

Arion Bank Factbook

30 June 2017

Unaudited

KFI - 5 years

ISK million	H1 2017	2016	2015	2014	2013
Profitability					
Return on equity	9.7%	10.5%	28.1%	18.6%	9.2%
Return on assets	1.9%	2.1%	5.0%	3.0%	1.4%
Return on risk-weighted-assets	2.8%	2.9%	6.7%	4.0%	1.9%
Earnings per share	5.23	10.57	20.98	14.23	6.51
Earnings per share from continuing operations	5.02	10.13	20.80	10.82	6.31
Net interest margin					
Net interest margin on interest bearing assets	3.0%	3.1%	3.0%	2.8%	2.9%
Net interest margin on total assets	2.8%	2.9%	2.7%	2.6%	2.6%
Efficiency					
Cost-to-income ratio	50.6%	57.2%	32.3%	49.8%	56.9%
Cost-to-total assets ratio	2.5%	3.0%	2.9%	2.9%	2.8%
Number of FTE's at year end	1,223	1,239	1,147	1,139	1,145
Asset quality					
Problem loans	1.3%	1.6%	2.5%	4.4%	6.3%
Loans in >90 days overdue	1.4%	1.2%	2.1%	3.6%	4.5%
Provision for losses/Gross impaired loans	76.0%	76.5%	75.8%	62.9%	58.2%
Gross impaired loans/Gross loans	2.1%	3.2%	4.7%	5.3%	6.5%
Past due loans but not impaired as % of gross loans	4.8%	4.9%	6.2%	7.2%	6.7%
Risk weighted assets / Total assets	67.0%	72.7%	79.9%	74.5%	76.8%
Financial strength					
Equity as % of total assets	19.7%	20.4%	20.0%	17.4%	15.4%
Liquidity					
Liquidity coverage ratio (LCR)	266.2%	171.3%	134.5%	174.0%	123.0%
Loans-to-deposits ratio	167.7%	172.9%	145.0%	142.3%	135.0%
Loans-to-deposits ratio (without covered bonds)	128.2%	133.8%	116.0%	114.0%	106.4%
Deposits from customers as % of total funding	52.6%	54.3%	67.4%	64.4%	64.1%
Covered bonds as % of total funding	20.8%	21.2%	19.5%	18.3%	18.1%
Capital					
CET 1 ratio ¹	27.7%	26.5%	22.3%	21.6%	-
Tier 1 ratio	27.8%	26.5%	23.4%	21.8%	19.2%
Tier 2 ratio	0.6%	0.6%	0.8%	4.5%	4.4%
Capital adequacy ratio	28.4%	27.1%	24.2%	26.3%	23.6%
Leverage ratio	17.4%	18.0%	16.7%	15.4%	14.5%

1) Figures not available for 2013

Income statement - 5 year summary

ISK million	H1 2017	H1 2016	H1 2015	H1 2014	H1 2013
Interest income	29,840	31,395	27,660	26,881	30,049
Interest expense	(14,520)	(16,769)	(14,485)	(14,915)	(17,382)
Net interest income	15,320	14,626	13,175	11,966	12,667
Fee and commission income	13,019	11,245	10,236	8,917	7,740
Fee and commission expense	(6,181)	(4,498)	(2,802)	(2,324)	(2,442)
Net fee and commission income	6,838	6,747	7,434	6,593	5,298
Net financial income	3,205	3,495	9,723	3,867	296
Net insurance income	1,053	391	388	319	363
Share of profit of associates	(934)	694	4,217	(80)	12
Other operating income	1,850	1,230	995	2,861	1,880
Operating income	27,332	27,183	35,932	25,526	20,516
Salaries and related expense	(8,783)	(8,426)	(7,167)	(7,164)	(6,679)
Other operating expenses	(5,057)	(6,730)	(5,864)	(5,637)	(6,058)
Bank Levy	(1,574)	(1,485)	(1,389)	(1,375)	(188)
Net impairment	1,289	945	(81)	2,001	134
Earnings before tax	13,207	11,487	21,431	13,351	7,725
Income tax	(3,161)	(2,091)	(2,367)	(2,467)	(1,749)
Net earnings from continuing operations	10,046	9,396	19,064	10,884	5,976
Net gain (loss) from discontinued operations, net of tax	420	363	262	6,525	(65)
Net earnings	10,466	9,759	19,326	17,409	5,911
Attributable to					
Shareholders of Arion Bank	10,464	9,262	19,297	17,263	6,137
Non-controlling interest	2	497	29	146	(226)
Total comprehensive income	10,466	9,759	19,326	17,409	5,911
Earnings per share from continuing operations					
Basic and diluted earnings per share attributable to the shareholders of Arion Bank (ISK)	5.02	4.45	9.52	5.37	3.10

Balance sheet - 5 year summary

ISK million	H1 2017	2016	2015	2014	2013
Assets					
Cash and balances with Central Bank	151,354	87,634	48,102	21,063	37,999
Loans to credit institutions	78,250	80,116	87,491	108,792	102,307
Loans to customers	733,649	712,422	680,350	647,508	635,774
Financial instruments	109,353	117,456	133,191	101,828	86,541
Investment property	7,166	5,358	7,542	6,842	28,523
Investments in associates	825	839	27,299	21,966	17,929
Intangible assets	11,639	11,057	9,285	9,596	5,383
Tax assets	413	288	205	655	818
Other assets	33,762	20,854	17,578	15,486	23,576
Total assets	1,126,411	1,036,024	1,011,043	933,736	938,850
Liabilities					
Due to credit institutions and Central Bank	7,644	7,987	11,387	22,876	28,000
Deposits	437,494	412,064	469,347	454,973	471,866
Financial liabilities at fair value	5,029	3,726	7,609	9,143	8,960
Tax liabilities	9,342	7,293	4,922	5,123	4,924
Other liabilities	65,074	54,094	49,461	47,190	43,667
Borrowings	380,061	339,476	256,058	200,580	204,568
Subordinated liabilities	-	-	10,365	31,639	31,918
Total liabilities	904,644	824,640	809,149	771,524	793,903
Equity					
Share capital and share premium	75,861	75,861	75,861	75,861	75,861
Other reserves	13,565	19,761	4,548	1,632	1,637
Retained earnings	132,167	115,590	112,377	83,218	62,591
Total shareholders equity	221,593	211,212	192,786	160,711	140,089
Non-controlling interest	174	172	9,108	1,501	4,858
Total equity	221,767	211,384	201,894	162,212	144,947
Total liabilities and equity	1,126,411	1,036,024	1,011,043	933,736	938,850

Net interest income - 5 year summary

ISK million	H1 2017	H1 2016	H1 2015	H1 2014	H1 2013
Interest income					
Cash and balances with Central bank	3,406	2,029	284	332	463
Loans	24,808	26,785	25,301	24,274	24,718
Securities	1,197	2,237	1,609	1,979	4,484
Other	429	344	466	296	384
Interest income	29,840	31,395	27,660	26,881	30,049
Interest expense					
Deposits	(6,942)	(8,744)	(7,460)	(8,784)	(9,906)
Borrowings	(7,533)	(7,810)	(6,494)	(5,463)	(6,772)
Subordinated liabilities	-	(186)	(503)	(650)	(662)
Other	(45)	(29)	(28)	(18)	(42)
Interest expense	(14,520)	(16,769)	(14,485)	(14,915)	(17,382)
Net interest income	15,320	14,626	13,176	11,966	12,667
Interest bearing assets					
Cash and balances with Central Bank	151,354	77,108	33,189	17,361	25,717
Loans	811,899	798,743	770,944	776,923	676,989
Securities	73,077	81,575	75,087	69,147	134,102
Interest bearing assets	1,036,330	957,425	879,220	863,431	836,808
Interest bearing liabilities					
Due to credit institutions and Central Bank	7,644	8,018	13,961	29,277	25,727
Deposits	437,494	423,089	472,304	474,229	466,834
Financial liabilities at fair value	5,029	4,722	4,145	7,646	10,005
Borrowings	380,061	329,885	241,880	199,882	203,100
Subordinated liabilities	-	9,553	10,884	31,189	32,503
Interest bearing liabilities	830,229	775,268	743,175	742,222	738,169
Interest Gap	206,101	182,157	136,045	121,209	98,639
Net interest margin on interest bearing assets	3.0%	3.1%	3.0%	2.8%	3.0%

Loans to customers - 5 year summary

ISK million	H1 2017	2016	2015	2014	2013
Loans to customers					
Individuals	343,402	337,416	324,619	321,311	310,491
Corporates	390,247	375,006	355,731	326,197	325,283
Total loans to customers	733,649	712,422	680,350	647,508	635,774
Loans to individuals					
Overdrafts	13,855	14,805	16,840	17,955	18,205
Credit cards	10,245	11,363	10,842	11,065	11,296
Mortgage loans	294,273	285,784	271,895	271,639	258,065
Other loans	32,609	34,777	38,058	33,763	36,133
Provision on loans	(7,580)	(9,313)	(13,016)	(13,111)	(13,208)
Total loans to individuals	343,402	337,416	324,619	321,311	310,491
Neither past due nor impaired	323,075	312,259	291,277	277,859	268,485
Past due but not impaired	18,473	21,854	26,532	32,847	34,607
Individually impaired (gross)	7,221	10,372	17,403	21,621	19,110
Impairment amount	(5,367)	(7,069)	(10,593)	(11,016)	(11,711)
Total loans to individuals	343,402	337,416	324,619	321,311	310,491
Ratios:					
Provision for losses/Gross impaired loans	105.0%	89.8%	74.8%	60.6%	69.1%
Past due loans but not impaired as % of gross loans	5.3%	6.3%	7.9%	9.9%	10.7%
Gross impaired loans/Gross loans	2.1%	3.0%	5.2%	6.5%	5.9%

Loans to customers - 5 year summary

ISK million	H1 2017	2016	2015	2014	2013
Loans to corporates					
Overdrafts	22,174	19,314	24,248	24,420	19,669
Credit cards	1,199	1,180	1,054	943	878
Mortgage loans	17,810	16,298	12,889	10,406	8,103
Other loans	357,882	351,739	334,849	303,998	312,651
Provision on loans	(8,818)	(13,525)	(17,309)	(13,570)	(16,018)
Total loans to corporates	390,247	375,006	355,731	326,197	325,283
Neither past due nor impaired	370,693	358,709	337,153	308,588	304,880
Past due but not impaired	17,636	14,251	17,302	15,114	9,789
Individually impaired (gross)	8,477	13,258	16,024	13,693	24,029
Impairment amount	(6,559)	(11,212)	(14,748)	(11,198)	(13,415)
Total loans to corporates	390,247	375,006	355,731	326,197	325,283
Ratios:					
Provision for losses/Gross impaired loans	104.0%	102.0%	108.0%	99.1%	66.7%
Past due loans but not impaired as % of gross loans	4.4%	3.7%	4.7%	4.5%	2.9%
Gross impaired loans/Gross loans	2.1%	3.4%	4.3%	4.1%	7.1%
Loans to corporates specified by sector:					
Agriculture and forestry	1.6%	1.6%	1.6%	1.7%	1.4%
Services	4.5%	4.6%	5.6%	5.6%	6.1%
Financial and insurance activities	8.5%	9.3%	9.4%	8.5%	8.5%
Industry, energy and manufacturing	7.6%	7.6%	6.0%	7.8%	7.0%
Information and communication technology	6.9%	7.6%	8.7%	7.1%	7.4%
Public administration, human health and social activities	1.9%	2.3%	2.3%	2.4%	2.7%
Real estate activities and construction	31.6%	30.6%	28.8%	24.9%	25.5%
Fishing industry	20.7%	20.4%	21.3%	23.4%	18.7%
Transportation	2.7%	1.7%	1.7%	1.7%	5.8%
Wholesale and retail trade	14.0%	14.1%	14.6%	16.9%	16.9%
	100.0%	100.0%	100.0%	100.0%	100.0%

Capital and Risk Weighted Assets

ISK million	H1 2017	2016	2015	2014	2013
Capital base:					
Total equity	221,767	211,384	201,895	162,212	144,947
Non-controlling interest not eligible for inclusion in CET1 capital	(174)	(172)	(9,108)	(1,501)	(4,858)
Intangible assets	(11,639)	(11,057)	(9,285)	(9,596)	(5,383)
Tax assets	(413)	(288)	(205)	(655)	(818)
Other statutory deductions	(106)	(149)	(3,151)	(111)	(119)
Common equity Tier 1 capital	209,435	199,718	180,145	150,349	133,769
Non-controlling interest not eligible for inclusion in CET1 capital	174	172	9,108	1,501	4,858
Tier 1 capital	209,609	199,890	189,254	151,850	138,627
Subordinated liabilities	-	-	10,365	31,639	31,918
Regulatory adjustment to Tier 2 capital	-	-	(771)	-	-
Other statutory deductions	-	-	(3,118)	(101)	(106)
General credit risk adjustments	4,471	4,557	-	-	-
Tier 2 Capital	4,471	4,557	6,476	31,538	31,812
Total Capital base	214,080	204,447	195,729	183,388	170,439
Risk weighted assets					
Credit Risk, loans	585,148	577,661	681,034	591,994	608,029
Credit Risk, securities and other ¹	61,101	62,524	-	-	-
Counterparty credit risk ¹	6,721	5,550	-	-	-
Market Risk due to currency imbalance	2,272	5,449	38,401	18,915	31,703
Market Risk Other	10,390	12,966	7,035	2,890	4,993
Credit valuation adjustment ¹	2,770	2,678	-	-	-
Operational Risk	86,490	86,490	81,441	82,211	76,097
Total risk weighted assets	754,892	753,318	807,911	696,010	720,822
Capital ratios					
CET 1 ratio ²	27.7%	26.5%	22.3%	21.6%	-
Tier 1 ratio	27.8%	26.6%	23.4%	21.8%	19.2%
Capital adequacy ratio	28.4%	27.1%	24.2%	26.3%	23.6%
Leverage ratio					
On-balance sheet exposures	1,100,729	1,011,735	982,348	912,303	921,079
Derivative exposures	9,934	8,226	3,789	1,348	1,929
Securities financing transaction exposures	9,014	9,330	16,287	10,044	10,381
Off-balance sheet exposures	86,171	83,156	127,675	59,922	25,199
Total exposure	1,205,848	1,112,447	1,130,099	983,617	958,588
Tier 1 capital	209,609	199,890	189,254	151,850	138,627
Leverage ratio	17.4%	18.0%	16.7%	15.4%	14.5%
Related ratios					
RORWA	2.8%	2.9%	7.0%	4.0%	1.9%
RWA/Total assets	67.0%	72.7%	79.9%	74.5%	76.8%

1) Not disclosed separately in 2015, 2014 and 2013

2) Figures not available for 2013

Arion Bank Factbook

Quarter summaries

30 June 2017
Unaudited

KFI - 9 Quarters

ISK million

	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015
Profitability									
Return on equity	13.0%	6.3%	8.6%	14.4%	13.3%	5.7%	51.6%	14.2%	10.2%
Return on assets	2.6%	1.2%	1.7%	2.9%	2.7%	1.1%	10.0%	2.5%	1.8%
Return on risk-weighted-assets	3.8%	1.8%	2.4%	4.0%	3.7%	1.5%	12.5%	3.3%	2.4%
Earnings per share	3.56	1.68	2.19	3.75	3.39	1.24	8.21	3.13	2.22
Earnings per share from continuing operations	3.42	1.60	2.03	3.65	3.26	1.19	8.16	3.12	2.18
Net interest margin									
Net interest margin on interest bearing assets	3.1%	2.8%	3.2%	3.1%	3.1%	3.1%	2.9%	3.1%	3.3%
Net interest margin on total assets	2.9%	2.7%	3.0%	2.9%	2.9%	2.9%	2.7%	2.9%	3.0%
Efficiency									
Cost-to-income ratio	39.0%	64.4%	59.5%	57.6%	52.3%	60.2%	24.2%	42.6%	47.2%
Cost-to-total assets ratio	2.1%	3.0%	3.2%	2.8%	3.1%	2.8%	3.5%	2.4%	2.7%
Number of FTE's at year end	1,223	1,204	1,239	1,189	1,199	1,163	1,147	1,151	1,123
Asset quality									
Problem loans	1.3%	1.5%	1.6%	2.0%	1.9%	2.1%	2.5%	3.2%	3.3%
Loans in >90 days overdue	1.4%	1.4%	1.2%	1.4%	1.4%	1.6%	2.6%	2.6%	3.6%
Provision for losses/Gross impaired loans	76.0%	72.4%	76.5%	78.1%	74.4%	72.9%	75.8%	66.2%	65.7%
Gross impaired loans/Gross loans	2.1%	2.4%	3.2%	3.6%	3.8%	3.7%	4.7%	4.4%	4.7%
Past due loans but not impaired as % of gross loans	4.8%	5.6%	4.9%	5.8%	6.2%	6.1%	6.2%	6.9%	10.0%
Risk weighted assets / Total assets	67.0%	66.4%	72.7%	73.2%	71.8%	71.5%	79.9%	73.3%	74.5%

KFI - 9 Quarters

ISK million	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015
Financial strength									
Equity as % of total assets	19.7%	19.2%	20.4%	19.9%	20.2%	19.9%	20.0%	17.3%	17.3%
Liquidity									
Liquidity coverage ratio (LCR)	266.2%	163.5%	171.3%	194.1%	179.8%	153.4%	134.5%	145.0%	138.0%
Loans-to-deposits ratio	167.7%	151.4%	172.9%	165.7%	168.6%	160.2%	145.0%	134.9%	141.2%
Loans-to-deposits ratio (without covered bonds)	128.2%	116.5%	133.8%	129.3%	132.5%	125.9%	116.0%	108.6%	115.2%
Deposits from customers as % of total funding	52.6%	56.2%	54.3%	55.9%	69.5%	70.2%	67.4%	65.2%	64.0%
Covered bonds as % of total funding	20.8%	19.6%	21.2%	20.4%	25.1%	24.1%	19.5%	17.2%	16.6%
Capital									
CET 1 ratio	27.7%	27.3%	26.5%	25.5%	25.5%	24.9%	22.3%	22.0%	21.6%
Tier 2 ratio	0.6%	0.6%	0.6%	0.6%	1.0%	0.8%	0.8%	1.3%	1.6%
Official capital adequacy ratio	28.4%	27.5%	27.1%	25.1%	27.8%	26.6%	24.2%	22.7%	23.2%
Leverage ratio	17.4%	17.0%	18.0%	17.4%	18.1%	17.3%	16.7%	15.0%	15.4%

Income statement - 9 quarter summary

ISK million	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015
Interest income	16,117	13,723	15,409	14,851	16,525	14,870	11,738	15,148	16,016
Interest expense	(7,957)	(6,563)	(7,567)	(7,419)	(9,172)	(7,597)	(5,033)	(8,036)	(8,624)
Net interest income	8,160	7,160	7,842	7,432	7,353	7,273	6,705	7,112	7,392
Fee and commission income	6,928	6,091	6,451	6,191	6,005	5,240	5,625	5,373	5,179
Fee and commission expense	(3,420)	(2,761)	(2,686)	(2,725)	(2,477)	(2,021)	(1,867)	(2,081)	(1,502)
Net fee and commission income	3,508	3,330	3,765	3,466	3,528	3,219	3,758	3,292	3,677
Net financial income	1,975	1,230	823	844	3,796	(301)	2,668	453	2,184
Net insurance income	606	447	731	272	246	145	216	156	218
Share of profit of associates	(900)	(34)	198	16	17	677	22,510	2,739	6
Other operating income	1,470	380	431	435	284	947	201	430	745
Operating income	14,819	12,513	13,790	12,465	15,224	11,960	36,058	14,182	14,222
Salaries and related expense	(4,561)	(4,222)	(4,407)	(3,826)	(4,318)	(4,108)	(4,572)	(3,153)	(3,675)
Other operating expenses	(1,223)	(3,834)	(3,803)	(3,349)	(3,640)	(3,090)	(4,168)	(2,889)	(3,039)
Bank Levy	(777)	(797)	(682)	(705)	(743)	(742)	(650)	(779)	(659)
Net impairment	409	880	409	5,882	1,448	(503)	(2,973)	(33)	(1,863)
Earnings before tax	8,667	4,540	5,307	10,467	7,971	3,517	23,695	7,328	4,986
Income tax	(1,827)	(1,334)	(1,149)	(3,170)	(1,354)	(737)	504	(1,272)	(647)
Net earnings from continuing operations	6,840	3,206	4,158	7,297	6,617	2,780	24,199	6,056	4,339
Net gain (loss) from discontinued operations, net of tax	273	147	317	206	259	104	83	15	79
Net earnings	7,113	3,353	4,475	7,503	6,876	2,884	24,282	6,071	4,418
Attributable to									
Shareholders of Arion Bank	7,112	3,352	4,369	7,514	6,854	2,485	16,409	6,262	4,433
Non-controlling interest	1	1	106	(11)	22	399	7,873	(191)	(15)
Total comprehensive income for the period	7,113	3,353	4,475	7,503	6,876	2,884	24,282	6,071	4,418
Earnings per share from continuing operations									
Basic and diluted earnings per share attributable to the shareholders of Arion Bank (ISK)	3.42	1.60	2.03	3.65	3.30	1.19	8.16	3.12	2.18

Balance sheet - 9 quarter summary

ISK million	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015
Assets									
Cash and balances with Central Bank	151,354	178,593	87,634	85,645	77,108	70,218	48,102	73,289	33,189
Loans to credit institutions	78,250	68,149	80,116	68,257	85,607	91,672	87,491	93,326	103,815
Loans to customers	733,649	720,198	712,422	715,907	713,136	694,004	680,350	678,807	667,129
Financial instruments	109,353	110,673	117,456	128,358	121,246	132,729	133,192	111,190	111,420
Investment property	7,166	5,911	5,358	5,113	6,487	6,382	7,542	7,817	7,851
Investments in associates	825	818	839	869	904	896	27,299	13,847	13,987
Intangible assets	11,639	11,121	11,057	11,077	9,152	9,153	9,285	9,194	9,353
Tax assets	413	462	288	241	221	209	205	987	891
Other assets	33,762	23,722	20,854	23,014	21,142	23,343	17,577	21,016	27,176
Total assets	1,126,411	1,119,648	1,036,024	1,038,479	1,035,003	1,028,606	1,011,043	1,009,475	974,812
Liabilities									
Due to credit institutions and Central Bank	7,644	9,689	7,987	9,375	8,018	11,288	11,387	11,470	13,961
Deposits	437,494	475,641	412,064	431,929	423,089	433,228	469,347	503,155	472,304
Financial liabilities at fair value	5,029	3,922	3,726	5,097	4,722	9,577	7,609	5,511	4,145
Tax liabilities	9,342	8,305	7,293	5,754	3,812	4,722	4,922	6,773	6,203
Other liabilities	65,074	51,678	54,094	52,565	47,079	44,669	49,460	49,222	56,989
Borrowings	380,061	355,633	339,476	326,754	329,885	310,540	256,058	248,172	241,880
Subordinated liabilities	-	-	-	-	9,553	9,921	10,365	10,378	10,884
Total liabilities	904,644	904,868	824,640	831,474	826,159	823,945	809,149	834,682	806,367
Equity									
Share capital and share premium	75,861	75,861	75,861	75,861	75,861	75,861	75,861	75,861	75,861
Other reserves	13,565	20,197	19,761	1,925	1,739	4,431	4,547	1,679	1,402
Retained earnings	132,167	118,549	115,590	129,153	121,639	114,861	112,378	95,968	89,706
Total shareholders equity	221,593	214,607	211,212	206,939	199,238	195,153	192,786	173,507	166,969
Non-controlling interest	174	173	172	66	9,605	9,508	9,108	1,287	1,476
Total equity	221,767	214,779	211,384	207,005	208,844	204,661	201,895	174,794	168,445
Total liabilities and equity	1,126,411	1,119,648	1,036,024	1,038,479	1,035,003	1,028,606	1,011,043	1,009,475	974,812

Net interest income - 9 quarter summary

ISK million

	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015
Interest income									
Cash and balances with Central bank	2,024	1,383	1,336	1,220	1,764	265	978	821	541
Loans	13,373	11,435	12,813	12,312	13,675	13,110	9,605	13,163	14,393
Securities	515	682	946	1,164	909	1,328	939	984	777
Other	205	224	315	155	177	167	217	180	305
Interest income	16,117	13,724	15,410	14,851	16,525	14,870	11,739	15,148	16,016
Interest expense									
Deposits	(3,819)	(3,117)	(3,763)	(3,771)	(4,605)	(4,139)	(3,484)	(4,508)	(4,313)
Borrowings	(4,120)	(3,420)	(3,798)	(3,251)	(4,461)	(3,349)	(1,489)	(3,361)	(4,100)
Subordinated loans	-	-	-	(343)	(91)	(95)	(98)	(100)	(197)
Other	(18)	(25)	(6)	(54)	(15)	(15)	38	(67)	(14)
Interest expense	(7,957)	(6,562)	(7,567)	(7,419)	(9,172)	(7,598)	(5,033)	(8,036)	(8,624)
Net interest income	8,160	7,162	7,843	7,432	7,353	7,273	6,705	7,112	7,392
Interest bearing assets									
Cash and balances with Central Bank	151,354	178,593	87,634	85,645	77,108	70,218	48,102	73,289	33,189
Loans	811,899	788,347	792,539	784,163	798,743	785,676	767,841	772,134	770,944
Securities	73,077	78,863	82,042	86,198	81,575	81,975	82,715	72,934	75,087
Interest bearing assets	1,036,330	1,045,803	962,214	956,006	957,425	937,869	898,657	918,358	879,220
Interest bearing liabilities									
Due to credit institutions and Central Bank	7,644	9,689	7,987	9,375	8,018	11,288	11,387	11,470	13,961
Deposits	437,494	475,641	412,064	431,929	423,089	433,228	469,347	503,155	472,304
Financial liabilities at fair value	5,029	3,922	3,727	5,097	4,722	9,577	7,609	5,511	4,145
Borrowings	380,061	355,633	339,476	326,754	329,885	310,540	256,058	248,172	241,880
Subordinated liabilities	-	-	-	-	9,553	9,921	10,365	10,378	10,884
Interest bearing liabilities	830,229	844,885	763,252	773,155	775,268	774,554	754,766	778,687	743,175
Interest Gap	206,101	200,918	198,962	182,851	182,157	163,315	143,891	139,671	136,045
Net interest margin on interest bearing assets	3.1%	2.8%	3.2%	3.1%	3.1%	3.1%	2.9%	3.1%	3.3%

Loans to customers - 9 quarter summary

ISK million	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015
Loans to customers									
Individuals	343,402	338,686	337,416	334,647	326,896	323,468	324,619	322,386	315,404
Corporates	390,247	381,512	375,006	381,260	386,240	370,536	355,731	356,421	351,725
Total loans to customers	733,649	720,198	712,422	715,907	713,136	694,004	680,350	678,807	667,129
Loans to individuals									
Overdrafts	13,855	15,218	14,805	15,603	16,569	17,465	16,840	17,809	18,062
Credit cards	10,245	10,080	11,363	10,852	10,932	10,403	10,842	10,574	10,650
Mortgage loans	294,273	288,660	285,784	283,423	275,422	272,279	271,895	272,841	264,681
Other loans	32,609	33,480	34,777	35,314	35,198	35,247	38,058	34,985	34,442
Provision on loans	(7,580)	(8,752)	(9,313)	(10,545)	(11,225)	(11,926)	(13,016)	(13,823)	(12,431)
Total loans to individuals	343,402	338,686	337,416	334,647	326,896	323,468	324,619	322,386	315,404
Neither past due nor impaired	323,075	313,416	312,259	305,461	294,310	294,183	291,277	284,977	273,687
Past due but not impaired	18,473	22,815	21,854	25,092	27,618	23,957	26,532	29,153	33,066
Individually impaired (gross)	7,221	8,708	10,372	12,289	13,826	14,944	17,403	18,149	19,454
Impairment amount	(5,367)	(6,253)	(7,069)	(8,195)	(8,858)	(9,616)	(10,593)	(9,893)	(10,803)
Total loans to individuals	343,402	338,686	337,416	334,647	326,896	323,468	324,619	322,386	315,404
Ratios									
Provision for losses/Gross impaired loans	105.0%	100.5%	89.8%	85.8%	81.2%	79.8%	74.8%	76.2%	63.9%
Past due loans but not impaired as % of gross loans	5.3%	6.6%	6.3%	7.3%	8.2%	7.2%	7.9%	8.8%	10.1%
Gross impaired loans/Gross loans	2.1%	2.5%	3.0%	3.6%	4.1%	4.5%	5.2%	5.5%	6.0%

Loans to customers - 9 quarter summary

ISK million

	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015
Loans to corporates									
Overdrafts	22,174	21,091	19,314	22,015	24,113	24,463	24,248	23,699	25,272
Credit cards	1,199	1,179	1,180	1,243	1,169	1,113	1,054	994	997
Mortgage loans	17,810	17,069	16,298	14,729	14,285	13,607	12,889	12,516	11,990
Other loans	357,882	351,129	351,739	358,004	361,062	343,918	334,849	331,758	328,224
Provision on loans	(8,818)	(8,956)	(13,525)	(14,731)	(14,389)	(12,565)	(17,309)	(12,546)	(14,758)
Total loans to corporates	390,247	381,512	375,006	381,260	386,240	370,536	355,731	356,421	351,725
Neither past due nor impaired	370,693	360,993	358,709	362,102	365,939	349,133	337,153	334,863	313,161
Past due but not impaired	17,636	18,130	14,251	17,475	18,152	19,508	17,302	19,374	36,034
Individually impaired (gross)	8,477	8,858	13,258	14,131	14,027	11,756	16,024	12,707	13,149
Impairment amount	(6,559)	(6,469)	(11,212)	(12,448)	(11,878)	(9,861)	(14,748)	(10,523)	(10,619)
Total loans to corporates	390,247	381,512	375,006	381,260	386,240	370,536	355,731	356,421	351,725
Provision for losses/Gross impaired loans	104.0%	101.1%	102.0%	104.2%	102.6%	106.9%	108.0%	98.7%	112.2%
Past due loans but not impaired as % of gross loans	4.4%	4.7%	3.7%	4.4%	4.6%	5.1%	4.7%	5.3%	9.9%
Gross impaired loans/Gross loans	2.1%	2.3%	3.4%	3.6%	3.5%	3.1%	4.3%	3.5%	3.6%
Loans to corporates specified by sector:									
Agriculture and forestry	1.6%	1.5%	1.6%	1.6%	1.6%	1.6%	1.6%	1.7%	1.6%
Services	4.5%	4.5%	4.6%	4.6%	4.9%	5.4%	5.6%	5.5%	6.3%
Financial and insurance activities	8.5%	9.2%	9.3%	9.3%	9.0%	9.1%	9.4%	9.0%	8.9%
Industry, energy and manufacturing	7.6%	7.6%	7.6%	7.5%	7.6%	6.2%	6.0%	6.0%	5.6%
Information and communication technology	6.9%	7.2%	7.6%	7.6%	7.7%	8.0%	8.7%	7.2%	7.3%
Public administration, human health and social activities	1.9%	2.3%	2.3%	2.4%	2.2%	2.3%	2.3%	2.2%	2.2%
Real estate activities and construction	31.6%	31.3%	30.6%	29.7%	28.7%	28.2%	28.8%	28.4%	26.6%
Fishing industry	20.7%	20.2%	20.4%	20.8%	21.4%	22.6%	21.3%	21.6%	21.1%
Transportation	2.7%	1.8%	1.7%	1.5%	1.6%	1.6%	1.7%	2.8%	3.2%
Wholesale and retail trade	14.0%	14.6%	14.1%	15.1%	15.5%	15.1%	14.6%	15.6%	17.3%
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Capital and Risk Weighted Assets

ISK million

Q2 2017 Q1 2017 Q4 2016 Q3 2016 Q2 2016 Q1 2016 Q4 2015 Q3 2015 Q2 2015

Capital base:

Total equity	221,767	214,779	211,384	207,005	208,844	204,661	201,895	174,794	168,445
Non-controlling interest not eligible for inclusion in CET1 capital	(174)	(173)	(172)	(66)	(9,605)	(9,508)	(9,108)	(1,287)	(1,476)
Intangible assets	(11,639)	(11,121)	(11,057)	(11,077)	(9,152)	(9,153)	(9,285)	(9,194)	(9,353)
Tax assets	(413)	(462)	(288)	(241)	(221)	(209)	(205)	(987)	(891)
Other statutory deductions	(106)	(98)	(149)	(1,699)	(515)	(2,921)	(3,151)	(222)	(1,534)
Common equity Tier 1 capital	209,436	202,926	199,718	193,922	189,350	182,870	180,145	163,104	155,191
Non-controlling interest not eligible for inclusion in CET1 capital	174	173	172	66	9,605	9,508	9,108	1,287	1,476
Tier 1 capital	209,609	203,098	199,890	193,988	198,956	192,378	189,254	164,391	156,667
Subordinated liabilities	-	-	-	-	9,553	9,921	10,365	10,378	10,884
Regulatory adjustment to Tier 2 capital	-	-	-	-	(1,504)	(1,055)	(771)	(597)	(411)
Other statutory deductions	-	-	-	-	(515)	(2,921)	(3,118)	(189)	(92)
General credit risk adjustments	4,471	4,987	4,557	4,633	-	-	-	-	-
Tier 2 Capital	4,471	4,987	4,557	4,633	7,534	5,945	6,476	9,592	10,381
Total Capital base	214,080	208,085	204,447	198,621	206,489	198,323	195,729	173,983	167,048

Risk weighted assets

Credit Risk, loans	585,148	571,727	577,661	621,495	647,815	635,499	567,242	645,358	629,774
Credit Risk, securities and other ¹	61,101	59,042	68,074	42,408	-	-	113,791	-	-
Counterparty credit risk ²	6,721	6,708	5,550	-	-	-	-	-	-
Market risk due to currency imbalance	2,272	1,709	5,449	2,578	4,046	10,649	38,401	5,255	6,582
Market Risk Other	10,390	15,603	12,966	10,926	9,509	7,994	7,035	7,317	7,299
Credit valuation adjustment ¹	2,770	2,391	2,678	815	-	-	-	-	-
Operational Risk	86,490	86,490	86,490	81,441	81,441	81,441	81,441	82,211	82,211
Total risk weighted assets	754,892	743,670	758,868	759,663	742,811	735,583	807,910	740,141	725,866

Capital and Risk Weighted Assets

ISK million	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015
Capital ratios									
CET 1 ratio	27.7%	27.3%	26.5%	25.5%	25.5%	24.9%	22.3%	22.0%	21.6%
Tier 1 ratio	27.8%	27.3%	26.6%	25.5%	26.8%	26.2%	23.4%	22.2%	21.6%
Capital adequacy ratio	28.4%	28.0%	27.2%	26.1%	27.8%	27.0%	24.2%	23.5%	23.2%
Leverage ratio									
On-balance sheet exposures	1,100,729	1,094,641	1,011,735	1,010,192	1,010,894	999,855	982,348	989,972	958,352
Derivative exposures	9,934	7,450	8,226	7,298	4,171	3,996	3,789	3,664	3,395
Securities financing transaction exposures	9,014	10,115	9,330	12,683	12,665	16,590	16,287	7,005	4,269
Off-balance sheet exposures	86,171	80,142	83,156	83,711	71,987	90,814	127,675	95,076	60,443
Total exposure	1,205,848	1,192,348	1,112,447	1,113,884	1,099,717	1,111,255	1,130,099	1,095,717	1,026,459
Tier 1 capital	209,609	203,098	199,890	193,988	198,956	192,378	189,254	164,391	156,667
Leverage ratio²	17.4%	17.0%	18.0%	17.4%	18.1%	17.3%	16.7%	15.0%	15.4%
Related ratios									
RORWA	2.79%	1.79%	2.86%	3.07%	2.56%	1.49%	7.02%	5.10%	6.02%
RWA/Total assets	67.02%	66.42%	72.71%	73.15%	71.77%	71.51%	79.91%	73.32%	74.46%

1) Not disclosed separately in Q2 2016, Q1 2016, Q4 2015, Q3 2015 and Q2 2015

2) Not disclosed separately in Q3 2016, Q2 2016, Q1 2016, Q4 2015, Q3 2015 and Q2 2015

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