

Arion Bank Factbook

(Unaudited)

31.12.2018

KFI - 5 years

ISK million	2018	2017	2016	2015	2014
Profitability					
Return on equity	3.7%	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	3.86	7.20	10.57	20.98	14.23
Earnings per share from continuing operations	4.49	6.99	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%	2.6%	2.9%	2.7%	2.6%
Efficiency					
Cost-to-income ratio	56.9%	48.9%	56.0%	32.4%	49.4%
Cost-to-total assets ratio	2.3%	2.1%	3.0%	2.9%	2.9%
Number of FTE 's at year end	904	941	1,239	1,147	1,120
Asset quality					
Share of stage 3 loans, gross*	2.6%	-	-	-	-
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	68.4%	66.8%	72.7%	79.9%	74.5%
Financial strength					
Equity as % of total assets	17.3%	19.7%	20.4%	20.0%	17.4%
Liquidity					
Liquidity coverage ratio (LCR)	164.4%	221.0%	171.3%	134.5%	174.0%
Loans-to-deposits ratio	178.9%	165.5%	172.9%	145.0%	142.3%
Loans-to-deposits ratio (without covered bonds)	135.7%	129.0%	133.8%	116.0%	114.0%
Deposits from customers as % of total funding	52.2%	54.1%	53.9%	67.4%	64.4%
Covered bonds as % of total funding	22.5%	19.8%	21.1%	19.5%	18.3%
Capital					
CET 1 ratio	21.2%	23.6%	26.5%	22.3%	21.6%
Tier 1 ratio	21.2%	23.6%	26.6%	23.4%	21.8%
Tier 2 ratio	0.8%	0.4%	0.6%	0.8%	4.5%
Capital adequacy ratio	22.0%	24.0%	27.2%	24.2%	26.3%
Leverage ratio	14.2%	15.4%	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

	2018	2017	2016	2015	2014
Interest income	59,316	56,028	61,655	54,546	50,871
Interest expense	(29,997)	(27,108)	(31,755)	(27,554)	(26,651)
Net interest income	29,319	28,920	29,900	26,992	24,220
Fee and commission income	11,658	11,619	23,892	21,235	18,447
Fee and commission expense	(1,308)	(1,408)	(9,914)	(6,751)	(5,138)
Net fee and commission income	10,350	10,211	13,978	14,484	13,309
Net financial income	2,302	4,045	5,162	12,844	7,290
Net insurance income	2,589	2,093	1,395	760	664
Share of profit of associates	27	(927)	908	29,466	3,498
Other operating income	1,584	2,521	3,203	2,074	5,347
Other net operating income	6,502	7,732	10,668	45,144	16,799
Operating income	46,171	46,863	54,546	86,620	54,328
Salaries and related expense	(14,278)	(13,602)	(16,659)	(14,892)	(13,979)
Other operating expenses	(12,000)	(9,291)	(13,881)	(12,919)	(12,722)
Operating expenses	(26,278)	(22,893)	(30,540)	(27,811)	(26,701)
Bank Levy	(3,386)	(3,172)	(2,872)	(2,818)	(2,643)
Net impairment	(3,525)	312	7,236	(3,087)	2,135
Earnings before tax	12,982	21,110	28,370	52,904	27,119
Income tax expense	(4,046)	(5,966)	(6,631)	(3,225)	(4,815)
Net earnings from continuing operations	8,936	15,144	21,739	49,679	22,304
Net gain (loss) from discontinued operations, net of tax	(1,159)	(725)	-	-	6,290
Net earnings	7,777	14,419	21,739	49,679	28,594
Attributable to					
Shareholders of Arion Bank	7,116	14,400	21,147	41,968	28,465
Non-controlling interest	661	19	592	7,711	129
Net earnings	7,777	14,419	21,739	49,679	28,594
Earnings per share from continuing operations					
Basic and diluted earnings per share attributable to the shareholders of Arion Bank (ISK)	4.49	7.56	10.57	20.98	11.09

Balance sheet - 5 year summary

ISK million	2018	2017	2016	2015	2014
Assets					
Cash and balances with Central Bank	83,139	139,819	87,634	48,102	21,063
Loans to credit institutions	56,322	86,609	80,116	87,491	108,792
Loans to customers	833,826	765,101	712,422	680,350	647,508
Financial instruments	114,557	109,450	117,456	133,191	101,828
Investment property	7,092	6,613	5,358	7,542	6,842
Investments in associates	818	760	839	27,299	21,966
Intangible assets	6,397	13,848	11,057	9,285	9,596
Tax assets	90	450	288	205	655
Assets and disposal groups held for sale	48,584	8,138	4,418	5,082	3,958
Other assets	13,502	16,966	16,436	12,496	11,528
Total assets	1,164,327	1,147,754	1,036,024	1,011,043	933,736
Liabilities					
Due to credit institutions and Central Bank	9,204	7,370	7,987	11,387	22,876
Deposits	466,067	462,161	412,064	469,347	454,973
Financial liabilities at fair value	2,320	3,601	3,726	7,609	9,143
Tax liabilities	5,119	6,828	7,293	4,922	5,123
Liabilities associated with disposal groups held for sale	26,337	-	-	-	-
Other liabilities	30,107	57,062	54,094	49,461	47,190
Borrowings	417,782	384,998	339,476	256,058	200,580
Subordinated liabilities	6,532	-	-	10,365	31,639
Total liabilities	963,468	922,020	824,640	809,149	771,524
Equity					
Share capital and share premium	59,010	75,861	75,861	75,861	75,861
Other reserves	14,822	16,774	19,761	4,547	1,632
Retained earnings	126,897	132,971	115,590	112,378	83,218
Total shareholders equity	200,729	225,606	211,212	192,786	160,711
Non-controlling interest	130	128	172	9,108	1,501
Total equity	200,859	225,734	211,384	201,894	162,212
Total liabilities and equity	1,164,327	1,147,754	1,036,024	1,011,043	933,736

Net interest income - 5 year summary

ISK million	2018	2017	2016	2015	2014
Interest income					
Cash and balances with Central bank	4,625	6,315	4,584	736	703
Loans	53,811	47,547	51,910	49,415	45,810
Securities	607	1,964	4,347	3,532	3,664
Other	273	202	814	863	694
Interest income	59,316	56,028	61,655	54,546	50,871
Interest expense					
Deposits	(13,323)	(12,605)	(16,284)	(15,452)	(15,983)
Borrowings	(16,524)	(14,449)	(14,851)	(11,344)	(9,269)
Subordinated liabilities	(19)	-	(529)	(701)	(1,292)
Other	(131)	(54)	(91)	(57)	(107)
Interest expense	(29,997)	(27,108)	(31,755)	(27,554)	(26,651)
Net interest income	29,319	28,920	29,900	26,992	24,220
Interest bearing assets					
Cash and balances with Central Bank	83,139	139,819	87,634	48,102	21,063
Loans	890,148	851,710	792,539	767,841	756,300
Securities	87,701	65,402	82,042	82,715	70,704
Interest bearing assets	1,060,989	1,056,931	962,214	898,657	848,067
Interest bearing liabilities					
Due to credit institutions and Central Bank	9,204	7,370	7,987	11,387	22,876
Deposits	466,067	462,161	412,064	469,347	454,973
Financial liabilities at fair value	2,320	3,601	3,727	7,609	9,143
Borrowings	417,782	384,998	339,476	256,058	200,580
Subordinated liabilities	6,532	-	-	10,365	31,639
Interest bearing liabilities	901,905	858,130	763,252	754,766	719,210
Interest Gap	159,084	198,801	198,962	143,891	128,857
Net interest margin on interest bearing assets	2.8%	2.9%	3.1%	3.0%	2.8%

Loans to customers - 5 year summary

ISK million	2018	2017	2016	2015	2014
Loans to customers					
Individuals	400,483	365,287	337,416	324,619	321,311
Corporates	433,343	399,814	375,006	355,731	326,197
Total loans to customers	833,826	765,101	712,422	680,350	647,508
Loans to individuals					
Overdrafts	14,536	14,469	14,805	16,840	17,955
Credit cards	12,958	11,133	11,363	10,842	11,065
Mortgage loans	343,119	311,507	285,784	271,895	271,639
Other loans	33,560	33,629	34,777	38,058	33,763
Provision on loans	(3,690)	(5,451)	(9,313)	(13,016)	(13,111)
Total loans to individuals	400,483	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:					
Share of stage 3 loans, gross*	2.6%	-	-	-	-
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%

* (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	2018	2017	2016	2015	2014
Loans to corporates					
Overdrafts	19,200	18,778	19,314	24,248	24,420
Credit cards	1,348	1,123	1,180	1,054	943
Mortgage loans	23,417	19,632	16,298	12,889	10,406
Other loans	395,579	368,312	351,739	334,849	303,998
Provision on loans	(6,201)	(8,031)	(13,525)	(17,309)	(13,570)
Total loans to corporates	433,343	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	3.8%	4.5%	4.6%	5.6%	5.6%
Financial and insurance activities	8.7%	8.5%	9.3%	9.4%	8.5%
Industry, energy and manufacturing	8.2%	7.4%	7.6%	6.0%	7.8%
Information and communication technology	4.8%	5.5%	7.6%	8.7%	7.1%
Public administration, human health and social activities	1.6%	2.0%	2.3%	2.3%	2.4%
Real estate activities and construction	33.9%	32.1%	30.6%	28.8%	24.9%
Fishing industry	19.4%	19.7%	20.4%	21.3%	23.4%
Transportation	2.8%	4.3%	1.7%	1.7%	1.7%
Wholesale and retail trade	15.2%	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

	2018	2017	2016	2015	2014
Capital base:					
Total equity	200,859	225,734	211,384	201,895	162,212
Deductions related to the consolidated situation ¹	(8,986)	(8,635)	(8,126)	-	-
Non-controlling interest not eligible for inclusion in CET 1 capital	(130)	(128)	(172)	(9,108)	(1,501)
Common Equity Tier 1 capital before regulatory adjustments	191,743	216,971	203,086	192,786	160,711
Intangible assets	(12,152)	(11,125)	(8,201)	(9,285)	(9,596)
Tax assets	(191)	(357)	(198)	(205)	(655)
Foreseeable dividend	(1,537)	(25,000)	-	-	-
Other statutory deductions	(9,069)	146	(149)	(3,151)	(111)
Common equity Tier 1 capital	168,794	180,635	194,538	180,145	150,349
Non-controlling interest not eligible for inclusion in CET1 capital	130	128	172	9,108	1,501
Tier 1 capital	168,924	180,763	194,710	189,254	151,850
Subordinated liabilities	6,532	-	-	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	6,532	3,195	4,557	6,476	31,538
Total Capital base	175,456	183,958	199,267	195,729	183,388
Risk weighted assets					
Credit Risk, loans	639,788	605,058	577,470	681,034	591,994
Credit Risk, securities and other ²	50,112	56,979	55,036	-	-
Counterparty credit risk ²	4,405	5,844	5,550	-	-
Market Risk due to currency imbalance	4,280	4,895	5,449	38,401	18,915
Market Risk Other	8,928	5,473	12,966	7,035	2,890
Credit valuation adjustment ²	2,228	2,506	2,678	-	-
Operational Risk	86,858	86,013	86,490	81,441	82,211
Total risk weighted assets	796,599	766,768	745,639	807,911	696,010
Capital ratios					
CET 1 ratio	21.2%	23.6%	26.1%	22.3%	21.6%
Tier 1 ratio	21.2%	23.6%	26.1%	23.4%	21.8%
Capital adequacy ratio	22.0%	24.0%	26.7%	24.2%	26.3%
Leverage ratio					
On-balance sheet exposures	1,106,368	1,074,207	995,063	982,348	912,303
Derivative exposures	8,239	10,957	8,226	3,789	1,348
Securities financing transaction exposures	8,194	8,925	9,330	16,287	10,044
Off-balance sheet exposures	68,316	83,058	83,156	127,675	59,922
Total exposure	1,191,117	1,177,147	1,095,775	1,130,099	983,617
Tier 1 capital	168,924	180,763	194,710	189,254	151,850
Leverage ratio	14.2%	15.4%	17.8%	16.7%	15.4%
Related ratios					
RORWA	1.0%	1.9%	2.9%	6.7%	4.0%
RWA/Total assets	68.4%	66.8%	72.7%	79.9%	74.5%

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

KFI - 9 Quarters

ISK million

	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016
Profitability									
Return on equity	3.2%	2.3%	5.9%	3.6%	7.3%	(0.2%)	13.0%	6.3%	8.6%
Return on assets	0.5%	0.4%	1.1%	0.7%	1.4%	(0.0%)	2.6%	1.2%	1.7%
Return on risk-weighted-assets	0.8%	0.6%	1.6%	1.0%	2.1%	(0.1%)	3.8%	1.8%	2.4%
Earnings per share	0.87	0.63	1.35	1.01	2.02	(0.06)	3.56	1.68	2.18
Earnings per share from continuing operations	1.56	0.63	1.36	0.95	2.13	(0.06)	3.56	1.68	2.18
Net interest margin									
Net interest margin on interest bearing assets	2.9%	2.7%	2.8%	2.7%	2.7%	2.7%	3.1%	2.8%	3.2%
Net interest margin on total assets	2.7%	2.4%	2.5%	2.4%	2.5%	2.5%	2.8%	2.6%	3.0%
Efficiency									
Cost-to-income ratio	60.3%	50.3%	55.4%	62.5%	53.0%	59.9%	30.1%	56.8%	57.9%
Cost-to-total assets ratio	2.2%	2.0%	2.4%	2.4%	2.2%	2.1%	1.4%	2.4%	3.2%
Number of FTE´s at year end	904	933	966	956	941	950	924	939	1,239
Asset quality									
Share of stage 3 loans, gross*	2.6%	2.9%	3.0%	3.3%	-	-	-	-	-
Problem loans ¹	-	-	-	-	1.0%	1.4%	1.3%	1.5%	1.6%
Provision for losses/Gross impaired loans ¹	-	-	-	-	80.5%	74.6%	76.0%	72.4%	77.4%
Gross impaired loans/Gross loans ¹	-	-	-	-	1.6%	2.1%	2.1%	2.4%	3.2%
Past due loans but not impaired as % of gross loans ¹	-	-	-	-	4.2%	5.0%	4.8%	5.6%	4.9%
Risk weighted assets / Total assets	68.4%	66.2%	67.8%	68.8%	66.8%	68.4%	67.0%	66.4%	72.7%

* (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

	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016
Financial strength									
Equity as % of total assets	17.3%	16.4%	17.7%	18.0%	19.7%	19.4%	19.7%	19.2%	20.4%
Liquidity									
Liquidity coverage ratio (LCR)	164.4%	169.1%	231.7%	209.9%	221.0%	228.6%	266.2%	163.5%	171.3%
Loans-to-deposits ratio	178.9%	169.2%	168.8%	172.7%	165.5%	168.4%	167.7%	151.4%	172.9%
Loans-to-deposits ratio (without covered bonds)	135.7%	130.2%	130.3%	134.4%	129.0%	129.4%	128.2%	116.5%	133.8%
Deposits from customers as % of total funding	52.2%	52.4%	53.3%	52.6%	54.1%	52.3%	53.0%	56.2%	53.9%
Covered bonds as % of total funding	22.5%	20.4%	20.5%	20.1%	19.8%	20.4%	20.9%	19.6%	21.1%
Capital									
Official CET 1 ratio	21.2%	21.6%	21.8%	23.6%	23.6%	26.6%	27.7%	27.3%	26.1%
Tier 1 ratio	21.2%	21.7%	21.9%	23.6%	23.6%	26.9%	27.8%	27.3%	26.6%
Tier 2 ratio	0.8%	0.0%	0.0%	0.0%	0.4%	0.5%	0.6%	0.6%	0.6%
Official capital adequacy ratio	22.0%	21.7%	21.9%	23.6%	24.0%	27.4%	28.4%	27.9%	27.2%
Leverage ratio	14.2%	13.8%	14.3%	15.4%	15.4%	16.8%	17.4%	17.0%	18.0%

Income statement - 9 quarter summary

ISK million	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016
Interest income	16,349	14,933	13,990	14,044	13,545	13,199	15,862	13,422	15,409
Interest expense	(8,380)	(7,724)	(6,676)	(7,217)	(6,481)	(6,166)	(7,942)	(6,518)	(7,567)
Net interest income	7,969	7,209	7,314	6,827	7,064	7,033	7,920	6,904	7,842
Fee and commission income	3,064	2,991	3,028	2,575	3,475	2,843	2,793	2,508	6,451
Fee and commission expense	(318)	(304)	(316)	(370)	(351)	(364)	(383)	(310)	(2,686)
Net fee and commission income	2,746	2,687	2,712	2,205	3,124	2,479	2,410	2,198	3,765
Net financial income	(774)	570	1,119	1,387	1,555	(687)	1,744	1,433	823
Net insurance income	704	984	758	143	324	716	606	447	731
Share of profit of associates	11	34	2	(20)	(10)	17	(900)	(34)	198
Other operating income	294	422	600	268	90	345	1,629	456	826
Operating income	10,950	11,906	12,505	10,810	12,147	9,903	13,409	11,404	14,185
Salaries and related expense	(3,584)	(3,129)	(3,949)	(3,616)	(3,461)	(3,054)	(3,650)	(3,437)	(4,407)
Other operating expenses	(3,015)	(2,864)	(2,978)	(3,143)	(2,982)	(2,877)	(391)	(3,041)	(3,803)
Operating expenses	(6,599)	(5,993)	(6,927)	(6,759)	(6,443)	(5,931)	(4,041)	(6,478)	(8,210)
Bank Levy	(765)	(938)	(879)	(804)	(784)	(814)	(777)	(797)	(682)
Net impairment	(573)	(2,651)	(166)	(135)	1,504	(2,500)	401	907	409
Earnings before tax	3,013	2,324	4,533	3,112	6,424	658	8,992	5,036	5,702
Income tax expense	(881)	(973)	(1,302)	(890)	(1,957)	(713)	(1,891)	(1,405)	(1,227)
Net earnings from continuing operations	2,132	1,351	3,231	2,222	4,467	(55)	7,101	3,631	4,475
Net gain (loss) from discontinued operations, net of tax	(516)	(201)	(169)	(273)	(401)	(58)	12	(278)	-
Net earnings	1,616	1,150	3,062	1,949	4,066	(113)	7,113	3,353	4,475
Attributable to									
Shareholders of Arion Bank	1,567	1,151	2,449	1,949	4,049	(114)	7,112	3,352	4,369
Non-controlling interest	49	(1)	613	-	17	1	1	1	106
Net earnings	1,616	1,150	3,062	1,949	4,066	(113)	7,113	3,353	4,475
Earnings per share from continuing operations									
Basic and diluted earnings per share attributable to the shareholders of Arion Bank (ISK)	1.56	0.64	1.34	0.95	2.13	(0.15)	3.42	1.60	2.03

Balance sheet - 9 quarter summary

ISK million	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016
Assets									
Cash and balances with Central Bank	83,139	99,525	112,996	97,934	139,819	132,316	151,354	178,593	87,634
Loans to credit institutions	56,322	123,446	113,546	94,961	86,609	94,242	78,250	68,149	80,116
Loans to customers	833,826	819,965	803,694	782,255	765,101	750,947	733,649	720,198	712,422
Financial instruments	114,557	109,374	95,265	106,415	109,450	121,041	109,353	110,673	117,456
Investment property	7,092	7,044	7,027	6,749	6,613	6,903	7,166	5,911	5,358
Investments in associates	818	862	743	743	760	842	825	818	839
Intangible assets	6,397	14,039	13,858	13,498	13,848	12,755	11,639	11,121	11,057
Tax assets	90	623	603	611	450	286	413	462	288
Non-current assets and disp. groups held for sale	48,584	8,351	8,295	8,496	8,138	7,352	3,443	4,058	4,418
Other assets	13,502	36,300	18,817	20,107	16,966	18,169	30,319	19,664	16,436
Total assets	1,164,327	1,219,529	1,174,844	1,131,769	1,147,754	1,144,853	1,126,411	1,119,648	1,036,024
Liabilities									
Due to credit institutions and Central Bank	9,204	15,370	6,336	7,880	7,370	7,097	7,644	9,689	7,987
Deposits	466,067	484,569	476,182	453,059	462,161	445,981	437,494	475,641	412,064
Financial liabilities at fair value	2,320	3,381	3,895	3,130	3,601	3,551	5,029	3,922	3,726
Tax liabilities	5,119	6,376	6,503	6,885	6,828	9,303	9,342	8,305	7,293
Liabilities associated with disposal groups held for sale	26,337								
Other liabilities	30,107	84,176	63,524	55,715	57,062	56,813	65,073	51,678	54,094
Borrowings	417,782	425,601	410,773	400,855	384,998	400,400	380,061	355,633	339,476
Subordinated liabilities	6,532	-	-	-	-	-	-	-	-
Total liabilities	963,468	1,019,473	967,213	927,524	922,020	923,144	904,645	904,868	824,640
Equity									
Share capital and share premium	59,010	59,014	59,017	58,722	75,861	75,861	75,861	75,861	75,861
Other reserves	14,822	15,648	14,436	14,880	16,774	15,001	13,565	20,197	19,761
Retained earnings	126,897	124,655	133,437	130,515	132,971	130,673	132,167	118,549	115,590
Total shareholders equity	200,729	199,317	206,890	204,117	225,606	221,535	221,593	214,607	211,212
Non-controlling interest	130	739	741	128	128	174	174	173	172
Total equity	200,859	200,056	207,631	204,245	225,734	221,709	221,766	214,779	211,384
Total liabilities and equity	1,164,327	1,219,529	1,174,844	1,131,769	1,147,754	1,144,853	1,126,411	1,119,648	1,036,024

Net interest income - 9 quarter summary

ISK million	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016
Interest income									
Cash and balances with Central bank	989	1,270	1,120	1,246	1,358	1,620	1,990	1,347	1,335
Loans	15,148	13,573	12,573	12,517	11,805	11,098	13,313	11,333	12,813
Securities	152	23	199	257	340	427	515	682	946
Other	38	66	100	47	41	55	45	61	315
Interest income	16,327	14,932	13,990	14,067	13,544	13,199	15,863	13,422	15,409
Interest expense									
Deposits	(3,599)	(3,413)	(3,114)	(3,198)	(2,924)	(2,772)	(3,804)	(3,106)	(3,763)
Borrowings	(4,739)	(4,240)	(3,556)	(3,988)	(3,537)	(3,379)	(4,120)	(3,413)	(3,797)
Subordinated loans	(19)	-	-	-	-	-	-	-	-
Other	(23)	(71)	(7)	(31)	(20)	(15)	(18)	(0)	(7)
Interest expense	(8,380)	(7,724)	(6,676)	(7,217)	(6,481)	(6,166)	(7,942)	(6,518)	(7,567)
Net interest income	7,946	7,209	7,314	6,850	7,063	7,033	7,921	6,904	7,842
Interest bearing assets									
Cash and balances with Central Bank	83,139	95,274	110,872	96,649	135,393	129,321	146,938	176,653	87,634
Loans	890,147	914,462	886,750	853,135	823,462	814,987	785,337	764,630	792,539
Securities	87,701	79,852	64,188	71,409	65,389	75,877	73,077	78,232	82,042
Interest bearing assets	1,060,987	1,089,588	1,061,810	1,021,193	1,024,245	1,020,185	1,005,352	1,019,515	962,214
Interest bearing liabilities									
Due to credit institutions and Central Bank	9,204	15,370	6,336	7,880	7,370	7,097	7,644	9,270	7,987
Deposits	466,067	484,569	476,182	453,059	462,161	445,981	437,494	475,641	412,064
Financial liabilities at fair value	2,320	3,348	3,886	3,127	3,515	3,433	4,990	3,922	3,727
Borrowings	417,782	425,591	410,762	399,338	383,151	398,055	377,824	355,633	339,476
Subordinated liabilities	6,532	-	-	-	-	-	-	-	-
Interest bearing liabilities	901,905	928,879	897,167	863,404	856,198	854,565	827,953	844,466	763,252
Interest Gap	159,083	160,710	164,644	157,789	168,047	165,620	177,399	175,050	198,962
Net interest margin on interest bearing assets	3.0%	2.7%	2.8%	2.7%	2.8%	2.8%	3.1%	2.8%	3.2%

All amounts are in ISK millions

Loans to customers - 9 quarter summary

ISK million	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016
Loans to customers									
Individuals	400,483	397,661	382,550	374,452	365,287	354,004	343,402	338,686	337,416
Corporates	433,343	422,304	421,144	407,803	399,814	396,943	390,247	381,512	375,006
Total loans to customers	833,826	819,965	803,694	782,255	765,101	750,947	733,649	720,198	712,422
Loans to individuals									
Overdrafts	14,536	15,783	14,231	14,821	14,469	14,863	13,855	15,218	14,805
Credit cards	12,958	11,585	11,190	10,164	11,133	10,078	10,245	10,080	11,363
Mortgage loans	343,119	338,059	327,612	320,681	311,507	302,406	294,273	288,660	285,784
Other loans	33,560	36,351	33,736	33,274	33,629	33,116	32,609	33,480	34,777
Provision on loans	(3,690)	(4,117)	(4,219)	(4,488)	(5,451)	(6,459)	(7,580)	(8,752)	(9,313)
Total loans to individuals	400,483	397,661	382,550	374,452	365,287	354,004	343,402	338,686	337,416
Share of stage 3 loans, gross*	2.6%	2.9%	3.0%	3.3%	-	-	-	-	-
Neither past due nor impaired ¹	-	-	-	-	344,829	333,828	323,075	313,416	312,259
Past due but not impaired ¹	-	-	-	-	18,929	18,108	18,473	22,815	21,854
Individually impaired (gross) ¹	-	-	-	-	5,539	6,754	7,221	8,708	10,372
Impairment amount ¹	-	-	-	-	(4,010)	(4,686)	(5,367)	(6,253)	(7,069)
Total loans to individuals	-	-	-	-	365,287	354,004	343,402	338,686	337,416
Ratios:									
Provision for losses/Gross impaired loans ¹	-	-	-	-	98.4%	95.6%	105.0%	100.5%	89.8%
Past due loans but not impaired as % of gross loans ¹	-	-	-	-	5.1%	5.0%	5.3%	6.6%	6.3%
Gross impaired loans/Gross loans ¹	-	-	-	-	1.5%	1.9%	2.1%	2.5%	3.0%

* (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

Loans to customers - 9 quarter summary

ISK million	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016
Loans to corporates	-	-	-	-	-	-	-	-	-
Overdrafts	19,200	18,101	21,125	20,909	18,778	20,745	22,174	21,091	19,314
Credit cards	1,348	1,270	1,262	1,178	1,123	1,177	1,199	1,179	1,180
Mortgage loans	23,417	22,598	21,549	20,448	19,632	18,300	17,810	17,069	16,298
Other loans	395,579	388,299	384,178	373,256	368,312	366,226	357,882	351,129	351,739
Provision on loans	(6,201)	(7,964)	(6,970)	(7,988)	(8,031)	(9,505)	(8,818)	(8,956)	(13,525)
Total loans to corporates	433,343	422,304	421,144	407,803	399,814	396,943	390,247	381,512	375,006
Neither past due nor impaired ¹	-	-	-	-	385,197	375,121	370,693	360,993	358,709
Past due but not impaired ¹	-	-	-	-	13,655	19,801	17,636	18,130	14,251
Individually impaired (gross) ¹	-	-	-	-	7,239	9,349	8,477	8,858	13,258
Impairment amount ¹	-	-	-	-	(6,277)	(7,328)	(6,559)	(6,469)	(11,212)
Total loans to individuals	-	-	-	-	399,814	396,943	390,247	381,512	375,006
Ratios:									
Provision for losses/Gross impaired loans ¹	-	-	-	-	110.9%	101.7%	104.0%	101.1%	102.0%
Past due loans but not impaired as % of gross loans ¹	-	-	-	-	3.4%	4.9%	4.4%	4.7%	3.7%
Gross impaired loans/Gross loans ¹	-	-	-	-	1.8%	2.3%	2.1%	2.3%	3.4%
Loans to corporates specified by sector:									
Agriculture and forestry	1.7%	1.7%	1.7%	1.7%	1.6%	1.6%	1.6%	1.5%	1.6%
Services	3.8%	4.2%	4.5%	4.3%	4.5%	4.4%	4.5%	4.5%	4.6%
Financial and insurance activities	8.7%	8.6%	8.7%	9.2%	8.5%	8.9%	8.5%	9.2%	9.3%
Industry, energy and manufacturing	8.2%	7.8%	7.4%	7.3%	7.4%	7.4%	7.6%	7.6%	7.6%
Information and communication technology	4.8%	5.5%	5.6%	5.1%	5.5%	6.7%	6.9%	7.2%	7.6%
Public administration, human health and social activities	1.6%	1.3%	1.7%	2.2%	2.0%	1.9%	1.9%	2.3%	2.3%
Real estate activities and construction	33.9%	32.0%	32.2%	31.5%	32.1%	31.7%	31.6%	31.3%	30.6%
Fishing industry	19.4%	19.4%	18.3%	19.2%	19.7%	20.0%	20.7%	20.2%	20.4%
Transportation	2.8%	4.1%	4.6%	4.2%	4.3%	3.6%	2.7%	1.8%	1.7%
Wholesale and retail trade	15.2%	15.4%	15.3%	15.3%	14.4%	13.7%	14.0%	14.6%	14.1%
	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

	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016
Capital base:									
Total equity	200,859	200,056	207,631	204,245	225,734	221,709	221,767	214,780	211,384
Deductions related to the consolidated situation ¹	(8,986)	(8,573)	(8,067)	(7,870)	(8,635)	(8,505)	(8,407)	(8,057)	(8,126)
Non-controlling interest not eligible for inclusion in CET1 capital	(130)	(739)	(741)	(128)	(128)	(174)	(174)	(173)	(172)
Common Equity Tier 1 capital before regulatory adjustments	191,743	190,744	198,823	196,247	216,971	213,030	213,186	206,550	203,086
Intangible assets	(12,152)	(11,445)	(11,230)	(10,834)	(11,125)	(9,987)	-8,820	-8,263	-8,201
Tax assets	(191)	(564)	(509)	(425)	(357)	(204)	-309	-372	-198
Other statutory deductions	(1,537)	(1,314)	(1,216)	(430)	146	(684)	(106)	(98)	(149)
Foreseeable dividend	(9,069)	(2,775)	(12,199)	(975)	(25,000)	-	0	0	0
Common equity Tier 1 capital	168,794	174,646	173,669	183,583	180,635	202,155	203,951	197,817	194,538
Non-controlling interest not eligible for inclusion in CET1 capital	130	739	741	128	128	174	174	173	172
Tier 1 capital	168,924	175,385	174,410	183,711	180,763	202,329	204,125	197,990	194,710
Subordinated liabilities	6,532	-	-	-	-	-	-	-	-
General credit risk adjustments	-	-	-	-	3,195	3,950	4,471	4,987	4,557
Tier 2 Capital	6,532	-	-	-	3,195	3,950	4,471	4,987	4,557
Total Capital base	175,456	212,751	174,410	183,711	183,958	206,279	208,596	202,977	199,267
Risk weighted assets									
Credit Risk, loans	639,788	646,016	630,789	610,623	605,058	609,235	584,838	571,483	577,470
Credit Risk, securities and other ²	50,112	51,133	50,131	52,976	56,979	56,280	51,636	50,404	55,036
Counterparty credit risk ²	4,405	4,461	4,172	6,009	5,844	6,268	6,721	6,708	5,550
Market Risk due to currency imbalance	4,280	7,305	12,608	8,695	4,895	4,250	2,272	1,709	5,449
Market Risk Other	8,928	9,717	9,666	11,522	5,473	8,237	10,390	15,603	12,966
Credit valuation adjustment ²	2,228	2,235	2,699	3,148	2,506	2,583	2,770	2,391	2,678
Operational Risk	86,858	86,013	86,013	86,013	86,013	86,490	86,490	86,490	86,490
Total risk weighted assets	796,599	806,880	796,078	778,986	766,768	773,343	745,118	734,788	745,639

Capital and Risk Weighted Assets

ISK million

	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016
Capital ratios									
CET 1 ratio	21.2%	21.6%	21.8%	23.6%	23.6%	26.1%	27.4%	26.9%	26.1%
Tier 1 ratio	21.2%	21.4%	21.9%	23.6%	23.6%	26.2%	27.4%	26.9%	26.1%
Capital adequacy ratio	22.0%	21.4%	21.9%	23.6%	24.0%	26.7%	28.0%	27.6%	26.7%
Leverage ratio									
On-balance sheet exposures	1,106,368	1,167,238	1,116,222	1,081,484	1,074,207	1,114,525	1,100,729	1,094,640	1,011,735
Derivative exposures	8,239	8,279	8,544	10,931	10,957	12,802	9,934	7,450	8,226
Securities financing transaction exposures	8,194	9,382	7,974	8,542	8,925	10,987	9,014	10,115	9,330
Off-balance sheet exposures	68,316	82,415	86,975	88,456	83,058	97,323	86,171	80,142	83,156
Total exposure	1,191,117	1,267,314	1,219,715	1,189,413	1,177,147	1,235,637	1,205,848	1,192,347	1,112,447
Tier 1 capital	168,924	175,385	174,410	180,763	180,763	202,329	204,125	197,990	194,966
Leverage ratio	14.2%	13.8%	14.3%	15.4%	15.4%	16.6%	17.2%	16.9%	17.8%
Related ratios									
RORWA	0.99%	1.04%	1.28%	1.01%	1.91%	1.84%	2.82%	1.81%	2.87%
RWA/Total assets	68.42%	66.16%	67.76%	68.83%	66.81%	68.37%	67.02%	66.42%	72.71%

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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