



Arion Bank
Factbook
30 September 2019

KFI - 5 years

ISK million

9M 2019 9M 2018 9M 2017 9M 2016 9M 2015

Profitability

Return on equity	2.6%	3.9%	6.3%	11.4%	19.8%
Return on assets	0.4%	0.7%	1.2%	2.3%	3.5%
Return on risk-weighted-assets	0.7%	1.0%	1.8%	3.1%	5.1%
Earnings per share	2.14	3.33	5.17	8.52	12.78
Earnings per share from continuing operations	4.88	3.68	4.87	8.23	12.64

Net interest margin

Net interest margin on interest bearing assets	2.7%	2.7%	2.9%	3.1%	3.0%
Net interest margin on total assets	2.5%	2.4%	2.6%	2.9%	2.8%

Efficiency

Cost-to-income ratio	56.3%	55.9%	47.2%	55.3%	38.2%
Cost-to-total assets ratio	2.3%	2.2%	2.0%	2.9%	2.6%
Number of FTE 's at year end	802	933	950	1,189	1,151

Asset quality

Share of stage 3 loans, gross*	2.5%	2.9%	-	-	-
Problem loans ¹	-	-	1.4%	2.0%	3.2%
Provision for losses/Gross impaired loans ¹	-	-	74.6%	78.1%	66.2%
Gross impaired loans/Gross loans ¹	-	-	2.1%	3.6%	4.4%
Past due loans but not impaired as % of gross loans ¹	-	-	5.0%	5.8%	6.9%
Risk weighted assets / Total assets	62.2%	66.2%	68.4%	73.2%	73.3%

Financial strength

Equity as % of total assets	16.2%	16.4%	19.4%	19.9%	17.3%
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Liquidity

Liquidity coverage ratio (LCR)	246.4%	169.1%	228.6%	194.1%	145.0%
Loans-to-deposits ratio	159.9%	169.2%	168.4%	165.7%	134.9%
Loans-to-deposits ratio (without covered bonds)	118.8%	130.2%	129.4%	129.3%	108.6%
Deposits from customers as % of total funding	54.9%	52.4%	52.3%	55.9%	65.2%
Covered bonds as % of total funding	22.5%	20.4%	20.4%	20.4%	17.2%

Capital

CET 1 ratio	21.6%	21.6%	26.6%	25.5%	22.0%
Tier 1 ratio	21.5%	21.4%	26.9%	25.5%	22.2%
Tier 2 ratio	2.0%	0.0%	0.2%	0.6%	1.3%
Capital adequacy ratio	23.5%	21.4%	27.1%	26.1%	23.5%
Leverage ratio	12.8%	13.6%	16.8%	17.4%	15.0%

* (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

Income statement - 5 year summary

ISK million

	9M 2019	9M 2018	9M 2017	9M 2016	9M 2015
Interest income	45,001	42,967	42,484	46,246	42,808
Interest expense	(22,377)	(21,617)	(20,628)	(24,188)	(22,521)
Net interest income	22,624	21,350	21,856	22,058	20,287
Fee and commission income	8,425	8,593	8,144	17,439	15,609
Fee and commission expense	(1,090)	(990)	(1,057)	(7,226)	(4,883)
Net fee and commission income	7,335	7,603	7,087	10,213	10,726
Net insurance income	2,163	1,885	1,769	664	545
Net financial income	2,723	3,076	2,490	4,339	10,175
Share of profit of associates	750	16	(917)	711	6,956
Other operating income	677	1,290	2,431	2,377	2,083
Other net operating income	6,313	6,267	5,773	8,091	19,759
Operating income	36,272	35,220	34,716	40,362	50,772
Salaries and related expense	(11,565)	(10,694)	(10,141)	(12,252)	(10,321)
Other operating expenses	(8,855)	(8,985)	(6,309)	(10,078)	(9,066)
Operating expenses	(20,420)	(19,679)	(16,450)	(22,330)	(19,387)
Bank Levy	(2,627)	(2,620)	(2,388)	(2,190)	(2,168)
Net impairment	(1,585)	(2,951)	(1,192)	6,827	(115)
Earnings before tax	11,640	9,970	14,686	22,669	29,102
Income tax expense	(2,791)	(3,165)	(4,009)	(5,404)	(3,569)
Net earnings from continuing operations	8,849	6,805	10,677	17,265	25,533
Net gain (loss) from discontinued operations, net of tax	(4,974)	(645)	(324)	-	(140)
Net earnings	3,875	6,160	10,353	17,265	25,393
Attributable to					
Shareholders of Arion Bank	3,875	5,549	10,349	16,774	25,556
Non-controlling interest	-	611	3	485	(162)
Total comprehensive income	3,875	6,160	10,352	17,259	25,394
Earnings per share					
Basic and diluted earnings per share attributable to the shareholders of Arion Bank (ISK)	2.14	3.33	5.17	8.52	12.78

Balance sheet - 5 year summary

ISK million

30.09.2019 31.12.2018 31.12.2017 31.12.2016 31.12.2015

Assets

Cash and balances with Central Bank	121,554	83,139	139,819	87,634	48,102
Loans to credit institutions	31,766	56,322	86,609	80,116	87,491
Loans to customers	812,481	833,826	765,101	712,422	680,350
Financial instruments	161,781	114,557	109,450	117,456	133,191
Investment property	7,121	7,092	6,613	5,358	7,542
Investments in associates	848	818	760	839	27,299
Intangible assets	8,088	6,397	13,848	11,057	9,285
Tax assets	1	90	450	288	205
Asset and disposal groups held for sale	52,164	48,584	8,138	4,418	5,082
Other assets	17,351	13,502	16,966	16,436	12,496

Total assets

1,213,155 1,164,327 1,147,754 1,036,024 1,011,043

Liabilities

Due to credit institutions and Central Bank	8,292	9,204	7,370	7,987	11,387
Deposits	508,254	466,067	462,161	412,064	469,347
Financial liabilities at fair value	2,295	2,320	3,601	3,726	7,609
Tax liabilities	3,766	5,119	6,828	7,293	4,922
Liabilities associated with disposal groups held for sale	29,677	26,337	-	-	-
Other liabilities	40,210	30,107	57,062	54,094	49,461
Borrowings	409,563	417,782	384,998	339,476	256,058
Subordinated liabilities	15,042	6,532	-	-	10,365

Total liabilities

1,017,099 963,468 922,020 824,640 809,149

Equity

Share capital and share premium	59,000	59,010	75,861	75,861	75,861
Other reserves	10,919	14,822	16,774	19,761	4,547
Retained earnings	126,007	126,897	132,971	115,590	112,378

Total shareholders equity

195,926 200,729 225,606 211,212 192,786

Non-controlling interest

130 130 128 172 9,108

Total equity

196,056 200,859 225,734 211,384 201,894

Total liabilities and equity

1,213,155 1,164,327 1,147,754 1,036,024 1,011,043

Net interest income - 5 year summary

ISK million	9M 2019	9M 2018	9M 2017	9M 2016	9M 2015
Interest income					
Cash and balances with Central bank	3,092	3,636	4,957	3,249	467
Loans	40,892	38,639	35,742	39,097	39,102
Securities	892	480	1,624	3,401	2,593
Other	125	212	161	499	646
Interest income	45,001	42,967	42,484	46,246	42,808
Interest expense					
Deposits	(9,502)	(9,725)	(9,682)	(12,521)	(11,968)
Borrowings	(12,517)	(11,784)	(10,913)	(11,054)	(9,855)
Subordinated liabilities	(267)	-	-	(529)	(603)
Other	(91)	(108)	(33)	(84)	(95)
Interest expense	(22,377)	(21,617)	(20,628)	(24,188)	(22,521)
Net interest income	22,624	21,350	21,856	22,058	20,287
Interest bearing assets					
Cash and balances with Central Bank	121,554	99,525	132,316	85,645	73,289
Loans	844,247	943,411	845,189	784,163	772,134
Securities	132,708	79,856	75,889	86,198	72,934
Interest bearing assets	1,098,509	1,122,792	1,053,394	956,006	918,358
Interest bearing liabilities					
Due to credit institutions and Central Bank	8,292	15,370	7,097	9,375	11,470
Deposits	508,254	484,569	445,981	431,929	503,155
Financial liabilities at fair value	2,295	3,381	3,551	5,097	5,511
Borrowings	409,563	425,601	400,400	326,754	248,172
Subordinated liabilities	15,042	-	-	-	10,378
Interest bearing liabilities	943,446	928,921	857,028	773,155	778,687
Interest Gap	155,063	193,871	196,366	182,851	139,671
Net interest margin on interest bearing assets	2.7%	2.7%	2.9%	3.1%	3.0%

Loans to customers - 5 year summary

ISK million

30.09.2019 31.12.2018 31.12.2017 31.12.2016 31.12.2015

Loans to customers

Individuals	408,925	400,483	365,287	337,416	324,619
Corporates	403,556	433,343	399,814	375,006	355,731
Total loans to customers	812,481	833,826	765,101	712,422	680,350

Loans to individuals

Overdrafts	16,081	14,536	14,469	14,805	16,840
Credit cards	12,650	12,958	11,133	11,363	10,842
Mortgage loans	349,673	343,119	311,507	285,784	271,895
Other loans	33,604	33,560	33,629	34,777	38,058
Provision on loans	(3,083)	(3,690)	(5,451)	(9,313)	(13,016)
Total loans to individuals	408,925	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*	2.5%	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

30.09.2019 31.12.2018 31.12.2017 31.12.2016 31.12.2015

Loans to corporates

Overdrafts	17,714	19,200	18,778	19,314	24,248
Credit cards	1,367	1,348	1,123	1,180	1,054
Mortgage loans	23,765	23,417	19,632	16,298	12,889
Other loans	367,221	395,579	368,312	351,739	334,849
Provision on loans	(6,511)	(6,201)	(8,031)	(13,525)	(17,309)
Total loans to corporates	403,556	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	4.3%	3.8%	4.5%	4.6%	5.6%
Financial and insurance activities	7.6%	8.7%	8.5%	9.3%	9.4%
Industry, energy and manufacturing	10.2%	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	1.7%	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	20.1%	19.4%	19.7%	20.4%	21.3%
Transportation	2.8%	2.8%	4.3%	1.7%	1.7%
Wholesale and retail trade	13.9%	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

30.09.2019 31.12.2018 31.12.2017 31.12.2016 31.12.2015

Capital base:

Total equity	196,056	200,859	225,734	211,384	201,895
Deductions related to the consolidated situation ¹	(9,927)	(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	185,999	191,743	216,971	203,086	192,786
Intangible assets	(14,117)	(12,152)	(11,125)	(8,201)	(9,285)
Tax assets	(151)	(191)	(357)	(198)	(205)
Foreseeable dividend and interim profit not eligible for inclusion	(6,057)	(9,069)	(25,000)	-	-
Other statutory deductions	(3,255)	(9,069)	146	(149)	(3,151)
Common equity Tier 1 capital	162,419	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	162,549	168,924	180,763	194,710	189,254
Subordinated liabilities	15,042	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	15,042	6,532	3,195	4,557	6,476
Total Capital base	177,591	175,456	183,958	199,267	195,729

Risk weighted assets

Credit Risk, loans	590,880	639,788	605,058	577,470	681,034
Credit Risk, securities and other ²	54,705	50,112	56,979	55,036	-
Counterparty credit risk ²	3,457	4,405	5,844	5,550	-
Market Risk due to currency imbalance	5,127	4,280	4,895	5,449	38,401
Market Risk Other	11,168	8,928	5,473	12,966	7,035
Credit valuation adjustment ²	2,863	2,228	2,506	2,678	-
Operational Risk	86,957	86,858	86,013	86,490	81,441
Total risk weighted assets	755,157	796,599	766,768	745,639	807,911

Capital ratios

CET 1 ratio	21.6%	21.2%	23.6%	26.1%	22.3%
Tier 1 ratio	21.5%	21.2%	23.6%	26.1%	23.4%
Tier 2 ratio	2.0%	0.8%	0.4%	0.6%	0.8%
Capital adequacy ratio ³	23.6%	22.0%	24.0%	26.7%	24.2%

Leverage ratio

On-balance sheet exposures	1,152,208	1,106,368	1,074,207	995,063	982,348
Derivative exposures	8,858	8,239	10,957	8,226	3,789
Securities financing transaction exposures	8,436	8,194	8,925	9,330	16,287
Off-balance sheet exposures	103,916	68,316	83,058	83,156	127,675
Total exposure	1,273,418	1,191,117	1,177,147	1,095,775	1,130,099
Tier 1 capital	162,549	168,924	180,763	194,710	189,254
Leverage ratio	12.8%	14.2%	15.4%	17.8%	16.7%

Related ratios

RORWA	0.7%	1.0%	1.9%	2.9%	6.7%
RWA/Total assets	62.2%	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

3) Including interim profit not eligible for inclusion

Arion Bank Factbook

Quarter summaries

30 September 2019



KFI - 9 Quarters

ISK million

	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017
Profitability									
Return on equity	1.6%	4.3%	2.1%	3.2%	2.3%	5.9%	3.6%	7.3%	(0.2%)
Return on assets	0.2%	0.7%	0.3%	0.5%	0.4%	1.1%	0.7%	1.4%	(0.0%)
Return on risk-weighted-assets	0.4%	1.1%	0.5%	0.8%	0.6%	1.6%	1.0%	2.1%	(0.1%)
Earnings per share	0.42	1.16	0.56	0.87	0.63	1.35	1.01	2.02	(0.06)
Earnings per share from continuing operations	2.10	1.55	1.23	1.56	0.74	1.36	0.95	2.13	(0.06)
Net interest margin									
Net interest margin on interest bearing assets	2.6%	2.8%	2.7%	2.9%	2.7%	2.8%	2.7%	2.7%	2.7%
Net interest margin on total assets	2.4%	2.5%	2.5%	2.7%	2.4%	2.5%	2.4%	2.5%	2.5%
Efficiency									
Cost-to-income ratio	56.2%	54.2%	58.6%	60.3%	50.3%	55.4%	62.5%	53.0%	59.9%
Cost-to-total assets ratio	2.3%	2.2%	2.3%	2.2%	2.0%	2.4%	2.4%	2.2%	2.1%
Number of FTE´s at year end	802	880	917	904	933	966	956	941	950
Asset quality									
Share of stage 3 loans, gross*	2.5%	2.4%	2.5%	2.6%	2.9%	3.0%	3.3%	-	-
Problem loans ¹	-	-	-	-	-	-	-	1.0%	1.4%
Provision for losses/Gross impaired loans ¹	-	-	-	-	-	-	-	80.5%	74.6%
Gross impaired loans/Gross loans ¹	-	-	-	-	-	-	-	1.6%	2.1%
Past due loans but not impaired as % of gross loans ¹	-	-	-	-	-	-	-	4.2%	5.0%
Risk weighted assets / Total assets	62.2%	63.1%	64.4%	68.4%	66.2%	67.8%	68.8%	66.8%	68.4%

* (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

KFI - 9 Quarters

ISK million

	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017
Financial strength									
Equity as % of total assets	16.2%	15.8%	15.8%	17.3%	16.4%	17.7%	18.0%	19.7%	19.4%
Liquidity									
Liquidity coverage ratio (LCR)	246.4%	198.0%	213.0%	164.4%	169.1%	231.7%	209.9%	221.0%	228.6%
Loans-to-deposits ratio	159.9%	162.8%	169.1%	178.9%	169.2%	168.8%	172.7%	165.5%	168.4%
Loans-to-deposits ratio (without covered bonds)	118.8%	119.3%	125.1%	135.7%	130.2%	130.3%	134.4%	129.0%	129.4%
Deposits from customers as % of total funding	54.9%	53.1%	51.9%	52.2%	52.4%	53.3%	52.6%	54.1%	52.3%
Covered bonds as % of total funding	22.5%	23.1%	22.8%	22.5%	20.4%	20.5%	20.1%	19.8%	20.4%
Capital									
Official CET 1 ratio	21.5%	21.4%	21.3%	21.2%	21.6%	21.8%	23.6%	23.6%	26.6%
Tier 1 ratio	21.5%	21.4%	21.3%	21.2%	21.7%	21.9%	23.6%	23.6%	26.9%
Tier 2 ratio	2.0%	1.4%	0.9%	0.8%	0.0%	0.0%	0.0%	0.4%	0.5%
Official capital adequacy ratio	23.5%	22.8%	22.2%	22.0%	21.7%	21.9%	23.6%	24.0%	27.4%
Leverage ratio	12.8%	13.3%	13.5%	14.2%	13.8%	14.3%	15.4%	15.4%	16.8%

Income statement - 9 quarter summary

ISK million

	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017
Interest income	13,854	16,463	14,684	16,349	14,933	13,990	14,044	13,545	13,199
Interest expense	(6,472)	(8,655)	(7,250)	(8,380)	(7,724)	(6,676)	(7,217)	(6,481)	(6,166)
Net interest income	7,382	7,808	7,434	7,969	7,209	7,314	6,827	7,064	7,033
Fee and commission income	2,965	2,830	2,629	3,064	2,990	3,028	2,575	3,475	2,843
Fee and commission expense	(326)	(352)	(412)	(318)	(304)	(316)	(370)	(351)	(364)
Net fee and commission income	2,639	2,478	2,217	2,746	2,686	2,712	2,205	3,124	2,479
Net insurance income	1,087	823	766	(774)	984	1,119	1,387	1,555	(687)
Net financial income	934	1,023	253	704	569	758	143	324	716
Share of profit of associates	30	(7)	727	11	34	2	(20)	(10)	17
Other operating income	272	95	310	294	422	600	268	90	345
Other net operating income	2,323	1,934	2,056	235	2,009	2,479	1,778	1,959	391
Operating income	12,344	12,220	11,707	10,950	11,904	12,505	10,810	12,147	9,903
Salaries and related expense	(4,130)	(3,805)	(3,630)	(3,584)	(3,129)	(3,949)	(3,616)	(3,461)	(3,054)
Other operating expenses	(2,810)	(2,813)	(3,232)	(3,015)	(2,864)	(2,978)	(3,143)	(2,982)	(2,877)
Operating expenses	(6,940)	(6,618)	(6,862)	(6,599)	(5,993)	(6,927)	(6,759)	(6,443)	(5,931)
Bank Levy	(809)	(912)	(906)	(765)	(937)	(879)	(804)	(784)	(814)
Net impairment	484	(988)	(1,081)	(573)	(2,650)	(166)	(135)	1,504	(2,500)
Earnings before tax	5,079	3,702	2,858	3,013	2,324	4,533	3,112	6,424	658
Income tax expense	(1,278)	(891)	(622)	(881)	(973)	(1,302)	(890)	(1,957)	(713)
Net earnings from continuing operations	3,801	2,811	2,236	2,132	1,351	3,231	2,222	4,467	(55)
Net gain (loss) from discontinued operations, net of tax	(3,040)	(715)	(1,219)	(516)	(202)	(169)	(273)	(401)	(58)
Net earnings	761	2,096	1,017	1,616	1,149	3,062	1,949	4,066	(113)
Attributable to									
Shareholders of Arion Bank	761	2,096	1,017	1,567	1,151	2,449	1,949	4,049	(114)
Non-controlling interest	-	-	-	49	(2)	613	-	17	1
Total comprehensive income for the period	761	2,096	1,017	1,616	1,149	3,062	1,949	4,066	(113)
Earnings per share									
Basic and diluted earnings per share attributable to the shareholders of Arion Bank (ISK)	0.42	1.16	0.56	1.56	0.63	1.34	0.95	2.13	(0.15)

Balance sheet - 9 quarter summary

ISK million

30.09.2019 30.06.2019 31.03.2019 31.12.2018 30.09.2018 30.06.2018 31.03.2018 31.12.2017 30.09.2017

Assets

Cash and balances with Central Bank	121,554	107,649	94,124	83,139	99,525	112,996	97,934	139,819	132,316
Loans to credit institutions	31,766	69,064	84,978	56,322	123,446	113,546	94,961	86,609	94,242
Loans to customers	812,481	821,731	829,246	833,826	819,965	803,694	782,255	765,101	750,947
Financial instruments	161,781	144,161	128,103	114,557	109,374	95,265	106,415	109,450	121,041
Investment property	7,121	7,120	7,101	7,092	7,044	7,027	6,749	6,613	6,903
Investments in associates	848	818	807	818	862	743	743	760	842
Intangible assets	8,088	7,580	7,081	6,397	14,039	13,858	13,498	13,848	12,755
Tax assets	1	26	15	90	623	603	611	450	286
Asset and disposal groups held for sale	52,164	55,109	51,321	48,584	8,351	8,295	8,496	8,138	7,352
Other assets	17,351	20,161	19,919	13,502	36,300	18,817	20,107	16,966	18,169
Total assets	1,213,155	1,233,419	1,222,695	1,164,327	1,219,529	1,174,844	1,131,769	1,147,754	1,144,853

Liabilities

Due to credit institutions and Central Bank	8,292	8,703	9,183	9,204	15,370	6,336	7,880	7,370	7,097
Deposits	508,254	504,897	490,474	466,067	484,569	476,182	453,059	462,161	445,981
Financial liabilities at fair value	2,295	2,065	2,286	2,320	3,381	3,895	3,130	3,601	3,551
Tax liabilities	3,766	4,441	4,822	5,119	6,376	6,503	6,885	6,828	9,303
Liabilities associated with disposal groups held for sale	29,677	32,242	29,498	26,337					
Other liabilities	40,210	38,122	41,018	30,107	84,176	63,524	55,715	57,062	56,813
Borrowings	409,563	436,897	445,077	417,782	425,601	410,773	400,855	384,998	400,400
Subordinated liabilities	15,042	10,763	7,283	6,532	-	-	-	-	-
Total liabilities	1,017,099	1,038,130	1,029,641	963,468	1,019,473	967,213	927,524	922,020	923,144

Equity

Share capital and share premium	59,000	59,007	59,008	59,010	59,014	59,017	58,722	75,861	75,861
Other reserves	10,919	14,098	15,439	14,822	15,648	14,436	14,880	16,774	15,001
Retained earnings	126,007	122,054	118,477	126,897	124,655	133,437	130,515	132,971	130,673
Total shareholders equity	195,926	195,159	192,924	200,729	199,317	206,890	204,117	225,606	221,535
Non-controlling interest	130	130	130	130	739	741	128	128	174
Total equity	196,056	195,289	193,054	200,859	200,056	207,631	204,245	225,734	221,709
Total liabilities and equity	1,213,155	1,233,419	1,222,695	1,164,327	1,219,529	1,174,844	1,131,769	1,147,754	1,144,853

Net interest income - 9 quarter summary

ISK million	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017
Interest income									
Cash and balances with Central bank	1,062	1,061	969	989	1,269	1,120	1,246	1,358	1,620
Loans	12,389	15,075	13,428	15,153	13,549	12,572	12,513	11,796	11,098
Securities	384	271	237	152	48	199	233	340	427
Other	19	56	50	56	67	99	52	50	55
Interest income	13,854	16,463	14,684	16,350	14,933	13,990	14,044	13,544	13,200
Interest expense									
Deposits	(2,642)	(3,608)	(3,252)	(3,597)	(3,426)	(3,114)	(3,199)	(2,924)	(2,772)
Borrowings	(3,645)	(4,945)	(3,927)	(4,741)	(4,240)	(3,556)	(3,987)	(3,537)	(3,379)
Subordinated loans	(161)	(59)	(47)	(19)	-	-	-	-	-
Other	(24)	(43)	(24)	(22)	(58)	(7)	(31)	(20)	(15)
Interest expense	(6,472)	(8,655)	(7,250)	(8,379)	(7,724)	(6,677)	(7,217)	(6,481)	(6,166)
Net interest income	7,382	7,808	7,434	7,971	7,209	7,313	6,827	7,063	7,034
Interest bearing assets									
Cash and balances with Central Bank	121,554	107,649	94,124	83,139	99,525	112,996	97,934	139,819	132,316
Loans	844,247	890,795	914,224	890,148	943,411	917,240	877,216	851,710	845,189
Securities	132,708	114,583	97,343	87,701	79,856	64,249	71,498	65,402	75,889
Interest bearing assets	1,098,509	1,113,027	1,105,691	1,060,989	1,122,792	1,094,485	1,046,648	1,056,931	1,053,394
Interest bearing liabilities									
Due to credit institutions and Central Bank	8,292	8,703	9,183	9,204	15,370	6,336	7,880	7,370	7,097
Deposits	508,254	504,897	490,474	466,067	484,569	476,182	453,059	462,161	445,981
Financial liabilities at fair value	2,295	2,065	2,286	2,320	3,381	3,895	3,130	3,601	3,551
Borrowings	409,563	436,897	445,077	417,782	425,601	410,773	400,855	384,998	400,400
Subordinated liabilities	15,042	10,763	7,283	6,532	-	-	-	-	-
Interest bearing liabilities	943,446	963,325	954,303	901,905	928,921	897,186	864,923	858,130	857,028
Interest Gap	155,063	149,702	151,388	159,084	193,871	197,298	181,725	198,801	196,366
Net interest margin on interest bearing assets	2.6%	2.8%	2.7%	2.9%	2.7%	2.8%	2.7%	2.7%	2.7%

Loans to customers - 9 quarter summary

ISK million

30.09.2019 30.06.2019 31.03.2019 31.12.2018 30.09.2018 30.06.2018 31.03.2018 31.12.2017 30.09.2017

Loans to customers

Individuals	408,925	403,539	399,574	400,483	397,661	382,550	374,452	365,287	354,004
Corporates	403,556	418,192	429,672	433,343	422,304	421,144	407,803	399,814	396,943
Total loans to customers	812,481	821,731	829,246	833,826	819,965	803,694	782,255	765,101	750,947

Loans to individuals

Overdrafts	16,081	15,075	15,639	14,536	15,783	14,231	14,821	14,469	14,863
Credit cards	12,650	12,325	11,606	12,958	11,585	11,190	10,164	11,133	10,078
Mortgage loans	349,673	345,833	342,346	343,119	338,059	327,612	320,681	311,507	302,406
Other loans	33,604	33,631	33,579	33,560	36,351	33,736	33,274	33,629	33,116
Provision on loans	(3,083)	(3,325)	(3,596)	(3,690)	(4,117)	(4,219)	(4,488)	(5,451)	(6,459)
Total loans to individuals	408,925	403,539	399,574	400,483	397,661	382,550	374,452	365,287	354,004

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

Ratios:

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

* (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

30.09.2019 30.06.2019 31.03.2019 31.12.2018 30.09.2018 30.06.2018 31.03.2018 31.12.2017 30.09.2017

Loans to corporates

Overdrafts	17,714	18,880	19,082	19,200	18,101	21,125	20,909	18,778	20,745
Credit cards	1,367	1,356	1,294	1,348	1,270	1,262	1,178	1,123	1,177
Mortgage loans	23,765	24,334	24,643	23,417	22,598	21,549	20,448	19,632	18,300
Other loans	367,221	380,705	390,957	395,579	388,299	384,178	373,256	368,312	366,226
Provision on loans	(6,511)	(7,083)	(6,304)	(6,201)	(7,964)	(6,970)	(7,988)	(8,031)	(9,505)
Total loans to corporates	403,556	418,192	429,672	433,343	422,304	421,144	407,803	399,814	396,943

Neither past due nor impaired¹

Neither past due nor impaired ¹	-	-	-	-	-	-	-	385,197	375,121
Past due but not impaired ¹	-	-	-	-	-	-	-	13,655	19,801
Individually impaired (gross) ¹	-	-	-	-	-	-	-	7,239	9,349
Impairment amount ¹	-	-	-	-	-	-	-	(6,277)	(7,328)

Total loans to individuals

Total loans to individuals	-	-	-	-	-	-	-	399,814	396,943
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Ratios:

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

Loans to corporates specified by sector:

Agriculture and forestry	1.8%	1.8%	1.8%	1.7%	1.7%	1.7%	1.7%	1.6%	1.6%
Services	4.3%	4.2%	3.8%	3.8%	4.2%	4.5%	4.3%	4.5%	4.4%
Financial and insurance activities	7.6%	8.2%	7.8%	8.7%	8.6%	8.7%	9.2%	8.5%	8.9%
Industry, energy and manufacturing	10.2%	9.4%	8.4%	8.2%	7.8%	7.4%	7.3%	7.4%	7.4%
Information and communication technology	4.7%	4.7%	4.6%	4.8%	5.5%	5.6%	5.1%	5.5%	6.7%
Public administration, human health and social activities	1.7%	1.6%	1.6%	1.6%	1.3%	1.7%	2.2%	2.0%	1.9%
Real estate activities and construction	32.8%	32.8%	34.9%	33.9%	32.0%	32.2%	31.5%	32.1%	31.7%
Fishing industry	20.1%	20.0%	18.7%	19.4%	19.4%	18.3%	19.2%	19.7%	20.0%
Transportation	2.8%	2.9%	2.8%	2.8%	4.1%	4.6%	4.2%	4.3%	3.6%
Wholesale and retail trade	13.9%	14.6%	15.5%	15.2%	15.4%	15.3%	15.3%	14.4%	13.7%
	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

30.09.2019 30.06.2019 31.03.2019 31.12.2018 30.09.2018 30.06.2018 31.03.2018 31.12.2017 30.09.2017

Capital base:

Total equity	196,056	195,289	193,054	221,767	214,780	207,631	207,006	225,733	221,709
Deductions related to the consolidated situation ¹	(9,927)	(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)	(130)	(739)	(741)	(128)	(128)	(174)
Common Equity Tier 1 capital before regulatory adjustments	185,999	185,707	184,178	212,651	205,468	198,823	199,008	216,970	221,535
Intangible assets	(14,117)	(7,580)	(7,081)	(6,397)	(14,039)	(13,858)	(13,498)	(13,848)	(12,755)
Tax assets	(151)	(26)	15	90	623	603	611	450	286
Other statutory deductions	(6,057)	(3,075)	(2,022)	(1,347)	(3,893)	(1,216)	(430)	146	(13,725)
Foreseeable dividend and interim profit not eligible for inclusion	(3,255)	(1,557)	(509)	(9,069)	(2,775)	(12,199)	(975)	(25,000)	-
Common equity Tier 1 capital	162,419	173,469	174,581	195,928	185,385	172,153	184,716	178,718	195,340
Non-controlling interest not eligible for inclusion in CET1 capital	130	130	130	130	739	741	128	128	174
Tier 1 capital	162,549	173,599	174,711	196,058	186,124	172,894	184,844	178,846	195,514
Subordinated liabilities	15,042	10,763	7,283	6,532	-	-	-	-	-
General credit risk adjustments	-	-	-	-	-	-	-	3,195	3,950
Tier 2 Capital	15,042	10,763	7,283	6,532	-	-	-	3,195	3,950
Total Capital base	177,591	184,362	181,994	202,590	186,124	172,894	184,844	182,041	199,464

Risk weighted assets

Credit Risk, loans	590,880	606,843	626,603	639,788	646,016	630,789	610,623	605,058	609,235
Credit Risk, securities and other ²	54,705	58,183	52,167	50,112	51,133	50,131	52,976	56,979	56,280
Counterparty credit risk ²	3,457	3,969	4,126	4,405	4,461	4,172	6,009	5,844	6,268
Market Risk due to currency imbalance	5,127	6,125	2,385	4,280	7,305	12,608	8,695	4,895	4,250
Market Risk Other	11,168	14,261	13,744	8,928	9,717	9,666	11,522	5,473	8,237
Credit valuation adjustment ²	2,863	1,840	1,893	2,228	2,235	2,699	3,148	2,506	2,583
Operational Risk	86,957	86,957	86,957	86,957	86,013	86,013	86,013	86,013	86,490
Total risk weighted assets	755,157	778,178	787,875	796,698	806,880	796,078	778,986	766,768	773,343

Capital and Risk Weighted Assets

ISK million

30.09.2019 30.06.2019 31.03.2019 31.12.2018 30.09.2018 30.06.2018 31.03.2018 31.12.2017 30.09.2017

Capital ratios

CET 1 ratio	21.6%	21.4%	21.3%	21.2%	21.6%	21.8%	23.6%	23.6%	26.1%
Tier 1 ratio	21.5%	21.4%	21.3%	21.2%	21.4%	21.9%	23.6%	23.6%	26.2%
Tier 2 ratio	2.0%	1.4%	0.9%	0.8%	0.0%	0.0%	0.0%	0.4%	0.5%
Capital adequacy ratio	23.6%	22.8%	22.3%	22.0%	21.4%	21.9%	23.6%	24.0%	26.7%

Leverage ratio

On-balance sheet exposures	1,152,208	1,175,769	1,169,764	1,106,368	1,167,238	1,116,222	1,081,484	1,074,207	1,114,525
Derivative exposures	8,858	7,251	7,282	8,239	8,279	8,544	10,931	10,957	12,802
Securities financing transaction exposures	8,436	8,547	8,494	8,194	9,382	7,974	8,542	8,925	10,987
Off-balance sheet exposures	103,916	63,260	61,185	68,316	82,415	86,975	88,456	83,058	97,323
Total exposure	1,273,418	1,254,827	1,246,725	1,191,117	1,267,314	1,219,715	1,189,413	1,177,147	1,235,637
Tier 1 capital	162,549	173,599	168,051	168,924	175,385	174,410	180,763	180,763	202,329
Leverage ratio	12.8%	13.8%	13.5%	14.2%	13.8%	14.3%	15.4%	15.4%	16.6%

Related ratios

RORWA	0.7%	0.8%	0.5%	1.0%	1.0%	1.3%	1.0%	1.9%	1.8%
RWA/Total assets	62.2%	63.1%	64.4%	68.4%	66.2%	67.8%	68.8%	66.8%	68.4%

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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