



Arion Bank Fireside chat

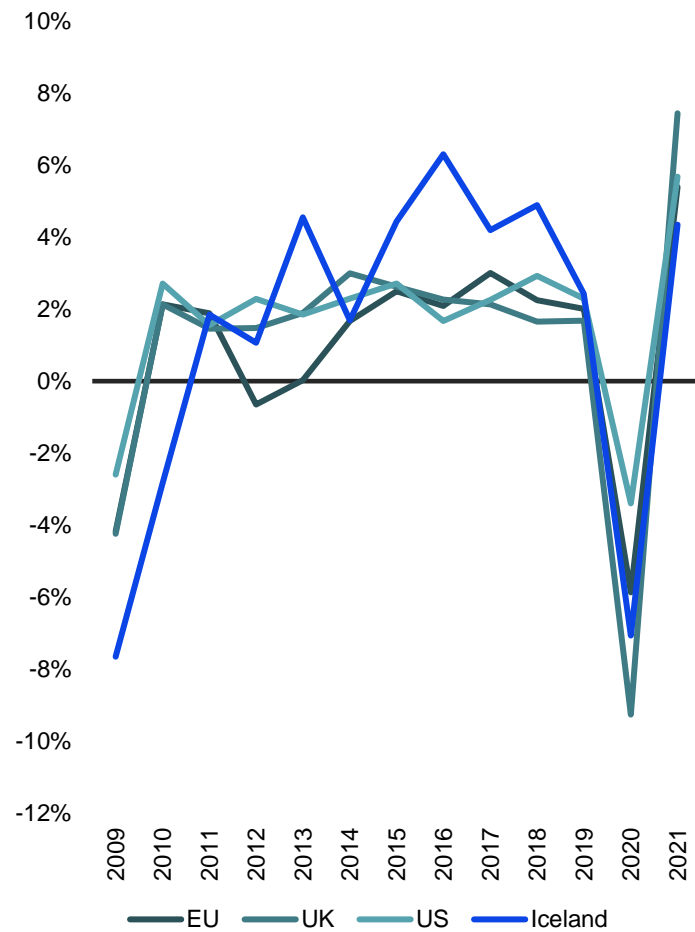
Olafur Hrafn Hoskuldsson CFO, Theodor Fridbertsson Head of IR
Deutsche Bank Annual Global Financial Services Conference



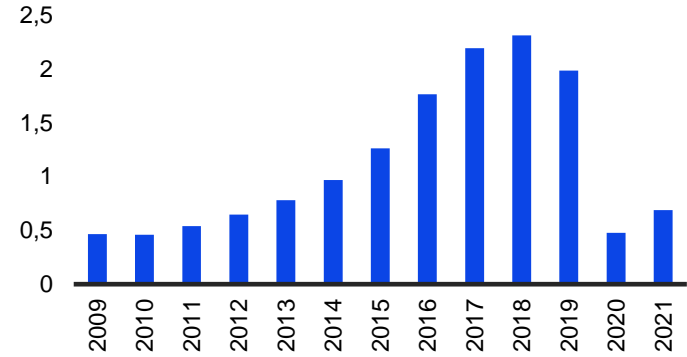
Icelandic economy: A strong recovery

Iceland went from being among the countries hit hardest by the financial crisis to one of the fastest growing advanced economy. How? The simple answer is tourism, which in 2013 became the country's largest export sector. Now we are also seeing new industries growing fast such as the IP sector, pharma and fish farming

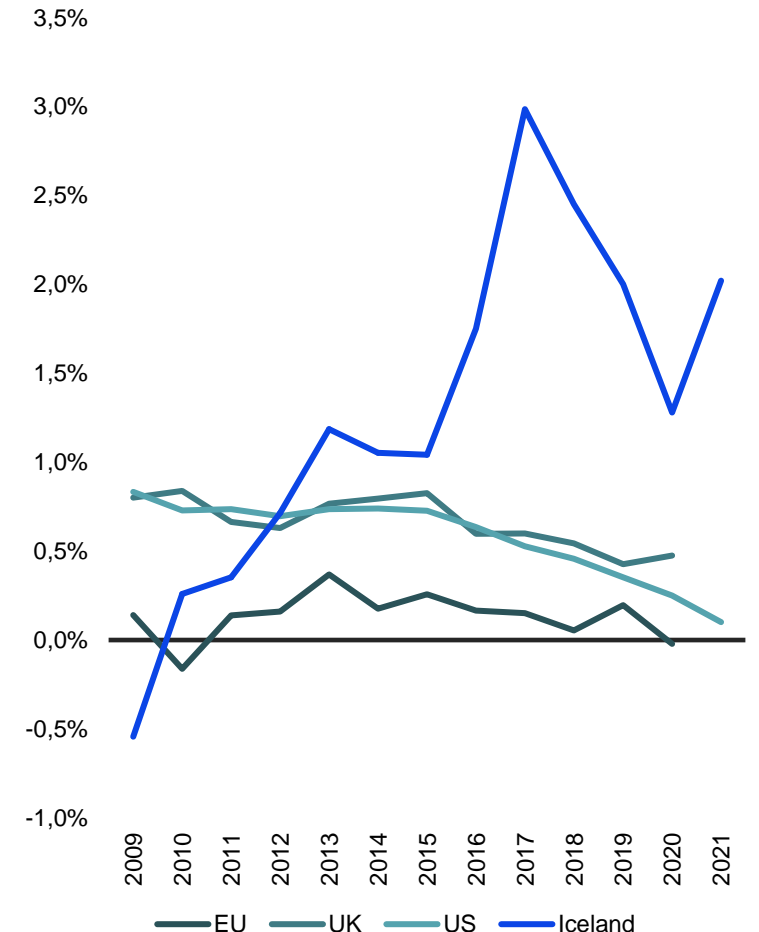
GDP growth



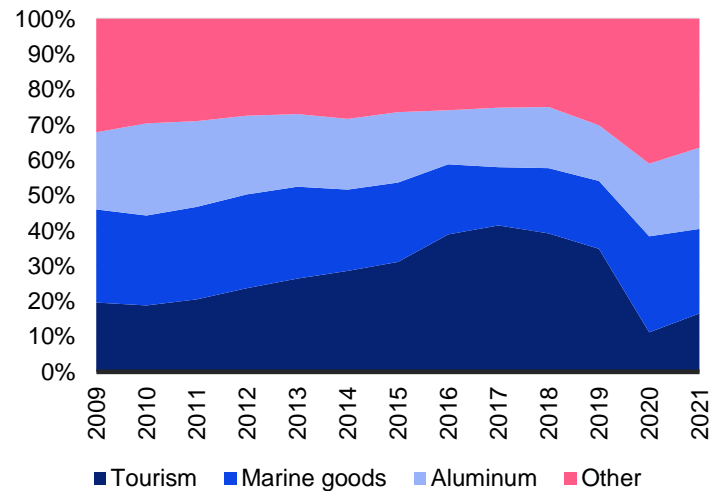
Tourist arrivals - millions



Population growth



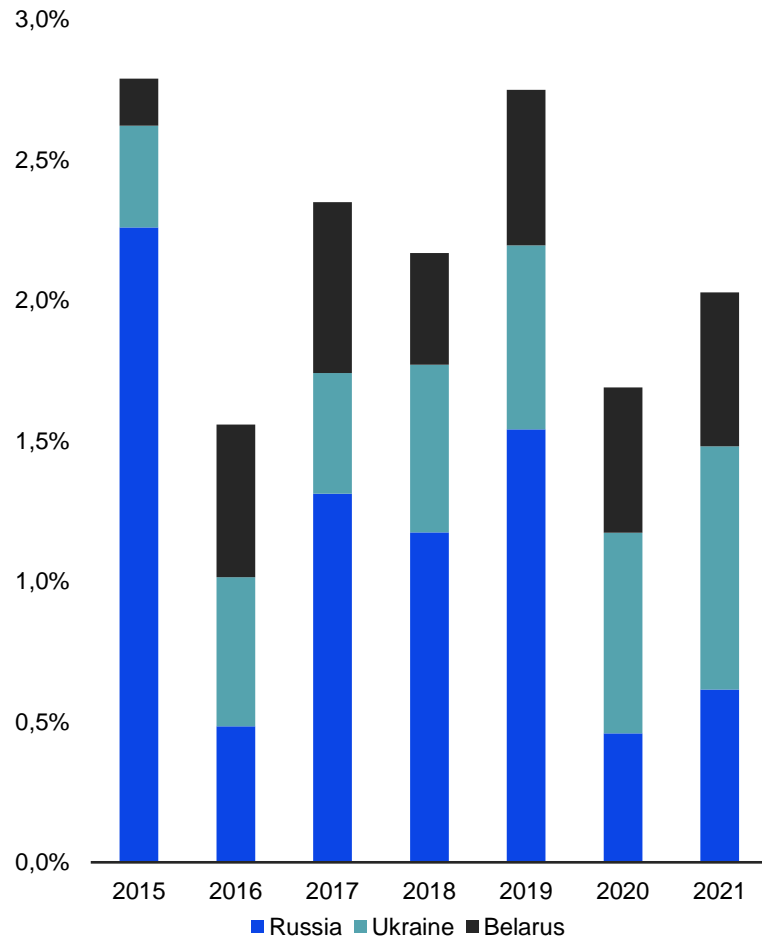
Share in total exports of goods



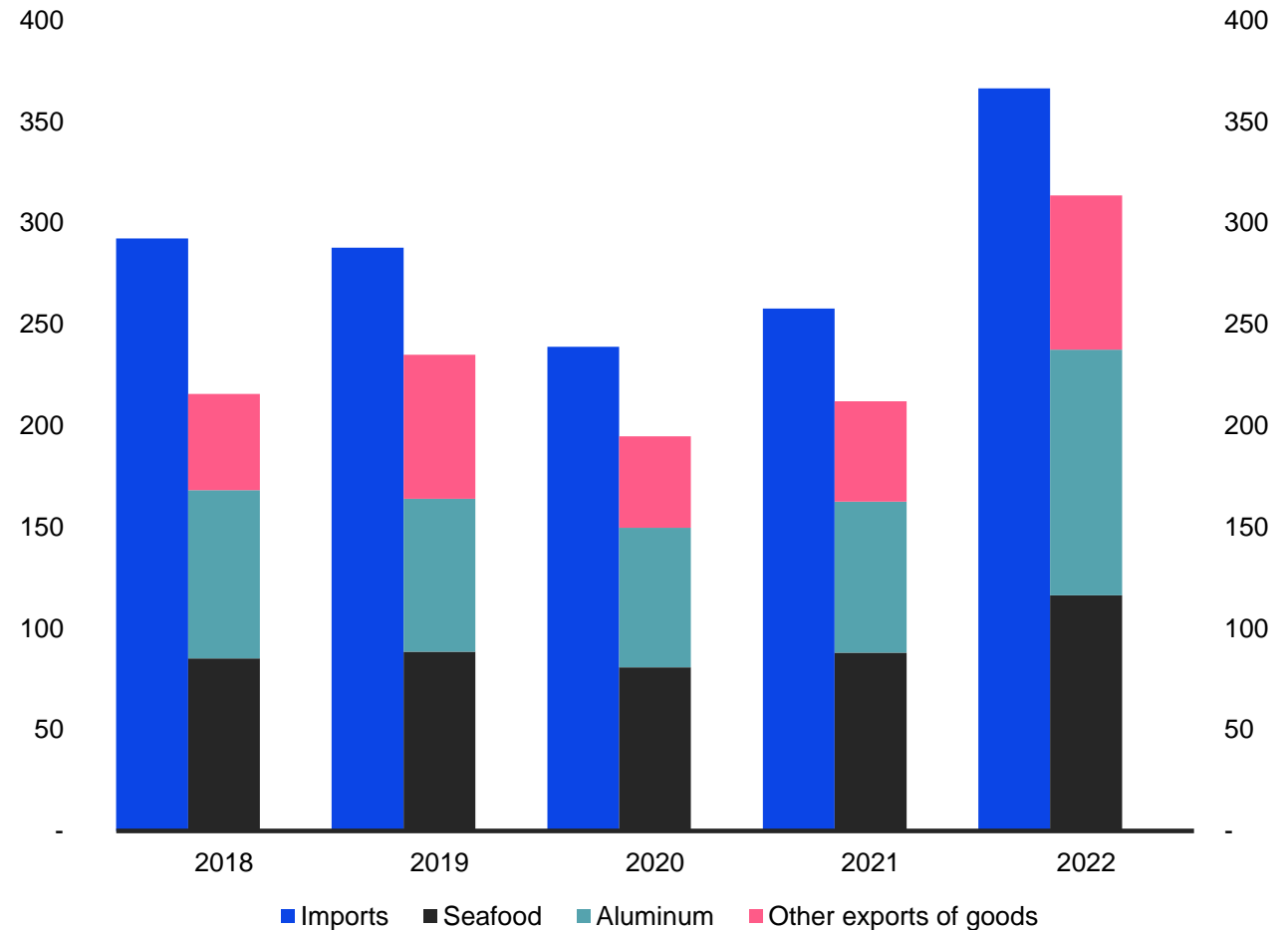
The war in Ukraine has limited direct effects

Exports of goods to the affected market areas amounted to 15 bn. ISK in 2021, or 2% of total exports of goods. However, record high production prices have softened the blow. As Iceland is a commodity exporter through seafood and aluminum, higher oil and commodity prices have not negatively affected the country's terms of trade or widened the trade deficit

Share in total exports of goods



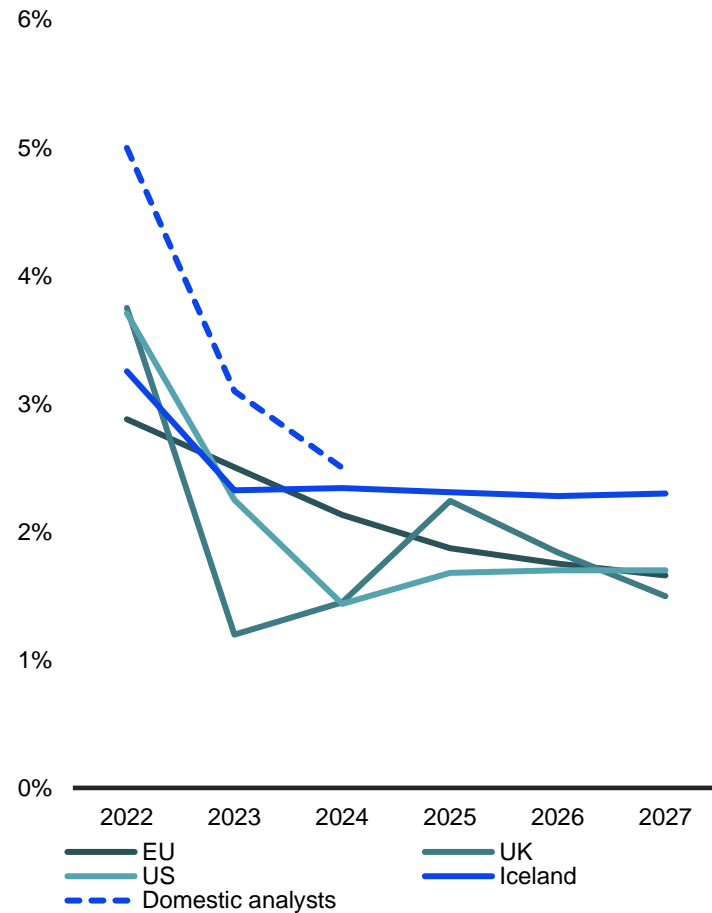
Trade in goods January – April – bn. ISK at constant exchange rate



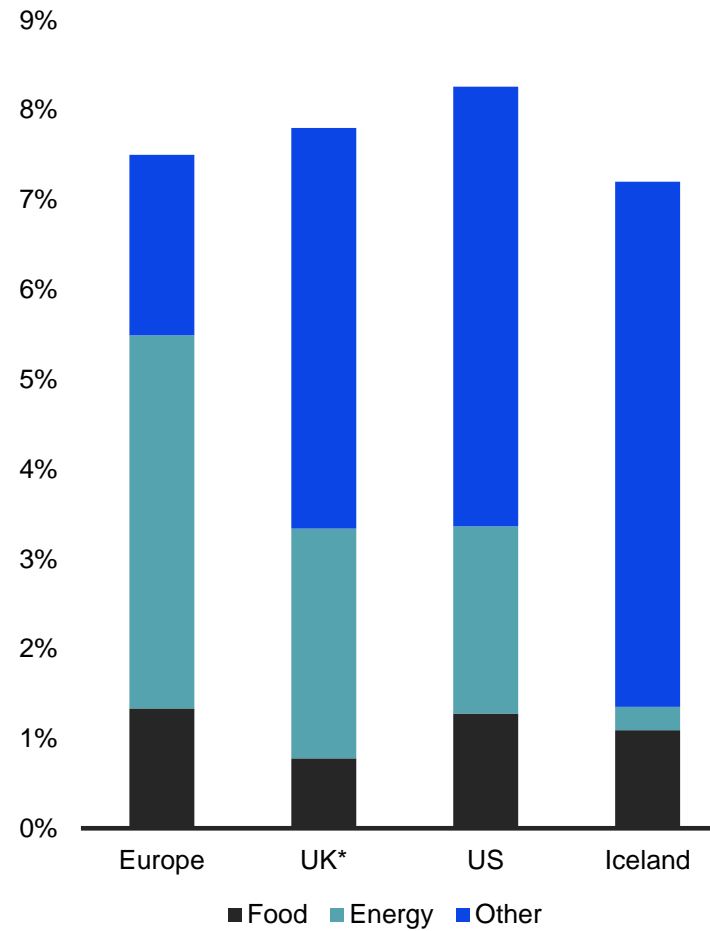
The economic outlook is still bright

The Icelandic economy is expected to exceed its pre-COVID level in 2022, with growth driven by tourism, business investment and household consumption. Although the outlook is still bright the economy is facing challenges, such as rising house prices and climbing inflation

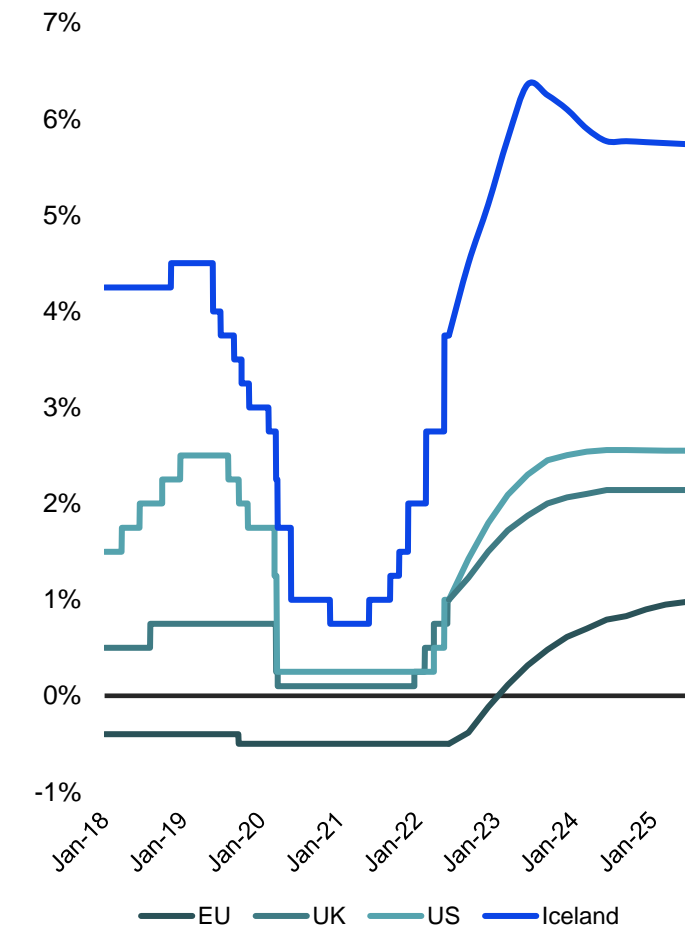
GDP growth – IMF's forecast



Contribution to annual inflation rate – April 2022

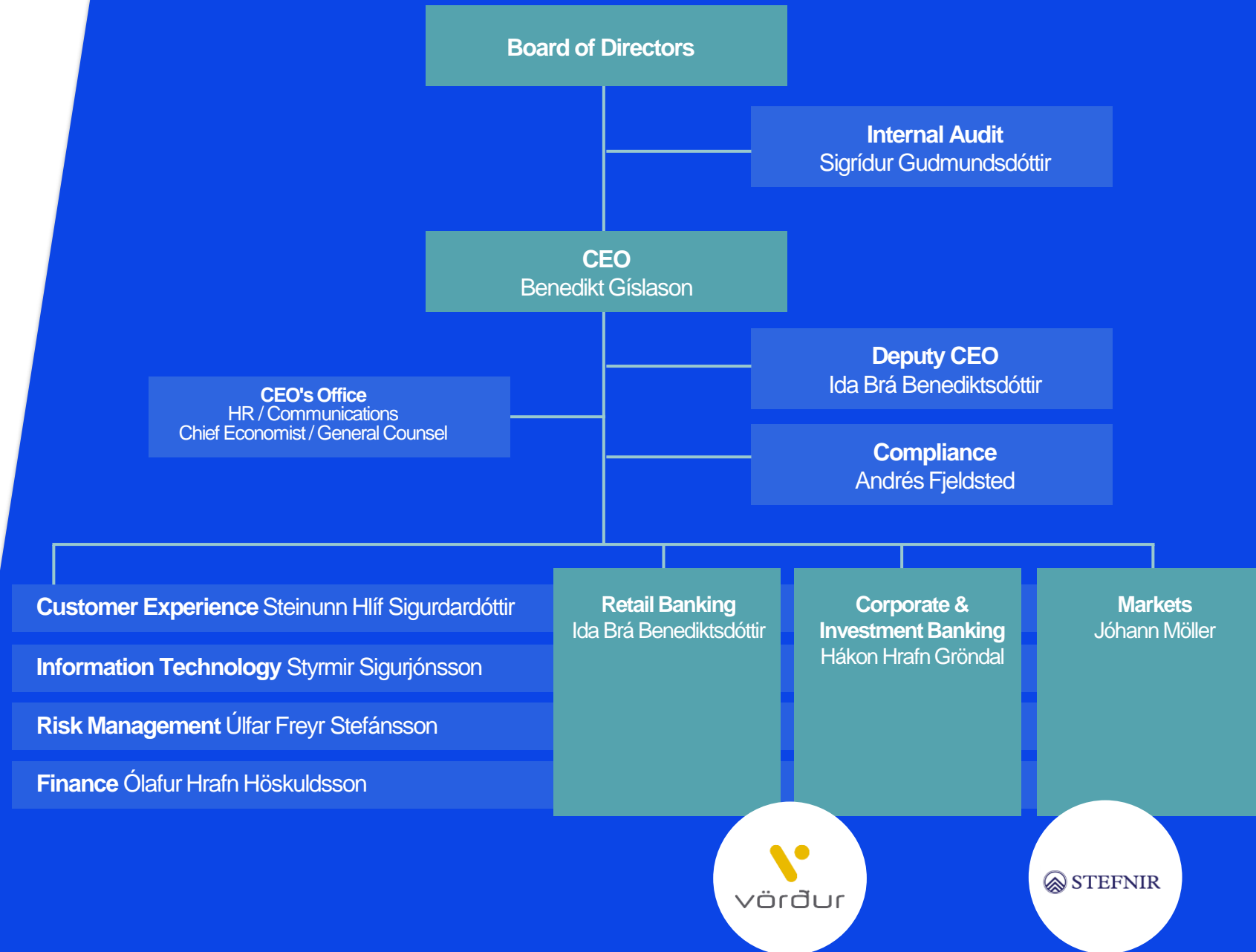


Central Banks key interest rates – forward rates



A customer centric organization

- Incorporates Vördur insurance into both Retail and CIB
- Emphasizes the customer experience in all areas of the Bank
- Centralizes shared services to increase cost efficiency and effectiveness





Key results 2021

ROE
14.7%

vs. target 10%

All business units exceeding
Group target ROE

**Cost /
Income ratio**

44.4%

vs. target <45%

**CET1
ratio**

19.6%

vs. target ~17%

**Core income
growth**

9.4%

vs. 2020

Deposit growth

15.3%

vs. 2020

Loan growth

13.8%

vs. 2020

AuM growth

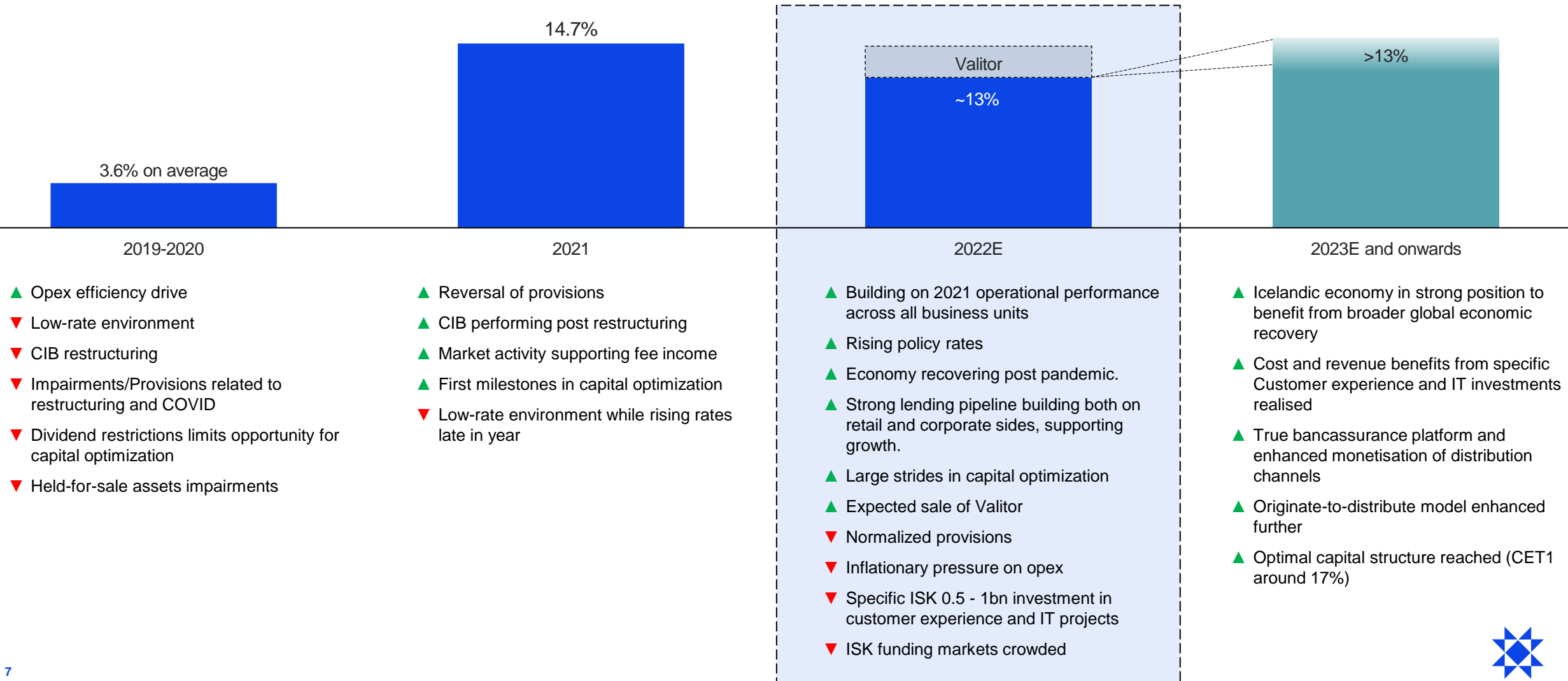
19.5%

vs. 2020



Positive momentum and constructive outlook supports revised ROE target

Development of ROE



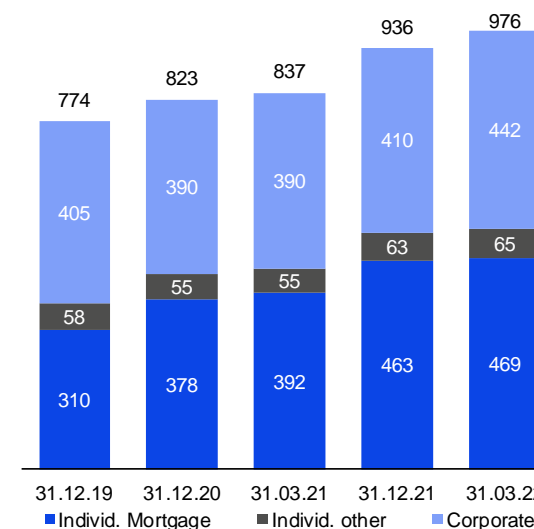
Balance sheet

Strong loan growth supported by increase in core deposits

| Assets | 31.03.2021 | 31.12.2021 | 31.03.2022 |
|---|-------------------|-------------------|-------------------|
| Cash & balances with CB | 60 | 69 | 64 |
| Loans to credit institutions | 29 | 30 | 36 |
| Loans to customers | 837 | 936 | 976 |
| Financial assets | 197 | 226 | 186 |
| Assets and disposal groups held for sale | 16 | 16 | 15 |
| Other assets | 41 | 37 | 64 |
| Total Assets | 1,181 | 1,314 | 1,341 |
| Liabilities and Equity | | | |
| Due to credit institutions & CB | 10 | 5 | 4 |
| Deposits from customers | 593 | 655 | 680 |
| Liabilities associated with disposal groups held for sale | 8 | 17 | 15 |
| Other liabilities | 53 | 50 | 65 |
| Borrowings | 294 | 357 | 370 |
| Subordinated liabilities | 35 | 35 | 34 |
| Total Liabilities | 992 | 1,119 | 1,168 |
| Equity | 189 | 195 | 173 |
| Total Liabilities and Equity | 1,181 | 1,314 | 1,341 |

- Loans to customers increased by 4.3% in Q1 and 16.6% from Q1 2021
 - Growth of 3.7% in core deposits from YE 2021 and 23.3% YoY
- Liquidity position remains strong despite ISK 26.7bn capital distribution through dividend and buy-back in Q1 (LCR 195% and NSFR of 112%)

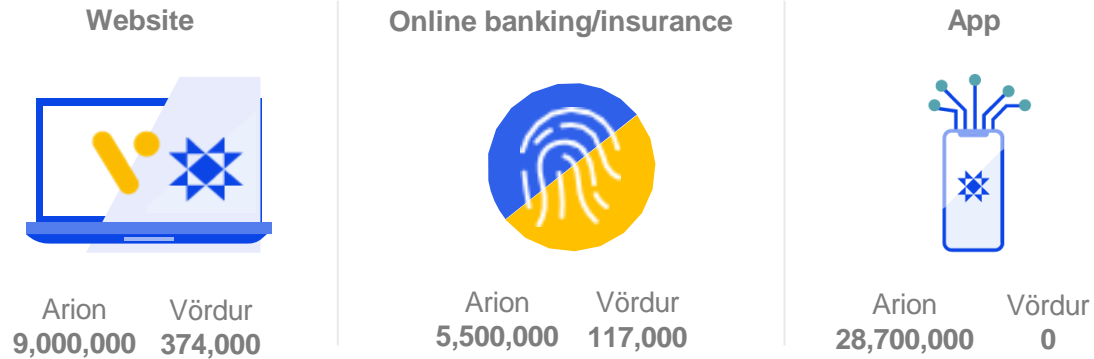
Loans to customers



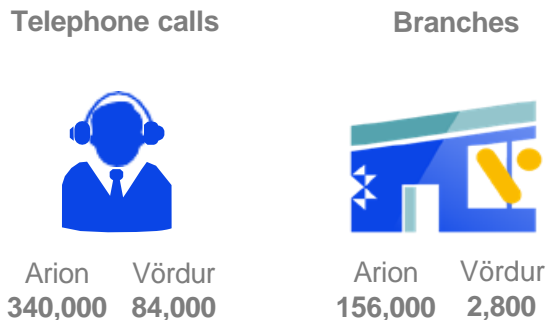
Strong distribution network and increased opportunities to cross-sell

More than 44 million annual interactions with Arion Bank and Vördur clients

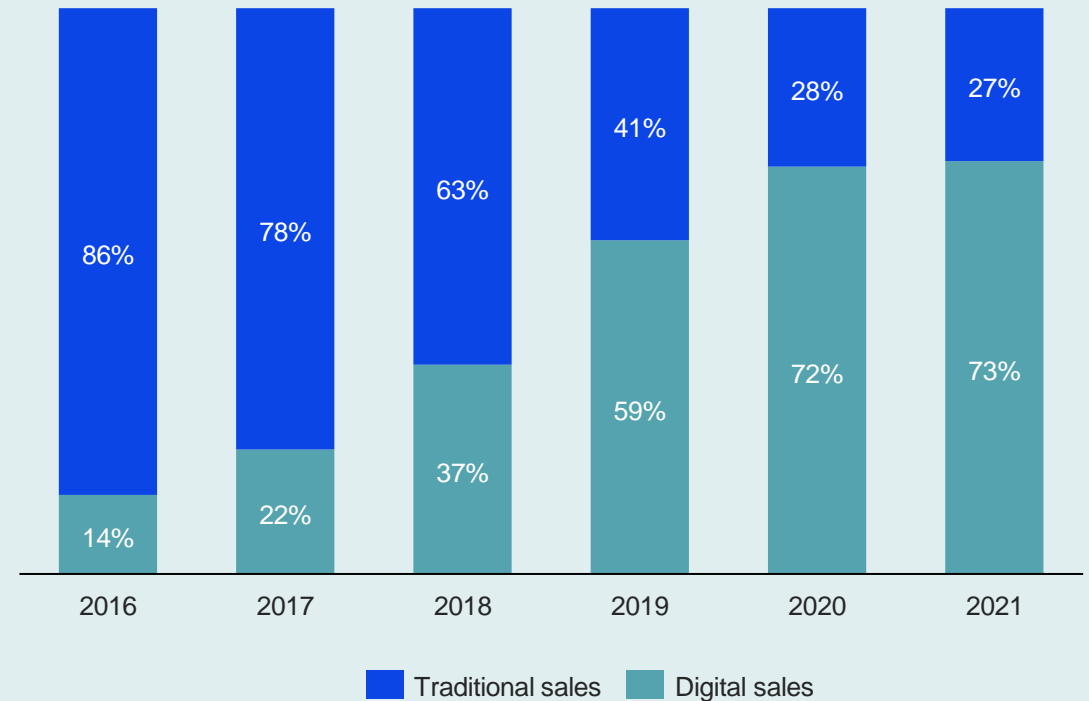
Digital interactions 2021



Traditional interactions 2021¹



Strong growth in Digital Core Product Sales



The Arctic region

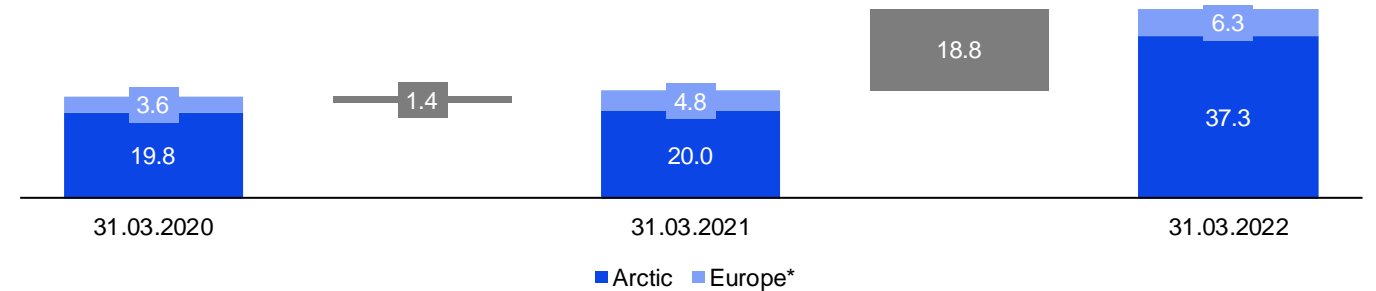
Arion Bank's international exposure in the Arctic region has increased by 87% in the last two years

The Arctic region presents growing opportunities

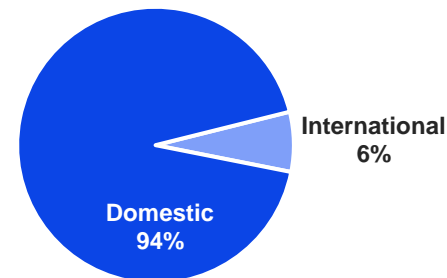
- Arion Bank sees opportunities in the broader Arctic region – namely Greenland, Faroe Islands, Alaska and Northern Canada
 - Significant share of global rare earth minerals
 - Sustainable energy resources
 - 10% of total aluminum production
 - 12% of fish caught in the world are in the North Atlantic Ocean
 - 40% of farmed salmon and related species
 - Opportunities to develop further as a tourist destination

Diversification into broader Arctic region

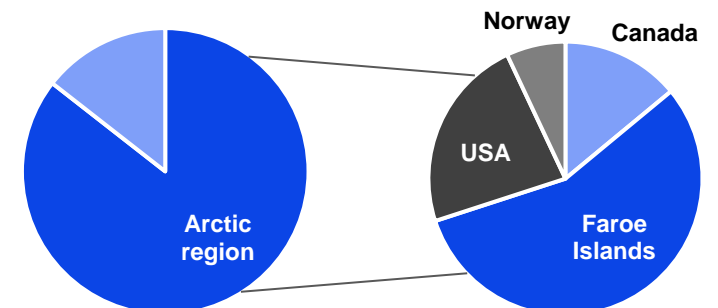
International corporate loan exposure development (ISK bn)



Corporate Bank's exposure

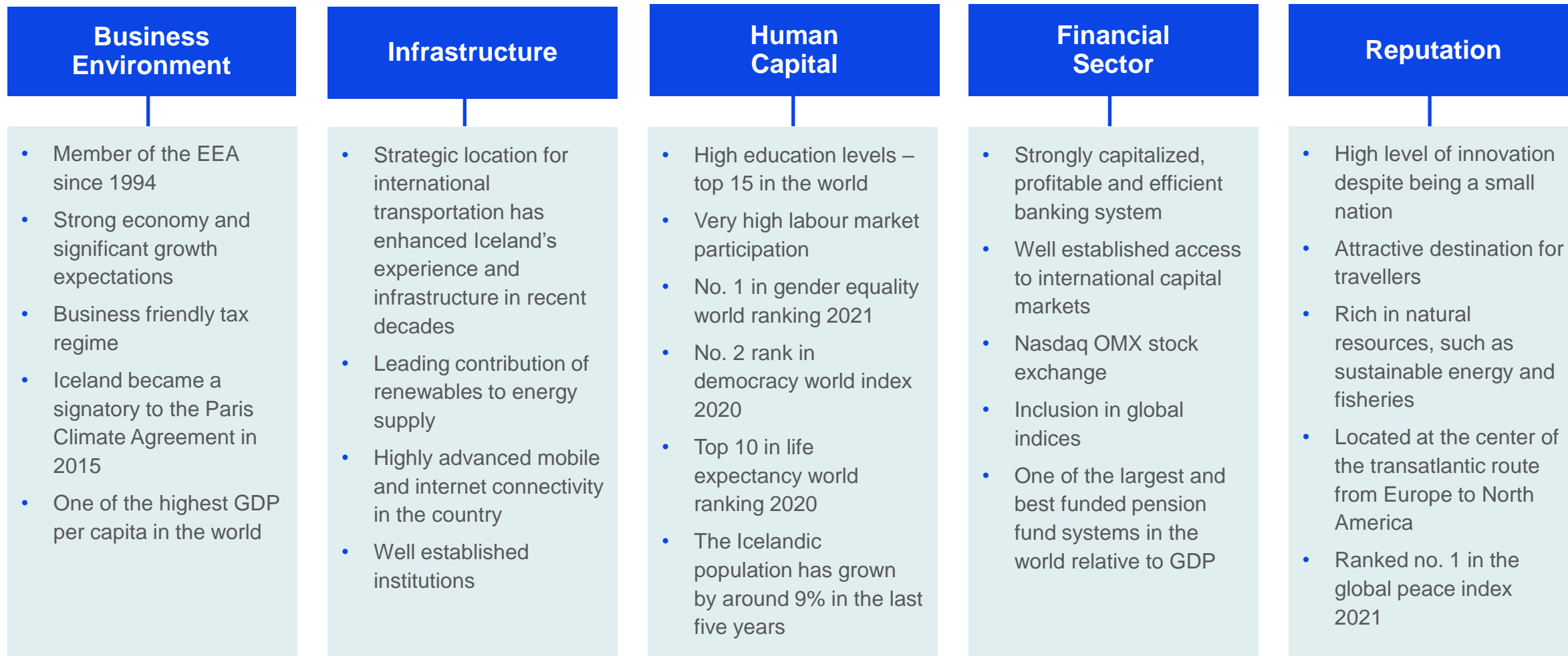


International exposure



Iceland is well positioned to become a financial hub in the Arctic

Areas of competitiveness



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