



# Arion Bank Factbook

31 March 2019



## KFI - 5 years

ISK million	Q1 2019	2018	2017	2016	2015
<b>Profitability</b>					
Return on equity	2.1%	3.7%	6.6%	10.5%	28.1%
Return on assets	0.3%	0.7%	1.3%	2.1%	5.0%
Return on risk-weighted-assets	0.5%	1.0%	1.9%	2.9%	6.7%
Earnings per share	0.56	3.86	7.20	10.57	20.98
Earnings per share from continuing operations	1.23	4.49	6.99	10.57	20.80
<b>Net interest margin</b>					
Net interest margin on interest bearing assets	2.7%	2.7%	2.9%	3.1%	3.0%
Net interest margin on total assets	2.5%	2.5%	2.6%	2.9%	2.7%
<b>Efficiency</b>					
Cost-to-income ratio	58.6%	56.9%	48.9%	56.0%	32.4%
Cost-to-total assets ratio	2.3%	2.3%	2.1%	3.0%	2.9%
Number of FTE´s at year end	917	904	941	1,239	1,147
<b>Asset quality</b>					
Share of stage 3 loans, gross*	2.5%	2.6%	-	-	-
Problem loans <sup>1</sup>	-	-	1.0%	1.6%	2.5%
Provision for losses/Gross impaired loans <sup>1</sup>	-	-	80.5%	77.4%	75.8%
Gross impaired loans/Gross loans <sup>1</sup>	-	-	1.6%	3.2%	4.7%
Past due loans but not impaired as % of gross loans <sup>1</sup>	-	-	4.2%	4.9%	6.2%
Risk weighted assets / Total assets	64.4%	68.4%	66.8%	72.7%	79.9%
<b>Financial strength</b>					
Equity as % of total assets	15.8%	17.3%	19.7%	20.4%	20.0%
<b>Liquidity</b>					
Liquidity coverage ratio (LCR)	213.0%	164.4%	221.0%	171.3%	134.5%
Loans-to-deposits ratio	169.1%	178.9%	165.5%	172.9%	145.0%
Loans-to-deposits ratio (without covered bonds)	125.1%	135.7%	129.0%	133.8%	116.0%
Deposits from customers as % of total funding	51.9%	52.2%	54.1%	53.9%	67.4%
Covered bonds as % of total funding	22.8%	22.5%	19.8%	21.1%	19.5%
<b>Capital</b>					
CET 1 ratio	21.3%	21.2%	23.6%	26.5%	22.3%
Tier 1 ratio	21.3%	21.2%	23.6%	26.6%	23.4%
Tier 2 ratio	0.9%	0.8%	0.4%	0.6%	0.8%
Capital adequacy ratio	22.2%	22.0%	24.0%	27.2%	24.2%
Leverage ratio	13.5%	14.2%	15.4%	18.0%	16.7%

\* (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

<sup>1</sup> Not available following implementation of IFRS 9 in January 2018

## Income statement - 5 year summary

ISK million

	Q1 2019	Q1 2018	Q1 2017	Q1 2016	Q1 2015
Interest income	14,684	14,044	13,422	14,870	11,644
Interest expense	(7,250)	(7,217)	(6,518)	(7,597)	(5,861)
<b>Net interest income</b>	<b>7,434</b>	<b>6,827</b>	<b>6,904</b>	<b>7,273</b>	<b>5,783</b>
Fee and commission income	2,630	2,575	2,508	5,240	5,057
Fee and commission expense	(412)	(370)	(310)	(2,021)	(1,300)
<b>Net fee and commission income</b>	<b>2,218</b>	<b>2,205</b>	<b>2,198</b>	<b>3,219</b>	<b>3,757</b>
Net financial income	766	1,387	1,433	(301)	7,539
Net insurance income	253	143	447	145	170
Share of profit of associates	727	(18)	(34)	677	4,211
Other operating income	310	268	456	1,076	561
<b>Other net operating income</b>	<b>2,056</b>	<b>1,780</b>	<b>2,302</b>	<b>1,597</b>	<b>12,481</b>
<b>Operating income</b>	<b>11,708</b>	<b>10,812</b>	<b>11,404</b>	<b>12,089</b>	<b>22,021</b>
Salaries and related expense	(3,630)	(3,616)	(3,437)	(4,108)	(3,492)
Other operating expenses	(3,232)	(3,143)	(3,041)	(3,090)	(2,907)
<b>Operating expenses</b>	<b>(6,862)</b>	<b>(6,759)</b>	<b>(6,478)</b>	<b>(7,198)</b>	<b>(6,399)</b>
Bank Levy	(906)	(804)	(797)	(742)	(730)
Net impairment	(1,081)	(135)	907	(503)	1,782
<b>Earnings before tax</b>	<b>2,859</b>	<b>3,114</b>	<b>5,036</b>	<b>3,646</b>	<b>16,674</b>
Income tax expense	(622)	(890)	(1,405)	(763)	(1,674)
<b>Net earnings from continuing operations</b>	<b>2,237</b>	<b>2,224</b>	<b>3,631</b>	<b>2,883</b>	<b>15,000</b>
Net gain (loss) from discontinued operations, net of tax	(1,219)	(273)	(278)	-	(92)
<b>Net earnings</b>	<b>1,018</b>	<b>1,951</b>	<b>3,353</b>	<b>2,883</b>	<b>14,908</b>
<b>Attributable to</b>					
Shareholders of Arion Bank	1,018	1,951	3,352	2,484	14,864
Non-controlling interest	-	-	1	399	44
<b>Total comprehensive income</b>	<b>1,018</b>	<b>1,951</b>	<b>3,353</b>	<b>2,883</b>	<b>14,908</b>
<b>Earnings per share</b>					
Basic and diluted earnings per share attributable to the shareholders of Arion Bank (ISK)	0.56	1.01	1.60	1.24	7.43

## Balance sheet - 5 year summary

ISK million	Q1 2019	2018	2017	2016	2015
<b>Assets</b>					
Cash and balances with Central Bank	94,124	83,139	139,819	87,634	48,102
Loans to credit institutions	84,978	56,322	86,609	80,116	87,491
Loans to customers	829,246	833,826	765,101	712,422	680,350
Financial instruments	128,103	114,557	109,450	117,456	133,191
Investment property	7,101	7,092	6,613	5,358	7,542
Investments in associates	807	818	760	839	27,299
Intangible assets	7,081	6,397	13,848	11,057	9,285
Tax assets	15	90	450	288	205
Asset and disposal groups held for sale	51,321	48,584	8,138	4,418	5,082
Other assets	19,920	13,502	16,966	16,436	12,496
<b>Total assets</b>	<b>1,222,696</b>	<b>1,164,327</b>	<b>1,147,754</b>	<b>1,036,024</b>	<b>1,011,043</b>
<b>Liabilities</b>					
Due to credit institutions and Central Bank	9,183	9,204	7,370	7,987	11,387
Deposits	490,474	466,067	462,161	412,064	469,347
Financial liabilities at fair value	2,286	2,320	3,601	3,726	7,609
Tax liabilities	4,822	5,119	6,828	7,293	4,922
Liabilities associated with disposal groups held for sale	29,498	26,337	-	-	-
Other liabilities	41,019	30,107	57,062	54,094	49,461
Borrowings	445,077	417,782	384,998	339,476	256,058
Subordinated liabilities	7,283	6,532	-	-	10,365
<b>Total liabilities</b>	<b>1,029,642</b>	<b>963,468</b>	<b>922,020</b>	<b>824,640</b>	<b>809,149</b>
<b>Equity</b>					
Share capital and share premium	59,008	59,010	75,861	75,861	75,861
Other reserves	15,439	14,822	16,774	19,761	4,547
Retained earnings	118,477	126,897	132,971	115,590	112,378
<b>Total shareholders equity</b>	<b>192,924</b>	<b>200,729</b>	<b>225,606</b>	<b>211,212</b>	<b>192,786</b>
Non-controlling interest	130	130	128	172	9,108
<b>Total equity</b>	<b>193,054</b>	<b>200,859</b>	<b>225,734</b>	<b>211,384</b>	<b>201,894</b>
<b>Total liabilities and equity</b>	<b>1,222,696</b>	<b>1,164,327</b>	<b>1,147,754</b>	<b>1,036,024</b>	<b>1,011,043</b>

## Net interest income - 5 year summary

ISK million

	Q1 2019	Q1 2018	Q1 2017	Q1 2016	Q1 2015
<b>Interest income</b>					
Cash and balances with Central bank	969	1,223	1,347	265	142
Loans	13,428	12,517	11,333	13,110	10,509
Securities	237	257	682	1,328	832
Other	50	47	61	167	161
<b>Interest income</b>	<b>14,684</b>	<b>14,044</b>	<b>13,422</b>	<b>14,870</b>	<b>11,644</b>
<b>Interest expense</b>					
Deposits	(3,252)	(3,198)	(3,106)	(4,139)	(3,147)
Borrowings	(3,927)	(3,988)	(3,413)	(3,349)	(2,394)
Subordinated liabilities	(47)	-	-	(95)	(306)
Other	(24)	(31)	(0)	(15)	(13)
<b>Interest expense</b>	<b>(7,250)</b>	<b>(7,217)</b>	<b>(6,518)</b>	<b>(7,598)</b>	<b>(5,860)</b>
<b>Net interest income</b>	<b>7,434</b>	<b>6,850</b>	<b>6,904</b>	<b>7,272</b>	<b>5,784</b>
<b>Interest bearing assets</b>					
Cash and balances with Central Bank	94,124	96,649	176,653	70,218	63,575
Loans	914,224	853,135	764,630	785,676	774,732
Securities	97,343	71,409	78,232	81,975	70,550
<b>Interest bearing assets</b>	<b>1,105,691</b>	<b>1,021,193</b>	<b>1,019,515</b>	<b>937,869</b>	<b>908,856</b>
<b>Interest bearing liabilities</b>					
Due to credit institutions and Central Bank	9,183	7,880	9,270	11,288	21,561
Deposits	490,474	453,059	475,641	433,228	471,271
Financial liabilities at fair value	2,286	3,127	3,922	9,577	7,311
Borrowings	445,077	399,338	355,633	310,540	249,751
Subordinated liabilities	7,283	-	-	9,921	20,494
<b>Interest bearing liabilities</b>	<b>954,303</b>	<b>863,404</b>	<b>844,466</b>	<b>774,554</b>	<b>770,388</b>
<b>Interest Gap</b>	<b>151,388</b>	<b>157,789</b>	<b>175,050</b>	<b>163,315</b>	<b>138,468</b>
<b>Net interest margin on interest bearing assets</b>	<b>2.7%</b>	<b>2.7%</b>	<b>2.8%</b>	<b>3.1%</b>	<b>2.6%</b>

## Loans to customers - 5 year summary

ISK million	Q1 2019	2018	2017	2016	2015
<b>Loans to customers</b>					
Individuals	399,574	400,483	365,287	337,416	324,619
Corporates	429,672	433,343	399,814	375,006	355,731
<b>Total loans to customers</b>	<b>829,246</b>	<b>833,826</b>	<b>765,101</b>	<b>712,422</b>	<b>680,350</b>
<b>Loans to individuals</b>					
Overdrafts	15,639	14,536	14,469	14,805	16,840
Credit cards	11,606	12,958	11,133	11,363	10,842
Mortgage loans	342,346	343,119	311,507	285,784	271,895
Other loans	33,579	33,560	33,629	34,777	38,058
Provision on loans	(3,596)	(3,690)	(5,451)	(9,313)	(13,016)
<b>Total loans to individuals</b>	<b>399,574</b>	<b>400,483</b>	<b>365,287</b>	<b>337,416</b>	<b>324,619</b>
Neither past due nor impaired <sup>1</sup>	-	-	344,829	312,259	291,277
Past due but not impaired <sup>1</sup>	-	-	18,929	21,854	26,532
Individually impaired (gross) <sup>1</sup>	-	-	5,539	10,372	17,403
Impairment amount <sup>1</sup>	-	-	(4,010)	(7,069)	(10,593)
<b>Total loans to individuals</b>	<b>-</b>	<b>-</b>	<b>365,287</b>	<b>337,416</b>	<b>324,619</b>
<b>Ratios:</b>					
Share of stage 3 loans, gross*	2.5%	2.6%	-	-	-
Provision for losses/Gross impaired loans <sup>1</sup>	-	-	98.4%	89.8%	74.8%
Past due loans but not impaired as % of gross loans <sup>1</sup>	-	-	5.1%	6.3%	7.9%
Gross impaired loans/Gross loans <sup>1</sup>	-	-	1.5%	3.0%	5.2%

\* (Gross carrying value of stage 3 loans + gross carrying value of POCI loans in Risk class 4 or lower) / Gross carrying value of loans to customers

<sup>1</sup> Not available following implementation of IFRS 9 in January 2018

## Loans to customers - 5 year summary

ISK million	Q1 2019	2018	2017	2016	2015
<b>Loans to corporates</b>					
Overdrafts	19,082	19,200	18,778	19,314	24,248
Credit cards	1,294	1,348	1,123	1,180	1,054
Mortgage loans	24,643	23,417	19,632	16,298	12,889
Other loans	390,957	395,579	368,312	351,739	334,849
Provision on loans	(6,304)	(6,201)	(8,031)	(13,525)	(17,309)
<b>Total loans to corporates</b>	<b>429,672</b>	<b>433,343</b>	<b>399,814</b>	<b>375,006</b>	<b>355,731</b>
Neither past due nor impaired <sup>1</sup>	-	-	385,197	358,709	337,153
Past due but not impaired <sup>1</sup>	-	-	13,655	14,251	17,302
Individually impaired (gross) <sup>1</sup>	-	-	7,239	13,258	16,024
Impairment amount <sup>1</sup>	-	-	(6,277)	(11,212)	(14,748)
<b>Total loans to individuals</b>	<b>-</b>	<b>-</b>	<b>399,814</b>	<b>375,006</b>	<b>355,731</b>
<b>Ratios:</b>					
Provision for losses/Gross impaired loans <sup>1</sup>	-	-	110.9%	102.0%	108.0%
Past due loans but not impaired as % of gross loans <sup>1</sup>	-	-	3.4%	3.7%	4.7%
Gross impaired loans/Gross loans <sup>1</sup>	-	-	1.8%	3.4%	4.3%
<b>Loans to corporates specified by sector:</b>					
Agriculture and forestry	1.8%	1.7%	1.6%	1.6%	1.6%
Services	3.8%	3.8%	4.5%	4.6%	5.6%
Financial and insurance activities	7.8%	8.7%	8.5%	9.3%	9.4%
Industry, energy and manufacturing	8.4%	8.2%	7.4%	7.6%	6.0%
Information and communication technology	4.6%	4.8%	5.5%	7.6%	8.7%
Public administration, human health and social activities	1.6%	1.6%	2.0%	2.3%	2.3%
Real estate activities and construction	34.9%	33.9%	32.1%	30.6%	28.8%
Fishing industry	18.7%	19.4%	19.7%	20.4%	21.3%
Transportation	2.8%	2.8%	4.3%	1.7%	1.7%
Wholesale and retail trade	15.5%	15.2%	14.4%	14.1%	14.6%
	100.0%	100.0%	100.0%	100.0%	100.0%

<sup>1</sup> Not available following implementation of IFRS 9 in January 2018

## Capital and Risk Weighted Assets

ISK million	31.03.2019	2018	2017	2016	2015
<b>Capital base:</b>					
Total equity	193,054	200,859	225,734	211,384	201,895
Deductions related to the consolidated situation <sup>1</sup>	(8,746)	(8,986)	(8,635)	(8,126)	-
Non-controlling interest not eligible for inclusion in CET 1 capital	(130)	(130)	(128)	(172)	(9,108)
<b>Common Equity Tier 1 capital before regulatory adjustments</b>	<b>184,178</b>	<b>191,743</b>	<b>216,971</b>	<b>203,086</b>	<b>192,786</b>
Intangible assets	(13,236)	(12,152)	(11,125)	(8,201)	(9,285)
Tax assets	(490)	(191)	(357)	(198)	(205)
Foreseeable dividend	(509)	(1,537)	(25,000)	-	-
Other statutory deductions	(2,022)	(9,069)	146	(149)	(3,151)
<b>Common equity Tier 1 capital</b>	<b>167,921</b>	<b>168,794</b>	<b>180,635</b>	<b>194,538</b>	<b>180,145</b>
Non-controlling interest not eligible for inclusion in CET1 capital	130	130	128	172	9,108
<b>Tier 1 capital</b>	<b>168,051</b>	<b>168,924</b>	<b>180,763</b>	<b>194,710</b>	<b>189,254</b>
Subordinated liabilities	7,283	6,532	-	0	10,365
Regulatory adjustment to Tier 2 capital	-	-	-	-	(771)
Other statutory deductions	-	-	-	-	(3,118)
General credit risk adjustments	-	-	3,195	4,557	-
<b>Tier 2 Capital</b>	<b>7,283</b>	<b>6,532</b>	<b>3,195</b>	<b>4,557</b>	<b>6,476</b>
<b>Total Capital base</b>	<b>175,334</b>	<b>175,456</b>	<b>183,958</b>	<b>199,267</b>	<b>195,729</b>
<b>Risk weighted assets</b>					
Credit Risk, loans	626,603	639,788	605,058	577,470	681,034
Credit Risk, securities and other <sup>2</sup>	52,167	50,112	56,979	55,036	-
Counterparty credit risk <sup>2</sup>	4,126	4,405	5,844	5,550	-
Market Risk due to currency imbalance	2,385	4,280	4,895	5,449	38,401
Market Risk Other	13,744	8,928	5,473	12,966	7,035
Credit valuation adjustment <sup>2</sup>	1,893	2,228	2,506	2,678	-
Operational Risk	86,957	86,858	86,013	86,490	81,441
<b>Total risk weighted assets</b>	<b>787,875</b>	<b>796,599</b>	<b>766,768</b>	<b>745,639</b>	<b>807,911</b>
<b>Capital ratios</b>					
CET 1 ratio	21.3%	21.2%	23.6%	26.1%	22.3%
Tier 1 ratio	21.3%	21.2%	23.6%	26.1%	23.4%
Capital adequacy ratio	22.3%	22.0%	24.0%	26.7%	24.2%
<b>Leverage ratio</b>					
On-balance sheet exposures	1,169,764	1,106,368	1,074,207	995,063	982,348
Derivative exposures	7,282	8,239	10,957	8,226	3,789
Securities financing transaction exposures	8,494	8,194	8,925	9,330	16,287
Off-balance sheet exposures	61,185	68,316	83,058	83,156	127,675
<b>Total exposure</b>	<b>1,246,725</b>	<b>1,191,117</b>	<b>1,177,147</b>	<b>1,095,775</b>	<b>1,130,099</b>
<b>Tier 1 capital</b>	<b>168,051</b>	<b>168,924</b>	<b>180,763</b>	<b>194,710</b>	<b>189,254</b>
<b>Leverage ratio</b>	<b>13.5%</b>	<b>14.2%</b>	<b>15.4%</b>	<b>17.8%</b>	<b>16.7%</b>
<b>Related ratios</b>					
RORWA	0.51%	0.99%	1.91%	2.87%	6.72%
RWA/Total assets	64.44%	68.42%	66.81%	72.71%	79.91%

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

31 March 2019



## KFI - 9 Quarters

ISK million

	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017
<b>Profitability</b>									
Return on equity	2.1%	3.2%	2.3%	5.9%	3.6%	7.3%	(0.2%)	13.0%	6.3%
Return on assets	0.3%	0.5%	0.4%	1.1%	0.7%	1.4%	(0.0%)	2.6%	1.2%
Return on risk-weighted-assets	0.5%	0.8%	0.6%	1.6%	1.0%	2.1%	(0.1%)	3.8%	1.8%
Earnings per share	0.56	0.87	0.63	1.35	1.01	2.02	(0.06)	3.56	1.68
Earnings per share from continuing operations	1.23	1.56	0.63	1.36	0.95	2.13	(0.06)	3.56	1.68
<b>Net interest margin</b>									
Net interest margin on interest bearing assets	2.7%	2.9%	2.7%	2.8%	2.7%	2.7%	2.7%	3.1%	2.8%
Net interest margin on total assets	2.5%	2.7%	2.4%	2.5%	2.4%	2.5%	2.5%	2.8%	2.6%
<b>Efficiency</b>									
Cost-to-income ratio	58.6%	60.3%	50.3%	55.4%	62.5%	53.0%	59.9%	30.1%	56.8%
Cost-to-total assets ratio	2.3%	2.2%	2.0%	2.4%	2.4%	2.2%	2.1%	1.4%	2.4%
Number of FTE´s at year end	917	904	933	966	956	941	950	924	939
<b>Asset quality</b>									
Share of stage 3 loans, gross*	2.5%	2.6%	2.9%	3.0%	3.3%	-	-	-	-
Problem loans <sup>1</sup>	-	-	-	-	-	1.0%	1.4%	1.3%	1.5%
Provision for losses/Gross impaired loans <sup>1</sup>	-	-	-	-	-	80.5%	74.6%	76.0%	72.4%
Gross impaired loans/Gross loans <sup>1</sup>	-	-	-	-	-	1.6%	2.1%	2.1%	2.4%
Past due loans but not impaired as % of gross loans <sup>1</sup>	-	-	-	-	-	4.2%	5.0%	4.8%	5.6%
Risk weighted assets / Total assets	64.4%	68.4%	66.2%	67.8%	68.8%	66.8%	68.4%	67.0%	66.4%

\* (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

<sup>1</sup> Not available following implementation of IFRS 9 in January 2018

## KFI - 9 Quarters

ISK million

Q1 2019 Q4 2018 Q3 2018 Q2 2018 Q1 2018 Q4 2017 Q3 2017 Q2 2017 Q1 2017

### Financial strength

Equity as % of total assets	15.8%	17.3%	16.4%	17.7%	18.0%	19.7%	19.4%	19.7%	19.2%
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### Liquidity

Liquidity coverage ratio (LCR)	213.0%	164.4%	169.1%	231.7%	209.9%	221.0%	228.6%	266.2%	163.5%
Loans-to-deposits ratio	169.1%	178.9%	169.2%	168.8%	172.7%	165.5%	168.4%	167.7%	151.4%
Loans-to-deposits ratio (without covered bonds)	125.1%	135.7%	130.2%	130.3%	134.4%	129.0%	129.4%	128.2%	116.5%
Deposits from customers as % of total funding	51.9%	52.2%	52.4%	53.3%	52.6%	54.1%	52.3%	53.0%	56.2%
Covered bonds as % of total funding	22.8%	22.5%	20.4%	20.5%	20.1%	19.8%	20.4%	20.9%	19.6%

### Capital

Official CET 1 ratio	21.3%	21.2%	21.6%	21.8%	23.6%	23.6%	26.6%	27.7%	27.3%
Tier 1 ratio	0.9%	21.2%	21.7%	21.9%	23.6%	23.6%	26.9%	27.8%	27.3%
Tier 2 ratio	22.2%	0.8%	0.0%	0.0%	0.0%	0.4%	0.5%	0.6%	0.6%
Official capital adequacy ratio	23.1%	22.0%	21.7%	21.9%	23.6%	24.0%	27.4%	28.4%	27.9%
Leverage ratio	13.5%	14.2%	13.8%	14.3%	15.4%	15.4%	16.8%	17.4%	17.0%

## Income statement - 9 quarter summary

ISK million

	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017
Interest income	14,684	16,349	14,933	13,990	14,044	13,545	13,199	15,862	13,422
Interest expense	(7,250)	(8,380)	(7,724)	(6,676)	(7,217)	(6,481)	(6,166)	(7,942)	(6,518)
<b>Net interest income</b>	<b>7,434</b>	<b>7,969</b>	<b>7,209</b>	<b>7,314</b>	<b>6,827</b>	<b>7,064</b>	<b>7,033</b>	<b>7,920</b>	<b>6,904</b>
Fee and commission income	2,629	3,064	2,991	3,028	2,575	3,475	2,843	2,793	2,508
Fee and commission expense	(412)	(318)	(304)	(316)	(370)	(351)	(364)	(383)	(310)
<b>Net fee and commission income</b>	<b>2,217</b>	<b>2,746</b>	<b>2,687</b>	<b>2,712</b>	<b>2,205</b>	<b>3,124</b>	<b>2,479</b>	<b>2,410</b>	<b>2,198</b>
Net financial income	766	(774)	570	1,119	1,387	1,555	(687)	1,744	1,433
Net insurance income	253	704	984	758	143	324	716	606	447
Share of profit of associates	727	11	34	2	(20)	(10)	17	(900)	(34)
Other operating income	310	294	422	600	268	90	345	1,629	456
<b>Other net operating income</b>	<b>2,056</b>	<b>235</b>	<b>2,010</b>	<b>2,479</b>	<b>1,778</b>	<b>1,959</b>	<b>391</b>	<b>3,079</b>	<b>2,302</b>
<b>Operating income</b>	<b>11,707</b>	<b>10,950</b>	<b>11,906</b>	<b>12,505</b>	<b>10,810</b>	<b>12,147</b>	<b>9,903</b>	<b>13,409</b>	<b>11,404</b>
Salaries and related expense	(3,630)	(3,584)	(3,129)	(3,949)	(3,616)	(3,461)	(3,054)	(3,650)	(3,437)
Other operating expenses	(3,232)	(3,015)	(2,864)	(2,978)	(3,143)	(2,982)	(2,877)	(391)	(3,041)
<b>Operating expenses</b>	<b>(6,862)</b>	<b>(6,599)</b>	<b>(5,993)</b>	<b>(6,927)</b>	<b>(6,759)</b>	<b>(6,443)</b>	<b>(5,931)</b>	<b>(4,041)</b>	<b>(6,478)</b>
Bank Levy	(906)	(765)	(938)	(879)	(804)	(784)	(814)	(777)	(797)
Net impairment	(1,081)	(573)	(2,651)	(166)	(135)	1,504	(2,500)	401	907
<b>Earnings before tax</b>	<b>2,858</b>	<b>3,013</b>	<b>2,324</b>	<b>4,533</b>	<b>3,112</b>	<b>6,424</b>	<b>658</b>	<b>8,992</b>	<b>5,036</b>
Income tax expense	(622)	(881)	(973)	(1,302)	(890)	(1,957)	(713)	(1,891)	(1,405)
<b>Net earnings from continuing operations</b>	<b>2,236</b>	<b>2,132</b>	<b>1,351</b>	<b>3,231</b>	<b>2,222</b>	<b>4,467</b>	<b>(55)</b>	<b>7,101</b>	<b>3,631</b>
Net gain (loss) from discontinued operations, net of tax	(1,219)	(516)	(201)	(169)	(273)	(401)	(58)	12	(278)
<b>Net earnings</b>	<b>1,017</b>	<b>1,616</b>	<b>1,150</b>	<b>3,062</b>	<b>1,949</b>	<b>4,066</b>	<b>(113)</b>	<b>7,113</b>	<b>3,353</b>
<b>Attributable to</b>									
Shareholders of Arion Bank	1,017	1,567	1,151	2,449	1,949	4,049	(114)	7,112	3,352
Non-controlling interest	-	49	(1)	613	-	17	1	1	1
<b>Total comprehensive income for the period</b>	<b>1,017</b>	<b>1,616</b>	<b>1,150</b>	<b>3,062</b>	<b>1,949</b>	<b>4,066</b>	<b>(113)</b>	<b>7,113</b>	<b>3,353</b>
<b>Earnings per share</b>									
Basic and diluted earnings per share attributable to the shareholders of Arion Bank (ISK)	0.56	1.56	0.64	1.34	0.95	2.13	(0.15)	3.42	1.60

## Balance sheet - 9 quarter summary

ISK million	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017
<b>Assets</b>									
Cash and balances with Central Bank	94,124	83,139	99,525	112,996	97,934	139,819	132,316	151,354	178,593
Loans to credit institutions	84,978	56,322	123,446	113,546	94,961	86,609	94,242	78,250	68,149
Loans to customers	829,246	833,826	819,965	803,694	782,255	765,101	750,947	733,649	720,198
Financial instruments	128,103	114,557	109,374	95,265	106,415	109,450	121,041	109,353	110,673
Investment property	7,101	7,092	7,044	7,027	6,749	6,613	6,903	7,166	5,911
Investments in associates	807	818	862	743	743	760	842	825	818
Intangible assets	7,081	6,397	14,039	13,858	13,498	13,848	12,755	11,639	11,121
Tax assets	15	90	623	603	611	450	286	413	462
Asset and disposal groups held for sale	51,321	48,584	8,351	8,295	8,496	8,138	7,352	3,443	4,058
Other assets	19,919	13,502	36,300	18,817	20,107	16,966	18,169	30,319	19,664
<b>Total assets</b>	<b>1,222,695</b>	<b>1,164,327</b>	<b>1,219,529</b>	<b>1,174,844</b>	<b>1,131,769</b>	<b>1,147,754</b>	<b>1,144,853</b>	<b>1,126,411</b>	<b>1,119,648</b>
<b>Liabilities</b>									
Due to credit institutions and Central Bank	9,183	9,204	15,370	6,336	7,880	7,370	7,097	7,644	9,689
Deposits	490,474	466,067	484,569	476,182	453,059	462,161	445,981	437,494	475,641
Financial liabilities at fair value	2,286	2,320	3,381	3,895	3,130	3,601	3,551	5,029	3,922
Tax liabilities	4,822	5,119	6,376	6,503	6,885	6,828	9,303	9,342	8,305
Liabilities associated with disposal groups held for sale	29,498	26,337							
Other liabilities	41,018	30,107	84,176	63,524	55,715	57,062	56,813	65,073	51,678
Borrowings	445,077	417,782	425,601	410,773	400,855	384,998	400,400	380,061	355,633
Subordinated liabilities	7,283	6,532	-	-	-	-	-	-	-
<b>Total liabilities</b>	<b>1,029,641</b>	<b>963,468</b>	<b>1,019,473</b>	<b>967,213</b>	<b>927,524</b>	<b>922,020</b>	<b>923,144</b>	<b>904,645</b>	<b>904,868</b>
<b>Equity</b>									
Share capital and share premium	59,008	59,010	59,014	59,017	58,722	75,861	75,861	75,861	75,861
Other reserves	15,439	14,822	15,648	14,436	14,880	16,774	15,001	13,565	20,197
Retained earnings	118,477	126,897	124,655	133,437	130,515	132,971	130,673	132,167	118,549
<b>Total shareholders equity</b>	<b>192,924</b>	<b>200,729</b>	<b>199,317</b>	<b>206,890</b>	<b>204,117</b>	<b>225,606</b>	<b>221,535</b>	<b>221,593</b>	<b>214,607</b>
Non-controlling interest	130	130	739	741	128	128	174	174	173
<b>Total equity</b>	<b>193,054</b>	<b>200,859</b>	<b>200,056</b>	<b>207,631</b>	<b>204,245</b>	<b>225,734</b>	<b>221,709</b>	<b>221,766</b>	<b>214,779</b>
<b>Total liabilities and equity</b>	<b>1,222,695</b>	<b>1,164,327</b>	<b>1,219,529</b>	<b>1,174,844</b>	<b>1,131,769</b>	<b>1,147,754</b>	<b>1,144,853</b>	<b>1,126,411</b>	<b>1,119,648</b>

## Net interest income - 9 quarter summary

ISK million	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017
<b>Interest income</b>									
Cash and balances with Central bank	969	1,011	1,271	1,097	1,223	1,359	1,620	1,989	1,347
Loans	13,428	15,148	13,573	12,573	12,517	11,805	11,098	13,313	11,333
Securities	237	152	23	199	257	340	427	515	682
Other	50	38	66	100	47	41	55	45	61
<b>Interest income</b>	<b>14,684</b>	<b>16,349</b>	<b>14,933</b>	<b>13,990</b>	<b>14,044</b>	<b>13,545</b>	<b>13,199</b>	<b>15,862</b>	<b>13,422</b>
<b>Interest expense</b>									
Deposits	(3,252)	(3,599)	(3,413)	(3,114)	(3,198)	(2,924)	(2,772)	(3,804)	(3,106)
Borrowings	(3,927)	(4,739)	(4,240)	(3,556)	(3,988)	(3,537)	(3,379)	(4,120)	(3,413)
Subordinated loans	(47)	(19)	-	-	-	-	-	-	-
Other	(24)	(23)	(71)	(7)	(31)	(20)	(15)	(18)	(0)
<b>Interest expense</b>	<b>(7,250)</b>	<b>(8,380)</b>	<b>(7,724)</b>	<b>(6,676)</b>	<b>(7,217)</b>	<b>(6,481)</b>	<b>(6,166)</b>	<b>(7,942)</b>	<b>(6,518)</b>
<b>Net interest income</b>	<b>7,434</b>	<b>7,946</b>	<b>7,209</b>	<b>7,314</b>	<b>6,850</b>	<b>7,063</b>	<b>7,033</b>	<b>7,921</b>	<b>6,904</b>
<b>Interest bearing assets</b>									
Cash and balances with Central Bank	94,124	83,139	95,274	110,872	96,649	135,393	129,321	146,938	176,653
Loans	914,224	890,147	914,462	886,750	853,135	823,462	814,987	785,337	764,630
Securities	97,343	87,701	79,852	64,188	71,409	65,389	75,877	73,077	78,232
<b>Interest bearing assets</b>	<b>1,105,691</b>	<b>1,060,987</b>	<b>1,089,588</b>	<b>1,061,810</b>	<b>1,021,193</b>	<b>1,024,245</b>	<b>1,020,185</b>	<b>1,005,352</b>	<b>1,019,515</b>
<b>Interest bearing liabilities</b>									
Due to credit institutions and Central Bank	9,183	9,204	15,370	6,336	7,880	7,370	7,097	7,644	9,270
Deposits	490,474	466,067	484,569	476,182	453,059	462,161	445,981	437,494	475,641
Financial liabilities at fair value	2,286	2,320	3,348	3,886	3,127	3,515	3,433	4,990	3,922
Borrowings	445,077	417,782	425,591	410,762	399,338	383,151	398,055	377,824	355,633
Subordinated liabilities	7,283	6,532	-	-	-	-	-	-	-
<b>Interest bearing liabilities</b>	<b>954,303</b>	<b>901,905</b>	<b>928,879</b>	<b>897,167</b>	<b>863,404</b>	<b>856,198</b>	<b>854,565</b>	<b>827,953</b>	<b>844,466</b>
<b>Interest Gap</b>	<b>151,388</b>	<b>159,083</b>	<b>160,710</b>	<b>164,644</b>	<b>157,789</b>	<b>168,047</b>	<b>165,620</b>	<b>177,399</b>	<b>175,050</b>
<b>Net interest margin on interest bearing assets</b>	<b>2.7%</b>	<b>3.0%</b>	<b>2.7%</b>	<b>2.8%</b>	<b>2.7%</b>	<b>2.8%</b>	<b>2.8%</b>	<b>3.1%</b>	<b>2.8%</b>

All amounts are in ISK millions

## Loans to customers - 9 quarter summary

ISK million	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017
<b>Loans to customers</b>									
Individuals	399,574	400,483	397,661	382,550	374,452	365,287	354,004	343,402	338,686
Corporates	429,672	433,343	422,304	421,144	407,803	399,814	396,943	390,247	381,512
<b>Total loans to customers</b>	<b>829,246</b>	<b>833,826</b>	<b>819,965</b>	<b>803,694</b>	<b>782,255</b>	<b>765,101</b>	<b>750,947</b>	<b>733,649</b>	<b>720,198</b>
<b>Loans to individuals</b>									
Overdrafts	15,639	14,536	15,783	14,231	14,821	14,469	14,863	13,855	15,218
Credit cards	11,606	12,958	11,585	11,190	10,164	11,133	10,078	10,245	10,080
Mortgage loans	342,346	343,119	338,059	327,612	320,681	311,507	302,406	294,273	288,660
Other loans	33,579	33,560	36,351	33,736	33,274	33,629	33,116	32,609	33,480
Provision on loans	(3,596)	(3,690)	(4,117)	(4,219)	(4,488)	(5,451)	(6,459)	(7,580)	(8,752)
<b>Total loans to individuals</b>	<b>399,574</b>	<b>400,483</b>	<b>397,661</b>	<b>382,550</b>	<b>374,452</b>	<b>365,287</b>	<b>354,004</b>	<b>343,402</b>	<b>338,686</b>
Share of stage 3 loans, gross*	2.5%	2.6%	2.9%	3.0%	3.3%	-	-	-	-
Neither past due nor impaired <sup>1</sup>	-	-	-	-	-	344,829	333,828	323,075	313,416
Past due but not impaired <sup>1</sup>	-	-	-	-	-	18,929	18,108	18,473	22,815
Individually impaired (gross) <sup>1</sup>	-	-	-	-	-	5,539	6,754	7,221	8,708
Impairment amount <sup>1</sup>	-	-	-	-	-	(4,010)	(4,686)	(5,367)	(6,253)
<b>Total loans to individuals</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>365,287</b>	<b>354,004</b>	<b>343,402</b>	<b>338,686</b>
<b>Ratios:</b>									
Provision for losses/Gross impaired loans <sup>1</sup>	-	-	-	-	-	98.4%	95.6%	105.0%	100.5%
Past due loans but not impaired as % of gross loans <sup>1</sup>	-	-	-	-	-	5.1%	5.0%	5.3%	6.6%
Gross impaired loans/Gross loans <sup>1</sup>	-	-	-	-	-	1.5%	1.9%	2.1%	2.5%

\* (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

<sup>1</sup> Not available following implementation of IFRS 9 in January 2018

## Loans to customers - 9 quarter summary

ISK million

Q1 2019 Q4 2018 Q3 2018 Q2 2018 Q1 2018 Q4 2017 Q3 2017 Q2 2017 Q1 2017

### Loans to corporates

Overdrafts	19,082	19,200	18,101	21,125	20,909	18,778	20,745	22,174	21,091
Credit cards	1,294	1,348	1,270	1,262	1,178	1,123	1,177	1,199	1,179
Mortgage loans	24,643	23,417	22,598	21,549	20,448	19,632	18,300	17,810	17,069
Other loans	390,957	395,579	388,299	384,178	373,256	368,312	366,226	357,882	351,129
Provision on loans	(6,304)	(6,201)	(7,964)	(6,970)	(7,988)	(8,031)	(9,505)	(8,818)	(8,956)
<b>Total loans to corporates</b>	<b>429,672</b>	<b>433,343</b>	<b>422,304</b>	<b>421,144</b>	<b>407,803</b>	<b>399,814</b>	<b>396,943</b>	<b>390,247</b>	<b>381,512</b>

### Neither past due nor impaired<sup>1</sup>

Neither past due nor impaired <sup>1</sup>	-	-	-	-	-	385,197	375,121	370,693	360,993
Past due but not impaired <sup>1</sup>	-	-	-	-	-	13,655	19,801	17,636	18,130
Individually impaired (gross) <sup>1</sup>	-	-	-	-	-	7,239	9,349	8,477	8,858
Impairment amount <sup>1</sup>	-	-	-	-	-	(6,277)	(7,328)	(6,559)	(6,469)

### Total loans to individuals

<b>Total loans to individuals</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>399,814</b>	<b>396,943</b>	<b>390,247</b>	<b>381,512</b>
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### Ratios:

Provision for losses/Gross impaired loans <sup>1</sup>	-	-	-	-	-	110.9%	101.7%	104.0%	101.1%
Past due loans but not impaired as % of gross loans <sup>1</sup>	-	-	-	-	-	3.4%	4.9%	4.4%	4.7%
Gross impaired loans/Gross loans <sup>1</sup>	-	-	-	-	-	1.8%	2.3%	2.1%	2.3%

### Loans to corporates specified by sector:

Agriculture and forestry	1.8%	1.7%	1.7%	1.7%	1.7%	1.6%	1.6%	1.6%	1.5%
Services	3.8%	3.8%	4.2%	4.5%	4.3%	4.5%	4.4%	4.5%	4.5%
Financial and insurance activities	7.8%	8.7%	8.6%	8.7%	9.2%	8.5%	8.9%	8.5%	9.2%
Industry, energy and manufacturing	8.4%	8.2%	7.8%	7.4%	7.3%	7.4%	7.4%	7.6%	7.6%
Information and communication technology	4.6%	4.8%	5.5%	5.6%	5.1%	5.5%	6.7%	6.9%	7.2%
Public administration, human health and social activities	1.6%	1.6%	1.3%	1.7%	2.2%	2.0%	1.9%	1.9%	2.3%
Real estate activities and construction	34.9%	33.9%	32.0%	32.2%	31.5%	32.1%	31.7%	31.6%	31.3%
Fishing industry	18.7%	19.4%	19.4%	18.3%	19.2%	19.7%	20.0%	20.7%	20.2%
Transportation	2.8%	2.8%	4.1%	4.6%	4.2%	4.3%	3.6%	2.7%	1.8%
Wholesale and retail trade	15.5%	15.2%	15.4%	15.3%	15.3%	14.4%	13.7%	14.0%	14.6%
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

<sup>1</sup> Not available following implementation of IFRS 9 in January 2018

## Capital and Risk Weighted Assets

ISK million

	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017
<b>Capital base:</b>									
Total equity	193,054	200,859	200,056	207,631	204,245	225,734	221,709	221,767	214,780
Deductions related to the consolidated situation <sup>1</sup>	(8,746)	(8,986)	(8,573)	(8,067)	(7,870)	(8,635)	(8,505)	(8,407)	(8,057)
Non-controlling interest not eligible for inclusion in CET1 capital	(130)	(130)	(739)	(741)	(128)	(128)	(174)	(174)	(173)
<b>Common Equity Tier 1 capital before regulatory adjustments</b>	<b>184,178</b>	<b>191,743</b>	<b>190,744</b>	<b>198,823</b>	<b>196,247</b>	<b>216,971</b>	<b>213,030</b>	<b>213,186</b>	<b>206,550</b>
Intangible assets	(13,236)	(12,152)	(11,445)	(11,230)	(10,834)	(11,125)	(9,987)	(8,820)	(8,263)
Tax assets	(490)	(191)	(564)	(509)	(425)	(357)	-204	-309	-372
Other statutory deductions	(509)	(1,537)	(1,314)	(1,216)	(430)	146	(684)	(106)	(98)
Foreseeable dividend	(2,022)	(9,069)	(2,775)	(12,199)	(975)	(25,000)	-	-	-
<b>Common equity Tier 1 capital</b>	<b>167,921</b>	<b>168,794</b>	<b>174,646</b>	<b>173,669</b>	<b>183,583</b>	<b>180,635</b>	<b>202,155</b>	<b>203,951</b>	<b>197,817</b>
Non-controlling interest not eligible for inclusion in CET1 capital	130	130	739	741	128	128	174	174	173
<b>Tier 1 capital</b>	<b>168,051</b>	<b>168,924</b>	<b>175,385</b>	<b>174,410</b>	<b>183,711</b>	<b>180,763</b>	<b>202,329</b>	<b>204,125</b>	<b>197,990</b>
Subordinated liabilities	7,283	6,532	-	-	-	-	-	-	-
General credit risk adjustments	-	-	-	-	-	3,195	3,950	4,471	4,987
<b>Tier 2 Capital</b>	<b>7,283</b>	<b>6,532</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,195</b>	<b>3,950</b>	<b>4,471</b>	<b>4,987</b>
<b>Total Capital base</b>	<b>175,334</b>	<b>175,456</b>	<b>212,751</b>	<b>174,410</b>	<b>183,711</b>	<b>183,958</b>	<b>206,279</b>	<b>208,596</b>	<b>202,977</b>
<b>Risk weighted assets</b>									
Credit Risk, loans	626,603	639,788	646,016	630,789	610,623	605,058	609,235	584,838	571,483
Credit Risk, securities and other <sup>2</sup>	52,167	50,112	51,133	50,131	52,976	56,979	56,280	51,636	50,404
Counterparty credit risk <sup>2</sup>	4,126	4,405	4,461	4,172	6,009	5,844	6,268	6,721	6,708
Market Risk due to currency imbalance	2,385	4,280	7,305	12,608	8,695	4,895	4,250	2,272	1,709
Market Risk Other	13,744	8,928	9,717	9,666	11,522	5,473	8,237	10,390	15,603
Credit valuation adjustment <sup>2</sup>	1,893	2,228	2,235	2,699	3,148	2,506	2,583	2,770	2,391
Operational Risk	86,957	86,858	86,013	86,013	86,013	86,013	86,490	86,490	86,490
<b>Total risk weighted assets</b>	<b>787,875</b>	<b>796,599</b>	<b>806,880</b>	<b>796,078</b>	<b>778,986</b>	<b>766,768</b>	<b>773,343</b>	<b>745,118</b>	<b>734,788</b>

## Capital and Risk Weighted Assets

ISK million

	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017
<b>Capital ratios</b>									
CET 1 ratio	21.3%	21.2%	21.6%	21.8%	23.6%	23.6%	26.1%	27.4%	26.9%
Tier 1 ratio	21.3%	21.2%	21.4%	21.9%	23.6%	23.6%	26.2%	27.4%	26.9%
Capital adequacy ratio	22.3%	22.0%	21.4%	21.9%	23.6%	24.0%	26.7%	28.0%	27.6%
<b>Leverage ratio</b>									
On-balance sheet exposures	1,169,764	1,106,368	1,167,238	1,116,222	1,081,484	1,074,207	1,114,525	1,100,729	1,094,640
Derivative exposures	7,282	8,239	8,279	8,544	10,931	10,957	12,802	9,934	7,450
Securities financing transaction exposures	8,494	8,194	9,382	7,974	8,542	8,925	10,987	9,014	10,115
Off-balance sheet exposures	61,185	68,316	82,415	86,975	88,456	83,058	97,323	86,171	80,142
<b>Total exposure</b>	<b>1,246,725</b>	<b>1,191,117</b>	<b>1,267,314</b>	<b>1,219,715</b>	<b>1,189,413</b>	<b>1,177,147</b>	<b>1,235,637</b>	<b>1,205,848</b>	<b>1,192,347</b>
<b>Tier 1 capital</b>	<b>168,051</b>	<b>168,924</b>	<b>175,385</b>	<b>174,410</b>	<b>180,763</b>	<b>180,763</b>	<b>202,329</b>	<b>204,125</b>	<b>197,990</b>
<b>Leverage ratio</b>	<b>13.5%</b>	<b>14.2%</b>	<b>13.8%</b>	<b>14.3%</b>	<b>15.4%</b>	<b>15.4%</b>	<b>16.6%</b>	<b>17.2%</b>	<b>16.9%</b>
<b>Related ratios</b>									
RORWA	0.51%	0.99%	1.04%	1.28%	1.01%	1.91%	1.84%	2.82%	1.81%
RWA/Total assets	64.44%	68.42%	66.16%	67.76%	68.83%	66.81%	68.37%	67.02%	66.42%

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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