Arion banki hf. - Forecast 2025-2034 and valuation as of 1 Jan 2025

Amounts are in million ISK / %	Actual	Actual	Actual	Actual	Actual	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
Consolidated basis	31/12/2020	31/12/2021	31/12/2022	31/12/2023	31/12/2024	31/12/2025	31/12/2026	31/12/2027	31/12/2028	31/12/2029	31/12/2030	31/12/2031	31/12/2032	31/12/2033	31/12/2034
Statement of Comprehensive Income															
Net interest income	31,158	32,063	40,201	44,685	46,302	47,941	48,544	51,186	53,990	56,948	60,068	63,360	66,833	70,496	74,361
Net fee and commission income	11,642	14,673	16,449	16,389	15,360	16,358	17,258	18,207	19,209	20,265	21,380	22,556	23,796	25,105	26,486
Insurance service results	3,071	3,442	615	152	2,166	1,257	1,326	1,399	1,476	1,557	1,643	1,733	1,828	1,929	2,035
Net financial income	2,745	6,220	-3,286	1,366	2,845	5,725	4,247	3,520	3,713	3,917	4,133	4,360	4,600	4,853	5,120
Other operating income	2,148	1,827	1,314	1,589	-222	1,232	1,313	1,388	1,466	1,550	1,638	1,731	1,829	1,933	2,043
Operating income	50,764	58,225	55,293	64,181	66,451	72,514	72,688	75,700	79,854	84,237	88,861	93,740	98,887	104,316	110,045
Operating expenses	-24,441	-25,875	-24,329	-25,701	-28,328	-28,702	-29,325	-30,925	-32,620	-34,409	-36,296	-38,286	-40,387	-42,602	-44,939
Net impairment	-5,044	3,169	144	-1,348	-1,131	-5,080	-5,384	-5,680	-5,993	-6,322	-6,670	-7,037	-7,424	-7,832	-8,263
Income tax expense and bank levy	-4,532	-8,298	-11,693	-11,391	-10,843	-11,042	-10,906	-11,261	-11,887	-12,547	-13,243	-13,978	-14,753	-15,571	-16,433
Discont. ops. and other comp. income (loss)	-4,342	-381	6,421	678	336	0	0	0	0	0	0	0	0	0	0
Total comprehensive income	12,405	26,840	25,836	26,419	26,485	27,689	27,073	27,834	29,354	30,959	32,652	34,439	36,323	38,312	40,410
Core op. income / risk-wtd. exposure amt.	6.2%	6.2%	6.8%	7.1%	6.8%	6.7%	6.6%	6.6%	6.6%	6.6%	6.6%	6.6%	6.6%	6.6%	6.6%
Net interest margin	2.8%	2.6%	2.9%	3.0%	2.9%	2.9%	2.8%	2.8%	2.8%	2.8%	2.8%	2.8%	2.8%	2.8%	2.8%
Net financial income yield	2.0%	3.5%	-2.1%	0.9%	1.6%	3.2%	2.2%	1.7%	1.7%	1.7%	1.7%	1.7%	1.7%	1.7%	1.7%
Cost-to-core income 1)	48.1%	44.4%	45.0%	44.7%	47.2%	47.0%	47.0%	47.0%	47.0%	47.0%	47.0%	47.0%	47.0%	47.0%	47.0%
Net impairment / loans	-0.6%	0.4%	0.0%	-0.1%	-0.1%	-0.4%	-0.4%	-0.4%	-0.4%	-0.4%	-0.4%	-0.4%	-0.4%	-0.4%	-0.4%
Return on equity (ROE) 2)	6.6%	14.7%	15.0%	14.9%	14.2%	14.2%	13.2%	13.0%	13.1%	13.2%	13.3%	13.4%	13.4%	13.5%	13.6%
Financial Position															
Loans to customers	822,941	936,237	1,084,757	1,152,789	1,230,058	1,310,012	1,382,062	1,458,076	1,538,270	1,622,875	1,712,133	1,806,300	1,905,647	2,010,457	2,121,033
Financial instruments	227,251	225,657	193,329	205,706	206,417	219,834	231,925	244,681	258,138	272,336	287,314	303,117	319,788	337,376	355,932
Other assets	122,514	151,970	187,523	167,177	181,792	158,195	165,389	174,033	183,205	192,875	203,066	213,806	225,126	237,056	249,631
Total assets	1,172,706	1,313,864	1,465,609	1,525,672	1,618,267	1,688,041	1,779,376	1,876,789	1,979,613	2,088,086	2,202,513	2,323,223	2,450,561	2,584,890	2,726,596
Deposits	568,424	655,476	755,361	792,710	857,443	903,908	953,623	1,006,072	1,061,406	1,119,784	1,181,372	1,246,347	1,314,896	1,387,216	1,463,512
Borrowings	335,007	391,725	439,894	461,739	477,716	486,371	516,713	548,550	581,515	616,333	653,102	691,928	732,927	776,219	821,931
Other liabilities	71,430	72,065	82,398	71,922	76,022	78,986	81,190	84,080	87,342	90,741	94,283	97,977	101,828	105,845	110,034
Equity	197,845	194,598	187,956	199,301	207,086	218,775	227,850	238,086	249,349	261,228	273,756	286,971	300,909	315,611	331,118
Total equity and liabilites	1,172,706	1,313,864	1,465,609	1,525,672	1,618,267	1,688,041	1,779,376	1,876,789	1,979,613	2,088,086	2,202,513	2,323,223	2,450,561	2,584,890	2,726,596
Cash and cash equiv. / balance sheet PY	3.9%	5.9%	8.7%	7.0%	8.1%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%
Loans to customers, change	6.3%	13.8%	15.9%	6.3%	6.7%	6.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%
Deposits / loans to costumers	69.1%	70.0%	69.6%	68.8%	69.7%	69.0%	69.0%	69.0%	69.0%	69.0%	69.0%	69.0%	69.0%	69.0%	69.0%
Dividend paid	0	2,857	22,489	12,357	13,058	16,000	17,998	17,597	18,092	19,080	20,123	21,224	22,385	23,610	24,903
Dividend / prior-year total comp. income	0.0%	23.0%	83.8%	47.8%	49.4%	60.4%	65.0%	65.0%	65.0%	65.0%	65.0%	65.0%	65.0%	65.0%	65.0%
Total risk-weighted exposure amount (REA)	745,765	812,822	882,894	910,471	987,611	1,030,193	1,085,934	1,145,384	1,208,137	1,274,336	1,344,170	1,417,838	1,495,551	1,577,531	1,664,012
CET1 ratio - goal 16-17,4%	22.3%	19.6%	18.8%	19.7%	18.2%	18.5%	18.2%	18.1%	17.9%	17.8%	17.7%	17.6%	17.5%	17.4%	17.3%
Valuation - ISK															
Wtd. avg. shares (m)	1,723	1,593	1,491	1,447	1,447	1,412	1,412	1,412	1,412	1,412	1,412	1,412	1,412	1,412	1,412
Total comp. income (million ISK)	12,405	26,840	25,836	26,419	26,485	27,689	27,073	27,834	29,354	30,959	32,652	34,439	36,323	38,312	40,410
EPS (including OCI)	7.2	16.8	17.3	18.3	18.3	19.6	19.2	19.7	20.8	21.9	23.1	24.4	25.7	27.1	28.6
DPS	0.0	1.8	15.1	8.5	9.0	11.3	12.7	12.5	12.8	13.5	14.3	15.0	15.9	16.7	17.6
BPS	115.1	128.2	128.3	137.8	146.7	154.9	161.4	168.6	176.6	185.0	193.9	203.2	213.1	223.5	234.5

Sensitivity analysis		Net interest margin 2025-2034		
		2.6%	2.8%	3.0%
Cost/ income 2025-2034	50.0%	190.1	202.0	213.9
	47.0%	204.1	**216.7**	229.3
	44.0%	218.1	231.4	244.7

Key figures	2020-2024	2025-2034
OI chg.	6.7%	5.2%
NIM	2.8%	2.8%
COI / REA	6.6%	6.6%
C/I ratio	45.9%	47.0%
Avg. ROE	13.1%	13.4%

Residual earnings	4.5	4.9	3.7	3.6	3.9	4.3	4.6	5.0	5.4	5.8	6.3
Discount rate	**10.0%**	1.1	1.2	1.3	1.5	1.6	1.8	1.9	2.1	2.4	2.6
Present value of RE		4.5	3.0	2.7	2.7	2.6	2.6	2.6	2.5	2.5	2.4
Total PV of RE	28.1										
PV of CV	41.9										
BV per share 1.1.2025	146.7										
PV per share	**216.7**	Value per share on 1.1.2025 in ISK									
Outstanding shares	1,412	million									
Equity value	**305,945**	Equity value on 1.1.2025 (ISK million)									

Continuing value (CV): RE 2034 x (1 + 4%) / (10% - 4%) = 108.6

Perpetuity growth rate **4.0%**

1) Opex (incl. insurance) / Core operating income

2) ROE = Total comprehensive income ÷ [Equity at 1 Jan − (9/12 × Dividends) ± (6/12 × Other changes)]