



Arion Bank

Factbook
(Unaudited)
31 December 2020

KFI - 5 years

ISK million	2020	2019	2018	2017	2016
Profitability					
Return on equity	6.5%	0.6%	3.7%	6.6%	10.5%
Return on assets	1.1%	0.1%	0.7%	1.3%	2.1%
Return on risk-weighted-assets	1.7%	0.1%	1.0%	1.9%	2.9%
Earnings per share	7.24	0.61	3.86	7.20	10.70
Earnings per share from continuing operations	7.77	7.77	4.49	6.99	10.26
Net interest margin					
Net interest margin on interest bearing assets	2.9%	2.8%	2.7%	2.9%	3.1%
Net interest margin on total assets	2.7%	2.6%	2.5%	2.6%	2.9%
Net interest income on credit risk	5.0%	4.6%	4.3%	4.5%	4.6%
Efficiency					
Cost-to-income ratio	48.1%	56.0%	56.9%	48.9%	56.0%
Cost-to-total assets ratio	2.1%	2.3%	2.3%	2.1%	3.0%
Number of FTE´s at year end	776	801	904	941	1,239
Asset quality					
Share of stage 3 loans, gross*	2.6%	2.7%	2.6%	-	-
Risk weighted assets / Total assets	63.6%	66.5%	68.4%	66.8%	72.7%
Financial strength					
Equity as % of total assets	16.9%	17.5%	17.3%	19.7%	20.4%
Liquidity					
Liquidity coverage ratio (LCR)	188.5%	188.3%	164.4%	221.0%	171.3%
Loans-to-deposits ratio	144.8%	157.0%	178.9%	165.5%	172.9%
Loans-to-deposits ratio (without covered bonds)	117.7%	127.5%	135.7%	129.0%	133.8%
Deposits from customers as % of total funding	64.6%	61.3%	52.2%	54.1%	53.9%
Covered bonds as % of total funding	17.5%	18.1%	22.5%	19.8%	21.1%
Capital					
CET 1 ratio	22.3%	21.2%	21.2%	23.6%	26.1%
Tier 1 ratio	24.1%	21.2%	21.2%	23.6%	26.1%
Tier 2 ratio	2.9%	2.8%	0.8%	0.4%	0.7%
Capital adequacy ratio	27.0%	24.0%	22.0%	24.0%	26.8%
Leverage ratio	15.1%	14.1%	14.2%	15.4%	17.8%

* (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	2020	2019	2018	2017	2016
Interest income	51,730	58,307	59,316	56,028	61,655
Interest expense	(20,572)	(27,990)	(29,997)	(27,108)	(31,755)
Net interest income	31,158	30,317	29,319	28,920	29,900
Fee and commission income	13,225	11,499	11,658	11,619	23,887
Fee and commission expense	(1,583)	(1,549)	(1,308)	(1,408)	(9,909)
Net fee and commission income	11,642	9,950	10,350	10,211	13,978
Net insurance income	3,071	2,886	2,589	2,093	1,395
Net financial (loss) income	2,745	3,212	2,302	4,045	5,162
Share of (loss) profit of associates	-	756	27	(927)	908
Other operating income	2,148	877	1,584	2,521	3,203
Other net operating income / loss	7,964	7,731	6,502	7,732	10,668
Operating income	50,764	47,998	46,171	46,863	54,546
Salaries and related expense	(12,332)	(14,641)	(14,278)	(13,602)	(16,659)
Other operating expenses	(12,109)	(12,222)	(12,000)	(9,291)	(13,881)
Operating expenses	(24,441)	(26,863)	(26,278)	(22,893)	(30,540)
Bank Levy	(1,301)	(2,984)	(3,386)	(3,172)	(2,872)
Net impairment	(5,044)	(382)	(3,525)	312	7,236
Earnings / loss before tax	19,978	17,769	12,982	21,110	28,370
Income tax expense	(3,231)	(3,714)	(4,046)	(5,966)	(6,631)
Net earnings / loss from continuing operations	16,747	14,055	8,936	15,144	21,739
Discontinued operations held for sale, net of income tax	(4,278)	(12,955)	(1,159)	(725)	-
Net earnings / loss	12,469	1,100	7,777	14,419	21,739
Attributable to					
Shareholders of Arion Bank	12,468	1,096	7,116	14,400	21,147
Non-controlling interest	1	4	661	19	592
Total comprehensive income	12,469	1,100	7,777	14,419	21,739
Earnings per share					
Basic and diluted earnings per share attributable to the shareholders of Arion Bank (ISK)	7.24	0.61	3.86	7.20	10.70

Balance sheet - 5 year summary

ISK million

31.12.2020 31.12.2019 31.12.2018 31.12.2017 31.12.2016

Assets

Cash and balances with Central Bank	42,136	95,717	83,139	139,819	87,634
Loans to credit institutions	28,235	17,947	56,322	86,609	80,116
Loans to customers	822,941	773,955	833,826	765,101	712,422
Financial instruments	227,251	117,406	114,557	109,450	117,456
Investment property	6,132	7,119	7,092	6,613	5,358
Investments in associates	891	852	818	760	839
Intangible assets	9,689	8,367	6,397	13,848	11,057
Tax assets	2	2	90	450	288
Asset and disposal groups held for sale	16,811	43,626	48,584	8,138	4,418
Other assets	18,618	16,864	13,502	16,966	16,436
Total assets	1,172,706	1,081,855	1,164,327	1,147,754	1,036,024

Liabilities

Due to credit institutions and Central Bank	13,031	5,984	9,204	7,370	7,987
Deposits	568,424	492,916	466,067	462,161	412,064
Financial liabilities at fair value	5,240	2,570	2,320	3,601	3,726
Tax liabilities	4,262	4,404	5,119	6,828	7,293
Liabilities associated with disposal groups held for sale	16,183	28,631	26,337	-	-
Other liabilities	32,714	32,697	30,107	57,062	54,094
Borrowings	298,947	304,745	417,782	384,998	339,476
Subordinated liabilities	36,060	20,083	6,532	-	-
Total liabilities	974,861	892,030	963,468	922,020	824,640

Equity

Share capital and share premium	51,331	55,715	59,010	75,861	75,861
Other reserves	11,320	9,493	14,822	16,774	19,761
Retained earnings	135,021	124,436	126,897	132,971	115,590
Total shareholders equity	197,672	189,644	200,729	225,606	211,212
Non-controlling interest	173	181	130	128	172
Total equity	197,845	189,825	200,859	225,734	211,384
Total liabilities and equity	1,172,706	1,081,855	1,164,327	1,147,754	1,036,024

Net interest income - 5 year summary

ISK million	2020	2019	2018	2017	2016
Interest income					
Cash and balances with Central bank	1,435	4,008	4,625	6,315	4,584
Loans	46,992	52,803	53,811	47,538	51,910
Securities	3,138	1,335	607	1,964	4,347
Other	165	161	273	211	814
Interest income	51,730	58,307	59,316	56,028	61,655
Interest expense					
Deposits	(6,644)	(11,949)	(13,323)	(12,606)	(16,284)
Borrowings	(12,030)	(15,473)	(16,524)	(14,449)	(14,851)
Subordinated liabilities	(1,780)	(449)	(19)	-	(529)
Other	(118)	(119)	(131)	(53)	(91)
Interest expense	(20,572)	(27,990)	(29,997)	(27,108)	(31,755)
Net interest income	31,158	30,317	29,319	28,920	29,900
Interest bearing assets					
Cash and balances with Central Bank	42,136	95,717	83,139	139,819	87,634
Loans	851,176	791,902	890,148	851,710	792,538
Securities	192,244	83,343	87,701	65,402	82,042
Interest bearing assets	1,085,556	970,962	1,060,989	1,056,931	962,214
Interest bearing liabilities					
Due to credit institutions and Central Bank	13,031	5,984	9,204	7,370	7,987
Deposits	568,424	492,916	466,067	462,161	412,064
Financial liabilities at fair value	5,240	2,570	2,320	3,601	3,727
Borrowings	298,947	304,745	417,782	384,998	339,476
Subordinated liabilities	36,060	20,083	6,532	-	-
Interest bearing liabilities	921,702	826,298	901,905	858,130	763,252
Interest Gap	163,854	144,664	159,084	198,801	198,962
Net interest margin on interest bearing assets	2.9%	2.8%	2.7%	2.9%	3.1%

Loans to customers - 5 year summary

ISK million

31.12.2020 31.12.2019 31.12.2018 31.12.2017 31.12.2016

Loans to customers

Individuals	433,336	368,569	400,483	365,287	337,416
Corporates	389,605	405,386	433,343	399,814	375,006
Total loans to customers	822,941	773,955	833,826	765,101	712,422

Ratios:

Share of stage 3 loans, gross*	2.6%	2.7%	2.6%	3.5%	-
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* (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

Loans to individuals

Overdrafts	12,875	14,421	14,536	14,469	14,805
Credit cards	12,260	13,028	12,958	11,133	11,363
Mortgage loans	378,554	310,562	343,119	311,507	285,784
Other loans	32,122	33,105	33,560	33,629	34,777
Provision on loans	(2,475)	(2,547)	(3,690)	(5,451)	(9,313)
Total loans to individuals	433,336	368,569	400,483	365,287	337,416

Loans to customers - 5 year summary

ISK million

31.12.2020 31.12.2019 31.12.2018 31.12.2017 31.12.2016

Loans to corporates

Overdrafts	15,471	18,709	19,200	18,778	19,314
Credit cards	1,086	1,373	1,348	1,123	1,180
Mortgage loans	32,175	23,475	23,417	19,632	16,298
Other loans	350,455	368,453	395,579	368,312	351,739
Provision on loans	(9,582)	(6,624)	(6,201)	(8,031)	(13,525)
Total loans to corporates	389,605	405,386	433,343	399,814	375,006

Loans to corporates specified by sector:

Agriculture and forestry	2.1%	1.9%	1.7%	1.6%	1.6%
Services	3.4%	4.3%	3.8%	4.5%	4.6%
Financial and insurance activities	9.2%	8.3%	8.7%	8.5%	9.3%
Industry, energy and manufacturing	8.0%	9.8%	8.2%	7.4%	7.6%
Information and communication technology	5.3%	4.7%	4.8%	5.5%	7.6%
Public administration, human health and social activities	1.7%	2.1%	1.6%	2.0%	2.3%
Real estate activities and construction	32.8%	32.0%	33.9%	32.1%	30.6%
Fishing industry	20.9%	20.5%	19.4%	19.7%	20.4%
Transportation	3.3%	2.7%	2.8%	4.3%	1.7%
Wholesale and retail trade	13.2%	13.6%	15.2%	14.4%	14.1%
	100.0%	100.0%	100.0%	100.0%	100.0%

Capital and Risk Weighted Assets

ISK million

31.12.2020 31.12.2019 31.12.2018 31.12.2017 31.12.2016

Capital base:

Total equity	197,845	189,825	200,859	225,733	211,384
Deductions related to the consolidated situation ¹	-	(10,159)	(8,986)	(8,635)	-
Unaudited interim net earnings	-	-	-	-	-
Non-controlling interest not eligible for inclusion in CET 1 capital	(173)	(181)	(130)	(128)	(172)
Common Equity Tier 1 capital before regulatory adjustments	197,672	179,485	191,743	216,970	211,212
Intangible assets	(13,092)	(10,604)	(12,152)	(11,125)	(8,201)
Tax assets	-	(296)	(191)	(357)	(198)
Foreseeable dividend	(17,990)	(14,153)	(9,069)	(25,000)	-
Adjustment under IFRS 9 transitional arrangements	1,890	-	-	-	-
Other statutory deductions	(2,520)	(1,741)	(1,537)	147	(8,275)
Common equity Tier 1 capital	165,960	152,691	168,794	180,635	194,538
Non-controlling interest not eligible for inclusion in CET1 capital	173	181	130	128	172
Additional Tier 1 capital	13,498	-	-	-	-
Tier 1 capital	179,631	152,872	168,924	180,763	194,710
Tier 2 instruments	22,562	20,083	6,532	-	-
Tier 2 instruments of financial sector entities (signif. invest.)	(1,007)	-	-	-	-
General credit risk adjustments	-	-	-	3,195	4,557
Tier 2 Capital	21,555	20,083	6,532	3,195	4,557
Total own funds	201,186	172,955	175,456	183,958	199,267

Risk weighted exposure amount (REA)

Credit Risk, loans	570,554	561,602	639,788	605,058	577,470
Credit Risk, securities and other ²	60,813	49,163	50,112	56,979	55,036
Counterparty credit risk ²	3,462	3,347	4,405	5,844	5,550
Market Risk due to currency imbalance	8,569	10,070	4,280	4,895	5,449
Market Risk Other	13,063	10,609	8,928	5,473	12,966
Credit valuation adjustment ²	842	1,477	2,228	2,506	2,678
Operational Risk	88,462	83,487	86,957	86,013	86,490
Total risk weighted exposure amount	745,765	719,755	796,698	766,768	745,639

Capital ratios

CET 1 ratio	22.3%	21.2%	21.2%	23.6%	26.1%
Tier 1 ratio	24.1%	21.2%	21.2%	23.6%	26.1%
Capital adequacy ratio	27.0%	24.0%	22.0%	24.0%	26.8%

Leverage ratio

On-balance sheet exposures	1,114,450	1,022,521	1,106,368	1,074,207	995,063
Derivative exposures	9,124	10,217	8,239	10,957	8,226
Securities financing transaction exposures	512	577	8,194	8,925	9,330
Off-balance sheet exposures	65,425	52,299	68,316	83,058	83,156
Total exposure	1,189,511	1,085,614	1,191,117	1,177,147	1,095,775
Tier 1 capital	179,631	152,872	168,924	180,763	194,710
Leverage ratio	15.1%	14.1%	14.2%	15.4%	17.8%

Related ratios

Return on REA	1.7%	0.1%	1.0%	1.9%	2.9%
REA/Total assets	63.6%	66.5%	68.4%	66.8%	72.7%

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

2) Not disclosed separately in 2015, 2014 and 2013

Arion Bank Factbook

Quarter summaries



KFI - 9 Quarters

ISK million

	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018
Profitability									
Return on equity	11.8%	8.3%	10.5%	(4.6%)	(5.8%)	1.6%	4.3%	2.1%	3.2%
Return on assets	1.9%	1.3%	1.7%	(0.8%)	(1.0%)	0.2%	0.7%	0.3%	0.5%
Return on risk-weighted-assets	3.1%	2.2%	2.7%	(1.2%)	(1.5%)	0.4%	1.1%	0.5%	0.8%
Earnings per share	7.26	2.31	2.86	(3.33)	(1.53)	0.42	1.16	0.56	0.87
Earnings per share from continuing operations	8.62	2.89	2.89	(5.58)	2.87	2.10	1.55	1.23	1.56
Net interest margin									
Net interest margin on interest bearing assets	2.9%	2.9%	2.9%	2.8%	3.0%	2.6%	2.8%	2.7%	2.9%
Net interest margin on total assets	2.7%	2.6%	2.7%	2.6%	2.7%	2.4%	2.5%	2.5%	2.7%
Net interest income on credit risk	5.1%	5.2%	5.2%	4.8%	4.9%	4.5%	4.6%	4.3%	4.6%
Efficiency									
Cost-to-income ratio	44.9%	40.2%	45.5%	69.2%	54.9%	56.2%	54.2%	58.6%	60.3%
Cost-to-total assets ratio	2.2%	1.7%	2.2%	2.2%	2.2%	2.3%	2.2%	2.3%	2.2%
Number of FTE´s at year end	776	783	783	814	801	802	880	917	904
Asset quality									
Share of stage 3 loans, gross*	2.6%	3.2%	3.4%	2.9%	2.7%	2.5%	2.4%	2.5%	2.6%
Risk weighted assets / Total assets	63.6%	58.9%	60.6%	60.0%	66.5%	62.2%	63.1%	64.4%	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

KFI - 9 Quarters

ISK million

Q4 2020 Q3 2020 Q2 2020 Q1 2020 Q4 2019 Q3 2019 Q2 2019 Q1 2019 Q4 2018

Financial strength

Equity as % of total assets	16.9%	15.6%	16.0%	15.5%	17.5%	16.2%	15.8%	15.8%	17.3%
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Liquidity

Liquidity coverage ratio (LCR)	188.5%	212.6%	206.3%	224.2%	188.3%	246.4%	198.0%	213.0%	164.4%
Loans-to-deposits ratio	144.8%	134.0%	140.3%	144.4%	157.0%	159.9%	162.8%	169.1%	178.9%
Loans-to-deposits ratio (without covered bonds)	117.7%	108.6%	113.0%	116.7%	127.5%	118.8%	119.3%	125.1%	135.7%
Deposits from customers as % of total funding	64.6%	65.3%	63.3%	62.0%	61.3%	54.9%	53.1%	51.9%	52.2%
Covered bonds as % of total funding	17.5%	16.6%	17.3%	17.2%	18.1%	22.5%	23.1%	22.8%	22.5%

Capital

CET 1 ratio	22.3%	22.5%	22.9%	22.5%	21.2%	21.6%	21.4%	21.3%	21.2%
Tier 1 ratio	24.1%	24.5%	25.0%	24.6%	21.2%	21.5%	21.4%	21.3%	21.2%
Tier 2 ratio	2.9%	3.1%	3.0%	3.0%	2.8%	2.0%	1.4%	0.9%	0.8%
Capital adequacy ratio	27.0%	27.6%	0.0%	27.5%	24.0%	23.5%	22.8%	22.2%	22.0%
Leverage ratio	15.1%	14.3%	14.9%	14.5%	14.1%	12.8%	13.3%	13.5%	14.2%

Income statement - 9 quarter summary

ISK million

	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018
Interest income	12,706	13,145	13,835	12,044	13,306	13,854	16,463	14,684	16,348
Interest expense	(4,647)	(5,156)	(5,978)	(4,791)	(5,613)	(6,472)	(8,655)	(7,250)	(8,379)
Net interest income	8,059	7,989	7,857	7,253	7,693	7,382	7,808	7,434	7,969
Fee and commission income	3,530	3,117	3,097	3,481	3,074	2,965	2,830	2,630	3,064
Fee and commission expense	(414)	(355)	(409)	(405)	(459)	(326)	(352)	(412)	(318)
Net fee and commission income	3,116	2,762	2,688	3,076	2,615	2,639	2,478	2,218	2,746
Net insurance income	766	1,043	761	501	723	1,087	823	253	704
Net financial (loss) income	1,362	692	2,691	(2,000)	489	934	1,023	766	(774)
Share of (loss) profit of associates	(22)	51	(5)	(24)	7	30	(8)	727	11
Other operating income	1,432	475	71	170	201	272	94	310	294
Other net operating income / loss	3,538	2,261	3,518	(1,353)	1,420	2,323	1,932	2,056	235
Operating income	14,713	13,012	14,063	8,976	11,728	12,344	12,218	11,708	10,950
Salaries and related expense	(3,121)	(2,504)	(3,577)	(3,130)	(3,076)	(4,130)	(3,805)	(3,630)	(3,584)
Other operating expenses	(3,486)	(2,728)	(2,818)	(3,077)	(3,366)	(2,810)	(2,814)	(3,232)	(3,015)
Operating expenses	(6,607)	(5,232)	(6,395)	(6,207)	(6,442)	(6,940)	(6,619)	(6,862)	(6,599)
Bank Levy	(263)	(383)	(324)	(331)	(357)	(809)	(912)	(906)	(765)
Net impairment	74	(1,340)	(918)	(2,860)	1,203	484	(988)	(1,081)	(573)
Earnings / loss before tax	7,917	6,057	6,426	(422)	6,132	5,079	3,699	2,859	3,013
Income tax expense	193	(1,096)	(1,468)	(860)	(923)	(1,278)	(891)	(622)	(881)
Net earnings / loss from continuing operations	8,110	4,961	4,958	(1,282)	5,209	3,801	2,808	2,237	2,132
Discontinued operations held for sale, net of income tax	(2,349)	(995)	(45)	(889)	(7,981)	(3,040)	(715)	(1,219)	(516)
Net earnings / loss	5,761	3,966	4,913	(2,171)	(2,772)	761	2,093	1,018	1,616
Attributable to									
Shareholders of Arion Bank	5,760	3,965	4,918	(2,167)	(2,776)	761	2,093	1,018	1,566
Non-controlling interest	1	1	(5)	(4)	4	-	-	-	50
Total comprehensive income for the period	5,761	3,966	4,913	(2,171)	(2,772)	761	2,093	1,018	1,616
Earnings per share	6,607	5,232	6,395	6,207	6,442	6,940	6,619	6,862	6,599
Basic and diluted earnings per share attributable to the shareholders of Arion Bank (ISK)	7.26	2.31	2.86	(3.33)	(1.53)	0.42	1.16	0.56	0.87

Balance sheet - 9 quarter summary

ISK million

31.12.2020 30.09.2020 30.06.2020 31.03.2020 31.12.2019 30.09.2019 30.06.2019 31.03.2019 31.12.2018

Assets

Cash and balances with Central Bank	42,136	87,517	103,432	118,174	95,717	121,554	107,649	94,124	83,139
Loans to credit institutions	28,235	39,484	33,597	33,797	17,947	31,766	69,064	84,978	56,322
Loans to customers	822,941	807,866	779,902	778,823	773,955	812,481	821,731	829,246	833,826
Financial instruments	227,251	234,937	197,141	192,056	117,406	161,781	144,161	128,103	114,557
Investment property	6,132	6,721	7,051	7,129	7,119	7,121	7,120	7,101	7,092
Investments in associates	891	913	861	828	852	848	818	807	818
Intangible assets	9,689	9,398	9,077	8,826	8,367	8,088	7,580	7,081	6,397
Tax assets	2	2	2	2	2	1	26	15	90
Asset and disposal groups held for sale	16,811	30,821	30,732	28,038	43,626	52,164	55,109	51,321	48,584
Other assets	18,618	18,557	20,454	20,147	16,864	17,351	20,161	19,919	13,502
Total assets	1,172,706	1,236,217	1,182,250	1,187,820	1,081,855	1,213,155	1,233,419	1,222,695	1,164,327

Liabilities

Due to credit institutions and Central Bank	13,031	10,802	7,661	8,323	5,984	8,292	8,703	9,183	9,204
Deposits	568,424	602,842	555,855	539,312	492,916	508,254	504,897	490,474	466,067
Financial liabilities at fair value	5,240	3,983	3,118	4,687	2,570	2,295	2,065	2,286	2,320
Tax liabilities	4,262	3,053	3,882	4,195	4,404	3,766	4,441	4,822	5,119
Liabilities associated with disposal groups held for sale	16,183	26,193	26,982	22,857	28,631	29,677	32,242	29,498	26,337
Other liabilities	32,715	51,068	44,479	66,260	32,697	40,210	38,122	41,018	30,107
Borrowings	298,947	308,913	314,952	322,470	304,745	409,563	436,897	445,077	417,782
Subordinated liabilities	36,060	36,867	36,494	35,837	20,083	15,042	10,763	7,283	6,532
Total liabilities	974,862	1,043,721	993,423	1,003,941	892,030	1,017,099	1,038,130	1,029,641	963,468

Equity

Share capital and share premium	51,331	51,331	51,330	51,334	55,715	59,000	59,007	59,008	59,010
Other reserves	11,320	12,114	11,375	10,409	9,493	10,919	14,098	15,439	14,822
Retained earnings	135,021	128,879	125,951	121,959	124,436	126,007	122,054	118,477	126,897
Total shareholders equity	197,672	192,324	188,656	183,702	189,644	195,926	195,159	192,924	200,729
Non-controlling interest	173	172	171	177	181	130	130	130	130
Total equity	197,845	192,496	188,827	183,879	189,825	196,056	195,289	193,054	200,859
Total liabilities and equity	1,172,707	1,236,217	1,182,250	1,187,820	1,081,855	1,213,155	1,233,419	1,222,695	1,164,327

Net interest income - 9 quarter summary

ISK million	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018
Interest income									
Cash and balances with Central bank	131	227	303	774	916	1,062	1,061	969	990
Loans	11,483	11,893	12,926	10,690	11,911	12,389	15,075	13,428	15,177
Securities	1,073	977	538	550	443	384	271	237	127
Other	19	48	68	30	35	19	57	50	55
Interest income	12,706	13,145	13,835	12,044	13,305	13,854	16,464	14,684	16,349
Interest expense									
Deposits	(1,209)	(1,455)	(1,969)	(2,011)	(2,447)	(2,642)	(3,608)	(3,252)	(3,585)
Borrowings	(2,938)	(3,181)	(3,468)	(2,443)	(2,956)	(3,645)	(4,945)	(3,927)	(4,740)
Subordinated loans	(475)	(491)	(501)	(313)	(182)	(161)	(59)	(47)	(19)
Other	(25)	(29)	(40)	(24)	(27)	(24)	(44)	(24)	(36)
Interest expense	(4,647)	(5,156)	(5,978)	(4,791)	(5,612)	(6,472)	(8,656)	(7,250)	(8,380)
Net interest income	8,059	7,989	7,857	7,253	7,693	7,382	7,808	7,434	7,969
Interest bearing assets									
Cash and balances with Central Bank	42,136	87,517	103,432	118,174	95,717	121,554	107,649	94,124	83,139
Loans	851,176	847,350	813,499	812,620	791,902	844,247	890,795	914,224	890,148
Securities	192,244	202,783	167,517	163,127	83,343	132,708	114,583	97,343	87,701
Interest bearing assets	1,085,556	1,137,650	1,084,448	1,093,921	970,962	1,098,509	1,113,027	1,105,691	1,060,989
Interest bearing liabilities									
Due to credit institutions and Central Bank	13,031	10,802	7,661	8,323	5,984	8,292	8,703	9,183	9,204
Deposits	568,424	602,842	555,855	539,312	492,916	508,254	504,897	490,474	466,067
Financial liabilities at fair value	5,240	3,983	3,118	4,687	2,570	2,295	2,065	2,286	2,320
Borrowings	298,947	308,913	314,952	322,470	304,745	409,563	436,897	445,077	417,782
Subordinated liabilities	36,060	36,867	36,494	35,837	20,083	15,042	10,763	7,283	6,532
Interest bearing liabilities	921,702	963,407	918,080	910,629	826,298	943,446	963,325	954,303	901,905
Interest Gap	163,854	174,243	166,368	183,292	144,664	155,063	149,702	151,388	159,084
Net interest margin on interest bearing assets	2.9%	2.9%	2.9%	2.8%	3.0%	2.6%	2.8%	2.7%	2.9%

All amounts are in ISK millions

Loans to customers - 9 quarter summary

ISK million

31.12.2020 30.09.2020 30.06.2020 31.03.2020 31.12.2019 30.09.2019 30.06.2019 31.03.2019 31.12.2018

Loans to customers

Individuals	433,336	414,320	388,747	374,005	368,569	408,925	403,539	399,574	400,483
Corporates	389,605	393,546	391,155	404,818	405,386	403,556	418,192	429,672	433,343
Total loans to customers	822,941	807,866	779,902	778,823	773,955	812,481	821,731	829,246	833,826

Share of stage 3 loans, gross*	2.6%	3.2%	3.4%	2.9%	2.7%	2.5%	2.4%	2.5%	2.6%
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Loans to individuals

Overdrafts	12,875	14,513	13,917	15,465	14,421	16,081	15,075	15,639	14,536
Credit cards	12,260	11,222	11,809	10,805	13,028	12,650	12,325	11,606	12,958
Mortgage loans	378,554	359,145	333,249	317,882	310,562	349,673	345,833	342,346	343,119
Other loans	32,122	32,669	33,207	33,412	33,105	33,604	33,631	33,579	33,560
Provision on loans	(2,475)	(3,229)	(3,435)	(3,559)	(2,547)	(3,083)	(3,325)	(3,596)	(3,690)
Total loans to individuals	433,336	414,320	388,747	374,005	368,569	408,925	403,539	399,574	400,483

Loans to corporates

Overdrafts	15,471	15,819	15,915	17,611	18,709	17,714	18,880	19,082	19,200
Credit cards	1,086	1,097	1,102	1,065	1,373	1,367	1,356	1,294	1,348
Mortgage loans	32,175	29,066	23,941	23,178	23,475	23,765	24,334	24,643	23,417
Other loans	350,455	358,058	359,459	371,639	368,453	367,221	380,705	390,957	395,579
Provision on loans	(9,582)	(10,494)	(9,262)	(8,675)	(6,624)	(6,511)	(7,083)	(6,304)	(6,201)
Total loans to corporates	389,605	393,546	391,155	404,818	405,386	403,556	418,192	429,672	433,343

Loans to corporates specified by sector:

Agriculture and forestry	2.1%	2.1%	2.0%	1.9%	1.9%	1.8%	1.8%	1.8%	1.7%
Services	3.4%	3.2%	4.3%	4.2%	4.3%	4.3%	4.2%	3.8%	3.8%
Financial and insurance activities	9.2%	8.1%	9.1%	9.2%	8.3%	7.6%	8.2%	7.8%	8.7%
Industry, energy and manufacturing	8.0%	7.7%	7.8%	7.8%	9.8%	10.2%	9.4%	8.4%	8.2%
Information and communication technology	5.3%	5.0%	4.9%	4.6%	4.7%	4.7%	4.7%	4.6%	4.8%
Public administration, human health and social activities	1.7%	2.0%	1.7%	1.6%	2.1%	1.7%	1.6%	1.6%	1.6%
Real estate activities and construction	32.8%	33.1%	33.0%	31.6%	32.0%	32.8%	32.8%	34.9%	33.9%
Fishing industry	20.9%	22.1%	19.5%	21.3%	20.5%	20.1%	20.0%	18.7%	19.4%
Transportation	3.3%	3.4%	3.2%	3.0%	2.7%	2.8%	2.9%	2.8%	2.8%
Wholesale and retail trade	13.2%	13.3%	14.6%	14.8%	13.6%	13.9%	14.6%	15.5%	15.2%
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

* (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

Capital and Risk Weighted Assets

ISK million

31.12.2020 30.09.2020 30.06.2020 31.03.2020 31.12.2019 30.09.2019 30.06.2019 31.03.2019 31.12.2018

Capital base:

Total equity	197,845	192,496	188,827	183,879	189,825	196,057	195,289	193,054	200,859
Deductions related to the consolidated situation ¹	-	(11,410)	(10,823)	(10,088)	(10,159)	(9,927)	(9,452)	(8,746)	(8,986)
Non-controlling interest not eligible for inclusion in CET1 capital	(173)	(172)	(171)	(177)	(181)	(130)	(130)	(130)	(130)
Common Equity Tier 1 capital before regulatory adjustments	197,672	180,914	177,833	173,614	179,485	185,999	185,707	184,178	191,743
Intangible assets	(13,092)	(11,671)	(11,371)	(11,160)	(10,604)	(14,117)	(13,783)	(13,236)	(12,152)
Tax assets	-	(310)	(310)	(332)	(296)	(151)	(568)	(490)	(191)
Foreseeable dividend	(17,990)	(3,358)	-	-	(14,153)	(6,057)	(1,557)	(509)	(9,069)
Adjustment under IFRS 9 transitional arrangements	1,890	1,977	1,550	-	-	-	-	-	-
Other statutory deductions	(2,520)	(3,709)	(3,314)	(1,995)	(1,741)	(3,255)	(3,075)	(2,022)	(1,537)
Common equity Tier 1 capital	165,960	163,843	164,388	160,127	152,691	162,419	166,724	167,921	168,794
Non-controlling interest not eligible for inclusion in CET1 capital	173	172	171	177	181	130	130	130	130
Additional Tier 1 capital	13,498	14,480	14,705	14,783	-	-	-	-	-
Tier 1 capital	179,631	178,495	179,264	175,087	152,872	162,550	166,854	168,051	168,924
Tier 2 instruments	22,562	22,387	21,789	21,054	20,083	15,042	10,763	7,283	6,532
Tier 2 instruments of financial sector entities (signif. invest.)	(1,007)	-	-	-	-	-	-	-	-
Tier 2 Capital	21,555	22,387	21,789	21,054	20,083	15,042	10,763	7,283	6,532
Total own funds	201,186	200,882	201,053	196,141	172,955	177,592	177,617	175,334	175,456

Risk weighted exposure amount (REA)

Credit Risk, loans	570,554	568,345	557,208	557,415	561,602	590,880	606,843	626,603	639,788
Credit Risk, securities and other	60,813	52,564	51,286	48,412	49,163	54,705	58,183	52,167	50,112
Counterparty credit risk	3,462	4,791	4,169	5,242	3,347	3,457	3,969	4,126	4,405
Market Risk due to currency imbalance	8,569	2,552	3,119	2,676	10,070	5,127	6,125	2,385	4,280
Market Risk Other	13,063	14,777	15,207	13,898	10,609	11,168	14,261	13,744	8,928
Credit valuation adjustment ²	842	1,618	1,874	1,934	1,477	2,863	1,840	1,893	2,228
Operational Risk	88,462	83,487	83,487	83,487	83,487	86,957	86,957	86,957	86,957
Total risk weighted exposure amount	745,765	728,134	716,350	713,064	719,755	755,157	778,178	787,875	796,698

Capital and Risk Weighted Assets

ISK million

31.12.2020 30.09.2020 30.06.2020 31.03.2020 31.12.2019 30.09.2019 30.06.2019 31.03.2019 31.12.2018

Capital ratios*	27.0%	27.6%	28.1%	27.5%	24.0%	23.5%	22.8%	22.3%	22.0%
CET 1 ratio	22.3%	22.5%	22.9%	22.5%	21.2%	21.6%	21.4%	21.3%	21.2%
Tier 1 ratio	24.1%	24.5%	25.0%	24.6%	21.2%	21.5%	21.4%	21.3%	21.2%
Capital adequacy ratio	27.0%	27.6%	28.1%	27.5%	24.0%	23.6%	22.8%	22.3%	22.0%
Leverage ratio									
On-balance sheet exposures	1,114,450	1,176,825	1,130,553	1,136,168	1,022,521	1,152,208	1,175,769	1,169,764	1,106,368
Derivative exposures	9,124	13,083	12,153	13,176	10,217	8,858	7,251	7,282	8,239
Securities financing transaction exposures	512	2,871	525	1,557	577	8,436	8,547	8,494	8,194
Off-balance sheet exposures	65,425	66,612	62,666	56,222	52,299	103,916	63,260	61,185	68,316
Total exposure	1,189,511	1,259,391	1,205,897	1,207,123	1,085,614	1,273,418	1,254,827	1,246,725	1,191,117
Tier 1 capital	179,631	202,329	204,125	197,990	194,966	193,988	198,956	192,378	189,254
Leverage ratio	15.1%	16.6%	17.2%	16.9%	17.8%	17.4%	18.1%	17.3%	16.7%
Related ratios									
Return on REA	1.7%	1.2%	0.8%	(1.2%)	0.1%	0.7%	0.8%	0.5%	1.0%
REA/Total assets	63.6%	58.9%	60.6%	60.0%	66.5%	62.2%	63.1%	64.4%	68.4%

*Capital ratios include interim profit in 30.09.2020, 31.03.2020, 30.09.2019 and 31.03.2019

Operating segments - Quarters summary

ISK million

Q4 2020 Q3 2020 Q2 2020 Q1 2020 Q4 2019 Q3 2019 Q2 2019 Q1 2019

Markets and Stefir:

Net interest income	398	169	212	197	182	282	297	256
Net fee and commission income	1,125	857	945	1,035	944	1,164	1,156	1,054
Net insurance income	-	-	-	-	-	-	-	-
Net financial income (loss)	99	46	133	(136)	87	(68)	61	139
Share of profit of associates	-	-	-	1	-	-	-	-
Other operating income	5	4	1	3	11	3	9	2
Total operating income	1,627	1,076	1,291	1,100	1,224	1,381	1,523	1,451
Operating expenses	(497)	(326)	(531)	(474)	(477)	(421)	(504)	(518)
Allocated expenses	(407)	(408)	(497)	(468)	(179)	(380)	(481)	(430)
Bank levy	(7)	(10)	(10)	(8)	(9)	(42)	(45)	(46)
Net impairment	-	4	(4)	-	-	8	(3)	(5)
Earnings before income tax	716	336	249	150	559	546	490	452
Total assets	79,193				69,692	70,735	78,441	80,573
Total liabilities	71,355				62,540	63,825	71,767	73,122
Allocated equity	7,838				7,152	6,910	6,674	7,451

Corporate & Investment Banking:

Net interest income	2,717	2,731	2,548	2,522	2,395	2,240	2,338	2,156
Net fee and commission income	938	614	721	837	611	318	509	498
Net insurance income	-	-	-	-	-	-	-	-
Net financial income (loss)	(144)	-	-	-	6	(34)	28	(222)
Share of profit of associates	-	1	(49)	-	-	-	-	-
Other operating income (loss)	109	3	(8)	(2)	(3)	(4)	(6)	(4)
Total operating income	3,620	3,349	3,212	3,357	3,009	2,520	2,869	2,428
Operating expenses	(332)	(219)	(365)	(385)	(291)	(318)	(414)	(448)
Allocated expenses	(722)	(563)	(731)	(618)	(764)	(702)	(979)	(956)
Bank levy	(75)	(110)	(95)	(107)	(101)	(200)	(224)	(201)
Net impairment	(685)	(2,651)	(1,062)	(1,645)	(3,761)	(2,870)	(1,216)	(1,032)
Earnings (loss) before income tax	1,806	(194)	959	602	(1,908)	(1,570)	36	(209)
Total assets	315,731				320,545	315,052	327,950	335,209
Total liabilities	256,411				251,581	237,575	254,184	264,102
Allocated equity	59,320				68,964	77,477	73,766	71,107

Operating segments - Quarters summary

ISK million

Q4 2020 Q3 2020 Q2 2020 Q1 2020 Q4 2019 Q3 2019 Q2 2019 Q1 2019

Retail Banking:

Net interest income	3,580	4,004	3,999	3,831	4,045	4,253	4,443	4,562
Net fee and commission income	1,047	1,291	990	1,247	1,186	1,326	1,199	1,092
Net insurance income	-	-	-	-	-	-	-	-
Net financial income (loss)	-	-	-	-	91	(91)	-	(26)
Share of profit of associates	-	-	-	-	-	-	-	-
Other operating income	40	73	5	119	102	174	32	124
Total operating income	4,667	5,368	4,994	5,197	5,424	5,662	5,674	5,752
Operating expenses	(1,372)	(1,152)	(1,406)	(1,493)	(1,670)	(1,569)	(1,752)	(1,811)
Allocated expenses	(1,640)	(1,141)	(1,626)	(1,473)	(1,842)	(1,227)	(1,602)	(1,536)
Bank levy	(115)	(168)	(138)	(158)	(149)	(275)	(301)	(339)
Net impairment	714	151	(76)	(1,903)	1,922	133	275	(43)
Earnings before income tax	2,254	3,058	1,748	170	3,685	2,724	2,294	2,023
Total assets	518,312				475,199	536,349	554,871	551,713
Total liabilities	474,508				416,197	472,222	495,724	489,711
Allocated equity	43,805				59,002	64,127	59,147	62,002

Treasury and Market making:

Net interest income	1,437	1,166	1,180	848	1,201	783	871	583
Net fee and commission income	160	153	141	96	55	(50)	(76)	(125)
Net insurance income	-	-	-	-	-	-	-	-
Net financial income (loss)	555	467	1,353	(1,411)	(2)	718	258	(34)
Share of profit of associates	-	-	-	-	-	-	-	-
Other operating income	-	-	-	-	5	-	6	-
Total operating income (loss)	2,152	1,786	2,674	(467)	1,259	1,451	1,059	424
Other operating income (loss)	(161)	(114)	(148)	(185)	(140)	(91)	(86)	(68)
Allocated expenses	(469)	(222)	(225)	(211)	(260)	(213)	(283)	(284)
Bank levy	(67)	(94)	(81)	(58)	(98)	(292)	(342)	(320)
Net impairment	(11)	(10)	13	4	(11)	-	15	(1)
Earnings (loss) before income tax	1,444	1,346	2,233	(917)	750	855	363	(249)
Total assets	467,489				457,579	558,263	573,660	580,470
Total liabilities	413,894				436,229	548,213	555,797	569,151
Allocated equity	53,594				21,350	10,050	17,863	11,319

Operating segments - Quarters summary

ISK million

Q4 2020 Q3 2020 Q2 2020 Q1 2020 Q4 2019 Q3 2019 Q2 2019 Q1 2019

Vördur:

Net interest income	-	-	45	47	68	57	59	44
Net fee and commission income (expense)	-	-	(50)	(41)	(31)	(18)	(6)	(25)
Net insurance income	-	-	795	523	730	1,093	830	276
Net financial income	-	-	754	130	222	35	513	551
Share of profit of associates	-	-	-	-	-	-	-	-
Other operating income	(3)	-	1	2	7	2	2	9
Total operating income	(3)	-	1,545	661	996	1,169	1,398	855
Operating expenses	1,109	78	(645)	(636)	(579)	(528)	(554)	(579)
Allocated expenses	-	9	3	(12)	(7)	(1)	(2)	(6)
Bank levy	-	-	-	-	-	-	-	-
Net impairment	-	-	-	-	-	-	-	-
Earnings before income tax	1,106	87	903	13	410	640	842	270
Total assets	30,233				27,028	26,758	26,222	25,655
Total liabilities	19,694				16,869	16,869	16,869	16,869
Allocated equity	10,539				10,159	9,889	9,353	8,786

Other subsidiaries:

Net interest income (expense)	8	(55)	(88)	(174)	(172)	(195)	(264)	3
Net fee and commission income (expense)	(178)	(194)	(145)	(211)	(189)	(236)	(280)	(235)
Net insurance income	773	1,053	-	-	-	-	-	-
Net financial income (loss)	853	180	450	(594)	88	423	(367)	494
Share of profit of associates	(1)	-	-	-	-	-	-	-
Other operating income	1,196	93	290	8	91	24	116	321
Total operating income (loss)	2,651	1,077	507	(971)	(182)	16	(795)	583
Operating expenses	(1,820)	(610)	(29)	(75)	(13)	(19)	(14)	(17)
Allocated expenses	(2)	(22)	(2)	(1)	(3)	(1)	(1)	(1)
Bank levy	-	-	-	-	-	-	-	-
Net impairment	2,486	1,165	212	683	3,053	3,215	(60)	-
Earnings (loss) before income tax	3,315	1,610	688	(364)	2,855	3,211	(870)	565
Total assets	42,485				58,515	62,367	67,056	61,984
Total liabilities	19,736				37,530	36,249	40,738	34,619
Allocated equity	22,749				20,985	26,118	26,318	27,365

Operating segments - Quarters summary

ISK million

Q4 2020 Q3 2020 Q2 2020 Q1 2020 Q4 2019 Q3 2019 Q2 2019 Q1 2019

Supporting units and eliminations:

Net interest income (loss)	(81)	(26)	(39)	(18)	(26)	(38)	64	(170)
Net fee and commission income (expense)	24	41	86	113	39	135	(24)	(41)
Net insurance income (expense)	(7)	(10)	(34)	(22)	(7)	(6)	(7)	(23)
Net financial income (loss)	(1)	(1)	1	11	(3)	(49)	530	(136)
Share of profit (loss) of associates	(21)	50	44	(25)	7	30	(8)	727
Other operating income (loss)	85	302	(218)	40	(12)	73	(65)	(142)
Total operating income (loss)	<u>(1)</u>	<u>356</u>	<u>(160)</u>	<u>99</u>	<u>(2)</u>	<u>145</u>	<u>490</u>	<u>215</u>
Operating expenses	(3,534)	(2,889)	(3,271)	(2,959)	(3,272)	(3,994)	(3,295)	(3,421)
Allocated expenses	3,240	2,347	3,078	2,783	3,055	2,524	3,348	3,213
Bank levy	1	(1)	-	-	-	-	-	-
Net impairment	(2,430)	1	(1)	1	-	(2)	1	-
Earnings (loss) before income tax	<u>(2,724)</u>	<u>(186)</u>	<u>(354)</u>	<u>(76)</u>	<u>(219)</u>	<u>(1,327)</u>	<u>544</u>	<u>7</u>
Total assets	<u>(280,737)</u>	<u>(257,036)</u>	<u>(253,106)</u>	<u>(253,144)</u>	<u>(326,703)</u>	<u>(356,369)</u>	<u>(394,781)</u>	<u>(412,909)</u>
Total liabilities	<u>(280,737)</u>	<u>(257,036)</u>	<u>(253,106)</u>	<u>(254,859)</u>	<u>(328,916)</u>	<u>(357,854)</u>	<u>(396,949)</u>	<u>(417,933)</u>
Allocated equity	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,715</u>	<u>2,213</u>	<u>1,485</u>	<u>2,168</u>	<u>5,024</u>

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