

Q3 results 2024

Investor presentation
30 October 2024

Key results in Q3

Strong quarter

- 16.1% ROE vs medium term target of above 13%
 - Strong period for the insurance business
 - Solid performance in other core income
- Capital position strong with CET1 capital buffer above targets at 355bps
 - Capital optimization continued with ISK 7.9bn of share buybacks during the quarter
 - Increase in share capital in the quarter due to exercise of warrants of ISK 6.0bn
- Robust liquidity and funding position and Moody's A3 credit rating on stable outlook

Key results	Medium-term targets		Q3 2024		9M 2024
Return on equity	Exceed 13%	✓	16.1%	•	12.2%
Core operating income ⁴ / REA	Exceed 7.2%	✓	7.5%	•	7.1%
Insurance revenue growth (YoY) ¹	In excess of market growth	✓	10.4%	✓	12.7%
Combined ratio Vördur	Below 95%	✓	70.0%	✓	87.4%
Cost-to-core income ⁵ ratio	Below 45%	✓	37.5%	✓	43.8%
CET1 ratio above regulatory capital requirements	150-250 bps management buffer ²	•	355 bps	•	355 bps
Dividend payout ratio ³	50%	✓	50% of net profit deducted from CET1	✓	50% of net profit deducted from CET1

Medium-term targets are reviewed annually, and the underlying horizon is up to 3 years

¹ Insurance revenue growth in the domestic insurance market in 6M 2024 was 10.3%

² Approx. 16.7 - 17.7%

³ 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

⁴ Core income: Net interest income, net fee and commission income and insurance service results (excluding opex)

Key operational highlights

Record insurance quarter

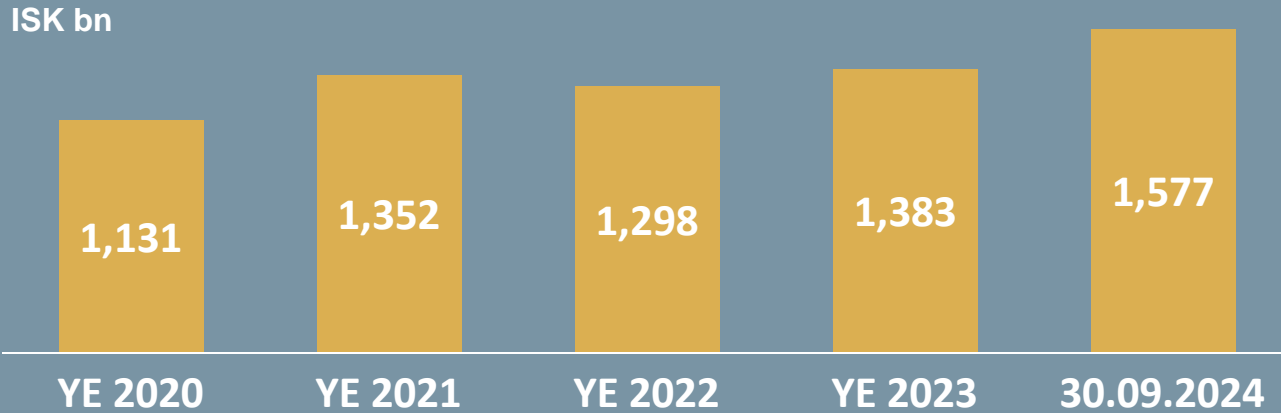
Net results of ISK 1.7bn and 70% combined ratio

Bancassurance ratio:

- Individuals 36.0% vs 34.9% YE 2023
- Corporates 27.8% vs 25.8% YE 2023



13% growth in Assets under Management YTD



Moody's raised Arion Bank's covered bond rating to Aa1

MOODY'S

Arion Bank awarded for excellence in business

#1



...in Iceland for the third year in a row



Successful \$125 million AT1 issuance

Upsized and refinanced \$100 million AT1 bond from 2020 at tighter spreads



Arion Premía upgraded to maximize services to affluent clients with diverse needs

Premia services merged with Private Banking under the Premía brand



NEW digital solution for corporates

VISA

Receipt Capture



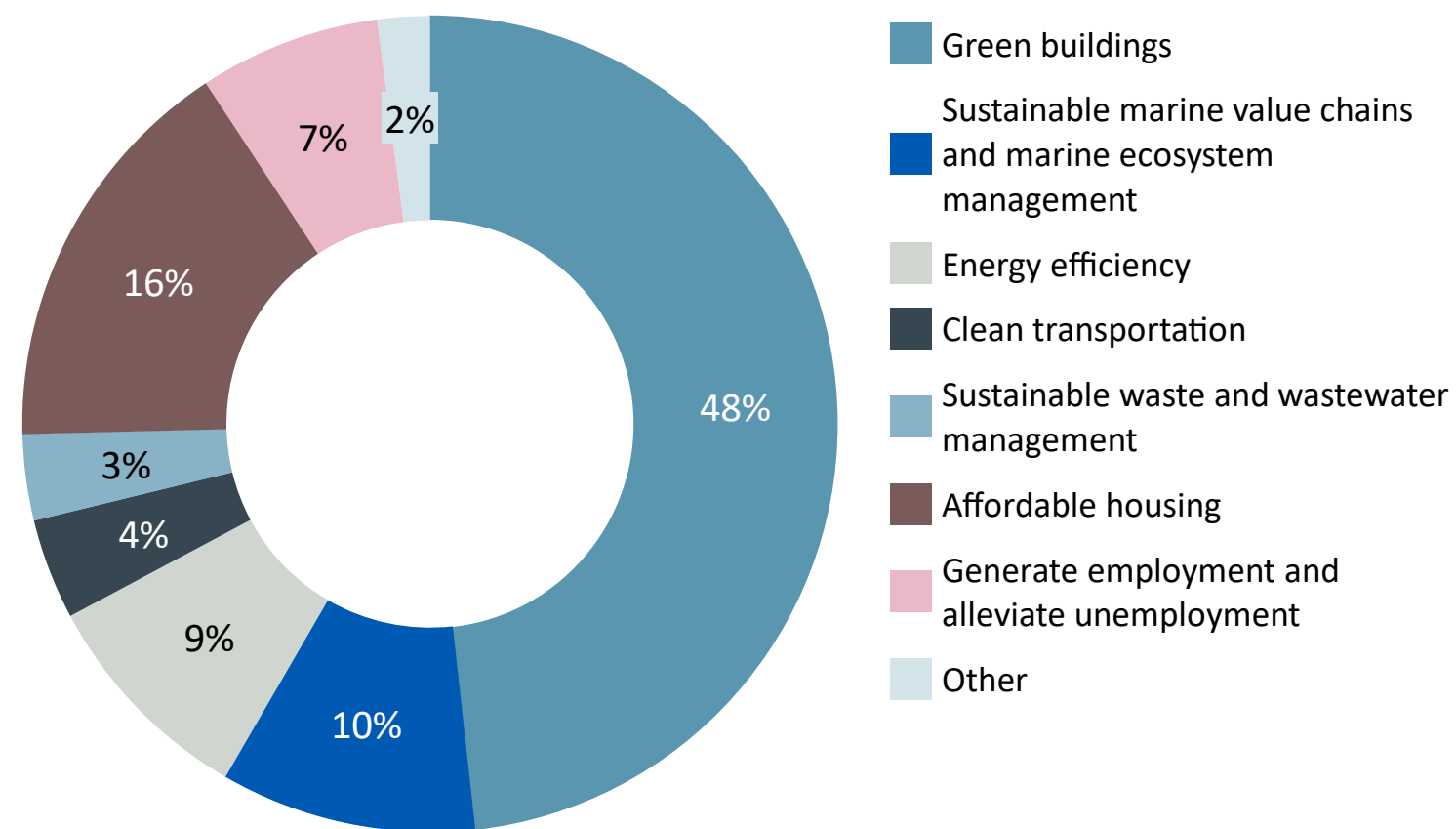
A new sustainable financing framework published



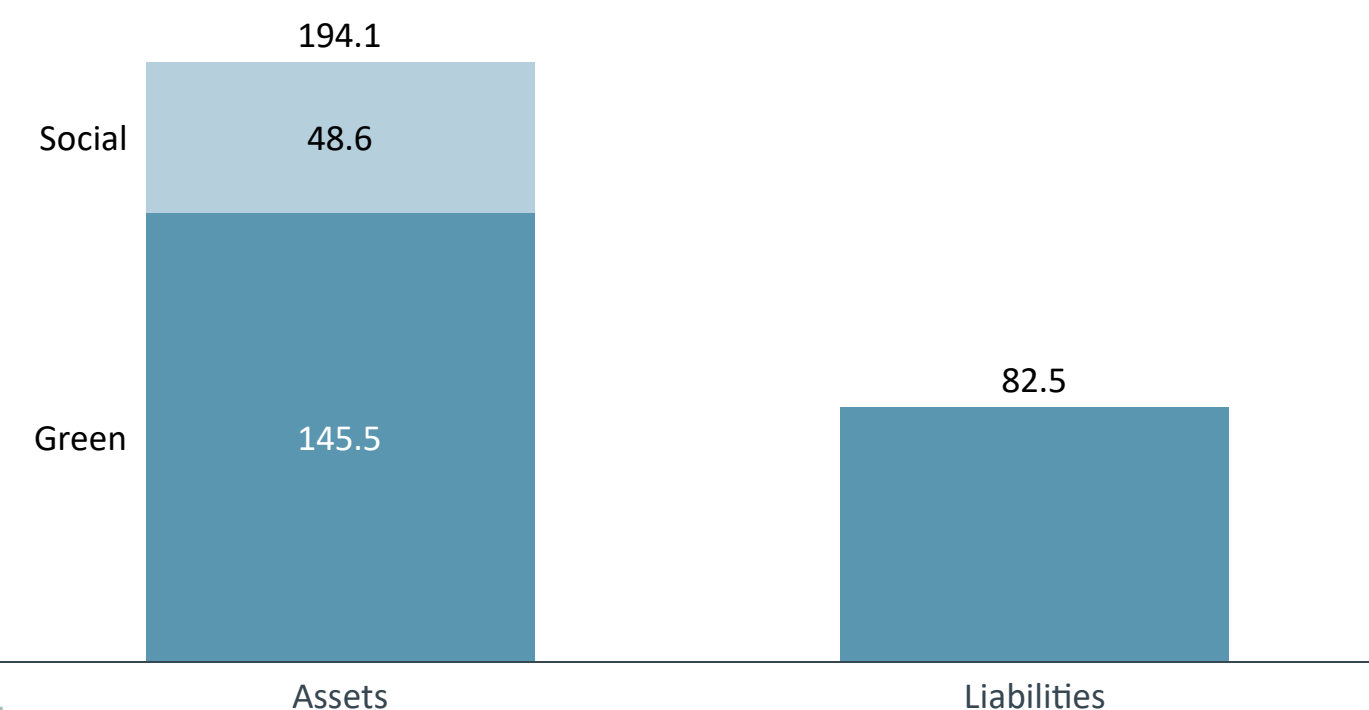
New sustainable financing framework published with increased focus on financing of social projects

At the end of Q3 the Bank's sustainable asset pool was ISK 194bn

Committed finance by category %



The difference between sustainable assets and liabilities at the end of Q3 2024 was ISK 111.6bn



New categories include:

- Affordable housing
- Education
- Healthcare
- Generate employment and alleviate unemployment
- Added importance is also given to the circular economy, and the classification of green projects has also been refined from the previous framework

ESG ratings



Morningstar Sustainalytics places Arion Bank in the **top 4% of banks** (around 1,000 banks globally) and the **top 2% of regional banks** (around 550 banks)

On a scale of 0-100, Arion Bank received 9.2 points which places the Bank in the **negligible risk category**



Arion Bank recently achieved again the score **“outstanding”** in Reitun's ESG rating, scoring **90 out of 100** possible points placing it in category **A3**

This is the **highest score** currently issued by Reitun

New agreement with the European Investment Fund

- The European Investment Fund has signed a guarantee agreement with Arion Bank to support new lending to SMEs and Small Mid-Caps in Iceland
- The guarantee is backed by the European Commission's InvestEU initiative, notably focusing on sustainability, innovation and digitalisation, and the cultural and creative sectors
- New lending from Arion Bank would come on more favourable terms and is aimed at aiding the green, digital, and sustainable transformations of the economy, as well as the cultural sector

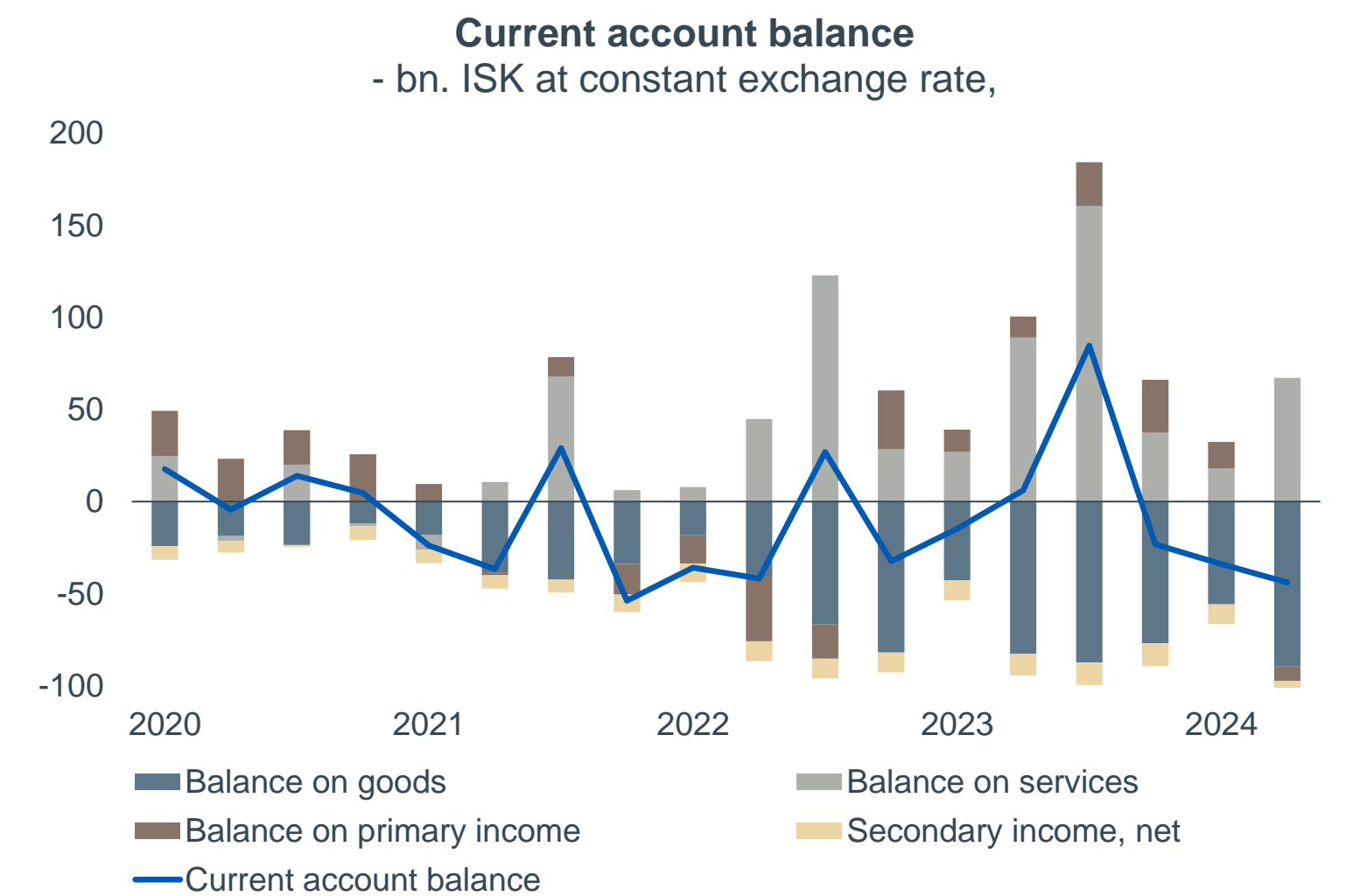
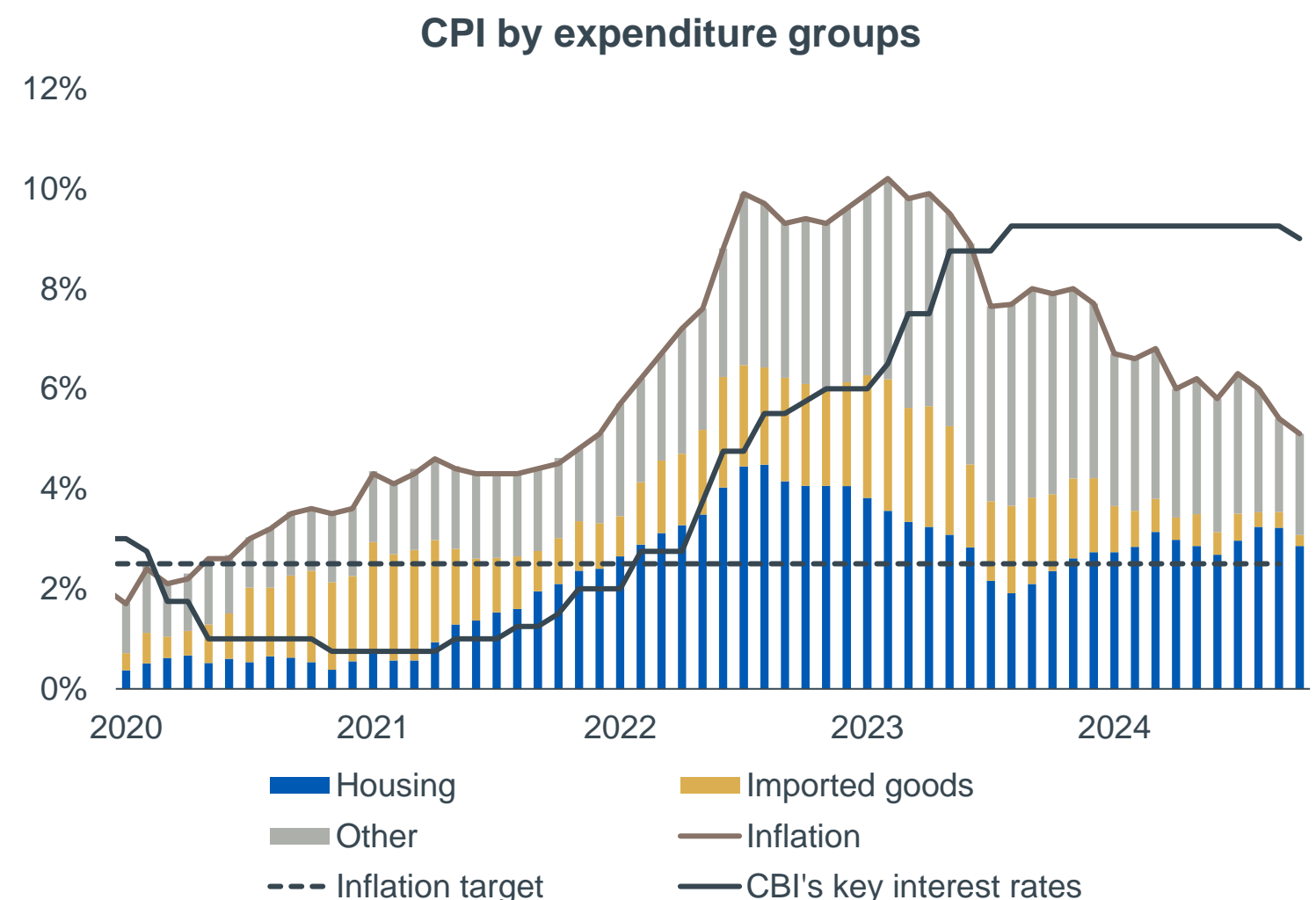
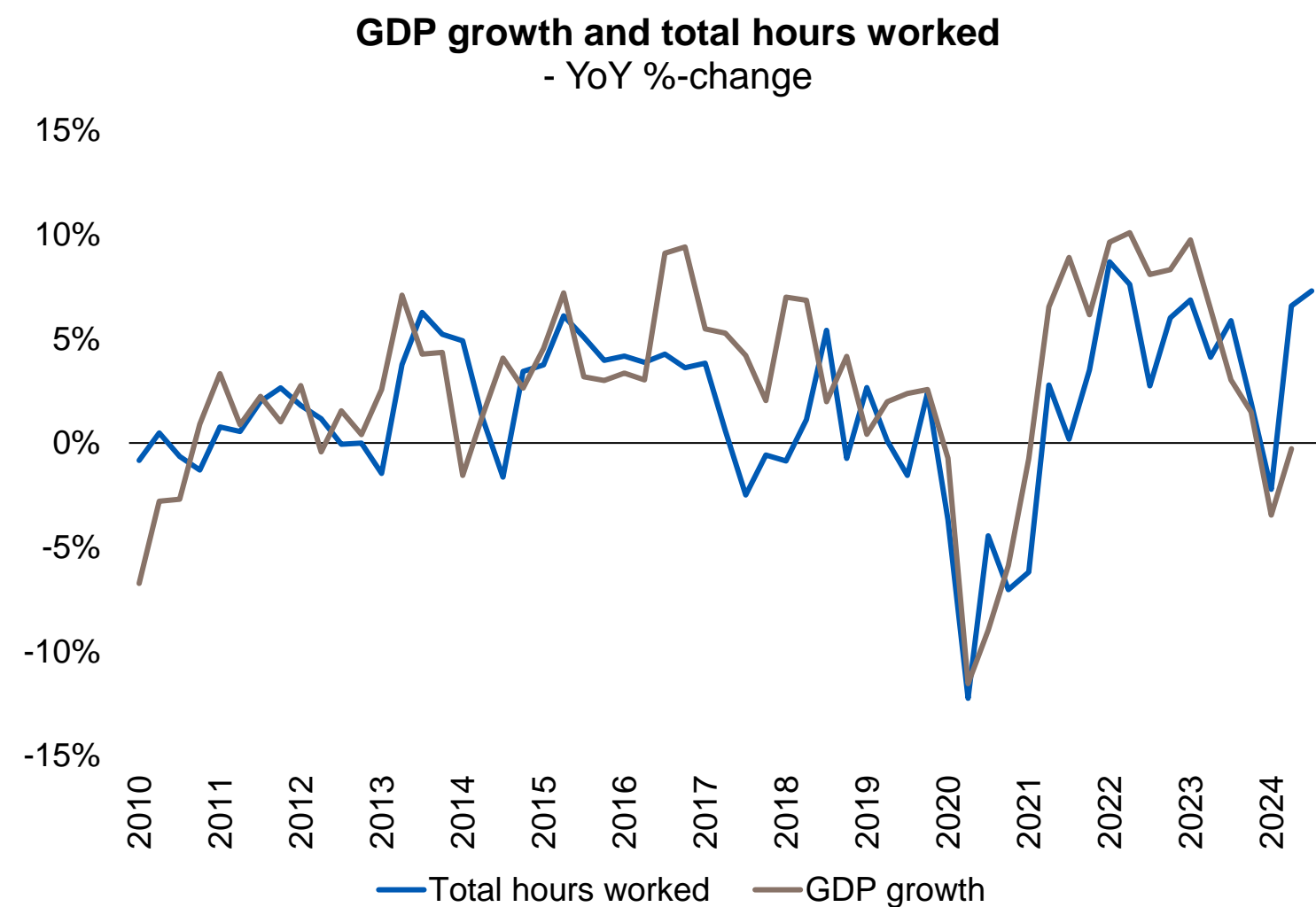
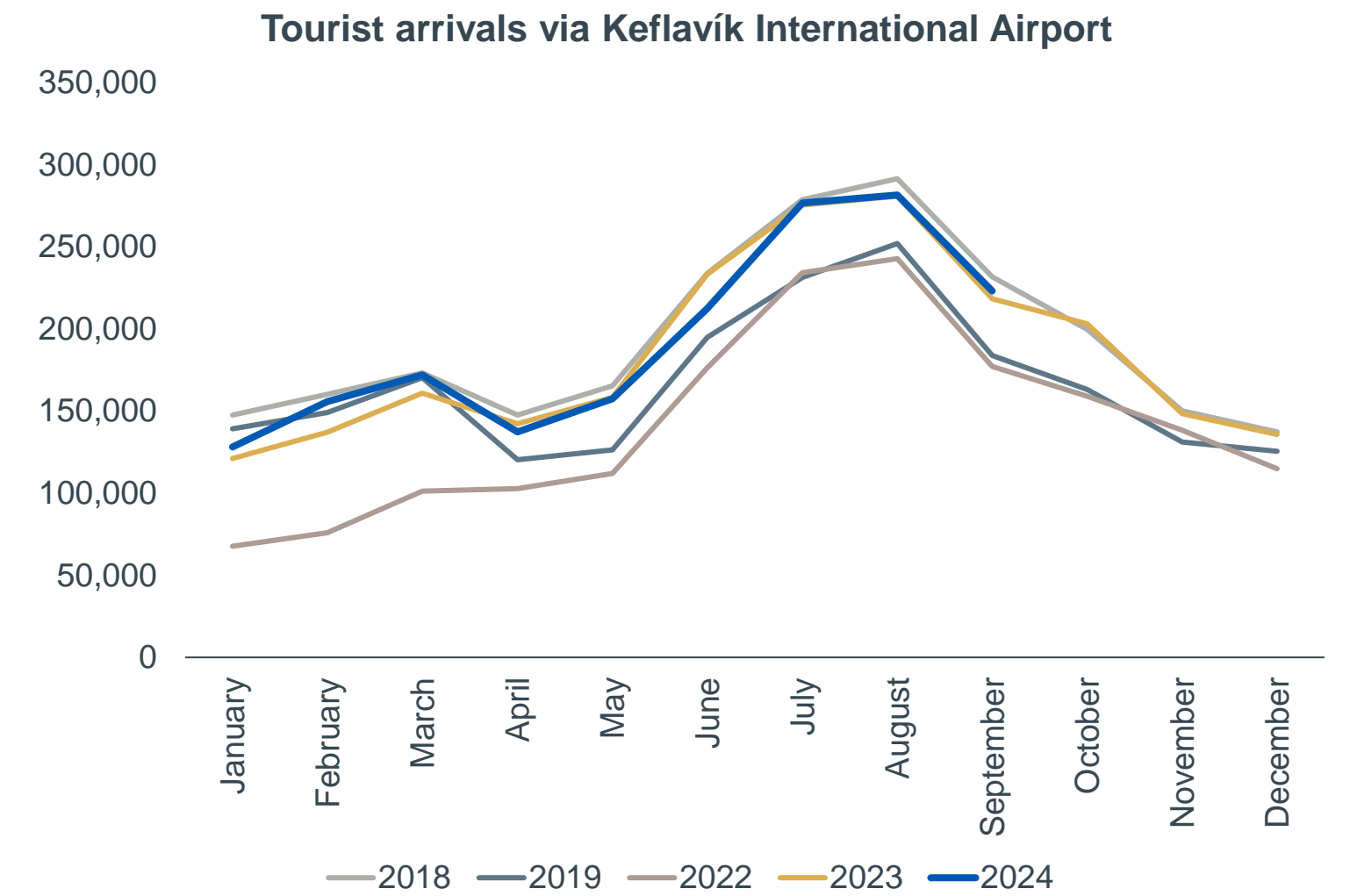
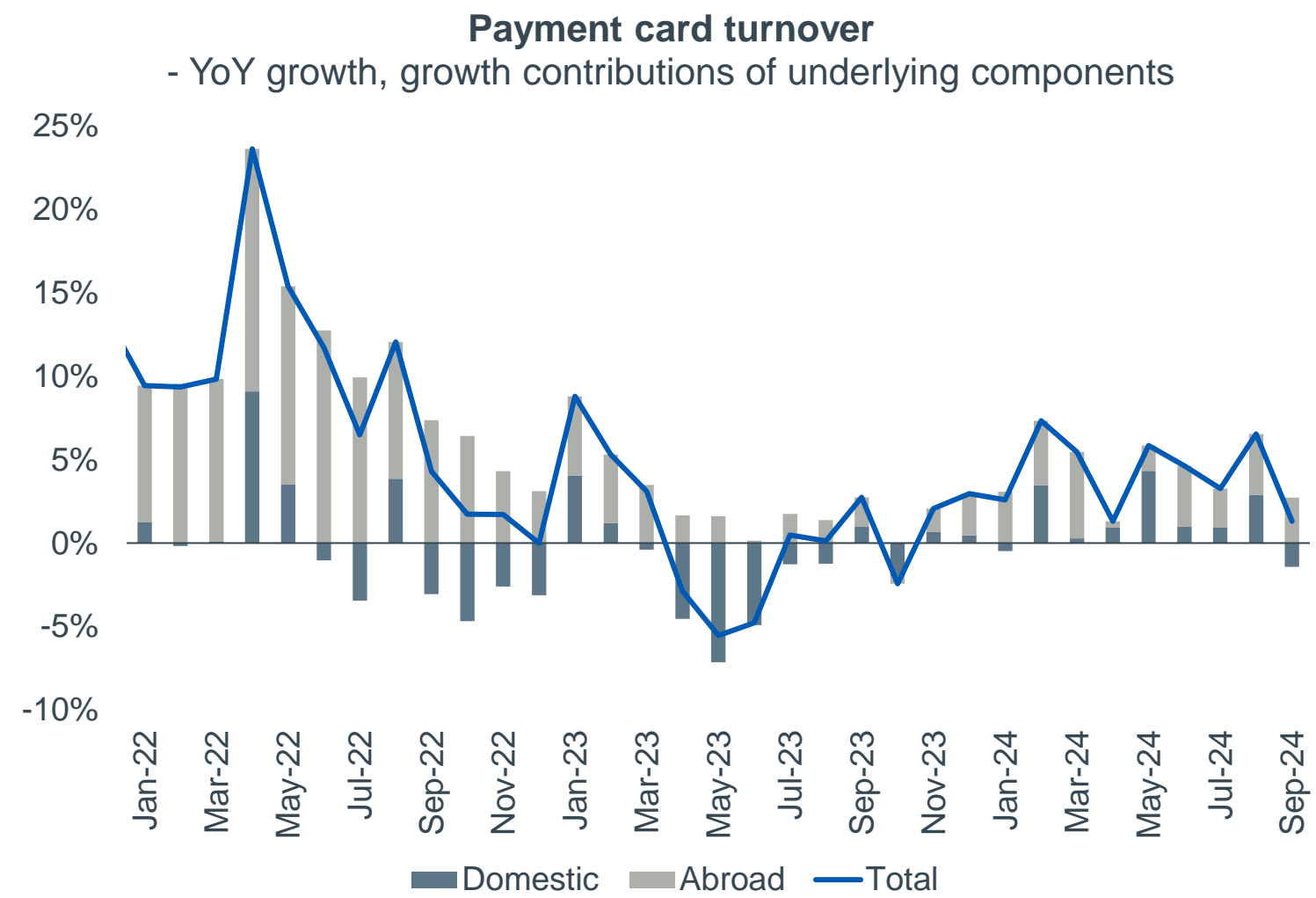
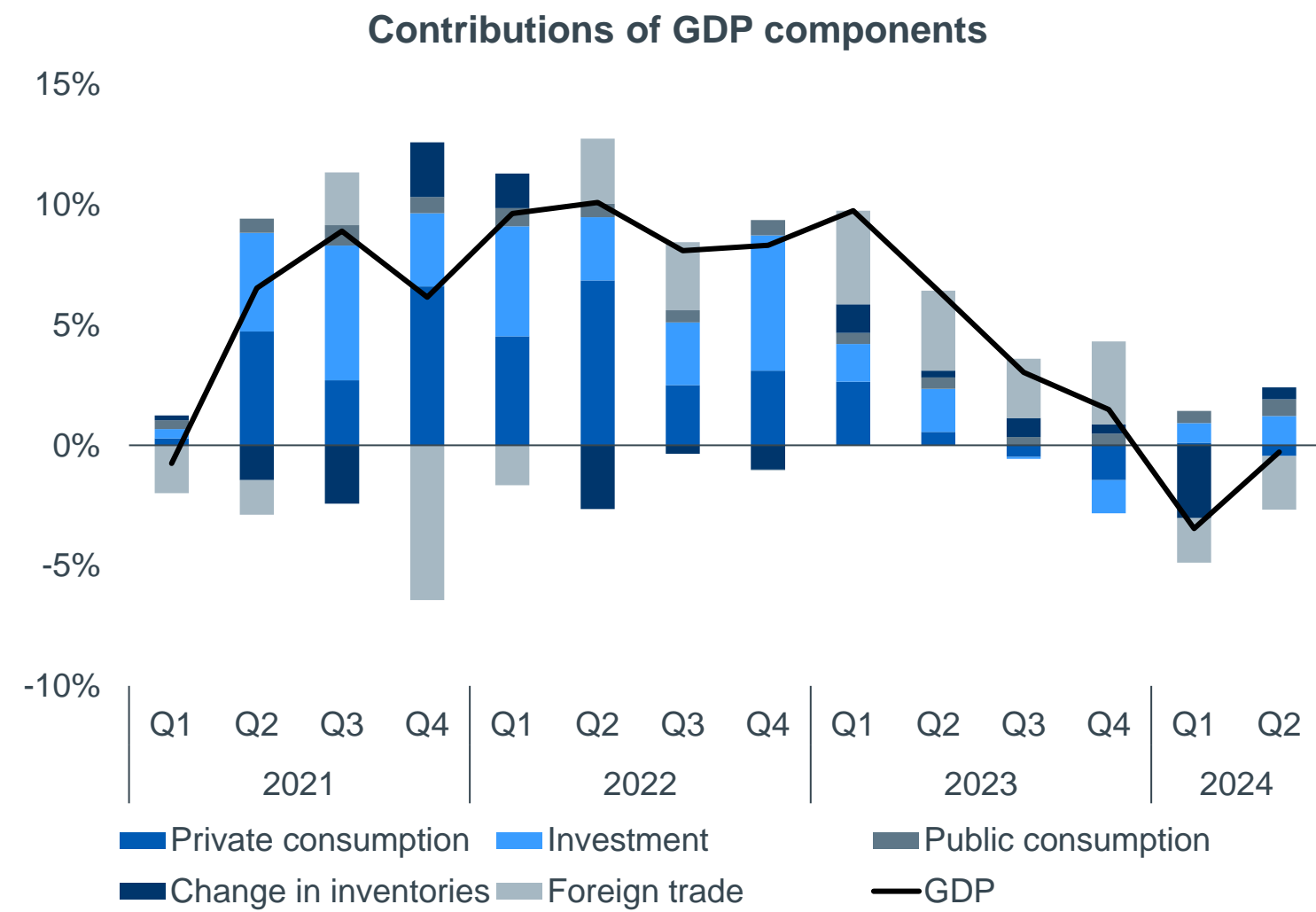
Arion Bank became a member of Science Based Targets initiative (SBTi) and Net-Zero Banking Alliance (NZBA) at the end of 2023

The Bank has published a financed emissions report along with its first emissions reduction targets until 2030



The economy shows (mixed) signs of cooling

A similar number of tourists, but shorter stays and consequently lower spending, have put pressure on the tourism industry. Despite a slight uptick in unemployment, the resilience of the labor market has been surprising, with the latest figures suggesting significant economic growth in Q3. Even though domestic demand has remained strong, inflation has subsided, giving the monetary policy committee room to lower interest rates.

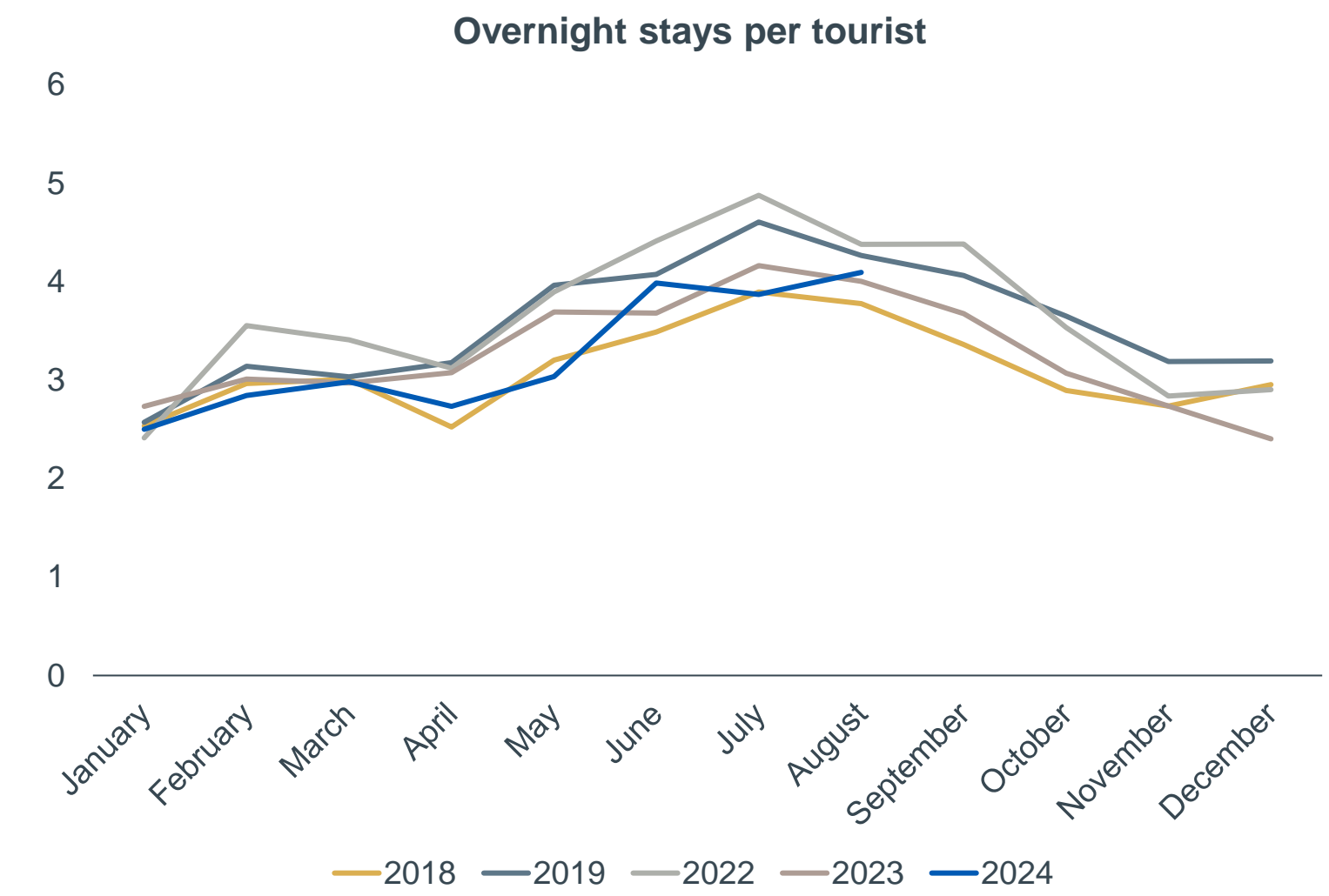
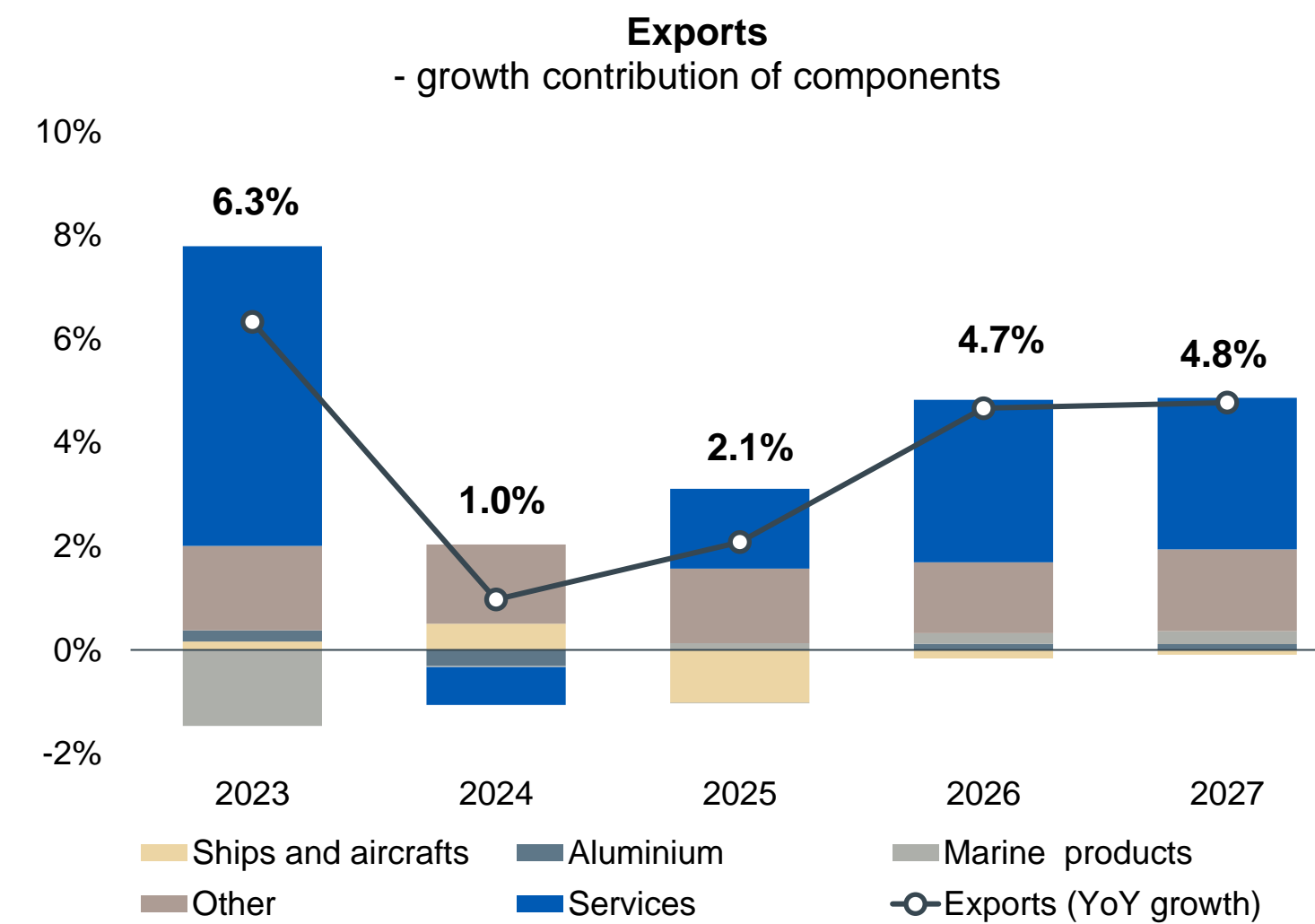
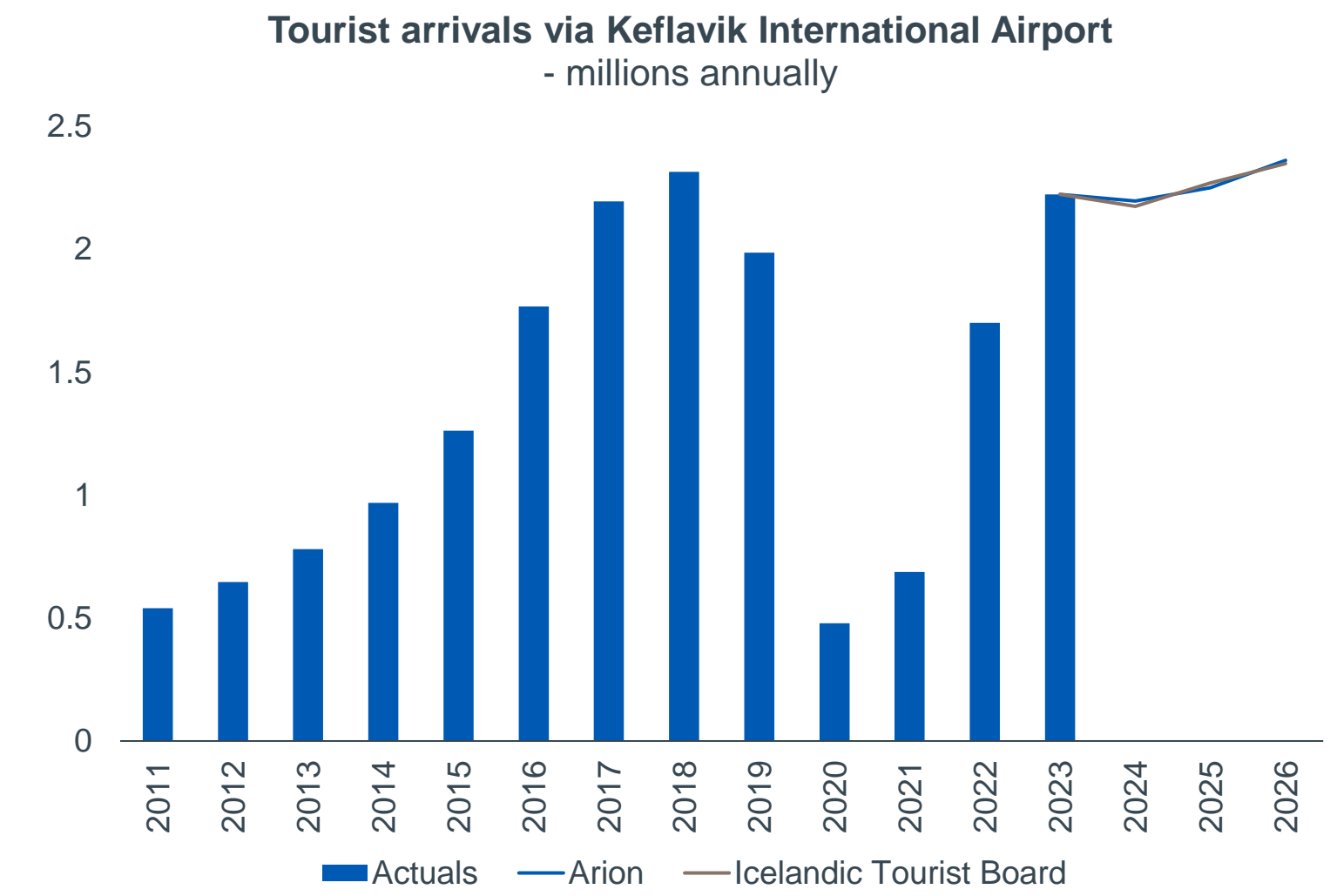
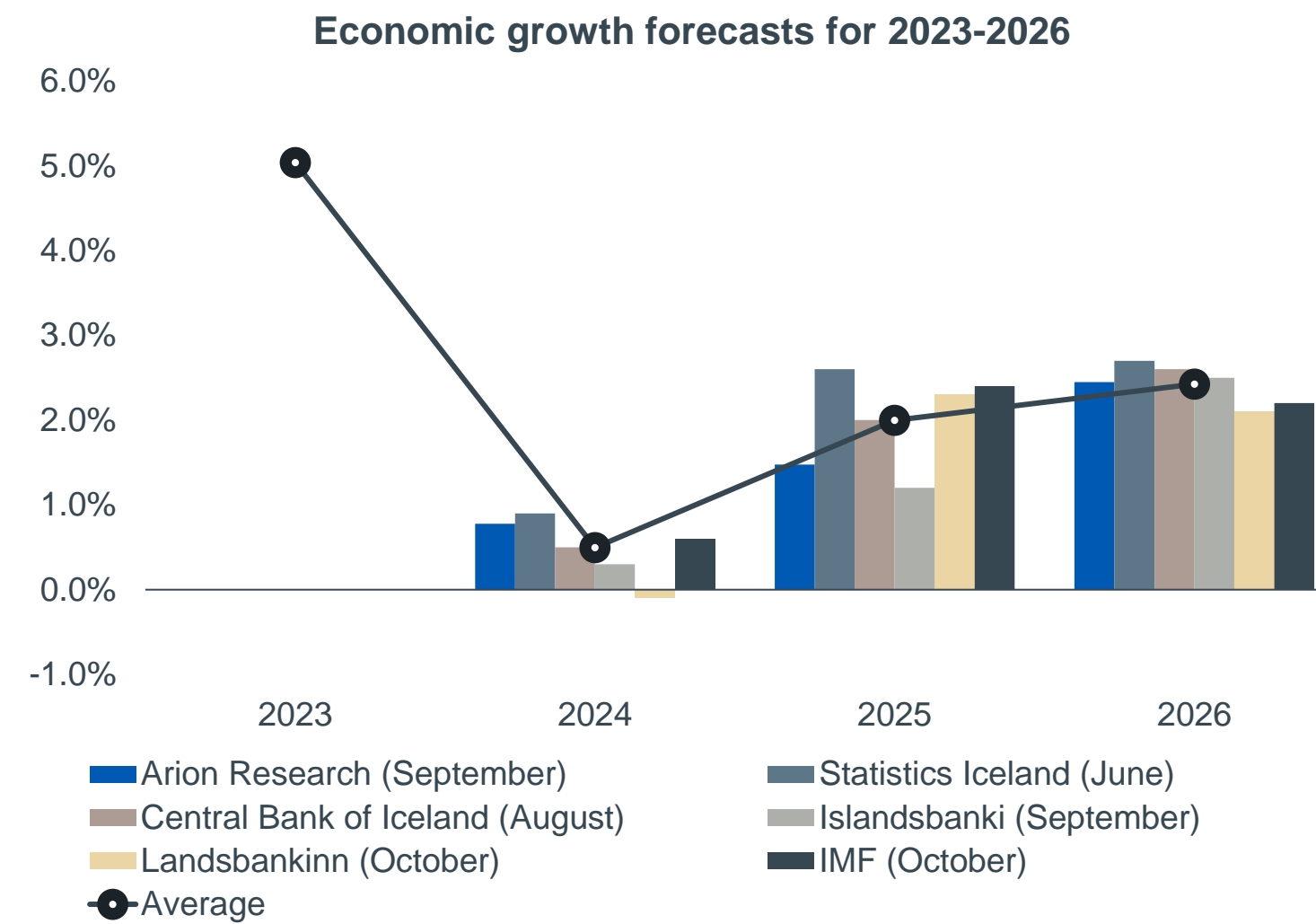


Sources: Central Bank of Iceland, Statistics Iceland, Icelandic Tourist Board, Arion Research.



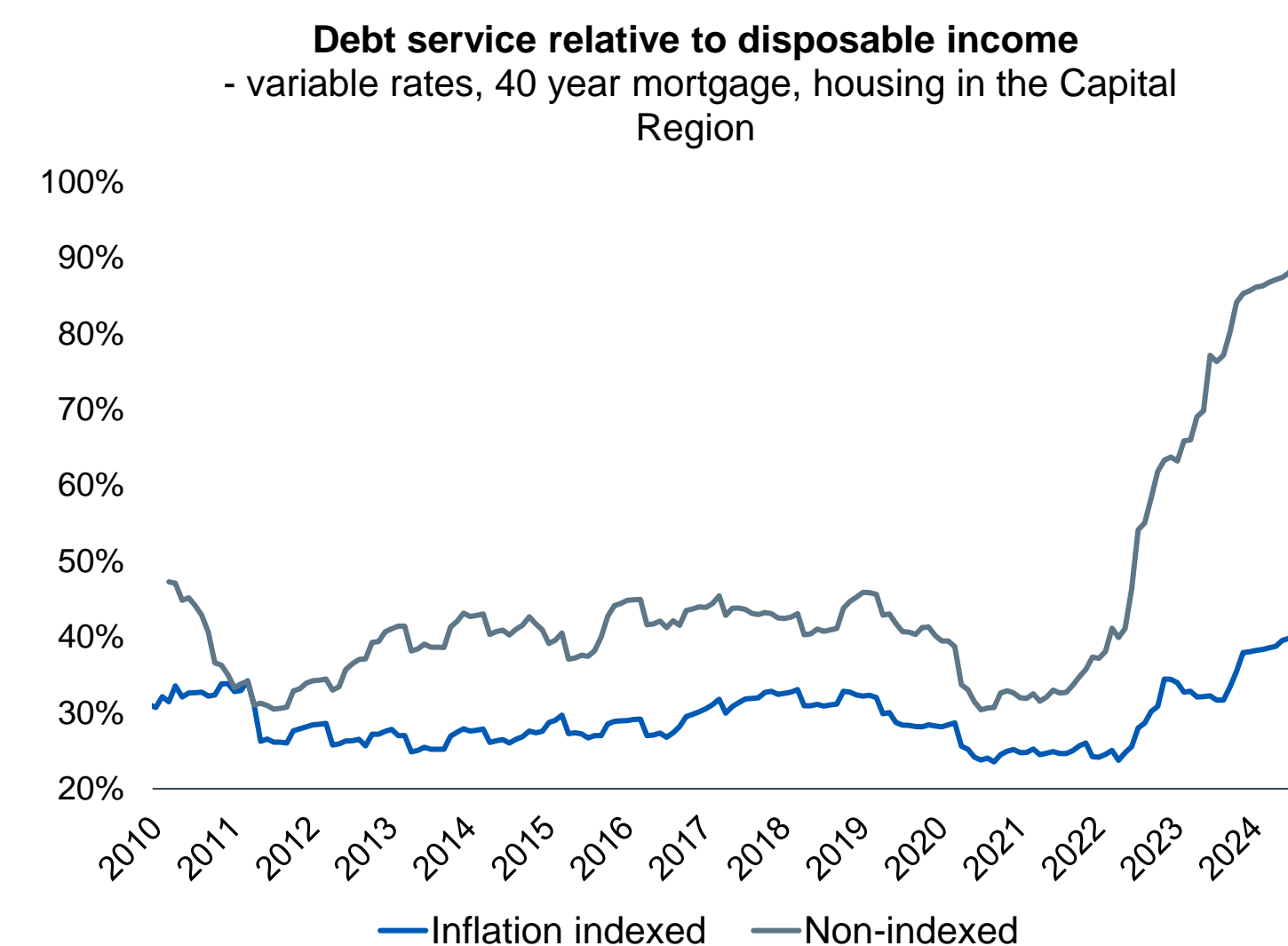
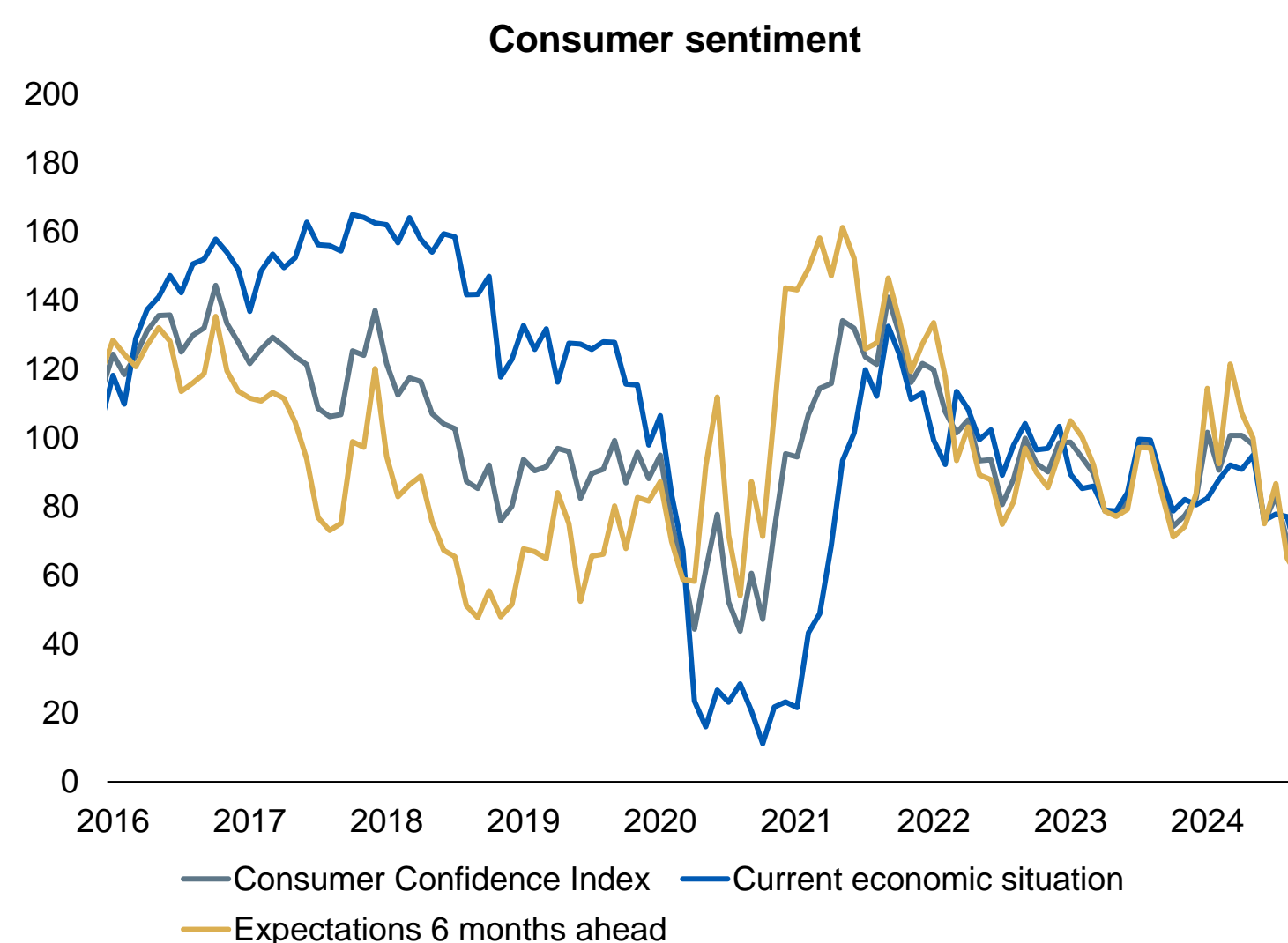
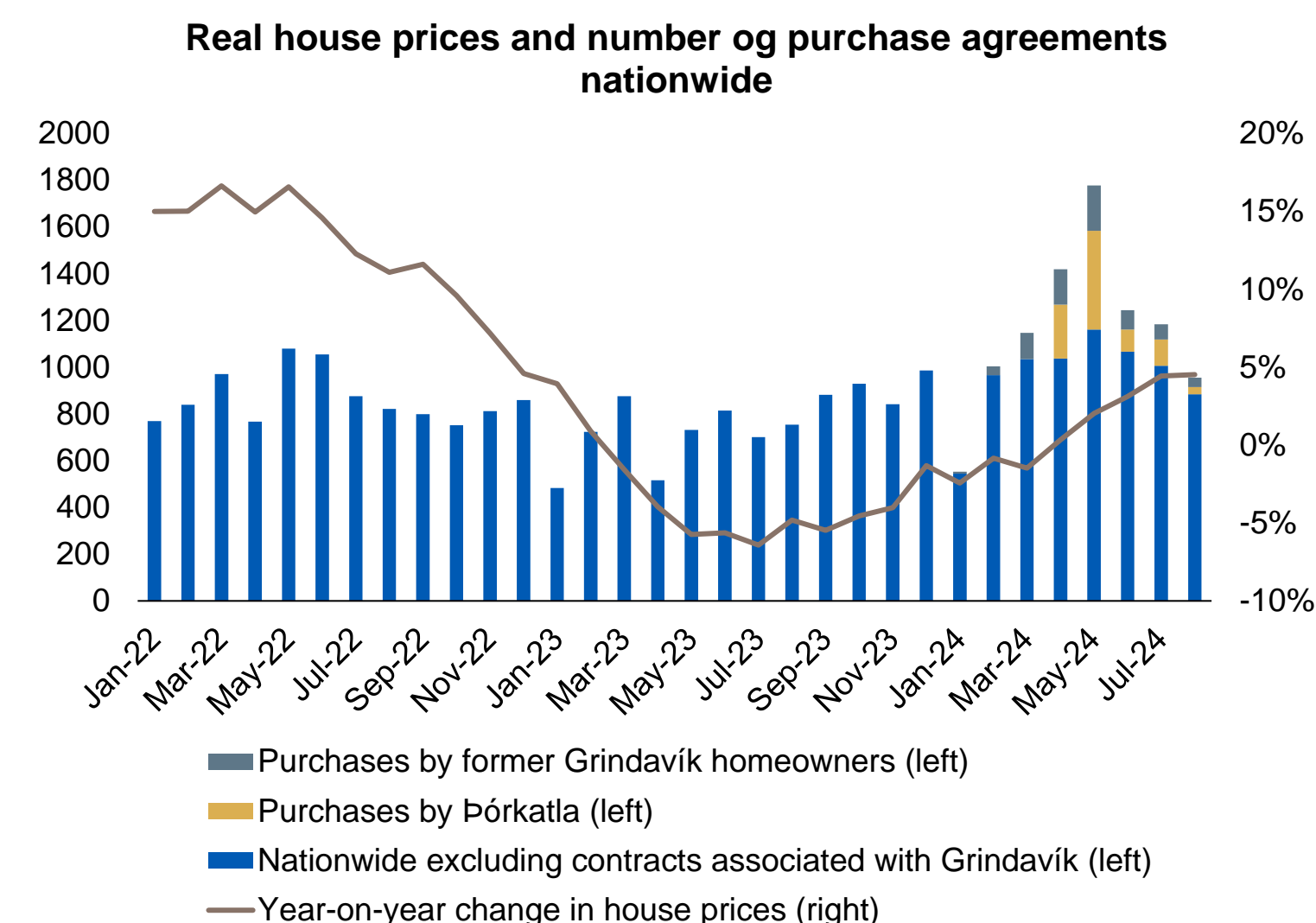
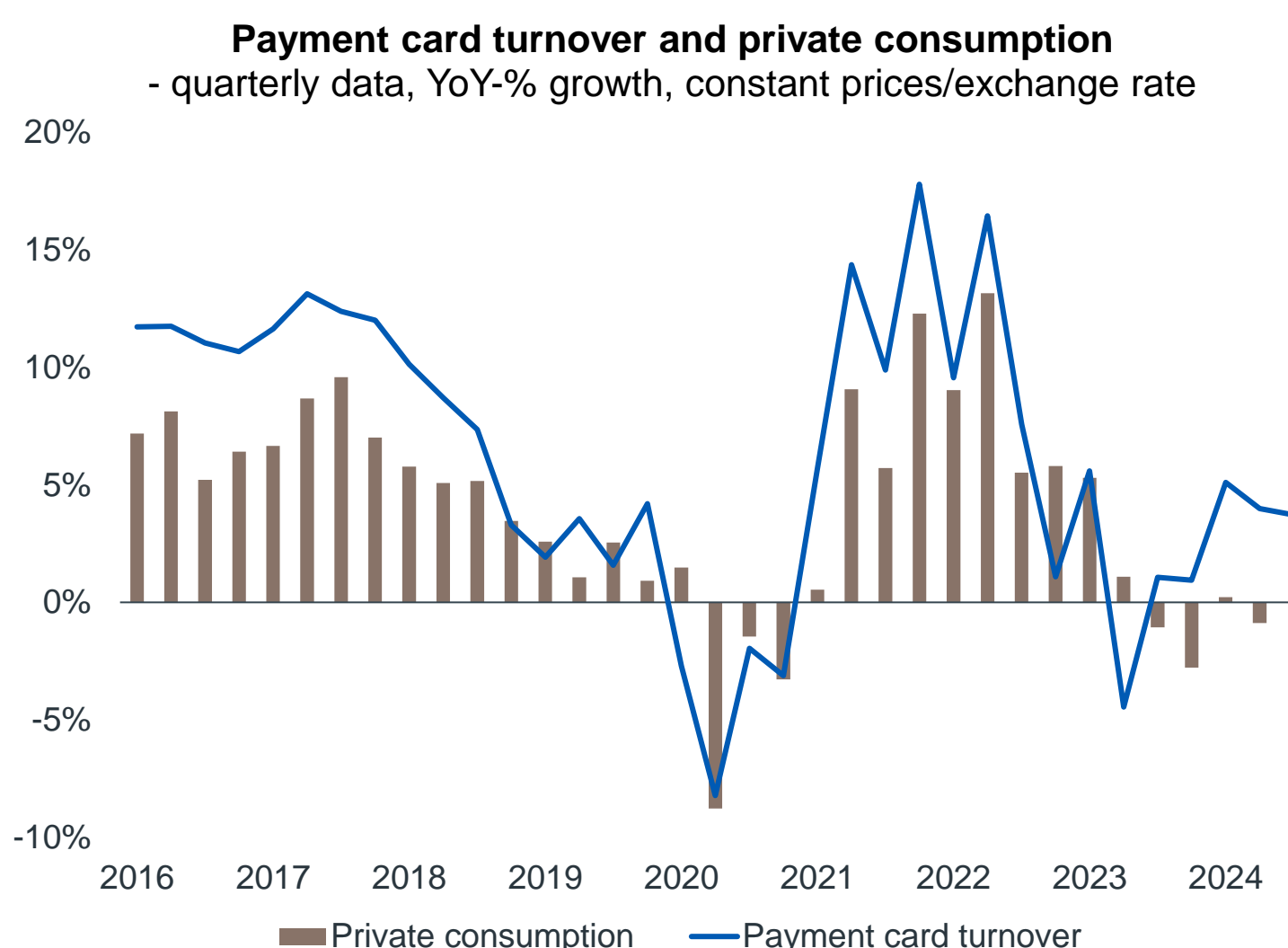
The Economic Outlook: Slower for Longer

- Over the last few months analysts have revised downwards their economic forecasts for the coming quarters, with the consensus among domestic analysts at 0.5% growth this year, followed by 2% growth in 2025. This change is primarily due to weaker private consumption and slower growth in the number of tourists than previously anticipated.
- Just under 2.2 million tourists are expected to visit the country this year, a slight decrease compared to last year. Additionally, the forecast for next year has deteriorated, primarily due to challenging operating conditions for the Icelandic airlines, and a decline in the competitiveness of the national economy.
- Besides the challenges faced by the tourism industry this year, the capelin shortage is impacting the fisheries sector, and heavy industry struggles with electricity shortages.
- Despite the headwinds faced by the largest export sectors, the outlook remains decent, with pharmaceuticals, aquaculture and various innovation-driven activities driving the growth.



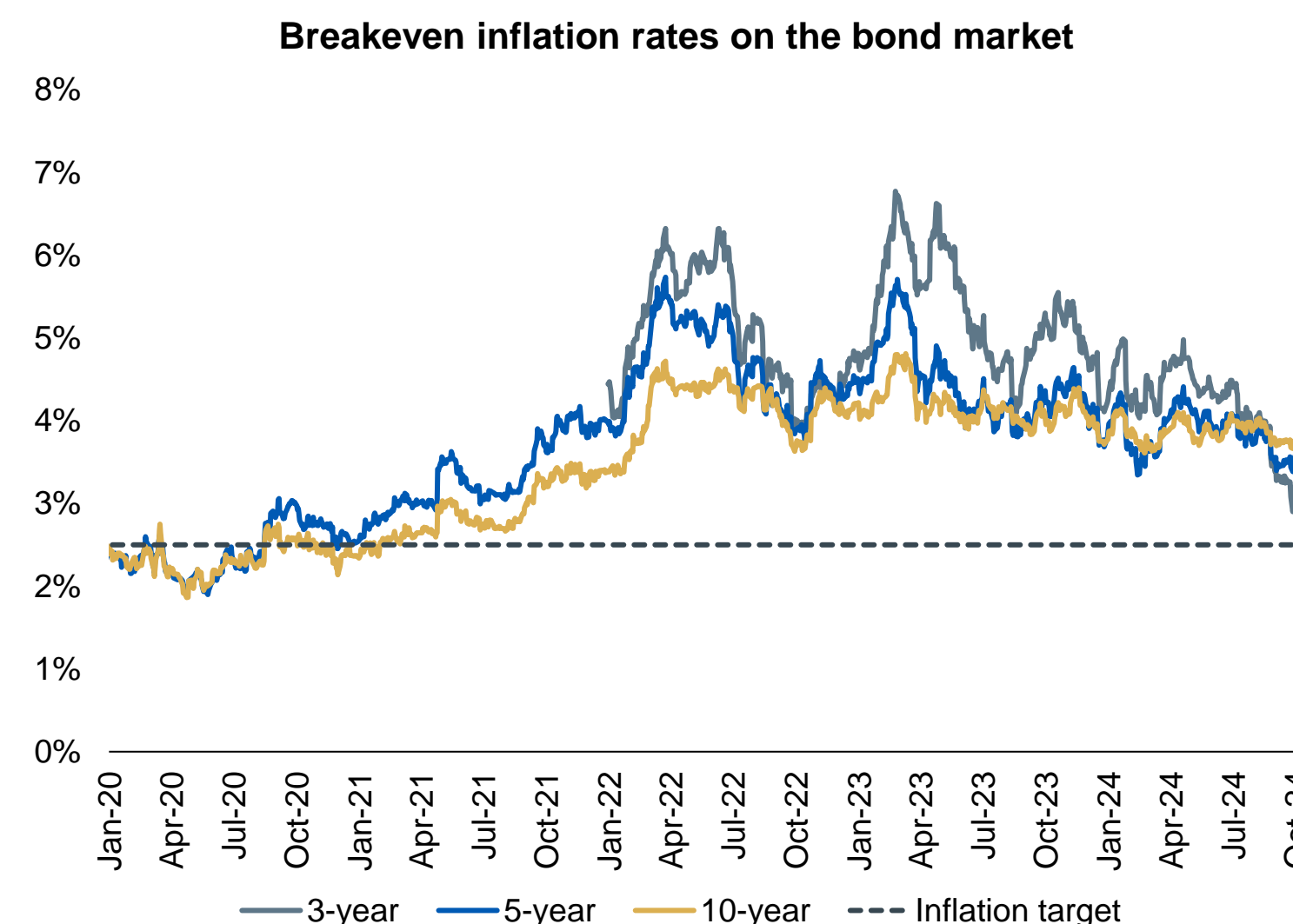
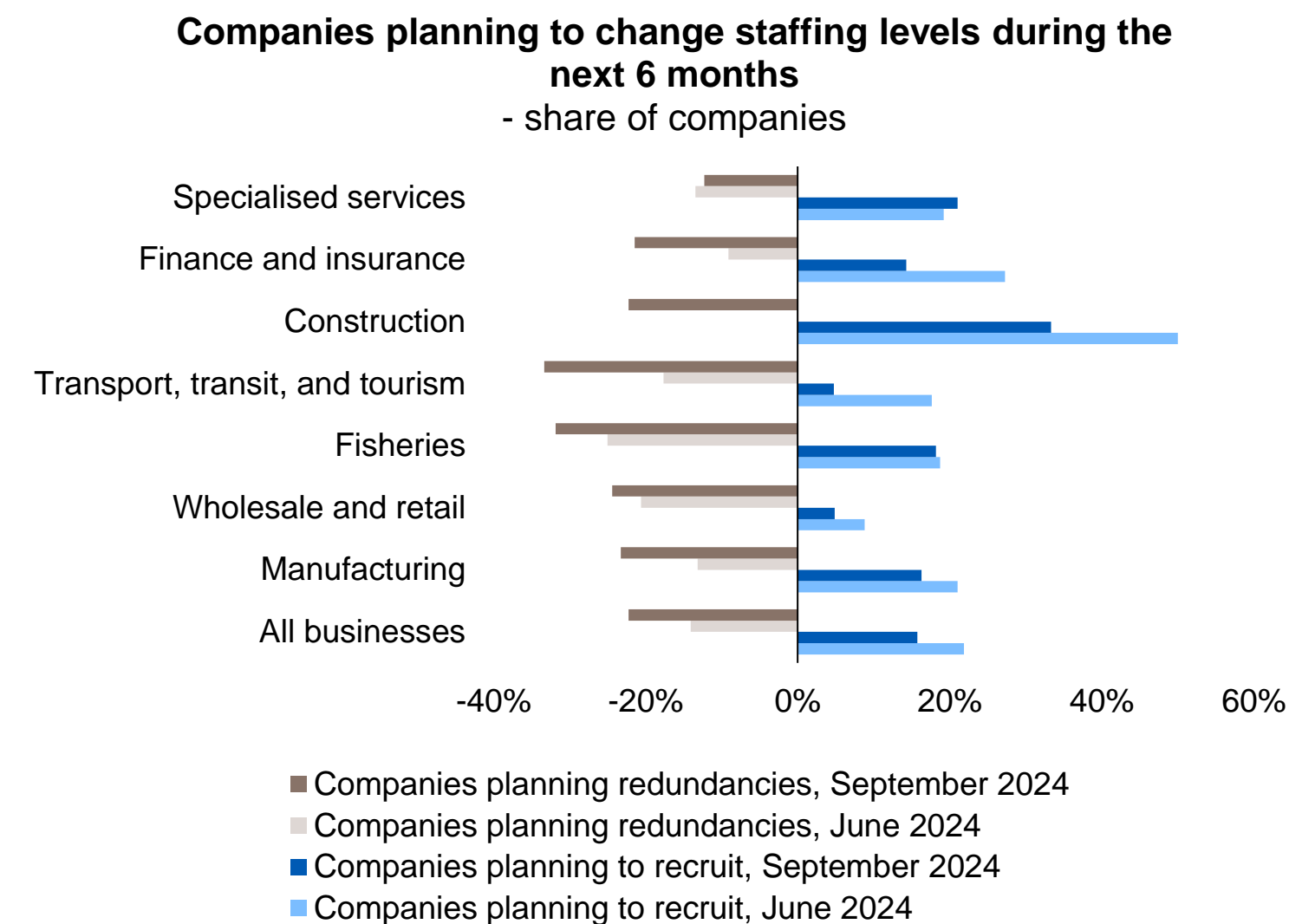
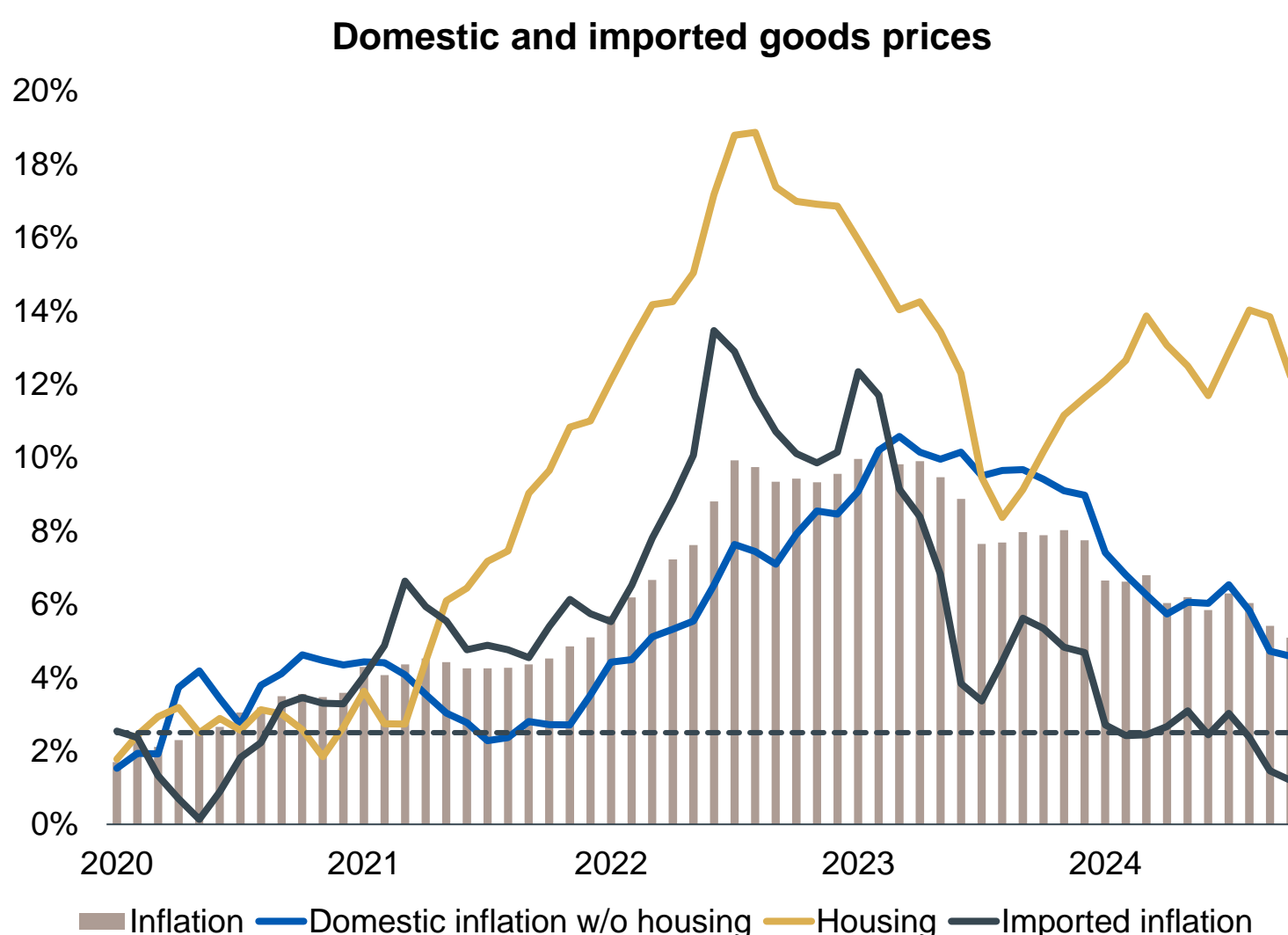
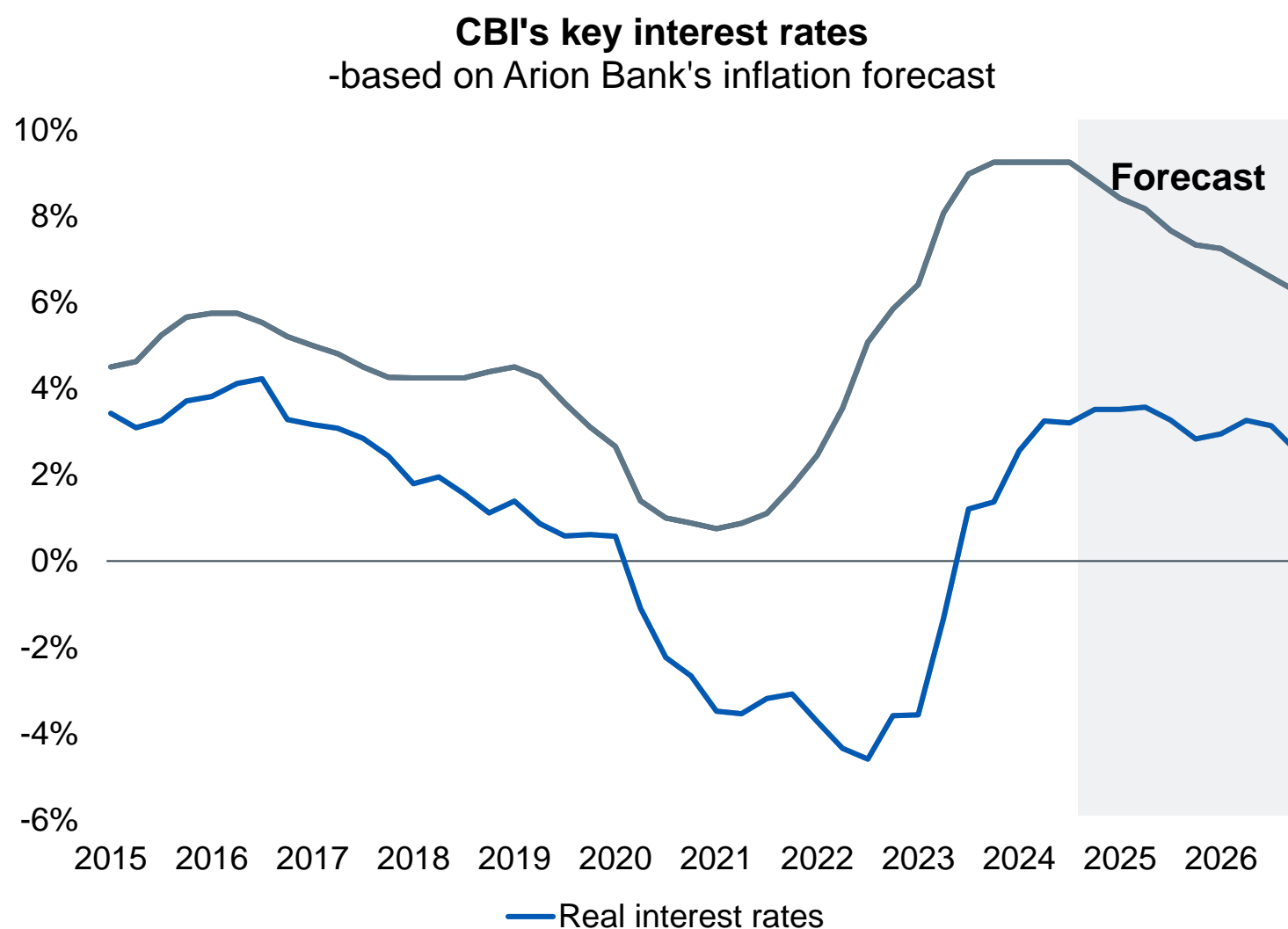
The puzzle of private consumption

- Although private consumption declined in Q2, payment card turnover has remained robust, reaching 3.7% year-over-year growth in Q3, in real terms, suggesting that demand has picked up. In this context it is worth noting that analysts, including the Central Bank of Iceland, have called the National Accounts figures into question, partly due to the disconnect between economic growth and the increase in labor input.
- However, other high-frequency indicators point in different directions, with Icelanders' overseas travels declining slightly, and households growing more pessimistic in Q3, although the MPC's interest rate cut seems to have lifted the spirits of many. Nonetheless, the enhanced transmission of monetary policy to households could have a notable impact in coming months, as access to indexed mortgages has been significantly restricted.
- The effects on the housing market remain to be seen, as recent volcanic eruptions and a rapidly increasing population have driven up demand, while supply has failed to keep pace.

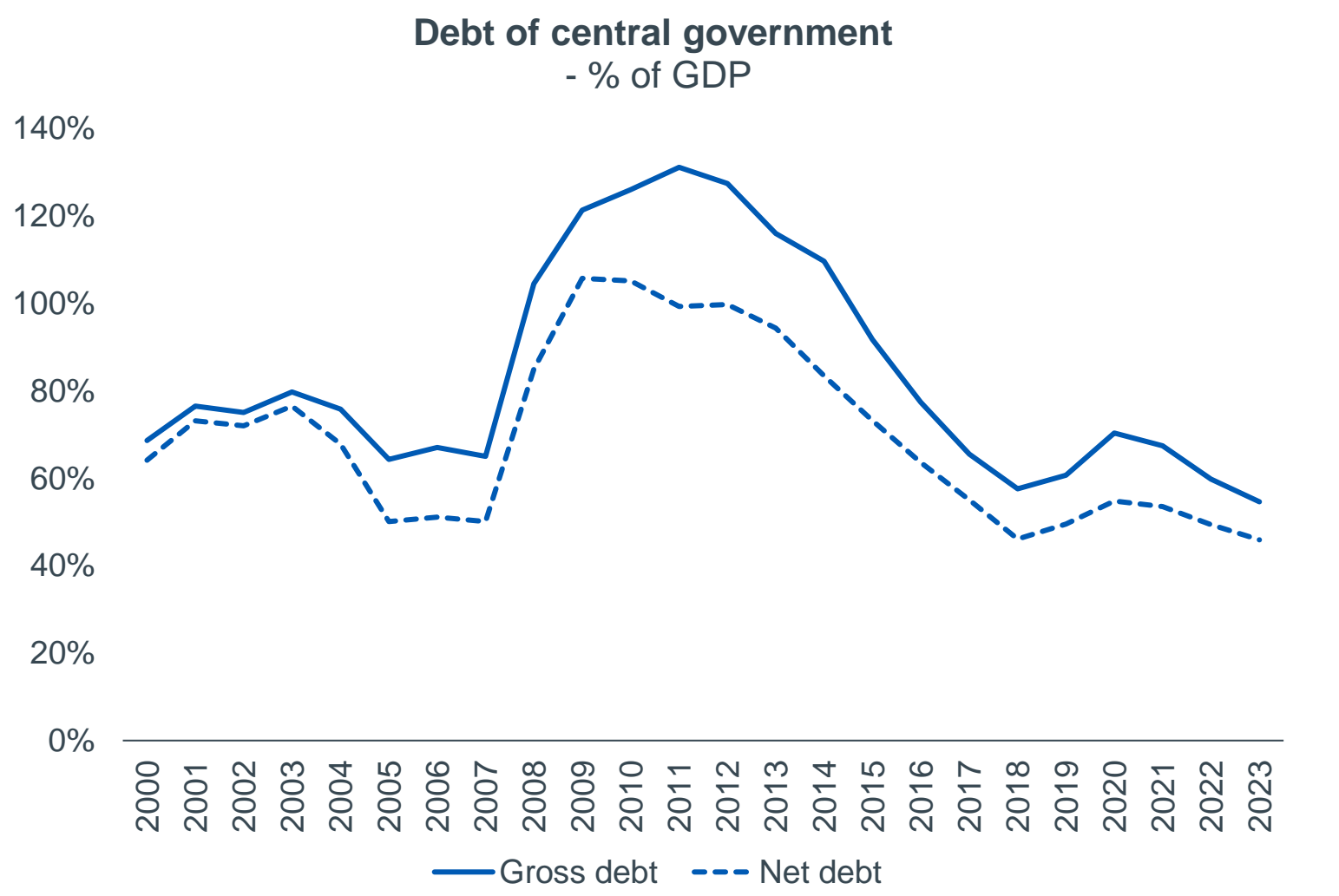
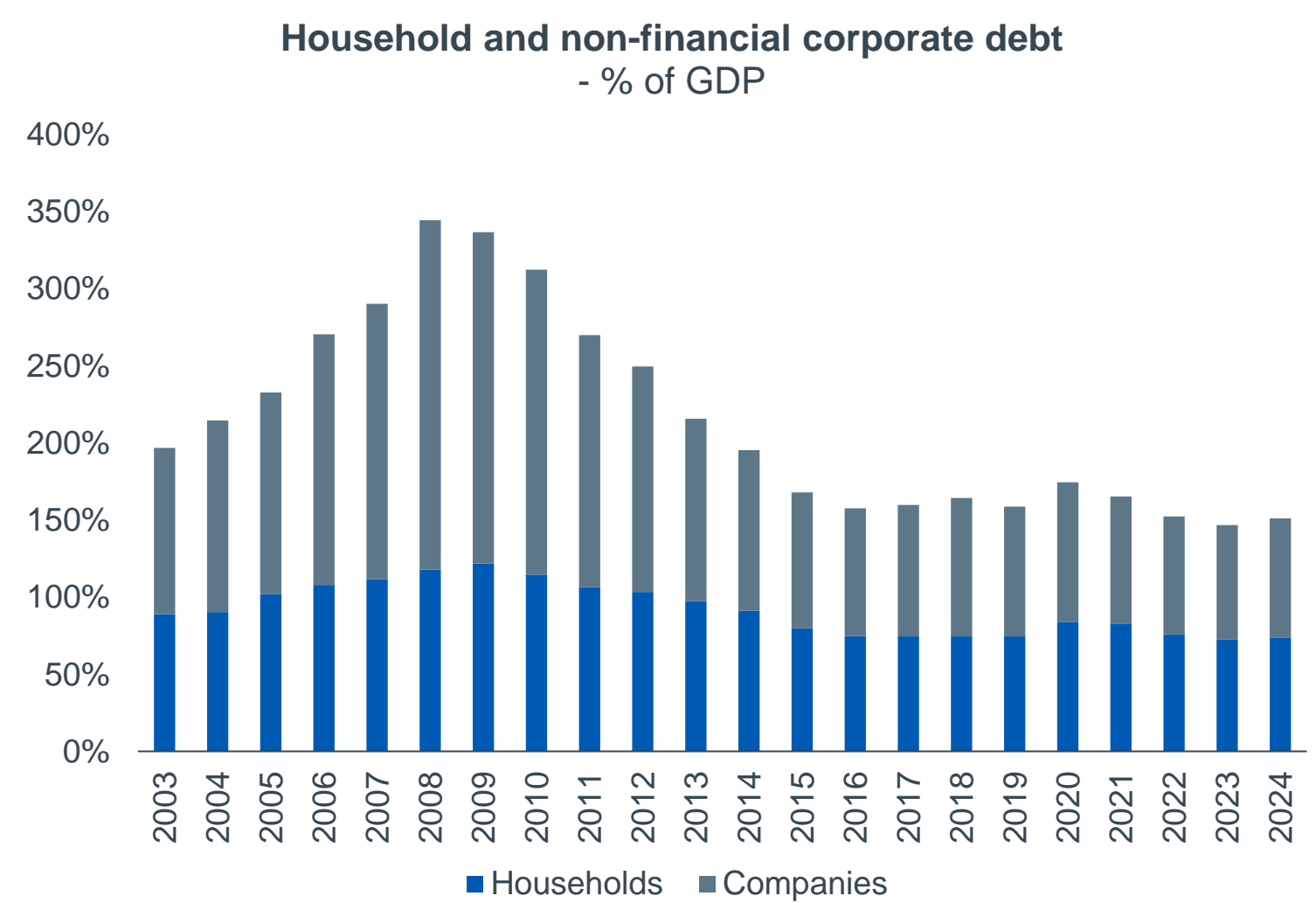
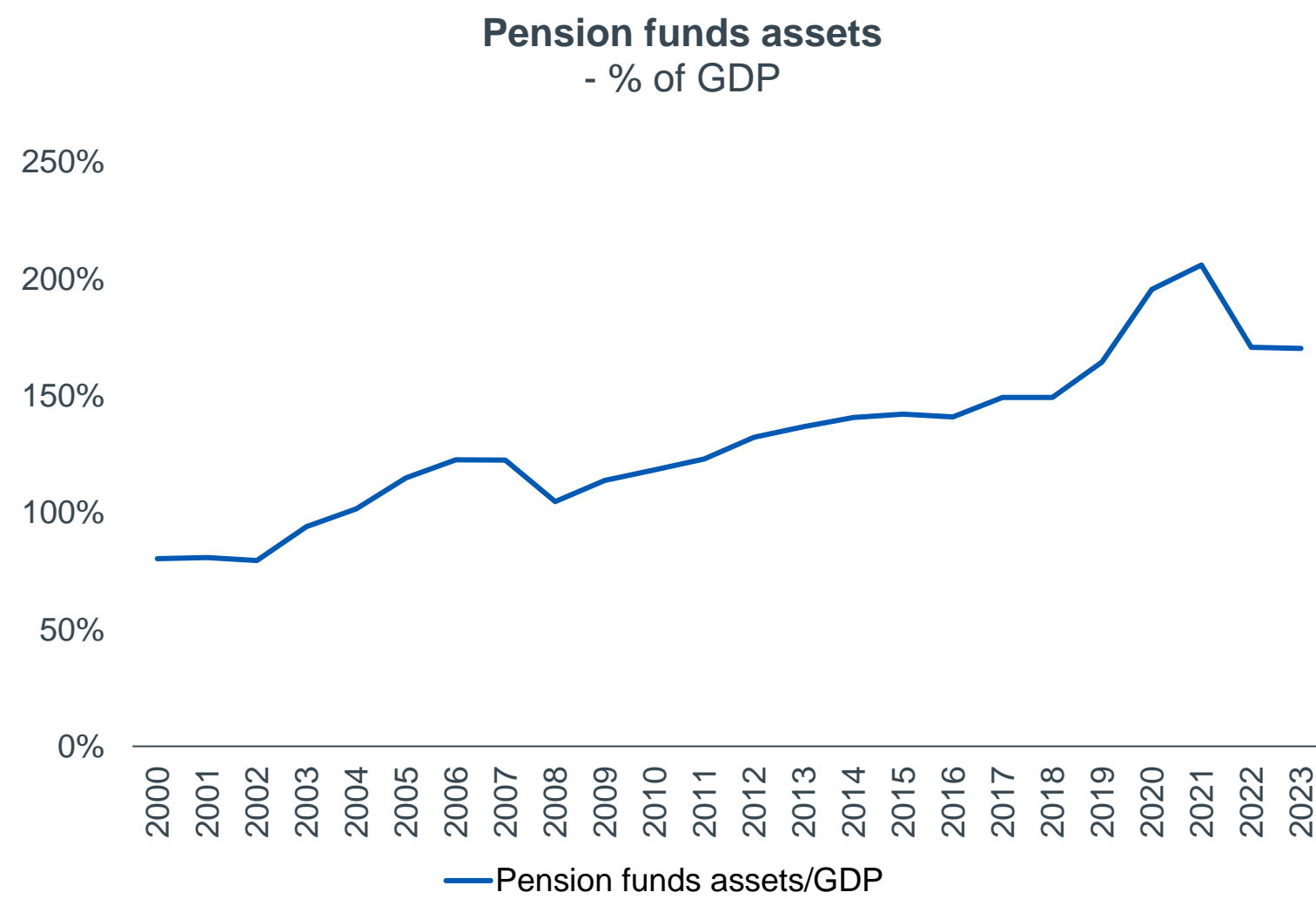
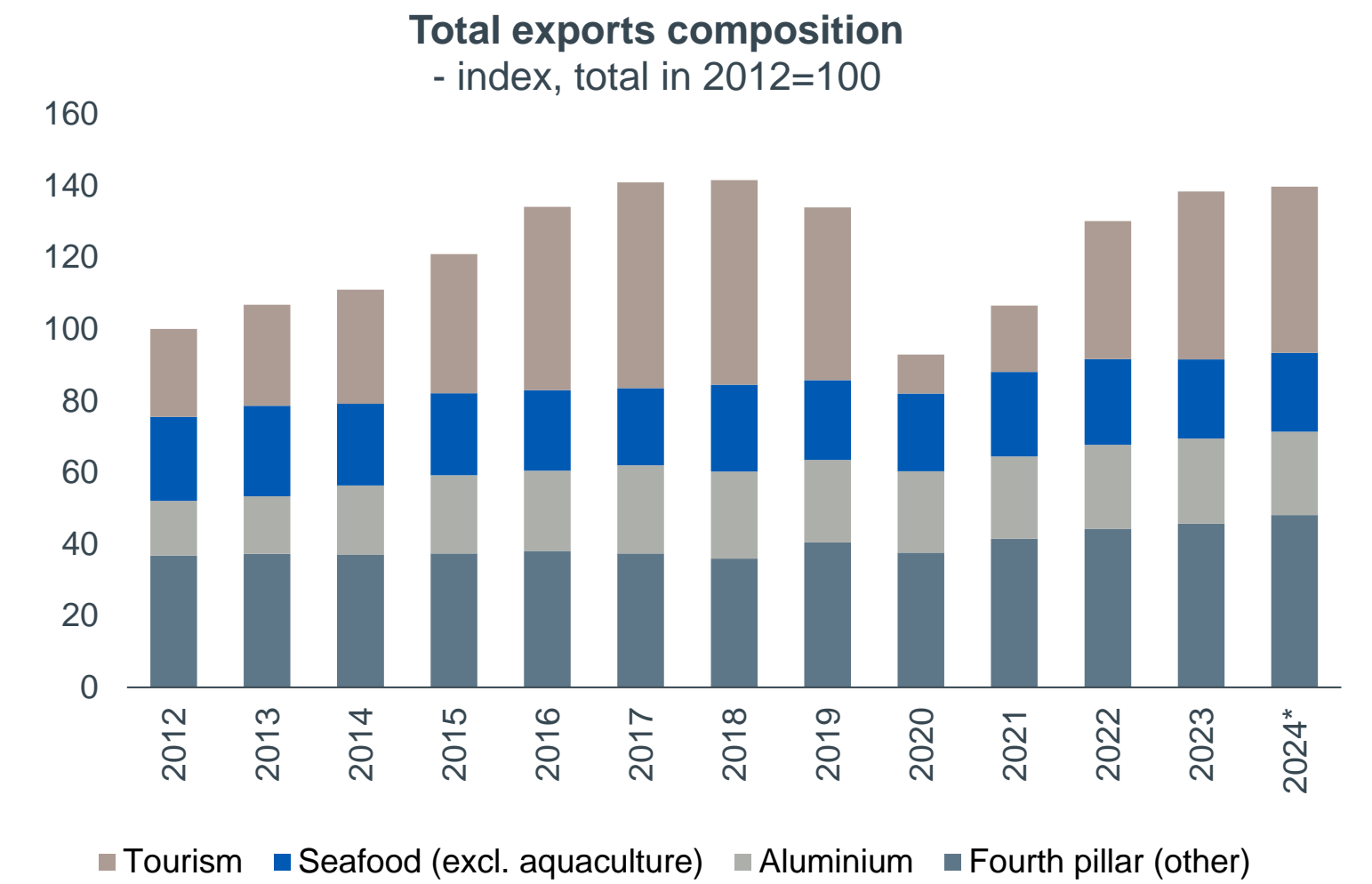
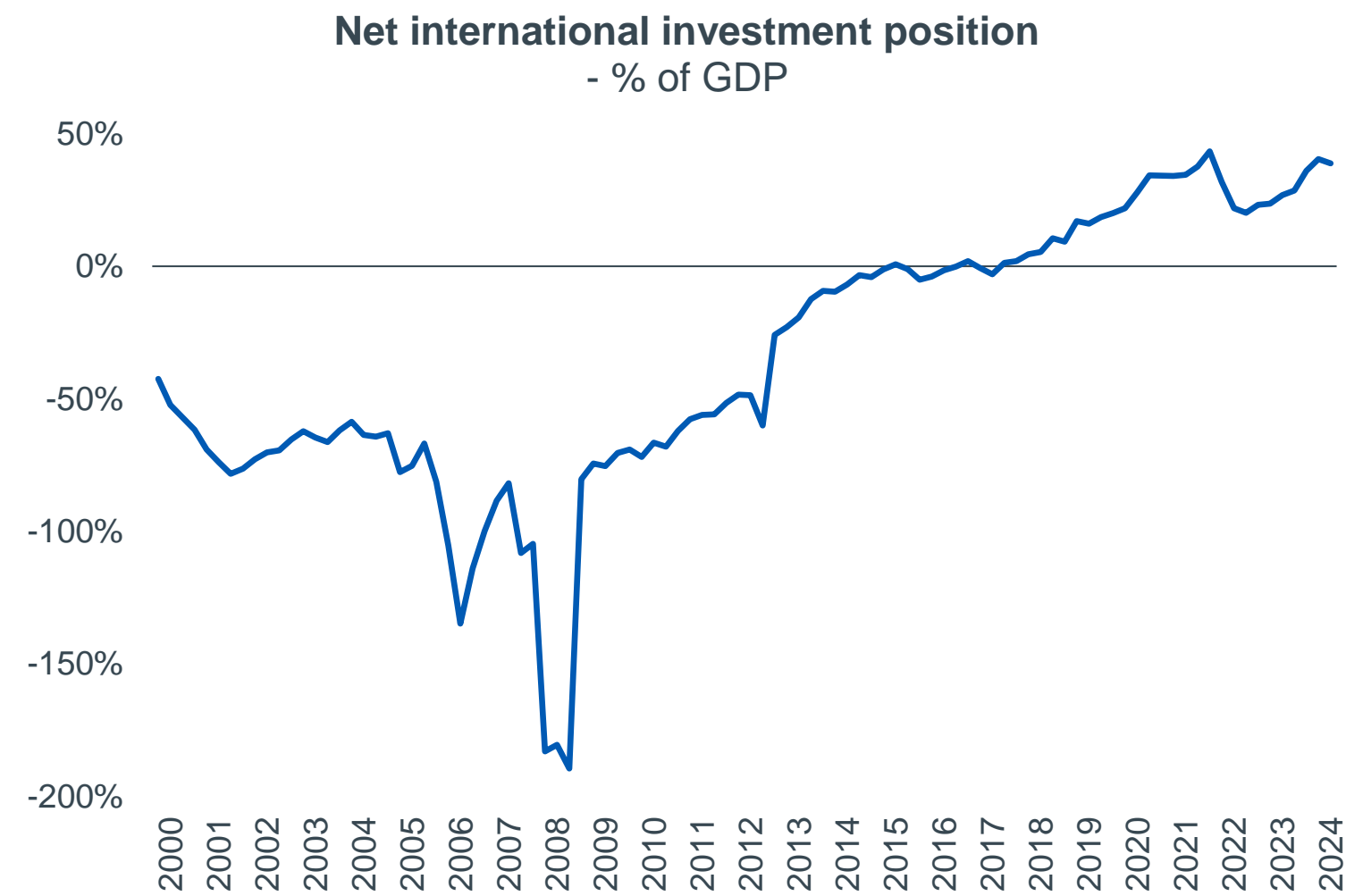
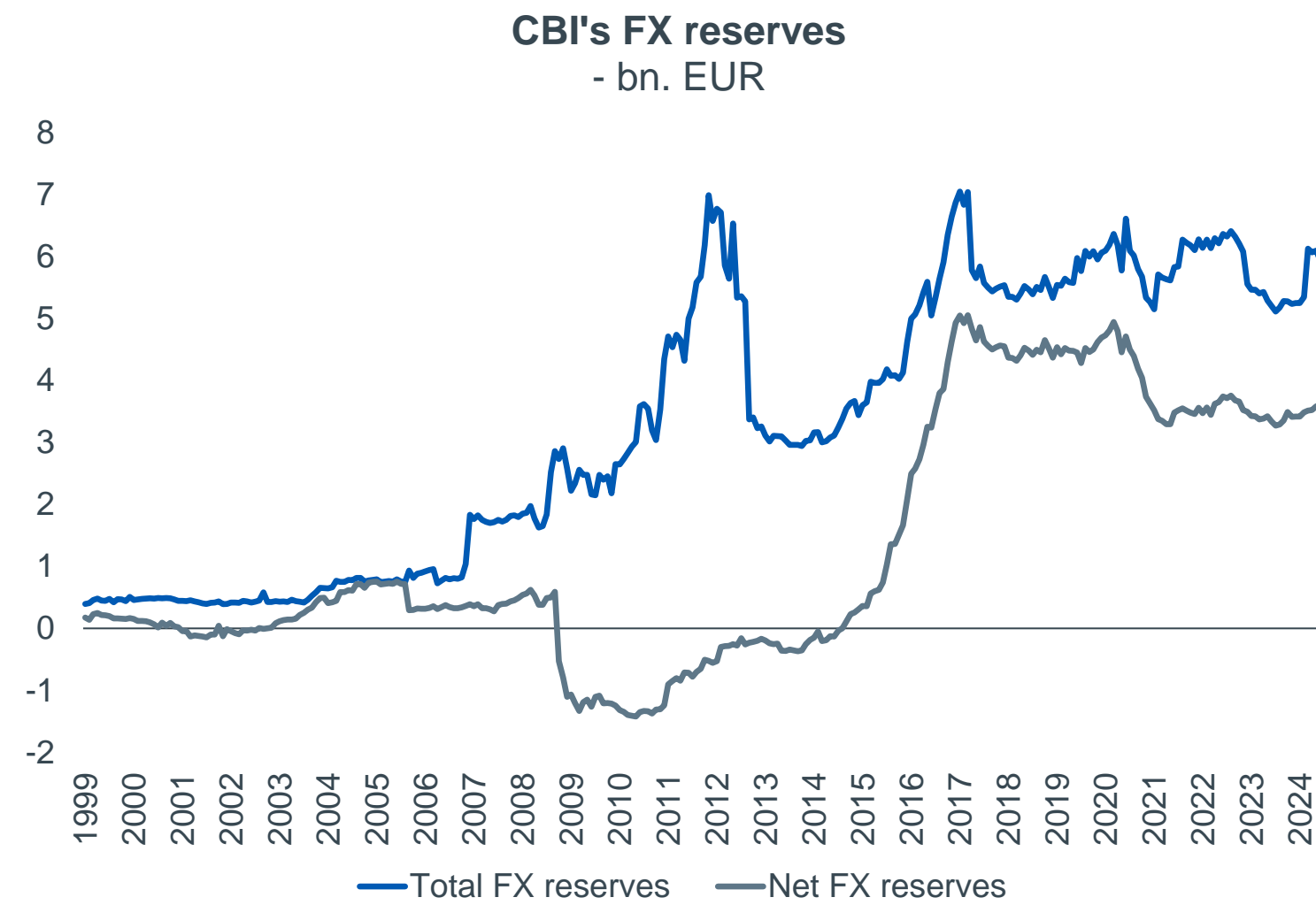


Rate cut against backdrop of easing inflation

- Despite some easing, inflation has proven to be resilient, measuring 5.1% in October. Headline inflation, however, does not fully reflect underlying inflationary pressures, as one-off items stemming from government measures had a significant impact on inflation in Q3. As a result, underlying inflation has not tapered off as quickly as headline inflation.
- Still, with inflation falling faster than anticipated, clear signs of slowdown in the labor market and inflation expectations moving in a favorable direction, the MPC decided to cut rates by 25 basis points in October.
- Further rate cuts are expected in November, despite increased political uncertainty. However, with underlying demand pressures remaining quite strong, analysts anticipate cautious steps and a tight monetary stance going forward, with real interest rates around 4%.



Small economy, strong foundations



Key takeaways from Q3 2024

Operational performance

- ▶ Solid quarter with all main income streams contributing to momentum
- ▶ ROE of 16.1% in the quarter which then results in 12.2% for the first nine months

Insurance

- ▶ Best quarter in the history of our insurance business Vörður contributing standalone net results of ISK 1.7bn
- ▶ Very positive traction in terms of new business and bancassurance effort

Net interest income

- ▶ The interest margin holding at a solid 3.1% level
- ▶ Near term external rate and inflation environment has the potential to increase fluctuations in the margin, while medium term outlook unchanged

Capital, funding and liquidity

- ▶ Capital position very strong with a CET1 ratio of 18.8% or 355bps above regulatory minimum
- ▶ Liquidity position strong, stable deposits continue to grow and wholesale funding profile balanced
- ▶ Successful USD 125m AT1 issue in the quarter



Income statement

Q3 2024

- Net profit of ISK 7.9bn resulting in ROE of 16.1%
- Core income* increase by 14% YoY and 4% between quarters
- NII increases by 9% YoY and net commission income by 1%
- Strong momentum in insurance operation, with steady growth in insurance revenue and lower claim rate
- Other operating income negatively affected by refreshed valuation of Helguvik development plot of ISK 355m
- Impairments are calculated at 31bps on yearly basis
- Effective tax rate of 21.1%

	Q3 2024	Q3 2023	Diff	Q2 2024	Diff
Net interest income	11,863	10,918	9%	11,948	(1%)
Net fee and commission income	3,880	3,848	1%	3,979	(2%)
Insurance service results	1,532	395	288%	522	193%
Net financial income	524	(183)	-	99	429%
Other operating income	(313)	8	-	37	-
Operating income	17,486	14,986	17%	16,585	5%
Operating expenses	(6,021)	(5,392)	12%	(7,152)	(16%)
Bank levy	(500)	(468)	7%	(476)	5%
Net impairment	(954)	(741)	29%	(775)	23%
Net earnings before taxes	10,011	8,385	19%	8,182	22%
Income tax expense	(2,114)	(2,274)	7%	(2,671)	(21%)
Net earnings from continuing operations	7,897	6,111	29%	5,511	43%
Discontinued operations net of tax	(6)	20	-	(11)	(45%)
Net earnings	7,891	6,131	29%	5,500	43%
Return on equity	16.1%	12.9%		11.5%	
Core income*	18,016	15,812	14%	17,272	4%
Net interest margin	3.1%	3.0%		3.2%	
Cost-to-core income ratio	37.5%	38.2%		46.2%	

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



Income statement

9M 2024

- Net profit of ISK 17.8bn resulting in ROE of 12.2%
- Core income* increase by 4% YoY
- NII increases by 5% from prior year while NCI decreased, partly due to closure of Keflavik airport branch and reclassification of card insurance
- Insurance service results improve significantly between years, with insurance revenue increasing by 12.7% and decrease in claim rate
- Other operating income is mainly due to valuation changes in investment properties, positive changes in Blikastadir in 2023 but negative change in 2024 due to development plot in Helguvik
- Operating expense increased by 10% YoY, partly due to ISK 585m fine following a settlement with the regulator in June. Inflation in 9M 2024 was 6.2%
- Impairments for the period are calculated at 23bps on yearly basis
- Effective tax rate of 29.6% at the higher end due to unfavorable combination of income and expenses

	9M 2024	9M 2023	Diff
Net interest income	35,056	33,338	5%
Net fee and commission income	11,224	12,486	(10%)
Insurance service results	1,839	436	322%
Net financial income	652	(4)	-
Other operating income	(226)	1,613	-
Operating income	48,545	47,868	1%
Operating expenses	(19,727)	(17,871)	10%
Bank levy	(1,436)	(1,374)	5%
Net impairment	(2,044)	(1,361)	50%
Net earnings before taxes	25,338	27,263	(7%)
Income tax expense	(7,489)	(7,787)	(4%)
Net earnings from continuing operations	17,849	19,476	(8%)
Discontinued operations net of tax	(26)	37	-
Net earnings	17,823	19,513	(9%)
Return on equity	12.2%	13.9%	
Core income*	50,491	48,456	4%
Net interest margin	3.1%	3.1%	
Cost-to-core income ratio**	43.8%	41.4%	

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

** Cost-to-core income ratio excluding the settlement fine was 42.6% in 9M 2024

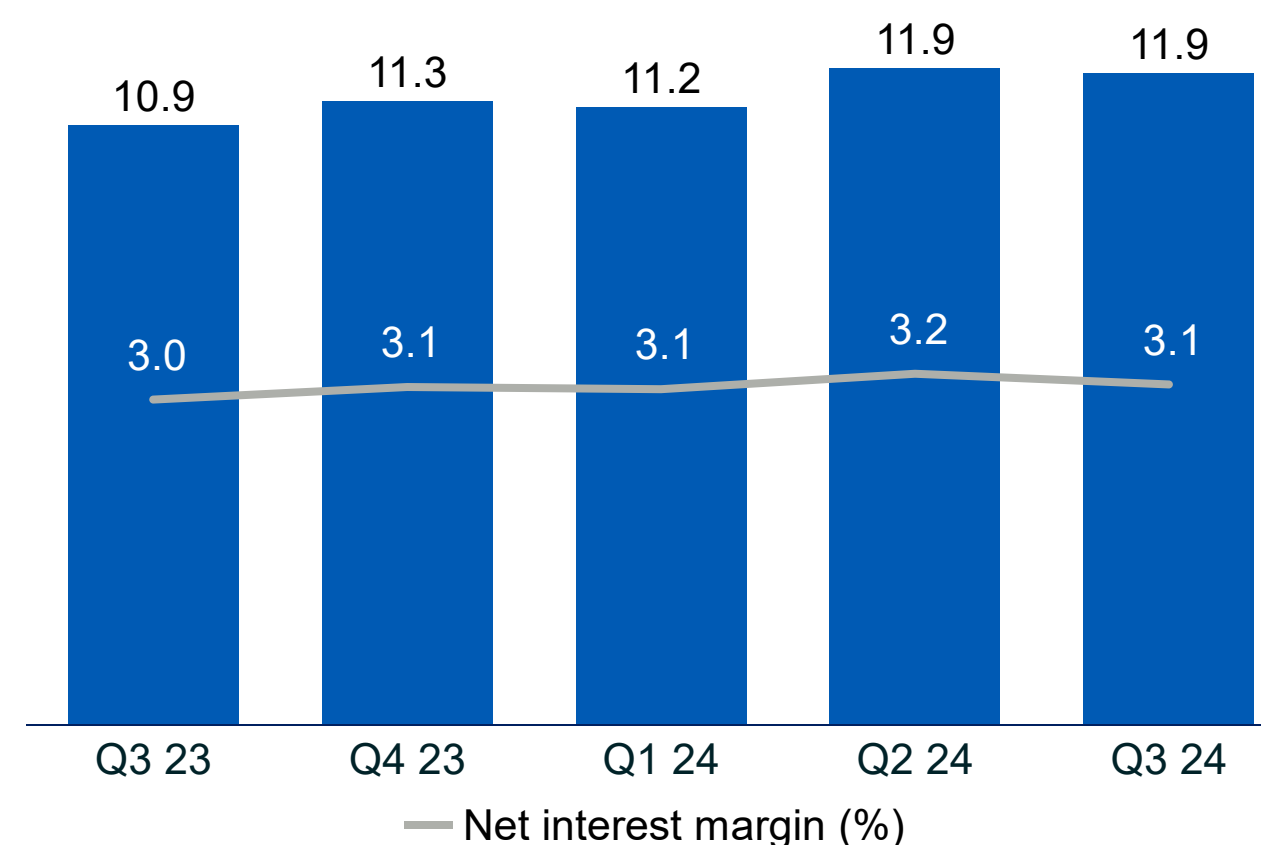


Net interest income

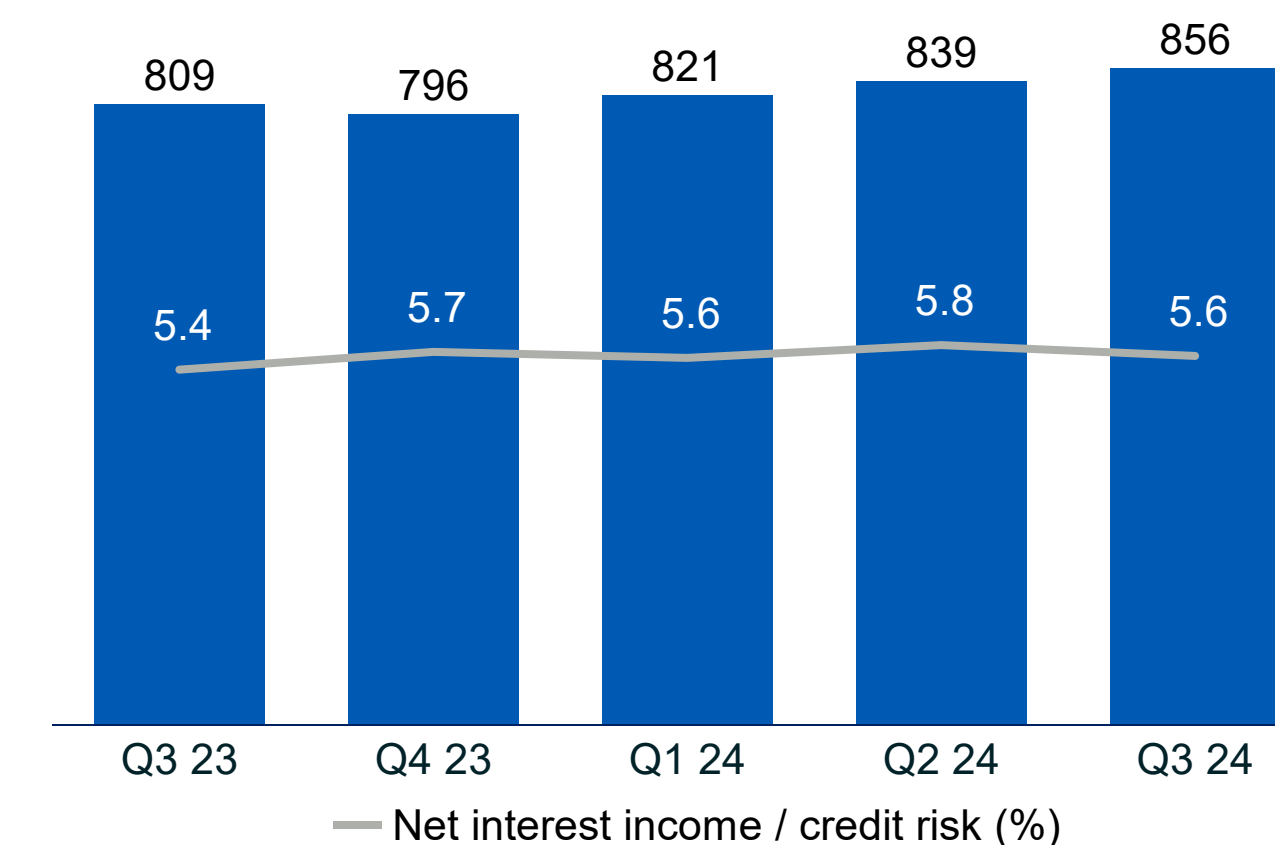
Solid margin while fluctuations anticipated

- Net interest income in Q3 increased by 8.7% from Q3 2023 but decreased by 0.7% from Q2 2024
- Fluctuations in the NIM anticipated to potentially increase near term
 - Ongoing tailwind from resetting of fixed rate mortgages
 - Headwind from interest-free reserve requirements increased by the Central Bank in May from 2% to 3%
 - Net CPI balance increasing; was ISK 167bn at the end of September 2024 compared with ISK 90bn at year end 2023. Timing difference between inflation momentum and policy rates has the potential to be a near term headwind
- The Bank expects NIM around 3% in the coming quarters with fluctuations in line with trajectory of policy rates and inflation

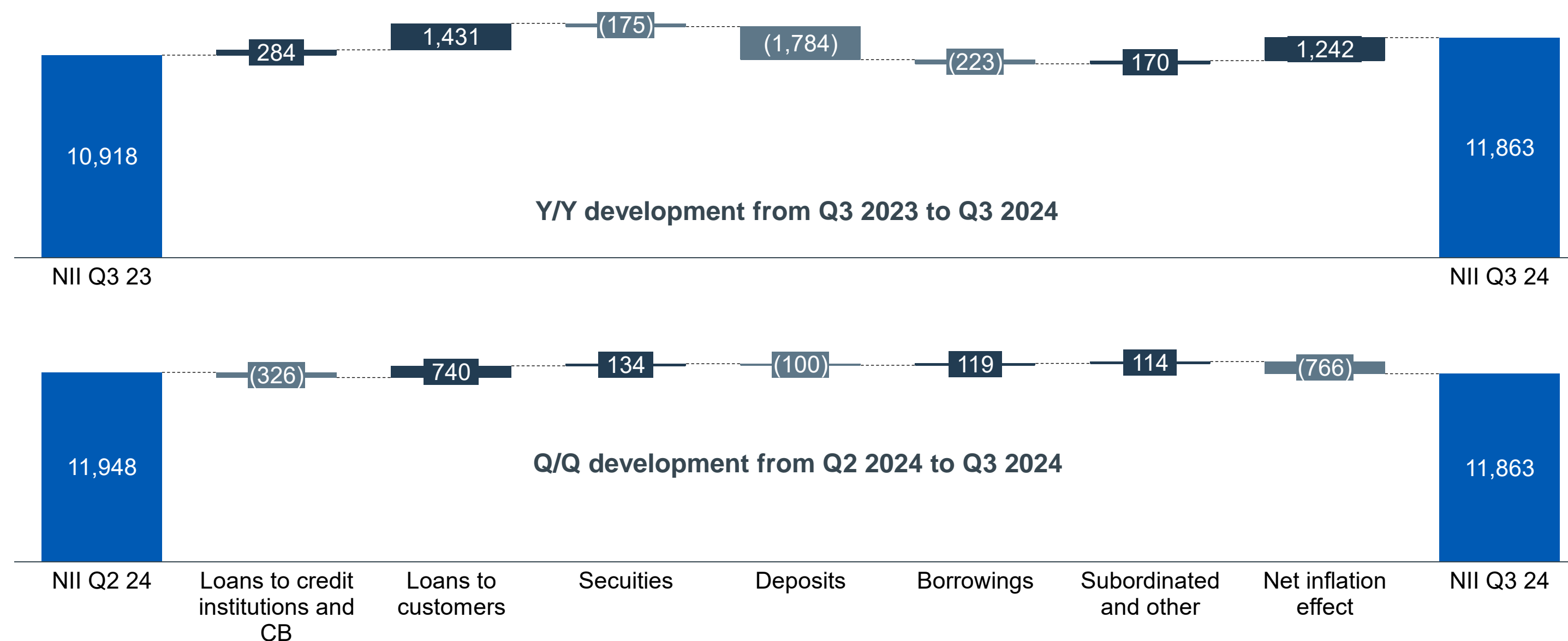
Net interest income (ISK bn)



Credit risk (ISK bn)



Net interest income development (ISK m)

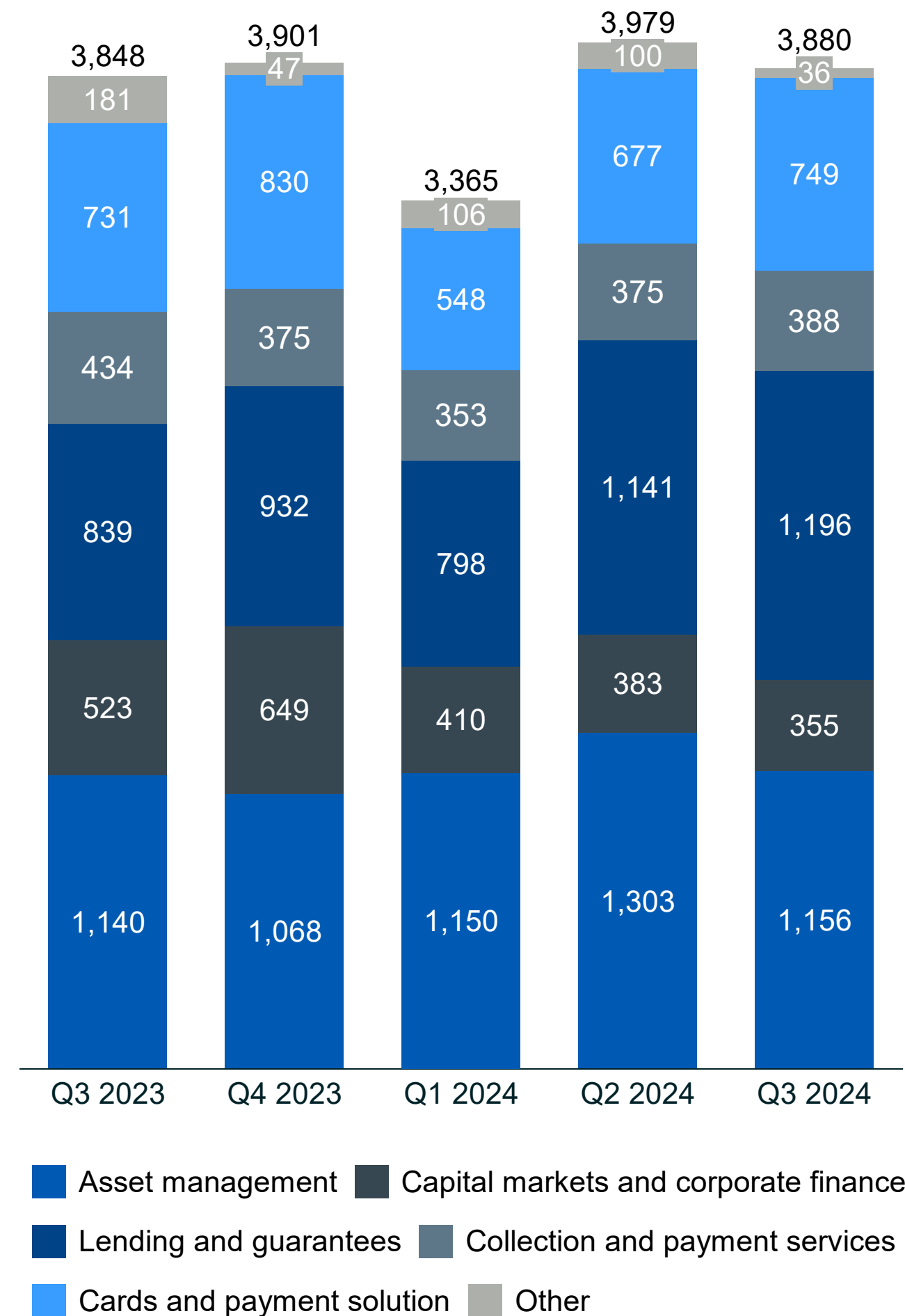


Net fee and commission income

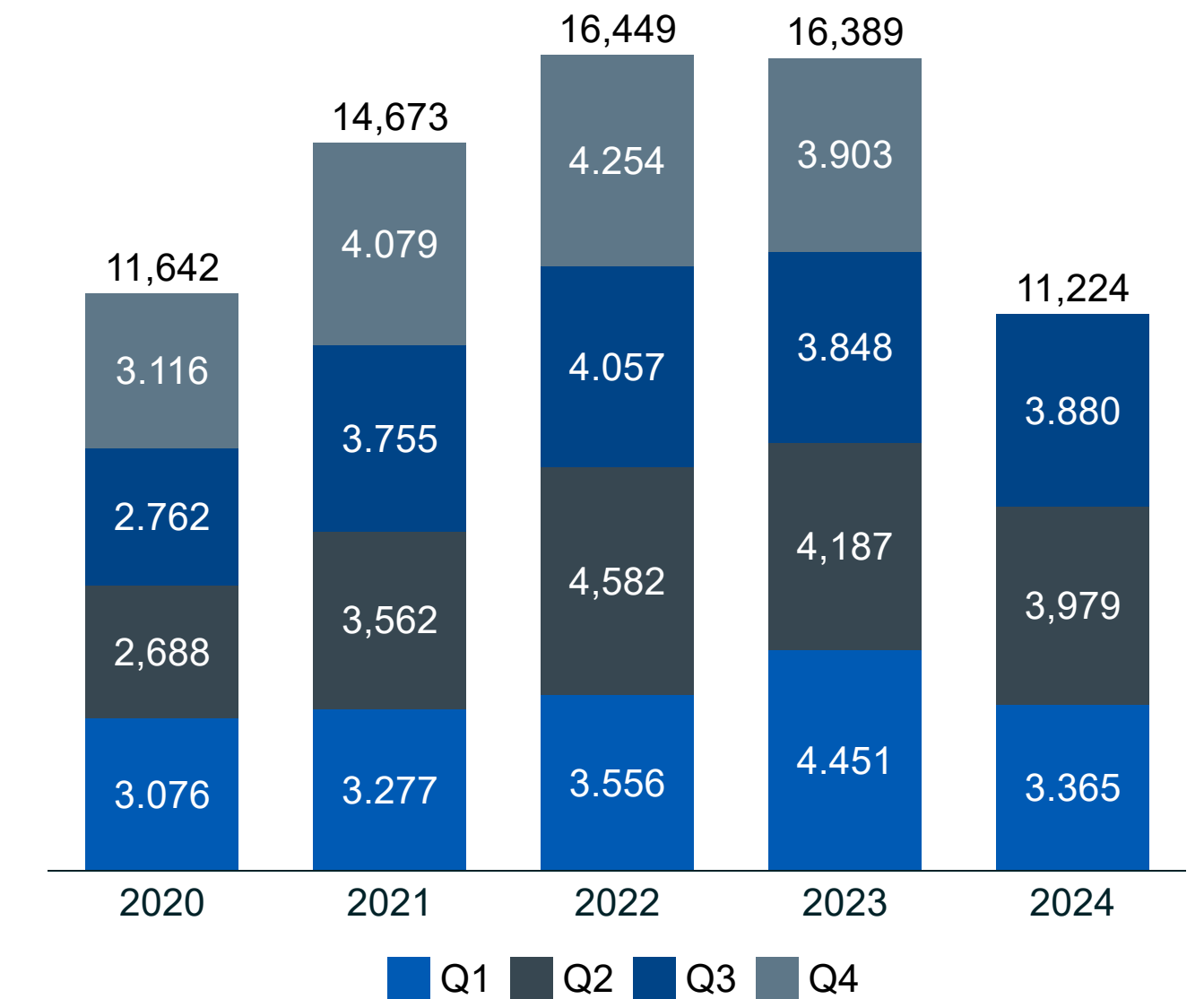
Solid quarter

- Net fee and commission income remains stable between quarters and compared with same quarter in 2023
- Strong quarter in cards and payments as well as lending while lower activities in capital markets and corporate finance
- Asset management performance rather stable with AuM increasing to ISK 1,577bn at period end
- Comparison between years impacted by closure of Keflavik airport branch and reclassification of card insurance fees from Q1 2024. Fee income from these sources amounted to ISK 320m in Q3 2023

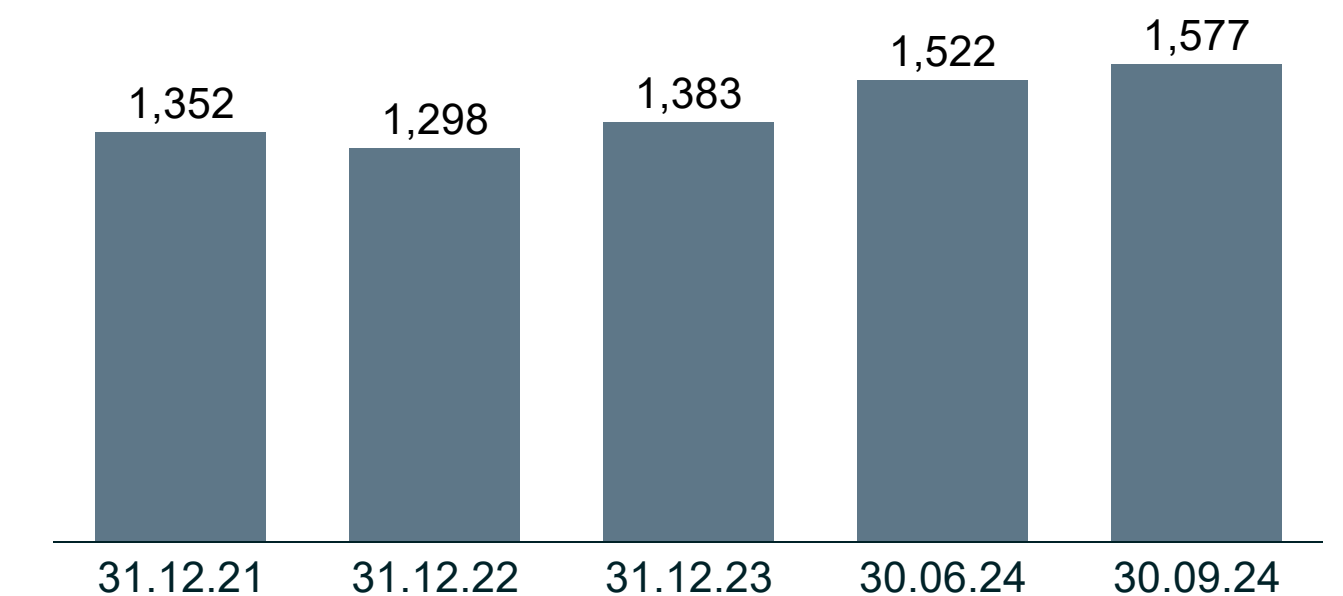
Net fee and commission income (ISK m)



Net fee and commission income (ISK m)



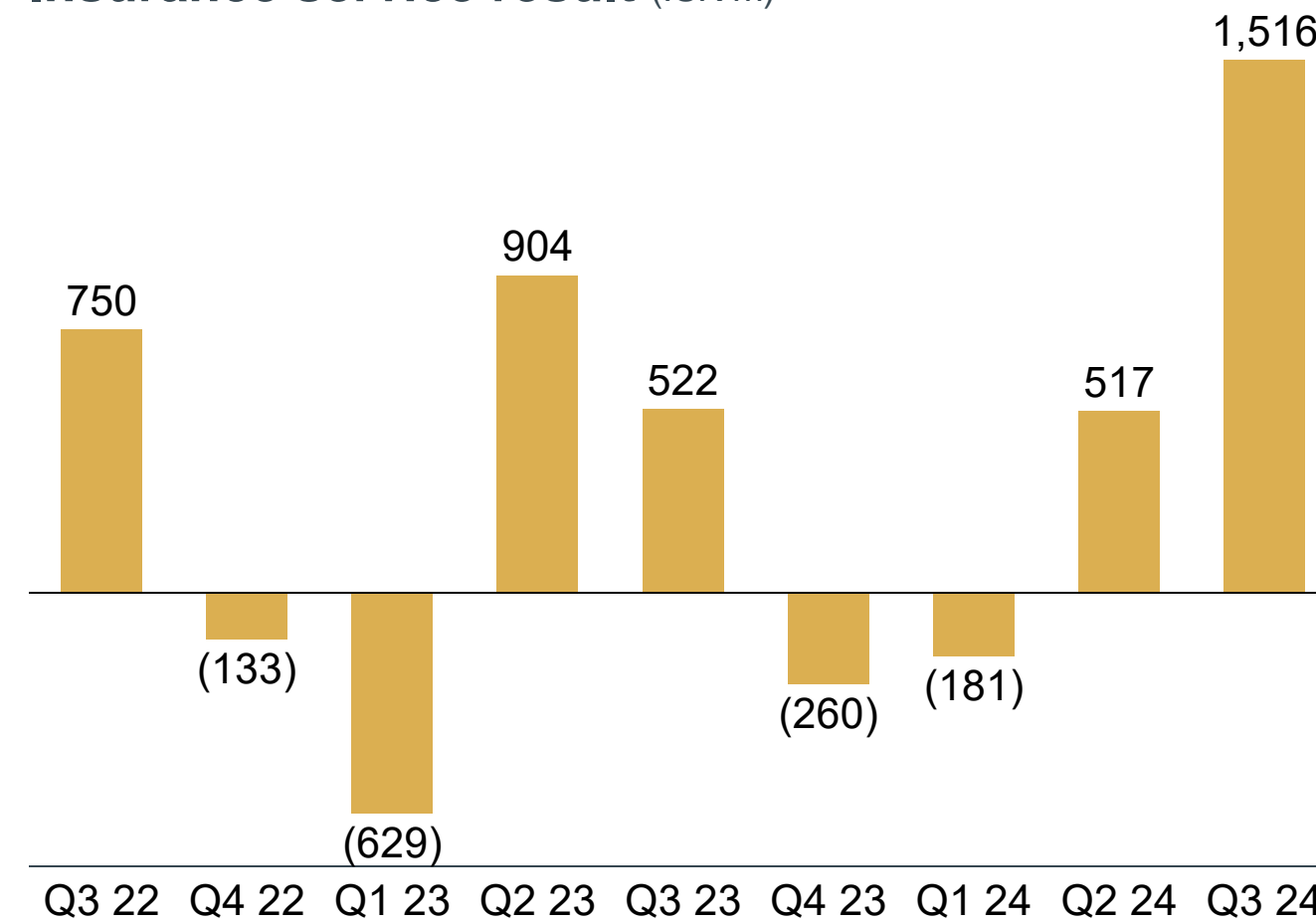
Assets under management (ISK bn)



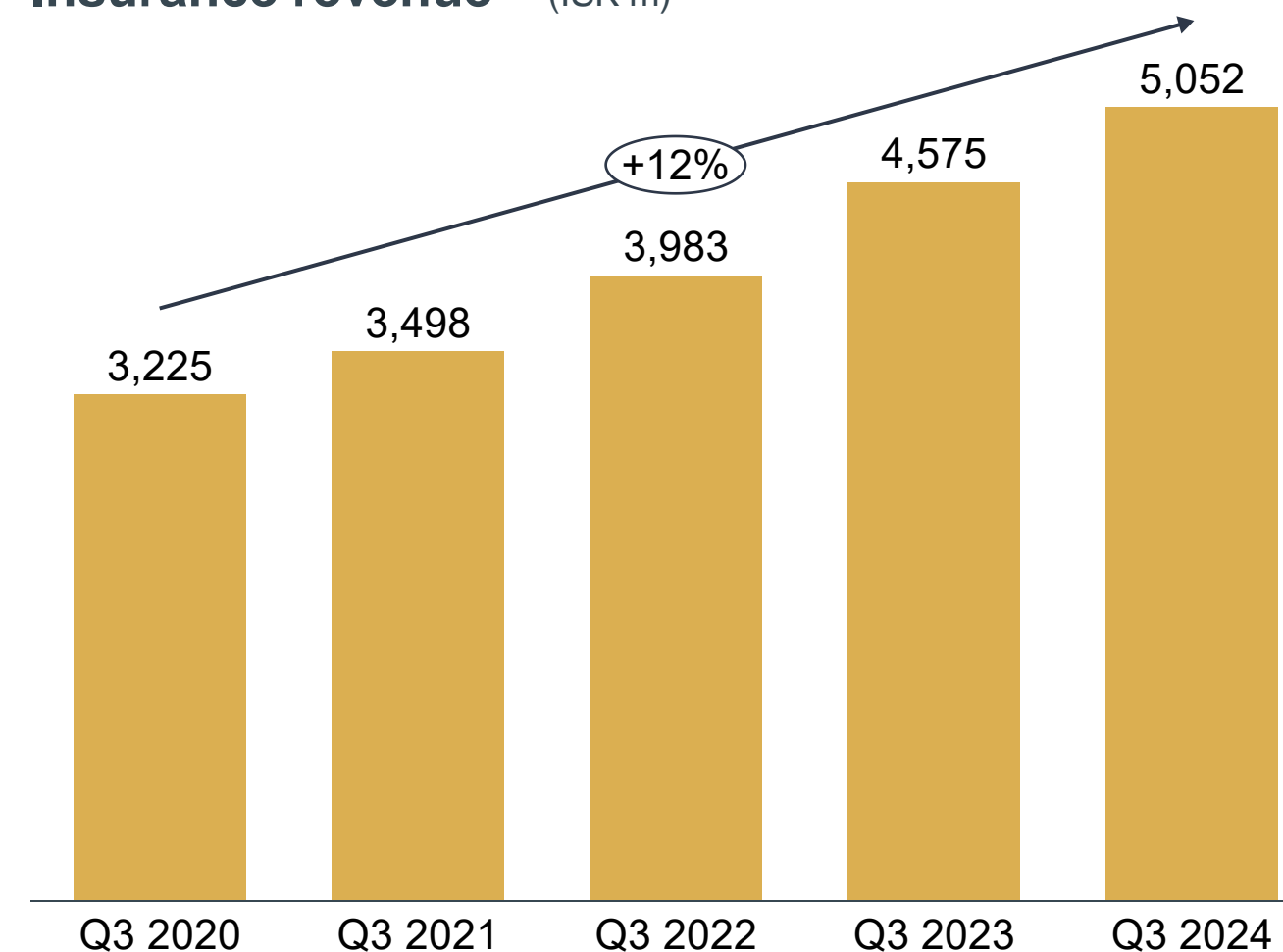
Historically highest quarterly profit and continued strong growth

- Vördur's stand-alone operations had a net profit of ISK 1,737m for the quarter compared with ISK 48m in Q3 2023
- Combined ratio 70.0% in Q3 and 87.4% YTD
 - Claims and reinsurance ratio in the quarter strong at 53.5%
 - Review of the Liability for reported claims led to higher amount released during Q3 than last year (approx. ISK 400m)
 - Cost ratio continues to be robust at 16.5%
- Revenue growth 13% YoY, in line with five-year compound annual growth rate
- Strong momentum in new sales with sales to individuals in the quarter exceeding last year by 38%
- Investment income (excluding calculated interest on insurance contracts) in Q3 is positive by ISK 822m compared with loss of ISK 375m in Q3 2023

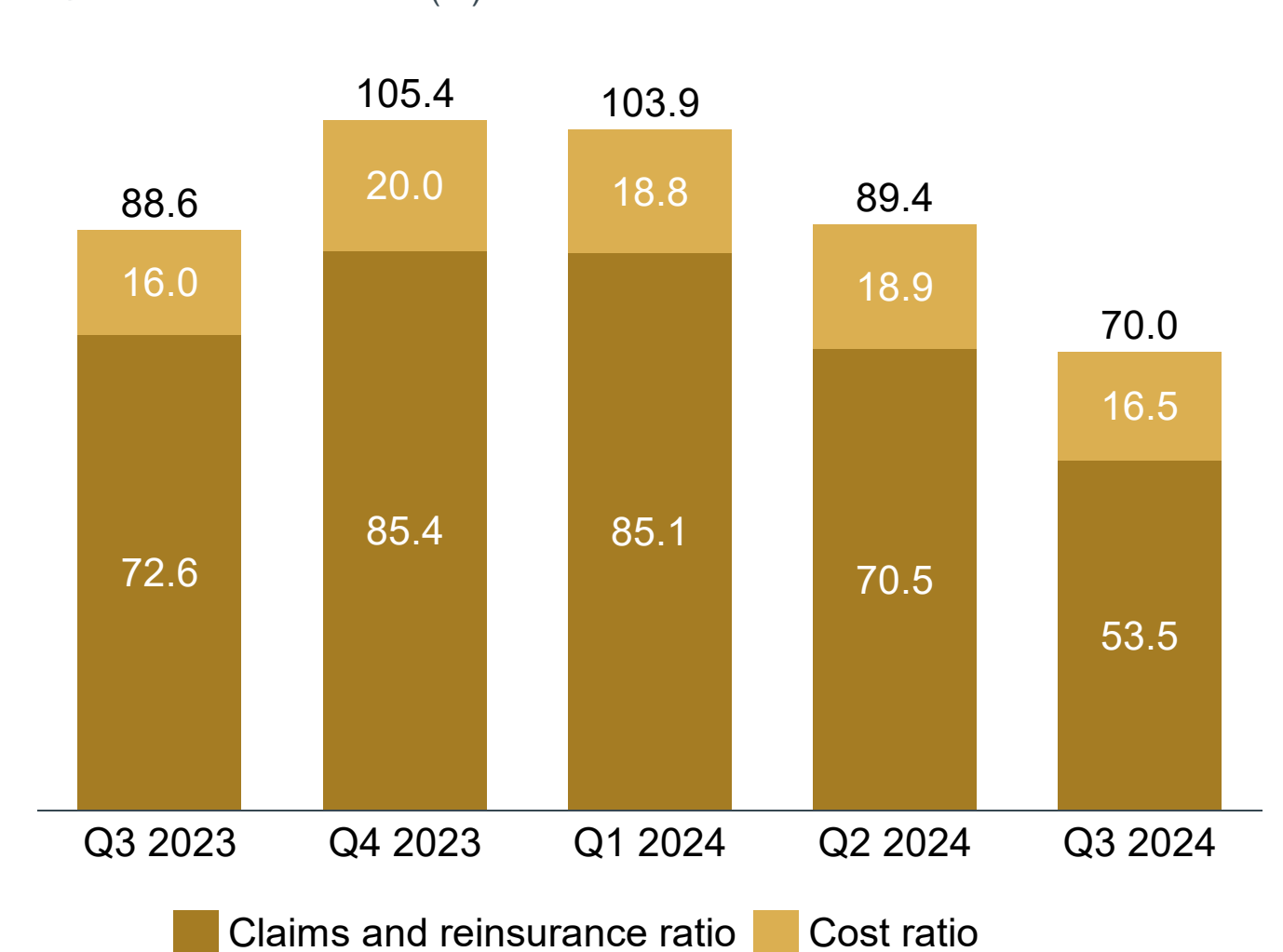
Insurance service result (ISK m)



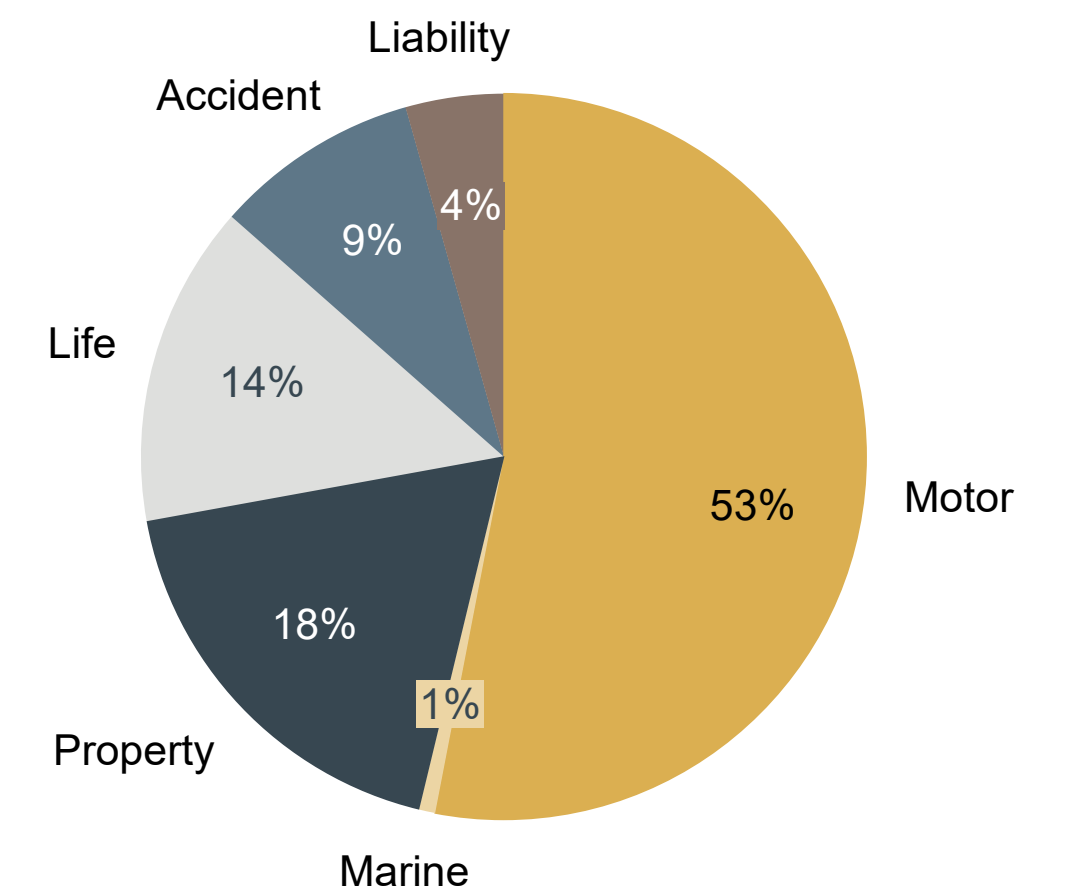
Insurance revenue** (ISK m)



Combined ratio (%)



Insurance revenue by type (%)

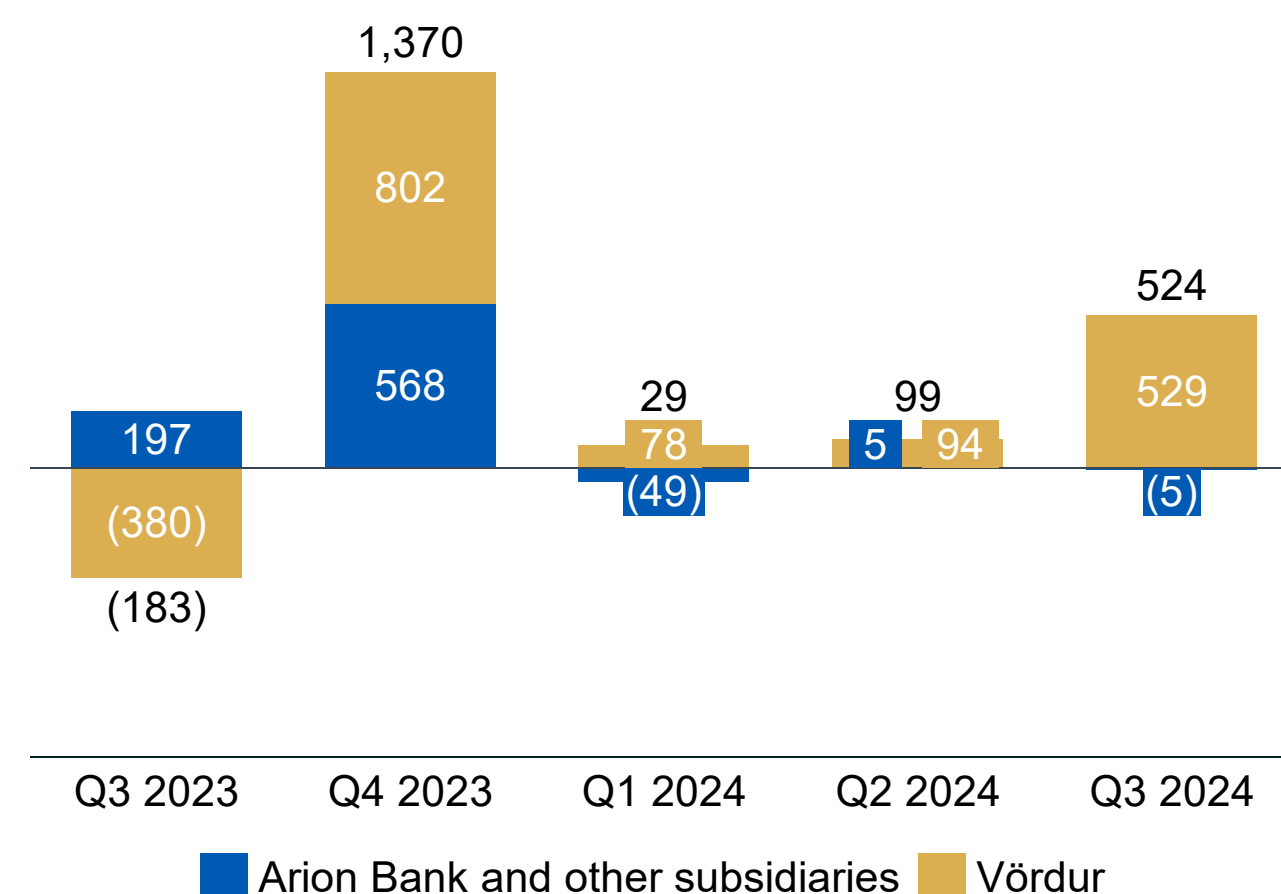


Net financial income

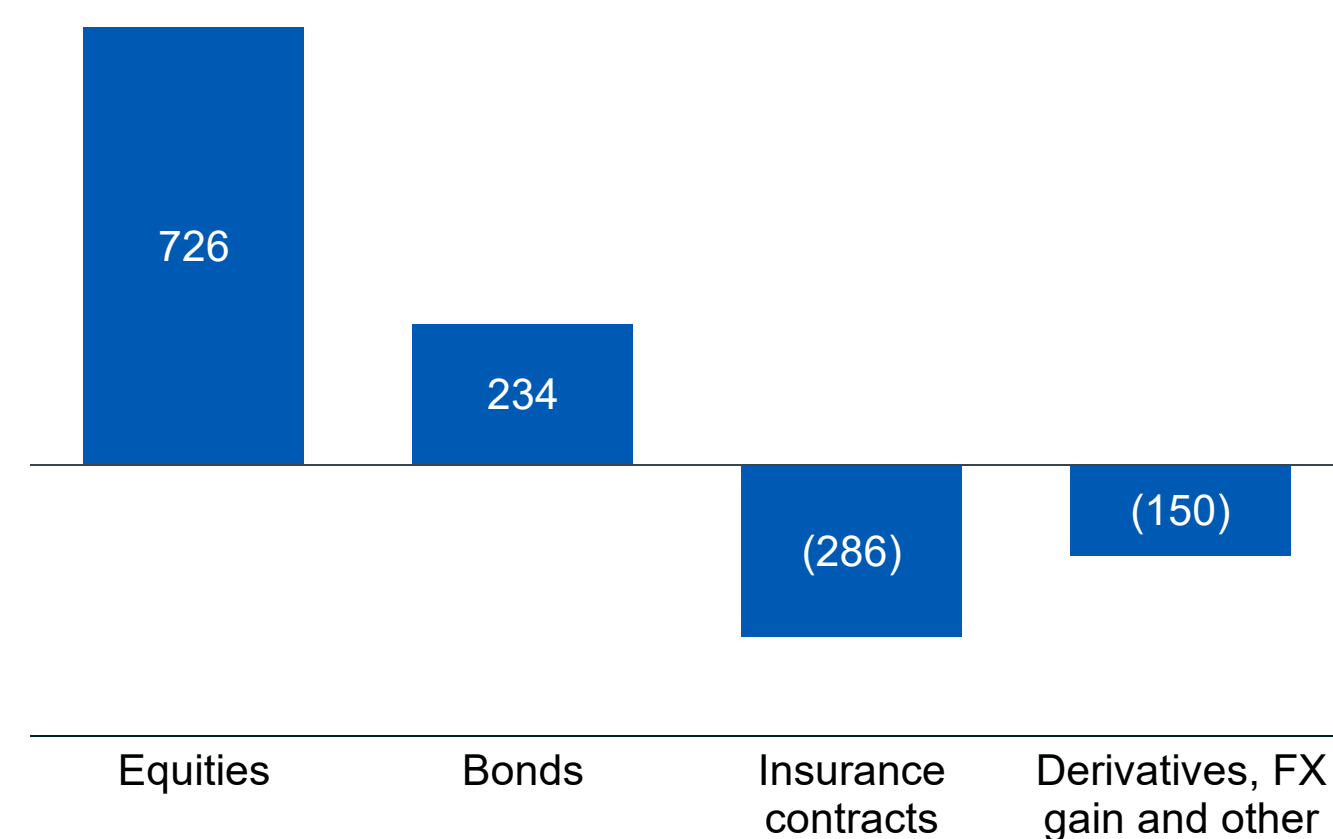
Mixed results

- Solid quarter for core investment business; insurance and market making
 - Total investment portfolio of Vördur is ISK 31.6bn; ISK 21.6bn of bonds and ISK 10.0bn in equity instruments, yielding a profit of ISK 529m in the quarter, including negative effects from insurance contracts
- Countered to an extent in the quarter by other areas, including mark-down of unlisted equity holdings
- Bond holdings fluctuate between quarters in line with liquidity management
 - No held-to-maturity (HTM) accounting within bond portfolio, with all market value changes incorporated in capital position
 - Average duration of liquidity portfolio within one year

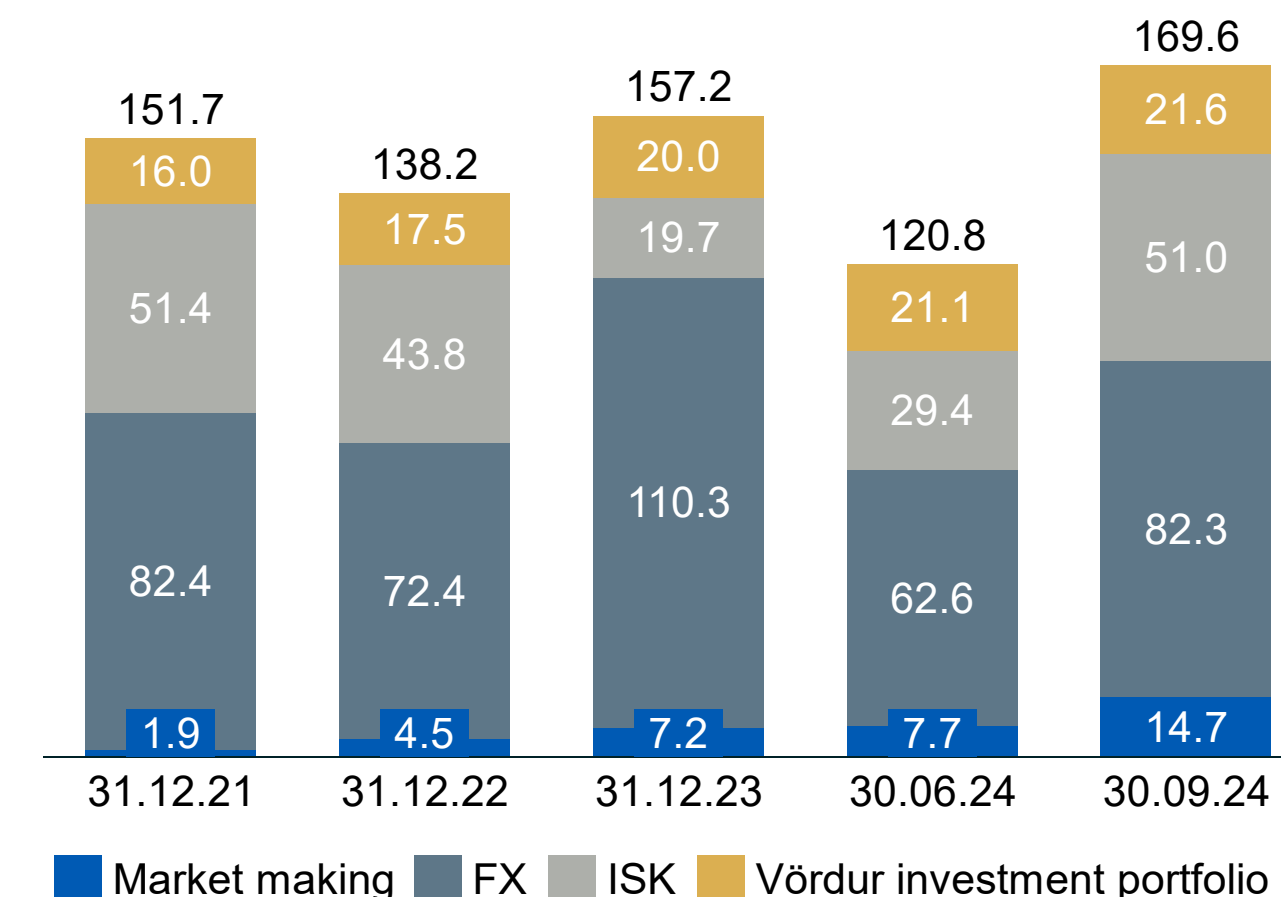
Net financial income (ISK m)



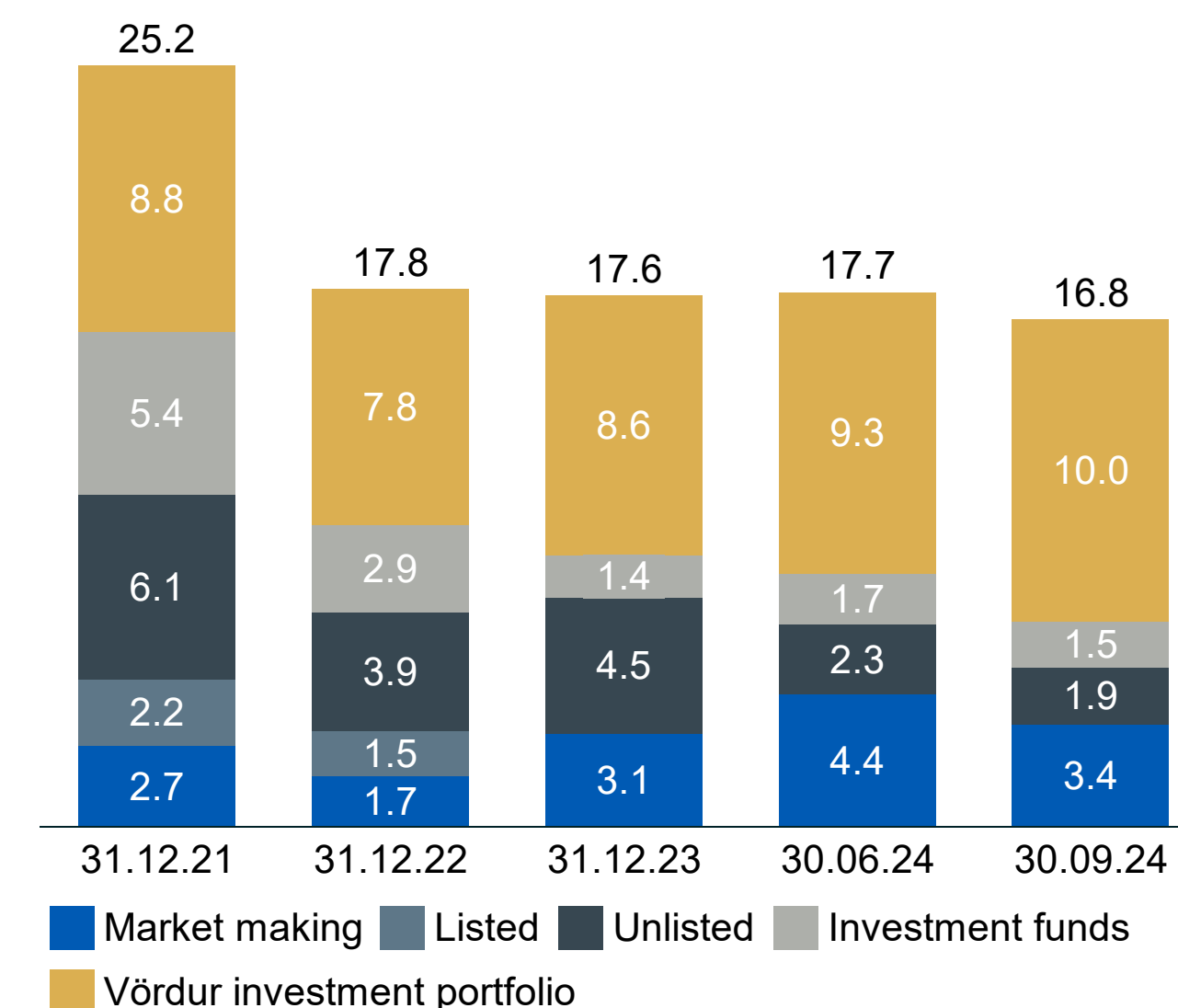
Net financial income by type Q3 2024 (ISK m)



Bond holdings (ISK bn)



Equity holdings (ISK bn)



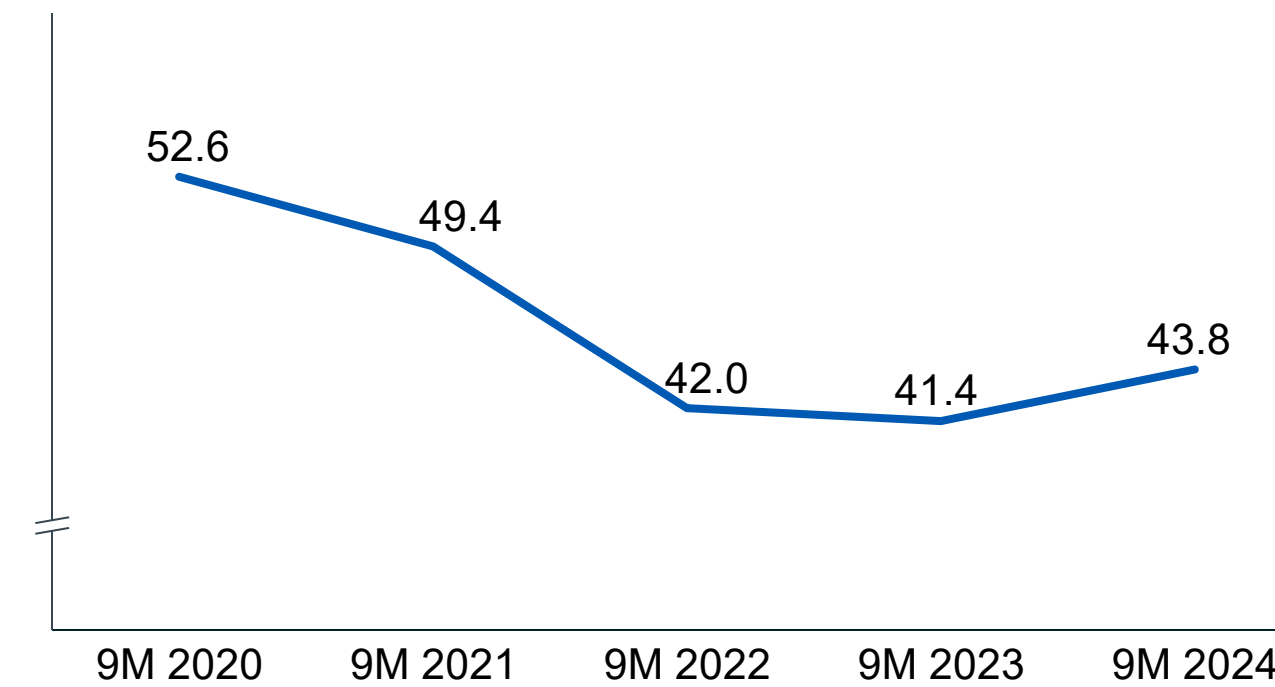
Operating expenses*

Continued cost discipline

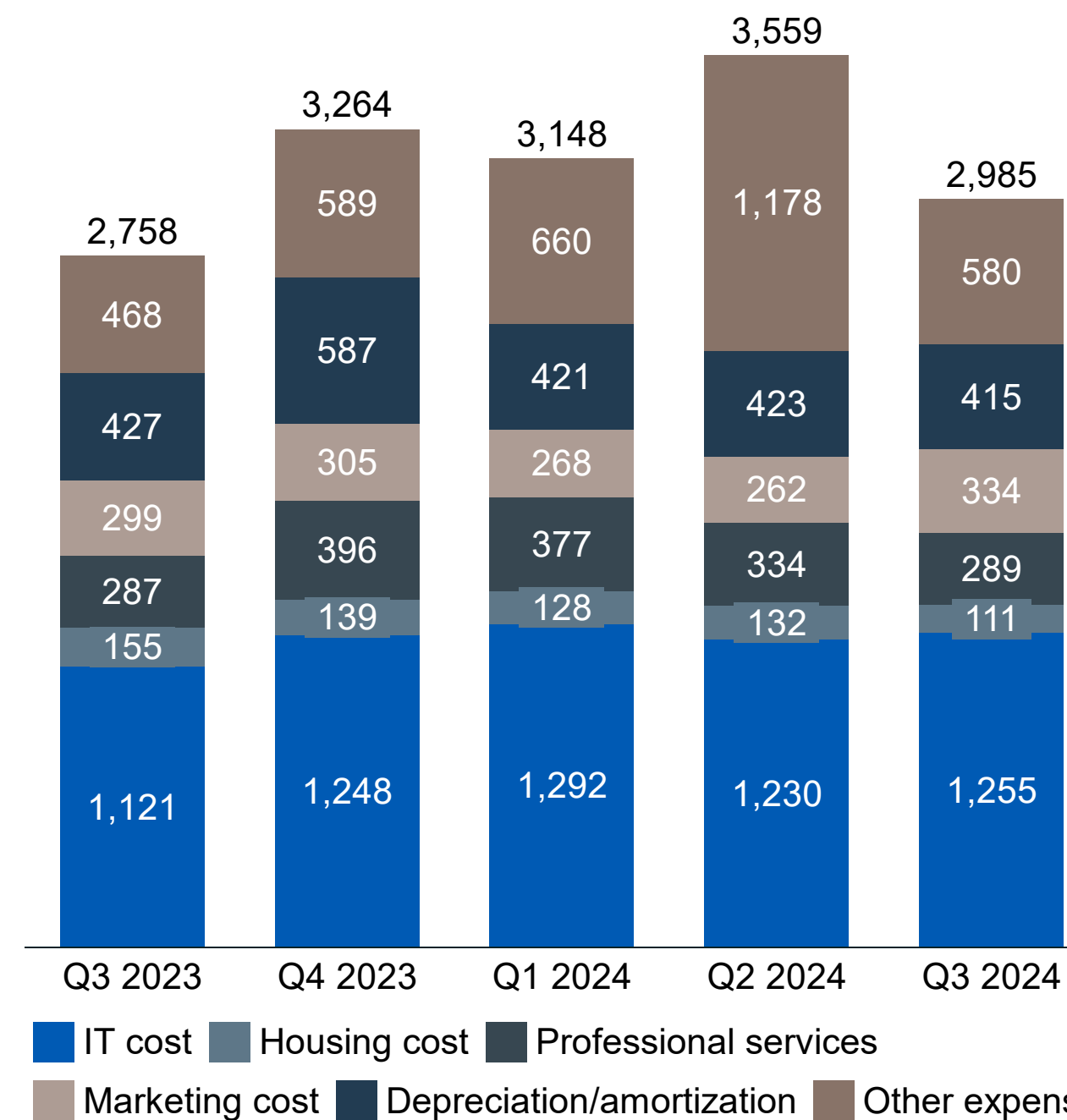
- Total operating expenses outlined here include costs related to insurance business which is accounted for through insurance service results post IFRS17
- The increase of total operating expenses from Q3 2023 was 11.9%, mainly salaries and related expenses due to increase in FTE's and new wage agreements and IT expenses
- The increase in FTE's during the year is mainly in IT and insurance operation that has been growing during this period

*Operating expenses from insurance operations are included in all figures for comparative purposes

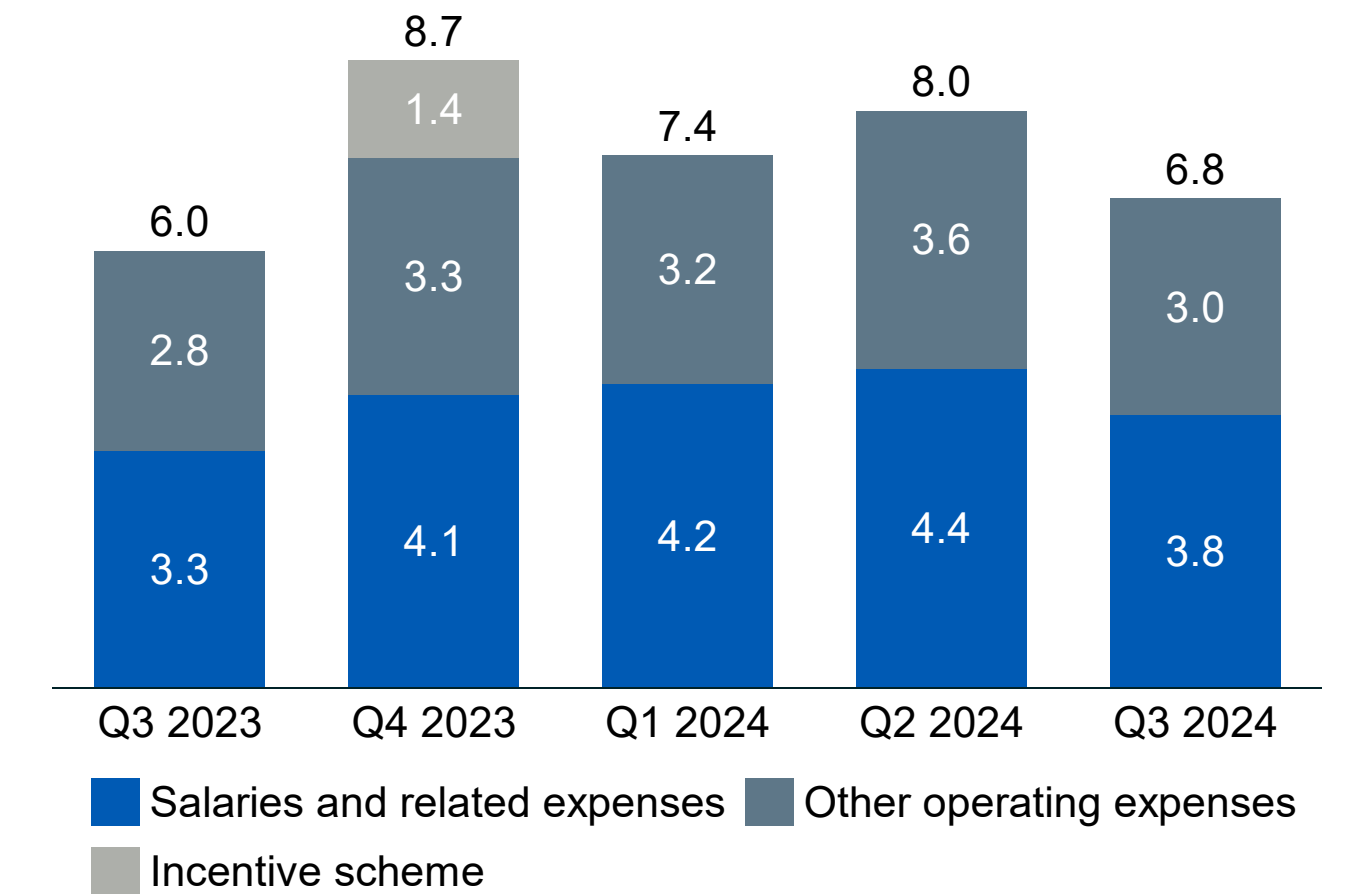
Cost-to-Core income ratio (%)



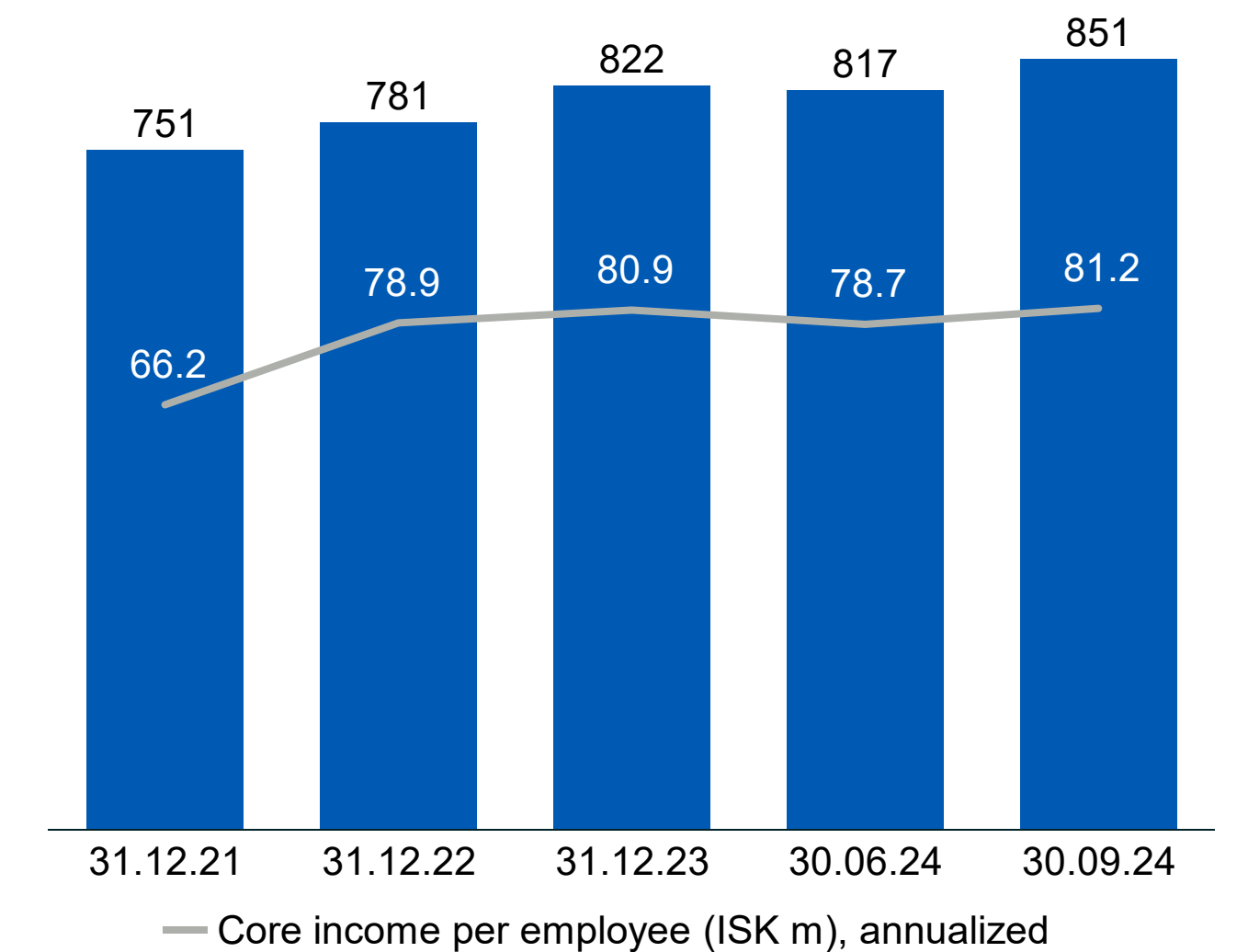
Other operating expenses (ISK m)



Total operating expenses (ISK bn)



Number of FTE's



Balance sheet

Robust and relatively simple

- Loans to customers increased by ISK 17.8bn or 1.5% in Q3
- Deposits stable between quarters
- Liquidity position remains strong:
 - Liquidity coverage ratio (LCR) of 179% (131% in ISK)
 - Net stable funding ratio (NSFR) of 118%

Assets	30.09.2024	30.06.2024	Diff.	31.12.2023	31.12.2022	31.12.2021
Cash & balances with CB	96	136	(29%)	102	114	69
Loans to credit institutions	33	33	0%	29	46	30
Loans to customers	1,220	1,203	1%	1,153	1,085	936
Financial assets	214	166	29%	206	193	226
Other assets	91	32	183%	36	28	49
Total Assets	1,655	1,569	6%	1,526	1,466	1,311

Liabilities and Equity						
Due to credit institutions & CB	7	5	33%	3	12	5
Deposits from customers	848	847	0%	793	755	655
Other liabilities	77	67	14%	69	71	65
Borrowings	431	415	4%	420	393	357
Subordinated liabilities	44	42	5%	41	47	35
Total Liabilities	1,407	1,376	2%	1,326	1,278	1,117
Equity	199	192	3%	199	188	194
Total Liabilities and Equity	1,606	1,569	2%	1,526	1,466	1,311

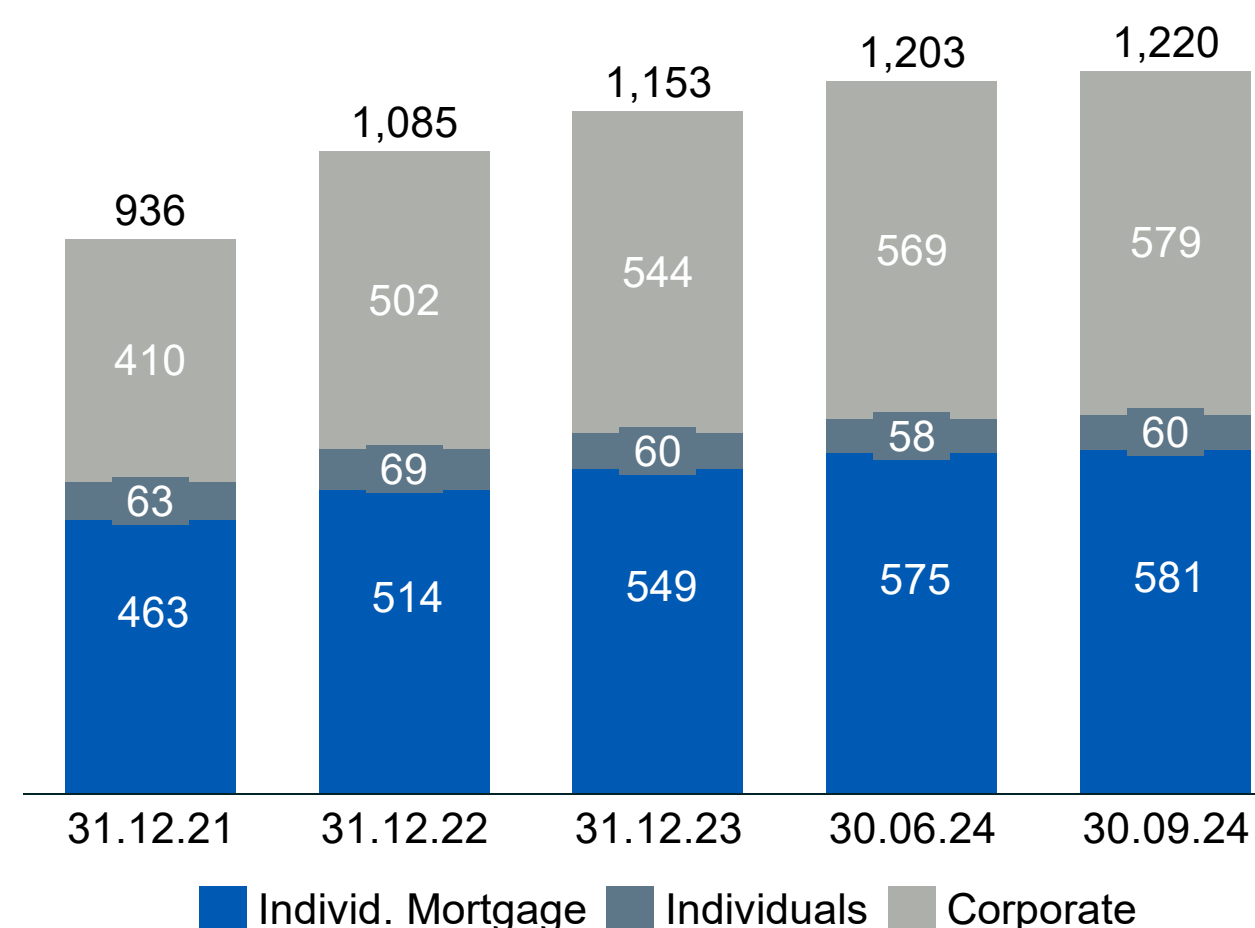


Loans to customers

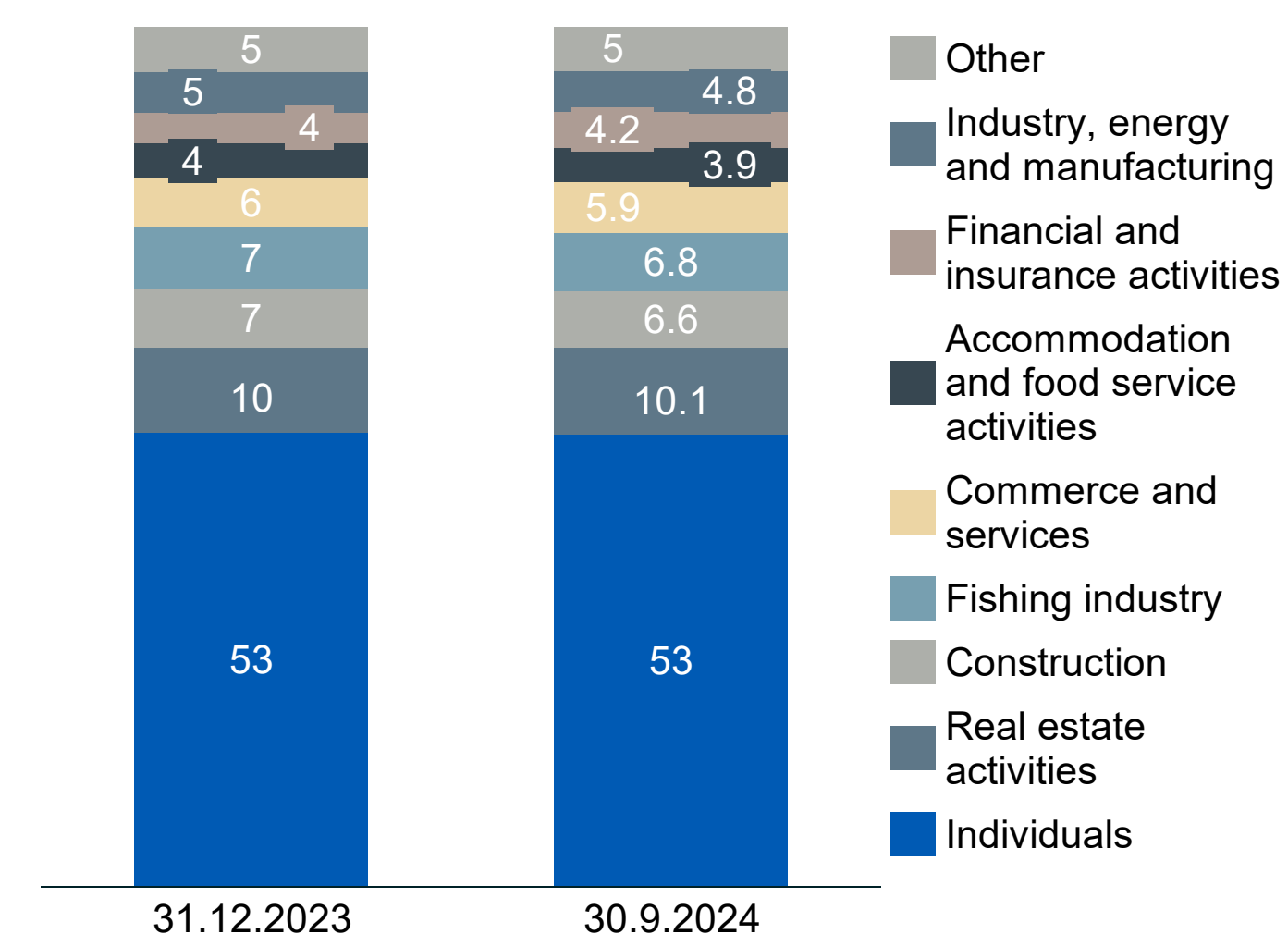
Balanced loan portfolio

- Loans to customers increased by ISK 17.8bn or 1.5% during the quarter, thereof ISK 2.5bn impact through CPI but minor effect from FX change
- Loans to corporates increased by ISK 10.5bn or 1.8%
- Loans to individuals increased by ISK 7.3bn, or 1.2%
- Continued CIB focus on capital velocity
 - The Bank sold corporate loans for ISK 16.9bn to institutional investors in the first nine months of 2024 compared with ISK 9.1bn for the same period in 2023
- The diversification in terms of sector and single name concentration of the corporate loan book continues to be good and in line with the Bank's credit strategy
- The sustainable loan book was ISK 194bn at the end of Q3. The previous green loan book was ISK 123bn at the end of 2023

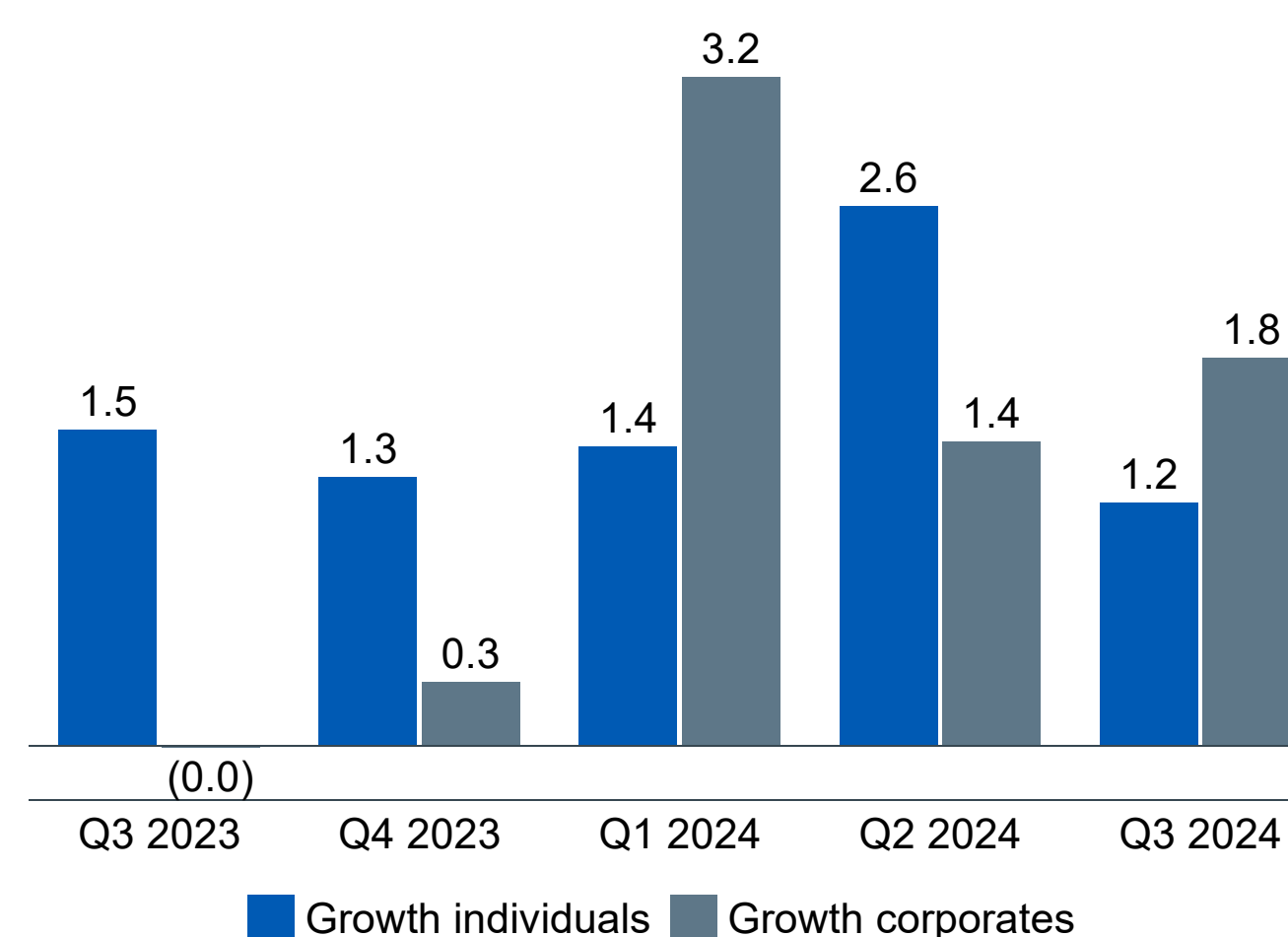
Loans to customers (ISK bn)



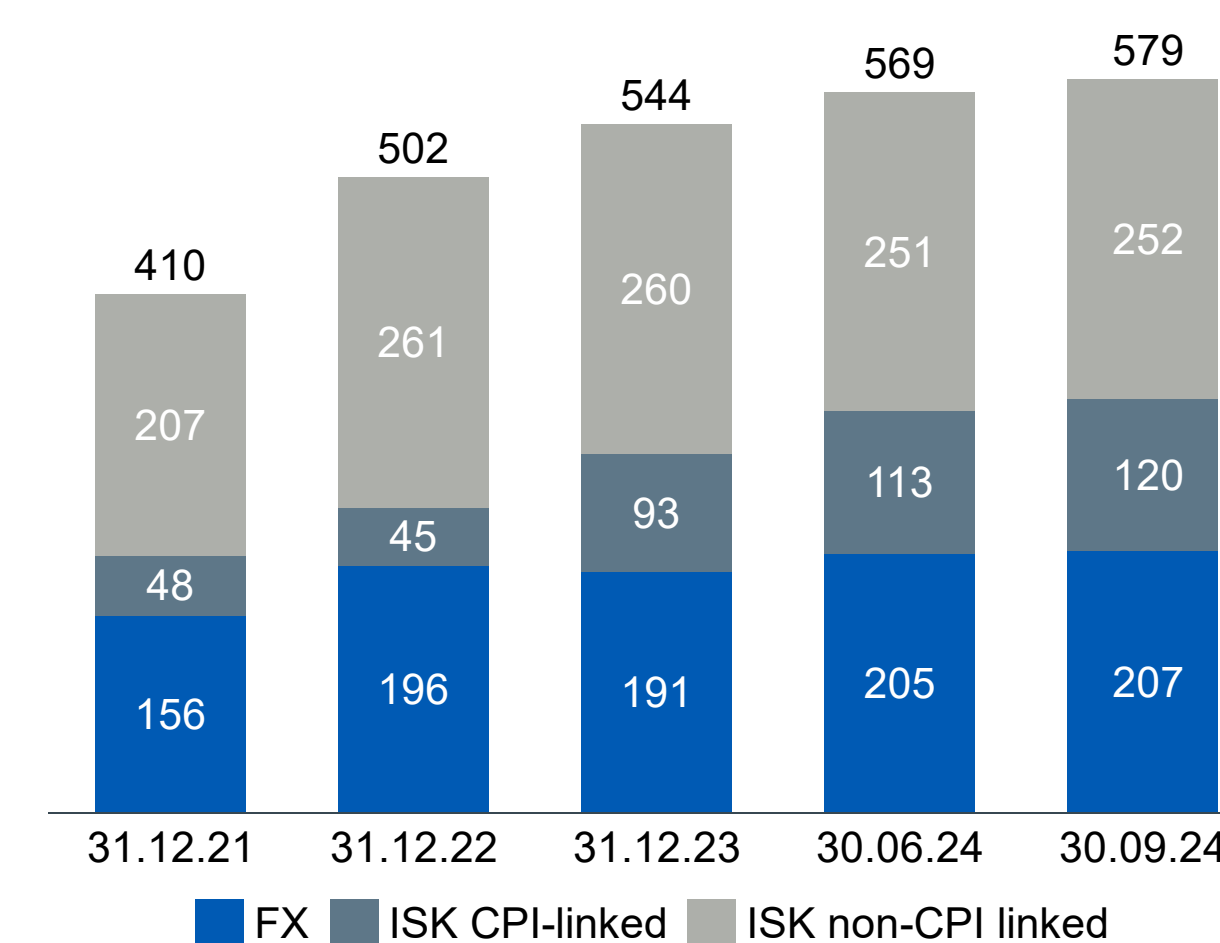
Loans to customers by sector (%)



Loan growth (%)



Loans to corporates by type (ISK bn)



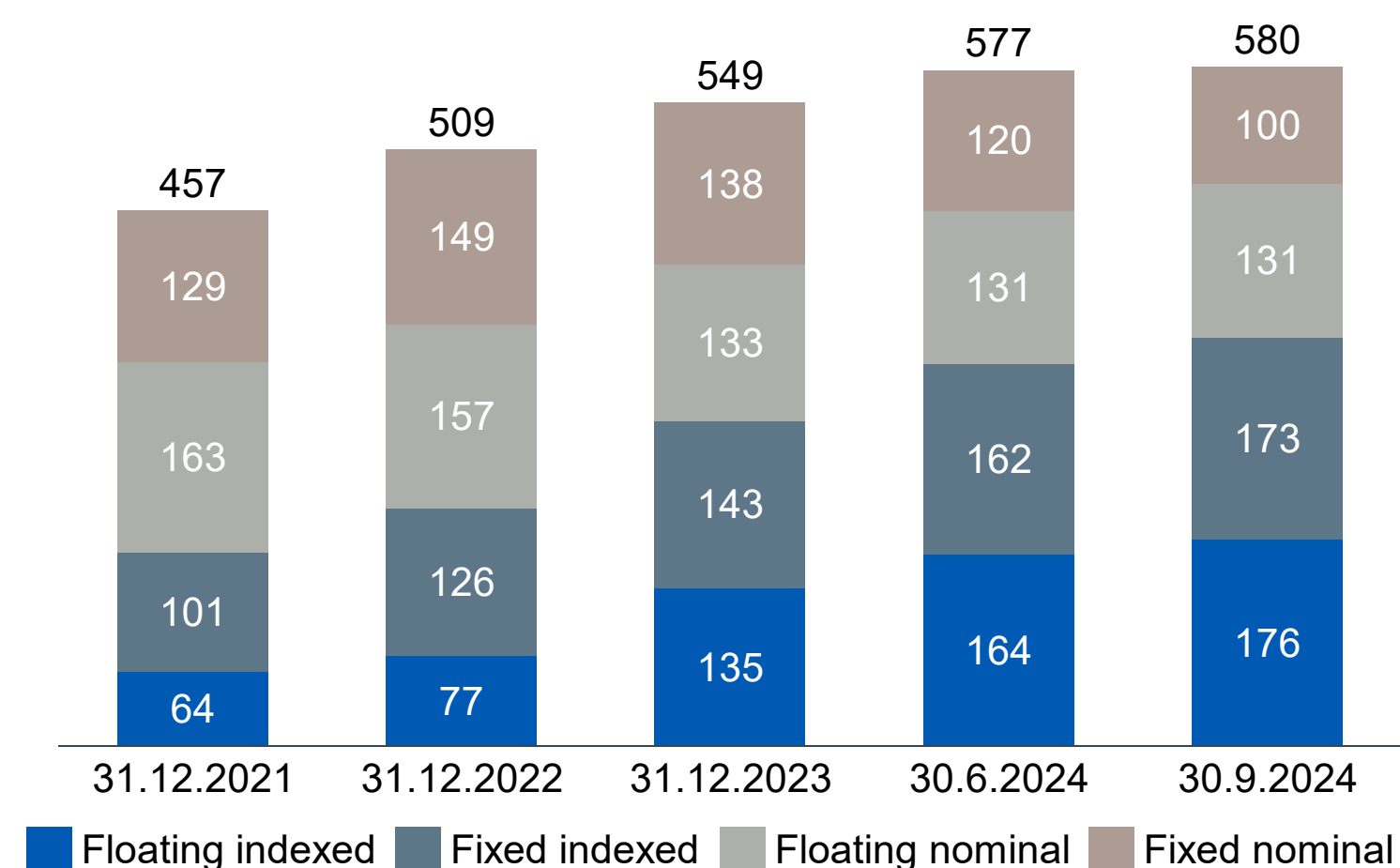
Residential mortgages

Low default rates and comfortable LTV levels, but rising costs for borrowers

- The average loan-to-value of the mortgage portfolio is 47.3%
- The problem loans ratio was 1.2%, which is below the historical average
- As a result of current interest rate levels, there has been a shift towards indexed mortgages
- The Bank has adjusted its criteria for household expenditures in its customer payment assessment, considering the rising cost of living
- A significant portion of fixed nominal rate mortgages are being reset in the next months
- An internal stress test of fixed nominal rate portfolio shows that up to one third of borrowers may need to seek lower monthly payments, e.g., through refinancing to indexed loans
- The stress test reveals that most borrowers would have the option of refinancing to indexed loans which have lower monthly payments. Further measures may be needed for around 1.5% of borrowers

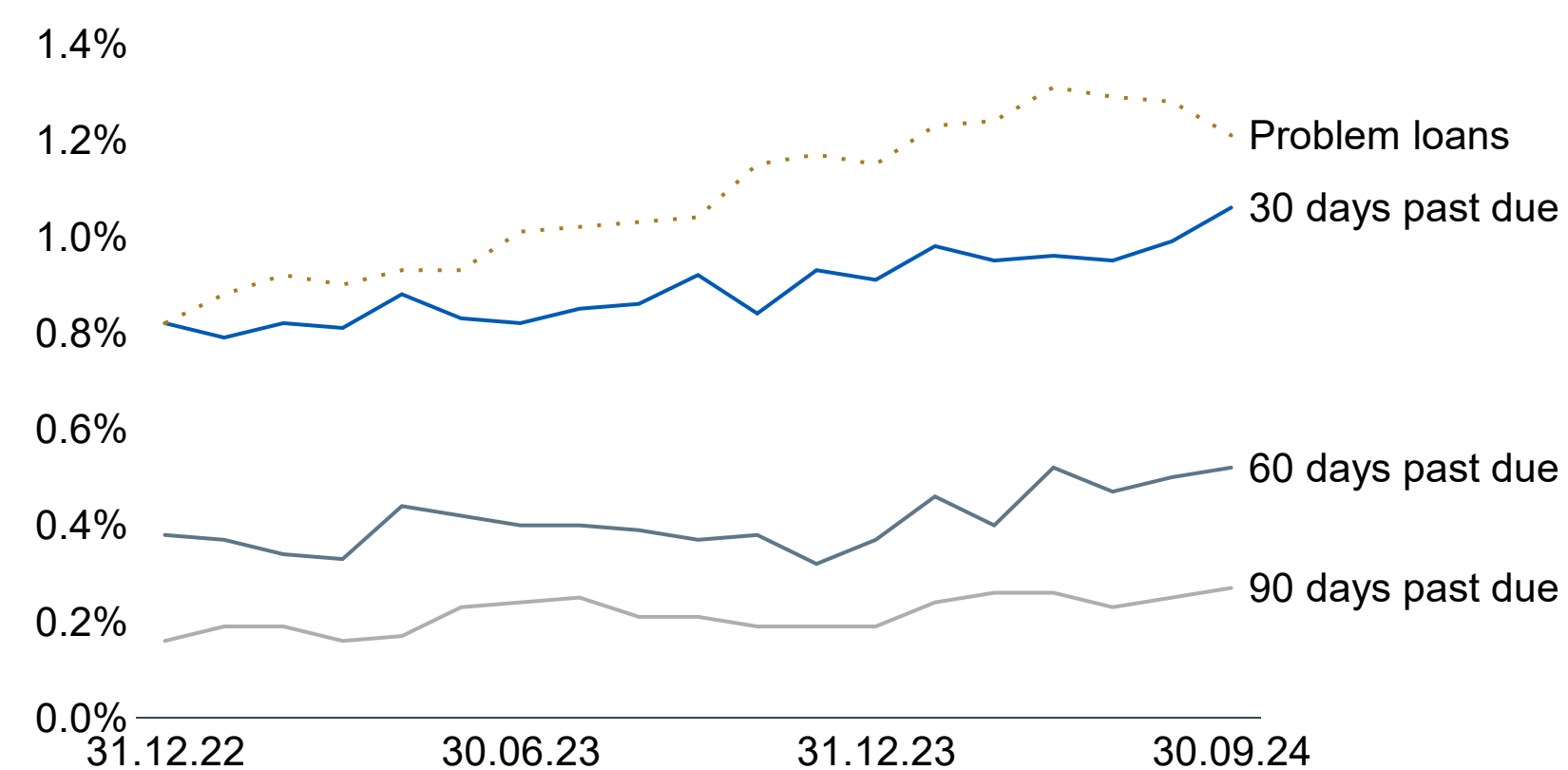
Residential mortgages by interest rate type (ISK bn)

Indexed mortgages were 59% of the portfolio at 30.9.2024



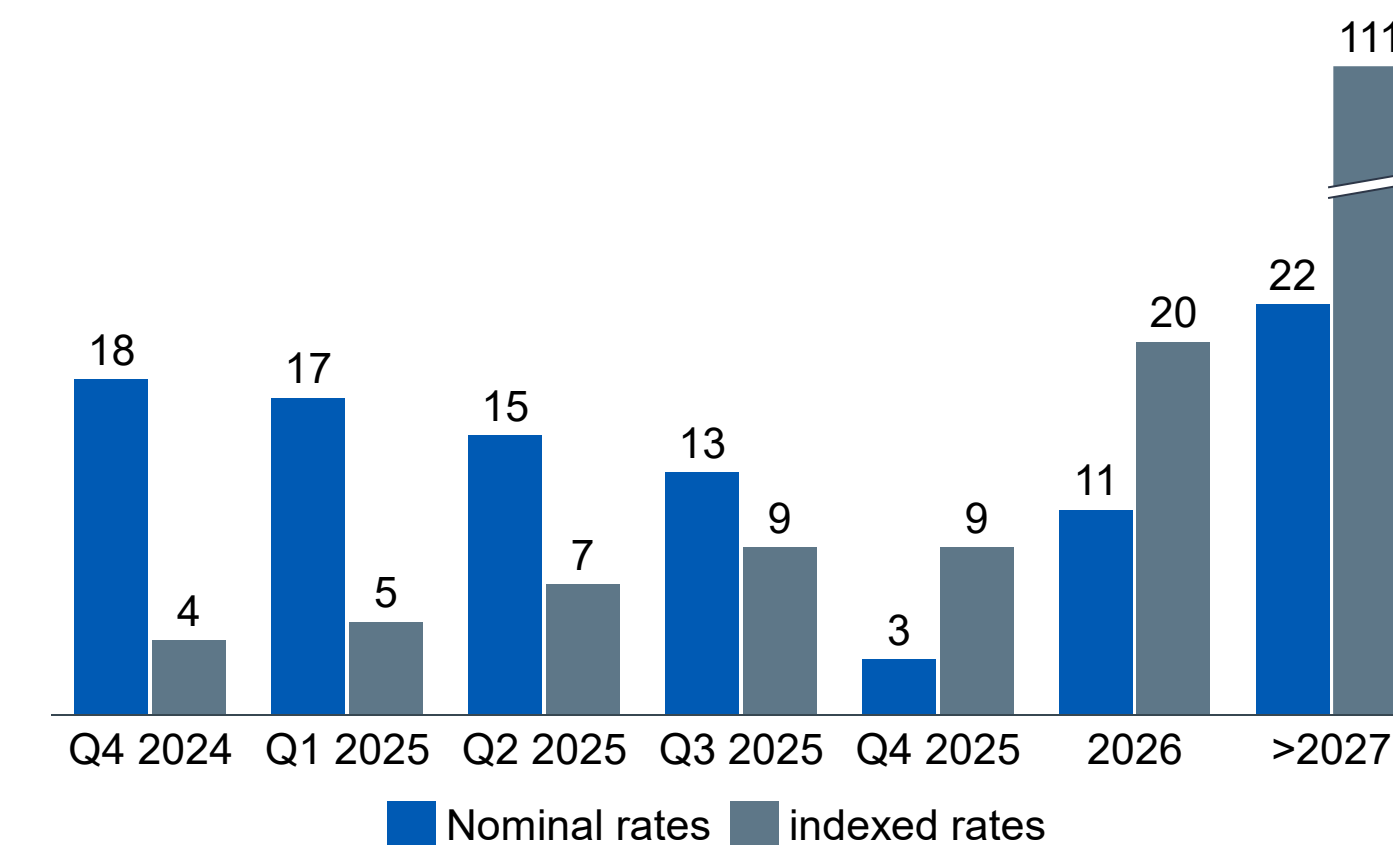
Rate of defaults and payments past due

Non-performing loans are 1.3% of the mortgage portfolio with a slight trend upwards from YE 2022



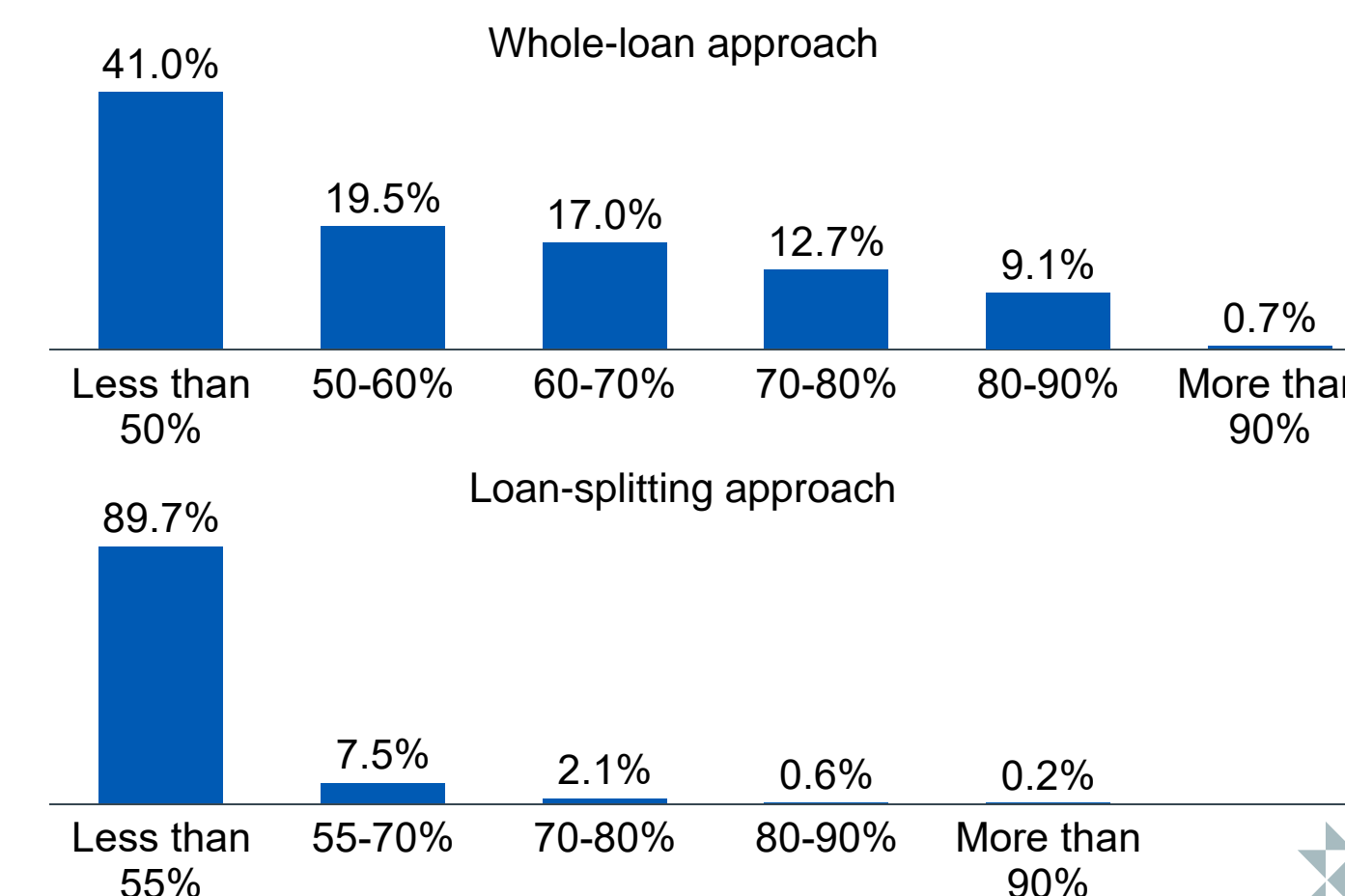
Interest rate reset profile for fixed rate mortgages (ISK bn)

The bulk of fixed nominal rate loans are reset in 2024 and 2025



Loan to value distribution

Loan-to-value below 80% accounts for 89% of the mortgage portfolio (whole-loan approach)



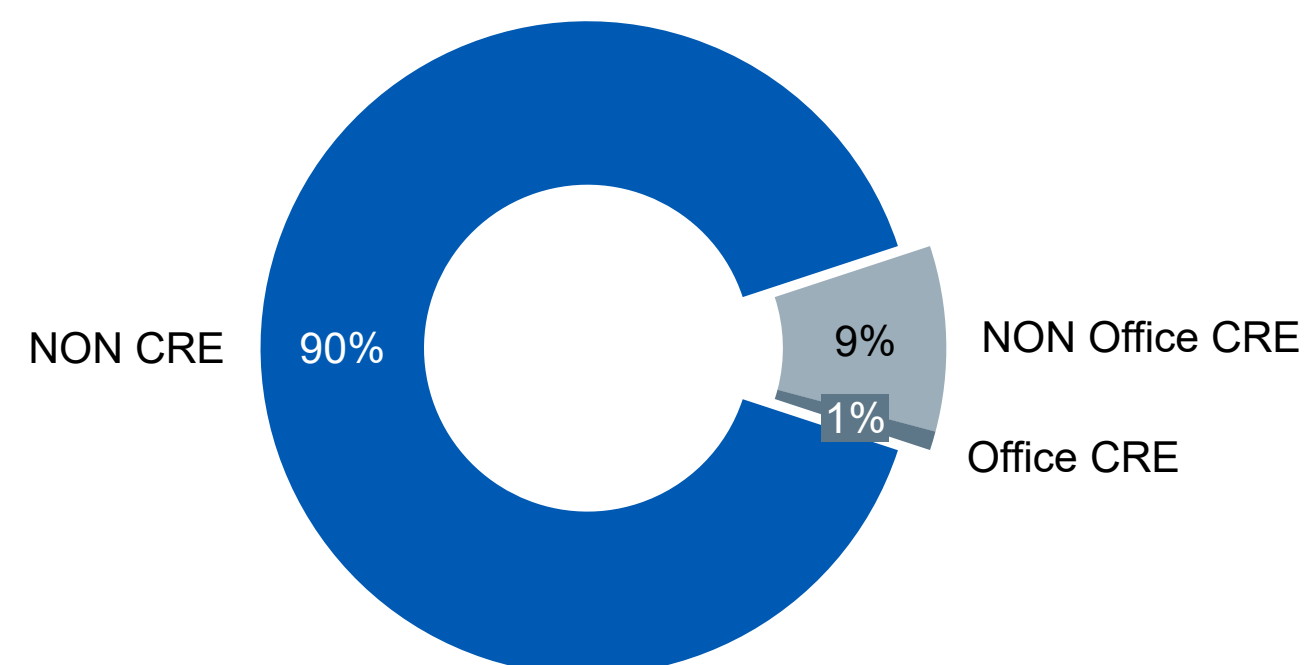
Real estate sector

Diversified portfolio

- Overall real estate related lending in the corporate loan book comprises a total of ISK 123bn or 10% of the loan book with an average LTV of 78.5%
- The portfolio is highly diversified
 - 37.5% of the portfolio comes from SME retail exposures (< ISK 600m per customer)
 - The portfolio is split between companies that lease properties to operating companies within the same group (parent, subsidiaries or sister companies) and property management companies, both residential and commercial
 - Exposure to office real estate is small or around ISK 11.4bn or 0.9% of the loan book
- From 2020 to the end of 2022, the portion of CPI linked loans to real estate companies decreased significantly. With the recent hikes in interest rates this trend has been reversed and CPI linked loans are now 64% of the portfolio

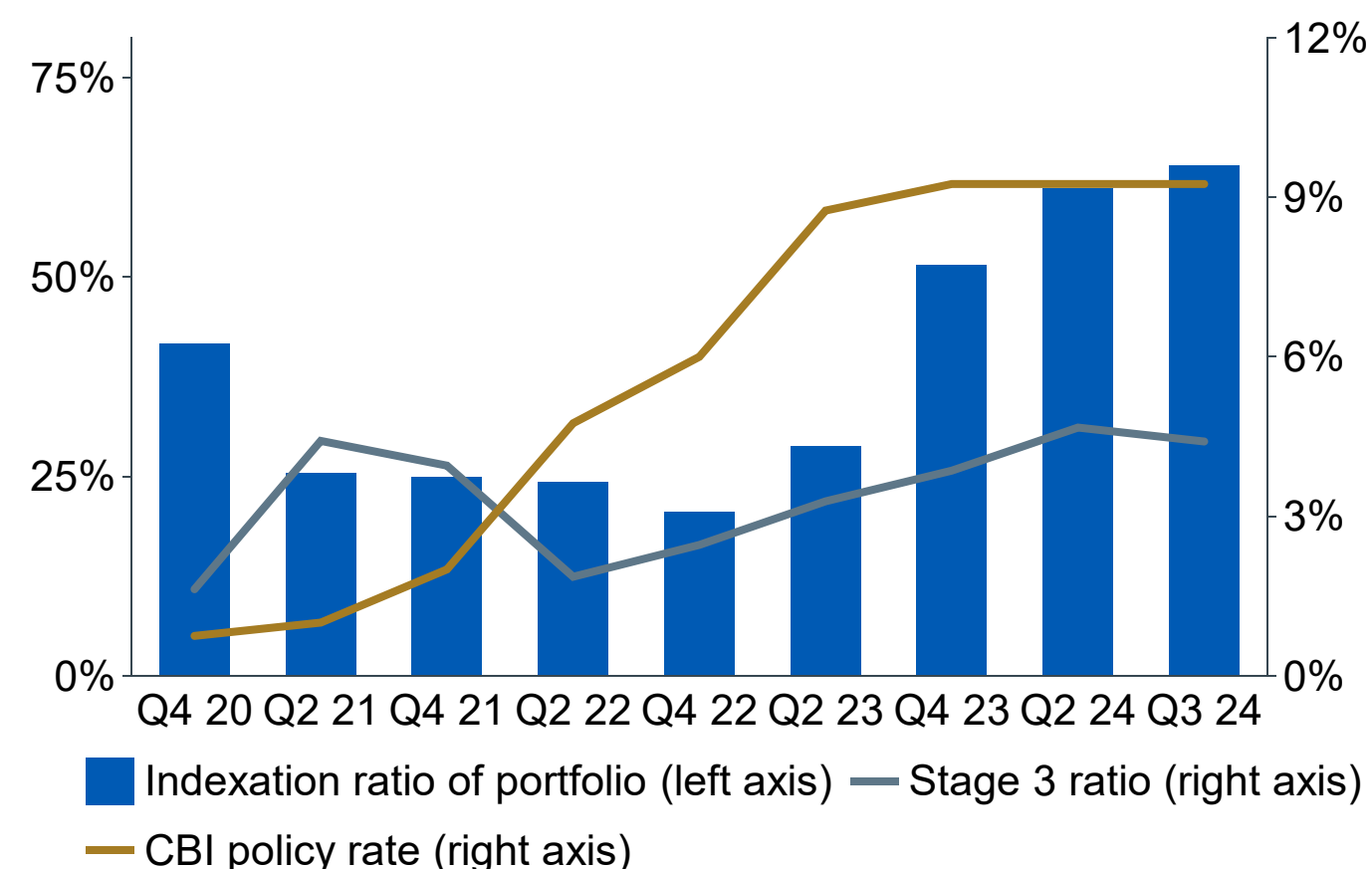
Loans to customers

Loans to real estate companies are approx. 9.6% of total loans to customers and 1.0% relate to office buildings



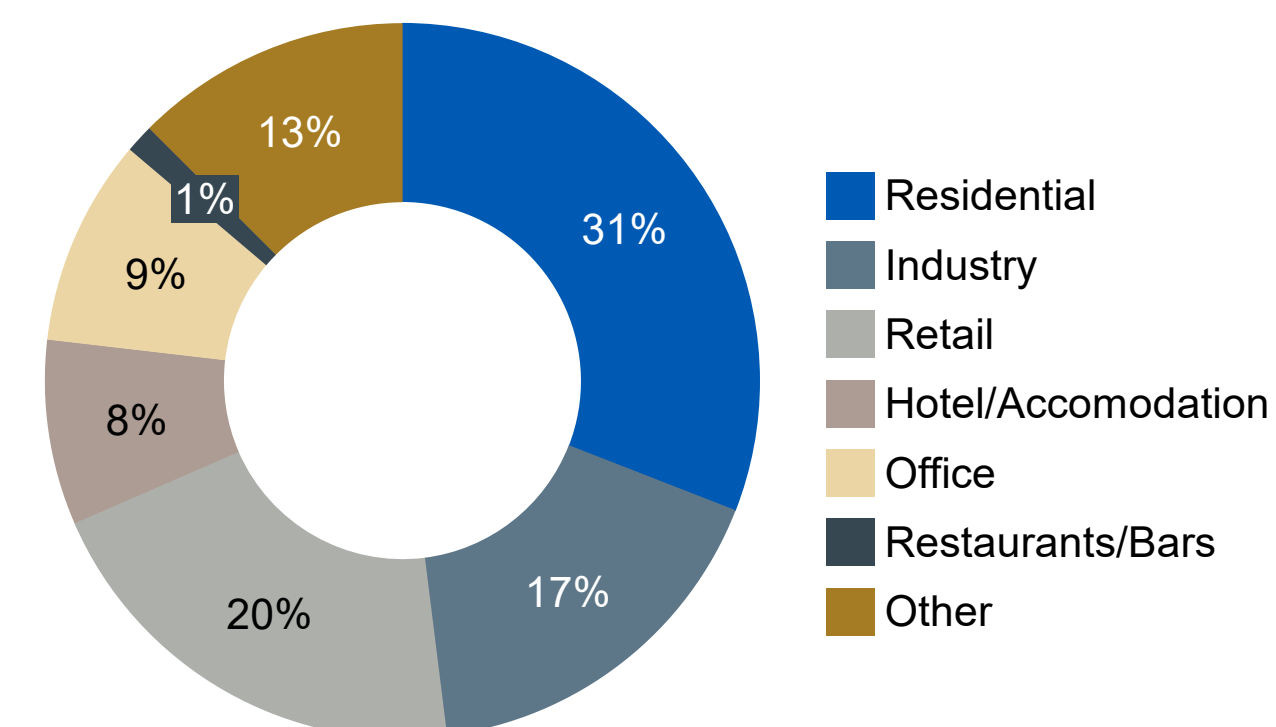
Development of indexed loans and 90 days past due

Customers have reverted to indexed loans due to high interest rates. The delinquency rate remains low



Real estate collateral by type¹

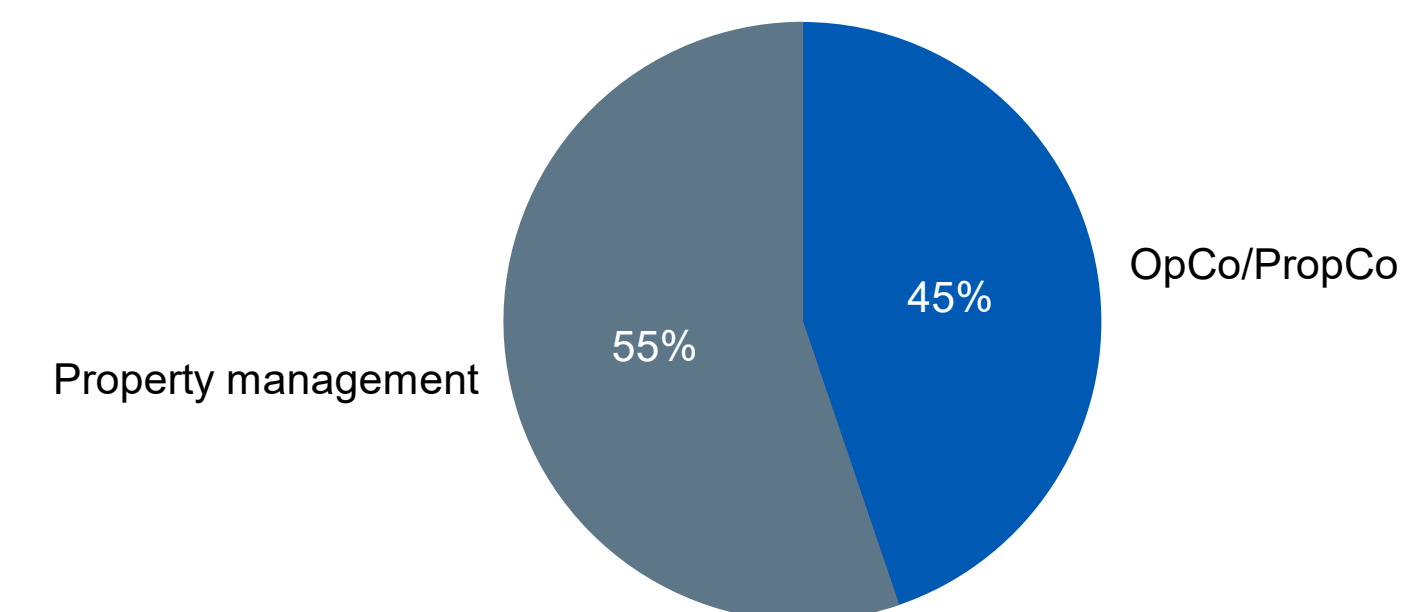
Well diversified collateral in terms of real estate type



1. For real estate sector only

Borrower type

The Bank is focused on real estate exposures that are occupied by operational companies that are customers of the Bank (Opco/Propco). Property management contains both exposures to companies renting residential real estate and commercial real estate

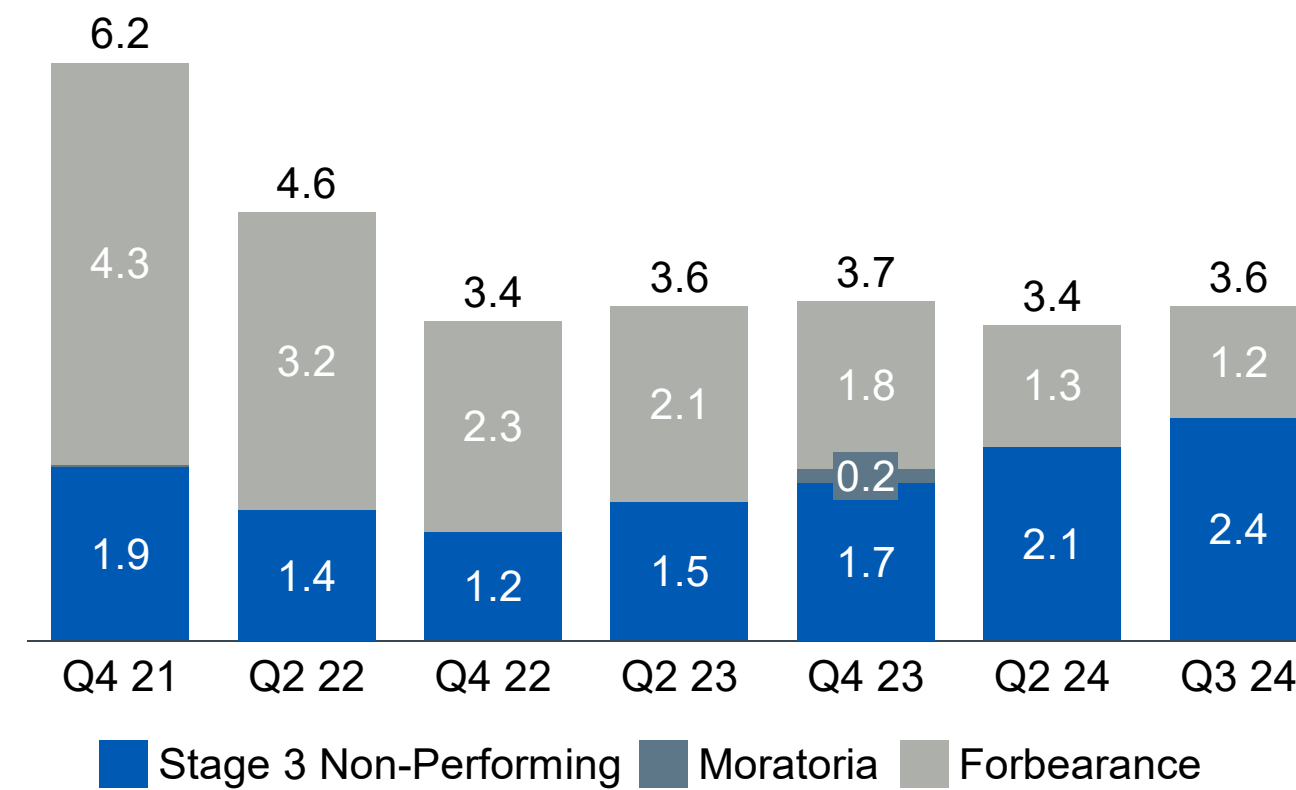


Risk profile

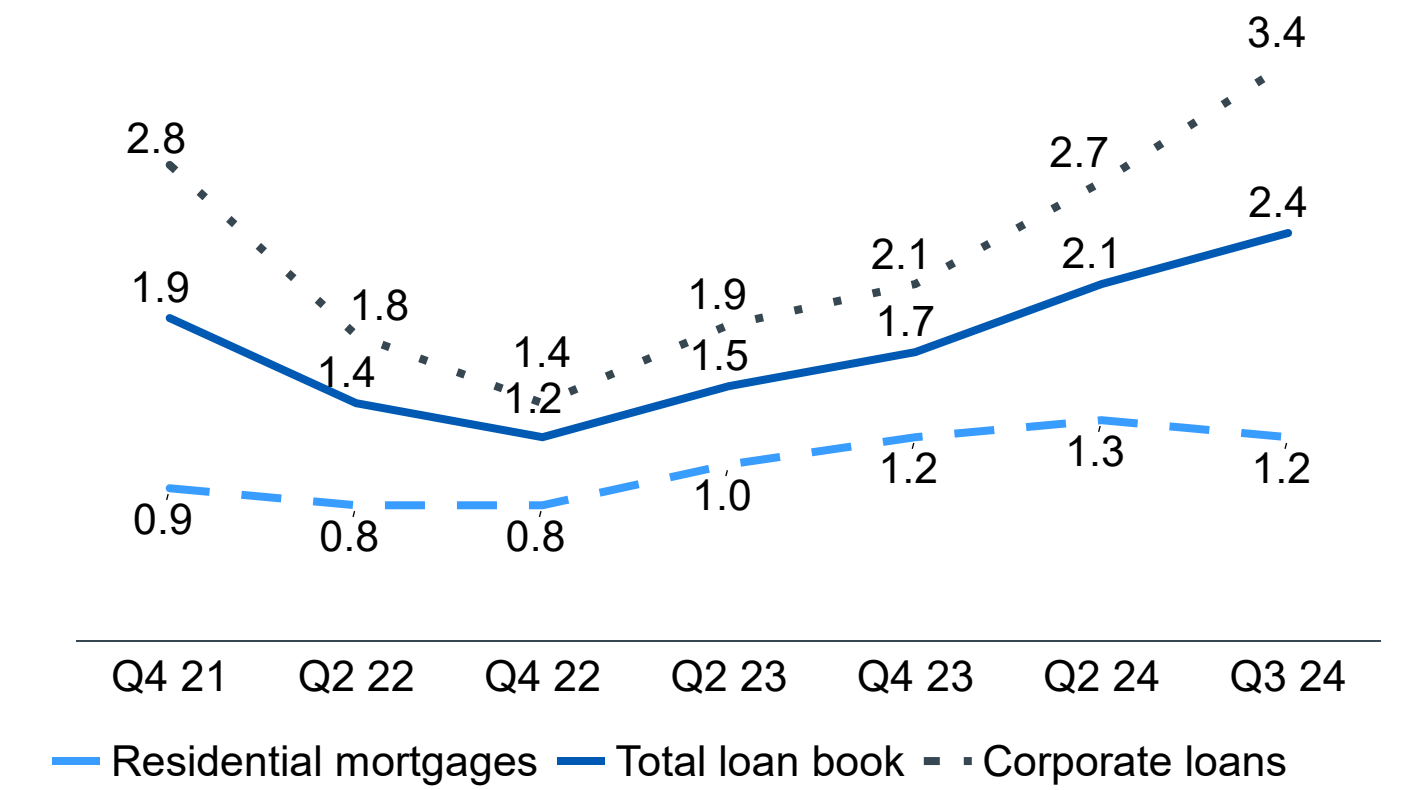
Strong credit quality indicators while the problem loans ratio is trending upwards

- Despite increased provisioning through management's forward looking macro-economic assumptions, risk indicators of credit quality remain at healthy levels
- The problem loans ratio has trended upwards since the start of 2023 following record low levels during Covid-19. The ratios are however still below long-term averages. The increase in Q3 is mainly due to a Grindavík-affected corporate exposure, and several construction exposures with good collateral coverage
- Forborne exposures that are not in Stage 3 are 1.2% of loans to customers. This percentage has dropped compared with 31.12.2023 since the majority of forbearance for companies in tourism related activities has expired
- Total expected credit loss is expected to approach between 20-25bps in the long term based on current loan book composition. At the end of Q3 the expected 12-month expected credit loss ratio of 29bps reflects management's prudent view given current economic conditions
- The NPL coverage ratio was 18.3%. Approximately 73% of problem loans are exposures secured by real estate, which have low coverage in general

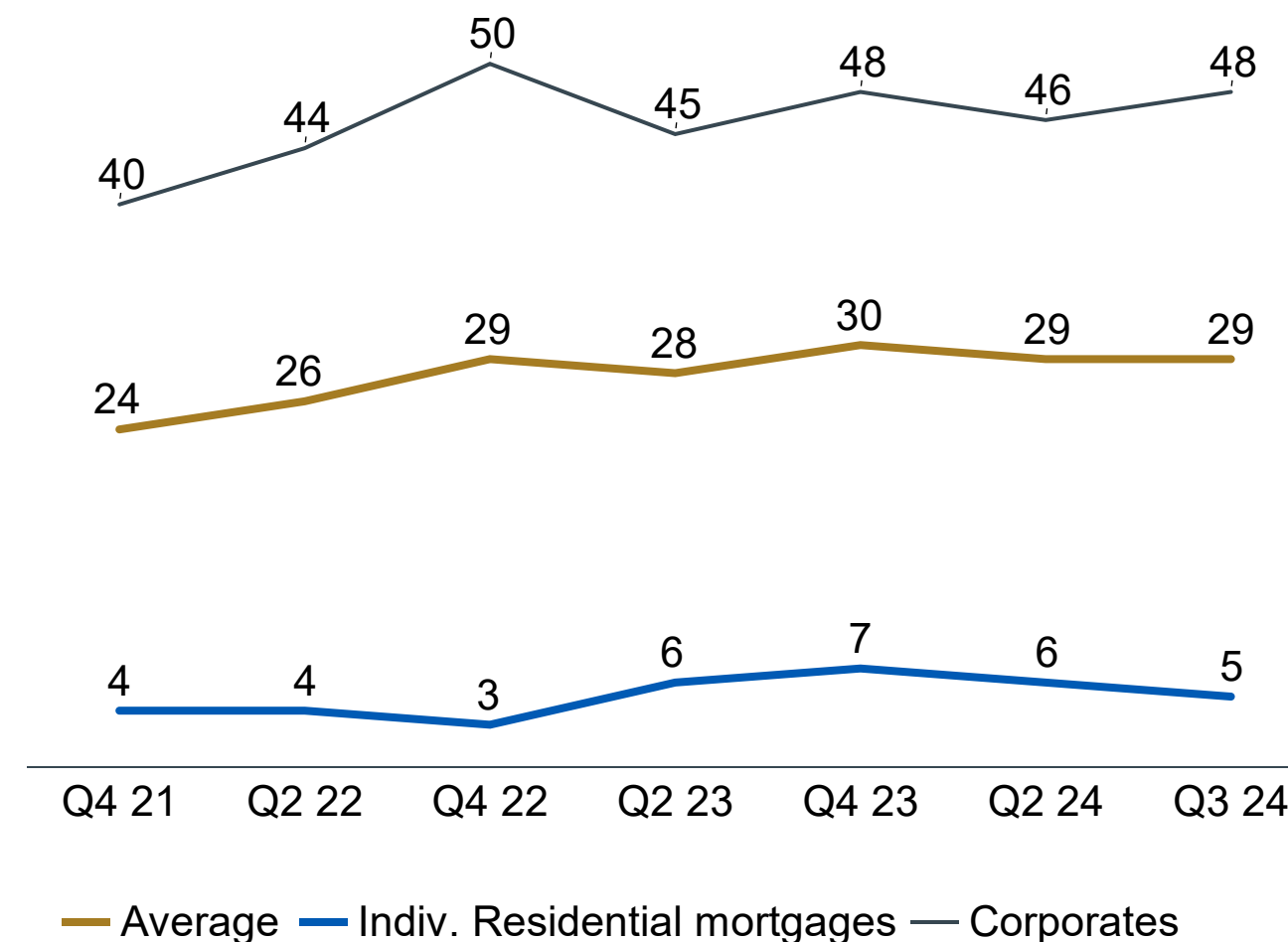
Development of non-performing loans, moratoria and forbearance (% of total loan book)



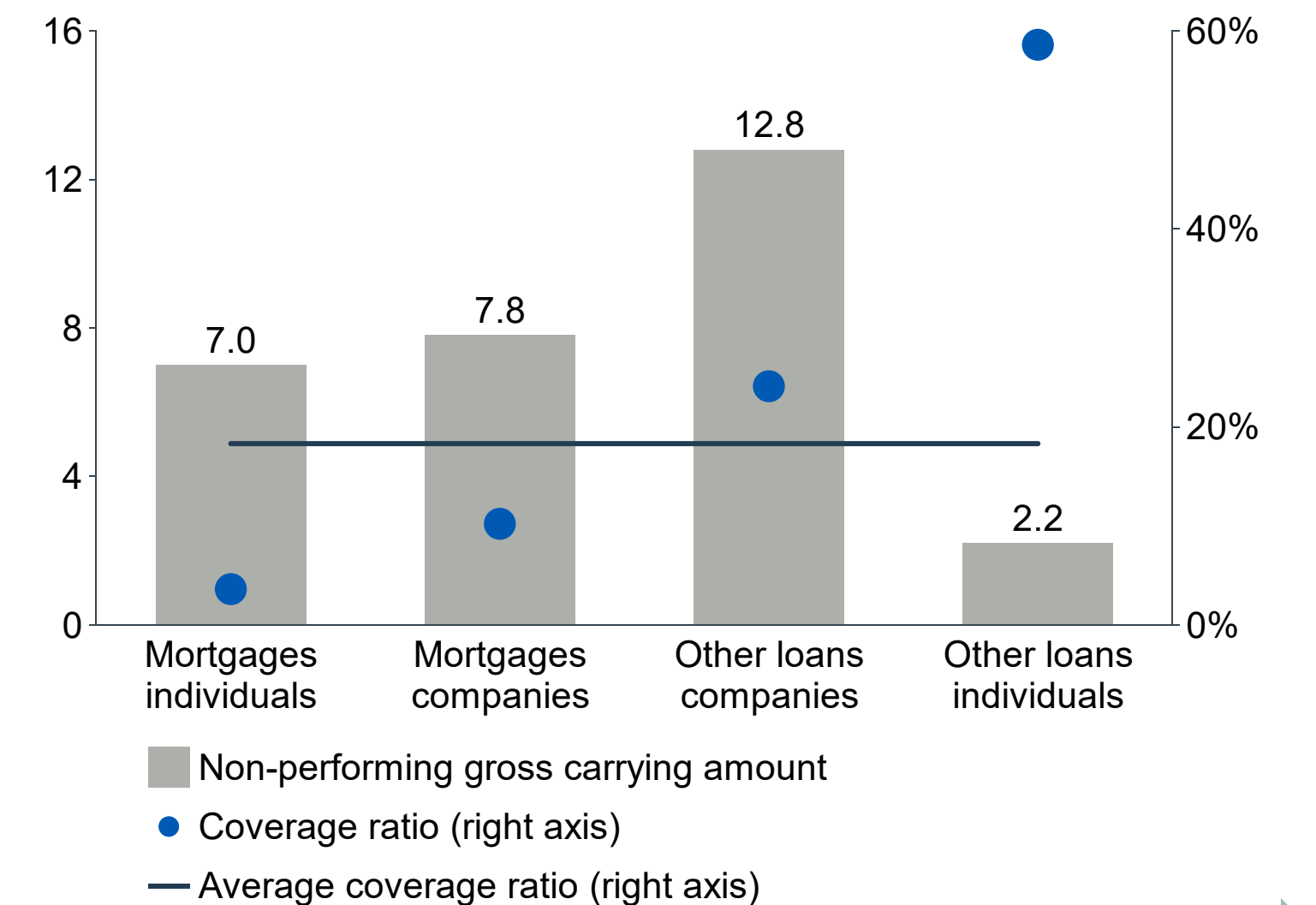
Development of problem loans ratio for loan portfolios (% of relevant loan book)



12-month expected credit loss for performing loans to customers (on balance sheet) (bps)



NPL coverage breakdown* (ISK bn)



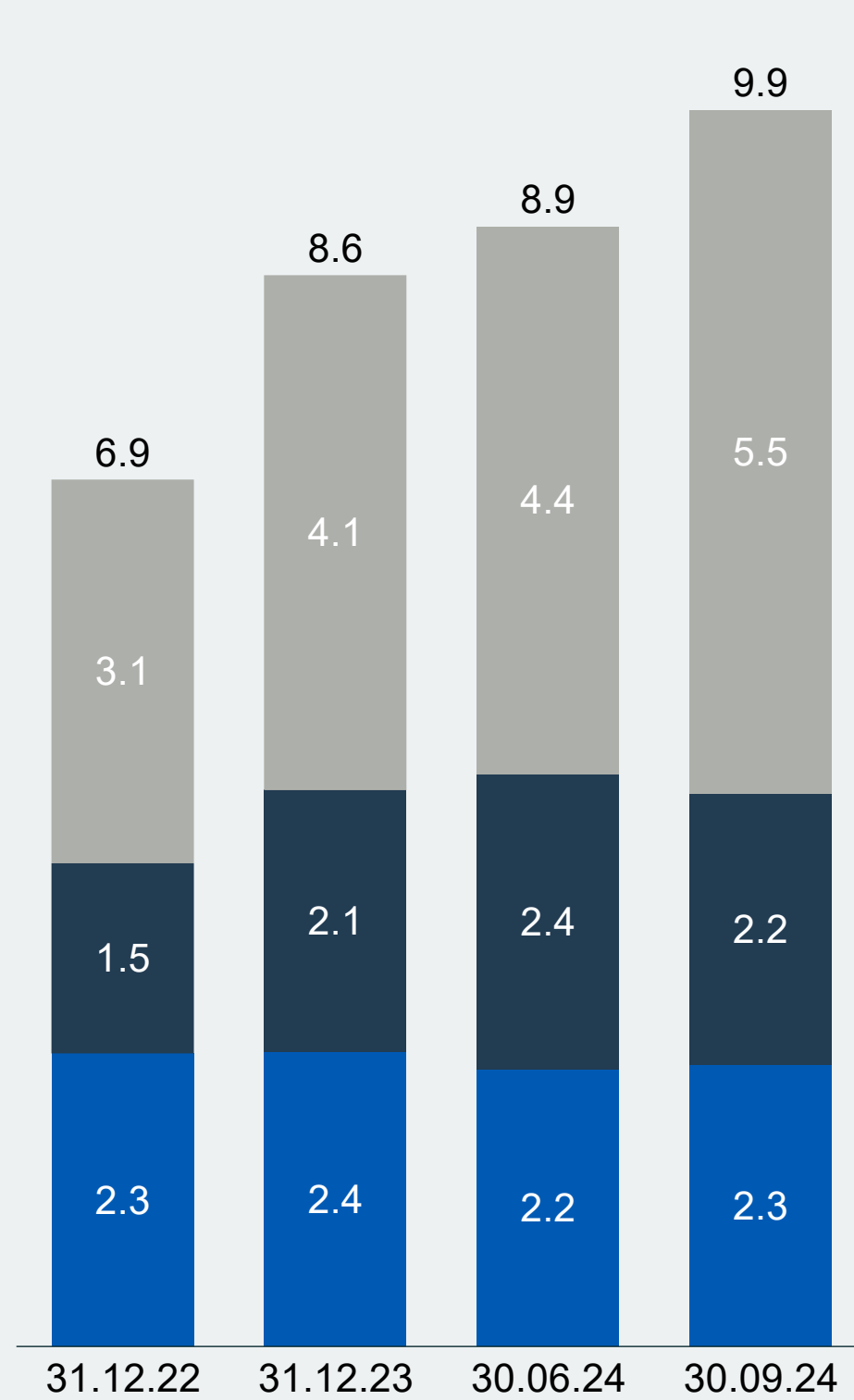
*Residential property development or secured by residential real estate or land



Loss allowance by IFRS 9 stages

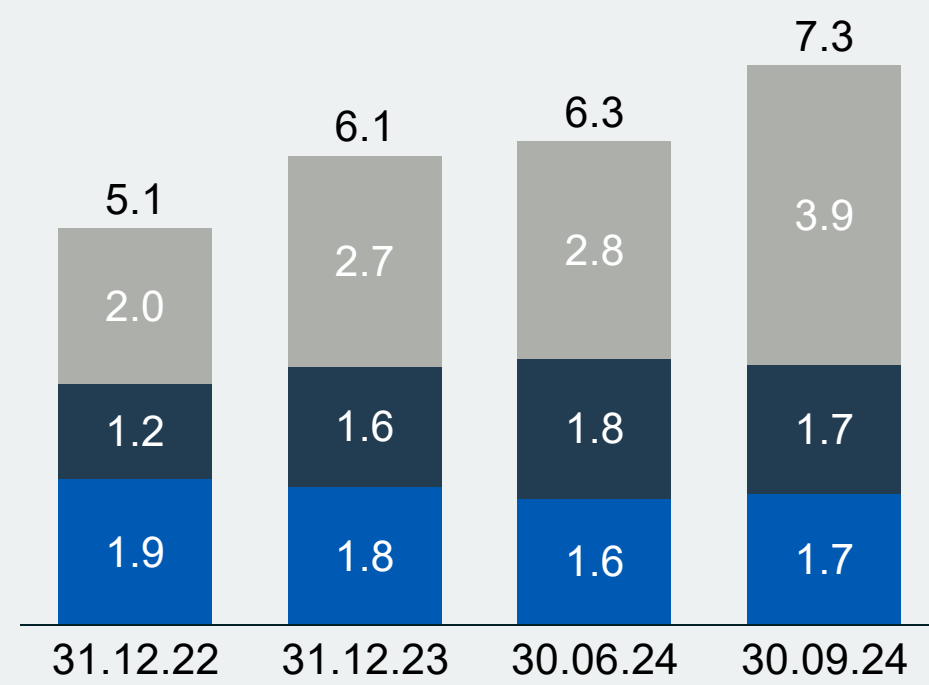
On loans to customers total (ISK bn)

Loans to customers are 0.80% provisioned at period end, 0.74% at YE 2023



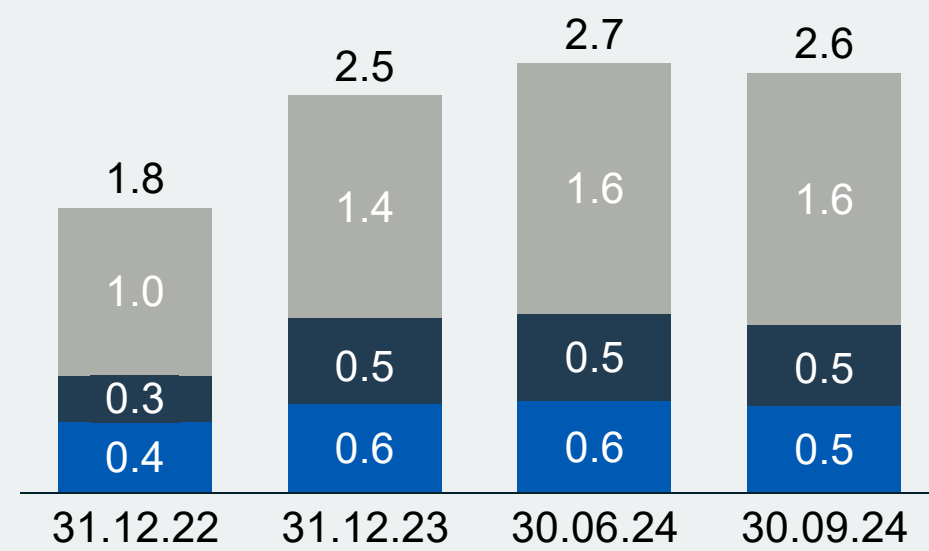
Thereof on loans to corporates (ISK bn)

Loans to corporates are 1.24% provisioned at period end



Thereof on loans to individuals (ISK bn)

Loans to individuals are 0.41% provisioned at period end



Stage 1 Stage 2 Stage 3

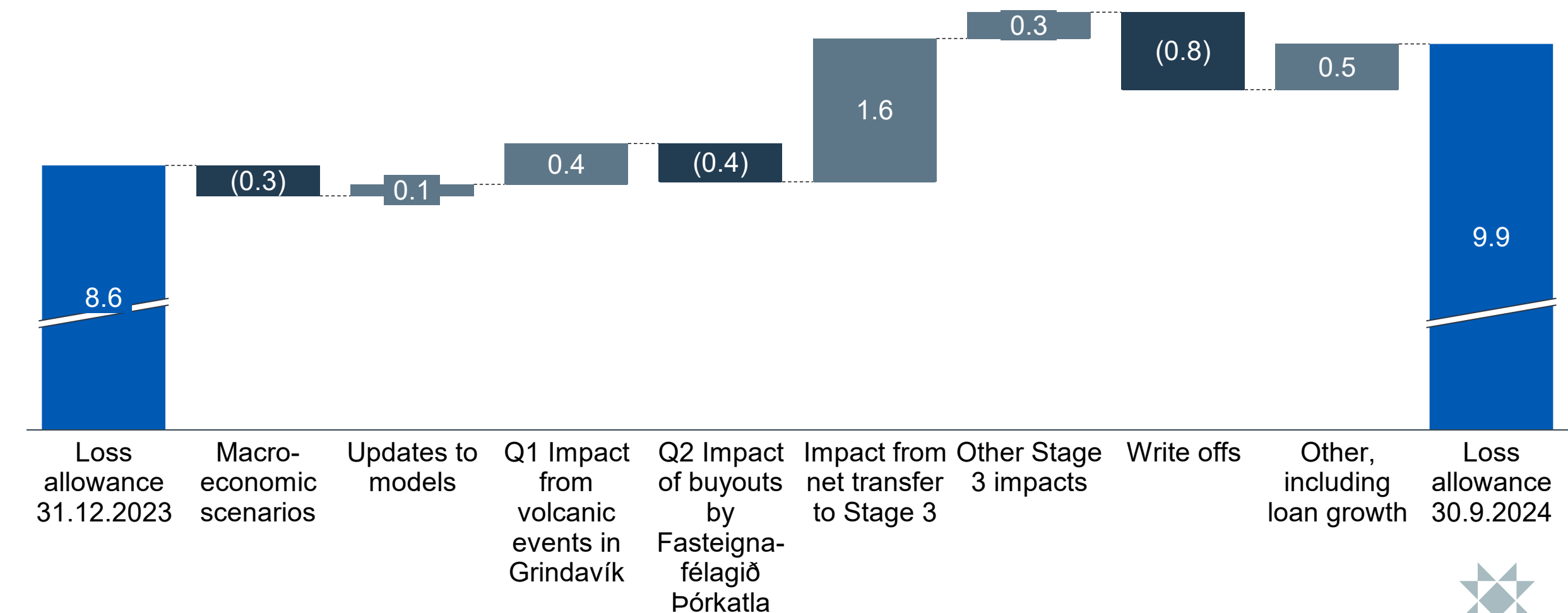
IFRS9 economic scenarios and assumptions

Deteriorating economic outlook is captured in a movement of weights during the past quarters from the base case to the pessimistic case

IFRS9 scenario likelihood	YE 2022	YE 2023	Q3 2024
Optimistic	10%	10%	10%
Base case	65%	60%	60%
Pessimistic	25%	30%	30%

Changes to loss allowance on loans to customers YTD (ISK bn)

Included are FX changes and calculated interest on Stage 3 provision, which are not reflected in Net impairment line in the Income Statement. Off-balance impairments and effect of payments of loans previously written off are excluded from this analysis

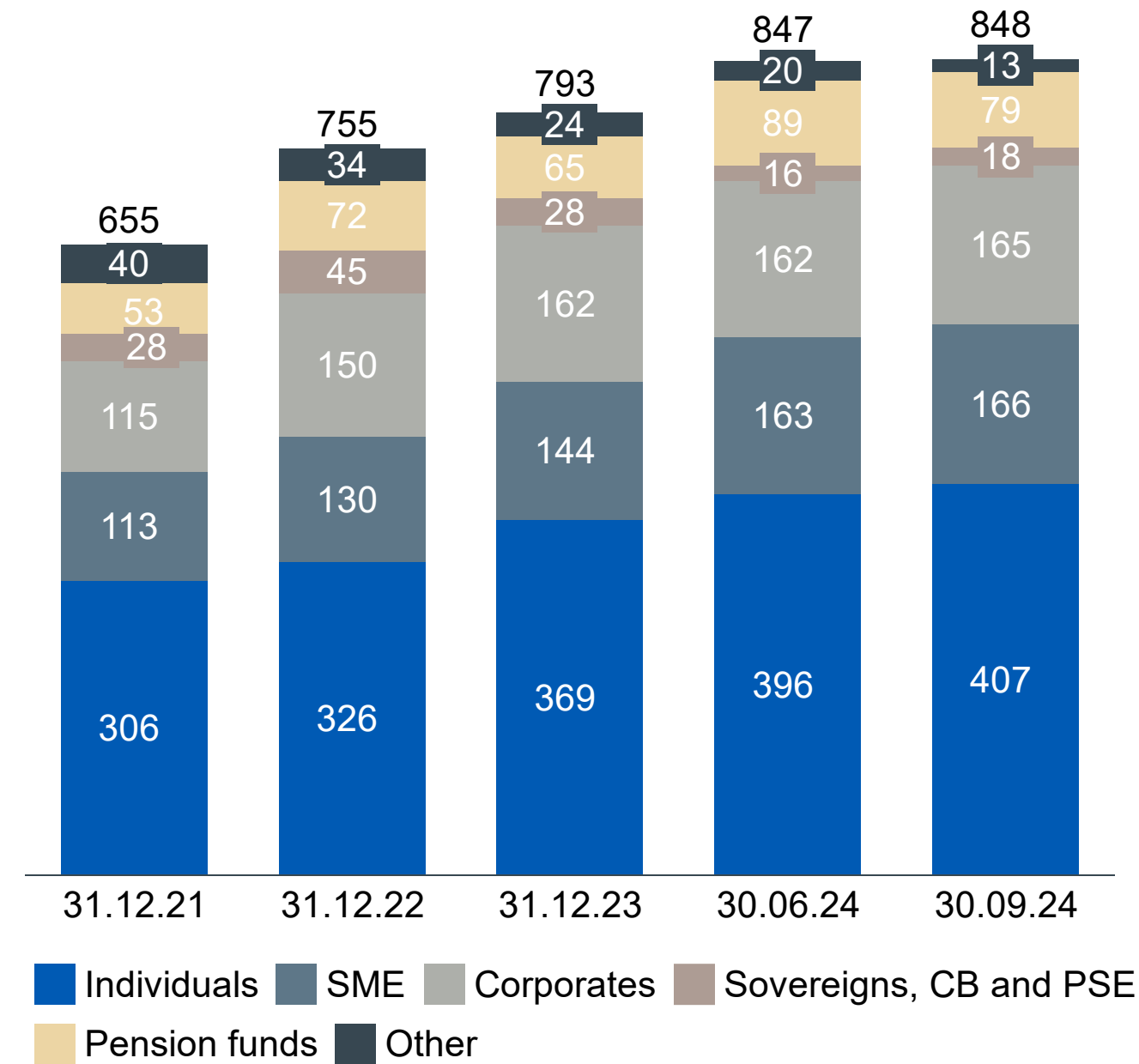


Deposits from customers

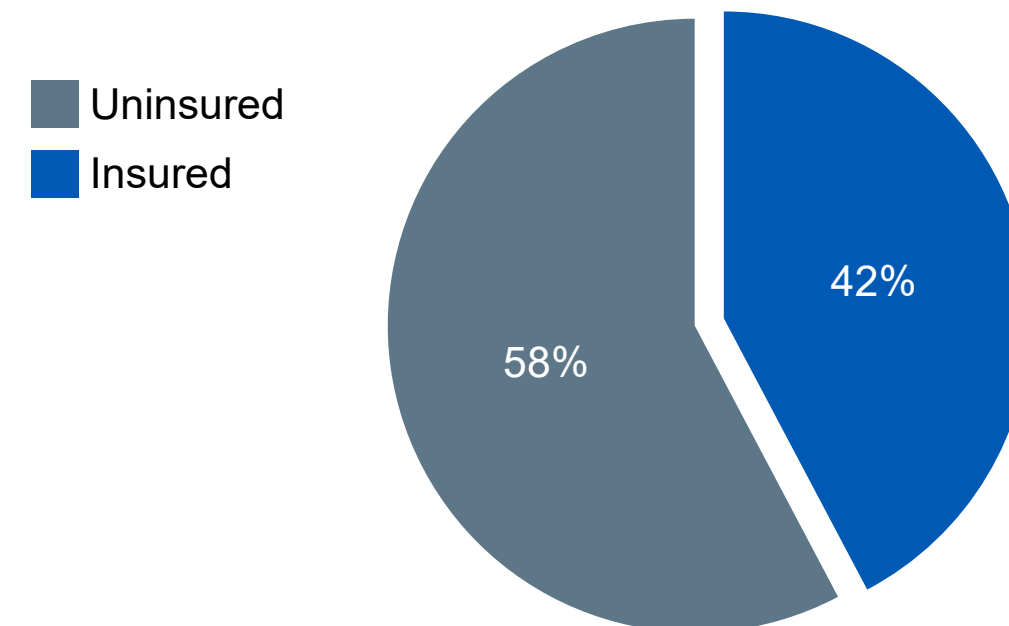
Continued momentum in stable deposits

- Deposits from customers of ISK 848bn represent 60% of the Bank's total liabilities
- Stable deposit base between quarters but increase in deposits from individuals, SME's and corporates
- YoY growth has primarily been in "stable" LCR category and term deposits, reflecting the strategic focus in the area
- Loans to deposits ratio of 144% at the end of the quarter and has been relatively stable over the last few years

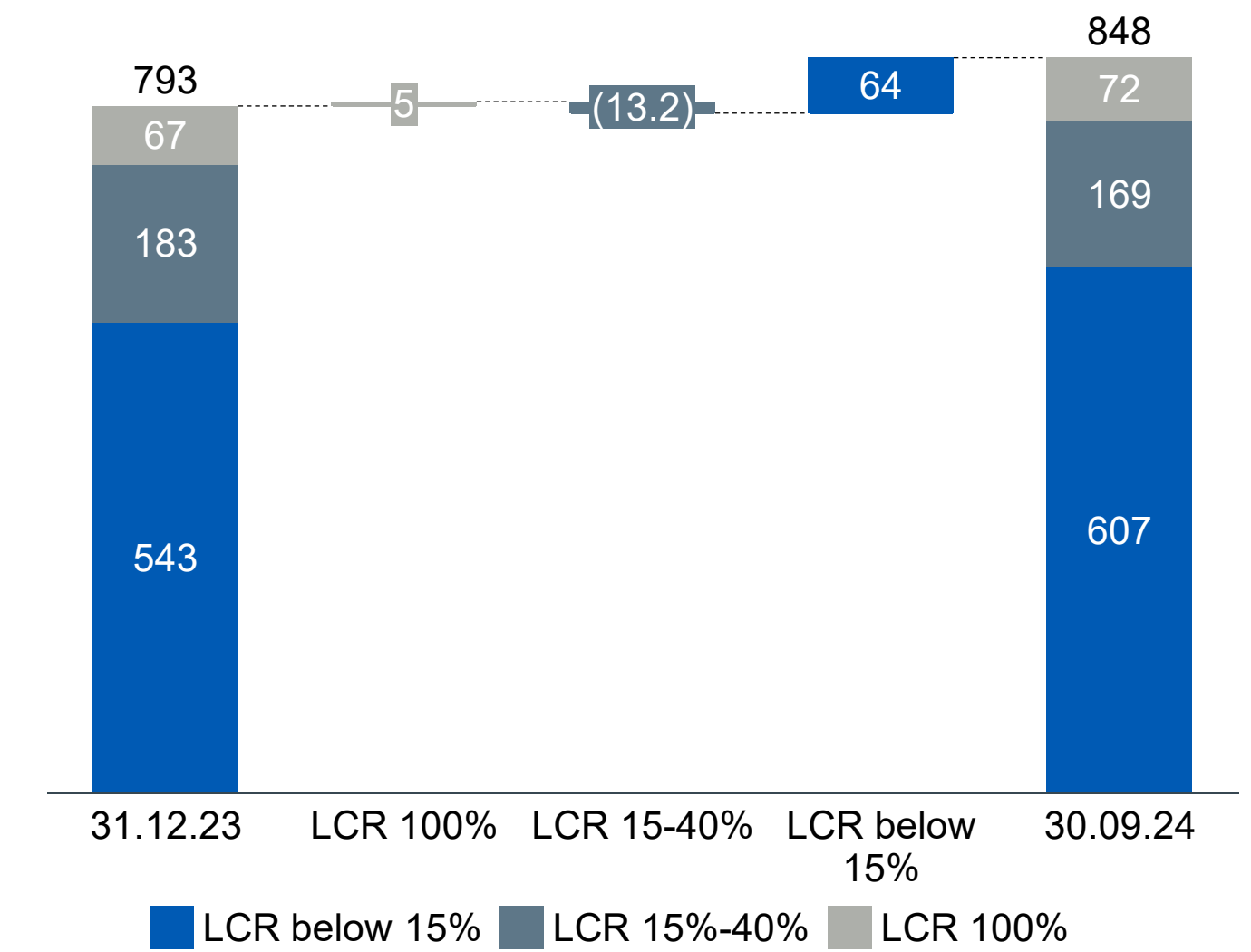
Deposits (ISK bn)



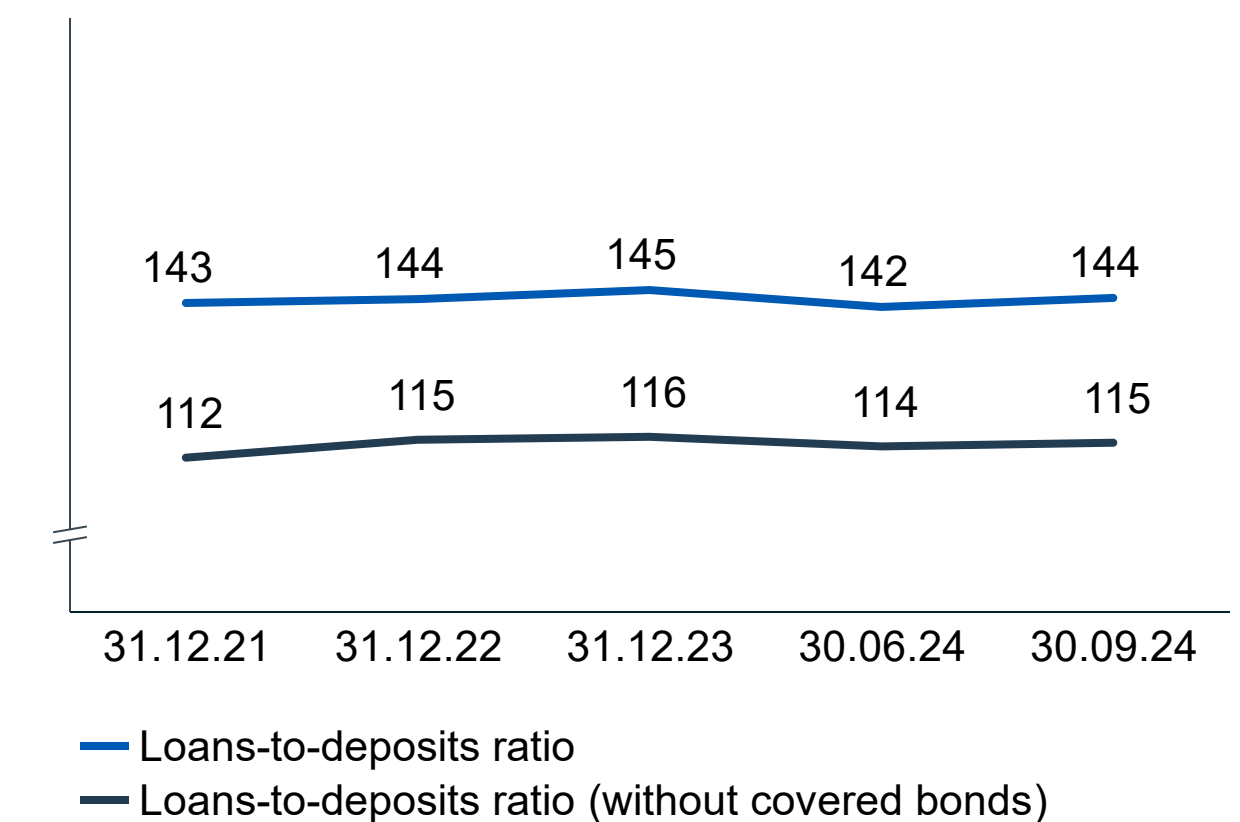
Deposits by insurance scheme



Deposit growth by LCR outflow category (ISK bn)



Loans to deposits ratio (%)

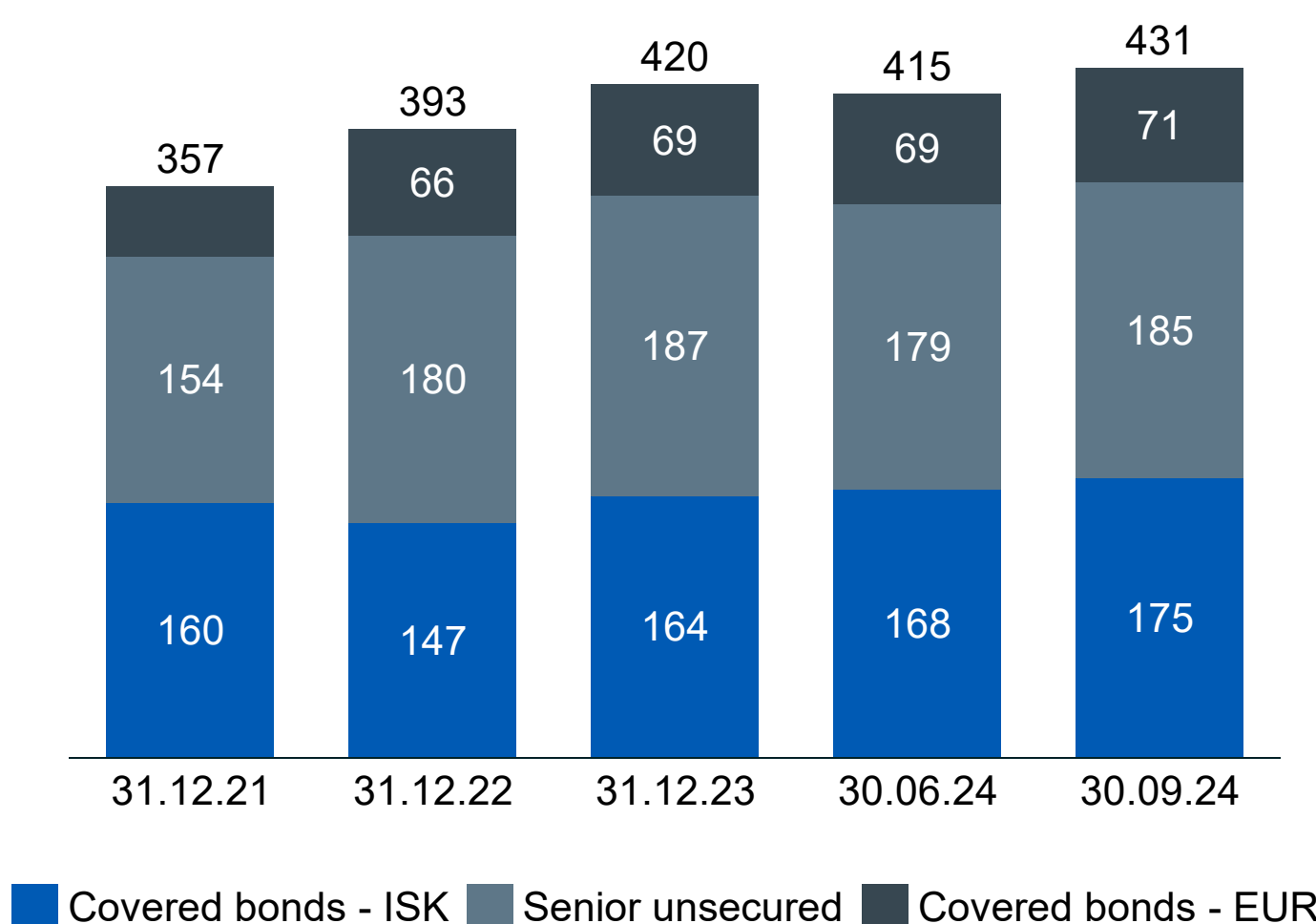


Funding and rating

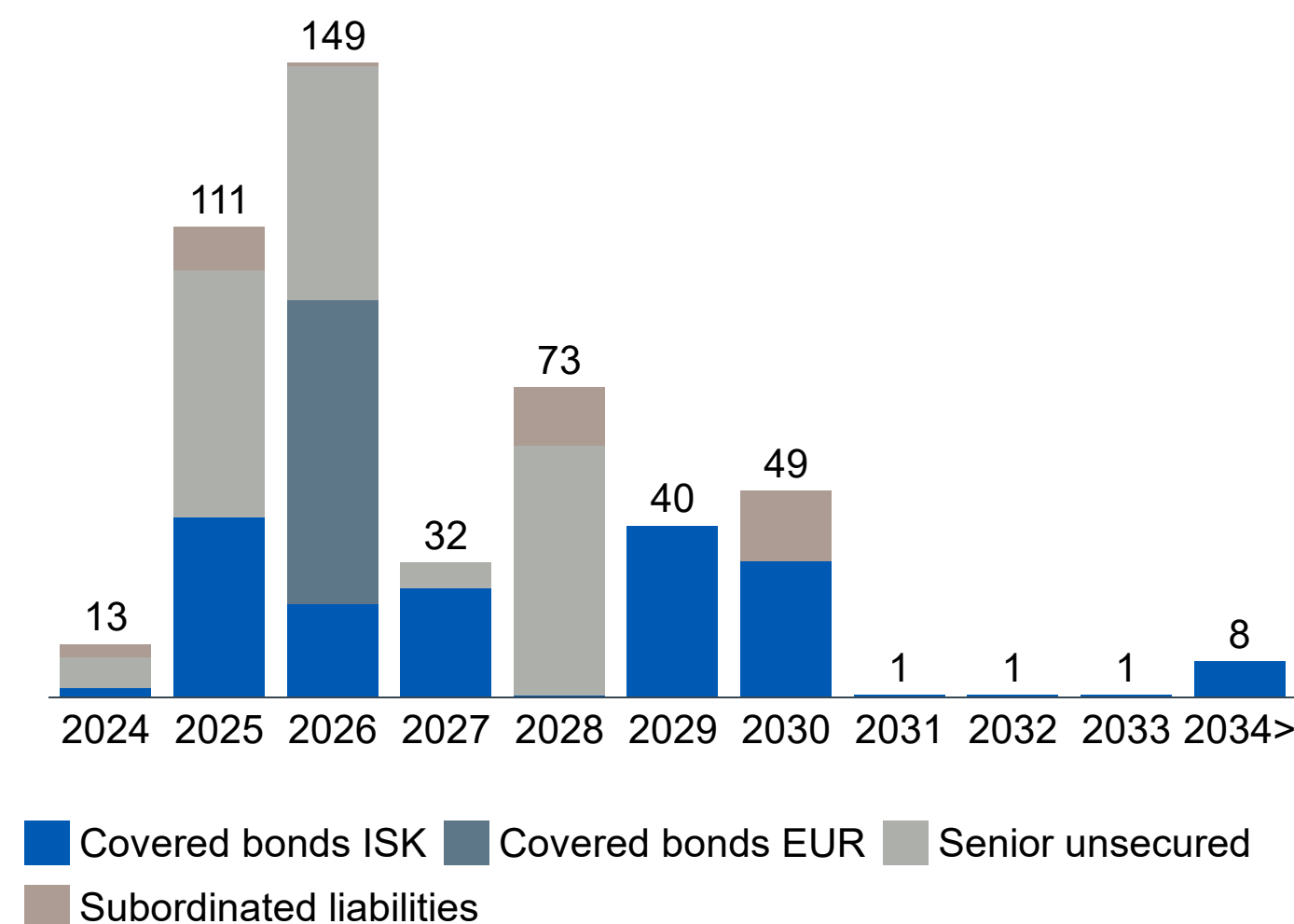
Balanced maturity profile and positive spread development

- Successful AT1 issuance in USD
 - Total issuance of \$125 million
 - Alongside issuance of new AT1 notes Arion concluded a tender on outstanding AT1 notes where 77% of outstanding notes were tendered
- Moody's raised Arion Bank's covered bond rating to Aa1
- Credit spreads in FX have continued to develop favorably
- Total issuance of ISK covered bonds was ISK 15.5bn and total issuance of ISK senior bonds was ISK 0.8bn in the quarter



Borrowings by type (ISK bn)



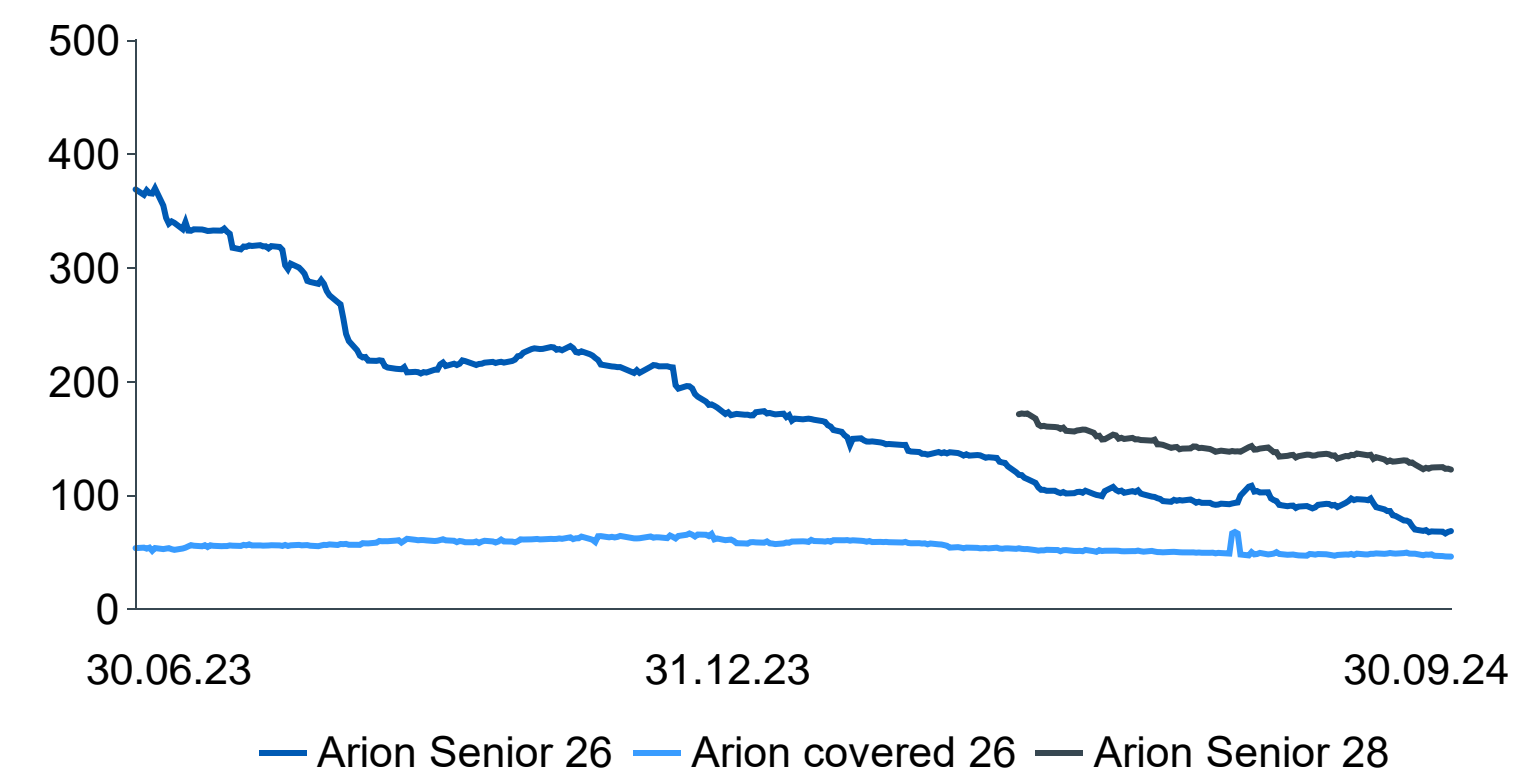
Maturities of borrowings and call dates on subordinated liabilities (ISK bn)



Ratings

		
Issuer - long term	A3	A1
Covered bond	Aa1	N/A
Outlook	Stable	Stable

Development of EUR funding spreads (bps)

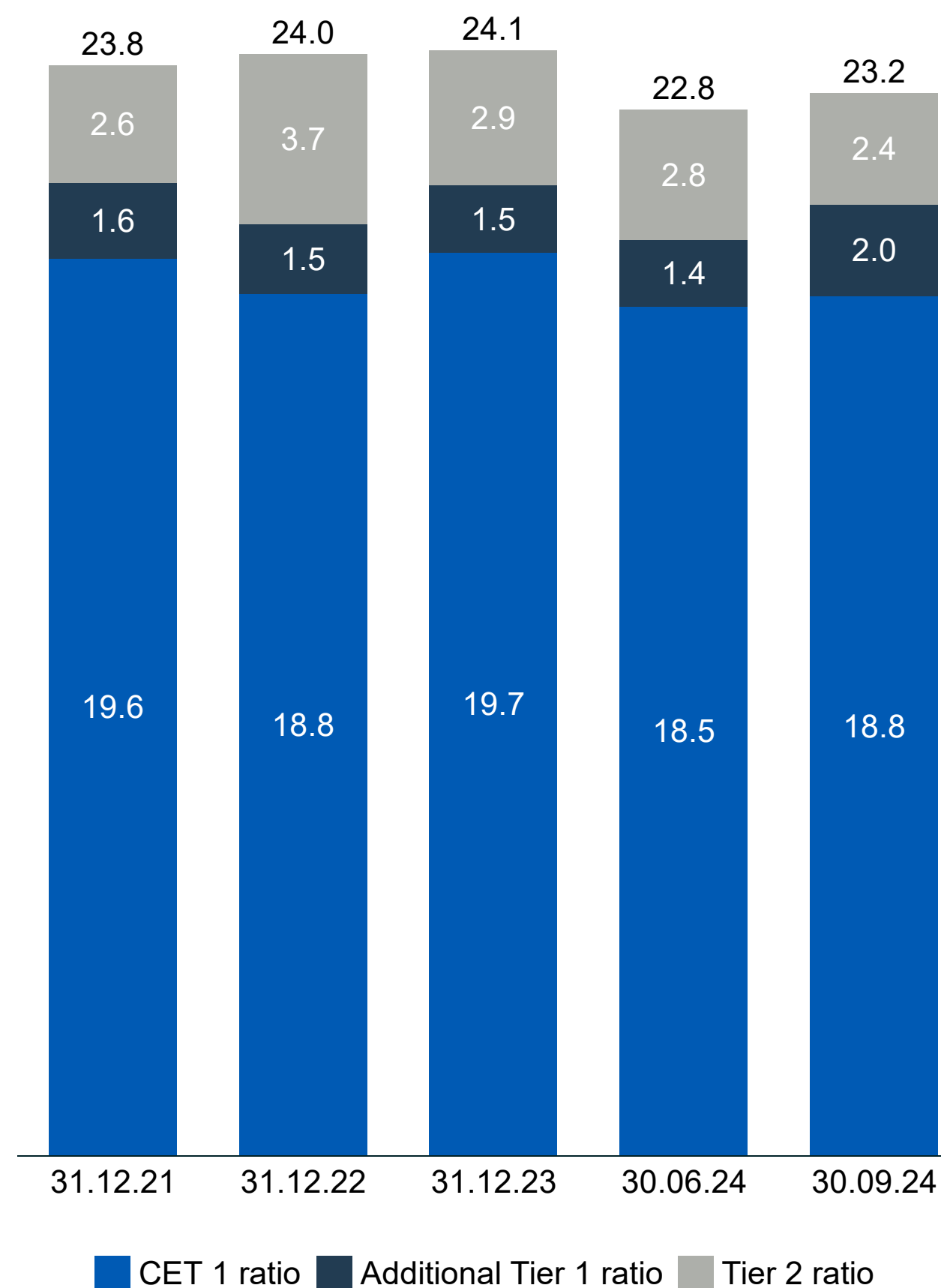


Own funds

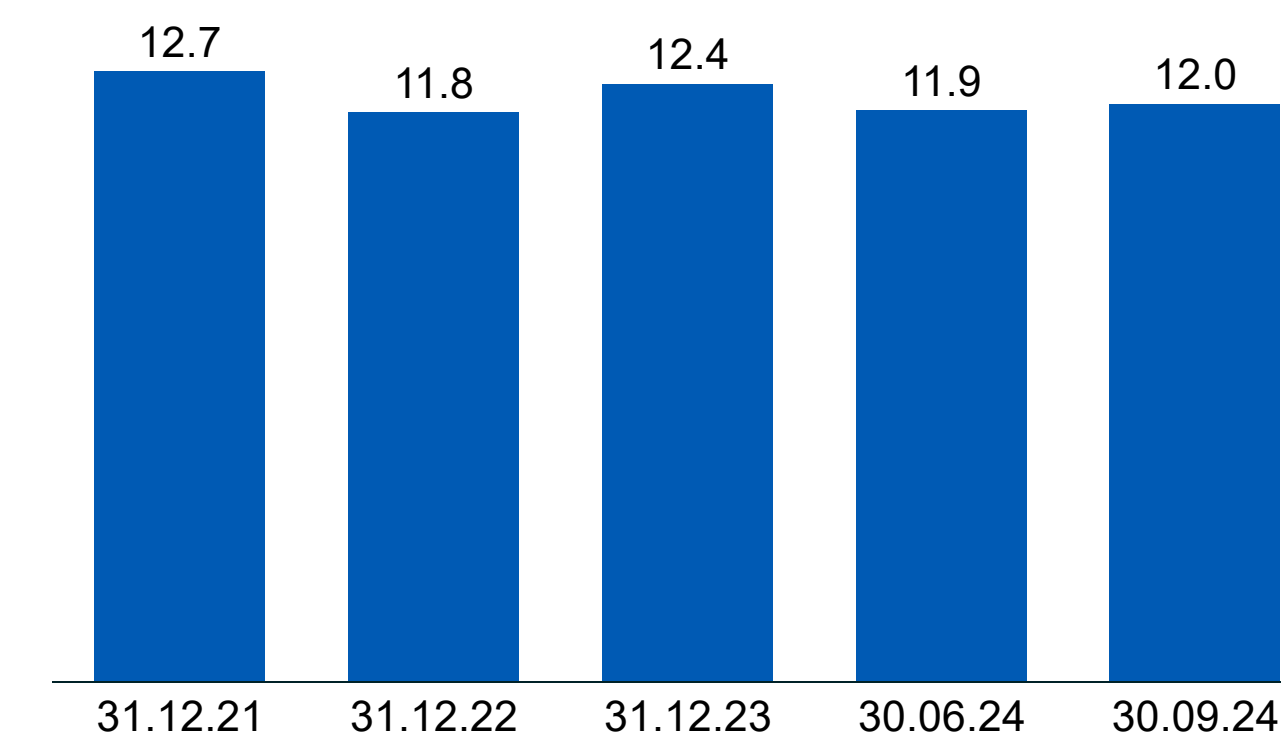
Strong capital position

- CET1 position is 355bps above regulatory requirement
- Leverage ratio of 12.0% significantly above most international peers
- AT1 issuance strengthens the Bank's own funds and the maintenance of an optimal capital structure in line with the Bank's medium-term targets
- Final exercise period of warrants resulting in ISK 6bn capital increase, offset by additional ISK 5bn share buyback in the quarter
- The Resolution Authority of the Central Bank of Iceland presented the Bank with updated MREL requirements in October
 - The MREL requirements are 19.6% of REA and 6.0% of TEM
 - At the end of Q3, the levels for these ratios were 25.7% and 20.9%, respectively
 - Additionally, the Resolution Authority has introduced a subordinated MREL requirement of 13.5% which will apply to the Bank from 1 August 2026

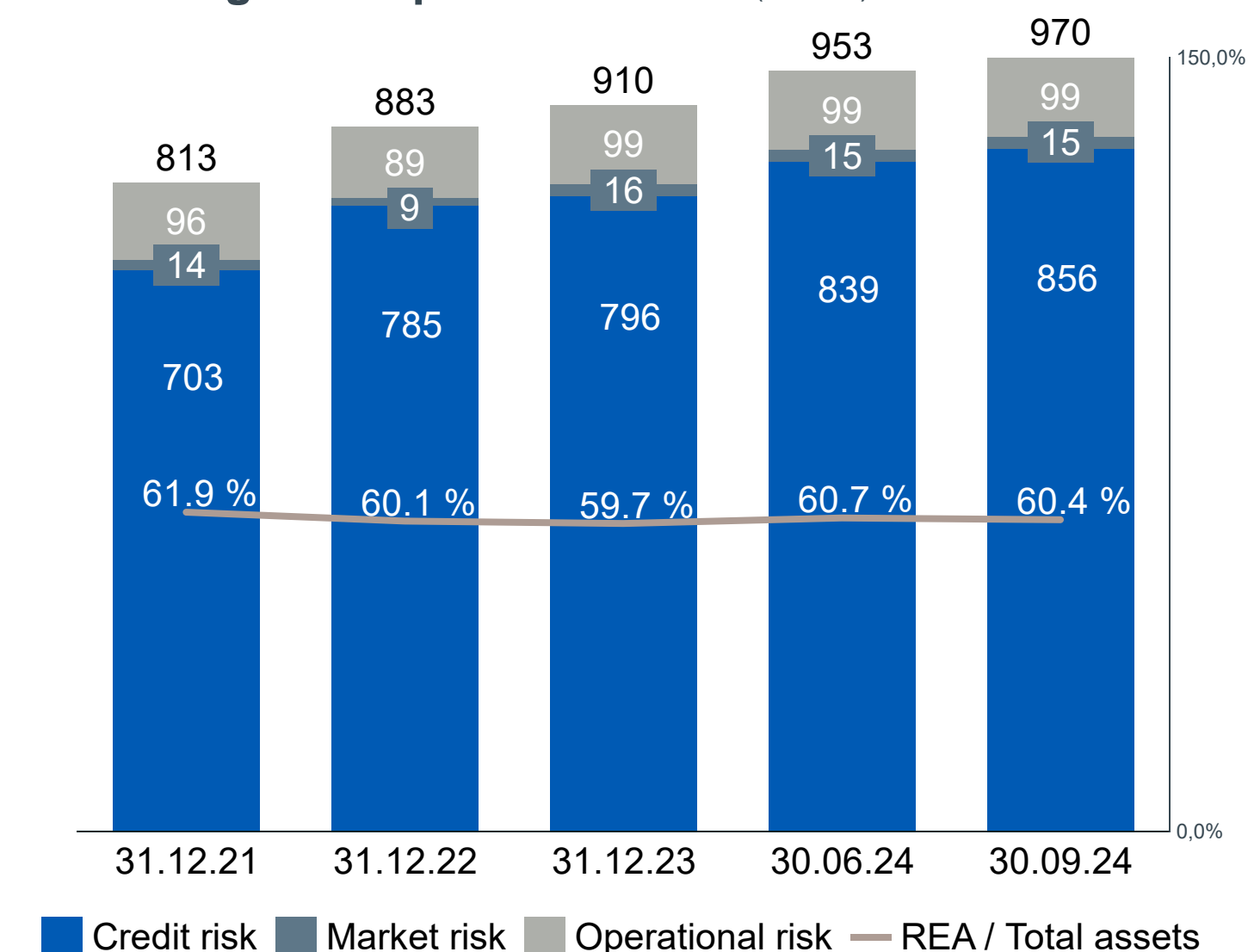
Capital ratio (%)



Leverage ratio (%)



Risk-weighted exposure amount (ISK bn)

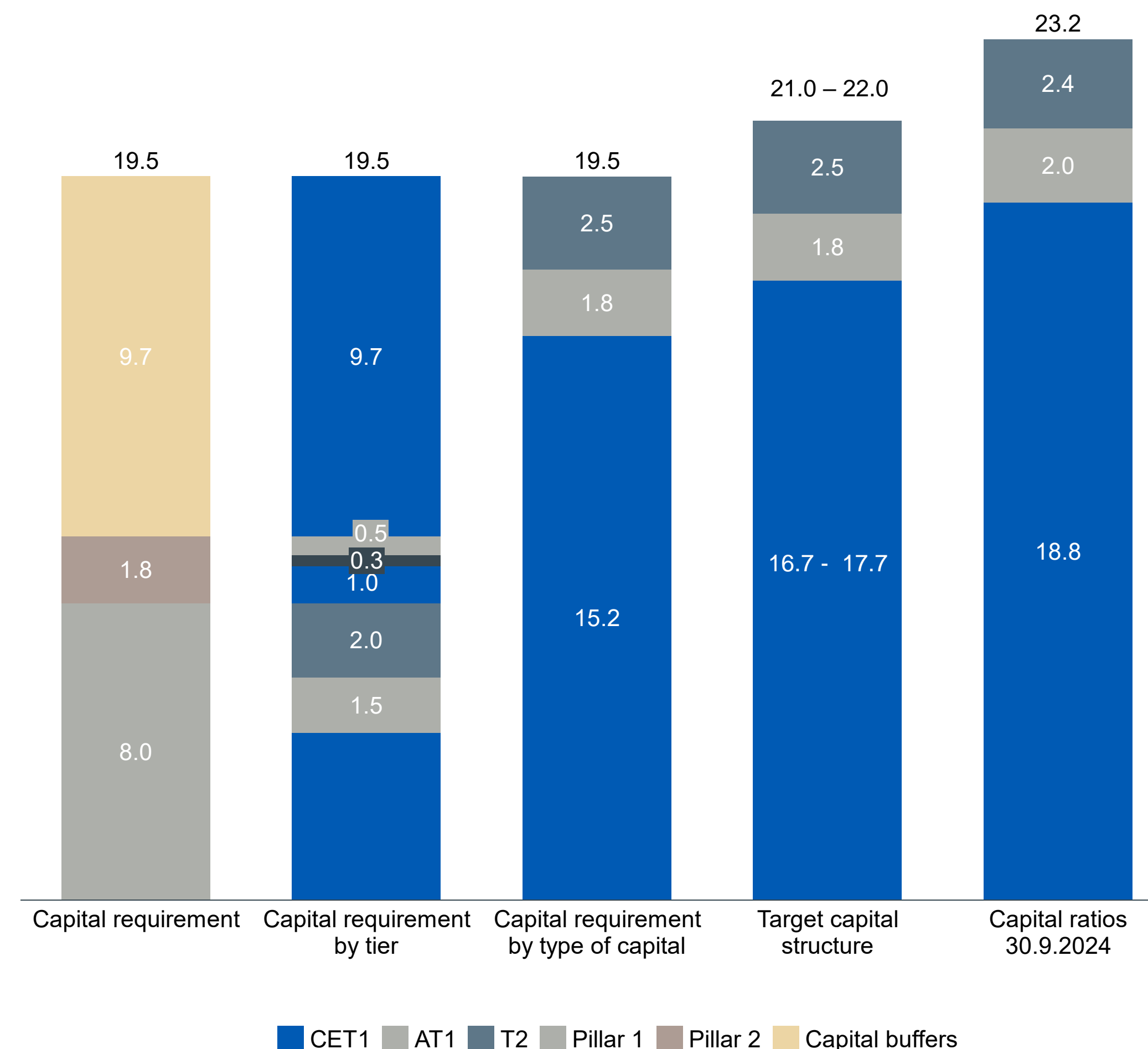


Own funds

The capital ratios continue to be strong while capital optimization continues

- 9M profits of ISK 17.8bn and corresponding foreseeable dividends of ISK 8.9bn included in the capital ratios shown
- The Pillar 2 requirement is 1.8% as a result of the SREP process based on year-end 2023 financials
- The countercyclical buffer in Iceland rose from 2.0% to 2.5% as of 16 March 2024 based on a decision of The Financial Stability Council from a year earlier
- The medium-term capital management buffer target is around 150-250bps over regulatory requirements which considers the capital benchmarks of credit rating agencies
- CET1 capital is ISK 10 to 20bn in excess of target capital structure
- CRR3 is expected to come into effect in Q1 2025 in Iceland. The implementation is subject to regulatory interpretation and guidelines for several subjects, but based on the Bank's current expectations, a capital relief of around ISK 5bn is anticipated
- The solvency ratio of Vördur insurance is 146.6%

Own funds and capital requirements (%)



Going forward

Solid momentum in core earnings drivers

Good position to navigate evolving external environment

Robust balance sheet and capital optimization commitment

Key figures*

Operations	9M 2024	9M 2023	9M 2022	9M 2021	9M 2020	Q3 2024	Q2 2024	Q1 2024	Q4 2023	Q3 2023
Net interest income	35,056	33,338	29,578	23,295	23,099	11,863	11,948	11,245	11,347	10,918
Net commission income	11,224	12,486	12,195	10,594	8,526	3,880	3,979	3,365	3,903	3,848
Operating income	48,545	47,869	40,648	42,991	36,051	17,486	16,585	14,474	16,312	14,986
Operating expenses	(19,727)	(17,871)	(16,855)	(12,420)	(12,602)	(6,021)	(7,152)	(6,554)	(7,830)	(5,392)
Net earnings	17,823	19,513	20,995	22,092	6,708	7,891	5,500	4,432	6,224	6,131
Return on equity	12.2%	13.9%	15.2%	15.2%	4.7%	16.1%	11.5%	9.1%	12.7%	12.9%
Net interest margin	3.1%	3.1%	3.1%	2.7%	2.9%	3.1%	3.2%	3.1%	3.1%	3.0%
Return on assets	1.5%	1.7%	2.1%	2.4%	0.8%	2.0%	1.4%	1.2%	1.6%	1.6%
Cost-to-core income ratio	43.8%	41.4%	42.0%	49.4%	52.6%	37.5%	46.2%	48.4%	54.9%	38.2%
Cost-to-income ratio	40.6%	37.3%	41.5%	41.9%	49.5%	34.4%	43.1%	45.3%	48.0%	36.0%
Cost-to-total assets	1.7%	1.6%	1.6%	2.0%	2.0%	1.5%	1.8%	1.7%	2.0%	1.4%

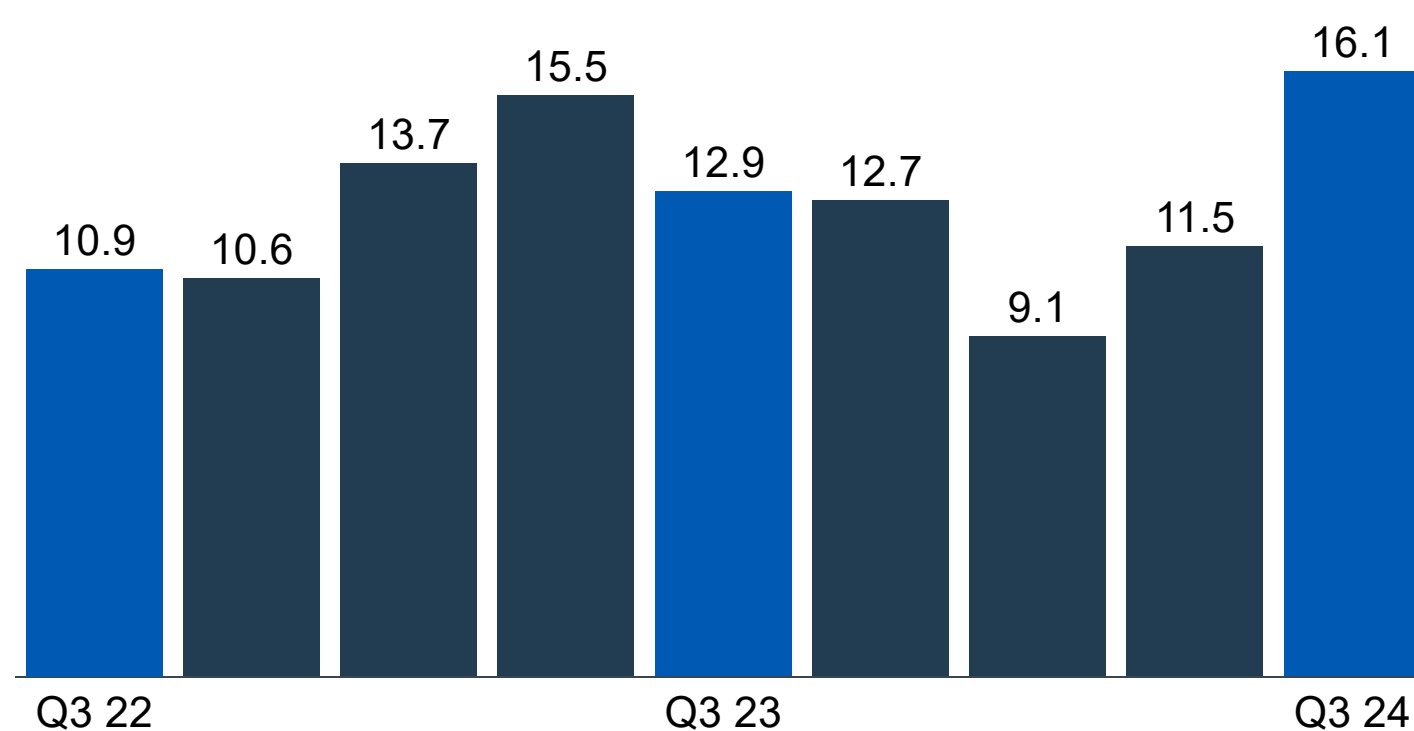
Balance Sheet	30.09.2024	31.12.2023	31.12.2022	31.12.2021	31.12.2020	30.09.2024	30.06.2024	31.03.2024	31.12.2023	30.09.2023
Total assets	1,605,717	1,525,672	1,465,609	1,310,710	1,172,706	1,605,717	1,568,789	1,544,432	1,525,672	1,540,669
Loans to customers	1,220,424	1,152,789	1,084,757	936,237	822,941	1,220,424	1,202,616	1,178,700	1,152,789	1,143,473
Mortgages	580,813	549,371	513,605	463,457	377,873	580,813	575,229	558,692	549,371	540,297
Share of stage 3 loans, gross	2.4%	1.7%	1.2%	1.9%	2.6%	2.4%	2.1%	1.9%	1.7%	1.5%
REA/ Total assets	60.4%	59.7%	60.1%	61.9%	63.6%	60.4%	60.7%	60.7%	59.7%	58.9%
CET 1 ratio	18.8%	19.7%	18.8%	19.6%	22.3%	18.8%	18.5%	18.8%	19.7%	19.4%
Leverage ratio	12.0%	12.4%	11.8%	12.7%	15.1%	12.0%	11.9%	12.0%	12.4%	11.8%
Liquidity coverage ratio	178.6%	191.8%	158.5%	202.8%	188.5%	178.6%	154.4%	143.6%	191.8%	179.1%
Loans to deposits ratio	143.8%	145.4%	143.6%	142.8%	144.8%	143.8%	142.0%	147.0%	145.4%	141.8%

*Figures for periods prior to 2022 have not been restated according to IFRS 17

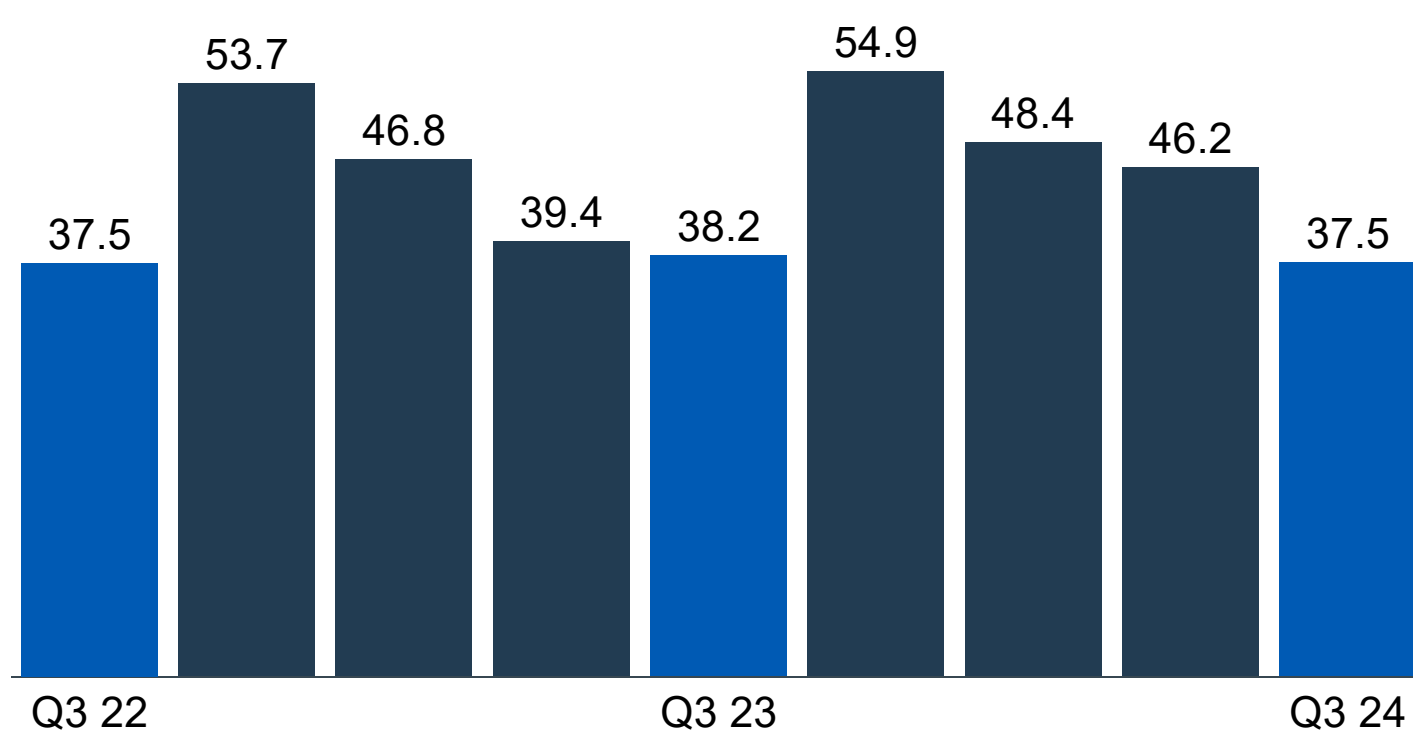


Key financial indicators - quarterly

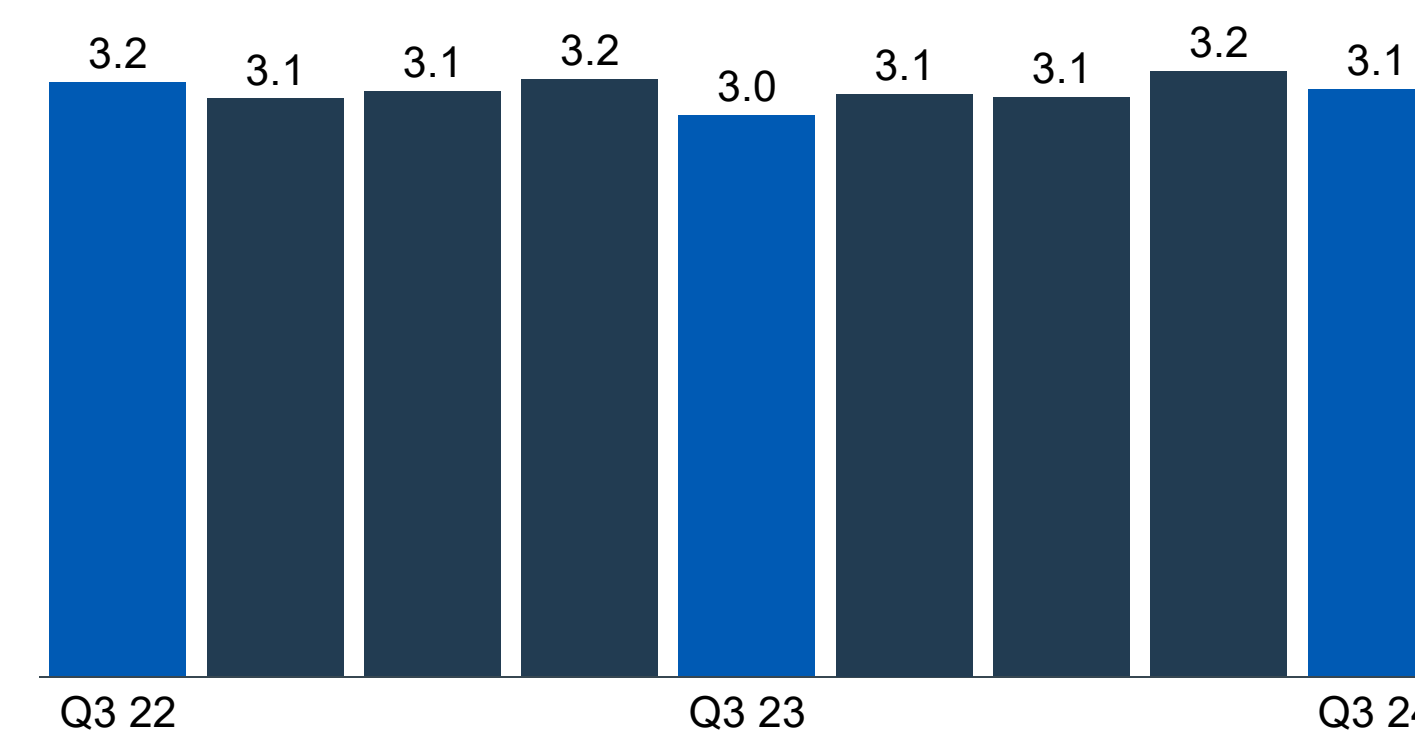
Return on equity (%)



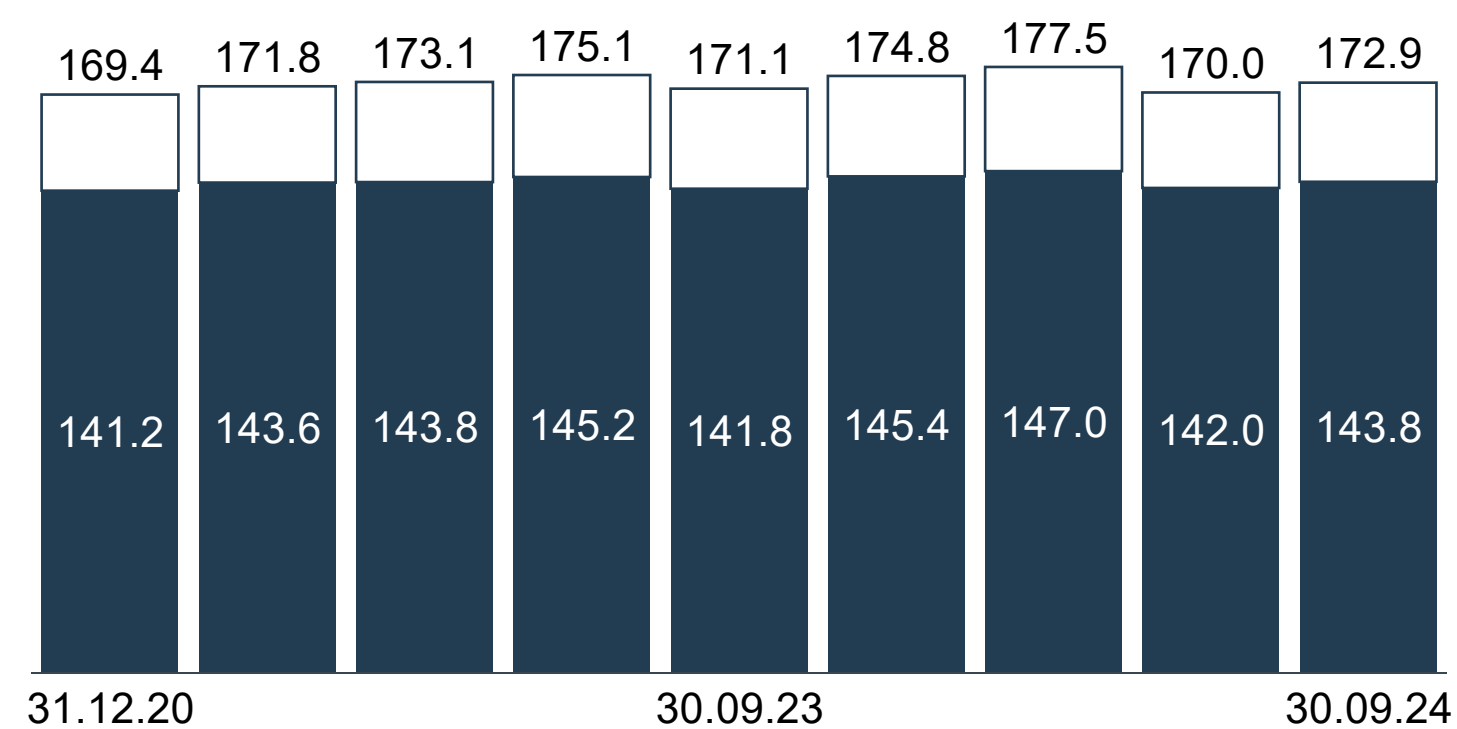
Cost-to-Core income ratio (%)



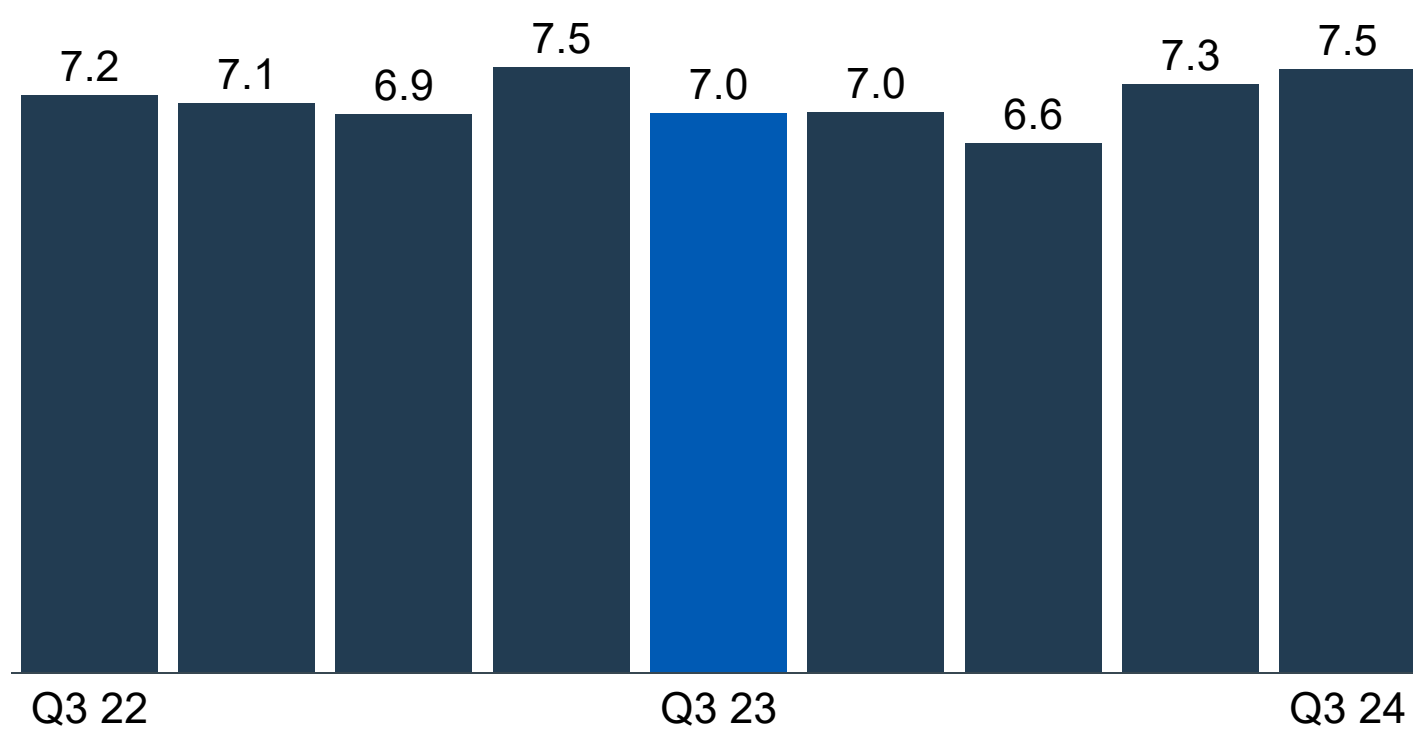
Net interest margin (%)



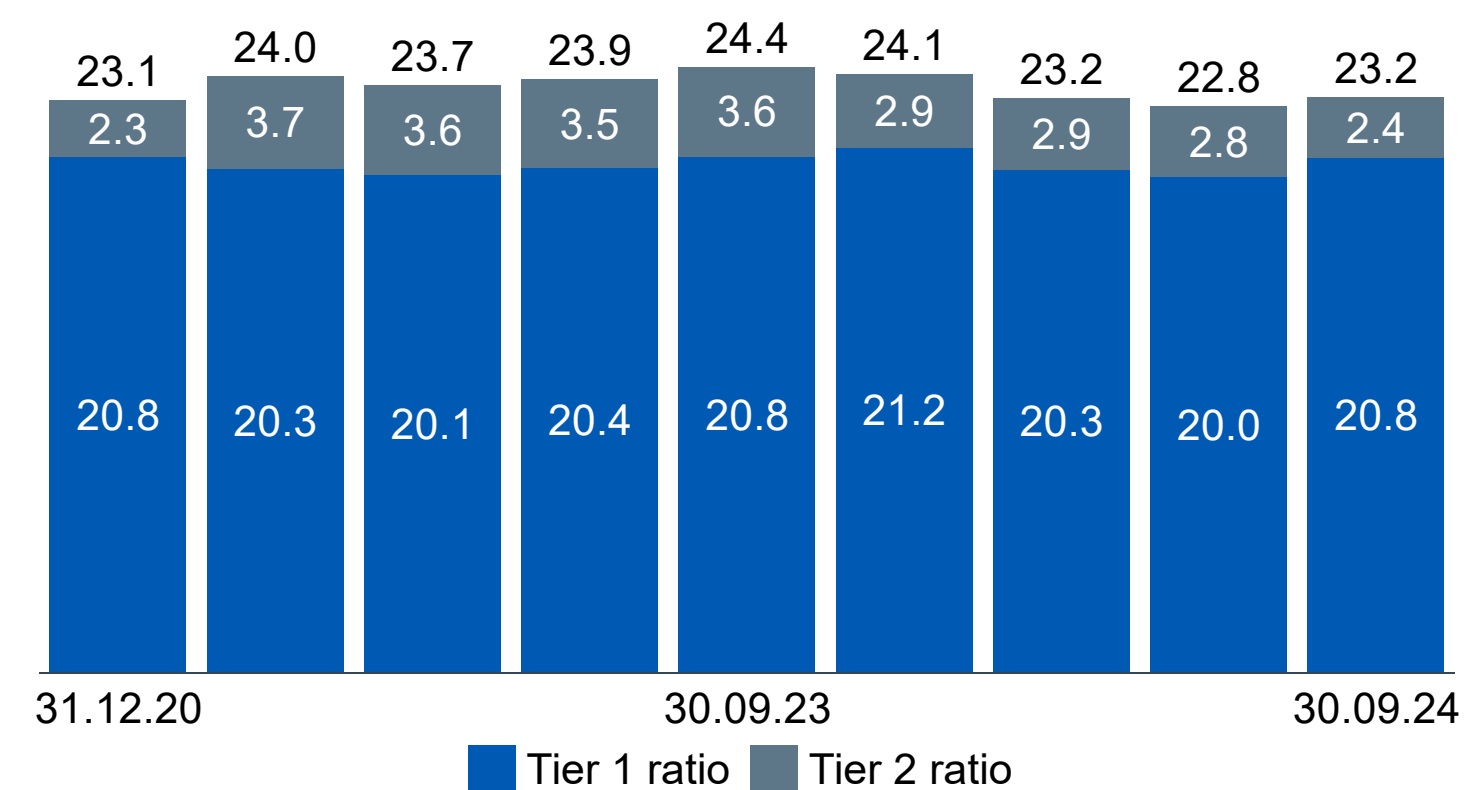
Loans to deposits ratio (%)
(without loans financed by covered bonds)



Core operating income / REA (%)



Risk exposure amount / Total assets (%)

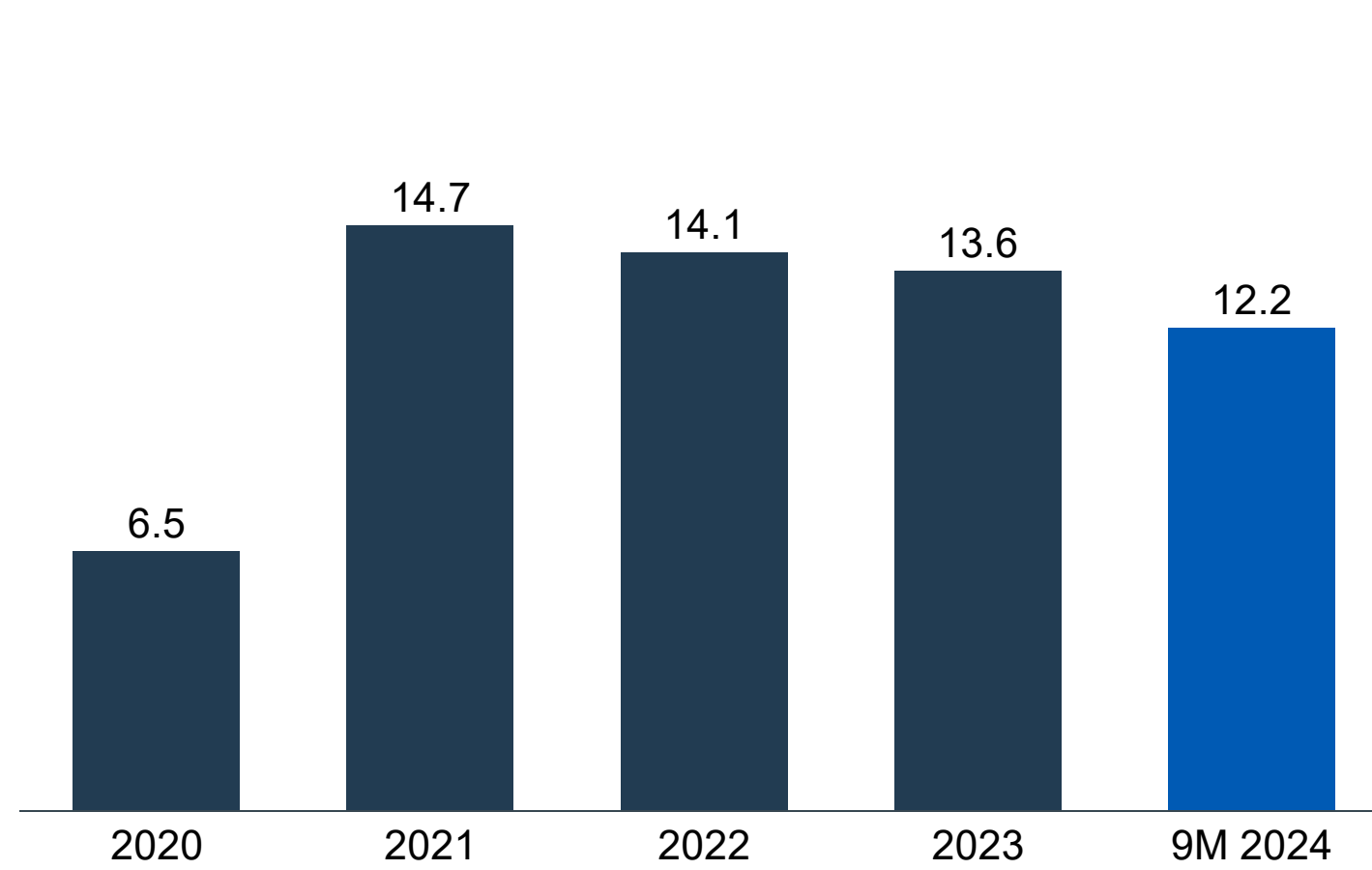


■ Tier 1 ratio ■ Tier 2 ratio

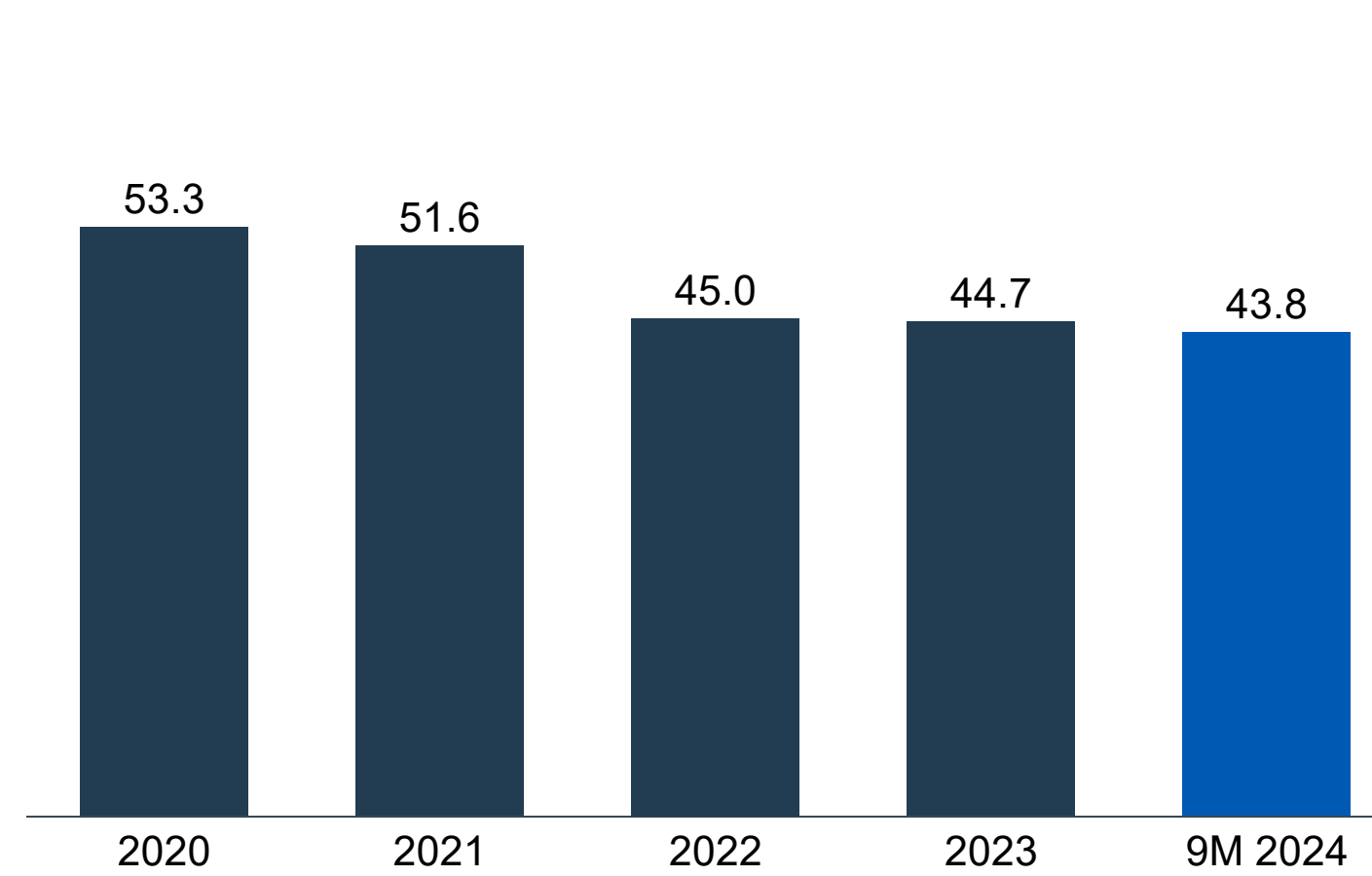


Key financial indicators - annual

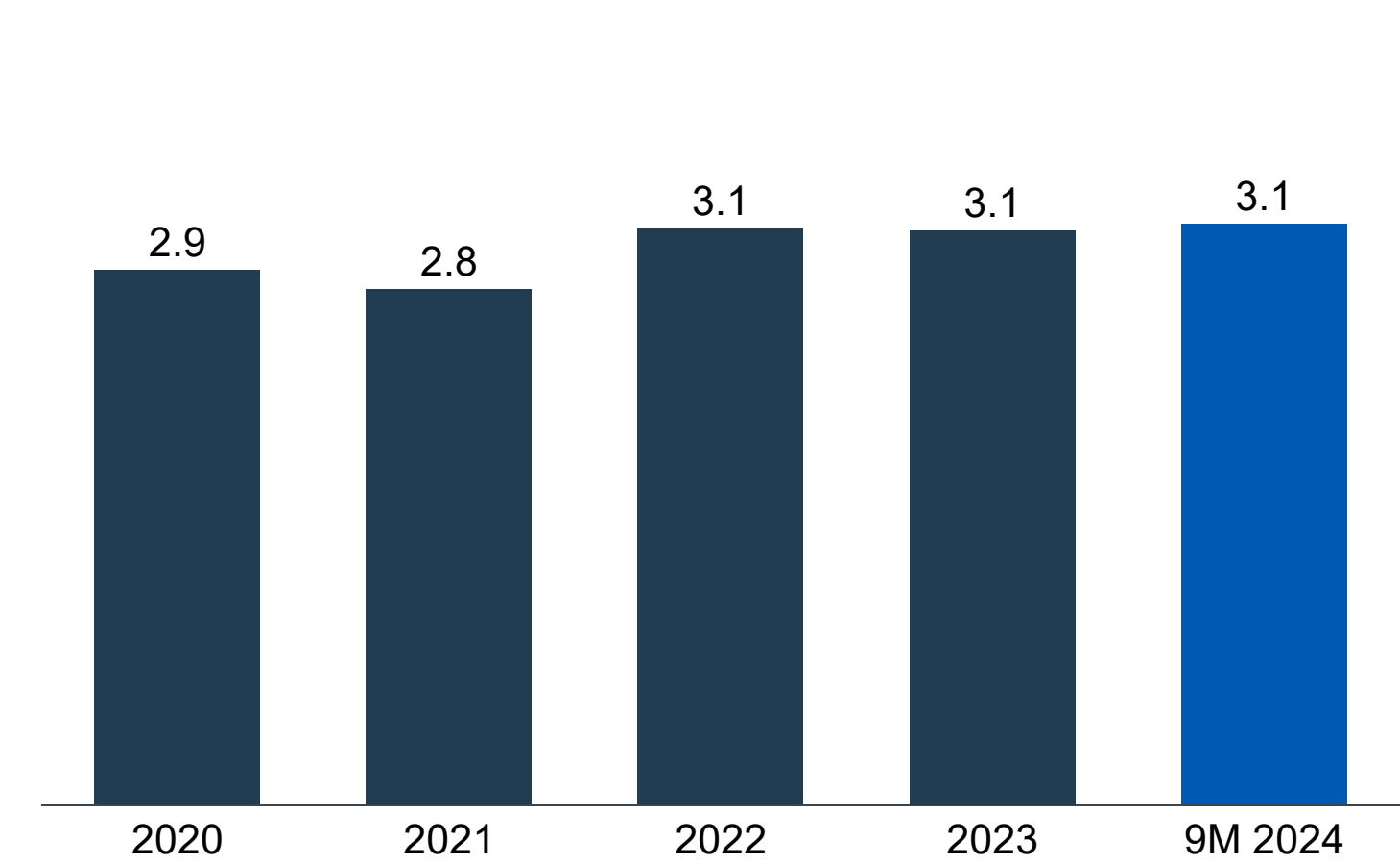
Return on equity (%)



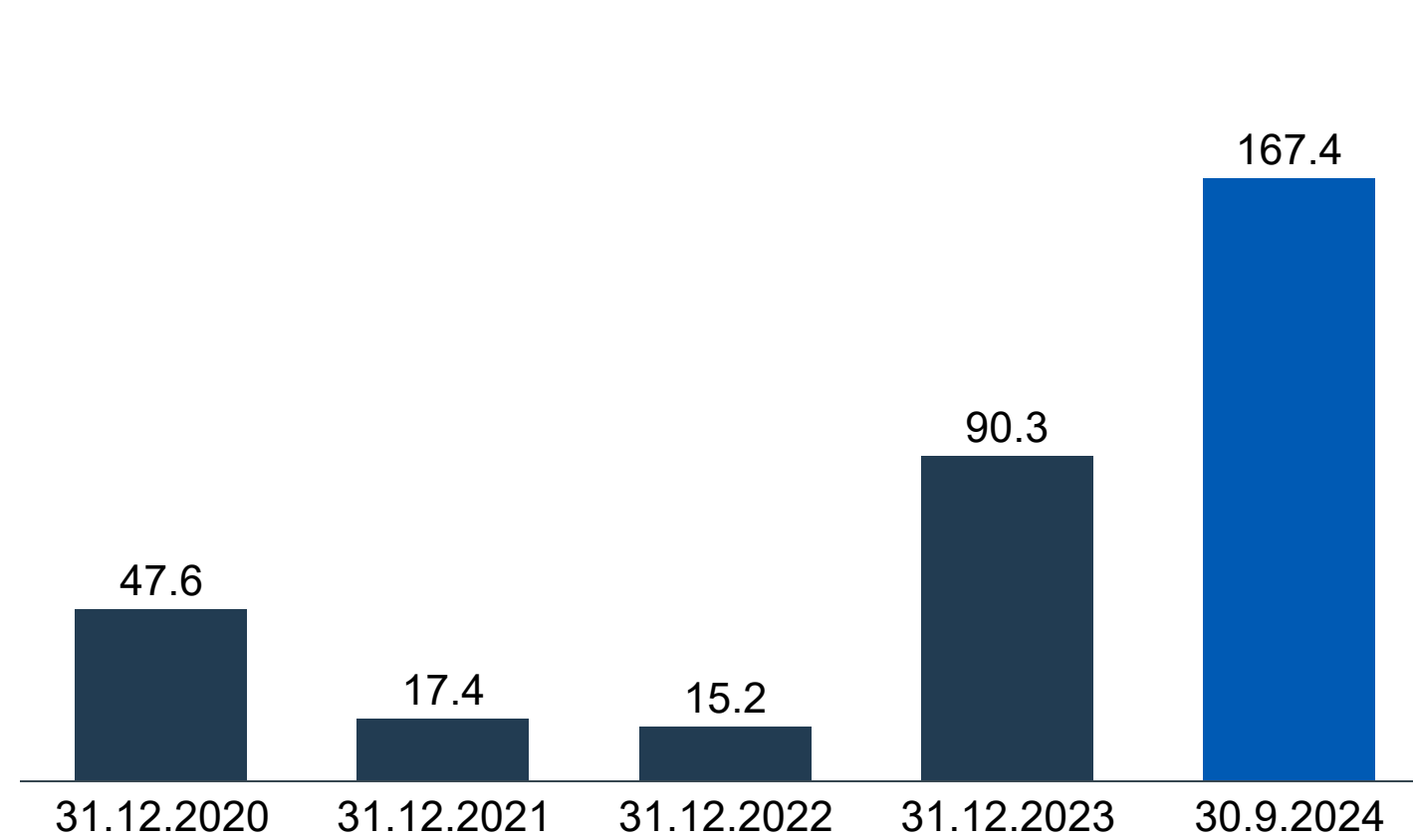
Cost-to-Core income ratio (%)



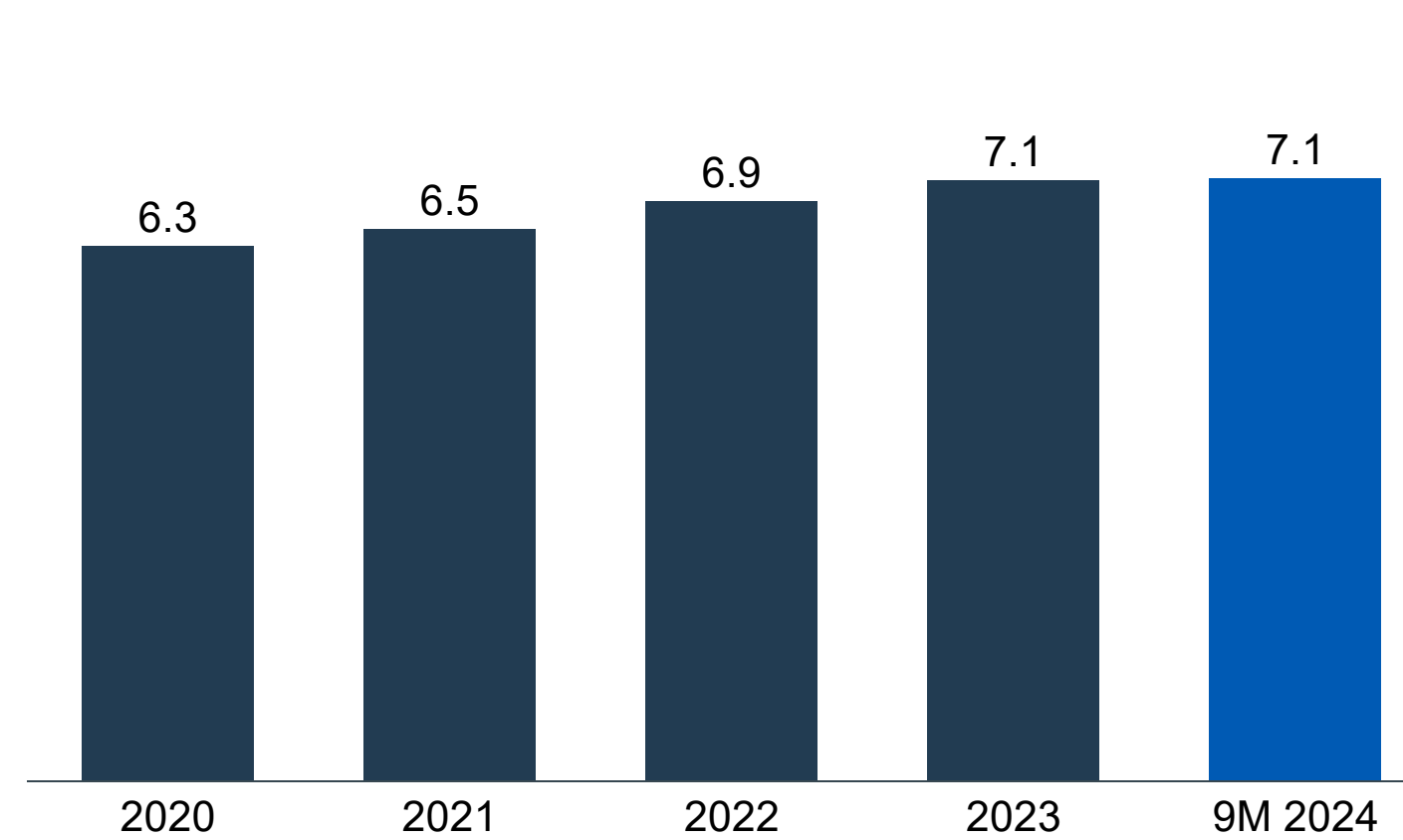
Net interest margin (%)



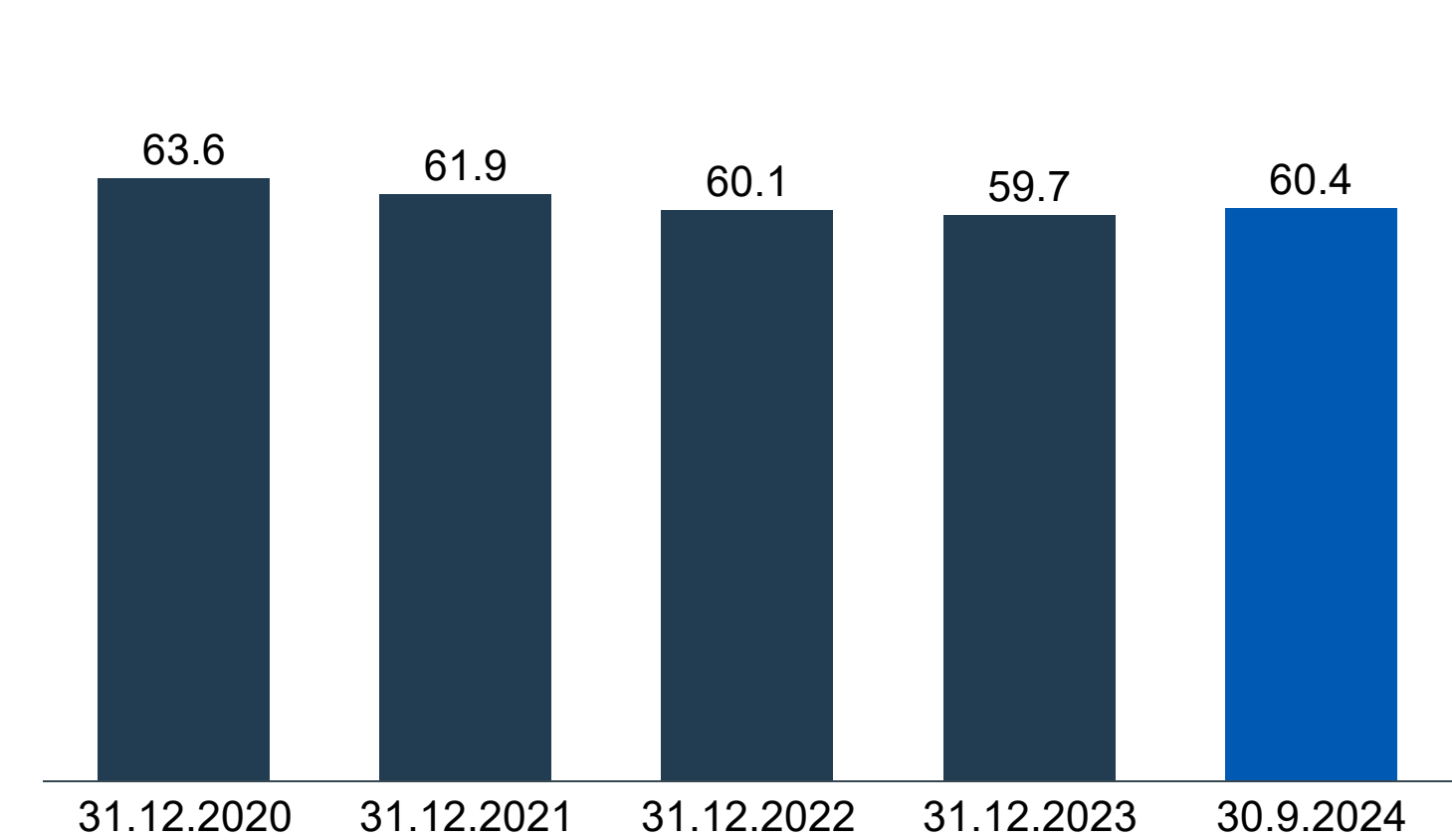
CPI imbalance (ISK bn)



Core operating income / REA (%)



Risk exposure amount / Total assets (%)



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