



Arion Bank Factbook 30 June 2023

Unaudited

KFI - 5 years

ISK million

H1 2023 H1 2022 H1 2021 H1 2020 H1 2019

Profitability

Return on equity	14.5%	16.9%	14.3%	2.9%	3.2%
Return on assets	1.8%	2.3%	2.3%	0.5%	0.5%
Return on risk exposure amount	3.0%	3.7%	3.7%	0.8%	0.8%
Operating income / Risk exposure amount	7.3%	6.6%	7.5%	6.4%	6.1%
Earnings per share	9.17	10.65	8.47	1.59	1.72

Net interest margin

Net interest margin on interest bearing assets	3.1%	3.1%	2.8%	2.9%	2.8%
Net interest margin on total assets	3.0%	2.9%	2.6%	2.6%	2.5%
Net interest income on credit risk	5.7%	5.3%	4.8%	5.0%	4.5%

Efficiency

Cost-to-core income ratio*	43.0%	44.4%	52.2%	56.9%	64.1%
Cost-to-income ratio*	42.6%	47.4%	44.2%	54.7%	56.3%
Cost-to-total assets ratio	1.9%	1.9%	2.1%	2.2%	2.2%
Number of FTE´s at year end	781	746	741	783	880

Asset quality

Share of stage 3 loans, gross**	1.6%	1.4%	2.8%	3.4%	2.4%
Risk weighted assets / Total assets	60.1%	62.3%	61.3%	60.6%	63.1%

Financial strength

Equity as % of total assets	12.3%	13.2%	15.9%	16.0%	15.8%
-----------------------------	-------	-------	-------	-------	-------

Liquidity

Liquidity coverage ratio (LCR)	162.9%	163.2%	215.1%	206.3%	198.0%
Loans-to-deposits ratio	145.2%	139.0%	139.6%	140.3%	162.8%
Loans-to-deposits ratio (without covered bonds)	115.4%	107.8%	112.0%	113.0%	119.3%
Deposits from customers as % of total funding	64.6%	66.4%	66.2%	63.3%	53.1%
Covered bonds as % of total funding	19.3%	20.8%	18.3%	17.3%	23.1%

Capital

CET 1 ratio	18.9%	19.7%	22.7%	22.9%	21.4%
Tier 1 ratio	20.4%	20.9%	24.4%	25.0%	21.4%
Tier 2 ratio	3.5%	2.6%	2.8%	3.0%	1.4%
Capital adequacy ratio	23.9%	23.5%	27.2%	28.1%	22.8%
Leverage ratio	11.7%	12.7%	14.6%	14.9%	13.3%

*Including expenses from insurance operations

** (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

Income statement - 5 year summary

ISK million

	H1 2023	H1 2022	H1 2021	H1 2020	H1 2019
Interest income	60,229	38,036	25,924	25,879	31,147
Interest expense	(37,809)	(18,815)	(10,566)	(10,769)	(15,905)
Net interest income	22,420	19,221	15,358	15,110	15,242
Fee and commission income	10,473	8,958	7,825	6,578	5,460
Fee and commission expense	(1,835)	(820)	(986)	(814)	(764)
Net fee and commission income	8,638	8,138	6,839	5,764	4,696
Insurance revenue	8,205	7,428	-	-	-
Insurance service expenses	(8,164)	(7,068)	-	-	-
Insurance service results	41	360	-	-	-
Net insurance income	-	-	1,585	1,262	1,076
Net financial (loss) income	179	(1,758)	3,703	691	1,789
Other operating income	1,605	1,164	616	241	1,125
Other net operating income / loss	1,784	(594)	5,904	2,194	3,990
Operating income	32,883	27,125	28,101	23,068	23,928
Salaries and related expense	-	-	(6,846)	(6,707)	(7,435)
Other operating expenses	-	-	(5,574)	(5,895)	(6,045)
Operating expenses	(12,479)	(11,633)	(12,420)	(12,602)	(13,480)
Bank Levy	(906)	(809)	(685)	(655)	(1,818)
Net impairment	(620)	(309)	1,892	(3,778)	(2,069)
Earnings before income tax	18,878	14,374	16,888	6,033	6,561
Income tax expense	(5,513)	(5,304)	(3,274)	(2,328)	(1,513)
Net earnings from continuing operations	13,365	9,070	13,614	3,705	5,048
Discontinued operations held for sale, net of income tax	17	6,915	241	(934)	(1,934)
Net earnings	13,382	15,985	13,855	2,771	3,114
Attributable to					
Shareholders of Arion Bank	13,366	15,972	13,848	2,751	3,114
Non-controlling interest	16	13	7	20	-
Net earnings	13,382	15,985	13,855	2,771	3,114

Balance sheet - 5 year summary

ISK million

30.06.2023 31.12.2022 31.12.2021 31.12.2020 31.12.2019

Assets

Cash and balances with Central Bank	76,499	114,118	69,057	42,136	95,717
Loans to credit institutions	43,428	45,501	30,272	28,235	17,947
Loans to customers	1,134,621	1,084,757	936,237	822,941	773,955
Financial instruments	225,827	193,329	225,657	227,251	117,406
Investment property	9,444	7,862	6,560	6,132	7,119
Investments in associates	842	787	668	891	852
Intangible assets	8,486	8,783	9,463	9,689	8,367
Tax assets	383	135	2	2	2
Asset and disposal groups held for sale	61	61	16,047	16,811	43,626
Other assets	18,635	10,277	16,747	18,618	16,865
Total assets	1,518,226	1,465,610	1,310,710	1,172,706	1,081,856

Liabilities

Due to credit institutions and Central Bank	21,702	11,697	5,000	13,031	5,984
Deposits	781,202	755,361	655,476	568,424	492,916
Financial liabilities at fair value	18,242	20,997	5,877	5,240	2,570
Tax liabilities	12,335	10,303	7,102	4,262	4,404
Liabilities associated with disposal groups held for sale	-	-	16,935	16,183	28,631
Other liabilities	46,379	39,401	34,914	32,714	32,698
Borrowings	405,572	392,563	356,637	298,947	304,745
Subordinated liabilities	46,478	47,331	35,088	36,060	20,083
Total liabilities	1,331,910	1,277,653	1,117,029	974,861	892,031

Equity

Share capital and share premium	10,604	13,372	22,684	51,331	55,715
Other reserves	11,558	10,672	12,838	11,320	9,493
Retained earnings	163,489	163,264	157,486	135,021	124,436
Total shareholders equity	185,651	187,308	193,008	197,672	189,644
Non-controlling interest	665	649	673	173	181
Total equity	186,316	187,957	193,681	197,845	189,825
Total liabilities and equity	1,518,226	1,465,610	1,310,710	1,172,706	1,081,856

Net interest income - 5 year summary

ISK million	H1 2023	H1 2022	H1 2021	H1 2020	H1 2019
Interest income					
Cash and balances with Central bank	2,700	1,113	209	1,077	2,030
Loans	54,951	35,464	23,732	23,616	28,503
Securities	2,576	1,452	1,893	1,088	508
Other	2	7	89	98	106
Interest income	60,229	38,036	25,923	25,879	31,147
Interest expense					
Deposits	(21,392)	(8,728)	(3,111)	(3,980)	(6,860)
Borrowings	(13,830)	(8,949)	(6,458)	(5,911)	(8,872)
Subordinated liabilities	(2,491)	(1,047)	(938)	(814)	(106)
Other	(96)	(91)	(58)	(64)	(67)
Interest expense	(37,809)	(18,815)	(10,565)	(10,769)	(15,905)
Net interest income	22,420	19,221	15,358	15,110	15,242
Interest bearing assets					
Cash and balances with Central Bank	76,499	78,011	69,609	103,432	107,649
Loans	1,178,049	1,050,861	879,689	813,499	890,795
Securities	183,351	143,174	167,644	167,517	114,583
Interest bearing assets	1,437,899	1,272,046	1,116,942	1,084,448	1,113,027
Interest bearing liabilities					
Due to credit institutions and Central Bank	21,702	4,604	7,754	7,661	8,703
Deposits	781,202	726,948	604,382	555,855	504,897
Financial liabilities at fair value	18,242	14,353	5,447	3,118	2,065
Borrowings	405,572	363,375	301,388	314,952	436,897
Subordinated liabilities	46,478	33,392	34,543	36,494	10,763
Interest bearing liabilities	1,273,196	1,142,672	953,514	918,080	963,325
Interest Gap	164,703	129,374	163,428	166,368	149,702
Net interest margin on interest bearing assets	3.1%	3.1%	2.8%	2.9%	2.8%

Loans to customers - 5 year summary

ISK million

30.06.2023 31.12.2022 31.12.2021 31.12.2020 31.12.2019

Loans to customers

Individuals	592,571	582,371	526,498	433,336	368,569
Corporates	542,050	502,386	409,739	389,605	405,386
Total loans to customers	1,134,621	1,084,757	936,237	822,941	773,955

Ratios:

Share of stage 3 loans, gross*	1.6%	1.2%	1.9%	2.6%	2.7%
--------------------------------	------	------	------	------	------

* (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

Loans to individuals

Overdrafts	13,988	14,893	14,255	12,875	14,421
Credit cards	15,754	14,304	13,192	12,260	13,028
Mortgage loans	530,958	514,007	463,895	378,554	310,562
Other loans	34,103	40,942	37,044	32,122	33,105
Provision on loans	(2,232)	(1,775)	(1,888)	(2,475)	(2,547)
Total loans to individuals	592,571	582,371	526,498	433,336	368,569

Loans to customers - 5 year summary

ISK million

30.06.2023 31.12.2022 31.12.2021 31.12.2020 31.12.2019

Loans to corporates

Overdrafts	40,673	33,369	18,301	15,471	18,709
Credit cards	1,927	1,838	1,449	1,086	1,373
Mortgage loans	66,118	60,528	41,588	32,175	23,475
Other loans	438,718	411,792	354,113	350,455	368,453
Provision on loans	(5,386)	(5,141)	(5,712)	(9,582)	(6,624)
Total loans to corporates	542,050	502,386	409,739	389,605	405,386

Loans to corporates specified by sector:

Agriculture and forestry	2.9%	2.3%	2.5%	2.1%	1.9%
Services	3.7%	3.8%	4.2%	3.4%	4.3%
Financial and insurance activities	8.0%	8.2%	11.2%	9.2%	8.3%
Industry, energy and manufacturing	9.6%	8.8%	6.8%	8.0%	9.8%
Information and communication technology	5.0%	4.9%	4.1%	5.3%	4.7%
Public administration, human health and social activities	2.3%	2.1%	1.7%	1.7%	2.1%
Real estate activities and construction	33.5%	31.9%	31.1%	32.8%	32.0%
Fishing industry	15.0%	18.2%	19.1%	20.9%	20.5%
Transportation	2.6%	2.8%	3.5%	3.3%	2.7%
Wholesale and retail trade	17.4%	16.9%	15.9%	13.2%	13.6%
	100.0%	100.0%	100.0%	100.0%	100.0%

Capital and Risk Weighted Assets

ISK million

30.06.2023 31.12.2022 31.12.2021 31.12.2020 31.12.2019

Capital base:

Total equity	186,316	187,956	193,681	197,845	189,825
Deductions related to the consolidated situation	-	-	-	-	(10,159)
Unaudited interim net earnings	-	-	-	-	-
Non-controlling interest not eligible for inclusion in CET 1 capital	(665)	(649)	(673)	(173)	(181)

Common Equity Tier 1 capital before regulatory adjustments

Intangible assets	(6,888)	(6,425)	(8,435)	(13,092)	(10,604)
Tax assets	-	-	-	-	(296)
Foreseeable dividend	(6,683)	(15,980)	(26,773)	(17,990)	(14,153)
Adjustment under IFRS 9 transitional arrangements	766	1,142	920	1,890	-
Other statutory deductions	(254)	(224)	(437)	(2,520)	(1,740)

Common equity Tier 1 capital

Non-controlling interest eligible for inclusion in CET1 capital	102	105	133	173	181
Additional Tier 1 capital	12,931	13,396	13,225	13,498	-

Tier 1 capital

Tier 2 instruments	33,547	33,935	21,863	22,562	20,083
Tier 2 instruments of financial sector entities (signif. invest.)	(1,216)	(1,155)	(1,056)	(1,007)	-
General credit risk adjustments	-	-	-	-	-

Tier 2 Capital

Total own funds	217,956	212,101	192,448	201,186	172,956
------------------------	----------------	----------------	----------------	----------------	----------------

Risk weighted exposure amount (REA)

Credit Risk, loans*	736,432	707,479	623,395	570,554	561,602
Credit Risk, securities and other	56,425	57,651	69,553	60,813	49,163
Counterparty credit risk	15,923	14,645	7,761	3,462	3,347
Market Risk due to currency imbalance	1,417	1,387	4,691	8,569	10,070
Market Risk Other	8,628	7,493	8,958	13,063	10,609
Credit valuation adjustment	3,709	6,010	2,379	842	1,477
Operational Risk	89,166	89,166	96,085	88,462	83,487
Total risk weighted exposure amount	911,700	883,831	812,822	745,765	719,755

Capital ratios*

CET 1 ratio	18.9%	18.8%	19.6%	22.3%	21.2%
Tier 1 ratio	20.4%	20.3%	21.2%	24.1%	21.2%
Capital adequacy ratio	23.9%	24.0%	23.8%	27.0%	24.0%

Leverage ratio

On-balance sheet exposures	1,475,365	1,415,353	1,256,916	1,114,450	1,022,521
Derivative exposures	28,229	32,118	4,796	9,124	10,217
Securities financing transaction exposures	28,903	10,174	720	512	577
Off-balance sheet exposures	56,058	59,723	102,016	65,425	52,299
Total exposure	1,588,555	1,517,368	1,364,448	1,189,511	1,085,614
Tier 1 capital	185,625	179,321	171,641	179,631	152,873
Leverage ratio	11.7%	11.8%	12.6%	15.1%	14.1%

Related ratios

Return on REA	3.0%	3.0%	3.7%	1.7%	0.1%
REA/Total assets	60.1%	60.1%	61.9%	63.6%	66.5%

*Capital ratios include interim profit

Arion Bank Factbook

Quarter summaries



KFI - 9 Quarters

ISK million

	Q2 2023	Q1 2023	Q4 2022	Q3 2022	Q2 2022	Q1 2022	Q4 2021	Q3 2021	Q2 2021
Profitability									
Return on equity	15.5%	13.7%	10.7%	10.5%	21.8%	12.7%	13.4%	17.0%	16.3%
Return on assets	1.9%	1.7%	1.4%	1.4%	2.9%	1.8%	2.0%	2.6%	2.6%
Return on risk exposure amount	3.1%	2.8%	2.3%	2.3%	4.5%	2.8%	3.3%	4.3%	4.2%
Operating income / Risk exposure amount	7.6%	7.3%	7.1%	6.4%	6.1%	6.9%	7.6%	7.8%	8.0%
Net interest margin									
Net interest margin on interest bearing assets	3.2%	3.1%	3.1%	3.2%	3.1%	3.1%	2.8%	2.7%	2.9%
Net interest margin on total assets	3.0%	3.0%	2.9%	3.0%	2.9%	2.9%	2.6%	2.5%	2.7%
Net interest income on credit risk	5.8%	5.6%	5.5%	5.5%	5.3%	5.3%	5.1%	4.9%	5.0%
Efficiency									
Cost-to-core income ratio*	39.4%	46.8%	54.3%	36.8%	42.0%	47.3%	57.4%	44.1%	51.0%
Cost-to-income ratio	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	51.6%	37.5%	42.5%
Cost-to-total assets ratio	1.8%	2.0%	2.3%	1.7%	2.0%	1.9%	2.4%	1.7%	2.1%
Number of FTE 's at period end	781	789	781	777	746	753	751	763	741
Asset quality									
Share of stage 3 loans, gross**	1.6%	1.4%	1.2%	1.4%	1.4%	1.6%	1.9%	2.6%	2.8%
Risk weighted assets / Total assets	60.1%	60.4%	60.3%	61.0%	62.3%	64.9%	62.0%	58.0%	61.3%

*Including expenses from insurance operations

** $(\text{Gross carrying value of stage 3 loans} + \text{gross carrying value of POCL loans in Risk class 4 or lower}) / \text{Gross carrying value of loans to customers}$

KFI - 9 Quarters

ISK million

	Q2 2023	Q1 2023	Q4 2022	Q3 2022	Q2 2022	Q1 2022	Q4 2021	Q3 2021	Q2 2021
Financial strength									
Equity as % of total assets	12.3%	12.0%	12.8%	13.1%	13.2%	12.9%	14.8%	14.5%	15.9%
Liquidity									
Liquidity coverage ratio (LCR)	162.9%	173.6%	158.5%	189.3%	163.2%	195.4%	202.8%	221.0%	215.1%
Loans-to-deposits ratio	145.2%	143.8%	143.6%	141.2%	139.0%	143.6%	142.8%	139.9%	139.6%
Loans-to-deposits ratio (without covered bonds)	115.4%	114.4%	115.4%	113.1%	107.8%	110.1%	111.8%	106.6%	112.0%
Deposits from customers as % of total funding	64.6%	65.1%	65.1%	66.0%	66.4%	64.5%	64.4%	61.3%	66.2%
Covered bonds as % of total funding	19.3%	19.1%	18.4%	18.6%	20.8%	21.6%	20.0%	20.3%	18.3%
Capital**									
CET 1 ratio	18.9%	18.6%	18.8%	19.3%	19.7%	18.6%	19.6%	20.3%	22.7%
Tier 1 ratio	20.4%	20.1%	20.3%	20.5%	20.9%	19.7%	21.2%	22.1%	24.4%
Tier 2 ratio	3.5%	3.6%	3.7%	2.5%	2.6%	2.7%	2.6%	3.2%	-
Capital adequacy ratio	23.8%	23.9%	23.8%	23.3%	23.2%	22.4%	23.5%	25.4%	26.5%
Leverage ratio	11.7%	11.3%	11.8%	12.0%	12.7%	12.5%	12.6%	12.4%	14.6%

Income statement - 9 quarter summary

ISK million	Q2 2023	Q1 2023	Q4 2022	Q3 2022	Q2 2022	Q1 2022	Q4 2021	Q3 2021	Q2 2021
Interest income	31,060	29,169	21,663	23,664	20,610	17,426	15,224	12,810	14,145
Interest expense	(19,634)	(18,175)	(11,198)	(13,301)	(10,865)	(7,950)	(6,456)	(4,873)	(6,129)
Net interest income	11,426	10,994	10,465	10,363	9,745	9,476	8,768	7,937	8,016
Fee and commission income	5,187	5,286	4,755	4,676	4,972	3,986	4,662	4,219	4,099
Fee and commission expense	(1,000)	(835)	(776)	(688)	(390)	(430)	(583)	(464)	(537)
Net fee and commission income	4,187	4,451	3,979	3,988	4,582	3,556	4,079	3,755	3,562
Insurance revenue	4,207	3,998	3,981	3,766	3,736	3,692	-	-	-
Insurance service expenses	(3,445)	(4,719)	(4,182)	(3,216)	(2,812)	(4,256)	-	-	-
Insurance service results	762	(721)	(201)	550	924	(564)	-	-	-
Net insurance income	-	-	-	-	-	-	865	992	914
Net financial (loss) income	(617)	796	190	(1,297)	(2,878)	1,120	1,151	1,366	2,203
Other operating income	1,586	19	35	103	732	432	371	840	309
Other net operating income / loss	969	815	225	(1,194)	(2,146)	1,552	2,387	3,198	3,426
Operating income	17,344	15,539	14,468	13,707	13,105	14,020	15,234	14,890	15,004
Salaries and related expense	-	-	-	-	-	-	(4,893)	(2,899)	(3,575)
Other operating expenses	-	-	-	-	-	-	(2,974)	(2,689)	(2,797)
Operating expenses	(6,009)	(6,470)	(7,480)	(5,223)	(6,056)	(5,577)	(7,867)	(5,588)	(6,372)
Bank Levy	(457)	(449)	(496)	(444)	(416)	(393)	(345)	(486)	(355)
Net impairment	(568)	(52)	411	42	186	(495)	559	718	812
Earnings before income tax	10,310	8,568	6,903	8,082	6,819	7,555	7,581	9,534	9,089
Income tax expense	(3,226)	(2,287)	(1,755)	(2,885)	(3,588)	(1,716)	(1,588)	(1,920)	(1,408)
Net earnings from continuing operations	7,084	6,281	5,148	5,197	3,231	5,839	5,993	7,614	7,681
Discontinued operations held for sale, net of income tax	7	10	(366)	(6)	6,819	96	529	624	135
Net earnings	7,091	6,291	4,782	5,191	10,050	5,935	6,522	8,238	7,816
Attributable to									
Shareholders of Arion Bank	7,082	6,284	4,776	5,191	10,043	5,929	6,521	8,238	7,810
Non-controlling interest	9	7	6	-	7	6	1	-	6
Net earnings	7,091	6,291	4,782	5,191	10,050	5,935	6,522	8,238	7,816

Balance sheet - 9 quarter summary

ISK million

30.06.2023 31.03.2023 31.12.2022 30.09.2022 30.06.2022 31.03.2022 31.12.2021 30.09.2021 30.06.2021

Assets

Cash and balances with Central Bank	76,499	80,272	114,118	68,149	78,011	64,395	69,057	70,136	69,609
Loans to credit institutions	43,428	62,899	45,501	52,643	40,195	35,868	30,272	30,376	35,701
Loans to customers	1,134,621	1,114,128	1,084,757	1,045,152	1,010,666	976,383	936,237	896,940	843,988
Financial instruments	225,827	204,996	193,329	223,142	203,740	185,680	225,657	249,979	213,963
Investment property	9,444	7,875	7,862	6,617	6,615	6,586	6,560	6,548	6,003
Investments in associates	842	770	787	785	724	700	668	704	697
Intangible assets	8,486	8,575	8,783	8,816	9,038	9,239	9,463	9,732	9,996
Tax assets	383	332	135	2,886	1,247	754	2	2	2
Asset and disposal groups held for sale	61	61	61	2,152	2,126	14,706	16,047	16,775	19,236
Other assets	18,635	20,736	10,276	13,700	26,870	46,706	16,747	64,900	18,725
Total assets	1,518,226	1,500,644	1,465,609	1,424,042	1,379,232	1,341,017	1,310,710	1,346,092	1,217,920

Liabilities

Due to credit institutions and Central Bank	21,702	24,188	11,697	5,099	4,604	4,270	5,000	8,484	7,754
Deposits	781,202	775,023	755,361	739,969	726,948	679,925	655,476	641,306	604,382
Financial liabilities at fair value	18,242	20,692	20,997	21,800	14,353	12,323	5,877	5,675	5,447
Tax liabilities	12,335	10,840	10,303	15,596	11,733	8,080	7,102	6,989	5,905
Liabilities associated with disposal groups held for sale	-	-	-	-	-	15,122	16,935	16,852	18,841
Other liabilities	46,379	52,554	39,401	44,796	42,550	44,582	34,914	39,698	46,055
Borrowings	405,572	390,734	392,563	376,540	363,375	370,026	356,637	397,031	301,388
Subordinated liabilities	46,478	46,681	47,331	34,089	33,392	33,674	35,088	35,477	34,543
Total liabilities	1,331,910	1,320,713	1,277,654	1,237,889	1,196,955	1,168,002	1,117,028	1,151,512	1,024,315

Equity

Share capital and share premium	10,604	11,405	13,370	16,765	18,954	18,957	22,685	28,663	36,345
Other reserves	11,558	10,826	10,672	9,675	9,523	11,631	12,838	12,023	12,270
Retained earnings	163,489	157,044	163,264	159,033	153,114	141,747	157,486	153,214	144,810
Total shareholders equity	185,651	179,275	187,306	185,473	181,591	172,335	193,009	193,900	193,425
Non-controlling interest	665	656	649	680	686	680	673	680	180
Total equity	186,316	179,931	187,955	186,153	182,277	173,015	193,682	194,580	193,605
Total liabilities and equity	1,518,226	1,500,644	1,465,609	1,424,042	1,379,232	1,341,017	1,310,710	1,346,092	1,217,920

Net interest income - 9 quarter summary

ISK million	Q2 2023	Q1 2023	Q4 2022	Q3 2022	Q2 2022	Q1 2022	Q4 2021	Q3 2021	Q2 2021
Interest income									
Cash and balances with Central bank	1,306	1,394	1,228	993	721	392	188	176	121
Loans	28,294	26,657	20,107	21,488	19,442	16,022	13,930	11,504	13,024
Securities	1,460	1,116	707	967	446	1,006	1,058	1,078	954
Other	-	2	80	62	1	6	48	52	45
Interest income	31,060	29,169	22,122	23,510	20,610	17,426	15,224	12,810	14,144
Interest expense									
Deposits	(11,490)	(9,902)	(6,865)	(7,158)	(5,250)	(3,478)	(2,323)	(1,386)	(1,930)
Borrowings	(6,877)	(6,953)	(4,050)	(5,269)	(5,002)	(3,947)	(3,604)	(3,003)	(3,684)
Subordinated loans	(1,220)	(1,271)	(614)	(624)	(565)	(482)	(498)	(455)	(485)
Other	(47)	(49)	(128)	(96)	(48)	(43)	(31)	(29)	(29)
Interest expense	(19,634)	(18,175)	(11,657)	(13,147)	(10,865)	(7,950)	(6,456)	(4,873)	(6,128)
Net interest income	11,426	10,994	10,465	10,363	9,745	9,476	8,768	7,937	8,016
Interest bearing assets									
Cash and balances with Central Bank	76,499	80,272	114,118	68,149	78,011	64,395	69,057	70,136	69,609
Loans	1,178,049	1,177,027	1,130,258	1,097,795	1,050,861	1,012,251	966,509	927,316	879,689
Securities	183,351	152,487	142,064	164,915	143,174	121,722	168,801	195,017	167,644
Interest bearing assets	1,437,899	1,409,786	1,386,440	1,330,859	1,272,046	1,198,368	1,204,367	1,192,469	1,116,942
Interest bearing liabilities									
Due to credit institutions and Central Bank	21,702	24,188	11,697	5,099	4,604	4,270	5,000	8,484	7,754
Deposits	781,202	775,023	755,361	739,969	726,948	679,925	655,476	641,306	604,382
Financial liabilities at fair value	18,242	20,692	20,997	21,800	14,353	12,323	5,877	5,675	5,447
Borrowings	405,572	390,734	392,563	376,540	363,375	370,026	356,637	397,031	301,388
Subordinated liabilities	46,478	46,681	47,331	34,089	33,392	33,674	35,088	35,477	34,543
Interest bearing liabilities	1,273,196	1,257,318	1,227,949	1,177,497	1,142,672	1,100,218	1,058,078	1,087,973	953,514
Interest Gap	164,703	152,468	158,491	153,362	129,374	98,150	146,289	104,496	163,428
Net interest margin on interest bearing assets	3.2%	3.1%	3.1%	3.2%	3.1%	3.1%	2.8%	2.7%	2.9%

Loans to customers - 9 quarter summary

ISK million

30.06.2023 31.03.2023 31.12.2022 30.09.2022 30.06.2022 31.03.2022 31.12.2021 30.09.2021 30.06.2021

Loans to customers

Individuals	592,571	588,989	582,371	571,487	549,524	534,395	526,498	501,578	472,550
Corporates	542,050	525,139	502,386	473,665	461,142	441,988	409,739	395,362	371,438
Total loans to customers	1,134,621	1,114,128	1,084,757	1,045,152	1,010,666	976,383	936,237	896,940	843,988

Share of stage 3 loans, gross*	1.6%	1.4%	1.2%	1.4%	1.4%	1.6%	1.9%	2.6%	2.8%
--------------------------------	------	------	------	------	------	------	------	------	------

Loans to individuals

Overdrafts	13,988	14,582	14,893	15,008	14,803	15,262	14,255	14,439	13,310
Credit cards	15,754	14,716	14,304	14,605	14,582	13,270	13,192	12,709	12,473
Mortgage loans	530,958	520,421	514,007	502,537	482,196	469,877	463,895	440,315	414,541
Other loans	34,103	41,194	40,942	41,200	39,745	37,856	37,044	36,113	34,256
Provision on loans	(2,232)	(1,924)	(1,775)	(1,863)	(1,802)	(1,870)	(1,888)	(1,998)	(2,030)
Total loans to individuals	592,571	588,989	582,371	571,487	549,524	534,395	526,498	501,578	472,550

Loans to corporates

Overdrafts	40,673	36,921	33,369	28,933	26,675	20,371	18,301	15,146	13,478
Credit cards	1,927	1,976	1,838	1,835	1,750	1,526	1,449	1,214	1,323
Mortgage loans	66,118	57,081	60,528	60,573	54,991	46,508	41,588	43,902	39,462
Other loans	438,718	434,348	411,792	388,476	383,678	379,685	354,113	342,066	324,573
Provision on loans	(5,386)	(5,187)	(5,141)	(6,152)	(5,952)	(6,102)	(5,712)	(6,966)	(7,398)
Total loans to corporates	542,050	525,139	502,386	473,665	461,142	441,988	409,739	395,362	371,438

Loans to corporates specified by sector:

Agriculture and forestry	2.9%	2.2%	2.3%	2.5%	2.5%	2.5%	2.5%	2.4%	2.4%
Services	3.7%	3.6%	3.8%	4.1%	4.4%	4.3%	4.2%	3.5%	3.8%
Financial and insurance activities	8.0%	8.1%	8.2%	9.4%	9.8%	10.6%	11.2%	11.6%	9.6%
Industry, energy and manufacturing	9.6%	9.4%	8.8%	8.6%	8.1%	7.9%	6.8%	7.2%	7.6%
Information and communication technology	5.0%	5.3%	4.9%	4.9%	3.9%	5.3%	4.1%	2.3%	3.5%
Public administration, human health and social activities	2.3%	2.2%	2.1%	1.8%	1.6%	1.6%	1.7%	1.4%	1.5%
Real estate activities and construction	33.5%	31.6%	31.9%	32.0%	33.1%	31.0%	31.1%	34.3%	33.8%
Fishing industry	15.0%	17.0%	18.2%	17.9%	18.0%	17.6%	19.1%	20.8%	20.0%
Transportation	2.6%	2.7%	2.8%	3.2%	3.2%	3.0%	3.5%	3.6%	3.2%
Wholesale and retail trade	17.4%	17.9%	16.9%	15.5%	15.4%	16.0%	15.9%	12.9%	14.5%
	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

30.06.2023 31.03.2023 31.12.2022 30.09.2022 30.06.2022 31.03.2022 31.12.2021 30.09.2021 30.06.2021

Capital base:

Total equity	186,316	179,932	187,956	186,153	182,277	173,013	193,681	194,580	193,605
Deductions related to the consolidated situation	-	-	-	-	-	-	-	-	-
Unaudited interim net earnings	-	(6,285)	-	(4,863)	-	(5,818)	-	-	-
Non-controlling interest not eligible for inclusion in CET1 capital	(665)	(656)	(649)	(680)	(686)	(680)	(673)	(680)	(180)
Common Equity Tier 1 capital before regulatory adjustments	185,651	172,991	187,307	180,610	181,591	166,515	193,008	193,900	193,425
Intangible assets	(6,888)	(6,601)	(6,425)	(6,055)	(6,011)	(8,490)	(8,435)	(9,654)	(9,532)
Tax assets	-	-	-	-	-	-	-	-	-
Foreseeable dividend	(6,683)	(897)	(15,980)	(10,570)	(7,759)	-	(26,773)	(17,176)	(14,924)
Adjustment under IFRS 9 transitional arrangements	766	687	1,142	1,018	890	1,199	920	1,379	1,936
Other statutory deductions	(254)	(4,858)	(27)	(254)	(227)	4,417	(437)	(1,601)	(1,702)
Common equity Tier 1 capital	172,592	161,322	166,017	164,749	168,484	163,641	158,283	166,848	169,203
Non-controlling interest eligible for inclusion in CET1 capital	102	103	105	87	91	89	133	680	180
Additional Tier 1 capital	12,931	12,869	13,396	13,297	12,714	12,315	13,225	13,302	12,847
Tier 1 capital	185,625	174,294	179,518	178,133	181,289	176,045	171,641	180,830	182,230
Tier 2 instruments	33,546	33,812	33,935	20,792	20,678	21,359	21,863	22,175	21,696
Tier 2 instruments of financial sector entities (signif. invest.)	(1,216)	(1,200)	(1,155)	(1,154)	(1,111)	(1,089)	(1,056)	(1,051)	(1,032)
Tier 2 Capital	32,330	32,612	32,780	19,638	19,567	20,270	20,807	21,124	20,664
Total own funds	217,955	206,906	212,298	197,771	200,856	196,315	192,448	201,954	202,894

Risk weighted exposure amount (REA)

Credit Risk, loans	736,432	730,700	707,479	693,037	664,294	664,568	623,395	593,552	567,958
Credit Risk, securities and other	56,425	54,540	57,651	64,164	78,607	72,948	69,553	71,200	62,566
Counterparty credit risk	15,923	16,257	14,645	11,946	9,371	7,505	7,761	7,832	7,879
Market Risk due to currency imbalance	1,417	2,851	1,387	1,778	4,262	8,476	4,691	5,748	1,056
Market Risk Other	8,628	8,647	7,493	10,315	15,678	18,925	8,958	10,862	15,944
Credit valuation adjustment	3,709	4,931	6,010	2,830	1,708	2,171	2,379	2,661	2,543
Operational Risk	89,166	89,166	89,166	84,670	84,670	96,085	96,085	88,462	88,462
Total risk weighted exposure amount	911,700	907,092	883,831	868,740	858,590	870,678	812,822	780,317	746,408

Capital and Risk Weighted Assets

ISK million

30.06.2023 31.03.2023 31.12.2022 30.09.2022 30.06.2022 31.03.2022 31.12.2021 30.09.2021 30.06.2021

Capital ratios**

CET 1 ratio	18.9%	18.6%	18.8%	19.3%	19.7%	18.6%	19.6%	20.3%	22.7%
Tier 1 ratio	20.4%	20.1%	20.3%	20.5%	20.9%	19.7%	21.2%	22.1%	24.4%
Capital adequacy ratio	23.9%	23.7%	24.0%	23.1%	23.5%	22.4%	23.8%	25.4%	27.2%

Leverage ratio

On-balance sheet exposures	1,475,365	1,457,202	1,415,353	1,380,093	1,340,969	1,313,520	1,256,916	1,294,546	1,165,903
Derivative exposures	28,229	30,411	32,118	25,837	18,745	13,737	4,796	7,076	6,574
Securities financing transaction exposures	28,903	39,705	10,174	10,943	10,549	354	720	689	74
Off-balance sheet exposures	56,058	57,645	59,723	63,019	68,435	76,115	102,016	89,800	73,017
Total exposure	1,588,555	1,584,963	1,517,368	1,479,892	1,438,698	1,403,726	1,364,448	1,392,111	1,245,568
Tier 1 capital	185,625	174,294	179,518	178,133	181,289	176,045	171,641	180,830	182,230
Leverage ratio	11.7%	11.0%	11.8%	12.0%	12.6%	12.5%	12.6%	13.0%	14.6%

Related ratios

Return on REA	3.0%	2.8%	3.0%	3.2%	3.7%	2.8%	3.7%	3.9%	3.7%
REA/Total assets	60.1%	60.4%	60.1%	60.8%	62.1%	64.9%	61.9%	58.0%	61.3%

*Capital ratios include interim profit in Q1 and Q3 figures

Disclaimer

This document has been prepared for information purposes only and should not be relied upon, or form the basis of any action or decision, by any person. Nothing in this document is, nor shall be relied on as, a promise or representation as to the future. In supplying this document, Arion Bank does not undertake any obligation to provide the recipient with access to any additional information or to update this document or to correct any inaccuracies herein which may become apparent.

The information relating to Arion Bank, its subsidiaries and associates and their respective businesses and assets contained in, or used in preparing, this document has not been verified or audited. Further, this document does not purport to provide a complete description of the matters to which it relates.

Some information may be based on assumptions or market conditions and may change without notice. Accordingly, no representation or warranty, express or implied, is made as to the fairness, accuracy, completeness or correctness of the information, forecasts, opinions and expectations contained in this document and no reliance should be placed on such information, forecasts, opinions and expectations. To the extent permitted by law, none of Arion Bank or any of their affiliates or advisers, any of their respective directors, officers or employees, or any other person, accepts any liability whatsoever for any loss howsoever arising from any use of this document or its contents or otherwise arising in connection with this document.

Due to rounding, numbers in the disclosures may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.

By accepting this document you agree to be bound by the foregoing instructions and limitations.



Arion Bank

Borgartún 19, 105 Reykjavík

Id.: 581008-0150