

Third quarter 2026 results
Press release
28 October 2026

Unaudited

Arion Bank – Q3 2026 results

Financial highlights for the third quarter of 2026

- Arion Bank reports net earnings* of ISK 8.7bn in Q3 2026, compared with ISK 8.2bn in Q3 2025
- Return on equity* was 16.3%, compared with 16.0% in Q3 2025
- Earnings per share were ISK 6.42, compared with ISK 5.95 in Q3 2025
- Net interest margin of 3.5%, compared with 3.3% for Q3 2025
- Net commission income was ISK 3.8bn, compared with ISK 4.0bn in Q3 2025
- Vördur contributed a standalone profit of ISK 0.4bn in Q3 2026, compared with a profit of ISK 0.7bn in the previous year, and a combined ratio of 85.7% compared with 88.2% in Q3 2025
- Core income, defined as net interest income, net commission income and insurance service results (excluding opex of the insurance operation), increased by 10.6%, compared with Q3 2025
- Operating expenses increased by 13.0%, equivalent to ISK 809m, compared with Q3 2025, including one-off items amounting to approximately ISK 480m.
- The effective tax rate was 26.6% during the quarter
- Total cost-to-core income ratio was 37.1%, compared with 36.3% in Q3 2025
- Cost-to-income ratio was 34.3%, compared with 32.6% in Q3 2025
- The balance sheet increased by 1.8% during the quarter
- Loans to customers decreased by ISK 3bn or 0.2% during the quarter, while deposits from customers increased by ISK 33bn or 3.3%
- The Bank's capital ratio was 22.4%, and the CET1 ratio was 18.5% at the end of September. The ratios are determined on the basis of unaudited net earnings in the quarter and take into account the deduction of 50% of net earnings as foreseeable dividends in line with the Bank's dividend policy. The Group's capital ratio, as calculated under the Financial Undertakings Act No. 161/2002, was 21.9% and the CET1 ratio was 18.1%. These ratios comfortably exceed the requirements made by the FSA and Icelandic law.

Financial highlights for the first 9 months of 2026

- Arion Bank reports net earnings* of ISK 24.1bn for 9M 2026, compared with ISK 24.4bn in 9M 2025
- Return on equity* was 15.1%, compared with 16.0% in 9M 2025
- Earnings per share in ISK of 17.79, compared with 17.55 in 9M 2025
- Net interest margin of 3.6%, compared with 3.3% in 9M 2025
- Net commission income of ISK 11.6bn for the first nine months, compared with ISK 13.1bn in 9M 2025
- Vördur contributed a standalone profit of ISK 0.8bn in 9M 2026, compared with a profit of ISK 0.9bn for the same period in the previous year and a combined ratio of 91.4%, compared with 89.0% for 9M 2025
- Core income increased by 10.0%, compared with 9M 2025
- Operating expenses increased by 12.3%, equivalent to ISK 2.4bn, compared with 9M 2025, mainly affected by increases in salary costs and IT expenses
- The effective tax rate was 29.5%
- Total cost-to-core income ratio was 39.2%, compared with 38.3% in 9M 2025
- Cost-to-income ratio was 36.6%, compared with 32.8% in 9M 2025
- The balance sheet increased by 7.2% from year-end 2025, mainly through loans to customers and deposits
- Dividend payment and share buybacks of ISK 25.6bn in total in 9M 2026

A proposed bank levy increase from 0.145% to 0.254% would, if enacted, add approximately ISK 1.7bn in expenses in Q4 2026.

** Attributable to shareholders of Arion Bank*



Benedikt Gíslason, CEO of Arion Bank

“Arion Bank’s financial results in the third quarter were good and in line with our targets. Our core operations are performing well, and deposits continue to grow strongly, while lending growth has slowed, reflecting the persistently high level of interest rates. Arion Group’s capital and liquidity positions remain strong, and, as before, we are well placed to support our customers in the projects they undertake.

The consensus reached earlier this month between the government, local authorities and numerous companies in the fight against inflation was important and contributed to the decision not to trigger the termination clause in the collective wage agreements. The conditions are now in place for inflation to decline and, consequently, for policy rates to come down. There are, of course, many factors in the external environment beyond our control, but through broad-based cooperation we have done what is within our power to help rein in inflation.

The government is currently planning to increase the bank levy by more than 75%. This tax is levied on the liabilities of financial institutions, the majority of which consist of customer deposits. While we certainly do not seek to avoid paying our fair share of taxes to society, taxes on Icelandic financial institutions are already considerably higher than in neighbouring countries, in addition to various Iceland-specific statutory requirements that entail additional costs. Just last year Arion Bank’s operations, excluding subsidiaries, generated approximately ISK 15 billion in tax revenues for society.

In this context, it is important to consider Iceland’s competitiveness. While a balanced government budget is certainly an important objective, there also needs to be a long-term vision for the operating environment of businesses when it comes to financing costs and taxation, and for how we maintain prosperity over the longer term in a competitive international environment. We estimate that the proposed tax increase will amount to approximately ISK 1.7 billion a year for Arion Bank and, according to the government’s plans, the increase will be retroactive and apply to the current year. In our view, this is a short-sighted measure designed to address temporary circumstances, and if it is introduced, it would be reasonable for it to be discontinued after one to two years.

Stefnir, a subsidiary of Arion Bank, celebrates its 30th anniversary this year. Since its establishment in 1996, Stefnir has grown to become one of Iceland’s most successful fund management companies. It currently employs twenty people and has more than ISK 390 billion in assets under active management. In 2012, Stefnir became the first Icelandic company to be recognized as a model company in good corporate governance, and recently all three companies in the Arion Group, Stefnir, Arion Bank and Vörður, had this recognition reaffirmed.

We recently added international index funds to the Arion app and online banking platform, complementing the already wide range of savings and investment options available. The four index funds track indices in different geographical markets. Our customers therefore now have easy access to funds investing in international equity markets and the opportunity to diversify the risk in their savings easily and cost-effectively.”



Income Statement

<i>In ISK millions</i>	Q3 2026	Q3 2025	Δ	Δ %	9M 2026	9M 2025	Δ	Δ %
Net interest income	15,811	13,826	1,985	14%	47,333	40,192	7,141	18%
Net commission income	3,777	4,003	(226)	(6%)	11,640	13,092	(1,452)	(11%)
Insurance service results	804	630	174	28%	1,393	1,665	(272)	(16%)
Net financial income	(146)	483	(629)	-	(981)	(289)	(692)	-
Other operating income	181	45	136	-	446	4,690	(4,244)	-
Operating income	20,427	18,987	1,440	8%	59,831	59,350	481	1%
Operating expenses	(7,003)	(6,194)	(809)	13%	(21,888)	(19,492)	(2,396)	12%
Bank levy	(588)	(530)	(58)	11%	(1,711)	(1,559)	(152)	10%
Net impairment	(977)	(1,128)	151	(13%)	(2,047)	(1,359)	(688)	51%
Net earnings before income tax	11,859	11,135	724	7%	34,185	36,940	(2,755)	(7%)
Income tax expense	(3,153)	(2,928)	(225)	8%	(10,100)	(10,638)	538	(5%)
Net earnings from cont. operations	8,706	8,207	499	6%	24,085	26,302	(2,217)	(8%)
Discontinued operations, net of tax	-	3	(3)	-	-	(19)	19	-
Net earnings	8,706	8,210	496	6%	24,085	26,283	(2,198)	(8%)
Non-controlling interest	0	19	(19)	-	(7)	(1,883)	1,876	-
Net earnings attributable to shareholders	8,706	8,229	477	6%	24,078	24,400	(322)	(1%)
KFI's								
Return on equity attributable to shareholders	16.3%	16.0%			15.1%	16.0%		
Return on equity	16.3%	15.8%			15.1%	17.1%		
Return on total assets (ROA)	1.9%	1.9%			1.8%	2.0%		
Earnings per share (in ISK)	6.42	5.95		8.0%	17.79	17.55		1.4%
Core income	21,300	19,266		10.6%	63,261	57,507		10.0%
Total cost to core income ratio	37.1%	36.3%			39.2%	38.3%		
Cost-to-income ratio	34.3%	32.6%			36.6%	32.8%		
Net interest margin (NIM)	3.5%	3.3%			3.6%	3.3%		
Core income / REA	7.9%	7.4%			8.0%	7.5%		

Net interest income increased by 14.4%, compared with the third quarter of 2025. This growth was primarily driven by an 8.7% increase in customer lending from September 2025, led mainly by higher corporate loan volumes, and a higher net inflation effect. The net interest margin (NIM) as a percentage of average interest-bearing assets was 3.5% for the quarter, up from 3.3% in the third quarter of 2025. The CPI imbalance was ISK 232bn at quarter-end, compared with ISK 204bn at year-end 2025. Average interest-bearing assets increased by 9%, compared with the third quarter of 2025. With NIM at 3.6% for the first nine months of 2026, the net interest margin is likely to trend above 3% annually, but fluctuations are expected to continue near term due to the monthly inflation impact on the CPI linked loan book.

Net commission income was ISK 3.8bn, compared with ISK 4.0bn in the third quarter of the previous year. Fees from Markets and Stefir were lower, partly reflecting the timing of income recognition, while CIB fees were robust at ISK 1.3bn despite slower economic activity. Assets under Management and Supervision reached ISK 2,161bn at period-end. Fee and commission income remains under pressure, and this is expected to continue in the current economic environment.

Insurance service results of Vördur were ISK 804m during the quarter, after the elimination of intercompany transactions. Insurance revenues grew by 4.4% compared with the third quarter of 2025. The claims ratio was 62.1% in the quarter, compared with 67.9% in the same quarter last year. The combined ratio of Vördur for the third quarter was 85.7%, compared with 88.2% for the same period in 2025.

Net financial income was negative by ISK 146m for the quarter, compared with a positive ISK 483m in the third quarter of 2025. Icelandic equity markets remained challenging.

Operating expenses increased by 13.0% in the third quarter, equivalent to ISK 809m, compared with the same quarter in 2025. If the operating expenses of the insurance operation are included (post IFRS 17, cost related to the insurance business is accounted for through insurance service results), the increase was ISK 910m, mainly due to the 3.5% collective union wage increase effective from January 2026 and approx. ISK 200m in lay-off costs, as well as higher IT expenses and a settlement with the Central Bank of ISK 280m. The total cost-to-core income ratio was 37.1%, compared with 36.3% in the third quarter of 2025, when including the operating expenses of the insurance operation. FTEs were 890 at quarter-end, in line with the third quarter of 2025 and down from 901 at year-end 2025.

Net impairment was ISK 977m in the third quarter of 2026, calculated as 27bps in the quarter on an annualized basis, compared with 35bps in the third quarter of 2025.

Income tax, as reported in the financial statements, comprises 20% income tax on earnings and a special 6% financial tax on the earnings of financial undertakings of more than ISK 1bn. The effective income tax rate was 26.6% in the quarter, compared with 26.3% in the third quarter of 2025, and 29.5% for the first nine months of 2026. In general, the combination of income is the main driver behind the fluctuation in the effective tax rate. A bill



proposing an increase in the bank levy rate from 0.145% to 0.254% is under consideration by the Icelandic Parliament. If enacted, it would result in approximately ISK 1.7bn of additional expense for 2026, recognised in the fourth quarter.

Balance sheet

The balance sheet increased by 7.2% from year-end 2025 and the liquidity position remains strong.

Assets

<i>In ISK millions</i>	30.09.2026	31.12.2025	Δ	Δ %	30.06.2026	Δ	Δ %
Cash & balances with CB	107,895	150,111	(42,216)	(28%)	114,477	(6,582)	(6%)
Loans to credit institutions	78,288	22,567	55,721	247%	24,715	53,573	217%
Loans to customers	1,414,774	1,329,056	85,718	6%	1,417,655	(2,881)	(0%)
Financial instruments	241,963	215,816	26,147	12%	254,426	(12,463)	(5%)
Investment property	7,651	7,305	346	5%	7,538	113	1%
Intangible assets	7,166	7,533	(367)	(5%)	7,345	(179)	(2%)
Other assets	24,654	23,377	1,277	5%	22,419	2,235	10%
Total assets	1,882,391	1,755,765	126,626	7%	1,848,575	33,816	2%
KFI's							
REA / Total assets	56.6%	58.6%			58.7%		
Share of stage 3 loans, gross	2.5%	2.4%			2.5%		

Loans to customers increased by ISK 86bn or 6.4% from the end of 2025 and decreased by ISK 3bn or 0.2% during the quarter. Loans to corporates increased by 8.1% from year-end 2025 and loans to individuals increased by 4.7%. The diversification of the corporate loan book continues to be good and in line with the Bank's credit strategy.

The Bank's liquidity position is strong with the total LCR ratio of 195% and the ISK LCR ratio of 145%. This is reflected in the strong position in Cash and balances with Central Bank, Loans to credit institutions and Financial instruments, including bonds and debt instruments. The average duration of liquidity in the bond portfolio is less than one year and there is no HTM accounting.

Liabilities and equity

<i>In ISK millions</i>	30.09.2026	31.12.2025	Δ	Δ %	30.06.2026	Δ	Δ %
Due to credit institutions & CB	16,303	12,003	4,300	36%	9,329	6,974	75%
Deposits from customers	1,013,789	921,182	92,607	10%	981,322	32,467	3%
Other liabilities	83,488	66,849	16,639	25%	80,988	2,500	3%
Borrowings	509,773	494,823	14,950	3%	523,261	(13,488)	(3%)
Subordinated liabilities	42,540	43,517	(977)	(2%)	43,321	(781)	(2%)
Total liabilities	1,665,893	1,538,374	127,519	8%	1,638,221	27,672	2%
Shareholders equity	216,427	217,327	(900)	(0%)	210,284	6,143	3%
Non-controlling interest	71	64	7	11%	70	1	1%
Total equity	216,498	217,391	(893)	(0%)	210,354	6,144	3%
Total liabilities and equity	1,882,391	1,755,765	126,626	7%	1,848,575	33,816	2%
KFI's							
Loans to Deposits ratio	139.6%	144.3%			144.5%		
CET 1 ratio	18.5%	18.4%			17.7%		
Capital adequacy ratio	22.4%	22.5%			21.6%		

Deposits from customers remain the most important source of funding for Arion Bank, with 61% of total liabilities in deposits. Deposits increased by ISK 33bn or 3.3% during the quarter and by 10.1% from year-end 2025, and surpassed ISK 1,000bn for the first time. The increase has primarily been in stable LCR categories, reflecting the strategic focus, with deposits from individuals increasing by 12.5% and from corporates by 16.0% from year-end 2025.

The maturity profile of Borrowings is balanced. There was no market issuance in the third quarter as the Bank has pre-financed all large maturities falling due in 2026. The next maturities are in the second half of 2027 and the Bank continues to have access to both international and domestic debt capital markets, which it will use opportunistically.

Shareholders' equity amounted to ISK 216.4bn at the end of the period. It decreased due to ISK 15.8bn dividend payment and ISK 9.8bn share buybacks, which were largely offset by ISK 24.1bn net earnings in the first nine months of 2026. The leverage ratio was 10.8% at the end of the period, compared with 11.4% at the end of 2025, which is high by international standards.

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



Medium-term financial targets of Arion Bank

	Q3 2026	9M 2026	Arion Bank's medium-term financial targets
Return on equity attributable to shareholders of Arion Bank	16.3%	15.1%	Exceed 13%
Core income / REA	7.9%	8.0%	Exceed 7.2%
Insurance revenue growth (YoY)	4.4%	5.8%	Exceed weighted average growth of competitors (3.7% in 6M 2026 YoY)
Combined ratio Vördur	85.7%	91.4%	Below 95%
Total cost-to-core income ratio	37.1%	39.2%	Below 45%
CET1 ratio above regulatory capital requirements	320 bps	320 bps	100-250 bps management buffer (~16.3 - 17.8%)
Dividend pay-out ratio	50%	50%	Pay-out ratio of approximately 50% of net earnings attributable to shareholders through either dividends or buyback of the Bank's shares or a combination of both

Investor meeting / webcast in English on 29 October at 9:30 CET / 8:30 GMT

Arion Bank will be hosting a meeting at the Bank's headquarters in Borgartún 19, Reykjavík, on Thursday 29 October at 9:30 CET (8:30 GMT) where CEO Benedikt Gíslason and CFO Ólafur Hrafn Höskuldsson will present the results and Chief Economist Erna Björg Sverrisdóttir will give an update on the economic environment. The meeting will take place in English and will also be streamed live.

The webcast will be accessible live on [Lumiconnect](#) and a link is also available on the Bank's website under [Investor Relations](#). Participants attending virtually will be able to ask questions during the meeting through a message board on the same site. Answers will be provided by the presenters at the end of the webcast.

Financial calendar

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

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

Forward-looking statements

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

