Consolidated Financial Statements 2025

Arion Bank

Contents

	page
Arion Bank highlights	3
Endorsement and statement by the Board of Directors and the CEO	4
Independent Auditor's report	13
Consolidated Income Statement	16
Consolidated Statement of Comprehensive Income	17
Consolidated Statement of Financial Position	18
Consolidated Statement of Changes in Equity	19
Consolidated Statement of Cash Flows	21
Notes to the Consolidated Financial Statements	22
5-year overview	99
Appendices (unaudited)	100

Arion Bank
Highlights 31 December 2025

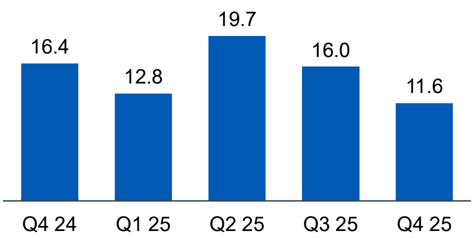
FY 2025 14.9%
Return on Equity*

FY 2025 42.3%
Total cost-to-core income

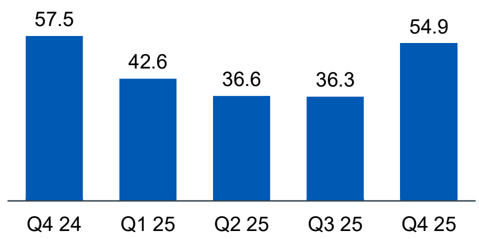
18.4%
CET1 ratio

Moody's
Long term: **A3**
Covered bond: **Aa1**
Outlook: **Stable**

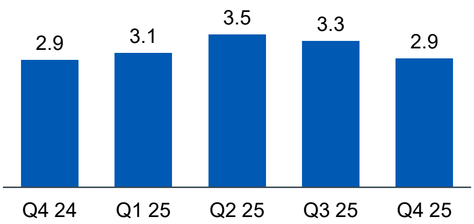
Return on equity* (%)



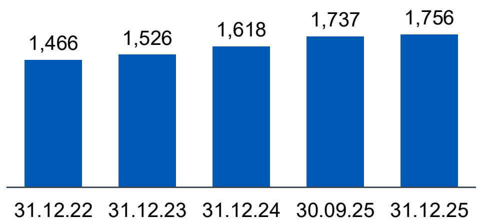
Total cost-to-Core income ratio (%)



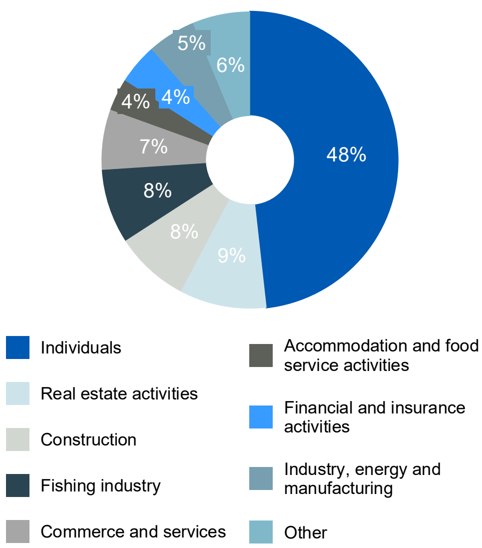
Net interest margin (%)



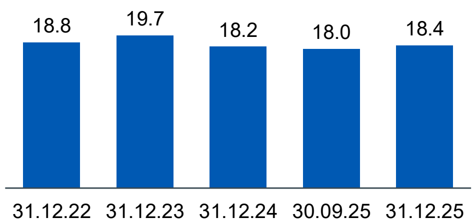
Total assets (ISK bn)



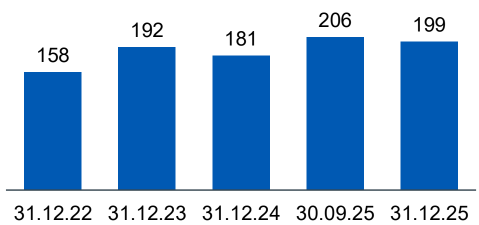
Loans to customers by sector



CET1 ratio (%)



LCR ratio (%)



EUROMONEY AWARDS FOR EXCELLENCE 2025 ICELAND BEST BANK

THE BANKER BANK OF THE YEAR 2025 ICELAND

UNEP FINANCE INITIATIVE PRINCIPLES FOR RESPONSIBLE BANKING

SUSTAINALYTICS ESG INDUSTRY TOP RATED 2023

*Return on equity attributable to shareholders of Arion Bank

Unaudited

Endorsement and statement
by the Board of Directors and the CEO

The Consolidated Financial Statements of Arion Bank for the year ended 31 December 2025 include the Consolidated Financial Statements of Arion Bank ("the Bank") and its subsidiaries, together referred to as "the Group".

About Arion Bank

Arion Bank and its subsidiaries provide comprehensive financial services to the people of Iceland. Arion Bank's role is to help those who want to achieve success in Iceland and the Arctic through smart and reliable financial solutions which enhance financial health and create sustainable value. Arion Bank places great importance on developing long-term relationships with its clients and is a market leader as a provider of cutting-edge and modern banking services.

Arion Bank provides services to individuals, corporates and investors in three business segments: Retail Banking, Corporate & Investment Banking, and Markets. The service offering is further augmented by the subsidiaries Stefnir and Vördur. Stefnir is one of the largest fund management companies in Iceland, and Vördur is the fastest growing insurance company in Iceland, providing non-life and life insurance. The Bank also offers pension services and manages several pensions funds. Arion's service offering is therefore highly diverse.

The diverse service offering creates a broad revenue base, and the loan portfolio is well diversified between retail and corporate customers. The high percentage of mortgages and the healthy distribution of loans across different sectors contribute towards risk management.

The Group is a market leader in terms of digital solutions and innovation, and the majority of the Group's services can be obtained using the Arion app. The broad spectrum of digital services makes banking more convenient for customers and also makes the business more cost efficient. The Bank is a leading service provider and advisor to corporate customers and investors and has been a key figure in invigorating the Icelandic stock market.

Arion Bank has adopted a clear policy on sustainable operations and environmental and climate issues. A wide range of green financial services, such as green car loans, deposits, corporate loans and mortgages, is available to its customers. Arion Bank has in addition published a sustainable financing framework which addresses the Bank's funding and lending activities.

Arion Bank is a financially robust bank which aspires to operate profitably in harmony with society and the environment. The Bank is committed to paying competitive dividends and is listed on Nasdaq Iceland and Nasdaq Stockholm.

Operations during the year

Income Statement

Net earnings attributable to the shareholders of Arion Bank amounted to ISK 30.6 billion for the year, with a return on equity of 14.9% and earnings per share ISK 22.05, compared with ISK 26.1 billion, 13.2% and ISK 18.31 respectively in 2024. Core income, defined as net interest income, net commission income and insurance service results (excluding opex), increased by 12.3%, compared with the previous year. Net interest income increased by 13.5%, compared with the previous year, and the net interest margin was 3.2%, compared with 3.1% in 2024. Net commission income increased by 11.6% between years, an increase across the major categories. The operation of Vördur contributed standalone net results of ISK 2.0 billion in 2025, compared with ISK 3.7 billion in 2024. Insurance revenues continued to grow, increasing by 5.5% between years, while claims increased by 5.0%. Net financial income amounted to ISK 1.1 billion, impacted by challenging capital markets, especially in equities during the first half of the year. Other operating income amounted to ISK 5.5bn, mainly due to the fair value change and profit from sale of the investment property Arnarland. Operating expenses, including operating expenses of the insurance operation, increased by 2.5% compared with the previous year, with fluctuations in underlying items. Inflation measured 3.7% between years. The cost-to-income ratio was 36.0%, compared with 42.6% in 2024, while the total cost-to-core income ratio was 42.3%, compared with 47.2% in 2024. Impairments were calculated at 24bps for the year. The effective income tax rate was 27.7%.

Balance Sheet

Arion Bank's balance sheet grew by 8.5% from year-end 2024. Loans to customers increased by 8.0%, mainly loans to corporates which increased by 16.6%. Deposits increased by 7.4%, primarily individuals and SMEs with low LCR outflow weight. Shareholders' equity amounted to ISK 217,327 million at the end of the year. The Group's capital ratio, as calculated under the Financial Undertakings Act No. 161/2002, was 22.5% and the CET1 ratio was 18.4% assuming around ISK 15.3 billion dividend payment and ISK 5 billion buyback of own shares approved by the Board in 2025 and the Financial Supervisory Authority of the Central Bank of Iceland (FSA) in January 2026. These ratios comfortably exceed the requirements made by the FSA and Icelandic law. The liquidity position was strong at year-end and well above the regulatory minimum.

Arion Bank's medium-term financial targets compared with the operational results for the year

	2025	Arion Bank's medium-term financial targets
Return on equity attributable to shareholders of Arion Bank	14.9%	Exceed 13%
Core operating income / REA	7.4%	Exceed 7.2%
Insurance revenue growth (YoY)	5.5%	In excess of market growth (5.7% in 9M 2025 YoY)
Combined ratio	89.8%	Below 95%
Total cost-to-core income ratio	42.3%	Below 45%
CET1 ratio above regulatory capital requirements	308 bps	150-250 bps management buffer (~16.8 - 17.8%)
Dividend pay-out ratio	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

Endorsement and statement
by the Board of Directors and the CEO

Merger discussion between Arion Bank and Kvika

On 4 July 2025, the Board of Directors of Arion Bank reiterated its interest from 27 May to the Board of Kvika banki hf. to enter into merger negotiations. The aim of the merger is to combine the companies' strengths and to create a robust financial institution which offers comprehensive services for its customers. The Board of Directors of Kvika agreed to the request, and both parties signed a letter of intent. According to the letter of intent Kvika shareholders receive in exchange for their shares new shares in Arion Bank representing 26% of the merged entity, a total of 485,237,822 shares, representing a share price of ISK 19.17 per share in Kvika and a share price of ISK 174.5 per share in Arion Bank. The merger of the two banks is subject to both regulatory approval and the approval of shareholders' meetings of both entities. The first steps involve due diligence reviews and preliminary discussions with the Icelandic Competition Authority, which began late last year, where the aims of the merger and benefits resulting from it, both for customers and the Icelandic financial market, will be presented. The parties hope that the preliminary discussions, the finalization of contracts, and the due diligence review will be completed in the next few months. Assuming that the preliminary discussions with the Icelandic Competition Authority are successful, merger negotiations will commence and the merger will be formally announced to the regulators and will be submitted for approval at shareholders' meetings of both companies. For further information, see press releases from 4 and 21 July 2025.

Economic outlook

The year 2025 proved particularly turbulent, as rising protectionism in global trade brought widespread uncertainty and significant volatility in international markets. Although the impact on the Icelandic economy was ultimately less severe than feared, conditions became increasingly challenging as the year progressed. Even so, the economy demonstrated resilience, with GDP growth of 1.5% in the first nine months of the year according to Statistics Iceland's preliminary estimates. Growth was driven primarily by household consumption, which increased by 3.6% year on year, and investment, which expanded by 10.1%. Despite a record-breaking summer season for tourism, export growth was outpaced by an 11.4% rise in imports. The surge in imports was largely attributable to significant inflows of computer equipment for data center operations, together with a marked rise in foreign travel by Icelandic consumers, both reaching unprecedented levels.

After two years of modest expansion, household consumption regained its role as a key driver of economic activity. A 6.9% increase in payment card turnover in the fourth quarter indicates continued momentum, reflecting households' strong financial position, considerable resilience, and substantial increases in real income. Thus, rising unemployment and a cooling labour market have not yet weighed on household spending. Although it is too early to draw definitive conclusions, signs point to a structural shift in the adjustment mechanism of the economy, with a greater share of adjustment now occurring through the labour market rather than via a weaker currency, higher inflation, and reduced purchasing power. Such a shift, however, implies a higher level of unemployment than otherwise. Unemployment is projected to continue rising in the coming months, as labour demand has weakened sharply and business sentiment, particularly among export oriented firms, has deteriorated.

During the autumn the economy faced a series of challenges. Flight capacity to Iceland sharply declined, international guidance on total allowable catches (TAC) of pelagic species was significantly reduced, a major electrical equipment failure halted aluminium production locally, and households' borrowing terms and financial conditions tightened following a Supreme Court ruling. This led to a rise in unemployment and a further slowdown in housing market activity, which had already shown signs of cooling earlier in the year. Even as the economic slowdown became more evident, substantial wage increases continued to fuel domestic inflationary pressures. Inflation expectations likewise remained elevated and well above the Central Bank's target. Nevertheless, the Central Bank lowered interest rates in November, primarily in response to turbulence in the mortgage market. Only two months later inflation rose to 5.2% in January, up from 4.6% at the beginning of 2025. Despite visible signs of cooling economy, the uptick in inflation, although largely attributable to changes in excise taxes and other public-sector fees, poses a significant challenge for the Monetary Policy Committee. As a result, interest rates were left unchanged in February, and further rate cuts were set aside for the time being. Analysts still expect rate cuts to resume, but not until the second half of the year.

Outlook for the Group

In recent years, Arion has followed a strategy designed to drive leadership in our markets, the success of our customers and society as a whole. This vision builds on long-term client relationships, diverse products and services and strong teamwork which form the basis for a seamless customer experience and sustainable value creation. The Group's performance over the past few years, which has continued in 2025, indicates that we are on the right track. The proposed merger with Kvika Bank is a natural progression of this strategy and has strong potential to further enhance the operational performance and the service to our clients.

The external operating environment continues to evolve. As before, Arion benefits from its diverse revenue streams and sound infrastructure, while also retaining the flexibility to respond to the shifting environment. The operating environment for 2025 has continued to be impacted by inflation, elevated interest rates, and international political uncertainty. Arion Bank remains in a strong position to manage the evolving external operating environment.

Employees

The Group had 901 full-time equivalent positions at the end of the year, compared with 858 at the end of 2024.

Arion Bank and Vördur have in place an incentive scheme which came into effect in 2021 for employees of Arion Bank and Vördur. The scheme is in compliance with the FSA's rules on remuneration policies for financial institutions. The scheme is divided into two parts. Firstly, employees can receive up to 10% of their fixed salary in the form of a cash payment. Secondly, a limited group can receive up to 25% of their fixed salary as payment, partly in the form of shares or share options in the Bank. The key metric used to determine whether remuneration will be paid for the relevant year, in part or in full, is whether the Bank's return on equity in the relevant year is higher than the weighted ROE of the Bank's main competitors. Stefnir has a separate incentive scheme where other criteria are used as a basis. Since 2021 Arion Bank has had in place a share option plan for all employees of the Bank, and the subsidiaries Vördur and Stefnir, which is considered important for aligning the interests of employees with the long-term interests of the Bank. The share option plan was initially for five years and employees are entitled to buy shares for up to ISK 1,500,000 each year. The purchase price is determined by the Bank's average share price 10 days before the share option agreement is signed. Further disclosure on the incentive scheme and the share option plan can be found in Note 13.

Funding and liquidity

Funding and liquidity were characterized by a robust liquidity position and continued deposit growth. The Bank's liquidity position was well in excess of the stipulated minimum and the liquidity ratio at year-end 2025 was 199%, with the stipulated minimum being 100%.

In January, the Bank issued floating rate bonds in the amount of NOK 350 million and SEK 250 million, In February, the Bank issued €300 million senior preferred notes with a 5-year maturity, in June, the Bank issued senior preferred green bonds amounting to NOK 600 million and SEK 900 million and in August, the Bank issued €300 million senior preferred notes with a 6-year maturity and the deal was close to five times oversubscribed, with orders received from 105 investors spanning more than 20 countries across EMEA and APAC.

In June, the Bank issued a new series of Tier 2 subordinated bonds. The total issue amounted to ISK 10.0 billion. The series matures in December 2036 and can be called by the issuer in December 2031 and on every subsequent due interest date.

Arion Bank continued to issue covered bonds which are secured under the Covered Bond Act No. 11/2008. In 2025 the Bank issued covered bonds amounting to ISK 18.5 billion, of which ISK 960 million were for own use.

Moody's affirmed the Bank's A3 rating for senior unsecured debt and its A2 rating for long-term deposits with a stable outlook. In addition, the Bank retained its Aa1 rating for covered bonds and its P-1 rating for short-term deposits. The rating reflected Moody's expectations that the Bank's financial results would continue to be stable and that the proposed merger with Kvika will be orderly.

Capital adequacy and dividends

Arion Bank's dividend policy states that the Bank aims to pay 50% of net earnings in dividends and that additional dividend or share buybacks can be considered when the Bank's capital levels exceed the minimum regulatory requirements together with the Bank's management buffer. In the medium term, the Bank aims to maintain capital adequacy ratios 150-250bps above total regulatory requirements. Arion Bank is currently rated A3 with a stable outlook from Moody's Ratings.

The proposed dividend for 2025, which will be subject to the approval of the Annual General Meeting on 11 March 2026, is equivalent to ISK 11.5 per share or around ISK 15.3 billion, net of own shares. In March 2025, Arion Bank paid a dividend of ISK 11.5 per share, approximately ISK 16 billion. The Annual General Meeting 2025 authorized the Board to purchase up to 10% of the Bank's issued share capital.

The Group's capital adequacy ratio on 31 December 2025 was 22.5% and the CET1 ratio was 18.3%. The ratios account for a deduction due to foreseeable dividend payments and share buybacks. This compares to a regulatory capital requirement of 19.6%, including the combined buffer requirement. The Bank's REA decreased by ISK 29.1 billion in the fourth quarter of 2025.

The main reason for the REA decrease is the introduction of CRR3 in Iceland in December 2025, resulting in an overall REA decrease of around ISK 55 billion. REA for credit risk and operational risk decreased while changes to own funds requirements for market risk have been postponed in the EEA and other effects are smaller. The CRR3-driven decrease was partly offset by customer lending growth of ISK 27.3 billion, which led to an increase in REA. It should be noted that the Bank makes use of transitional arrangements in CRR3 so some of the initial capital relief will be phased out over time.

Following the introduction of CRR3, the Bank announced its intention to buy back up to ISK 5 billion of its own shares in Iceland and Sweden and reduce its share capital.

The Bank's MREL requirements are 19.8% of REA excluding own funds used to meet the combined buffer requirement and 6.0% of TEM. The Bank comfortably exceeded both at the end of 2025. An MREL subordination requirement of 13.5% will apply to the Bank from Q3 2027.

Ownership of Arion Bank

The main forum at which the Board reports information to the shareholders and propose decisions is at legally convened shareholders' meetings. The Bank provides an effective and accessible arrangement for communications between shareholders and the Board of Directors between those meetings. Any information sensitive to the market will be released through a MAR press release, unless legal conditions for delaying public disclosure apply. Arion Bank also arranges quarterly meetings where the interim financial results are presented. The Bank has also held its capital markets day, most recently in March 2024, where the management team discussed the Group's performance and key focus areas going forward.

Lífeyrissjódur verzlunarmanna was the largest shareholder in Arion Bank with a shareholding of 9.56% at year-end and Arion Bank held 2.59% of its own shares. The number of shareholders was 10,703 at the end of the period, compared with 10,200 at year-end 2024. Further information on Arion Bank's shareholders can be found in Note 38.

The AGM of Arion Bank, held on 12 March 2025, approved the reduction of the Bank's share capital by ISK 93,423,078 nominal value, through cancelling the Bank's own shares. The reduction was carried out on 7 April 2025. Thus, the share capital of Arion Bank was reduced from ISK 1,513 million to ISK 1,420 million in 2025. In 2024 the nominal value of Arion Bank's share capital was increased by ISK 53,198,719 in order to cover the exercising of issued warrants.

Risk management

The Group faces various risks arising from its day-to-day operations as a financial institution. Managing risk is therefore a core activity within the Group. The key to effective risk management is a process of on-going identification of significant risk, quantification of risk exposure, actions to limit risk and constant monitoring of risk. This process of risk management and the ability to manage and price risk factors is critical to the Group's continuing profitability as well as ensuring that the Group's exposure to risk remains within acceptable levels. The Board of Directors is ultimately responsible for the Bank's risk management framework, ensuring that satisfactory risk policies and governance structures for controlling the Bank's risk exposure are in place. The Group's risk management, its structure and main risk factors are described in the notes and in the Bank's unaudited Pillar 3 Risk Disclosures.

Governance

At the Bank’s AGM on 12 March 2025, five members were elected to serve on the Board of Directors until the next AGM, three women and two men. Paul Horner was elected Chairman of the Board. Additionally, two Alternate Directors (one woman and one man) were elected. All Directors and Alternates are independent of Arion Bank, its management and major shareholders. The Board’s composition meets statutory requirements, which stipulate that companies employing more than 50 people must ensure that the gender ratio of the board of directors and alternate board is no less than 40%.

The Board of Directors of Arion Bank places great importance on good corporate governance and a corporate culture which fosters open and honest relations between the Bank, its shareholders, and other stakeholders. The Board of Directors is the supreme authority in the affairs of the Bank between shareholders’ meetings and tends to those operations of the Bank which are not considered part of the day-to-day business, i.e., taking decisions on issues which are unusual or of a significant nature. The Board of Directors appoints a Chief Executive Officer who is responsible for the day-to-day operations in accordance with a strategy set out by the Board. The CEO hires the Executive Management.

There are five Board sub-committees: The Board Audit Committee, the Board Risk Committee, the Board Credit Committee, the Board Remuneration Committee and the Board Tech Committee. One of the committee members on the Board Audit Committee is not a Board member and is independent of the Bank and its shareholders.

The main roles of the Board, as further specified in the rules of procedure of the Board, include setting the Bank's strategy, supervising financial affairs and accounting, and ensuring that appropriate internal controls are in place. The Board ensures that the Bank has active Internal Audit, Compliance and Risk Management departments. The Internal Auditor is appointed by the Board of Directors and works independently of other departments of the Bank in accordance with a charter from the Board. The Internal Auditor provides independent and objective assurance and advice designed to add value and improve the Bank's operations. The Compliance Officer, who reports directly to the CEO, works independently within the Bank in accordance with a charter from the Board. The main role of Compliance is to ensure that the Bank has in place proactive measures to reduce the risk of rules being breached in the course of its activities. Compliance is also responsible for coordinating the Bank’s measures against money laundering and terrorist financing. The duties of Compliance are carried out under a risk-based compliance plan approved by the Board of Directors, including a monitoring and training schedule for employees which addresses the laws and rules under which the Bank operates.

Corporate governance at Arion Bank is described in more detail in the Bank's Corporate Governance Statement which is contained in the unaudited appendix to the Financial Statement and on the website www.arionbanki.is. The Corporate Governance Statement is based on legislation, regulations, and recognised guidelines in force when the Bank's annual financial statements are adopted by the Board of Directors, prepared in accordance with the Guidelines on Corporate Governance, 6th edition, issued by the Icelandic Chamber of Commerce, SA – Business Iceland and Nasdaq Iceland in February 2021. Corporate governance at Arion Bank complies with the guidelines with two exceptions, which are explained in more detail in the Corporate Governance Statement.

Sustainability and non-financial disclosures

The overarching theme of Arion Bank’s sustainability strategy is together we make good things happen, which, among other things, reflects our ambition to lead by example when it comes to responsible and profitable business practices that take into account environmental and social considerations. We place particular emphasis on ensuring that corporate responsibility and sustainability are fully integrated into daily operations, decision making, and processes. The Bank’s code of ethics serves as guidance for employees to encourage ethical behaviour and responsible decision making. The subsidiaries Vörður and Stefnir have likewise adopted sustainability policies aligned with that of the parent company.

Sustainability governance framework

At Arion Bank, sustainability is integrated into the Group’s governance framework.

The Bank has a sustainability committee, and the management of risks related to environmental, social, and governance (ESG) factors is defined as part of the risk management system. The CEO chairs the committee, whose main role is to monitor the Bank’s performance in terms of its sustainability strategy and commitments and to ensure that ESG factors are incorporated into decision making and planning. The Bank’s sustainable financing committee and equality committee are sub-committees of this body.

Vörður has a sustainability group which addresses sustainability and related risks in operations. The group is composed of employees appointed by the operating officer and it works in accordance with established rules of procedure. Its role is to promote sustainability across all operations and to set and monitor progress toward the company’s goals. At Stefnir, an ESG committee operates and consists of employees involved in the investment process of the funds. The committee works according to defined rules, supports investment decisions, and ensures adherence to Stefnir’s responsible investment framework. It also decides on the ethical restrictions that apply to the funds’ investment decisions.

An incentive system is in operation for permanent employees of Arion Bank. The system is based on clear objectives and is subject to strict conditions in accordance with applicable laws and regulations. In 2025, as in previous years, both financial and non financial metrics formed part of the system. Non financial metrics include customer satisfaction, education and equality matters, and know your customer (KYC) performance. ESG considerations are also incorporated into incentive schemes at Stefnir and Vörður.

Endorsement and statement
by the Board of Directors and the CEO

Commitment to sustainability

Arion Bank and its subsidiaries participate in extensive national and international collaboration within the fields of sustainability and corporate responsibility and are signatories to numerous international commitments and declarations. The Bank is a participant in the UN Global Compact, the UN Principles for Responsible Banking (UN PRB), and the UN Principles for Responsible Investment (UN PRI), with Stefnir also being a signatory to the latter. At the end of 2023, the Bank joined the Science Based Targets initiative (SBTi) and the Net Zero Banking Alliance (NZBA) under the auspices of the United Nations. The NZBA was discontinued in 2025; however, its net zero guidance remains valid, and the Bank will continue to follow it. The Bank aims to have its climate targets validated by SBTi in 2027.

Domestically, the Bank and Vörður are members of Festa, the Icelandic Centre for Sustainability, and the Bank is a founding member of Grænvangur, a partnership between the public and private sectors on climate and green solutions. Arion Bank, Stefnir, and Vörður are founding members of IcelandSIF, the Icelandic Sustainable Investment Forum.

Environmental and climate strategy and actions

Arion Bank has set environmental and climate policies and targets. These emphasise minimising the environmental impact of operations and reducing greenhouse gas emissions. The policy highlights the importance of financing projects that contribute to sustainable development and green infrastructure, supporting Iceland's national climate target of carbon neutrality by 2040, and committing to the same goal for the Bank itself.

The Bank's environmental and climate goals to 2030 include:

- Increasing the share of sustainable lending to at least 20% of the Bank's total loan book;
- Reducing greenhouse gas emissions from own operations (Scope 1 and 2) by 80% from 2015 levels and offsetting remaining emissions;
- Supporting reductions in financed emissions (Scope 3) in sectors with the highest climate impact, aligned with Iceland's 2040 net zero goal, with updated targets published annually;
- The Bank will continue to purchase only vehicles that use 100% renewable energy sources for its daily operations. Other vehicles acquired for the Bank's activities shall use renewable energy sources either partially or entirely. From 2030 onward, only vehicles that meet the requirement of running on 100% renewable energy sources will be purchased;
- Obtaining SBTi verification of financed emissions targets.

Considerable progress has been made in reducing emissions from own operations of the Bank (Scopes 1 and 2), down 64.7% at year-end 2025 compared to 2015. This includes a 68.6% reduction from vehicles and 59.6% reduction from own business premises. Vörður and Stefnir refer to the Bank's environmental targets when setting their own targets. Combined emissions for Arion Bank, Stefnir, and Vörður were 622.1 tCO_2e in 2025, with Arion Bank accounting for 88.1%, Vörður 9.2%, and Stefnir 2.7%.

Financed emissions

Arion Bank is a member of the Partnership for Carbon Accounting Financials (PCAF). This is a global partnership of financial institutions that work together to develop and implement a harmonized approach to assess and disclose the greenhouse gas emissions associated with their loans and own investments (Scope 3). The Bank publishes annual financed emissions disclosures according to PCAF methodology, thereby promoting transparency in progress on climate issues. Calculations are based on the most recent reliable data available, typically one year old.

Stefnir also reports financed emissions for its managed funds and publishes annual results, including emission intensity per ISK million invested in particular funds.

Arion Bank's total financed emissions for 2024, including sovereign bonds (excluding land use), amounted to 292.2 $ktCO_2e$, a 2% increase year on year, primarily due to a 6% increase in the value of the loan book and own investments. Excluding sovereign bonds, financed emissions rose by 5% from 158.8 $ktCO_2e$ in 2023 to 167.2 $ktCO_2e$ in 2024.

The Bank's climate targets are based on emission intensity rather than absolute emissions. Emission intensity for lending and investments (excluding sovereign bonds) decreased from 0.148 tCO_2e/ISKm to 0.146 tCO_2e/ISKm, a 1% reduction between years. Emissions intensity is used to measure results because while amounts may change, percentages remain comparable and provide a better picture than just focusing on the emissions figures for each category. The reduction on emission intensity is therefore an important metric and indicates that each ISK million lent or invested now corresponds to proportionally lower emissions than the previous year.

In October 2025, Arion Bank published The Path to Net Zero, outlining updated climate targets for lending to 2030. The targets align with Iceland's 2040 goal and the Paris Agreement's 1.5°C pathway. The targets are important steps in the Bank's climate journey.

The Bank has published sustainability policies for lending to different industries and for business operations in the Arctic, designed to support customers on their sustainability journey. These policies reflect the Bank's sustainability priorities and commitments and have been approved by the sustainability committee. The policies cover the industries that have the greatest impact on the Bank's financed emissions, as well as the important region which the Arctic represents, both in terms of environmental and social.

Sustainable finance

Arion Bank has issued a Sustainable Financing Framework covering green and sustainable bonds, green deposits, and green and sustainable lending. The Framework comprises eleven categories which align with targets on mitigating or preventing climate change and which have a positive social impact. The Framework was published in 2024 and builds on the Bank's Green Finance Framework from 2021, which forms the foundation for the Bank's green product offering.

The Bank offers green business loans at preferential rates to projects which meet the terms of the Framework. Retail customers receive a 100% discount on loan fees for mortgages on environmentally certified homes and a 50% discount on electric vehicle financing fees. Better interest rates also apply to vehicles using 100% renewable energy and to plug in hybrids emitting under 50 g CO_2/km.

The Bank aims for sustainable lending to reach at least 20% of total lending by 2030. At year end 2025, sustainable lending accounted for 12.86% of the loan book, of which green loans made up 10.04% and loans with a positive social impact 2.82%. The total book value of sustainable loans was nearly ISK 171 billion (ISK 133.4bn green, ISK 37.5bn social impact). A year on year decrease is mainly due to the prepayment of a large loan.

Since 2021, when it published the Sustainable Financing Framework, the Bank has regularly issued green bonds. In 2025, it issued a green bond in Norwegian kroner and Swedish kronor which aligned with the Sustainable Financing Framework. Green liabilities decreased during the year due to the maturity of a €300m green bond. Total sustainable finance liabilities at year end were ISK 63.4bn. In January 2026, the Bank issued NOK 850m and SEK 850m in green bonds (approx. ISK 22bn), with a maturity of 3-5 years.

EIF guarantee agreement

Arion Bank and the European Investment Fund (EIF) cooperate under a guarantee agreement within the EU's InvestEU programme. The agreement enables the Bank to extend loans to Icelandic companies on more favourable terms, with a total guarantee exposure of ISK 15bn. The cooperation aligns with the Bank's Sustainable Financing Framework and has led to the development of new products. This is the second EIF agreement the Bank has operated under; the first, introduced in 2016, focused on innovation in SMEs and was widely used. The aim of the EIF guarantee is to further support entrepreneurial activity and potentially enable the financing of projects earlier than would otherwise be possible under the Bank's credit appetite. The focus is on three key areas: sustainability and green investments, innovation and digitalization, and culture and creative industries.

Under the EIF partnership, the Bank began offering car and equipment loans aimed at supporting the energy transition at companies in 2025. The aim is to make it easier for companies to invest in electric vehicles, environmentally friendly equipment, and equipment that contributes to lower emissions and improved energy efficiency. Loans under the EIF guarantee offer more favourable terms than traditional vehicle and equipment loans but must support new financing and apply to SMEs. The guarantee has been used to finance a wide range of green, innovative, and cultural projects.

Women Invest

Women Invest is a long term initiative launched by Arion aimed at empowering women through increased participation in investment and stronger financial literacy. The foundations for the project were laid in 2023 when Arion Bank decided to highlight the importance of bridging gender disparity in terms of participation in the financial market. Women Invest was formally launched in January 2024 with a well attended opening event, awareness campaign, nationwide educational programme, and extensive online content. Since its launch, around 8,000 women have attended approximately 90 educational events. Topics have been diverse, and emphasis was placed on reaching all regions and engaging with professional women's groups.

To achieve gender balanced participation, women must increase investment activity faster than men. To this end, measurable objectives have been set for three-year periods at a time, focusing among other things on incentives, financial education, and increasing women's participation in investments. In addition, short-term indicators are established to ensure that the initiative remains on track.

Human resources

Arion Group employs a strong and diverse team. At year end 2025, total full time equivalent positions numbered 883 across the Bank and subsidiaries. The gender balance was 44% men and 56% women, with fewer than five employees identifying as another gender. The average age was 41 and average length of employment was 9.5 years.

Arion updated its human resources policy in 2025. The policy consists of six guiding themes designed to support employee satisfaction, growth, and engagement: the right people, continuous learning and development, a results driven culture, well-being and social interaction, strong leadership, and a clear vision for equality. The strategy applies across the Group and is supported by various tools, including surveys, dialogue, workplace audits, supervisor effectiveness evaluations, turnover analysis, absence metrics, recruitment data, equality statistics and more.

Arion strives to foster a supportive and motivating work environment. Mutual respect characterizes all communication, and there is zero tolerance of bullying, gender based harassment, sexual harassment, and violence. The Bank places great importance on employee health and safety. We offer an attractive working environment and are a family friendly workplace. Through flexible work arrangements and a remote work policy, we accommodate the needs of our employees and support a better balance between work and personal life.

Survey results indicate that employees are generally satisfied and feel good at work. The 2025 average score on the Arion Index was 4.49 for the Bank and 4.44 for Vörður (on a scale of 1–5).

Equality and human rights

Arion is committed to respecting human rights and equality in all operations. Arion works in accordance with the equality and human rights policy and an action plan for 2024-2027. The objective of the policy and action plan is to create an environment where people of similar education, work experience and responsibility have equal opportunities and terms, irrespective of gender, gender identity, sexual orientation, origin, nationality, skin colour, age, disability or religion or any other factor. The policy and the action plan have been approved by the senior management of the Group. The CEO sits on the equality committee, which is responsible for progress and is composed of representatives from Arion, Vörður, and Stefnir.

Arion's goal is for all employees to enjoy the same terms for the same jobs or equally valuable jobs and to ensure that no unjustified wage gap exists. Equal pay means that pay levels are determined in advance and that there is no discrimination on the basis of gender of other factors. It must also be ensured that all pay decisions are predetermined and aligned with collective agreements. Arion works in accordance with an equal pay system and the companies in the Group have equal pay certification. Vörður received certification in 2014, Arion in 2015, and Stefnir in 2024. All companies in the Group now operate under the same unified system. In 2025, the unexplained gender pay gap measured 0.2%, meeting targets. In addition to the annual equal pay audit, we perform monthly equal pay analyses in order to ensure that decisions of salaries are in compliance with our equal pay policy and our targets.

Targets have been set up to 2027 to reduce the ratio of median male compensation to median female compensation to below 1.25 measured on an annual salary basis. In 2025, this figure was 1.26.

There is zero tolerance of bullying, gender based or sexual harassment, and violence at Arion. A dedicated anti-bullying team oversees policy, procedures, and training in this area and in 2025, all employees completed training on anti-bullying and harassment measures, and managers completed additional in depth workshops. All new employees undergo mandatory digital learning on anti-bullying and harassment measures.

Measures against bribery and corruption

Arion Bank applies a zero tolerance approach to bribery and corruption, as outlined in its anti bribery and corruption policy. The policy is reviewed and approved annually by the Board and aligns with international standards and applies to all employees.

Controls include policies, procedures, and mandatory training covering key risks such as gifts and hospitality, third party relationships, suppliers, charitable donations, political contributions, and governance practices. The Bank's main principles are:

- Zero tolerance: The Bank has zero tolerance for bribery and corruption.
- Compliance: The Bank always operates in accordance with laws, regulations, and good business practices.
- Preventive measures: The Bank takes appropriate steps to prevent bribery and corruption.
- Due diligence: The Bank conducts due diligence checks on third parties to ensure their activities align with the Bank's standards regarding anti bribery and anti corruption measures.
- Reporting: The Bank encourages employees and third parties to report any suspicions or incidents of bribery or corruption. The Bank's policy on internal alerts sets out the framework for reporting misconduct and protecting whistleblowers. The Bank operates dedicated whistleblowing software, available to all Group employees which allows individuals to submit reports anonymously.

Sustainability risk

The Bank's sustainability risk policy is approved annually by the Board and reviewed regularly. Key performance indicators relating to ESG factors are part of the risk report to the Board, and the Bank's risk appetite with respect to these factors has been defined.

The Bank's credit policy places an emphasis on sustainability and the credit rules stipulate that ESG factors should be assessed when a credit rating is required, or a company meets the conditions of Article 66d of the Annual Accounts Act. The Bank has analysed its loan book by industry to assess ESG risk, producing a heat map based on potential impacts over the next 15 years. These findings have been integrated into the Bank's credit risk systems, ensuring ESG factors are evaluated at the individual customer level.

In compliance with Article 5 of SFDR, the remuneration policy states how the policy is consistent with the integration of sustainability risk in the Bank's activities. The policy explains how the remuneration policy, e.g. through the Bank's incentive scheme, ensures that people integrate sustainability risk into the investment decision process and investment advice. Stefnir's remuneration policy includes corresponding provisions.

Arion Bank maintains an exclusion list of activities in which it will not invest (own investments), provide corporate finance services, or extend lending. Beyond these exclusions, the Bank refrains from doing business with entities engaged in illegal activities in their jurisdiction. Arion Bank's exclusion list is available on the Bank's website. Stefnir integrates ESG considerations into the investment processes of the funds it manages and specifically screens for companies that do not align with the ethical restrictions that have been established. These restrictions can be seen on Stefnir's website.

In the Bank's annual risk assessment, risks related to sustainability factors are also evaluated. The inherent risk associated with human resources and social factors is generally assessed as low within the business. The main risks identified relate to employee competence and development, as well as equality and diversity. In relation to environmental matters, the risk of greenwashing and the environmental and climate impacts of lending and investments were assessed as the key risks. The results also showed that the Bank's main governance related risks concern anti money laundering measures, breaches related to know your customer (KYC) requirements, and data protection issues. Overall, the controls in place for these risks within the Bank were assessed as adequate or strong.

Due diligence process

Arion Bank is subject to Article 66.d of the Annual Accounts Act on non financial reporting. Sustainability disclosures in the 2025 Annual and Sustainability Report follow the Global Reporting Initiative (GRI Standards), supporting transparent and comparable ESG reporting.

Nasdaq Nordic ESG guidelines and the UN Global Compact's ten principles are also used, alongside the UN Sustainable Development Goals. The report includes updates on progress toward the UN PRB, of which Arion was a founding signatory in 2019.

In 2023, Arion Bank began implementing the European Sustainability Reporting Standard (ESRS). The standard is part of the EU's Corporate Sustainability Reporting Directive (CSRD), which has not yet been enacted into Icelandic law. In 2025, the European Union announced significant changes to the directive, both regarding its scope and the extent of required disclosures. In the second half of the year, draft simplified ESRS standards were published, and the European Parliament approved a simplification of the regulatory framework. It was decided to limit the scope of the regulation to companies with more than EUR 450 million in annual turnover and over 1,000 full time employees. These changes are awaiting formal confirmation within the EU, but they are widely considered to be in their final form. If this revised scope is approved and incorporated into Icelandic law, the Arion Group would, as things currently stand, fall just below the thresholds and therefore remain outside the directive's scope. Despite this uncertainty, we continue to apply the ESRS standard, and this year we are using the simplified version published in November 2025.

The reporting in Arion Bank's Annual and Sustainability Report is based on the issues identified as material to the Bank's operations and its subsidiaries and is structured around five main themes: responsible operations, sustainable finance, environmental and climate matters, human resources, and engagement with society. The report also includes the Group's detailed sustainability accounts.

In 2023, legislation on the European Union Taxonomy was enacted in Iceland. Arion is subject to the law and publishes information in accordance with it in an annex to the Group's annual financial statements. The changes proposed in the simplified EU sustainability framework also apply to the EU Taxonomy and therefore depend on the EU's final approval. Arion's reporting is therefore unchanged from the previous year, as the amendments have not yet been incorporated into Icelandic law.

The Bank's Pillar 3 Risk Disclosures outline key risks, including sustainability risks, and provides extensive information on risk and capital management. The report also includes information on the Bank's governance structure in relation to risk, as well as its remuneration policy.

Deloitte provides limited assurance over sustainability disclosures in the 2025 Annual and Sustainability Report under GRI and Nasdaq guidelines.

In November 2025, Reitun issued a new sustainability rating for Arion Bank. The rating is based on the Bank's performance in environmental, social and governance (ESG). The Bank scored 90 out of 100, the highest score awarded to any company to date, and received an A3 rating for the sixth year running. By retaining this rating, the Bank has successfully met the stricter requirements made this year. The average score among companies rated by Reitun is 73. Arion is one of six companies rated A3, and no company has achieved a higher grade.

The international rating agency Morningstar Sustainalytics specializes in assessing companies' ESG risk. The company evaluates Arion Bank's performance annually, and the result for 2025 was positive, as in previous years. According to their assessment, Arion Bank is among the best performing banks globally in sustainability matters. Scores are given on a scale of 0–100, where fewer points indicate lower risk. Arion Bank scores 11.7 points, meaning the Bank is considered to have a low risk of significant financial loss due to ESG factors. As of early January 2026, Arion Bank's performance ranks in the top 6% of more than 1,000 banks assessed worldwide by Morningstar Sustainalytics, and in the top 3% of roughly 600 regional banks.

MSCI issued an updated rating for Arion in October 2025, awarding the Bank AA, classifying it as a sustainability leader. MSCI ratings range from CCC to AAA and therefore Arion is towards the top end. Investors frequently use MSCI ratings to assess portfolio risks and to construct sustainable portfolios.

Further information on sustainability and non financial disclosures is available in the Arion Bank 2025 Annual and Sustainability Report, to be published on the Bank's website on 18 February 2026.

Endorsement and statement
by the Board of Directors and the CEO

Endorsement of the Board of Directors and the Chief Executive Officer

The Consolidated Financial Statements of Arion Bank for the year ended 31 December 2025 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and additional requirements in the Icelandic Financial Statements Act, Financial Undertakings Act and Rules on Accounting for Credit Institutions.

It is our opinion that the Consolidated Financial Statements give a true and fair view of the financial performance and cash flow of the Group for the year ended 31 December 2025 and its financial position as at 31 December 2025. Furthermore, in our opinion the Consolidated Financial Statements and the Endorsement of the Board of Directors and the CEO give a fair view of the development and performance of the Group's operations and its position and describe the principal risks and uncertainties faced by the Group.

In our opinion, the Consolidated Financial Statements of Arion Bank hf. for the year 2025 with the file name RIL4VBPDB0M7Z3KXSF19-2025-12-31-en.zip is prepared, in all material respects, in compliance with the ESEF Regulation.

The Board of Directors and the CEO have today discussed the Consolidated Financial Statements of Arion Bank for the year ended 31 December 2025 and confirm them by means of their signatures. The Board of Directors and the CEO recommend that the Consolidated Financial Statements be approved at the Annual General Meeting of Arion Bank.

Reykjavík, 11 February 2026

Board of Directors

Paul Horner, Chairman

Kristín Pétursdóttir, Vice Chairman

Gunnar Sturluson

Marianne Gjertsen Ebbesen

Steinunn Kristín Thórdardóttir

Chief Executive Officer

Benedikt Gíslason

Independent Auditor's report

To the Shareholders and the Board of Directors of Arion Bank hf.

Opinion

We have audited the consolidated financial statements of Arion Bank hf. for the year ended December 31, 2025 which comprise the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity, consolidated statement of cash flows for the year then ended and the notes to the consolidated financial statements, including a summary of material accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of Arion Bank hf. as at December 31, 2025, its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and additional requirements, as applicable, in the Act on Annual Accounts, the Act on Financial Undertakings and rules on accounting for credit institutions.

Our opinion in this report on the consolidated financial statements is consistent with the content of the additional report that has been submitted to the parent company´s audit committee in accordance with the EU Audit Regulation 537/2014 Article 11.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of Arion Bank hf. in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Iceland, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Based on the best of our knowledge and belief, no prohibited services referred to in the EU Audit Regulation 537/2014 Article 5.1 has been provided. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<table>
<tr><th>Key Audit Matters</th><th>How the matter was addressed in the audit</th></tr>
<tr><td colspan="2">Impairment charges for loans and provisions for guarantees</td></tr>
<tr><td>Loans to customers for the Group amounted to ISK 1,341,618 million at 31 December 2025, and the total allowance account for the Group amounted to ISK 12,767 million (including off-balance positions) at 31 December 2025.

The Group evaluates it´s impairment on loans based of IFRS 9 resulting in impairment charges are recognised when losses are expected based on forecasting models.

Management has provided further information about the accounting policies for expected credit losses in Note 59 and about loan impairment charges and provisions for guarantees in Notes 16 and 44.

Measurement of loan impairment charges for loans and provisions for guarantees is deemed a key audit matter as the determination of assumptions for expected credit losses is subjective due to the level of judgement applied by Management.

The most significant judgements are:
• Assumptions used in the expected credit loss models to assess the credit risk related to the exposure and the expected future cash flows of the customer.
• Timely identification of exposures with significant increase in credit risk and credit impaired exposures.
• Valuation of collateral and assumptions used for manually assessed credit-impaired exposures.</td><td>Based on our risk assessment and industry knowledge, we have examined the impairment charges for loans and provisions for guarantees and evaluated the methodology applied as well as the assumptions made according to the description of the key audit matter.

As part of our audit we examined the Group's accounting policies to ensure they are in accordance with IFRS 9. As part of our audit we reviewed the Group's methodology related to expected credit losses and examined the impairment models used for expected credit loss calculations. We used risk modelling specialists as well as IFRS specialists as part of our audit.

Our examination included the following elements:
• Testing of key controls over key assumptions used in the expected credit loss models to assess the credit risk related to the exposure and the expected future cash flows of the customer.
• Substantively testing evidence to support the assumptions used in the expected credit loss models applied in stage allocation, assumptions applied to derive lifetime possibility of default and methods applied to derive loss given default.
• Testing of key controls and substantive testing of timely identification of exposures with significant increase in credit risk and timely identification of credit impaired exposures.
• Testing of key controls over models and manual processes for valuation of collateral used in the expected credit loss calculations.
• Substantively testing evidence to support appropriate determination of assumptions for loan impairment charges and provisions for guarantees including valuation of collateral and assumptions of future cash flows on manually assessed credit impaired exposures.</td></tr>
</table>

Key Audit Matters	How the matter was addressed in the audit
Reliability of information from IT systems relevant to financial reporting	
The Group's financial reporting is highly dependent on IT systems supporting the overall financial reporting process, due to the significant number of transactions processed through various systems needed to support the Group's operations. In the process of preparing the consolidated financial statements the Group uses data from number of complex IT systems. The accuracy and completeness of transactions is important to support the reliability of financial reporting. Due to the importance of data from IT systems to support the financial reporting we consider their reliability a key audit matter.	The procedures performed to respond to the key audit matter included the following, amongst others; • We obtained an understanding of the Group's IT systems and environment that support the overall financial reporting process • We reviewed the design, implementation and effectiveness of control activities, as appropriate, related to access management, change management, accuracy of key automated calculations and operation for the systems considered important for the audit. Deloitte IT audit specialists were involved in the audit • For IT systems that are outsourced and are relevant to the audit we obtained and assessed the ISAE 3402 report issued by the service organisation

Other information

The Board of Directors and CEO are responsible for the other information. The other information comprises the unaudited appendix to the Financial Statements, 5-year overview, key figures, unaudited quarterly statements in note number 6 and Endorsement and statements by the Board of Directors and the CEO.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon, except the confirmation regarding the Endorsement and the statement by the Board of Directors and the CEO as stated below.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

In accordance with Paragraph 2 article 104 of the Icelandic Financial Statement Act no. 3/2006, we confirm to the best of our knowledge that the accompanying report of the board of directors includes all information required by the Icelandic Financial Statement Act that is not disclosed elsewhere in the consolidated financial statements.

Responsibilities of the Board of Directors and the CEO for the Consolidated Financial Statements

The Board of Directors and the CEO are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and additional requirements, as applicable, in the Act on Annual Accounts, the Act on Financial Undertakings and rules on accounting for credit institutions, and for such internal control as the Board of Directors and the CEO determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors and the CEO are responsible for assessing Arion Bank hf.'s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors and the CEO either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

The board of directors and the audit committee shall supervise the preparation and presentation of the consolidated financial statements.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Arion Bank hf.'s internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated and separate financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors and the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors and the Audit Committee a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

In addition to our work as the auditors of Arion Bank hf., Deloitte has provided the Bank with permitted additional services such as review of interim financial statements and other assurance engagement. Deloitte has in place internal procedures in order to ensure its independence before acceptance of additional services. Deloitte has confirmed in writing to the Audit Committee that we are independent of Arion banki hf.

From the matters communicated with the Board of Directors and the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Report on European single electronic format (ESEF Regulation)

As part of our audit of the consolidated financial statements of Arion Bank hf. we performed procedures to be able to issue an opinion on whether the consolidated financial statements of Arion Bank hf. for the year 2025 with the file name RIL4VBPDB0M7Z3KXSF19-2025-12-31-en.zip is prepared, in all material respects, in compliance with laws no. 20/2021 disclosure obligation of issuers of securities and the obligation to flag relating to requirements regarding European single electronic format regulation EU 2019/815 which include requirements related to the preparation of the Consolidated Financial Statements in XHTML format and iXBRL markup.

Management is responsible for preparing the consolidated financial statements in compliance with laws no. 20/2021 disclosure obligation of issuers of securities and the obligation to flag. This responsibility includes preparing the consolidated financial statements in a XHTML format in accordance to EU regulation 2019/815 on the European single electronic format (ESEF regulation).

Our responsibility is to obtain reasonable assurance, based on evidence that we have obtained, on whether the consolidated financial statements is prepared in all material respects, in compliance with the ESEF Regulation, and to issue a report that includes our opinion. The nature, timing and extent of procedures selected depend on the auditor's judgement, including the assessment of the risks of material departures from the requirement set out in the ESEF regulation, whether due to fraud or error.

In our opinion, the Consolidated Financial Statements of Arion Bank hf. for the year 2025 with the file name RIL4VBPDB0M7Z3KXSF19-2025-12-31-0-en.zip is prepared, in all material respects, in compliance with the ESEF Regulation.

Appointment of auditor

Deloitte ehf. was appointed auditor of Arion Bank hf. By the general meeting of shareholders on 12 March 2025. Deloitte have been elected as auditor of the Group since the general meeting 2015.

Kópavogur, 11 February 2026

Deloitte ehf.

Gunnar Thorvardarson	Signy Magnusdottir
State Authorized Public Accountant	State Authorized Public Accountant

Consolidated Income Statement

	Notes	2025	2024
Interest income		129,777	132,259
Interest expense		(77,235)	(85,957)
Net interest income	7	**52,542**	**46,302**
Fee and commission income		21,151	19,171
Fee and commission expense		(4,004)	(3,811)
Net fee and commission income	8	**17,147**	**15,360**
Insurance revenue		20,766	19,669
Insurance service expenses		(18,655)	(17,503)
Insurance service results	9	**2,111**	**2,166**
Net financial income	10	1,075	2,845
Other operating income	11	5,516	(222)
Other net operating income		**6,591**	**2,623**
Operating income		**78,391**	**66,451**
Operating expenses	12-14	(28,248)	(28,328)
Bank levy	15	(2,106)	(1,924)
Net impairment	16	(3,053)	(1,131)
Earnings before income tax		**44,984**	**35,068**
Income tax expense	17	(12,458)	(8,919)
Net earnings from continuing operations		**32,526**	**26,149**
Discontinued operations held for sale, net of income tax	18	(19)	(37)
Net earnings		**32,507**	**26,112**

Attributable to

		2025	2024
Shareholders of Arion Bank hf.		30,626	26,111
Non-controlling interest		1,881	1
Net earnings		**32,507**	**26,112**

Earnings per share

	Notes	2025	2024
	19		
Basic earnings per share attributable to shareholders of Arion Bank (ISK)		22.05	18.31
Diluted earnings per share attributable to shareholders of Arion Bank (ISK)		21.86	18.09

The accompanying Notes are an integral part of these Consolidated Financial Statements

Amounts are in ISK millions

Consolidated Statement of Comprehensive Income

	Notes	2025	2024
Net earnings		**32,507**	**26,112**
Net change in FV of financial assets carried at FV through OCI, net of tax		257	274
Net realized loss on financial assets carried at FV through OCI, net of tax transferred to the income statement	10	162	99
Changes to reserve for financial instruments at FV thr. OCI that is or may be reclassified subsequently to the income statement		**419**	**373**
Exchange difference on translating foreign subsidiaries		6	-
Other comprehensive income that is or may be reclassified subsequently to the Income Statement		**425**	**373**
Total comprehensive income		**32,932**	**26,485**

Attributable to

	Notes	2025	2024
Shareholders of Arion Bank		31,051	26,484
Non-controlling interest		1,881	1
Total comprehensive income		**32,932**	**26,485**

Comprehensive income per share

	Notes	2025	2024
Comprehensive income per share	19		
Basic comprehensive income per share attributable to shareholders of Arion Bank (ISK)		22.36	18.57
Diluted comprehensive income per share attributable to shareholders of Arion Bank (ISK)		22.17	18.35

The accompanying Notes are an integral part of these Consolidated Financial Statements

Amounts are in ISK millions

Consolidated Statement of Financial Position

Assets	Notes	31.12.2025	31.12.2024
Cash and balances with Central Bank	20	150,111	124,094
Loans to credit institutions	21	22,567	25,690
Loans to customers	22	1,329,056	1,230,058
Financial instruments	23-25	215,816	206,417
Investment property	25	7,305	9,387
Investments in associates	27	760	814
Intangible assets	28	7,533	7,688
Tax assets	29	2	2
Assets and disposal groups held for sale	30	98	111
Other assets	31	22,517	14,006
Total Assets		**1,755,765**	**1,618,267**

Liabilities			
Due to credit institutions and Central Bank	24	12,003	6,618
Deposits	24	921,182	857,443
Financial liabilities at fair value	24	3,129	8,394
Tax liabilities	29	12,983	11,060
Other liabilities	32	50,736	49,950
Borrowings	24,33	494,823	433,178
Subordinated liabilities	24,34	43,518	44,538
Total Liabilities		**1,538,374**	**1,411,181**

Equity			
Share capital and share premium	37	1,383	5,686
Other reserves		14,382	13,949
Retained earnings		201,562	186,947
Shareholders' Equity		**217,327**	**206,582**
Non-controlling interest		64	504
Total Equity		**217,391**	**207,086**
Total Liabilities and Equity		**1,755,765**	**1,618,267**

The accompanying Notes are an integral part of these Consolidated Financial Statements

Amounts are in ISK millions

Consolidated Statement of Changes in Equity

	Share capital	Share premium	Restricted reserves Share option	Gain in subs. & assoc., unrealized	Gain in securities, unrealized	Capitalized develop-ment cost	Debt invest-ments at fair value thr. OCI, unrealized	Foreign currency translation reserve	Statutory reserve	Retained earnings	**Total share-holders' equity**	Non-cont-rolling interest	**Total equity**
Equity 1 January 2025	1,412	4,274	411	10,957	513	759	(328)	-	1,637	186,947	**206,582**	504	**207,086**
Net earnings										30,626	**30,626**	1,881	**32,507**
Net change in fair value							257				**257**		**257**
Net realized loss transferred to P/L							162				**162**		**162**
Net changes in reserves								6			**6**		**6**
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**419**	**6**	**-**	**30,626**	**31,051**	**1,881**	**32,932**
Transactions with owners													
Dividend paid										(16,114)	**(16,114)**		**(16,114)**
Purchase of treasury shares	(36)	(5,218)								(699)	**(5,953)**		**(5,953)**
Share option charge			87								**87**		**87**
Share option vested	6	715	(119)								**602**		**602**
Share option forfeited			(88)							88	**-**		**-**
Share option charge - incentive scheme			536							304	**840**		**840**
Incentive scheme	1	229									**230**		**230**
Net changes in reserves				1,803	(193)	(759)			(1,259)	408	**-**		**-**
Sale of a subsidiary											**-**	(2,321)	**(2,321)**
Equity 31 December 2025	**1,383**	**-**	**827**	**12,760**	**320**	**-**	**91**	**6**	**378**	**201,562**	**217,327**	**64**	**217,391**

The accompanying Notes are an integral part of these Consolidated Financial Statements

Amounts are in ISK millions

Consolidated Statement of Changes in Equity

			Restricted reserves										
	Share capital	Share premium	Share option	Gain in subs. & assoc., unrealized	Gain in securities, unrealized	Capitalized develop-ment cost	Debt invest-ments at fair value thr. OCI, unrealized	Warrants reserve	Statutory reserve	Retained earnings	**Total share-holders' equity**	Non-cont-rolling interest	**Total equity**
Equity 1 January 2024	1,446	9,188	408	7,772	1,462	880	(701)	825	1,637	175,881	**198,798**	503	**199,301**
Net earnings										26,111	**26,111**	1	**26,112**
Net change in fair value							274				**274**		**274**
Net realized loss transferred to P/L							99				**99**		**99**
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**373**	**-**	**-**	**26,111**	**26,484**	**1**	**26,485**
Transactions with owners													
Dividend paid										(13,058)	**(13,058)**		**(13,058)**
Purchase of treasury shares	(90)	(12,362)									**(12,452)**		**(12,452)**
Share capital increase	53	6,187									**6,240**		**6,240**
Share option charge			162								**162**		**162**
Share option vested	2	280	(40)								**242**		**242**
Share option forfeited			(119)							119	**-**		**-**
Incentive scheme	1	165									**166**		**166**
Warrants excercised		816						(825)		9	**-**		**-**
Net changes in reserves				3,185	(949)	(121)				(2,115)	**-**		**-**
Equity 31 December 2024	**1,412**	**4,274**	**411**	**10,957**	**513**	**759**	**(328)**	**-**	**1,637**	**186,947**	**206,582**	**504**	**207,086**

The accompanying Notes are an integral part of these Consolidated Financial Statements

Amounts are in ISK millions

Consolidated Statement of Cash flows

	2025	2024
Operating activities		
Net earnings	32,507	26,112
Non-cash items included in net earnings	(39,943)	(38,148)
Changes in operating assets and liabilities		
Loans to credit institutions, excluding bank accounts	(527)	211
Loans to customers	(76,733)	(55,406)
Financial instruments and financial liabilities at fair value	(3,475)	(4,890)
Deposits	67,529	68,876
Borrowings	46,667	16,946
Other changes in operating assets and liabilities	(52)	(9,433)
Interest received	100,654	102,793
Interest paid *	(79,776)	(74,623)
Dividend received	204	146
Income tax paid	(10,535)	(8,990)
Net cash from operating activities	**36,521**	**23,593**
Investing activities		
Proceeds from sale of subsidiary, net of minority interest	4,949	-
Acquisition of investment property	(191)	(233)
Proceeds from sale of investment property	447	-
Acquisition of property and equipment	(463)	(325)
Proceeds from sale of property and equipment	23	27
Decreased (increased) share capital of associates	19	(1)
Dividend from associates	8	-
Acquisition of intangible assets	(852)	(622)
Net cash from (used) in investing activities	**3,940**	**(1,154)**
Financing activities		
Dividend paid to shareholders of Arion Bank	(16,114)	(13,058)
Issued new share capital	-	6,240
Purchase of treasury stock	(5,953)	(12,452)
Issued subordinated liabilities	10,040	19,735
Settlement of subordinated liabilities	(8,769)	(6,775)
Repurchase of subordinated liabilities	-	(10,471)
Proceeds from vested share options	602	242
Net cash used in financing activities	**(20,194)**	**(16,539)**
Net increase in cash and cash equivalents	20,266	5,901
Cash and cash equivalents at beginnning of the year	117,310	114,993
Effect of exchange rate changes on cash and cash equivalent	972	(3,584)
Cash and cash equivalents	**138,548**	**117,310**
Cash and cash equivalents		
Cash and balances with Central Bank	150,111	124,094
Bank accounts	22,040	25,690
Mandatory reserve deposit with Central Bank	(33,603)	(32,474)
Cash and cash equivalents	**138,548**	**117,310**

* Interest paid includes interest on deposits at the end of the year.

The accompanying Notes are an integral part of these Consolidated Financial Statements

Arion Bank Consolidated Financial Statements 2025 Amounts are in ISK millions

Notes to the Consolidated Financial Statements
Contents

	page
General information	
Basis of preparation	23
Changes in accounting policies	23
Material accounting estimates and judgments in applying accounting policies	23
The Group	24
Operating segment reporting	
Operating segments	25
Quarterly statements	
Operations by quarters	28
Notes to the Consolidated Income Statement	
Net interest income	29
Net fee and commission income	30
Insurance service results	30
Net financial income	31
Other operating income	31
Operating expenses	32
Personnel and salaries	32
Other operating expense	34
Bank levy	34
Net impairment	34
Income tax expense	35
Discontinued operations held for sale, net of income tax	35
Earnings per share	35
Notes to the Consolidated Statement of Financial Position	
Cash and balances with Central Bank	36
Loans to credit institutions	36
Loans to customers	36
Financial instruments	36
Financial assets and financial liabilities	37
Fair value hierarchy	39

	page
Offsetting financial assets and financial liabilities	44
Investment in associates	44
Intangible assets	45
Tax assets and tax liabilities	46
Assets and disposal groups held for sale	46
Other assets	47
Other liabilities	48
Borrowings	49
Subordinated liabilities	50
Liabilities arising from financial activities	50
Pledged assets	51
Equity	51
Other information	
Shareholders of Arion Bank	53
Legal matters	53
Events after the reporting period	54
Off Balance sheet information	
Commitments	55
Assets under management, supervision and custody	55
Related party	
Related party	55
Risk management disclosures	
Credit risk	57
Market risk	69
Liquidity and Funding risk	75
Capital management	79
Operational risk	81
Sustainability risk	82
Material accounting policies	83

Notes to the Consolidated Financial Statements

General information

Arion Bank hf., the Parent Company, was established on 18 October 2008 and is incorporated and domiciled in Iceland. The registered office of Arion Bank hf. is located at Borgartún 19, Reykjavík. The Consolidated Financial Statements for the year 2025 comprise the Parent Company and its subsidiaries (together referred to as "the Group").

1. Basis of preparation

The Consolidated Financial Statements were approved and authorized for publication by the Board of Directors of Arion Bank on 11 February 2026.

In preparing these Consolidated Financial Statements, the Group has applied the concept of materiality to the presentation and level of disclosure. Only essential and mandatory information is disclosed which is relevant to an understanding by the reader of these Consolidated Financial Statements.

Statement of compliance

The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS Accounting Standards), as adopted by the European Union and additional requirements in the Icelandic Financial Statements Act, Financial Undertakings Act and rules on Accounting for Credit Institutions.

The same accounting policies, presentation and methods of computation are followed in these Consolidated Financial Statements as were applied in the Consolidated Financial Statements for the year 2024.

Basis of measurement

These Consolidated Financial Statements have been prepared on a historical cost basis except for the following:

- bonds and debt instruments, shares and equity instruments, short positions in listed bonds and equities, derivatives and certain loans to customers. For details on the accounting policy, see Note 59;
- investment properties are measured at fair value; and
- non-current assets and disposal groups held for sale are stated at the lower of their carrying amounts and fair value, less cost to sell.

Functional and presentation currency

These Consolidated Financial Statements are presented in Icelandic krona (ISK), which is the Parent Company's functional currency, rounded to the nearest million, unless otherwise stated. At the end of the year the exchange rate of the ISK against USD was 125.44 and 147.28 for EUR (31.12.2024: USD 138.99 and EUR 143.89).

2. Changes in accounting policies

Amendments to standards effective from 1 January 2025 did not have a material impact on theses Consolidated Financial Statements. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not effective, see Note 77.

3. Material accounting estimates and judgements in applying accounting policies

The preparation of these Consolidated Financial Statements requires management to make judgments, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures, as well as the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the Consolidated Financial Statement were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Notes to the Consolidated Financial Statements

3. Material accounting estimates and judgements in applying accounting policies, continued

Impairment of financial assets

The book value of financial assets which fall under the impairment requirements of IFRS 9 are presented net of expected credit losses in the statement of financial position. On a monthly basis expected credit losses for stages 1 and 2 are recalculated for each asset, the calculations are based on probability of default (PD), loss given default (LGD) and exposure at default (EAD) models. Stage 3 calculations are based on LGD and EAD parameters. In addition to the model outcomes, the assessment of expected credit losses is based on three key factors: management's assumptions regarding the development of macroeconomic factors over the next five years, how those factors affect each model and how to estimate a significant increase in credit risk. The assumptions for macroeconomic development are incorporated into each model for three scenarios: a base case, an optimistic case, and a pessimistic case. Management estimates the probability weight for each scenario used for calculations of the probability weighted expected credit losses. The amount of expected credit losses to be recognized is dependent on the Bank's definition of significant increase in credit risk, which controls the impairment stage each asset is allocated to. Management has estimated factors to measure significant increase in credit risk from origination, by comparison of changes in PD values, annualized lifetime PD values, days past due and watch list. For further information see Note 59.

Macroeconomic outlook

The macroeconomic scenario applied for 2026 reflects management's judgment that, despite elevated inflation and continued uncertainty affecting key export sectors, the Icelandic economy is expected to avoid a severe downturn. Inflation is anticipated to remain elevated in early 2026, partly due to changes in taxes and levies, before moderating as underlying disinflationary pressures emerge.

Management has judged that signs of a cooling labour market and weaker forward looking indicators of labour demand, together with the Central Bank’s signalling of a continued easing bias and its stated approach of looking through one-off inflationary shocks, support the use of a baseline scenario assuming moderate GDP growth. This judgement is made notwithstanding ongoing uncertainties related to wage growth, which is expected to remain elevated, and the extent to which softer labour market conditions may dampen domestic demand.

The applied scenario further reflects management’s assessment that the housing market is expected to continue to cool in an orderly manner and that domestic demand will remain sufficiently resilient to offset external headwinds. However, given the inherent uncertainty surrounding inflation persistence, wage dynamics, and exchange rate valuation, the assumptions applied are subject to estimation uncertainty and may differ from actual outcomes.

Impairment of intangible assets

The carrying amounts of goodwill, infrastructure and customer relationship and related agreements are reviewed annually to determine whether there is any indication of impairment. If any such indication exists the asset's recoverable amount is estimated. An impairment loss is recognized if the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognized in the Consolidated Income Statement. The recoverable amount of an asset is the greater of its value in use and its fair value less cost to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Revaluation of investment properties

The Group carries its investment properties at fair value, with changes in fair value being recognized in the income statement. For investment properties, either a valuation methodology based on present value calculations is used, as there is a lack of comparable market data because of the nature of the properties, or the investment properties are valued by reference to transactions involving properties of a similar nature, location and condition.

4. The Group

Shares in the main subsidiaries in which Arion Bank holds a direct interest

			Equity interest	
	Operating activity	Currency	31.12.2025	31.12.2024
Arion (Financial) Advisory Services Ltd, 30-32 Fleet Street, London, UK	Financial service	GBP	100.0%	-
Eignabjarg ehf., Borgartún 19, Reykjavík, Iceland	Holding company	ISK	100.0%	100.0%
Landey ehf., Borgartún 19, Reykjavík, Iceland	Real estate	ISK	100.0%	100.0%
Leiguskjól ehf., Bjargargata 1, Reykjavík, Iceland	Rental guarantee	ISK	51.0%	51.0%
Stefnir hf., Borgartún 19, Reykjavík, Iceland	Asset management	ISK	100.0%	100.0%
Vördur tryggingar hf., Borgartún 19, Reykjavík, Iceland	Insurance	ISK	100.0%	100.0%

In June 2025 Arion Bank acquired all shareholdings in Arion (Financial) Advisory Services Ltd (formerly Arngrimsson Advisors Ltd), an entity offering financial service for institutional investors investing in international markets. The acquisition was defined as asset purchase, mainly affecting other assets in the Statement of Financial position whereas the effects on the Income Statement were mainly on net fee and commission income.

The sale of the subsidiary Arnarland ehf. was completed on 23 October 2025. Arion Bank owned a 51% stake in Arnarland through its subsidiary Landey and recognized a minority interest accordingly.

Amounts are in ISK millions

Operating segment reporting

Segment information is presented in respect of the Group's operating segments and is based on the Group's management and internal reporting structure. The business units are segmented according to customers, products and services characteristics. Segment performance is evaluated based on earnings before tax.

Inter segment pricing is determined on an arm's length basis. Operating segments pay and receive interest to and from Treasury on an arm's length basis to reflect the allocation of capital, funding cost and relevant risk premium.

5. Operating segments

Markets & Stefnir

Markets & Stefnir comprise Asset Management and Capital Markets. Asset Management manages financial assets on behalf of its clients according to a pre-determined investment strategy. Asset Management also handles the operation and development of securities and pension funds. Asset Management comprises Institutional Asset Management, Premia Services, development and operations, research, and sales and services. Premía Services are divided into three service streams: Premia; Premia - Private Banking; and Premia – Wealth Management and provide customers with comprehensive and personal financial services. Capital Markets is a securities brokerage and brokers listed securities transactions for the Bank’s international and domestic clients on all the world’s major securities exchanges.The operation of Stefnir hf. is presented under the segment. Stefnir hf. is an independently operating financial company owned by Arion Bank and manages a broad range of mutual funds, investment funds and institutional investor funds for investors. Markets also offer a comprehensive selection of funds from some of the leading international fund management companies, both through the Bank and the Bank's subsidiary Arion (Financial) Advisory Services Ltd.

Corporate & Investment Banking (CIB)

Corporate & Investment Banking provides comprehensive financial services to companies and investors with focus on meeting the needs of each client, both in Iceland and internationally. The division is divided into Corporate Banking and Corporate Finance.

Corporate Banking's experienced account managers specialize in key economic sectors such as retail and services, seafood, energy and real estate. The division serves companies ranging from SMEs to large cap´s and provides full range lending and insurance products, including guarantees, deposit accounts, payment solutions, and a variety of value-added digital solutions. The Corporate portfolio composition is diversified between sectors, customers and currencies which include international exposures, partly through syndicates with other Icelandic or international banks.

Arion Bank‘s Corporate Finance works closely with Corporate Banking and provides the Bank’s clients with comprehensive financial advisory services, with a key focus on M&A advisory, private placements, IPOs and other offerings of securities.

Retail Banking

Retail Banking provides a diverse range of financial services in 12 branches and service points across Iceland in addition to service centre and digital solutions both in the Arion app and online banking. These services include deposits and loans, savings, payment cards, pensions, securities and funds. In order to improve efficiency the branch network is split into four regions, and smaller branches can therefore benefit from the strength of larger units within each region.

Treasury

Treasury is responsible for the Bank's funding, liquidity and asset-and-liability management. Treasury oversees the internal funds‘s transfer pricing and manages the relationship with investors, credit rating agencies and financial institutions. Market making activities in domestic securities and FX as well as FX brokerage sits within Treasury.

Vördur tryggingar hf.

Vördur is a comprehensive insurance company that services both individuals and companies and focuses on simple and convenient services. Vördur collaborates closely with Retail Banking and Corporate and Investment Banking on insurance sales and customer services.

Supporting units

Supporting units include the Bank's headquarters which carry out support functions such as the CEO office, Risk Management, Finance (excluding Treasury), IT and Operations & Culture. The information presented relating to the supporting units does not represent an operating segment. A significant proportion of expenses from support functions is allocated to operating segments in a separate line in the operating segment overview.

5. Operating segments, continued

2025 *Income Statement*	Markets and Stefnir	CIB	Retail Banking	Treasury	Vördur	Subsidi-aries excl. Stefnir and Vördur	Supporting units and elimi-nations	Total
Net interest income	1,387	29,890	16,163	5,315	(75)	6	(144)	52,542
Net fee and commission income	5,686	6,844	3,261	796	(180)	210	530	17,147
Insurance service results	-	-	-	-	2,174	(5)	(58)	2,111
Net financial income	3	5	-	211	815	69	(28)	1,075
Other operating income	2	9	29	3	9	5,465	(1)	5,516
Operating income	7,078	36,748	19,453	6,325	2,743	5,745	299	78,391
Operating expenses	(2,855)	(2,528)	(3,688)	(687)	1,121	(577)	(19,034)	(28,248)
Allocated expenses	(3,217)	(5,284)	(7,105)	(1,428)	(1,204)	(96)	18,334	-
Bank levy	(42)	(801)	(830)	(434)	-	-	1	(2,106)
Net impairment	21	(2,753)	(201)	(15)	-	-	(105)	(3,053)
Earnings before income tax	985	25,382	7,629	3,761	2,660	5,072	(505)	44,984
Net seg. rev. from ext. customers	3,600	45,962	37,116	(16,944)	2,770	5,920	(33)	78,391
Net seg. rev. from other segments	3,478	(9,214)	(17,663)	23,269	(27)	(175)	332	-
Operating income	7,078	36,748	19,453	6,325	2,743	5,745	299	78,391
Statement of financial position								
Loans to customers	9,242	678,151	640,225	-	-	-	1,438	1,329,056
Financial instruments	19,591	-	-	162,790	36,277	164	(3,006)	215,816
Other external assets	6,199	69	1,573	172,826	4,421	12,700	13,105	210,893
Internal assets	68,213	-	-	265,545	-	-	(333,758)	-
Total assets	103,245	678,220	641,798	601,161	40,698	12,864	(322,221)	1,755,765
Deposits	91,930	405,169	408,750	20,160	-	-	(4,827)	921,182
Other external liabilities	2,496	6,792	2,763	561,457	25,790	1,529	16,365	617,192
Internal liabilities	-	148,194	177,791	-	-	7,774	(333,759)	-
Total liabilities	94,426	560,155	589,304	581,617	25,790	9,303	(322,221)	1,538,374
Allocated equity	8,819	118,065	52,494	19,544	14,908	3,561	-	217,391

Amounts are in ISK millions

5. Operating segments, continued

2024 *Income Statement*	Markets and Stefnir	CIB	Retail Banking	Treasury	Vördur	Subsidi- aries excl. Stefnir and Vördur	Supporting units and elimi- nations	Total
Net interest income	1,257	26,086	15,103	4,079	(76)	(194)	47	46,302
Net fee and commission income	5,315	5,213	3,471	672	(137)	292	534	15,360
Insurance service results	-	-	-	-	2,231	-	(65)	2,166
Net financial income	94	853	-	(580)	2,468	23	(13)	2,845
Other operating income	4	(1)	37	-	11	(309)	36	(222)
Operating income	6,670	32,151	18,611	4,171	4,497	(188)	539	66,451
Operating expenses	(2,793)	(2,524)	(3,883)	(917)	1,064	(409)	(18,866)	(28,328)
Allocated expenses	(2,894)	(5,132)	(7,780)	(1,463)	(1,164)	(123)	18,556	-
Bank levy	(46)	(694)	(829)	(355)	-	-	-	(1,924)
Net impairment	(24)	(1,016)	(71)	(20)	-	-	-	(1,131)
Earnings before income tax	913	22,785	6,048	1,416	4,397	(720)	229	35,068
Net seg. rev. from ext. customers	3,390	41,220	37,276	(20,279)	4,529	39	314	66,489
Net seg. rev. from other segments	3,280	(9,069)	(18,665)	24,459	(38)	(227)	222	(38)
Operating income	6,670	32,151	18,611	4,180	4,491	(188)	536	66,451
Statement of financial position								
Loans to customers	6,105	588,483	634,959	4	-	-	507	1,230,058
Financial instruments	25,317	587	-	147,478	35,790	117	(2,872)	206,417
Other external assets	6,521	414	1,675	141,379	4,634	19,215	7,954	181,792
Internal assets	63,261	-	-	261,499	-	-	(324,760)	-
Total assets	101,204	589,484	636,634	550,360	40,424	19,332	(319,171)	1,618,267
Deposits	87,630	394,512	355,787	22,003	-	-	(2,489)	857,443
Other external liabilities	4,569	4,644	1,923	501,793	25,076	7,655	8,078	553,738
Internal liabilities	-	89,733	232,638	-	-	2,389	(324,760)	-
Total liabilities	92,199	488,889	590,348	523,796	25,076	10,044	(319,171)	1,411,181
Allocated equity	9,005	100,596	46,286	26,564	15,348	9,288	-	207,086

Income taxes and discontinued operations held for sale are excluded from the profit and loss segment information.

Amounts are in ISK millions

Notes to the Consolidated Financial Statements

Notes to the Consolidated Income Statement

Quarterly statements

6. Operations by quarters, unaudited

2025	Q1	Q2	Q3	Q4	Total
Net interest income	12,166	14,200	13,826	12,350	52,542
Net fee and commission income	4,536	4,553	4,003	4,055	17,147
Insurance service results	(31)	1,066	630	446	2,111
Net financial income	(951)	179	483	1,364	1,075
Other operating income	3,321	1,324	45	826	5,516
Operating income	19,041	21,322	18,987	19,041	78,391
Operating expenses	(6,601)	(6,697)	(6,194)	(8,756)	(28,248)
Bank levy	(508)	(521)	(530)	(547)	(2,106)
Net impairment	(378)	147	(1,128)	(1,694)	(3,053)
Earnings before income tax	11,554	14,251	11,135	8,044	44,984
Income tax expense	(3,726)	(3,984)	(2,928)	(1,820)	(12,458)
Net earnings from continuing operations	7,828	10,267	8,207	6,224	32,526
Discontinued operations, net of tax	(11)	(11)	3	-	(19)
Net earnings	7,817	10,256	8,210	6,224	32,507

2024	Q1	Q2	Q3	Q4	Total
Net interest income	11,245	11,948	11,863	11,246	46,302
Net fee and commission income	3,365	3,979	3,880	4,136	15,360
Insurance service results	(215)	523	1,532	326	2,166
Net financial income	29	99	524	2,193	2,845
Other operating income	50	38	(313)	3	(222)
Operating income	14,474	16,587	17,486	17,904	66,451
Operating expenses	(6,554)	(7,154)	(6,021)	(8,599)	(28,328)
Bank levy	(460)	(476)	(500)	(488)	(1,924)
Net impairment	(315)	(775)	(954)	913	(1,131)
Earnings before income tax	7,145	8,182	10,011	9,730	35,068
Income tax expense	(2,704)	(2,671)	(2,114)	(1,430)	(8,919)
Net earnings from continuing operations	4,441	5,511	7,897	8,300	26,149
Discontinued operations, net of tax	(9)	(11)	(6)	(11)	(37)
Net earnings	4,432	5,500	7,891	8,289	26,112

The half-year results were reviewed by the Bank's auditors. Other quarterly statements and the split between quarters were not audited or reviewed by the Bank's auditors.

Amounts are in ISK millions

7. Net interest income

2025	Amortized cost	Fair value thr. P/L	Fair value thr. OCI	Total
Interest income				
Cash and balances with Central Bank	6,795	-	-	6,795
Loans to credit institutions	864	-	-	864
Loans to customers	114,697	119	-	114,816
Securities	-	675	6,520	7,195
Other	107	-	-	107
Interest income	122,463	794	6,520	129,777
Interest expense				
Deposits	(48,552)	-	-	(48,552)
Borrowings	(23,406)	(1,623)	-	(25,029)
Subordinated liabilities	(3,217)	(295)	-	(3,512)
Other	(142)	-	-	(142)
Interest expense	(75,317)	(1,918)	-	(77,235)
Net interest income	47,146	(1,124)	6,520	52,542

2024	Amortized cost	Fair value thr. P/L	Fair value thr. OCI	Total
Interest income				
Cash and balances with Central Bank	7,752	-	-	7,752
Loans to credit institutions	1,242	-	-	1,242
Loans to customers	115,425	65	-	115,490
Securities	-	1,532	6,147	7,679
Other	96	-	-	96
Interest income	124,515	1,597	6,147	132,259
Interest expense				
Deposits	(53,865)	-	-	(53,865)
Borrowings	(22,372)	(5,542)	-	(27,914)
Subordinated liabilities	(3,396)	(647)	-	(4,043)
Other	(135)	-	-	(135)
Interest expense	(79,768)	(6,189)	-	(85,957)
Net interest income	44,747	(4,592)	6,147	46,302

Net interest income calculated using the effective interest rate method were ISK 127,752 million (2024: ISK 125,974 million).

Interest spread

	2025	2024
Interest spread (the ratio of net interest income to the average carrying amount of interest bearing assets)	3.2%	3.1%

Arion Bank Consolidated Financial Statements 2025 | 29 | Amounts are in ISK millions

Notes to the Consolidated Financial Statements

8. Net fee and commission income

	2025			2024		
	Income	Expense	Net income	Income	Expense	Net income
Asset management	5,508	(495)	5,013	5,346	(563)	4,783
Capital markets and corporate finance	2,475	(37)	2,438	1,787	(40)	1,747
Lending and financial guarantees	5,244	-	5,244	4,326	-	4,326
Collection and payment services	1,403	(81)	1,322	1,590	(109)	1,481
Cards and payment solution	5,766	(2,783)	2,983	5,286	(2,617)	2,669
Other	755	(959)	(204)	836	(839)	(3)
Commission expense from insurance operation	-	351	351	-	357	357
Net fee and commission income	21,151	(4,004)	17,147	19,171	(3,811)	15,360

Asset management fees are earned by the Group for trust and fiduciary activities where the Group holds or invests assets on behalf of the customers.

Fee and commission income from capital markets and corporate finance includes miscellaneous corporate finance services plus commission from capital markets relating to sales of shares, bonds, FX and derivatives.

Fee and commission income from lending and financial guarantees is mainly related to lending activities, extension fees, advisory services and documentation, notification and payment fees plus fees from the issuing of guarantees on behalf of customers.

Fee and commission income on collection and payment services is generated billing services, such as issuing invoices and payment collection notices, wire transfer services and other payment services.

Commission from cards and payment solutions is mainly from the Bank's issuance of credit and debit cards and other card related commission, e.g. yearly fee on cards and transaction fees.

Other fee and commission income is mainly fees relating to sale, custody and market making on the Icelandic stock exchange.

Commission expense from insurance operation is transferred to insurance service results in accordance with IFRS 17.

9. Insurance service results

	2025	2024
Insurance revenue	20,766	19,669
Incurred claims	(14,406)	(13,723)
Service expenses	(4,010)	(3,749)
Insurance service expenses	(18,416)	(17,472)
Net expense from reinsurance contracts held	(239)	(31)
Insurance service results	2,111	2,166

Operation results of Vördur

Vördur's operation resulted in a profit of ISK 2,037 million in 2025, with a return on equity of 13.7%, compared with a profit of ISK 3,675 million in 2024 and a return on equity of 30.8%.

	2025	2024
Insurance service results	2,111	2,166
Insurance revenue elimination and reclassification	14	23
Insurance service results according to the Financial Statements of Vördur	2,125	2,189
Investment return	1,608	3,260
Net financial loss from insurance contracts	(1,083)	(1,063)
Total investment return	525	2,197
Other income	9	11
Earnings before income tax	2,659	4,397
Income tax	(622)	(721)
Net earnings	2,037	3,675

Combined ratio

Combined ratio of Vördur, including insurance revenue from the Group	89.8%	88.9%

Amounts are in ISK millions

10. Net financial income

	2025	2024
Net gain on financial assets and financial liabilities mandatorily measured at fair value through the income statement	1,760	4,686
Net gain (loss) on prepayments of borrowings	33	(182)
Net loss on fair value hedge of interest rate swap	(13)	(383)
Net realized loss on financial assets carried at fair value through OCI	(219)	(134)
Net financial loss from insurance contracts	(1,083)	(1,063)
Net foreign exchange gain (loss)	597	(79)
Net financial income	1,075	2,845

Net gain on financial assets and financial liabilities mandatorily measured at fair value through the income statement

	2025	2024
Equity instruments	(729)	2,778
Debt instruments	2,147	1,866
Derivatives	372	56
Loans	(30)	(14)
Net gain on financial assets and financial liabilities mandatorily measured at fair value through the income statement	1,760	4,686

Net loss on fair value hedge of interest rate swap

	2025	2024
Fair value change of interest rate swaps designated as hedging instruments	1,185	4,867
Fair value change on bonds issued by the Group attributable to interest rate risk	(1,198)	(5,250)
Net loss on fair value hedge of interest rate swap	(13)	(383)

11. Other operating income

	2025	2024
Fair value changes on investment property	5,277	(339)
Realised loss on investment property	(429)	-
Net gain on disposal of assets	600	1
Net gain on assets held for sale	13	7
Share of (loss) profit of associates	(27)	24
Other income	82	85
Other operating income	5,516	(222)

Net gain on assets held for sale

	2025	2024
Net gain from real estates and other assets	18	16
Expense related to real estates and other assets	(5)	(9)
Net gain on assets held for sale	13	7

Real estates and other assets classified as assets held for sale are generally the result of foreclosures on companies and individuals.

Amounts are in ISK millions

Notes to the Consolidated Financial Statements

12. Operating expenses

	2025	2024
Salaries and related expenses	19,217	18,694
Other operating expenses	12,690	13,026
Operating expenses from insurance operation	(3,659)	(3,392)
Operating expenses	**28,248**	**28,328**

13. Personnel and salaries

	2025	2024
Number of employees		
Average number of full-time equivalent positions during the year	878	836
Full-time equivalent positions at the end of the year	901	858
Salaries and related expenses		
Salaries	13,739	12,914
Incentive scheme, including salary related expense	1,325	1,813
Share-based payment expenses	86	162
Defined contribution pension plans	2,016	1,901
Salary-related expenses	2,051	1,904
Salaries and related expenses	**19,217**	**18,694**

	2025				2024			
Remuneration to the Board of Directors	Fixed remuner-ation*	Additional remuner-ation**	Pension contribution	Total	Fixed remuner-ation*	Additional remuner-ation**	Pension contribution	Total
Paul Horner, Chairman	18.8	14.8	-	33.7	17.2	13.7	-	30.9
Kristín Pétursdóttir, Vice Chairman	10.7	13.3	2.8	26.8	9.5	12.2	2.5	24.1
Gunnar Sturluson, Director	7.1	11.5	2.1	20.8	6.7	9.8	1.9	18.4
Marianne Gjertsen Ebbesen, Director (elected 12 March '25)	8.9	5.9	-	14.8	-	-	-	-
Steinunn K. Thórdardóttir, Director***	16.6	14.7	3.6	34.9	13.5	12.9	3.0	29.5
Liv Fiksdahl (until 12 March '25)	2.2	2.2	-	4.4	10.7	11.2	-	21.9
Brynjólfur Bjarnason (until 13 March '24)	-	-	-	-	2.7	2.2	0.6	5.4
Alternate directors of the Board	1.2	0.6	0.2	2.0	1.1	1.5	0.3	3.0
Total remuneration	65.5	63.1	8.7	137.4	61.4	63.5	8.3	133.2

* Fixed remuneration represents Board Member compensation for their attendance at meetings of the Board of Directors.
** Additional remuneration represents Board Member compensation for their participation in Board Committees.
*** Steinunn K. Thórdardóttir also serves on the Board of Vördur.

Amounts are in ISK millions

13. Personnel and salaries, continued

Remuneration to key management personnel

	2025				2024			
	Salaries	Performance-based payments	Pension contribution	Total	Salaries	Performance-based payments	Pension contribution	Total
Benedikt Gíslason, CEO	69.5	14.5	10.3	94.3	68.4	6.1	10.5	85.0
Members of the Executive Committee*	358.2	83.0	53.0	494.2	350.7	30.6	54.2	435.4
Former members of Executive Committee	-	-	-	-	7.0	3.8	1.5	12.3
Other key employees	68.3	-	10.2	78.5	66.1	-	9.9	75.9
Total remuneration	496.1	97.5	73.5	667.0	492.2	40.5	76.0	608.7

* Members of the Executive Committee are listed in Note 43.

Board Members receive remuneration for their involvement in board committees. In addition to 21 Board meetings (2024: 13) during the year 4 Board Credit Committee meetings (2024: 7), 5 Board Audit Committee meetings (2024: 5), 8 Board Risk Committee meetings (2024: 8), 5 Board Remuneration Committee meetings (2024: 5) and 4 Board Tech committee meetings (2024: 5) were held.

The 2025 Annual General Meeting of the Bank held on 12 March 2025 approved the monthly salaries for 2025 for the Chairman, Vice Chairman and for other Board Members of amounts ISK 1,200,000, ISK 900,000 and ISK 600,000 (2024: ISK 1,130,000; 847,500; 565,000) respectively. Alternate Board Members receive a payment of ISK 600,000 per year and ISK 300,000 for each meeting attended but cannot exceed ISK 600,000 per month (2024: ISK 565,000 per year, ISK 282,500 for each meeting but cannot exceed ISK 565,000 per month). Board members residing outside of Iceland receive a further ISK 387,500 for each Board meeting they attend in person (2024: ISK 365,000). In addition, it was approved to pay Board Members who serve on board sub-committees of the Bank a maximum of ISK 250,000 (2024: ISK 235,000) per month for each committee they serve on and the Chairman of the board committees ISK 375,000 (2024: ISK 352,500).

Incentive schemes

In 2025 the Group made a ISK 1,325 million provision for the incentive scheme, including salary-related expenses (2024: ISK 1,813 million). At year end the Group's accrual for the incentive scheme payments amounted to ISK 1,678 million (31.12.2024: ISK 2,853 million). The estimated cost of the deferred part of the incentive scheme from the fiscal years 2022–2025, to be settled in 2026–2030, amounting to ISK 546 million, will be expensed on a proportional basis over the years leading up to their settlement.

The current incentive scheme for Arion Bank hf. and Vördur came into effect in 2021. The scheme is in compliance with the FSA’s rules on remuneration policy for financial institutions. The scheme is divided into two parts. Firstly, employees can receive up to 10% of their fixed salary for each fiscal year in the form of a cash payment. Secondly, a limited group can receive up to 25% of their fixed salary as a payment in the form of shares or share options in the Bank. Of this 25%, (i) a total of 20% will be settled instantly with cash, 40% will be settled instantly with shares subject to a 3-year lock-up period and the remaining 40% will be settled with shares or share options after 4-5 years or (ii) a total of 20% will be settled instantly with cash and the remaining 80% will be settled with share options after 4-5 years. The key metric used to determine whether incentive scheme payments will be paid by the Bank, in part or in full, is whether the Bank’s return on equity is higher than the weighted ROE of the Bank’s main competitors. Other supporting metrics include ROE and cost-to-income ratio vs target, compliance, staff NPS etc. Stefnir hf. has a special incentive scheme where other criteria are used as a basis.

Share-based payment expense

Arion Bank has in place a share option plan for all employees of the Bank, Vördur and Stefnir, approved at the Banks annual general meeting. A total expense of ISK 86 million was recognised in the Income Statement during the year (2024: ISK 122 million). Estimated remaining expenses due the share option contracts are ISK 9 million and will be expensed over the next four months. For further information on the share option program, see Note 37.

Amounts are in ISK millions

14. Other operating expenses

	2025	2024
IT expenses	5,127	5,074
Professional services	1,565	1,435
Marketing	1,283	1,215
Housing expenses	522	502
Other administration expenses*	2,532	3,103
Depreciation of property and equipment	493	573
Depreciation of right of use asset	161	139
Amortization of intangible assets	1,007	985
Other operating expenses	12,690	13,026

Auditor's fee

	2025	2024
Audit and review of the Consolidated Financial Statements for the relevant fiscal year	180	189
Other audit related services for the relevant fiscal year	16	17
Other services from auditors	5	13
Auditor's fee	201	219

* Included ISK 585 million fine following settlement with the Financial supervision of the Central Bank in June 2024.

15. Bank levy

The Bank levy is 0.145% on total debts excluding tax liabilities, in excess of ISK 50 billion. The Bank levy is assessed on Financial Undertakings but non-financial subsidiaries are exempt from this tax.

16. Net impairment

	2025	2024
Net impairment on financial instruments and value changes on loans		
Net impairment on loans to customers and financial institutions	(3,064)	(1,738)
Net impairment on other financial instruments at FVOCI	(4)	-
Other value changes of loans - corporates	-	83
Other value changes of loans - individuals	15	524
Net impairment	(3,053)	(1,131)

Net impairment by customer type

	2025	2024
Individuals	(736)	69
Corporates	(2,317)	(1,200)
Net impairment	(3,053)	(1,131)

Other value changes of loans to individuals and corporates are mainly due to release of discount from loans acquired with discount during the years 2008 to 2013, both due to impairments and other discount rate than reflected in the interest rates of the loans. There are no further discounts related to the aforementioned loans on balance.

Amounts are in ISK millions

17. Income tax expense

	2025	2024
Current tax expense	11,386	9,651
Deferred tax expense	1,072	(732)
Current tax expense	**12,458**	**8,919**

Reconciliation of effective tax rate

	2025		2024	
Earnings before income tax		44,984		35,068
Income tax using the Icelandic corporate tax rate	20.0%	8,997	21.0%	7,364
Additional 6% tax on Financial Undertakings	5.0%	2,258	5.6%	1,977
Non-deductible expenses	0.2%	82	0.5%	163
Tax exempt revenues / loss	1.7%	757	(1.9%)	(664)
Non-deductible taxes (Bank levy)	0.9%	421	1.1%	385
Effect of tax rates in foreign jurisdictions	0.0%	17	0.0%	-
Tax incentives not recognized in the Income Statement	0.1%	44	(0.2%)	(78)
Other changes	(0.3%)	(118)	(0.7%)	(228)
Effective tax rate	**27.7%**	**12,458**	**25.4%**	**8,919**

Financial undertakings pay 6% additional tax on taxable profit exceeding ISK 1 billion.

Tax exempt revenues / loss consist mainly of profit / loss from equity positions.

18. Discontinued operations held for sale, net of income tax

	2025	2024
Net loss from discontinued operations held for sale, net of income tax	(19)	(37)
Discontinued operations held for sale, net of income tax	**(19)**	**(37)**

Sólbjarg ehf., a subsidiary of Eignabjarg is classified as held for sale.

19. Earnings per share

Basic earnings per share is based on net earnings attributable to the shareholders of Arion Bank and the weighted average number of shares outstanding during the year. Diluted earnings per share is calculated by adjusting the weighted average number of outstanding shares to assume conversion of all dilutive potential ordinary shares. Arion Bank has issued share options, share rights and warrants (terminated in 2024) that have dilutive effects.

	Continued operations		Discontinued operations		Net earnings	
	2025	2024	2025	2024	2025	2024
Net earnings attributable to the shareholders of Arion Bank	30,645	26,148	(19)	(37)	30,626	26,111
Total comprehensive income attributable to the shareholders	31,070	26,521	(19)	(37)	31,051	26,484
Weighted average number of outstanding shares (millions)	1,389	1,426	1,389	1,426	1,389	1,426
Weighted average number of outstanding shares including options and warrants (2024) (millions)	1,401	1,443	1,401	1,443	1,401	1,443
Basic earnings per share (ISK)	22.07	18.34	(0.01)	(0.03)	22.05	18.31
Diluted earnings per share (ISK)	21.88	18.12	(0.01)	(0.03)	21.86	18.09
Basic comprehensive income per share (ISK)	22.37	18.59	(0.01)	(0.03)	22.36	18.57
Diluted comprehensive income per share (ISK)	22.18	18.38	(0.01)	(0.03)	22.17	18.35

Notes to the Consolidated Statement of Financial Position

20. Cash and balances with Central Bank

	31.12.2025	31.12.2024
Cash on hand	2,022	2,481
Cash with Central Bank	114,486	89,139
Mandatory reserve deposit with Central Bank	33,603	32,474
Cash and balances with Central Bank	150,111	124,094

The mandatory reserve deposit with the Central Bank is not available for the Group to use in its daily operations. The minimum interest-free fixed reserve requirement of the Central Bank is 3%.

21. Loans to credit institutions

	31.12.2025	31.12.2024
Bank accounts	22,040	25,690
Other loans	527	-
Loans to credit institutions	22,567	25,690

22. Loans to customers

	Individuals		Corporates		Total	
31.12.2025	Gross carrying amount	Book value	Gross carrying amount	Book value	Gross carrying amount	Book value
Overdrafts	15,373	14,666	53,125	50,643	68,498	65,309
Credit cards	17,558	17,301	2,561	2,478	20,119	19,779
Loans to customers at fair value	-	-	1,933	1,450	1,933	1,450
Mortgage loans	577,492	576,828	91,007	89,765	668,499	666,593
Construction loans	-	-	57,705	56,224	57,705	56,224
Capital lease	681	674	7,174	7,046	7,855	7,720
Other loans	31,851	30,925	485,158	481,056	517,009	511,981
Loans to customers	642,955	640,394	698,663	688,662	1,341,618	1,329,056
31.12.2024						
Overdrafts	14,575	13,925	42,233	41,222	56,808	55,147
Credit cards	16,873	16,647	2,297	2,230	19,170	18,877
Loans to customers at fair value	-	-	1,751	1,313	1,751	1,313
Mortgage loans	571,525	570,842	74,287	73,712	645,812	644,554
Construction loans	-	-	49,508	48,806	49,508	48,806
Capital lease	1,298	1,283	7,344	7,295	8,642	8,578
Other loans	37,627	36,707	420,530	416,076	458,157	452,783
Loans to customers	641,898	639,404	597,950	590,654	1,239,848	1,230,058

The total book value of pledged loans that were pledged against outstanding borrowings was ISK 286 billion at the end of the year (31.12.2024: ISK 304 billion). Pledged loans comprised mortgage loans to individuals.

Further analysis of loans is provided in Risk management disclosures.

23. Financial instruments

	31.12.2025	31.12.2024
Bonds and debt instruments	170,985	158,735
Shares and equity instruments with variable income	21,260	18,470
Derivatives	8,624	6,715
Securities used for economic hedging	14,947	22,497
Financial instruments	215,816	206,417

Amounts are in ISK millions

24. Financial assets and financial liabilities

31.12.2025

Financial assets	Amortized cost	Fair value through OCI	Fair value through P/L	Total
Loans				
Cash and balances with Central Bank	150,111	-	-	150,111
Loans to credit institutions	22,567	-	-	22,567
Loans to customers	1,327,606	-	1,450	1,329,056
Loans	1,500,284	-	1,450	1,501,734
Bonds and debt instruments				
Listed	-	138,302	32,479	170,781
Unlisted	-	-	204	204
Bonds and debt instruments	-	138,302	32,683	170,985
Shares and equity instruments with variable income				
Listed	-	-	11,499	11,499
Unlisted	-	-	9,008	9,008
Bond funds with variable income, unlisted	-	-	753	753
Shares and equity instruments with variable income	-	-	21,260	21,260
Derivatives				
OTC derivatives	-	-	5,414	5,414
Derivatives used for hedge accounting	-	-	3,210	3,210
Derivatives	-	-	8,624	8,624
Securities used for economic hedging				
Bonds and debt instruments, listed	-	-	1,732	1,732
Shares and equity instruments with variable income, listed	-	-	13,215	13,215
Securities used for economic hedging	-	-	14,947	14,947
Other financial assets				
Accounts receivable	3,465	-	-	3,465
Other financial assets	13,566	-	-	13,566
Other financial assets	17,031	-	-	17,031
Financial assets	1,517,315	138,302	78,964	1,734,581
Financial liabilities				
Due to credit institutions and Central Bank	12,003	-	-	12,003
Deposits	921,182	-	-	921,182
Borrowings *	494,823	-	-	494,823
Subordinated liabilities *	43,518	-	-	43,518
Derivatives	-	-	1,411	1,411
Derivatives used for hedge accounting	-	-	1,718	1,718
Other financial liabilities	11,792	-	-	11,792
Financial liabilities	1,483,318	-	3,129	1,486,447

* Including effect from hedge accounting derivatives.

Amounts are in ISK millions

24. Financial assets and financial liabilities, continued

31.12.2024

Financial assets	Amortized cost	Fair value through OCI	Fair value through P/L	Total
Loans				
Cash and balances with Central Bank	124,094	-	-	124,094
Loans to credit institutions	25,690	-	-	25,690
Loans to customers	1,228,745	-	1,313	1,230,058
Loans	1,378,529	-	1,313	1,379,842
Bonds and debt instruments				
Listed	-	126,898	31,217	158,115
Unlisted	-	-	620	620
Bonds and debt instruments	-	126,898	31,837	158,735
Shares and equity instruments with variable income				
Listed	-	-	11,499	11,499
Unlisted	-	-	6,291	6,291
Bond funds with variable income, unlisted	-	-	680	680
Shares and equity instruments with variable income	-	-	18,470	18,470
Derivatives				
OTC derivatives	-	-	3,685	3,685
Derivatives used for hedge accounting	-	-	3,030	3,030
Derivatives	-	-	6,715	6,715
Securities used for economic hedging				
Bonds and debt instruments, listed	-	-	2,664	2,664
Shares and equity instruments with variable income, listed	-	-	19,833	19,833
Securities used for economic hedging	-	-	22,497	22,497
Other financial assets				
Accounts receivable	2,552	-	-	2,552
Other financial assets	5,924	-	-	5,924
Other financial assets	8,476	-	-	8,476
Financial assets	1,387,005	126,898	80,832	1,594,735
Financial liabilities				
Due to credit institutions and Central Bank	6,618	-	-	6,618
Deposits	857,443	-	-	857,443
Borrowings *	433,178	-	-	433,178
Subordinated liabilities *	44,538	-	-	44,538
Derivatives	-	-	4,096	4,096
Derivatives used for hedge accounting	-	-	4,298	4,298
Other financial liabilities	10,631	-	-	10,631
Financial liabilities	1,352,408	-	8,394	1,360,802

* Including effect from hedge accounting derivatives.

Amounts are in ISK millions

24. Financial assets and financial liabilities, continued

Bonds and debt instruments measured at fair value, specified by issuer	Fair value through OCI	Manda-torily at fair value thr. P/L	Total
31.12.2025			
Financial and insurance activities	1,434	8,667	10,101
Public sector	136,868	20,366	157,234
Corporates	-	3,650	3,650
Bonds and debt instruments at fair value	138,302	32,683	170,985
31.12.2024			
Financial and insurance activities	975	8,494	9,469
Public sector	125,923	20,257	146,180
Corporates	-	3,086	3,086
Bonds and debt instruments at fair value	126,898	31,837	158,735

The total amount of pledged bonds was ISK 3.2 billion at the end of the year (31.12.2024: ISK 3.1 billion). Pledged bonds comprise Icelandic Government Bonds that were pledged against funding received and included in Due to credit institutions and Central Bank as well as short positions included in Financial liabilities at fair value.

25. Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of assets and liabilities by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
Level 2: valuation techniques for which all significant inputs are market observable, either directly or indirectly; and
Level 3: valuation techniques which include significant inputs that are not based on observable market data.

For assets and liabilities that are recognized at fair value on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Assets and liabilities recorded at fair value by level of the fair value hierarchy

31.12.2025

Assets at fair value	Level 1	Level 2	Level 3	Total
Loans to customers	-	-	1,450	1,450
Bonds and debt instruments	167,250	3,732	3	170,985
Shares and equity instruments with variable income	11,201	6,055	4,004	21,260
Derivatives	-	5,414	-	5,414
Derivatives used for hedge accounting	-	3,210	-	3,210
Securities used for economic hedging	14,947	-	-	14,947
Investment property	-	-	7,305	7,305
Assets at fair value	193,398	18,411	12,762	224,571
Liabilities at fair value				
Derivatives	-	1,411	-	1,411
Derivatives used for hedge accounting	-	1,718	-	1,718
Liabilities at fair value	-	3,129	-	3,129

Amounts are in ISK millions

25. Fair value hierarchy, continued

31.12.2024

Assets at fair value	Level 1	Level 2	Level 3	Total
Loans to credit institutions	-	-	1,313	1,313
Bonds and debt instruments	155,316	3,414	5	158,735
Shares and equity instruments with variable income	9,269	7,546	1,655	18,470
Derivatives	-	3,685	-	3,685
Derivatives used for hedge accounting	-	3,030	-	3,030
Securities used for economic hedging	21,585	912	-	22,497
Investment property	-	-	9,387	9,387
Assets at fair value	186,170	18,587	12,360	217,117

Liabilities at fair value				
Derivatives	-	4,096	-	4,096
Derivatives used for hedge accounting	-	4,298	-	4,298
Liabilities at fair value	-	8,394	-	8,394

There was no transfer between Level 1 and Level 2 during the year (2024: Transfers from Level 1 to Level 2 ISK 2,767 million).

Fair value of assets and liabilities

The fair value of asset and liabilities is the amount at which the asset and liability could be exchanged in a current transaction between willing parties, i.e. not during a forced sale or liquidation. The existence of published price quotations in an active market is the best evidence of fair value and when they exist they are used by the Group to measure assets and liabilities. If quoted prices for an asset fail to represent actual and regularly occurring transactions in active market transactions or if quoted prices are not available at all, fair value is established by using an appropriate valuation technique.

Methods for establishing fair value

The best evidence of the fair value of an asset and liability at initial recognition is the transaction price, unless the fair value can be evidenced by comparison with other observable current market transactions, or is based on a valuation technique whose variables include only data from observable markets.

In some cases, the carrying value of an asset in Note 24 is used as an approximation for the fair value of the asset. This is straight forward for cash and cash equivalents but is also used for short term investments and borrowings to highly rated counterparties, such as credit institutions, on contracts that feature interest close to or equal to market rates and expose the Group to little or no credit risk.

Level 1: Fair value established from quoted market prices

For listed and liquid stocks and bonds, certain financial derivatives and other market traded securities, the fair value is derived directly from quoted market prices. These instruments are disclosed under Financial instruments and Financial liabilities at fair value in the Statement of Financial Position.

Level 2: Fair value established using valuation techniques with observable market information

For assets and liabilities, for which the market is not active, the Group applies valuation techniques to attain a fair value using as much market information as available. Valuation techniques include using recent market transactions between knowledgeable and willing parties, if available, reference to current fair value of another instrument that is substantially the same, discounted cash flow analysis, option pricing models or other commonly accepted valuation techniques used by market participants to price the instrument.

For assets and liabilities for which quoted prices on active markets are not available, the fair value is derived using various valuation techniques. This applies in particular to OTC derivatives such as options, swaps, futures and unlisted equities but also some other assets and liabilities.

In most cases the valuation is based on theoretical financial models, such as the Black Scholes model or variations thereof. These techniques also include forward pricing and swap models using present value calculations.

Level 2 instruments include unlisted shares, unlisted funds with underlying bonds and equity holdings (share certificates), unlisted and less liquid listed bonds and all OTC derivatives.

Amounts are in ISK millions

25. Fair value hierarchy, continued

Level 3: Fair value established using valuation techniques with significant unobservable market information

In some cases there is little or no market data to rely on for fair value calculations. The most common valuation technique is present value calculations. Such calculations involve the estimation of future cash flow and the assessment of appropriate discount rate. The discount rate should both reflect current market rates and the uncertainty in the future cash flow. In such cases internal models and methods are used to calculate the fair value. The models may be statistical in nature, based on internal or external history of assets with similar characteristics and/or based on internal knowledge and experience. For example, the credit margin on most loans to customers which, is added to the current and suitable interest rate to arrive at an appropriate discount rate, is estimated using credit rating and loss parameters in case of default that have been derived from internal models.

Equity instruments that do not have a quoted market price are evaluated using methods and guidelines from pertinent international organizations. In most cases intrinsic value is the basis for the assessment but other factors, such as cash flow analysis, can also modify the results.

The Group applies management valuation for determining fair value of investment properties. Management valuation is either based on recent transactions and offers for similar assets or present value calculations which involve estimation of future cash flow and the assessment of appropriate discount rate.

Movements in Level 3 assets measured at fair value

	Investment property	Financial assets			
2025		Loans	Bonds	Shares	Total
Balance at the beginning of the year	9,387	1,313	5	1,655	12,360
Net fair value changes	5,277	92	-	(218)	5,151
Additions	191	45	-	2,570	2,806
Disposals	(7,550)	-	(2)	(3)	(7,555)
Balance at the end of the year	7,305	1,450	3	4,004	12,762
2024					
Balance at the beginning of the year	9,493	-	27	3,595	13,115
Net fair value changes	(339)	51	(20)	468	160
Additions	233	1,262	-	26	1,521
Disposals	-	-	(2)	(2,434)	(2,436)
Balance at the end of the year	9,387	1,313	5	1,655	12,360

Line items where effects of Level 3 assets are recognized in the Income Statement

	Investment property	Financial assets			
2025		Loans	Bonds	Shares	Total
Net interest income	-	122	-	-	122
Net financial income	-	(30)	-	(218)	(248)
Other operating income	4,848	-	-	-	4,848
Effects recognized in the Income Statement	4,848	92	-	(218)	4,722
2024					
Net interest income	-	65	-	-	65
Net financial income	-	(14)	(20)	468	434
Other operating income	(339)	-	-	-	(339)
Effects recognized in the Income Statement	(339)	51	(20)	468	160

Amounts are in ISK millions

25. Fair value hierarchy, continued

Carrying values and fair values of financial assets and financial liabilities not carried at fair value

31.12.2025	Carrying value	Fair value	Unrealized (loss) gain
Financial assets not carried at fair value			
Cash and balances with Central Bank	150,111	150,111	-
Loans to credit institutions	22,567	22,567	-
Loans to customers	1,327,606	1,329,204	1,598
Other financial assets	17,031	17,031	-
Financial assets not carried at fair value	1,517,315	1,518,913	1,598
Financial liabilities not carried at fair value			
Due to credit institutions and Central Bank	12,003	12,003	-
Deposits	921,182	921,182	-
Borrowings	494,823	501,211	(6,388)
Subordinated liabilities	43,518	50,461	(6,943)
Other financial liabilities	11,792	11,792	-
Financial liabilities not carried at fair value	1,483,318	1,496,649	(13,331)

31.12.2024	Carrying value	Fair value	Unrealized (loss) gain
Financial assets not carried at fair value			
Cash and balances with Central Bank	124,094	124,094	-
Loans to credit institutions	25,690	25,690	-
Loans to customers	1,228,745	1,222,223	(6,522)
Other financial assets	8,476	8,476	-
Financial assets not carried at fair value	1,387,005	1,380,483	(6,522)
Financial liabilities not carried at fair value			
Due to credit institutions and Central Bank	6,618	6,618	-
Deposits	857,443	857,443	-
Borrowings	433,178	429,199	3,979
Subordinated liabilities	44,538	48,226	(3,688)
Other financial liabilities	10,631	10,631	-
Financial liabilities not carried at fair value	1,352,408	1,352,117	291

Loans to customers largely bear variable interest rates. Those loans, including corporate loans, are presented at book value as they generally have a short duration and very limited interest rate risk. Loans with fixed interest rates, mainly retail mortgages, are estimated by using the discount cash flow method with the interest rates offered on new loans, taking into account loan to value. Defaulted loans are presented at book value as no future cash flow is expected on them. Instead they are written down according to their estimated potential recovery value.

Derivatives

	Notional value	Fair value	
31.12.2025		Assets	Liabilities
Forward exchange rate agreements	95,591	430	419
Fair value hedge of interest rate swap	268,565	3,210	1,718
Interest rate and exchange rate agreements	33,616	167	204
Bond swap agreements	1,882	70	5
Share swap agreements	18,025	4,747	783
Derivatives	417,680	8,624	3,129
31.12.2024			
Forward exchange rate agreements	60,780	180	1,286
Fair value hedge of interest rate swap	235,504	3,030	4,297
Interest rate and exchange rate agreements	43,027	235	791
Bond swap agreements	3,243	87	2
Share swap agreements	20,789	2,596	2,018
Options - purchased agreements, unlisted	-	587	-
Derivatives	363,343	6,715	8,394

Amounts are in ISK millions

25. Fair value hierarchy, continued

Fair value hedge of interest rate swap

The Group applies fair value hedge accounting only with respect to interest rate swaps in EUR and USD, whereby the Group pays floating rate interest and receives fixed rate interest, with identical cash flows to the borrowings and subordinated liabilities. The interest rate swaps are hedging the exposure of changes in the fair value of certain fixed-rate EUR and USD bonds, see Notes 33 and 34, arising from changes in EURIBOR and SOFR benchmark interest rates.

The effectiveness of each hedge is measured regularly with linear regression. The relationship between fair value changes of an interest rate swap on the one hand and a borrowing on the other hand is examined.

During 2025 the slope for the regression line was in all cases within the range of 0.95-1.24 and the regression coefficient was at least 0.94. During 2024, the slope of the regression line was in all cases within the range of 0.93-1.05 and the regression coefficient was at least 0.97. In all cases the effectiveness is within limits in 2025 and 2024.

1.1.-31.12.2025	Notional Value	Maturity date	Fair value Assets	Fair value Liabilities	Gain (loss) on FV changes
Interest rates swaps - EUR	-	-	-	-	693
Interest rates swaps - EUR	73,640	6-12 mth	-	1,395	1,387
Interest rates swaps - EUR	44,184	3-6 mth	1,815	-	(248)
Interest rates swaps - USD	2,509	1-5 years	53	-	30
Interest rates swaps - EUR	44,184	1-5 years	656	-	(447)
Interest rates swaps - USD	15,680	1-5 years	178	-	422
Interest rates swaps - EUR	44,184	1-5 years	508	-	(229)
Interest rates swaps - EUR	44,184	over 5 years	-	323	(423)
			3,210	1,718	1,185
1.1.-31.12.2024					
Interest rates swaps - EUR	-	-	-	-	213
Interest rates swaps - EUR	-	-	-	-	157
Interest rates swaps - USD	13,899	6-12 mth	-	94	441
Interest rates swaps - EUR	43,168	6-12 mth	-	988	1,621
Interest rates swaps - EUR	71,947	1-5 years	-	2,953	1,955
Interest rates swaps - EUR	43,168	1-5 years	1,977	-	(25)
Interest rates swaps - USD	2,780	1-5 years	27	-	26
Interest rates swaps - EUR	43,168	1-5 years	1,026	-	1,090
Interest rates swaps - USD	17,374	1-5 years	-	263	(611)
			3,030	4,298	4,867

Hedged borrowings and subordinated liabilities

1.1.-31.12.2025	Book value	Accumulated fair value Assets	Accumulated fair value Liabilities	Gain (loss) on FV changes
EUR 300 million - issued 2021 - 4 years	-	-	-	(648)
EUR 500 million - issued 2021 - 5 years	72,265	1,038	-	(1,391)
EUR 300 million - issued 2025 - 5 years	44,731	209	-	196
EUR 300 million - issued 2023 - 3 years	46,252	-	154	247
USD 21 million - issued 2024 - 3 years	2,893	-	53	(31)
EUR 300 million - issued 2024 - 4 years	44,916	-	622	427
USD 125 million - issued 2024 - Perpetual	15,635	218	-	(434)
EUR 300 million - issued 2025 - 6 years	43,835	423	-	436
Hedged borrowings and subordinated liabilities	270,527	1,888	829	(1,198)
1.1.-31.12.2024				
EUR 300 million - issued 2020 - 4 years	-	-	-	(205)
USD 100 million - issued 2020 - Perpetual	3,150	-	-	(615)
EUR 500 million - issued 2021 - 5 years	68,775	2,395	-	(1,948)
EUR 300 million - issued 2021 - 4 years	42,597	646	-	(1,619)
EUR 300 million - issued 2022 - 2 years	-	-	-	(469)
EUR 300 million - issued 2023 - 3 years	45,384	-	397	24
USD 21 million - issued 2024 - 3 years	2,989	-	27	(27)
EUR 300 million - issued 2024 - 4 years	44,272	-	1,039	(1,087)
USD 125 million - issued 2024 - Perpetual	16,854	705	-	696
Hedged borrowings and subordinated liabilities	224,021	3,746	1,463	(5,250)

Amounts are in ISK millions

26. Offsetting financial assets and financial liabilities

Financial assets subject to enforceable master netting arrangements and similar arrangements

	Assets subject to netting arrangements			Netting potential not recognized in the Balance Sheet				
31.12.2025	Gross assets before nettings	Nettings with gross liabilities	Assets recognized on Balance Sheet, net	Financial liabilities	Collateral received	Assets after consideration of netting potential	Assets not subject to enforceable netting arr-angements	Total assets recognized on Balance Sheet, net
Reverse repurchase agreements	17,035	(10,789)	6,246	10,789	-	17,035	-	6,246
Derivatives	3,739	-	3,739	(1,486)	(5,602)	(3,349)	4,885	8,624
Total assets	20,774	(10,789)	9,985	9,303	(5,602)	13,686	4,885	14,870
31.12.2024								
Reverse repurchase agreements	16,469	(10,383)	6,086	(5,543)	-	543	-	6,086
Derivatives	4,523	-	4,523	(2,015)	(2,504)	4	2,192	6,715
Total assets	20,992	(10,383)	10,609	(7,558)	(2,504)	547	2,192	12,801

Financial liabilities subject to enforceable master netting arrangements and similar arrangements

	Liabilities subject to netting arrangements			Netting potential not recognized in the Balance Sheet				
31.12.2025	Gross liabilities before nettings	Nettings with gross assets	Liabilities recognized on Balance Sheet, net	Financial assets	Collateral pledged	Liabilities after consideration of netting potential	Liabilities not subject to enforceable netting arr-angements	Total liabilities recognized on balance sheet, net
Repurchase agreements	16,579	(10,789)	5,790	10,789	-	16,579	-	5,790
Derivatives	2,555	-	2,555	(1,486)	(1,752)	(683)	574	3,129
Total liabilities	19,134	(10,789)	8,345	9,303	(1,752)	15,896	574	8,919
31.12.2024								
Repurchase agreements	15,926	(10,383)	5,543	(5,543)	-	-	-	5,543
Derivatives	7,131	-	7,131	(2,015)	(4,327)	789	1,263	8,394
Total liabilities	23,057	(10,383)	12,674	(7,558)	(4,327)	789	1,263	13,937

Reverse repurchase agreements and repurchase agreements are recognized within the line items Financial instruments and Due to credit institutions and Central Bank respectively.

27. Investments in associates

	31.12.2025	31.12.2024
Carrying amount at the beginning of the year	814	789
Decreased share capital	(19)	-
Dividend received	(8)	-
Share of (loss) profit of associates	(27)	25
Investment in associates	760	814

The Group's interest in its principal associates

Bílafrágangur ehf., Lágmúli 5, Reykjavík, Iceland	-	33.4%
Háblær ehf., Sudurlandsbraut 18, Reykjavík, Iceland	31.8%	31.8%
Reiknistofa bankanna hf., Dalvegur 30, Reykjavík, Iceland	23.0%	23.0%
SER eignarhaldsfélag ehf., Borgartún 19, Reykjavík, Iceland	35.3%	35.3%
Matorka ehf., Eyrartröd 12, Grindavik, Iceland	19.7%	-

In June Arion Bank sold its entire shareholding in Bílafrágangur ehf. with minor effects on the Income Statement.

Due to the financial difficulties experienced by Matorka ehf. following the seismic activity in Grindavík and subsequent composition agreements, Arion Bank obtained a share in the company at the end of March.

Amounts are in ISK millions

28. Intangible assets

Intangible assets comprise the following categories: Goodwill, which arises on business combinations; Infrastructure, Customer relationships and related agreements which are identified during the acquisition of subsidiaries and related to the activities of the businesses being acquired; and Software, which is acquired (i.e. software licenses) and cost of implementation.

Infrastructure, which is capitalized as an intangible asset, is related to the asset management operation and the insurance operation. The business activity is based on years of developing expertise and systems, during which a valuable platform has been created for future growth. An impairment test is performed annually.

Customer relationships and related agreements are connected to business relationships and agreements which the Bank acquired in subsidiaries. The asset is based on the assumption that business relationships and agreements generate regular payments and earnings to the relevant business segments. The lifetime of these agreements is based on the experience of the Group and the industry. As a result, these agreements are assessed as having an identified useful lifetime.

Acquired software and internally developed software is capitalized on the basis of the cost of acquiring and bringing the software into service. Expenditure on internally developed software is recognized as an asset when the Group is able to demonstrate its intention and ability to complete the development and use the software in a manner that will generate future economic benefits, and when it can reliably measure the costs to complete the development. The capitalized costs of internally developed software include external expenses directly attributable to developing the software and salary and salary related expenses of implementation of core systems. Capitalized costs of software are amortized over its useful life. Computer software licenses and internally developed software recognized as intangible assets are amortized over their useful life, which is estimated to be 3-10 years.

Policies applied to the Group's intangible assets	Goodwill and infrastructure	Customer relationship and related agreements	Software
Useful lives	Undefined	Finite 6-15 years and undefined	Finite 3-10 years
Amortization method	Impairment test	Straight-line basis over 6-15 years and impairment test	Straight-line basis over 3-10 years
Internally generated or acquired	Acquired	Acquired	Acquired and internally generated

2025	Goodwill	Infra-structure	Customer relationship and related agreements	Software	Total
Balance at the beginning of the year	730	2,383	427	4,148	7,688
Additions	-	-	-	852	852
Amortization	-	-	(60)	(947)	(1,007)
Balance at the end of the year	730	2,383	367	4,053	7,533
2024					
Balance at the beginning of the year	730	2,383	487	4,451	8,051
Additions	-	-	-	622	622
Amortization	-	-	(60)	(925)	(985)
Balance at the end of the year	730	2,383	427	4,148	7,688

Goodwill related to the insurance operation is recognized among assets in the operating segment Corporate & Investment Banking and Retail Banking and goodwill related to the subsidiary Leiguskjól is recognized in the operating segment Other subsidiaries, see Note 5.

Impairment testing

The methodology for impairment testing on the Infrastructure and Customer relationship, which is part of intangible assets, is based on discounted cash flow model which uses inputs that consider features of the business and the environment.

The model used, to determine the recoverable amount, is most sensitive to changes in the forecast earnings available to shareholders over a five-year period, the cost of equity and to changes in the growth rate. As a result of this analysis no impairment was recognized in 2025 (2024: nil).

	2025		2024	
Discount and growth rates	Discount rates	Growth rates	Discount rates	Growth rates
Asset Management operation	14.3%	3.5-10%	14.3%	3.5-15%
Insurance operation	13.9%	3.6%	14.3%	4.0%

Arion Bank Consolidated Financial Statements 2025 Amounts are in ISK millions

29. Tax assets and tax liabilities

	31.12.2025		31.12.2024	
	Assets	Liabilities	Assets	Liabilities
Current tax	-	10,738	-	9,887
Deferred tax	2	2,245	2	1,173
Tax assets and tax liabilities	2	12,983	2	11,060
Deferred tax assets and tax liabilities are attributable to the following:				
Investment property and property and equipment	1	(769)	1	(1,180)
Financial assets	-	(1,030)	313	-
Other assets and liabilities	33	(266)	33	(249)
Deferred tax related to foreign exchange gain	2	(214)	6	(376)
Tax loss carry forward	-	-	281	-
	36	(2,279)	634	(1,805)
Set-off of deferred tax assets together with tax liabilities of the same taxable entities	(34)	34	(632)	632
Deferred tax assets and tax liabilities	2	(2,245)	2	(1,173)

Deferred tax assets are recognized for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

Changes in deferred tax assets and tax liabilities	At 1 Jan.	Recognized through equity	Recognized in income statement	At 31 Dec.
2025				
Investment property and property and equipment	(1,179)	-	411	(768)
Financial assets	313	-	(1,343)	(1,030)
Other assets and liabilities	(216)	-	(17)	(233)
Deferred foreign exchange differences	(370)	-	158	(212)
Tax loss carry forward	281	-	(281)	-
Change in deferred tax assets and tax liabilities	(1,171)	-	(1,072)	(2,243)
2024				
Investment property and property and equipment	(1,227)	-	48	(1,179)
Financial assets	(361)	-	674	313
Other assets and liabilities	(268)	-	52	(216)
Deferred foreign exchange differences	(205)	-	(165)	(370)
Tax loss carry forward	158	-	123	281
Change in deferred tax assets and tax liabilities	(1,903)	-	732	(1,171)

30. Assets and disposal groups held for sale

	31.12.2025	31.12.2024
Real estate and other assets	98	111
Assets and disposal groups held for sale	98	111

Real estates and other assets classified as assets held for sale are generally the result of foreclosures on companies and individuals.

Arion Bank Consolidated Financial Statements 2025 Amounts are in ISK millions

Notes to the Consolidated Financial Statements

31. Other assets

	31.12.2025	31.12.2024
Property and equipment	3,354	3,403
Right-of-use asset	745	808
Accounts receivable	3,465	2,552
Unsettled securities trading	9,174	2,342
Sundry assets	5,779	4,901
Other assets	**22,517**	**14,006**

Property and equipment	Real estate	Equip-ment	Total 2025	Total 2024
Gross carrying amount at the beginning of the year	2,727	3,687	6,414	6,533
Additions	-	463	463	325
Disposals	-	(42)	(42)	(27)
Write-offs	-	(23)	(23)	(179)
Gross carrying amount at the end of the year	2,727	4,085	6,812	6,652
Accumulated depreciation at the beginning of the year	(1,190)	(1,821)	(3,011)	(2,861)
Depreciation	(74)	(409)	(483)	(555)
Disposals	-	23	23	6
Write-offs	-	13	13	161
Accumulated depreciation at the end of the year	(1,264)	(2,194)	(3,458)	(3,249)
Property and equipment	1,463	1,891	3,354	3,403

The official real estate value (Registers Iceland) amounted to ISK 4,495 million at the end of the year (31.12.2024: ISK 4,399 million) and the insurance value amounts to ISK 8,743 million (31.12.2024: ISK 8.318 million).

Right-of-use asset	31.12.2025	31.12.2024
Balance at the beginning of the year	808	872
New lease agreements	72	36
Indexation	26	39
Depreciation	(161)	(139)
Right-of-use asset	745	808

Right-of-use asset is due to real estates for own use.

Amounts are in ISK millions

32. Other liabilities

	31.12.2025	31.12.2024
Accounts payable	1,496	1,402
Unsettled securities trading	3,041	2,550
Insurance contract liabilities	22,435	21,478
Withholding tax	6,560	7,329
Bank levy	2,107	1,925
Accrued expenses	5,508	6,136
Prepaid income	1,466	1,475
Impairment of off-balance items	682	511
Lease liability	867	975
Sundry liabilities	6,574	6,169
Other liabilities	50,736	49,950

Insurance contract liabilities

Liabilities for remaining coverage	3,739	3,851
Liabilities for incurred claims	17,866	16,819
Risk adjustment	830	808
Insurance contract liabilities	22,435	21,478

Lease liability

Balance at the beginning of the year	975	1,074
New and extended lease agreements	74	37
Indexation	32	47
Interest expense	50	53
Lease payments	(264)	(236)
Lease liability	867	975

Amounts are in ISK millions

33. Borrowings

Currency, original nominal value	First issued	Maturity	Maturity type	Terms of interest	31.12.2025	31.12.2024
ARION CBI 25, ISK 37,940 million	2017	4/2025	At maturity	Fixed CPI linked 3.00%	-	34,805
ARION CBI 26 ISK 17,080 million	2019	10/2026	At maturity	Fixed CPI linked 2.00%	20,094	21,775
ARION CB EUR 500 million *	2021	10/2026	At maturity	Fixed EUR 0.05%	72,265	68,775
ARION CB 27, ISK 53,100 million	2022	10/2027	At maturity	Fixed 5.50%	26,083	25,652
ARION CBI 28, ISK 27,420 million	2024	9/2028	At maturity	Fixed CPI linked 4.25%	23,286	12,887
ARION CBI 29, ISK 27,200 million	2014	12/2029	At maturity	Fixed CPI linked 3.50%	41,370	39,939
ARION CBI 30, ISK 31,920 million	2023	11/2030	At maturity	Fixed CPI linked 2.75%	33,421	31,896
ARION CBI 31, ISK 9,060 million	2025	8/2031	Amortizing	Fixed CPI linked 3.65%	8,299	-
ARION CBI 48, ISK 11,680 million	2018	1/2048	Amortizing	Fixed CPI linked 2.50%	12,732	12,663
Statutory covered bonds					237,550	248,392
EUR 300 million Green *	2021	7/2025	At maturity	Fixed 0.375%	-	42,597
NOK 550 million	2022	8/2025	At maturity	Floating NIBOR 3M +2.35%	-	6,783
SEK 230 million	2022	8/2025	At maturity	Floating STIBOR 3M +2.35%	-	2,906
NOK 200 million	2023	3/2025	At maturity	Floating NIBOR 3M +2.55%	-	2,451
ARION 26 1222 Green, ISK 5,760 million	2021	12/2026	At maturity	Fixed 4.70%	5,417	5,411
SEK 300 million	2023	3/2026	At maturity	Floating STIBOR 3M +3.00%	4,091	3,775
EUR 300 million*	2023	5/2026	At maturity	Fixed 7.25%	46,252	45,384
NOK 250 million	2017	4/2027	At maturity	Fixed 3.40%	3,182	3,129
USD 21 million*	2024	12/2027	At maturity	Fixed 6.25%	2,893	2,989
SEK 500 million Green	2024	10/2027	At maturity	Floating STIBOR 3M +1.20%	6,840	6,324
NOK 500 million Green	2024	10/2027	At maturity	Floating NIBOR 3M +1.20%	6,288	6,185
NOK 600 million Green	2025	12/2027	At maturity	Floating NIBOR 3M +1.17%	7,479	-
SEK 900 million Green	2025	12/2027	At maturity	Floating STIBOR 3M +1.20%	12,248	-
ARION 28 1512, ISK 16,920 million	2023	12/2028	At maturity	Fixed CPI linked 4.35%	18,271	12,580
EUR 300 million *	2024	11/2028	At maturity	Fixed 4.625%	44,916	44,272
SEK 250 million	2025	1/2028	At maturity	Floating STIBOR 3M +1.13%	3,418	-
USD 27 million	2025	7/2028	At maturity	Fixed 5.00%	3,015	-
NOK 350 million	2025	1/2028	At maturity	Floating NIBOR 3M +1.11%	4,397	-
EUR 300 million *	2025	5/2030	At maturity	Fixed 3.625%	44,731	-
EUR 300 million *	2025	9/2031	At maturity	Fixed 3.50%	43,835	-
Senior unsecured bonds					257,273	184,786
Borrowings					494,823	433,178

* The Group applies fair value hedge accounting to these bond issuances and uses certain foreign currency denominated interest rate swaps as hedging instruments, see Note 25. The interest rate swaps are hedging the Group's exposure to fair value changes of these fixed-rate bonds in EUR and USD arising from changes in interest rates.

The book value of listed bonds was ISK 495 billion at the end of the year (31.12.2024: ISK 433 billion). The market value of those bonds was ISK 501 billion (31.12.2024: ISK 429 billion). The Group repurchased own debts amounting to ISK 11 billion during the year with a net gain of ISK 33 million recognized in the Income Statement (2024: ISK 182 million loss).

Amounts are in ISK millions

34. Subordinated liabilities

Currency, original nominal value	Issued	Maturity	First call date	Terms of interest	31.12.2025	31.12.2024
ARION T2I 30 ISK 4,800 million	2019	1/2030	4 Jan '25	Fixed CPI linked 3.875%	-	6,607
ARION T2 30 ISK 880 million	2019	1/2030	4 Jan '25	Fixed 6.75%	-	905
EUR 5 million	2019	1/2026	6 Mar '26	Fixed 3.24%	753	735
ARION T2I ISK 33 9,860 million	2022	12/2033	15 Dec '28	Fixed CPI linked 4.95%	11,613	11,195
ARION T2 33 ISK 2,240 million	2022	12/2033	15 Dec '28	Fixed 9.25%	2,249	2,249
SEK 225 million	2024	11/2034	20 Nov '29	Floating 3 mth STIBOR +2.65%	3,078	2,843
ARION T2I 36 ISK 10,040 million	2025	12/2036	2 Dec '31	Fixed CPI linked 5.00%	10,190	-
Tier 2 subordinated liabilities					27,883	24,534
ARION AT1 USD 100 million *	2020	Perpetual	26 Aug '25	Fixed 6.25%	-	3,150
ARION AT1 USD 125 million *	2024	Perpetual	24 Mar '30	Fixed 8.125%	15,635	16,854
Additional Tier 1 subordinated liabilities					15,635	20,004
Subordinated liabilities					43,518	44,538

* The Group applies fair value hedge accounting to these bond issuances and uses certain foreign currency denominated interest rate swaps as hedging instruments, see Note 25.

Additional Tier 1 and Tier 2 subordinated liabilities are eligible as regulatory capital under the Icelandic Financial Undertakings Act No. 161/2002.

35. Liabilities arising from financial activities

		Net	Non-cash changes			
2025	At 1 Jan.	cash flows	Interest expenses	Foreign exchange	Effect from hedge	At period end
Covered bonds in ISK - CPI linked	153,965	(24,357)	9,594	-	-	139,202
Covered bonds in ISK	25,652	(1,458)	1,889	-	-	26,083
Covered bonds in FX	68,775	(1,555)	1,958	1,648	1,439	72,265
Senior unsecured bonds in FX	166,795	53,098	9,843	4,552	(703)	233,585
Senior unsecured bonds in ISK	5,411	(285)	291	-	-	5,417
Senior unsecured bonds in ISK - CPI linked	12,580	4,237	1,454	-	-	18,271
Subordinated bond T2 in ISK - CPI linked	17,802	2,556	1,445	-	-	21,803
Subordinated bond T2 ISK	3,153	(1,116)	212	-	-	2,249
Subordinated bond T2 FX	3,579	(174)	171	255	-	3,831
Subordinated bond AT1 FX	20,004	(4,832)	1,684	(1,683)	462	15,635
Liabilities arising from financial activities	477,716	26,114	28,541	4,772	1,198	538,341
2024						
Covered bonds in ISK - CPI linked	132,391	10,580	10,994	-	-	153,965
Covered bonds in ISK	31,344	(7,455)	1,763	-	-	25,652
Covered bonds in FX	69,337	(4,660)	3,125	2,971	(1,998)	68,775
Senior unsecured bonds in FX	167,106	(15,407)	10,295	7,864	(3,063)	166,795
Senior unsecured bonds in ISK	11,510	(6,905)	806	-	-	5,411
Senior unsecured bonds in ISK - CPI linked	8,772	2,877	931	-	-	12,580
Subordinated bond T2 in ISK - CPI linked	16,997	(795)	1,600	-	-	17,802
Subordinated bond T2 ISK	3,157	(267)	264	-	-	3,154
Subordinated bond T2 FX	7,908	(5,099)	430	339	-	3,578
Subordinated bond AT1 FX	13,217	5,265	1,749	(421)	194	20,004
Liabilities arising from financial activities	461,739	(21,866)	31,957	10,753	(4,867)	477,716

Amounts are in ISK millions

36. Pledged assets

Pledged assets against liabilities

	31.12.2025	31.12.2024
Assets, pledged as collateral against borrowings	359,645	398,505
Assets pledged as a collateral against loans from banks and other financial liabilities	5,049	7,452
Pledged assets against liabilities	364,694	405,957
Thereof pledged assets against issued covered bonds held by the Bank	(85,549)	(105,265)
Assets against repoed issued bonds	15,727	15,429
Pledged assets against liabilities on balance	294,872	316,121

The Group has pledged assets against due to credit institutions and borrowings, both issued covered bonds and other issued bonds and loan agreements undir Icelandic law. Pledged loans comprised mortgage loans to individuals. The book value of those liabilities were ISK 238 billion at period end (31.12.2024: ISK 248 billion).

The Group has pledged bonds against short term lending from the Central Bank of Iceland and against short positions, related to swap agreements, to hedge market risk of those assets to ensure the clearing of the Icelandic payment system. Moreover, it has pledged cash in foreign banks and financial institutions, mainly as collateral for trades under ISDA agreements to hedge market risk.

The Group has issued covered bonds amounting to ISK 61 billion that can be used for repo borrowings at the Central Bank of Iceland, the European Central Bank or sold if market conditions are favorable (31.12.2024: ISK 78 billion). Pledged assets against those covered bonds are ISK 70 billion (31.12.2024: ISK 90 billion).

37. Equity

Share capital and share premium

According to the Bank's Articles of Association, total share capital amounts to ISK 1,420 million, with par value of ISK 1 per share. The holders of ordinary shares are entitled to receive dividends as approved by the Annual General Meeting (AGM) and are entitled to one vote per share at shareholders' meetings.

	Share capital	Own shares	Share premium	2025 total	Share capital	Own shares	Share premium	2024 total
Balance at the beginning of the year	1,513	(101)	4,273	5,686	1,460	(14)	9,188	10,634
Issued new share capital	-	-	-	-	53	-	6,187	6,240
Share capital reduction	(93)	93	-	-	-	-	-	-
Purchase of treasury shares	-	(36)	(5,218)	(5,254)	-	(90)	(12,362)	(12,452)
Share option vested	-	6	715	721	-	2	280	282
Incentive scheme	-	1	229	230	-	1	165	166
Warrants excercised	-	-	-	-	-	-	816	816
Balance at the end of the year	1,420	(36)	-	1,383	1,513	(101)	4,273	5,686
Own shares / issued share capital		2.59%				6.65%		

The AGM of Arion Bank, held on 12 March 2025, approved to reduce the Bank's share capital by ISK 93,423,078 nominal value, by cancelling the Bank's own shares. The reduction was carried out on 7 April 2025. In 2024 the nominal value of Arion Bank's share capital was increased by ISK 53,198,719 in order to cover the exercising of issued warrants.

In accordance with the Bank's dividend policy Arion Bank has in place a regular buyback program. In April 2025 the FSA granted the Bank authorization to buy back own shares in Iceland and Sweden amounting up to a total of 19.9 shares and SDRs or up to ISK 3.0 billion. There are no ongoing programs at the end of December 2025. In 2024 the FSA authorized the Bank to initiate share buy-back programs in Iceland and Sweden amounting up to a total of 113.6 million shares or up to ISK 15.5 billion.

Amounts are in ISK millions

37. Equity, continued

Share options

Arion Bank has in place a share option plan for all employees of the Bank, Vördur and Stefnir, approved at the Banks AGM, under which employees may be granted options to purchase ordinary shares. The annual maximum purchase price for each employee is ISK 1.5 million, in line with Article 10 of the Income Tax Act no. 90/2003, at an exercise price determined by the Bank's average share price 10 days prior to issue date. The employee must remain continuously employed with Arion Bank until the expiring date. The options carry neither rights to dividends nor voting rights and are valued using the Black-Scholes pricing model.

In accordance with the current incentive scheme for Arion Bank hf. and Vördur, a limited group of employees can receive payments of up to 25% of the employees fixed salaries, of which 40% or 80% can be in the form of share options in the Bank. The share options are settled 4-5 years after granting. See Note 13 for further disclosures on the incentive scheme.

The following share option contracts are in existence at year end.	Number of shares (in ths.)	Exercise year	Exercise price (ISK)
Issued in 2021 (ISK 600,000) - employees of Arion Bank	2,488	2026	95.50
Issued in 2023 (ISK 900,000) - employees of Arion Bank	2,306	2026	153.75
Issued in 2023 (ISK 1,500,000) - employees of Arion Bank	1,463	2026	153.75
Issued in 2024 (ISK 1,500,000) - employees of Arion Bank	751	2026	155.75
Issued in 2025 (ISK 1,500,000) - employees of Arion Bank	1,040	2026	174.56
Issued in 2023 (ISK 1,500,000) - employees of subsidiaries	583	2026	140.56
Issued in 2024 (ISK 1,500,000) - employees of subsidiaries	157	2026	143.36
Issued in 2025 (ISK 1,500,000) - employees of subsidiaries	164	2026	155.93
Issued in 2025 - incentive scheme - employees of Group	2,330	2028-2030	Indeterminate
	11,281		

Movements in share options during the year.	31.12.2025		31.12.2024	
	Number of shares (in ths.)	Weighted average contract rate	Number of shares (in ths.)	Weighted average contract rate
Outstanding at the beginning of the year	17,116	135.1	24,435	136.3
Share options granted	1,203	172.0	1,953	153.6
Share options forfeited	(4,523)	130.1	(6,766)	148.2
Share options exercised, WAVG share price ISK 169.5 at exercise date (2024: 154.3)	(4,844)	124.2	(2,506)	96.7
Outstanding share options pursuant to Icelandic income tax act	8,952	139.1	17,116	135.1
Share options granted - incentive scheme	2,330	Indeterminate	-	-
Outstanding share options at the end of the year	11,281		17,116	

No share options are exercisable at year end. Next exercise periods are in February and May 2026.

All outstanding share options, if exercised, represent approximately 0.8% of the total issued shares.

To meet the Bank's obligations on the basis of the share option plan, the Bank will issue new share capital or deliver treasury shares. Arion Bank has no legal or constructive obligation to repurchase or settle the options in cash.

Warrants

The warrants reserve represents the consideration received for outstanding warrants. Arion Bank issued 54 million warrants on 9 March 2021. The purchase price of the warrants amounted to ISK 15.6 per warrant, resulting in a total sale price of ISK 842.4 million. The warrant issuing represented approximately 3% of the Bank's total share capital and the Bank was obliged to issue new shares when the warrants were exercised. Approximately 48.5% of the total issue was sold to around 150 employees of the Group and 51.5% to professional investors. The exercise period ran from Q4 2023 to Q3 2024. Arion Bank received notification of the exercising of warrants relating to a total of 51,087,696 new shares, amounting to ISK 6 billion, during the final exercise period which concluded on 24 August 2024. There were no outstanding warrants at the end of the year 2025.

Amounts are in ISK millions

Other information

38. Shareholders of Arion Bank

	31.12.2025	31.12.2024
Lífeyrissjódur verzlunarmanna	9.56%	9.06%
Gildi lífeyrissjódur	9.55%	9.17%
Lífeyrissjódur starfsmanna ríkisins	9.24%	8.79%
Brú lífeyrissjódur	5.22%	5.31%
Stodir hf.	5.07%	5.29%
Frjálsi lífeyrissjódurinn	4.07%	3.60%
Vanguard	3.97%	3.59%
Birta lífeyrissjódur	2.97%	3.15%
Stapi lífeyrissjódur	2.92%	3.02%
Festa lífeyrissjódur	2.61%	2.25%
Hvalur hf.	2.59%	2.43%
Arion banki hf.	2.59%	6.65%
Lífsverk lífeyrissjódur	2.06%	1.51%
Almenni lífeyrissjódur	1.81%	1.63%
Stefnir funds	1.73%	2.08%
Íslandsbanki hf.	1.44%	1.52%
Landsbréf hf.	1.05%	0.94%
Íslandssjódir	0.91%	1.01%
Other shareholders with less than 1% shareholding	30.66%	29.00%
	100.0%	100.0%

At the end of the year the Group's employees held a shareholding of 1.36% in Arion Bank (31.12.2024: 1.15%). The Board of Directors and key management personnel shareholding is as follows:

	31.12.2025		31.12.2024	
	Options	Number of shares	Options	Number of shares
Steinunn K. Thórdardóttir, Director	-	12,000	-	12,000
Alternate directors of the Board	-	49,933	-	32,000
Benedikt Gíslason, CEO	12,136	3,181,575	24,273	3,133,450
Key management personnel*	627,353	3,328,222	189,171	3,138,856

* Key management personnel are defined in Note 43.

39. Legal matters

The Group has formal controls and policies in place for managing legal claims. Once professional advice has been obtained and the likelihood and amount of loss reasonably estimated, the Group makes adjustments, if appropriate, to account for any adverse effects the claims may have on its financial standing. Should the Group conclude that it is to the detriment of the Group's case to disclose such potential amounts, relating to the legal claims raised, it elects not to do so. At the end of the period, the Group had several unresolved legal claims.

Contingent liabilities

Legal proceedings regarding damages

In a lawsuit brought in June 2013, Kortaþjónustan hf. claimed damages from Arion Bank hf., Íslandsbanki hf., Landsbankinn hf., Borgun hf. and Valitor hf. in the amount of ISK 1.2 billion plus interest. The lawsuit is a result of damage which Kortaþjónustan hf. contended the five parties had caused the company due to violations of the Competition Act. In June 2017, the Supreme Court dismissed the case on procedural grounds. Since then, Kortaþjónustan hf. and subsequently its largest shareholder EC-Clear have tried to initiate five lawsuits against the same defendants which have all been dismissed, the last one in March 2021. In September 2021, EC-Clear once again brought an action concerning the same dispute, claiming damages in the amount of ISK 922 million plus interest, against the same defendants. In September 2022, the District Court dismissed the claims. EC-Clear appealed the dismissal but with a ruling in January 2023 the Court of Appeal rejected the District Court’s ruling and ruled that the case should be heard on its merits by the District Court. Should the defendants be found liable for damages, they would be jointly responsible. Therefore, the Bank has not made any provision.

Amounts are in ISK millions

39. Legal matters, continued

Consumer Association's class-action lawsuit

The Consumer Association of Iceland sent a letter to Arion Bank, Íslandsbanki and Landsbankinn in April 2020 urging the banks to review their contractual terms on variable rate mortgages to individuals. The letter called for revised terms and compensation to borrowers who, according to the Association, had suffered damage. The Association's argument is that the standard contractual terms lack proper legal grounds, as the parameters for interest rate decisions lack transparency and predictability, thus causing a contractual imbalance to the detriment of the consumer.

In response to the letter, Arion Bank undertook a review of its contractual terms and processes for interest rate decisions, concluding that no changes were required and that the Association's arguments were unfounded. A response was sent to the Consumer Association in September 2020. According to information published on the Consumer Association's website, all three banks rejected the Association's arguments.

In May 2021, the Consumer Association published an article on its website calling for participants in a class action lawsuit. The intention was to commence court proceedings against the Icelandic banks to provide a legal precedent for loans with variable rates. Arion Bank received requests for information from a legal firm representing approximately 1,200 individuals. A case was filed against the Bank concerning an indexed loan and with a judgement of the Supreme Court on 10 December 2025 the Bank was acquitted. The Supreme Court thereby upheld the judgments of the District Court and the Court of Appeal in the case.

The Bank is also party to a case concerning a non-indexed loan, waiting to be heard by the District Court of Reykjavik. Cases regarding non-indexed loans were also filed against Landsbankinn and Íslandsbanki. Supreme Court judgements in cases for both banks were delivered in 2025. The Supreme Court found that the disputed contractual clause permitting changes to interest rates was partially invalid. The only part of the terms that was considered valid was a reference to the Central Bank's policy rate. Íslandsbanki and Landsbankinn were, however, acquitted of the borrower's financial claim.

It should be noted that the terms of Arion Bank mortgages which contain provisions on variable interest rates differ from those which were the subject of the Supreme Court judgment in the case against Íslandsbanki and Landsbankinn. The terms of Arion Bank mortgages in respect of varying the interest rates are exhaustively listed, unlike the terms of the Íslandsbanki and Landsbankinn mortgages, and each reference or term is further defined by a brief explanation. The terms of the Bank's non-indexed loans are similar to those addressed in the Bank's Supreme Court ruling, except that they also refer to interest rates set by the Central Bank. Therefore, the impact of the judgements in Íslandsbanki's and Landsbanki's case on Arion Bank's loans bearing non-indexed rates cannot be asserted with full certainty. Moreover, in the Bank's assessment, the argument the Supreme Court uses in Íslandsbanki's and Landsbanki's cases, regarding reference to the Central Bank's policy rate, is also applicable to the terms of Arion Bank mortgages bearing non-indexed rates. If the Íslandsbanki and Landsbanki verdict is applied to Arion Bank's non-indexed loans, the loss is estimated to be less than ISK 500 million pre-tax.

The Bank has not made any provision in respect of impending court cases.

Other legal proceedings

Since 2008 Arion Bank has formally been a party to proceedings in Luxembourg, commenced against the Luxembourg company R Capital S.á r.l. and its beneficial owner, Mr. Umberto Ronsisvalle, for the collection of EUR 6 million plus interest. During this time, Kaupthing ehf. has been the beneficial owner of the claim, with Arion Bank's involvement limited to being the formal party to the proceedings while enjoying indemnity from Kaupthing. The reason for the setup is a decision by the Icelandic Financial Supervisory Authority in 2009 during the division of Kaupthing into the "new" and "old" bank. In 2019, a counterclaim was made against Arion Bank in the proceedings, for the net sum of EUR 24 million plus interest, with the Bank continuing to enjoy full indemnity from Kaupthing. In September 2021, Kaupthing and Arion Bank agreed that all rights and liabilities in the Luxembourg proceedings would be transferred to Arion Bank. The Bank is still held harmless for any liabilities associated with the claims and has therefore not made any provision.

40. Events after the reporting period

No event has arisen after the reporting period and up to the approval of these Consolidated Financial Statements that require additional disclosures.

Notes to the Consolidated Financial Statements

Off balance sheet information

41. Commitments

	31.12.2025	31.12.2024
Financial guarantees, unused credit facilities and undrawn loan commitments		
Financial guarantees	25,450	21,804
Unused overdrafts	90,187	74,270
Undrawn loan commitments	85,329	67,658
Financial guarantees, unused credit facilities and undrawn loan commitments	200,966	163,732

42. Assets under management, supervision and custody

	31.12.2025	31.12.2024
Assets under management	1,563,569	1,417,450
Assets under supervision	425,248	215,251
Assets under custody	1,107,656	1,699,260

Assets under management represent the total market value of the financial assets which the Group manages on behalf of its customers.

Assets under supervision refer to the total market value of financial assets in non-proprietary funds that the Group administers on behalf of its customers.

The Group, acting as custodian, is responsible for safeguarding a firm's or individual's financial assets, hold in safekeeping securities such as stocks, bonds and securities funds, arrange the settlement of trades and movements of securities, process corporate actions such as income on bonds and dividends on shares; and pricing on securities.

Related party

43. Related party

Arion Bank defines related party as shareholders with significant influence over the Group, the key management personnel and the Group's associated companies.

Shareholders with significant influence are shareholders that have the power to participate in the finanical and operating decisions of Arion Bank but do not control those policies. At the end of the year no shareholder was defined as related party with an influence over the Group (31.12.2024: none).

The key management personnel includes the Board of Directors, the Executive Committee of Arion Bank and heads of other internal control functions, as well as their close family members and legal entities controlled by them. The Executive Committee consists of the CEO, Managing Directors of Retail banking, CIB, Markets, Finance, Risk, IT and Operations & culture. For compensation, pension and other transactions with the Board of Directors and the Executive Committee, see Notes 13 and 38.

For information on the Group's associated companies, see Note 27.

Transactions with related parties have been conducted on an arm's length basis. There have been no further guarantees provided or received for related party receivables or payables.

	Key management personnel		Associated companies	
	31.12.2025	31.12.2024	31.12.2025	31.12.2024
Loans	3,940	229	1,072	340
Other assets	4	3	-	-
Total assets	3,944	232	1,072	340
Deposits	(995)	(1,385)	(10)	(157)
Other liabilities	-	-	(24)	(28)
Total liabilities	(995)	(1,385)	(33)	(186)
Interest income	197	19	78	39
Interest expenses	(45)	(49)	(2)	(6)
Commission income	21	14	-	-
Commission expenses	-	-	(45)	(74)
Other income	11	11	-	-
Other expenses	(45)	(2)	(1,412)	(1,361)
Net expenses	139	(7)	(1,380)	(1,402)

Amounts are in ISK millions

Notes to the Consolidated Financial Statements

Risk management disclosures

Risk management is a core activity within the Group as it faces various risks arising from its day to day operations. The key to effective risk management is a process of on-going identification of significant risks, quantification of risk exposures, actions to limit risk and regular monitoring. This process, and the ability to evaluate, manage and correctly price the risk encountered is critical to the Group's continuing profitability, and ensures that risk exposures remain within acceptable levels.

The Board of Directors is ultimately responsible for the Bank's risk management framework and for ensuring that satisfactory risk policies and governance are in place. Each subsidiary is responsible for its own risk management framework but adheres to the Bank's ownership policies which outline the Group's internal control policy, risk appetite and reporting mechanisms. The Board sets the risk appetite for the Bank, and in some cases the Group, which is translated into exposure limits and targets monitored by the Bank's Risk Management division.

The Chief Executive Officer (CEO) is responsible for sustaining an effective risk management framework, processes and controls as well as maintaining a high level of risk awareness among employees, making risk everyone's business.

The Bank operates several committees to manage risk. The Board Risk Committee (BRIC) is responsible for supervising the Bank's risk management framework, risk appetite and the internal capital and liquidity adequacy assessment processes (ICAAP/ILAAP). The Board Credit Committee (BCC) approves certain proposals for credit origination, debt cancellation, underwriting and investments, while the Board of Directors is the supreme authority for cases which entail deviations from risk appetite or strategy. On the management level the CEO has established six primary risk committees. The Asset and Liability Committee (ALCO) is responsible for managing asset-liability mismatches, liquidity and funding risk, market risk, capital adequacy, and decides on underwriting and investment exposures. The Operational Risk Committee (ORCO) is responsible for managing operational risk, which includes information security, financial crime, regulatory compliance and data management. The Arion Credit Committee (ACC) administers the Bank's credit rules and decides on the origination of credit while the Arion Composition and Debt Cancellation Committee (ADC) is the principal authority for debt cancellation, debt restructuring and composition agreements. ACC and ADC operate within limits set by the BCC. The Sustainability Committee ensures that the Bank's strategy and decision-making are aligned with the Bank's commitments in relation to the environmental, social and governance (ESG) agenda. The committee oversees the Bank's Green Financing Framework. Finally, the Executive Risk Committee (ERCO), chaired by the CRO, oversees the implementation of risk policies, ensures that the Bank's limit framework adheres to the risk appetite, reviews the Bank's ICAAP, ILAAP and stress testing, and approves economic scenarios, credit models and specific provisions under IFRS9. The Executive Committee is concerned with business and strategic risk.

The Bank's Internal Audit conducts independent reviews of the Bank's and several subsidiaries' operations, risk management framework, processes and measurements. Internal Audit discusses its results with management and reports its findings and recommendations to the Board Audit Committee (BAC) and to the Board of Directors.

The Bank's Compliance function is headed by the Compliance Officer. It is independent and centralized and the Compliance Officer reports directly to the CEO. The Compliance function manages the Bank's conduct and compliance risk, including risk relating to data protection and financial crime.

The Bank’s Risk Management division is headed by the Chief Risk Officer. It is independent and centralized and reports directly to the CEO. Risk Management is divided into four units. Balance Sheet Risk and Models is responsible for the quantification of risk on a portfolio level, including risk modelling and reporting; Operational and Sustainability Risk facilitates and monitors the management of risk and controls in the first line and supports the Bank's quantification and management of sustainability risk; and Credit Risk supports the Bank's credit transaction process, participates in credit decisions and monitors credit quality. The Security Team monitors the effectiveness of the Bank’s defences against risks associated with IT security, physical security and external cyber fraud.

Arion Bank is a small bank in international context but classified as systemically important in Iceland. The Group operates in a small economy which is subject to sectoral concentration, fluctuations in capital flows, and exchange rate volatility. Among the Group’s most significant risks are credit risk, concentration risk, liquidity risk, interest rate risk, cyber risk, third party risk, business risk and reputational risk. These risk factors are to the largest extent encountered within the parent company. Through the Bank's subsidiaries, the Group bears risk arising from insurance activities and fund management.

Further information on risk management and capital adequacy is provided in the Annual Financial Statements for 2025, in the Pillar 3 Risk Disclosures for 2025 and in the quarterly Additional Pillar 3 Risk Disclosures. These documents are available on the Bank's website, www.arionbank.com.

44. Credit risk

Credit risk is the risk that the Group will incur a loss because its customers or counterparties fail to discharge their contractual obligations.

Credit risk arises when the Group commits its funds, resulting in capital or earnings being dependent on counterparty, issuer or borrower performance. Loans to customers are the largest source of credit risk. Credit risk is also inherent in other types of assets, such as loans to credit institutions, bonds, derivatives and off-balance sheet items such as commitments and guarantees.

Managing and analyzing the Group's loan portfolio is of utmost importance. Great emphasis is placed on the quality of the credit portfolio, by maintaining a strict credit process, by critically inspecting loan applications, by actively monitoring the credit portfolio and by identifying and reacting to possible problem loans at an early stage as well as by restructuring impaired credits.

The Group grants credit based on well-informed lending decisions and seeks to build business relationships with customers that have good repayment capacity and are backed by strong collateral. The risk level of each credit is considered in the pricing.

Credit risk is managed and controlled by setting limits on the amount of risk the Group is willing to accept for individual counterparties, group of connected clients, industries, geographies and loan types, and by monitoring exposures in relation to such limits. The Group seeks to limit its total credit risk through diversification of the loan portfolio across sectors and by limiting large exposures to groups of connected clients.

Exposure to credit risk

The following table shows the maximum exposure to credit risk for the components of the Statement of Financial Position before the effect of mitigation due to collateral agreements or other credit enhancements. The table also shows related collateral and credit enhancements. The amount and type of collateral required depends on an assessment of the credit risk of the counterparty and the exposure type. The main types of collateral obtained are as follows:

- Real estate: Residential property, commercial real estate and land
- Cash and securities: Cash, treasury notes and bills, asset backed bonds, listed equity, and funds that consist of eligible securities
- Vessels: Ships with assigned fishing quota and other vessels
- Other collateral: Fixed and current assets including vehicles, equipment, inventory and trade receivables

The value of collateral is based on estimated market value. The valuation of real estate is based on market price, valuation model, or the opinion of internal or external specialists. The valuation of fishing vessels takes into account related fishing quotas. The quality of collateral is evaluated in the lending process with regards to specialization, location, age and condition and possibilities for reuse.

Collateral value is monitored and action is taken to remedy insufficient collateral coverage where the underlying agreement provides for such remedies. Collateral value is reviewed to ensure the adequacy of the allowance for impairment losses. Collateral values shown are capped by the related book value amount.

44. Credit risk, continued

Maximum exposure to credit risk and collateral held against different types of financial instruments subject to the impairment requirements of IFRS 9

		Collateral				
31.12.2025	Maximum exposure	Cash and securities	Real estate	Vessels	Other collateral	Total collateral
Cash and balances with Central Bank	150,111	-	-	-	-	-
Loans to credit institutions at amortized cost	22,567	-	-	-	-	-
Loans to customers at amortized cost	1,327,606	15,816	982,047	65,647	111,401	1,174,911
Individuals	*640,394*	*161*	*589,706*	*28*	*14,604*	*604,499*
Mortgages	*576,828*	*134*	*576,297*	*-*	*-*	*576,431*
Other	*63,566*	*27*	*13,409*	*28*	*14,604*	*28,068*
Corporates	*687,212*	*15,655*	*392,341*	*65,619*	*96,797*	*570,412*
Real estate activities	*126,000*	*2,168*	*118,383*	*11*	*294*	*120,856*
Construction	*108,071*	*222*	*98,010*	*6*	*2,886*	*101,124*
Fishing industry	*107,416*	*1,294*	*26,435*	*58,230*	*13,314*	*99,273*
Commerce and services	*87,036*	*1,554*	*36,263*	*1,063*	*25,114*	*63,994*
Accommodation and food service activities	*46,775*	*34*	*44,842*	*-*	*206*	*45,082*
Financial and insurance activities	*58,606*	*9,528*	*18,072*	*4,069*	*20,174*	*51,843*
Industry, energy and manufacturing	*69,908*	*532*	*32,288*	*-*	*18,288*	*51,108*
Transportation	*17,925*	*40*	*1,223*	*2,208*	*9,038*	*12,509*
Information and communication technology	*40,458*	*275*	*1,606*	*-*	*6,810*	*8,691*
Public sector	*11,354*	*8*	*2,678*	*11*	*104*	*2,801*
Agriculture and forestry	*13,663*	*-*	*12,541*	*21*	*569*	*13,131*
Other assets with credit risk	17,031	-	-	-	-	-
Financial guarantees	25,450	1,348	4,989	274	6,597	13,208
Undrawn loan commitments and unused overdrafts	175,516	-	-	-	-	-
Fair value through OCI	138,302	-	-	-	-	-
Government bonds	*136,868*	-	-	-	-	-
Bonds issued by financial institutions and corporates	*1,434*	-	-	-	-	-
Balance at the end of the year	1,856,583	17,164	987,036	65,921	117,998	1,188,119
31.12.2024						
Cash and balances with Central Bank	124,094	-	-	-	-	-
Loans to credit institutions at amortized cost	25,690	-	-	-	-	-
Loans to customers at amortized cost	1,228,745	12,589	931,451	63,466	117,745	1,125,251
Individuals	*639,404*	*526*	*584,014*	*23*	*20,342*	*604,905*
Mortgages	*570,842*	*404*	*569,959*	*-*	*-*	*570,363*
Other	*68,562*	*122*	*14,055*	*23*	*20,342*	*34,542*
Corporates	*589,341*	*12,063*	*347,437*	*63,443*	*97,403*	*520,346*
Real estate activities	*117,929*	*1,610*	*113,229*	*-*	*1,582*	*116,421*
Construction	*84,419*	*198*	*74,662*	*17*	*4,104*	*78,981*
Fishing industry	*87,696*	*1,124*	*17,612*	*60,155*	*6,838*	*85,729*
Commerce and services	*74,814*	*899*	*28,035*	*1,235*	*31,004*	*61,173*
Accommodation and food service activities	*47,755*	*14*	*42,570*	*-*	*4,173*	*46,757*
Financial and insurance activities	*52,600*	*7,435*	*16,455*	*-*	*16,220*	*40,110*
Industry, energy and manufacturing	*61,481*	*750*	*38,534*	*-*	*17,607*	*56,891*
Transportation	*10,249*	*4*	*1,189*	*2,031*	*6,636*	*9,860*
Information and communication technology	*30,633*	*16*	*1,437*	*-*	*8,534*	*9,987*
Public sector	*9,509*	*13*	*2,224*	*5*	*187*	*2,429*
Agriculture and forestry	*12,256*	*-*	*11,490*	*-*	*518*	*12,008*
Other assets with credit risk	8,476	-	-	-	-	-
Financial guarantees	21,804	2,335	4,212	280	4,688	11,515
Undrawn loan commitments and unused overdrafts	141,928	-	-	-	-	-
Fair value through OCI	126,898	-	-	-	-	-
Government bonds	*125,923*	-	-	-	-	-
Bonds issued by financial institutions and corporates	*975*	-	-	-	-	-
Balance at the end of the year	1,677,635	14,924	935,663	63,746	122,433	1,136,766

Amounts are in ISK millions

44. Credit risk, continued

LTV ratio for residential mortgage lending

The following table describes the loan to value (LTV) and impairment status of the Group's residential mortgage portfolio. LTV is calculated as the ratio of the total exposure of individual borrowers to the value of the pledged real estate without adjusting for possible costs of obtaining and selling the collateral. An exposure to a particular borrower appears in a single row in the table (whole-loan approach). The residential real estate valuation model used gives an estimate of current value on a monthly basis. This model is used when the market transaction value becomes older than 2 years.

			Thereof in Stage 3	
	31.12.2025	31.12.2024	31.12.2025	31.12.2024
Less than 50%	223,975	233,652	2,832	2,647
50-60%	107,698	113,874	2,110	1,531
60-70%	102,661	96,331	1,587	1,185
70-80%	88,631	75,063	1,427	1,269
80-90%	51,163	48,341	708	344
90-100%	1,669	2,075	114	135
More than 100%	1,497	2,172	261	319
Not classified	198	17	5	-
Gross carrying amount	577,492	571,525	9,044	7,430

The following table gives an alternative representation of the loan to value profile of the mortgage portfolio. Here, each exposure is split into pieces and each piece is placed into the appropriate LTV bucket. A single exposure can therefore be spread between several rows in the table (loan-splitting approach).

			Thereof in Stage 3	
	31.12.2025	31.12.2024	31.12.2025	31.12.2024
Less than 55%	516,063	514,309	7,925	6,484
55-70%	45,445	42,063	743	589
70-80%	12,363	11,461	230	165
80-90%	2,521	2,694	77	63
90-100%	385	434	41	27
More than 100%	517	560	23	102
Not classified	198	4	5	-
Gross carrying amount	577,492	571,525	9,044	7,430

Collateral for financial assets in stage 3

At the end of the year, the gross carrying amount of assets in stage 3 was ISK 32,661 million (31.12.2024: ISK 28,568 million) with ISK 28,860 million in collateral (31.12.2024: ISK 25,586 million), thereof ISK 24,474 million in real estate (31.12.2024: ISK 24,587 million).

Collateral repossessed

The Group took possession of assets due to foreclosures. The total value of real estate the Group took possession of during the year and still holds at the end of the year is ISK 66 million (31.12.2024: ISK 79 million). Assets aquired due to foreclosure are held for sale, see Note 30.

Amounts are in ISK millions

44. Credit risk, continued

Large exposures

A large exposure is defined as an exposure to a group of financially related borrowers which is equal to or exceeds 10% of the Group's Tier 1 capital according to the Financial Undertakings Act No. 161/2002. The legal maximum for individual large exposures is 25% of Tier 1 capital, net of eligible credit risk mitigation.

The Group had no large exposure at the end of the year (31.12.2024: no large exposure).

Credit quality

The Group uses internal credit ratings and external credit ratings, if available, to monitor credit risk. The Group's internal credit rating system rates customers through application of statistical models based on a variety of information that has been determined to be predictive of default. This includes demographic, behavioral, financial and economic data, coupled with qualitative expert judgment for large corporate exposures. Six exposure type models rate individuals' exposures – mortgages, consumer loans, auto loans, guarantees, loans to individuals for work purposes, and other loans. The models are validated annually and recalibrated and updated with current data with the aim of maintaining their predictive power. Year-on-year changes in risk classification of loans may in part be due to model refinement. External ratings are primarily used for marketable securities and loans to credit institutions. For further information on the rating scales used, see Note 59.

The following tables show financial instruments subject to the impairment requirements of IFRS 9 broken down by rating scale, where risk class 5, DD, represents exposures in default. Assets carried at fair value through profit and loss are not subject to the impairment requirements of IFRS 9. The tables below sum up the gross carrying amount of assets by rating class and impairment stage. The gross carrying amount net of loss allowance is the book value of the underlying assets. For off-balance sheet exposures, the nominal amount is shown. FVOCI stands for fair value through other comprehensive income.

Exposures that are 'Unrated' are typically due to newly formed entities, entities for which the Bank's rating models are not applicable or no external rating is available.

44. Credit risk, continued

Credit quality profile for financial instruments subject to IFRS 9 impairment requirements

31.12.2025

Loans to customers	Stage 1	Stage 2	Stage 3	POCI	Total
Risk class 0 - (Grades AAA to A-)	441,647	256	-	117	442,020
Risk class 1 - (Grades BBB+ to BBB-)	413,457	1,827	-	124	415,408
Risk class 2 - (Grades BB+ to BB-)	289,610	6,889	-	63	296,562
Risk class 3 to 4 - (Grades B+ to CCC-)	105,819	46,753	-	23	152,595
Risk class 5 - (DD)	-	-	32,255	406	32,661
Unrated	439	-	-	-	439
Gross carrying amount	1,250,972	55,725	32,255	733	1,339,685
Loss allowance	(2,833)	(1,551)	(7,508)	(187)	(12,079)
Book value	1,248,139	54,174	24,747	546	1,327,606

Loans to customers - Individuals	Stage 1	Stage 2	Stage 3	POCI	Total
Risk class 0 - (Grades AAA to A-)	345,978	256	-	117	346,351
Risk class 1 - (Grades BBB+ to BBB-)	216,374	518	-	124	217,016
Risk class 2 - (Grades BB+ to BB-)	46,562	4,108	-	63	50,733
Risk class 3 to 4 - (Grades B+ to CCC-)	8,883	8,932	-	23	17,838
Risk class 5 - (DD)	-	-	10,892	120	11,012
Unrated	5	-	-	-	5
Gross carrying amount	617,802	13,814	10,892	447	642,955
Loss allowance	(611)	(332)	(1,617)	(1)	(2,561)
Book value	617,191	13,482	9,275	446	640,394

Loans to customers - Corporates and public sector entities	Stage 1	Stage 2	Stage 3	POCI	Total
Risk class 0 - (Grades AAA to A-)	95,669	-	-	-	95,669
Risk class 1 - (Grades BBB+ to BBB-)	197,083	1,309	-	-	198,392
Risk class 2 - (Grades BB+ to BB-)	243,048	2,781	-	-	245,829
Risk class 3 to 4 - (Grades B+ to CCC-)	96,936	37,821	-	-	134,757
Risk class 5 - (DD)	-	-	21,363	286	21,649
Unrated	434	-	-	-	434
Gross carrying amount	633,170	41,911	21,363	286	696,730
Loss allowance	(2,222)	(1,219)	(5,891)	(186)	(9,518)
Book value	630,948	40,692	15,472	100	687,212

Loan commitments, guarantees and unused credit facilities	Stage 1	Stage 2	Stage 3	POCI	Total
Risk class 0 to 1 (Grades AAA to BBB-)	114,147	46	-	-	114,193
Risk class 2 to 4 (Grades BB+ to CCC-)	76,291	4,758	1,116	-	82,165
Unrated	4,608	-	-	-	4,608
Nominal	195,046	4,804	1,116	-	200,966
Loss allowance	(342)	(266)	(73)	-	(681)
Nominal less loss allowance	194,704	4,538	1,043	-	200,285

Amounts are in ISK millions

44. Credit risk, continued

31.12.2024

Loans to customers	Stage 1	Stage 2	Stage 3	POCI	Total
Risk class 0 - (Grades AAA to A-)	436,790	93	-	52	436,935
Risk class 1 - (Grades BBB+ to BBB-)	323,053	1,783	-	155	324,991
Risk class 2 - (Grades BB+ to BB-)	250,011	26,076	-	32	276,119
Risk class 3 to 4 - (Grades B+ to CCC-)	108,985	62,430	-	24	171,439
Risk class 5 - (DD)	-	-	28,388	180	28,568
Unrated	45	-	-	-	45
Gross carrying amount	1,118,884	90,382	28,388	443	1,238,097
Loss allowance	(2,282)	(1,746)	(5,323)	(1)	(9,352)
Book value	1,116,602	88,636	23,065	442	1,228,745

Loans to customers - Individuals	Stage 1	Stage 2	Stage 3	POCI	Total
Risk class 0 - (Grades AAA to A-)	337,617	93	-	52	337,762
Risk class 1 - (Grades BBB+ to BBB-)	215,576	215	-	155	215,946
Risk class 2 - (Grades BB+ to BB-)	41,708	17,943	-	32	59,683
Risk class 3 to 4 - (Grades B+ to CCC-)	9,477	9,305	-	24	18,806
Risk class 5 - (DD)	-	-	9,514	180	9,694
Unrated	7	-	-	-	7
Gross carrying amount	604,385	27,556	9,514	443	641,898
Loss allowance	(545)	(410)	(1,538)	(1)	(2,494)
Book value	603,840	27,146	7,976	442	639,404

Loans to customers - Corporates and public sector entities	Stage 1	Stage 2	Stage 3	POCI	Total
Risk class 0 - (Grades AAA to A-)	99,173	-	-	-	99,173
Risk class 1 - (Grades BBB+ to BBB-)	107,477	1,568	-	-	109,045
Risk class 2 - (Grades BB+ to BB-)	208,303	8,133	-	-	216,436
Risk class 3 to 4 - (Grades B+ to CCC-)	99,508	53,125	-	-	152,633
Risk class 5 - (DD)	-	-	18,874	-	18,874
Unrated	230	-	-	-	230
Gross carrying amount	514,691	62,826	18,874	-	596,391
Loss allowance	(1,737)	(1,336)	(3,785)	-	(6,858)
Book value	512,954	61,490	15,089	-	589,533

Loan commitments, guarantees and unused credit facilities	Stage 1	Stage 2	Stage 3	POCI	Total
Risk class 0 to 1 - (Grades AAA to BBB-)	82,245	5	-	-	82,250
Risk class 2 to 4 - (Grades BB+ to CCC-)	71,991	5,370	544	-	77,905
Unrated	3,577	-	-	-	3,577
Nominal	157,813	5,375	544	-	163,732
Loss allowance	(399)	(112)	-	-	(511)
Nominal less loss allowance	157,414	5,263	544	-	163,221

Amounts are in ISK millions

44. Credit risk, continued

Sector split, gross carrying value and loss allowance for financial instruments subject to IFRS 9 impairment requirements

	Stage 1		Stage 2		Stage 3		
31.12.2025	Gross Carrying amount	Loss allowance	Gross Carrying amount	Loss allowance	Gross Carrying amount	Loss allowance	Book value
Loans to credit instit., securities & cash	310,987	(7)	-	-	-	-	310,980
Loans to individuals	617,802	(611)	14,141	(332)	11,012	(1,618)	640,394
Mortgages	*556,668*	*(201)*	*11,780*	*(123)*	*9,044*	*(340)*	*576,828*
Other	*61,134*	*(410)*	*2,361*	*(209)*	*1,968*	*(1,278)*	*63,566*
Loans to corporates and public sector entities	633,170	(2,222)	41,911	(1,219)	21,649	(6,077)	687,212
Real estate activities	*117,560*	*(237)*	*5,623*	*(68)*	*3,919*	*(797)*	*126,000*
Construction	*93,971*	*(475)*	*9,159*	*(279)*	*7,639*	*(1,944)*	*108,071*
Fishing industry	*105,252*	*(197)*	*1,086*	*(31)*	*1,934*	*(628)*	*107,416*
Commerce and services	*79,503*	*(331)*	*5,911*	*(212)*	*2,685*	*(520)*	*87,036*
Accommodation and food service activities	*35,122*	*(133)*	*10,897*	*(274)*	*1,653*	*(490)*	*46,775*
Financial and insurance activities	*55,466*	*(288)*	*3,433*	*(138)*	*191*	*(58)*	*58,606*
Industry, energy and manufacturing	*69,437*	*(168)*	*390*	*(46)*	*582*	*(287)*	*69,908*
Transportation	*14,596*	*(49)*	*3,440*	*(69)*	*22*	*(15)*	*17,925*
Information and communication technology	*38,092*	*(274)*	*1,255*	*(75)*	*2,792*	*(1,332)*	*40,458*
Public Sector	*11,299*	*(32)*	*53*	*(7)*	*41*	*-*	*11,354*
Agriculture and forestry	*12,872*	*(38)*	*664*	*(20)*	*191*	*(6)*	*13,663*
Balance at the end of the year	1,561,959	(2,840)	56,052	(1,551)	32,661	(7,695)	1,638,586

31.12.2024	Gross Carrying amount	Loss allowance	Gross Carrying amount	Loss allowance	Gross Carrying amount	Loss allowance	Book value
Loans to credit instit., securities & cash	276,685	(3)	-	-	-	-	276,682
Loans to individuals	604,385	(545)	27,819	(410)	9,694	(1,539)	639,404
Mortgages	*540,494*	*(162)*	*23,600*	*(229)*	*7,431*	*(292)*	*570,842*
Other	*63,891*	*(383)*	*4,219*	*(181)*	*2,263*	*(1,247)*	*68,562*
Loans to corporates and public sector entities	514,499	(1,737)	62,826	(1,336)	18,874	(3,785)	589,341
Real estate activities	*107,012*	*(239)*	*8,418*	*(62)*	*3,667*	*(867)*	*117,929*
Construction	*70,037*	*(342)*	*7,317*	*(93)*	*8,588*	*(1,088)*	*84,419*
Fishing industry	*79,542*	*(66)*	*6,992*	*(135)*	*2,427*	*(1,064)*	*87,696*
Commerce and services	*66,003*	*(279)*	*7,923*	*(160)*	*1,694*	*(367)*	*74,814*
Accommodation and food service activities	*34,515*	*(107)*	*12,408*	*(417)*	*1,544*	*(188)*	*47,755*
Financial and insurance activities	*41,791*	*(272)*	*11,235*	*(155)*	*1*	*-*	*52,600*
Industry, energy and manufacturing	*60,593*	*(101)*	*631*	*(48)*	*517*	*(111)*	*61,481*
Transportation	*6,119*	*(13)*	*4,207*	*(79)*	*23*	*(8)*	*10,249*
Information and communication technology	*28,960*	*(259)*	*1,981*	*(147)*	*162*	*(64)*	*30,633*
Public Sector	*9,145*	*(27)*	*344*	*(4)*	*51*	*-*	*9,509*
Agriculture and forestry	*10,782*	*(32)*	*1,370*	*(36)*	*200*	*(28)*	*12,256*
Balance at the end of the year	1,395,569	(2,285)	90,645	(1,746)	28,568	(5,324)	1,505,427

Amounts are in ISK millions

44. Credit risk, continued

The table below reconciles the opening and closing allowance balance for loans to customers and debt securities at amortized cost and FVOCI and loan commitments, guarantees and unused credit facilities by impairment stages. The reconciliation includes:

Transfers of financial assets between impairment stages

All transfers are presumed to occur before any corresponding remeasurement of the loss allowance.

Net remeasurement of loss allowance

Comprise the impact of changes in model inputs or assumptions, including changes in forward-looking macroeconomic conditions, partial repayments and additional draws on existing facilities, inflation, changes in the measurement following a transfer between stages, effects of foreign exchange rate changes, impairment of interest income due to impaired debt instruments and unwinding of the time value discount due to the passage of time.

New financial assets, originated or purchased

Include purchases and originations and reflect the allowance related to assets newly recognized during the year.

Derecognitions and maturities

Reflect the allowance related to assets derecognized during the period without a credit loss being incurred, including those assets that were derecognized following a modification of terms.

Write-offs

The amount after net remeasurements of loss allowance written off during the year.

31.12.2025

*Impairment loss allowance **	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at the beginning of the year	(2,681)	(1,858)	(5,323)	(1)	(9,863)
Transfers of financial assets:					
Transfers to Stage 1 (12-month ECL)	(697)	561	136	-	-
Transfers to Stage 2 (lifetime ECL)	193	(350)	157	-	-
Transfers to Stage 3 (credit impaired financial assets)	63	189	(252)	-	-
Net remeasurement of loss allowance **	644	(341)	(3,373)	-	(3,070)
New financial assets, originated or purchased	(1,458)	(408)	(1,141)	(186)	(3,193)
Derecognitions and maturities	731	363	1,527	-	2,621
Write-offs ***	30	27	688	-	745
Impairment loss allowance ****	(3,175)	(1,817)	(7,581)	(187)	(12,760)
Impairment loss allowances for assets only carrying 12-month ECL	(7)	-	-	-	(7)
Total impairment loss allowance	(3,182)	(1,817)	(7,581)	(187)	(12,767)

* These amounts are a combination of all impairments, including an allowance for loan commitments and guarantees presented as a liability in these ConsolidatedFinancial Statements. The amounts represent the difference between the loss allowance at the beginning of the year and at the reporting date, ignoring other intra-period changes.

** During the year the loss allowance balance for stage 3 loans was reduced by ISK 995 million due to unwinding of interest income.

*** During the year an amount of ISK 547 million was written off but is still subject to enforcement activities subject to Icelandic law.

**** Loss allowance for all assets other than cash, bonds and loans to credit institutions.

Amounts are in ISK millions

Notes to the Consolidated Financial Statements

44. Credit risk, continued

Impairment loss allowance for loans to customers	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at the beginning of the year	(2,282)	(1,746)	(5,323)	(1)	(9,352)
Transfers of financial assets:					
Transfers to Stage 1 (12-month ECL)	(655)	519	136	-	-
Transfers to Stage 2 (lifetime ECL)	138	(295)	157	-	-
Transfers to Stage 3 (credit impaired financial assets)	61	183	(244)	-	-
Net remeasurement of loss allowance	532	(203)	(3,308)	-	(2,979)
New financial assets, originated or purchased	(1,282)	(373)	(1,141)	(186)	(2,982)
Derecognitions and maturities	625	337	1,527	-	2,489
Write-offs	30	27	688	-	745
Total loss allowance for loans to customers	(2,833)	(1,551)	(7,508)	(187)	(12,079)

Impairment loss allowance for loans to customers - Individuals	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at the beginning of the year	(545)	(410)	(1,538)	(1)	(2,494)
Transfers of financial assets					
Transfers to Stage 1 (12-month ECL)	(283)	199	84	-	-
Transfers to Stage 2 (lifetime ECL)	32	(58)	26	-	-
Transfers to Stage 3 (credit impaired financial assets)	12	54	(66)	-	-
Net remeasurement of loss allowance	254	(126)	(381)	-	(253)
New financial assets, originated or purchased	(189)	(82)	(124)	-	(395)
Derecognitions and maturities	78	66	151	-	295
Write-offs	30	25	231	-	286
Total loss allowance for loans to individuals	(611)	(332)	(1,617)	(1)	(2,561)

Impairment loss allowance for loans to customers - Corporates	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at the beginning of the year	(1,737)	(1,336)	(3,785)	-	(6,858)
Transfers of financial assets					
Transfers to Stage 1 (12-month ECL)	(372)	320	52	-	-
Transfers to Stage 2 (lifetime ECL)	106	(237)	131	-	-
Transfers to Stage 3 (credit impaired financial assets)	49	129	(178)	-	-
Net remeasurement of loss allowance	278	(77)	(2,927)	-	(2,726)
New financial assets, originated or purchased	(1,093)	(291)	(1,017)	(186)	(2,587)
Derecognitions and maturities	547	271	1,376	-	2,194
Write-offs	-	2	457	-	459
Total loss allowance for loans to corporates	(2,222)	(1,219)	(5,891)	(186)	(9,518)

Impairment loss allowance for loan commitments, guarantees and unused credit facilities	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at the beginning of the year	(399)	(112)	-	-	(511)
Transfers					
Transfers to 12-month ECL	(42)	42	-	-	-
Transfers to lifetime ECL	55	(55)	-	-	-
Transfers to credit impaired	2	6	(8)	-	-
Net remeasurement of loss allowance	112	(138)	(65)	-	(91)
New financial commitments originated	(176)	(35)	-	-	(211)
Derecognitions and maturities	106	26	-	-	132
Total loss allowance for loan commit., guarantees, unused facilities	(342)	(266)	(73)	-	(681)

Amounts are in ISK millions

44. Credit risk, continued

31.12.2024

*Impairment loss allowance **	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at the beginning of the year	(2,584)	(2,216)	(4,022)	(92)	(8,914)
Transfers of financial assets:					
Transfers to Stage 1 (12-month ECL)	(744)	536	208	-	-
Transfers to Stage 2 (lifetime ECL)	131	(178)	47	-	-
Transfers to Stage 3 (credit impaired financial assets)	94	140	(234)	-	-
Net remeasurement of loss allowance **	886	(263)	(2,494)	-	(1,871)
New financial assets, originated or purchased	(1,108)	(658)	(649)	-	(2,415)
Derecognitions and maturities	524	664	845	91	2,124
Write-offs ***	120	117	976	-	1,213
Impairment loss allowance ******	(2,681)	(1,858)	(5,323)	(1)	(9,863)
Impairment loss allowances for assets only carrying 12-month ECL	(3)	-	-	-	(3)
Total impairment loss allowance	(2,684)	(1,858)	(5,323)	(1)	(9,866)

* These amounts are a combination of all impairments, including an allowance for loan commitments and guarantees presented as a liability in these Consolidated Financial Statements. The amounts represent the difference between the loss allowance at the beginning of the year and at the reporting date, ignoring other intra-period changes.

** During the year the loss allowance balance for stage 3 loans was reduced by ISK 961 million due to unwinding of interest income.

*** During the year an amount of ISK 892 million was written off but is still subject to enforcement activities subject to Icelandic law.

**** Loss allowance for all assets other than cash, bonds and loans to credit institutions.

Impairment loss allowance for loans to customers	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at the beginning of the year	(2,348)	(2,091)	(4,020)	(92)	(8,551)
Transfers of financial assets:					
Transfers to Stage 1 (12-month ECL)	(666)	458	208	-	-
Transfers to Stage 2 (lifetime ECL)	121	(168)	47	-	-
Transfers to Stage 3 (credit impaired financial assets)	90	138	(228)	-	-
Net remeasurement of loss allowance	792	(230)	(2,500)	-	(1,938)
New financial assets, originated or purchased	(829)	(606)	(649)	-	(2,084)
Derecognitions and maturities	438	636	843	91	2,008
Write-offs	120	117	976	-	1,213
Total loss allowance for loans to customers	(2,282)	(1,746)	(5,323)	(1)	(9,352)

Impairment loss allowance for loans to customers - Individuals					
Balance at the beginning of the year	(559)	(532)	(1,381)	(1)	(2,473)
Transfers of financial assets					
Transfers to Stage 1 (12-month ECL)	(290)	205	85	-	-
Transfers to Stage 2 (lifetime ECL)	26	(42)	16	-	-
Transfers to Stage 3 (credit impaired financial assets)	29	65	(94)	-	-
Net remeasurement of loss allowance	327	(152)	(551)	-	(376)
New financial assets, originated or purchased	(173)	(92)	(136)	-	(401)
Derecognitions and maturities	77	30	289	-	396
Write-offs	18	108	234	-	360
Total loss allowance for loans to individuals	(545)	(410)	(1,538)	(1)	(2,494)

Amounts are in ISK millions

44. Credit risk, continued

	Stage 1	Stage 2	Stage 3	POCI	Total
Impairment loss allowance for loans to customers - Corporates					
Balance at the beginning of the year	(1,789)	(1,559)	(2,639)	(91)	(6,078)
Transfers of financial assets					
Transfers to Stage 1 (12-month ECL)	(376)	253	123	-	-
Transfers to Stage 2 (lifetime ECL)	95	(126)	31	-	-
Transfers to Stage 3 (credit impaired financial assets)	61	73	(134)	-	-
Net remeasurement of loss allowance	465	(78)	(1,949)	-	(1,562)
New financial assets, originated or purchased	(656)	(514)	(513)	-	(1,683)
Derecognitions and maturities	361	606	554	91	1,612
Write-offs	102	9	742	-	853
Total loss allowance for loans to corporates	(1,737)	(1,336)	(3,785)	-	(6,858)
Impairment loss allowance for loan commitments, guarantees and unused credit facilities					
Balance at the beginning of the year	(236)	(125)	(2)	-	(363)
Transfers					
Transfers to 12-month ECL	(78)	78	-	-	-
Transfers to lifetime ECL	10	(10)	-	-	-
Transfers to credit impaired	4	2	(6)	-	-
Net remeasurement of loss allowance	94	(33)	6	-	67
New financial commitments originated	(279)	(52)	-	-	(331)
Derecognitions and maturities	86	28	2	-	116
Total loss allowance for loan commit., guarantees, unused facilities	(399)	(112)	-	-	(511)

Macroeconomic forecast

The calculation of expected credit losses under IFRS 9 uses forward-looking information in the form of scenarios where the development of macro-economic variables is predicted. The expected credit loss is a probability-weighted average of the estimated forecasts over three scenarios: base case 60%, pessimistic 25% and optimistic 15% (31.12.2024: base case 60%, pessimistic 30% and optimistic 10%). The macroeconomic forecast and scenario probability weights is done by the Bank's Chief Economist and approved by the Bank's Executive Risk Committee. The following table shows values used for IFRS 9 impairment calculations.

	Base case		
	2026	2027	2028
Unemployment rate	4.5%	3.9%	3.8%
Housing prices, year-on-year change	0.9%	4.0%	5.0%
Private consumption, growth	2.6%	2.9%	2.9%
GDP growth	1.6%	2.7%	2.4%
Key interest rate	6.6%	5.8%	5.0%

	Optimistic			Pessimistic		
	2026	2027	2028	2026	2027	2028
Unemployment rate	3.0%	2.9%	3.5%	6.1%	5.1%	4.4%
Housing prices, year-on-year change	6.2%	10.7%	7.2%	-2.9%	1.3%	3.9%
Private consumption, growth	4.2%	3.5%	3.2%	-0.2%	1.7%	2.5%
GDP growth	3.1%	3.4%	2.7%	-0.8%	1.3%	1.9%
Key interest rate	6.3%	5.4%	4.6%	7.0%	6.2%	5.4%

Sensitivity analysis

Regarding macroeconomic outlook, see Note 3, Material accounting estimates and judgements. The Group calculates loss for three different scenarios, optimistic, neutral and pessimistic and the loss allowance is the weighted average of the results. As a sensitivity analysis, it can be noted that the loss allowance in stage 1 and 2 for each of these scenarios separately is ISK 2.2 billion, ISK 4.0 billion and ISK 9.1 billion for the optimistic, base case and pessimistic scenarios, respectively (31.12.2024: ISK 1.8 billion, ISK 3.3 billion and ISK 7.9 billion, respectively).

Amounts are in ISK millions

44. Credit risk, continued

Forbearance

The Group grants forbearance measures to facilities where the customer is facing temporary difficulties and needs measures which would not generally be available to customers. These forbearance measures include refinancing and renegotiations of loan terms, including loan extensions and adjustment of the payment schedule. After forbearance measures have been granted, the facility is classified as forborne for a period of at least 24 months. The forborne classification is not removed until the customer has demonstrated repayment capacity.

	Stage 1		Stage 2		Stage 3		Total	
31.12.2025	Gross carrying amount	Loss allowance	Gross carrying carrying	Loss allowance	Gross carrying carrying	Loss allowance	Gross carrying carrying	Loss allowance
Individuals	5,566	(15)	3,350	(53)	5,963	(678)	14,879	(746)
Companies	4,322	(31)	16,552	(302)	11,420	(3,351)	32,294	(3,684)
Total	9,888	(46)	19,902	(355)	17,383	(4,029)	47,173	(4,430)
31.12.2024								
Individuals	4,315	(13)	2,570	(26)	4,483	(465)	11,368	(504)
Companies	2,063	(10)	15,221	(403)	11,559	(2,239)	28,843	(2,652)
Total	6,378	(23)	17,791	(429)	16,042	(2,704)	40,211	(3,156)

Amounts are in ISK millions

45. Market risk

Market risk is the current or prospective risk that changes in financial market prices and rates adversely affect the Group's earnings and equity due to changes to the value and cash flows of its assets and liabilities.

Market risk arises from imbalances in the Group's statement of financial position as well as in market making activities and position taking in bonds, equities, currencies, derivatives and other commitments which are marked to market.

The Group tracks market risk closely and separates its exposures for the trading book and the banking book. Market risk in the trading book arises from market making activities and non-strategic derivatives positions arising from the Group's operations of meeting customers' investment and risk management needs. Market risk in the banking book arises from various mismatches in assets and liabilities in e.g. currencies, maturities and interest rates. Market risk in the trading book and in the banking book is managed separately.

Market risk allowance is set by the Board in the Bank's risk appetite and limit frameworks are in place for each trading desk. The Asset and Liability Committee (ALCO) is responsible for managing the Bank's overall market risk. Risk Management is responsible for measuring and monitoring market risk exposure, and reporting the exposure, usage and limit breaches.

The Group manages and limits market risk exposure in accordance with its risk appetite and strategic goals for net profit.

Interest rate risk

Interest rate risk arises from the possibility that changes in market rates adversely affect net interest income and fair value of interest-bearing instruments on the Group's statement of financial position. The Group's operations are subject to interest rate risk due to mismatches in the fixing of interest rates between assets and liabilities, resulting in a repricing risk for the Group. The Group also faces interest basis risk between interest-bearing assets and interest-bearing liabilities due to different types of floating-rate indices in different currencies.

The Group's interest rate risk for foreign currencies is limited as foreign denominated assets predominantly have short fixing periods and the Group generally applies fair value hedging for its foreign denominated fixed rate borrowings. For domestic rates, longer fixing periods are more common.

The interest rate fixing profile for non-indexed assets and liabilities is largely matched and the duration of fixing has generally shortened as the bulk of fixed rate mortgages have been reset in 2024 to 2025 with the majority of customers refinancing to indexed loans as they offer lower monthly payments. The fixing duration of indexed liabilities is however greater than that of indexed assets, as covered bonds are fixed rate while indexed loans are predominantly floating rate.

Interest rate risk

The following table shows the Group's interest-bearing assets and liabilities by interest fixing periods. The figures for loans to customers and borrowings are shown on a fair value basis, see Note 25, and are therefore different from the amounts shown in these Consolidated Financial Statements. Defaulted loans are presented at book value, which is based on the value of the underlying collateral, and are therefore assumed to be independent of interest adjustment periods and placed in the 'Up to 3 months' category.

31.12.2025	Up to 3 months	3-12 months	1-5 years	5-10 years	Over 10 years	Total
Assets						
Balances with Central Bank	150,111	-	-	-	-	150,111
Loans to credit institutions	22,567	-	-	-	-	22,567
Loans to customers	914,513	158,023	242,825	5,328	8,515	1,329,204
Bonds and debt instruments	56,829	56,544	45,016	7,406	5,190	170,985
Bonds and debt instruments used for hedging	451	41	328	627	285	1,732
Derivatives	139,972	131,248	110,295	44,184	-	425,699
Assets	1,284,443	345,856	398,464	57,545	13,990	2,100,298
Liabilities						
Due to credit institutions and Central Bank	12,003	-	-	-	-	12,003
Deposits	912,492	8,690	-	-	-	921,182
Derivatives	329,767	83,102	9,138	-	-	422,007
Borrowings	31,840	159,158	243,888	53,241	13,084	501,211
Subordinated liabilities	3,535	-	34,327	868	11,731	50,461
Liabilities	1,289,637	250,950	287,353	54,109	24,815	1,906,864
Net interest gap	(5,194)	94,906	111,111	3,436	(10,825)	193,434

Amounts are in ISK millions

45. Market risk, continued

31.12.2024 *Assets*	Up to 3 months	3-12 months	1-5 years	5-10 years	Over 10 years	Total
Balances with Central Bank	124,094	-	-	-	-	124,094
Loans to credit institutions	25,690	-	-	-	-	25,690
Loans to customers	867,139	148,051	194,711	2,521	9,801	1,222,223
Bonds and debt instruments	102,606	22,938	14,916	13,551	4,724	158,735
Bonds and debt instruments used for hedging	-	1	1,014	979	670	2,664
Derivatives	105,825	77,146	181,495	-	-	364,466
Assets	1,225,354	248,136	392,136	17,051	15,195	1,897,872
Liabilities						
Due to credit institutions and Central Bank	6,618	-	-	-	-	6,618
Deposits	844,816	12,627	-	-	-	857,443
Derivatives	229,251	130,700	4,820	-	-	364,771
Borrowings	27,898	76,473	279,837	32,282	12,709	429,199
Subordinated liabilities	10,985	3,363	15,047	18,831	-	48,226
Liabilities	1,119,568	223,163	299,704	51,113	12,709	1,706,257
Net interest gap	105,786	24,973	92,432	(34,062)	2,486	191,615

Sensitivity analysis of interest rate risk

The following table shows the sensitivity of the Group's net present value (NPV) of interest-bearing assets and liabilities, due to changes in interest rates by currencies. The variation is calculated on the basis of simultaneous parallel shifts upwards or downwards of yield curves. The choice of shifts is not an estimate of risk likelihood. Behavioral maturities are taken into account in the NPV calculations, including prepayment likelihood and expected behavior of non-maturing deposits. The Bank's behavioral models were last updated in Q4 2025.

	31.12.2025		31.12.2024	
NPV change in the banking book	-100 bps	+100 bps	-100 bps	+100 bps
ISK, CPI index-linked	(1,781)	1,728	(1,724)	1,652
ISK, Non index-linked	638	(610)	(2,181)	2,146
Foreign currencies	45	(35)	(229)	197
NPV change in the trading book				
ISK, CPI index-linked	215	(194)	137	(125)
ISK, Non index-linked	339	(317)	247	(234)
Foreign currencies	(37)	37	(33)	33

Arion Bank Consolidated Financial Statements 2025 Amounts are in ISK millions

45. Market risk, continued

Indexation risk

A significant part of the Group's statement of financial position is linked to the Icelandic Consumer Price Index (CPI). For index-linked instruments, principal and interest payments are adjusted proportionally to the CPI. The Group is exposed to indexation risk as indexed assets exceed indexed liabilities. Financial instruments held for liquidity or market making purposes are assumed to be on demand.

Book value and maturity profile of indexed assets and liabilities

31.12.2025	Up to 1 year	1 to 5 years	Over 5 years	Total
Assets, CPI index-linked				
Loans to customers	24,567	119,753	376,058	520,378
Financial instruments	6,335	8,772	5,137	20,244
Assets, CPI index-linked	30,902	128,525	381,195	540,622
Liabilities, CPI index-linked				
Deposits	118,029	12,687	4,371	135,087
Borrowings	20,522	118,169	18,782	157,473
Subordinated liabilities	-	-	21,803	21,803
Other	-	-	1,243	1,243
Off-balance sheet position	4,241	-	-	4,241
Liabilities, CPI index-linked	142,792	130,856	46,199	319,847
Net on-balance sheet position	(107,649)	(2,331)	334,996	225,016
Net off-balance sheet position	(4,241)	-	-	(4,241)
CPI balance	(111,890)	(2,331)	334,996	220,775
CPI balance for prudential consolidation, excluding insurance operations *	(114,555)	(10,683)	329,939	204,697

31.12.2024	Up to 1 year	1 to 5 years	Over 5 years	Total
Assets, CPI index-linked				
Loans to customers	14,792	107,828	357,789	480,409
Financial instruments	6,702	7,304	10,564	24,570
Assets, CPI index-linked	21,494	115,132	368,353	504,979
Liabilities, CPI index-linked				
Deposits	114,696	13,998	4,196	132,890
Borrowings	35,207	88,891	42,447	166,545
Subordinated liabilities	6,607	-	11,195	17,802
Other	-	-	1,122	1,122
Off-balance sheet position	105	54	-	159
Liabilities, CPI indexed linked	156,615	102,943	58,960	318,518
Net on-balance sheet position	(135,016)	12,243	309,393	186,620
Net off-balance sheet position	(105)	(54)	-	(159)
CPI balance	(135,121)	12,189	309,393	186,461
CPI balance for prudential consolidation, excluding insurance operations *	(135,223)	4,885	298,830	168,491

* Consolidated situation as per EU Regulation No 575/2013 (CRR)

Amounts are in ISK millions

45. Market risk, continued

Currency risk

Currency risk is the risk of loss due to adverse movements in foreign exchange rates. The Group is exposed to currency risk through a currency mismatch between assets and liabilities. Net exposures per currency are monitored centrally in the Bank.

Breakdown of assets and liabilities by currency

31.12.2025

Financial assets	ISK	EUR	USD	GBP	DKK	NOK	Other	Total
Cash and balances with CB	149,766	167	56	52	-	21	49	150,111
Loans to credit institutions	643	7,912	9,351	1,722	1,313	278	1,348	22,567
Loans to customers	1,066,903	181,591	42,317	2,250	31,848	2,729	1,418	1,329,056
Financial instruments	123,312	51,321	4,205	242	78	19,952	16,706	215,816
Other financial assets	15,611	324	990	103	2	1	-	17,031
Financial assets	1,356,235	241,315	56,919	4,369	33,241	22,981	19,521	1,734,581
Financial liabilities								
Due to credit inst. and Central Bank	6,075	3,556	1,560	770	-	-	42	12,003
Deposits	829,869	37,421	40,081	5,024	5,106	2,640	1,041	921,182
Financial liabilities at fair value	1,289	1,720	18	17	7	63	15	3,129
Other financial liabilities	6,277	3,023	1,781	181	245	66	219	11,792
Borrowings	188,973	251,999	5,908	-	-	21,347	26,596	494,823
Subordinated liabilities	24,052	753	15,635	-	-	-	3,078	43,518
Financial liabilities	1,056,535	298,472	64,983	5,992	5,358	24,116	30,991	1,486,447
Net on-balance sheet position	299,700	(57,157)	(8,064)	(1,623)	27,883	(1,135)	(11,470)	
Net off-balance sheet position	(52,267)	58,964	7,865	1,881	(28,441)	1,101	10,897	
Net position *	247,433	1,807	(199)	258	(558)	(34)	(573)	
Non-financial assets								
Investment property	7,305	-	-	-	-	-	-	7,305
Investments in associates	760	-	-	-	-	-	-	760
Intangible assets	7,533	-	-	-	-	-	-	7,533
Tax assets	2	-	-	-	-	-	-	2
Assets and disposal groups held for sale	98	-	-	-	-	-	-	98
Other non financial assets	4,981	311	63	104	-	27	-	5,486
Non-financial assets	20,679	311	63	104	-	27	-	21,184
Non-financial liabilities and equity								
Tax liabilities	12,894	-	-	89	-	-	-	12,983
Other non-financial liabilities	38,827	103	12	-	-	-	2	38,944
Shareholders' equity	217,327	-	-	-	-	-	-	217,327
Non-controlling interest	64	-	-	-	-	-	-	64
Non-financial liabilities and equity	269,112	103	12	89	-	-	2	269,318
Management reporting of currency risk **	(1,000)	2,015	(148)	273	(558)	(7)	(575)	

* The net position of the currency risk is presented in accordance with IFRS.

** Management monitors currency risk with more assets and liabilities underlying as it is considered to be a more accurate measurement of the Group's currency exposure. The net position, as seen by management, is the position used for managing the currency imbalance.

Amounts are in ISK millions

45. Market risk, continued

31.12.2024

Financial assets	ISK	EUR	USD	GBP	DKK	NOK	Other	Total
Cash and balances with CB	123,395	355	189	62	-	20	73	124,094
Loans to credit institutions	170	9,022	12,501	567	718	419	2,293	25,690
Loans to customers	1,011,398	130,718	57,871	1,569	25,031	1,993	1,478	1,230,058
Financial instruments	124,920	43,854	11,698	212	120	12,854	12,759	206,417
Other financial assets	6,470	318	1,671	4	1	11	1	8,476
Financial assets	1,266,353	184,267	83,930	2,414	25,870	15,297	16,604	1,594,735
Financial liabilities								
Due to credit inst. and Central Bank	2,649	3,388	176	333	-	-	72	6,618
Deposits	763,140	35,697	47,448	5,218	3,383	1,282	1,275	857,443
Financial liabilities at fair value	2,961	4,006	1,082	10	-	219	116	8,394
Other financial liabilities	6,760	812	1,865	219	468	148	359	10,631
Borrowings	197,607	201,031	2,989	-	-	18,547	13,004	433,178
Subordinated liabilities	20,957	735	20,004	-	-	-	2,842	44,538
Financial liabilities	994,074	245,669	73,564	5,780	3,851	20,196	17,668	1,360,802
Net on-balance sheet position	272,279	(61,402)	10,366	(3,366)	22,019	(4,899)	(1,064)	
Net off-balance sheet position	(40,216)	63,377	(9,923)	3,266	(22,090)	4,925	661	
Net position *	232,063	1,975	443	(100)	(71)	26	(403)	
Non-financial assets								
Investment property	9,387	-	-	-	-	-	-	9,387
Investments in associates	814	-	-	-	-	-	-	814
Intangible assets	7,688	-	-	-	-	-	-	7,688
Tax assets	2	-	-	-	-	-	-	2
Assets and disposal groups held for sale	111	-	-	-	-	-	-	111
Other non financial assets	5,004	294	100	105	1	27	-	5,531
Non-financial assets	23,006	294	100	105	1	27	-	23,533
Non-financial liabilities and equity								
Tax liabilities	11,060	-	-	-	-	-	-	11,060
Other non-financial liabilities	39,292	21	6	-	-	-	-	39,319
Shareholders' equity	206,582	-	-	-	-	-	-	206,582
Non-controlling interest	504	-	-	-	-	-	-	504
Non-financial liabilities and equity	257,438	21	6	-	-	-	-	257,465
Management reporting of currency risk **	(2,369)	2,248	537	5	(70)	53	(403)	

* The net position of the currency risk is presented in accordance with IFRS.

** The management monitors currency risk with more assets and liabilities underlying as it is considered to be a more accurate measurement of the Group's currency exposure. The net position, as seen by the management, is the position used for managing the currency imbalance.

Arion Bank Consolidated Financial Statements 2025 | Amounts are in ISK millions

45. Market risk, continued

Sensitivity analysis for currency risk

The table below indicates the currencies to which the Group had significant exposure at the end of the period. The analysis calculates the effect of a reasonably possible movement of the currency rate against the ISK, with all other variables held constant, on the Consolidated Income Statement (due to the fair value of currency sensitive non-trading monetary assets and liabilities). A negative amount in the table reflects a potential net reduction in the Consolidated Income Statement or equity, while a positive amount reflects a net potential increase. An equivalent decrease in each of the below currencies against the ISK would have resulted in an equivalent but opposite impact (+10% denotes a depreciation of the ISK).

	31.12.2025		31.12.2024	
Currency	-10%	+10%	-10%	+10%
EUR	(202)	202	(225)	225
USD	15	(15)	(54)	54
GBP	(27)	27	(1)	1
DKK	56	(56)	7	(7)
NOK	1	(1)	(5)	5
Other	58	(58)	40	(40)

Equity risk

Equity risk is the risk that the fair value of equities decreases. For information on assets seized and held for sale and equity exposures, see Notes 30 and 24 respectively.

Sensitivity analysis for equity risk

The analysis below calculates the effect of a reasonable possible movement in equity prices that affect the Consolidated Financial Statements. A negative amount in the table reflects a potential net reduction in the Consolidated Income Statement or equity, while a positive amount reflects a potential net increase. Investments in associates are excluded. The result of value-at-risk calculations for the trading book are shown in the Group's Pillar 3 Risk Disclosures.

	31.12.2025		31.12.2024	
Equity	-10%	+10%	-10%	+10%
Trading book - listed	(367)	367	(374)	374
Banking book - listed	(759)	759	(740)	740
Banking book - unlisted	(594)	594	(286)	286

Derivatives

Derivatives are a part of the Group's customer product offering. The types of derivatives currently offered are forward contracts, swaps and options. Eligible underlying market factors are interest rates, foreign exchange rates, equities and commodities. Exposure limits, hedging requirements and collateral requirements are determined in accordance with the Group's risk appetite and monitored by Risk Management on a daily basis. The Group also uses derivatives to hedge market risk on its statement of financial position. Note 25 provides a breakdown of the Group's derivative positions by type.

Amounts are in ISK millions

Notes to the Consolidated Financial Statements

46. Liquidity and Funding risk

Liquidity risk is the risk that the Group, though solvent, either does not have sufficient financial resources available to meet its liabilities when they fall due, or can secure them only at excessive cost. Liquidity risk arises from the inability to manage unplanned decreases or changes in funding sources.

A primary source of funding for the Group is deposits from individuals, businesses and financial undertakings. The Group's liquidity risk stems from the fact that the maturity of loans exceeds the maturity of deposits, of which 67% is on-demand.

Liquidity risk is one of the Group's most significant risk factors and a great deal of emphasis is placed on managing it. The Asset and Liability Committee (ALCO) is responsible for managing liquidity and funding risk within the risk appetite set by the Board of Directors. The Bank's Treasury manages liquidity positions on a day-to-day basis. Risk Management measures, monitors and reports the Bank's liquidity and funding risk on a daily basis.

The Group's strategy in relation to liquidity risk is to actively manage its liquidity positions and risks to meet payment and settlement obligations on a timely basis under both normal and stressed conditions. The Group seeks to maintain a stable funding profile which supports its business strategy and liquidity profile, ensuring that the Group can withstand periods of market turbulence, without reliance on volatile funding or external support.

Maturity analysis of assets and liabilities

The maturity analysis is based on contractual cash flows. The amounts are not discounted and include future interest payments, but CPI-linked amounts do not include accrued indexation due to future inflation. The total amount for each item is higher than the corresponding amount on the Group's statement of financial position, since the amounts on the balance sheet are either at amortized cost and do not contain future interest payments, or at fair value where future cash flows have been discounted.

Contractual cash flows differ in many ways from expected cash flows. The difference is most significant for deposits on the liability side and bonds on the asset side. Deposits are always assumed to be withdrawn at the earliest possible date, despite the fact that a large part of the deposit base is considered to be stable funding where behavioral maturity considerably exceeds contractual maturity. Furthermore, although contractual cash flows are presented for bonds held by the Bank, a large portion of the bonds are a part of the Bank's liquidity buffer and are considered to be highly liquid and can be sold or pledged to the Central Bank of Iceland and thus converted into cash at very short notice.

Contractual cash flow of assets and liabilities

31.12.2025	On demand	Up to 3 months	3-12 months	1-5 years	Over 5 years	With no maturity	Total	Book value
Financial assets								
Cash and balances with CB	31,371	85,137	33,603	-	-	-	150,111	150,111
Loans to credit institutions	20,222	2,342	3	-	-	-	22,567	22,567
Loans to customers	6,193	194,928	206,108	606,114	1,213,624	-	2,226,967	1,329,056
Financial instruments	11,733	58,312	42,035	71,729	7,049	34,475	225,333	215,816
Derivatives - assets leg	-	*54,751*	*38,482*	*38,081*	-	-	*131,314*	*107,477*
Derivatives - liabilities leg	-	*(50,757)*	*(33,310)*	*(35,221)*	-	-	*(119,288)*	*(98,853)*
Other financial instruments	*11,733*	*54,318*	*36,863*	*68,869*	*7,049*	*34,475*	*213,307*	*207,192*
Other financial assets	689	12,358	413	3,232	339	-	17,031	17,031
Financial assets	70,208	353,077	282,162	681,075	1,221,012	34,475	2,642,009	1,734,581
Financial liabilities								
Due to credit inst. and Central Bank	6,405	5,602	-	-	-	-	12,007	12,003
Deposits	615,915	174,863	115,497	13,319	5,441	-	925,035	921,182
Financial liabilities at fair value	-	1,960	2,065	(187)	(115)	-	3,723	3,129
Derivatives - assets leg	-	*(65,157)*	*(5,397)*	*(7,097)*	*(10,138)*	-	*(87,789)*	*(78,261)*
Derivatives - liabilities leg	-	*67,117*	*7,462*	*6,910*	*10,023*	-	*91,512*	*81,390*
Other financial liabilities	183	9,545	900	1,164	-	-	11,792	11,792
Borrowings	-	6,366	162,564	315,285	66,226	-	550,441	494,823
Subordinated liabilities	-	1,071	2,103	25,566	33,759	-	62,499	43,518
Financial liabilities	622,503	199,407	283,129	355,147	105,311	-	1,565,497	1,486,447
Net position for assets and liab.	(552,295)	153,670	(967)	325,928	1,115,701	34,475	1,076,512	248,134
Off-balance sheet items								
Financial guarantees	-	2,344	10,034	3,865	9,207	-	25,450	25,450
Unused overdraft	-	90,187	-	-	-	-	90,187	90,187
Undrawn loan commitments	-	38,891	29,913	16,525	-	-	85,329	85,329
Off-balance sheet items	-	131,422	39,947	20,390	9,207	-	200,966	200,966
Net contractual cash flow	(552,295)	22,248	(40,914)	305,538	1,106,494	34,475	875,546	47,168

Amounts are in ISK millions

46. Liquidity and Funding risk, continued

31.12.2024	On demand	Up to 3 months	3-12 months	1-5 years	Over 5 years	With no maturity	Total	Book value
Financial assets								
Cash and balances with CB	25,480	66,140	32,474	-	-	-	124,094	124,094
Loans to credit institutions	23,019	2,659	11	-	-	-	25,689	25,690
Loans to customers	4,751	179,293	196,603	528,859	1,365,661	-	2,275,167	1,230,058
Financial instruments	11,706	103,642	22,860	19,680	14,150	38,304	210,342	206,417
Derivatives - assets leg	-	*33,378*	*10,632*	*46,199*	-	-	90,209	*74,009*
Derivatives - liabilities leg	-	*(31,243)*	*(9,205)*	*(41,502)*	-	-	(81,950)	*(67,294)*
Other financial instruments	*11,706*	*101,507*	*21,433*	*14,983*	*14,150*	*38,304*	202,083	*199,702*
Other financial assets	548	4,840	1,013	2,075	-	-	8,476	8,476
Financial assets	65,504	356,574	252,961	550,614	1,379,811	38,304	2,643,768	1,594,735
Financial liabilities								
Due to credit inst. and Central Bank	4,117	2,504	-	-	-	-	6,621	6,618
Deposits	587,107	135,946	118,596	14,674	5,282	-	861,605	857,443
Financial liabilities at fair value	-	3,698	5,277	6,160	-	-	15,135	8,394
Derivatives - assets leg	-	*(47,474)*	*(21,313)*	*(12,852)*	-	-	*(81,639)*	*(72,889)*
Derivatives - liabilities leg	-	*51,172*	*26,590*	*19,012*	-	-	*96,774*	*81,283*
Short position in bonds used for hedging	-	-	-	-	-	-	-	-
Other financial liabilities	99	9,339	292	901	-	-	10,631	10,631
Borrowings	-	3,974	102,645	326,115	45,775	-	478,509	433,178
Subordinated liabilities	-	1,630	4,788	9,377	45,352	-	61,147	44,538
Financial liabilities	591,323	157,091	231,598	357,227	96,409	-	1,433,648	1,360,802
Net position for assets and liab.	(521,115)	195,986	50,564	323,848	1,124,603	34,475	1,208,361	233,933
Off-balance sheet items								
Financial guarantees	-	1,921	8,221	3,847	7,815	-	21,804	21,804
Unused overdraft	-	74,270	-	-	-	-	74,270	74,270
Undrawn loan commitments	-	36,788	23,476	7,394	-	-	67,658	67,658
Off-balance sheet items	-	112,979	31,697	11,241	7,815	-	163,732	163,732
Net contractual cash flow	(525,819)	86,504	(10,334)	182,146	1,275,587	38,304	1,046,388	70,201

Net Stable Funding Ratio

The Net Stable Funding Ratio (NSFR) measures the amount of available stable funding (ASF) with the Group against the required stable funding (RSF) as per the definition of the Central Bank of Iceland rules No. 750/2021. In general, RSF is determined by applying different weights to different asset classes depending on the level of liquidity. ASF however is calculated by applying weights to the Group's liabilities depending on maturity and stickiness. The NSFR in total shall exceed 100%.

The NSFR calculations are based solely on figures for the parent company. The Bank's subsidiaries have negligible impact on the funding ratio.

	31.12.2025	31.12.2024
Available stable funding	1,319,265	1,223,464
Required stable funding	1,115,682	1,040,677
Net stable funding ratio	118%	118%

Amounts are in ISK millions

46. Liquidity and Funding risk, continued

Liquidity coverage ratio

The Liquidity Coverage Ratio (LCR) is one of the standards introduced in the Basel III Accord. The LCR is the result of a stress test that is designed to ensure that banks have the necessary assets on hand to withstand short-term liquidity disruptions. More precisely, LCR represents the balance between highly liquid assets and the expected net cash outflow of the Group in the next 30 days under stressed conditions.

To qualify as highly liquid assets under the LCR rules, assets must be non-pledged, liquid and easily priced on the market, traded on an active market and not issued by the Group or related entities.

The minimum requirement for the total LCR is 100%, while the requirement for the LCR in ISK is 50% and 80% in EUR. There is no minimum requirement for the aggregate position in all foreign currencies.

The following table shows the breakdown for the Group's LCR calculations.

31.12.2025	ISK	EUR	Total all currencies
Liquid assets level 1 *	205,171	47,836	290,759
Liquid assets level 2	11,898	-	11,898
Liquid assets	217,069	47,836	302,657
Deposits	146,016	15,407	185,886
Borrowings	376	-	598
Other cash outflows	9,395	9,014	15,375
Cash outflows	155,787	24,421	201,859
Short-term deposits with other banks **	-	4,874	18,089
Other cash inflows	24,805	2,917	31,822
Cash inflows	24,805	7,791	49,911
Liquidity coverage ratio (LCR) ***	166%	288%	199%

31.12.2024	ISK	EUR	Total all currencies
Liquid assets level 1 *	180,898	39,790	253,753
Liquid assets level 2	10,753	-	10,753
Liquid assets	191,651	39,790	264,506
Deposits	138,492	14,537	176,642
Borrowings	7,919	-	8,079
Other cash outflows	9,012	10,009	14,657
Cash outflows	155,423	24,546	199,378
Short-term deposits with other banks **	1	6,935	22,051
Other cash inflows	25,264	2,588	30,882
Cash inflows	25,265	9,523	52,933
Liquidity coverage ratio (LCR) ***	147%	265%	181%

* Level 1 assets include the Group's cash and balances with the Central Bank, domestic bonds eligible as collateral at the Central Bank and foreign government bonds which receive 100% weight.

** Short-term deposits with other banks are defined as cash inflows in LCR calculations.

*** LCR is defined as: LCR = Weighted liquid assets / (weighted cash outflows - weighted cash inflows) where weighted cash inflows are capped at 75% of weighted cash outflows.

Arion Bank Consolidated Financial Statements 2025 Amounts are in ISK millions

46. Liquidity and Funding risk, continued

Composition of liquid assets

The following table shows the composition of the Group's liquidity buffer.

31.12.2025	ISK	USD	EUR	Other	Total
Cash and balances with Central Bank	149,766	56	167	122	150,111
Short-term deposits with financial institutions	-	9,271	4,874	3,944	18,089
Domestic bonds eligible as collateral with Central Bank	69,404	-	-	-	69,404
Foreign government bonds	-	3,762	47,669	33,811	85,242
Liquidity reserve	219,170	13,089	52,710	37,877	322,846
31.12.2024					
Cash and balances with Central Bank	123,395	189	355	155	124,094
Short-term deposits with financial institutions	1	11,507	6,935	3,608	22,051
Domestic bonds eligible as collateral with Central Bank	70,298	-	-	-	70,298
Foreign government bonds	-	10,394	39,435	22,183	72,012
Liquidity reserve	193,694	22,090	46,725	25,946	288,455

LCR deposit categorization

As per the LCR methodology, the Group's deposit base is split into different categories depending on customer type. A second categorization is used where term deposits refer to deposits with residual maturity greater than 30 days. Deposits that can be withdrawn within 30 days are marked stable if the customer has a business relationship with the Group and the amount is covered by the Deposit Insurance Scheme. Other deposit funds are considered less stable. A weight is attributed to each category, representing the expected outflow under stressed conditions, i.e. the level of stickiness.

The table below shows the breakdown of the Group's deposit base according to the LCR categorization, with the associated weighted average of the stressed outflow weights.

LCR categorization - amounts and LCR outflow weights

	Deposits maturing within 30 days					
31.12.2025	Less stable	Weight %	Stable	Weight %	Term deposits*	Total deposits
Individuals	142,436	12%	136,146	5%	200,648	479,230
Small and medium enterprises	119,944	12%	19,563	5%	30,998	170,505
Operational relationship	4,950	25%	-	-	-	4,950
Corporations	102,655	41%	17,125	20%	28,642	148,422
Sovereigns, central banks and PSE	16,229	40%	15	20%	1,051	17,295
Pension funds	62,075	100%	-	-	18,442	80,517
Domestic financial entities	23,521	100%	-	-	1,069	24,590
Foreign financial entities	7,676	100%	-	-	-	7,676
Total	479,486		172,849		280,850	933,185
31.12.2024						
Individuals	121,798	11%	121,208	5%	178,686	421,692
Small and medium enterprises	114,856	12%	17,835	5%	28,483	161,174
Operational relationship	4,748	25%	-	-	-	4,748
Corporations	98,482	41%	16,561	21%	30,430	145,473
Sovereigns, central banks and PSE	19,262	40%	14	20%	1,091	20,367
Pension funds	70,477	100%	-	-	17,915	88,392
Domestic financial entities	18,510	100%	-	-	2,380	20,890
Foreign financial entities	1,325	100%	-	-	-	1,325
Total	449,458		155,618		258,985	864,061

* Here term deposits refer to deposits with maturities greater than 30 days.

Amounts are in ISK millions

47. Capital management

Capital adequacy

The focus of capital management at the Group is to normalize the capital structure in the medium term and consequently maintain the Group's capitalization comfortably above regulatory requirements, including the Pillar 2 and combined capital buffer requirements.

The Group's capital ratios are calculated in accordance with the Icelandic Financial Undertakings Act No. 161/2002 with later changes, through which CRD V and CRR III have been adopted. The Group applies the standardized approach to calculate capital requirements for credit risk, including counterparty credit risk, and market risk and the basic approach for credit valuation adjustment risk.

The Group's consolidated situation as stipulated in CRR is the Group's accounting consolidation excluding insurance subsidiaries, in particular Vördur.

	31.12.2025	31.12.2024
Own funds		
Total equity	217,391	207,086
Non-controlling interest not eligible for inclusion in CET1 capital	(64)	(504)
Common Equity Tier 1 capital before regulatory adjustments	217,327	206,582
Intangible assets	(7,273)	(7,390)
Additional value adjustments	(228)	(226)
Foreseeable dividend and buyback *	(20,313)	(19,000)
Adjustment under IFRS 9 transitional arrangements as amended	-	427
Insufficient coverage for non-performing exposures	(314)	(345)
Common Equity Tier 1 capital	189,199	180,048
Non-controlling interest eligible for inclusion in T1 capital	-	112
Additional Tier 1 capital	15,635	20,004
Tier 1 capital	204,834	200,164
Tier 2 instruments	27,883	24,534
Tier 2 instruments of financial sector entities (significant investments)	(1,355)	(1,306)
Tier 2 capital	26,528	23,228
Total own funds	231,362	223,392
Risk-weighted exposure amount (REA)		
Credit risk, loans and off-balance sheet items	862,862	798,562
Credit risk, securities and other	59,140	59,113
Credit risk, derivatives and repos	4,222	5,875
Market risk due to currency imbalance	2,309	2,947
Market risk due to trading book positions	13,516	12,846
Credit valuation adjustment	2,501	2,257
Operational risk	84,635	106,011
Total risk-weighted exposure amount	1,029,185	987,611
Capital ratios		
CET1 ratio	18.4%	18.2%
Tier 1 ratio	19.9%	20.3%
Capital adequacy ratio	22.5%	22.6%

* On 31 December 2025, the deduction consists of 50% of audited profits as per the Bank's dividend policy and a ISK 5 billion buyback program approved by the Board (in December 2025) and the FSA (in January 2026, after the accounting period end). On 31 December 2024, the deduction consists of a dividend payment of ISK 16 billion to be paid in Q1 2025 as approved by the Board, representing 61% of 2024 net earnings, and a ISK 3 billion buyback program approved by the Board and the FSA.

Amounts are in ISK millions

47. Capital management, continued

Capital ratios of the parent company	31.12.2025	31.12.2024
CET1 ratio	18.3%	18.5%
Tier 1 ratio	19.8%	20.5%
Capital adequacy ratio	22.4%	22.9%

The following table outlines the implementation of the capital buffer requirements in accordance with the Icelandic Financial Undertakings Act No. 161/2002, as prescribed by the Financial Stability Committee and approved by the FSA.

Capital buffer requirement, % of REA	31.12.2025	31.12.2024
Capital conservation buffer	2.5%	2.5%
Capital buffer for systematically important institutions	3.0%	3.0%
Systemic risk buffer *	2.0%	2.0%
Countercyclical capital buffer *	2.5%	2.5%
Combined capital buffer requirement	10.0%	10.0%

The Bank carries out an ongoing process, the Internal Capital Adequacy Assessment Process (ICAAP), with the aim to ensure that the Group has in place sufficient risk management processes and systems to identify, manage and measure the Group's total risk exposure. The ICAAP is aimed at identifying and measuring the Group's risk across all risk types and ensure that the Group has sufficient capital in accordance with its risk profile. The FSA supervises the Group, receives the Group's internal estimation on the capital adequacy and sets the Pillar 2R capital requirements for the Group as a whole following the Supervisory Review and Evaluation Process (SREP). The Group's own funds exceed the FSA's SREP requirements.

The Pillar 1 and Pillar 2R capital requirements may comprise 56.25% CET1 capital, 18.75% AT1 capital and 25% Tier 2 capital.

Capital requirement, % of REA	CET1	Tier 1	Total
Pillar 1 capital requirement	4.5%	6.0%	8.0%
Pillar 2R capital requirement **	1.1%	1.4%	1.9%
Combined buffer requirement *	9.7%	9.7%	9.7%
Regulatory capital requirement	15.3%	17.1%	19.6%
Available capital	18.4%	19.9%	22.5%

* The Icelandic buffer value shown. In the combined buffer requirement, the effective countercyclical capital buffer is determined by calculating the weighted average of the corresponding buffer levels of each country, the weights being the total risk-weighted exposures for credit risk against counterparties residing in those countries. The systemic risk buffer only applies to domestic exposures and is calculated using the same weighting method.

** The SREP result based on the Group's Financial Statement at 31 December 2024. The Pillar 2R requirement is 1.9% of risk-weighted exposure amount based on the Group's prudential consolidation under CRR, which excludes Vördur.

Leverage ratio

The leverage ratio is seen as a complementary measure to the risk-based capital ratios. The ratio is calculated on the basis of the Group's consolidated situation as per the CRR, which excludes the Group's insurance subsidiaries. The minimum leverage ratio requirement is 3% as stated in the Icelandic Financial Undertakings Act No. 161/2002.

	31.12.2025	31.12.2024
On-balance sheet exposures	1,696,618	1,562,622
Derivative exposures	12,582	16,078
Repos	11,181	10,358
Off-balance sheet exposures	71,258	50,982
Total exposure	1,791,639	1,640,040
Tier 1 capital	204,834	200,164
Leverage ratio	11.4%	12.2%

Amounts are in ISK millions

47. Capital management, continued

MREL

The Group must fulfil a minimum requirement for own funds and eligible liabilities (MREL) in accordance with the Act on Resolution of Credit Institutions and Investment Firms, no. 70/2020, as amended, which transposes BRRD I/II into Icelandic law. Own funds which are not used to fulfil the combined buffer requirement can be used towards the MREL requirements. In October 2025, the Icelandic Resolution Authority presented the Group with the MREL requirements based on year-end 2024 financials. The requirements are expressed as a fraction of total REA, and as a fraction of the total exposure measure. Both ratios are shown in the table below. An MREL subordination requirement of 13.5% REA will apply to the Bank from Q3 2027.

Minimum requirement for own funds and eligible liabilities	31.12.2025	31.12.2024
Own funds	231,362	223,392
Eligible liabilities	201,513	130,048
Own funds and eligible liabilities	432,875	353,440
Combined buffer requirement (CBR)	99,831	96,786
Own funds and eligible liabilities not used for CBR	333,044	256,654
Risk-weighted exposure amount (REA)	1,029,185	987,611
Own funds and eligible liabilities not used for CBR (% REA)	32.4%	26.0%
MREL requirement (% REA)	19.8%	19.6%
Total exposure measure (TEM)	1,791,639	1,640,040
Own funds and eligible liabilities (% TEM)	24.2%	21.6%
MREL requirement (% TEM)	6.0%	6.0%

Solvency II for insurance subsidiary Vördur		
Excess of assets over liabilities in accordance with Solvency II	14,228	14,468
Subordinated liabilities	1,372	1,323
Foreseeable dividends	-	-
Own funds	15,600	15,791
Solvency capital requirements (SCR)	10,049	9,347
SCR ratio	155.2%	168.9%

The solvency capital requirement for the subsidiary Vördur is calculated in accordance with the Icelandic Insurance Companies Act No 100/2016.

48. Operational risk

Operational risk is the risk of direct or indirect loss, or damage to the Group's reputation resulting from inadequate or failed internal processes or systems, from human error or external events.

Each business unit within the Group is responsible for managing their own operational risks. Risk management and Compliance support the first line through monitoring, complementary expertise, and by challenging the adequacy and effectiveness of risk management practices. The second line is responsible for developing and maintaining a framework for identifying, measuring, and reporting the Group's operational risk.

The Group uses the standardized approach for the calculation of capital requirements for operational risk.

Amounts are in ISK millions

49. Sustainability risk

Sustainability risk is a driver of other risk types, such as credit risk and market risk. It can materialize in the short term, the medium term and the long term. The Bank assesses both inside-out risks (negative impact from the Bank's operations on people and/or the environment) and outside-in risks (negative materialization of ESG factors on the Bank through their counterparties or invested assets). The Bank's Sustainability Committee is responsible for reviewing the Bank's performance with respect to its commitments and policies in relation to environmental, social and governance (ESG) factors and aligning the Bank's strategy and risk appetite with them.

Sustainable financing framework

The Bank's Sustainability Financing Framework applies to the Bank's financing, deposits and loans which are classed as environmentally and/or socially sustainable. The Sustainability Financing Framework includes social categories which define projects having a positive impact on society. Special importance is also given to the circular economy, and the classification of green projects has also been refined. Under this framework the Bank can issue Sustainable Financing Instruments including, but not limited to, covered bonds, bonds, loans, commercial paper, repurchase agreements and deposits. The use of proceeds from these instruments is restricted to the financing of eligible assets as defined in the Framework. Eligible assets are divided into several eligible categories with inclusion and exclusion criteria. The Framework details the processes for identifying eligible assets, for reporting on the use of the framework and for external review. The following table excludes committed green exposures.

	31.12.2025	31.12.2024
Sustainable Financing Instruments		
Green deposits	24,755	28,802
Green borrowings	38,272	60,518
Book value	63,027	89,320
Identified eligible sustainable assets by category		
Sustainable marine value chains and marine ecosystem management	18,000	19,075
Sustainable forestry and agriculture	534	271
Renewable energy	545	608
Clean transportation	8,875	7,545
Green buildings	97,512	92,689
Energy efficiency	-	17,309
Sustainable waste and wastewater management	7,914	7,799
Green book value	133,380	145,296
Affordable housing	20,958	28,835
Education	1,637	2,374
Healthcare	424	1,146
Employment generation and alleviate unemployment	14,447	13,336
Social book value	37,465	45,691
Sustainable book value	170,845	190,987

Amounts are in ISK millions

Notes to the Consolidated Financial Statements

Material accounting policies

The accounting policies adopted in the preparation of these Consolidated Financial Statements are consistent with those followed in the preparation of the Annual Financial Statements for year ended 31 December 2024, except for when there have been made amendmends to current IFRS valid from 1 January 2025, Icelandic Act on Financial Statements, Act on Financial Undertakings and rules on Accounting for Credit Institutions. Amendments to standards effective from 1 January 2025 did not have a material impact on theses Consolidated Financial Statements.

50. Going concern assumption

The Group's management has made an assessment of the ability to continue as a going concern and is satisfied that the Group has the resources to continue. In making this assessment, management has taken into consideration the risk exposures facing the Group, which are further described in the Risk Management Disclosures. The Consolidated Financial Statements are prepared on a going concern basis.

51. Principles underlying the consolidation

Subsidiaries

Subsidiaries are entities controlled by the Group. The Financial Statements of subsidiaries are included in the Consolidated Financial Statements from the date that control commences until the date that control ceases. The Financial Statements of the subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies.

Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, i.e. when control is transferred to the Group. The Group controls an investee if, and only if, the Group has:

- power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including (i) the contractual arrangement with the other vote holders of the investee, (ii) rights arising from other contractual arrangements and (iii) the Group's voting rights and potential voting rights. The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

The Group measures goodwill at the acquisition date as:
- the fair value of the consideration transferred; plus
- the recognized amount of any non-controlling interests in the acquiree; less
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree; less
- the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognized immediately in profit or loss.

Transaction costs incurred are expensed and included in administration expense.

Non-controlling interests

Non-controlling interests represent the portion of profit or loss and equity not owned, directly or indirectly, by the Group; such interests are presented separately in the Income Statement and are included in equity in the Statement of Financial Position, separately from equity attributable to owners of the Group.

For each business combination, the Group elects to measure any non-controlling interests in the acquiree either:
- at fair value; or
- at their proportionate share of the acquiree's identifiable net assets, which are generally at fair value.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

51. Principles underlying the consolidation, continued

Loss of control

On the loss of control, the Group derecognizes the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognized in profit or loss.

Transactions eliminated on consolidation

Intragroup balances, income and expenses arising from intragroup transactions, are eliminated in preparing the Consolidated Financial Statements. This also applies to subsidiaries classified as disposal groups held for sale.

Funds management

The Group manages and administers assets held in unit trusts and investment vehicles on behalf of investors. The Financial Statements of these entities are not included in these Consolidated Financial Statements except when the Group controls the entity.

When assessing whether to consolidate investment funds, the Group reviews all facts and circumstances to determine whether the Group, as fund manager, is acting as agent or principal. The Group is deemed to be a principal, and hence controls and consolidates a fund, when the Group acts as fund manager and cannot be removed without cause, has variable returns through significant holdings, and is able to influence the returns of the funds by exercising its power. The Group is defined as agent in all instances.

52. Associates

Associates are those entities over which the Group has a significant influence, i.e. the power to participate in the financial and operating policy decisions of the associates but not control or joint control over those policies. Significant influence generally exists when the Group holds 20% or more of the voting power, including potential voting rights, unless it can be clearly demonstrated that this is not the case. Investments in associates are initially recognized at cost. The carrying amount of investments in associates includes intangible assets and accumulated impairment loss.

The considerations made in determining significant influence are similar to those necessary to determine control over subsidiaries.

The Group's investments in its associate are accounted for using the equity method.

The Financial Statements include the Group's share of the total recognized income and expenses of associates from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds its carrying value of associate, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognizing its share of those profits only after its share of the profits equals the share of losses not recognized.

Upon loss of significant influence over the associate, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

Impairment on investments in associates

After applying the equity method to account for investments in associates, the Group determines whether it is necessary to recognize any impairment loss with respect to its investments in associates. The Group first determines whether there is any objective evidence that an investment in an associate is impaired. If such evidence exists, the Group then tests the entire carrying amount of the investment for impairment, by comparing its recoverable amount, which is the higher of value in use and fair value less costs to sell, with its carrying amount. The recoverable amount of an investment in an associate is assessed for each associate, unless the associate does not generate cash inflows from continuing use that are largely independent of those from other assets of the Group. The excess of the carrying amount over the recoverable amount is recognized in the Income statement as an impairment loss. Impairment losses are subsequently reversed through the Income Statement if the reasons for the impairment loss no longer apply.

53. Foreign currency

Items included in the Consolidated Financial Statements of each of the Group's subsidiaries are measured using the functional currency of the respective entity.

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. All differences arising on settlement or translation of monetary items are taken to the Income Statement. Non-monetary assets and liabilities denominated in foreign currencies are reported at historic cost.

54. Interest

Interest income and expense are recognized in the Income Statement using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. The effective interest rate is established on initial recognition of the financial asset and financial liability and is not revised subsequently.

The calculation of the effective interest rate includes all transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

Interest income and expense presented in the Income Statement include Income and expenses of assets and liabilities carried at:

- amortized cost;
- fair value through profit and loss (FVTPL); and
- fair value through other comprehensive income (FVOCI).

55. Fee and commission

The Group provides various services to its clients and earns income therefrom, such as income from Corporate Banking, Retail Banking, Capital Markets, Corporate Finance, Asset Management and Private Banking. Fees earned from services that are provided over a certain period of time are recognized as the services are provided, i.e. point in time. Fees earned from transaction type services are recognized when the service has been completed, i.e. point in time. Fees that are performance linked are recognized when the performance criteria are fulfilled, i.e. point in time.

Fees and commission income and expenses that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate.

56. Net financial income

Net financial income comprises Dividend income, Net gain on financial assets and liabilities at fair value and Net foreign exchange gain.

i) Dividend income is recognized when the right to receive dividend is established. Usually this is the ex-dividend date for equity securities.

ii) Net gain on financial assets and liabilities at fair value comprises all realized and unrealized fair value changes, except for interest (which is included in Interest income and Interest expense) and foreign exchange gain and losses (which are included in Net foreign exchange gains as described below).

iii) Net foreign exchange gain comprise all foreign exchange differences arising on the settlement of foreign currency monetary assets and liabilities and on translating foreign currency monetary assets and liabilities at rates different from those at which they were translated on initial recognition during the year or in previous Consolidated Financial Statements.

Net foreign exchange gain also include foreign exchange differences arising on translating non-monetary assets and liabilities which are measured at fair value in foreign currencies and whose other gain and loss are also recognized in profit or loss.

57. Insurance service results

Insurance revenues recognized in the Income Statement are insurance premium and other income from insurance contracts earned during the operating year.

Insurance service expenses are claims incurred during the year and the increase or decrease due to claims from last year, acquisition cost and other costs from activities, such as marketing costs, salary costs, office and administration costs.

58. Income tax expense

Tax expense comprises current and deferred tax. Income tax for the year has been calculated and recognized in the Consolidated Financial Statements.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Taxable profit may differ from earnings before tax as reported in the Income Statement as it may exclude income or expense that is deductible in other years and it excludes income or expense that are never taxable or deductible.

Current and deferred tax relating to items recognized directly in equity is recognized in equity and not in the statement of profit or loss.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities and the realization of foreign exchange gain or loss, for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in transaction that affects neither the taxable profit nor the accounting profit. In addition, tax liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill.

59. Financial assets and financial liabilities

Recognition and initial measurement

The Group initially recognizes financial assets and financial liabilities on the date that they are originated at the fair value of consideration paid. Regular-way purchases and sales of financial assets are recognized on the trade date at which the Group commits to purchase or sell assets. All other financial assets and liabilities are recognized on the trade date, which is the date that the Group becomes a party to the contractual provision of the instrument.

A financial asset or financial liability is measured initially at fair value and for an item not at fair value through profit or loss, transaction cost that are directly attributable to its acquisition or issue.

Derecognition

Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or when the Group has transferred substantially all risks and rewards of ownership.

Financial liabilities are derecognized when the obligation of the Group specified in the contract is discharged or cancelled or expires.

Debt instruments

Debt instruments, including loans and debt securities, are classified into one of the following measurement categories:

- amortized cost;
- fair value through profit and loss (FVTPL); or
- fair value through other comprehensive income (FVOCI).

A debt instrument is measured at amortized cost only if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to collect contractual cash flows; and
- its contractual cash flows are solely payments of principal and interest on the principal amount outstanding (here after SPPI).

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to collect contractual cash flows and selling financial assets; and
- its contractual cash flows are SPPI.

All other debt instruments are carried at FVTPL.

59. Financial assets and financial liabilities, continued

Business model assessment

Business model assessment involves determining whether financial assets are managed in order to generate cash flows from collection of contractual cash flows, selling financial assets or both. The Group assesses the business model at a portfolio level reflective of how groups of assets are managed together to achieve a particular business objective. For the assessment of business models the Group takes into consideration the following factors:

- how the performance of assets in a portfolio is evaluated and reported to group heads and other key decision makers within the Group's business lines;
- the risks that affect the performance of assets held within a business model and how those risks are managed;
- whether the assets are held for trading purposes, i.e. assets that the Group acquires or incurs principally for the purpose of selling or repurchasing in the near term, or holds as part of a portfolio that is manage together for short-term profit or position taking;
- how compensation is determined for the Group's business lines' management that oversee the assets; and
- the frequency and volume of sales in prior periods and expectations about future sales activity.

Cash flow characteristics assessment

The contractual cash flow characteristics assessment involves assessing the contractual features of an instrument to determine if they give rise to cash flows that are consistent with a basic lending arrangement. Contractual cash flows that are consistent with a basic lending arrangement are considered SPPI.

Interest is defined as consideration for the time value of money, the banks funding costs, the credit risk associated with the principal amount outstanding and other costs (e.g liquidity risk and administrative costs), as well as a profit margin. Indexation of loans to the Consumer Price Index (CPI) are considered part of interest as CPI guarantees the time value of money of the original outstanding balance. Principal may change over the life of the instruments due to repayments. Indexation on principal accumulates over time.

In performing this assessment, the Group takes into consideration contractual features that could change the amount or timing of contractual cash flows, such that the cash flows are no longer consistent with a basic lending arrangement. If the Group identifies any contractual features that could modify the cash flows of the instruments such that they are no longer consistent with a basic lending arrangement, the related financial assets is classified at FVTPL.

Debt instruments measured at amortized cost

Debt instrument are measured at amortized cost if they are held within a business model whose objective is to hold for collection of contractual cash flows where those cash flows represent solely payments of principal and interest. After initial measurement, debt instruments in this category are carried at amortized cost using the effective interest rate method. The effective interest rate is the rate that discounts contractual cash payments or receipt through the contractual lifetime of the financial asset to the gross carrying amount of a financial asset. Amortized cost is calculated taking into account any discount or premium on acquisition, transaction cost and fees that are an integral part of the effective interest rate. Amortization is included in interest income in the Consolidated Income Statement.

Impairment on debt instruments measured at amortized cost is calculated using the expected credit loss (ECL) approach. Loans and debt securities measured at amortized cost are presented net of allowance for credit losses in the Consolidated Statement of Financial Position.

Debt instruments measured at FVOCI

Debt instrument are measured at FVOCI if they are held within a business model whose objective is to hold for collection of contractual cash flows and/or selling financial assets, where the assets' cash flows represent payments that are solely payments of principal and interest. Subsequent to initial recognition, unrealized gains and losses on debt instruments measured at FVOCI are recorded in Other Comprehensive Income (OCI). At realization the accumulated profit or loss recognized in OCI in previous periods is recycled to the Consolidated Income Statement. Foreign exchange gains and losses of the debt instrument are recognized in the Consolidated Income Statement. Interest income are recognized in the Income Statement in accordance with effective interest rate method.

Impairment on debt instruments measured at FVOCI is calculated using the expected credit loss approach. The ECL on debt instruments measured at FVOCI does not reduce the carrying amount of the asset in the Statement of Financial Position, which remains at its fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortized cost is recognized in OCI with a corresponding charge to net impairment in the Consolidated Statement of Comprehensive Income. The accumulated allowance recognized in OCI is recycled to the Consolidated Statement of Comprehensive Income upon derecognition of the debt instrument.

59. Financial assets and financial liabilities, continued

Debt instruments measured at FVTPL

Debt instrument are measured at FVTPL if they are held for short term gain, held as part of a portfolio managed on a fair value basis or the cash flows do not represent payments that are solely payments of principal and interest. These instruments are measured at fair value in the Consolidated Statement of Financial Position. Realized and unrealized gains and losses are recognized as part of Net financial income in the Consolidated Income Statement.

Purchased loans

All purchased loans are initially measured at fair value on the date of acquisition. As a result no allowance for credit losses would be recorded in the Consolidated Statement of Financial Positions on the date of acquisition. Purchased loans may fit into either of the two categories: Performing loans or Purchased or Originated Credit Impaired (POCI) loans.

Purchased performing loans are reflected in Stage 1 and will follow the same accounting as other performing loans. They will be subject to a 12-month allowance for credit losses which is recorded as provision for credit losses in the Consolidated Income Statement. The fair value adjustments set up for these loans on the date of acquisition is amortized into interest income over the life of these loans.

POCI loans do not have allowance at initial recognition but subsequently the allowance will reflect the changes in the lifetime expected losses. At recognition the discount of each POCI loan is split up into two categories, impairment discount and interest discount or premium. Interest is calculated with a credit adjusted effective interest rate and is posted to interest income. Periodically the Group recalculates the carrying amount by computing the present value of estimated future cash flows at the financial instrument's original credit adjusted effective interest rate, any changes in the expected cash flows since the date of acquisition are recorded as a charge/recovery in net impairment in the Consolidated Income Statement at the end of all reporting periods subsequent to the date of acquisition.

Equity instruments

Equity instruments are measured at FVTPL.

For equity instruments measured at FVTPL, changes in fair value are recognized as part of Financial income in the Consolidated Income Statement.

The Group can elect to classify non-trading equity instruments at FVOCI. This election will be used for certain equity instruments for strategic or longer term investment purposes. The FVOCI election is made upon initial recognition, on an instrument-by-instrument basis and once made is irrevocable. Gains and losses on these instruments including when derecognized/sold are recorded in OCI and are not subsequently reclassified to the Consolidated Income Statement. Dividends received are recorded in Financial income in the Consolidated Income Statement. Any transaction costs incurred upon purchase of the security are added to the cost basis of the security and are not reclassified to the Consolidated Income Statement of the security.

Offsetting

Financial assets and liabilities are set off and the net amount reported in the Statement of Financial Position when, and only when, the Group has a legal right to offset the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains or losses arising from a group of similar transactions such as in the Group's trading activity.

Expected credit losses

Expected credit loss (ECL) is established for all financial assets, except for financial assets classified or designated as FVTPL and equity instruments designated as FVOCI, which are not subject to impairment assessment. Assets subject to impairment assessment are primarily debt instruments (including loans to customers) measured at amortized cost or FVOCI. ECL on financial assets is presented in Net impairment. Other financial assets carried at amortized cost are presented net of ECL in the Group's Consolidated Statement of Financial Position. Off-balance sheet items subject to impairment assessment include financial guarantees and undrawn loan commitments. ECL for Off-balance sheet items is separately calculated and included in Other Liabilities.

59. Financial assets and financial liabilities, continued

The Group measures the ECL on each balance sheet date according to a three-stage expected credit loss impairment model:

Stage	Criteria	Assessment of expected credit loss, and effective interest rates.
1	Exposures not impaired and with no significant increase in credit risk	12 month expected credit loss is recorded. The expected credit loss is computed using a probability of default occurring over the next 12 months. For those instruments with a remaining maturity of less than 12 months, a probability of default corresponding to remaining term to maturity is used. The effective interest rate is calculated on the gross carrying amount.
2	Exposures not impaired with significant increase in credit risk subsequent to origination.	Lifetime expected credit loss is recorded, based on the probability of default over the remaining estimated life of the financial instrument. Effective interest rate is calculated on the gross carrying amount.
3	Exposures in default / Credit impaired	Lifetime expected credit loss is recorded. Effective interest rate is calculated on the book value.

The ECL is an unbiased discounted probability-weighted estimate of the cash shortfalls expected to result from defaults occurring in the next 12 months or, in cases where credit risk has significantly increased, in the expected lifetime of an exposure. For guarantees and loan commitments, credit loss estimates consider the portion of the commitment that is expected to be paid out or expected to be drawn over the relevant time period, contingent on significant financial difficulty.

Increases or decreases in the required ECL attributable to purchases and new originations, derecognitions or maturities, and remeasurements due to changes in loss expectations or state migrations are recorded in net impairment. Write-offs and recoveries of amounts previously written off are recorded against ECL.

The ECL represents an unbiased estimate of expected credit losses on our financial assets as at the balance sheet date. Judgement is required in making assumptions and estimations when calculating the ECL, including movements between the three stages and the application of forward looking scenarios. The underlying assumptions and estimates may results in changes to the provisions from period to period that significantly affect our results of operations.

Definition of default

The Group defines default in accordance with article 178 of EU Regulation No 575/2013 (CRR). The Group considers a financial asset to be in default when:

– the asset is more than 90 days past due, or
– the borrower is considered to be unlikely to pay.

For corporate counterparties, more than 90 days past due means that the counterparty has been past due on a material exposure each day in the last 90 days. For individuals, more than 90 days past due means that the individual has been past due on a material exposure in the same exposure portfolio each day in the last 90 days.

In assessing whether a borrower is unlikely to pay, the Group considers both qualitative and quantitative indicators, e.g. overdue status, debt and equity ratios, market circumstances and other data developed internally or obtained from external sources.

An asset does not return to non-defaulted status until after a probation period which is at least either three months if no forbearance measures have been granted or one year if forbearance measures have been granted.

For corporate counterparties it is assumed that if one exposure is in default, all other exposures to that counterparty are also in default (cross-default). For individuals however, the Group defines six different exposure portfolios and has different statistical credit risk models for each of them - mortgages, consumer loans, auto loans, guarantees, loans to individuals for work purposes and other loans. Each exposure portfolio is assessed separately, meaning that if an individual is in default on a loan belonging to one portfolio, their other exposures, belonging to other portfolios, are not automatically assumed to be in default. However, defaults in other portfolios are also considered and cross-default applies when they are significant.

Probability of default and credit risk rating

The Group allocates to each exposure a credit risk rating (e.g. A+, A, A-, BBB+, etc.) based on the calculated 12 month probability of default ('the PD'). The PD is assessed through the Group's credit rating models or based on external ratings if available. The Group's credit rating models are statistical models based on a variety of information that has been determined to be predictive of default. These include demographic, behavioral, financial and economic data, coupled with qualitative expert judgement for large corporate exposures. Factors vary depending on the nature of the exposure and the profile of the borrower. The PD estimates used for the purpose of calculating IFRS 9 impairments are point-in-time, i.e. dependent on the economic cycle. The Group's credit rating models are subject to annual performance tests and are recalibrated on a regular basis if needed.

59. Financial assets and financial liabilities, continued

The Group's rating scale is shown below, including mapping of external ratings. The lower bounds are inclusive.

Risk class	Rating	Lower PD	Upper PD	S&P / Fitch	Moody's	Description
0	AAA	0.000%	0.006%	AAA	Aaa	Investment Grade
	AA+	0.006%	0.018%	AA+	Aa1	
	AA	0.018%	0.029%	AA	Aa2	
	AA-	0.029%	0.045%	AA-	Aa3	
	A+	0.045%	0.070%	A+	A1	
	A	0.070%	0.110%	A	A2	
	A-	0.110%	0.170%	A-	A3	
1	BBB+	0.170%	0.260%	BBB+	Baa1	Investment Grade
	BBB	0.260%	0.410%	BBB	Baa2	
	BBB-	0.410%	0.640%	BBB-	Baa3	
2	BB+	0.640%	0.990%	BB+	Ba1	Non-investment Grade
	BB	0.990%	1.540%	BB	Ba2	
	BB-	1.540%	2.400%	BB-	Ba3	
3	B+	2.400%	3.730%	B+	B1	Non-investment Grade
	B	3.730%	5.800%	B	B2	
	B-	5.800%	9.010%	B-	B3	
4	CCC+	9.010%	14.000%			Non-investment Grade
	CCC	14.000%	31.000%			
	CCC-	31.000%	99.990%			
5	DD	99.99%	100.00%	D	C	Default / Impaired

The Group uses external ratings for counterparties that receive such ratings from recognized rating agencies such as Moody's, Standard & Poor's and Fitch. The Group's internal rating scale was originally calibrated to match historical default rates shown in publications of the aforementioned rating agencies and using smoothing techniques. External ratings are primarily used to assess expected losses for counterparties of marketable securities, money market and deposit accounts positions which fall under the Impairment requirements of IFRS 9. The Group's ECL is broken down by investment grade and non-investment grade classes for such exposures, as per the definition of the corresponding rating agency.

Each exposure is allocated a credit risk rating at initial recognition. The calculations are based on available information at the time of origination. Exposures are continuously monitored and revaluated using the models described above and this may result in transitions between risk ratings.

Probability of default

The Group's PDs and PD term structures are based on both quantitative and qualitative factors and in some cases external ratings are used. PD's are re-assessed on a regular basis with different frequencies depending on the type of counterparty and/or exposure.

In addition to calculating PD and allocating a credit risk rating to each exposure, the Group calculates the lifetime probability of default (LPD), which is an assessment of the probability that a default event occurs over the lifetime of the exposure. The LPD incorporates management's view of possible future macroeconomic developments and the likelihood of rating transitions over the lifetime of the exposure. For the determination of LPD, the Bank calculates PD term structures – which effectively provides the probability of default for any given time period, one for each rating grade, PD model and economic scenario. The annualized lifetime probability of default (ALPD) of an exposure is the fixed 12 month PD (without transitions) that corresponds to the exposure's LPD. The credit risk rating that corresponds to the ALPD is defined as the lifetime credit risk rating.

The assessed 12 months PDs are the basis for the determination of the term structure of PDs for exposures. The Group applies transition models, developed on the basis of historical data, to predict the development of risk grades for periods that exceed one year. The Group has separated transition behavior due to specific and general risk and applies its macro-economic forecasts to the latter. The analysis of credit rating transitions due to general risk includes the identification and calibration of relationships between changes in default rates and changes in key macro-economic factors. Unemployment rate is the predominant predictive variable. Among other indicators examined are GDP growth, private consumption expenditure, inflation, development of housing prices and benchmark interest rates.

59. Financial assets and financial liabilities, continued

Assumptions on key macro-economic indicators are on an ongoing basis estimated based on internal and external information available at each time. The Group formulates a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. The Group uses these forecasts to adjust its estimates of lifetime probability of default and other factors that affect the lifetime expected credit loss.

The Group has six different exposure specific PD models for individuals: mortgages, consumer loans, auto loans, guarantees, loans to individuals for work purposes and other loans. The Bank has a different model or rating logic for the following corporate portfolios – large corporates, retail SMEs, holding companies, construction projects, financial institutions (external ratings), municipalities, state related entities and cooperatives.

Loss given default

Each credit facility is assigned an LGD. The LGD is an assessment of loss conditional on a default occurrence. The Group splits LGD into three components; the probability of cure, the expected recovery from liquidation of collateral, and the recovery rate for the unsecured part of the exposure. The cure rate is modeled on the Group’s historical data of assets returning to performing status after being in default without loss. The expected recovery is the outcome of the Group’s collateral allocation algorithm which takes into account the seniority of debt and collateral type. Haircuts are applied to different types of collaterals based on expert judgment, supported by historical data, and take into account costs and the time value of money. Different haircuts are applied for different macro-economic scenarios in the ECL calculations. In some instances, assets are considered to be fully covered by collateral after haircut application and therefore carry no ECL. The recovery rate for the unsecured part of the exposure is based on expert judgment, taking into account historical loss experience.

The cut-off period for cure is taken to be 18 months from default, which means that a return to non-default after that period is not considered a cure. Furthermore, cure is defined on a portfolio level instead of on a loan level i.e. the same level as the PD models. In this version, statistical cure rate models have been created for the largest portfolios – mortgages, consumer loans and large corporates and retail SMEs. As the explanatory variables in the statistical cure rate models can be related to variables in PD models, this change prompts a consideration of PD-cure correlation. The correlation effects are taken into account in the Bank’s ECL calculations. Furthermore, long-run average cure rate models using macro-economic variables have been created. The models can be used to assess cure rate under different economic conditions to be able to apply different cure rates for different economic scenarios given different economic conditions.

Exposure at default

The EAD represents the expected exposure at the event of a default. For a given exposure, the Group derives the EAD from the contractual amortization schedule and takes into account the likelihood of pre-payments, drawdowns, rollovers, extensions and use of unused allowance in the period leading up to default. These behavioral estimates, which are based on historical observations and forward-looking forecasts, apply differently to each type of exposure.

Significant increase in credit risk

The assessment of significant increase in credit risk requires significant judgment. In determining whether the risk of default for an exposure has increased significantly since initial recognition, the Group considers relevant, reasonable and supportable information on an ongoing basis. Assumptions are drawn based on the Group's historical experience and expert judgement including forward-looking expectations. If an exposure has low credit risk at the reporting date, the Group determines that the credit risk on the exposure has not increased significantly since initial recognition. Low credit risk means that both the 12-month and annualized lifetime probabilities of default are low.

Apart from the low credit risk exemption, the Group considers a significant increase in credit risk to have occurred for a given exposure if one of the following holds:

- the exposure's 12-month probability of default has increased significantly from the 12-month probability of default at origination;
- the exposure's annualized lifetime probability of default has increased significantly from the annualized lifetime probability of default at origination. As the Group does not have the benefit of hindsight, this comparison is only used for exposures that originate on or after 1 January 2018;
- the exposure has received forbearance measures in the past six months;
- the number of days in arrears exceeds 30 days; or
- the exposure is on the Group's list for exposures to watch due to significant increase in credit risk.

The Group monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that the criteria is capable of identifying significant increases in credit risk before an exposure is in default and there is no unwarranted volatility in loss allowance from transfers between 12-month ECL (stage 1) and lifetime ECL (stage 2).

59. Financial assets and financial liabilities, continued

Exposures in default

Exposures in default at each reporting date, according to the Group's definition, are considered to be credit impaired.

The amount of the loss impaired is the difference between the assets' gross carrying value and the present value of estimated future cash flow. In some instances, the impairment of exposures is zero due to collateral coverage.

Impairment losses are recognized in net impairment, see note 44. Any decreases in impairment loss amounts are reversed through net impairment.

Expected credit loss measurement

The expected credit loss (ECL) calculations are based on three main components:

– probability of default (PD),
– loss given default (LGD); and
– exposure at default (EAD).

Each component is derived from internally generated models, apart from external credit ratings. The models are developed with statistical methods and/or expert judgement supported by historical data and adjusted for expected macro-economic effects.

The Group measures ECL considering the risk of default over the maximum contractual period (including any extension periods) over which it is exposed to credit risk. The maximum contractual period extends to the date at which the Group has the right to require repayment of an advance or terminate a loan commitment or guarantee. However, for overdrafts and credit card facilities that include both a loan and an undrawn commitment component, the Group measures ECL over a period longer than the maximum contractual period if the Group's procedures for extensions do not limit the Group's exposure to credit losses to the contractual period. These facilities do not have a fixed term or repayment structure. The Group can cancel them with immediate effect but this contractual right is not enforced in the normal day-to-day management, but only when the Group becomes aware of an increase in credit risk at the facility level. This longer period is estimated taking into account the credit risk management actions that the Group expects to take and that serve to mitigate ECL. These include a reduction in limits, cancellation of the facility and/or turning the outstanding balance into a loan with fixed repayment terms. The ECL calculations involve discounting using the exposures' effective interest rates.

Forward looking scenarios

The ECL for an exposure is the weighted average of the expected credit loss for different macro-economic scenarios provided by the Group's management. The Group currently considers three scenarios: 'base case', 'optimistic' and 'pessimistic' and assigns its best estimate of the likelihood of occurrence to each one. The development of macro-economic variables and the corresponding weights are based on expert judgement supported by historical data. The Group incorporates forward-looking macro-economic information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition (via the lifetime credit risk rating comparison) and its measurement of ECL as the PD term structures, LGD and EAD include macro-economic adjustments for each of the scenarios.

The predominant macro-economic variable used across all portfolios is the unemployment rate in Iceland, as measured by the Directorate of Labor. Among other variables considered are GDP growth, private consumption expenditure, inflation, development of housing prices and benchmark interest rates. The average cure is also correlated with unemployment rate, depending on portfolio, and collateral haircuts are adjusted for different scenarios. Exit and pre-payment rates, which affects EAD, are dependent on refinancing spreads and due to the correlation between interest rates and unemployment rate they are adjusted for different scenarios.

Write-off of loans

Loans are written off, either partially or in full, when there is no realistic prospect of recovery i.e. the bankruptcy of the borrower or an ineffective attachment or distraint. Collateralized loans are generally written of when the realization of collateral have been received. After write-off, exposures continue to be subject to collection activities in accordance with Icelandic law.

59. Financial assets and financial liabilities, continued

Modifications

The original terms of a financial asset may be renegotiated or otherwise modified, resulting in changes to the contractual terms of the financial asset that affect the contractual cash flow. The treatment of such modifications is primarily based on the process undertaken to execute the renegotiation and the nature and extent of changes made. Modifications which are performed for credit reasons, primarily related to troubled debt restructurings, are generally treated as modifications of the original financial asset unless modifications are significant. Significant modifications are generally considered to be an expiry of the original cash flows; accordingly, such renegotiations are treated as a derecognition of the original financial asset and recognition of a new financial asset.

If a modification of terms does not result in derecognition of the financial asset, the carrying amount of the financial asset is recalculated as the present value of the renegotiated or modified contractual cash flows, discounted at the original effective interest rate and gain or loss is recognized. The financial asset continues to be subject to the same assessments for significant increase in credit risk relative to initial recognition and credit-impairment, as described above. A modified financial asset will migrate out of Stage 3 if the conditions that led to it being identified as credit-impaired are no longer present and relate objectively to an event occurring after the original credit-impairment was recognized. A modified financial asset will migrate out of Stage 2 when it no longer satisfies the relative thresholds set to identify significant increase in credit risk, which are based on changes in its PD, lifetime PD, days past due and other qualitative considerations.

If a modification of terms results in derecognition of the original financial asset and recognition of the new financial asset, the new financial asset will generally be recorded in Stage 1, unless it is determined to be credit-impaired at the time of renegotiation. For the purposes of assessing for significant increase in credit risk, the date of initial recognition for the new financial asset is the date of modification.

60. Hedge accounting

The Group has chosen to continue to apply the hedge accounting requirements of IAS 39 as an accounting policy choice as permitted under IFRS 9. The Group has chosen to continue to apply the hedge accounting requirements of IAS 39 as an accounting policy choice as permitted under IFRS 9.

The Group applies fair value hedge accounting with respect to designated hedging relationship of certain fixed-rate foreign currency denominated notes issued by the Bank as the hedged items and certain foreign currency denominated interest rate swaps as the hedging instruments. The Group recognizes the changes in fair value of the interest rate swaps together with changes in the fair value of bonds attributable to interest rate risk immediately in profit or loss in the line item of Note 10, Net gain on fair value hedge of interest rate swap. Calculated accrued interest on both swaps and bonds are included in the line item of Note 7, Interest expense.

On initial designation of the hedges, the Group formally documented the relationship between the hedging instruments and hedged items, including the risk management objective and strategy in undertaking the hedge, together with the method that will be used to assess the effectiveness of the hedging relationships. The Group makes an assessment, both at inception of the hedge relationships and on an ongoing basis, of whether the hedging instruments are expected to be highly effective in offsetting the changes in the fair value of the hedged items during the period for which the hedge is designated, and whether the actual results of each hedge are within the range of 80–125%.

If the hedging derivative expires or is sold, terminated or exercised, or the hedge no longer meets the criteria for fair value hedge accounting, or the hedge designation is revoked, then hedge accounting is discontinued prospectively. Any adjustments, up to the point of discontinuation, to a hedged item for which the effective interest method is used, is amortized to profit or loss as part of the recalculated effective interest rate of the item over its remaining life.

Other derivatives, not designated in a qualifying hedge relationship, are used to manage its exposure to foreign currency, interest rate, equity market and credit risk. The financial instruments used include, but are not limited to, interest rate swaps, cross-currency swaps, forward contracts, futures, options, credit swaps and equity swaps.

61. Cash and cash equivalents

Cash and cash equivalents in the Statement of Cash Flows consist of cash, demand deposits with the Central Bank and demand deposits with other credit institutions. Cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition. Cash and cash equivalents are carried at amortized cost in the Statement of Financial position.

62. Loans

Loans are financial instruments with fixed or determinable payments that are not quoted in an active market and that the Group does not intend to sell immediately or in the near term. Loans include loans provided by the Group to credit institutions and to its customers, participation in loans from other lenders and purchased loans.

Loans are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortized cost using the effective interest method.

When the Group is the lessor in a lease agreement that transfers substantially all of the risks and rewards incidental to ownership of the asset to the lessee, the arrangement is classified as a capital lease and a receivable equal to the net investment in the lease is recognized and presented within loans.

When the Group purchases an asset and simultaneously enters into an agreement to resell the asset (or a substantially similar asset) at a fixed price on a future date reverse repo or stock borrowing, the arrangement is accounted for as a loan, and the underlying asset is not recognized in the Group's Consolidated Financial Statements.

63. Derivatives

A derivative is a financial instrument or other contract, the value of which changes in response to a change in an underlying variable, such as share, commodity or bond prices, an index value or an exchange or interest rate, which requires no initial net investment or initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors and which is settled at a future date.

Derivatives are recognized at fair value. Fair value changes are recognized in the Income Statement. Changes in fair values of derivatives are split into interest income, foreign exchange differences and net financial gain or loss. Interest income is recognized on an accrual basis. Derivatives with positive fair values are recognized as Financial instruments and derivatives with negative fair values are recognized as Financial liabilities at fair value.

64. Intangible assets

Goodwill and infrastructure

Goodwill and infrastructure that arises on the acquisition of subsidiaries is presented with intangible assets. Subsequent to initial recognition goodwill and infrastructure is measured at cost less accumulated impairment losses.

Customer relationship and related agreements

Customer relationship and related agreements are measured at cost less any accumulated impairment losses.

Software

Software acquired by the Group is measured at cost less accumulated amortization and any accumulated impairment losses.

Subsequent expenditure on software is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Amortization of intangible assets

Amortization of intangible assets is recognized in the Income Statement on a straight-line basis over the estimated useful life, from the date that it is available for use. The estimated useful life of intangible assets for the current and comparative periods is three to ten years.

65. Investment property

An investment property is a property which is held either to earn rental income or for capital appreciation or for both.

Investment property is initially measured at cost and subsequently at fair value. Gains or losses arising from changes in the fair values of investment properties are included in the Income Statement.

66. Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, other than assets held for sale, investment property and deferred tax assets, are reviewed at each reporting date to determine, whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. The recoverable amount of intangible assets is assessed annually.

An impairment loss is recognized if the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognized in profit or loss.

The recoverable amount of an asset is the greater of its value in use and its fair value less cost to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss in respect of other assets, where impairment losses have been recognized in prior periods, are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

67. Deposits

Deposits are initially measured at fair value plus transaction costs, and subsequently measured at their amortized cost using the effective interest method.

68. Borrowings

Borrowings are measured at amortized cost with any difference between cost and redemption amount being recognized in the Income Statement over the period of the borrowings on an effective interest basis. Accrued interest is included in the carrying amount of the borrowings.

69. Subordinated liabilities

Subordinated liabilities are financial liabilities in the form of subordinated capital which, in case of the Group's voluntary or compulsory winding-up, will not be repaid until after the claims of ordinary creditors have been met. In the calculation of the capital ratio, they are included within both Tier 1 and Tier 2, based on terms of each instrument. The Group may only retire subordinated liabilities with the permission of the FSA.

Subordinated liabilities are recognized initially at fair value less attributable transaction costs. Subsequent to initial recognition, subordinated liabilities are stated at principal amount due plus accrued interest, which is recognized in the Income Statement based on the contractual terms of the borrowing.

70. Assets and disposal groups held for sale

The Group classifies a Asset or disposal group as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case the asset or disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset or disposal group and the sale must be highly probable.

Immediately before classification as held for sale, the measurement of the qualifying assets and all assets and liabilities in a disposal group is brought up-to-date in accordance with applicable IFRS. Then, on initial classification as held for sale, Assets and disposal groups are recognized at the lower of carrying amount and fair value less costs to sell. Impairment losses on initial classification as held for sale are included in the Income Statement, even when there is a revaluation. The same applies to gains and losses on subsequent remeasurement. Revaluation through the reversal of impairment in subsequent periods is limited so that the carrying amount of the held for sale, Assets or disposal groups does not exceed the carrying amount that would have been determined had no impairment loss been recognized in prior years.

71. Other assets and other liabilities

Property and equipment

Items of property and equipment are measured at cost less accumulated depreciation and impairment losses. When parts of an item of property and equipment have different useful lives, they are accounted for as separate items of property and equipment.

Subsequent expenditure is capitalized only when it is probable that the future economic benefits of the expenditure will flow to the Group. Ongoing repairs and maintenance are expensed as incurred.

The depreciable amount of property and equipment is determined after deducting its residual value. Depreciation is charged to the Income Statement on a straight-line basis over the estimated useful lives of each part of an item of property and equipment. The estimated useful lives are as follows:

Real estates	33 years
Equipment	3-15 years

The depreciation methods, useful lives and residual values are reassessed annually.

Right-of-use asset and lease liability

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the Group's incremental borrowing rate. The right-of-use assets comprise the initial measurement of the corresponding lease liability. They are subsequently measured at cost less accumulated depreciation.

Other assets and other liabilities

Other assets and other liabilities are stated at cost less impairment.

Insurance contract liabilities

Insurance contract liabilities comprise liabilities for remaining coverage and liabilities from incurred claims. Liabilities for remaining coverage is estimated using a simplified method which is based on paid premiums minus premiums from insurance services recognized as income. A loss factor is added in the case of onerous contracts. Liabilities from incurred claims are estimated as the best estimate of discounted cash flows plus a risk adjustment due to non-financial risk and other expected cost of claims. Liabilities for remaining coverage are estimated in the same way as the best estimate for claims reserve pursuant to the Insurance Activities Act No. 100/2016. These calculation methods are in accordance with the rules of IFRS 17 Insurance Contracts.

72. Equity

Share capital and share premium

Par value of issued share capital is ISK 1 per share. The holders of ordinary shares are entitled to receive dividends as approved by the AGM and are entitled to one vote per share at shareholders' meetings. Share capital has been fully paid.

Treasury shares

The consideration paid for the purchase of own shares is deducted from the shareholders equity as treasury shares. No gain or loss is recognised in the Income Statement on purchase or sale of treasury stock.

Dividends

Dividends on shares are recognized in equity in the period in which they are approved by Arion Bank's shareholders.

Option reserve

The option reserve represents the cumulative charge to the Income Statement for options for employees of the Group to purchase shares in Arion Bank. Employee stock options are two-fold. On the one hand, there is a stock option plan based on article 10 in the Icelandic Act on income tax No. 90/2003, and on the other hand, there are stock options linked to the employee incentive scheme.

Warrants reserve

The warrants reserve represents the consideration received for outstanding warrants.

72. Equity, continued

Reserve for investments in subsidiaries and associates

According to the Financial Statements Act No. 3/2006 the difference between share of profit of subsidiary or associate in excess of dividend payment or dividend payment pending, shall be transferred to a restricted shareholding equity reserve, net of tax, which is not subject to dividend payments. When shareholding in subsidiary or associate is sold or written off the shareholding equity reserve shall be released and the amount transferred to retained earnings.

Reserve for investments in securities

According to the Financial Statements Act No. 3/2006 fair value changes of financial assets from the initial reporting, shall be transferred from retained earnings to a fair value equity reserve, net of tax. The fair value equity reserve is not subject to dividend payments. The fair value equity reserve shall be released in accordance with fair value changes recognized when financial asset is sold or redeemed or the assumptions for the fair value change is no longer in force.

Financial assets at fair value through OCI

A reserve for unrealized fair value changes, net of tax, for assets held at fair value through other comprehensive income. The fair value reserve is released in correlation with realization of gains or losses of financial assets at derecognition.

Statutory reserve

According to the Icelandic Companies Act No. 2/1995 at least 10% of the profit of the Group which is not devoted to meeting losses from previous years and is not contributed to other legal reserves must be contributed to the statutory reserve until it amounts to 10% of the share capital. When that limit has been reached the contribution must be at least 5% of the profit until the statutory reserve amounts to 25% of the share capital of the Bank.

Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the Consolidated Financial Statements of foreign operations.

73. Earnings per share

The Group presents basic and diluted earnings per share (EPS). Basic earnings per share is calculated by dividing the net earnings attributable to the shareholders of Arion Bank hf. by the weighted average number of ordinary shares outstanding during the year. Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding during the year to assume conversion of all dilutive potential ordinary shares, which comprise share options granted to employees and issued warrants.

74. Financial guarantees

In the ordinary course of business, the Group gives financial guarantees, consisting of letters of credit, guarantees and acceptances. Financial guarantees are initially recognized in the Consolidated Financial Statements at fair value, being the premium received. Subsequent to initial recognition, the Group's liability under each guarantee is measured at the higher of the amount initially recognized less, when appropriate, cumulative amortization recognized in the Income Statement, and the best estimate of expenditure required to settle any financial obligation arising as a result of the guarantee. Any increase in the liability relating to financial guarantees is recorded in the Income Statement. The premium received is recognized in the Income Statement in Net fees and commission income on a straight line basis over the life of the guarantee.

75. Fiduciary activities

The Group provides asset custody, asset management, investment management and advisory services to its clients. These services require the Group to make decisions on the treatment, acquisition or disposal of financial instruments. Assets in the Group's custody are not reported in its Statement of Financial Position.

76. Employee benefits

All entities with employees within the Group have defined contribution plans. The entities pay fixed contributions to publicly or privately administered pension plans on a mandatory and contractual basis. The Group has no further payment obligations once these contributions have been paid. The contributions are recognized as an expense in the Income Statement when they become due. The Group does not operate any pension fund which confers pension rights.

Share-based payment expense

Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at grant date. The grant date fair value of equity-settled share-based payments granted to employees is recognized as an salary expense, with a corresponding increase in equity, over the contratual period. The amount recognized as an expense is adjusted to reflect the number of shares that are expected to be exercised at the vesting date.

77. Standards issued but not yet effective

New standards, amendments to standards and interpretations have been issued but are not yet effective for the year ended 31 December 2025, and have not been applied in preparing these Consolidated Financial Statements. Relevant to the Group's reporting is IFRS 18 Presentation and disclosures in financial statements.

IFRS 18 Presentation and disclosures in financial statements

IFRS 18 Presentation and disclosures in financial statements replaces IAS 1, carrying forward many of the requirements in IAS 1 unchanged and complementing them with new requirements. IFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Furthermore, entities are required to classify all income and expenses within the statement of profit or loss into one of five categories: operating, investing, financing, income taxes and discontinued operations, whereof the first three are new. The standard requires disclosure of newly defined management-defined performance measures, subtotals of income and expenses, and it also includes new requirements for aggregation and disaggregation of financial information based on the identified ‘roles’ of the primary financial statements (PFS) and the notes. The Group is currently working to identify all impacts the amendments will have on the primary Consolidated Financial Statements and Notes to the Consolidated Financial Statements. The initial expected impacts on Group’s Consolidated Financial Statements are not expected to be material. A new disclosure will be added for management-defined performance measures as required by the standard. In addition to the adoption of IFRS 18, there are consequential amendments to several other standards that are not expected to have material impacts on the Consolidated Financial Statements. IFRS 18, and the amendments to the other standards, are effective for reporting periods beginning on or after 1 January 2027. IFRS 18 will apply retrospectively.

5-year overview

Income Statement

	2025	2024	2023	2022*	2021
Net interest income	52,542	46,302	44,685	40,201	32,063
Net fee and commission income	17,147	15,360	16,389	16,449	14,673
Insurance service results	2,111	2,166	152	615	3,442
Net financial income	1,075	2,845	1,366	(3,286)	6,220
Other operating income	5,516	(222)	1,589	1,314	1,827
Operating income	78,391	66,451	64,181	55,293	58,225
Operating expenses	(28,248)	(28,328)	(25,701)	(24,329)	(25,875)
Bank levy	(2,106)	(1,924)	(1,796)	(1,749)	(1,516)
Net impairment	(3,053)	(1,131)	(1,348)	144	3,169
Earnings before income tax	44,984	35,068	35,336	29,359	34,003
Income tax expense	(12,458)	(8,919)	(9,595)	(9,944)	(6,782)
Net earnings from continuing operations	32,526	26,149	25,741	19,415	27,221
Discontinued operations, net of tax	(19)	(37)	(4)	6,543	1,394
Net earnings	32,507	26,112	25,737	25,958	28,615

Statement of Financial Position

Assets

	31.12.2025	31.12.2024	31.12.2023	31.12.2022	31.12.2021
Cash and balances with Central Bank	150,111	124,094	114,118	69,057	42,136
Loans to credit institutions	22,567	25,690	45,501	30,272	28,235
Loans to customers	1,329,056	1,230,058	1,084,757	936,237	822,941
Financial instruments	215,816	206,417	193,329	225,657	227,251
Investment property	7,305	9,387	7,862	6,560	6,132
Investments in associates	760	814	787	668	891
Intangible assets	7,533	7,688	8,783	9,463	9,689
Tax assets	2	2	135	2	2
Assets and disposal groups held for sale	98	111	61	16,047	16,811
Other assets	22,517	14,006	10,276	19,901	18,618
Total Assets	1,755,765	1,618,267	1,465,609	1,313,864	1,172,706

Liabilities and Equity

	31.12.2025	31.12.2024	31.12.2023	31.12.2022	31.12.2021
Due to credit institutions and Central Bank	12,003	6,618	11,697	5,000	13,031
Deposits	921,182	857,443	755,361	655,476	568,424
Financial liabilities at fair value	3,129	8,394	20,997	5,877	5,240
Tax liabilities	12,983	11,060	10,303	7,102	4,262
Other liabilities	50,736	49,950	39,401	54,086	48,897
Borrowings	494,823	433,178	392,563	356,637	298,947
Subordinated liabilities	43,518	44,538	47,331	35,088	36,060
Total liabilities	1,538,374	1,411,181	1,277,653	1,119,266	974,861
Shareholders' equity	217,327	206,582	187,307	193,925	197,672
Non-controlling interest	64	504	649	673	173
Total equity	217,391	207,086	187,956	194,598	197,845
Total Liabilities and Equity	1,755,765	1,618,267	1,465,609	1,313,864	1,172,706

* Comparative figures have been restated in accordance with IFRS 17

Amounts are in ISK millions

Appendices

Unaudited

Arion Bank

Corporate Governance Statement of Arion Bank for 2025

Arion Bank (Arion Bank or the Bank) is an Icelandic public limited company whose shares are listed on Nasdaq Iceland and Nasdaq Stockholm. Here the Board submits its Corporate Governance Statement for 2025. Corporate governance is focused on how responsibilities are allocated among the various bodies of the Bank and how systems for decision making are constructed, in accordance with prevailing laws and regulations. Arion Bank's shareholders exercise governance principally by electing the Board of Directors, which in turn appoint the CEO and monitor the Bank's conduct of business. The CEO is responsible for the day-to-day operations of the Bank and represents the Bank in all matters concerning normal operations. The CEO must in this respect comply with the relevant legislation, the Bank's Articles of Association and the policies and instructions laid down by the Board. The CEO is responsible for the implementation of the Bank's policies.

Fundamentals to corporate governance at Arion Bank are the Articles of Association which are approved by shareholders, and policies and other documents adopted by the Board of Directors. These include the Board's Rules of Procedure, and the Rules of Procedure of the Board's Sub-Committees, and policies regarding the Bank's operations and enterprise risk management architecture. These policies are revised every year, and whenever deemed necessary. Even more important is the Bank's corporate culture, strategy, and operational procedures. Good corporate governance and corporate culture help to foster open and honest relations between the Board of Directors, shareholders, customers, and other stakeholders, such as the Bank's employees and the public. Corporate governance also provides the foundations for responsible management and decision-making, with the objective of generating sustainable long-term value creation. The Board of Directors places great importance on good corporate governance and re-evaluates its governance practices regularly on the basis of recognized guidelines on corporate governance.

A central part of governance for financial institutions involves managing risks which will invariably arise in operations. Risk management is described in more detail later in this statement, in the Bank's Annual Report. Establishing and maintaining effective risk management and controls constitutes a key challenge in the Bank's activity and to the Bank's overall soundness.

This Corporate Governance Statement is based on the legislation, regulations and recognized guidelines which are in force at the time the Bank's financial statement is adopted by the Board of Directors.

Excellence in corporate governance

Arion Bank has been recognized as a company which has achieved excellence in corporate governance, following a formal assessment based on the Icelandic Guidelines on Corporate Governance issued by the Icelandic Chamber of Commerce, SA – Business Iceland and Nasdaq Iceland, initially in December 2015, April 2019, August 2022, August 2023, August 2024 and again in August 2025. This recognition was granted following an in-depth assessment by an independent party of corporate governance at the Bank, including governance by the Board of Directors, sub-committees and management.

Compliance with guidelines on good corporate governance

In respect to corporate governance arrangements, Arion Bank applies the European Banking Authority (EBA) Guidelines on Internal Governance (EBA/GL/2021/05), in line with requirements found in Regulation (EU) 1093/2010 and Act 24/2017, on European Financial Supervision. The Guidelines on Internal Governance are available on the website of the Financial Supervisory Authority of the Central Bank of Iceland.

Furthermore, according to the Financial Undertakings Act No. 161/2002 Arion Bank is obliged to comply with recognized guidelines on corporate governance. The Bank complies with the sixth edition of the Icelandic Guidelines on Corporate Governance issued by Iceland Chamber of Commerce, SA – Business Iceland and Nasdaq Iceland, published in February 2021 and in force as of 1 July 2021. According to the guidelines a company shall state whether it has deviated from the guidelines, if so, which parts and also explain why it has done so.

The Bank complies with the guidelines with two variations:

Article 5.1.2. states that the rules of procedure of sub-committees of the Board shall be posted on the Bank's website. The rules of the Board Credit Committee have not been published on the Bank's website with respect to their nature.

The final sub-paragraph of article 5.4.5 states that the role of a remuneration committee shall include taking an independent stance on the effect of wages on the Company's risk exposure and risk management, in cooperation with the Company's Audit Committee. In line with, inter alia, the EBA Guidelines on Internal Governance and article 78(3) of the Act on Financial Undertakings, this role falls to the Board's Remuneration Committee in cooperation with the Board's Risk Committee.

Nomination Committee

The role of the Nomination Committee at Arion Bank is to promote good corporate governance and to facilitate informed decision-making by shareholders when selecting Board members to ensure that Board members have wide and versatile qualifications and experience. The Committee has an advisory role regarding the election of Board members and makes a proposal on their remuneration.

The Committee relies on the Bank's Suitability Policy when making nominations. At the Bank's annual general meeting on 12 March 2025, two members of the Nomination Committee were appointed, Júlíus Thorfinnsson and Audur Bjarnadóttir. According to the Rules of Procedure for the Nomination Committee, the third member of the Committee shall be the Chairman of the Board of Directors or another Board Member appointed by the Board.

Legal framework for the Bank's operation

Arion Bank is a financial institution which operates in accordance with the Financial Undertakings Act No. 161/2002.

Acts of law which also apply to the Bank's operations include e.g., the Act on Markets for Financial Instruments No. 115/2021, to Act on Undertakings for Collective Investment in Transferable Securities (UCITS) No. 116/2021 and Act on Alternative Investment Fund Managers No. 45/2020, Act on Payment Services No. 114/2021, Act No. 5/2023 on Payment Accounts, Act on Measures Against Money Laundering and Terrorist Financing No. 140/2018, Act on Consumer Mortgages No. 118/2016, Consumer Loans Act No. 33/2013, Competition Act No. 44/2005 and Public Limited Companies Act No. 2/1995.

Arion Bank is a strongly capitalized bank whose goal is to excel by helping those who want to achieve success in Iceland and elsewhere in the Arctic through smart and reliable financial solutions which enhance financial health and create sustainable value as well as aiming to be the best at meeting the needs of our target groups – a leader which is a driver of success for our customers and society as a whole. As noted, the Bank is listed on Nasdaq Iceland and Nasdaq Stockholm. The Bank has also issued financial instruments which have been admitted for trading on regulated securities markets in Iceland and Luxembourg. The Bank is, therefore, subject to the disclosure requirements of issuers pursuant to the Act on Markets for Financial Instruments and the rules of the relevant stock exchanges.

The Financial Supervisory Authority of the Central Bank of Iceland (FSA) supervises the operations of Arion Bank in accordance with the provisions of Act No. 87/1998 on the Official Supervision of Financial Operations. Further information on the FSA and an overview of the legal and regulatory framework applicable to the Bank, as well as FSA guidelines and guidelines issued by European Financial Supervisory institutions, can be seen on the FSA's website, www.cb.is/financial-supervision/. Numerous other legislations apply to the operations of financial undertakings.

Internal controls, auditing and accounting

Internal control

The Bank is committed to the highest standards of corporate governance and regards internal control as an integral part of its operation. An effective internal control system is built to mitigate risk to acceptable levels by facilitating enlightened decision-making, thus supporting the Bank in achieving its objectives and enabling the creation and preservation of value.

The objective of the Bank's system of internal controls is to ensure:

- The Bank's policies, objectives and business plans are achieved within set risk appetite and threshold.
- The actions of the Board of Directors, management and employees comply with the Bank's policies, standards, processes and all relevant laws and regulations.
- The Bank's assets and resources, including its data, people and systems are adequately protected.
- Data and information published either internally or externally is accurate, reliable, and timely.
- The risks that are inherent in the Bank's operations are managed.
- Practical controls and processes have been established that require and encourage the Board, management, and employees to carry out their duties and responsibilities in an efficient and effective manner.
- The key components of the internal control framework are Control Environment, Risk Assessments, Control Activities, Information and Communication, and Monitoring Activities. These components are interrelated with all operations of the Bank.

Control Environment includes the governance and management function of the Bank, as well as the attitude of senior management towards internal control and its importance.
The key principles relating to control environment include:

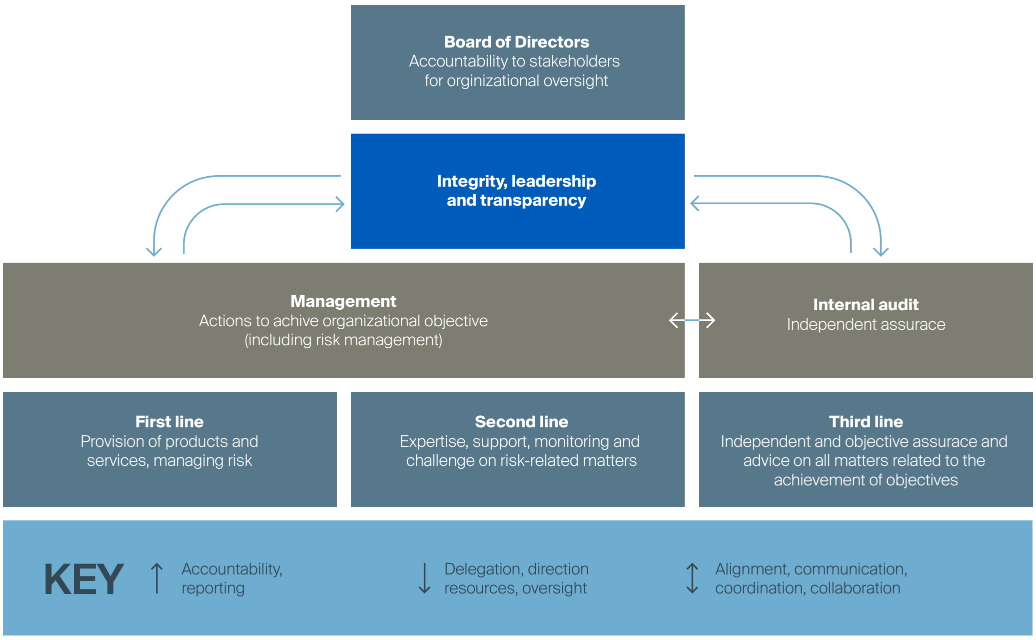
- Integrity and ethical values.
- The attitude of senior management and tone from the top.
- Organizational structure.
- Assignment of authority and responsibility.
- Employee skills, human resources policy and its implementation.

Risk Assessment is a process of identifying internal and external factors that can affect the objectives of the Bank and assess their impact and importance. It forms a basis for determining how risk should be managed so that risk-taking is in accordance with risk appetite.

Control Activities are the actions performed at all levels within the Bank and are intended to mitigate risks to acceptable levels while achieving objectives. Information is necessary for the Bank to carry out its internal control responsibilities. Communication occurs both internally and externally, and provides the Bank with relevant, quality information needed to carry out day-to-day controls. Monitoring Activities are the ongoing or separate evaluations that are used to ascertain whether each of the five components of internal controls is present and functioning.

Arion Bank looks to the Three Lines Model for organizing internal controls. All lines work together to contribute to the creation and protection of value. Alignment of activities is achieved through communication, cooperation, and collaboration. This ensures the reliability, coherence, and transparency of information needed for risk-based decision making.

The first line is made up of employees who supervise the operations and organization of the Bank on a day-to-day basis. They are responsible for establishing and maintaining effective internal controls and managing risk in day-to-day operations. This involves identifying and evaluating risk and putting in place appropriate countermeasures to reduce risk. The first line is responsible for supervising the implementation of internal rules and processes in compliance with the law, regulations and the Bank's strategy and it must ensure that all actions are in compliance with established procedures and that corrective action is taken if any deficiencies are detected.



The second line is set up to ensure that the first line has established adequate internal controls which work as intended. The second line supports the first line's risk management with expert advice, monitoring and restraint in decision-making. Risk Management and Compliance are the main participants in the second line, although other units may also be assigned specific monitoring roles.

The third line is Internal Audit, which provides independent and objective assurance and advice on the adequacy and effectiveness of governance, risk management and controls, through systematic and disciplined processes, expertise and assessment. It reports its findings to management and the Board of Directors to promote and facilitate continuous improvement.

Internal audit is accountable to the Board of Directors, as independence from management is critical to its objectivity, authority, and credibility.

Risk Management

A central feature of the activities of all financial institutions is well informed risk-taking according to a predetermined strategy. Arion Bank thus takes on risks compatible with its defined risk appetite, which is regularly reviewed and approved by the Board of Directors. The Bank's risk appetite is translated into exposure and risk limits which are monitored by Risk Management. The Board is responsible for Arion Bank's internal capital adequacy assessment process, the main objective of which is to ensure awareness of the Bank's risk profile and ensure that it has systems in place to assess, quantify and monitor its total risk exposure.

As defined in the Bank's enterprise risk policy, the Bank is exposed to seven significant risk factors and has set up risk policies for each one. These are credit risk, market risk, liquidity risk, operational risk, conduct and compliance risk, sustainability risk and business risk.

The Bank's Risk Management division is headed by the Chief Risk Officer. It is independent and centralized and reports directly to the CEO and operates in accordance with a special charter from the Board. Risk Management comprises four departments whose role is to analyse, monitor and regularly report to the management body and Board of Directors on the risks faced by the Bank.

Further information on risk management is contained in the Bank's annual report and the Bank's risk report.

Compliance

Compliance is an independent control function which reports directly to the CEO and works in accordance with a special charter from the Board.

The main role of Compliance is to ensure that the Bank has in place proactive measures to reduce the risk of rules being breached in the course of its activities. Compliance is also responsible for coordinating the Bank's measures against money laundering and terrorist financing to reduce the risk of the Bank's services being used for illegal purposes. Furthermore, the Compliance Officer has the role of the Bank's Data Protection Officer. The Bank has adopted a data protection statement which can be seen on the Bank's website.

The duties of Compliance are carried out under a risk-based compliance plan approved by the Board of Directors, including a monitoring and training schedule for employees which addresses the laws and rules under which the Bank operates. Compliance provides the Board of Directors with a quarterly report on its activities.

Further information can be found on the Bank's website.

Internal Audit

The Internal Auditor is appointed by the Board of Directors and reports directly to the Board. The Board sets the Internal Auditor a charter which sets out the responsibilities associated with the position and the scope of the work. The role of the Internal Auditor is to provide independent and objective assurance and advice designed to add value and improve the Bank's operations. The scope of the audit is the Bank, its subsidiaries and pension funds serviced by Arion Bank.

The internal audit department will govern itself and, with independent and disciplined methods, confirms the adequacy and effectiveness of the first and the second line. The internal audit department advises with independent and objective assurance on the adequacy and effectiveness of Corporate Governance, Risk management, and internal controls. This is done with independent audits. The internal audit department reports its findings to the management, the Board Audit Committee, and the Board of Directors.

Accounting and auditing

The Bank's Finance division is responsible for preparing the accounts and this is done in accordance with the International Financial Reporting Standards (IFRS) and Icelandic laws. The Bank publishes its financial statement on a quarterly basis and management statements are generally submitted to the Board ten times a year. The Board Audit Committee examines the annual financial statement and interim financial statements, while the external auditors review and audit the accounts twice a year. The Board Audit Committee gives its opinion on the accounts to the Board of Directors, which then approves and endorses the accounts.

Arion's values and code of ethics

The Bank's values are designed to provide guidance when making decisions and in everything else employees say and do. They refer to the Bank's role, attitude, and conduct. Arion Bank's values are: Find solutions, work together, and say what we mean.

The management and employees of Arion Bank are conscious of the fact that the Bank's activities affect different stakeholders and society at large. The Bank's code of ethics is designed to serve as a key to responsible decision-making at Arion Bank. The code of ethics is approved by the Board of Directors.

Sustainability

Arion Bank has a sustainability committee and the management of risk in connection with ESG factors has been defined as part of the Bank's risk management system. The CEO is the chairman of the committee, whose role is to monitor the Bank's performance in connection with its policy and commitment on sustainability and to ensure that ESG factors are considered in decisions and plans made by the Bank. The sustainable financing committee and the equality committee are sub-committees of this committee.

The Bank has adopted a risk policy on sustainability which is approved by the Board of Directors and reviewed annually. This policy states that the Bank seeks to ensure that its operations and services do not have a negative impact on people or the environment. It also highlights the critical importance of understanding the potential impact of sustainability risks on the Bank's operations and overall performance. It further states that the Bank supports Iceland's climate action plan whose goal is to meet the obligations of the Paris Climate Agreement and to achieve the ambitious goal of carbon neutrality in Iceland by 2040. Key performance indicators relating to ESG issues are part of monthly risk report to the Board and the Bank's risk appetite connected to these issues have been defined.

Further information on sustainability at Arion Bank can be found in the Bank's 2025 Annual and Sustainability Report.

Board of Directors and Sub-committees

The main duty of the Board of Directors of Arion Bank is to manage the Bank between shareholders' meetings according to applicable laws, regulations, and articles of association. The Board tends to those operations of the Bank which are not considered part of the day-to-day business, i.e. it makes decisions on issues which are unusual or of a significant nature. One of the Board's main duties is to supervise the Bank's activities. The Board's work, duties and role are defined in detail in the rules of procedure of the Board of Directors, which have been established on the basis of the EBA Guidelines on Internal Governance, Article 54 of the Financial Undertakings Act No. 161/2002, Article 70 of the Public Limited Companies Act No. 2/1995, FSA Guidelines No. 1/2010, and the articles of association of the Bank. The rules of procedure of the Board of Directors can be found on the Bank's website.

The Board of Directors appoints a Chief Executive Officer who is responsible for the day-to-day operations in accordance with a strategy set out by the Board.

The Board of Directors and the Chief Executive Officer shall carry out their duties with integrity and ensure that the Bank is run in a sound and reasonable manner in the interests of the customers, the community, the shareholders and the Bank itself, cf. Article 1 (1) of the Financial Undertakings Act. The Chief Executive Officer shall ensure that the Board receives sufficient support to carry out its duties.

The Board of Directors is generally elected for a term of one year at the Bank's annual general meeting. At Arion Bank's annual general meeting on 12 March 2025, five Directors and two Alternates were elected to the Board of Directors.

The elected Board Directors have diverse backgrounds and extensive skills, experience, and expertise. When electing the Board care is taken to ensure at least 40% representation of each gender among directors and alternates. Currently the Board consists of two men and three women.

Information on the independence of Directors is published on the Bank's website before the annual general meeting or a shareholders' meeting where a Board member is to be elected. The minutes of the annual general meeting and shareholders' meetings are also published on the Bank's website.

The Board of Directors meet at least ten times a year. In 2025 the Board met on twenty-one occasions. The Chairman of the Board is responsible for ensuring that the Board performs its role in an efficient and organized manner. The Chairman chairs Board meetings and ensures that there is enough time allocated to the discussion of important issues and that strategy issues are discussed thoroughly. The Chairman is not permitted to undertake any other work for the Bank unless part of the normal duties of the Chairman.

According to the Board's Rules of Procedure the Board is permitted to establish committees to discuss particular areas of the Bank's operations. No later than one month following the annual general meeting the Board appoints members to each of its sub-committees and assesses whether it is necessary to appoint external members to certain committees in order to bring in a greater level of expertise. One of the committee members in the Board Audit Committee, Heimir Thorsteinsson, is not a Board member and is independent of the Bank and its shareholders.

The Board sub-committees are as follows:

- Board Audit Committee (BAC): The BAC's main role is to contribute to the high-quality statutory auditing of the Bank and monitor the effectiveness of the Bank's internal quality control, risk management systems and internal audit function, with regard to the Bank's financial reporting. The Committee met five times in 2025.
- Board Risk Committee (BRIC): The Committee's main role is, inter alia, to evaluate the Bank's risk policy and risk appetite, monitor all the Bank's defined risks and to have a thorough knowledge of the risk assessments and methods used to manage risk employed by the Bank. Committee members should have the qualifications and experience necessary to be able to discharge their duties including forming the Bank's risk policy and risk appetite. The Committee met eight times in 2025.
- Board Credit Committee (BCC): Its main task is to attend to credit issues which exceed the credit limits of its sub-committees. The Committee met four times in 2025.
- Board Remuneration Committee (BRC): The Committee's main role is to prepare a remuneration policy for the Bank on an annual basis. It also advises the Board on remuneration to the CEO, Managing Directors, the Compliance Officer and the Chief Internal Auditor, and on the Bank's incentive scheme and other work-related payments. The Bank's remuneration policy shall be examined and approved by a shareholders' meeting annually. The Committee met five times in 2025.

- Board Tech Committee (BTC): The purpose of the BTC is to assist the Board of Directors in fulfilling its oversight responsibilities with respect to the role of technology in executing the business strategy of the Bank, including, but not limited to, major technology investments, technology strategy, technological operation efficiency and technology trends that may affect the Bank. The BTC shall furthermore have a surveillance role pertaining to the Bank's compliance with rules and regulation applicable to Information Technology. The Committee met four times in 2025.

Sub-committees regularly inform the Board of their activities. Furthermore, the Board has access to all material used by the sub-committees and their minutes.

Below is an overview of the attendance of individual Directors and committee members.

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Director	Period	Board	BAC	BRIC	BCC	BRC	BTC
		(21)	(5)	(8)	(4)	(5)	(4)
Paul Horner[1]	1 Jan - 31 Dec	20	5	8	4	5	4
Gunnar Sturluson	1 Jan - 31 Dec	21	5	3	4	3	-
Kristín Pétursdóttir	1 Jan - 31 Dec	21	5	8	4	5	0
Liv Fiksdahl[2]	1 Jan - 12 March	7	2	-	-	2	0
Steinunn Kr. Thórdardóttir	1 Jan - 31 Dec	21	1[3]	8	4	5	4
Marianne G. Ebbesen[4]	12 March - 31 Dec	14	-	5	-	-	3
Sigurbjörg Á. Jónsdóttir[5]	1 Jan - 12 March	-	-	-	-	-	-
Einar Hugi Bjarnason	1 Jan - 31 Dec	-	-	-	-	-	-
Sigurbjörg Ólafsdóttir[6]	12 March - 31 Dec	-	-	-	-	-	-
Heimir Thorsteinsson[7]	1 Jan - 31 Dec	-	5	-	-	-	-

[1] Paul Horner was elected Chairman of the Board at the Annual General Meeting 12 March 2025.

[2] Liv Fiksdahl left the Board of Arion Bank at the Annual General Meeting 12 March 2025.

[3] Steinunn Kr. Thórðardóttir attended one meeting in relation to the Banks annual financial statement.

[4] Marianne Gjertsen Ebbesen was elected as a Director of the Board of Arion Bank at the Annual General Meeting 12 March 2025.

[5] Sigurbjörg Á. Jónsdóttir left as an Alternate Director of the Board of Arion Bank at the Annual General Meeting 12 March 2025.

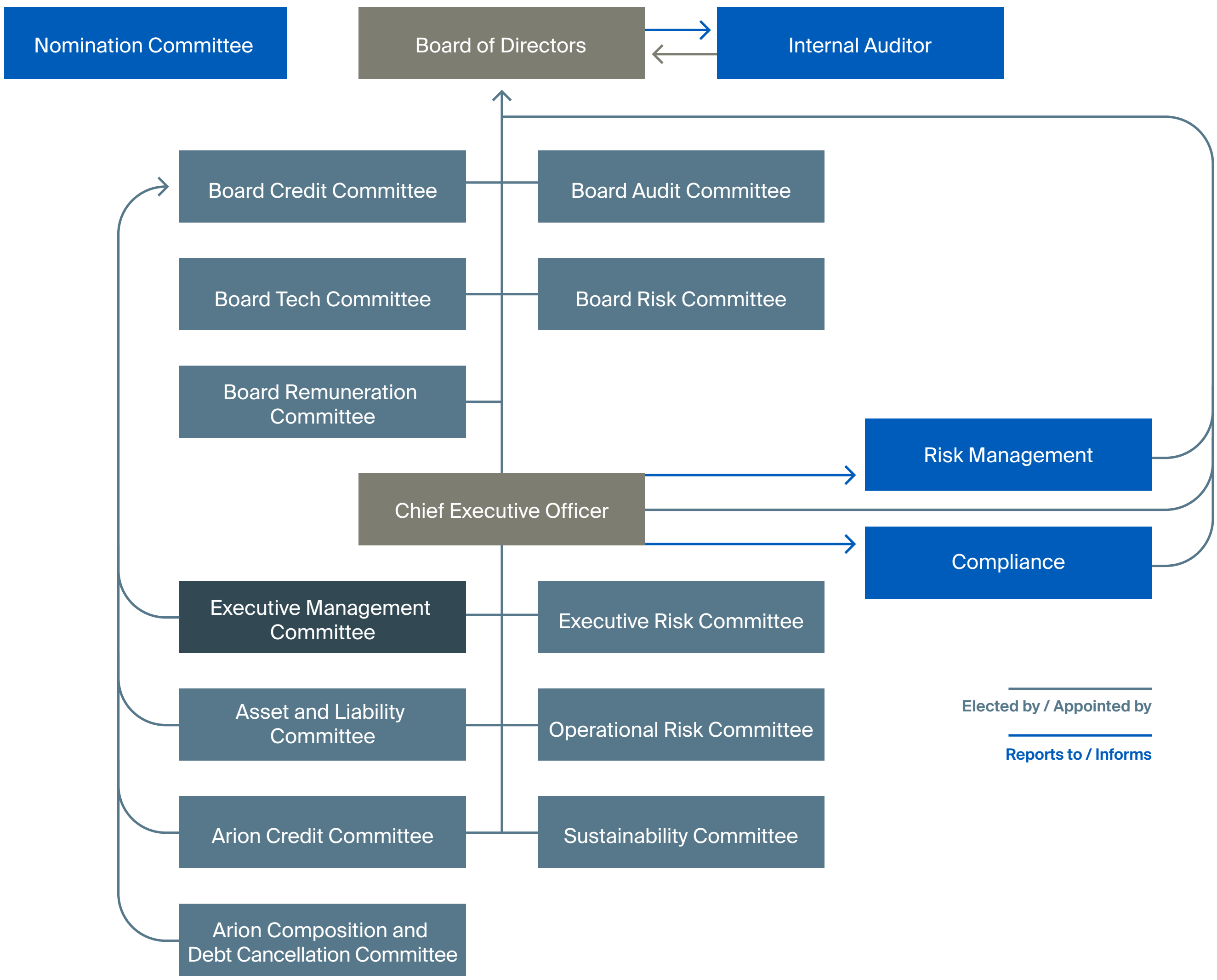
[6] Sigurbjörg Ólafsdóttir was elected as an Alternate Director of the Board of Arion Bank at the Annual General Meeting 12 March 2025.

[7] Heimir Thorsteinsson is certified public accountant and appointed as an external member of the BAC.

The Board carries out an annual performance appraisal, at which it assesses its work, the Board composition with respect to experience and skills, working procedures and methods, the performance of the CEO, their achievements, and the work of the sub-committees with respect to the aforementioned. This appraisal was last performed by the Board during the period October to December 2025.

The Board of Directors of Arion Bank

- Paul Horner
- Gunnar Sturluson
- Kristín Pétursdóttir
- Marianne Gjertsen Ebbesen
- Steinunn Kristín Þórðardóttir



Paul Horner
Chairman

Paul was born in 1962. He was first elected as a Director at a shareholders' meeting on 8 August 2019 and is a non-executive director. He is not a shareholder in Arion Bank and is an independent candidate. Paul is Chairman of the Board and member of the Board Risk Committee, the Board Audit Committee, the Board Credit Committee, the Board Remuneration Committee and the Board Technology Committee.

Paul graduated with M.A. Honours in music from the University of Oxford in 1983 and is an associate of the UK Chartered Institute of Bankers. Paul has extensive experience of retail, commercial, investment and private banking, gained across various international markets. Paul held various executive and risk management roles at Barclays PLC between 1988 and 2003. In 2003 Paul joined The National Westminster Bank (formerly the Royal Bank of Scotland Group) Group, where he served as an executive and general manager in various senior roles. From 2012 to 2016, Paul was chief risk officer of Coutts & Co Ltd, the International Private Banking arm of National Westminster Group. and became CEO of that bank from in 2016-2017. In 2018 Paul became chief risk officer of Ulster Bank in Dublin, and from 2018 to 2021 served as a non-executive director of Coutts & Co Ltd.

Today Paul serves on the board of AIB (UK) P.L.C., chairs its risk committee and is a member of its audit committee. He also serves on the Board of LHV (UK) Ltd. and chairs its risk committee, as well as sitting as a member of its audit, remuneration and nomination committees. In addition, he serves on the Board of the National Bank of Kuwait International, chairs its Risk Committee and sits on its Audit Committee.

Gunnar Sturluson

Gunnar was born in 1967. He was first elected as a Director at a shareholders' meeting on 8 August 2019 and is a non- executive director. He is not a shareholder of Arion Bank and is an independent Director. Gunnar is a Chairman of the Board Remuneration Committee, a Chairman of the Board Audit Committee and a member of the Board Credit Committee.

Gunnar graduated as Cand. Jur from the University of Iceland in 1992, gained an LL.M. degree in Law from the University in Amsterdam in 1995 and received a license to practice before the District Court in Iceland in 1993 and before the Supreme Court in 1999.

Gunnar has practiced law at LOGOS legal services since 1992 and is currently a partner. He served as managing partner of LOGOS from 2001-2013. Gunnar has previously held various directorships, including the board of directors at the Performing of the Arts Center in Iceland, Harpan Conference Center, Gamma hf. and the Nordic Arbitration Center. In addition, Gunnar served as Chairman of the Board of the Icelandic National Broadcasting Service (RÚV) 2016-2017, and as Chairman of the Icelandic Dance Company 2013-2016 and was voted by ALTHINGI the Icelandic parliament to serve on the National Electoral Commission in 2013-2017.

Kristín Pétursdóttir
Vice Chairman

Kristín was born in 1965. She was first elected as a Director at Arion bank's Annual General Meeting on 15 March 2023 and is a non-executive director. She is not a shareholder in Arion bank and is an independent Director. Kristín is Vice Chairman of the Board, Chairman of the Board Risk Committee and a member of the Board Remuneration Committee and the Board Audit Committee.

Kristín graduated as an economist from the University of Iceland in 1991 and with an MBA from Handelshöyskole in Norway in 1993.

Kristín was a co-founder of Audur Capital and served as chief executive officer of the company from 2007 to 2013 and as Chairman of the Board of Directors from 2013 to 2017 (later Virding hf.). Kristín was also a Chairman of the Board of Directors at Kvika hf. from 2018 to 2020, CEO at Mentor hf. from 2015 to 2017, Managing Director of Treasury at Kaupthing Bank from 1997 to 2005, and Deputy CEO at Singer & Friedlander from 2005-2007. Kristín has also served as a board member at Olgerdin, Tal, Yggdrasil, Singer & Freidlander, Vidskiptarád, Eyrir Invest, Samtok atvinnulífsins and Samtok fjármálafyrirtækja. Kristín has also served as a member of investment committees of Edda, Freyja, and Audur I initiative funds.

Today Kristín is a self-employed Leadership Consultant and Coach and serves as a member of the Board of Directors of Grid ehf. and Mideind ehf.

Marianne Gjertsen Ebbesen

Marianne was born in 1972. She was elected as a Director at Arion Bank's Annual General Meeting on 12 March 2025 and is a non-executive director. She is not a shareholder in Arion Bank and is an independent Director. Marianne is the Chairman of the Board Technology Committee and a member of the Board Risk Committee.

Marianne graduated with a master's degree from BI Norwegian School of Business in 1996 and later completed management studies from Turku School of Economics in 2008 and from The International Institute for Management Development (IMD) in 2014.

Since 2019 Marianne has held four different roles in the group management at OBOS BBL in Norway and currently holds the position of CEO for the group. She has held various senior roles within the Norwegian financial market such as chief operating officer for group functions at Nordea, executive vice president DNB IT and Operations at DNB and head of customer service and head of business development at If P&C Insurance.

Today Marianne is a member of the boards of AF Gruppen ASA, Thrane-Steen Gruppen AS and in several companies owned 100% by OBOS BBL. She has previously held directorships in the boards of Odevo AB, Gjensidige Pensjonsforsikring AS and Sveriges Bostadsrettcentrum and chaired the board of directors at OBOS Banken AS, OBOS Eiendomsmeglere AS and DNB Meglerservice.

Steinunn Kristín Thórdardóttir

Steinunn was born in 1972. She was first elected as a Director at a shareholders' meeting on 30th November 2017 and is a non-executive Director. She is a shareholder in Arion Bank (her shareholding is 12000 shares) and is an independent Director. Steinunn is the chairman of the Board Credit Committee and is a member of the Board Remuneration Committee, the Board Risk Committee and the Board Tech Committee. Steinunn is a Board member of Vordur.

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Steinunn holds a master's degree in international management from Thunderbird, Arizona, and a BA in international business and politics from University of South Carolina. Steinunn has previously held several directorships in Europe and was a board member at the Icelandic State Financial Investment (ISFI) in 2011. Steinunn was previously a CEO of Beringer Finance Norway in 2015-2017 and interim CEO of Beringer Finance in Iceland. She was also the global head of food and seafood. She founded Acton Capital AS, a management consulting and investment company in Norway, where she has worked with investments and consulting. Steinunn previously worked at Íslandsbanki (later Glitnir) as the managing director and head of the bank's UK operation and prior to that she was an executive director heading the international corporate credit and syndications.

Today Steinunn works actively with tech companies in Norway both as an investor and a strategy. The software companies she works with are international scale-up companies. She is also the chairman of the board of Acton Capital AS, and the chairman of the board for the Norwegian Icelandic Chamber of Commerce. Steinunn is a member of the nomination committee of Síminn and serves as a board member at Alda hf a software company in Iceland. Further, she is a mentor to young talented women and founded Women Empower Women and is the chairman of Ólafíusjóður a charitable organization in Norway.

Benedikt Gíslason
Chief Executive Officer

Benedikt was born in 1974. Benedikt was appointed CEO on 1 July 2019.

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Benedikt joined FBA (later Íslandsbanki) in 1998, held a variety of managerial positions at Straumur-Burdarás, was managing director of capital markets at FL Group and was managing director of the investment banking division of MP Bank. Benedikt worked as a senior advisor for Iceland's Ministry of Finance and Economic Affairs and was vice-chairman of a government task force on the liberalization of the capital controls between 2013 and 2016. He served on the board of directors of Kaupthing from 2016 to 2018 and was an advisor to Kaupthing on matters relating to Arion Bank. Benedikt was elected to the Board of Directors of Arion Bank in September 2018 and served on the Board until his appointment as CEO.

Benedikt gained a C.Sc. in mechanical and industrial engineering from the University of Iceland in 1998.

Alternate directors:

Sigurbjörg Ólafsdóttir, Engineer, and Einar Hugi Bjarnason, Supreme Court Attorney.

More information on the Board of Directors can be found on the Bank's website.

Communication between the shareholders and the Board of Directors

The main venue at which the Board and the Bank report information to the shareholders and propose decisions to be made is at legally convened shareholders' meetings. The Bank provides an effective and accessible arrangement for communications between shareholders and the Board of Directors between those meetings. Any information sensitive to the market will be released through a MAR press release. As part of the investor relations program, Arion Bank has also arranged quarterly meetings where the CEO, CFO, Chief Economist and Investor Relations present the interim financial results.

Executive Committee

The Bank's Executive Committee consists of the following people and the CEO:

- Ida Brá Benediktsdóttir, Deputy CEO and Managing Director of Retail Banking
- Birna Hlín Káradóttir, COO
- Hákon Hrafn Gröndal, Managing Director of Corporate and Investment Banking
- Jóhann Möller, Managing Director of Markets
- Ólafur Hrafn Höskuldsson, Chief Financial Officer
- Björn Björnsson, Managing Director of Information Technology & CTO
- Úlfar Freyr Stefánsson, Chief Risk Officer

Other Senior Managers::

- Anna Sif Jónsdóttir, Chief Internal Accountant
- Andrés Fjeldsted, Chief Compliance Officer

More information on the Executive Committee and other Senior Managers can be found on the Bank's website.

Information on violations of laws and regulations and legal cases

Arion Bank has not been denied registration, authorization, membership or permission to conduct certain business, activity or operations. The Bank has not been subject to withdrawal, revocation or dismissal of registration, authorization, membership or permission. Information on the main legal cases relating to Arion Bank can be found in the notes to the annual financial statement.

The Board of Directors annually reviews and approves the Corporate Governance Statement. This Corporate Governance Statement was examined and approved at a meeting of the Board of Directors on 11 February 2026.

EU Taxonomy

Arion Bank

EU Taxonomy

Arion Bank publishes information for the third time regarding the EU Taxonomy in an annex to the 2025 Consolidated Financial Statement. Few of the Bank's counterparties have disclosed information according to the taxonomy, and therefore the Bank's KPI for the ratio of green assets is 0,00003% based on turnover. However, the Bank is still challenged with lack of data to be able to meet the stringent technical screening criteria required for loans to households to be considered environmentally sustainable, and therefore it is clear that the GAR will remain low if such data continues to be inaccessible.

Eligible and environmentally sustainable activities

An activity is considered to be eligible if it is defined in delegated EU regulations, established in the basis of the Taxonomy Regulation, on the technical screening criteria which the activity needs to fulfil in order to be considered environmentally sustainable according to the taxonomy. If the taxonomy applies to the activity, it is considered eligible. Eligibility does not, however, determine whether a particular activity is sustainable, but just states that there are technical screening criteria for the activity which enable it to be analyzed in accordance with the taxonomy.

The Taxonomy Regulation covers six environmental objectives:

- Climate change mitigation
- Climate change adaptation
- The sustainable use and protection of water and marine resources
- The transition to a circular economy
- Pollution prevention and control
- Protection and restoration of biodiversity and ecosystems

In order for an economic activity to be considered environmentally sustainable it must be aligned with one of the six environmental objectives of the regulation but at the same time must do no significant harm to other objectives. This is to prevent an economic activity from being considered environmentally sustainable if it then does such harm to the environment that it outweighs the activity's contribution to the environmental objective. The activity also needed to be carried out in accordance with minimum safeguards which, among other things, address human rights, meet the DNSH criteria (do no significant harm) and meet technical screening criteria.

Assets under the scope of KPIs

The Green Asset Ratio (GAR) is a key performance indicator for credit institutions. The indicator shows the ratio of a financial institution's assets which finance an economic activity aligned to the taxonomy, i.e. assets considered environmentally sustainable, as a ratio of total covered assets under Delegated Regulation (EU) 2023/2486 supplementing Regulation (EU) 2020/852 which was implemented into Icelandic law by act no. 25/2023 on sustainability disclosure in the financial service sector and a classification system for sustainable investments. Financial institutions need data from their counterparties in order to publish their own key performance indicators on both eligible and environmentally sustainable activities. Icelandic companies published information in accordance with the taxonomy for the first time in 2024 (for the financial year 2023), unlike other companies in the EU which have been doing it in their annual financial statements since the 2021 financial year. Arion's calculation for 2025 is based on counterparty data for 2024.

In the Taxonomy Regulation loans to households are divided into loans with a mortgage in residential housing, loans to renovate housing and car loans. These loan categories cover approximately 45% of the total covered assets as defined in the regulation. Loans to households therefore represent the majority of assets considered eligible under the Taxonomy Regulation today. Loans need to meet stringent technical screening criteria to be considered environmentally sustainable. In order to assess whether the criteria have been met, certain data is required, i.e. information on the energy efficiency of housing and the external rolling noise and the rolling resistance coefficient of tires, but in reality the lack of data, prevents this from being possible in Iceland. It is therefore not possible to determine whether loans to households are considered environmentally sustainable.

Non-financial corporations subject to NFRD (Non-Financial Reporting Directive) disclosure obligations[1], hereafter NFRD companies, are required to implement the EU taxonomy and disclose information with respect to the taxonomy in their annual statements. Loans to such corporations are eligible if they finance activities which are defined by the taxonomy but are considered environmentally sustainable if they finance activities which are aligned with the taxonomy. About 300 companies in Iceland fall within the scope, and information about their eligible and environmentally sustainable activities was collected. Only a small portion of these companies, which have identified eligible or environmentally sustainable activities, have taken loans with the Bank, and thus the corresponding KPIs cover only a limited portion of the overall amount lent to NFRD companies. This loan category therefore only accounts for about 3% of the total coverage of eligible assets (based on turnover). An analysis indicated that the information disclosed by these companies is still in the development stages, and that they encounter similar data challenges as the Bank in accessing the necessary information to fulfill the technical screening criteria required by the Taxonomy.

While the GAR has its merits it falls short in giving insights into the state of sustainable financial services in Iceland. The indicator is mostly affected by the distribution of the loan portfolio, with loans to household as the largest group of assets included in the denominator. In the light of the above, no emphasis has been placed on increased the share of environmentally sustainable loans in the Bank's loan book, as this could prove difficult for the Bank to implement due to a lack of data for household loans, and limited number of corporates that disclose information on their environmentally sustainable activities. However, the Bank has published a Sustainable Financing Framework which applies to the Bank's financing, deposits and loans which are classed as environmentally and/or socially sustainable. The framework received a second-party opinion from ISS corporate, which evaluated the quality of the framework in terms of its contribution to the UN Sustainable Development Goals and the eligibility of projects according to the technical screening criteria of EU Taxonomy. The Bank has set a goal to increase the share of loans aligned with the framework on a quarterly basis, and additional aims for sustainable loans to represent 20% of the Bank's total lending by 2030.

The Bank publishes for the first time the status of green assets in flow this year, as last year it was not feasible since compressed templates were published in 2023. However, flow is only

[1] Often referred to as NFRD companies, i.e. major companies, parent companies of major groups and public-interest entities.

provided for the first two environmental objectives, i.e. climate change mitigation and adaptation, as the latter four objectives are included in the templates for the first time this year.

Off-balance sheet exposures

Concerning financial guarantees, the same methodology shall be used for loans and advances to corporates, i.e. information shall be based on counterparty disclosures. Similarly, as for loans to corporates, disclosure was lacking and therefore only a small proportion of companies had assessed environmentally sustainable activities.

Icelandic companies which come under the scope of the Taxonomy Regulation, regarding assets under management, published for the first second figures on the proportion of environmentally sustainable turnover and capital expenditure in 2025 in the annual financial statement for 2024. The number of domestic companies that have disclosed figures on eligible or environmentally sustainable turnover and capital expenditure is still very low. Since the implementation of the Taxonomy Regulation commenced earlier for companies in the EU, more foreign companies have reported their mitigation and adaptation to climate change. Therefore, there was a higher proportion of foreign assets for which eligibility and environmental sustainability could be assessed based on turnover and capital expenditure

Many companies do not disclose how their revenues or capital expenditure fall under the regulation, i.e. under which environmental objective they cover. Data on eligible and environmentally sustainable assets was obtained from Bloomberg. Government bonds are not covered by the regulation so there is no disclosure requirement for them.

Annex VI - Template for the KPIs of credit institutions

Template number	Name
0	Summary of KPIs
1	Assets for the calculation of GAR
2	GAR sector information
3	GAR KPI stock
4	GAR KPI flow
5	KPI off-balance sheet exposures

0. Summary of KPIs to be disclosed by credit institutions under Article 8 Taxonomy Regulation

		Total environmentally sustainable assets, based on the turnover KPI	**Total environmentally sustainable assets, based on the capex KPI**	**KPI based on turnover %**	**KPI based on capex %**	**% coverage (over total assets)***	**% of assets excluded from the numerator of the GAR (Article 7(2) and (3) and Section 1.1.2. of Annex V)**	**% of assets excluded from the denominator of the GAR (Article 7(1) and Section 1.2.4 of Annex V)**
Main KPI	**Green asset ratio (GAR) stock**	**0.4**	**282**	**0.00003**	**0.02**	**81.6**	**30.5**	**18.4**

		Total environmentally sustainable assets, based on the turnover KPI	Total environmentally sustainable assets, based on the capex KPI	KPI based on turnover %	KPI based on capex %	% coverage (over total assets)	% of assets excluded from the numerator of the GAR (Article 7(2) and (3) and Section 1.1.2. of Annex V)	% of assets excluded from the denominator of the GAR (Article 7(1) and Section 1.2.4 of Annex V)
Additional KPIs	GAR (flow)	0.4	43.6	-0.003	-0.3	76.8	53.1	23.2
	Trading book							
	Financial guarantees	0	0	0	0			
	Assets under management	23,390	36,728	1.5	2.4			
	Fees and commissions income							

Note:
* % of assets covered by the KPI over banks' total assets.
KPIs for Fees and commissions and Trading book will be disclosed starting 2028.

1.Assets for the calculation of GAR based on turnover

Disclosure reference date 31.12.2025

#	Million ISK	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p	q	r	s	t	u	v	w	x	z	aa	ab	ac	ad	ae	af
		Total gross carrying amount	Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				Water and marine resources (WTR)				Circular economy (CE)				Pollution (PPC)				Biodiversity and Ecosystems (BIO)				TOTAL (CCM + CCA + WTR + CE + PPC + BIO)				
			Of which towards taxonomy relevant sectors (Taxonomy-eligible)					Of which towards taxonomy relevant sectors (Taxonomy-eligible)				Of which towards taxonomy relevant sectors (Taxonomy-eligible)				Of which towards taxonomy relevant sectors (Taxonomy-eligible)				Of which towards taxonomy relevant sectors (Taxonomy-eligible)				Of which towards taxonomy relevant sectors (Taxonomy-eligible)				Of which towards taxonomy relevant sectors (Taxonomy-eligible)				
				Of which environmentally sustainable (Taxonomy-aligned)					Of which environmentally sustainable (Taxonomy-aligned)				Of which environmentally sustainable (Taxonomy-aligned)				Of which environmentally sustainable (Taxonomy-aligned)				Of which environmentally sustainable (Taxonomy-aligned)				Of which environmentally sustainable (Taxonomy-aligned)				Of which environmentally sustainable (Taxonomy-aligned)			
					Of which Use of Proceeds	Of which transitional	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which transitional	Of which enabling
	GAR - Covered assets in both numerator and denominator																															
1	Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	888,229	609,517	0.4	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	609,517	0.4	0	0	0
2	**Financial undertakings**	80.590	364	0.4	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	364	0	0	0	0
3	Credit institutions	1.435	364	0.4	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	364	0	0	0	0
4	Loans and advances	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
5	Debt securities,	1.434	364	0.4	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	364	0.4	0	0	0
6	Equity instruments	1	0	0		0	0	0	0		0	0	0		0	0	0		0	0	0		0	0	0		0	0	0		0	0
7	Other financial corporations	79.154	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
8	of which investment	3.321	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
9	Loans and	3.321	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
10	Debt	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
11	Equity	0	0	0		0	0	0	0		0	0	0		0	0	0		0	0	0		0	0	0		0	0	0		0	0
12	of which management	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
13	Loans and	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
14	Debt	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
15	Equity	0	0	0		0	0	0	0		0	0	0		0	0	0		0	0	0		0	0	0		0	0	0		0	0
16	of which insurance	16.337	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
17	Loans and	75	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
18	Debt	1.355	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
19	Equity	14.908	0	0		0	0	0	0		0	0	0		0	0	0		0	0	0		0	0	0		0	0	0		0	0
20	**Non-financial undertakings**	160.101	19.359	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	19.359	0	0	0	0
21	Loans and advances	158.936	19.021	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	19.021	0	0	0	0
22	Debt securities,	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
23	Equity instruments	1.165	338	0		0	0	0	0		0	0	0		0	0	0		0	0	0		0	0	0		0	338	0		0	0
24	**Households**	640.394	589.793	0	0	0	0	0	0	0	0					0	0	0	0									589.793	0	0	0	0
25	of which loans collateralised by	578,566	578,566	0	0	0	0	0	0	0	0					0	0	0	0									578566	0	0	0	0
26	of which building	0	0	0	0	0	0	0	0	0	0					0	0	0	0									0	0	0	0	0
27	of which motor vehicle	11.227	11.227	0	0	0	0																					11.227	0	0	0	0
28	**Local governments financing**	7.144	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
29	Housing financing	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
30	Other local government	7.144	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
31	**Collateral obtained by taking possession: residential and commercial**	25	25	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	25	0	0	0	0
32	**Assets excluded from the numerator for GAR calculation (covered in the denominator)**	529,350	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
33	**Financial and Non-financial undertakings**	468.033																														
34	SMEs and NFCs (other than SMEs) not subject to NFRD	432,143																														
35	Loans and advances	428.926																														
36	of which loans collateralised	187,861																														
37	of which	0																														
38	Debt securities	0																														
39	Equity instruments	3.217																														
40	Non-EU country counterparties not subject to NFRD disclosure	35,890																														
41	Loans and advances	35.874																														
42	Debt securities	0																														
43	Equity instruments	15																														
44	**Derivatives**	3.210																														
45	**On demand interbank loans**	22.040																														
46	**Cash and cash-related assets**	2.022																														
47	**Other categories of assets (e.g. Goodwill, commodities etc.)**	34,045																														
48	**Total GAR assets**	1.417.644	609.542	0.4	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	609.542	0.4	0	0	0
49	**Assets not covered for GAR calculation**	318.988																														
50	**Central governments and Supranational**	136.868																														
51	**Central banks exposure**	148.089																														
52	**Trading book**	34.031																														
53	**Total assets**	1.736.633	609.542	0.4	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	609.542	0.4	0	0	0
	Off-balance sheet exposures - Undertakings subject to NFRD disclosure obligations																															
54	Financial guarantees	11.247	214	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	214	0	0	0	0
55	Assets under management	1.516.400	109.641	20.984	0	179	3.259	4.017	2.383	0	471	0	0	0	0	247	23	0	11	666	0	0	0	0	0	0	0	114.571	23.390	0	179	3.741
56	Of which debt securities	856.170	79.617	20.808	0	169	2.577	2.383	2.383	0	471	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	82.000	23.191	0	169	3.048
57	Of which equity instruments	660.229	30.024	176	0	10	211	1.634	0	0	0	0	0	0	0	247	23	0	11	666	0	0	0	0	0	0	0	32.572	199	0	10	221

Disclosure reference date 31.12.2024

#	Million ISK	ag	ah	ai	aj	ak	al	am	an	ao	ap	aq	ar	as	at	au	av	aw	ax	ay	az	ba	bb	bc	bd	be	bf	bg	bh	bi	bj	bk
		Total gross carrying amount	Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				Water and marine resources (WTR)				Circular economy (CE)				Pollution (PPC)				Biodiversity and Ecosystems (BIO)				TOTAL (CCM + CCA + WTR + CE + PPC + BIO)				
			Of which towards taxonomy relevant sectors (Taxonomy-eligible)					Of which towards taxonomy relevant sectors (Taxonomy-eligible)				Of which towards taxonomy relevant sectors (Taxonomy-eligible)				Of which towards taxonomy relevant sectors (Taxonomy-eligible)				Of which towards taxonomy relevant sectors (Taxonomy-eligible)				Of which towards taxonomy relevant sectors (Taxonomy-eligible)				Of which towards taxonomy relevant sectors (Taxonomy-eligible)				
				Of which environmentally sustainable (Taxonomy-aligned)					Of which environmentally sustainable (Taxonomy-aligned)				Of which environmentally sustainable (Taxonomy-aligned)				Of which environmentally sustainable (Taxonomy-aligned)				Of which environmentally sustainable (Taxonomy-aligned)				Of which environmentally sustainable (Taxonomy-aligned)				Of which environmentally sustainable (Taxonomy-aligned)			
					Of which Use of Proceeds	Of which transitional	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which transitional	Of which enabling
	GAR - Covered assets in both numerator and denominator																															
1	Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	855,023	610,232	4	0	0	0	0	0	0	0																	610,232	4	0	0	0
2	**Financial undertakings**	72.250	0	0	0	0	0	0	0	0	0																	0	0	0	0	0
3	Credit institutions	977	0	0	0	0	0	0	0	0	0																	0	0	0	0	0
4	Loans and advances	0	0	0	0	0	0	0	0	0	0																	0	0	0	0	0
5	Debt securities,	975	0	0	0	0	0	0	0	0	0																	0	0	0	0	0
6	Equity instruments	1	0	0		0	0	0	0		0																	0	0		0	0
7	Other financial corporations	71.274	0	0	0	0	0	0	0	0	0																	0	0	0	0	0
8	of which investment	66	0	0	0	0	0	0	0	0	0																	0	0	0	0	0
9	Loans and	66	0	0	0	0	0	0	0	0	0																	0	0	0	0	0
10	Debt	0	0	0	0	0	0	0	0	0	0																	0	0	0	0	0
11	Equity	0	0	0		0	0	0	0		0																	0	0		0	0
12	of which management	0	0	0	0	0	0	0	0	0	0																	0	0	0	0	0
13	Loans and	0	0	0	0	0	0	0	0	0	0																	0	0	0	0	0
14	Debt	0	0	0	0	0	0	0	0	0	0																	0	0	0	0	0
15	Equity	0	0	0		0	0	0	0		0																	0	0		0	0
16	of which insurance	16.666	0	0	0	0	0	0	0	0	0																	0	0	0	0	0
17	Loans and	12	0	0	0	0	0	0	0	0	0																	0	0	0	0	0
18	Debt	1.306	0	0	0	0	0	0	0	0	0																	0	0	0	0	0
19	Equity	15.348	0	0		0	0	0	0		0																	0	0		0	0
20	**Non-financial undertakings**	137.592	23.407	4	0	0	0	0	0	0	0																	23.407	4	0	0	0
21	Loans and advances	137.072	23.407	4	0	0	0	0	0	0	0																	23.407	4	0	0	0
22	Debt securities,	0	0	0	0	0	0	0	0	0	0																	0	0	0	0	0
23	Equity instruments	520	0	0		0	0	0	0		0																	0	0		0	0
24	**Households**	639.404	586.825	0	0	0	0	0	0	0	0																	586.825	0	0	0	0
25	of which loans collateralised by	578,567	578,567	0	0	0	0	0	0	0	0																	578,567	0	0	0	0
26	of which building	0		0	0	0	0	0	0	0	0																	0	0	0	0	0
27	of which motor vehicle	8.257	8.257	0	0	0	0																					8.257	0	0	0	0
28	**Local governments financing**	5.776	0	0	0	0	0	0	0	0	0																	0	0	0	0	0
29	Housing financing	0	0	0	0	0	0	0	0	0	0																	0	0	0	0	0
30	Other local government	5.776	0	0	0	0	0	0	0	0	0																	0	0	0	0	0
31	**Collateral obtained by taking possession: residential and commercial**	79	79	0	0	0	0	0	0	0	0																	79	0	0	0	0
32	**Assets excluded from the numerator for GAR calculation (covered in the denominator)**	455,162	0	0	0	0	0	0	0	0	0																	0	0	0	0	0
33	**Financial and Non-financial undertakings**																															
34	SMEs and NFCs (other than SMEs) not subject to NFRD																															
35	Loans and advances																															
36	of which loans collateralised																															
37	of which																															
38	Debt securities																															
39	Equity instruments																															
40	Non-EU country counterparties not subject to NFRD disclosure																															
41	Loans and advances																															
42	Debt securities																															
43	Equity instruments																															
44	**Derivatives**																															
45	**On demand interbank loans**																															
46	**Cash and cash-related assets**																															
47	**Other categories of assets (e.g. Goodwill, commodities etc.)**																															
48	**Total GAR assets**	1.310.185	610.311	4	0	0	0	0	0	0	0																	610.311	4	0	0	0
49	**Assets not covered for GAR calculation**																															
50	**Central governments and Supranational**																															
51	**Central banks exposure**																															
52	**Trading book**																															
53	**Total assets**	1.596.723	610.311	4	0	0	0	0	0	0	0																	610.311	4	0	0	0
	Off-balance sheet exposures - Undertakings subject to NFRD disclosure obligations																															
54	Financial guarantees	7.881	146	0	0	0	0	0	0	0	0																	146	0	0	0	0
55	Assets under management	1.366.980	196.813	19.512	0	0	0	633	0	0	0																	197.446	19.512	0	0	0
56	Of which debt securities	758.962	134.322	17.085	0	0	0	0	0	0	0																	134.322	17.085	0	0	0
57	Of which equity instruments	608.018	62.491	2.427	0	0	0	633	0	0	0																	63.124	2.427	0	0	0

1.Assets for the calculation of GAR based on capex

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p	q	r	s	t	u	v	w	x	z	aa	ab	ac	ad	ae	af
		Disclosure reference date 31.12.2025																														
	Million ISK	Total [gross] carrying amount	Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				Water and marine resources (WTR)				Circular economy (CE)				Pollution (PPC)				Biodiversity and Ecosystems (BIO)				TOTAL (CCM + CCA + WTR + CE + PPC + BIO)				
			Of which towards taxonomy relevant sectors (Taxonomy-eligible)					Of which towards taxonomy relevant sectors (Taxonomy-eligible)				Of which towards taxonomy relevant sectors (Taxonomy-eligible)				Of which towards taxonomy relevant sectors (Taxonomy-eligible)				Of which towards taxonomy relevant sectors (Taxonomy-eligible)				Of which towards taxonomy relevant sectors (Taxonomy-eligible)								
				Of which environmentally sustainable (Taxonomy-aligned)					Of which environmentally sustainable (Taxonomy-aligned)				Of which environmentally sustainable (Taxonomy-aligned)				Of which environmentally sustainable (Taxonomy-aligned)				Of which environmentally sustainable (Taxonomy-aligned)				Of which environmentally sustainable (Taxonomy-aligned)				Of which environmentally sustainable (Taxonomy-aligned)			
					Of which Use of Proceeds	Of which transitional	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which transitional	Of which enabling
	GAR - Covered assets in both numerator and denominator																															
1	Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	888,229	623,029	282	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	623,631	282	0	0	0
2	**Financial undertakings**	80.590	342	0.9	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	342	1	0	0	0
3	Credit institutions	1.435	342	0.9	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	342	1	0	0	0
4	Loans and advances	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
5	Debt securities, including UoP	1.434	342	0.9	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	342	0.9	0	0	0
6	Equity instruments	1	0	0		0	0	0	0		0	0	0		0	0	0		0	0	0		0	0	0		0	0	0		0	0
7	Other financial corporations	79.154	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
8	of which investment firms	3.321	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
9	Loans and advances	3.321	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
10	Debt securities, including UoP	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
11	Equity instruments	0	0	0		0	0	0	0		0	0	0		0	0	0		0	0	0		0	0	0		0	0	0		0	0
12	of which management companies	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
13	Loans and advances	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
14	Debt securities, including UoP	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
15	Equity instruments	0	0	0		0	0	0	0		0	0	0		0	0	0		0	0	0		0	0	0		0	0	0		0	0
16	of which insurance undertakings	16.337	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
17	Loans and advances	75	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
18	Debt securities, including UoP	1.355	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
19	Equity instruments	14.908	0	0		0	0	0	0		0	0	0		0	0	0		0	0	0		0	0	0		0	0	0		0	0
20	**Non-financial undertakings**	160.101	33.496	281	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	33.496	281	0	0	0
21	Loans and advances	158.936	32.331	281	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	32.331	281	0	0	0
22	Debt securities, including UoP	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
23	Equity instruments	1.165	1.165	0		0	0	0	0		0	0	0		0	0	0		0	0	0		0	0	0		0	1.165	0		0	0
24	**Households**	640.394	589.793	0	0	0	0	0	0	0	0					0	0	0	0									589.793	0	0	0	0
25	of which loans collateralised by residential immovable property	578,566	578,566	0	0	0	0	0	0	0	0					0	0	0	0									578,566	0	0	0	0
26	of which building renovation loans	0	0	0	0	0	0	0	0	0	0					0	0	0	0									0	0	0	0	0
27	of which motor vehicle loans	11.227	11.227	0	0	0	0																					11.227	0	0	0	0
28	**Local governments financing**	7.144	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
29	Housing financing	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
30	Other local government financing	7.144	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
31	**Collateral obtained by taking possession: residential and commercial immovable**	25	25	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	25	0	0	0	0
32	**Assets excluded from the numerator for GAR calculation (covered in the denominator)**	529,350	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
33	**Financial and Non-financial undertakings**	468.033																														
34	SMEs and NFCs (other than SMEs) not subject to NFRD disclosure obligations	432,143																														
35	Loans and advances	428.926																														
36	of which loans collateralised by commercial immovable	187,861																														
37	of which building renovation	0																														
38	Debt securities	0																														
39	Equity instruments	3.217																														
40	Non-EU country counterparties not subject to NFRD disclosure obligations	35,890																														
41	Loans and advances	35.874																														
42	Debt securities	0																														
43	Equity instruments	15																														
44	**Derivatives**	3.210																														
45	**On demand interbank loans**	22.040																														
46	**Cash and cash-related assets**	2.022																														
47	**Other categories of assets (e.g. Goodwill, commodities etc.)**	34,045																														
48	**Total GAR assets**	1.417.644	623.656	282	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	623.656	282	0	0	0
49	**Assets not covered for GAR calculation**	318.988																														
50	**Central governments and Supranational**	136.868																														
51	**Central banks exposure**	148.089																														
52	**Trading book**	34.031																														
53	**Total assets**	1.736.633	623.656	282	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	623.656	282	0	0	0
	Off-balance sheet exposures - Undertakings subject to NFRD disclosure obligations																															
54	Financial guarantees	11.247	334	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	334	0	0	0	0
55	Assets under management	1.516.400	119.113	21.264	0	311	2.921	17.268	15.462	0	2.290	0	0	0	0	97	2	0	0	301	0	0	0	0	0	0	0	136.780	36.728	0	311	5.211
56	Of which debt securities	856.170	84.486	21.009	0	169	2.762	15.606	15.462	0	2.290	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	100.092	36.472	0	169	5.052
57	Of which equity instruments	660.229	34.628	254	0	141	159	1.662	0	0	0	0	0	0	0	97	2	0	0	301	0	0	0	0	0	0	0	36.689	256	0	141	159

		ag	ah	ai	aj	ak	al	bg	bh	bi	bj	bk
		Disclosure reference date 31.12.2024										
	Million ISK	Total [gross] carrying amount	Climate Change Mitigation (CCM)					TOTAL (CCM + CCA + WTR + CE + PPC + BIO)				
			Of which towards taxonomy relevant sectors (Taxonomy-eligible)					Of which towards taxonomy relevant sectors (Taxonomy-eligible)				
				Of which environmentally sustainable (Taxonomy-aligned)					Of which environmentally sustainable (Taxonomy-aligned)			
					Of which Use of Proceeds	Of which transitional	Of which enabling			Of which Use of Proceeds	Of which transitional	Of which enabling
	GAR - Covered assets in both numerator and denominator											
1	Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	855,023	628,064	652	0	0	0	855,023	628,064	0	0	0
2	**Financial undertakings**	72.250	0	0	0	0	0	72.250	0	0	0	0
3	Credit institutions	977	0	0	0	0	0	977	0	0	0	0
4	Loans and advances	0	0	0	0	0	0	0	0	0	0	0
5	Debt securities, including UoP	975	0	0	0	0	0	975	0	0	0	0
6	Equity instruments	1	0	0		0	0	1	0		0	0
7	Other financial corporations	71.274	0	0	0	0	0	71.274	0	0	0	0
8	of which investment firms	66	0	0	0	0	0	66	0	0	0	0
9	Loans and advances	66	0	0	0	0	0	66	0	0	0	0
10	Debt securities, including UoP	0	0	0	0	0	0	0	0	0	0	0
11	Equity instruments	0	0	0		0	0	0	0		0	0
12	of which management companies	0	0	0	0	0	0	0	0	0	0	0
13	Loans and advances	0	0	0	0	0	0	0	0	0	0	0
14	Debt securities, including UoP	0	0	0	0	0	0	0	0	0	0	0
15	Equity instruments	0	0	0		0	0	0	0		0	0
16	of which insurance undertakings	16.666	0	0	0	0	0	16.666	0	0	0	0
17	Loans and advances	12	0	0	0	0	0	12	0	0	0	0
18	Debt securities, including UoP	1.306	0	0	0	0	0	1.306	0	0	0	0
19	Equity instruments	15.348	0	0		0	0	15.348	0		0	0
20	**Non-financial undertakings**	137.592	41.239	652	0	0	0	137.592	41.239	0	0	0
21	Loans and advances	137.072	41.239	652	0	0	0	137.072	41.239	0	0	0
22	Debt securities, including UoP	0	0	0	0	0	0	0	0	0	0	0
23	Equity instruments	520	0	0		0	0	520	0		0	0
24	**Households**	639.404	586.825	0		0	0	639.404	586.825		0	0
25	of which loans collateralised by residential immovable property	578,567	578,567	0	0	0	0	578,567	578,567	0	0	0
26	of which building renovation loans	0		0	0	0	0	0	0	0	0	0
27	of which motor vehicle loans	8.257	8.257	0	0	0	0	8.257	8.257	0	0	0
28	**Local governments financing**	5.776	0	0	0	0	0	5.776	0	0	0	0
29	Housing financing	0	0	0	0	0	0	0	0	0	0	0
30	Other local government financing	5.776	0	0	0	0	0	5.776	0	0	0	0
31	**Collateral obtained by taking possession: residential and commercial immovable**	79	79	0	0	0	0	79	79	0	0	0
32	**Assets excluded from the numerator for GAR calculation (covered in the denominator)**	455,162	0	0	0	0	0	455,162	0	0	0	0
48	**Total GAR assets**	1.310.185	628.143	652	0	0	0	628.064	652	0	0	0
53	**Total assets**	1.596.723	628.143	652	0	0	0	628.064	652	0	0	0
	Off-balance sheet exposures - Undertakings subject to NFRD disclosure obligations											
54	Financial guarantees	7.881	146	0	0	0	0	146	0	0	0	0
55	Assets under management	1.366.980	152.973	16.419	0	0	0	152.340	16.419	0	0	0
56	Of which debt securities	758.962	106.821	13.445	0	0	0	106.821	13.445	0	0	0
57	Of which equity instruments	608.018	46.152	2.974	0	0	0	45.519	2.974	0	0	0

2. GAR sector information

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p	q	r	s	t	u	v	w	x	y	z	aa	ab
	Breakdown by sector - NACE 4 digits level (code and label)	**Climate Change Mitigation (CCM)**				**Climate Change Adaptation (CCA)**				**Water and marine resources (WTR)**				**Circular economy (CE)**				**Pollution (PPC)**				**Biodiversity and Ecosystems (BIO)**				**TOTAL (CCM + CCA + WTR + CE + PPC + BIO)**			
		Non-Financial corporates (Subject to NFRD)		SMEs and other NFC not subject to NFRD		Non-Financial corporates (Subject to NFRD)		SMEs and other NFC not subject to NFRD		Non-Financial corporates (Subject to NFRD)		SMEs and other NFC not subject to NFRD		Non-Financial corporates (Subject to NFRD)		SMEs and other NFC not subject to NFRD		Non-Financial corporates (Subject to NFRD)		SMEs and other NFC not subject to NFRD		Non-Financial corporates (Subject to NFRD)		SMEs and other NFC not subject to NFRD		Non-Financial corporates (Subject to NFRD)		SMEs and other NFC not subject to NFRD	
		Gross carrying amount		Gross carrying amount		Gross carrying amount		Gross carrying amount		Gross carrying amount		Gross carrying amount		Gross carrying amount		Gross carrying amount		Gross carrying amount		Gross carrying amount		Gross carrying amount		Gross carrying amount		Gross carrying amount		Gross carrying amount	
		Mn ISK	Of which environmentally sustainable (CCM)	Mn ISK	Of which environmentally sustainable (CCM)	Mn ISK	Of which environmentally sustainable (CCA)	Mn ISK	Of which environmentally sustainable (CCA)	Mn ISK	Of which environmentally sustainable (WTR)	Mn ISK	Of which environmentally sustainable (WTR)	Mn ISK	Of which environmentally sustainable (CE)	Mn ISK	Of which environmentally sustainable (CE)	Mn ISK	Of which environmentally sustainable (PPC)	Mn ISK	Of which environmentally sustainable (PPC)	Mn EUR	Of which environmentally sustainable (BIO)	Mn EUR	Of which environmentally sustainable (BIO)	Mn ISK	Of which environmentally sustainable (CCM + CCA + WTR + CE + PPC + BIO)	Mn ISK	Of which environmentally sustainable (CCM + CCA + WTR + CE + PPC + BIO)
1																													
2																													
3																													
4																													
…																													

Note:
Since only a small proportion of companies have disclosed information on environmentally sustainable activities and a small proportion of them have taken loans with he Bank, it is not considered adviseable to disclose a breakdown by sector at the NACE 4 digit level classification. It is the Bank's view that such a breakdown is inappropriate at this stage. The Bank will review this disclosure if the number of entitites that have disclosed their environmentally sustainable activities increases.

3. GAR KPI stock based on turnover

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p	q	r	s	t	u	v	w	x	z	aa	ab	ac	ad	ae	af
	% (compared to total covered assets in the denominator)	Disclosure reference date 31.12.2025																														
		Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				Water and marine resources (WTR)				Circular economy (CE)				Pollution (PPC)				Biodiversity and Ecosystems (BIO)				TOTAL (CCM + CCA + WTR + CE + PPC + BIO)					
		Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total assets covered
			Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)			
				Of which Use of Proceeds	Of which transitional	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which transitional	Of which enabling	
	GAR - Covered assets in both numerator and denominator																															
1	Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	68.6	0.00004	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	68.6	0.00004	0	0	0	51.1
2	**Financial undertakings**	0.5	0.0005	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.5	0.0005	0	0	0	4.6
3	Credit institutions	25.4	0.03	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	25.4	0.03	0	0	0	0.1
4	Loans and advances	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
5	Debt securities, including	25.4	0.03	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	25.4	0.03	0	0	0	0.1
6	Equity instruments	0	0		0	0	0	0		0	0	0		0	0	0		0	0	0		0	0	0		0	0	0		0	0	0.0001
7	Other financial corporations	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	4.6
8	of which investment firms	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.2
9	Loans and	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.2
10	Debt securities	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
11	Equity instruments	0	0		0	0	0	0		0	0	0		0	0	0		0	0	0		0	0	0		0	0	0		0	0	0
12	of which management	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	d	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
13	Loans and	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
14	Debt securities	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
15	Equity instruments	0	0		0	0	0	0		0	0	0		0	0	0		0	0	0		0	0	0		0	0	0		0	0	0
16	of which insurance	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.9
17	Loans and	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.004
18	Debt securities	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.1
19	Equity instruments	0	0		0	0	0	0		0	0	0		0	0	0		0	0	0		0	0	0		0	0	0		0	0	0.9
20	**Non-financial undertakings**	12.1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	12.1	0	0	0	0	9.2
21	Loans and advances	12.0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	12.0	0	0	0	0	9.2
22	Debt securities, including	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
23	Equity instruments	29.0	0		0	0	0	0		0	0	0		0	0	0		0	0	0		0	0	0		0	29.0	0		0	0	0.1
24	**Households**	92.0	0	0	0	0	0	0	0	0					0	0	0	0									92.0	0	0	0	0	36.9
25	of which loans collateralised by	100	0	0	0	0	0	0	0	0					0	0	0	0									100	0	0	0	0	33.3
26	of which building	0	0	0	0	0	0	0	0	0					0	0	0	0									0	0	0	0	0	0
27	of which motor vehicle	100	0	0	0	0																					100	0	0	0	0	0.6
28	**Local governments financing**	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.4
29	Housing financing	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
30	Other local government	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.4
31	**Collateral obtained by taking possession: residential and**	100	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	100	0	0	0	0	0.004
32	**Total GAR assets**	**43.0**	**0.00003**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**43.0**	**0.00003**	**0**	**0**	**0**	**81.6**

		ag	ah	ai	aj	ak	al	am	an	ao	ap	aq	ar	as	at	au	av	aw	ax	ay	az	ba	bb	bc	bd	be	bf	bg	bh	bi	bj	bk
	% (compared to total covered assets in the denominator)	Disclosure reference date 31.12.2024																														
		Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				Water and marine resources (WTR)				Circular economy (CE)				Pollution (PPC)				Biodiversity and Ecosystems (BIO)				TOTAL (CCM + CCA + WTR + CE + PPC + BIO)					
		Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total assets covered
			Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)			
				Of which Use of Proceeds	Of which transitional	Of which enabling			Of which specialised lending	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which transitional	Of which enabling	
	GAR - Covered assets in both numerator and denominator																															
1	Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	71.4	0.0004	0	0	0	0	0	0	0																	71.4	0.0004	0	0	0	53.5
2	**Financial undertakings**	0	0	0	0	0	0	0	0	0																	0	0	0	0	0	4.5
3	Credit institutions	0	0	0	0	0	0	0	0	0																	0	0	0	0	0	0.06
4	Loans and advances	0	0	0	0	0	0	0	0	0																	0	0	0	0	0	0
5	Debt securities, including	0	0	0	0	0	0	0	0	0																	0	0	0	0	0	0.06
6	Equity instruments	0	0		0	0	0	0		0																	0	0		0	0	0.0001
7	Other financial corporations	0	0	0	0	0	0	0	0	0																	0	0	0	0	0	4.5
8	of which investment firms	0	0	0	0	0	0	0	0	0																	0	0	0	0	0	0.004
9	Loans and	0	0	0	0	0	0	0	0	0																	0	0	0	0	0	0.004
10	Debt securities	0	0	0	0	0	0	0	0	0																	0	0	0	0	0	0
11	Equity instruments	0	0		0	0	0	0		0																	0	0		0	0	0
12	of which management	0	0	0	0	0	0	0	0	0																	0	0	0	0	0	0
13	Loans and	0	0	0	0	0	0	0	0	0																	0	0	0	0	0	0
14	Debt securities	0	0	0	0	0	0	0	0	0																	0	0	0	0	0	0
15	Equity instruments	0	0		0	0	0	0		0																	0	0		0	0	0
16	of which insurance	0	0	0	0	0	0	0	0	0																	0	0	0	0	0	1.04
17	Loans and	0	0	0	0	0	0	0	0	0																	0	0	0	0	0	0.001
18	Debt securities	0	0	0	0	0	0	0	0	0																	0	0	0	0	0	0.08
19	Equity instruments	0	0		0	0	0	0		0																	0	0		0	0	1.0
20	**Non-financial undertakings**	17.0	0.003	0	0	0	0	0	0	0																	17.0	0.003	0	0	0	8.6
21	Loans and advances	17.1	0.003	0	0	0	0	0	0	0																	17.1	0.003	0	0	0	8.6
22	Debt securities, including	0	0	0	0	0	0	0	0	0																	0	0	0	0	0	0
23	Equity instruments	0	0		0	0	0	0		0																	0	0	0		0	0.03
24	**Households**	91.8	0	0	0	0	0	0	0	0																	91.8	0	0	0	0	40.0
25	of which loans collateralised by	100	0	0	0	0	0	0	0	0																	100	0	0	0	0	36.2
26	of which building	0	0	0	0	0	0	0	0	0																	0	0	0	0	0	0
27	of which motor vehicle	100	0	0	0	0																					100	0	0	0	0	0.5
28	**Local governments financing**	0	0	0	0	0	0	0	0	0																	0	0	0	0	0	0.4
29	Housing financing	100	0	0	0	0	0	0	0	0																	100	0	0	0	0	0.0
30	Other local government	0	0	0	0	0	0	0	0	0																	0	0	0	0	0	0.4
31	**Collateral obtained by taking possession: residential and**	100	0	0	0	0	0	0	0	0																	100	0	0	0	0	0.00005
32	**Total GAR assets**	**46.6**	**0.0003**	**0**	**0**	**0**	**0**	**0**	**0**	**0**																	**46.6**	**0.0003**	**0**	**0**	**0**	**82.1**

3. GAR KPI stock based on capex

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p	q	r	s	t	u	v	w	x	z	aa	ab	ac	ad	ae	af
	% (compared to total covered assets in the denominator)	Disclosure reference date 31.12.2025																														
		Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				Water and marine resources (WTR)				Circular economy (CE)				Pollution (PPC)				Biodiversity and Ecosystems (BIO)				TOTAL (CCM + CCA + WTR + CE + PPC + BIO)					
		Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total assets covered
			Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				
				Of which Use of Proceeds	Of which transitional	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which transitional	Of which enabling	
	GAR - Covered assets in both numerator and denominator																															
1	Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	70.1	0.03	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	70.1	0.03	0	0	0	51.1
2	**Financial undertakings**	0.4	0.001	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.4	0.001	0	0	0	4.6
3	Credit institutions	23.8	0.1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	23.8	0.1	0	0	0	0.1
4	Loans and advances	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
5	Debt securities, including UoP	23.8	0.1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	23.8	0.1	0	0	0	0.1
6	Equity instruments	0	0		0	0	0	0		0	0	0		0	0	0		0	0	0		0	0	0		0	0	0		0	0	0.0001
7	Other financial corporations	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	4.6
8	of which investment firms	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.2
9	Loans and advances	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.2
10	Debt securities	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
11	Equity instruments	0	0		0	0	0	0		0	0	0		0	0	0		0	0	0		0	0	0		0	0	0		0	0	0
12	of which management	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	d	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
13	Loans and advances	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
14	Debt securities	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
15	Equity instruments	0	0		0	0	0	0		0	0	0		0	0	0		0	0	0		0	0	0		0	0	0		0	0	0
16	of which insurance	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.9
17	Loans and advances	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.004
18	Debt securities.	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.1
19	Equity instruments	0	0		0	0	0	0		0	0	0		0	0	0		0	0	0		0	0	0		0	0	0		0	0	0.9
20	**Non-financial undertakings**	20.9	0.2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	20.9	0.2	0	0	0	9.2
21	Loans and advances	20.3	0.2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	20.3	0.2	0	0	0	9.2
22	Debt securities, including UoP	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
23	Equity instruments	100	0		0	0	0	0		0	0	0		0	0	0		0	0	0		0	0	0		0	100	0		0	0	0.1
24	**Households**	92.0	0	0	0	0	0	0	0	0					0	0	0	0									92.0	0	0	0	0	36.9
25	of which loans collateralised by residential immovable	100	0	0	0	0	0	0	0	0					0	0	0	0									100	0	0	0	0	33.3
26	of which building renovation	0	0	0	0	0	0	0	0	0					0	0	0	0									0	0	0	0	0	0
27	of which motor vehicle loans	100	0	0	0	0																					100	0	0	0	0	0.6
28	**Local governments financing**	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.4
29	Housing financing	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
30	Other local government	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.4
31	**Collateral obtained by taking possession: residential and commercial immovable**	100	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	100	0	0	0	0	0.004
32	**Total GAR assets**	**44.0**	**0.02**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**44.0**	**0.02**	**0**	**0**	**0**	**81.6**

		ag	ah	ai	aj	ak	al	am	an	ao	ap	aq	ar	as	at	au	av	aw	ax	ay	az	ba	bb	bc	bd	be	bf	bg	bh	bi	bj	bk
	% (compared to total covered assets in the denominator)	Disclosure reference date 31.12.2024																														
		Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				Water and marine resources (WTR)				Circular economy (CE)				Pollution (PPC)				Biodiversity and Ecosystems (BIO)				TOTAL (CCM + CCA + WTR + CE + PPC + BIO)					
		Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total assets covered
			Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				
				Of which Use of Proceeds	Of which transitional	Of which enabling			Of which specialised lending	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which transitional	Of which enabling	
	GAR - Covered assets in both numerator and denominator																															
1	Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	73.5	0.1	0	0	0	0	0	0	0																	73.5	0.1	0	0	0	53.5
2	**Financial undertakings**	0	0	0	0	0	0	0	0	0																	0	0	0	0	0	4.5
3	Credit institutions	0	0	0	0	0	0	0	0	0																	0	0	0	0	0	0.1
4	Loans and advances	0	0	0	0	0	0	0	0	0																	0	0	0	0	0	0
5	Debt securities, including UoP	0	0	0	0	0	0	0	0	0																	0	0	0	0	0	0.1
6	Equity instruments	0	0		0	0	0	0		0																	0	0		0	0	0.0001
7	Other financial corporations	0	0	0	0	0	0	0	0	0																	0	0	0	0	0	4.5
8	of which investment firms	0	0	0	0	0	0	0	0	0																	0	0	0	0	0	0.004
9	Loans and advances	0	0	0	0	0	0	0	0	0																	0	0	0	0	0	0.004
10	Debt securities	0	0	0	0	0	0	0	0	0																	0	0	0	0	0	0
11	Equity instruments	0	0		0	0	0	0		0																	0	0		0	0	0
12	of which management	0	0	0	0	0	0	0	0	0																	0	0	0	0	0	0
13	Loans and advances	0	0	0	0	0	0	0	0	0																	0	0	0	0	0	0
14	Debt securities	0	0	0	0	0	0	0	0	0																	0	0	0	0	0	0
15	Equity instruments	0	0		0	0	0	0		0																	0	0		0	0	0
16	of which insurance	0	0	0	0	0	0	0	0	0																	0	0	0	0	0	1.0
17	Loans and advances	0	0	0	0	0	0	0	0	0																	0	0	0	0	0	0.001
18	Debt securities.	0	0	0	0	0	0	0	0	0																	0	0	0	0	0	0.1
19	Equity instruments	0	0		0	0	0	0		0																	0	0		0	0	1.0
20	**Non-financial undertakings**	30.0	0.5	0	0	0	0	0	0	0																	30.0	0.5	0	0	0	8.6
21	Loans and advances	30.1	0.5	0	0	0	0	0	0	0																	30.1	0.5	0	0	0	8.6
22	Debt securities, including UoP	0	0	0	0	0	0	0	0	0																	0	0	0	0	0	0
23	Equity instruments	0	0		0	0	0	0		0																	0	0	0		0	0.03
24	**Households**	91.8	0	0	0	0	0	0	0	0																	91.8	0	0	0	0	40.0
25	of which loans collateralised by residential immovable	100.0	0	0	0	0	0	0	0	0																	100	0	0	0	0	36.2
26	of which building renovation	0	0	0	0	0	0	0	0	0																	0	0	0	0	0	0
27	of which motor vehicle loans	100.0	0	0	0	0																					100	0	0	0	0	0.5
28	**Local governments financing**	0	0	0	0	0	0	0	0	0																	0	0	0	0	0	0.4
29	Housing financing	0.0	0	0	0	0	0	0	0	0																	0.0	0	0	0	0	0.0
30	Other local government	0	0	0	0	0	0	0	0	0																	0	0	0	0	0	0.4
31	**Collateral obtained by taking possession: residential and commercial immovable**	100.0	0	0	0	0	0	0	0	0																	100	0	0	0	0	0.005
32	**Total GAR assets**	**47.9**	**0.05**	**0**	**0**	**0**	**0**	**0**	**0**	**0**																	**47.9**	**0.05**	**0**	**0**	**0**	**82.1**

4. GAR KPI flow based on turnover

	% (compared to flow of total eligible assets)	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p	q	r	s	t	u	v	w	x	z	aa	ab	ac	ad	ae	af
		Disclosure reference date 31.12.2025																														
		Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				Water and marine resources (WTR)				Circular economy (CE)				Pollution (PPC)				Biodiversity and Ecosystems (BIO)				TOTAL (CCM + CCA + WTR + CE + PPC + BIO)					
		Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total new assets covered
			Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				
				Of which Use of Proceeds	Of which transitional	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which transitional	Of which enabling	
	GAR - Covered assets in both numerator and denominator																															
1	Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	-2.2	-0.009	0	0	0	0	0	0	0																	-2.2	-0.009	0	0	0	23.7
2	**Financial undertakings**	4.4	0.005	0	0	0	0	0	0	0																	4.4	0.005	0	0	0	6.0
3	Credit institutions	79.5	0.08	0	0	0	0	0	0	0																	79.5	0.08	0	0	0	0.3
4	Loans and advances	0	0	0	0	0	0	0	0	0																	0	0	0	0	0	0
5	Debt securities, including UoP	79.4	0.08	0	0	0	0	0	0	0																	79.4	0.08	0	0	0	0.3
6	Equity instruments	0	0		0	0	0	0		0																	0	0		0	0	0
7	Other financial corporations	0	0	0	0	0	0	0	0	0																	0	0	0	0	0	5.6
8	of which investment firms	0	0	0	0	0	0	0	0	0																	0	0	0	0	0	2.3
9	Loans and advances	0	0	0	0	0	0	0	0	0																	0	0	0	0	0	2.3
10	Debt securities, including UoP	0	0	0	0	0	0	0	0	0																	0	0	0	0	0	0
11	Equity instruments	0	0		0	0	0	0		0																	0	0		0	0	0
12	of which management companies	0	0	0	0	0	0	0	0	0																	0	0	0	0	0	0
13	Loans and advances	0	0	0	0	0	0	0	0	0																	0	0	0	0	0	0
14	Debt securities, including UoP	0	0	0	0	0	0	0	0	0																	0	0	0	0	0	0
15	Equity instruments	0	0		0	0	0	0		0																	0	0		0	0	0
16	of which insurance undertakings	0	0	0	0	0	0	0	0	0																	0	0	0	0	0	-0.2
17	Loans and advances	0	0	0	0	0	0	0	0	0																	0	0	0	0	0	0.05
18	Debt securities, including UoP	0	0	0	0	0	0	0	0	0																	0	0	0	0	0	0.03
19	Equity instruments	0	0		0	0	0	0		0																	0	0		0	0	-0.3
20	**Non-financial undertakings**	-18.0	-0.02	0	0	0	0	0	0	0																	-18.0	-0.02	0	0	0	16.1
21	Loans and advances	-20.1	-0.02	0	0	0	0	0	0	0																	-20.1	-0.02	0	0	0	15.6
22	Debt securities, including UoP	0	0	0	0	0	0	0	0	0																	0.0	0	0	0	0	0
23	Equity instruments	52.4	0		0	0	0	0		0																	52.4	0		0	0	0.5
24	**Households**	299.8	0	0	0	0	0	0	0	0																	299.8	0	0	0	0	0.7
25	of which loans collateralised by residential immovable property	100	0	0	0	0	0	0	0	0																	100	0	0	0	0	-0.4
26	of which building renovation loans	0	0	0	0	0	0	0	0	0																	0	0	0	0	0	0
27	of which motor vehicle loans	100	0	0	0	0																					100	0	0	0	0	2.1
28	**Local governments financing**	0	0	0	0	0	0	0	0	0																	0	0	0	0	0	1.0
29	Housing financing	0	0	0	0	0	0	0	0	0																	0	0	0	0	0	0
30	Other local government financing	0	0	0	0	0	0	0	0	0																	0	0	0	0	0	1.0
31	**Collateral obtained by taking possession: residential and commercial immovable properties**	100	0	0	0	0	0	0	0	0																	100	0	0	0	0	-0.04
32	**Total GAR assets**	**-0.7**	**-0.003**	**0**	**0**	**0**	**0**	**0**	**0**	**0**																	**-0.7**	**-0.003**	**0**	**0**	**0**	**76.8**

4. GAR KPI flow based on capex

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p	q	r	s	t	u	v	w	x	z	aa	ab	ac	ad	ae	af
% (compared to flow of total eligible assets)		Disclosure reference date 31.12.2025																														
		Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				Water and marine resources (WTR)				Circular economy (CE)				Pollution (PPC)				Biodiversity and Ecosystems (BIO)				TOTAL (CCM + CCA + WTR + CE + PPC + BIO)					Proportion of total new assets covered
		Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					
			Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				
				Of which Use of Proceeds	Of which transitional	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which transitional	Of which enabling	
	GAR - Covered assets in both numerator and denominator																															
1	Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	-13.4	-1.1	0	0	0	0	0	0	0																	-13.4	-1.1	0	0	0	23.7
2	**Financial undertakings**	4.1	0.01	0	0	0	0	0	0	0																	4.1	0.010	0	0	0	6.0
3	Credit institutions	74.6	0.2	0	0	0	0	0	0	0																	74.6	0.2	0	0	0	0.3
4	Loans and advances	0	0	0	0	0	0	0	0	0																	0	0	0	0	0	0
5	Debt securities, including UoP	74.5	0.2	0	0	0	0	0	0	0																	74.5	0.2	0	0	0	0.3
6	Equity instruments	0	0		0	0	0	0		0																	0	0		0	0	0
7	Other financial corporations	0	0	0	0	0	0	0	0	0																	0	0	0	0	0	5.6
8	of which investment firms	0	0	0	0	0	0	0	0	0																	0	0	0	0	0	2.3
9	Loans and advances	0	0	0	0	0	0	0	0	0																	0	0	0	0	0	2.3
10	Debt securities, including UoP	0	0	0	0	0	0	0	0	0																	0	0	0	0	0	0
11	Equity instruments	0	0		0	0	0	0		0																	0	0		0	0	0
12	of which management companies	0	0	0	0	0	0	0	0	0																	0	0	0	0	0	0
13	Loans and advances	0	0	0	0	0	0	0	0	0																	0	0	0	0	0	0
14	Debt securities, including UoP	0	0	0	0	0	0	0	0	0																	0	0	0	0	0	0
15	Equity instruments	0	0		0	0	0	0		0																	0	0		0	0	0
16	of which insurance undertakings	0	0	0	0	0	0	0	0	0																	0	0	0	0	0	-0.2
17	Loans and advances	0	0	0	0	0	0	0	0	0																	0	0	0	0	0	0.05
18	Debt securities, including UoP	0	0	0	0	0	0	0	0	0																	0	0	0	0	0	0.03
19	Equity instruments	0	0		0	0	0	0		0																	0	0		0	0	-0.3
20	**Non-financial undertakings**	-34.4	-1.6	0	0	0	0	0	0	0																	-34.4	-1.6	0	0	0	16.1
21	Loans and advances	-40.7	-1.7	0	0	0	0	0	0	0																	-40.7	-1.7	0	0	0	15.6
22	Debt securities, including UoP	0	0	0	0	0	0	0	0	0																	0.0	0	0	0	0	0
23	Equity instruments	180.6	0		0	0	0	0		0																	180.6	0		0	0	0.5
24	**Households**	299.8	0	0	0	0	0	0	0	0																	299.8	0	0	0	0	0.7
25	of which loans collateralised by residential immovable property	100	0	0	0	0	0	0	0	0																	100	0	0	0	0	-0.4
26	of which building renovation loans	0	0	0	0	0	0	0	0	0																	0	0	0	0	0	0
27	of which motor vehicle loans	100	0	0	0	0																					100	0	0	0	0	2.1
28	**Local governments financing**	0	0	0	0	0	0	0	0	0																	0	0	0	0	0	1.0
29	Housing financing	0	0	0	0	0	0	0	0	0																	0	0	0	0	0	0
30	Other local government financing	0	0	0	0	0	0	0	0	0																	0	0	0	0	0	1.0
31	**Collateral obtained by taking possession: residential and commercial immovable properties**	100	0	0	0	0	0	0	0	0																	100	0	0	0	0	-0.01
32	**Total GAR assets**	**-4.2**	**-0.3**	**0**	**0**	**0**	**0**	**0**	**0**	**0**																	**-4.2**	**-0.3**	**0**	**0**	**0**	**76.8**

5. KPI off-balance sheet exposures based on turnover

% (compared to total eligible off-balance sheet assets)	a	b	c	d	e	f	g	h	i	j	k	l	m
	Disclosure reference date 31.12.2025												
	Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				Water and marine resources (WTR)			
	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)			
		Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)		
			Of which Use of Proceeds	Of which transitional	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which enabling
1 Financial guarantees (FinGuar KPI)	1.9	0	0	0	0	0	0	0	0	0	0	0	0
2 Assets under management (AuM KPI)	7.2	1.4	0	0.01	0.2	0.3	0.2	0	0.03	0.00002	0	0	0

% (compared to total eligible off-balance sheet assets)	n	o	p	q	r	s	t	u	v	w	x	z
	Disclosure reference date 31.12.2025											
	Circular economy (CE)				Pollution (PPC)				Biodiversity and Ecosystems (BIO)			
	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)			
		Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)		
			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which enabling
1 Financial guarantees (FinGuar KPI)	0	0	0	0	0	0	0	0	0	0	0	0
2 Assets under management (AuM KPI)	0.02	0.002	0	0	0.04	0	0	0	0	0	0	0

% (compared to total eligible off-balance sheet assets)	aa	ab	ac	ad	ae
	Disclosure reference date 31.12.2025				
	TOTAL (CCM + CCA + WTR + CE + PPC + BIO)				
	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				
		Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)			
			Of which Use of Proceeds	Of which transitional	Of which enabling
1 Financial guarantees (FinGuar KPI)	1.9	0	0	0	0
2 Assets under management (AuM KPI)	7.6	1.5	0	0.01	0.2

5. KPI off-balance sheet exposures based on capex

	% (compared to total eligible off-balance sheet assets)	a	b	c	d	e	f	g	h	i	j	k	l	m
		Disclosure reference date 31.12.2025												
		Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				Water and marine resources (WTR)			
		Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)			
			Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)		
				Of which Use of Proceeds	Of which transitional	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which enabling
1	Financial guarantees (FinGuar KPI)	3.0	0	0	0	0	0	0	0	0	0	0	0	0
2	Assets under management (AuM KPI)	7.9	1.4	0	0.02	0.2	1.1	1.0	0	0.2	0.0	0	0	0

	% (compared to total eligible off-balance sheet assets)	n	o	p	q	r	s	t	u	v	w	x	z	aa	ab	ac	ad	ae
		Disclosure reference date 31.12.2025																
		Circular economy (CE)				Pollution (PPC)				Biodiversity and Ecosystems (BIO)				TOTAL (CCM + CCA + WTR + CE + PPC + BIO)				
		Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				
			Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)			
				Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which transitional	Of which enabling
1	Financial guarantees (FinGuar KPI)	0	0	0	0	0	0	0	0	0	0	0	0	3.0	0	0	0	0
2	Assets under management (AuM KPI)	0.01	0.0001	0	0	0.02	0	0	0	0	0	0	0	9.0	2.4	0	0.02	0.3

Template 1 Nuclear and fossil gas related activities

Row	Nuclear energy related activities	
1.	The undertaking carries out, funds or has exposures to research, development, demonstration and deployment of innovative electricity generation facilities that produce energy from nuclear processes with minimal waste from the fuel cycle.	NO
2.	The undertaking carries out, funds or has exposures to construction and safe operation of new nuclear installations to produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production, as well as their safety upgrades, using best available technologies.	NO
3.	The undertaking carries out, funds or has exposures to safe operation of existing nuclear installations that produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production from nuclear energy, as well as their safety upgrades.	NO
	Fossil gas related activities	
4.	The undertaking carries out, funds or has exposures to construction or operation of electricity generation facilities that produce electricity using fossil gaseous fuels.	NO
4.	The undertaking carries out, funds or has exposures to construction, refurbishment, and operation of combined heat/cool and power generation facilities using fossil gaseous fuels.	NO
6.	The undertaking carries out, funds or has exposures to construction, refurbishment and operation of heat generation facilities that produce heat/cool using fossil gaseous fuels.	NO

Template 2 Taxonomy-aligned economic activities (denominator) - based on turnover

Row	Economic activities *Million ISK*	Amount and proportion (the information is to be presented in monetary amounts and as percentages)					
		CCM + CCA		Climate change mitigation (CCM)		Climate change adaptation (CCA)	
		Amount	%	Amount	%	Amount	%
1.	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.26 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI						
2.	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.27 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI						
3.	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.28 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI						
4.	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI						
5.	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI						
6.	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI						
7.	Amount and proportion of other taxonomy-aligned economic activities not referred to in rows 1 to 6 above in the denominator of the applicable KPI	0.4	0.00003	0.4	0.00003		
8.	**Total applicable KPI**	0.4	0.00003	0.4	0.00003		

Template 2 Taxonomy-aligned economic activities (denominator) - based on capex

Row	Economic activities *Million ISK*	Amount and proportion (the information is to be presented in monetary amounts and as percentages)					
		CCM + CCA		Climate change mitigation (CCM)		Climate change adaptation (CCA)	
		Amount	%	Amount	%	Amount	%
1.	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.26 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI						
2.	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.27 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI						
3.	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.28 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI						
4.	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI						
5.	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI						
6.	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI						
7.	Amount and proportion of other taxonomy-aligned economic activities not referred to in rows 1 to 6 above in the denominator of the applicable KPI	282	0.02	282	0.02		
8.	**Total applicable KPI**	282	0.02	282	0.02		

Template 3 Taxonomy-aligned economic activities (numerator) - based on turnover

Row	Economic activities *Million ISK*	Amount and proportion (the information is to be presented in monetary amounts and as percentages)					
		CCM + CCA		Climate change mitigation (CCM)		Climate change adaptation (CCA)	
		Amount	%	Amount	%	Amount	%
1.	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.26 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI						
2.	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.27 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI						
3.	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.28 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI						
4.	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI						
5.	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI						
6.	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI						
7.	Amount and proportion of other taxonomy-aligned economic activities not referred to in rows 1 to 6 above in the numerator of the applicable KPI	0.4	100	0.4	100		
8.	Total amount and proportion of taxonomy-aligned economic activities in the numerator of the applicable KPI	0.4	100	0.4	100		

Template 3 Taxonomy-aligned economic activities (numerator) - based on capex

Row	Economic activities *Million ISK*	Amount and proportion (the information is to be presented in monetary amounts and as percentages)					
		CCM + CCA		Climate change mitigation (CCM)		Climate change adaptation (CCA)	
		Amount	%	Amount	%	Amount	%
1.	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.26 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI						
2.	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.27 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI						
3.	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.28 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI						
4.	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI						
5.	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI						
6.	Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI						
7.	Amount and proportion of other taxonomy-aligned economic activities not referred to in rows 1 to 6 above in the numerator of the applicable KPI	282	100	282	100		
8.	Total amount and proportion of taxonomy-aligned economic activities in the numerator of the applicable KPI	282	100	282	100		

Template 4 Taxonomy-eligible but not taxonomy-aligned economic activities - based on turnover

Row	Economic activities *Million ISK*	Proportion (the information is to be presented in monetary amounts and as percentages)					
		CCM + CCA		Climate change mitigation (CCM)		Climate change adapation (CCA)	
		Amount	%	Amount	%	Amount	%
1.	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.26 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI						
2.	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.27 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI						
3.	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.28 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI						
4.	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI						
5.	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI						
6.	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI						
7.	Amount and proportion of other taxonomy-eligible but not taxonomy-aligned economic activities not referred to in rows 1 to 6 above in the denominator of the applicable KPI	609,542	100	609,542	100		
8.	Total amount and proportion of taxonomy eligible but not taxonomy-aligned economic activities in the denominator of the applicable KPI	609,542	100	609,542	100		

Template 4 Taxonomy-eligible but not taxonomy-aligned economic activities - based on capex

Row	Economic activities *Million ISK*	Proportion (the information is to be presented in monetary amounts and as percentages)					
		CCM + CCA		Climate change mitigation (CCM)		Climate change adaptation (CCA)	
		Amount	%	Amount	%	Amount	%
1.	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.26 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI						
2.	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.27 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI						
3.	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.28 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI						
4.	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI						
5.	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI						
6.	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI						
7.	Amount and proportion of other taxonomy-eligible but not taxonomy-aligned economic activities not referred to in rows 1 to 6 above in the denominator of the applicable KPI	609,542	100	609,542	100		
8.	Total amount and proportion of taxonomy eligible but not taxonomy-aligned economic activities in the denominator of the applicable KPI	609,542	100	609,542	100		

Template 5 Taxonomy non-eligible economic activities - based on turnover

Row	Economic activities *Million ISK*	Amount	%
1.	Amount and proportion of economic activity referred to in row 1 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.26 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI		
2.	Amount and proportion of economic activity referred to in row 2 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.27 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI		
3.	Amount and proportion of economic activity referred to in row 3 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.28 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI		
4.	Amount and proportion of economic activity referred to in row 4 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI		
5.	Amount and proportion of economic activity referred to in row 5 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI		
6.	Amount and proportion of economic activity referred to in row 6 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI		
7.	Amount and proportion of other taxonomy-non-eligible economic activities not referred to in rows 1 to 6 above in the denominator of the applicable KPI	808,102	57.0
8.	Total amount and proportion of taxonomy eligible but not taxonomy-aligned economic activities in the denominator of the applicable KPI	808,102	57.0

Template 5 Taxonomy non-eligible economic activities - based on CAPEX

Row	Economic activities *Million ISK*	Amount	%
1.	Amount and proportion of economic activity referred to in row 1 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.26 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI		
2.	Amount and proportion of economic activity referred to in row 2 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.27 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI		
3.	Amount and proportion of economic activity referred to in row 3 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.28 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI		
4.	Amount and proportion of economic activity referred to in row 4 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI		
5.	Amount and proportion of economic activity referred to in row 5 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI		
6.	Amount and proportion of economic activity referred to in row 6 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI		
7.	Amount and proportion of other taxonomy-non-eligible economic activities not referred to in rows 1 to 6 above in the denominator of the applicable KPI	793,988	56.0
8.	Total amount and proportion of taxonomy eligible but not taxonomy-aligned economic activities in the denominator of the applicable KPI	793,988	56.0

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