



Aðalfundur Arion banka hf.

Annual General Meeting of Arion Bank hf.

Benedikt Gíslason bankastjóri / CEO

12. mars 2025 / 12 March 2025

The long-term roadmap for Arion

- We've focused on a clear strategy to fulfill our purpose.
- Our medium-term strategy is outlined during our semi-annual capital markets day, including our market view.
- Guidance is also provided in our annual and sustainability reports, quarterly results, and published medium-term targets.
- Risk disclosures are detailed, and the industry is highly regulated.
- There's an increased focus on not just Iceland, but the Arctic region as a whole, with long-term ambitions
- Remuneration emphasizes long-term thinking for all employees, promoting a "one team" approach.

Reason for being

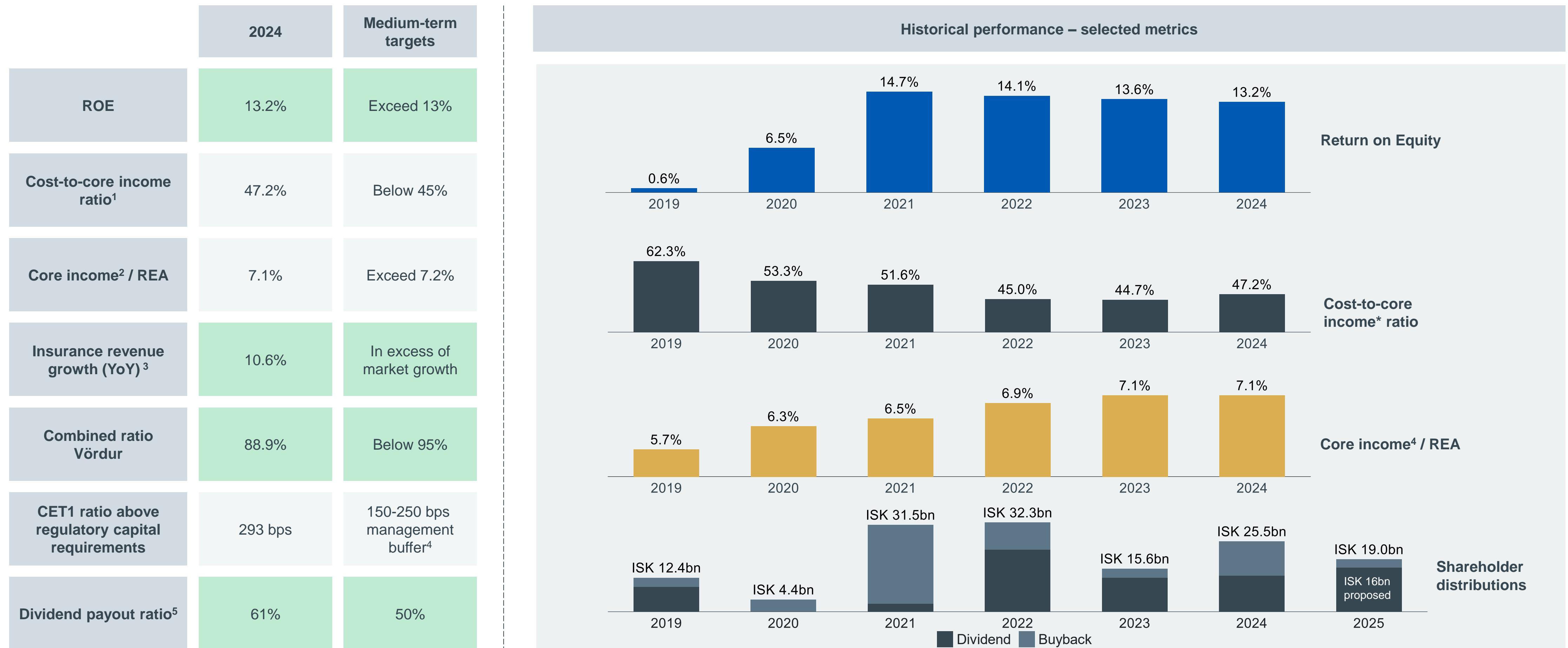
- **Our mission** is to help those who want to achieve success in Iceland and the Arctic through smart and reliable financial solutions which enhance financial health and create sustainable value.
- **Our vision** is to be the best at meeting the needs of our target groups – a leader which is a driver of success for our customers and society as a whole.
- **Our purpose** is to unleash the power of the new North

Our strategy, operations and guidance



Solid 13.2% ROE in 2024 and a dividend proposal of ISK 11.5 per share

Ongoing track record of delivering on key financial targets



1) Cost to core income ratio: Operating expenses, including opex from insurance operation / Core income

2) Core income: Net interest income, net fee and commission income and insurance service results (excluding opex)

3) Insurance revenue growth in the domestic insurance market in 9M 2024 was 9.6%

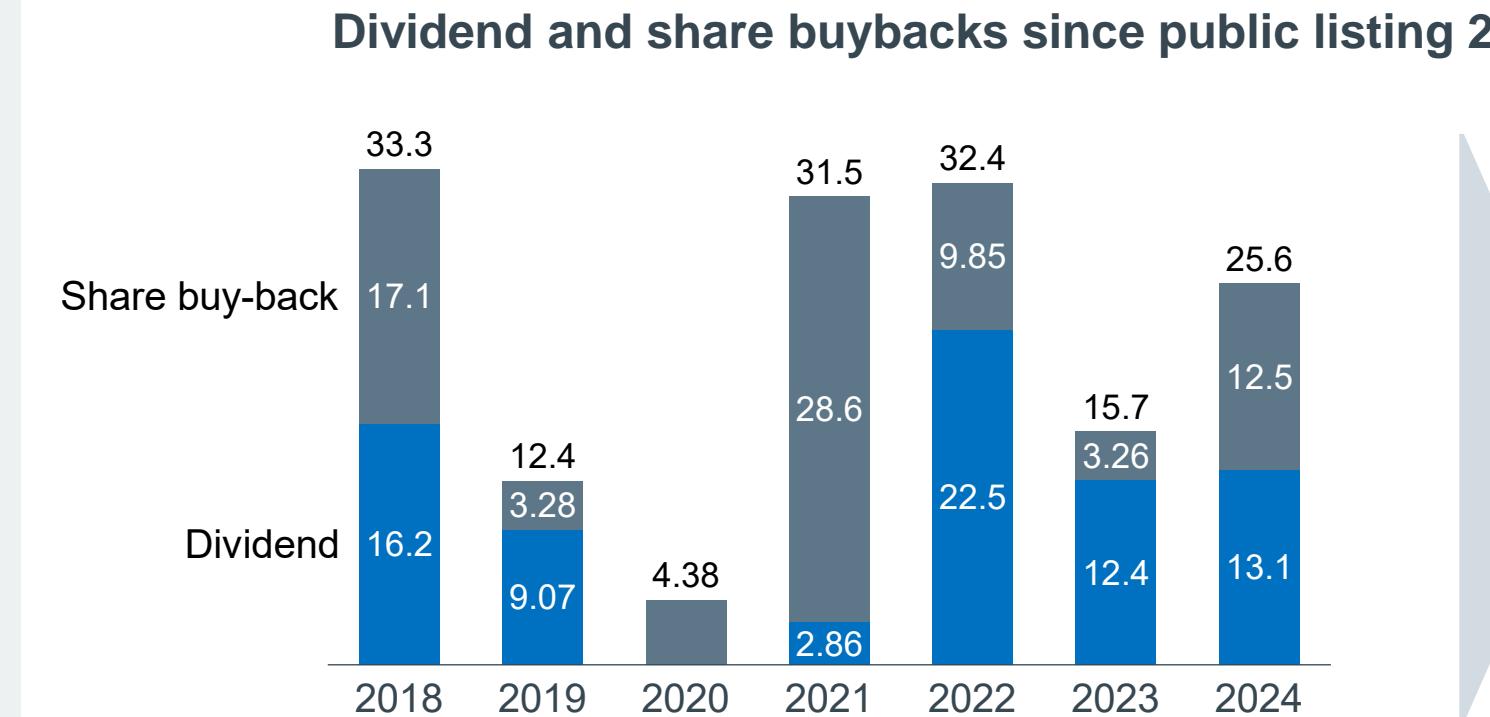
4) Approx.16.8 - 17.8%

5) Pay-out ratio of approximately 50% of net earnings attributable to shareholders through either dividends or buyback of the Bank's shares or a combination of both. Additional distributions will be considered when Arion Bank's capital levels are above the minimum requirements set by the regulators in addition to the Bank's management buffer



There has been a significant capital release in recent years through both dividends and share buybacks

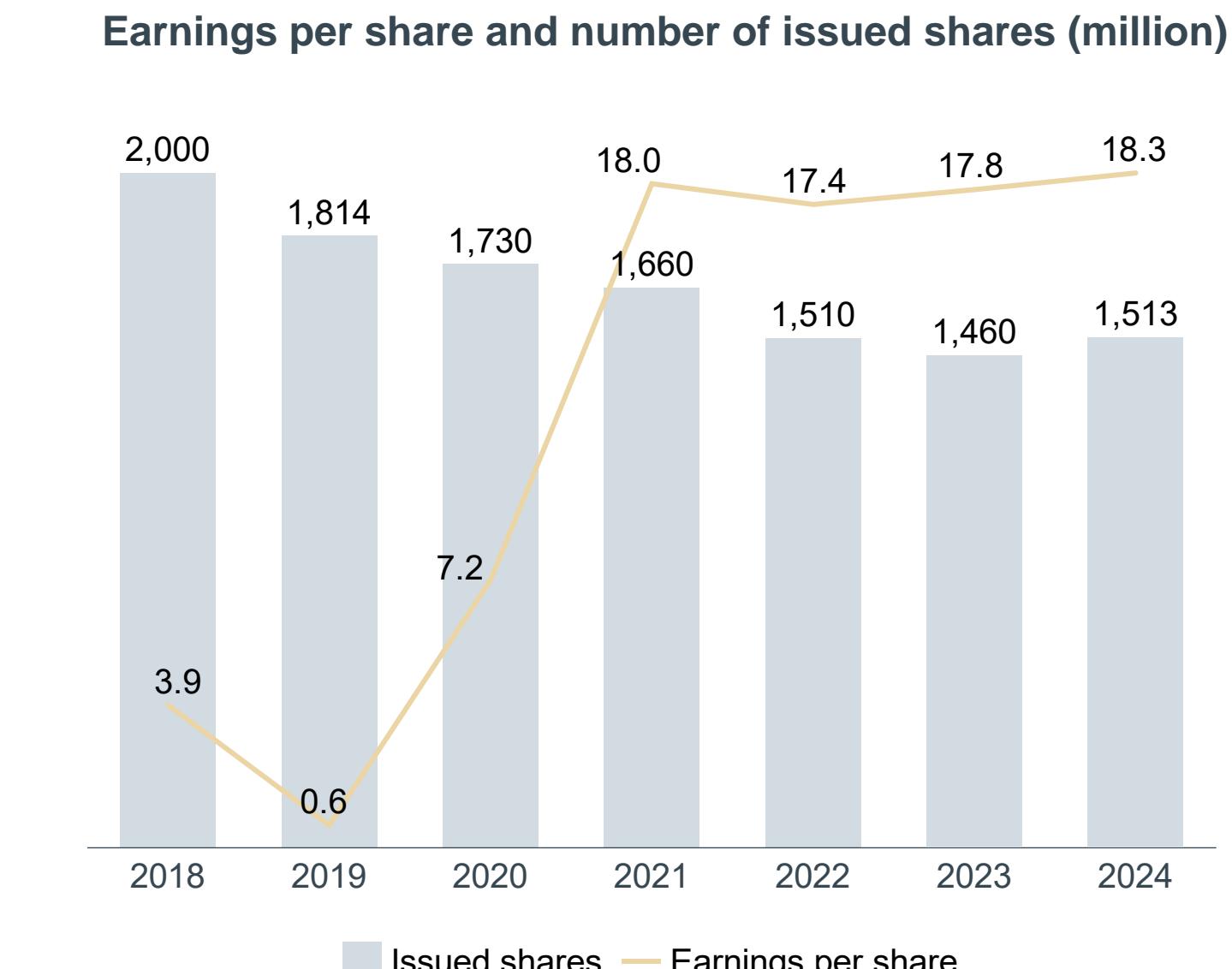
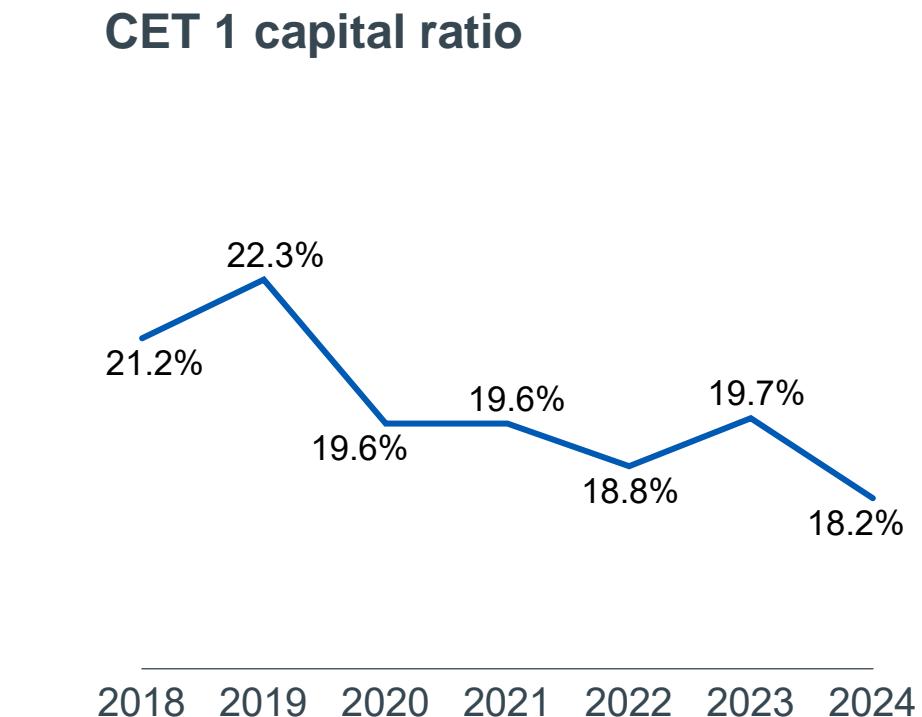
- Arion Bank aims to pay 50% of net earnings as dividends in line with dividend policy. Extra dividends or buybacks are considered if capital levels are above regulatory requirements including a 150-250 basis point management buffer.
- Over the past 5 years, ISK 109bn has been released through dividends and buybacks, and ISK 155bn over 7 years.
 - This equals 46% of the market cap at the end of 2024 for the past 5 years, and 65% for the past 7 years.
- Since listing, the average annual return is approximately 13%, and the total average annual return (including dividends) is around 19%.
 - At the end of 2024, the share price was ISK 167 or around ISK 234 adjusted for dividends since listing.



Capital release (ISK bn)

	Last 5 years
Dividend	50.8
Share buyback	58.6
Total capital release	109.3
% of YE 2024 market cap	46%

	Last 7 years
Dividend	76.0
Share buyback	79.0
Total capital release	155.0
% of YE 2024 market cap	65%



Creating shareholder value while contributing to public finances, depositors and creditors

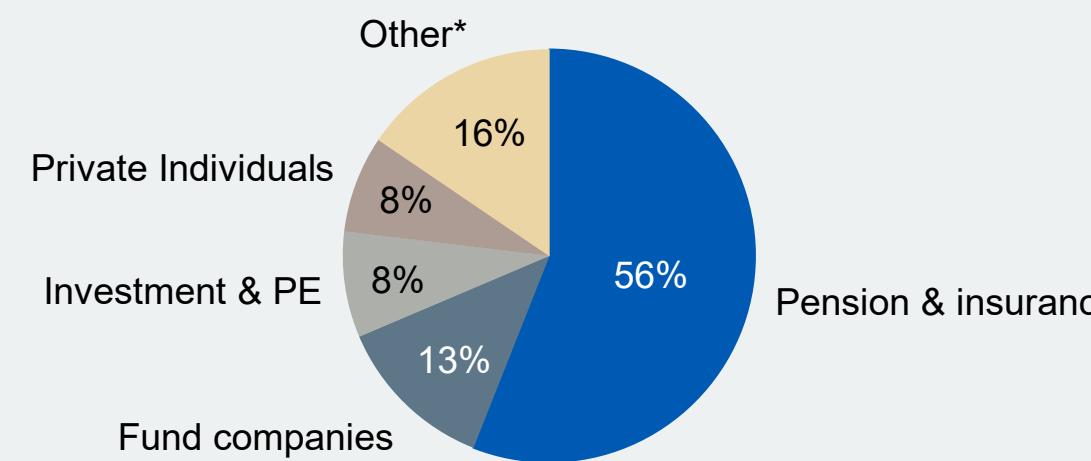
Shareholders

Increasing value to our shareholders through dividends and buybacks

Capital distribution (ISK bn)



Shareholders by owner type

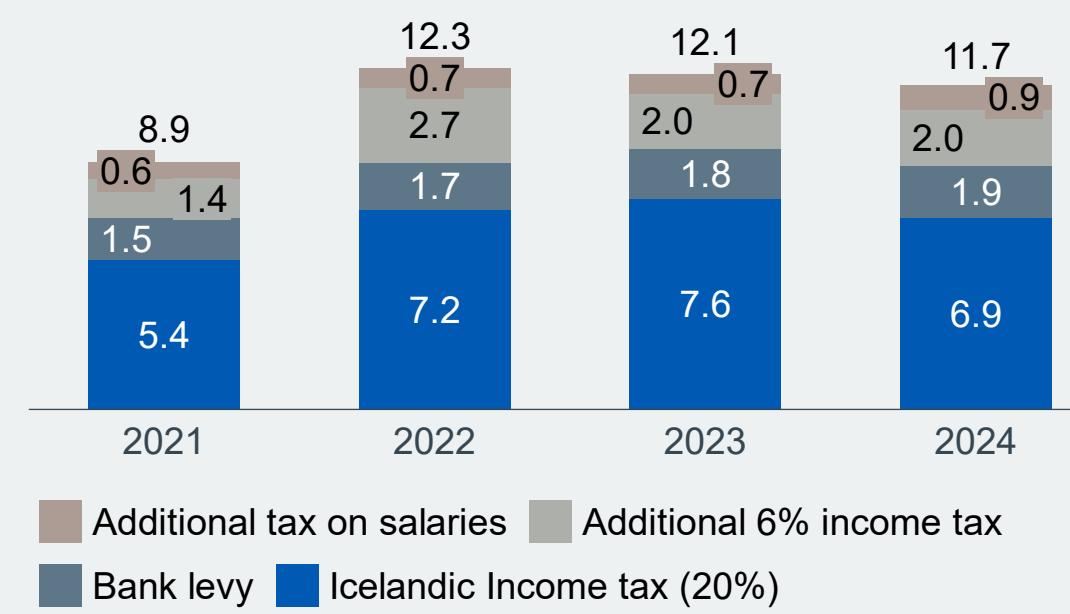


Public finances

Large contributor to public finances with total tax payment of ISK 45bn in 2021-2024, thereof ISK 17.9bn in bank specific taxes

- Icelandic income tax ISK 27.1bn
- Additional 6% income tax ISK 8.1bn
- Bank levy ISK 6.9bn
- Additional tax on salaries ISK 2.9bn

Tax payments (ISK bn)

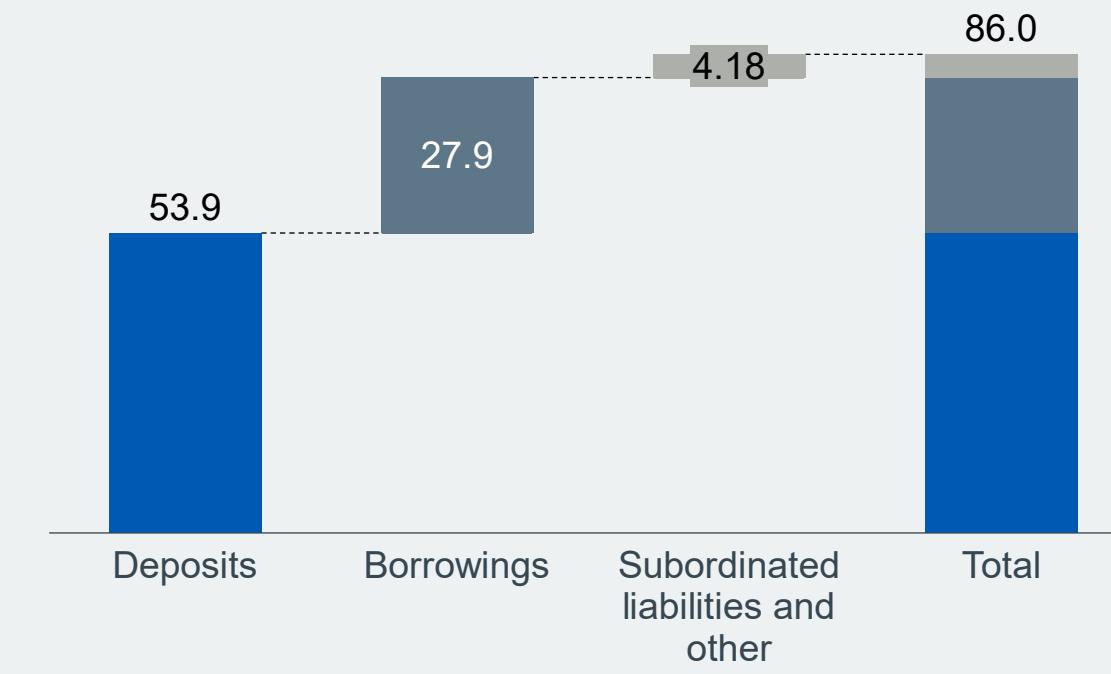


Interest paid to depositors and creditors

The Icelandic market environment has resulted in a higher deposit beta and key interest rates relative to Nordic countries

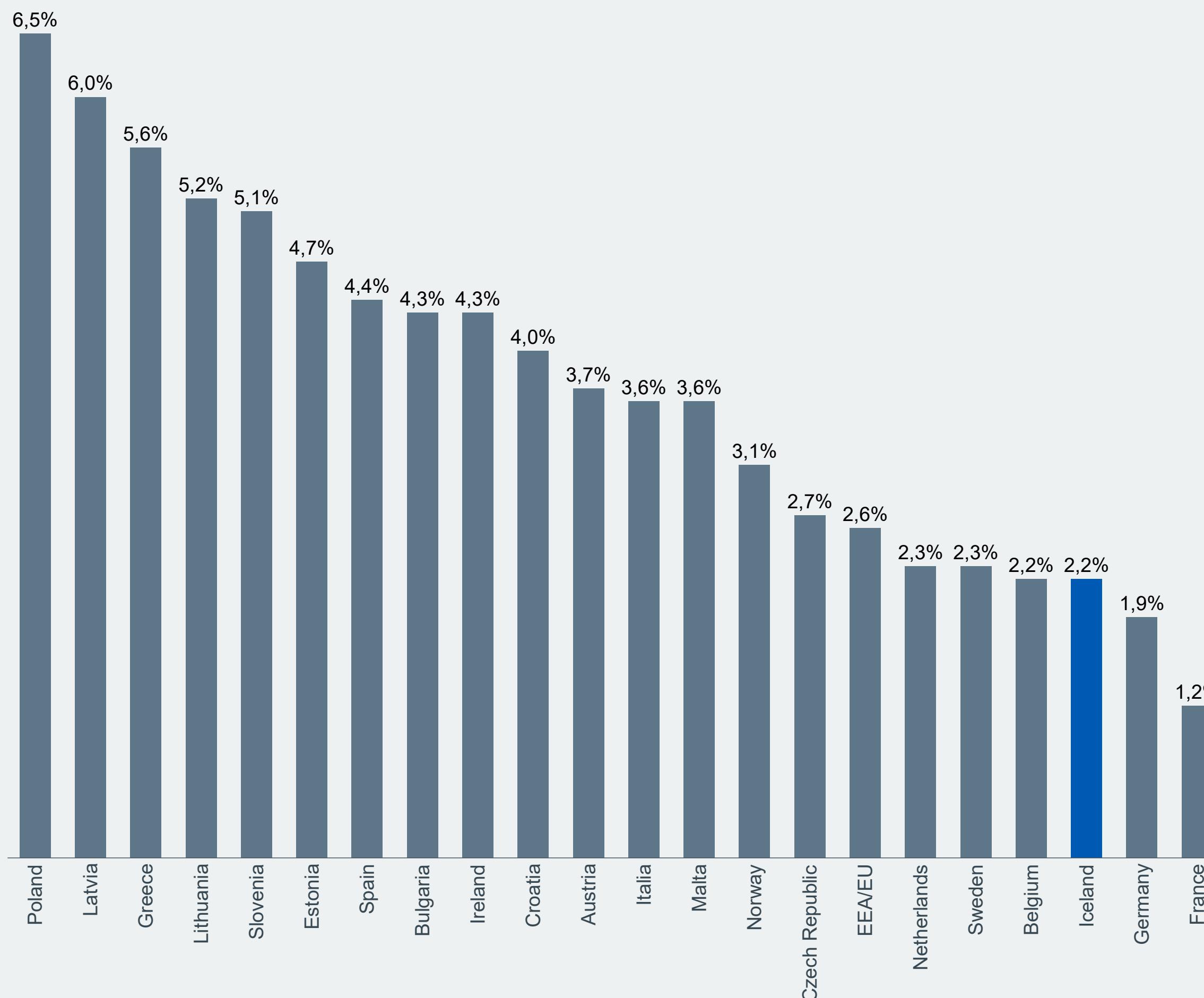
Icelandic depositors and creditors therefore receive substantially higher interest rates

Interest paid in 2024 (ISK bn)

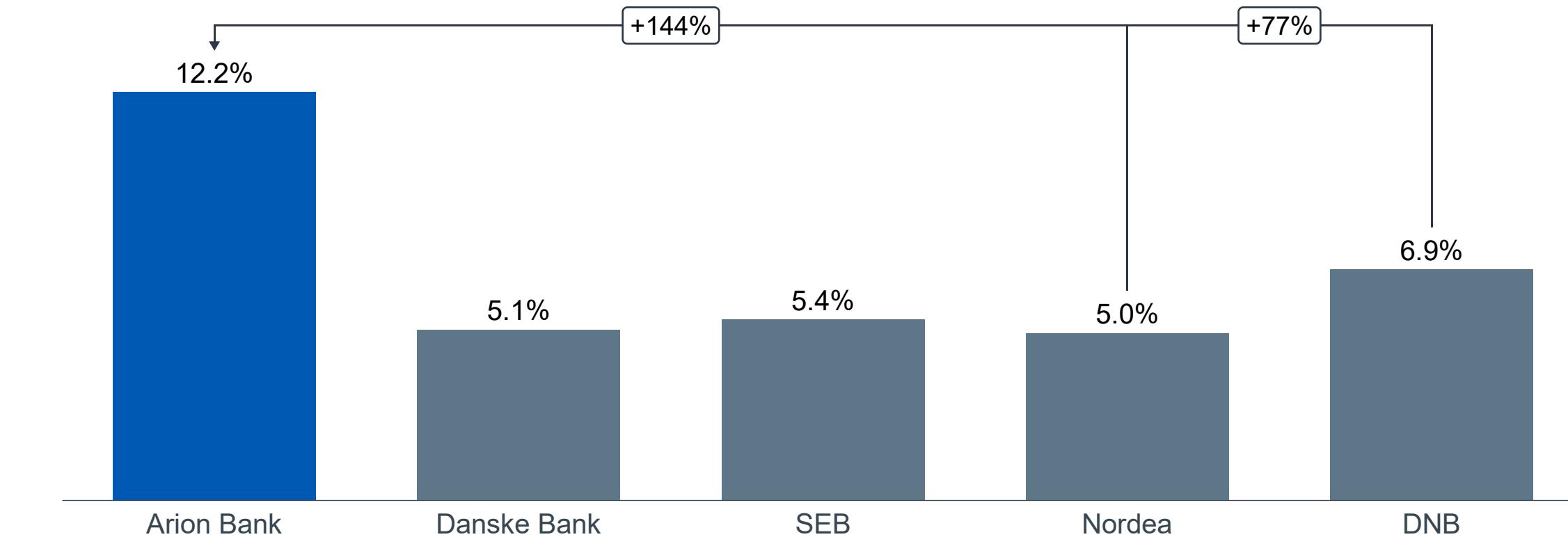


Are ROE targets too low in Iceland?

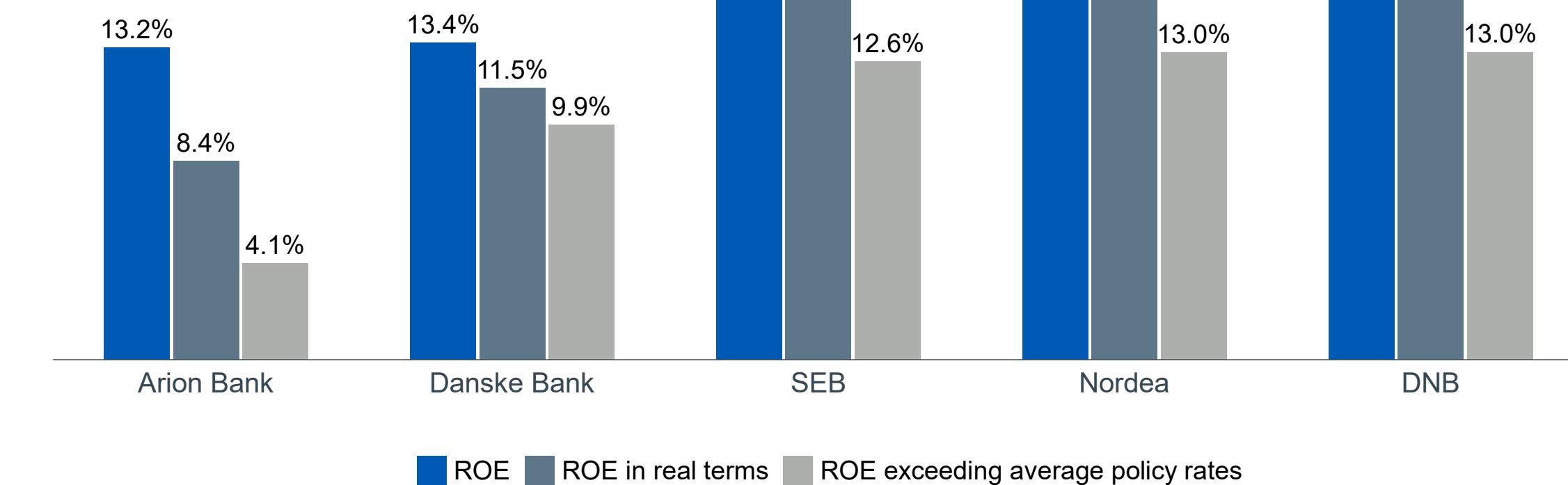
Spread between client loans and client deposits (households and corporates) 2023



Leverage ratio 31.12.2024



Return on equity 2024



■ ROE ■ ROE in real terms ■ ROE exceeding average policy rates

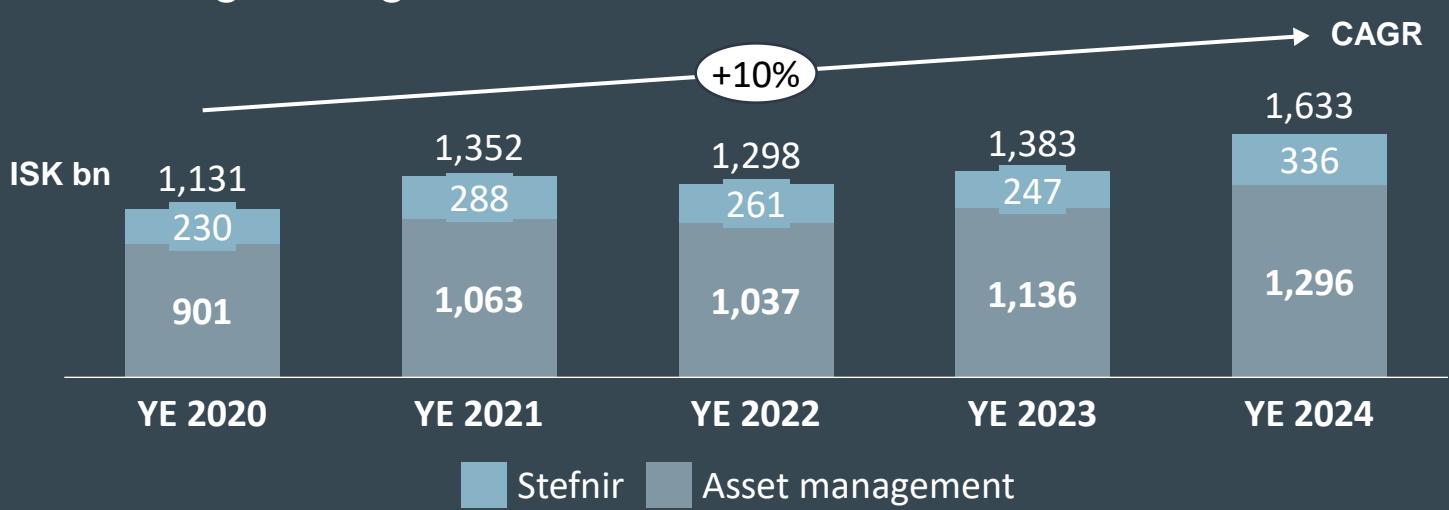


Key milestones of the year



18.5% growth in Assets under Management in 2024

Including 36% growth at Stefnir



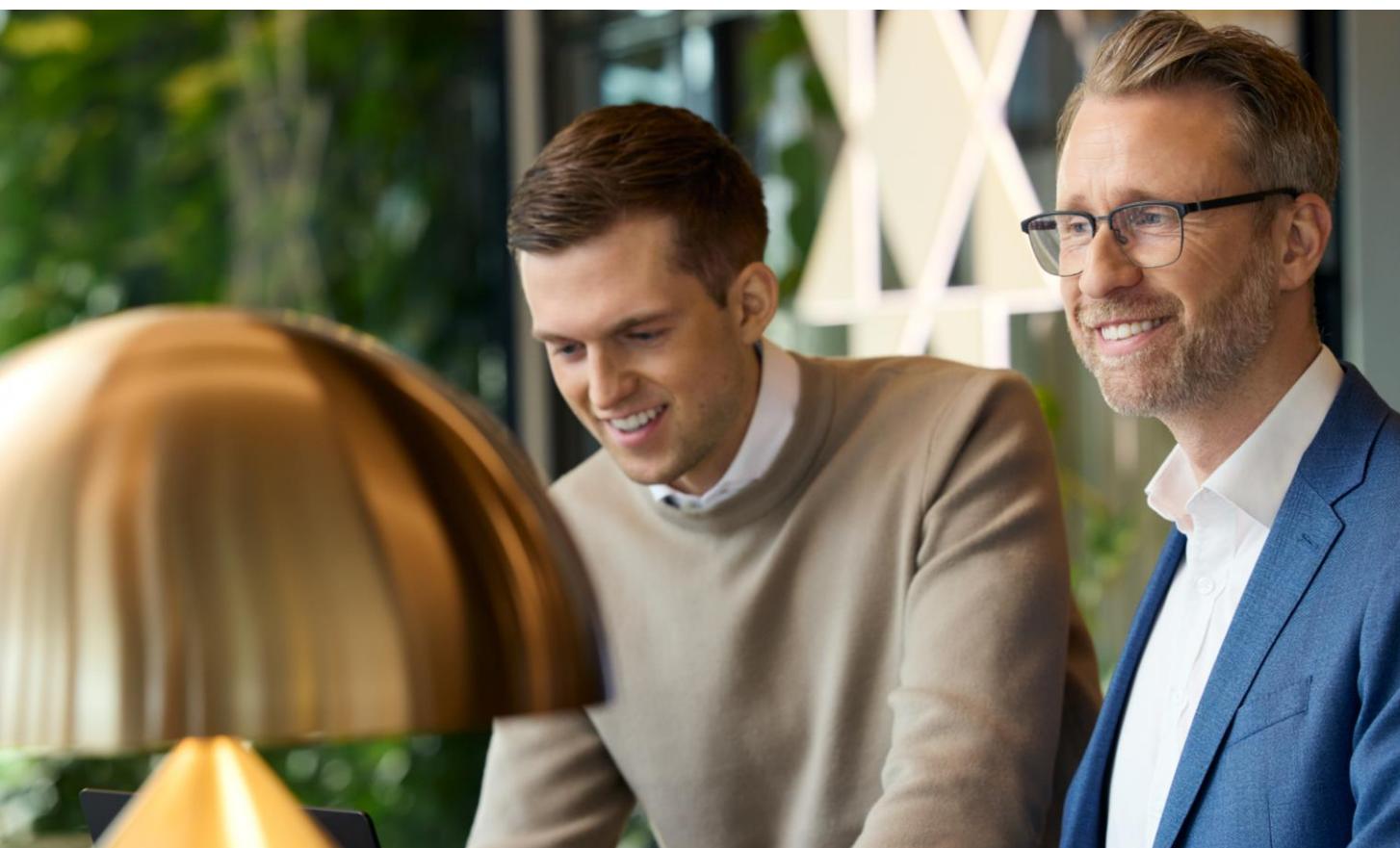
Frjálsi pension fund received international best-in-class award

- Awarded Best Pension Fund among European countries with populations under one million.
- Also nominated for Best Multi-Employer/Professional Pension Fund and Best Technology



Efficient Retail Bank

- 71% of core products sold digitally 2024*
- 15.9% increase in household deposits
- 60.5% increase in insurance sales YoY
- Successful launch of Arion Family and Arion Rewards



#1 Arion Bank Capital Markets

...in Iceland, both equity and fixed income trading volume 2024

Robust activity in Corporate & Investment Banking

Strong position in listings on Nasdaq Iceland and First North Iceland and was further involved in numerous large transactions in 2024



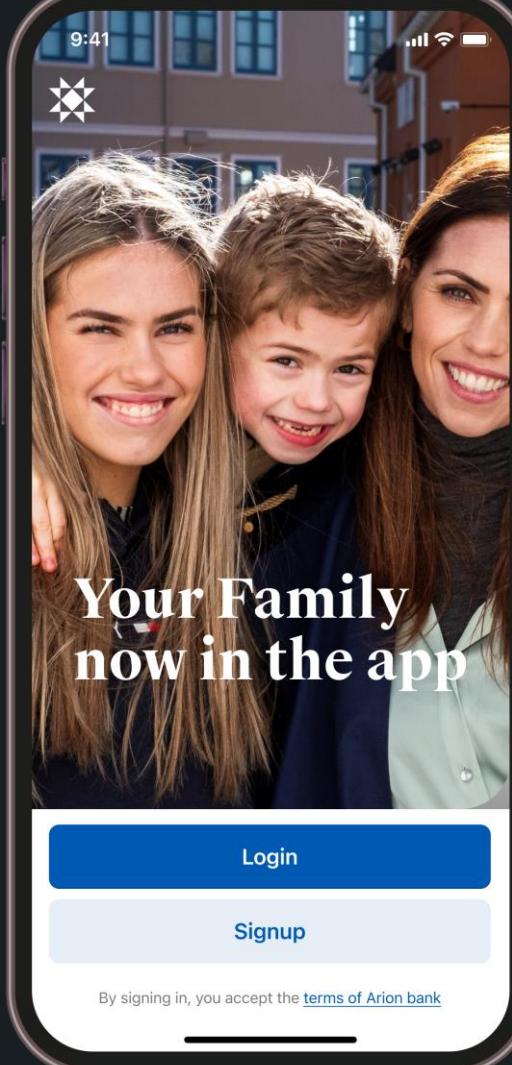
Record insurance year

- Net earnings of ISK 3.7bn
- 30.8% ROE for Vördur stand-alone

Bancassurance ratio:

- Individuals 36.7% vs 34.9% YE 2023
- Corporates 28.5% vs 25.8% YE 2023

Ongoing digital investments increasing customer satisfaction and efficiency



Family Finances in the App

Guardians now have an automatic **overview** of their children's banking products

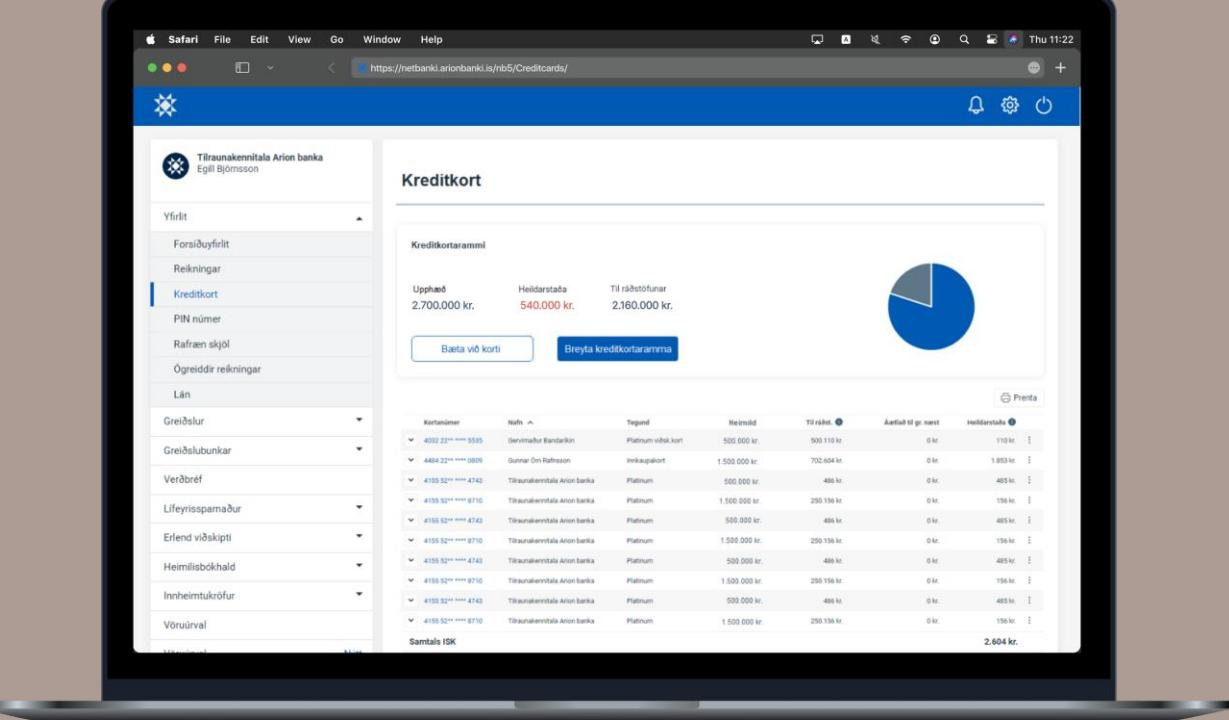
70%
of **deposit and savings accounts** created E2E in app by guardians

+50%
YOY increase in **custody account** creations for minors, of which...

78%
of eligible customers onboarded into **Arion Refund**

95%
....created E2E digitally by guardians

Smart Self-Service for Corporates



60%
of **credit cards** created E2E by customers

E2E
credit card limit management

Overdraft application in the online bank



Best digital bank in 2024 according to Euromoney

8th Best banking app* in Iceland for the **8th** year in a row



NEW

Arion Group Rewards Program

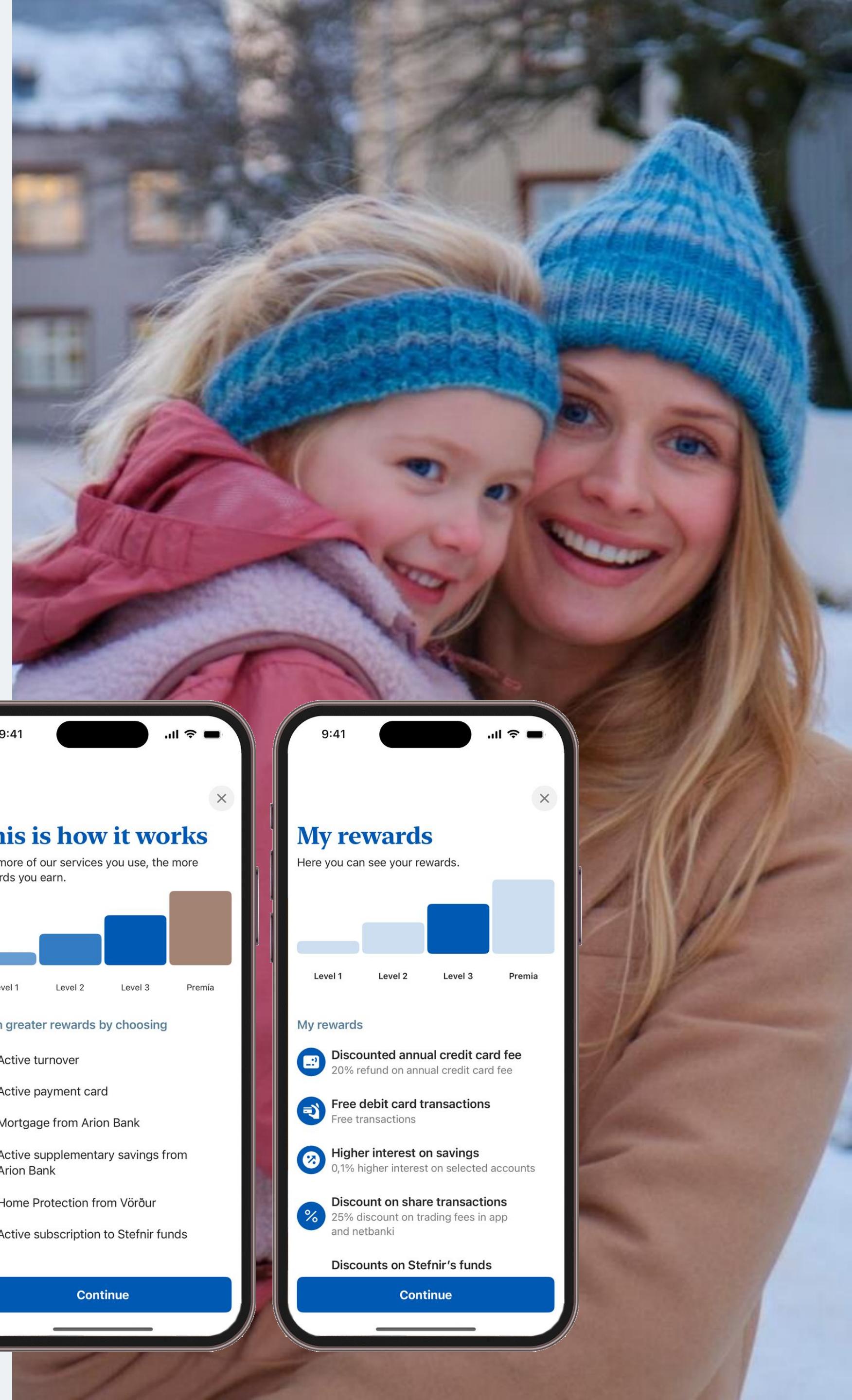
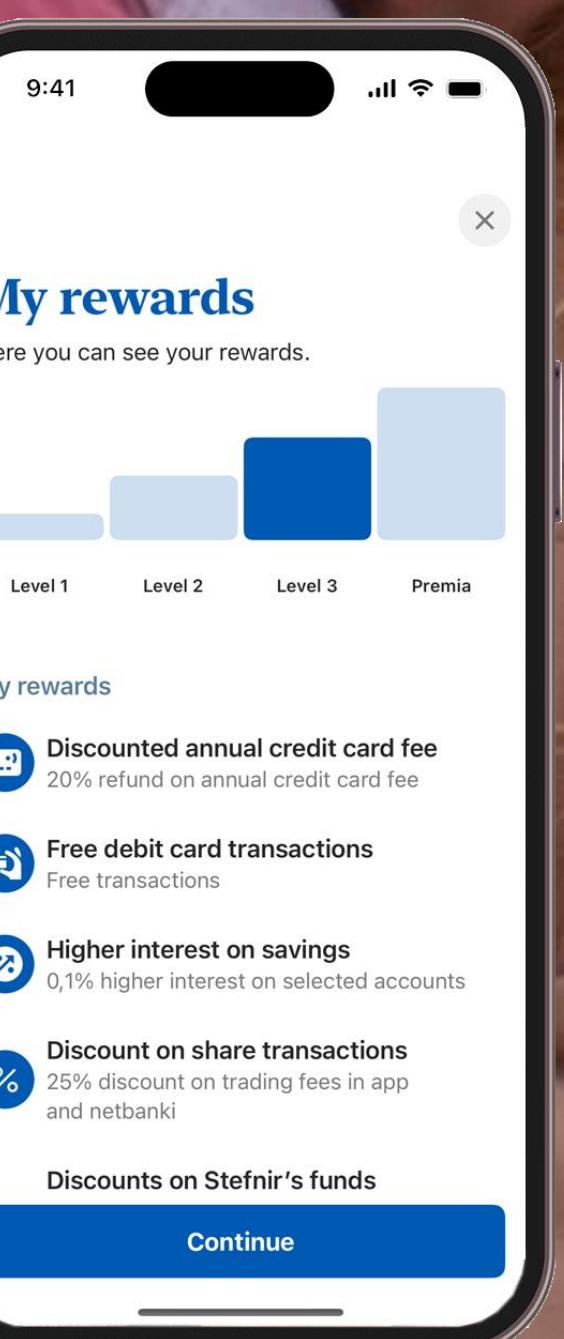
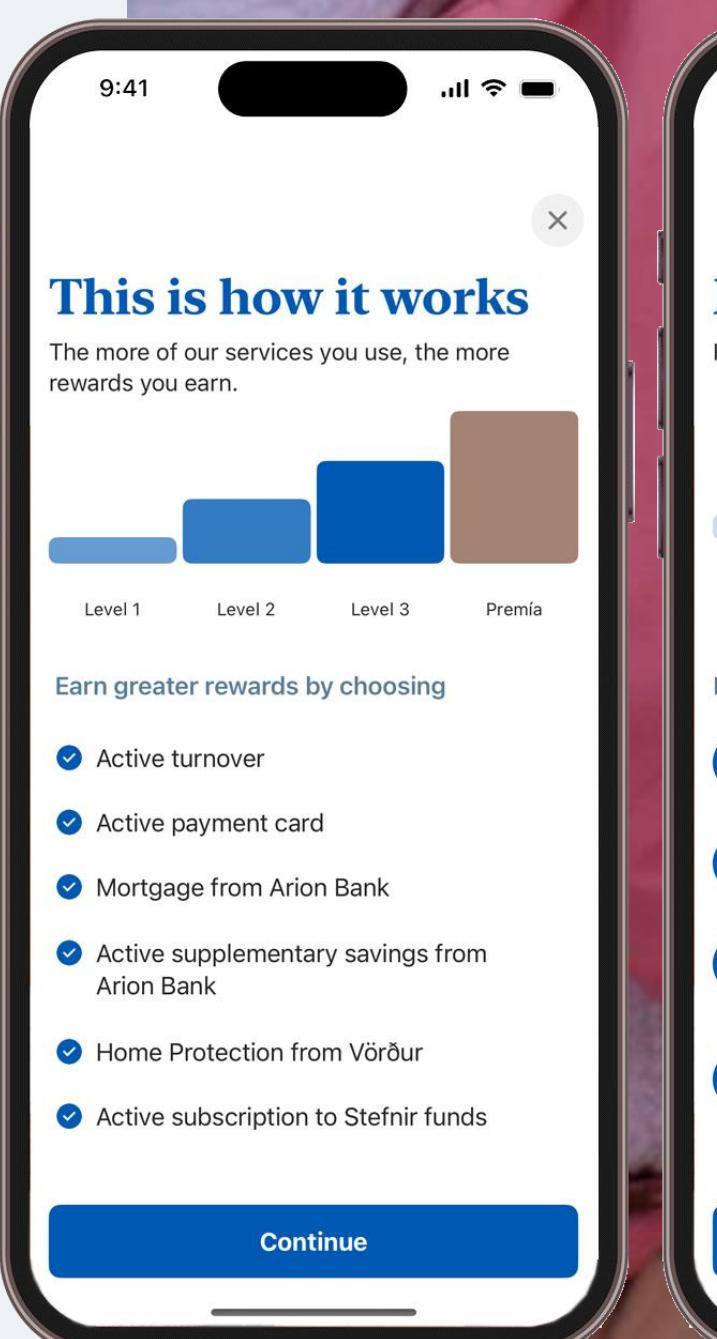
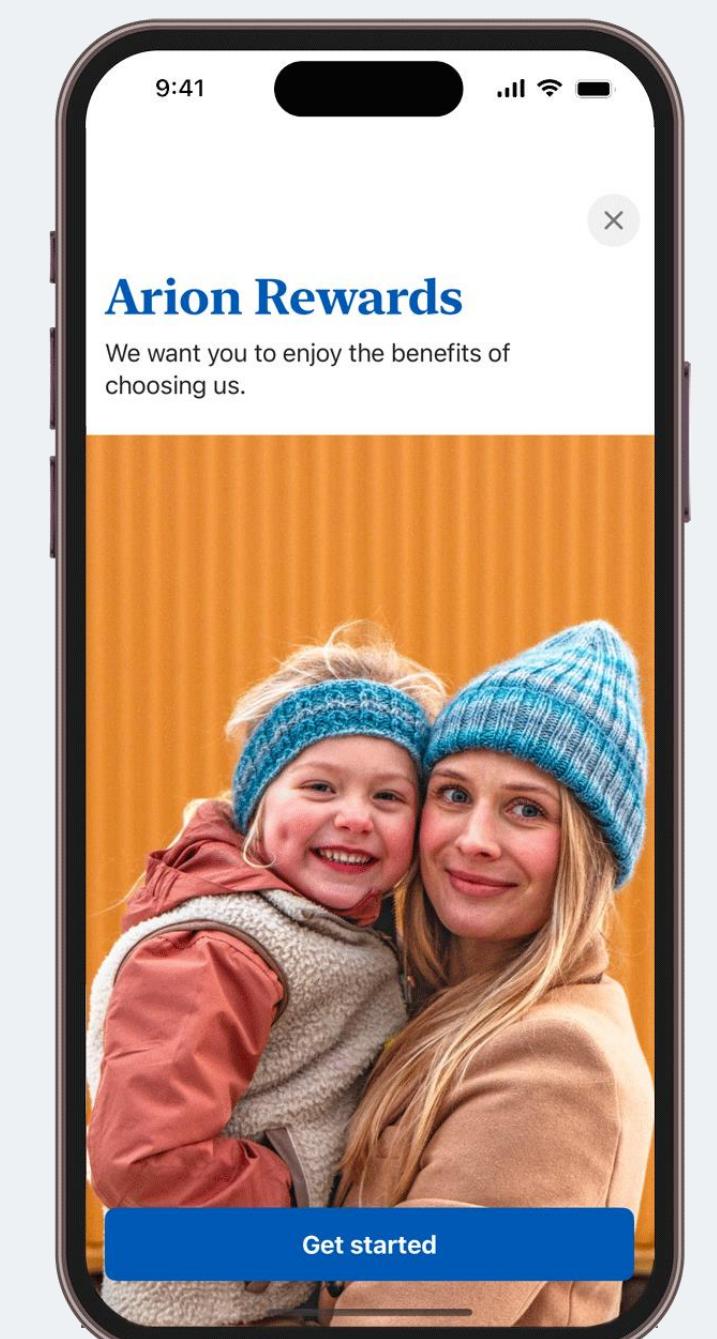
- Arion has launched a new rewards program specially designed to provide value, rich benefits, and a seamless rewards experience for customers.

Arion Rewards consists of two major initiatives:

**Product
Rewards**

**Bancassurance
Refund**

- The program, which is designed for young people, families and affluent and active customers, ensures that customers enjoy increased value in line with their business and is run through our award-winning app, where you can onboard with ease.
- This strategic initiative reflects our unwavering commitment to ensure that every Arion Group customer feels valued, appreciated, and rewarded for their trust in us.





Women invest!

Why

Women are underrepresented when it comes to investments and finance

Objective

- Increase women's participation in financial markets
- Economic empowerment, and thereby life quality



Events 2024

- Campaign launched in January 2024
- Followed by seminars and online accessible information on how to start investing
- Over 4,000 women attended 45 seminars all around the country



Significant impact 2024

In all areas of investments women are doubling or tripling their engagement compared with men

8.5% increase in assets held by women in custody accounts

19% increase in women regular savings program at Stefnir funds

19% increase in transactions conducted by women.

We anticipate that 2025 will be a pivotal year for our key development assets

Significant milestones near-term

Arnarland

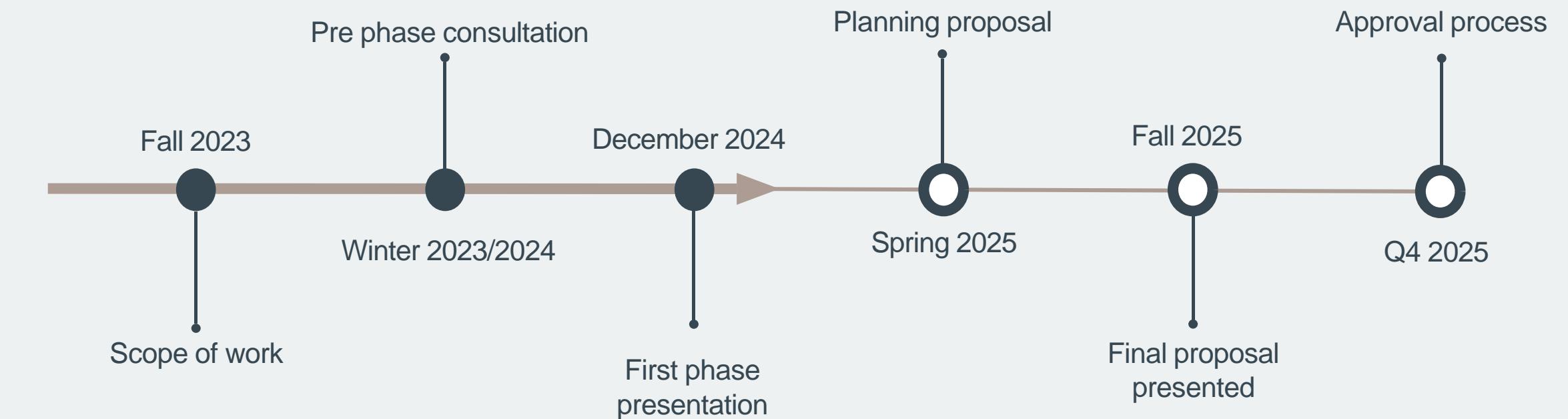
Arnarland spans 9 hectares and encompasses 450 residential as well as some commercial properties. Arion holds a 51% stake in a portion of the project, which covers approximately 55,000 square meters total. The current book value is ISK 1.6bn.



Blikastaðir

The first phase of Blikastaðir land covers 30-35 hectares for estimated 1,200 – 1,300 residences. The first phase also includes the building of a school and preschool. The total size of Blikastaðir development land is close to 100 hectares. The current book value is ISK 6.7bn

Current timeline for the first phase design



Income statement

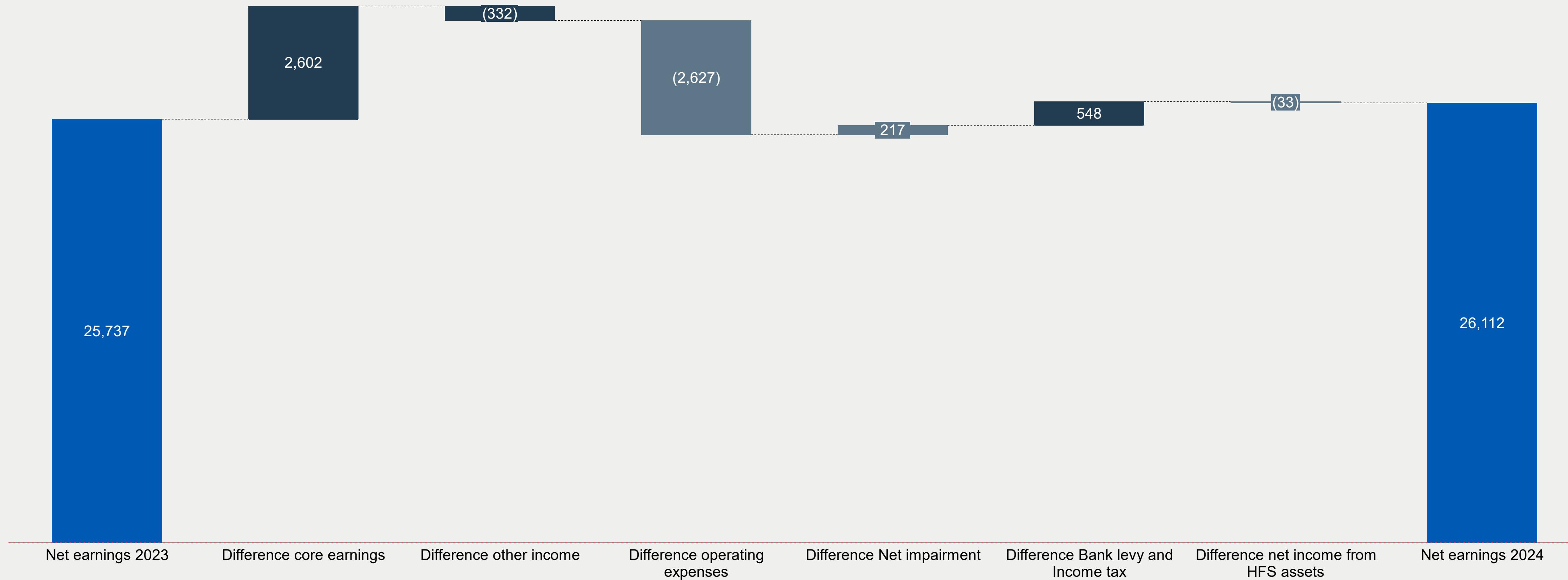
2024

- Net profit of ISK 26.1bn resulting in ROE of 13.2%
- Core income* increase by 4.6% YoY
- Net interest income increases by 3.6% from prior year while fee income decreased, partly due to closure of Keflavik airport branch and reclassification of card insurance income during the year
- Insurance service results improve significantly between years, with insurance revenue increasing by 12.9% and decrease in claim rate
- Solid performance in net financial income driven by Vördur investment portfolio
- Other operating income is mainly due to valuation changes in investment properties
- Operating expense increased by 10% YoY, partly due to higher cost of variable incentive scheme compared with last year and ISK 585m fine following a settlement with the regulator in June. Inflation during the year was 4.8%
- Impairments are calculated at 9bps during the year
- Effective tax rate of 25.4%

	2024	2023	Diff
Net interest income	46,302	44,685	4%
Net fee and commission income	15,360	16,389	(6%)
Insurance service results	2,166	152	-
Net financial income	2,845	1,366	108%
Other operating income	(222)	1,589	-
Operating income	66,451	64,180	4%
Operating expenses	(28,328)	(25,701)	10%
Bank levy	(1,924)	(1,796)	7%
Net impairment	(1,131)	(1,348)	(16%)
Net earnings before taxes	35,068	35,336	(1%)
Income tax expense	(8,919)	(9,595)	(7%)
Net earnings from continuing operations	26,149	25,741	2%
Discontinued operations net of tax	(37)	(4)	-
Net earnings	26,112	25,737	1%
Return on equity	13.2%	13.6%	
Core income*	67,219	64,270	5%
Net interest margin	3.1%	3.1%	
Cost-to-core income ratio	47.2%	44.7%	
Cost-to-income ratio	42.6%	40.0%	



Net earnings bridge 2023 - 2024



Balance sheet

Robust and relatively simple

- Loans to customers increased by ISK 9.6bn or 0.8% in Q4
- Deposits stable between quarters
 - Loans to deposits ratio of 143.5%. 114.5% without loans financed by covered bonds
- Very strong liquidity position:
 - Liquidity coverage ratio (LCR) of 181% (147% in ISK)
 - Net stable funding ratio (NSFR) of 118%

Assets	31.12.2024	30.09.2024	Diff.	31.12.2023	31.12.2022	31.12.2021
Cash & balances with CB	124	96	29%	102	114	69
Loans to credit institutions	26	33	(22%)	29	46	30
Loans to customers	1,230	1,220	1%	1,153	1,085	936
Financial assets	206	214	(4%)	206	193	226
Investment property	9	9	1%	9	8	7
Other assets	23	33	(31%)	27	20	43
Total Assets	1,618	1,606	1%	1,526	1,466	1,311
Liabilities and Equity						
Due to credit institutions & CB	7	7	(1%)	3	12	5
Deposits from customers	857	848	1%	793	755	655
Other liabilities	69	77	(9%)	69	71	65
Borrowings	433	431	0%	420	393	357
Subordinated liabilities	45	44	1%	41	47	35
Total Liabilities	1,411	1,407	0%	1,326	1,278	1,117
Equity	207	199	4%	199	188	194
Total Liabilities and Equity	1,618	1,606	1%	1,526	1,466	1,311



Going forward

Operational momentum

- Positive operational momentum across the Group provides optimism for 2025
- The Group benefits from diversified and seasoned businesses and has demonstrated ability to deliver on targets through the cycle
- Focus on long-term roadmap

External environment

- Cautious stance as to evolving external rate and economic environment
- Positive milestones in lowering policy rates and reduced inflation

Balance sheet

- Very strong balance sheet position with ability to capture growth opportunities
- Strong milestones in capital optimization and expect to reach target levels over the coming year



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