

Arion Bank

June 2023



Arion Bank's Executive Committee



Benedikt Gíslason – CEO

Benedikt joined FBA (later Íslandsbanki) in 1998, held a variety of managerial positions at Straumur-Burðarás, was managing director of capital markets at FL Group and managing director of the investment banking division of MP banki. Benedikt worked as a senior advisor for 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. Benedikt was elected to the Board of Directors of Arion Bank in September 2018 and served on the board until his appointment as CEO.



Iða Brá Benediktsdóttir – Deputy CEO and Managing Director of Retail Banking

Ida Brá has worked for Arion Bank and its predecessor since 1999 when she joined the research department. She has held various positions within the Bank including head of department within Treasury and Head of Corporate Communications. Ida Brá was Managing Director of Investment Banking from 2016 to 2017. Ida Brá served on the board of numerous companies, including Landfestar and HB Grandi hf. Ida is the vice chairman of the Board of Directors at Vörður Insurance.



Ólafur Hrafn Höskuldsson – Chief Financial Officer

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. He previously worked for CreditInfo in Germany and Straumur Investment Bank. Ólafur Hrafn sits on the boards of directors of Vörður and Landey.



Steinunn Hlíf Sigurðardóttir – Managing Director of Customer Experience

Steinunn Hlíf was managing director of customer service and advice at Vörður and was on the company's executive committee from 2008 until 2021. She worked at Kaupthing/KB Bank from 1999-2005 where her roles included managing director of marketing. Between 2005 and 2008 she was marketing director at Sjóvá and held a management role within sales and marketing at Landsbankinn.



Hákon Hrafn Gröndal – Managing Director of Corporate & Investment Banking

Hákon Hrafn Gröndal joined Arion Bank in 2012, initially 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. Since 2013 Hákon has been a credit manager in Corporate & Investment Banking.



Birna Hlín Káradóttir – General Counsel

From 2016 until joining the Bank, Birna Hlín was a partner and general counsel at Fossar. 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 the Reykjavík University and the University of Iceland. She has served on the boards of directors of several companies in Iceland and abroad and is currently a board member of the Icelandic Bar Association.



Úlfar Freyr Stefánsson – Chief Risk Officer

Úlfar joined the Bank's Risk Management division in 2013 after having worked at Kaupthing since 2010, where his positions included 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.



Björn Björnsson – Managing Director of IT / CIO

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 roles in the Icelandic financial services sector, including Chief Risk Officer at Byr Savings Bank.



Jóhann Möller – Managing Director of Markets

Jóhann Möller has been the managing director of Stefnir since 2020. Jóhann has worked in the financial markets for more than 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.



Organizational chart and subsidiaries



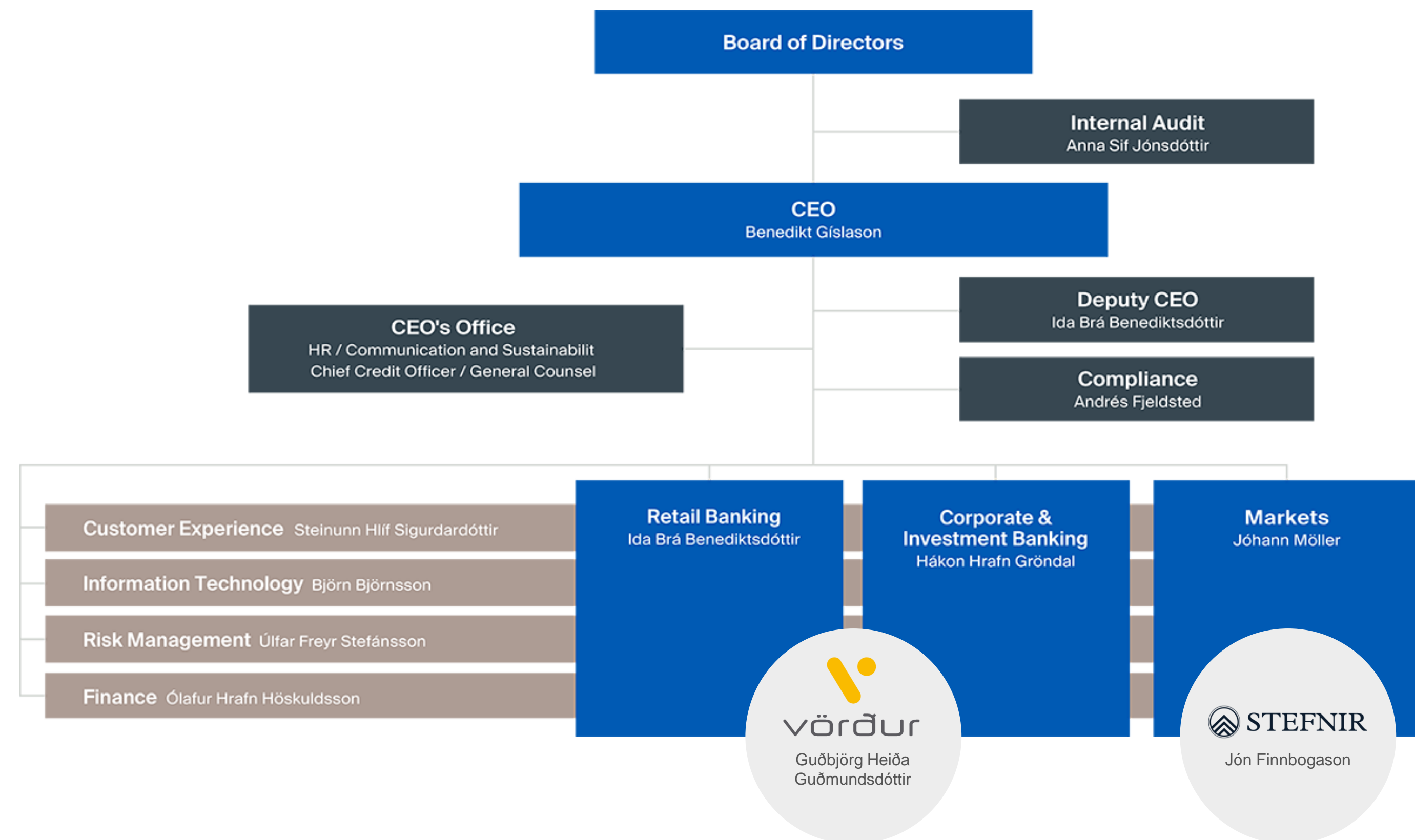
Jón Finnbogason
Managing Director of Stefnir

Jón took over as managing director of Stefnir in the spring of 2022. Jón has worked in the financial market in a range of managerial and specialist positions for 23 years. He was at Stefnir between 2003 and 2008 and again from 2013 to 2017 when he was head of the company's fixed income team and deputy managing director. In 2017 he became chief credit officer of Arion Bank, and in 2019 he became head of corporate banking within the Corporate & Investment Banking division.



Guðbjörg Heiða Guðmundsdóttir
CEO of Vörður Insurance

Guðbjörg Heiða took over as CEO at Vörður Insurance in the spring of 2023. From 2011, until joining Vörður, Guðbjörg worked for Marel, most recently as EVP for Marel fish and location manager for Marel Iceland. Prior to that she was innovation cluster manager for Marel in Iceland and the UK.



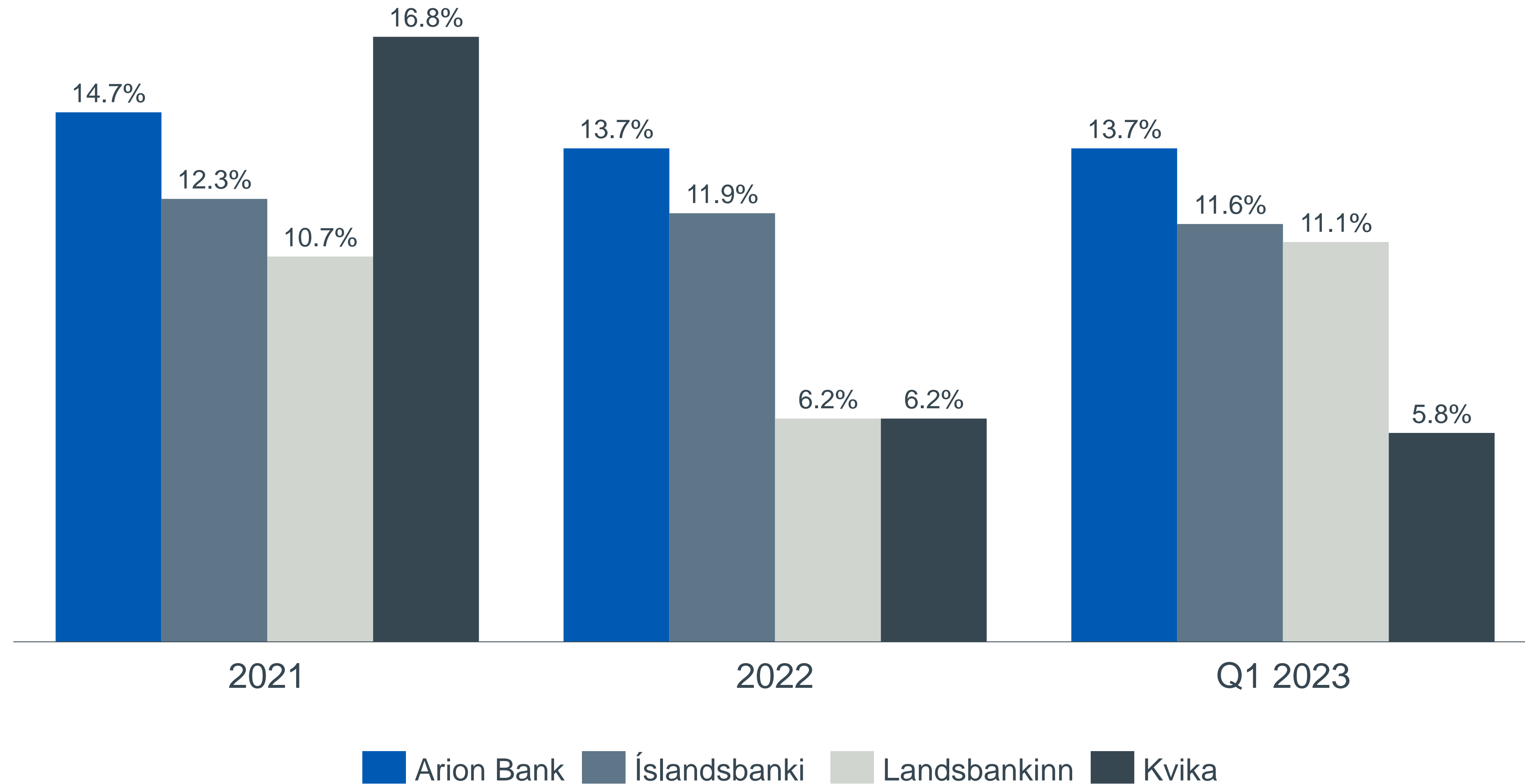
Shareholdings of executive committee

At the end of the first quarter of 2023, members of Arion Bank's executive committee owned shares equal to 0.24% of issued shares in the Bank. In addition, they held warrants and call options on 5,036,762 shares in the Bank (0.34%).

Direct shareholdings of all Bank employees was 0.85% at the end of March 2023.

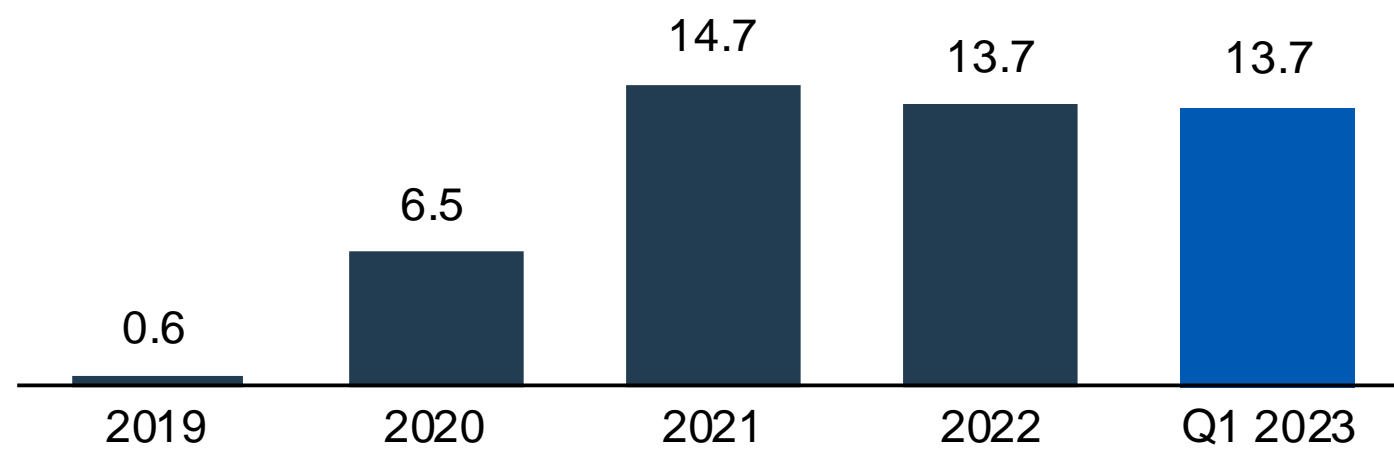


Return on equity of major banks in Iceland

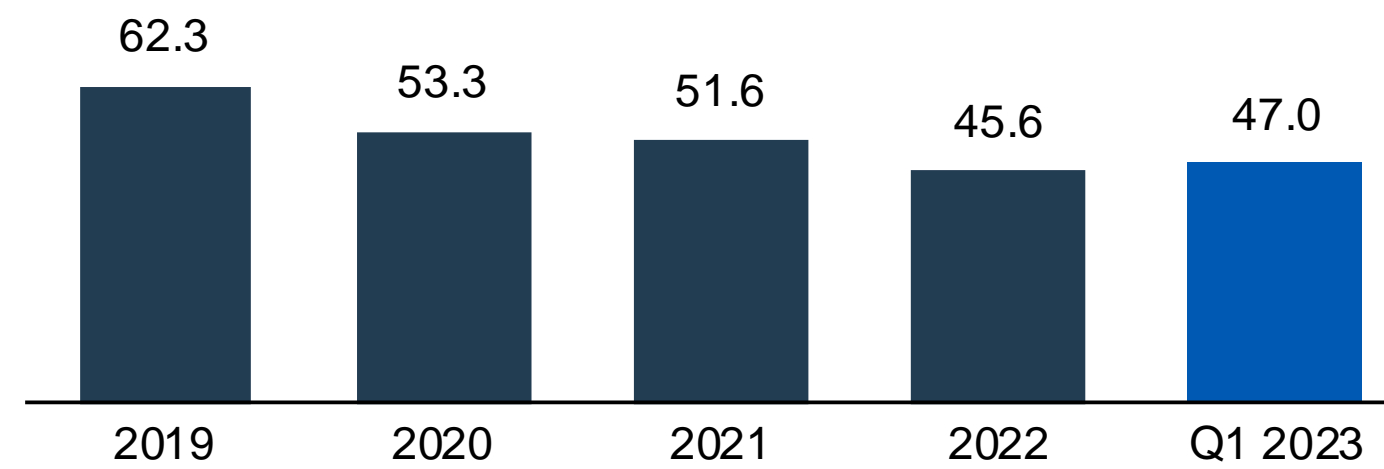


Strong development of key financial indicators

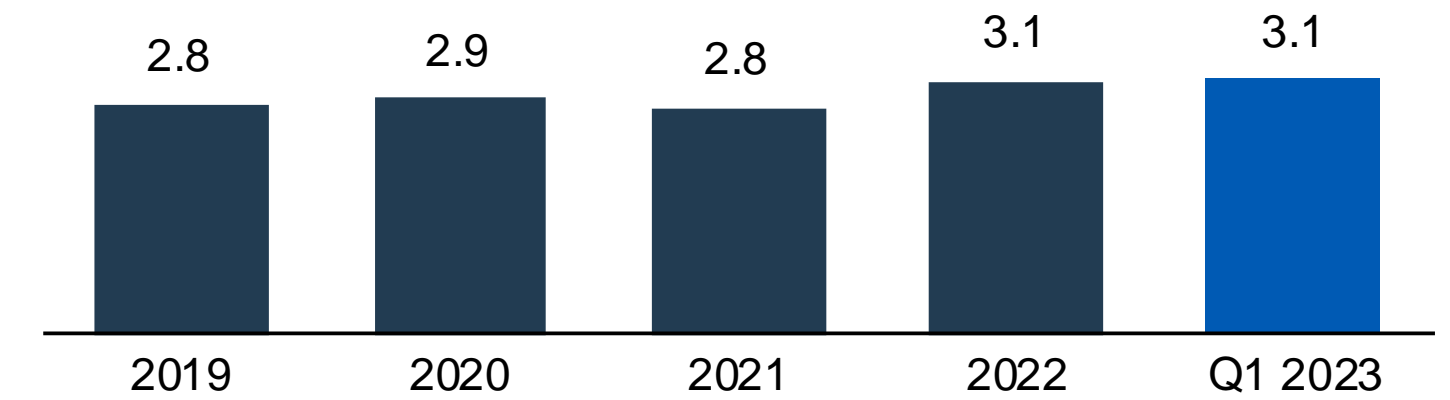
Return on equity (%)



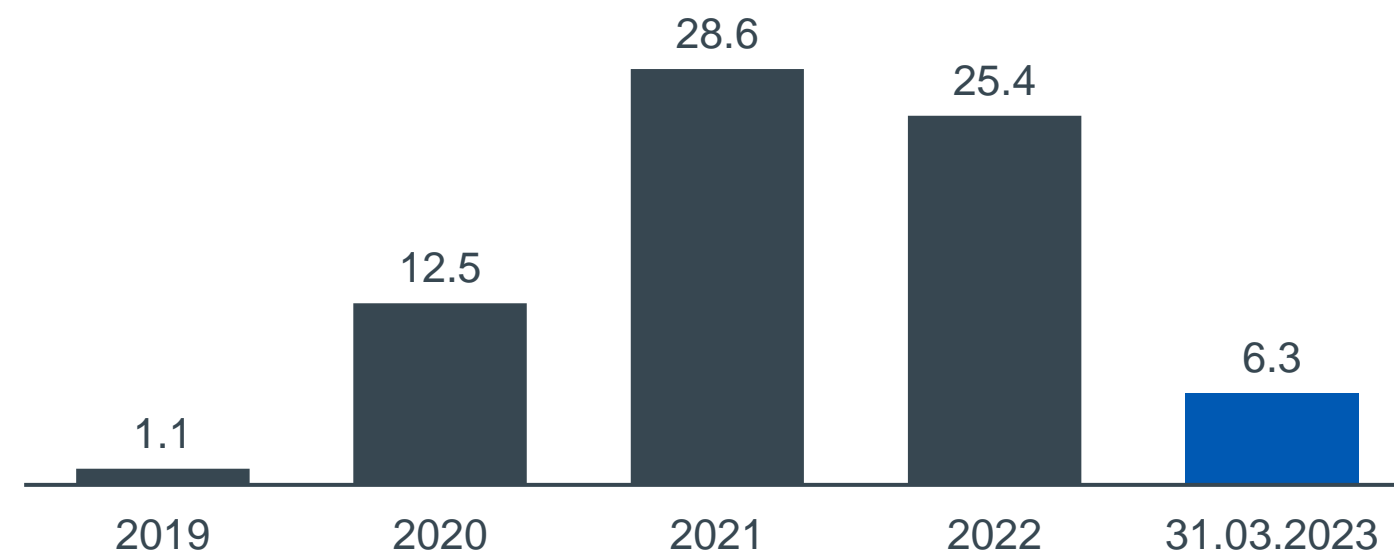
Cost-to-Core income ratio (%)



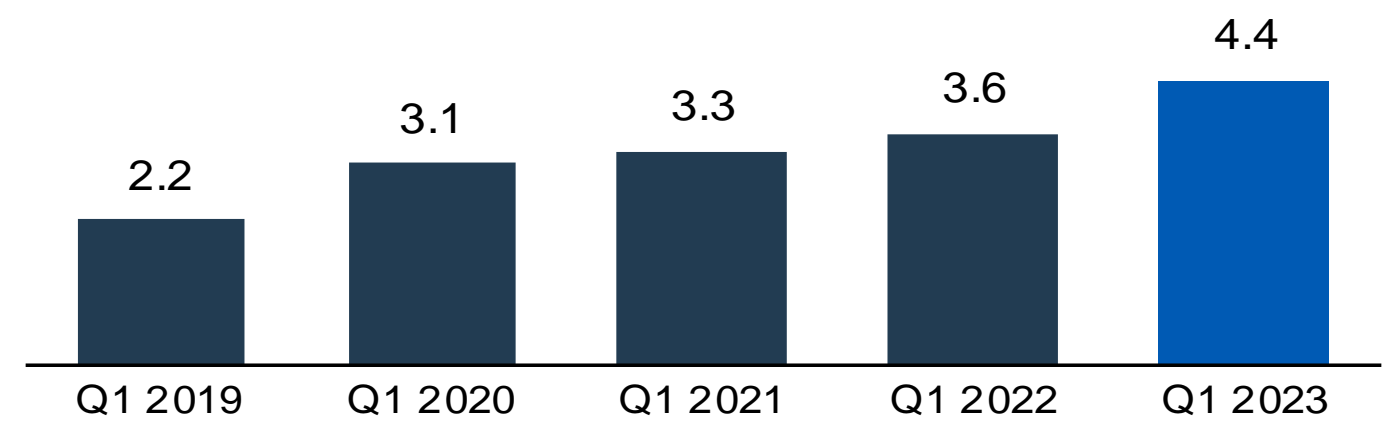
Net interest margin (%)



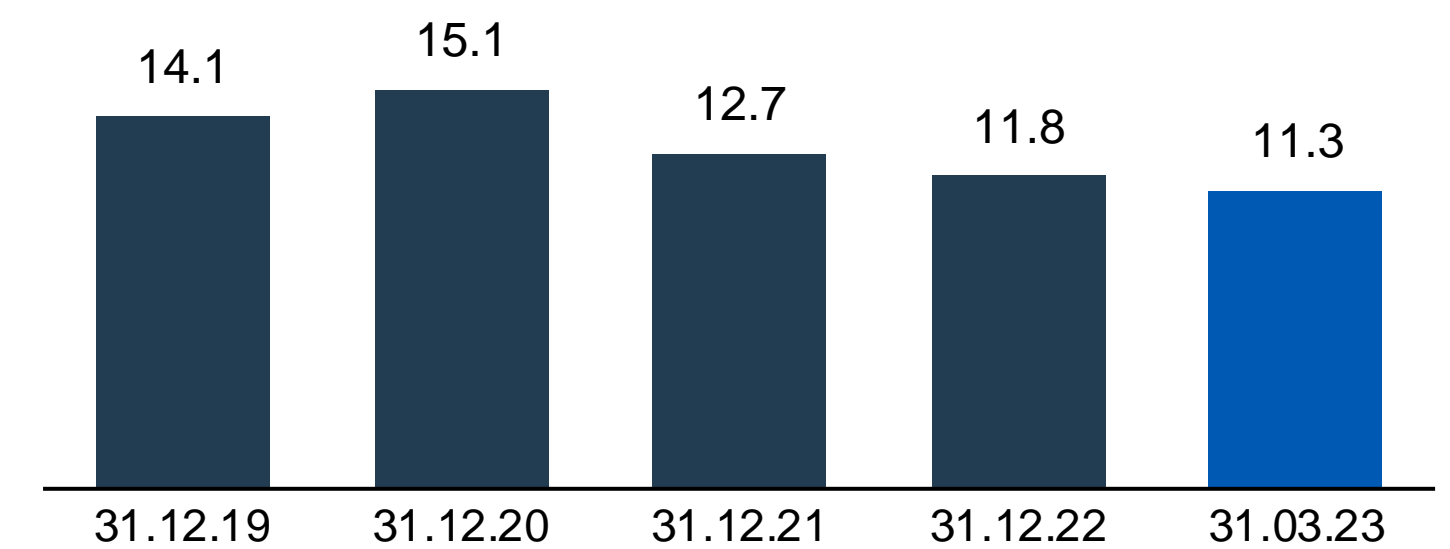
Net earnings



Net fee and commission income (ISK bn)



Leverage ratio (%)



Retail Banking built on strong foundations

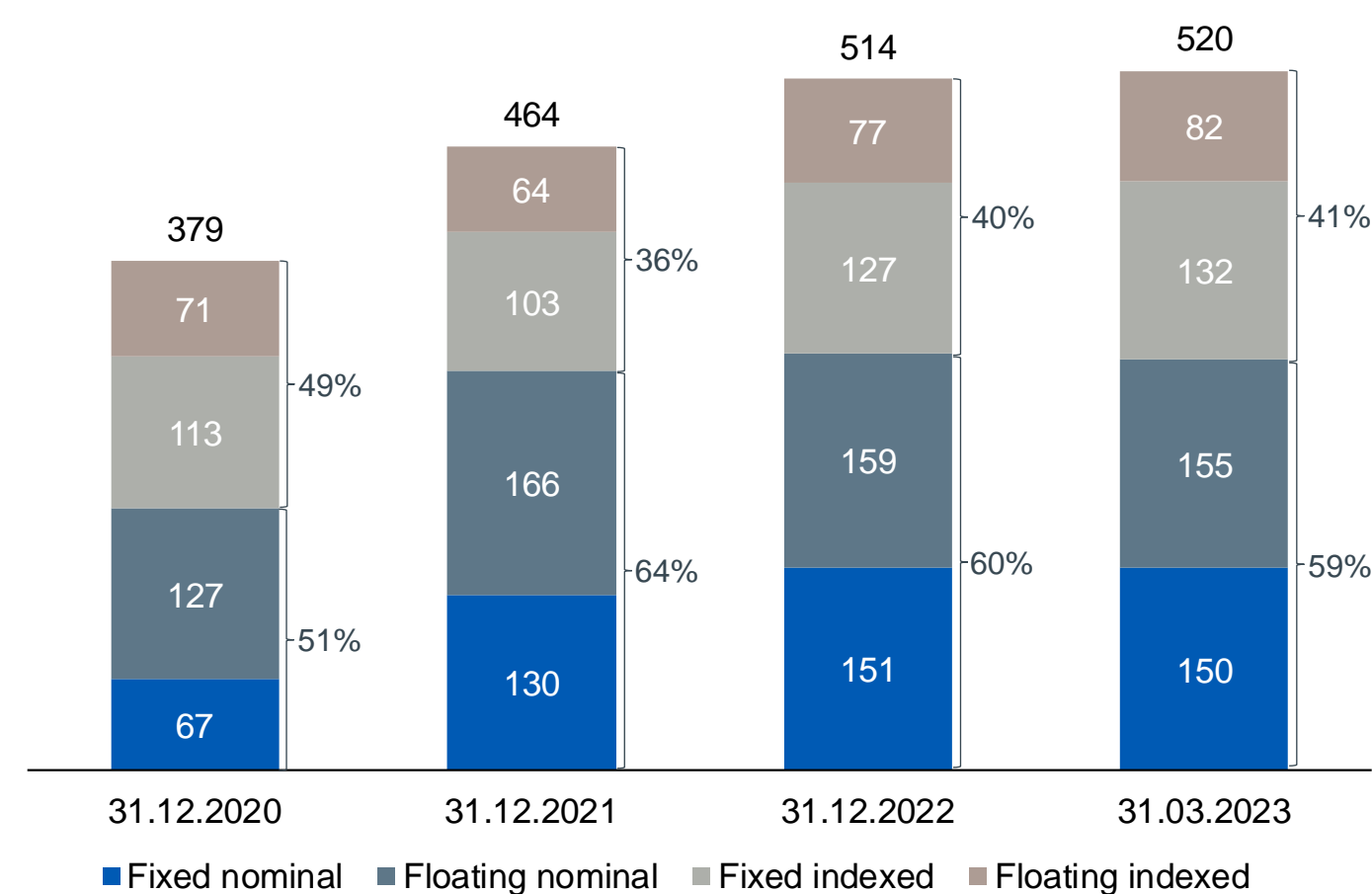
Sophisticated and diverse range of products for retail customers



Low default rate and household debt to disposable income is low by international comparison. Keen focus in near-term on offering ways to support customers experiencing higher repayments due to rate hikes and resetting of fixed rate loans – most in 2024 and 2025

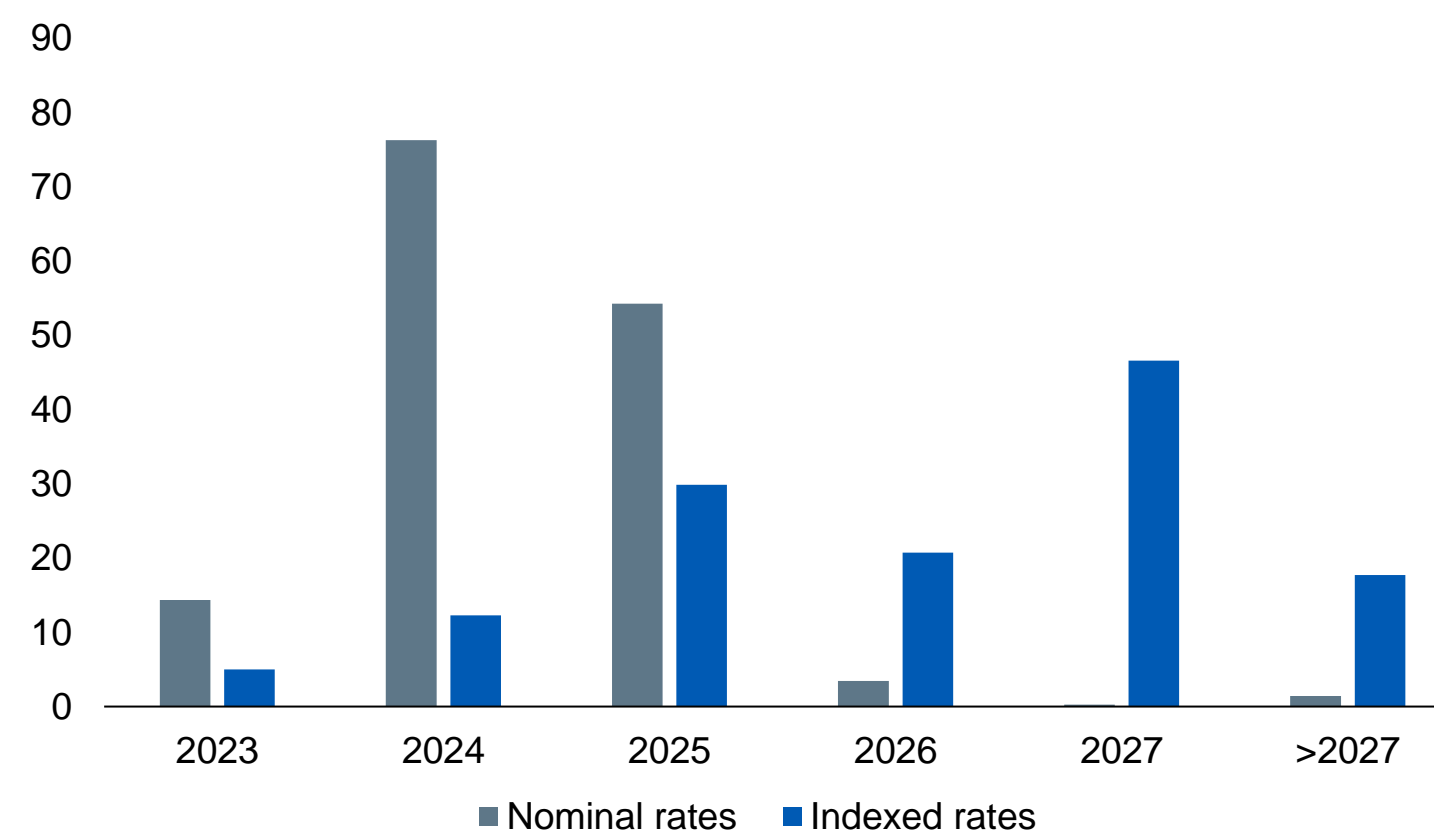
Residential mortgages by interest rate type (ISK bn)

Nominal rate loans are 59% of the mortgage portfolio at end of Q1 2023. Demand for indexed loans is picking up again.



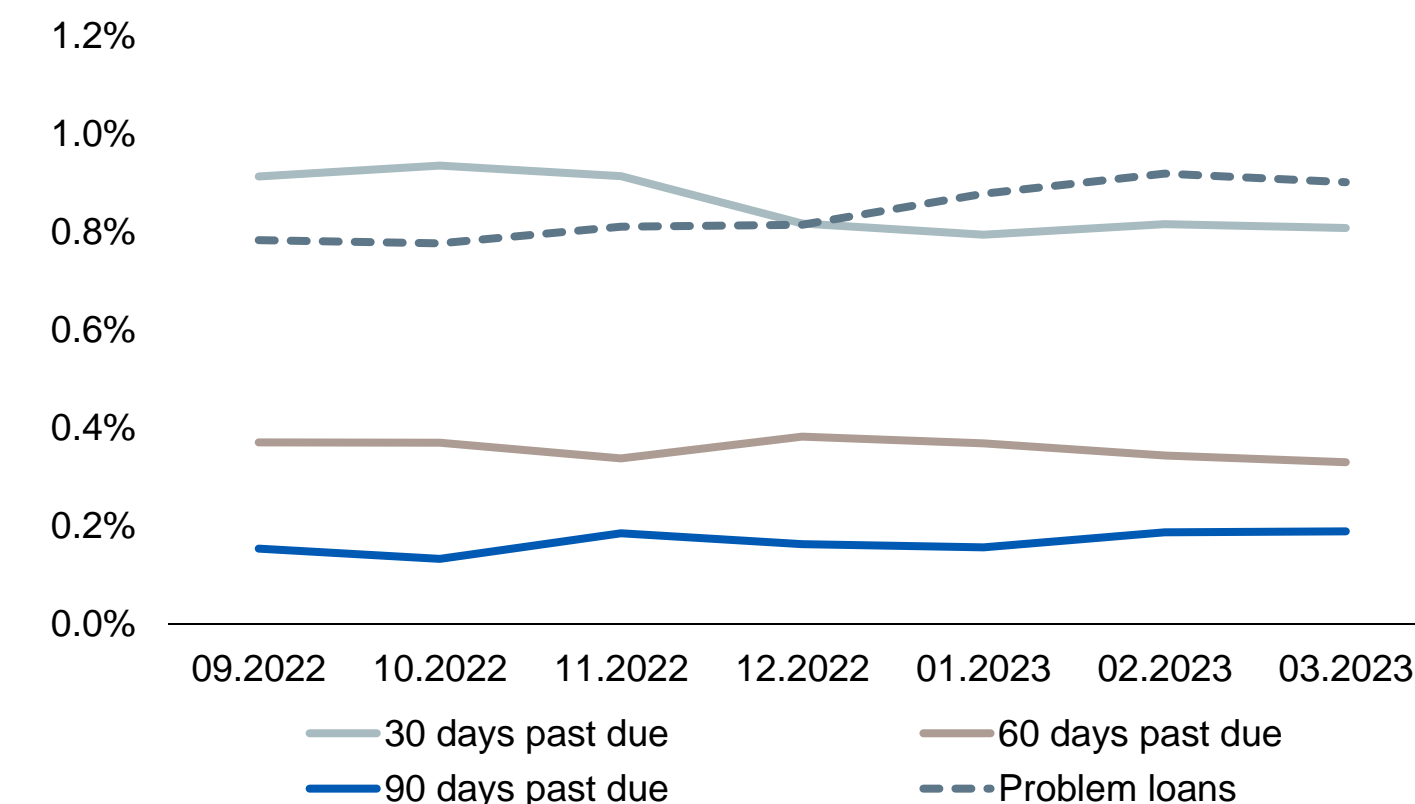
Interest rate reset profile for fixed rate mortgages (ISK bn)

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



Rate of defaults and payments past due

Non-performing loans are 0.9% of the mortgage portfolio, the same level as before Covid-19. Loans past due are relatively stable.

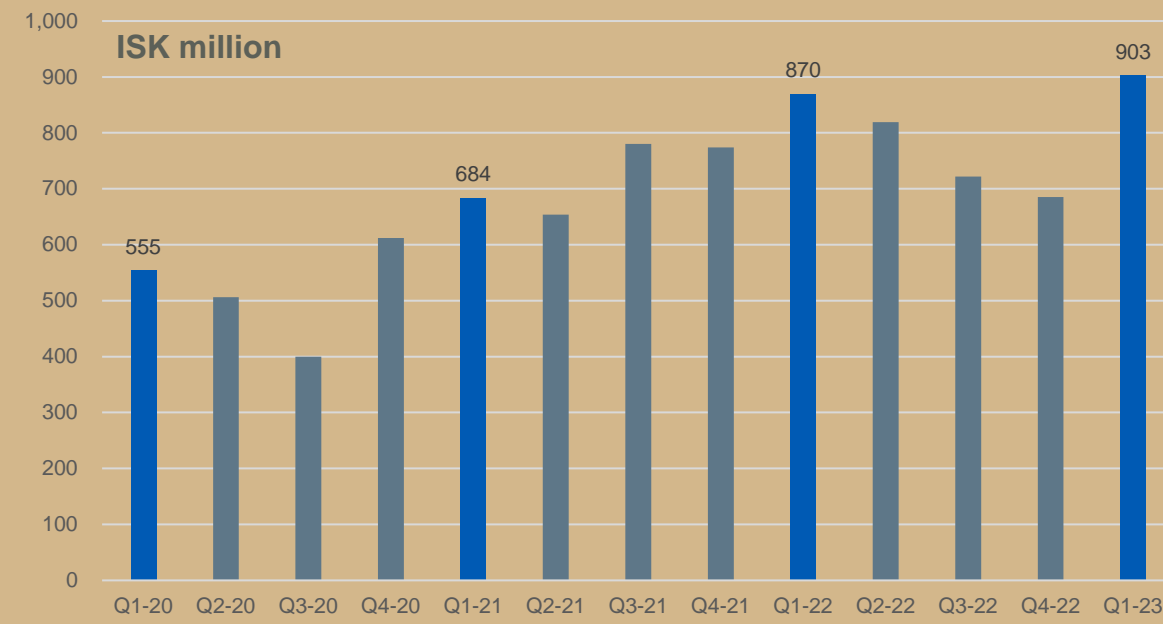


Source: Arion bank Q1 results

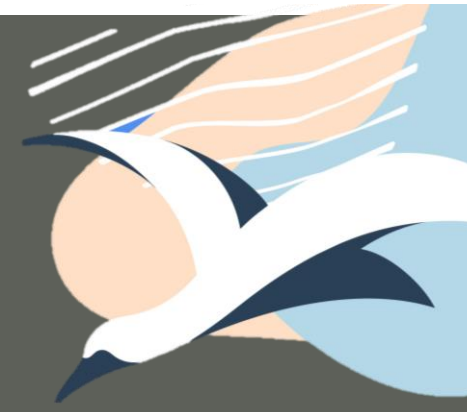


Markets

Record Q in commission income



Strong pension returns in Q1



Premía service continues to be developed



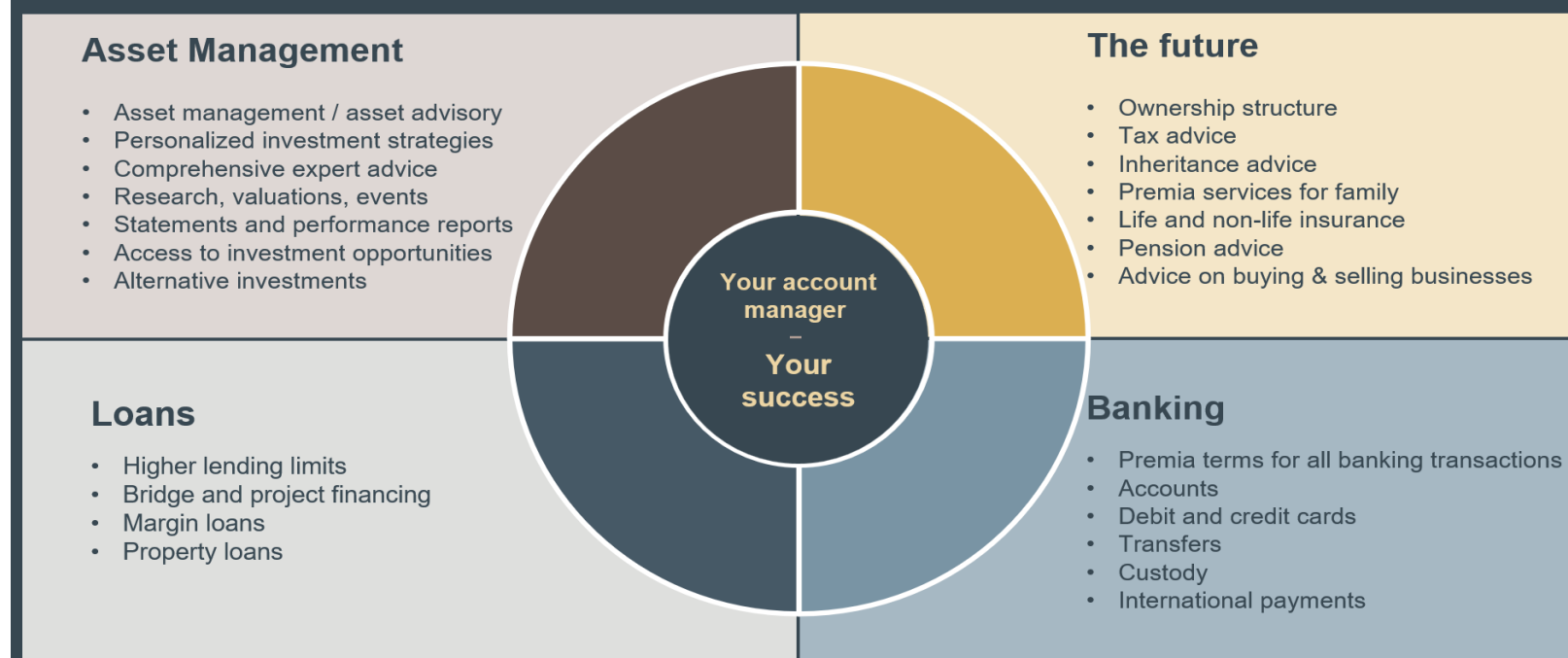
Increase in AuM YTD despite challenging markets

Our success

Boom in sales of pension products

- Sales of new pension schemes – up 10% in Q1 '23 vs. '22.
- Sale of new pension schemes via new channel, Vörður pension advisors (cross sales)
 - Increased by almost 800% between 2022 and 2023.
 - Now represents 12% of total sales

Comprehensive Private Banking



Brokerage market share 2022:

1
Equities

1
Fixed income

Stefnir is the fund manager most often with funds in top 3 in Keldan rankings in 2022 & 2023

Targets

Outstanding comprehensive services for **high value core customers**

AUM growth

**Securities
and deposits**

Premia and Private Banking



- **Increase collaboration and cross sales between divisions and subsidiaries.**
- **Customers will experience comprehensive services where their account manager is in charge of all their business dealings within the Arion Group.**

Banking

**Alternative
investments**



Corporate Banking division is market leader in Iceland

Highly experienced team, performance-driven and solution-oriented culture have made us a leader in corporate business

4.3%
Highest NIM of D-SIBs divisions 14 quarters in row

+25%
Annual growth rate of corporate insurance

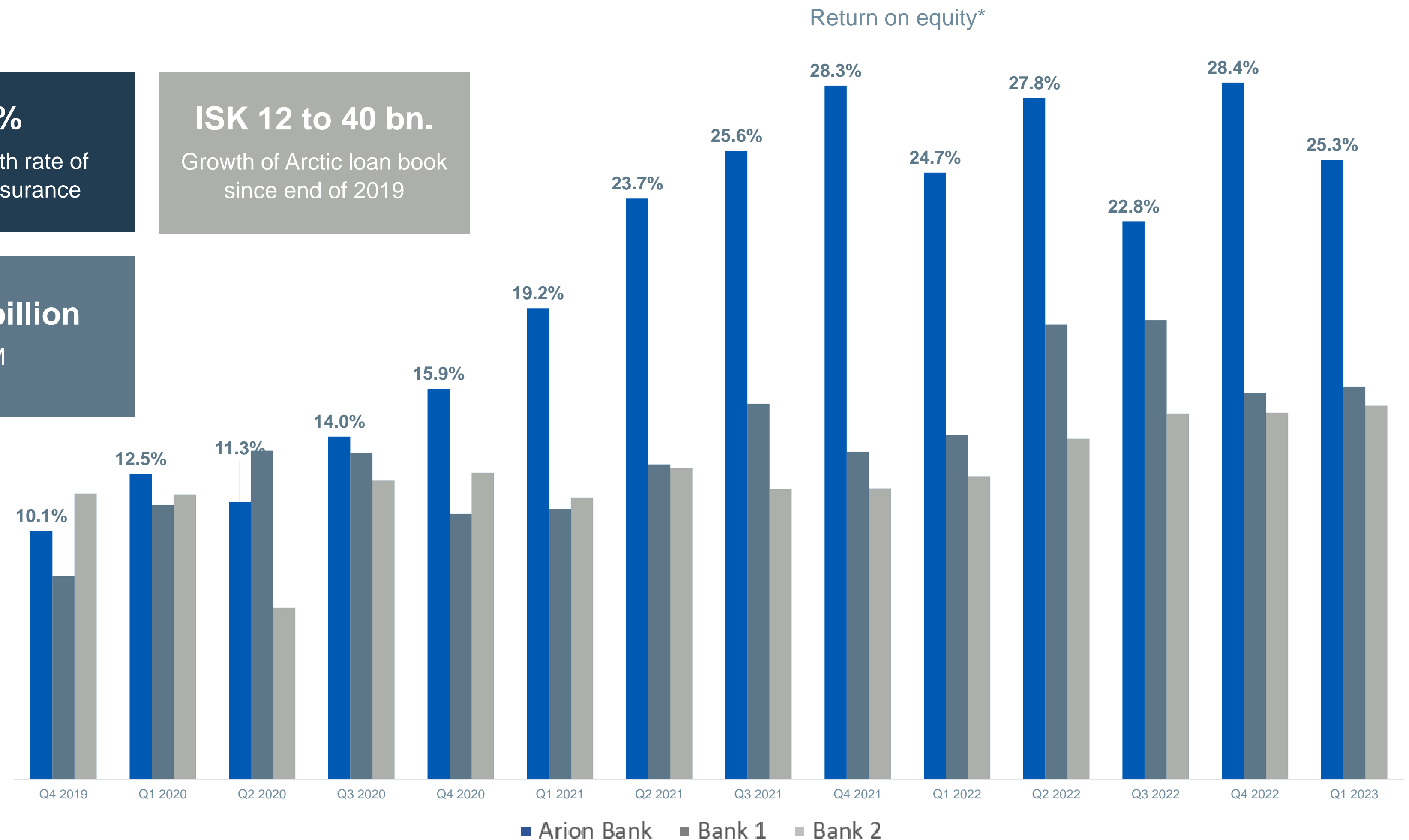
ISK 12 to 40 bn.
Growth of Arctic loan book since end of 2019

ISK 63 billion
loans syndicated since 2019

ISK 34 billion
AUM

9% decisions made by credit committee representing **64%** of total loans

60% of loan extension decisions now automatic



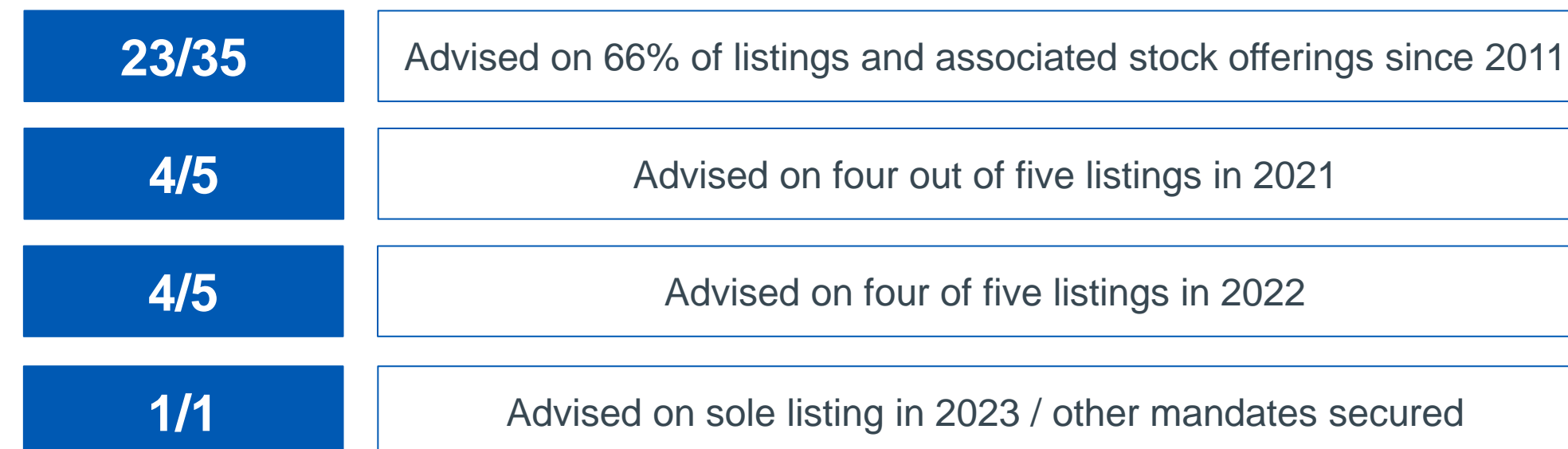
*Excl. Value changes

Sources: Interim financial statements of Arion Bank, Íslandsbanki and Landsbankinn



Extensive experience and expertise across Corporate Finance team

Some of CF's engagements in recent years



Corporate Finance – experienced team of specialists



Hreiðar Már Hermannsson
 Head of Corporate Finance
 Experience in financial markets: 18 years



Helga Lára Hauksdóttir
 Experience in financial markets: 15 years



Þórður Ólafur Þórðarson
 Experience in financial markets: 24 years



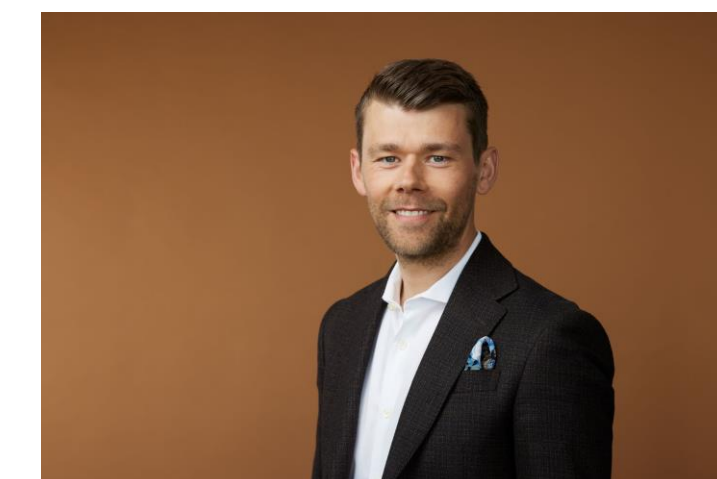
Jóhann Einarsson
 Experience in financial markets: 10 years



Elka Ósk Hrólfsdóttir
 Experience in financial markets: 7 years



Erlendur Magnús Hjartarson
 Experience in financial markets: 10 years



Hjalti Már Hauksson
 Experience in financial markets: 13 years



Þorsteinn Helgi Valsson
 Experience in financial markets: 13 years



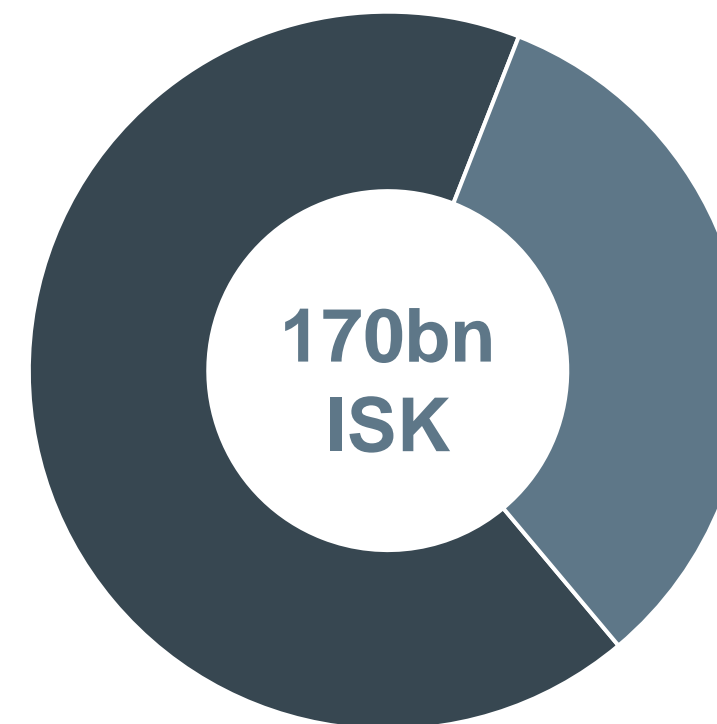
Plus five other specialists



- To date CIB has sold over ISK 60 bn, of which 34bn are under management at present time.
- For many years Arion has been a participant in syndication projects and has acted as Agent and Security Agent on majority of occasions
- The Icelandic Stock Exchange already has numerous connections within the Arctic region. We see many opportunities to expand these links by marketing the exchange as an Arctic Stock Exchange.

Well-equipped to underpin an Arctic Stock Exchange and with extensive experience in syndications, both domestically and internationally

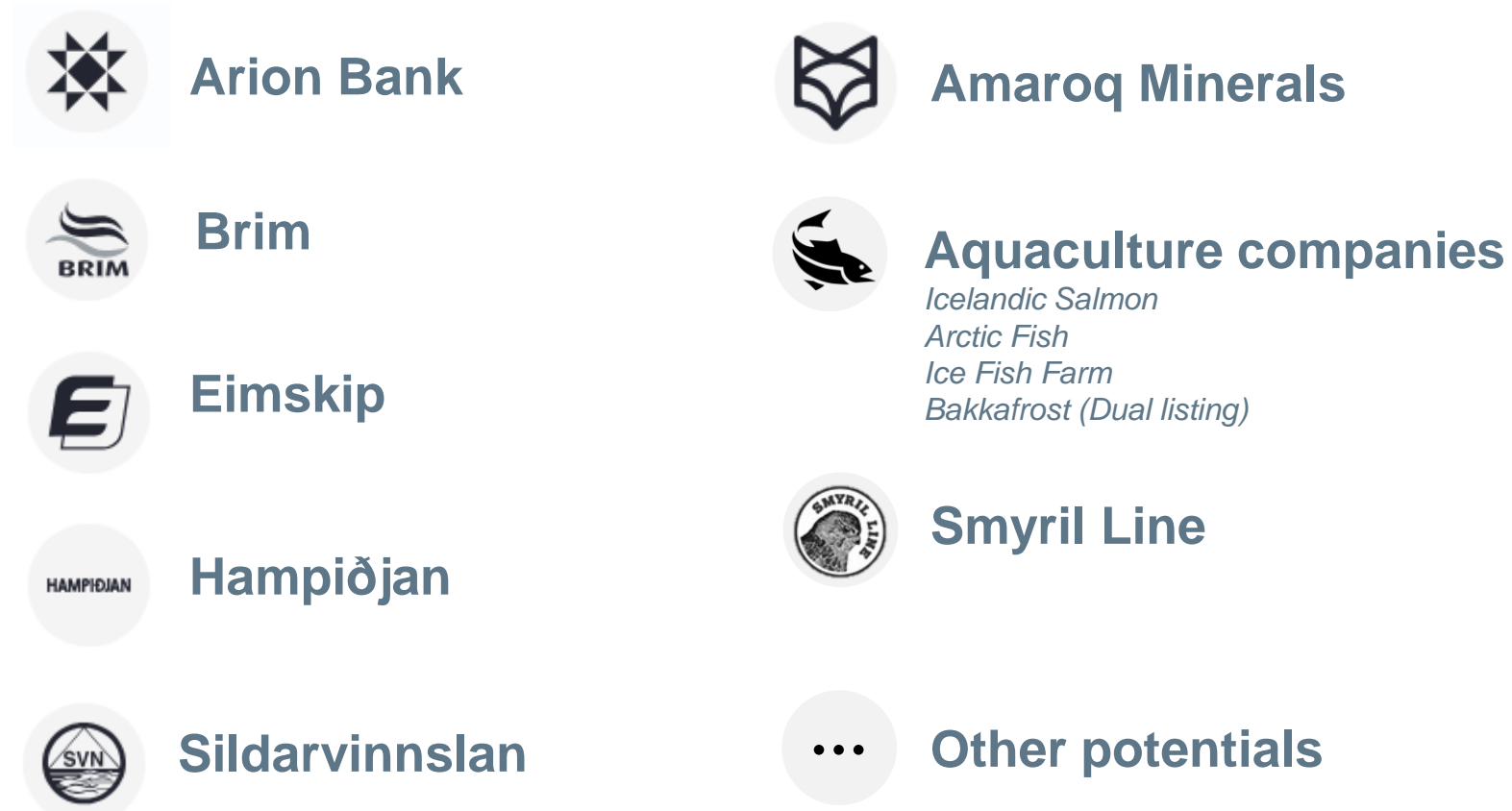
Extensive syndication loan experience within CIB*



-33%
average participation ratio

Agent
and/or
Security Agent
In majority of syndicated facilities

Current and potential listings under the Icelandic Arctic Stock Exchange



Draft of new main land use plan for Blikastaðaland published by Mosfellsbær municipality

- Land covers 98.31 hectares
- Number of residences 3,500-3,700
- Total construction estimated at 430,000 m²
 - Commercial property 40-60,000 m² of total
- Utilization rate estimated 0.45
- Borgarlína mass transit system will run through Blikastaðaland to its terminus in the centre of Mosfellsbær.
- Emphasis will be on developing green community, including blue-green drainage infrastructure

Construction rights fee

- ISK 6 billion payment of construction rights fee, spread over construction period

Timeline

- Area will likely be divided into 4-5 phases. We hope that main land use plan will be completed in 2024 and the secondary plan of the first phase will be ready in late 2024 or early 2025. Construction should then commence in second half of 2025.
- Book value on 31.03.2023 is ISK 5.1 billion

Land use plan



The Arctic region presents growing opportunities

Transatlantic flights

The unique geographical location of Iceland makes the country the perfect connecting hub between Europe and North America.



Eco-tourism is gaining momentum among international travellers:

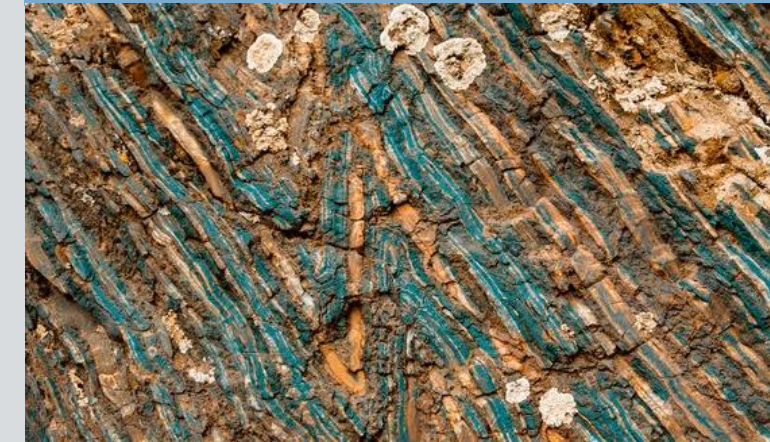
	Iceland	Faroe Islands	Greenland	Norway
# international tourists per capita	x4.5	x3	x2	x1

Pan arctic shipping



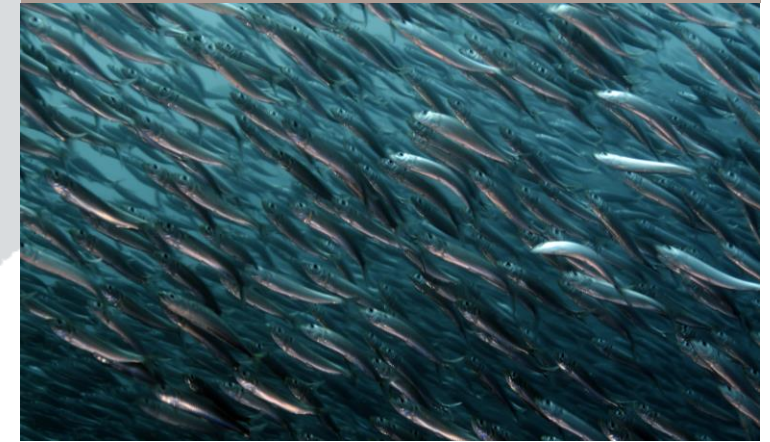
Icelandic shipping companies connect Europe and North America through the Arctic region and services areas that are import/export driven

Rare earth minerals



Greenland has significant share of global rare earth minerals that are vital for the energy transition.

Sustainable fisheries



Icelandic fishing industry is sustainable and one of the most efficient and profitable of its kind in the world

Land-based fish farming



Environmentally friendly production, utilizing Iceland's geothermal and hydro energy could develop into the largest land-based production location in the world.

Biosimilars



Emerging as one of Iceland's key export industries. Biosimilars provide a more cost-effective alternative to health systems.

Sustainable energy



Region contains abundant hydro, geothermal and wind energy. Greenland has one of the largest water sources in the world with huge hydro potential.



Opening of new Arctic shipping lanes

The emergence of new possible trans-Arctic shipping lanes, including the Northern Sea Route (NSR) and the Northwest Passage (NWP), would considerably shorten transit times and could bring new opportunities for the Arctic region in terms of strategic resource extraction, regional shipping, fishing and tourism.

Arion Bank has been focusing on the central and western parts of the Arctic region for some time. This area has a relatively small population but has a significant impact globally



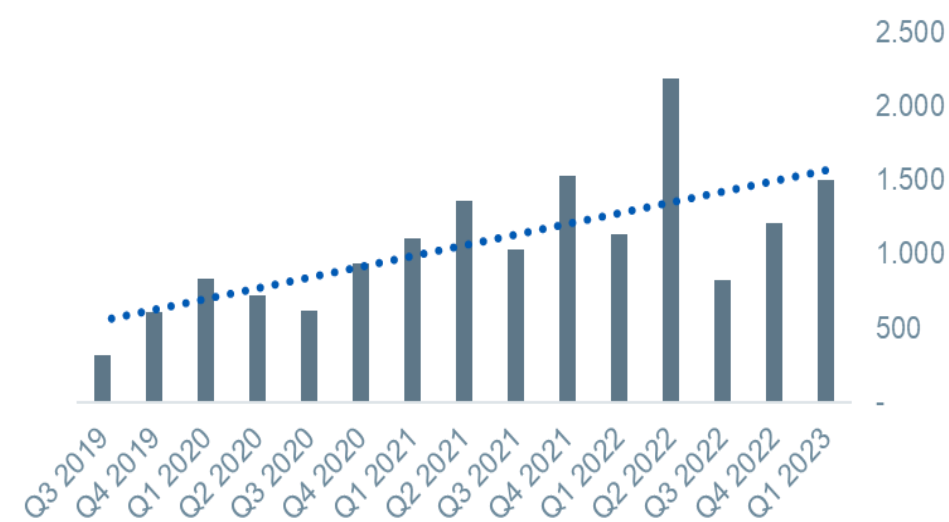
Key takeaways

Core operations have continued to gain momentum

CIB

- ▶ Quarterly net commission income up 2.8x in 3 years on fewer staff
- ▶ Highest NIM of the three D-SIBs for 14 consecutive quarters
- ▶ Managed 8/10 public equity offerings in 2021 and 2022 and mandates secured for this year
- ▶ Syndicated ISK 63bn since 2019 (13% of loan book) plus earned fees on intermediation of credit to foreign credit funds
- ▶ Arctic loan book to ISK 40bn from ISK 12bn at 2019YE

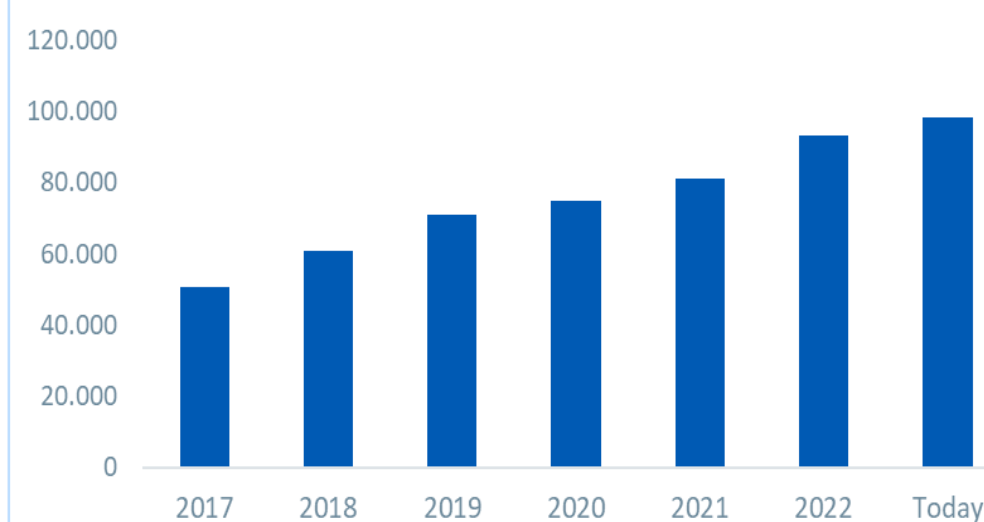
CIB Net fee and commission income (ISK mn)



Retail Banking

- ▶ Active users of the banking app now above 100k
- ▶ Arion app voted the best in the country for seven consecutive years
- ▶ Market share in car loans to individuals increased – loan book has increased by 65% in the last three years. Process now fully automated end-to-end
- ▶ First bank to roll out the new CPI linked deposit accounts
- ▶ Mortgage loan book has been growing in line with the market

Active users in the Arion Bank app (last 90 days)



Markets

- ▶ Strong outperformance of Stefñir funds in 2022 and 2023
- ▶ Market leader in equities and bonds last year
- ▶ Increase in AuM this year
- ▶ New pension fund sales up 10% Y-o-Y
- ▶ Last quarter (Q1 2023) was a record quarter for net fee and commission income

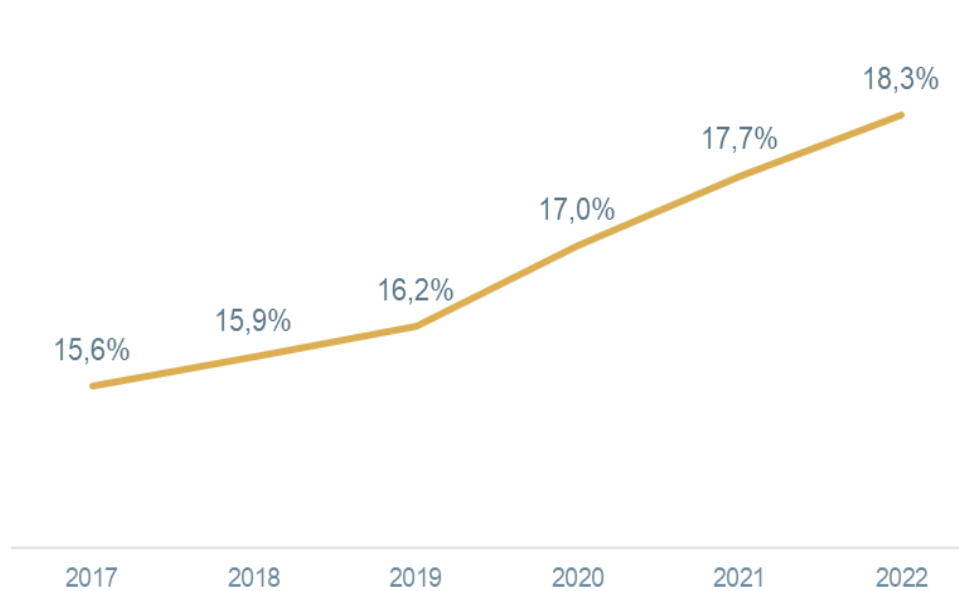
Icelandic fund league table (12M)

	Fixed income	Domestic equity	International equity
1	Stefñir – Savings fund 12M: 5,74%	Stefñir – Dividend fund 12M: -3,45%	Stefñir - Katla Fund - Global Equity 12M: 21,72%
2	Stefñir – Liquidity fund 12M: 5,72%	ÍV Íslensk hlutabréf Aðallisti hs. 12M: -5,57%	ÍV International equity 12M: 15,52%
3	Kvika – Liquidity fund 12M: 5,56%	Landsbréf – Öndvegisbréf 12M: -9,10%	Landsbréf – Global Equity Fund 12M: 13,10%
4	Landsbréf – Veltubréf 12M: 5,53%	Landsbréf – Úrvalsbréf 12M: -9,38%	Stefñir - Scandinavian Fund ESG - 12M: 12,88%

Insurance

- ▶ 25% Y-o-Y growth in insurance sales to corporates
- ▶ Arion's sales channels delivering strong sales growth this year with RB selling 2x what it sold in insurance products same time last year
- ▶ Market share in Q1 at 18.6%, now only 2 percentage points behind TM

Vörður market share



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