



Fourth quarter and 2025 results

**Press release
11 February 2026**

Arion Bank – Q4 2025 and the full-year 2025 results

Financial highlights for the fourth quarter of 2025

- Arion Bank reports net earnings attributable to shareholders of Arion Bank of ISK 6.2bn in Q4 2025, compared with ISK 8.3bn in Q4 2024
- Return on equity attributable to shareholders of Arion Bank was 11.6%, compared with 16.4% in Q4 2024
- Earnings per share were ISK 4.50, compared with ISK 6.01 in Q4 2024
- Net interest margin of 2.9%, unchanged from Q4 2024
- Net commission income was ISK 4.1bn, the same as for Q4 2024
- Vördur contributed a standalone profit of ISK 1.1bn in Q4 2025, compared with ISK 1.7bn in the previous year
- Core income, defined as net interest income, net commission income and insurance service results (excluding opex of the insurance operation), increased by 7.3%, compared with Q4 2024
- Operating expenses increased by 1.8%, equivalent to ISK 157m, compared with Q4 2024
- Effective tax rate was 22.6% during the quarter
- Total cost-to-core income ratio was 54.9%, compared with 57.5% in Q4 2024
- Cost-to-income ratio was 46.0%, compared with 48.0% Q4 2024
- The balance sheet increased by 1.1% during the quarter
- Loans to customers increased by ISK 27.3bn or 2.1% during the quarter, primarily driven by corporates

Financial highlights for the year 2025

- Arion Bank reports net earnings attributable to shareholders of Arion Bank of ISK 30.6bn for 2025, compared with ISK 26.1bn in 2024
- Return on equity attributable to shareholders of Arion Bank was 14.9%, compared with 13.2% in 2024
- Earnings per share in ISK of 22.05, compared with 18.31 in 2024
- Net interest margin of 3.2%, compared with 3.1% 2024
- Net commission income of ISK 17.1bn, compared with ISK 15.4bn in 2024
- Other operating income was ISK 5.5bn, derived from development assets
- Operation of Vördur contributed a standalone profit of ISK 2.0bn, compared with ISK 3.7bn in 2024
- Core income increased by 12.3% compared with 2024
- Operating expenses have remained relatively stable compared with 2024
- The effective tax rate was high, 27.7%, primarily due to subdued performance of equity holdings
- Total cost-to-core income ratio was 42.3%, compared with 47.2% in 2024
- Cost-to-income ratio was 36.0%, compared with 42.6% in 2024
- The balance sheet increased by 8.5% from year-end 2024
- The Bank's capital ratio was 22.5%, and the CET1 ratio was 18.4% at the end of December. The ratios take into account the deduction of 50% of net earnings as foreseeable dividend and an ISK 5bn buyback program approved by the Board of Directors in 2025 and the FSA in January 2026
- The Board proposes a dividend payment of ISK 11.5 per share, equivalent to around ISK 15.3bn, net of own shares
- In relation to proposed dividend payments, Arion banki hf. and Kvika banki hf. have signed an addendum to the Letter of Intent regarding the merger of the companies executed in July 2025. The addendum provides that the merger exchange ratios will be adjusted to reflect the dividend payments, ensuring that the economic basis of the merger, as applied at the signing of the Letter of Intent, is not affected



Benedikt Gíslason, CEO of Arion Bank

“Arion Group performed well in 2025 and return on equity exceeded our target. Income from the Bank’s core operations was in line with expectations, and as before, the strong results were driven by the diverse range of services we offer our customers. Capital and liquidity ratios remain well above regulatory requirements and statutory minimums. Arion’s Board of Directors will propose at the annual general meeting on 11 March that a dividend of ISK 11.5 per share be paid, corresponding to a dividend payment of around ISK 15 billion.

In recent years we have highlighted the importance of structural reforms in the Icelandic financial market – strengthening the system and making it more efficient for the benefit of shareholders and customers. With this in mind, Arion sought to enter merger negotiations with Kvika, the country’s fourth largest bank. The companies’ boards agreed to initiate negotiations in midyear, and preliminary discussions with the Icelandic Competition Authority (ICA) are now underway. If those discussions yield a positive outcome, a formal submission will be made to the ICA.

High interest rates and persistent inflation characterized the year and reduced demand for loans from retail customers. The situation was not helped by a Supreme Court ruling in October, in which an interest-rate adjustment clause on a nonindexed loan from Íslandsbanki was deemed partially unlawful. Many lenders, including Arion Bank, subsequently curtailed their supply of mortgage loans. In December, however, the Supreme Court ruled in a case against Arion Bank that the interest-rate adjustment clause on an indexed mortgage loan was lawful.

Despite high interest rates, the Icelandic economy showed considerable resilience, and corporate demand for financing was substantial. Our business loans increased by ISK 90 billion during the year – one of the largest annual increases we have seen. It was also gratifying to see, when Gallup asked company executives at the end of the year which bank was leading the market in Iceland, that most named Arion Bank – something we are very proud of.

A milestone was reached when we launched Arion’s new rewards programme, Arion Rewards. Customers of Arion Bank, Vörður, and Stefnir, as well as members of the Frjálsi Pension Fund, can now clearly see in the Arion app which rewards they currently enjoy and how they can move up a level. Alongside the programme, we introduced a new deposit account offering our best interest rate on demand deposits, contributing to strong deposit growth during the year – a trend that has continued into the new year.

Stefnir set a strong example by lowering fees on fund transactions and eliminating the entry cost and minimum investment amounts. In addition, in collaboration with several housing developers, the company introduced a new co-ownership model designed to make it easier to buy residential property.

The long-term initiative Women Invest has now been up and running for two years, and 8,000 women have attended one hundred educational events across the country. It is particularly gratifying to see tangible results, as the share of women in savings and fund subscriptions at Stefnir, and total assets in custody at Arion, has grown significantly faster than that of men over this two-year period.

In recent years we have been working on the development of two major construction sites in the capital city region, in close collaboration with the local authorities. The goal has been to create attractive neighbourhoods that strengthen the surrounding community with strong connections to nearby natural areas. One of these projects, Arnarland in Gardabær, was completed during the year, and the detailed land-use plan for the first phase of Blikastadaland is now in the consultation process. We are therefore moving closer to beginning construction at Blikastadaland, one of the largest undeveloped areas in the capital city region.”



Income Statement

<i>In ISK millions</i>	Q4 2025	Q4 2024	Δ	Δ %	2025	2024	Δ	Δ %
Net interest income	12,350	11,246	1,104	10%	52,542	46,302	6,240	13%
Net commission income	4,055	4,136	(81)	(2%)	17,147	15,360	1,787	12%
Insurance service results	446	326	120	37%	2,111	2,166	(55)	(3%)
Net financial income	1,364	2,193	(829)	(38%)	1,075	2,845	(1,770)	(62%)
Other operating income	826	3	823	-	5,516	(222)	5,738	-
Operating income	19,041	17,904	1,137	6%	78,391	66,451	11,940	18%
Operating expenses	(8,756)	(8,599)	(157)	2%	(28,248)	(28,328)	80	(0%)
Bank levy	(547)	(488)	(59)	12%	(2,106)	(1,924)	(182)	9%
Net impairment	(1,694)	913	(2,607)	-	(3,053)	(1,131)	(1,922)	170%
Net earnings before income tax	8,044	9,730	(1,686)	(17%)	44,984	35,068	9,916	28%
Income tax expense	(1,820)	(1,430)	(390)	27%	(12,458)	(8,919)	(3,539)	40%
Net earnings from cont. operations	6,224	8,300	(2,076)	(25%)	32,526	26,149	6,377	24%
Discontinued operations, net of tax	0	(11)	11	-	(19)	(37)	18	-
Net earnings	6,224	8,289	(2,065)	(25%)	32,507	26,112	6,395	24%
Non-controlling interest	2	1	1	-	(1,881)	(1)	(1,880)	-
Net earnings attributable to shareholders	6,226	8,290	(2,064)	(25%)	30,626	26,111	4,515	17%
KFI's								
Return on equity attributable to shareholders	11.6%	16.4%			14.9%	13.2%		
Return on equity	11.6%	16.3%			15.7%	13.2%		
Return on total assets (ROA)	1.4%	2.1%			1.8%	1.7%		
Earnings per share (in ISK)	4.50	5.62			22.05	18.31		
Total cost to core income ratio	54.9%	57.5%			42.3%	47.2%		
Cost-to-income ratio	46.0%	48.0%			36.0%	42.6%		
Net interest margin (NIM)	2.9%	2.9%			3.2%	3.1%		
Core income / REA	6.9%	6.8%			7.4%	7.1%		

Net interest income increased by 9.8%, compared with the fourth quarter of 2024. The net interest margin (NIM) as a percentage of average interest-bearing assets was 2.9% for the quarter, the same as for the fourth quarter of 2024. The CPI imbalance rose by ISK 41bn between years and was ISK 205bn at year-end 2025. Average interest-bearing assets increased by 8.6%, compared with the fourth quarter of 2024, mainly loans to customers and bonds and debt instruments, as well as interest-bearing liabilities that increased by 9.2%, mainly deposits and borrowings. With increased corporate lending, the net interest margin is likely to trend above 3%. However, the relative growth of mortgages versus corporate loans along with CPI developments will be key determinants in the near term.

Net commission income was ISK 4.1bn, the same as for the fourth quarter of the previous year. The CIB operation remains strong, both in terms of fees generated from lending, service on loans, and as a result of the increased focus on fees in line with strategy. Asset management fees have remained solid, with Assets under Management and Supervision reaching ISK 1,989bn at year-end.

Insurance service results of Vördur were ISK 446m during the quarter, after the elimination of intercompany transactions. Insurance revenues grew by 7.4% compared with the fourth quarter of 2024. The claims and reinsurance ratio was 69.8% in the quarter, compared with 71.3% in the same quarter last year. The combined ratio of Vördur for the fourth quarter was 92.1%, compared with 93.3% for the same period in 2024.

Net financial income was ISK 1,364m for the quarter. The investment portfolio of Vördur generated a profit of ISK 1,021m, which includes adverse net impact from insurance contracts.

Operating expenses increased by 1.8% in the fourth quarter, compared with the same quarter in 2024. If the operating expenses of the insurance operation are included (post IFRS 17 cost related to the insurance business is accounted for through insurance service results), the increase was 2.5%. Total cost-to-core income ratio was 54.9%, compared with 57.5% in the fourth quarter of 2024, when including the operating expenses of the insurance operation. Salary expenses increased by 2.4% compared with the fourth quarter of 2024, which primarily relates to a 5.1% increase in the number of FTEs from December 2024 to 901. The increase was primarily in the insurance business and IT, in line with the investment strategy.

Net impairment was ISK 1,694m in the fourth quarter of 2025, calculated as 51bps in the quarter on an annualized basis, whereas impairments were calculated at 24bps for 2025. This increase is largely due to a single name provision.

Income tax, as reported in the financial statements, comprises 20% income tax on earnings and a special 6% financial tax on the earnings of financial undertakings of more than ISK 1bn. The effective income tax rate was 22.6% in the quarter. In general, the combination of income is the main driver behind the fluctuation in the effective tax rate.



Balance sheet

The balance sheet increased by 8.5% from year-end 2024 and the liquidity position remains strong.

Assets

<i>In ISK millions</i>	31.12.2025	31.12.2024	Δ	Δ %	30.09.2025	Δ	Δ %
Cash & balances with CB	150,111	124,094	26,017	21%	110,481	39,630	36%
Loans to credit institutions	22,567	25,690	(3,123)	(12%)	25,547	(2,980)	(12%)
Loans to customers	1,329,056	1,230,058	98,998	8%	1,301,708	27,348	2%
Financial instruments	215,816	206,417	9,399	5%	259,837	(44,021)	(17%)
Investment property	7,305	9,387	(2,082)	(22%)	13,833	(6,528)	(47%)
Intangible assets	7,533	7,688	(155)	(2%)	7,681	(148)	(2%)
Other assets	23,377	14,933	8,444	57%	17,448	5,929	34%
Total assets	1,755,765	1,618,267	137,498	8%	1,736,535	19,230	1%

KFI's

REA / Total assets	58.6%	60.1%	60.9%
Share of stage 3 loans, gross	2.4%	2.4%	2.3%

Loans to customers increased by ISK 99bn or 8.0% from the end of 2024, of which there was an ISK 27bn increase or 2.1% during the quarter. Loans to corporates increased by 15.2% from year-end 2024, whereas loans to individuals increased by 0.2%. The diversification of the corporate loan book continues to be good and in line with the Bank's credit strategy.

The Bank's liquidity position is strong with the total LCR ratio of 199% and the ISK LCR ratio of 166%. This is reflected in the strong position in *Cash and balances with Central Bank*, *Loans to credit institutions* and *Financial instruments*, including bonds and debt instruments. The average duration of liquidity in the bond portfolio is less than one year and there is no HTM accounting.

Liabilities and equity

<i>In ISK millions</i>	31.12.2025	31.12.2024	Δ	Δ %	30.09.2025	Δ	Δ %
Due to credit institutions & CB	12,003	6,618	5,385	81%	8,812	3,191	36%
Deposits from customers	921,182	857,443	63,739	7%	917,226	3,956	0%
Other liabilities	66,848	69,405	(2,557)	(4%)	72,756	(5,908)	(8%)
Borrowings	494,823	433,178	61,645	14%	482,285	12,538	3%
Subordinated liabilities	43,518	44,537	(1,019)	(2%)	42,795	723	2%
Total liabilities	1,538,374	1,411,181	127,193	9%	1,523,874	14,500	1%
Shareholders equity	217,327	206,582	10,745	5%	210,275	7,052	3%
Non-controlling interest	64	504	(440)	(87%)	2,386	(2,322)	(97%)
Total equity	217,391	207,086	10,305	5%	212,661	4,730	2%
Total liabilities and equity	1,755,765	1,618,267	137,498	8%	1,736,535	19,230	1%

KFI's

Loans to Deposits ratio	144.3%	143.5%	141.9%
CET 1 ratio	18.4%	18.2%	18.0%
Capital adequacy ratio	22.5%	22.6%	21.9%

Deposits from customers remain the most important source of funding for Arion Bank, with 60% of total liabilities in deposits. The increase from year-end 2024 has primarily been in stable LCR categories and term deposits, reflecting the strategic focus. In relative terms, the largest increase occurred in deposits from individuals following the launch of a new savings account, the "Rewards Account", which is available exclusively to members of Arion Rewards, the Bank's loyalty program.

The maturity profile of *Borrowings* is balanced. Total issuance of ISK covered bonds amounted to ISK 18.5bn in 2025. Refinancing of EUR senior preferred bond maturing in 2026 was successfully completed in 2025 as well as issuance of green bonds denominated in SEK and NOK. Funding in 2026 will focus mainly on refinancing in the fourth quarter 2026 covered bond maturity.

Shareholders' equity increased due to the net earnings of ISK 30.6bn in 2025, which were partly offset by ISK 16.1bn dividend payment and ISK 6.0bn share buyback during the year. The leverage ratio was 11.4% at the end of the year, compared with 12.2% at the end of 2024, which is high by international standards.

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



Medium-term financial targets of Arion Bank

	Q4 2025	2025	Arion Bank's medium-term financial targets
Return on equity attributable to shareholders of Arion Bank	11.6%	14.9%	Exceed 13%
Core income / REA	6.9%	7.4%	Exceed 7.2%
Insurance revenue growth (YoY)	7.4%	5.5%	In excess of market growth (5.7% in 9M 2025 YoY)
Combined ratio Vördur	92.1%	89.8%	Below 95%
Total cost-to-core income ratio	54.9%	42.3%	Below 45%
CET1 ratio above regulatory capital requirements	308 bps	308 bps	150-250 bps management buffer (~16.8 - 17.8%)
Dividend pay-out ratio	50%	50%	Pay-out ratio of approximately 50% of net earnings attributable to shareholders through either dividends or buyback of the Bank's shares or a combination of both

Investor meeting / webcast in English on 12 February at 9:30 CET (8:30 GMT)

Arion Bank will be hosting a meeting at the Bank's headquarters in Borgartún 19, Reykjavík, on Thursday 12 February at 9:30 CET (8:30 GMT) where CEO Benedikt Gíslason and Deputy CFO Eggert Teitsson will present the financial results, and Chief Economist Erna Björg Sverrisdóttir will provide an update on the economic environment. The meeting will take place in English and will also be streamed live.

The webcast will be accessible live on [Lumiconnect](#) and a link is also available on the Bank's website under [Investor Relations](#).

Participants attending virtually will be able to ask questions during the meeting through a message board on the same site. Answers will be provided by presenters at the end of the webcast.

Financial calendar

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

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

Forward-looking statements

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



Consolidated Income Statement
Q4 2025 overview



Consolidated Income Statement - Q4 2025 overview

	Notes	Q4 2025	Q4 2024
Interest income		29,130	29,371
Interest expense		(16,780)	(18,125)
Net interest income	A	12,350	11,246
Fee and commission income		5,135	5,157
Fee and commission expense		(1,080)	(1,021)
Net fee and commission income	B	4,055	4,136
Insurance revenue		5,428	5,027
Insurance service expenses		(4,982)	(4,700)
Insurance service results	C	446	327
Net financial income	D	1,364	2,193
Other operating income	E	827	4
Other net operating income		3,083	2,197
Operating income		19,042	17,906
Operating expenses	F	(8,756)	(8,601)
Bank levy		(547)	(488)
Net impairment	G	(1,694)	913
Earnings before income tax		8,045	9,730
Income tax expense	H	(1,820)	(1,430)
Net earnings from continuing operations		6,225	8,300
Discontinued operations held for sale, net of income tax		-	(11)
Net earnings		6,225	8,289
Attributable to			
Shareholders of Arion Bank hf.		6,227	8,290
Non-controlling interest		(2)	(1)
Net earnings		6,225	8,289



Disclosures for Q4 2025

A. Net interest income

Q4 2025	Amortized cost	Fair value thr. P/L	Fair value thr. OCI	Total
<i>Interest income</i>				
Cash and balances with Central Bank	1,867	-	-	1,867
Loans to credit institutions	183	-	-	183
Loans to customers	25,306	15	-	25,321
Securities	-	261	1,459	1,720
Other	39	-	-	39
Interest income	27,395	276	1,459	29,130
<i>Interest expense</i>				
Deposits	(11,018)	-	-	(11,018)
Borrowings	(4,889)	(101)	-	(4,990)
Subordinated liabilities	(721)	(15)	-	(736)
Other	(36)	-	-	(36)
Interest expense	(16,664)	(116)	-	(16,780)
Net interest income	10,731	160	1,459	12,350

<i>Q4 2024</i>				
<i>Interest income</i>				
Cash and balances with Central Bank	2,019	-	-	2,019
Loans to credit institutions	244	-	-	244
Loans to customers	24,902	15	-	24,917
Securities	-	314	1,840	2,154
Other	37	-	-	37
Interest income	27,202	329	1,840	29,371
<i>Interest expense</i>				
Deposits	(11,989)	-	-	(11,989)
Borrowings	(4,075)	(1,070)	-	(5,145)
Subordinated liabilities	(763)	(198)	-	(961)
Other	(30)	-	-	(30)
Interest expense	(16,857)	(1,268)	-	(18,125)
Net interest income	10,345	(939)	1,840	11,246

<i>Interest spread</i>	Q4 2025	Q4 2024
Interest spread (the ratio of net interest income to the average carrying amount of interest bearing assets)	2.9%	2.9%

B. Net fee and commission income

	Q4 2025			Q4 2024		
	Income	Expense	Net income	Income	Expense	Net income
Asset management	1,370	(136)	1,234	1,326	(152)	1,174
Capital markets and corporate finance	448	(10)	438	614	(14)	600
Lending and financial guarantees	1,383	-	1,383	1,191	-	1,191
Collection and payment services	308	(17)	291	389	(22)	367
Cards and payment solution	1,462	(735)	727	1,361	(667)	694
Other	164	(289)	(125)	276	(254)	22
Commission expense from insurance operation	-	107	107	-	88	88
Net fee and commission income	5,135	(1,080)	4,055	5,157	(1,021)	4,136



Disclosures for Q4 2025

C. Insurance service results	Q4 2025	Q4 2024
Insurance revenue	5,428	5,027
Incurred claims	(3,723)	(3,469)
Service expenses	(1,209)	(1,107)
Insurance service expenses	(4,932)	(4,576)
Net expense from reinsurance contracts held	(50)	(124)
Insurance service results	446	327
D. Net financial income	Q4 2025	Q4 2024
Net gain on financial assets and financial liabilities mandatorily measured		
at fair value through profit or loss	1,391	2,474
Net gain on buy back of issued bonds	48	27
Net gain (loss) on fair value hedge of interest rate swap	(7)	(167)
Realized loss on financial assets carried at fair value through OCI	(29)	14
Net financial loss on insurance contracts	(238)	(227)
Net foreign exchange gain	199	72
Net financial income	1,364	2,193
<i>Net gain on financial assets and financial liabilities mandatorily measured at fair value through profit or loss</i>		
Equity instruments	549	1,912
Debt instruments	811	576
Derivatives	35	(10)
Loans	(4)	(4)
Net gain on financial assets and financial liabilities		
mandatorily measured at fair value through profit or loss	1,391	2,474
<i>Net loss on fair value hedge of interest rate swap</i>		
Fair value change of interest rate swaps designated as hedging instruments	(1,264)	153
Fair value change on bonds issued by the Group attributable to interest rate risk	1,257	(320)
Net loss on fair value hedge of interest rate swap	(7)	(167)
E. Other operating income	Q4 2025	Q4 2024
Fair value changes on investment property	47	(1)
Net gain on disposal of assets	600	(4)
Net gain on assets held for sale	(2)	1
Share of profit (loss) of associates	(33)	(19)
Other income	215	27
Other operating income	827	4



Disclosures for Q4 2025

F. Operating expenses	Q4 2025	Q4 2024
Salaries and related expenses	6,438	6,288
Other operating expenses	3,419	3,331
Operating expenses from insurance operation	(1,101)	(1,018)
Operating expenses	8,756	8,601
 Salaries and related expenses	 Q4 2025	 Q4 2024
<i>Salaries and related expenses</i>		
Salaries	3,545	3,339
Incentive scheme	1,415	1,453
Share-based payment expense	19	40
Defined contribution pension plans	433	701
Salary-related expenses	1,026	755
Salaries and related expenses	6,438	6,288
 Other operating expenses	 Q4 2025	 Q4 2024
IT expenses	1,344	1,297
Professional services	548	437
Marketing	288	343
Housing expenses	132	131
Other administration expenses	707	686
Depreciation of property and equipment	111	152
Depreciation of right of use asset	41	35
Amortization of intangible assets	248	250
Other operating expenses	3,419	3,331
 G. Net impairment	 Q4 2025	 Q4 2024
<i>Net impairment on financial instruments and value changes on loans</i>		
Net impairment on loans to customers and financial institutions	(1,693)	334
Net impairment on other financial instruments at FVOCI	-	2
Other value changes of loans - corporates	-	72
Other value changes of loans - individuals	(1)	505
Net impairment	(1,694)	913
 <i>Net impairment by customer type</i>		
Individuals	(200)	840
Corporates	(1,494)	73
Net impairment	(1,694)	913
 H. Income tax expense	 Q4 2025	 Q4 2024
Current tax expense	2,730	2,494
Deferred tax expense	(910)	(1,064)
Income tax expense	1,820	1,430