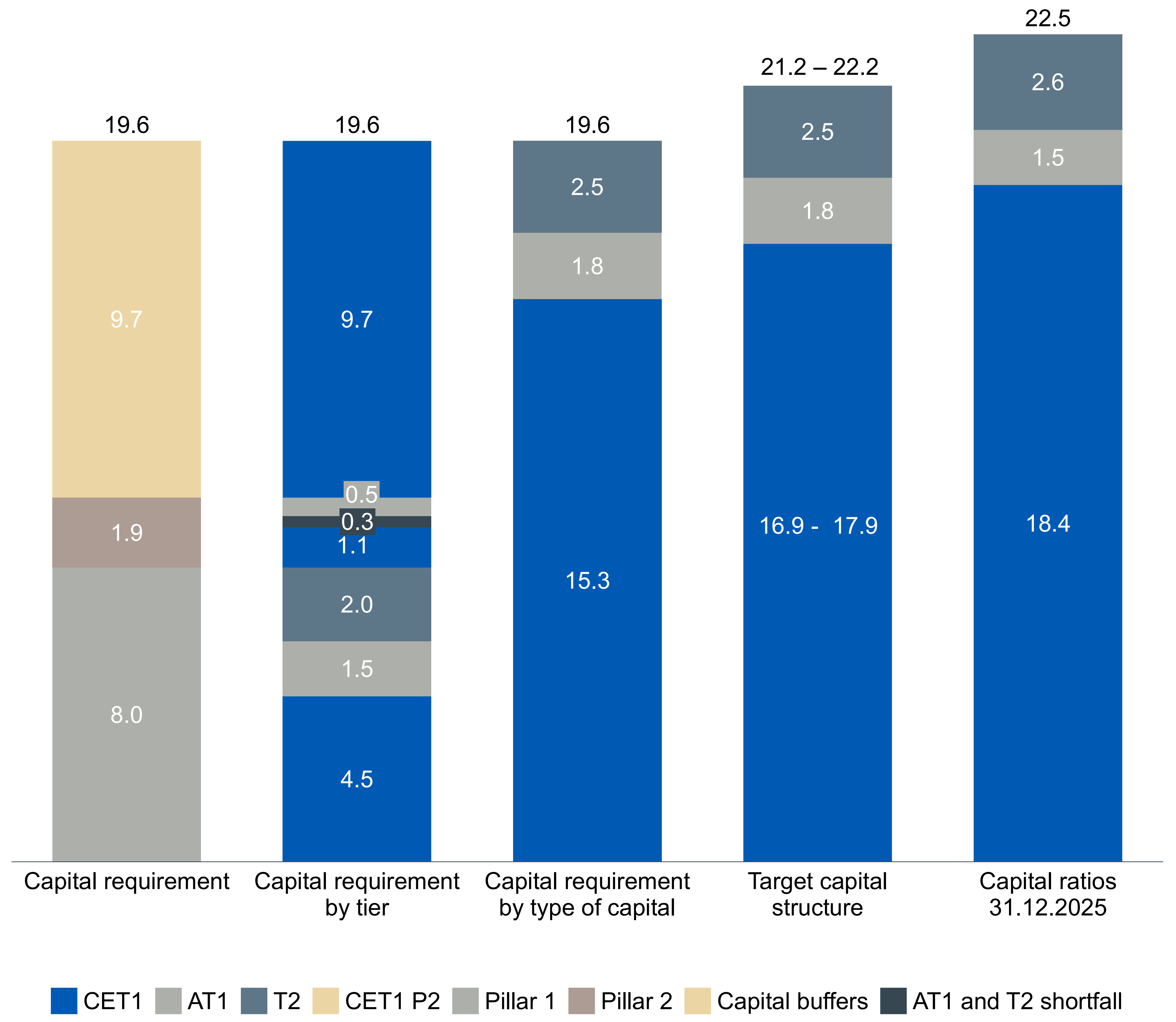


Own funds

The capital ratios continue to be strong

- On 30 June, the FSA presented the Bank with a Pillar 2 requirement of 1.9% as a result of the SREP process based on year-end 2024 financials
- The medium-term capital management buffer target is around 150-250bps over regulatory requirements which considers the capital benchmarks of credit rating agencies
- CRR3 took effect in Iceland in December 2025. This resulted in a capital relief of around ISK 11bn. Some of the initial relief will decrease over time
  - REA relief for real estate backed loans will be reduced over time as revaluation of real estate collateral is restricted unless when loan is refinanced
  - REA for equity positions in the banking book to increase from 100% to 250% over 5 years
  - REA for off-balance sheet items will increase over 8 years or longer
  - It is unclear how and when changes to capital requirements for market risk (FRTB) will be implemented in the EEA
- The solvency ratio of Vördur insurance is 155.2%

Own funds and capital requirements (%)



Going forward

Operational momentum

- Strong operating performance for the year demonstrates good momentum in core earnings and the strategic direction of the Group
- The Group continues to benefit from diversified and seasoned businesses and has demonstrated ability to deliver on targets through the cycle

External environment

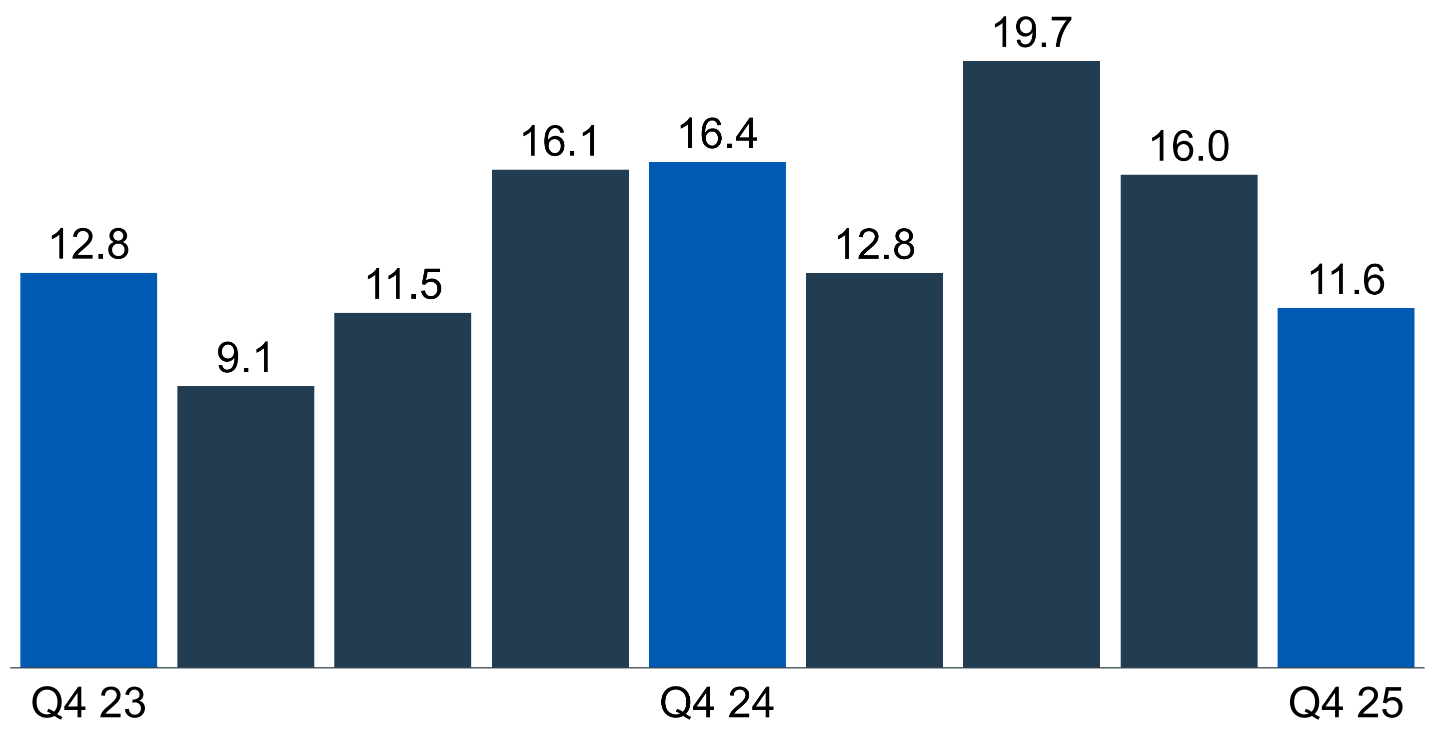
- Cautious stance as to evolving external rate and economic environment
- The Central Bank’s cycle of interest rate cuts has slowed, as inflation has proven more persistent than expected
- Economic activity and growth have slowed, which has generally decreased demand for new loans

Strategic development

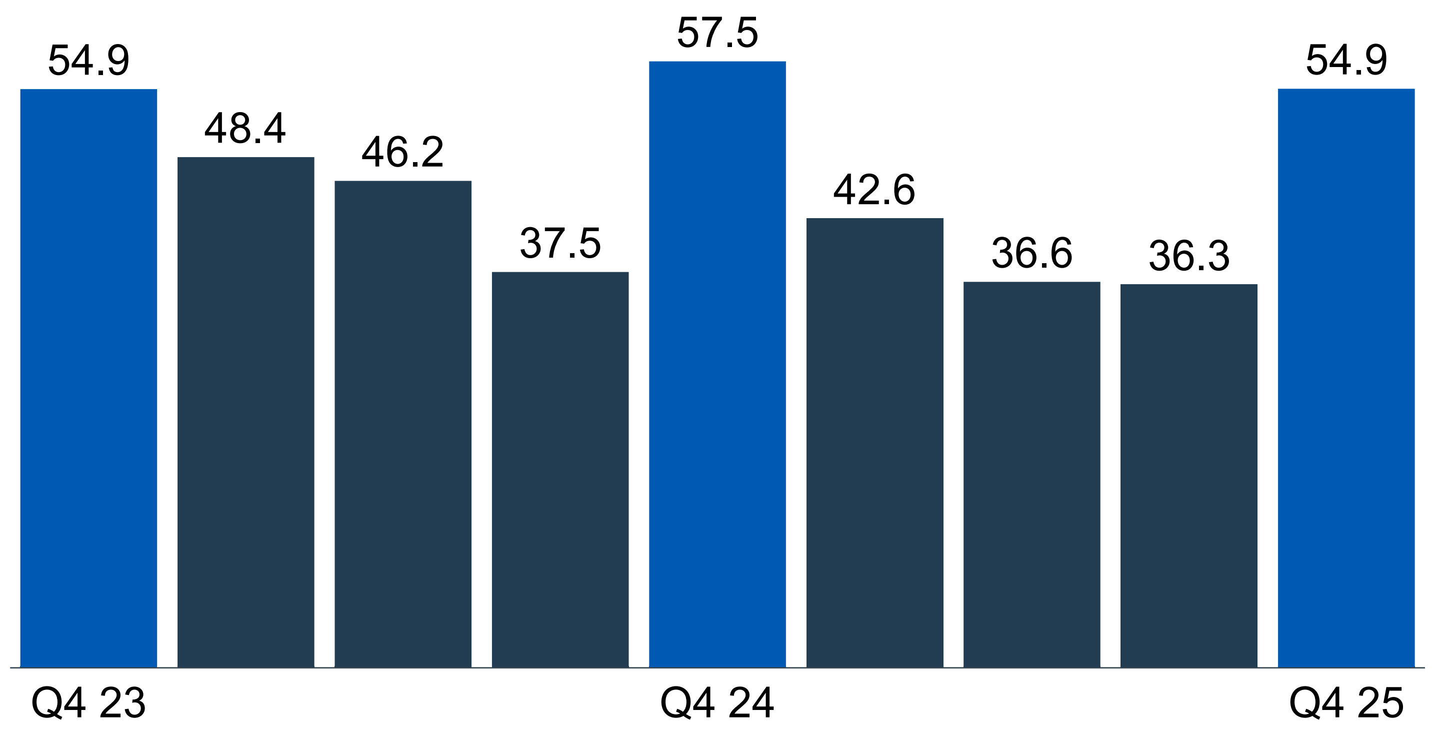
- Merger discussions with Kvika are on track
- Potential merger will provide numerous opportunities to further strengthen our businesses and services to our clients

Key financial indicators - quarterly

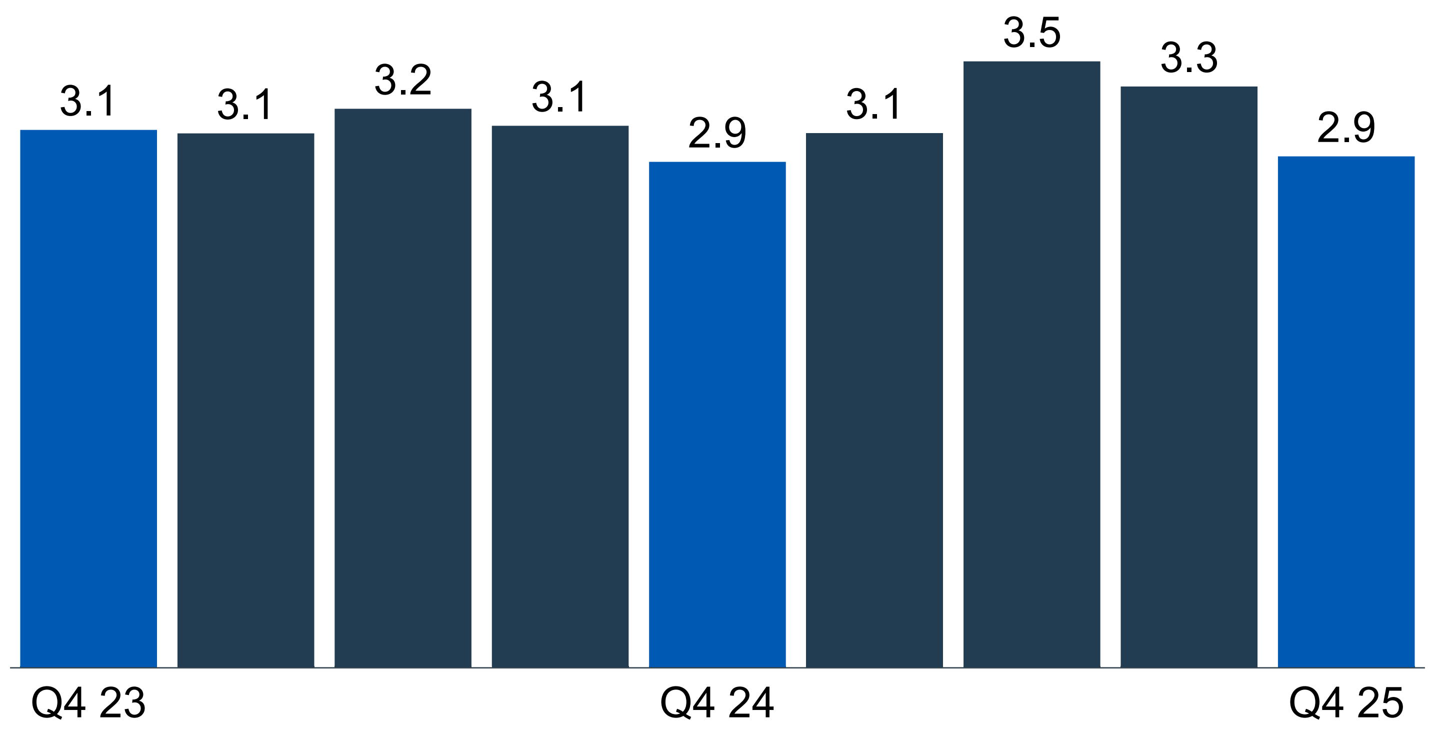
Return on equity (%)



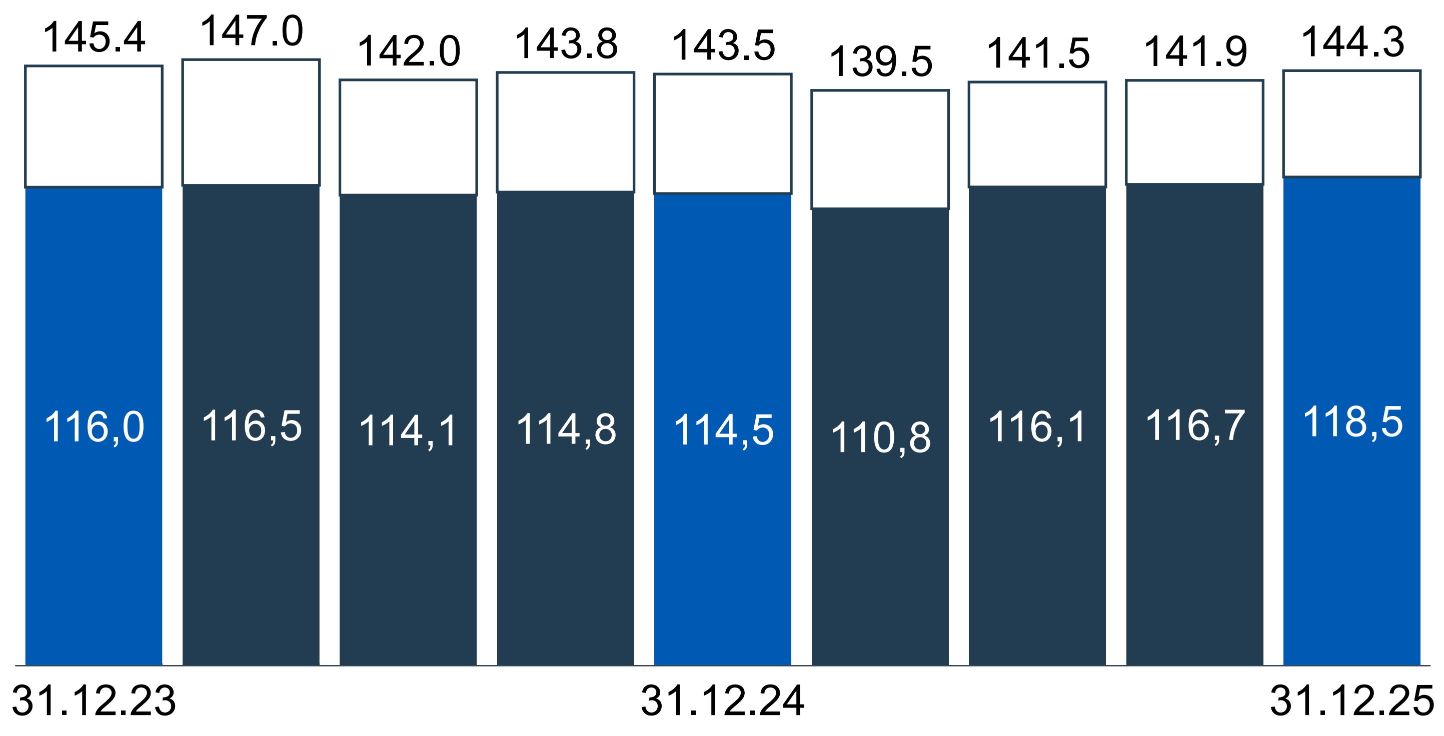
Total cost-to-Core income ratio (%)



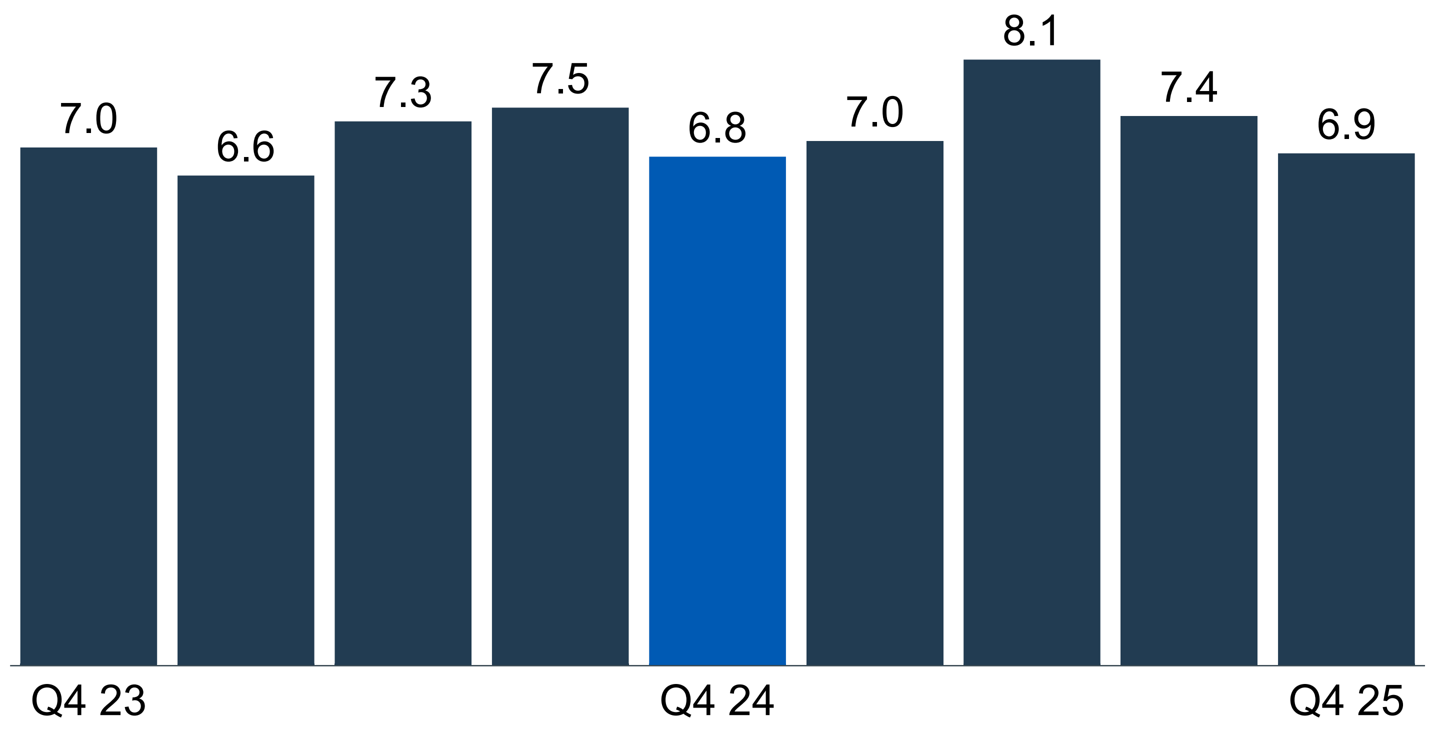
Net interest margin (%)



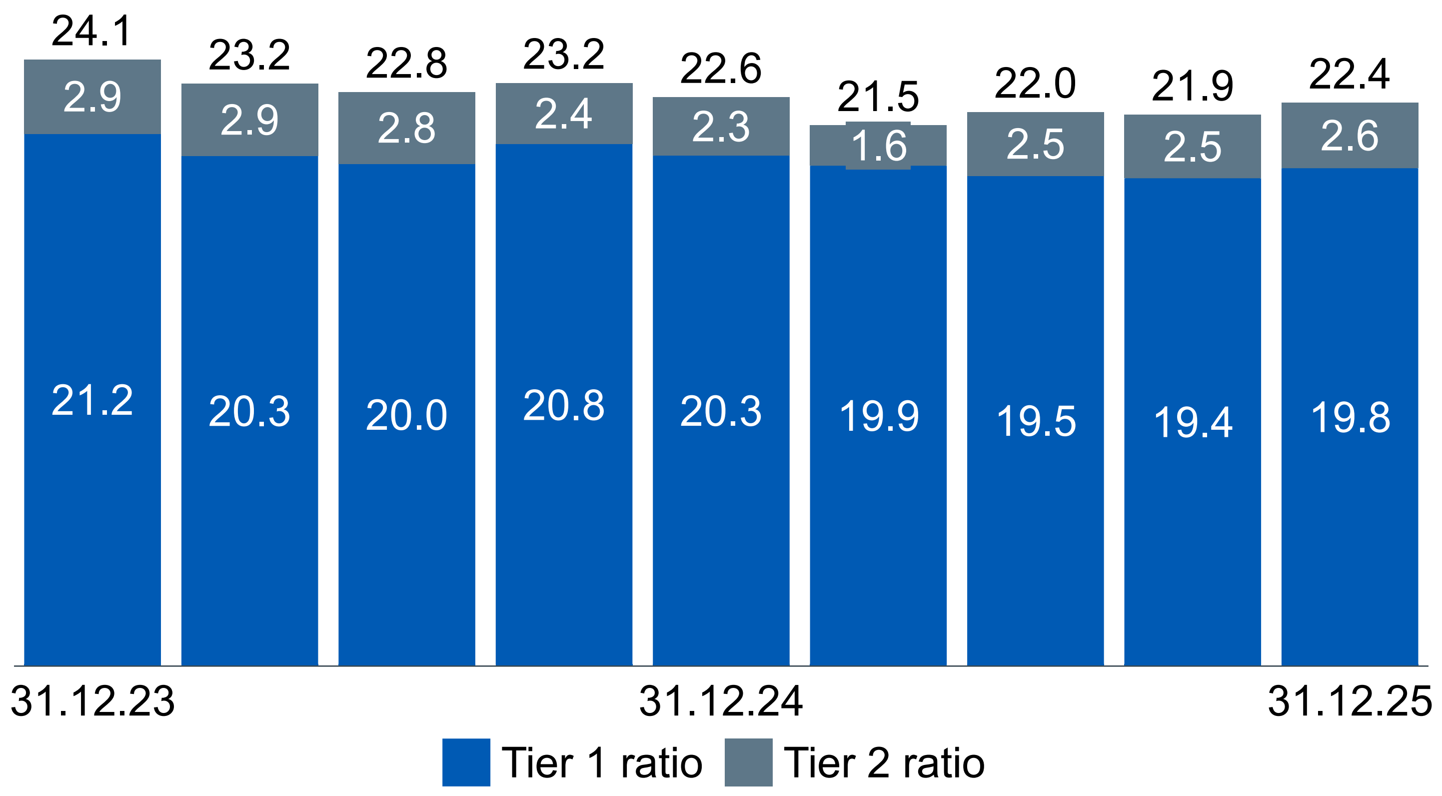
Loans to deposits ratio (%)
(without loans financed by covered bonds)



Core operating income / REA (%)

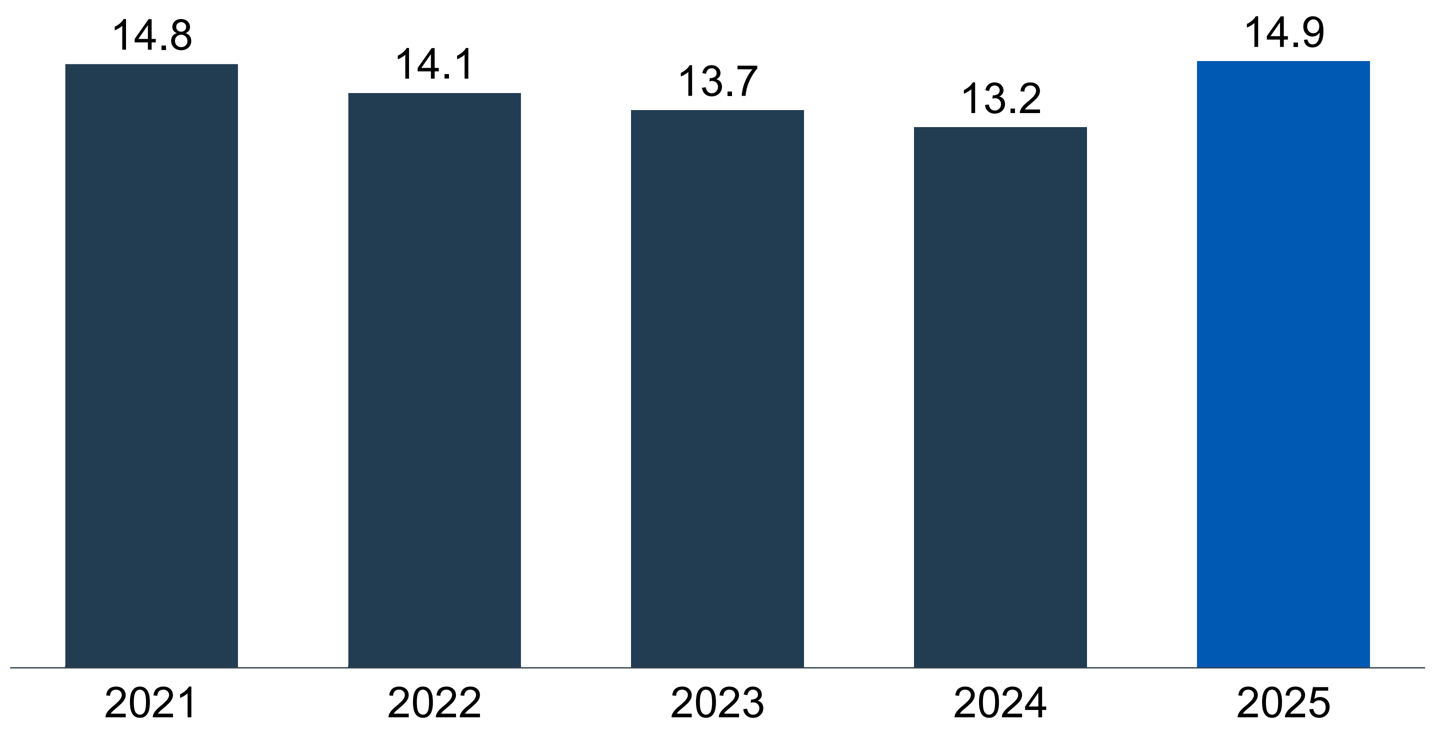


Capital ratio (%)

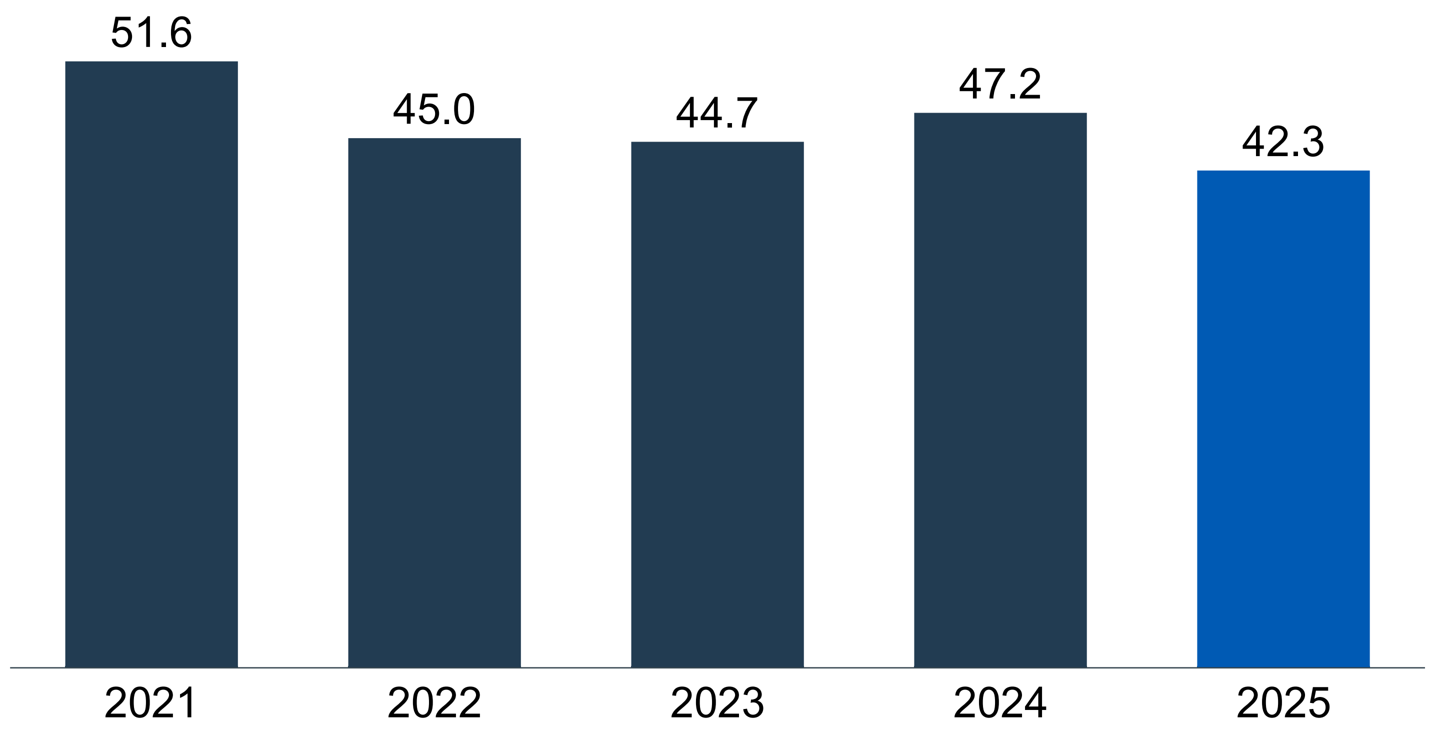


Key financial indicators - annual

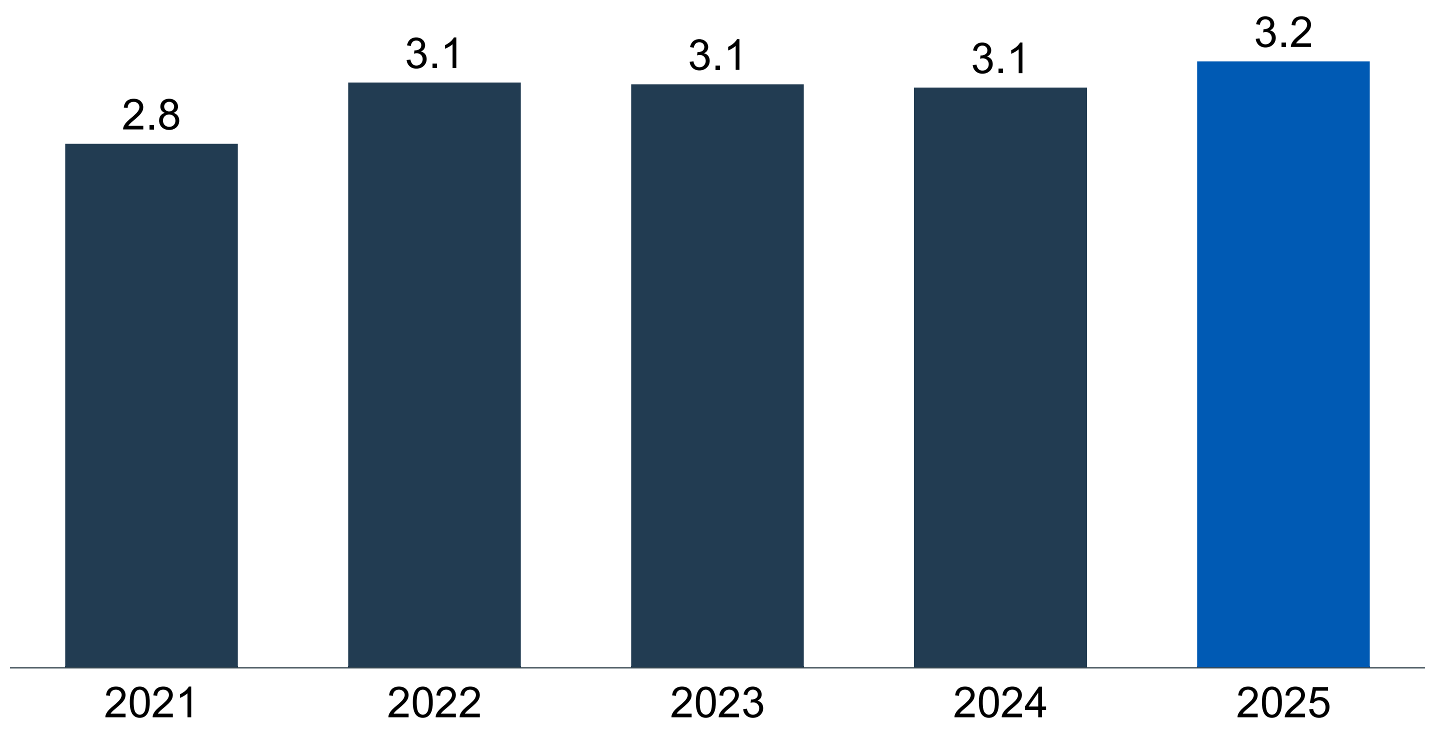
Return on equity (%)



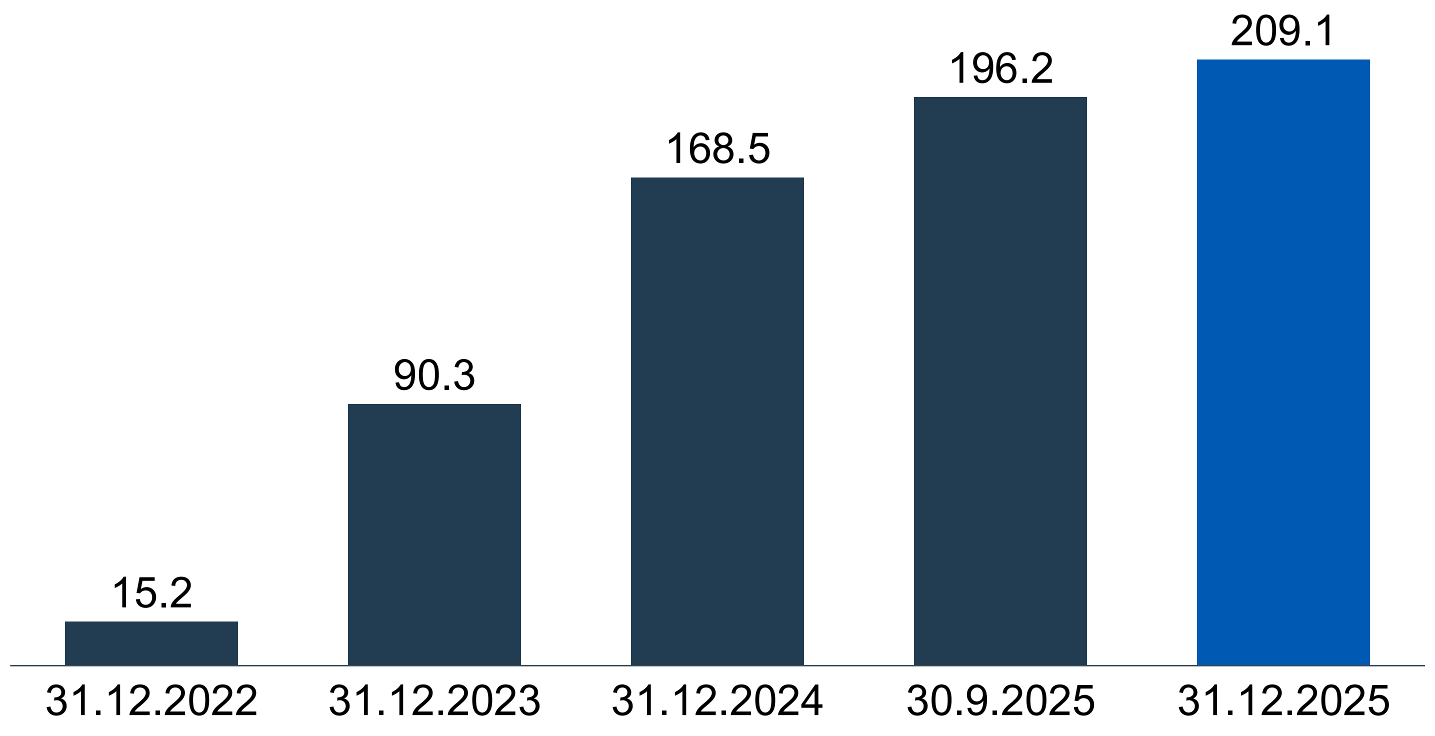
Total cost-to-Core income ratio (%)



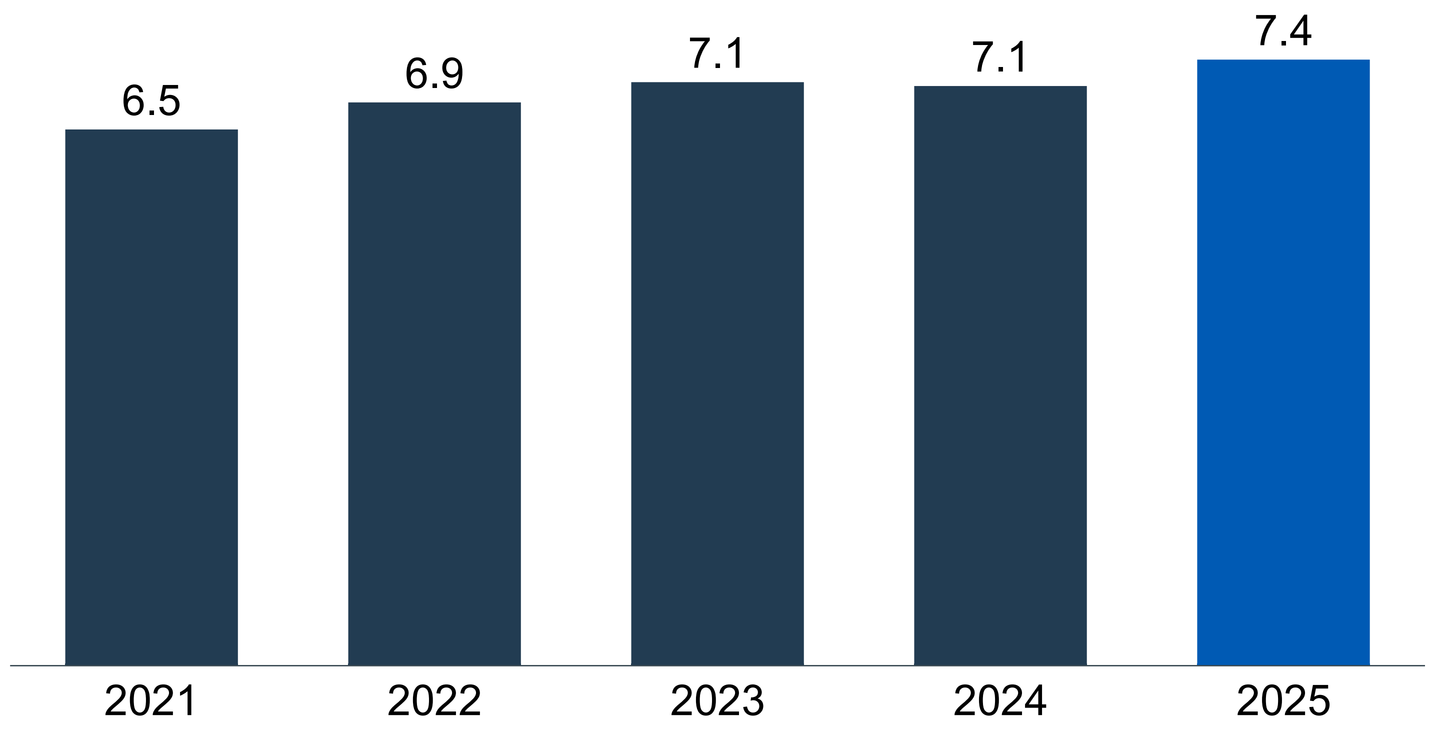
Net interest margin (%)



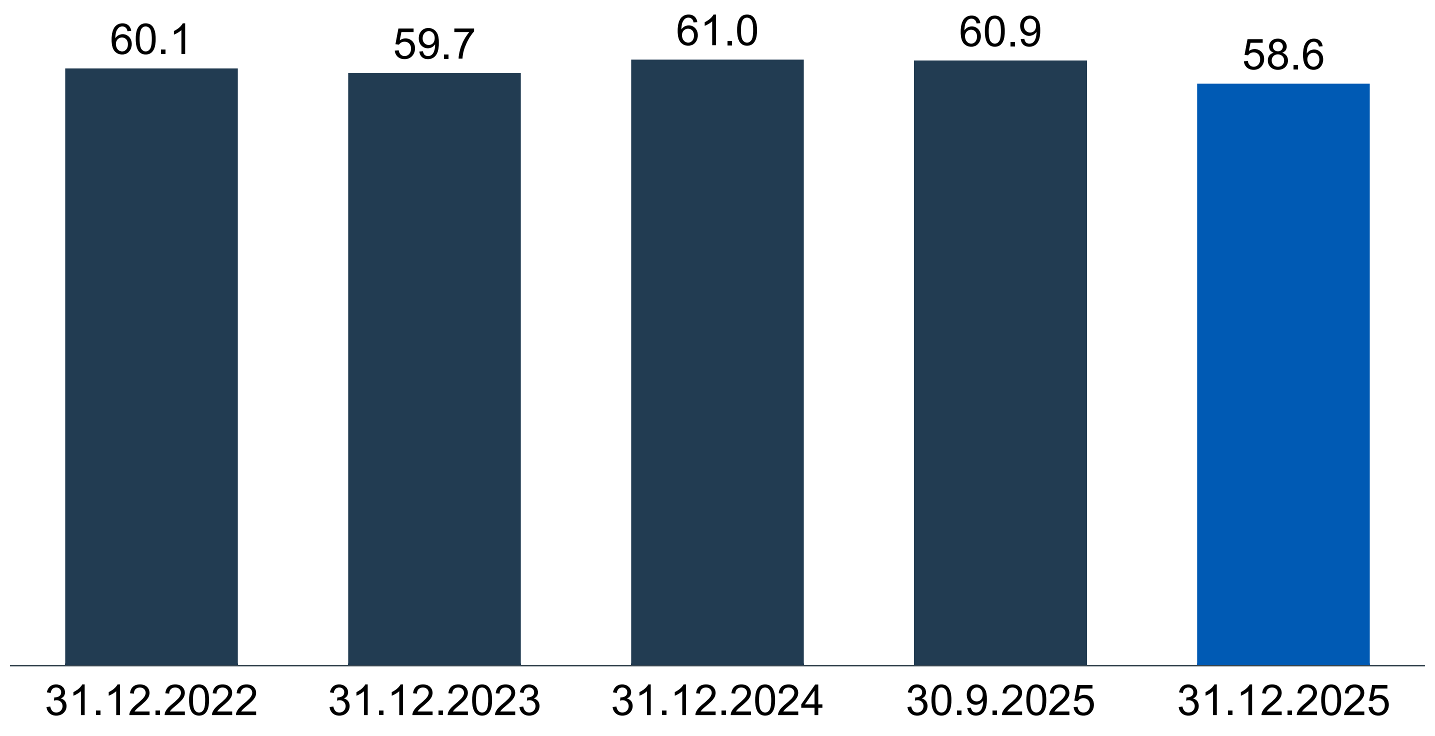
CPI imbalance (ISK bn)



Core operating income / REA (%)



Risk exposure amount / Total assets (%)



Key figures*

Operations	2025	2024	2023	2022	2021	Q4 2025	Q3 2025	Q2 2025	Q1 2025	Q4 2024
Net interest income	52,542	46,302	44,685	40,201	32,063	12,350	13,826	14,200	12,166	11,246
Net commission income	17,147	15,360	16,389	16,449	14,673	4,055	4,003	4,553	4,536	4,136
Operating income	78,391	66,451	64,181	55,293	58,225	19,041	18,987	21,322	19,041	17,906
Operating expenses	(28,248)	(28,328)	(25,701)	(24,329)	(18,008)	(8,756)	(6,194)	(6,697)	(6,601)	(8,601)
Net earnings attributable to shareholders	30,626	26,110	25,757	25,944	28,604	6,226	8,229	9,750	6,421	8,290
Return on equity**	14.9%	13.2%	13.7%	14.1%	14.8%	11.6%	16.0%	19.7%	12.8%	16.4%
Net interest margin	3.2%	3.1%	3.1%	3.1%	2.8%	2.9%	3.3%	3.5%	3.1%	2.9%
Return on assets	1.8%	1.7%	1.7%	1.9%	2.3%	1.4%	1.9%	2.4%	1.9%	2.1%
Total cost-to-core income ratio	42.3%	47.2%	44.7%	45.0%	51.6%	54.9%	36.3%	36.6%	42.6%	57.5%
Cost-to-income ratio	36.0%	42.6%	40.0%	44.0%	44.4%	46.0%	32.6%	31.4%	34.7%	48.0%
Cost-to-total assets	1.7%	1.8%	1.7%	1.8%	2.1%	2.0%	1.4%	1.6%	1.6%	2.1%

Balance Sheet	31.12.2025	31.12.2024	31.12.2023	31.12.2022	31.12.2021	31.12.2025	30.09.2025	30.06.2025	31.03.2025	31.12.2024
Total assets	1,755,765	1,618,267	1,525,672	1,465,609	1,310,710	1,755,765	1,736,535	1,713,145	1,686,655	1,618,267
Loans to customers	1,329,056	1,230,058	1,152,789	1,084,757	936,237	1,329,056	1,301,708	1,272,468	1,234,006	1,230,058
Mortgages	576,828	570,842	549,371	513,605	463,457	576,828	577,551	575,425	570,860	570,842
Share of stage 3 loans, gross	2.4%	2.3%	1.7%	1.2%	1.9%	2.4%	2.3%	2.4%	2.5%	2.3%
REA/ Total assets	58.6%	61.0%	59.7%	60.1%	61.9%	58.6%	60.9%	60.1%	59.5%	61.0%
CET 1 ratio	18.4%	18.2%	19.7%	18.8%	19.6%	18.4%	18.0%	18.0%	18.3%	18.2%
Leverage ratio	11.4%	12.2%	12.4%	11.8%	12.7%	11.4%	11.4%	11.5%	11.4%	12.2%
Liquidity coverage ratio	199.2%	180.6%	191.8%	158.5%	202.8%	199.2%	205.5%	156.4%	186.4%	180.6%
Loans to deposits ratio	144.3%	143.5%	145.4%	143.6%	142.8%	144.3%	141.9%	141.5%	139.5%	143.5%

*Figures for periods prior to 2022 have not been restated according to IFRS 17
**Attributable to shareholders of Arion Bank

 All amounts in ISK million

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