



Responsible Banking Progress Statement for Arion Bank 2025

February 2026

Summary template

Arion Bank 2025



Principle 1: Alignment	Principle 2: Impact & Target Setting	Principle 3: Clients & Customers
<p>Arion Bank provides comprehensive financial services to the people of Iceland. Arion Bank's role is to help those who want to achieve success through smart and reliable financial solutions which enhance financial health and create sustainable value. Credit exposure to individuals represents 48.2% of loans to customers, of which 90.1% are mortgage loans. The Bank is not significantly exposed to credit in other countries than Iceland. The total net exposure is 89.9% towards counterparties domiciled in Iceland. The majority of the 10.1% foreign credit exposures is due to liquid assets in foreign currencies, which includes short-term deposits and money market loans at credit institutions, and sovereign bonds, the counterparties of which have high grade or upper medium grade credit ratings from certified external credit agencies (ECAI).</p> <p>The Bank's sustainability policy, "Together we make good things happen", reflects its commitment to responsible and profitable business practices that consider society, the economy, and the environment. The Executive Committee of Arion Bank has approved six UN Sustainable Development Goals as key focus areas: gender equality (5), clean energy (7), economic growth and decent work (8), innovation and infrastructure (9), responsible consumption and production (12), and climate action (13).</p> <p>Arion Bank has adopted an environment and climate policy and has set itself targets. The policy spells out the importance of the Bank minimizing the negative environmental impact of its activities and greenhouse gas emissions. The policy states that the Bank will focus its attention on financing projects on sustainable development and green infrastructure, support Iceland's ambitious plans to have net zero emissions by 2040 and aim to be net zero itself the same year. Arion Bank has committed to the Science Based Targets initiative (SBTi) for emission reduction goals. Preparation for validation according to SBTi corporate standard was well underway when a new standard for financial institutions was published in 2025. Financial institutions have two years from publication of the new standard to have their targets validated by SBTi. Arion Bank will seek validation in 2027. The Bank was a member of the Net-Zero Banking Alliance and continues to use its guidelines to ensure its financial services support, sustainable growth and responsible environmental practices.</p> <p>Arion Bank is a signatory to the UN Women's Empowerment Principles. It is Arion's policy to respect human rights and equality throughout its activities. The objective of the equality and human rights policy 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. Arion Bank places strong emphasis on ensuring that its services are accessible, simple, and fair for customers, regardless of their background or needs. The Bank's long-term initiative, "Women Invest", continued in 2025 focusing on increasing female participation in financial markets through education and empowerment.</p> <p>During the year the Bank continued to implement the ESRS standards. The CSRD legislation has not yet been implemented in Iceland and without final approval of the revised scope of the legislation the legal uncertainty continues.</p>	<p>Arion Bank has conducted an extensive double materiality analysis. The assessment, which follows The European Sustainability Reporting Standard (ESRS), was completed at the end of 2023, and the results were reviewed and updated in 2024, alongside further assessments of risks, opportunities, and impacts. The results of the materiality analysis indicate that good governance and strong ethics, the welfare and inclusion of customers, a healthy work environment with good corporate culture and a clear environmental policy are the most important factors when it comes to sustainability at Arion. The results are published in the 2025 Annual and Sustainability Report with a slightly revised presentation.</p> <p>We continue to increase our positive impacts while reducing the negative impacts on, and managing the risk to, people and environment resulting from our activities, products and services. We published once again updated ESG key performance indicators at the beginning of 2025 with special emphasis on gender equality and climate change.</p> <p>The Bank aims for sustainable lending is to reach at least 20% of total lending by 2030. At year-end 2025, sustainable lending accounted for 12.86% of the loan book, of which green loans made up 10.04% and loans with a positive social impact 2.82%. The total book value of sustainable loans was nearly ISK 171 billion (ISK 133.4bn green, ISK 37.5bn social impact). A year-on-year decrease is mainly due to the prepayment of a large loan.</p> <p>Arion Bank is a signatory to the Partnership for Carbon Accounting Financials (PCAF). 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. Based on these calculations we published our updated financed emissions reduction targets for key sectors in our portfolio in October 2025 when we published the report The Road to Net Zero. In setting the updated reduction targets we considered asset class-specific scenarios aimed at keeping global warming below 1.5°C. In developing the targets, the business sectors were consulted to ensure that the targets align with the strategies and plans of individual industries.</p> <p>Arion Bank has policies and practices in place to support equal opportunities in hiring, pay, and career development, and to promote gender balance across the organization. The Bank supports the work-life balance, parental leave, and has a zero-tolerance policy for discrimination and harassment. The Bank upholds human rights across its operations, including procurement and investments, guided by a comprehensive equality and human rights action plan which was updated in 2024 and applies for three years. The action plan sets out clear targets with actions needed to reach them and is available on the Bank's website.</p> <p>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. 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 and in the past two years subscription in funds run by the Bank's subsidiary has increased by 67%.</p>	<p>Arion Bank has issued a Sustainable Financing Framework covering green and sustainable bonds, green deposits, and green and sustainable lending. The Framework comprises eleven categories which align with targets on mitigating or preventing climate change and which have a positive social impact. The Framework was published in 2024 and builds on the Bank's Green Finance Framework from 2021, which forms the foundation for the Bank's green product offering. Since 2021, when it published the Sustainable Financing Framework, the Bank has regularly issued green bonds and the same applied in 2025.</p> <p>We have published sustainability policies for different sectors related to Bank's lending activities in various industries and in the Arctic. When developing these policies, we seek input from stakeholders and consider sector-specific plans and actions related to environmental, social, and governance factors. The Bank has also issued an exclusion list both for lending and the Bank's own investments.</p> <p>Arion Bank and the European Investment Fund (EIF) cooperate under a guarantee agreement within the EU's InvestEU programme. The agreement enables the Bank to extend loans to Icelandic companies on more favourable terms, with a total guarantee exposure of ISK 15bn. The cooperation aligns with the Bank's Sustainable Financing Framework and has led to the development of new products. Under the EIF partnership, the Bank began offering car and equipment loans aimed at supporting the energy transition at companies in 2025. The aim is to make it easier for companies to invest in electric vehicles, environmentally friendly equipment, and equipment that contributes to lower emissions and improved energy efficiency. The guarantee has been used to finance a wide range of green, innovative, and cultural projects.</p> <p>The Women Invest initiative has proven to be a great success, with around 8,000 women attending over 90 learning events linked to the project during the past two years. 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.</p> <p>Arion Bank adopted responsible investment rules during the year 2025 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.</p> <p>The Bank works to make its services accessible to a diverse customer base by offering key services in multiple languages, including English, with a Polish version nearing completion, and by providing English-language customer support. The Bank also offers educational initiatives for women investors, including events held in English with sign language interpretation available upon request. In addition, tailored services are provided for senior customers, including a priority service line and targeted fraud-awareness sessions.</p>
<p>Links & references Annual and Sustainability Report 2025: <i>About Arion Bank</i>, p. 2; <i>Responsible business</i>, p. 66-68; <i>Environmental and climate issues</i>, p. 96-100; <i>Human Resources</i>, p. 119-121; <i>Sustainable finance</i>, p. 87-89; <i>Sustainability at Arion</i>, p. 57-58</p> <p>Arion Bank's website: Women Invest; Pillar 3 Risk Disclosures; Financial Statement 2025</p>	<p>Links & references Annual and Sustainability Report 2025: <i>Sustainability at Arion</i>, p. 59-64; <i>Environmental and climate issues</i>, p. 106-110; <i>Sustainable finance</i>, p. 83-89; <i>Human Resources</i>, p. 119-121</p> <p>Arion Bank's website: Human Resources; Women Invest; The Road to Net Zero</p>	<p>Links & references Annual and Sustainability Report 2025: <i>Sustainable finance</i>, p. 83-89; <i>Our commitment to society</i>, p. 127-129</p> <p>Arion Bank's website: Women Invest; Sustainability; Sustainable future</p>



<p>Principle 4: Stakeholders</p>	<p>Principle 5: Governance & Culture</p>	<p>Principle 6: Transparency & Accountability</p>
<p>Arion Bank's main stakeholders with respect to sustainability reporting are our customers, shareholders, bondholders and employees. We also have important relationships with different interest groups, organizations and the regulatory authorities. We strive to understand the needs of these groups and to have good relations with them.</p> <p>In the double materiality analysis, in-depth interviews were conducted with key stakeholder groups. For specific projects, such as the Women Invest initiative, we have conducted deep-dive interviews and scrutinized both official data and our own data on the subject. As part of setting our sectoral sustainability policies and emission reduction targets we have had active stakeholder consultation.</p> <p>The Bank's credit policy places an emphasis on sustainability, and the credit rules stipulate that ESG factors should be assessed when a credit rating is required, or a company meets the conditions of Article 66d of the Annual Accounts Act.</p> <p>We have 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 consider long-term risk and societal impact.</p> <p>Suppliers under agreement with the Bank undergo the supplier's assessment where their performance in terms of ESG is assessed and they are asked to agree to the Bank's code of ethics for suppliers. The supplier assessment emphasis on suppliers' performance in environmental and climate issues, as well as gender equality, human rights, labour rights, and health and safety.</p> <p>Since 2015 we have sent the Arion Index survey to all Arion Bank employees. The Bank's subsidiaries have since joined in and now all companies in the Arion Group receive the survey every second month. The results are analysed by the HR team and management. The survey consists of basic questions, thematic questions, and open questions. The purpose of the open questions is to give employees the opportunity to give further details and suggest improvements. A workplace audit is conducted yearly. The results reveal that employee engagement across Arion Group is strong compared with the domestic and international labour markets.</p> <p>The key stakeholders of the Arion Group identified in relation to sustainability disclosures include our customers, shareholders, bondholders, and employees. We also maintain important relationships with various interest groups, non-governmental organisations, and supervisory authorities. In addition, the Group engages in extensive dialogue with its stakeholders on sustainability-related matters. For example, during the year we engaged with approximately 15,000 companies via e-mail, encouraging them to further their sustainability journey and to enhance transparency in sustainability-related disclosures. We also participated in sustainability-related events organised by various associations of which we are members, as part of our broader engagement with stakeholders on sustainability matters. We strive to understand the needs of these groups and to maintain constructive and effective communication with them.</p>	<p>At Arion Bank, sustainability is integrated into the Bank's governance framework. This structure applies to the Group as a whole and emphasises adherence to policies and commitments, risk and capital management, and the sharing of knowledge and experience across subsidiaries.</p> <p>Arion Bank has a sustainability committee, and the management of risks related to environmental, social, and governance (ESG) factors is defined as part of the Bank's risk management system. The CEO chairs the committee, whose main role is to monitor the Bank's performance in terms of its sustainability strategy and commitments and to ensure that ESG factors are incorporated into decision-making and planning.</p> <p>ESG key performance indicators are part of the risk report to the Board, and the Bank's risk appetite with respect to these factors has been defined. A sustainability risk policy, approved and annually reviewed by the Board, ensures the Bank's operations and services minimize negative impacts on people and the environment.</p> <p>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. 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.</p> <p>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 the Bank's subsidiaries Vörður and Stefmir. The purpose of the sustainability group is to share knowledge and experience across the Arion Group, monitor legal requirements and regulatory developments, and collaborate on joint projects.</p> <p>An incentive scheme is in place for the Bank's permanent employees. The 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).</p> <p>In accordance with Article 5 of the SFDR, the remuneration policy sets out how it is aligned with the integration of sustainability risks into the Bank's activities. The policy describes how the remuneration framework, including the Bank's incentive scheme, is designed to support the consideration of sustainability risks in investment decision-making and investment advice.</p> <p>The Bank offers diverse learning and development (L&D) programmes, both mandatory and optional, on-site and digital. Mandatory learning and development constitute the L&D index which is one of the company's key indicators. In 2025 this index was 99.2%.</p>	<p>Arion Bank's Pillar 3 Risk Disclosures describe the main risk factors in the Bank's operations, including sustainability risk, and it contains comprehensive information on the Bank's risk management and capital management strategies. It also contains information on the Bank's governance structure with respect to risk and the remuneration policy.</p> <p>Sustainability legislation incorporating the EU Taxonomy came into effect in Iceland in 2023. Information disclosed in accordance with the EU Taxonomy is published in an annex to the consolidated financial statements for 2025.</p> <p>Deloitte provides an opinion with limited assurance on sustainability in the 2025 Annual and Sustainability Report in accordance with GRI Standards and Nasdaq Guidelines.</p> <p>In order to show how the proceeds under the Sustainable Financing Framework are used for the benefit of the environment and society, the Bank publishes an annual impact and allocation report. A report for 2025 will be published in Q2 2026.</p>
<p>Links & references Annual and Sustainability Report 2025: <i>Sustainability at Arion</i>, p. 59-64; <i>Responsible business</i>, p. 59-64, 74; <i>Sustainable finance</i>, p. 87-91; <i>Human Resources</i>, p. 115; <i>Our commitment to Society</i>, p. 127-129</p> <p>Arion Bank's website: Human Resources; Women Invest</p>	<p>Links & references Annual and Sustainability Report 2025: <i>Responsible business</i>, p. 72-73; <i>Human Resources</i>, p. 122-123</p>	<p>Links & references Annual and Sustainability Report 2025: <i>Auditor's opinion</i>, p. 154</p> <p>Arion Bank's website: Pillar 3 Risk Disclosures; Financial Statement 2025; Impact and allocation report 2024</p>