



**We want to drive the success  
of our customers in Iceland  
and the Arctic**

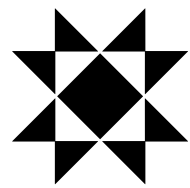
Arion Bank Annual and Sustainability Report 2024



The 2024 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 26.1**  
billion

Loans to customers  
**ISK 1,230**  
billion

Return on equity  
**13.2%**

Assets under  
management  
of the Group  
**ISK 1,633**  
billion



Operating income  
**ISK 66.5**  
billion



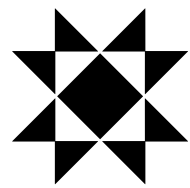
Assets under  
management at Stefnir  
**ISK 336**  
billion

Insurance revenue  
of Vörður  
**ISK 19.7**  
billion

Result of pay  
equity analysis  
**0.4%**  
unexplained gender pay gap

Sustainable loans  
**15.5%**  
of the Bank's total loans

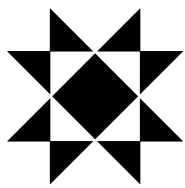
FTEs  
**858**



FYRIRMYNDARFYRIRTÆKI  
Í STJÓRNARHÁTTUM







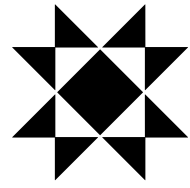
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# The year 2024

Arion performed well in 2024 despite the rather challenging external environment. After an extended period of high inflation and interest rates, inflation began to recede, creating room for long-awaited interest rate cuts. We put the year to good use and worked hard to expand and improve our range of products and services. We strengthened our ties within the Arion Group to enable us to meet the needs of our customers – individuals, companies and investors – even more effectively.







## About Arion

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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 Bank 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 unique in terms of diversity.

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 Bank is a market leader in terms of digital solutions and innovation, and the majority of the Bank'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.





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# “We’re living in exciting times”

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

It’s fair to say that Arion Group has been a driving force in Icelandic society in 2024. The Bank and its subsidiaries all performed well despite certain challenges in the environment, both at home and abroad. Volcanic activity in south-west Iceland and high inflation left their mark on the Icelandic economy, while political upheaval globally, as more than 60 countries elected new leaders, also had its say. International conflict and rapid technological advances, particularly in artificial intelligence, continued to fuel uncertainty, including in the financial services sector.

We sat down with CEO Benedikt Gíslason and Board Chairman Paul Horner to look back at what had been achieved and also to look ahead to the next tasks awaiting the Group. They both enjoy speculating about the future and they are passionate about making sure that the Icelandic financial system remains an active topic of debate since it touches everyone in the country.

In 2024, Benedikt joined the public debate and wrote a number of high-profile articles presenting his thought-provoking ideas on how to reduce the high level of interest rates in Iceland. Benedikt quite rightly pointed out that the banks have no more interest in maintaining high interest rates and high inflation than anyone else in society and encouraged a rational and constructive debate on the financial system since it was a common goal to develop an effective financial system on which there was a general consensus.





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### **Leader on the corporate market**

Benedikt is keenly aware of the responsibility resting on the three main banks in Iceland and says that Arion Bank is, and should be, a positive driving force in society. This is underlined by the fact that the Bank serves around one third of the nation in one way or another, including more than 16,000 diverse companies, making it a leader on the corporate market in this country.

“We have put a huge amount of effort into serving the needs of companies and meeting them on their terms. To this end we have strengthened our branch network, particularly in Akureyri, Selfoss and Borgarnes, and have launched a range of new products and solutions aimed at business owners. An example of such a digital solution is one we introduced for payment cards. Companies can now change credit card limits for individual cards themselves and can also send credit card receipts straight to their accounting teams using the Arion app.”

“Many of our customers have highly complex needs,” continues Benedikt. “Given the number of inhabitants in Iceland, we have a high number of corporates listed here, and many of our clients, I think one in six, has corporate needs as well personal. We are a universal bank with a broader offering than any of our Icelandic competitors, and we’re working hard to incorporate all those different products into our service offering and making them as accessible as possible. Our Premía service, which is personalized to meet the sophisticated needs of our highest volume customers, is an excellent example of this.”

It is all part of the Bank’s commitment to making its services and the customer experience even better.

“It is a long-term project and I look forward to expanding and adding to our service infrastructure even further in 2025.”

### **Enhancing our services to SMEs**

Paul shares this view.

“We want to be able to put ourselves in the shoes of business owners and understand the challenges they face,” he says. “It is a fact that the majority of Icelandic companies are SMEs which face a different set of challenges from major companies. By reinforcing our Corporate Banking division and our branches, which we most certainly did during the year, we are better able understand those challenges and can support our customers up and down the country.”

At this point we should mention the pleasing milestone reached during the year when Arion negotiated a credit facility with the European Investment Fund (EIF), facilitating new loans from Arion to SMEs.

“A guarantee from EIF enables Arion Bank to provide even better support for its current customers and at the same time lets us help companies doing exciting work in areas where it can sometimes be difficult to raise financing in the initial stages,” says Paul

The focus here is on projects involving sustainability and environmental issues, the digitalization of society and culture.

“It’s also an opportunity to think beyond concrete and ships for a change,” adds Paul smiling.

### **Focus on emerging industries**

Benedikt stresses the point that it was yet another year where the Bank focused on emerging industries and tried to support them.

“We were one of the first banks to support the aquaculture business in Iceland, both land-based and sea-based. The same is true of various knowledge industries, and we have tried to ensure that our customers can access funding whilst they are in the start-up phase in this sector. We could also mention tourism. We remained strong supporters

throughout Covid and firm believers that the sector would recover and thrive. Iceland still has masses of untapped potential in this area, particularly when it comes to high-end services or what is sometimes referred to as eco-tourism.”

### **Positive year in challenging circumstances**

*How do you think the Group performed in general in 2024?*

“Overall, I think it’s been a very successful year in quite challenging circumstances,” says Paul. “Recent volcanic activity has posed some challenges, particularly for the tourism sector, but we’ve seen tourism bounce back in the second half of the year, which has improved the general economic outlook in several ways.”

Towards the end of the year, the Central Bank of Iceland began to lower interest rates which for some time had been high and costly for people and companies. This had a widespread positive effect, including on the Icelandic stock market where most listed companies saw their share prices rise towards the end of the year. Shares in Arion Bank were no exception.

“You can also see the international capital markets responding very positively to the steps the Bank has taken recently,” says Paul.

### **Strong stock market**

Arion Bank is listed on the main markets of Nasdaq Iceland and Nasdaq Stockholm which gives the Bank access to both domestic and international investors.

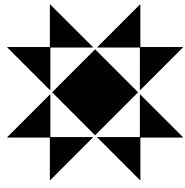
“Our shares are perceived as being a safe investment, blue chip stocks, if you like. Our shares have therefore often functioned as a kind of bellwether on the Icelandic stock market, and we are proud of that.”

Paul mentions that in recent years the Bank has been



**“We have put a huge amount of effort into serving the needs of companies and meeting them on their terms.”**

Benedikt Gíslason  
CEO



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prominent in strengthening the Icelandic stock market by arranging stock market listings and helping companies through corporate transformation.

“For example, we pioneered structuring here within our corporate markets, bridging products which enable customers to merge or to make acquisition bids for other companies to consolidate or further develop the market. This has been a key product feature of our activities in that area.”

**Vörður and Stefnir going from strength to strength**

The conversation turns to the subsidiaries, the insurance company Vörður and the fund management company Stefnir.

The Group's insurance segment has been performing very well. Vörður's market share has been growing continuously, and an increasing number of Arion Bank customers are choosing to buy insurance from the Bank's subsidiary as it's both more convenient and offers a number of benefits.

“When the whole bancassurance model was set up, we had to do a lot of work in order to make it work practically for our customers,” says Paul. “The work we put in then is now paying off.”

Paul also notes that fund management at Stefnir and asset management at Arion Bank have performed well and this has given institutional investors, particularly pension funds, the appetite to own bank-originated debt products.

**Excessive regulation undermines Iceland's ability to compete**

We now shift our attention to the environment in which Icelandic financial institutions operate. Both Benedikt and Paul believe that the excessive regulatory framework is beginning to have a detrimental impact on the ability of Icelandic banks

to compete, with negative consequences for Icelandic taxpayers.

“The so-called Iceland premium categorically illustrates that Icelandic banks and their international competitors are not on a level playing field,” says Benedikt. “The Icelandic banks are small but are subject to the same or even stricter requirements and higher taxation. And because they are smaller, it's more expensive for them to adapt to new rules.”

“Compliance with the rules is of the utmost importance to us,” says Paul. “We fulfill our responsibilities and we fulfill them well. But for a small bank like this, and we are certainly one of the smallest banks in Europe—all the Icelandic systemic banks are—the cost of compliance is much higher, compared to larger European institutions.”

In this respect, Benedikt believes that the regulators and politicians need to re-evaluate a few things as it effects Iceland's ability to compete.

“We are competing in numerous industries globally. Even tourism here is competing with tourism elsewhere in the world. Tourism operators elsewhere are often enjoying much more favourable terms than companies here.”

“Personally,” says Paul, “if I had the chance, instead of using our best and brightest brains to churn out reports for the regulators, I'd rather use that brain power to develop new products in the SME space or improve the people's financial health. It's the competitive aspect versus the aspect of needing to comply. We are always walking a tightrope there. A clear regulatory framework and supervision is vital for all financial systems and we strive to do it well. However, the fact that things are taken further in Iceland than in our neighbouring countries is not beneficial to local consumers or Iceland's ability to compete.”

**Women Invest campaign delivering tangible results**

We are still considering the big social picture when we turn our attention to the “Women Invest” campaign which Arion Bank launched in early 2024 with the aim of increasing women's participation in investment and enhancing financial literacy. Through this initiative Arion wants to promote greater equality on the financial market and empower women to take independent decisions on their own finances. In 2024, more than 4,000 women attended 45 events across the country.

“Of course, it's a long-term project and we're delighted to see such interest in it,” says Benedikt. “I don't think we've ever held a series of events which was so well attended. The results are clearly reflected in our statistics – we're seeing proportionally more uptake in services for women. So now we have got the needle moving.”

“Equality at Arion is also an issue which is very close to our hearts,” says Paul, “and we look at factors such as pay equality and women's access to senior roles, board roles, executive committee roles – key roles within the subsidiaries. And how do we ensure that having a child does not hold back a person's career, especially a woman's? We decided to come up with a solution and we recently announced our plans to open a daycare centre in 2025, an idea which was warmly received by our employees. The idea was sparked by the fact that is has proven extremely difficult for employees to find daycare for their children aged 12 to 24 months. In addition, for several years we have ensured that employees on parental leave get 80% of their salary for six months, the first Icelandic company to make this pledge. Both measures are hugely important for parents and represent an essential contribution to the fight for gender equality at Arion.”

Paul adds that currently the majority of directors in the board of Arion are women.

“It's something that I have rarely seen during my long career so it's something we are really proud of.”

**Growing importance of the Arctic**

Over the past few years Arion Bank has been an active participant in international discussions on investing in the Arctic, and for example the Bank held well-attended conferences on sustainable investment in the region in London for three years in a row.

“We have been in close contact with international banks and investors who have shown a growing interest in the Arctic,” says Benedikt. “In the last few years, we have also developed a strong network in the Faroe Islands and provided a wide range of financial services to local companies there and provided backing to seafood companies and other key sectors. There's a lot going on in the Faroe Islands.”



**“Equality at Arion is also an issue which is very close to our hearts.”**

Paul Horner  
Chairman of the Board of Directors





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“Likewise, I believe that tourism in Greenland is in a similar place to where it was in Iceland around 40 years ago and so there is huge untapped potential.”

The Bank also looks to Canada where Icelandic seafood companies and renewable energy companies have established themselves.

Benedikt believes that Arion Bank’s expertise and experience could come in very handy to companies in the Arctic.

“I’m particularly referring to infrastructure, seafood, tourism, and transportation. We are ideally located in the Arctic and have invaluable access to the international capital markets. In order get tourism in Greenland to the same place as Iceland, the people of Greenland need to raise capital and bring in expertise from abroad. We want to help out and do it sensibly and sustainably.”

#### **Younger generations have evolving financial needs**

Finally, the conversation shifts to where banking is heading globally. Arion Bank has long recognized the importance of digital products and services and has been at the forefront of these developments in Iceland for many years. The Arion app, for example has been named the best banking app in Iceland by bank customers for eight years in a row according to survey by Maskína, and it has also won international awards for this service.

#### *Why this focus on digital solutions?*

“Well, that’s very simple,” says Paul. “An entire generation of customers has emerged that has no experience of queuing at a branch. And thank goodness those days are over!”

This development in fact completely revolutionized the way banks engage with their customers. For the most part the digitalization of banking services has brought progress; digital solutions are more convenient for customers and ensure a certain consistency in the services provided. On the other hand, the barriers to entry are

much lower; new competitors emerge, for example in deposits, and the first consideration for many young people is where can they get the least expensive and most straightforward service or the lowest interest rates, without necessarily seeing the bigger picture, such as the importance of various other features of financial services.

“We provide a vast range of services and in 2025, for example, we are launching our rewards scheme for which we have high hopes,” says Paul. You also can’t underestimate the importance of cyber security and combatting cyber crime.

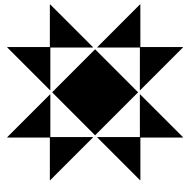
“We also know that everyone needs personal, face-to-face contact to build up trusty relationships. That’s why we have enhanced our branch network and made every effort to develop strong relationships with our customers.” Digital solutions will never replace such customer engagement.

Benedikt says that we are experiencing a period of great upheaval in financial services, a trend reflected in many other sectors. Artificial intelligence is starting to leave its indelible mark on the world of finance. The revenue models of banks and financial institutions are likely to change significantly in the future and may involve closer partnerships with tech companies and super-apps such as the Chinese WeChat. In fact, this development has already begun.

“In any case it will be exciting to see what happens in the next few years, that’s for certain. At Arion we fully intend to be at the forefront and look forward to taking on new challenges. We’re certainly living in exciting times.”

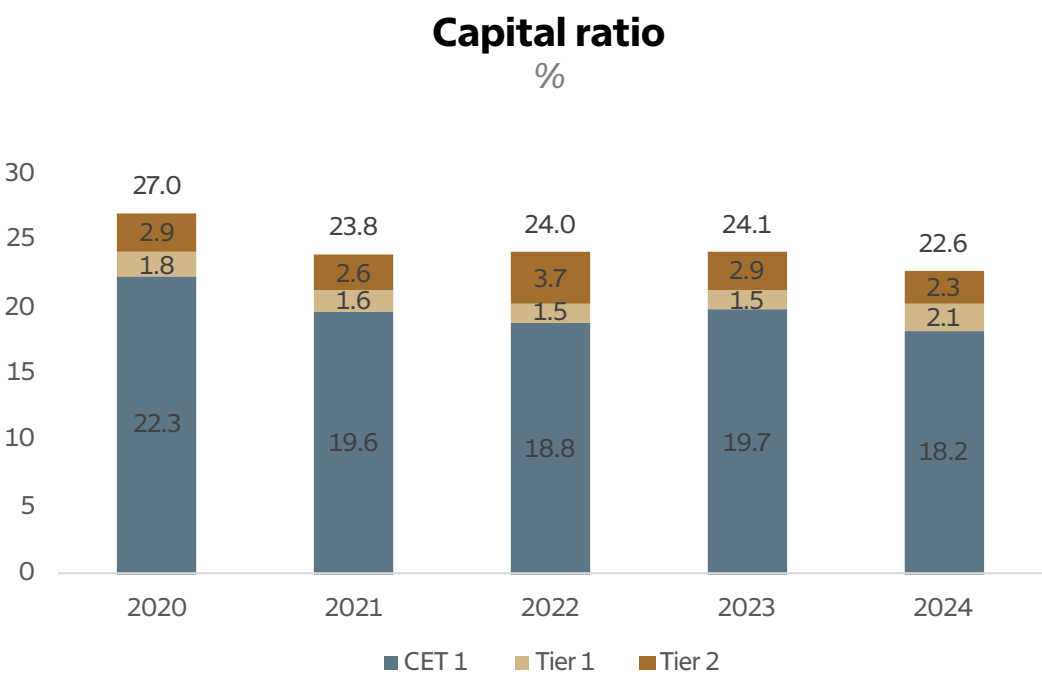
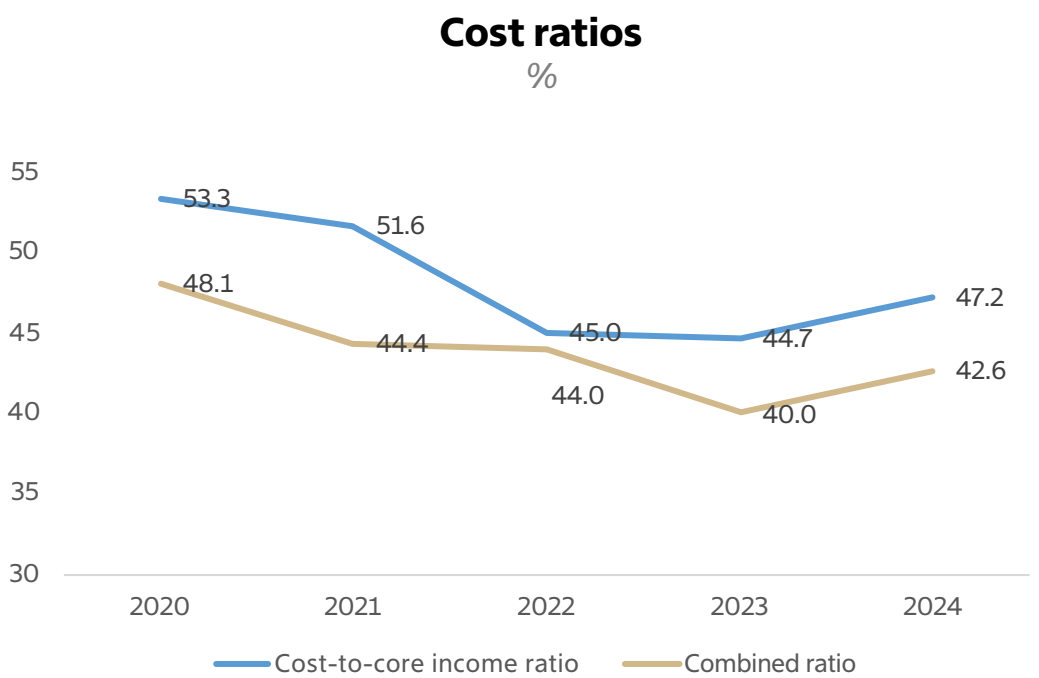
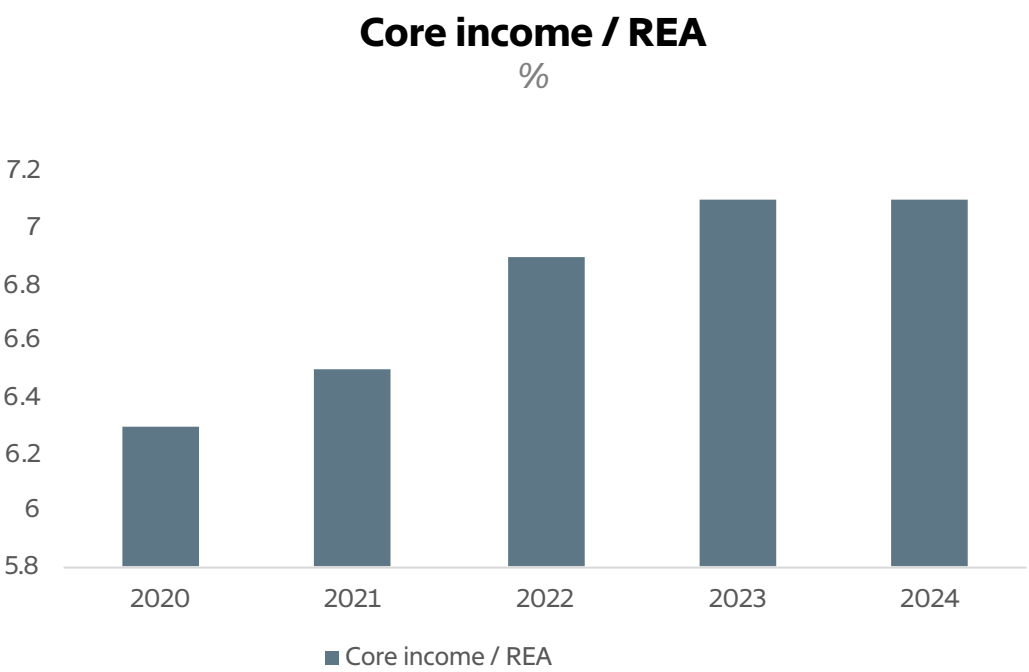
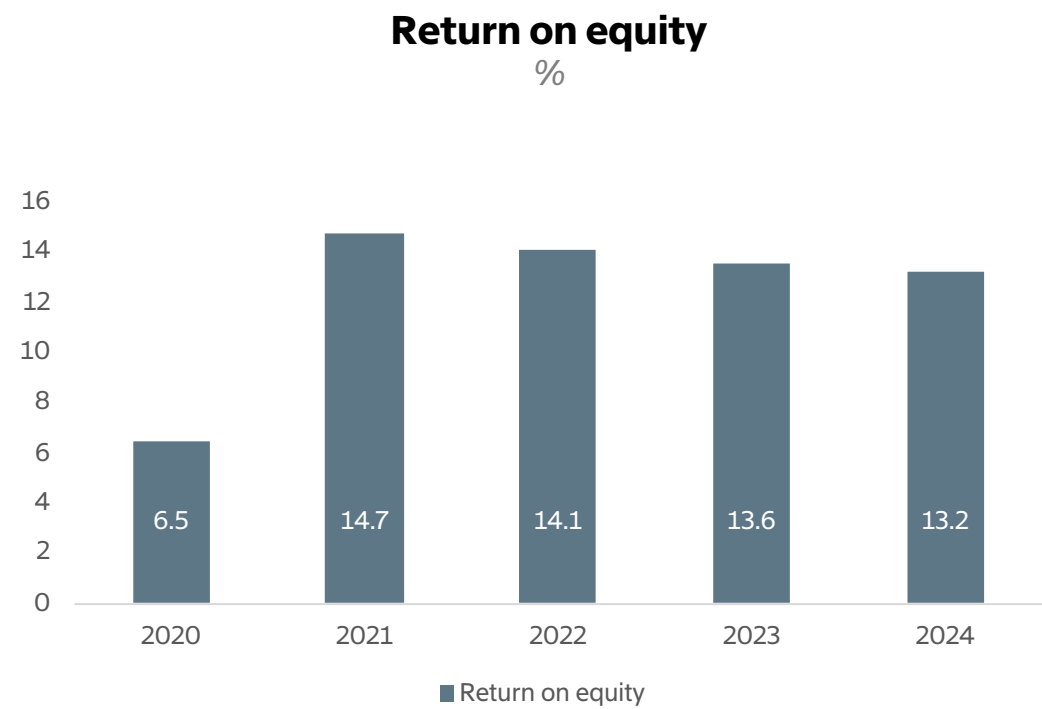
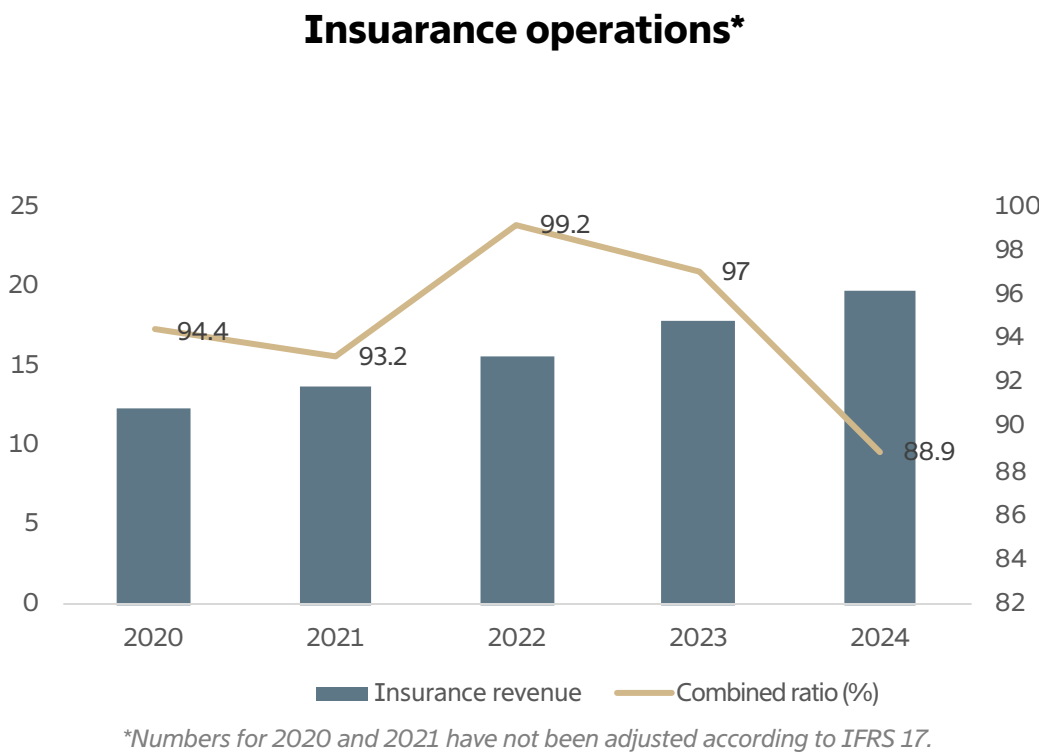
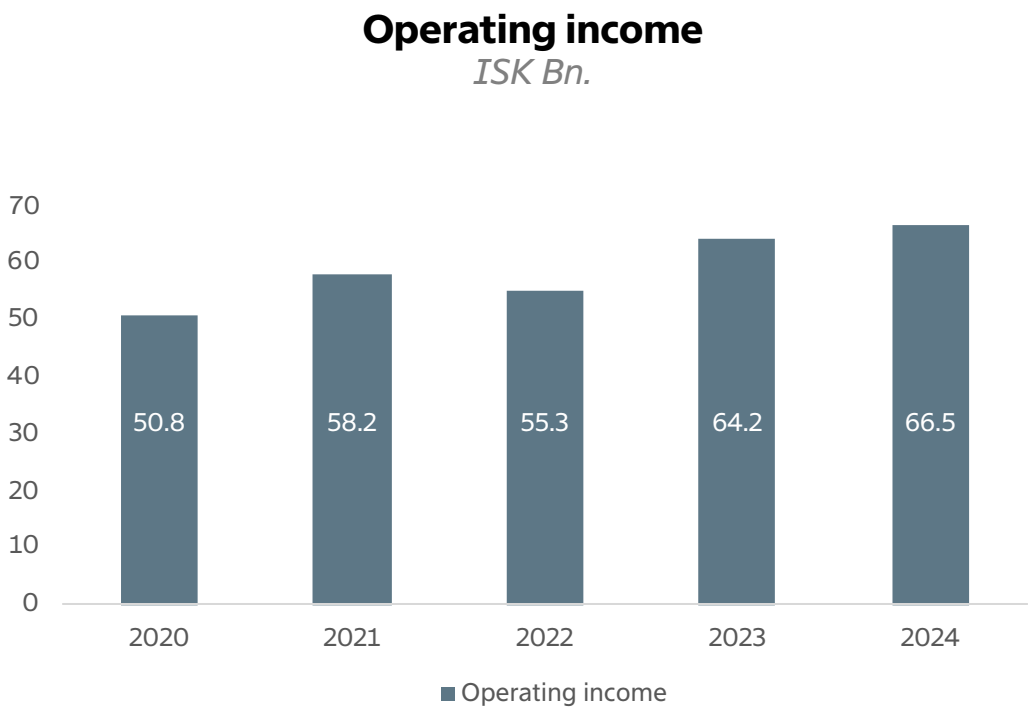




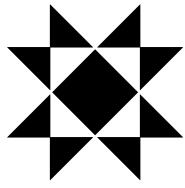


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# Key figures







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# Highlights of 2024

## Organizational changes

A new organizational chart was introduced in February. The main change was that we reduced the number of the Bank’s divisions, and managing directors, from eight to seven by transferring the tasks undertaken by Customer Experience into the Bank’s business segments and bringing them closer to the customers. The aim of the changes is to further combine our expertise and experience, shorten lines of communication and accelerate the development of our services.

In addition, all services to corporate customers were relocated to Corporate & Investment Banking. Previously, Retail Banking had attended to small and medium-sized enterprises in regional Iceland.

## Arion Refund

The diversity of our spectrum of services is one of the key strengths underpinning Arion Group. We want to ensure that those customers who use a wide range of services reap the rewards and therefore we introduced the Arion Refund scheme, which enables customers of Arion and Vörður to get a 5% refund on their insurance premiums if they are claims free for 12 months.

## Arion and Vörður share branches

During the year Vörður opened four branches which it shares with Arion Bank: Smáratorg in Kópavogur; Bíldshöfði 20 in Reykjavík; Stykkishólmur; and Egilsstaðir. Prior to this Vörður and Arion shared branches in Selfoss and Akureyri.

The partnership between Arion Bank and Vörður continues to grow, and the insurance company once again outgrew its competitors, something it has done consistently in recent years. Revenue grew by 13% in the first nine months of 2024, and the third quarter was the strongest in the company’s history.

The Arion branch network underwent further changes over the year. The Bank moved into new premises at Vík í Mýrdal in southern Iceland, while the branch at Keflavík International Airport closed after a presence dating back to 2016.

## New products on the mortgage market

Arion Bank announced a new solution which enables customers to temporarily reduce repayments on non-indexed mortgages. Over a period of 12 months the customer pays a fixed monthly amount which is lower than the amount specified in the terms of the loan. It represents a new approach which is suited for customers who want to continue to have non-indexed loans but seek to reduce their monthly repayments on a temporary basis.

A milestone was reached during the year when the first mortgage was registered digitally, making it both easier and quicker for us to process loans. Initially, only the refinancing of mortgages can be registered digitally, but eventually new loans will also be registered using this method.

## Measures in response to volcanic activity near Grindavík

Following the period of intense seismic activity near Grindavík in November 2023, Arion Bank offered to freeze the mortgages of its customers in Grindavík for three months and to waive interest and indexation on their loans for this period. By doing this we hoped to help alleviate the concerns the people of Grindavík were experiencing at the time. At the beginning of 2024, the Bank extended these measures for a further three months. In February, the Icelandic government established a special company, Þórkatla, whose role is to acquire, manage and sell residential property in Grindavík.







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### Personal and tailored solutions for high-volume customers

During the year, we launched our Premía service which is a tailored and personal service for our high-volume customers. Premía now has three different levels: General Premía service which gives members enhanced services and exclusive terms; Premia Private Banking, where customers are assigned their own account manager; and finally, Premía Wealth Management which is designed for people with more than ISK 1 billion in assets under management at the group, a groundbreaking service in Iceland in terms of quality and depth.

### Leader on the corporate market

Arion Bank advised LBT on the acquisition of Marel, one of the largest deals in Iceland's history, and was advisors and lender in one of the biggest takeover bids ever on the Icelandic market when a bid was made for the real estate company EIK. The Bank also arranged the listing of Kaldvík on the First North market.



### Assets under management scale new heights

During the year, assets under management at the Group, i.e. Arion Bank's Markets division and Stefnir, crossed the ISK 1,500 billion mark and ended the year at more than ISK 1,600 billion. Frjálsi Pension Fund, administered and asset managed by Arion Bank, reached the ISK 500 billion mark and Stefnir topped ISK 300 billion.

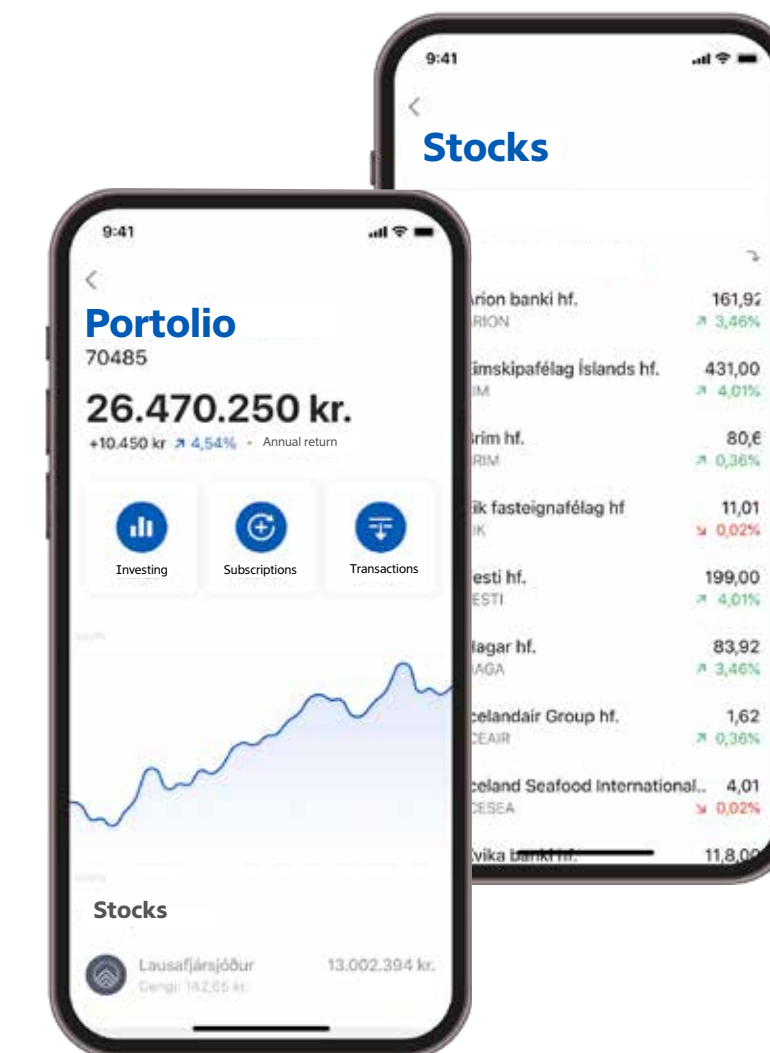
### Sustainable financing framework and guarantee agreement with EIF

During the year, Arion Bank issued an ambitious sustainable financing framework which replaced our green financing framework which came out in 2021. The new framework is more extensive than its predecessor and addresses additional factors to environmental and climate issues.

Arion Bank also signed an important guarantee agreement with the European Investment Fund (EIF). The agreement enables us to lend ISK 15 billion to SMEs with a guarantee from the EIF. The goal is to support innovation in sustainability and environmental projects, the digitalization of society and culture.

### Arion Bank leads the field on Nasdaq Iceland 2024

Arion Bank had the largest combined turnover on Nasdaq Iceland in 2024. On the fixed income market, Arion Bank had the highest market share, with 21.4% or a turnover of ISK 794 billion. It was the ninth year in succession that the Bank had the highest market share of any participant in the equities market, and the Bank's turnover reached ISK 791.8 billion, giving us a market share of 31.7%.



### Best banking app eighth year in a row

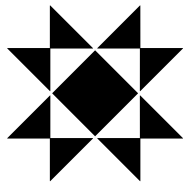
Arion Bank not only offers the most diverse range of financial services in the country, but these services are almost entirely available in the Arion app, which has been voted the best banking app by customers eight years in row. The year saw the release of new digital solutions designed for families and companies. It is now possible to view account statements of children and spouses, open accounts for children and to invest in funds on their behalf. We also brought out sophisticated card solutions for companies which allow users to take a photo of a receipt and attach it to the card transaction statement and to manage credit card limits easily and securely.

“Arion will continue to invest in creating frictionless access to the Group's products and services, meeting our customers' needs whenever and wherever they occur.”

- Björn Björnsson  
Managing Director of Information Technology & CIO







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Acquisition of Arngrimsson Advisors

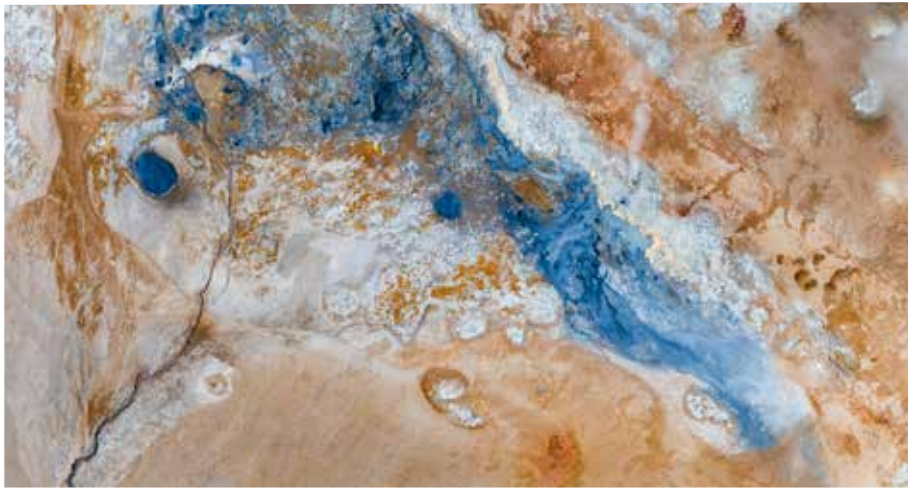
An agreement was reached to acquire Arngrimsson Advisors, which has provided asset management advisory services, with a focus on international institutional investor funds and alternative investments since 2013. The deal is expected to be completed in early 2025 and it will expand the range of options available to institutional and individual investors in terms of investing in international funds, particularly alternative investments. Moreover, it will bring an additional ISK 150 billion in assets under management to the Group.

Robust growth at Stefnir

Stefnir led the acquisition by pension funds of Ívera, through the fund SRE III, which owns 1,600 properties rented to the general public on long-term leases. The investment marked a new beginning for Icelandic pension funds on the real estate market.

The corporate bond fund ST1, managed by Stefnir but primarily owned by pension funds and other institutional investors, grew by 70% over the year to ISK 21 billion. The fund’s assets are mainly corporate loans acquired from Arion Bank.

Regular subscriptions to Stefnir funds grew solidly over the year. Leading the way was Katla – Global Equity which has yielded excellent returns in recent years.



Women Invest campaign a huge success

The Women Invest campaign, launched in early 2024, has proven to be a big hit. More than 4,000 women attended 45 events we arranged on finance and business throughout Iceland. This vital campaign has been very well received and is designed to get more women involved in the financial markets. We will continue with this campaign in 2025.



Good progress in major land development project

Work on the first phase of the land development project at Blikastaðir got under way in 2024. At the beginning of 2025, a public meeting was held to present the proposal, which is still being designed, for the first phase of development.

The proposal is designed to present the key ideas, criteria and environmental impact assessments to residents of the town and other stakeholders. Next, submitted recommendations will be examined and final zonal proposal will be published, and the aim is complete the final plan for the first phase in the second half of 2025. The first phase provides for the construction for 1,200 to 1,300 residences, divided into various types of single-family and multi-family dwellings.

The Blikastaðir plot covers around 98 hectares and is the largest plot of undeveloped land in the Greater Reykjavik area. The land is owned by Arion Bank through the company Blikastaðaland ehf. The area is expected to be home to around 3,700 residents, in a mixture of multi and single-family dwellings, plus 150 apartments for people aged 55 and above, schools, sports facilities and commercial property covering 66,000 square metres.

Balance sheet

The Bank’s assets grew by 6.1% in 2024, increasing to ISK 1,618 billion at year-end. Loans to customers increased by 6.7%. Loans to corporates increased by 8.6%, and loans to individuals grew by 5.0%.

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

In May 2024 Arion Bank issued €300 million senior preferred notes with a maturity of 4.5 years. The notes pay a coupon of 4.625% which corresponds to a spread of 175bp over mid-swaps in euros. In September 2024, the Bank issued additional Tier 1 bonds amounting to \$125 million. The bonds have a fixed coupon of 8.125% and have a standalone and consolidated 5.125% CET1 trigger with equity conversion. In October 2024, Arion issued 3-year green senior preferred bonds amounting to NOK 500 million and SEK 500 million and in November issued Tier 2 floating rate bonds for a total of SEK 225 million.

On the domestic market the Bank issued covered bonds for ISK 50.7 billion and continued to issue senior preferred bonds in Icelandic krónur.

Arion Bank has a strong liquidity position due to funding on the wholesale markets, while customer deposits increased by 1%, from ISK 793 billion to ISK 857 billion. Deposits represented 61% of the Bank’s funding at year-end.

The Bank’s equity amounted to ISK 207.1 billion at the end of 2024, increasing by ISK 7.8 billion during the year. This increase is particularly attributable to annual net earnings of ISK 26.1 billion, while the total was reduced by share buybacks and dividends, totalling ISK 25.5 billion. Share capital was increased to cover the exercising of warrants and the total increase was ISK 6.2 billion. The Bank’s capital ratio was 22.6% at year-end and the CET1 ratio was 18.2%.

Awards and recognition

For the fourth year in a row, Arion Bank was named bank of the year in Iceland by The Banker, a leading global finance news publication published by The Financial Times. The Bank was also chosen as bank of the year in Iceland by Euromoney and named the best digital bank in Iceland.

Frjálsi Pension Fund was named the best pension fund in European countries with fewer than one million inhabitants by the respected publication Investment Pension Europe.

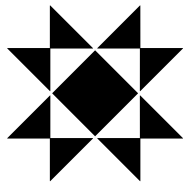
Arion Bank was also nominated as the best brand workplace in 2024 by brandr. Being nominated in this category is a great achievement as only companies which attract talented employees, have a clear strategy and provide opportunities for professional development can be nominated.

As in the last four years, Arion Bank achieved the score “outstanding” in Reitun’s ESG rating, placing it in category A3. The rating is based on the Bank’s performance in terms of sustainability, i.e. environmental, social and governance issues. The Bank again scored 90 out of a possible 100 points and continues to meet the stricter requirements made in the assessment. 90 points is the highest score given by Reitun, and the Bank is one of four issuers placed in category A3. Approximately 40 Icelandic issuers have been assessed.

Arion Bank remains in the top 5% of more than 1,000 banks worldwide which have been rated by Morning Sustainalytics and in the top 3% of almost 500 regional banks. Arion Bank also ranks in the top 3% of the approximately 16,000 companies rated by Morningstar Sustainalytics.

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





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**The Economic Environment**

# The Economic Environment

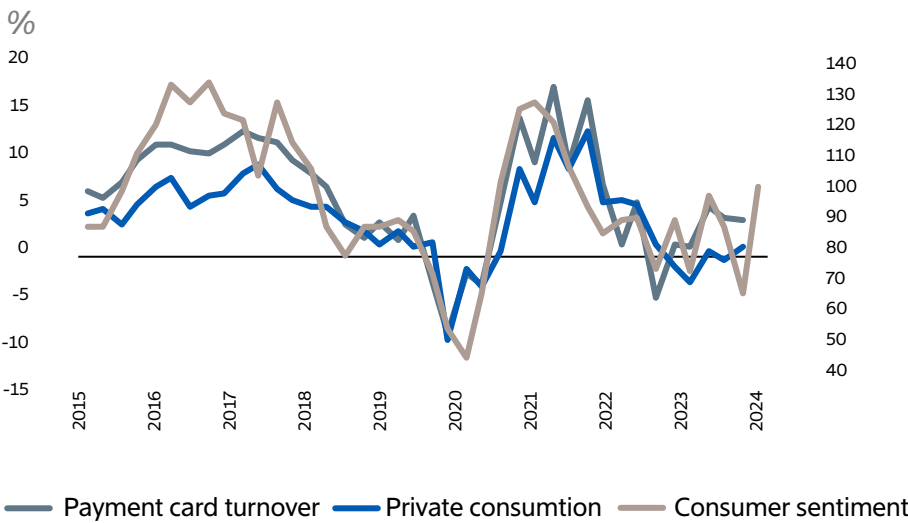
The Icelandic economy successfully navigated choppy waters in 2024, despite the tight monetary stance, continued volcanic activity and political turmoil. At the beginning of the year, opposing parties on the private labour market managed to strike a deal, resulting in a four-year contract which acted as a framework for subsequent agreements. Unemployment was generally low, real disposable income increased, and inflation receded, creating leeway for long-awaited interest rate cuts. Six separate volcanic eruptions on the Reykjanes peninsula left deep scars on the national psyche and on public finances as the government undertook large investment projects in defensive walls around infrastructure and bought up residential housing in Grindavík. Seismic unrest also had an impact on tourism although the year turned out better than expected at the outset. According to preliminary figures from the National Accounts, the economy contracted in 2024, an outcome that contradicts high-frequency economic indicators.

## The economy lost ground – according to initial figures

The year 2024 started with a bang – literally – as a volcano started erupting right on the edge of Grindavík. The nation sat glued to the television screen, watching the lava flow towards the town and the foreign media went into overdrive. Misleading reporting in the international press had a negative impact on tourism and the first few months of the year were rather challenging. However, the economic downturn at the beginning of the year had little to do with tourism. Instead, it was the failure of the capelin fishery which undermined economic growth, primarily due to changes in inventories. When it rains, it pours, and the following quarters showed little improvement. In the end, the economy contracted by 1% between years in the first nine months of the year according to preliminary figures from the National Accounts. The aforementioned changes in inventories were a major contributor to the contraction, as was exports which faced an uphill battle. The government countered the contraction, as did investment, while household consumption, the former driver of economic growth, remained sluggish. In economics as in life in general, many things don't turn out as expected and there are strong indications that full-year economic growth will fall well short of analysts' forecasts.

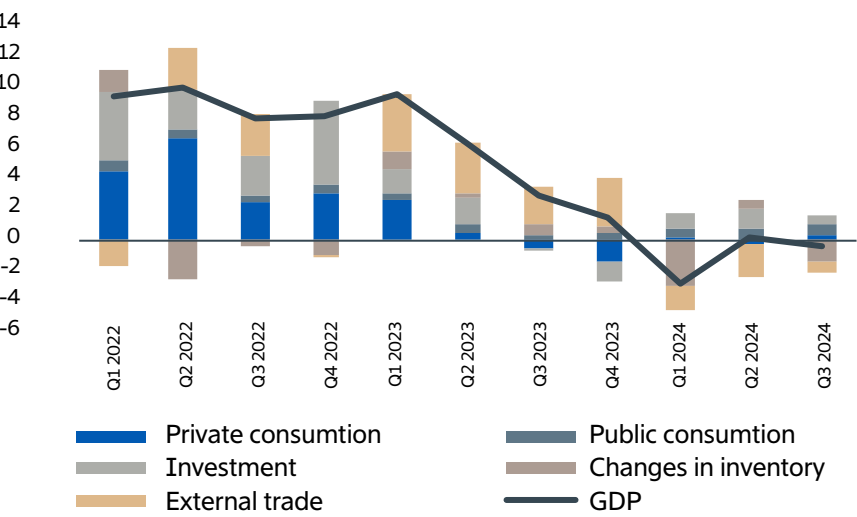
In this context, it's worth reiterating that these are preliminary figures, which are often revised upwards at a later date. To illustrate the magnitude of such revision, the first quarter of 2024 serves as a good

Payment card turnover, consumer sentiment and private consumption- YoY real %-change, index



Sources: Statistics Iceland, Central Bank of Iceland, Arion Research

Growth contributions of GDP components







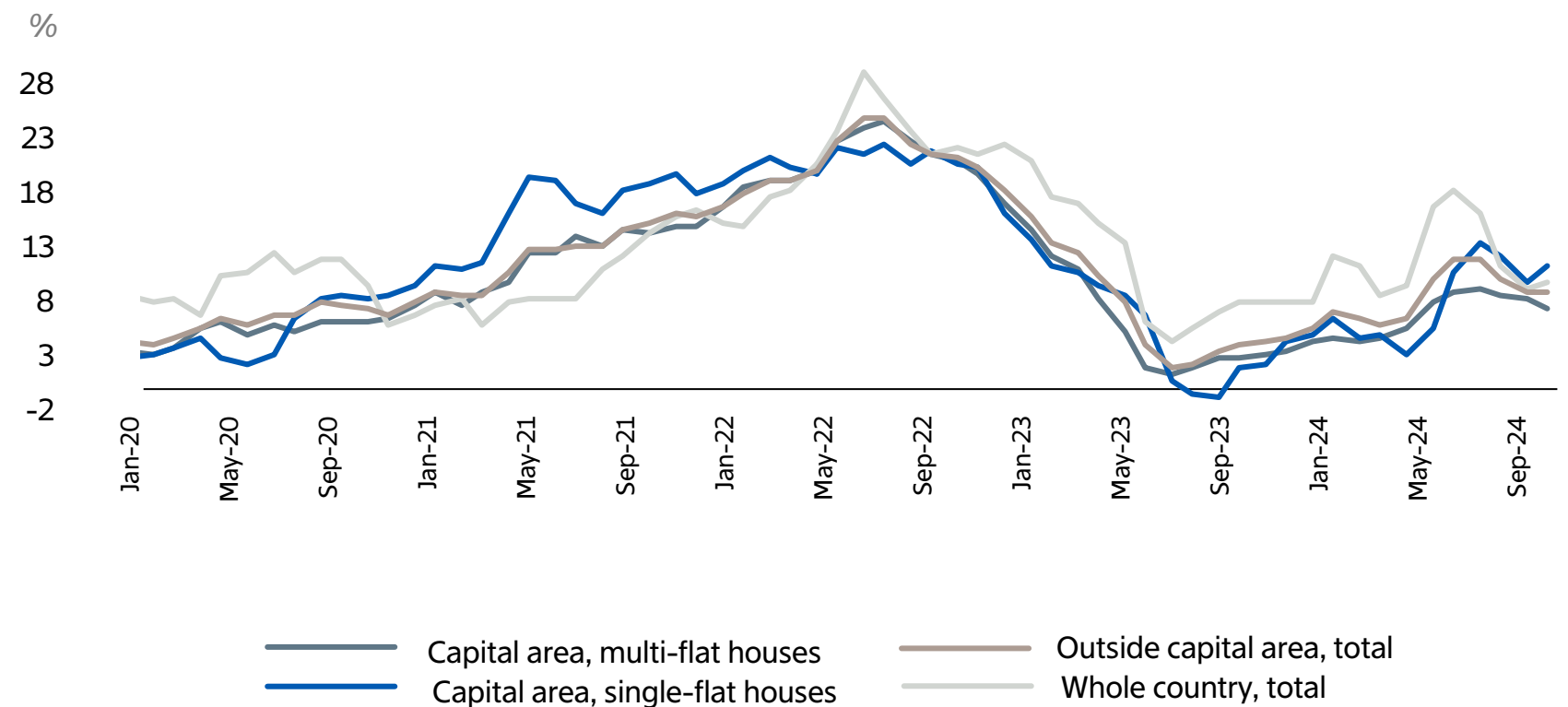
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example. Initial figures suggested that the economy had shrunk by 4% between years but after two revisions the contraction is currently estimated at 2.8%. Analysts expect economic figures to continue to be revised upwards in the near term, particularly in light of the fact that the National Accounts contradict high-frequency indicators such as payment card turnover, imports and information from listed companies.

The component of GDP which most frequently confounded analysts was public consumption, as the treasury was kept extremely busy by the volcanic activity on the Reykjanes peninsula. Defensive walls around infrastructure were constructed throughout the year, but the largest undertaking was the government's purchases of residential housing in Grindavík. The relocation of the people of Grindavík to surrounding towns left its mark on the housing market. Turnover showed a marked increase, the number of purchase agreements multiplied, and housing prices shot up, kindling inflation in the first half of the year. At its peak, the annual increase in housing prices across the country was 11.9%, largely driven by rising prices in the capital area's neighbouring municipalities. House prices increased by 8.1% on average for the country as a whole in 2024.

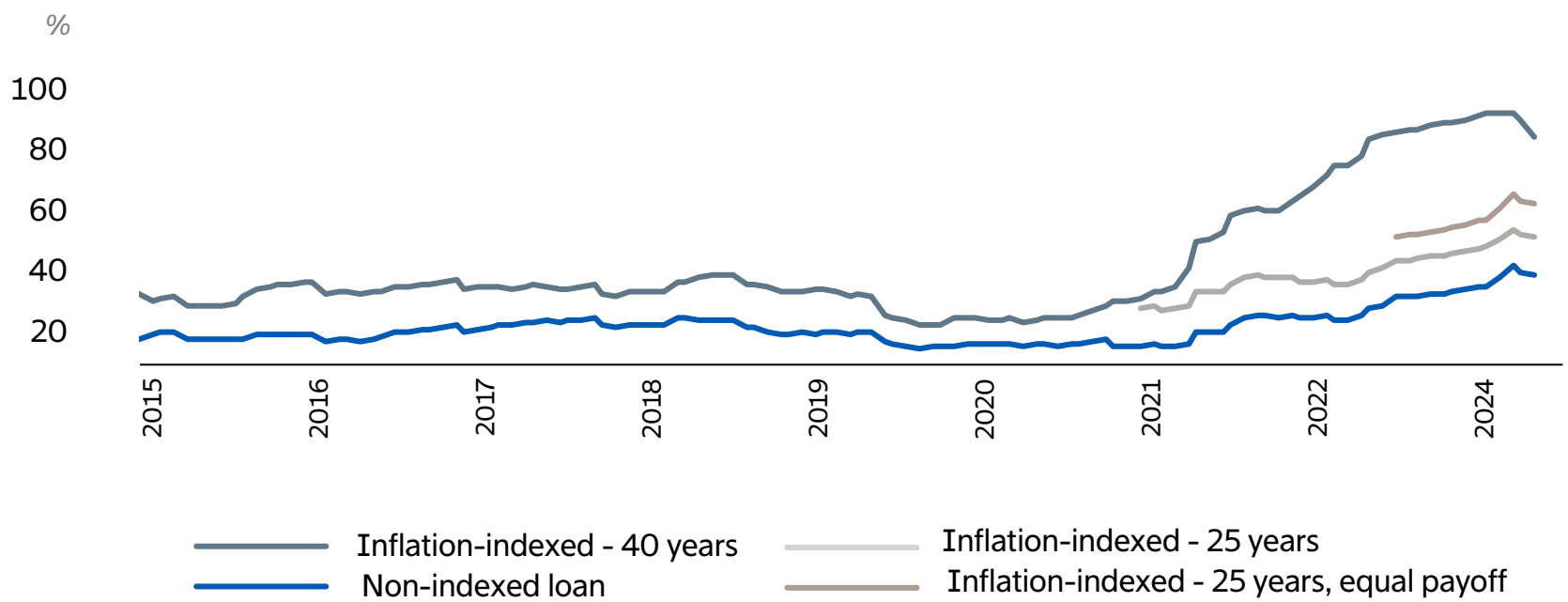


Residential property market price index - YoY %-change



Sources: Central Bank of Iceland, Statistics Iceland, Arion Research

Debt service relative to disposable income - disposable income per person and 100 sq m in the capital area



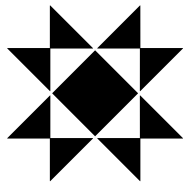
Sources: Central Bank of Iceland, Statistics Iceland, Arion Research

Even though the housing market was livelier than most expected, the latest figures indicate that the market is cooling down rapidly, with more properties for sale, homes taking longer to sell and prices rising at a slower pace. Rising inflation-indexed mortgage rates and tighter borrowing requirements played a key role in this development and counterbalanced the population growth, rising wages and government interventions through equity loans.

The year commenced with tensions the labour market and recriminations from both sides of the negotiating table, with strikes and lockouts being threatened. After fierce negotiations, the opposing parties struck a deal, and at the end of the first quarter collective wage agreements for a major part of the private labour market were successfully negotiated. The stated objective of the agreement was to rein in inflation and interest rates and to provide economic stability. To this end, a four-year deal was reached, containing fairly moderate wages increases in a historical context in Iceland. This is not to say that the agreement resulted in minimal cost increases for the economy, as the government was heavily involved, receiving the short end of the stick. The agreement paved the way for other agreements and acted as a framework for subsequent deals on the labour market. The wage index increased by 6.4% between years in 2024, representing a real wage increase of 0.6%.

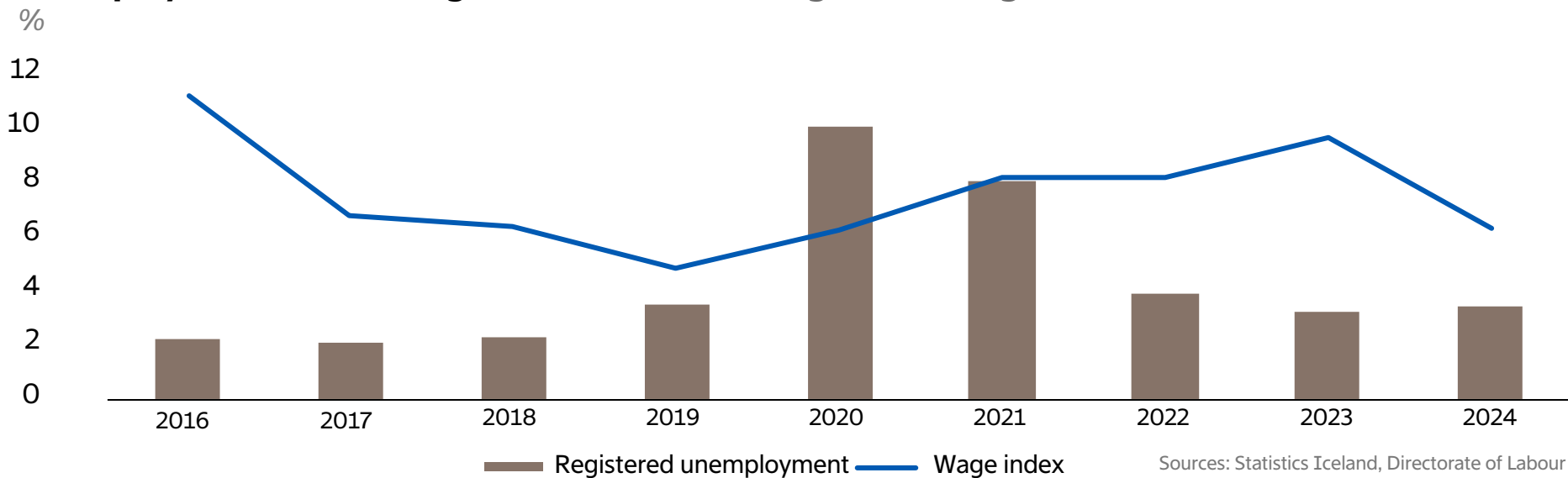
The tenacity of the labour market came as a surprise to analysts, particularly the Central Bank of Iceland which expected that high interest rates and risings costs would lead to increased unemployment. In reality, unemployment only inched upwards from 3.3% in 2023 to 3.5% in 2024 according to figures from the Directorate of Labour. In the second half of the year, however, there were signs of less tension on





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



the labour market, when an autumn survey of Iceland’s largest companies revealed that more firms wanted to downsize than to hire workers, for the first in four years. Nevertheless, demand for labour remains above the historical average in the construction industry, whereas in tourism, the country’s largest export sector, the situation is bleaker.

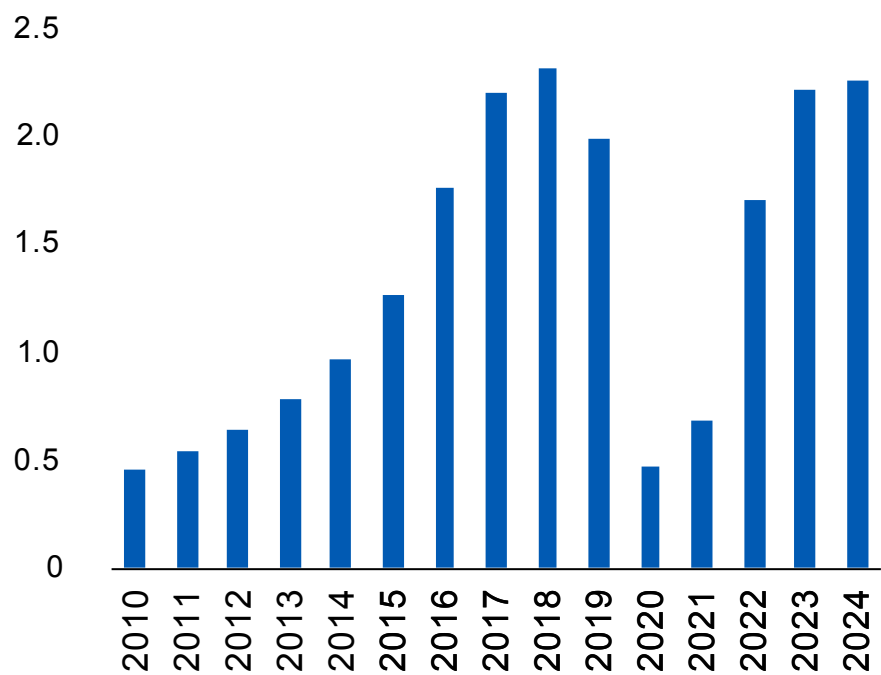
Foreign trade faced an uphill battle

The recovery of the tourism industry following the global pandemic was remarkable and exceeded all expectations. There was a general mood of optimism at the beginning of the 2024, but January’s volcanic eruption and misleading news coverage in the international media soon soured these expectations. After a rocky start, tourism managed to gain ground and by the end of the year 2.3 million tourists had visited the country, a slight increase 2023. Nevertheless, tourism’s contribution to export growth was negative as preliminary figures indicate that the length of stay and average spending per tourist decreased between years. This development reflects the deteriorating competitiveness of the economy as Iceland remains an expensive destination, labour costs are high, and the currency is strong.

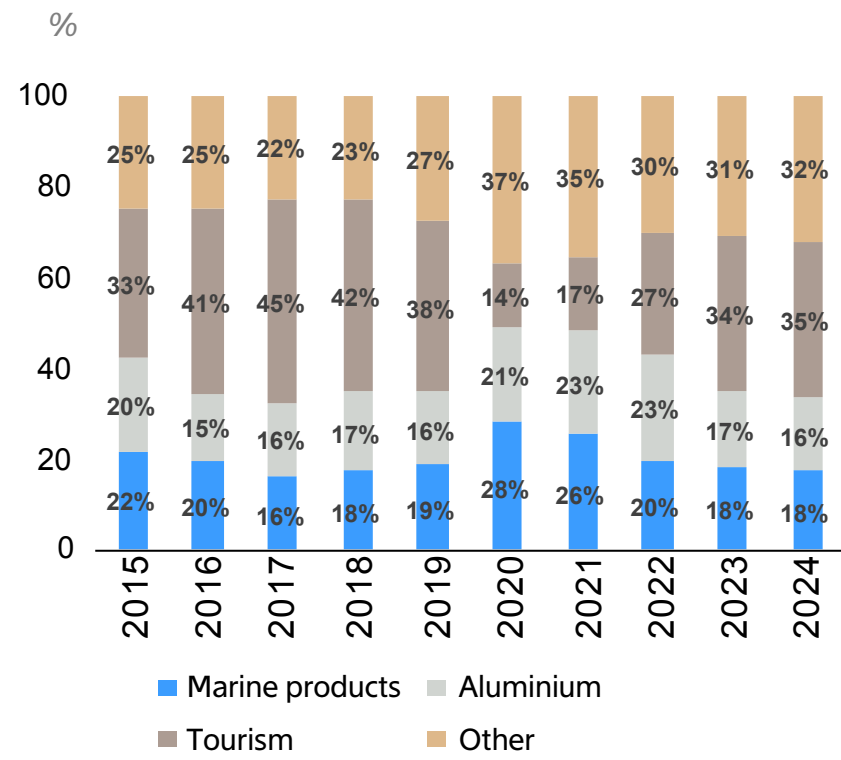
Tourism wasn’t the only export sector to struggle. Other major established export sectors were also on the back foot; heavy industry grappled with electricity supply shortages and the seafood industry faced once again a failure of the capelin fishery. It was therefore up to other sectors to pick up the baton and they didn’t shy away from the challenge. Both aquaculture and pharmaceuticals performed well in 2024, with the export value of fish-farmed produce increasing by 17% between years and pharmaceuticals and medical products by 55%. Moreover, there are ambitious plans and huge growth potential in both these sectors.

Even though smaller export sectors flourished, exports were outdone by imports. Preliminary figures indicate that the trade deficit has never been greater, despite that fact that passenger car imports dropped by half between years. Yet every cloud has a silver lining, as one of the main areas of import growth was in investment goods which will hopefully result in future value creation. The bottom line, a current account deficit in the first nine months of the year of ISK 26 billion, is nevertheless disappointing.

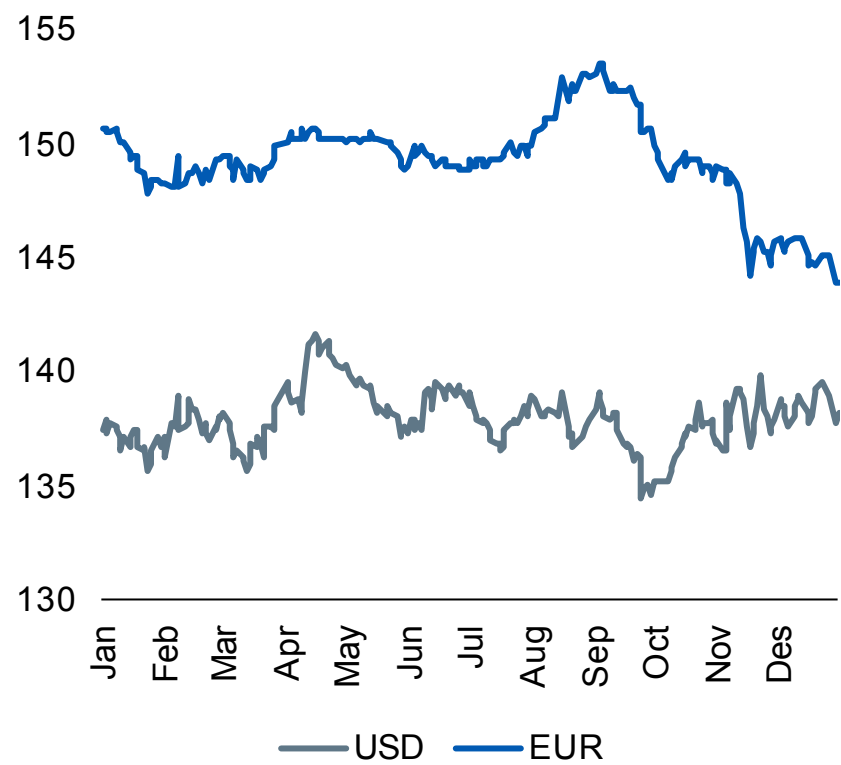
Tourist arrivals via Keflavik International airport - millions



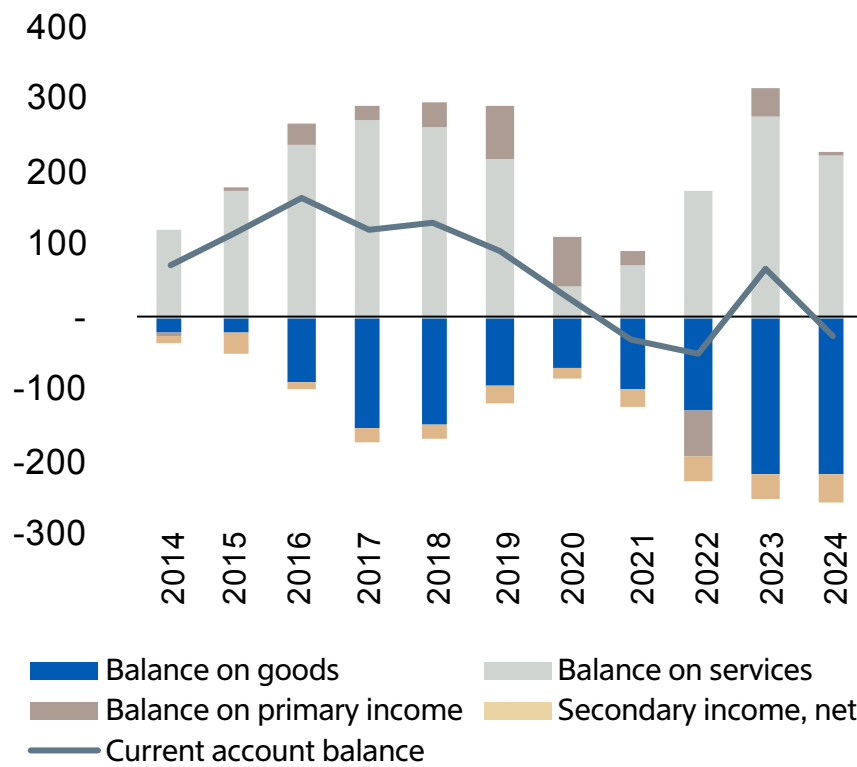
Composition of exports - first nine months of each year



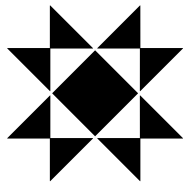
The exchange rate of the ISK against USD and EUR



Current account balance in the first nine months of each year - bn. ISK at constant exchange rate







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The króna did not let the current account deficit knock it off course and remained remarkably stable in the first half of the year, even though the Central Bank hardly intervened at all in the foreign exchange market. However, towards the end of the year the króna appreciated sharply on the back of heavy trading with listed shares following the acquisition of Marel by JBT. At the end of the year, the króna strengthened by 3.4% against the euro but weakened by 2.6% against the US dollar. It should be noted, however, that most currencies depreciated against the dollar in 2024.

The rate-cutting cycle has started

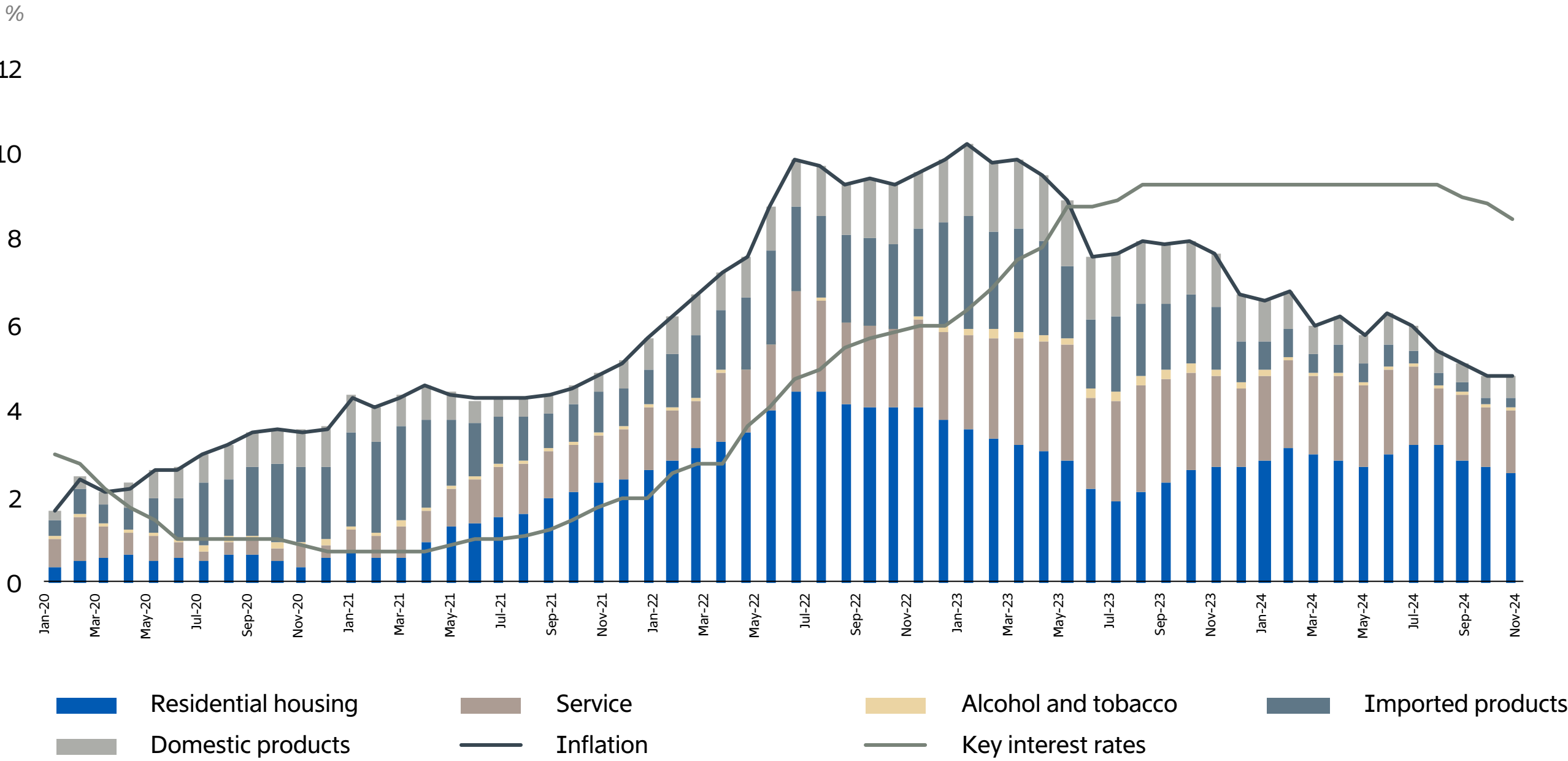
Although 2024 will be remembered as the great election year, analysts will associate it with interest rate cuts and falling inflation. After a fierce struggle lasting three years, the Central Bank’s efforts paid off; inflation receded throughout the year and ended the year at 4.8%. Although one-off measures by the government, such as free school meals in elementary schools, had a significant impact on headline inflation, it is undeniable that overall inflationary pressure in the economy eased. Underlying inflation

and the extent and frequency of price increases continued to subside. As in recent years house prices were one of the main drivers of inflation even though a new method for estimating imputed rent was adopted in mid-year.

Falling inflation, reduced tension in the labour market and slower economic activity created room for interest rate cuts at the end of year, a fact warmly welcomed by the monetary policy committee of the Central Bank. In total, interest rates were reduced by 0.75 percentage points, from 9.25% to 8.5% in two

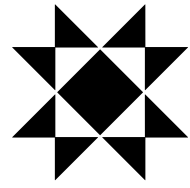
steps. It’s likely that further cuts are in the offing as the inflation outlook is fairly favourable and inflation expectations are moving in the right direction. However, the battle has not been won – the Central Bank operates with an inflation target of 2.5% – and it is likely the MPC will maintain a tight monetary stance.

Inflation and key interest rates



Sources: Statistics Iceland, Central Bank of Iceland, Arion Research



**Strategy and vision**

Arion Group

Financial targets and performance

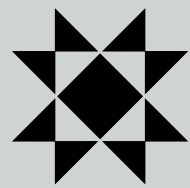
Investing in Arion

# Our strategy and performance

Arion Bank has adopted 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 also operates in accordance with clear financial targets which are released publicly, and in 2024 the Group achieved its target on return on equity above 13%. Taking into account dividends, the Bank's share price on Nasdaq Iceland ended the year 16.6% up, while SDRs on Nasdaq Stockholm climbed 29.46%.







**Strategy and vision**

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# Strategy and vision

One of the most important things Arion Group does is to help our customers prosper and reach their goals. We do this by investing savings and mediating this capital to investors looking for funding to help realize their dreams. We also offer diverse insurance policies for families, homes and companies, and have a range of outstanding pension products. The ability to offer a wide variety of services is vital as our customers all have different goals, reflecting the ambition and energy within them.

**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.

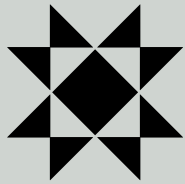
*Our vision* is to be the best at meeting the needs of our target groups – a leader which is a driver of success for our customers and society as a whole.

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

We have unwavering confidence in our microenvironment 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.







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**Your success**

Success can mean many things. We are all different and have distinct goals. We all aim to get ahead and 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 for 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 improve the gender balance on the financial market. In 2024 we launched a long-term campaign aimed at achieving this. We have also adopted an ambitious environment and climate policy because 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 Stefmir.

**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 everyone 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: [arionbanki.is/english/about-us/more/rules-and-terms/](https://arionbanki.is/english/about-us/more/rules-and-terms/)





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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 diverse and ingenious financial solutions which enhance financial well-being and advance sustainable value creation. The range of services offered by Arion Group is covered 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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Our financial results and risk management

Our governance

Our sustainability



Vörður is a general insurance company which serves both retail and corporate customers. The company aims to provide straightforward and convenient insurance coverage. The company can trace its roots back to 1926 when it was established in northern Iceland under the name Vélbátasamtrygging Eyjafjarðar. It changed its name to Vörður in 2007. Arion Bank acquired Vörður in 2016 and merged the company with Okkar líftryggingar in 2017.

Vörður has more than 69,000 customers: 62,000 retail customers and almost 7,000 companies. The main sectors represented in the corporate section are trade and services, construction, property management and specialist services. Our objective is to have the most satisfied customers on the insurance market.

Vörður's offices are located at the headquarters of Arion and various aspects of its business have been outsourced to the Bank. Customers can obtain services from Vörður at five branches shared by Arion Bank and Vörður.

#### **Successful partnership**

During the year, Vörður services became available to customers at four branches of Arion Bank. This

brings the total number of shared Vörður and Arion Bank branches to five. The Arion Refund scheme, designed for Arion Bank customers who also buy insurance from Vörður, was also launched during the year.

Our customer base continued to grow during the year. We reached our targets on increasing the percentage of corporate customers and growing the sales of personal insurance. A campaign with Arion Bank and other partners delivered strong sales of new insurance policies to corporates.

Insurance is integral to financial well-being and Vörður is resolved to be a leader in preventive insurance, both for retail customers and corporates. The company's mission is to be there for the community and to ensure better insurance protection with a new approach so that more people can benefit from insurance coverage.

#### **Combined ratio target achieved**

Vörður performed well in 2024. Income continued to grow steadily and insurance income growth matched the company's targets on growth and increased market share, which had reached 19% by the end of the third quarter. The company recorded

its best ever quarter in terms of sales during the year. The company's combined ratio was better than the annual target.

The company's investment business performed far better in 2024 than it did in the previous year. As inflation and interest rates began to move in the right direction, the stock and bond markets bounced back after two fairly lean years.

Fewer claims were made in 2024 than the previous year, despite two major fires suffered by customers. Nevertheless, the company dealt with dozens of claims every day and our employees strive to provide the right insurance coverage and service which exceeds customers' expectations.

#### **Proactive business strategy**

Following strategic planning work at the beginning of 2024, the company devised a new proactive business strategy. In close collaboration with Arion Bank we worked hard to increase the number of Arion customers who buy insurance from Vörður, and Arion Refund was integral to this strategy. We will continue to place a focus on growth on the corporate market in partnership with Arion Bank and other strategic partners.

To help realize further growth, investments have been made in infrastructure, digital solutions and quality controls, and structural changes were implemented to better support the company's strategy and to help us reach ambitious targets. For example, higher sales of life and health insurance were achieved through organizational changes and by refining areas of focus. The life insurance business increased its market share for the first time since 2017. In addition, we are looking into leveraging connections within the group to enhance product development and sales of life and health insurance. Vörður is in prime position to meet future challenge head on.

“At Vörður we are committed to our community and to providing the insurance protection that people really need. We do our utmost to support our customers and provide them with best-in-class service. We aim to continuously improve and to do better today than we did yesterday.”

- Guðbjörg Heiða Guðmundsdóttir  
CEO of Vörður







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Stefnir is a well-established Icelandic fund management company which was founded in 1996. Stefnir caters for both retail and professional clients with the aim of managing its clients' assets as best serves their interest. Stefnir serves both individual investors and institutional investors.

For decades, Stefnir has been at the forefront of product development on the Icelandic fund management market. The company's funds invest in the equities, fixed income and money markets both in Iceland and abroad. They invest on behalf of their owners, which is an ever-growing group of individuals of all ages, as well as Iceland's major institutional investors. It is vital to ensure that the funds' investments and monitoring of investments are carried out responsibly and transparently. A diverse range of 35 funds enables our clients to choose from funds with investment strategies which suit the needs of each and every individual.

Stefnir's funds include undertakings for collective investment in transferable securities, alternative investment funds marketed towards the public and alternative investment funds marketed towards the institutional investors. The company also manages several limited liabilities partnerships (slhf) which are owned by institutional investors. These partnerships invest in private equity or in real estate.

Stefnir is located at the headquarters of Arion and has outsourced to Arion Bank most tasks which fall outside the scope of managing clients' assets and risk management.

#### **Assets under management grew 35% in 2024**

Assets under management totalled ISK 336 billion at year-end, an increase of ISK 89 billion or 35% during 2024. This represents a record figure for AuM in conventional fund management at the company. This asset growth was achieved through positive investment returns, an inflow of capital into funds and the opening of new funds during the year. The mix of assets across different asset classes means the company's revenue structure is well balanced.

#### **Investing in research**

Stefnir has a dedicated research team which provides invaluable insights for the investment process and the monitoring of the funds' assets. Investing in this area of the business has made Stefnir better equipped to deal with challenges in its funds' investment environment for the benefit of its clients.

#### **Pension funds acquire Ívera**

In 2024, SRE III slhf., a limited liabilities partnership managed by Stefnir and fully owned by pensions funds, completed the acquisition of Ívera ehf. (previously Heimstaden ehf.). The company owns 1,600 residential properties for long-term lease and is therefore Iceland's largest residential leasing company. The investment represents a milestone on the Icelandic property market as it increases the flow of capital from the pension funds into the rental market for long-term residential leases. The entry of the pension funds into the housing market is conducive to developing a more stable rental market and is likely to accelerate the construction of residential housing in Iceland.

#### **Issue of principal protected note**

The fund SEL I hs. was established in 2024 and issued a principal protected note (SEL 1 27 12) which was listed on First North. It was the first issue of a principal protected note by a fund in Iceland for many years.

The objective of the fund is to ensure it can meet the note's cash flow, which matures at the end of 2027, by investing in other fixed income instruments and derivatives linked to international share indices. Subscriptions amounting to \$30 million received. Stefnir has managed more than ten such funds but the issue by SEL I hs. was the biggest in the company's history and the first for more than ten years. At the beginning of the year, the fund SEL II hf. went even further by attracting subscriptions amounting to \$32.4 million for an issue similar to the one held by SEL I hs. in 2024. Stefnir has therefore recently established two funds which have issued principal protected notes worth \$62.3 million.

The funds SRE III slhf, SEL I hs. and SEL II hs. are good examples of how Stefnir can fulfil the needs of its clients by developing customized solutions on the fund management market.

#### **Katla Fund generates solid returns**

Katla Fund - Global Equity was the best performing international equities fund during the year according to Keldan, yielding a 12-month return of 22.81%. The fund was a major factor in the growth of clients at Stefnir during the year, with unit holders in the fund increasing by 54% in 2024.

“We offer a diverse range of investment options which enables our clients to choose funds with investment strategies which suit the needs of each and every individual.”

- Jón Finnbogason  
Managing Director of Stefnir







Strategy and vision

**Arion Group**

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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 company's assets currently include building lots and properties in various locations in the Greater Reykjavík area and industrial facilities at Helguvík. The company's objective is to increase the value of its properties through the continued development of these sites.

#### **Arnarland construction project**

The housing development at Arnarland in Garðabær is planned to be a vibrant urban environment with new housing, services and commercial premises. The land use proposal provides for around 450 residences, local services and a health cluster designed to provide facilities for various companies in the health and hi-tech sectors. The land use plan is currently being developed and feedback from consultation with stakeholders will be referred to in this process.

The neighbourhood is being developed in accordance with existing policies and plans, such as integrating built-up areas with transport routes and compact neighbourhood development. The development of Arnarland is also in line with the town's strategy on developing residential areas which offer a healthy environment and good transportation links. Arnarland prioritizes local services and diverse activities which will create an environment which improves the quality of life for residents and those of neighbouring areas.

#### **Blikastaðir construction project**

The Blikastaðir development site covers around 98 hectares and is one of the largest plot of undeveloped land in the Greater Reykjavík area. The land is owned by Arion Bank through the company Blikastaðaland ehf. The area is expected to be home to around 3,600 residences, in a mixture of multi and single-family dwellings, 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 land use plan at Blikastaðir got under way in 2024. At the beginning of 2025 a public meeting was held to present the proposal, which is still being designed, for the first phase of development, which provides for the construction for 1,200 to 1,300 residences, divided into various types of single-family and multi-family dwellings.

The proposal for the first phase is designed to present the key ideas, criteria and environmental impact assessments to residents of the town and other stakeholders. Next, public feedback will be examined and the final land use proposal will be published, and the aim is complete the final plan for the first phase in the second half of 2025.

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 plan is to develop a mixed neighbourhood which accentuates the interplay of nature and inhabited areas and quality of public space. The neighbourhood is designed to be home to vibrant activities and diverse residences with good access to different means of transport. 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.



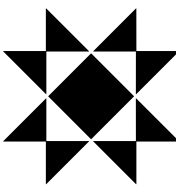
Leiguskjól

Leiguskjól ehf. is a fintech company which offers its customers rent guarantees from Arion Bank and other value-adding services and also runs the rental website [www.myigloo.is](http://www.myigloo.is). Arion Bank owns a 51% stake in Leiguskjól ehf.

Leiguskjól is an excellent example of a partner selected by the Bank which supports the services offered by the Bank. Leiguskjól participated in Startup Reykjavík in 2018, and the Bank invested in the company, acquiring a 6% interest. 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 has set itself clear financial targets which are released publicly. Arion performed well in key respects in 2024 despite the challenging external environment, and the Bank reached its target of return on equity above 13%.

### Updated targets came into effect for 2024

The Group’s financial medium-term targets were updated in March 2024 and apply for the next three years. The targets are reviewed annually. The following changes were made:

- Target on core operating income/REA was increased by 0.2 percentage points to 7.2%
- Target on cost-to-core income ratio was reduced from 48% to 45%.
- Target on insurance revenue growth at Vörður was revised so that it now needs to be in excess of market growth in Iceland and not 3% higher than market growth as previously.
- Target that combined ratio at Vörður should be below 95% was added.

Arion has defined core income as interest, commission and insurance income.

### Targets for 2024

Arion Bank publishes its financial targets in releases to the stock market and in the Bank’s interim financial statements. The table below shows the financial targets for 2024 and actual performance.

	Target	2024
Return on equity	Exceed 13%	13.2%
Core Operating Income / REA	Exceed 7.2% on core income	7.1%
Insurance revenue growth	Excess of market growth in Iceland	10.6% (growth rate on the domestic market was 9.6% the first 9 months)
Combined ratio of Vörður	Below 95%	88.9%
Cost-to-core income ratio	Below 45%	47.2%
CET1 ratio	1.50-2.50% management buffer	293 bps
Dividend ratio	50%	61%

Arion reached its return on equity target, and Vörður achieved its insurance revenue and combined ratios targets. However, we did not reach the targets on cost-to-core income ratio or core operating income/REA. In addition, as in preceding years, the target of 16.8%-17.8% CET1 ratio was not attained this year.

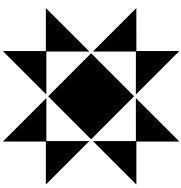
The CET1 ratio was 18.2%, or 2.93 percentage points higher than the regulatory requirement. The Bank’s target is to maintain a CET1 ratio of 150-250 bps above the regulatory requirement. Dividends and the Bank’s buyback scheme are part of the strategy to achieve this goal. Arion Bank’s dividend policy states that the Bank aims to pay 50% of net earnings in dividends and that additional dividend or share buybacks can be considered when the Bank’s capital levels exceed the minimum regulatory requirement together with the Bank’s management buffer.

The Board of Directors proposes that dividends of ISK 16 billion be paid in 2025 in respect of the financial year 2024, taking into account the Bank’s own shares, corresponding to ISK 11.5 per share or 61% of net earnings for 2024. In March 2024, the Bank paid a dividend of ISK 9.0 per share, approximately ISK 13.2 billion.

### Setting clear targets 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’ bonus schemes, and the employees can monitor how these targets develop throughout the year. Such indicators include knowledge of customers (KYC/AML), the uptime of online banking and the app, and customer satisfaction.





# Investing in Arion

All of the company’s share capital is of a single class. Each share is ISK 1 nominal value and entitles the owner to one vote. The shares are traded on Nasdaq Iceland and also on Nasdaq Stockholm in the form of Swedish depository receipts (SDRs) where one SDR equals one share.

The company’s share capital at the beginning of the year was ISK 1,460,000,000 at nominal value, and at year-end the Bank’s issued share capital totalled ISK 1,513,423,078 after the Bank issued share capital due to the exercising of warrants during the year. At year-end Arion Bank owned a total of 100,664,094 own shares and SDRs, or around 6.65% of issued share capital which increased as a result of buyback programmes during the year.

### Major shareholders and transactions

The following shareholders, which own 1% or more of the issued share capital, increased their shareholdings in 2024: Brú Pension Fund, which added 0.97 percentage points, Íslandssjóðir (+0.36 points) and Lífsverk (+0.28 points). Shareholders which reduced their holdings most were Kvika, which reduced its holding by 0.74 percentage points, Íslandsbanki (-0.72 points) and Gildi Pension Fund (-0.68 points).

At the end of 2023 Gildi Pension Fund was the largest shareholder in Arion Bank with a shareholding of 9.17%. Live Pension Fund was the second largest shareholder with a 9.06% shareholding, and the third largest was LSR Pension Fund with an 8.79% share.

Largest shareholders - 31 December 2024	Number of shares	%
Gildi Pension Fund	138,739,018	9.17%
Live Pension Fund	137,150,393	9.06%
LSR Pension Fund	133,070,116	8.79%
Arion banki hf.	100,664,094	6.65%
Brú Lífeyrissjóður	80,394,304	5.31%
Stoðir hf.	80,000,000	5.29%
Frjálsi Pension Fund	54,425,062	3.60%
Vanguard	54,373,907	3.59%
Birta Pension Fund	47,745,767	3.15%
Stapi Pension Fund	45,762,593	3.02%
Hvalur hf.	36,771,350	2.43%
Festa Pension Fund	34,020,831	2.25%
Stefnir Asset Management Company hf	31,446,641	2.08%
Almenni Pension Fund	24,640,174	1.63%
Íslandsbanki hf.	23,031,219	1.52%
Lífsverk Pension Fund	22,844,073	1.51%
Iceland Funds	15,272,605	1.01%
Landsbréf hf.	14,205,953	0.94%
Kvika banki hf.	13,904,007	0.92%
Landsbankinn hf.	13,871,946	0.92%

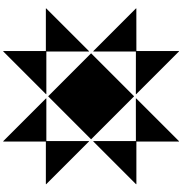
Source: Nasdaq Iceland, Euroclear Sweden and Modular finance

### Shareholding – by country

At the end of 2024 approximately 91% of shareholders were Icelandic. Other shareholders were primarily from the United States, the United Kingdom and Sweden. Arion Bank had approximately 10,200 shareholders at the end of 2024.







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Dividend and share buyback

The Bank’s AGM in March approved the payment of a dividend of ISK 13.2 billion in respect of the financial year 2023, corresponding to ISK 9 a share. In 2024 the Bank also acquired own shares worth ISK 12.5 billion or 90,374,017 shares and SDRs. The table below shows dividends and buybacks of own shares over the last five years and as a proportion of net earnings for the previous year (total payout ratio).

Trading and performance

The Icelandic equities market generally suffered losses in the first half of the year before bouncing back in the second half, a pattern mirrored by Arion Bank’s share price. The Bank’s share price on Nasdaq Iceland ended the year 9.87% up, while SDRs on Nasdaq Stockholm climbed 22.05%. Taking into account dividends during the year Arion Bank’s share price climbed 16.6% and SDRs in Stockholm rose 29.46%.

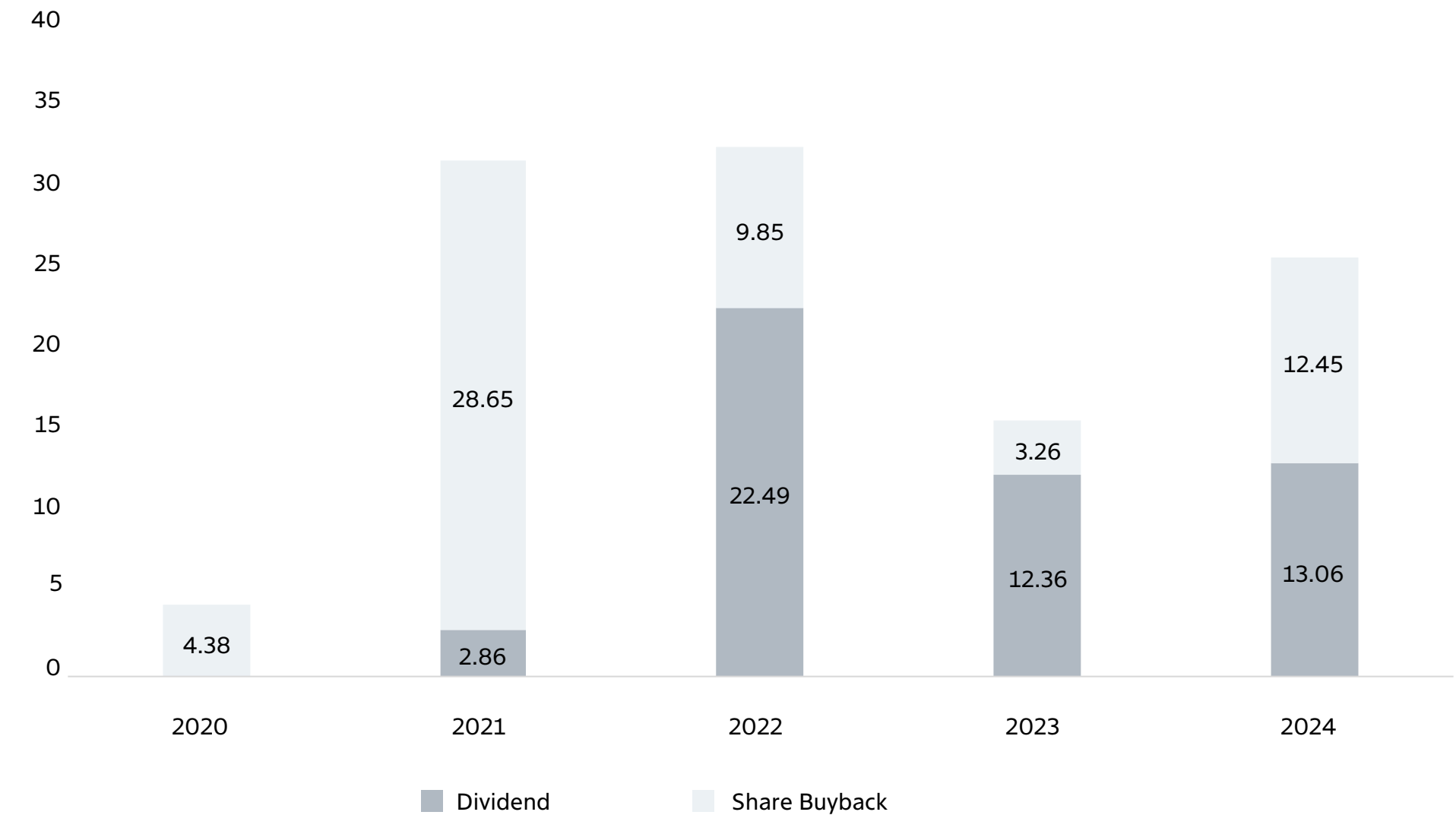
The average turnover with the Bank’s shares was up on the previous year but trading with SDRs decreased. The average daily turnover was approximately 4.2 million shares and 31,000 SDRs. In comparison the average daily turnover in 2023 was 2.88 million shares.

Share price performance – Arion Bank and Nordic banks

The next page shows the performance of Arion Bank shares and SDRs in 2024 compared with selected large cap and mid cap banks in the Nordic region.

Dividend and share buyback

ISK bn

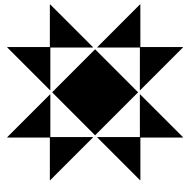


Share price performance in 2024 including and excluding dividends

Bank	Change	Change w.r.t. dividends
Sydbank	29.4%	40.7%
Arion SDR	22.1%	29.5%
Danske Bank	12.9%	25.1%
Ringkjöbing Landsbank	21.4%	22.5%
Íslandsbanki	11.7%	18.5%
Kvika Bank	18.2%	18.2%
SEB	9.1%	17.8%
Handelsbanken	4.3%	16.6%
Arion Bank	9.9%	16.6%
Swedbank	7.4%	15.1%
DNB	5.0%	13.7%
Jyske Bank	5.4%	6.8%
Aktia	-2.2%	5.2%
Nordea	-3.5%	5.0%

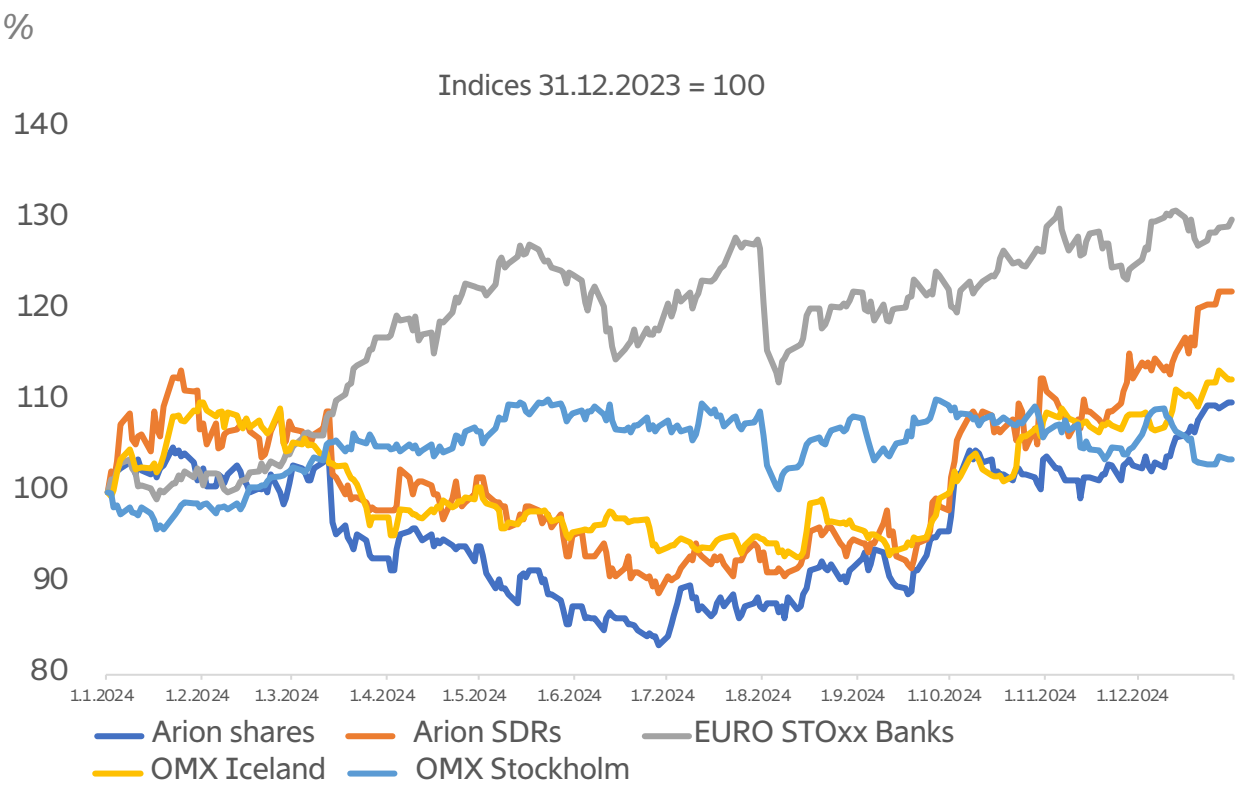
Source: Bloomberg and Nasdaq





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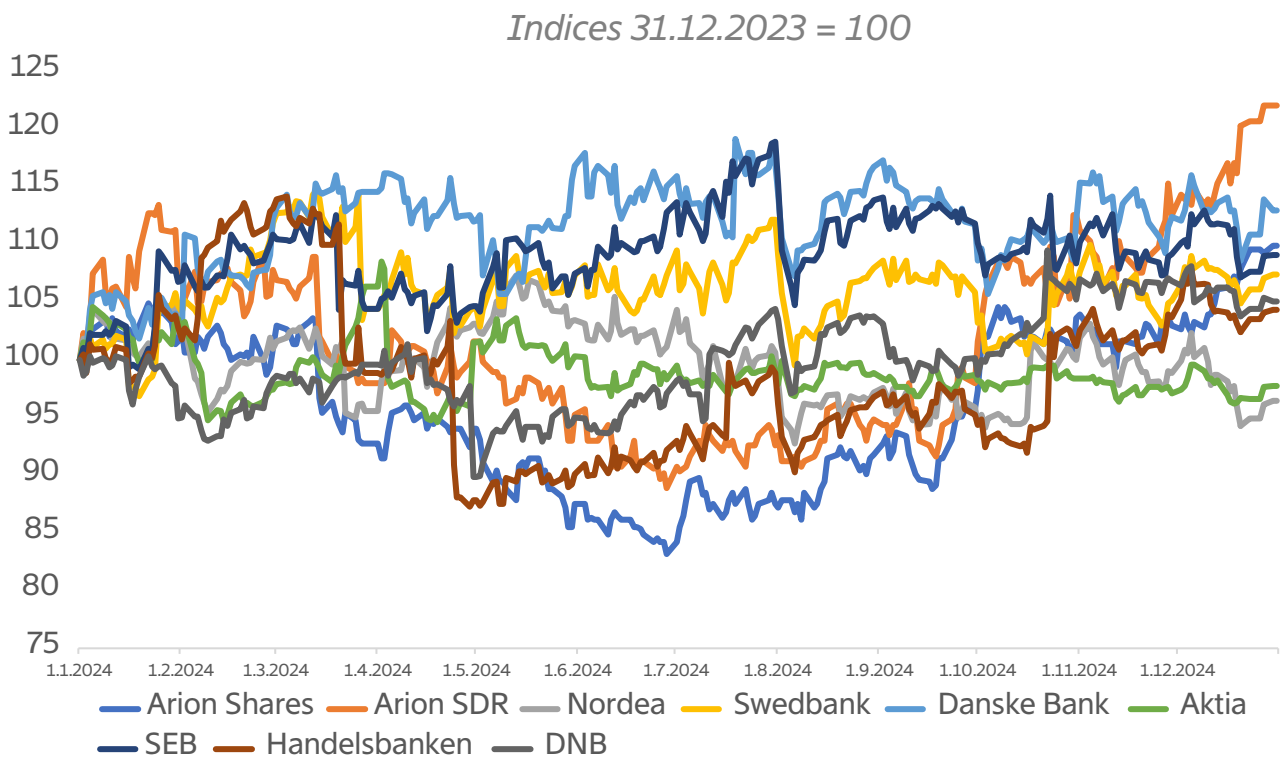
**Share price performance  
- shares in Iceland and SDRs in Sweden and indices 2024**



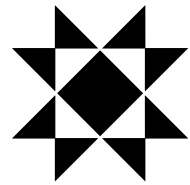
**Share price performance – comparison with Nordic mid caps 2024**



**Share price performance – comparison with Nordic large caps 2024**







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The year 2024

**Our strategy and performance**

Our service

Our financial results and risk management

Our governance

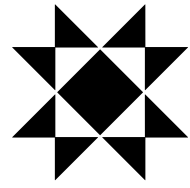
Our sustainability

# Key figures

Arion Bank's shares (since IPO)	2024	2023	2022	2021	2020	2019	2018
Earnings per share	18.25	17.80	17.06	17.96	7.24	0.61	3.86
Dividend per share ISK	9.0	8.5	15	1.74	0.00	5.00	5.00
P/E ratio	9.15	8.54	8.79	10.61	13.12	141.48	18.26
Market capitalisation shares, ISK billion	236	220	220	289	163	153	141
Market capitalisation SDRs, SEK billion	19.0	15.9	16.1	20.3	10.5	11.9	9.4
Share price, 31 December, ISK	167	152	150	190.5	95	86.3	70.5
SDR price, 31 December, SEK	13.45	11.02	10.96	13.40	6.12	6.69	5.18
Highest share price during year (close), ISK	167	158.5	191.5	198	95	86.3	93.6
Highest SDR price during year (close), SEK	9.80	12.00	14.4	13.60	6.85	6.69	8.07
Lowest share price during year (close), ISK	126.5	126.5	147.5	93.7	49	69.25	70.5
Lowest SDR price during year (close), SEK	9.61	9.61	10.96	6.02	3.49	5.25	5.18
Share price performance, ISK	9.9%	1.3%	-21.3%	100.5%	10.1%	22.4%	-6.0%
SDR price performance, SEK	22.1%	0.5%	-18.2%	119.0%	-8.5%	29.2%	-15.2%
Total shareholder return ISK, %	16.6%	7.74%	-13.4%	102.4%	10.1%	29.5%	0.7%
Dividend yield ISK, %	5.4%	5.46%	10.0%	0.9%	0.0%	5.8%	7.1%
Average daily volume on Nasdaq Iceland (no of shares)	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)	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	1,412	1,446	1,465	1,518	1,718	1,773	1,814
Holding of repurchased own shares/SDRs as of 31 December, millions	100.7	13.9	45.4	141.7	12.0	41.0	186.0
Number of issued shares	1,513	1,460	1,510	1,660	1,730	1,814	2,000

Source: Bloomberg and Nasdaq





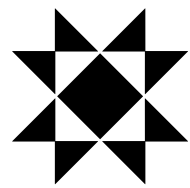
Retail customers  
Corporate customers  
Markets

# 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 services, an approach embodied by Premía which offers sophisticated services tailored to the exact needs of our high-volume customers.

We operate 12 branches and service points across the country where customers can obtain services from Arion, Vörður and Stefnir. Our services are also available 24/7 online, via our online banking platform and the Arion app, as well as via our call centre, webchat or e-mail.





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# Retail customers

52%

Share in loans  
to customers

49%

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.

## Customers

Around half of the people in Iceland have 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. Premia members get access to our top specialists, private banking and special terms.

## Highlights of 2024

The partnership between Arion Bank and Vörður continues to go from strength to strength. During the year Vörður opened four shared branches with Arion Bank: at Smáratorg in Kópavogur; Bíldshöfði 20 in Reykjavík; Stykkishólmur; and Egilsstaðir. Prior to this Vörður shared branches with Arion Bank in Selfoss and Akureyri. Customers are therefore able to obtain all the financial and insurance services they need in one location.

Arion Refund was launched during the year and was warmly welcomed by customers. The refund scheme means that those customers of Arion Bank who are insured at Vörður get a 5% refund on their annual insurance premiums if they are claims free over the preceding 12 months.

High interest rates left their mark on the year, but the Central Bank of Iceland's series of rate cuts and falling inflation give hope of brighter times ahead. Arion Bank announced a new solution which enables customers to temporarily reduce repayments on non-indexed mortgages. Over a period of 12 months the customer pays a fixed monthly amount which is lower than the amount specified in the terms of the loan. This new option has been a hit with customers who wish to continue with non-indexed loans but want to temporarily reduce their repayments.

A milestone was reached during the year when the first mortgage was registered digitally, making it both easier and quicker for us to process loans. For the time being, only the refinancing of mortgages can be registered digitally, but eventually new loans will also be registered using this method. This both saves the customer a trip to the branch and reduces the amount of paper we print which aligns well with our policy on green financial services.

Customer savings continued to grow during the year in this high-interest rate environment. The Bank has sought to offer competitive interest on term deposits. The Homebuyers Account, designed for people aged between 18 and 35, offers the best rates as it is particularly important that young people saving for their first home enjoy good interest rates.

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

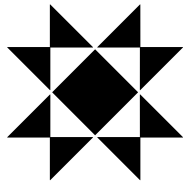
The Bank moved into new premises at Vík í Mýrdal in southern Iceland during the year. In January, however, the Bank left Keflavík International Airport after having run a branch there since 2016.

“We strive to meet our customers’ needs by providing diverse, accessible and convenient financial services.”

- Iðá Brá Benediktsdóttir  
Deputy CEO and Managing Director  
of Retail Banking







Retail customers  
Corporate customers  
Markets

Key services for individuals

Mortgages

Inflation-indexed or non-indexed or a mix of the two. Interest rates are either fixed for three or five years or variable. 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 of Premía cards to cater to our high-volume customers.

Short-term loans

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

Car loans

Non-indexed loans for up to seven years with collateral in the vehicle. Fully digital and quick loan application process.

Savings and funds

Arion offers a wide range of savings accounts. The Young Savers Account is specifically designed for children under 18 and 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.

Pensions

Arion Bank offers supplementary pension savings called Lifeyrisauki. Customers can also use Arion service channels to get mandatory and supplementary pension services from Frjálsi Pension Fund.

Insurance

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







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# Corporate customers

48%

Share in loans  
to customers

51%

Share in deposits  
from customers

Arion Bank offers companies diverse financial services which support our customers' financial well-being and promote sustainable value creation. Our services include financing, insurance, financial structuring, specialized lending, and corporate advisory. With our focus on digital business, we have launched numerous solutions designed to drive efficiency and simplify our services for customers. Our corporate services are underpinned by professionalism and the focus is on meeting the needs of our customers with flexible solutions and services.

## Customers

Arion Bank provides services to around 16,000 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 2024

One of the key focuses this year was to develop digital solutions for companies. Self-service through digital channels made our banking more convenient and efficient for both customers and the Bank alike. Employees of 60% of corporate customers of Arion Bank now obtain the products they need themselves through digital channels, reducing lead times and creating more time to concentrate on tasks which

create value for their companies. During the year, we launched many new solutions designed to increase automation and deliver a simpler and more efficient service.

### Key innovations include:

New solutions for online banking and the app, including a credit card management feature which gives customers an overview of their total credit limit and allows master users to take out new cards and change individual credit limits.

Solutions for corporate card owners which enable them to save receipts simply by taking a photo, adding information, and attaching it to the transaction in the app. It will soon be possible to link these solutions directly to your accounting system.

Application for overdraft in online banking which speeds up and simplifies the process. It is also possible to switch between users if a customer has access to multiple corporate accounts.

Sustainability and social responsibility were a focal point in the shape of lending to renewable energy, sustainable fisheries, and green projects. Approved sustainable loans to companies totaled ISK 190 billion at the end of the year.

Arion Bank and the European Investment Fund (EIF) signed a guarantee agreement which promotes lending to small and medium-sized enterprises on better

terms. The agreement enables the Bank to lend ISK 15 billion to SMEs with a guarantee from the EIF. The goal is to support innovation and advancement in cultural and creative sectors, innovation and digitalization, and sustainability.

### Corporate Finance had a busy year with its engagements including:

- Capital increase at Controlant.
- Acquisition by SKEL and Axcen of Scandinavia of retail chain INNO, which received a business award at M&A Awards in Belgium in the category medium-sized enterprises.
- Dual listing of Kaldvík on First North.
- Takeover bid for Eik by Langisjór.
- Advised JBT on voluntary takeover bid for Marel.



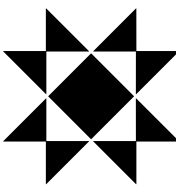
The Bank was also involved in a range of other projects, such as capital increases of land-based aquaculture projects and the acquisitions and sales of real estate portfolios and operating companies. All these projects reflect the Bank's robust position on the corporate finance markets and its capacity to help companies achieve their targets.

“Our services extend to all types of companies, from small and medium-sized enterprises to listed corporations, and our constant goal is to support their sustainable value creation.”

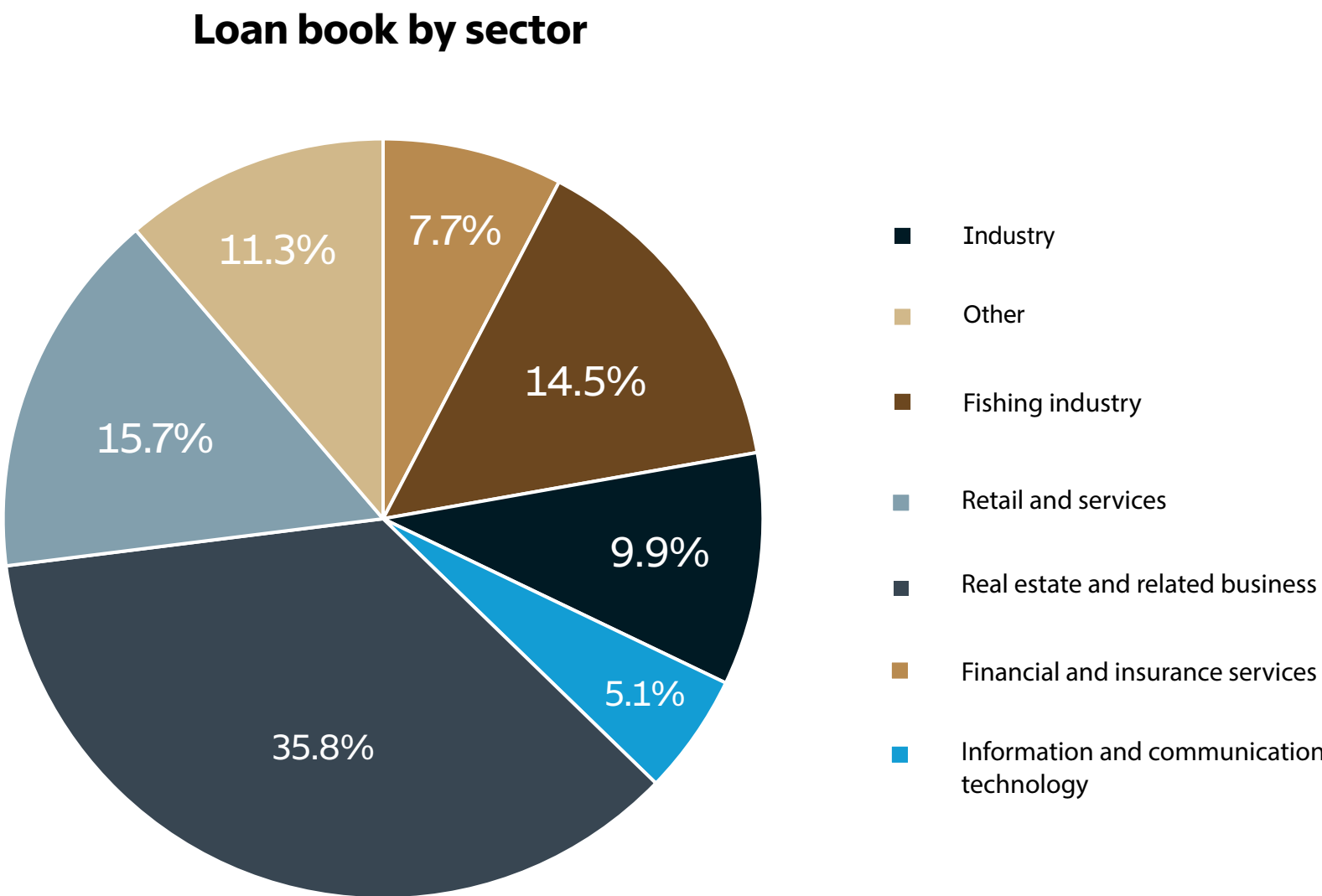
- Hákon Hrafn Gröndal  
Managing Director of Corporate  
and Investment Banking







Retail customers  
**Corporate customers**  
Markets



**Financing:**

**Short-term financing**

Overdrafts  
Construction financing/Revolving credit facilities

**Long-term financing**

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

**Sustainable financing**

Financing guaranteed by European Investment Fund (EIF)

**Corporate advisory services**

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

**Guarantees**

Letters of credit, warranties, and bank guarantees

**Specialized loans for fisheries and agriculture**

Produce loans  
Agriculture loans

**Insurance**

Tailored to the needs of different industries:

- Manufacturing and Industry
- Trade and Services
- Fisheries
- Tourism
- Agriculture
- Healthcare and Psychological Services





Retail customers  
Corporate customers  
**Markets**

The year 2024

Our strategy and performance

Our service

Our financial results and risk management

Our governance

Our sustainability

# Markets

1,633

ISK billion  
AuM of the Group

35%

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 specialized 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 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 by 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. Our clients can get all the information they want quickly and conveniently via the Arion app, online banking platform and the My Pages feature at the pension funds. These solutions make finance, including pensions, easier for the owners 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 convenient financial services at all times.

## Clients

Our clients include both individual investors and an ever-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. Even more institutional investors use our services to buy and sell in international funds and Stefnir funds. We are also securities brokers for a large group of domestic and international clients of the Bank.

We provide specialized pension fund services, and more than 136,000 fund members have entrusted their pension savings to the Bank. Frjálsi Pension Fund, Iceland's largest independent pension fund, has enjoyed a thriving partnership with Arion Bank and its predecessors since 2001. Around 33,000 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 525 billion. Lífeyrisauki, Arion's supplementary pension savings scheme, is the largest defined contribution fund in Iceland. Some 26,000 fund members chose to pay the supplementary pensions into the fund during the year. At year-end the fund had assets of ISK 168 billion. Other pension funds administered and managed by Arion include EFÍA, Lífeyrissjóður Rangæinga and LSBÍ.

## Highlights of 2024

High interest rates and falling inflation characterized the markets in Iceland in 2024, and despite the high level of uncertainty fuelled by volcanic eruptions, wage negotiations and elections, the year ended rather positively on the securities markets.

The Central Bank of Iceland began its series of rate cuts in October, and falling inflation gives hope of more typical interest rates in the near term, which should have a positive impact on the securities markets. Conditions on the fixed income market improved for investors, and there was strong growth in investments by international investors in longer maturity non-indexed instruments. Bond prices and yields were fairly constant during the year despite falling policy interest rates. After a difficult first six months, the Icelandic equities market rallied in mid-September when most companies saw their share prices climb on the back of expectations of further rate cuts. The OMX Iceland All-Share GI gained 14.7% over the year, a significant jump from the previous year.

Trading in shares on Nasdaq Iceland also bounced back and turnover was up 30% between years. Arion had the highest market share in equities trading on Nasdaq Iceland for the ninth successive year. Arion's turnover on the domestic equities market was ISK 792 billion, equating to a market share of 31.7%.

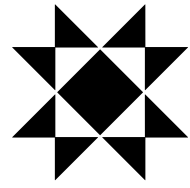
There was lively trading on the domestic fixed income market, and Arion had the largest market share on the bond market of Nasdaq Iceland in 2024.

“A significant percentage of the people of Iceland entrust their savings to us. By providing quality service and applying meticulous attention to detail and focused risk management we are committed to achieving positive results on their behalf.”

- Jóhann Möller  
Managing Director of Markets







Retail customers  
Corporate customers  
**Markets**

Arion Bank had a turnover of ISK 794 billion, representing a market share of 21.4%. Arion was also in the top spot in terms of the combined market share in 2024.

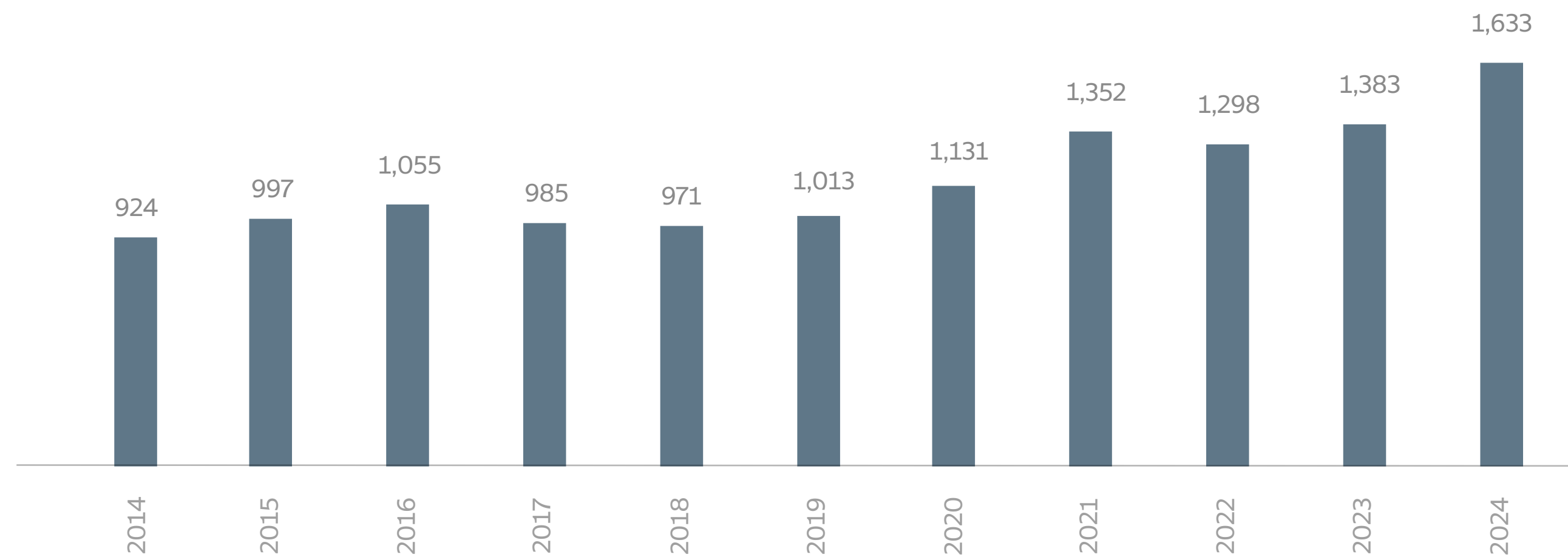
During the year Arion signed an agreement to acquire Arngrimsson Advisors. The deal is expected to be completed in the first quarter of 2025 and it will expand the range of options available to institutional and individual investors in terms of investing in international funds, particularly alternative investments.

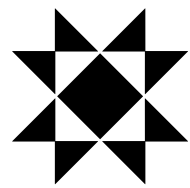
We aim to continue to be at the forefront of digital innovation and launched three new solutions in the Arion app in 2024: securities trading for minors, securities trading for legal entities and applications to receive a pension payout.

Frjálsi Pension Fund continued to go from strength to strength and during the year won its 15th international award when it was named the best pension fund in European countries with fewer than one million inhabitants by the respected publication Investment Pension Europe.

Over the past few years, we have incorporated principles of responsible investment into our way of working and procedures and appropriate due diligence and reporting. In 2024, we also introduced into our procedures questions on sustainability preferences for our clients in asset management and investment advisory. Furthermore, the implementation of SFDR continued, which is a set of harmonized regulations for participants in the financial market.

**Assets under management at Arion Bank and Stefnir totalled approximately ISK 1,633 billion at the end of 2024**  
*in billion ISK*





Retail customers  
Corporate customers  
**Markets**

**Key services for individuals 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 get 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 Bank.

**Capital Markets**

Our team of professionals in Capital Market 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.

**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.

**Pension and private pension funds**

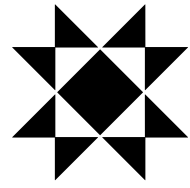
Frjálsi Pension Fund is managed, and asset managed by Arion Bank and offers both mandatory and supplementary pension schemes. Arion Bank offers supplementary pension savings called Lífeyrisauki. Other pension funds administered and managed by Arion include EFÍA, Lífeyrissjóður Rangæinga and LSBÍ.

**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 Bank also provides 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.







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

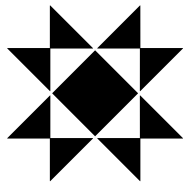
# Our financial results and risk management

Arion Group reported net earnings in 2024 of ISK 26.1 billion and return on equity of 13.2%. The diversity of revenue streams continues to be a key factor in the Group's performance. It was the best year in the history of Vörður and the insurance company posted net earnings of ISK 3.7 billion. 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.



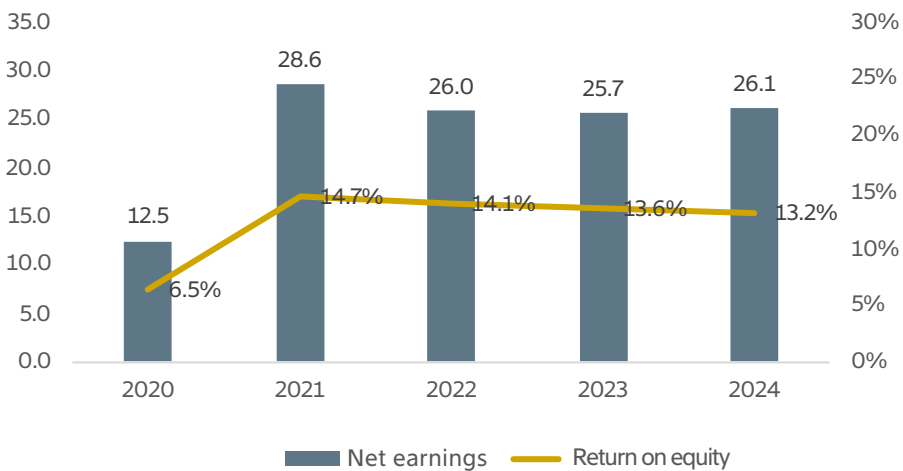




Financial statements and key figures  
Funding and Liquidity  
Risk management and internal controls

# Financial statements and key figures

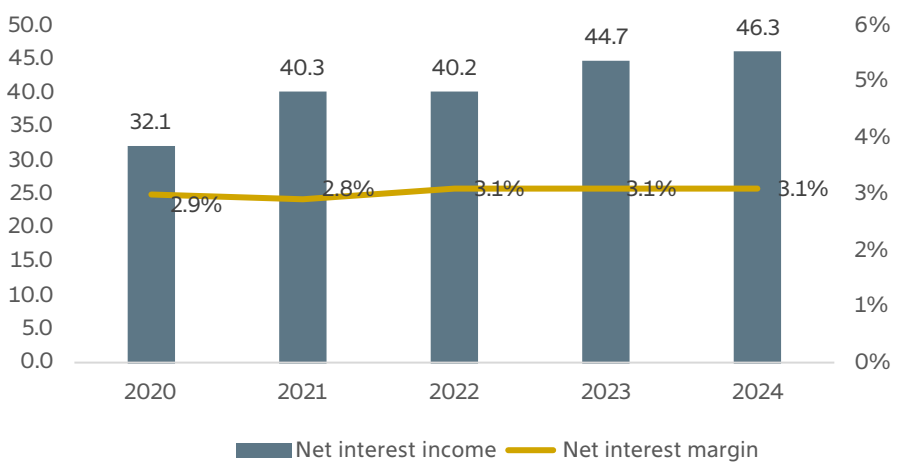
Net earnings  
ISK bn.



Arion Bank reported net earnings of ISK 26.1 billion in 2024, compared with ISK 25.7 billion in 2023. Return on equity was 13.2%, compared with 13.6% in 2023.

The combination of income changed between years, where net interest income increased by ISK 1.6 billion, insurance service results increased by ISK 2.0 billion and net financial income increased by ISK 1.5 billion, but other operating income decreased by ISK 1.8 billion and operating expenses increased by ISK 2.6 billion. Core income, defined as net interest income, net fee and commission income, and insurance service results, excluding operating expenses from insurance operations, increased by 4.6%.

Net interest income  
ISK bn.



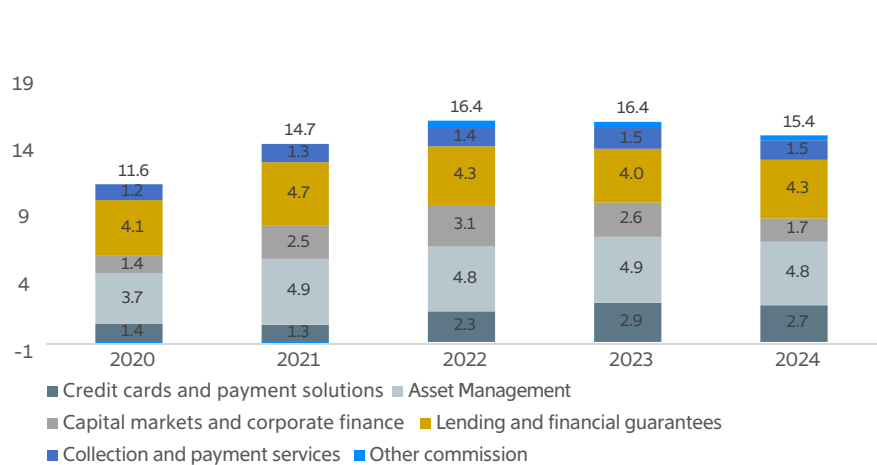
Operating income amounted to ISK 66.5 billion, compared with ISK 64.2 billion in 2023, an increase of 4%.

Net interest income increased by 4%, compared with 2023. The net interest margin was 3.1% in 2024, the same as in 2023. Average interest-bearing assets increased by ISK 61 billion between years, or 4%, but at the same time interest-bearing liabilities increased by ISK 49 billion or 3.9%, mainly deposits and borrowings.

The Central Bank’s of Iceland policy rate was 9.0% at year-end 2024, compared with 9.25% at year-end 2023. High interest rates had a substantial impact, both on assets and liabilities. Inflation decreased from last year and measured 4.75% in 2024 compared with 7.74% in 2023. The CPI-imbalance doubled between years and was ISK 181 billion at year-end 2024.

The Bank expects increased volatility in the net interest margin due to the increased CPI imbalance and projects a net interest margin of around 3%.

Net fee and commission income  
ISK bn.



Net fee and commission income decreased by 6% between years. The main decrease is in income from capital markets and corporate finance, down 32% between years. The closure of the branch at Keflavik International Airport and the change in classification of insurance income from cards had a significant effect, or a total of ISK 0.9 billion. Fee income from loans and guarantees remains strong, mainly due to service on sold loans, as loan growth was moderate during 2024. Income from asset management decreased slightly between years but assets under management increased by 18% from year-end 2023 and amounted to ISK 1,633 billion at year-end.



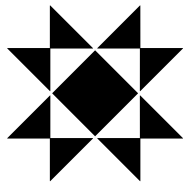
2024 Annual Financial  
Statement of Arion

“We conclude another strong year for the group, exceeding our ROE target for the fourth year in a row, with the strength of our diversified businesses and robust balance sheet supporting the earnings momentum through the economic cycle. “

- Ólafur Hrafn Höskuldsson  
Chief Financial Officer







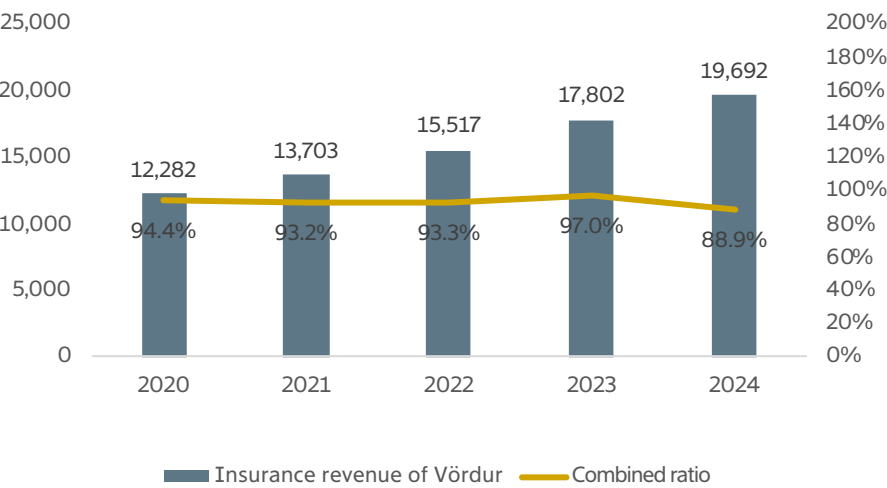
Financial statements and key figures

Funding and Liquidity

Risk management and internal controls

Insurance revenue of Vördur

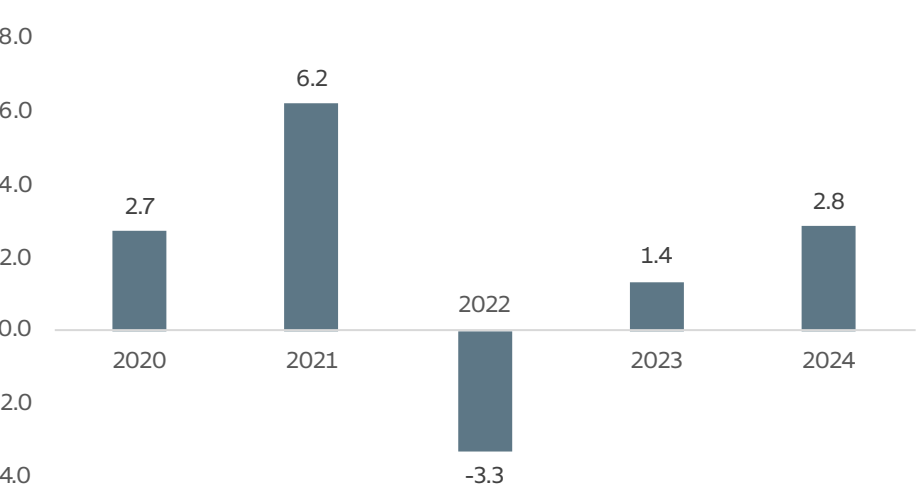
ISK m.



Insurance service results amounted to ISK 2,166 million in 2024, compared with ISK 152 million in 2023. Insurance income increased by 10.6% from 2023, whereas expense from claims increased by 3.1%. The combined ratio in 2024 was 88.9% compared with 97.0% the previous year.

Net financial income

ISK bn.



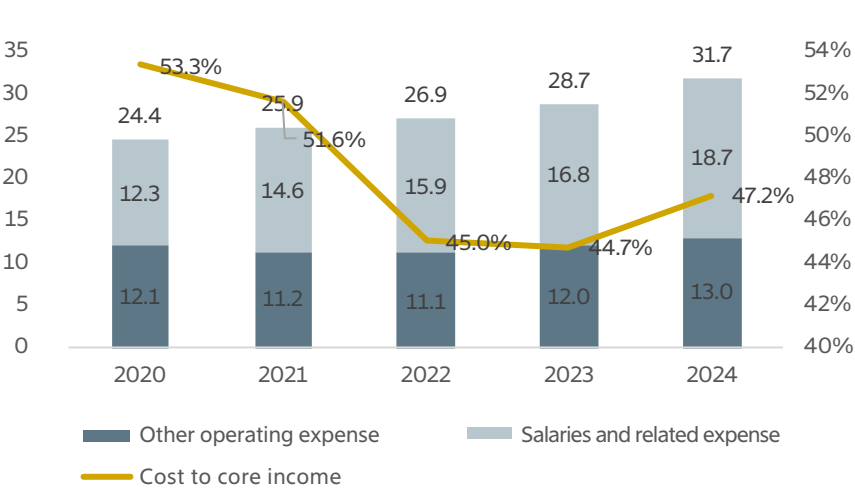
Net financial income was positive by ISK 2.84 billion in 2024, compared with negative net financial income of ISK 1.4 billion in 2023. Market conditions were difficult for the first half of the year but positive value changes during the second half resulted in double net financial income from the previous year. Equity and bond holdings generated profits but there were losses on derivatives, prepayments on borrowings, foreign currencies and calculated effect from insurance agreements resulted in a loss.

Other operating income

Other operating income was negative by ISK 222 million compared with a positive figure of ISK 1.6 billion in 2023. The change in the valuation of the Bank's investment properties was the main factor of variance between years.

Operating expenses

ISK bn.



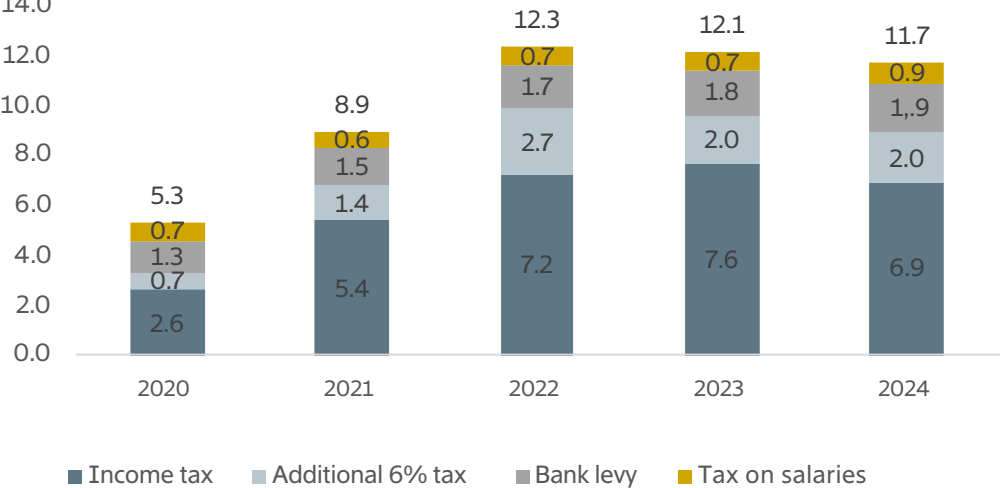
Operating expenses, as stated in the income statement, amounted to ISK 28.3 billion, compared with ISK 25.7 billion in 2023, an increase of 10.2% between years. When looking at total operating expenses, including opex from the insurance operation, the total amount was ISK 31.7 billion, compared with ISK 28.7 billion in 2023 or 10.3% increase. The ratio of total cost-to-core income was 47.2% compared with 44.7% in 2023, while traditional cost-to-income ratio was 42.6% compared with 40.0% in 2023.

Salaries and related expenses amounted to ISK 18.7 billion, an increase of 11.4% from the previous year. This increase is partly due to the increased number of employees, especially in IT and in the fast-growing insurance operation and higher estimated expenses in the variable incentive scheme. Full-time equivalent positions totalled 858 at the Group at year-end, compared with 822 at the end of 2023, a 4.4% increase between years. The estimated expensed cost of the incentive scheme was ISK 1.8 billion in 2024, compared with ISK 1.4 billion in 2023.

Other operating expenses amounted to ISK 13.0 billion in 2024, an increase of 8.8% from 2023. The increase is mainly in IT expenses and professional services but also takes into account a fine following a settlement with the Central Bank amounting to ISK 585 million in June 2024.

Taxes

ISK bn.



Net impairment

Net impairment was negative by ISK 1,131 million in 2024, compared with a negative ISK 1,348 million in 2023. The impairment on the loan portfolio is calculated at 9bps for the year compared with 12bps in 2023. According to risk management calculations, an annual impairment of 27bps on the loan portfolio is expected as a rule over a lifetime, so the write-down for the year is somewhat below that.

Taxes

Income tax amounted to ISK 8.9 billion, compared with ISK 9.6 billion in 2023, or a 7% decrease between years. Income tax, as reported in the annual financial statement, comprises 21% income tax on earnings and a special 6% financial tax on the earnings of financial institutions of more than ISK 1 billion. The effective income tax rate was 25.4%, compared with 27.2% in 2023. The variance in tax rate is largely due to a different combination of income, with the proportion of non-taxable income varying between years. In addition to income tax, Arion Bank and other large Icelandic financial undertakings pay a bank levy (calculated as 0.145% on total liabilities in excess of ISK 50 billion) and a 5.5% financial sector tax on employees' salaries. A summary of the taxes can be seen in the figure below.





**Financial statements and key figures**

Funding and Liquidity

Risk management and internal controls

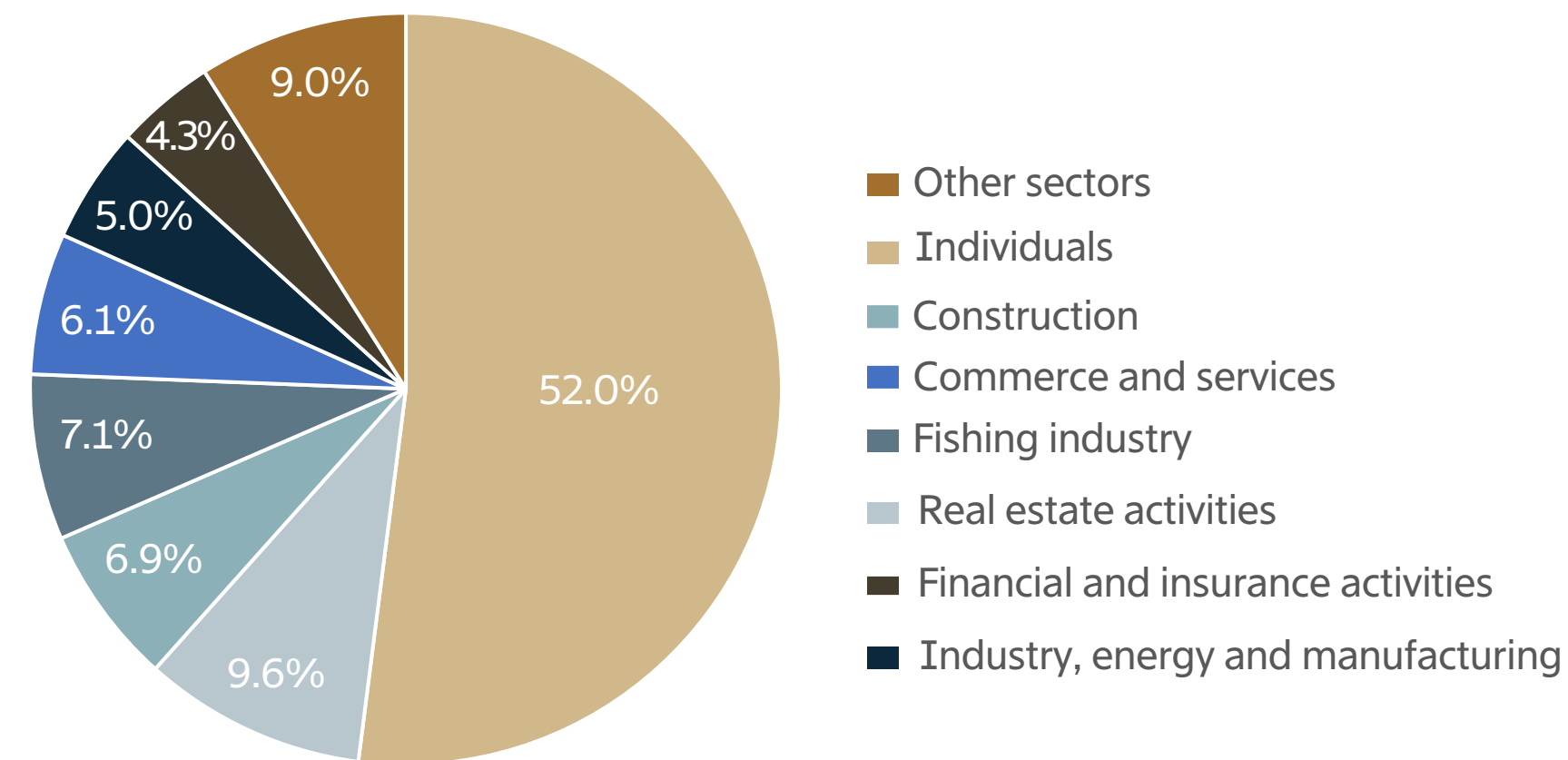
**Balance Sheet**

*Assets*

*Total assets* increased by 6.1% from year-end 2023, mainly due to the growth of loans to customers and increased liquidity.

*Cash and balances* with the Central Bank and Loans to credit institutions amounted to ISK 150 billion at year-end 2024 and decreased by ISK 18.9 billion, or 14.4% from year-end 2023. Liquidity management is the main explanation for changes in these items.

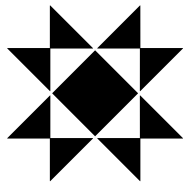
**Loans to customers by sector**



*Loans to customers* totalled ISK 1,230.1 billion at the end of 2024, representing a 6.7% increase from year-end 2023. Loans to corporates increased by 8.6% during the year. Loans to corporates represented approximately 48% of the loan book at year-end, compared with 47% at year-end 2023. Diversification matches sector diversification of the Icelandic economy. Loans to retail customers increased by 5.0% during the year and represented 52% of the total loan book. Mortgages constituted the majority of loans to individuals. At year-end approximately 46.4% of the loan portfolio were mortgages to individuals, while at year-end 2023 the figure was 47.6%. The increase in individual loans during the year is to a considerable extent due to changes in the price level of indexed housing loans.





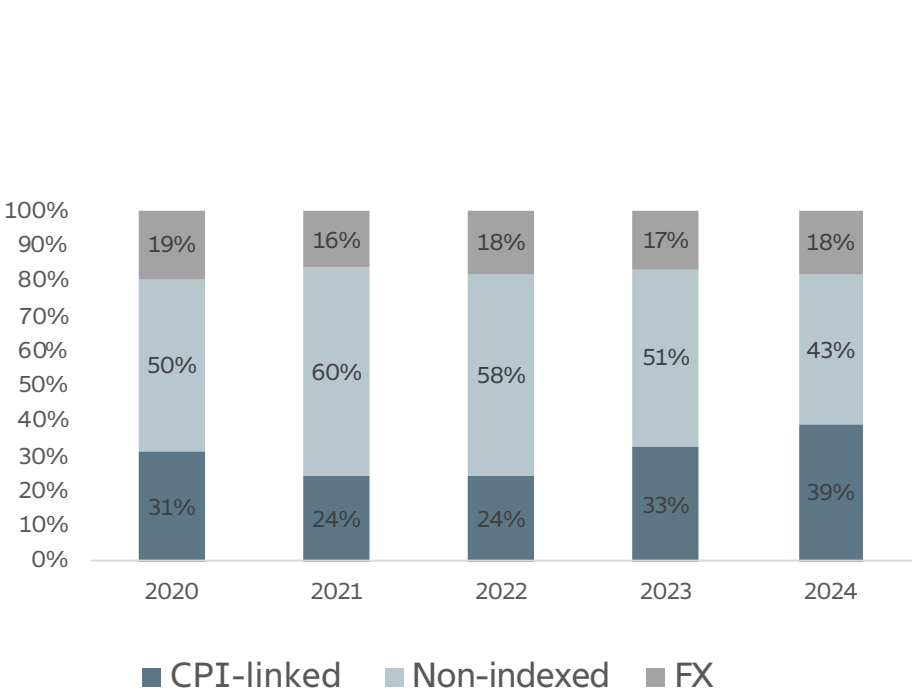


Financial statements and key figures

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Risk management and internal controls

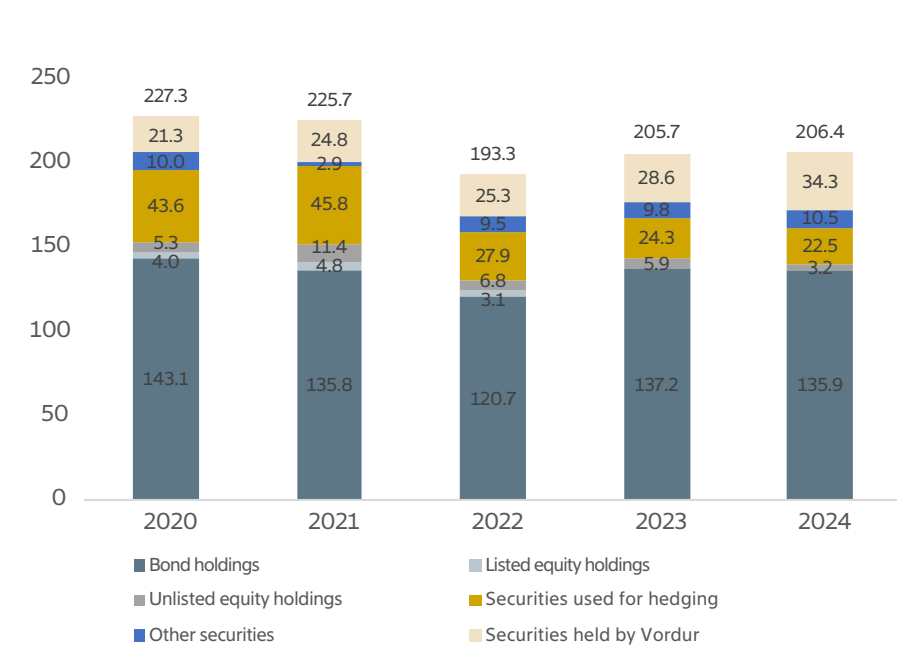
Loans to customers



The loan book continues to be healthy. The proportion of problem loans, which have been defined as loans with special write-downs, was 2.3% at the end of 2024 and increased from 1.7% at the end of 2023. The increase is mainly on loans to corporates while there has been no change on

Financial Instruments

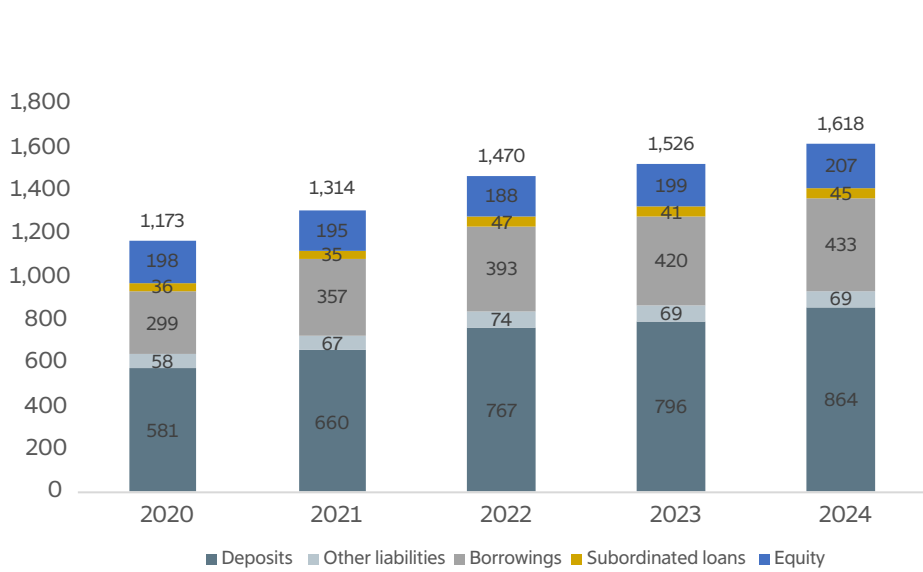
ISK bn.



*Financial assets* amounted to ISK 206.4 billion at the end of 2024, compared with ISK 205.7 billion at the end of 2023. The total change between years has been minimal but total securities held by Vördur have increased by approximately ISK 6 billion or 20%, both due to increased activities in the insurance business and the positive performance of the market.

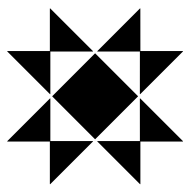
Liabilities and equity

ISK bn.



*Liabilities* of the Group increased by 3.9% from year-end 2023. Equity increased by 3.9% in 2023 due to net earnings of ISK 26.1 billion, by ISK 6.2 billion due to an increase in share capital to cover the exercising of issued warrants but the increase was partly offset by a dividend payment and buybacks of own shares, a total of ISK 25.5 billion.





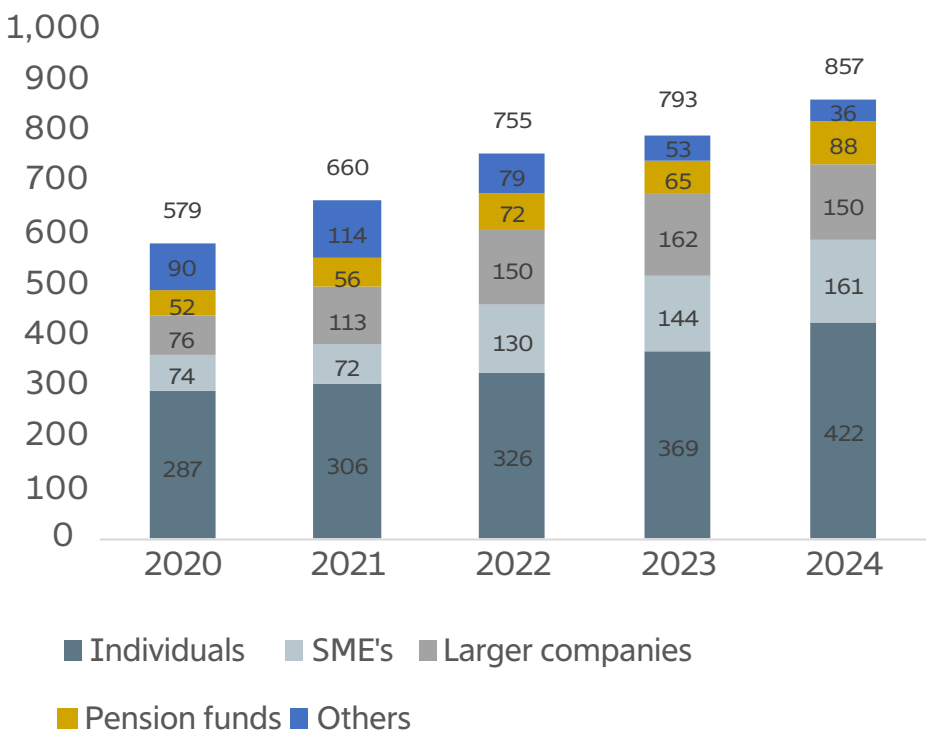
Financial statements and key figures

Funding and Liquidity

Risk management and internal controls

Deposits

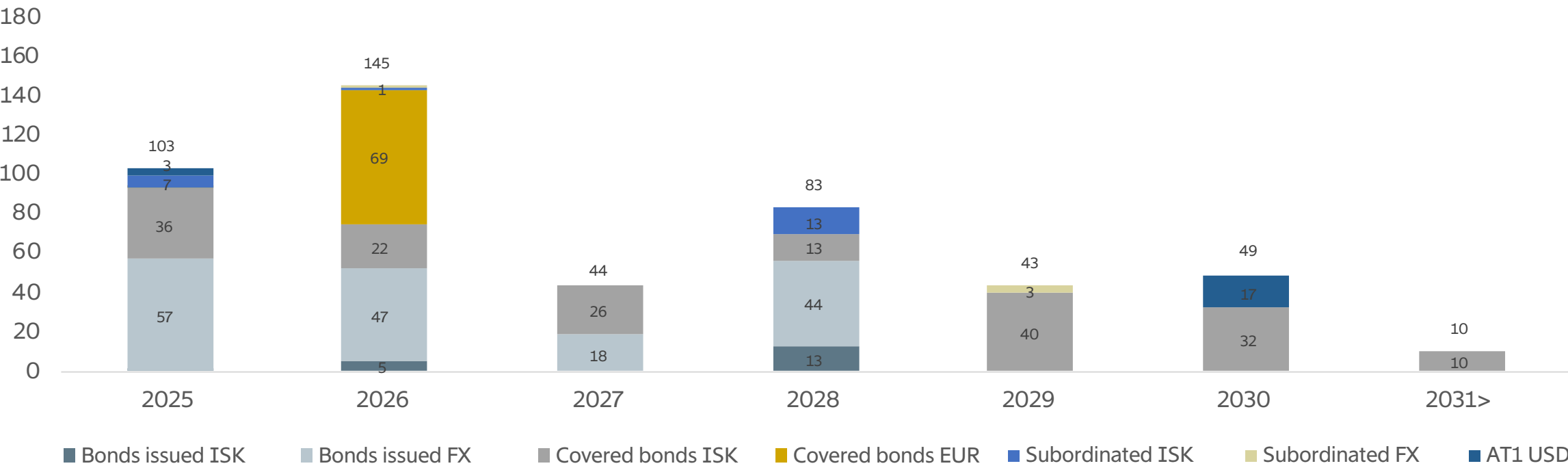
ISK bn.



Deposits from customers amounted to ISK 857.4 billion at the end of 2024 and increased by 8.2% from year-end 2023. The loans to deposit ratio was 143% at the end of 2023 and decreased from 145% at year-end 2023. The composition of deposits has continued to develop positively and the majority of deposits now originates from retail customers, smaller companies and corporates with business relations with the Bank, while the proportion from institutional investors continues to decrease. Deposits remain the most important source of funding for Arion Bank but competition is fierce in a rather high interest environment.

Maturities of borrowings and call dates on subordinated liabilities

ISK bn.



Borrowings

Borrowings totalled ISK 433.2 billion at the end of 2024, representing a 3.0% increase from year-end 2023. The increase is mainly due to the effect of inflation during the year. Arion Bank was active in the issue of covered bonds in the Icelandic market and unsecured bonds in the international markets but new issue was mainly used for payments on older issues on due dates or close to due dates. The Bank's maturity profile, both in ISK and foreign currencies, is rather well distributed. The Bank is in a good position when it comes to refinancing as it is a strong issuer of covered bonds on the Icelandic market and a regular issuer in international markets.

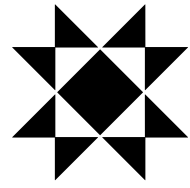
Subordinated liabilities

Subordinated liabilities amounted to ISK 44.5 billion at the end of the year, compared with ISK 41.3 billion at the end of 2023. In September the Bank sold a AT1 bond amounting to USD 125 million, which was largely used for the prepayment of an AT1 bond with the first call date in 2025.

Shareholders' equity

Shareholders' equity amounted to ISK 207.1 billion at the end of 2024, compared with ISK 199.3 billion at the end of 2023. The net change is mainly due to the net earnings of ISK 26.1 billion in 2024 and the buyback of own shares and dividend payments, in total amounting to ISK 25.5 billion. The nominal value of Arion Bank's share capital was increased by ISK 53m in order to cover the exercising of issued warrants, resulting in an ISK 6.2bn increase in equity. The CET 1 ratio was 18.2% at the end of 2024, compared with 19.7% at the end of 2023. The leverage ratio was 12.2% at the end of 2024, compared with 12.4% at the end of 2024, which despite this reduction remains very high in all comparisons in the international banking market. Calculations of capital ratios factor in the proposed dividend payment of ISK 16 billion following the AGM in March 2025 and a share buyback program of ISK 3 billion, approved by the Board and the Central Bank. The Bank has set a financial target of 150-250 bps in excess of regulatory requirements. At year-end the position was 40-140 bps above target.





Financial statements and key figures  
**Funding and Liquidity**  
Risk management and internal controls

# Funding and Liquidity

In 2024 the 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 notes in euros, additional Tier 1 bonds in US dollars, green senior preferred bonds in Norwegian kroner and Swedish kronor, and subordinated Tier 2 bonds in Swedish kronor. On the domestic market the Bank issued covered bonds for ISK 50.7 billion and continued to issue senior preferred bonds in Icelandic krónur.

Moody's affirmed the Bank's A3 credit rating and upgraded its rating of the Bank's covered bonds from Aa2 to Aa1, mirroring its upgrading of Iceland's sovereign rating. The Bank's liquidity position is robust with a liquidity coverage ratio of 181% and a funding ratio of 118%.

## International bond issues

In May 2024 Arion Bank issued €300 million senior preferred notes with a maturity of 4.5 years. The notes pay a coupon of 4.625% which corresponds to a spread of 175bps over mid-swaps in euros. Demand for the notes was 8.5 times supply and offers were received from around 190 investors from more than 25 countries in Europe and Asia. The final order book was €2.6 billion. The strength of the orderbook allowed Arion Bank to print the tightest Icelandic bank EUR Senior preferred instrument in more than two years. The issue was managed by Barclays, Morgan Stanley, ABN Amro and JP Morgan.

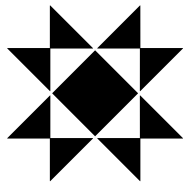
In September 2024, the Bank issued additional Tier 1 bonds amounting to \$125 million. The bonds have a fixed coupon of 8.125% and have a standalone and consolidated 5.125% CET1 trigger with equity conversion. Offers were received from more than 35 investors in the United Kingdom, Europe, Asia and Iceland. The issuance strengthens the Bank's own funds and helps maintain an optimal capital structure. BofA Securities, Morgan Stanley and UBS were joint leaders of the issue.

In October 2024, Arion issued 3-year green senior preferred bonds amounting to NOK 500 million and SEK 500 million. The bonds are floating rate and were priced at a spread of 120bps over 3-month NIBOR and STIBOR. DNB Markets, Nordea and Swedbank were joint leaders of the issue.

In November 2024, the Bank issued Tier 2 floating rate bonds for total of SEK 225 million. The bonds have a 10NC5 structure which is callable in five years' time. The bonds are floating rate and were priced at a spread of 265bps over 3-month STIBOR. The bookrunner on the transaction was DNB Markets.







Financial statements and key figures  
**Funding and Liquidity**  
Risk management and internal controls

**Domestic bond issues**

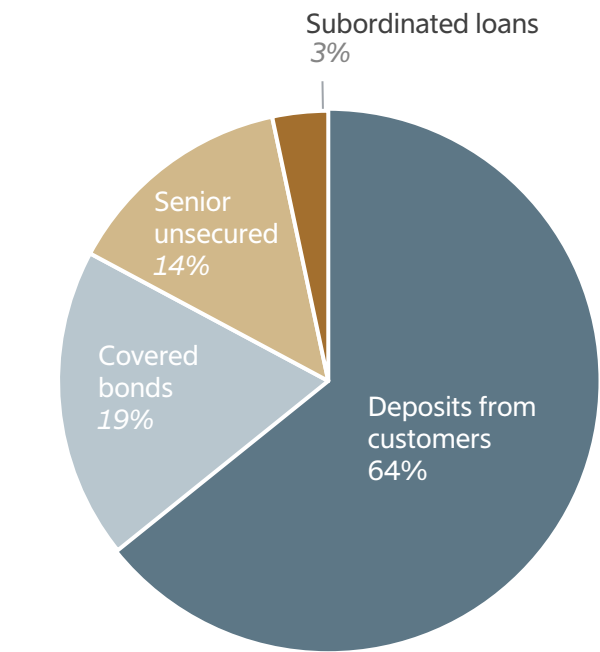
Arion Bank concluded two issues of senior preferred bonds in the series ARION 28 1215 in 2024. The total issue amounted to ISK 3.32 billion at yields of 4.42% and 5.10%. The series is inflation-indexed and has semi-annual interest payments, maturing on 15 December 2028.

Arion Bank continued to issue covered bonds which are secured in accordance with the Covered Bond Act No. 11/2008. In 2024 the Bank issued covered bonds amounting to ISK 50.7 billion, of which ISK 8.96 billion were for own use.

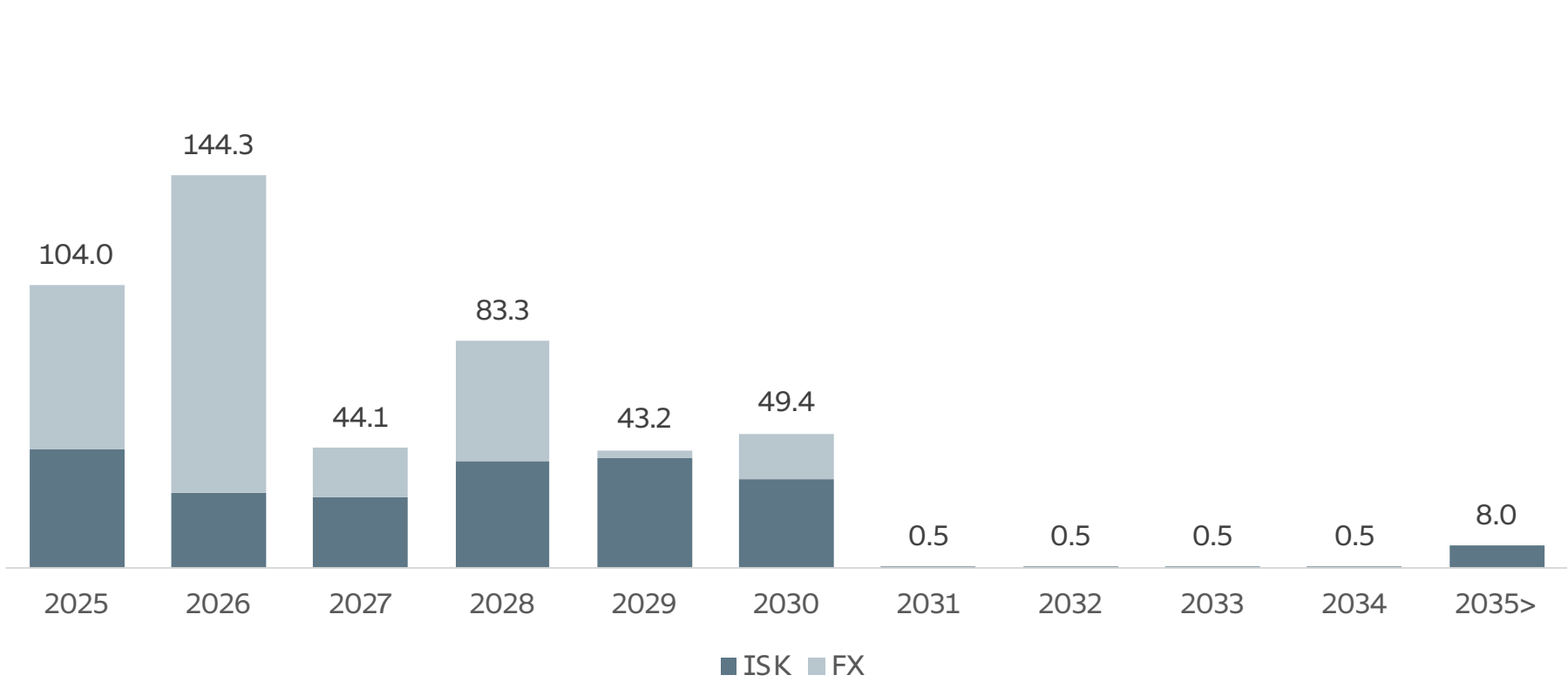
The Bank issued a new covered bond series during the year. ARION CBI 28 is an inflation-linked series bearing a fixed 4.25% interest rate, semi-annual interest payments and maturing on 20 September 2028. The series has been well received by investors and bonds worth ISK 17.94 billion have been issued, including ISK 4.96 billion 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.

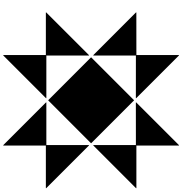
**Combination of total funding**  
%



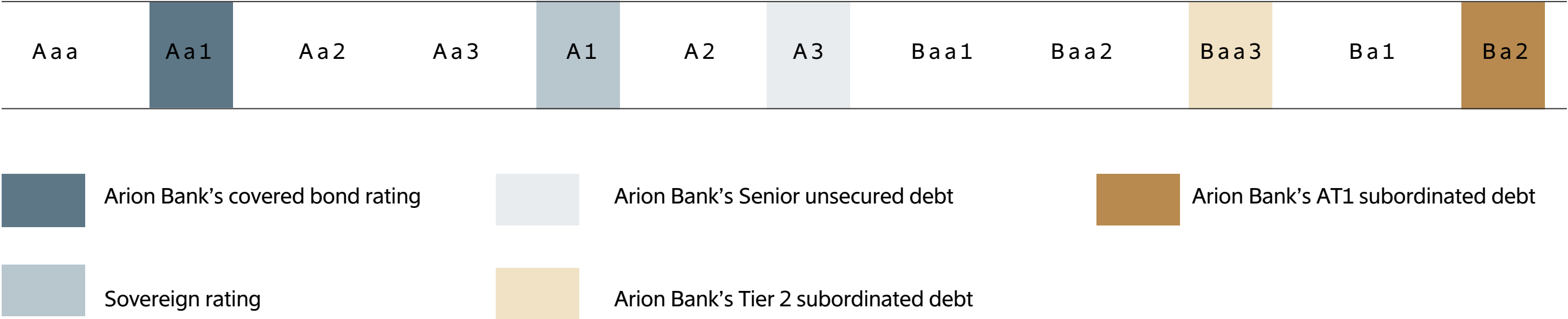
**Maturity profile**  
ISK bn.







Financial statements and key figures  
**Funding and Liquidity**  
Risk management and internal controls



**Credit rating**

In 2024 Arion Bank had ratings upgrades from both Moody's and S&P Global Ratings. In July, Moody's affirmed the Bank's A3 rating for senior unsecured debt and upgraded its rating for covered bonds from Aa2 to Aa1, following the upgrading of the Icelandic sovereign rating. S&P upgraded the Bank's long-term rating from BBB to BBB+ with a stable outlook. At the end of April, Arion Bank decided to end its rating relationship with S&P Global Ratings and to proceed with Moody's as its sole ratings agency in order to meet the expectations of investors and other stakeholders in terms of high quality, recognized credit ratings.

**Moody's**

At the beginning of July Moody's affirmed its A3 rating for senior unsecured debt and long-term issues with a stable outlook. The long-term and short-term ratings for deposits was affirmed at A2/P-1. 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.

At the end of September Moody's upgraded its rating of Arion Bank covered bonds from Aa2 to Aa1. This upgrade came in the wake of the credit rating of the Icelandic sovereign being raised from A2 to A1 on 20 September. These changes reflect the improving economic environment in Iceland which supports the Bank's rating and the credit quality of Arion Bank's covered bond pool.

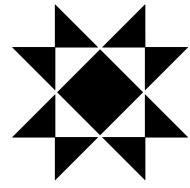
**Liquidity and liquidity risk**

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 2024 the Bank's LCR was 181% well above the minimum requirement stipulated by the Central Bank of Iceland.

At the end of 2024 the Bank's Net Stable Funding Ratio (NSFR) was 118%. 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 Arion 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.

“Arion is an exceptional place to work. There is a strong risk culture, and I sense a clear willingness throughout the Group to ensure we make and execute sound decisions. It's incredible to feel the energy when we are all working towards common goals.”

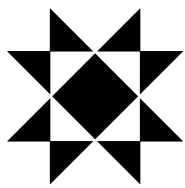
- Úlfar Freyr Stefánsson  
Chief Risk Officer



## Primary risk factors according to the Bank's risk taxonomy







Financial statements and key figures

Funding and Liquidity

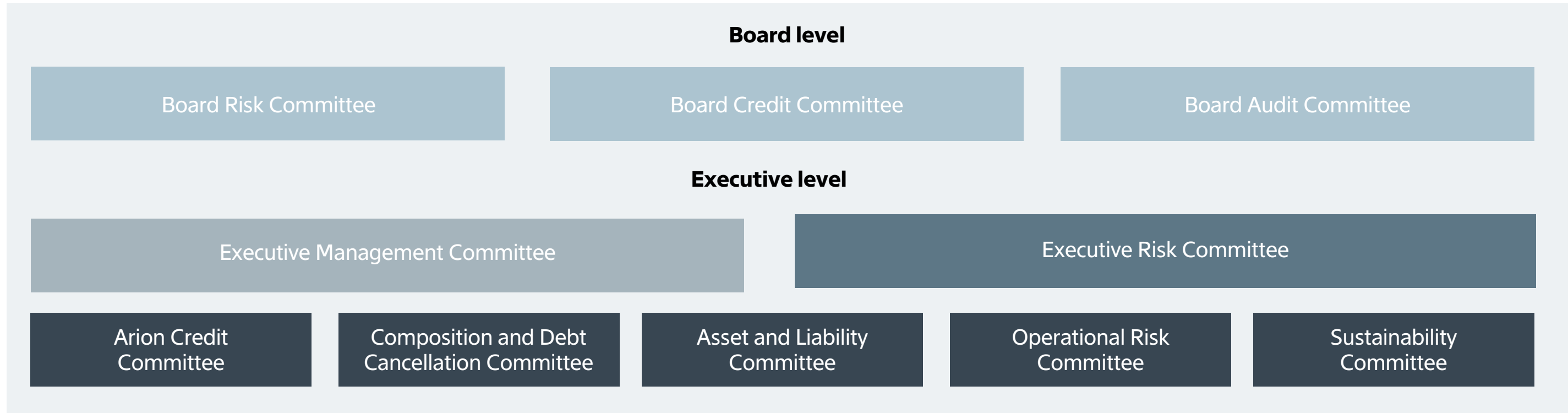
**Risk management and internal controls**

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 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 Internal Audit conducts independent and objective reviews 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. Compliance, headed by the Compliance Officer, is an



independent unit which reports directly to the CEO. Compliance manages the Bank’s conduct and compliance risks, including those relating to data protection, and financial crime risk.

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 of defence 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.

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

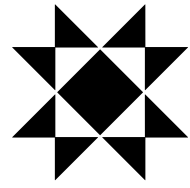
volatility. The most significant risks to which the Bank is exposed are credit risk, concentration risk, liquidity risk, interest rate risk, cyber risk, business risk and sustainability risk. These risk factors are mainly encountered within the parent company. Through the Bank’s subsidiaries, the Group 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 2024 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 2024 can be read here.**



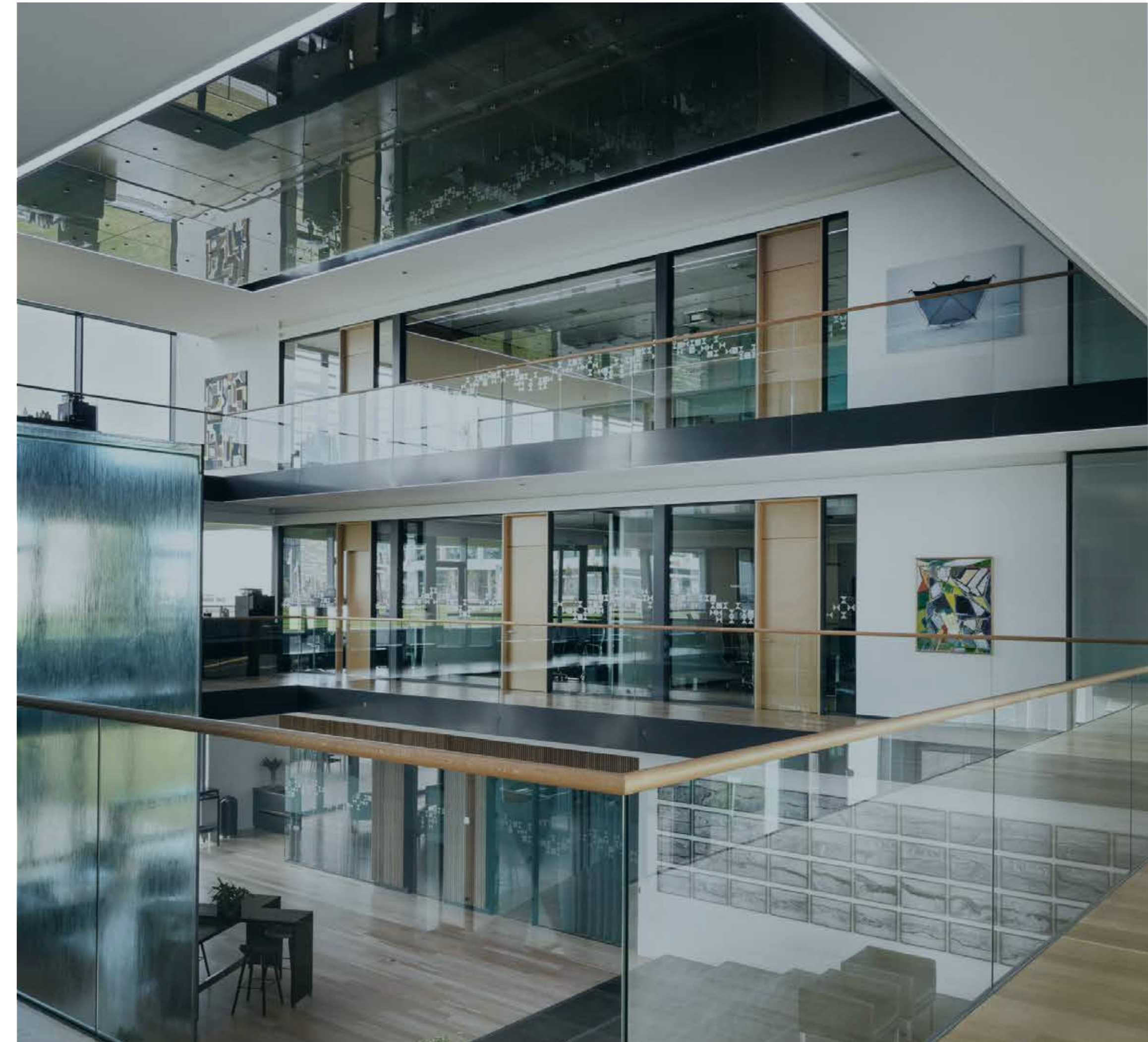


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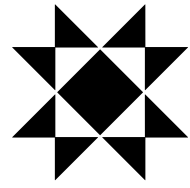
# Our governance

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 2024, 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 Stjórnvísí, 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 2024. 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.

Fundamentals 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 Report and in the Bank's Pillar 3 report. 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.

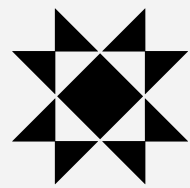


**Corporate Governance Statement  
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“Arion Bank is a systemically important bank in the small Icelandic economy and as a result it is subject to the extensive and complex regulations of the European Union. To be able to meet these obligations effectively requires commitment from our employees, ingenious solutions, and good governance.”

- Birna Hlín Káradóttir  
Chief Operating Officer





# Implementation of the remuneration policy

Arion Bank's AGM 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 on employee remuneration.

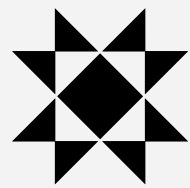
According to the remuneration policy approved at the Bank's AGM in 2024, Arion Bank strives to offer competitive salaries so that the Bank can attract and retain outstanding employees and to ensure that jobs at the Bank are sought after by qualified individuals.

The remuneration policy should not encourage excessive risk taking but rather should support the Bank's long-term goals and the healthy operation of the business. 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 place when determining salaries and other remuneration.

## The main points concerning the implementation of the remuneration policy in 2024

- According to an Intellecta salary survey, Arion Bank pays competitive salaries but is not a market leader. Salaries at the Bank increased on average by 5.2% year-on-year, while the general salary index rose by 6.6% (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. The plan is based on the provisions of the Icelandic Tax Code and is considered as part of fixed remuneration for employees. 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 exercising of employee options in 2024 and new option agreements in February and May 2024, option agreements with the employees of the Bank and subsidiaries apply to a total of 8,571,820 shares a year until 2026, and the total number of employees of the Bank and subsidiaries who have entered into option agreements is 766.
- No special severance agreements were entered into with executives in 2024.
- 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 a an incentive payment in the form of a cash payment (5%) or options on shares in the Bank (20%). This group represents 1/6 of employees and 40% of the incentive payment 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 of lasting three years but in the case of call options the first exercise period is after three years. The incentive payment paid to employees under the incentive scheme in 2024 in respect of the Bank's financial results in 2023 represented 80% of a full incentive payment. The total payment amounted to ISK 1.42 billion. 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. The rules applicable to variable remuneration can be found on the Bank's website.





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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 a member of the Board Risk Committee, the Board Audit Committee, the Board Credit Committee, the Board Remuneration Committee and the Board Tech 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 risk and general management in 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 Royal Bank of Scotland Group and served as an executive and senior manager of Royal Bank of Scotland PLC and was appointed to various senior risk and general management roles until June 2019. In 2012 to 2017, Paul was the chief risk officer of Coutts & Co Ltd. and CEO of Coutts & Co Ltd., Zurich, in 2016-2017. In 2018 Paul was chief risk officer of Ulster Bank DAC, Dublin, and a non-executive director at Coutts & Co Ltd. in Zurich from 2018-2021.

Today Paul serves on the board of AIB (UK) P.L.C., chairs its risk committee and is member of its 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. Finally, he serves on the Board of the UK subsidiary of The National Bank of Kuwait, chairs its Risk Committee and serves on its Audit Committee.



## Vice Chairman

### Kristín Pétursdóttir

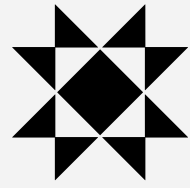
Kristín was born in 1965. She was first elected as a Director at Arion bank's Annual General Meeting on 15 March 2023, and is a non-executive director. She is not a shareholder in Arion bank and is an independent Director. Kristin is Vice Chariman of the Board, Chairman of the Board Risk Committee and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

Kristín graduated as an economist from the University of Iceland in 1991 and with an MBA from Handelshøyskole 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 Virðing 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 Ölgerðin, Tal, Yggdrasil, Singer & Freidlander, Vidskiptarád, Eyrir Invest, Samtök atvinnulífsins and Samtök 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 Miðeind ehf.





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## 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 the chairman of the Board Audit Committee and is a member of the Board Risk Committee and the Board Credit Committee. He was also appointed to the Board Audit Committee in May 2020, which he is currently chairing.

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 has been a board member of the Performing of the Arts Center in Iceland since 2021. Furthermore, Gunnar serves on the Board of Harpan Conference Center. Gunnar has previously held various directorships, including the board of directors at Gamma hf. in 2017-2019, chairman of the board of directors of the Icelandic National Broadcasting Service (RÚV) 2016-2017, director at the Nordic Arbitration Center, chairman of the board of directors of the Icelandic Dance Company 2013-2016, president of the International Federation of Icelandic Horse Association 2014-2023 and was voted by Althingi 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.



## Liv Fiksdahl

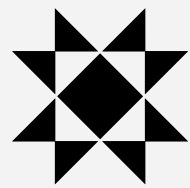
Liv was born in 1965. She was first elected as a Director at Arion Bank's Annual General Meeting on 20 March 2019, and is a non-executive director. She is not a shareholder in Arion Bank and is an independent Director. Liv is chairman of the Board Remuneration Committee and the Board Tech Committee and member of the Board Audit Committee.

Liv holds a degree in finance and management from Trondheim Business School (today NTNU) in 1986. In 2018, Liv completed programs at Stanford University in Big Data, strategic decisions and analysis, and the Innovative Technology Leader. She has also completed an advanced management program for executives in management, innovation and technology at Massachusetts Institute of Technology.

Liv has held various senior roles at DNB and was part of the executive management team for 10 years, and her most recent role was as the Group EVP, CIO/COO, for IT & Operations. Liv has a broad experience from DNB and has held different positions across the value-chain within the bank. Before DNB she had key account roles for corporate clients within Danske Bank/Fokus Bank, and Svenska Handelsbanken. Liv has served on numerous boards, including Scandinavian Airlines SAS AB, Intrum AB, Posten Norge, BankAxept, Sparebankforeningen, Doorstep, Finans Norge and Trondheim Kommune Bystyret.

Today, Liv is a Vice President within Financial Services at Capgemini Invent, Norway, and serves on the board of Hexagon Purus ASA.





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## Steinunn Kristín Thórdardóttir

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 member of the Board of Vörður.

Steinunn holds a master's degree 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). Steinunn was previously a partner and CEO of Beringer Finance Norway in 2015-2017 and interim CEO of Beringer Finance in Iceland. She founded Acton Capital AS, a management consulting and investment company in Norway, where she works with investments and consulting. Steinunn 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 and Iceland both as an investor and advisor regarding strategy and management. 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 YES-EU AS in Norway and Alda Solutions ehf in Iceland. Finally, she is a mentor to young talented women and founded Women Empower Women and is the chairman of a charitable organization in Norway.

## Alternate directors:

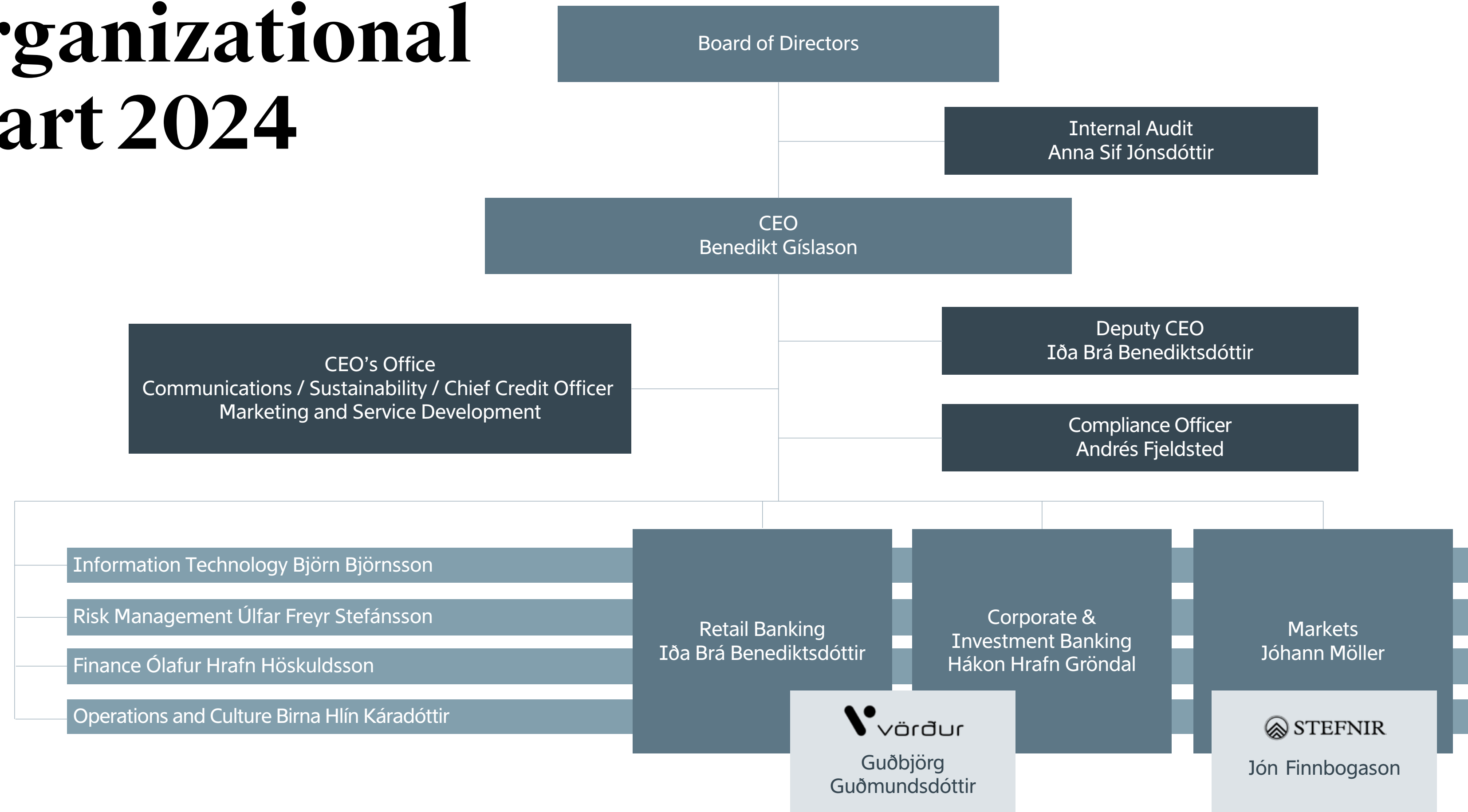
Sigurbjörg Ásta Jónsdóttir, lawyer  
Einar Hugi Bjarnason, Supreme Court Attorney





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# Organizational chart 2024







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The year 2024

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Our service

Our financial results and risk management

Our governance

Our sustainability

# 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.



## Iðá Brá Benediktsdóttir

### Deputy CEO and Managing Director of Retail Banking

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

Iðá 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. Iðá Brá was previously head of communications, Private Banking and also worked in the Bank's Treasury division. Iðá 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. Iðá is a board member of Nordic Financial CERT.

Iðá 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.



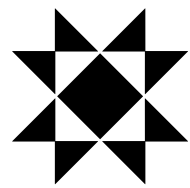
## Björn Björnsson

### 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.

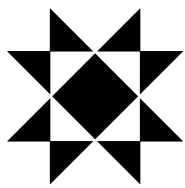
Úlfar joined the Bank's Risk Management division in 2013 after having worked at Kaupthing since 2010, where he worked on settling the estate's derivatives positions and assumed the role of Head of Risk Management. Úlfar was Head of Portfolio Risk at Arion Bank from 2013 to 2015, when he took over as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

**Changes during the year**

In January, Steinunn Hlíf Sigurðardóttir, Managing Director of Customer Experience, resigned her position at Arion Bank. The division was discontinued and its tasks transferred to other areas of the Bank. No other changes to the Executive Committee were made in 2024.





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**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 Stefir**

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

Jón has worked on the financial markets in a diverse range of management and specialist positions since 1999. He worked at Stefir 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.

Managers of other control functions at Arion Bank



**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 from the University of Iceland and a cand.oecon. from the same university. She is a certified accountant and a licensed securities broker.



**Andrés Fjeldsted**

**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.





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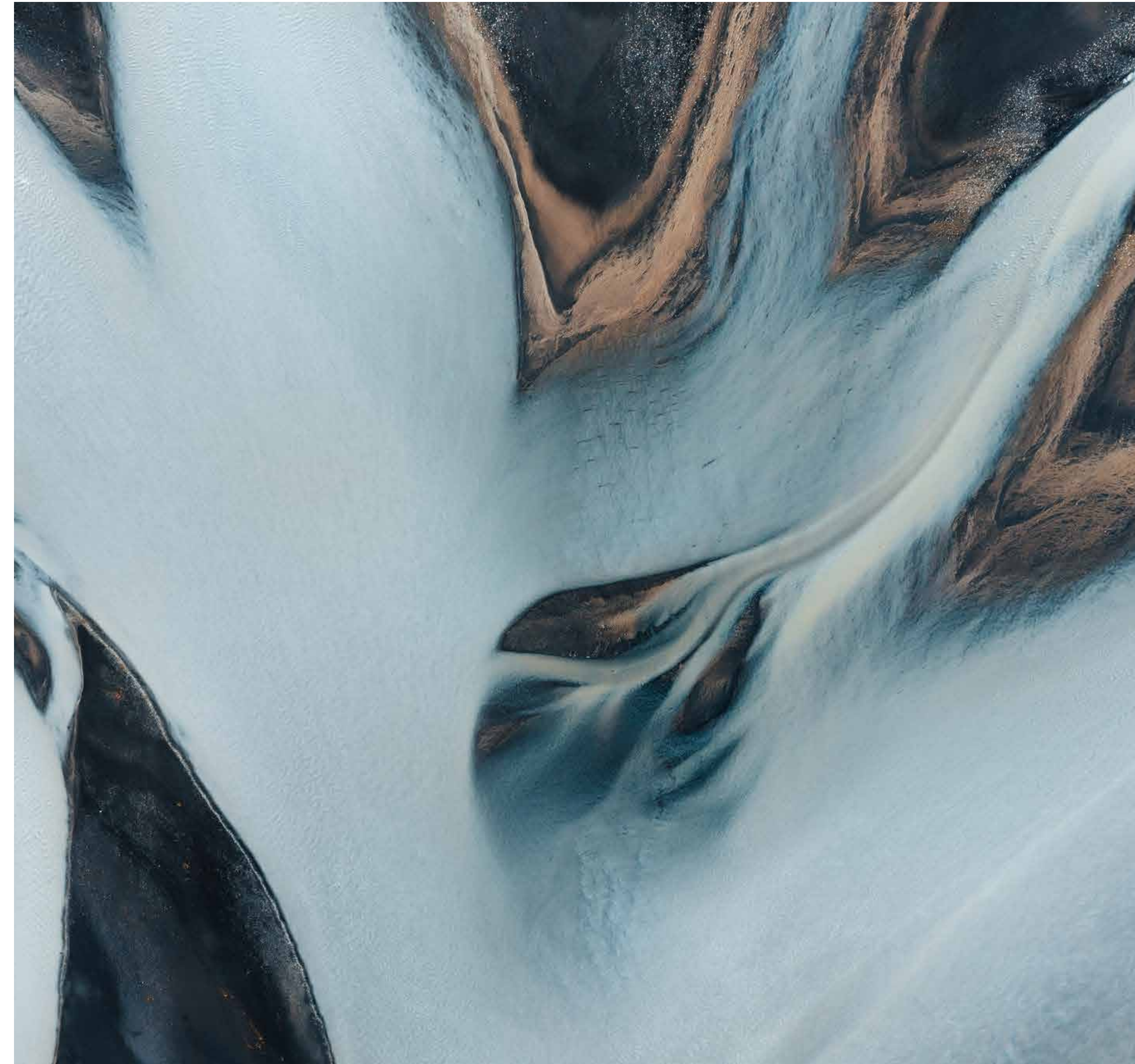
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# Responsible business

At Arion we place great importance on environmental and social issues and good corporate governance in our operations. Our role is to help people who want to achieve success in Iceland and the Arctic through smart and reliable financial solutions which enhance financial health and create sustainable value.







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# Strategy and targets

Arion Bank's sustainability policy bears the title *Together we make good things happen* and signifies that the Bank wants to act as a role model in responsible and profitable business practices, taking into account the environment, the economy 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. Our code of ethics serves as a key to responsible decision-making at Arion Bank, and it can be viewed on the Bank's website, [arionbanki.is](#).

#### 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.

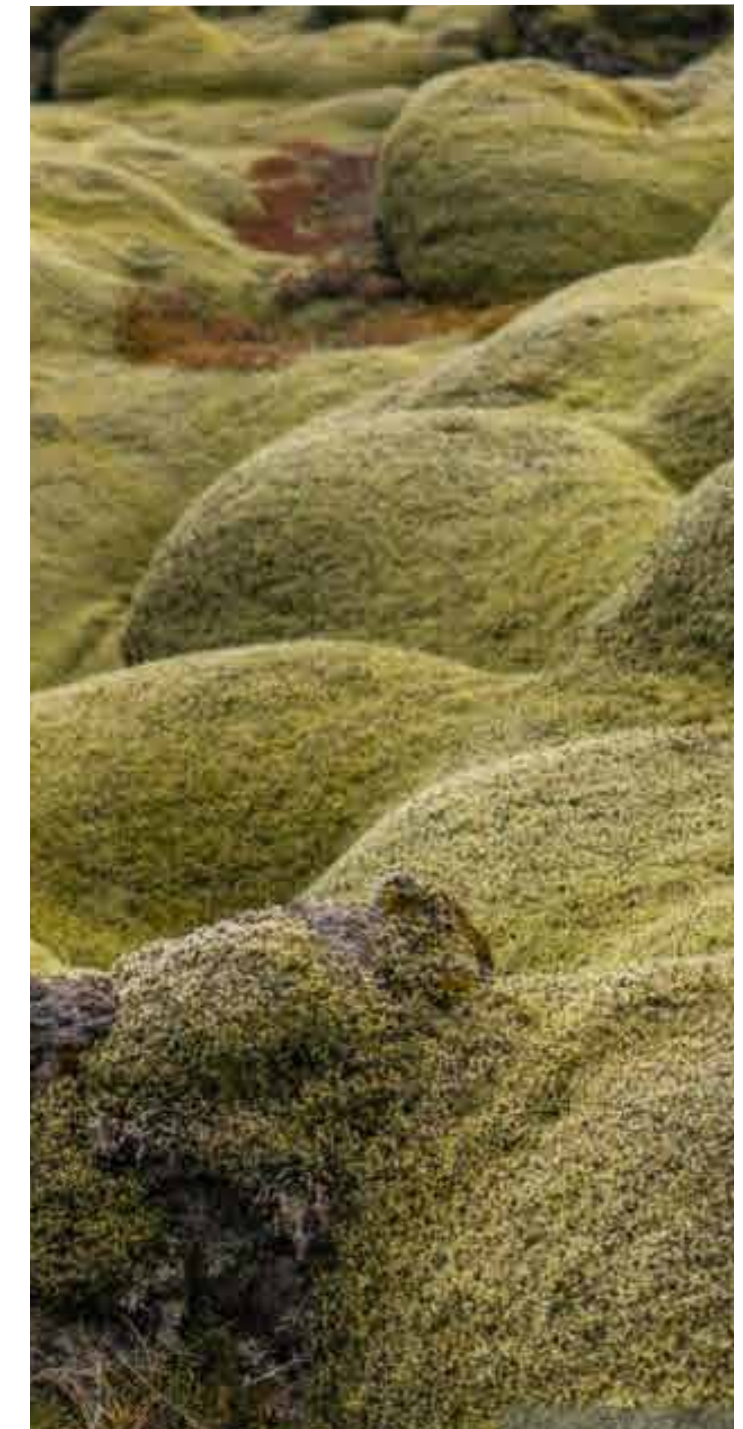
We work in an attractive workplace where knowledge creates future value for the benefit of our customers, investors and society as a whole.

The fund management company Stefmir has adopted policies on responsible investment and on sustainability and social responsibility. The role of Stefmir is to manage the financial assets of its clients as best serves their interests in the short and long term. Responsible and diverse investment options and in-depth analysis and thorough disclosure of information are central to the corporate social responsibility that Stefmir wants to represent. By promoting sustainability in Stefmir's operations and the investments made on behalf of clients we aim to maximize long-term value sustainably for all stakeholders. Further information on sustainability can be found on Stefmir's website.

Vörður is a general insurance company which operates in accordance with a sustainability policy and aims to offer its customers suitable insurance coverage at competitive prices. Vörður strives to be a role model in the Icelandic business sector, not just in terms of profitability and operating efficiency, but also with respect to environmental, social and governance issues. Equality and human rights are cornerstones of the company's business and one of the key objectives is to take good care of human resources. Responsible governance, data protection and information security are prerequisites for running a good and trustworthy insurance company. More information on sustainability at Vörður can be found on the company's website.

“We are proud of what has been achieved in terms of sustainability at Arion and we want to support our customers on their journey in environmental and climate issues, conservation, equality and inclusivity.”

- Hlédís Sigurðardóttir  
Head of Sustainability







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## UN Sustainable Development Goals

The UN Sustainable Development Goals were adopted by representatives of all member states in 2015. There are 17 goals and 169 targets and they apply to period 2016-2030, both in Iceland and internationally.

Arion Bank focuses on six sustainable development goals. These goals are number 5, 7, 8, 9, 12 and 13. The Bank's operations, including action on gender equality, our policy and actions on environment and climate issues, support for innovation and the business sector as a whole, state-of-the-art digital services and active participation in the development of the economy, closely align with these sustainable development goals.

The sustainable development goals selected by Stefmir reflect the company's values and the positive impact the company can have on society, the environment and the economy. These are goals 5, 8, 10, 12, 13 and 17. Through its activities Stefmir wants to promote diversity, gender equality and human rights in general. There is an emphasis on innovation and sustainable financial products which support steady economic growth and sustainable business development.

Vörður has also identified sustainable development goals it wishes to focus on and which align with the company's core business, goals 3, 5, 8 and 12. Vörður's customers and the general public are encouraged to be attentive to their health and well-being by adopting preventative measures. Gender equality is central to the company's values and the company places great importance on sustainability in its day-to-day business.



1 NO POVERTY



2 ZERO HUNGER



3 GOOD HEALTH AND WELL-BEING



4 QUALITY EDUCATION



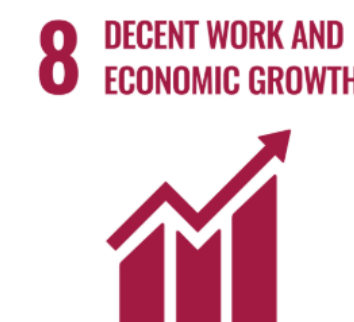
5 GENDER EQUALITY



6 CLEAN WATER AND SANITATION



7 AFFORDABLE AND CLEAN ENERGY



8 DECENT WORK AND ECONOMIC GROWTH



9 INDUSTRY, INNOVATION AND INFRASTRUCTURE



10 REDUCED INEQUALITIES



11 SUSTAINABLE CITIES AND COMMUNITIES



12 RESPONSIBLE CONSUMPTION AND PRODUCTION



13 CLIMATE ACTION



14 LIFE BELOW WATER



15 LIFE ON LAND

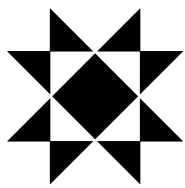


16 PEACE, JUSTICE AND STRONG INSTITUTIONS



17 PARTNERSHIPS FOR THE GOALS





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## Arion Bank’s ESG key performance targets



**Environmental**

**Targets up to 2030:**

- percentage of sustainable lending will be at least 20% of the Bank’s total loan book
- reduction of greenhouse gas emissions from own activities (Scopes 1 & 2) by 80% calculated from 2015 and remaining emissions will be carbon offset
- make continuous efforts to obtain a more accurate picture of emissions from acquired goods and services (Scope 3) in the Bank’s activities
- aim for reductions in financed emissions in the sectors which have the most impact (Scope 3) in line with the net zero target by 2040
- targets on financed emissions validated by SBTi.

**Secondary targets for the Bank’s operations in 2024:**

- aim to ensure percentage of sorted waste in the Bank’s operations is at least 90%
- the Bank continues to only buy vehicles which run on 100% renewables.

Information on the status of environmental targets can be found in the section of environmental and climate issues and sustainable finance. Information can also be found in Arion’s sustainability accounts.

**Social**

**Targets for 2024:**

- work in accordance with the Bank’s equality and human rights action plan. The plan was updated at the end of 2024 and is a three-year plan
- increase the proportion of women in investment.

**Targets for 2021-2024 included:**

- maintaining equal pay certification
- equal pay analysis indicates gender pay gap of less than 1%
- ratio of median male compensation to median female compensation less than 1.3
- the survey on people’s perception of their work-life balance scores at least 4.2
- employees will generally receive 80% of their salaries during parental leave for 6 months regardless of gender
- employees know the policy and the prevention and action plan concerning bullying, gender-based and sexual harassment and violence
- the Bank seeks to ensure that international human rights are respected and that equality is observed throughout the Bank’s value chain, including purchasing and corporate lending.

Information on the status of social targets can be found in the section on human resources and in Arion’s sustainability accounts. Information on the progress of targets on increasing the proportion of women in investment can be found in the section on sustainable finance.

**Governance**

**Targets for 2024:**

- at least 90% of suppliers under agreement with the Bank undergo the supplier assessment where their performance in terms of ESG is assessed and the same percentage agree to the Bank’s code of ethics for suppliers
- all employees complete mandatory learning and development courses, including the code of ethics, information security, anti-money laundering and data protection
- the Bank’s internal targets on KYC/AML are achieved
- a harmonized risk assessment for different sectors and regions is set up with respect to ESG risk and the financial impact on the Bank.

Information on the status of targets can be found in the section below, the section on sustainable finance and the Bank’s 2024 Pillar 3 Risk Disclosures.





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# Sustainability reporting



Arion Bank's activities are governed by the provisions of the Annual Accounts Act on non-financial reporting, Article 66 d. Information in the 2024 Annual and Sustainability Report has been prepared and published in accordance with the Global Reporting Initiative standard, GRI Standards, which helps companies and institutions share information on sustainability in a transparent and comparable way.

When sharing information on sustainability in operations, the ESG reporting guide for the Nasdaq Nordic exchange and the 10 Principles of the UN Global Compact are also used as a reference. The Bank also looks to the UN Sustainable Development Goals. This report contains a status update on the progress made in introducing Principles for Responsible Banking (PRB), of which Arion Bank was a founding member in 2019.

Arion Bank has commenced the implementation of the European Sustainability Reporting Standard (ESRS). The standard forms part of the requirements for the forthcoming transposing of the Corporate Sustainability Reporting Directive (CSRD) into Icelandic law, and reporting on the basis of the directive applies to the whole Group. This year we are therefore providing more in-depth coverage of the Bank's subsidiaries in terms of sustainability and releasing the updated results of double materiality assessments which now apply to the Group. This coverage addresses in greater detail the requirements made in ESRS and we are also publishing a reference table based on the standard for the first time. The implementation process is well under way and work on it will continue in 2025.

In the 2024 Annual and Sustainability Report, the Bank is publishing a report on financed emissions using Partnership for Carbon Accounting Financials (PCAF) methodology and targets up until 2030. PCAF 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 which they finance through their loans and own investments.

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.

Arion Bank's Pillar 3 Risk Disclosures describe in detail 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. The report is published in accordance with the European Banking Authority's templates and should be read in conjunction with them. The report can be found on the Bank's website ([arionbanki.is/pillar-3-2024](https://arionbanki.is/pillar-3-2024)).

Deloitte has provided an opinion with limited assurance on sustainability in the 2024 Annual and Sustainability Report in accordance with GRI Standards and Nasdaq Guidelines.





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# Our success

Amongst the highlights of the year in terms of sustainability at Arion were the publication of the sustainable financing framework, an agreement signed with the European Investment Fund, the Women Invest initiative and the public meeting we hosted on sustainability. A considerable amount of work was invested in the implementation of the European sustainability regulation. The enhanced requirements on knowing customers sustainability preferences and sustainability disclosure are relevant to several divisions within the Group. Equality remained a priority and there was added emphasis on inclusivity, both in our own business and the services we provide to customers.

Arion Bank and our subsidiaries built on our partnership in sustainability this year which benefited all companies. This partnership enables the companies to make effective use of shared resources, such as data and expertise. It also ensures enhanced compliance with regulations and cultivates a positive impact on society and the environment.

In 2024, four additional Stefñir funds joined the growing group of funds classified as an article 8 fund under the EU Sustainable Financial Disclosure Regulation. Such funds undertake to disclose how ESG factors are integrated into the investment process. Other funds are classified as article 6 funds and are not subject to the same disclosure requirements. Subsequently, all unit share holders in open funds were informed of the changes to the funds’ rules in terms of the integration of ESG into fund management.

Stefñir complies with rules on proxy voting and exercises its shareholder rights according to the best interests of the funds, which includes voting at shareholders’ meetings. The company participated in a number of annual general meetings and shareholders’ meetings, in addition to nomination committee meetings in accordance with the policy on proxy voting.

Vörður placed greater emphasis on coordinating its sustainability targets with those of the parent company and introduced an updated sustainability policy. The company also continued to stress the importance of preventative measures.

At the beginning of the year we announced that the Bank would follow the methodology of the Science Based Targets initiative (SBTi) when setting emission reduction targets in the Bank’s lending activities and investments. The Bank has also joined the UN-convened Net-Zero Banking Alliance, a global group of banks committed to financing ambitious climate action. The objective of this work is to support the stated target of keeping global warming to within 1.5°C and to help make Arion Bank carbon neutral by 2040.

At the end of the summer, the Bank published an ambitious sustainable financing framework which replaced the green financing framework issued in 2021. The new framework is built on the foundations on the green financial framework but is more extensive. Lending to projects in the circular economy is now incorporated into the framework, as are projects which have a particularly positive impact on society. Examples of such loans are mortgages to first-time buyers, loans to educational institutes and health clinics and to SMEs which are majority owned by women and/or immigrants.

The purpose of issuing a sustainable financial framework is to help Icelandic society have a positive impact. The goal is for 20% of the Bank’s total loans to be classified under the sustainable financing framework by 2030. We are already making excellent progress and 15.5% of loans are classified under the framework. The Bank is able to fund itself on this basis with green and/or sustainable bond issues and deposits. Over the last few years, the Bank has held five green issues, one of which was in 2024.

Around the same time as we published the sustainable financing framework, we signed a guarantee agreement with the European Investment Fund, EIF. The agreement opens up opportunities to finance start-ups and projects which are in the initial stages at SMEs. The framework is financed by the InvestEU scheme where the focus is on sustainability, innovation and digitalization, as well as culture and the creative industries. Loans under the framework have better terms due to the EIF guarantee.







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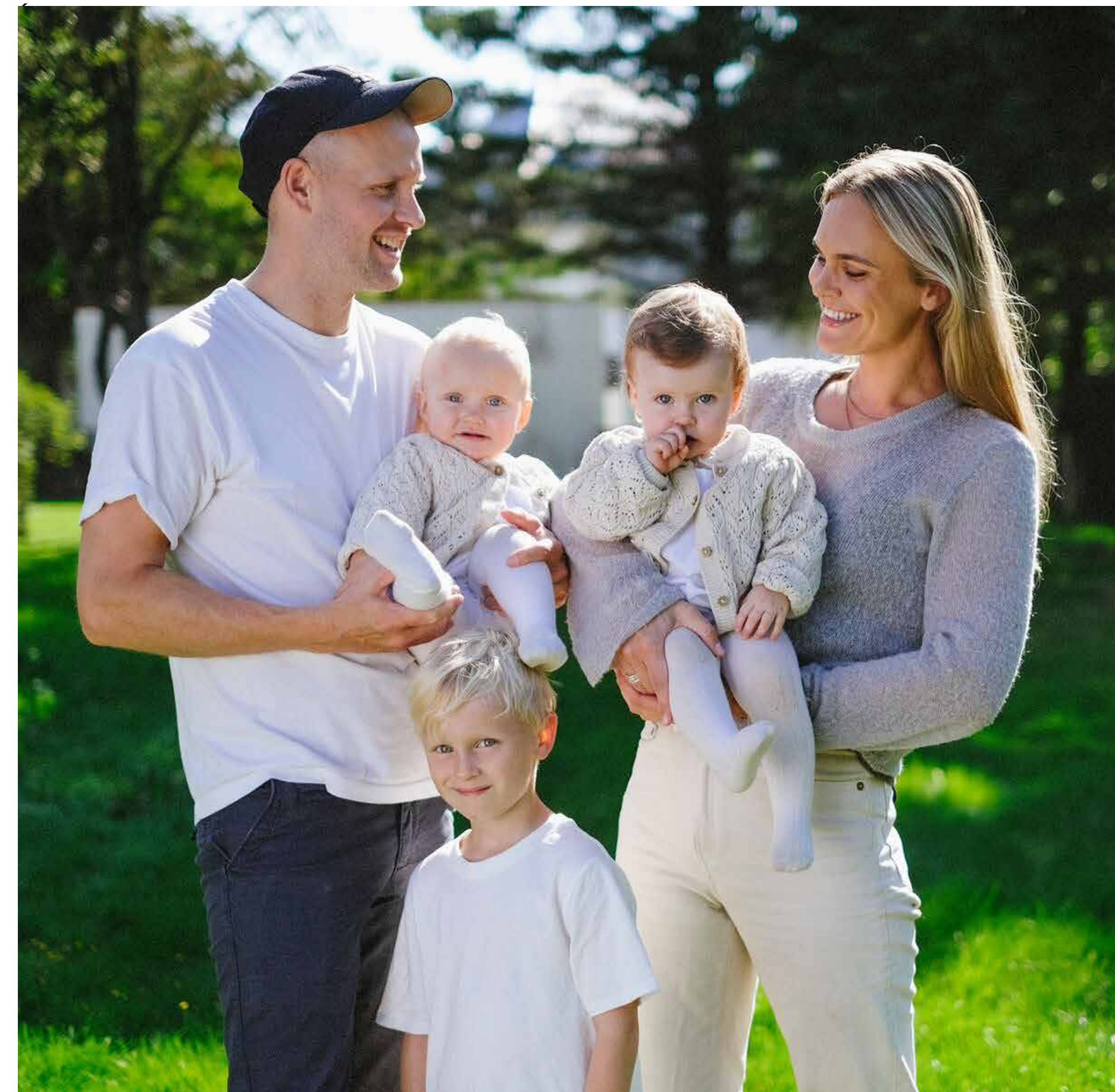
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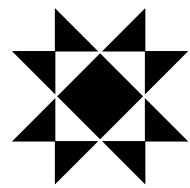
**It is great to see the level of interest in sustainability among our customers, and in November the Bank hosted a well-attended public meeting on sustainability entitled “Growing demands, more power”. The aim of the meeting was to inspire companies when it comes to sustainability, explain in plain language the extensive regulatory framework around the issue and offer more cooperation on this issue.**

Equality remained a priority during the year and our Women Invest initiative really took off and attracted well deserved attention. Vörður participated in the campaign and stressed how important it was that women in business are properly insured. Stefnir placed a focus on women investing in funds. The campaign is already yielding rewards, and assets owned by women aged 20-69 under management at the company increased by 18.4% in 2024. We have felt an enormous amount of support for this vital campaign and will continue to strive to get more women involved in the financial markets.

During the year we updated our equality and human rights policy and set out an action plan for the next three years. Greater emphasis is placed on inclusivity and human rights in the new plan, not just in our own activities but also in the services we provide to our customers. We then announced plans to open our own daycare centre for employees who need to bridge the gap between parental leave and playschool and the preparations are well under way.







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## ESG ratings

Arion Bank has agreements with two rating agencies which rate the Bank’s performance in ESG issues every year. The rating of other rating agencies are not based on feedback or communication with the Bank.

We received an outstanding score for our performance in sustainability from rating agencies this year. We are immensely proud of what we have achieved in environmental and social issues and are committed to continuing along this path.



## Arion Bank maintains outstanding ESG rating from Reitun

Arion Bank received an outstanding ESG rating from Reitun in October, placing us in category A3 which is the fifth year in a row we have achieved this distinction. The rating is based on the Bank’s performance in environmental, social and governance (ESG) issues in its operations. The Bank again scored 90 out of a possible 100 points, thus meeting the stricter requirements made this year. 90 points is the highest score Reitun has given and the Bank is one of only four issuers in category A3. Around 40 Icelandic issuers have been assessed.

In commenting on the score Reitun noted that the Bank was operating in line with UN Principles for Responsible Banking and that sustainability had been formally incorporated into the Bank’s organizational structure. The Bank had already made excellent progress in reducing the environmental impact of its own operations and that its main opportunities were in reducing emission from its loan and asset portfolio. Reitun said that it was a positive step that the Bank had pledged to set science-based emissions targets (SBTi) and that it had also become a member of the Net-Zero Banking Alliance (NZBA).

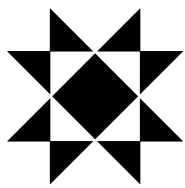
## Morningstar Sustainalytics rates Arion Bank in top 2% globally in terms of sustainability

Arion Bank is rated by the international rating agency Morningstar Sustainalytics, which specializes in rating risk related to ESG issues. The rating was positive and the Bank is considered to be one of the best performing banks globally in this area.

The Bank scored 9.2 points on a scale from 0-100, with a lower score signifying lower risk. Morningstar Sustainalytics therefore believes there is negligible risk of significant financial damage due to ESG issues at the Bank. Arion Bank is in the top 4% of more than 1,000 banks worldwide which have been rated by Morningstar Sustainalytics and in the top 2% of more than 560 regional banks.







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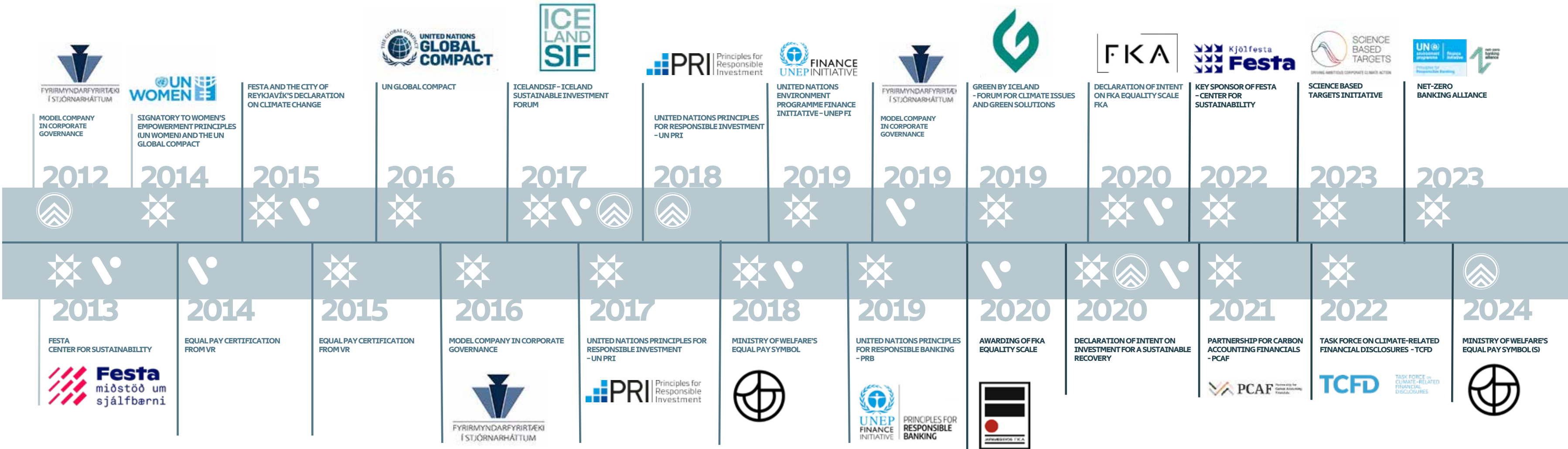
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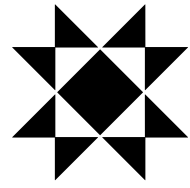
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# Sustainability governance and risk management

Arion Bank has a sustainability committee, and the management of risk in connection with ESG factors is defined as part of the Bank's risk management system. The CEO is the chairman of the committee, whose role is to monitor the Bank's performance in connection with its policy and commitment on sustainability and to ensure that ESG factors are considered in decisions and plans made by the Bank. The sustainable financing committee and equality committee are sub-committees of this committee.

In addition to the CEO, the sustainability committee comprises the managing directors of Retail Banking, Corporate & Investment Banking, Markets, Finance, and Operations & Culture. The Chief Risk Officer, the Head of Corporate Communications and the Head of Sustainability attend meetings but do not have voting rights. Meetings are also attended by representatives of Stefnir and Vörður when required.

Stefnir operates an ESG committee, which is appointed by the managing director and comprises employees involved in the funds' investment process. The ESG committee works in accordance with rules of procedure, provides support on asset allocation and ensures that Stefnir works in accordance with the established criteria on responsible investment. The ESG committee determines the ethical standards for investments which must be adhered to when funds are taking investment decisions.

Vörður has a sustainability group appointed by the operations manager. The group works in accordance with relevant procedures, provides support and restraint in the field of sustainability, particularly when it comes to preventative measures and claims. The group sets targets on how to advance sustainability within the company.







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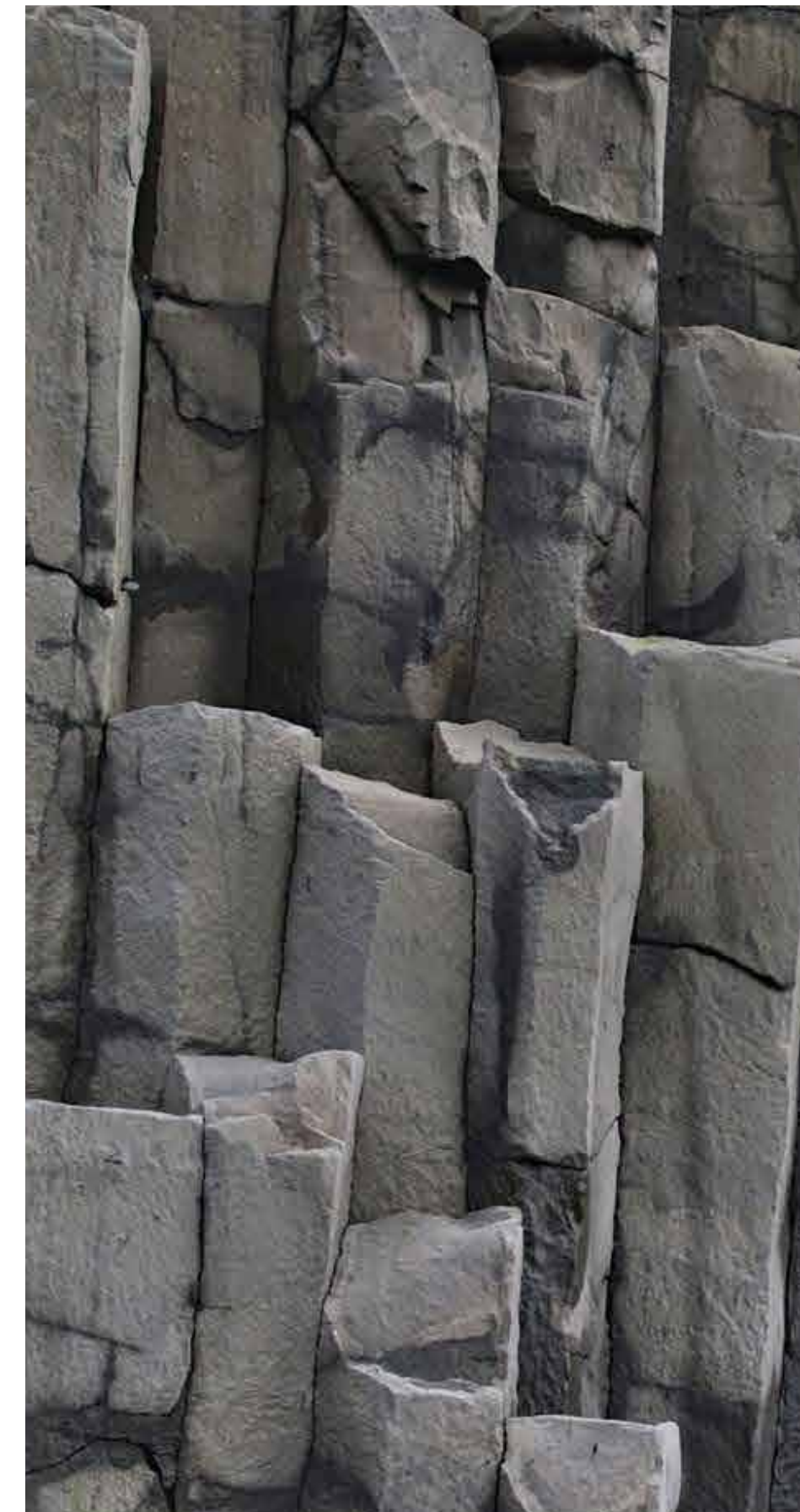
Arion Bank has adopted a risk policy on sustainability which is approved by the Board of Directors and reviewed annually. This policy states that the Bank seeks to ensure that its operations and services do not have a negative impact on people or the environment. It also states that the Bank supports Iceland’s climate action plan whose goal is to meet the obligations of the Paris Climate Agreement and to achieve the ambitious goal of carbon neutrality in Iceland by 2040. Key performance indicators relating to ESG factors are part of the risk report to the Board, and the Bank’s risk appetite with respect to these factors has been defined.

During the year a sustainability risk group was set up which works on behalf of the Bank’s sustainability committee and consists of representatives from Arion Bank, Vörður, and Stefmir. The group meets regularly in order to assess sustainability risk relating to the key sectors in the loan book and investments and to coordinate the presentation and use of data. The group is chaired by Head of Sustainability.

A task force was also set up to deal with the sustainability regulatory framework. Employees of Legal, Sustainability, Markets, Risk Management, Compliance, Stefmir and Vörður have representatives in the task force. The role is to move forward the implementation of the EU sustainability regulatory framework within the Group. The team is headed by a member of the Legal division.

At the end of 2024 the Bank’s annual risk assessment commenced. It is integral to the Bank’s risk framework and is carried out parallel to the annual risk assessment process. Inherent risk relating to human resources and social factors is generally rated as low. The main risks concern the ability and development of employees, as well as equality and diversity. The key environmental risks were considered to be greenwashing and the environmental and climate impact of lending and investment. The main governance risks were found to be anti-money laundering measures and violations relating to know-your-customer and data protection. The management of these risk at the Bank was generally rated as adequate or strong.

The Bank has introduced a policy on actions against financial crime, such as money laundering, terrorist financing, bribery and corruption or market abuse. Under the Bank’s anti-bribery and corruption policy there is zero tolerance of any form of bribery and corruption, and procedures should be in place which ensure that employees report all incidents linked to such conduct. The Bank is aware that risk linked to bribery and corruption is generally present in all areas of financial activities and the main risks have been identified at the Bank, which re-evaluates its measures regularly in response to the risk at any give time. This focus supports the UN Sustainable Development Goal number 16 which aims to reduce illegal capital flows, bribery and corruption. Further information on measures against bribery and corruption is contained in the Bank’s 2024 Pillar 3 Risk Disclosures.



The Bank has in place incentive scheme for permanent employees which is based on clear targets and subject to strict conditions in accordance with current law and regulations. In 2024, as in previous years, both financial and non-financial indicators were included in the scheme. Non-financial indicators are linked to results in areas such as customer satisfaction, know-your-customer, enhanced due diligence, learning and development and equality. ESG factors are also taken into account in the bonus schemes of Stefmir and Vörður.

In compliance with Article 5 of SFDR, a new section has been added to the Bank’s remuneration policy which 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 bonus scheme, ensures that people integrate sustainability risk into the investment decision process and investment advice. The same applies to the remuneration policy of Stefmir.





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## Responsible buying

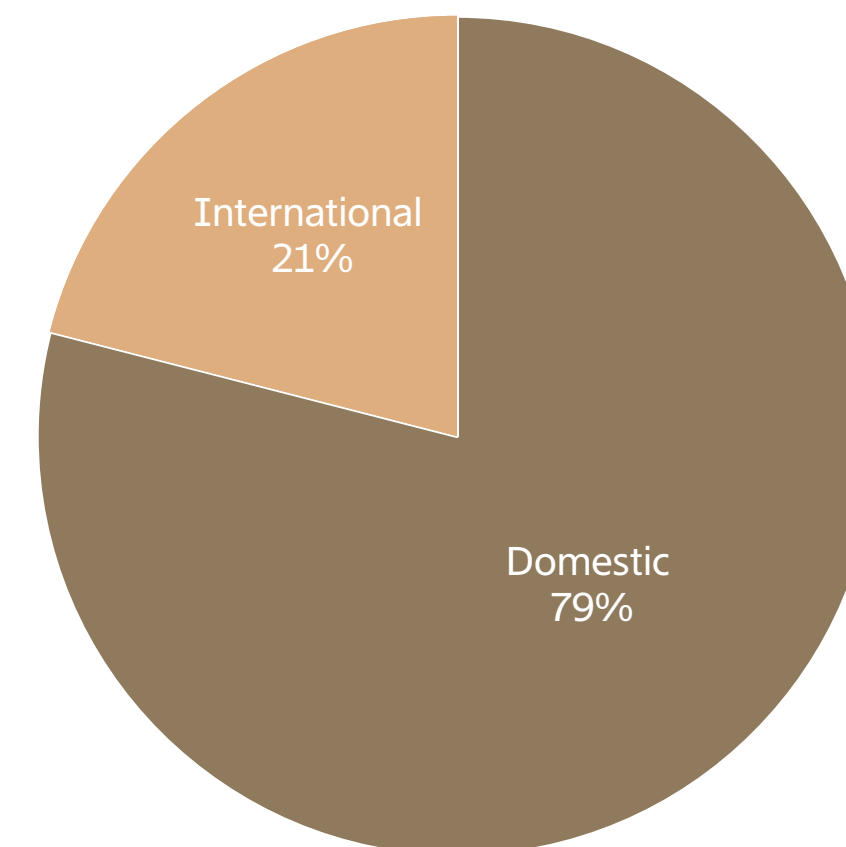
Arion Bank and its subsidiaries seek to source services locally as far as possible, provided that the suppliers can meet our requirements on quality and cost.

Nearly all of our key suppliers operate in Iceland. Although the supply chain does extend overseas, the first link is usually here on the domestic market. In fact, there are only three international suppliers in the top 10 main suppliers and only 15 in the top 50. The majority of the Bank’s international suppliers are connected to the buying of software, advisory services and IT services. Hardware is almost entirely acquired from Icelandic suppliers.

Equality and integrity are values we cherish when dealing with our suppliers. In the case of major business dealings, we check potential suppliers before making a final choice on which supplier we intend to use. This ensures that all potential suppliers are given the same opportunities and get equal treatment. If different suppliers offer similar services, we examine how they perform in terms of social and environmental factors. We form our opinion on the basis of the supplier assessment and other interaction with suppliers.

The size of the supplier does not matter when it comes to settling our accounts. We endeavour to pay all our suppliers, regardless of size, within the specified time limit.

**Buying is divided between the 50 main suppliers as follows:**  
%



The targets relating to the Bank’s environment and climate policy state that at least 90% of suppliers under agreement with the Bank should undergo the supplier’s assessment where their performance in terms of ESG is assessed and the same percentage should agree to the Bank’s code of ethics for suppliers. The Bank’s buying rules take this into account. The supplier assessment, which is completed digitally, appraises suppliers on their performance in terms of environmental and climate issues, as well as equality and labour laws. During the year, 91% of new suppliers at Arion Bank which come under this definition and have an agreement with the Bank underwent the assessment. We regularly assess the performance of suppliers with which we have long-term business relationships, and all the largest suppliers with which we have made outsourcing agreements underwent the assessment in 2024.

The code of ethics for suppliers, which focuses on sustainability and social responsibility, is available on the Bank’s website. The code of ethics is incorporated in the digital supplier assessment and forms part of agreements with the Bank. 94% of suppliers which completed the supplier assessment agreed to the code of ethics.

## Contractors

Contractors are placed in three different categories depending on the type of access permissions and scope of work. Contractors are people who work on a specific project, in the short term or long term, for the Bank but who are not permanent employees of the Bank. Examples of contractors are people who work in real estate services and property management, maintenance and cleaning, auditors and advisors. Most contractors at the Bank are programmers, people providing monitoring services such as security, and other specialists.







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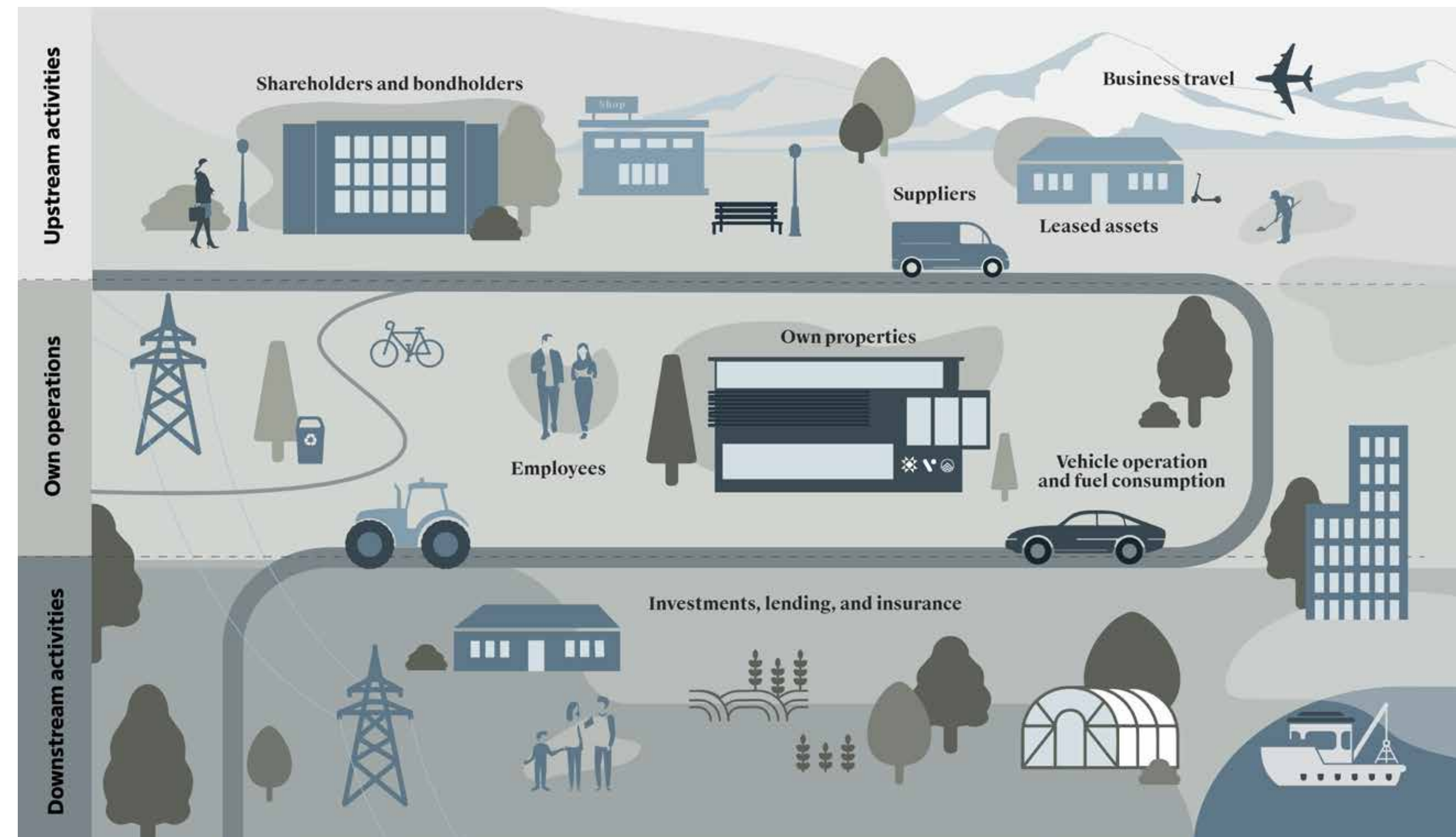
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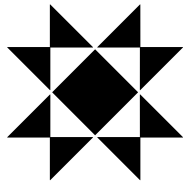
# Double materiality assessment

Arion performs an important role in society and we are conscious that our activities have a far-reaching impact. We have many different stakeholders and their interests and needs are important to us. In order to understand how we interact with our environment and society Arion has undergone an extensive materiality assessment. The method employed is known as a double materiality assessment and involves assessing the Group's impact on society and the environment as well as assessing the financial risk and opportunities for Arion due to external sustainability factors.

The double materiality assessment is fundamental to the implementation of ESRS. Assessments are made with the help of guidelines contained in ESRS and from the European Financial Reporting Advisory Group (EFRAG). The assessment of Arion was carried out in collaboration with KPMG at the end of 2023, and the results were analyzed and updated by specialists at Arion, Stefmir and Vörður in 2024. Further assessments of risk, opportunities and impacts were also made. The process has been long and instructive, and the results indicate that good governance and strong ethics, the welfare of customers, a motivating work environment and a clear environmental policy are the most important factors when it comes to sustainability at Arion.







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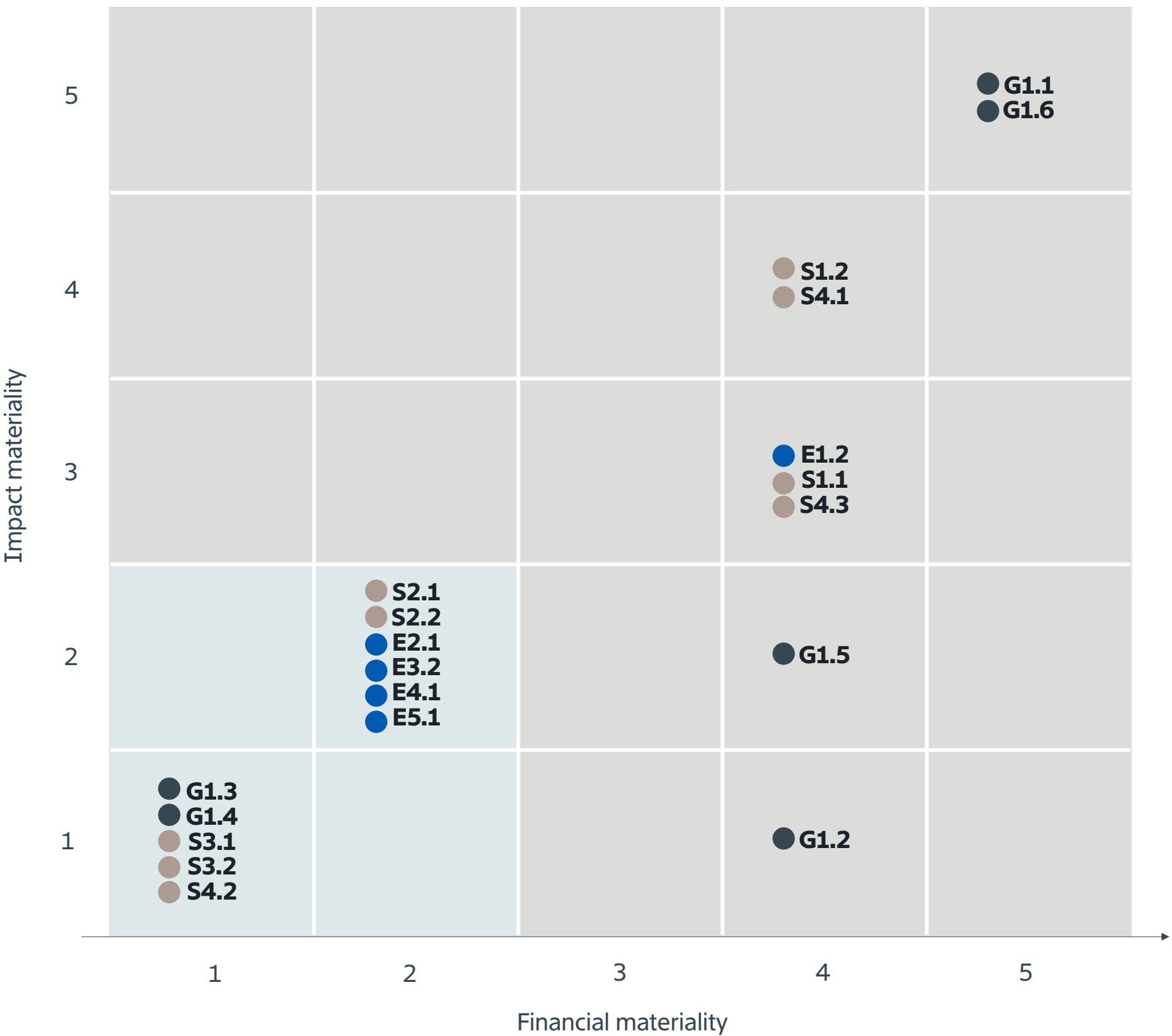
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**Results of the materiality assessment**

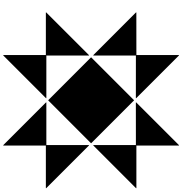
The results of the materiality assessment indicate that the standards E1 on climate change, S1 on human resources, S4 on consumers and end-users and G1 on governance are the most important for the Group. Impact, risks and opportunities are assessed without management and the main focuses at Arion concern climate change mitigation, corporate culture, anti-money laundering measures, training and skills development, and information security for consumers.

- **E1.2:** Climate change mitigation
- **E2.1:** Pollution of air, water and soil
- **E3.2:** Marine resources
- **E4.1:** Biodiversity and ecosystems
- **E5.1:** Circular economy
- **S1.1:** Own workforce – Working conditions
- **S1.2:** Own workforce – Equal treatment and opportunities for all
- **S2.1:** Workers in the value chain – Working conditions
- **S2.2:** Workers in the value chain – Equal treatment and opportunities for all
- **S3.1:** Communities’ economic, social and cultural rights
- **S3.2:** Communities’ civil and political rights
- **S4.1:** Information-related impacts for consumers and/or end-users
- **S4.2:** Personal safety of consumers and/or end-users
- **S4.3:** Social inclusion of consumers and/or end-users
- **G1.1:** Corporate culture
- **G1.2:** Protection of whistle-blowers
- **G1.3:** Animal welfare
- **G1.4:** Political engagement and lobbying activities
- **G1.5:** Management of relationships with suppliers
- **G1.6:** Corruption and bribery – AML measures

**Results of the materiality assessment based on sub-topics**







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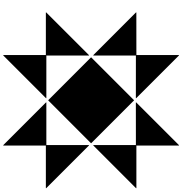
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## Material topics for Arion Group

- Sub-topics
- Impact, risks and opportunities

E1 Climate change		G1 Governance			S1 Own workforce		S4 Consumers and end-users	
Climate change mitigation	Corporate culture	Protection of whistle-blowers	Corruption and bribery	Management of relationships with suppliers	Working conditions	Equal treatment and opportunities for all	Information-related impact	Social inclusion
Green financial solutions	Trust and transparency	Protection of whistle-blowers	AML and CTF efforts	Partners and collaborators	Secure employment	Gender equality and equal pay	Technology development	Access to products and services
Climate risk and strategy	Comprehensive risk management				Adequate wages	Diversity	Personal information	Non-discrimination for consumers
Operational carbon footprint	Legal environment				Health and safety	Training and skills development	Access to quality information	
Recycling in claims processing	Reputation				Incentive systems and remuneration	Board composition and diversity	Privacy	
Prevention in the form of risk assessment	Attractive workplace				Focus on profitability and ESG		Data breach	
	Risk culture and decision making				Work-life balance		Cybersecurity and fraud	
	Tax practices				Flexible working hours			
	Executive remuneration							





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## E1 – Climate change

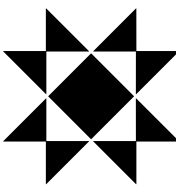
	Own operations	Value chain
Climate change mitigation		
Positive impact & risk	Positive impact of wide range of green products, but there is a risk if the incentive behind green financial products is not strong enough or supply is limited	☀️ 🌱 🏠
Negative impact	If consideration is not taken to climate risk or the company's climate policy is not adhered to, it has adverse impact on environment and society	☀️ 🌱 🏠
Negative impact	If carbon footprint from own activities is not considered, it undermines the credibility of climate targets	☀️ 🌱 🏠
Positive impact	Recycling in claims processing reduces environmental impact	🌱
Positive impact & opportunity	Importance of prevention in form of risk assessment	🌱



## G1 – Governance

	Own operations	Value chain
Corporate culture		
Positive impact & opportunity	Transparency and integrity build up trust in a company and good business relationships are founded on trust	☀️ 🌱 🏠
Positive impact & opportunity	Comprehensive risk management supports robust operations	☀️ 🌱 🏠
Negative impact & risk	The legal environment can be extensive but compliance with law and regulations is a fundamental requirement for the company's operations	☀️ 🌱 🏠
Positive impact & risk	A good reputation generates new business but a negative reputation represents a financial risk	☀️ 🌱 🏠
Positive impact	Good governance and a positive working environment are important in order to attract talented employees	☀️ 🌱 🏠
Positive impact & opportunity	Good risk culture and decision-making reduce the likelihood of financial loss for the company and customers	☀️ 🌱 🏠
Risk	Negative tax practices could result in legal penalties and damage the company's reputation	☀️ 🌱 🏠
Opportunity	Aligning management incentives with long-term targets could stimulate sustainable growth at the company	☀️ 🌱 🏠
Protection of whistle-blowers		
Opportunity	It is important to maintain trust in the company to safeguard whistleblowers	☀️ 🌱 🏠
Corruption and bribery		
Negative impact & risk	It is important to ensure adequate measures against money laundering and terrorist financing	☀️ 🌱 🏠
Management of relationships with suppliers, including payment practices		
Positive impact	Good communications and good governance lead to better partnerships with suppliers and other partners	☀️ 🌱 🏠





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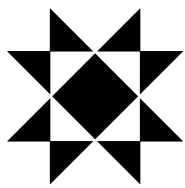
## S1 - Own workforce

	Own operations	Value chain
Working conditions		
Positive impact	Ensuring job security adds to stability at the workplace and productivity of the workforce	
Positive impact	Fair and adequate wages are the basis for job satisfaction and employee engagement	
Positive impact & opportunity	Safeguarding the health and safety of employees in the workplace is key to running a good business	
Risk	If employee incentives are limited, it threatens the company's competitiveness	
Risk	Prioritizing profitability over sustainability in incentive schemes can lead to negative decisions with respect to sustainability	
Opportunity	Facilitating the work-life balance of employees enhances well-being and productivity in the workplace	
Opportunity	Flexible working hours attract diverse and talented employees	
Equal treatment and opportunities for all		
Positive impact & opportunity	Equality and equal pay ensure the financial stability of employees and advance gender equality	
Positive impact	Diversity and inclusivity in the workplace create dynamic and productive human resources	
Positive impact & opportunity	Continual learning and the development of human resources are important to enable employees to grow and the company to thrive	
Positive impact & opportunity	Composition and diversity of boards enhances decision-making and credibility	

## S4 - Consumers and end-users

Information-related impact for consumers and end-users		Own operations	Value chain
Negative impact	Rapid technological developments may represent risk in terms of dependence on technology infrastructure		
Negative impact	New technology may create risk in processing of personal data		
Positive impact & opportunity	Securing access to reliable financial information improves financial literacy and the financial independence of our customers		
Positive impact & risk	Safeguarding the privacy of customers and the security of customer data forms the basis for trust and compliance with laws and regulations		
Risk	Data security breaches can damage the company's reputation, undermine customer trust and result in financial penalties		
Risk	Cyber security threats such as internet fraud, scams and ransomware		
Social inclusion of consumers and end-users			
Positive impact & opportunity	Securing access to products and services is important for customer satisfaction and the company's growth		
Positive impact & opportunity	Measures to prevent discrimination between consumers are essential for inclusivity and equality		





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**Performance of materiality assessment**  
The process was as follows:

- 1 Analysis performed by experts
- 2 Assessment of specific impacts, risks and opportunities
- 3 Stakeholder consultation
- 4 Prioritization of material topics
- 5 Extension of assessment to cover Group

The first phase used data from international rating agencies, and materiality assessments of other major Nordic banks were scrutinized. The analysis produced by this work was used as a basis for further analysis at Arion, such as eliciting the views of shareholders and bondholders.

The assessment was initially based on activities at Arion Bank but was subsequently extended to cover the activities of the insurance company Vörður and the fund management company Stefnir. The first phase generated a list of material topics categorized as governance, social or environmental.

The second phase of the analysis included two workshop sessions. Participants in the workshops were employees and management from various divisions of the Bank and a member of the board of directors. The first workshop tackled financial materiality and participants were then asked to rank material topics by financial materiality. The second workshop focused on materiality in terms of social and environmental factors. This produced a list of actual and potential impacts, opportunities and risks which participants had assessed in terms of scale and scope.

In the third phase the results of the two workshops were analyzed with respect to the following stakeholders:

- A Customers
- B Shareholders and bondholders
- C Employees
- D Interest groups, NGOs and specialists.
- E Regulatory authorities

These categories were approved by the Bank’s sustainability committee as the key stakeholders in terms of sustainability and the committee requested that they play a greater role in the Bank’s materiality assessment. These categories were contacted as follows:

A	B	C	D	E
<b>Customers</b>	<b>Shareholders and bondholders</b>	<b>Employees</b>	<b>Interest groups, NGOs and specialists</b>	<b>Regulatory authorities</b>
Customers were interviewed using a standardized questionnaire. The interviews were nevertheless flexible and were shaped by the interests and responses of interviewees. This arrangement led to interesting two-way discussions and provided customers with an insight into the Bank’s activities and role of responsibility.	The Bank is regularly audited by ratings agencies, and shareholders and bondholders use the results of such ratings to assess companies’ performance in terms of sustainability, and these results were scrutinized.	At the beginning of the year a survey was sent to all Arion Bank employees alongside a survey of travel habits. The response rate was 31%. At the beginning of the survey, employees were introduced to the ideology behind double materiality assessments and participants were asked to assess the importance of each material topic produced in phases 1 and 2. Scores could be given on a scale from 1-5 and financial materiality and the impact on the environment and society were assessed.	In-depth interviews were held with this interest group, the same as with customers. The Bank contacted five interest groups, representatives of NGOs or specialists. Three of these were prepared to come for an interview.	No special analysis was made of the impact on this stakeholder group, but Arion recognizes the importance of having good relations with the regulatory authorities.





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In the fourth and final stage of the double materiality assessment of Arion, data and results were analyzed, both by the KPMG sustainability team and specialists at Arion. 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.

Finally, the results of the assessment were presented to experts at Vörður and Stefnir. In cooperation with these companies, the methodology and final outcome were reviewed with respect to their unique positions within the Group. Since the activities of Arion Bank, Vörður and Stefnir differ to some extent, it was expected that individual material topics would be assigned different levels of importance depending on from what angle they were being assessed. Fundamentally, the assessment was appropriate for both companies. In cases where the importance of topics was changed, it was done on the basis of the same methodology as in the initial assessment, i.e. with respect to likelihood or scope of a particular material topic.

## Methodology used for scoring

### Impact

The importance of an impact is identified by assessing their scale and scope, without being managed. A materiality score is given by adding these two variables together in the case of actual 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 material topic have. Divided into small, medium and large impact.
- Scope: How far-reaching is or will the impact be. Either narrow or wide.
- 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 stakeholder. Low, medium and 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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Financial institutions have a key role to play in terms of mitigating climate risk and other sustainability risk, and supporting social progress, such as equality. Arion's long-term initiative Women Invest has attracted significant interest. Its goal is to encourage women to participate more actively in financial markets. Over the last few years, we have offered our customers a range of green financial services and this year we updated our green financing framework into a sustainable financing framework. Stefnir has pioneered the development of new funds and investment options over the last decade and is a market leader in terms of implementing good corporate governance and ESG strategy. Risk prevention and claims processing are central to Vörður's business and risk factors linked to sustainability are incorporated into the company's investment decisions.







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# Sustainable product range

## Sustainable financing framework

Arion Bank has financed green loans to retail and corporate customers under its green financing framework since 2021. The framework has been invaluable in issuing green bonds and raising green deposits and also augmenting the Bank’s range of environmentally friendly products. Projects eligible for green loans include energy savings, the transition to renewable energy in transportation, certified properties, sustainable fisheries, and renewable energy.

During the year, the Bank completed an extensive overhaul of the framework and a new sustainable financing framework was published in August. Projects which improve accessibility to housing, education, healthcare or promote job creation now fall under the new framework, including loans to SMEs owned by women. Furthermore, the categorization of green projects has been refined and greater importance is assigned to the circular economy and algaculture. The Bank has thereby pledged to use the proceeds it obtains on the credit markets through the financing framework for green loans and projects with a positive social impact to businesses and individuals as defined in the framework.

In order to show how the proceeds are used for the benefit of the environment and society, the Bank publishes an annual impact and allocation report.

The Bank was advised by Deutsche Bank and the framework has also received a second-party opinion from ISS Corporate, which evaluated the quality of the framework in terms of its contribution to the UN Sustainable Development Goals and the eligibility of projects according to the technical screening criteria of EU Taxonomy. At the same time a report has also been published which contains updated methodology for calculating which kind of housing classifies as green. The report was prepared by the engineering firm COWI on behalf of the Bank. The new framework will be used to help further develop sustainable banking products and in the issuance of sustainable bonds. The framework can be found on the Bank’s website ([arionbanki.is/sustainable-future](https://arionbanki.is/sustainable-future)).

## Guarantee agreement with European Investment Fund

The European Investment Fund (EIF) and Arion Bank signed a guarantee agreement during the year designed to support entrepreneurs in Iceland. A guarantee from EIF enables Arion Bank to make loans of up to ISK 15 billion to Icelandic companies on better terms.

The framework is financed by the InvestEU scheme where the focus is on sustainability, innovation and digitalization, as well as culture and creative industries.

The main role of EIF is to support SMEs by helping them raise financing. It is the second guarantee agreement between Arion Bank and EIF. The first agreement in 2016 focused on innovation at SMEs, with total loans amounting to over ISK 16 billion.

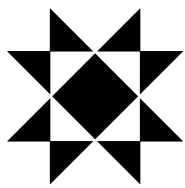
The EIF guarantee helps Arion provide further support to green investment which fosters a more environmentally friendly economy and investments which support inclusivity. The agreement opens up opportunities to finance start-ups and projects which are in the initial stages at SMEs. Loans under the framework enjoy better terms due to the EIF guarantee.

## Green savings

Arion Bank was the first Icelandic bank to launch green savings. Green Deposits is a savings account designed for individuals, NGOs and companies wanting to contribute towards a greener future. The deposits are used to fund projects under the sustainable financing framework. The account is a non-indexed demand account, which means savers can withdraw their money whenever they want. Deposits have grown steadily and at the end of 2024 amounted to almost ISK 29 billion.







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# Sustainable financing

191

billion ISK  
Total allocation of sustainable financing

89.3

billion ISK  
Total green instruments

15.5%

Sustainable lending of total lending in 2024

**Status of allocated funds**

The Bank’s target is for lending under the sustainable financing framework to be at least 20% of total loans by 2030. At the end of 2024, the percentage of sustainable lending was 15.5% of the total loan book, 11.8% of this being green loans and loans with a positive social impact 3.7%.

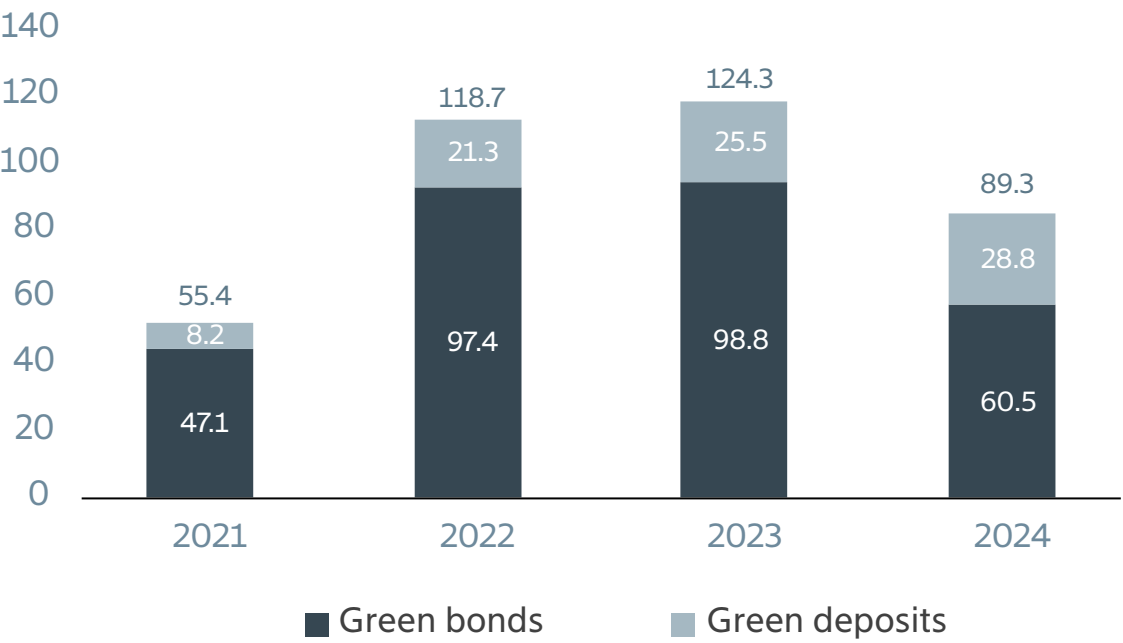
Since Arion Bank published a green financing framework in 2021, the Bank has held five green bond issues, both domestically and internationally. This year there was an issue in Norwegian kroner and Swedish kronor based on the new sustainable financing framework. The Bank’s liabilities in terms of sustainable financing in bonds and deposits amounted to ISK 89.3 billion at year-end. During the year two green issues matured which resulted in a substantial decrease in liabilities between years.

The total book value of sustainable lending was approximately ISK 191 billion in 2024. Green loans accounted for approximately ISK 145 billion of this total and allocations to projects having a positive social impact came to around ISK 46 billion.

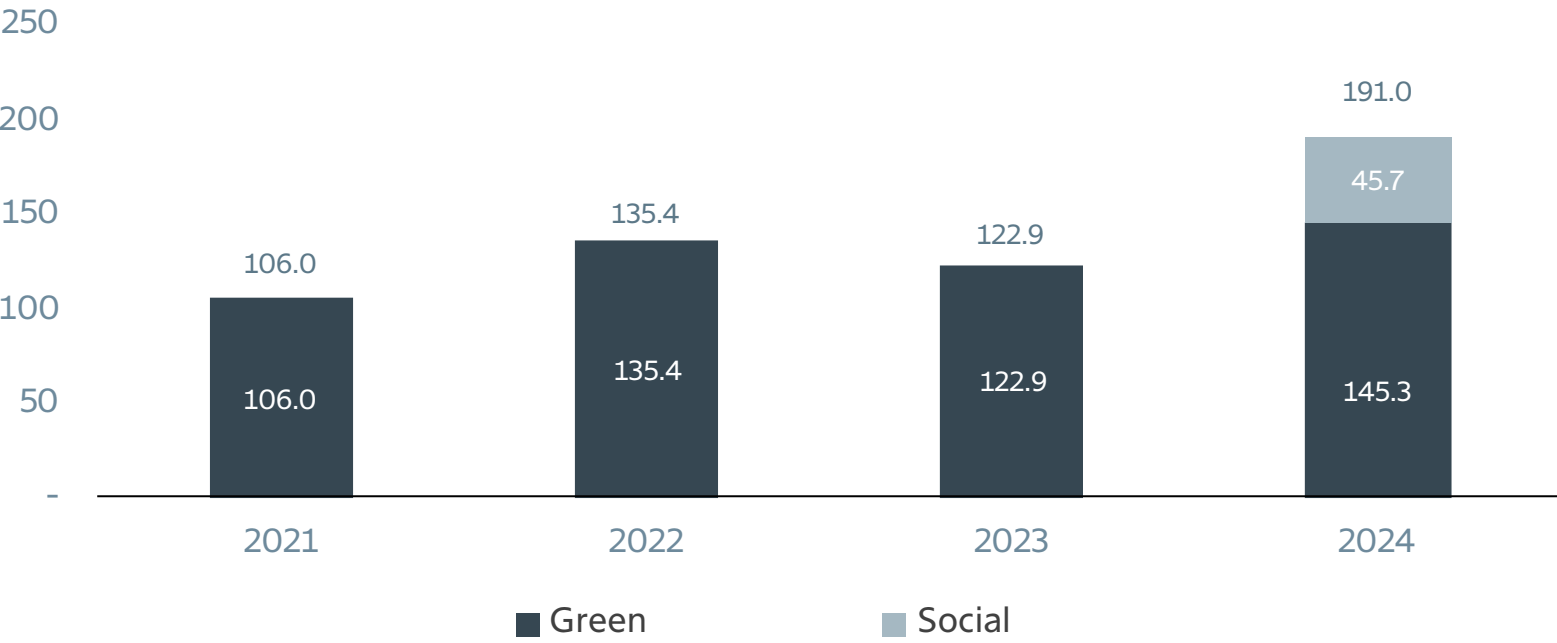
The Bank encourages its customers to choose environmentally friendly options where possible by offering them better interest rates on green car loans and by cancelling borrowing fees for environmentally certified housing.

Allocation and the positive impact of sustainable lending is discussed in more detail in the Impact and Allocation Report which the Bank will publish in the first half of 2025.

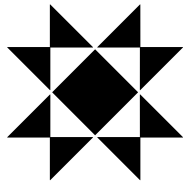
**Arion Bank’s green financing - total bond issues and deposits**  
ISK bn.



**Total book value of sustainable lending**  
ISK bn.







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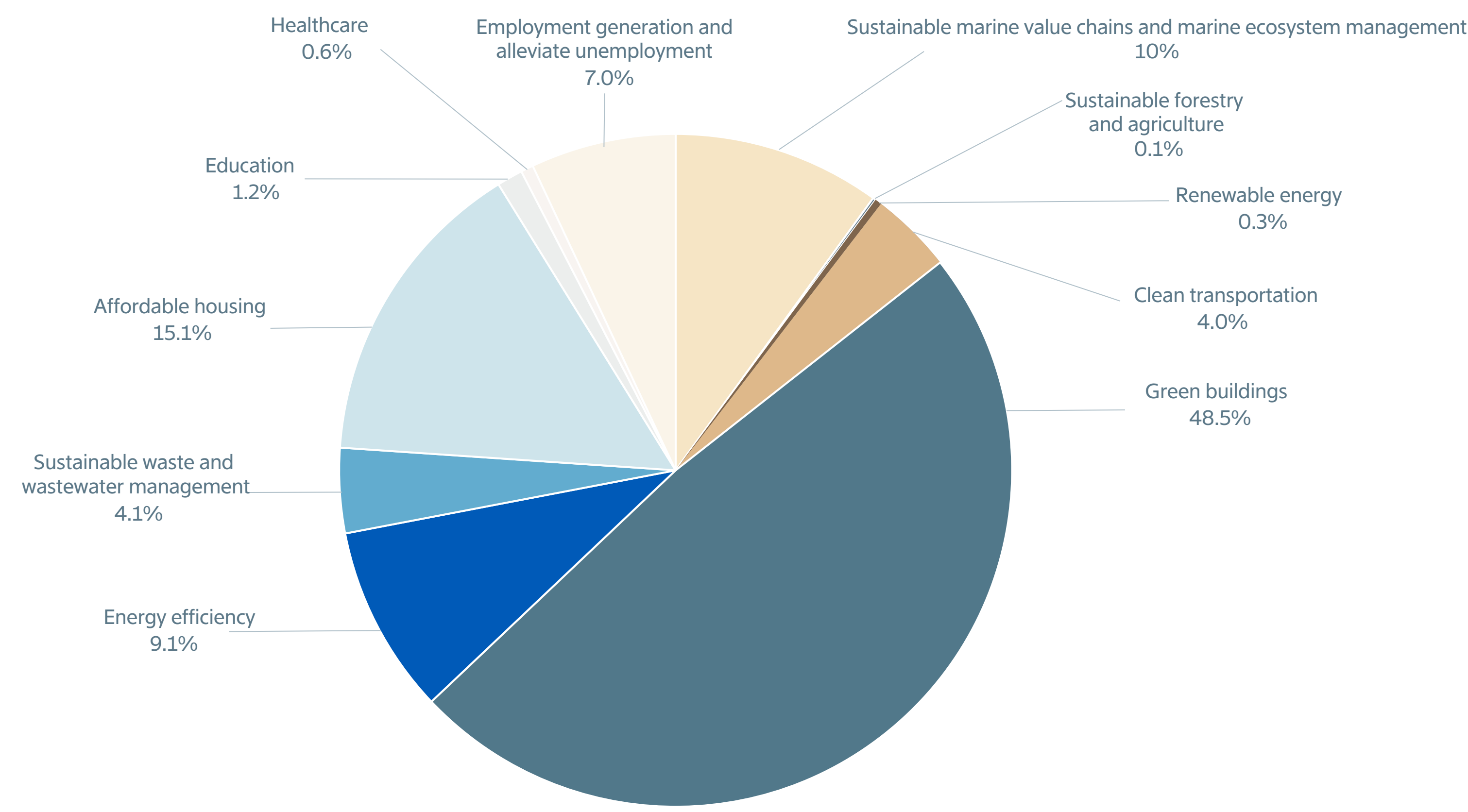
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## Book value of sustainable loans by category 2024







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# Women Invest

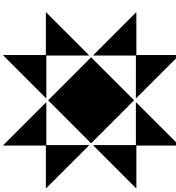
Women Invest is a long-term initiative organized by Arion, the aim of which is to increase participation by women in investment and to promote financial literacy. The foundations for the project were laid in 2023 when Arion Bank resolved to place a special focus on equal gender participation in the financial market. While good progress has been made in recent decades in terms of equality in Iceland, the position on the financial market is not equal. Being an active participant in the financial market is an important way of having an influence on society, while laying the foundations for one's own future.

Women Invest was formally launched in January 2024 with a well-attended opening event, backed up by an advertising campaign, learning events around the country and the publication of educational material, articles and inspirational interviews on the project's website. The initiative has proven to be a great success, with a total of 4,000 women attending 45 learning events linked to the project during the year. The subjects covered by the events were diverse and every region of the country was visited during the campaign, while focused conversations were had with a range of professional groups of women.

In order to attain gender balance on the financial market, women need to increase their investments at a faster rate than men. To this end, quantifiable targets have been set for periods of three years and include motivation, financial education and more participation in investment by women. In addition, there are short-term indicators designed to ensure that the initiative is on the right track.







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**Targets:**

- hold 40 learning events a year over next three years
- assets in custody portfolios owned by women at Arion Bank increase at double the rate of men over the next three years
- assets owned by women in funds at Stefmir increase at double the rate of men over the next three years

The campaign has produced tangible results in its very first year. Asset portfolios owned by women have grown at almost three times the rate of asset portfolios owned by men. Subscriptions to Stefmir funds have also grown 19% among women, more than double the increase among male investors, or 7%. Trading in funds by women also increased by 11% in 2024, double the rate of increase in trading by men. Such growth in trading underlines the high level of interest in investment among women, and it is only natural that the amounts involved are lower initially and that investments will increase gradually.

The Women Invest website contains statistics on the status of targets and indicators. It also contains information on investments, thought-provoking conversations with women professionals and an overview of learning meetings and events held in conjunction with the initiative. For more information and a status report for 2024, please refer to the Women Invest website ([arionbanki.is/women](https://arionbanki.is/women)).

The subsidiaries Vörður and Stefmir are active participants in the campaign and employees from both companies have appeared at the events. Vörður has stressed how important it is that women in business

are properly insured and Stefmir has contributed to learning events on the topic of investment. Stefmir has already seen growth in assets under management at the company. The annual growth rate of assets owned by women aged between 20 and 69 and managed by Stefmir was 18.4% in 2024. We enter 2025 full of optimism about the Women Invest initiative and look forward to continuing this vital conversation.

**Indicators and status at beginning of campaign and end of 2024:**

Focus areas	Indicators	Status at start of 2024	Status at end of 2024
Growth in assets in custody portfolios owned by women	Percentage of custody portfolios owned by women	40.8%	41.3%
	Percentage of assets in custody portfolios owned by women	33.1%	34.3%
Growth in assets in funds owned by women	Percentage of women trading in funds	39.6%	41.2%
	Percentage of assets owned by women in Stefmir funds	36.0%	36.2%
	Percentage of women making regular savings in funds	43.6%	46.1%







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### 4,000 women attended 45 Women Invest learning meetings

The equivalent of 3.3% of women aged between 20 and 70 in Iceland attended events in 2024. Women Invest was a nationwide campaign, with learning events held in all corners of the country.

### Women believe they know less about their pensions than men

A survey on pensions conducted by Gallup in 2023 revealed that women believe they generally know less about their pensions than men. According to the survey, 44% of women believed they knew little about their pensions, while 34% of men thought their knowledge of their pensions was limited.

Source: Gallup

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

In terms of participation in the stock market, the split on Nasdaq Iceland is 70/30 in favour of men. This figure has been virtually unchanged in recent years.

Source: Nasdaq Iceland



### YoY growth in assets owned by women in Stefnir funds

Total assets owned by women aged between 20 and 69 in funds grew by 18.4% in 2024, compared with 8.4% for men. Therefore, women's assets have grown by more than twice as much as men's.

### Women own 34.3% of assets in portfolios at Arion

Assets owned by women in portfolios at Arion were 34.3% in 2024, up 3.6% from the previous year.

### Increase in trading in funds by women in 2024

The number of women trading in funds increased by 19% from previous year. This increase indicates increasing interest and participation in investing.





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## Responsible lending and investment

Arion Bank is a signatory to the United Nations Principles for Responsible Banking (UN PRB) and Principles for Responsible Investment (UN PRI). The goal of these principles is to align banking with international goals and commitments including the UN Sustainable Development Goals and the Paris Climate Agreement.

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. Risk Management introduced a baseline assessment of sustainability risk for the key sectors in the loan book to the Bank's credit rating system. The assessment is used as a benchmark and credit and fund managers are asked to evaluate each project with reference to the baseline risk assessment. This procedure ensures that the same methodology is used when assessing sustainability risk across the Group.

During the year Arion Bank published an exclusion list of business activities in which the Bank will not invest (own investments), provide corporate advisory services to and/or lend money to. In addition, the Bank will not do business with entities

engaging in activities considered illegal under the law and regulations of the country in which the activities are taking place. Arion Bank's exclusion list can be viewed on the Bank's website. Stefnr integrates ESG into the investment process of funds managed by the company and specially screens for companies which do not align with the established ethical standards. These standards can be seen on Stefnr's website.

In asset management, Arion Bank has introduced rules of procedure on responsible investment which incorporate the three basic criteria of sustainability: environmental, social and governance. This means that not only financial criteria, but also other significant criteria, are taken into account when analyzing investments and developing clients' asset portfolios.

During the year, the Markets divisions took a major step towards implementing the regulatory framework for sustainable financing. Procedures for assessing sustainability risk in asset management and investment advisory were developed and introduced in the first half of the year, and a corresponding sustainability risk statement was issued. A statement was published by Markets which sets out the principal adverse impacts (PAI) of its investment decisions on sustainability factors. The PAI statement will be updated in 2025. Markets also invested a great deal of effort into devising procedures and technological solutions in order to gather information on customers' sustainability preferences and then to analyze and meet these

preferences. Finally, various reports were prepared for the Bank's website, both for the purpose of meeting our legal requirements and to inform and assist our customers. For further information please refer to Arion Bank's website ([arionbanki.is/english/sfdr](https://arionbanki.is/english/sfdr)).

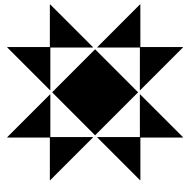
## Sustainability policies for different sectors

We have published sustainability policies on lending to different sectors of the economy and in the Arctic. The policies align with the Bank's focuses and obligations in respect of sustainability and they have been approved by the Bank's sustainability committee. We took into account the government's climate plans and the plans and actions of companies with respect to ESG as we want to be in alignment with our customers and encourage them to continue to make a difference.

In 2024, the fourth policy was published, Arion Bank's sustainability policy on agriculture. We have previously published policies on seafood; industry, energy and manufacturing; and the Arctic, a region which has become an important focus for us in recent years. When devising the Bank's sustainability policies we seek to obtain opinions from stakeholders and refer to plans and actions concerning ESG issues in the relevant economic sectors. The policies can be found on the Bank's website.







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## Responsible fund management

The role of Arion Bank’s subsidiary Stefnr is to manage the financial assets of its clients as best serves their interests in the short and long term. Responsible and diverse investment options and thorough disclosure of information are central to the corporate social responsibility to which Stefnr is committed.

Stefnr is also a signatory to the UN Principles for Responsible Investment (UN PRI) and is an active participant in the discourse on responsible investment through IcelandSIF, Iceland Sustainable Investment Forum. By paying due attention to environmental and social issues and good corporate governance the company believes it can have a positive influence on our society, to the benefit of fund members and other stakeholders.

During the year Stefnr completed the implementation of the Sustainable Financial Disclosure Regulation (SFDR) which addresses harmonized regulations for financial market participants and financial advisers concerning sustainability-related disclosures in the financial services sector.

Four funds are classed as article 8 funds under SFDR and take into account environmental and social factors in their investment processes. These are the first Icelandic funds to have been classified as such and they have been approved by the Financial Supervisory Authority.

### Stefnr - Scandinavian Fund - ESG

The fund is an international equities fund which incorporates ESG into its investment decisions. The fund was rated AA by MSCI at the end of 2024. The fund screens at least 90% of its assets for ESG factors and invests at least 20% of its assets in sustainable investments.

### Stefnr - Sustainable Fixed Income Fund

The fund’s investments seek to generate returns on a portfolio of domestic and international bonds issued by governments, companies, financial institutions, public authorities or other companies with the goal of sustainability. The fund screens all of its assets for ESG factors and invests at least 20% of its assets in sustainable investments.

### Stefnr – Green Selection

Stefnr – Green Selection is a mixed UCITS which primarily invests in domestic and international shares and corporate bonds issued by companies which are guided by ESG factors in their operations. The fund’s objective is to deliver long-term sustainable returns. The fund screens at least 90% of its assets for ESG factors.

### Stefnr - Sustainable Arctic Fund hs.

The objective of the fund is to invest primarily in listed equity of companies active or with operations in the Arctic. Investments are made in accordance with Stefnr’s policy on responsible investment. The fund screens at least 90% of its assets for ESG factors and invests at least 50% of its assets in sustainable investments.

Stefnr has also adopted a policy on responsible investment. For further information see Stefnr’s website.

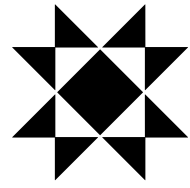
## Responsible insurance

As an investor, Vörður wants to know the possible impact of climate change on its asset portfolio and also the impact which it can have on climate change. Vörður sets targets and publishes results in areas where the business has the greatest impact, such as risk prevention and damage repair. Vörður seeks to minimize the environmental impact of its activities and to minimize the negative impact of the company’s asset portfolio.

The company operates in accordance with international standards on responsible and sustainable investments. The investment process at Vörður takes into account ESG factors and assesses sustainability risk factors in its investment decision process with the aim of reducing risk and generating long-term sustainable investment returns.

Vörður intends to step up its focus on sustainability in risk prevention and claims processing, for example by providing more support to customers when they are introducing preventative measures to reduce risk. In the future, Vörður is endeavouring to encourage policyholders to use more sustainable and more flexible options when repairing damage, and recycling and disposing of damaged property. The company is also committed to responsible stakeholder communications when it comes to sustainability and is working towards creating value for society.





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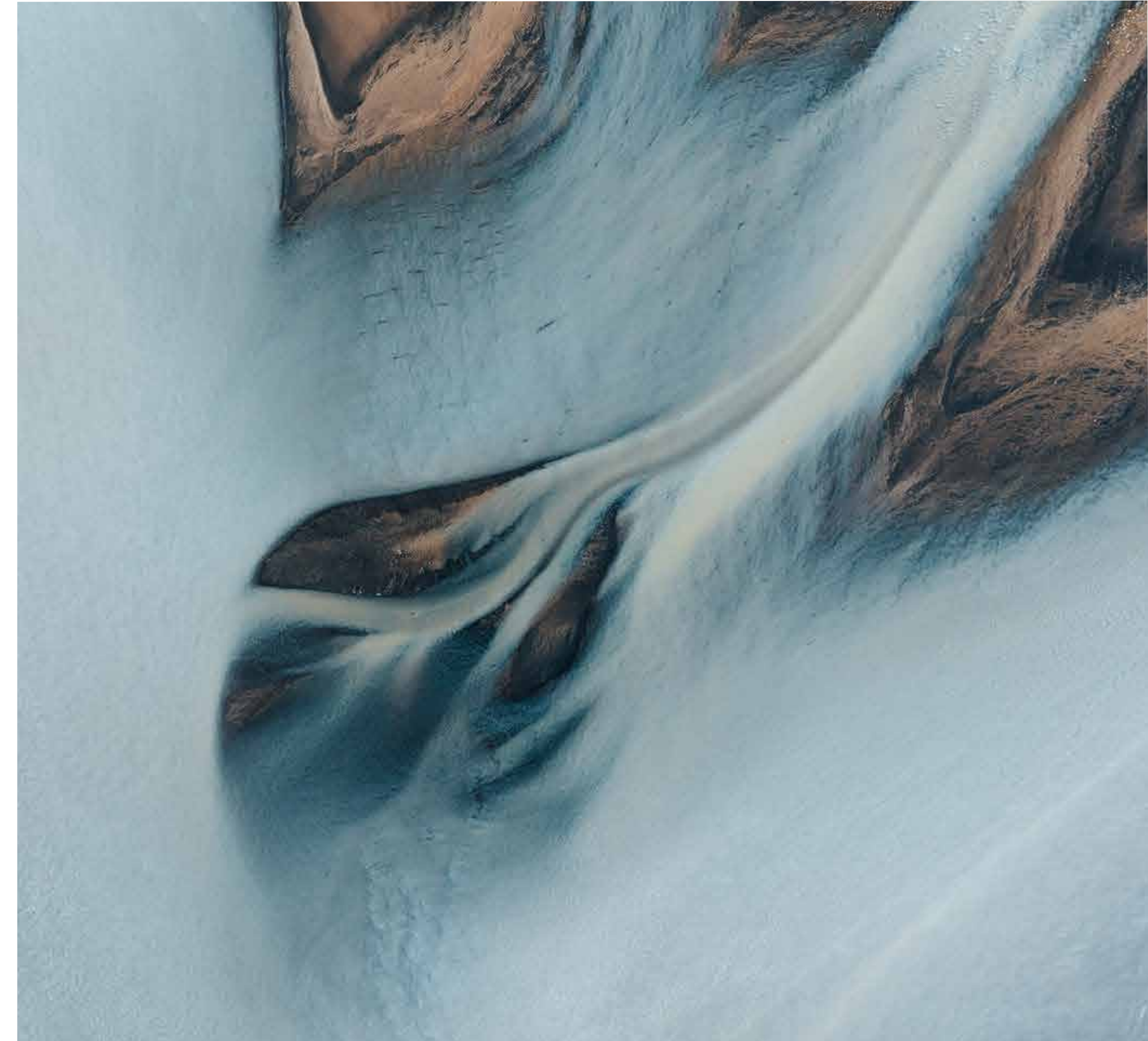
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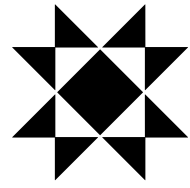
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# Environmental and climate issues

The results of the double materiality assessment of Arion confirm that our greatest impact in terms of environmental issues is through our loans and investments. We endeavour to mitigate and minimize climate change, assess the environmental performance of key borrowers and also evaluate the performance of our suppliers. We measure the carbon footprint from our own activities and analyze the scope of the Bank's financed emissions and have set targets on reducing the Group's carbon footprint. We have also adopted a clear policy on climate issues and measure climate-related risk in our diverse range of business activities.







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# Environment and climate policy

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 impact that financial institutions can have on environmental and climate issues is through lending and investment, 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.



Vörður and Stefnir are also committed to minimizing their negative environmental impact and to reducing emissions from their own activities and have adopted policies which align with Arion Bank.

### Arion Bank's environment and climate policy

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 relating to our environment and climate policy

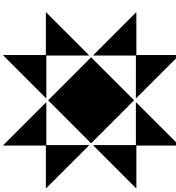
### Arion Bank’s targets for 2030:

Focus	Target	Status in 2024
Sustainable lending	Percentage of sustainable lending will be at least 20% of the Bank’s total loan book.	15.5%
Carbon neutrality	Reduce greenhouse gas emissions from own activities (Scopes 1 & 2) by 80% compared with 2015 and carbon offset remaining emissions.	70% decrease and all emissions carbon offset.
Acquired goods and services	Obtain more accurate picture of emissions from acquired goods and services (Scope 3) in the Bank’s activities.	Enhanced methodology and data collection for hardware, coffee capsules and waste transportation in 2024 accounts.
Financed emissions	Aim for reductions in financed emissions in the sectors which have the most impact (Scope 3) in line with the net zero target by 2040.	On course.
Science-based targets	Targets on financed emissions should be validated by SBTi.	On course.

### Arion Bank’s targets for 2024:

Bank’s activities	Percentage of sorted waste from Bank’s activities at least 90%.	72%
	Continue to only buy vehicles which run on 100% renewables.	Target reached.





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**Vörður’s targets for 2030:**

Focus	Target	Status in 2024
Carbon footprint	Reduce greenhouse gas emissions from own activities (Scopes 1 & 2) by 80% compared with 2018 and carbon offset remaining emissions.	65% decrease and all emissions carbon offset.
Acquired goods and services	Continue to obtain more accurate picture of emissions from acquired goods and services (Scope 3) in the company’s activities.	Taxi rides were added to 2024 accounts and methodology and data collection for hardware, coffee capsules and waste transportation were enhanced.

**Vörður’s targets for 2024:**

Windscreen damage	Continue to increase number of windscreen repairs instead of replacements, achieving a 15% repair rate.	17.3%
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**Stefnir’s targets for 2030:**

Focus	Target	Status in 2024
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.	53% decrease and all emissions carbon offset.
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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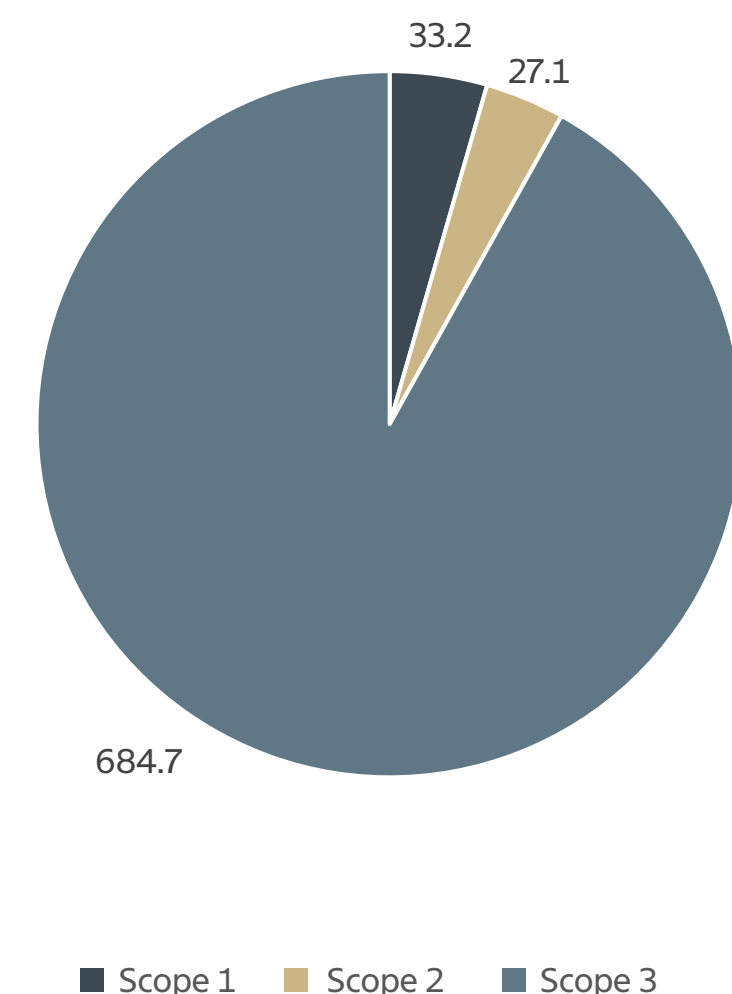
# Highlights of environmental accounts

Arion Bank's environmental accounts are now being published on a group basis for the first time including the subsidiaries Stefnir and Vörður. The Bank's key figures are also published and compared with the reference year 2015. The Bank aims to reduce emissions from own activities by at least 80% by 2030 (Scopes 1 and 2). Vörður and Stefnir refer to the Bank's environmental targets when setting their own targets.

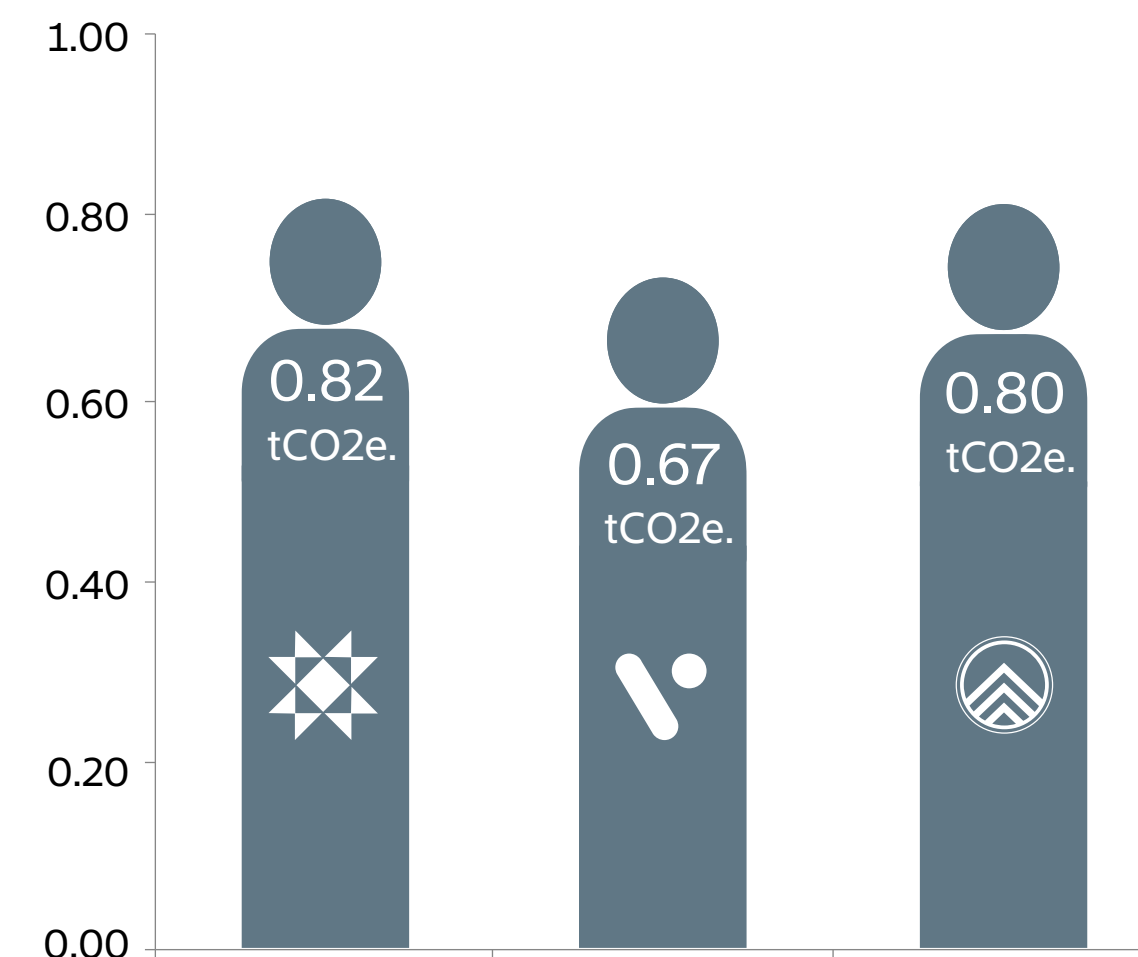
Total emissions of greenhouse gases in 2024 at Arion Bank, Stefnir and Vörður amounted to 745 tCO<sub>2</sub>e without financed emissions. The proportion of total emissions is highest at Arion Bank or 91%, followed by 7% at Vörður and 2% at Stefnir.

Emissions from electricity consumption (Scope 2) are based on market-based guarantees of origin. Arion purchases guarantees of origin with its electricity to ensure that electricity is generated using renewables.

**Total greenhouse gas emissions from Arion**  
tCO<sub>2</sub>e



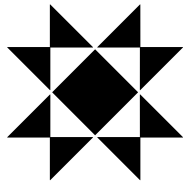
**The carbon intensity of employees at Arion Bank, Vörður and Stefnir**  
tCO<sub>2</sub>e per employee



The emissions intensity of employees indicates greenhouse gas emissions per employee. Emissions intensity is comparable for Arion Bank, Stefnir and Vörður, although the figure is slightly lower for Vörður due to the lower number of flights and other factors in Scope 3.

Emissions intensity from own activities at Arion Bank shows greenhouse gas emissions from vehicles and properties owned by the Bank per employee. Emissions intensity has decreased steadily since 2015, down by 66% in total. Total emissions of greenhouse gases from own activities at Arion Bank have decreased by 70.1% since 2015 (Scopes 1 and 2). Of this total, total emissions from vehicles decreased by 64.7% and from own business premises by 75.1%.





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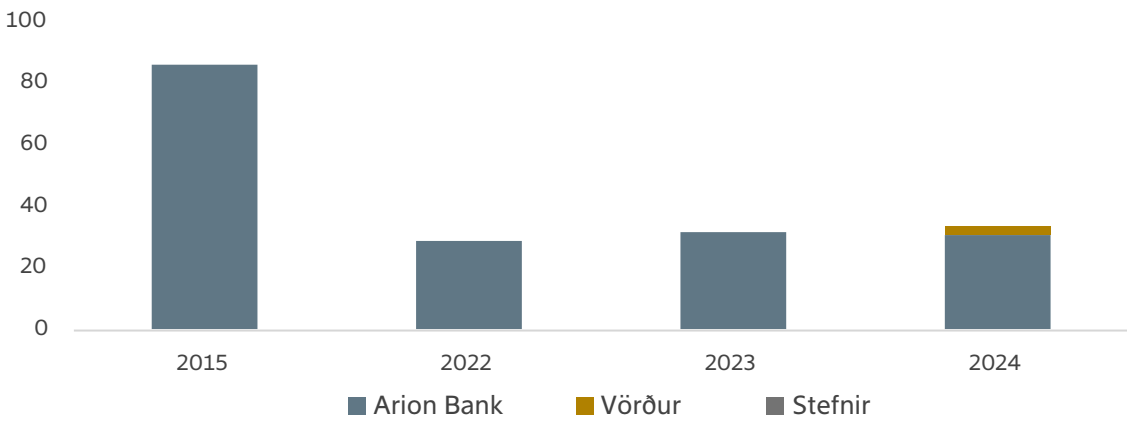
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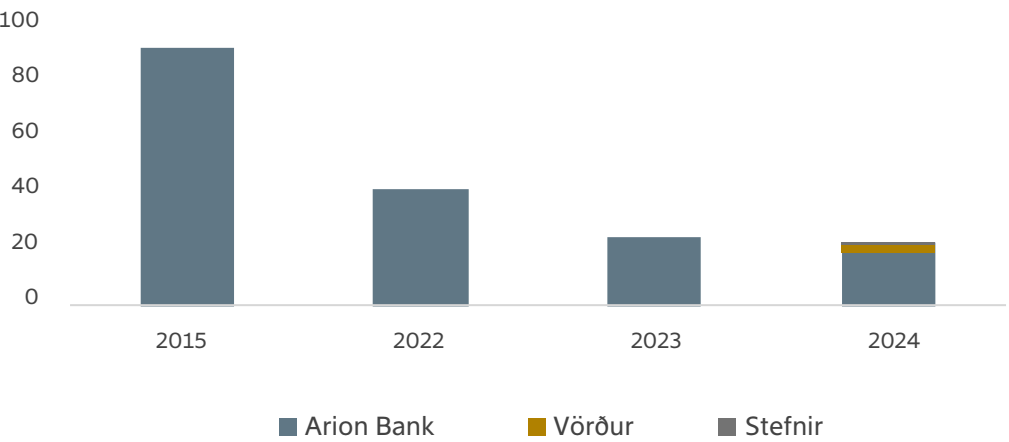
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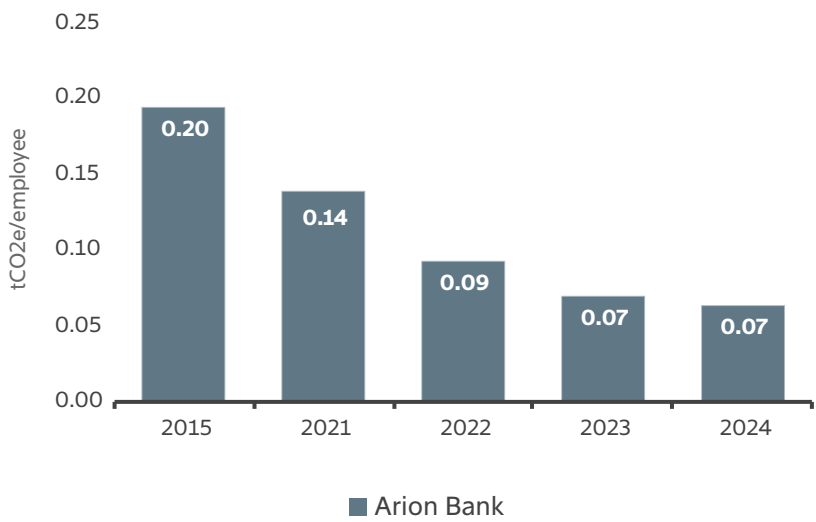
**Greenhouse gas emissions from vehicles (scope 1)**  
*tCO2e*



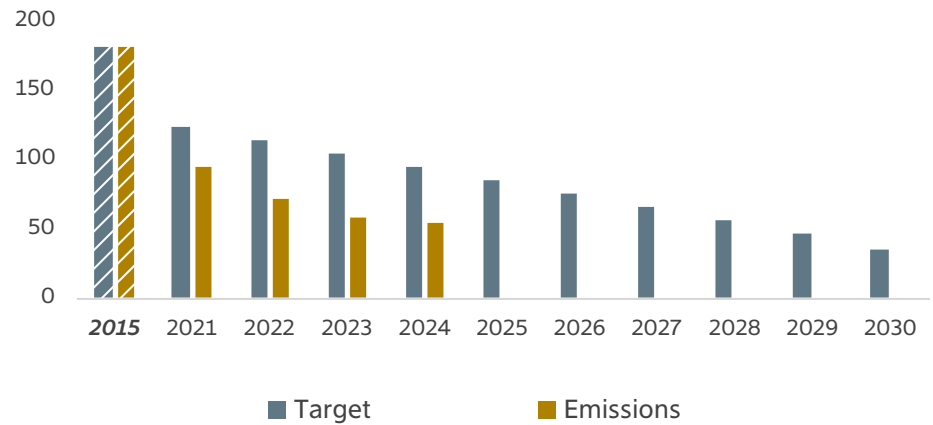
**Greenhouse gas emissions from business premises (scope 2)**  
*tCO2e*



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



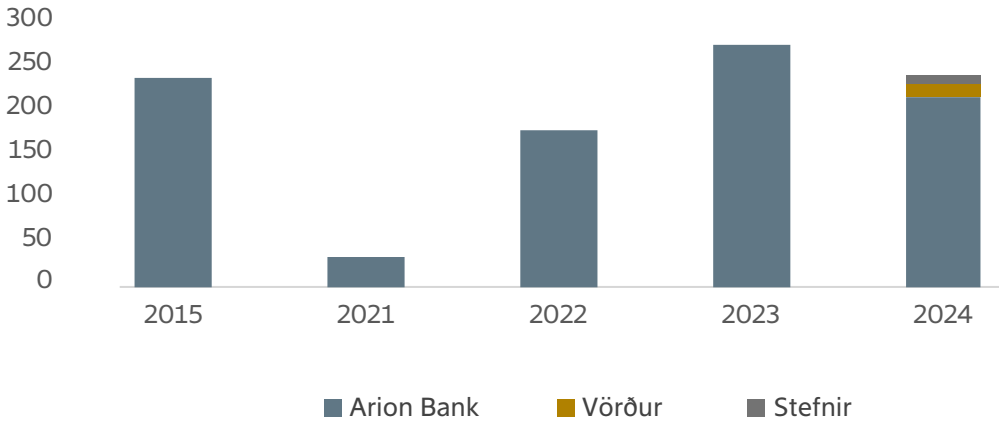
**Total emissions from vehicles and business premises with targets up to 2030 (excluding mitigation measures)**  
*tCO2e*



Improvements have been made in recent years in reducing emissions from the Bank’s own activities by reducing floorspace and the number of cars which run on non-renewables. Under the targets set out in Arion Bank’s environment and climate policy Arion Bank only buys vehicles for use in its operations which run on 100% renewables. The main opportunities to further reduce emissions from Scopes 1 and 2 are to phase out older vehicles owned by Arion and which run on non-renewables.

Emissions due to flights decreased slightly between years as there was a drop in the number of business trips between years. This year we are also publishing information on flights taken by employees of Vörður and Stefnir.

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







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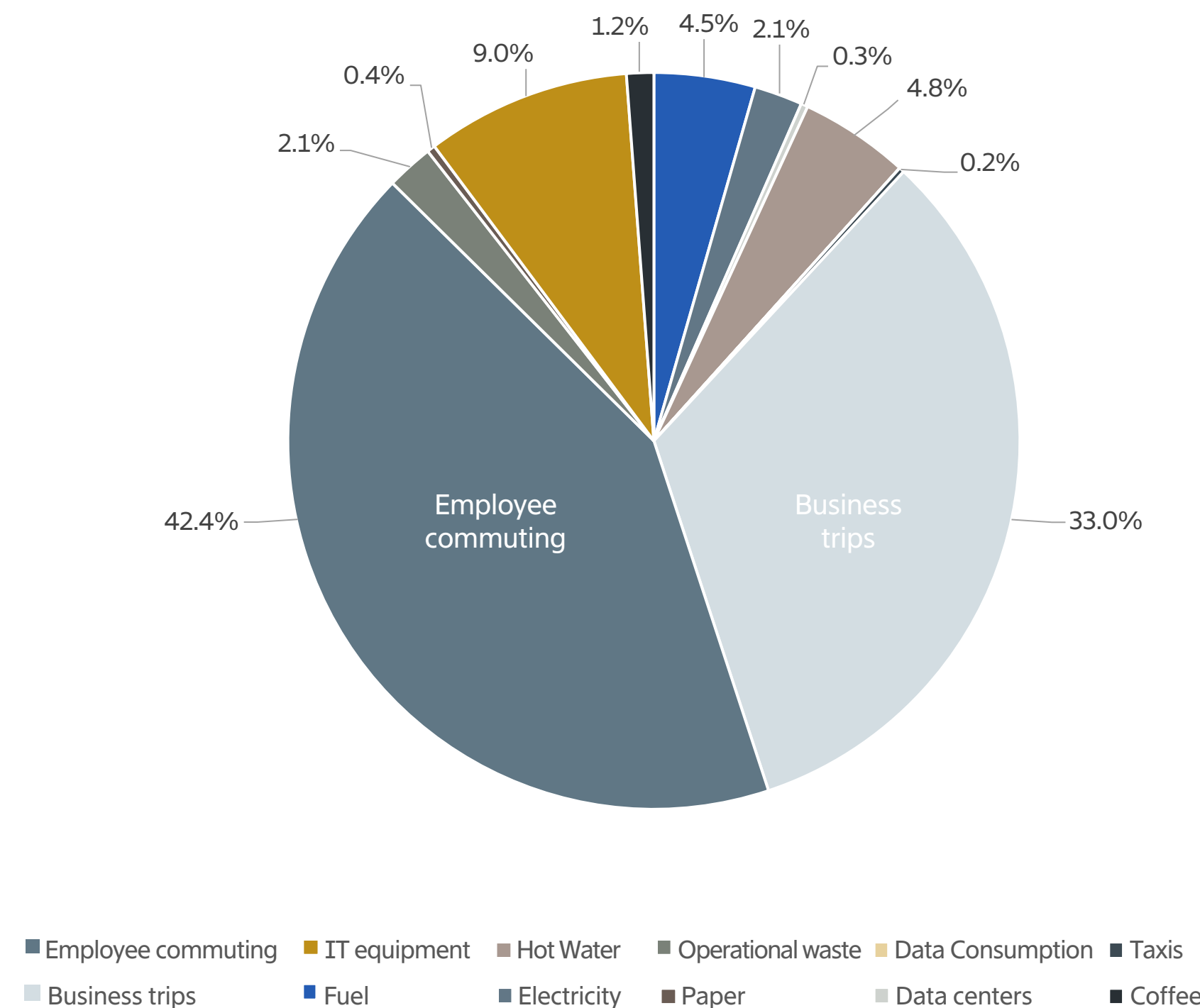
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**Proportion of total emissions (Scope 1, 2 and 3) for Arion Bank, Vörður and Stefir**  
*without financed emissions*



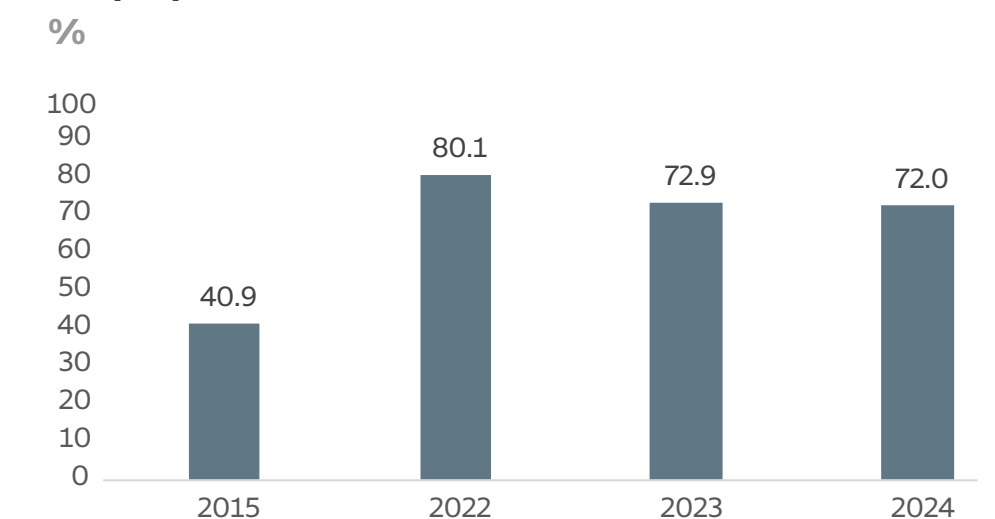
As in previous years, Arion took mitigation measures against emissions which could not be prevented in 2024 from own activities (Scopes 1 and 2) and other factors related to operations (Scope 3), such as business trips, waste and employees' journeys to and from work. Arion Bank has signed an agreement with Vaxa Technologies and acquired verified carbon credits equivalent to 750 tCO<sub>2</sub>e to offset the emissions from the Bank and its subsidiaries in 2024. Vaxa Technologies, which is based at the Hellisheiði ON Geothermal Plant, sells certified and active carbon credits created during the production of microalgae, spirulina. The Bank has also provided generous financial support to the Icelandic Forestry Association for many years and will continue to do so.

Enhanced data collection has enabled us to obtain better information on acquired services and we are continually seeking to get a clearer picture of Scope 3. For example, in 2020 indirect emissions from employee journeys to and from work were added for the first time, and in 2022 emissions from leased and leased out properties were added. Leased assets under Scope 3 include emissions from working facilities and premises which the Bank leases for its activities, such as branches and places of work in regional Iceland, and this also includes emissions from ATMs which the Bank leases from a service provider. In 2022, the Bank added data on acquired equipment, i.e. computers and computer equipment. The calculations for 2024 use new and improved factors for computer hardware, printing and coffee capsules based on life-cycle analyses. This largely explains the increase between years in greenhouse gas emissions due to acquired goods and services.

Information on the volume of waste in Arion's activities comes from service providers, so estimates are made according to the number of employees in each company. This enables us to separate waste produced by the subsidiaries from that produced by the Bank.

Waste management at the Bank continues to get better but there is room for improvement. We have yet to reach our 90% target on sorted waste from activities set in 2019, but we are committed to reaching this target. The percentage of sorted waste has increased since 2015 and was 72.0% at the end of 2024 at the Bank. Despite the fact that greenhouse gas emissions from waste have increased sharply since 2023, the volume has not increased significantly between years. The increase can be explained by changing methodology, and this year emissions from transporting waste for energy production and recycling was factored into greenhouse gas emissions. Arion is constantly seeking to improve its waste management and identify new solutions for reusing and recycling.

**The proportion of sorted waste at Arion Bank**







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## Commuting to and from work

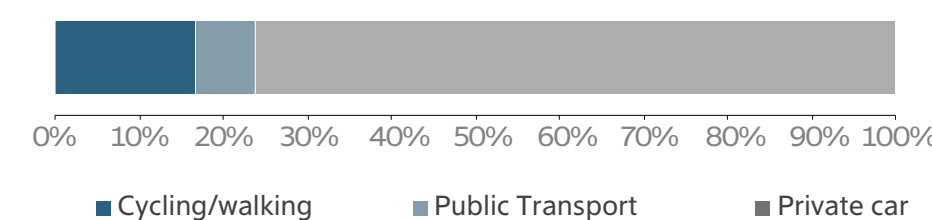
Arion has a policy on working from home. The policy allows greater flexibility in terms of where people work and offers a more varied working environment in step with changing times. Being able to work from home on a more regular basis both saves time and reduces the carbon footprint of commuting to and from work. Remote working can therefore be beneficial for employees, the company and society as a whole.

Arion employees are entitled to a transport allowance if they travel to and from work using environmentally friendly transport at least four times a week. In 2024, 30.7% of employees used the transport allowance. Environmentally friendly transport means all modes of transport used to travel to and from work other than private cars, e.g. walking, cycling, or using public transport.

Employees also have the opportunity to use electric scooters from Hopp to travel to and from work, go to meetings or take care of other business during working hours, free of charge. It’s positive to see how successful this option has been, and by the end of 2024 the total number of trips with Hopp scooters was 11,281.

At the end of 2024, a survey was conducted among employees about their travelling habits on days when they travel to and from work. Total emissions from employee journeys to and from work were 315.5 tCO<sub>2</sub>e in 2024, and these emissions come under Scope 3 in the environmental accounts. Average emissions from transportation per employee in the Group in 2024 came to 338 kgCO<sub>2</sub>e, up 3% on the previous year.

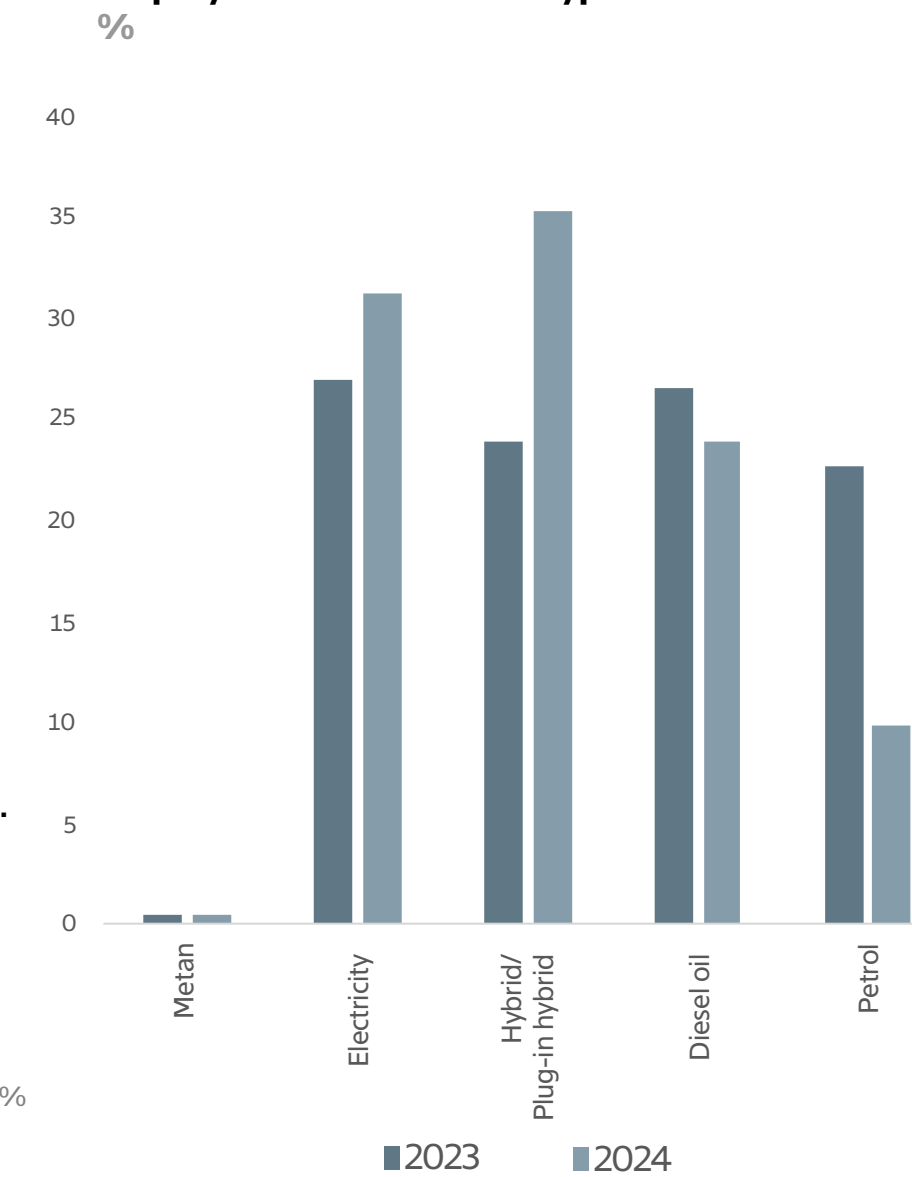
## Means of transport used by employees



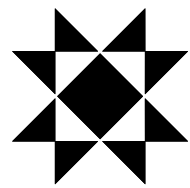
According to the survey, 76.1% of employees predominantly use a private car to travel to and from work, 16.5% come by electric bike, bicycle or walk and 7.4% use public transport. More people used private cars this year than in 2023 (74.6%). It was positive to see that of those driving to and from work in a private car, 30.4% are using an electric car and this figure has steadily increased between years. A total of 35.1% drive a hybrid or a plug-in hybrid, but very few, or 0.4%, drive a methane-powered car. 66.5% of employees’ vehicles run on renewables, while 33.5% run on petrol and diesel.

To meet the increase in the use of electric cars and plug-in hybrids, we have installed more charging stations over the last few years. There are 54 charging stations at the Bank’s headquarters, which can be used both by our employees and our customers.

## Employees' vehicles – fuel type







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### Key figures at Arion Bank

64.7%

Decrease in greenhouse gas emissions from work vehicles

75.1%

Decrease in greenhouse gas emissions from business premises

21.3%

Decrease in greenhouse gas emissions from business trips since 2023

### Key figures for the Group

750 tCO<sub>2</sub>e

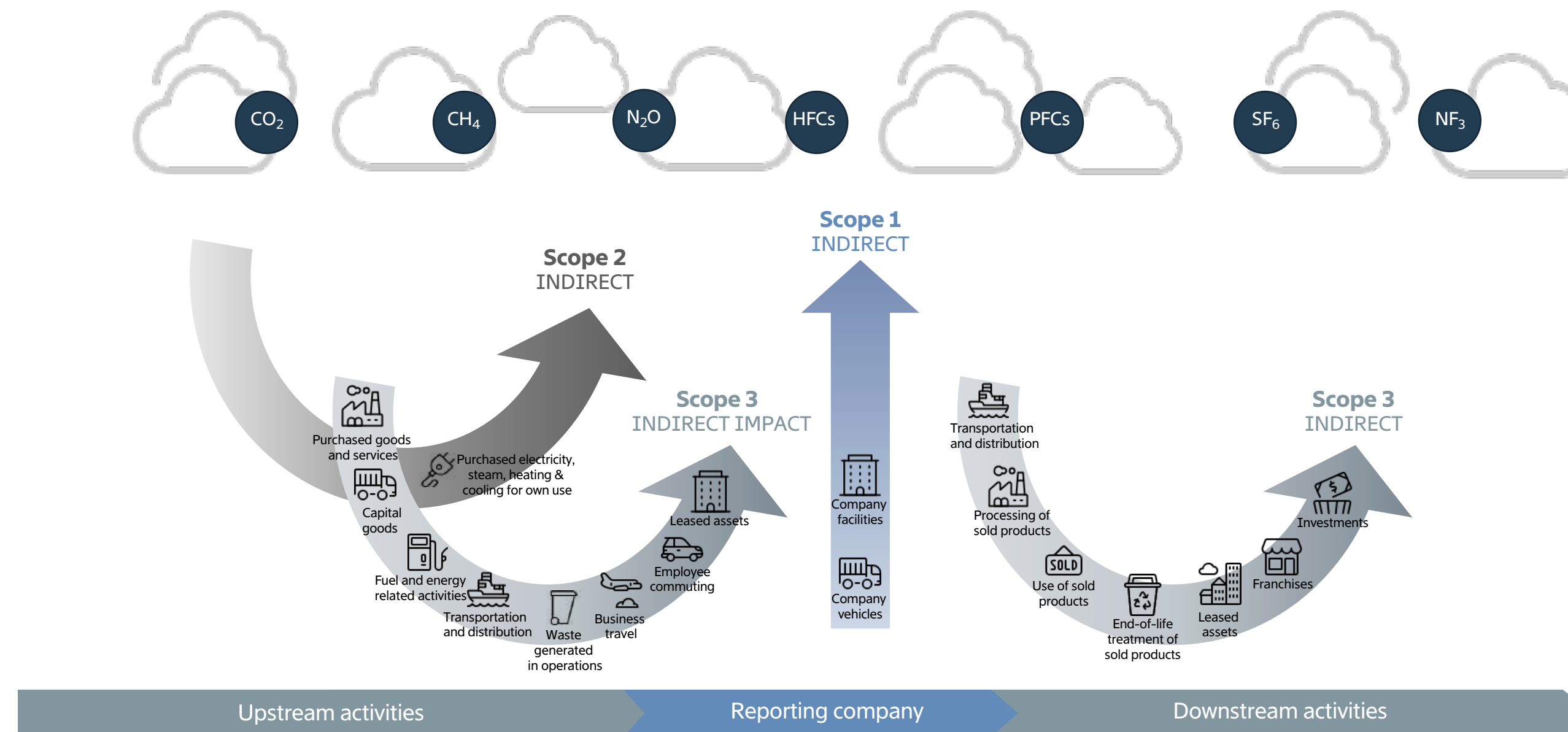
Certified carbon credits purchased for emissions in 2024

66.5%

of people who drive to work drive electric, plug-in hybrids or methane vehicles

315.5 tCO<sub>2</sub>e

Total emissions from means of transport used by employees



### Methodology for environmental accounting

When calculating Arion's environmental accounting, we use The Greenhouse Gas Protocol which is a standardized methodology which has been implemented to good effect at a number of companies globally.

The diagram on left describes the methodology according to which greenhouse gas emissions are divided into three categories, Scopes 1, 2 and 3. Broadly speaking emissions originate from the transportation of supplies to the company, from own activities and from the transportation of goods and services from the company. The steps encompass three different scopes which are divided into direct and indirect impacts.

Scope 1 includes greenhouse gas emission from fuel combustion. Scope 2 includes greenhouse gas emissions from purchased electricity and heat for own buildings. Scope 3 includes greenhouse gases from acquired goods and services. We are continuously trying to get a more accurate picture of Scope 3.





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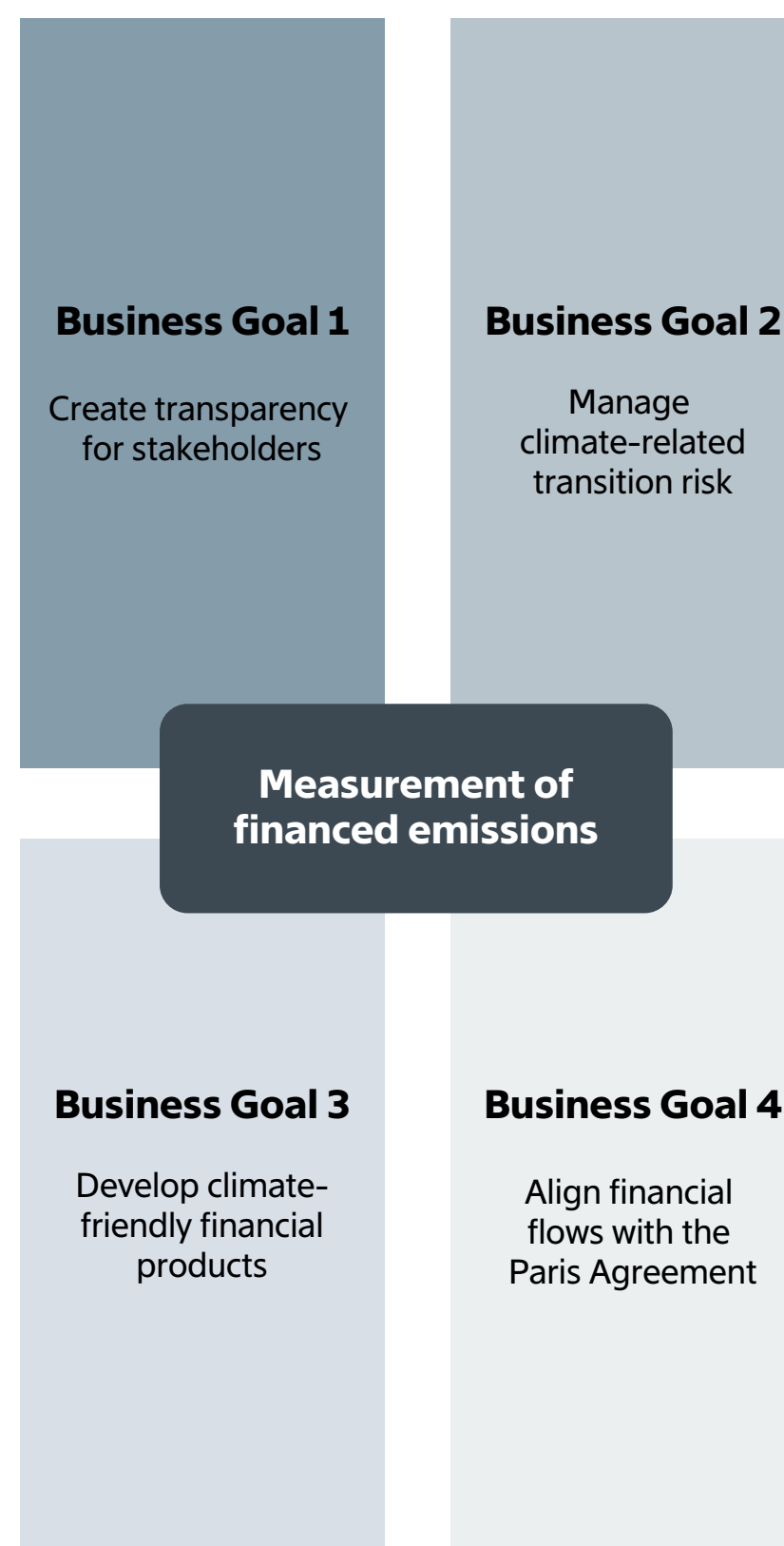
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# Financed emissions

## Financed emissions at Arion Bank

Arion Bank is 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 net zero Iceland by 2040.

The results reflect greenhouse gas emissions financed by Arion Bank in 2023. 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 structures 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

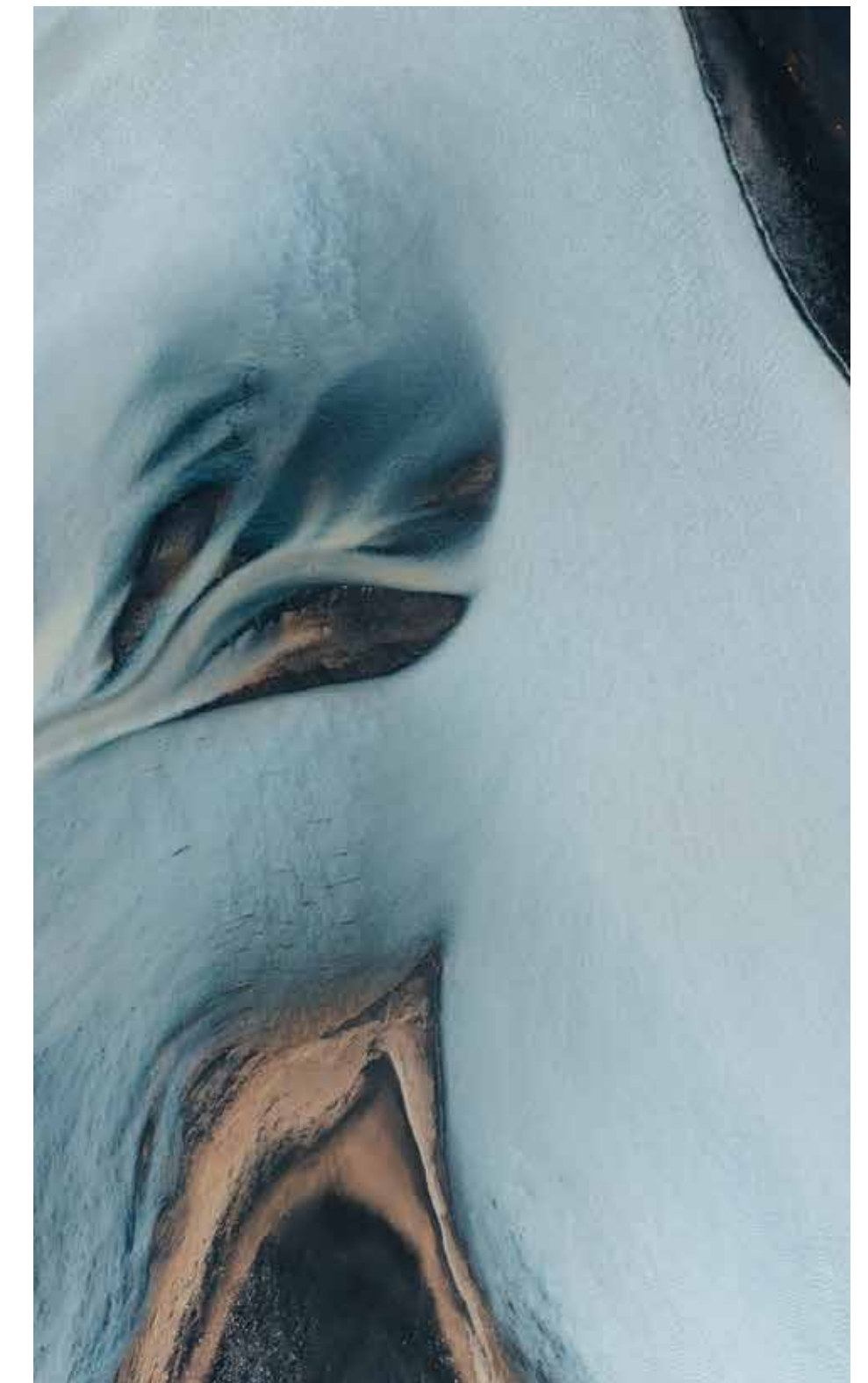
## Key results

Total financed emissions from the Bank's lending and investments in 2023, including sovereign bonds (excluding LULUCF), amounted to 289 ktCO<sub>2</sub>e which is 18% higher than the previous year but around 2% lower than in 2021. Total financed emissions, excluding emissions from sovereign bonds reached 161 ktCO<sub>2</sub>e, marking a 5% increase from 2022.

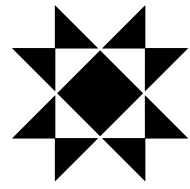
The Bank's financed emissions, excluding sovereign bonds, are 2,976 times greater than the 54.2 tCO<sub>2</sub>e which the Bank emits from its own activities (Scopes 1 and 2). Including emissions from sovereign bonds with LULUCF, financed emissions are 6,143 times greater than emissions from own activities.

Sovereign bonds (with LULUCF) alone produce emissions of approximately 171 tCO<sub>2</sub>e and are the largest single factor in the Bank's financed emissions. Emissions from sovereign bonds vary greatly between countries, particularly taking into account LULUCF. Therefore, the composition of the portfolio has a fundamental effect.

Apart from changes to sovereign bonds, the increase between 2022 and 2023 is mainly due to loan growth at the Bank and increased own investments. In addition, there was a slight change to emissions factors when estimating emissions from business loans. The emissions intensity of operating income increased slightly, from 4.5 tCO<sub>2</sub>e/ISKm to 4.7 tCO<sub>2</sub>e/ISKm, which indicates a higher environmental impact per revenue unit since 2022, but a 10% reduction between 2021 and 2023. The main reason for the increase between 2022 and 2023 is the change in composition of sovereign bonds in the Bank's asset portfolio.







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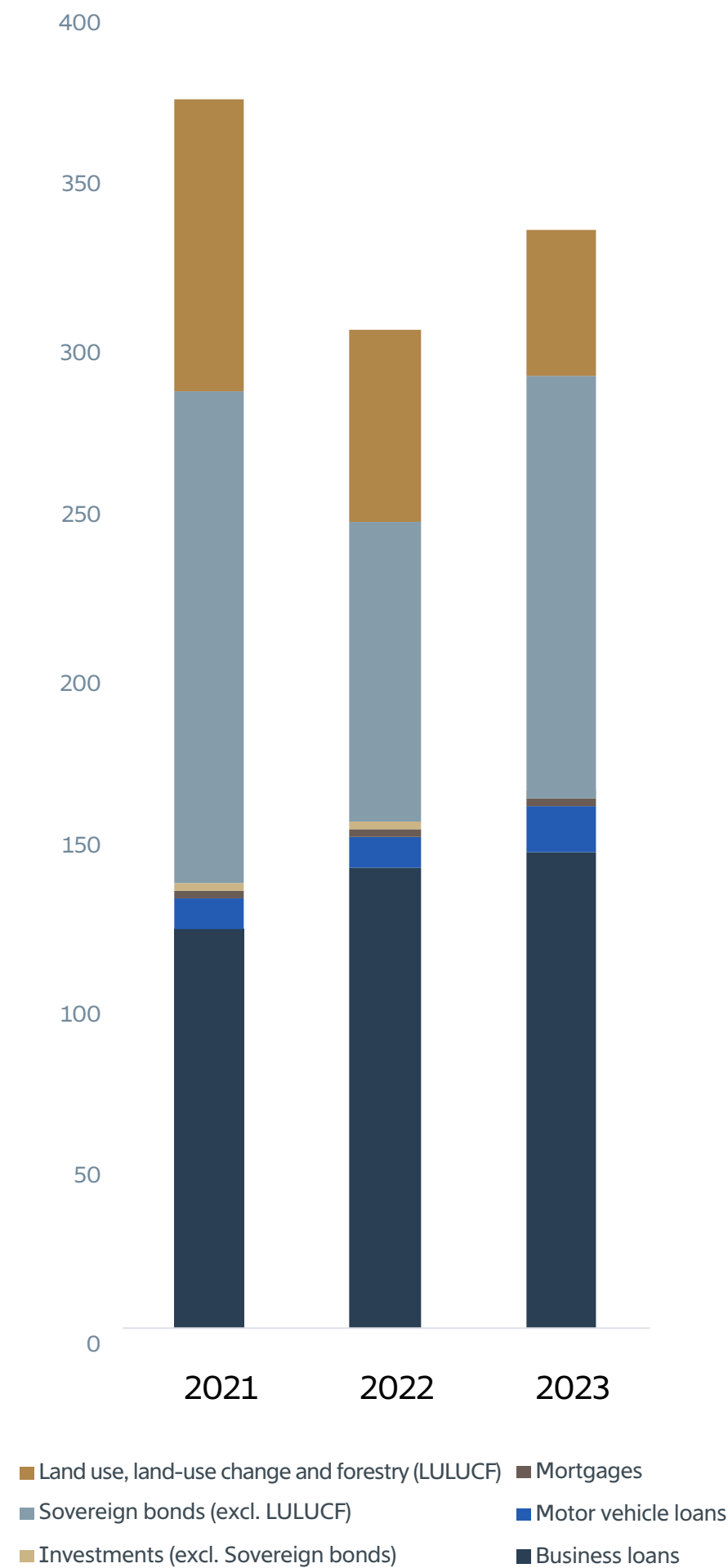
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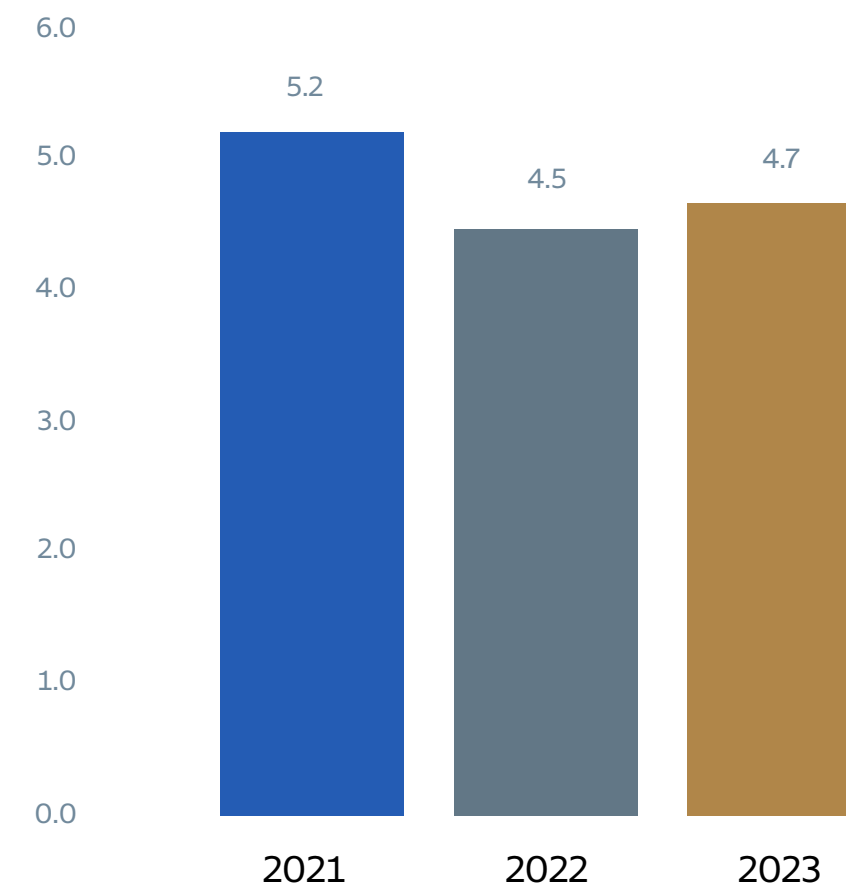
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**Arion Bank's total financed emissions**  
*Emissions in ktCO<sub>2</sub>e*

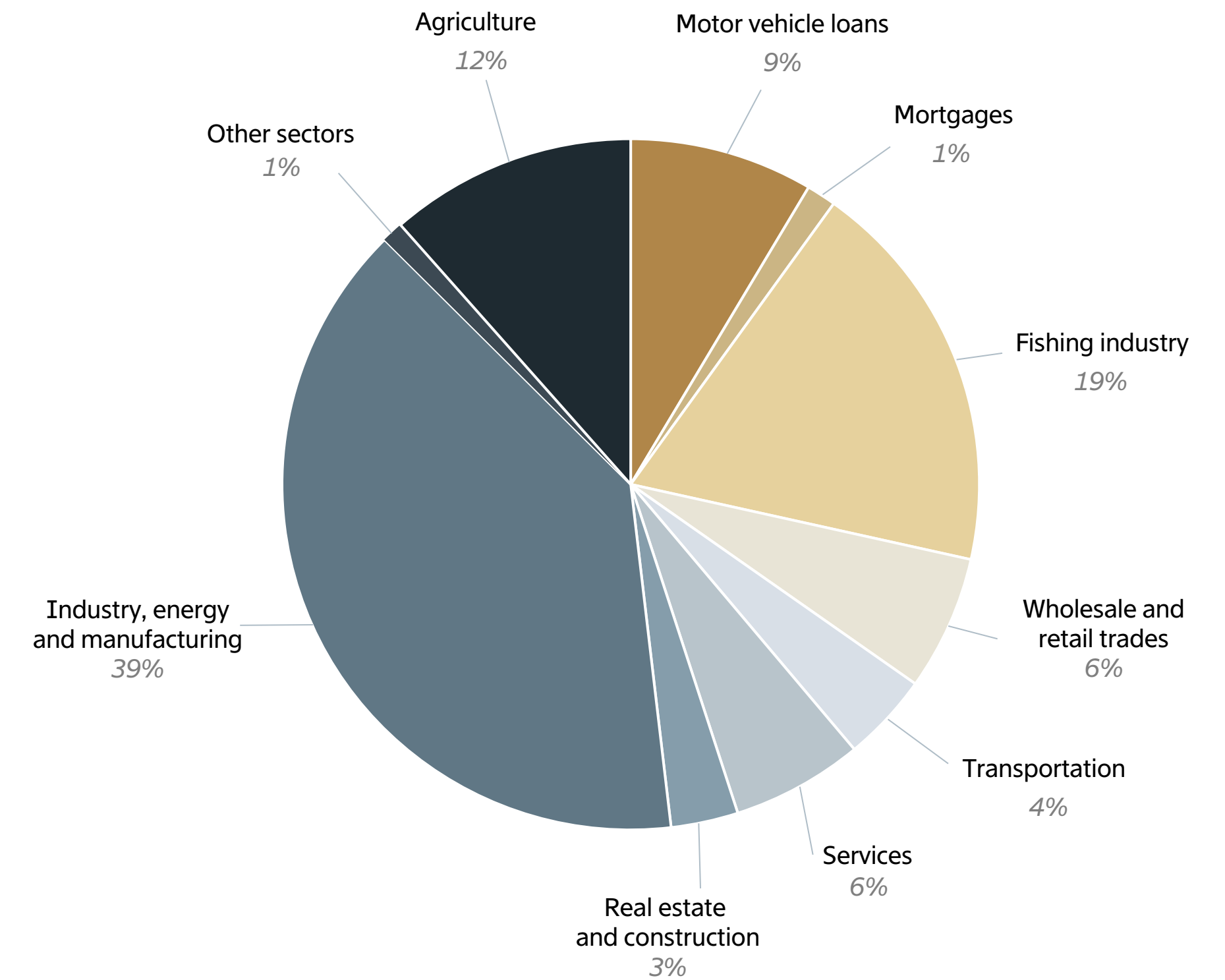


**Arion Bank's emissions intensity based on operating income**  
*tCO<sub>2</sub>e/ISKm*

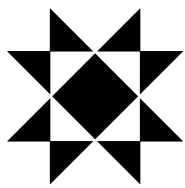


Emissions from business loans represent 90% total emissions from the Bank's loans. These emissions increased by approximately 3% between years, from 140 ktCO<sub>2</sub>e to 144.4 ktCO<sub>2</sub>e. However, emissions intensity of business loans decreased slightly between years, from 0.29 tCO<sub>2</sub>e/ISKm to 0.28 tCO<sub>2</sub>e/ISKm. This indicates that each ISK 1 million the Bank lent in 2023 resulted in relatively fewer emissions than in 2022. Emissions intensity is used to measure results because while amounts may change, emissions intensity remain comparable and provide a better picture than if the emissions for each category were referred to. The sectors resulting in the highest emissions are industry, energy and manufacturing, agriculture and the fishing industry. Agriculture has the highest emissions intensity at 1.66 tCO<sub>2</sub>e/ISKm, followed by energy and manufacturing with 1.18 tCO<sub>2</sub>e/ISKm. The emissions intensity of transportation decreased significantly between years from 1.54 tCO<sub>2</sub>e/ISKm to 0,89 tCO<sub>2</sub>e/ISKm. The use of more accurate methodology means that estimates are closer to actual emissions than was previously the case.

**Arion Bank's financed emissions from loan portfolio in 2023**







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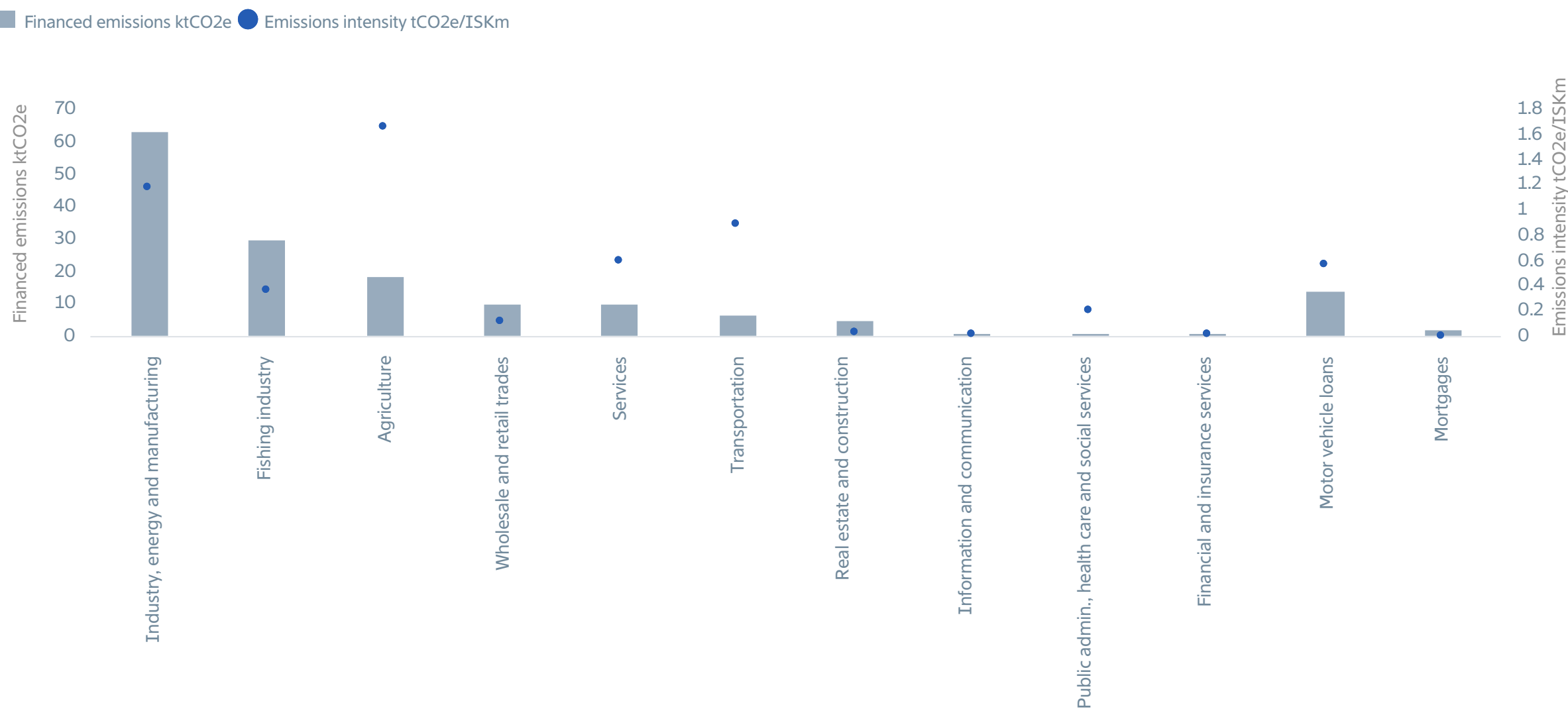
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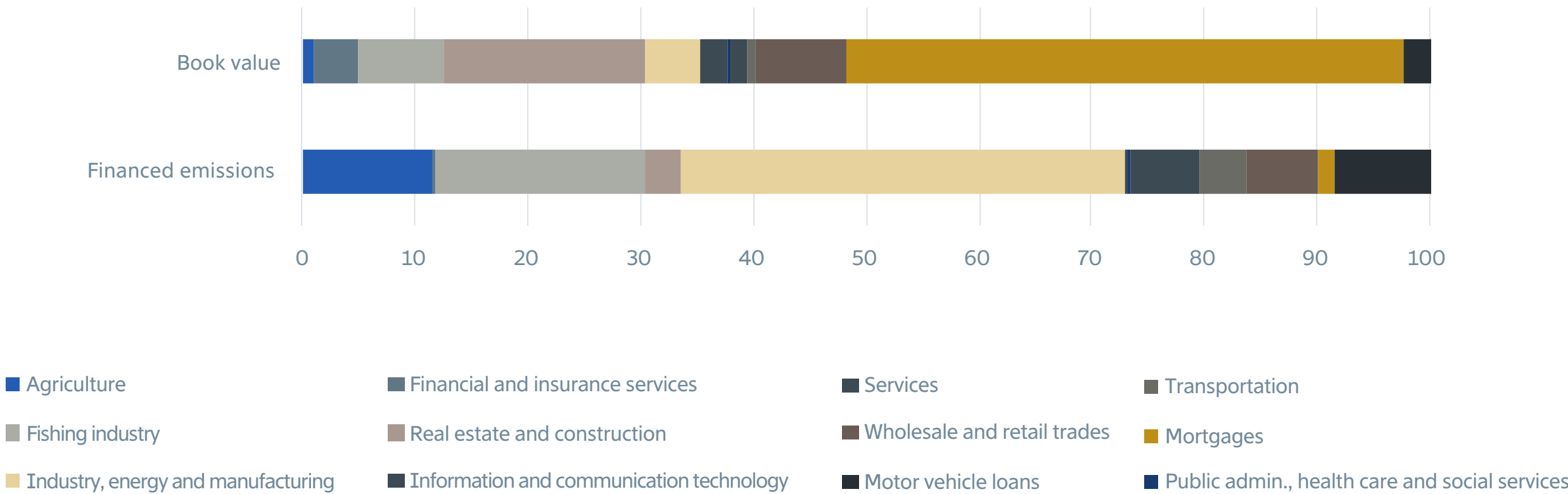
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**Financed emissions and the emissions intensity of loans**  
*Financed emissions ktCO2e*



**Distribution of loan portfolio by book value of loans and financed emissions 2023**  
%

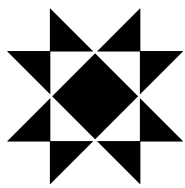


Emissions from car and equipment loans increased between years, up to 13.7 tCO2e from 10.5 tCO2e the previous year. Emissions intensity increased from 0.50 tCO2e/ISKm to 0.57 tCO2e/ISKm. However, the calculations incorporated changes to emissions factors of individual vehicles, particularly goods vehicles.

Financed emissions from mortgages decreased between years, despite the fact that the book value increased. Emissions dropped from 2.5 tCO2e to 2.2 tCO2e and the emissions intensity went from 0.005 tCO2e/ISKm to 0.004 tCO2e/ISKm. The reason for the decrease is due to the fact that the emissions factors of Orkuveitan decreased between years. The estimate of carbon footprint applies to the energy consumption of buildings, and due to the use of renewables, geothermal and hydropower, the factors are low in Iceland.

Financed emissions at Arion Bank from financial instruments other than sovereign bonds, i.e. listed and unlisted securities, are only 1 ktCO2e. Most investments in the Group’s asset portfolio are not in polluting industries, and the majority of emissions in this category come from companies involved in international passenger transport by air, shipping and the fishing industry.





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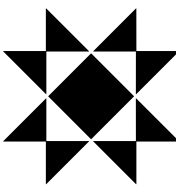
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**Overview of results of financed emissions of Arion Bank by PCAF asset class.**

Activity	Book value (ISKm)	Scope 1 + 2 emissions (ktCO2e)	Emission intensity (tCO2e/ISKm)	Data quality (Weighted average)
Listed Equity & Bonds	7,514	1.05	0.14	1.41
Unlisted Equity & Bonds	1,716	0.02	0.01	4.00
Business loans	518,365	144.41	0.28	3.81
Agriculture	11,061	18.42	1.66	4.00
Financial and insurance services	41,542	0.50	0.01	3.97
Fishing industry	82,635	29.8	0.36	3.76
Real estate and construction	191,337	4.96	0.03	3.96
Industry, energy and manufacturing	53,692	63.11	1.18	3.28
Information and communication technology	25,535	0.58	0.02	3.53
Public admin., human health, and social act.	2,296	0.46	0.20	4.00
Services	16,700	9.84	0.59	4.00
Transportation	7,402	6.62	0.89	3.89
Wholesale and retail trades	86,164	10.12	0.12	3.79
Project Finance	-	-	-	-
Mortgages	533,731	2.20	0.004	4.00
Commercial Real Estate	-	-	-	-
Motor Vehicle Loans	23,888	13.67	0.57	2.16
Sovereign Debt (incl.LULUCF)	132,192	170.54	1.29	4.00
Sovereign Debt (excl.LULUCF)	132,192	127.53	0.96	4.00
<b>Total (exluding LULUCF)</b>	<b>1,217,406</b>	<b>288.88</b>	<b>0.24</b>	<b>3.87</b>





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**Targets up to 2030**

Since 2019 Arion Bank has been a signatory to the Principles for Responsible Banking (PRB) and has thereby pledged to align its policies and actions with the Paris Agreement and the UN Sustainable Development Goals. The principles provide us with support and incentive to set ambitious targets and plans to reach these targets.

We have pledged to follow the methodology of the Science Based Targets initiative (SBTi) when setting emission reduction targets. The calculations of financed emissions using PCAF

methodology will be used to identify the main opportunities. The Bank has also joined the UN-convened Net-Zero Banking Alliance, a global group of leading banks committed to financing ambitious climate action.

The Bank aims to get quantifiable climate targets validated by SBTi by the end of 2025. These targets will aim to keep global warming below 1.5°C and for Arion Bank to be net zero by 2040.

The amount of lending changes between years and therefore the decrease in financed emissions is estimated by comparing emissions intensity rather than actual emissions at year-end. Arion Bank’s targets are based on sector targets and the government’s action plan which are set out to meet commitments under the Paris Agreement.

We have set targets on reducing the emissions intensity of lending in the following sectors until 2030:

- Fishing industry 28%
- Energy 30%
- Transportation 28%
- Agriculture 5%
- Aluminium production 26%
- Coal – maintain 0%
- Oil– maintain 0%

As previously mentioned, the changes between years might be a result of modified methodology. Efforts are ongoing to enhance data quality each year and develop methods to estimate emissions of those companies which do not publish emissions figures. The accuracy of the models used in calculations is continually improving which results in inconsistencies between years. Even though the changes to emissions intensity of energy production are substantial, total emissions from this key industry are relatively low due to the use of renewable energy in Iceland. Sectors such as the fishing industry, aluminium production and transportation are slowly transitioning since we assume that the emissions will steadily decrease because of the energy transition and more efficient energy consumption with new technology. Agriculture has locked-in emissions due to biological processes which release methane and nitrous oxide, which may prove more difficult to reduce emissions in the near future. Feed is being developed which reduces methane emissions but eventually action will have to be taken to capture and store greenhouse gases, whether these be natural solutions or technological.

Sector	Reduction target up to 2030	Metric	Emission intensity reference year 2022	Emission intensity 2023	Changes from reference year	Emission intensity target 2030	Total emission (scope 1&2) in 2022 in ktCO2e	Total emission (scope 1&2) in 2023 in ktCO2e	Issued targets
Seafood	28%	tCO2e/ISKm	0.50	0.36	-28.0% ↓	0.36	44.93	29.80	Business Climate Guide
Power generation	30%	tCO2e/ISKm	0.20	0.87	333.8% ↑	0.14	0.15	0.63	Climate action plan, 2nd edition
Transportation	28%	tCO2e/ISKm	1.54	0.89	-42.2% ↓	1.11	20.61	6.60	Business Climate Guide and Climate action plan, 2nd edition
Agriculture	5%	tCO2e/ISKm	1.60	1.66	3.7% ↑	1.52	17.78	18.40	Climate action plan, 2nd edition
Aluminium production	26%	tCO2e/ISKm	2.57	3.24	26.2% ↑	1.90	23.90	50.00	Business Climate Guide
Coal	Maintain 0	tCO2e	0				0 ✓	0 ✓	Arion Bank's Exclusion list
Oil	Maintain 0	tCO2e	0				0 ✓	0 ✓	Arion Bank's Exclusion list





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## Financed emissions at Stef nir

Stefnir manages financial assets on behalf of its clients and places great importance on carrying out its duties responsibly and transparently. During the year, Stefnir also calculated the financed emissions of greenhouse gases from assets in funds managed by Stefnir and the results were published in a report ([stefnir.is/fjarmognud-losun](https://stefnir.is/fjarmognud-losun)). The report contains information on emissions intensity of each ISK 1 million invested in specific funds.

The methodology used in the calculations is based on PCAF methodology. The information is based on a snapshot of the funds’ assets at the end of 2023. The aim of the report is to offer transparency for stakeholders, identify climate-related transition risk and support climate-friendly financial products.

## Assessment of climate-related risk

Stress tests provide an important management tool for the Bank. The tests raise risk awareness and improve general understanding of the Bank’s operations and are to be considered for strategic, capital, and contingency planning. The results of stress tests are incorporated into the review of the risk appetite and the Bank’s limit framework. Stress testing at the Bank consists of sensitivity analysis and scenario analysis.

The Bank has performed climate risk stress tests and the ESG working group has performed a risk assessment for climate-related financial risks between industries, including both transition and physical risks. The purpose was to establish a foundation and support for employees of the Group responsible for credit and investment decisions, and investment advice, by incorporating outside-in sustainability risk into the overall risk assessment. Risk Management has now incorporated the assessment into the credit rating system as a benchmark. Further information can be found in the Bank’s Pillar 3 Risk Disclosures report ([arionbanki.is/pillar-3-2024](https://arionbanki.is/pillar-3-2024)).







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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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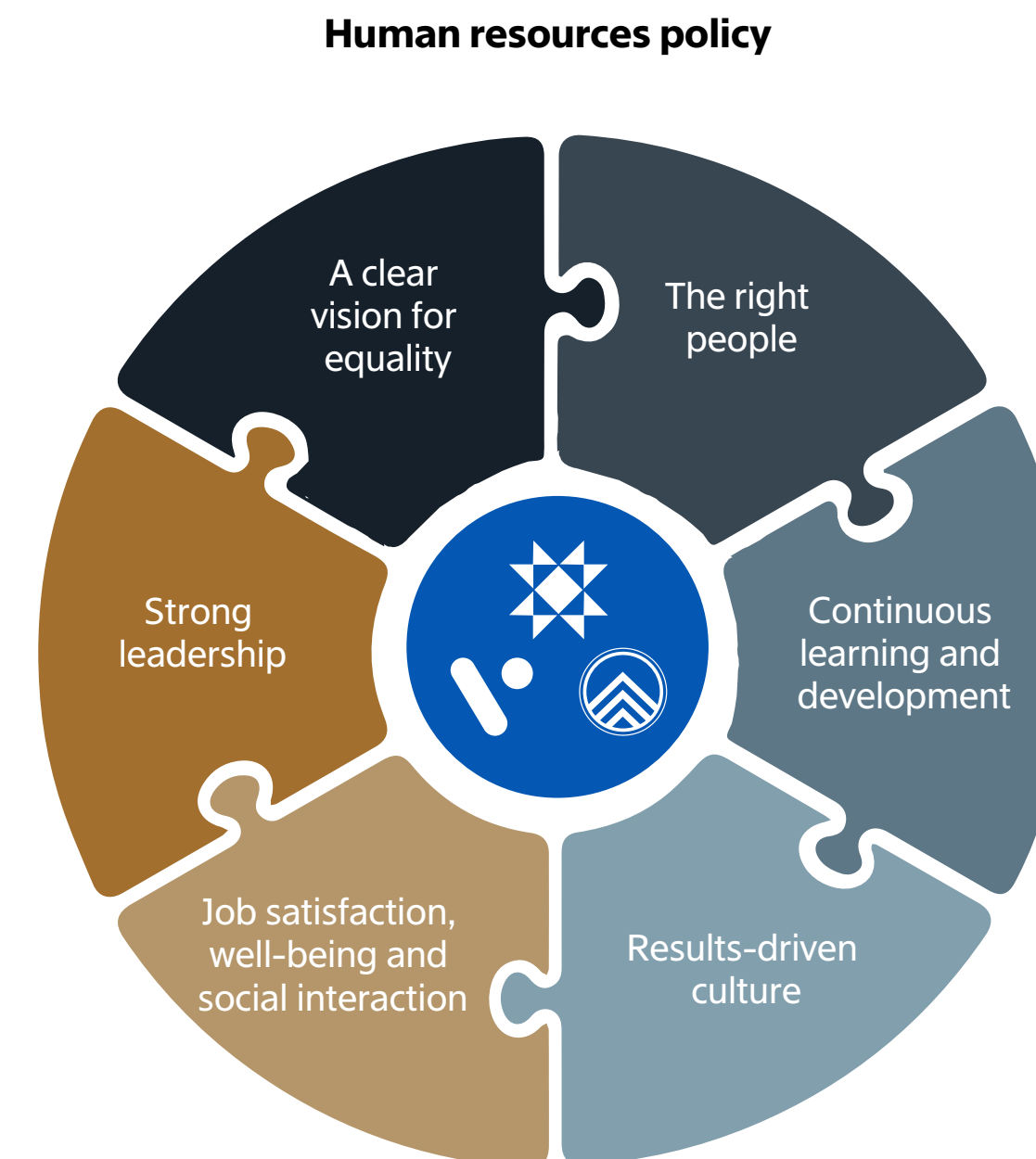
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# Our Human Resources Policy

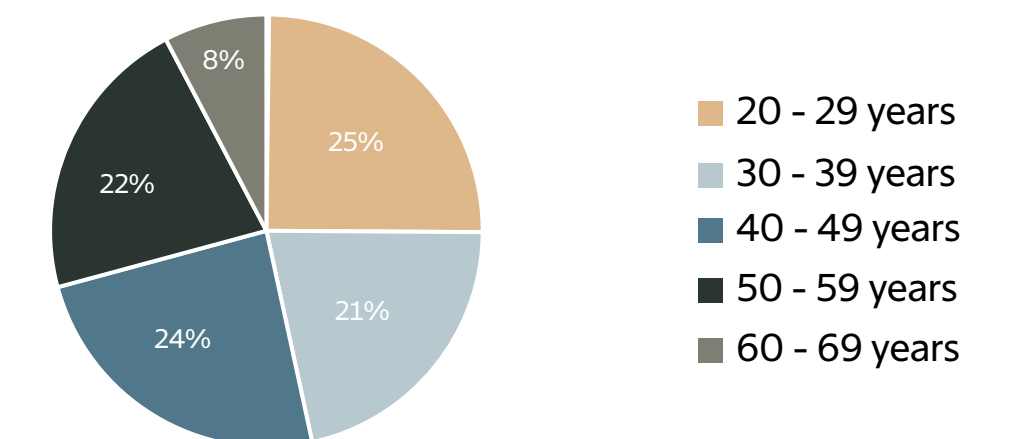
Our human resources policy provides us with guidance when it comes to human resources issues at Arion Bank. Our goal is to retain and attract outstanding employees and to help them grow professionally and personally. We aim to create a positive and motivational working environment and to support our employees. We strive to create equal opportunities and a results-driven workplace culture. Together we aspire to understand and meet the needs and expectations of our customers because their success is our success.

### Our people

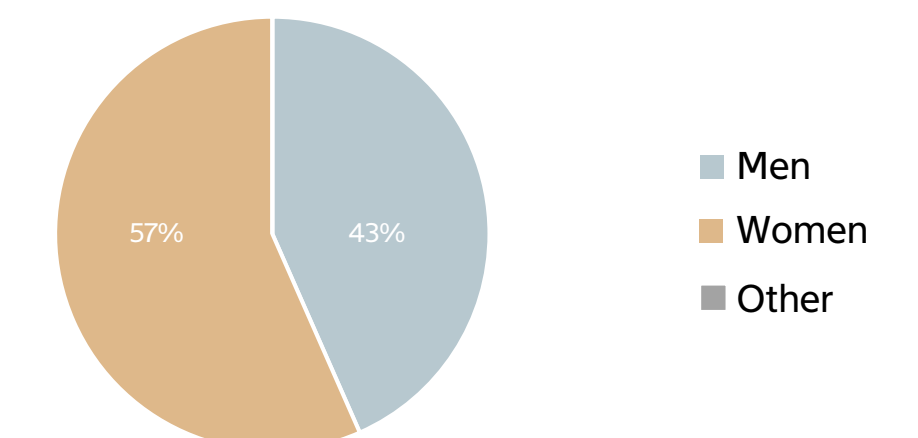
Arion employs a dedicated team of employees from a diverse range of backgrounds. At the end of 2024, the total number of full-time equivalent positions was 918, and the gender ratio was approximately 57% women and 43% men. Other genders are fewer than five individuals. The average age of employees is 41 years and the average length of employment is 9.5 years.



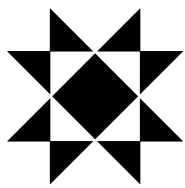
### Age of employees



### Gender ratio







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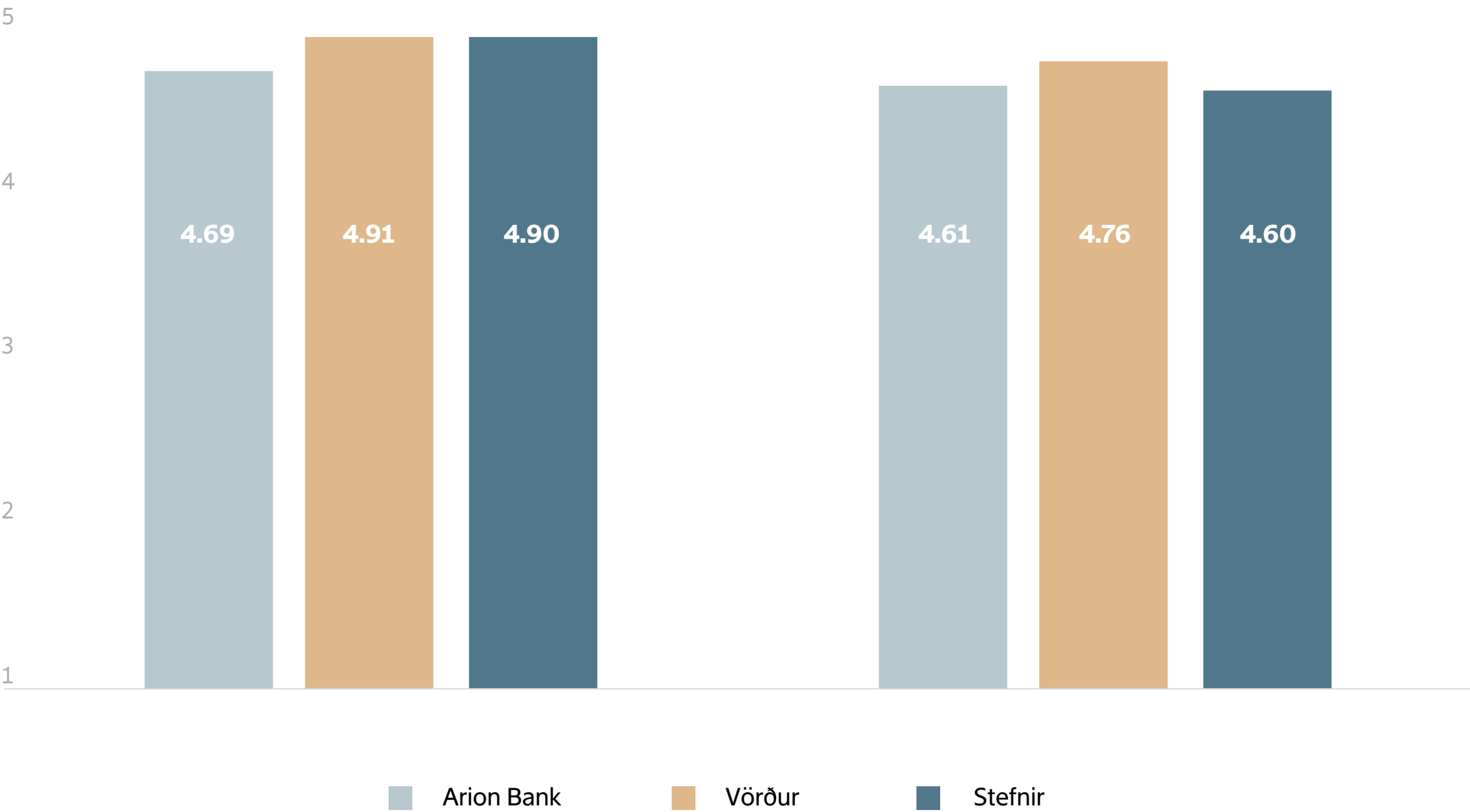
**Diversity**

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 working environment should embrace people’s diverse needs so that each and every person gets the opportunity to thrive. During the year we introduced diversity and inclusion software called Alda. This is a solution designed to promote an inclusive work culture, which both acknowledges and supports diversity. We took a survey of all our employees on their experience of our work culture which measured how inclusive our workplace is. The survey produced an inclusivity score at Arion of 3.77 on a scale of 0-5, which is higher than Alda’s inclusivity index which measures results from 68 companies. We also regularly ask employees about how they feel they are treated in the workplace. The results of these surveys are generally very positive.



Everyone at this company is treated fairly irrespective of origin, ethnicity, gender, age, disability or other factors which are not connected with performance at work.

At this company the employees are treated with respect and courtesy.







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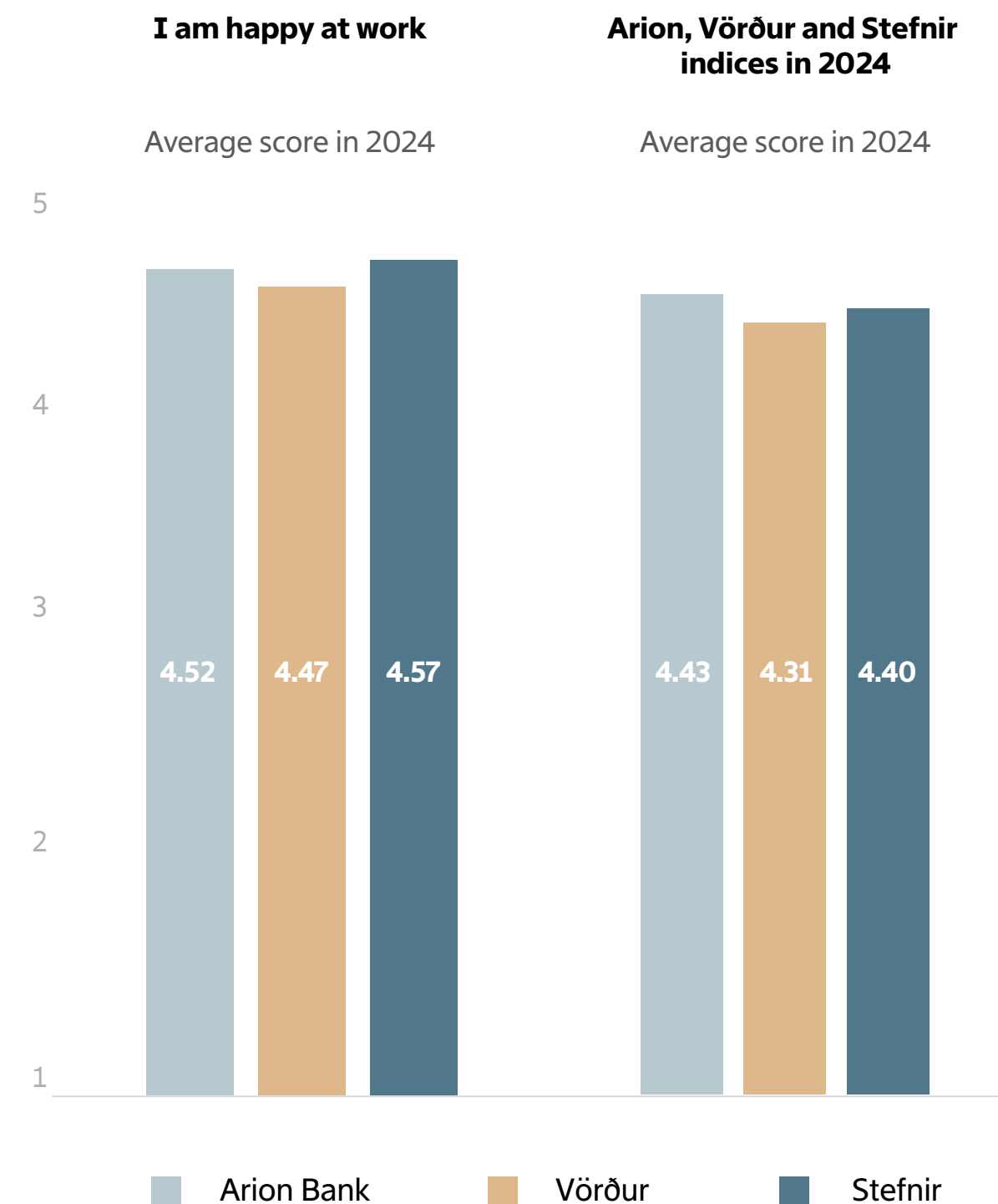
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## The voice of our employees

We endeavour to maintain a positive working atmosphere and job satisfaction. We regularly measure people’s experience of the working environment and monitor people’s well-being in the workplace. The Arion, Vörður and Stefmir indices are surveys sent to all employees every second month. The surveys have 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.

The HR team and management analyze the results and gain an insight into the strengths and challenges of each team. Employees can make recommendations quickly and securely and any problems are swiftly responded to. Employees can also use the Arion intranet to report any anomalies, including security breaches which have an impact on people’s safety in the workplace. The results of the indices this year indicated that our employees are generally happy at work and satisfied with their working environment. Arion employees are dedicated and would recommend the workplace to friends and relatives.



## Welcoming new employees and survey of new employees

We endeavour to ensure that new employees are brought into the company professionally and given a warm welcome. All new employees undergo a digital new employee learning and development programme during their first three months on the job and participate in a new employees day which is held once a quarter. During the year, more than 100 new employees passed through the new employee programme. New employees are sent a survey after six weeks on the job and can give feedback on the new employees programme and how they were received in the first six weeks at work.

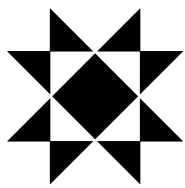
## End of employment

We seek to ensure people leave the Bank on the best possible terms, whether they are leaving by choice, due to redundancy, retiring due to their age or for health reasons. All employees who leave the Bank of their own volition are given the option of answering a survey on the end of their employment and to give detailed information on why they left the Bank. The answers given are traceable which enables us to respond to feedback effectively.

When people retire due to their age, we want to ensure that employees feel that their retirement is handled flexibly. We support our employees through this period of transition, for example by offering courses on retirement and we try to accommodate employees’ wishes on changed working hours or duties. From the age of 65 employees can retire and receive the equivalent of their salary for six months after retirement or reduce their working hours and spread out their salary over that period. After the age of 67 employees can no longer be paid a salary by the company. During the year, seven people retired, some of them reduced their working hours in the lead up to retirement, while others received the equivalent of six months salary after retirement.







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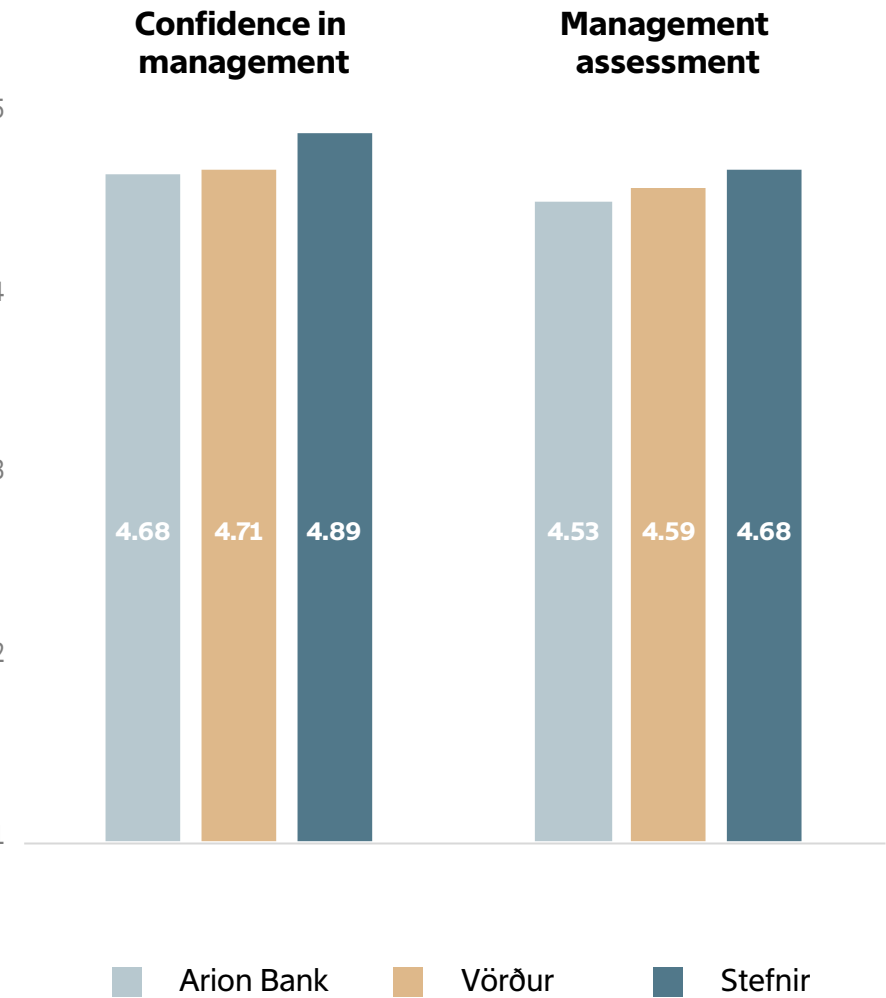
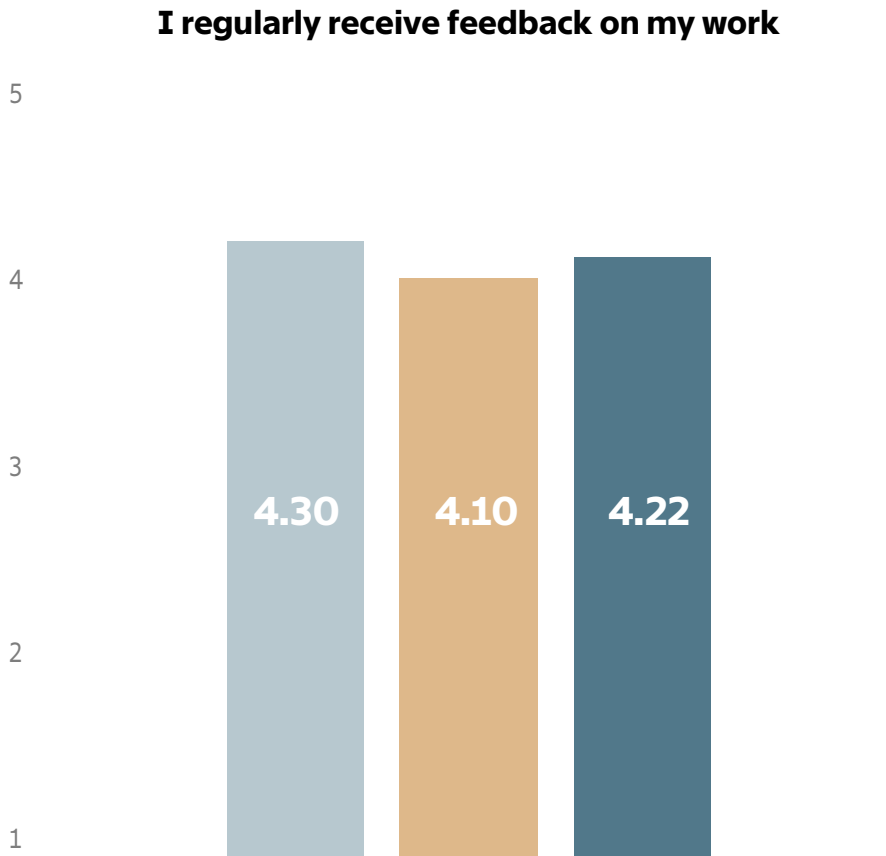
**Graduate programme**

We work closely with the universities and take on interns who come to work at the Bank on a temporary basis. The interns work on specific projects connected to their studies. Every year we also provide employment to many university students over the summer and in part-time positions alongside their studies. This forms part of our strategy of attracting promising and talented people to work at Arion. We also offer outstanding graduates an 18-month graduation programme where they are given a 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 while at the same time gaining guidance from highly experienced co-workers. A total of 80 graduates applied for the programme this year and seven were selected to join us.

**Strong leadership**

We have an excellent management team with a clear vision for the future. They set a good example and should provide employees with regular and constructive feedback. It is important the 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 bonus scheme, employee compliance with the internal and external rules and employee performance have an impact on the payment of bonuses. 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 on their performance at work.

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



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 vision. Training includes goal setting and executive coaching and is held over the course of several months. Last year 20 women and 21 men graduated from leadership training.

**Professional development**

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 also provides incentive to people to progress and take responsibility to grow at work.

There is also a clear succession plan which defines potential successors in key positions within the Group. The succession plan is reviewed annually, and possible successors are analyzed according to predefined criteria. We consider gender ratios in each position and are guided by equal opportunities. The gender ratio in the current succession plan is quite even.

Arion’s mentor programt is designed for employees with a passionate interest in bettering themselves in their life and work, learning from others and stepping outside their comfort zone. In 2024, 26 applicants were selected and each was assigned a supervisor. The group was made up of 18 women and 8 men aged between 23 and 58. The supervisors are experienced managers and specialists from across the Group who all possess considerable expertise in their field.

“This year we placed a strong focus on giving our employees the opportunity to grow and develop. We are proud of the success we have achieved and will continue to build on human resources as a key component of our success.”

- Helga Halldórsdóttir  
Head of Human Resources







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# A clear vision for equality

## Equality and human rights policy

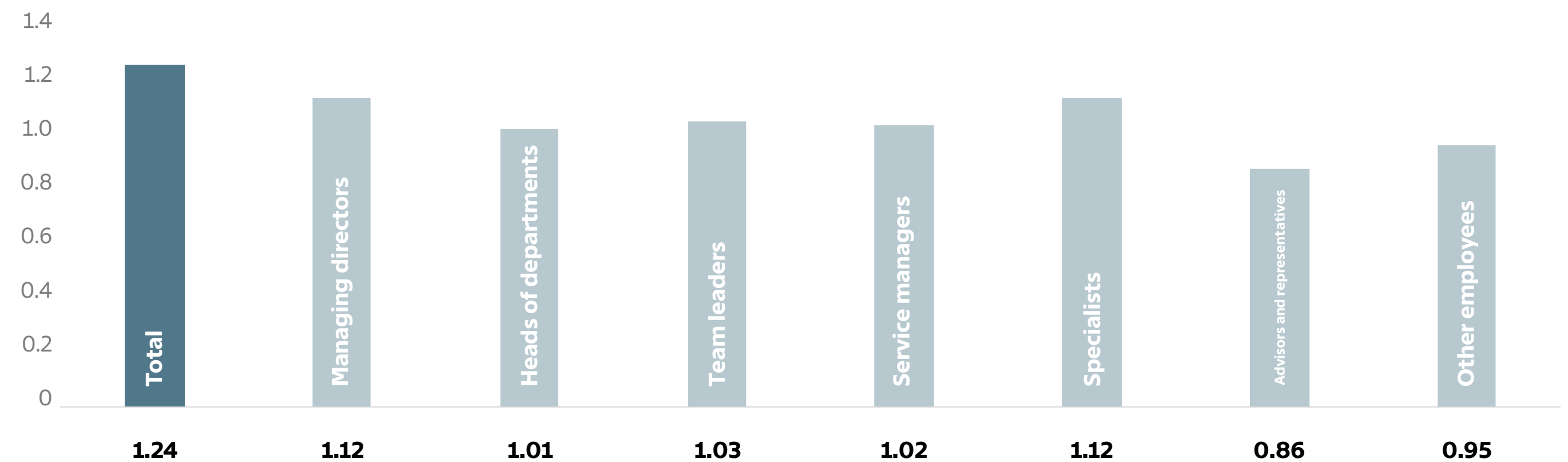
It is Arion’s policy to respect human rights and equality throughout its activities. In 2024, the equality and human rights policy was updated across the Group alongside a new action plan. The objective of the policy and action plan is to create an environment where people of similar education, work experience and responsibility have equal opportunities and terms, irrespective of gender, gender identity, sexual orientation, origin, nationality, skin colour, age, disability or religion or other factor.

The policy and the action plan are approved by the Group’s senior management. The CEO is a member of the equality committee and is responsible for the advancement of equality issues within the Group. He is represented by an equal opportunities committee comprising employees from Arion Bank, Vörður and Stefñir.

Arion Bank is a signatory to UN Women and UN Global Compact Empowerment Principles, UN Global Compact initiative, UN PRB and UN PRI, while Stefñir 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 Bank’s focus on equality aligns with the UN’s fifth sustainable development goal which concerns gender equality.

## Median value of men’s annual salaries compared with median value of women’s annual salaries

The annual goal was to be under 1.3



## Remuneration policy

The current remuneration policy aims to ensure that the Bank offers competitive salaries at any given time. 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. 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

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 to ensure that no unjustified wage gap exists. Equal pay means that pay levels are determined in advance and ensures that there is no discrimination on the basis of gender or other factors. It must also be ensured that all decisions on salaries 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 Stefñir in 2024. All companies in the Group now operate according to the same equal pay system and the equal pay audit was therefore carried out on a group basis for the first time. The results of the pay equity analysis indicated that the gender pay gap is 0.4%. The performance this year in terms of equal pay has been good and in line with our targets. 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.





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# Job satisfaction and well-being

**97.3%** **89.3%**

Health index of employees used the sports grant

### Health and Safety Policy

We care about the health of our employees and endeavour to create a safe and healthy working environment. We ensure that the laws on the health and safety of employees are closely followed and help our people take measures which prevent ill-health and promote good health in the future. We partner recognized experts in personalized health services and preventive action. Permanent employees can choose to undergo regular health checks performed by nurses, get annual flu vaccines, visit a psychologist and apply for a sports grant. All Arion employees have 24-hour accident and life insurance and have contractual sick leave. We offer a wide range of health-related learning and development programmes, both digital and on-site. This includes courses on good mental health practices, lectures on health and nutrition, happiness, hormonal changes, time management and sleep routines for babies.

For many years we have used an index to measure our employees' health. The health index tells us what percentage of working days on an annual basis were worked. In 2024 the index stood at 97.3%, which means that 2.7% of working days were lost due to employee illness.

The Group has a safety committee whose role is to ensure that employees are protected from any threat to their health due to work or working conditions. During the year, a risk assessment was carried out at three branches as scheduled and a comprehensive risk assessment was carried out at the headquarters. The branch assessments revealed no serious findings and the risk assessment at the headquarters indicated that the working facilities met all the requirements set by Vinnuvernd and that adequate controls are in place.



### Work-life balance

We have set clear targets on being a family-friendly workplace and on enabling employees to combine their professional duties with their family obligations. 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.

Regular surveys are conducted throughout the year of our employee's 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. Overall, the results are positive, indicating that there is a good balance. We believe that the policy on working from home and the flexible working environment have a positive impact on our employees when it comes to maintaining the work-life balance.

We encourage our employees, irrespective of gender, to use their parental leave and we ensure that, in general, employees receive 80% of their salaries while on leave. In the new year we will open daycare for children of employees to bridge the gap between parental leave and playschool.

### Anti-bullying, harassment and violence policy

Communication at the workplace should be based on mutual respect and it should be ensured that employees feel comfortable. There is zero tolerance of bullying, gender-based or sexual harassment or other types of violence. Arion has an anti-bullying team which is responsible for overseeing Arion's policy, procedures and training in connection with tackling bullying, gender-based or sexual harassment or violence. During the year we updated our anti-bullying, harassment and violence policy and the action plan. The action plan states that all employees are jointly responsible for creating a safe working environment. 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. Human Resources are responsible for receiving and handling reports of any incidents of bullying, harassment and violence, but employees can also contact management, the anti-bullying team, 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. Management and employees have to complete mandatory 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.

During the year all employees took courses on this subject, while the management underwent extensive guidance on the issue. All new employees take a digital course on this subject when they start work.





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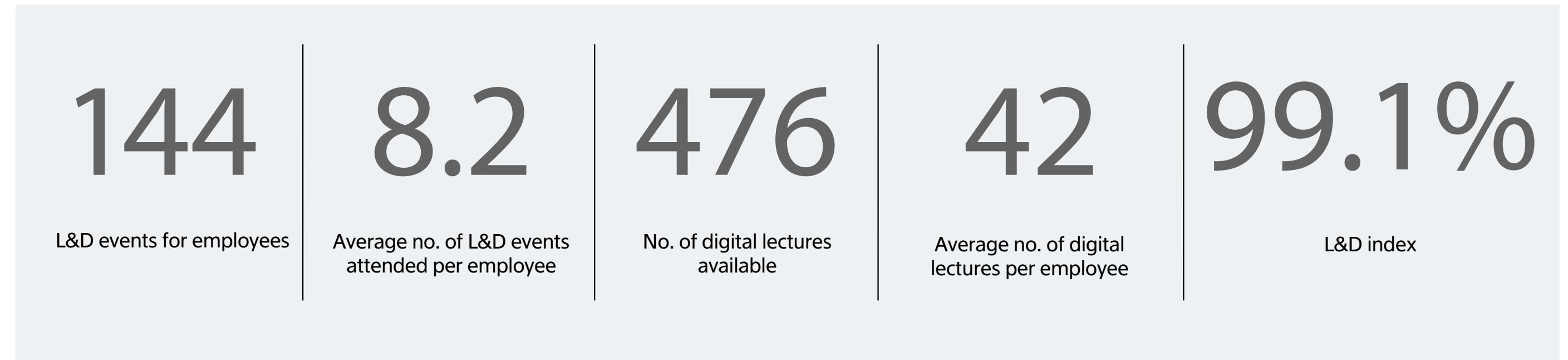
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# Continuous learning and development

## Learning and development policy

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 the Bank’s key targets is that all employees complete mandatory L&D 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 and development constitutes the learning and development index which is one of the company’s key indicators. Optional learning and development involves courses and seminars which employees can choose to attend both internally or externally according to their interests or needs. We also offer L&D in a variety of formats which align well with our flexible and diverse working environment. We offer digital and gamified L&D, on-site instruction and employees also have access to programmes offered by various organizations we partner with. We also encourage employees to attended conferences, courses and lectures outside the Group.



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

## Results-driven culture

In keeping with our strategy, purpose and values, Arion Bank places importance on creating a results-driven culture. We want our company culture to be characterized by cooperation and opportunities for employees to develop professionally. We made an effort during the year to evaluate and analyze our culture at Arion. We will use the results of this analysis to further improve our productive culture and apply our values which are: we say what we mean, we find solutions, we work together.

All of our employees, except the internal control units, participate in the Bank’s incentive and stock option schemes. The Bank’s solid performance means that we have reached our targets three years in a row and employees were paid a bonus – from 10% to 25% of their annual salaries.

During the year we hosted a design workshop for the second time, where employees joined forces to work on tasks concerning customer services. The design workshop helps us connect the purpose, vision, service standards and other factors with the goal of delivering an outstanding experience for the customer. Employees apply to participate in the workshop, which lasted a full week this time around. Employees from all divisions were selected to take part.





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# Our commitment to society

At Arion we want to help society prosper by improving financial literacy and raising awareness of financial security. The materiality topics identified in the double materiality assessment of the Group and which concern consumers and customers are connected to social inclusivity and information-related impacts. We make every effort to ensure we do not discriminate between consumers and facilitate access to our products and services. Safeguarding customer privacy and guaranteeing data security are vital and we place great importance on data protection and educating the public on cyber security and internet fraud. Rapid technological developments also represent a risk and therefore we have introduced an extensive management system in connection with information security. We also provide special support for the elderly.







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# Stakeholder engagement

Arion'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.

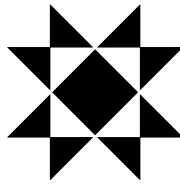


### Examples of stakeholder engagement:

#### Customers

- We operate 13 branches nationwide and a call centre.
- Nowadays, 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 night and day, all year round.
- Our chatbot is available 24/7. 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.
- There is a special priority phone line for senior citizens which has proven successful.
- We conduct regular surveys to measure customer satisfaction and customer experience.
- We keep a record of all feedback and use it to improve our services. During the year we received 7,401 ideas and suggestions from customers, including 3,000 pieces of positive feedback.
- Vörður's role is to insure things of value in people's lives and we are committed to ensuring that people are properly insured to match their needs. That's why it is important that we reach out to people first.





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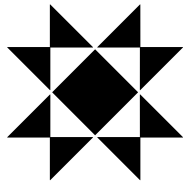
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Shareholders and bondholders	<ul style="list-style-type: none"><li>• Annual general meeting where the board of directors and auditors are elected. The AGM is a venue for voting on issues raised by shareholders or the board of directors.</li><li>• Quarterly financial statements and investor presentations.</li><li>• 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, unless there is a legal reason to defer the publication of such information.</li><li>• Assessments made by rating agencies which shareholders and bondholders can use to assess the Bank as an investment option.</li><li>• Regular meetings with investors.</li><li>• Capital markets day and conferences.</li></ul>
Employees	<ul style="list-style-type: none"><li>• We regularly measure people’s experience of the working environment and monitor people’s well-being in the workplace. The Arion, Vörður and Stefir indices are surveys sent to all employees every second month.</li><li>• 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.</li><li>• Employees can always consult their immediate supervisor and/or Human Resources to discuss any issues which occur in their work.</li><li>• Employees can also directly contact a company psychologist in complete confidence.</li><li>• Employees can report any anomalies, including security breaches, on the Arion intranet.</li><li>• 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.</li></ul>





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Society

- The Women Invest campaign attracted a great deal of attention in 2024 and its aim is to raise the participation rate of women investing 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 meetings and have a clear sponsorship policy.
- Stefnr has made efforts to present its business to diverse groups and to this end has taught and introduced the company at universities, conferences and through the Women Invest initiative.
- On social media Stefnr 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. This has included Vörður teaming up with the fire department to produce content on fire prevention.

Regular and varied communication with our customers helps us to simplify their finances and offer comprehensive bancassurance services which meet the needs of different target groups. We want to develop positive relationships with market participants in Iceland and abroad and value effective reporting and high-quality credit ratings from independent agencies.

We want to create a positive and motivating working environment to attract and retain outstanding employees and we seek to help our employees grow professionally and personally, while facilitating a healthy work-life balance. It is also our policy to have a positive impact on society as a whole, support the economy and business sector in Iceland and to enhance the public’s financial well-being.





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# Responsible marketing and product management

Arion Bank adheres to a policy on responsible product management, product range and marketing, and 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.

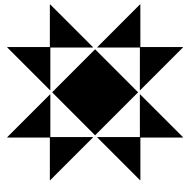
The Bank protects its customers' interests when developing the Bank's products and seeks to ensure as far as possible that they receive products and services suitable for them. The emphasis is on risk-based product management to identify and manage risk associated with products and services and the impact 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.

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, and L&D courses on some of the Bank's key issues and products are mandatory.

The Bank records and categorizes recommendations and complaints by product and type of service and shares this information 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.







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**Cyber security and data protection**

Data protection and the information security of our customers is of the utmost importance to us. Arion Bank has adopted a data protection notice which states that the Bank places great importance on personal data being processed legally, fairly and transparently. The data protection notice explains which personal data the Bank collects, on what grounds, where the data might be shared and how the security of the data is safeguarded. The data protection notice applies to all processing undertaken by Arion as a controller as defined by the Data Protection Act and also to the processing of personal data on contacts of customers who are legal entities, job applicants and other individuals who may visit or contact the Bank. The Bank is obliged to safeguard the security of the personal data which it processes, and the Bank has a certified information security management system in accordance with ÍST ISO/IEC27001.

Arion Bank has a website which addresses cyber security and internet fraud. The page contains a range of information on cyber security, how to guard against card fraud, business e-mail compromise and other cyber threats. Customers are advised to notify the Bank by phone or e-mail immediately if they believe or suspect they have fallen victim to internet fraud. We launched a cyber security campaign on social media, and retail and corporate customers also had the option of attending lectures on cyber security under the heading “Let’s work together” which is one of the Bank’s values. The aim was to make customers more aware of the subject as internet fraud has become increasingly common and more serious over the last few years.

More information on data protection can be found on our website ([arionbanki.is/data-protection-notice](https://arionbanki.is/data-protection-notice) and [arionbanki.is/cyber-security](https://arionbanki.is/cyber-security)) and in the 2024 Pillar 3 Risk Disclosures ([arionbanki.is/pillar-3-2024](https://arionbanki.is/pillar-3-2024))





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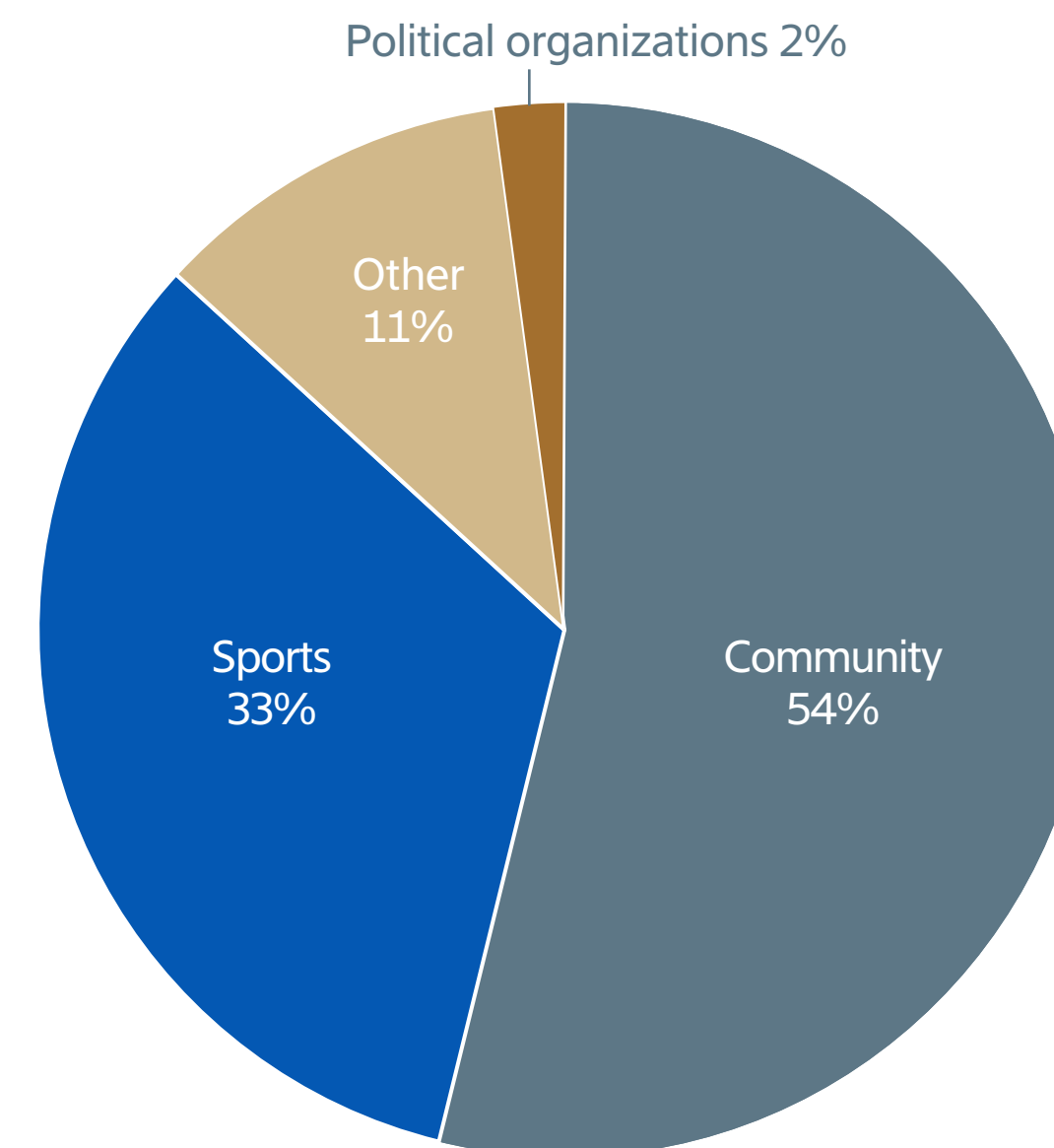
## Sponsorship policy

Arion Bank collaborates with numerous organizations and companies and supports a wide range of good causes in the community. The Bank has adopted a sponsorship policy where the emphasis is on sponsoring projects connected to the Bank's core activities or which align with the UN Sustainable Development Goals, with a particular focus on the goals prioritized by the Bank.

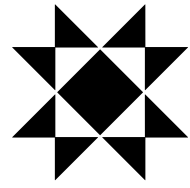
ESG factors are also taken into account when selecting recipients of sponsorship and partners. The sponsorship process is clearly defined and transparent.

## Donations to political activities

Arion Bank has adopted a policy concerning donations to political activities. Under the policy the Bank can provide grants to political organizations which put forward candidates nationally in general elections and submit an application for financial support from the Bank. To be eligible for a grant the organization must have a member of parliament. Donations to political activities in 2024 totalled ISK 2 million.







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Arion wants to be an active participant of society. We enjoy receiving visitors and we host a number of meetings, conference and events. We take part in and sponsor numerous exhibitions and events.

Arion Bank was a sponsor of Reykjavik Global Forum - Women Leaders, held in collaboration with the Icelandic parliament and government, and WPL, Women Political Leaders. The event plays a vital role in raising awareness and supporting gender equality globally, and it was attended by 500 women leaders from 80 countries. Reykjavik Global Forum - Women Leaders was held at Harpa Concert Hall in November.



Arion Bank supports a range of charitable causes such as the Icelandic Cancer Society, the Red Cross, UN Women and many more which help vulnerable people in society. In addition, the branches supported a wide range of worthy causes in their local areas during the year.

Arion Bank is one of the main sponsors of the Icelandic Handball Association and has been providing backing for the sport in Iceland for many years. The Bank is also one of the main sponsors of the Icelandic Sports Association for the Disabled and provided support for athletes taking part in the Paralympics.



Since 2010 Vörður has been the main sponsor of Breiðablik, Iceland's largest football club. The company has a partnership agreement with the men's and women's first teams and also supports junior and elite athlete programmes at the club. Breiðablik were league champions in both the men's and women's game in 2024.







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Arion Bank was one of the main sponsors of the Arctic Circle conference held at Harpa Concert Hall in October. The aim of the conference was to foster dialogue and collaboration concerning the future and development of the Arctic, a region whose importance has increased, not least because of the impact of climate change.



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.



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. Arion Bank has also provided backing to this project.



Stefnir is one of the main sponsors of the Golf Union of Iceland and has also been partner of Iceland Carbon Fund since 2020. In collaboration with Iceland Carbon Fund, the company has planted more than 5,000 trees and carbon offset its activities.





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Arion Bank is one of the main sponsors of Junior Achievement Iceland. The role of this organization is to prepare young people for the future and to improve their skills for the job market and by promoting education in innovation, entrepreneurship and business at secondary school level.



We encourage our customers and offer our support where possible. Last autumn we invited customers to a meeting at which we discussed the stricter requirements made of companies in terms of sustainability reporting. We want to create a venue for collaboration and learning, and we realize that the regulatory framework can be daunting, particularly for SMEs. We want to facilitate the implementation of the new sustainability regulation and have published interviews with our leading experts on our website where they discuss the implications of the impending legislation. We also encourage companies to set science-based climate targets which align with SBTi and to operate in accordance with the Bank's sustainability policies. The policies contain examples of positive actions considered by Arion Bank in terms of ESG performance.



## Innovation and support for entrepreneurs

Innovation is integral to our business and underpins the Bank's ability to compete in the long term. Continuous and focused scrutiny of whether the current methodology applied to goods, services and processes is optimal for success is one of the keys to our operations.

In recent years we have collaborated on a wide range of exciting investment projects with our customers with the aim of strengthening the business sector in this country. This is particularly true of the intellectual property industry, a flourishing sector in Iceland and a vital source of future value creation. We are committed to supporting innovators and we nurture innovation and growth through partnerships with selected partners.

Arion Bank's commitment to innovation and active participation in the development of a creative economy supports two of the UN's sustainable development goals: goal number 8, decent work and economic growth, and goal number 9, industry, innovation and infrastructure. Arion Bank has invested directly and indirectly in numerous start-ups and participated in events related to innovation.





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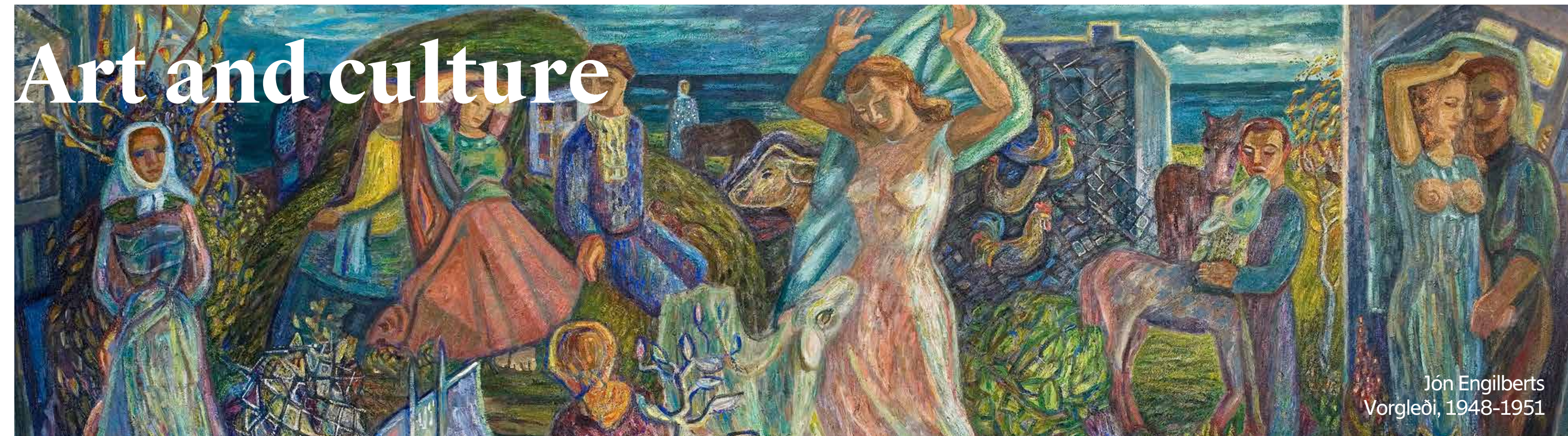
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The Bank owns around 1,200 works of art by many of Iceland's leading artists and numerous works are on display at Arion Bank's branches and corporate offices. Over the years the Bank has shared its passion for art with employees and customers by organizing a series of exhibitions and talks at the Bank's headquarters.

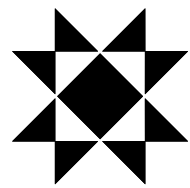
Seventeen years ago a group of employees translated their passion for art into action and founded an arts society at the Bank. The arts society invests in art and design and hosts an art evening twice year where employees have the opportunity to acquire a work of art. The events and exhibitions arranged by the arts society and Bank's arts program have sparked a deep interest in art and made art a talking point among our employees and customers.

Last spring, the Bank published a book on 148 works of art from its collection. The book was written and edited by Inga Jónsdóttir and was co-edited by Anna Sigríður Kristjánsdóttir and Íris Stefánsdóttir. The book presents diverse works in terms of content, form and choice of subject and brings together artists from different periods. The publication of the book was followed by a public exhibition of some of the works discussed in the book at the Bank's headquarters, and it attracted a large number of visitors. Several art-themed events were held during the year, including a talk held for customers on contemporary art by Markús Þór Andrésson.

The Bank continues to add to its collection by acquiring new works and has also donated works from its collection to retirement homes and museums.







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The information published in Arion Bank's sustainability accounts on environmental, social and governance factors applies to 2024. The accounts for environmental and social factors apply to Arion Bank and the subsidiaries Vörður and Stefmir. The accounts for governance factors only apply to Arion Bank.

Data from 2020–2023 is presented for comparative purposes, and the reference year for Arion Bank's environment accounts is 2015. Deloitte has provided an opinion with limited assurance on reporting by Arion Bank in 2024 with respect to the Global Reporting Initiative, GRI Standards and the Nasdaq ESG Reporting Guide.

### Key to references in Arion Bank's sustainability accounts

The letters E, S and G refer to environmental, social and governance factors as set out in the ESG reporting guide for the Nasdaq Nordic exchanges.

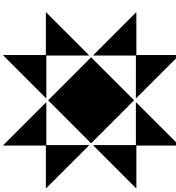
GRI stands for Global Reporting Initiative, GRI Standards. GRI helps companies and institutions analyze, collect and publish information on the economic, environmental and social impact of their activities. UN GC stands for United Nations Global Compact. By participating in the Global Compact companies 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 requirements for the forthcoming transposing of the Corporate Sustainability Reporting Directive (CSRD) into Icelandic law.







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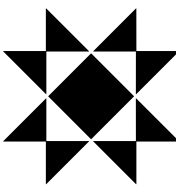
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Environment

Operational Parameters		Arion Bank					Arion banki, Vörður and Stefnir
Parameters	Unit	2015	2021	2022	2023	2024	2024
Total revenue	Billion ISK	86.60	58.23	53.68	61.81	63.88	66.45
Total assets	Billion ISK	1,011	1,314	1,458	1,507	1,596	1,618
Number of employees at the end of year	No.	-	681	767	813	823	918
Number of employees	No.	930	-	-	-	-	-
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 E1-6)		2015	2021	2022	2023	2024	2024
Scope 1	tCO2e	86.3	30.4	28.9	31.6	30.5	33.2
Scope 2 (Location-based)	tCO2e	95.2	64.5	43.4	41.0	34.4	39.2
Scope 2 (Market-based)	tCO2e	95.2	64.5	43.4	25.9	23.7	27.1
Scope 3	tCO2e	273.4	255.0	493.5	603.5	621.1	684.7
Total emissions scope 1 & 2 (Market-based)	tCO2e	181.5	94.9	72.3	57.5	54.2	60.3
Total emissions with carbon offsets (scope 1 & 2) (Market-based)	tCO2e	181.5	-405.1	-527.7	-592.5	-621.1	-689.7
Total emissions scope 1, 2 (Market-based) & 3	tCO2e	454.9	349.9	565.8	660.9	675.3	745.0
Total emissions neutralised by carbon offsets projects	tCO2e	0.0	500.0	600.0	650.0	675.3	750.0
Total emissions with carbon offsets scope 1, 2 (Market-based) & 3	tCO2e	454.9	-150.1	-34.2	10.9	0.0	-5.0
Emissions intensity scope 1 & 2 (Location-based) (E2   UNGC-P7, P8   GRI: 305-4   SDG 13   ESRS E1-6)		2015	2021	2022	2023	2024	2024
Emission intensity of energy consumption	kgCO2e/MWh	19.5	11.8	14.7	15.6	11.9	11.9
Emissions intensity of employees	tCO2e/No.	-	0.14	0.09	0.09	0.08	0.08
Emission intensity per total assets	tCO2e/ billion ISK	0.18	0.07	0.05	0.05	0.04	0.04
Emission intensity of total revenue	tCO2e/ billion ISK	2.10	1.63	1.35	1.17	1.02	1.09





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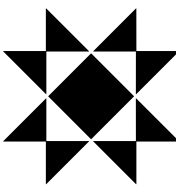
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Emissions intensity scope 1, 2 (Location-based) & 3 (E2   UNGC-P7, P8   GRI: 305-4   SDG 13)		Unit	2015	2021	2022	2023	2024	2024
Emission intensity of energy consumption		kgCO2e/MWh	48.9	43.4	114.9	145.2	125.6	124.3
Emissions intensity of employees		tCO2e/No.	-	0.51	0.74	0.83	0.83	0.81
Emission intensity per total assets		tCO2e/ billion ISK	0.4	0.27	0.39	0.45	0.43	0.47
Emission intensity of total revenue		tCO2e/ billion ISK	5.3	6.01	10.54	10.94	10.74	11.39
Direct & indirect energy consumption (E3   UNGC-P7, P8   GRI: 302-1   SDG 12   ESRS E1-5)			2015	2021	2022	2023	2024	2024
Total energy consumption		kWh	9,299,092	8,058,073	4,924,129	4,656,978	5,462,754	6,092,130
Of which energy from fossil fuel		kWh	1,020,651	124,408	118,707	120,848	116,894	127,668
Of which energy from electricity		kWh	4,032,727	2,518,111	1,822,163	1,765,819	1,897,472	2,130,512
Of which energy from hot water		kWh	4,931,278	5,415,554	2,983,259	2,770,311	3,448,387	3,833,950
Energy intensity (E4   UNGC-P7   GRI: 302-3   SDG 12   ESRS E1-5)			2015	2021	2022	2023	2024	2024
Energy per employee		kWh/No.	-	11,833	6,420	5,728	6,566	6,530
Energy intensity per total assets		kWh/billion ISK	9,198	6,132	3,378	3,090	3,422	3,765
Energy intensity per total revenue		kWh/billion ISK	107,380	138,384	91,731	75,343	85,521	91,679
Energy mix (Location-based) (E5   GRI: 302-1   SDG 7   ESRS E1-5)			2015	2021	2022	2023	2024	2024
Fossil fuel		%	11.0	1.5	2.4	2.6	2.1	2.1
Renewable energy		%	83.8	98.5	97.6	97.4	97.9	97.9
Nuclear energy		%	5.2	0.0	0.0	0.0	0.0	0.0
Water consumption (E6   UNGC-P7   GRI: 303-5   SDG 6   ESRS E3-4)			2015	2021	2022	2023	2024	2024
Total water consumption		m³	169,856	171,893	106,747	107,860	120,062	133,995
Cold water		m³	63,670	55,279	42,508	48,206	45,808	51,438
Hot water		m³	106,186	116,614	64,239	59,654	74,255	82,557
Environmental operations (E7   GRI: 2.23   ESRS E1-2)			2015	2021	2022	2023	2024	2024
Environmental Policy approved by the board		Yes/No	-	Yes	Yes	Yes	Yes	-
Company follows specific waste, water, energy, and/or recycling policies		Yes/No	-	Yes	Yes	Yes	Yes	-
Company uses a recognised energy management system		Yes/No	-	No	No	No	No	No





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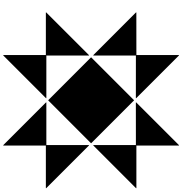
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Climate oversight / board (E8   GRI: 2.12   ESRS E1-2)		2015	2021	2022	2023	2024	2024
Board of Directors oversees and/or manages climate-related risks	Yes/No	-	Yes	Yes	Yes	Yes	-
Climate oversight / management (E9   GRI: 2.13   ESRS E1-2)		2015	2021	2022	2023	2024	2024
Senior Management Team oversees and/or manages climate-related risks	Yes/No	-	Yes	Yes	Yes	Yes	-
Climate risk mitigation (E10)		2015	2021	2022	2023	2024	2024
Total annual investment in climate-related infrastructure, resilience, and product development	Billion ISK	-	-	-	-	-	-
Paper management		2015	2021	2022	2023	2024	2024
Total amount of printed paper	pages	1,560,173	425,431	327,073	209,070	246,352	276,258
Of which color print	pages	441,383	181,201	135,077	85,651	94,733	106,234
Of which black/white print	pages	1,118,790	244,230	191,996	123,419	151,619	170,024
Duplex	pages	834,110	78,076	57,462	105,491	76,162	85,408
Waste management (GRI: 306-3, 306-4, 306-5   ESRE E5-5)		2015	2021	2022	2023	2024	2024
Total waste generated	kg	119,992	137,284	137,743	68,512	63,908	71,237
Of which sorted waste	kg	49,068	72,910	110,389	49,953	46,035	51,653
Of which unsorted waste	kg	68,404	64,375	27,371	18,559	17,873	19,584
Recycled/recovery	kg	48,558	72,024	126,528	49,534	46,004	51,618
Landfill/disposal	kg	71,434	65,260	11,232	1,163	1,428	1,446
Percentage of sorted waste	%	40.9	53.1	80.1	72.9	72.0	72.5
Percentage of recycled waste	%	40.5	52.5	91.9	72.3	72.0	72.5
Emission in scope 3 (GRI: 305-3   ESRS E1-6)		2015	2021	2022	2023	2024	2024
Category 1 – Purchased goods and services	tCO2e	-	-	57.4	22.3	71.6	80.3
Category 5 – Waste from operations	tCO2e	34.7	30.0	7.5	14.1	14.4	15.7
Category 6 – Business trips	tCO2e	238.6	37.1	180.7	280.0	219.9	247.2
Flights	tCO2e	238.6	33.7	178.2	277.3	218.3	245.3
Taxi	tCO2e	-	3.4	2.5	2.7	1.6	1.9
Category 7 – Emissions from employees commuting	tCO2e	-	187.9	220.9	269.0	290.6	315.5
Category 8 – Emissions from upstream leased assets	tCO2e	-	-	22.3	5.5	12.0	12.4
Category 13 – Emission from downstream leased assets	tCO2e	-	-	4.7	4.7	5.3	5.3
Category 15 - Investments	tCO2e	See chapter: Financed emissions					





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Carbon offsets (GRI: 305-5   ESRS E1-7)		2015	2021	2022	2023	2024	2024
Total emissions offset	tCO2e	0	500	600	650	675	750
Does a third party verify carbon offset projects?	Yes/No	-	No	Yes	Yes	Yes	Yes
Total fuel consumption (UNGC-P7   GRI: 302-1   ESRS E1-5)		2015	2021	2022	2023	2024	2024
Total fuel consumption in litres	litres	33,457	13,049	12,508	12,768	12,373	13,542
Petrol	litres	2,916	7,763	8,011	8,276	8,317	9,486
Diesel oil	litres	30,541	5,286	4,497	4,492	4,056	4,056

### KPMG’s role

KPMG ehf. was engaged to assist with the preparation of the environmental accounts of Arion Bank for 2024. The Bank is responsible for overall disclosure and therefore ensuring that the provided data, on which the analysis is based, is correct. KPMG examined 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 looked at links to the forthcoming ESRS. The work carried out by KPMG does not involve auditing 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 as defined in the GHG protocol  
Scope 2: Indirect emissions from the company’s activities as defined in 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.

Categories in Scope 3 calculated in Arion's 2024 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, biowaste from canteen was estimated)  
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 with data from service providers)  
Category 13: Downstream leased assets (electricity & hot water consumption – emissions from Vörður and Stefñir with data from service providers)  
Category 15: Investments (partially included in Bank’s PCAF analysis)

Categories in Scope 3 excluded in Arion's 2024 environmental accounts  
Category 2: Capital goods  
Category 4: Upstream transportation and distribution"

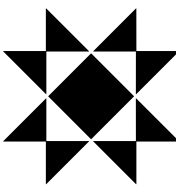
Categories in Scope 3 which do not apply to Arion's supply chain  
Category 9: Downstream transportation and distribution  
Category 10: Processing of sold products  
Category 11: Use of sold products  
Category 12: End-of-life treatment of sold products  
Category 14: Franchises

### Notes

The technical criteria used in the environmental accounts are defined terms which have been published by the international accounting standard GHG Protocol. This includes Scopes 1, 2 and 3 and the 15 categories in Scope 3. The technical criteria for these scopes were followed when collecting data and performing calculations. Arion Bank purchased certificates of origin for the electricity which the Bank, Vörður and Stefñir used in 2024. Emissions in Scope 2 from electricity consumption are therefore published both as location-based and market-based emissions. Information on financed emissions appears in the section Financed emissions. The accounts for 2019-2023 are unchanged between years, except for emissions from energy consumption (Scope 2), since the figures were updated according to revised emissions factors for electricity and hot water consumption. Emissions from energy consumption in the reference year 2015 remained unchanged. Figures for printing were revised according to the most recent data for 2015 and 2019-2024, and figures for waste production and coffee consumption were updated using revised emissions factors in 2023 and revised methodology on the categori- zation of printing and computer equipment between different companies in the Group. Please note that other emissions factors may have been used in previous years.







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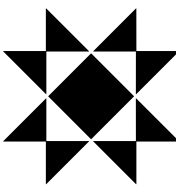
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CEO Pay Ratio (S1   GRI 2-21   UNGC-P6   ESRS S1-16)	Unit	2020	2021	2022	2023	2024	2024
CEO Salary & Bonus (X) to median FTE Salary	X:1	5.61	5.7	6.8	6.3	6.2	6.2
CEO Salary & Bonus (X) to average FTE Salary	X:1	-	-	-	-	5.3	5.2
Does your company report this metric in regulatory filings?	Yes/no	No	No	No	No	No	No
Gender Pay Ratio (S2   GRI 405-2   UNGC-P6   ESRS S1-16)		2020	2021	2022	2023	2024	2024
Median total compensation for men (X) to median total compensation for women	X:1	1.51	1.43	1.29	1.28	1.26	1.24
Avg. total compensation for men (X) to avg. total compensation for women	X:1	-	-	-	1.24	1.23	1.21
Outcome of equal pay certification	%	1.02	0,10	0.40	0.20	0.40	0.40
Employee Turnover (S3.1   GRI 401-1 b.   UNGC-P6)		2020	2021	2022	2023	2024	2024
Employee Turnover	%	10.5	15.5	12	10.2	12.3	12.1
Left voluntarily	%	6.5	7.8	7.9	7.9	6.5	6.5
Left due to dismissal	%	3.9	6.8	3.1	1.2	4.9	4.8
Retired	%	0.1	0.9	1.0	1.1	0.9	0.8
Employee Turnover by gender							
Women	%	68.0	62.1	58.8	56.6	53.1	52.4
Men	%	32.0	37.9	41.2	43.4	46.9	47.6
Employee Turnover by age							
Aged 20-29	%	28.0	13.6	24.7	29.0	25.0	22.9
Aged 30-39	%	32.5	28.2	32.9	27.6	24.0	23.8
Aged 40-49	%	21.0	34.0	23.5	23.7	20.8	24.8
Aged 50-59	%	13.0	17.5	7.1	10.5	22.9	21.9
Aged 60-69	%	5.5	6.8	11.8	9.2	7.3	6.7





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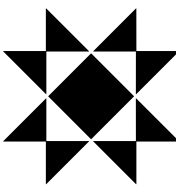
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Employee Turnover by region							
Greater Reykjavík Area	%	61.3	80.6	83.5	85.5	78.1	80.0
Outside Greater Reykjavík Area	%	39.7	19.4	16.5	14.5	21.9	20.0
Gender Diversity (S4.1   GRI 2-7 c.   UNGC-P6   ESRS S1-6 )		2020	2021	2022	2023	2024	2024
Total number of employees at the end of the year	no.	698	681	767	813	823	918
Women	no.	-	-	-	-	470	520
Men	no.	-	-	-	-	353	398
Other	no.	-	-	-	-	<5	<5
Not reported	no.	-	-	-	-	<5	<5
Women	%	63.8	59.5	58.3	56.9	57.1	56.6
Full-time	%	56.3	50.8	50.6	48.9	51.2	50.9
Part-time	%	7.5	8.7	7.7	8.0	6.0	5.8
Men	%	36.3	40.5	41.7	43.1	42.9	43.4
Full-time	%	34.5	37.3	37.7	38.3	39.3	39.9
Part-time	%	1.7	3.2	4.0	4.8	3.7	3.5
Equality (S4.2, S4.3   GRI 401-3 a., b., c., GRI 405-1   UNGC-P6   ESRS S1-6   ESRS S1-9   ESRS S1-15)		2020	2021	2022	2023	2024	2024
Board of Directors							
Women	%	42.9	40.0	40.0	50.0	60.0	53.3
Men	%	57.1	60.0	60.0	50.0	40.0	46.7
Age of Board of Directors							
Aged 20-29	%	0	0	0	0	0	0
Aged 30-39	%	0	0	0	0	0	6.7
Aged 40-49	%	28.6	20.0	0	0	0	6.7
Aged 50-59	%	57.1	60.0	60.0	66.6	80.0	53.3
Aged 60-69	no.	0	0	20.0	16.7	20.0	33.3
Aged 70-79	%	14.3	20.0	20.0	16.7	0	0
All Management			77	85	95	98	115
Women	%	43.0	45.5	45.9	44.2	48.0	48.7
Men	%	57.0	54.5	54.1	55.8	52.0	51.3





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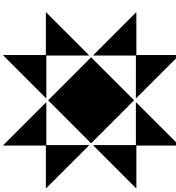
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<b>Managing directors</b>	<b>No.</b>	9	9	9	8	14
Women	%	42.9	44.4	33.3	33.3	42.9
Men	%	57.1	55.6	66.7	66.7	57.1
<b>Heads of Departments</b>	<b>No.</b>	37	40	42	39	47
Women	%	35.3	37.8	40.0	38.1	44.7
Men	%	64.7	62.2	60.0	61.9	55.3
Team Leaders	%	9	14	20	33	36
Women	%	42.9	33.3	42.9	40.0	47.2
Men	%	57.1	66.7	57.1	60.0	52.8
<b>Account managers and service managers</b>	<b>No.</b>	12	13	18	18	18
Women	%	61.1	75	76.9	72.2	66.7
Men	%	38.9	25	23.1	27.8	33.3
<b>Age of Management</b>						
Aged 20-29	%	0	0	0	1.0	0.9
Aged 30-39	%	16.7	13	15.3	17.9	18.3
Aged 40-49	%	60.3	63.6	54.1	51.6	53.9
Aged 50-59	%	16.7	15.6	22.4	23.2	21.7
Aged 60-69	%	6.4	7.8	8.2	6.3	5.2
<b>Age of Employees</b>						
Aged 18-19	%	-	0.3	0.9	0.6	0.2
Aged 20-29	%	14.0	17.3	20.0	23.3	24.9
Aged 30-39	%	24.1	21.7	20.0	19.8	21.5
Aged 40-49	%	33.4	32	28.0	26.0	24.2
Aged 50-59	%	22.1	22	23.7	22.6	21.5
Aged 60-69	%	6.3	6.6	7.4	7.8	7.7
<b>Parental Leave</b>						
Number of women entitled to maternity leave	No.	445	405	447	463	520
Number of women who took maternity leave	No.	28	24	29	23	34
Number of women that returned to work after maternity leave	No.	-	15	7	16	10
Number of men entitled to paternity leave	No.	254	276	320	350	398
Number of men who took paternity leave	No.	31	25	28	26	3
Number of men that returned to work after paternity leave	No.	-	25	28	26	31





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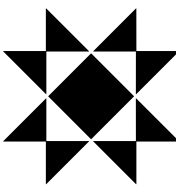
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<b>Family-related leave</b>							
Employees entitled to take family-related leave	%	-	-	-	-	100	100
Percentage of entitled employees that took family-related leave	%	-	-	-	-	6.9	7.1
Women	%	-	-	-	-	3.6	3.7
Men	%	-	-	-	-	3.3	3.4
<b>Employment type (S5.1   GRI 2-7 a., b. i, ii, iv, v, GRI 401-1 a.   UNGC-P6   ESRS S1-6   ESRS S1-7)</b>		<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2024</b>
<b>Percentage of People Employed on Permanent Basis</b>	%	94.9	92.7	91.92	91.0	92.0	91.6
Women	%	60.7	55.8	54.5	53.0	53.5	52.7
Men	%	34.2	36.9	37.4	38.0	38.5	38.9
<b>Percentage of People Employed on Temporary Basis</b>	%	5.0	7.3	8.1	9.0	8.0	8.4
Women	%	3.0	3.7	3,8	3.9	3.7	3.9
Men	%	2.0	3.7	4.3	5.0	4.4	4.5
<b>Number of non-guaranteed hours employees</b>	No.	-	-	-	-	-	52
Women	No.	-	-	-	-	-	25
Men	No.	-	-	-	-	-	27
<b>Employees by Residence</b>							
Greater Reykjavik Area	%	84.8	82.4	81.5	87.0	90.0	91.1
Employees on a Permanent Basis	%	81.1	77.1	76.3	80.2	82.4	83.0
Employed on Temporary Basis	%	3.7	5.3	5.22	6.8	7.7	8.1
Outside Greater Reykjavik Area	%	15.2	17.6	18.51	13.0	10.0	8.9
Employees on a Permanent Basis	%	13.9	15.6	15.7	10.8	9.6	8.6
Employed on Temporary Basis	%	1.3	2.1	2.9	2.2	0.4	0.3
Employees in Iceland	No.	-	-	-	-	823	918
Number of New Employees	No.	31	43	72	93	84	99
Percentage of new employees	%	4.4	6.3	9.4	11.4	10.2	10.8





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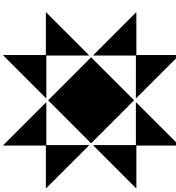
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Gender of new employees							
Women	%	42.0	27.9	48.6	50.0	61.9	62.6
Men	%	58.0	72.1	51.4	50.0	38.1	37.4
Age of new employees							
Aged 20-29	%	29.0	53.5	41.7	43.0	41.7	37.4
Aged 30-39	%	38.7	20.9	25.0	25.0	31.0	34.3
Aged 40-49	%	32.3	14.0	16.7	18.0	19.1	18.2
Aged 50-59	%	0	11.6	16.7	7.0	6.0	8.1
Aged 60-69	%	0	0	0	0	2.4	2.02
New employees by residence							
Greater Reykjavik Area	%	80.6	83.7	87.5	88.3	88.1	88.9
Outside Greater Reykjavik Area	%	19.4	16.3	12.5	11.7	11.9	11.1
Total number of non-employees	No.	-	-	282	287	287	301
Training for Employees (GRI 404-1  ESRS S1-13   ESRS G1-3)		2020	2021	2022	2023	2024	2024
Avg. hours of training in total	hours	6.4	7.1	17.1	23.0	26.1	25.4
Women	hours	8.0	8.4	18.8	22.7	27.5	26.9
Men	hours	3.7	5.2	14.3	23.3	24.4	23.4
Management	hours	13.6	13.0	32.2	44.9	37.2	36.5
Employees	hours	5.5	6.4	15.0	20.1	24.6	23.8
Functions-at-risk covered by anti-corruption and anti-bribery training programmes	%	-	-	-	-	98.5	98.5
Percentage of employees that participate in regular performance and career development reviews							
Women	%	-	-	-	-	-	-
Men	%	-	-	-	-	-	-
Non-Discrimination Policy (S6   GRI 406-1 a.   UNGC-P6  ESRS S1-12   ESRS S1-1   ESRS G1-5)		2020	2021	2022	2023	2024	2024
Policy to ensure equal opportunities and terms for all genders	Yes/no	Yes	Yes	Yes	Yes	Yes	Yes
Policy against bullying, sexual harassment, gender based harassment and violence	Yes/no	Yes	Yes	Yes	Yes	Yes	Yes
Bullying, sexual harassment, gender-based harassment and violence*	No.	2	1	1	2	2	2
Complaints filed through other channels for people in the undertaking's own workforce to raise concerns	No.	-	-	-	-	-	-
Total amount of fines, penalties, and compensation for damages as a result of the incidents and complaints disclosed above	ISK	-	-	-	-	0	0





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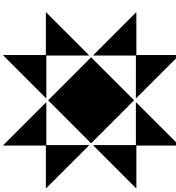
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Number of severe human rights incidents connected to the undertaking’s workforce in the reporting period	No.	-	-	-	-	0	0
Total amount of fines, penalties and compensation for damages for human rights incidents	ISK	-	-	-	-	0	0
Percentage of persons with disabilities amongs employees	%	-	-	-	-	-	-
*Number of cases examined and/or formal complaint made							
Health and safety of employees (S7, S8   SDG 3   GRI 403-1   ESRS S1-14)		2020	2021	2022	2023	2024	2024
Accidents in workplace and to and from work	No.	6	3	4	1	4	6
Health indicators	%	96.8	96.6	96.0	96.7	97.1	97.3
Health and Safety Policy	Yes/No	-	Yes	Yes	Yes	Yes	Yes
Percentage of people in own workforce who are covered by health and safety management systems	%	-	-	-	-	100	100
Cases of recordable work-related ill health	No.	-	-	-	-	-	-
Days lost to work-related injuries and fatalities from work-related accidents, work-related ill health and fatalities from ill health	No.	-	-	-	-	-	-
Number of fatalities							
As a result of work-related injuries	No.	-	-	-	-	-	-
As a result of work-related ill health	No.	-	-	-	-	-	-
Work-related accidents							
Number	No.	-	-	-	-	1	1
Rate		-	-	-	-	-	-
Child & Forced Labor (S9   UNGC-P4, P5   SDG)		2020	2021	2022	2023	2024	2024
Child and/or forced labor policy	Yes/No	No	No	No	No	No	No
Human Rights (S10   UNGC-P1, P2   SDG 4, 10, 16)		2020	2021	2022	2023	2024	2024
Human rights as part of equal-rights policy	Yes/No	Yes	Yes	Yes	Yes	Yes	Yes





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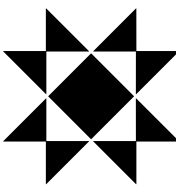
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Collective bargaining coverage and social dialog (ESRS S1-8)		2020	2021	2022	2023	2024	2024
Percentage of employees covered by collective bargaining agreements	%	99.4	98.7	97.4	97.2	97.2	96.8
One or more collective bargaining agreements	No.	-	-	-	-	2	3
Global percentage of employees covered by workers' representatives	%	99.4	98.7	97.4	97.2	97.2	96.8
Of which in Iceland	No.	-	-	-	-	800	888
Other		2020	2021	2022	2023	2024	2024
Percentage of employees using the sports grant	%	-	-	86.0	86.8	89.8	89.3
Percentage of employees using the travel allowance	%	-	-	10.0	28.9	30.5	30.7
Average age of employees	Age	-	-	-	41.4	41.1	40.9
Average length of employment at Bank	Age	-	-	-	10.2	9.9	9.4
Percentage of employees belonging to union	%	99.4	98.7	97.4	97.2	97.2	96.8
Percentage of employees not belonging to union	%	0.6	1.3	2.6	2.8	2.8	3.2







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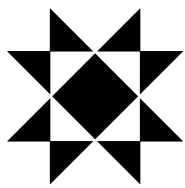
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		Arion banki				
Board - Separation of Powers (G1   GRI 2-9   SDG 10)	Unit	2020	2021	2022	2023	2024
Total number of board members	No.	7	5	5	6	5
Women	No.	3	2	2	3	3
Men	No.	4	3	3	3	2
Gender ratio in the committees chaired by the board						
Women	%	20.0	60.0	60.0	60.0	80.0
Men	%	80.0	40.0	40.0	40.0	20.0
Board Independence (G2   GRI 2-9)		2020	2021	2022	2023	2024
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





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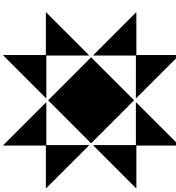
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Remuneration Policy (G3   GRI 2-19)		2020	2021	2022	2023	2024
Performance-related incentives for management	Yes/No	No	No	Yes	Yes	Yes
In regards to finance and corporate governance	Yes/No	No	No	Yes	Yes	Yes
In regards to non-financial factors	Yes/No	-	-	-	Yes	Yes
Collective Bargaining (G4   GRI 2-30   UNGC-P3   SDG 8)		2020	2021	2022	2023	2024
Employees in labour unions	%	99.4	98.7	97.4	97.2	97.2
Employees outside labour unions	%	0.6	1.3	2.6	2.8	2.8
Percentage of people working in accordance with labour market laws	%	100	100	100	100	100
Suppliers (G5   GRI 308-1, GRI 414-1   UNGC-P2, P3, P4, P8   SDG 12)		2020	2021	2022	2023	2024
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)		2020	2021	2022	2023	2024
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





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Data Privacy (G7   GRI 418-1)		2020	2021	2022	2023	2024
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)		2020	2021	2022	2023	2024
Does the company publish a sustainability report?	Yes/No	Yes	Yes	Yes	Yes	Yes
Disclosure Practices (G9)		2020	2021	2022	2023	2024
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)		2020	2021	2022	2023	2024
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 2024 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 2024 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 2024. 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 2024 which is presented in accordance with GRI Standards and the Nasdaq ESG Reporting Guide.

### GRI 3-1, GRI 3-2 and GRI 3-3 Process for selecting and managing material topics

The implementation of GRI 3 2021 has yet to be completed at Arion Bank, but the chief focus in 2024 was on incorporating 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 for 2025, and this will be assessed with respect to how reporting at European financial institutions develops. This year reporting at Arion Bank continues to be based on GRI 1 2021, GRI 2 2021 and GRI 3 2021.

The selection of material topics for the 2024 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 the requirements of the soon to be implemented CSRD, 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 Responsible Business.

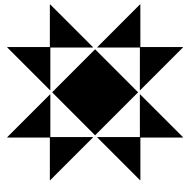
All material topics and their boundaries in the GRI Index refer to Arion Bank. The Bank's subsidiaries are not included in this index unless specifically stated.



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 2024 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 was defined as part of the Bank’s risk management system.

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:

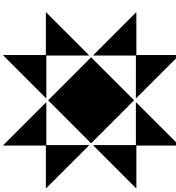
- Arion Bank’s strategy**
- Sustainability policy**
- Risk policy on sustainability**
- Environment and climate policy**
- Human resources policy**
- Equality and human rights policy**
- Health and safety policy**
- Code of ethics**
- Code of ethics for suppliers**
- Rules on handling complaints**
- Data protection notice**
- Rules on measures against money laundering and terrorist financing**
- Rules on handling conflicts of interest**
- 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:**

**GRI Standards index**





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# ESRS Index

For the first time this year we are publishing an index for the European Sustainability Reporting Standard which forms part of the requirement for the forthcoming transposition of the Corporate Sustainability Reporting Directive (CSRD) into Icelandic law.

At Arion we have laid the foundation for reporting based on ESRS and this year we took further steps towards meeting the requirements made by the standard. This helps us prepare for the forthcoming implementation of CSRD in Iceland.

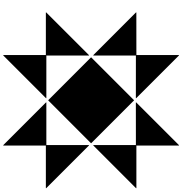
Arion’s ESRS Index is set to up in such a way that it refers to published material which is partly and/or wholly linked to specific requirements or data points. The implementation process is far from complete and in the coming years Arion will continue to work on implementation and to develop a due diligence process in connection with it.

<b>ASR</b>	Annual and Sustainability Report 2024	<b>SA-S</b>	Sustainability accounts - Social factors
<b>SA-E</b>	Sustainability accounts - Environmental factors	<b>SA-G</b>	Sustainability accounts - Governance factors

**Disclosure requirement**

ESRS 2	General disclosures	Section	Pages	Additional information
BP-1	General basis for preparation of the sustainability statement	ASR	p.60,68,73-74	
BP-2	Disclosures in relation to specific circumstances	-	-	Does not apply
GOV-1	The role of the administrative, management and supervisory bodies	ASR	p.47,49-55,65-66,	
GOV-2	Information provided to and sustainability matters addressed by the undertaking's administrative, management and supervisory bodies	ASR	p.65-66	
GOV-3	Integration of sustainability-related performance in incentive schemes	ASR	p.48,66	arionbankis/english/about-us/corporate-governance/
GOV-4	Statement on sustainability due diligence	-	-	
GOV-5	Risk management and internal controls over sustainability reporting	ASR	p.65-66	Pillar 3 Risk Disclosures
SBM-1	Strategy, business model and value chain	ASR / SA-G	p.2,56-61,75-84	Financial Statements 2024, Pillar 3 Risk Disclosures
SBM-2	Interests and views of stakeholders	ASR	p.68-74,108-110	
SBM-3	Material impacts, risks and opportunities and their interaction with strategy and business model	ASR	p.68-75,84,99,107-110	
IRO-1	Description of the process to identify and assess material impacts, risks and opportunities	ASR	p.68-74	
IRO-2	Disclosure requirements in ESRS covered by the undertaking's sustainability statement	ASR	p.135-137	





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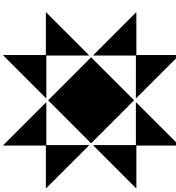
**Disclosure requirement**

ESRS E1	Climate Change	Section	Pages	Additional information
ESRS 2 GOV-3	Integration of sustainability-related performance in incentive schemes	ASR	p.66	
E1-1	Transition plan for climate change mitigation	ASR	p.75-76,82,93-98	
ESRS 2 SBM-3	Material impacts, risks and opportunities, and their interaction with strategy and business model	ASR	p.68-74,98	Pillar 3 Risk Disclosures
ESRS 2 IRO-1	Description of the processes to identify and assess material climate-related impacts, risks and opportunities	ASR	p.68-74	
E1-2	Policies related to climate change mitigation and adaptation	ASR	p.85	
E1-3	Actions and resources in relation to climate change policies	ASR	p.75-78,82-83,88-91,97-98	
E1-4	Targets related to climate change mitigation and adaptation	ASR	p.59,86-87,97	
E1-5	Energy consumption and mix	SA-E	p.119-122	
E1-6	Gross Scopes 1, 2, 3 and total GHG emissions	SA-E	p.119-122	
E1-7	GHG removals and GHG mitigation projects financed through carbon credits	ASR / SA-E	p.90,119-122	
E1-8	Internal carbon pricing	-	-	Arion has not introduced a system on internal carbon pricing into its business.
E1-9	Potential financial effects from material physical and transition risks and potential climate-related opportunities	-	-	This information is still being processed and is currently unavailable.

**Disclosure requirement**

ESRS S1	Own workforce	Section	Pages	Additional information
ESRS 2 SBM-2	Interests and views of stakeholders	ASR	p.101-106, 109	
ESRS 2 SBM-3	Material impacts, risks and opportunities and their interaction with strategy and business model	ASR	p.67-74, 99-106	
S1-1	Policies related to own workforce	ASR	p.100	arionbanki.is/organization/humanresources
S1-2	Processes for engaging with own workers and workers' representatives about impacts	ASR	p.101-106, 109	
S1-3	Processes to remediate negative impacts and channels for own workers to raise concerns	ASR	p.101-106, 109	
S1-4	Taking action on material impacts on own workforce, and approaches to mitigating material risks and pursuing material opportunities related to own workforce, and effectiveness of those actions	ASR	p.99-106	
S1-5	Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities	ASR	p.59, 102-106	
S1-6	Characteristics of the undertaking's employees	SA-S	p.123-129	
S1-7	Characteristics of non-employee workers in the undertaking's own workforce	ASR / SA-S	p.123-130	
S1-8	Collective bargaining coverage and social dialogue	SA-S	p.109, 123-131	
S1-9	Diversity metrics	SA-S	p.123-132	
S1-10	Adequate wages	SA-S	p.123-133	
S1-11	Social protection	SA-S	p.123-134	
S1-12	Persons with disabilities	SA-S	p.123-135	
S1-13	Training and skills development metrics	ASR	p.103, 106	
S1-14	Health and safety metrics	ASR	p.105	
S1-15	Work-life balance metrics	ASR	p.105	
S1-16	Remuneration metrics (pay gap and total remuneration)	SA-S	p.123-129	
S1-17	Incidents, complaints and severe human rights impacts	SA-S	p.123-129	





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ESRS S4	Consumers and end-users	Section	Pages	Additional information
ESRS 2 SBM-2	Interests and views of stakeholders	ASR	p. 108-110	
ESRS 2 SBM-3	Material impacts, risk and opportunities and their interaction with strategy and business model	ASR	p. 68-74, 79-81, 107-116	
S4-1	Policies related to consumers and end-users	ASR	p. 111	
S4-2	Processes for engaging with consumers and end-users about impacts	ASR	p. 108-110	
S4-3	Processes to remediate negative impacts and channels for consumers and end-users to raise concerns	ASR	p. 108-110	
S4-4	Taking action on material impacts on consumers and end-users, and approaches to managing material risks and pursuing material opportunities related to consumers and end-users, and effectiveness of those actions	ASR	p. 79-81, 107-117	
S4-5	Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities	ASR	p. 66, 80, 106	

**Disclosure requirement**

ESRS G1	Business conduct	Section	Pages	Additional information
ESRS 2 GOV-1	The role of the administrative, supervisory and management bodies	ASR / SA-G	p. 49-55	
ESRS 2 IRO-1	Description of the processes to identify and assess material impacts, risks and opportunities	ASR	p. 68-74	
G1-1	Business conduct policies and corporate culture	ASR / SA-G	p. 47, 57, 67	Pillar 3 Risk Disclosures
G1-2	Management of relationships with suppliers	ASR / SA-G	p. 67	arionbanki.is/english/about-us/more/rules-and-terms/
G1-3	Prevention and detection of corruption and bribery	ASR / SA-S / SA-G	p. 66, 106	Pillar 3 Risk Disclosures
G1-4	Incidents of corruption or bribery	Pillar 3 Risk Disclosures		
G1-5	Political influence and lobbying activites	ASR	p. 113	
G1-6	Payment practices	ASR	p. 67	





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# Responsible Banking Progress Statement for Arion Bank 2024



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.

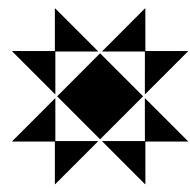
In 2019, the Bank became a founding signatory to Principles for Responsible Banking (PRB) which were developed by 30 international banks and UNEP FI. The Principles are designed to align banking with international goals and commitments and to foster greater ambition in sustainable financial activities.

Arion Bank has published a progress report on the implementation of PRB into its activities annually. Arion Bank's 2024 Annual and Sustainable Report provides in-depth coverage of sustainability at the Group in accordance GRI Standards, Nasdaq ESG Reporting Guide, and, to an increasing extent, the European Sustainability Reporting Standards. In accordance with new PRB requirements we are not publishing a special progress report but instead a progress statement.



**Responsible Banking  
Progress Statement  
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### Auditor's opinion

# Independent Auditor's Assurance Report

## To the Management and the stakeholders of Arion Banki hf.

We have been engaged by Arion Banki hf. to provide limited assurance on Arion Bank's GRI index disclosed according to Global Reporting Initiative standard and non-financial information disclosed according to Nasdaq ESG reporting guide, ("the Reports") in Arion Bank's Sustainability report for the year 2024.

### 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 2024.

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 mis-statement, whether due to fraud or error.

## 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 mis-statement.

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 31.12.2024 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.

Kópavogur, 19th February 2025  
**Deloitte ehf.**  
**Gunnar Þorvarðarson**  
State-Authorised Public Accountant