Arion Bank

First quarter results 2020

Investor presentation

6 May 2020

Highlights of the quarter

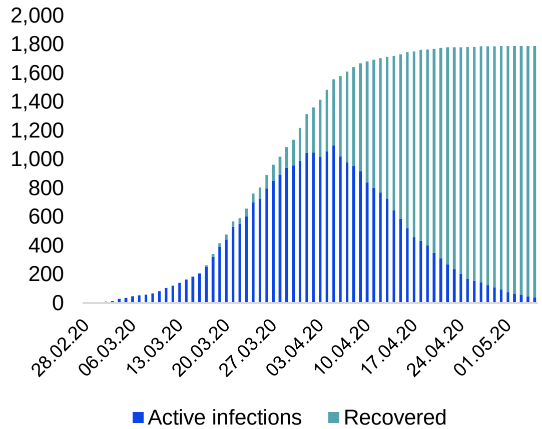
- Covid-19 has had a severe impact on the Icelandic economy and society
- The authorities and the health care system have responded extremely well and the pandemic is on the decline in Iceland
- GDP is expected to contract and unemployment will increase despite strong economic stimulus from both the Central Bank and the Government
- Arion Bank is supporting its customers, both corporate and individuals
- Core trends positive in the Bank's operations but Covid-19 has a fundamental effect on results
- The Bank with its very strong capital and liquidity, is well equipped to support its customers and the economy as a whole

Development of COVID-19 in Iceland

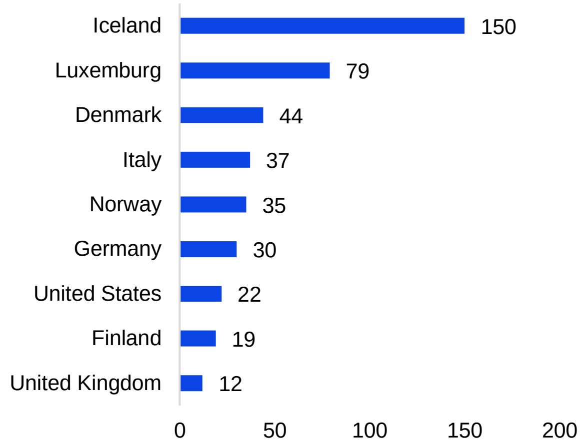
The pandemic is on the decline as Iceland has responded robustly

- Testing was started early
- Tracing of infected individuals was extensive
- At the peak up to 10% of the population was in quarantine
- The country has had limited lock-down compared with many other countries
- Number of infections has been in steep decline for the last weeks
- Very few new cases reported in the last few days
- Iceland has been easing social restrictions considerably and it is expected to continue to do so in the near term

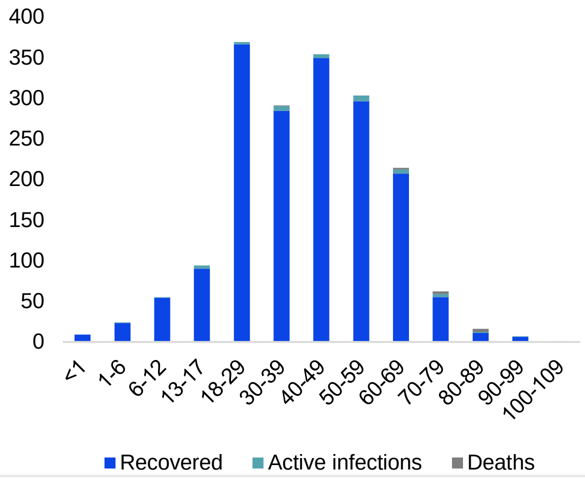
Number of active infections and number of recovered



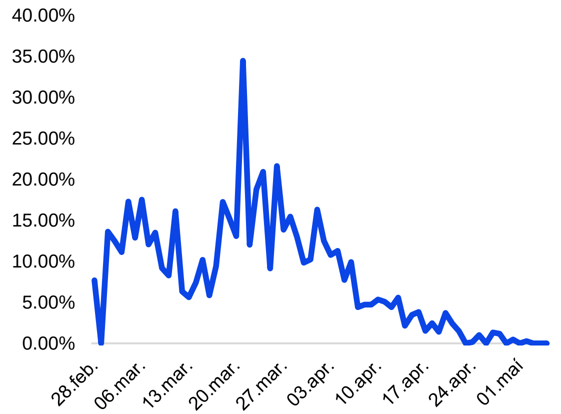
Tests per 1000 population (May 5 2020)



Number of active infections, recovered and deaths by age (cumulative)



Infections as a percentage of tests conducted



Sources: WWW.COVID.IS, OECD

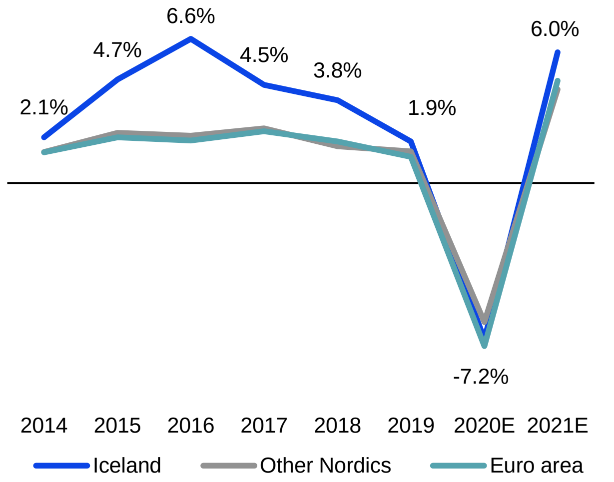
Macroeconomic environment

The development of GDP looks bleak in the short term

The spread of Covid-19 and subsequent bans on travel and public gatherings have a very negative effect on the Icelandic economy

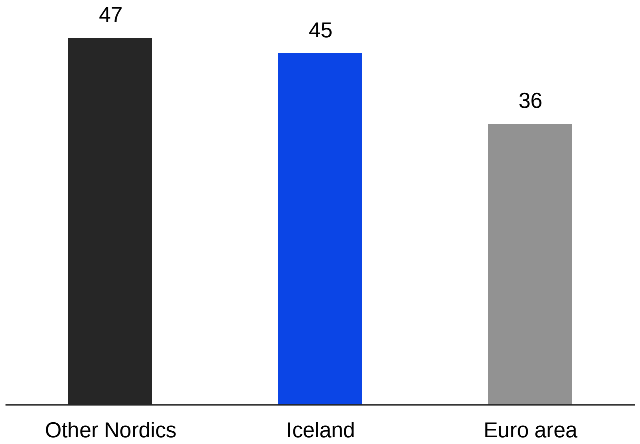
- In a short time the world has changed. It's likely that the world economy will experience its worst recession since the Great Depression. The Great Lockdown, as named by the IMF, will heavily impact the Icelandic economy due to its dependency on tourism
- According to the IMF's latest forecast Iceland's GDP could shrink by 7.2% in 2020, followed by a strong rebound in 2021. Despite a larger contraction than in other Nordics GDP per capita will remain high
- There is great uncertainty surrounding all economic forecasts at this time and it is impossible to quantify the effects as of yet. As stated by the IMF "*much worse growth outcomes are possible and maybe even likely*"
- As the Chief Epidemiologist has hinted that some sort of travel restrictions will remain in force throughout the year it's clear that tourist arrivals will drop dramatically. By how much is impossible to tell but Arion Bank's base case assumes roughly a 60% drop

GDP growth

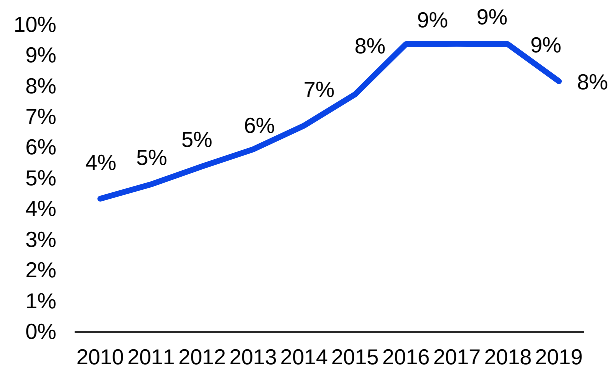


*IMF forecast

Estimated GDP per capita in 2020 (2011 international dollar, thous.)

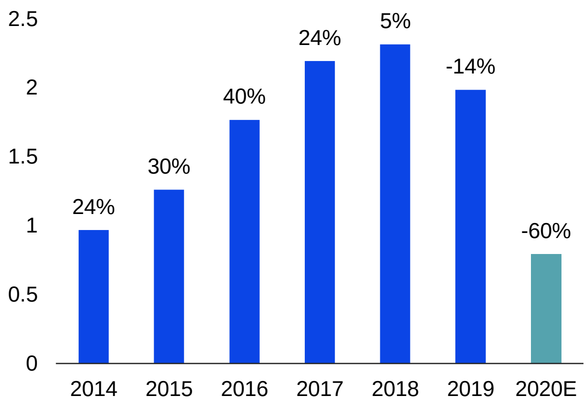


Tourism contribution to GDP (Arion Bank estimates)*



*2020 forecast not available

Tourist arrivals via KEF airport (millions and YoY growth)



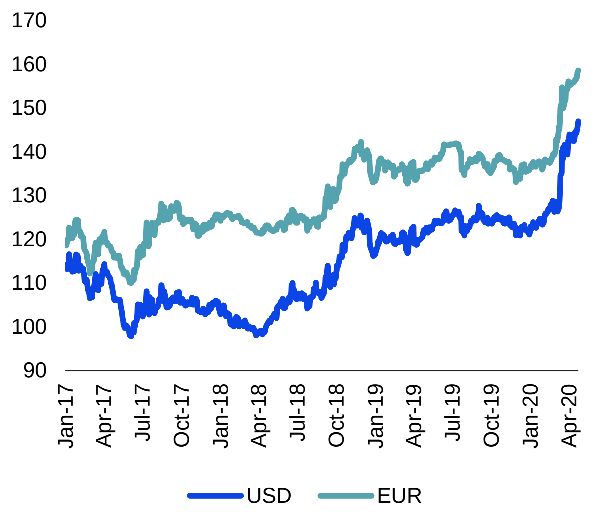
Sources: IMF, Icelandic Tourist Board, Statistics Iceland, Arion Bank.

Unprecedented times

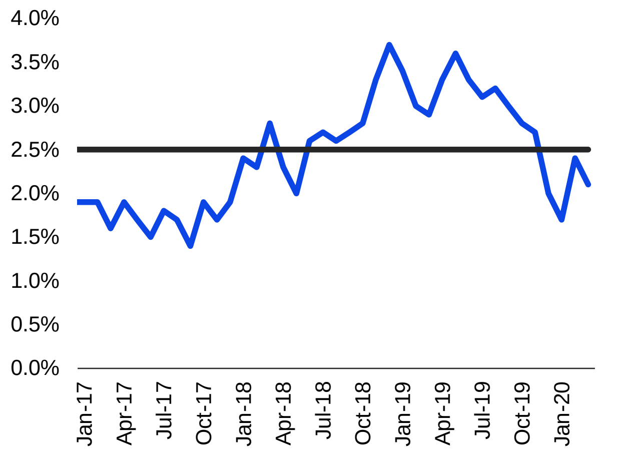
Unemployment has reached new heights while inflation is expected to remain close to target

- With the largest export sectors struggling, especially tourism where the source of income has disappeared for the time being, it's no surprise to see the ISK depreciate.
- Inflation is expected to remain subdued throughout the year, given that tumbling oil prices, low airfares and depressed demand offset the ISK depreciation.
- Bans on travel and public gatherings, in addition to mandatory closures, have already translated into a higher unemployment rate. The directorate of labour expects the unemployment rate to be 17% in April.
- Payment card turnover decreased by 13.5% YoY in March, the largest drop since 2009. A stricter ban on public gatherings was implemented at the end of March, meaning that the April figures will show the full effects of the Government's measures.

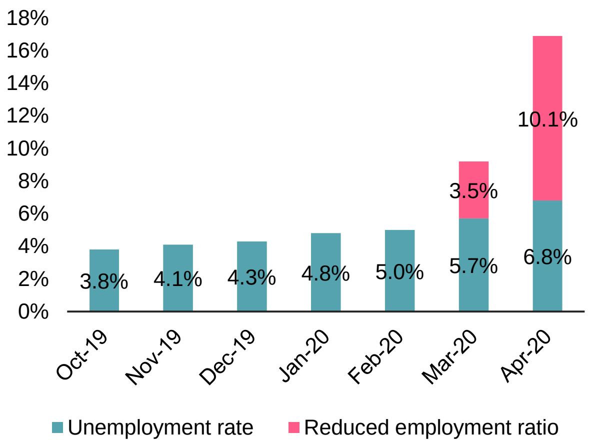
The ISK against major trade currencies



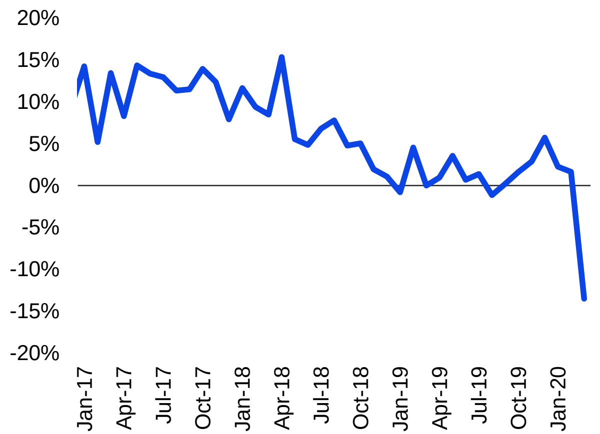
Inflation and inflation target



The composition of registered unemployment



Total payment card turnover (YoY change)



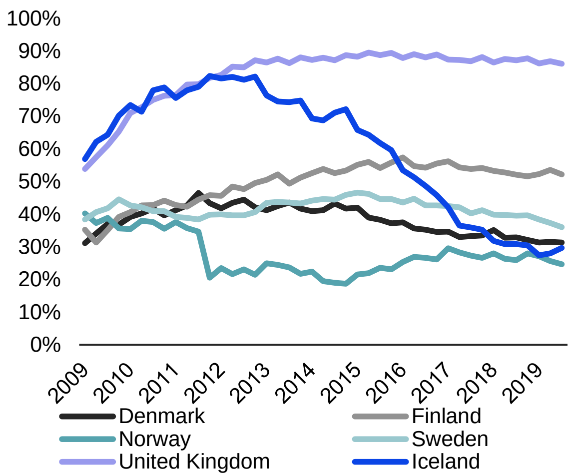
Sources: CBI, Statistics Iceland, Directorate of Labour, Arion Bank

Better equipped to handle the recession than most

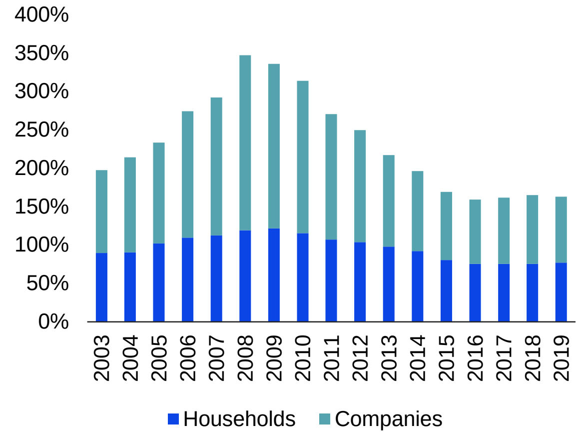
Both fiscal and monetary policy have the ammunition to support the economy

- Before the pandemic hit the CBI, unlike many central banks, still had the firepower to support the economy. Even after taking drastic measures that include reductions in interest rates, minimum reserve requirements and countercyclical capital buffers as well as launching a QE program, interest rates remain high in international comparison, creating scope for further rate cuts. Furthermore, the CBI has hefty FX reserves at its disposal
- The CBI's FX reserves, well balanced external trade, despite everything, and the positive NIIP of the economy mean that balance of payments worries are limited
- More importantly, both the public and private sectors used the last upswing to deleverage, pushing debt levels to historic lows
- The Treasury is in a strong position to support businesses and stimulate the economy anew through infrastructure investment when the pandemic is on the decrease
- So far the scope of the Government's measures amount to roughly 10% of GDP. Further measures are expected
- Accumulated national savings for the last seven years are approx. 60% of GDP (2019)

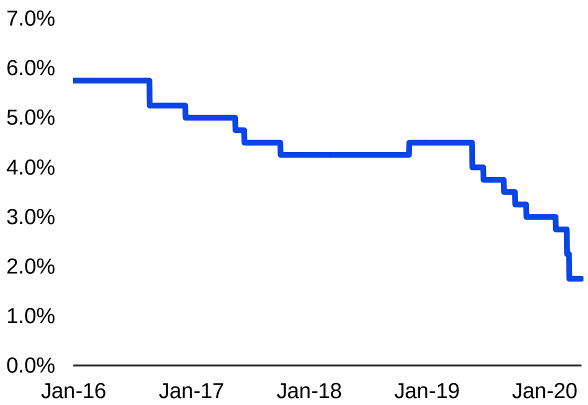
Central government debt (% of GDP)



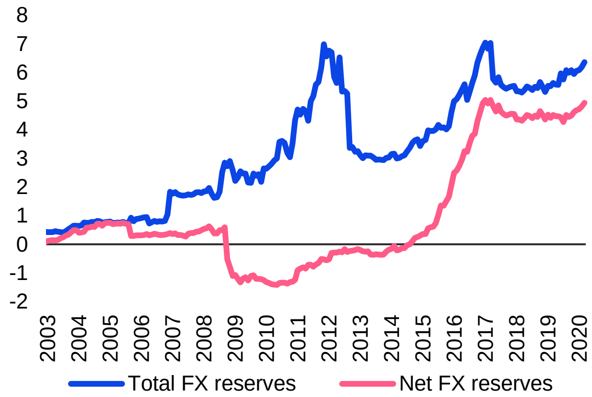
Household and corporate debt (% of GDP)



Key interest rates (seven-day term deposit rate)



CBI's FX reserves (bn. EUR)



Sources: CBI, Statistics Iceland, Arion Bank

Regulatory and Government response to Covid-19

The Government and the Central Bank of Iceland have introduced numerous measures to deal with the expected impact of the pandemic

Eased requirements on the banking system

- Increased liquidity available for banks from the Central Bank
    - Covered bonds now eligible as collateral in transactions with the Central Bank
    - Reserve requirements lowered
- Reduced capital requirements
    - The countercyclical buffer reduced from 2% to zero
    - Bank capital preserved. No dividend payments or share buybacks for the time being
- The bank levy has been lowered from 0.318% to 0.145% in one step
- The Central Bank lowered its key interest rate to a historical low of 1.75% from 3.00% at the beginning of the year

Government assistance to companies and households

- Government to pay up to 75% of wages to employees of companies impacted by Covid-19
    - Also applicable during notice periods if companies need to lay off staff
- Government guarantees for up to 100% of new operating loans to companies fulfilling certain conditions
- Deferral of tax payments of companies affected by Covid-19
- Early withdrawal of voluntary pension schemes
- Increased and expanded reimbursement of value-added tax on labor
- Special child benefits introduced

Business continuity supported by effective digital solutions

98% of all customer touch points in Q1 are digital

The Bank operates in accordance with its business continuity plan implemented at the end of February, aimed to ensure business continuity and to safeguard the welfare of customers and employees. The Bank’s security committee has in recent weeks met on a daily to semi-daily basis

Arion Bank services

- All branches closed 25 March – will reopen on 12 May
- Around 80% of employees worked from home until 4 May when 40-45% returned
- Increase in in-bound calls dramatic in Q1
- The Bank‘s overall operations are performing well

Support from digital solutions

- 40% increase in digital channels since branches closed
- Automatic credit decisions 45% of all retail decisions (personal loans, overdraft application and credit card limits)
  - 95% of all credit appraisals done digitally in Q1

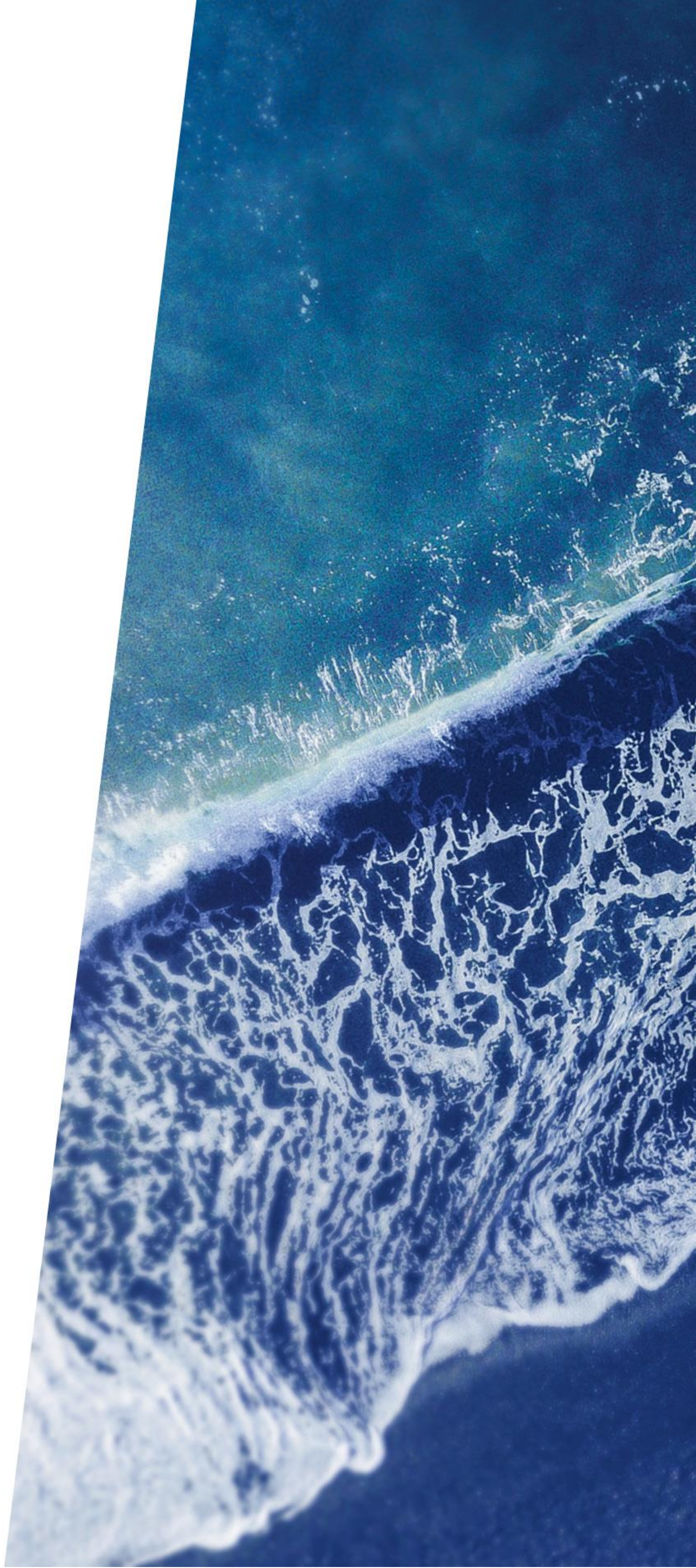
Solutions for individual customers

- Mortgage holiday: Customers allowed to take payment holidays for up to three months to help them deal with any potential difficulties
- Short term consumer loans
- Distributing credit-card balance due over a number of months

Solutions for corporate customers

- Payment holiday for companies meeting certain criteria, in line with an agreement signed by all relevant financial institutions in Iceland and
- Credit lines extended and increased
- New lending to companies meeting certain criteria with government guarantee (in development)

Financials



Operational highlights of the first quarter 2020

Arion Bank’s strategy results in core operations trending positively

- NIM improves YoY
- NII to Credit risk improves YoY
- Core revenues up 9%
- OPEX is down 10% YoY

Covid-19 related issues push earnings into negative territory

- Equity positions decreased in line with the market
- Impairments increase substantially
- HFS assets negatively affected by the pandemic

AT1 issuance and cancelation of dividend and buy-backs push total capital ratio up to 27.5%

- Surplus Capital of ISK 39 billion on top of ISK 24 billion from management buffer and lowering of countercyclical buffer
- ROE from continuing operations negative 2.7% and Operating income/REA was 5.0%

Deposits increase by 9.4% from YE 2019

Income statement Q1 2020

- Earnings from continued operations are negative due to the effects of Covid-19
- The 2% reduction in NII derives from smaller loan book in line with strategy
- Strong performance in net commission income in most sectors
- Turmoil in equity markets due to Covid-19 drive NFI down
- Salaries decreased from Q1 2019 as the Bank has reduced the number of FTE’s
- The bank levy has been lowered from 0.376% to 0.145%
- Increase in net impairment mostly due to more negative assumptions in IFRS 9 models
- Unfavorable effective income tax rate due to negative income from equity holdings
- HFS assets, mainly Valitor and TravelCo are also affected by Covid-19

	Q1 2020	Q1 2019	Diff%	Q4 2019	Diff%
Net interest income	7,253	7,434	(2%)	7,693	(6%)
Net commission income	3,076	2,218	39%	2,615	18%
Net insurance income	501	253	98%	723	(31%)
Net financial (loss) income	(2,000)	766	-	489	-
Share of (loss) profit of associates	(24)	727	-	6	-
Other operating income	170	310	(45%)	200	(15%)
Operating income	**8,976**	**11,708**	**(23%)**	**11,726**	**(23%)**
Salaries and related expenses	(3,130)	(3,630)	(14%)	(3,076)	2%
Other operating expenses	(3,077)	(3,232)	(5%)	(3,367)	(9%)
Operating expenses	**(6,207)**	**(6,862)**	**(10%)**	**(6,443)**	**(4%)**
Bank levy	(331)	(906)	(63%)	(357)	(7%)
Net impairment	(2,860)	(1,081)	165%	1,203	-
Earnings / loss before income tax	**(422)**	**2,859**	**(115%)**	**6,129**	**-**
Income tax expense	(860)	(622)	38%	(923)	(7%)
Net earnings / loss from continuing operation	**(1,282)**	**2,237**	**(157%)**	**5,206**	**(125%)**
Discontinued operations, net of tax	(889)	(1,219)	(27%)	(7,981)	(89%)
Net earnings / loss	**(2,171)**	**1,018**	**(313%)**	**(2,775)**	**(22%)**

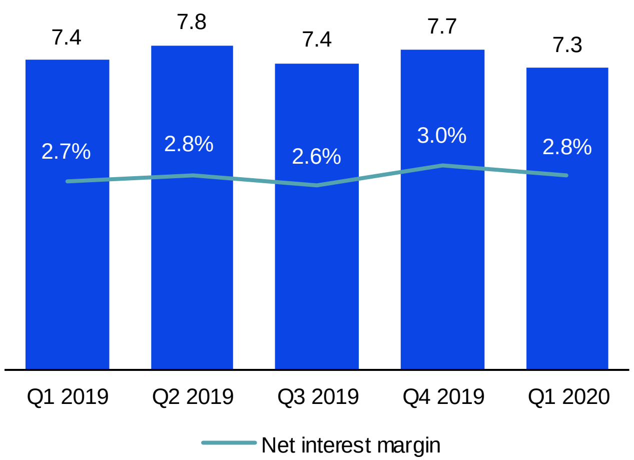
All amounts in ISK million

Net interest income

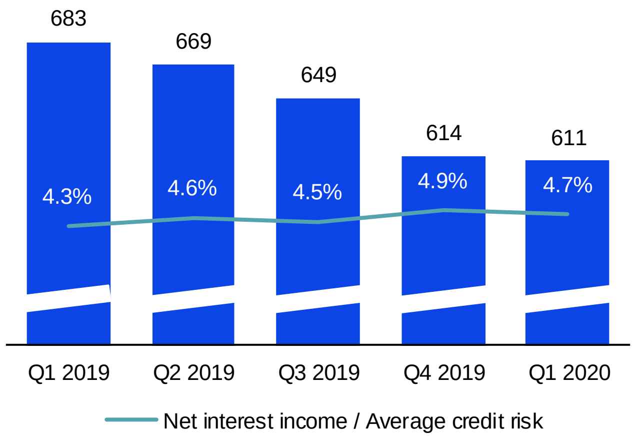
10 bps improvement in NIM despite challenging environment

- Net interest income decreased by 2% from Q1 2019 whilst interest bearing assets decreased by 5%
- Strong net interest margin in light of:
  - Policy rate lowered to historic low during the period
  - Lower inflation during the quarter (1.1% vs 2.1% in Q1 2019)
  - Issuance of Tier 2 subordinated bonds in 2019 and AT1 in Q1
- Reduction of wholesale funding in ISK and FX have positive effect on NIM as well as increased proportion of ISK in liquidity buffer
- Lower interest income from loans to customers and lower effect from inflation on Net interest income is largely offset by lower funding cost in deposits and borrowings
  - Prepayment of expensive funding and strong liquidity management supports NIM

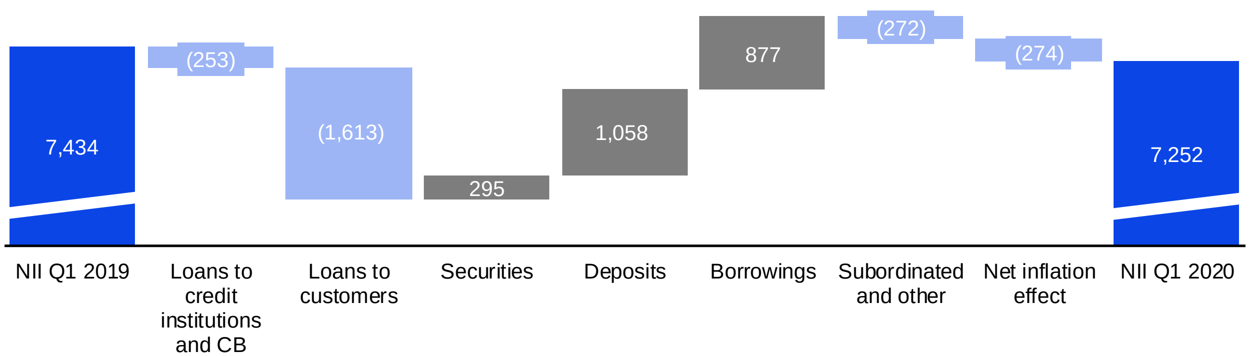
Net interest income



Credit risk



Net interest income Q1 2019 vs Q1 2019 (ISK million)

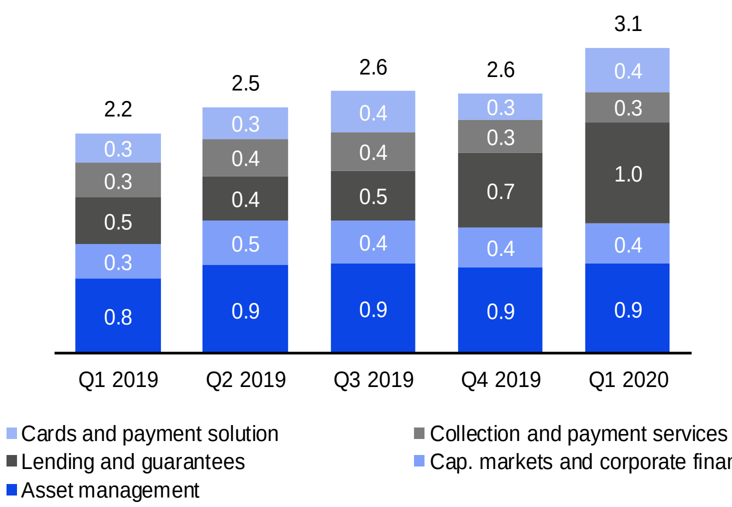


All amounts in ISK billion

Net fee and commission and net insurance income

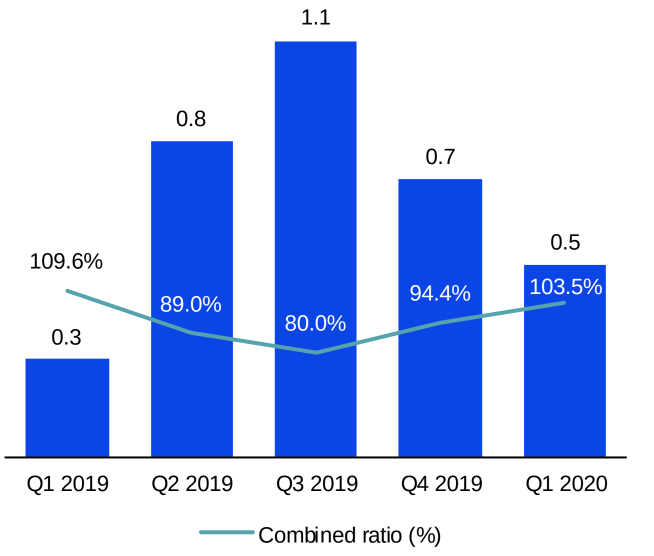
Steady positive trends in both fee and insurance based operations

Net fee and commission income



- Income from lending and guarantees exceptionally strong, mainly driven by prepayment of loans and the service agreement with HFF
- Increase in cards and payment solutions from Q1 2019 mainly due to one-off payment from VISA. Covid-19 has however already had a negative effect on cards and is likely to do so even further in Q2
- Income from asset management is very stable. Assets under management were ISK 999 billion at 31 March, reducing slightly from YE 2019
- Revised strategy is meant to underpin increased fee and commission income going forward

Net insurance income



- Strong quarter compared to Q1 2019 as Net insurance income increased by 98% YoY. Decrease from Q4 due to seasonality in non-life insurance
  - Premiums increased by 8% while claim rate decreased, partly due to Covid-19 from end of February
- Volatility in non-life, often affected by weather conditions over the winter
- Combined ratio of 103.5% in Q1 is competitive in the domestic market

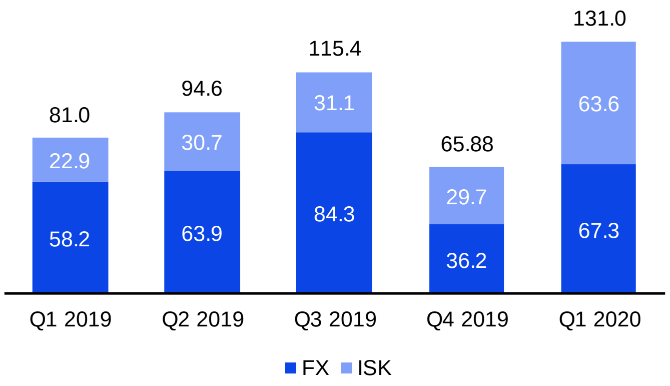
All amounts in ISK million

Net financial income

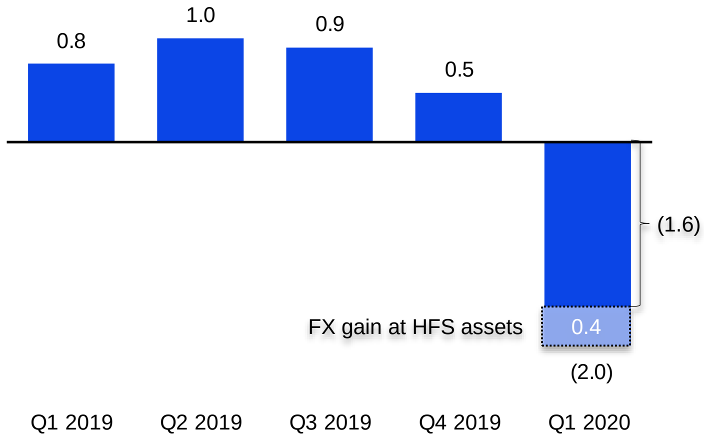
Loss on equity holdings as markets are hit hard by Covid-19

- Net financial income in Q1 was negatively affected by:
  - Equity holdings measured at fair value as markets were negative from the start of Covid19 pandemic
  - FX loss of ISK 156 million at the Arion Bank level. The Bank manages FX risk for the Group and ISK 413 million of FX gains are booked at HFS assets
  - Net loss of fair value hedge of interest swaps
- It was positively affected by:
  - FV development in bond holdings which increased significantly due to postponement of dividend payment, issuance of AT1 and increase in deposits
  - Favorable developments in market derivatives
- Total portfolio of Vördur is ISK 20.0 billion; ISK 12.6 billion of bonds and ISK 7.4 billion in equity instruments

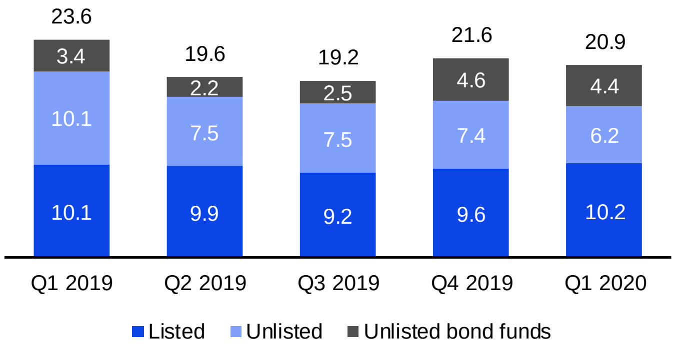
Bond holdings



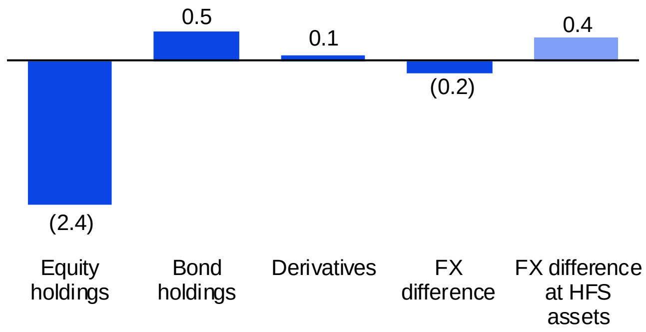
Net financial income



Equity holdings



Net financial income by type in Q1 2020



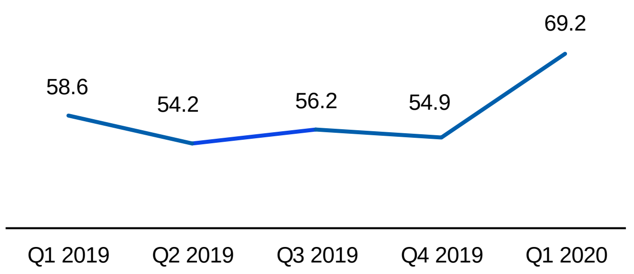
All amounts in ISK billion

Total operating expenses

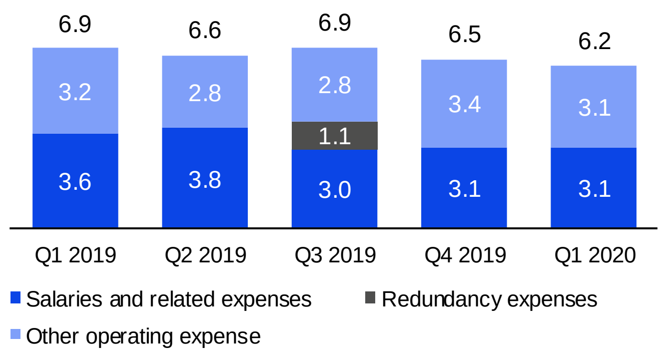
Operating expenses trending right but Cost-to-income ratio is hit by volatility in net financial income

- Net financial income has a detrimental negative effect on cost-to-income ratio in the quarter
- Number of FTE's reduced by 15.2% at the parent company from Q1 2019, mostly due to organizational changes at the end of Q3 2019. Small increase in FTE's at subsidiaries during the quarter
- Salaries and related expenses reduced by 13.7% from Q1 2019 whilst the number of FTE's reduced by 11%. General wage inflation in Iceland was 4.9% in the same period
  - Salaries and related expenses were affected by capitalized salaries which amounted to ISK 151 million in Q1 (ISK 79 million in Q1 2019) relating to investment in the Sopra core system
- Other operating expenses reduced by 5% from Q1 2019, most notably marketing costs. The Bank will focus increasingly on other OPEX over the coming quarters

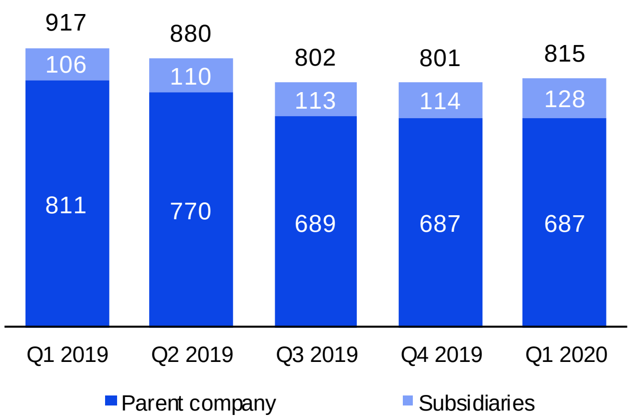
Cost-to-income ratio (%)



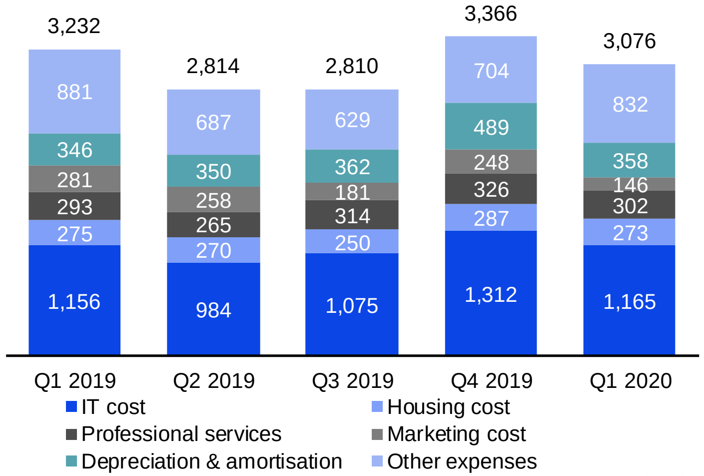
Total operating expenses



Number of employees



Other operating expenses (ISK million)

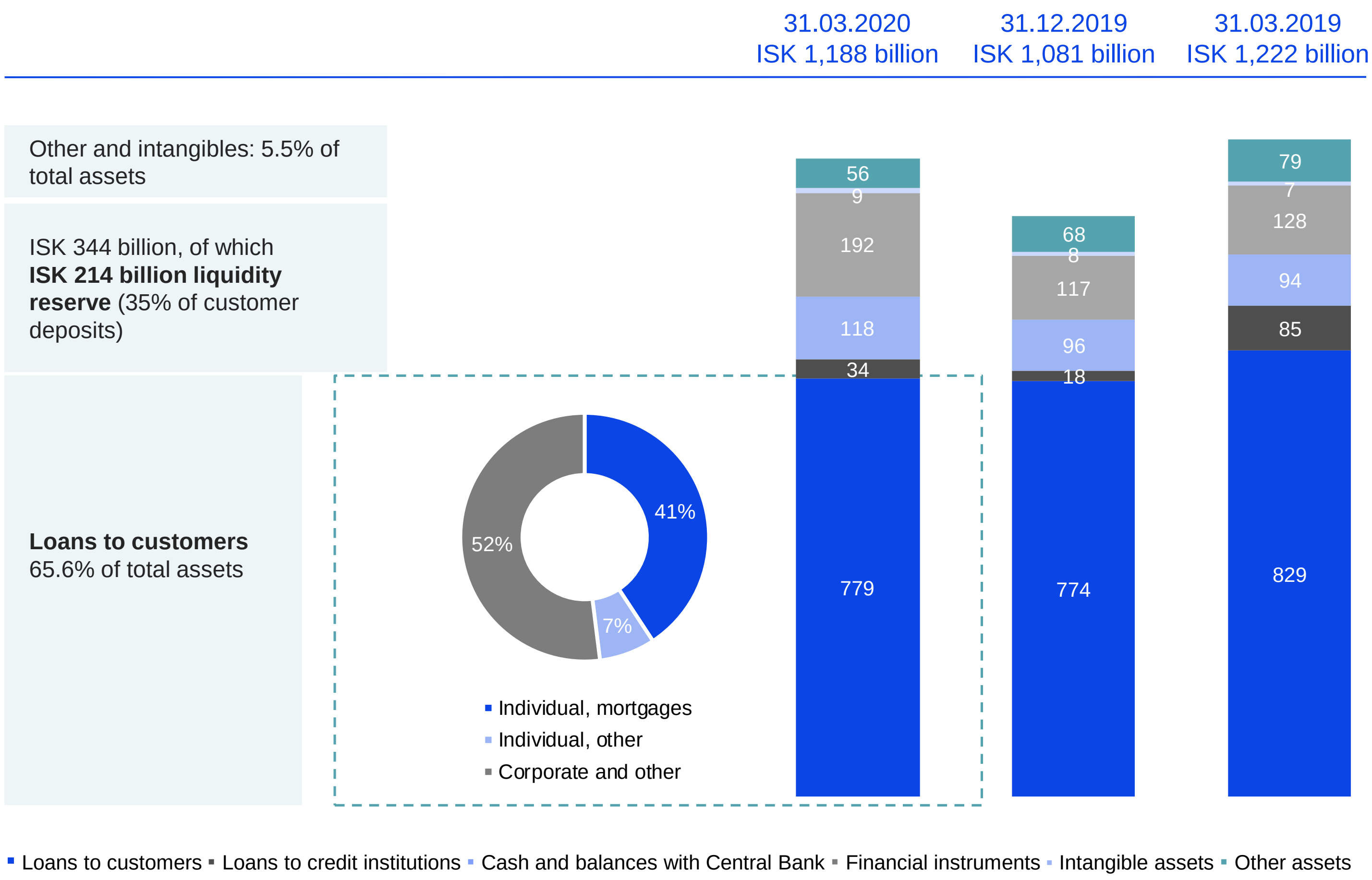


All amounts in ISK billion

Balance sheet – Assets

The balance sheet is extraordinarily strong which is prudent at this time due to Covid-19 but not efficient under more stable circumstances

- The Balance sheet increased by 9.8% from 31.12.2019, the increase mainly being liquid assets
  - REA decreased 0.9% despite balance sheet growth
- Loans to customers increased slightly from the end of 2019, mainly due to mortgage lending. Corporate lending held up in ISK as foreign currency loans increased in value with the depreciation of the ISK during the quarter
- Increase in liquid assets due to postponement of dividend payment, issuance of AT1 and increase in deposits
- Very strong liquidity position
  - Total LCR ratio is 224% and ISK LCR ratio is 156%
- The Bank is very well positioned to meet the funding requirements of its customers in both ISK and FX and to provide customers with solutions through the Covid-19 pandemic



[1]Other includes investment property, investment in associates, tax assets, assets and disposal groups held for sale and other assets

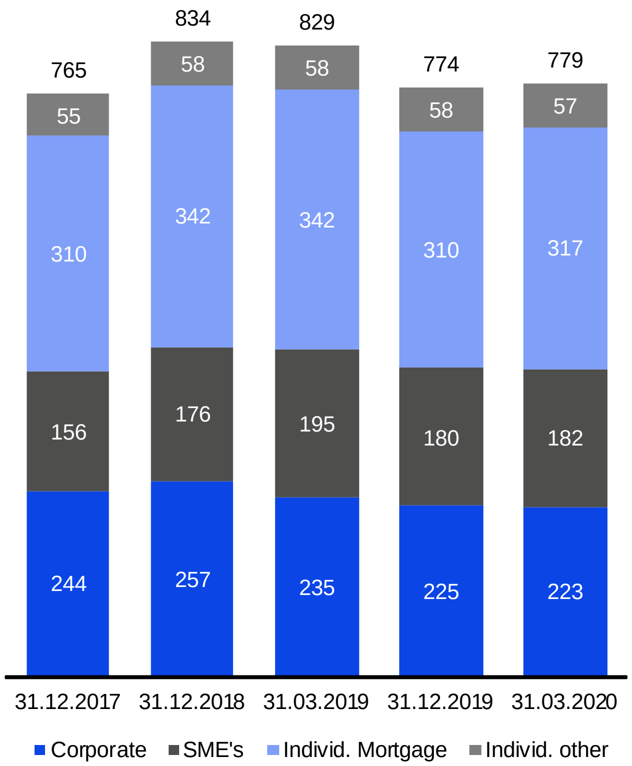
All amounts in ISK billion

Loans to customers

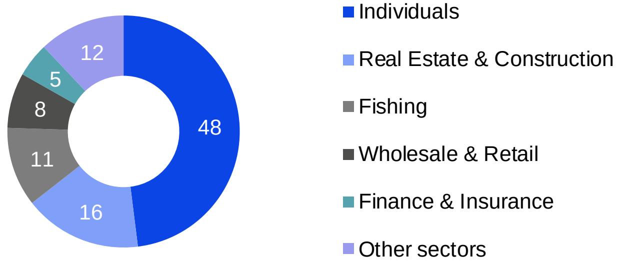
Loan book increases by 0.6% but would have decreased by 2.5% at year end FX rates

- The loan book continues to be well balanced between individuals and corporates
- Loans to individuals increased by 1.5% during the quarter mainly due to strong mortgages lending
- The corporate loan book is stable from year-end but decreases in real-term due to ISK depreciation
  - Good diversification between sectors in the corporate loan book
- Demand for new lending is negatively affected by Covid-19, reflected in loan commitments, 32% decrease from YE 2018
- Impairment on loans is ISK 3.0 billion or 0.38% of loans to customers.
  - Thereof 0.11% (27.4% of loan impairments) is due to specific impairment (Stage 3)
  - 0.06% (15.9% of loan impairments) due to increased risk in tourism exposures
  - 0.05% (12.7% of loan impairments) is due to other increase in credit risk
  - 0.16% (44.0% of loan impairments) is due to change in economic scenario in IFRS 9 models.
- REA from loans to customers reduces by 1.2% despite increase in the loan book during the quarter, partly due to regulatory changes regarding SME exposures

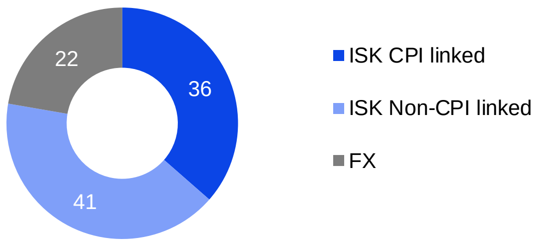
Loans to customers



Loans to customers by sector (%)



Loans to customers by currency (%)



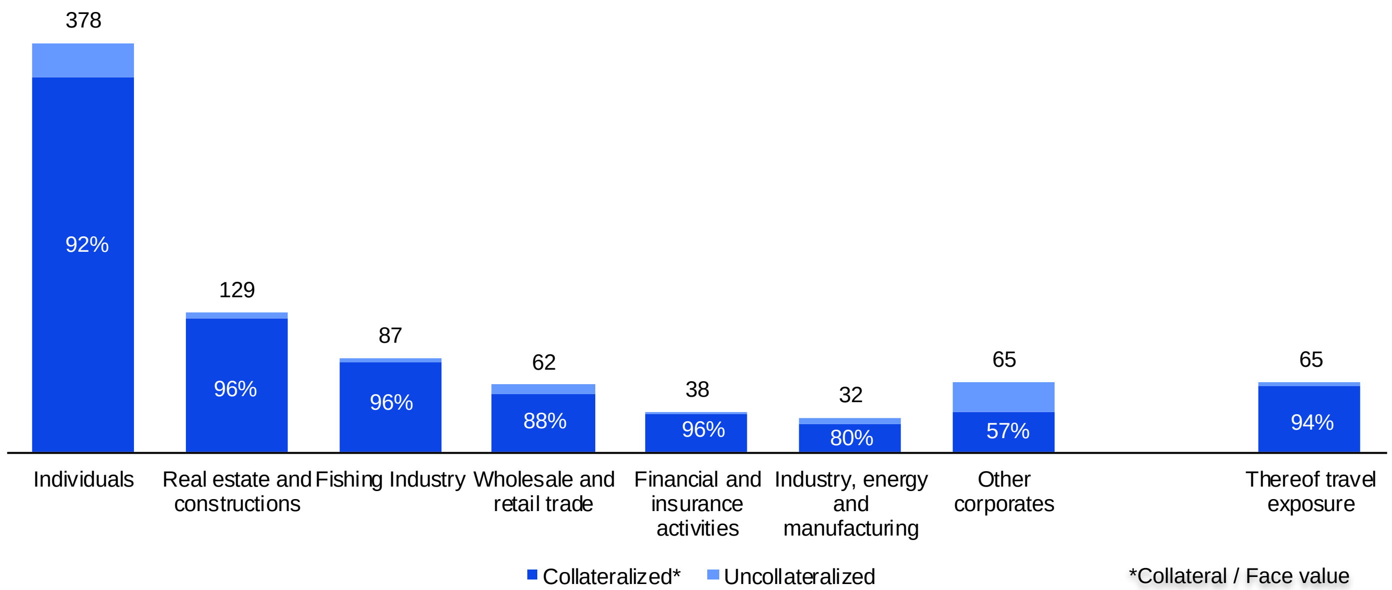
All amounts in ISK billion

Loans to customers – asset quality

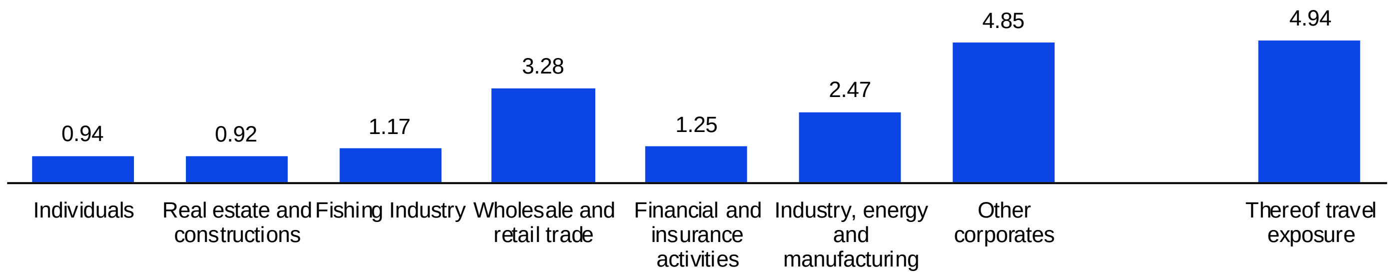
Very well collateralized loan portfolio supports asset quality

- Approximately 91% of loans to customers are secured by collateral, of which 70% are secured by real estate
- Mortgages to individuals are about 43% of the loan portfolio
- Due to Covid-19 pandemic, the Bank decided to transfer all tourism-related loans to Stage 2. Increased loss allowance of tourism exposure amounted to over ISK 800 million during the first quarter
- Coverage ratio of 35.3% - rather low in international comparison due to high collateral rate

Loans to customers by sector (ISK billion)



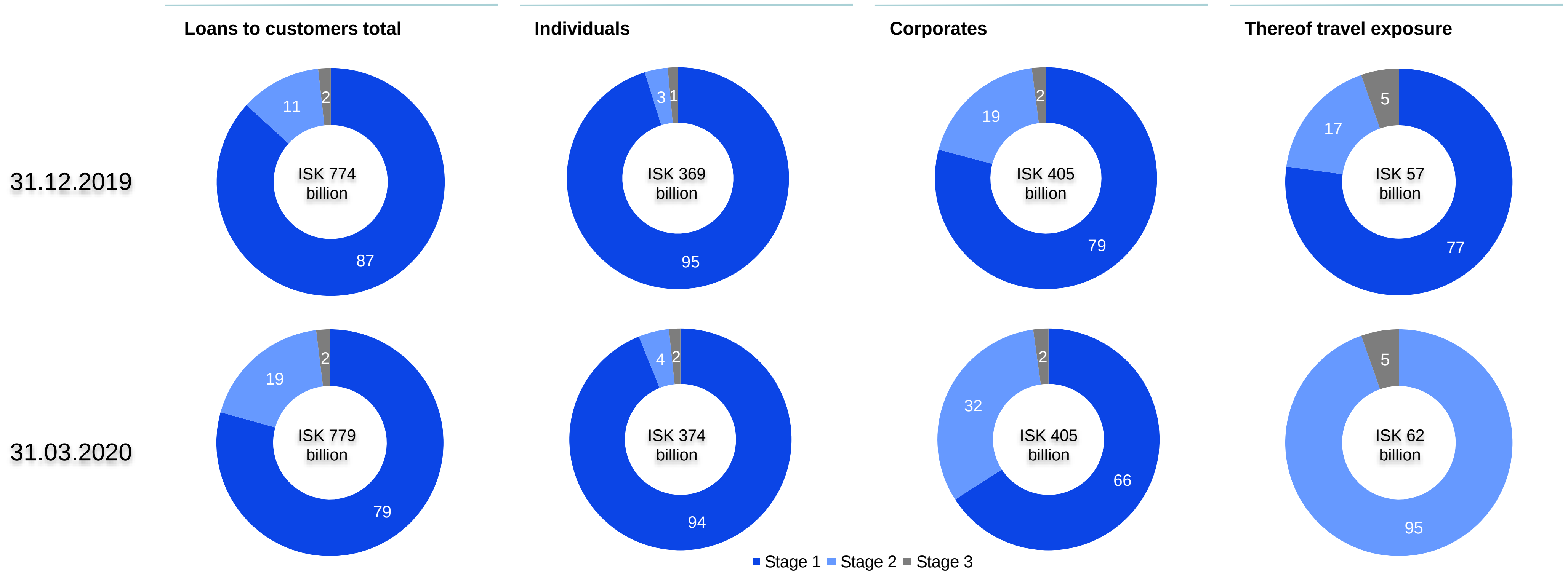
Loss allowance by sector (% of face value)



All amounts in ISK billion

Loans to customers by IFRS 9 stages

Significant transfers between stage 1 and stage 2 as Covid-19 affects IFRS 9 models



Collateral rate on face value

	Loans to customers total	Individuals	Corporates	Thereof travel exposure
31.12.2019	88.5%	91.5%	85.9%	95.3%
31.03.2020	89.4%	91.7%	87.3%	93.6%

- Loans in stage 3 increased by approx. ISK 1.5 billion or 11% from YE 2019

- Travel sector transferred to Stage 2 – approx. ISK 44 billion

All amounts in ISK billion

Balance sheet – Liabilities and equity

Deposits are increasing in the funding mix

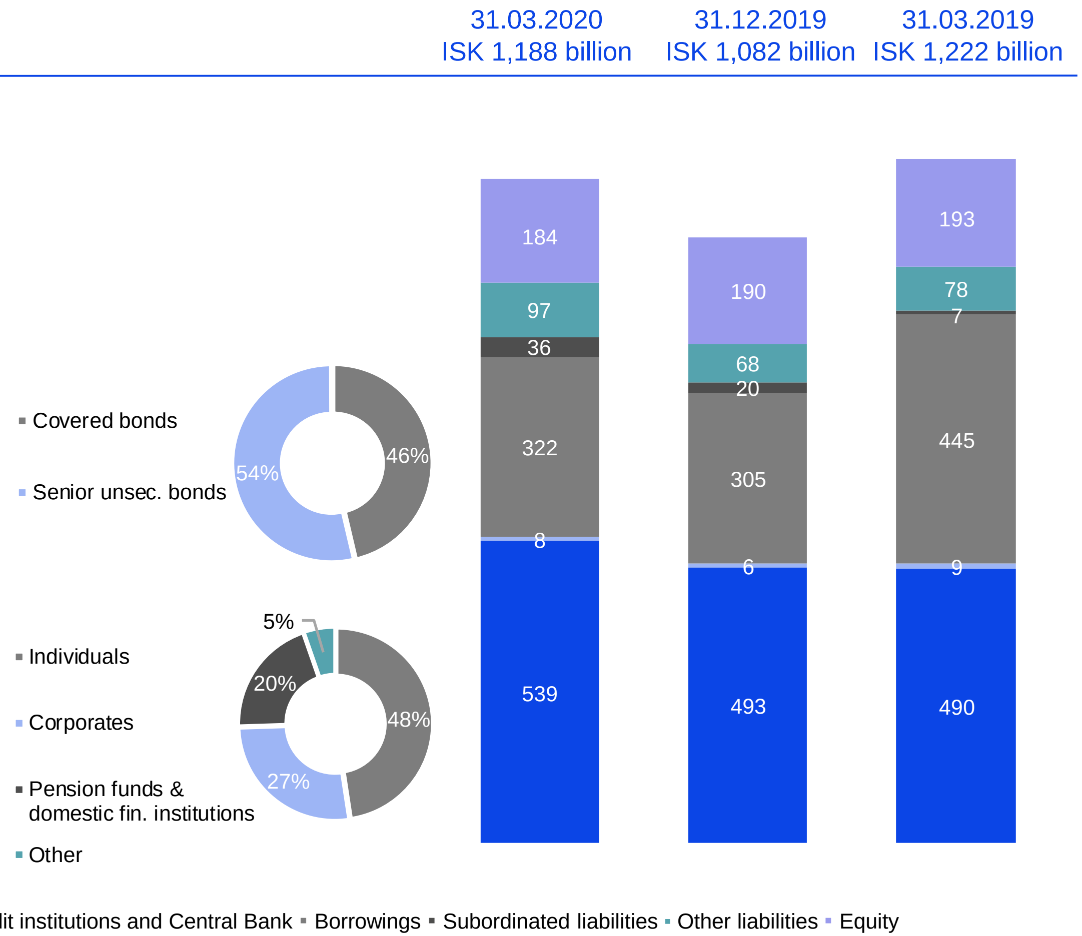
- Strong equity position and a very high leverage ratio
- Dividend payment of ISK 10.0 billion in March 2020 cancelled as well as share-buy back program
- The Bank is a frequent issuer of covered bonds in the domestic market and a regular issuer of senior unsecured in the international market. Increase in borrowings during the quarter is primarily due to weaker ISK against foreign currencies
- Deposits increased by 9.4% from YE 2019 – continued focus on deposits going forward
- The Bank issued its first AT1 instrument during the quarter (USD 100 million or ISK 13 billion) and has previously issued a number of Tier 2 subordinated bonds in line with its capital strategy
- The funding mix is well balanced between deposits, covered bonds and senior unsecured bonds

Equity
CET1 ratio 22.5% Capital adequacy ratio 27.5%
Leverage ratio 14.5%

Borrowings (in ISK)
ISK 150 billion
EUR 134 billion
Other currencies 38 billion

Deposits
On demand 70%
Up to 3M 16%
More than 3M 14%

9.4% increase from 31.03.2019



¹ Other includes Financial liabilities at fair value, tax liabilities, Liabilities associated with disposal groups held for sale and Other liabilities

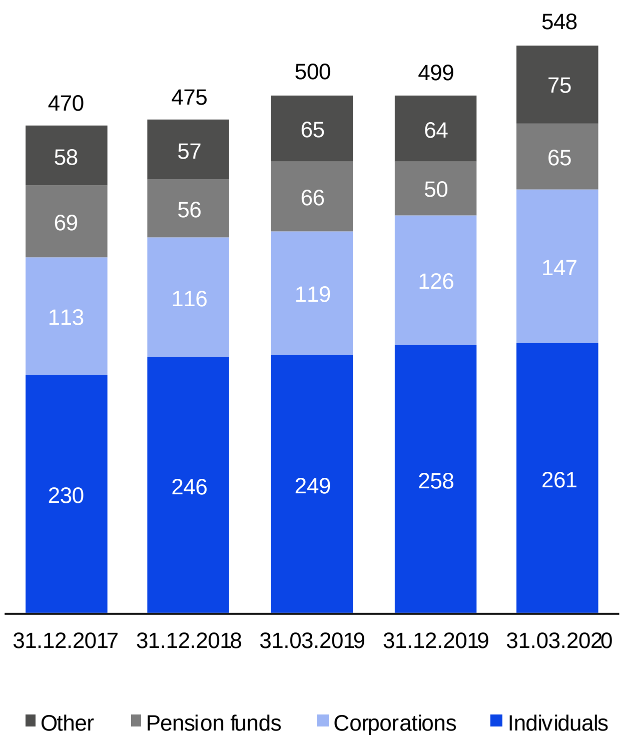
All amounts in ISK billion

Deposits

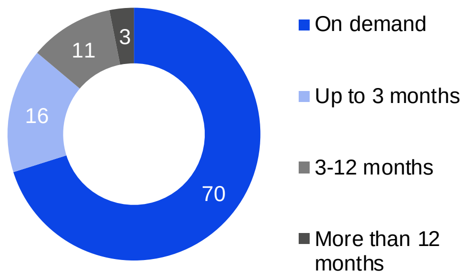
Continued focus on deposits both from individuals and corporates

- Deposits represent 55% of the Bank's total liabilities
- Special emphasis on corporate deposits
  - 27% growth from YE 2018 and 17% growth from YE 2019
- FX deposits increased significantly during the quarter, partly due to depreciation of the ISK. FX deposits represents 17% of total deposits compared with 14% at year-end 2019
- The Bank will continue focusing on deposits from individuals and corporates as they provide long term stable funding

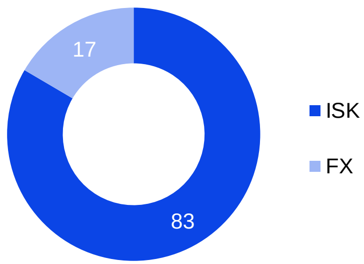
Deposits and due to credit institutions and Central Bank



Maturity of deposits (%)



Deposits by currency (%)



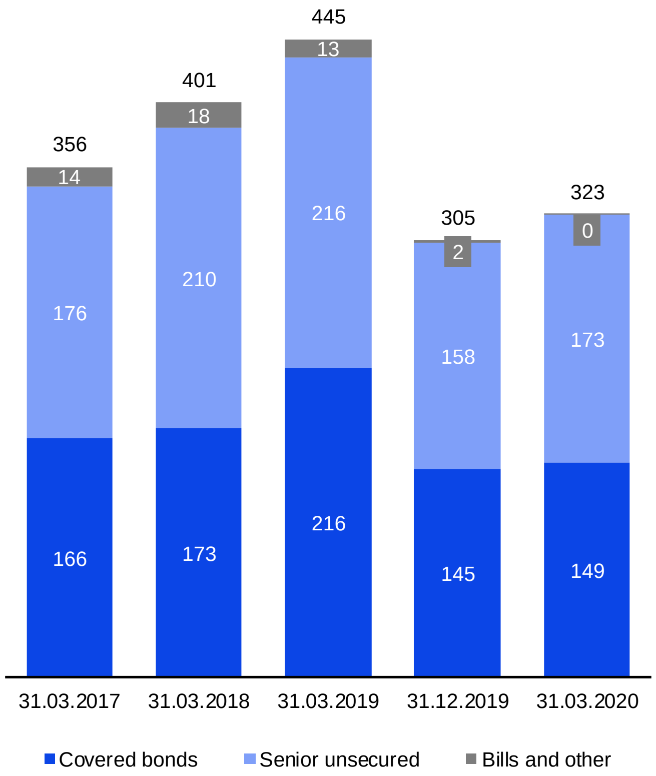
All amounts in ISK billion

Borrowings

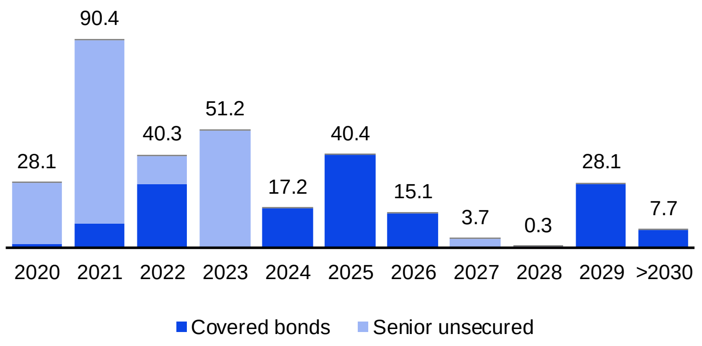
Limited need to access international wholesale funding markets in 2020

- Liquidity Coverage Ratio of 224%, far above the regulatory minimum of 100%
- In addition to a strong stand alone liquidity position the Central Bank of Iceland has made increased liquidity available to banks
- Arion Bank covered bonds are now eligible collateral in Central Bank financing
- No material redemption of long term funding until December 2021
- Comfortable liquidity position and limited refinancing needs mean that the Bank does not need to access international wholesale funding markets in 2020
- Credit rating from S&P changed in April from BBB+ to BBB but outlook changed from negative to stable
- Rating change largely due to expected negative effects of Covid-19 on the Bank

Borrowings by type



Maturities of borrowings (%)



Ratings - S&P (April 2020)

Senior unsecured	BBB	A
Short term debt	A-2	A-1
Outlook	Stable	Stable

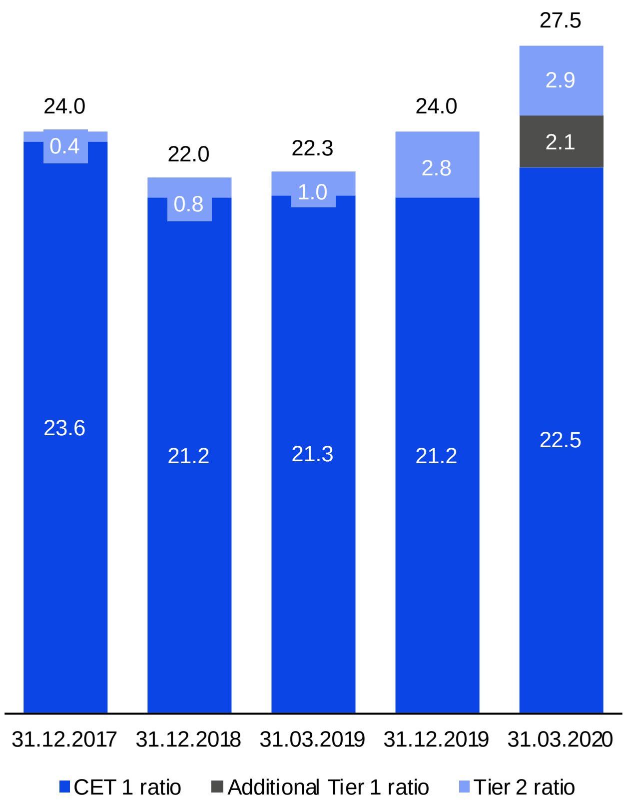
All amounts in ISK billion

Own funds

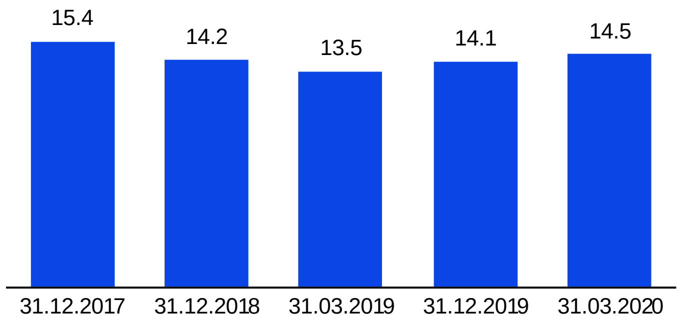
Capital ratio at 27.5% is exceptionally strong as is the leverage ratio

- The CET1 ratio is enhanced to 22.5% with the cancelation of ISK 10 billion dividend payment planned in Q1
- Arion Bank filled the 3% Tier 2 bucket with issuance in 2018 and 2019
- In February Arion Bank successfully issued USD denominated Additional Tier 1 transaction for a total of $100 million.
  - The bonds have a fixed coupon of 6.25%. The notes will have a standalone and consolidated 5.125% CET1 trigger with equity conversion
  - The issuance strengthens the Bank's own funds and is a milestone towards reaching a more optimal capital structure in line with the Bank's medium-term targets
- REA reduces slightly despite a 9.8% increase in balance sheet
- Leverage ratio remains very strong in all respects

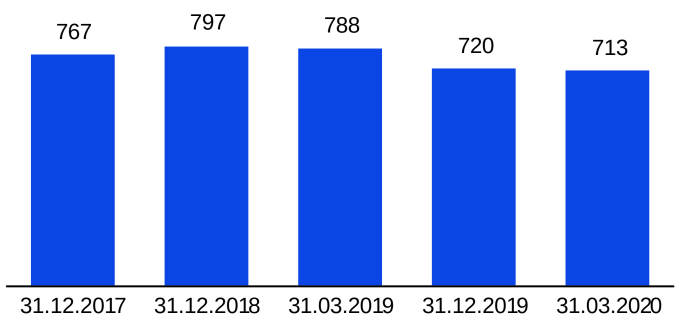
Capital ratio (%)



Leverage ratio (%)



Risk-weighted exposure amount



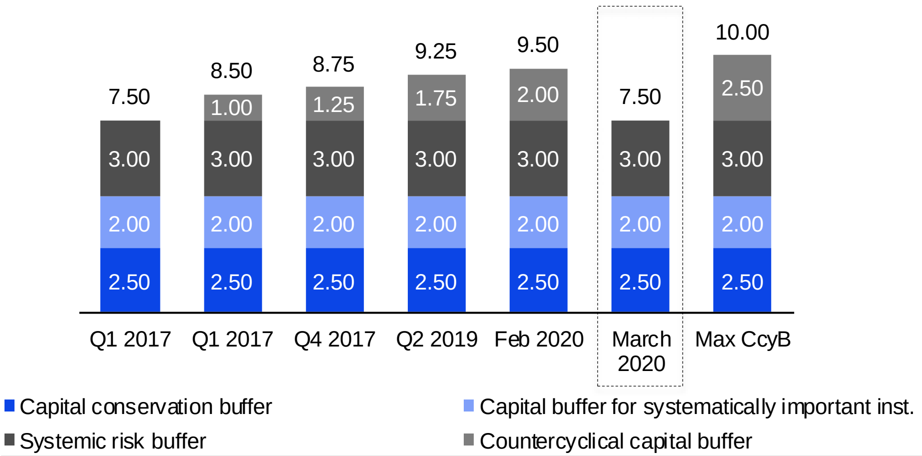
All amounts in ISK billion

Capital adequacy

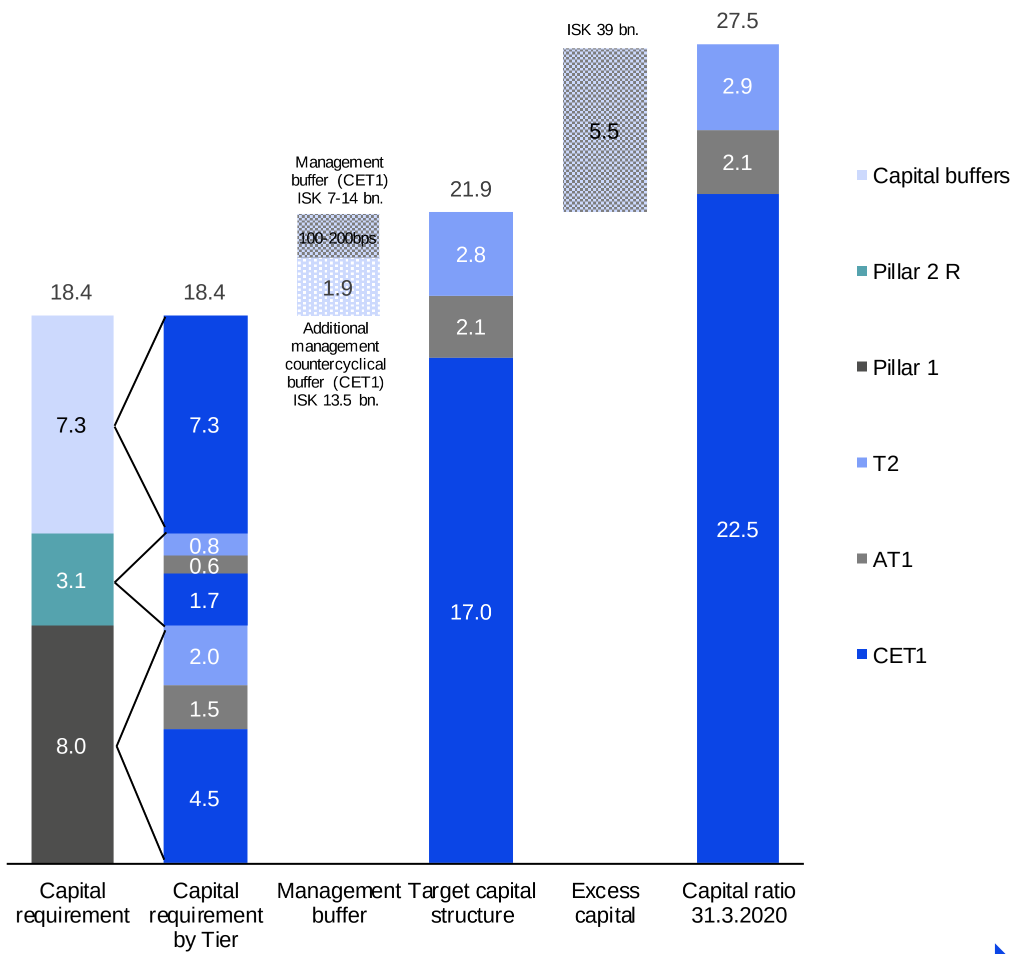
The Bank will weather COVID-19 with an exceptionally strong capital position following AT1 issuance and dividend postponement

- Own funds increased by ISK 23.3 billion in Q1 2020
  - Issuance of USD 100m Additional Tier 1 capital instrument in February
  - Foreseeable dividend added back to own funds in light of the Board's decision to postpone the planned equity reduction
- Risk-weighted exposure amount (REA) decreases from ISK 720 billion to ISK 713 billion
  - ISK 13 billion reduction due to the introduction of SME supporting factor. Further contraction of corporate loan book contributes to lower REA.
  - REA reduction offset by increased leverage as a result of krona depreciation
- Capital requirement reduced from 20.3% to 18.4% of REA.
  - Countercyclical capital buffer (CcyB) vacated entirely due to COVID-19
- Target CET1 ratio unchanged at 17%
  - Additional 1.9% management buffer (ISK 13.5 billion) that corresponds to the previous CcyB. The traditional 100-200bps management buffer amounts to ISK 7-14 billion
  - Capital of ISK 39 billion in excess of target capital structure.

Development of capital buffers (%)



Own funds and capital requirements (%)



Valitor: Reducing international presence and significantly scaling down a very expensive direct channel investment journey

VALITOR

Previous strategy

1. Get more volumes through its acquiring platform through partnerships
   – Stripe the most important customer for a few years
2. International expansion in higher margin businesses in direct channel
3. International acquisitions in direct channel to expand volumes
4. Acquisition of new Omni channel technologies to boost volumes on the platform

International growth

1. Valitor started Markadis UK as organic initiative
2. Acquisition of Altapay in Denmark with operations in Denmark and the UK (ISK 3.9 bn.)
3. Acquisition of Chip & Pin with operations in the UK (ISK 1.6 bn.)
4. Acquisition of IPS with cross-border Omni-channel capabilities in Europe (ISK 0.5 bn.)

Results and countermeasures

- Results disappointing
  - Cost still very high and income growth slow
- Acquisition cost roughly ISK 6 billion
  – Impairment of ISK 4 billion in goodwill in Q4 2019
- Accumulated underlying operating loss of ISK 9 billion since 2016 largely contributed by investments in direct channel platform
- The Board of Valitor is currently going through a strategic review of Valitor's businesses
  – Valitor A/S (pri. Altapay) sold in May 2020
  – This will support the ongoing sales process of Valitor

2012
Partnership with large high volume low margin customers started

2014
Markadis founded in the UK – direct channel
Altapay acquired in Denmark – direct channel

2017
Chip and Pin acquired in UK and merged with Markadis (Direct channel)
IPS acquired in the UK – Omni channel

Investments in platform development and realization of synergies from previous acquisitions

2018
Valitor sales process starts

2019 - December
Valitor announces organizational changes

2020+

Going forward

Macro economic developments, both internationally and in Iceland, will dominate in the coming quarters

Arion Bank will support its customers as possible and has financial strength to work with the government on the preservation and rebuild of the economy

Continued focus will be on core revenues and operating expenses. Leading position as regards digital services will play an important role and recent experience is likely to drive further developments

Given the economic uncertainty, additional Covid-19 related impairments cannot be ruled out in the coming quarters

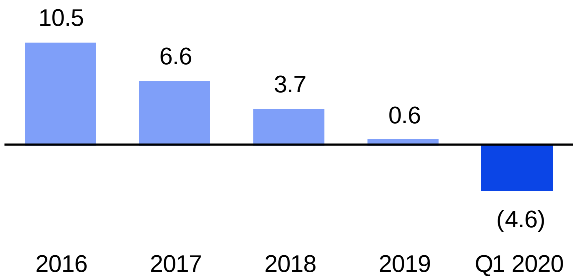
The Bank does not rule out the possibility that the current economic environment, coupled with the Bank's very strong capital and liquidity position, might open up opportunities to efficiently use some of these resources

The Bank is committed to its medium term targets, assuming the economy recovers in the medium term

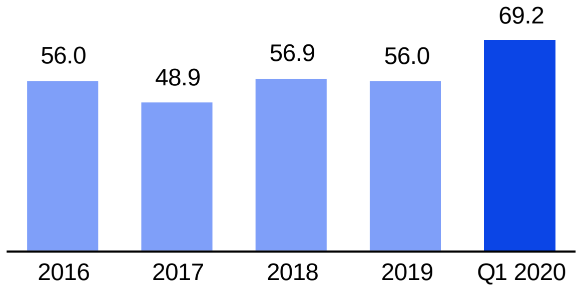
KFI’s and other information

Key financial indicators - annual

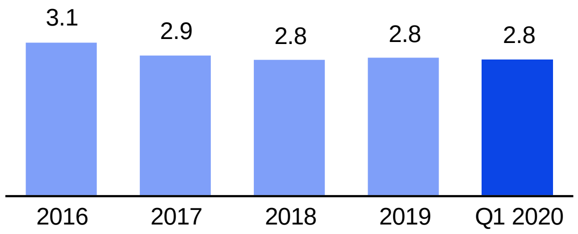
Return on equity (%)



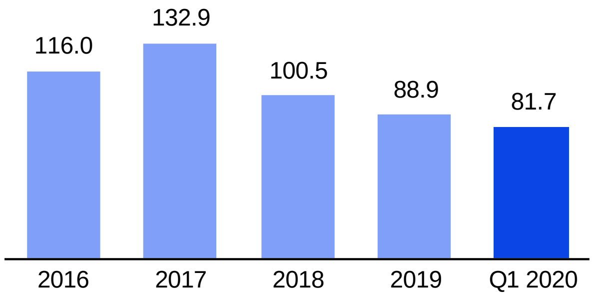
Cost-to-income ratio (%)



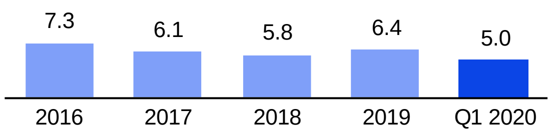
Net interest margin (%)



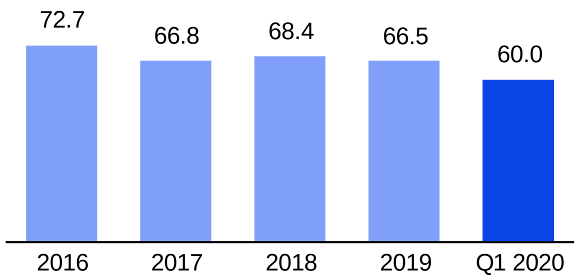
CPI imbalance (ISK billion)



Operating income / REA (%)

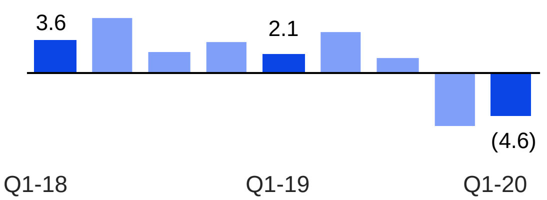


Risk weighted assets / Total assets (%)

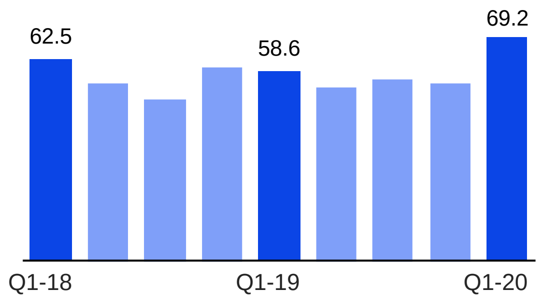


Key financial indicators - quarterly

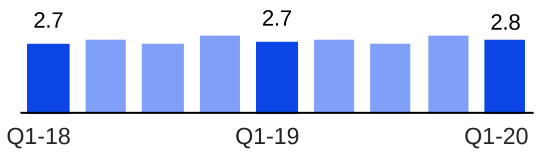
Return on equity (%)



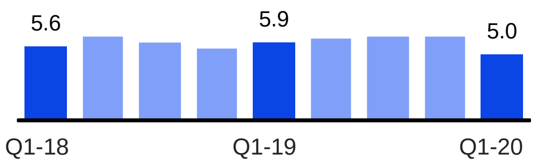
Cost-to-income ratio (%)



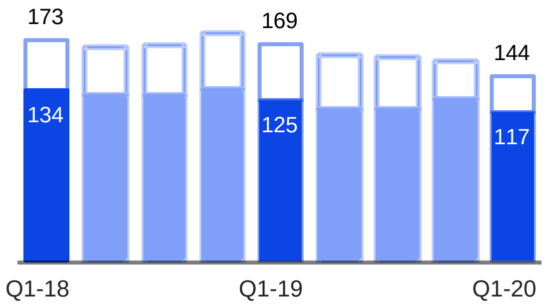
Net interest margin (%)



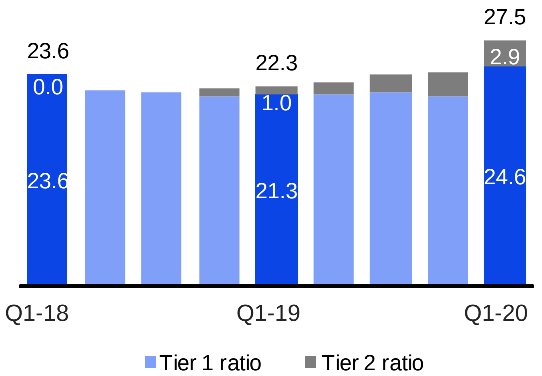
Operating income / REA (%)



Loans-to-deposits ratio (%)
(without loans financed by covered bonds)



Capital ratio (%)



Key figures

Operations	Q1 2020	Q1 2019	Q1 2018	Q1 2017	Q1 2016	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019
Net interest income	7,253	7,434	6,827	6,904	7,273	7,253	7,693	7,382	7,808	7,434
Net commission income	3,076	2,218	2,205	2,198	3,219	3,076	2,615	2,639	2,478	2,218
Operating income	8,976	11,708	10,810	11,404	12,090	8,976	11,726	12,344	12,220	11,708
Operating expenses	6,207	6,862	6,759	6,478	7,198	6,207	6,443	6,940	6,618	6,862
Net earnings (loss)	(2,171)	1,018	1,951	3,352	2,884	(2,171)	(2,775)	761	2,096	1,018
Return on equity	(4.6%)	2.1%	3.6%	6.3%	5.7%	(4.6%)	(5.8%)	1.6%	4.3%	2.1%
Net interest margin	2.8%	2.7%	2.7%	2.8%	3.1%	2.8%	3.0%	2.6%	2.8%	2.7%
Return on assets	(0.8%)	0.3%	0.7%	1.2%	1.1%	(0.8%)	(1.0%)	0.2%	0.7%	0.3%
Cost-to-income ratio	69.2%	58.6%	62.5%	56.8%	59.5%	69.2%	54.9%	56.2%	54.2%	58.6%
Cost-to-total assets	2.2%	2.3%	2.4%	2.4%	2.8%	2.2%	2.2%	2.3%	2.2%	2.3%

Balance Sheet										
Total assets	1,187,820	1,222,695	1,131,768	1,119,648	1,028,606	1,187,820	1,081,854	1,213,155	1,233,419	1,222,695
Loans to customers	778,823	829,246	782,255	720,198	694,004	778,823	773,955	812,481	821,731	829,246
Mortgages	340,235	366,381	340,202	302,679	190,008	340,235	333,406	372,938	369,583	366,381
Share of stage 3 loans, gross	2.9%	2.5%	-	-	-	2.9%	2.7%	2.5%	2.4%	2.5%
REA/ Total assets	60.0%	64.4%	68.8%	66.4%	71.5%	60.0%	66.5%	62.2%	63.1%	64.4%
Tier 1 ratio	24.6%	21.3%	23.6%	27.3%	26.2%	24.6%	21.2%	21.6%	21.4%	21.3%
Leverage ratio	14.5%	13.5%	15.4%	0.0%	0.0%	14.5%	14.1%	12.8%	13.3%	13.5%
Liquidity coverage ratio	224.2%	213.0%	209.9%	163.5%	153.4%	224.2%	188.3%	246.4%	198.0%	213.0%
Loans to deposits ratio	144.4%	169.1%	172.7%	151.4%	160.2%	144.4%	157.0%	159.9%	162.8%	169.1%

All amounts in ISK million

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