



Arion Bank Factbook

30 June 2019



KFI - 5 years

ISK million

H1 2019 H1 2018 H1 2017 H1 2016 H1 2015

Profitability

Return on equity	3.2%	4.7%	9.7%	9.5%	22.8%
Return on assets	0.5%	0.9%	1.9%	1.9%	4.0%
Return on risk-weighted-assets	0.8%	1.3%	2.8%	2.6%	6.0%
Earnings per share	1.72	2.35	5.23	4.63	9.65
Earnings per share from continuing operations	2.78	2.29	5.02	4.45	9.52

Net interest margin

Net interest margin on interest bearing assets	2.8%	2.7%	3.0%	3.1%	3.0%
Net interest margin on total assets	2.5%	2.5%	2.7%	2.9%	2.7%

Efficiency

Cost-to-income ratio	56.3%	58.7%	42.2%	54.8%	36.2%
Cost-to-total assets ratio	2.2%	2.4%	1.9%	3.0%	2.7%
Number of FTE 's at year end	880	966	924	1,199	1,123

Asset quality

Share of stage 3 loans, gross*	2.4%	3.0%	-	-	-
Problem loans ¹	-	-	1.3%	1.9%	3.3%
Provision for losses/Gross impaired loans ¹	-	-	76.0%	74.4%	65.7%
Gross impaired loans/Gross loans ¹	-	-	2.1%	3.8%	4.7%
Past due loans but not impaired as % of gross loans ¹	-	-	4.8%	6.2%	10.0%
Risk weighted assets / Total assets	63.1%	67.8%	67.0%	71.8%	74.5%

Financial strength

Equity as % of total assets	15.8%	17.7%	19.7%	20.2%	17.3%
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Liquidity

Liquidity coverage ratio (LCR)	198.0%	231.7%	266.2%	179.8%	138.0%
Loans-to-deposits ratio	162.8%	168.8%	167.7%	168.6%	141.2%
Loans-to-deposits ratio (without covered bonds)	119.3%	130.3%	128.2%	132.5%	115.2%
Deposits from customers as % of total funding	53.1%	53.3%	53.0%	69.5%	64.0%
Covered bonds as % of total funding	23.1%	20.5%	20.9%	25.1%	16.6%

Capital

CET 1 ratio	21.4%	21.8%	27.7%	25.5%	21.6%
Tier 1 ratio	21.5%	21.9%	27.8%	26.8%	21.6%
Tier 2 ratio	1.4%	0.0%	0.6%	1.0%	1.6%
Capital adequacy ratio	22.9%	21.9%	28.4%	27.8%	23.2%
Leverage ratio	13.3%	14.2%	17.4%	18.1%	15.4%

* (Gross carrying value of stage 3 loans + gross carrying value of POCI loans in Risk class 4 or lower) / Gross carrying value of loans to customers

¹ Not available following implementation of IFRS 9 in January 2018

Income statement - 5 year summary

ISK million	H1 2019	H1 2018	H1 2017	H1 2016	H1 2015
Interest income	31,147	28,036	29,284	31,395	27,660
Interest expense	(15,905)	(13,895)	(14,462)	(16,769)	(14,485)
Net interest income	15,242	14,141	14,822	14,626	13,175
Fee and commission income	5,460	5,603	5,301	11,248	10,236
Fee and commission expense	(764)	(686)	(693)	(4,501)	(2,802)
Net fee and commission income	4,696	4,917	4,608	6,747	7,434
Net insurance income	1,076	901	1,053	392	388
Net financial income	1,789	2,506	3,177	3,495	9,723
Share of profit of associates	720	(18)	(934)	695	4,217
Other operating income	405	868	2,085	1,684	1,465
Other net operating income	3,990	4,257	5,381	6,266	15,793
Operating income	23,928	23,315	24,811	27,639	36,402
Salaries and related expense	(7,435)	(7,565)	(7,087)	(8,426)	(7,168)
Other operating expenses	(6,045)	(6,121)	(3,432)	(6,729)	(6,008)
Operating expenses	(13,480)	(13,686)	(10,519)	(15,155)	(13,176)
Bank Levy	(1,818)	(1,683)	(1,574)	(1,485)	(1,389)
Net impairment	(2,069)	(301)	1,308	945	(82)
Earnings before tax	6,561	7,645	14,026	11,944	21,755
Income tax expense	(1,513)	(2,192)	(3,296)	(2,182)	(2,301)
Net earnings from continuing operations	5,048	5,453	10,730	9,762	19,454
Net gain (loss) from discontinued operations, net of tax	(1,934)	(442)	(266)	-	(132)
Net earnings	3,114	5,011	10,464	9,762	19,322
Attributable to					
Shareholders of Arion Bank	3,114	4,398	10,462	9,266	19,293
Non-controlling interest	-	613	2	496	29
Total comprehensive income	3,114	5,011	10,464	9,762	19,322
Earnings per share					
Basic and diluted earnings per share attributable to the shareholders of Arion Bank (ISK)	1.72	2.35	5.23	4.63	9.65

Balance sheet - 5 year summary

ISK million

30.06.2019 31.12.2018 31.12.2017 31.12.2016 31.12.2015

Assets

Cash and balances with Central Bank	107,649	83,139	139,819	87,634	48,102
Loans to credit institutions	69,064	56,322	86,609	80,116	87,491
Loans to customers	821,731	833,826	765,101	712,422	680,350
Financial instruments	144,161	114,557	109,450	117,456	133,191
Investment property	7,120	7,092	6,613	5,358	7,542
Investments in associates	818	818	760	839	27,299
Intangible assets	7,580	6,397	13,848	11,057	9,285
Tax assets	26	90	450	288	205
Asset and disposal groups held for sale	55,109	48,584	8,138	4,418	5,082
Other assets	20,161	13,502	16,966	16,436	12,496
Total assets	1,233,419	1,164,327	1,147,754	1,036,024	1,011,043

Liabilities

Due to credit institutions and Central Bank	8,703	9,204	7,370	7,987	11,387
Deposits	504,897	466,067	462,161	412,064	469,347
Financial liabilities at fair value	2,065	2,320	3,601	3,726	7,609
Tax liabilities	4,441	5,119	6,828	7,293	4,922
Liabilities associated with disposal groups held for sale	32,242	26,337	-	-	-
Other liabilities	38,122	30,107	57,062	54,094	49,461
Borrowings	436,897	417,782	384,998	339,476	256,058
Subordinated liabilities	10,763	6,532	-	-	10,365
Total liabilities	1,038,130	963,468	922,020	824,640	809,149

Equity

Share capital and share premium	59,007	59,010	75,861	75,861	75,861
Other reserves	14,098	14,822	16,774	19,761	4,547
Retained earnings	122,054	126,897	132,971	115,590	112,378
Total shareholders equity	195,159	200,729	225,606	211,212	192,786
Non-controlling interest	130	130	128	172	9,108
Total equity	195,289	200,859	225,734	211,384	201,894
Total liabilities and equity	1,233,419	1,164,327	1,147,754	1,036,024	1,011,043

Net interest income - 5 year summary

ISK million	H1 2019	H1 2018	H1 2017	H1 2016	H1 2015
Interest income					
Cash and balances with Central bank	2,030	2,366	3,337	2,029	284
Loans	28,503	25,085	24,646	26,785	25,301
Securities	508	432	1,197	2,237	1,609
Other	106	151	106	344	466
Interest income	31,147	28,034	29,286	31,395	27,660
Interest expense					
Deposits	(6,860)	(6,313)	(6,910)	(8,744)	(7,460)
Borrowings	(8,872)	(7,543)	(7,533)	(7,810)	(6,494)
Subordinated liabilities	(106)	-	-	(186)	(503)
Other	(67)	(38)	(18)	(29)	(28)
Interest expense	(15,905)	(13,894)	(14,461)	(16,769)	(14,485)
Net interest income	15,242	14,140	14,825	14,626	13,175
Interest bearing assets					
Cash and balances with Central Bank	107,649	112,996	151,354	77,108	33,189
Loans	890,795	917,240	811,899	798,743	770,944
Securities	114,583	64,249	73,077	81,575	75,087
Interest bearing assets	1,113,027	1,094,485	1,036,330	957,425	879,220
Interest bearing liabilities					
Due to credit institutions and Central Bank	8,703	6,336	7,644	8,018	13,961
Deposits	504,897	476,182	437,494	423,089	472,304
Financial liabilities at fair value	2,065	3,895	5,029	4,722	4,145
Borrowings	436,897	410,773	380,061	329,885	241,880
Subordinated liabilities	10,763	-	-	9,553	10,884
Interest bearing liabilities	963,325	897,186	830,229	775,268	743,175
Interest Gap	149,702	197,298	206,101	182,157	136,045
Net interest margin on interest bearing assets	2.8%	2.7%	3.0%	3.1%	3.0%

Loans to customers - 5 year summary

ISK million

30.06.2019 31.12.2018 31.12.2017 31.12.2016 31.12.2015

Loans to customers

Individuals	403,539	400,483	365,287	337,416	324,619
Corporates	418,192	433,343	399,814	375,006	355,731
Total loans to customers	821,731	833,826	765,101	712,422	680,350

Loans to individuals

Overdrafts	15,075	14,536	14,469	14,805	16,840
Credit cards	12,325	12,958	11,133	11,363	10,842
Mortgage loans	345,833	343,119	311,507	285,784	271,895
Other loans	33,631	33,560	33,629	34,777	38,058
Provision on loans	(3,325)	(3,690)	(5,451)	(9,313)	(13,016)
Total loans to individuals	403,539	400,483	365,287	337,416	324,619

Neither past due nor impaired ¹	-	-	344,829	312,259	291,277
Past due but not impaired ¹	-	-	18,929	21,854	26,532
Individually impaired (gross) ¹	-	-	5,539	10,372	17,403
Impairment amount ¹	-	-	(4,010)	(7,069)	(10,593)
Total loans to individuals	-	-	365,287	337,416	324,619

Ratios:

Share of stage 3 loans, gross*	2.4%	2.6%	-	-	-
Provision for losses/Gross impaired loans ¹	-	-	98.4%	89.8%	74.8%
Past due loans but not impaired as % of gross loans ¹	-	-	5.1%	6.3%	7.9%
Gross impaired loans/Gross loans ¹	-	-	1.5%	3.0%	5.2%

* (Gross carrying value of stage 3 loans + gross carrying value of POCI loans in Risk class 4 or lower) / Gross carrying value of loans to customers

¹ Not available following implementation of IFRS 9 in January 2018

Loans to customers - 5 year summary

ISK million

30.06.2019 31.12.2018 31.12.2017 31.12.2016 31.12.2015

Loans to corporates

Overdrafts	18,880	19,200	18,778	19,314	24,248
Credit cards	1,356	1,348	1,123	1,180	1,054
Mortgage loans	24,334	23,417	19,632	16,298	12,889
Other loans	380,705	395,579	368,312	351,739	334,849
Provision on loans	(7,083)	(6,201)	(8,031)	(13,525)	(17,309)
Total loans to corporates	418,192	433,343	399,814	375,006	355,731

Neither past due nor impaired ¹	-	-	385,197	358,709	337,153
Past due but not impaired ¹	-	-	13,655	14,251	17,302
Individually impaired (gross) ¹	-	-	7,239	13,258	16,024
Impairment amount ¹	-	-	(6,277)	(11,212)	(14,748)
Total loans to individuals	-	-	399,814	375,006	355,731

Ratios:

Provision for losses/Gross impaired loans ¹	-	-	110.9%	102.0%	108.0%
Past due loans but not impaired as % of gross loans ¹	-	-	3.4%	3.7%	4.7%
Gross impaired loans/Gross loans ¹	-	-	1.8%	3.4%	4.3%

Loans to corporates specified by sector:

Agriculture and forestry	1.8%	1.7%	1.6%	1.6%	1.6%
Services	4.2%	3.8%	4.5%	4.6%	5.6%
Financial and insurance activities	8.2%	8.7%	8.5%	9.3%	9.4%
Industry, energy and manufacturing	9.4%	8.2%	7.4%	7.6%	6.0%
Information and communication technology	4.7%	4.8%	5.5%	7.6%	8.7%
Public administration, human health and social activities	1.6%	1.6%	2.0%	2.3%	2.3%
Real estate activities and construction	32.8%	33.9%	32.1%	30.6%	28.8%
Fishing industry	20.0%	19.4%	19.7%	20.4%	21.3%
Transportation	2.9%	2.8%	4.3%	1.7%	1.7%
Wholesale and retail trade	14.6%	15.2%	14.4%	14.1%	14.6%
	100.0%	100.0%	100.0%	100.0%	100.0%

¹ Not available following implementation of IFRS 9 in January 2018

Capital and Risk Weighted Assets

ISK million

30.06.2019 31.12.2018 31.12.2017 31.12.2016 31.12.2015

Capital base:

Total equity	195,289	200,859	225,734	211,384	201,895
Deductions related to the consolidated situation ¹	(9,452)	(8,986)	(8,635)	(8,126)	-
Non-controlling interest not eligible for inclusion in CET 1 capital	(130)	(130)	(128)	(172)	(9,108)
Common Equity Tier 1 capital before regulatory adjustments	185,707	191,743	216,971	203,086	192,786
Intangible assets	(13,783)	(12,152)	(11,125)	(8,201)	(9,285)
Tax assets	(568)	(191)	(357)	(198)	(205)
Foreseeable dividend	(1,557)	(1,537)	(25,000)	-	-
Other statutory deductions	(3,075)	(9,069)	146	(149)	(3,151)
Common equity Tier 1 capital	166,724	168,794	180,635	194,538	180,145
Non-controlling interest not eligible for inclusion in CET1 capital	130	130	128	172	9,108
Tier 1 capital	166,854	168,924	180,763	194,710	189,254
Subordinated liabilities	10,763	6,532	-	-	10,365
Regulatory adjustment to Tier 2 capital	-	-	-	-	(771)
Other statutory deductions	-	-	-	-	(3,118)
General credit risk adjustments	-	-	3,195	4,557	-
Tier 2 Capital	10,763	6,532	3,195	4,557	6,476
Total Capital base	177,617	175,456	183,958	199,267	195,729

Risk weighted assets

Credit Risk, loans	606,843	639,788	605,058	577,470	681,034
Credit Risk, securities and other ²	58,183	50,112	56,979	55,036	-
Counterparty credit risk ²	3,969	4,405	5,844	5,550	-
Market Risk due to currency imbalance	6,125	4,280	4,895	5,449	38,401
Market Risk Other	14,261	8,928	5,473	12,966	7,035
Credit valuation adjustment ²	1,840	2,228	2,506	2,678	-
Operational Risk	86,957	86,858	86,013	86,490	81,441
Total risk weighted assets	778,178	796,599	766,768	745,639	807,911

Capital ratios

CET 1 ratio	21.4%	21.2%	23.6%	26.1%	22.3%
Tier 1 ratio	21.5%	21.2%	23.6%	26.1%	23.4%
Capital adequacy ratio	22.8%	22.0%	24.0%	26.7%	24.2%

Leverage ratio

On-balance sheet exposures	1,175,769	1,106,368	1,074,207	995,063	982,348
Derivative exposures	7,251	8,239	10,957	8,226	3,789
Securities financing transaction exposures	8,547	8,194	8,925	9,330	16,287
Off-balance sheet exposures	63,260	68,316	83,058	83,156	127,675
Total exposure	1,254,827	1,191,117	1,177,147	1,095,775	1,130,099
Tier 1 capital	166,854	168,924	180,763	194,710	189,254
Leverage ratio	13.3%	14.2%	15.4%	17.8%	16.7%

Related ratios

RORWA	0.8%	1.0%	1.9%	2.9%	6.7%
RWA/Total assets	63.1%	68.4%	66.8%	72.7%	79.9%

1) Calculations restated for 2016 using the Group's consolidated situation which excludes insurance companies. The effective capital position of the Group is unaffected as the Pillar 2 capital requirement is adjusted accordingly. Their solvency requirements of insurance companies should be viewed separately.

2) Not disclosed separately in 2015, 2014 and 2013

Arion Bank Factbook

Quarter summaries

30 June 2019



KFI - 9 Quarters

ISK million

	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017
Profitability									
Return on equity	4.3%	2.1%	3.2%	2.3%	5.9%	3.6%	7.3%	(0.2%)	13.0%
Return on assets	0.7%	0.3%	0.5%	0.4%	1.1%	0.7%	1.4%	(0.0%)	2.6%
Return on risk-weighted-assets	1.1%	0.5%	0.8%	0.6%	1.6%	1.0%	2.1%	(0.1%)	3.8%
Earnings per share	1.16	0.56	0.87	0.63	1.35	1.01	2.02	(0.06)	3.56
Earnings per share from continuing operations	1.55	1.23	1.56	0.63	1.36	0.95	2.13	(0.06)	3.56
Net interest margin									
Net interest margin on interest bearing assets	2.8%	2.7%	2.9%	2.7%	2.8%	2.7%	2.7%	2.7%	3.1%
Net interest margin on total assets	2.5%	2.5%	2.7%	2.4%	2.5%	2.4%	2.5%	2.5%	2.8%
Efficiency									
Cost-to-income ratio	54.2%	58.6%	60.3%	50.3%	55.4%	62.5%	53.0%	59.9%	30.1%
Cost-to-total assets ratio	2.2%	2.3%	2.2%	2.0%	2.4%	2.4%	2.2%	2.1%	1.4%
Number of FTE´s at year end	880	917	904	933	966	956	941	950	924
Asset quality									
Share of stage 3 loans, gross*	2.4%	2.5%	2.6%	2.9%	3.0%	3.3%	-	-	-
Problem loans ¹	-	-	-	-	-	-	1.0%	1.4%	1.3%
Provision for losses/Gross impaired loans ¹	-	-	-	-	-	-	80.5%	74.6%	76.0%
Gross impaired loans/Gross loans ¹	-	-	-	-	-	-	1.6%	2.1%	2.1%
Past due loans but not impaired as % of gross loans ¹	-	-	-	-	-	-	4.2%	5.0%	4.8%
Risk weighted assets / Total assets	63.1%	64.4%	68.4%	66.2%	67.8%	68.8%	66.8%	68.4%	67.0%

* (Gross carrying value of stage 3 loans + gross carrying value of POCI loans in Risk class 4 or lower) / Gross carrying value of loans to customers

¹ Not available following implementation of IFRS 9 in January 2018

KFI - 9 Quarters

ISK million

	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017
Financial strength									
Equity as % of total assets	15.8%	15.8%	17.3%	16.4%	17.7%	18.0%	19.7%	19.4%	19.7%
Liquidity									
Liquidity coverage ratio (LCR)	198.0%	213.0%	164.4%	169.1%	231.7%	209.9%	221.0%	228.6%	266.2%
Loans-to-deposits ratio	162.8%	169.1%	178.9%	169.2%	168.8%	172.7%	165.5%	168.4%	167.7%
Loans-to-deposits ratio (without covered bonds)	119.3%	125.1%	135.7%	130.2%	130.3%	134.4%	129.0%	129.4%	128.2%
Deposits from customers as % of total funding	53.1%	51.9%	52.2%	52.4%	53.3%	52.6%	54.1%	52.3%	53.0%
Covered bonds as % of total funding	23.1%	22.8%	22.5%	20.4%	20.5%	20.1%	19.8%	20.4%	20.9%
Capital									
Official CET 1 ratio	21.4%	21.3%	21.2%	21.6%	21.8%	23.6%	23.6%	26.6%	27.7%
Tier 1 ratio	21.4%	21.3%	21.2%	21.7%	21.9%	23.6%	23.6%	26.9%	27.8%
Tier 2 ratio	1.4%	0.9%	0.8%	0.0%	0.0%	0.0%	0.4%	0.5%	0.6%
Official capital adequacy ratio	22.8%	22.2%	22.0%	21.7%	21.9%	23.6%	24.0%	27.4%	28.4%
Leverage ratio	13.3%	13.5%	14.2%	13.8%	14.3%	15.4%	15.4%	16.8%	17.4%

Income statement - 9 quarter summary

ISK million

	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017
Interest income	16,463	14,684	16,349	14,933	13,990	14,044	13,545	13,199	15,862
Interest expense	(8,655)	(7,250)	(8,380)	(7,724)	(6,676)	(7,217)	(6,481)	(6,166)	(7,942)
Net interest income	7,808	7,434	7,969	7,209	7,314	6,827	7,064	7,033	7,920
Fee and commission income	2,830	2,629	3,064	2,991	3,028	2,575	3,475	2,843	2,793
Fee and commission expense	(352)	(412)	(318)	(304)	(316)	(370)	(351)	(364)	(383)
Net fee and commission income	2,478	2,217	2,746	2,687	2,712	2,205	3,124	2,479	2,410
Net insurance income	823	766	(774)	570	1,119	1,387	1,555	(687)	1,744
Net financial income	1,023	253	704	984	758	143	324	716	606
Share of profit of associates	(7)	727	11	34	2	(20)	(10)	17	(900)
Other operating income	95	310	294	422	600	268	90	345	1,629
Other net operating income	1,934	2,056	235	2,010	2,479	1,778	1,959	391	3,079
Operating income	12,220	11,707	10,950	11,906	12,505	10,810	12,147	9,903	13,409
Salaries and related expense	(3,805)	(3,630)	(3,584)	(3,129)	(3,949)	(3,616)	(3,461)	(3,054)	(3,650)
Other operating expenses	(2,813)	(3,232)	(3,015)	(2,864)	(2,978)	(3,143)	(2,982)	(2,877)	(391)
Operating expenses	(6,618)	(6,862)	(6,599)	(5,993)	(6,927)	(6,759)	(6,443)	(5,931)	(4,041)
Bank Levy	(912)	(906)	(765)	(938)	(879)	(804)	(784)	(814)	(777)
Net impairment	(988)	(1,081)	(573)	(2,651)	(166)	(135)	1,504	(2,500)	401
Earnings before tax	3,702	2,858	3,013	2,324	4,533	3,112	6,424	658	8,992
Income tax expense	(891)	(622)	(881)	(973)	(1,302)	(890)	(1,957)	(713)	(1,891)
Net earnings from continuing operations	2,811	2,236	2,132	1,351	3,231	2,222	4,467	(55)	7,101
Net gain (loss) from discontinued operations, net of tax	(715)	(1,219)	(516)	(201)	(169)	(273)	(401)	(58)	12
Net earnings	2,096	1,017	1,616	1,150	3,062	1,949	4,066	(113)	7,113
Attributable to									
Shareholders of Arion Bank	2,096	1,017	1,567	1,151	2,449	1,949	4,049	(114)	7,112
Non-controlling interest	-	-	49	(1)	613	-	17	1	1
Total comprehensive income for the period	2,096	1,017	1,616	1,150	3,062	1,949	4,066	(113)	7,113
Earnings per share									
Basic and diluted earnings per share attributable to the shareholders of Arion Bank (ISK)	1.16	0.56	1.56	0.64	1.34	0.95	2.13	(0.15)	3.42

Balance sheet - 9 quarter summary

ISK million

30.06.2019 31.03.2019 31.12.2018 30.09.2018 30.06.2018 31.03.2018 31.12.2017 30.09.2017 30.06.2017

Assets

Cash and balances with Central Bank	107,649	94,124	83,139	99,525	112,996	97,934	139,819	132,316	151,354
Loans to credit institutions	69,064	84,978	56,322	123,446	113,546	94,961	86,609	94,242	78,250
Loans to customers	821,731	829,246	833,826	819,965	803,694	782,255	765,101	750,947	733,649
Financial instruments	144,161	128,103	114,557	109,374	95,265	106,415	109,450	121,041	109,353
Investment property	7,120	7,101	7,092	7,044	7,027	6,749	6,613	6,903	7,166
Investments in associates	818	807	818	862	743	743	760	842	825
Intangible assets	7,580	7,081	6,397	14,039	13,858	13,498	13,848	12,755	11,639
Tax assets	26	15	90	623	603	611	450	286	413
Asset and disposal groups held for sale	55,109	51,321	48,584	8,351	8,295	8,496	8,138	7,352	3,443
Other assets	20,161	19,919	13,502	36,300	18,817	20,107	16,966	18,169	30,319
Total assets	1,233,419	1,222,695	1,164,327	1,219,529	1,174,844	1,131,769	1,147,754	1,144,853	1,126,411

Liabilities

	28,715								
Due to credit institutions and Central Bank	8,703	9,183	9,204	15,370	6,336	7,880	7,370	7,097	7,644
Deposits	504,897	490,474	466,067	484,569	476,182	453,059	462,161	445,981	437,494
Financial liabilities at fair value	2,065	2,286	2,320	3,381	3,895	3,130	3,601	3,551	5,029
Tax liabilities	4,441	4,822	5,119	6,376	6,503	6,885	6,828	9,303	9,342
Liabilities associated with disposal groups held for sale	32,242	29,498	26,337						
Other liabilities	38,122	41,018	30,107	84,176	63,524	55,715	57,062	56,813	65,073
Borrowings	436,897	445,077	417,782	425,601	410,773	400,855	384,998	400,400	380,061
Subordinated liabilities	10,763	7,283	6,532	-	-	-	-	-	-
Total liabilities	1,038,130	1,029,641	963,468	1,019,473	967,213	927,524	922,020	923,144	904,645

Equity

Share capital and share premium	59,007	59,008	59,010	59,014	59,017	58,722	75,861	75,861	75,861
Other reserves	14,098	15,439	14,822	15,648	14,436	14,880	16,774	15,001	13,565
Retained earnings	122,054	118,477	126,897	124,655	133,437	130,515	132,971	130,673	132,167
Total shareholders equity	195,159	192,924	200,729	199,317	206,890	204,117	225,606	221,535	221,593
Non-controlling interest	130	130	130	739	741	128	128	174	174
Total equity	195,289	193,054	200,859	200,056	207,631	204,245	225,734	221,709	221,766
Total liabilities and equity	1,233,419	1,222,695	1,164,327	1,219,529	1,174,844	1,131,769	1,147,754	1,144,853	1,126,411

Net interest income - 9 quarter summary

ISK million	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017
Interest income									
Cash and balances with Central bank	1,061	969	989	1,270	1,120	1,246	1,358	1,620	1,990
Loans	15,075	13,428	15,153	13,573	12,572	12,513	11,796	11,098	13,313
Securities	271	237	152	23	199	233	340	427	515
Other	56	50	56	66	99	52	50	55	45
Interest income	16,463	14,684	16,350	14,932	13,990	14,044	13,544	13,200	15,863
Interest expense									
Deposits	(3,608)	(3,252)	(3,597)	(3,413)	(3,114)	(3,199)	(2,924)	(2,772)	(3,804)
Borrowings	(4,945)	(3,927)	(4,741)	(4,240)	(3,556)	(3,987)	(3,537)	(3,379)	(4,120)
Subordinated loans	(59)	(47)	(19)	-	-	-	-	-	-
Other	(43)	(24)	(22)	(71)	(7)	(31)	(20)	(15)	(18)
Interest expense	(8,655)	(7,250)	(8,379)	(7,724)	(6,677)	(7,217)	(6,481)	(6,166)	(7,942)
Net interest income	7,808	7,434	7,971	7,208	7,313	6,827	7,063	7,034	7,921
Interest bearing assets									
Cash and balances with Central Bank	107,649	94,124	83,139	99,525	112,996	97,934	139,819	132,316	151,354
Loans	890,795	914,224	890,148	943,411	917,240	877,216	851,710	845,189	811,899
Securities	114,583	97,343	87,701	79,856	64,249	71,498	65,402	75,889	73,077
Interest bearing assets	1,113,027	1,105,691	1,060,989	1,122,792	1,094,485	1,046,648	1,056,931	1,053,394	1,036,330
Interest bearing liabilities									
Due to credit institutions and Central Bank	8,703	9,183	9,204	15,370	6,336	7,880	7,370	7,097	7,644
Deposits	504,897	490,474	466,067	484,569	476,182	453,059	462,161	445,981	437,494
Financial liabilities at fair value	2,065	2,286	2,320	3,381	3,895	3,130	3,601	3,551	5,029
Borrowings	436,897	445,077	417,782	425,601	410,773	400,855	384,998	400,400	380,061
Subordinated liabilities	10,763	7,283	6,532	-	-	-	-	-	-
Interest bearing liabilities	963,325	954,303	901,905	928,921	897,186	864,923	858,130	857,028	830,229
Interest Gap	149,702	151,388	159,084	193,871	197,298	181,725	198,801	196,366	206,101
Net interest margin on interest bearing assets	2.8%	2.7%	2.9%	2.7%	2.8%	2.7%	2.7%	2.7%	3.1%

All amounts are in ISK millions

Loans to customers - 9 quarter summary

ISK million

30.06.2019 31.03.2019 31.12.2018 30.09.2018 30.06.2018 31.03.2018 31.12.2017 30.09.2017 30.06.2017

Loans to customers

Individuals	403,539	399,574	400,483	397,661	382,550	374,452	365,287	354,004	343,402
Corporates	418,192	429,672	433,343	422,304	421,144	407,803	399,814	396,943	390,247
Total loans to customers	821,731	829,246	833,826	819,965	803,694	782,255	765,101	750,947	733,649

Loans to individuals

Overdrafts	15,075	15,639	14,536	15,783	14,231	14,821	14,469	14,863	13,855
Credit cards	12,325	11,606	12,958	11,585	11,190	10,164	11,133	10,078	10,245
Mortgage loans	345,833	342,346	343,119	338,059	327,612	320,681	311,507	302,406	294,273
Other loans	33,631	33,579	33,560	36,351	33,736	33,274	33,629	33,116	32,609
Provision on loans	(3,325)	(3,596)	(3,690)	(4,117)	(4,219)	(4,488)	(5,451)	(6,459)	(7,580)
Total loans to individuals	403,539	399,574	400,483	397,661	382,550	374,452	365,287	354,004	343,402

Share of stage 3 loans, gross*	2.4%	2.5%	2.6%	2.9%	3.0%	3.3%	-	-	-
Neither past due nor impaired ¹	-	-	-	-	-	-	344,829	333,828	323,075
Past due but not impaired ¹	-	-	-	-	-	-	18,929	18,108	18,473
Individually impaired (gross) ¹	-	-	-	-	-	-	5,539	6,754	7,221
Impairment amount ¹	-	-	-	-	-	-	(4,010)	(4,686)	(5,367)
Total loans to individuals	-	-	-	-	-	-	365,287	354,004	343,402

Ratios:

Provision for losses/Gross impaired loans ¹	-	-	-	-	-	-	98.4%	95.6%	105.0%
Past due loans but not impaired as % of gross loans ¹	-	-	-	-	-	-	5.1%	5.0%	5.3%
Gross impaired loans/Gross loans ¹	-	-	-	-	-	-	1.5%	1.9%	2.1%

* (Gross carrying value of stage 3 loans + gross carrying value of POCI loans in Risk class 4 or lower) / Gross carrying value of loans to customers

¹ Not available following implementation of IFRS 9 in January 2018

Loans to customers - 9 quarter summary

ISK million

30.06.2019 31.03.2019 31.12.2018 30.09.2018 30.06.2018 31.03.2018 31.12.2017 30.09.2017 30.06.2017

Loans to corporates

Overdrafts	18,880	19,082	19,200	18,101	21,125	20,909	18,778	20,745	22,174
Credit cards	1,356	1,294	1,348	1,270	1,262	1,178	1,123	1,177	1,199
Mortgage loans	24,334	24,643	23,417	22,598	21,549	20,448	19,632	18,300	17,810
Other loans	380,705	390,957	395,579	388,299	384,178	373,256	368,312	366,226	357,882
Provision on loans	(7,083)	(6,304)	(6,201)	(7,964)	(6,970)	(7,988)	(8,031)	(9,505)	(8,818)
Total loans to corporates	418,192	429,672	433,343	422,304	421,144	407,803	399,814	396,943	390,247

Neither past due nor impaired ¹	-	-	-	-	-	-	385,197	375,121	370,693
Past due but not impaired ¹	-	-	-	-	-	-	13,655	19,801	17,636
Individually impaired (gross) ¹	-	-	-	-	-	-	7,239	9,349	8,477
Impairment amount ¹	-	-	-	-	-	-	(6,277)	(7,328)	(6,559)
Total loans to individuals	-	-	-	-	-	-	399,814	396,943	390,247

Ratios:

Provision for losses/Gross impaired loans ¹	-	-	-	-	-	-	110.9%	101.7%	104.0%
Past due loans but not impaired as % of gross loans ¹	-	-	-	-	-	-	3.4%	4.9%	4.4%
Gross impaired loans/Gross loans ¹	-	-	-	-	-	-	1.8%	2.3%	2.1%

Loans to corporates specified by sector:

Agriculture and forestry	1.8%	1.8%	1.7%	1.7%	1.7%	1.7%	1.6%	1.6%	1.6%
Services	4.2%	3.8%	3.8%	4.2%	4.5%	4.3%	4.5%	4.4%	4.5%
Financial and insurance activities	8.2%	7.8%	8.7%	8.6%	8.7%	9.2%	8.5%	8.9%	8.5%
Industry, energy and manufacturing	9.4%	8.4%	8.2%	7.8%	7.4%	7.3%	7.4%	7.4%	7.6%
Information and communication technology	4.7%	4.6%	4.8%	5.5%	5.6%	5.1%	5.5%	6.7%	6.9%
Public administration, human health and social activities	1.6%	1.6%	1.6%	1.3%	1.7%	2.2%	2.0%	1.9%	1.9%
Real estate activities and construction	32.8%	34.9%	33.9%	32.0%	32.2%	31.5%	32.1%	31.7%	31.6%
Fishing industry	20.0%	18.7%	19.4%	19.4%	18.3%	19.2%	19.7%	20.0%	20.7%
Transportation	2.9%	2.8%	2.8%	4.1%	4.6%	4.2%	4.3%	3.6%	2.7%
Wholesale and retail trade	14.6%	15.5%	15.2%	15.4%	15.3%	15.3%	14.4%	13.7%	14.0%
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

¹ Not available following implementation of IFRS 9 in January 2018

Capital and Risk Weighted Assets

ISK million

30.06.2019 31.03.2019 31.12.2018 30.09.2018 30.06.2018 31.03.2018 31.12.2017 30.09.2017 30.06.2017

Capital base:

Total equity	195,289	193,054	221,767	214,780	207,631	207,006	225,733	221,709	221,766
Deductions related to the consolidated situation ¹	(9,452)	(8,746)	(8,986)	(8,573)	(8,067)	(7,870)	(8,635)	-	-
Non-controlling interest not eligible for inclusion in CET1 capital	(130)	(130)	(130)	(739)	(741)	(128)	(128)	(174)	(174)
Common Equity Tier 1 capital before regulatory adjustments	185,707	184,178	212,651	205,468	198,823	199,008	216,970	221,535	221,593
Intangible assets	(7,580)	(7,081)	(6,397)	(14,039)	(13,858)	(13,498)	(13,848)	(12,755)	(11,639)
Tax assets	(26)	15	90	623	603	611	450	286	413
Other statutory deductions	(3,075)	(2,022)	(1,347)	(3,893)	(1,216)	(430)	146	(13,725)	(12,158)
Foreseeable dividend	(1,557)	(509)	(9,069)	(2,775)	(12,199)	(975)	(25,000)	-	-
Common equity Tier 1 capital	173,469	174,581	195,928	185,385	172,153	184,716	178,718	195,340	198,209
Non-controlling interest not eligible for inclusion in CET1 capital	130	130	130	739	741	128	128	174	174
Tier 1 capital	173,599	174,711	196,058	186,124	172,894	184,844	178,846	195,514	198,383
Subordinated liabilities	10,763	7,283	6,532	-	-	-	-	-	-
Regulatory adjustment to Tier 2 capital	-	-	-	-	-	-	-	-	-
Other statutory deductions	-	-	-	-	-	-	-	-	-
General credit risk adjustments	-	-	-	-	-	-	3,195	3,950	4,471
Tier 2 Capital	10,763	7,283	6,532	-	-	-	3,195	3,950	4,471
Total Capital base	184,362	181,994	202,590	186,124	172,894	184,844	182,041	199,464	202,854

Risk weighted assets

Credit Risk, loans	606,843	626,603	639,788	646,016	630,789	610,623	605,058	609,235	584,838
Credit Risk, securities and other ²	58,183	52,167	50,112	51,133	50,131	52,976	56,979	56,280	51,636
Counterparty credit risk ²	3,969	4,126	4,405	4,461	4,172	6,009	5,844	6,268	6,721
Market Risk due to currency imbalance	6,125	2,385	4,280	7,305	12,608	8,695	4,895	4,250	2,272
Market Risk Other	14,261	13,744	8,928	9,717	9,666	11,522	5,473	8,237	10,390
Credit valuation adjustment ²	1,840	1,893	2,228	2,235	2,699	3,148	2,506	2,583	2,770
Operational Risk	86,957	86,957	86,957	86,013	86,013	86,013	86,013	86,490	86,490
Total risk weighted assets	778,178	787,875	796,698	806,880	796,078	778,986	766,768	773,343	745,118

Capital and Risk Weighted Assets

ISK million

30.06.2019 31.03.2019 31.12.2018 30.09.2018 30.06.2018 31.03.2018 31.12.2017 30.09.2017 30.06.2017

Capital ratios

CET 1 ratio	21.4%	21.3%	21.2%	21.6%	21.8%	23.6%	23.6%	26.1%	27.4%
Tier 1 ratio	21.4%	21.3%	21.2%	21.4%	21.9%	23.6%	23.6%	26.2%	27.4%
Tier 2 ratio	1.4%	0.9%	0.8%	0.0%	0.0%	0.0%	0.4%	0.5%	0.6%
Capital adequacy ratio	22.8%	22.3%	22.0%	21.4%	21.9%	23.6%	24.0%	26.7%	28.0%

Leverage ratio

On-balance sheet exposures	1,175,769	1,169,764	1,106,368	1,167,238	1,116,222	1,081,484	1,074,207	1,114,525	1,100,729
Derivative exposures	7,251	7,282	8,239	8,279	8,544	10,931	10,957	12,802	9,934
Securities financing transaction exposures	8,547	8,494	8,194	9,382	7,974	8,542	8,925	10,987	9,014
Off-balance sheet exposures	63,260	61,185	68,316	82,415	86,975	88,456	83,058	97,323	86,171
Total exposure	1,254,827	1,246,725	1,191,117	1,267,314	1,219,715	1,189,413	1,177,147	1,235,637	1,205,848
Tier 1 capital	173,599	168,051	168,924	175,385	174,410	180,763	180,763	202,329	204,125
Leverage ratio	13.8%	13.5%	14.2%	13.8%	14.3%	15.4%	15.4%	16.6%	17.2%

Related ratios

RORWA	0.8%	0.5%	1.0%	1.0%	1.3%	1.0%	1.9%	1.8%	2.8%
RWA/Total assets	63.1%	64.4%	68.4%	66.2%	67.8%	68.8%	66.8%	68.4%	67.0%

1) Calculations restated from Q3 2016 using the Group's consolidated situation which excludes insurance companies. The effective capital position of the Group is unaffected as the Pillar 2 capital requirement is adjusted accordingly. Their solvency requirements of insurance companies should be viewed separately.

2) Not disclosed separately in Q2 2016, Q1 2016, Q4 2015

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