



# Fourth quarter and full-year 2023 results

Press release 7 February 2024

# Arion Bank – Q4 2023 and the full-year 2023 results

## Financial highlights for Q4 2023

- Arion Bank reports net earnings of ISK 6,224m in Q4 2023, compared with ISK 4,965m in Q4 2022
- Return on equity was 12.7%, compared with 10.6% in Q4 2022
- Earnings per share in ISK of 4.28 in Q4, compared with 3.37 in Q4 2022
- Net interest margin of 3.1%, the same as in Q4 2022
- Solid quarter for the fee generating businesses, with total fees of ISK 3.9bn
- Core operating income, defined as net interest income, net commission income and insurance service results (excluding opex of the insurance operation), increased by 2%, compared with Q4 2022
- Cost-to-core income ratio in Q4 was 54.9%, compared with 53.7% in Q4 2022

## Financial highlights for the year 2023

- Arion Bank reports net earnings of ISK 25,737m in 2023, compared with ISK 25,958m in 2022
- Return on equity in 2023 was 13.6%, compared with 14.1% in 2022
- Earnings per share in ISK of 17.8 in 2023, compared with 17.4 in 2022
- Net interest margin of 3.1%, the same as in 2022
- Solid year for the fee generating businesses, with total fees of ISK 16.4bn
- Core operating income, defined as net interest income, net commission income and insurance service results (excluding opex of the insurance operation), increased by 7%, compared with 2022
- Cost-to-core income ratio was 44.7%, compared with 45.0% in 2022
- The balance sheet increased by 4.1% from year-end 2022
- Loans to customers increased by 6.3% during the year. The increase was 8.2% in corporate lending and 4.6% in loans to individuals, mainly mortgages
- Deposits from customers increased by 4.9% in 2023
- The Bank's capital ratio was 24.1% and the CET1 ratio was 19.7% at the end of December
- The Board proposes a dividend payment of ISK 9.0 per share, equaling around ISK 13bn, net of own shares

## Benedikt Gíslason, CEO of Arion Bank

"Arion Group posted solid financial results for 2023 which were in line with our targets. For the third year in succession, we reached all our key financial targets. Our unique and diverse service offering lays the foundations for a stable business. In fact, no other financial institution in Iceland offers its customers such a broad spectrum of financial services as Arion Group. The Bank remains financially robust, and the capital ratio and CET1 ratio are well above the requirements made by the Financial Supervisory Authority of the Central Bank of Iceland and Icelandic law. Liquidity was also very strong at year-end and well above the regulatory minimum. The board of directors of Arion Bank will propose at the AGM on 13 March that a dividend be paid in accordance with the Bank's dividend policy amounting to ISK 9 a share.

The two dominant stories domestically in 2023 were the struggle against high inflation and the seismic activity on the Reykjanes Peninsula which has created uncertainty around the future of the town of Grindavík. The people of Grindavík face a great challenge, not knowing when or even whether it will be possible to move back to their town. In response to this uncertainty, we decided with other financial institutions in November to freeze mortgages in Grindavík for three months and to waive interest and indexation on the loans for this period. In early 2024, we extended these measures for a further three months, or until the end of April. By doing this we hope to help alleviate the concerns the people of Grindavík are experiencing at the moment.



During the year we introduced two new measures to accommodate customers who are experiencing higher loan repayments as the fixed mortgage rate period comes to an end. Firstly, there is a *payment holiday* for one month a year, and secondly there is a so-called *payment limit* which means that we reduce the interest paid by up to 4 percentage points. The deferred interest payment is then added to the loan principal. This option is ideal for people who want to lower their monthly repayments but still want non-indexed loans. We have also made a concerted effort to reach out to this group of customers so we can discuss with them what the available options are.

In 2023 we placed a special focus on gender equality when it comes to investment and wealth. We carefully analyzed the investment market, and unfortunately it came as no surprise to discover that there is a great disparity between the men and women in terms of savings, pensions and engagement in the financial market. We have therefore launched the long-term initiative *Women invest* whose aim is to promote investment by women. We have set targets on what we want to achieve over the next few years. The initiative has got off to excellent start and there has been a full house at the events we have organized so far.

Moody's Investors Service rated Arion Bank's covered bonds for the first time. Arion Bank was assigned an Aa2 long-term rating for its euro-denominated covered bonds. Arion was the first Icelandic bank to issue such bonds which today are a vital source of funding in the Icelandic financial system. This is the highest rating assigned to an Icelandic issuer and it is three notches higher than the Icelandic government. This represents an important milestone which will help to attract new investors in the Bank's covered bonds.

Brynjólfur Bjarnason, who was first elected to the board of directors at a shareholders' meeting in November 2014, and went on to be elected as chairman of the board in March 2019, has decided not to stand for re-election to the board of directors. This brings to a close an important chapter, and on behalf of the employees of Arion I would like to thank Brynjólfur for his outstanding and invaluable contribution."

### **Brynjólfur Bjarnason, outgoing Chairman of the Board of Directors:**

"After having served on the Board of Directors of Arion Bank for a decade, the last five years of which as chairman, I feel it is the right time to step back. It has been a great privilege to have joined the Bank on its journey, which has been most eventful over these past 10 years.

Arion Bank has been at the very forefront of introducing digital and convenient financial services in Iceland. The Bank has greatly expanded its service offering, and there are few banks in Europe which offer as diverse a range of financial services as Arion Bank and its subsidiaries after insurance became an integral part of the Group's services. The Bank has performed well and its balance sheet is robust. Given these strong foundations, I am convinced that Arion Bank is well equipped to tackle the challenges on the road ahead. I am grateful to the Bank's shareholders for their support. I would also like to thank the employees of Arion Bank, the board of directors and our customers for making our time together such a success."

**The nomination committee of Arion Bank advertised for candidates for the Board of Directors on 4 January and has extended the deadline for submitting candidacies, if candidates wish to get an assessment from the nomination committee, until 21 February. The general deadline for candidacies is 5 days before the AGM, 4:00 p.m. GMT on 8 March 2024.**



## Income Statement

<i>In ISK millions</i>	Q4 2023	Q4 2022	Δ	Δ %	2023	2022	Δ	Δ %
Net interest income	11,347	10,623	724	7%	44,685	40,201	4,484	11%
Net commission income	3,903	4,254	(351)	(8%)	16,389	16,449	(60)	(0%)
Insurance service results	(284)	(232)	(52)	22%	152	615	(463)	(75%)
Net financial income	1,370	(52)	1,422	-	1,366	(3,286)	4,652	-
Other operating income	(24)	52	(76)	(146%)	1,589	1,314	275	21%
<b>Operating income</b>	<b>16,312</b>	<b>14,645</b>	<b>1,667</b>	<b>11%</b>	<b>64,181</b>	<b>55,293</b>	<b>8,888</b>	<b>16%</b>
Operating expenses	(7,830)	(7,474)	(356)	5%	(25,701)	(24,329)	(1,372)	6%
Bank levy	(422)	(496)	74	(15%)	(1,796)	(1,749)	(47)	3%
Net impairment	13	411	(398)	(97%)	(1,348)	144	(1,492)	-
<b>Net earnings before income tax</b>	<b>8,073</b>	<b>7,086</b>	<b>987</b>	<b>14%</b>	<b>35,336</b>	<b>29,359</b>	<b>5,977</b>	<b>20%</b>
Income tax expense	(1,808)	(1,755)	(53)	3%	(9,595)	(9,944)	349	(4%)
<b>Net earnings from cont. operations</b>	<b>6,265</b>	<b>5,331</b>	<b>934</b>	<b>18%</b>	<b>25,741</b>	<b>19,415</b>	<b>6,326</b>	<b>33%</b>
Discontinued operations, net of tax	(41)	(366)	325	-	(4)	6,543	(6,547)	-
<b>Net earnings</b>	<b>6,224</b>	<b>4,965</b>	<b>1,259</b>	<b>25%</b>	<b>25,737</b>	<b>25,958</b>	<b>(221)</b>	<b>(1%)</b>
<b>KFI's</b>								
Return on equity (ROE)	12.7%	10.6%			13.6%	14.1%		
Return on total assets (ROA)	1.6%	1.4%			1.7%	1.9%		
Earnings per share (in ISK)	4.28	3.37			17.80	17.40		
Cost to core income ratio	54.9%	53.7%			44.7%	45.0%		
Net interest margin (NIM)	3.1%	3.1%			3.1%	3.1%		
Core income / REA	7.0%	7.1%			7.1%	6.9%		

*Net interest income* in the fourth quarter of 2023 increased by 6.8%, compared with the fourth quarter of 2022. The net interest margin (NIM) as a percentage of average interest-bearing assets was 3.1% for the quarter, the same as for the fourth quarter of 2022. The Central Bank base rate was 9.25% at the end of 2023, compared with 6% at the end of 2022. Rate sensitivity is slowing as interest expense is increasing on both deposits and wholesale funding. Average interest-bearing assets increased by 6.9%, compared with the fourth quarter of 2022, mainly loans to customers.

*Net commission income* was solid in the fourth quarter of 2023, amounting to ISK 3.9 bn. Fees in lending and guarantees were solid despite low loan growth in the quarter. Capital markets and corporate finance fees increased from the last quarter, partly due to the listing of Ísflélagid on Nasdaq Iceland. Income from asset management has been slightly lower in the last two quarters as there have been no performance-based fees.

*Insurance service results* of the insurance company Vörður were negative by ISK 284m during the quarter, after the elimination of intercompany transactions. There has been strong growth of 21% in insurance revenues, compared with the fourth quarter of 2022. Seasonality in claims normally results in Q4 and Q1 annual highs in the claim ratio. In addition, fire insurance claims increased between years and were seven times the average for the years 2017-2021. Due to the adoption of IFRS 17 *Insurance Contracts*, as of 1 January, the presentation of insurance results has been changed, the largest change being a shift of insurance service expenses from operating expenses to insurance service results. The combined ratio for the fourth quarter of 2023 was 105.4%, compared with 103.3% for the same period in 2022. ROE of Vörður stand-alone was just under 9% for the year 2023 and has been below target for the past couple of years. This is primarily due to volatile capital markets and depressed investment income.

*Net financial income* was ISK 1,370m for the quarter and is recovering to a more normalized quarter following a period of challenging markets.

*Operating expenses* increased by 4.8% in the fourth quarter, compared with the same period in 2022. When operating expenses of the insurance operation are included (post IFRS 17 cost related to insurance business is accounted for through insurance service results), the increase was 4.2%. There is an ongoing focus on operating expenses and efficiency within the Group. Cost-to-core income ratio was 54.9% in the fourth quarter, compared with 53.7% in the fourth quarter 2022, when including the operating expenses of the insurance operation. Salary expenses increased compared with the fourth quarter of 2022, mainly due to new labor agreements and an increase in the number of FTEs. At the end of December, the number of full-time equivalent positions (FTEs) was 822, an increase of 5% from the same period in 2022.

*Net impairment* was immaterial in the fourth quarter of 2023, with significant shifts between classification of loans between stages, where Stage 3 and Stage 1 increased but Stage 2 loans decreased. At year-end the total provision on loans to customers was 0.74% compared with 0.63% at year-end 2022.

*Income tax*, as reported in the financial statements, comprises 20% income tax on earnings and a special 6% financial tax on the earnings of financial undertakings of more than ISK 1bn. The effective income tax rate was 22.4% for the quarter. In general, the combination of income is the main driver behind the fluctuation in the effective tax rate.



## Balance sheet

The balance sheet increased by 4.1% from year-end 2022 and the liquidity position remains strong.

### Assets

<i>In ISK' millions</i>	31.12.2023	31.12.2022	Δ	Δ %	30.09.2023	Δ	Δ %
Cash & balances with CB	102,095	114,118	(12,023)	(11%)	80,288	21,807	27%
Loans to credit institutions	28,835	45,501	(16,666)	(37%)	51,302	(22,467)	(44%)
Loans to customers	1,152,789	1,084,757	68,032	6%	1,143,473	9,316	1%
Financial instruments	205,706	193,328	12,378	6%	221,012	(15,305)	(7%)
Investment property	9,493	7,862	1,631	21%	9,461	32	0%
Intangible assets	8,051	8,783	(732)	(8%)	8,289	(238)	(3%)
Other assets	18,703	11,260	7,443	66%	26,844	(8,141)	(30%)
<b>Total assets</b>	<b>1,525,672</b>	<b>1,465,609</b>	<b>60,063</b>	<b>4%</b>	<b>1,540,669</b>	<b>(14,996)</b>	<b>(1%)</b>

### KFI's

REA / Total assets	59.7%	60.1%		58.9%
Share of stage 3 loans, gross	1.7%	1.4%		1.5%

*Loans to customers* increased by 6.3% or ISK 68bn from the end of 2022, with loans to corporates increasing by 8.2%, and loans to individuals growing by 4.6%. Part of this growth, or ISK 10bn, is due to inflation and changes in currencies. The growth rate has decreased in recent quarters, especially in corporates with the economic environment slowing down following the changes in the interest rate environment. The diversification of the corporate loan book continues to be good and in line with the Bank's credit strategy.

The Bank's liquidity position is strong with the total LCR ratio at 192% and the ISK LCR ratio at 117%. This is reflected in the strong position in *Cash and balances with Central Bank*, *Loans to credit institutions* and *Financial assets*, including bonds and debt instruments. The average duration of liquidity in the bond portfolio is less than one year and there is no HTM accounting.

*Investment property* increased by 20.8% or ISK 1.6bn from the end of 2022. This increase is mainly due to valuation change in Blikastadir, which holds the largest undeveloped plots of land in the capital area. In June, the planning committee of the municipality permitted the town's planning officer to begin preparations for the first phase of the main plan, which covers 30-35 hectares.

### Liabilities and equity

<i>In ISK' millions</i>	31.12.2023	31.12.2022	Δ	Δ %	30.09.2023	Δ	Δ %
Due to credit institutions & CB	2,771	11,697	(8,926)	(76%)	13,144	(10,373)	(79%)
Deposits from customers	792,710	755,361	37,349	5%	806,331	(13,621)	(2%)
Other liabilities	69,151	70,702	(1,551)	(2%)	73,886	(4,735)	(6%)
Borrowings	420,460	392,563	27,897	7%	407,895	12,565	3%
Subordinated liabilities	41,279	47,330	(6,051)	(13%)	46,853	(5,574)	(12%)
<b>Total liabilities</b>	<b>1,326,371</b>	<b>1,277,653</b>	<b>48,718</b>	<b>3.8%</b>	<b>1,348,109</b>	<b>(21,738)</b>	<b>(2%)</b>
Shareholders equity	198,798	187,307	11,491	6%	191,899	6,899	4%
Non-controlling interest	503	649	(146)	(22%)	661	(158)	(24%)
<b>Total equity</b>	<b>199,301</b>	<b>187,956</b>	<b>11,345</b>	<b>6%</b>	<b>192,560</b>	<b>6,741</b>	<b>4%</b>
<b>Total liabilities and equity</b>	<b>1,525,672</b>	<b>1,465,609</b>	<b>60,063</b>	<b>4%</b>	<b>1,540,669</b>	<b>(14,997)</b>	<b>(1%)</b>

### KFI's

Loans to Deposits ratio	145.4%	143.6%		141.8%
CET 1 ratio	19.7%	18.8%		19.4%
Capital adequacy ratio	24.1%	24.0%		24.4%

*Deposits from customers* remain the most important source of funding for Arion Bank, with 60% of total liabilities in deposits. The increase from year-end 2022 is mainly from individuals, SMEs and corporates, which are more valuable for the Bank in terms of liquidity rates.

The maturity profile of *Borrowings* is balanced, and the Bank has broad funding options. In December a new senior preferred bond issuance in ISK was well received, with a total issuance of ISK 8.7bn. The Bank continued to issue covered bonds in the domestic market. The total covered bond issuance in 2023 was ISK 44bn, of which ISK 22.6bn are for own use. Funding spreads in the international market have developed favorably in recent months. The Bank has no significant FX maturities until December 2024.



Shareholders' equity increased due to net earnings of ISK 25.7bn in 2023, which was partly offset by dividend payments and the purchase of own shares, in total ISK 15.6bn. The leverage ratio was 12.4% at the end of December, compared with 11.8% at the end of 2022, which is high by international standards. Considering the raised countercyclical buffer to 2.5% and the Bank's current AT1 ratio, which is 40 bps less than the optimal value, the Bank has ISK 36bn of surplus capital over regulatory requirement. The management buffer range implies surplus capital beyond the management buffer in the range from ISK 13bn to ISK 23bn. Rating considerations may impact capital management in the near term.

For further information on the accounts please visit Arion Bank's [website](#).

## Medium-term financial targets

Medium-term financial targets of Arion Bank

	Actuals Q4 2023	Actuals 2023	Arion Bank's medium-term financial targets
Return on equity	12.7%	13.6%	Exceed 13%
Core operating income / REA	7.0%	7.1%	Exceed 6.7%
Insurance premium growth (YoY)	21.0%	15.0%	Premium growth (net of reinsurance) to exceed the growth of the domestic market by more than 3% (Premium growth in the domestic insurance market was 10.2% for 9M 2023)
Cost-to-core income ratio	54.9%	44.7%	Below 48%
CET1 ratio above regulatory capital requirements	480 bps	480 bps	150-250 bps management buffer (~16.4 - 17.4% based on current capital requirements and current AT1 and T2 ratios)
Dividend pay-out ratio	50%	50%	Pay-out ratio of approximately 50% of net earnings attributable to shareholders through either dividends or buyback of the Bank's shares or a combination of both

## Investor meeting in English on Thursday 8 February at 9:30 CET (8:30 GMT)

Arion Bank will be hosting a meeting at the Bank's headquarters in Borgartún 19, Reykjavík, on Thursday 8 February at 9:30 CET (8:30 GMT) where CEO Benedikt Gíslason and CFO Ólafur Hrafn Höskuldsson will present the results and give an update on the economic environment. The meeting will take place in English and will also be streamed live.

The webcast will be accessible live on [Lumiconnect](#) and a link is also available on the Bank's website under [Investor Relations](#).

Participants attending virtually will be able to ask questions during the meeting through a message board on the same site. Answers will be provided by presenters at the end of the webcast.

## Financial calendar

Arion Bank's financial calendar is available on the Bank's [website](#).

Arion Bank will host its Capital Markets Day 1 March and the AGM on 13 March.

For any further information please contact Theodór Fridbertsson, [Head of IR](#), tel. +354 856 6760, or Haraldur Gudni Eidsson, [Head of Corporate Communications](#), tel. +354 856 7108.

### Forward-looking statements

This release contains forward-looking statements that reflect management's current views with respect to certain future events and potential financial performance. The information in the release is based on company data available at the time of the release. Although Arion Bank believes that the expectations reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations will prove to have been correct. Accordingly, results could differ materially from those set out in the forward-looking statements as a result of various factors. The most important factors that may cause such a difference for Arion Bank include, but are not limited to: a) the macroeconomic development, b) change in inflation, interest rate and foreign exchange rate levels, c) change in the competitive environment and d) change in the regulatory environment and other government actions. This release does not imply that Arion Bank has undertaken to revise any forward-looking statements, beyond what is required by applicable law or applicable stock exchange regulations if and when circumstances arise that will lead to changes after the date when this release was made. Arion Bank assumes no responsibility or liability for any reliance on any of the information contained herein. It is prohibited to distribute or publish any information in this release without Arion Bank's prior written consent.



**Consolidated Income Statement  
Q4 2023 overview**



## Consolidated Income Statement - Q4 2023 overview

Comparative figures have been restated in accordance with IFRS 17.

	Notes	Q4 2023	Q4 2022
Interest income .....		32,461	21,800
Interest expense .....		(21,114)	(11,177)
<b>Net interest income .....</b>	<b>A</b>	<b>11,347</b>	<b>10,623</b>
Fee and commission income .....		4,882	5,010
Fee and commission expense .....		(979)	(756)
<b>Net fee and commission income .....</b>	<b>B</b>	<b>3,903</b>	<b>4,254</b>
Insurance revenue .....		4,761	3,938
Insurance service expenses .....		(5,045)	(4,170)
<b>Insurance service results .....</b>	<b>C</b>	<b>(284)</b>	<b>(232)</b>
Net financial income .....	D	1,370	(52)
Other operating income .....	E	(24)	52
<b>Other net operating income .....</b>		<b>778</b>	<b>-</b>
<b>Operating income .....</b>		<b>16,312</b>	<b>14,645</b>
Operating expenses .....	F	(7,830)	(7,474)
Bank levy .....		(422)	(496)
Net impairment .....	G	13	411
<b>Earnings before income tax .....</b>		<b>8,073</b>	<b>7,086</b>
Income tax expense .....	H	(1,808)	(1,755)
<b>Net earnings from continuing operations .....</b>		<b>6,265</b>	<b>5,331</b>
Discontinued operations held for sale, net of income tax .....	I	(41)	(366)
<b>Net earnings .....</b>		<b>6,224</b>	<b>4,965</b>
<b>Attributable to</b>			
Shareholders of Arion Bank hf. ....		6,253	4,959
Non-controlling interest .....		(29)	6
<b>Net earnings .....</b>		<b>6,224</b>	<b>4,965</b>





## Disclosures for Q4 2023

Comparative figures have been restated in accordance with IFRS 17.

### A. Net interest income

Q4 2023	Amortized cost	Fair value thr. P/L	Fair value thr. OCI	Total
<i>Interest income</i>				
Cash and balances with Central Bank .....	1,684	-	-	1,684
Loans to credit institutions .....	430	-	-	430
Loans to customers .....	28,312	-	-	28,312
Securities .....	-	508	1,479	1,987
Other .....	48	-	-	48
<b>Interest income .....</b>	<b>30,474</b>	<b>508</b>	<b>1,479</b>	<b>32,461</b>
<i>Interest expense</i>				
Deposits .....	(12,926)	-	-	(12,926)
Borrowings .....	(5,450)	(1,619)	-	(7,069)
Subordinated liabilities .....	(942)	(152)	-	(1,094)
Other .....	(25)	-	-	(25)
<b>Interest expense .....</b>	<b>(19,343)</b>	<b>(1,771)</b>	<b>-</b>	<b>(21,114)</b>
<b>Net interest income .....</b>	<b>11,131</b>	<b>(1,263)</b>	<b>1,479</b>	<b>11,347</b>
<i>Q4 2022</i>				
<i>Interest income</i>				
Cash and balances with Central Bank .....	1,228	-	-	1,228
Loans to credit institutions .....	154	27	-	181
Loans to customers .....	19,926	-	-	19,926
Securities .....	-	(174)	510	336
Other .....	129	-	-	129
<b>Interest income .....</b>	<b>21,437</b>	<b>(147)</b>	<b>510</b>	<b>21,800</b>
<i>Interest expense</i>				
Deposits .....	(6,865)	-	-	(6,865)
Borrowings .....	(3,629)	-	-	(3,629)
Subordinated liabilities .....	(614)	-	-	(614)
Other .....	(69)	-	-	(69)
<b>Interest expense .....</b>	<b>(11,177)</b>	<b>-</b>	<b>-</b>	<b>(11,177)</b>
<b>Net interest income .....</b>	<b>10,260</b>	<b>(147)</b>	<b>510</b>	<b>10,623</b>
<i>Interest spread</i>				
Interest spread (the ratio of net interest income to the average carrying amount of interest bearing assets) .....			Q4 2023	Q4 2022
			3.1%	3.1%

### B. Net fee and commission income

	Q4 2023			Q4 2022		
	Income	Expense	Net income	Income	Expense	Net income
Asset management .....	1,222	(154)	1,068	1,326	(160)	1,166
Capital markets and corporate finance .....	658	(10)	648	686	(9)	677
Lending and financial guarantees .....	932	-	932	917	-	917
Collection and payment services .....	401	(26)	375	376	(25)	351
Cards and payment solution .....	1,497	(666)	831	1,316	(476)	840
Other .....	172	(235)	(63)	389	(153)	236
Commission expense from insurance operation .....		112	112		67	67
<b>Net fee and commission income .....</b>	<b>4,882</b>	<b>(979)</b>	<b>3,903</b>	<b>5,010</b>	<b>(756)</b>	<b>4,254</b>



## Disclosures for Q4 2023

	Q4 2023	Q4 2022
<b>C. Insurance service results</b>		
Insurance revenue .....	4,761	3,938
Incurred claims .....	(3,952)	(3,190)
Service expenses .....	(956)	(853)
Insurance service expenses .....	(4,908)	(4,043)
Net expense from reinsurance contracts held .....	(137)	(127)
<b>Insurance service results</b> .....	<b>(284)</b>	<b>(232)</b>
<b>D. Net financial income</b>		
Net gain on financial assets and financial liabilities mandatorily measured at fair value through profit or loss .....	1,587	571
Net gain on buy back of issued bonds .....	136	-
Net gain (loss) on fair value hedge of interest rate swap .....	2	(568)
Realized loss on financial assets carried at fair value through OCI .....	(245)	(141)
Net financial loss on insurance contracts .....	(315)	(208)
Net foreign exchange gain .....	205	294
<b>Net financial income</b> .....	<b>1,370</b>	<b>(52)</b>
<i>Net gain on financial assets and financial liabilities mandatorily measured at fair value through profit or loss</i>		
Equity instruments .....	1,018	402
Debt instruments .....	736	(135)
Derivatives .....	(167)	304
<b>Net gain on financial assets and financial liabilities mandatorily measured at fair value through profit or loss</b> .....	<b>1,587</b>	<b>571</b>
<i>Net loss on fair value hedge of interest rate swap</i>		
Fair value change of interest rate swaps designated as hedging instruments .....	5,072	(936)
Fair value change on bonds issued by the Group attributable to interest rate risk .....	(5,070)	368
<b>Net loss on fair value hedge of interest rate swap</b> .....	<b>2</b>	<b>(568)</b>
<b>E. Other operating income</b>		
Fair value changes on investment property .....	6	4
Net gain on disposal of assets .....	2	-
Net gain on assets held for sale .....	-	(1)
Other income .....	(32)	49
<b>Other operating income</b> .....	<b>(24)</b>	<b>52</b>
<i>Net gain on assets held for sale</i>		
Income from real estates and other assets .....	10	4
Expense related to real estates and other assets .....	(10)	(5)
<b>Net gain on assets held for sale</b> .....	<b>-</b>	<b>(1)</b>



## Disclosures for Q4 2023

F. Operating expenses	Q4 2023	Q4 2022
Salaries and related expenses .....	5,414	5,373
Other operating expenses .....	3,263	2,954
Operating expenses from insurance operation .....	(847)	(853)
<b>Operating expenses</b> .....	<b>7,830</b>	<b>7,474</b>
 <b>Salaries and related expenses</b>		
<i>Salaries and related expenses</i>		
Salaries .....	3,152	2,896
Incentive scheme .....	1,053	1,217
Share-based payment expense .....	46	78
Defined contribution pension plans .....	613	608
Salary-related expenses .....	550	574
<b>Salaries and related expenses</b> .....	<b>5,414</b>	<b>5,373</b>
 <b>Other operating expenses</b>		
IT expenses .....	1,248	1,157
Professional services .....	396	282
Marketing .....	305	317
Housing expenses .....	140	161
Other administration expenses .....	588	593
Depreciation of property and equipment .....	150	132
Depreciation of right of use asset .....	34	32
Amortization of intangible assets .....	402	280
<b>Other operating expenses</b> .....	<b>3,263</b>	<b>2,954</b>
 <b>G. Net impairment</b>		
<i>Net impairment on financial instruments and value changes on loans</i>		
Net impairment on loans to customers and financial institutions .....	(8)	347
Net impairment on other financial instruments at FVOCI .....	1	6
Other value changes of loans - corporates .....	1	5
Other value changes of loans - individuals .....	19	53
<b>Net impairment</b> .....	<b>13</b>	<b>411</b>
 <i>Net impairment by customer type</i>		
Individuals .....	(192)	54
Corporates .....	205	357
<b>Net impairment</b> .....	<b>13</b>	<b>411</b>
 <b>H. Income tax expense</b>		
Current tax expense .....	1,996	(2,623)
Deferred tax expense .....	(188)	4,378
<b>Income tax expense</b> .....	<b>1,808</b>	<b>1,755</b>
 <b>J. Discontinued operations held for sale, net of income tax</b>		
Net loss from discontinued operations held for sale .....	(42)	(366)
Income tax expense .....	1	-
<b>Discontinued operations held for sale, net of income tax</b> .....	<b>(41)</b>	<b>(366)</b>