
We want to unleash the power of our customers,
the economy and society as a whole
Arion Bank Annual and Sustainability Report 2025

The 2025 Annual and Sustainability Report covers the activities of Arion Bank and Arion Group. Arion Group is principally formed by Arion Bank, the insurance company Vörður and the fund management company Stefnir. Arion Bank is the parent company and Vörður and Stefnir are the Bank's subsidiaries.

In the Annual and Sustainability Report, the term "Arion Bank" only refers to the parent company, while "Arion" or "Arion Group" refers to the three companies Arion Bank, Vörður and Stefnir.



Net earnings
ISK 30.6
billion

Loans to customers
ISK 1,329
billion

Operating income
ISK 78.4
billion

Return on equity
14.9%



Assets under management and service of the Group
ISK 1.989
billion



Assets under management at Stefnir
ISK 379
billion

Insurance revenue of Vörður
ISK 20.8
billion

Result of pay equity analysis
0.4%
unexplained gender pay gap

Sustainable loans
12.9%
of the Bank's total loans

FTEs
901

EUROMONEY
AWARDS FOR EXCELLENCE 2025
ICELAND
BEST BANK

THE BANKER
BANK OF THE YEAR
2025
ICELAND

2017
2025
Fyrirmyndarfyrirtæki
í rekstri
Viðskiptablaðið keldan

FYRIRMYNDARFYRIRTÆKI
Í STJÓRNARHÁTTUM

2025
SUSTAINALYTICS
REGIONAL
ESG TOP RATED
MORNINGSTAR

2025
SUSTAINALYTICS
INDUSTRY
ESG TOP RATED
MORNINGSTAR

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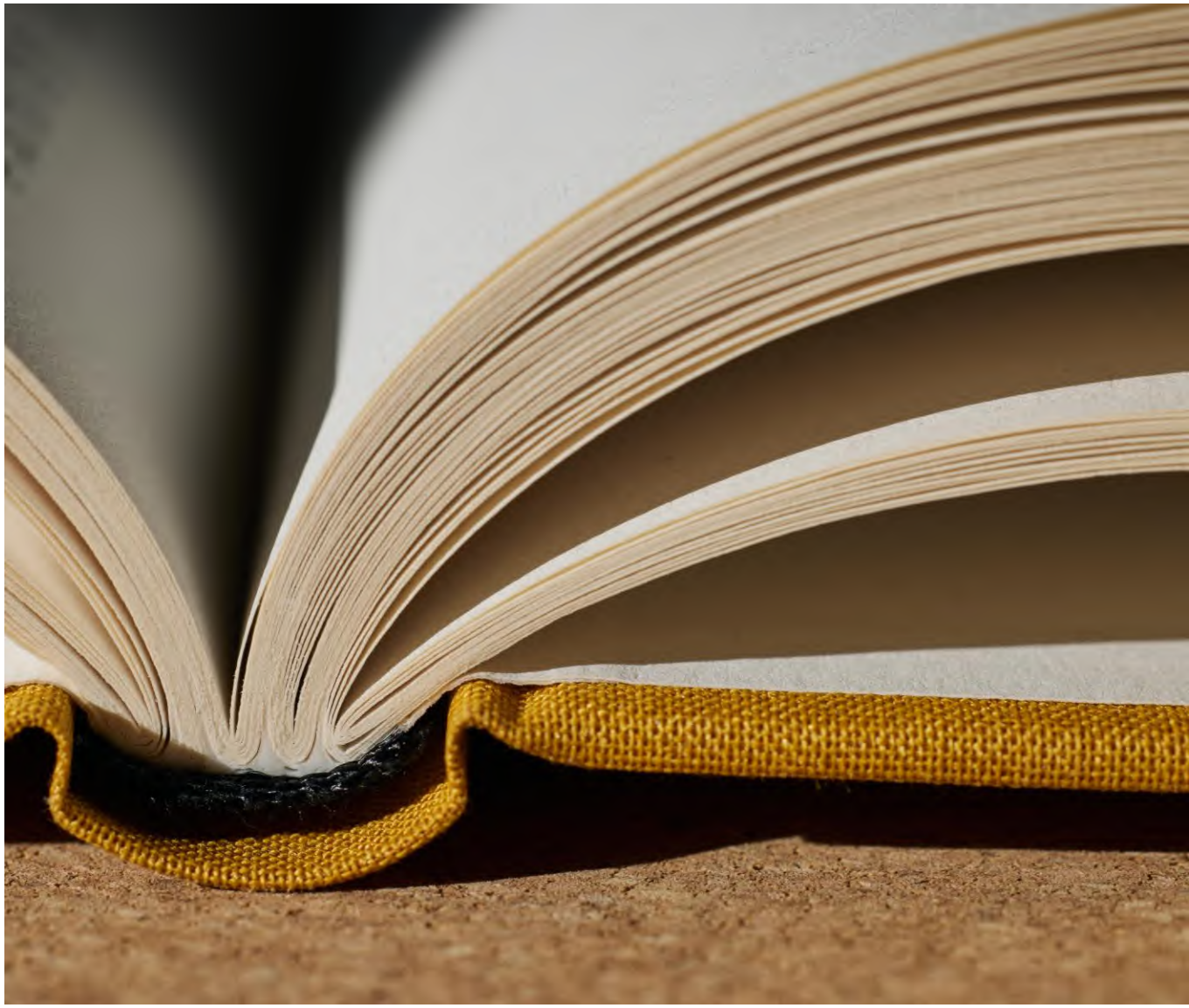
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The year 2025

2025 proved to be a good year for Arion Group. The business performed well despite signs of turbulence in the external environment. Internationally, changes in US foreign policy created a certain amount of economic and political uncertainty, and the Icelandic economy faced various challenges. Inflation continued to prove persistent, and a tight monetary stance was maintained. Nevertheless, there was strong growth across nearly all areas of the Arion Group's operations. We introduced a number of innovations during the year, most notably a new rewards programme for individuals – Arion Rewards. In the Arion app, customers of Arion Bank, Vörður, and Stefnir, as well as members of the Frjálsi Pension Fund, can now clearly and graphically see which rewards they enjoy and how they can further increase those rewards. This represents an important milestone in ensuring that customers of the Arion Group fully benefit from our diverse range of services.



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About **Arion**

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

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

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

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

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

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

ESRS2 SBM-1

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“Leading companies must be forward looking and ready to adapt “

Interview with Benedikt Gíslason, CEO of Arion Bank, and Paul Horner, Chairman of the Board of Directors

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"I would like to begin by saying that this has been a very good year for us, despite various challenges both here in Iceland and internationally," says Paul Horner, Chairman of the Board of Directors of Arion Bank, when we sit down with him and Benedikt Gíslason, CEO, to review 2025 for the Arion Group.

"Operations have continued to exceed expectations. We set ourselves highly ambitious goals and have not only achieved them but surpassed them. We therefore enter the new year full of optimism. The economy, however, certainly poses various challenges, both domestically and globally. For example, Iceland has been dealing with inflation and high interest rates, and the real estate market has been difficult. At the same time, the international political arena is racked by uncertainty. We do our utmost to analyse the situation at any given time and take it into account in all our decisions. It means that we always have enough to do," Paul says with a smile.

Benedikt agrees and says he is extremely proud of the past year. He points out in particular the fact that Arion Bank's subsidiaries, the insurance company Vörður and the fund management company Stefnir, have also had a strong year and, just like Arion Bank, have exceeded their financial targets.

"The competitive edge lies in looking many years ahead. In today's complex business environment, where technological developments are becoming ever faster and also increasingly unpredictable, we believe that leading companies must be forward-looking and ready to adapt quickly if they want to maintain their advantage. We have tried to do just that."

Benedikt also notes that it was good to finally reach a conclusion in the so-called 'interest rate case.' In December, the Supreme Court ruled that certain terms of Arion Bank's inflation indexed housing loans relating to interest rate changes were in fact lawful.

"This outcome simply reflects the professionalism within the Bank and the meticulous approach taken by our employees."

Partnership between Arion Bank and Vörður continues to go from strength to strength

And what have been the highlights this year?

Benedikt says there is a long list of highlights. "Our new rewards programme and the new rewards account with weekly interest, exciting construction projects such as Arnarland, the acquisition of Arngrimsson Advisors, the continued growth of the exclusive Premía service, around ISK 100 billion growth in corporate lending, and our role as advisors on JBT's takeover offer for Marel, which was one of the largest transactions in Icelandic corporate history…" And that is just to mention a few. "It was an unusually eventful year."

"We are also immensely proud of the fruitful partnerships with our subsidiaries, and we could just as well start there." Our integrated banking and insurance services continue to generate satisfaction and attract new customers to Arion. The number of customers who do their banking with Arion Bank and buy their insurance from Vörður continues to grow steadily; the bancassurance ratio has now reached just under 42% among retail customers and 30% among corporates.

"We can clearly see that this bancassurance business model, which we were the first to introduce here in Iceland, where individuals and companies benefit from having their banking and insurance under the same roof, is proving to be a huge success. Competitors have subsequently followed in our footsteps. We fully intend to create stronger alignment between our financial services and insurance."

It has also been encouraging to see the positive response to two key innovations launched by Vörður this year: emergency assistance for people experiencing domestic violence, and pregnancy and parental coverage. Vörður is clearly meeting the needs of its customers by offering these services.

"People are getting additional protection without seeing their premiums increase, and these policies are entirely new concepts in Iceland. With this, we want to set a positive example and further enhance support to our customers."



"We fully intend to create stronger alignment between our financial services and insurance.

Benedikt Gíslason
CEO

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Stefnir is changing the game

Assets under management and service at Arion now amount to approximately ISK 2,000 billion, of which some ISK 379 billion are managed by the fund management company Stefnir. Assets managed by Stefnir increased by 12% last year. “Stefnir has not been afraid to change the game and put new ideas to the test,” says Paul, “for example by not only lowering fund fees but also eliminating entry costs and minimum purchase amounts in funds. This was a game changer, and competitors have still not made a decisive response.”

This initiative by Stefnir has increased people’s access to fund products, resulting in a significant rise in the number of Stefnir clients, up 11% in 2025, and now approaching 14,000 individuals.

Another impressive innovation at Stefnir is a new solution on the housing market aimed at making it easier for people to buy a home. It is a special co-ownership model, based on Nordic examples, which has met with considerable success in Norway, for example. The project is being carried out in close cooperation with nine Icelandic construction companies that have established a co-ownership fund managed by Stefnir.

“This is part of our role as a challenger in the Icelandic market,” says Paul. “We look for solutions that have proven successful abroad and implement them here in Iceland to broaden people’s opportunities and hopefully improve their living standards in the process.”

Arion Rewards exceed all expectations

Both Benedikt and Paul agree that the highlight of the year, in terms of new initiatives, was the Group’s new rewards programme, Arion Rewards, which was launched in the spring. The response has surpassed even their brightest expectations.

“This is the result of extensive and painstaking work carried out behind the scenes over a long period, and once again we are thinking many years ahead,” says Benedikt. “We first gave ourselves plenty of time to shape the rewards programme, drawing for example on ideas that emerged from our annual design accelerator for employees.” The outcome is a simple and user-friendly rewards scheme where customers of Arion Bank, Vörður, and Stefnir can clearly see in the Arion app, their rewards across the entire Group and what they need to do to move up to a higher rewards level.

“In this way, we want to reward those customers who make use of the diverse services Arion offers and show in practice how much we value their loyalty and business,” says Benedikt. Through the rewards programme, Arion customers can see how all the services fit together and how they benefit from using the combined offerings of Arion Bank, Vörður, and Stefnir.

The extensive digital development that has taken place at Arion in recent years, reflected among other things in the Arion app and the rewards programme, is part of the effort to modernize banking and insurance services. Artificial intelligence and automation will further increase the efficiency of operations in the coming years, as well as the quality and speed of service.

“We believe that many aspects of modern banking services are somewhat outdated and old fashioned, perhaps fifty years behind other societal developments,” says Benedikt. “The coming years will be a period of major change, and we are excited to play a part in shaping the future.”

Is it perhaps time for a major systemic change in the Icelandic financial system?

On that note, it is natural to ask whether the time has simply come for major structural changes in the Icelandic financial system, which sometimes feels both cumbersome and expansive.

Both Paul and Benedikt agree. One way to strengthen Arion Bank’s competitiveness would be a merger with another Icelandic financial institution. At the beginning of 2024, Arion Bank sought merger talks with Íslandsbanki, although that did not gain traction, and shortly afterward the Bank approached the country’s fourth largest bank, Kvika, where initial enquiries garnered a positive response. The boards of both companies agreed to enter negotiations, and preliminary discussions with the Icelandic Competition Authority began in October 2025. “These discussions have gone very well, although there is still a long way to go,” says Benedikt.



“Stefnir has not been afraid to change the game and put new ideas to the test”

Paul Horner
Chairman of the Board of Directors

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"The three Icelandic commercial banks – Arion Bank, Landsbankinn, and Íslandsbanki – are probably among the smallest systemically important banks in Europe," says Paul. "Nevertheless, they must comply with the same legal requirements and reporting obligations as banks on the continent, which are often ten or even fifty times larger and therefore have far more staff to meet such demands." This, he notes, leads to significant costs that are not in consumers' best interests, as they ultimately affect the terms the banks can offer their customers.

"The regulatory burden is only likely to increase, if anything," says Benedikt. "We believe that a certain degree of consolidation, for example through a merger, is sensible and would strengthen the competitiveness of the financial system by reducing operating costs, which in turn enables the Bank to offer even better terms to its customers."

Both Benedikt and Paul also say they are convinced that Arion and Kvika are an excellent match for several reasons.

"Kvika's solutions integrate well with Arion's product and service offering, and the cultures of both companies are very similar," says Benedikt. "Just like Arion, Kvika entered the market late, well after both Landsbankinn and Íslandsbanki, and both banks have been in a kind of challenger role, needing to show significant initiative to carve out their position in a highly competitive environment. We believe that the combined strengths of the two institutions would create a more powerful bank, one better equipped to withstand fluctuations in the business environment and to be a strong challenger."

The importance of the Arctic continues to grow

It is impossible to end the conversation without briefly turning our attention the Arctic, where Arion Bank has in recent years built strong business relationships, for example in the Faroe Islands and Greenland. The Bank has also hosted an Arctic investment conference in London for four consecutive years, and interest is steadily increasing. The region is becoming ever more important in an international context and has been in the spotlight in recent months.

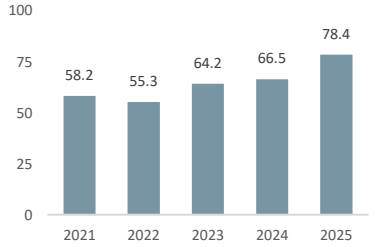
"When we first started focusing on the Arctic and discussing the future and significance of the region with international banks and investors, interest was not particularly strong. But it has certainly grown considerably in recent times. At Arion, we are exceptionally well positioned and well connected in this area," says Benedikt. "The region is, for example, extremely valuable in terms of fish stocks, new shipping routes are opening up, and there are all kinds of opportunities in tourism and infrastructure development. Here we have important experience, and we want to do what good service companies do: help others turn exciting ideas into reality in a responsible and sustainable way."



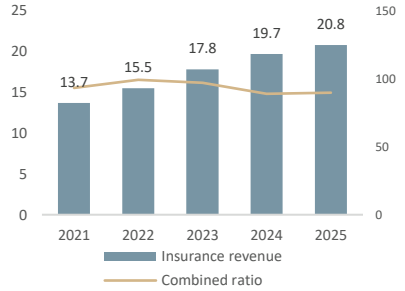
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Key figures

Operating income
ISK bn.

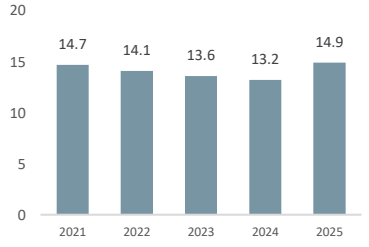


Insurance revenue*
ISK bn. / %

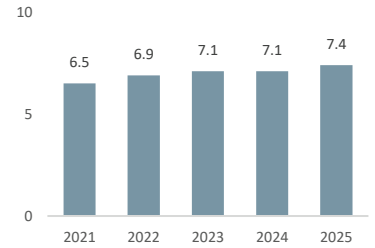


**Figures for 2021 have not been restated according to IFRS 17.*

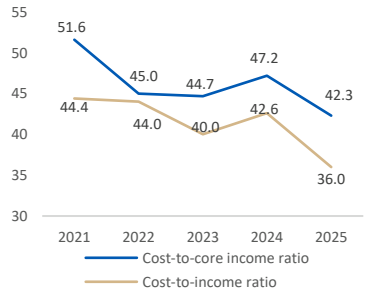
Return on equity
%



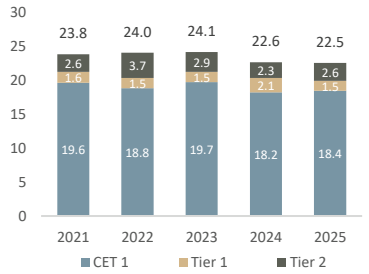
Core income / REA
%



Cost ratios
%



Capital ratio
%



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A stronger financial system

There has been much talk about the need for systemic reform in the Icelandic financial market. The system needs to be made more efficient for the benefit of shareholders and customers of financial institutions. With that aim in mind, Arion Bank pursued merger discussions with Íslandsbanki at the beginning of the year. While these plans ultimately failed to materialize, the Bank subsequently sought merger talks with Kvika Bank, Iceland's fourth largest bank. The boards of the companies approved the initiation of merger negotiations mid-year. One of the first steps toward a potential merger involves preliminary discussions with the Icelandic Competition Authority, which began in October.

Vörður enhances customer protection

Vörður introduced two important innovations during the year: emergency assistance for survivors of domestic violence and pregnancy and parental protection coverage. These enhancements expanded the protection offered by Vörður's insurance products without resulting in an increase in premiums.

New mortgage offering following interest rate ruling

Following an October ruling by the Supreme Court in a case against Íslandsbanki, where an interest rate adjustment clause on a non-indexed mortgage was deemed partially unlawful, the Bank paused the issuance of new mortgages while temporary adjustments were made to its offering. A revised range of mortgages was introduced in November, reflecting the Supreme Court's ruling.

In December, however, the Supreme Court ruled in a case against Arion Bank that the interest rate adjustment clause on an indexed mortgage was lawful. A case regarding a non-indexed mortgage against the Bank is scheduled to be heard before the district court in 2026.

Fighting online fraud

Online fraud is an increasing challenge for financial institutions and their customers. We worked systematically to strengthen fraud prevention measures, including operating a 24-hour fraud monitoring team. We also raised public awareness through the series True Icelandic Fraud and our Arion Escape Room initiative.

Women Invest – making a difference

The long-term initiative Women Invest (Konur fjárfestum), launched at the beginning of 2024, continued throughout the year. Over these two years, around 8,000 women have attended the 95 educational events held by Arion across the country. We are seeing substantial progress in women's participation in investing and saving, as the share of women in savings and subscriptions to Stefnir funds, as well as the total assets held in Arion custody accounts, has grown significantly faster than for men during this period.

Arion Bank also became the principal sponsor of the University of Iceland's Research Centre on Gender Equality in Economics and Business. The Centre aims to strengthen and deepen knowledge of gender dynamics in Icelandic business life, with the objective of promoting genuine equality in economic participation, decision making, and leadership.





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Arion Rewards – a new rewards scheme for the Group

We introduced a new rewards programme – Arion Rewards – enabling customers of Arion Bank, Vörður, Stefnir, and members of Frjálsi Pension Fund to view clearly and graphically the rewards available to them and what is required to advance to a higher rewards level with better terms and additional benefits. To participate in the programme customers first need to register, and in 2025 approximately 45,000 customers signed up.

New rewards account – our best terms for our best customers

A key feature of Arion Rewards is a new rewards account, introduced during the year and available exclusively to Rewards members. This is a non-indexed demand deposit account offering the highest variable deposit rates Arion provides to its customers. When launched the account offered the highest non-indexed demand deposit rates available in Iceland. Interest on this account is paid weekly, a completely new feature in the Icelandic market.

Best banking app – for the ninth consecutive year

The Arion app was named the best banking app by Icelandic bank customers in a Maskína survey for the ninth year in a row.

We continuously develop and refine the app to meet our customers' needs as effectively as possible. It enables users to manage all major banking services. Parents can monitor their children's accounts, set up savings accounts and debit cards for them easily, and customers can conduct fund and securities transactions with a clear overview of portfolios and pension savings. Insurance customers of Vörður can also access their policies and request quotes.

For businesses, the app offers outstanding card solutions, including the ability to photograph receipts and attach them to statements, and manage card limits simply and efficiently.



Greater efficiency and automation

Shifts in priorities and greater efficiency in information technology enabled us to complete around 40% more digital projects compared with the previous year. At the same time, new software releases have increased by 50% over two years.

Artificial intelligence and automation are playing an increasingly important role in our operations and will further enhance efficiency, service quality, and delivery speed. We installed AI enabled hardware in our data centre, making us one of the few companies in Iceland to own and operate such equipment.

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Stefnir changes the game

Stefnir reduced fees on fund transactions to the benefit of fund investors and also eliminated front-end fees and minimum investment amounts. The number of individuals doing business with Stefnir increased by 11% during the year and is now approaching 14,000.

In cooperation with several property developers, Stefnir introduced a new co-ownership model aimed at making home ownership more accessible. The initiative has been well received and widely discussed. Nine developers have now established co-ownership funds, all managed by Stefnir.

More convenient banking for businesses

We continued to enhance digital services for businesses, introducing several innovations such as electronic registration of collateral and security documents, an automated credit line system, and the ability for customers to switch users within online banking with ease.

A leader in corporate services

Arion Bank served as advisor on JBT's takeover offer for Marel, one of the largest transactions in Icelandic history, which was completed during the year. Other advisory projects included equity fundraising for Laxey and Controlant, the acquisition of INNO by SKEL and Axcent of Scandinavia (which received the M&A Award in Belgium in the mid-market category), a capital increase and refinancing at Kaldvík, advisory and financing of the acquisition of a 93% share in Héðinn hf., and the sale of a controlling stake in Kóði to VEX.

Corporate lending increased by ISK 100 billion, one of the strongest annual growth periods in the Bank's history. Lending to small and medium sized enterprises increased by a record ISK 20 billion.

In a late year Gallup survey, most business leaders identified Arion Bank as the leading corporate bank in Iceland – something we are very proud of.

Strong market position

Arion's service offering expanded further with the completion of the acquisition of Arngrimsson Advisors, increasing international investment opportunities for our customers. Stefnir launched several new funds and adjusted the focus and fees of others to better meet the needs of Premía, Arion's private banking clients.

Total assets under management and service within the Group now amount to approximately ISK 2 trillion, the highest level to date. Of this, Stefnir manages ISK 379 billion, representing a 12% increase. More than half of the Group's managed assets belong to pension fund members whose funds are administered by Arion, with Frjálsi leading among its peers. Arion and Frjálsi renewed their operating agreement during the year.

Attractive workplace

We strive to attract and retain the best talent. A key component of this is offering clear opportunities for professional development. We strengthened our learning and development efforts, including a mentorship programme pairing experienced employees with new talent, a graduate programme providing recent graduates exposure to diverse roles within the Group, and structured leadership training for managers.

We also opened an on-site daycare centre for employees' children.

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Arnarland and Blikastaðir

Work on the land use plan for Arnarland in Garðabær was completed during the year. This new neighbourhood will feature 450 homes, services, and commercial activity with an emphasis on health and technology. Arnarland ehf. was sold to new owners, the property development company Arcus ehf., which will oversee the construction of this ambitious project.

Significant progress was also made in planning for Blikastaðir in Mosfellsbær, owned by Arion through Blikastaðaland ehf. The plan provides for the construction of 3,500–3,700 homes across three development phases, with approximately 1,200 homes in the first phase. During the year, an agreement was reached with Mosfellsbær involving increased contributions from Blikastaðaland ehf. toward major infrastructure such as schools and sports facilities. The detailed plan for the first phase was published at the beginning of 2026.

Additionally, agreements were reached with Reykjanes Investment ehf. for the purchase of properties and land in Helguvík, formerly the site of a silicon metal plant.



Balance sheet

The Bank's assets grew by 8% in 2025 and amounted to ISK 1,755 billion at year-end. Loans to customers also increased by 8% during the year. Corporate lending grew by 15.2%, while loans to retail customers increased by 0.2%.

Arion Bank continued to consolidate its position on the international and domestic markets by diversifying its funding options.

At the beginning of the year the Bank issued floating rate bonds in the amount of NOK 350 million and SEK 250 million with a 3-year maturity. The Bank also issued senior preferred bonds in the amount of $27.5 million, with a 3.5-year maturity and issued €300 million senior preferred notes with a 5-year maturity. During the summer, the Bank issued green senior preferred bonds amounting to NOK 600 million and SEK 900 million with a maturity of 2.5 years. In August, Arion Bank issued €300 million senior preferred notes with a 6-year maturity.

Domestically, Arion Bank continued to issue senior preferred bonds in the series ARION 28 1215, issuing ISK 4,860 million at the beginning of the year. During the summer, the Bank issued a new series of Tier 2 subordinated bonds in a total issue of ISK 10.0 billion. In 2025, the Bank issued covered bonds amounting to ISK 18.5 billion, of which ISK 960 million were for own use.

Arion Bank enjoys a strong liquidity position, resulting in part from wholesale market funding, while customer deposits increased by 7%, from ISK 857 billion to ISK 921 billion. Deposits accounted for about 60% of the Bank's funding at year end.

The Bank's total equity amounted to ISK 217.4 billion at the end of 2025 and increased by ISK 10.3 billion during the year. The change is mainly explained by the year's net earnings of ISK 30.6 billion, while the total was reduced by share buybacks and dividend payments totalling ISK 22.1 billion. The Bank's capital ratio was 22.5% at year end, and the CET1 ratio was 18.4%.

Awards and recognition

For the fifth year in a row, Arion Bank was named Bank of the Year in Iceland by The Banker, published by the Financial Times. Arion was also selected as Bank of the Year in Iceland by Euromoney for the second consecutive year.

Frjálsi Pension Fund was named Best European Pension Fund in the category DB/DC structuring/strategies by the specialist publication Investment & Pension Europe. These are the sixteenth awards that Investment & Pension Europe has granted to Frjálsi Pension Fund.

Arion Bank was recognized as Education Company of the Year by the Confederation of Icelandic Enterprise (SA). Nearly forty nominations were submitted, and a three-company shortlist was formed, from which the judging panel selected Arion Bank for its outstanding performance in training and educational initiatives. Arion also received the Knowledge Award of the Association of Business Administrators and Economists, given to companies demonstrating exceptional expertise, innovation, and/or adaptability in their field.

Toward the end of the year, Arion Bank was nominated by Brandr as one of the top Icelandic corporate brands, alongside five other companies.

Arion Bank received an Outstanding rating in the ESG risk assessment by Reitun, its sixth consecutive year being classified among the top performers in this area. The assessment reflects the Bank's strong performance across environmental, social, and governance factors. The Bank is also ranked among the global leaders in sustainability by Morningstar Sustainalytics and is considered a sector leader by MSCI, which awarded Arion an AA rating.

As in previous years, Arion Bank, Vörður, and Stefnir earned the designation Model Company in Corporate Governance. These recognitions are awarded by Stjórnvísi, the Iceland Chamber of Commerce, the Confederation of Icelandic Enterprise, and Nasdaq Iceland.

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The year 2025 will go down in history as the year of tariffs, the year in which the United States reshaped its foreign policy, creating significant economic and political uncertainty. Although the Icelandic economy avoided running aground on trade tariffs and protectionism, conditions were nonetheless challenging. A series of shocks hit the export sectors during the autumn months, unemployment rose, and household borrowing terms and financial conditions tightened following a ruling by the Supreme Court. In addition, inflation proved persistent, resulting in continued tight monetary stance.

Despite turbulence in the global markets and an unpredictable tariff policy, economic growth of 1.5% was estimated in the first nine months of the year. Growth was driven by household final consumption, which increased by 3.6% year-on-year, and investment, which rose by 10.1%. Although tourism performed exceptionally well over the summer, with one record after another being broken, export growth nonetheless failed to keep pace with imports, which increased by 11.4% year-on-year. As a result, the contribution of foreign trade to economic growth was negative for the second consecutive year.

The sharp rise in imports was largely driven by substantial imports of computer equipment related to data centres. In total, computers and computer products valued at over ISK 170 billion were imported during the first eleven months of the year. In an ideal economic world, such imports should not affect GDP growth, as they are matched by investment. However, there are indications that investment failed to keep pace with imports during the year, which, along with other complications, reduced analysts' confidence in the National Accounts figures.

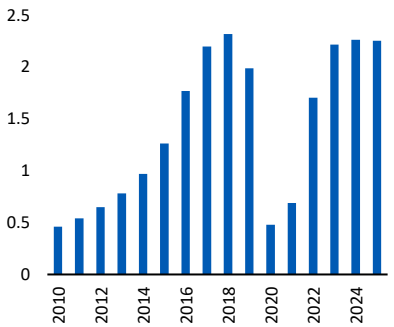
It should be emphasized that these figures represent Statistics Iceland's preliminary estimates of economic activity and are often revised over time. To illustrate the scale of such revisions, the second quarter of 2025 serves as a clear example: initial data indicated a year-on-year contraction of 1.9%, while the first revision reduced the contraction to 0.2%. Analysts expect further revisions to annual growth figures in the coming months.

Exports under pressure

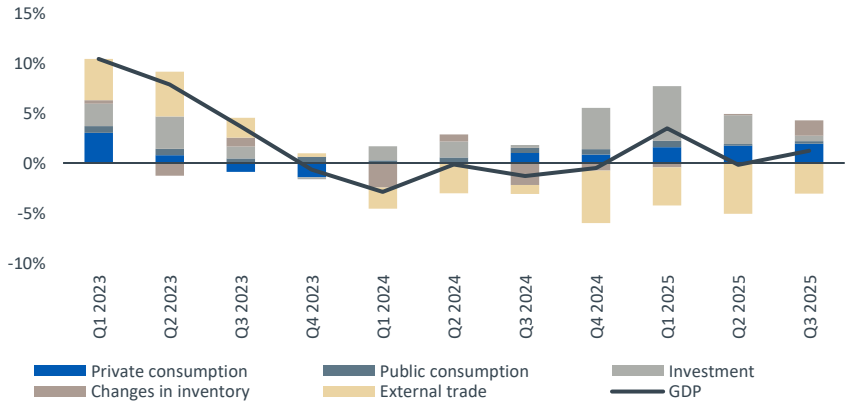
Exports performed better than initially feared, as US tariff increases only had a limited impact on Icelandic exports according to official data. Goods exports to the US declined immediately following the introduction of tariffs but gradually recovered as the year progressed. In addition, a large number of American tourists visited Iceland, particularly during the summer season. The summer exceeded even the most optimistic expectations for tourism following a rocky start to the season.

Ultimately, it became the busiest tourist summer on record, with longer average length of stays, notably strong hotel occupancy rates, and higher per capita spending by visitors. Consequently, tourism export revenues increased by 3.1% year-on-year during the first nine months of the year. However, the momentum proved short-lived. Toward the end of September, flight capacity to Iceland fell sharply following the collapse of Icelandic airline Play. Tourist arrivals declined thereafter, resulting in a total of 2.3 million visitors – unchanged for the second consecutive year.

Tourist arrivals via Keflavík International airport
Millions



Growth contributions of GDP components



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During the autumn months, the old adage when it rains, it pours proved apt. The day after Play's bankruptcy, the international guidance on total allowable catches (TAC) of pelagic species was published, recommending significant reduction in pelagic fish catching, compounding a reduction in the cod quota. Shortly thereafter, export prospects deteriorated further when a serious equipment failure at the Norðurál aluminium smelter resulted in partial production shutdowns. Unlike in previous years, other export sectors were not in a position to compensate, as both aquaculture and pharmaceutical manufacturing faced headwinds following exceptionally strong growth the year before. Both industries, however, maintain ambitious expansion plans and offer significant growth opportunities. Nevertheless, short-term export prospects have weakened materially, and the Central Bank of Iceland now forecasts a 0.2% increase in exports in 2026.

The decline in exports of aluminium products constitutes the most significant contributing factor.

Unemployment and rising wages weigh against each other

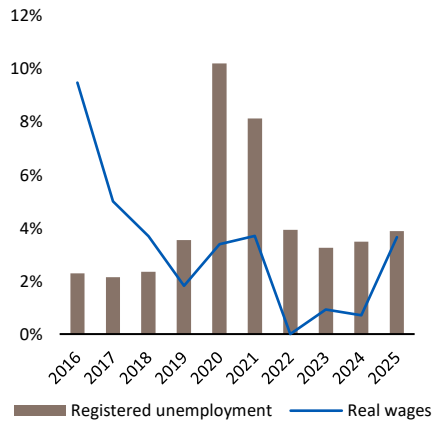
The year began with labour unrest, most notably due to teacher strikes that had a marked impact on society. A comprehensive agreement was successfully reached in the first quarter, concluding the final major contract of the current wage settlement cycle. Overall, the wage index rose by an average of 8% year-on-year, equivalent to a real wage increase of 3.7%. This was driven by a combination of general negotiated increases, wage drift, various pay adjustment compensations, and agreements covering smaller groups.

Despite persistent wage growth, most indicators suggested that tensions in the labour market eased significantly.

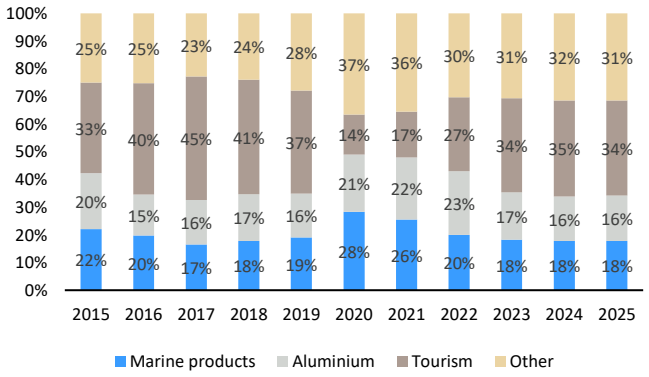
Job creation slowed considerably and ultimately turned negative toward the end of the year in the private sector, while unemployment inched upwards.

According to the Directorate of Labour, unemployment measured 4.4% in December, compared to 3.8% a year earlier. There is little indication of an imminent improvement in labour market conditions. An autumn survey among Iceland's largest companies revealed that more firms planned redundancies than to recruit staff. A clear majority of respondents assessed the outlook as rather or very poor, particularly among export-oriented companies. Firms operating in the domestic market were slightly more optimistic, reflecting a renewed household demand in 2025. Private consumption increased by 3.6% in the first nine months of the year, per-capita consumption rose by 2.3%, and Icelanders' card turnover increased by 6% over the full year. Icelandic households also set a new travel record, partly reflecting a strong króna.

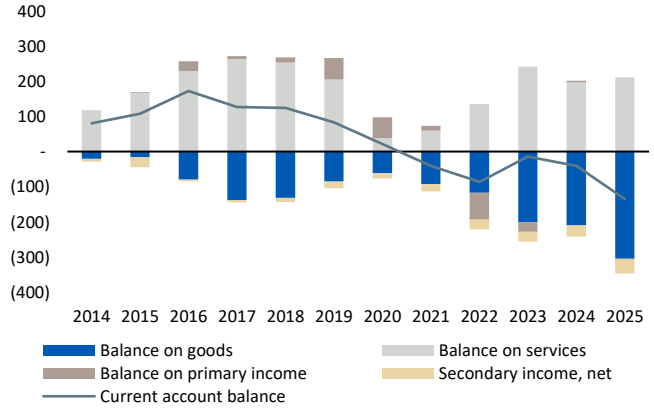
Unemployment and real wages
YoY %-change of the real wage index



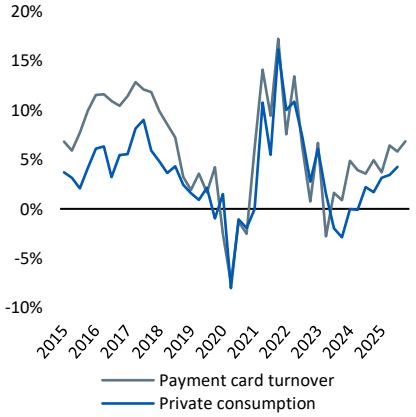
Composition of exports
First nine months of each year



Current account balance
First nine months of each year, ISK bn. at constant exchange rate



Pament card turnover and private consumption
YoY %-change, real prices



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Household final consumption was largely driven by rapid wage growth and a substantial increase in purchasing power. Household balance sheets remained generally sound, with low debt ratios, limited arrears, and growing savings. The current combination of rising unemployment alongside increasing purchasing power is highly unusual in the Icelandic context, as economic policy has historically prioritized high employment at the expense of price and exchange rate stability. While it is still too early to draw firm conclusions, the adjustment of the economy increasingly appears to be taking place through the labour market.

Housing market volatility

Although rising unemployment has not yet had a visible effect on household consumption, tighter access to credit following the Supreme Court ruling may temporarily dampen consumer sentiment and big-ticket purchases. Toward the end of the year, financial institutions significantly adjusted their lending conditions, tightening access to credit – particularly inflation-indexed loans and loans carrying variable interest rates. This resulted in a sharp increase in the minimum payment burden of indexed loans.

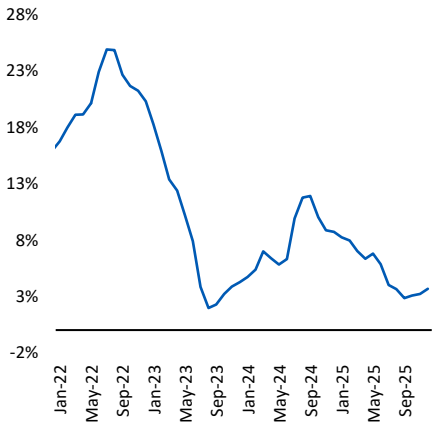
The housing market was not immune to the resulting uncertainty. After already cooling earlier in the year, activity declined further according to preliminary data. Annual nationwide house price inflation slowed from 8.2% at the start of the year to 2.8% by the time the court ruling was delivered. Sluggish sales of new housing resulted in an accumulation of unsold inventory over the course of the year, both in the capital region and surrounding areas. To address the situation, a new way to finance homebuying was introduced, whereby funds affiliated with construction companies offered to invest in newly built residential property together with homebuyers, from the companies' own projects. These funds quickly attracted attention and interest from buyers, as well as the Central Bank, which viewed them as riskier than conventional home purchases. It resulted in tighter rules governing debt service ratio calculations. Overall, house prices nationwide rose by an average of 5.1% in 2025.

Persistent inflation hampers rate cuts

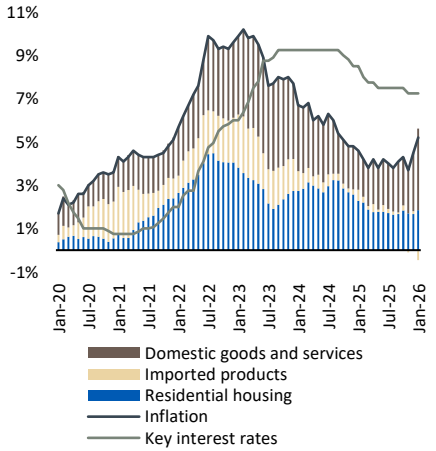
At the start of the year, inflation appeared to be receding, and interest rate cuts seemed imminent. By mid-year, however, it became clear that the path to the inflation target would be neither smooth nor straightforward. Despite visible signs of cooling in the economy, particularly in the labour and housing markets, large wage increases continued to fuel domestic inflation. Inflation expectations among households, businesses, and market agents likewise remained elevated and well above the Central Bank's target. As a result, inflation stood at 5.2% in January, compared to 4.6% at the beginning of 2025. Nonetheless, the Central Bank lowered its key interest rate by a total of 1.25 percentage points during the year, initially due to declining inflation and later in response to turbulence in the mortgage market following the Supreme Court ruling. Overall monetary tightness, however, changed little and remained within the range of 3.5% - 4 %.

The Central Bank had its hands full during the year. In addition to rate cuts and changes to borrower conditions, it initiated regular foreign currency purchases to strengthen foreign exchange reserves. Total purchases amounted to ISK 68 billion, effectively filling, and exceeding, the void left by pension funds. Many viewed the timing of the purchases as fortunate, given that the króna was strong, and by some measures excessively so. Following the weakening of the króna in the autumn, after a series of shocks to key export sectors, the Central Bank discontinued its regular foreign currency purchases. By year-end, the króna had appreciated by 9.6% against the US dollar but depreciated by 2.9% against the euro.

Residential property market price index
YoY %-change



Inflation and key interest rates



The exchange rate of the ISK against USD and EUR



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Arion Group
Financial targets and performance
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Our strategy and performance

Arion Bank has a clear strategy which sets out the mission, vision and purpose of the Bank. We want to harness the energy which surrounds us, drive the success of our customers and society as a whole – in Iceland and in the wider Arctic. Our mission is to serve society with ingenious financial solutions which enhance financial well-being and advance sustainable value creation. Strong partnerships between Arion, Vörður and Stefnir perform a key role in this respect. Arion Group operates with clear financial targets which are released publicly, and in 2025 the Group achieved its target on return on equity above 13%. Taking into account dividends, the Bank's share price on Nasdaq Iceland gained 30.2% during the year, while SDRs on Nasdaq Stockholm climbed 19.7%.



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Strategy and vision

One of the most important things Arion Group does is to help our customers achieve financial well-being. We do this by investing their savings and channelling this capital to those seeking funding to help realize their dreams. We also offer diverse insurance policies for families, homes and companies, and have a wide range of pension products. Being able to offer a wide variety of services is vital as our customers all have different goals, reflecting the ambition and energy within them.

We have unwavering confidence in our community and believe that people have dreams and ideas which are worth supporting and making real for the benefit of everyone in society. We want to unleash the power of customers, the power of women, the power within us all and not least the power inherent in the economy and society as a whole.

Our strategy is:

Our mission is to help those who want to achieve success in Iceland and the Arctic through smart and reliable financial solutions which enhance financial health and create sustainable value.

Our vision is to be the best at meeting the needs of our target groups – a leader which is a driver of success for our customers and society as a whole.

Our purpose is to unleash the power of the new North.



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Your success

Success can mean many things. We are all different and have distinct goals. Our customers' success – your success – is what matters most to us.

Helping our customers succeed

Whether it is a major company investing in green production or a start-up seeking funding, young people heading overseas to study or older people developing asset portfolios and securing their financial futures, we are always working for the success of our customers.

Helping society succeed

The projects we finance have a major impact on our society and environment. We believe in a robust economy and place great importance on sustainable financing for the benefit of society.

Helping our shareholders succeed

Thousands of people in Iceland are shareholders in Arion Bank, both directly and indirectly through pension funds. We are aware of our responsibility and aspire to create greater value for our shareholders.

Helping our employees succeed

Our employees are a diverse group of people who share a passion for their work. We endeavour to build a workplace where knowledge, expertise and skills can be put to good use.

Sustainable value creation

We want to act as a role model in responsible and profitable business practices which take into account the environment and society. We aim to ensure that social responsibility and sustainability are integral parts of the Bank's day-to-day activities, its decision-making and processes. Only by doing this can we enhance financial health and support sustainable value creation in society.

We realize that the greatest impact that banks can have is through lending and investment, and we take this responsibility seriously. We want to promote investment by women and are resolved to improve the gender balance on the financial market. In 2025, we continued with our long-term initiative Women Invest which began in 2024.

We have also adopted an ambitious environment and climate policy. We are committed to helping Iceland meet its obligations under the Paris Climate Agreement and other local and international environmental and climate agreements. We offer our customers sustainable and green financial services, such as green car loans, deposits, mortgages, corporate loans and green funds at Stefnir.

Values

We have adopted three core values which guide us in our decision-making and everything we say and do. They help us understand what is expected of each and every one of us – and from the Arion community as a whole. They describe how we approach our tasks so that we are able to achieve our goals and those of our customers.

We say what we mean

We adopt good practices guided by sustainability.

We are honest and identify where things can be improved

We maintain confidentiality at all times and act respectfully

We find solutions

We are positive and solution-oriented in everything we do

We believe that a creative mindset and brilliant initiative generate ingenious solutions

We are more than a bank – we are resourceful partners who help people and communities achieve success

We work together

We are responsible for creating a working environment which is enriching, enjoyable and motivational

We foster close collaboration, both with different divisions of the Bank and with our partners

We work with our customers so that they achieve their goals

We have also adopted a code of ethics which we refer to as a key to responsible behaviour and decision-making. The code of ethics can be seen on the Bank's website.

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Arion Group

Arion Bank, the insurance company Vörður and the fund management company Stefnir form the core of the Arion Group and the services we offer our customers. Vörður and Stefnir are subsidiaries of Arion Bank. Close and trusted collaboration between the three companies means that we are able to offer individuals, companies and investors varied and ingenious financial solutions which enhance financial well-being and advance sustainable value creation. The range of services offered by Arion Group is discussed in more detail in the section Our service.

In addition, Arion Bank owns 51% in Leiguskjól, which offers its customers rent guarantees from Arion and runs the country's most popular rental website myigloo.is. The Bank also fully owns the property developers Landey, which since 2009 has engaged in a wide range of property and development projects.

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Vörður

Vörður is a general insurance company for individuals and businesses, focusing on providing simple and convenient insurance. We serve over 71,000 customers, including 64,000 individuals and 7,000 businesses. Our market share has grown steadily to approximately 19%, with revenues of ISK 20,8 billion. Key corporate sectors include construction, real estate management, and specialist services. Our goal is to have the most satisfied customers in the insurance market.

Strong partnership and Arion Rewards

Our partnership with Arion Bank continues to flourish. Vörður's services are now available in seven shared branches, and customers can benefit from Arion Rewards, an integrated rewards programme which also offers refunds to claim-free customers.

Customers can now manage their insurance through the Arion app and My Pages at any time. We are committed to delivering excellent digital solutions and will continue to invest significantly in this area in the future.

Combined ratio target achieved

Vörður's insurance operations performed well in 2025, and the company achieved its target on combined ratio.

Investment operations performed below target despite a strong surge at the end of the year. Returns on domestic equities were negative, and the anticipated impact of falling interest rates on bonds failed to materialize. Profit from investment activities amounted to ISK 525 million, compared with ISK 2,197 million in 2024.

Outstanding service

We are dedicated to supporting our customers and delivering exceptional service every day. Our focus is on exceeding expectations through excellent interaction, genuine care, and solution-oriented service. We take the initiative, offer creative solutions, and consistently strive to develop solutions that satisfy our customers. As a result, customer satisfaction has increased, with many customers receiving service beyond their expectations.

Prevention comes first

Insurance is essential to financial well-being, and Vörður is committed to leading the way in prevention for individuals and businesses. Through timely, targeted communication, we promote safety and peace of mind. This year, we launched the "Don't Fall Asleep at the Wheel" campaign with the Icelandic Road Administration to raise awareness of the dangers of driving when tired. We also shared seasonal safety tips and provided customers with free ice scrapers and smoke detectors, all aimed at preventing accidents.

Better protection through innovation and creative thinking

In 2025, we made significant advances in product development to improve customer protection. Two major innovations stand out:

- Protection for victims of domestic violence is now included in all home insurance policies at no additional cost. This emergency assistance offers financial support to help victims improve their circumstances.
- Pregnancy and parental protection have been added to health insurance at no additional cost, providing financial assistance and counseling for serious illness or complications during or after pregnancy.

Both innovations have been very well received and demonstrate Vörður's commitment to social responsibility, prevention, equality, and improved quality of life.

At Vörður, we support our community and provide peace of mind through innovation and creative thinking. We look forward to introducing further new products in the coming year and continuing to lead the Icelandic insurance market.



STEFNIR

Stefnir hf. is one of Iceland's oldest fund managers. It builds on a successful and valuable track record and has been creating value with its clients for decades. Stefnir has been a pioneer in product development on the fund management market and has created results for its clients responsibly through unity and dedicated teamwork. The company is fully owned by Arion Bank and related companies, and its offices are located at the Bank's headquarters. The company has assets of approximately ISK 379 billion under management which are owned by a diverse group of investors, from private individuals to Iceland's largest institutional investors. At the end of 2025, Stefnir employed 22 specialists in three teams managing a diverse range of UCITS and alternative investment funds.

Assets under management increased by approximately ISK 43 billion, from ISK 336 billion to ISK 379 billion. The growth in assets is due to positive investment returns, an influx of capital into funds and the opening of new funds during the year. Assets under management are well distributed between asset classes and the company's revenue structure is in line with the board's objectives.

Product development and milestones in 2025

Stefnir manages financial assets on behalf of its clients and places great importance on carrying out its duties responsibly and transparently.

Stefnir has led the way in reducing fees for the benefit of the owners of the funds managed by Stefnir. The company reduced fees for Premía funds, eliminated the front-end fees for funds and there is no longer any minimum investment amount in funds.

In partnership with a number of construction companies, Stefnir announced a new co-ownership structure which makes it easier for people to buy residential property. This innovation has been well received by the market and has generated a great deal of discussion. Nine construction companies have now established co-ownership funds which are all managed by Stefnir.

The private equity fund SÍA V was established during the year, the fifth in Stefnir's private equity fund series. Subscriptions in the fund amounted to more than ISK 15.2 billion, and it is mainly owned by pension funds. The fund's objective is to maximize shareholder returns through investments in the Icelandic economy. The fund is an active investor and has significant involvement in the management of the companies it invests in, advocating for their development.

During the year, SÍA IV, a private equity fund managed by Stefnir and largely owned by pension funds, completed the acquisition of a majority stake in Internet á Íslandi hf. (ISNIC). ISNIC is the registry for the country-code top-level domain .is. This acquisition is the final new investment for SÍA IV, as its investment period has now ended.

The private debt fund SÍL 3 was founded during the year and issued the bond SIL 35 6 which was listed on Nasdaq OMX in the autumn of 2025. The fund's commitments total ISK 7 billion and it is mainly owned by pension funds. This is the third in Stefnir's private debt fund series. SEL II hs. issued a principal protected note amounting to $35 million which was also listed on Nasdaq OMX, making it the second fund to issue a principal protected note.

Stefnir saw an 11% increase in its client base, bringing the total number of clients to 13,700 at year-end. Stefnir fund subscriptions increased significantly, up 40% from last year. Stefnir's most popular subscription fund continues to be Stefnir - Balanced Fund, while Katla Fund - Global Equity has also gained a lot of traction among new clients. The number of regular subscriptions in Stefnir's funds has therefore never been higher, and it has never been easier or more convenient to invest in Stefnir's funds using the Arion app. The Women Invest initiative has also resulted in a notable increase in investments by women, which is a positive development.



Responsible investment and the role of Stefnir

Stefnir's role is to manage its clients' assets as best serves their interests. Responsible investment, diverse investment options and thorough disclosure of information are central to the corporate social responsibility to which Stefnir is committed. By paying due attention to environmental and social issues and good corporate governance Stefnir believes it can have a positive influence on society, to the benefit of fund members and other stakeholders.

The board of directors of Stefnir adopted a policy on responsible investments and it forms an integral part of the investment process and asset allocation. The main aim of product development is to offer responsible investment options in response to our clients' wishes.

The board of directors of Stefnir is committed to good corporate governance and has resolved to promote responsible behaviour and corporate culture within Stefnir for the benefit of all stakeholders. In 2012 Stefnir became the first Icelandic company to be named as a model company in good corporate governance, and it has maintained this position ever since.

LANDEY

Landey is a property development company owned by Arion Bank. Since it was founded in 2009 Landey has been involved in the ownership of various properties and development projects. The only current property of Landey is Blikastaðaland. Landey's objective is to increase the value of its assets through the continued development of these sites.

In 2025, Landey sold its properties in Helguvík and the development site at Arnarland in Garðabær.

Blikastaðir development project

Blikastaðaland covers approximately 98 hectares and is the one of the largest areas of undeveloped land in the Greater Reykjavík area. The land is ultimately owned by Arion Bank through the company Blikastaðaland ehf., a subsidiary of Landey ehf. The area is expected to be home to around 3,600 properties, in a mixture of multi and single-family buildings, plus 150 apartments for people aged 55 and above, schools, sports facilities and commercial property covering 66,000 square metres. Under the agreement with Mosfellsbær, Blikastaðaland ehf. will take part in the development of infrastructure in the area.

Work on the first phase of the development plan for Blikastaðaland has been in full swing for the last few years. At the beginning of 2025, an open community meeting was held to present the proposal for this first phase of the area, which is expected to include approximately 1,200 to 1,300 residential units, divided into single-family homes and multi-family buildings.

The development plan for the first phase was announced in January 2026. The aim of the land use plan is to lay the foundations for an attractive neighbourhood which enhances the immediate environment and improves its residents' quality of life. The goal is to develop a mixed neighbourhood which accentuates the interplay of nature and inhabited areas and quality of public space. The new neighbourhood will host a range of vibrant activities and diverse housing with good access to various modes of transportation. The focus is on environmentally friendly transport, paths and efficient connections. The old farm Blikastaðabær will take on a new role as the living centrepiece of trade and services.

All areas of the design process will incorporate the UN Sustainable Development Goals, and the built-up area will be BREEAM certified.

Leiguskjól

Leiguskjól ehf. is a fintech company which offers its customers rent guarantees from Arion Bank and other value-adding services and also runs the renting website www.myigloo.is. Arion Bank owns a 51% stake in Leiguskjól ehf.

Leiguskjól is an excellent example of a partner selected by the Bank to support the services offered by the Bank. Leiguskjól took part in Startup Reykjavík in 2018, marking the beginning of the Bank's investment in the company as it acquired 6%. In 2019 the Bank entered into a partnership agreement with the company and increased its investment to 51%.

The investment and partnership agreement with Leiguskjól underline the Bank's commitment to collaboration with fintech companies, where the aim is to utilize the Bank's core strengths and to combine them with the focus and dynamism inherent in innovation.

Financial targets and performance

Arion Group operates in accordance with clear financial targets which are released publicly. Arion performed well in 2025 despite various external challenges. For the fifth year in a row, Arion achieved its target of a return on equity above 13%.

Performance in 2025

Arion Bank publishes its key financial targets in stock exchange releases and interim financial statements. An overview of the 2025 financial targets and results can be seen in the table to the side.

Arion reached its return-on-equity target and its targets on the cost-to-core-income ratio and core operating income/REA. Vörður achieved its target on the combined ratio, but not its target on premium growth outpacing the growth of the domestic insurance market.

The CET1 ratio was 18.4%, or 3.08 percentage points above regulatory requirements. The Bank's target is to maintain the ratio 1.50–2.50 percentage points above the requirement. Dividends and share buybacks form part of the strategy to achieve this goal. Arion Bank's dividend policy stipulates that the Bank will pay out 50% of profits as dividends, and that additional dividends or share buybacks can be considered when the Bank's capital levels exceed the minimum regulatory requirement together with the Bank's management buffer.

	Target	2025
Return on equity	Exceed 13%	14.9%
Core operating income / REA	Exceed 7.2% on core income	7.4%
Insurance revenue growth	In excess of market growth in Iceland	5.5% (Growth rate on the domestic market was 5.7% first 9 months)
Combined ratio Vörður	Below 95%	89.8%
Cost-to-core income ratio	Below 45%	42.3%
CET1 ratio	1.50-2.50% management buffer	3.08%
Dividend ratio	50%	50%

The Board proposes a dividend of ISK 11.5 per share – equivalent to about ISK 15.3 billion, taking the Bank's own shares into account – to be paid in 2026 relating to the 2025 financial year. In March 2025, Arion Bank paid out ISK 16.1 billion in dividends, corresponding to ISK 11.5 per share.

Clear target-setting is the key to success

In addition to these financial targets, the Bank, its divisions, subsidiaries and Arion employees work towards a range of other targets. Many of them are integral to the companies' incentive schemes, and the employees can monitor the progress of these targets throughout the year. Such indicators include know-your-customer (KYC/AML), uptime of the app and online bank, and customer satisfaction.

Investing in Arion

Shares in Arion Bank are traded on two markets: Nasdaq Iceland and Nasdaq Stockholm. Shares on Nasdaq Stockholm are registered in the form of Swedish depository receipts (SDRs) where one SDR equals one share. All of the company's share capital is of a single class and each share is ISK 1 nominal value and entitles the owner to one vote.

Arion Bank's shares increased by 20.96%, and the SDRs in Stockholm rose by 11.15%. Taking into account the year's dividend payments, Arion Bank's shares increased by 30.2% and the SDRs by 19.7%

Major shareholders and transactions

The following shareholders, which own 1% or more of the issued share capital, increased their shareholdings in 2025: Lífsverk 0.55 percentage points, Live Pension Fund (0.49 points) and Frjálsi Pension Fund (0.47 points). Shareholders which reduced their holdings most were Stefnir funds, down 0.34 percentage points, Stoðir (-0.22 points) and Birta Pension Fund (-0.18 points).

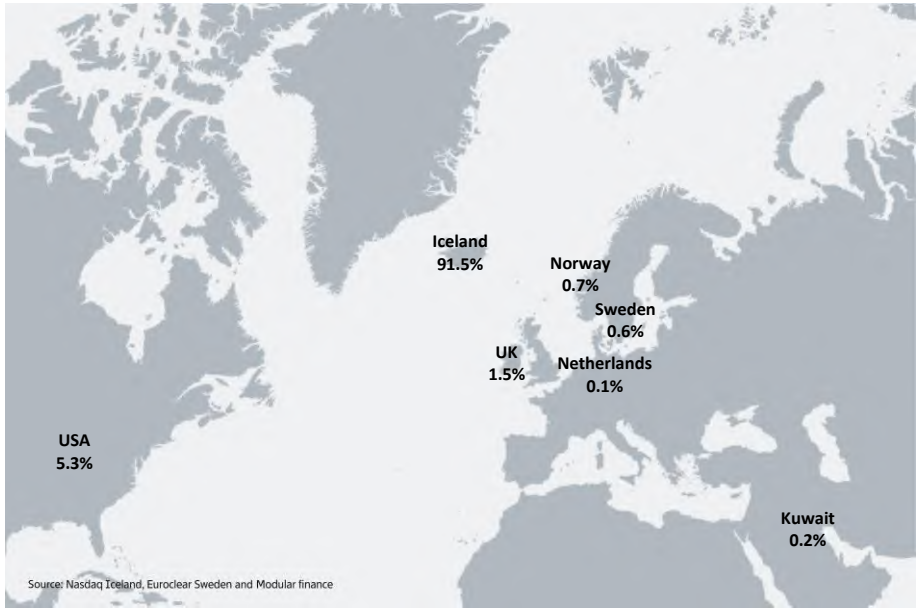
At the end of 2025, Live Pension Fund was the largest shareholder in Arion Bank with a shareholding of 9.56%, followed by Gildi Pension Fund (9.55%) and LSR Pension Fund (9.24%).

Largest shareholders - 31 December 2025	Number of shares	%
Live Pension Fund	135,695,490	9.56%
Gildi Pension Fund	135,565,033	9.55%
LSR Pension Fund	131,147,402	9.24%
Brú Pension Fund	75,719,804	5.33%
Stoðir hf.	72,000,000	5.07%
Frjálsi Pension Fund	57,726,604	4.07%
Vanguard	56,366,072	3.97%
Birta Pension Fund	42,177,444	2.97%
Stapi Pension Fund	41,395,889	2.92%
Festa Pension Fund	37,101,422	2.61%
Hvalur hf.	36,771,350	2.59%
Arion banki hf.	36,739,576	2.59%
Lífsverk Pension Fund	29,262,344	2.06%
Almenni-Lífsverk Pension Fund	25,740,174	1.81%
Stefnir Asset Management Company hf	24,633,802	1.73%
Íslandsbanki hf.	20,473,604	1.44%
Landsbréf hf.	14,852,849	1.05%
Kjölur fjárfestingarfélag ehf.	13,834,334	0.97%
Kjálkanes ehf.	13,780,000	0.97%
IS Funds	12,900,849	0.91%

Source: Nasdaq Iceland, Euroclear Sweden and Modular Finance

Shareholding – by country

At the end of 2025 approximately 91% of shareholders were Icelandic. Other shareholders were primarily from the United States, the United Kingdom, Norway and Sweden. Arion Bank had approximately 10,700 shareholders at the end of 2025.

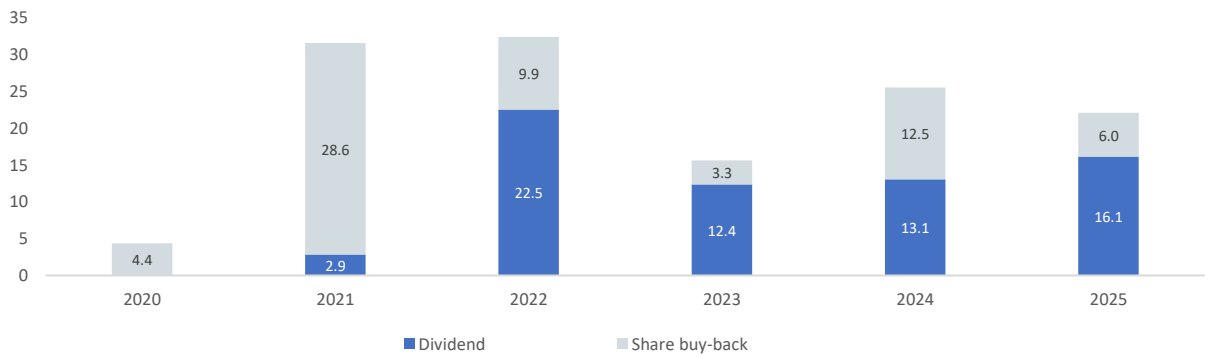


Dividend and share buyback

The Bank's AGM in March approved the payment of a dividend of approximately ISK 16.1 billion in respect of the financial year 2024, corresponding to ISK 11.5 a share. In 2025 the Bank also acquired own shares worth ISK 6 billion or 35,686,899 shares and SDRs. At the beginning of the year the Bank's share capital totalled ISK 1,513,423,078 at nominal value, and at year-end issued share capital amounted to ISK 1,420,000,000. At year-end Arion Bank owned a total of 36,739,576 own shares and SDRs, which is equivalent to approximately 2.59% of issued share capital.

The table below shows dividends and buybacks of own shares over the last five years.

Dividend and share buyback



Trading and performance

The Bank's share price on Nasdaq Iceland ended the year 21% up, while SDRs on Nasdaq Stockholm climbed 11.2%. Taking into account dividends during the year Arion Bank's share price climbed 30.2% and SDRs in Stockholm rose 19.7%. The average trading volume in the Bank's shares declined year on year in 2025, while SDR trading volume increased. The average daily trading volume was approximately 2.83 million shares and 50,000 SDRs. In comparison, the average daily trading volume in 2024 was approximately 4.16 million shares and 31,000 SDRs.

Share price performance – Arion Bank and Nordic banks

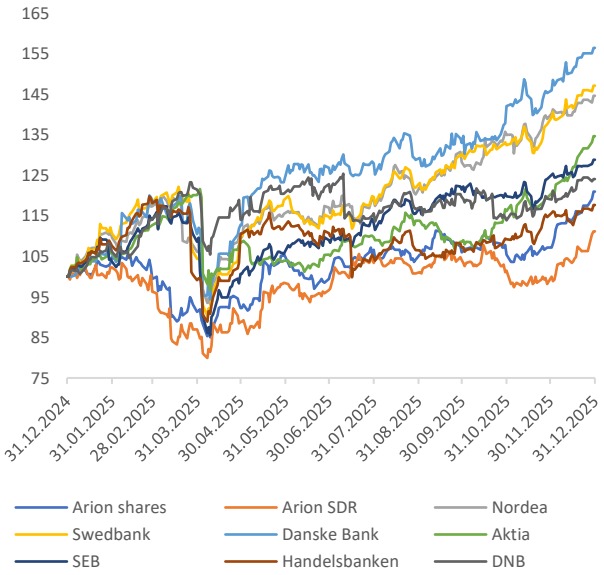
The graph on the next page shows the performance of Arion Bank shares and SDRs in 2025 compared with selected large cap and mid cap banks in the Nordic region.

Bank	Change	Change w.r.t. dividends
Jyske Bank	71.1%	78.3%
Danske Bank	56.4%	66.4%
Swedbank	47.1%	60.7%
AL Sydbank	50.0%	59.5%
Nordea	44.6%	56.0%
Sparebanken Norge	39.8%	48.4%
Aktia	34.6%	46.5%
Sparebank 1	35.3%	42.7%
SEB	28.8%	38.5%
Handelsbanken	17.6%	32.9%
DNB	24.1%	32.1%
Arion Bank	**21.0%**	**30.2%**
Ringkjöbing Landsbank	27.7%	28.9%
Íslandsbanki	19.0%	25.5%
Arion SDR	**11.2%**	**19.7%**
Kvika Bank	-10.2%	17.5%

Source: Bloomberg and Nasdaq

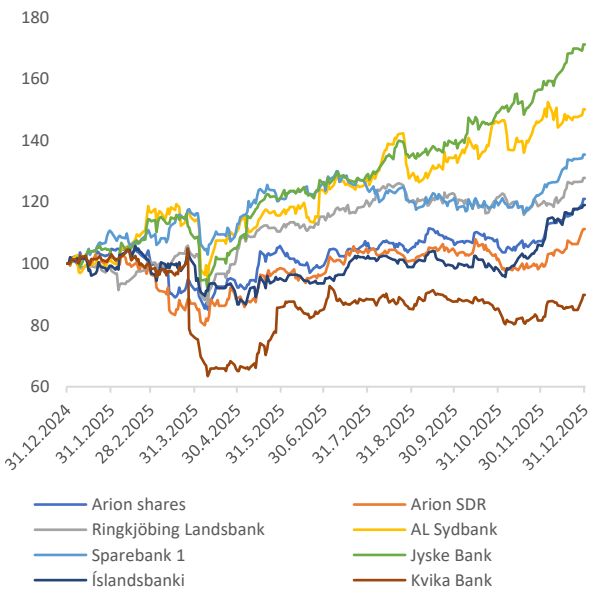
Strategy and vision
Arion Group
Financial targets and performance
Investing in Arion

Share price performance – comparison with Nordic large caps 2025
Indices 31.12.2024 = 100



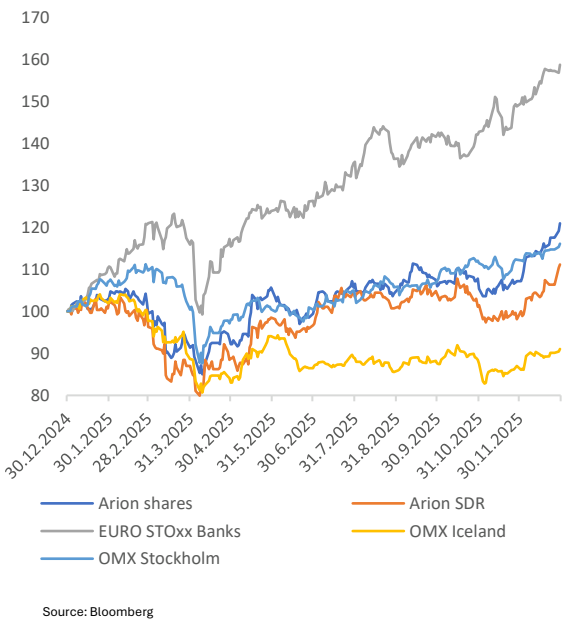
Source: Bloomberg

Share price performance – comparison with Nordic small and mid caps 2025 indices
Indices 31.12.2024 = 100



Source: Bloomberg

Share price performance – shares in Iceland and SDRs in Sweden and indices 2025
Indices 31.12.2024 = 100



Source: Bloomberg

Strategy and vision
Arion Group
Financial targets and performance
Investing in Arion

Key figures

Arion Bank's shares (since IPO)	2025	2024	2023	2022	2021	2020	2019	2018
Earnings per share	22.05	18.25	17.80	17.06	17.96	7.24	0.61	3.86
Dividend per share ISK	11.5	9.00	8.5	15	1.74	0.00	5.00	5.00
P/E ratio	9.16	9.15	8.54	8.79	10.61	13.12	141.48	18.26
Market capitalisation shares, ISK billion	279	236	220	220	289	163	153	141
Market capitalisation SDRs, SEK billion	20.7	19.0	15.9	16.1	20.3	10.5	11.9	9.4
Share price, 31 December, ISK	202	167	152	150	190.5	95	86.3	70.5
SDR price, 31 December, SEK	14.95	13.45	11.02	10.96	13.40	6.12	6.69	5.18
Highest share price during year (close), ISK	202	167	158.5	191.5	198	95	86.3	93.6
Highest SDR price during year (close), SEK	14.95	13.45	12.00	14.4	13.60	6.85	6.69	8.07
Lowest share price during year (close), ISK	142	126.5	126.5	147.5	93.7	49	69.25	70.5
Lowest SDR price during year (close), SEK	10.75	9.8	9.61	10.96	6.02	3.49	5.25	5.18
Share price performance, ISK	21.0%	9.87%	1.3%	-21.3%	100.5%	10.1%	22.4%	-6.0%
SDR price performance, SEK	11.2%	22.05%	0.5%	-18.2%	119.0%	-8.5%	29.2%	-15.2%
Total shareholder return ISK, %	30.2%	16.6%	7.74%	-13.4%	102.4%	10.1%	29.5%	0.7%
Dividend yield ISK, %	5.7%	5.4%	5.46%	10.0%	0.9%	0.0%	5.8%	7.1%
Average daily volume on Nasdaq Iceland (no of shares)	2,833,720	4,165,327	2,840,147	3,547,348	7,639,689	4,244,811	5,226,166	1,206,679
Average daily volume on Nasdaq Stockholm (no of SDRs)	49,909	30,841	41,407	198,530	331,374	648,087	1,535,434	1,289,180
Number of outstanding shares as of 31 December, millions	1,383	1,412	1,446	1,465	1,518	1,718	1,773	1,814
Holding of repurchased own shares/SDRs as of 31 December, millions	36.7	100.7	13.9	45.4	141.7	12.0	41.0	186.0
Number of issued shares, millions	1,420	1,513	1,460	1,510	1,660	1,730	1,814	2,000

Source: Bloomberg, Nasdaq and Arion Bank

Retail customers
Corporate customers
Markets

Our Service

Arion can provide retail and corporate customers and investors with a full spectrum of services. We offer our customers diverse savings options, in the form of deposits, funds and securities, payment cards, various financing options and a broad range of non-life insurance products. We also offer companies extensive advisory services and can provide retail customers with a full range of pension and life and non-life insurance services. Almost all of our services are available through convenient digital channels such as the Arion app and our online banking platform – giving customers a unique overview of their finances. We also recognize the importance of personal service, an approach embodied by Premía which offers sophisticated services tailored to the exact needs of our high-volume customers. The Premía service is also the highest level in the Arion Group's new rewards scheme.

We operate 12 branches and service points across the country where customers can obtain services from Arion, Vörður and Stefnir. Customers can also contact us via our call centre, webchat or e-mail.



Retail customers

48%
Share in loans to customers

51%
Share in deposits from customers

Arion Bank provides a comprehensive range of financial services to individuals, including savings, investments, pension services, insurance, loans, payments services and financial advice. Close partnerships within the Arion Group, with Vörður Insurance and the fund management company Stefnir, enable us to provide integrated services and to give a unique overview of finance and insurance in one location. Our customers can attend to their financial needs in the app, online banking or webchat and obtain services by e-mail, phone or by visiting one of our branches located throughout Iceland. We want our customers to benefit from doing business with Arion Group with its new loyalty scheme, Arion Rewards. The more services our customers use, the more rewards available to them.

Customers

Around half of the population in Iceland has some business dealings with the Arion Group. We place a particular focus on families, young people and people looking for diverse and flexible financial services. Our Premía service is a sophisticated personalized financial service designed to cater for the Bank's high-volume customers. Premía members get access to our top specialists, private banking and a range of special terms.

Highlights of 2025

A new rewards scheme, Arion Rewards, was launched during the year and immediately became hugely popular among customers. The Arion app gives our customers an overview of rewards and reward levels and enables them to see which additional rewards are available to them. A new rewards account, part of Arion Rewards, was launched towards the end of the year. It is a high interest account, paying weekly interest, an innovation on the Icelandic market. Interest also increases depending on the amount deposited and the rewards level enjoyed by the customer.

The partnership between Arion Bank and Vörður continued to go from strength to strength during the year. Customers can obtain all their financial and insurance services in seven shared branches of Arion Bank and Vörður. Arion Bank customers who are insured by Vörður and are members of Arion Rewards are entitled to a refund on their annual insurance premiums if they remain claim free for twelve months. Our branch at Bíldshöfði in Reykjavík underwent extensive renovations during the year, with a focus on enhancing convenience and providing excellent service.

Arion Bank continues to be a leader in digital services, and the Arion app was named the best banking app for the ninth year in a row in a survey by Maskína.

Numerous educational events were held for customers, including on finance and fraud prevention. The Women Invest initiative, whose aim is to increase women's participation in the financial market, continued to make headway. Participation in investment is key to building financial security and influencing the development of society. The Bank also hosted Arion Escape, a unique educational project aimed at raising awareness of online fraud and led a public-awareness campaign with the short series True Icelandic Fraud. To help combat this type of crime, Arion Bank operates a 24-hour hotline that customers can contact if they believe they have been targeted by fraudsters. Arion Bank also set up a service academy for employees, aimed at providing even better service to customers.

A Supreme Court ruling in a case against Íslandsbanki regarding the terms of non-indexed mortgages with variable interest rates led to a reduction in the availability of new mortgages in the latter half of the year and a revised range of mortgages was announced. The Supreme Court ruled in Arion Bank's favour in a case concerning indexed mortgages with variable interest, with the court confirming the legality of the loans.



Retail customers
Corporate customers
Markets

Service offering for retail customers

Mortgages

Mortgages can be inflation-indexed or non-indexed or a mix of the two. Interest rates are either fixed for three or five years. The loan period is up to 40 years.

Cards

We offer a wide selection of payment cards to meet the diverse needs of our customers. Our credit cards have numerous benefits, such as travel insurance, discounts and reward points. Our commitment to helping out young people is reflected in the fact that debit cardholders and holders of Blue Cards aged 23 and younger pay no annual fees or transaction fees. We also have a range Premía cards to meet the needs of high-volume customers.

Car loans

Non-indexed loans with collateral in the car for up to seven years. The loan application process is fully digital and quick.

Short-term loans

Customers can get an overdraft on their debit cards if they require a short-term loan. Credit card bills can also be spread out over a longer period. Consumer loans are non-indexed loans with a 5-year loan term.

Savings and funds

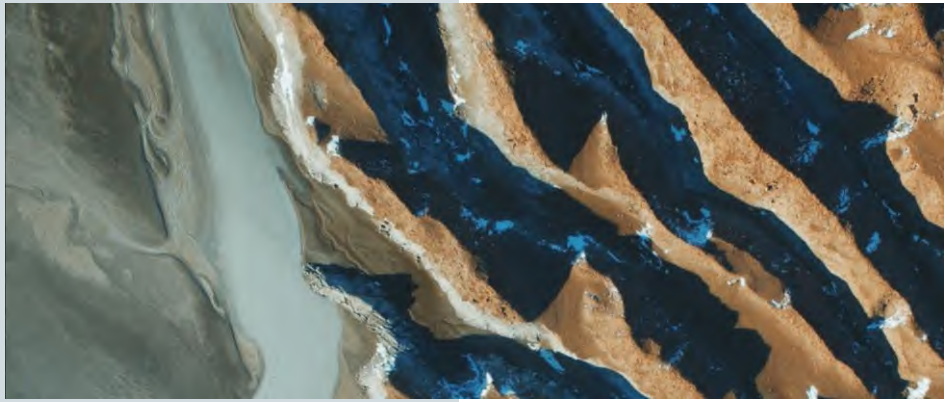
Arion offers a wide range of savings accounts. This includes the Rewards Account which is a high-interest account, part of the Arion Rewards programme, and offers weekly interest payments. The Young Savers Account is an indexed account designed for people under 18 and it lays the foundations to their future savings. The Homebuyers Account is made for young people who are saving to buy a home and bears high interest. Green Deposits is a savings account designed for people who want to support a green future. Our wide assortment of savings and investment options is augmented through our partnership with the fund management company Stefnir.

Insurance

Our customers can obtain a wide range of comprehensive life and health insurance and non-life insurance from Vörður.

Pensions

Arion Bank offers supplementary pension savings called Lífeyrisauki. Customers can also access mandatory and supplementary pension services from Frjálsi Pension Fund via Arion service channels.



Corporate customers

52%
Share in loans to customers

49%
Share in deposits from customers

Arion provides companies with diverse financial services which support our customers' financial well-being and promote sustainable value creation. Our services span financing, financial structuring, specialized lending and corporate finance. The continued focus on digital technology has enabled us to introduce numerous solutions which enhance efficiency and simplify our services for customers. Our work is underpinned by professionalism, and we do our utmost to meet the needs of our customers with flexible solutions and services.

Customers

Arion Bank provides services to around 17,000 diverse companies, from SMEs to major companies with sophisticated financial requirements. Our goal is to be a market leader in providing specialized services which nurture the success and sustainable growth of our customers.

Highlights of 2025

During the year, we launched the advertising campaign Everything for the CFO to promote solutions that save time, provide a better oversight, and simplify a company's day-to-day operations. The goal is to share knowledge that makes it easier for people to manage their companies' financial affairs, in both large and small businesses.

In recent years, we have placed a strong focus on developing digital solutions in close collaboration with our customers to ensure we are able to meet the real needs of businesses. Self-service through digital channels has been a key focus, as it ensures improved access and greater efficiency for both customers and the Bank. This has delivered strong results, with customers choosing to use new products or services through self-service channels in approximately 70% of cases. This reduces processing times and gives customers greater flexibility to focus on tasks that create more value.

Key innovations

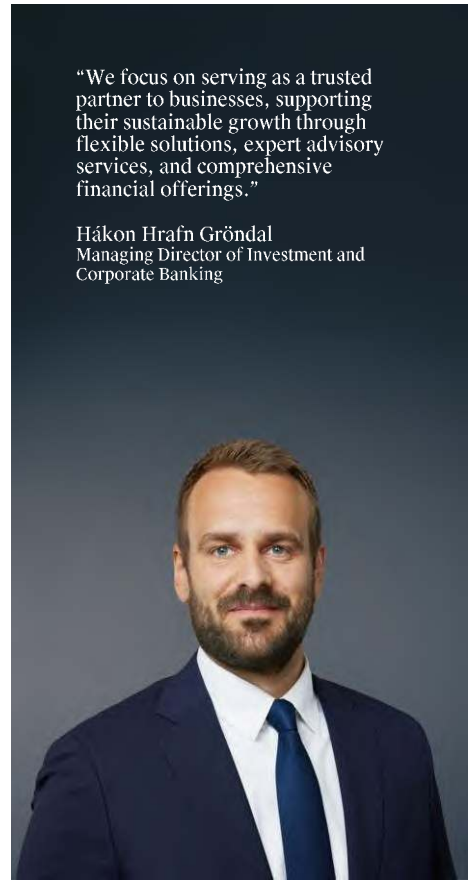
During the year, we introduced new solutions that make financial services simpler, more efficient, and more accessible, including:

- Opening all types of deposit accounts in the app
- Opening holiday savings accounts in online banking
- Automated credit decisions on loan applications submitted through online banking
- Electronic registration of mortgage deeds and security agreements
- Enhanced debt collection services

Positive developments were seen in corporate lending. Total lending to companies increased by just under ISK 100 billion, corresponding to growth of approximately 16%. Business loans now account for more than half of the Bank's total loan portfolio. At the same time, sustainability and social responsibility were in focus, with lending through the Bank's sustainable finance framework, including loans to sustainable fisheries, green buildings, and projects with positive social impact. Approved sustainable corporate lending amounted to approximately ISK 65 billion at year-end.

At the end of the year, Arion Bank was nominated as the best brand in the corporate market by the branding agency brandr, with the results to be announced in February. The nomination is an important recognition of the strategy formulated two years ago, when it was decided to place greater emphasis on promoting the Bank's services and solutions tailored specifically to business operations. It is pleasing to see this work gain attention.

The European Investment Bank (EIB) has granted Arion Bank a €100 million loan to support sustainable fisheries, land-based aquaculture, and other related industries in the Arctic. The agreement is the first of its kind from the EIB in this region and marks a milestone in financing the blue economy. Arion has financed the Icelandic fishing industry for decades and has built a strong position in the Arctic. The Bank has



been a leader in financing aquaculture in Iceland and sees significant opportunities in the continued development of the industry. With this financing from the EIB, Arion Bank further strengthens its position to support and promote sustainable development in fisheries and related sectors.

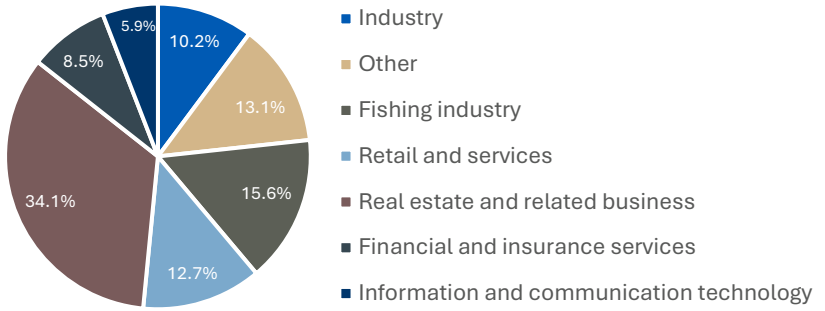
Eventful year for Corporate Finance

The main engagements of the year:

- Advisory role in JBT's takeover bid for Marel, one of the biggest corporate deals in Icelandic history
- Equity capital increase at Laxey
- Equity capital increase and refinancing at Kaldvík
- Advised sellers in the sale of the Exeter Hotel on Tryggvagata
- Advisory role in the management and key employee buyout of Héðinn hf.
- Sale of Arnarland in Garðabær, a zoned site with planned residential development of approximately 50,000 square metres
- Sale of a controlling stake in Kóði to VEX; Kóði is a leading provider of financial market solutions in Iceland

The Bank also participated in numerous other projects, all of which reflect its strong position in corporate finance and its expertise in helping companies achieve their objectives.

Loan book by sector



Service offering for corporate customers

Credit cards
A diverse range of corporate payment cards supported by simple digital card management, credit limit management, and receipts that automatically accompany transactions into the accounting system.

Insurance
Tailored to the needs of different industries:
- Manufacturing and Industry
- Trade and Services
- Fisheries
- Tourism
- Agriculture
- Healthcare and Psychological Services

Sustainable financing
Financing guaranteed by European Investment Fund (EIF)

Short-term financing
- Overdrafts
- Construction financing / Revolving credit

Guarantees
- Letters of credit
- Warranties
- Bank guarantees

Specialized loans for fisheries and agriculture
- Produce loans
- Agriculture loans

Long-term financing
- Bonds
- Commercial property financing
- Loans to buy shipping vessels or quotas
- Loans for commercial equipment

Collections and corporate service
Efficient and automated debt collection through digital invoice management and services that simplify business operations and enhance overview of receivables.

Corporate advisory services
Advice on managing mergers and acquisitions, valuations and investment advice, financial restructuring, planning and managing stock market listings and offerings.

Retail customers
Corporate customers
Markets

Markets

1,989
ISK billion
AuM and AuS of the Group

33%
Share in fee and commission of the Group

Arion Bank provides a diverse range of services to clients in capital markets, fund management and asset management. We specialize in securities brokerage and private banking, institutional asset management and pension fund services. Stefnir, a subsidiary of Arion, also offers a wide range of UCITS and alternative investment funds marketed towards the public and institutional investors.

We are forward-thinking and seek to create and identify the optimum investment options at any given time by providing outstanding service, generating solid investment returns, employing tried and tested procedures, acting transparently and applying focused risk management

We want to support the financial health of our clients and are committed to adapting our services to meet their needs. Having digital access to balance and transaction statements and automated banking are just as crucial in pension savings and securities as in other areas of finance, and our clients have easy access to all of this via the Arion app, the online banking platform and the pension funds' My Pages feature. These solutions make finance, including pensions, easier for our clients to understand and stimulates their interest and knowledge of the subject which is beneficial for all sides. Personal service nevertheless remains central to what we do, and our goal is to provide quality and universal financial services at all times.

Clients

Our clients include both individual investors and a steadily growing group of institutional investors.

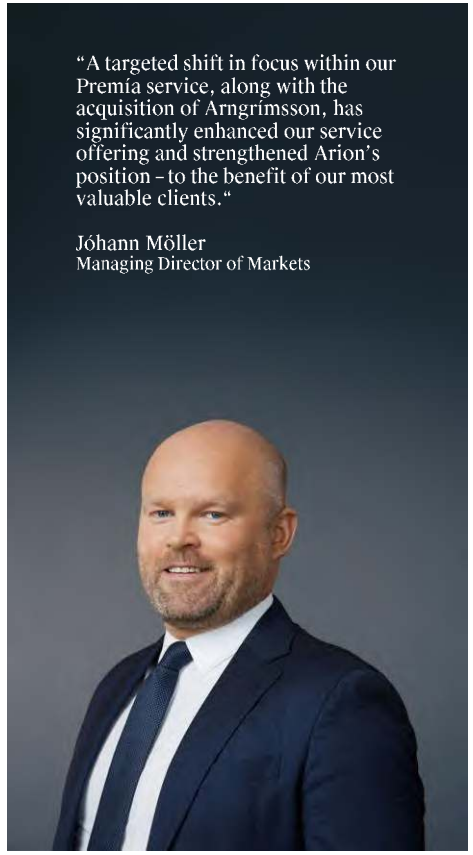
A key component of our Premía service for high-volume clients is personalized private banking, and Premía aims to ensure that these clients are offered the very best standard of service at all times. Some of Iceland's largest institutional investors, including pension funds, private pension funds, diverse organizations and insurance companies engage Arion to manage their asset portfolios. A growing number of institutional investors use our services to buy and sell in international funds and Stefnir funds. We are also securities brokers for a broad group of domestic and international clients of the Bank.

We provide specialized pension fund services, and almost 140,000 fund members have entrusted their pension savings to the Bank. Frjálsi Pension Fund, which has the largest private pension division in Iceland, has enjoyed a thriving partnership with Arion Bank and its predecessors since 2001. Almost 35,000 fund members chose to pay mandatory and/or supplementary pension savings to Frjálsi during the year. At year-end, the fund had assets of ISK 590 billion. Lífeyrisauki, Arion's supplementary pension savings scheme, is the largest defined contribution fund in Iceland. Approximately 27,000 fund members chose to pay the supplementary pensions into the fund during the year. At year-end, the fund had assets of ISK 186 billion. Other pension funds administered and managed by Arion include EFÍA, Lífeyrissjóður Rangæinga and LSBÍ.

Highlights of 2025

In 2025, the markets in Iceland were characterized by continued adjustment to a lower interest-rate environment and gradually declining inflation, although some uncertainty emerged toward the end of the year. Inflation measured between 3.7% and 4.6% during the year, while inflation, excluding housing, remained lower, between 2.5% and 3.8%. At the end of 2025, the consumer price index had increased by 4.5% year on year.

In the bond market, this development was reflected in government bond yields, where yields declined in line with falling inflation



expectations. However, an uptick in inflation in December partially halted the downward trend. Despite these fluctuations, the trend in yields and overall bond prices remained relatively stable throughout the year.

The performance of the domestic equity market was mixed. Some companies saw a sharp rise in their share prices over the year, while others experienced considerable declines. Arion Bank was the year's biggest gainer, while Alvotech was the weakest performer. Overall, the OMXIGI index, measured in Icelandic krónur, fell, largely due to the sharp drop in Alvotech's share price. At the same time, foreign equity markets performed far more strongly, with indices such as the S&P 500 and MSCI World gaining substantially in foreign currency terms.

Increased uncertainty related to the US President's tariff policy dominated the year, leading to substantial volatility in both the domestic and international equity markets. Although markets fell in response, foreign markets generally recovered more quickly during the year than the Icelandic equity market.

Equity trading on Nasdaq Iceland dropped by just under 16% year on year. Arion ranked third among stock exchange members in market share for equity trading on Nasdaq Iceland after having occupied the top spot for nine consecutive years. Arion's turnover in domestic equities was approximately ISK 318 billion, corresponding to a 15.1% market share.

There was brisk trading in domestic bonds during the year, up 12% year on year. Arion ranked third in market share among dealers on the Nasdaq Iceland bond market. Arion's turnover amounted to about ISK 648 billion, equal to a 17.7% market share. Arion also ranked third in terms of combined market share in 2025.

Arion's brokerage division was one of the two largest entities involved in the year's largest single stock exchange transaction: the government's sale of its shareholding in Íslandsbanki. The number of new bond issuers increased, and Arion is now a leading issuer and distributor of municipal bonds.

Arion Bank's acquisition of Arngrimsson Advisors was completed in the first half of the year, significantly increasing assets under management and supervision. The deal will further expand the range of options available to institutional and individual investors in terms of investing in international funds, particularly alternative investments.

We continue to be leaders in digital solutions, and this year Arion and Stefnir enhanced the experience of investing in funds in the app and online banking by eliminating entry fees and service charges. This change gives customers even greater freedom to save in funds, regardless of amount, as the minimum purchase requirement has been removed. The number of regular subscriptions in Stefnir funds has seen a sharp increase and is now at an all-time high. The Women Invest initiative has also led to a substantial increase in investment activity among women – a trend seen across the entire Arion Group.

Frjálsi Pension Fund continued to go from strength to strength and during the year won its 16th international award when it was named the best pension fund in Europe in the category Defined Contribution and Hybrid Strategies by the respected publication Investment Pension Europe.

The Dentists' Pension Fund requested a merger with Frjálsi Pension Fund, and the Farmers' Pension Fund – which has been managed by Arion in recent years – is also in merger discussions with Frjálsi. Around 360 members contributed to the Dentists' Pension Fund in 2024, with a total membership of 458. At year-end, the fund had assets of ISK 10.6 billion. Approximately 1,820 members contributed to the Farmers' Pension Fund in 2024, with a total membership of about 10,600. At year-end, the fund had assets of ISK 45.6 billion.

Arion and Frjálsi also renewed their long-term operational and asset management agreement, underscoring the highly successful partnership between the parties in recent decades.

Frjálsi's supplementary pension plan and Lífeyrisauki, Arion's supplementary pension plan, are now both included in the Arion Premía rewards programme.

Premía is going from strength to strength, continuing to expand during the year and bringing on board a large number of new clients.

Key features of our services were digitalized during the year, and new asset management and securities systems were launched. Development processes, project management, and quality management were also overhauled and significantly improved. All of these steps are designed to ensure greater reliability and more consistent results.



Retail customers
Corporate customers
Markets

Service offering for retail clients and institutional investors

Arion Premía

Our Premía service is based on providing personalized financial services to clients who have diverse and high-volume business dealings with the Arion Group. In addition to priority banking services and better interest rates on deposits, loans and premium credit cards, Premía clients also have access to exclusive private banking and wealth management packages.

Premía Private Banking

An account manager manages the client's assets portfolio, closely monitoring market activity and investing in accordance with an investment strategy shaped by the client. Asset advisory and investment advisory services are also available.

Premía Wealth Management

Clients have access to all the Bank's leading experts and are assigned two account managers. This is a groundbreaking new service in terms of quality and depth in Iceland. It represents an integrated solution based on a personal approach and is customized to the needs of clients with more than ISK 1 billion in assets under management at Arion.

Fund management

The subsidiary Stefnir is responsible for fund management in the Group. Stefnir manages a diverse range of UCITS and alternative investment funds marketed towards the public and institutional investors. Developing new funds, both for the individual and institutional investors, is a key focus at Stefnir.

Capital Markets

Our team of professionals in Capital Markets advise on and broker securities transactions on all the world's major securities markets and can help clients both in Iceland and abroad to meet their capital markets needs.

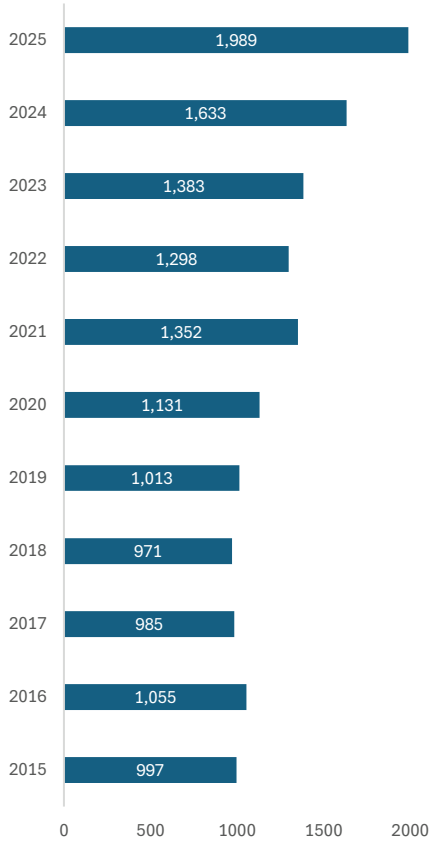
Pension and private pension funds

Frjálsi Pension Fund is managed and asset managed by Arion Bank and offers both mandatory and supplementary pension schemes. Arion Bank offers supplementary pension savings called Lífeyrisauki. Other pension funds administered and managed by Arion include EFÍA, Lífeyrissjóður Rangæinga and LSBÍ.

Asset management and institutional investors

We provide sophisticated and personal asset management services to our institutional investor clients. The key focus is to offer a personalized service while applying rigorous and professional procedures in the active management of portfolios. Arion also provides an increasing number of institutional investors with comprehensive and personalized advisory services when investing in domestic and international funds and seeks to identify new investment options in response to market trends.

Assets under management and service at Arion and Stefnir
ISK billions



Financial statements and key figures
Funding and liquidity
Risk management and internal controls

Our financial results and risk management

Arion Group reported net earnings in 2025 of ISK 30.6 billion and return on equity of 14.9%. The diversity of revenue streams continues to be a key factor in the Group's performance. Arion Bank remains financially robust, and the capital ratio and CET1 ratio are well above the requirements made by the Financial Supervisory Authority of the Central Bank of Iceland and Icelandic law. The Bank's liquidity position is also strong and comfortably above regulatory requirements. The Bank continued to consolidate its position on the international and domestic credit markets and to diversify its funding options.

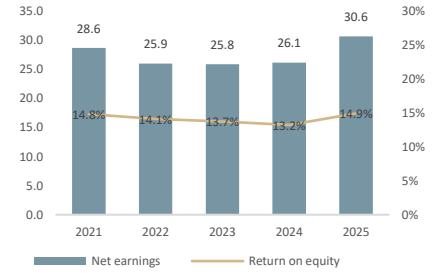
Managing risk and taking informed decisions are crucial components of the Bank's activities and its responsibility towards society. Risk management and internal controls are therefore fundamental to the business and the Bank's success.



Financial statements and key figures
Funding and liquidity
Risk management and internal controls

Financial statements and key figures

Net earnings
In ISK bn.

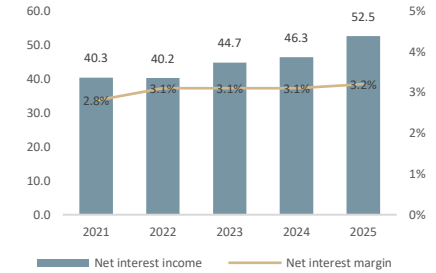


Net earnings attributable to shareholders of the Arion Bank in 2025 amounted to ISK 30.6 billion, compared with ISK 26.1 billion in 2024. Return on equity was 14.9%, compared with 13.2% in 2024.

The year was characterized by increased income across most key areas. Net interest income increased by ISK 6.2 billion, net fee and commission income increased by ISK 1.8 billion, while income from insurance contracts declined slightly. Net financial income decreased by ISK 1.8 billion year-on-year, whereas other income increased significantly, by ISK 5.7 billion. Operating expenses were stable between years, while impairment of the loan portfolio increased by ISK 1.9 billion. Core income increased by 12.3% year-on-year; core income is defined as net interest income, net fee and commission income, insurance income, excluding insurance operating expenses.

2025 Annual Financial Statement of Arion

Net interest income
In ISK bn.



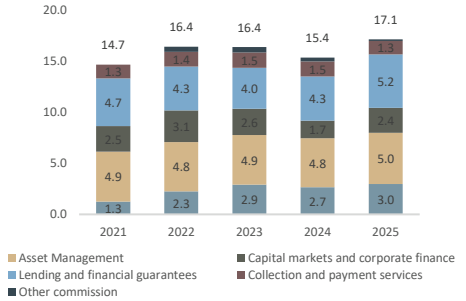
Operating income amounted to ISK 78.4 billion, compared with ISK 66.5 billion in 2024, representing an 18% year-on-year increase.

Net interest income increased by 13.5% compared with 2024. The net interest margin on average interest-bearing assets was 3.2%, compared with 3.1% in 2024. The average balance of interest-bearing assets increased by ISK 143 billion year-on-year, or 9.2%, primarily due to lending growth, while interest bearing liabilities increased by ISK 125 billion, or 9.2%, mainly due to borrowings and deposits.

The Central Bank of Iceland's key interest rate was 7.25% at year-end 2025, down from 8.50% in 2024, with the high-rate environment continuing to affect both assets and liabilities. Inflation declined to 3.70% from 4.75%, while the inflation-indexed imbalance increased to ISK 209 billion, up from ISK 168 billion at the end of 2024.

The Bank anticipates some volatility in the net interest margin due to the increased size of the CPI imbalance, but on average expects the margin to be around 3%, although it is likely to be slightly above that level in the short term.

Net fee and commission income
In ISK bn.



Net fee and commission income increased by 11.6% year-on-year. The largest increase came from fee income in the Corporate and Investment Banking division, where fees rose by 31.3% between years, primarily due to large projects undertaken by the division during the year as well as high levels of lending activity. Income from FX-trading increased by just over 18%, and asset management fees rose by 7.0%, while assets under management increased by 10.3%. The reason is a changed business model that has evolved towards lower percentage-based fees on managed assets. Fee income from Retail Banking operations has remained flat or declined in recent years, as automation and intense competition have had an impact. As a result, the income fee in the Retail Banking division declined by 6.1% year-on-year, among other things due to changes in rules on service fees for international payments and increased reimbursements within the Bank's loyalty program, Arion Rewards.

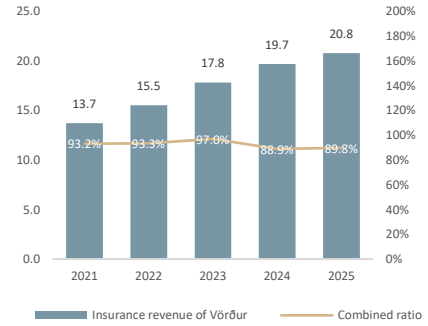
"The operations of the Arion Group performed well during the year, and for the fifth year in a row we delivered a return on equity above our target. Diversified sources of income support stable operations and a balanced income profile. We place emphasis on a strong financial position and a prudent funding strategy in light of uncertainty in the external environment. "

Ólafur Hrafn Höskuldsson
Chief Financial Officer



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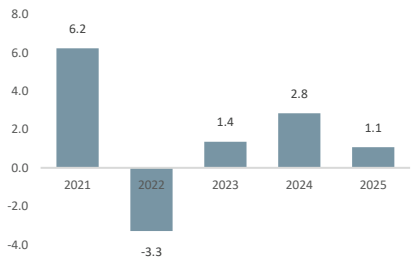
Insurance revenue of Vörður
In ISK bn.



Insurance service results amounted to ISK 2,111 million in 2025, compared with ISK 2,166 million in 2024. Insurance income increased by 5.5% from 2024, while claims expenses increased by 5.0%. The combined ratio for 2025 was 89.8%, compared with 88.9% the previous year.

Other operating income
Other operating income amounted to a positive ISK 5.5 billion, compared with a negative ISK 0.2 billion in 2024. The main reason for positive results is a fair value adjustment from investment properties and capital gain of Arnarland ehf., as a 51% ownership stake in the company was sold toward the end of the year.

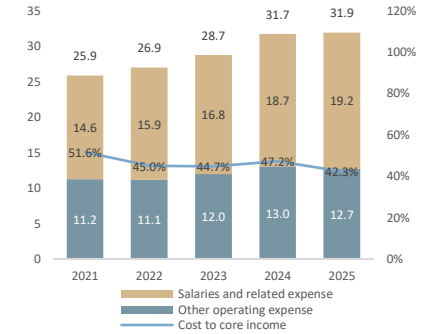
Net financial income
In ISK bn.



Net financial income amounted to ISK 1.1 billion in 2025, compared with ISK 2.8 billion in 2024. Market conditions were very challenging in the early part of the year, particularly in equity markets, but price developments turned positive in the latter part of the year, both for equities and bonds. There were gains from bond holdings, derivatives, and foreign currencies, while losses were recorded from equity holdings, calculated effects of insurance contracts, and loans measured at fair value.

Operating expenses
Operating expenses, as presented in the income statement, amounted to ISK 28.2 billion, compared with ISK 28.3 billion in 2024, corresponding to a 0.3% decrease year-on-year. Total operating expenses, including expenses related to insurance operations amounted to ISK 31.9 billion, compared with ISK 31.7 billion in 2024, representing a 0.6% increase. Costs as a percentage of core income were 42.3%, compared with 47.2% in 2024, while the traditional cost to income ratio was 36.0%, compared with 42.6% in 2024.

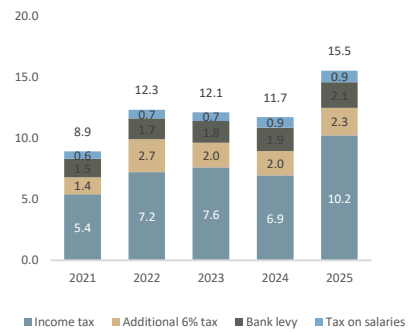
Operating expenses
In ISK bn.



Salaries and related expenses amounted to ISK 19.2 billion, up 2.8% year-on-year. This increase was primarily driven by a higher number of employees, in particular in information technology and internal control functions. This was partly offset by lower incentive scheme costs. The number of FTEs in the Group was 901 at year-end, compared with 858 at year-end 2024, a 5.1% increase year-on-year. Recognized expenses related to the incentive scheme amounted to ISK 1.3 billion in 2025, compared with ISK 1.8 billion in the previous year, reflecting a decrease due to the revised methodology for expensing the deferred part of the program.

Other operating expenses amounted to ISK 12.7 billion in 2025; a 2.6% decrease compared with 2024. The year-on-year decrease is mainly explained by a fine of ISK 585 million incurred in connection with a settlement the Bank reached with the Financial Supervisory Authority in June 2024. Professional services, marketing expenses, and office costs increased somewhat year-on year, but in most cases by less than inflation, which was just under 4% during the year.

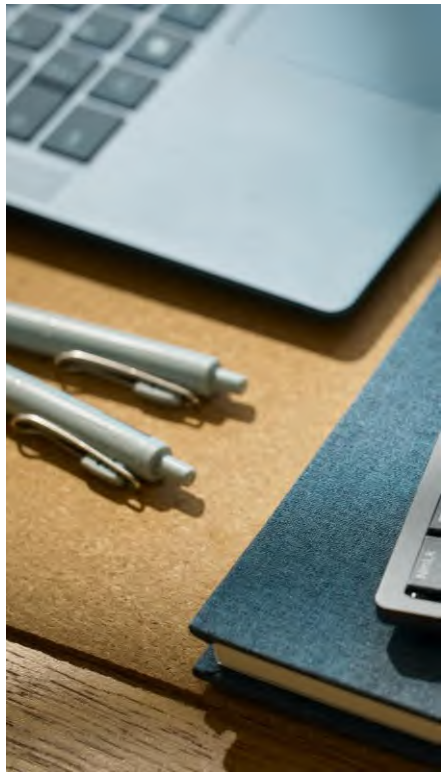
Taxes
In ISK bn.



Net impairment was negative at ISK 3.1 billion in 2025, up from ISK 1.1 billion in 2024, corresponding to a loan portfolio impairment of 0.24% versus 0.09% the previous year. Expected average annual impairment over the loan portfolio's lifetime is between 0.20-0.25%, indicating recent impairments remain below this level.

Income tax amounted to ISK 12.5 billion in 2025, up from ISK 8.9 billion in 2024 or 40% increase. It comprised a 20% corporate income tax and a 6% special financial activities tax on profits exceeding ISK 1 billion. The effective tax rate rose to 27.7% from 25.4%, mainly reflecting changes in income composition, as capital gains and fair value increases in equities are not taxable. The figure shows taxes paid by Arion Bank, consistent with other large Icelandic financial institutions.

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Risk management and internal controls



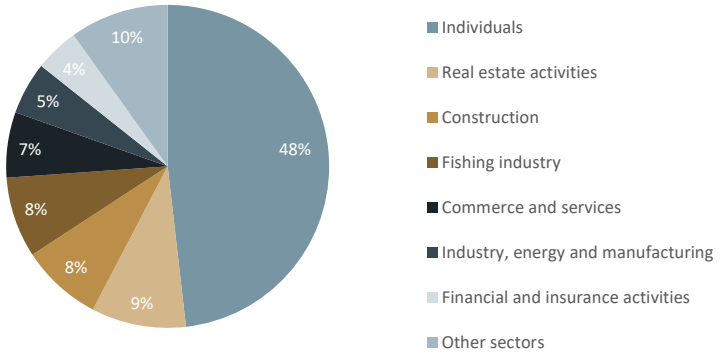
Balance Sheet

Total assets of the Group increased by 8.5% from year-end 2024, with lending to customers and an increase in cash and liquid assets being the main drivers of the change.

Cash and balances with the Central Bank of Iceland and Loans to credit institutions amounted to ISK 173 billion at year-end 2025, increasing by ISK 22.9 billion, or 15.3%, from year-end 2024. Liquidity management and the funding position are the main drivers of the changes in these areas.

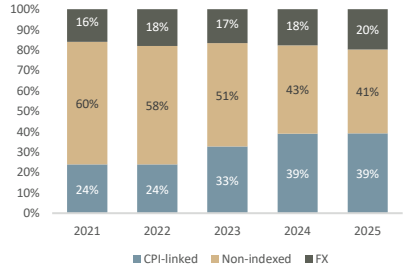
Loans to customers amounted to ISK 1,329 billion at year-end 2025, representing an 8.0% increase from year-end 2024. Corporate lending increased by 8.0% during the year and accounted for 51.8% of the loan portfolio at year-end, compared with 48.0% at year-end 2024. The composition of the Bank's corporate loan portfolio is in line with the economic environment. Loans to individuals increased by 0.2% during the year, with mortgage lending being the dominant component. Loans to individuals accounted for 48.2% of the loan portfolio at year-end, down from 52.0% at year-end 2024. At the end of 2025, 43.4% of total lending consisted of residential mortgages to individuals, compared with 46.4% at year-end 2024. Increased competition in the mortgage market, in particular from pension funds, is the main reason for the decline in the share of residential mortgages in the Bank's total loan portfolio.

Loans to customers by sector



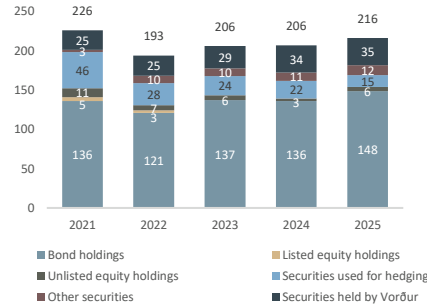
Financial statements and key figures
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Loans to customers



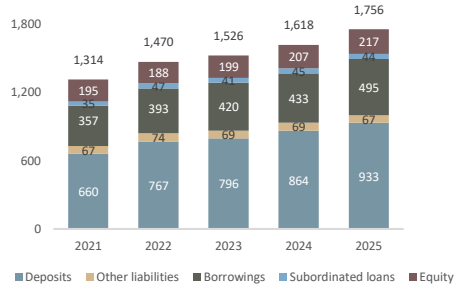
The health of the loan portfolio remains strong. The ratio of non-performing loans, defined as loans with specific impairment, was 2.4% at year-end 2025, up from 2.3% at year-end 2024. The increase is insignificant and has occurred in both corporate and retail loans.

Financial Instruments
In ISK bn.



Financial instruments amounted to ISK 215.8 billion at the end of 2025, compared with ISK 206.4 billion at year-end 2024. The overall change corresponds to approximately 4.6%, or ISK 9.4 billion, and the increase has primarily taken place in bonds held in the Bank's liquidity portfolio.

Liabilities and equity
In ISK bn.

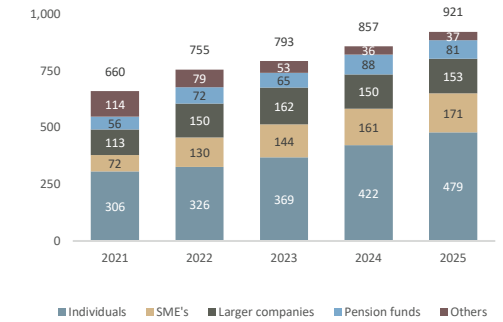


Liabilities of the Group increased by 9.0% from year-end 2024. Shareholders' equity of Arion Bank increased by 5.2% from year-end 2024. Equity increased due to net earnings for the year, which amounted to ISK 30.6 billion, but decreased due to share buybacks and dividend payments, totalling ISK 22.1 billion.

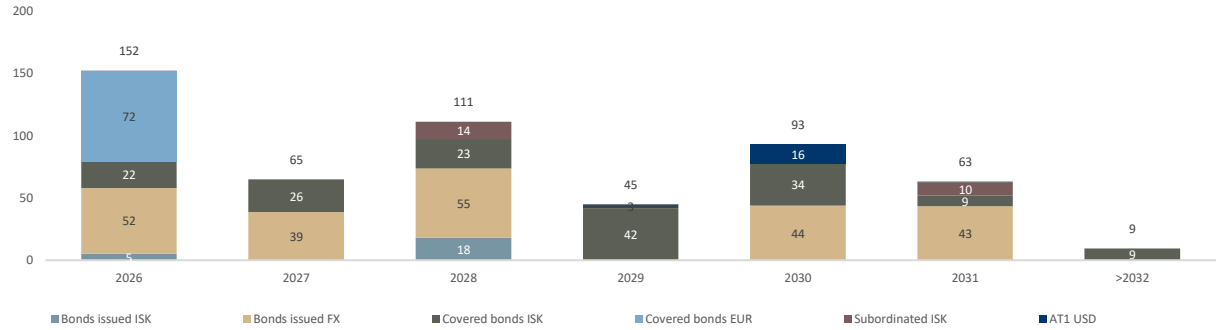


Financial statements and key figures
Funding and liquidity
Risk management and internal controls

Deposits
In ISK bn.



Maturities of borrowings and subordinated liabilities
In ISK bn.



Deposits

Deposits from customers amounted to ISK 921.1 billion at the end of 2025 and increased by 7.4% from year-end 2024. The loan to deposit ratio was 144% at year-end 2025, up from 143% at year-end 2024. The composition of deposits continues has developed favorably, with a larger share now coming from individuals, small businesses, and companies with broader banking relationships, while the proportion of institutional investors has declined. In relative terms, the largest increase occurred in deposits from individuals following the introduction of a new savings account, the Rewards Account, which is available exclusively to members of Arion Rewards, the Bank's loyalty scheme. Deposits remain the Bank's most important source of funding, as before, although competition is very intense in the current high-interest rate environment.

Borrowings

Borrowings amounted to ISK 494.8 billion at the end of 2025, representing a 14.2% increase from year-end 2024. The increase is primarily attributable to prefunding of an issuance maturing in May 2026, including the completion of a EUR denominated issuance of approximately ISK 43 billion in August. The Bank was active in issuing debt both domestically, through covered bond issuances, and internationally, through unsecured issuances. New issuances were largely used to refinance older debt that had matured or was approaching maturity. The repayment profile of unsecured borrowings in ISK and EUR is well diversified. The Bank is in a strong refinancing position, being a strong issuer of covered bonds in the Icelandic market and a regular issuer in international markets.

Subordinated liabilities

Subordinated liabilities amounted to ISK 43.5 billion at the end of the year, compared with ISK 44.5 billion at the end of 2024. In June, the Bank issued Tier 2 bonds totalling approximately ISK 10 billion, which were used to repay other subordinated issuances that had reached maturity.

Equity

The Bank's equity amounted to ISK 217.4 billion at year-end 2025, compared with ISK 207.1 billion at year-end 2024. The change is primarily explained by the year's net earnings of ISK 30.6 billion, partly offset by the repurchase of the Bank's own shares and dividend payments, totaling ISK 22.1 billion. The CET1 ratio was 18.4% at the end of 2025, compared with 18.2% at the end of 2024. The leverage ratio was 11.4% at the end of 2025, compared with 12.2% at year-end 2024, and despite the decrease remains very high by international banking standards. In calculating capital ratios, account is taken of a proposed dividend payment of ISK 15.3 billion following the annual general meeting in March 2026, as well as share buybacks of ISK 5 billion, a programme that is already underway following approval by the Board of Directors and the Financial Supervisory Authority. The Bank has set a target for its CET1 ratio to be on average 1.5–2.5 percentage points above the regulatory requirement, and the current position is 0.58–1.58 percentage points above that target.

Funding and liquidity

In 2025, Arion Bank continued to consolidate its position on the international and domestic markets by diversifying its funding options. On the international markets the Bank issued senior preferred bonds in euros, US dollars, Norwegian kroner and Swedish kronor. The Bank also issued green senior preferred bonds in Norwegian kroner and Swedish kronor. On the domestic market the Bank issued covered bonds for ISK 18.5 billion and continued to issue senior preferred bonds in Icelandic krónur. The Bank also issued Tier 2 subordinated bonds in Icelandic krónur.

Moody's affirmed the Bank's A3 rating for senior unsecured debt and its A2 rating for long-term deposits with a stable outlook. The Bank's liquidity position is robust with a liquidity coverage ratio of 199% and a funding ratio of 118% at year-end.

International bond issues

In January, the Bank issued floating rate bonds in the amount of NOK 350 million and SEK 250 million with a 3-year maturity. The bonds were priced at a spread of 111bp over 3-month NIBOR and 113bp over 3-month STIBOR. The bookrunner on the transaction was Nordea.

In February, the Bank issued €300 million senior preferred notes with a 5-year maturity. The notes pay a coupon of 3.625% which corresponds to a spread of 130 bp over mid-swaps in euros. The deal was more than 4 times oversubscribed with orders received from more than 140 investors. The final order book stood at around €1.3bn. The dealer managers were Barclays, Deutsche Bank, J.P. Morgan and Nomura.

In June, the Bank issued senior preferred bonds amounting to NOK 600 million and SEK 900 million. The bonds have a maturity of 2.5 years and were priced at a spread of 117 bps over 3-month NIBOR and 120 bps over 3-month STIBOR. The issue was launched off Arion's Sustainable Financing Framework, and DNB Carnegie, Nordea and Swedbank were joint lead managers on the transaction

In August Arion Bank issued €300 million senior preferred notes with a 6-year maturity. The notes pay a coupon of 3.50% which corresponds to a spread of 120 bp over mid-swaps in euros. The deal was close to five times oversubscribed, with orders received from 105 investors spanning more than 20 countries across EMEA and APAC. The final order book stood at more than €1.45bn. The joint lead managers were ABN AMRO Bank, BofA Securities Europe, Citigroup Global Markets Europe and UBS Europe.



Domestic bond issues

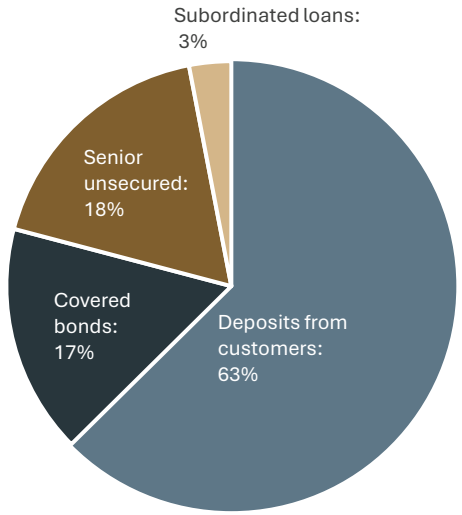
Arion Bank continued to issue senior preferred bonds in the series ARION 28 1215, issuing ISK 4,860 million at the beginning of January. The total size of the series is currently ISK 16.9 billion.

In June, the Bank issued a new series of Tier 2 subordinated bonds. The total issue amounted to ISK 10.0 billion at yields of 5.09%. The series is inflation-linked and pays interest twice a year. The series matures in December 2036 and can be called by the issuer in December 2031 and on every subsequent due interest date.

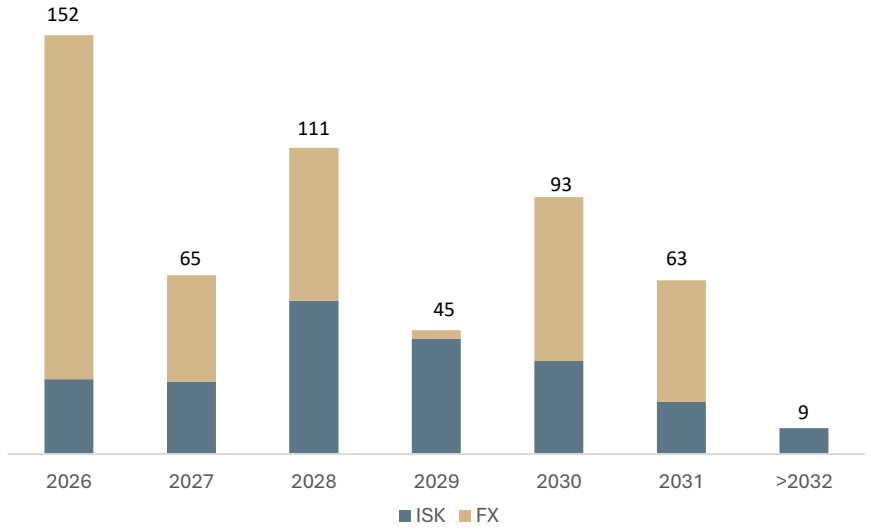
Arion Bank continued to issue covered bonds which are secured under the Covered Bond Act No. 11/2008. In 2025 the Bank issued covered bonds amounting to ISK 18.5 billion, of which ISK 960 million were for own use.

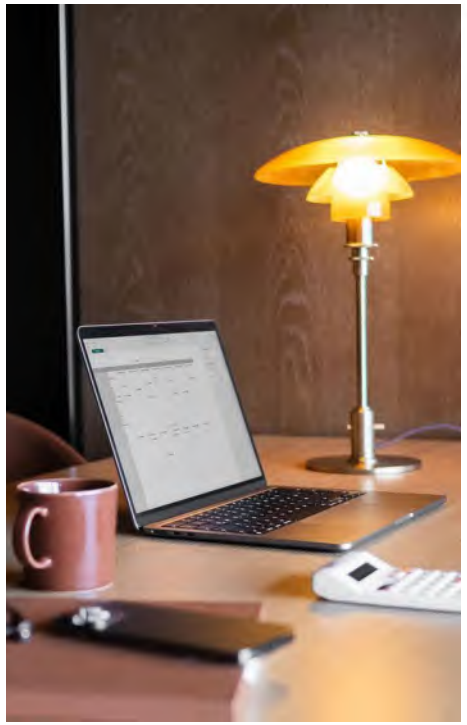
Arion Bank renewed its agreement with Kvika, Íslandsbanki and Landsbankinn on market making for covered bonds issued by Arion Bank on Nasdaq Iceland. The purpose of the agreement is to stimulate trading with benchmark covered bonds issued by the Bank.

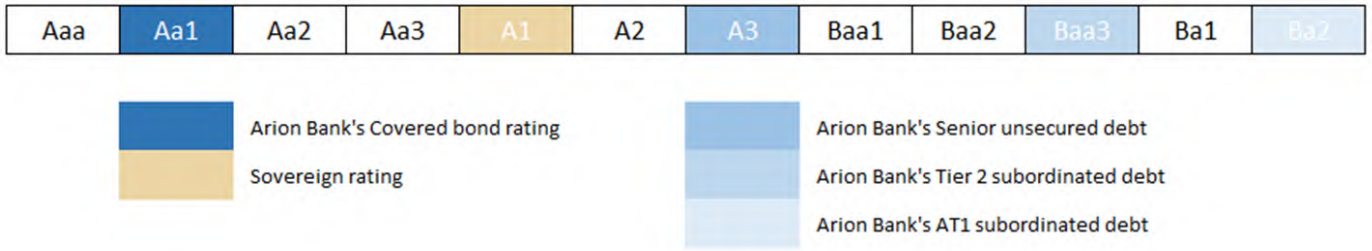
Combination of total funding



Maturity profile
In ISK billion







Credit rating

In 2025, Moody's affirmed the Bank's A3 rating for senior unsecured debt and its A2 rating for long-term deposits with a stable outlook. In addition, the Bank retained its Aa1 rating for covered bonds and its P-1 rating for short-term deposits. The rating reflected Moody's expectations that the Bank's financial results would continue to build on diverse revenue streams over the next 12-18 months, and that the proposed merger with Kvika will be orderly.

Liquidity and liquidity risk

Arion Bank is largely funded with deposits from individuals, corporations and pension funds. One of Arion Bank's key objectives is to maintain a strong liquidity coverage ratio (LCR) to support the Bank's strategic direction.

The LCR, which is calculated according to rules issued by the Central Bank of Iceland and Basel III Standard addresses risk factors relating to the stickiness of deposits and the maturity mismatch of the assets and liabilities. At the end of 2025 the Bank's LCR was 199% and the ratio for foreign currencies was 288%, well above the minimum requirement stipulated by the Central Bank of Iceland.

The Bank's net stable funding ratio (NSFR) was 118% at the end of 2025. This ratio measures the proportion of Bank's available stable funding to necessary stable funding according to a method which takes into account the liquidity of assets and the maturity of liabilities. These high ratios underline the Bank's robust funding and its ability to support the Bank's lending activities in the future.

Risk management and internal controls

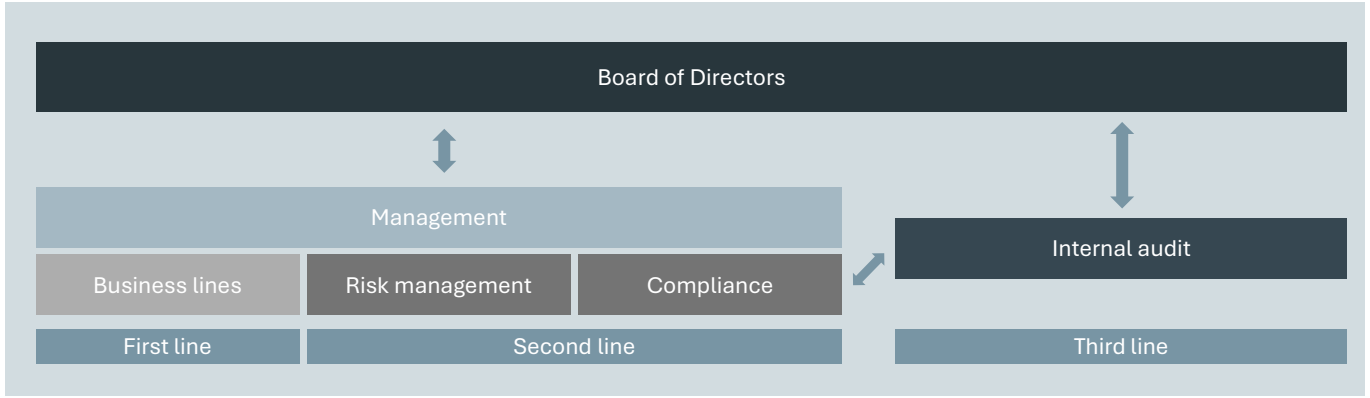
Arion Bank faces many risks arising from its day-to-day operations as a financial institution. Managing risk and taking informed decisions is a crucial component of the Bank's activities and its responsibility towards society. Managing risk is therefore a core activity within the Bank. The key to effective risk management is a process of ongoing identification of significant risk, quantification of risk exposure, action to limit risk and constant monitoring of risk.

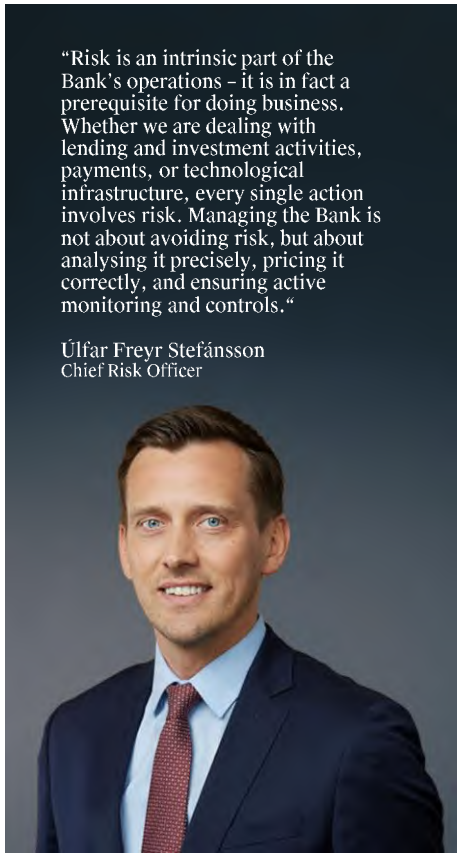
The Board of Directors is ultimately responsible for the effective management of risk and approves policies which specify the risk framework, governance structure and appropriate monitoring systems among other things. The risk management of subsidiaries is the responsibility of the board of directors of the relevant subsidiary. The Board of Directors sets a risk appetite for the parent company (the Bank) which is translated into exposure limits and targets monitored by the Bank's Risk Management division. It is ensured that the Bank's strategy, business plan and limit frameworks are aligned with its risk appetite.

The CEO is responsible for sustaining an effective risk management framework, processes and controls as well as maintaining a strong risk culture, making risk the business of every employee. The Bank operates a three-line model in accordance with its internal control policy.

A concerted effort was made during the year to further increase collaboration between the 2nd and 3rd line functions, thus improving collective oversight and increasing efficiencies. Risk, Compliance and Internal Audit have all worked to increase their own visibility within the Bank, with the aim of improving the overall risk culture.

The Board Risk Committee performs an advisory and supervisory role to the Board with respect to the Bank's risk management framework and risk appetite and ensures consistency with the Bank's business plan, goals and values. The committee is also responsible for the internal capital adequacy assessment process (ICAAP) and the internal liquidity adequacy assessment process (ILAAP). The Board Credit Committee (BCC) decides on all major credit risk exposures, underwriting and





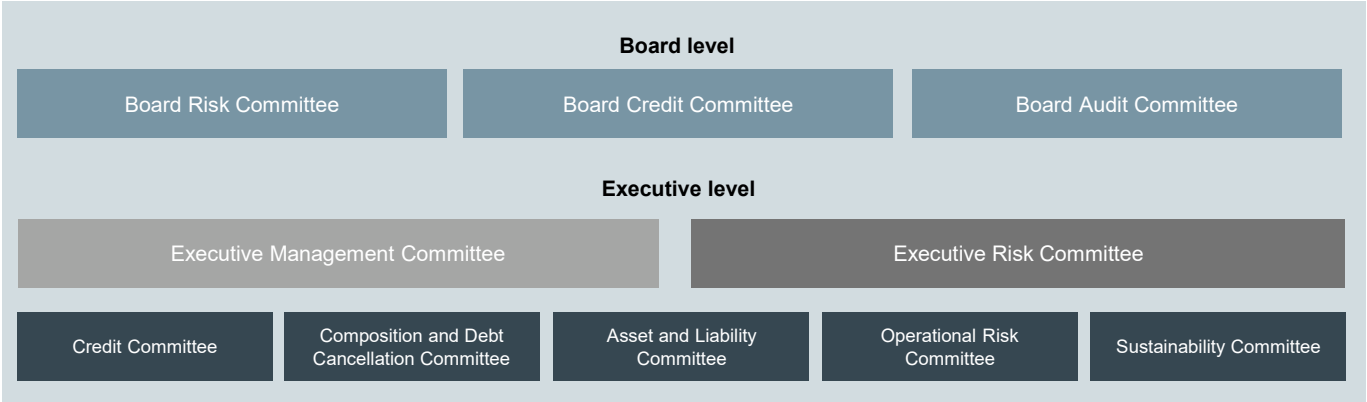
Financial statements and key figures
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Risk management and internal controls

investments which are outside the scope of the CEO's credit authority, and it advises the Board on matters which constitute a risk beyond defined risk appetite.

The CEO has appointed five risk committees which address key risk factors in the Bank's operations. The Asset and Liability Committee (ALCO) manages the asset-liability mismatch, liquidity risk, market risk, interest rate risk, and capital management. The committee also makes decisions on underwriting and investments. The role of the Operational Risk Committee (ORCO) is to ensure the effective management of operational risk at the Bank in accordance with risk appetite and legal requirements. The committee is responsible for managing non-financial risk, including information security and data risk, financial crime, business processes, outsourcing, model risk, compliance risk and conduct risk.

The Arion Credit Committee (ACC) takes decisions on lending exposures and is responsible for the Bank's credit rules, and the Arion Composition and Debt Cancellation Committee (ADC) makes decisions on composition and debt cancellation. Both committees work within the limits set by the Board Credit Committee. The Bank's Sustainability Committee ensures that the Bank's strategy and decision-making are aligned with its ESG commitments. The committee's tasks include overseeing the Bank's sustainable financing framework.

The Executive Risk Committee is responsible for implementing and following up on the strategy set out by the Board. It is designed to ensure that the executive committee has a comprehensive overview of the risk management framework and the numerous risk factors which the Bank faces at any given time.



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 consists of four departments: Balance sheet risk and modelling which is responsible for the quantification of risk on a portfolio level, including risk modelling and reporting; Operational and sustainability risk, which is responsible for the operational risk framework, supports the first line and ensures compliance with the management of sustainability risk; and Credit risk, which supports the Bank's credit transaction process, participates in credit decisions and monitors credit quality. The Bank's security team maintains and monitors the effectiveness of the Bank's defences against risks associated with IT security and physical security. A new position of Chief Resilience Officer was established during the year, reflecting the importance of, and the Bank's focus on, operational resilience.

Compliance, headed by the Compliance Officer, is an independent division which reports directly to the CEO. Compliance is responsible for the Bank's conduct and compliance risk frameworks, and it supports the first line with respect to the management of the risks it oversees, including data protection. A separate unit within Compliance is responsible for the Bank's framework and approach to the prevention of money laundering and terrorist financing. The unit is headed by the Deputy Compliance Officer, who is also the Bank's Money Laundering Reporting Officer, in accordance with Icelandic Act No. 140/2018.

The Bank's Internal Audit conducts independent and objective audits of the Bank, its subsidiaries and pension funds administered by the Bank. Internal Audit communicates its results to management and reports its findings and recommendations to the Board Audit Committee and the Board of Directors. It operates in accordance with the IIA's Global Internal Audit Standards, the latest version of which was published in early 2025.

Arion Bank is a small bank by international standards but is classified as systemically important in Iceland. The Group operates in a small economy with its own currency, which is subject to sectoral concentration, fluctuations in capital flows, and exchange rate volatility. The most significant risks to which the Bank is exposed are credit risk, concentration risk, liquidity risk, interest rate risk, cyber risk, business risk and sustainability risk. These risk factors are mainly encountered within the parent company. Through the Bank's subsidiaries, the Group bears risk arising from insurance activities and fund management. Operational risk is the predominant risk for the latter two.

The Bank's Pillar 3 Risk Disclosures 2025 discuss in detail the Bank's risk profile, risk management and capital adequacy. The report is based on disclosure requirements set out in the Financial Undertakings Act No. 161/2002 and Regulation EU 575/2013 (CRR). The disclosures contain information on new and forthcoming legislation as well as information on the Bank's remuneration policy. The report pertains to the conditions of Arion Bank's prudential consolidation, which excludes insurance subsidiaries.

Arion Bank's Pillar 3 Risk Disclosures 2025 can be read here

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Our governance

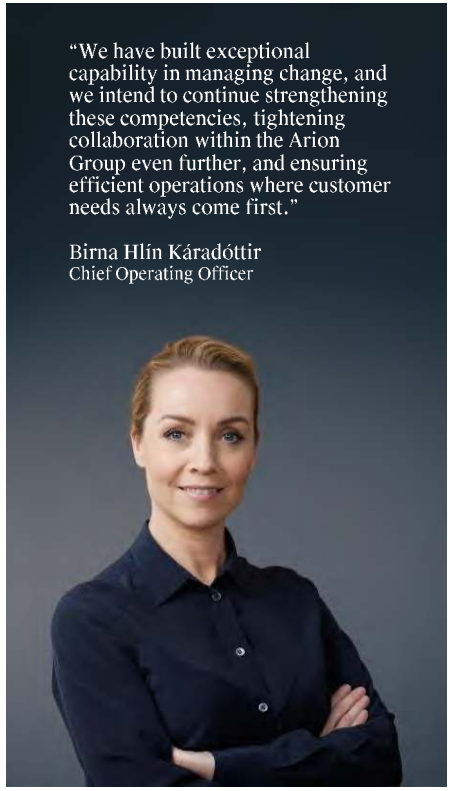
Good corporate governance lays the foundations for the positive corporate culture of Arion Group: responsible decision-making, compliance with laws and regulations and sustainable and profitable operations. Arion Bank is listed on the stock exchanges in Iceland and Stockholm, and our governance practices perform a key role in enhancing transparency and meeting the expectations of shareholders, customers and stakeholders.

In 2025, Arion Bank, Vörður and Stefnir were once again recognized for their excellent corporate governance and were named as Model companies in corporate governance. The awards are presented by Stjórnvísi, the Icelandic Chamber of Commerce, SA Confederation of Icelandic Enterprise and Nasdaq Iceland.



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Corporate Governance Statement



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

Fundamental to corporate governance at Arion Bank are the Articles of Association which are approved by shareholders, and policies and other documents adopted by the Board of Directors. These include the Board's Rules of Procedure, and the Rules of Procedure of the Board's Sub-Committees, and policies regarding the Bank's operations and enterprise risk management architecture. These policies are revised every year and whenever deemed necessary. Even more important is the Bank's corporate culture, strategy, and operational procedures.

Good corporate governance and corporate culture help to foster open and honest relations between the Board of Directors, shareholders, customers, and other stakeholders, such as the Bank's employees and the public. Corporate governance also provides the foundations for responsible management and decision- making, with the objective of generating sustainable long-term value creation. The Board of Directors places great importance on good corporate governance and re- evaluates its governance practices regularly on the basis of recognized guidelines on corporate governance.

A central part of governance for financial institutions involves managing risks which will invariably arise in operations. Risk management is described in more detail later in this statement, in the Bank's Annual & Sustainability Report and the Pillar 3 Risk Disclosures.
Establishing and maintaining effective risk management and controls constitutes a key challenge in the Bank's activity and to the Bank's overall soundness.

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

Corporate Governance Statement of Arion Bank

Implementation of the remuneration policy

Arion Bank's Annual General Meeting approves a remuneration policy for the company annually, which outlines the main objectives and goals to guide the Bank's board of directors and executive management when it comes to employee remuneration.

According to the remuneration policy approved at the Bank's AGM in 2025, Arion Bank strives to offer competitive salaries so that the Bank can attract and retain outstanding employees and to ensure that jobs at the Bank are sought after by qualified individuals.

The remuneration policy should not encourage excessive risk taking but rather should support the Bank's long-term goals and the sound operation of the business in line with its business plan. The policy is an integral part of the Bank's strategy to protect the long-term interests of the Bank's owners, its employees, customers and other stakeholders in an organized and transparent manner. The Bank must ensure when implementing the remuneration policy that no discrimination takes places when determining salaries and other remuneration.

The key points relating to the implementation of the remuneration policy in 2025

- According to an Intellecta salary survey, Arion Bank pays competitive salaries but is not a market leader. Salary expenses at the Bank increased on average by 2.1% year-on-year, while the general salary index rose by 8.3% (annual average).
- Based on a resolution passed at the Bank's AGM in 2020, a five-year employee share option plan was launched, from 2021 to 2026. At the Bank's 2025 AGM it was agreed to authorize the board of directors to implement a new five-year share option plan which will come into effect when the existing plan expires. The plan is based on the provisions of the Icelandic Tax Code. All permanent employees of the Bank and the subsidiaries Vörður and Stefnir have the option to buy shares in the Bank for a maximum of ISK 1,500,000 a year in accordance with the provisions of the Tax Code. Obligations relating to the share option plan are taken into consideration in respect of the Bank's own shares, and the Bank's costs take this into account. Following the conclusion of new share option agreements in February 2026, share option agreements with employees of the Bank and its subsidiaries are in effect until 2031.
- No special severance agreements were entered into with executives in 2025.
- The Bank's board of directors approved a new incentive scheme in 2020 which was implemented in 2021, and which is based on various performance indicators and the Bank's overall performance. All permanent employees of the Bank, excluding employees of control functions, are part of the scheme and as an overarching benchmark, the Bank's ROE has to be higher than the weighted average ROE of the Bank's main competitors. The majority of employees can receive up to 10% of their annual salaries in the form of a cash payment without deferral. The management and those employees who have the greatest impact on the Bank's costs and revenues can receive up to 25% of their annual salaries as an incentive in the form of a cash payment (5%) and shares or options on shares in the Bank (20%), or a mix of the two. This group represents 1/6 of employees and 40% of the incentive is deferred for 4 years, or 5 years in the case of the CEO and employees reporting directly to the CEO. The shares received by employees are subject to a full lock-up lasting three years but in the case of call options the first exercise period begins after three years (4/5 years if they choose to receive a mix of shares and share options). The approved incentive payment to employees under the incentive scheme in 2025 in respect of the Bank's financial results in 2024 represented 95% of a full incentive payment. The total payment amounted to ISK 1.2 billion. The Bank considers obligations relating to the incentive scheme when holding own shares and the Bank's costs take this into account. The rules applicable to the scheme can be found on the Bank's website.
- At the Bank's AGM in 2025, amendments to the remuneration policy were approved that permitted paying employees of control functions fixed annual supplementary payments amounting to up to 10% of the relevant employee's annual remuneration. The aim of this change was to enhance the competitiveness of such positions.

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Board of Directors



Chairman

Paul Horner

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

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

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



Vice Chairman

Kristín Pétursdóttir

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

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

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

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



Gunnar Sturluson

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

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

Gunnar has practiced law at LOGOS legal services since 1992 and became partner in 1995. He was the managing partner of LOGOS from 2001-2013.

Gunnar serves on the Board of Harpa Conference Center and has previously held various directorships. He was the president of the International Federation of Icelandic Horse Associations, 2014-2025, a board member at Gamma hf., 2017-2019, chairman of the board of directors of the Icelandic National Broadcasting Service (RÚV) 2016-2017, chairman of the board of directors of the Icelandic Dance Company 2013-2016, director of the court of arbitration of the Iceland Chamber of Commerce, board member of the Performing of the Arts Center in Iceland and was voted by the Icelandic parliament to serve on the National Electoral Commission in 2013-2017. Gunnar also lectured in competition law in 1995-2007 at the University of Iceland, Faculty of Law.



Marianne Gjertsen Ebbesen

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

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

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

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



Steinunn Kristín Þórðardóttir

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

Steinunn holds a master's degree in international management from Thunderbird, Arizona, and a BA in international business and politics from University of South Carolina.

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

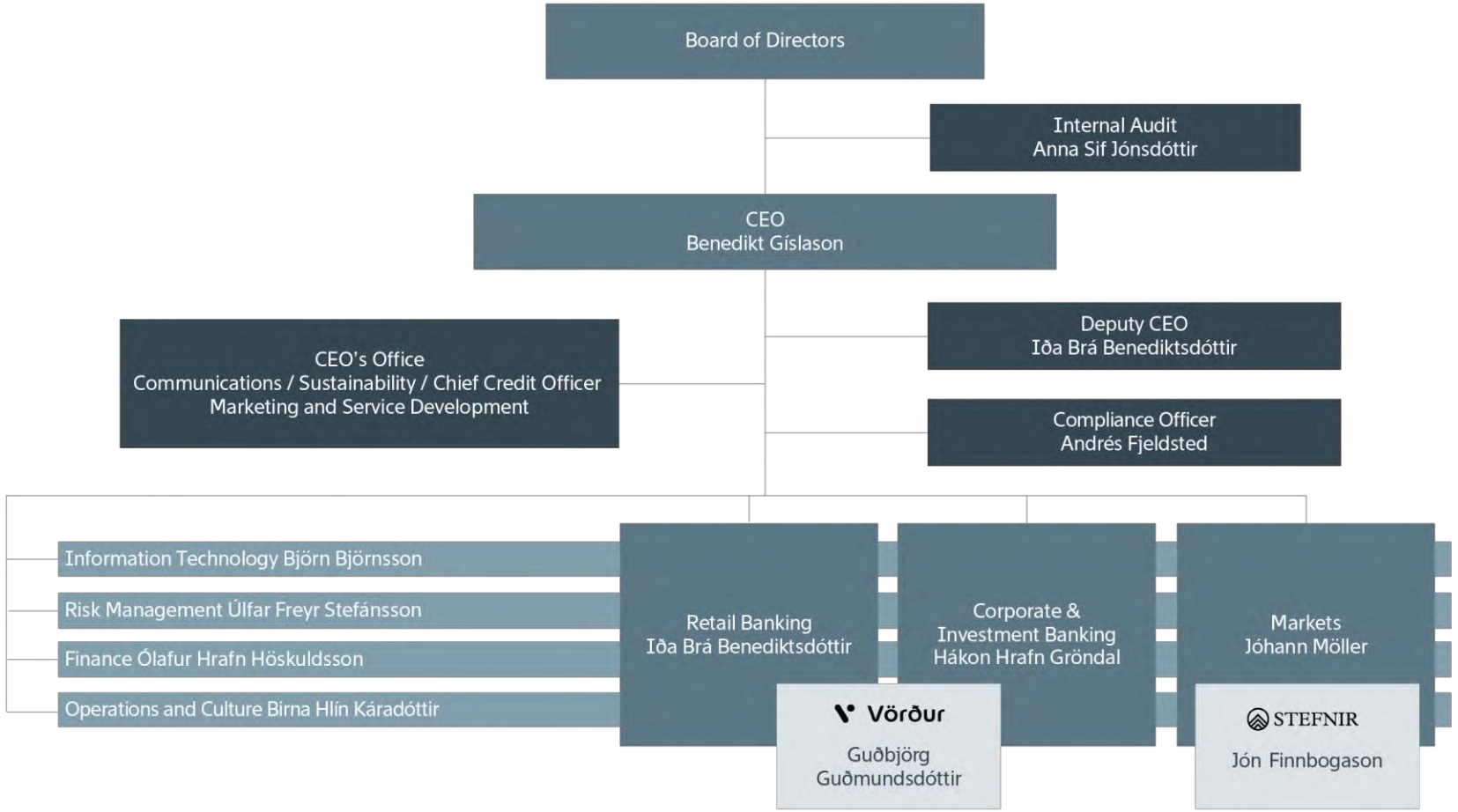
Today Steinunn works actively with tech companies in Norway both as an investor and a strategy. The software companies she works with are international scale-up companies. She is also the chairman of the board of Acton Capital AS, and the chairman of the board for the Norwegian Icelandic Chamber of Commerce.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

Alternate directors

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

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Organizational chart 2025



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Executive Committee of Arion Bank



Benedikt Gíslason

Chief Executive Officer

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

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

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



Iða Brá Benediktsdóttir

Deputy CEO and Managing Director of Retail Banking

Iða Brá Benediktsdóttir was born in 1976. Iða Brá was appointed Managing Director of Retail Banking in July 2017 and Deputy CEO in April 2022.

Iða Brá has worked for Arion Bank and its predecessors since 1999. Since then, she has held various positions within the Bank, and prior to her current position she was Managing Director of Investment Banking from 2016 to 2017. Iða Brá was previously head of communications, Private Banking and also worked in the Bank's Treasury division. Iða Brá has been a director on the boards of several companies, including the savings banks Sparisjóður Ólafsfjarðar and AFL, the real estate company Landfestar and the fisheries company HB Grandi hf. Iða is a board member of Nordic Financial CERT.

Iða Brá has a BSc in business administration from the University of Iceland. She also has an MSc in finance from the Erasmus Graduate School of Business in the Netherlands and is a licensed securities broker.



Birna Hlín Káradóttir

Chief Operating Officer

Birna Hlín was born in 1978. She was appointed General Counsel of Arion Bank in September 2019 and joined the Bank's Executive Committee in June 2020. In September 2023 she was appointed Chief Operating Officer.

Before joining the Bank, Birna Hlín was a partner and general counsel at Fossar Markets from 2016. She was general counsel at Straumur fjárfestingabanki from 2011 to 2015. Birna Hlín worked for Straumur- Burðarás Investment Bank hf. between 2007 and 2011 and was the company's general counsel from 2009. She has taught financial market law at Reykjavík University and the University of Iceland. She has served on the boards of directors of several companies and organizations in Iceland and abroad.

Birna Hlín has completed an Advanced Management Program at IESE Business School Barcelona and has a Cand. Jur. degree from the University of Iceland. She is a district court attorney and a licensed securities broker.



Björn Björnsson

Managing Director of Information Technology and CIO

Björn was born in 1980. He was appointed Managing Director of Information Technology in March 2023.

From 2015 until joining the Bank, Björn worked for Boston Consulting Group (BCG) in Australia and the Nordics, with a focus on financial institutions, information technology strategy and transformation. Before joining BCG, he held several executive and specialist roles in the Icelandic financial services sector, including chief risk officer at Byr Savings Bank.

Björn has a BS in computer science and an MS in industrial engineering from the University of Iceland and an MBA from Melbourne Business School.

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Hákon Hrafn Gröndal

Managing Director of Corporate & Investment Banking

Hákon Hrafn Gröndal was born in 1988. He was appointed Managing Director of Corporate & Investment Banking in April 2022.

Hákon Hrafn Gröndal joined Arion Bank in 2012, working at the Bank's Höfði branch in Reykjavik. Since then, Hákon has held various financial advisory and credit roles at the Bank and served on several boards of directors on the Bank's behalf. From 2013, Hákon was a credit manager in Corporate & Investment Banking.

Hákon is a business graduate from Griffith University, has an MSc in corporate finance from the University of Iceland and is a licensed securities broker.



Jóhann Möller

Managing Director of Markets

Jóhann Möller was born in 1979. He was appointed Managing Director of Markets in May 2022.

Jóhann Möller was the managing director of Stefnir from 2020 to 2022. Jóhann has worked in the financial markets for 20 years and joined Stefnir in 2006, managing domestic equities funds and he was head of the company's equities team between 2017 and 2020.

Jóhann is a business graduate from the University of Iceland and is a licensed securities broker.



Ólafur Hrafn Höskuldsson

Chief Financial Officer

Ólafur Hrafn was born in 1981. He was appointed Chief Financial Officer in September 2021.

Ólafur Hrafn joined Arion Bank in 2019 as head of strategy and development in the CEO's Office. Between 2010 and 2016, Ólafur Hrafn worked for Royal Bank of Scotland in London and New York. In 2016, he was appointed managing director of the investment company Títan, a position he held until 2019. Prior to that he worked for CreditInfo in Germany and Straumur Investment Bank. Ólafur Hrafn sits on the boards of directors of Vörður and Landey.

Ólafur Hrafn graduated with a cand.oecon. from the University of Iceland in 2006, majoring in accounting and auditing. He is an FSA approved person in the United Kingdom and has passed the FINRA Series 79 exam in the United States.



Úlfar Freyr Stefánsson

Chief Risk Officer

Úlfar Freyr was born in 1981. He was appointed Chief Risk Officer in May 2020.

Úlfar joined the Bank's Risk Management division in 2013 after having worked at Kaupthing since 2010, where he worked on settling the estate's derivatives positions and assumed the role of Head of Risk Management. Úlfar was Head of Portfolio Risk at Arion Bank from 2013 to 2015, when he took over as Head of Balance Sheet Risk.

Úlfar has a doctorate and a master's in mathematics from Georgia Institute of Technology and a BSc in mathematics from the University of Iceland. He is also a licensed securities broker.

Subsidiaries



Guðbjörg Heiða Guðmundsdóttir

CEO of Vörður

Guðbjörg Heiða was born in 1980. She was appointed CEO of Vörður in April 2023.

Prior to joining Vörður she spent 12 years at Marel, most recently as executive vice president of seafood and managing director of Marel in Iceland. Before that she led the product development team at Marel in Iceland and the United Kingdom. Before joining Marel she worked for the investment firm Eyrir Invest.

Guðbjörg has a master's in industrial engineering from the University of Iceland.



Jón Finnbogason

Managing Director of Stefnir

Jón was born in 1973. He was appointed Managing Director of Stefnir in May 2022.

Jón has worked on the financial markets in a diverse range of management and specialist positions since 1999. He worked at Stefnir from 2003 to 2008 and again from 2013 to 2017, when he was head of the fixed income team and deputy managing director. He was the CEO of Byr savings bank in 2009 and CEO of Byr hf. from 2010 to 2011. Jón served as Deputy Managing Director of Retail Banking at Íslandsbanki from 2011 to 2013. Jón became Chief Credit Officer at Arion Bank in 2017 and from 2019 he also headed corporate business within Corporate & Investment Banking.

Jón graduated with a degree in law from the University of Iceland and is a district court attorney and a licensed securities broker.

Management of other key departments



Andrés Fjeldsted

Chief Compliance Officer

Andrés Fjeldsted was born in 1984. He was appointed Compliance Officer of Arion Bank in April 2022.

Andrés joined Arion Bank's Legal division in 2015. His main tasks were in the fields of asset management and senior management, and he was secretary to the Board of Directors for several years.

Andrés has a master's degree in law from the University of Iceland and has a BA in politics, philosophy and economics from the University of Essex.



Anna Sif Jónsdóttir

Chief Audit Executive

Anna Sif was born in 1971. She was appointed Chief Audit Executive of Arion Bank in September 2022.

Anna Sif became internal auditor of Kvika banki hf. in 2013. Prior to that she was chief financial officer of Reginn (Heimar) between 2009 and 2013 and Landic Property Iceland (Reitir) between 2007 and 2009. Anna Sif was a specialist and project manager at KPMG between 2000 and 2006.

Anna Sif has a BA in history form the University of Iceland and a cand.oecon. from the same university. She is a State Authorized Public Accountant and a licensed securities broker.

Our sustainability

Sustainability at Arion
- Sustainability reporting
- Double materiality assessment

Responsible business
- Strategy and targets
- Our success
- Sustainability governance and risk management
- Responsible buying
- Business ethics, information security and data protection

Sustainable finance
- Sustainable financing
- Status of allocated funds
- Women Invest
- Responsible lending and investment
- Responsible fund management
- Responsible insurance operations

Environmental and climate issues
- Environment and climate policy and targets
- Highlights of the environmental accounts
- Financed emissions

Human Resources
- Our human resources policy
- The right people
- Job satisfaction, well-being and social interaction
- A clear vision for equality
- Continuous learning and development
- Results-driven culture
- Strong leadership

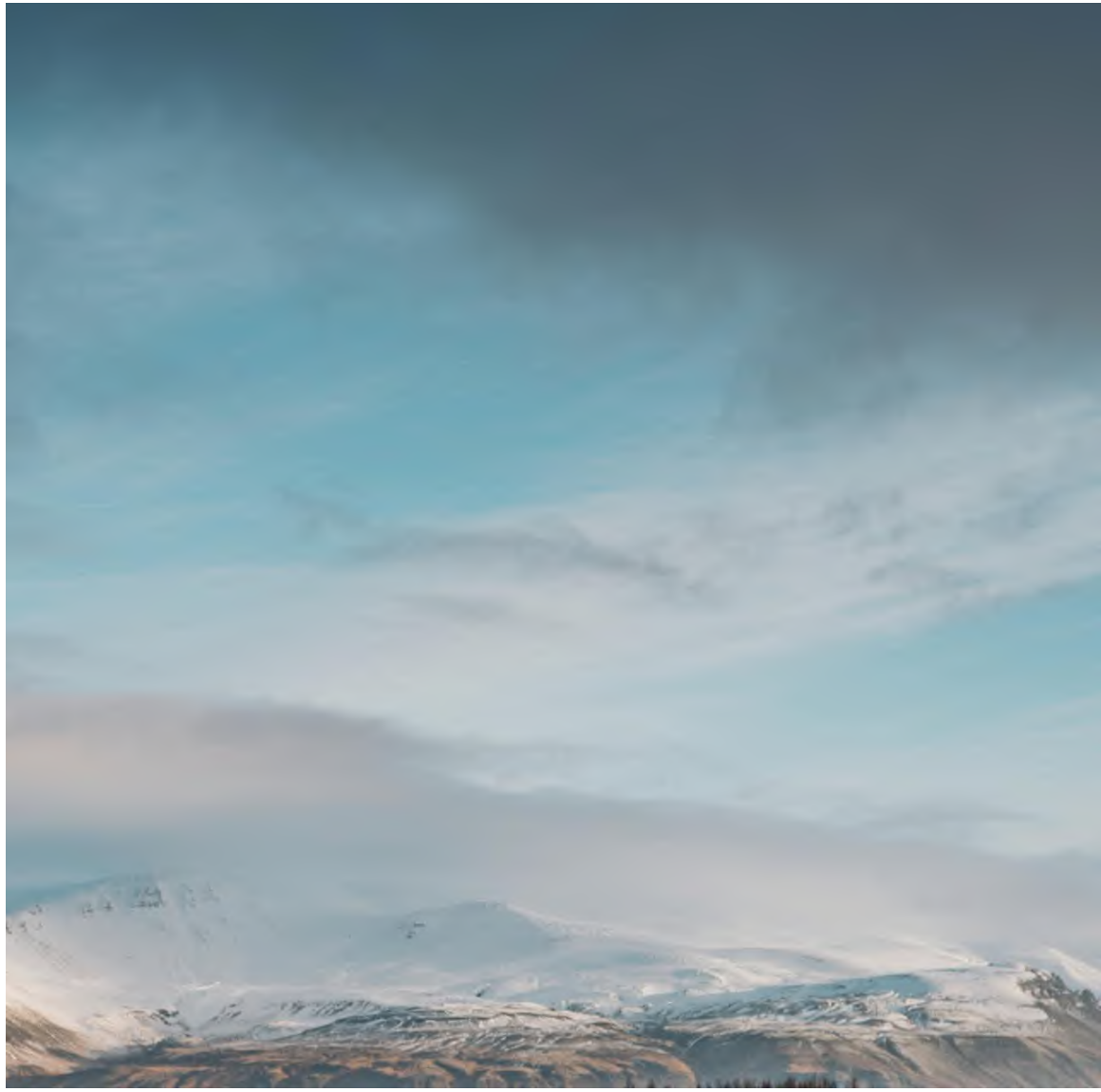
Our commitment to society
- Stakeholder engagement
- Responsible marketing and product management
- Sponsorship and partnerships
- Innovation and support for entrepreneurs
- Art and culture

Sustainability accounts
- Environmental factors
- Social factors
- Governance factors
- GRI Standards Index
- ESRS Index
- UN PRB – Progress Statement
- Auditors' opinion

Sustainability at Arion

Arion Bank has provided information on sustainability in its operations for almost a decade. For the second time, this report covers Arion Group, which includes Arion Bank, the insurance company Vörður and the fund management company Stefnir. In this report, any references to Arion refer to the Group as a whole. Where the text applies exclusively to Arion Bank, Vörður, or Stefnir, this is specifically stated.

The objective of sustainability reporting is to provide our stakeholders with an overview of our policies, objectives, and performance, and to demonstrate how we create value for our stakeholders. We continue to further integrate discussion of the Bank's subsidiaries, Vörður and Stefnir, in relation to sustainability. This enables us to take further steps towards providing stakeholders with comprehensive information on sustainability across the Group.



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Strategy and targets
Our success
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Sustainable financing
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Sponsorship and partnerships
Innovation and support for entrepreneurs
Art and culture
Sustainability accounts
Environmental factors
Social factors
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GRI Standards Index
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UN PRB – Progress Statement
Auditors' opinion

Sustainability reporting

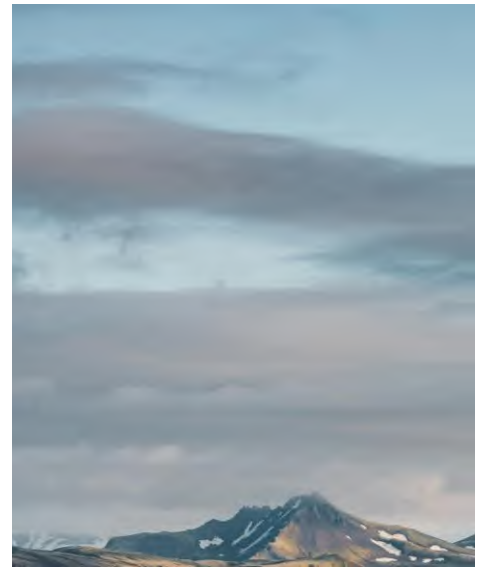
ESRS 2: BP-1, GOV-4

The report is prepared and published in accordance with the GRI Standards. These standards help companies and institutions communicate sustainability-related information in a transparent and comparable manner. Further details on which GRI standards are applied in the Group's sustainability reporting are provided in the sustainability accounts elsewhere in the report. The report complies with the provisions of Article 66(d) of the Annual Accounts Act regarding non-financial disclosure. In addition, the Nasdaq Nordic ESG guidelines, the ten principles of the UN Global Compact, the United Nations framework for corporate social responsibility, and the United Nations Sustainable Development Goals are used. The report also contains a statement on the progress made in implementing the UN Principles for Responsible Banking (PRB).

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

The discussion in the report is based on issues that have been identified as material to Arion's operations and is structured around five main themes: responsible business practices, sustainable finance, environmental and climate issues, human resources, and engagement with society. At the end of the report there are comprehensive sustainability accounts for the Group. Each individual section may be read on its own, but to gain a well-rounded overview, it is recommended to read the sustainability chapter of the report in its entirety.

In the report, section headings are marked with the relevant ESRS disclosure requirements where the discussion relates to a specific standard. We have also tagged disclosures in the sustainability accounts. Although we have labelled such disclosures, it does not imply that we consider ourselves to be fully compliant with the respective standard, but rather that the disclosure is related to it. At this stage, no assessment is provided as to whether individual requirements are met in part or in full.



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EU Taxonomy

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

Pillar 3 Risk Disclosures

Arion Bank publishes an annual risk report (Pillar 3 Risk Disclosures) that addresses the Bank's main risk factors, including sustainability risk. It also covers the Bank's governance structure with respect to risk and the remuneration policy. The report is published in accordance with the European Banking Authority's templates and should be read in conjunction them. The report can be found on the Bank's website (arionbanki.is/pillar-3-2025).

Data collection and independent assurance

Information related to sustainability reporting is derived from the information systems of Arion Bank and its subsidiaries. KPMG assisted with the preparation of the environmental accounts. The information is compiled in cooperation between the sustainability unit and the relevant responsible parties within the Group. The report as a whole is approved by the Bank's Sustainability Committee.

The report is published in Icelandic and English, and both versions are available in PDF format on the Bank's website.

Deloitte has provided an opinion with limited assurance on sustainability disclosures in the Annual and Sustainability Report, in accordance with GRI Standards and the Nasdaq ESG guidelines.



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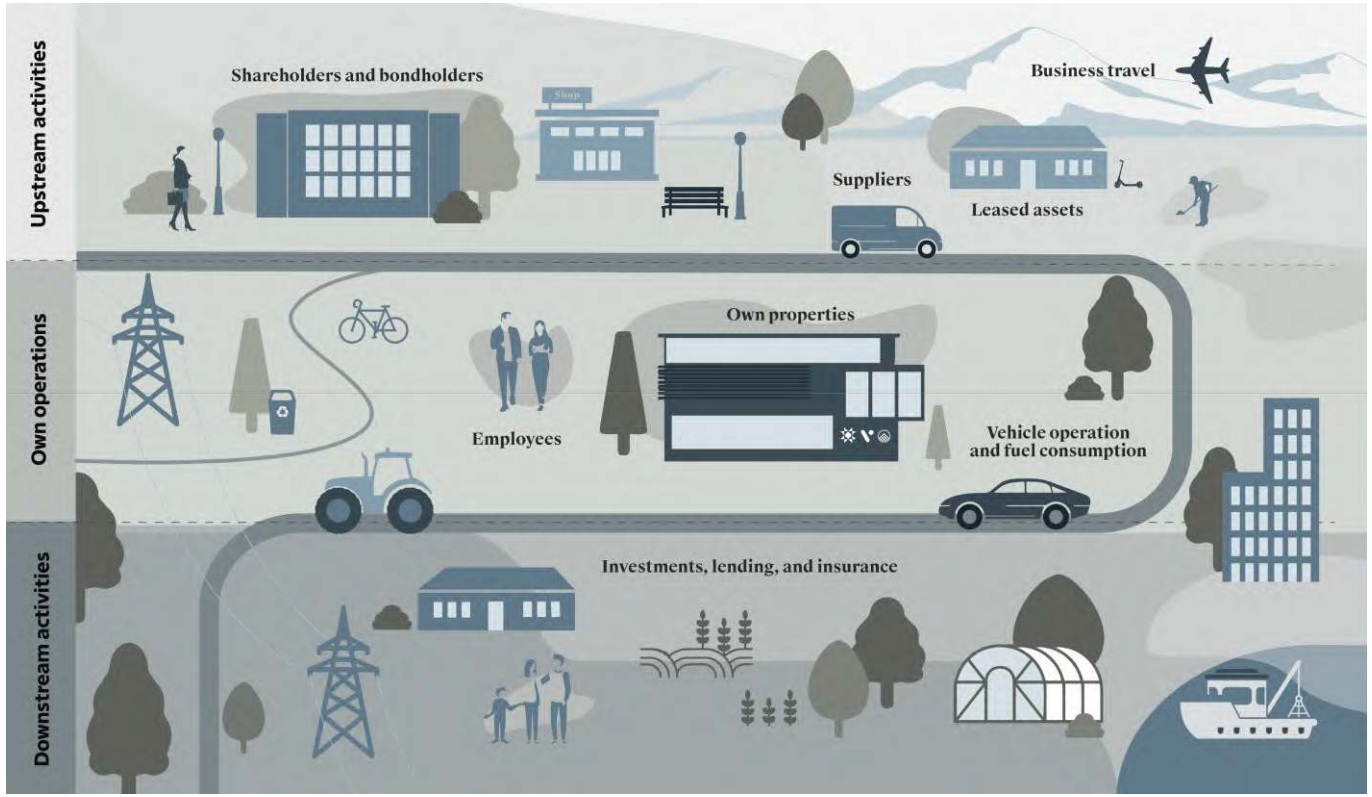
Double materiality assessment

ESRS 2: SBM-1, SBM-2, IRO-1

The European Union's standards on sustainability related disclosures require the preparation of a double materiality assessment. The underlying concept is to identify impacts, risks, and opportunities that are material to companies. This is done, firstly, by taking an outward-looking perspective, i.e. examining the impacts that operations have on the environment and society and, secondly, by taking an inward-looking perspective, identifying financial risks and opportunities that may affect financial performance as a result of external sustainability factors.

The ESRS framework is based on 12 underlying standards: two covering the general requirements and content of reporting, five environmental standards, four social standards, and one governance standard. The double materiality assessment identifies which standards and their associated topics are material. Once material topics have been identified, a threshold is established to determine which matters fall within the scope of ESRS requirements.

Arion conducted a double materiality assessment in cooperation with KPMG Iceland in 2023. The assessment was refined and reassessed in 2024, during which the subsidiaries Vörður and Stefnir were also involved. The results were published in the 2024 Annual and Sustainability Report and are republished here with a slightly revised presentation.



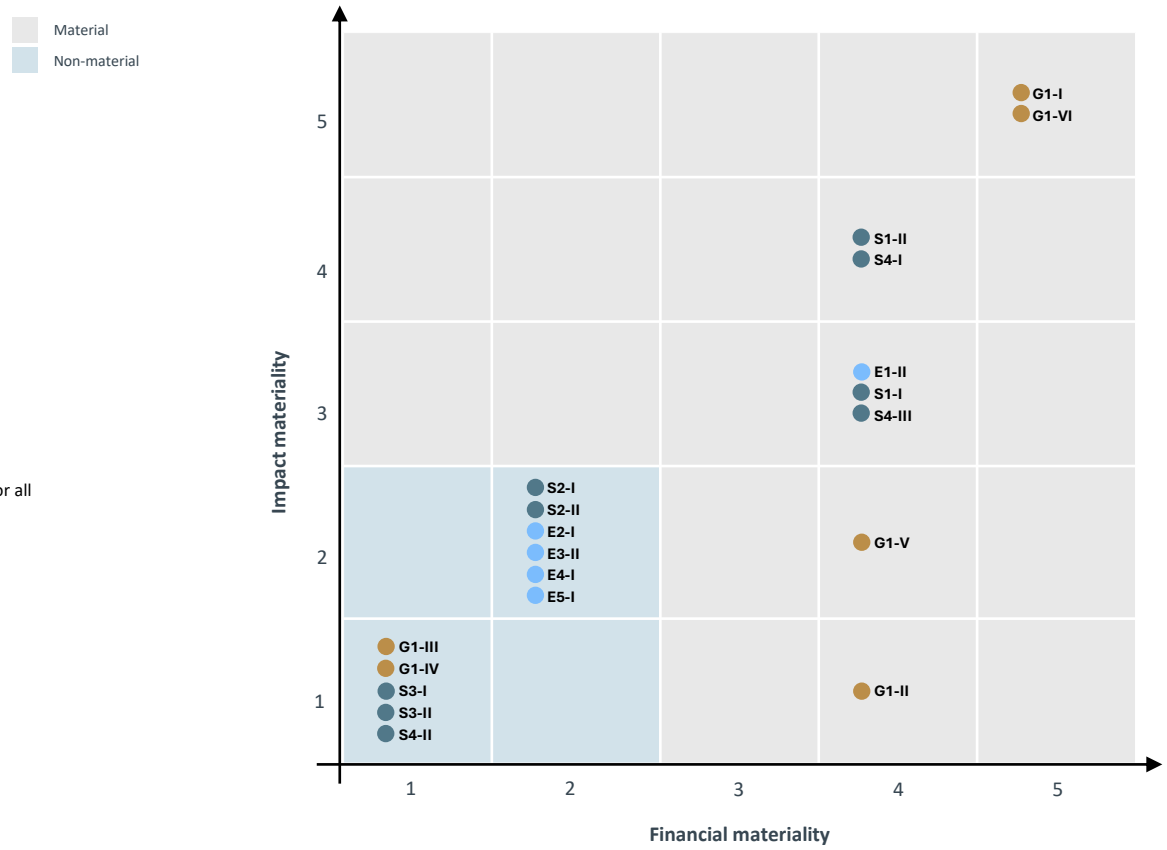
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The main results indicate that standards E1 on climate change, S1 on own workforce, S4 on consumers and end-users, and G1 on business conduct are the most material for the Group. Impacts, risks, and opportunities were assessed on a gross basis (before mitigation measures), and Arion's key focus areas relate to climate change mitigation, corporate culture, anti-money laundering measures, training and development of human resources, and consumer information security.

- **E1-II:** Climate change mitigation
- **E2-I:** Pollution of air, water and soil
- **E3-II:** Marine resources
- **E4-I:** Biodiversity and ecosystems
- **E5-I:** Circular economy
- **S1-I:** Own workforce – Working conditions
- **S1-II:** Own workforce – Equal treatment and opportunities for all
- **S2-I:** Workers in the value chain – Working conditions
- **S2-II:** Workers in the value chain – Equal treatment and opportunities for all
- **S3-I:** Communities' economic, social and cultural rights
- **S3-II:** Communities' civil and political rights
- **S4-I:** Information-related impacts for consumers and/or end-users
- **S4-II:** Personal safety of consumers and/or end-users
- **S4-III:** Social inclusion of consumers and/or end-users
- **G1-I:** Corporate culture
- **G1-II:** Protection of whistle-blowers
- **G1-III:** Animal welfare
- **G1-IV:** Political engagement and lobbying activities
- **G1-V:** Management of relationships with suppliers
- **G1-VI:** Corruption and bribery

Results of the materiality assessment based on sub-topics



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Performance of materiality assessment

The double materiality assessment of Arion Group was conducted in five phases. Every effort was made to obtain expert input at all stages, while at the same time maintaining a broad perspective in workshops and survey responses. Risks, opportunities, and impacts were identified across all stages of the value chain. We examined the upstream value chain, which includes suppliers and producers that provide Arion with products or services; own operations, i.e. the company's internal activities, including human resources and carbon emissions from its own operations; and finally, the downstream value chain, which refers to the products and services that Arion provides.

In the coming years, we will continue to monitor developments in the European Union's regulatory framework relating to sustainability reporting and update the assessment as appropriate.



Expert analysis

Data from international rating agencies was used, and materiality assessments from other leading banks in the Nordic countries were reviewed. The results of this analytical work were used as a basis for Arion's assessment, among other things in order to encapsulate the perspectives of shareholders and bondholders.

Result of the first phase:

- A list of material topics classified under governance, social, or environmental factors.

Assessment of specific impacts, risks and opportunities

Two workshops were held, with participants consisting of employees and managers from various departments of the Bank, as well as a representative of the board of directors. The first workshop focused on financial materiality, while the second addressed materiality from a societal and environmental perspective. The material topics were also ranked in order of importance.

Results of the second phase:

- A list of real and potential impacts, opportunities, and risks. Items were assessed in terms of scale and significance.

Stakeholder consultation

The outcomes of the two workshops were analysed with regard to the following stakeholder groups: customers; shareholders and bondholders; employees; interest groups, non-governmental organizations, experts, and regulators. These groups were approved by the Bank's sustainability committee as the key stake-holders in terms of sustain-ability and it was requested that they play a greater role in the Bank's materiality assessment.

Result of the third phase:

- A survey was sent to all employees of Arion Bank.
- In-depth interviews with customers, as well as representatives of interest groups, non-governmental organizations, and experts.

Prioritization of material topics

The data and results were reviewed by KPMG's sustainability team and specialists at Arion Bank. A more in-depth assessment was performed of the scope and severity of the impact, risk and opportunities, and a threshold was defined for the topics considered most material.

Result of the fourth phase:

- A threshold for material topics that fall under the ESRS disclosure requirements.

Extension of assessment to cover the Group

The results of Arion Bank's double materiality assessment were reviewed by specialists at Vörður and Stefnir. In cooperation with these subsidiaries, the methodology and final outcome were scrutinized with respect to their unique positions within the Group.

In cases where the weighting of material topics was adjusted, this was done based on likelihood and scope.

Result of the fifth phase:

- A comprehensive double materiality assessment for Arion Bank, Vörður, and Stefnir.

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Methodology used for scoring

Impact

The importance of an impact is identified by assessing their scale and scope, without their being managed. A materiality score is given by adding these two variables together in the case of real positive impacts, while in the case of potential positive impacts they are also multiplied by the likelihood of the impact actually happening. For negative real impact, materiality is assessed in terms of scale, scope and irremediability. As in the case of positive impacts, it is then multiplied by the likelihood of an event actually happening to produce a materiality score for potential negative impact.

Risk

The importance of identified risk is based on its severity and likelihood that it will happen. Each risk is therefore given a materiality score which comprises likelihood multiplied by the scale of the consequences if the risk happens.

Opportunities

The materiality score for opportunities is calculated in the same way as for risk. That is, each identified opportunity is given a weight which is calculated as the likelihood that an opportunity will be used and the potential scale of the consequences if it happens.

We assess the variables as follows:

- Scale: how much impact will a material topic have. Divided into low, medium and high impact.
- Scope: how far-reaching is or will the impact be. Either limited or far-reaching.
- Irremediability: the difficulty of reversing a development and compensating negative consequences. Generally defined as low, medium and high.
- Likelihood: how likely is it that a risk or opportunity happens. Low, medium and high.
- Severity: what consequences does a risk or opportunity have for the company or stakeholders. Low, medium, high.

A defined scale ranging from 1-5 was used and a threshold set for all factors receiving a score of 3 or above. It should be noted, however, that all sustainability factors are assessed as material, and CSRD applies particularly to factors which exceed the materiality threshold for reporting.



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Double materiality assessment

ESRS 2 IRO-2

OO Own operations **DS** Downstream: goods and services from Arion **US** Upstream: goods and services to Arion

Focus	Sub-topic	Impact, risk or opportunity	Value chain	Description
E1 Climate change				
E1-II Climate change mitigation				
Climate change mitigation	Green financial solutions	Positive impact and risk	OO DS	By having a diverse green product offering, Arion can have a positive impact on the success of measures to mitigate climate change. If the incentive behind green financial products is not strong enough or if supply is limited, this represents a financial risk in the form of insufficient competitiveness.
	Climate risk and strategy	Negative impact	US DS	If consideration is not taken to climate risk or the company's climate policy is not adhered to, it has a negative impact on environment and society.
	Operational carbon footprint	Negative impact	US OO DS	Any inconsistency between a policy and measures can have a negative impact on stakeholders.
	Recycling in claims processing	Positive impact	US DS	Recycling in claims processing reduces environmental impact.
	Prevention in form of risk assessment.	Positive impact and opportunity	DS	Importance of prevention in form of risk assessment.
G1 Business conduct				
G1-I Corporate culture				
Corporate culture	Trust and transparency	Positive impact and opportunity	US OO DS	Transparency and integrity build up trust in a company and good business relationships are founded on trust.
	Comprehensive risk management	Positive impact and opportunity	OO	Comprehensive risk management supports robust operations.
	Legal environment	Negative impact and risk	US OO DS	Compliance with law and regulations is a fundamental requirement for the company's operations. Risk may involve non-compliance with laws and regulations, as well as the extent of the regulatory framework that applies to the operations. This may result in an adverse impact on stakeholders.
	Reputation	Positive impact and risk	US OO DS	A bad reputation may represent a financial risk, while a good reputation enhances business opportunities and stakeholder trust.
	Attractive workplace	Positive impact	OO	Good governance and a positive working environment are important in order to attract talented employees.
	Risk culture and decision-making	Positive impact and opportunity	OO DS	Good risk culture and decision-making reduce the likelihood of financial loss for the company and customer.
	Tax practices	Risk	OO	Ethical tax practices are important in order to avoid legal penalties and reputational damage. It is crucial to maintain transparent tax practices to avoid such risk.
	Executive remuneration	Opportunity	OO	Aligning management incentives with long-term targets could stimulate sustainable growth at the company.
G1-II Protection of whistleblowers				
Protection of whistleblowers	Protection of whistleblowers	Opportunity	OO	Safeguarding whistleblowers is vital for maintaining trust in the company.
G1-V Management of relationships with suppliers				
Management of relationships with suppliers, including payment practices	Partners and collaborators	Positive impact	US	Good communications and good governance lead to better partnerships with suppliers and other partners.
G1-VI Corruption and bribery				
Corruption and bribery	AML and CTF efforts	Negative impact and risk	OO DS	It is important to ensure adequate measures against money laundering and terrorist financing. Inadequate measures may result in negative impact on own operations and stakeholders.

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Double materiality assessment

ESRS 2 IRO-2

OO	Own operations	**DS**	Downstream: goods and services from Arion	**US**	Upstream: goods and services to Arion

Focus	Sub-topic	Impact, risk or opportunity	Value chain	Description
S1 Own workforce				
S1-I Working conditions				
Work environment	Secure employment	Positive impact	OO	Ensuring job security adds to stability at the workplace and productivity of the workforce.
	Adequate wages	Positive impact	OO	Fair and adequate wages are the basis for job satisfaction and employee engagement
	Health and safety	Positive impact and opportunity	OO	Safeguarding the health and safety of employees in the workplace is key to running a good business.
	Incentive scheme and remuneration	Risk	OO	If employee incentives are limited, it threatens the company's competitiveness.
	Focus on profitability and ESG	Risk	OO	Prioritizing profitability over sustainability in incentive schemes can lead to negative decisions with respect to sustainability.
	Work-life balance	Opportunity	OO	Facilitating the work-life balance of employees enhances well-being and productivity in the workplace.
	Flexible working hours	Opportunity	OO	Flexible working hours attract diverse and talented employees.
S1-II Equal treatment and opportunities for all				
Equal treatment and opportunities for all	Gender equality and equal pay	Positive impact and opportunity	OO	Equality and equal pay ensure the financial stability of employees and advance gender equality.
	Diversity	Positive impact	OO	Diversity and inclusivity in the workplace create dynamic and productive human resources.
	Training and skills development	Positive impact and opportunity	OO	Continual learning and the development of human resources are important to enable employees to grow and the company to thrive.
	Board composition and diversity	Positive impact and opportunity	OO	Composition and diversity of boards enhance decision-making and credibility.
S4 Consumers and end-users				
S4-I Information-related impact				
Information-related impact for consumers and end-users	Technology development	Negative impact	DS	Rapid technological developments may represent risk in terms of dependence on technology infrastructure.
	Personal information	Negative impact	OO DS	New technology may create risk in processing of personal data
	Access to quality information	Positive impact and opportunity	DS	Securing access to reliable financial information improves financial literacy and the financial independence of our customers.
	Privacy	Positive impact and opportunity	OO DS	Safeguarding the privacy of customers and the security of customer data forms the basis for trust and compliance with laws and regulations.
	Data breach	Risk	OO DS	Data security breaches can damage the company's reputation, undermine customer trust and result in financial penalties.
	Cyber security and fraud	Risk	OO DS	Cyber security threats such as internet fraud, scams and ransomware.
S4-III Social inclusion				
Social inclusion of consumers and end-users	Access to products and services	Positive impact and opportunity	OO DS	Securing access to products and services is important for customer satisfaction and the company's growth.
	Non-discrimination for consumers	Positive impact and opportunity	OO DS	Measures to prevent discrimination between consumers are essential for inclusivity and equality.

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Responsible business

At Arion, we place strong emphasis on ensuring that our operations take environmental and social factors into account, alongside sound governance practices. Arion's purpose is to harness the power that exists all around us, and together we aim to excel in meeting the needs of our customers. The role of Arion Bank is to support those who seek to achieve results through smart and reliable financial solutions that strengthen financial well-being and promote sustainable value creation. Vörður's role is to be there for society and provide peace of mind through innovative and creative thinking, while Stefnir's role is to manage clients' assets with their best interests at heart.

The results of the double materiality assessment conducted in connection with the implementation of the EU's ESRS standard show that business ethics, corporate culture, and good governance are key factors for Arion's operations. Information security, data protection, and anti-money laundering measures play a major role in this context.



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Strategy and targets

ESRS 2: SBM-1, GDR-P



We place great importance on sustainability being integrated into our daily operations, decision making, and processes. Arion Bank's sustainability policy serves as our guiding framework, under the heading Together we make good things happen. This reflects our ambition to be a role model for responsible, yet profitable, business practices that take environmental and social considerations into account. Along with our code of ethics, the policy provides guidance for employees to make responsible decisions. The code of ethics is available on the Bank's website.

Arion Bank's Sustainability Policy

We want to act as a role model by promoting responsible and profitable business practices, which take into account the environment, the economy and the society in which we live and work. We try to see things from our customers' viewpoint and strive to do better today than we did yesterday.

We work in an attractive workplace where knowledge creates future value for the benefit of our customers, investors and society as a whole.

Vörður is a comprehensive insurance company that operates according to a sustainability policy and aims to offer customers appropriate insurance coverage at competitive prices. Vörður's objective is to ensure that the company's operations set a positive example in the Icelandic business sector, focusing not only on financial goals related to profitability and efficiency but also on environmental, social, and governance factors. Equality and human rights are cornerstones of the company's operations, and one of its key goals is to prioritize strong human resource practices. Responsible governance, data protection, and information security are essential foundations for the sound and trustworthy operation of an insurance company. More information about sustainability at Vörður is available on the company's website.

The fund management company Stefnir has established a policy on responsible investment as well as a policy on sustainability and social responsibility. Stefnir's role is to manage clients' assets with their best interests in mind, both in the short and long term. Responsible and diverse investment options, along with thorough analysis and transparent information, are key elements in the implementation and visibility of the social responsibility Stefnir seeks to uphold. By integrating sustainability into Stefnir's operations and into investments made on behalf of clients, we aim to maximize long-term value in a sustainable manner for all stakeholders. Further information on sustainability can be found on Stefnir's website.

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United Nations Sustainable Development Goals

At Arion, we have chosen to work in alignment with the United Nations Sustainable Development Goals (SDGs). The SDGs are intended to integrate a balance between the three pillars of sustainable development: economic, social, and environmental. There are 17 goals in total, adopted by representatives of all UN member states in 2015, and they apply to the period 2016–2030.

Arion Bank focuses primarily on six SDGs: numbers 5, 7, 8, 9, 12, and 13. These six goals reflect the core of the Bank's sustainability policy, emphasizing both environmental and social considerations while creating long term value.

At Vörður, emphasis is placed on the SDGs most closely linked to the company's core activities, goals 3, 5, 8, and 12. Through strong preventive measures, Vörður encourages its customers and the general public to consider their health and well being . Gender equality is a key priority for the company, as is sustainability in day-to-day operations.

The SDGs selected by Stefnir reflect the company's values and the positive impact it seeks to have on society, the environment, and the economy. These are goals 5, 8, 10, 12, 13, and 17. In its operations, Stefnir aims to promote diversity, equality, and universal human rights. The company places strong emphasis on innovation and sustainable financial products that support steady economic growth and sustainable business development.



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Overview of Arion Bank's key targets

ESRS 2 GDR-T, ESRS E1-6, ESRS S1-4, ESRS S4-4, ESRS G1-3

Environment

Targets up to 2030:

- percentage of sustainable lending will be at least 20% of the Bank's total loan portfolio;
- reduction of greenhouse gas emissions from own activities (Scopes 1 and 2) by 80% calculated from 2015 and remaining emissions will be carbon offset;
- aim for reduction in financed emissions in the sectors which have the most impact (Scope 3), in line with the goal of net zero target by 2040. The latest targets are published annually;
- continue purchasing only vehicles powered by 100% renewable energy sources for the Bank's daily operations. Other vehicles purchased for business use must run partly or entirely on renewable energy. From 2030 onward, only vehicles that meet the requirement of 100% renewable energy use will be purchased;
- targets on financed emissions validated by the SBTi;
- aim to ensure percentage of sorted waste in the Bank's operations is at least 90%.

Information on the status of environmental targets can be found in the chapters on environmental and climate matters, sustainable finance, and in Arion's sustainability disclosures.

Social factors

Targets up to 2027:

Work in accordance with the Bank's action plan on equality and human rights, which includes:

- promoting gender balance across business units, job families, and committees, and ensuring equal opportunities for career development;
- reducing the ratio of median male compensation to median female compensation to below 1.25;
- eliminating any unexplained gender pay gap and ensuring that total deviations do not exceed 1%;
- being a family friendly workplace, with employee survey results on work–life balance reaching at least 4.2;
- ensuring that all employees use their entitlement to parental leave regardless of gender, and achieving positive development in gender balance in taking of parental leave;
- having a workplace culture where bullying, sexual or gender-based violence, or harassment does not occur;
- increasing the proportion of women in investments;
- emphasizing importance of inclusion among Arion's customer base;
- minimizing the likelihood that Arion engages in business with parties who support or commit human rights violations.

Information on the status of social targets can be found in the Human Resources chapter and in Arion's sustainability accounts. Information on progress toward increasing the proportion of women in investments is available in the Sustainable Finance chapter.

Governance

Targets for 2025:

- at least 90% of new suppliers under agreement with the Bank undergo a supplier assessment where their performance in terms of ESG is assessed, and the same percentage agree to the Bank's supplier code of ethics;
- all employees complete mandatory training, including training on the code of ethics, information security, anti money laundering measures, and data protection;
- the Bank's internal targets on KYC/AML are achieved.

Information on the status of these targets can be found in the discussion below, in the chapter on sustainable finance, and in the Bank's 2025 Pillar 3 Risk Disclosures.

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Our success

ESRS 2 GDR-A

In 2025, we continued to focus on sustainability at Arion, strengthened collaboration within the Group even further, and worked on a wide range of exciting projects. Women Invest, the initiative aimed at empowering women in the financial markets, continued to go from strength to strength and received well-deserved attention. We worked closely with customers and other stakeholders to update the Bank's climate targets and maintained a strong focus on equality and inclusion across our operations and services. We also closely monitored developments in the EU's sustainability regulatory framework and took additional steps in implementing the ESRS standards, while encouraging customers to advance their own sustainability reporting and educating them on the various approaches available.

We published the report "The Road to Net Zero", presenting updated climate targets for 2030 for the sectors with the highest emissions in our loan portfolio, using scientific scenarios as the basis. Work was underway to have these climate targets approved by the Science Based Targets initiative (SBTi), with the intention of completing the approval process before year-end. However, late in the process, SBTi released a new standard specifically designed for financial institutions.

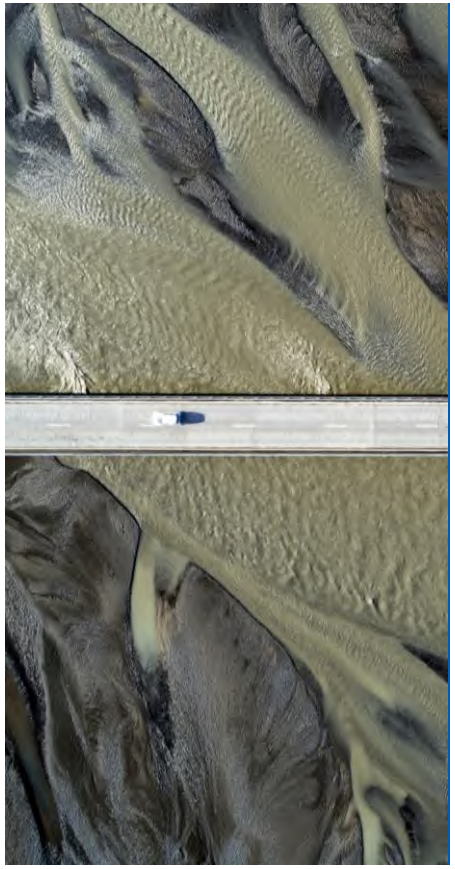
It was therefore decided to discontinue the approval process under the previous standard, and the Bank is now working toward having the targets approved under the new standard within two years, the timeframe SBTi provides for financial institutions. Further discussion of the targets can be found in the chapter on environmental and climate issues.

A new product supporting our customers' energy transition was introduced during the year: vehicle and equipment loans for small and medium-sized enterprises. This product was developed in collaboration between Arion Bank and the European Investment Fund, with the aim of making it easier for companies to invest in electric vehicles, environmentally friendly machinery and equipment. These loans are subject to specific conditions and have better interest rates than traditional vehicle and equipment loans.

Arion's human resources policy was updated during the year and continues to be built around six core focus areas relating to the Group's employees. Systematic progress was made on the Group's equality and human rights action plan, including the opening of a daycare centre in the spring for children of employees who need care between the end of parental leave and the start of preschool. Further information on the daycare centre and other issues related to HR can be found in the Human Resources chapter.

Toward the end of last year, Vörður began a focused learning initiative for women. Since then, female employees of the company have given presentations to more than 2,000 women on the importance of insurance, primarily through the Women Invest initiative. Topics covered at these events have included insurance related to women's health, property, and business operations. The presentations have had a very positive response and strongly support the important financial education provided by Women Invest. Several significant changes were made to insurance terms during the year with the aim of increasing customer protection. More details on these changes can be found in the chapter on Responsible Insurance Operations.

During the year, a sixth fund managed by Stefnir was added to the group of funds classified under Article 8 of the SFDR (the EU's Sustainable Finance Disclosure Regulation). Such funds commit to disclosing how ESG factors are integrated into the investment process. Stefnir also adheres to rules on proxy voting and exercises shareholder rights in line with the assessed interests of the funds, including voting at shareholder meetings. The company participated in numerous annual and shareholder meetings, as well as meetings with nomination committees, in accordance with its proxy voting policy. Stefnir has also contributed to the Women Invest initiative.



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External sustainability ratings

We received outstanding ratings for our sustainability performance from external ratings agencies during the year. We are proud of the progress we have made in relation to environmental and social matters and remain committed to continuing on this path.

Arion Bank maintains outstanding rating in Reitun's sustainability assessment

In November 2025, Reitun issued a new sustainability rating for Arion Bank. The assessment is based on performance in environmental, social, and governance factors. The Bank received 90 out of 100 possible points, the highest scores ever awarded and was rated A3 for the sixth consecutive year. By maintaining its score, the Bank kept pace with the increasing requirements set from year to year. The average score of all companies assessed by Reitun is 73 points, and around 45 companies have been evaluated. Arion Bank is among six companies that receive an A3 rating, and no company has received a higher rating.

According to Reitun's findings, the Bank performs strongly in sustainability, with sustainability matters formally embedded in the Bank's governance structure. The assessment also notes that the Bank adheres to the UN Principles for Responsible Banking (UN PRB). In addition, the Bank has published calculations of its financed emissions using the PCAF methodology and set reduction targets for nine industries. The assessment further highlights that the Bank has increased the weight of sustainability factors in lending and implemented a formal ESG assessment as part of the lending process, which all loans above a certain threshold must undergo.

Arion Bank ranked in the top 3% globally for sustainability by Morningstar Sustainalytics

The international ratings agency Morningstar Sustainalytics specializes in assessing companies' ESG risk. The company evaluates Arion Bank's performance annually, and the results for 2025 were positive, as in previous years. According to their assessment, Arion Bank is among the best performing banks worldwide in terms of sustainability.

Scores are given on a scale from 0 to 100, where a lower score indicates lower risk. Arion Bank scores 11.7 points, meaning the Bank is considered to have a low risk of significant financial loss due to ESG factors. As of early January 2026, Arion Bank ranks in the top 6% of more than 1,000 banks assessed globally by Morningstar Sustainalytics, and in the top 3% of approximately 600 regional banks.

Arion Bank receives an AA rating from MSCI

The ratings agency MSCI issued an updated sustainability assessment in October 2025, in which Arion Bank received an AA rating and is therefore classified as a leader. MSCI ratings range from CCC to AAA, placing the Bank in the upper tier. Investors frequently use MSCI's sustainability ratings to assess risk in their portfolios and to build sustainable investment strategies.

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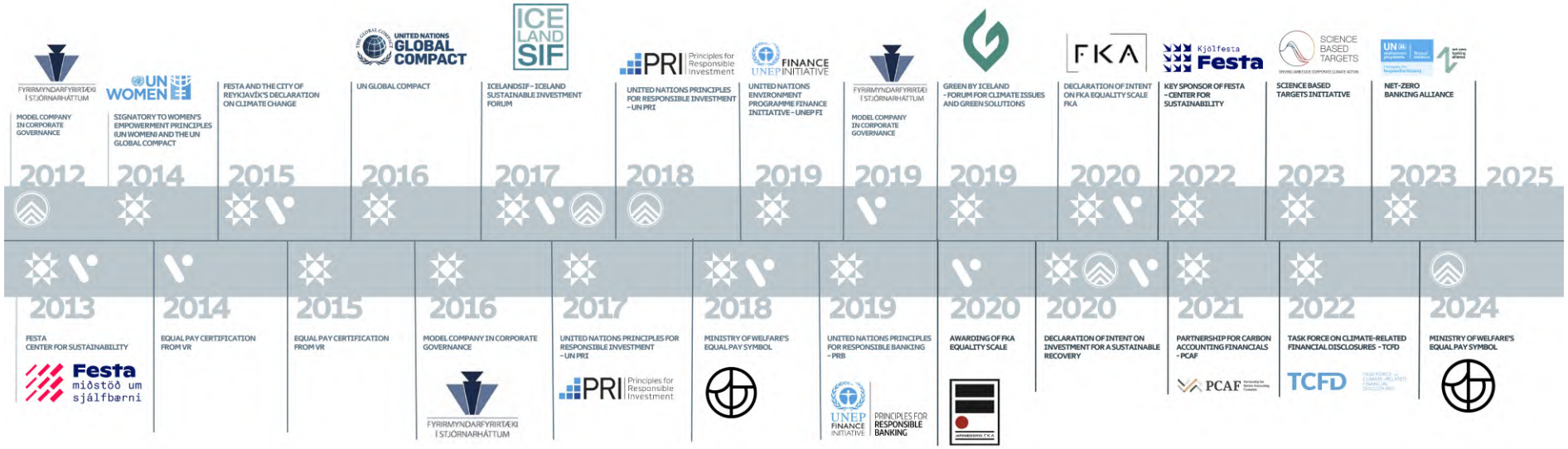
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Sustainability governance and risk management

ESRS 2 GOV-1

At Arion Bank, sustainability is formally integrated into the Bank's governance structure. This structure applies to the entire Group, emphasizing adherence to policies and commitments, effective management of risks and resources, and the sharing of knowledge and experience across the Group.

Sustainability committee

Arion Bank operates a sustainability committee, and the management of environmental, social, and governance (ESG)-related risks is defined as part of the Bank's overall risk management framework. The CEO chairs the committee, whose main role is to monitor the Bank's performance in relation to its sustainability strategy and commitments, and to ensure that ESG factors are considered in decision-making and planning. The sustainable finance committee and the equality committee report to the sustainability committee. In addition to the CEO, the committee includes the managing directors of Retail Banking, Corporate & Investment Banking, Markets, Finance, and Operations & Culture. The Chief Risk Officer and the Heads of Communications and Sustainability attend meetings without voting rights. Representatives from the subsidiaries Stefnir and Vörður attend as needed.

Sustainability unit

Arion Bank's sustainability unit reports directly to the CEO. The unit works to fulfil the Bank's sustainability commitments as well as its legal obligations. It is responsible for extensive reporting, contributes to strategy development and target-setting in the field of sustainability, supports other business units on sustainability matters, and engages with a broad group of stakeholders. There is a cooperation agreement between Vörður and the unit regarding sustainability advisory services.

Operational and sustainability risk

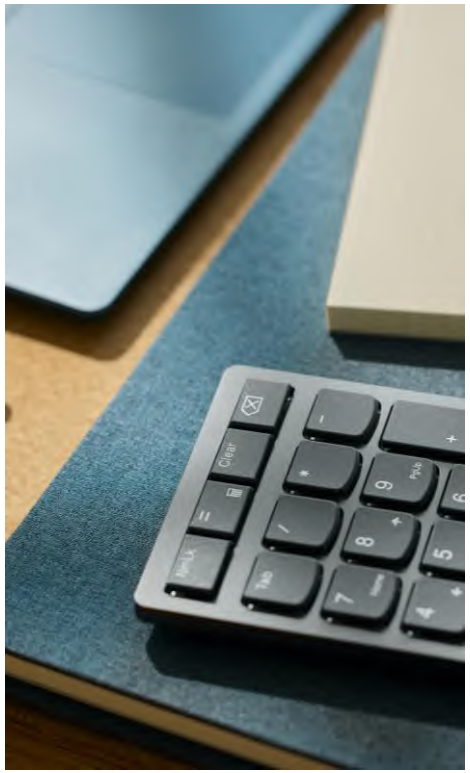
The Risk Management division has a unit responsible for assessing operational and sustainability risk in both the short and long term. The assessment of sustainability risk covers environmental, social, and governance factors. By integrating sustainability considerations into the risk management framework, the Bank aims to ensure that its operations and the services it provides do not have unacceptable impacts on people or the environment.

Equality and human rights committee

The equality and human rights committee is composed of representatives from Arion Bank, Vörður, and Stefnir. The committee has developed a detailed three-year implementation plan that applies to the entire Group. The latest plan places greater emphasis on inclusion and the protection of human rights. The committee's role is to monitor progress, promote training, and support related initiatives. The CEO serves as the chair of the committee.

Sustainable finance committee

The role of the committee is to shape the Bank's sustainable finance framework and oversee its development and updates. The committee reviews and approves green and social lending to ensure that all assets meet the criteria defined in the framework, and it also contributes to the preparation of the Bank's annual impact and allocation report. The committee reports to the sustainability committee and includes representatives from Treasury and Investor Relations, Corporate & Investment Banking, Risk Management, Retail Banking, and the Head of Sustainability. The committee is chaired by the Finance division.



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Arion's sustainability group

During the year, two existing working groups, one focused on assessing sustainability risk and the other responsible for monitoring the Group's sustainability regulatory framework, were merged into Arion's sustainability group. The group consists of representatives from several divisions within the Bank, as well as representatives from Vörður and Stefnir. The purpose of the sustainability group is to share knowledge and experience across the Group, monitor legal requirements and regulatory developments, and collaborate on joint projects.

Subsidiaries

At Vörður, a sustainability group operates to address sustainability within the company's activities and to assess related risks. The group is appointed by the operating officer from among the employees and works according to formal rules of procedure. Its role is to promote sustainability throughout Vörður's operations and to set and follow up on the company's sustainability goals.

Stefnir has an ESG committee. The managing director appoints the committee from among employees involved in the funds' investment processes. The ESG committee operates under formal rules, provides support in investment selection, and ensures adherence to the criteria on responsible investment established for Stefnir's operations. The committee also determines the ethical investment restrictions that must be followed when making investment decisions for the funds.

Risk Management
ESRS 2: GOV-2, GOV-4

The Bank's sustainability risk policy states, among other things, that Arion Bank seeks to ensure that its operations and services do not have negative impacts on people or the environment, and that the Bank supports Iceland's climate action plan to meet the commitments of the Paris Agreement and achieve net zero in Iceland by 2040. The Board receives regular risk reports, which include key indicators related to environmental, social, and governance factors. The Bank's risk policy, which defines its risk appetite, is approved by the Board and reviewed annually.

At the end of 2024, work was completed on a sustainability risk assessment for the main industries represented in the loan portfolio and proprietary investments, and this assessment was formally integrated into the credit rating process in mid-2025. In the Bank's annual risk assessment, risks related to sustainability factors are also evaluated. Inherent risk relating to human resources and social factors is generally assessed as low. The main risks identified relate to employee competence and development, as well as gender equality and diversity. In environmental matters, the primary risks identified were greenwashing and the environmental and climate impacts of lending and investments.

The results also showed that the Bank's main governance related risks concern anti-money laundering controls, customer due diligence (KYC) compliance, and data protection matters. Overall, the controls in place to manage these risks were assessed as adequate or strong.

Vörður's risk management policy describes the company's objectives and methods for identifying, assessing, and managing risk factors, including sustainability risk. The company works with policyholders and suppliers and contributes to generating positive environmental and social impacts. Vörður mitigates sustainability risk by engaging in responsible investment practices that take environmental, social, and governance considerations into account in line with its investment policy.

According to Stefnir's risk policy and risk appetite, the company's objectives and methods for identifying, assessing, and managing risk factors, including sustainability risk, are defined. Stefnir aims to be a leader in its sector when it comes to sustainability, and this ambition is reflected in the company's operations. Stefnir mitigates sustainability risk by engaging in responsible investment practices that take environmental, social, and governance factors into account in line with its investment policy. When shaping the remuneration policy, care is taken to ensure that it does not encourage excessive risk taking, and the objectives of the incentive scheme are designed to motivate employees to create sustainable long-term performance and reduce sustainability-related risks.

An incentive scheme is in place for the Bank's permanent employees, and the Bank's subsidiaries also operate their own schemes. Arion Bank's incentive scheme is based on clear objectives and is subject to strict conditions in accordance with applicable laws and regulations. In 2025, as in previous years, both financial and non-financial metrics formed part of the scheme. The non-financial metrics relate, among other things, to customer satisfaction, training and equality matters, and customer due diligence (KYC).

At Vörður, non-financial metrics related to equality and training form part of the incentive scheme alongside financial metrics. Non-financial metrics are also included in Stefnir's incentive scheme.

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

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Responsible buying

ESRS G1-6

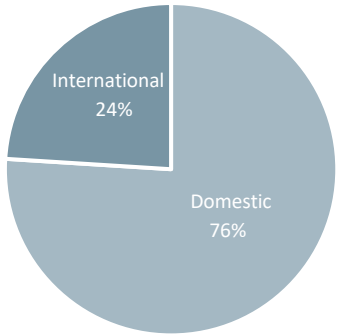
Arion Bank and its subsidiaries seek to source services locally whenever possible, provided that suppliers meet requirements for quality and cost-effectiveness.

Thirty-seven of the Bank's fifty largest suppliers operate in Iceland. Although Arion's supply chain extends beyond national borders, its first link is most often domestic. Three foreign suppliers are among the Bank's ten largest suppliers. The majority of the Group's international suppliers are connected with acquiring software, consultancy, and IT-related services. Hardware is almost entirely purchased through domestic intermediaries.

We place strong emphasis on ensuring fairness and integrity in our interactions with suppliers. For large-scale procurement, information is requested from potential suppliers before a final selection is made. This ensures that all eligible suppliers receive equal opportunities and are evaluated on the same basis. When suppliers offer highly comparable options, additional consideration is given to how they manage social and environmental factors. This is assessed through supplier evaluations as well as other interactions.

Arion does not differentiate between suppliers based on their size when it comes to settlement and payments. We always strive to pay all suppliers, regardless of their size, within the agreed timeframe.

Purchases from Arion Bank's 50 largest suppliers are divided as follows



Arion Bank's objective is that at least 90% of new suppliers with a contract with the Bank undergo a supplier assessment in which their performance on environmental, social, and governance factors is evaluated, and that the same proportion accepts the Bank's supplier code of ethics. The supplier assessment, completed digitally, places emphasis on suppliers' performance in environmental and climate issues, as well as gender equality, human rights, labour rights, and health and safety. During the year, 93% of new suppliers falling under this definition and under contract with the Bank completed the assessment.

The supplier code of ethics, which addresses sustainability and corporate responsibility, is available on the Bank's website. The code is included in the digital questionnaires or supplier assessments that suppliers complete at the beginning of the contractual relationship. Of the new suppliers who completed the assessment during the year, 95% accepted the code of ethics.

At the beginning of 2026, a new regulation from the European Union entered into force with the aim of strengthening the digital operational resilience of the financial sector (the Digital Operational Resilience Act, DORA). The regulation sets clear and harmonized requirements for security, risk management, incident response planning, testing, and over-sight related to information technology at financial institutions and their service providers. At Arion, significant emphasis has been placed on implementing the regulation, and various supplier-related changes have already been introduced. In this context, new rules for third-party providers have been established, under which they are now classified into five categories based on their importance. Supervision of suppliers becomes more extensive the more critical the supplier is to Arion's operations and customer services. This supervision includes monitoring whether suppliers meet the contractual requirements and conducting additional testing around system updates.

Contractors

Contractors are classified into three categories based on the type and scope of access rights they are granted. Contractors are individuals or entities who carry out specific tasks for the Bank, either for short or extended periods, but are not permanent employees of Arion. Examples of contractors include those who provide property services and facility management, maintenance, cleaning, auditing, and consultancy. Most of Arion's contractors are programmers, inspectors who perform security-related monitoring, and other specialists.

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Business ethics

ESRS G1-1, ESRS 2 GDR-P

Arion Bank places strong emphasis on ethical values and is fully aware that its operations affect a wide range of stakeholders and society as a whole. The Bank has a robust framework designed to promote responsible behaviour and decision-making, as well as fair treatment and sustainable value creation for all stakeholders. The Bank's code of ethics, which applies equally to the Board of Directors, management, and all employees, forms the foundation of this framework. This approach supports the United Nations Sustainable Development Goal 16, which includes the aim of reducing illicit flows of capital, bribery, and corruption.

The Bank's conduct and compliance policy underscores its commitment to always operating in accordance with laws, regulations, and sound business practices. The policy sets out key principles for risk assessment, controls, and preventive measures related to conduct and compliance risk.

It clearly states that there is zero tolerance for behaviour that harms customers, undermines the integrity of financial markets, or damages the Bank's reputation. Employees are required to comply with all applicable laws and regulations governing the operations, as well as the internal policies and rules established by the Bank. Employees and external parties are also encouraged to report any observed, known, or suspected violations of law or other improper conduct.

Governance

In the Bank's ownership policy for subsidiaries, subsidiaries are asked to adopt specific policies and rules in line with the Bank's standards, including the code of ethics and policies related to conduct and compliance, such as whistleblowing, anti-bribery and anti-corruption measures, measures against financial crime, and other elements relating to governance and risk management frameworks. The policy is intended to ensure consistency across the Group, including in governance practices, risk appetite, and sustainability objectives.

Responsibility for matters relating to business ethics, conduct, and compliance is integrated into the Bank's governance structure. The Board of Directors holds ultimate responsibility for ensuring that risks associated with these areas are properly managed. The Board approves the Bank's code of ethics and policies on conduct and compliance, whistleblowing, anti-bribery and anti-corruption, and the Bank's risk appetite. These policies are reviewed and approved by the board of directors at least annually.

The CEO, supported by the Executive Committee, is responsible for establishing and maintaining a framework that promotes a strong corporate culture and adherence to internal and external regulatory requirements. The Bank's Risk Management and Compliance functions oversee the effectiveness of controls related to conduct and compliance, ensure coordinated processes, and provide employees with guidance and appropriate training.

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Whistleblower protection

ESRS S4-2, ESRS G1-1, ESRS 2 GDR-P

Arion Bank places strong emphasis on preventing unlawful, unethical, and improper conduct, while fostering a corporate culture built on transparency and integrity. The Bank's policy on internal alerts sets out the framework for reporting misconduct and protecting whistleblowers. Its purpose is to ensure that clear reporting channels are available for employees to raise concerns about potential legal violations or other improper behaviour, that employees receive training on these channels, that there are established procedures for handling and responding to reports, and that protection against retaliation is in place.

The Bank operates dedicated whistleblowing software, available to all Group employees in both Icelandic and English, which allows individuals to submit reports anonymously. Procedures relating to misconduct reporting and whistleblower protection are accessible on the Bank's intranet, where the platform is also promoted. As part of the reporting process and the mandatory training for employees, information is provided on alternative reporting routes, including directly to the Compliance Officer, Internal Audit, or the Financial Supervisory Authority.

In accordance with whistleblower-protection legislation, Arion places strong emphasis on safeguarding employees who report suspected misconduct from any negative consequences, such as retaliation, discrimination, or other unfair treatment.

The Bank also seeks to protect the individual being reported on if an investigation concludes that there is no basis for action. Where action is taken, the Bank aims to ensure that measures go no further than necessary and that unintended negative impacts are minimized. All reports are treated confidentially, and all cases are handled promptly and in accordance with internal procedures.

It is the responsibility of all employees to report without delay if they suspect potentially unlawful or improper conduct. Shareholders, customers, and other stakeholders are likewise encouraged to submit concerns.

The Bank's Compliance Officer is responsible for implementing and maintaining the framework for whistleblower protection. Internal Audit holds primary responsibility for receiving, investigating, and processing reports. Internal Audit may refer cases to the Chair of the Board's Audit Committee, who serves as the whistleblowing champion. This role involves ensuring and overseeing the integrity, independence, and effectiveness of the whistleblowing policy and procedures, including processes designed to protect whistleblowers from retaliation or other forms of discrimination.

In 2025, two cases were reported through the whistleblowing channel, one related to business activities and the other to access management. One case was concluded with the issuance of a memorandum, while the other remains under review. Neither case met the threshold for mandatory reporting to supervisory authorities.



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Anti-bribery and anti-corruption measures
ESRS G1-1, ESRS 2 GDR-P

Arion Bank has zero tolerance for bribery and corruption, as stated in the Bank's anti-bribery and corruption policy. The policy is reviewed and approved by the Board at least annually, and aligns with international standards, and applies to all employees.

The Bank's controls relating to bribery and corruption risk include policies, rules, procedures, and training covering key risk areas such as gifts and hospitality, interactions with third parties and suppliers, charitable and political contributions, as well as processes related to recruitment and governance. The Bank has established the following core principles for its anti-bribery and anti-corruption efforts:

- **Zero tolerance:** The Bank has zero tolerance for bribery and corruption.
- **Regulatory compliance:** The Bank operates in accordance with laws, regulations, and sound business practices.
- **Preventive measures:** The Bank takes appropriate steps to prevent bribery and corruption.
- **Due diligence:** The Bank conducts due diligence assessments of third parties to ensure their activities align with the Bank's anti-bribery and anti-corruption standards.
- **Reporting:** The Bank encourages employees and third parties to report any suspicions or incidents of bribery or corruption.

Anti-money laundering and counter-terrorist financing measures
ESRS G1-1, ESRS 2 GDR-P

It is Arion Bank's policy to work systematically to prevent financial crime and to ensure that the Bank's services and operations are not misused for such purposes. The Bank adheres to both domestic and internationally recognized standards in this field, including standards related to international sanctions. Arion Bank has established a financial crime prevention policy, which is reviewed and approved by the Board at least annually. Based on this policy, the CEO has approved specific rules, and business units have developed detailed procedures.

The Wolfsberg Questionnaire is also published on the Bank's website for external stakeholders.

The Bank's framework for combating financial crime is integrated into its daily operations and is monitored by the second and third lines. The Bank has appointed a designated Anti-Money Laundering and Counter-Terrorist Financing Officer from among senior management. In addition, an AML/CFT Compliance Officer has been appointed within the second line. Further information on the Bank's three-line model can be found in its Pillar 3 Risk Disclosures.

The framework includes, among other elements, a risk assessment of the Bank's operations relating to the risk of financial crime; a risk assessment of contractual relationships and individual transactions; procedures governing due diligence checks, including enhanced due diligence; ongoing monitoring and screening of customers and transactions; and the reporting of suspicious activity to the financial intelligence unit of the police. Employees are also required to report unusual or suspicious transactions or behaviour. Internal reporting channels are available for this purpose, including options for anonymous reporting.

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Data protection

ESRS S4-1, ESRS 2 GDR-P

We place great importance on the privacy and security of our customers' personal data. In accordance with Arion Bank's data protection notice, we emphasize that personal data must be processed lawfully, fairly, and transparently.

The data protection notice explains what personal data the Bank collects, when and why it is collected, how it is processed and shared, and how its security is ensured. It also outlines the rights of individuals, including representatives of legal entities, job applicants, and others who interact with the Bank, and provides guidance on submitting complaints to the Icelandic Data Protection Authority. The statement applies to processing carried out by Arion Bank as a controller, processor, or joint controller. Vörður and Stefnir have adopted comparable data protection notice.

The Group's data protection notice are updated as needed and at least annually. They are available on the companies' websites.

The Group follows clear internal rules and procedures designed to ensure compliance with data protection legislation. All processing of personal data is recorded in the Group's processing register and assessed with regard to risk, interests, and security. A data protection impact assessment (DPIA) is carried out if processing is considered high-risk. If processing is based on legitimate interests, a legitimate interest assessment is conducted. The processing register, DPIAs, and legitimate interest assessments are reviewed annually. The Bank has rules on the retention and deletion of personal data to ensure that information is not kept longer than necessary. The Data Protection Officer team follows a defined process for handling data protection incidents, assessing whether a security breach has occurred and whether the incident must be reported to the Icelandic Data Protection Authority or, where applicable, to affected individuals.

The Bank has established rules on the handling of customer information and electronic monitoring. The rules on electronic monitoring set out the legal basis for recording telephone calls and the use of surveillance cameras. They ensure that data generated through electronic monitoring is used solely for security purposes and that access is restricted to authorized individuals, with full traceability of actions. The aim is to protect individuals' rights, ensure the secure and responsible processing of personal data, and demonstrate the Bank's accountability. The Bank emphasizes transparency and encourages individuals to contact the Data Protection Officer with questions or concerns, and procedures are in place for submitting notifications to the Data Protection Authority when required.

Arion has a team of data protection officers and a data protection council. In addition to the data protection officer, the council includes the Chief Security Officer and various stakeholders from across the Group. Among its responsibilities are addressing matters related to data protection and promoting awareness of its importance within the Group. The Data Protection Officer team also conducts regular internal audits to ensure that the processing of personal data at Arion complies with data protection legislation.

The Data Protection Officer submits annual reports to the Board of Directors and quarterly reports to the Board Risk Committee. These reports cover the status and execution of data protection activities, security incidents, internal audits, and communication with the Data Protection Authority where applicable, as well as the effectiveness of the measures Arion has implemented to ensure compliance and any key risk factors that may arise.

The Bank's Operational Risk Committee receives monthly statistics on all reported data protection incidents from the Bank's Risk Management division. No complaints regarding the processing of personal data or breaches of customer privacy were received in 2025, nor were there any security incidents involving the loss or compromise of personal data.

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Information security

ESRS S4-1, ESRS 2 GDR-P

Arion places strong emphasis on protecting customer data and ensuring operational resilience through a robust information security management system (ISMS). The system is certified in accordance with the ISO/IEC 27001 standard. Our approach aligns with European Union regulations, including DORA, data protection legislation, and guidelines issued by the European Banking Authority (EBA) and the European Insurance and Occupational Pensions Authority (EIOPA).

The cornerstone of the Bank's security framework is the information security policy. Other key policies related to information security include the policy on internal alerts, the acceptable use policy, and the third-party risk policy. These policies apply to all employees, contractors, and third parties who work with or have access to the Bank's data. The information security policy is approved by the Board of Directors and reviewed annually by the Operational Risk Committee, chaired by the CEO.

Each year, the Chief Security Officer submits a report to the Board Risk Committee and the Operational Risk Committee. The report includes key performance indicators for information security, audit findings, and updates on action plans and their progress.

A formal risk assessment process is reviewed and approved twice a year in accordance with the requirements of the ISO/IEC 27001:2022 standard, international guidelines, and applicable legislation. The assessment includes scenario analysis, evaluation of operational impact, and prioritization of actions. The results are recorded in the risk register and form part of the governance dashboard.

Key information security measures include continuous risk assessments, 24/7 security monitoring, and external audits to validate security controls.

Arion has established procedures for the analysis, follow-up, containment, and recovery of security incidents to ensure rapid and coordinated responses. These procedures comply with the ISO/IEC 27001:2022 standard and DORA requirements, covering incident classification, communication protocols, and follow-up actions. Monitoring is conducted around the clock, and an incident response team handles investigations, remediation, and tracking of corrective actions.

All security incidents, key metrics, and audit observations are recorded in the information security management dashboard and the company's risk register. This setup provides real time visibility into trends and the progress of corrective measures. Metrics cover incident severity, response times, and control effectiveness, and are reviewed at board meetings and presented to senior management.

Regular audits and penetration tests are conducted, and the results are used to inform improvement plans. The Bank also educates and informs customers about information security and phishing through various channels. By maintaining active dialogue with customers, we want to strengthen cybersecurity and reduce the risk of financial fraud.

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Cyber security training
ESRS S4-3

During the year, special emphasis was placed on cybersecurity education for customers. Content aimed at raising awareness of cyber threats was published on social media, and both individuals and companies were offered the opportunity to attend cybersecurity lectures.

The short form series True Icelandic Fraud was aired, in which journalist Sigursteinn Másson interviewed individuals who had fallen victim to online fraud and who shared their experiences openly. The purpose of the series was to shed light on how scams work, the methods used by fraudsters (e.g. phishing, smishing, investment fraud, romance scams), and how people can protect themselves.

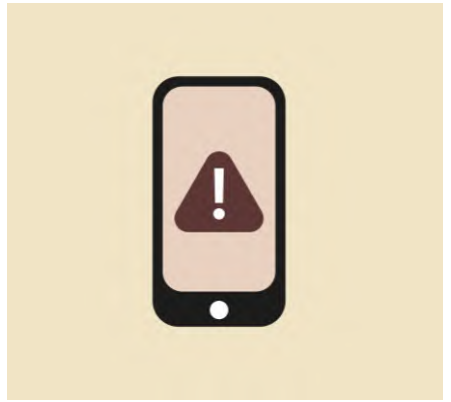
Customers were also invited to participate in a gamified learning experience, the Arion Escape Room, where they assumed the role of thieves working for a fraud ring and were tasked with stealing ISK 100 million in under 40 minutes. The initiative was well received, with 210 participants taking part.

During the year, Troy Hunt, founder of HaveIBeenPwned.com and one of the world's most influential cybersecurity experts, visited Arion Bank. An event was held at the Bank's headquarters, open to the public, and demand exceeded capacity. Troy discussed the many ways cybercriminals obtain people's personal information.

At Advania's autumn conference, a presentation was delivered on the evolution of cyber fraud in Iceland, how fraudsters exploit behavioural and technical vulnerabilities, and how new methods, including artificial intelligence and social media, have reshaped the threat landscape. The discussion also covered the impact of cyber fraud on trust in the financial system and the importance of cooperation between authorities, financial institutions, and infrastructure providers to strengthen defences and education.

These initiatives support the Bank's strategy on security, digital leadership, and sustainability by enhancing awareness and protection among customers and the general public.

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









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Training for employees

Strong emphasis is placed on training in business ethics, data protection, and information security. All employees are required to complete annual training on whistleblower protection, anti-money laundering and counter-terrorist financing, the Bank's anti-bribery and anti-corruption measures, as well as data protection and information security training. Newly hired employees must complete these courses within their first thirty days of employment. Mandatory training is delivered digitally and aligned with the Bank's policies.

In addition to mandatory training, targeted training is offered to specific business areas based on a risk-based approach. Examples from the year include data protection training at both Vörður and Arion Bank, covering employee rights, electronic monitoring, rules on handling customer personal data, data-subject rights, maintaining the processing register, conducting data protection impact assessments, the Group's privacy statements, rules on data handling, managing security breaches, incident logging, and reporting obligations to the Data Protection Authority.

Employees with elevated system privileges and those responsible for IT-risk management also received specialized information security training that went deeper than the mandatory material, focusing on secure system administration, authentication and access control, segregation of duties, and oversight of individuals with elevated permissions. Where appropriate, external specialists provide tailored training, and employees also attend domestic and international conferences and workshops.

All Group employees have access to the intranet, where policies, rules, and guidelines related to business ethics, data protection, and information security are available. The intranet is also used to communicate and reinforce key messages related to these topics.



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Sustainable Finance

Financial institutions play a vital role in guiding society toward a sustainable future. It is a priority for us to support our customers and the community as a whole, and we have therefore placed great importance on responsible lending and investment, offered a sustainable product range, assessed climate risk, and launched initiatives to promote gender equality in finance. The long-term initiative Women Invest has attracted significant and justified attention and received positive feedback across the board. Through this effort, we aim to strengthen women's confidence in investing and entrepreneurship and encourage women to take a more active role in the financial markets. During the year, Vörður set a strong example by changing insurance terms to increase support for survivors of domestic violence, and health insurance now includes pregnancy and parental protection. Stefnir has long been a leader in developing new funds and investment options and has integrated ESG considerations into the investment processes of the funds it manages.



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Sustainable financing

ESRS E1-1, ESRS E1-5

Sustainable financing framework

Arion Bank has issued a sustainable financing framework which supports the issuance of green and sustainable bonds, the accumulation of green deposits, and the provision of green and sustainable loans. The framework consists of eleven categories that align with objectives to reduce or prevent climate change or to generate positive social impacts. The sustainable framework was published in 2024 and is based on the Bank's green financing framework, which was introduced in 2021.

By financing loans to individuals and companies under this sustainable financing framework, Arion Bank has committed itself to using the capital raised on the credit markets in connection with the framework for green loans or projects that have a positive social impact, such as increased education, gender equality, and access to services for vulnerable groups. At present, the Bank has not issued bonds that include social categories, but it has been active in green bond issuance in recent years.

The sustainable framework has supported the development of the Bank's green product offering, and to demonstrate the use of these funds, the Bank publishes an annual impact and allocation report that reviews the allocation of funds and the positive impact of its lending activities.

Projects that qualify as green lending include initiatives related to energy savings, the transition to renewable energy in transportation, environmentally certified real estate, sustainable fisheries, recycling, and the production of renewable energy. There is also room for lending connected to the circular economy and the development of long-term carbon sequestration solutions. Arion Bank offers green loans to companies that meet the criteria of the sustainable financing framework, and these loans generally come with more favourable terms. For individuals, we offer a 100% discount on loan origination fees for mortgages used to purchase environmentally certified residential property, and a 50% discount on origination fees for financing electric vehicles. We also offer more favourable interest rates on car loans for vehicles powered entirely by renewable energy sources, as well as plug-in hybrids with emissions below 50 g CO_2/km.

Projects that generate positive social impacts include those that increase access to housing, education, or healthcare, as well as initiatives that support job creation and the operation of small and medium-sized enterprises majority-owned by women or immigrants. A strong emphasis has been placed on women in business through the Women Invest initiative, which supports the UN Sustainable Development Goal on gender equality. Products aimed at improving access to housing include loans for first time homebuyers. For their first home purchase, borrowers can receive a loan of up to 85% of the property's market value and a 100% discount on the loan origination fee. In addition, first time buyers may use supplementary pension savings for the down payment, tax-free.

Arion Bank worked with Deutsche Bank as an advisor during the development of its sustainable financing framework. The framework has also received a second-party opinion from the independent agency ISS Corporate, which assessed its quality, including its contribution to the UN Sustainable Development Goals and the eligibility of projects according to the technical screening criteria of the EU Taxonomy for sustainable activities. We have also published a methodology report on the calculation of green residential housing, developed for the Bank by the engineering firm COWI. Arion Bank's sustainable financing framework will continue to support further product development in sustainable banking services and the issuance of sustainable bonds. The framework is available on the Bank's website (arionbanki.is/sustainable-future).



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Guarantee agreement with the European Investment Fund

Arion Bank and the European Investment Fund (EIF) are collaborating under an active guarantee agreement between the two parties. EIF is part of the European Union's InvestEU programme. The agreement enables the Bank to offer loans to Icelandic companies on more favourable terms than would otherwise be possible, with a total guarantee capacity of ISK 15 billion. The initiative aligns well with the Bank's sustainable financing framework, and new products have been developed based on the cooperation with the EIF. This is the second agreement the Bank has operated under with the EIF; the first, signed in 2016, focused on innovation among small and medium-sized enterprises and proved highly effective.

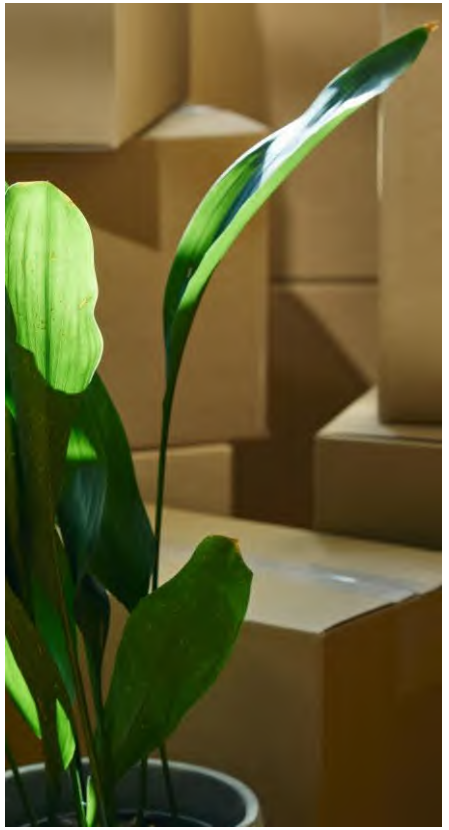
The objective of the EIF guarantee is to further support entrepreneurial activity and enable the financing of projects earlier than would otherwise be possible under the Bank's credit appetite. The focus is on three main areas: sustainability and green investments, innovation and digitalization, and culture and the creative industries.

In connection with the partnership between Arion Bank and the European Investment Fund, the Bank began offering vehicle and equipment loans in 2025 that support the energy transition within corporate operations. The aim is to make it easier for companies to invest in electric vehicles, environmentally friendly equipment, and equipment that reduces emissions and improves energy efficiency. Loans covered by the EIF guarantee benefit from more favourable terms than traditional vehicle and equipment loans, but they are subject to conditions: the financing must be new, and the companies must meet the definition of small or medium-sized enterprises.

The EIF guarantee has been used to finance a wide range of projects that support green solutions, innovation, and culture. Examples include financing for gaming companies, carbon-credit production, film and television projects, vitamin manufacturing, and developments in land-based aquaculture, among many others. The agreement has therefore created additional capacity to support Icelandic businesses and entrepreneurial activity, with an emphasis on sustainability and social responsibility.

Green savings

Arion Bank was the first Icelandic bank to introduce green savings accounts. Green Deposits is a savings account designed for individuals, non-profit organizations, and companies that want to contribute to a more environmentally friendly future, with deposits used to finance green projects under the sustainable financing framework. The account is non-indexed and unrestricted, meaning funds can be withdrawn at any time.



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Status of allocated funds

ESRS E1-1, ESRS E1-5

The Bank's goal is for loans under the sustainable financing framework to account for at least 20% of total lending by 2030. At the end of 2025, sustainable lending represented approximately 12.86% of the Bank's total loan portfolio, of which green loans accounted for 10.04% and loans classified under social categories, those with positive social impacts, accounted for 2.82%. The total book value of sustainable loans was just under ISK 171 billion, including ISK 133.4 billion in green lending and ISK 37.5 billion allocated to projects with positive social impacts. The decrease in the book value of sustainable loans between 2024 and 2025 is primarily explained by the repayment of a major loan during 2025.

Since issuing its sustainable financing framework in 2021, Arion Bank has regularly issued green bonds on both the domestic and international markets. In 2025, the Bank completed one green bond issuance in Norwegian kroner and Swedish kronor under the sustainable financing framework. However, there was a significant reduction in green liabilities during the year due to the maturity of a EUR 300 million issuance. At year-end, the Bank's sustainable financing liabilities, comprising bonds and deposits, amounted to ISK 63.4 billion.

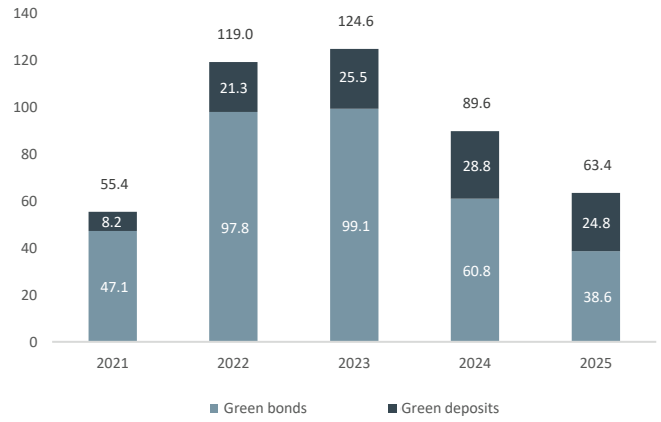
In early 2026, the Bank issued new green bonds in Swedish kronor and Norwegian kroner with maturities of three and five years, totalling NOK 850 million and SEK 850 million, or approximately ISK 22 billion.

Further details on the allocation and positive impacts of sustainable lending will be presented in the impact and allocation report the Bank will publish in the first half of 2026.

170.8	63.4	12.86%
billion ISK	billion ISK	
Total allocation of sustainable financing	Total green instruments	Sustainable lending of total lending in 2025

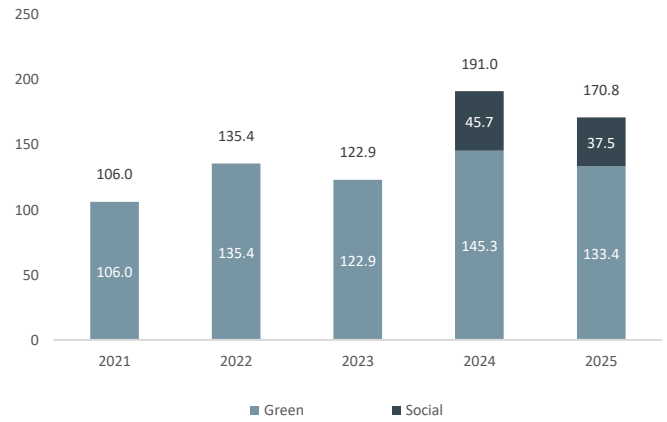
Arion Bank's green financing - total bond issues and deposits

ISK bn.



Total book value of sustainable lending

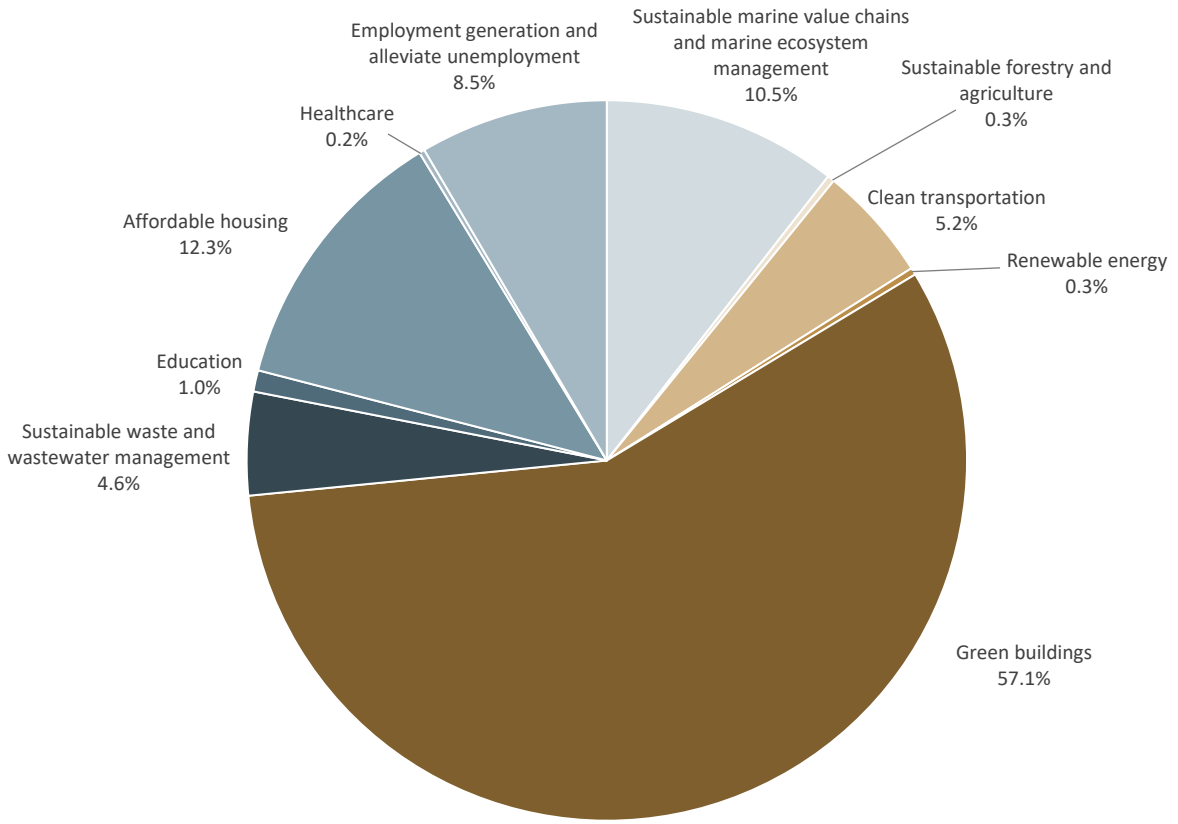
ISK bn.



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Book value of sustainable loans by category 2025



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Women Invest

ESRS S4-2, ESRS S4-3, ESRS S4-4



Women Invest is a long-term initiative led by Arion Bank with the aim of empowering women through increased participation in investing and improved financial literacy. The foundation for the project was laid in 2023 when Arion Bank decided to place special emphasis on balancing gender participation in the financial market. Although Iceland has made strong progress in gender equality over recent decades, participation in the financial markets remains uneven. Engagement in the financial markets is an important way to influence society while also building one's own future.

Women Invest was formally launched in January 2024 with a well-attended opening event, an advertising campaign, an educational programme across the country, and extensive learning materials, articles, and inspiring interviews on the project's website. It is safe to say that the response has been very positive, both in terms of event attendance and increased investment activity. Since the project began, around 8,000 women have attended 95 educational events connected to the initiative. The content of these events has been diverse, with a strong focus on visiting all regions of the country and engaging directly with various professional groups of women.

To achieve gender balance in financial market participation, women must increase their investment activity at a faster rate than men. To support this, measurable three-year goals have been set, focusing on motivation, financial education, and increased participation of women in investing. In addition, short-term indicators have been established to ensure that the initiative stays on track.

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Targets at the start of the project in January 2024:

- to hold 40 educational events per year over the next three years;
- for the growth of assets in women's custody portfolios at Arion Bank to be double the growth of assets in men's custody portfolios over the next three years;
- for the growth of women's assets in Stefnir funds to be double the growth of men's assets in Stefnir funds over the next three years.

The impact of the initiative became visible already after its first year and continued into its second year. Assets in women's custody portfolios have increased by 27% over these two years, which is nearly double the growth seen in men's custody portfolios, which rose by 15%. Subscriptions to Stefnir funds among women have also increased by 67%, and women's fund transactions have grown by 56% during the first two years of the project. The rise in activity shows strong interest among women, and it is natural that investment amounts start smaller and grow over time.

The subsidiaries Vörður and Stefnir actively participate in the initiative, with their representatives appearing at events. Vörður has stressed the importance of proper insurance coverage for women in business and has improved insurance protection for women in home insurance policies, while Stefnir has contributed to investment education. Stefnir has already observed positive changes: the number of women engaged in fund transactions increased by 32% during the year, and women's trading activity in Stefnir funds rose by 45.3%. We look forward to entering 2026 with the long-term Women Invest initiative and to continuing this important conversation.

The campaign website provides statistics on the status of the project's targets and indicators. It also includes educational material on investing, interviews with women in business, and an overview of educational events and activities related to the initiative. Further information and progress reports can be found on the project website (www.arionbanki.is/women).



Indicators showing status at start of initiative and at year-end 2025:

Target	Indicator	Status at start	Status at year-end 2025
Growth in assets in women's custody portfolios	Proportion of custody portfolios owned by women	40.8%	41.6%
	Women's share of assets in custody portfolios	33.1%	35.4%
Growth in assets in women's funds	Proportion of women in fund transactions	39.6%	41.8%
	Women's share of assets in Stefnir funds	36.0%	36.3%
	Proportion of women in regular fund savings	43.6%	45.5%

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Women believe they know less about pensions than men

In a survey conducted by Gallup in 2023 on pension issues, it was found that women generally believe they have poorer knowledge of their own pensions than men. According to the results, 44% of women consider themselves to have little knowledge of pensions, while 34% of men consider themselves to have little knowledge of pensions.

Source: Gallup

8,000 women have attended 95 educational events.

Women Invest held events nationwide for the second year in a row. This year, educational events were held in places such as Mosfellsbær, Akureyri, Siglufjörður, Selfoss, and Sauðárkrókur.





In terms of stock market participation, the gender split is 70/30

In terms of stock market participation, the gender split on Nasdaq Iceland is roughly 70/30 in favour of men. This figure has changed very little in recent years.

Source: Nasdaq Iceland

Record participation in the investment competition

The competition took place in April under the Women Invest initiative and was therefore exclusively for women. A total of 1,435 women took part, which is more than twice as many participants as had ever registered for such a competition before.





Women own 35.4% of all assets in custody portfolios at Arion

The share of women in Arion's custody portfolios was 35.4% in 2025. Women have increased their holdings in the Bank's custody portfolios by 27% since the initiative began.



Women gained momentum in fund investing during the year

The number of women investing in funds increased by 32% compared with the previous year, and by a total of 56% since the beginning of the initiative. This growth indicates rising participation and interest in financial matters.

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Responsible lending and investment

ESRS E1-1

Arion Bank has for many years been a signatory to the United Nations Principles for Responsible Banking (UN PRB) and the Principles for Responsible Investment (UN PRI). This has proven valuable in aligning the Bank's objectives with international sustainability commitments. Every year, the Bank submits a progress report outlining its goals and actions. Stefnir also became a signatory to UN PRI in 2018 and places strong emphasis on ensuring that investments align with the interests of society.

The Bank's credit policy emphasizes sustainability, and its credit rules require that ESG factors be assessed whenever a credit assessment is needed or when a company meets the criteria of Article 66(d) of the Icelandic Annual Accounts Act. The Risk Management division has conducted an analysis of the Bank's loan portfolio by industry to assess sustainability risk. The result is a heat map based on a qualitative assessment of how different risk factors may affect various industries. The analysis considers potential developments over the next 15 years. This industry-level assessment has been integrated into the Bank's credit rating system, ensuring that sustainability factors are evaluated alongside financial criteria.

Environmental, social, and governance factors that may affect operational viability and creditworthiness are therefore part of the credit assessment. Sustainability risk is evaluated at the individual customer level, and lending decisions take into account long-term risk and societal impact. The methodology, developed in consultation with experts across the Bank and its subsidiaries, ensures that the same approach is applied consistently across the Group.

Arion Bank has also established an exclusion list specifying the types of business activities in which the Bank will not invest (in its own investments), provide corporate advisory services, or finance through lending. In this way, the Bank defines its risk tolerance for high transition risk. Beyond these exclusions, the Bank will not engage with entities involved in activities that are illegal under the laws or regulations of the relevant jurisdiction. Arion Bank's exclusion list is available on the Bank's website. Stefnir integrates ESG factors into the investment processes of the funds it manages and screens specifically for companies that do not meet the ethical restrictions that have been set. These restrictions can be found on Stefnir's website.



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The Bank has recently begun work on assessing coastal flood risk in connection with loans secured by real estate in Iceland. The analysis uses coastal flood data from the Icelandic Meteorological Office's Climate Atlas, which is based on scenarios from the Intergovernmental Panel on Climate Change (IPCC). The Climate Atlas data has been recalculated to reflect conditions in Iceland and the surrounding ocean areas. The assessment covers both the current situation and a future scenario up to the year 2100, evaluating the potential extent of coastal flooding with a 200-year return period. The Bank will continue to develop and refine its methods and gather additional data to assess climate risk within its loan and asset portfolio.

Arion Bank adopted responsible investment rules during the year and has implemented corresponding procedures within its asset management business. This means that three core sustainability pillars are considered in asset management: environmental, social, and governance factors.

The Markets division has also introduced procedures for assessing sustainability risk in asset management and investment advisory services. Sustainability risk is evaluated alongside other financial risks and is assessed before any investment decision is made or advice is provided. Arion Bank analyses sustainability risk by industry, and its assessment covers various manifestations of sustainability-related risks. The evaluation considers ten sustainability risk factors, including physical risk, event-driven risk, and risks related to working conditions and human rights violations. Each risk factor is assessed on a scale that reflects, first, the likelihood of the risk materializing within a given industry and, second, the potential impact on the value and/or return of investments in that industry if the risk were to occur.

The statement on the principal adverse impacts of investment decisions on sustainability factors was updated during the year. The statement describes how Arion's asset management units assess the main negative impacts of their investment decisions on sustainability factors. Tables were published showing the negative impacts of assets under management at Arion's Asset Management division. Mandatory indicators were disclosed, along with two additional indicators, for the period from 1 January to 31 December 2024, published in mid-2025. The impacts are measured with respect to assets managed by Arion Bank and cover investments made in connection with the Bank's asset management services for clients.

The Markets division also undertook extensive work to develop procedures and technical solutions to collect, analyse, and fulfil clients' sustainability preferences. A questionnaire was sent to clients to gather information about their sustainability preferences when receiving asset management services or investment advice. Finally, various reports were prepared for the Bank's website, both to meet regulatory requirements and to provide clarity and convenience for customers. For further information please refer to Arion Bank's website (arionbanki.is/english/sfdr).

Sustainability policies for key industries
ESRS E1-4, ESRS S4-1

We have published sustainability policies related to the Bank's lending activities in various industries and in the Arctic. These policies align with the Bank's sustainability focuses and commitments and have been approved by the Sustainability Committee. They apply to the industries that have the greatest impact on the Bank's financed emissions, as well as to the Arctic, which is of particular importance from both an environmental and social perspective.

Arion Bank's sustainability policies for the seafood sector, agriculture, industry, energy and manufacturing, as well as for the Arctic, are available on the Bank's website. When developing these policies, we seek input from stakeholders and consider sector-specific plans and actions related to environmental, social, and governance factors. The policies also include incentive for companies and examples of potential actions that can generate positive impact. We place importance on our customers being able to demonstrate responsibility throughout their value chain, make use of environmentally friendly technologies and equipment wherever possible, and set goals and action plans in line with Iceland's commitments under international agreements on reducing greenhouse gas emissions. We also highlight the importance of using natural resources sustainably, prioritizing employee health and safety, and considering biodiversity when assessing environmental impacts. We encourage all our customers on their sustainability journey and hope these policies serve as a source of motivation.









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Responsible fund management

ESRS E1-1

Stefnir's role is to manage clients' assets with their best interests in mind, both in the short and long term. Responsible and diversified investment options, along with comprehensive disclosure, are key elements in demonstrating the social responsibility Stefnir aims to uphold. Stefnir is a signatory to the UN Principles for Responsible Investment (UN PRI) and is an active participant in the broader discussion on responsible investment, including through IcelandSIF, the Iceland Sustainable Investment Forum. Stefnir employees are active within IcelandSIF, serving both on the board and leading the organization's education working group.

By taking environmental, social, and governance factors into account, the company believes it can have a positive impact on society, fund investors, and other stakeholders. Stefnir has completed the implementation of the Sustainable Finance Disclosure Regulation (SFDR). The regulation establishes harmonized rules for financial market participants and financial advisers regarding the sustainability-related information they are required to disclose to investors in connection with financial products.

Six funds are classified under Article 8 of the SFDR and incorporate environmental and social factors into their investment processes. This year, the private equity fund SÍA V joined the group of Article 8 funds. The fund is an impact investor with significant involvement in the governance of the companies it invests in and actively works to support their development. Other funds fall under Article 6 of the regulation and are not subject to the same disclosure requirements. Stefnir also integrates ESG factors into the investment processes of the funds it manages and screens specifically for companies that do not meet the ethical restrictions that have been established. In addition, Stefnir has adopted its own responsible investment policy. Further information can be found on Stefnir's website.

Stefnir – Scandinavian Fund – ESG

This is an international equity fund that incorporates ESG factors into its investment decisions. It screens at least 90% of its assets for ESG factors and invests a minimum of 20% of its assets in sustainable investments.

Stefnir – Sustainable Fixed Income Fund

The fund seeks to generate returns through a portfolio of domestic and international bonds issued by governments, companies, financial institutions, public bodies, or other entities with sustainability objectives. The fund screens all its assets for ESG factors and invests at least 50% of its assets in sustainable investments.

Stefnir – Green Selection

Stefnir – Green Selection is a mixed securities fund that primarily invests in domestic and international equities and corporate bonds that emphasize environmental and social factors, as well as good governance. The fund's objective is to deliver sustainable long-term returns. It screens at least 90% of its assets for ESG factors.

Stefnir – Sustainable Arctic Fund

The fund aims to invest primarily in listed equities of companies operating in or connected to the Arctic. Investments follow Stefnir's responsible investment policy. The fund screens at least 90% of its assets for ESG factors and invests at least 50% of its assets in sustainable investments.

Katla Fund – Global Equity

Katla Fund – Global Equity invests in international operating companies that, in the view of the fund manager, possess a durable competitive advantage. The focus is on investing in strong companies that have demonstrated high and stable profitability. The fund excludes or restricts investments in certain sectors with harmful environmental or social impacts, such as companies involved in the production, use, or storage of controversial weapons.

SÍA V

SÍA V is a private equity fund managed by Stefnir. The fund primarily invests in unlisted Icelandic companies with the aim of maximizing returns and increasing company value relative to risk at any given time. The fund has defined procedures for assessing environmental and social factors when evaluating investment opportunities. The fund is marketed exclusively to professional investors.

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Responsible insurance operations

ESRS S4-3

Vörður has set the strategic goal of being the leading insurance company in Iceland when it comes to safety for individuals and businesses. The company works with seasonal focus areas, since winter, summer, spring, and autumn each call for different types of focus.

Prevention

We began the year by launching the safety campaign "Don't fall asleep at the wheel" in cooperation with the Icelandic Transport Authority. The campaign reminds people never to drive when feeling sleepy. Every year, numerous traffic accidents occur because drivers fall asleep at the wheel, and surveys show that 20% of the population has nodded off while driving. The campaign ran on television and social media, and Vörður's prevention specialist appeared in multiple interviews to raise awareness about the seriousness of the issue.

During the spring and summer months, prevention efforts were a major focus, and our safety messages were widely visible in the media ahead of popular travel weekends. These included guidance on how to drive safely when the roads are filled with caravans and motorhomes, as well as advice on how to secure the home before going on holiday to reduce the risk of break-ins.

Autumn prevention efforts also took place as usual. We encouraged people to secure loose items in their gardens before autumn storms, stocked up on ice scrapers and reflective gear to give to customers, and produced videos with the Suðurnes Fire Department teaching people how to extinguish fires.

Workplace safety is also a major priority for us. We visited 48 companies, reviewed their safety practices, and delivered presentations in cooperation with company management. The core message was highlighted in an article in Viðskiptablaðið titled "The multiple benefits of safety." We emphasize the importance of thoroughly reviewing all aspects of workplace safety, including fire prevention, occupational health and safety, and traffic safety. Our experience shows that strong safety measures have a positive impact on workplaces and reduce the likelihood of accidents and damage. Properly insured and safety-conscious companies are better equipped to withstand setbacks.



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Fraud prevention

The company works systematically to combat insurance fraud and reduce attempts to carry out crimes of this nature. Cases that raise suspicion of misconduct are handled according to defined procedures and reported to the police when appropriate. The company actively participates in prevention initiatives led by the Icelandic Financial Supervisory Authority, in which the police are also involved, and uses databases such as Creditinfo's claims database to detect attempted fraud. Regular employee training on insurance fraud and appropriate responses are a key part of this work.

The direct effects of these measures include lower costs due to fraud, which translate into lower premiums for honest customers, increased trust in the insurance system, and a fairer distribution of insurance benefits. Indirect effects include reduced incentives for fraud and strengthened ethical standards when cases are investigated and followed up on. Cooperation with the police increases efficiency in the fight against financial crime and reinforces the rule of law, while education and prevention efforts promote awareness and responsibility among individuals and companies. The company will continue to use technological solutions and artificial intelligence to strengthen its defences and enhance cooperation with law enforcement.

Handling claims

During the year, three projects were developed concerning the implementation of circular economy principles in handling claims. The aim of these projects is to support environmentally friendly solutions and more responsible operations. The projects include developing an incentive system for repair shops that use recycled parts and increase their share of windshield repairs. They also involve implementing a recognition system that rewards workshops that excel in sustainability. These projects are grounded in systematic data collection and the creation of assessment frameworks to ensure transparency and clear rewards for responsible behaviour in claims repairs. Through these actions, we aim to reduce waste, increase reuse, and improve service for our customers.

The aim is to increase the use of video calls to improve efficiency and service in damage assessments and property inspections, with the purpose of shortening and simplifying the claims assessment process, increasing customer satisfaction, and supporting the company's digital development. The goal is to continue developing and expanding the use of these solutions to ensure sustainability, efficiency, and excellent service in the future.

We are here for our customers

We are continuously improving our services and reviewing our terms and conditions. At the beginning of 2026, changes were made to the terms of Vörður's children's insurance policies with regard to psychological support. With this change, reimbursement for psychological sessions related to specific traumatic events will apply to children and young people throughout the contract period or until the age of 26. Previously, this service was limited to the age of 18. The change applies to all children's insurance policies currently in effect.

In 2025, changes were made to Vörður's critical illness insurance policy, adding pregnancy and parental protection to the policy terms. This is part of Vörður's focus on social responsibility and sustainability, and it supports:

- Health and well-being, as the company provides financial and emotional support during vulnerable periods such as pregnancy, childbirth, and the diagnosis of congenital health conditions in a child. This contributes to improved quality of life and reduces stress on families.
- Equality and accessibility, since the protection applies to all insured individuals, regardless of gender, at no additional cost. This ensures equal access to support without discrimination.
- Responsible governance, as the implementation of this protection comes at no extra cost to customers, and the clear policy changes demonstrate transparency and accountability in the company's operations.

This addition aligns well with our objectives, as it places particular emphasis on improving social welfare and ensuring support for vulnerable groups.

Vörður also introduced new protection into all of the company's home-insurance policies, providing emergency assistance for victims of domestic violence. This protection is offered at no additional cost to customers. The insurance policy is intended to provide financial support to survivors of domestic abuse. Its purpose is to help individuals, regardless of gender, leave dangerous situations and begin a new life. The insurance policy therefore supports greater equality, social responsibility, safety, and human rights in society.

The application process is digital, simple, and completed through Vörður's website. All applications are handled confidentially and have no impact on pricing or customer history. In this way, the insurance supports ethical responsibility and transparency. The protection is built on collaboration with specialized organizations such as the Women's Shelter and other professionals, ensuring that assistance reaches those who need it most. In connection with the introduction of this insurance policy, significant emphasis was placed on increasing knowledge about domestic violence, providing education, and raising awareness of the resources available to survivors.

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Environmental and climate issues

ESRS 2 SBM-3

The results of Arion double materiality assessment confirm that our main environmental impacts relate to lending and investments. We focus on reducing and minimizing climate change effects, assess the environmental performance of customers in larger lending decisions, and also evaluate the performance of our suppliers. We measure the carbon footprint of our own operations and analyse the scale of financed emissions. In addition, we have set targets to reduce emissions in our own activities and in our lending portfolio. We have also established a clear climate strategy and assess climate related risks in light of our diverse operations.



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Environment and climate policy and targets

Environmental and climate issues are of central importance to us at Arion. We want to ensure that we have a comprehensive overview of the environmental impact of our day-to-day activities and to minimize the negative effects. We realize that the greatest environmental and climate related impacts of financial institutions stem from lending and investment activities, and we take this responsibility seriously.

We are proud of our green journey, and our focus on environmental and climate issues is embodied in the Group's range of services and products. Directing financial resources towards green development and the circular economy is important in the fight against climate change and we are fully committed to continue on this path.

Our subsidiaries, Vörður and Stefnir, have likewise committed to reducing negative environmental impacts and lowering emissions in their own operations, and have adopted policies aligned with those of the parent company.

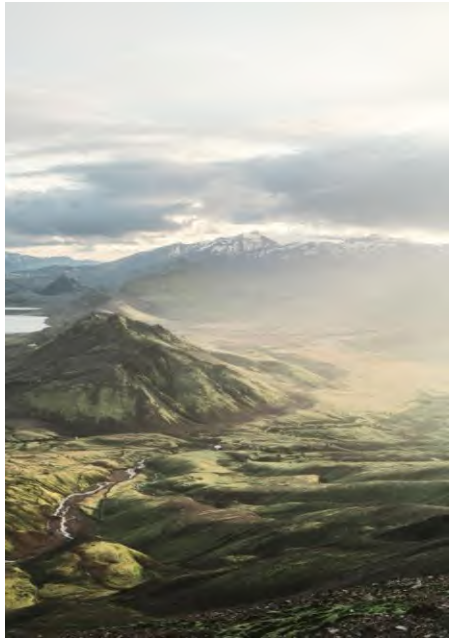
Arion Bank's environment & climate policy
ESRS E1-4

We aim to be a role model on environmental and climate issues and to minimize greenhouse gas emissions and the negative environmental impact of our activities. Man-made climate change is one of the greatest challenges of our time and it is critical that global warming is restricted to below 1.5 degrees Celsius.

We are committed to helping Iceland meet its obligations under the Paris Climate Agreement and other local and international environmental and climate agreements. We support Iceland's ambitious plans to have net zero emissions by 2040, and the Bank aims to be net zero itself the same year.

Banks perform a vital role in funding progress and our focus is on funding projects on sustainability and green development. We also require our suppliers to consider the environmental and climate impact of their activities.

We are setting ambitious targets and will publish the results of our progress in areas where we have the greatest impact, such as buying, our own activities, lending and the Bank's investments. We endeavour to enhance our employees' knowledge and understanding of environmental issues and to support our customers' journey towards a green future in accordance with the UN Sustainable Development Goals.



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Targets related to the environment and climate policy

ESRS E1-6

Arion Bank's targets for 2030:

Focus	Target	Status at end of 2025
Sustainable lending	Percentage of sustainable lending will be at least 20% of the Bank's total loan portfolio	12.86%
Carbon footprint	Reduction of greenhouse gas emissions from own activities (Scopes 1 and 2) by 80% calculated from 2015 and remaining emissions will be carbon offset.	64.7% reduction in emissions. Carbon credits have been purchased in recent years to offset residual emissions. This year, the purchase of carbon credits will be delayed due to ICR's reassessment of VAXA Technologies´ methodology.
Financed emissions	Aim for reduction in financed emissions in the sectors which have the most impact (Scope 3), in line with the goal of net zero target by 2040. The latest targets are published annually.	Latest targets published in October 2025
Bank's activities	Continue purchasing only vehicles powered by 100% renewable energy sources for the Bank's daily operations. Other vehicles purchased for business use must run partly or entirely on renewable energy. From 2030 onward, only vehicles that meet the requirement of 100% renewable energy use will be purchased	On course.
Science-based targets	Targets on financed emissions validated by the SBTi.	In October 2025, Arion Bank published the report The Road to Net Zero, presenting updated climate targets for the Bank's lending portfolio to the year 2030. The Bank aims to have its climate targets validated by the Science Based Targets initiative (SBTi) in 2027.
Waste sorting	Aim to ensure percentage of sorted waste in the Bank's operations is at least 90%.	72.7%

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Vörður's targets for 2030:

Focus	Target	Status at end of 2025
Carbon footprint	Reduce greenhouse gas emissions from own activities (Scopes 1 & 2) by 80% compared with 2018 and carbon offset remaining emissions.	62.8% reduction in emissions. Carbon credits have been purchased in recent years to offset residual emissions. This year, the purchase of carbon credits will be delayed.
Acquired goods and services	Continue to obtain more accurate picture of emissions from acquired goods and services (Scope 3) in the company's activities.	On course.
Vörður's targets for 2025:		
Windscreen damage	Continue to increase number of windscreen repairs instead of replacements, achieving a 18% repair rate.	19%

Stefnir's targets for 2030:

Focus	Targets	Status at end of 2025
Sustainability risk	Risk committee will define impact of climate issues on company and how to prevent them.	Sustainability risk assessment has been performed on Stefnir funds and company's activities since 2023.
Carbon footprint	Reduce greenhouse gas emissions from own activities (Scopes 1 & 2) by at least 55% by 2030 compared with 2015	78% reduction in emissions.
Carbon footprint	Carbon footprint of all funds assessed by independent third party.	Carbon footprint of funds has been calculated for 2023-2025.

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Updated climate targets of Arion Bank to 2030

ESRS E1-2, ESRS E1-6

In October 2025 Arion Bank published the report The Road to Net Zero, which presented updated climate targets for the Bank's lending portfolio through to 2030. These targets are aligned with the Icelandic government's ambition to achieve net zero by 2040 and with the goals of the Paris Agreement to keep global warming below 1.5°C. The targets represent important steps in the Bank's climate journey.

In developing these targets, the Bank relied on the Science Based Targets initiative (SBTi) Corporate Standard and the guidance previously issued by the Net-Zero Banking Alliance (NZBA). The setting of targets is founded on the calculation of financed emissions. i.e. emissions generated by the Bank's loan portfolio, own investments, and sovereign bonds. These calculations follow the Partnership for Carbon Accounting Financials (PCAF) methodology, which is recognised by both SBTi and NZBA.

Arion Bank joined NZBA in 2023 and began working on setting climate targets at that time. NZBA was a UN-convened alliance of financial institutions committed to achieving net zero emissions.

In October 2025, NZBA members voted to discontinue the alliance as a membership-based initiative, and NZBA subsequently ceased operations.

Despite this, it was decided to retain the NZBA target-setting framework. The NZBA guidelines for banks, along with their supporting materials, remain the most widely used global guidance for setting targets to reduce emissions in the banking sector. They will continue to be publicly accessible, allowing banks to use them for setting targets and developing transition plans.

We have committed to using the SBTi methodology for setting greenhouse gas reduction targets, while PCAF calculations help identify where the greatest opportunities for emission reductions lie. The Bank aims to have its climate targets validated by SBTi under the new financial-sector standard in 2027.

The volume of lending changes between years, and therefore progress in reducing financed emissions is measured by comparing emission intensity rather than absolute emissions from the loan portfolio.



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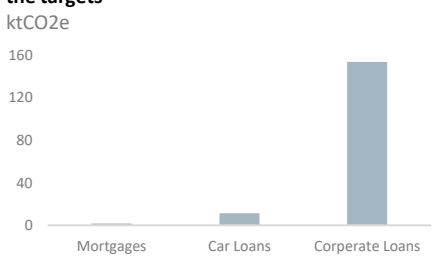
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The Bank's first climate targets, published in 2024, were based on industries with the highest emissions in the lending portfolio and the government's climate action plan. These targets were revised and published in the 2025 report mentioned above, taking into account scientific scenarios under the SBTi methodology and expanding the target-setting to additional asset classes. The development of these targets included consultation with the business community to ensure alignment with sector-specific strategies and plans.

Financed emissions of asset classes covered by the targets



With the updated targets, Arion Bank underscores the importance of financial institutions taking an active role in climate action and supporting Iceland's goal of achieving net zero. The report shows how the Bank intends to follow up on its targets with measurable actions, regular reassessments, and cooperation with customers and the business community. By setting clear and ambitious targets for each asset class, the Bank contributes to supporting sustainable development within Icelandic society.

The full report can be found here: arionbanki.is/the-road-to-net-zero

Overview of emission intensity reduction targets for 2030

Asset classes	Short-term target to 2030	Net zero
Own activities	80% (base year: 2015, reduction to now: 64.7%)	Net zero by 2040
Mortgages	Maintain low emission intensity (1.1 kgCO_2e/m^2)	Net zero by 2040
Car loans	Under development	Net zero by 2040
Business loans		
Agriculture	Reduce emissions by 12% per ISK million Carbon sequestration targets under review	Net zero by 2040
Aluminium production	Reduce emission intensity (tCO_2e/produced tonne of aluminium) by 15% (base year: 2023)	Net zero by 2040
Energy production	Maintain low emission intensity (0.03 kg CO_2e/kWh)	Net zero by 2040
Fisheries	Reduce emissions by 29.4% per ISK million (base year: 2023)	Net zero by 2040
Real estate	Reduce emission intensity (kg CO_2e/m^2) by 18% (base year: 2023)	Net zero by 2040
Land transport	Reduce emission intensity (gCO_2e/t-km) by 24.7% (base year: 2023)	Net zero by 2040
Sea transport	Reduce emission intensity (gCO_2e/t-km) by 41.9% (base year: 2023)	Net zero by 2050
Oil and gas	Maintain zero lending exposure	Net zero by 2040
Coal	Maintain zero lending exposure	Net zero by 2040

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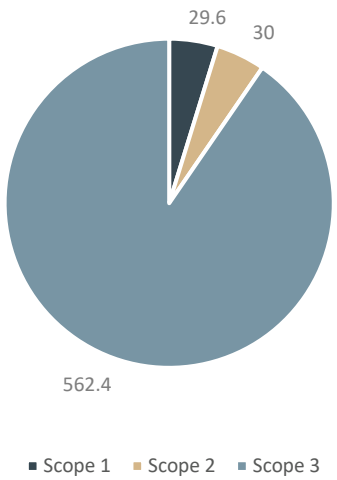
ESRS E1-7, ESRS E1-8

Arion Bank has published environmental accounts for many years, and this is the second year in which the accounts are presented on a consolidated basis, i.e. including the subsidiaries Stefnir and Vörður. The following section summarizes the key results of the Group's environmental accounts, with a particular emphasis on the Bank's key figures and comparison with the 2015 baseline year. As noted previously, we aim for an 80% reduction in emissions from the Bank's own operations by 2030 (Scopes 1 and 2).

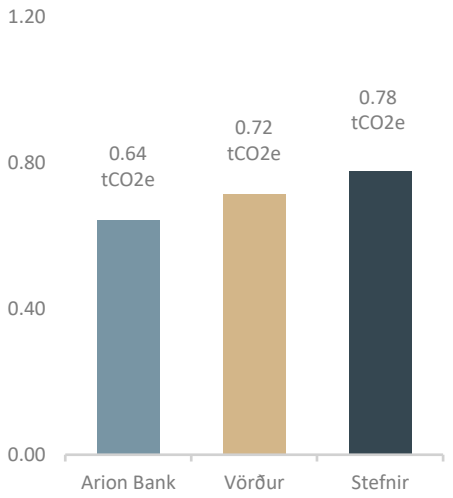
Total greenhouse gas emissions for the Arion Group in 2025 amounted to 622.1 tCO2e, excluding financed emissions. Of these emissions, the Bank accounted for 88.1%, Vörður for 9.2%, and Stefnir for 2.7%.

Emissions from electricity consumption (Scope 2) are based on market-based guarantees of origin. Arion purchases guarantees of origin for the electricity used in its operations, thereby ensuring that the electricity is generated from renewable energy sources.

Total greenhouse gas emissions from Arion
tCO2e



The carbon intensity of employees at Arion Bank, Vörður and Stefnir
tCO2e per employee



Emission intensity per employee indicates the amount of greenhouse gas emissions allocated to each employee. The Group's overall emission intensity (Scopes 1, 2, and 3) has decreased compared with previous years, falling from 0.73 tCO2e in 2024 to 0.65 tCO2e in 2025. The reduction is partly due to changes in emission factors in Scopes 1 and 2, as well as other factors relating to Scope 3.



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The emission intensity of Arion Bank's own operations indicates how much greenhouse gas emissions arise from the Bank's own vehicles and business premises per employee. Emission intensity has steadily decreased since 2015, by a total of 61.7%.

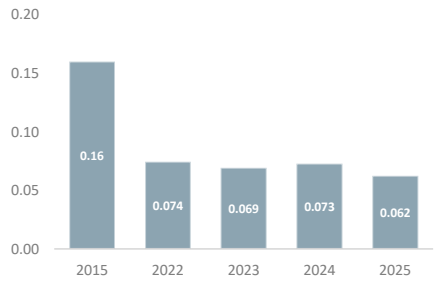
Total greenhouse gas emissions from Arion Bank's own operations (Scopes 1 and 2) have decreased by 64.7% since 2015. Of this reduction emissions from vehicles have decreased by 68.6%, and emissions from own business premises by 59.6%.

From the 2015 baseline year, we have successfully reduced emissions from our own operations, among other measures by reducing the floorspace of facilities used by the Bank and by reducing the number of vehicles powered by non-renewable energy sources.

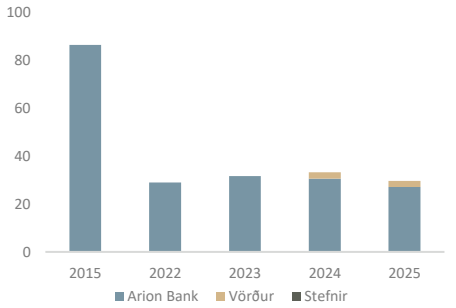
According to the goals set out in Arion Bank's environment and climate policy, the Bank will continue to purchase only vehicles that use 100% renewable energy sources for the Bank's daily operations. Other vehicles purchased for operational purposes must use renewable energy sources either partly or fully. From 2030 onward, the Bank will purchase only vehicles that meet the requirement of using 100% renewable energy sources.

The main opportunities to further reduce emissions within Scope 1 include phasing out Arion Bank's vehicles that still run on non-renewable energy sources.

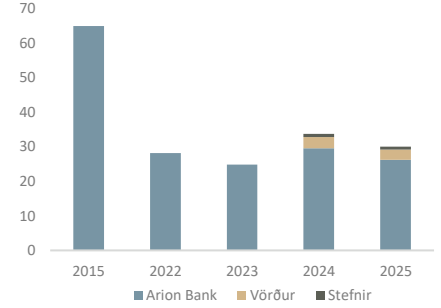
The carbon intensity of Arion Bank from own activities (scopes 1 and 2)
tCO2e per employee



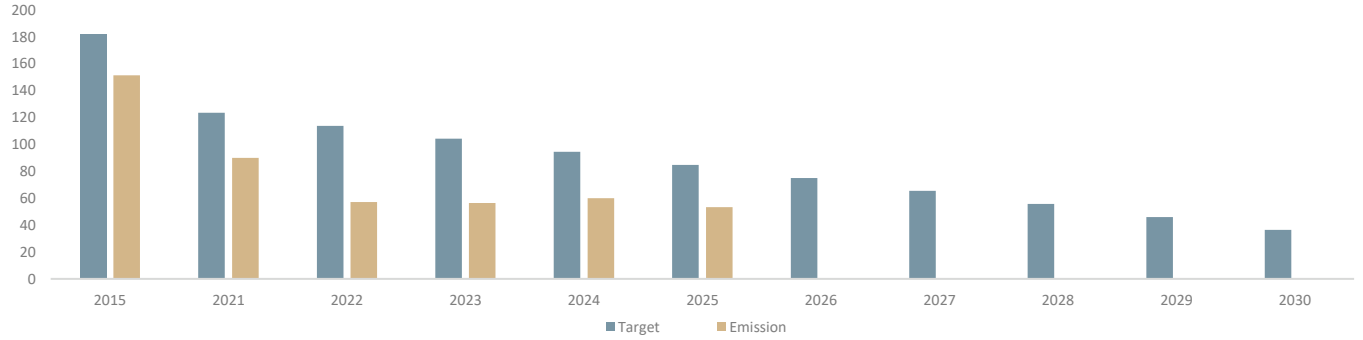
Greenhouse gas emissions from vehicles (scope 1)
tCO2e



Greenhouse gas emissions from business premises (scope 2)
tCO2e



Total emissions from vehicles and business premises with targets up to 2030 (excluding mitigation measures)
tCO2e



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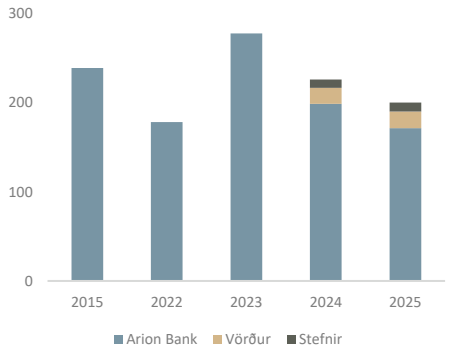
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For the second year, we are publishing information on flights for the Group as a whole. Emissions from business flights decreased significantly during the year, despite an increase in the number of business trips compared with the previous year. The reduction is primarily explained by changes in the assumptions underlying international emission factors.

Since COVID 19, passenger load factors in air travel have increased substantially. When more passengers, or more freight, are carried on each flight, total emissions are distributed across more units, resulting in lower emissions per passenger-kilometre or tonne-kilometre. This is reflected in the updated emission factors used by Arion, which leads to recorded emissions declining even though travel frequency increased.

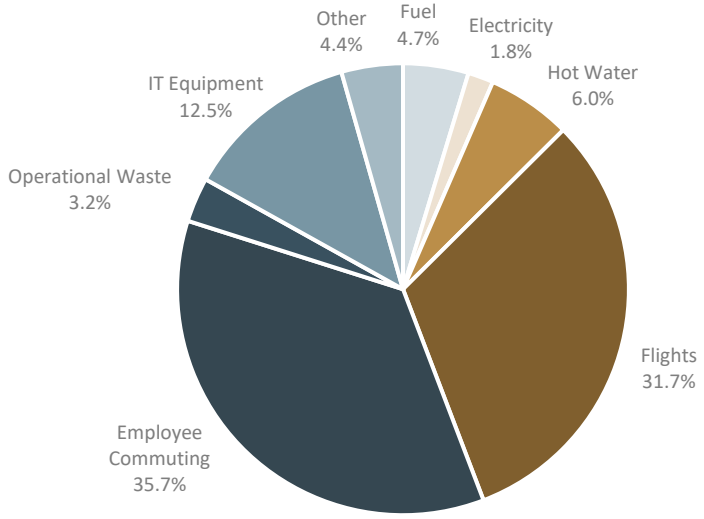
Greenhouse gas emissions from flights (part of scope 3)
tCO2e



With increased data collection, we now have better information on acquired services than before, and we continue to work systematically on improving the coverage of Scope 3 emissions. For example, in 2020 the Bank for the first time included indirect emissions from employee commuting, and in 2022 emissions relating to leased and sub leased assets were added. Leased assets in Scope 3 includes emissions from premises rented by the Bank for its operations, as well as emissions related to ATMs.

In 2022, information on purchased equipment, such as computers and related hardware, was also added. For the 2024 calculations, new and improved emission factors were used for IT equipment, printing, and coffee capsules. This year, emission factors were updated in line with the newest published version from the Icelandic Environment and Energy Agency.

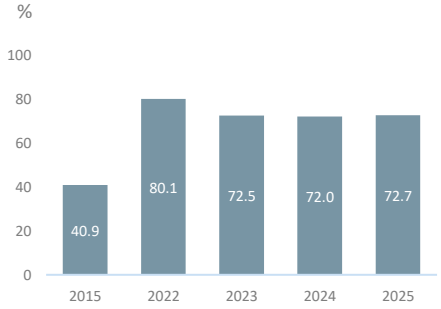
Proportion of total emissions (Scope 1, 2 and 3) for Arion Bank, Vörður and Stefnir
without financed emissions



Waste volumes generated by the Group's operations are provided by service partners and then allocated to each company based on employee numbers. This makes it possible to distinguish the waste share of the subsidiaries from that of the Bank's own operations. The total volume increased slightly between 2024 and 2025, but due to updated emission factors published by the Environment and Energy Agency in December 2025, the calculated emissions show a significant increase year-on-year. This applies particularly to organic waste, as the revised methodology places greater emphasis on waste treatment processes at GAJA.

Overall, waste sorting at the Bank has shown positive development in recent years, although there is still work to do. We have not yet reached our target of a 90% sorting rate in our operations, but we remain committed to achieving it. The rate has increased considerably since we first began measuring it roughly a decade ago, from 40.9% to 72.7% by the end of 2025.

The proportion of sorted waste at Arion Bank
%



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Commuting to and from work

Employees of Arion Bank and its subsidiaries are eligible for a commuting allowance when they use environmentally friendly modes of transport to travel to and from work at least four times per week. In 2025, 31.7% of employees made use of this allowance.

Environmentally friendly transport includes all travel modes other than private cars for commuting, such as walking, cycling, or public transportation. Employees also have access, free of charge, to electric scooters from Hopp, which they can use for commuting, attending meetings, or running errands during working hours. It is encouraging to see strong uptake of this option: by the end of 2025, the total number of trips taken with Hopp reached 11,344.

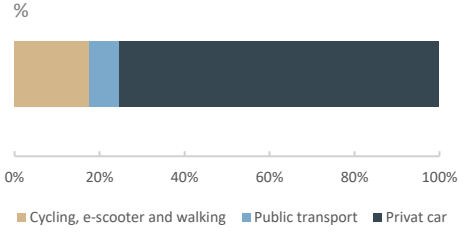
At the end of 2025, a survey was conducted among employees regarding commuting habits on the days they attended the workplace. The results show that total emissions from commuting by Group employees to and from work in 2025 are estimated at 225.6 tCO2e, and these emissions fall under Scope 3 in the environmental accounts.

Average emissions per Group employee from commuting in 2025 amounted to 235.7 kgCO2e, representing a 15.5% reduction compared with the previous year.

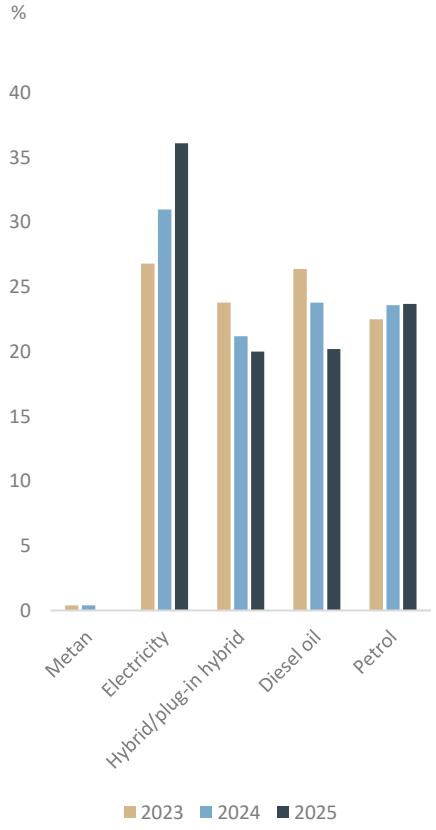
75.3% of employees primarily use a private car to commute to and from work, 17.5% use an electric bicycle, bicycle, or walk, and 7.2% use public transportation. Slightly fewer employees used a private car this year compared with last year, when 77.3% commuted by private car in 2024. Among those who commute by private car, 36.1% drive electric vehicles, 20% drive hybrid or plug-in hybrid vehicles, and 43.9% drive diesel or petrol vehicles. The 2024 commuting survey results have been recalculated using an improved methodology to ensure greater accuracy and comparability.

To support and accommodate the increased use of electric and plug-in hybrid vehicles, the number of charging stations has been significantly increased in recent years. At the Bank's headquarters in Borgartún, a total of 54 charging stations are available for use by both employees and customers.

Means of transport used by employees



Employees' vehicles — fuel type



Carbon offsetting measures

ESRS E1-9

In recent years, we have purchased carbon credits from VAXA Technologies to offset those emissions from our operations that we have not yet been able to eliminate, i.e., Scope 1 and 2 emissions, and partly Scope 3. We had expressed our intention to continue this collaboration in 2025, but due to a methodology review of VAXA's credits by the International Carbon Registry (ICR), sales of the units will only proceed once that assessment has concluded. In light of this, Arion Bank is postponing the purchase of carbon credits until the results are available.

In addition to purchasing carbon credits, Arion Bank has provided support to the Icelandic Forestry Association for decades and continues to do so.

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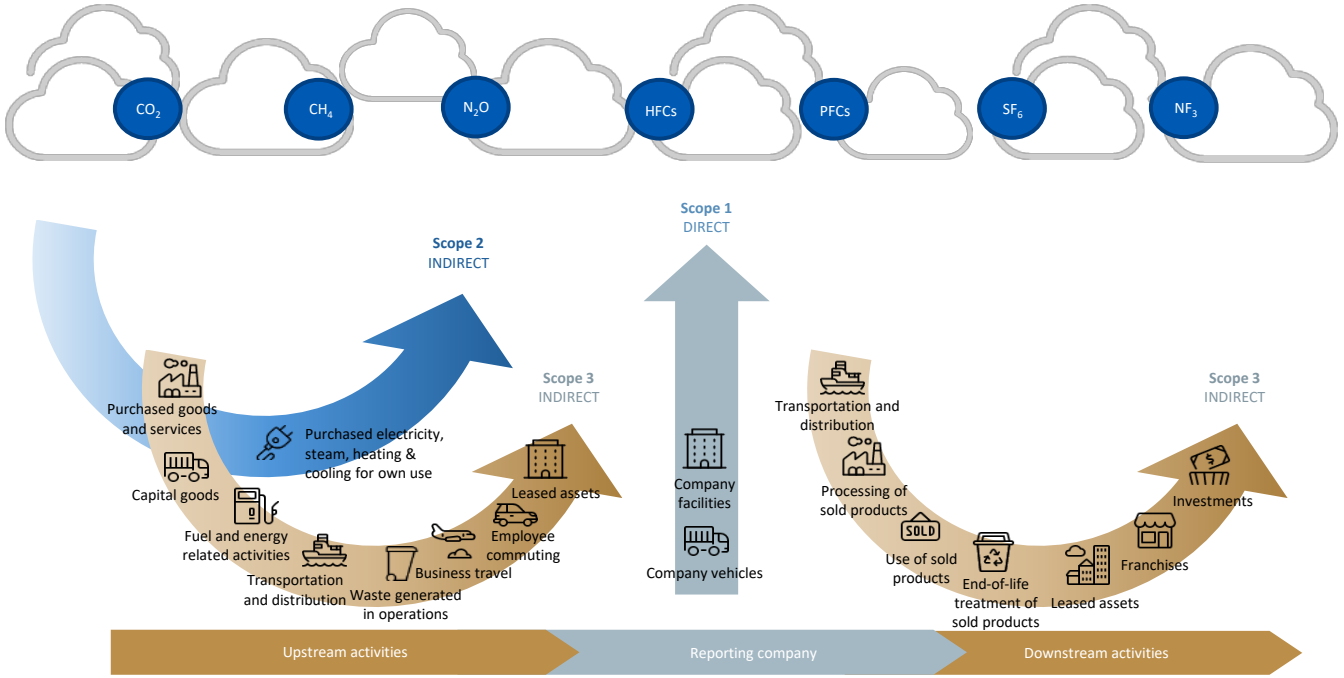
Arion Bank			Arion Group		
64.7%	68.6%	59.6%	11.5%	56.1%	225.6 tCO2e
Decrease in greenhouse gas emissions from own operations (Scope 1 and 2)	Decrease in greenhouse gas emissions from work vehicles (Scope 1)	Decrease in greenhouse gas emissions from business premises (Scope 2)	Decrease in greenhouse gas emissions from business trips since 2024	of people who drive to work drive electric, plug-in hybrids or methane vehicles	Total emissions from means of transport used by employees

Methodology for environmental reporting
ESRS 2 GDR-M

In preparing Arion's environmental accounts, we rely on the Greenhouse Gas Protocol (GHG Protocol), a standardized methodology that has been widely adopted by companies around the world with positive results.

The figure below illustrates the GHG Protocol methodology. According to the methodology, greenhouse gas emissions are categorized into three tiers. In broad terms, emissions arise from a company's own operations, the transportation of supplies to the company, and the transportation of products and services from the company. These tiers contain three types of scopes, which are divided into direct and indirect impacts.

Scope 1 includes greenhouse gas emissions from the combustion of fuels. Scope 2 includes greenhouse gas emissions from electricity and hot water consumption for the company's facilities. Scope 3 includes greenhouse gas emissions from acquired goods and services. We are continuously working to improve data quality and methodology to gain better insight into Scope 3 emissions.



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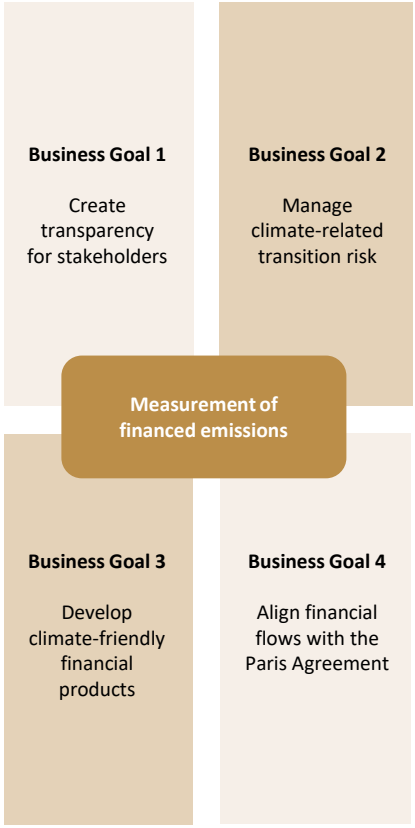
Financed emissions

ESRS E1-8

Financed emissions at Arion Bank
ESRS E1-8

Since 2021, Arion Bank has been a signatory to the Partnership for Carbon Accounting Financials (PCAF). This is a global partnership of financial institutions that work together to develop and implement a harmonized approach to assess and disclose the greenhouse gas emissions associated with their loans and own investments (Scope 3). Every year we publish information on the carbon footprint of financed emissions according to PCAF methodology, thereby promoting transparency in the progress made in climate issues. The analysis can be used to handle climate-related transition risk, develop climate-friendly financial products and set targets in connection with the Paris Agreement and the Icelandic government's goals to achieve net zero by 2040.

The results reflect greenhouse gas emissions financed by Arion Bank in 2024. The calculations are based on the most recent and reliable data available at any given time, but the data is at least a year old since more recent data is unavailable. The methodology which states how emissions factors are structured has been modified slightly to improve accuracy which results in several changes in emissions figures between years. The data used was from Vera, Creditinfo's sustainability solution.



Source: PCAF Global GHG accounting and reporting standard for the financial industry

Key results

Due to improved methodology, the Bank, in line with its recalculation policy, has recalculated its financed emissions from own investments and lending activities for the 2023 baseline year. The recalculated 2023 results, together with financed emissions for 2024 under the new methodology, are presented in the table on the next page.

Recalculation policy

Arion Bank has established a policy on the recalculation of greenhouse gas emissions in accordance with the GHG Protocol standard. This policy forms part of the Bank's commitments under both PCAF and SBTi.

Recalculations of emissions are carried out when significant changes occur in methodology, data, or the Bank's organizational structure, in line with the GHG Protocol guidance. The policy ensures that published emissions data reflect the most up to date information and methods.

The full policy can be found here: arionbanki.is/policy-on-recalculation



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Overview of results of financed emissions of Arion Bank by PCAF asset class

Activity	Book value (ISKm)		Scope 1 + 2 emissions (ktCO2e)		Emission intensity (tCO2e/ISKm)		Data quality (Weighted average)	
	2023	2024	2023	2024	2023	2024	2023	2024
Listed Equity & Bonds	7,514	5,900	1.04	0.82	0.14	0.14	1.37	1.42
Unlisted equity & Bonds	1,716	1,297	0.01	0.01	0.01	0.01	2.94	3.24
Business loans	518,365	567,428	145.10	153.36	0.29	0.27	3.95	3.94
Agriculture	11,092	11,852	17.27	19.02	1.56	1.60	4.09	4.06
Financial and insurance services	40,904	50,491	0.62	1.50	0.02	0.03	4.27	4.06
Fishing industry	82,614	87,487	28.14	27.91	0.34	0.32	4.08	4.05
Real Estate activities	113,683	120,376	0.92	0.92	0.01	0.01	3.97	3.91
Construction	78,970	82,620	6.37	6.68	0.08	0.08	4.32	4.32
Industry, energy and manufacturing	53,689	60,273	63.57	66.18	1.18	1.10	2.81	3.35
Information and communication technology	25,748	30,717	0.16	0.18	0.01	0.01	3.60	3.37
Public administration, human health and social act.	2,338	3,878	0.20	0.20	0.09	0.05	4.34	4.55
Accommodation and food service activities	45,676	47,055	0.93	0.80	0.02	0.02	4.13	4.10
Transportation	7,273	8,790	20.54	23.36	2.82	2.66	4.65	4.68
Commerce and services	56,378	63,889	6.38	6.61	0.11	0.10	3.91	3.85
Project Finance	-	-	-	-	-	-	-	-
Mortgages	522,356	544,786	1.56	1.77	0.003	0.003	4.00	4.00
Commercial Real Estate	-	-	-	-	-	-	-	-
Motor Vehicle Loans	23,769	23,983	11.07	11.25	0.47	0.47	2.15	2.17
Sovereign Debt (incl. LULUCF)	132,192	132,680	170.54	245.00	1.29	1.84	4.00	4.00
Sovereign Debt (excl. LULUCF)	132,192	132,680	127.53	125.00	0.96	0.94	4.00	4.00
Total (excluding LULUCF)	**1,205,912**	**1,276,074**	**286.32**	**292.21**	**0.24**	**0.23**	**3.92**	**3.93**

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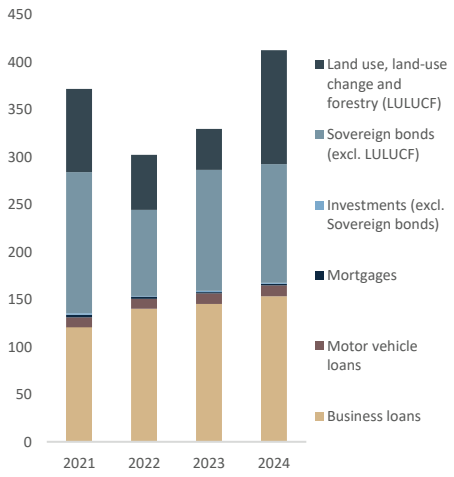
The total financed emissions from the Bank's lending activities and own investments in 2024, including sovereign bonds (excluding LULUCF), amounted to 292.2 ktCO2e, representing just over a 2% increase from the previous year. This increase is primarily attributable to an almost 6% rise in the book value of the loan portfolio and own investments. Financed emissions excluding sovereign bonds increased by 5%, from 158.8 ktCO2e in 2023 to 167.2 ktCO2e in 2024.

Compared with the 53.3 tCO2e emitted from the Bank's own operations (Scopes 1 and 2), the Bank's financed emissions excluding government bonds are approximately 3,137 times higher. Including sovereign bond emissions with LULUCF, financed emissions are 7,734 times higher than operational emissions.

The Bank's environmental targets related to financed emissions are based on emission intensity, rather than absolute emissions. Emission intensity from lending and own investments, excluding sovereign bonds, declined from 0.148 tCO2e/ISKm to 0.146 tCO2e/ISKm, a reduction of about 1% year-on-year. Emission intensity is used to measure results because amounts can change, while intensity remains comparable and provides a more meaningful indicator than absolute emissions alone. A reduction in emission intensity is an important metric. It shows that every million ISK lent by the Bank in 2024 resulted in relatively lower emissions than the year before.

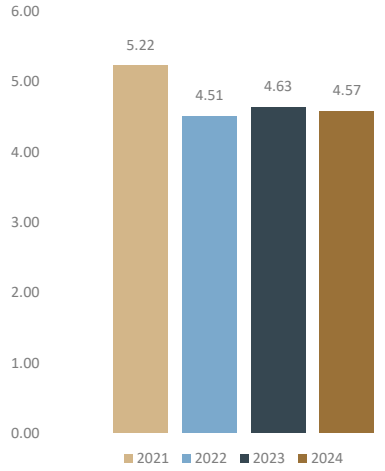
Sovereign bonds (with LULUCF) alone are responsible for 245 ktCO2e, making them the largest individual contributor to the Bank's financed emissions. Their emissions increased by 43%, up from 170.5 ktCO2e in 2023. This rise is primarily due to the higher value of Icelandic sovereign bonds in the Bank's investment portfolio. The composition of the portfolio has also changed year-on-year, with the proportion of international sovereign bonds decreasing, while the value of Icelandic sovereign bonds has nearly tripled.

Arion Bank's total financed emissions
ktCO2e



Emissions from sovereign bonds vary significantly by country, particularly due to differences in land use, meaning that portfolio composition has a fundamental impact. This change in portfolio composition increased emission intensity for sovereign bonds from 1.29 tCO2e/ISKm to 1.85 tCO2e/ISKm year on year. However, the emission intensity of sovereign bonds excluding LULUCF decreased by 2.3%, from 0.96 to 0.94 tCO2e/ISKm.

Arion Bank's emissions intensity based on operating income
tCO2e/ISKm



Emission intensity of operating income decreased slightly year-on-year, from 4.63 tCO2e/ISKm to 4.57 tCO2e/ISKm, indicating lower environmental impact per unit of revenue compared with 2023. This 1.3% reduction in emission intensity from 2023 to 2024 is mainly explained by an increase in the Bank's operating income in 2024 as higher income reduces emissions per revenue unit, thereby lowering emission intensity.

Emissions from business loans account for 92.2% of the Bank's total loan related financed emissions. These emissions increased by just over 5.7% year-on-year, rising from 145.1 ktCO2e to 153.4 ktCO2e. However, emission intensity for business loans decreased by 6.8%, from 0.29 tCO2e/ISKm to 0.27 tCO2e/ISKm, meaning that each million ISK lent in 2024 resulted in relatively lower emissions than in 2023. The sectors contributing most to financed emissions are transportation, agriculture, industry, energy and manufacturing, and the fishing industry.

The highest emission intensity is in the transportation sector, at 2.66 tCO2e/ISKm, followed by agriculture at 1.60 tCO2e/ISKm. Emission intensity in transportation decreased slightly year-on-year, from 2.82 tCO2e/ISKm to 2.66 tCO2e/ISKm. Updated methodology and new emission factors result in a substantial increase in financed emissions for this sector when recalculating 2023 emissions and calculating 2024 emissions. This explains the difference compared with previously published public figures.

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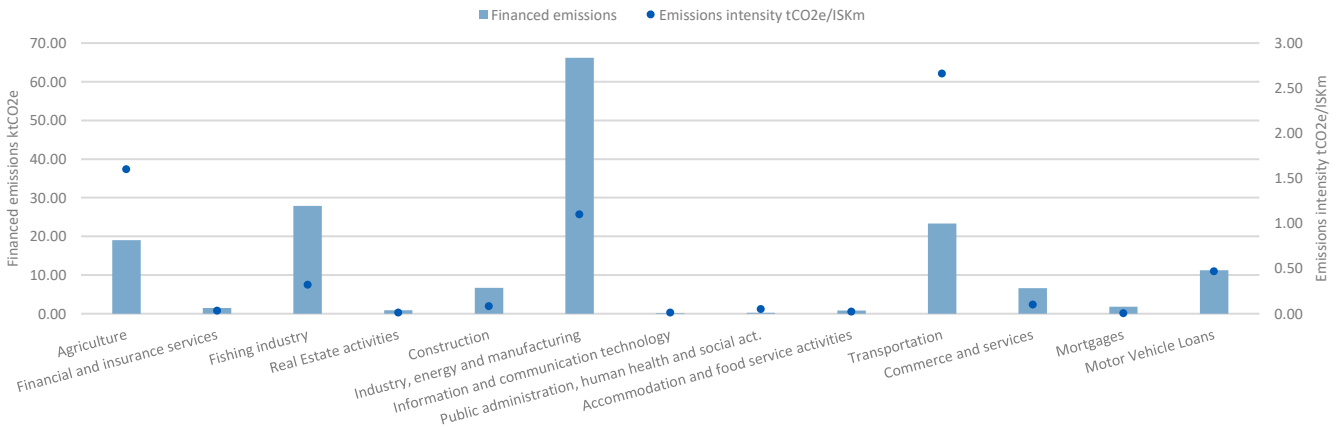
Emissions from vehicle and equipment loans increased only marginally year-on-year, amounting to 11.25 tCO2e in 2024 compared with 11.07 tCO2e the previous year. Emission intensity, however, remained unchanged at 0.47 tCO2e/ISKm.

Financed emissions from mortgage lending increased year-on-year in line with the higher book value of the loan portfolio; however, emission intensity remained unchanged. Emissions rose from 1.56 tCO2e to 1.77 tCO2e, while emission intensity stayed at 0.003 tCO2e/ISKm. The methodology for calculating emissions in this category has been updated since last year. Previously, emission factors from Reykjavík Energy (Orkuveita Reykjavíkur) were used, but the calculation now relies on emission factors issued by the Icelandic Environment and Energy Agency. The Bank's carbon footprint assessment includes, among other things, energy use in residential buildings. Since energy in Iceland is largely generated from renewable sources, primarily geothermal and hydropower, emission factors are generally lower than in many other countries. The calculations do not take into account the sale of guarantees of origin for electricity; instead, local emission factors published by the Environment and Energy Agency.

Financed emissions from Arion Bank's financial instruments other than sovereign bonds (i.e. listed and unlisted securities) amount to approximately 0.8 ktCO2e. Most investments in the Banks's portfolio are not linked to heavy industry, but the largest share of emissions in this category stems from companies involved in passenger air transport to and from Iceland, shipping, and the fishing industry.

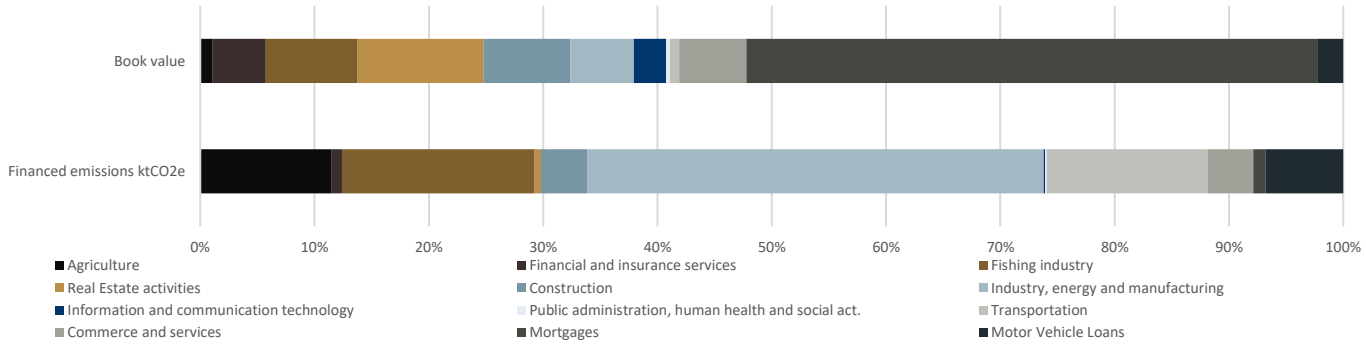
Financed emissions and the emissions intensity of loans

ktCO2e



Distribution of loan portfolio by book value of loans and financed emissions

%



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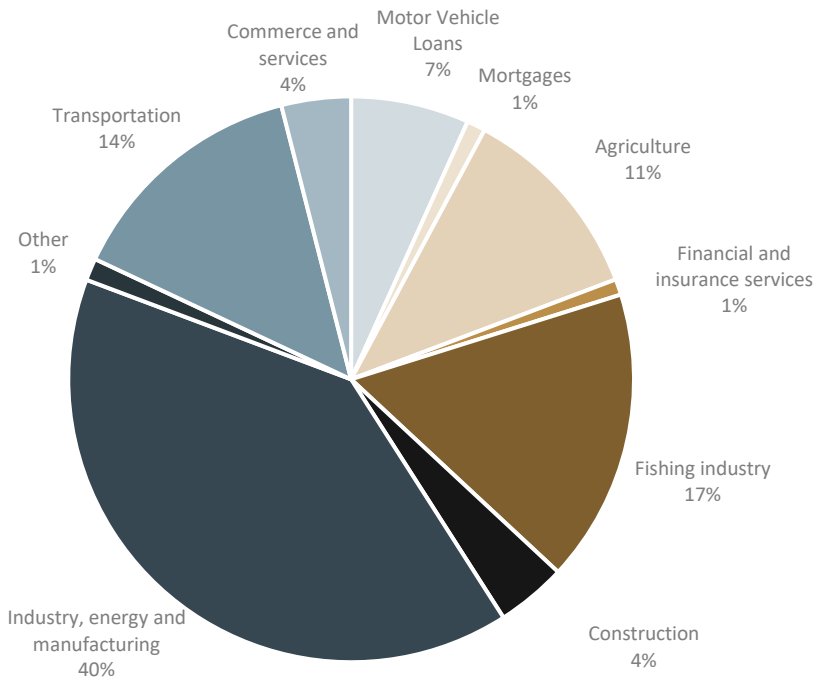
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Arion Bank's financed emissions from loan portfolio



Assessment of climate related risk
ESRS 2 SBM-3, ESRS E1-11

Assessment of climate-related risk has become an increasingly important part of the Bank's risk management framework in recent years. Climate change can affect the operating environment of customers in numerous ways, leading to both direct and indirect impacts on the Bank's risk profile. These impacts may be acute, for example as a result of natural events, or chronic, developing gradually over time as industries, regulatory frameworks, and market conditions adapt to new realities. In light of this, it is essential that the Bank maintains a clear and data-driven view of climate related risks and how they may evolve under different scenarios.

The results from financed emissions calculations form the basis for a wide range of climate risk analyses within the Bank. These results are used, for example, in the Bank's comprehensive ESG assessments of industries, where companies' emission profiles and transition readiness influence various climate risk factors. The calculations also underpin the Bank's target-setting process for reducing emissions in line with international frameworks and commitments.

Additionally, the Bank has carried out climate-related stress testing, covering various sectors and incorporating both transition risk and physical risk.

The Bank works systematically to strengthen its capacity to identify and manage climate-related risk. A key prerequisite for this is robust data collection and access to relevant information. Climate-risk data is continually evolving, and despite improved availability and increasing disclosure requirements, challenges remain in Iceland, where many companies outside formal disclosure obligations rely on proxies and estimates. The Bank is continuously developing methodologies to assess risk factors and define indicators in line with the Board's risk appetite.

Further information can be found in the Bank's Pillar 3 Risk Disclosures (arionbanki.is/pillar-3-2025).

Financed emissions – Stefnir

Stefnir manages funds on behalf of its clients and places great importance on doing so responsibly and transparently. During the year, financed greenhouse gas emissions from the assets of Stefnir's managed funds were compiled and a report with the results was published (stefnir.is/fjarmognud-losun). The report includes, among other things, information on emission intensity per ISK 1 million invested in specific funds.

The methodology used is based on the PCAF framework, and the data reflects the asset positions of the funds at year-end 2024. The purpose of the report is to promote transparency for stakeholders, identify climate related transition risks, and support the development of climate-aligned financial products.

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Human Resources

ESRS2 SBM-3

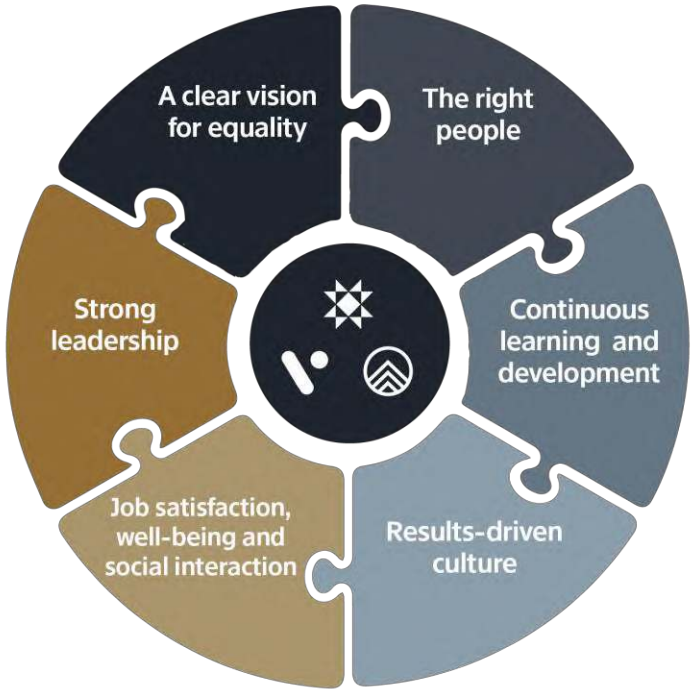
The main impacts identified by double materiality assessments with respect to working conditions at Arion are secure employment, adequate wages, and health and safety. Equal opportunities for all lay the foundations for a healthy working environment, and this includes equal pay for equally valuable jobs, irrespective of gender or other factors, and employee diversity. Providing the opportunity to learn and train to develop our employees' skills and abilities is vital to ensure the growth and success of the Group. Human resources present enormous opportunities but also risks. At Arion we strive to address these risks and to create opportunities for our people by ensuring they can have a healthy work-life balance, offering flexible working hours wherever possible and by maintaining a transparent incentive system.



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Our human resources policy

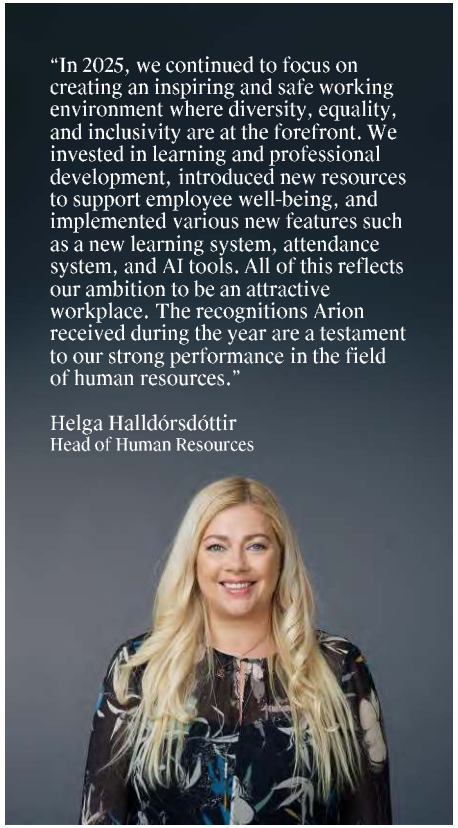


Our human resources policy
ESRS S1-1, ESRS 2 GDR-P

Arion's human resources policy was updated during the year. For many years, the policy has comprised six themes which guide us in human resources and whose common goal is to promote employee satisfaction, growth and engagement. The human resources policy, other HR-related policies and targets and actions apply to all employees within the Group.

In order to implement the human resources policy and to measure performance in human resources, various tools are used such as in-house surveys, interviews, workplace audits, supervisor effectiveness assessments, statistics on employee turnover, absence, hiring and equality etc.

The human resources policy has six main themes which encapsulate our key focuses: The right people, continuous learning and development, results-driven culture, job satisfaction, well-being and social interaction, strong leadership and a clear vision for equality.



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The right people

ESRS S1-1, ESRS S1-3

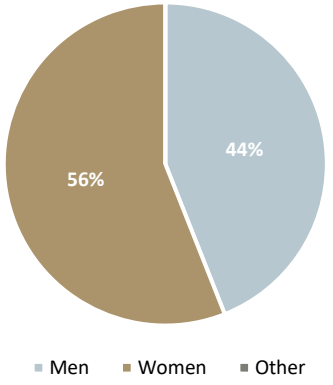
Our goal is to retain and attract outstanding employees and to help them grow professionally and personally. We ensure that the hiring process is professional from start to finish and that every position is occupied by a person who fits the needs and strategy of the company at any given time. We warmly welcome new employees and ensure that training is carried out effectively. We seek to ensure that people leave on the best possible terms.

Our people

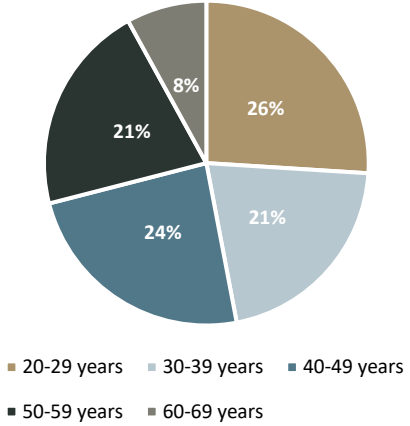
ESRS S1-5

Arion Bank employs a dedicated team of employees from a diverse range of backgrounds. At the end of 2025, the total number of full-time equivalent positions at Arion Bank, Vörður and Stefnir was 883. The gender ratio is 44% men and 56% women. Other genders are fewer than five individuals. The average age of employees is 41 years, and the average length of employment is 9.5 years.

Gender of employees



Age of employees



Goal

Ensure equal opportunities for professional development and promotion at work.

Hiring and professional development

A total of 342 hirings were made in 2025, and 25% of these were internal hirings. Positions are advertised both on the intranet and the external website, but in some cases, positions are filled without advertising, in which case consideration is given, among other things, to employees who have shown interest in taking on new tasks.

We have a clearly defined professional development framework in which people with comparable education, work experience and responsibility are given equal opportunities in terms of professional development. The professional development framework creates incentives for employees to strengthen their skills and to take responsibility for their own growth. A clear succession plan is also in place, defining successors for key roles within the Group. The succession plan is reviewed annually, and possible successors are analyzed according to predefined criteria. We consider gender ratios for each position and are guided by the principle of equal opportunities. The gender ratio in the current succession plan is quite even.



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Welcoming new employees

We endeavour to ensure that new employees are brought into the company professionally and given a warm welcome. All new Arion employees attend the Arion Academy. This is a programme designed to strengthen the Group's culture, promote knowledge and enhance collaboration. The Arion Academy consists of an onboarding day, a sales and service excellence school, and e-learning. New employees are sent a survey after six weeks on the job and can give feedback on the onboarding programme and their experience of their first few weeks at work**.**

Retirement policy

We seek to ensure people leave the Group on the best possible terms, whether they are leaving by choice, due to redundancy, retiring due to their age or for health reasons. We provide extra support to people retiring due to their age and we want to ensure that employees feel that their retirement is handled flexibly. Therefore, we try to accommodate employees' wishes for a reduced working percentage or changed duties in the period leading up to retirement. From the age of 65, employees may retire and receive the equivalent of six months' salary after leaving employment or reduce their working hours and spread their salary over a specified period.

Goal

Support employees who are retiring.

Employees are also offered the opportunity to participate in a course designed to prepare them for this transition and to begin a new stage of life with a positive experience.

All employees who leave the Group of their own volition are given the opportunity to answer a survey on the end of their employment and to give detailed information on why they left the Group. The answers given are traceable which enables us to respond to feedback effectively.

Graduate programme

We offer outstanding graduates a 15-month graduate programme where they are given the unique opportunity to get to know a diverse range of jobs within the Arion Group.

Under the programme, people move between positions every few months and therefore acquire diverse expertise and experience. At the end of the year, the first group completed its graduate programme, and all five participants have been retained to continue working at the Group. Last spring a further six people joined the programme which will continue until autumn 2026. A total of 145 graduates applied to participate in the programme.

Mentor programme

Arion's mentor programme is designed for employees with a passionate interest in improving themselves in their life and work, learning from others and stepping outside their comfort zone. Since 2023, two groups have completed the programme and the third group embarked on its journey in October 2025. A total of 55 highly experienced managers and specialists within the Group have participated in the programme as mentors (47% men and 53% women) and 78 people with diverse backgrounds have taken part as mentees (33% men and 67% women). In the current mentor programme, 26 applicants were selected and each was assigned a mentor. The group is made up of 15 women and 11 men aged between 22 and 55.

> "This programme has been a very positive experience for me. It's the second time I have been involved, and I think it's a crucial thing to have for a company like Arion."
>
> - **Mentor**

> "Really positive experience. Great fun getting to know more people at the Bank and particularly enjoyable to get a mentor who is doing completely different things from me. The preparation period was also really useful for me."
>
> - **Mentee**

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Job satisfaction, well-being and social interaction

ESRS S1-1, ESRS S1-3

We strive to create a motivational working environment and to support our employees. Communication at the workplace should be based on mutual respect and there is zero tolerance of bullying, gender-based and sexual harassment, and violence. It is everyone's responsibility to prevent such behaviour. We offer an attractive working environment and are a family-friendly workplace. By offering flexibility at work and the ability to work from home, we meet the needs of our employees and promote a healthy work-life balance. We safeguard the health of our employees and endeavour to create a safe and healthy working environment.

The voice of our employees

ESRS S1-2

Since 2015 we have sent the Arion Index survey to all Arion Bank employees. Vörður and Stefnir have since joined in and now all companies in the Arion Group receive the survey every second month.

Employees' answers are not traceable, and the results are analysed by the HR team and management. The survey has three key aims:

- to measure how employees experience their own work, working environment and well-being at work.
- to serve as the voice of employees to communicate ideas quickly and easily.
- to identify opportunities for improvements and to respond to problems quickly and securely.

On a scale of 0-10, how likely would you be to recommend this company as a great place to work?
2025 mean from index surveys

8.95	8.93
out of 10 Arion Bank	out of 10 Vörður

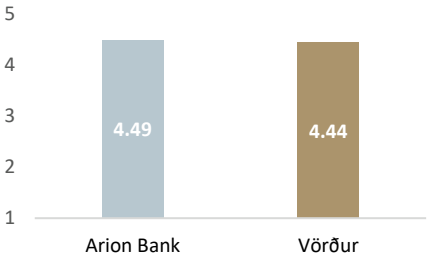
The survey consists of basic questions that make up the Arion, Vörður and Stefnir indices, thematic questions, an eNPS question which measures employee loyalty and open questions. The purpose of the open questions is to give employees the opportunity to give further details and also to provide a platform to suggest improvements.

Every year we carry out a workplace audit, a supervisor effectiveness assessment and a survey of incidents of bullying and harassment. The purpose of the workplace audit is to measure employee engagement, maintain what is done well and respond to areas of the business which can be improved.

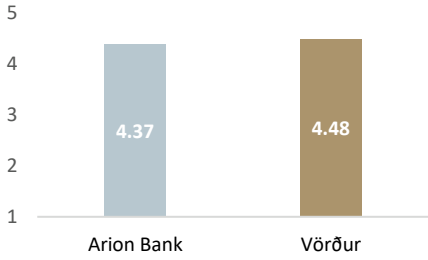
The results of the workplace audit reveal that employee engagement across Arion Group is strong compared with the domestic and international labour markets. The results for Stefnir are not published as the number of answers does not meet the minimum threshold for publication of data in order to ensure data protection.

*Employee engagement is measured with Gallup Q12 questions. The questions capture the factors that predict employee engagement and are linked to key performance outcomes such as productivity, quality, and job satisfaction.

Arion and Vörður indices
2025 mean from index surveys



Employee engagement
Results from the 2025 workplace audit



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Family friendly workplace

ESRS S1-14

We offer a flexible working environment, have a policy on working from home and we do our utmost to accommodate employees' needs when it comes to meeting their family obligations. Our employees are also encouraged to take their statutory holidays and to take advantage of the shortened working week. Our employees are guaranteed 80% of their salaries during parental leave and are encouraged to fully use their right to leave, irrespective of gender.

During the spring, we opened Sunnuborg, a daycare centre managed by Arion for employees' children aged 12-24 months. By doing this we aim to help parents bridge the gap between parental leave and preschool and to support our employees as they navigate this important transition. The daycare centre is intended exclusively for employees who have taken their parental leave and are on a waiting list for a preschool placement. Sunnuborg employs two childminders with years of experience in caring for young children, and the facilities are exemplary for the children, the parents, and the childminders alike. We are extremely proud of this initiative and grateful for the opportunity to provide strong support to our employees during this busy, yet invaluable, period in their lives.

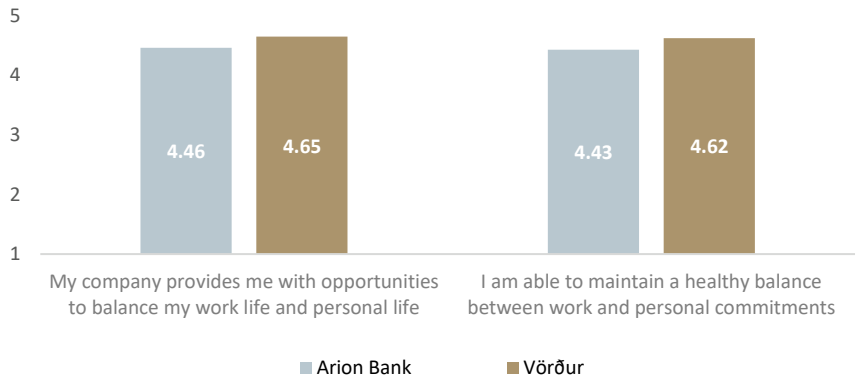
Regular surveys are conducted throughout the year of our employees' perception of the work-life balance. People are asked whether they feel they can maintain a healthy balance between their work and their personal obligations, and also whether the company gives them the opportunity to maintain this balance. The results at both Arion Bank and Vörður exceed the set targets.

Goals

- Be a family-friendly workplace and enable employees to combine their professional duties with their family obligations.
- The survey on people's perception of their work-life balance scores at least 4.2.

Work-life balance

2025 mean from index surveys







Photos from Sunnuborg, Arion's daycare centre.

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Employee health, safety and well-being
ESRS S1-13

In the latter part of the year, the health and safety policy was updated. The new policy sets out Arion's objectives relating to employee health, safety, and well-being, as well as key focus areas, risk factors, preventive measures, and metrics. We care about our employees' health and place great importance on creating a safe and healthy work environment, ensuring compliance with occupational health and safety legislation, and demonstrating long-term support through prevention and health promotion initiatives.

We also introduced a support measure for employees who are victims of domestic violence. The aim is to encourage individuals affected by domestic violence to come forward and seek assistance. Through this initiative, we seek to create safe working conditions and ensure that necessary support is provided, whether in the form of professional services or workplace-based support.

Arion has an occupational health and safety committee, responsible for implementing a formal workplace health and safety plan, conducting risk assessments, and developing action plans based on identified issues. In 2025, risk assessments were carried out in several branches, in addition to targeted risk assessments conducted in selected units across the Group. At the end of the year, the Administration of Occupational Safety and Health conducted an on-site inspection at the headquarters, which concluded without any recommendations being issued.

Arion works in collaboration with a recognized service provider whose role is to support human resources, managers, and employees in matters relating to prevention, treatment, and monitoring of employee health. Through this provider, employees have access to psychological services, nurses, doctors, family counsellors, and other healthcare professionals.

All employees are offered regular health assessments conducted by a nurse. The purpose of these assessments is to screen for risk factors related to employees' physical, mental, and social health and to respond where appropriate. The assessments are also used to encourage greater awareness of, and responsibility for, personal health, as well as for preventive purposes. In addition, all employees are offered annual influenza vaccinations each autumn.

For many years, we have measured an employee health index. This metric indicates the proportion of working days over the course of a year that were worked. The health index for 2025 was 96.9%, meaning that 3.1% of working days were lost during the year due to employee illness.

Goals of the Health and Safety Policy

- To ensure that employees are protected against all types of health hazards in the work environment.
- To ensure workplace safety and compliance with statutory occupational health and safety requirements.
- To promote improved mental, physical, and social well-being among employees.
- To carry out preventive efforts through learning, access to professional services, and a supportive work environment.
- To increase employees' awareness of their own health and the importance of health promotion.
- To reduce employee absence due to illness or accidents.



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Anti-bullying, harassment and violence policy

ESRS S1-13

There is zero tolerance of bullying, gender-based or sexual harassment or other types of violence. By applying a clear anti-bullying, harassment and violence policy, action plan and through focused learning, we want to create a secure working environment where all employees share responsibility. All reports of bullying, harassment and violence are handled in accordance with a predefined process as quickly as possible.

It should be remembered, however, that each case is different, and it is important to handle them as such. Employees can report incidents of bullying or harassment in a special section of the intranet and notifications are sent to the anti-bullying team which consists of an HR manager and two employee representatives. Employees can also contact management, Human Resources, the union representative or professionals if they have experienced, witnessed or have strong grounds to believe an incident of bullying, sexual harassment, gender-based harassment and violence has occurred. People can also send in anonymous tip-offs if they suspect or become aware of any improper conduct. Any such tip-offs are forwarded to the Internal Auditor for processing, and they will then be directed into the appropriate channels.

Goal

To have a culture where there is zero tolerance of bullying, sexual/gender-based harassment or violence.

Learning about bullying, sexual/gender-based harassment or violence
Show concern for others
A workplace free from bullying
Sexual harassment
Equality and the importance of diversity
Guidance for management

Management and employees have to complete mandatory learning courses on tackling bullying, gender-based or sexual harassment or violence in order to raise awareness of the subject and to engender shared understanding of the concepts and processes involved. Every year we conduct a survey on this issue among employees, and incidents of bullying, gender-based or sexual harassment or violence proved to be very limited.

Union representative council

ESRS S1-7

The Group has a union representative council and elected union representatives at the places of work. The union representative council is responsible for matters relating to employee terms and conditions and trade union issues, and it supports union representatives in carrying out their duties. The union representative council seeks to resolve issues concerning Group employees irrespective of union membership.

Union membership

ESRS S1-7

About 97.1% of employees across the Group are members of a trade union, most of them belonging to the Confederation of Icelandic Bank and Finance Employees (SSF). Trade unions safeguard the general rights of wage earners and represent them in collective bargaining. Employees are permitted to remain outside a trade union, but they are still required to work under the terms of the legally binding collective agreements.

Skjöldur Employees' Association

Skjöldur Employees' Association was originally founded on 7 February 1936. All employees of the Group are welcome to join the association, whose purpose is to promote the well-being of its members and strengthen social awareness, cooperation, and unity among employees. Employees pay a membership fee for participation and elect a board at the annual general meeting each year. The association comprises numerous committees and clubs.



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A clear vision for equality

ESRS S1-1, ESRS S1-3

We respect human rights and equality throughout our business. We work in accordance with an equal pay policy to ensure equal terms for equally valuable jobs and transparency on pay. We also place importance on equal opportunities and on creating a workplace culture where all employees can thrive.

Equality and human rights policy
ESRS S1-1, ESRS 2 GDR-P

It is Arion's policy to respect human rights and equality throughout its activities. The Group works in accordance with an equality and human rights policy and action plan which applies to the period for 2024-2027. The objective of the policy and action plan is to create an environment where people of similar education, work experience and responsibility have equal opportunities and terms, irrespective of gender, gender identity, sexual orientation, origin, nationality, skin colour, age, disability or religion or any other factor. The policy and the action plan have been approved by the senior management of the Group. The CEO is a member of the equality committee which is responsible for the advancement of equality issues within the Group. The committee works under the authority of the CEO and is composed of representatives from Arion Bank, Vörður, and Stefnir.

Arion Bank is a signatory to the UN Women's Empowerment Principles. The Bank is also a signatory to UN Global Compact, UN PRB and UN PRI, while Stefnir is also a signatory to the UN PRI. We are therefore fully committed to working in accordance with the UN Sustainable Development Goals, which also encompasses equality and human rights. Arion's focus on equality aligns with the UN's fifth sustainable development goal which concerns gender equality. Reference was made to the OECD guidelines for multinationals, UN guiding principles on business and human rights, ILO declarations on fundamental labour rules and rights and the International Bill of Human Rights, when developing the equality and human rights policy.



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Diversity

We place the utmost importance on creating a high-quality workplace where employees enjoy respect, diverse viewpoints can be expressed and equality and inclusion are cherished values. The work environment shall take into account the diverse needs of employees so that each individual has the opportunity to thrive, both because of their unique characteristics and in spite of them.

We continued to advance a range of initiatives that support our inclusion objectives. These include awareness raising activities and e-learning for employees and managers on inclusion and the importance of diversity within the workforce, as well as the development of an action plan identifying potential improvements to ensure that the physical work environment is suitable for all. We have also increased support for employees of an international background by offering job-related Icelandic language courses and access to the Bara tala language learning app.

The Equality Action Plan includes specific goals related to inclusion and diversity. One such goal is that inclusion related indicators should score above the national average in the Alda inclusion survey. This survey is conducted every two years, most recently in 2024, when Arion's inclusion index scored above the national average. The next survey will take place in 2026**.**

Goal

Be a workplace which prioritizes inclusion.

E-learning about inclusivity

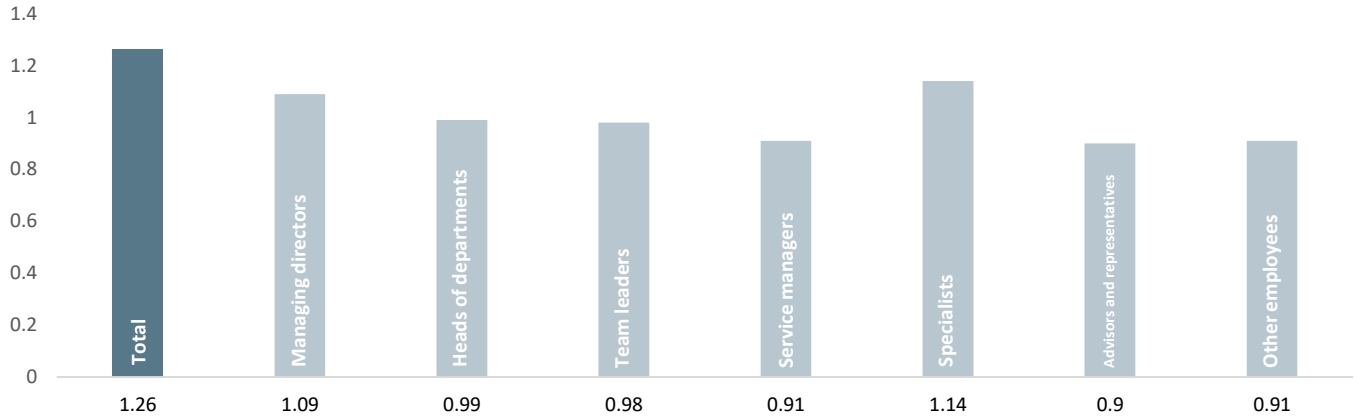
Learning about diversity
Allyship
Privilege Awareness
Tokenism: The Risk of Diversity Without Inclusion
Ableism
LGBTQ+ Awareness
Transgender Inclusion
Gender Pronouns
Learning about psychological safety
Inclusive language
Delegating With Purpose



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Median value of men's annual salaries compared with median value of women's annual salaries
The goal is to be below 1.25 before the end of 2027



Remuneration policy
ESRS S1-15

The current remuneration policy aims to ensure that Arion offers competitive salaries at any given time. The policy is an integral part of Arion's strategy to protect the long-term interests of its owners, employees, customers and other stakeholders in an organized and transparent manner. We risk assess the competitiveness of the workplace and ways of ensuring that our people have the necessary skills and knowledge. The results of the risk assessment indicate that the risk is insignificant.

Equal pay policy
ESRS S1-15

It is the policy of Arion to pay equal salaries for jobs of equal value. Our aim is for all employees to enjoy the same terms for the same jobs or equally valuable jobs and ensure that no unjustified wage gap exists. Equal pay means that pay levels are determined in advance and that there is no discrimination on the basis of gender or other factors. It must also be ensured that all decisions on salaries are in compliance with collective wage agreements.

Equal pay certification

Arion works in accordance with an equal pay system and the companies in the Group have equal pay certification. Vörður first got equal pay certification in 2014, Arion Bank in 2015 and Stefnir in 2024. All companies in the Group now use the same equal pay system. The results of the equal pay certification indicated that the unexplained gender pay gap is 0.2% during the year. The performance in terms of equal pay has been good and in line with our target. In addition to the annual equal pay audit, we perform monthly equal pay analyses in order to ensure that decisions of salaries are in compliance with our equal pay policy and our targets.

Goals

- The ratio of median male compensation to median female compensation is under 1.25, measured on an annual salary basis (target before the end of 2027).
- Employees enjoy the same terms for equally valuable jobs irrespective of gender.
- There is no unexplained pay gap, and the total deviation is not more than 1%. The coefficient of determination shall not be lower than 95%.

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- Strong leadership

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Continuous learning and development

ESRS S1-1, ESRS S1-3

We offer diverse learning and development to develop the skills and knowledge of our employees. Employees are encouraged to show initiative and ambition to develop in their work and take responsibility for their own knowledge. By investing in learning and development we create an environment where employees can grow, and a professional approach is ensured.

Goal

Aim for equal gender ratio of people participating in L&D.

MENNTAFYRIRTÆKI ÁRSINS 2025

Arion Bank is the education company of the year 2025

At the beginning of the year, Arion Bank received recognition from the Confederation of Icelandic Enterprise (SA) and its member organizations as the Education Company of the Year 2025 (menntafyrirtæki ársins). Almost forty nominations were submitted, and the selection committee chose Arion Bank from among three companies that were considered to excel in learning and professional development.

The committee said the following about Arion:

"Arion operates a strong and ambitious learning system that uses diverse and innovative methods to activate the potential of a large and varied group of employees. It is clear that Arion's strategic and focused efforts in learning and development result in forward-thinking and professional training, and consequently, satisfied employees."

Arion Bank also received the Knowledge Award of the Association of Business and Economics Graduates for implementing processes that help employees better balance work and family life, while also achieving strong measurable results in maintaining institutional expertise and creating impact on the company's operations and society as a whole. The Bank was also nominated as Best Employer Brand by brandr.

Diverse learning to match a diverse work environment

ESRS S1-12

We invest in the knowledge and skills of our employees, and it is important that our people get the opportunity to improve both professionally and personally. The range of available learning and development (L&D) is based on the needs and strategy of Arion at any given time but also takes into account how jobs and different projects evolve. One of our key targets is that all employees complete mandatory learning courses, including the code of ethics, sustainability, information security, anti-money laundering and data protection. We also place great importance on ensuring that employees have reasonable knowledge of the laws and rules which apply to their area of work.

Mandatory learning constitutes the learning index which is one of the company's key indicators. Optional learning involves courses and seminars which employees can choose to attend both within or externally according to their interests or needs.

We also offer a diverse range of learning formats that reflect our flexible and varied working environment. Available options include e-learning, in-person training, and presentations from professional associations. In addition, we encourage employees to attend external conferences, courses, and lectures. We have also continued the roll-out of gamified training and now offer such learning opportunities to employees of both Arion Bank and Vörður.

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240	6.7	501	37	99.2%
L&D events for employees	Average no. of L&D events attended per employee	No. of e-learning courses available	Average no. of e-learning courses per employee	Learning index

Learning is fun

Gamified learning has proven to be an effective and enjoyable method of learning. With gamified learning, employees can learn at their own pace and in a safe environment. Through a computer game, employees serve Arion customers in virtual reality and get the chance to make mistakes and learn from them without incurring costs or negatively affecting customer satisfaction. Employees are very pleased with this new form of training, with 90% of participants during the year responding positively to the gamified learning.

In the spring, we launched the learning project Arion Escape, a fun game aimed at teaching employees and the public about online fraud. An escape room was set up where participants took on the role of thieves working for a fraud ring and were tasked with stealing 100 million krónur in under 40 minutes. In the escape room, participants had to think like cyber criminals, learn along the way and, just as importantly, have fun. Employee participation was exceptional, with around 350 individuals taking part and competing to escape the room as quickly as possible.

The Arion Academy

All employees who join Arion attend the Arion Academy. This is a programme designed to strengthen the Group's culture, promote knowledge and enhance collaboration. The Arion Academy consists of an onboarding day, a sales and service excellence school, and e-learning.

The onboarding day is held every quarter and is intended for all new employees across the Group. The agenda includes an introduction to the operations, strategy, and culture, as well as opportunities for networking and learning. The sales and service excellence school is held regularly throughout the year with the goal of improving service by increasing employees' knowledge of the Group's products, ensuring consistent service standards, and strengthening their ability to present and sell the Group's products and services. Training takes place in small groups and is divided into two parts: service training and sales training. In 2025, around 150 employees completed the sales and service excellence school. Overall, employees are very satisfied with the course and feel that it strengthens them in their roles. The digital part of the Arion Academy spans a 90-day period, during which employees gradually work through all digital onboarding modules, followed by specialized learning paths related to the Group's products and services.

Securities license and insurance school

Some employees are required to be licensed securities brokers due to their work. To maintain these qualifications employees must attend regular continuing education sessions which ensure that they retain the requisite knowledge and skills. Arion helps employees acquire these qualifications and attend continuing education.

By law, employees involved in the sale of insurance products must complete a minimum of 15 hours of job-related training each year. Vörður collaborates with the Open University to provide training related to insurance, ensuring that employees have access to appropriate and up-to-date educational material.

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Results-driven culture

ESRS S1-1, ESRS S1-3

We work together to achieve positive results in the tasks assigned to us and give positive feedback when someone has done a good job. Employees share their expertise and information with their colleagues. With an efficient work environment, a creative mindset, and a culture of improvement, we find smart solutions and achieve success. We adopt goal setting and measure success.

Efficient working environment – strong performance

Over the past year, we have simplified processes, improved access to information, and updated our HR systems. For example, detailed HR dashboards are now available to managers, a new attendance system was implemented, the learning management system was updated, and the recruitment process was thoroughly defined with the aim of simplifying and improving it. A stronger emphasis on automation, including the implementation of Journeys and Copilot, has also made our working environment significantly more efficient.

As stated in Arion's human resources policy, we want to be an attractive workplace and create a positive and motivating working environment. The opening of a daycare facility, support measures for survivors of domestic violence, the updating of the health and safety policy, and a strong focus on employee development all contribute to this goal. The awards and recognitions the workplace received during the year clearly demonstrate that these efforts have been successful.

One goal - one team

All permanent employees, excluding control functions, are participants in the incentive scheme. Each company sets its key performance indicators at the beginning of the year, and employees can receive a performance-based incentive payment of up to 10% or 25% of annual salary. Strong performance has meant that employees across all companies have received incentive payments in recent years. During the year, it was decided that employees in the control functions would receive an annual supplementary payment to ensure fairness and competitive compensation. This payment is fixed and not performance-related and therefore does not create any incentive for increased risk-taking. All permanent employees are also offered the opportunity to participate in the Group's share option scheme. The scheme grants employees the right to purchase shares in Arion Bank for a specified amount, according to the applicable rules at any given time.

Creative mindset and smart solutions

This year, the Design Accelerator was held for the third consecutive year at Arion headquarters. Employees apply to take part, and those selected step out of their regular roles for one week. In the Design Accelerator, we connect purpose, vision, service standards, Design Thinking, and more to create exceptional customer experiences. The purpose is to explore new working methods, shift mindsets, strengthen collaboration, and foster a culture where the customer is at the centre. This year's accelerator generated numerous strong ideas, gave employees a unique opportunity to get to know colleagues from other divisions, and provided a deeper understanding of the Group's work as a whole.



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Strong leadership

ESRS S1-1, ESRS S1-3

We have an excellent management team with a clear vision for the future. We place importance on constructive training for executives and helping them achieve success. Our management team provide a good example, are inspirational and provide regular and constructive feedback to employees.

Feedback

ESRS S1-12

It is important that employees and management have a regular discussion on targets and achievements at work. The management discusses the employees' performance objectively and gives them guidance where needed. Under Arion's rules on the incentive scheme, employee compliance with the internal and external rules and employee performance have an impact on the payment of incentives. Therefore, the senior management is required to submit information on the performance of their team annually. Employees are regularly asked in surveys and workplace audits whether they receive regular feedback for their performance at work. The results of measurements from 2025 represent an improvement over previous years, indicating that managers are placing increasing emphasis on effective feedback.

Supervisor effectiveness assessment

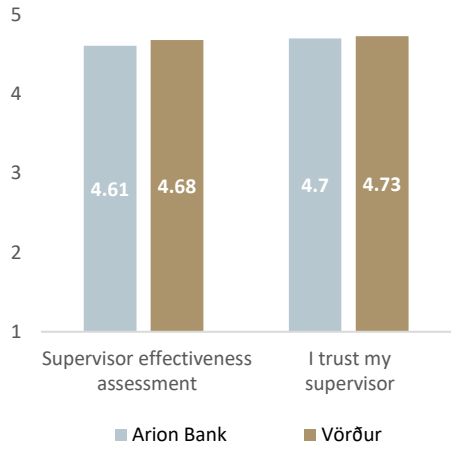
Parallel to the workplace audit, a supervisor effectiveness assessment is conducted where the success and impact of management is assessed by the employees. The results of these supervisor effectiveness assessments indicate that employees are generally satisfied with the Arion management team and have confidence in them.

Leadership training

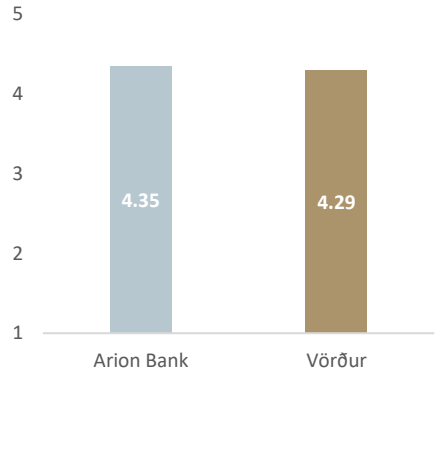
All managers go through an extensive leadership training programme in partnership with Strategic Leadership. The goal is to create an even more dynamic leadership culture which supports our strategy and helps management achieve results. Training includes goal setting and executive coaching and is held over the course of several months. Between 2022 and 2025, a total of 116 managers and other leaders underwent leadership training, of which 63 were men and 53 were women. At the end of the year, 15 people were undergoing active leadership training, and they will graduate in the first quarter of 2026.

Leadership training is followed up with regular management meetings to reinforce and support the Group's strategy and vision, along with learning and team-building sessions.

Strong leadership
Results from the 2025 workplace audit



I regularly get feedback for my work
2025 mean from index surveys





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Our commitment to society

ESRS 2 SBM-3

We aim to contribute to the success of society, among other things by improving financial literacy and raising awareness of cybersecurity. The material topics identified through the Group's double materiality assessment that relate to consumers and customers include social inclusion and information related impacts. We make every effort to ensure we do not discriminate between consumers and provide easy access to our products and services. Each year we receive numerous suggestions and positive feedback, and we systematically work through them to further improve our services. We engage in extensive partnerships and participate in and host a wide range of events each year.



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Stakeholder Engagement

ESRS 2 SBM-2

The key stakeholders of the Arion Group, as identified in the context of sustainability disclosures, are our customers, shareholders, bondholders, and employees. We also maintain important relationships with various interest groups, non-profit organizations, and supervisory authorities. We make every effort to understand the needs of these groups and maintain good, constructive dialogue with them.



Examples of Stakeholder Engagement

Customers

- We operate 13 branches nationwide and a call centre.
- Today virtually all of our dealings with customers are via the Bank's digital channels. The Arion app, online banking and the Bank's website are open 24/7, all year round.
- Our chatbot is available around the clock. The chatbot is able to resolve 55% of the numerous conversations initiated by customers. Our service advisors can then step in to sort out more complex issues.
- Our app can be used by anybody who has electronic ID, irrespective of whether they are regular customers of the Bank or not. Anyone with the app can open accounts, start regular savings, buy insurance policies, trade with securities and view their pension savings.
- Arion Bank cardholders have access to a 24/7 emergency hotline which is a vital security feature, particularly when travelling or in the case of card fraud. The Bank acquires the emergency service from a third party and also has a team handling a special card fraud hotline in the evenings and at weekends.
- We regularly conduct surveys on customer satisfaction and experience.
- We keep a record of all feedback and use it to improve our services. During the year we received 5,529 ideas and suggestions from customers, including 2,000 pieces of positive feedback.
- Insurance can be purchased and claims filed with Vörður through digital service channels, and customers can also call the emergency claims hotline, which is open 24/7.
- Customers who have experienced a loss are contacted to ensure they are informed about the status of their case and receive appropriate assistance. Approximately 6,000 such calls were made during the year.

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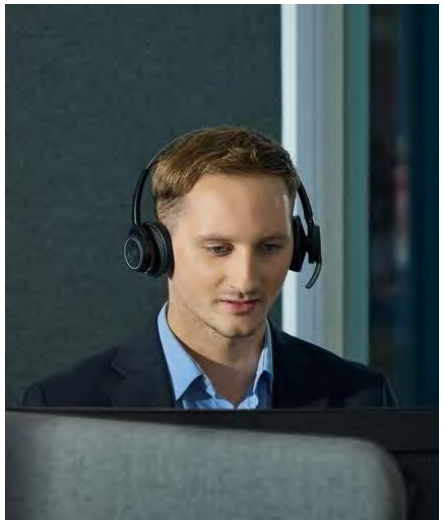
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Shareholders and bondholders

- Annual general meeting where the board of directors and auditors are elected. The AGM is a venue for voting on issues raised by shareholders or the board of directors.
- Quarterly financial results and investor presentations.
- All information defined as sensitive market information is published in the reporting system of the relevant stock exchange in accordance with the rules on MAR press releases.
- Assessments made by rating agencies which shareholders and bondholders can use to assess the Bank as an investment option.
- Regular meetings with investors.
- Capital markets day and conferences.





Employees

- We regularly measure people's experience of the working environment and monitor people's well-being in the workplace. The Arion, Vörður and Stefnir indices are surveys sent to all employees every second month.
- Arion has a union representative committee which employees can consult. The union representative committee is responsible for issues relating to terms of employment and union-related business of employees and it supports the union representatives in their work.
- Employees can always consult their immediate supervisor and/or Human Resources to discuss any issues which occur in their work.
- Arion has a partnership with a specialist provider who offers psychological services which employees can access directly and confidentially.
- Employees can report any anomalies, including security breaches, on the Arion intranet.
- It is important that employees and management have a regular discussion on targets and achievements at work. The management discusses the employees' performance objectively and gives them guidance where needed.

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Society

- The Women Invest initiative continued to attract considerable attention in 2025 and its aim is to raise the participation rate of women in investment and to help women and girls assert their financial independence, while ensuring equality on the financial markets and access to financial services.
- There is a special focus on education on cyber security on social media and individuals and companies can attend talks on cyber security.
- We sponsor various organizations, investment and innovation projects, conferences and learning events and have a clear sponsorship policy.
- We collaborate actively with Icelandic universities, including through guest lectures, participation in Career Days at Reykjavík University, and offering internship opportunities. Each year we also hire a number of university students for summer positions and part time work alongside their studies.
- Stefnir has made efforts to present its business to diverse groups and to this end its employees have taught and presented the company at universities, conferences and through the Women Invest initiative.
- On social media Stefnir has published excerpts from corporate research on the fisheries, demography and municipalities with the aim of stimulating social discourse on different business sectors in Iceland.
- Vörður has had an active social media presence this year, focusing on creating content which improves people's understanding of insurance and draws attention to the importance of preventive measures and traffic safety. In collaboration with the Icelandic Transport Authority and Eimskip, a public campaign was launched drawing attention to the risks associated with fatigue and lack of sleep while driving.



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Responsible marketing and product management

ESRS S4-1, ESRS 2 GDR-P

Arion Bank follows a policy on responsible product management, product range and marketing. Compliance with the policy is the responsibility of the managing director of Retail Banking and head of Marketing. The policy states that the Bank endeavours to offer products and services which are beneficial to our customers, shareholders and society as a whole. Arion Bank has a defined set of procedures for responsible product management in the retail market, and it takes into account the European Banking Authority's Guidelines on product oversight and governance arrangements for retail banking products.

The Bank protects its customers' interests during the product development process and seeks to ensure as far as possible that they receive products and services suitable for them. The emphasis is on risk-based product management to identify and manage risk associated with products and services and the impact on consumers. Identified risks associated with the Bank's products are checked every year and a risk assessment is performed when new products are launched and important changes are made.

Arion Bank has new product approval procedure for product development, which is a change-management process covering the creation or modification of products, services, and systems. The process applies to extensive changes that introduce new risks for Arion and are considered to have a significant impact on operations.

The process reviews key considerations related to new initiatives or changes, including compliance with laws and regulations, alignment with the Bank's risk appetite, and the resources and expertise required to understand and assess risks. The objective of the process is to ensure adherence to policies and rules, fulfil regulatory requirements, and make sure that innovations and major changes are in line with the Bank's risk appetite.

It is important that employees have a sound knowledge of the rules that apply to the products and services provided by the Bank. Employees undergo continuous and focused training, including mandatory L&D courses and lectures on some of the Bank's key issues and products.

The Bank records and categorizes recommendations and complaints by product and type of service and shares this information every year with the Central Bank of Iceland. Recommendations and complaints are responded to where applicable and used in the product development process and to improve customer experience.

Vörður follows Arion Bank's policy on responsible marketing. The company safeguards customer interests in the development of Vörður's products and ensures, where possible, that customers receive products and services suited to their needs. In the development of new products and major changes to existing products, a documented product development process is followed. Emphasis is placed on professional and risk-based product-management to analyze and manage risks and impacts on consumers. The company also places great importance on ensuring that employees are familiar with the rules governing the products and services it offers.



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Inclusion and customer service

Arion Bank places great importance on ensuring that its services are accessible, simple, and fair for customers, regardless of their background or needs. The Bank's digital solutions, such as the Arion app and online banking, allow customers to manage their finances anywhere and at any time, without needing to visit a branch.

To serve diverse groups, targeted efforts are made to offer content and communication in multiple languages. The Bank also places great emphasis on security in digital interactions through learning and fraud-prevention measures.

Examples of inclusive initiatives:

- **Services available in more languages:** We aim to make our services accessible in more languages than Icelandic to meet the needs of our customers. About 98% of the content in the app and 85% of the online bank is available in English, and the translation of the online bank into Polish is well underway. We offer an English-language line in our call centre, and we have mapped the language skills of employees to ensure customers can receive assistance in the language that suits them best.
- **Women Invest:** We held an event in English for women of foreign background and offer sign-language interpretation upon request. Our learning events are open to all women, regardless of whether they are customers or not.
- **Service for seniors:** We provide a priority line for senior citizens in our call centre, ensuring faster and more tailored service – a measure that has been very well received. Our service advisors have also held educational sessions on online fraud for groups of seniors. These sessions are intended to help people identify potential fraud and take the right steps to prevent further harm.

Through these initiatives, Arion Bank aims to promote inclusive services where customers can access financial services in a safe, efficient, and personalized manner.



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Sponsorship and partnerships

Arion Bank's sponsorship policy
ESRS 2 GDR-P

Arion Bank collaborates with a wide range of non-profit organizations and companies and supports their work for the benefit of society. The Bank operates according to an approved sponsorship policy and places emphasis on ensuring that donations align with the Bank's core activities or support the United Nations Sustainable Development Goals, with particular focus on the goals the Bank has prioritized. When selecting beneficiaries and partners, governance practices, environmental and climate considerations, and social factors are also taken into account. The Bank places strong emphasis on ensuring that the sponsorship process is well-defined and transparent.

Vörður's sponsorship policy
ESRS 2 GDR-P

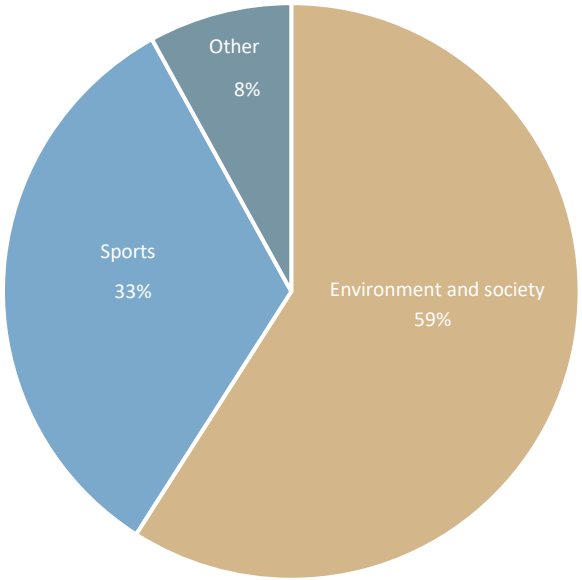
Vörður's sponsorship policy reflects the company's sustainability objectives and is based on the United Nations Sustainable Development Goals that the company has prioritized. Vörður focuses on supporting projects that are connected to the company's core activities and have a positive impact on society as a whole. Vörður does not support projects based on personal interests or business relationships, nor projects related to alcohol, tobacco, politics, or religion.

Donations to political activities
ESRS G1-5

Arion Bank has established a policy on donations to political activities. The policy states, among other things, that the Bank only provides support to political parties that run nationwide in parliamentary elections and already hold seats in the Icelandic parliament. To be eligible for support, parties must specifically request financial assistance from the Bank, and all donations are of equal amount.

The Bank therefore does not support individual candidates, party lists in specific constituencies, municipal election campaigns, or internal party movements. The Bank also does not sponsor individual events organized by political parties and does not advertise in media owned by political parties. Furthermore, the Bank does not grant discounts on products or services, or offer special concessions or waivers, to political parties beyond what is available to other customers.

No financial contributions were made to political parties in 2025.



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Events and partnerships

The Arion Group aims to be an active participant in society. We enjoy welcoming visitors to our premises and host numerous meetings, conferences, and events. We also take part in various external events and are loyal sponsors, as the examples below show.

In 2025, Arion signed a partnership agreement with the Research Centre for Gender Equality in Economic and Business Affairs at the University of Iceland and will serve as its principal sponsor for the coming years. The Centre will work to strengthen knowledge about gender dynamics in the labour market, analyze the causes of gender gaps in management positions, investment, and entrepreneurship, and develop practical solutions based on robust research.



Arion Bank was one of the main sponsors of the Arctic Circle Assembly, held at Harpa in October. The assembly aims to foster dialogue and cooperation on the future and development of the Arctic region, whose importance has grown significantly in light of climate change and global geopolitics.

Arion Bank supported a number of charities during the year, including the Icelandic Cancer Society, the Bryndís Klara Memorial Fund, Bergið headspace, Kraftur, and various mothers' aid organizations. In addition, the Bank's branches across the country supported numerous local initiatives in their communities.



Arion Bank is one of the sponsors of the Icelandic Handball Association (HSÍ) and has supported Icelandic handball for many years. The Bank is also one of the main sponsors of the Icelandic Sports Association for the Disabled and has been so for decades. In addition, support is provided to numerous other sports clubs across the country.



We stand with our customers in the challenges they face and encourage them to take action. During the year, we invited companies to various meetings, including discussions on the situation in the Icelandic fisheries and tourism sectors, a session on online fraud and how to prevent data leaks, meetings on economic outlooks, and more.

Arion Bank is a supporter of the Women Leaders Global Forum, which is hosted by the Reykjavík Global Forum, the Icelandic parliament, and the Icelandic government in cooperation with the international network of women parliamentarians, WPL. The forum plays an important role in raising awareness of and promoting gender equality worldwide. In 2025, around 500 women leaders from about 80 countries attended the event, which took place in Harpa in November.



Arion Bank supports the Icelandic Forestry Association, helping to fund an initiative to further advance public knowledge of forests, provide information and improve access to forests for recreational purposes. The Bank also provides funding to plant trees.

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Vörður was a key supporter of the national fundraising campaign "Á allra vörum," which was highly visible this past year. "Á allra vörum" is a nationwide awareness and fundraising initiative where the public unites around a chosen cause. This year's cause focused on funding the construction of a new Women's Shelter. In addition, Vörður supports numerous sports and charitable organizations around the country each year.

Stefnir supports SoGreen which buys inactive carbon credits for avoided emissions generated by educating girls in Zambia. This is the first climate project of its kind in the world and is the product of Icelandic innovation founded on the idea of equality.

Stefnir has collaborated with Kolviður since 2020. In cooperation with Kolviður, the company has planted trees on behalf of unit holders in the Stefnir Green Selection fund.



Vörður has had long term collaborations with Breiðablik and the Icelandic Golf Association (GSÍ) for over 13 years. The company has been the main sponsor of Breiðablik's football club since 2010 and a sponsor of GSÍ since 2012.

Arion Bank has for many years been a member of Festa, the Center for Sustainability. Festa's mission is to increase knowledge about corporate responsibility and sustainability among companies, institutions, and all types of organizations. As in previous years, the Bank provided additional financial support to Festa this year and is therefore classified as a cornerstone sponsor. The Bank also has representatives on Festa's board of directors and youth council.

Following Festa's January Conference, Iceland's largest sustainability conference, we hosted an event titled "Human rights in a just value chain." The event was organized by Festa, the Center for Sustainability, in cooperation with the Institute of International Affairs at the University of Iceland, UN Women, UNICEF, the Icelandic United Nations Association, and the UN Global Compact.

As a member of Festa, we also hosted a networking event for other member organizations. The meeting covered the Bank's sustainability journey, how the Bank manages sustainability-related risks, and the progress of the Women Invest project. The event was well attended, and lively discussions followed both during and after the session.

We hosted an IcelandSIF meeting on aqua-culture and sustainability in Iceland. The meeting was open to IcelandSIF members. The event explored how fish farming can be developed responsibly, ensuring that nature, society, and the economy work together. The aim was to bring together representatives from business, academia, and finance to discuss Iceland's opportunities to become a leading example in sustainable aquaculture and the importance of stakeholder collaboration in securing a strong future for the industry.



The photo shows the board of Festa together with the managing director. Photographer: Ernir Eyjólfsson.

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Innovation and support for entrepreneurs

Innovation and support for entrepreneurs

Over the years Arion Bank has been a dedicated supporter of innovation, including through various investment initiatives. The aim is to strengthen the business sector and promote its long-term stability and sustainable development.

In 2024, an important step was taken when the Bank began providing loans backed by EIF guarantees. These loans are based on an agreement with the European Investment Fund (EIF) and apply to projects in the fields of sustainability, innovation, and the creative industries. With the EIF guaranteeing up to 70% of the loan amount, new opportunities open up to provide financing for growing companies such as software and technology firms. Companies receiving such loans must have reached an investable stage, meaning they must have a finished product, active revenue streams, solid financing, and robust forward-looking business plans. Many of the companies share the characteristic that they seek EIF-backed financing to strengthen and accelerate their growth beyond Iceland's borders.

At the beginning of the year, Arion Bank held an informational session on EIF financing for selected companies within the portfolio of the Kría Seed Fund. This provided a valuable opportunity to engage with innovative and knowledge driven companies on how Arion Bank can create additional value for them.

Arion Bank took part in Iceland Innovation Week with the event "How to become Bankable" last spring. The session introduced the financing pathways the Bank offers to innovation driven companies. It covered factors that determine corporate creditworthiness and at what stage the Bank can step in and provide loan financing. Participants included representatives from the Bank as well as 1939 Games, Crowberry Capital, Feel Iceland, Orf Genetics, and Venja Supplements.

Iceland Innovation Week has established itself as a powerful platform for Icelandic industry to present the latest trends and developments to international guests, attracting representatives from venture funds and innovation companies from around the world.

Arion Bank is also one of the main sponsors of Junior Achievement Iceland. The organization's mission is to prepare young people for the future and strengthen their capacity for participation in the labour market and entrepreneurship by promoting innovation, entrepreneurial education, and business literacy in upper secondary schools.

Going forward, Arion Bank will continue to place strong emphasis on strengthening its collaboration with innovation-driven companies and contributing to a supportive environment for entrepreneurship, which aligns closely with the Bank's lending strategy.



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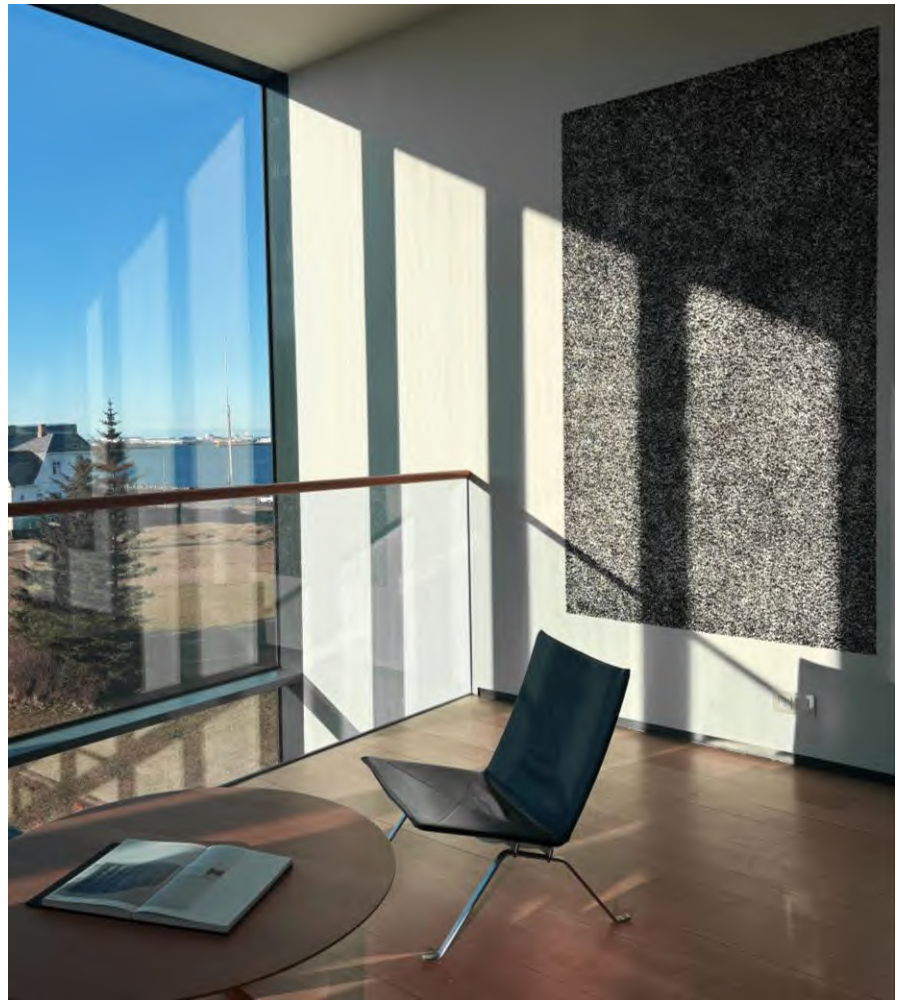
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Art and culture

The Bank owns around 1,200 works of art by many of Iceland's leading artists and numerous works are on display at Arion Bank's branches and corporate offices. Over the years the Bank has shared its passion for art with employees and customers by organizing a series of exhibitions and talks at the Bank's headquarters.

In 2007 a group of employees translated their passion for art into action and founded a vibrant arts society at the Bank. The arts society invests in art and design and hosts an art evening twice year where employees have the opportunity to acquire a work of art. The events and exhibitions arranged by the arts society and Bank's arts program have sparked interest in art and made art a talking point among our employees and customers. More than 60% of the Group's employees are members of the arts society.

The Bank held several art related events during the year, most notably the exhibition Eitthvað í loftinu ("Something in the Air") and a lecture by art historian and economist Kári Finnsson on how art and economics can help us respond to the unexpected. The Bank also expanded its art collection by acquiring works from several artists, with a particular emphasis on works by women artists this year.



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The information published in Arion Bank's sustainability accounts on environmental, social and governance factors applies to 2025. The accounts for environmental and social factors apply to Arion Bank and the subsidiaries Vörður and Stefnir. The accounts for governance factors only apply to Arion Bank.

Data from the years 2021–2024 is presented for comparison with the Bank's accounts, and data from 2024 for comparison at the Group level. The baseline year for Arion Bank's environmental accounts is 2015.

Key to references in Arion Bank's sustainability statements

The letters E, S and G refer to environmental, social and governance factors as set out in the Nasdaq ESG reporting guide.

GRI stands for Global Reporting Initiative, GRI Standards. GRI helps companies and institutions analyze, collect and publish information on the economic, environmental and social impact of their activities.

UNGC stands for United Nations Global Compact. By participating in the Global Compact companies or institutions commit to work towards the UN's Ten Principles on Sustainability. SDG refers to the UN Sustainable Development Goals. The Sustainable Development Goals were adopted by all member states of the United Nations in September 2015. There are 17 Sustainable Development Goals and 169 targets. This table refers to the 17 goals.

ESRS refers to the European Sustainability Reporting Standard. The standard forms part of the EU Directive on sustainability reporting for large and/or listed companies. The Directive has not been transposed into Icelandic law.



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Operational Parameters

Operational Parameters	Unit	Arion Bank 2015	Arion Bank 2022	Arion Bank 2023	Arion Bank 2024	Arion Bank 2025	Arion Bank, Vörður and Stefnir 2024	Arion Bank, Vörður and Stefnir 2025
Total revenue	Billion ISK	86.60	53.68	61.81	63.88	72.80	66.45	78.39
Total assets	Billion ISK	1,011	1,458	1,507	1,596	1,736	1,618	1,756
Number of employees at the end of year	no.	945	767	813	823	855	918	957

Environment (excluding financed emissions)

Direct and indirect GHG emissions (E1 | UNGC-P7 | GRI: 305-1, GRI: 305-2, GRI: 305-3, GRI: 305-5 | ESRS E1-8, ESRS E1-9)	Unit	2015	2022	2023	2024	2025	2024	2025
Scope 1	tCO2e	86.3	28.9	31.6	30.5	27.1	33.2	29.6
Scope 2 (Location-based)	tCO2e	64.9	28.1	32.4	39.1	33.9	44.6	38.9
Scope 2 (Market-based)	tCO2e	64.9	28.1	24.8	29.5	26.2	33.7	30.0
Scope 3	tCO2e	273.4	493.5	603.5	548.0	494.5	607.6	562.4
Total emissions scope 1 & 2 (Market-based)	tCO2e	151.2	57.0	56.4	60.0	53.3	66.9	59.6
Total emissions with carbon offsets (scope 1 & 2) (Market-based)	tCO2e	151.2	-543.0	-593.6	-615.3	53.3	-683.1	59.6
Total emissions scope 1, 2 (Market-based) & 3	tCO2e	424.6	550.5	659.9	608.0	547.8	674.5	622.1
Total emissions neutralised by carbon offsets projects	tCO2e	0.0	600.0	650.0	675.3	0.0*	750.0	0.0*
Total emissions with carbon offsets scope 1, 2 (Market-based) & 3	tCO2e	424.6	-49.5	9.9	-67.3	547.8	-75.5	622.1

*Delays in purchasing carbon credits due to ICR's reassessment of VAXA Technologies´ methodology

Emissions intensity scope 1 & 2 (Market-based) (E2 | UNGC-P7, P8 | GRI: 305-4 | SDG 13)	Unit	2015	2022	2023	2024	2025	2024	2025
Emission intensity of energy consumption	kgCO2e/MWh	14.5	10.1	10.5	9.9	8.7	10.0	8.8
Emissions intensity of employees	tCO2e/No.	0.16	0.07	0.07	0.07	0.06	0.07	0.06
Emission intensity per total assets	tCO2e/billion ISK	0.15	0.04	0.04	0.04	0.03	0.04	0.03
Emission intensity of total revenue	tCO2e/billion ISK	1.75	1.06	0.91	0.94	0.73	1.01	0.76

Emissions intensity scope 1, 2 (Market-based) & 3 (E2 | UNGC-P7, P8 | GRI: 305-4 | SDG 13)	Unit	2015	2022	2023	2024	2025	2024	2025
Emission intensity of energy consumption	kgCO2e/MWh	40.7	98.0	123.1	100.0	89.4	100.5	91.5
Emissions intensity of employees	tCO2e/No.	0.45	0.72	0.81	0.74	0.64	0.73	0.65
Emission intensity per total assets	tCO2e/billion ISK	0.42	0.38	0.44	0.38	0.32	0.42	0.35
Emission intensity of total revenue	tCO2e billion ISK	4.9	10.26	10.68	9.52	7.52	10.15	7.94

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Emissions intensity scope 1 & 2 (Location-based) (E2 | UNGC-P7, P8 | GRI: 305-4 | SDG 13)	Unit	2015	2022	2023	2024	2025	2024	2025
Emission intensity of energy consumption	kgCO2e/MWh	14.5	10.1	11.9	11.4	10.0	11.6	10.1
Emissions intensity of employees	tCO2e/No.	0.16	0.07	0.08	0.08	0.07	0.08	0.07
Emission intensity per total assets	tCO2e/billion ISK	0.15	0.04	0.04	0.04	0.04	0.05	0.04
Emission intensity of total revenue	tCO2e/billion ISK	1.75	1.06	1.03	1.09	0.84	1.17	0.87

Emissions intensity scope 1, 2 (Location-based) & 3 (E2 | UNGC-P7, P8 | GRI: 305-4 | SDG 13)	Unit	2015	2022	2023	2024	2025	2024	2025
Emission intensity of energy consumption	kgCO2e/MWh	40.7	98.0	124.5	101.6	90.7	102.1	92.8
Emissions intensity of employees	tCO2e/No.	0.45	0.72	0.82	0.75	0.65	0.75	0.66
Emission intensity per total assets	tCO2e/billion ISK	0.42	0.38	0.44	0.39	0.32	0.42	0.36
Emission intensity of total revenue	tCO2e/billion ISK	4.9	10.26	10.80	9.67	7.63	10.31	8.05

Direct & indirect energy consumption (E3 | UNGC-P7, P8 | GRI: 302-1 | SDG 12 | ESRS E1-7)	Unit	2015	2022	2023	2024	2025	2024	2025
Total energy consumption	kWh	10,445,297	5,617,545	5,360,620	6,077,927	6,124,586	6,711,698	6,800,914
Of which energy from fossil fuel	kWh	335,087	118,707	120,848	116,894	104,596	127,668	114,698
Of which energy from electricity	kWh	4,032,727	1,822,163	1,794,692	1,681,713	1,625,952	1,858,933	1,802,416
Of which energy from hot water	kWh	6,077,483	3,676,675	3,445,080	4,279,321	4,394,038	4,725,097	4,883,800

Energy intensity (E4 | UNGC-P7 | GRI: 302-3 | SDG 12)	Unit	2015	2022	2023	2024	2025	2024	2025
Energy per employee	kWh/No.	11,053	7,324	6,594	7,385	7,163	7,311	7,106
Energy intensity per total assets	kWh/billion ISK	10,332	3,854	3,557	3,808	3,528	4,147	3,873
Energy intensity per total revenue	kWh/billion ISK	120,615	104,649	86,727	95,152	84,129	101,002	86,757

Energy mix (Location-based) (E5 | GRI: 302-1 | SDG 7 | ESRS E1-7)	Unit	2015	2022	2023	2024	2025	2024	2025
Fossil fuel	%	9.8	2.1	2.3	1.9	1.7	1.9	1.7
Renewable energy	%	85.6	97.9	97.7	98.1	98.3	98.1	98.3
Nuclear energy	%	4.6	0.0	0.0	0.0	0.0	0.0	0.0

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Water consumption (E6 | UNGC-P7 | GRI: 303-5 | SDG 6 | ESRS E3-4)	**Unit**	**2015**	**2022**	**2023**	**2024**	**2025**	**2024**	**2025**
Total water consumption	m^3	169,856	106,747	107,860	120,603	125,213	133,754	139,240
Cold water	m^3	63,670	42,508	48,206	45,835	48,440	51,197	53,911
Hot water	m^3	106,186	64,239	60,193	74,768	76,773	82,557	85,330

Environmental operations (E7 | GRI: 2.23 | ESRS E1-4)	**Unit**	**2015**	**2022**	**2023**	**2024**	**2025**	**2024**	**2025**
Environmental Policy approved by the board	Yes/No	-	Yes	Yes	Yes	Yes	Yes	Yes
Company follows specific waste, water, energy, and/or recycling policies	Yes/No	-	Yes	Yes	Yes	Yes	Yes	Yes
Company uses a recognised energy management system	Yes/No	-	No	No	No	No	No	No

Climate oversight / board (E8 | GRI: 2.12 | ESRS 2 GOV-1)	**Unit**	**2015**	**2022**	**2023**	**2024**	**2025**	**2024**	**2025**
Board of Directors oversees and/or manages climate-related risks	Yes/No	-	Yes	Yes	Yes	Yes	-	-

Climate oversight / management (E9 | GRI: 2.13 | ESRS 2 GOV-1)	**Unit**	**2015**	**2022**	**2023**	**2024**	**2025**	**2024**	**2025**
Senior Management Team oversees and/or manages climate-related risks	Yes/No	-	Yes	Yes	Yes	Yes	-	-

Climate risk mitigation (E10)	**Unit**	**2015**	**2022**	**2023**	**2024**	**2025**	**2024**	**2025**
Total annual investment in climate-related infrastructure, resilience, and product development	billion ISK	-	-	-	-	-	-	-

Paper management	**Unit**	**2015**	**2022**	**2023**	**2024**	**2025**	**2024**	**2025**
Total amount of printed paper	pages	1,560,173	499,458	314,561	324,239	274,705	361,666	307,477
Of which color print	pages	441,383	206,270	128,868	124,684	137,407	139,077	153,800
Of which black/white print	pages	1,118,790	293,188	185,693	199,554	137,298	222,589	153,677
Duplex	pages	834,110	57,462	105,491	76,569	76,650	85,408	85,794

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Waste management (GRI: 306-3, 306-4, 306-5 | ESRE E5-5)	Unit	2015	2022	2023	2024	2025	2024	2025
Total waste generated	kg	119,992	137,743	68,512	63,923	73,168	71,155	81,502
Of which sorted waste	kg	49,068	110,389	49,953	46,047	53,214	51,606	59,572
Of which unsorted waste	kg	68,404	27,371	18,559	17,877	19,954	19,549	21,930
Recycled/recovery	kg	48,558	126,528	49,534	46,016	71,371	51,572	79,641
Landfill/disposal	kg	71,434	11,232	1,163	1,428	1,797	1,446	1,861
Percentage of sorted waste	%	40.9	80.1	72.9	72.0	72.7	72.5	73.1
Percentage of recycled waste	%	40.5	91.9	72.3	72.0	73.1	72.5	73.4

Emission in scope 3 (GRI: 305-3 | ESRS E1-8)	Unit	2015	2022	2023	2024	2025	2024	2025
Category 1 – Purchased goods and services	tCO2e	-	57.4	22.3	71.7	81.9	80.1	91.7
Data centers	tCO2e	-	-	-	1.8	2.4	2.0	2.7
Category 3 - Fuel- and Energy-Related Activities	tCO2e	-	-	7.8	7.6	6.8	8.3	7.4
Category 5 – Waste from operations	tCO2e	34.7	7.5	14.1	14.3	18.6	15.6	20.5
Category 6 – Business trips	tCO2e	238.6	180.7	280.0	200.2	172.6	227.5	201.4
Flights	tCO2e	238.6	178.2	277.3	198.6	171.4	225.6	200.0
Taxi	tCO2e	-	2.5	2.7	1.6	1.2	1.9	1.4
Category 7 – Emissions from employees commuting	tCO2e	-	220.9	269.0	234.0	199.0	256.1	225.6
Category 8 – Emissions from upstream leased assets	tCO2e	-	12.1	5.2	14.2	10.8	14.2	10.8
Category 13 – Emission from downstream leased assets	tCO2e	-	4.7	4.4	5.9	5.0	5.9	5.0
Category 15 - Investments	tCO2e	See chapter: Financed emissions						

Carbon offsets (GRI: 305-5 | ESRS E1-9)	Unit	2015	2022	2023	2024	2025	2024	2025
Total emissions offset	tCO2e	0	600	650	675	0*	750	0*
Does a third party verify carbon offset projects?	Yes/No	-	Yes	Yes	Yes	-	Yes	-

*Delays in purchasing carbon credits due to ICR's reassessment of VAXA Technologies´ methodology

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Total fuel consumption (UNGC-P7 | GRI: 302-1 | ESRS E1-7)	Unit	2015	2022	2023	2024	2025	2024	2025
Total fuel consumption in litres	litres	33,457	12,508	12,768	12,373	11,079	13,542	12,175
Petrol	litres	2,916	8,011	8,276	8,317	7,550	9,486	8,646
Diesel oil	litres	30,541	4,497	4,492	4,056	3,529	4,056	3,529

KPMG's involvement
KPMG ehf. was engaged to assist with the preparation of Arion's the environmental accounts for 2025. The Bank is responsible for the information in its entirety and for the reliability of the data on which the analysis is based. KPMG reviewed the data, calculated the environmental impact in accordance with the Greenhouse Gas Protocol and assisted with the configuration of the accounts in accordance with the Nasdaq ESG Reporting Guide and the GRI Standards. The connection to the updated ESRS standard, as published by EFRAG in November 2025, was also examined. KPMG's work does not constitute an audit or assurance.

Organizational and operational boundaries
Arion's environmental accounts were prepared using operational control methodology, according to which Arion accounts for all greenhouse gas emissions from the business units over which it has control. The methodology does not account for greenhouse gas emissions from business units over which it does not have control.

The following activities of Arion are included in these environmental accounts:
Scope 1: Direct emissions from the company's activities according to the GHG protocol.
Scope 2: Indirect emissions from the company's activities according to the GHG protocol.
Emissions from fuel consumption and from electricity and hot water consumption represent emissions in Scopes 1 and 2 at Arion, included in full with data from service providers.
Scope 3: Indirect emissions from the company's value chain according to the GHG Protocol.

Categories in Scope 3 calculated in Arion's 2025 environmental accounts:
Category 1: Purchased goods and services (partially included with data on purchased paper, computer equipment and coffee)
Category 3: Fuel and energy-related activities
Category 5: Waste generated in operations (fully estimated with data from service providers)
Category 6: Business travel (partially included with data on employee flights and taxi journeys, emissions from hotel stays not included)
Category 7: Employee commuting (fully estimated with transportation survey)
Category 8: Upstream leased assets (electricity & hot water consumption – emissions from leased assets estimated with data from service providers and number of employees)
Category 13: Downstream leased assets (electricity & hot water consumption – emissions from Vörður and Stefnir estimated with data from service providers and number of employees)
Category 15: Investments (partially included in Bank's PCAF analysis)

Categories in Scope 3 excluded from Arion's 2025 environmental accounts:
Category 2: Capital goods
Category 4: Upstream transportation and distribution

Categories in Scope 3 which do not apply to Arion's supply chain
Category 9: Downstream transportation and distribution
Category 10: Processing of sold products
Category 11: Use of sold products
Category 12: End-of-life treatment of sold products
Category 14: Franchises

Notes
The technical criteria used in the environmental accounts are defined terms issued in the international GHG Protocol standard. These include Scopes 1, 2, and 3 and the 15 subcategories associated with Scope 3. The data collection and calculations followed the technical requirements of these scopes and categories. Arion Bank purchased electricity origin guarantees for the electricity used by the Bank, Vörður, and Stefnir in 2025. Scope 2 emissions from electricity use are therefore presented both on a location-based and market-based basis. Calculated emissions related to the Bank's lending and investments are presented in the chapter Financed Emissions. Accounts for the years 2019–2024 remain unchanged year to year, except for emissions relating to energy use (Scope 2). Those figures were updated based on revised emission factors from the Icelandic Environmental and Energy Agency for electricity and hot water consumption. This change also affected emissions from data center use in 2024. Emission figures for 2024 also changed due to double counting of flights (between Icelandair and accounting data) and employee commuting. Additionally, emissions for coffee capsule use were updated based on a revised methodology relating to capsule weight. It should be noted that different emission factors may have been used for earlier years.

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CEO Pay Ratio (S1 | GRI 2-21 | UNGC-P6 | ESRS S1-15)	**Unit**	**2021**	**2022**	**2023**	**2024**	**2025**	**2024**	**2025**
CEO Salary & Bonus (X) to median FTE Salary	X:1	5.7	6.8	6.3	6.2	6.5	6.2	6.4
CEO Salary & Bonus (X) to average FTE Salary	X:1	-	-	-	5.3	5.5	5.2	5.4
Does your company report this metric in regulatory filings?	Yes/No	No	No	No	No	No	No	No
Gender Pay Ratio (S2 | GRI 405-2 | UNGC-P6 | ESRS S1-15)	**Unit**	**2021**	**2022**	**2023**	**2024**	**2025**	**2024**	**2025**
Median total compensation for men (X) to median total compensation for women	X:1	1.43	1.29	1.28	1.26	1.26	1.24	1.26
Avg. total compensation for men (X) to avg. total compensation for women	X:1	-	-	1.24	1.23	1.25	1.21	1.24
Outcome of equal pay certification	%	0.10	0.40	0.20	0.40	0.20	0.40	0.40
Employee Turnover (S3.1 | GRI 401-1 b. | UNGC-P6 | ESRS S1-5)	**Unit**	**2021**	**2022**	**2023**	**2024**	**2025**	**2024**	**2025**
Employee Turnover	%	15.5	12.0	10.2	12.3	8.9	12.1	9.6
Left voluntarily	%	7.8	7.9	7.9	6.5	6.6	6.5	7.5
Left due to dismissal	%	6.8	3.1	1.2	4.9	0.9	4.8	0.9
Retired	%	0.9	1.0	1.1	0.9	1.4	0.8	1.2
Employee Turnover by gender								
Women	%	62.1	58.8	56.6	53.1	59.2	52.4	57.0
Men	%	37.9	41.2	43.4	46.9	40.9	47.6	43.0
Employee Turnover by age								
Aged 20-29	%	13.6	24.7	29.0	25.0	38.0	22.9	33.7
Aged 30-39	%	28.2	32.9	27.6	24.0	22.5	23.8	27.9
Aged 40-49	%	34.0	23.5	23.7	20.8	18.3	24.8	19.8
Aged 50-59	%	17.5	7.1	10.5	22.9	7.0	21.9	7.0
Aged 60-69	%	6.8	11.8	9.2	7.3	14.1	6.7	11.6
Employee Turnover by region								
Greater Reykjavík Area	%	80.6	83.5	85.5	78.1	83.1	80.0	86.0
Outside Greater Reykjavík Area	%	19.4	16.5	14.5	21.9	16.9	20.0	14.0

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Gender Diversity (S4.1 | GRI 2-7 c. | UNGC-P6 | ESRS S1-5)	Unit	2021	2022	2023	2024	2025	2024	2025
Total number of employees at the end of the year	no.	681	767	813	823	855	918	957
Women	no.	-	-	-	470	479	520	534
Men	no.	-	-	-	353	376	398	423
Other	no.	-	-	-	<5	<5	<5	<5
Not reported	no.	-	-	-	<5	<5	<5	<5
Women	%	59.5	58.3	56.9	57.1	56.0	56.6	55.8
Full-time	%	50.8	50.6	48.9	51.2	50.0	50.9	49.8
Part-time	%	8.7	7.7	8.0	6.0	6.0	5.8	6.0
Men	%	40.5	41.7	43.1	42.9	44.0	43.4	44.2
Full-time	%	37.3	37.7	38.3	39.3	40.3	39.9	40.8
Part-time	%	3.2	4.0	4.8	3.7	3.7	3.5	3.4

Equality (S4.2, S4.3 | GRI 401-3 a., b., c., GRI 405-1 | UNGC-P6 | ESRS S1-8, ESRS S1-14)	Unit	2021	2022	2023	2024	2025	2024	2025
Board of Directors								
Women	%	40.0	40.0	50.0	60.0	60.0	53.3	60.0
Men	%	60.0	60.0	50.0	40.0	40.0	46.7	40.0
Age of Board of Directors								
Aged 20-29	%	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Aged 30-39	%	0.0	0.0	0.0	0.0	0.0	6.7	6.67
Aged 40-49	%	20.0	0.0	0.0	0.0	0.0	6.7	13.33
Aged 50-59	%	60.0	60.0	66.6	80.0	60.0	53.3	53.3
Aged 60-69	%	0.0	20.0	16.7	20.0	40.0	33.3	26.7
Aged 70-79	%	20.0	20.0	16.7	0.0	0.0	0.0	0.0
All Management	no.	77	85	95	98	99	115	117
Women	%	45.5	45.9	44.2	48.0	45.5	48.7	46.2
Men	%	54.5	54.1	55.8	52.0	54.5	51.3	53.8
Managing directors	no.	9	9	9	8	8	14	13
Women	%	44.4	33.3	33.3	25	25.0	42.9	38.5
Men	%	55.6	66.7	66.7	75.0	75.0	57.1	61.5
Heads of Departments	no.	37	40	42	39	39	47	49
Women	%	37.8	40.0	38.1	43.6	41.0	44.7	40.8
Men	%	62.2	60.0	61.9	56.4	59.0	55.3	59.2
Team Leaders	no.	9	14	20	33	33	36	35
Women	%	33.3	42.9	40.0	48.5	48.5	47.2	48.6
Men	%	66.7	57.1	60.0	51.5	51.5	52.8	51.4

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Equality (S4.2, S4.3 | GRI 401-3 a., b., c., GRI 405-1 | UNGC-P6 | ESRS S1-8, ESRS S1-14)	Unit	2021	2022	2023	2024	2025	2024	2025
Service managers	no.	12	13	18	18	19	18	20
Women	%	75.0	76.9	72.2	66.7	57.9	66.7	60.0
Men	%	25.0	23.1	27.8	33.3	42.1	33.3	40.0
Age of Management								
Aged 20-29	%	0.0	0.0	1.0	1.0	1.0	0.9	0.9
Aged 30-39	%	13.0	15.3	17.9	17.4	12.1	18.3	13.7
Aged 40-49	%	63.6	54.1	51.6	54.1	50.5	53.9	50.4
Aged 50-59	%	15.6	22.4	23.2	22.5	31.3	21.7	29.9
Aged 60-69	%	7.8	8.2	6.3	5.1	5.1	5.2	5.1
Age of Employees								
Aged 18-19	%	0.3	0.9	0.6	0.2	0.0	0.2	0.0
Aged 20-29	%	17.3	20.0	23.3	25.4	25.7	24.9	25.4
Aged 30-39	%	21.7	20.0	19.8	20.3	23.5	21.5	24.1
Aged 40-49	%	32.0	28.0	26.0	24.1	21.8	24.2	21.3
Aged 50-59	%	22.0	23.7	22.6	21.8	20.1	21.5	20.8
Aged 60-69	%	6.6	7.4	7.8	8.3	8.9	7.7	8.4
Parental Leave								
Number of women entitled to maternity leave	no.	405	447	463	470	479	520	534
Number of men entitled to paternity leave	no.	276	320	350	353	376	398	423
Family-related leave								
Employees entitled to take family-related leave	%	-	-	-	100	100	100	100
Percentage of entitled employees that took family-related leave	%	-	-	-	6.9	7.8	7.1	8.1
Women	%	-	-	-	3.6	4.2	3.7	4.3
Men	%	-	-	-	3.3	3.6	3.4	3.8

Employment type (S5.1 | GRI 2-7 a., b. i, ii, iv, v, GRI 401-1 a. | UNGC-P6 | ESRS S1-5, ESRS S1-6)	Unit	2021	2022	2023	2024	2025	2024	2025
Percentage of People Employed on Permanent Basis	%	92.7	91.92	91.0	92.0	90.4	91.6	90.2
Women	%	55.8	54.5	53.0	53.5	50.9	52.7	50.3
Men	%	36.9	37.4	38.0	38.5	39.5	38.9	39.9
Percentage of People Employed on Temporary Basis	%	7.3	8.1	9.0	8.0	9.6	8.4	9.8
Women	%	3.7	3.8	3.9	3.7	5.2	3.9	5.5
Men	%	3.7	4.3	5.0	4.4	4.4	4.5	4.3

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Employment type (S5.1 | GRI 2-7 a., b. i, ii, iv, v, GRI 401-1 a. | UNGC-P6 | ESRS S1-5, ESRS S1-6)	Unit	2021	2022	2023	2024	2025	2024	2025
Number of non-guaranteed hours employees	no.	-	-	-	-	50	52	57
Women	no.	-	-	-	-	26	25	32
Men	no.	-	-	-	-	24	27	25
Employees by Residence								
Greater Reykjavík Area	%	82.4	81.5	87.0	90.0	90.6	91.1	91.5
Employees on a Permanent Basis	%	77.1	76.3	80.2	82.4	81.1	83.0	81.7
Employed on Temporary Basis	%	5.3	5.2	6.8	7.7	9.6	8.1	9.8
Outside Greater Reykjavík Area	%	17.6	18.5	13.0	10.0	9.4	8.9	8.5
Employees on a Permanent Basis	%	15.6	15.7	10.8	9.6	9.4	8.6	8.5
Employed on Temporary Basis	%	2.1	2.9	2.2	0.4	0.0	0.3	0.0
Employees in Iceland	no.	-	-	-	823	855	918	957
Number of New Employees	no.	43	72	93	84	64	99	81
Percentage of new employees	%	6.3	9.4	11.4	10.2	7.5	10.8	8.5
Gender of new employees								
Women	%	27.9	48.6	50.0	61.9	39.1	62.6	58.0
Men	%	72.1	51.4	50.0	38.1	60.9	37.4	42.0
Age of new employees								
Aged 20-29	%	53.5	41.7	43.0	41.7	39.1	37.4	34.6
Aged 30-39	%	20.9	25.0	25.0	31.0	23.4	34.3	23.5
Aged 40-49	%	14.0	16.7	18.0	19.1	23.4	18.2	29.6
Aged 50-59	%	11.6	16.7	7.0	6.0	14.1	8.1	12.4
Aged 60-69	%	0	0	0	2.4	0.0	2.0	0.0
New employees by residence								
Greater Reykjavík Area	%	83.7	87.5	88.3	88.1	87.5	88.9	90.1
Outside Greater Reykjavík Area	%	16.3	12.5	11.7	11.9	12.5	11.1	9.9
Total number of non-employees	no.	-	282	287	287	285	301	302

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Training for Employees (GRI 404-1| ESRS S1-12, ESRS G1-2)	Unit	2021	2022	2023	2024	2025	2024	2025
Avg. hours of training in total	hours	7.1	17.1	23.0	26.1	23.0	25.4	23.5
Women	hours	8.4	18.8	22.7	27.5	24.5	26.9	24.8
Men	hours	5.2	14.3	23.3	24.4	21.3	23.4	21.9
Management	hours	13.0	32.2	44.9	37.2	33.1	36.5	32.0
Employees	hours	6.4	15.0	20.1	24.6	21.6	23.8	22.3
Employee learning index	%					99.2		99.3
Percentage of employees who have completed the following training								
Percentage of participants in the Mentorship Programme who have completed training on mentorship collaboration	%	-	-	-	-	100	-	100
Percentage of employees who have completed training on diversity and inclusion	%	-	-	-	-	98.4	-	98.6
Percentage of the mandatory group who have completed training on responsible product offering and marketing	%	-	-	-	-	98.0	-	-
Percentage of employees who have completed training on bribery and corruption	%	-	-	-	98.5	97.2	98.5	96.8
Percentage of employees who have completed training on the Code of Conduct	%	-	-	-	-	98.5	-	-
Percentage of the mandatory group who have completed training on anti-money laundering and terrorist financing	%	-	-	-	-	99.3	-	98.6
Percentage of the mandatory group who have completed training on avoiding tax evasion facilitation	%	-	-	-	-	99.3	-	98.6
Percentage of the mandatory group who have completed training on international sanctions compliance	%	-	-	-	-	99.3	-	98.6
Percentage of employees who have completed training on data privacy	%	-	-	-	-	98.2	-	99.0
Percentage of employees who have completed cybersecurity training	%	-	-	-	-	97.4	-	98.8

*Arion offers a diverse range of training; the examples shown here are only selected samples. Additional training components make up the employee learning index.

Performance reviews for Employees (GRI 404-1| ESRS S1-12)	Unit	2021	2022	2023	2024	2025	2024	2025
Percentage of employees that participate in regular perfomance and carreer development reviews*		-	-	-	-	-	-	-
Women	%	-	-	-	-	-	-	-
Men	%	-	-	-	-	-	-	-

*Arion does not keep a record of the percentage of employees who have regular performance reviews. We place strong emphasis on ongoing feedback discussions between employees and managers about goals and performance. Internal surveys show that employees are receiving feedback more regularly than before. See more in the chapter Strong Leadership.

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Non-Discrimination Policy (S6 | GRI 406-1 a. | UNGC-P6| ESRS S1-16)	Unit	2021	2022	2023	2024	2025	2024	2025
Policy to ensure equal opportunities and terms for all genders	Yes/No	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Policy against bullying, sexual harassment, gender-based harassment and violence	Yes/No	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Bullying, sexual harassment, gender-based harassment and violence (EKKO)*	no.	1	1	2	2	0	2	0
Number of human rights incidents towards own workforce	no.	-	-	-	0	0	0	0
Total amount of fines, penalties and compensation for damages for EKKO and human rights incidents	ISK	-	-	-	0	0	0	0

* Number of cases examined and/or formal complaint made

Health and safety of employees (S7, S8 | SDG 3 | GRI 403-1 | ESRS S1-13)	Unit	2021	2022	2023	2024	2025	2024	2025
Accidents in workplace and to and from work	no.	3	4	1	4	6	6	6
Health indicators	%	96.6	96.0	96.7	97.1	97.0	97.3	96.9
Health and Safety Policy	Yes/No	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Percentage of people in own workforce who are covered by health and safety management systems	%	-	-	-	100	100	100	100
Cases of recordable work-related ill health	no.	-	-	-	-	-	-	-
Days lost to work-related injuries or work-related ill health	no.	-	-	-	-	-	-	-

Child & Forced Labor (S9 | UNGC-P4, P5 | SDG)	Unit	2021	2022	2023	2024	2025	2024	2025
Child and/or forced labour policy	Yes/No	No	No	No	No	No	No	No

Human Rights (S10 | UNGC-P1, P2 | SDG 4, 10, 16)	Unit	2021	2022	2023	2024	2025	2024	2025
Human rights as part of equal-rights policy	Yes/No	Yes	Yes	Yes	Yes	Yes	Yes	Yes

Collective bargaining coverage and social dialog (ESRS S1-7, ESRS S1-9)	Unit	2021	2022	2023	2024	2025	2024	2025
Percentage of employees covered by collective bargaining agreements	%	98.7	97.4	97.2	97.2	97.4	96.8	97.1
One or more collective bargaining agreements	no.	-	-	-	2	3	3	3
Global percentage of employees covered by workers' representatives	%	98.7	97.4	97.2	97.2	97.4	96.8	97.1
Of which in Iceland	no.	-	-	-	800	833	888	929

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Governance - Arion Bank

Board - Separation of Powers (G1 | GRI 2-9 | SDG 10 | ESRS 2 GOV-1)	Unit	2021	2022	2023	2024	2025
Total number of board members	no.	5	5	6	5	5
Women	no.	2	2	3	3	3
Men	no.	3	3	3	2	2
Gender ratio in the committees chaired by the board						
Women	%	60	60	60	80	60
Men	%	40	40	40	20	40

Board Independence (G2 | GRI 2-9 | ESRS 2 GOV-1)	Unit	2021	2022	2023	2024	2025
The company prohibits CEO from serving as board chair	Yes/No	Yes	Yes	Yes	Yes	Yes
The CEO is a board member	Yes/No	No	No	No	No	No
The CEO manages committees on behalf of the Board	Yes/No	No	No	No	No	No
The CEO is the Chairman of the Board	Yes/No	No	No	No	No	No
Total board seats occupied by independents	%	100	100	100	100	100

Remuneration Policy (G3 | GRI 2-19 | ESRS 2 GOV-2)	Unit	2021	2022	2023	2024	2025
Performance-related incentives for management	Yes/No	No	Yes	Yes	Yes	Yes
With regards to finance and corporate governance	Yes/No	No	Yes	Yes	Yes	Yes
With regards to non-financial factors	Yes/No	-	-	Yes	Yes	Yes

Collective Bargaining (G4 | GRI 2-30 | UNGC-P3 | SDG 8 | ESRS S1-7)	Unit	2021	2022	2023	2024	2025
Employees in labour unions	%	98.7	97.4	97.2	97.2	97.4
Employees outside labour unions	%	1.3	2.6	2.8	2.8	2.6
Percentage of people working in accordance with labour market laws	%	100	100	100	100	100

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Suppliers (G5 | GRI 308-1, GRI 414-1 | UNGC-P2, P3, P4, P8 | SDG 12 | ESRS G1-2)	Unit	2021	2022	2023	2024	2025
Supplier Code of Conduct	Yes/No	Yes	Yes	Yes	Yes	Yes
Environmental factors when evaluating suppliers	Yes/No	Yes	Yes	Yes	Yes	Yes
Equality factors when evaluating suppliers	Yes/No	Yes	Yes	Yes	Yes	Yes
Labor rights when evaluating suppliers	Yes/No	Yes	Yes	Yes	Yes	Yes

Ethics & Anti-Corruption (G6 | GRI 205 | UNGC-P10 | SDG 16 | ESRS G1-1)	Unit	2021	2022	2023	2024	2025
The company publishes and follows an EC	Yes/No	Yes	Yes	Yes	Yes	Yes
EC has been approved by the board of directors	Yes/No	Yes	Yes	Yes	Yes	Yes
Anti-corruption and bribery policy	Yes/No	Yes	Yes	Yes	Yes	Yes

Data Privacy (G7 | GRI 418-1)	Unit	2021	2022	2023	2024	2025
Data privacy policy	Yes/No	Yes	Yes	Yes	Yes	Yes
Implementation of the EU Privacy Regulation (GDPR)	Yes/No	Yes	Yes	Yes	Yes	Yes

Sustainability Report (G8.1)	Unit	2021	2022	2023	2024	2025
Does the company publish a sustainability report?	Yes/No	Yes	Yes	Yes	Yes	Yes

Disclosure Practices (G9)	Unit	2021	2022	2023	2024	2025
Sustainability data to sustainability reporting frameworks	Yes/No	Yes	Yes	Yes	Yes	Yes
Focus on specific UN Sustainable Development Goals (SDGs)	Yes/No	Yes	Yes	Yes	Yes	Yes
The company sets targets and reports progress on the UN SDGs	Yes/No	Yes	Yes	Yes	Yes	Yes

External Validation & Assurance (G10 | GRI 2-5)	Unit	2021	2022	2023	2024	2025
ESG disclosures assured or validated by a third party	Yes/No	Yes	Yes	Yes	Yes	Yes



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GRI Standards Index

Arion Bank's 2025 Annual and Sustainability Report has been prepared in accordance with the Global Reporting Initiative, GRI Standards. The information presented in the GRI Standards Index is valid for 2025 and applies to the main operations of Arion Bank. The focus is on meeting disclosure requirements on the Bank's operations, social impact, human resources, environmental impact, corporate governance and economic factors.

KPMG ehf. was engaged to assist with the preparation of the environmental accounts of Arion Bank and the subsidiaries Vörður and Stefnir for 2025. Data on human resources is obtained from the Bank's human resources system. Financial information has been audited and affirmed by Deloitte.

Deloitte has provided an opinion with limited assurance on sustainability reporting by Arion Bank in 2025 which is presented in accordance with GRI Standards and the Nasdaq ESG Reporting Guide.

Process for selecting and managing material topics

GRI 3-1, GRI 3-2, GRI 3-3

The implementation of GRI 3 2021 has yet to be completed at Arion Bank, but the chief focus in 2025 was on the continued integration of ESRS into reporting on a company and Group level, rather than completing the implementation of GRI 3 2021. It is not yet certain whether ESRS will fully take over from GRI Standards in Arion Bank's reporting. Reporting at Arion Bank this year continues to be based on GRI 1 2021, GRI 2 2021 and GRI 3 2021.

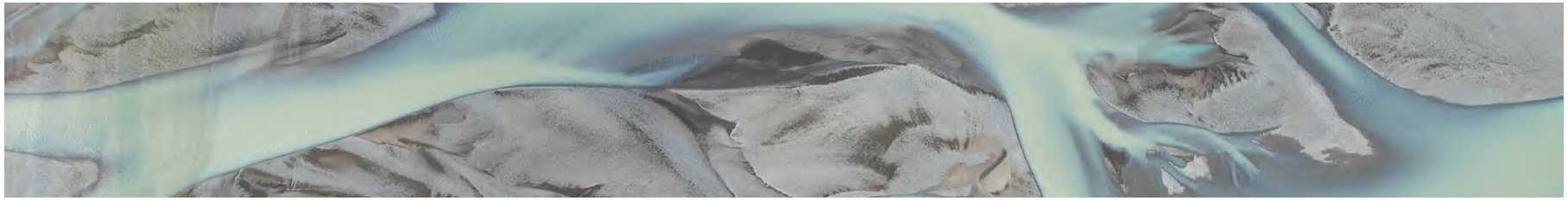
The selection of material topics for the 2025 Annual and Sustainability Report is based on work and reporting carried out in previous years, including a materiality assessment carried out in 2021, and assessments of the Bank carried out by domestic and international bodies in connection with the Bank's ESG performance.

This year the results of double materiality assessments carried out in accordance with ESRS have been our main guide in sustainability reporting. The results of the double materiality assessment and assessments of impact, opportunities and risks can be found earlier in the report, in the section Sustainability at Arion.

All material topics and their boundaries in the GRI Index refer to Arion Bank. The Bank's subsidiaries are not included in this index unless specifically stated.

The following material topics were considered appropriate in an assessment carried out in 2022 and still apply:

- GRI 201 Economic performance 2016
- GRI 203 Indirect economic impacts 2016
- GRI 204 Procurement practices 2016
- GRI 205 Anti-corruption 2016
- GRI 206 Anti-competitive behaviour 2016
- GRI 302 Energy 2016
- GRI 303 Water and effluents 2018
- GRI 304 Biodiversity 2016
- GRI 305 Emissions 2016
- GRI 306 Waste 2020
- GRI 308 Supplier environmental assessment 2016
- GRI 401 Employment 2016
- GRI 402 Labor/management relations 2016
- GRI 403 Occupational health and safety 2018
- GRI 404 Training and education 2016
- GRI 405 Diversity and equal opportunity 2016
- GRI 406 Non-discrimination 2016
- GRI 413 Local communities 2016
- GRI 414 Supplier social assessment 2016
- GRI 415 Public policy 2016
- GRI 417 Marketing and labelling 2016
- GRI 418 Customer privacy 2016



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Managing material topics

The management of individual material topics in Arion Bank's 2025 Annual and Sustainability Report according to GRI Standards undergoes the same process as other projects at Arion Bank, via the Board of Directors, Executive Committee, the appropriate divisions and control units.

The Bank has a sustainability committee and the management of sustainability risk in connection with ESG factors is defined as part of the Bank's risk management system.

GRI Standards index

Various strategies, policies and rules which concern the subject of the report and involve the Bank have been approved by the Board of Directors and the Bank's management, including:

Arion Bank's strategy
Sustainability policy
Risk policy on sustainability
Environment and climate policy
Human resources policy
Equality and human rights policy
Health and safety policy
Code of ethics
Supplier code of ethics
Rules on handling complaints
Data protection notice
Rules on measures against money laundering and terrorist financing
Rules on handling conflicts of interest
Rules on responsible investment
Rules on employees' personal interests
Policy on combating financial crime
Conflicts of interest policy
Anti-bribery and corruption policy
Policy on responsible product management, product range and one-to-one marketing
Policy on donations to political activities
Sponsorship policy

Arion Bank is a signatory to various domestic and international treaties and commitments on responsible banking and is working to meet these obligations.

Please refer to the GRI Index for more information on our measures concerning individual material topics.



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ESRS Index

For the second time we are publishing an index for the European Sustainability Reporting Standard. This year we make use of the draft simplified standards published by EFRAG in November 2025. In recent years, Arion Bank has been laying the foundation for disclosures based on ESRS step by step. In doing so, we are preparing for the expected implementation of the CSRD legislation in Iceland, as it is considered likely that the Arion Group, in its current form, will be close to the thresholds for falling under the legislation once it is finally adopted.

Arion's ESRS Index is set up in such a way that it refers to published material which is partly and/or wholly linked to specific requirements or data points. It therefore does not represent full compliance with each individual requirement. Within the report, sections are marked with the relevant disclosure requirements of the standards, and the same applies in the sustainability accounts. Implementation is not yet complete, and Arion will continue the implementation process and develop a due diligence process connected to it.

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UN PRB – Progress Statement

Arion Bank is a signatory to the United Nations Environment Programme Finance Initiative (UNEP FI), which is a partnership between United Nations Environment and financial institutions and organizations across the world. In 2019, the Bank became a founding signatory to the Principles for Responsible Banking (PRB), which were developed by thirty international banks together with UNEP FI. The aim of these principles is to align banking activities with international goals and commitments and to foster greater ambition in sustainable financial services.

Arion Bank has published information annually on the implementation of the PRB principles within its operations, initially in the form of a dedicated progress report, and now for the second time as a statement in line with the updated PRB requirements. The 2025 Arion Bank Annual and Sustainability Report includes detailed disclosures on sustainability related to the Bank's operations, based on the GRI Standards, Nasdaq ESG Reporting guidelines, and, increasingly, the European Union's ESRS sustainability standard.

Responsible Banking Progress Statement for Arion Bank



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Independent Auditor's Assurance Report

Independent Auditor's Assurance Report

To the Management and the stakeholders of Arion Bank hf.

We have been engaged by Arion Bank hf. to provide limited assurance on Arion Bank's GRI index disclosed according to Global Reporting Initiative standard and Nasdaq ESG reporting guide, ("the Reports") in Arion Bank's Sustainability report for the year 2025.

Scope:

GRI index table presented with reference to GRI standards and non-financial information that is referred to in Arion Bank´s Sustainability report for the year 2025.

Our opinion does not extend to other information in the Sustainability report.

We express a conclusion providing limited assurance.

Management's responsibility

The Management of Arion Bank is responsible for collecting, analysing, aggregating and presenting the information in the report, ensuring that the information is free from material misstatement, whether due to fraud or error.

Our independence and quality control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants (IESBA Code), which are based on the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Deloitte ehf. is subject to International Standard on Quality Management (ISQM) 1 and, accordingly, applies a comprehensive quality control system, including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Auditor's responsibility

Our responsibility is to express a limited assurance conclusion on the GRI index, and non-financial information presented in the Sustainability report. We have conducted our work in accordance with ISAE 3000 (revised), Assurance Engagements Other than Audits or Reviews of Historical Financial Information, to obtain limited assurance about our conclusion. In accordance with the standard we have planned and performed our work to obtain limited assurance about whether the GRI index and referred non-financial information is free from material misstatement.

A limited assurance engagement is less in scope than a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is lower than the assurance that would have been obtained had we performed a reasonable assurance engagement. Considering the risk of material misstatement, we planned and performed our work to obtain all information and explanations necessary to support our conclusion.

We performed reviews of data, recalculation of data, reviews of the underlying data processes as well as interviews with those responsible for producing the data. Our work has included interviews with key functions in Arion Bank, inquiries regarding procedures and methods to ensure that selected GRI indicators and non-financial information have been incorporated in accordance with the guidelines in GRI and Nasdaq ESG reporting guide. We have assessed processes, tools, systems and controls for gathering, consolidating and aggregating GRI and non-financial data at Arion Bank, and performed analytical review procedures and tested data prepared against underlying documentation.

Conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that Arion Bank's GRI index and non-financial information for the year ended 31.12.2025 is not prepared, in all material respects, in accordance with GRI standards and Nasdaq ESG reporting guide and that the referred disclosures in the Sustainability report is in accordance with disclosed indicators.

Deloitte.

Kópavogur, 18 February 2026

Deloitte ehf.

Gunnar Þorvarðarson
State-Authorised Public Accountant

Steina Dröfn Snorradóttir
State-Authorised Public Accountant