



Arion Bank Factbook
30 September 2020

KFI - 5 years

ISK million	9M 2020	9M 2019	9M 2018	9M 2017	9M 2016
Profitability					
Return on equity	4.7%	2.6%	3.9%	6.3%	11.4%
Return on assets	0.8%	0.4%	0.7%	1.2%	2.3%
Return on risk-weighted-assets	1.2%	0.7%	1.0%	1.8%	3.1%
Earnings per share	3.90	2.14	3.33	5.17	8.52
Earnings per share from continuing operations	5.01	4.88	3.68	4.87	8.23
Net interest margin					
Net interest margin on interest bearing assets	2.9%	2.7%	2.7%	2.9%	3.1%
Net interest margin on total assets	2.6%	2.5%	2.4%	2.6%	2.9%
Net interest income on credit risk	5.0%	4.5%	4.2%	4.5%	4.5%
Efficiency					
Cost-to-income ratio	49.5%	56.3%	55.9%	47.2%	55.3%
Cost-to-total assets ratio	2.0%	2.3%	2.2%	2.0%	2.9%
Number of FTE´s at year end	783	802	933	950	1,189
Asset quality					
Share of stage 3 loans, gross*	3.2%	2.5%	2.9%	-	-
Risk weighted assets / Total assets	58.9%	62.2%	66.2%	68.4%	73.2%
Financial strength					
Equity as % of total assets	15.6%	16.2%	16.4%	19.4%	19.9%
Liquidity					
Liquidity coverage ratio (LCR)	212.6%	246.4%	169.1%	228.6%	194.1%
Loans-to-deposits ratio	134.0%	159.9%	169.2%	168.4%	165.7%
Loans-to-deposits ratio (without covered bonds)	108.6%	118.8%	130.2%	129.4%	129.3%
Deposits from customers as % of total funding	65.3%	54.9%	52.4%	52.3%	55.9%
Covered bonds as % of total funding	16.6%	22.5%	20.4%	20.4%	20.4%
Capital					
CET 1 ratio	22.5%	21.6%	21.6%	26.6%	25.5%
Tier 1 ratio	24.5%	21.5%	21.4%	26.9%	25.5%
Tier 2 ratio	3.1%	2.0%	0.0%	0.2%	0.6%
Capital adequacy ratio	27.6%	23.5%	21.4%	27.1%	26.1%
Leverage ratio	14.3%	12.8%	13.6%	16.8%	17.4%

* (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 2020	9M 2019	9M 2018	9M 2017	9M 2016
Interest income	39,024	45,001	42,967	42,484	46,246
Interest expense	(15,925)	(22,377)	(21,617)	(20,628)	(24,188)
Net interest income	23,099	22,624	21,350	21,856	22,058
Fee and commission income	9,695	8,425	8,593	8,144	17,439
Fee and commission expense	(1,169)	(1,090)	(990)	(1,057)	(7,226)
Net fee and commission income	8,526	7,335	7,603	7,087	10,213
Net insurance income	2,305	2,163	1,885	1,769	664
Net financial (loss) income	1,383	2,723	3,076	2,490	4,339
Share of (loss) profit of associates	22	750	16	(917)	711
Other operating income	716	677	1,290	2,431	2,377
Other net operating income / loss	4,426	6,313	6,267	5,773	8,091
Operating income	36,051	36,272	35,220	34,716	40,362
Salaries and related expense	(9,211)	(11,565)	(10,694)	(10,141)	(12,252)
Other operating expenses	(8,623)	(8,855)	(8,985)	(6,309)	(10,078)
Operating expenses	(17,834)	(20,420)	(19,679)	(16,450)	(22,330)
Bank Levy	(1,038)	(2,627)	(2,620)	(2,388)	(2,190)
Net impairment	(5,118)	(1,585)	(2,951)	(1,192)	6,827
Earnings / loss before tax	12,061	11,640	9,970	14,686	22,669
Income tax expense	(3,424)	(2,791)	(3,165)	(4,009)	(5,404)
Net earnings / loss from continuing operations	8,637	8,849	6,805	10,677	17,265
Discontinued operations held for sale, net of income tax	(1,929)	(4,974)	(645)	(324)	-
Net earnings / loss	6,708	3,875	6,160	10,353	17,265
Attributable to					
Shareholders of Arion Bank	6,707	3,875	5,549	10,349	16,774
Non-controlling interest	1	-	611	3	485
Total comprehensive income	6,708	3,875	6,160	10,352	17,259
Earnings per share					
Basic and diluted earnings per share attributable to the shareholders of Arion Bank (ISK)	3.90	2.14	3.33	5.17	8.52

Balance sheet - 5 year summary

ISK million

30.09.2020 31.12.2019 31.12.2018 31.12.2017 31.12.2016

Assets

Cash and balances with Central Bank	87,517	95,717	83,139	139,819	87,634
Loans to credit institutions	39,484	17,947	56,322	86,609	80,116
Loans to customers	807,866	773,955	833,826	765,101	712,422
Financial instruments	234,937	117,406	114,557	109,450	117,456
Investment property	6,721	7,119	7,092	6,613	5,358
Investments in associates	913	852	818	760	839
Intangible assets	9,398	8,367	6,397	13,848	11,057
Tax assets	2	2	90	450	288
Asset and disposal groups held for sale	30,821	43,626	48,584	8,138	4,418
Other assets	18,557	16,864	13,502	16,966	16,436

Total assets

1,236,216 1,081,855 1,164,327 1,147,754 1,036,024

Liabilities

Due to credit institutions and Central Bank	10,802	5,984	9,204	7,370	7,987
Deposits	602,842	492,916	466,067	462,161	412,064
Financial liabilities at fair value	3,983	2,570	2,320	3,601	3,726
Tax liabilities	3,053	4,404	5,119	6,828	7,293
Liabilities associated with disposal groups held for sale	26,193	28,631	26,337	-	-
Other liabilities	51,067	32,697	30,107	57,062	54,094
Borrowings	308,913	304,745	417,782	384,998	339,476
Subordinated liabilities	36,867	20,083	6,532	-	-

Total liabilities

1,043,720 892,030 963,468 922,020 824,640

Equity

Share capital and share premium	51,331	55,715	59,010	75,861	75,861
Other reserves	12,114	9,493	14,822	16,774	19,761
Retained earnings	128,879	124,436	126,897	132,971	115,590

Total shareholders equity

192,324 189,644 200,729 225,606 211,212

Non-controlling interest

172 181 130 128 172

Total equity

192,496 189,825 200,859 225,734 211,384

Total liabilities and equity

1,236,216 1,081,855 1,164,327 1,147,754 1,036,024

Net interest income - 5 year summary

ISK million	9M 2020	9M 2019	9M 2018	9M 2017	9M 2016
Interest income					
Cash and balances with Central bank	1,304	3,092	3,636	4,957	3,249
Loans	35,509	40,892	38,639	35,742	39,097
Securities	2,065	892	480	1,624	3,401
Other	146	125	212	161	499
Interest income	39,024	45,001	42,967	42,484	46,246
Interest expense					
Deposits	(5,435)	(9,502)	(9,725)	(9,682)	(12,521)
Borrowings	(9,092)	(12,517)	(11,784)	(10,913)	(11,054)
Subordinated liabilities	(1,305)	(267)	-	-	(529)
Other	(93)	(91)	(108)	(33)	(84)
Interest expense	(15,925)	(22,377)	(21,617)	(20,628)	(24,188)
Net interest income	23,099	22,624	21,350	21,856	22,058
Interest bearing assets					
Cash and balances with Central Bank	87,517	121,554	99,525	132,316	85,645
Loans	847,350	844,247	943,411	845,189	784,163
Securities	202,783	132,708	79,856	75,889	86,198
Interest bearing assets	1,137,650	1,098,509	1,122,792	1,053,394	956,006
Interest bearing liabilities					
Due to credit institutions and Central Bank	10,802	8,292	15,370	7,097	9,375
Deposits	602,842	508,254	484,569	445,981	431,929
Financial liabilities at fair value	3,983	2,295	3,381	3,551	5,097
Borrowings	308,913	409,563	425,601	400,400	326,754
Subordinated liabilities	36,867	15,042	-	-	-
Interest bearing liabilities	963,407	943,446	928,921	857,028	773,155
Interest Gap	174,243	155,063	193,871	196,366	182,851
Net interest margin on interest bearing assets	2.9%	2.7%	2.7%	2.9%	3.1%

Loans to customers - 5 year summary

ISK million

30.09.2020 31.12.2019 31.12.2018 31.12.2017 31.12.2016

Loans to customers

Individuals	414,320	368,569	400,483	365,287	337,416
Corporates	393,546	405,386	433,343	399,814	375,006
Total loans to customers	807,866	773,955	833,826	765,101	712,422

Ratios:

Share of stage 3 loans, gross*	3.2%	2.7%	2.6%	-	-
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Loans to individuals

Overdrafts	14,513	14,421	14,536	14,469	14,805
Credit cards	11,222	13,028	12,958	11,133	11,363
Mortgage loans	359,145	310,562	343,119	311,507	285,784
Other loans	32,669	33,105	33,560	33,629	34,777
Provision on loans	(3,229)	(2,547)	(3,690)	(5,451)	(9,313)
Total loans to individuals	414,320	368,569	400,483	365,287	337,416

Loans to corporates

Overdrafts	15,819	18,709	19,200	18,778	19,314
Credit cards	1,097	1,373	1,348	1,123	1,180
Mortgage loans	29,066	23,475	23,417	19,632	16,298
Other loans	358,058	368,453	395,579	368,312	351,739
Provision on loans	(10,494)	(6,624)	(6,201)	(8,031)	(13,525)
Total loans to corporates	393,546	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	3.2%	4.3%	3.8%	4.5%	4.6%
Financial and insurance activities	8.1%	8.3%	8.7%	8.5%	9.3%
Industry, energy and manufacturing	7.7%	9.8%	8.2%	7.4%	7.6%
Information and communication technology	5.0%	4.7%	4.8%	5.5%	7.6%
Public administration, human health and social activities	2.0%	2.1%	1.6%	2.0%	2.3%
Real estate activities and construction	33.1%	32.0%	33.9%	32.1%	30.6%
Fishing industry	22.1%	20.5%	19.4%	19.7%	20.4%
Transportation	3.4%	2.7%	2.8%	4.3%	1.7%
Wholesale and retail trade	13.3%	13.6%	15.2%	14.4%	14.1%
	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

30.09.2020 31.12.2019 31.12.2018 31.12.2017 31.12.2016

Capital base:

Total equity	192,496	189,825	200,859	225,733	211,384
Deductions related to the consolidated situation ¹	(11,410)	(10,159)	(8,986)	(8,635)	(8,126)
Non-controlling interest not eligible for inclusion in CET 1 capital	(172)	(181)	(130)	(128)	(172)
Common Equity Tier 1 capital before regulatory adjustments	180,914	179,485	191,743	216,970	203,086
Intangible assets	(11,671)	(10,604)	(12,152)	(11,125)	(8,201)
Tax assets	(310)	(296)	(191)	(357)	(198)
Foreseeable dividend	(1,007)	(14,153)	(9,069)	(25,000)	-
Adjustment under IFRS 9 transitional arrangements	-	-	-	-	-
Other statutory deductions	(3,709)	(1,741)	(1,537)	147	(149)
Common equity Tier 1 capital	164,217	152,691	168,794	180,635	194,538
Non-controlling interest not eligible for inclusion in CET1 capital	172	181	130	128	172
Additional Tier 1 capital	14,480	-	-	-	-
Tier 1 capital	178,869	152,872	168,924	180,763	194,710
Subordinated liabilities	22,387	20,083	6,532	-	-
General credit risk adjustments	-	-	-	3,195	4,557
Tier 2 Capital	22,387	20,083	6,532	3,195	4,557
Total Capital base	201,256	172,955	175,456	183,958	199,267

Risk weighted exposure amount (REA)

Credit Risk, loans	568,345	561,602	639,788	605,058	577,470
Credit Risk, securities and other ²	52,564	49,163	50,112	56,979	55,036
Counterparty credit risk ²	4,791	3,347	4,405	5,844	5,550
Market Risk due to currency imbalance	2,552	10,070	4,280	4,895	5,449
Market Risk Other	14,777	10,609	8,928	5,473	12,966
Credit valuation adjustment ²	1,618	1,477	2,228	2,506	2,678
Operational Risk	83,487	83,487	86,957	86,013	86,490
Total risk weighted exposure amount	728,134	719,755	796,698	766,768	745,639

Capital ratios

CET 1 ratio	22.8%	21.2%	21.2%	23.6%	26.1%
Tier 1 ratio	24.8%	21.2%	21.2%	23.6%	26.1%
Capital adequacy ratio	27.9%	24.0%	22.0%	24.0%	26.8%

Leverage ratio

On-balance sheet exposures	1,177,193	1,022,521	1,106,368	1,074,207	995,063
Derivative exposures	13,083	10,217	8,239	10,957	8,226
Securities financing transaction exposures	2,871	577	8,194	8,925	9,330
Off-balance sheet exposures	66,612	52,299	68,316	83,058	83,156
Total exposure	1,259,759	1,085,614	1,191,117	1,177,147	1,095,775
Tier 1 capital	178,869	152,872	168,924	180,763	194,710
Leverage ratio	14.2%	14.1%	14.2%	15.4%	17.8%

Related ratios

RORWA	1.2%	0.1%	1.0%	1.9%	2.9%
REA/Total assets	58.9%	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

	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018
Profitability									
Return on equity	8.3%	10.5%	(4.6%)	(5.8%)	1.6%	4.3%	2.1%	3.2%	2.3%
Return on assets	1.3%	1.7%	(0.8%)	(1.0%)	0.2%	0.7%	0.3%	0.5%	0.4%
Return on risk-weighted-assets	2.2%	2.7%	(1.2%)	(1.5%)	0.4%	1.1%	0.5%	0.8%	0.6%
Earnings per share	2.31	2.86	(3.33)	(1.53)	0.42	1.16	0.56	0.87	0.65
Earnings per share from continuing operations	2.89	2.89	(5.58)	2.87	2.10	1.55	1.23	1.56	0.64
Net interest margin									
Net interest margin on interest bearing assets	2.9%	2.9%	2.8%	3.0%	2.6%	2.8%	2.7%	2.9%	2.7%
Net interest margin on total assets	2.6%	2.7%	2.6%	2.7%	2.4%	2.5%	2.5%	2.7%	2.4%
Net interest income on credit risk	5.2%	5.2%	4.8%	4.9%	4.5%	4.6%	4.3%	4.6%	4.2%
Efficiency									
Cost-to-income ratio	40.2%	45.5%	69.2%	54.9%	56.2%	54.2%	58.6%	60.3%	50.3%
Cost-to-total assets ratio	1.7%	2.2%	2.2%	2.2%	2.3%	2.2%	2.3%	2.2%	2.0%
Number of FTE´s at year end	783	783	814	801	802	880	917	904	933
Asset quality									
Share of stage 3 loans, gross*	3.2%	3.4%	2.9%	2.7%	2.5%	2.4%	2.5%	2.6%	2.9%
Risk weighted assets / Total assets	58.9%	60.6%	60.0%	66.5%	62.2%	63.1%	64.4%	68.4%	66.2%

* (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

KFI - 9 Quarters

ISK million	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018
Financial strength									
Equity as % of total assets	15.6%	16.0%	15.5%	17.5%	16.2%	15.8%	15.8%	17.3%	16.4%
Liquidity									
Liquidity coverage ratio (LCR)	212.6%	206.3%	224.2%	188.3%	246.4%	198.0%	213.0%	164.4%	169.1%
Loans-to-deposits ratio	134.0%	140.3%	144.4%	157.0%	159.9%	162.8%	169.1%	178.9%	169.2%
Loans-to-deposits ratio (without covered bonds)	108.6%	113.0%	116.7%	127.5%	118.8%	119.3%	125.1%	135.7%	130.2%
Deposits from customers as % of total funding	65.3%	63.3%	62.0%	61.3%	54.9%	53.1%	51.9%	52.2%	52.4%
Covered bonds as % of total funding	16.6%	17.3%	17.2%	18.1%	22.5%	23.1%	22.8%	22.5%	20.4%
Capital									
CET 1 ratio	22.5%	22.9%	22.5%	21.2%	21.6%	21.4%	21.3%	21.2%	21.6%
Tier 1 ratio	24.5%	25.0%	24.6%	21.2%	21.5%	21.4%	21.3%	21.2%	21.7%
Tier 2 ratio	3.1%	3.0%	3.0%	2.8%	2.0%	1.4%	0.9%	0.8%	-
Capital adequacy ratio	27.6%	0.0%	27.5%	24.0%	23.5%	22.8%	22.2%	22.0%	21.7%
Leverage ratio	14.3%	14.9%	14.5%	14.1%	12.8%	13.3%	13.5%	14.2%	13.6%

Income statement - 9 quarter summary

ISK million

	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018
Interest income	13,145	13,835	12,044	13,306	13,854	16,463	14,684	16,348	14,933
Interest expense	(5,156)	(5,978)	(4,791)	(5,613)	(6,472)	(8,655)	(7,250)	(8,379)	(7,724)
Net interest income	7,989	7,857	7,253	7,693	7,382	7,808	7,434	7,969	7,209
Fee and commission income	3,117	3,097	3,481	3,074	2,965	2,830	2,630	3,064	2,991
Fee and commission expense	(355)	(409)	(405)	(459)	(326)	(352)	(412)	(318)	(304)
Net fee and commission income	2,762	2,688	3,076	2,615	2,639	2,478	2,218	2,746	2,687
Net insurance income	1,043	761	501	723	1,087	823	253	704	984
Net financial (loss) income	692	2,691	(2,000)	489	934	1,023	766	(774)	570
Share of (loss) profit of associates	51	(5)	(24)	7	30	(8)	727	11	34
Other operating income	475	71	170	201	272	94	310	294	422
Other net operating income / loss	2,261	3,518	(1,353)	1,420	2,323	1,932	2,056	235	2,010
Operating income	13,012	14,063	8,976	11,728	12,344	12,218	11,708	10,950	11,906
Salaries and related expense	(2,504)	(3,577)	(3,130)	(3,076)	(4,130)	(3,805)	(3,630)	(3,584)	(3,129)
Other operating expenses	(2,728)	(2,818)	(3,077)	(3,366)	(2,810)	(2,814)	(3,232)	(3,015)	(2,864)
Operating expenses	(5,232)	(6,395)	(6,207)	(6,442)	(6,940)	(6,619)	(6,862)	(6,599)	(5,993)
Bank Levy	(383)	(324)	(331)	(357)	(809)	(912)	(906)	(765)	(938)
Net impairment	(1,340)	(918)	(2,860)	1,203	484	(988)	(1,081)	(573)	(2,651)
Earnings / loss before tax	6,057	6,426	(422)	6,132	5,079	3,699	2,859	3,013	2,324
Income tax expense	(1,096)	(1,468)	(860)	(923)	(1,278)	(891)	(622)	(881)	(973)
Net earnings / loss from continuing operations	4,961	4,958	(1,282)	5,209	3,801	2,808	2,237	2,132	1,351
Discontinued operations held for sale, net of income tax	(995)	(45)	(889)	(7,981)	(3,040)	(715)	(1,219)	(516)	(201)
Net earnings / loss	3,966	4,913	(2,171)	(2,772)	761	2,093	1,018	1,616	1,150
Attributable to									
Shareholders of Arion Bank	3,965	4,918	(2,167)	(2,776)	761	2,093	1,018	1,566	1,152
Non-controlling interest	1	(5)	(4)	4	-	-	-	50	(2)
Total comprehensive income for the period	3,966	4,913	(2,171)	(2,772)	761	2,093	1,018	1,616	1,150
Earnings per share	5,232	6,395	6,207	6,442	6,940	6,619	6,862	6,599	5,993
Basic and diluted earnings per share attributable to the shareholders of Arion Bank (ISK)	2.31	2.86	(3.33)	(1.53)	0.42	1.16	0.56	0.87	0.65

Balance sheet - 9 quarter summary

ISK million

30.09.2020 30.06.2020 31.03.2020 31.12.2019 30.09.2019 30.06.2019 31.03.2019 31.12.2018 30.09.2018

Assets

Cash and balances with Central Bank	87,517	103,432	118,174	95,717	121,554	107,649	94,124	83,139	99,525
Loans to credit institutions	39,484	33,597	33,797	17,947	31,766	69,064	84,978	56,322	123,446
Loans to customers	807,866	779,902	778,823	773,955	812,481	821,731	829,246	833,826	819,965
Financial instruments	234,937	197,141	192,056	117,406	161,781	144,161	128,103	114,557	109,374
Investment property	6,721	7,051	7,129	7,119	7,121	7,120	7,101	7,092	7,044
Investments in associates	913	861	828	852	848	818	807	818	862
Intangible assets	9,398	9,077	8,826	8,367	8,088	7,580	7,081	6,397	14,039
Tax assets	2	2	2	2	1	26	15	90	623
Asset and disposal groups held for sale	30,821	30,732	28,038	43,626	52,164	55,109	51,321	48,584	8,351
Other assets	18,557	20,454	20,147	16,864	17,351	20,161	19,919	13,502	36,300
Total assets	1,236,216	1,182,250	1,187,820	1,081,855	1,213,155	1,233,419	1,222,695	1,164,327	1,219,529

Liabilities

Due to credit institutions and Central Bank	10,802	7,661	8,323	5,984	8,292	8,703	9,183	9,204	15,370
Deposits	602,842	555,855	539,312	492,916	508,254	504,897	490,474	466,067	484,569
Financial liabilities at fair value	3,983	3,118	4,687	2,570	2,295	2,065	2,286	2,320	3,381
Tax liabilities	3,053	3,882	4,195	4,404	3,766	4,441	4,822	5,119	6,376
Liabilities associated with disposal groups held for sale	26,193	26,982	22,857	28,631	29,677	32,242	29,498	26,337	
Other liabilities	51,068	44,479	66,260	32,697	40,210	38,122	41,018	30,107	84,176
Borrowings	308,913	314,952	322,470	304,745	409,563	436,897	445,077	417,782	425,601
Subordinated liabilities	36,867	36,494	35,837	20,083	15,042	10,763	7,283	6,532	-
Total liabilities	1,043,721	993,423	1,003,941	892,030	1,017,099	1,038,130	1,029,641	963,468	1,019,473

Equity

Share capital and share premium	51,331	51,330	51,334	55,715	59,000	59,007	59,008	59,010	59,014
Other reserves	12,114	11,375	10,409	9,493	10,919	14,098	15,439	14,822	15,648
Retained earnings	128,879	125,951	121,959	124,436	126,007	122,054	118,477	126,897	124,655
Total shareholders equity	192,324	188,656	183,702	189,644	195,926	195,159	192,924	200,729	199,317
Non-controlling interest	172	171	177	181	130	130	130	130	739
Total equity	192,496	188,827	183,879	189,825	196,056	195,289	193,054	200,859	200,056
Total liabilities and equity	1,236,217	1,182,250	1,187,820	1,081,855	1,213,155	1,233,419	1,222,695	1,164,327	1,219,529

Net interest income - 9 quarter summary

ISK million	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018
Interest income									
Cash and balances with Central bank	227	303	774	916	1,062	1,061	969	990	1,269
Loans	11,893	12,926	10,690	11,911	12,389	15,075	13,428	15,177	13,549
Securities	977	538	550	443	384	271	237	127	48
Other	48	68	30	36	19	56	50	54	67
Interest income	13,145	13,835	12,044	13,306	13,854	16,463	14,684	16,348	14,933
Interest expense									
Deposits	(1,455)	(1,969)	(2,011)	(2,447)	(2,642)	(3,608)	(3,252)	(3,585)	(3,426)
Borrowings	(3,181)	(3,468)	(2,443)	(2,956)	(3,645)	(4,945)	(3,927)	(4,740)	(4,240)
Subordinated loans	(491)	(501)	(313)	(182)	(161)	(59)	(47)	(19)	-
Other	(29)	(40)	(24)	(28)	(24)	(43)	(24)	(35)	(58)
Interest expense	(5,156)	(5,978)	(4,791)	(5,613)	(6,472)	(8,655)	(7,250)	(8,379)	(7,724)
Net interest income	7,989	7,857	7,253	7,693	7,382	7,808	7,434	7,969	7,209
Interest bearing assets									
Cash and balances with Central Bank	87,517	103,432	118,174	95,717	121,554	107,649	94,124	83,139	99,525
Loans	847,350	813,499	812,620	791,902	844,247	890,795	914,224	890,148	943,411
Securities	202,783	167,517	163,127	83,343	132,708	114,583	97,343	87,701	79,856
Interest bearing assets	1,137,650	1,084,448	1,093,921	970,962	1,098,509	1,113,027	1,105,691	1,060,989	1,122,792
Interest bearing liabilities									
Due to credit institutions and Central Bank	10,802	7,661	8,323	5,984	8,292	8,703	9,183	9,204	15,370
Deposits	602,842	555,855	539,312	492,916	508,254	504,897	490,474	466,067	484,569
Financial liabilities at fair value	3,983	3,118	4,687	2,570	2,295	2,065	2,286	2,320	3,381
Borrowings	308,913	314,952	322,470	304,745	409,563	436,897	445,077	417,782	425,601
Subordinated liabilities	36,867	36,494	35,837	20,083	15,042	10,763	7,283	6,532	-
Interest bearing liabilities	963,407	918,080	910,629	826,298	943,446	963,325	954,303	901,905	928,921
Interest Gap	174,243	166,368	183,292	144,664	155,063	149,702	151,388	159,084	193,871
Net interest margin on interest bearing assets	2.8%	2.9%	2.8%	3.0%	2.6%	2.8%	2.7%	2.9%	2.7%

All amounts are in ISK millions

Loans to customers - 9 quarter summary

ISK million

30.09.2020 30.06.2020 31.03.2020 31.12.2019 30.09.2019 30.06.2019 31.03.2019 31.12.2018 30.09.2018

Loans to customers

Individuals	414,320	388,747	374,005	368,569	408,925	403,539	399,574	400,483	397,661
Corporates	393,546	391,155	404,818	405,386	403,556	418,192	429,672	433,343	422,304
Total loans to customers	807,866	779,902	778,823	773,955	812,481	821,731	829,246	833,826	819,965

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

Overdrafts	14,513	13,917	15,465	14,421	16,081	15,075	15,639	14,536	15,783
Credit cards	11,222	11,809	10,805	13,028	12,650	12,325	11,606	12,958	11,585
Mortgage loans	359,145	333,249	317,882	310,562	349,673	345,833	342,346	343,119	338,059
Other loans	32,669	33,207	33,412	33,105	33,604	33,631	33,579	33,560	36,351
Provision on loans	(3,229)	(3,435)	(3,559)	(2,547)	(3,083)	(3,325)	(3,596)	(3,690)	(4,117)
Total loans to individuals	414,320	388,747	374,005	368,569	408,925	403,539	399,574	400,483	397,661

Loans to corporates

Overdrafts	15,819	15,915	17,611	18,709	17,714	18,880	19,082	19,200	18,101
Credit cards	1,097	1,102	1,065	1,373	1,367	1,356	1,294	1,348	1,270
Mortgage loans	29,066	23,941	23,178	23,475	23,765	24,334	24,643	23,417	22,598
Other loans	358,058	359,459	371,639	368,453	367,221	380,705	390,957	395,579	388,299
Provision on loans	(10,494)	(9,262)	(8,675)	(6,624)	(6,511)	(7,083)	(6,304)	(6,201)	(7,964)
Total loans to corporates	393,546	391,155	404,818	405,386	403,556	418,192	429,672	433,343	422,304

Loans to corporates specified by sector:

Agriculture and forestry	2.1%	2.0%	1.9%	1.9%	1.8%	1.8%	1.8%	1.7%	1.7%
Services	3.2%	4.3%	4.2%	4.3%	4.3%	4.2%	3.8%	3.8%	4.2%
Financial and insurance activities	8.1%	9.1%	9.2%	8.3%	7.6%	8.2%	7.8%	8.7%	8.6%
Industry, energy and manufacturing	7.7%	7.8%	7.8%	9.8%	10.2%	9.4%	8.4%	8.2%	7.8%
Information and communication technology	5.0%	4.9%	4.6%	4.7%	4.7%	4.7%	4.6%	4.8%	5.5%
Public administration, human health and social activities	2.0%	1.7%	1.6%	2.1%	1.7%	1.6%	1.6%	1.6%	1.3%
Real estate activities and construction	33.1%	33.0%	31.6%	32.0%	32.8%	32.8%	34.9%	33.9%	32.0%
Fishing industry	22.1%	19.5%	21.3%	20.5%	20.1%	20.0%	18.7%	19.4%	19.4%
Transportation	3.4%	3.2%	3.0%	2.7%	2.8%	2.9%	2.8%	2.8%	4.1%
Wholesale and retail trade	13.3%	14.6%	14.8%	13.6%	13.9%	14.6%	15.5%	15.2%	15.4%
	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

30.09.2020 30.06.2020 31.03.2020 31.12.2019 30.09.2019 30.06.2019 31.03.2019 31.12.2018 30.09.2018

Capital base:

Total equity	192,496	188,827	183,879	189,825	196,056	195,289	193,054	200,859	200,056
Deductions related to the consolidated situation ¹	(11,410)	(10,823)	(10,088)	(10,159)	(9,927)	(9,452)	(8,746)	(8,986)	(8,573)
Non-controlling interest not eligible for inclusion in CET1 capital	(172)	(171)	(177)	(181)	(130)	(130)	(130)	(130)	(739)
Common Equity Tier 1 capital before regulatory adjustments	180,914	177,833	173,614	179,485	185,999	185,707	184,178	191,743	190,744
Intangible assets	(11,671)	(11,371)	(11,160)	(10,604)	(14,117)	(13,783)	(13,236)	(12,152)	(11,445)
Tax assets	(310)	(310)	(332)	(296)	(151)	(568)	(490)	(191)	(564)
Foreseeable dividend	(1,375)	-	-	(14,153)	(6,057)	(1,557)	(509)	(9,069)	(2,775)
Adjustment under IFRS 9 transitional arrangements	-	1,550	-	-	-	-	-	-	-
Other statutory deductions	(3,709)	(3,314)	(1,995)	(1,741)	(3,255)	(3,075)	(2,022)	(1,537)	(1,308)
Common equity Tier 1 capital	163,849	164,388	160,127	152,691	162,419	166,724	167,921	168,794	174,652
Non-controlling interest not eligible for inclusion in CET1 capital	172	171	177	181	130	130	130	130	739
Additional Tier 1 capital	14,480	14,705	14,783	-	-	-	-	-	-
Tier 1 capital	178,501	179,264	175,087	152,872	162,550	166,854	168,051	168,924	175,391
Subordinated liabilities	22,387	21,789	21,054	20,083	15,042	10,763	7,283	6,532	-
Tier 2 Capital	22,387	21,789	21,054	20,083	15,042	10,763	7,283	6,532	-
Total Capital base	200,888	201,053	196,141	172,955	177,592	177,617	175,334	175,456	175,391

Risk weighted exposure amount (REA)

Credit Risk, loans	568,345	557,208	557,415	561,602	590,880	606,843	626,603	639,788	646,016
Credit Risk, securities and other	52,564	51,286	48,412	49,163	54,705	58,183	52,167	50,112	51,133
Counterparty credit risk	4,791	4,169	5,242	3,347	3,457	3,969	4,126	4,405	4,461
Market Risk due to currency imbalance	2,552	3,119	2,676	10,070	5,127	6,125	2,385	4,280	7,305
Market Risk Other	14,777	15,207	13,898	10,609	11,168	14,261	13,744	8,928	9,717
Credit valuation adjustment ²	1,618	1,874	1,934	1,477	2,863	1,840	1,893	2,228	2,235
Operational Risk	83,487	83,487	83,487	83,487	86,957	86,957	86,957	86,957	86,013
Total risk weighted exposure amount	728,134	716,350	713,064	719,755	755,157	778,178	787,875	796,698	806,880

Capital and Risk Weighted Assets

ISK million

30.09.2020 30.06.2020 31.03.2020 31.12.2019 30.09.2019 30.06.2019 31.03.2019 31.12.2018 30.09.2018

Capital ratios	27.6%	28.1%	27.5%	24.0%	23.5%	22.8%	22.3%	22.0%	21.7%
CET 1 ratio	22.5%	22.9%	22.5%	21.2%	21.6%	21.4%	21.3%	21.2%	21.6%
Tier 1 ratio	24.5%	25.0%	24.6%	21.2%	21.5%	21.4%	21.3%	21.2%	21.7%
Capital adequacy ratio	27.6%	28.1%	27.5%	24.0%	23.6%	22.8%	22.3%	22.0%	21.7%
Leverage ratio									
On-balance sheet exposures	1,176,825	1,130,553	1,136,168	1,022,521	1,152,208	1,175,769	1,169,764	1,106,368	1,167,238
Derivative exposures	13,083	12,153	13,176	10,217	8,858	7,251	7,282	8,239	8,279
Securities financing transaction exposures	2,871	525	1,557	577	8,436	8,547	8,494	8,194	9,382
Off-balance sheet exposures	66,612	62,666	56,222	52,299	103,916	63,260	61,185	68,316	82,415
Total exposure	1,259,391	1,205,897	1,207,123	1,085,614	1,273,418	1,254,827	1,246,725	1,191,117	1,267,314
Tier 1 capital	178,501	179,264	202,329	204,125	197,990	194,966	193,988	198,956	192,378
Leverage ratio	14.2%	14.9%	16.6%	17.2%	16.9%	17.8%	17.4%	18.1%	17.3%
Related ratios									
RORWA	1.2%	0.8%	(1.2%)	0.1%	0.7%	0.8%	0.5%	1.0%	1.0%
REA/Total assets	58.9%	60.6%	60.0%	66.5%	62.2%	63.1%	64.4%	68.4%	66.2%

Operating segments - Quarters summary

ISK million

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

Markets and Stefnir:

Net interest income	578	409	197	182	282	297	256
Net fee and commission income	2,837	1,980	1,035	944	1,164	1,156	1,054
Net insurance income	-	-	-	-	-	-	-
Net financial income (loss)	43	(3)	(136)	87	(68)	61	139
Share of profit of associates	1	1	1	-	-	-	-
Other operating income	8	4	3	11	3	9	2
Total operating income	3,467	2,391	1,100	1,224	1,381	1,523	1,451
Operating expenses	(1,331)	(1,005)	(474)	(477)	(421)	(504)	(518)
Allocated expenses	(1,373)	(965)	(468)	(179)	(380)	(481)	(430)
Bank levy	(28)	(18)	(8)	(9)	(42)	(45)	(46)
Net impairment	-	(4)	-	-	8	(3)	(5)
Earnings before income tax	735	399	150	559	546	490	452
Total assets	75,528	75,592	77,452	69,692	70,735	78,441	80,573
Total liabilities	67,762	68,211	69,303	62,540	63,825	71,767	73,122
Allocated equity	7,766	7,381	8,149	7,152	6,910	6,674	7,451

Corporate & Investment Banking:

Net interest income	7,801	5,070	2,522	2,395	2,240	2,338	2,156
Net fee and commission income	2,172	1,558	837	611	318	509	498
Net insurance income	-	-	-	-	-	-	-
Net financial income (loss)	-	-	-	6	(34)	28	(222)
Share of profit of associates	(48)	(49)	-	-	-	-	-
Other operating income (loss)	(7)	(10)	(2)	(3)	(4)	(6)	(4)
Total operating income	9,918	6,569	3,357	3,009	2,520	2,869	2,428
Operating expenses	(969)	(750)	(385)	(291)	(318)	(414)	(448)
Allocated expenses	(1,912)	(1,349)	(618)	(764)	(702)	(979)	(956)
Bank levy	(312)	(202)	(107)	(101)	(200)	(224)	(201)
Net impairment	(5,358)	(2,707)	(1,645)	(3,761)	(2,870)	(1,216)	(1,032)
Earnings (loss) before income tax	1,367	1,561	602	(1,908)	(1,570)	36	(209)
Total assets	329,038	316,633	329,384	320,545	315,052	327,950	335,209
Total liabilities	256,013	249,021	253,964	251,581	237,575	254,184	264,102
Allocated equity	73,025	67,612	75,420	68,964	77,477	73,766	71,107

Operating segments - Quarters summary

ISK million

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

Retail Banking:

Net interest income	11,834	7,830	3,831	4,045	4,253	4,443	4,562
Net fee and commission income	3,528	2,237	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	197	124	119	102	174	32	124
Total operating income	15,559	10,191	5,197	5,424	5,662	5,674	5,752
Operating expenses	(4,051)	(2,899)	(1,493)	(1,670)	(1,569)	(1,752)	(1,811)
Allocated expenses	(4,240)	(3,099)	(1,473)	(1,842)	(1,227)	(1,602)	(1,536)
Bank levy	(464)	(296)	(158)	(149)	(275)	(301)	(339)
Net impairment	(1,828)	(1,979)	(1,903)	1,922	133	275	(43)
Earnings before income tax	4,976	1,918	170	3,685	2,724	2,294	2,023
Total assets	501,186	485,327	474,471	475,199	536,349	554,871	551,713
Total liabilities	445,274	436,718	416,769	416,197	472,222	495,724	489,711
Allocated equity	55,912	48,609	57,702	59,002	64,127	59,147	62,002

Treasury and Market making:

Net interest income	3,194	2,028	848	1,201	783	871	583
Net fee and commission income	390	237	96	55	(50)	(76)	(125)
Net insurance income	-	-	-	-	-	-	-
Net financial income (loss)	409	(58)	(1,411)	(2)	718	258	(34)
Share of profit of associates	-	-	-	-	-	-	-
Other operating income	-	-	-	5	-	6	-
Total operating income (loss)	3,993	2,207	(467)	1,259	1,451	1,059	424
Other operating income (loss)	(447)	(333)	(185)	(140)	(91)	(86)	(68)
Allocated expenses	(658)	(436)	(211)	(260)	(213)	(283)	(284)
Bank levy	(233)	(139)	(58)	(98)	(292)	(342)	(320)
Net impairment	7	17	4	(11)	-	15	(1)
Earnings (loss) before income tax	2,662	1,316	(917)	750	855	363	(249)
Total assets	502,387	471,858	480,872	457,579	558,263	573,660	580,470
Total liabilities	481,934	441,285	470,028	436,229	548,213	555,797	569,151
Allocated equity	20,453	30,573	10,844	21,350	10,050	17,863	11,319

Operating segments - Quarters summary

ISK million

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

Vördur:

Net interest income	92	92	47	68	57	59	44
Net fee and commission income (expens	(91)	(91)	(41)	(31)	(18)	(6)	(25)
Net insurance income	1,318	1,318	523	730	1,093	830	276
Net financial income	884	884	130	222	35	513	551
Share of profit of associates	-	-	-	-	-	-	-
Other operating income	3	3	2	7	2	2	9
Total operating income	2,206	2,206	661	996	1,169	1,398	855
Operating expenses	(1,203)	(1,281)	(636)	(579)	(528)	(554)	(579)
Allocated expenses	-	(9)	(12)	(7)	(1)	(2)	(6)
Bank levy	-	-	-	-	-	-	-
Net impairment	-	-	-	-	-	-	-
Earnings before income tax	1,003	916	13	410	640	842	270
Total assets	30,390	29,418	26,993	27,028	26,758	26,222	25,655
Total liabilities	18,981	18,595	16,869	16,869	16,869	16,869	16,869
Allocated equity	11,409	10,823	10,124	10,159	9,889	9,353	8,786

Other subsidiaries:

Net interest income (expense)	(317)	(262)	(174)	(172)	(195)	(264)	3
Net fee and commission income (expens	(550)	(356)	(211)	(189)	(236)	(280)	(235)
Net insurance income	1,053	-	-	-	-	-	-
Net financial income (loss)	36	(144)	(594)	88	423	(367)	494
Share of profit of associates	-	-	-	-	-	-	-
Other operating income	391	298	8	91	24	116	321
Total operating income (loss)	613	(464)	(971)	(182)	16	(795)	583
Operating expenses	(714)	(104)	(75)	(13)	(19)	(14)	(17)
Allocated expenses	(25)	(3)	(1)	(3)	(1)	(1)	(1)
Bank levy	-	-	-	-	-	-	-
Net impairment	2,060	895	683	3,053	3,215	(60)	-
Earnings (loss) before income tax	1,934	324	(364)	2,855	3,211	(870)	565
Total assets	54,723	56,527	51,792	58,515	62,367	67,056	61,984
Total liabilities	30,792	32,698	31,867	37,530	36,249	40,738	34,619
Allocated equity	23,931	23,829	19,925	20,985	26,118	26,318	27,365

Operating segments - Quarters summary

ISK million

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

Supporting units and eliminations:

Net interest income (loss)	(83)	(57)	(18)	(26)	(38)	64	(170)
Net fee and commission income (expens	240	199	113	39	135	(24)	(41)
Net insurance income (expense)	(66)	(56)	(22)	(7)	(6)	(7)	(23)
Net financial income (loss)	11	12	11	(3)	(49)	530	(136)
Share of profit (loss) of associates	69	19	(25)	7	30	(8)	727
Other operating income (loss)	124	(178)	40	(12)	73	(65)	(142)
Total operating income (loss)	295	(61)	99	(2)	145	490	215
Operating expenses	(9,119)	(6,230)	(2,959)	(3,272)	(3,994)	(3,295)	(3,421)
Allocated expenses	8,208	5,861	2,783	3,055	2,524	3,348	3,213
Bank levy	(1)	-	-	-	-	-	-
Net impairment	1	-	1	-	(2)	1	-
Earnings (loss) before income tax	(616)	(430)	(76)	(219)	(1,327)	544	7
Total assets	(257,036)	(253,106)	(253,144)	(326,703)	(356,369)	(394,781)	(412,909)
Total liabilities	(257,036)	(253,106)	(254,859)	(328,916)	(357,854)	(396,949)	(417,933)
Allocated equity	-	-	1,715	2,213	1,485	2,168	5,024

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