Arion Bank

Q2 and H1 results 2025

Investor presentation
30 July 2025

Key results

Strong quarter and positive first half of the year

19.7% ROE vs medium-term target of above 13%

- Good momentum in core earnings
- Milestones in development assets support valuation increase

Capital optimization on track

- Capital distribution of ISK 22bn through dividends and buy-backs in the first half of the year
- Capital position moving closer to optimized level
- CRR3 implementation, which is expected later this year, will further increase surplus capital
- Kvika merger expected to further increase capital level from current stand-alone position

Key results	Medium-term targets	Q2 2025		H1 2025	
Return on equity[1]	Exceed 13%	✓	19.7%	✓	16.1%
Core operating income[2] / REA	Exceed 7.2%	✓	8.1%	✓	7.6%
Insurance revenue growth (YoY)[3]	In excess of market growth	•	4.6%	•	5.0%
Combined ratio Vördur	Below 95%	✓	79.4%	✓	89.4%
Total cost-to-core income[4] ratio	Below 45%	✓	36.6%	✓	39.4%
CET1 ratio above regulatory capital requirements	150-250 bps management buffer[5]	•	259 bps	•	259 bps
Dividend payout ratio[6]	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

1 Return on equity attributable to shareholders of Arion Bank
2 Core operating income: Net interest income, net fee and commission income and insurance service results (excluding opex)
3 YoY Insurance revenue growth in the domestic insurance market in Q2 2025 was 5.4%
4 Total cost-to-core income ratio: Operating expenses including OPEX from insurance operations / Operating income excluding OPEX from insurance operations
5 Approx.16.9 - 17.9%
6 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

Strong operational momentum in Q2 2025

SUSTAINALYTICS 2025 INDUSTRY ESG TOP RATED MORNINGSTAR

THE BANKER BANK OF THE YEAR 2024 ICELAND

BEST BANKING APP!

9 YEARS IN A ROW

Survey by Maskina 2025

EUROMONEY AWARDS FOR EXCELLENCE 2025 ICELAND BEST BANK

Arion Rewards well received by customers

Increased customer satisfaction and loyalty

Funding and capital milestones

- Subordinated Tier 2 issuance of ISK 10bn
- Successful Green Senior Preferred issuance in SEK/NOK amounting to ISK 20bn
- ISK 3bn share buy-back programme concluded in Q2

Very strong activity in CIB

A record quarter in fees, driven by robust activity in both corporate lending and advisory services

KRAFTUR HF. Arnarland LAXEY Kaldvík HÉÐINN

Bancassurance initiatives advancing

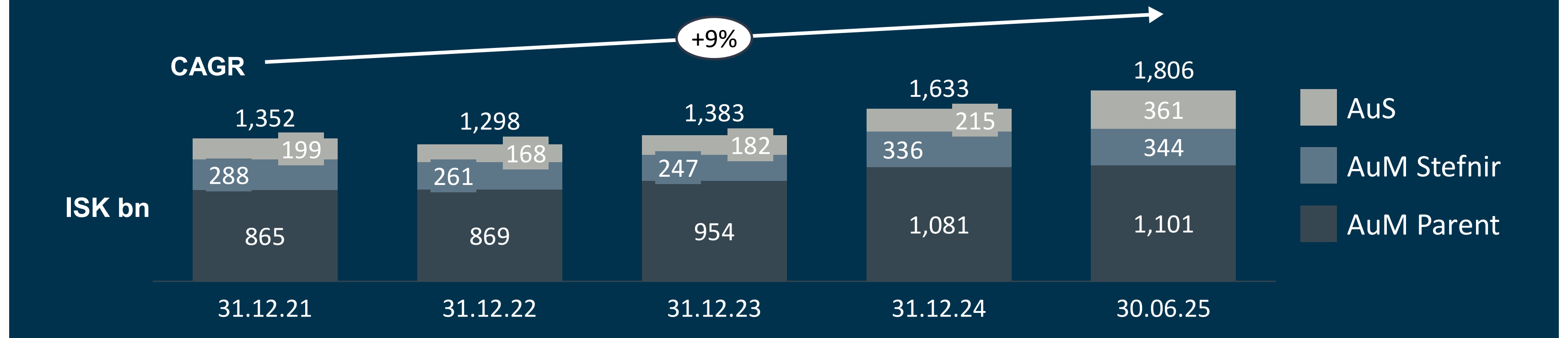
Strong growth in both individual and corporate bancassurance in H1 2025

Bancassurance ratio:

- Individuals 40.7% vs 36.7% YE 2024
- Corporates 29.4% vs 28.5% YE 2024

Significant progress in Markets

- The acquisition of Arngrimsson Advisors has significantly enhanced Assets under Supervision (AuS)
- Long-term agreement with Frjalsi Pension fund renewed
- Solid momentum in Premía, driven by a notable rise in new customers



ISK bn	31.12.21	31.12.22	31.12.23	31.12.24	30.06.25
AuS	199	168	182	215	361
AuM Stefnir	288	261	247	336	344
AuM Parent	865	869	954	1,081	1,101
Total	1,352	1,298	1,383	1,633	1,806

Arion Bank and Kvika Bank enter merger discussions

Arion KVIKA

Merger discussions between Arion Bank and Kvika Bank

The merger represents a unique opportunity to create a leading financial institution in Iceland with diversified income streams and strong growth opportunities

Overview

- Letter of intent signed 6th July between the parties outlining key heads of terms and exchange ratio
    - Kvika shareholders will receive new shares in Arion Bank representing 26% of the merged entity
- A fair adjustment to the exchange ratio is expected to be made if any distributions are made by the companies to shareholders prior to the effective date of the merger
    - Both parties will aim to continue to adhere to dividend policies throughout the process

Solid rational for Arion-Kvika combination

Clear strategic alignment

- Merger would be a springboard for strategic priorities of both banks
- Similar culture and customer base
- International strategies of both banks complement each other: Opportunity to combine Arion's balance sheet strength with Kvika's lending platform in the UK

Substantial synergies

- Substantial cost and funding synergies driven by simplified infrastructure allowing for greater scale*
- Kvika's brands and products will strengthen Arion's existing value proposition, while also benefitting from a larger balance sheet and customer base

Strengthened capital and liquidity position

- CET1 ratio of combined entity is expected to exceed Arion's standalone
- Additional benefits expected from CRR3 RWA relief
- The liquidity position of a combined bank expected to surpass Arion's standalone

While creating value for all stakeholders

Customers

Stronger **service offering** to meet customer needs through **lower prices** and greater value

Shareholders

Substantial **synergies** drive shareholder value: merger is **accretive from year one**

Employees

New professional **growth opportunities** both domestically and **abroad**

Society

Increased **lending capacity** with continued focus on **supporting growth companies** and fostering **financial health**

* To be further detailed post due diligence

Indicative timeline suggests completion of the merger within 9-12 months

Phase I

Completed

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

Phase II

Ongoing

- Due Diligence process
- Pre-notification discussions with the ICA

Phase III

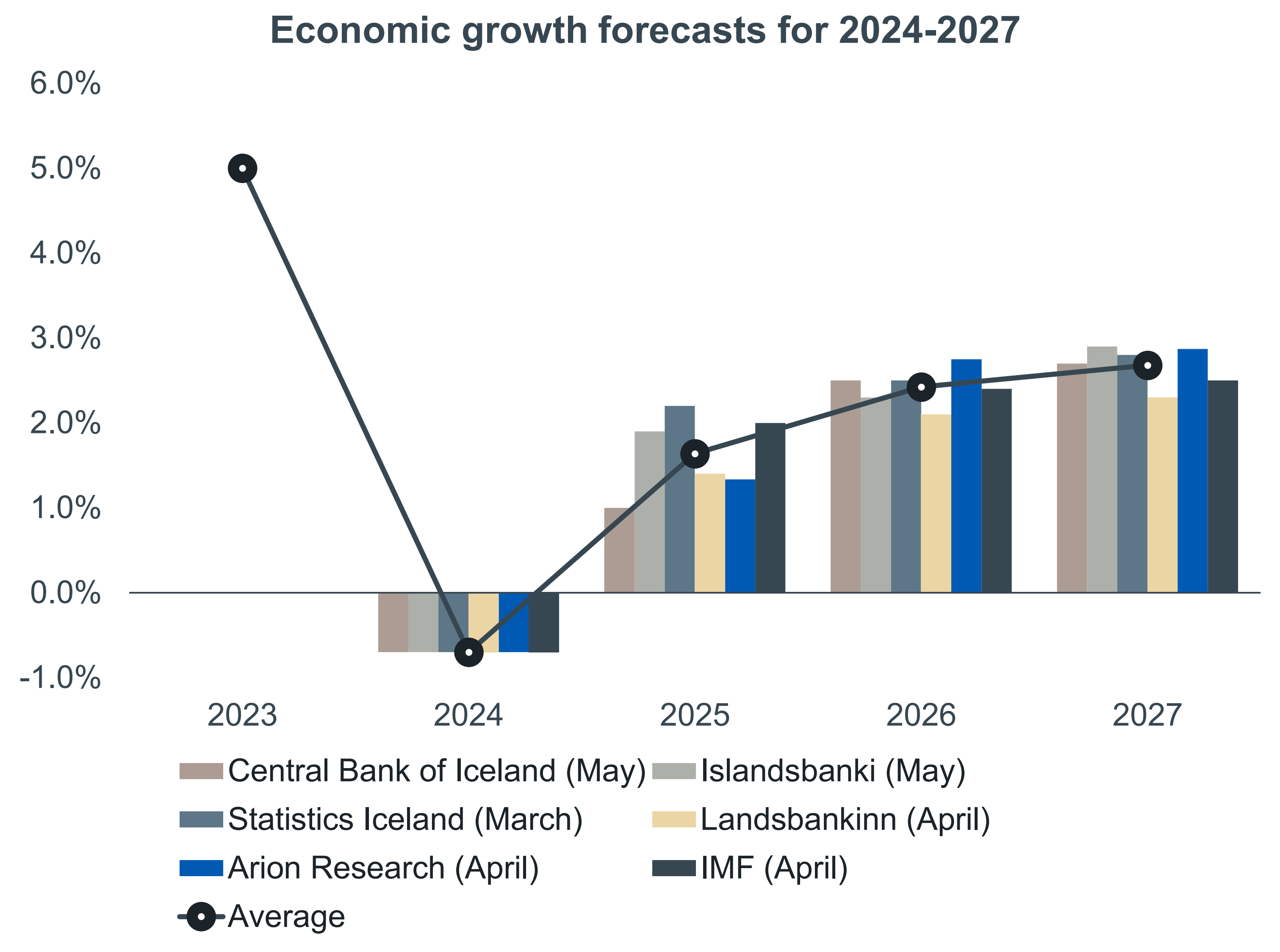
- Merger agreement signed
- Merger notification sent to regulatory bodies

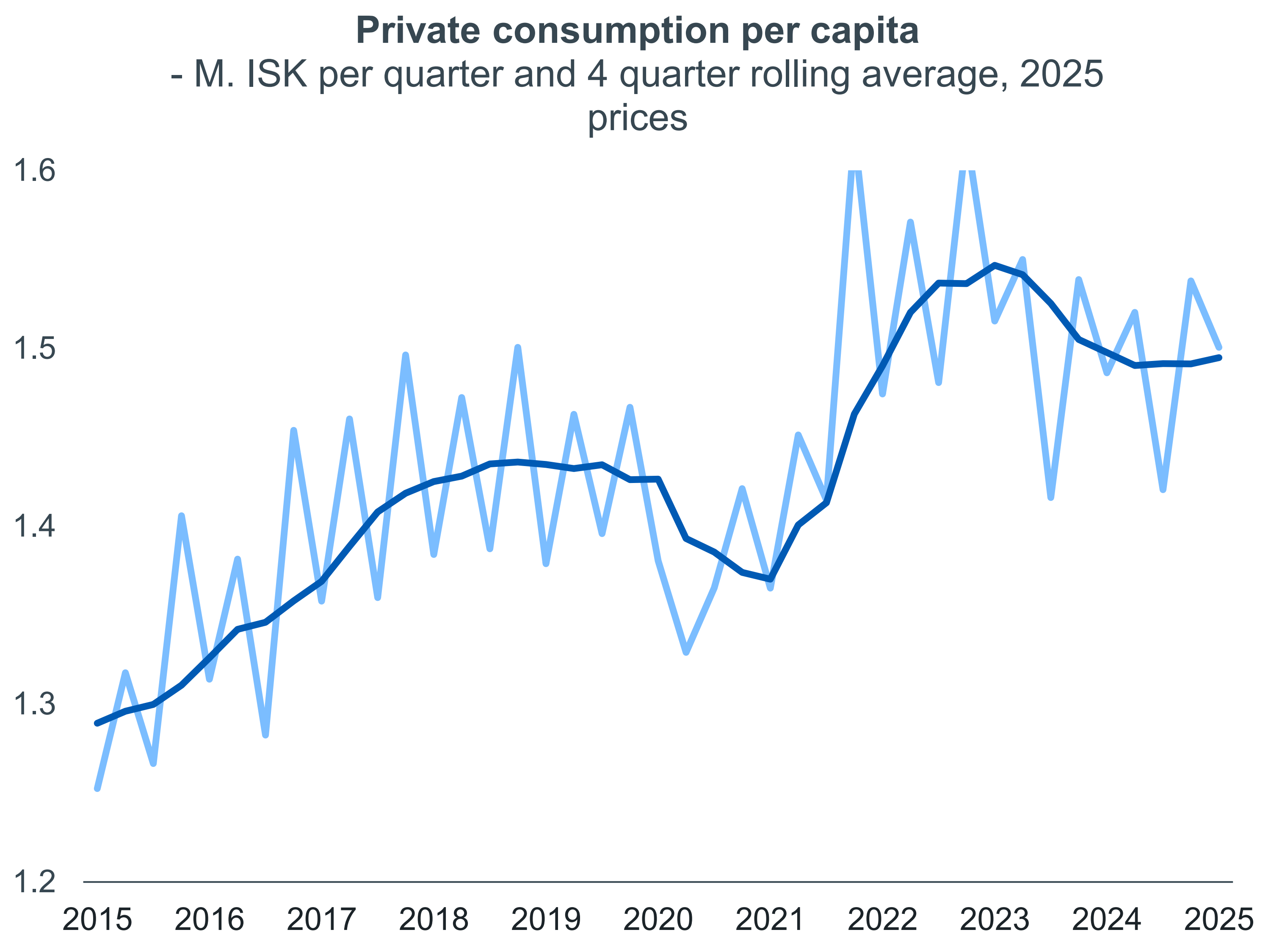
Phase IV

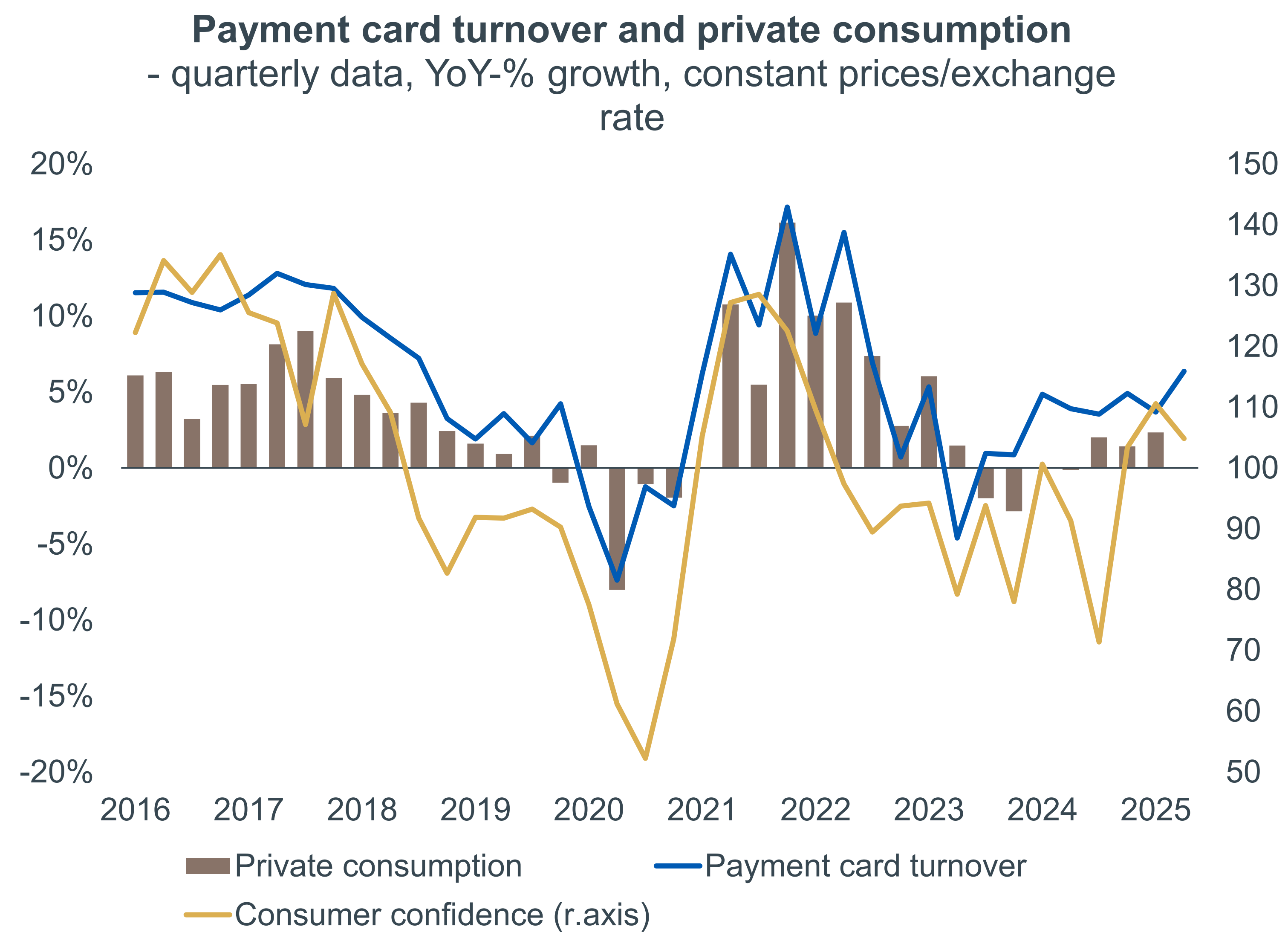
- Conditions fulfilled (approval by regulatory bodies)
- Kvika's shareholders receive new Arion shares
- Shareholder meetings of merging companies

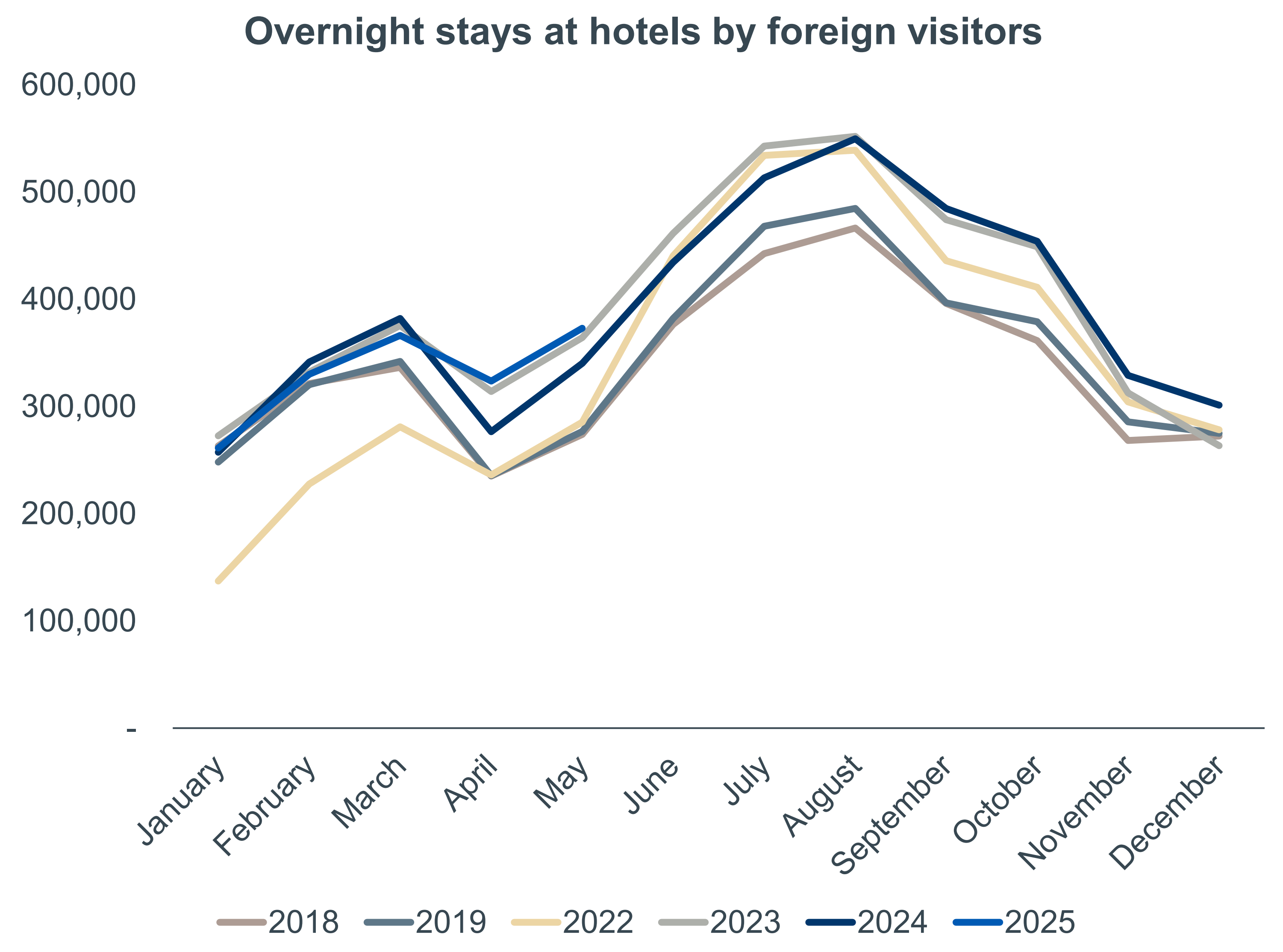
The economic outlook: gradual recovery driven by domestic demand

- Economic growth stalled in 2024, restrained by tight monetary policy and an almost non-existent capelin catch, but momentum is returning – though updated forecasts now point to a slower rebound than first expected
- Rapid increase in payment card turnover signals strong private consumption that, together with solid business investment, should more than offset weaker net exports this year
- Rising tariffs and other trade-war barriers remain the main external risk but are likely to trim, not derail, growth. Tourism, though exempt from tariffs, may face indirect headwinds. Although the year is off to a decent start – with 0.8% decrease in number of tourists but 3.5% increase in overnight stays – hotel reservations for the winter hotel bookings look soft





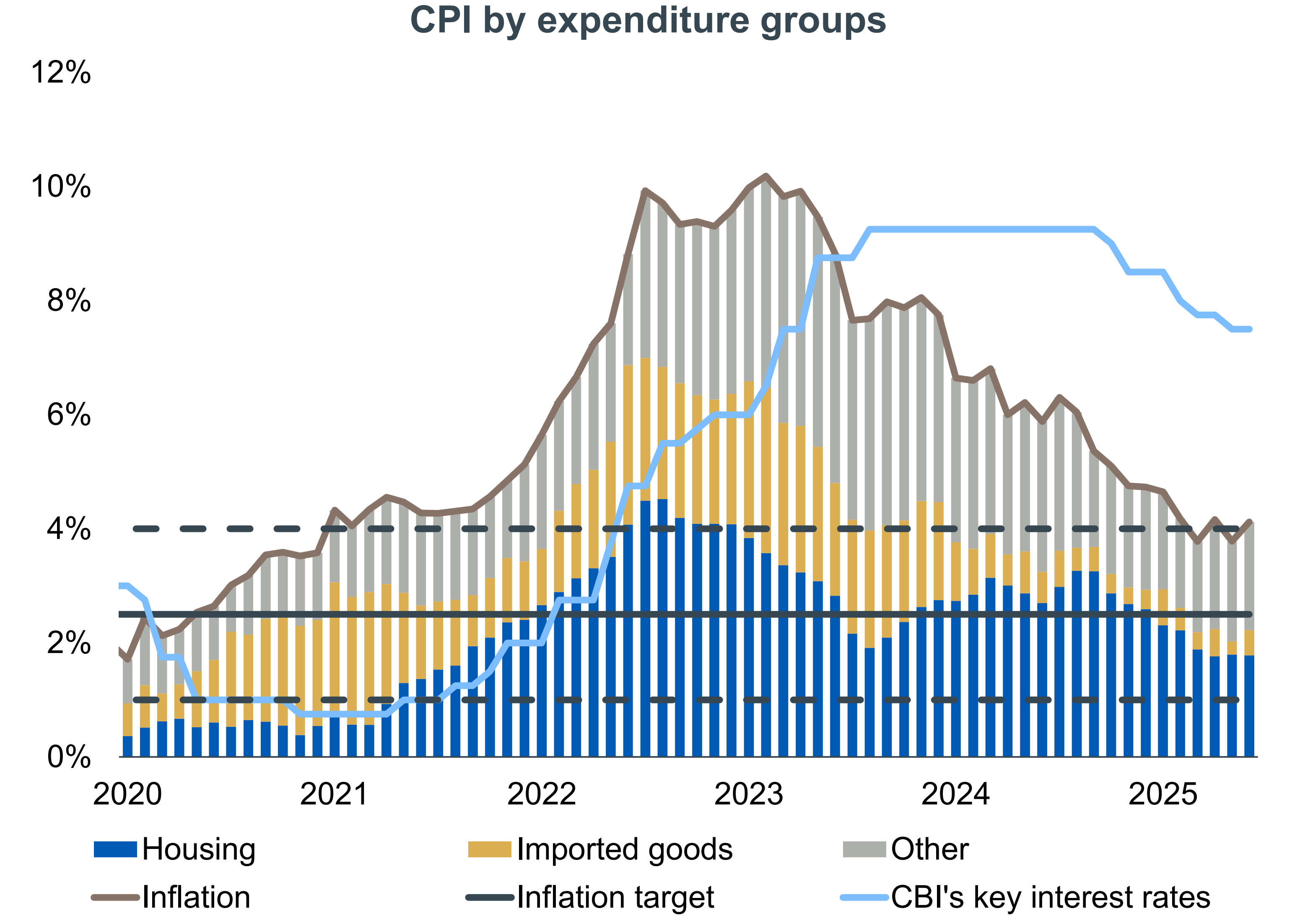


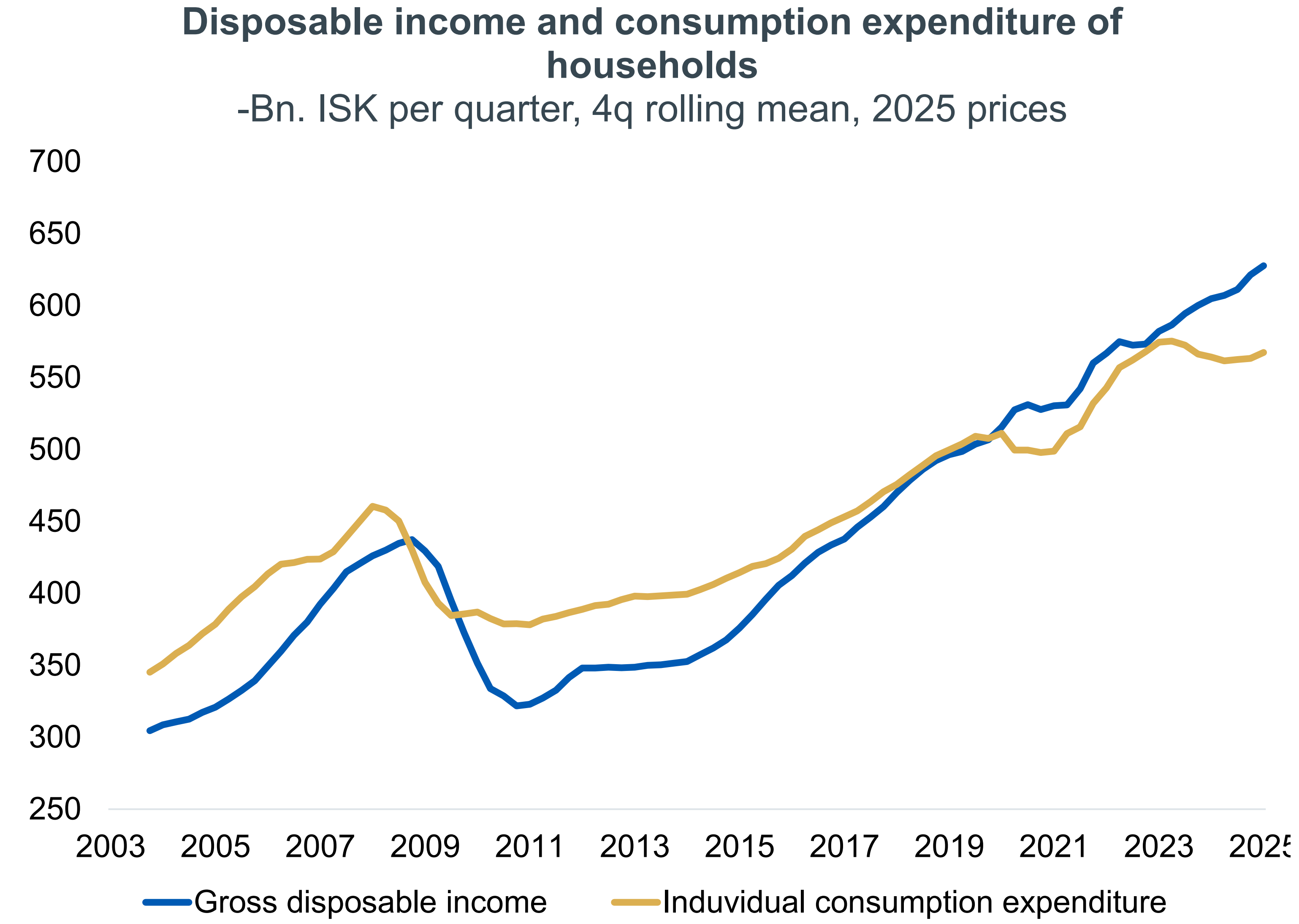


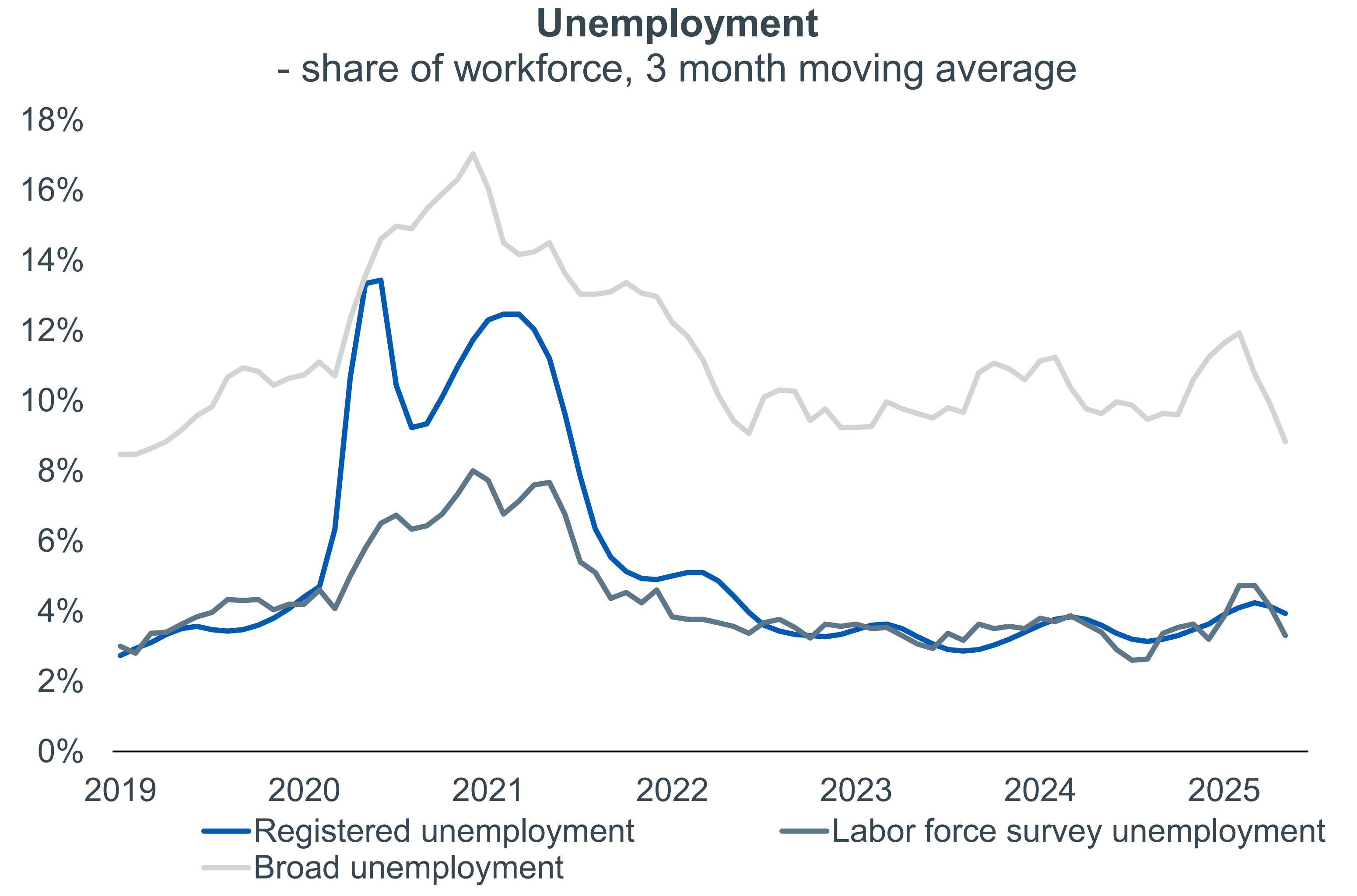
Sources: Arion Bank, Landsbanki, Islandsbanki, Statistics Iceland, Central Bank of Iceland, IMF, Arion Research.

Inflation plateau keeps further rate cuts on hold

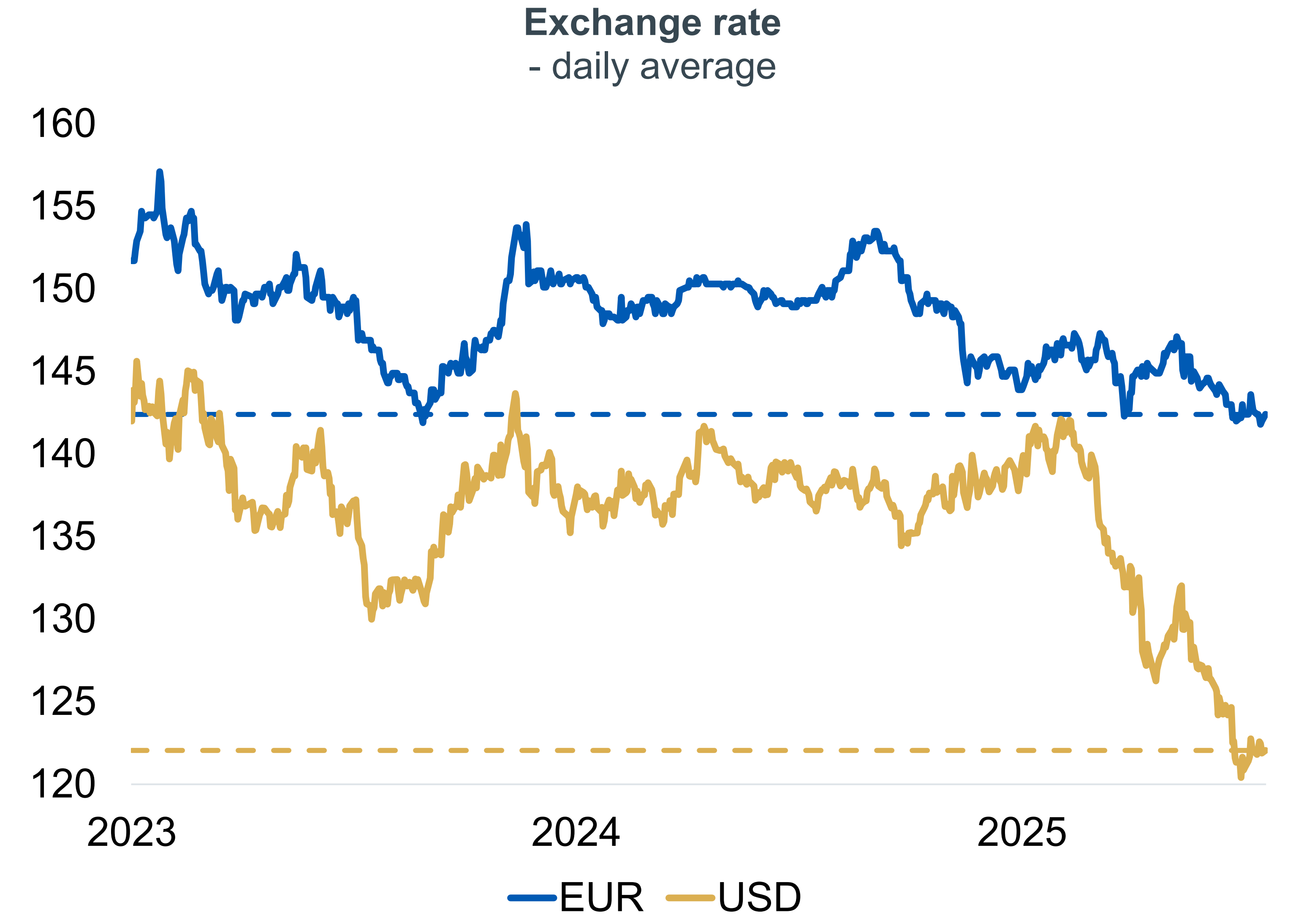
- The disinflation trend has hit a wall at around 4% and is unlikely to resume before Q1 2026, effectively closing the door on further policy-rate cuts in the meantime.
- Import prices have not fallen in line with the stronger króna, domestic-goods prices have picked up again, and housing costs are rising briskly—together keeping the 2.5 percent inflation target out of reach.
- Output declined in several key industries last year and the cost of capital has risen, yet unemployment has crept up only slightly, implying firms are trimming productivity rather than jobs.
- Annual wage growth hit 8.4 percent in May, and with consumption not keeping up with disposable income, households have been accumulating sizeable excess savings, leaving plenty of spending power that could keep inflation sticky.
- Monetary policy remains tight; this stance continues to restrain activity and, despite these headwinds, should ultimately steer inflation back toward target.







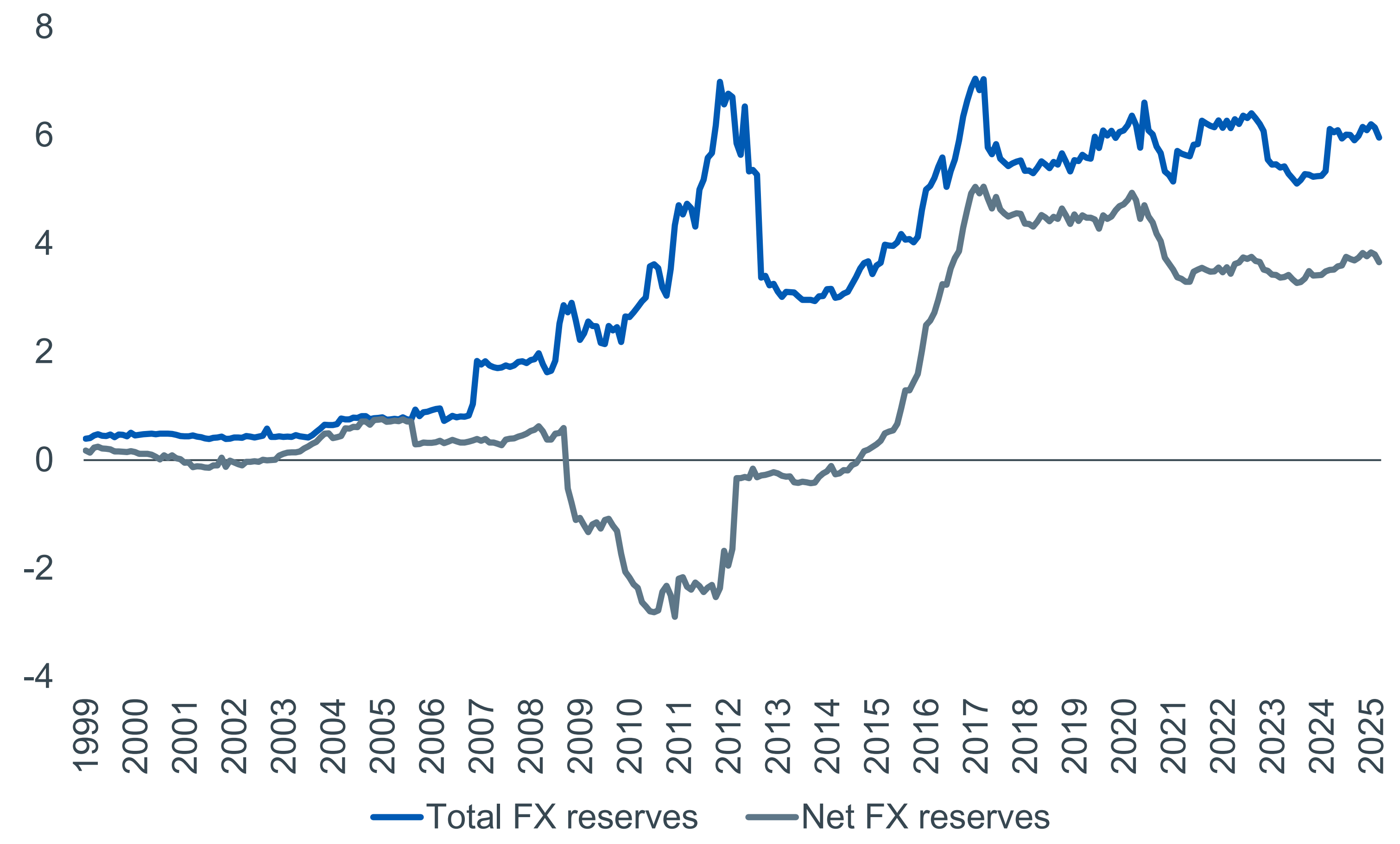
Broad unemployment includes the unemployed, those working part-time but who want to work more, and those who are willing to work but are either not actively looking for a job or not ready to start working within two weeks.



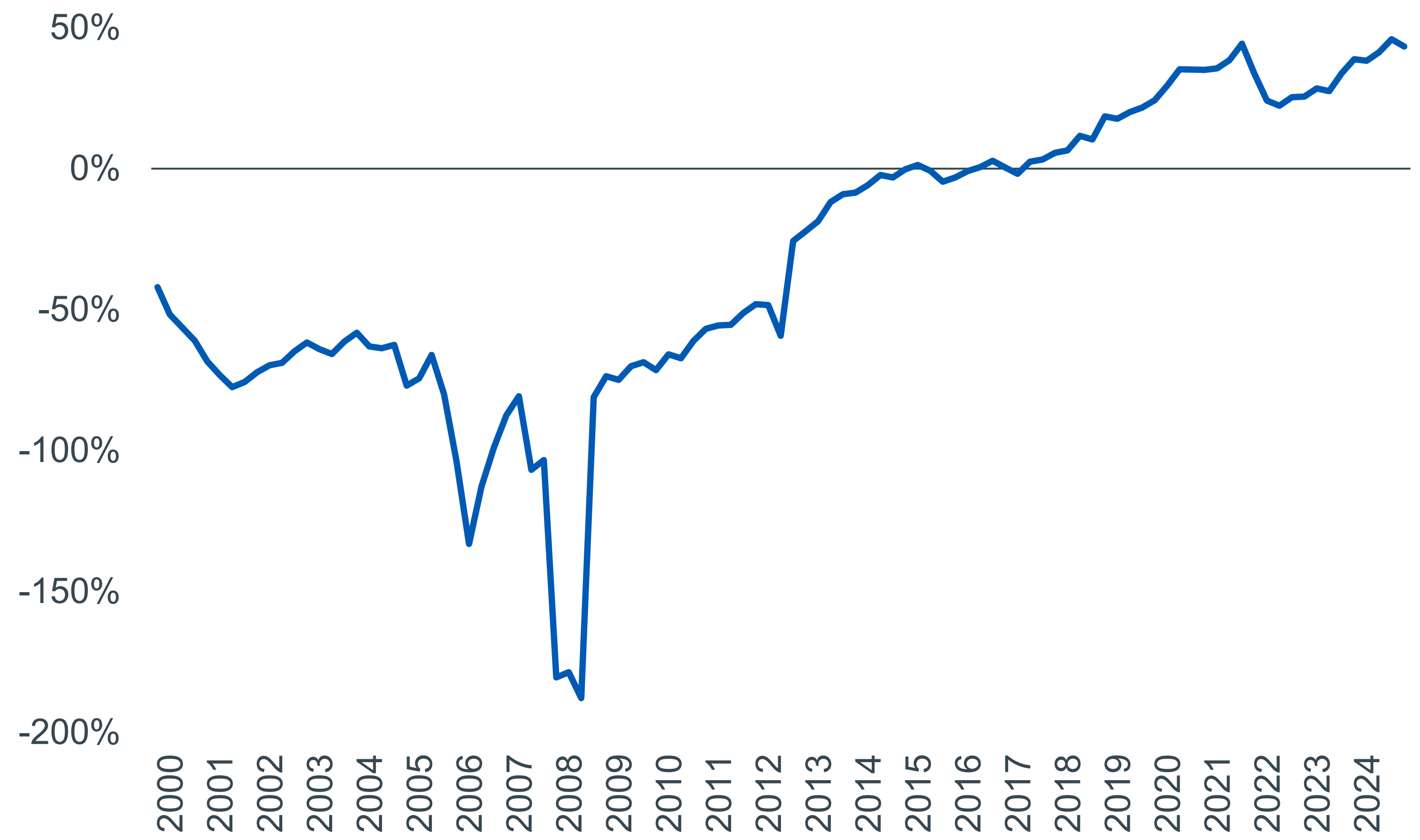
Sources: Central Bank of Iceland, Statistics Iceland, Arion Research.

Small economy, strong foundations

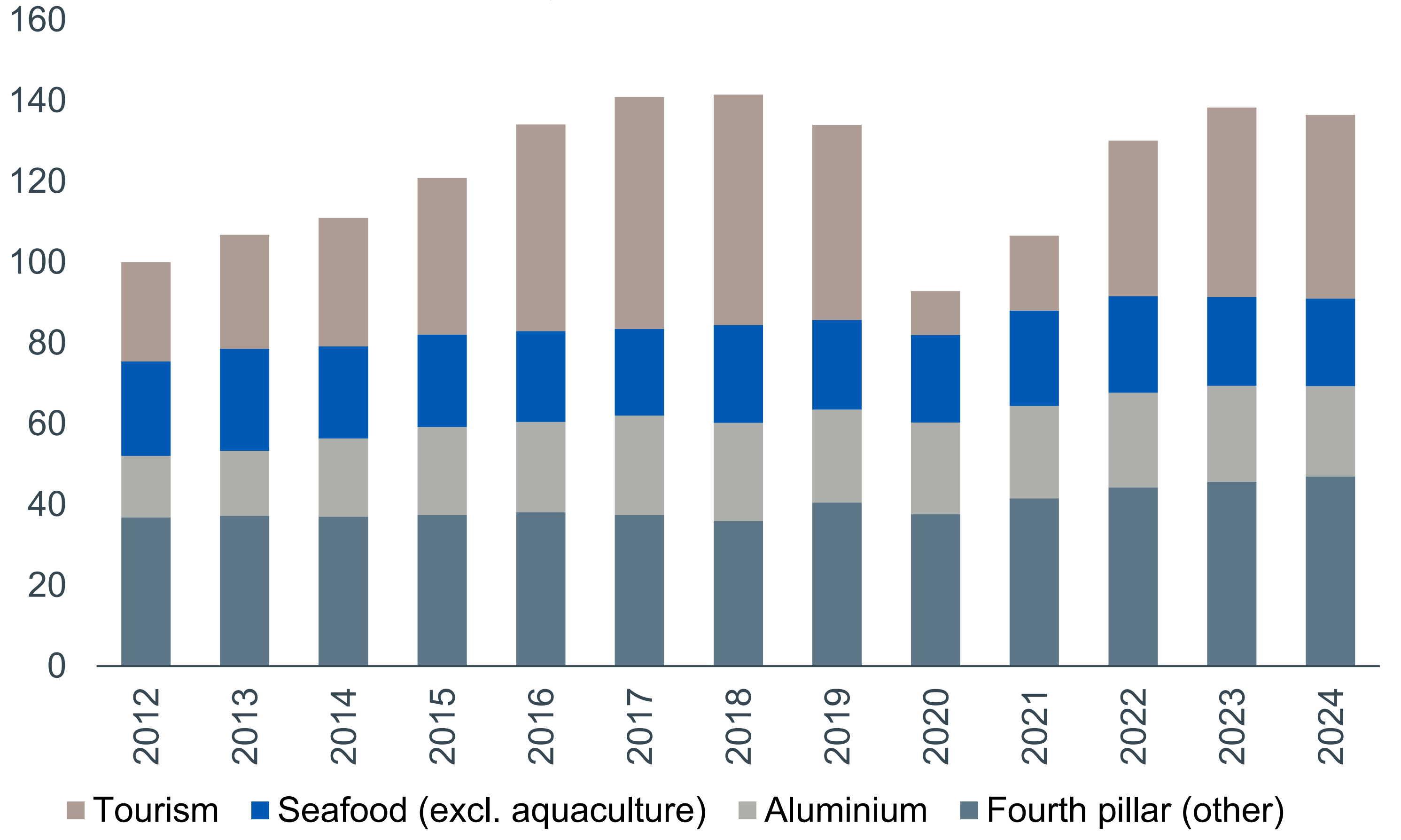
CBI's FX reserves
- bn. EUR



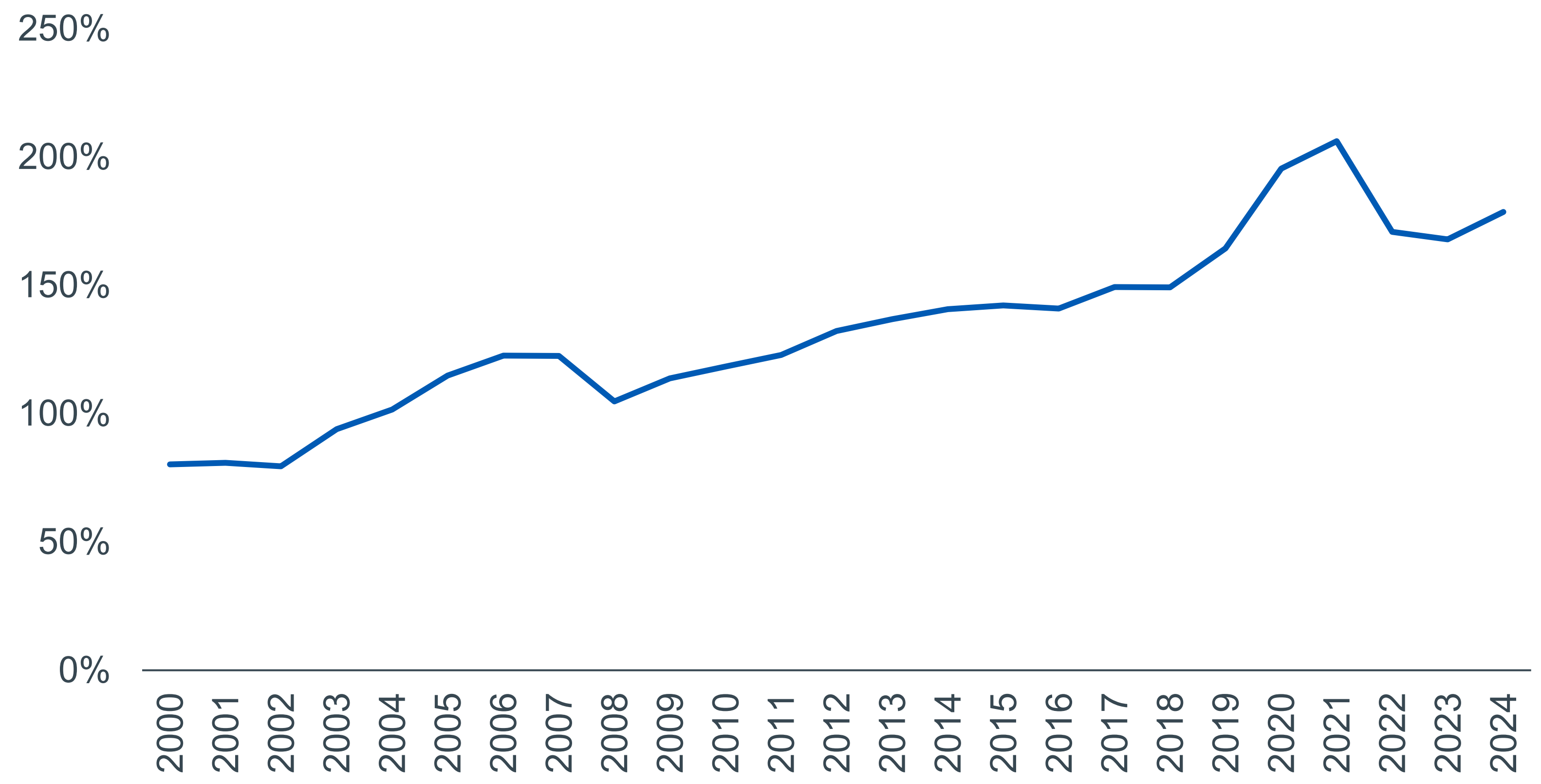
Net international investment position
- % of GDP



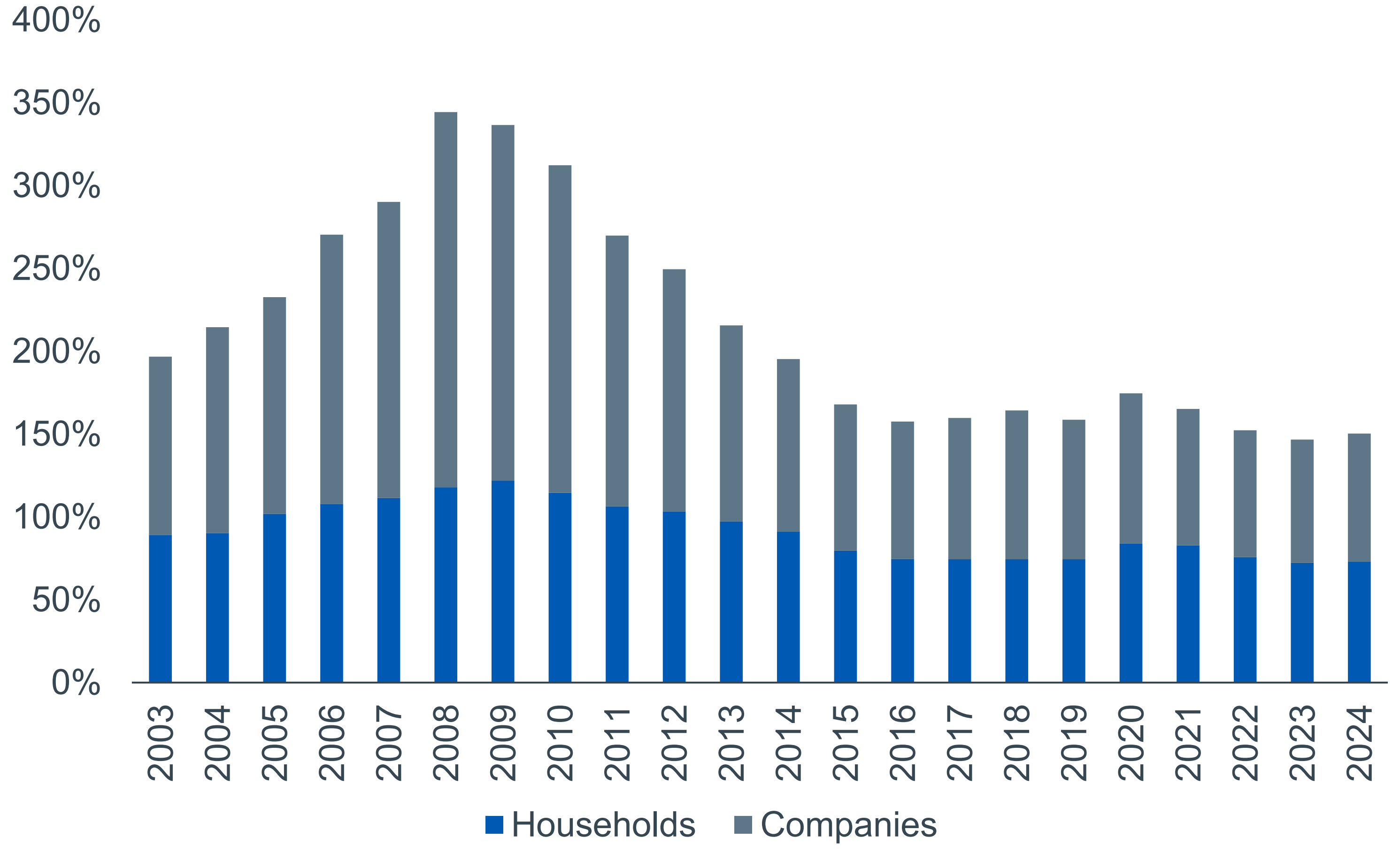
Total exports composition
- index, total in 2012=100



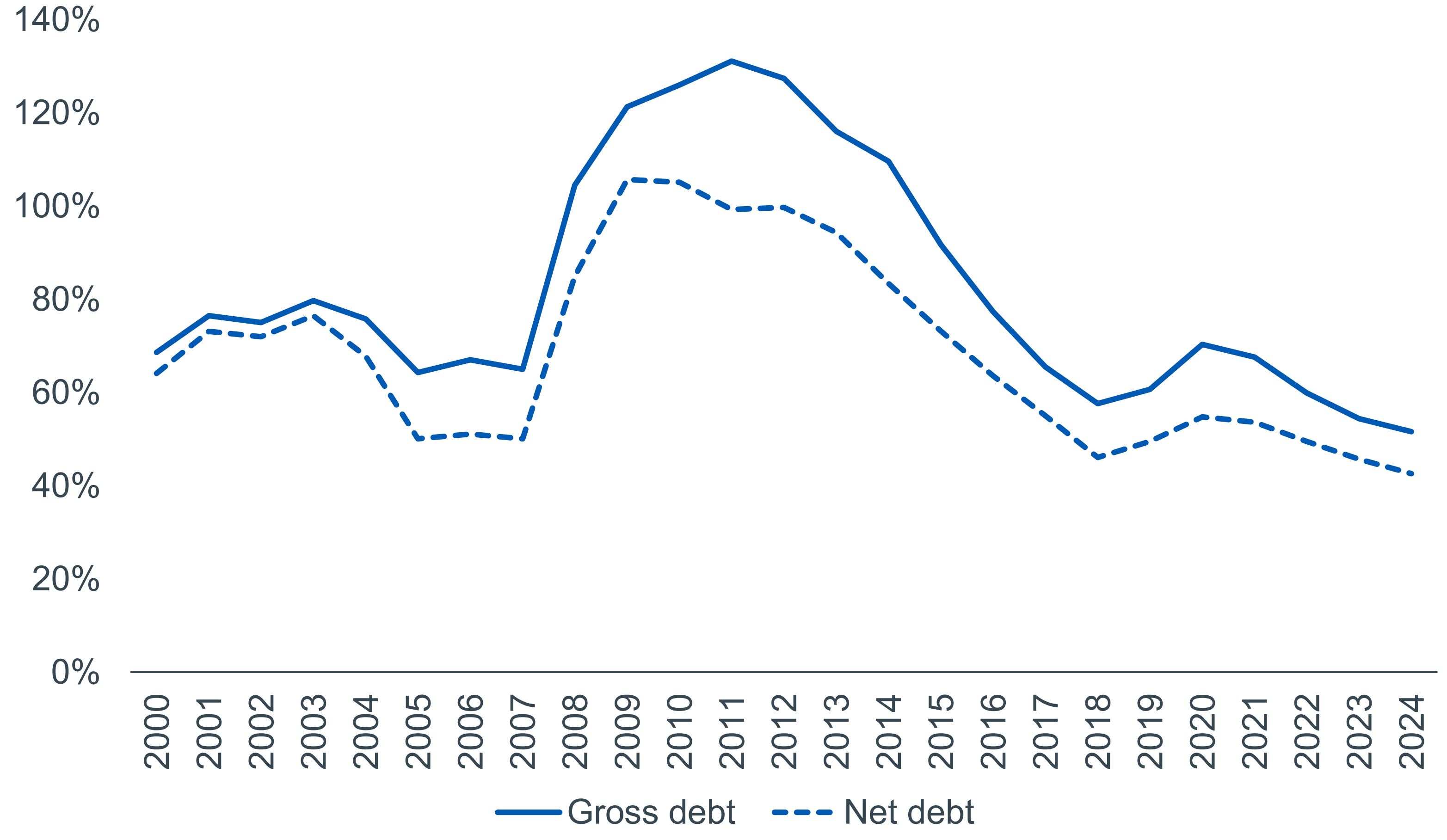
Pension funds assets
- % of GDP



Household and non-financial corporate debt
- % of GDP



Debt of central government
- % of GDP



Sources: Statistics Iceland, Central Bank of Iceland, Arion Research.

Key takeaways from Q2 2025

Operational performance

- Very strong quarter across businesses, resulting in a ROE to shareholders of 19.7%
- Diversified pillars of the Group continue to support earnings momentum through the cycle
- Strong growth in corporate loan book in Q2

Core income

- High net interest margin partly due to inflation impact with further fluctuations anticipated in coming quarters
- A broad-based robust quarter in fee generation, especially driven by ongoing momentum in CIB
- Insurance continues strong trajectory with combined ratio of 79.4% in the quarter

Development assets

- Key milestones in development assets a catalyst for further valuation uplift in the quarter, especially Arnarland
- Projects progressing in line with presented timelines while valuations continue to reflect inherent uncertainties

Capital, funding and liquidity

- Capital position strong with a CET1 ratio of 18.0% or 259bps above regulatory minimum
- Liquidity position very strong, supported by successful funding activities and stable deposits

Income statement Q2 2025

- Net earnings attributable to shareholders of ISK 9.8bn, resulting in a return on equity (ROE) of 19.7%
- Core income* saw a year-on-year increase of 19.8%
- Other operating income derived from the valuation of development assets, which is partially linked to non-controlling interest
- Operating expenses remained relatively stable when considering one-off items in Q2 2024

	Q2 2025	Q2 2024	Diff	Q1 2025	Diff
Net interest income	14,200	11,948	19%	12,166	17%
Net fee and commission income	4,553	3,979	14%	4,536	0%
Insurance service results	1,066	522	104%	(31)	-
Net financial income	179	99	81%	(951)	-
Other operating income	1,324	37	-	3,321	(60%)
Operating income	**21,322**	**16,585**	**29%**	**19,041**	**12%**
Operating expenses	(6,697)	(7,152)	(6%)	(6,601)	1%
Bank levy	(521)	(476)	9%	(508)	3%
Net impairment	147	(775)	-	(378)	-
Net earnings before taxes	**14,251**	**8,182**	**74%**	**11,554**	**23%**
Income tax expense	(3,984)	(2,671)	49%	(3,726)	7%
Net earnings from continuing operations	**10,267**	**5,511**	**86%**	**7,828**	**31%**
Discontinued operations net of tax	(11)	(11)	-	(11)	-
Net earnings	**10,256**	**5,500**	**86%**	**7,817**	**31%**
Non-controlling interest	(506)	5	-	(1,396)	-
Net earnings attributable to shareholders	**9,750**	**5,505**	**77%**	**6,421**	**52%**

Return on equity attributable to shareholders	19.7%	11.5%		12.8%	
Core income*	20,697	17,272	20%	17,544	18%
Net interest margin	3.5%	3.2%		3.1%	
Total cost-to-core income ratio	36.6%	46.2%		42.6%	
Cost-to-income ratio	31.4%	43.1%		34.7%	

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

10 All amounts in ISK million

Income statement H1 2025

- Net earnings attributable to shareholders of ISK 16.2bn, achieving a return on equity (ROE) of 16.1%
- Core income* rose by 17.8% year-on-year
- The market faced challenges for investment income, 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 items from the first half of 2024
- The effective tax rate is notably high at 29.9% due to an unfavorable combination of income, primarily stemming from losses in equity holdings

	H1 2025	H1 2024	Diff
Net interest income	26,366	23,193	14%
Net fee and commission income	9,089	7,344	24%
Insurance service results	1,035	307	237%
Net financial income	(772)	128	-
Other operating income	4,645	87	-
Operating income	**40,363**	**31,058**	**30%**
Operating expenses	(13,298)	(13,706)	(3%)
Bank levy	(1,029)	(936)	10%
Net impairment	(231)	(1,090)	(79%)
Net earnings before taxes	**25,805**	**15,327**	**68%**
Income tax expense	(7,710)	(5,375)	43%
Net earnings from continuing operations	**18,095**	**9,952**	**82%**
Discontinued operations net of tax	(22)	(20)	10%
Net earnings	**18,073**	**9,932**	**82%**
Non-controlling interest	(1,902)	17	-
Net earnings attributable to shareholders	**16,171**	**9,949**	**63%**

Return on equity attributable to shareholders	16.1%	10.3%	
Core income*	38,241	32,475	18%
Net interest margin	3.3%	3.1%	
Total cost-to-core income ratio	39.4%	47.2%	
Cost-to-income ratio	32.9%	44.1%	

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

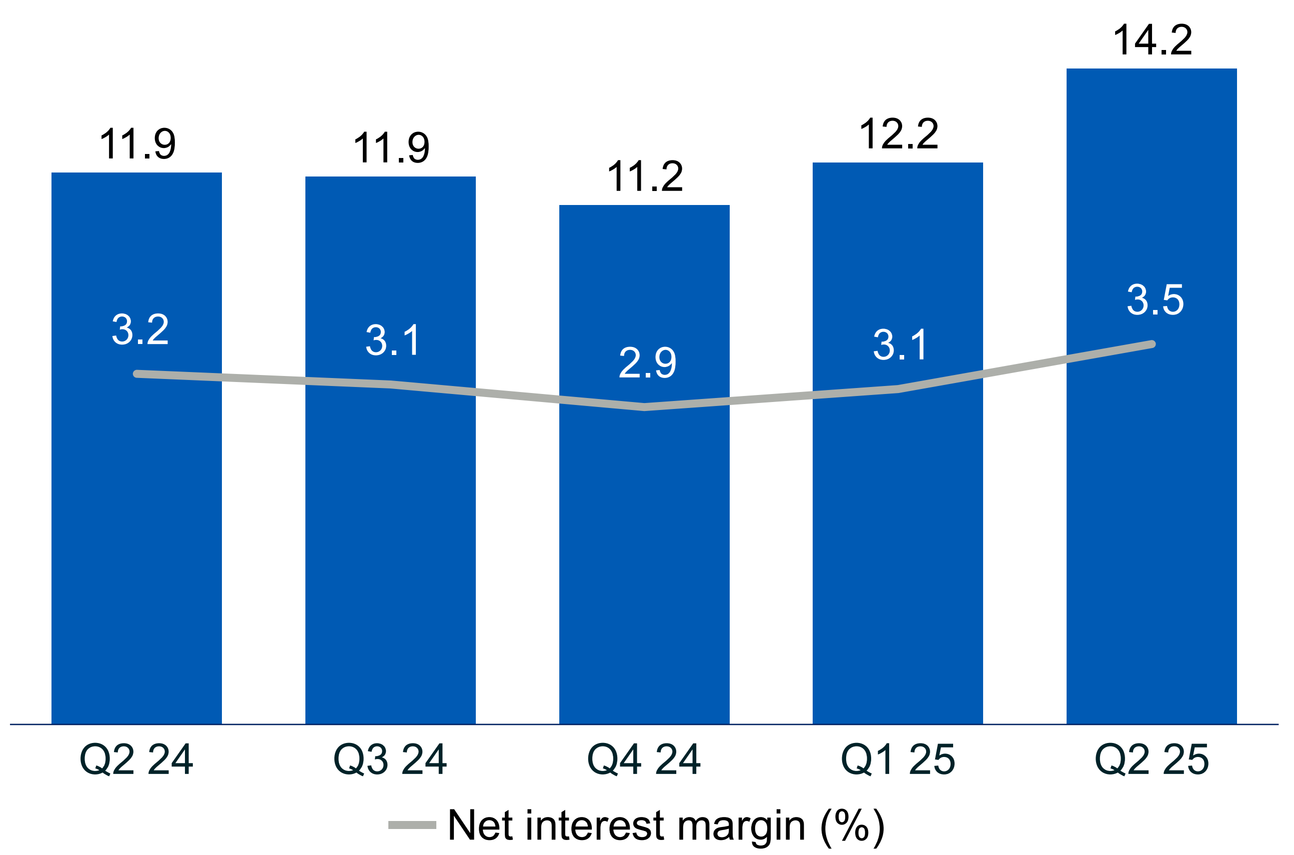
11 All amounts in ISK million

Net interest income

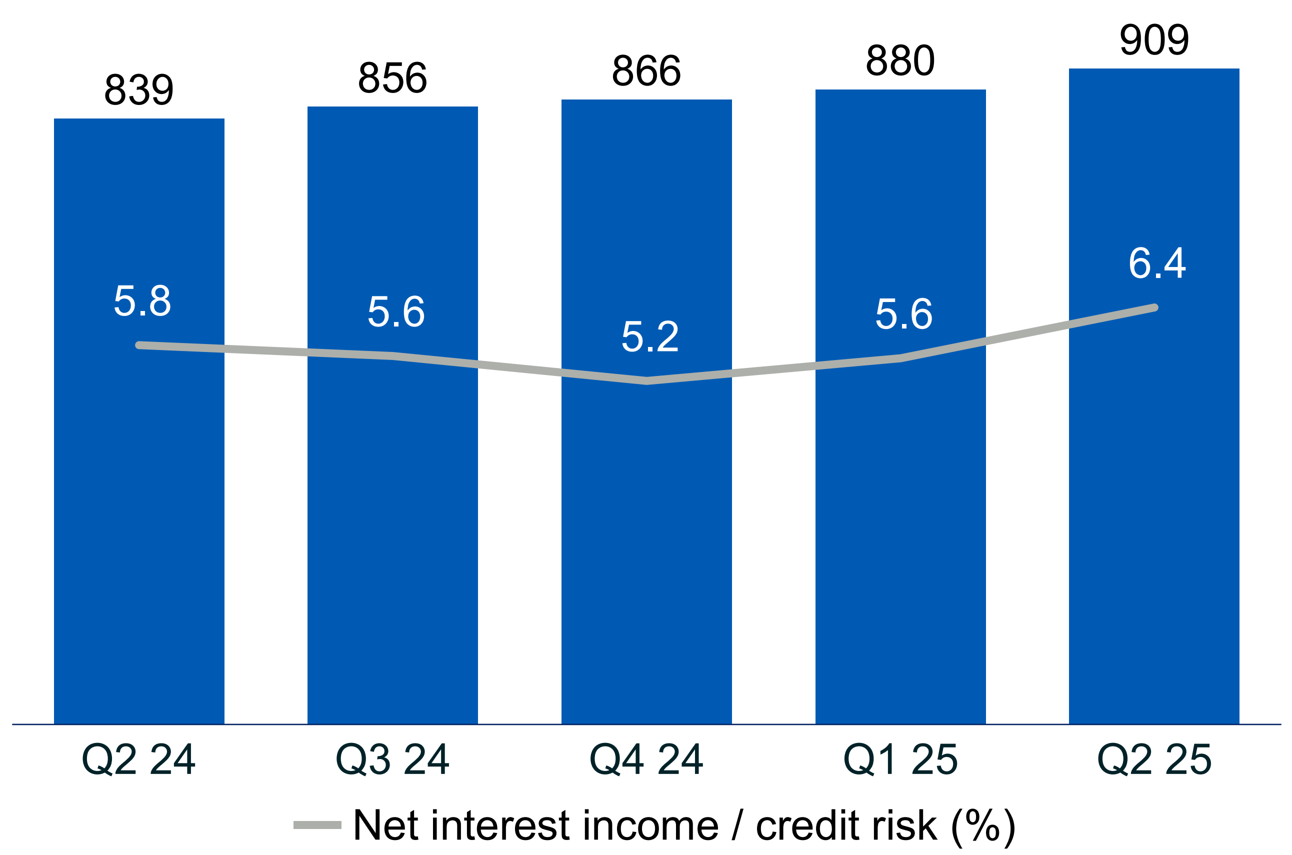
Strong quarter driven by CPI impact and ongoing reduction in funding cost

- In Q2, net interest income reached ISK 14.2bn, reflecting an 18.8% annual increase
- NIM was 3.5% in Q2 vs. 3.2% in Q2 2024. The key drivers of higher NIM in the quarter are:
  - The CPI imbalance was ISK 196bn at the end of June and rose by ISK 32bn since the last quarter and by ISK 52bn compared with the end of Q2 2024, partially due to the final payment of CBI 25 in April. Relatively high inflation quarter has considerable effect on NII
  - The cost of funding has decreased alongside falling Central Bank rates in Iceland, dropping from 9.25% at the end of Q2 2024 to 7.5% at the end of Q2 2025. Additionally, the cost of borrowings has decreased, both funding in FX and due to final payment of CBI 25 in ISK made in April
- The near-term guidance for the net interest margin remains around the 3% level, influenced by the evolution of real interest rates, which in turn affects the margin of CPI-linked mortgage lending, the primary driver of fluctuations

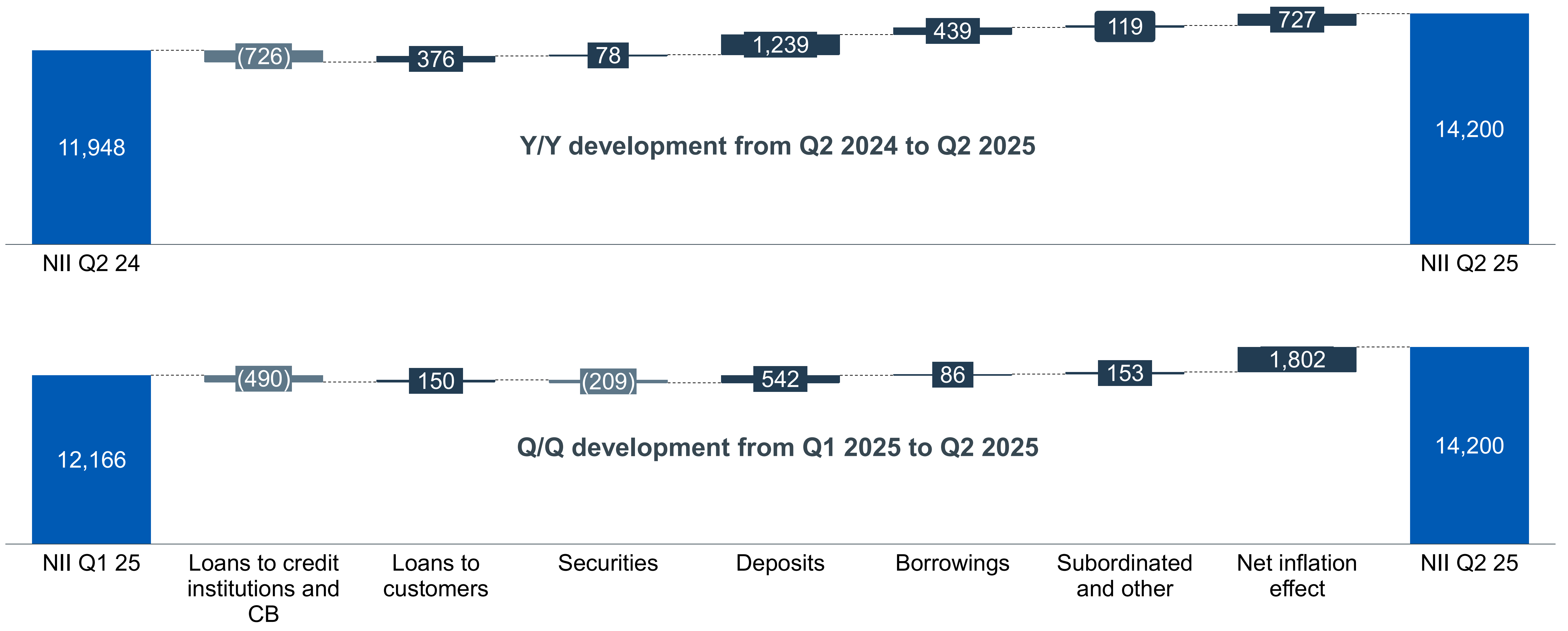
Net interest income (ISK bn)



Credit risk (ISK bn)



Net interest income development (ISK m)

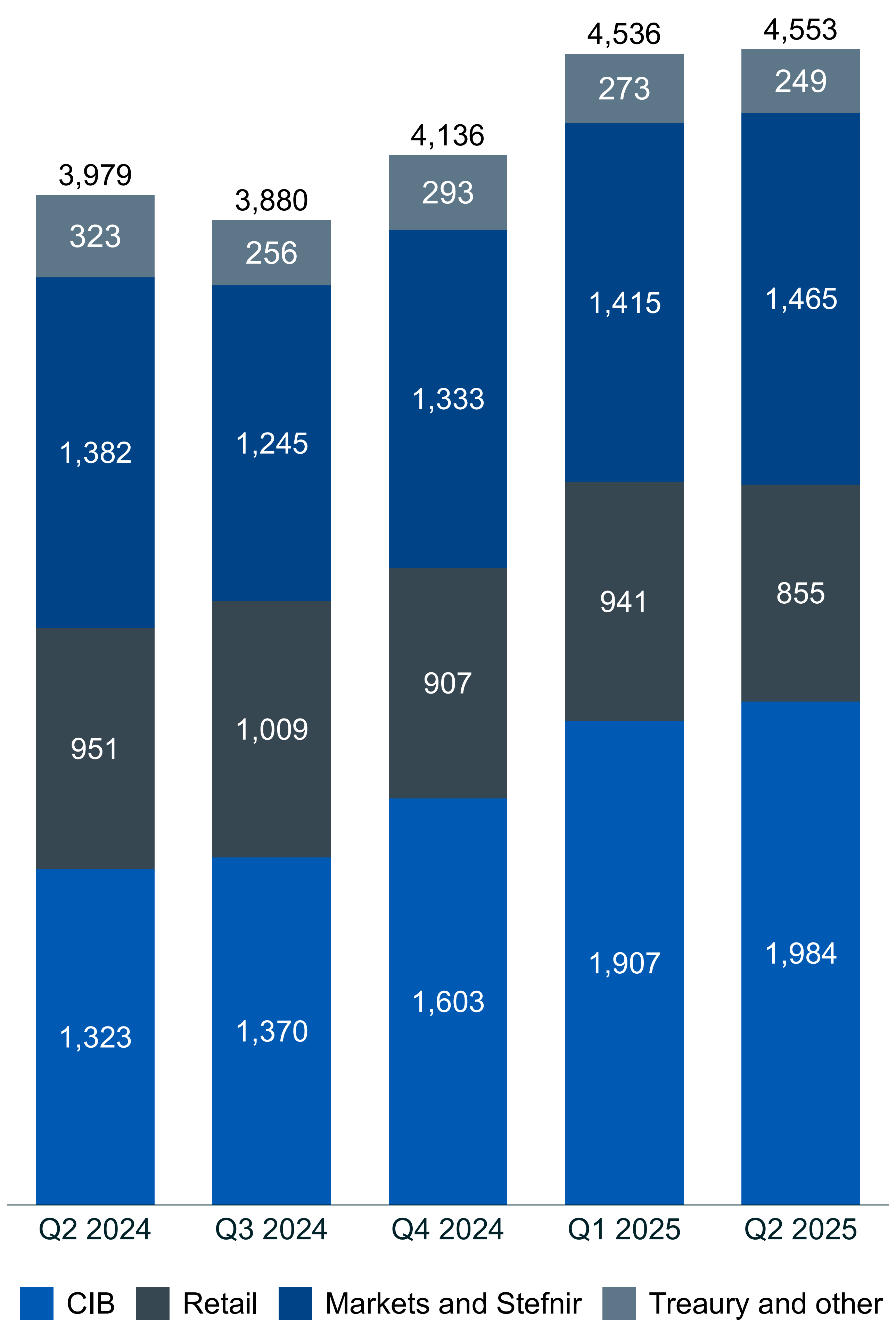


Net fee and commission income

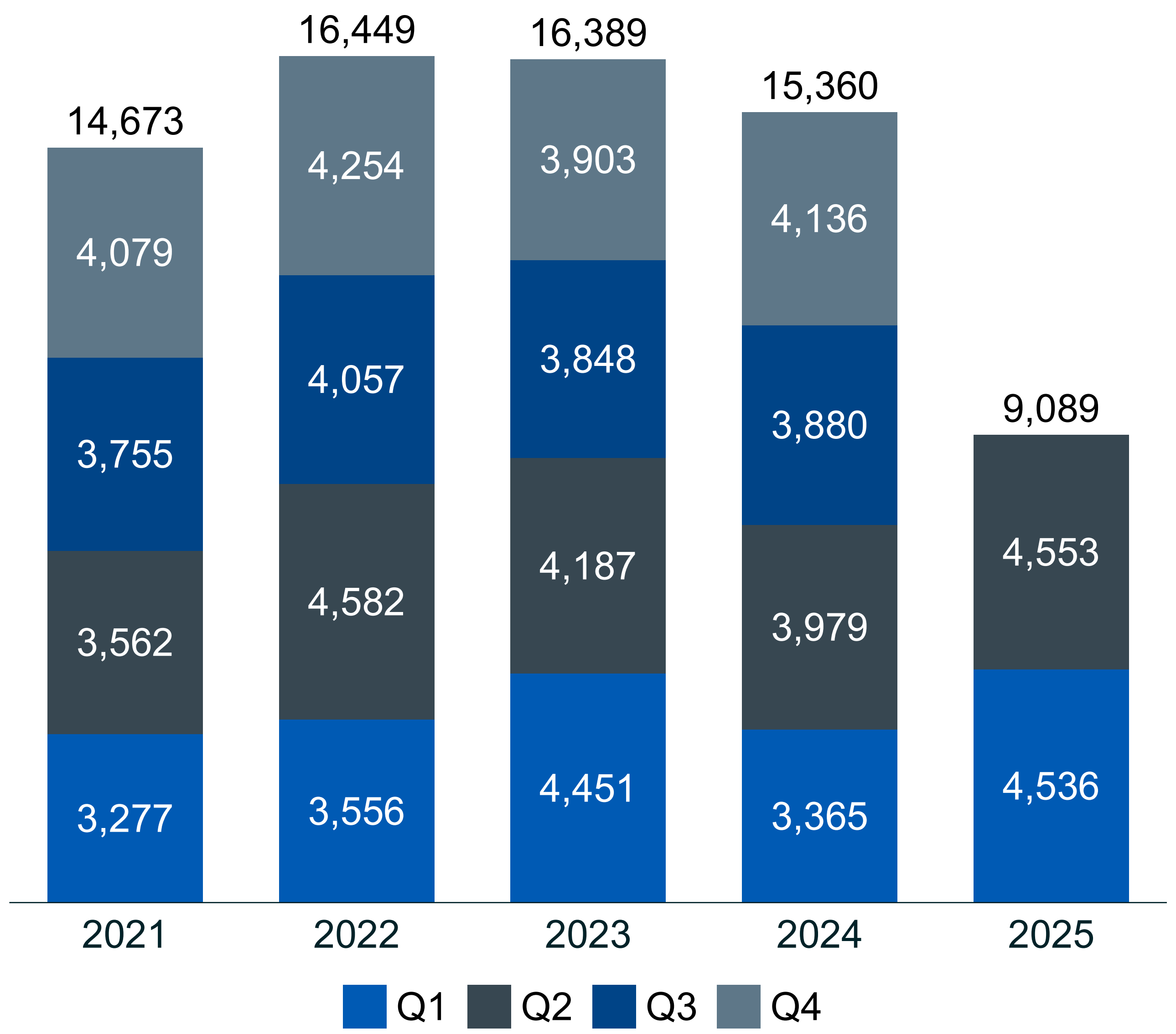
Fees remain diversified and robust

- The CIB operation remains robust, particularly in terms of fees generated from lending and corporate finance due to increased activity and focused fee strategy
- Retail Banking activities have shown stable income with slight decrease in Q2 from prior quarters, mainly in fees from cards
- Asset management fees have remained solid, with Assets under Management and Supervision increasing to ISK 1,806bn at the end of the quarter, following the acquisition of Arion (Financial) Advisory Services Ltd. (previously Arngrimsson Advisors). Assets under Supervision increased by ISK 154bn following this acquisition

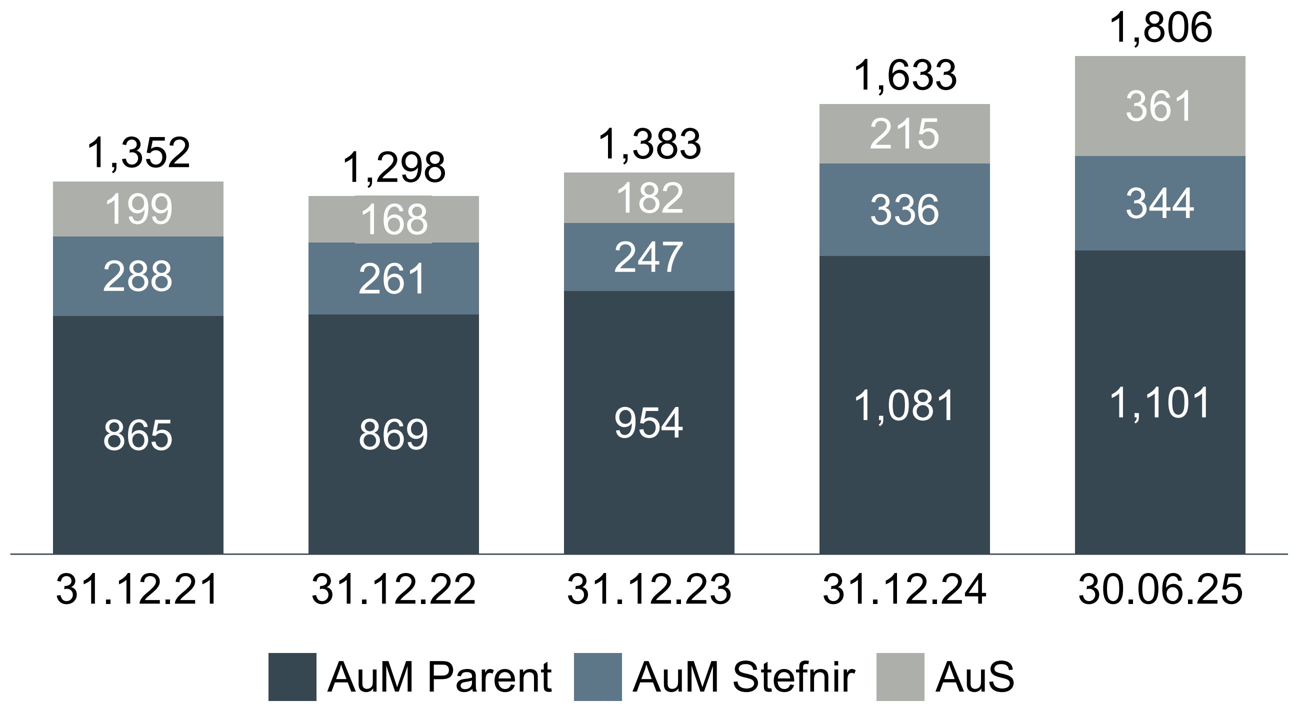
Net fee and commission income (ISK m)



Net fee and commission income (ISK m)



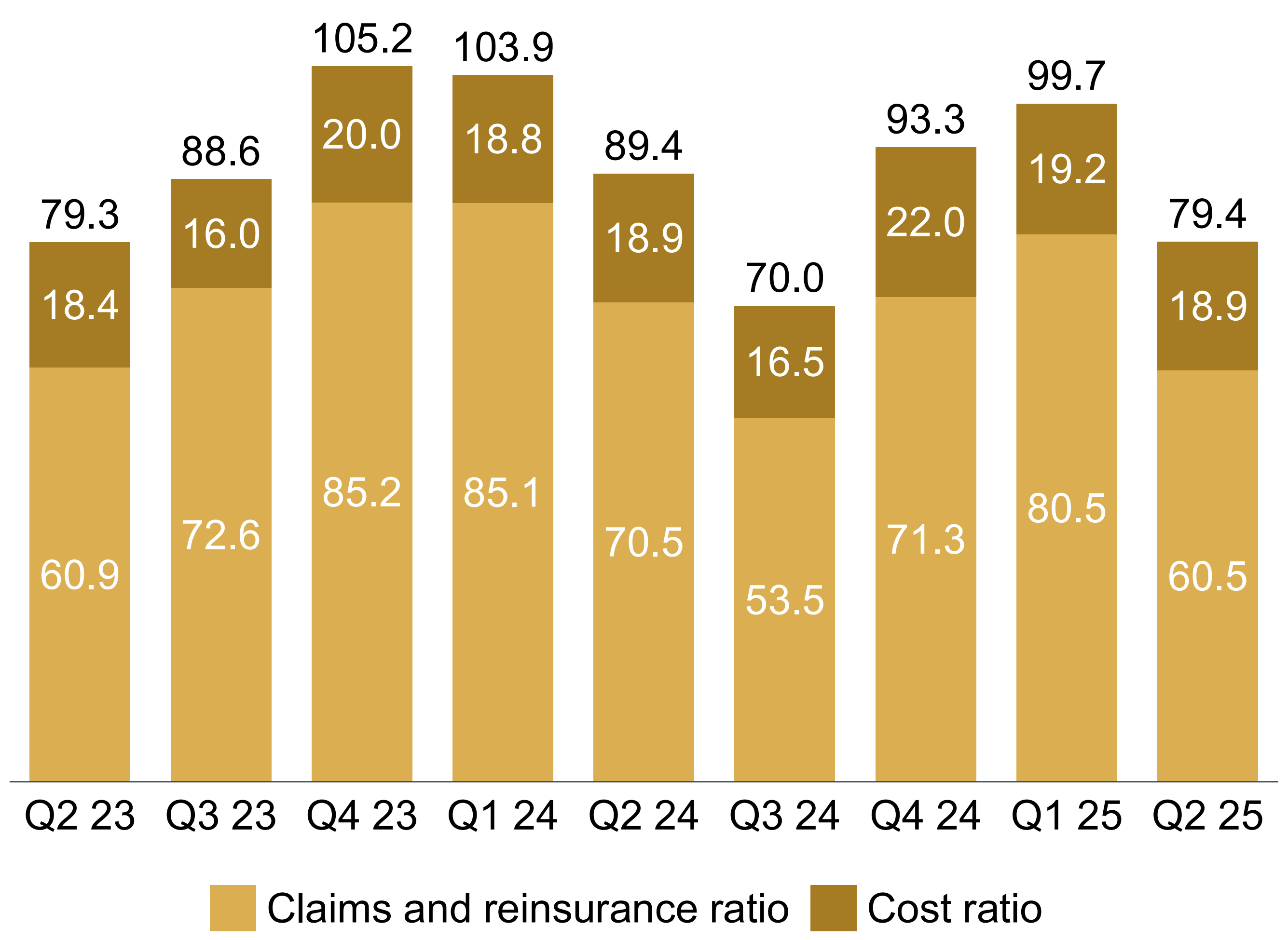
Assets under Management and Supervision (ISK bn)



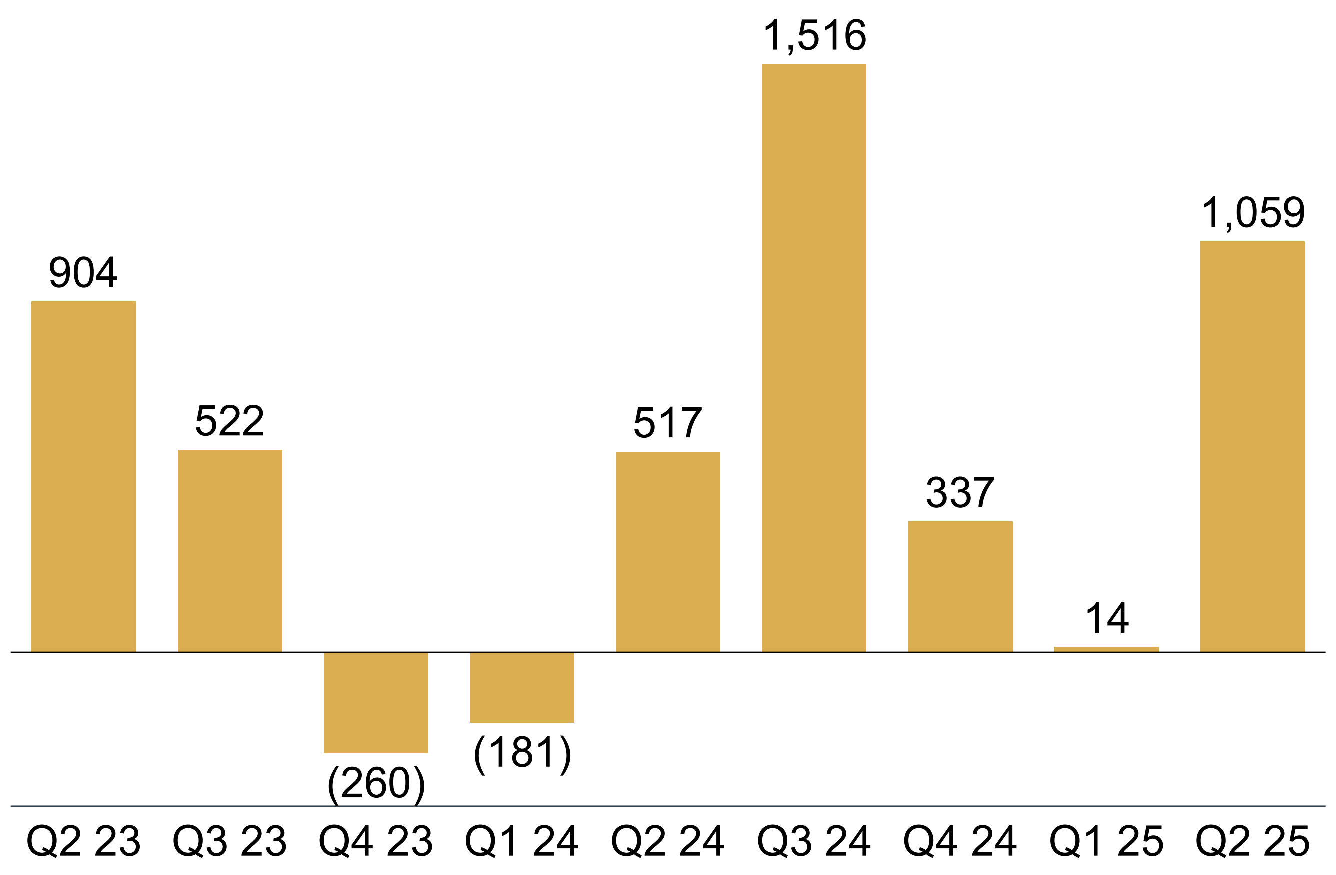
Continued momentum in the insurance business in Q2

- Net result in the quarter ISK 839m compared with ISK 407m in Q2 2024
- Favorable claims and reinsurance development from Q2 2024 which was affected by a large fire claim. The ratio in Q2 2025 was 60.5% compared with 70.5% in Q2 2024
- Combined ratio of 79.4% in Q2 2025 compared with 89.4% in Q2 2024 and 89.4% for the first half of 2025 compared with 96.5% for the same period in 2024

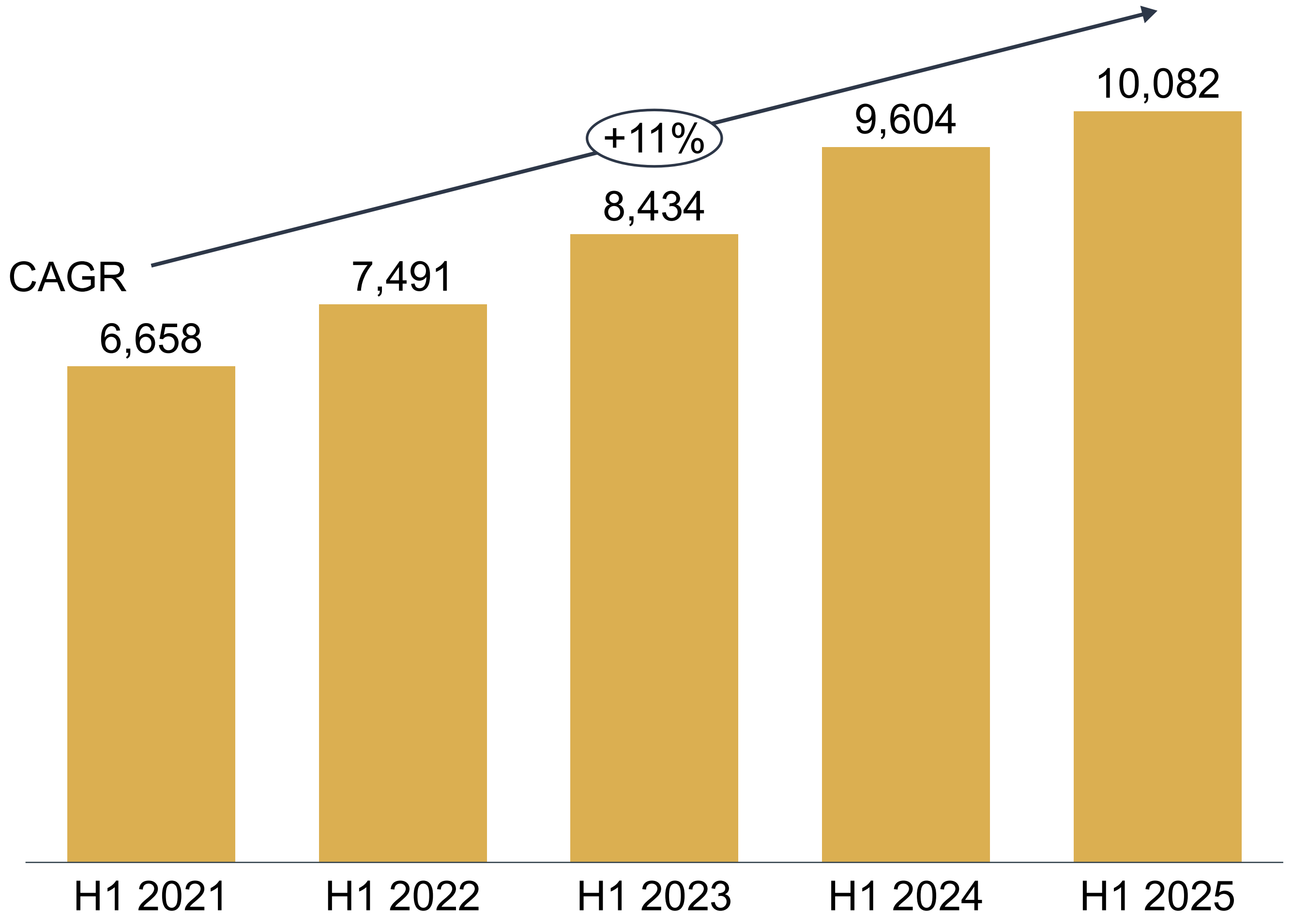
Combined ratio (%)



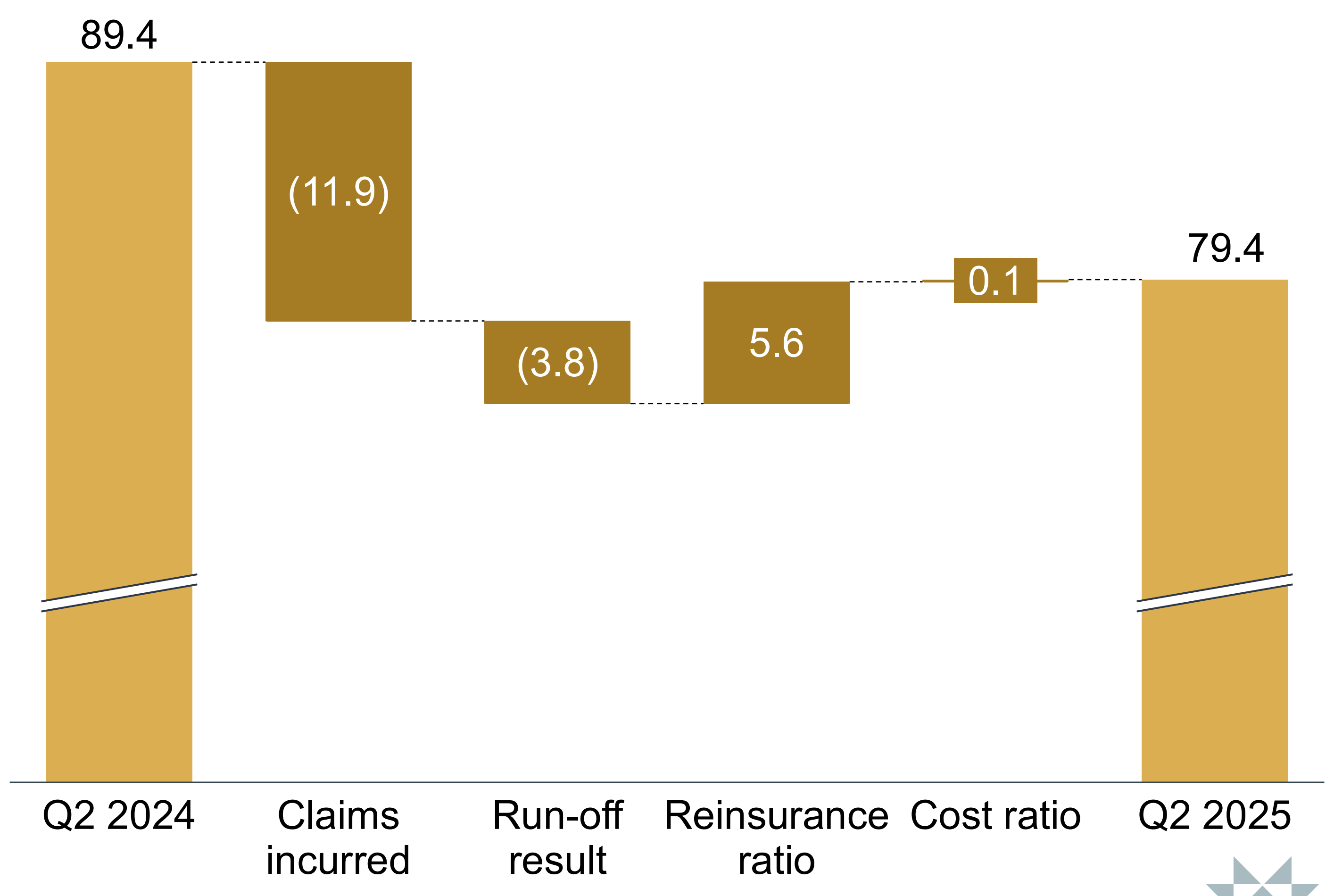
Insurance service result (ISK m)



Insurance revenue (ISK m) **



Change in combined ratio from Q2 2024 (%)



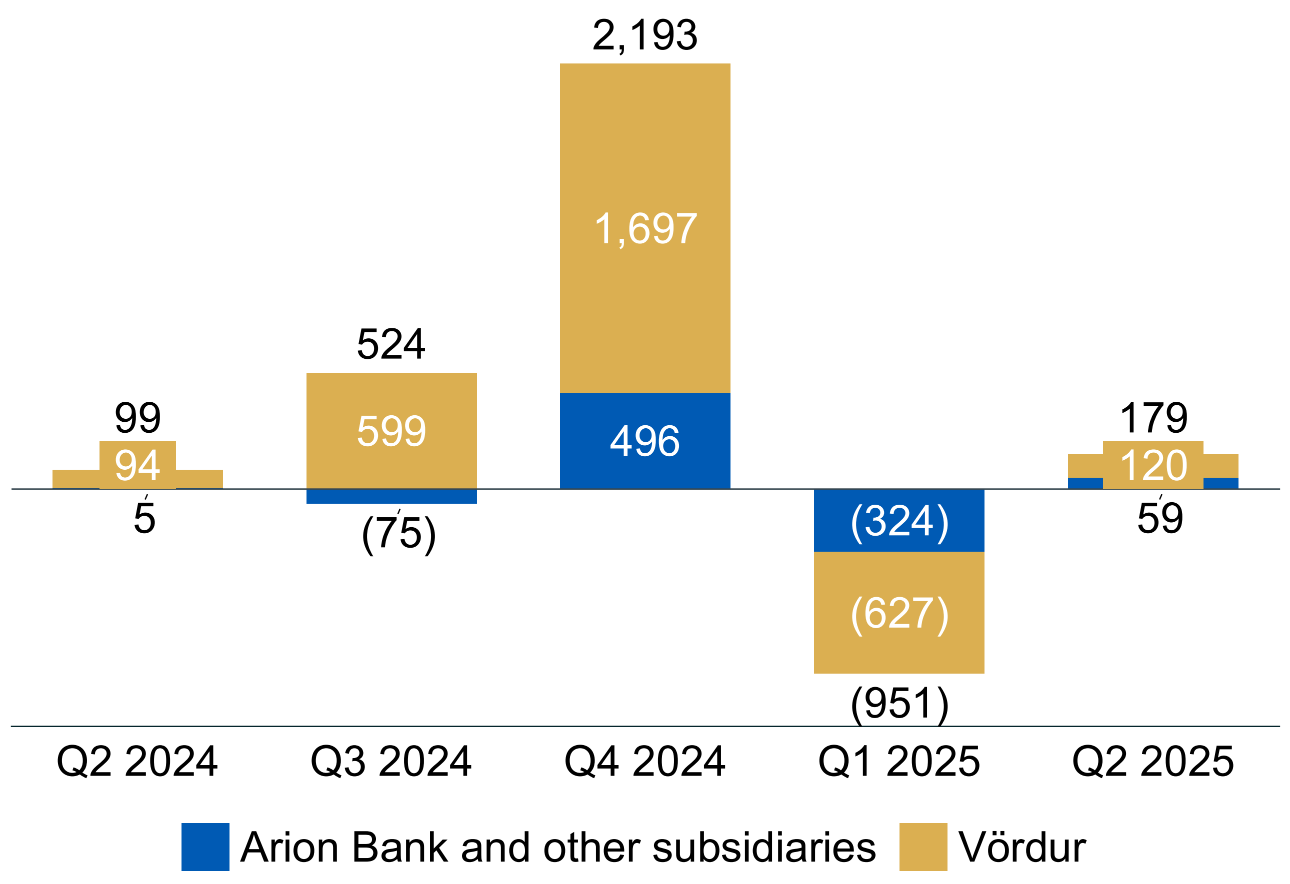
* Figures based on Vördur stand-alone financial results, before elimination within the Group.
** Figures for 2022 have been restated in accordance with IFRS 17 while figures for 2021 have not

Net financial income

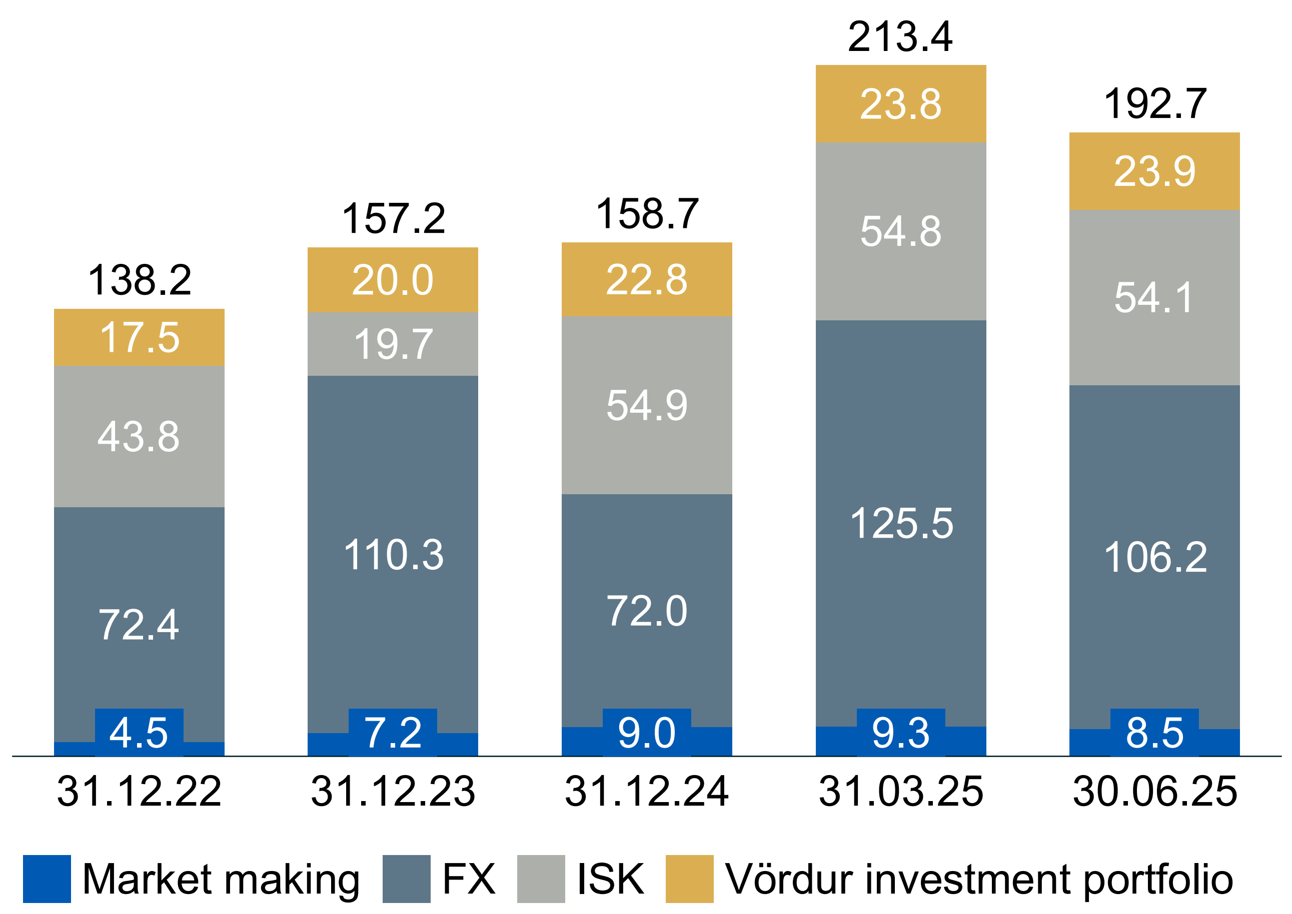
Challenging equity markets

- Vördur's total investment portfolio stands at ISK 34.5bn, generating a profit of ISK 120m 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 bond portfolio does not utilize held-to-maturity (HTM) accounting, and all changes in market value are reflected in the capital position
  - The average duration of the liquidity portfolio is less than one year

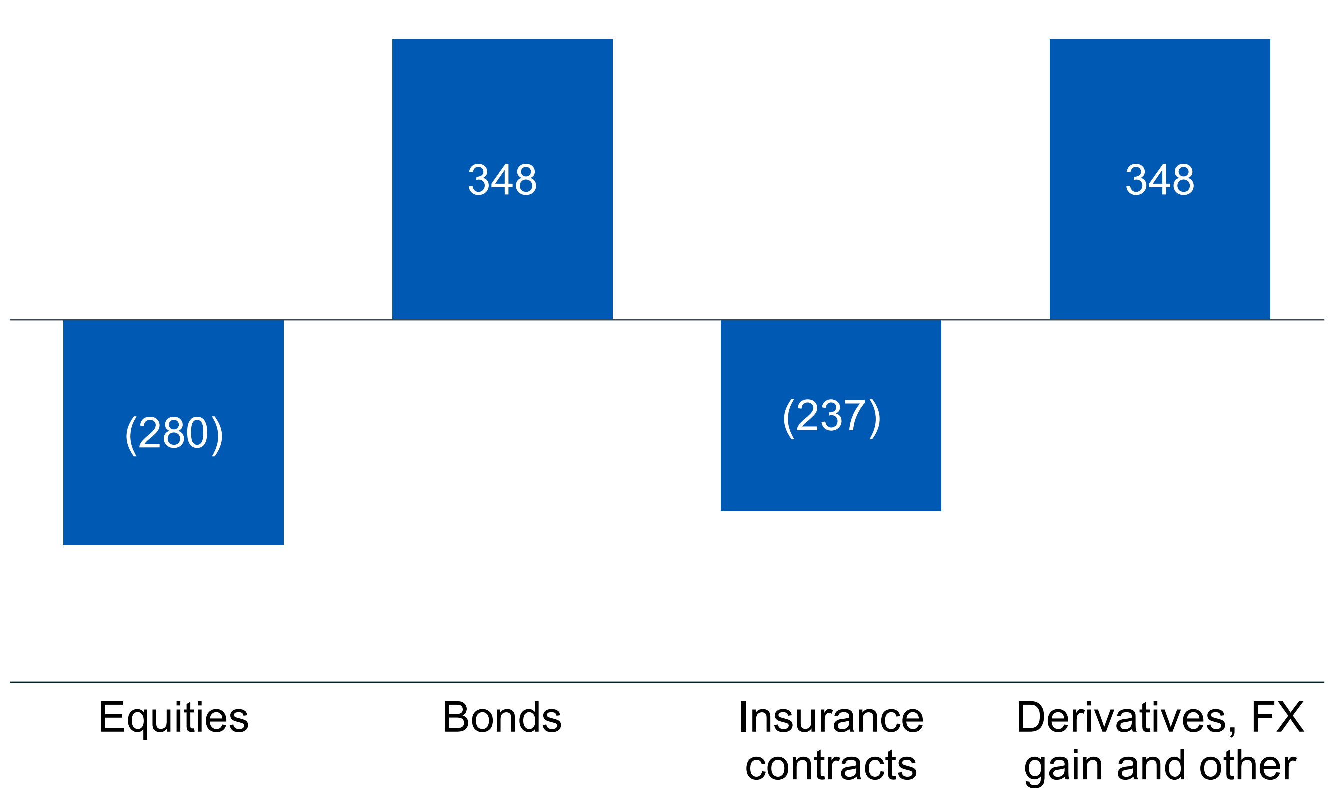
Net financial income (ISK m)



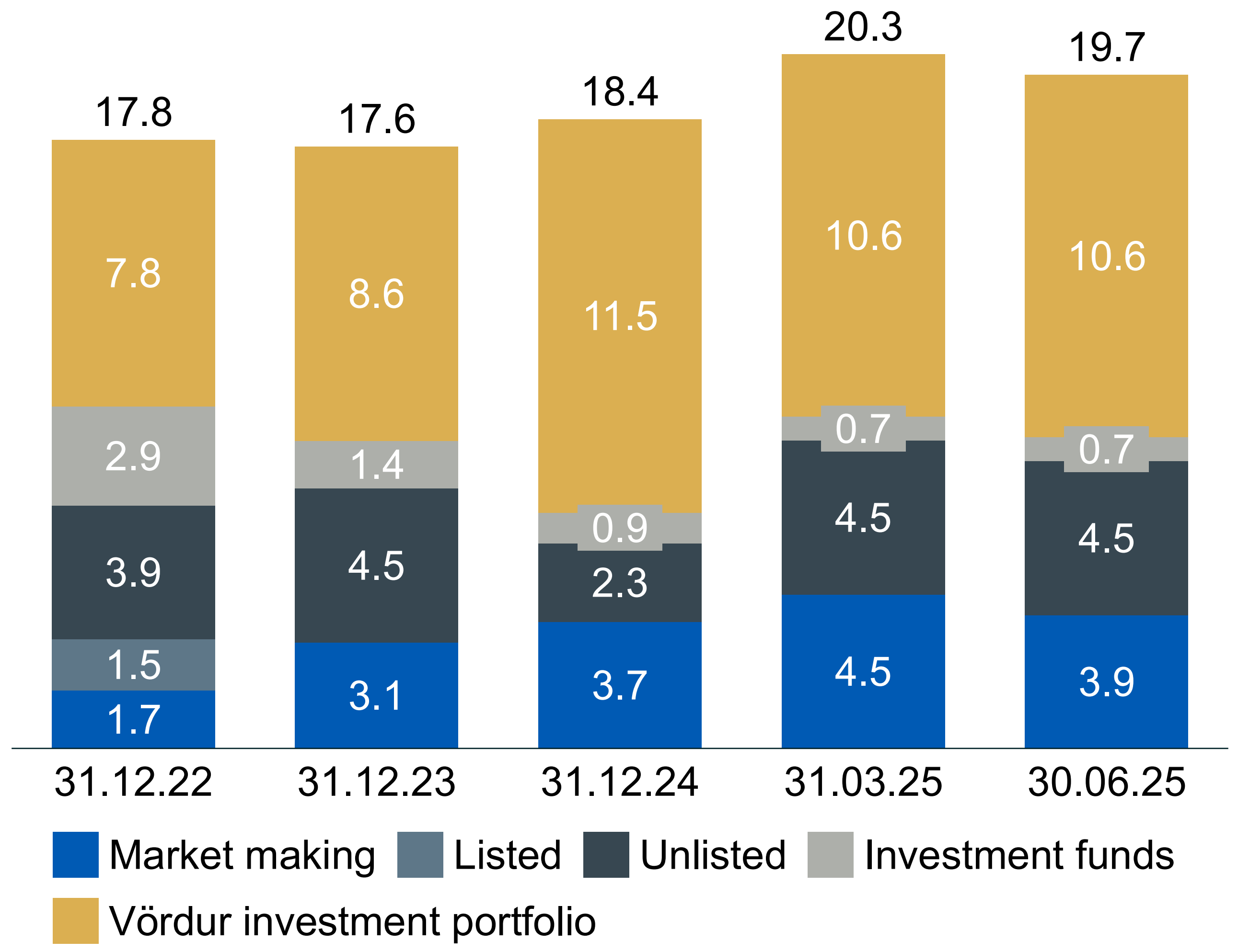
Bond holdings (ISK bn)



Net financial income by type Q2 2025 (ISK m)



Equity holdings (ISK bn)

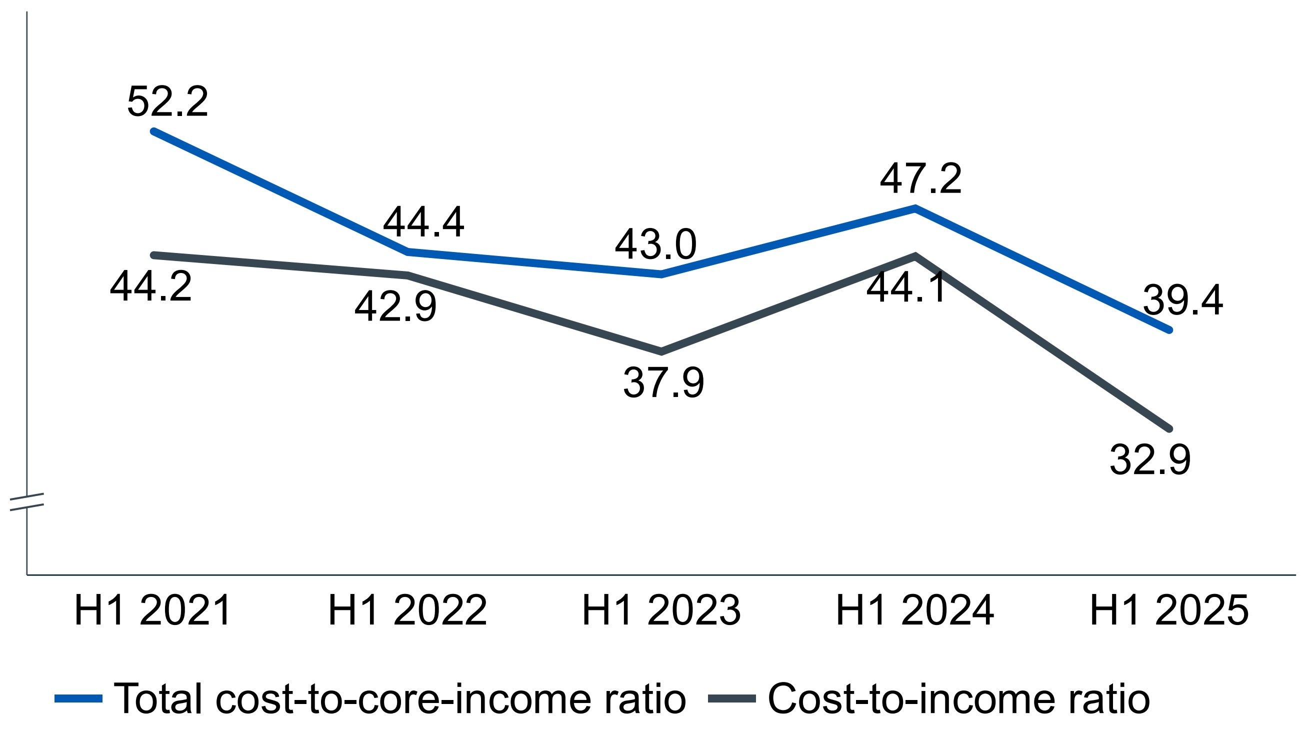


Operating expenses*

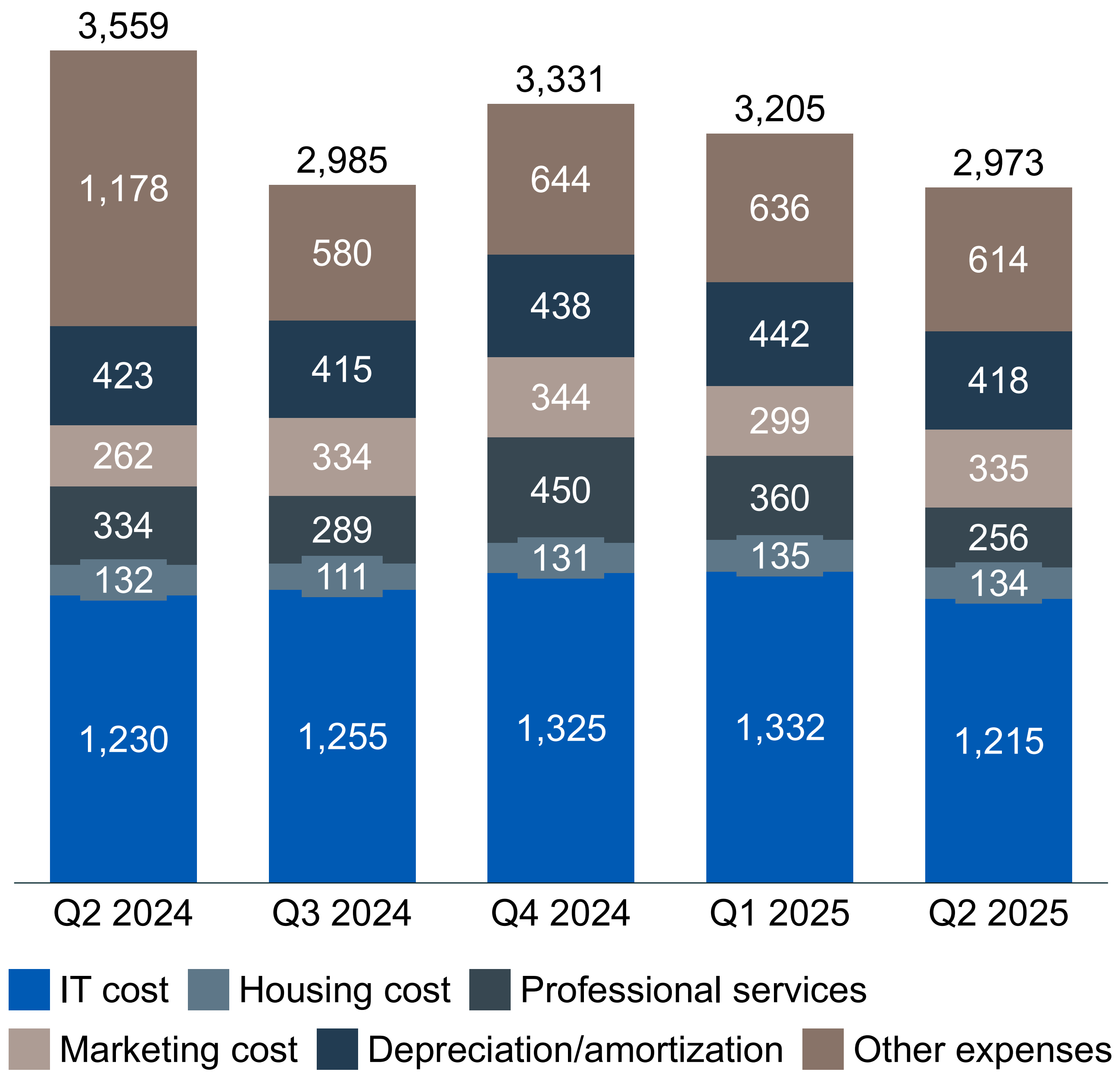
Stable cost base

- Total operating expenses outlined here encompass costs associated with the insurance business which is reflected through insurance service results post IFRS17
- Total operating expenses decreased by ISK 457m, or 6.4%, compared to Q2 2024
  - Salaries and related expenses increased by ISK 183m or 4.1%
  - Conversely, other operating expenses decreased by 586m or 16.5%, mainly due to one-off items in Q2 2024

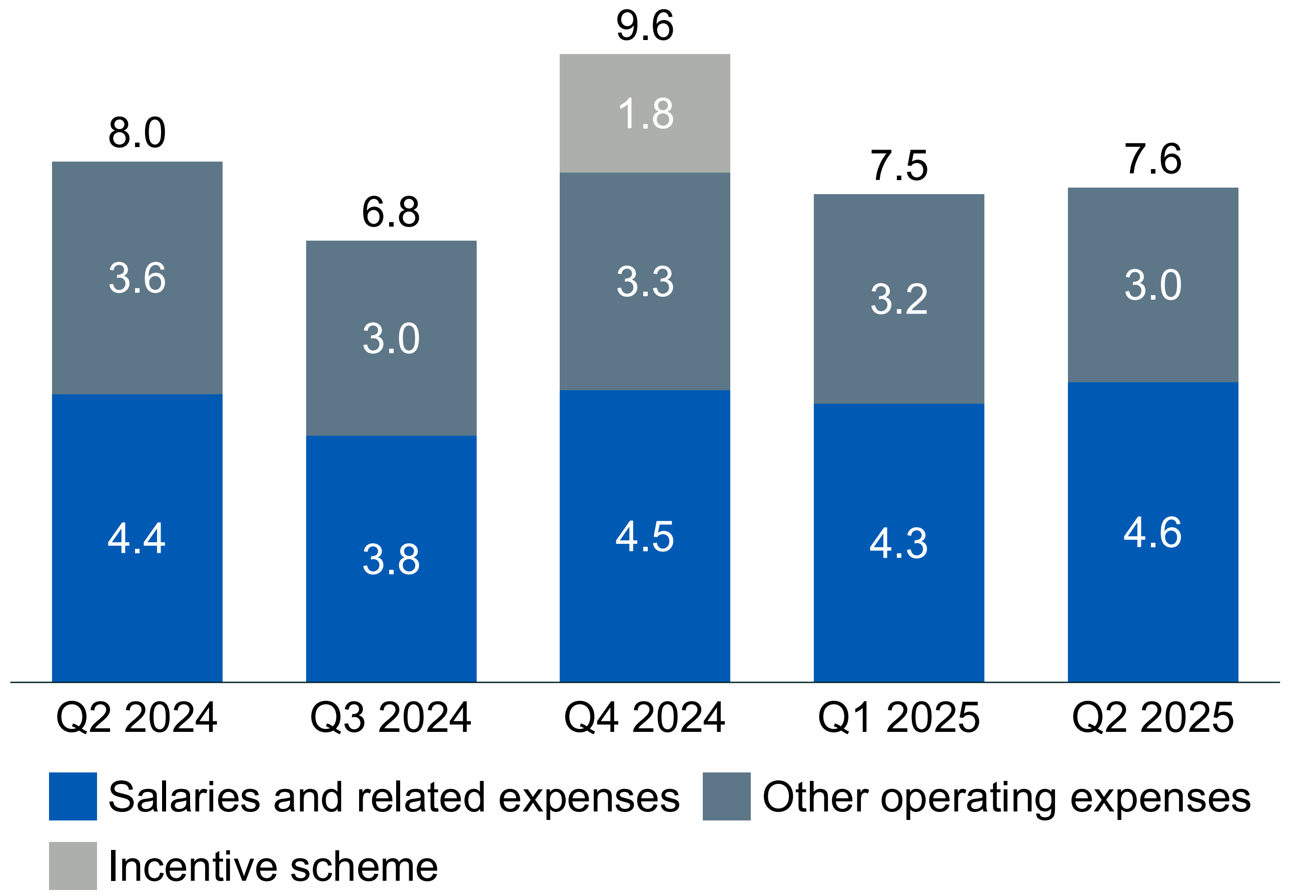
Cost ratios (%)



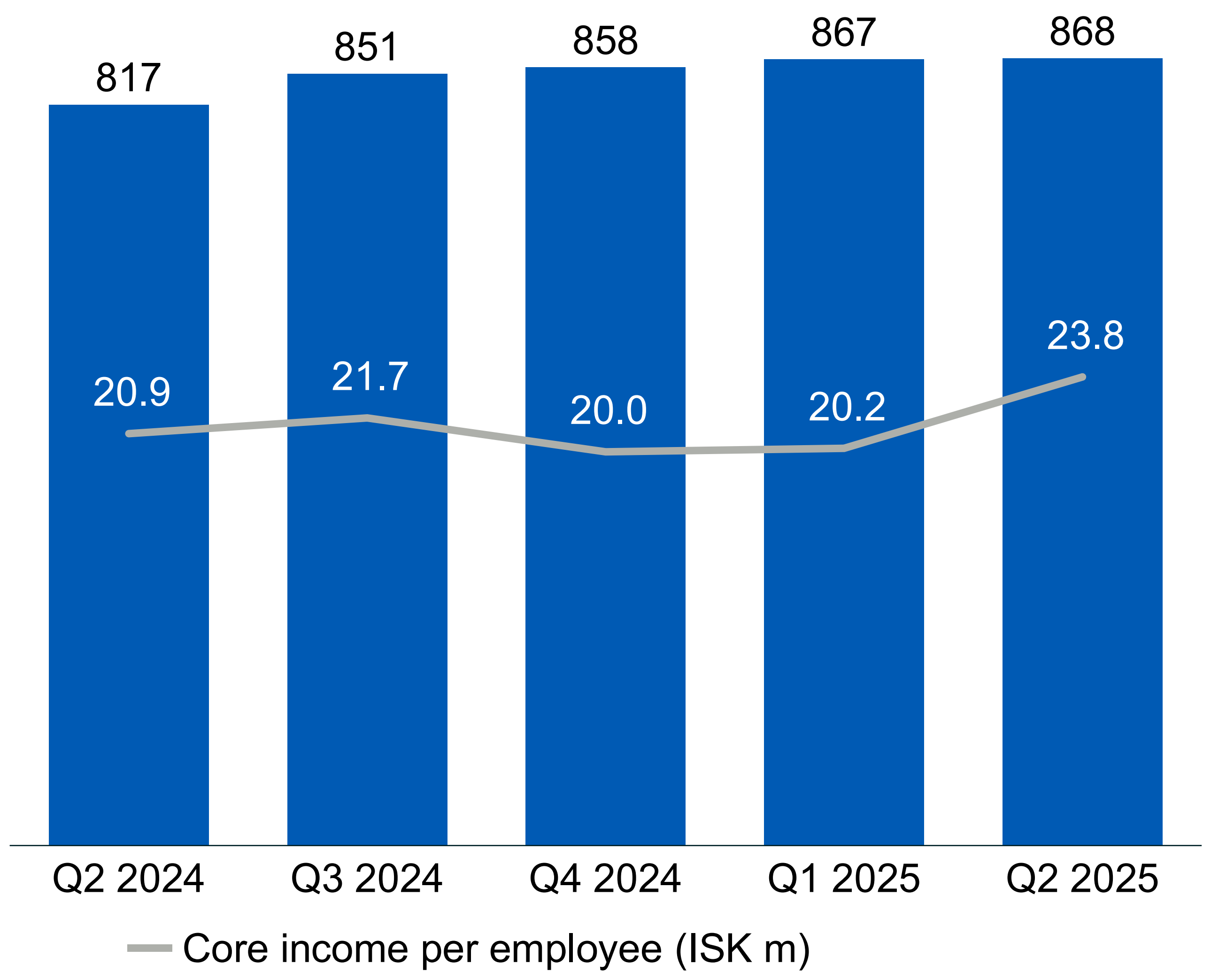
Other operating expenses (ISK m)



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

Robust lending growth

- Loans to customers increased by ISK 38bn or 3.1% in Q2
- Deposits increased by ISK 14bn or 1.6% in Q2
  - Loans to deposits ratio of 141.5%, 116.1% without loans financed by covered bonds
- Very strong liquidity position:
  - Liquidity coverage ratio (LCR) of 156% (143% in ISK)
  - Net stable funding ratio (NSFR) of 121%

Assets	**30.06.2025**	**31.03.2025**	**Diff.**	**30.06.2024**	**31.12.2023**	**31.12.2022**
Cash & balances with CB	114	125	(9%)	136	102	114
Loans to credit institutions	35	27	28%	33	29	46
Loans to customers	1,272	1,234	3%	1,203	1,153	1,085
Financial assets	238	261	(9%)	166	206	193
Investment property	14	13	7%	10	9	8
Other assets	40	27	49%	23	27	20
Total Assets	**1,713**	**1,687**	2%	**1,569**	**1,526**	**1,466**

Liabilities and Equity						
Due to credit institutions & CB	7	6	27%	5	3	12
Deposits from customers	899	885	2%	847	793	755
Other liabilities	77	69	11%	67	69	71
Borrowings	483	497	(3%)	415	420	393
Subordinated liabilities	42	33	27%	42	41	47
Total Liabilities	**1,509**	**1,490**	1%	**1,376**	**1,326**	**1,278**
Shareholders equity	202	195	4%	192	199	187
Non-controlling interest	2	2	27%	0	1	1
Total equity	**204**	**197**	**4%**	**192**	**199**	**188**
Total Liabilities and Equity	**1,713**	**1,687**	2%	**1,569**	**1,526**	**1,466**

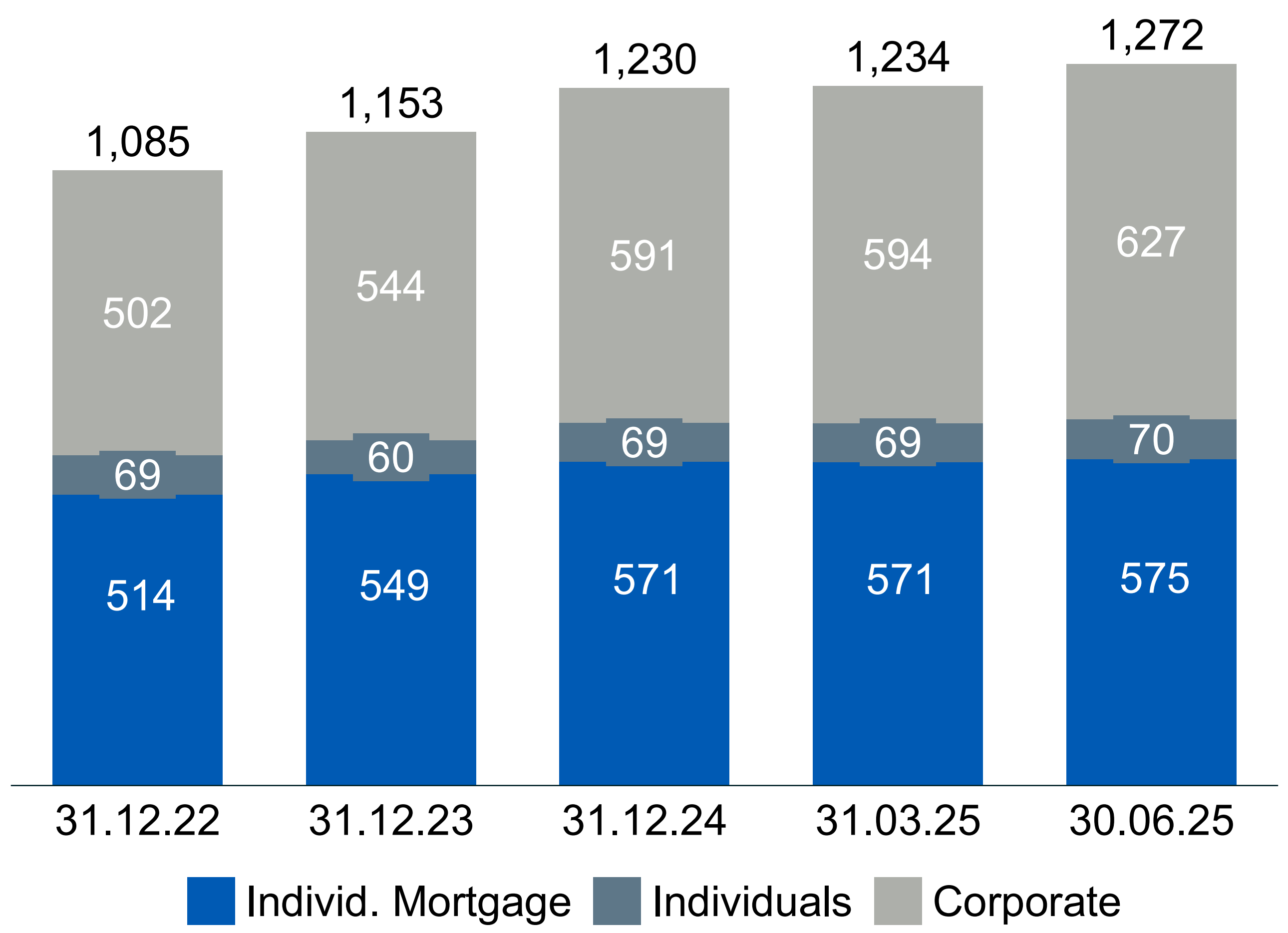
All amounts in ISK billion

Loans to customers

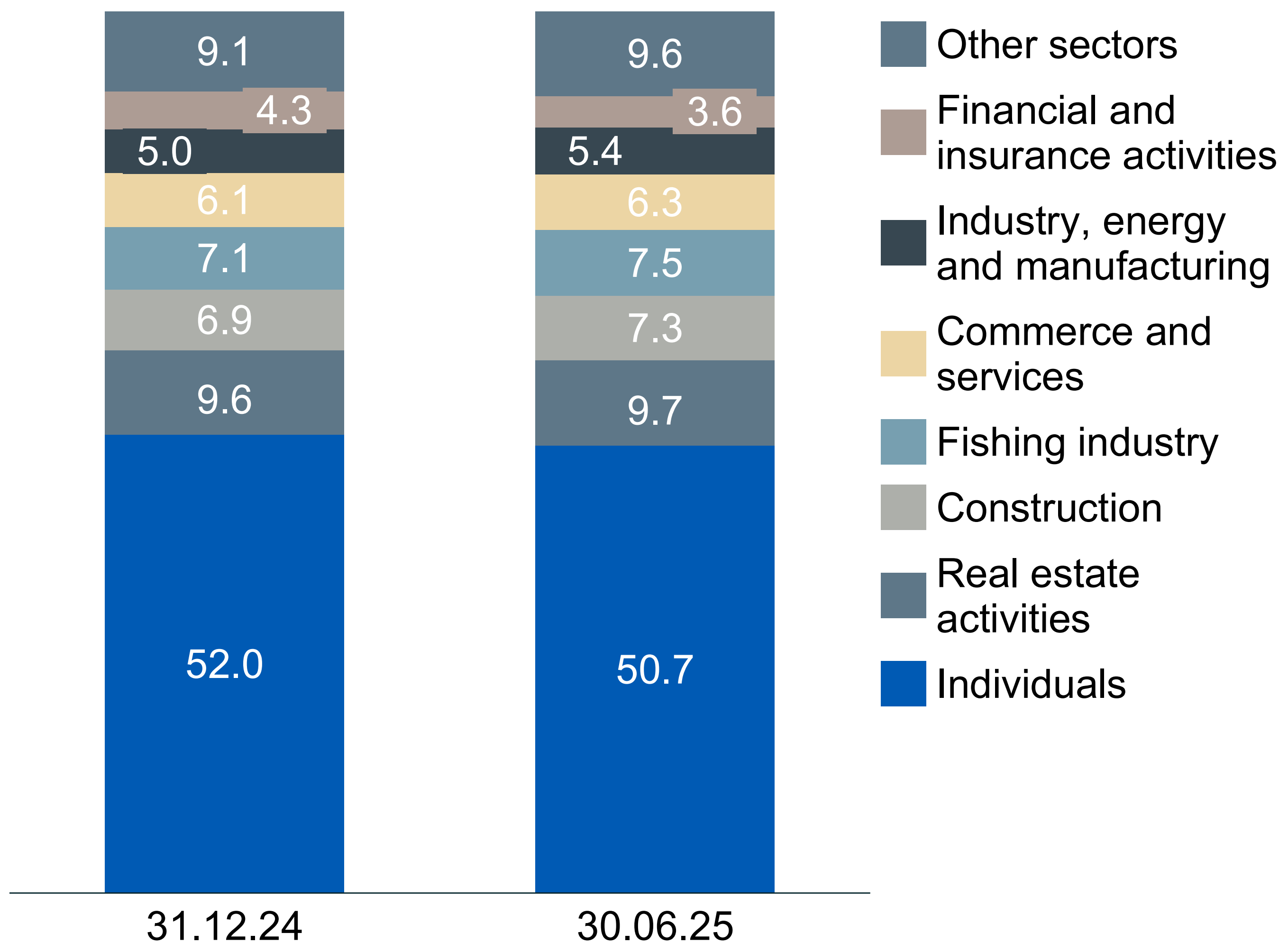
Balanced loan portfolio

- Loans to customers total ISK 1,272bn at the end of the quarter, increasing by ISK 38.5bn or 3.1% during the quarter. Currency fluctuations impacted the FX loan book negatively by ISK 5.4bn and CPI changes increased book value by approx. ISK 6.0bn
- 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 193bn at period-end compared with ISK 191bn at year-end 2024

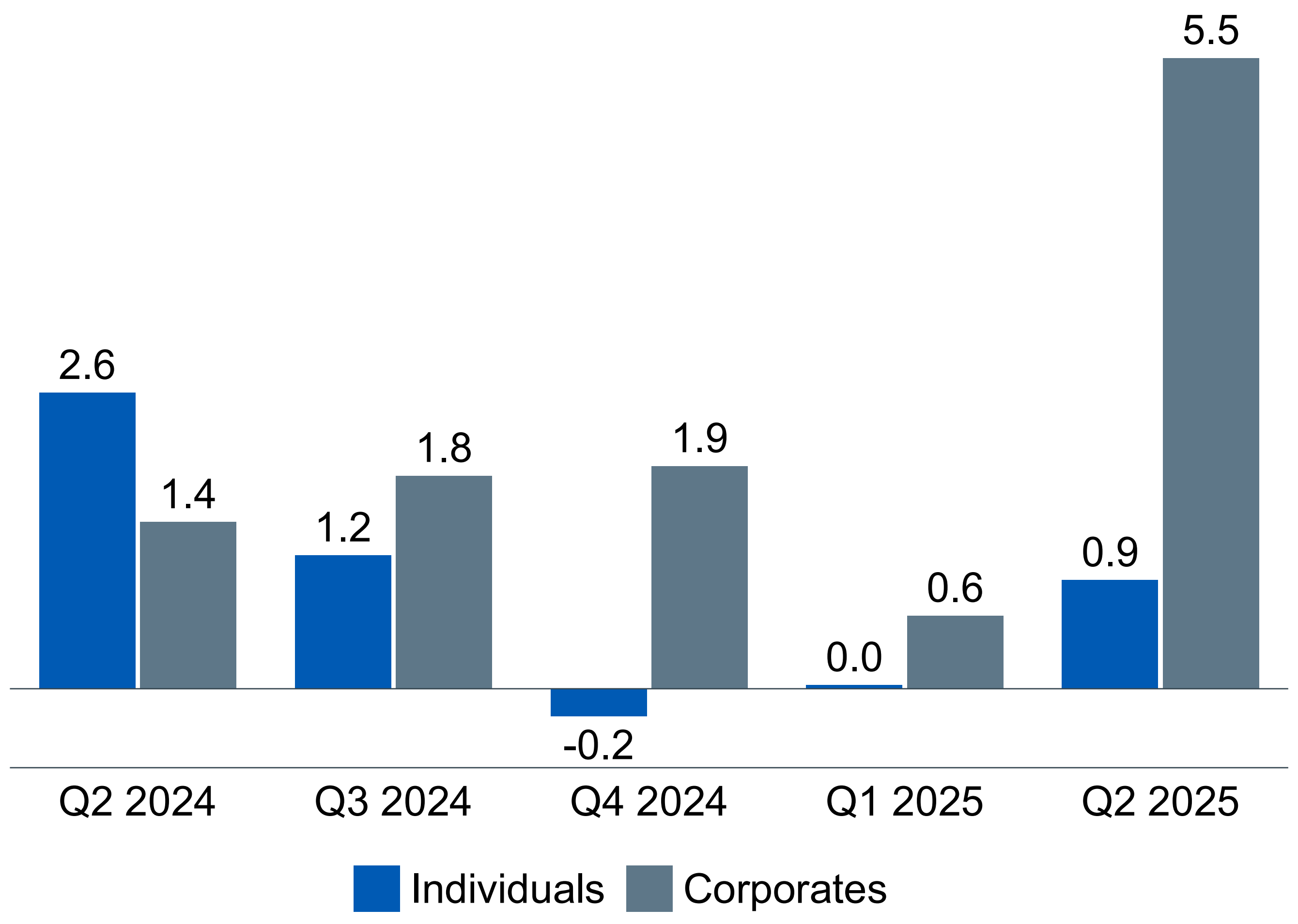
Loans to customers (ISK bn)



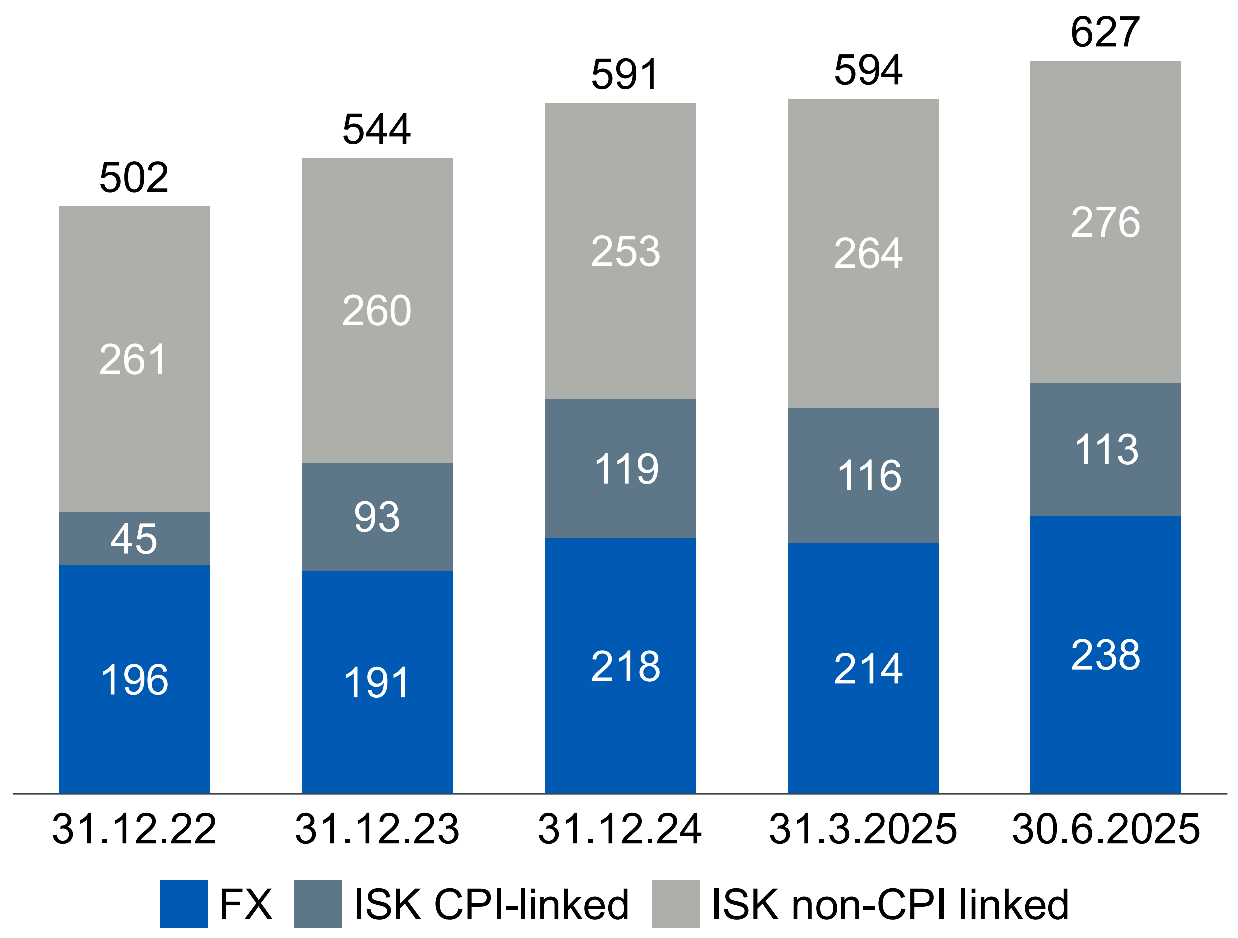
Loans to customers by sector (%)



Loan growth (%)



Loans to corporates by type (ISK bn)



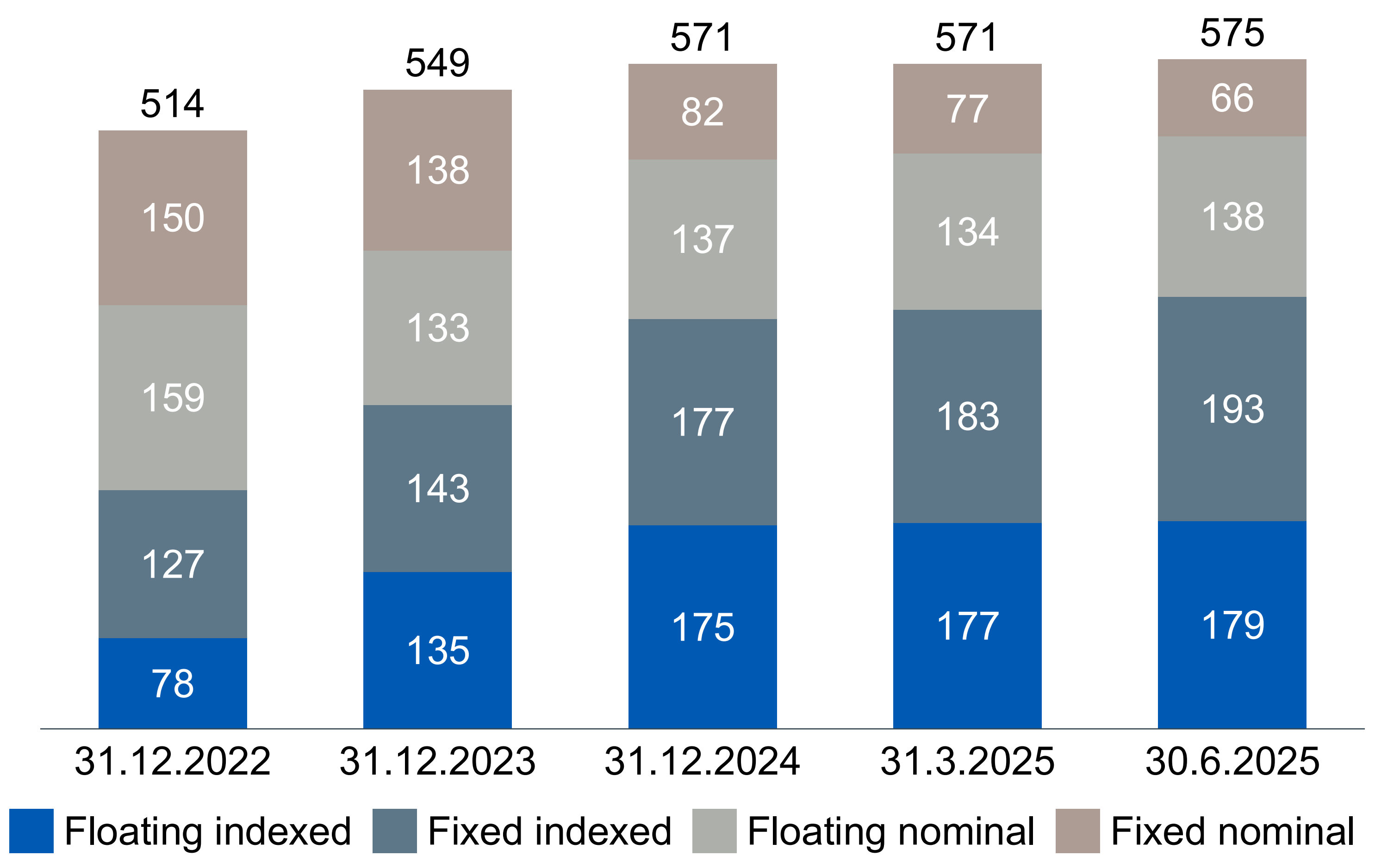
Residential mortgages

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

- The average loan-to-value of the mortgage portfolio is 47.1%. More than 90% of mortgage exposures have LTV below 80%
- The non-performing loan ratio was 1.5%, which is below the historical average
- Most fixed-rate mortgages issued during the low-interest rate period 2020-2022 have now either been reset or refinanced
- 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

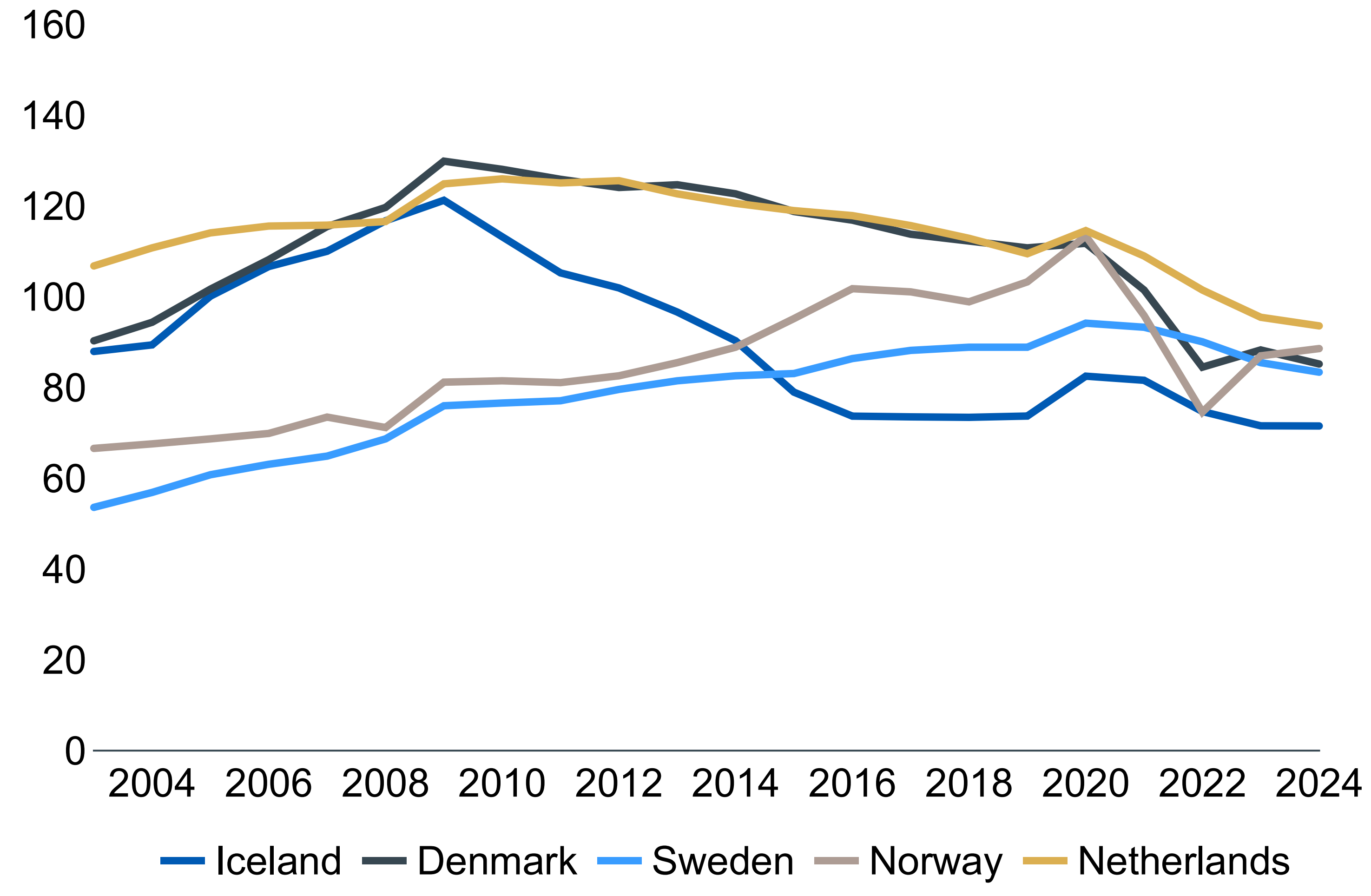
Residential mortgages by interest rate type (ISK bn)

Indexed mortgages were 65% of the portfolio at 30.06.2025



Household debt to GDP (%)

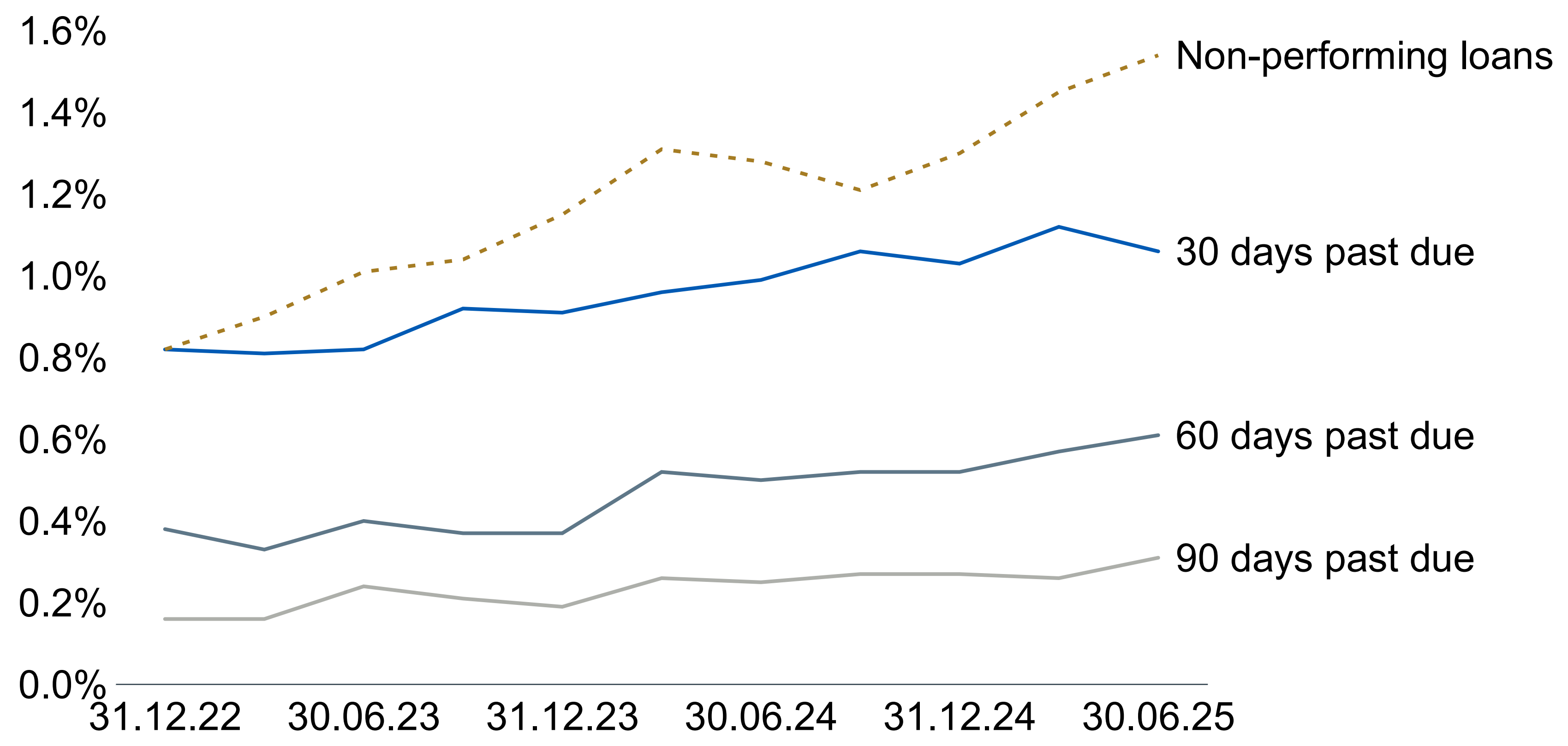
Relatively low household debt



Source: OECD, Statistic Iceland and Central Bank of Iceland

Rate of defaults and payments past due

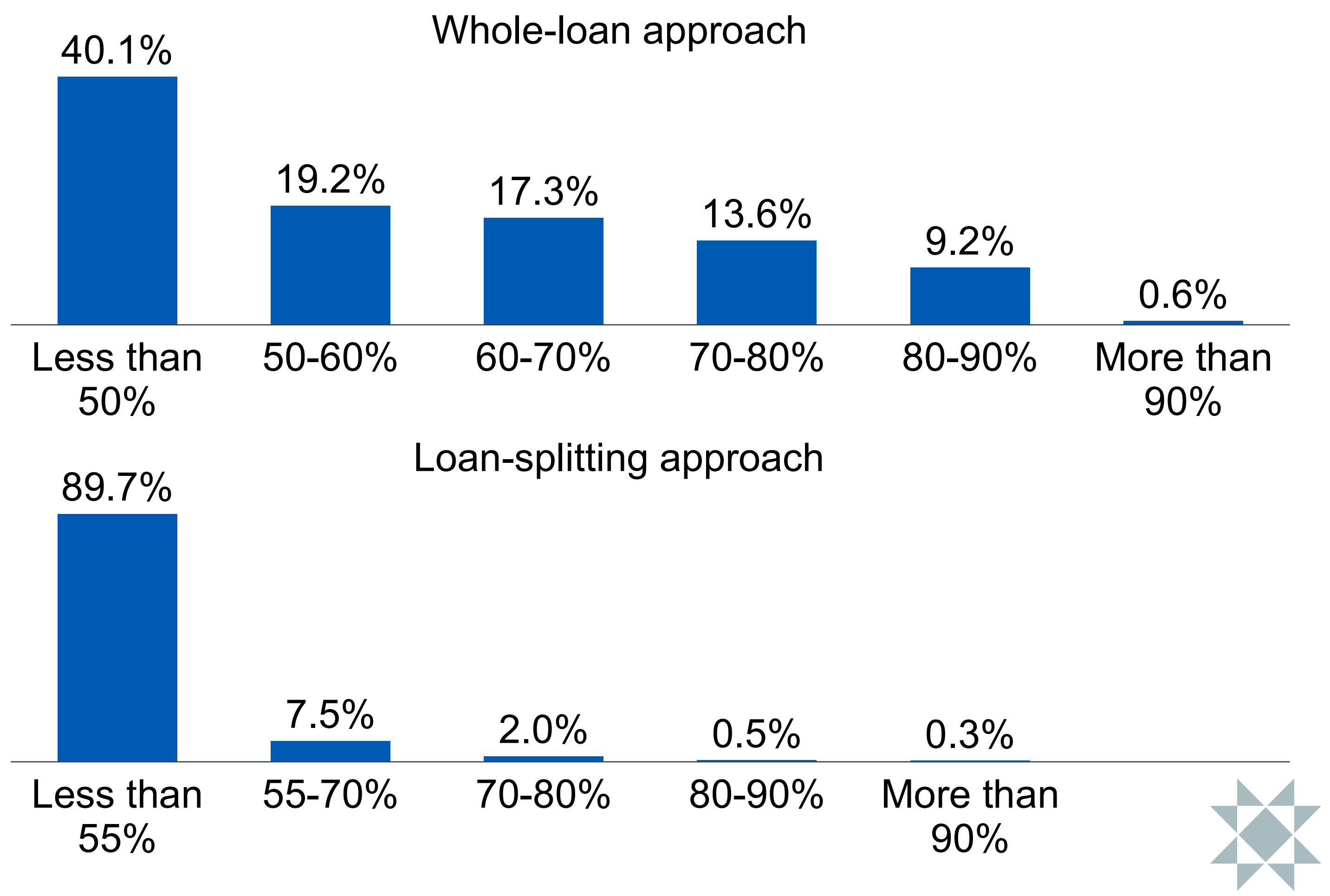
Non-performing loans are 1.5% of the mortgage portfolio with a slight trend upwards from YE 2022



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

Loan to value distribution

Over 90% of mortgage exposures have LTV below 80%

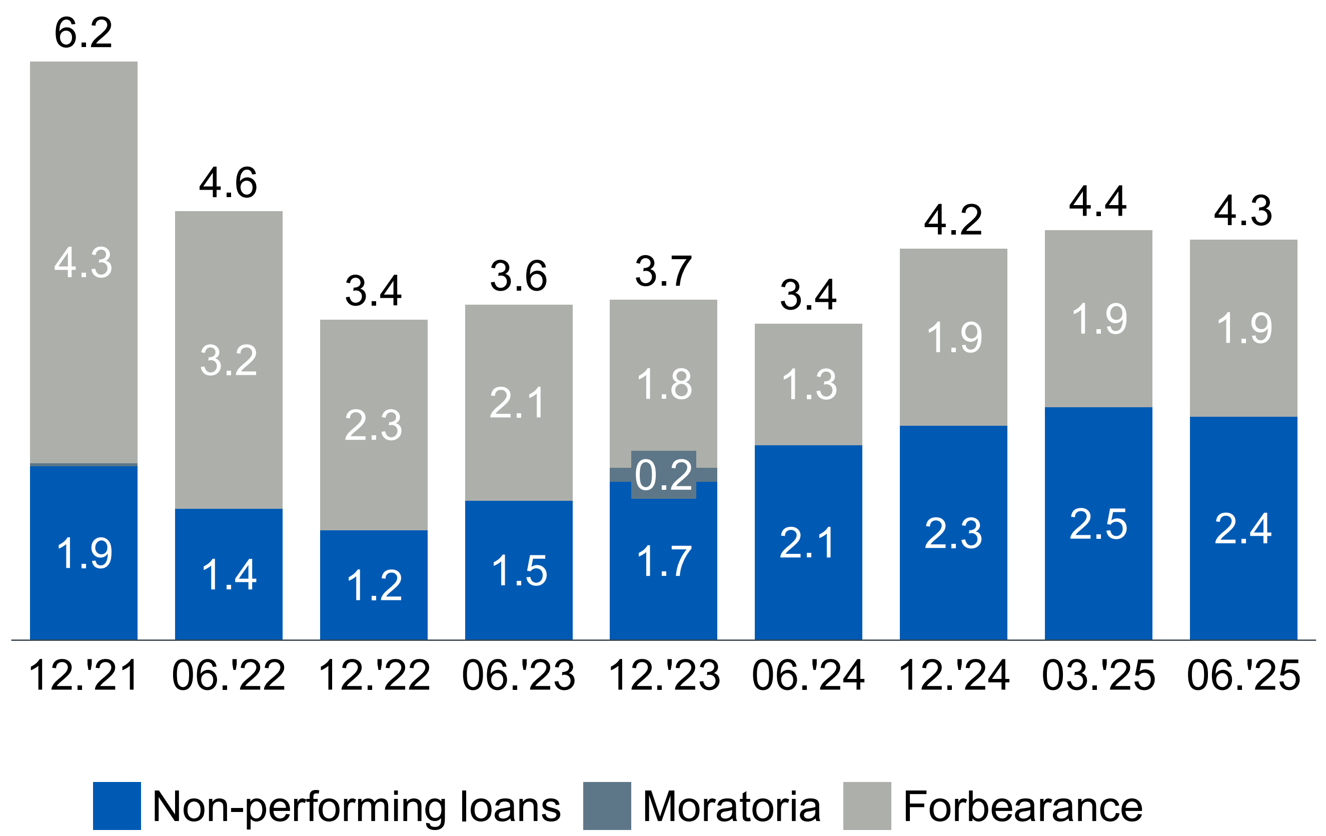


Risk profile

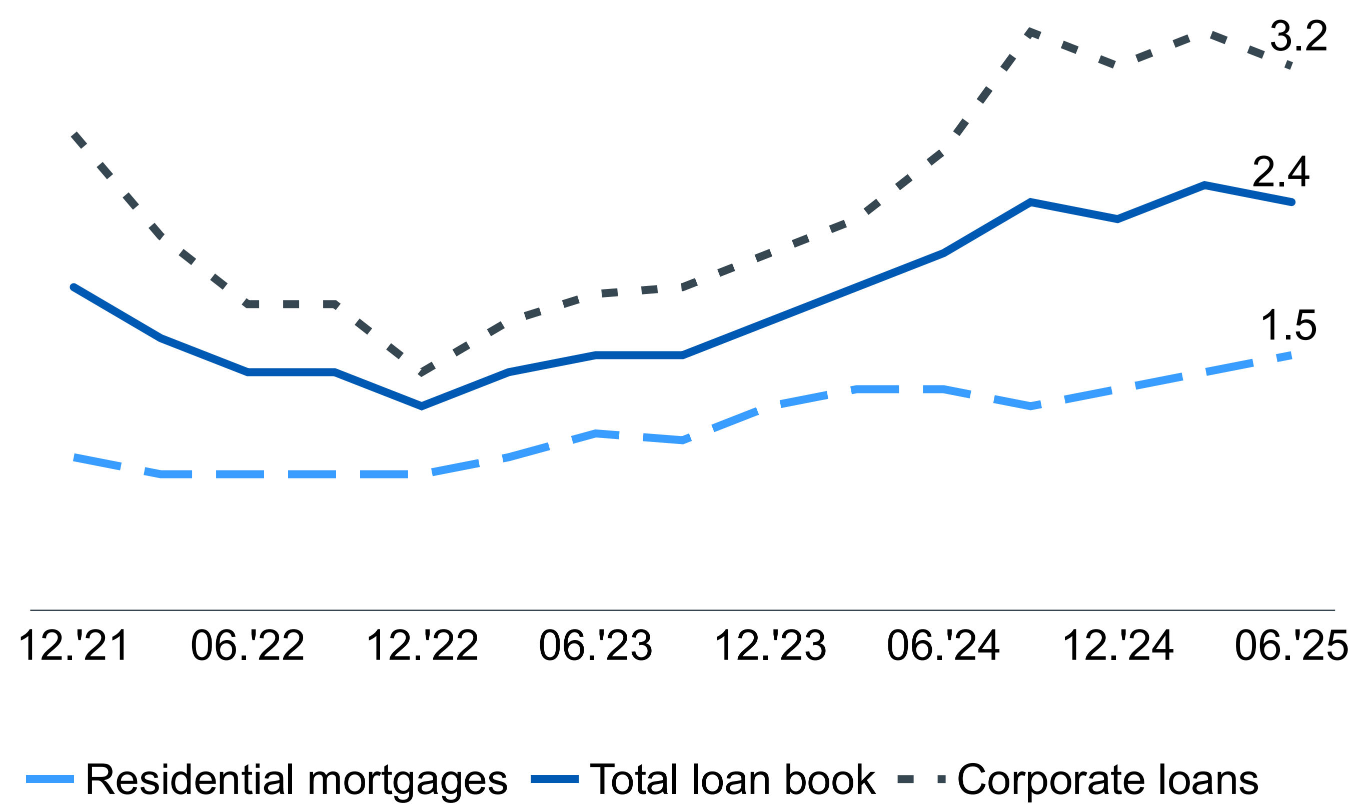
Strong credit quality indicators while the NPL ratio has recently trended upwards

- The development of non-performing loans ratio is correlated with changes to the policy rate 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 17.4%
- Forborne exposures that are not in Stage 3 represent 1.9% of loans to customers at Q2 2025, unchanged from Q1 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 Q2 the12-month expected credit loss ratio of 27bps reflects management's prudent view given current economic conditions

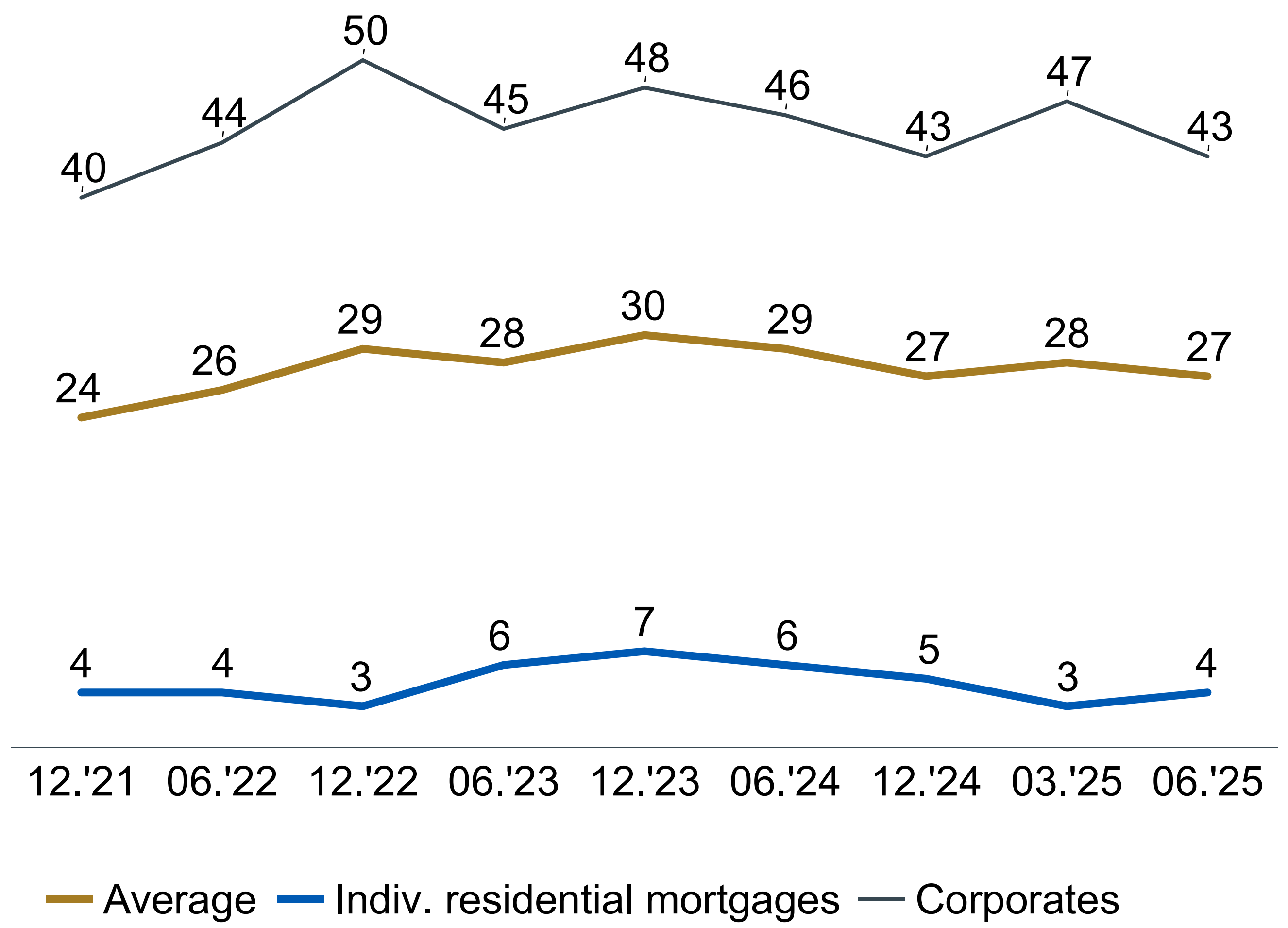
Development of non-performing loans, moratoria and forbearance (% of total loan book)



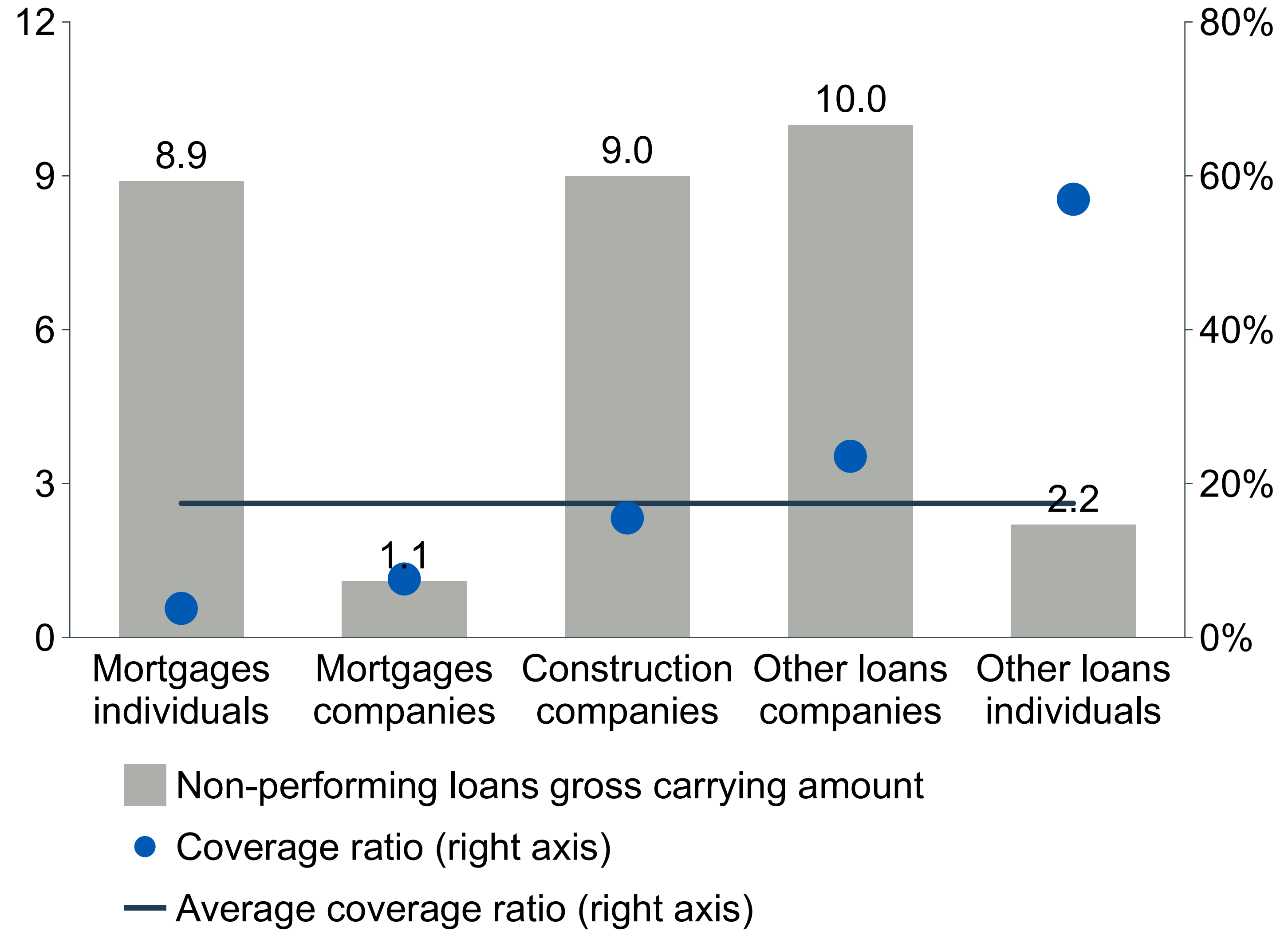
Development of NPL ratio between segments
(% of relevant loan book)



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



NPL coverage breakdown* (ISK bn)



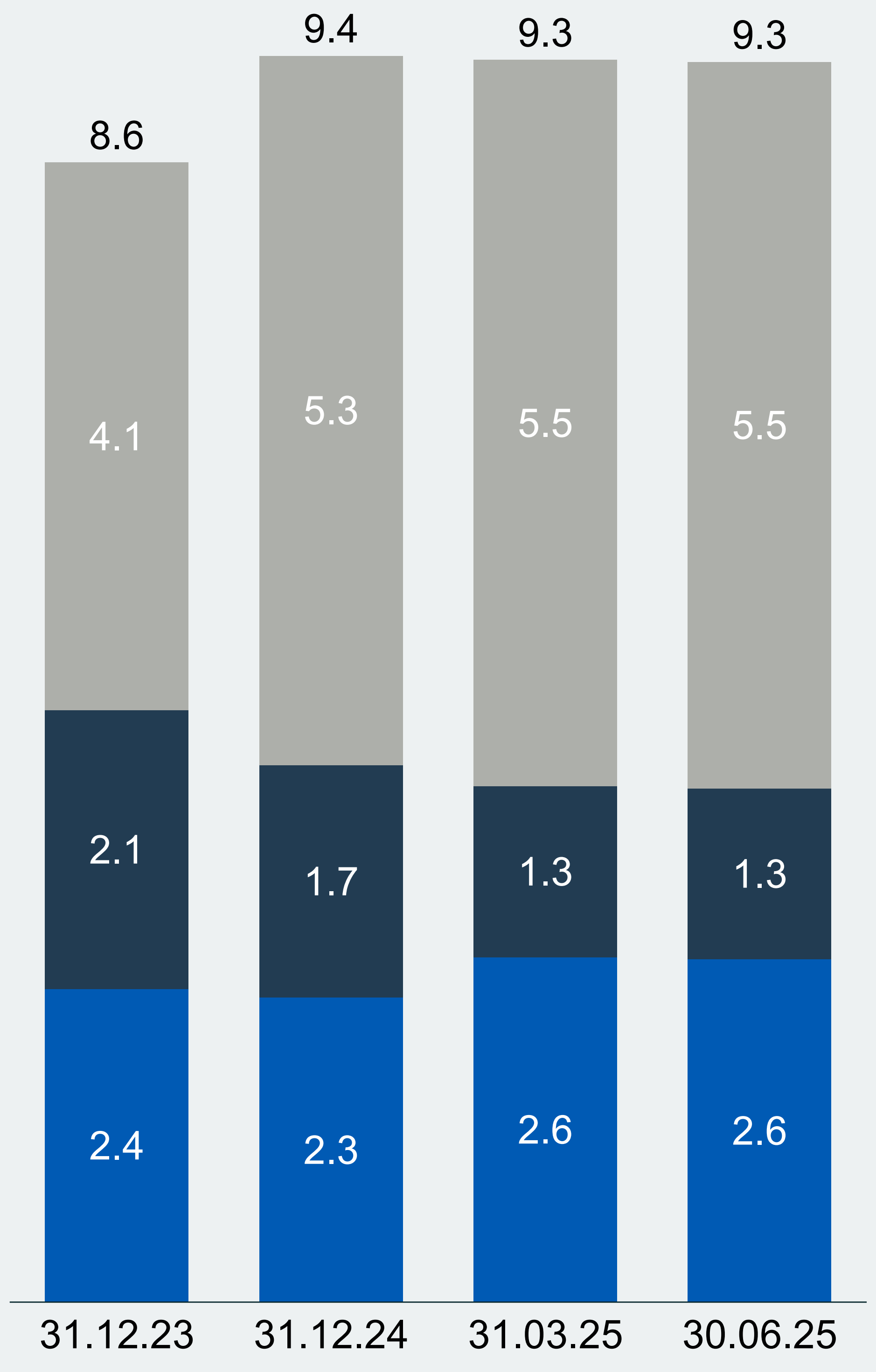
Non-performing loans: Loans in Stage 3 according to IFRS 9

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

Loss allowance by IFRS 9 stages

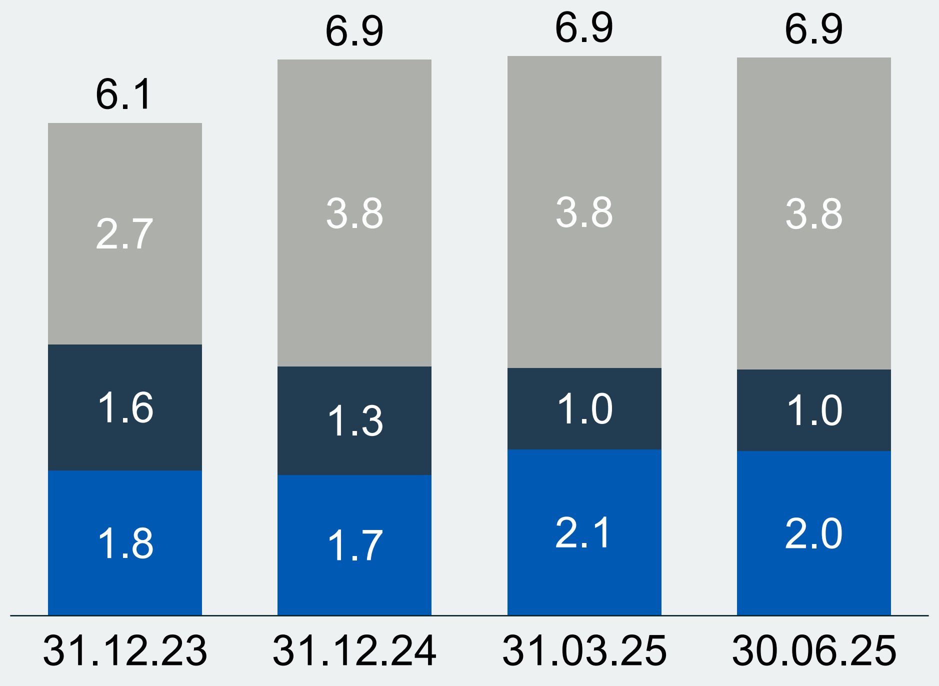
On loans to customers total (ISK bn)

Loans to customers are 0.76% provisioned at 30.06.2025, 0.75% at YE 2024



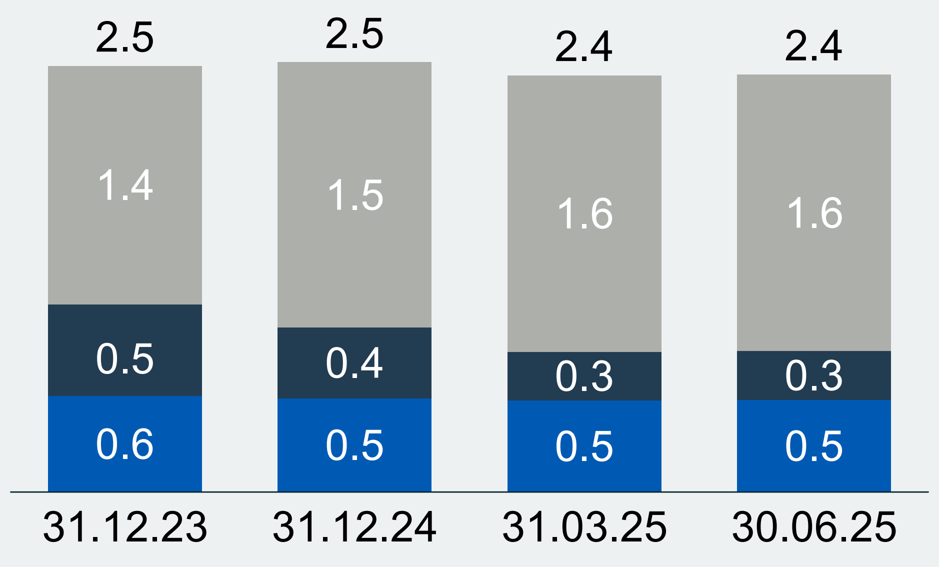
On loans to corporates (ISK bn)

Loans to corporates are 1.16% provisioned at 30.06.2025



On loans to individuals (ISK bn)

Loans to individuals are 0.37% provisioned at 30.06.2025



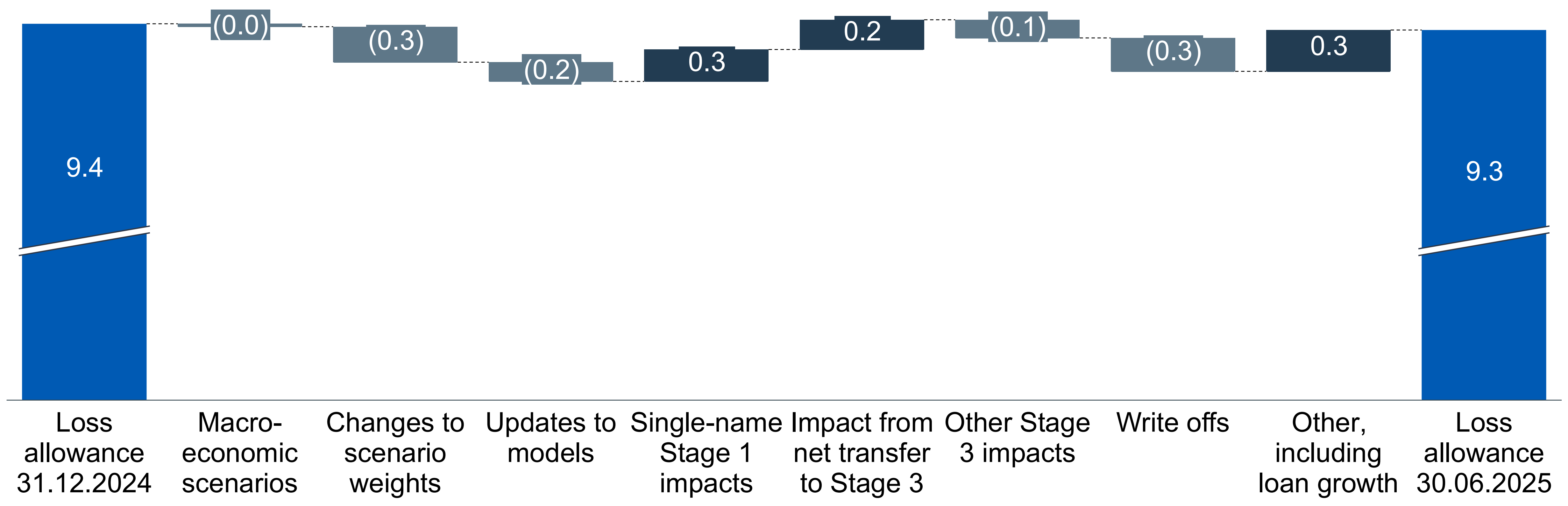
IFRS 9 economic scenarios and assumptions

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	Q2 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

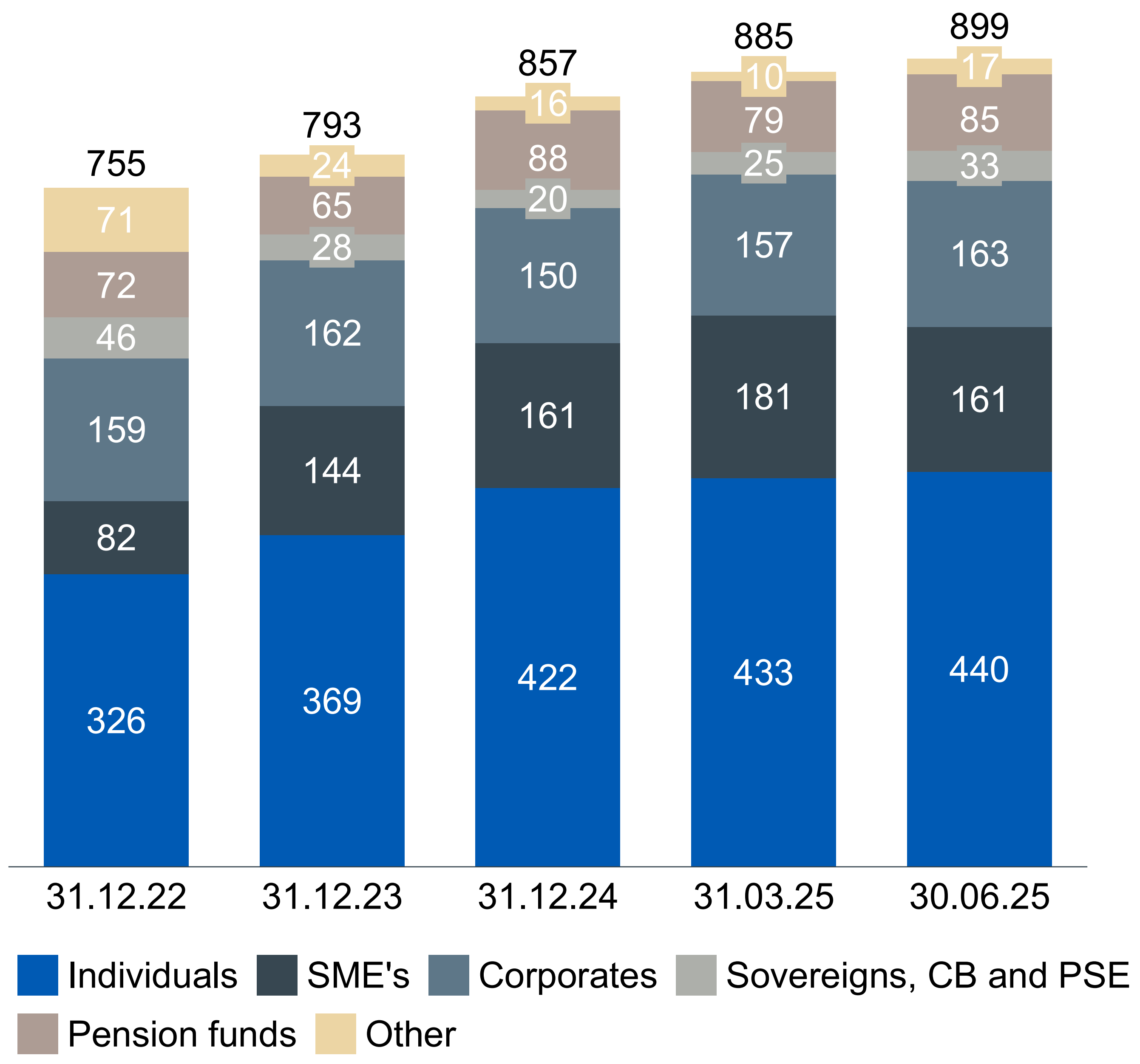


Deposits from customers

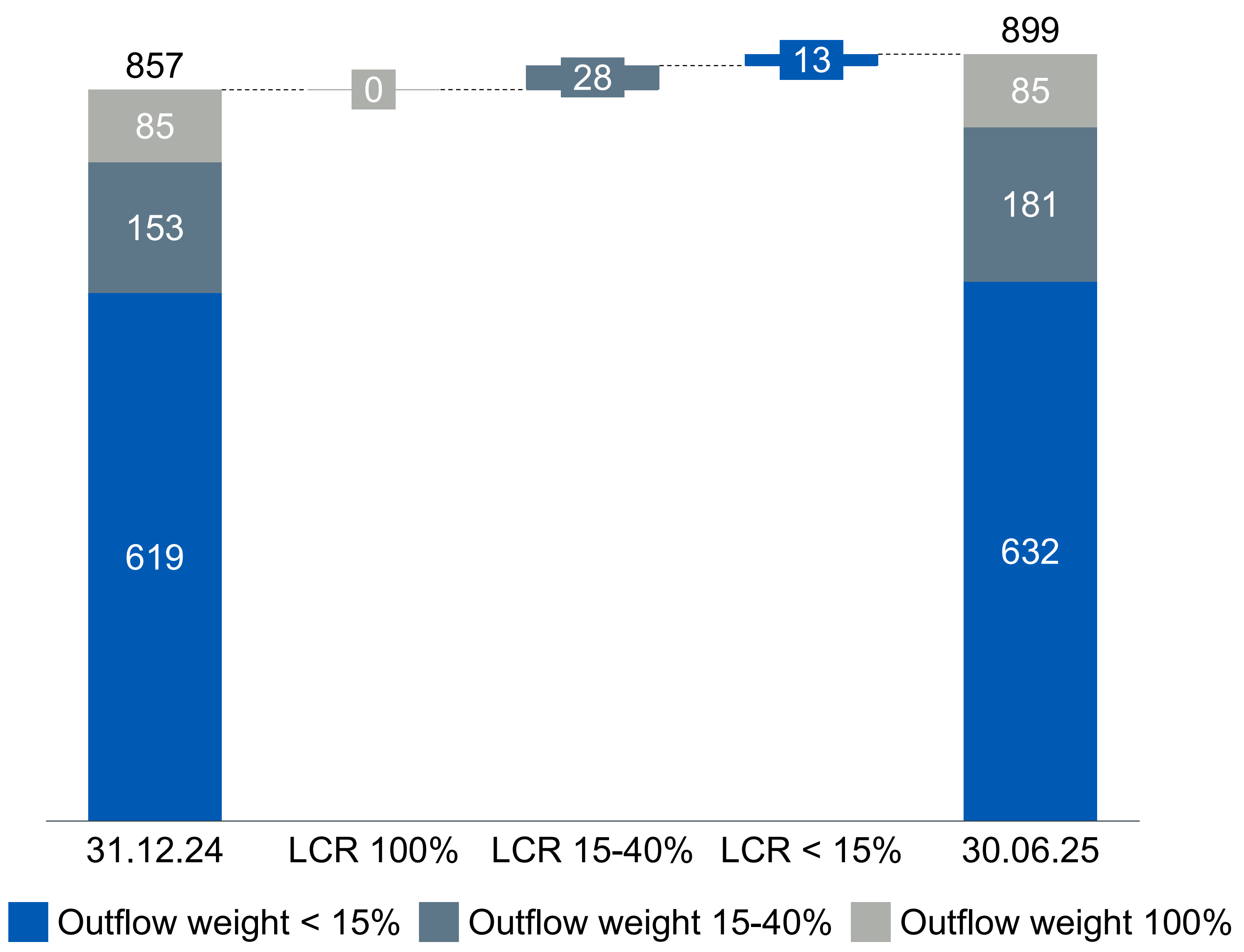
Continued momentum in stable deposits

- Deposits from customers of ISK 899bn 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

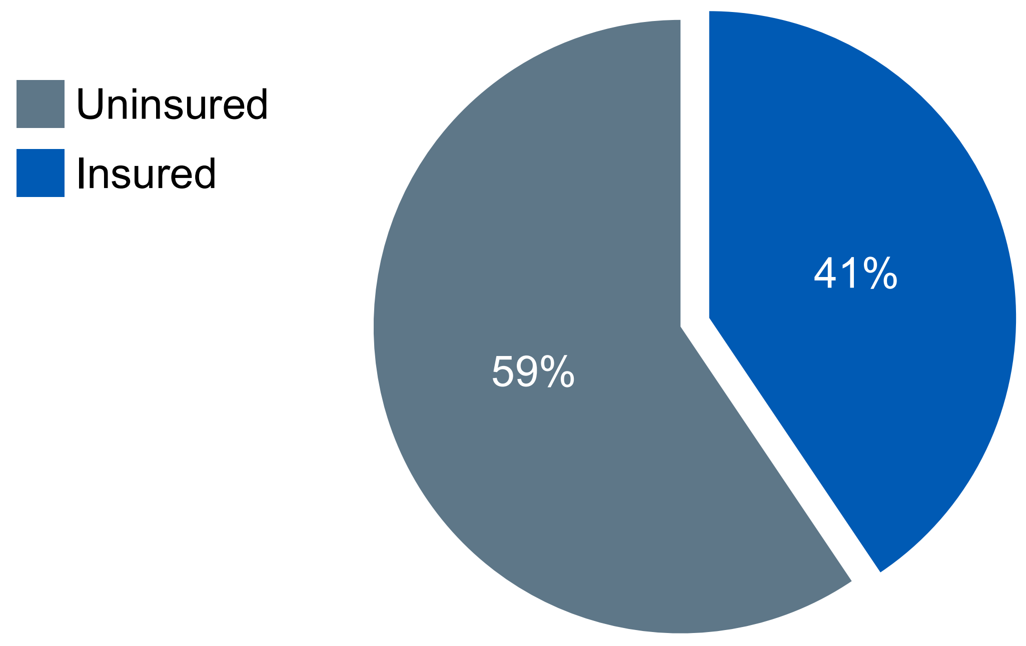
Deposits from customers (ISK bn)



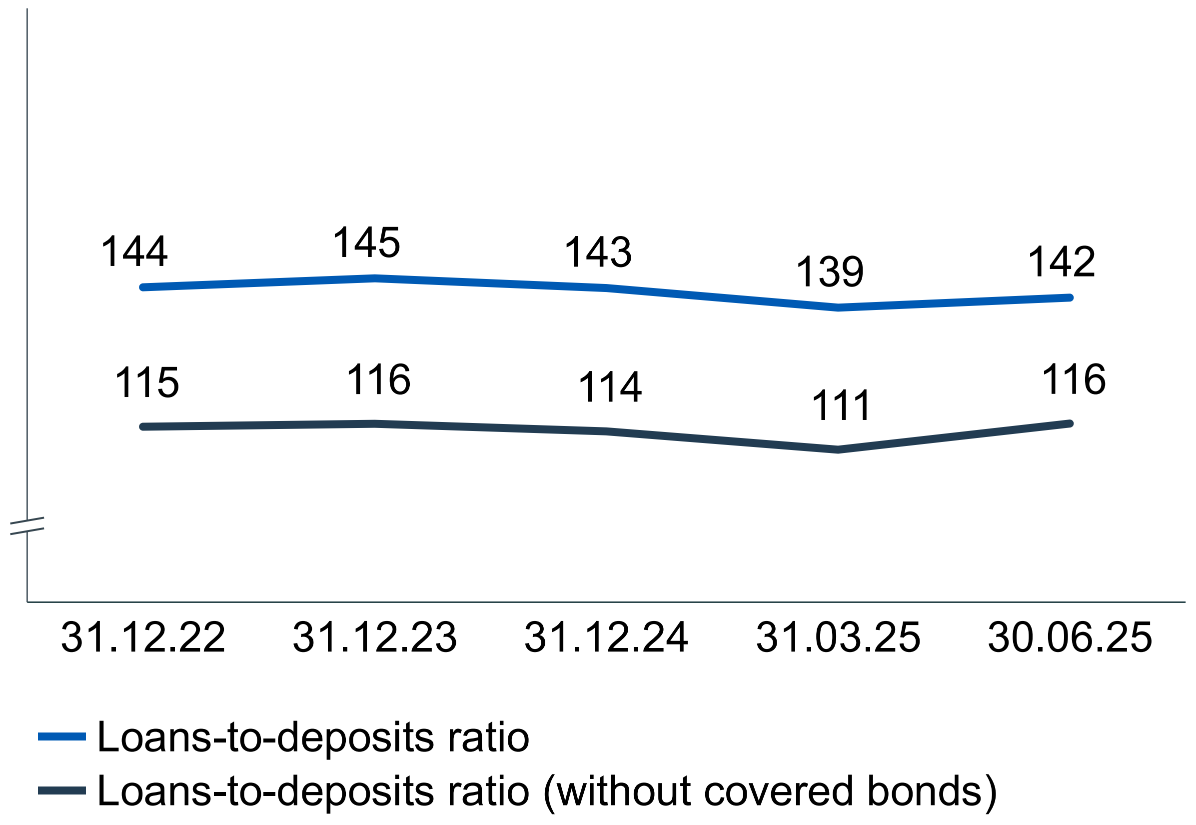
Deposit growth by LCR outflow category (ISK bn)



Deposits by insurance scheme



Loans to deposits ratio (%)

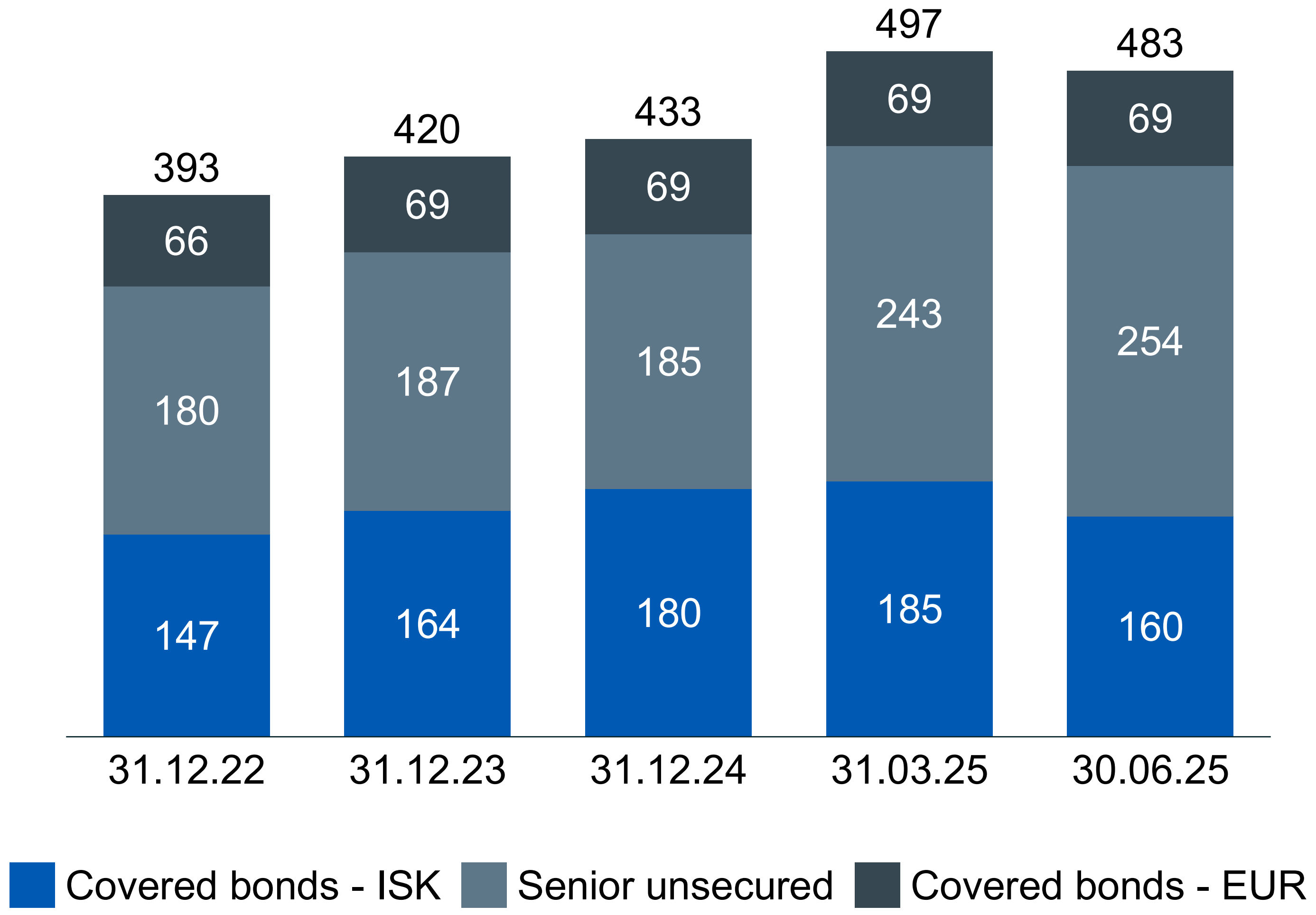


Funding and rating

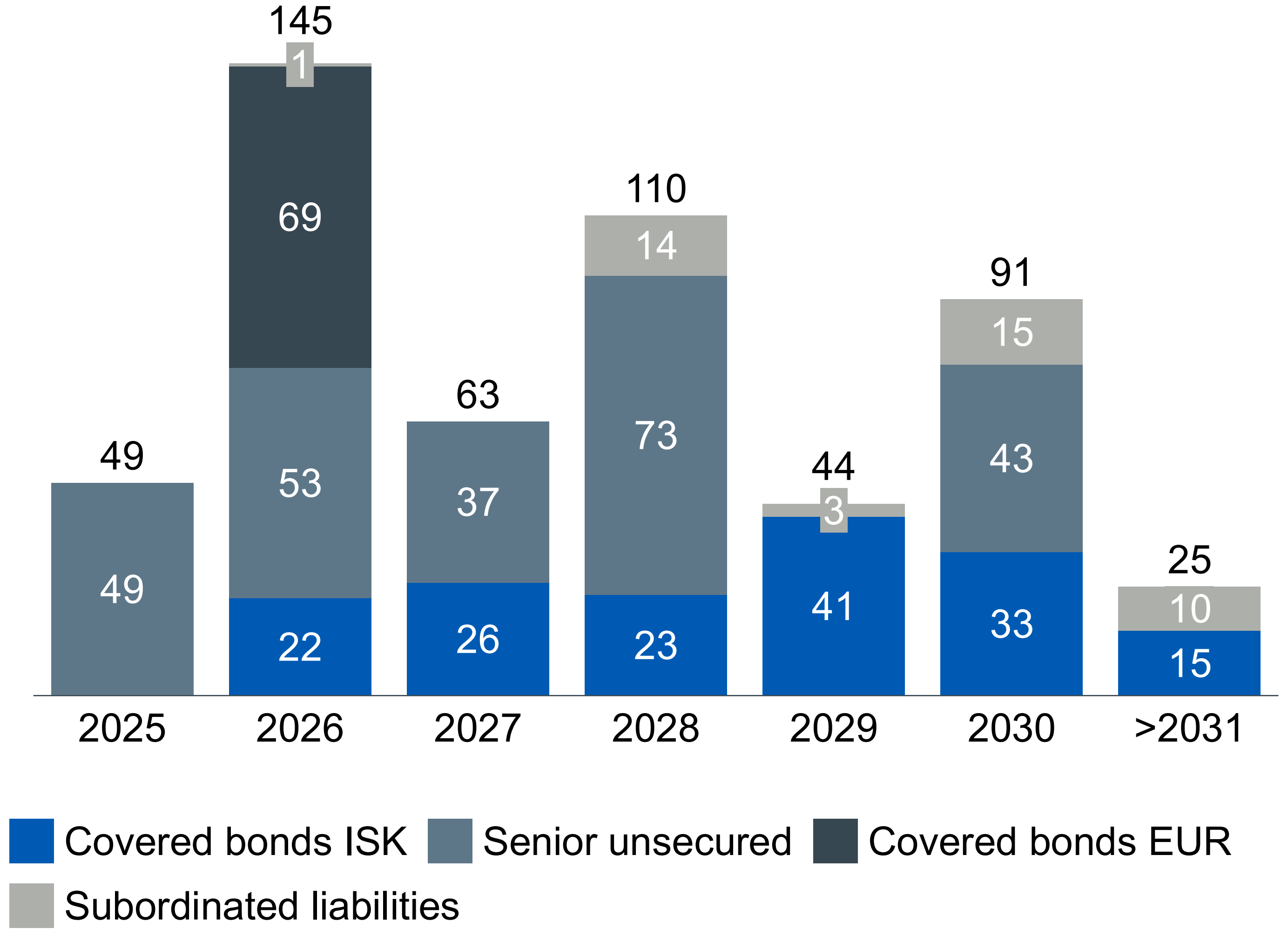
Robust funding profile and stable ratings

- Successful issuance of ISK Tier 2 subordinated bonds totaling ISK 10bn finalized in May
- Issuance of green senior preferred bonds in NOK and SEK
    - Total of SEK 900m at 120bps over STIBOR and NOK 600m at 117bps over NIBOR
- Moody’s affirmed Arion Bank´s long term issuer rating with stable outlook following potential merger announcement with Kvika

Borrowings by type (ISK bn)



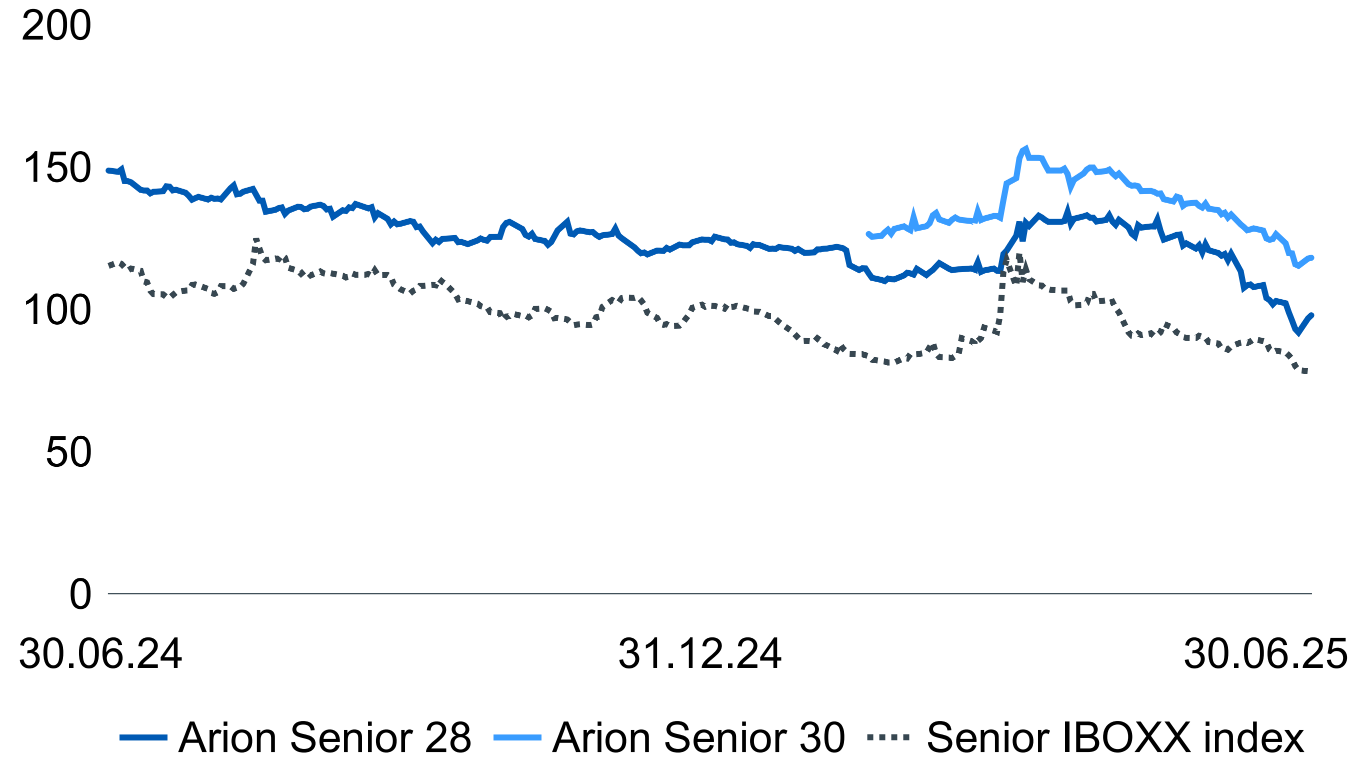
Maturities of borrowings and call dates on subordinated liabilities (ISK bn)



Ratings

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

Development of EUR funding spreads (bps)

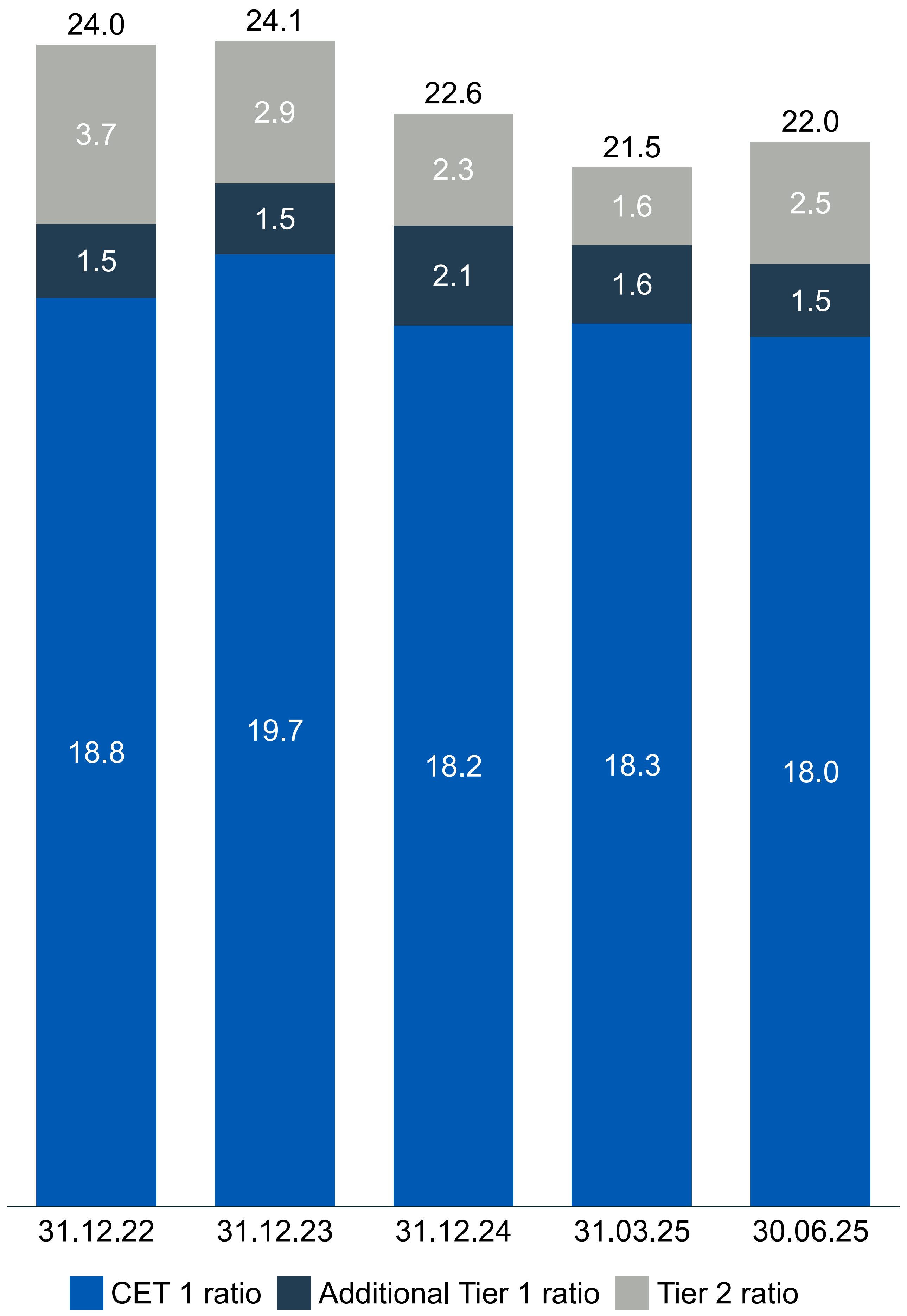


Own funds

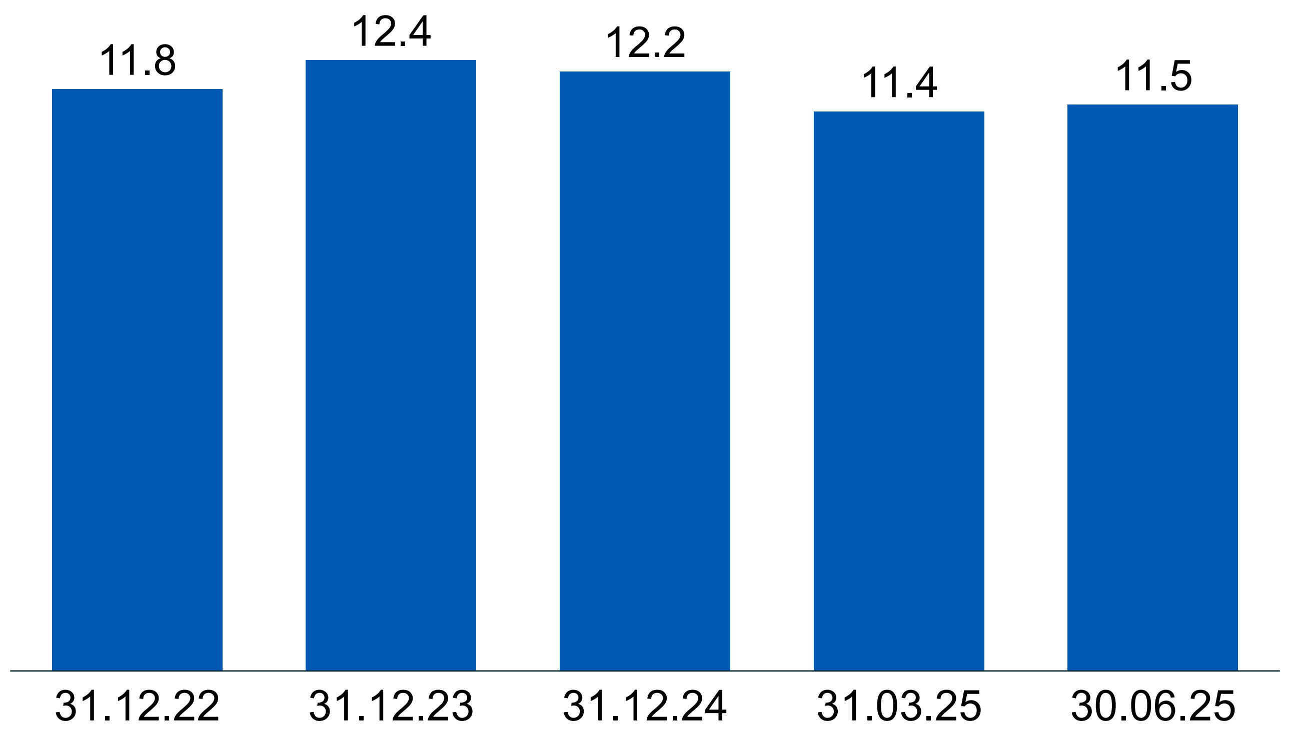
Strong capital position

- CET1 position is 259bps above regulatory requirement
- Due to exchange rate changes, AT1 is slightly below the optimized value. T1 and total capital positions are 230bps and 233bps above regulatory requirements, respectively
- REA increased by ISK 27bn or 2.6% during the quarter, mostly due to increase in loans to corporates
- Leverage ratio of 11.5%, 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 19.6% of REA
  - At the end of June, the ratio was 27.6%
  - Additionally, the Resolution Authority has introduced a subordinated MREL requirement of 13.5% which will apply to the Bank from Q3 2027

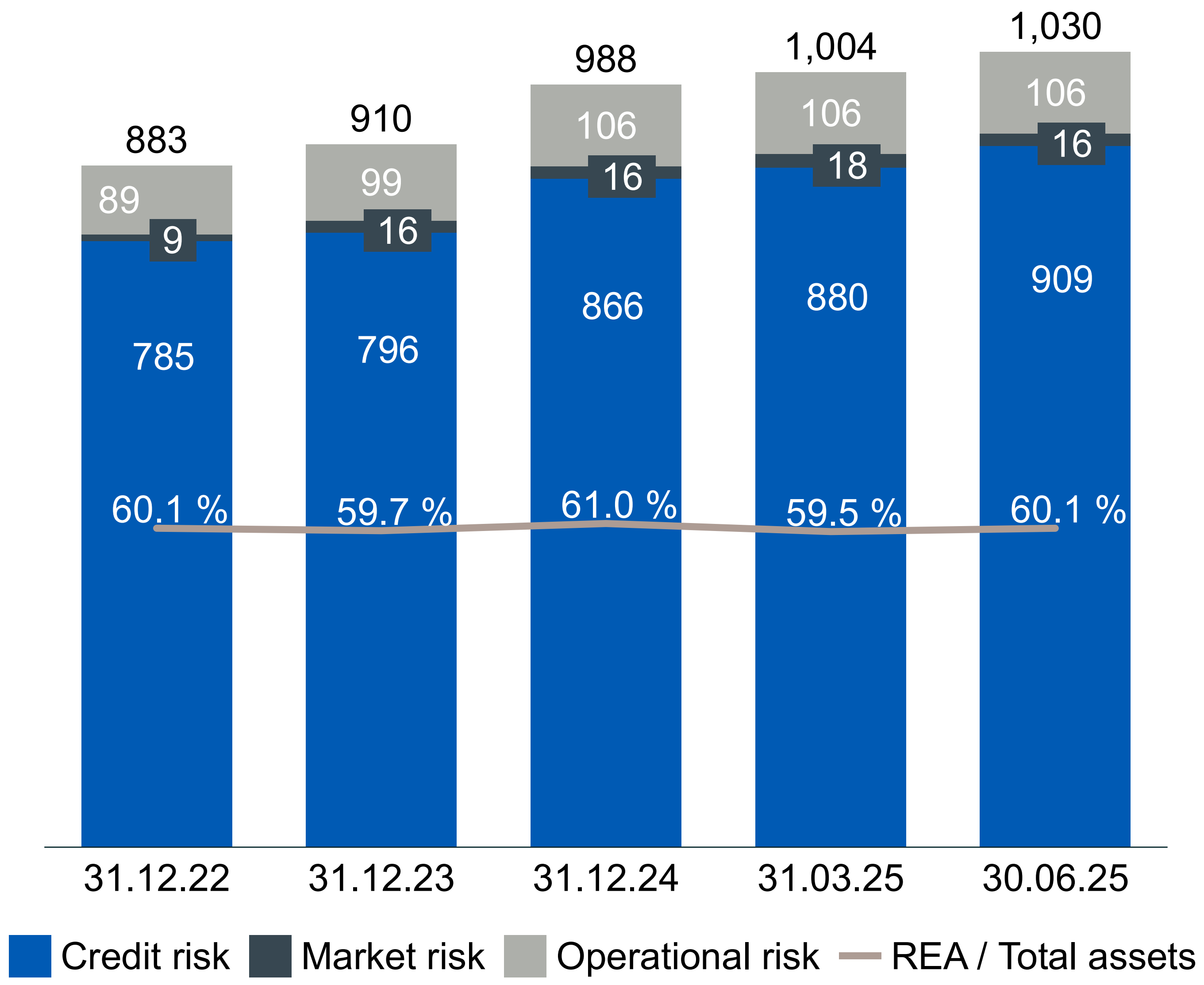
Capital ratio (%)



Leverage ratio (%)



Risk-weighted exposure amount (ISK bn)

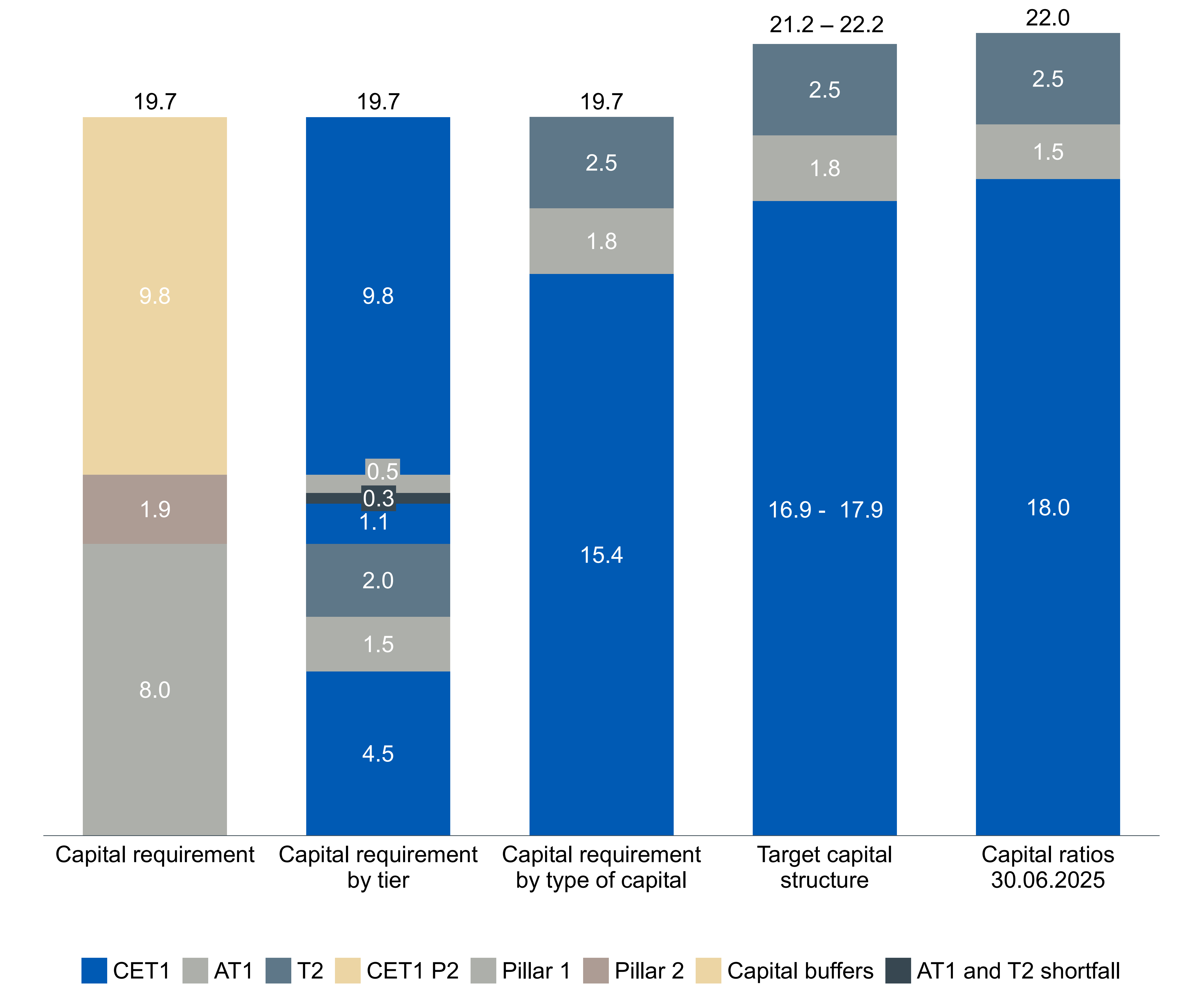


Own funds

The capital ratios continue to be strong

- H1 net earnings of ISK 16.2bn 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
- CRR3 is expected to come into effect in Iceland in the second half of 2025. The implementation is subject to regulatory interpretation and guidelines for several subjects, but based on the Bank's current expectations, a capital relief of around ISK 9bn is anticipated
- The solvency ratio of Vördur insurance is 175.0%

Own funds and capital requirements (%)



Going forward

Operational momentum

- Strong first half 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
- The pause in momentum due to falling inflation and policy rates in Iceland needs to be a catalyst for the economy to regain traction

Strategic development

- Proposed merger with Kvika a natural step in our strategic journey
- Merger will provide numerous opportunities to further strengthen our businesses and service to our clients

Key figures*

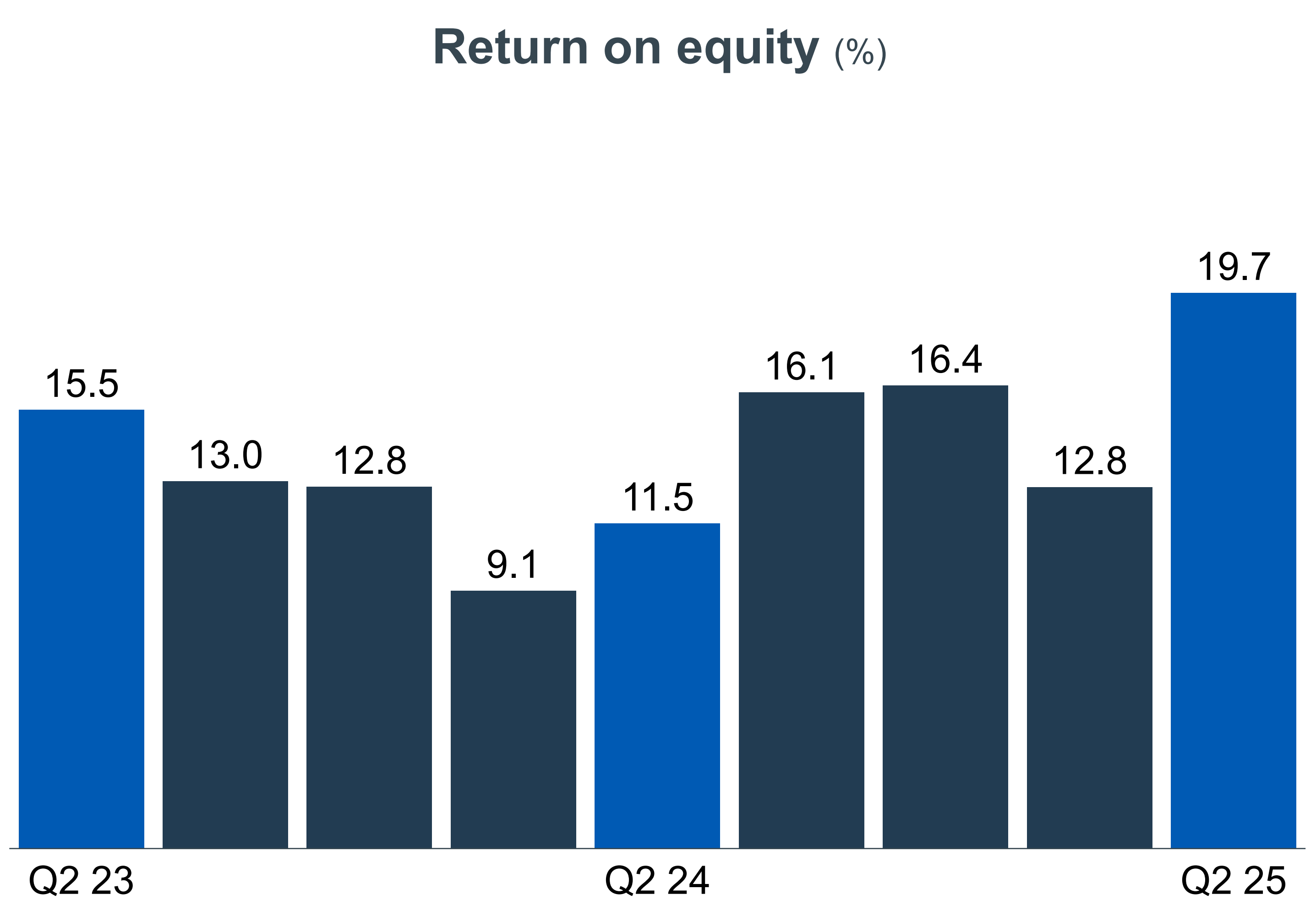
Operations	H1 2025	H1 2024	H1 2023	H1 2022	H1 2021	Q2 2025	Q1 2025	Q4 2024	Q3 2024	Q2 2024
Net interest income	26,366	23,193	22,420	19,221	15,358	14,200	12,166	11,246	11,863	11,948
Net commission income	9,089	7,344	8,638	8,138	6,839	4,553	4,536	4,136	3,880	3,979
Operating income	40,363	31,059	32,883	27,125	28,101	21,322	19,041	17,906	17,486	16,585
Operating expenses	(13,298)	(13,706)	(12,479)	(12,420)	(12,602)	(6,697)	(6,601)	(8,601)	(6,021)	(7,152)
Net earnings attributable to shareholders	16,172	9,949	13,368	15,971	13,848	9,751	6,421	8,290	7,871	5,505
Return on equity**	16.1%	10.3%	14.5%	17.5%	14.3%	19.7%	12.8%	16.4%	16.1%	11.5%
Net interest margin	3.3%	3.1%	3.1%	3.1%	2.8%	3.5%	3.1%	2.9%	3.1%	3.2%
Return on assets	2.2%	1.3%	1.8%	2.4%	2.3%	2.4%	1.9%	2.1%	2.0%	1.4%
Total cost-to-core income ratio	39.4%	47.2%	43.0%	44.4%	52.2%	36.6%	42.6%	57.5%	37.5%	46.2%
Cost-to-income ratio	32.9%	44.1%	37.9%	42.9%	44.2%	31.4%	34.7%	48.0%	34.4%	43.1%
Cost-to-total assets	1.6%	1.8%	1.7%	1.7%	2.1%	1.6%	1.6%	2.1%	1.5%	1.8%

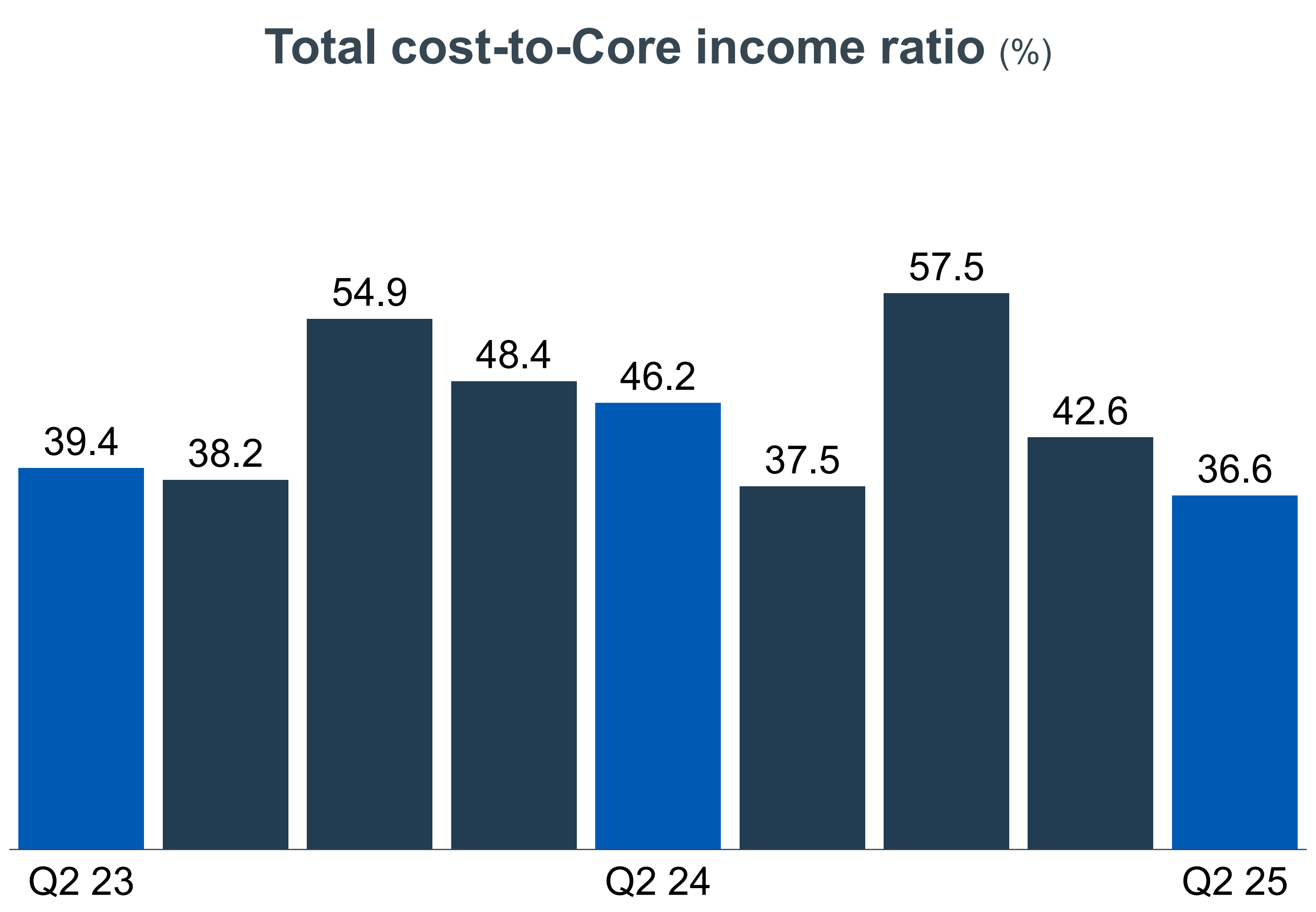
Balance Sheet	30.06.2025	31.12.2024	31.12.2023	31.12.2022	31.12.2021	30.06.2025	31.03.2025	31.12.2024	30.09.2024	30.06.2024
Total assets	1,713,145	1,618,267	1,525,672	1,465,609	1,310,710	1,713,145	1,686,655	1,618,267	1,605,717	1,568,789
Loans to customers	1,272,468	1,230,058	1,152,789	1,084,757	936,237	1,272,468	1,234,006	1,230,058	1,220,424	1,202,616
Mortgages	575,425	570,842	549,371	513,605	463,457	575,425	570,860	570,842	580,813	575,229
Share of stage 3 loans, gross	2.4%	2.3%	1.7%	1.2%	1.9%	2.4%	2.5%	2.3%	2.4%	2.1%
REA/ Total assets	60.1%	61.0%	59.7%	60.1%	61.9%	60.1%	59.5%	61.0%	60.4%	60.7%
CET 1 ratio	18.0%	18.2%	19.7%	18.8%	19.6%	18.0%	18.3%	18.2%	18.8%	18.5%
Leverage ratio	11.5%	12.2%	12.4%	11.8%	12.7%	11.5%	11.4%	12.2%	12.0%	11.9%
Liquidity coverage ratio	156.4%	180.6%	191.8%	158.5%	202.8%	156.4%	186.4%	180.6%	178.6%	154.4%
Loans to deposits ratio	141.5%	143.5%	145.4%	143.6%	142.8%	141.5%	139.5%	143.5%	143.8%	142.0%

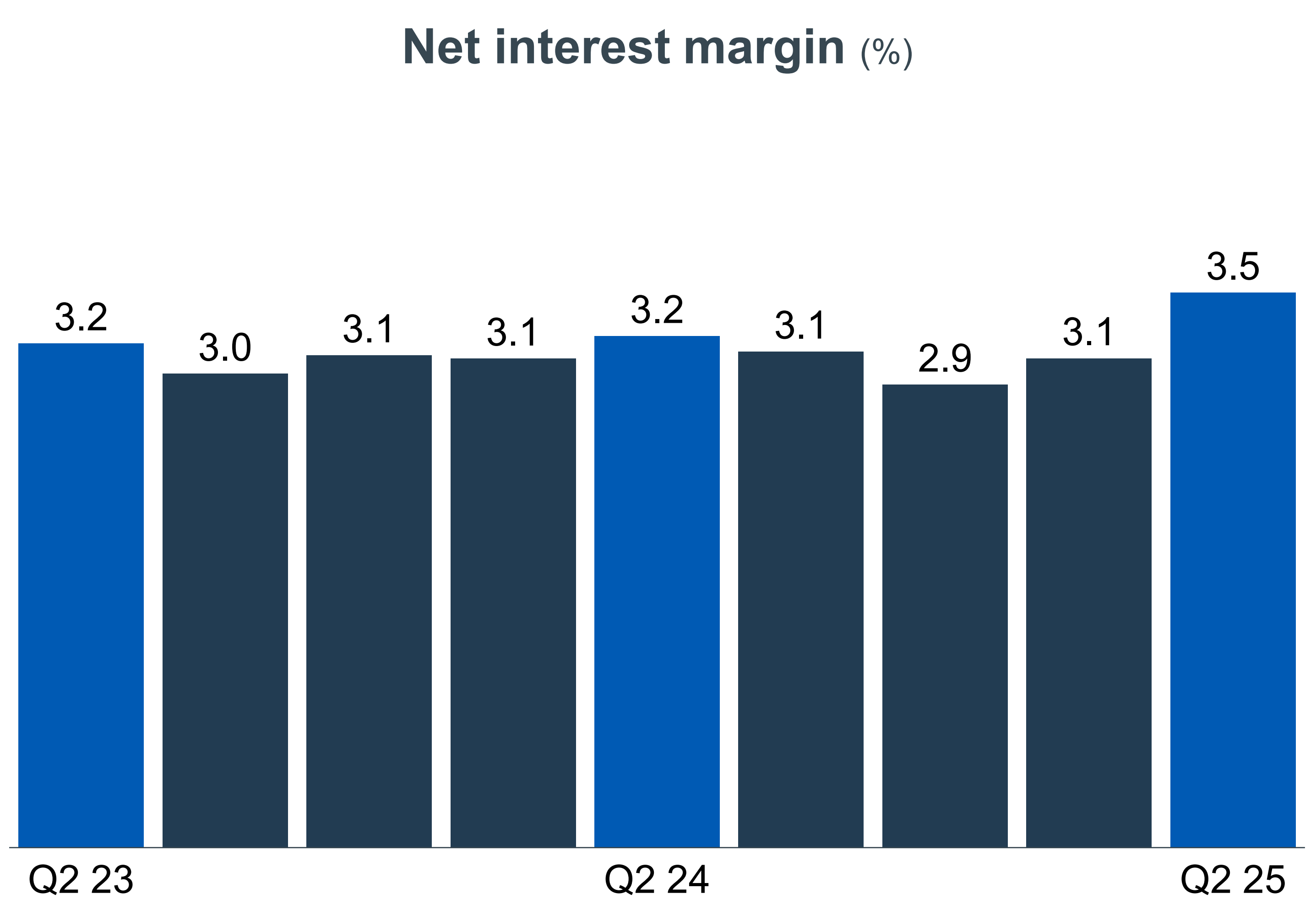
*Figures for periods prior to 2022 have not been restated according to IFRS 17
**Attributable to shareholders of Arion Bank

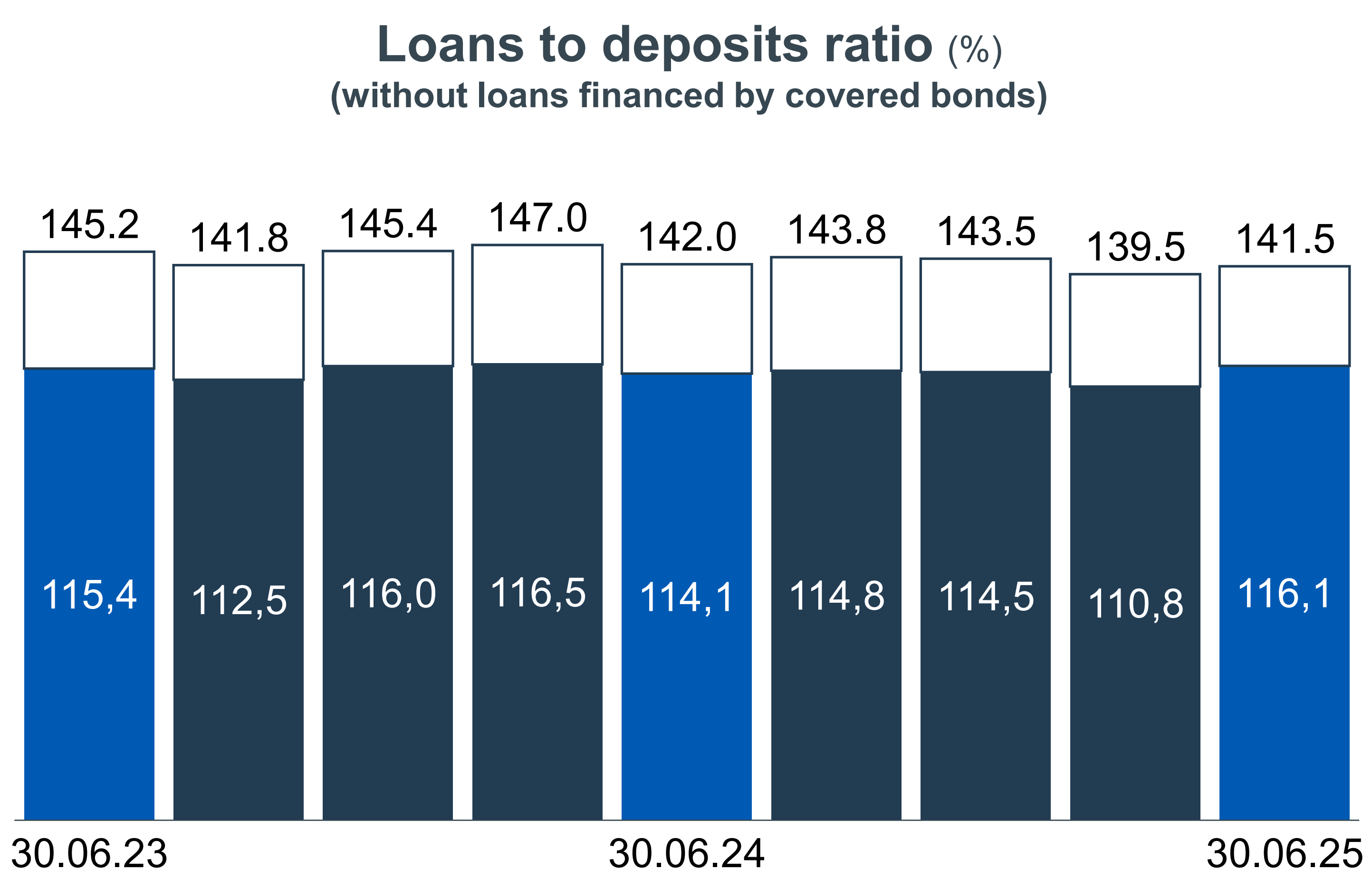
 All amounts in ISK million

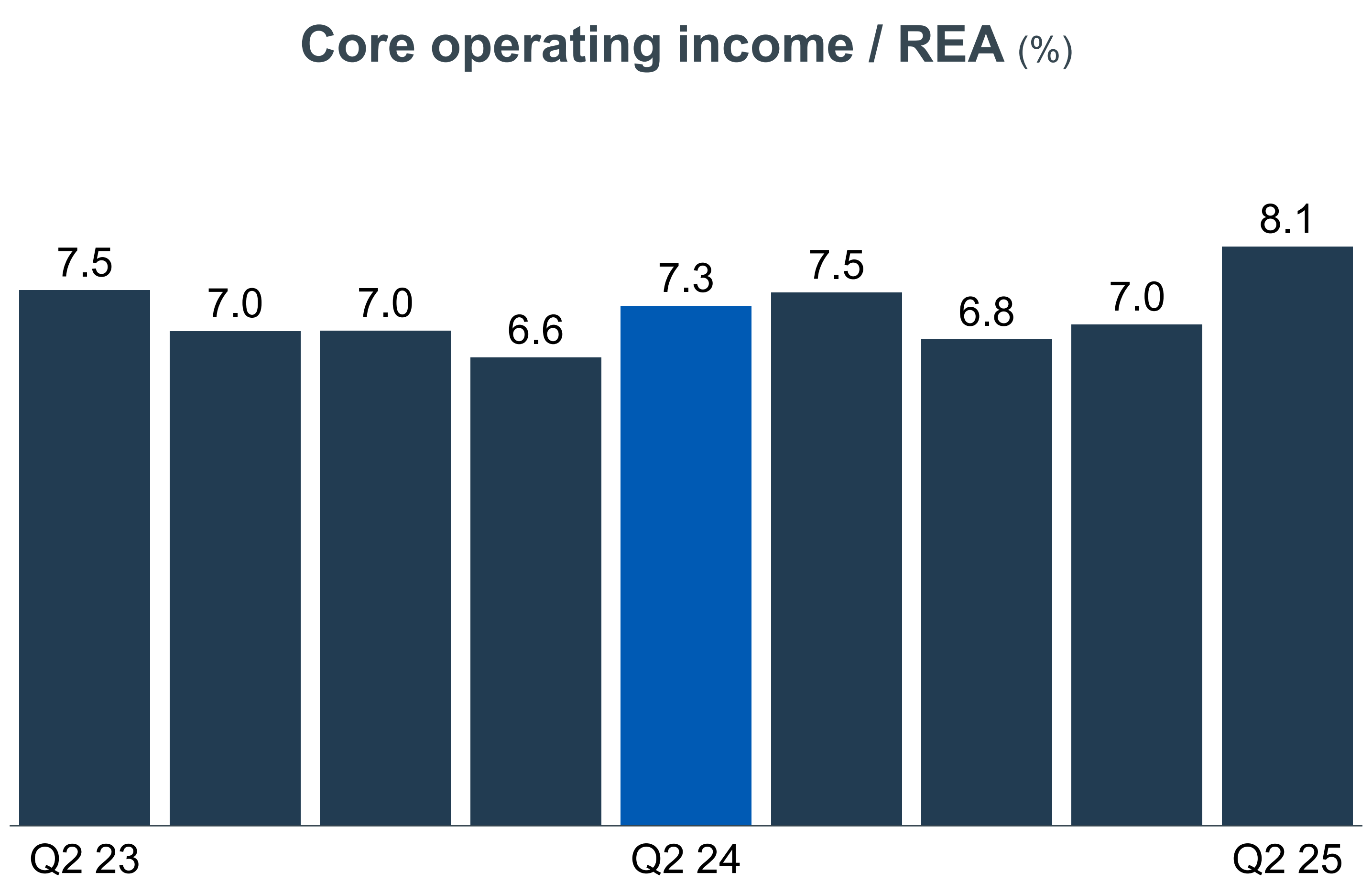
Key financial indicators - quarterly

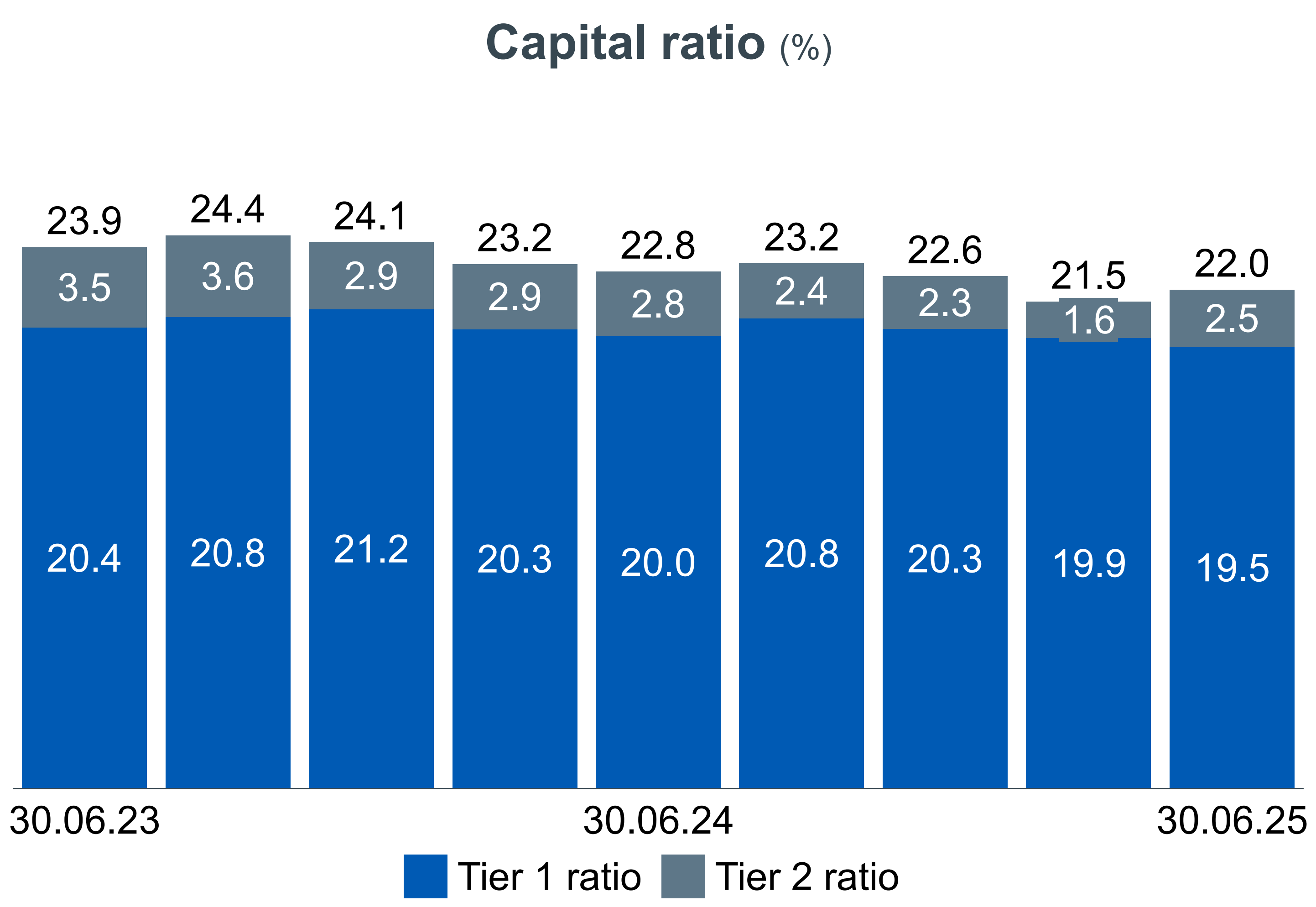






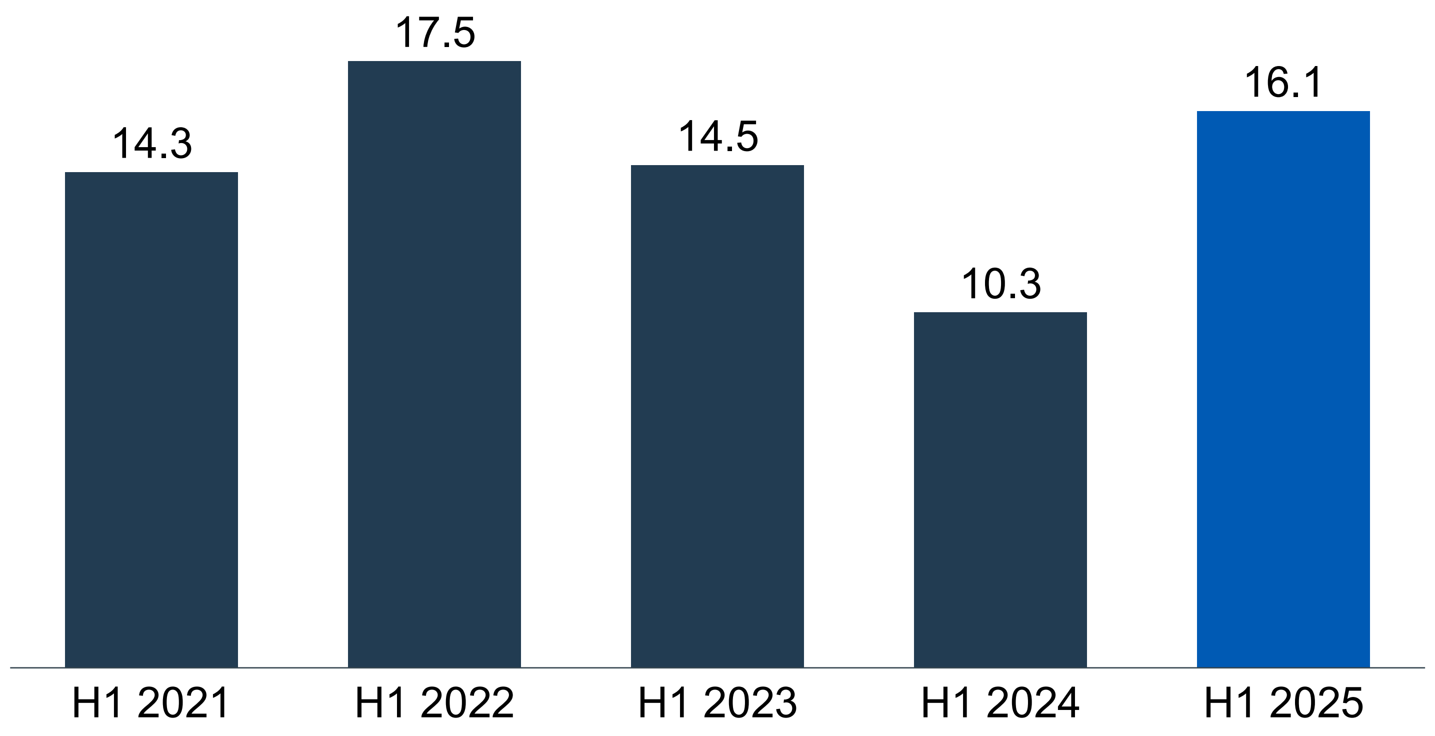




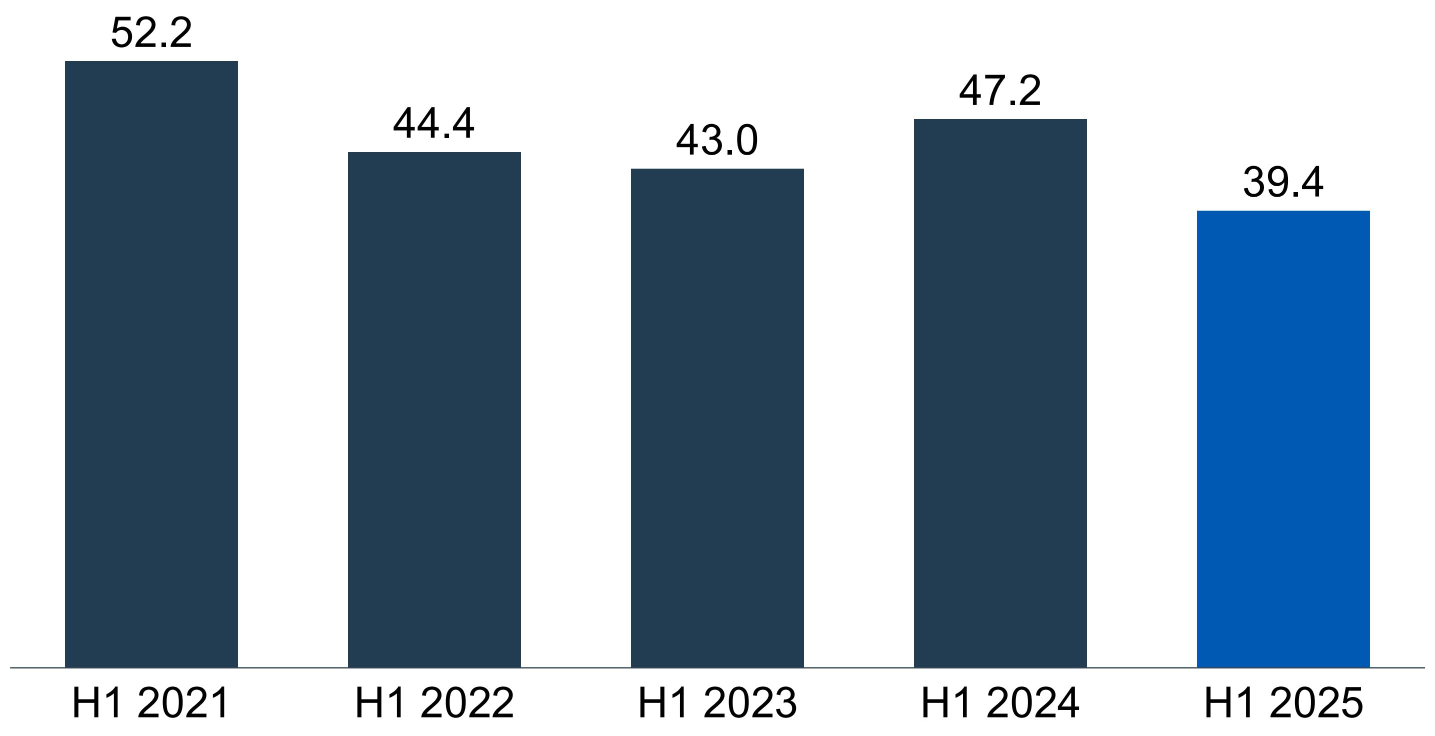


Key financial indicators - annual

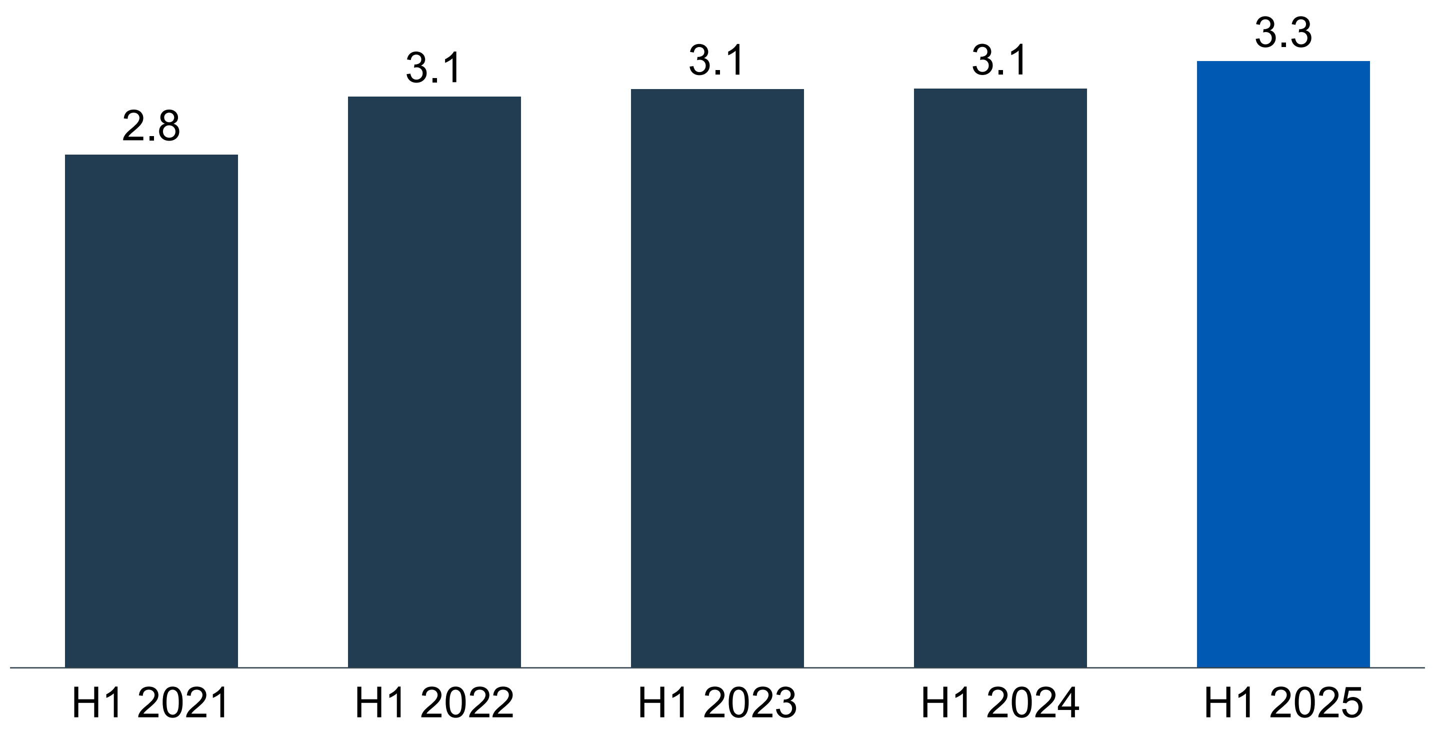
Return on equity (%)



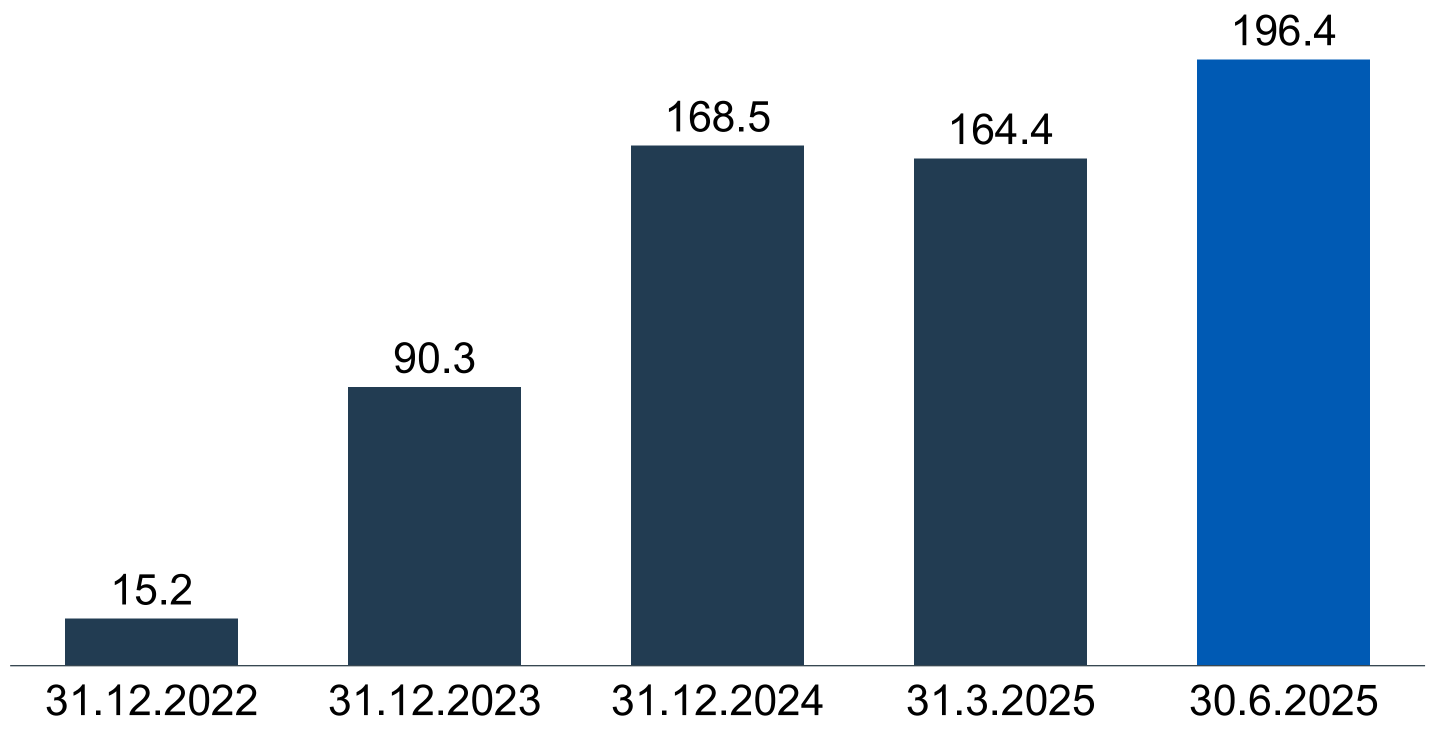
Total cost-to-Core income ratio (%)



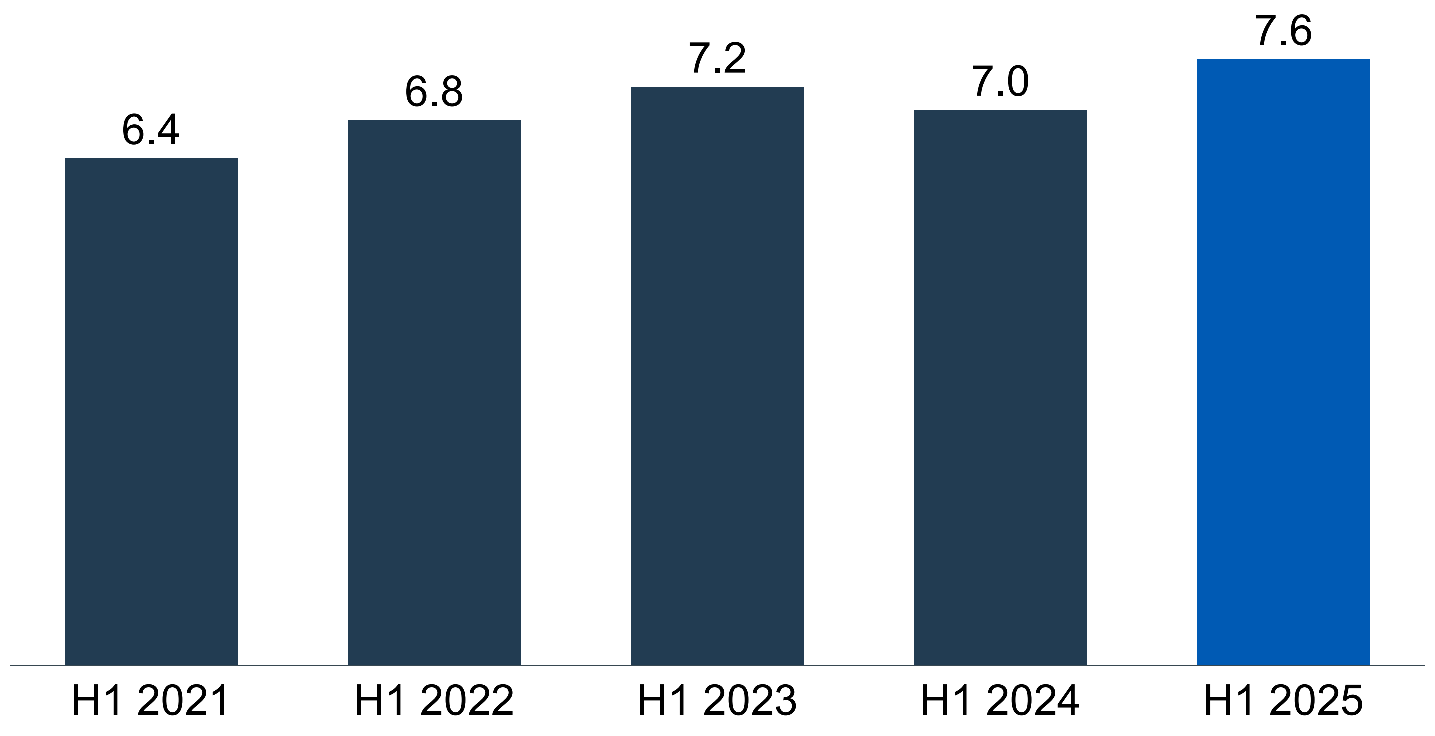
Net interest margin (%)



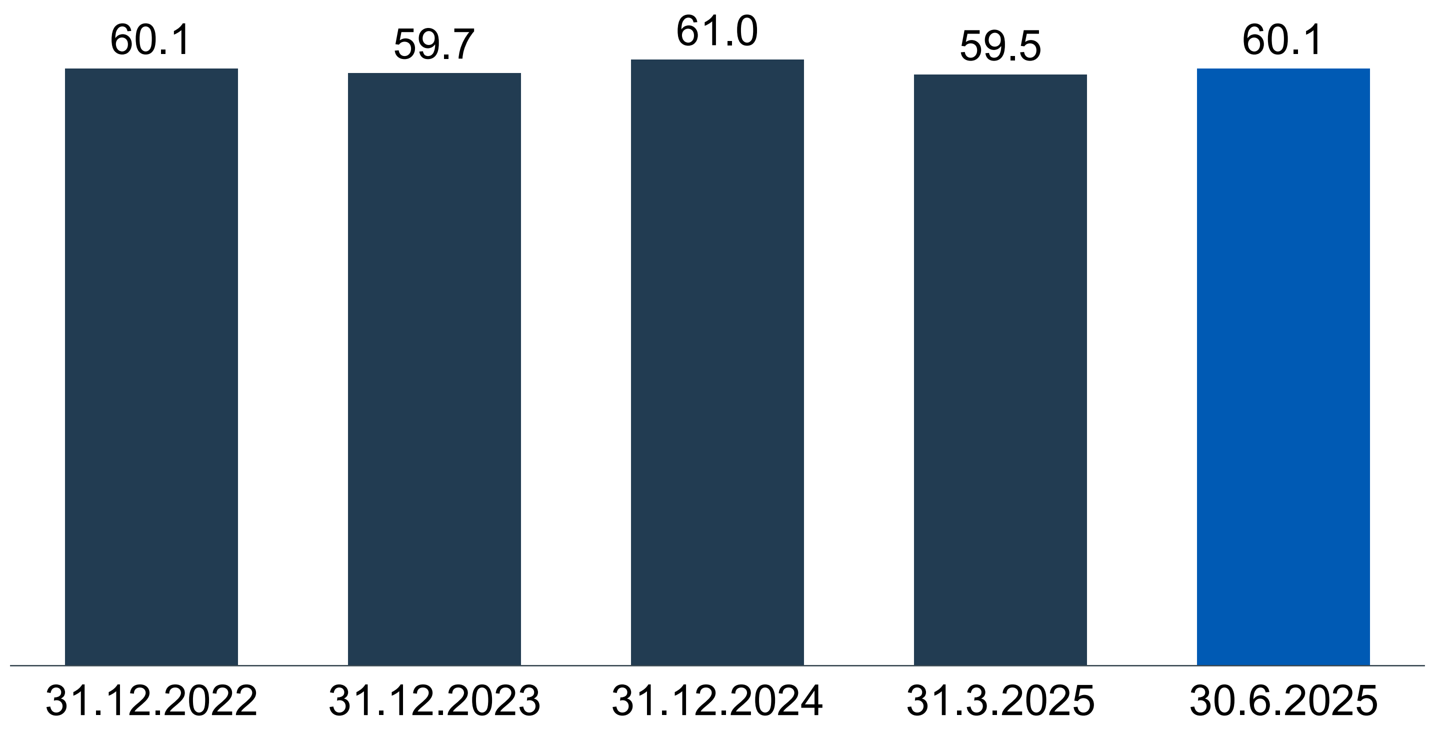
CPI imbalance (ISK bn)



Core operating income / REA (%)



Risk exposure amount / Total assets (%)



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