

Earnings Press Release, 30 October 2019

## Arion Bank's Q3 2019 financial results

### Net earnings from continuing operations improve substantially from previous year

Arion Bank reported net earnings of ISK 0.8 billion for the third quarter of 2019, compared with ISK 1.1 billion for the same period of 2018. Return on equity was 1.6% for the third quarter of 2019, compared with 2.3% for the same period in 2018.

Net earnings from continuing operations amounted to ISK 3,801 million for the third quarter and ISK 8,849 million for the first nine months of 2019, compared with ISK 1,351 million for the third quarter of 2018 and ISK 6,805 million for the first nine months of 2018. Return on equity from continuing operations was approximately 8.5% for the third quarter of 2019, compared with 6.5% for the first nine months of 2019. The subsidiaries Valitor Holding, Stakksberg and TravelCo are classified as assets held for sale.

Total assets amounted to ISK 1,213 billion at the end of September 2019, compared with ISK 1,164 billion at the end of 2018. Loans to customers decreased by ISK 21.3 billion, or 3%, which is in line with the Bank's strategy to focus on returns rather than the growth of the loan book. Total equity amounted to ISK 196 billion, compared with ISK 201 billion at the end of 2018.

The Bank's capital ratio, including net earnings for the third quarter, at the end of September 2019 was 23.6%, compared with 22.0% at the end of 2018. The CET1 ratio, including net earnings for the third quarter, was 21.6% at the end of September 2019, compared with 21.2% at the end of 2018.

Highlights of the Income Statement and key income related performance indicators:

<i>In ISK millions</i>	<b>Q3 2019</b>	<b>Q3 2018</b>	<b>% diff.</b>
Net interest income	7,382	7,209	2%
Net commission income	2,639	2,686	(2%)
Net insurance income	1,087	984	10%
Net financial income	934	569	64%
Share of profit of associates	30	34	(12%)
Other operating income	272	422	(36%)
<b>Operating income</b>	<b>12,344</b>	<b>11,904</b>	<b>4%</b>
Salaries and related expenses	(4,130)	(3,129)	32%
Other operating expenses	(2,810)	(2,864)	(2%)
<b>Operating expenses</b>	<b>(6,940)</b>	<b>(5,993)</b>	<b>16%</b>
Bank levy	(809)	(937)	(14%)
Net impairment	484	(2,650)	-
<b>Net earnings before income tax</b>	<b>5,079</b>	<b>2,324</b>	<b>119%</b>
Income tax expense	(1,278)	(973)	31%
<b>Net earnings from continuing operations</b>	<b>3,801</b>	<b>1,351</b>	<b>181%</b>
Discontinued operations, net of tax	(3,040)	(202)	-
<b>Net earnings</b>	<b>761</b>	<b>1,149</b>	<b>(34%)</b>

#### KPI's

Return on equity	1.6%	2.3%
Earnings per share (in ISK)	0.42	0.63
Cost to income ratio	56.2%	50.3%

Highlights of the Balance Sheet and key performance indicators:

<i>In ISK millions</i>	<b>30.09.2019</b>	<b>31.12.2018</b>	<b>Diff.</b>	<b>% diff.</b>
Loans to customers	812,481	833,826	(21,345)	(3%)
Other assets	400,674	330,500	70,174	21%
Liabilities	1,017,098	963,468	53,630	6%
Equity	196,056	200,859	(4,803)	(2%)
Loans to Deposits ratio	159.9%	178.9%		
RWA / Total assets	62.2%	68.4%		
CET1 ratio, including net earnings for the third quarter	21.6%	21.2%		



## Benedikt Gíslason, CEO of Arion Bank

“There continue to be positive signs in core operations at Arion Bank. Interest income and income from insurance activities have increased between years and return on equity from continuing operations in the third quarter was 8.5%. Despite these positive developments, Arion Bank’s net earnings for the third quarter are below target owing to a number of factors which the Bank has already reported. The key factors are substantial impairments made in respect of companies held for sale, continuing investments in Valitor’s international business and the recognition of expenses due to organizational changes.

The Bank remains financially robust and the liquidity ratio is strong. The Bank therefore has various opportunities available to it and we have decided to initiate a share buy-back program amounting to ISK 4.5 billion, which will commence on 31 October, and which is designed to reduce the Bank’s equity. Strong liquidity, both in Icelandic króna and foreign currency, also means that the Bank is ideally placed to service its customers and to consider repurchasing older and more expensive wholesale funding.

At the end of the third quarter the Bank announced extensive organizational changes and new focuses in the business. These changes are designed to make the Bank more competitive and to increase return on equity. As a result of the new structure, the total number of employees was reduced by 12% and the number of divisions by two. The Bank’s strategy of offering our customers a diverse range of financial services and being a leading provider of digital financial services remains unchanged. However, there has been a certain shift in focus in terms of financing our corporate clients. Due to high taxes and high capital requirements imposed on financial institutions, it is sometimes cheaper for companies to seek financing from other sources than traditional bank loans. We aim to support these companies by advising them on the best financing options available and developing strong relationships for the future.

Arion Bank has made equality in the workplace a major priority and we have had equal pay certification since 2015. Last year Arion Bank became the first bank to be authorized to use the equal pay symbol of the Ministry of Welfare. Since the Bank was listed on the stock markets in Iceland and in Stockholm a growing number of both Swedish and international analysts have assessed sustainability and equality issues at Arion Bank. Recently Allbright in Sweden reviewed gender representation at all listed companies in Stockholm, a total of 333 organizations, and Arion Bank placed 25th. Although we are proud of this result, we are determined to improve on it.

We recently launched the latest feature in the Arion app, a service bringing the benefits of open banking to our customers. We designed this solution in partnership with the fintech company Meniga and it enables anyone with the Arion app to see their accounts and cards at Arion Bank, Landsbankinn and Íslandsbanki in one place. The information is then collected and sorted to give the user a unique overview over household income and expenditure. The new open banking feature has been received positively by our customers and anybody can download the Arion app and start using this new service immediately.”



## Income statement

<i>In ISK millions</i>	<b>Q3 2019</b>	<b>Q3 2018</b>	<b>% diff.</b>	<b>Q2 2019</b>	<b>% diff.</b>
Net interest income	7,382	7,209	2%	7,808	(5%)
Net commission income	2,639	2,686	(2%)	2,478	6%
Net insurance income	1,087	984	10%	823	32%
Net financial income	934	569	64%	1,023	(9%)
Share of profit of associates	30	34	(12%)	(8)	-
Other operating income	272	422	(36%)	94	189%
<b>Operating income</b>	<b>12,344</b>	<b>11,904</b>	<b>4%</b>	<b>12,218</b>	<b>1%</b>
Salaries and related expenses	(4,130)	(3,129)	32%	(3,805)	9%
Other operating expenses	(2,810)	(2,864)	(2%)	(2,814)	(0%)
<b>Operating expenses</b>	<b>(6,940)</b>	<b>(5,993)</b>	<b>16%</b>	<b>(6,619)</b>	<b>5%</b>
Bank levy	(809)	(937)	(14%)	(912)	(11%)
Net impairment	484	(2,650)	-	(988)	-
<b>Net earnings before income tax</b>	<b>5,079</b>	<b>2,324</b>	<b>119%</b>	<b>3,699</b>	<b>37%</b>
Income tax expense	(1,278)	(973)	31%	(891)	43%
<b>Net earnings from continuing operations</b>	<b>3,801</b>	<b>1,351</b>	<b>181%</b>	<b>2,808</b>	<b>35%</b>
Discontinued operations, net of tax	(3,040)	(202)	-	(715)	-
<b>Net earnings</b>	<b>761</b>	<b>1,149</b>	<b>(34%)</b>	<b>2,093</b>	<b>(64%)</b>

**Operating income** amounted to ISK 12.3 billion for the third quarter of 2019, compared with ISK 11.9 billion for the same period in 2018, an increase of 4%. Net interest income, net insurance income and net financial income developed positively. Net commission income and other operating income decreased between years.

*Net interest income* increased by 2% compared with the same period in 2018 but decreased by 5% compared with the second quarter of 2019. The net interest margin (NIM) as a percentage of average interest-bearing assets was 2.6% during the third quarter of 2019, compared with 2.7% for the third quarter of 2018, mainly due to lower inflation. Effective inflation in the third quarter was 1.8%, compared with 3.5% during the same period in 2018. It must be noted that inflation imbalance (CPI imbalance) decreased by 32% from the same period in 2018, thus reducing the effect on NIM of lower inflation. Average interest-bearing assets decreased by 0.5% during the third quarter of 2019 but increased by 2.9% from the same period of 2018.

*Net commission income* decreased by 2% in the third quarter of 2019 compared with the same period in 2018 but increased by 6% from the second quarter of 2019. The fluctuation in net commission income is mainly due to seasonality in the operation.

*Net insurance income* amounted to ISK 1,087 million, compared with ISK 984 million for the same period of 2018, and ISK 823 million during the second quarter of 2019. Insurance premiums earned at the insurance company Vördur have been increasing, but fluctuations in net insurance income are due to fluctuations in the claim rate. The combined ratio for the third quarter of 2019 was the same as for the third quarter of 2018, or 80.0%.

*Net financial income* is positive by ISK 934 million, compared with ISK 569 million for the third quarter of 2018 and ISK 1,023 million for the second quarter of 2019. Net financial income is positively affected by FX gain in Q3 2019, although the markets conditions were generally weak, especially the equity market. In general, returns on bonds and equity holdings have been positive in recent years.

*Other operating income* was ISK 272 million during the third quarter of 2019, compared with ISK 422 million during the same period in 2018 and ISK 94 million during the second quarter of 2019. Fair value changes on investment property and profit from sale of fixed assets are the main reason for the fluctuations between quarters.

**Operating expenses** amounted to ISK 6,940 million during the third quarter of 2019, including ISK 1,079 million of redundancy payments, compared with ISK 5,993 million in the same period in 2018 and ISK 6,619 million during the second quarter of 2019. The Bank's cost-to-income ratio was 56.2% for the third quarter and 53.3% excluding the effects of the redundancy payments, compared with 50.3% for the same period in 2018 and 54.2% during the second quarter of 2019. The cost-to-total assets ratio was 2.3% for the third quarter, compared with 2.0% during the third quarter of 2018 and 2.2% for the second quarter of 2019.

*Salaries and related expenses* amounted to ISK 4,130 million for the third quarter of 2019, an increase of 32% compared with the same period of 2018 and 9% increase compared with the second quarter of 2019. At the end of September 2019 organizational changes were introduced resulting in a 12% reduction in the number of employees, or approximately 100 people. Salary and salary related expenses of ISK 1,079 million were expensed in the third quarter of 2019 in respect of the redundancies. Expected cost savings are approximately ISK 300 million per quarter going forward, starting in the fourth quarter of 2019. Full-time equivalent positions (FTEs) at the end of the period totalled 802 for the Group, a decrease of 14% from the same period in 2018 and 11% decrease from year-end



2018. FTEs at the end of the period totalled 689 at the Bank, 16% fewer than in the same period in 2018 and 13% fewer than at year-end 2018.

*Other operating expenses* amounted to ISK 2,810 million during the third quarter of 2019, compared with ISK 2,864 million during the same period in 2018 and ISK 2,814 million during the second quarter of 2019. There is a 2% decrease between years, mainly in professional services and housing.

*Net impairment* was positive by ISK 484 million during the third quarter of 2019, compared with a negative net impairment of ISK 2,650 million in the same period in 2018 and ISK 988 million in the second quarter of 2019. Positive net impairment in the third quarter of 2019 is mainly due to prepayments of loans and lower unemployment rate expectations than anticipated, positively affecting the IFRS 9 stage 1 and 2 impairment models.

*Income tax* amounted to ISK 1,278 million during the third quarter of 2019, compared with ISK 973 million in the same period in 2018 and ISK 891 million during the second quarter of 2019. Income tax, as reported in the financial statements, comprises 20% income tax on earnings and a special 6% financial tax on the earnings of financial undertakings of more than ISK 1 billion. The effective income tax rate was 25.2% for the third quarter of 2019, compared with 45.9% during the same period of 2018. The combination of income is the main driver for the shift in the effective tax rate.

*Discontinued operations, net of tax*, were negative by ISK 3,040 million during the third quarter of 2019, compared with a loss of ISK 202 million for the same period in 2018 and a loss of ISK 715 million in the second quarter of 2019. The main reasons for significant negative results of discontinued operations for the third quarter of 2019 are valuation changes of assets held by Stakksberg and TravelCo and continued investments in Valitor's international growth.

The operating results of the subsidiaries Valitor Holding hf., Stakksberg ehf. and TravelCo hf. are presented as discontinued operations as they are all held for sale.

- Valitor Holding is an international payments company, with operations primarily in Iceland, the UK and the Nordic countries, and comprises both card acquiring services and card issuing services. Valitor became a subsidiary of Arion Bank in 2010. The sales process of Valitor is ongoing but is taking more time than originally anticipated. At the end of September the net book value of Valitor was ISK 11.7 billion.
- Stakksberg's operations comprises a silicon production plant which commenced operations in 2016. In 2017 Arion Bank acquired the company, United Silicon, as a result of a loan restructuring process and at a later stage Arion Bank's subsidiary, Stakksberg, took over the operations of United Silicon. At the end of September the net book value of Stakksberg was ISK 5.5 billion (EUR 41.0 million).
- TravelCo was established following the collapse of Primera Air and owns and runs tour operators in Scandinavia and Iceland. In June 2019 Arion Bank acquired all shares in TravelCo following the enforcement of pledges.



## First nine months of 2019

<i>In ISK millions</i>	<b>9M 2019</b>	<b>9M 2018</b>	<b>% diff.</b>
Net interest income	22,624	21,350	6%
Net commission income	7,335	7,603	(4%)
Net insurance income	2,163	1,885	15%
Net financial income	2,723	3,075	(11%)
Share of profit of associates	750	16	-
Other operating income	677	1,290	(48%)
<b>Operating income</b>	<b>36,272</b>	<b>35,219</b>	<b>3%</b>
Salaries and related expenses	(11,565)	(10,694)	8%
Other operating expenses	(8,855)	(8,985)	(1%)
<b>Operating expenses</b>	<b>(20,420)</b>	<b>(19,679)</b>	<b>4%</b>
Bank levy	(2,627)	(2,620)	0%
Net impairment	(1,585)	(2,951)	(46%)
<b>Net earnings before income tax</b>	<b>11,640</b>	<b>9,970</b>	<b>17%</b>
Income tax expense	(2,791)	(3,165)	(12%)
<b>Net earnings from continuing operations</b>	<b>8,849</b>	<b>6,805</b>	<b>30%</b>
Discontinued operations, net of tax	(4,974)	(645)	671%
<b>Net earnings</b>	<b>3,875</b>	<b>6,160</b>	<b>(37%)</b>
<b>KPI's</b>			
Return on equity	2.6%	3.9%	
Earnings per share (in ISK)	2.14	3.00	
Cost to income ratio	56.3%	55.9%	

*Net earnings* during the first nine months of 2019 were significantly lower than during the same period in 2018, with return on equity 2.6%, compared with 3.9% for the first nine months of 2018. Earnings from continuing operations, however, improved by 30%, with return on equity of 6.5%.

*Net interest income* for the first nine months of 2019 increased by 6% compared with the first nine months of 2018. *Net interest margin* was equal for the first nine months of 2019 and 2018, or 2.7%. *Net financial income* decreased by 11% compared with last year but net financial income for the first nine months of 2018 was positively affected by market changes in equity holdings, mainly from sale redemption (Refresco) and changes in holdings of listed and unlisted equity. *Share of profit of associates* is positively affected by the sale of the associate Farice in 2019. *Other operating income* decreased between years mainly because of higher fair value changes in 2018.

*Operating expenses* increased by 4% between the first nine months of 2019 and the same period last year and is significantly affected by the organizational changes in September 2019 and the corresponding staff reduction. *Net impairment* was significant for the first six months of 2019 but was partly offset by positive net impairment in the third quarter of 2019. Net impairment was affected by the bankruptcy of WOW Air as well as the operational difficulties at TravelCo. *Income tax expense* was 12% lower during the first nine months of 2019 compared with the same period in 2018, mainly due to the different combination of income during the period.

The loss from *discontinued operations* increased significantly during the first nine months of 2019, compared with the same period in 2018. The main reason for significant negative results of discontinued operations for the first nine months of 2019 is due to the valuation change of assets held by Stakksberg and TravelCo and continued investments in Valitor's international growth.



## Balance sheet

Arion Bank's **total assets** increased by 4% from year-end 2018.

<i>In ISK millions</i>	<b>30.09.2019</b>	<b>31.12.2018</b>	<b>Diff.</b>	<b>% diff.</b>	<b>30.06.2019</b>	<b>% diff.</b>
Cash & balances with CB	121,554	83,139	38,415	46%	107,649	13%
Loans to credit institutions	31,766	56,322	(24,556)	(44%)	69,064	(54%)
Loans to customers	812,481	833,826	(21,345)	(3%)	821,731	(1%)
Financial assets	161,781	114,557	47,224	41%	144,161	12%
Investment property	7,121	7,092	29	0%	7,120	0%
Investments in associates	848	818	30	4%	818	4%
Intangible assets	8,088	6,397	1,691	26%	7,580	7%
Assets and disposal groups held for sale	52,164	48,584	3,580	7%	55,109	(5%)
Other assets	17,353	13,592	3,761	28%	20,187	(14%)
<b>Total assets</b>	<b>1,213,155</b>	<b>1,164,327</b>	<b>48,828</b>	<b>4%</b>	<b>1,233,419</b>	<b>(2%)</b>

*Cash and balances with the Central Bank* and *Loans to credit institutions* increased in total by ISK 13,859 million from year-end 2018 but decreased by ISK 23,393 million from the end of the second quarter of 2019. The liquidity position during the year has been unusually high due to prepayments in the loan book, the increased deposit base and new issuance, mainly in subordinated liabilities. The Bank is preparing for further prepayments of unfavorable borrowings and the ongoing optimization of the capital structure.

*Loans to customers* totalled ISK 812,481 million at the end of the period, representing a 3.0% decrease from year-end 2018 and a 1.0% decrease from the end of the second quarter of 2019. The strategic focus on return rather than growth is the main reason for this decrease, and the Icelandic economy is also stabilizing following a significant period of growth during the last few years. The decrease was mainly related to corporates in wholesale and retail trade and real estate sectors and lower level of financial and insurance activities.

*Financial assets* amounted to ISK 161,781 million at the end of the period, compared with ISK 114,557 million at the end of 2018. The combination of securities held by the Bank, especially bond holdings, is closely related to the liquidity position at any given time.

<i>In ISK millions</i>	<b>30.09.2019</b>	<b>31.12.2018</b>	<b>Diff.</b>	<b>% diff.</b>	<b>30.06.2019</b>	<b>% diff.</b>
Bonds	115,386	71,451	43,935	61%	94,570	22%
Shares and instruments w. variable income	19,182	20,265	(1,083)	(5%)	19,569	(2%)
Derivatives	6,244	6,241	3	0%	7,035	(11%)
Securities used for hedging	20,969	16,600	4,369	26%	22,987	(9%)
<b>Securities total</b>	<b>161,781</b>	<b>114,557</b>	<b>47,224</b>	<b>41%</b>	<b>144,161</b>	<b>12%</b>

*Assets and disposal groups held for sale* amounted to ISK 52,164 million at the end of the period, compared with ISK 48,584 million at year-end 2018 and ISK 55,109 million at the end of the second quarter. The subsidiaries Valitor Holding ehf., Stakksberg ehf. and TravelCo hf. are classified as held for sale. The total assets of Valitor were ISK 36,966 million at the end of the period.

**Liabilities** increased by 4% from year-end 2018. **Equity** decreased due to a dividend payment in 2019, totalling ISK 9.1 billion, net of own shares. Net earnings for the period partly offset the decrease.

<i>In ISK millions</i>	<b>30.09.2019</b>	<b>31.12.2018</b>	<b>Diff.</b>	<b>% diff.</b>	<b>30.06.2019</b>	<b>% diff.</b>
Due to credit institutions & CB	8,292	9,204	(912)	(10%)	8,703	(5%)
Deposits from customers	508,254	466,067	42,187	9%	504,897	1%
Financial liabilities at fair value	2,295	2,320	(25)	(1%)	2,065	11%
Other liabilities	43,976	35,226	8,750	25%	42,563	3%
Borrowings	409,563	417,782	(8,219)	(2%)	436,897	(6%)
Subordinated liabilities	15,042	6,532	8,510	130%	10,763	40%
Liabilities associated w. disposal groups HFS	29,677	26,337	3,340	13%	32,242	(8%)
Shareholders equity	195,926	200,729	(4,803)	(2%)	195,159	0%
Non-controlling interest	130	130	0	0%	130	0%
<b>Total liabilities and equity</b>	<b>1,213,155</b>	<b>1,164,327</b>	<b>48,828</b>	<b>4%</b>	<b>1,233,419</b>	<b>(2%)</b>

*Deposits from customers* amounted to ISK 508,254 million at the end of September 2019 and had increased by 9% from year-end 2018 and 1% from the end of the second quarter of 2019. Deposits remain the most important source of funding for Arion Bank.

*Borrowings* amounted to ISK 409,563 million at the end of September 2019, a 2% decrease from year-end 2018 and a 6% decrease from the end of the second quarter of 2019 following payments of EMTN issuance from 2016



and a prepayment of ISK 12 billion on the structured covered bonds program. The Bank issued covered bonds to finance mortgages in the Icelandic market, totalling ISK 7.0 billion during the third quarter, as well as other smaller issuances. The Bank does not plan further wholesale funding in 2019.

*Subordinated liabilities* amounted to ISK 15,042 million at the end of September 2019, compared with ISK 6,532 million at the end of 2018. The Bank issued Tier 2 subordinated bonds for the total amount of ISK 4.8 billion during the third quarter, and the total issued Tier 2 bonds reflects 2.0% additional capital. In June 2019 the Bank received a tax ruling from the Icelandic tax office stating that coupons on AT1 issue will not be deductible. The Bank is currently evaluating its options regarding AT1 issuance and is optimistic that tax complications will be resolved in the coming months.

*Shareholders' equity* amounted to ISK 195,926 million at the end of September 2019, compared with ISK 200,729 million at the end of 2018. The decrease is explained by a dividend payment of ISK 9.1 billion, which is partly offset by an increase in equity due to the financial results for the period. The CET1 ratio, including net earnings for the third quarter, was 21.6% at the end of September, compared with 21.2% at year-end 2018.

For detailed information on the accounts please refer to Arion Bank's Consolidated Interim Financial Statements for the first nine months of 2019 on the Bank's website, [www.arionbanki.is](http://www.arionbanki.is).

## Key performance indicators

	Q3 2019	Q3 2018	9M 2019	9M 2018
Return on equity (ROE)	1.6%	2.3%	2.6%	3.9%
Return on equity from continuing operations	8.5%	6.0%	6.5%	10.0%
Return on total assets (ROA)	0.2%	0.4%	0.4%	0.7%
Net interest margin (int. bearing assets)	2.6%	2.7%	2.7%	2.7%
Net interest margin (total assets)	2.4%	2.4%	2.5%	2.4%
Cost-to-income ratio	56.2%	50.3%	56.3%	55.9%
Cost-to-Total assets ratio	2.3%	2.0%	2.3%	2.2%
Effective tax rate	25.2%	45.9%	24.0%	33.7%
CAD ratio, including net earnings for the third quarter	23.6%	21.7%	23.6%	21.7%
CET1 ratio, including net earnings for the third quarter	21.6%	21.6%	0.6%	21.6%
Share of stage 3 loans, gross	2.5%	2.9%	2.5%	2.9%
RWA/Total assets	62.2%	66.2%	62.2%	66.2%
Loans to deposit ratio	159.9%	169.2%	159.9%	169.2%
The Group's employees at the end of the period	802	933	802	933
The Parent's employees at the end of the period	689	822	689	822

## Arion Bank prepays covered bonds in October 2019

In October, Arion Bank paid in full the structured covered bond issuance (Arion CB2) in the amount of ISK 62 billion, which was largely owned by the Housing Financing Fund (HFF). At the same time, the Bank sold a mortgage loan portfolio amounting to ISK 48 billion to the HFF.

The Bank's customers will not be affected by HFF's acquisition and Arion Bank will continue to service and administer the loans.

The prepayment of the bond will have a positive impact on the Bank's earnings in the fourth quarter 2019 amounting to ISK 1.3 billion, net of tax. This is mostly due to the realization of discounts in Q4 2019 that would otherwise have been recognized following a prepayment of the mortgages or during the time until the mortgages mature and to the lower bank levy for 2019.

## Share buy-back programs launched

As previously announced in a press release on 26 September 2019, the Board of Directors of Arion Bank has authorized the management of the Bank to initiate share buy-back programs in Iceland and Sweden ("the Programs") to purchase own shares (including in the form of SDRs). The Programs will be managed by Kvika Bank hf. in Iceland and Nordea Bank Abp in Sweden and will both be launched on 31 October 2019.



## Financial targets

Arion Bank's medium-term targets are as follows:

<b>Return on Equity</b>	Exceed 10%
<b>Revenues / RWA's</b>	Exceed 6.5%
<b>Cost to Income Ratio</b>	Decrease to circa 50%
<b>Loan growth</b>	The loan book will grow in line with economic growth. However, the corporate loan book will continue to decrease at the current rate over the next few quarters as non-core portfolio is reduced.
<b>CET1 Ratio</b>	Decrease to circa 17%
<b>Dividend policy / Share buy back</b>	Pay-out ratio of approximately 50% of net earnings attributable to shareholders through either dividends or buy back 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.

## Webcast for market participants

Arion Bank will be hosting a meeting / webcast on Thursday 31 October at 8:30 GMT (9:30 CET) where CEO Benedikt Gíslason, CFO Stefán Pétursson, deputy CFO Eggert Teitsson and Head of Investor Relations Theodór Fridbertsson will present the results and answer questions from participants. The meeting will take place in English at the Bank's headquarters, Borgartún 19, and will be streamed live.

Those attending the meeting in Borgartún 19 need to register [here](#). To participate in the webcast via telephone and to put forward questions please call in using the relevant number indicated below before the start of the webcast:

IS: +354 800 7508  
SE: +46 850 558 356  
UK: +44 33 3300 9270  
US: +1 83 3823 0587

The webcast will be accessible live on [financialhearings.com](http://financialhearings.com) and a link will also be made available on the Bank's website under Investor Relations.

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## Financial calendar 2019

The Bank's Financial Statements are scheduled for publication as stated below. The calendar may be subject to change.

Full year 2019 and fourth quarter 2019	12 February 2020
AGM	17 March 2020
First quarter 2020	6 May 2020
Second quarter 2020	29 July 2020
Third quarter 2020	28 October 2020

*This is information that Arion Bank hf. is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication through the agency of the contact persons set out above.*

## 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.