Second quarter 2026 results

Press release

29 July 2026

Unaudited

Arion Bank

Arion Bank – Q2 2026 results

Financial highlights for the second quarter of 2026

- Arion Bank reports net earnings* of ISK 8.1bn in Q2 2026, compared with ISK 9.8bn in Q2 2025
- Return on equity* was 15.5%, compared with 19.7% in Q2 2025
- Earnings per share were ISK 5.92, compared with ISK 6.59 in Q2 2025
- Net interest margin of 3.5%, the same as for Q2 2025
- Net commission income was ISK 4.0bn, compared with ISK 4.6bn in Q2 2025
- Vördur contributed a standalone profit of ISK 0.5bn in Q2 2026, compared with a profit of ISK 0.8bn in the previous year, and a combined ratio of 87.9% compared with 79.4% in Q2 2025
- Core income, defined as net interest income, net commission income and insurance service results (excluding opex of the insurance operation), increased by 0.8%, compared with Q2 2025
- Operating expenses increased by 10.9%, equivalent to ISK 732m, compared with Q2 2025
- The effective tax rate was 28.5% during the quarter
- Total cost-to-core income ratio was 40.4%, compared with 36.6% in Q2 2025
- Cost-to-income ratio was 37.2%, compared with 31.4% in Q2 2025
- The balance sheet increased by 3.6% during the quarter
- Loans to customers increased by ISK 65.4bn or 4.8% during the quarter
- The Bank's capital ratio was 21.6%, and the CET1 ratio was 17.7% at the end of June. The ratios take into account the deduction of 50% of net earnings as foreseeable dividends in line with the Bank's dividend policy and the remaining ISK 2.7bn buyback of own shares approved by the Board and FSA. These ratios comfortably exceed the requirements made by the FSA and Icelandic law

Financial highlights for the first 6 months of 2026

- Arion Bank reports net earnings* of ISK 15.4bn for 6M 2026, compared with ISK 16.2bn in 6M 2025
- Return on equity* was 14.6%, compared with 16.1% in 6M 2025
- Earnings per share in ISK of 11.25, compared with 11.22 in 6M 2025
- Net interest margin of 3.6%, compared with 3.3% 6M 2025
- Net commission income of ISK 7.9bn for the first half of the year, compared with ISK 9.1bn in 6M 2025
- Vördur contributed a standalone profit of ISK 0.4bn in 6M 2026, compared with a profit of ISK 0.2bn for the same period in the previous year and a combined ratio of 94.3%, compared with 89.4% for 6M 2025
- Core income, defined as net interest income, net commission income and insurance service results (excluding opex of the insurance operation), increased by 9.7%, compared with 6M 2025
- Operating expenses increased by 11.9%, equivalent to ISK 1.6bn, compared with 6M 2025, mainly affected by increase in salaries cost, professional services and IT expenses
- The effective tax rate was 31.1%
- Total cost-to-core income ratio was 40.2%, compared with 39.4% in 6M 2025
- Cost-to-income ratio was 37.8%, compared with 32.9% in 6M 2025
- The balance sheet increased by 5.3% from year-end 2025, mainly through loans to customers
- Dividend payment and share buybacks of ISK 23.0bn in total in 6M 2026

** Attributable to shareholders of Arion Bank*

Benedikt Gíslason, CEO of Arion Bank

„The second quarter results were strong and we reached all our financial targets, including optimization of our CET1 ratio. The Arion Group offers customers a highly diverse range of financial and insurance services, and our core operations performed well during the quarter. As in recent quarters, deposits continued to grow, supporting lending growth, particularly to corporate customers. Vörður's insurance operations and Stefnir's fund management business also delivered solid performances. Our capital and liquidity positions remain strong, enabling us to continue investing in product development and expanding our market presence.

During the spring, Arion Bank and Vörður opened a new joint branch in Reykjanesbær. It is the first new branch Arion Bank has opened for many years. Vörður, however, has a long history in Reykjanesbær, having operated a branch in this thriving community since 1999. The opening of these new premises marks an important step in enhancing our services to residents of the Reykjanes region. All employees at the branch live in the area and therefore understand the needs of the local community.

Early last year, we launched Arion Rewards, a new and comprehensive loyalty programme designed to maximize the value Arion customers can derive from using our wide range of services. In the second quarter, we introduced a new feature, Arion Future, specifically tailored to young people aged 18 to 24. Through this initiative, we aim to support young adults as they take their first steps into the labour market and begin considering insurance, long-term savings and the purchase of their first home.

The Arion app was voted Iceland's best banking app by bank customers in a survey conducted by Maskína – for the tenth consecutive year. The Arion app enables customers to manage all their day-to-day banking, trade shares, invest in Stefnir funds, and oversee their pensions and Vörður insurance policies. As always, we will use this recognition as motivation to make a great app even better, with the goal of meeting the financial and insurance needs of both our individual and corporate customers.

The Blikastadaland development area in Mosfellsbær has entered a sales process that is open exclusively to investors with experience in undertaking comparable projects and the financial capacity required to continue developing the site. Should the sales process prove successful, it will be the responsibility of the new owners, in cooperation with the Municipality of Mosfellsbær, to ensure high-quality development in accordance with the vision set out in the area's new land use plan. In developing the plan, we have placed particular emphasis on the interaction between the built environment and nature, effective transport links, and a people-oriented environment that offers an excellent quality of life."

Income Statement

In ISK millions	Q2 2026	Q2 2025	Δ	Δ %	H1 2026	H1 2025	Δ	Δ %
Net interest income	15,219	14,200	1,019	7%	31,522	26,366	5,156	20%
Net commission income	3,987	4,553	(566)	(12%)	7,863	9,089	(1,226)	(13%)
Insurance service results	655	1,066	(411)	(39%)	589	1,035	(446)	(43%)
Net financial income	(68)	179	(247)	-	(835)	(772)	(63)	8%
Other operating income	151	1,324	(1,173)	-	265	4,645	(4,380)	-
Operating income	**19,944**	**21,322**	**(1,378)**	**(6%)**	**39,404**	**40,363**	**(959)**	**(2%)**
Operating expenses	(7,429)	(6,697)	(732)	11%	(14,885)	(13,298)	(1,587)	12%
Bank levy	(582)	(521)	(61)	12%	(1,123)	(1,029)	(94)	9%
Net impairment	(679)	147	(826)	-	(1,070)	(231)	(839)	-
Net earnings before income tax	**11,254**	**14,251**	**(2,997)**	**(21%)**	**22,326**	**25,805**	**(3,479)**	**(13%)**
Income tax expense	(3,204)	(3,984)	780	(20%)	(6,947)	(7,710)	763	(10%)
Net earnings from cont. operations	**8,050**	**10,267**	**(2,217)**	**(22%)**	**15,379**	**18,095**	**(2,716)**	**(15%)**
Discontinued operations, net of tax	-	(11)	11	-	-	(22)	22	-
Net earnings	**8,050**	**10,256**	**(2,206)**	**(22%)**	**15,379**	**18,073**	**(2,694)**	**(15%)**
Non-controlling interest	4	(506)	510	-	(7)	(1,902)	1,895	-
Net earnings attributable to shareholders	**8,054**	**9,750**	**(1,696)**	**(17%)**	**15,372**	**16,171**	**(799)**	**(5%)**

KFI's	Q2 2026	Q2 2025	H1 2026	H1 2025
Return on equity attributable to shareholders	15.5%	19.7%	14.6%	16.1%
Return on equity	15.5%	20.5%	14.6%	17.8%
Return on total assets (ROA)	1.8%	2.4%	1.8%	2.2%
Earnings per share (in ISK)	5.92	6.59	11.25	11.22
Total cost to core income ratio	40.4%	36.6%	40.2%	39.4%
Cost-to-income ratio	37.2%	31.4%	37.8%	32.9%
Net interest margin (NIM)	3.5%	3.5%	3.6%	3.3%
Core income / REA	7.9%	8.1%	8.0%	7.6%

Net interest income increased by 7.2%, compared with the second quarter of 2025. This growth was primarily driven by an 11.4% increase in customer lending, led mainly by higher corporate loan volumes. The net interest margin (NIM) as a percentage of average interest-bearing assets was 3.5% for the quarter, unchanged from the second quarter of 2025. The CPI imbalance was ISK 236bn at quarter-end, compared with ISK 204bn at year-end 2025 and has increased by ISK 40bn from the second quarter of 2025. Average interest-bearing assets increased by 7.6%, compared with the second quarter of 2025. With increased corporate lending, the net interest margin is likely to trend above 3% annually, but fluctuations are expected to continue near term due to the monthly inflation impact on the CPI linked loan book.

Net commission income was ISK 4.0bn, compared with ISK 4.6bn in the second quarter of the previous year. The CIB fees were robust despite slower economic activity. Asset management fees have remained stable and resilient, with Assets under Management and Supervision reaching ISK 2,123bn at period-end.

Insurance service results of Vördur were ISK 655m during the quarter, after the elimination of intercompany transactions. Insurance revenues grew by 5.8% compared with the second quarter of 2025. The claims and reinsurance ratio was 67.3% in the quarter, compared with 60.5% in the same quarter last year. The combined ratio of Vördur for the second quarter was 87.9%, compared with 79.4% for the same period in 2025.

Net financial income was negative by ISK 68m for the quarter. There was a loss from equity holdings, partly due to the revaluation of unlisted holdings, but there was a positive outcome from bonds. The investment portfolio of Vördur generated a net income of ISK 62m, which includes an adverse net impact from insurance contracts.

Operating expenses increased by 10.9% in the second quarter, compared with the same quarter in 2025. If the operating expenses of the insurance operation are included (post IFRS 17, cost related to the insurance business is accounted for through insurance service results), the increase was 11.3%, mainly due to an increase in salaries and related expenses, IT and professional services. The total cost-to-core income ratio was 40.4%, compared with 36.6% in the second quarter of 2025, when including the operating expenses of the insurance operation. Salary expenses increased by 9.0% compared with the second quarter of 2025 or ISK 857m, which primarily relates to an increase in the number of employees, the effect of collective union wage increase of 3.5% effective from January 2026 and the increased cost of the incentive scheme. The number of FTEs was stable from year-end 2025 but the increase from the second quarter of 2025 is mainly in IT. FTEs were 899 at quarter-end.

Net impairment was ISK 679m in the second quarter of 2026, calculated as 19bps in the quarter on an annualized basis.

Income tax, as reported in the financial statements, comprises 20% income tax on earnings and a special 6% financial tax on the earnings of financial undertakings of more than ISK 1bn. The effective income tax rate was 28.5% in the quarter. In general, the combination of income is the main driver behind the fluctuation in the effective tax rate.

Balance sheet

The balance sheet increased by 5.3% from year-end 2025 and the liquidity position remains strong.

Assets

In ISK millions	30.06.2026	31.12.2025	Δ	Δ %	31.03.2026	Δ	Δ %
Cash & balances with CB	114,477	150,111	(35,634)	(24%)	109,583	4,894	4%
Loans to credit institutions	24,715	22,567	2,148	10%	24,779	(64)	-
Loans to customers	1,417,655	1,329,056	88,599	7%	1,352,240	65,415	5%
Financial instruments	254,426	215,816	38,610	18%	260,618	(6,192)	(2%)
Investment property	7,538	7,305	233	3%	7,440	98	1%
Intangible assets	7,345	7,533	(188)	(2%)	7,540	(195)	(3%)
Other assets	22,419	23,377	(958)	(4%)	21,633	786	4%
Total assets	**1,848,575**	**1,755,765**	**92,810**	**5%**	**1,783,833**	**64,742**	**4%**
KFI's							
REA / Total assets	58.7%	58.6%			58.4%		
Share of stage 3 loans, gross	2.5%	2.4%			2.5%		

Loans to customers increased by ISK 89bn or 6.7% from the end of 2025 and ISK 65bn or 4.8% during the quarter. Loans to corporates increased by 9.6% from year-end 2025 and loans to individuals increased by 3.5%. The diversification of the corporate loan book continues to be good and in line with the Bank's credit strategy.

The Bank's liquidity position is strong with the total LCR ratio of 237% and the ISK LCR ratio of 166%. This is reflected in the strong position in *Cash and balances with Central Bank*, *Loans to credit institutions* and *Financial instruments*, including bonds and debt instruments. The average duration of liquidity in the bond portfolio is less than one year and there is no HTM accounting.

Liabilities and equity

In ISK millions	30.06.2026	31.12.2025	Δ	Δ %	31.03.2026	Δ	Δ %
Due to credit institutions & CB	9,329	12,003	(2,674)	(22%)	9,345	(16)	-
Deposits from customers	981,322	921,182	60,140	7%	936,806	44,516	5%
Other liabilities	80,988	66,849	14,139	21%	73,610	7,378	10%
Borrowings	523,261	494,823	28,438	6%	516,564	6,697	1%
Subordinated liabilities	43,321	43,517	(196)	(0%)	42,984	337	1%
Total liabilities	**1,638,221**	**1,538,374**	**99,847**	**6%**	**1,579,309**	**58,912**	**4%**
Shareholders equity	210,284	217,327	(7,043)	(3%)	204,450	5,834	3%
Non-controlling interest	70	64	6	9%	74	(4)	(5%)
Total equity	**210,354**	**217,391**	**(7,037)**	**(3%)**	**204,524**	**5,830**	**3%**
Total liabilities and equity	**1,848,575**	**1,755,765**	**92,810**	**5%**	**1,783,833**	**64,742**	**4%**
KFI's							
Loans to Deposits ratio	144.5%	144.3%			144.3%		
CET 1 ratio	17.7%	18.4%			18.5%		
Capital adequacy ratio	21.6%	22.5%			22.5%		

Deposits from customers remain the most important source of funding for Arion Bank, with 60% of total liabilities in deposits. The increase from year-end 2025 has primarily been in stable LCR categories and term deposits, reflecting the strategic focus. In relative terms, the largest increase occurred in deposits from individuals following the launch of a new savings account, the "Rewards Account", which is available exclusively to members of Arion Rewards, the Bank's loyalty program.

The maturity profile of *Borrowings* is balanced. During the quarter the Bank issued EUR 300m Green Senior Preferred bond with a maturity of 3.5 years. In addition, the Bank remained an active issuer in the domestic ISK market, issuing ISK 7.7 billion of covered bonds during the quarter.

Shareholders' equity decreased due to ISK 15.8bn dividend payment and ISK 7.2bn share buybacks, which were partly offset by ISK 15.4bn net earnings in the first half of 2026. The leverage ratio was 11.0% at the end of the period, compared with 11.4% at the end of 2025, which is high by international standards.

For further information on the accounts please visit Arion Bank's website.

Medium-term financial targets of Arion Bank

	Q2 2026	6M 2026	Arion Bank's medium-term financial targets
Return on equity attributable to shareholders of Arion Bank	15.5%	14.6%	Exceed 13%
Core income / REA	7.9%	8.0%	Exceed 7.2%
Insurance revenue growth (YoY)	5.8%	6.5%	Exceed weighted average growth of competitors (3.7% in H1 2026 YoY)
Combined ratio Vördur	87.9%	94.3%	Below 95%
Total cost-to-core income ratio	40.4%	40.2%	Below 45%
CET1 ratio above regulatory capital requirements	242 bps	242 bps	150-250 bps management buffer (~16.8 - 17.8%)
Dividend pay-out ratio	50%	50%	Pay-out ratio of approximately 50% of net earnings attributable to shareholders through either dividends or buyback of the Bank's shares or a combination of both

Investor meeting / webcast in English on 30 July at 10:30 CEST (8:30 GMT)

Arion Bank will be hosting a meeting at the Bank's headquarters in Borgartún 19, Reykjavík, on Thursday 30 July at 10:30 CEST (8:30 GMT) where Deputy CEO Ida Brá Benediktsdóttir and CFO Ólafur Hrafn Höskuldsson will present the results and give an update on the economic environment. The meeting will take place in English and will also be streamed live.

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

Financial calendar

Arion Bank's financial calendar is available on the Bank's website.

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

Forward-looking statements

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