

# Condensed Consolidated Interim Financial Statements 31 March 2026

Unaudited



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# Arion Bank Highlights 31 March 2026



**Q1 2026 13.9%**  
Return on  
Equity\*



**Q1 2026 40.0%**  
Total cost-to-  
core income

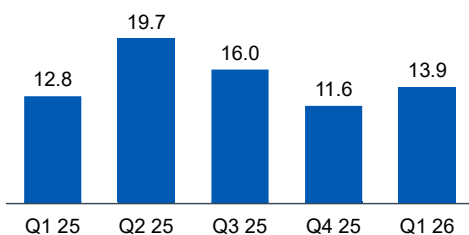


**18.5%**  
CET1 ratio

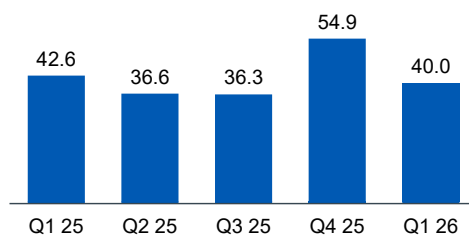
Moody's

Long term: **A3**  
Covered bond: **Aa1**  
Outlook: **Stable**

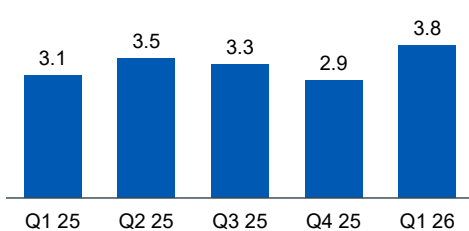
Return on equity\* (%)



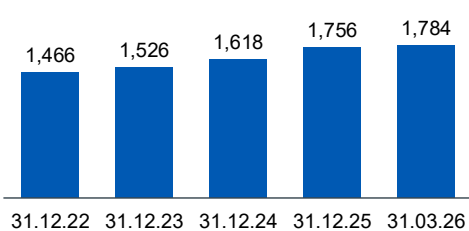
Total cost-to-Core income ratio (%)



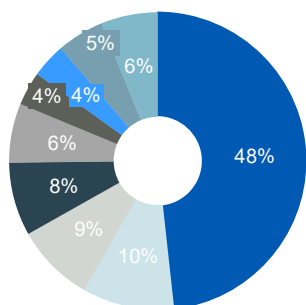
Net interest margin (%)



Total assets (ISK bn)

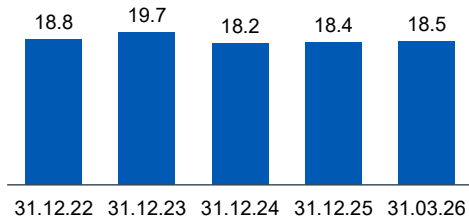


Loans to customers by sector

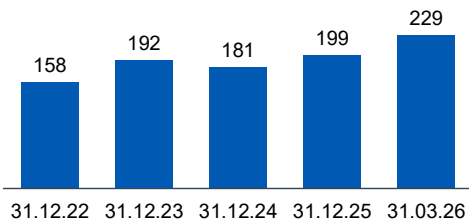


- Individuals
- Real estate activities
- Construction
- Fishing industry
- Commerce and services
- Accommodation and food service activities
- Financial and insurance activities
- Industry, energy and manufacturing
- Other

CET1 ratio (%)



LCR ratio (%)



\*Return on equity attributable to shareholders of Arion Bank

# Endorsement and statement by the Board of Directors and the CEO



The Condensed Consolidated Interim Financial Statements of Arion Bank for the period ended 31 March 2026 include the Condensed Consolidated Interim Financial Statements of Arion Bank ("the Bank") and its subsidiaries, together referred to as "the Group".

## Operations during the period

### Income Statement

Net earnings attributable to the shareholders of Arion Bank amounted to ISK 7.3 billion for the first quarter of 2026, with a return on equity of 13.9% and earnings per share ISK 5.33, compared with ISK 6.4 billion, 12.9% and ISK 4.59 respectively in the first quarter of 2025. Core income, defined as net interest income, net commission income and insurance service results (excluding opex), increased by 20.3%, compared with the previous year. Net interest income increased by 34.0%, compared with the first quarter in previous year, and the net interest margin was 3.8%, compared with 3.1% in 2025. Net commission income decreased by 14.6% between years, with corporate and investment banking activity lower than in recent quarters, reflecting the more transactional nature of fees. The operation of Vördur contributed a standalone loss of ISK 0.1 billion in the quarter, compared with a loss of ISK 0.7 billion in the first quarter of 2025. Insurance revenues continued to grow, increasing by 7.2% between years, while claims increased by 4.6%. Net financial income was negative by ISK 0.8 billion, and was impacted by challenging capital markets, especially for equities. Operating expenses, including operating expenses of the insurance operation, increased by 12.9% compared with the previous year or ISK 1 billion, partly due to a reversed expense for the incentive scheme in the first quarter of 2025. Inflation measured 4.9% between years. The Group had 901 full-time equivalent positions at the end of March, unchanged from the end of 2025. The cost-to-income ratio was 38.3%, compared with 34.7% in 2025, while the total cost-to-core income ratio was 40.0%, compared with 42.6% in 2025. Impairments were calculated at 12bps for the period, the same as for the first quarter of 2025. The effective income tax rate was high at 33.8%, mainly due to a loss from equity holdings.

### Balance Sheet

Arion Bank's balance sheet grew by 1.6% from year-end 2025. Loans to customers increased by 1.7%, both loans to individuals and corporates. Deposits increased by 1.7%, primarily individuals and SMEs with low LCR outflow weight. Shareholders' equity amounted to ISK 204,450 million at the end of the period. Capital distribution amounted to ISK 20.7bn in the first quarter of 2026, through dividends and buy-backs of own shares.

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

	Q1 2026	Arion Bank's medium-term financial targets
Return on equity attributable to shareholders of Arion Bank	13.9%	Exceed 13%
Core operating income / REA	8.2%	Exceed 7.2%
Insurance revenue growth (YoY)	7.2%	Exceed weighted average growth of competitors (3.9% in Q1 2026 YoY)
Combined ratio	100.8%	Below 95%
Total cost-to-core income ratio	40.0%	Below 45%
CET1 ratio above regulatory capital requirements	318 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

## Merger discussion between Arion Bank and Kvika

The preliminary discussions between Kvika banki hf. and Arion Bank hf. with the Competition Authority (ICA) regarding the proposed merger have been concluded. Representatives of Kvika banki and Arion Bank met with representatives of the ICA on 15 April 2026, during which the ICA presented its position following the completion of preliminary discussions. In light of the position expressed by the ICA at the meeting, the boards of directors of Kvika banki and Arion Bank concluded that the proposed merger could not proceed. The boards of directors therefore decided to discontinue the planned merger which had been announced in a stock exchange notice on 6 July 2025.

## Economic outlook

The Icelandic economy is showing signs of having operated under relatively high real policy rates for more than two years. The output gap has moved into a slight slack position and economic growth has been modest, measuring 1.3% last year. Despite a tight monetary stance, inflation has remained persistent. This setback can be largely attributed to hikes in various public levies and higher global oil prices rather than stronger domestic inflationary pressures. Even so, as inflation expectations remain insufficiently anchored, the Monetary Policy Committee has limited scope to look through such shocks and has therefore been forced to respond with further tightening, despite clear signs that economic activity has already cooled.

That said, the outlook has in several respects evolved more favourably than seemed likely only a few months ago, particularly on the export side. Last autumn, all three of the economy's main export pillars were hit by setbacks as Play airlines went bankrupt, fishing quotas were reduced, and an equipment failure materially reduced production capacity in aluminium. Since then, however, the outlook for these sectors has improved. Sharp increases in seafood prices and the capelin season have offset the impact of lower fishing quotas, the malfunctioning aluminium pot appears likely to be restarted earlier than previously anticipated, and the prospects for the upcoming summer tourism season are bright.

Although the labour market has cooled in many respects and demand for labour has softened, this has so far had only a negligible effect on unemployment, particularly among Icelandic nationals. Wage growth, however, has continued to outpace inflation, supporting household demand. Private consumption increased by 4.3% last year and appears to have continued growing, albeit at a slower pace.

# Endorsement and statement by the Board of Directors and the CEO



The housing market, meanwhile, continues to display some signs of imbalance. Real house prices have declined only modestly despite high interest rates and tighter access to credit. Meanwhile, turnover in the housing market has slowed and the stock of unsold homes has increased.

Looking ahead, inflation is likely to remain high into next year, and it is entirely possible that monetary policy will need to be tightened further before easing can begin. The wait for rate cuts could be extended if inflation continues to be impacted by external drivers, such as the conflict in the Middle East. Even so, the economy's underlying fundamentals remain sound. Household and corporate balance sheets are generally strong, and leverage remains moderate by historical standards, leaving the economy relatively well placed to absorb further shocks. In other words, while near-term headwinds remain, the foundations for continued growth over the coming quarters are still in place.

## 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 into 2026, indicates that we are on the right track. While the feedback from ICA in April and the resulting termination of the merger process with Kvika was a disappointment, the strategy remains unchanged and the Group will continue to explore strategic opportunities and drive innovation that can support our clients, shareholders and other key stakeholders going forward.

The external operating environment continues to evolve. As before, Arion benefits from its strong capital and liquidity position, diverse revenue streams and sound infrastructure, while also retaining the flexibility to respond to the shifting environment. The Bank remains in a strong position to manage the evolving external operating environment.

## Funding and liquidity

The Group's liquidity position remains very strong with an LCR at the end of the quarter of 229%.

The funding position is also robust and the Bank was active in the international bond market in the quarter. During the quarter the Bank issued EUR 300m European Covered Bonds (Premium) with a maturity of 5 years. Alongside the new issuance the Bank concluded a tender on outstanding EUR 500m covered bonds notes where EUR 300m of outstanding notes were tendered. The Bank also issued SEK 850m and NOK 850m senior preferred notes, with 3 and 5-year maturity. The Bank continues to be a regular issuer in the domestic ISK market, issuing ISK 9.5 billion in covered bonds.

## 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 dividends 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.

In March 2026, the Bank paid a dividend of ISK 11.5 per share, ISK 15.8 billion, as authorized by the Annual General Meeting. In addition to its authority to propose that the Bank pay dividends or other disbursements of equity, the Board is authorized to purchase up to 10% of the Bank's issued share capital. In Q1, the Bank conducted a buyback in the amount of ISK 4.9 billion.

The Group's capital adequacy ratio on 31 March 2026 was 22.5% and the CET1 ratio was 18.5%, when the unaudited interim net earnings for the first quarter of 2026 are included. The ratios account for a deduction due to foreseeable dividend payments that represent 50% of net earnings, in line with the Bank's dividend policy. This compares to a regulatory capital requirement of 19.6%, including the combined buffer requirement. The Bank's REA increased by ISK 11.8bn in the first quarter of 2026 driven primarily by an increase in loan portfolio. REA changes for other factors were less material.

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 Q2. An MREL subordination requirement of 13.5% will apply to the Bank from Q3 2027.

## Ownership of Arion Bank

Gildi lífeyrissjóður was the largest shareholder in Arion Bank with a shareholding of 9.51% at the end of March and Arion Bank held 3.85% of its own shares. The number of shareholders was 11,040 at the end of the period, compared with 10,703 at year-end 2025. Further information on Arion Bank's shareholders can be found in Note 37.

The AGM of Arion Bank, held on 11 March 2026, approved the reduction of the Bank's share capital by ISK 40 million nominal value, through cancelling the Bank's own shares. The reduction was carried out on 14 April 2026. Thus, the share capital of Arion Bank was reduced from ISK 1,420 million to ISK 1,380 million in April 2026. In 2025 the nominal value of Arion Bank's share capital was reduced by ISK 93,423,078 nominal value.

# Endorsement and statement by the Board of Directors and the CEO



## 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.

## Endorsement of the Board of Directors and the Chief Executive Officer

The Condensed Consolidated Interim Financial Statements of Arion Bank for the period ended 31 March 2026 have been prepared in accordance with International Financial Reporting Standard IAS 34 Interim Financial Reporting 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 Condensed Consolidated Interim Financial Statements give a true and fair view of the financial performance and cash flow of the Group for the period ended 31 March 2026 and its financial position as at 31 March 2026. Furthermore, in our opinion the Condensed Consolidated Interim 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.

The Board of Directors and the CEO have today discussed the Condensed Consolidated Interim Financial Statements of Arion Bank for the period ended 31 March 2026 and confirm them by means of their signatures.

Reykjavík, 6 May 2026

### Board of Directors

Paul Horner, Chairman  
Kristín Pétursdóttir, Vice Chairman  
Gunnar Sturluson  
Steinunn Kristín Thórdardóttir  
Tómas Már Sigurðsson

### Chief Executive Officer

Benedikt Gíslason



## Consolidated Interim Income Statement

	Notes	2026 1.1.-31.3.	2025 1.1.-31.3.
Interest income .....		40,736	32,682
Interest expense .....		(24,433)	(20,516)
<b>Net interest income</b> .....	6	<b>16,303</b>	<b>12,166</b>
Fee and commission income .....		4,867	5,456
Fee and commission expense .....		(991)	(920)
<b>Net fee and commission income</b> .....	7	<b>3,876</b>	<b>4,536</b>
Insurance revenue .....		5,275	4,911
Insurance service expenses .....		(5,341)	(4,942)
<b>Insurance service results</b> .....	8	<b>(66)</b>	<b>(31)</b>
Net financial income .....	9	(767)	(951)
Other operating income .....	10	114	3,321
<b>Other net operating income</b> .....		<b>(653)</b>	<b>2,370</b>
<b>Operating income</b> .....		<b>19,460</b>	<b>19,041</b>
Operating expenses .....	11-13	(7,456)	(6,601)
Bank levy .....	14	(541)	(508)
Net impairment .....	15	(391)	(378)
<b>Earnings before income tax</b> .....		<b>11,072</b>	<b>11,554</b>
Income tax expense .....	16	(3,743)	(3,726)
<b>Net earnings from continuing operations</b> .....		<b>7,329</b>	<b>7,828</b>
Discontinued operations held for sale, net of income tax .....	17	-	(11)
<b>Net earnings</b> .....		<b>7,329</b>	<b>7,817</b>
<b>Attributable to</b>			
Shareholders of Arion Bank hf. ....		7,318	6,421
Non-controlling interest .....		11	1,396
<b>Net earnings</b> .....		<b>7,329</b>	<b>7,817</b>
<b>Earnings per share</b>			
Basic earnings per share attributable to shareholders of Arion Bank (ISK) .....	18	5.33	4.59
Diluted earnings per share attributable to shareholders of Arion Bank (ISK) .....		5.29	4.55

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



## Consolidated Interim Statement of Comprehensive Income

	Notes	2026 1.1.-31.3.	2025 1.1.-31.3.
<b>Net earnings</b> .....		<b>7,329</b>	<b>7,817</b>
Net change in FV of financial assets carried at FV through OCI, net of tax .....		(379)	118
Net realized loss on financial assets carried at FV through OCI, net of tax transferred to the income statement .....	9	(8)	(21)
<b>Changes to reserve for financial instruments at FV thr. OCI that is or may be reclassified subsequently to the income statement</b> .....		<b>(387)</b>	<b>97</b>
Exchange difference on translating foreign subsidiaries .....		(1)	-
<b>Other comprehensive income that is or may be reclassified subsequently to the Income Statement</b> .....		<b>(388)</b>	<b>97</b>
<b>Total comprehensive income</b> .....		<b>6,941</b>	<b>7,914</b>
<b>Attributable to</b>			
Shareholders of Arion Bank .....		6,930	6,518
Non-controlling interest .....		11	1,396
<b>Total comprehensive income</b>		<b>6,941</b>	<b>7,914</b>
<b>Comprehensive income per share</b>			
	18		
Basic comprehensive income per share attributable to shareholders of Arion Bank (ISK) .....		5.05	4.65
Diluted comprehensive income per share attributable to shareholders of Arion Bank (ISK) .....		5.01	4.61

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



## Consolidated Interim Statement of Financial Position

<b>Assets</b>	Notes	31.03.2026	31.12.2025
Cash and balances with Central Bank .....	19	109,583	150,111
Loans to credit institutions .....	20	24,779	22,567
Loans to customers .....	21	1,352,240	1,329,056
Financial instruments .....	22-24	260,618	215,816
Investment property .....	24	7,440	7,305
Investments in associates .....	26	753	760
Intangible assets .....	27	7,540	7,533
Tax assets .....	28	2	2
Assets and disposal groups held for sale .....	29	128	98
Other assets .....	30	20,750	22,517
<b>Total Assets .....</b>		<b>1,783,833</b>	<b>1,755,765</b>
<b>Liabilities</b>			
Due to credit institutions and Central Bank .....	23	9,345	12,003
Deposits .....	23	936,806	921,182
Financial liabilities at fair value .....	23	5,123	3,129
Tax liabilities .....	28	14,816	12,983
Other liabilities .....	31	53,671	50,736
Borrowings .....	23,32	516,564	494,823
Subordinated liabilities .....	23,33	42,984	43,518
<b>Total Liabilities .....</b>		<b>1,579,309</b>	<b>1,538,374</b>
<b>Equity</b>			
Share capital and share premium .....	36	1,365	1,383
Other reserves .....		13,804	14,382
Retained earnings .....		189,281	201,562
<b>Shareholders' Equity .....</b>		<b>204,450</b>	<b>217,327</b>
Non-controlling interest .....		74	64
<b>Total Equity .....</b>		<b>204,524</b>	<b>217,391</b>
<b>Total Liabilities and Equity .....</b>		<b>1,783,833</b>	<b>1,755,765</b>

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



## Consolidated Interim Statement of Changes in Equity

	Restricted reserves										Total share- holders' equity	Non- cont- rolling interest	Total equity
	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	Foreign currency translation reserve	Statutory reserve	Retained earnings			
<b>Equity 1 January 2026</b> .....	1,383	-	827	12,760	320	-	91	6	378	201,562	<b>217,327</b>	64	<b>217,391</b>
Net earnings .....										7,318	<b>7,318</b>	11	<b>7,329</b>
Net change in fair value .....							(379)				<b>(379)</b>		<b>(379)</b>
Net realized profit transferred to P/L .....							(8)				<b>(8)</b>		<b>(8)</b>
Net changes in reserves .....								(1)			<b>(1)</b>		<b>(1)</b>
<b>Total comprehensive income</b> .....	-	-	-	-	-	-	<b>(387)</b>	<b>(1)</b>	-	<b>7,318</b>	<b>6,930</b>	<b>11</b>	<b>6,941</b>
<i>Transactions with owners</i>													
Dividend paid .....										(15,768)	<b>(15,768)</b>		<b>(15,768)</b>
Purchase of treasury shares .....	(25)	(1,258)								(3,648)	<b>(4,931)</b>		<b>(4,931)</b>
Share option charge .....			45								<b>45</b>		<b>45</b>
Share option vested .....	6	941	(197)								<b>750</b>		<b>750</b>
Share option forfeited .....			(44)							44	-		-
Share option charge - incentive scheme .....			(4)							-	<b>(4)</b>		<b>(4)</b>
Incentive scheme .....	1	317	(217)								<b>101</b>		<b>101</b>
Net changes in reserves .....				213	14	-			-	(227)	-		-
<b>Equity 31 March 2026</b> .....	<b>1,365</b>	-	<b>410</b>	<b>12,973</b>	<b>334</b>	-	<b>(296)</b>	<b>5</b>	<b>378</b>	<b>189,280</b>	<b>204,450</b>	<b>74</b>	<b>204,524</b>

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



## Consolidated Interim Statement of Changes in Equity

	Restricted reserves										Total share-holders' equity	Non-controlling interest	Total equity
	Share capital	Share premium	Share option	Gain in subs. & assoc., unrealized	Gain in securities, unrealized	Capitalized development cost	Debt investments at fair value thr. OCI, unrealized	Foreign currency translation reserve	Statutory reserve	Retained earnings			
<b>Equity 1 January 2025</b> .....	1,412	4,274	411	10,957	513	759	(328)	-	1,637	186,947	<b>206,582</b>	504	<b>207,086</b>
Net earnings .....										6,421	<b>6,421</b>	1,396	<b>7,817</b>
Net change in fair value .....							118				<b>118</b>		<b>118</b>
Net realized loss transferred to P/L .....							(21)				<b>(21)</b>		<b>(21)</b>
<b>Total comprehensive income</b> .....	-	-	-	-	-	-	<b>97</b>	-	-	<b>6,421</b>	<b>6,518</b>	<b>1,396</b>	<b>7,914</b>
<i>Transactions with owners</i>													
Dividend paid .....										(16,114)	<b>(16,114)</b>		<b>(16,114)</b>
Purchase of treasury shares .....	(17)	(2,982)									<b>(2,999)</b>		<b>(2,999)</b>
Net changes in share options .....	5	672	(175)							84	<b>586</b>		<b>586</b>
Share option charge - incentive scheme .....			85								<b>85</b>		<b>85</b>
Incentive scheme .....	1	229									<b>230</b>		<b>230</b>
Net changes in reserves .....				-	-	(31)		(1,259)	1,290		-		-
<b>Equity 31 March 2025</b> .....	<b>1,401</b>	<b>2,193</b>	<b>321</b>	<b>10,957</b>	<b>513</b>	<b>728</b>	<b>(231)</b>	-	<b>378</b>	<b>178,628</b>	<b>194,888</b>	<b>1,900</b>	<b>196,788</b>
Net earnings .....										24,205	<b>24,205</b>	485	<b>24,690</b>
Net change in fair value .....							139				<b>139</b>		<b>139</b>
Net realized loss transferred to P/L .....							183				<b>183</b>		<b>183</b>
Net changes in reserves .....								6			<b>6</b>		<b>6</b>
<b>Total comprehensive income</b> .....	-	-	-	-	-	-	<b>322</b>	<b>6</b>	-	<b>24,205</b>	<b>24,533</b>	<b>485</b>	<b>25,018</b>
<i>Transactions with owners</i>													
Purchase of treasury shares .....	(19)	(2,236)								(699)	<b>(2,954)</b>		<b>(2,954)</b>
Net changes in share options .....	1	43	55							4	<b>103</b>		<b>103</b>
Share option charge - incentive scheme .....			451							304	<b>755</b>		<b>755</b>
Net changes in reserves .....				1,803	(193)	(728)				(882)	-		-
Sale of a subsidiary .....											-	(2,321)	<b>(2,321)</b>
<b>Equity 31 December 2025</b> .....	<b>1,383</b>	-	<b>827</b>	<b>12,760</b>	<b>320</b>	-	<b>91</b>	<b>6</b>	<b>378</b>	<b>201,562</b>	<b>217,327</b>	<b>64</b>	<b>217,391</b>

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



## Consolidated Statement of Cash flows

	2026 1.1.-31.3.	2025 1.1.-31.3.
<b>Operating activities</b>		
Net earnings .....	7,329	7,817
Non-cash items included in net earnings .....	(8,478)	(13,856)
Changes in operating assets and liabilities		
Loans to credit institutions, excluding bank accounts .....	17	(4,851)
Loans to customers .....	(13,707)	(579)
Financial instruments and financial liabilities at fair value .....	(40,306)	(49,455)
Deposits .....	11,449	22,663
Borrowings .....	18,486	57,399
Other changes in operating assets and liabilities .....	(3,343)	(8,082)
Interest received .....	24,252	25,313
Interest paid .....	(11,642)	(9,187)
Dividend received .....	144	116
Income tax paid .....	(1,773)	(2,374)
<b>Net cash (used in) from operating activities .....</b>	<b>(17,573)</b>	<b>24,924</b>
<b>Investing activities</b>		
Acquisition of investment property .....	(32)	(6)
Acquisition of property and equipment .....	(222)	(139)
Dividend from associates .....	-	8
Acquisition of intangible assets .....	(254)	(597)
<b>Net cash (used in) from investing activities .....</b>	<b>(508)</b>	<b>(734)</b>
<b>Financing activities</b>		
Dividend paid to shareholders of Arion Bank .....	(15,768)	(16,114)
Purchase of treasury stock .....	(4,931)	(2,999)
Settlement of subordinated liabilities .....	(726)	(8,769)
Proceeds from vested share options .....	750	558
<b>Net cash used in financing activities .....</b>	<b>(20,675)</b>	<b>(27,324)</b>
Net (decrease) increase in cash and cash equivalents .....	(38,756)	(3,134)
Cash and cash equivalents at beginning of the year .....	138,548	117,310
Effect of exchange rate changes on cash and cash equivalent .....	(143)	104
<b>Cash and cash equivalents .....</b>	<b>99,649</b>	<b>114,280</b>
<b>Cash and cash equivalents</b>		
Cash and balances with Central Bank .....	109,583	124,808
Bank accounts .....	24,269	22,369
Mandatory reserve deposit with Central Bank .....	(34,203)	(32,897)
<b>Cash and cash equivalents .....</b>	<b>99,649</b>	<b>114,280</b>

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



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# Notes to the Condensed Consolidated Interim 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 Condensed Consolidated Interim Financial Statements for the period ended 31 March 2026 comprise the Parent Company and its subsidiaries (together referred to as "the Group").

### 1. Basis of preparation

The Condensed Consolidated Interim Financial Statements were approved and authorized for publication by the Board of Directors of Arion Bank on 6 May 2026.

In preparing these Condensed Consolidated Interim 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 Condensed Consolidated Interim Financial Statements.

#### *Statement of compliance*

The Condensed Consolidated Interim Financial Statements have been prepared in accordance with International Financial Reporting Standard, IAS 34 Interim Financial Reporting, 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 Condensed Consolidated Interim Financial Statements do not include all the information and disclosures required in the Annual Financial Statements, and should be read in conjunction with Arion Bank's Annual Consolidated Financial Statements for the year ended 31 December 2025. The Annual Consolidated Financial Statements are available on Arion Bank's website [www.arionbanki.is](http://www.arionbanki.is).

The same accounting policies, presentation and methods of computation are followed in these Condensed Consolidated Interim Financial Statements as were applied in the Consolidated Financial Statements for the year 2025.

#### *Basis of measurement*

These Condensed Consolidated Interim 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 in the Annual Financial Statements 2025;
- 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 period the exchange rate of the ISK against USD was 124.51 and 143.47 for EUR (31.12.2025: USD 125.44 and EUR 147.28).

### 2. 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 Condensed Consolidated Interim Financial Statements are prepared on a going concern basis.

### 3. Material accounting estimates and judgements in applying accounting policies

The preparation of these Condensed Consolidated Interim 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 Condensed Consolidated Interim 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 Condensed Consolidated Interim 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

Inflation rose sharply in Q1 and remained well above 5%. It is expected to stay elevated, reflecting persistent domestic pressures, higher oil prices, and rising inflation expectations. Following a 25 bps hike in March, the Monetary Policy Committee is likely to raise rates again in May. GDP grew by 1.3% in 2025, but momentum weakened late in the year, with a 0.6% contraction in Q4 driven by slower data center investment and a temporary drop in aluminium exports due to equipment failure at Norðurál smelter. Despite rising unemployment, now at 4.8%, domestic demand has remained firm. Private consumption rose by 5.5% in Q4, while payment card data point to continued, albeit slower growth in Q1. While not showing signs of distress, the housing market is easing, with increased supply, softer demand, and slowing price growth.

The króna remains strong, helping to suppress imported inflation but weighing on exporters. Tourism is recovering from a challenging winter, with strong summer bookings, while the seafood sector benefits from a solid capelin season and high prices. Aluminium production is expected to normalize over the summer, exceeding earlier expectations. In our baseline, private consumption supports modest growth, while weaker investment is offset by a positive contribution from net trade. In our baseline, modest consumption growth and positive net trade offset weaker investment. The outlook hinges on geopolitical risks, wage agreements, inflation persistence, and the degree of monetary tightening.

### 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

	Operating activity	Currency	Equity interest	
			31.3.2026	31.12.2025
Arion (Financial) Advisory Services Ltd, 30-32 Fleet Street, London, UK .....	Financial service	GBP	100.0%	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%
Vöðdur tryggingar hf., Borgartún 19, Reykjavík, Iceland .....	Insurance	ISK	100.0%	100.0%



# Notes to the Condensed Consolidated Interim Financial Statements

## 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 & Stefmir*

Markets & Stefmir 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. Premia 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 Stefmir hf. is presented under the segment. Stefmir 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.

# Notes to the Condensed Consolidated Interim Financial Statements



## 5. Operating segments, continued

1.1.-31.3.2026	Markets and Stefnir	CIB	Retail Banking	Treasury	Vördur	Subsidi- aries excl. Stefnir and	Supporting units and elimi- nations	Total
<i>Income Statement</i>								
Net interest income .....	364	8,065	4,455	3,474	(29)	21	(47)	16,303
Net fee and commission income .....	1,419	1,160	927	171	(63)	130	132	3,876
Insurance service results .....	-	-	-	-	(20)	-	(46)	(66)
Net financial income .....	(11)	-	-	(872)	138	(6)	(16)	(767)
Other operating income .....	1	(9)	(4)	-	2	106	18	114
<b>Operating income</b> .....	<b>1,773</b>	<b>9,216</b>	<b>5,378</b>	<b>2,773</b>	<b>28</b>	<b>251</b>	<b>41</b>	<b>19,460</b>
Operating expenses .....	(712)	(665)	(965)	(165)	347	(151)	(5,145)	(7,456)
Allocated expenses .....	(881)	(1,446)	(1,853)	(377)	(346)	(17)	4,920	-
Bank levy .....	(10)	(216)	(205)	(110)	-	-	-	(541)
Net impairment .....	(4)	(269)	(115)	(1)	-	-	(2)	(391)
<b>Earnings before income tax</b> .....	<b>166</b>	<b>6,620</b>	<b>2,240</b>	<b>2,120</b>	<b>29</b>	<b>83</b>	<b>(186)</b>	<b>11,072</b>
Net seg. rev. from ext. customers .....	(1,705)	18,430	23,041	(20,496)	55	426	(291)	19,460
Net seg. rev. from other segments .....	3,478	(9,214)	(17,663)	23,269	(27)	(175)	332	-
<b>Operating income</b> .....	<b>1,773</b>	<b>9,216</b>	<b>5,378</b>	<b>2,773</b>	<b>28</b>	<b>251</b>	<b>41</b>	<b>19,460</b>
<i>Statement of financial position</i>								
Loans to customers .....	11,113	688,045	651,600	-	-	-	1,482	1,352,240
Financial instruments .....	24,505	-	-	200,683	37,410	158	(2,138)	260,618
Other external assets .....	6,509	526	1,702	121,895	4,884	12,785	22,674	170,975
Internal assets .....	65,001	-	-	278,311	-	-	(343,312)	-
<b>Total assets</b> .....	<b>107,128</b>	<b>688,571</b>	<b>653,302</b>	<b>600,889</b>	<b>42,294</b>	<b>12,943</b>	<b>(321,294)</b>	<b>1,783,833</b>
Deposits .....	96,979	409,842	426,220	9,338	-	-	(5,573)	936,806
Other external liabilities .....	1,338	5,351	3,432	585,025	27,471	(7,705)	27,591	642,503
Internal liabilities .....	-	146,599	179,656	-	-	17,057	(343,312)	-
<b>Total liabilities</b> .....	<b>98,317</b>	<b>561,792</b>	<b>609,308</b>	<b>594,363</b>	<b>27,471</b>	<b>9,352</b>	<b>(321,294)</b>	<b>1,579,309</b>
<b>Allocated equity</b> .....	<b>8,811</b>	<b>126,779</b>	<b>43,994</b>	<b>6,526</b>	<b>14,823</b>	<b>3,591</b>	<b>-</b>	<b>204,524</b>

# Notes to the Condensed Consolidated Interim Financial Statements



## 5. Operating segments, continued

1.1.-31.3.2025	Markets and Stefmir	CIB	Retail Banking	Treasury	Vördur	Subsidi- aries excl. Stefmir and	Supporting units and elimi- nations	Total
<i>Income Statement</i>								
Net interest income .....	340	6,796	3,011	2,062	(6)	(2)	(35)	12,166
Net fee and commission income .....	1,415	1,907	881	182	60	70	21	4,536
Insurance service results .....	-	-	-	-	(87)	(7)	63	(31)
Net financial income .....	(9)	5	-	(316)	(628)	4	(7)	(951)
Other operating income .....	-	(1)	11	2	2	3,277	30	3,321
<b>Operating income</b> .....	<b>1,746</b>	<b>8,707</b>	<b>3,903</b>	<b>1,930</b>	<b>(659)</b>	<b>3,342</b>	<b>72</b>	<b>19,041</b>
Operating expenses .....	(635)	(540)	(831)	(141)	293	(133)	(4,614)	(6,601)
Allocated expenses .....	(802)	(1,250)	(1,803)	(351)	(301)	(32)	4,539	-
Bank levy .....	(11)	(194)	(209)	(94)	-	-	-	(508)
Net impairment .....	18	(597)	201	-	-	-	-	(378)
<b>Earnings before income tax</b> .....	<b>316</b>	<b>6,126</b>	<b>1,261</b>	<b>1,344</b>	<b>(667)</b>	<b>3,177</b>	<b>(3)</b>	<b>11,554</b>
Net seg. rev. from ext. customers .....	797	10,708	9,325	(4,614)	(638)	3,364	99	19,041
Net seg. rev. from other segments .....	949	(2,001)	(5,422)	6,544	(21)	(22)	(27)	-
<b>Operating income</b> .....	<b>1,746</b>	<b>8,707</b>	<b>3,903</b>	<b>1,930</b>	<b>(659)</b>	<b>3,342</b>	<b>72</b>	<b>19,041</b>
<i>Statement of financial position</i>								
Loans to customers .....	6,909	593,897	632,666	4	-	-	530	1,234,006
Financial instruments .....	22,713	-	-	205,149	36,076	119	(2,969)	261,088
Other external assets .....	2,549	2	1,672	157,016	5,192	14,719	10,411	191,561
Internal assets .....	80,340	-	-	214,038	-	4,218	(298,596)	-
<b>Total assets</b> .....	<b>112,511</b>	<b>593,899</b>	<b>634,338</b>	<b>576,207</b>	<b>41,268</b>	<b>19,056</b>	<b>(290,624)</b>	<b>1,686,655</b>
Deposits .....	101,708	395,412	368,131	21,848	-	-	(2,493)	884,606
Other external liabilities .....	1,905	2,317	4,126	552,623	26,573	8,665	9,052	605,261
Internal liabilities .....	-	84,237	212,946	-	-	-	(297,183)	-
<b>Total liabilities</b> .....	<b>103,613</b>	<b>481,966</b>	<b>585,203</b>	<b>574,471</b>	<b>26,573</b>	<b>8,665</b>	<b>(290,624)</b>	<b>1,489,867</b>
<b>Allocated equity</b> .....	<b>8,898</b>	<b>111,933</b>	<b>49,135</b>	<b>1,736</b>	<b>14,695</b>	<b>10,391</b>	<b>-</b>	<b>196,788</b>

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

# Notes to the Condensed Consolidated Interim Financial Statements



## Notes to the Consolidated Interim Income Statement

### 6. Net interest income

1.1.-31.3.2026	Amortized cost	Fair value thr. P/L	Fair value thr. OCI	Total
<i>Interest income</i>				
Cash and balances with Central Bank .....	1,852	-	-	1,852
Loans to credit institutions .....	214	-	-	214
Loans to customers .....	36,877	58	-	36,935
Securities .....	-	142	1,582	1,724
Other .....	11	-	-	11
<b>Interest income .....</b>	<b>38,954</b>	<b>200</b>	<b>1,582</b>	<b>40,736</b>
<i>Interest expense</i>				
Deposits .....	(14,118)	-	-	(14,118)
Borrowings .....	(8,943)	(101)	-	(9,044)
Subordinated liabilities .....	(1,226)	4	-	(1,222)
Other .....	(49)	-	-	(49)
<b>Interest expense .....</b>	<b>(24,336)</b>	<b>(97)</b>	<b>-</b>	<b>(24,433)</b>
<b>Net interest income .....</b>	<b>14,618</b>	<b>103</b>	<b>1,582</b>	<b>16,303</b>
1.1.-31.3.2025				
<i>Interest income</i>				
Cash and balances with Central Bank .....	1,865	-	-	1,865
Loans to credit institutions .....	274	-	-	274
Loans to customers .....	28,515	31	-	28,546
Securities .....	-	218	1,755	1,973
Other .....	24	-	-	24
<b>Interest income .....</b>	<b>30,678</b>	<b>249</b>	<b>1,755</b>	<b>32,682</b>
<i>Interest expense</i>				
Deposits .....	(12,810)	-	-	(12,810)
Borrowings .....	(5,916)	(788)	-	(6,704)
Subordinated liabilities .....	(791)	(177)	-	(968)
Other .....	(34)	-	-	(34)
<b>Interest expense .....</b>	<b>(19,551)</b>	<b>(965)</b>	<b>-</b>	<b>(20,516)</b>
<b>Net interest income .....</b>	<b>11,127</b>	<b>(716)</b>	<b>1,755</b>	<b>12,166</b>

Net interest income calculated using the effective interest rate method were ISK 40,628 million (3M 2025: ISK 31,693 million).

#### *Interest spread*

	2026 1.1.-31.3.	2025 1.1.-31.3.
Interest spread (the ratio of net interest income to the average carrying amount of interest bearing assets) .....	3.8%	3.1%



# Notes to the Condensed Consolidated Interim Financial Statements

## 7. Net fee and commission income

	1.1.-31.3.2026			1.1.-31.3.2025		
	Income	Expense	Net income	Income	Expense	Net income
Asset management .....	1,347	(136)	1,211	1,403	(138)	1,265
Capital markets and corporate finance .....	468	(10)	458	779	(11)	768
Lending and financial guarantees .....	963	-	963	1,315	-	1,315
Collection and payment services .....	319	(17)	302	358	(23)	335
Cards and payment solution .....	1,618	(685)	933	1,414	(631)	783
Other .....	152	(246)	(94)	187	(193)	(6)
Commission expense from insurance operation .....	-	103	103	-	76	76
<b>Net fee and commission income</b> .....	<b>4,867</b>	<b>(991)</b>	<b>3,876</b>	<b>5,456</b>	<b>(920)</b>	<b>4,536</b>

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.

## 8. Insurance service results

	2026 1.1.-31.3.	2025 1.1.-31.3.
Insurance revenue .....	5,275	4,911
Incurred claims .....	(4,098)	(3,921)
Service expenses .....	(1,084)	(950)
Insurance service expenses .....	(5,182)	(4,871)
Net expense from reinsurance contracts held .....	(159)	(71)
<b>Insurance service results</b> .....	<b>(66)</b>	<b>(31)</b>

### Operation results of Vördur

Vördur's operation resulted in a loss of ISK 60 million, with a negative return on equity of 1.8%, compared with a loss of ISK 641 million in 2025 and a negative return on equity of 19.1%.

	2026 1.1.-31.3.	2025 1.1.-31.3.
Insurance service results .....	(66)	(31)
Insurance revenue elimination and reclassification .....	23	45
Insurance service results according to the Financial Statements of Vördur .....	(43)	14
Investment return .....	162	(343)
Net financial loss from insurance contracts .....	(103)	(337)
Total investment return .....	59	(680)
Other income .....	2	2
<b>Earnings before income tax</b> .....	<b>18</b>	<b>(664)</b>
Income tax .....	(78)	23
<b>Net earnings</b> .....	<b>(60)</b>	<b>(641)</b>

### Combined ratio

Combined ratio of Vördur, including insurance revenue from the Group .....	100.8%	99.7%
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# Notes to the Condensed Consolidated Interim Financial Statements

## 9. Net financial income

	2026 1.1.-31.3.	2025 1.1.-31.3.
Net loss on financial assets and financial liabilities mandatorily measured at fair value through the income statement .....	(746)	(712)
Net gain on prepayments of borrowings .....	7	1
Net loss on fair value hedge of interest rate swap .....	(61)	(24)
Net realized gain on financial assets carried at fair value through OCI .....	11	29
Net financial loss from insurance contracts .....	(103)	(337)
Net foreign exchange gain .....	125	92
<b>Net financial income</b> .....	<b>(767)</b>	<b>(951)</b>
<i>Net loss on financial assets and financial liabilities mandatorily measured at fair value through the income statement</i>		
Equity instruments .....	(1,536)	(1,185)
Debt instruments .....	628	386
Derivatives .....	177	95
Loans .....	(15)	(8)
<b>Net loss on financial assets and financial liabilities mandatorily measured at fair value through the income statement</b> .....	<b>(746)</b>	<b>(712)</b>
<i>Net loss on fair value hedge of interest rate swap</i>		
Fair value change of interest rate swaps designated as hedging instruments .....	(2,822)	564
Fair value change on bonds issued by the Group attributable to interest rate risk .....	2,761	(588)
<b>Net loss on fair value hedge of interest rate swap</b> .....	<b>(61)</b>	<b>(24)</b>

## 10. Other operating income

	2026 1.1.-31.3.	2025 1.1.-31.3.
Fair value changes on investment property .....	104	3,464
Net (loss) gain on assets held for sale .....	(9)	3
Share of (loss) profit of associates .....	(8)	12
Other income .....	27	(158)
<b>Other operating income</b> .....	<b>114</b>	<b>3,321</b>
<i>Net (loss) gain on assets held for sale</i>		
Net gain from real estates and other assets .....	-	5
Expense related to real estates and other assets .....	(9)	(2)
<b>Net (loss) gain on assets held for sale</b> .....	<b>(9)</b>	<b>3</b>

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

## 11. Operating expenses

	2026 1.1.-31.3.	2025 1.1.-31.3.
Salaries and related expenses .....	5,024	4,269
Other operating expenses .....	3,416	3,205
Operating expenses from insurance operation .....	(984)	(873)
<b>Operating expenses</b> .....	<b>7,456</b>	<b>6,601</b>



# Notes to the Condensed Consolidated Interim Financial Statements

## 12. Personnel and salaries

	2026	2025
	1.1.-31.3.	1.1.-31.3.
<i>Number of employees</i>		
Average number of full-time equivalent positions during the period .....	899	869
Full-time equivalent positions at the end of the period .....	901	867
<i>Salaries and related expenses</i>		
Salaries .....	3,748	3,258
Incentive scheme, including salary related expense .....	119	(319)
Share-based payment expenses .....	36	27
Defined contribution pension plans .....	638	582
Salary-related expenses .....	483	721
<b>Salaries and related expenses</b> .....	<b>5,024</b>	<b>4,269</b>

### *Incentive schemes*

In the first quarter of 2026 the Group made a ISK 119 million provision for the incentive scheme, including salary-related expenses (Q1 2025: ISK 319 million was revised). At the period end the Group's accrual for the incentive scheme payments amounted to ISK 175 million (31.12.2025: ISK 1,678 million). The estimated cost of the deferred part of the incentive scheme from the fiscal years 2023–2025, to be settled in 2027–2031, amounting to ISK 629 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. Stefmir 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 Stefmir, approved at the Banks annual general meeting. A total expense of ISK 36 million was recognised in the Income Statement during the period (Q1 2025: ISK 27 million). Estimated remaining expenses due the share option contracts are ISK 366 million and will be expensed over the next 6 years. For further information on the share option program, see Note 36.

## 13. Other operating expenses

	2026	2025
	1.1.-31.3.	1.1.-31.3.
IT expenses .....	1,409	1,332
Professional services .....	476	360
Marketing .....	365	299
Housing expenses .....	133	135
Other administration expenses .....	634	637
Depreciation of property and equipment .....	112	136
Depreciation of right of use asset .....	40	39
Amortization of intangible assets .....	247	267
<b>Other operating expenses</b> .....	<b>3,416</b>	<b>3,205</b>



# Notes to the Condensed Consolidated Interim Financial Statements

## 14. 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.

## 15. Net impairment

	2026	2025
	1.1.-31.3.	1.1.-31.3.

### *Net impairment on financial instruments and value changes on loans*

Net impairment on loans to customers and financial institutions .....	(400)	(376)
Net impairment on other financial instruments at FVOCI .....	(1)	(2)
Other value changes of loans .....	10	-
<b>Net impairment</b> .....	<b>(391)</b>	<b>(378)</b>

### *Net impairment by customer type*

Individuals .....	(104)	211
Corporates .....	(287)	(589)
<b>Net impairment</b> .....	<b>(391)</b>	<b>(378)</b>

## 16. Income tax expense

	2026	2025
	1.1.-31.3.	1.1.-31.3.
Current tax expense .....	3,520	2,276
Deferred tax expense .....	223	1,450
<b>Current tax expense</b> .....	<b>3,743</b>	<b>3,726</b>

### *Reconciliation of effective tax rate*

	2026		2025	
	1.1.-31.3.		1.1.-31.3.	
Earnings before income tax .....	11,072		11,554	
Income tax using the Icelandic corporate tax rate .....	20.0%	2,214	20.0%	2,311
Additional 6% tax on Financial Undertakings .....	6.9%	767	4.4%	507
Non-deductible expenses .....	0.2%	20	0.1%	10
Tax exempt revenues / loss .....	5.6%	620	6.9%	795
Non-deductible taxes (Bank levy) .....	1.0%	108	0.9%	102
Effect of tax rates in foreign jurisdictions .....	0.0%	4	0.0%	-
Tax incentives not recognized in the Income Statement .....	0.1%	9	0.2%	22
Other changes .....	0.0%	1	(0.2%)	(21)
<b>Effective tax rate</b> .....	<b>33.8%</b>	<b>3,743</b>	<b>32.2%</b>	<b>3,726</b>

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.

# Notes to the Condensed Consolidated Interim Financial Statements



## 17. Discontinued operations held for sale, net of income tax

	2026	2025
	1.1.-31.3.	1.1.-31.3.
Net loss from discontinued operations held for sale, net of income tax .....	-	(11)
<b>Discontinued operations held for sale, net of income tax .....</b>	<b>-</b>	<b>(11)</b>

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

## 18. 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 period. 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 and share rights that have dilutive effects.

	Continued operations		Discontinued operations		Net earnings	
	2026	2025	2026	2025	2026	2025
	1.1.-31.3.	1.1.-31.3.	1.1.-31.3.	1.1.-31.3.	1.1.-31.3.	1.1.-31.3.
Net earnings attributable to the shareholders of Arion Bank .....	7,318	6,432	-	(11)	7,318	6,421
Total comprehensive income attributable to the shareholders .....	6,930	6,529	-	(11)	6,930	6,518
Weighted average number of outstanding shares (millions) .....	1,372	1,400	1,372	1,400	1,372	1,400
Weighted average number of outstanding shares, including options (millions) .....	1,384	1,412	1,384	1,412	1,384	1,412
<b>Basic earnings per share (ISK) .....</b>	<b>5.33</b>	<b>4.59</b>	<b>-</b>	<b>(0.01)</b>	<b>5.33</b>	<b>4.59</b>
<b>Diluted earnings per share (ISK) .....</b>	<b>5.29</b>	<b>4.55</b>	<b>-</b>	<b>(0.01)</b>	<b>5.29</b>	<b>4.55</b>
<b>Basic comprehensive income per share (ISK) .....</b>	<b>5.05</b>	<b>4.66</b>	<b>-</b>	<b>(0.01)</b>	<b>5.05</b>	<b>4.65</b>
<b>Diluted comprehensive income per share (ISK) .....</b>	<b>5.01</b>	<b>4.62</b>	<b>-</b>	<b>(0.01)</b>	<b>5.01</b>	<b>4.61</b>



# Notes to the Condensed Consolidated Interim Financial Statements

## Notes to the Consolidated Interim Statement of Financial Position

### 19. Cash and balances with Central Bank

	31.3.2026	31.12.2025
Cash on hand .....	2,255	2,022
Cash with Central Bank .....	73,125	114,486
Mandatory reserve deposit with Central Bank .....	34,203	33,603
<b>Cash and balances with Central Bank .....</b>	<b>109,583</b>	<b>150,111</b>

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%.

### 20. Loans to credit institutions

	31.3.2026	31.12.2025
Bank accounts .....	24,269	22,040
Other loans .....	510	527
<b>Loans to credit institutions .....</b>	<b>24,779</b>	<b>22,567</b>

### 21. Loans to customers

	Individuals		Corporates		Total	
	Gross carrying amount	Book value	Gross carrying amount	Book value	Gross carrying amount	Book value
31.3.2026						
Overdrafts .....	15,868	15,157	52,346	50,548	68,214	65,705
Credit cards .....	17,649	17,390	2,542	2,455	20,191	19,845
Loans to customers at fair value .....	-	-	1,994	1,496	1,994	1,496
Mortgage loans .....	588,894	588,123	93,675	92,419	682,569	680,542
Construction loans .....	-	-	62,200	60,609	62,200	60,609
Capital lease .....	594	587	6,733	6,624	7,327	7,211
Other loans .....	31,493	30,574	491,120	486,258	522,613	516,832
<b>Loans to customers .....</b>	<b>654,498</b>	<b>651,831</b>	<b>710,610</b>	<b>700,409</b>	<b>1,365,108</b>	<b>1,352,240</b>
31.12.2025						
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
<b>Loans to customers .....</b>	<b>642,955</b>	<b>640,394</b>	<b>698,663</b>	<b>688,662</b>	<b>1,341,618</b>	<b>1,329,056</b>

The total book value of pledged loans that were pledged against outstanding borrowings was ISK 293 billion at the end of the period (31.12.2025: ISK 286 billion). Pledged loans comprised mortgage loans to individuals.

Further analysis of loans is provided in Risk management disclosures.

### 22. Financial instruments

	31.3.2026	31.12.2025
Bonds and debt instruments .....	211,492	170,985
Shares and equity instruments with variable income .....	20,264	21,260
Derivatives .....	9,308	8,624
Securities used for economic hedging .....	19,554	14,947
<b>Financial instruments .....</b>	<b>260,618</b>	<b>215,816</b>

# Notes to the Condensed Consolidated Interim Financial Statements



## 23. Financial assets and financial liabilities

31.3.2026

<i>Financial assets</i>	Amortized cost	Fair value through OCI	Fair value through P/L	Total
<b>Loans</b>				
Cash and balances with Central Bank .....	109,583	-	-	109,583
Loans to credit institutions .....	24,779	-	-	24,779
Loans to customers .....	1,350,744	-	1,496	1,352,240
<b>Loans</b> .....	<b>1,485,106</b>	<b>-</b>	<b>1,496</b>	<b>1,486,602</b>
<b>Bonds and debt instruments</b>				
Listed .....	-	176,088	35,158	211,246
Unlisted .....	-	-	246	246
<b>Bonds and debt instruments</b> .....	<b>-</b>	<b>176,088</b>	<b>35,404</b>	<b>211,492</b>
<b>Shares and equity instruments with variable income</b>				
Listed .....	-	-	10,990	10,990
Unlisted .....	-	-	7,758	7,758
Bond funds with variable income, unlisted .....	-	-	1,516	1,516
<b>Shares and equity instruments with variable income</b> .....	<b>-</b>	<b>-</b>	<b>20,264</b>	<b>20,264</b>
<b>Derivatives</b>				
OTC derivatives .....	-	-	5,804	5,804
Derivatives used for hedge accounting .....	-	-	3,504	3,504
<b>Derivatives</b> .....	<b>-</b>	<b>-</b>	<b>9,308</b>	<b>9,308</b>
<b>Securities used for economic hedging</b>				
Bonds and debt instruments, listed .....	-	-	6,943	6,943
Shares and equity instruments with variable income, listed .....	-	-	12,611	12,611
<b>Securities used for economic hedging</b> .....	<b>-</b>	<b>-</b>	<b>19,554</b>	<b>19,554</b>
<b>Other financial assets</b>				
Accounts receivable .....	3,440	-	-	3,440
Other financial assets .....	11,505	-	-	11,505
<b>Other financial assets</b> .....	<b>14,945</b>	<b>-</b>	<b>-</b>	<b>14,945</b>
<b>Financial assets</b> .....	<b>1,500,051</b>	<b>176,088</b>	<b>86,026</b>	<b>1,762,165</b>
<b>Financial liabilities</b>				
Due to credit institutions and Central Bank .....	9,345	-	-	9,345
Deposits .....	936,806	-	-	936,806
Borrowings * .....	516,564	-	-	516,564
Subordinated liabilities * .....	42,984	-	-	42,984
Short positions in bonds .....	-	-	23	23
Derivatives .....	-	-	1,941	1,941
Derivatives used for hedge accounting .....	-	-	3,159	3,159
Other financial liabilities .....	19,478	-	-	19,478
<b>Financial liabilities</b> .....	<b>1,525,177</b>	<b>-</b>	<b>5,123</b>	<b>1,530,300</b>

\* Including effect from hedge accounting derivatives.



# Notes to the Condensed Consolidated Interim Financial Statements

## 23. Financial assets and financial liabilities, continued

31.12.2025

<i>Financial assets</i>	Amortized cost	Fair value through OCI	Fair value through P/L	Total
<i>Loans</i>				
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
<b>Loans</b> .....	<b>1,500,284</b>	<b>-</b>	<b>1,450</b>	<b>1,501,734</b>
<i>Bonds and debt instruments</i>				
Listed .....	-	138,302	32,479	170,781
Unlisted .....	-	-	204	204
<b>Bonds and debt instruments</b> .....	<b>-</b>	<b>138,302</b>	<b>32,683</b>	<b>170,985</b>
<i>Shares and equity instruments with variable income</i>				
Listed .....	-	-	11,499	11,499
Unlisted .....	-	-	9,008	9,008
Bond funds with variable income, unlisted .....	-	-	753	753
<b>Shares and equity instruments with variable income</b> .....	<b>-</b>	<b>-</b>	<b>21,260</b>	<b>21,260</b>
<i>Derivatives</i>				
OTC derivatives .....	-	-	5,414	5,414
Derivatives used for hedge accounting .....	-	-	3,210	3,210
<b>Derivatives</b> .....	<b>-</b>	<b>-</b>	<b>8,624</b>	<b>8,624</b>
<i>Securities used for economic hedging</i>				
Bonds and debt instruments, listed .....	-	-	1,732	1,732
Shares and equity instruments with variable income, listed .....	-	-	13,215	13,215
<b>Securities used for economic hedging</b> .....	<b>-</b>	<b>-</b>	<b>14,947</b>	<b>14,947</b>
<i>Other financial assets</i>				
Accounts receivable .....	3,465	-	-	3,465
Other financial assets .....	13,566	-	-	13,566
<b>Other financial assets</b> .....	<b>17,031</b>	<b>-</b>	<b>-</b>	<b>17,031</b>
<b>Financial assets</b> .....	<b>1,517,315</b>	<b>138,302</b>	<b>78,964</b>	<b>1,734,581</b>
<i>Financial liabilities</i>				
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
<b>Financial liabilities</b> .....	<b>1,483,318</b>	<b>-</b>	<b>3,129</b>	<b>1,486,447</b>

\* Including effect from hedge accounting derivatives.

# Notes to the Condensed Consolidated Interim Financial Statements



## 23. Financial assets and financial liabilities, continued

	Fair value through OCI	Manda- torily at fair value thr. P/L	Total
<i>Bonds and debt instruments measured at fair value, specified by issuer</i>			
31.3.2026			
Financial and insurance activities .....	1,584	9,765	11,349
Public sector .....	174,504	21,780	196,284
Corporates .....	-	3,859	3,859
<b>Bonds and debt instruments at fair value .....</b>	<b>176,088</b>	<b>35,404</b>	<b>211,492</b>
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
<b>Bonds and debt instruments at fair value .....</b>	<b>138,302</b>	<b>32,683</b>	<b>170,985</b>

The total amount of pledged bonds was ISK 3.2 billion at the end of the period (31.12.2025: ISK 3.2 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.

## 24. 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*

	Level 1	Level 2	Level 3	Total
<i>Assets at fair value</i>				
31.3.2026				
Loans to customers .....	-	-	1,496	1,496
Bonds and debt instruments .....	207,332	4,160	-	211,492
Shares and equity instruments with variable income .....	10,921	5,746	3,597	20,264
Derivatives .....	-	5,804	-	5,804
Derivatives used for hedge accounting .....	-	3,504	-	3,504
Securities used for economic hedging .....	19,554	-	-	19,554
Investment property .....	-	-	7,440	7,440
<b>Assets at fair value .....</b>	<b>237,807</b>	<b>19,214</b>	<b>12,533</b>	<b>269,554</b>
<i>Liabilities at fair value</i>				
Short positions in bonds .....	23	-	-	23
Derivatives .....	-	1,941	-	1,941
Derivatives used for hedge accounting .....	-	3,159	-	3,159
<b>Liabilities at fair value .....</b>	<b>23</b>	<b>5,100</b>	<b>-</b>	<b>5,123</b>

# Notes to the Condensed Consolidated Interim Financial Statements



## 24. Fair value hierarchy, continued

31.12.2025

<i>Assets at fair value</i>	Level 1	Level 2	Level 3	Total
Loans to credit institutions .....	-	-	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
<b>Assets at fair value .....</b>	<b>193,398</b>	<b>18,411</b>	<b>12,762</b>	<b>224,571</b>
<i>Liabilities at fair value</i>				
Derivatives .....	-	1,411	-	1,411
Derivatives used for hedge accounting .....	-	1,718	-	1,718
<b>Liabilities at fair value .....</b>	<b>-</b>	<b>3,129</b>	<b>-</b>	<b>3,129</b>

There was no transfer between Level 1 and Level 2 during the period (2025: no transfers).

### *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.

# Notes to the Condensed Consolidated Interim Financial Statements



## 24. 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			Total
		Loans	Bonds	Shares	
<b>31.3.2026</b>					
Balance at the beginning of the year .....	7,305	1,450	3	4,003	12,761
Net fair value changes .....	103	46	(2)	(421)	(274)
Additions .....	32	-	-	15	47
Disposals .....	-	-	(1)	-	(1)
<b>Balance at the end of the period .....</b>	<b>7,440</b>	<b>1,496</b>	<b>-</b>	<b>3,597</b>	<b>12,533</b>
<b>31.12.2025</b>					
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)
<b>Balance at the end of the year .....</b>	<b>7,305</b>	<b>1,450</b>	<b>3</b>	<b>4,004</b>	<b>12,762</b>

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

	Investment property	Financial assets			Total
		Loans	Bonds	Shares	
<b>31.3.2026</b>					
Net interest income .....	-	61	-	-	61
Net financial income .....	-	(15)	(2)	(421)	(438)
Other operating income .....	103	-	-	-	103
<b>Effects recognized in the Income Statement .....</b>	<b>103</b>	<b>46</b>	<b>(2)</b>	<b>(421)</b>	<b>(274)</b>
<b>31.12.2025</b>					
Net interest income .....	-	122	-	-	122
Net financial income .....	-	(30)	-	(218)	(248)
Other operating income .....	4,848	-	-	-	4,848
<b>Effects recognized in the Income Statement .....</b>	<b>4,848</b>	<b>92</b>	<b>-</b>	<b>(218)</b>	<b>4,722</b>

# Notes to the Condensed Consolidated Interim Financial Statements



## 24. Fair value hierarchy, continued

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

31.3.2026	Carrying value	Fair value	Unrealized (loss) gain
<i>Financial assets not carried at fair value</i>			
Cash and balances with Central Bank .....	109,583	109,583	-
Loans to credit institutions .....	24,779	24,779	-
Loans to customers .....	1,350,744	1,343,960	(6,784)
Other financial assets .....	14,945	14,945	-
<b>Financial assets not carried at fair value .....</b>	<b>1,500,051</b>	<b>1,493,267</b>	<b>(6,784)</b>
<i>Financial liabilities not carried at fair value</i>			
Due to credit institutions and Central Bank .....	9,345	9,345	-
Deposits .....	936,806	936,806	-
Borrowings .....	516,564	522,766	(6,202)
Subordinated liabilities .....	42,984	49,854	(6,870)
Other financial liabilities .....	19,478	19,478	-
<b>Financial liabilities not carried at fair value .....</b>	<b>1,525,177</b>	<b>1,538,249</b>	<b>(13,072)</b>
31.12.2025			
<i>Financial assets not carried at fair value</i>			
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	-
<b>Financial assets not carried at fair value .....</b>	<b>1,517,315</b>	<b>1,518,913</b>	<b>1,598</b>
<i>Financial liabilities not carried at fair value</i>			
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	-
<b>Financial liabilities not carried at fair value .....</b>	<b>1,483,318</b>	<b>1,496,649</b>	<b>(13,331)</b>

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

31.3.2026	Notional value	Fair value	
		Assets	Liabilities
Forward exchange rate agreements .....	88,933	73	56
Fair value hedge of interest rate swap .....	304,987	3,504	3,160
Interest rate and exchange rate agreements .....	32,992	159	1,477
Bond swap agreements .....	9,792	277	38
Share swap agreements .....	18,246	5,295	369
<b>Derivatives .....</b>	<b>454,951</b>	<b>9,308</b>	<b>5,100</b>
31.12.2025			
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
<b>Derivatives .....</b>	<b>417,679</b>	<b>8,624</b>	<b>3,129</b>

# Notes to the Condensed Consolidated Interim Financial Statements



## 24. 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 32 and 33, 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 2026 the slope for the regression line was in all cases within the range of 0.92-1.03 and the regression coefficient was at least 0.98. During 2025, the slope of the regression line was in all cases within the range of 0.95-1.24 and the regression coefficient was at least 0.94. In all cases the effectiveness is within limits in 2026 and 2025.

	Notional Value	Maturity date	Fair value		Gain (loss)
			Assets	Liabilities	on FV changes
<b>1.1.-31.3.2026</b>					
Interest rates swaps - EUR .....	71,733	6-12 mth	-	1,126	227
Interest rates swaps - EUR .....	43,040	0-3 mth	2,462	-	(91)
Interest rates swaps - USD .....	2,490	1-5 years	70	-	(23)
Interest rates swaps - EUR .....	43,040	1-5 years	628	-	(524)
Interest rates swaps - USD .....	15,564	1-5 years	-	238	(102)
Interest rates swaps - EUR .....	43,040	1-5 years	344	-	(548)
Interest rates swaps - EUR .....	43,040	over 5 years	-	466	(526)
Interest rates swaps - EUR .....	43,040	over 5 years	-	1,329	(1,235)
			<b>3,504</b>	<b>3,159</b>	<b>(2,822)</b>
<b>1.1.-31.12.2025</b>					
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)
			<b>3,210</b>	<b>1,718</b>	<b>1,185</b>

### Hedged borrowings and subordinated liabilities

	Book value	Accumulated fair value		Gain (loss)
		Assets	Liabilities	on FV changes
<b>1.1.-31.3.2026</b>				
EUR 300 million - issued 2021 - 4 years .....	41,729	1,227	-	1,227
EUR 500 million - issued 2021 - 5 years .....	28,204	787	-	(226)
EUR 300 million - issued 2025 - 5 years .....	43,467	710	-	506
EUR 300 million - issued 2023 - 3 years .....	45,746	-	60	90
USD 21 million - issued 2024 - 3 years .....	2,892	-	31	22
EUR 300 million - issued 2024 - 4 years .....	43,742	-	85	520
USD 125 million - issued 2024 - Perpetual .....	15,115	314	-	100
EUR 300 million - issued 2025 - 6 years .....	42,566	936	-	522
<b>Hedged borrowings and subordinated liabilities .....</b>	<b>263,461</b>	<b>3,974</b>	<b>176</b>	<b>2,761</b>
<b>1.1.-31.12.2025</b>				
EUR 300 million - issued 2020 - 4 years .....	-	-	-	(648)
USD 100 million - issued 2020 - Perpetual .....	72,265	1,038	-	(1,391)
EUR 500 million - issued 2021 - 5 years .....	44,731	209	-	196
EUR 300 million - issued 2021 - 4 years .....	46,252	-	154	247
EUR 300 million - issued 2022 - 2 years .....	2,893	-	53	(31)
EUR 300 million - issued 2023 - 3 years .....	44,916	-	622	427
USD 21 million - issued 2024 - 3 years .....	15,635	218	-	(434)
EUR 300 million - issued 2024 - 4 years .....	43,835	423	-	436
<b>Hedged borrowings and subordinated liabilities .....</b>	<b>270,527</b>	<b>1,888</b>	<b>829</b>	<b>(1,198)</b>



# Notes to the Condensed Consolidated Interim Financial Statements

## 25. 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			Assets not subject to enforceable netting arrangements	Total assets recognized on Balance Sheet, net
	Gross assets before nettings	Nettings with gross liabilities	Assets recognized on Balance Sheet, net	Financial liabilities	Collateral received	Assets after consideration of netting potential		
31.3.2026								
Reverse repurchase agreements .....	17,349	(10,998)	6,351	10,998	-	17,349	-	6,351
Derivatives .....	4,346	-	4,346	(1,188)	(2,132)	1,026	4,962	9,308
<b>Total assets</b> .....	<b>21,695</b>	<b>(10,998)</b>	<b>10,697</b>	<b>9,810</b>	<b>(2,132)</b>	<b>18,375</b>	<b>4,962</b>	<b>15,659</b>
31.12.2025								
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
<b>Total assets</b> .....	<b>20,774</b>	<b>(10,789)</b>	<b>9,985</b>	<b>9,303</b>	<b>(5,602)</b>	<b>13,686</b>	<b>4,885</b>	<b>14,870</b>

### Financial liabilities subject to enforceable master netting arrangements and similar arrangements

	Liabilities subject to netting arrangements			Netting potential not recognized in the Balance Sheet			Liabilities after consideration of netting potential	Liabilities not subject to enforceable netting arrangements	Total liabilities on balance sheet, net
	Gross liabilities before nettings	Nettings with gross assets	Liabilities recognized on Balance Sheet, net	Financial assets	Collateral pledged				
31.3.2026									
Repurchase agreements .....	16,649	(10,998)	5,651	10,998	-	16,649	-	5,651	
Derivatives .....	4,954	-	4,954	(1,188)	(3,705)	61	146	5,100	
<b>Total liabilities</b> .....	<b>21,603</b>	<b>(10,998)</b>	<b>10,605</b>	<b>9,810</b>	<b>(3,705)</b>	<b>16,710</b>	<b>146</b>	<b>10,751</b>	
31.12.2025									
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	
<b>Total liabilities</b> .....	<b>19,134</b>	<b>(10,789)</b>	<b>8,345</b>	<b>9,303</b>	<b>(1,752)</b>	<b>15,896</b>	<b>574</b>	<b>8,919</b>	

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

## 26. Investments in associates

	31.3.2026	31.12.2025
Carrying amount at the beginning of the year .....	760	814
Decreased share capital .....	-	(19)
Dividend received .....	-	(8)
Share of loss of associates .....	(8)	(27)
<b>Investment in associates</b> .....	<b>753</b>	<b>760</b>

### The Group's interest in its principal associates

	31.3.2026	31.12.2025
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%
Glassriver ehf., Grensásvegur 7, Reykjavík, Iceland .....	41.7%	-
Matorka ehf., Eyrartröd 12, Grindavík, Iceland .....	19.5%	19.5%

In 2026 Arion Bank obtained a share in Glassriver ehf. as a result of debt restructuring of the company.

# Notes to the Condensed Consolidated Interim Financial Statements



## 27. 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

	Goodwill	Infra-structure	Customer relationship and related agreements	Software	Total
1.1.-31.3.2026					
Balance at the beginning of the year .....	730	2,383	367	4,053	7,533
Additions .....	-	-	-	254	254
Amortization .....	-	-	(15)	(232)	(247)
<b>Balance at the end of the period .....</b>	<b>730</b>	<b>2,383</b>	<b>352</b>	<b>4,075</b>	<b>7,540</b>
1.1.-31.12.2025					
Balance at the beginning of the year .....	730	2,383	427	4,148	7,688
Additions .....	-	-	-	852	852
Amortization .....	-	-	(60)	(947)	(1,007)
<b>Balance at the end of the year .....</b>	<b>730</b>	<b>2,383</b>	<b>367</b>	<b>4,053</b>	<b>7,533</b>

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



# Notes to the Condensed Consolidated Interim Financial Statements

## 28. Tax assets and tax liabilities

	31.3.2026		31.12.2025	
	Assets	Liabilities	Assets	Liabilities
Current tax .....	-	12,348	-	10,738
Deferred tax .....	2	2,468	2	2,245
<b>Tax assets and tax liabilities</b> .....	<b>2</b>	<b>14,816</b>	<b>2</b>	<b>12,983</b>

## 29. Assets and disposal groups held for sale

	31.3.2026	31.12.2025
Real estate and other assets .....	128	98
<b>Assets and disposal groups held for sale</b> .....	<b>128</b>	<b>98</b>

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

## 30. Other assets

	31.3.2026	31.12.2025
Property and equipment .....	3,464	3,354
Right-of-use asset .....	811	745
Accounts receivable .....	3,440	3,465
Unsettled securities trading .....	6,828	9,174
Sundry assets .....	6,207	5,779
<b>Other assets</b> .....	<b>20,750</b>	<b>22,517</b>

## 31. Other liabilities

	31.3.2026	31.12.2025
Accounts payable .....	1,637	1,496
Unsettled securities trading .....	9,098	3,041
Insurance contract liabilities .....	23,610	22,435
Withholding tax .....	1,487	6,560
Bank levy .....	2,320	2,107
Accrued expenses .....	4,434	5,508
Prepaid income .....	1,418	1,466
Impairment of off-balance items .....	541	682
Lease liability .....	923	867
Sundry liabilities .....	8,203	6,574
<b>Other liabilities</b> .....	<b>53,671</b>	<b>50,736</b>

### *Insurance contract liabilities*

Liabilities for remaining coverage .....	4,245	3,739
Liabilities for incurred claims .....	18,508	17,866
Risk adjustment .....	857	830
<b>Insurance contract liabilities</b> .....	<b>23,610</b>	<b>22,435</b>

# Notes to the Condensed Consolidated Interim Financial Statements



## 32. Borrowings

	First issued	Maturity	Maturity type	Terms of interest	31.3.2026	31.12.2025
Currency, original nominal value						
ARION CBI 26 ISK 17,080 million .....	2019	10/2026	At maturity	Fixed CPI linked 2.00% .....	16,396	20,094
ARION CB EUR 500 million* .....	2021	10/2026	At maturity	Fixed 0.05% .....	28,205	72,265
ARION CB 27, ISK 53,100 million .....	2022	10/2027	At maturity	Fixed 5.50% .....	26,555	26,083
ARION CBI 28, ISK 27,420 million .....	2024	9/2028	At maturity	Fixed CPI linked 4.25% .....	23,599	23,286
ARION CBI 29, ISK 27,200 million .....	2014	12/2029	At maturity	Fixed CPI linked 3.50% .....	42,713	41,370
ARION CBI 30, ISK 31,920 million .....	2023	11/2030	At maturity	Fixed CPI linked 2.75% .....	34,545	33,421
Arion CB EUR 300 million* .....	2026	2/2031	At maturity	Fixed, 2.75 % .....	41,729	-
ARION CBI 31, ISK 9,060 million .....	2025	8/2031	At maturity	Fixed CPI linked 3.65% .....	18,610	8,299
ARION CBI 48, ISK 11,680 million .....	2018	1/2048	Amortizing	Fixed CPI linked 2.50% .....	12,750	12,732
<b>Statutory covered bonds</b> .....					<b>245,102</b>	<b>237,550</b>
SEK 300 million .....	2023	3/2026	At maturity	Floating STIBOR 3M +3.00% .....	-	4,091
EUR 300 million* .....	2023	5/2026	At maturity	Fixed 7.25% .....	45,746	46,252
ARION 26 1222 Green, ISK 5,760 million ..	2021	12/2026	At maturity	Fixed 4.70% .....	5,485	5,417
NOK 250 million .....	2017	4/2027	At maturity	Fixed 3.40% .....	3,293	3,182
SEK 500 million Green .....	2024	10/2027	At maturity	Floating STIBOR 3M +1.20% .....	6,568	6,840
NOK 500 million Green .....	2024	10/2027	At maturity	Floating NIBOR 3M +1.20% .....	6,454	6,288
USD 21 million* .....	2024	12/2027	At maturity	Fixed 6.25% .....	2,892	2,893
NOK 600 million Green .....	2025	12/2027	At maturity	Floating NIBOR 3M +1.17% .....	7,678	7,479
SEK 900 million Green .....	2025	12/2027	At maturity	Floating STIBOR 3M +1.20% .....	11,760	12,248
ARION 28 1512, ISK 16,920 million .....	2023	12/2028	At maturity	Fixed CPI linked 4.35% .....	18,925	18,271
SEK 250 million .....	2025	1/2028	At maturity	Floating STIBOR 3M +1.13% .....	3,282	3,418
NOK 350 million .....	2025	1/2028	At maturity	Floating NIBOR 3M +1.11% .....	4,513	4,397
USD 27 million .....	2025	7/2028	At maturity	Fixed 5.00% .....	3,035	3,015
EUR 300 million * .....	2024	11/2028	At maturity	Fixed 4.625% .....	43,741	44,916
NOK 550 million Green .....	2026	1/2029	At maturity	Floating, Nibor 3M + 0.80% .....	7,070	-
SEK 650 million Green .....	2026	1/2029	At maturity	Floating, Stibor 3M + 0.83% .....	8,512	-
EUR 300 million * .....	2025	5/2030	At maturity	Fixed 3.625% .....	43,467	44,731
EUR 300 million * .....	2025	9/2031	At maturity	Fixed 3.50% .....	42,566	43,835
NOK 300 million Green .....	2026	1/2031	At maturity	Floating, Nibor 3M + 1.05% .....	3,856	-
SEK 200 million Green .....	2026	1/2031	At maturity	Floating, Stibor 3M + 1.07% .....	2,619	-
<b>Senior unsecured bonds</b> .....					<b>271,462</b>	<b>257,273</b>
<b>Borrowings</b> .....					<b>516,564</b>	<b>494,823</b>

\* 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 24. 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 517 billion at the end of the period (31.12.2025: ISK 495 billion). The market value of those bonds was ISK 523 billion (31.12.2025: ISK 501 billion). The Group repurchased own debts amounting to ISK 47 billion during the period with a net gain of ISK 7 million recognized in the Income Statement (2025: ISK 33 million gain).



# Notes to the Condensed Consolidated Interim Financial Statements

## 33. Subordinated liabilities

Currency, original nominal value	Issued	Maturity	First call date	Terms of interest	31.3.2026	31.12.2025
EUR 5 million .....	2019	1/2026	6 Mar '26	Fixed 3.24% .....	-	753
ARION T2I ISK 33 9,860 million .....	2022	12/2033	15 Dec '28	Fixed CPI linked 4.95% .....	12,045	11,613
ARION T2 33 ISK 2,240 million .....	2022	12/2033	15 Dec '28	Fixed 9.25% .....	2,300	2,249
SEK 225 million .....	2024	11/2034	20 Nov '29	Floating 3 mth STIBOR +2.65% ....	2,954	3,078
ARION T2I 36 ISK 10,040 million .....	2025	12/2036	2 Dec '31	Fixed CPI linked 5.00% .....	10,570	10,190
<b>Tier 2 subordinated liabilities</b> .....					<b>27,869</b>	<b>27,883</b>
ARION AT1 USD 125 million * .....	2024	Perpetual	24 Mar '30	Fixed 8.125% .....	15,115	15,635
<b>Additional Tier 1 subordinated liabilities</b> .....					<b>15,115</b>	<b>15,635</b>
<b>Subordinated liabilities</b> .....					<b>42,984</b>	<b>43,518</b>

\* 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.

## 34. Liabilities arising from financial activities

	At 1 Jan.	Net				At period end
		cash flows	Interest expenses	Foreign exchange	Effect from hedge	
1.1.-31.3.2026						
Covered bonds in ISK - CPI linked.....	139,202	4,760	4,651	-	-	148,613
Covered bonds in ISK.....	26,083	-	472	-	-	26,555
Covered bonds in FX.....	72,265	272	541	(2,062)	(1,082)	69,934
Senior unsecured bonds in FX.....	233,585	17,893	2,644	(5,446)	(1,624)	247,052
Senior unsecured bonds in ISK.....	5,417	(42)	75	-	35	5,485
Senior unsecured bonds in ISK - CPI linked.....	18,271	(7)	661	-	-	18,925
Subordinated bond T2 in ISK - CPI linked.....	21,803	1	811	-	-	22,615
Subordinated bond T2 ISK.....	2,249	-	51	-	-	2,300
Subordinated bond T2 FX.....	3,831	(785)	42	(134)	-	2,954
Subordinated bond AT1 FX.....	15,635	(637)	318	(111)	(90)	15,115
<b>Liabilities arising from financial activities</b> .....	<b>538,341</b>	<b>21,455</b>	<b>10,266</b>	<b>(7,753)</b>	<b>(2,761)</b>	<b>559,548</b>
1.1.-31.12.2025						
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
<b>Liabilities arising from financial activities</b> .....	<b>477,716</b>	<b>26,114</b>	<b>28,541</b>	<b>4,772</b>	<b>1,198</b>	<b>538,341</b>

# Notes to the Condensed Consolidated Interim Financial Statements



## 35. Pledged assets

	31.3.2026	31.12.2025
<i>Pledged assets against liabilities</i>		
Assets, pledged as collateral against borrowings .....	423,235	359,645
Assets pledged as a collateral against loans from banks and other financial liabilities .....	6,942	5,049
<b>Pledged assets against liabilities</b> .....	<b>430,177</b>	<b>364,694</b>
Thereof pledged assets against issued covered bonds held by the Bank .....	(141,666)	(85,549)
Assets against repoed issued bonds .....	15,992	15,727
<b>Pledged assets against liabilities on balance</b> .....	<b>304,503</b>	<b>294,872</b>

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 245 billion at period end (31.12.2025: ISK 238 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 110 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 (31.12.2025: ISK 61 billion). Pledged assets against those covered bonds are ISK 126 billion (31.12.2025: ISK 70 billion).

## 36. 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	2026 total	Share capital	Own shares	Share premium	2025 total
Balance at the beginning of the year .....	1,420	(36)	-	1,383	1,513	(101)	4,273	5,686
Share capital reduction .....	-	-	-	-	(93)	93	-	-
Purchase of treasury shares .....	-	(25)	(1,258)	(1,283)	-	(36)	(5,218)	(5,254)
Share option vested .....	-	6	941	947	-	6	715	721
Incentive scheme .....	-	1	317	318	-	1	229	230
<b>Balance at the end of the period</b> .....	<b>1,420</b>	<b>(53)</b>	<b>-</b>	<b>1,365</b>	<b>1,420</b>	<b>(36)</b>	<b>-</b>	<b>1,383</b>
Own shares / issued share capital .....		3.85%				2.59%		

The AGM of Arion Bank, held on 11 March 2026, approved to reduce the Bank's share capital by ISK 40 million nominal value, by cancelling the Bank's own shares. A request was sent to Nasdaq and the reduction was carried out after the reporting period, on 14 April 2026. Thus, the share capital of Arion Bank was reduced from ISK 1,420 million to ISK 1,380 million in April 2026. In 2025 the nominal value of Arion Bank's share capital was reduced by ISK 93 million nominal value.

In accordance with the Bank's dividend policy Arion Bank has in place a regular buyback program. In January 2026 the FSA granted the Bank authorization to buy back own shares in Iceland and Sweden amounting up to a total of ISK 5.0 billion. There are no ongoing programs at the end of March 2026. In 2025 the FSA authorized the Bank to initiate share buy-back programs in Iceland and Sweden amounting up to a total of 19.9 million shares or up to ISK 3.0 billion.



# Notes to the Condensed Consolidated Interim Financial Statements

## 36. Equity, continued

### Share options

Arion Bank has in place a share option plan for all employees of the Bank, Vördur and Stefmir, 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 12 for further disclosures on the incentive scheme.

The following share option contracts are in existence at period end.

	Number of shares (in ths.)	Exercise year	Exercise price (ISK)
Issued in 2023 (ISK 1,500,000) - employees of subsidiaries .....	583	2026	140.6
Issued in 2024 (ISK 1,500,000) - employees of subsidiaries .....	157	2026	143.4
Issued in 2024 - deferred remuneration contingent on specific conditions .....	1,281	2028-29	Indeterminate
Issued in 2025 (ISK 1,500,000) - employees of subsidiaries .....	164	2026	155.9
Issued in 2025 - incentive scheme - employees of Group .....	4,337	2028-30	Indeterminate
Issued in 2025 - deferred remuneration contingent on specific conditions .....	776	2029-30	Indeterminate
Issued in 2026 (ISK 1,500,000) - employees of subsidiaries .....	31,411	2027-31	199.6
Issued in 2026 - incentive scheme - employees of Group .....	3,940	2029-31	Indeterminate
Issued in 2026 - deferred remuneration contingent on specific conditions .....	898	2030-31	Indeterminate
	<u>43,547</u>		

Movements in share options during the period.

	31.3.2026		31.12.2025	
	Number of shares (in ths.)	Weighted average contract rate	Number of shares (in ths.)	Weighted average contract rate
<i>Share options pursuant to Icelandic income tax act</i>				
Outstanding at the beginning of the year .....	8,952	139.1	17,116	135.1
Share options granted .....	31,411	199.6	1,203	172.0
Share options forfeited .....	(2,333)	162.8	(4,523)	130.1
Share options exercised, WAVG share price ISK 197.9 at exercise date (2025: 169.5) .....	(5,716)	131.2	(4,844)	124.2
<b>Share options pursuant to Icelandic income tax act .....</b>	<u>32,314</u>	<u>198.1</u>	<u>8,952</u>	<u>135.1</u>

### Share options - incentive scheme

Outstanding at the beginning of the year .....	4,338	Indeterminate	-	Indeterminate
Share options granted .....	3,940	Indeterminate	4,562	Indeterminate
Share options forfeited .....	-	Indeterminate	(224)	Indeterminate
<b>Share options - incentive scheme .....</b>	<u>8,278</u>	<u>Indeterminate</u>	<u>4,338</u>	<u>Indeterminate</u>

### Share options - deferred remuneration contingent on specific conditions

Outstanding at the beginning of the year .....	3,420	Indeterminate	3,618	Indeterminate
Share options granted .....	898	Indeterminate	785	Indeterminate
Share options forfeited .....	-	Indeterminate	(9)	Indeterminate
Share options exercised (deferred from 2023) .....	(1,363)	199.5	(974)	175.5
<b>Share options - deferred remuneration contingent on specific conditions .....</b>	<u>2,955</u>	<u>Indeterminate</u>	<u>3,420</u>	<u>Indeterminate</u>

**Outstanding share options at the end of the period .....** 43,547 16,710

No share options are exercisable at period end. Next exercise periods are in May 2026 and February 2027.

All outstanding share options, if exercised, represent approximately 3.1% 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.



# Notes to the Condensed Consolidated Interim Financial Statements

## Other information

### 37. Shareholders of Arion Bank

	31.3.2026	31.12.2025
Gildi lífeyrissjóður .....	9.51%	9.55%
Lífeyrissjóður verzlunarmanna .....	9.38%	9.56%
Lífeyrissjóður starfsmanna ríkisins .....	8.94%	9.24%
Brú lífeyrissjóður .....	5.15%	5.22%
Stodir hf. ....	5.07%	5.07%
Vanguard .....	4.07%	3.97%
Frjálsi lífeyrissjóðurinn .....	3.92%	4.07%
Arion banki hf. ....	3.85%	2.59%
Almenni-Lífsværk lífeyrissjóður (Almenni lífeyrissjóðurinn and Lífsværk 2025) .....	3.52%	3.87%
Birta lífeyrissjóður .....	2.99%	2.97%
Stapi lífeyrissjóður .....	2.79%	2.92%
Festa lífeyrissjóður .....	2.61%	2.61%
Hvalur hf. ....	2.59%	2.59%
Íslandsbanki hf. ....	1.43%	1.44%
Stefnir funds .....	1.40%	1.73%
Landsbréf hf. ....	0.95%	1.05%
Other shareholders with less than 1% shareholding .....	31.84%	31.57%
	<u>100.0%</u>	<u>100.0%</u>

At the end of the period the Group's employees held a shareholding of 1.87% in Arion Bank (31.12.2025: 1.36%). The Board of Directors and key management personnel shareholding is as follows:

	31.3.2026		31.12.2025	
	Options	Number of shares	Options	Number of shares
Steinunn K. Thórdardóttir, Director .....	-	12,000	-	12,000
Alternate directors of the Board .....	-	49,933	-	49,933
Benedikt Gíslason, CEO .....	37,573	3,229,488	12,136	3,181,575
Key management personnel* .....	1,905,185	3,511,741	627,353	3,328,222

\* Key management personnel are defined in Note 42.

### 38. 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, Kortapjónustan 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 Kortapjónustan 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, Kortapjónustan 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.



## 38. 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.

### *FSA preliminary findings into alleged violations of MAR and MiFID II*

The Financial Supervisory Authority of the Central Bank of Iceland has, since April 2024, been examining possible violations by Arion Bank hf. of provisions of Act No. 60/2021 on measures against market abuse, for having failed to report to the Financial Supervisory Authority suspicious transactions that the bank executed on behalf of clients and that may have constituted market manipulation, and the Bank's compliance with the provisions of Act No. 115/2021 on markets in financial instruments relating to sound business conduct and investor protection. The Bank received a preliminary finding regarding the examination on 31 March 2026 and has been granted a deadline to submit views and objections, pursuant to Article 13 of the Administrative Procedures Act No. 37/1993. Violations of the provisions of the aforementioned acts may be subject to administrative fines. The Bank has not made any provision as the final outcome of the matter is still uncertain.

### *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.

## 39. Events after the reporting period

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

# Notes to the Condensed Consolidated Interim Financial Statements



## Off balance sheet information

### 40. Commitments

	31.3.2026	31.12.2025
<i>Financial guarantees, unused credit facilities and undrawn loan commitments</i>		
Financial guarantees .....	24,361	25,450
Unused overdrafts .....	89,324	90,187
Undrawn loan commitments .....	80,863	85,329
<b>Financial guarantees, unused credit facilities and undrawn loan commitments .....</b>	<b>194,548</b>	<b>200,966</b>

### 41. Assets under management, supervision and custody

	31.3.2026	31.12.2025
Assets under management .....	1,564,264	1,563,569
Assets under supervision .....	414,547	425,248
Assets under custody .....	1,182,440	1,107,656

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

### 42. 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 financial and operating decisions of Arion Bank but do not control those policies. At the end of the period no shareholder was defined as related party with an influence over the Group (31.12.2025: 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 12 and 37.

For information on the Group's associated companies, see Note 26.

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	
	31.3.2026	31.12.2025	31.3.2026	31.12.2025
Loans .....	3,818	3,940	1,850	1,072
Other assets .....	4	4	-	-
<b>Total assets .....</b>	<b>3,823</b>	<b>3,944</b>	<b>1,850</b>	<b>1,072</b>
Deposits .....	(2,516)	(995)	(176)	(10)
Other liabilities .....	-	-	(14)	(24)
<b>Total liabilities .....</b>	<b>(2,516)</b>	<b>(995)</b>	<b>(190)</b>	<b>(33)</b>



## 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](http://www.arionbank.com).



## 43. 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.



# Notes to the Condensed Consolidated Interim Financial Statements

## 43. 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

	Maximum exposure	Collateral				Total collateral
		Cash and securities	Real estate	Vessels	Other collateral	
31.3.2026						
Cash and balances with Central Bank .....	109,583	-	-	-	-	-
Loans to credit institutions at amortized cost .....	24,779	-	-	-	-	-
Loans to customers at amortized cost .....	1,350,744	17,299	1,011,439	61,750	107,507	1,197,995
<i>Individuals</i> .....	651,831	235	600,819	20	14,108	615,182
<i>Mortgages</i> .....	588,123	188	587,480	-	-	587,668
<i>Other</i> .....	63,708	47	13,339	20	14,108	27,514
<i>Corporates</i> .....	698,913	17,064	410,620	61,730	93,399	582,813
<i>Real estate activities</i> .....	135,018	4,396	126,949	11	281	131,637
<i>Construction</i> .....	115,929	776	105,436	6	2,249	108,467
<i>Fishing industry</i> .....	107,680	1,214	32,109	54,229	12,564	100,116
<i>Commerce and services</i> .....	87,163	1,409	36,857	765	21,789	60,820
<i>Accommodation and food service activities</i> .....	49,598	29	46,631	-	186	46,846
<i>Financial and insurance activities</i> .....	50,594	8,403	11,682	4,044	20,507	44,636
<i>Industry, energy and manufacturing</i> .....	69,538	517	32,319	-	18,722	51,558
<i>Transportation</i> .....	18,654	59	1,129	2,643	9,707	13,538
<i>Information and communication technology</i> .....	40,855	246	1,710	-	6,667	8,623
<i>Public sector</i> .....	9,637	15	2,594	11	135	2,755
<i>Agriculture and forestry</i> .....	14,247	-	13,204	21	592	13,817
Other assets with credit risk .....	14,945	-	-	-	-	-
Financial guarantees .....	24,361	1,291	5,151	258	5,463	12,163
Undrawn loan commitments and unused overdrafts .....	170,187	-	-	-	-	-
Fair value through OCI .....	176,088	-	-	-	-	-
<i>Government bonds</i> .....	174,504	-	-	-	-	-
<i>Bonds issued by financial institutions and corporates</i> .....	1,584	-	-	-	-	-
<b>Balance at the end of the period</b> .....	<b>1,870,687</b>	<b>18,590</b>	<b>1,016,590</b>	<b>62,008</b>	<b>112,970</b>	<b>1,210,158</b>
31.12.2025						
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
<i>Individuals</i> .....	640,394	161	589,706	28	14,604	604,499
<i>Mortgages</i> .....	576,828	134	576,297	-	-	576,431
<i>Other</i> .....	63,566	27	13,409	28	14,604	28,068
<i>Corporates</i> .....	687,212	15,655	392,341	65,619	96,797	570,412
<i>Real estate activities</i> .....	126,000	2,168	118,383	11	294	120,856
<i>Construction</i> .....	108,071	222	98,010	6	2,886	101,124
<i>Fishing industry</i> .....	107,416	1,294	26,435	58,230	13,314	99,273
<i>Commerce and services</i> .....	87,036	1,554	36,263	1,063	25,114	63,994
<i>Accommodation and food service activities</i> .....	46,775	34	44,842	-	206	45,082
<i>Financial and insurance activities</i> .....	58,606	9,528	18,072	4,069	20,174	51,843
<i>Industry, energy and manufacturing</i> .....	69,908	532	32,288	-	18,288	51,108
<i>Transportation</i> .....	17,925	40	1,223	2,208	9,038	12,509
<i>Information and communication technology</i> .....	40,458	275	1,606	-	6,810	8,691
<i>Public sector</i> .....	11,354	8	2,678	11	104	2,801
<i>Agriculture and forestry</i> .....	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	-	-	-	-	-
<i>Government bonds</i> .....	136,868	-	-	-	-	-
<i>Bonds issued by financial institutions and corporates</i> .....	1,434	-	-	-	-	-
<b>Balance at the end of the year</b> .....	<b>1,856,583</b>	<b>17,164</b>	<b>987,036</b>	<b>65,921</b>	<b>117,998</b>	<b>1,188,119</b>

# Notes to the Condensed Consolidated Interim Financial Statements



## 43. 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	
	31.3.2026	31.12.2025	31.3.2026	31.12.2025
Less than 50% .....	215,377	223,975	2,786	2,832
50-60% .....	107,680	107,698	2,314	2,110
60-70% .....	104,508	102,661	1,525	1,587
70-80% .....	93,976	88,631	1,327	1,427
80-90% .....	62,189	51,163	757	708
90-100% .....	2,990	1,669	223	114
More than 100% .....	1,929	1,497	229	261
Not classified .....	245	198	19	5
<b>Gross carrying amount .....</b>	<b>588,894</b>	<b>577,492</b>	<b>9,180</b>	<b>9,044</b>

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	
	31.3.2026	31.12.2025	31.3.2026	31.12.2025
Less than 55% .....	520,926	516,063	8,010	7,925
55-70% .....	49,128	45,445	760	743
70-80% .....	14,137	12,363	248	230
80-90% .....	3,376	2,521	92	77
90-100% .....	460	385	41	41
More than 100% .....	622	517	10	23
Not classified .....	245	198	19	5
<b>Gross carrying amount .....</b>	<b>588,894</b>	<b>577,492</b>	<b>9,180</b>	<b>9,044</b>

### Collateral for financial assets in stage 3

At the end of the period, the gross carrying amount of assets in stage 3 was ISK 34,584 million (31.12.2025: ISK 32,661 million) with ISK 29,660 million in collateral (31.12.2025: ISK 28,860 million), thereof ISK 25,832 million in real estate (31.12.2025: ISK 24,474 million).

### Collateral repossessed

The Group has taken possession of assets due to foreclosures. The total value of real estate the Group took possession of and still holds was ISK 126 million at the end of the period (31.12.2025: ISK 98 million) and ISK 16 million in other assets (31.12.2025: nil). Assets acquired due to foreclosure are held for sale, see Note 29.



# Notes to the Condensed Consolidated Interim Financial Statements

## 43. 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 period (31.12.2025: 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.



# Notes to the Condensed Consolidated Interim Financial Statements

## 43. Credit risk, continued

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

31.3.2026

	Stage 1	Stage 2	Stage 3	POCI	Total
<i>Loans to customers</i>					
Risk class 0 - (Grades AAA to A-) .....	453,089	75	-	70	453,234
Risk class 1 - (Grades BBB+ to BBB-) .....	408,336	1,900	-	179	410,415
Risk class 2 - (Grades BB+ to BB-) .....	293,515	7,896	-	59	301,470
Risk class 3 to 4 - (Grades B+ to CCC-) .....	113,965	49,387	-	24	163,376
Risk class 5 - (DD) .....	-	-	34,173	412	34,585
Unrated .....	34	-	-	-	34
<b>Gross carrying amount</b> .....	<b>1,268,939</b>	<b>59,258</b>	<b>34,173</b>	<b>744</b>	<b>1,363,114</b>
Loss allowance .....	(2,793)	(1,797)	(7,590)	(190)	(12,370)
<b>Book value</b> .....	<b>1,266,146</b>	<b>57,461</b>	<b>26,583</b>	<b>554</b>	<b>1,350,744</b>
<i>Loans to customers - Individuals</i>					
Risk class 0 - (Grades AAA to A-) .....	355,733	75	-	70	355,878
Risk class 1 - (Grades BBB+ to BBB-) .....	220,022	597	-	179	220,798
Risk class 2 - (Grades BB+ to BB-) .....	43,999	3,808	-	59	47,866
Risk class 3 to 4 - (Grades B+ to CCC-) .....	9,498	9,280	-	24	18,802
Risk class 5 - (DD) .....	-	-	10,997	123	11,120
Unrated .....	34	-	-	-	34
<b>Gross carrying amount</b> .....	<b>629,286</b>	<b>13,760</b>	<b>10,997</b>	<b>455</b>	<b>654,498</b>
Loss allowance .....	(648)	(382)	(1,636)	(1)	(2,667)
<b>Book value</b> .....	<b>628,638</b>	<b>13,378</b>	<b>9,361</b>	<b>454</b>	<b>651,831</b>
<i>Loans to customers - Corporates and public sector entities</i>					
Risk class 0 - (Grades AAA to A-) .....	97,356	-	-	-	97,356
Risk class 1 - (Grades BBB+ to BBB-) .....	188,314	1,303	-	-	189,617
Risk class 2 - (Grades BB+ to BB-) .....	249,516	4,088	-	-	253,604
Risk class 3 to 4 - (Grades B+ to CCC-) .....	104,467	40,107	-	-	144,574
Risk class 5 - (DD) .....	-	-	23,176	289	23,465
Unrated .....	-	-	-	-	-
<b>Gross carrying amount</b> .....	<b>639,653</b>	<b>45,498</b>	<b>23,176</b>	<b>289</b>	<b>708,616</b>
Loss allowance .....	(2,145)	(1,415)	(5,954)	(189)	(9,703)
<b>Book value</b> .....	<b>637,508</b>	<b>44,083</b>	<b>17,222</b>	<b>100</b>	<b>698,913</b>
<i>Loan commitments, guarantees and unused credit facilities</i>					
Risk class 0 to 1 (Grades AAA to BBB-) .....	117,563	40	-	-	117,603
Risk class 2 to 4 (Grades BB+ to CCC-) .....	66,385	3,653	759	-	70,797
Unrated .....	6,148	-	-	-	6,148
<b>Nominal</b> .....	<b>190,096</b>	<b>3,693</b>	<b>759</b>	<b>-</b>	<b>194,548</b>
Loss allowance .....	(316)	(174)	(50)	-	(540)
<b>Nominal less loss allowance</b> .....	<b>189,780</b>	<b>3,519</b>	<b>709</b>	<b>-</b>	<b>194,008</b>



# Notes to the Condensed Consolidated Interim Financial Statements

## 43. Credit risk, continued

31.12.2025

<i>Loans to customers</i>	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
<b>Gross carrying amount</b> .....	<b>1,250,972</b>	<b>55,725</b>	<b>32,255</b>	<b>733</b>	<b>1,339,685</b>
Loss allowance .....	(2,833)	(1,551)	(7,508)	(187)	(12,079)
<b>Book value</b> .....	<b>1,248,139</b>	<b>54,174</b>	<b>24,747</b>	<b>546</b>	<b>1,327,606</b>

### *Loans to customers - Individuals*

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
<b>Gross carrying amount</b> .....	<b>617,802</b>	<b>13,814</b>	<b>10,892</b>	<b>447</b>	<b>642,955</b>
Loss allowance .....	(611)	(332)	(1,617)	(1)	(2,561)
<b>Book value</b> .....	<b>617,191</b>	<b>13,482</b>	<b>9,275</b>	<b>446</b>	<b>640,394</b>

### *Loans to customers - Corporates and public sector entities*

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
<b>Gross carrying amount</b> .....	<b>633,170</b>	<b>41,911</b>	<b>21,363</b>	<b>286</b>	<b>696,730</b>
Loss allowance .....	(2,222)	(1,219)	(5,891)	(186)	(9,518)
<b>Book value</b> .....	<b>630,948</b>	<b>40,692</b>	<b>15,472</b>	<b>100</b>	<b>687,212</b>

### *Loan commitments, guarantees and unused credit facilities*

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
<b>Nominal</b> .....	<b>195,046</b>	<b>4,804</b>	<b>1,116</b>	<b>-</b>	<b>200,966</b>
Loss allowance .....	(342)	(266)	(73)	-	(681)
<b>Nominal less loss allowance</b> .....	<b>194,704</b>	<b>4,538</b>	<b>1,043</b>	<b>-</b>	<b>200,285</b>



# Notes to the Condensed Consolidated Interim Financial Statements

## 43. 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		Book value
	Gross Carrying amount	Loss allowance	Gross Carrying amount	Loss allowance	Gross Carrying amount	Loss allowance	
31.3.2026							
Loans to credit instit., securities & cash .....	310,458	(8)	-	-	-	-	310,450
Loans to individuals .....	629,286	(648)	14,092	(382)	11,120	(1,637)	651,831
<i>Mortgages</i> .....	568,235	(243)	11,479	(179)	9,180	(349)	588,123
<i>Other</i> .....	61,051	(405)	2,613	(203)	1,940	(1,288)	63,708
Loans to corporates and public sector entities .....	639,653	(2,145)	45,498	(1,415)	23,465	(6,143)	698,913
<i>Real estate activities</i> .....	124,927	(293)	6,467	(204)	5,024	(903)	135,018
<i>Construction</i> .....	102,404	(449)	8,061	(159)	8,227	(2,155)	115,929
<i>Fishing industry</i> .....	105,708	(150)	1,320	(42)	1,466	(622)	107,680
<i>Commerce and services</i> .....	78,952	(338)	6,536	(202)	2,845	(630)	87,163
<i>Accommodation and food service activities</i> .....	36,712	(160)	10,975	(317)	2,937	(549)	49,598
<i>Financial and insurance activities</i> .....	46,255	(230)	4,546	(119)	181	(39)	50,594
<i>Industry, energy and manufacturing</i> .....	69,102	(159)	302	(25)	604	(286)	69,538
<i>Transportation</i> .....	13,989	(52)	4,916	(205)	20	(14)	18,654
<i>Information and communication technology</i> .....	38,522	(250)	1,658	(114)	1,975	(936)	40,855
<i>Public Sector</i> .....	9,512	(23)	95	(10)	64	(1)	9,637
<i>Agriculture and forestry</i> .....	13,570	(41)	622	(18)	122	(8)	14,247
<b>Balance at the end of the period</b> .....	<b>1,579,397</b>	<b>(2,801)</b>	<b>59,590</b>	<b>(1,797)</b>	<b>34,585</b>	<b>(7,780)</b>	<b>1,661,194</b>
31.12.2025							
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
<i>Mortgages</i> .....	556,668	(201)	11,780	(123)	9,044	(340)	576,828
<i>Other</i> .....	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
<i>Real estate activities</i> .....	117,560	(237)	5,623	(68)	3,919	(797)	126,000
<i>Construction</i> .....	93,971	(475)	9,159	(279)	7,639	(1,944)	108,071
<i>Fishing industry</i> .....	105,252	(197)	1,086	(31)	1,934	(628)	107,416
<i>Commerce and services</i> .....	79,503	(331)	5,911	(212)	2,685	(520)	87,036
<i>Accommodation and food service activities</i> .....	35,122	(133)	10,897	(274)	1,653	(490)	46,775
<i>Financial and insurance activities</i> .....	55,466	(288)	3,433	(138)	191	(58)	58,606
<i>Industry, energy and manufacturing</i> .....	69,437	(168)	390	(46)	582	(287)	69,908
<i>Transportation</i> .....	14,596	(49)	3,440	(69)	22	(15)	17,925
<i>Information and communication technology</i> .....	38,092	(274)	1,255	(75)	2,792	(1,332)	40,458
<i>Public Sector</i> .....	11,299	(32)	53	(7)	41	-	11,354
<i>Agriculture and forestry</i> .....	12,872	(38)	664	(20)	191	(6)	13,663
<b>Balance at the end of the year</b> .....	<b>1,561,959</b>	<b>(2,840)</b>	<b>56,052</b>	<b>(1,551)</b>	<b>32,661</b>	<b>(7,695)</b>	<b>1,638,586</b>

# Notes to the Condensed Consolidated Interim Financial Statements



## 43. 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.

31.3.2026

	Stage 1	Stage 2	Stage 3	POCI	Total
<i>Impairment loss allowance</i> *					
Balance at the beginning of the year .....	(3,175)	(1,817)	(7,581)	(187)	(12,760)
Transfers of financial assets:					
Transfers to Stage 1 (12-month ECL) .....	(501)	442	59	-	-
Transfers to Stage 2 (lifetime ECL) .....	137	(288)	151	-	-
Transfers to Stage 3 (credit impaired financial assets) .....	21	152	(173)	-	-
Net remeasurement of loss allowance ** .....	559	(509)	(878)	(3)	(831)
New financial assets, originated or purchased .....	(311)	(87)	(171)	-	(569)
Derecognitions and maturities .....	161	136	479	-	776
Write-offs *** .....	-	-	474	-	474
<b>Impairment loss allowance ****</b> .....	<b>(3,109)</b>	<b>(1,971)</b>	<b>(7,640)</b>	<b>(190)</b>	<b>(12,910)</b>
Impairment loss allowances for assets only carrying 12-month ECL .....	(8)	-	-	-	(8)
<b>Total impairment loss allowance</b> .....	<b>(3,117)</b>	<b>(1,971)</b>	<b>(7,640)</b>	<b>(190)</b>	<b>(12,918)</b>

\* 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 period the loss allowance balance for stage 3 loans was reduced by ISK 300 million due to unwinding of interest income.

\*\*\* During the period an amount of ISK 63 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.



# Notes to the Condensed Consolidated Interim Financial Statements

## 43. Credit risk, continued

<i>Impairment loss allowance for loans to customers</i>	Stage 1	Stage 2	Stage 3	POCI	Total
Balance at the beginning of the year .....	(2,833)	(1,551)	(7,508)	(187)	(12,079)
Transfers of financial assets:					
Transfers to Stage 1 (12-month ECL) .....	(443)	384	59	-	-
Transfers to Stage 2 (lifetime ECL) .....	133	(284)	151	-	-
Transfers to Stage 3 (credit impaired financial assets) .....	21	124	(145)	-	-
Net remeasurement of loss allowance .....	472	(514)	(906)	(3)	(951)
New financial assets, originated or purchased .....	(264)	(71)	(171)	-	(506)
Derecognitions and maturities .....	121	115	456	-	692
Write-offs .....	-	-	474	-	474
<b>Total loss allowance for loans to customers .....</b>	<b>(2,793)</b>	<b>(1,797)</b>	<b>(7,590)</b>	<b>(190)</b>	<b>(12,370)</b>
<i>Impairment loss allowance for loans to customers - Individuals</i>					
Balance at the beginning of the year .....	(611)	(332)	(1,617)	(1)	(2,561)
Transfers of financial assets					
Transfers to Stage 1 (12-month ECL) .....	(115)	83	32	-	-
Transfers to Stage 2 (lifetime ECL) .....	32	(36)	4	-	-
Transfers to Stage 3 (credit impaired financial assets) .....	2	37	(39)	-	-
Net remeasurement of loss allowance .....	76	(157)	(128)	-	(209)
New financial assets, originated or purchased .....	(60)	(18)	(70)	-	(148)
Derecognitions and maturities .....	28	41	125	-	194
Write-offs .....	-	-	57	-	57
<b>Total loss allowance for loans to individuals .....</b>	<b>(648)</b>	<b>(382)</b>	<b>(1,636)</b>	<b>(1)</b>	<b>(2,667)</b>
<i>Impairment loss allowance for loans to customers - Corporates</i>					
Balance at the beginning of the year .....	(2,222)	(1,219)	(5,891)	(186)	(9,518)
Transfers of financial assets					
Transfers to Stage 1 (12-month ECL) .....	(328)	301	27	-	-
Transfers to Stage 2 (lifetime ECL) .....	101	(248)	147	-	-
Transfers to Stage 3 (credit impaired financial assets) .....	19	87	(106)	-	-
Net remeasurement of loss allowance .....	396	(357)	(778)	(3)	(742)
New financial assets, originated or purchased .....	(204)	(53)	(101)	-	(358)
Derecognitions and maturities .....	93	74	331	-	498
Write-offs .....	-	-	417	-	417
<b>Total loss allowance for loans to corporates .....</b>	<b>(2,145)</b>	<b>(1,415)</b>	<b>(5,954)</b>	<b>(189)</b>	<b>(9,703)</b>
<i>Impairment loss allowance for loan commitments, guarantees and unused credit facilities</i>					
Balance at the beginning of the year .....	(342)	(266)	(73)	-	(681)
Transfers					
Transfers to 12-month ECL .....	(58)	58	-	-	-
Transfers to lifetime ECL .....	4	(4)	-	-	-
Transfers to credit impaired .....	-	28	(28)	-	-
Net remeasurement of loss allowance .....	87	5	28	-	120
New financial commitments originated .....	(47)	(16)	-	-	(63)
Derecognitions and maturities .....	40	21	23	-	84
<b>Total loss allowance for loan commit., guarantees, unused facilities .....</b>	<b>(316)</b>	<b>(174)</b>	<b>(50)</b>	<b>-</b>	<b>(540)</b>



# Notes to the Condensed Consolidated Interim Financial Statements

## 43. Credit risk, continued

31.12.2025

	Stage 1	Stage 2	Stage 3	POCI	Total
<i>Impairment loss allowance</i> *					
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
<b>Impairment loss allowance ****</b> .....	<b>(3,175)</b>	<b>(1,817)</b>	<b>(7,581)</b>	<b>(187)</b>	<b>(12,760)</b>
Impairment loss allowances for assets only carrying 12-month ECL .....	(7)	-	-	-	(7)
<b>Total impairment loss allowance</b> .....	<b>(3,182)</b>	<b>(1,817)</b>	<b>(7,581)</b>	<b>(187)</b>	<b>(12,767)</b>

\* 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 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.

	Stage 1	Stage 2	Stage 3	POCI	Total
<i>Impairment loss allowance for loans to customers</i>					
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
<b>Total loss allowance for loans to customers</b> .....	<b>(2,833)</b>	<b>(1,551)</b>	<b>(7,508)</b>	<b>(187)</b>	<b>(12,079)</b>

### *Impairment loss allowance for loans to customers - Individuals*

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
<b>Total loss allowance for loans to individuals</b> .....	<b>(611)</b>	<b>(332)</b>	<b>(1,617)</b>	<b>(1)</b>	<b>(2,561)</b>



# Notes to the Condensed Consolidated Interim Financial Statements

## 43. Credit risk, continued

	Stage 1	Stage 2	Stage 3	POCI	Total
<i>Impairment loss allowance for loans to customers - Corporates</i>					
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
<b>Total loss allowance for loans to corporates .....</b>	<b>(2,222)</b>	<b>(1,219)</b>	<b>(5,891)</b>	<b>(186)</b>	<b>(9,518)</b>
<i>Impairment loss allowance for loan commitments, guarantees and unused credit facilities</i>					
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
<b>Total loss allowance for loan commit., guarantees, unused facilities .....</b>	<b>(342)</b>	<b>(266)</b>	<b>(73)</b>	<b>-</b>	<b>(681)</b>

### 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% (31.12.2025: base case 60%, pessimistic 25% and optimistic 15%). 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 .....	4.6%	4.2%	3.8%			
Housing prices, year-on-year change .....	3.6%	4.1%	5.0%			
Private consumption, growth .....	2.5%	2.8%	2.9%			
GDP growth .....	2.0%	2.6%	2.5%			
Key interest rate .....	6.8%	5.7%	4.7%			
	Optimistic		Pessimistic			
	2026	2027	2028	2026	2027	2028
Unemployment rate .....	3.4%	2.9%	3.3%	6.4%	5.6%	4.5%
Housing prices, year-on-year change .....	7.0%	11.3%	8.3%	0.9%	0.4%	1.8%
Private consumption, growth .....	4.1%	3.7%	3.2%	-0.4%	1.3%	2.3%
GDP growth .....	3.1%	3.6%	2.7%	-1.0%	0.9%	1.8%
Key interest rate .....	6.6%	5.2%	4.2%	7.1%	6.2%	5.2%

### 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 2.1 billion, ISK 4.0 billion and ISK 9.6 billion for the optimistic, base case and pessimistic scenarios, respectively (31.12.2025: ISK 2.2 billion, ISK 4.0 billion and ISK 9.1 billion, respectively).

# Notes to the Condensed Consolidated Interim Financial Statements



## 43. 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	
	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance
31.3.2026								
Individuals .....	5,331	(22)	3,805	(79)	6,370	(696)	15,506	(797)
Companies .....	4,856	(13)	16,322	(456)	12,404	(2,963)	33,582	(3,432)
<b>Total .....</b>	<b>10,187</b>	<b>(35)</b>	<b>20,127</b>	<b>(535)</b>	<b>18,774</b>	<b>(3,659)</b>	<b>49,088</b>	<b>(4,229)</b>
31.12.2025								
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)
<b>Total .....</b>	<b>9,888</b>	<b>(46)</b>	<b>19,902</b>	<b>(355)</b>	<b>17,383</b>	<b>(4,029)</b>	<b>47,173</b>	<b>(4,430)</b>

# Notes to the Condensed Consolidated Interim Financial Statements



## 44. 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 24, 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.

31.3.2026	Up to 3 months	3-12 months	1-5 years	5-10 years	Over 10 years	Total
<b>Assets</b>						
Balances with Central Bank .....	109,583	-	-	-	-	109,583
Loans to credit institutions .....	24,779	-	-	-	-	24,779
Loans to customers .....	938,893	135,631	257,093	3,601	8,742	1,343,960
Bonds and debt instruments .....	96,591	43,301	56,585	9,207	5,808	211,492
Bonds and debt instruments used for hedging .....	32	10	2,870	3,463	568	6,943
Derivatives .....	176,361	85,780	150,989	43,040	-	456,170
<b>Assets</b> .....	<b>1,346,239</b>	<b>264,722</b>	<b>467,537</b>	<b>59,311</b>	<b>15,118</b>	<b>2,152,927</b>
<b>Liabilities</b>						
Due to credit institutions and Central Bank .....	9,345	-	-	-	-	9,345
Deposits .....	930,302	6,504	-	-	-	936,806
Derivatives .....	361,479	81,201	9,021	-	-	451,701
Borrowings .....	95,172	63,668	288,592	62,286	13,048	522,766
Subordinated liabilities .....	3,387	-	34,321	-	12,146	49,854
<b>Liabilities</b> .....	<b>1,399,685</b>	<b>151,373</b>	<b>331,934</b>	<b>62,286</b>	<b>25,194</b>	<b>1,970,472</b>
<b>Net interest gap</b> .....	<b>(53,446)</b>	<b>113,349</b>	<b>135,603</b>	<b>(2,975)</b>	<b>(10,076)</b>	<b>182,455</b>



# Notes to the Condensed Consolidated Interim Financial Statements

## 44. Market risk, continued

31.12.2025	Up to 3 months	3-12 months	1-5 years	5-10 years	Over 10 years	Total
<b>Assets</b>						
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
<b>Assets</b> .....	<b>1,284,443</b>	<b>345,856</b>	<b>398,464</b>	<b>57,545</b>	<b>13,990</b>	<b>2,100,298</b>
<b>Liabilities</b>						
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
<b>Liabilities</b> .....	<b>1,289,637</b>	<b>250,950</b>	<b>287,353</b>	<b>54,109</b>	<b>24,815</b>	<b>1,906,864</b>
<b>Net interest gap</b> .....	<b>(5,194)</b>	<b>94,906</b>	<b>111,111</b>	<b>3,436</b>	<b>(10,825)</b>	<b>193,434</b>

### 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.

	31.3.2026		31.12.2025	
	-100 bps	+100 bps	-100 bps	+100 bps
<i>NPV change in the banking book</i>				
ISK, CPI index-linked .....	(2,093)	2,030	(1,781)	1,728
ISK, Non index-linked .....	1,074	(1,035)	638	(610)
Foreign currencies .....	96	(97)	45	(35)
<i>NPV change in the trading book</i>				
ISK, CPI index-linked .....	484	(431)	215	(194)
ISK, Non index-linked .....	385	(361)	339	(317)
Foreign currencies .....	(48)	48	(37)	37



# Notes to the Condensed Consolidated Interim Financial Statements

## 44. 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

31.3.2026	Up to 1 year	1 to 5 years	Over 5 years	Total
<i>Assets, CPI index-linked</i>				
Loans to customers .....	25,138	130,198	379,519	534,855
Financial instruments .....	5,162	8,855	5,347	19,364
<b>Assets, CPI index-linked .....</b>	<b>30,300</b>	<b>139,053</b>	<b>384,866</b>	<b>554,219</b>
<i>Liabilities, CPI index-linked</i>				
Deposits .....	126,333	12,615	4,468	143,416
Borrowings .....	16,837	121,660	29,041	167,538
Subordinated liabilities .....	-	-	22,615	22,615
Other .....	-	-	1,257	1,257
Off-balance sheet position .....	29	-	-	29
<b>Liabilities, CPI index-linked .....</b>	<b>143,199</b>	<b>134,275</b>	<b>57,381</b>	<b>334,855</b>
Net on-balance sheet position .....	(112,870)	4,778	327,485	219,393
Net off-balance sheet position .....	(29)	-	-	(29)
<b>CPI balance .....</b>	<b>(112,899)</b>	<b>4,778</b>	<b>327,485</b>	<b>219,364</b>
<b>CPI balance for prudential consolidation, excluding insurance operations * .....</b>	<b>(114,433)</b>	<b>(3,642)</b>	<b>322,215</b>	<b>204,139</b>
31.12.2025				
<i>Assets, CPI index-linked</i>				
Loans to customers .....	24,567	119,753	376,058	520,378
Financial instruments .....	6,335	8,772	5,137	20,244
<b>Assets, CPI index-linked .....</b>	<b>30,902</b>	<b>128,525</b>	<b>381,195</b>	<b>540,622</b>
<i>Liabilities, CPI index-linked</i>				
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
<b>Liabilities, CPI indexed linked .....</b>	<b>142,792</b>	<b>130,856</b>	<b>46,199</b>	<b>319,847</b>
Net on-balance sheet position .....	(107,649)	(2,331)	334,996	225,016
Net off-balance sheet position .....	(4,241)	-	-	(4,241)
<b>CPI balance .....</b>	<b>(111,890)</b>	<b>(2,331)</b>	<b>334,996</b>	<b>220,775</b>
<b>CPI balance for prudential consolidation, excluding insurance operations * .....</b>	<b>(114,555)</b>	<b>(10,663)</b>	<b>329,939</b>	<b>204,697</b>

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



# Notes to the Condensed Consolidated Interim Financial Statements

## 44. 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

31.3.2026

<i>Financial assets</i>	ISK	EUR	USD	GBP	DKK	NOK	Other	Total
Cash and balances with CB .....	108,979	319	140	72	-	21	52	109,583
Loans to credit institutions .....	609	9,662	8,925	1,601	1,675	708	1,599	24,779
Loans to customers .....	1,088,310	180,619	44,045	2,157	32,264	2,683	2,162	1,352,240
Financial instruments .....	139,954	72,313	12,082	199	72	23,682	12,316	260,618
Other financial assets .....	13,759	183	745	4	243	1	(14,935)	-
<b>Financial assets</b> .....	<b>1,351,611</b>	<b>263,096</b>	<b>65,937</b>	<b>4,033</b>	<b>34,254</b>	<b>27,095</b>	<b>1,194</b>	<b>1,747,220</b>
<i>Financial liabilities</i>								
Due to credit inst. and Central Bank .....	3,967	2,662	1,940	749	-	-	27	9,345
Deposits .....	838,836	40,110	48,116	4,832	1,421	2,540	951	936,806
Financial liabilities at fair value .....	1,215	3,516	241	4	54	39	54	5,123
Other financial liabilities .....	14,020	1,771	2,321	255	646	150	(19,163)	-
Borrowings .....	199,578	245,455	5,927	-	-	32,864	32,740	516,564
Subordinated liabilities .....	24,915	-	15,115	-	-	-	2,954	42,984
<b>Financial liabilities</b> .....	<b>1,082,531</b>	<b>293,514</b>	<b>73,660</b>	<b>5,840</b>	<b>2,121</b>	<b>35,593</b>	<b>17,563</b>	<b>1,510,822</b>
Net on-balance sheet position .....	269,080	(30,418)	(7,723)	(1,807)	32,133	(8,498)	(16,369)	
Net off-balance sheet position .....	(40,773)	34,533	7,293	1,950	(31,911)	8,542	20,366	
<b>Net position *</b> .....	<b>228,307</b>	<b>4,115</b>	<b>(430)</b>	<b>143</b>	<b>222</b>	<b>44</b>	<b>3,997</b>	
<i>Non-financial assets</i>								
Investment property .....	7,440	-	-	-	-	-	-	7,440
Investments in associates .....	753	-	-	-	-	-	-	753
Intangible assets .....	7,540	-	-	-	-	-	-	7,540
Tax assets .....	2	-	-	-	-	-	-	2
<i>Assets and disposal groups</i>								
held for sale .....	128	-	-	-	-	-	-	128
Other non financial assets .....	5,406	229	71	78	-	24	14,942	20,750
<b>Non-financial assets</b> .....	<b>21,269</b>	<b>229</b>	<b>71</b>	<b>78</b>	<b>-</b>	<b>24</b>	<b>14,942</b>	<b>36,613</b>
<i>Non-financial liabilities and equity</i>								
Tax liabilities .....	14,806	-	-	10	-	-	-	14,816
Other non-financial liabilities .....	34,077	104	11	1	-	-	19,478	53,671
Shareholders' equity .....	204,450	-	-	-	-	-	-	204,450
Non-controlling interest .....	74	-	-	-	-	-	-	74
<b>Non-financial liabilities and equity</b> .....	<b>253,407</b>	<b>104</b>	<b>11</b>	<b>11</b>	<b>-</b>	<b>-</b>	<b>19,478</b>	<b>273,011</b>
<b>Management reporting</b>								
<b>of currency risk **</b> .....	<b>(3,831)</b>	<b>4,240</b>	<b>(370)</b>	<b>210</b>	<b>222</b>	<b>68</b>	<b>(539)</b>	

\* 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.



# Notes to the Condensed Consolidated Interim Financial Statements

## 44. Market risk, continued

31.12.2025

	ISK	EUR	USD	GBP	DKK	NOK	Other	Total
<i>Financial assets</i>								
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
<b>Financial assets</b> .....	<b>1,356,235</b>	<b>241,315</b>	<b>56,919</b>	<b>4,369</b>	<b>33,241</b>	<b>22,981</b>	<b>19,521</b>	<b>1,734,581</b>
<i>Financial liabilities</i>								
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
<b>Financial liabilities</b> .....	<b>1,056,535</b>	<b>298,472</b>	<b>64,983</b>	<b>5,992</b>	<b>5,358</b>	<b>24,116</b>	<b>30,991</b>	<b>1,486,447</b>
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	
<b>Net position *</b> .....	<b>247,433</b>	<b>1,807</b>	<b>(199)</b>	<b>258</b>	<b>(558)</b>	<b>(34)</b>	<b>(573)</b>	
<i>Non-financial assets</i>								
Investment property .....	7,305	-	-	-	-	-	-	7,305
Investments in associates .....	760	-	-	-	-	-	-	760
Intangible assets .....	7,533	-	-	-	-	-	-	7,533
Tax assets .....	2	-	-	-	-	-	-	2
<i>Assets and disposal groups</i>								
held for sale .....	98	-	-	-	-	-	-	98
Other non financial assets .....	4,981	311	63	104	-	27	-	5,486
<b>Non-financial assets</b> .....	<b>20,679</b>	<b>311</b>	<b>63</b>	<b>104</b>	<b>-</b>	<b>27</b>	<b>-</b>	<b>21,184</b>
<i>Non-financial liabilities and equity</i>								
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
<b>Non-financial liabilities and equity</b> .....	<b>269,112</b>	<b>103</b>	<b>12</b>	<b>89</b>	<b>-</b>	<b>-</b>	<b>2</b>	<b>269,318</b>
<b>Management reporting</b>								
<b>of currency risk **</b> .....	<b>(1,000)</b>	<b>2,015</b>	<b>(148)</b>	<b>273</b>	<b>(558)</b>	<b>(7)</b>	<b>(575)</b>	

\* 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.

# Notes to the Condensed Consolidated Interim Financial Statements



## 44. 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).

Currency	31.3.2026		31.12.2025	
	-10%	+10%	-10%	+10%
EUR .....	(424)	424	(202)	202
USD .....	37	(37)	15	(15)
GBP .....	(21)	21	(27)	27
DKK .....	(22)	22	56	(56)
NOK .....	(7)	7	1	(1)
Other .....	54	(54)	58	(58)

### 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 29 and 23 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.

Equity	31.3.2026		31.12.2025	
	-10%	+10%	-10%	+10%
Trading book - listed .....	(393)	393	(367)	367
Banking book - listed .....	(705)	705	(759)	759
Banking book - unlisted .....	(515)	515	(594)	594

### 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 24 provides a breakdown of the Group's derivative positions by type.



# Notes to the Condensed Consolidated Interim Financial Statements

## 45. 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 66% 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

31.3.2026	On demand	Up to 3 months	3-12 months	1-5 years	Over 5 years	With no maturity	Total	Book value
<b>Financial assets</b>								
Cash and balances with CB .....	14,903	60,477	34,203	-	-	-	109,583	109,583
Loans to credit institutions .....	20,203	4,258	299	19	-	-	24,779	24,779
Loans to customers .....	5,703	225,008	212,914	590,619	1,231,112	-	2,265,356	1,352,240
Financial instruments .....	18,420	107,245	22,134	86,004	10,614	32,875	277,292	260,618
<i>Derivatives - assets leg</i> .....	-	78,601	3,180	23,880	-	-	105,661	88,242
<i>Derivatives - liabilities leg</i> .....	-	(67,135)	(3,408)	(20,210)	-	-	(90,753)	(78,934)
<i>Other financial instruments</i> .....	18,420	95,779	22,362	82,334	10,614	32,875	262,384	251,310
Other financial assets .....	626	10,343	510	3,147	319	-	14,945	14,945
<b>Financial assets</b> .....	<b>59,855</b>	<b>407,331</b>	<b>270,060</b>	<b>679,789</b>	<b>1,242,045</b>	<b>32,875</b>	<b>2,691,955</b>	<b>1,762,165</b>
<b>Financial liabilities</b>								
Due to credit inst. and Central Bank .....	4,216	5,133	-	-	-	-	9,349	9,345
Deposits .....	623,138	289,155	13,638	13,235	5,561	-	944,727	936,806
Financial liabilities at fair value .....	-	3,019	1,447	1,136	(330)	-	5,272	5,123
<i>Derivatives - assets leg</i> .....	-	(60,937)	(12,434)	(30,241)	(9,847)	-	(113,459)	(93,189)
<i>Derivatives - liabilities leg</i> .....	-	63,956	13,881	31,377	9,517	-	118,731	98,289
Other financial liabilities .....	194	17,519	832	933	-	-	19,478	19,478
Borrowings .....	-	74,393	46,935	385,836	74,881	-	582,045	516,564
Subordinated liabilities .....	-	1,109	2,054	24,729	33,504	-	61,396	42,984
<b>Financial liabilities</b> .....	<b>627,548</b>	<b>390,328</b>	<b>64,906</b>	<b>425,869</b>	<b>113,616</b>	<b>-</b>	<b>1,622,267</b>	<b>1,530,300</b>
<b>Net position for assets and liab.</b> .....	<b>(567,693)</b>	<b>17,003</b>	<b>205,154</b>	<b>253,920</b>	<b>1,128,429</b>	<b>32,875</b>	<b>1,069,688</b>	<b>231,865</b>
<b>Off-balance sheet items</b>								
Financial guarantees .....	-	2,806	6,701	5,878	8,976	-	24,361	24,361
Unused overdraft .....	-	89,324	-	-	-	-	89,324	89,324
Undrawn loan commitments .....	-	45,770	22,180	12,913	-	-	80,863	80,863
<b>Off-balance sheet items</b> .....	<b>-</b>	<b>137,900</b>	<b>28,881</b>	<b>18,791</b>	<b>8,976</b>	<b>-</b>	<b>194,548</b>	<b>194,548</b>
<b>Net contractual cash flow</b> .....	<b>(567,693)</b>	<b>(120,897)</b>	<b>176,273</b>	<b>235,129</b>	<b>1,119,453</b>	<b>32,875</b>	<b>875,140</b>	<b>37,317</b>



# Notes to the Condensed Consolidated Interim Financial Statements

## 45. Liquidity and Funding risk, continued

31.12.2025	On demand	Up to 3 months	3-12 months	1-5 years	Over 5 years	With no maturity	Total	Book value
<i>Financial assets</i>								
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
<i>Derivatives - assets leg</i> .....	-	54,751	38,482	38,081	-	-	131,314	107,477
<i>Derivatives - liabilities leg</i> .....	-	(50,757)	(33,310)	(35,221)	-	-	(119,288)	(98,853)
<i>Other financial instruments</i> .....	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
<b>Financial assets</b> .....	<b>70,208</b>	<b>353,077</b>	<b>282,162</b>	<b>681,075</b>	<b>1,221,012</b>	<b>34,475</b>	<b>2,642,009</b>	<b>1,734,581</b>
<i>Financial liabilities</i>								
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
<i>Derivatives - assets leg</i> .....	-	(65,157)	(5,397)	(7,097)	(10,138)	-	(87,789)	(78,261)
<i>Derivatives - liabilities leg</i> .....	-	67,117	7,462	6,910	10,023	-	91,512	81,390
<i>Short position in bonds used for hedging</i> .....	-	-	-	-	-	-	-	-
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
<b>Financial liabilities</b> .....	<b>622,503</b>	<b>199,407</b>	<b>283,129</b>	<b>355,147</b>	<b>105,311</b>	<b>-</b>	<b>1,565,497</b>	<b>1,486,447</b>
<b>Net position for assets and liab.</b> .....	<b>(562,648)</b>	<b>207,924</b>	<b>(13,069)</b>	<b>324,642</b>	<b>1,136,734</b>	<b>32,875</b>	<b>1,126,458</b>	<b>248,134</b>
<i>Off-balance sheet items</i>								
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
<b>Off-balance sheet items</b> .....	<b>-</b>	<b>131,422</b>	<b>39,947</b>	<b>20,390</b>	<b>9,207</b>	<b>-</b>	<b>200,966</b>	<b>200,966</b>
<b>Net contractual cash flow</b> .....	<b>(552,295)</b>	<b>22,248</b>	<b>(40,914)</b>	<b>305,538</b>	<b>1,106,494</b>	<b>34,475</b>	<b>875,546</b>	<b>47,168</b>

### 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.

	31.3.2026	31.12.2025
Available stable funding .....	1,396,838	1,319,265
Required stable funding .....	1,146,489	1,115,682
<b>Net stable funding ratio</b> .....	<b>122%</b>	<b>118%</b>



# Notes to the Condensed Consolidated Interim Financial Statements

## 45. 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.

	ISK	EUR	Total all currencies
31.3.2026			
Liquid assets level 1 *	173,515	69,005	287,265
Liquid assets level 2	11,996	-	11,996
<b>Liquid assets</b>	<b>185,511</b>	<b>69,005</b>	<b>299,261</b>
Deposits	128,654	14,301	167,372
Borrowings	897	-	1,442
Other cash outflows	9,917	8,228	19,077
<b>Cash outflows</b>	<b>139,468</b>	<b>22,529</b>	<b>187,891</b>
Short-term deposits with other banks **	-	5,644	18,079
Other cash inflows	31,764	3,138	38,892
<b>Cash inflows</b>	<b>31,764</b>	<b>8,782</b>	<b>56,971</b>
<b>Liquidity coverage ratio (LCR) ***</b>	<b>172%</b>	<b>502%</b>	<b>229%</b>
31.12.2025			
Liquid assets level 1 *	205,171	47,836	290,759
Liquid assets level 2	11,898	-	11,898
<b>Liquid assets</b>	<b>217,069</b>	<b>47,836</b>	<b>302,657</b>
Deposits	146,016	11,987	180,284
Borrowings	376	-	598
Other cash outflows	9,395	9,014	16,668
<b>Cash outflows</b>	<b>155,787</b>	<b>21,001</b>	<b>197,550</b>
Short-term deposits with other banks **	-	4,874	18,089
Other cash inflows	24,805	2,917	31,822
<b>Cash inflows</b>	<b>24,805</b>	<b>7,791</b>	<b>49,911</b>
<b>Liquidity coverage ratio (LCR) ***</b>	<b>166%</b>	<b>362%</b>	<b>205%</b>

\* 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:  $LCR = \text{Weighted liquid assets} / (\text{weighted cash outflows} - \text{weighted cash inflows})$  where weighted cash inflows are capped at 75% of weighted cash outflows.



# Notes to the Condensed Consolidated Interim Financial Statements

## 45. Liquidity and Funding risk, continued

### Composition of liquid assets

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

	ISK	USD	EUR	Other	Total
31.3.2026					
Cash and balances with Central Bank .....	108,979	140	319	145	109,583
Short-term deposits with financial institutions .....	-	8,104	5,644	4,331	18,079
Domestic bonds eligible as collateral with Central Bank .....	78,649	-	-	-	78,649
Foreign government bonds .....	-	11,195	68,686	33,265	113,146
<b>Liquidity reserve .....</b>	<b>187,628</b>	<b>19,439</b>	<b>74,649</b>	<b>37,741</b>	<b>319,457</b>
31.12.2025					
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
<b>Liquidity reserve .....</b>	<b>219,170</b>	<b>13,089</b>	<b>52,710</b>	<b>37,877</b>	<b>322,846</b>

### 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					Total deposits
	Less stable	Weight %	Stable	Weight %	Term deposits*	
31.3.2026						
Individuals .....	152,730	11%	133,427	5%	210,595	496,752
Small and medium enterprises .....	129,903	12%	18,669	6%	35,065	183,637
Operational relationship .....	5,054	25%	-	-	-	5,054
Corporations .....	109,493	41%	17,262	21%	25,686	152,441
Sovereigns, central banks and PSE .....	11,359	40%	13	20%	494	11,866
Pension funds .....	53,756	100%	-	-	18,583	72,339
Domestic financial entities .....	16,581	100%	-	-	1,085	17,666
Foreign financial entities .....	1,264	100%	-	-	-	1,264
<b>Total .....</b>	<b>480,140</b>		<b>169,371</b>		<b>291,508</b>	<b>941,019</b>
31.12.2025						
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 .....	102,657	41%	17,125	20%	28,642	148,424
Sovereigns, central banks and PSE .....	16,229	40%	15	20%	1,051	17,295
Pension funds .....	62,076	100%	-	-	18,442	80,518
Domestic financial entities .....	23,521	100%	-	-	1,069	24,590
Foreign financial entities .....	2,071	100%	-	-	-	2,071
<b>Total .....</b>	<b>473,883</b>		<b>172,849</b>		<b>280,850</b>	<b>927,583</b>

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

# Notes to the Condensed Consolidated Interim Financial Statements



## 46. 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.

	31.3.2026	31.12.2025
<i>Own funds</i>		
Total equity .....	204,524	217,391
Unaudited interim profit .....	(7,318)	-
Non-controlling interest not eligible for inclusion in CET1 capital .....	(74)	(64)
<b>Common Equity Tier 1 capital before regulatory adjustments</b> .....	<b>197,132</b>	<b>217,327</b>
Intangible assets .....	(7,288)	(7,273)
Additional value adjustments .....	(275)	(228)
Foreseeable dividend and buyback * .....	-	(20,313)
Insufficient coverage for non-performing exposures .....	(800)	(314)
<b>Common Equity Tier 1 capital</b> .....	<b>188,769</b>	<b>189,199</b>
Additional Tier 1 capital .....	15,115	15,635
<b>Tier 1 capital</b> .....	<b>203,884</b>	<b>204,834</b>
Tier 2 instruments .....	27,869	27,883
Tier 2 instruments of financial sector entities (significant investments) .....	(1,402)	(1,355)
<b>Tier 2 capital</b> .....	<b>26,467</b>	<b>26,528</b>
<b>Total own funds</b> .....	<b>230,351</b>	<b>231,362</b>
<i>Risk-weighted exposure amount (REA)</i>		
Credit risk, loans and off-balance sheet items .....	870,580	862,862
Credit risk, securities and other .....	58,684	59,140
Credit risk, derivatives and repos .....	4,300	4,222
Market risk due to currency imbalance .....	4,825	2,309
Market risk due to trading book positions .....	14,399	13,516
Credit valuation adjustment .....	3,575	2,501
Operational risk .....	84,635	84,635
<b>Total risk-weighted exposure amount</b> .....	<b>1,040,998</b>	<b>1,029,185</b>
<i>Capital ratios</i>		
CET1 ratio .....	18.1%	18.4%
Tier 1 ratio .....	19.6%	19.9%
Capital adequacy ratio .....	22.1%	22.5%
Total own funds, including interim profit not eligible for inclusion .....	234,010	231,362
CET1 ratio, including interim profit not eligible for inclusion .....	18.5%	18.4%
Tier 1 ratio, including interim profit not eligible for inclusion .....	19.9%	19.9%
Capital adequacy ratio, including interim profit not eligible for inclusion .....	22.5%	22.5%

\* 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).



# Notes to the Condensed Consolidated Interim Financial Statements

## 46. Capital management, continued

31.3.2026 31.12.2025

### Capital ratios of the parent company

CET1 ratio .....	18.0%	18.3%
Tier 1 ratio .....	19.5%	19.8%
Capital adequacy ratio .....	22.0%	22.4%

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.

31.3.2026 31.12.2025

### Capital buffer requirement, % of REA

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%
<b>Combined capital buffer requirement .....</b>	<b>10.0%</b>	<b>10.0%</b>

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%
<b>Regulatory capital requirement .....</b>	<b>15.3%</b>	<b>17.1%</b>	<b>19.6%</b>
Available capital .....	18.1%	19.6%	22.1%

\* 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.

31.3.2026 31.12.2025

On-balance sheet exposures .....	1,735,014	1,696,618
Derivative exposures .....	14,015	12,582
Repos .....	11,313	11,181
Off-balance sheet exposures .....	68,003	71,258
<b>Total exposure .....</b>	<b>1,828,345</b>	<b>1,791,639</b>
<b>Tier 1 capital .....</b>	<b>203,884</b>	<b>204,834</b>
Leverage ratio .....	11.2%	11.4%



# Notes to the Condensed Consolidated Interim Financial Statements

## 46. 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.

	31.3.2026	31.12.2025
<i>Minimum requirement for own funds and eligible liabilities</i>		
Own funds .....	230,351	231,362
Eligible liabilities .....	220,231	201,513
<b>Own funds and eligible liabilities</b> .....	<b>450,582</b>	<b>432,875</b>
Combined buffer requirement (CBR) .....	100,977	99,831
<b>Own funds and eligible liabilities not used for CBR</b> .....	<b>349,605</b>	<b>333,044</b>
Risk-weighted exposure amount (REA) .....	1,040,998	1,029,185
Own funds and eligible liabilities not used for CBR (% REA) .....	33.6%	32.4%
<b>MREL requirement (% REA)</b> .....	<b>19.8%</b>	<b>19.8%</b>
Total exposure measure (TEM) .....	1,828,345	1,791,639
Own funds and eligible liabilities (% TEM) .....	24.6%	24.2%
<b>MREL requirement (% TEM)</b> .....	<b>6.0%</b>	<b>6.0%</b>

### Solvency II for insurance subsidiary Vördur

Excess of assets over liabilities in accordance with Solvency II .....	14,182	14,228
Subordinated liabilities .....	1,380	1,372
Foreseeable dividends .....	-	-
<b>Own funds</b> .....	<b>15,562</b>	<b>15,600</b>
Solvency capital requirements (SCR) .....	9,734	10,049
SCR ratio .....	159.9%	155.2%

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

## 47. 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.

# Notes to the Condensed Consolidated Interim Financial Statements



## 48. 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.

	31.3.2026	31.12.2025
<i>Sustainable Financing Instruments</i>		
Green deposits .....	26,825	24,755
Green borrowings .....	37,945	38,272
<b>Book value</b> .....	<b>64,770</b>	<b>63,027</b>
<i>Identified eligible sustainable assets by category</i>		
Sustainable marine value chains and marine ecosystem management .....	21,979	18,000
Sustainable forestry and agriculture .....	531	534
Renewable energy .....	552	545
Clean transportation .....	6,386	8,875
Green buildings .....	96,824	97,512
Energy efficiency .....	7,928	-
Sustainable waste and wastewater management .....	1,355	7,914
<b>Green book value</b> .....	<b>135,555</b>	<b>133,380</b>
Affordable housing .....	20,159	20,958
Education .....	2,397	1,637
Healthcare .....	416	424
Employment generation and alleviate unemployment .....	14,067	14,447
<b>Social book value</b> .....	<b>37,039</b>	<b>37,465</b>
<b>Sustainable book value</b> .....	<b>172,594</b>	<b>170,845</b>



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