



Fourth quarter 2024 results

Press release 12 February 2025

Arion Bank – Q4 2024 and the full-year 2024 results

Financial highlights for the fourth quarter 2024

- Arion Bank reports net earnings of ISK 8.3bn in Q4 2024, compared with ISK 6.2bn in Q4 2023
- Return on equity was 16.3%, compared with 12.7% in Q4 2023
- Earnings per share in ISK of 6.01, compared with 4.19 in Q4 2023
- Net interest margin of 2.9%, compared with 3.1% in Q4 2023
- Net commission income was ISK 4.1bn, compared with ISK 3.9bn in Q4 2023, making it the best quarter in net commission income for over a year
- Solid performance of Vördur, contributing standalone net results of ISK 1.7bn
- Core income, defined as net interest income, net commission income and insurance service results (excluding opex of the insurance operation), increased by 5.8%, compared with Q4 2023
- Operating expenses increased by 9.8%, compared with Q4 2023
- Effective tax rate was 14.7%
- Cost-to-core income ratio was 57.5%, compared with 54.9% in Q4 2023
- Cost-to-income ratio was 48.0%, the same as in Q4 2023
- The balance sheet increased by 0.8% during the quarter
- Loans to customers increased by 0.8% during the quarter

Financial highlights for the year 2024

- Arion Bank reports net earnings of ISK 26.1bn in 2024, compared with ISK 25.7bn in 2023
- Return on equity was 13.2%, compared with 13.6% in 2023
- Earnings per share in ISK of 18.31, compared with 17.80 in 2023
- Net interest margin of 3.1%, the same as for 2023
- Net commission income of ISK 15.4bn for the year, a 6.3% decrease from the previous year
- Vördur's stand-alone net earnings of ISK 3.7bn which is the best ever full-year results for the insurance business
- Core income, defined as net interest income, net commission income and insurance service results (excluding opex of the insurance operation), increased by 4.6% compared with 2023
- Operating expenses increased by 10.2%, compared with 2023
- Effective tax rate was 25.4%, compared with 27.2% in 2023
- Cost-to-core income ratio was 47.2%, compared with 44.7% in 2023
- Cost-to-income ratio was 42.6%, compared with 40.0% in 2023
- The balance sheet increased by 6.1% from year-end 2023
- Share buybacks and dividend payments totalled ISK 25.5bn in 2024. Arion Bank issued new share capital for the total amount of ISK 6.2bn in order to cover the exercising of issued warrants
- The Bank's capital ratio was 22.6% and the CET1 ratio was 18.2% at the end of December. The ratios take into account the deduction of 61% of net earnings as foreseeable dividend and an ISK 3bn buyback program approved by the Board of Directors and the FSA
- The Board proposes a dividend payment of ISK 11.5 per share, equivalent to around ISK 16bn, net of own shares



Benedikt Gíslason, CEO of Arion Bank

“The financial results for 2024 were consistent with our targets and delivered a return on equity of 13.2%. Core income matched expectations and the fact that the stock markets and bond markets rallied in the second half of the year had a positive impact on financial income. 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 board of directors of Arion Bank will propose at the AGM on 12 March that a dividend be paid amounting to ISK 11.5 a share.

It was an eventful year in many respects for Arion Group, which is formed by Arion Bank, the insurance company Vörður and the fund management company Stefnir. Vörður opened four new branches in shared offices with Arion Bank, two in the capital city area, one in Stykkishólmur and another in Egilsstaðir. These complement the two existing branches shared by Vörður and Arion in Selfoss and Akureyri. We want customers who use a wide range of services from Arion to feel the full benefit of doing business with a one-stop shop. This is why we have launched Arion Refund, which enables Arion Bank customers who are insured by Vörður to get a 5% refund on their insurance premiums if they are claims free for 12 months. We also revamped our Premía service which is a tailored and personal service for our high-volume customers. We will also shortly be launching a new rewards scheme for customers of all three companies.

During the year, Arion Bank negotiated a credit facility with the European Investment Fund (EIF). The agreement enables us to lend ISK 15bn 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.

The diversity of our services is one of Arion’s key strengths. Not only do we have the most varied financial service offering in the country, but these services are almost entirely available in the Arion app, which was voted the best banking app by customers for the eighth year in row. The year saw the release of innovative digital solutions designed for families and companies. It is now possible for users 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.

During the year we reached a milestone when assets under management at the Group, i.e. Arion Bank’s Capital Markets division and Stefnir, crossed the ISK 1,600bn mark, exceeding the Group’s balance sheet for the first time. Stefnir also led the acquisition by pension funds of Ívera, through the fund SRE III, which owns 1,900 properties rented to the public on long-term leases. The investment marked a new beginning for Icelandic pension funds on the real estate market.

However, one of our proudest achievements at Arion during the year was the launching of the Women Invest campaign last January. More than 4,000 women attended 45 events we arranged on finance and business throughout the country. This vital campaign has been a big hit and is designed to get more women involved in the financial markets. Women have been at a disadvantage in this area but things are starting to move in the right direction, and assets in portfolios owned by women have grown at the three times the rate of those owned by men. Fund subscriptions by women also increased at double the rate of men. It’s a long-term initiative to which we are fully committed.”



Income Statement

<i>In ISK millions</i>	Q4 2024	Q4 2023	Δ	Δ %	2024	2023	Δ	Δ %
Net interest income	11,246	11,347	(101)	(1%)	46,302	44,685	1,617	4%
Net commission income	4,136	3,903	233	6%	15,360	16,389	(1,029)	(6%)
Insurance service results	327	(284)	611	-	2,166	152	2,014	-
Net financial income	2,193	1,370	823	60%	2,845	1,366	1,479	108%
Other operating income	4	(24)	28	-	(222)	1,589	(1,811)	-
Operating income	17,906	16,312	1,594	10%	66,451	64,181	2,270	4%
Operating expenses	(8,601)	(7,830)	(771)	10%	(28,328)	(25,701)	(2,627)	10%
Bank levy	(488)	(422)	(66)	16%	(1,924)	(1,796)	(128)	7%
Net impairment	913	13	900	-	(1,131)	(1,348)	217	(16%)
Net earnings before income tax	9,730	8,073	1,657	21%	35,068	35,336	(268)	(1%)
Income tax expense	(1,430)	(1,808)	378	(21%)	(8,919)	(9,595)	676	(7%)
Net earnings from cont. operations	8,300	6,265	2,035	32%	26,149	25,741	408	2%
Discontinued operations, net of tax	(11)	(41)	30	-	(37)	(4)	(33)	-
Net earnings	8,289	6,224	2,065	33%	26,112	25,737	375	1%

KFI's

Return on equity (ROE)	16.3%	12.7%		13.2%	13.6%
Return on total assets (ROA)	2.1%	1.6%		1.7%	1.7%
Earnings per share (in ISK)	6.01	4.19		18.31	17.80
Cost to core income ratio	57.5%	54.9%		47.2%	44.7%
Net interest margin (NIM)	2.9%	3.1%		3.1%	3.1%
Core income / REA	6.8%	7.0%		7.1%	7.1%

Net interest income decreased slightly in the fourth quarter, compared with the fourth quarter of 2023. The net interest margin (NIM) as a percentage of average interest-bearing assets was 2.9% for the quarter, compared with 3.1% for the fourth quarter of 2023. The ISK 101m decrease in net interest income is mainly a result of the effect of inflation on increased net CPI balance. The CPI balance grew by ISK 90bn between years and was ISK 181.4bn at the end of 2024. The Central Bank base rate was 8.5% at the end of December 2024 after decreasing by 75bps in the quarter, but the base rate had been unchanged for 14 months at 9.25%, or since August 2023. Average interest-bearing assets increased by 5.4%, compared with the fourth quarter of 2023, mainly loans to customers, whereas interest-bearing liabilities increased by 5.0%, mainly deposits. The Bank expects NIM to be around 3% in the coming quarters with fluctuations in line with the trajectory of policy rates and inflation.

Net commission income was ISK 4.1bn, compared with ISK 3.9bn in the fourth quarter of the previous year. It was the best quarter in terms of fees for over a year. The quarter was strong in capital markets and corporate finance and lending and guarantees fees continue to be robust despite slower growth in lending. Asset management fees were stable with AuM increasing to ISK 1,633bn at year-end. The comparison in commission income between years is impacted by the closure of the Keflavík International Airport branch and reclassification of card insurance fees to insurance service results, a total of ISK 227m in the fourth quarter 2023.

Insurance service results of the insurance company Vördur were ISK 327m during the quarter, after the elimination of intercompany transactions. There has been strong growth of 10.6% in insurance revenues compared with 2023, and 5.1% compared with the fourth quarter in 2023. The claims and reinsurance ratio was 71.3% in the quarter, which is favorable compared with the fourth quarter in 2023. The combined ratio for the fourth quarter was 93.3%, compared with 105.2% for the same period in 2023.

Net financial income was ISK 2,193m for the quarter, which was good for the core investment business: insurance and market making. The investment portfolio of Vördur performed strongly, yielding a profit of ISK 1,697m.

Operating expenses increased by 9.8% in the fourth quarter, compared with the same quarter in 2023. When operating expenses of the insurance operation are included (post IFRS 17 cost related to the insurance business is accounted for through insurance service results) the increase was 10.9%. Cost-to-core income ratio was 57.5%, compared with 54.9% in the fourth quarter 2023, when including the operating expenses of the insurance operation. Salary expenses increased by 16.2% compared with the fourth quarter of 2023. Around half of the increase is due to the higher cost of the variable incentive scheme. The remainder of the increase is due to the increase in FTEs and general wage increases. At the end of December, the number of FTEs was 858, an increase of 4.4% from year-end 2023.

Net impairment was positive by ISK 913m in the fourth quarter of 2024 due to the periodic revision of previous provisions and discounts on single-name loans and loan portfolios. Impairments for the whole year are calculated at 9 bps.

Income tax, as reported in the financial statements, comprises 21% income tax on earnings and a special 6% financial tax on the earnings of financial undertakings of more than ISK 1bn. The effective income tax rate was favorable at 14.7% in the fourth quarter 2024. In general, the combination of income is the main driver behind the fluctuation in the effective tax rate.



Balance sheet

The balance sheet increased by 6.1% from year-end 2023 and the liquidity position remains strong.

Assets

<i>In ISK millions</i>	31.12.2024	31.12.2023	Δ	Δ %	30.09.2024	Δ	Δ %
Cash & balances w ith CB	124,094	102,095	21,999	22%	96,323	27,771	29%
Loans to credit institutions	25,690	28,835	(3,145)	(11%)	32,772	(7,082)	(22%)
Loans to customers	1,230,058	1,152,789	77,269	7%	1,220,424	9,634	1%
Financial instruments	206,417	205,706	711	0%	214,307	(7,890)	(4%)
Investment property	9,387	9,493	(106)	(1%)	9,327	60	1%
Intangible assets	7,688	8,051	(363)	(5%)	7,833	(145)	(2%)
Other assets	14,933	18,703	(3,770)	(20%)	24,731	(9,798)	(40%)
Total assets	1,618,267	1,525,672	92,595	6%	1,605,717	12,550	1%

KFI's

REA / Total assets	61.0%	59.7%		60.4%
Share of stage 3 loans, gross	2.3%	1.7%		2.4%

Loans to customers increased by 6.7% or ISK 77bn from the end of 2023, with loans to corporates increasing by 8.6%, and loans to individuals growing by 5.0%. Part of this growth, or approximately ISK 20bn, is due to inflation and changes in exchange rates. The growth rate has decreased in recent quarters, with the economy slowing down following the changes in the interest rate environment. The diversification of the corporate loan book continues to be good and in line with the Bank's credit strategy.

The Bank's liquidity position is strong with the total LCR ratio at 181% and the ISK LCR ratio at 147%. This is reflected in the strong position in *Cash and balances with Central Bank*, *Loans to credit institutions* and *Financial assets*, including bonds and debt instruments. The average duration of liquidity in the bond portfolio is less than one year and there is no HTM accounting.

Liabilities and equity

<i>In ISK millions</i>	31.12.2024	31.12.2023	Δ	Δ %	30.09.2024	Δ	Δ %
Due to credit institutions & CB	6,618	2,771	3,847	139%	6,715	(97)	(1%)
Deposits from customers	857,443	792,710	64,733	8%	848,434	9,009	1%
Other liabilities	69,404	69,152	252	0%	76,599	(7,195)	(9%)
Borrowings	433,178	420,460	12,718	3%	431,105	2,073	0%
Subordinated liabilities	44,538	41,278	3,260	8%	44,184	354	1%
Total liabilities	1,411,181	1,326,371	84,810	6.4%	1,407,037	4,144	0%
Shareholders equity	206,582	198,798	7,784	4%	198,175	8,407	4%
Non-controlling interest	504	503	1	0%	505	(1)	(0%)
Total equity	207,086	199,301	7,785	4%	198,680	8,406	4%
Total liabilities and equity	1,618,267	1,525,672	92,595	6%	1,605,717	12,550	1%

KFI's

Loans to Deposits ratio	143.5%	145.4%		143.8%
CET 1 ratio	18.2%	19.7%		18.8%
Capital adequacy ratio	22.6%	24.1%		23.2%

Deposits from customers remain the most important source of funding for Arion Bank, with 61% of total liabilities in deposits. The increase from year-end 2023 has primarily been in stable LCR categories and term deposits, reflecting the strategic focus.

The maturity profile of *Borrowings* is balanced, and the Bank has broad funding options. The Bank has issued ISK 41.7bn in covered bonds in the Icelandic market during 2024 and prepaid ISK 11.3bn from issue on the due date in Q2 2025. The Bank has also been active in the international markets with one EUR 300m benchmark issue and a smaller issue in Scandinavia. The Bank will continue to regularly issue in the domestic market and access the international markets periodically.

The Bank has worked on optimizing *subordinated liabilities* during the year. In September the Bank successfully issued a new USD-denominated Additional Tier 1 transaction for a total of \$125 million. The bond issue was oversubscribed with total demand of around \$250 million. Participation was diverse with orders received from over 35 unique investors across the UK, Europe, Asia and Iceland. The issuance strengthens the Bank's own funds and the maintenance of an optimal capital structure in line with the Bank's medium-term targets. The bonds have a fixed coupon of 8.125%. The notes will have a standalone and consolidated 5.125% CET1 trigger with equity conversion.



Shareholders' equity decreased due to the ISK 13.1bn dividend payment in the first quarter and the share buyback totalling ISK 12.5bn, which was offset by the net earnings of ISK 26.1bn in 2024. 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 shareholders' equity. The leverage ratio was 12.2% at the end of 2024, compared with 12.4% at the end of 2023, which is high by international standards.

For further information on the accounts please visit Arion Bank's [website](#).

Medium-term financial targets of Arion Bank

	2024	Arion Bank's medium-term financial targets
Return on equity	13.2%	Exceed 13%
Core operating income / REA	7.1%	Exceed 7.2%
Insurance revenue growth (YoY)	10.6%	In excess of market growth (9.6% in 9M 2024)
Combined ratio Vörður	88.9%	Below 95%
Cost-to-core income ratio	47.2%	Below 45%
CET1 ratio above regulatory capital requirements	293 bps	150-250 bps management buffer (~16.8 - 17.8%)
Dividend pay-out ratio	61%	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

Investor meeting / webcast in English on 13 February at 9:30 CET (8:30 GMT)

Arion Bank will be hosting a meeting at the Bank's headquarters in Borgartún 19, Reykjavík, on Thursday 13 February at 9:30 CET (8:30 GMT) where CEO Benedikt Gíslason and CFO Ólafur Hrafn Höskuldsson will present the results and Chief Economist Erna Björg Sværisdóttir will give an update on the economic environment. The meeting will take place in English and will also be streamed live.

The webcast will be accessible live on [Lumiconnect](#) and a link is also available on the Bank's website under [Investor Relations](#).

Financial calendar

Arion Bank's financial calendar is available on the Bank's [website](#).

For any further information please contact Theodór Fridbertsson, [Investor Relations](#), tel.+354 856 6760, or Haraldur Eidsson, [Head of Corporate Communications](#), tel. +354 856 7108.

Forward-looking statements

This release contains forward-looking statements that reflect management's current views with respect to certain future events and potential financial performance. The information in the release is based on company data available at the time of the release. Although Arion Bank believes that the expectations reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations will prove to have been correct. Accordingly, results could differ materially from those set out in the forward-looking statements as a result of various factors. The most important factors that may cause such a difference for Arion Bank include, but are not limited to: a) the macroeconomic development, b) change in inflation, interest rate and foreign exchange rate levels, c) change in the competitive environment and d) change in the regulatory environment and other government actions. This release does not imply that Arion Bank has undertaken to revise any forward-looking statements, beyond what is required by applicable law or applicable stock exchange regulations if and when circumstances arise that will lead to changes after the date when this release was made. Arion Bank assumes no responsibility or liability for any reliance on any of the information contained herein. It is prohibited to distribute or publish any information in this release without Arion Bank's prior written consent.



Consolidated Income Statement
Q4 2024 overview



Consolidated Income Statement - Q4 2024 overview

	Notes	Q4 2024	Q4 2023
Interest income		29,371	32,461
Interest expense		(18,125)	(21,114)
Net interest income	A	11,246	11,347
Fee and commission income		5,157	4,882
Fee and commission expense		(1,021)	(979)
Net fee and commission income	B	4,136	3,903
Insurance revenue		5,027	4,761
Insurance service expenses		(4,700)	(5,045)
Insurance service results	C	327	(284)
Net financial income	D	2,193	1,370
Other operating income	E	4	(24)
Other net operating income		2,851	1,346
Operating income		17,906	16,312
Operating expenses	F	(8,601)	(7,830)
Bank levy		(488)	(422)
Net impairment	G	913	13
Earnings before income tax		9,730	8,073
Income tax expense	H	(1,430)	(1,808)
Net earnings from continuing operations		8,300	6,265
Discontinued operations held for sale, net of income tax	I	(11)	(41)
Net earnings		8,289	6,224
Attributable to			
Shareholders of Arion Bank hf.		8,290	6,253
Non-controlling interest		(1)	(29)
Net earnings		8,289	6,224



Disclosures for Q4 2024

A. Net interest income

Q4 2024	Amortized cost	Fair value thr. P/L	Fair value thr. OCI	Total
<i>Interest income</i>				
Cash and balances with Central Bank	2,019	-	-	2,019
Loans to credit institutions	244	-	-	244
Loans to customers	24,902	15	-	24,917
Securities	-	314	1,840	2,154
Other	37	-	-	37
Interest income	27,202	329	1,840	29,371
<i>Interest expense</i>				
Deposits	(11,989)	-	-	(11,989)
Borrowings	(4,075)	(1,070)	-	(5,145)
Subordinated liabilities	(763)	(198)	-	(961)
Other	(30)	-	-	(30)
Interest expense	(16,857)	(1,268)	-	(18,125)
Net interest income	10,345	(939)	1,840	11,246
<i>Q4 2023</i>				
<i>Interest income</i>				
Cash and balances with Central Bank	1,684	-	-	1,684
Loans to credit institutions	430	-	-	430
Loans to customers	28,312	-	-	28,312
Securities	-	508	1,479	1,987
Other	48	-	-	48
Interest income	30,474	508	1,479	32,461
<i>Interest expense</i>				
Deposits	(12,926)	-	-	(12,926)
Borrowings	(5,450)	(1,619)	-	(7,069)
Subordinated liabilities	(942)	(152)	-	(1,094)
Other	(25)	-	-	(25)
Interest expense	(19,343)	(1,771)	-	(21,114)
Net interest income	11,131	(1,263)	1,479	11,347
<i>Interest spread</i>				
Interest spread (the ratio of net interest income to the average carrying amount of interest bearing assets)			Q4 2024	Q4 2023
			2.9%	3.1%

B. Net fee and commission income

	Q4 2024		Q4 2023		Net income
	Income	Expense	Income	Expense	
Asset management	1,326	(152)	1,174	(154)	1,068
Capital markets and corporate finance	614	(14)	600	(10)	648
Lending and financial guarantees	1,191	-	1,191	-	932
Collection and payment services	389	(22)	367	(26)	375
Cards and payment solution	1,361	(667)	694	(666)	831
Other	276	(254)	22	(235)	(63)
Commission expense from insurance operation	-	88	88	112	112
Net fee and commission income	5,157	(1,021)	4,136	(979)	3,903



Disclosures for Q4 2024

	Q4 2024	Q4 2023
C. Insurance service results		
Insurance revenue	5,027	4,761
Incurred claims	(3,469)	(3,952)
Service expenses	(1,107)	(956)
Insurance service expenses	(4,576)	(4,908)
Net expense from reinsurance contracts held	(124)	(137)
Insurance service results	327	(284)
D. Net financial income	Q4 2024	Q4 2023
Net gain on financial assets and financial liabilities mandatorily measured at fair value through profit or loss	2,474	1,587
Net gain on buy back of issued bonds	27	136
Net gain (loss) on fair value hedge of interest rate swap	(167)	2
Realized loss on financial assets carried at fair value through OCI	14	(245)
Net financial loss on insurance contracts	(227)	(315)
Net foreign exchange gain	72	205
Net financial income	2,193	1,370
<i>Net gain on financial assets and financial liabilities mandatorily measured at fair value through profit or loss</i>		
Equity instruments	1,912	1,018
Debt instruments	576	736
Derivatives	(10)	(167)
Loans	(4)	-
Net gain on financial assets and financial liabilities mandatorily measured at fair value through profit or loss	2,474	1,587
<i>Net loss on fair value hedge of interest rate swap</i>		
Fair value change of interest rate swaps designated as hedging instruments	153	5,072
Fair value change on bonds issued by the Group attributable to interest rate risk	(320)	(5,070)
Net loss on fair value hedge of interest rate swap	(167)	2
E. Other operating income	Q4 2024	Q4 2023
Fair value changes on investment property	(1)	1,572
Net gain on disposal of assets	(4)	6
Net gain on assets held for sale	1	(1,570)
Share of profit (loss) of associates	(19)	(55)
Other income	27	23
Other operating income	4	(24)



Disclosures for Q4 2024

F. Operating expenses	Q4 2024	Q4 2023
Salaries and related expenses	6,288	5,414
Other operating expenses	3,331	3,263
Operating expenses from insurance operation	(1,018)	(847)
Operating expenses	8,601	7,830
Salaries and related expenses	Q4 2024	Q4 2023
<i>Salaries and related expenses</i>		
Salaries	3,339	3,152
Incentive scheme	1,453	1,053
Share-based payment expense	40	46
Defined contribution pension plans	701	613
Salary-related expenses	755	550
Salaries and related expenses	6,288	5,414
Other operating expenses	Q4 2024	Q4 2023
IT expenses	1,297	1,248
Professional services	437	396
Marketing	343	305
Housing expenses	131	140
Other administration expenses	686	588
Depreciation of property and equipment	152	150
Depreciation of right of use asset	35	34
Amortization of intangible assets	250	402
Other operating expenses	3,331	3,263
G. Net impairment	Q4 2024	Q4 2023
<i>Net impairment on financial instruments and value changes on loans</i>		
Net impairment on loans to customers and financial institutions	334	(8)
Net impairment on other financial instruments at FVOCI	2	1
Other value changes of loans - corporates	72	1
Other value changes of loans - individuals	505	19
Net impairment	913	13
<i>Net impairment by customer type</i>		
Individuals	514	(192)
Corporates	399	205
Net impairment	913	13
H. Income tax expense	Q4 2024	Q4 2023
Current tax expense	2,494	1,996
Deferred tax expense	(1,064)	(188)
Income tax expense	1,430	1,808
I. Discontinued operations held for sale, net of income tax	Q4 2024	Q4 2023
Net loss from discontinued operations held for sale	(13)	(42)
Income tax expense	2	1
Discontinued operations held for sale, net of income tax	(11)	(41)