



Factbook Arion Bank

30 September 2018

Unaudited



KFI - 5 years

ISK million	9M 2018	2017	2016	2015	2014
Profitability					
Return on equity	3.9%	6.6%	10.5%	28.1%	18.6%
Return on assets	0.7%	1.3%	2.1%	5.0%	3.0%
Return on risk-weighted-assets	1.0%	1.9%	2.9%	6.7%	4.0%
Earnings per share	3.00	7.20	10.57	20.98	14.23
Earnings per share from continuing operations	2.94	7.20	10.57	20.80	10.82
Net interest margin					
Net interest margin on interest bearing assets	2.7%	2.9%	3.1%	3.0%	2.8%
Net interest margin on total assets	2.5%	2.7%	2.9%	2.7%	2.6%
Efficiency					
Cost-to-income ratio	63.5%	56.1%	56.0%	32.4%	49.4%
Cost-to-total assets ratio	2.9%	2.7%	3.0%	2.9%	2.9%
Number of FTE´s at year end	1,334	1,284	1,239	1,147	1,120
Asset quality					
Share of stage 3 loans, gross*	2.9%	-	-	-	-
Problem loans ¹	-	1.0%	1.6%	2.5%	4.4%
Provision for losses/Gross impaired loans ¹	-	80.5%	77.4%	75.8%	62.9%
Gross impaired loans/Gross loans ¹	-	1.6%	3.2%	4.7%	5.3%
Past due loans but not impaired as % of gross loans ¹	-	4.2%	4.9%	6.2%	7.2%
Risk weighted assets / Total assets	66.2%	66.8%	72.7%	79.9%	74.5%
Financial strength					
Equity as % of total assets	16.4%	19.7%	20.4%	20.0%	17.4%
Liquidity					
Liquidity coverage ratio (LCR)	169.1%	221.0%	171.3%	134.5%	174.0%
Loans-to-deposits ratio	169.2%	165.5%	172.9%	145.0%	142.3%
Loans-to-deposits ratio (without covered bonds)	130.2%	129.0%	133.8%	116.0%	114.0%
Deposits from customers as % of total funding	52.4%	54.1%	53.9%	67.4%	64.4%
Covered bonds as % of total funding	20.4%	19.8%	21.1%	19.5%	18.3%
Capital					
CET 1 ratio	21.6%	23.6%	26.5%	22.3%	21.6%
Tier 1 ratio	23.6%	23.6%	26.6%	23.4%	21.8%
Tier 2 ratio	0.0%	0.4%	0.6%	0.8%	4.5%
Capital adequacy ratio	23.6%	24.0%	27.2%	24.2%	26.3%
Leverage ratio	13.6%	18.2%	18.0%	16.7%	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

	9M 2018	9M 2017	9M 2016	9M 2015	9M 2014
Interest income	43,652	43,288	46,246	42,808	40,036
Interest expense	(21,686)	(20,718)	(24,188)	(22,521)	(21,727)
Net interest income	21,966	22,570	22,058	20,287	18,309
Fee and commission income	24,789	20,881	17,436	15,609	13,678
Fee and commission expense	(12,509)	(10,178)	(7,223)	(4,883)	(3,560)
Net fee and commission income	12,280	10,703	10,213	10,726	10,118
Net financial income	2,849	2,471	4,339	10,176	5,861
Net insurance income	1,885	1,769	663	545	485
Share of profit of associates	18	(917)	710	6,956	(27)
Other operating income	1,310	2,858	2,377	2,083	3,823
Other net operating income	6,062	6,181	8,089	19,760	10,143
Operating income	40,308	39,454	40,360	50,773	38,570
Salaries and related expense	(13,815)	(12,624)	(12,252)	(10,320)	(10,026)
Other operating expenses	(11,777)	(8,756)	(10,079)	(9,064)	(8,538)
Operating expenses	(25,592)	(21,380)	(22,331)	(19,384)	(18,564)
Bank Levy	(2,621)	(2,388)	(2,190)	(2,168)	(2,008)
Net impairment	(2,969)	(1,262)	6,827	(115)	2,877
Earnings before tax	9,126	14,424	22,666	29,106	20,874
Income tax expense	(3,078)	(4,071)	(5,404)	(3,569)	(4,380)
Net earnings from continuing operations	6,048	10,353	17,262	25,537	16,494
Net gain (loss) from discontinued operations, net of tax	112	-	-	(140)	6,139
Net earnings	6,160	10,353	17,262	25,397	22,633
Attributable to					
Shareholders of Arion Bank	5,549	10,351	16,777	25,559	22,369
Non-controlling interest	611	2	485	(162)	264
Net earnings	6,160	10,353	17,262	25,397	22,633
Earnings per share from continuing operations					
Basic and diluted earnings per share attributable to the shareholders of Arion Bank (ISK)	2.94	5.18	8.39	12.71	14.25

Balance sheet - 5 year summary

ISK million	9M 2018	2017	2016	2015	2014
Assets					
Cash and balances with Central Bank	99,525	139,819	87,634	48,102	21,063
Loans to credit institutions	123,446	86,609	80,116	87,491	108,792
Loans to customers	819,965	765,101	712,422	680,350	647,508
Financial instruments	109,374	109,450	117,456	133,191	101,828
Investment property	7,044	6,613	5,358	7,542	6,842
Investments in associates	862	760	839	27,299	21,966
Intangible assets	14,039	13,848	11,057	9,285	9,596
Tax assets	623	450	288	205	655
Non-current assets and disp. groups held for sale	8,351	8,138	4,418	5,082	3,958
Other assets	36,300	16,966	16,436	12,496	11,528
Total assets	1,219,529	1,147,754	1,036,024	1,011,043	933,736
Liabilities					
Due to credit institutions and Central Bank	15,370	7,370	7,987	11,387	22,876
Deposits	484,569	462,161	412,064	469,347	454,973
Financial liabilities at fair value	3,381	3,601	3,726	7,609	9,143
Tax liabilities	6,376	6,828	7,293	4,922	5,123
Other liabilities	84,176	57,062	54,094	49,461	47,190
Borrowings	425,601	384,998	339,476	256,058	200,580
Subordinated liabilities	-	-	-	10,365	31,639
Total liabilities	1,019,473	922,020	824,640	809,149	771,524
Equity					
Share capital and share premium	59,014	75,861	75,861	75,861	75,861
Other reserves	15,648	16,774	19,761	4,547	1,632
Retained earnings	124,655	132,971	115,590	112,378	83,218
Total shareholders equity	199,317	225,606	211,212	192,786	160,711
Non-controlling interest	739	128	172	9,108	1,501
Total equity	200,056	225,734	211,384	201,894	162,212
Total liabilities and equity	1,219,529	1,147,754	1,036,024	1,011,043	933,736

Net interest income - 5 year summary

ISK million

	9M 2018	9M 2017	9M 2016	9M 2015	9M 2014
Interest income					
Cash and balances with Central bank	3,734	5,059	3,249	467	501
Loans	38,847	35,963	39,097	39,102	36,227
Securities	455	1,624	3,401	2,592	2,825
Other	616	642	499	647	483
Interest income	43,652	43,288	46,246	42,808	40,036
Interest expense					
Deposits	(9,794)	(9,746)	(12,515)	(11,968)	(12,808)
Borrowings	(11,784)	(10,912)	(11,061)	(9,854)	(7,876)
Subordinated liabilities	-	-	(529)	(604)	(974)
Other	(108)	(60)	(83)	(95)	(69)
Interest expense	(21,686)	(20,718)	(24,188)	(22,521)	(21,727)
Net interest income	21,966	22,570	22,058	20,287	18,309
Interest bearing assets					
Cash and balances with Central Bank	99,525	132,316	85,645	73,289	33,335
Loans	943,411	845,189	784,164	772,134	761,219
Securities	79,856	75,889	86,198	72,934	69,113
Interest bearing assets	1,122,792	1,053,394	956,006	918,358	863,668
Interest bearing liabilities					
Due to credit institutions and Central Bank	15,370	7,097	9,375	11,470	21,131
Deposits	484,569	445,981	431,929	503,155	482,518
Financial liabilities at fair value	3,381	3,551	5,097	5,511	6,038
Borrowings	425,601	400,400	326,754	248,172	191,947
Subordinated liabilities	-	-	-	10,378	31,205
Interest bearing liabilities	928,921	857,028	773,155	778,687	732,839
Interest Gap	193,871	196,366	182,852	139,671	130,829
Net interest margin on interest bearing assets	2.7%	2.9%	3.1%	3.0%	2.9%

Loans to customers - 5 year summary

ISK million	9M 2018	2017	2016	2015	2014
Loans to customers					
Individuals	397,661	365,287	337,416	324,619	321,311
Corporates	422,304	399,814	375,006	355,731	326,197
Total loans to customers	819,965	765,101	712,422	680,350	647,508
Loans to individuals					
Overdrafts	15,783	14,469	14,805	16,840	17,955
Credit cards	11,585	11,133	11,363	10,842	11,065
Mortgage loans	338,059	311,507	285,784	271,895	271,639
Other loans	36,351	33,629	34,777	38,058	33,763
Provision on loans	(4,117)	(5,451)	(9,313)	(13,016)	(13,111)
Total loans to individuals	397,661	365,287	337,416	324,619	321,311
Neither past due nor impaired ¹	-	344,829	312,259	291,277	277,859
Past due but not impaired ¹	-	18,929	21,854	26,532	32,847
Individually impaired (gross) ¹	-	5,539	10,372	17,403	21,621
Impairment amount ¹	-	(4,010)	(7,069)	(10,593)	(11,016)
Total loans to individuals	-	365,287	337,416	324,619	321,311
Ratios:					
Provision for losses/Gross impaired loans ¹	-	98.4%	89.8%	74.8%	60.6%
Past due loans but not impaired as % of gross loans ¹	-	5.1%	6.3%	7.9%	9.9%
Gross impaired loans/Gross loans ¹	-	1.5%	3.0%	5.2%	6.5%

¹ Not available following implementation of IFRS 9 in January 2018

Loans to customers - 5 year summary

ISK million	9M 2018	2017	2016	2015	2014
Loans to corporates					
Overdrafts	18,101	18,778	19,314	24,248	24,420
Credit cards	1,270	1,123	1,180	1,054	943
Mortgage loans	22,598	19,632	16,298	12,889	10,406
Other loans	388,299	368,312	351,739	334,849	303,998
Provision on loans	(7,964)	(8,031)	(13,525)	(17,309)	(13,570)
Total loans to corporates	422,304	399,814	375,006	355,731	326,197
Neither past due nor impaired ¹	-	385,197	358,709	337,153	308,588
Past due but not impaired ¹	-	13,655	14,251	17,302	15,114
Individually impaired (gross) ¹	-	7,239	13,258	16,024	13,693
Impairment amount ¹	-	(6,277)	(11,212)	(14,748)	(11,198)
Total loans to individuals	-	399,814	375,006	355,731	326,197
Ratios:					
Provision for losses/Gross impaired loans ¹	-	110.9%	102.0%	108.0%	99.1%
Past due loans but not impaired as % of gross loans ¹	-	3.4%	3.7%	4.7%	4.5%
Gross impaired loans/Gross loans ¹	-	1.8%	3.4%	4.3%	4.1%
Loans to corporates specified by sector:					
Agriculture and forestry	1.7%	1.6%	1.6%	1.6%	1.7%
Services	4.2%	4.5%	4.6%	5.6%	5.6%
Financial and insurance activities	8.6%	8.5%	9.3%	9.4%	8.5%
Industry, energy and manufacturing	7.8%	7.4%	7.6%	6.0%	7.8%
Information and communication technology	5.5%	5.5%	7.6%	8.7%	7.1%
Public administration, human health and social activities	1.3%	2.0%	2.3%	2.3%	2.4%
Real estate activities and construction	32.0%	32.1%	30.6%	28.8%	24.9%
Fishing industry	19.4%	19.7%	20.4%	21.3%	23.4%
Transportation	4.1%	4.3%	1.7%	1.7%	1.7%
Wholesale and retail trade	15.4%	14.4%	14.1%	14.6%	16.9%
	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

30.09.2018 2017 2016 2015 2014

Capital base:

Total equity	200,056	225,734	211,384	201,895	162,212
Deductions related to the consolidated situation ¹	(8,573)	(8,635)	(8,126)	-	-
Non-controlling interest not eligible for inclusion in CET 1 capital	(739)	(128)	(172)	(9,108)	(1,501)
Common Equity Tier 1 capital before regulatory adjustments	190,744	216,971	203,086	192,786	160,711
Intangible assets	(11,445)	(11,125)	(8,201)	(9,285)	(9,596)
Tax assets	(564)	(357)	(198)	(205)	(655)
Foreseeable dividend	(2,775)	(25,000)	-	-	-
Other statutory deductions	(1,314)	146	(149)	(3,151)	(111)
Common equity Tier 1 capital	174,646	180,635	194,538	180,145	150,349
Non-controlling interest not eligible for inclusion in CET1 capital	739	128	172	9,108	1,501
Tier 1 capital	175,385	180,763	194,710	189,254	151,850
Subordinated liabilities	-	-	-	10,365	31,639
Regulatory adjustment to Tier 2 capital	-	-	-	(771)	-
Other statutory deductions	-	-	-	(3,118)	(101)
General credit risk adjustments	-	3,195	4,557	-	-
Tier 2 Capital	-	3,195	4,557	6,476	31,538
Total Capital base	175,385	183,958	199,267	195,729	183,388

Risk weighted assets

Credit Risk, loans	646,016	605,058	577,470	681,034	591,994
Credit Risk, securities and other ²	51,133	56,979	55,036	-	-
Counterparty credit risk ²	4,461	5,844	5,550	-	-
Market Risk due to currency imbalance	7,305	4,895	5,449	38,401	18,915
Market Risk Other	9,717	5,473	12,966	7,035	2,890
Credit valuation adjustment ²	2,235	2,506	2,678	-	-
Operational Risk	86,013	86,013	86,490	81,441	82,211
Total risk weighted assets	806,880	766,768	745,639	807,911	696,010

Capital ratios

CET 1 ratio ³	21.6%	23.6%	26.1%	22.3%	21.6%
Tier 1 ratio	21.7%	23.6%	26.1%	23.4%	21.8%
Capital adequacy ratio	21.7%	24.0%	26.7%	24.2%	26.3%

Leverage ratio

On-balance sheet exposures	1,167,238	1,074,207	995,063	982,348	912,303
Derivative exposures	8,279	10,957	8,226	3,789	1,348
Securities financing transaction exposures	9,382	8,925	9,330	16,287	10,044
Off-balance sheet exposures	82,415	83,058	83,156	127,675	59,922
Total exposure	1,267,314	1,177,147	1,095,775	1,130,099	983,617
Tier 1 capital	175,385	180,763	194,710	189,254	151,850
Leverage ratio	13.8%	15.4%	17.8%	16.7%	15.4%

Related ratios

RORWA	1.04%	1.91%	2.87%	6.72%	4.00%
RWA/Total assets	66.16%	66.81%	72.71%	79.91%	74.54%

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 and 2014



Arion Bank **Factbook**

Quarter summaries

KFI - 9 Quarters

ISK million

	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016
Profitability									
Return on equity	2.3%	5.9%	3.6%	7.3%	(0.2%)	13.0%	6.3%	8.6%	15.0%
Return on assets	0.4%	1.1%	0.7%	1.4%	(0.0%)	2.6%	1.2%	1.7%	3.0%
Return on risk-weighted-assets	0.6%	1.6%	1.0%	2.1%	(0.1%)	3.8%	1.8%	2.4%	4.0%
Earnings per share	0.63	1.35	1.01	2.02	(0.06)	3.56	1.68	2.18	3.76
Earnings per share from continuing operations	0.63	1.36	0.95	2.13	(0.06)	3.56	1.68	2.18	3.76
Net interest margin									
Net interest margin on interest bearing assets	2.6%	2.8%	2.6%	2.7%	2.7%	3.1%	2.8%	3.2%	3.1%
Net interest margin on total assets	2.5%	2.6%	2.4%	2.5%	2.6%	2.9%	2.7%	3.0%	2.9%
Efficiency									
Cost-to-income ratio	58.2%	62.3%	70.8%	61.6%	65.0%	38.2%	63.5%	57.9%	56.4%
Cost-to-total assets ratio	2.7%	3.1%	3.0%	3.0%	2.7%	2.1%	3.0%	3.2%	2.8%
Number of FTE's at year end	1,334	1,309	1,299	1,284	1,293	1,223	1,204	1,239	1,189
Asset quality									
Share of stage 3 loans, gross*	2.9%	2.3%	3.2%	-	-	-	-	-	-
Problem loans ¹	-	-	-	1.0%	1.4%	1.3%	1.5%	1.6%	2.0%
Provision for losses/Gross impaired loans ¹	-	-	-	80.5%	74.6%	76.0%	72.4%	77.4%	78.1%
Gross impaired loans/Gross loans ¹	-	-	-	1.6%	2.1%	2.1%	2.4%	3.2%	3.6%
Past due loans but not impaired as % of gross loans ¹	-	-	-	4.2%	5.0%	4.8%	5.6%	4.9%	5.8%
Risk weighted assets / Total assets	66.2%	67.8%	68.8%	66.8%	68.4%	67.0%	66.4%	72.7%	73.2%

* (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

KFI - 9 Quarters

ISK million

Q3 2018 Q2 2018 Q1 2018 Q4 2017 Q3 2017 Q2 2017 Q1 2017 Q4 2016 Q3 2016

Financial strength

Equity as % of total assets	16.4%	17.7%	18.0%	19.7%	19.4%	19.7%	19.2%	20.4%	19.9%
-----------------------------	-------	-------	-------	-------	-------	-------	-------	-------	-------

Liquidity

Liquidity coverage ratio (LCR)	169.1%	231.7%	209.9%	221.0%	228.6%	266.2%	163.5%	171.3%	194.1%
Loans-to-deposits ratio	169.2%	168.8%	172.7%	165.5%	168.4%	167.7%	151.4%	172.9%	165.7%
Loans-to-deposits ratio (without covered bonds)	130.2%	130.3%	134.4%	129.0%	129.4%	128.2%	116.5%	133.8%	129.3%
Deposits from customers as % of total funding	52.4%	53.3%	52.6%	54.1%	52.3%	53.0%	56.2%	53.9%	55.9%
Covered bonds as % of total funding	20.4%	20.5%	20.1%	19.8%	20.4%	20.9%	19.6%	21.1%	20.4%

Capital

CET 1 ratio	21.6%	21.8%	23.6%	23.6%	26.6%	27.7%	27.3%	26.1%	25.5%
Tier 1 ratio	21.7%	21.9%	23.6%	23.6%	26.9%	27.8%	27.3%	26.6%	25.5%
Tier 2 ratio	0.0%	0.0%	0.0%	0.4%	0.5%	0.6%	0.6%	0.6%	0.6%
Official capital adequacy ratio	21.7%	21.9%	23.6%	24.0%	27.4%	28.4%	27.9%	27.2%	26.1%
Leverage ratio	13.8%	14.3%	15.4%	15.4%	16.8%	17.4%	17.0%	18.0%	17.4%

Income statement - 9 quarter summary

ISK million

	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016
Interest income	15,182	14,308	14,162	13,801	13,448	16,117	13,723	15,409	14,851
Interest expense	(7,737)	(6,695)	(7,254)	(6,536)	(6,198)	(7,957)	(6,563)	(7,567)	(7,419)
Net interest income	7,445	7,613	6,908	7,265	7,250	8,160	7,160	7,842	7,432
Fee and commission income	6,883	9,709	8,197	8,896	7,862	6,928	6,091	6,451	6,191
Fee and commission expense	(2,637)	(5,217)	(4,655)	(4,242)	(3,997)	(3,420)	(2,761)	(2,686)	(2,725)
Net fee and commission income	4,246	4,492	3,542	4,654	3,865	3,508	3,330	3,765	3,466
Net financial income	582	927	1,340	1,620	(734)	1,975	1,230	823	844
Net insurance income	984	758	143	324	716	606	447	731	272
Share of profit of associates	34	2	(18)	(8)	17	(900)	(34)	198	16
Other operating income	431	610	269	69	483	1,811	564	826	693
Other net operating income	2,031	2,297	1,734	2,005	482	3,492	2,207	2,578	1,825
Operating income	13,722	14,402	12,184	13,924	11,597	15,160	12,697	14,185	12,723
Salaries and related expense	(4,168)	(5,011)	(4,636)	(4,565)	(3,841)	(4,561)	(4,222)	(4,407)	(3,826)
Other operating expenses	(3,817)	(3,964)	(3,996)	(4,016)	(3,699)	(1,223)	(3,834)	(3,803)	(3,349)
Operating expenses	(7,985)	(8,975)	(8,632)	(8,581)	(7,540)	(5,784)	(8,056)	(8,210)	(7,175)
Bank Levy	(937)	(880)	(804)	(784)	(814)	(777)	(797)	(682)	(705)
Net impairment	(2,678)	(192)	(99)	1,448	(2,551)	409	880	409	5,882
Earnings before tax	2,122	4,355	2,649	6,007	692	9,008	4,724	5,702	10,725
Income tax expense	(973)	(1,287)	(818)	(1,735)	(805)	(1,895)	(1,371)	(1,227)	(3,222)
Net earnings from continuing operations	1,149	3,068	1,831	4,272	(113)	7,113	3,353	4,475	7,503
Net gain (loss) from discontinued operations, net of tax	-	(6)	118	(206)	-	-	-	-	-
Net earnings	1,149	3,062	1,949	4,066	(113)	7,113	3,353	4,475	7,503
Attributable to									
Shareholders of Arion Bank	1,151	2,449	1,949	4,049	(114)	7,113	3,352	4,369	7,514
Non-controlling interest	(2)	613	-	17	1	-	1	106	(11)
Net earnings	1,149	3,062	1,949	4,066	(113)	7,113	3,353	4,475	7,503
Earnings per share from continuing operations									
Basic and diluted earnings per share attributable to the shareholders of Arion Bank (ISK)	0.64	1.34	0.95	2.13	(0.15)	3.42	1.60	2.03	3.78

Balance sheet - 9 quarter summary

ISK million	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016
Assets									
Cash and balances with Central Bank	99,525	112,996	97,934	139,819	132,316	151,354	178,593	87,634	85,645
Loans to credit institutions	123,446	113,546	94,961	86,609	94,242	78,250	68,149	80,116	68,257
Loans to customers	819,965	803,694	782,255	765,101	750,947	733,649	720,198	712,422	715,907
Financial instruments	109,374	95,265	106,415	109,450	121,041	109,353	110,673	117,456	128,358
Investment property	7,044	7,027	6,749	6,613	6,903	7,166	5,911	5,358	5,113
Investments in associates	862	743	743	760	842	825	818	839	869
Intangible assets	14,039	13,858	13,498	13,848	12,755	11,639	11,121	11,057	11,077
Tax assets	623	603	611	450	286	413	462	288	241
Non-current assets and disp. groups held for sale	8,351	8,295	8,496	8,138	7,352	3,443	4,058	4,418	4,773
Other assets	36,300	18,817	20,107	16,966	18,169	30,319	19,664	16,436	18,241
Total assets	1,219,529	1,174,844	1,131,769	1,147,754	1,144,853	1,126,411	1,119,648	1,036,024	1,038,479
Liabilities									
Due to credit institutions and Central Bank	15,370	6,336	7,880	7,370	7,097	7,644	9,689	7,987	9,375
Deposits	484,569	476,182	453,059	462,161	445,981	437,494	475,641	412,064	431,929
Financial liabilities at fair value	3,381	3,895	3,130	3,601	3,551	5,029	3,922	3,726	5,097
Tax liabilities	6,376	6,503	6,885	6,828	9,303	9,342	8,305	7,293	5,754
Other liabilities	84,176	63,524	55,715	57,062	56,813	65,073	51,678	54,094	52,565
Borrowings	425,601	410,773	400,855	384,998	400,400	380,061	355,633	339,476	326,754
Total liabilities	1,019,473	967,213	927,524	922,020	923,144	904,645	904,868	824,640	831,474
Equity									
Share capital and share premium	59,014	59,017	58,722	75,861	75,861	75,861	75,861	75,861	75,861
Other reserves	15,648	14,436	14,880	16,774	15,001	13,565	20,197	19,761	1,925
Retained earnings	124,655	133,437	130,515	132,971	130,673	132,167	118,549	115,590	129,153
Total shareholders equity	199,317	206,890	204,117	225,606	221,535	221,593	214,607	211,212	206,939
Non-controlling interest	739	741	128	128	174	174	173	172	66
Total equity	200,056	207,631	204,245	225,734	221,709	221,766	214,779	211,384	207,005
Total liabilities and equity	1,219,529	1,174,844	1,131,769	1,147,754	1,144,853	1,126,411	1,119,648	1,036,024	1,038,479

Net interest income - 9 quarter summary

ISK million

	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016
Interest income									
Cash and balances with Central bank	1,312	1,148	1,275	1,390	1,653	2,024	1,382	1,335	1,219
Loans	13,639	12,639	12,569	11,869	11,155	13,373	11,435	12,813	12,312
Securities	23	199	233	340	427	515	682	946	1,164
Other	209	323	84	203	212	205	224	315	155
Interest income	15,183	14,309	14,161	13,802	13,447	16,117	13,723	15,409	14,850
Interest expense									
Deposits	(3,426)	(3,132)	(3,236)	(2,980)	(2,803)	(3,819)	(3,123)	(3,763)	(3,777)
Borrowings	(4,240)	(3,556)	(3,988)	(3,537)	(3,379)	(4,120)	(3,413)	(3,797)	(3,244)
Subordinated loans	-	-	-	-	-	-	-	-	(343)
Other	(71)	(7)	(31)	(20)	(15)	(18)	(26)	(7)	(55)
Interest expense	(7,737)	(6,695)	(7,255)	(6,537)	(6,197)	(7,957)	(6,562)	(7,567)	(7,419)
Net interest income	7,446	7,614	6,906	7,265	7,250	8,160	7,161	7,842	7,431
Interest bearing assets									
Cash and balances with Central Bank	99,525	112,996	97,934	139,819	132,316	151,354	178,593	87,634	85,645
Loans	943,411	917,240	877,216	851,710	845,189	811,899	788,347	792,539	784,163
Securities	79,856	64,249	71,498	65,402	75,889	73,077	78,863	82,042	86,198
Interest bearing assets	1,122,792	1,094,485	1,046,648	1,056,931	1,053,394	1,036,330	1,045,803	962,214	956,006
Interest bearing liabilities									
Due to credit institutions and Central Bank	15,370	6,336	7,880	7,370	7,097	7,644	9,689	7,987	9,375
Deposits	484,569	476,182	453,059	462,161	445,981	437,494	475,641	412,064	431,929
Financial liabilities at fair value	3,381	3,895	3,130	3,601	3,551	5,029	3,922	3,727	5,097
Borrowings	425,601	410,773	400,855	384,998	400,400	380,061	355,633	339,476	326,754
Subordinated liabilities	-	-	-	-	-	-	-	-	-
Interest bearing liabilities	928,921	897,186	864,923	858,130	857,028	830,229	844,885	763,252	773,155
Interest Gap	193,871	197,298	181,725	198,801	196,366	206,101	200,918	198,962	182,851
Net interest margin on interest bearing assets	2.6%	2.8%	2.6%	2.7%	2.7%	3.1%	2.8%	3.2%	3.1%

All amounts are in ISK millions

Loans to customers - 9 quarter summary

ISK million	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016
Loans to customers									
Individuals	397,661	382,550	374,452	365,287	354,004	343,402	338,686	337,416	334,647
Corporates	422,304	421,144	407,803	399,814	396,943	390,247	381,512	375,006	381,260
Total loans to customers	819,965	803,694	782,255	765,101	750,947	733,649	720,198	712,422	715,907
Loans to individuals									
Overdrafts	15,783	14,231	14,821	14,469	14,863	13,855	15,218	14,805	15,603
Credit cards	11,585	11,190	10,164	11,133	10,078	10,245	10,080	11,363	10,852
Mortgage loans	338,059	327,612	320,681	311,507	302,406	294,273	288,660	285,784	283,423
Other loans	36,351	33,736	33,274	33,629	33,116	32,609	33,480	34,777	35,314
Provision on loans	(4,117)	(4,219)	(4,488)	(5,451)	(6,459)	(7,580)	(8,752)	(9,313)	(10,545)
Total loans to individuals	397,661	382,550	374,452	365,287	354,004	343,402	338,686	337,416	334,647
Neither past due nor impaired ¹	-	-	-	344,829	333,828	323,075	313,416	312,259	305,461
Past due but not impaired ¹	-	-	-	18,929	18,108	18,473	22,815	21,854	25,092
Individually impaired (gross) ¹	-	-	-	5,539	6,754	7,221	8,708	10,372	12,289
Impairment amount ¹	-	-	-	(4,010)	(4,686)	(5,367)	(6,253)	(7,069)	(8,195)
Total loans to individuals	-	-	-	365,287	354,004	343,402	338,686	337,416	334,647
Ratios:									
Provision for losses/Gross impaired loans ¹	-	-	-	98.4%	95.6%	105.0%	100.5%	89.8%	85.8%
Past due loans but not impaired as % of gross loans ¹	-	-	-	5.1%	5.0%	5.3%	6.6%	6.3%	7.3%
Gross impaired loans/Gross loans ¹	-	-	-	1.5%	1.9%	2.1%	2.5%	3.0%	3.6%

¹ Not available following implementation of IFRS 9 in January 2018

Loans to customers - 9 quarter summary

ISK million	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016
Loans to corporates									
Overdrafts	18,101	21,125	20,909	18,778	20,745	22,174	21,091	19,314	22,015
Credit cards	1,270	1,262	1,178	1,123	1,177	1,199	1,179	1,180	1,243
Mortgage loans	22,598	21,549	20,448	19,632	18,300	17,810	17,069	16,298	14,729
Other loans	388,299	384,178	373,256	368,312	366,226	357,882	351,129	351,739	358,004
Provision on loans	(7,964)	(6,970)	(7,988)	(8,031)	(9,505)	(8,818)	(8,956)	(13,525)	(14,731)
Total loans to corporates	422,304	421,144	407,803	399,814	396,943	390,247	381,512	375,006	381,260
Neither past due nor impaired ¹	-	-	-	385,197	375,121	370,693	360,993	358,709	362,102
Past due but not impaired ¹	-	-	-	13,655	19,801	17,636	18,130	14,251	17,475
Individually impaired (gross) ¹	-	-	-	7,239	9,349	8,477	8,858	13,258	14,131
Impairment amount ¹	-	-	-	(6,277)	(7,328)	(6,559)	(6,469)	(11,212)	(12,448)
Total loans to individuals	-	-	-	399,814	396,943	390,247	381,512	375,006	381,260
Ratios:									
Provision for losses/Gross impaired loans ¹	-	-	-	110.9%	101.7%	104.0%	101.1%	102.0%	104.2%
Past due loans but not impaired as % of gross loans ¹	-	-	-	3.4%	4.9%	4.4%	4.7%	3.7%	4.4%
Gross impaired loans/Gross loans ¹	-	-	-	1.8%	2.3%	2.1%	2.3%	3.4%	3.6%
Loans to corporates specified by sector:									
Agriculture and forestry	1.7%	1.7%	1.7%	1.6%	1.6%	1.6%	1.5%	1.6%	1.6%
Services	4.2%	4.5%	4.3%	4.5%	4.4%	4.5%	4.5%	4.6%	4.6%
Financial and insurance activities	8.6%	8.7%	9.2%	8.5%	8.9%	8.5%	9.2%	9.3%	9.3%
Industry, energy and manufacturing	7.8%	7.4%	7.3%	7.4%	7.4%	7.6%	7.6%	7.6%	7.5%
Information and communication technology	5.5%	5.6%	5.1%	5.5%	6.7%	6.9%	7.2%	7.6%	7.6%
Public administration, human health and social activities	1.3%	1.7%	2.2%	2.0%	1.9%	1.9%	2.3%	2.3%	2.4%
Real estate activities and construction	32.0%	32.2%	31.5%	32.1%	31.7%	31.6%	31.3%	30.6%	29.7%
Fishing industry	19.4%	18.3%	19.2%	19.7%	20.0%	20.7%	20.2%	20.4%	20.8%
Transportation	4.1%	4.6%	4.2%	4.3%	3.6%	2.7%	1.8%	1.7%	1.5%
Wholesale and retail trade	15.4%	15.3%	15.3%	14.4%	13.7%	14.0%	14.6%	14.1%	15.1%
	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

	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016
Capital base:									
Total equity	200,056	207,631	204,245	225,734	221,709	221,767	214,780	211,384	207,006
Deductions related to the consolidated situation ¹	(8,573)	(8,067)	(7,870)	(8,635)	(8,505)	(8,407)	(8,057)	(8,126)	(7,083)
Non-controlling interest not eligible for inclusion in CET1 capital	(739)	(741)	(128)	(128)	(174)	(174)	(173)	(172)	(66)
Common Equity Tier 1 capital before regulatory adjustments	190,744	198,823	196,247	216,971	213,030	213,186	206,550	203,086	199,857
Intangible assets	(11,445)	(11,230)	(10,834)	(11,125)	(9,987)	(8,820)	-8,263	-8,201	-8,600
Tax assets	(564)	(509)	(425)	(357)	(204)	(309)	-372	-198	-88
Other statutory deductions	(1,314)	(1,216)	(430)	146	(684)	(106)	(98)	(149)	(1,699)
Foreseeable dividend	(2,775)	(12,199)	(975)	(25,000)	-	-	-	-	-
Common equity Tier 1 capital	174,646	173,669	183,583	180,635	202,155	203,951	197,817	194,538	189,470
Non-controlling interest not eligible for inclusion in CET1 capital	739	741	128	128	174	174	173	172	66
Tier 1 capital	175,385	174,410	183,711	180,763	202,329	204,125	197,990	194,710	189,536
Subordinated liabilities	-	-	-	-	-	-	-	-	-
Regulatory adjustment to Tier 2 capital	-	-	-	-	-	-	-	-	-
Other statutory deductions	-	-	-	-	-	-	-	-	-
General credit risk adjustments	-	-	-	3,195	3,950	4,471	4,987	4,557	4,633
Tier 2 Capital	-	-	-	3,195	3,950	4,471	4,987	4,557	4,633
Total Capital base	212,751	174,410	183,711	183,958	206,279	208,596	202,977	199,267	194,169
Risk weighted assets									
Credit Risk, loans	646,016	630,789	610,623	605,058	609,235	584,838	571,483	577,470	594,324
Credit Risk, securities and other	51,133	50,131	52,976	56,979	56,280	51,636	50,404	55,036	54,825
Counterparty credit risk	4,461	4,172	6,009	5,844	6,268	6,721	6,708	5,550	3,956
Market Risk due to currency imbalance	7,305	12,608	8,695	4,895	4,250	2,272	1,709	5,449	2,578
Market Risk Other	9,717	9,666	11,522	5,473	8,237	10,390	15,603	12,966	10,926
Credit valuation adjustment ²	2,235	2,699	3,148	2,506	2,583	2,770	2,391	2,678	815
Operational Risk	86,013	86,013	86,013	86,013	86,490	86,490	86,490	86,490	81,441
Total risk weighted assets	806,880	796,078	778,986	766,768	773,343	745,118	734,788	745,639	748,866

Capital and Risk Weighted Assets

ISK million

	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016
Capital ratios									
CET 1 ratio	21.6%	21.8%	23.6%	23.6%	26.1%	27.4%	26.9%	26.1%	25.3%
Tier 1 ratio	21.4%	21.9%	23.6%	23.6%	26.2%	27.4%	26.9%	26.1%	25.3%
Capital adequacy ratio	21.4%	21.9%	23.6%	24.0%	26.7%	28.0%	27.6%	26.7%	25.9%
Leverage ratio									
On-balance sheet exposures	1,167,238	1,116,222	1,081,484	1,074,207	1,114,525	1,100,729	1,094,640	1,011,735	1,010,192
Derivative exposures	8,279	8,544	10,931	10,957	12,802	9,934	7,450	8,226	7,298
Securities financing transaction exposures	9,382	7,974	8,542	8,925	10,987	9,014	10,115	9,330	12,683
Off-balance sheet exposures	82,415	86,975	88,456	83,058	97,323	86,171	80,142	83,156	83,711
Total exposure	1,267,314	1,219,715	1,189,413	1,177,147	1,235,637	1,205,848	1,192,347	1,112,447	1,113,884
Tier 1 capital	175,385	174,410	180,763	180,763	202,329	204,125	197,990	194,966	193,988
Leverage ratio	13.8%	14.3%	15.4%	15.4%	16.6%	17.2%	16.9%	17.8%	17.4%
Related ratios									
RORWA	1.04%	1.28%	1.01%	1.91%	1.84%	2.82%	1.81%	2.87%	3.08%
RWA/Total assets	66.16%	67.76%	68.83%	66.81%	68.37%	67.02%	66.42%	72.71%	73.15%

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.

This document has been prepared for information purposes only and should not be relied upon, or form the basis of any action or decision, by any person. Nothing in this document is, nor shall be relied on as, a promise or representation as to the future. In supplying this document, Arion Bank does not undertake any obligation to provide the recipient with access to any additional information or to update this document or to correct any inaccuracies herein which may become apparent.

The information relating to Arion Bank, its subsidiaries and associates and their respective businesses and assets contained in, or used in preparing, this document has not been verified or audited. Further, this document does not purport to provide a complete description of the matters to which it relates.

Some information may be based on assumptions or market conditions and may change without notice. Accordingly, no representation or warranty, express or implied, is made as to the fairness, accuracy, completeness or correctness of the information, forecasts, opinions and expectations contained in this document and no reliance should be placed on such information, forecasts, opinions and expectations. To the extent permitted by law, none of Arion Bank or any of their affiliates or advisers, any of their respective directors, officers or employees, or any other person, accepts any liability whatsoever for any loss howsoever arising from any use of this document or its contents or otherwise arising in connection with this document.

Due to rounding, numbers in the disclosures may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.

By accepting this document you agree to be bound by the foregoing instructions and limitations.