

# Q3 and 9M results 2025

Investor presentation  
29 October 2025

# Key results

## Solid quarter and positive trend for 9M

16.0% ROE vs medium-term target of above 13%

- Good momentum in core earnings
- Cost development in line with expectations

## Capital optimization on track

- Capital distribution of ISK 22bn through dividends and buybacks in the first nine months of the year
- Capital position moving closer to optimized level
- CRR3 implementation, which is expected before year-end, will further increase surplus capital
- Kvika merger expected to further increase capital level from current standalone position

| Key results                                      | Medium-term targets                        |   | Q3 2025                              |   | 9M 2025                              |
|--------------------------------------------------|--------------------------------------------|---|--------------------------------------|---|--------------------------------------|
| Return on equity <sup>1</sup>                    | Exceed 13%                                 | ✓ | 16.0%                                | ✓ | 16.0%                                |
| Core operating income <sup>2</sup> / REA         | Exceed 7.2%                                | ✓ | 7.4%                                 | ✓ | 7.5%                                 |
| Insurance revenue growth (YoY) <sup>3</sup>      | In excess of market growth                 | • | 4.7%                                 | • | 4.9%                                 |
| Combined ratio Vördur                            | Below 95%                                  | ✓ | 88.2%                                | ✓ | 89.0%                                |
| Total cost-to-core income <sup>4</sup> ratio     | Below 45%                                  | ✓ | 36.3%                                | ✓ | 38.3%                                |
| CET1 ratio above regulatory capital requirements | 150-250 bps management buffer <sup>5</sup> | • | 266 bps                              | • | 266 bps                              |
| Dividend payout ratio <sup>6</sup>               | 50%                                        | ✓ | 50% of net profit deducted from CET1 | ✓ | 50% of net profit deducted from CET1 |

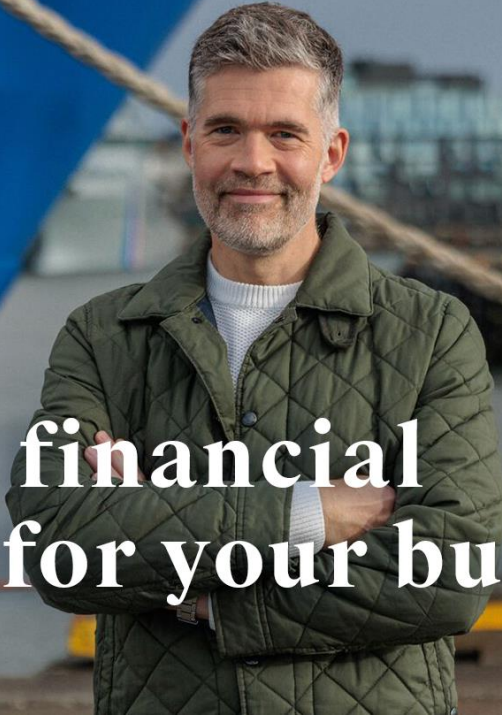
Medium-term targets are reviewed annually, and the underlying horizon is up to 3 years

<sup>1</sup> Return on equity attributable to shareholders of Arion Bank  
<sup>2</sup> Core operating income: Net interest income, net fee and commission income and insurance service results (excluding opex)  
<sup>3</sup> YoY Insurance revenue growth in the domestic insurance market in Q2 2025 was 5.4%  
<sup>4</sup> Total cost-to-core income ratio: Operating expenses including OPEX from insurance operations / Operating income excluding OPEX from insurance operations  
<sup>5</sup> Approx. 16.8 - 17.8%  
<sup>6</sup> 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 operational highlights







Improved financial solutions for your business

Successful EUR 300m senior financing

- The Bank issued EUR 300 million in senior preferred notes at the end of August, with a six-year maturity
- The issuance marks Arion's longest senior financing to date with participation from 105 investors spanning more than 20 countries across EMEA and APAC



Frjálsi Pension Fund and Dentist Pension Fund agree to merge



- The merger is pending approval by the members of the Dentist Pension Fund in November
- As of September 30, 2025, the Dentist Fund holds ISK 11bn, while Frjálsi manages ISK 562bn.

Arion Bank awarded for excellence in business

#1

...in Iceland for the fourth year in a row

2018  
2025

Excellent in Iceland

Viðskiptablaðið Keldan



Strong momentum at Stefnir Funds

- SÍA V is a new ISK 15 bn private equity fund from Stefnir, focused on investing in unlisted Icelandic companies to boost returns and enhance value.
- Through targeted fee reductions and with the support of Arion Rewards, Stefnir has made transactions more accessible, passed operational efficiencies on to its clients and expanded its client base by 9.1% YTD
- REIR 20, a new fund by Stefnir, partners with buyers by contributing 20% toward residential housing, allowing them to own 80% of the property with full control



New Arion Rewards savings account

The Rewards savings account offers top-tier interest rates paid weekly

Exclusively for Arion Rewards members

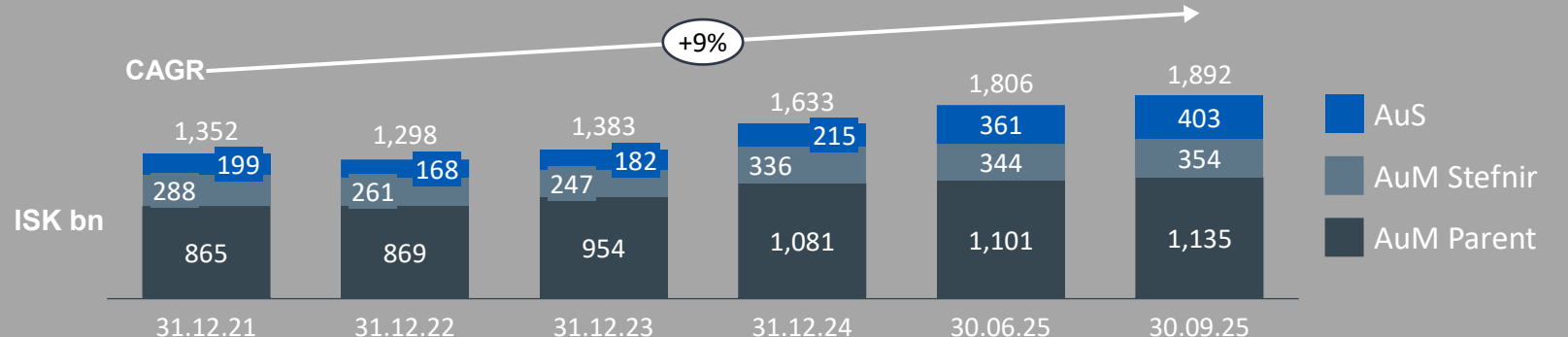


Markets: sustained growth in AuM & AuS

- Total AuM & AuS rose 4.7% in Q3 2025, with AuS up 11.7% and institutional AuM reaching ISK 950 bn.

CAGR

+9%



ISK bn

31.12.21 31.12.22 31.12.23 31.12.24 30.06.25 30.09.25

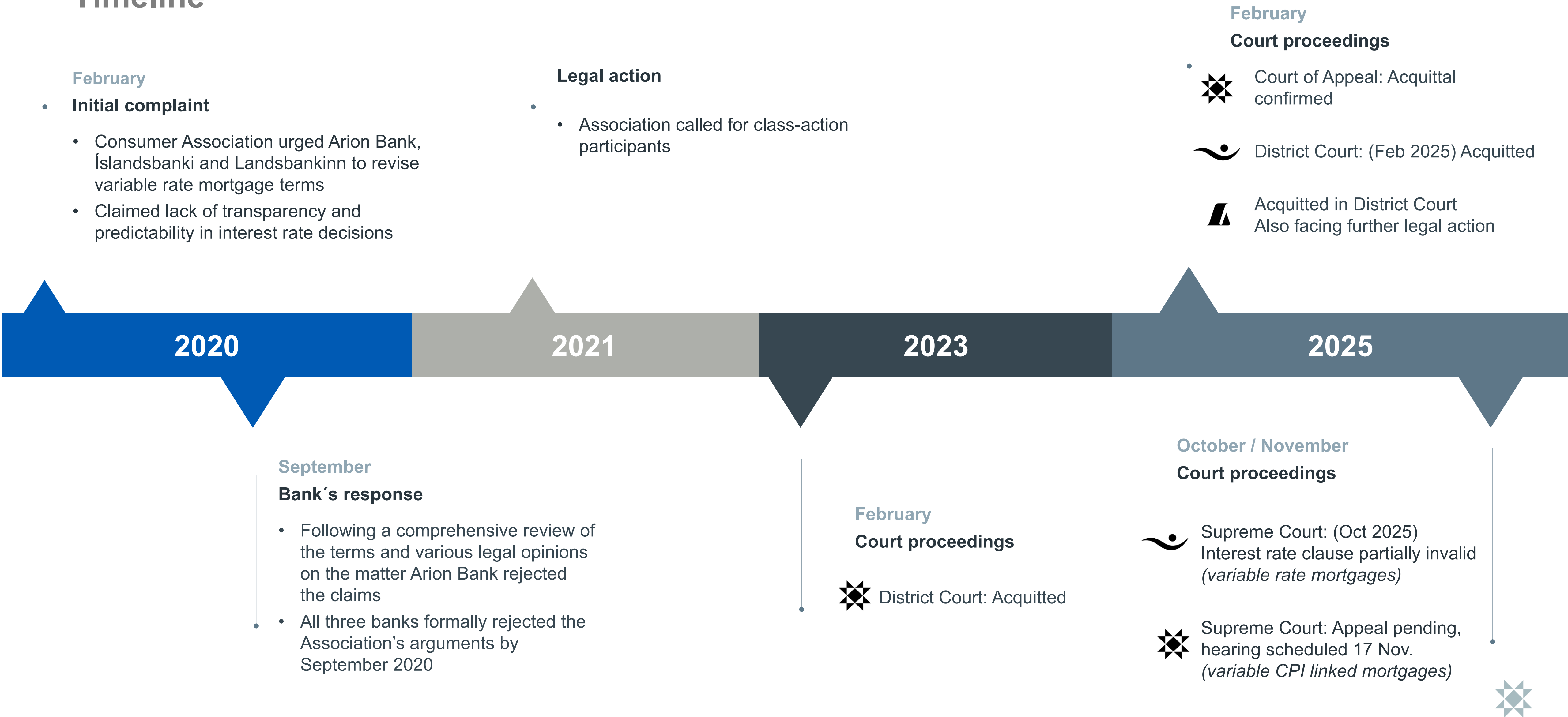
AuS  
AuM Stefnir  
AuM Parent

Sale of Arnarland development asset successfully concluded

Arnarland

# Consumer Association’s class-action lawsuit against Icelandic banks

## Timeline



# Consumer Association's class-action lawsuit against Icelandic banks

## Financial impact assessment

- Arion Bank's loan terms differ from those of Íslandsbanki and are more comprehensive
- Worst-case scenario previously presented: ISK 24bn pre-tax, thereof ISK 20bn for non-indexed loans
- Should the Íslandsbanki ruling be applied to Arion Bank's non-indexed loans, the estimated loss would be less than ISK 0.5bn pre-tax
- For indexed loans, the estimated worst-case scenario could result in a pre-tax loss for up to ISK 4.5bn, assuming the lowest interest rates presented by the Central Bank
- These assessments are based on a four-year statute of limitations and do not account for any potential impact on the Bank's future earnings
- The Bank has not made any provision in respect of impending court cases, given the degree of ongoing uncertainty, but will keep this under review

## Arion Bank's current response

- Arion Bank postponed the issuance of indexed loans
- Preparations are underway for a temporary solution regarding issuance of indexed loans
- An Interest rate floor will be set on the current terms of non-indexed loans



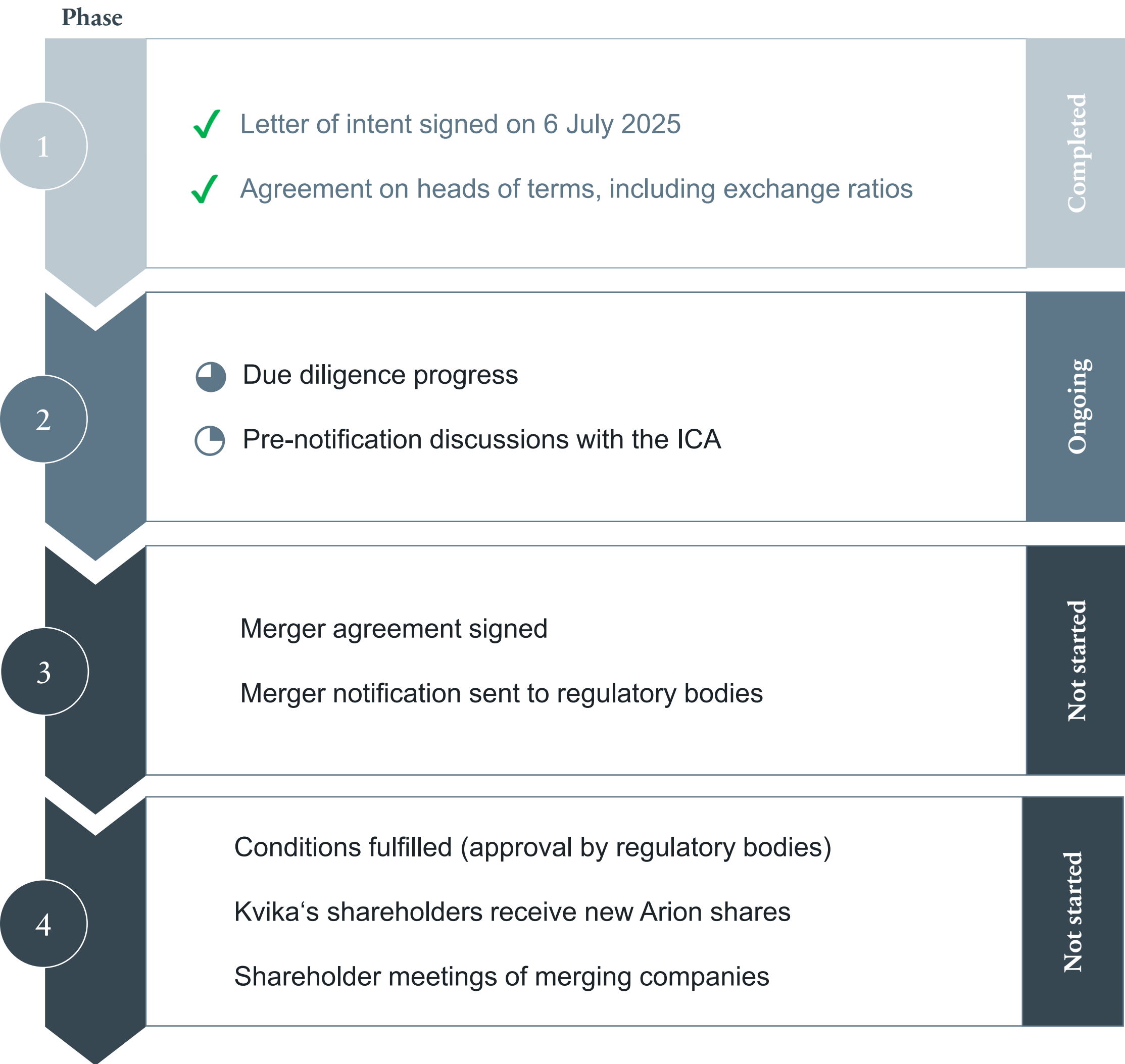
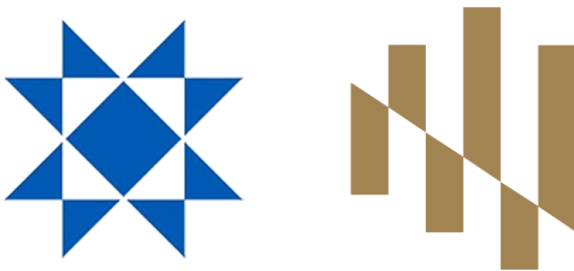
# Merger discussions between Arion Bank and Kvika Bank

Due diligence processes finalized in coming weeks and dialogue with the ICA underway

Arion and Kvika have started pre-notification discussions with the ICA

These discussions are expected to take several weeks where the banks present the merger case and their assessment on competition matters

The outcome of these discussions will determine the next steps in process



*Subject to successful results from phase 2*

# Sale of Arnarland finalized in Q4

- Arion Bank has concluded a sale process of Arnarland, a development asset in the municipality of Garðabær in October 2025
- The land-use plan provides for 50,000m<sup>2</sup> of multi-family housing and 36,000m<sup>2</sup> of commercial real estate
- This project is a prime example of Arion's ability to generate value through diligent development of assets from start to finish
- The sale had a positive effect on the book value of Landey ehf., Arion's subsidiary, of ISK 2.0bn in 9M 2025. Landey owned 51% in Arnarland ehf. The financial impact of the sale is expected to be minimal for the Q4 accounts



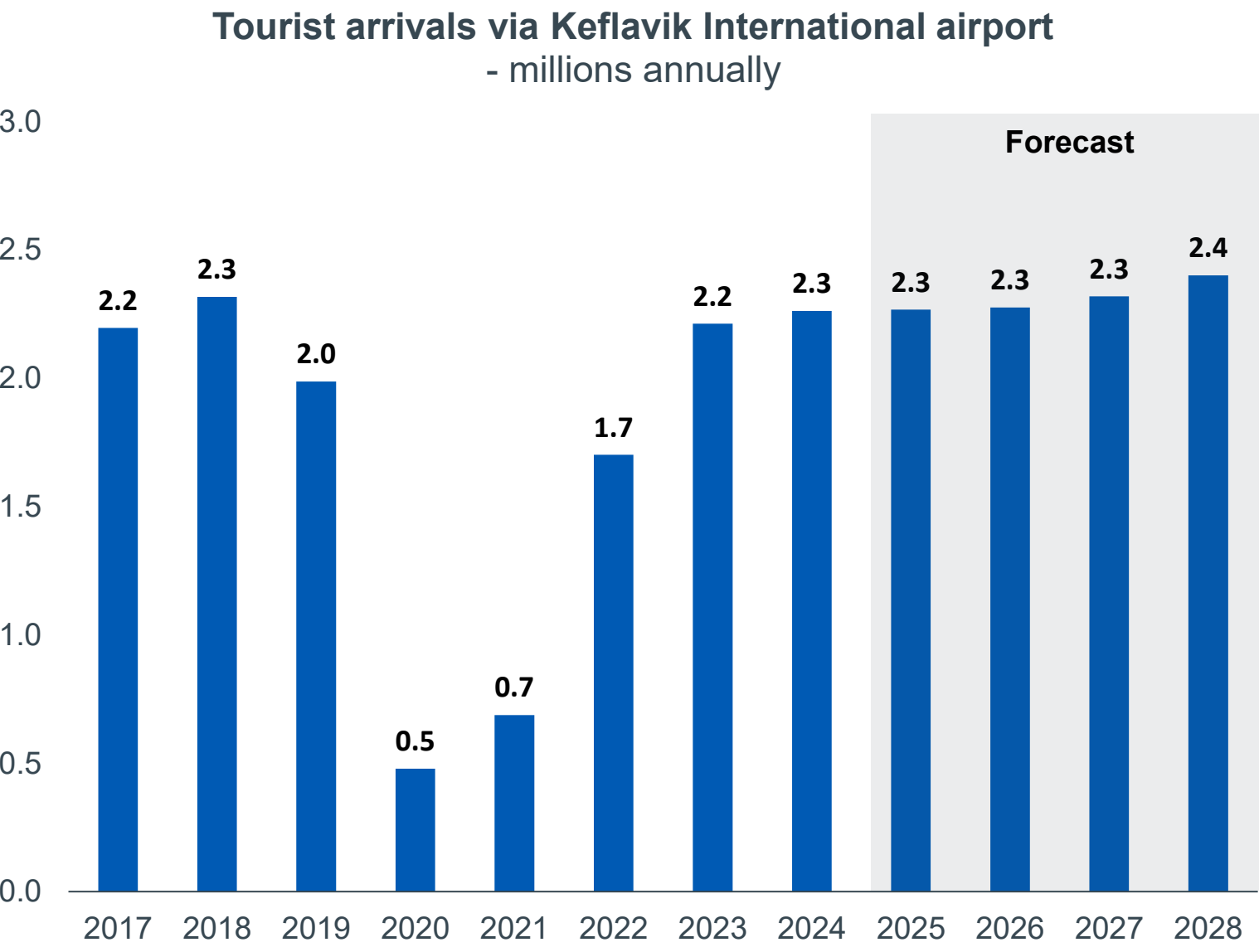
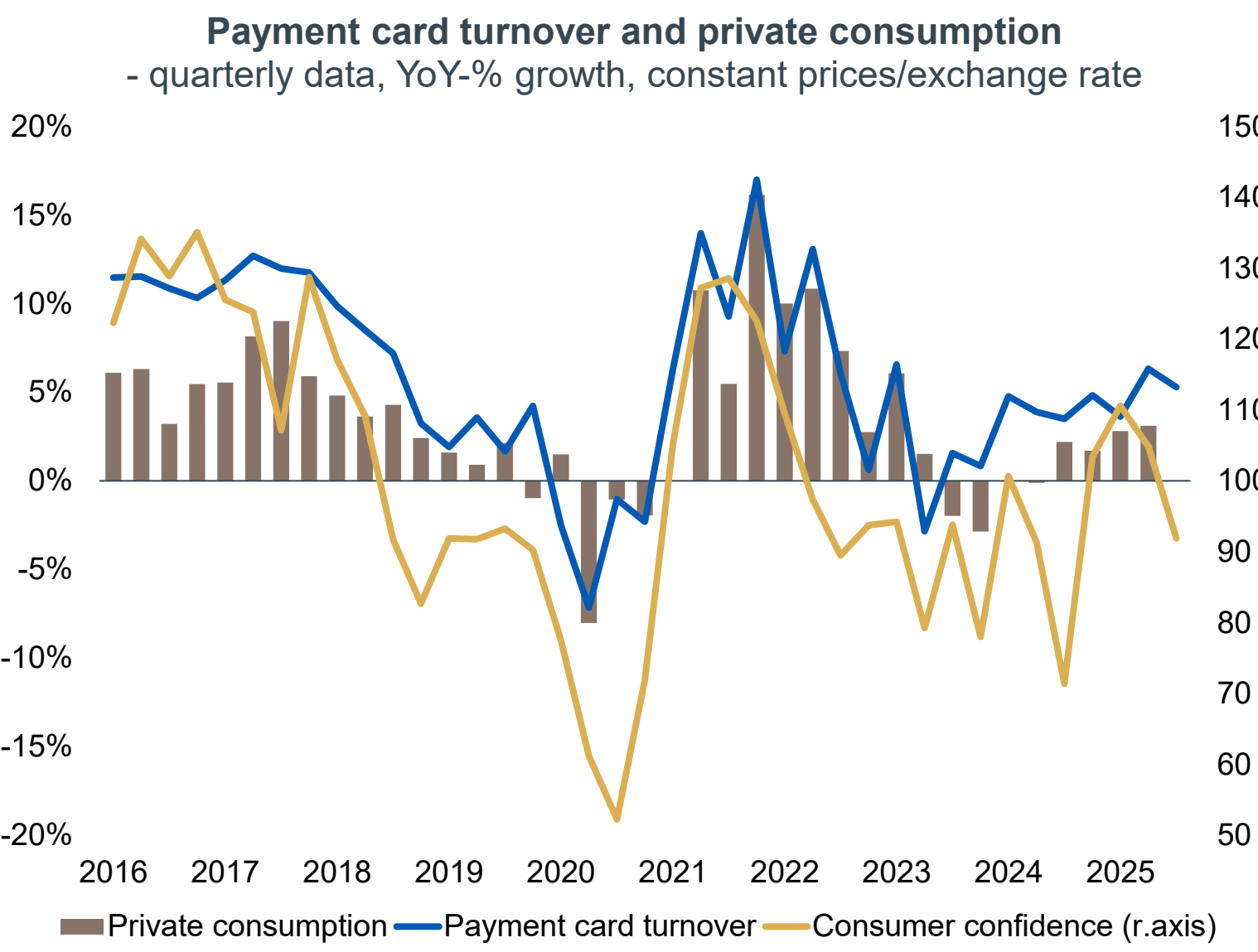
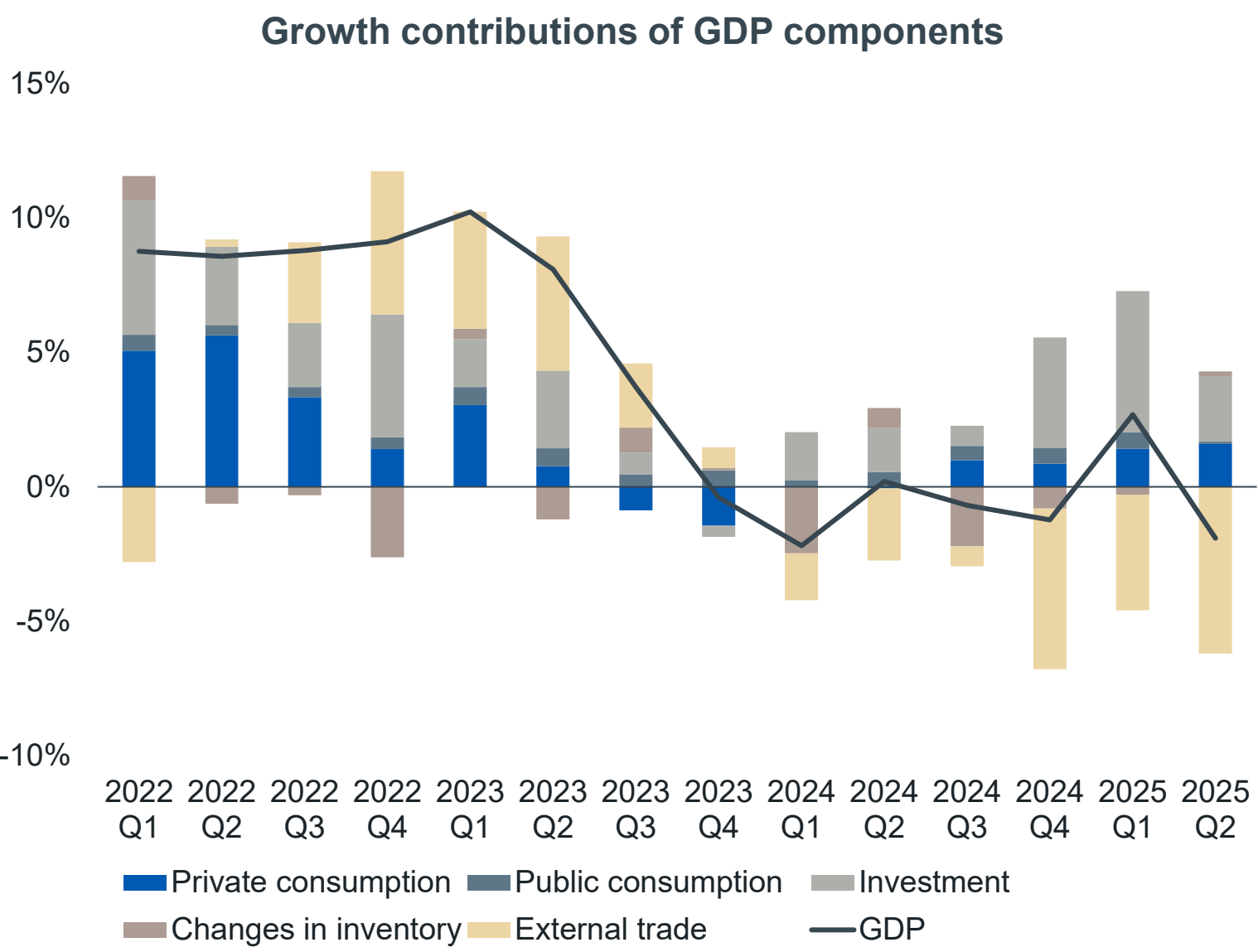
# The Economic Outlook: Challenges ahead

Although GDP contracted by 1.9% year-on-year in Q2, according to preliminary data, the Icelandic economy cannot be characterized as subdued: private consumption expanded by 3.1% and investment rose 8.3%, underscoring domestic resilience. Q2's contraction stemmed from a sharp deterioration in net trade. Imports - mainly services and data center equipment - rose 13.4% year-on-year, while goods exports declined slightly. Notably, the surge in computer equipment imports hasn't been completely offset by business investment, but future revisions may close that gap

A continued rise in payment card turnover in Q3 highlights the robustness of private consumption, and together with steady business investment, it is expected to offset weaker contributions from net exports in 2025

Pre-summer concerns about tourism haven't materialized, though uncertainty for the next season 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

The contribution of foreign trade to economic growth in the coming quarters is therefore likely to be more negative than previously assumed

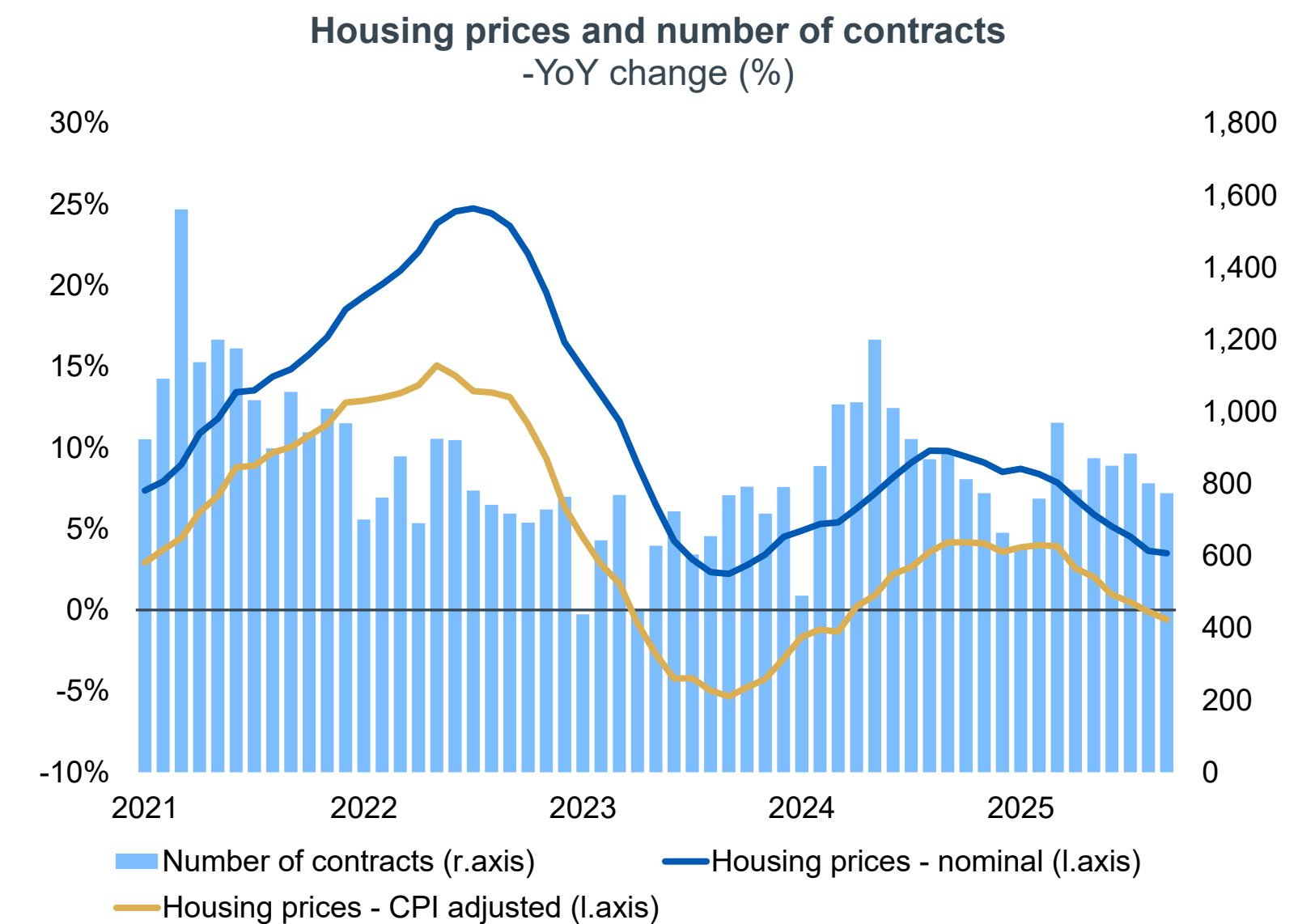
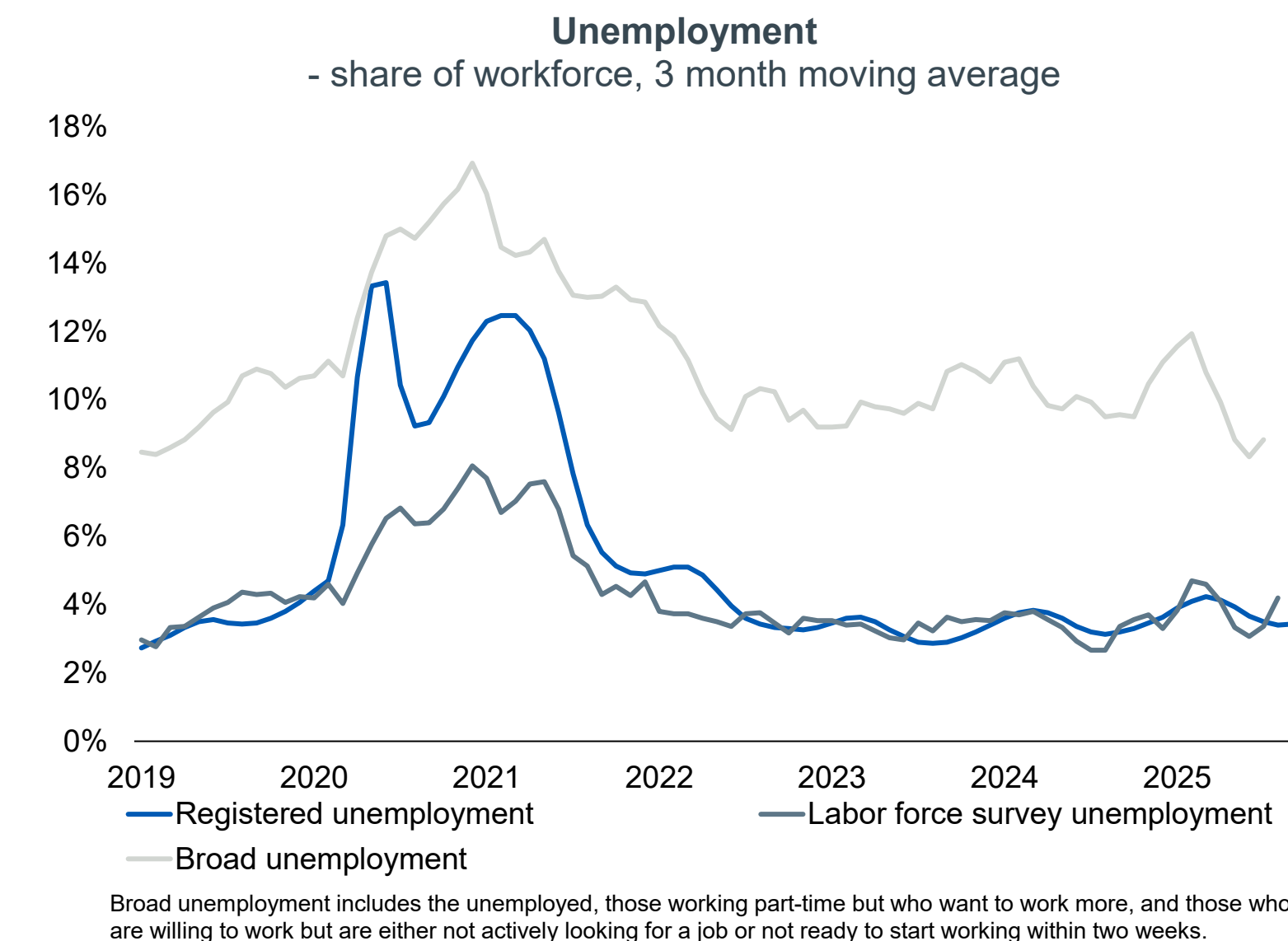
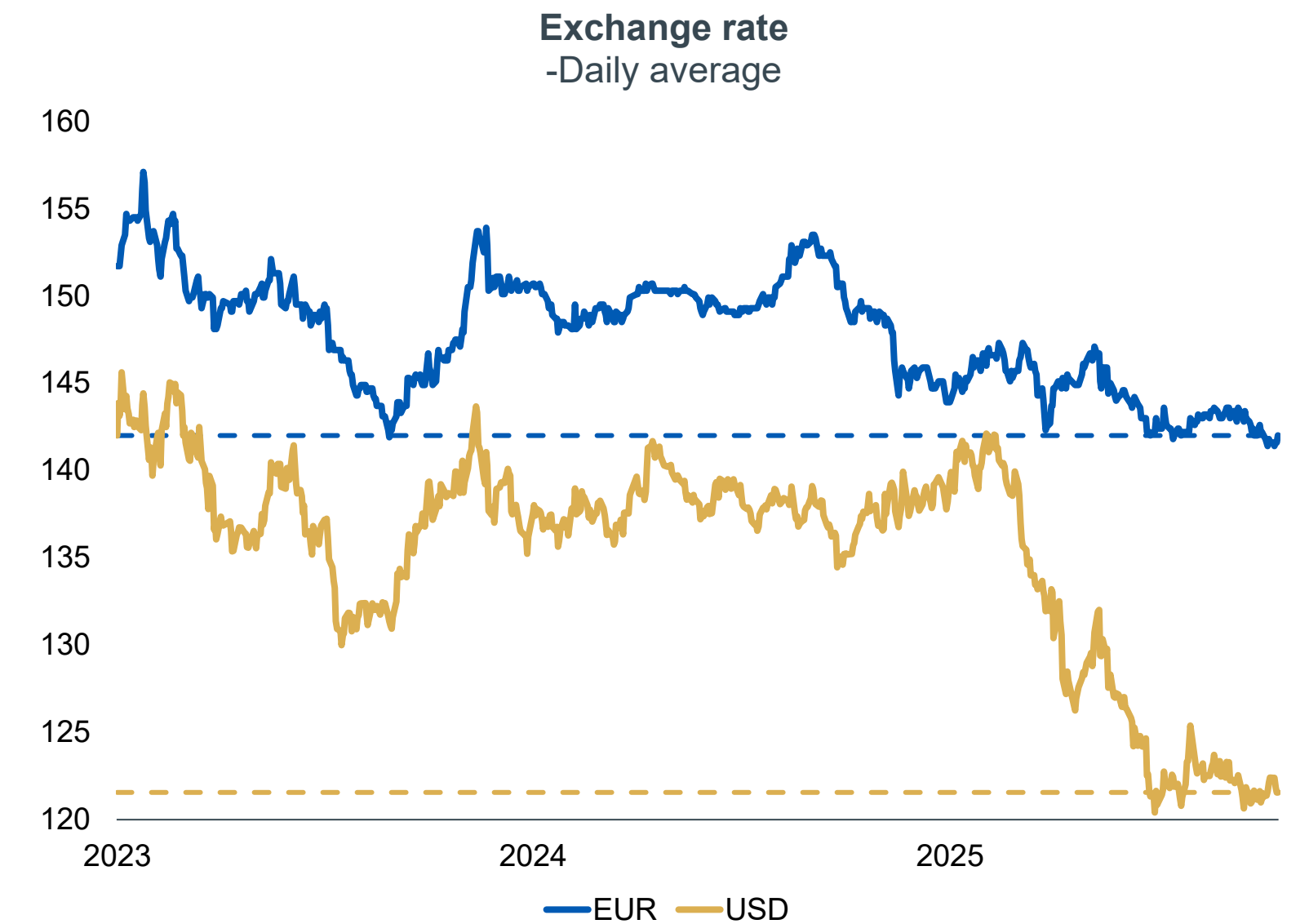
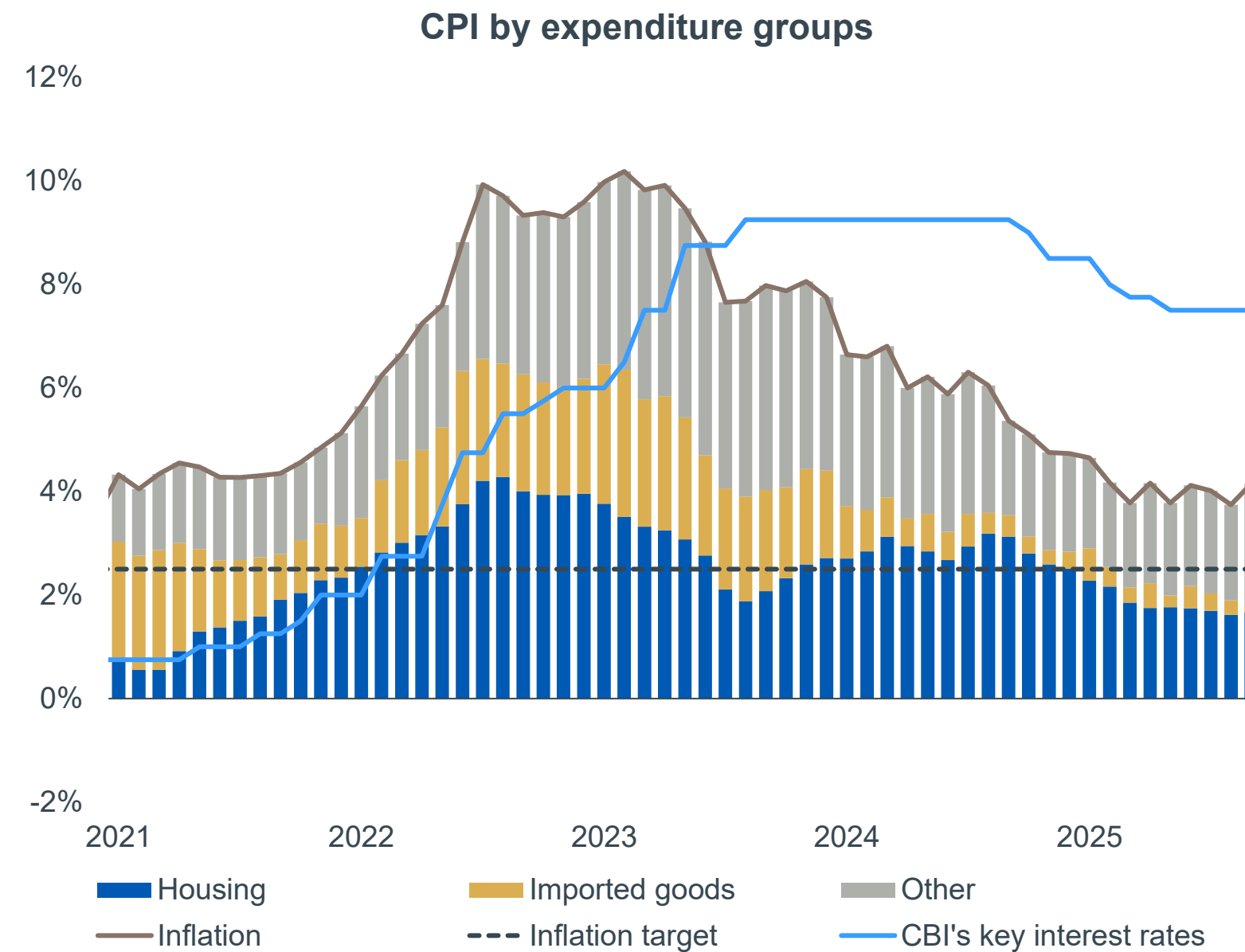


# Inflation target not within sight - yet

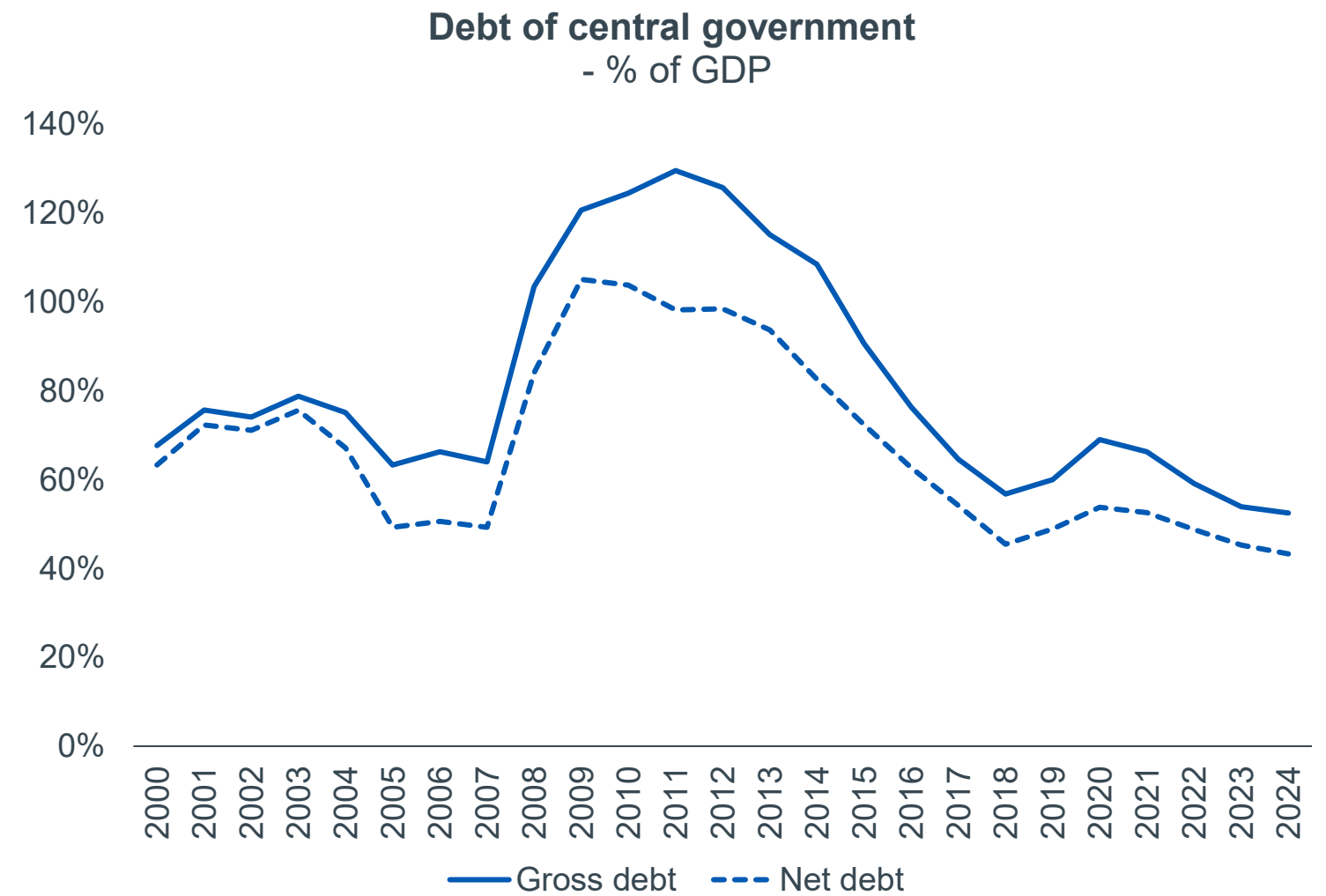
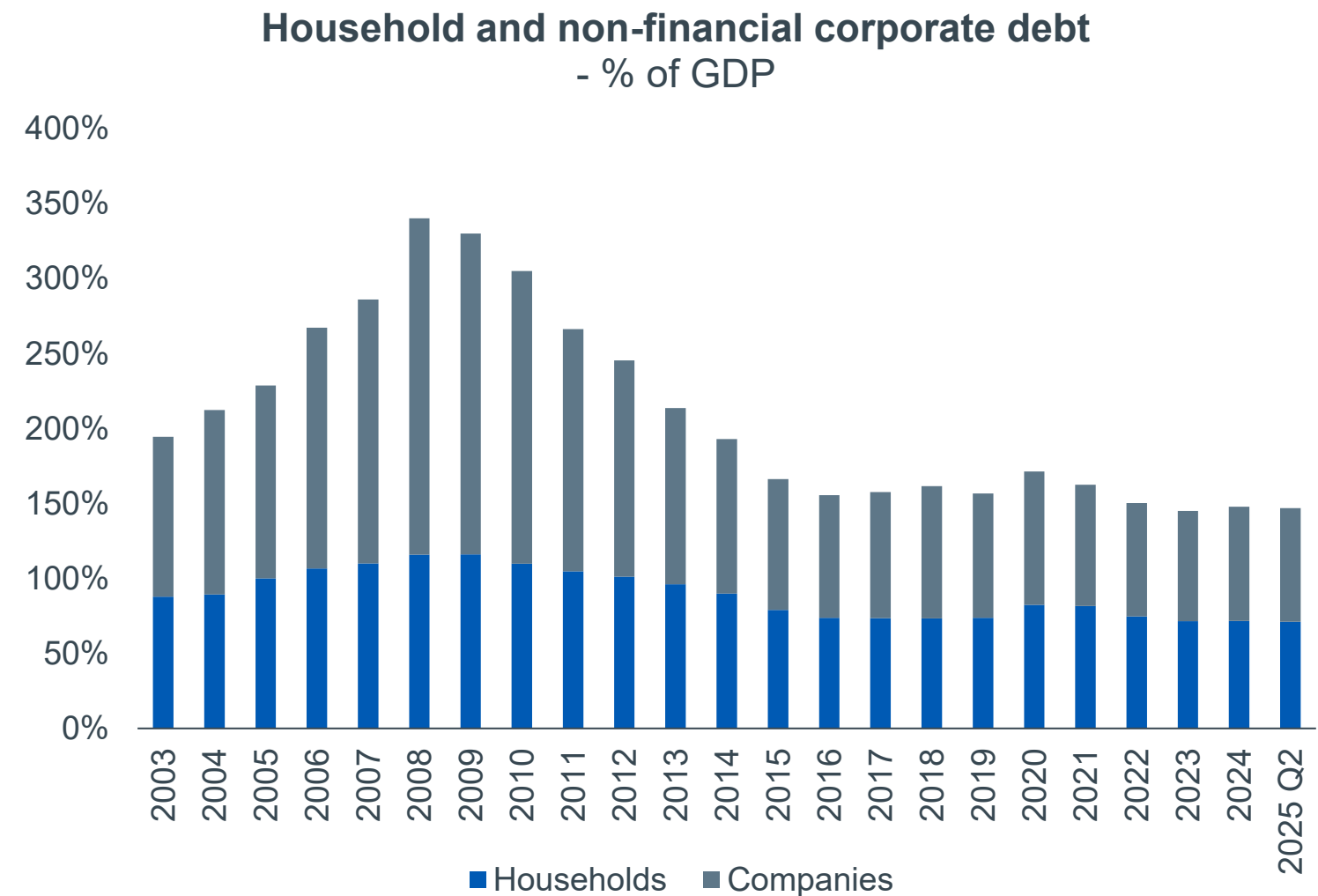
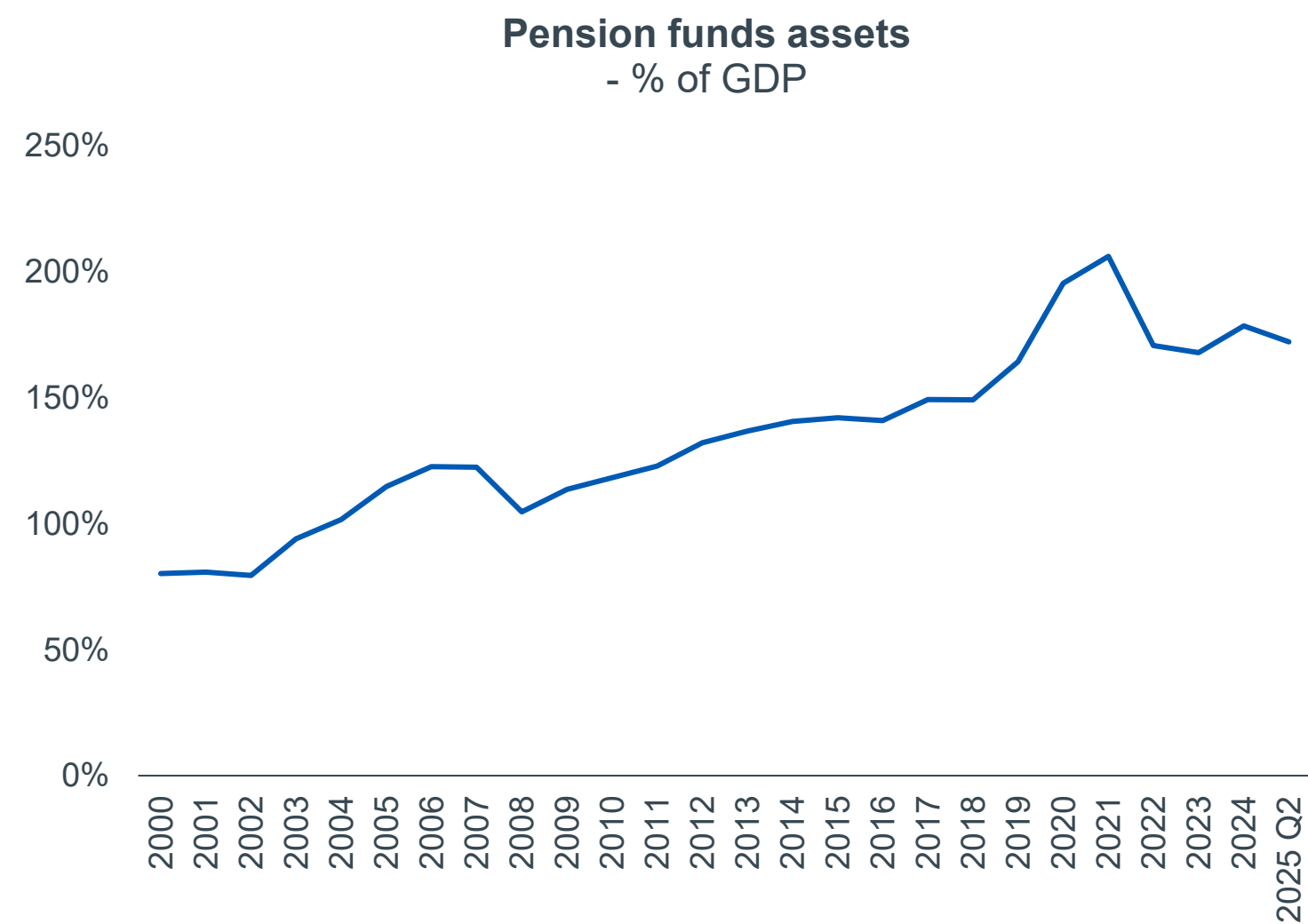
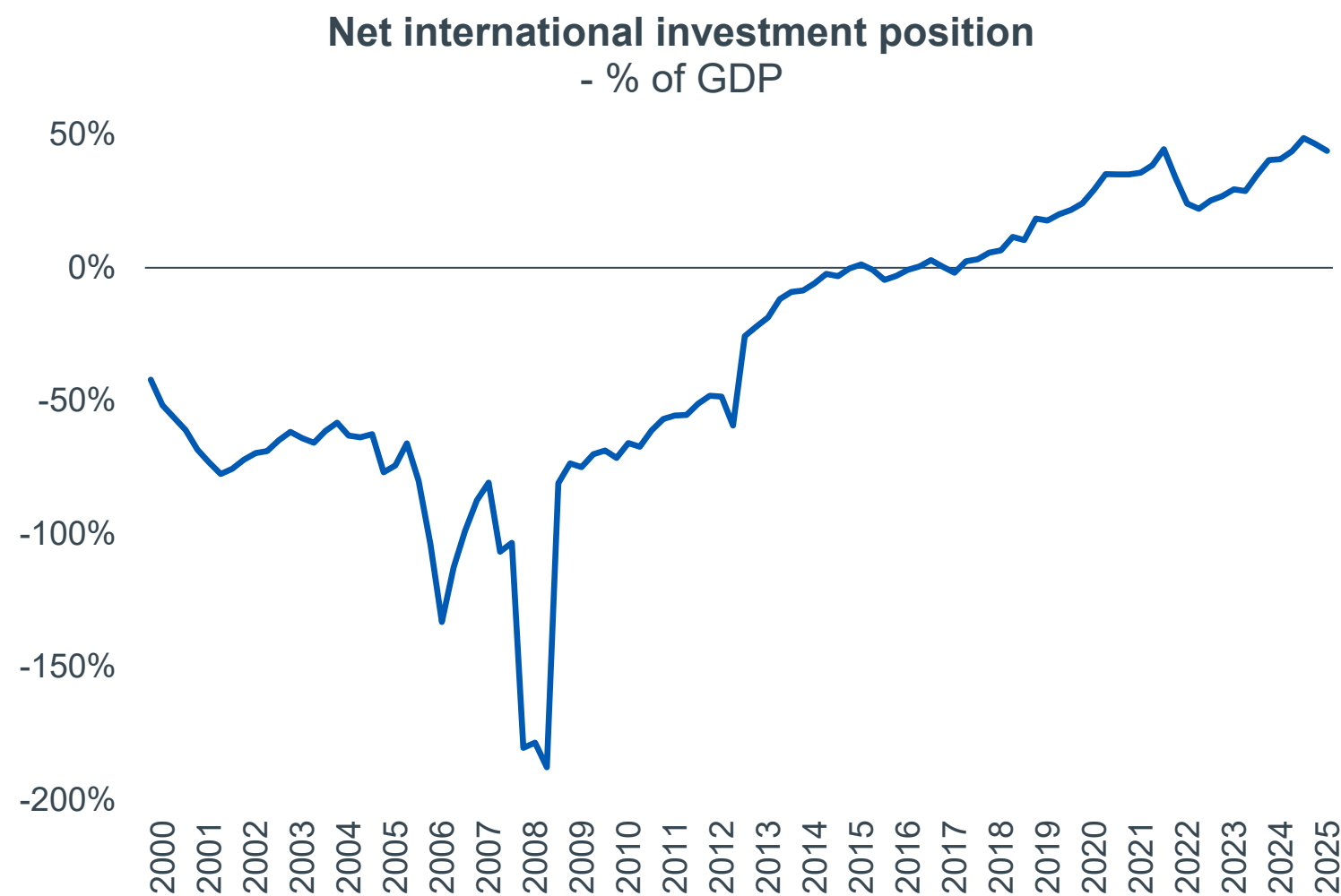
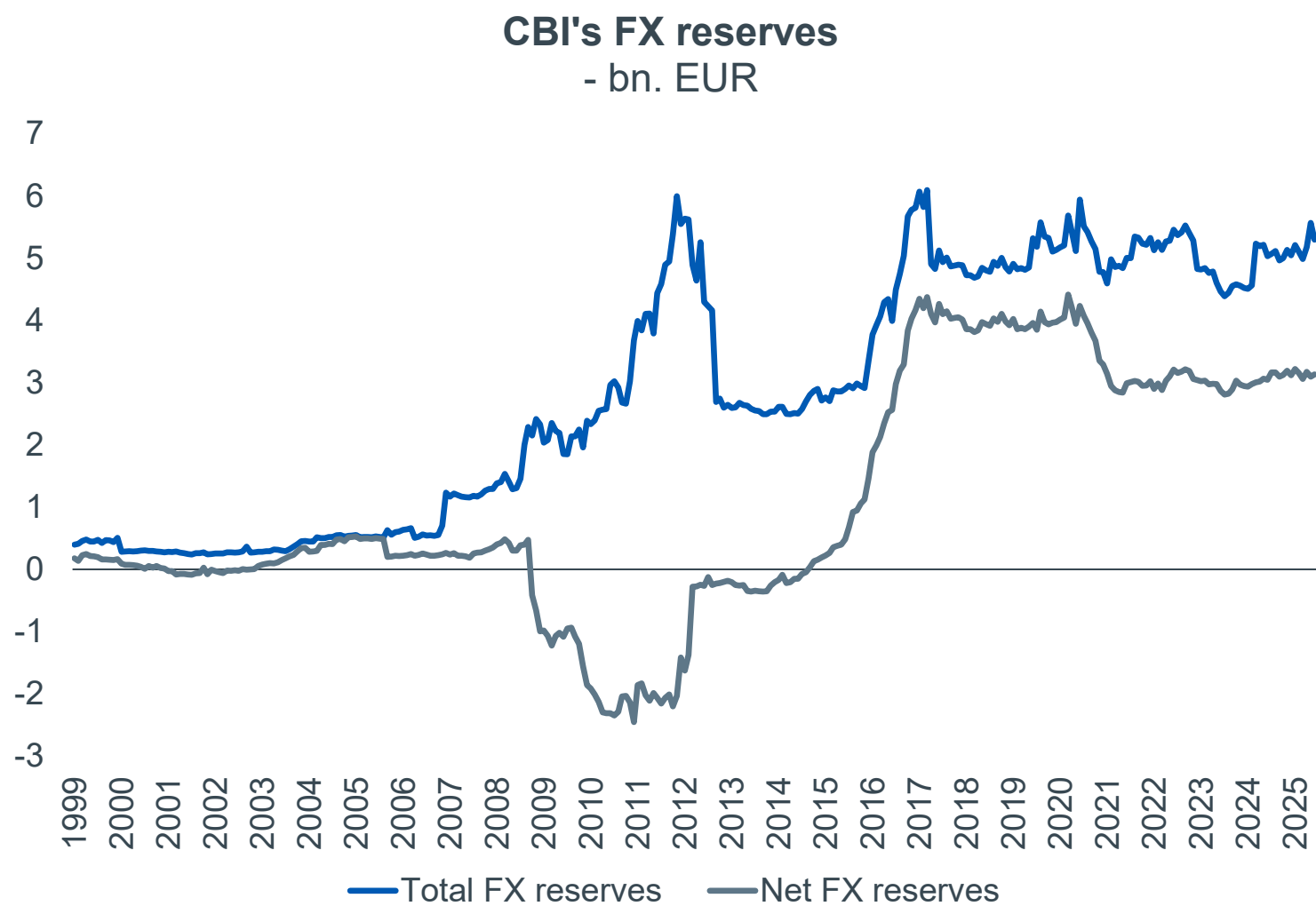
The labor market is showing signs of moderation. Private-sector employment has fallen year-on-year, pushing unemployment gradually higher. Layoffs are already visible in key export industries, including tourism (Play), aluminum production, fisheries, and related sectors. A stronger króna, driven mainly by a weaker U.S. dollar and reduced foreign investment by pension funds, adds to the challenges facing export sectors while simultaneously supporting Icelanders' spending abroad.

The strength of the króna has supported the Central Bank of Iceland's inflation target, helping to suppress imported inflation. Yet, headline inflation has proven persistent, remaining above 4%. Consequently, monetary policy is expected to remain firm, although worsening economic outlook could move interest rate cuts closer in time.

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, and prompting the MPC to consider rate cuts sooner than previously anticipated



# Small economy, strong foundations



# Key takeaways from Q3 2025

## Operational performance

- Solid quarter with an ROE of 16.0%
- Diversified pillars of the Group continue to support earnings momentum through the cycle

## Core income

- Relatively high net interest margin partly due to inflation impact with further fluctuations anticipated in coming quarters
- A broad-based robust quarter in fee generation
- Insurance continues strong trajectory with combined ratio of 88.2% in the quarter

## Loan book

- Healthy corporate loan growth in the quarter despite slower microeconomic activity
- Loan growth supported by continued momentum in deposit growth
- Cost of risk consistently below provision levels. Expected loss however rising amid a challenging economic environment

## Capital, funding and liquidity

- Capital position strong with a CET1 ratio of 18.0% or 266bps above regulatory minimum
- Liquidity position very strong, supported by successful funding activities and stable deposits



# Income statement

## Q3 2025

- Net earnings attributable to shareholders of ISK 8.2bn, resulting in a return on equity (ROE) of 16.0%
- Core income\* increased year-on-year by 6.9%, mainly net interest income
- YoY Increase in operating expenses of 2.9%, both salaries and other OPEX
- Slightly higher net impairment compared to prior quarters, calculated as 35bps in the quarter on annualized basis

|                                                  | Q3 2025       | Q3 2024       | Diff       | Q2 2025       | Diff         |
|--------------------------------------------------|---------------|---------------|------------|---------------|--------------|
| Net interest income                              | 13,826        | 11,863        | 17%        | 14,200        | (3%)         |
| Net fee and commission income                    | 4,003         | 3,880         | 3%         | 4,553         | (12%)        |
| Insurance service results                        | 630           | 1,532         | (59%)      | 1,066         | -            |
| Net financial income                             | 483           | 524           | (8%)       | 179           | 170%         |
| Other operating income                           | 45            | (313)         | -          | 1,324         | (97%)        |
| <b>Operating income</b>                          | <b>18,987</b> | <b>17,486</b> | <b>9%</b>  | <b>21,322</b> | <b>(11%)</b> |
| Operating expenses                               | (6,194)       | (6,021)       | 3%         | (6,697)       | (8%)         |
| Bank levy                                        | (530)         | (500)         | 6%         | (521)         | 2%           |
| Net impairment                                   | (1,128)       | (954)         | 18%        | 147           | -            |
| <b>Net earnings before taxes</b>                 | <b>11,135</b> | <b>10,011</b> | <b>11%</b> | <b>14,251</b> | <b>(22%)</b> |
| Income tax expense                               | (2,928)       | (2,114)       | 39%        | (3,984)       | (27%)        |
| <b>Net earnings from continuing operations</b>   | <b>8,207</b>  | <b>7,897</b>  | <b>4%</b>  | <b>10,267</b> | <b>(20%)</b> |
| Discontinued operations net of tax               | 3             | (6)           | -          | (11)          | -            |
| <b>Net earnings</b>                              | <b>8,210</b>  | <b>7,891</b>  | <b>4%</b>  | <b>10,256</b> | <b>(20%)</b> |
| Non-controlling interest                         | 19            | (20)          | -          | (505)         | -            |
| <b>Net earnings attributable to shareholders</b> | <b>8,229</b>  | <b>7,871</b>  | <b>5%</b>  | <b>9,751</b>  | <b>(16%)</b> |

|                                               |        |        |    |        |      |
|-----------------------------------------------|--------|--------|----|--------|------|
| Return on equity attributable to shareholders | 16.0%  | 16.1%  |    | 19.7%  |      |
| Core income*                                  | 19,266 | 18,016 | 7% | 20,697 | (7%) |
| Net interest margin                           | 3.3%   | 3.1%   |    | 3.5%   |      |
| Total cost-to-core income ratio               | 36.3%  | 37.5%  |    | 36.6%  |      |
| Cost-to-income ratio                          | 32.6%  | 34.4%  |    | 31.4%  |      |



# Income statement

## 9M 2025

- Net earnings attributable to shareholders of ISK 24.4bn, achieving a return on equity (ROE) of 16.0%
- Core income\* increased by 13.9% year-on-year
- Financial income impacted by continued challenging capital markets, particularly in equities during Q1
- Other operating income derived from the valuation of development assets, partially linked to non-controlling interests
- Operating expenses have remained relatively stable, considering one-off item from Q2 2024
- The effective tax rate is rather high at 28.8% due to an unfavorable combination of income, primarily stemming from losses in equity holdings

|                                                  | 9M 2025       | 9M 2024       | Diff       |
|--------------------------------------------------|---------------|---------------|------------|
| Net interest income                              | 40,192        | 35,056        | 15%        |
| Net fee and commission income                    | 13,092        | 11,224        | 17%        |
| Insurance service results                        | 1,665         | 1,839         | (9%)       |
| Net financial income                             | (289)         | 652           | -          |
| Other operating income                           | 4,690         | (226)         | -          |
| <b>Operating income</b>                          | <b>59,350</b> | <b>48,544</b> | <b>22%</b> |
| Operating expenses                               | (19,492)      | (19,727)      | (1%)       |
| Bank levy                                        | (1,559)       | (1,436)       | 9%         |
| Net impairment                                   | (1,359)       | (2,044)       | (34%)      |
| <b>Net earnings before taxes</b>                 | <b>36,940</b> | <b>25,338</b> | <b>46%</b> |
| Income tax expense                               | (10,638)      | (7,489)       | 42%        |
| <b>Net earnings from continuing operations</b>   | <b>26,302</b> | <b>17,849</b> | <b>47%</b> |
| Discontinued operations net of tax               | (19)          | (26)          | (27%)      |
| <b>Net earnings</b>                              | <b>26,283</b> | <b>17,823</b> | <b>47%</b> |
| Non-controlling interest                         | (1,883)       | (2)           | -          |
| <b>Net earnings attributable to shareholders</b> | <b>24,400</b> | <b>17,821</b> | <b>37%</b> |

|                                               |        |        |     |
|-----------------------------------------------|--------|--------|-----|
| Return on equity attributable to shareholders | 16.0%  | 12.2%  |     |
| Core income*                                  | 57,507 | 50,491 | 14% |
| Net interest margin                           | 3.3%   | 3.1%   |     |
| Total cost-to-core income ratio               | 38.3%  | 43.8%  |     |
| Cost-to-income ratio                          | 32.8%  | 40.6%  |     |

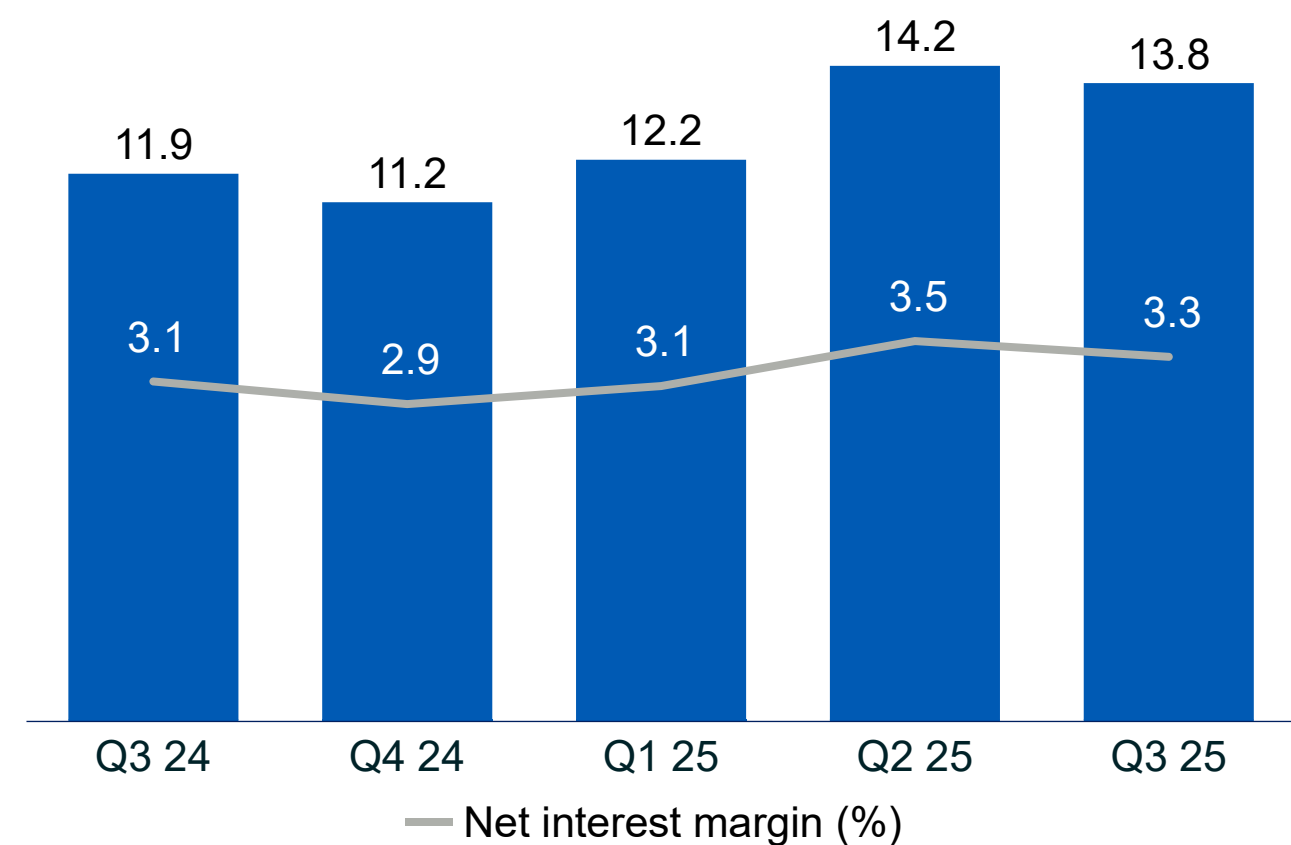


# Net interest income

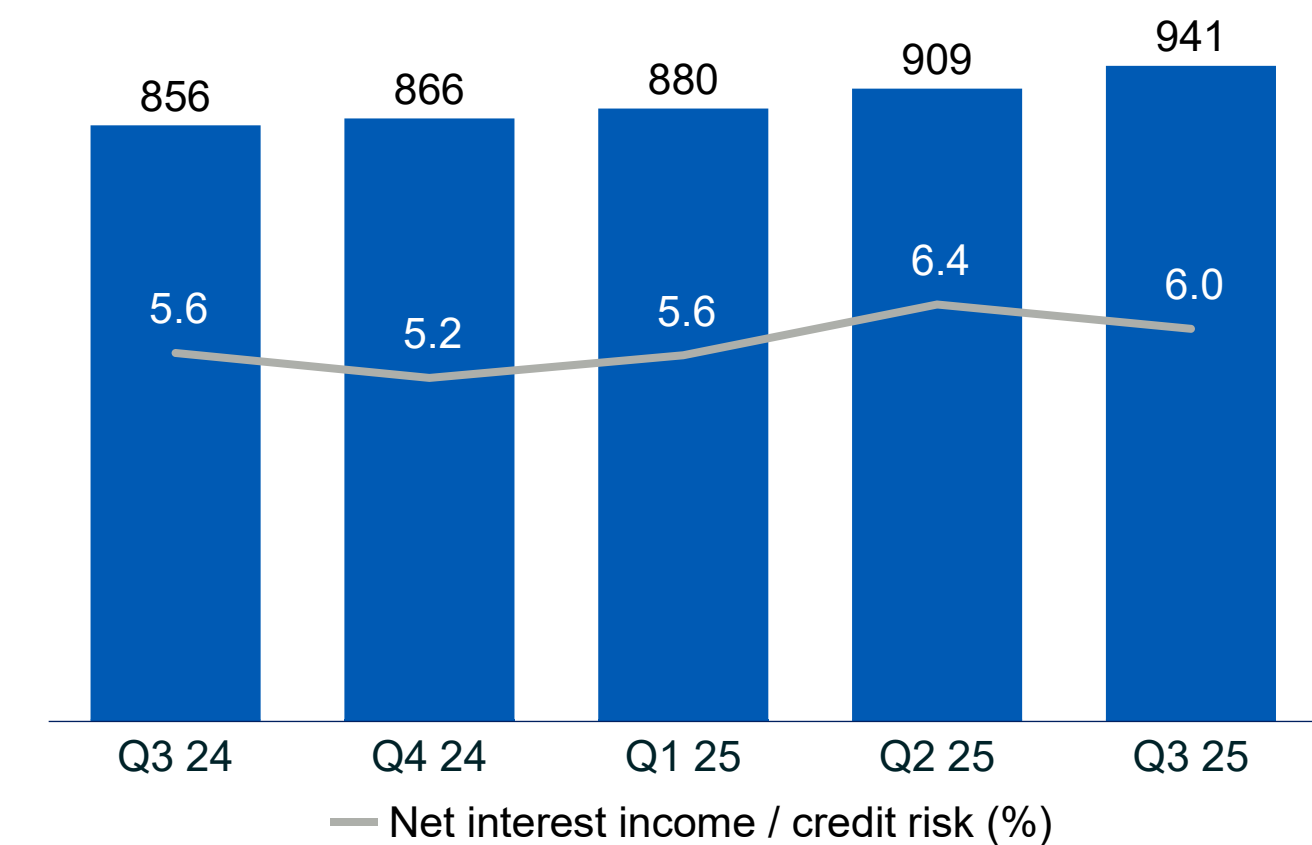
Strong quarter driven by reduced funding cost

- In Q3, net interest income reached ISK 13.8bn, reflecting an 16.9% annual increase
- NIM was 3.3% in Q3 vs. 3.1% in Q3 2024. The key drivers of higher NIM in the quarter are:
  - The cost of funding has decreased alongside falling Central Bank rates in Iceland, dropping from 9.25% at the end of Q3 2024 to 7.5% at the end of Q3 2025. Additionally, the cost of FX borrowings has decreased, with lowering interest rates in EUR and USD
  - The CPI imbalance was ISK 196bn at the end of September and rose by ISK 27bn since the year-end 2024 and by ISK 29bn compared with the end of Q3 2024. Relatively high inflation quarter compared to the same quarter in 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

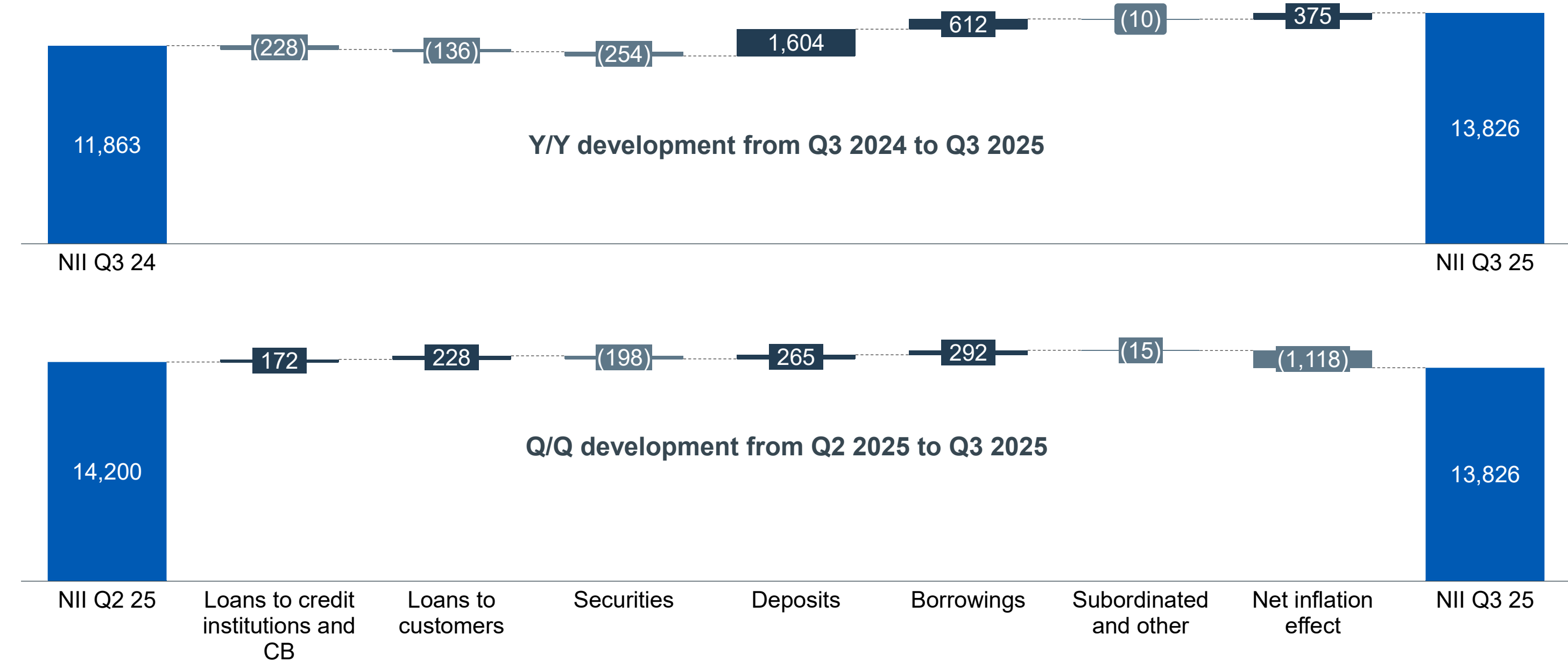
Net interest income (ISK bn)



Credit risk (ISK bn)



Net interest income development (ISK m)

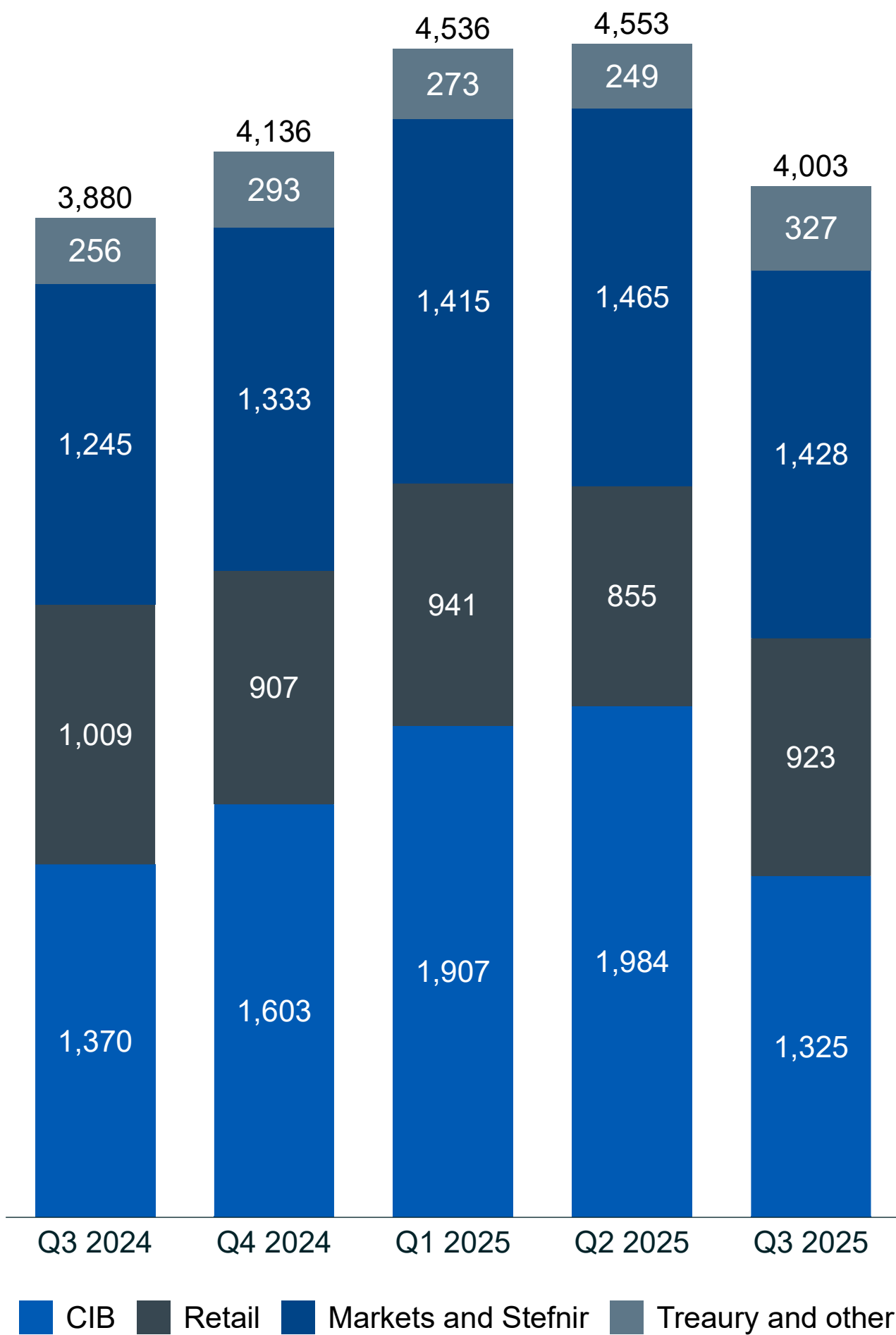


# Net fee and commission income

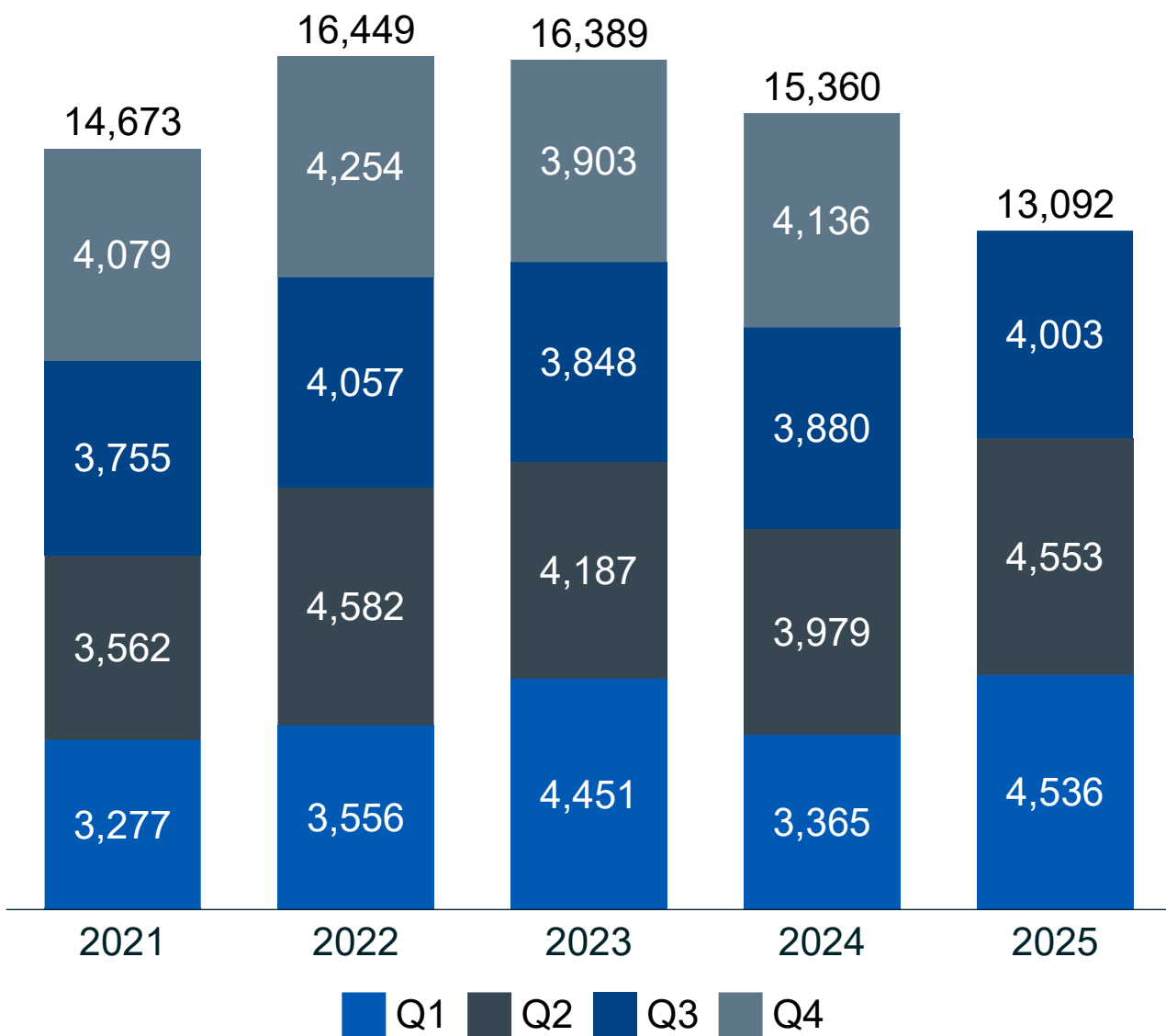
Fees remain diversified and robust

- Asset management fees remain solid, with Assets under Management and Supervision increasing to ISK 1,891bn at the end of the quarter
- The CIB operation remains strong, both in terms of fees generated from lending and service on loans and focused fee strategy
- Retail Banking activities have shown stable income, with main fee income from cards, lending and collection and payment services

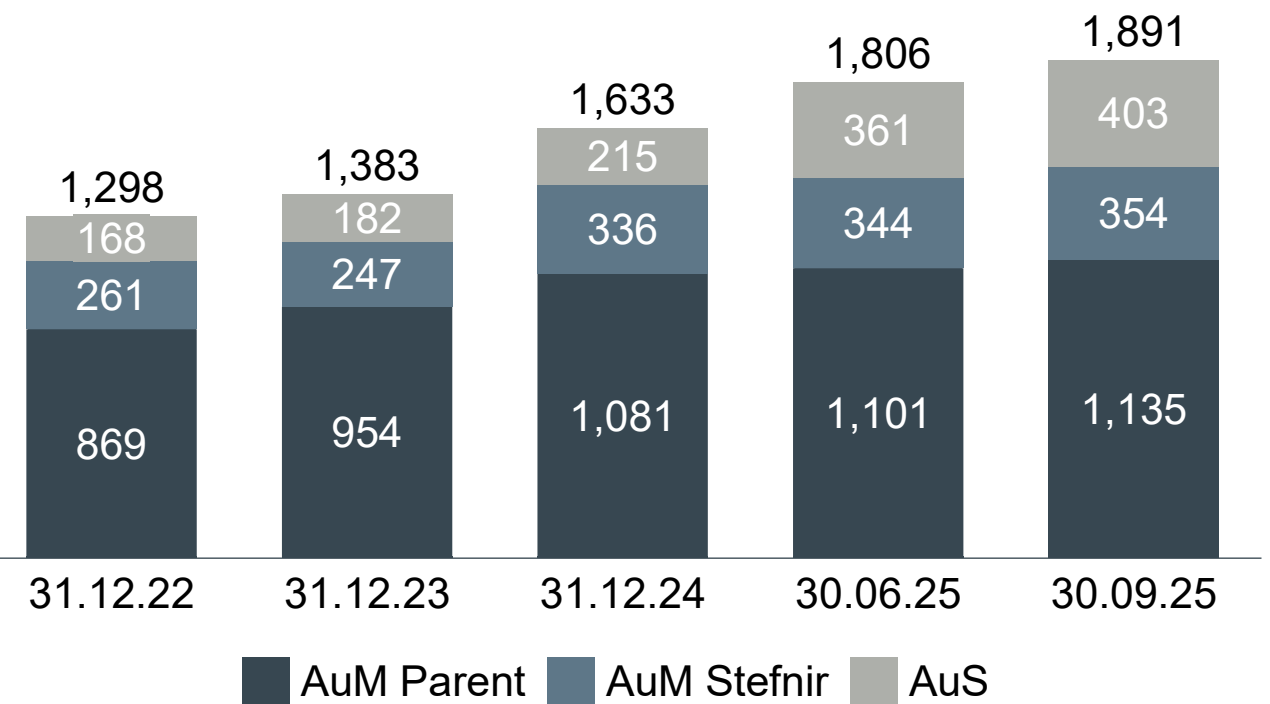
Net fee and commission income (ISK m)



Net fee and commission income (ISK m)



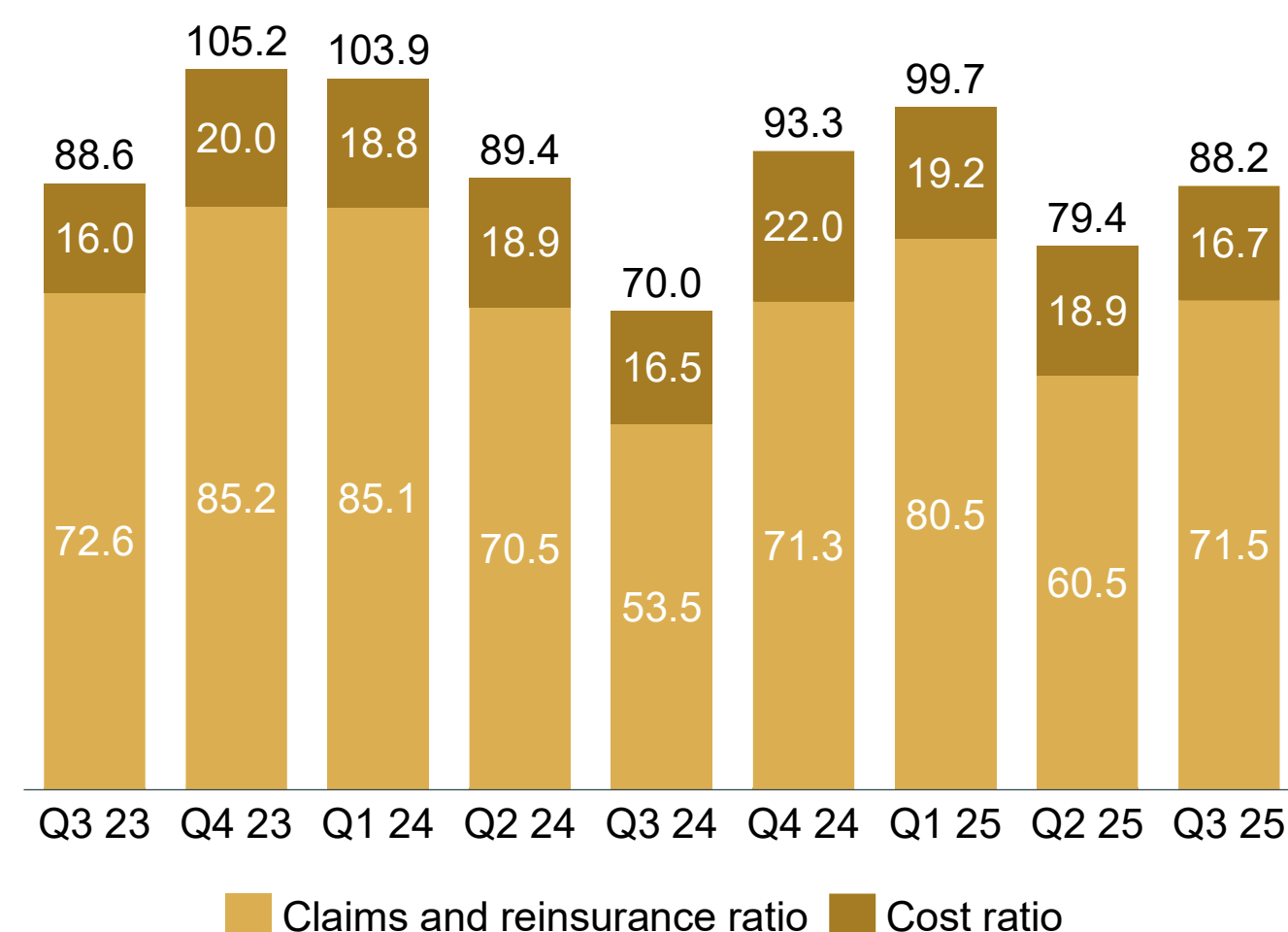
Assets under Management and Supervision (ISK bn)



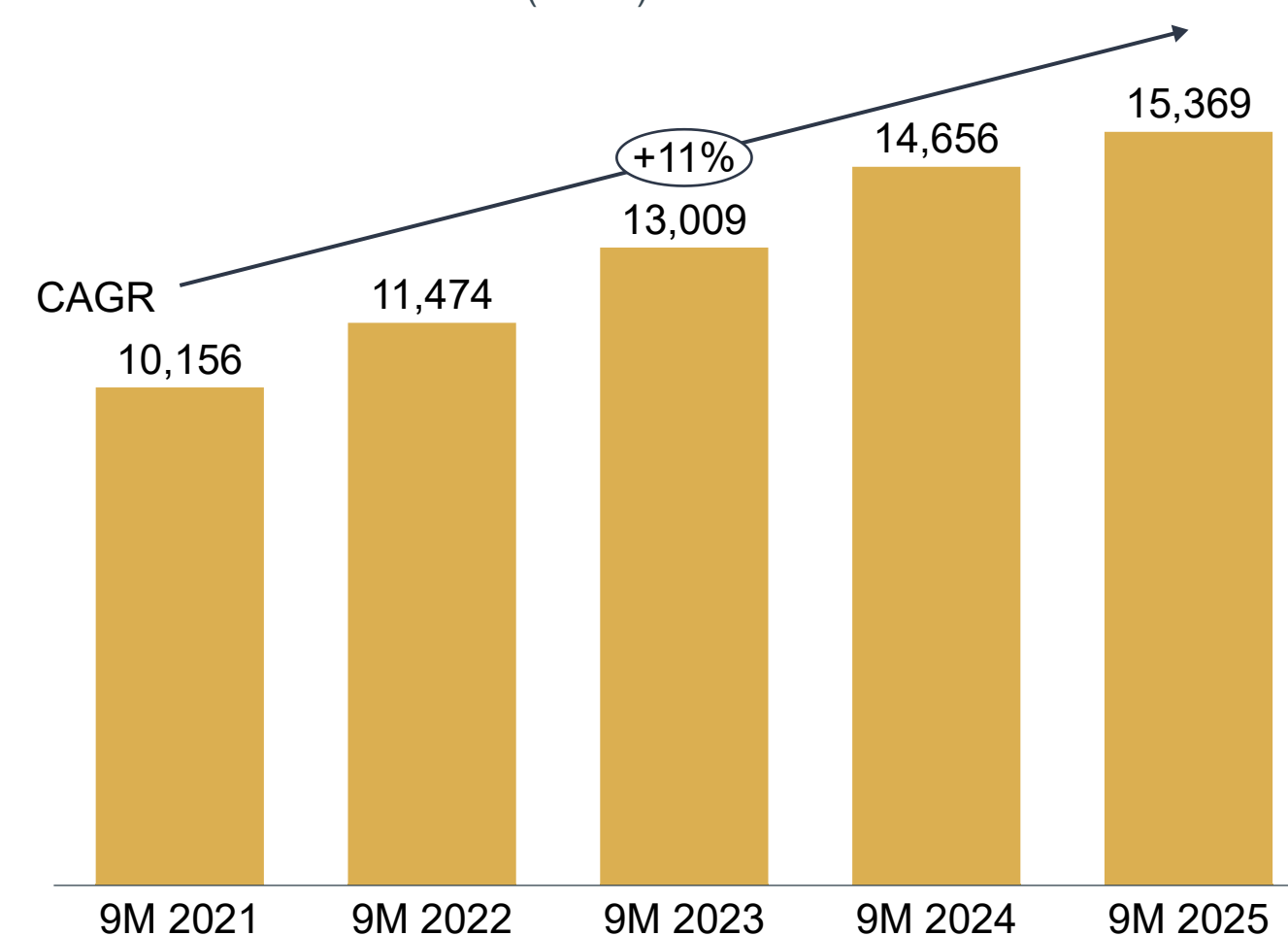
## Continued momentum in the insurance business in Q3

- Net result in the quarter ISK 698m compared with ISK 1,737m in Q3 2024
- Claims and reinsurance costs developed in line with revenue growth. Comparison with Q3 2024 is skewed due to unusually low ratios in that quarter. The ratio in Q3 2025 was 71.5% compared with 53.5% in Q3 2024 and 72.6 in Q3 2023.
- Combined ratio of 88.2% in Q3 2025 compared with 70.0% in Q3 2024 and 89.0% for the first nine months of 2025 compared with 87.4% for the same period in 2024
- Financial results are below par due to market uncertainties and delay in the expected interest-lowering process.

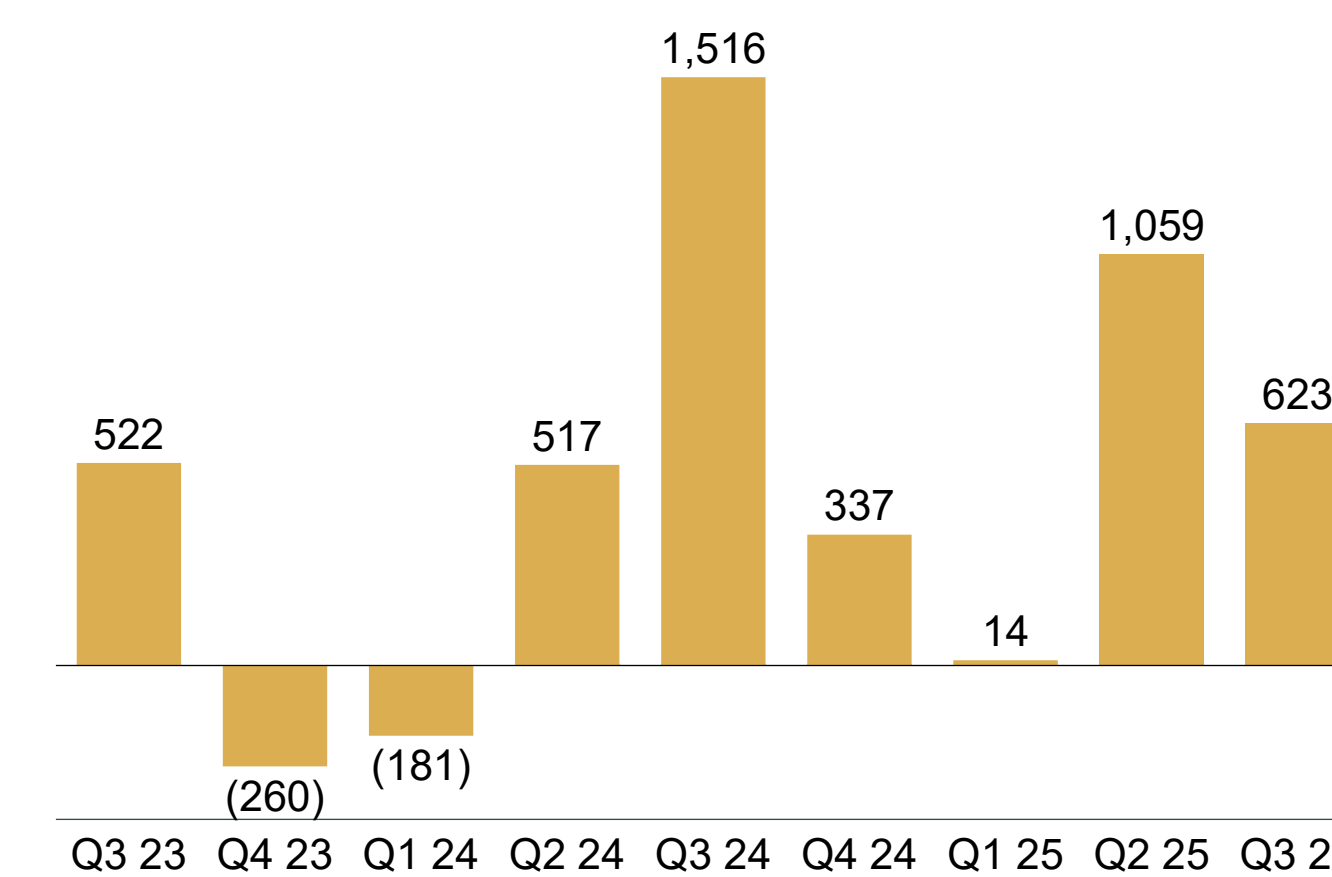
**Combined ratio (%)**



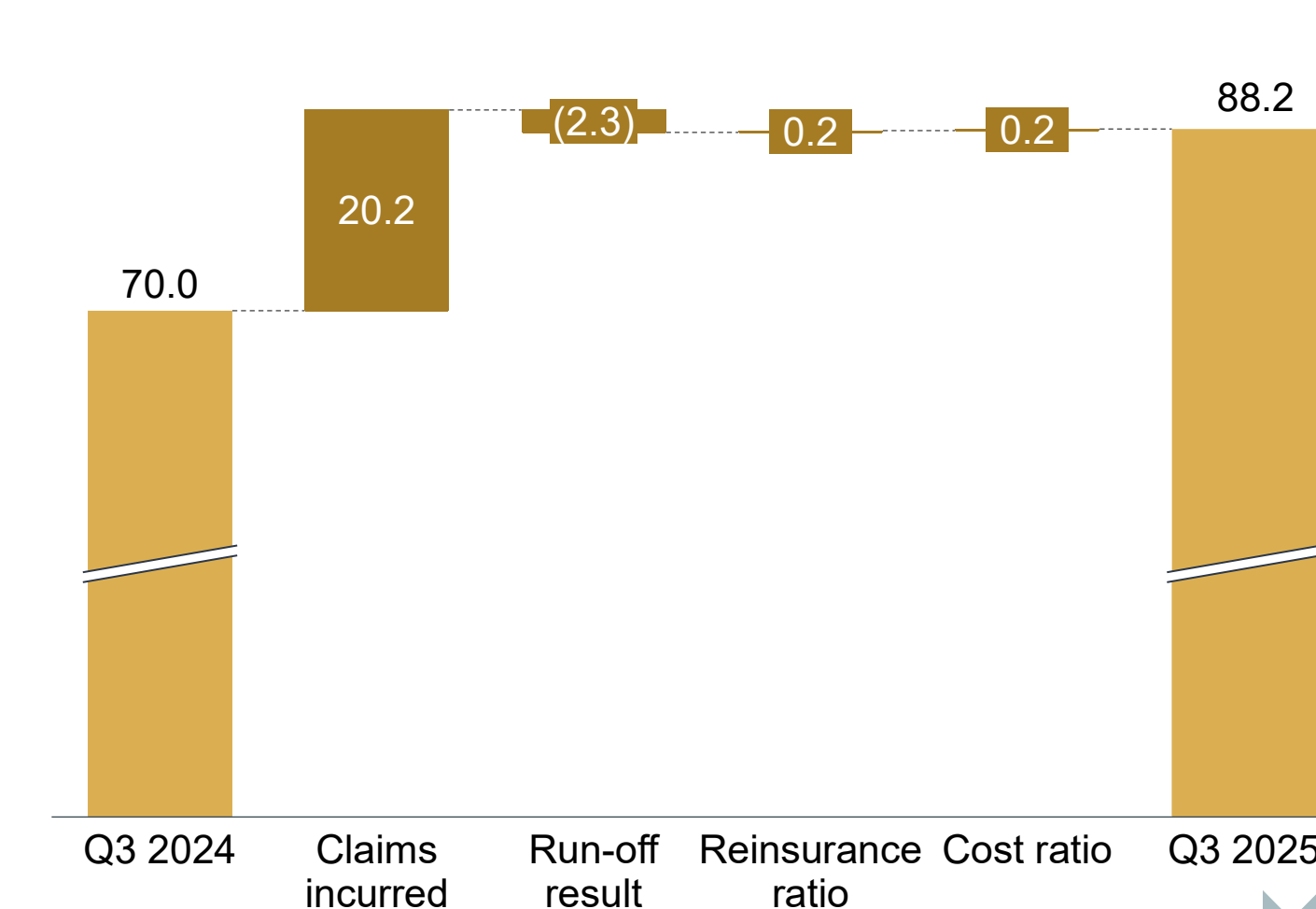
**Insurance revenue (ISK m) \*\***



**Insurance service result (ISK m)**



**Change in combined ratio from Q3 2024 (%)**



\* Figures based on Vöður 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

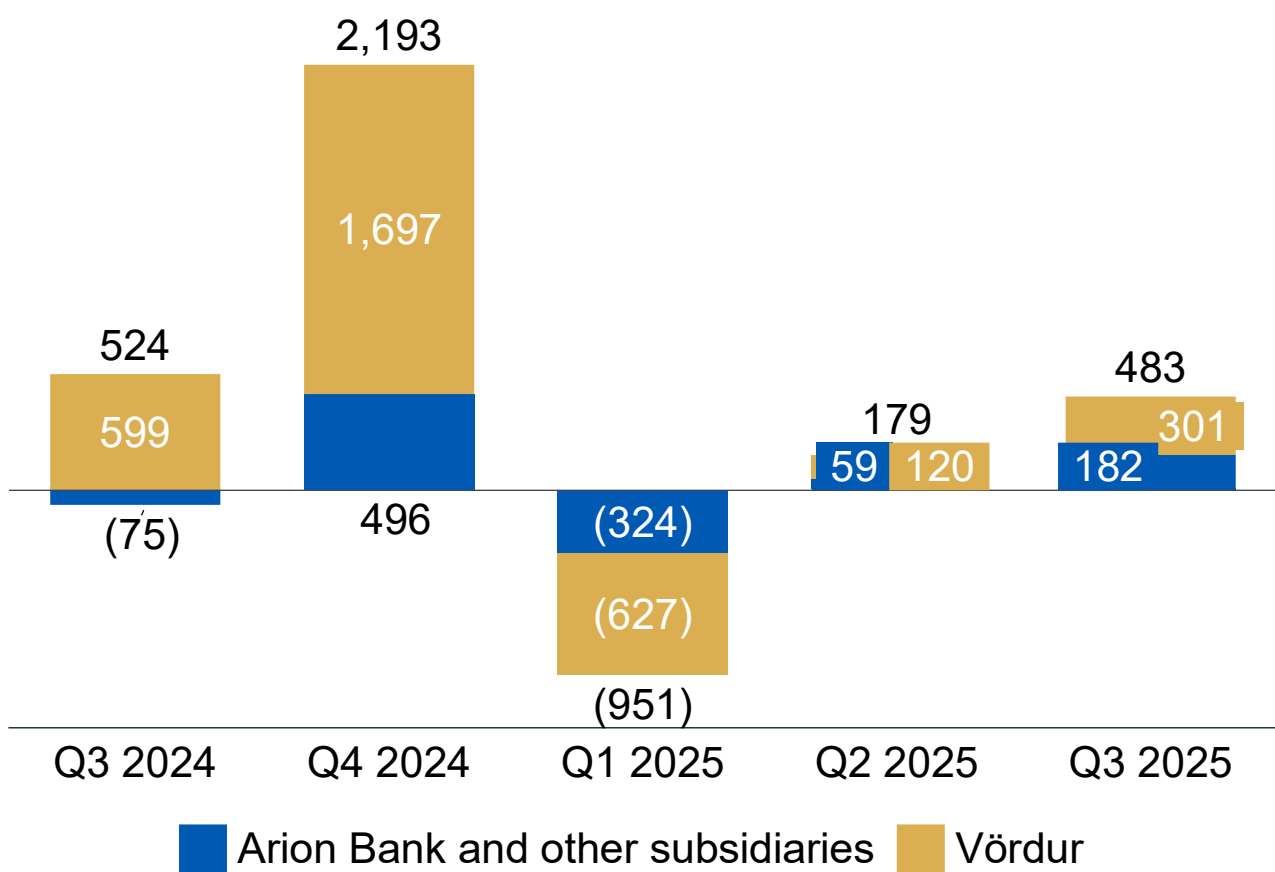


# Net financial income

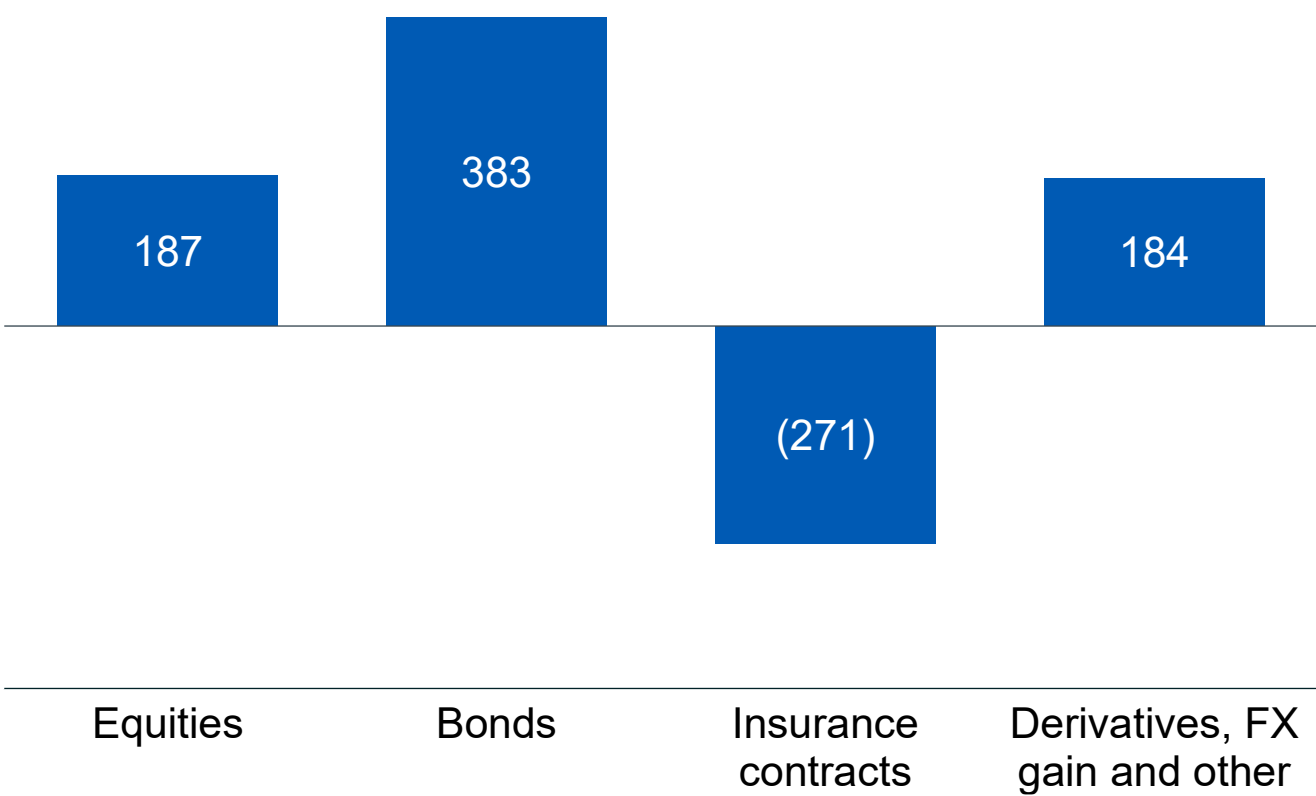
## Equity markets underperforming

- Vördur's total investment portfolio stands at ISK 36.1bn, generating a profit of ISK 301m 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
  - FX bond holdings are notably high at quarter-end, primarily due to the EMTN issuance in August denominated in EUR
- 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

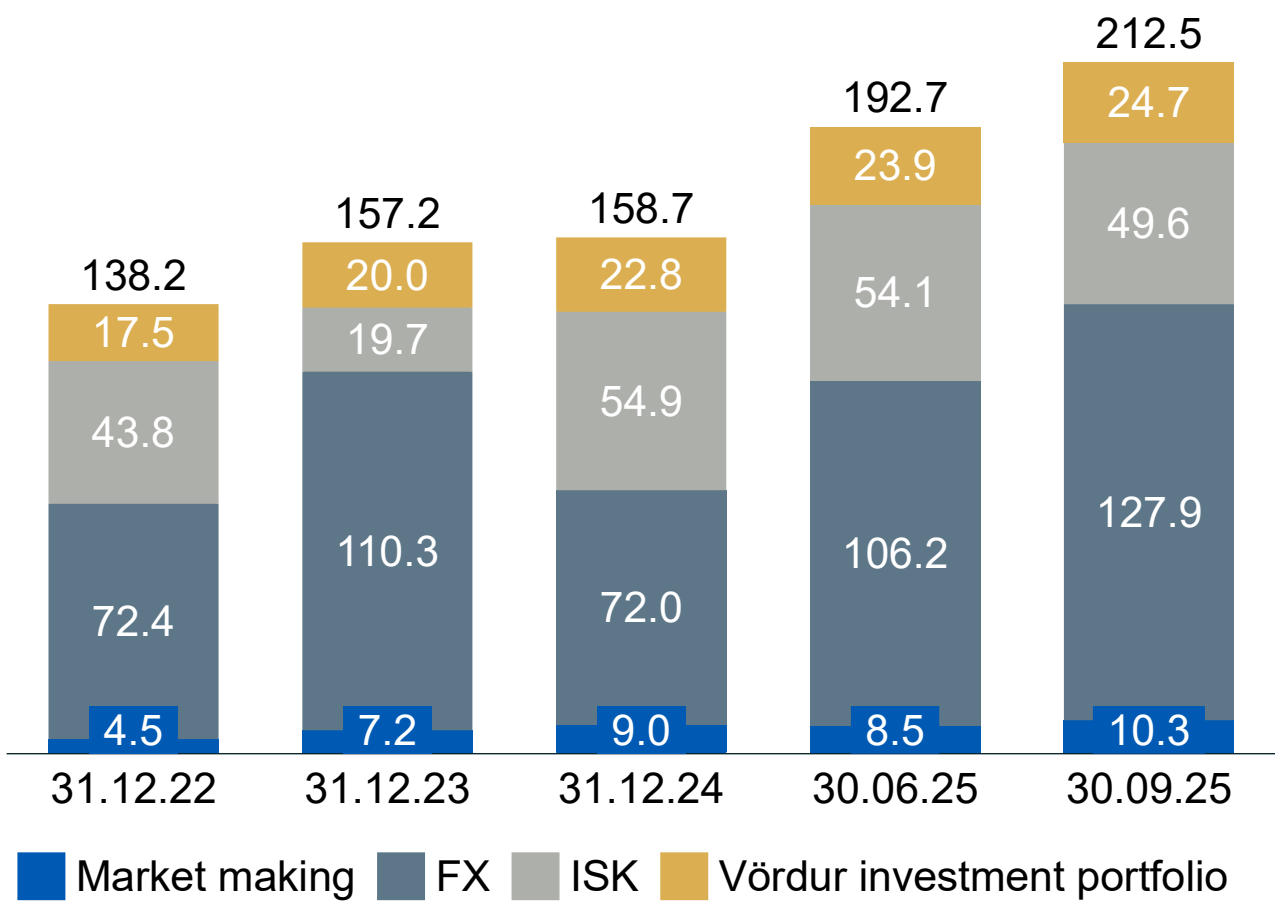
Net financial income (ISK m)



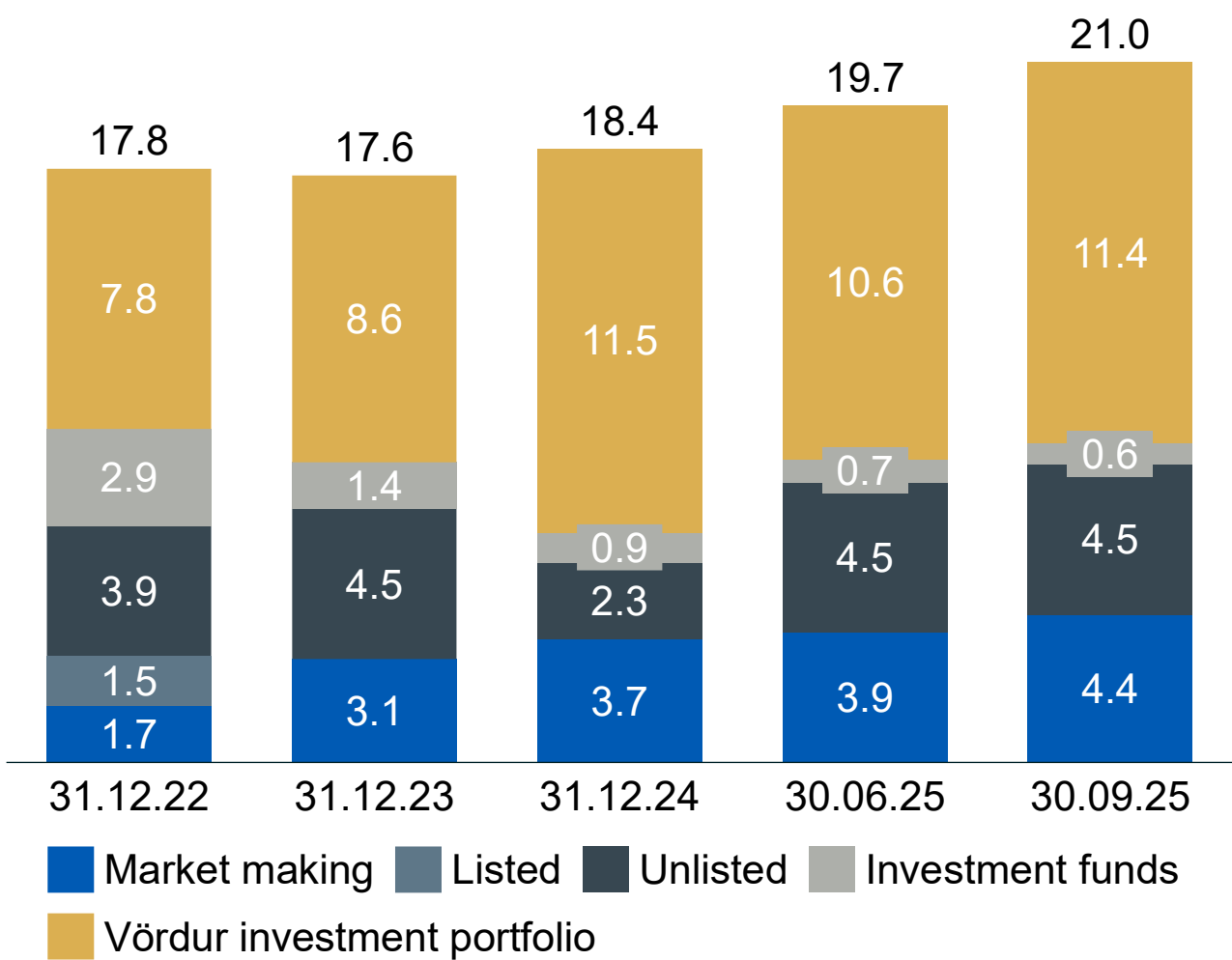
Net financial income by type Q3 2025 (ISK m)



Bond holdings (ISK bn)



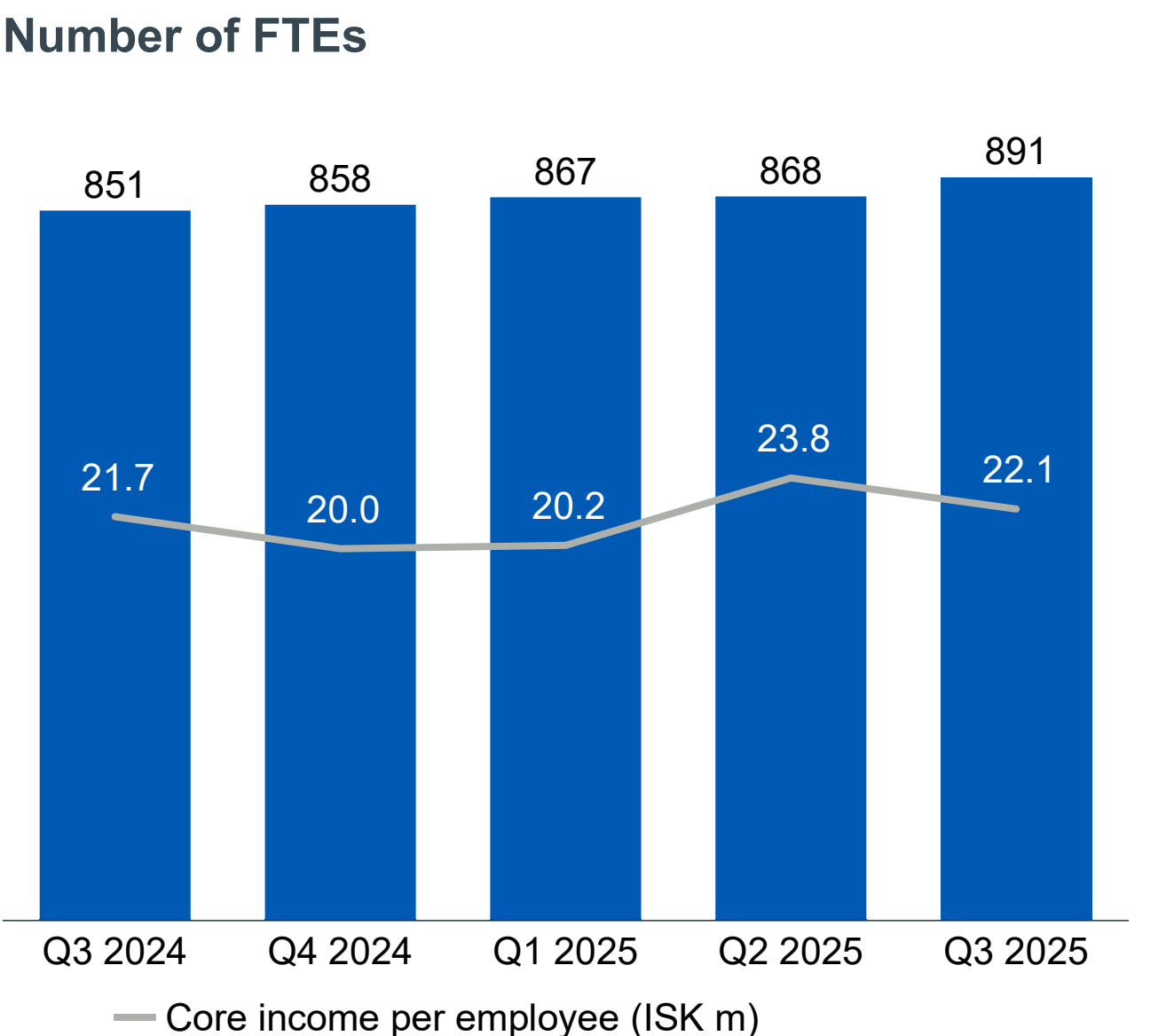
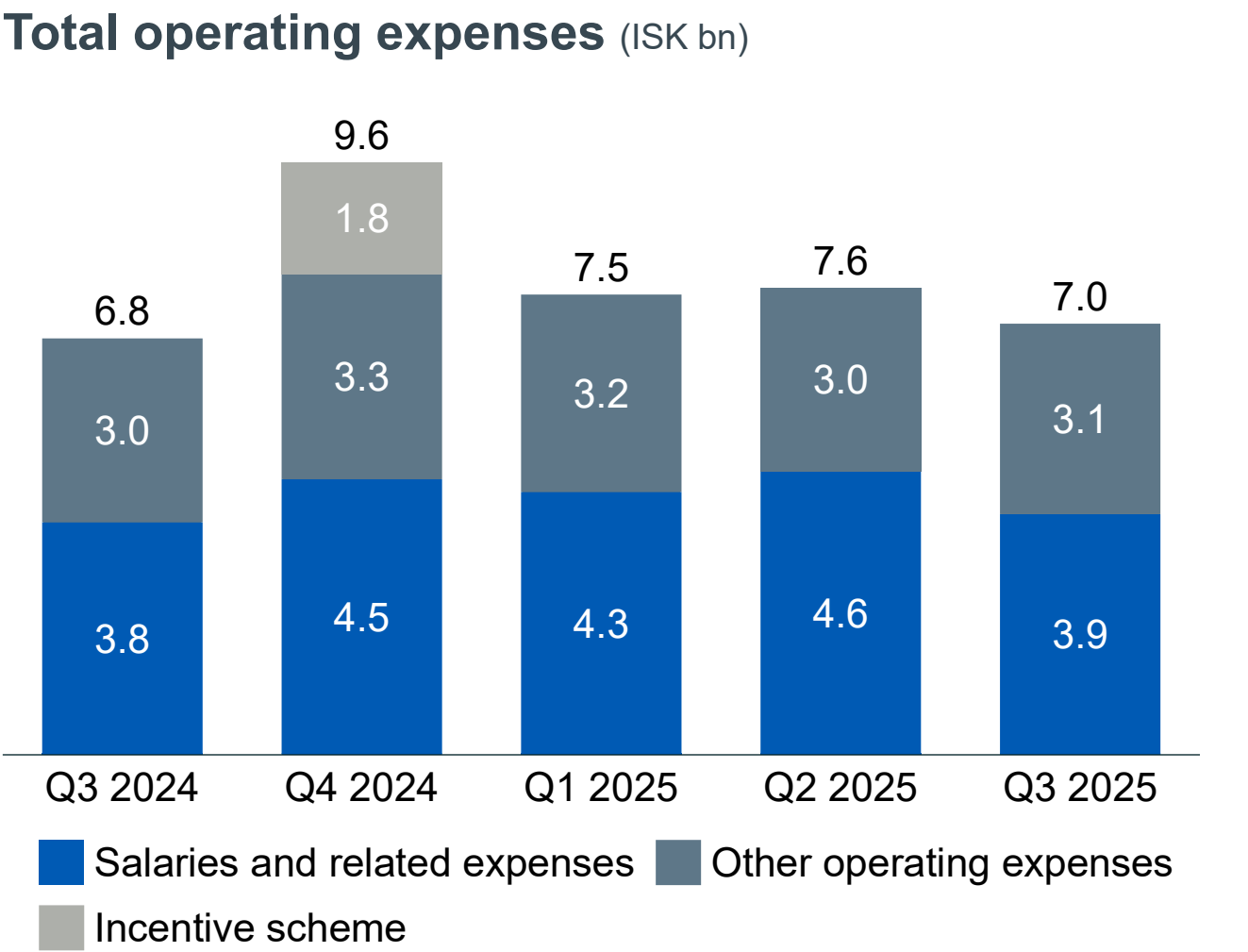
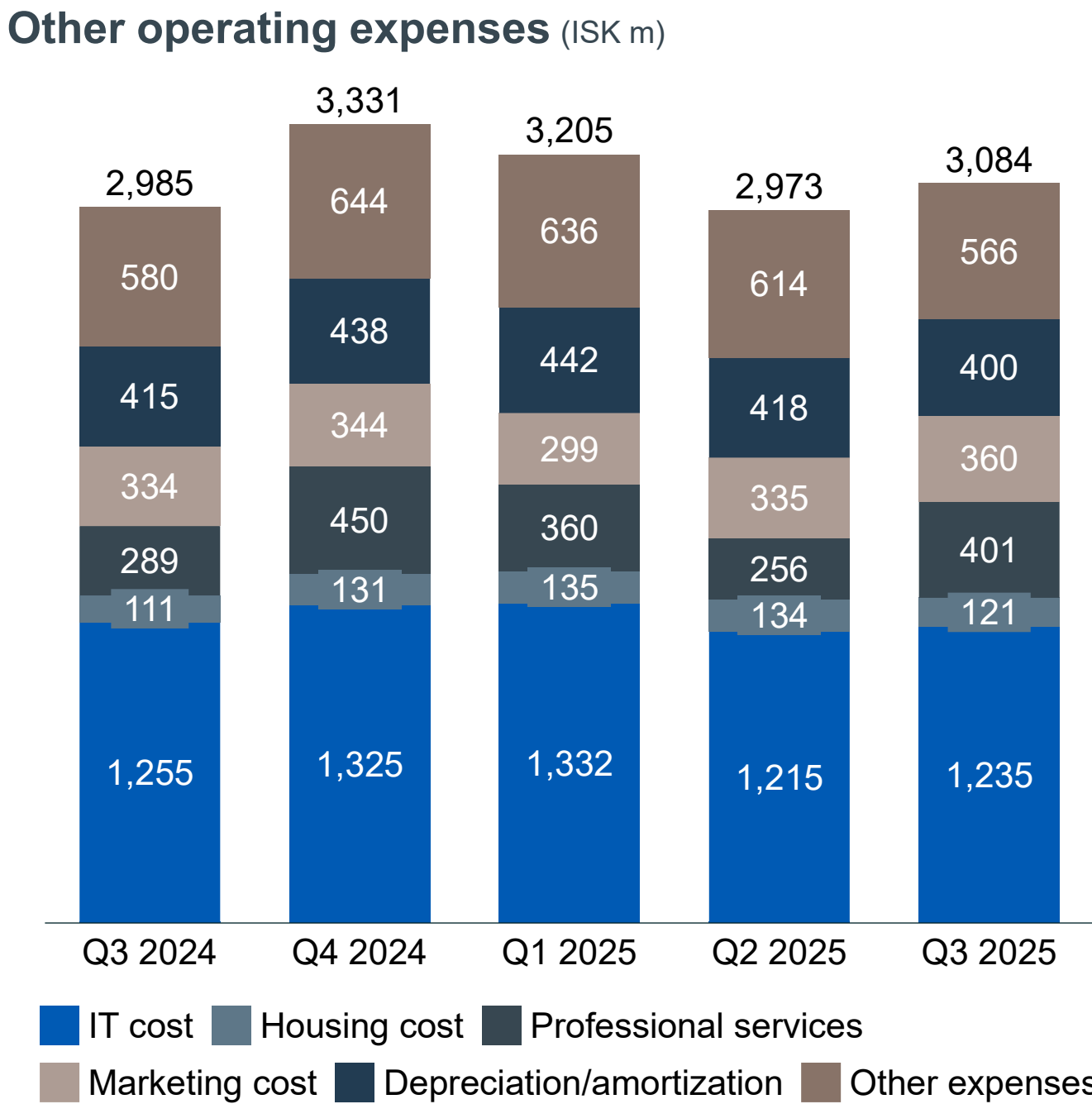
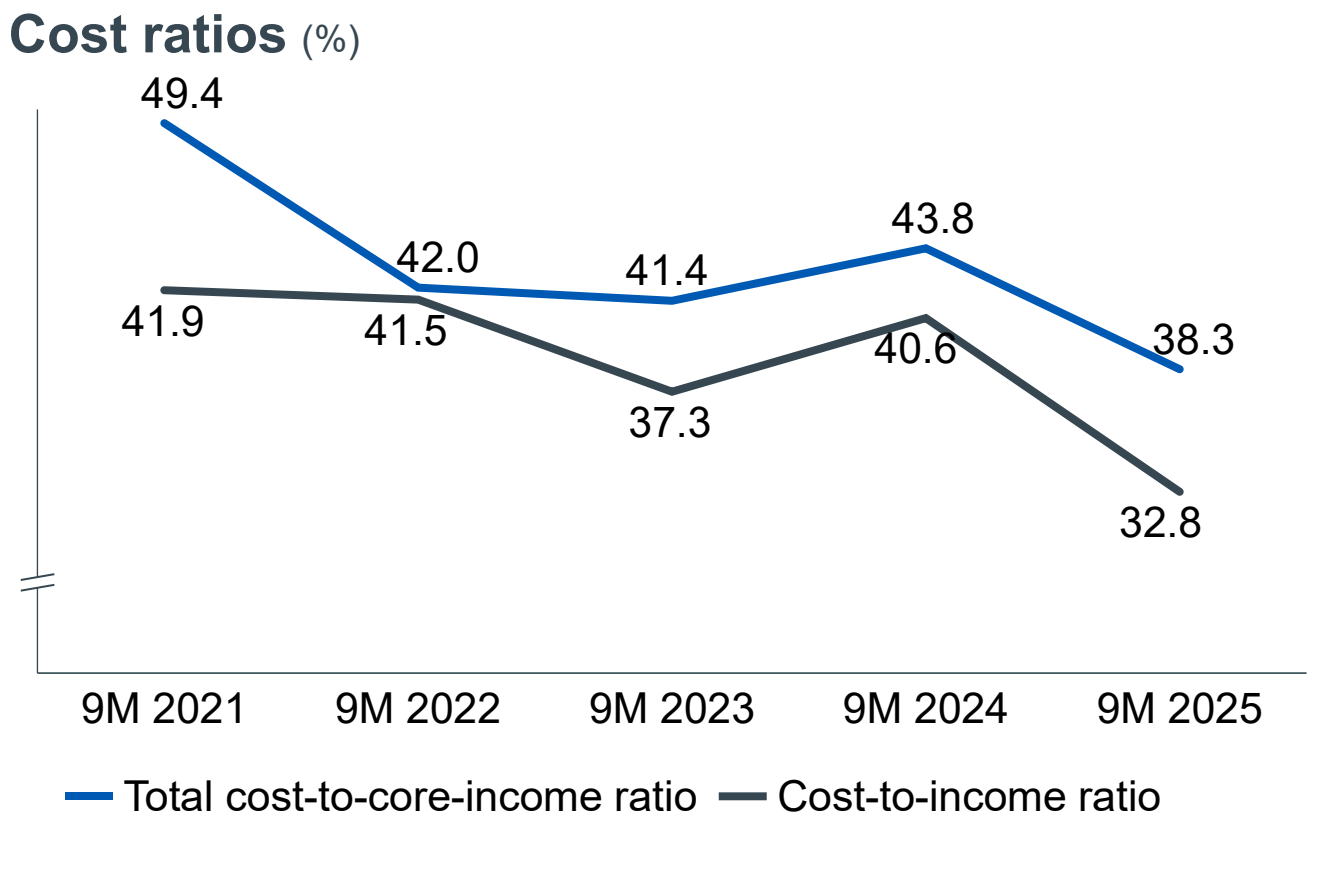
Equity holdings (ISK bn)



# 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 IFRS17
- Total operating expenses increased by ISK 238m, or 3.5%, compared with Q3 2024
  - Salaries and related expenses increased by ISK 131m or 3.5%
  - Other operating expenses increased by 107m or 3.6%, mainly professional services and marketing expenses



\*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 30bn or 2.3% in Q3
- Deposits increased by ISK 18bn or 2.0% in Q3
  - Loans to deposits ratio of 141.9%, 116.7% without loans financed by covered bonds
- Very strong liquidity position:
  - Liquidity coverage ratio (LCR) of 206% (142% in ISK)
  - Net stable funding ratio (NSFR) of 126%

| Assets                       | 30.09.2025   | 30.06.2025   | Diff.     | 31.12.2024   | 31.12.2023   | 31.12.2022   |
|------------------------------|--------------|--------------|-----------|--------------|--------------|--------------|
| Cash & balances with CB      | 110          | 114          | (3%)      | 124          | 102          | 114          |
| Loans to credit institutions | 26           | 35           | (27%)     | 26           | 29           | 46           |
| Loans to customers           | 1,302        | 1,272        | 2%        | 1,230        | 1,153        | 1,085        |
| Financial assets             | 260          | 238          | 9%        | 206          | 206          | 193          |
| Investment property          | 14           | 14           | 0%        | 9            | 9            | 8            |
| Other assets                 | 25           | 40           | (37%)     | 23           | 27           | 20           |
| <b>Total Assets</b>          | <b>1,737</b> | <b>1,713</b> | <b>1%</b> | <b>1,618</b> | <b>1,526</b> | <b>1,466</b> |

| Liabilities and Equity              |              |              |           |              |              |              |
|-------------------------------------|--------------|--------------|-----------|--------------|--------------|--------------|
| Due to credit institutions & CB     | 9            | 7            | 20%       | 7            | 3            | 12           |
| Deposits from customers             | 917          | 899          | 2%        | 857          | 793          | 755          |
| Other liabilities                   | 73           | 77           | (6%)      | 69           | 69           | 71           |
| Borrowings                          | 482          | 483          | (0%)      | 433          | 420          | 393          |
| Subordinated liabilities            | 43           | 42           | 1%        | 45           | 41           | 47           |
| <b>Total Liabilities</b>            | <b>1,524</b> | <b>1,509</b> | <b>1%</b> | <b>1,411</b> | <b>1,326</b> | <b>1,278</b> |
| Shareholders equity                 | 210          | 202          | 4%        | 207          | 199          | 187          |
| Non-controlling interest            | 2            | 2            | (1%)      | 1            | 1            | 1            |
| <b>Total equity</b>                 | <b>213</b>   | <b>204</b>   | <b>4%</b> | <b>207</b>   | <b>199</b>   | <b>188</b>   |
| <b>Total Liabilities and Equity</b> | <b>1,737</b> | <b>1,713</b> | <b>1%</b> | <b>1,618</b> | <b>1,526</b> | <b>1,466</b> |

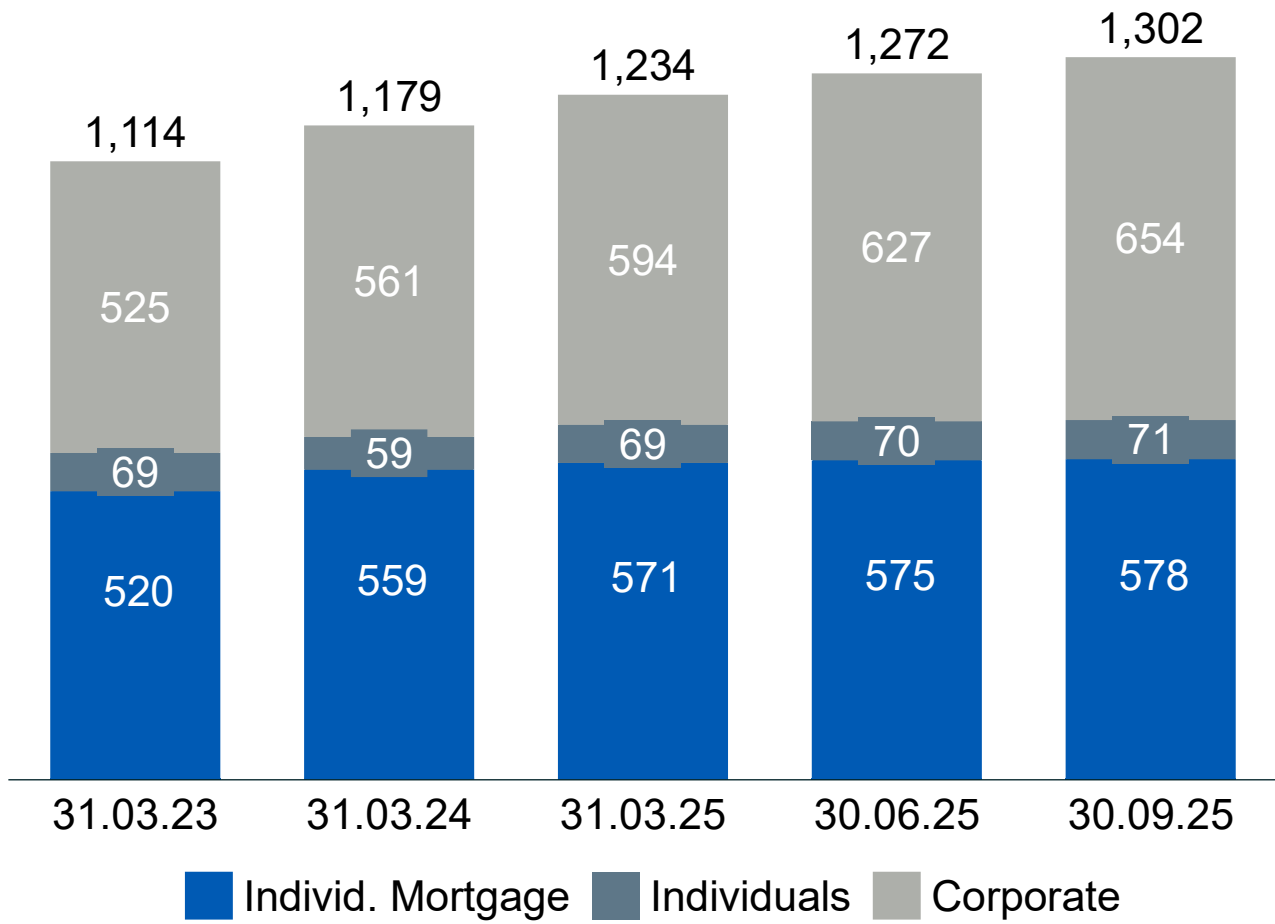


# Loans to customers

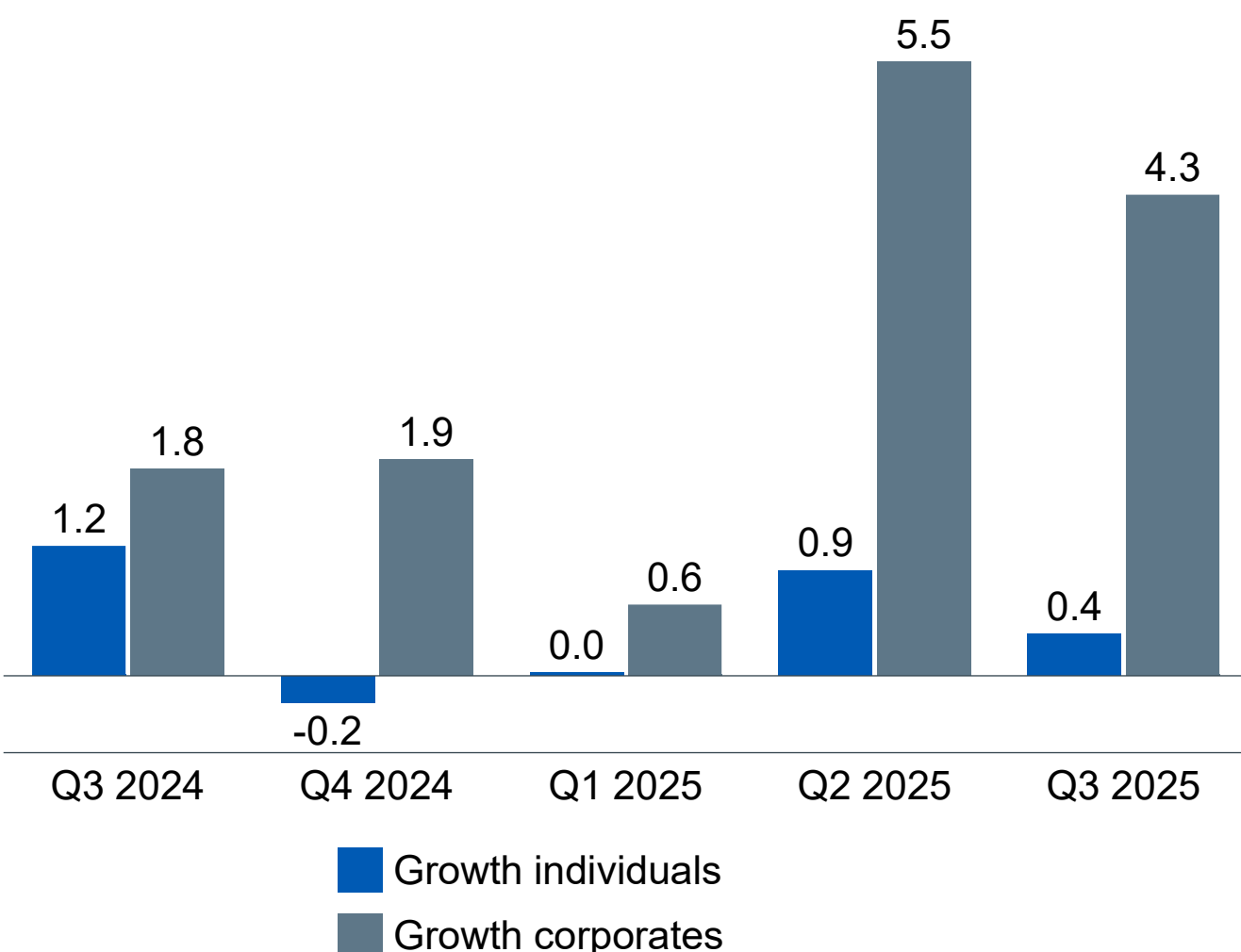
## Balanced loan portfolio

- Loans to customers total ISK 1,302bn at the end of September, increasing by ISK 29.2bn or 2.3% during the quarter. Currency fluctuations impacted the FX loan book positively by less than ISK 0.5bn and CPI changes increased book value by approx. ISK 2.8bn
- 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
- Loan growth is primarily driven by corporate loans, with continuing demand. However, the growth rate in the coming quarters is not expected to match that seen in the current quarter
- The sustainable loan book was ISK 185bn at quarter-end compared with ISK 191bn at year-end 2024

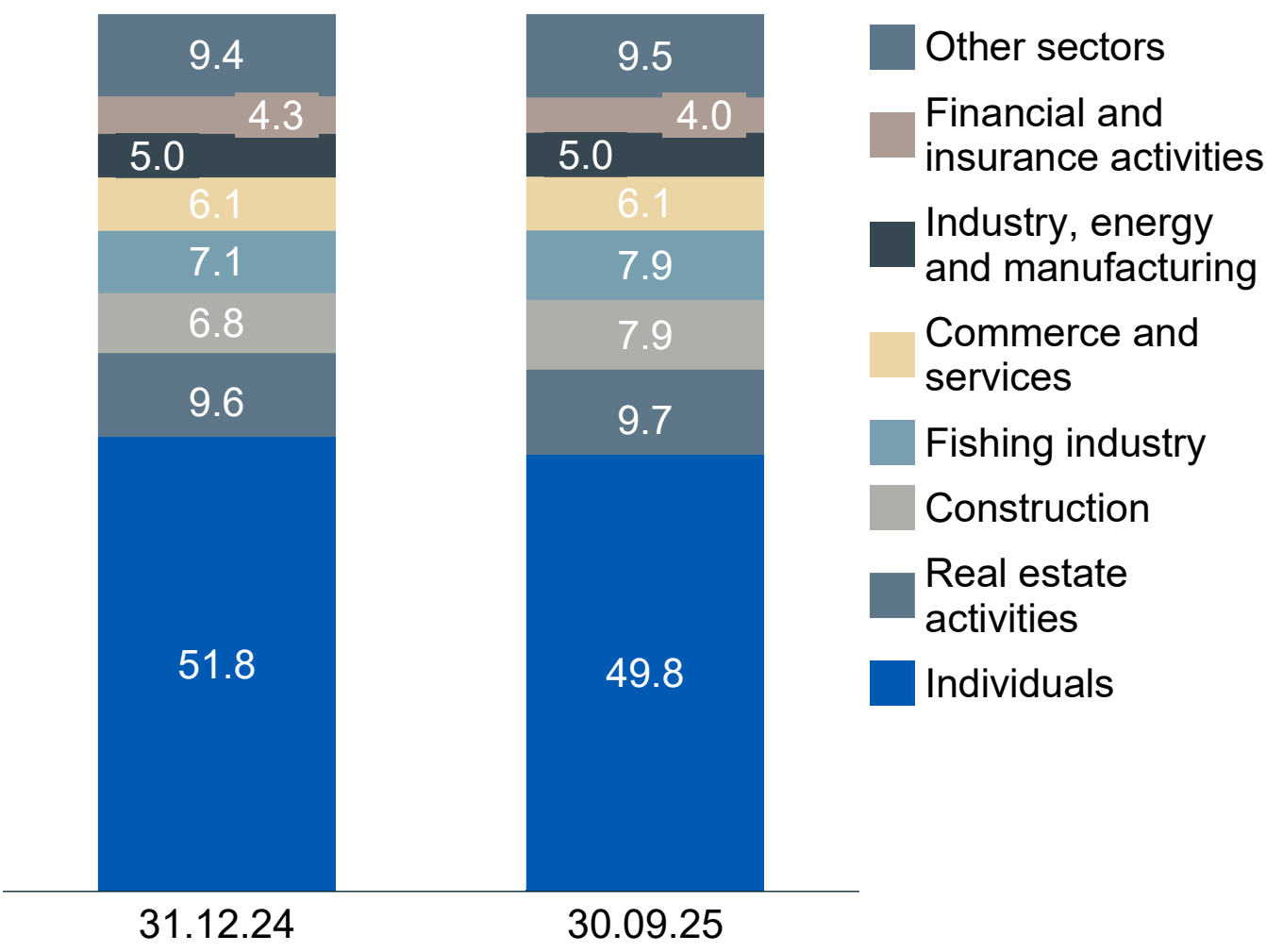
Loans to customers (ISK bn)



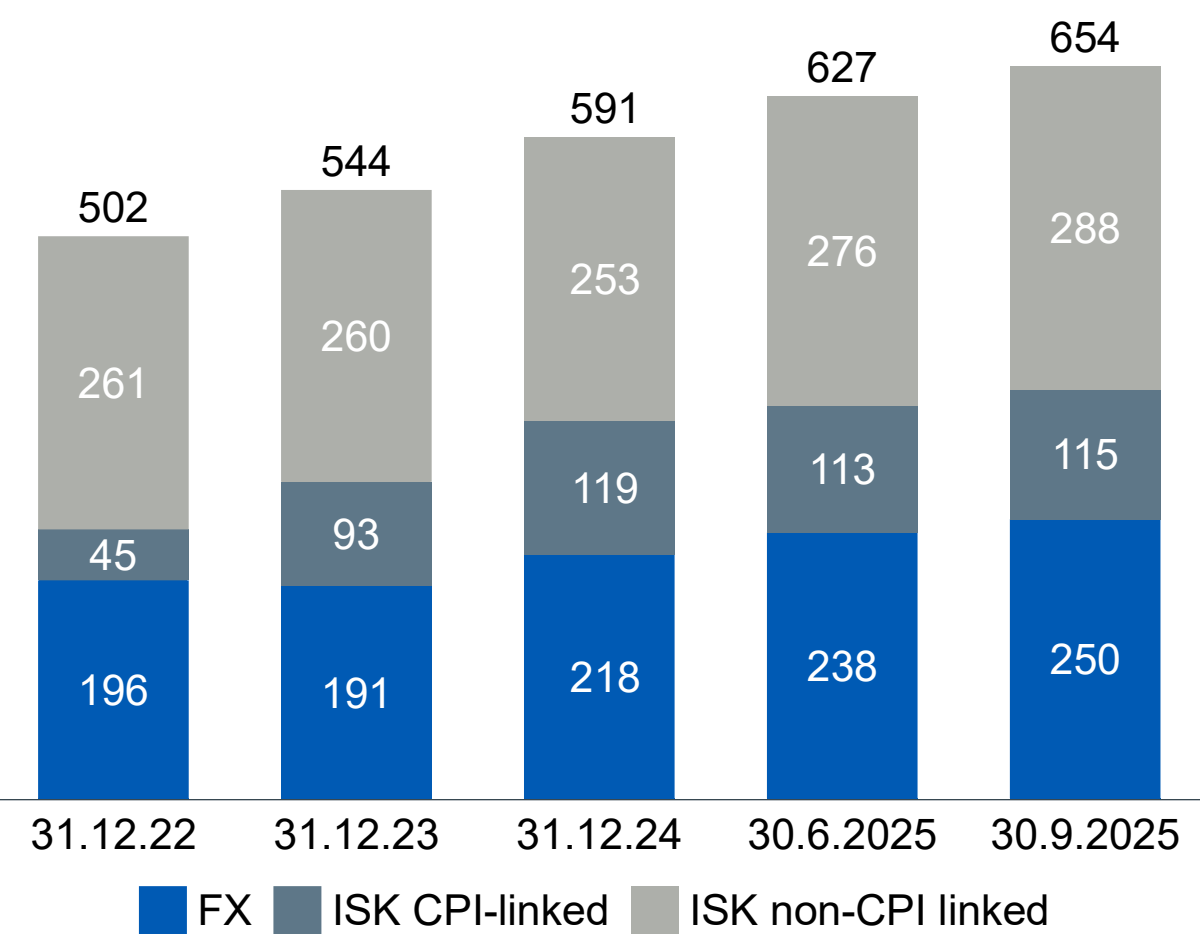
Loan growth (%)



Loans to customers by sector (%)



Loans to corporates by type (ISK bn)



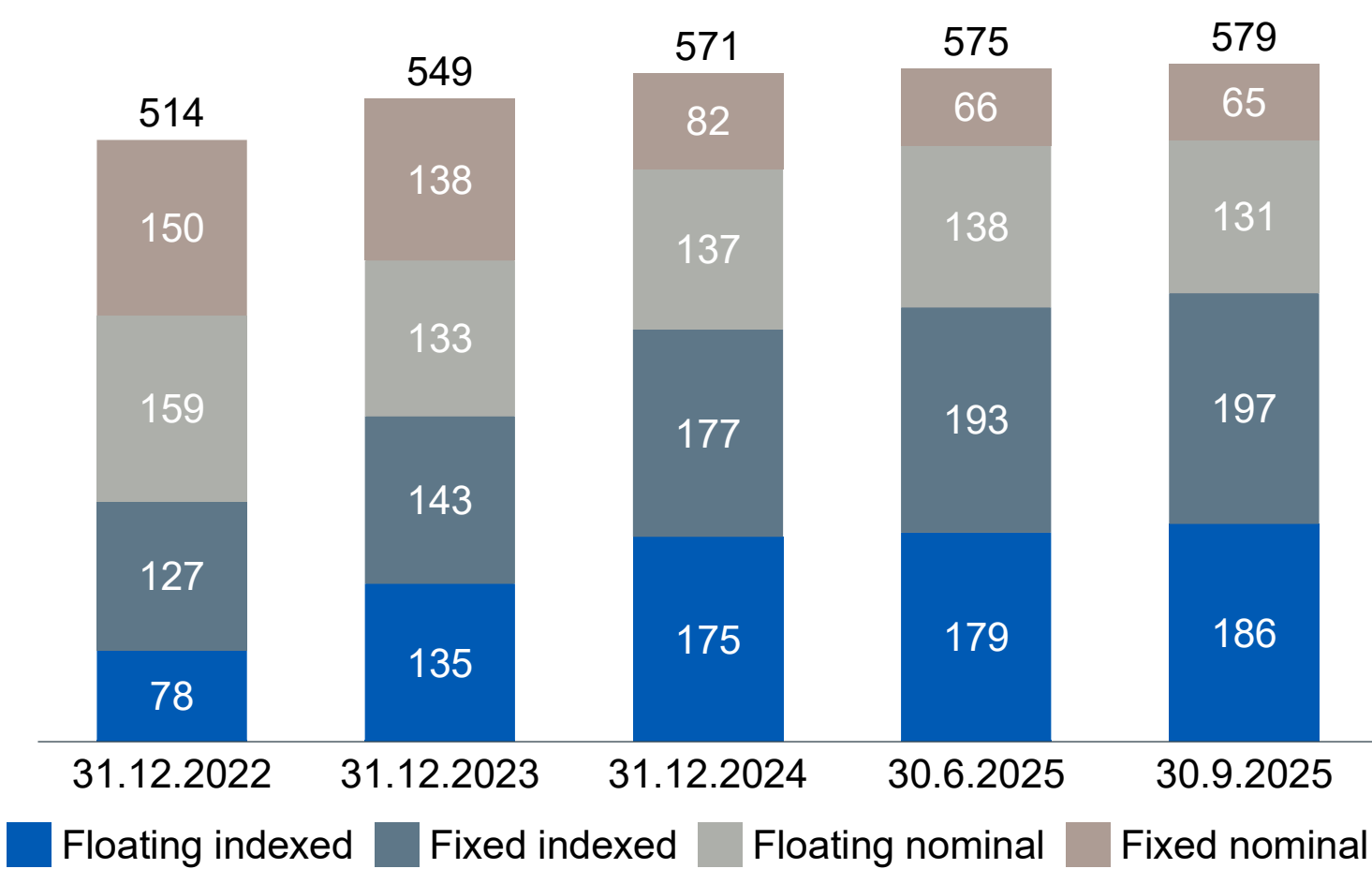
# Residential mortgages

Low default rates and comfortable LTV levels, but the interest rate level impacts portfolio growth and composition

- CPI-linked loans are now 62% of the mortgage portfolio, compared to 40% at year-end 2022
- The average loan-to-value of the mortgage portfolio is 48.5%. 90% of mortgage exposures have LTV below 80%
- The non-performing loan ratio was 1.5%, which is below the historical average
- As a result of current interest rate levels, there has been a shift towards indexed mortgages
- The Bank periodically reviews its underwriting criteria and assessment of customer debt servicing capacity

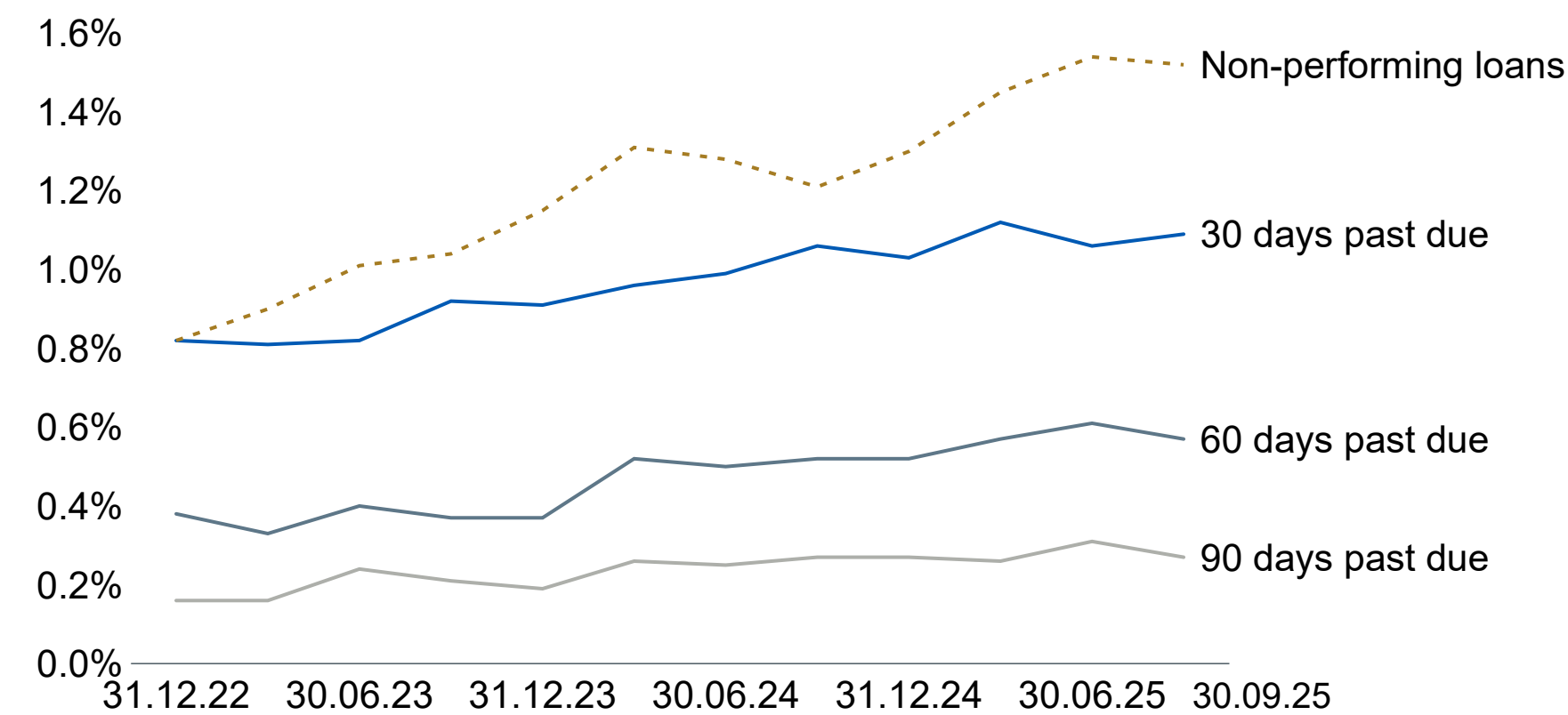
## Residential mortgages by interest rate type (ISK bn)

Indexed mortgages were 65% of the portfolio at 30.06.2025



## Rate of defaults and payments past due

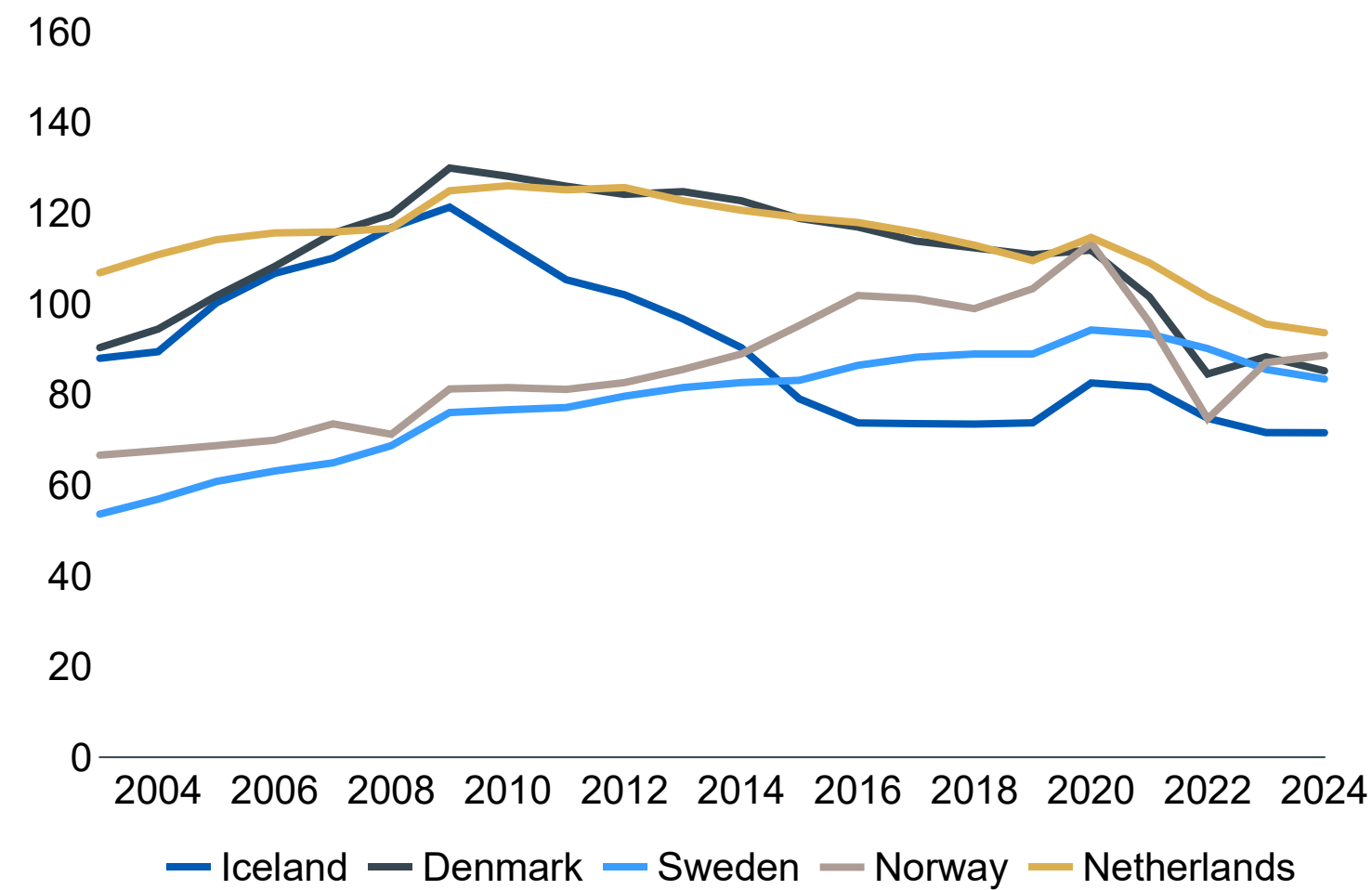
Non-performing loans are 1.5% of the mortgage portfolio with a slight trend upwards from YE 2022



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

## Household debt to GDP (%)

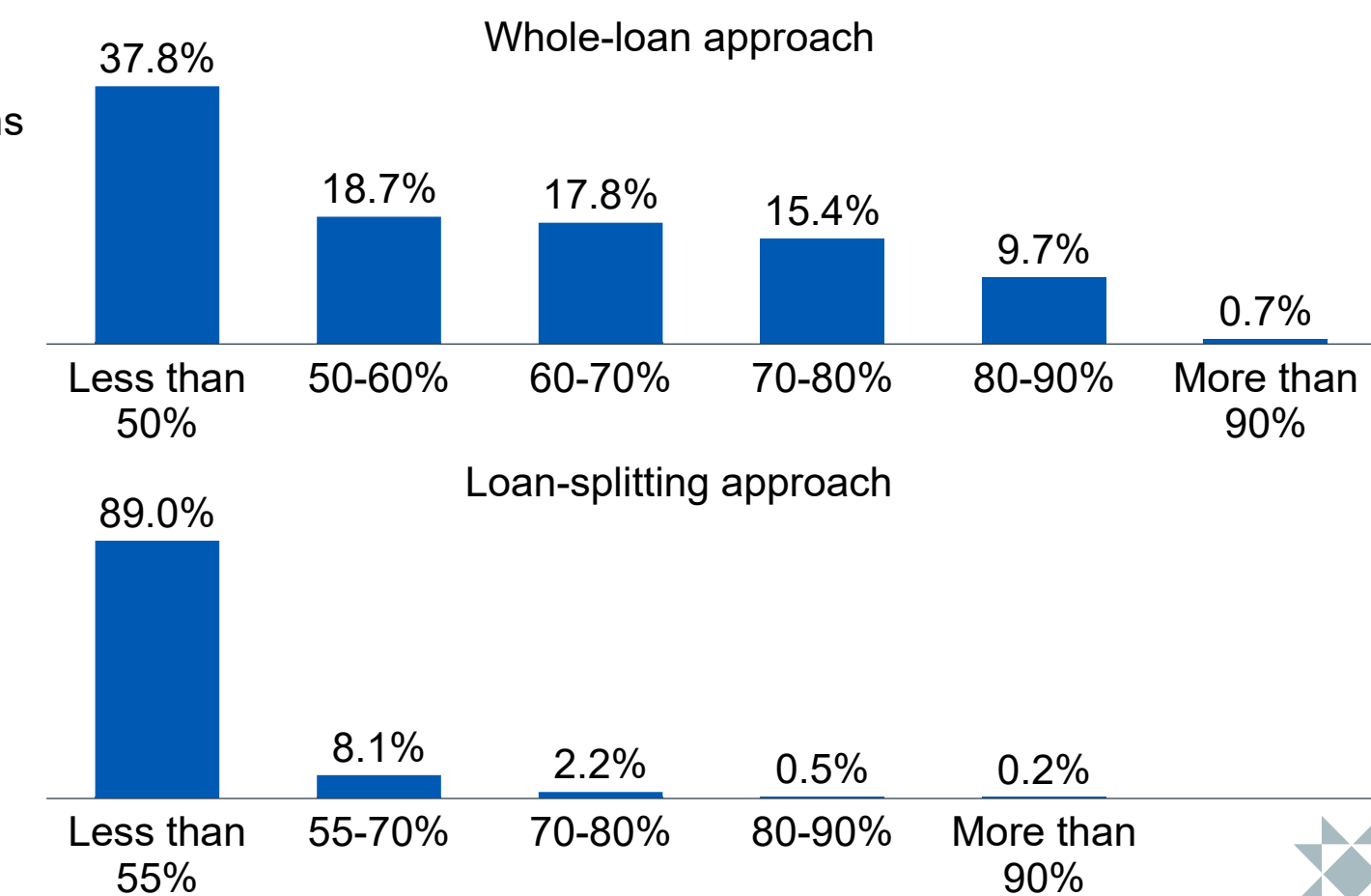
Relatively low household debt



Source: OECD, Statistic Iceland and Central Bank of Iceland

## Loan to value distribution

Over 90% of mortgage exposures have LTV below 80%

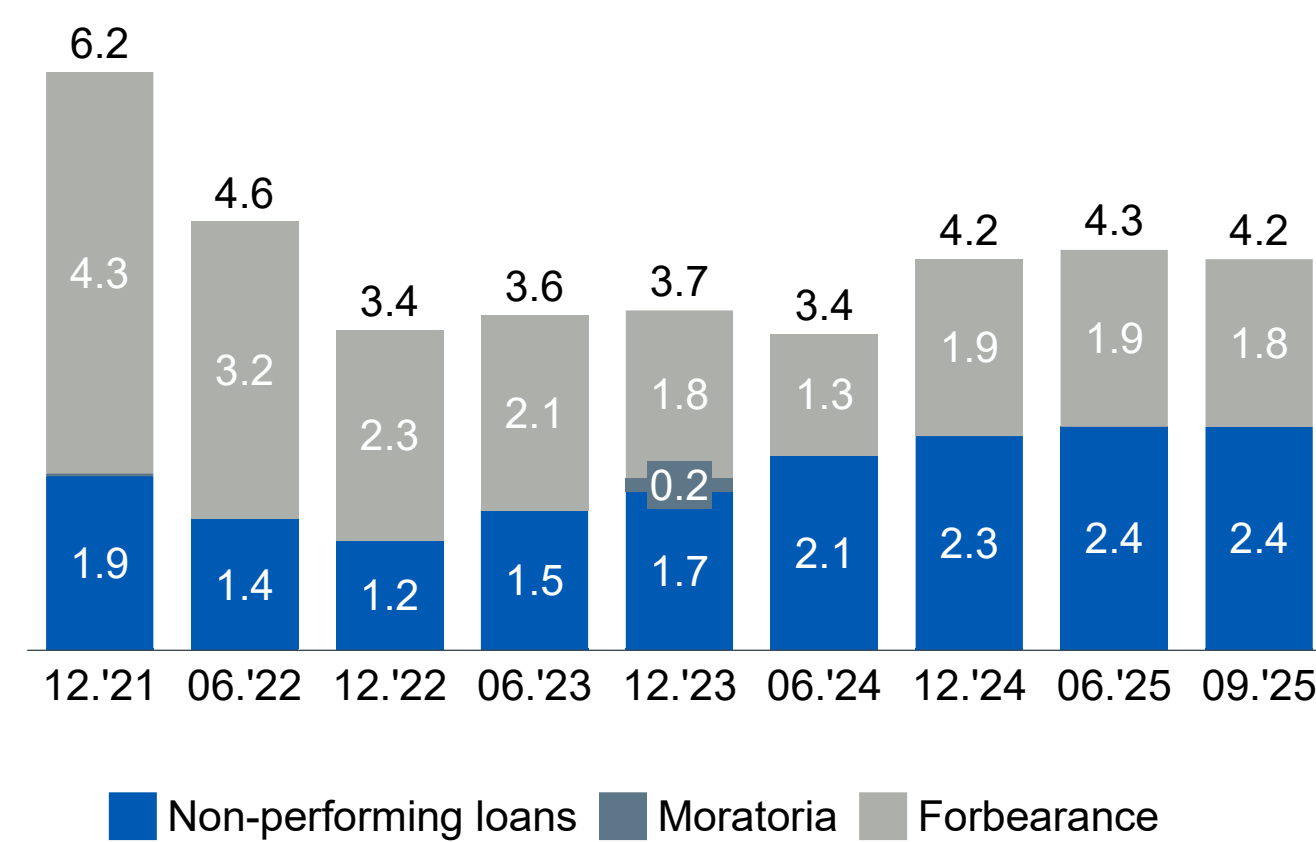


# Risk profile

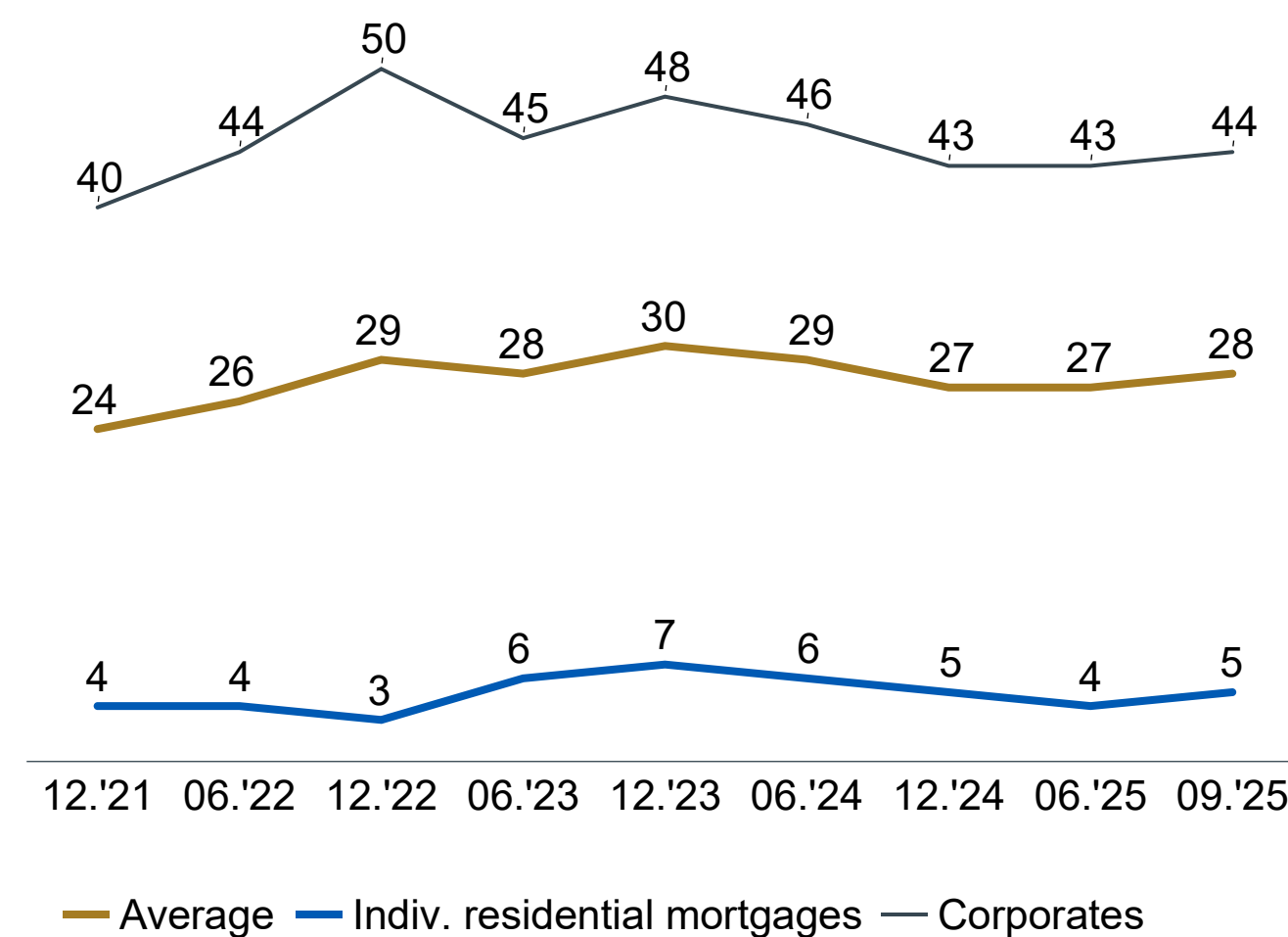
Strong credit quality indicators while the NPL ratio has recently trended upwards

- The development of non-performing loans ratio is correlated with the interest rate level and future development is likely to depend on the pace of monetary easing. The ratio is below historical averages
- The increase to corporate NPLs in recent quarters is mainly 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 20.0%
- Forborne exposures that are not in Stage 3 represent 1.8% of loans to customers at Q3 2025, slightly lower than Q2 2025
- 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 Q3 the 12-month expected credit loss ratio of 28bps reflects management’s prudent view given current economic conditions

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

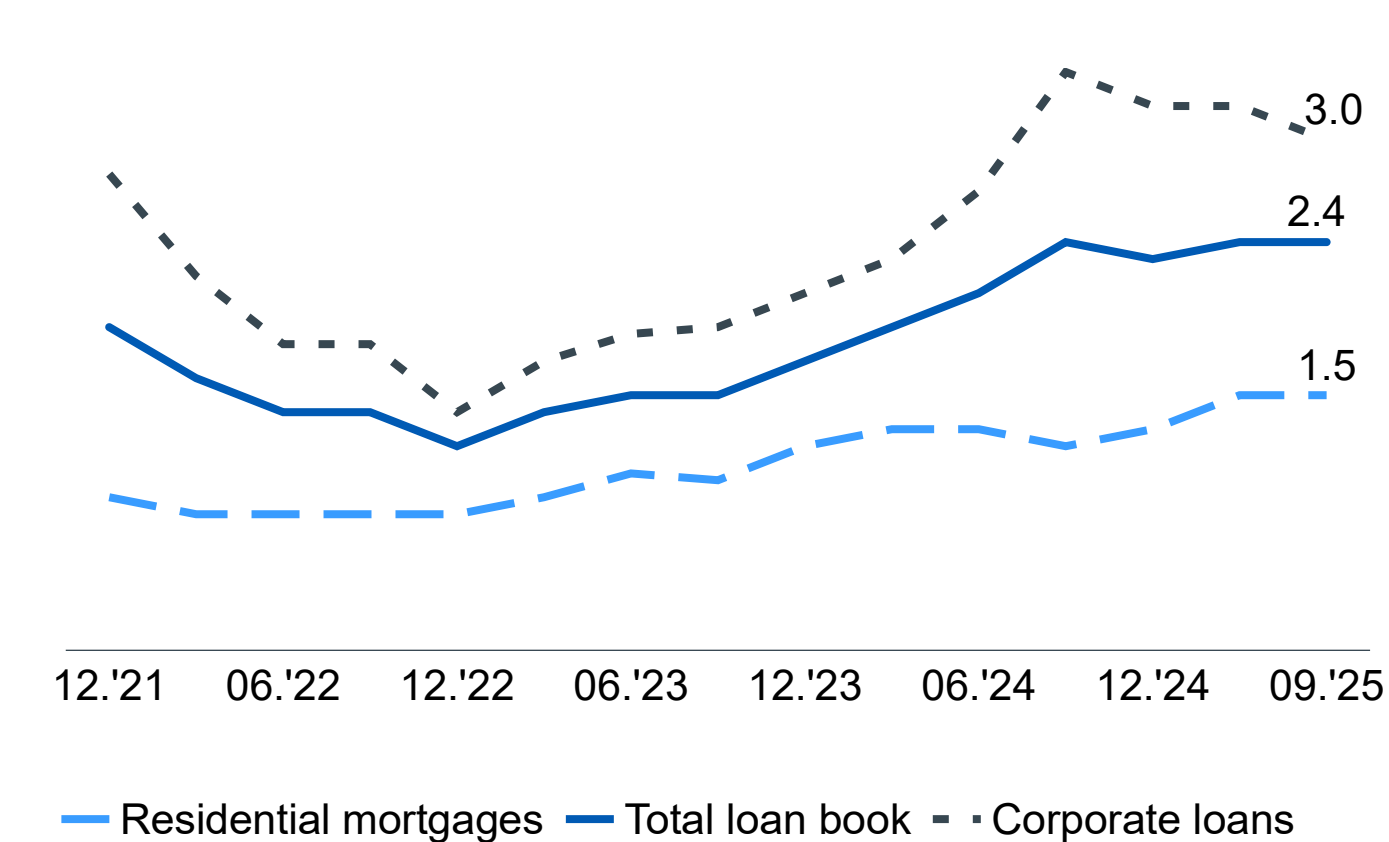


12-month expected credit loss for performing loans to customers (on balance sheet) (bps)

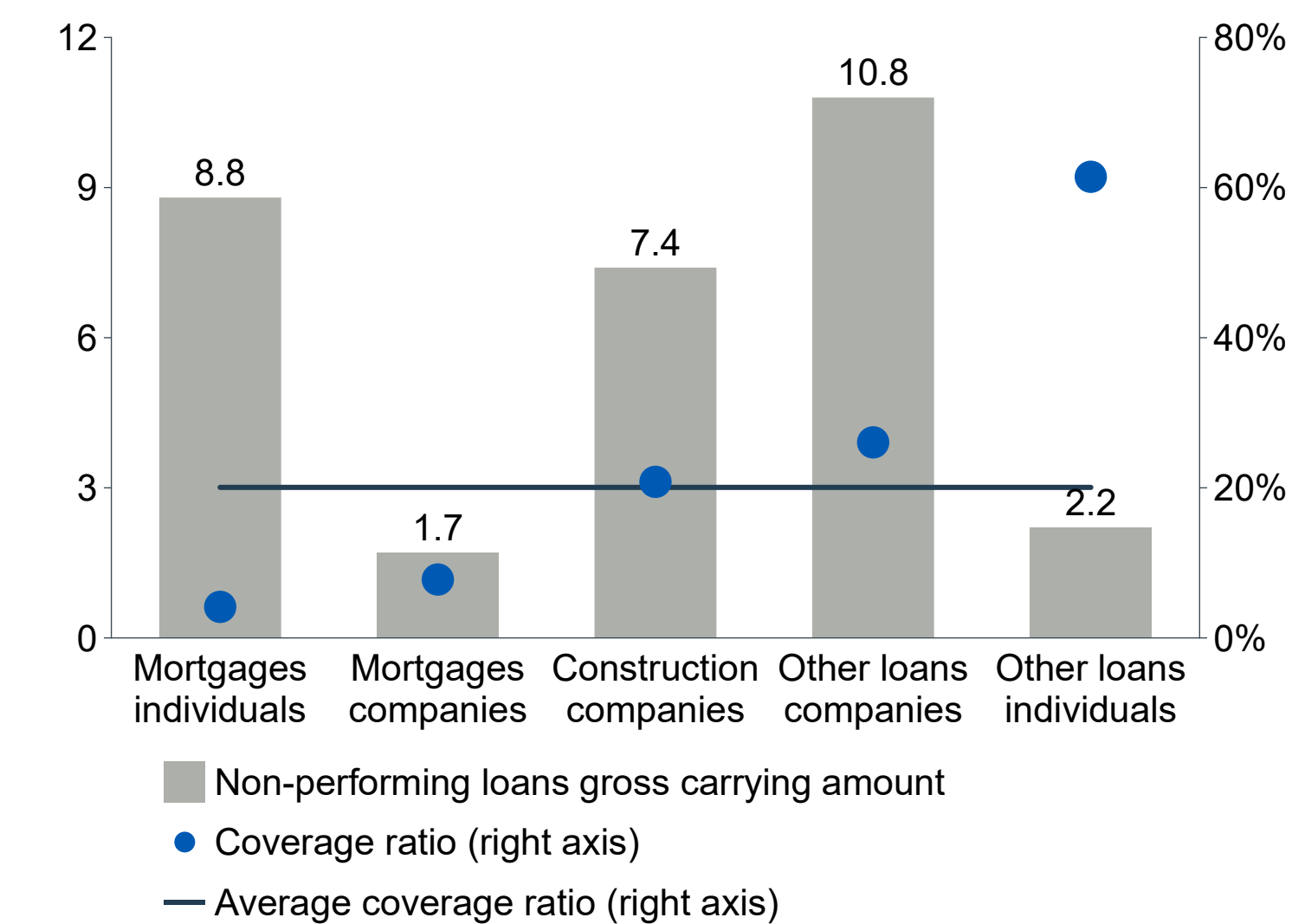


Non-performing loans: Loans in Stage 3 according to IFRS 9

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



NPL coverage breakdown\* (ISK bn)



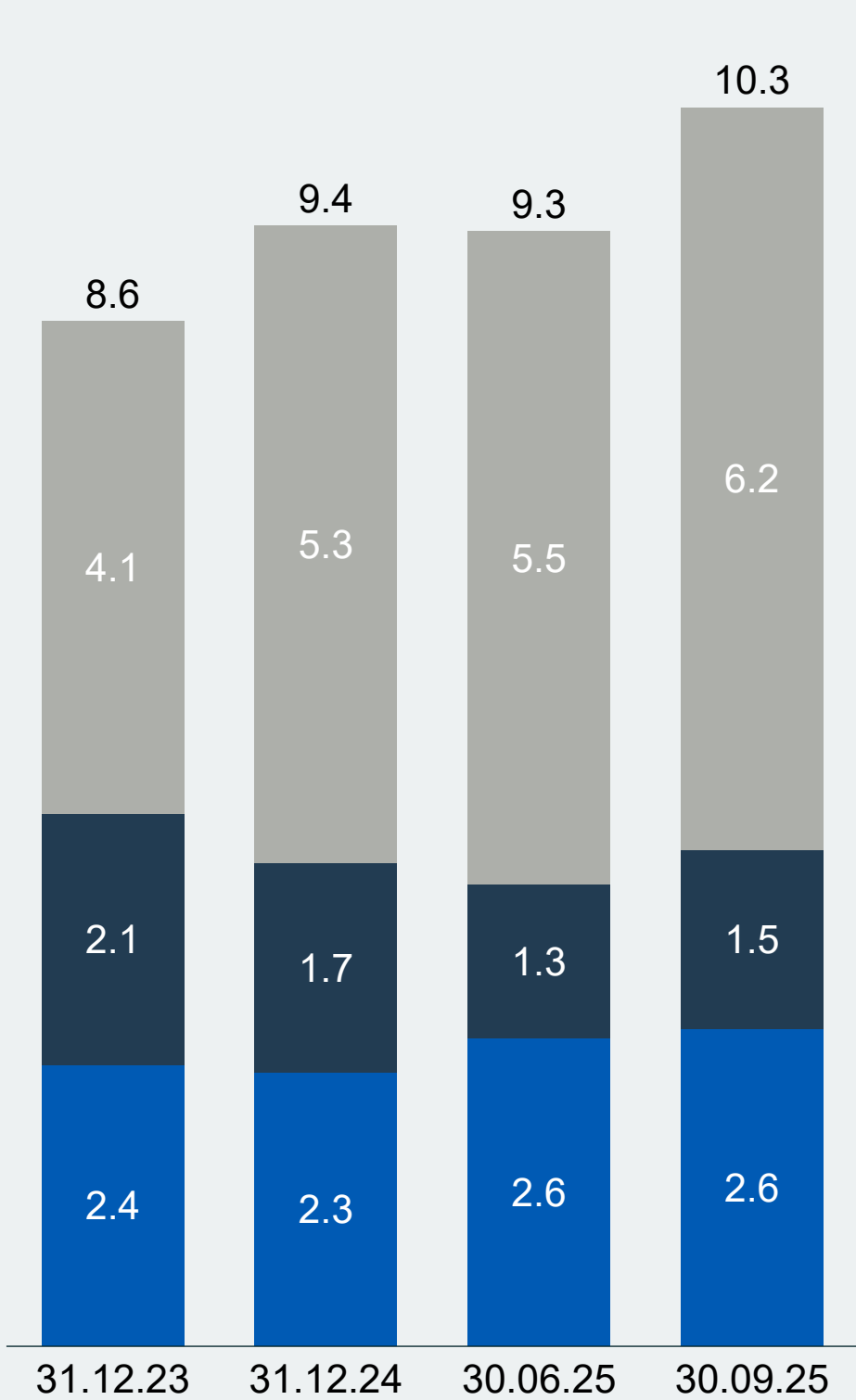
\*Residential property development or secured by residential real estate or land



# Loss allowance by IFRS 9 stages

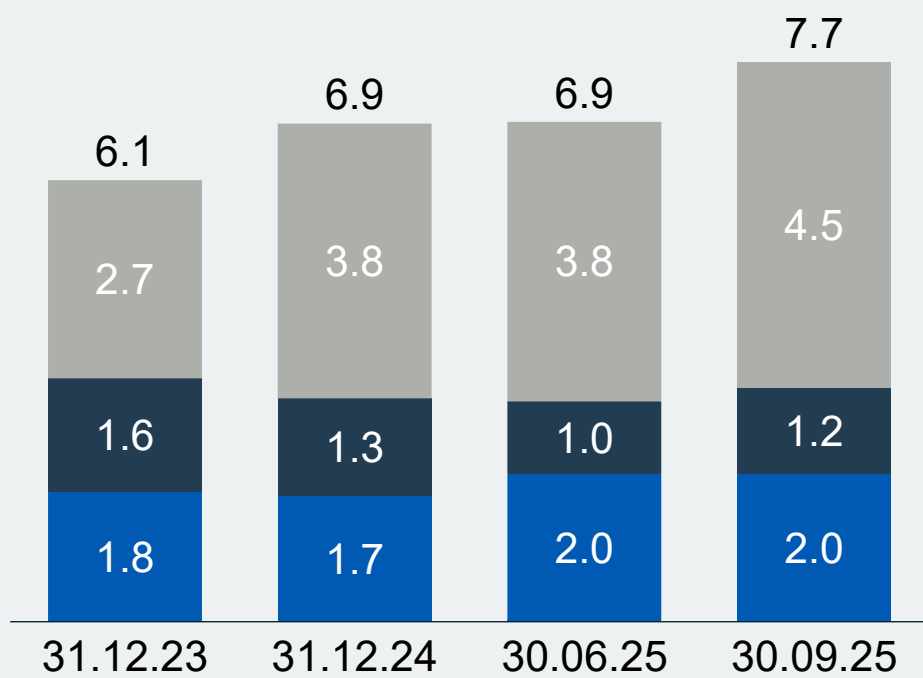
## On loans to customers total (ISK bn)

Loans to customers are 0.79% provisioned at 30.09.2025, 0.75% at YE 2024



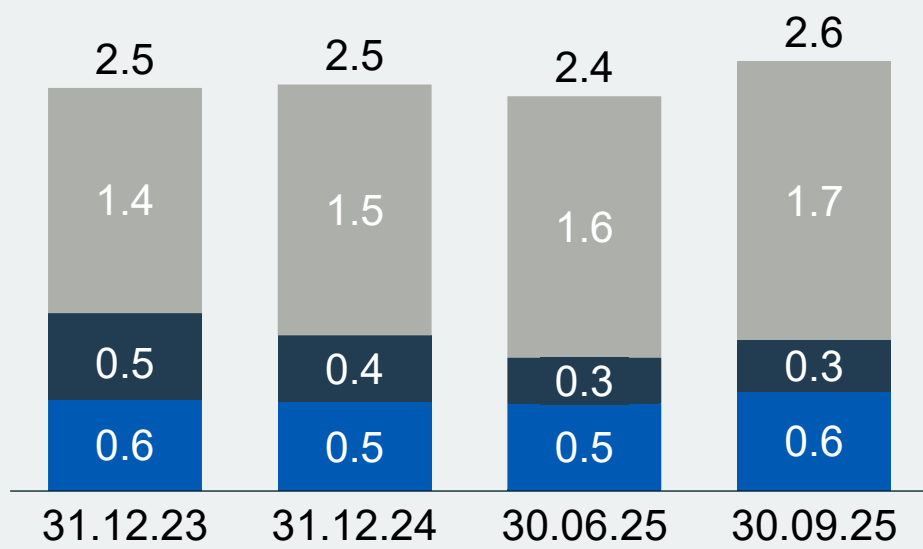
## On loans to corporates (ISK bn)

Loans to corporates are 1.17% provisioned at 30.09.2025



## On loans to individuals (ISK bn)

Loans to individuals are 0.41% provisioned at 30.09.2025



Stage 1 Stage 2 Stage 3

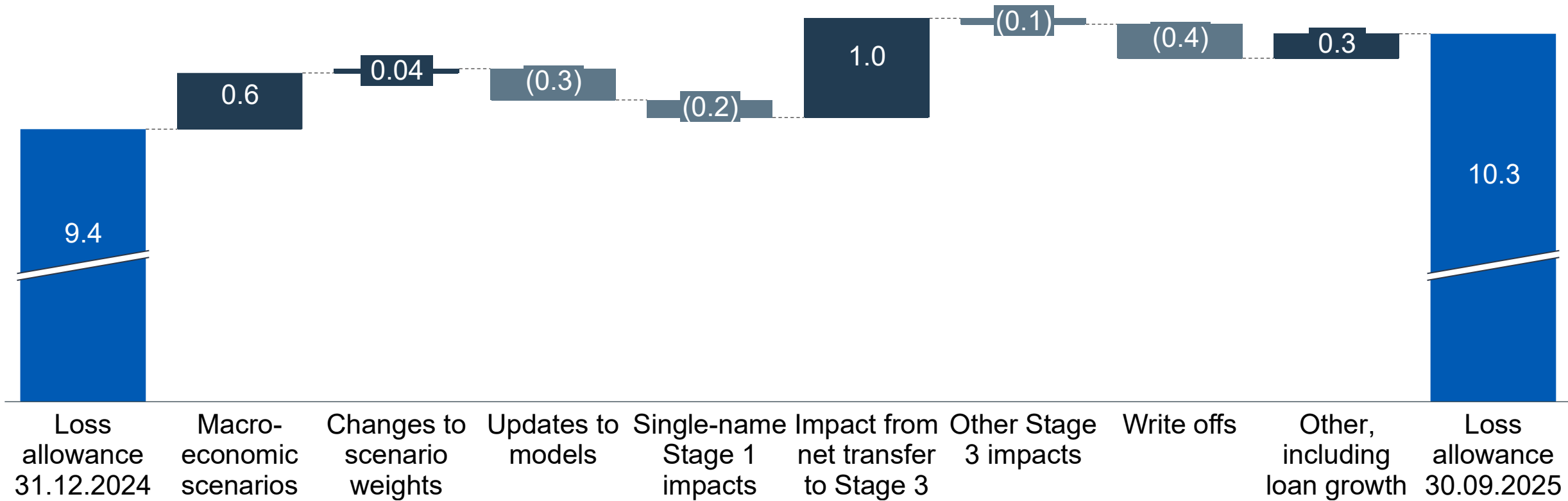
## IFRS 9 economic scenarios and assumptions

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 | Q3 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)

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

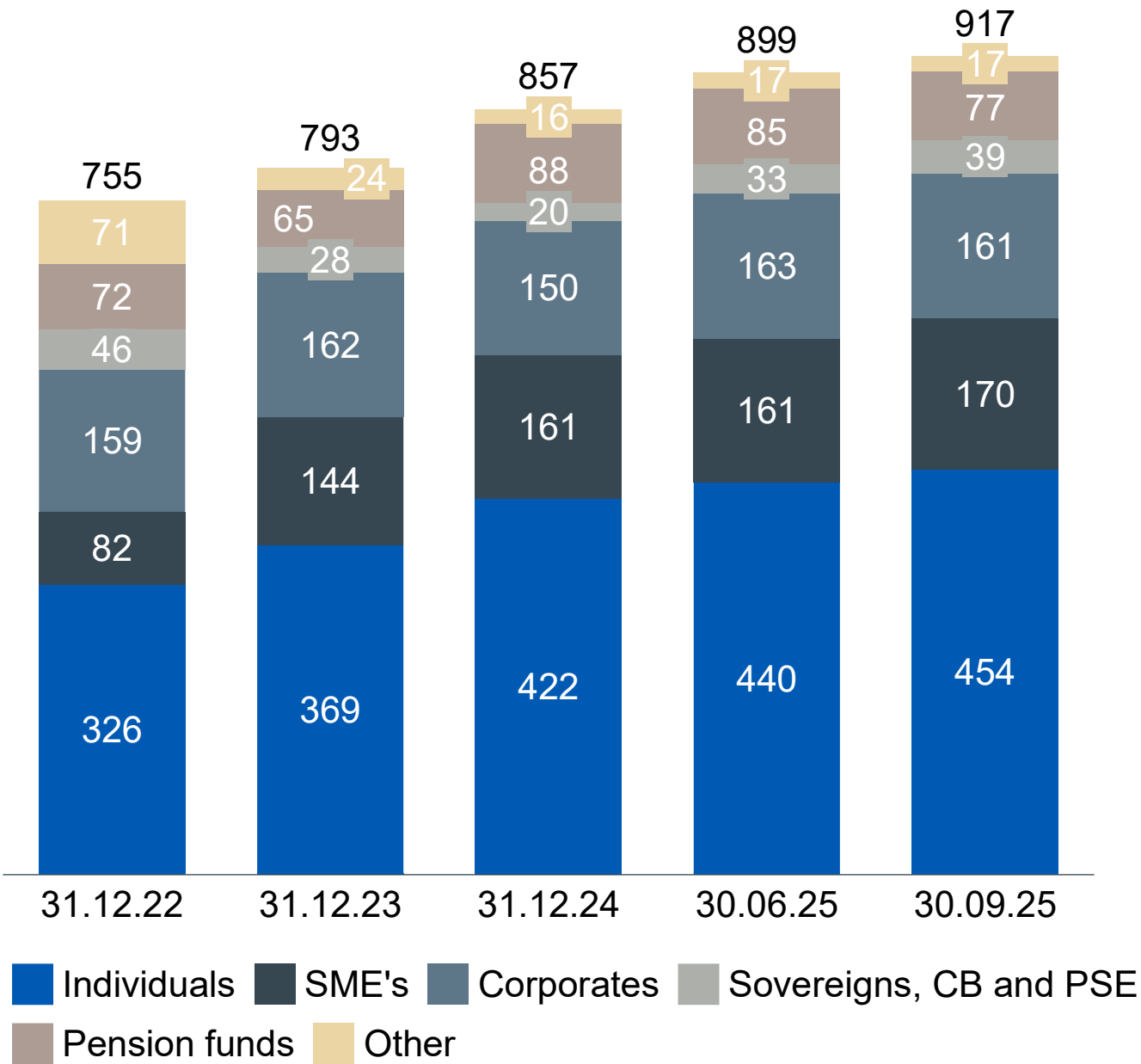


# Deposits from customers

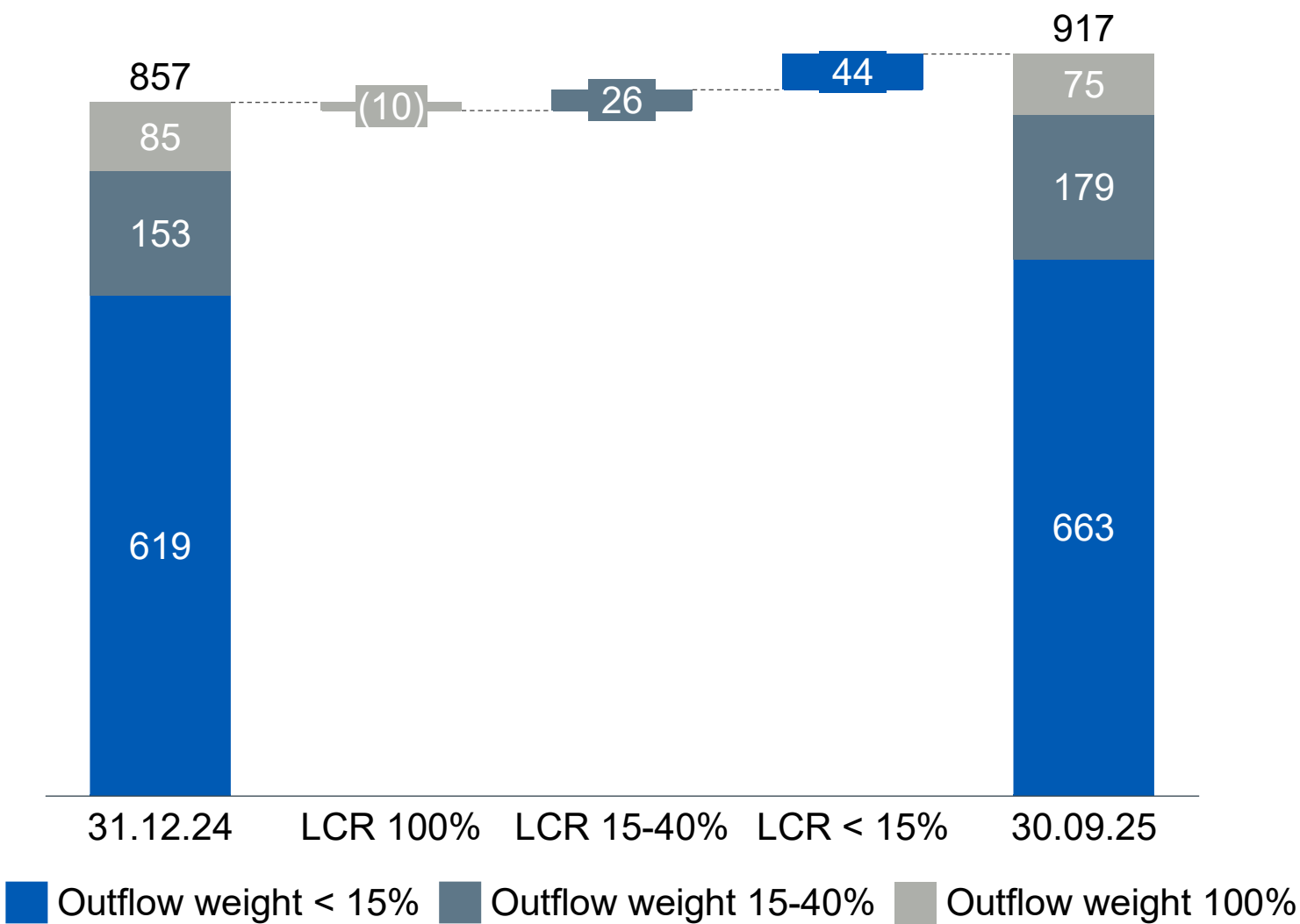
## Continued momentum in stable deposits

- Deposits from customers of ISK 917bn represent 60% of the Bank’s total liabilities
- Stable deposits consist of deposits from individuals, SME’s and corporates with low LCR outflow weight
- Loans to deposits ratio of 142% at the end of the quarter and has been relatively stable over the last few years

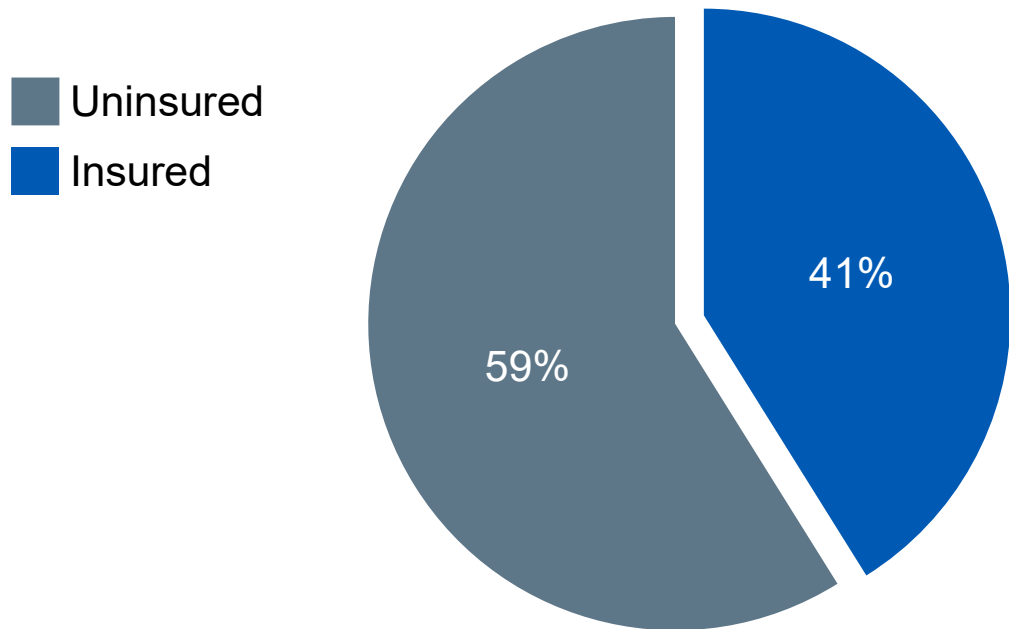
Deposits from customers (ISK bn)



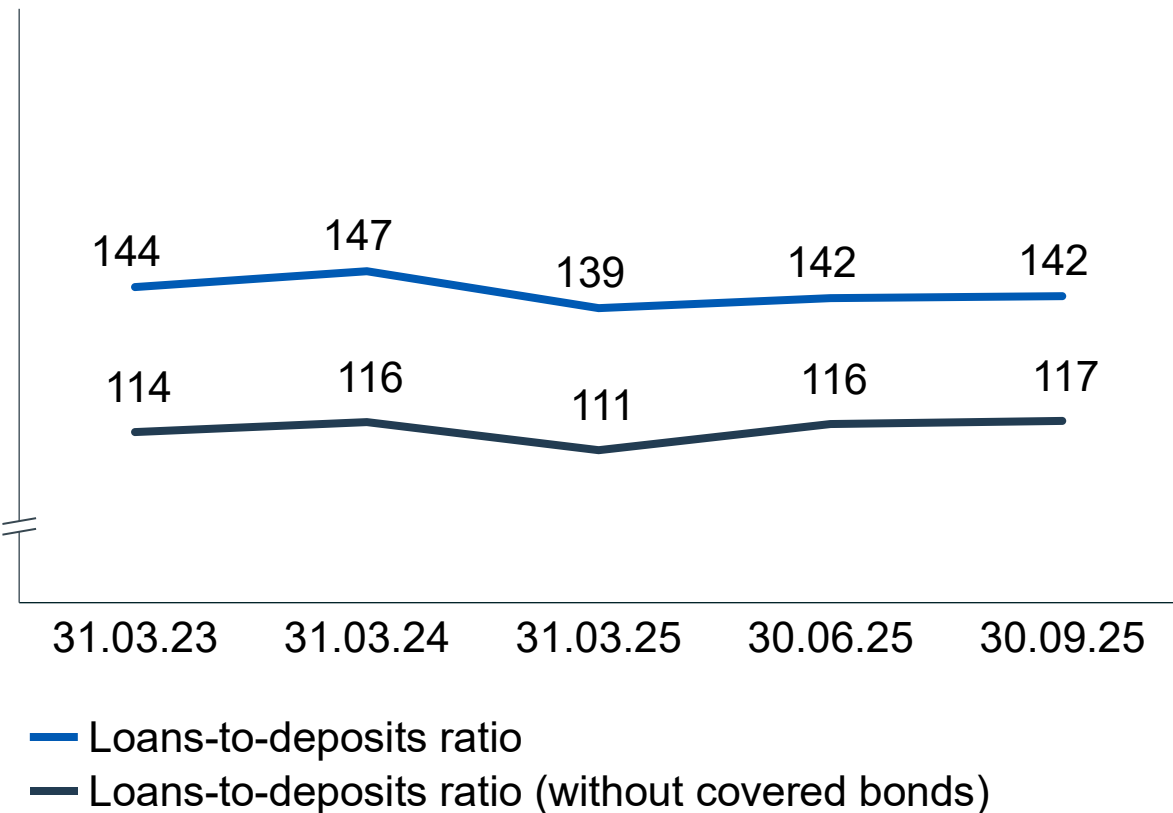
Deposit growth by LCR outflow category (ISK bn)



Deposits by insurance scheme



Loans to deposits ratio (%)

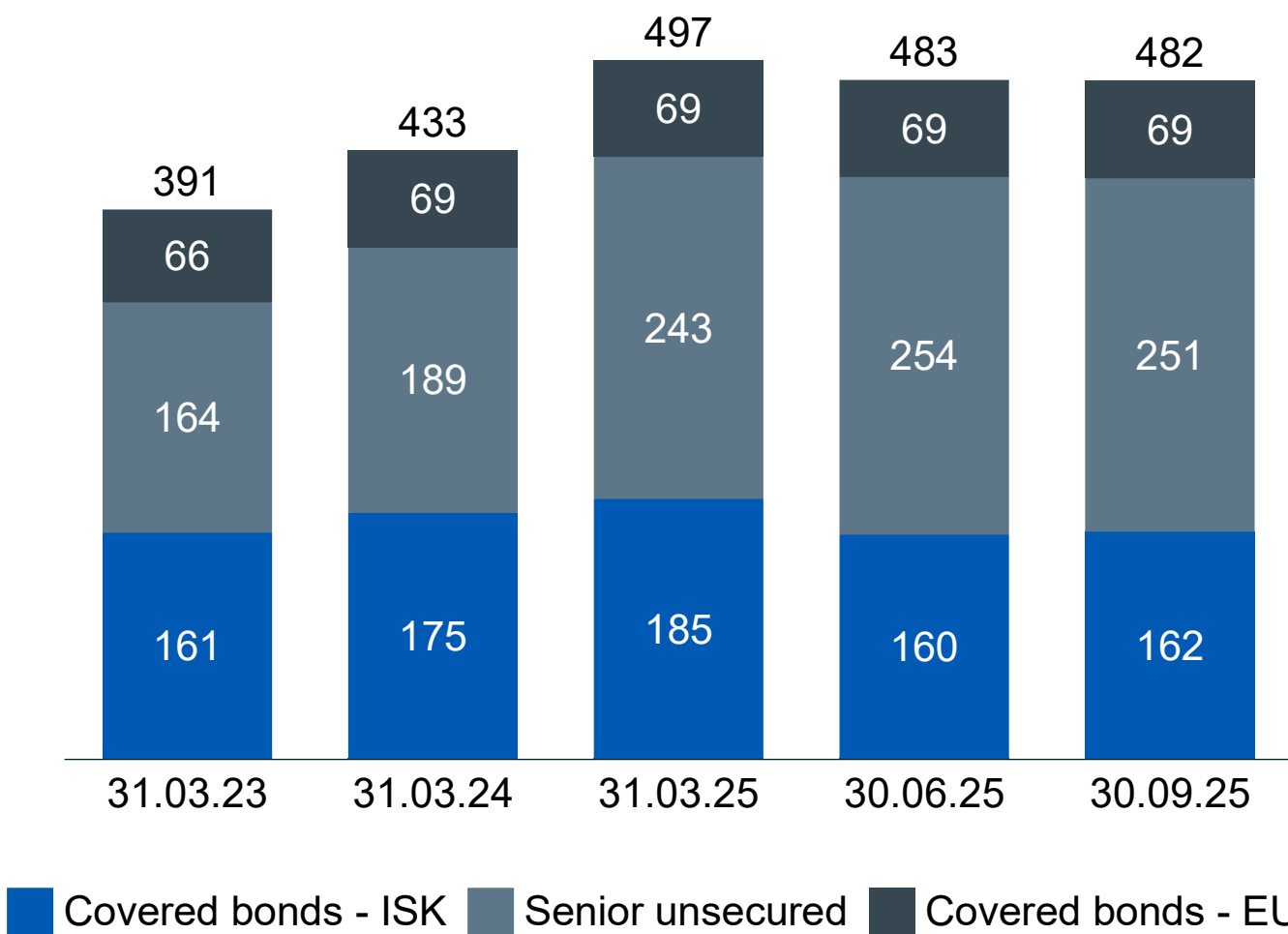


# Funding and rating

Robust funding profile and stable ratings

- Successful issuance of EUR 300 million senior preferred notes
  - The notes have 6-year maturity and pay a coupon of 3.50% which corresponds to a spread of 120bps over mid swaps
  - The issuance prefinances the senior preferred 2026 maturity and extends the bank's maturity profile.
- Moody's affirmed earlier this year Arion Bank's long term issuer rating with stable outlook following potential merger announcement with Kvika

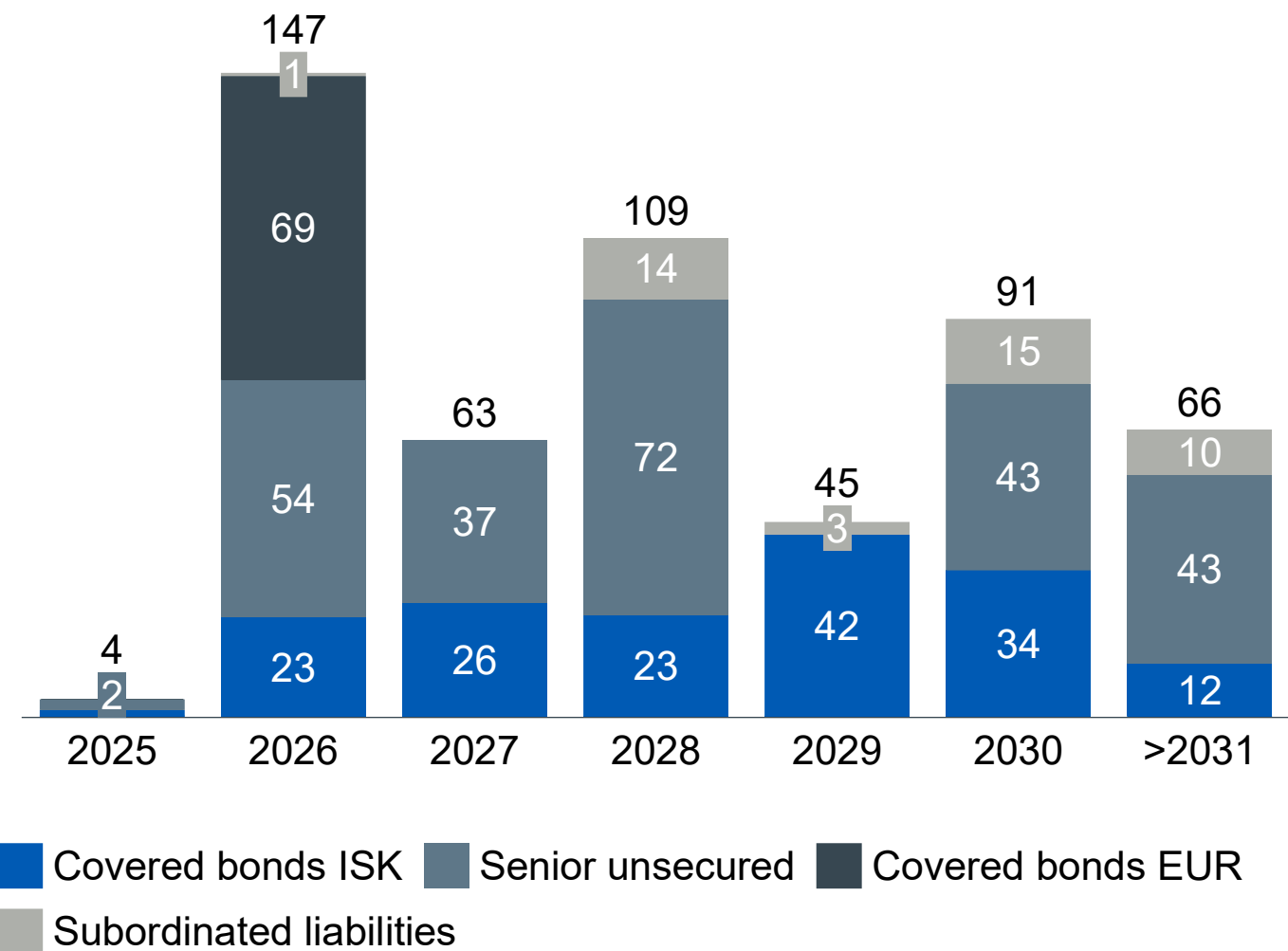
Borrowings by type (ISK bn)



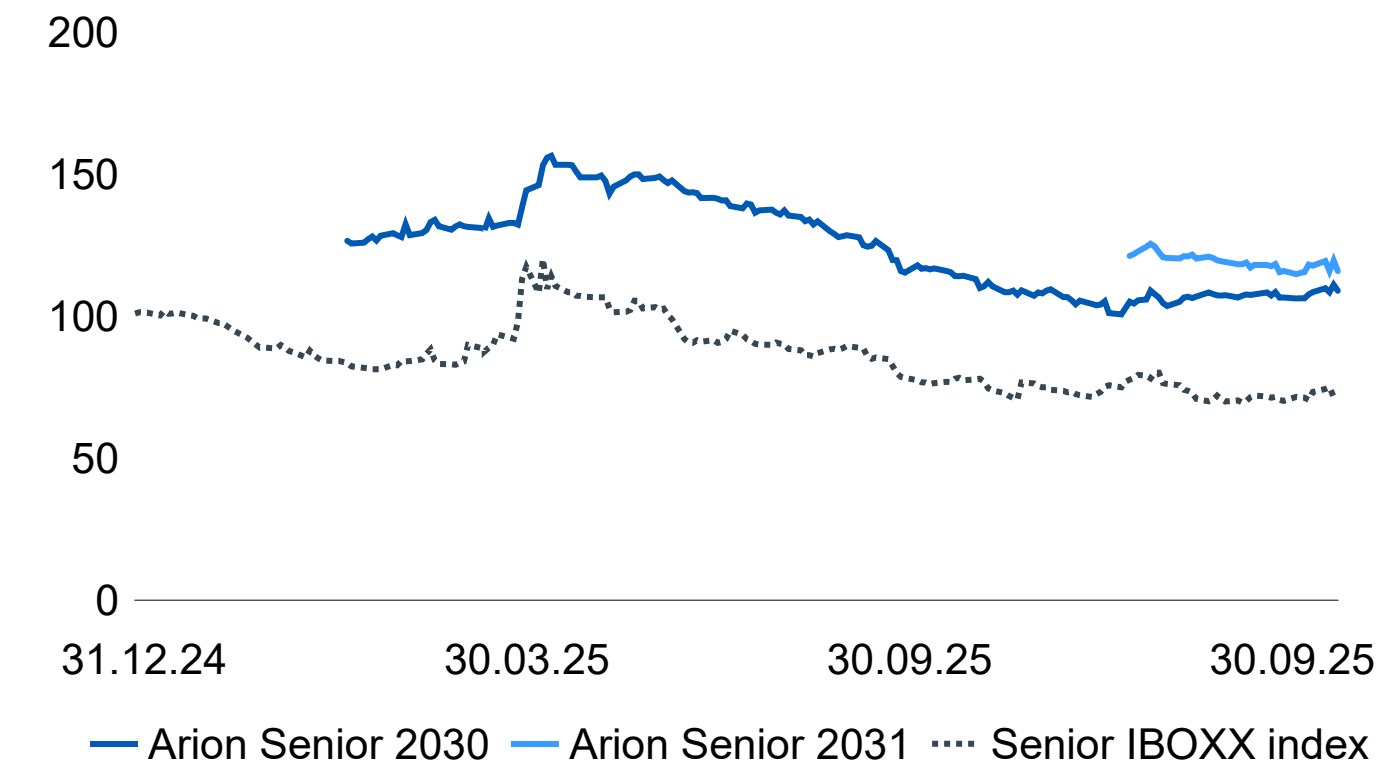
Ratings

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

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



Development of EUR funding spreads (bps)

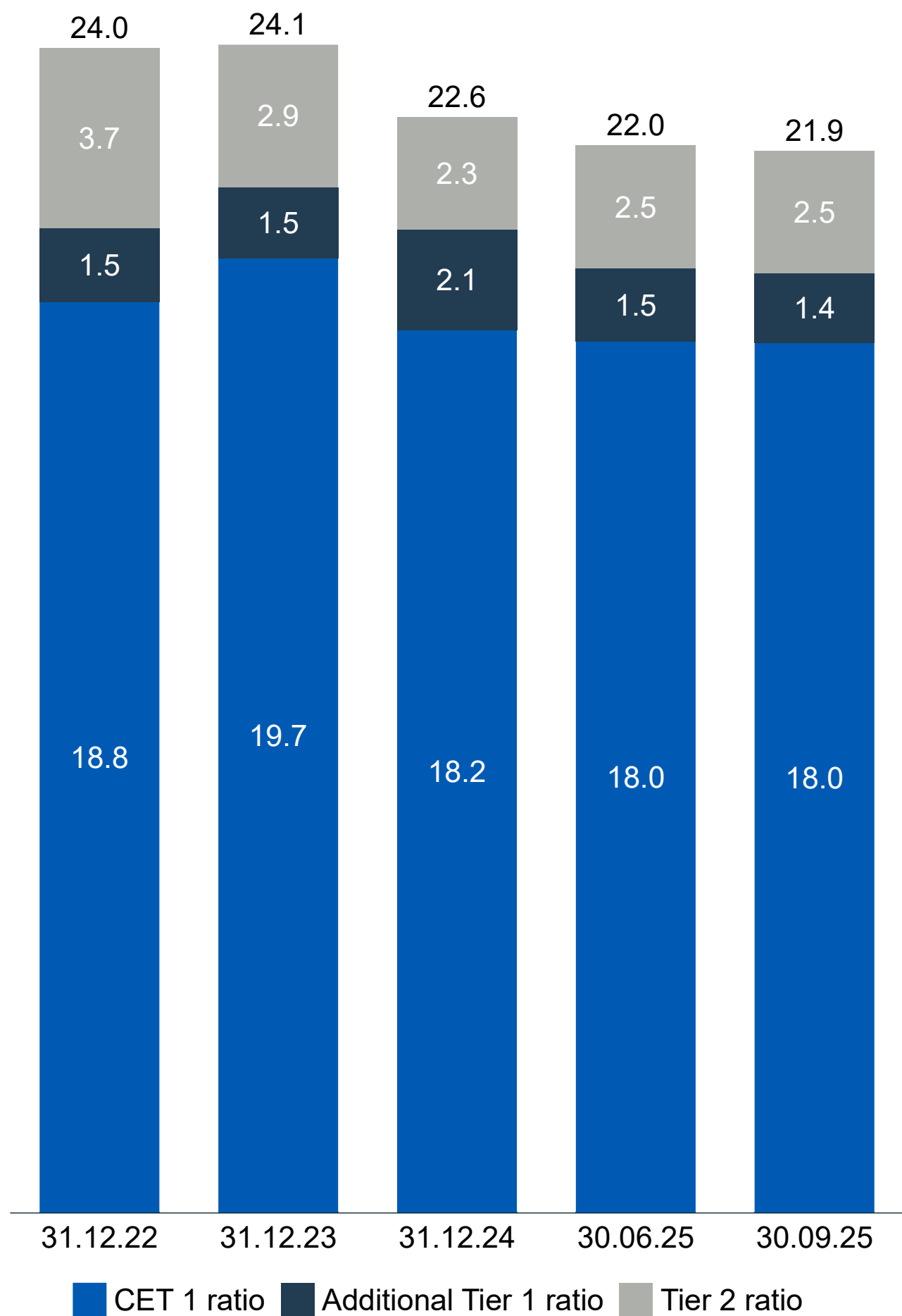


# Own funds

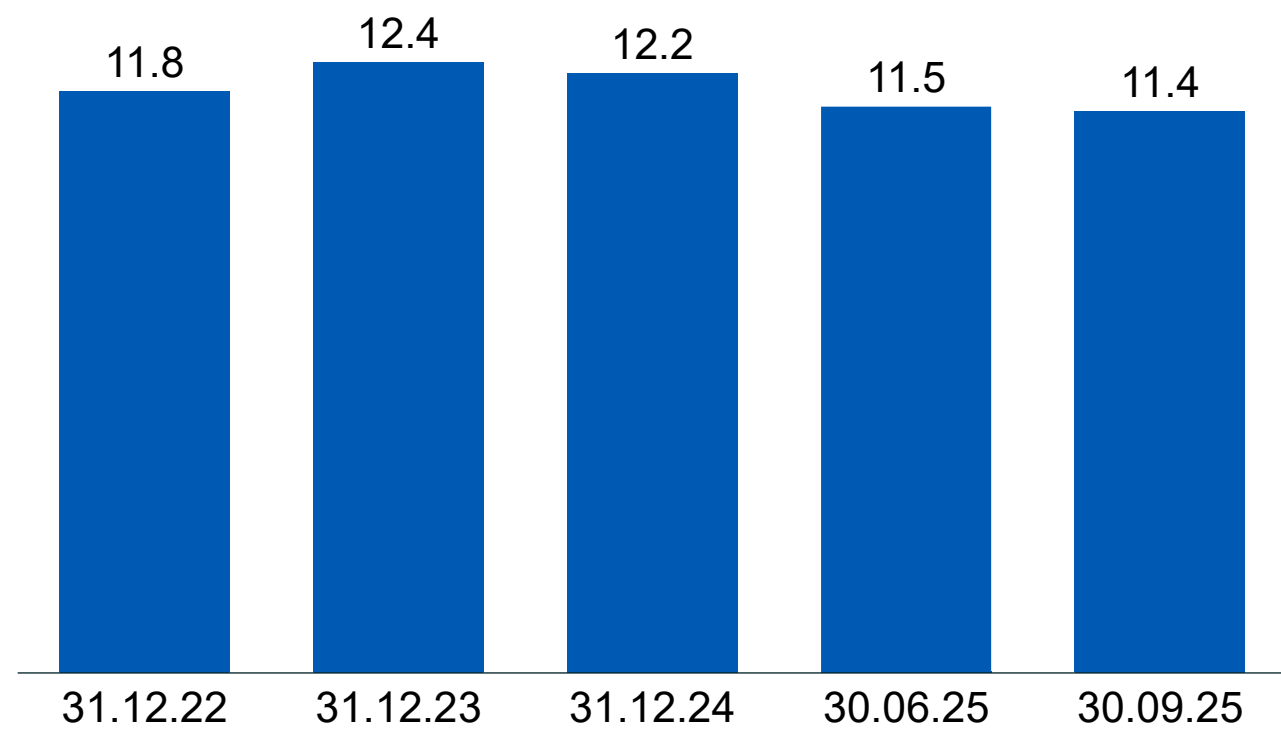
## Strong capital position

- CET1 position is 266bps above regulatory requirement when interim profits are included
- REA increased by ISK 28bn or 2.7% during the quarter, mostly due to increase in loans to corporates
- Leverage ratio of 11.4%, significantly above most international peers and regulatory requirement
- The Resolution Authority of the Central Bank of Iceland presented the Bank with updated MREL requirements in October
  - The MREL requirements are 19.8% of REA
  - At the end of September, the ratio was 31.0%
  - Additionally, the Resolution Authority has introduced a subordinated MREL requirement of 13.5% which will apply to the Bank from Q3 2027

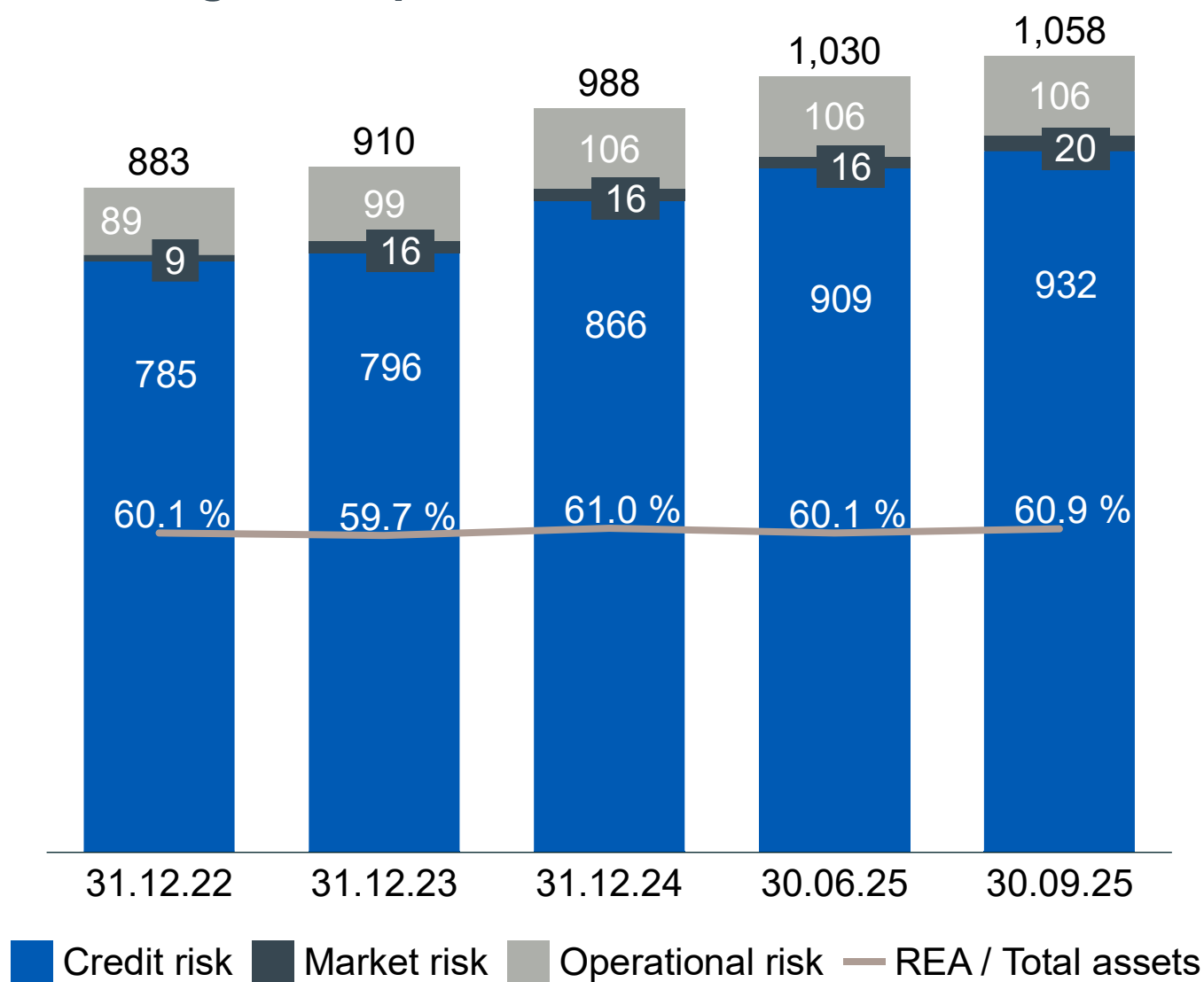
Capital ratio (%)



Leverage ratio (%)



Risk-weighted exposure amount (ISK bn)

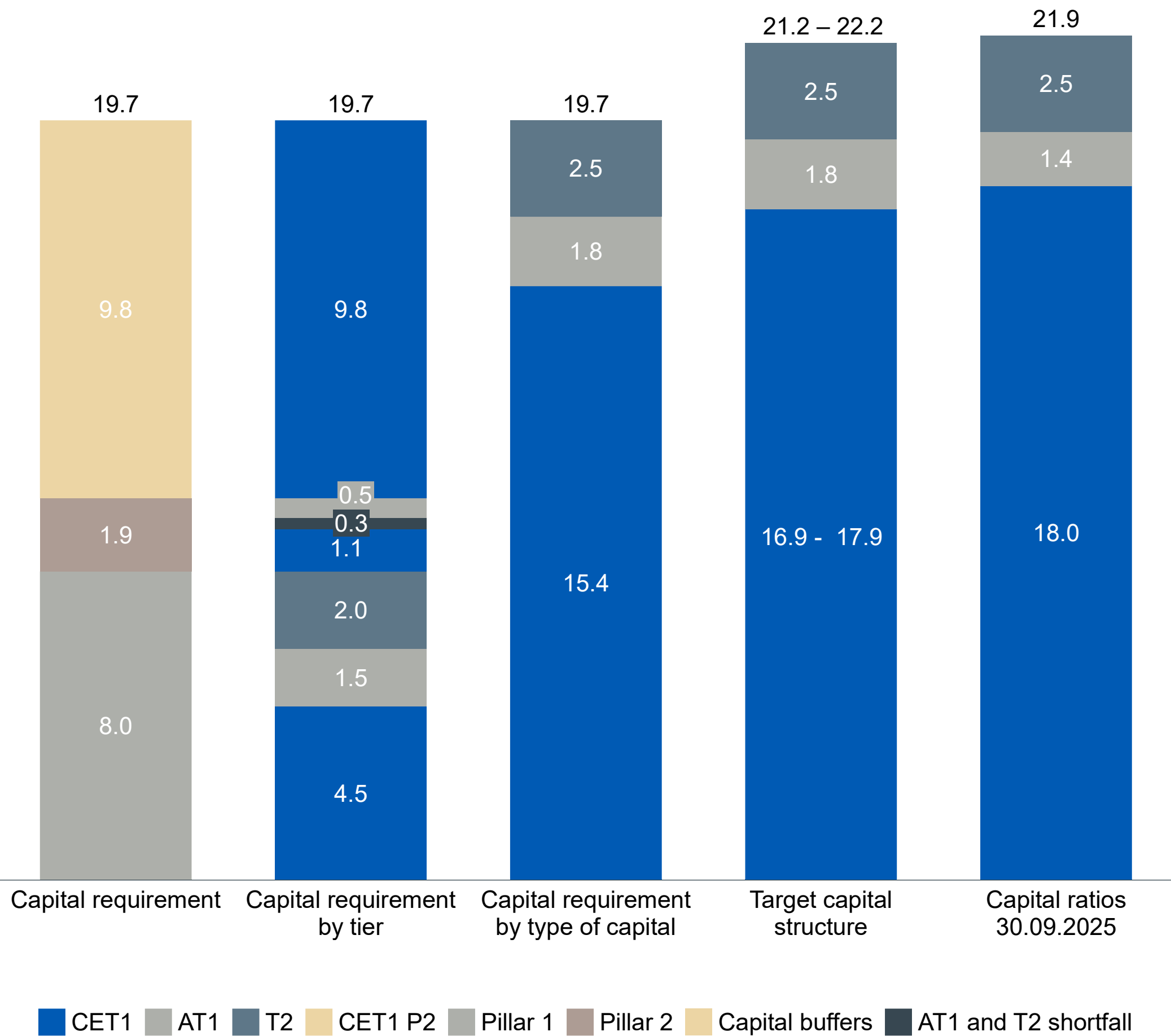


# Own funds

The capital ratios continue to be strong

- Nine months net earnings of ISK 24.4bn and foreseeable dividends of 50% thereof are included in the capital ratios presented
- Total buy-back of ISK 6bn concluded during the first half of 2025
- 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 countercyclical buffer in Iceland is 2.5% as of 16 March 2024. In December 2024, the systemic risk buffer was lowered from 3% to 2% and the buffer for systemically important institutions raised from 2% to 3%
- The medium-term capital management buffer target is around 150-250bps over regulatory requirements which considers the capital benchmarks of credit rating agencies
- The solvency ratio of Vördur insurance is 178.0%

Own funds and capital requirements (%)



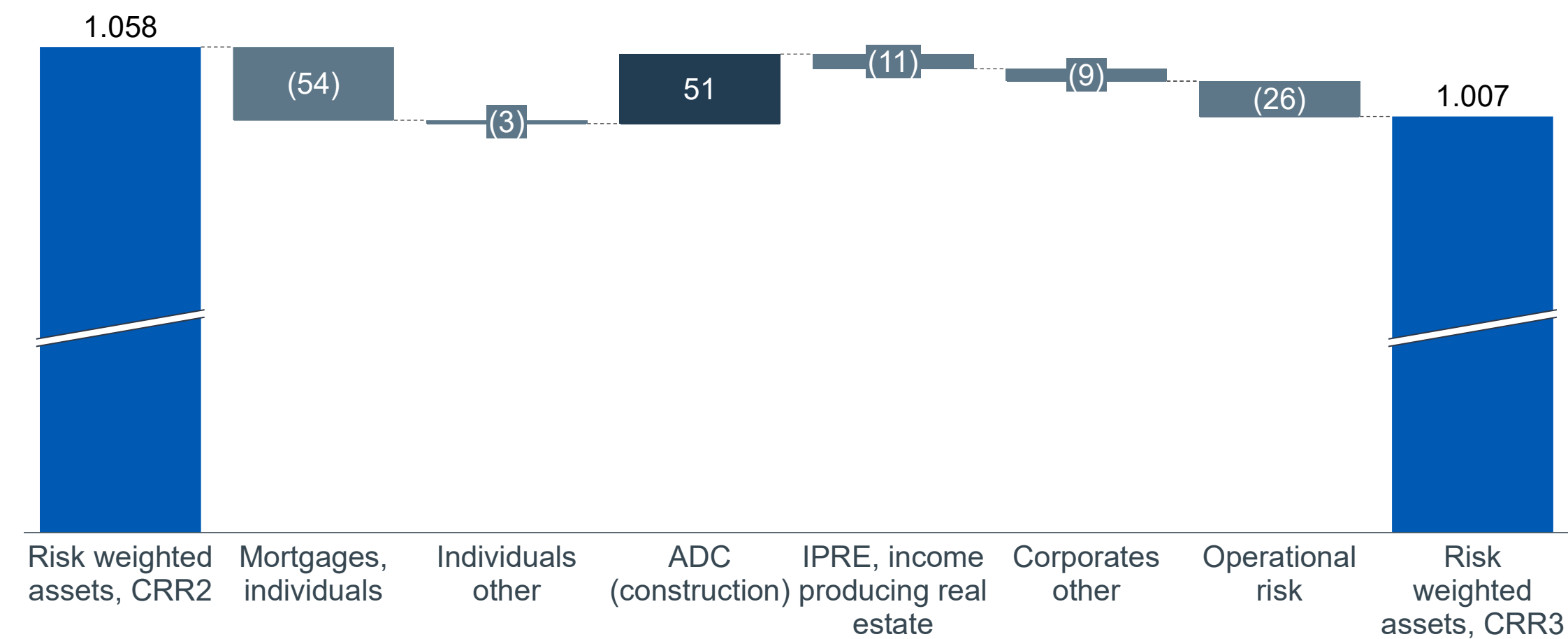
# Capital Requirement Regulation 3 (CRR3)

Immediate reduction in REA estimated at around ISK 51bn as of Q4 2025 resulting in capital relief of around ISK 10bn

### Primary drivers:

- Increased risk-sensitivity for exposures secured by real estate. Risk weights for residential mortgages with LTV below 55% are reduced from 35% to 20%.
- Construction exposure (ADC) will for the most part incur 150% risk weight. A risk weight of 100% is possible subject to conditions in EBA's guidelines on risk-mitigation conditions for residential property. In the final version of the guidelines, the threshold for obligor contributed equity was lowered from 35% to 25%. This means that more projects can meet that condition.
- For IPRE (income producing real estate), the FSA has published loss rates for Iceland which makes it possible to use the split loan approach. This results in a capital relief compared with the whole loan approach which was previously expected to become mandatory.
- For corporates, there will be less restrictions to use real estate collateral for credit risk mitigation and lower risk weights for specialized lending under certain conditions.
- For operational risk, the business indicator will be multiplied by 12% due to the small size of the Bank and the contribution from net interest income is capped
- Changes to market risk have been postponed so an estimate for that is not included.

Estimated initial effect of CRR3 implementation on REA (ISK bn)



### Long-term impact

Several further changes will then entail increased capital requirements that are transitioned over time. Therefore, the long-term impact is likely lower than the initial decrease:

- 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

The long-term impact is influenced by balance sheet development and may also result in a lower Pillar 2 requirements so net result still uncertain



# Going forward

## Operational momentum

- Strong operating performance for the first nine months of 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

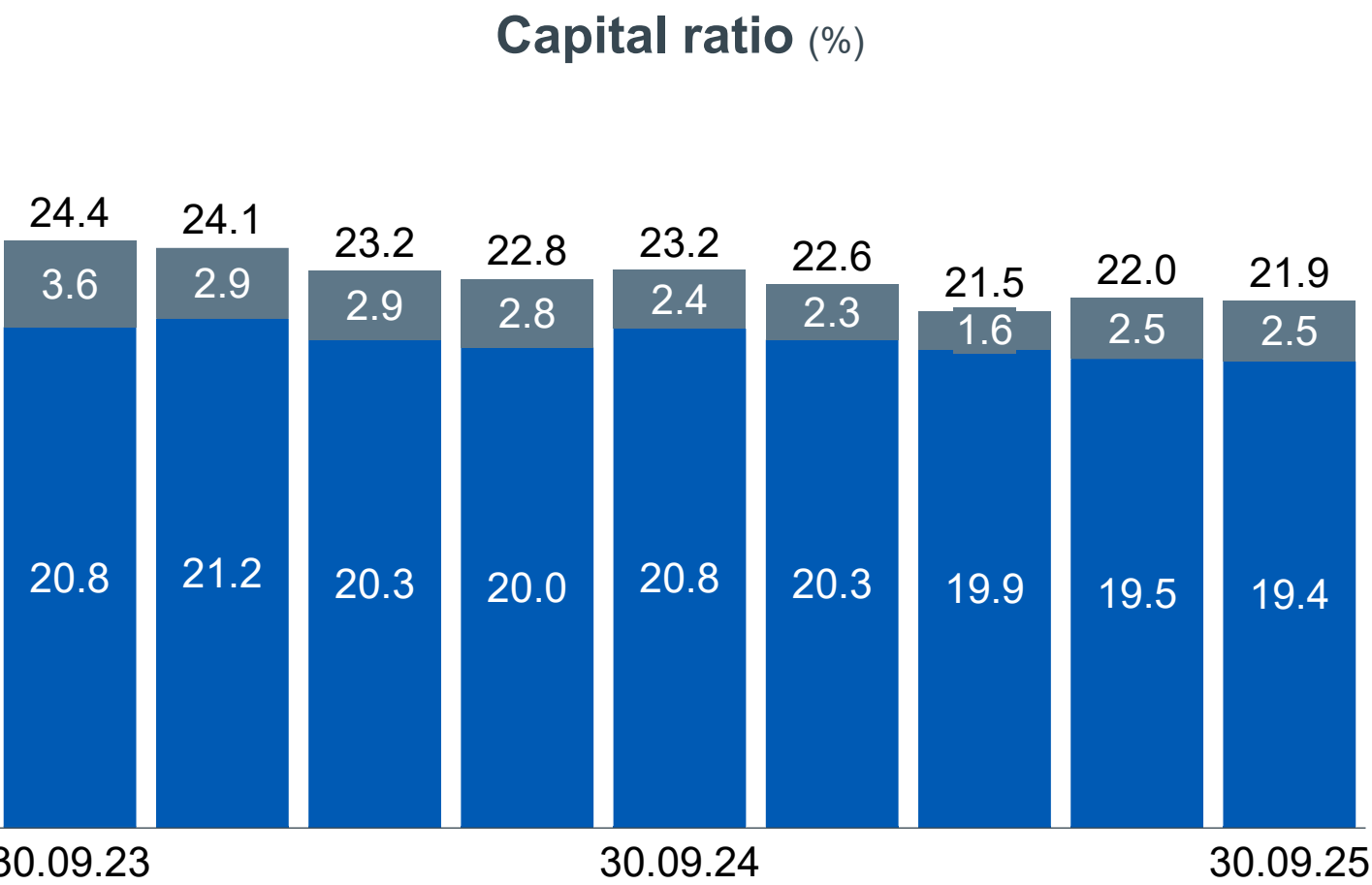
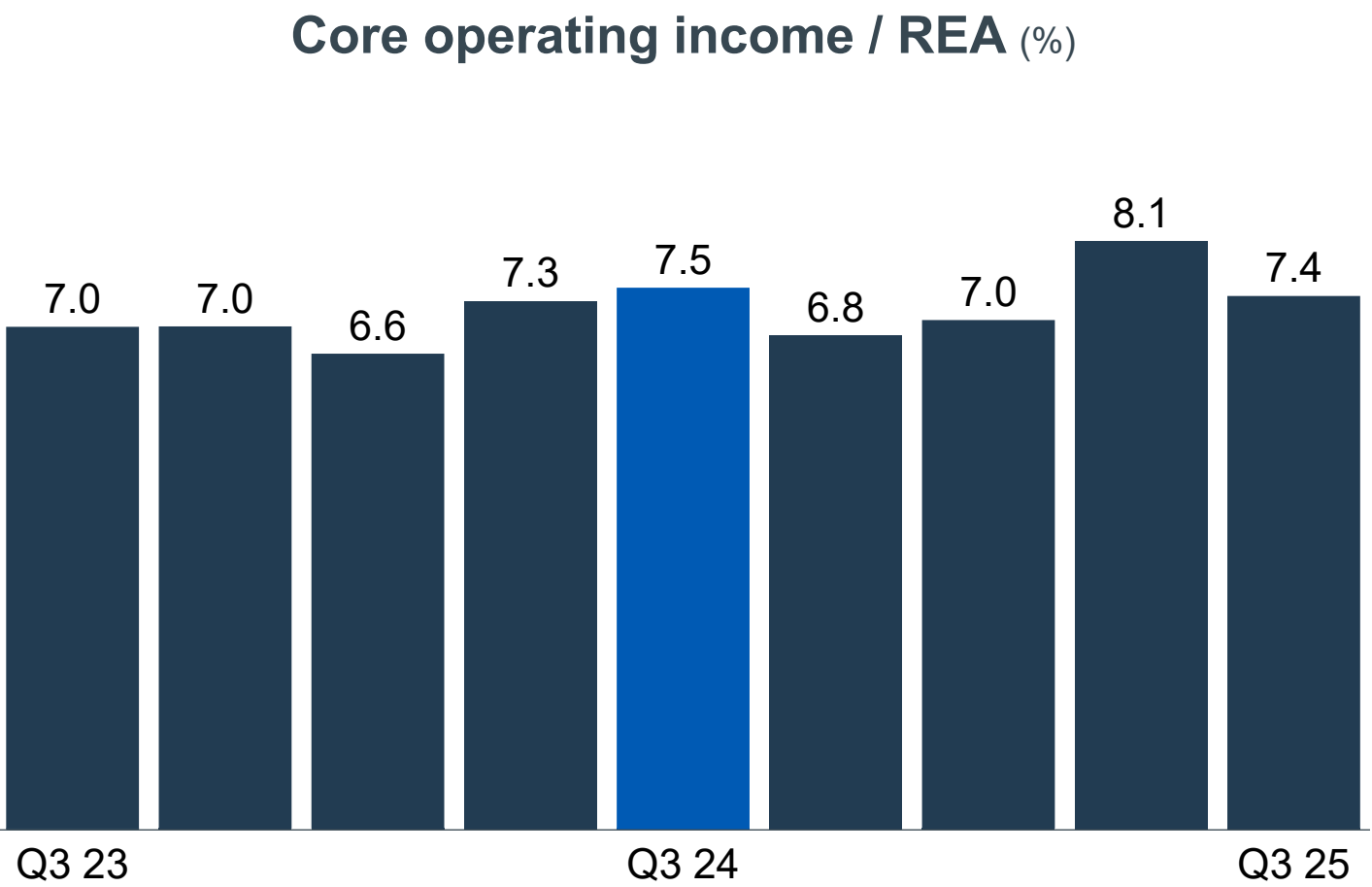
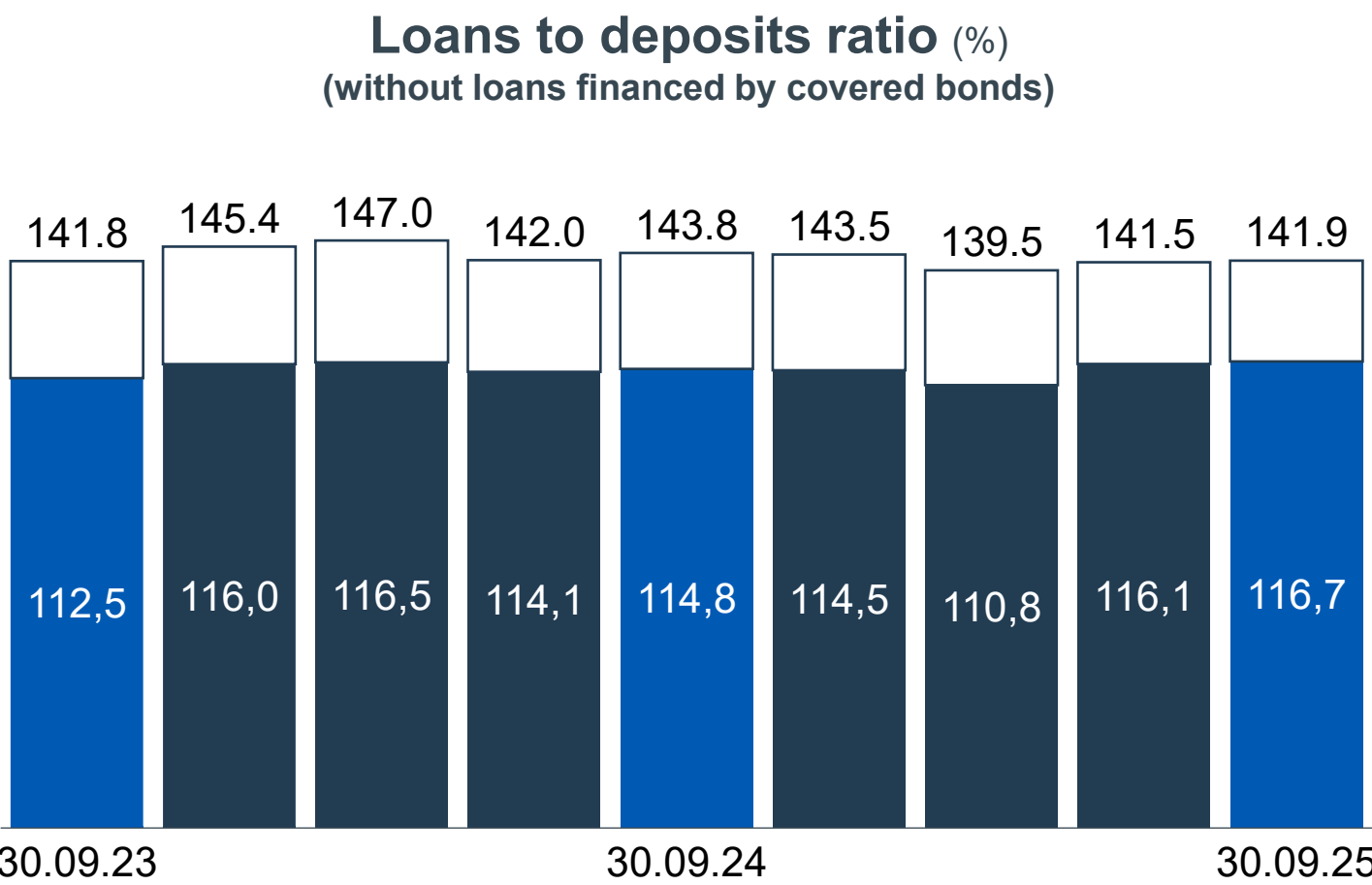
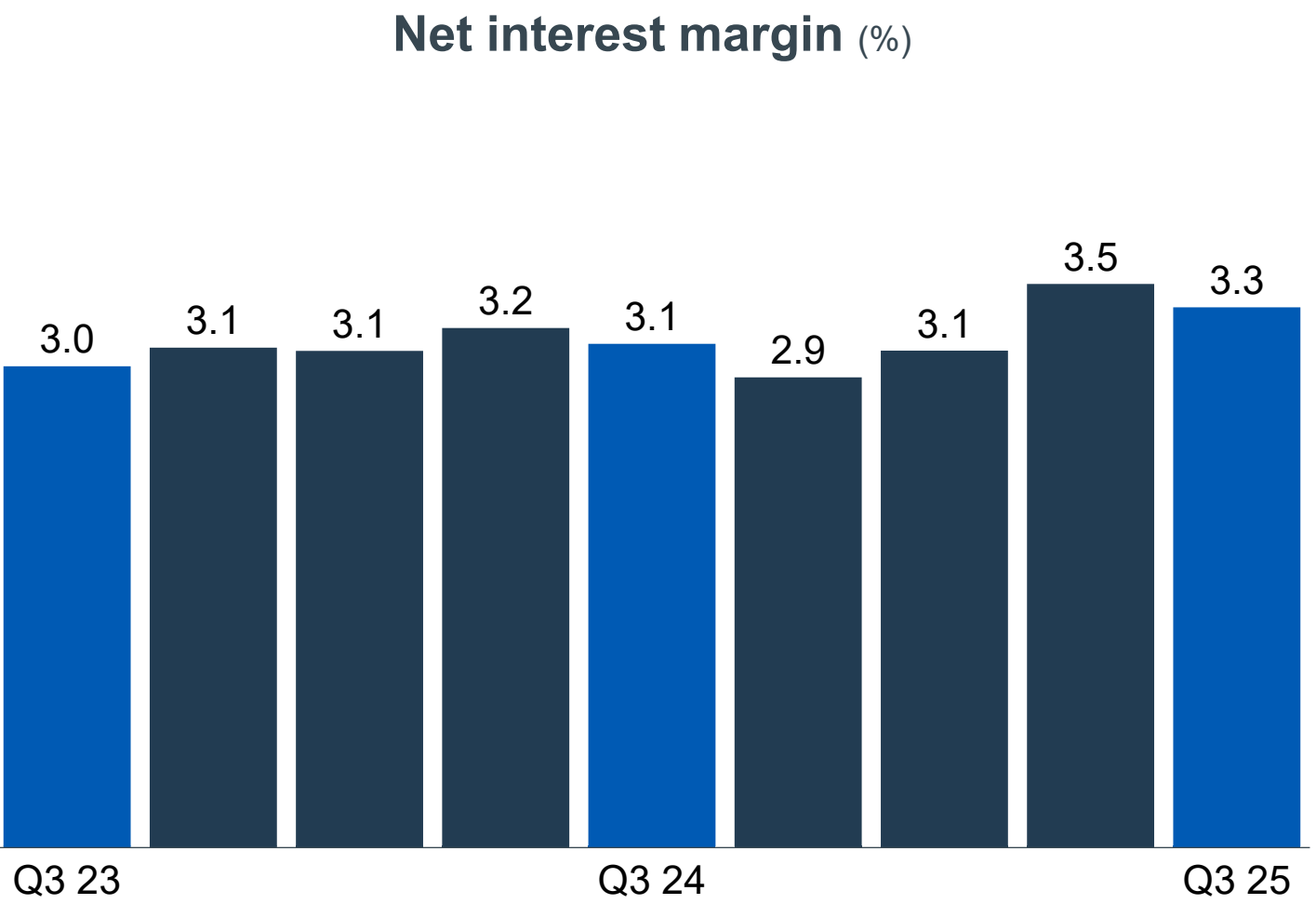
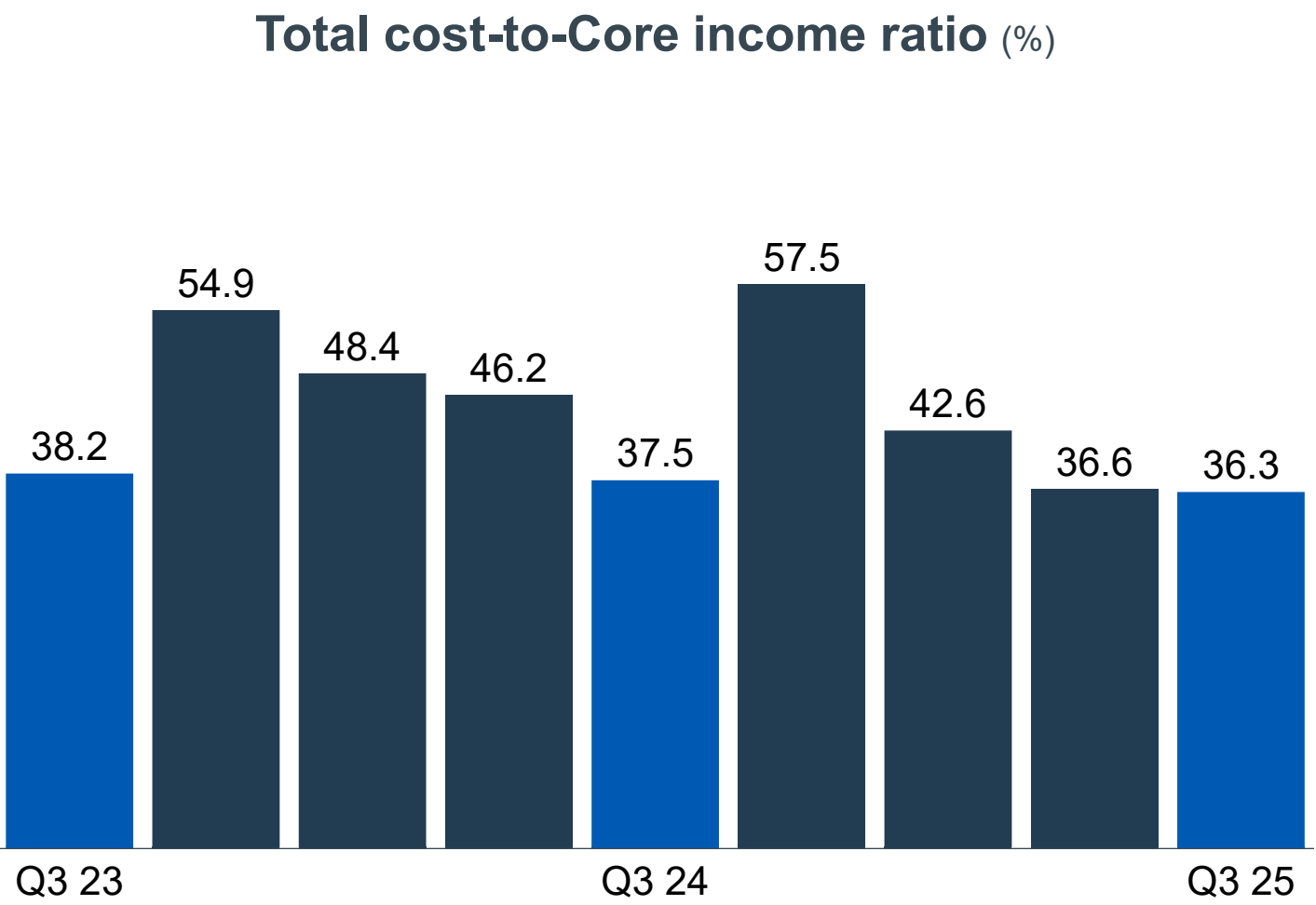
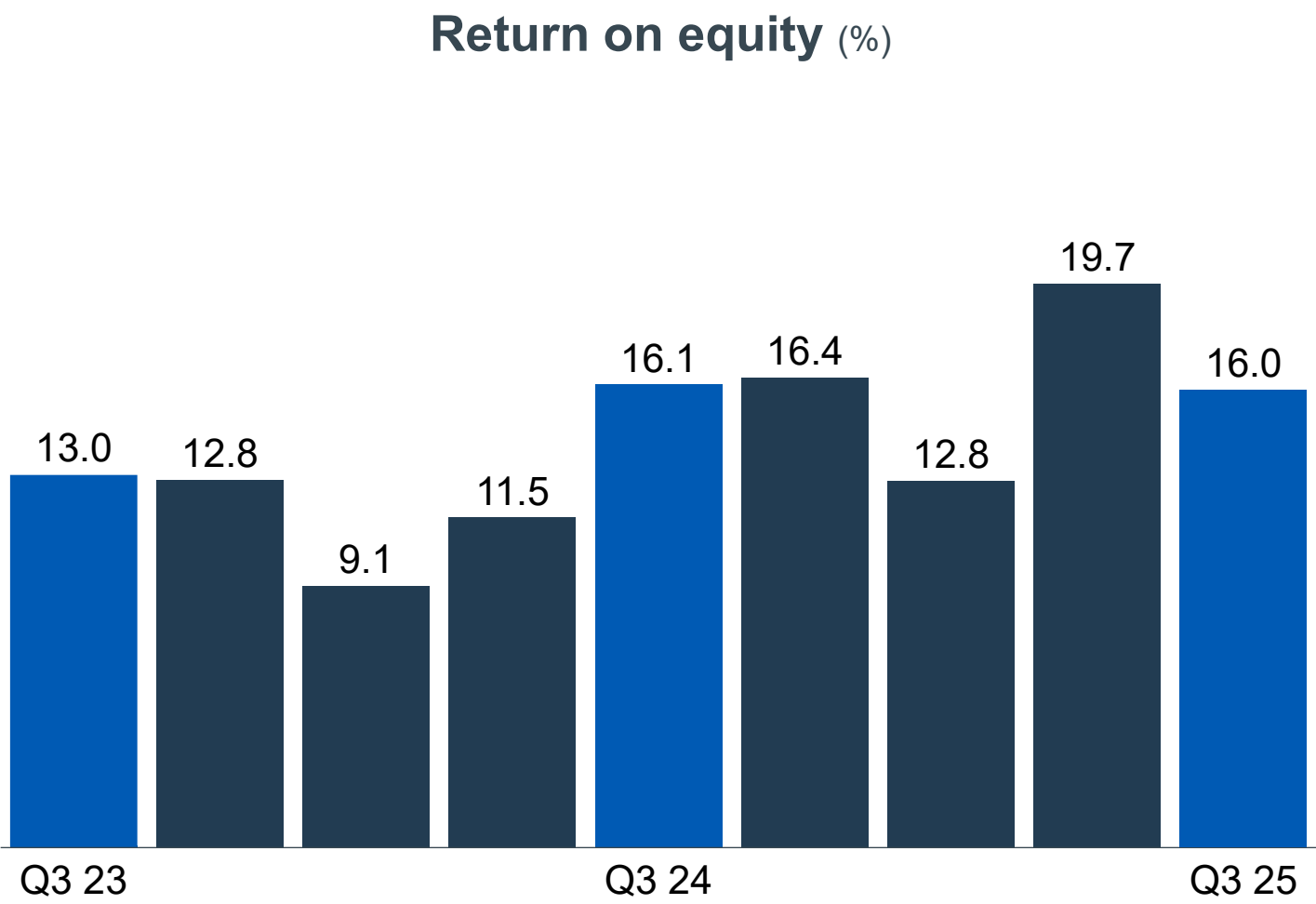
- Cautious stance as to evolving external rate and economic environment
- Economic activity and growth have slowed, and near-term uncertainty has increased, i.g. due to a legal dispute concerning variable rate mortgages

## Strategic development

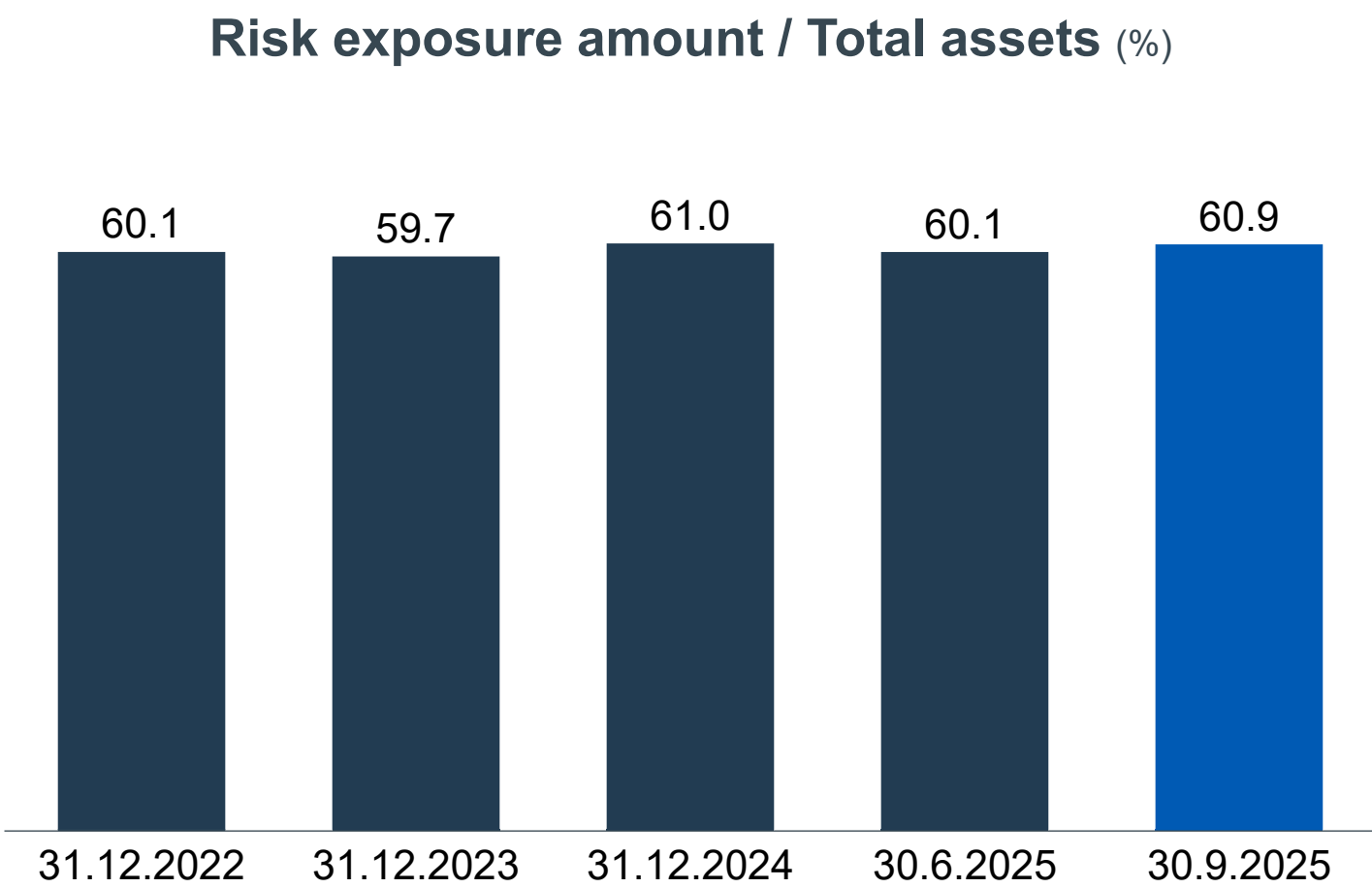
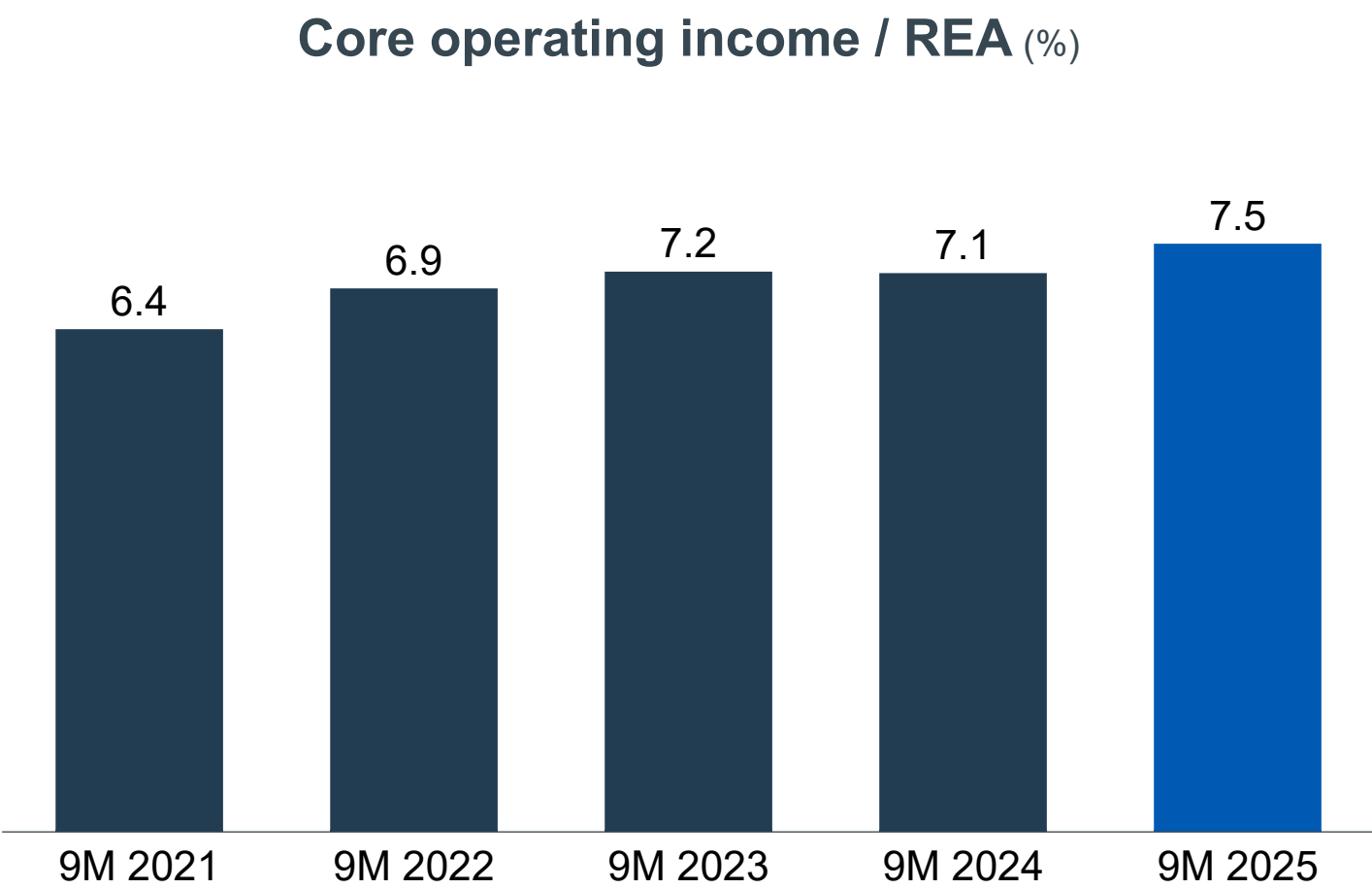
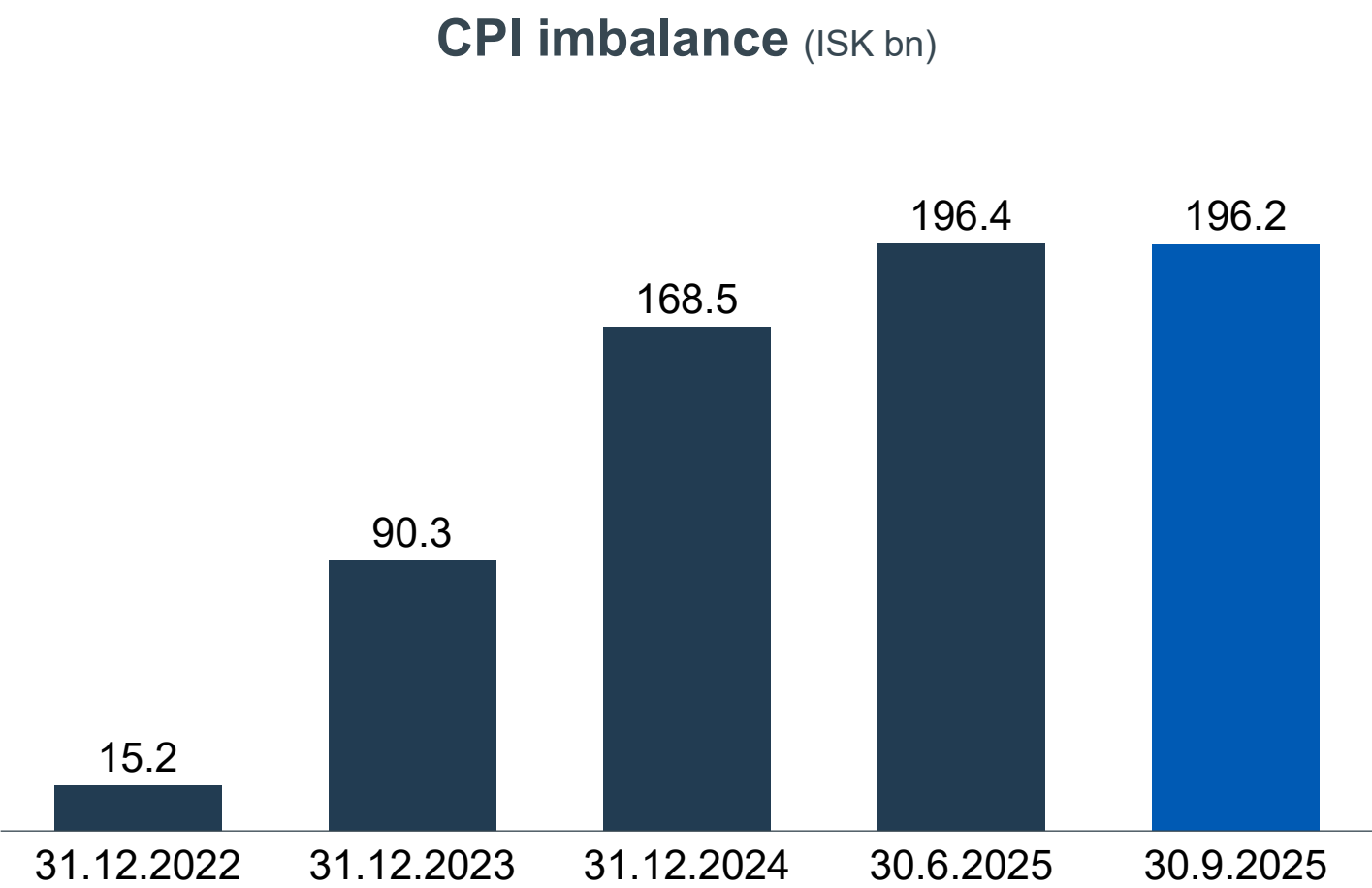
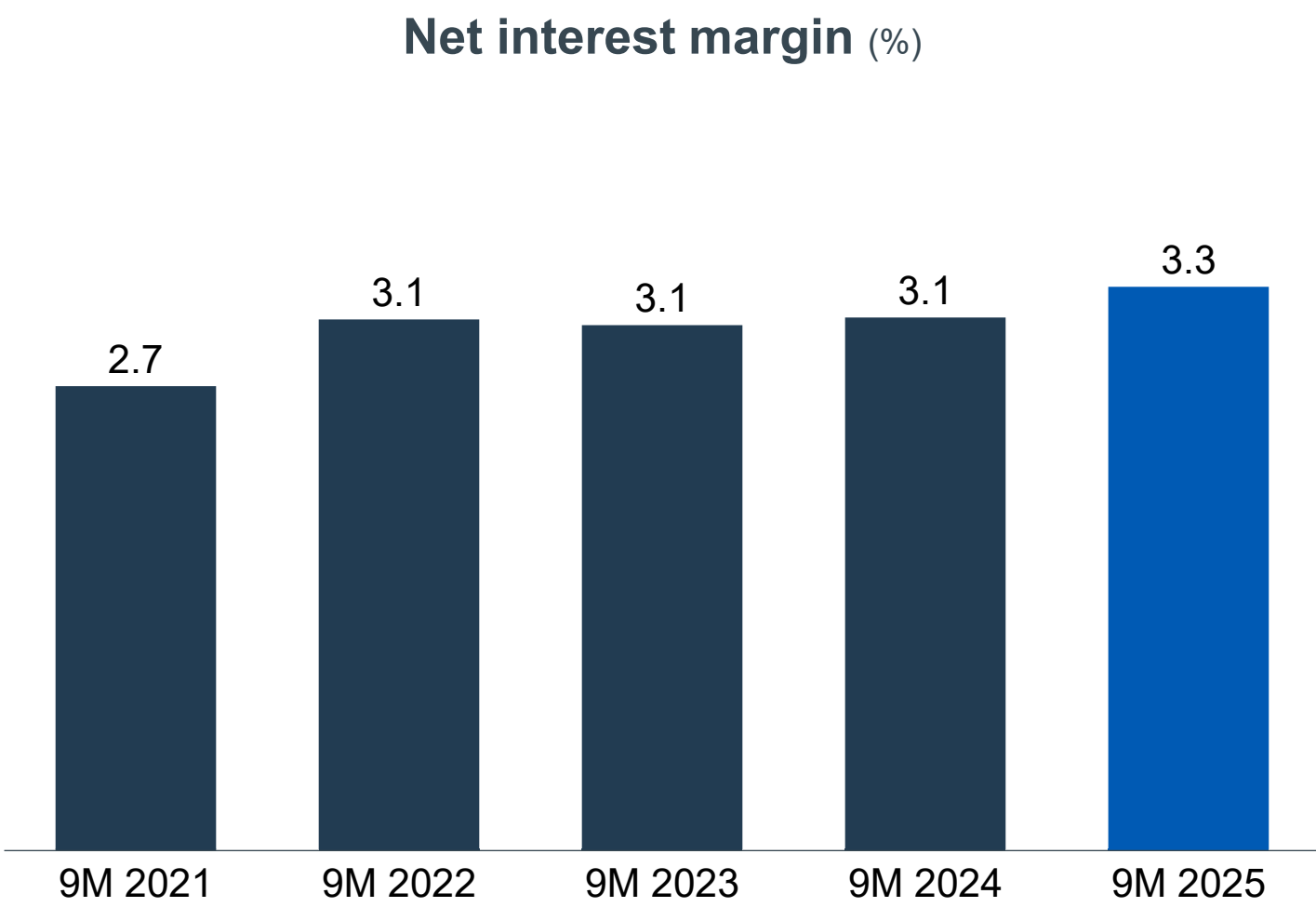
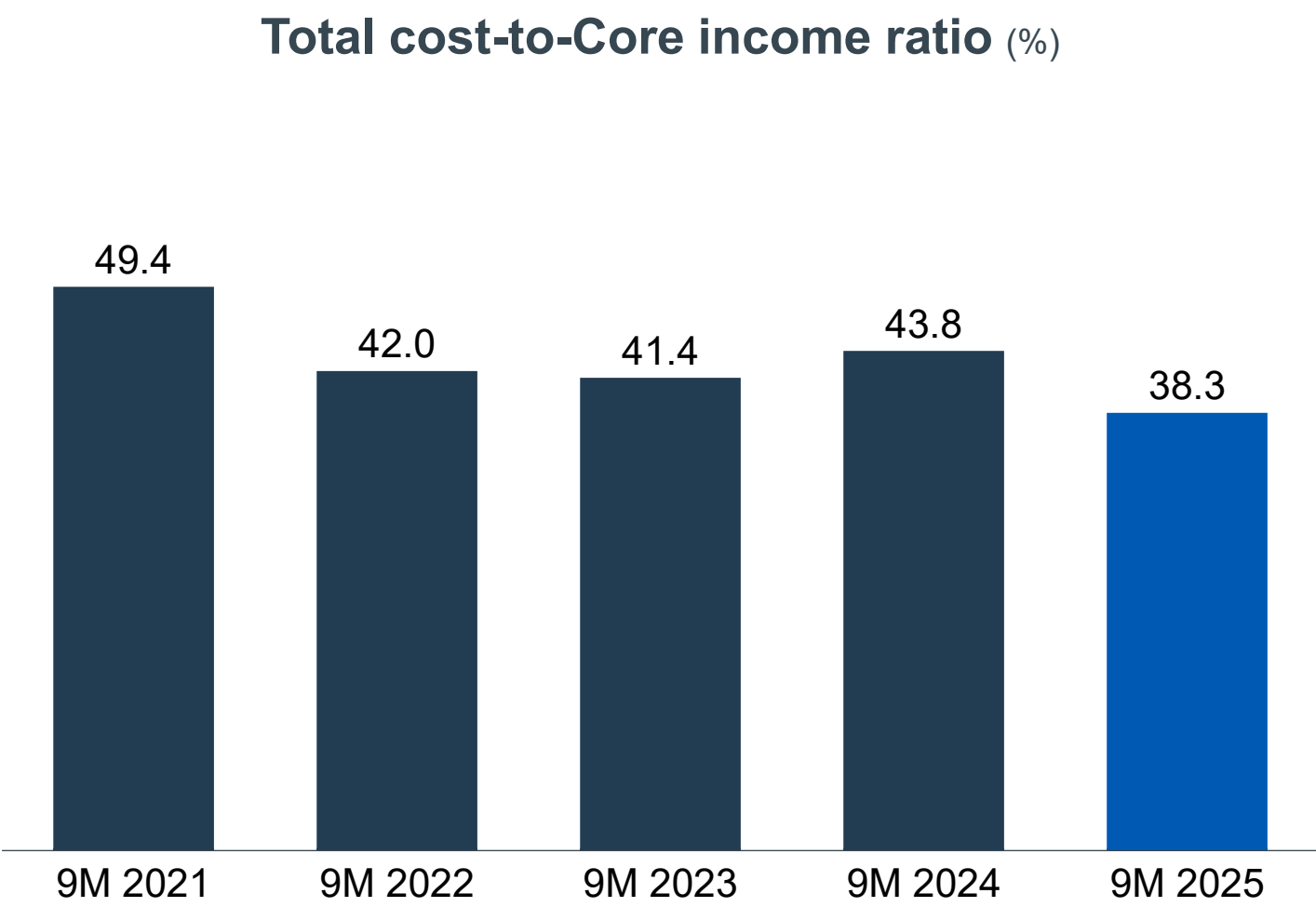
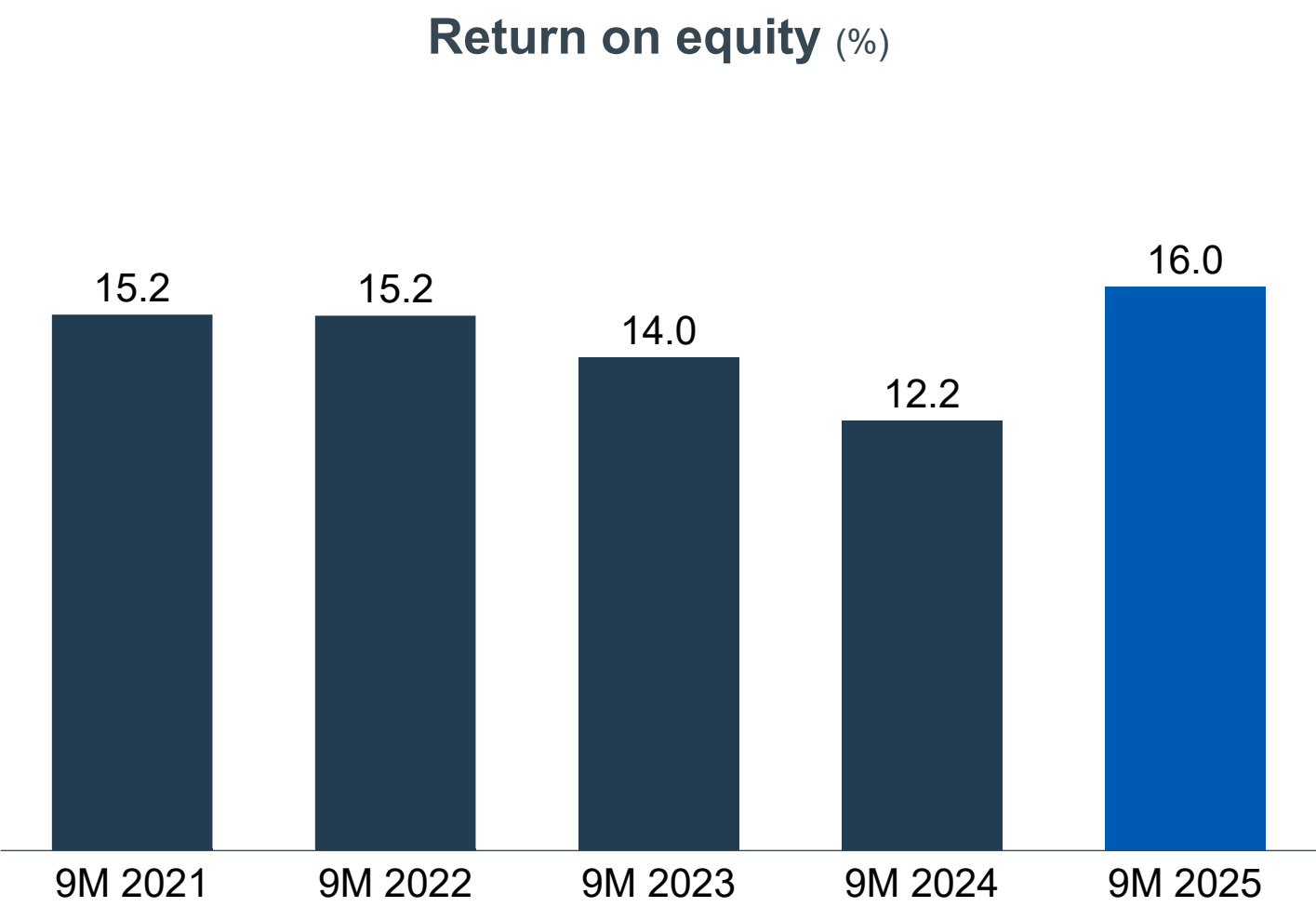
- Merger process with Kvika is on track
- Will provide numerous opportunities to further strengthen our businesses and service to our clients



# Key financial indicators - quarterly



# Key financial indicators - annual



# Key figures\*

| Operations                                | 9M 2025  | 9M 2024  | 9M 2023  | 9M 2022  | 9M 2021  | Q3 2025 | Q2 2025 | Q1 2025 | Q4 2024 | Q3 2024 |
|-------------------------------------------|----------|----------|----------|----------|----------|---------|---------|---------|---------|---------|
| Net interest income                       | 40,192   | 35,056   | 33,338   | 29,578   | 23,295   | 13,826  | 14,200  | 12,166  | 11,246  | 11,863  |
| Net commission income                     | 13,092   | 11,224   | 12,486   | 12,195   | 10,594   | 4,003   | 4,553   | 4,536   | 4,136   | 3,880   |
| Operating income                          | 59,350   | 48,545   | 47,869   | 40,648   | 42,991   | 18,987  | 21,322  | 19,041  | 17,906  | 17,486  |
| Operating expenses                        | (19,492) | (19,727) | (17,871) | (16,855) | (18,008) | (6,194) | (6,697) | (6,601) | (8,601) | (6,021) |
| Net earnings attributable to shareholders | 24,400   | 17,820   | 19,504   | 20,840   | 22,076   | 8,229   | 9,750   | 6,421   | 8,290   | 7,871   |
| Return on equity**                        | 16.0%    | 12.2%    | 14.0%    | 15.2%    | 15.2%    | 16.0%   | 19.7%   | 12.8%   | 16.4%   | 16.1%   |
| Net interest margin                       | 3.3%     | 3.1%     | 3.1%     | 3.1%     | 2.7%     | 3.3%    | 3.5%    | 3.1%    | 2.9%    | 3.1%    |
| Return on assets                          | 2.0%     | 1.5%     | 1.7%     | 2.1%     | 2.4%     | 1.9%    | 2.4%    | 1.9%    | 2.1%    | 2.0%    |
| Total cost-to-core income ratio           | 38.3%    | 43.8%    | 41.4%    | 42.0%    | 49.4%    | 36.3%   | 36.6%   | 42.6%   | 57.5%   | 37.5%   |
| Cost-to-income ratio                      | 32.8%    | 40.6%    | 37.3%    | 41.5%    | 41.9%    | 32.6%   | 31.4%   | 34.7%   | 48.0%   | 34.4%   |
| Cost-to-total assets                      | 1.5%     | 1.7%     | 1.6%     | 1.6%     | 2.0%     | 1.4%    | 1.6%    | 1.6%    | 2.1%    | 1.5%    |

| Balance Sheet                 | 30.09.2025 | 31.12.2024 | 31.12.2023 | 31.12.2022 | 31.12.2021 | 30.09.2025 | 30.06.2025 | 31.03.2025 | 31.12.2024 | 30.09.2024 |
|-------------------------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Total assets                  | 1,736,535  | 1,618,267  | 1,525,672  | 1,465,609  | 1,310,710  | 1,736,535  | 1,713,145  | 1,686,655  | 1,618,267  | 1,605,717  |
| Loans to customers            | 1,301,708  | 1,230,058  | 1,152,789  | 1,084,757  | 936,237    | 1,301,708  | 1,272,468  | 1,234,006  | 1,230,058  | 1,220,424  |
| Mortgages                     | 577,551    | 570,842    | 549,371    | 513,605    | 463,457    | 577,551    | 575,425    | 570,860    | 570,842    | 580,813    |
| Share of stage 3 loans, gross | 2.3%       | 2.3%       | 1.7%       | 1.2%       | 1.9%       | 2.3%       | 2.4%       | 2.5%       | 2.3%       | 2.4%       |
| REA/ Total assets             | 60.9%      | 61.0%      | 59.7%      | 60.1%      | 61.9%      | 60.9%      | 60.1%      | 59.5%      | 61.0%      | 60.4%      |
| CET 1 ratio                   | 18.0%      | 18.2%      | 19.7%      | 18.8%      | 19.6%      | 18.0%      | 18.0%      | 18.3%      | 18.2%      | 18.8%      |
| Leverage ratio                | 11.4%      | 12.2%      | 12.4%      | 11.8%      | 12.7%      | 11.4%      | 11.5%      | 11.4%      | 12.2%      | 12.0%      |
| Liquidity coverage ratio      | 205.5%     | 180.6%     | 191.8%     | 158.5%     | 202.8%     | 205.5%     | 156.4%     | 186.4%     | 180.6%     | 178.6%     |
| Loans to deposits ratio       | 141.9%     | 143.5%     | 145.4%     | 143.6%     | 142.8%     | 141.9%     | 141.5%     | 139.5%     | 143.5%     | 143.8%     |

\*Figures for periods prior to 2022 have not been restated according to IFRS 17

\*\*Attributable to shareholders of Arion Bank



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