

Arion Bank Factbook

30 September 2017

Unaudited



KFI - 5 years

ISK million	9M 2017	2016	2015	2014	2013
Profitability					
Return on equity	6.3%	10.5%	28.1%	18.6%	9.2%
Return on assets	1.2%	2.1%	5.0%	3.0%	1.4%
Return on risk-weighted-assets	1.8%	2.9%	6.7%	4.0%	1.9%
Earnings per share	5.17	10.57	20.98	14.23	6.51
Earnings per share from continuing operations	4.87	10.13	20.80	10.82	6.31
Net interest margin					
Net interest margin on interest bearing assets	2.9%	3.1%	3.0%	2.8%	2.9%
Net interest margin on total assets	2.7%	2.9%	2.7%	2.6%	2.6%
Efficiency					
Cost-to-income ratio	55.3%	57.2%	32.3%	49.8%	56.9%
Cost-to-total assets ratio	2.6%	3.0%	2.9%	2.9%	2.8%
Number of FTE's at year end	1,293	1,239	1,147	1,139	1,145
Asset quality					
Problem loans	1.4%	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	74.6%	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	5.0%	4.9%	6.2%	7.2%	6.7%
Risk weighted assets / Total assets	68.4%	72.7%	79.9%	74.5%	76.8%
Financial strength					
Equity as % of total assets	19.4%	20.4%	20.0%	17.4%	15.4%
Liquidity					
Liquidity coverage ratio (LCR)	228.6%	171.3%	134.5%	174.0%	123.0%
Loans-to-deposits ratio	168.4%	172.9%	145.0%	142.3%	135.0%
Loans-to-deposits ratio (without covered bonds)	129.4%	133.8%	116.0%	114.0%	106.4%
Deposits from customers as % of total funding	52.3%	54.3%	67.4%	64.4%	64.1%
Covered bonds as % of total funding	20.4%	21.2%	19.5%	18.3%	18.1%
Capital					
CET 1 ratio ¹	26.6%	26.5%	22.3%	21.6%	-
Tier 1 ratio	26.6%	26.5%	23.4%	21.8%	19.2%
Tier 2 ratio	0.5%	0.6%	0.8%	4.5%	4.4%
Capital adequacy ratio	27.1%	27.1%	24.2%	26.3%	23.6%
Leverage ratio	16.7%	18.0%	16.7%	15.4%	14.5%

1) Figures not available for 2013

Income statement - 5 year summary

ISK million	9M 2017	9M 2016	9M 2015	9M 2014	9M 2013
Interest income	43,288	46,246	42,808	40,036	43,363
Interest expense	(20,718)	(24,188)	(22,521)	(21,727)	(25,050)
Net interest income	22,570	22,058	20,287	18,309	18,313
Fee and commission income	20,881	17,436	15,609	13,678	11,881
Fee and commission expense	(10,178)	(7,223)	(4,883)	(3,560)	(3,597)
Net fee and commission income	10,703	10,213	10,726	10,119	8,284
Net financial income	2,471	4,339	10,176	5,861	954
Net insurance income	1,769	663	545	485	559
Share of profit of associates	(917)	710	6,956	(27)	454
Other operating income	2,088	1,665	1,422	3,248	2,785
Operating income	38,684	39,650	50,111	37,996	31,349
Salaries and related expense	(12,624)	(12,252)	(10,320)	(10,026)	(9,439)
Other operating expenses	(8,756)	(10,079)	(8,752)	(8,342)	(8,507)
Bank Levy	(2,388)	(2,190)	(2,168)	(2,008)	(300)
Net impairment	(1,262)	6,827	(115)	2,877	(119)
Earnings before tax	13,654	21,954	28,759	20,497	12,984
Income tax expense	(3,917)	(5,261)	(3,639)	(4,456)	(2,851)
Net earnings from continuing operations	9,737	16,693	25,120	16,041	10,133
Net gain (loss) from discontinued operations, net of tax	616	569	277	6,592	(3)
Net earnings	10,353	17,262	25,397	22,633	10,130
Attributable to					
Shareholders of Arion Bank	10,351	16,776	25,559	22,370	10,230
Non-controlling interest	2	486	(162)	264	(100)
Total comprehensive income	10,353	17,262	25,397	22,634	10,130
Earnings per share from continuing operations					
Basic and diluted earnings per share attributable to the shareholders of Arion Bank (ISK)	4.87	8.10	12.64	7.89	5.12

Balance sheet - 5 year summary

ISK million	9M 2017	2016	2015	2014	2013
Assets					
Cash and balances with Central Bank	132,316	87,634	48,102	21,063	37,999
Loans to credit institutions	94,242	80,116	87,491	108,792	102,307
Loans to customers	750,947	712,422	680,350	647,508	635,774
Financial instruments	121,040	117,456	133,191	101,828	86,541
Investment property	6,903	5,358	7,542	6,842	28,523
Investments in associates	842	839	27,299	21,966	17,929
Intangible assets	12,755	11,057	9,285	9,596	5,383
Tax assets	286	288	205	655	818
Other assets	25,521	20,854	17,578	15,486	23,576
Total assets	1,144,852	1,036,024	1,011,043	933,736	938,850
Liabilities					
Due to credit institutions and Central Bank	7,097	7,987	11,387	22,876	28,000
Deposits	445,981	412,064	469,347	454,973	471,866
Financial liabilities at fair value	3,551	3,726	7,609	9,143	8,960
Tax liabilities	9,303	7,293	4,922	5,123	4,924
Other liabilities	56,811	54,094	49,461	47,190	43,667
Borrowings	400,400	339,476	256,058	200,580	204,568
Subordinated liabilities	-	-	10,365	31,639	31,918
Total liabilities	923,143	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	15,001	19,761	4,548	1,632	1,637
Retained earnings	130,673	115,590	112,377	83,218	62,591
Total shareholders equity	221,535	211,212	192,786	160,711	140,089
Non-controlling interest	174	172	9,108	1,501	4,858
Total equity	221,709	211,384	201,894	162,212	144,947
Total liabilities and equity	1,144,852	1,036,024	1,011,043	933,736	938,850

Net interest income - 5 year summary

ISK million	9M 2017	9M 2016	9M 2015	9M 2014	9M 2013
Interest income					
Cash and balances with Central bank	5,059	3,249	467	501	621
Loans	35,963	39,097	39,102	36,227	35,663
Securities	1,624	3,401	2,592	2,825	6,579
Other	642	499	647	483	500
Interest income	43,288	46,246	42,808	40,036	43,363
Interest expense					
Deposits	(9,746)	(12,515)	(11,968)	(12,808)	(14,417)
Borrowings	(10,912)	(11,061)	(9,854)	(7,876)	(9,555)
Subordinated liabilities	-	(529)	(604)	(974)	(996)
Other	(60)	(83)	(95)	(69)	(82)
Interest expense	(20,718)	(24,188)	(22,521)	(21,727)	(25,050)
Net interest income	22,570	22,058	20,287	18,309	18,313
Interest bearing assets					
Cash and balances with Central Bank	132,316	85,645	73,289	33,335	20,116
Loans	845,189	784,164	772,134	761,219	689,406
Securities	75,889	86,198	72,934	69,113	133,671
Interest bearing assets	1,053,394	956,006	918,358	863,668	843,193
Interest bearing liabilities					
Due to credit institutions and Central Bank	7,097	9,375	11,470	21,131	28,548
Deposits	445,981	431,929	503,155	482,518	471,768
Financial liabilities at fair value	3,551	5,097	5,511	6,038	9,834
Borrowings	400,400	326,754	248,172	191,947	206,065
Subordinated liabilities	-	-	10,378	31,205	32,809
Interest bearing liabilities	857,028	773,155	778,687	732,839	749,024
Interest Gap	196,366	182,852	139,671	130,829	94,169
Net interest margin on interest bearing assets	2.9%	3.1%	3.0%	2.9%	2.9%

Loans to customers - 5 year summary

ISK million	9M 2017	2016	2015	2014	2013
Loans to customers					
Individuals	354,004	337,416	324,619	321,311	310,491
Corporates	396,943	375,006	355,731	326,197	325,283
Total loans to customers	750,947	712,422	680,350	647,508	635,774
Loans to individuals					
Overdrafts	14,863	14,805	16,840	17,955	18,205
Credit cards	10,078	11,363	10,842	11,065	11,296
Mortgage loans	302,406	285,784	271,895	271,639	258,065
Other loans	33,116	34,777	38,058	33,763	36,133
Provision on loans	(6,459)	(9,313)	(13,016)	(13,111)	(13,208)
Total loans to individuals	354,004	337,416	324,619	321,311	310,491
Neither past due nor impaired	333,828	312,259	291,277	277,859	268,485
Past due but not impaired	18,108	21,854	26,532	32,847	34,607
Individually impaired (gross)	6,754	10,372	17,403	21,621	19,110
Impairment amount	(4,686)	(7,069)	(10,593)	(11,016)	(11,711)
Total loans to individuals	354,004	337,416	324,619	321,311	310,491
Ratios:					
Provision for losses/Gross impaired loans	95.6%	89.8%	74.8%	60.6%	69.1%
Past due loans but not impaired as % of gross loans	5.0%	6.3%	7.9%	9.9%	10.7%
Gross impaired loans/Gross loans	1.9%	3.0%	5.2%	6.5%	5.9%

Loans to customers - 5 year summary

ISK million	9M 2017	2016	2015	2014	2013
Loans to corporates					
Overdrafts	20,745	19,314	24,248	24,420	19,669
Credit cards	1,177	1,180	1,054	943	878
Mortgage loans	18,300	16,298	12,889	10,406	8,103
Other loans	366,226	351,739	334,849	303,998	312,651
Provision on loans	(9,505)	(13,525)	(17,309)	(13,570)	(16,018)
Total loans to corporates	396,943	375,006	355,731	326,197	325,283
Neither past due nor impaired	375,121	358,709	337,153	308,588	304,880
Past due but not impaired	19,801	14,251	17,302	15,114	9,789
Individually impaired (gross)	9,349	13,258	16,024	13,693	24,029
Impairment amount	(7,328)	(11,212)	(14,748)	(11,198)	(13,415)
Total loans to corporates	396,943	375,006	355,731	326,197	325,283
Ratios:					
Provision for losses/Gross impaired loans	101.7%	102.0%	108.0%	99.1%	66.7%
Past due loans but not impaired as % of gross loans	4.9%	3.7%	4.7%	4.5%	2.9%
Gross impaired loans/Gross loans	2.3%	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	4.4%	4.6%	5.6%	5.6%	6.1%
Financial and insurance activities	8.9%	9.3%	9.4%	8.5%	8.5%
Industry, energy and manufacturing	7.4%	7.6%	6.0%	7.8%	7.0%
Information and communication technology	6.7%	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	31.7%	30.6%	28.8%	24.9%	25.5%
Fishing industry	20.0%	20.4%	21.3%	23.4%	18.7%
Transportation	3.6%	1.7%	1.7%	1.7%	5.8%
Wholesale and retail trade	13.7%	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	9M 2017	2016	2015	2014	2013
Capital base:					
Total equity	221,710	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	(12,755)	(11,057)	(9,285)	(9,596)	(5,383)
Tax assets	(286)	(288)	(205)	(655)	(818)
Other statutory deductions	(684)	(149)	(3,151)	(111)	(119)
Common equity Tier 1 capital	207,811	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	207,985	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	3,950	4,557	-	-	-
Tier 2 Capital	3,950	4,557	6,476	31,538	31,812
Total Capital base	211,935	204,447	195,729	183,388	170,439
Risk weighted assets					
Credit Risk, loans	609,559	577,661	681,034	591,994	608,029
Credit Risk, securities and other ¹	65,359	62,524	-	-	-
Counterparty credit risk ¹	6,268	5,550	-	-	-
Market Risk due to currency imbalance	4,250	5,449	38,401	18,915	31,703
Market Risk Other	8,237	12,966	7,035	2,890	4,993
Credit valuation adjustment ¹	2,583	2,678	-	-	-
Operational Risk	86,490	86,490	81,441	82,211	76,097
Total risk weighted assets	782,746	753,318	807,911	696,010	720,822
Capital ratios					
CET 1 ratio ²	26.6%	26.5%	22.3%	21.6%	-
Tier 1 ratio	26.6%	26.6%	23.4%	21.8%	19.2%
Capital adequacy ratio	27.1%	27.1%	24.2%	26.3%	23.6%
Leverage ratio					
On-balance sheet exposures	1,127,094	1,011,735	982,348	912,303	921,079
Derivative exposures	12,802	8,226	3,789	1,348	1,929
Securities financing transaction exposures	10,987	9,330	16,287	10,044	10,381
Off-balance sheet exposures	97,323	83,156	127,675	59,922	25,199
Total exposure	1,248,206	1,112,447	1,130,099	983,617	958,588
Tier 1 capital	207,985	199,890	189,254	151,850	138,627
Leverage ratio	16.7%	18.0%	16.7%	15.4%	14.5%
Related ratios					
RORWA	1.82%	2.86%	7.02%	4.00%	1.86%
RWA/Total assets	68.37%	72.71%	79.91%	74.54%	76.78%

1) Not disclosed separately in 2015, 2014 and 2013

2) Figures not available for 2013

Arion Bank Factbook

Quarter summaries



KFI - 9 Quarters

ISK million

	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015
Profitability									
Return on equity	-0.2%	13.0%	6.3%	8.6%	14.4%	13.3%	5.7%	51.6%	14.2%
Return on assets	0.0%	2.6%	1.2%	1.7%	2.9%	2.7%	1.1%	10.0%	2.5%
Return on risk-weighted-assets	-0.1%	3.8%	1.8%	2.4%	4.0%	3.7%	1.5%	12.5%	3.3%
Earnings per share	-0.06	3.56	1.68	2.19	3.75	3.39	1.24	8.21	3.13
Earnings per share from continuing operations	-0.15	3.42	1.60	2.03	3.65	3.26	1.19	8.16	3.12
Net interest margin									
Net interest margin on interest bearing assets	2.7%	3.1%	2.8%	3.2%	3.1%	3.1%	3.1%	2.9%	3.1%
Net interest margin on total assets	2.6%	2.9%	2.7%	3.0%	2.9%	2.9%	2.9%	2.7%	2.9%
Efficiency									
Cost-to-income ratio	66.4%	39.0%	64.4%	59.5%	57.6%	52.3%	60.2%	24.2%	42.6%
Cost-to-total assets ratio	2.7%	2.1%	3.0%	3.2%	2.8%	3.1%	2.8%	3.5%	2.4%
Number of FTE's at year end	1,293	1,223	1,204	1,239	1,189	1,199	1,163	1,147	1,151
Asset quality									
Problem loans	1.4%	1.3%	1.5%	1.6%	2.0%	1.9%	2.1%	2.5%	3.2%
Loans in >90 days overdue	1.4%	1.4%	1.4%	1.2%	1.4%	1.4%	1.6%	2.6%	2.6%
Provision for losses/Gross impaired loans	74.6%	76.0%	72.4%	76.5%	78.1%	74.4%	72.9%	75.8%	66.2%
Gross impaired loans/Gross loans	2.1%	2.1%	2.4%	3.2%	3.6%	3.8%	3.7%	4.7%	4.4%
Past due loans but not impaired as % of gross loans	5.0%	4.8%	5.6%	4.9%	5.8%	6.2%	6.1%	6.2%	6.9%
Risk weighted assets / Total assets	68.4%	67.0%	66.4%	72.7%	73.2%	71.8%	71.5%	79.9%	73.3%

KFI - 9 Quarters

ISK million	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015
Financial strength									
Equity as % of total assets	19.4%	19.7%	19.2%	20.4%	19.9%	20.2%	19.9%	20.0%	17.3%
Liquidity									
Liquidity coverage ratio (LCR)	228.6%	266.2%	163.5%	171.3%	194.1%	179.8%	153.4%	134.5%	145.0%
Loans-to-deposits ratio	168.4%	167.7%	151.4%	172.9%	165.7%	168.6%	160.2%	145.0%	134.9%
Loans-to-deposits ratio (without covered bonds)	129.4%	128.2%	116.5%	133.8%	129.3%	132.5%	125.9%	116.0%	108.6%
Deposits from customers as % of total funding	52.3%	52.6%	56.2%	54.3%	55.9%	69.5%	70.2%	67.4%	65.2%
Covered bonds as % of total funding	20.4%	20.8%	19.6%	21.2%	20.4%	25.1%	24.1%	19.5%	17.2%
Capital									
Official CET 1 ratio	26.6%	27.7%	27.3%	26.5%	25.5%	25.5%	24.9%	22.3%	22.0%
Tier 2 ratio	0.5%	0.6%	0.6%	0.6%	0.6%	1.0%	0.8%	0.8%	1.3%
Official capital adequacy ratio	27.1%	28.4%	27.5%	27.1%	25.1%	27.8%	26.6%	24.2%	22.7%
Leverage ratio	16.7%	17.4%	17.0%	18.0%	17.4%	18.1%	17.3%	16.7%	15.0%

Income statement - 9 quarter summary

ISK million	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015
Interest income	13,448	16,117	13,723	15,409	14,851	16,525	14,870	11,738	15,148
Interest expense	(6,198)	(7,957)	(6,563)	(7,567)	(7,419)	(9,172)	(7,597)	(5,033)	(8,036)
Net interest income	7,250	8,160	7,160	7,842	7,432	7,353	7,273	6,705	7,112
Fee and commission income	7,862	6,928	6,091	6,451	6,191	6,005	5,240	5,625	5,373
Fee and commission expense	(3,997)	(3,420)	(2,761)	(2,686)	(2,725)	(2,477)	(2,021)	(1,867)	(2,081)
Net fee and commission income	3,865	3,508	3,330	3,765	3,466	3,528	3,219	3,758	3,292
Net financial income	(734)	1,975	1,230	823	844	3,796	(301)	2,668	453
Net insurance income	716	606	447	731	272	246	145	216	156
Share of profit of associates	17	(900)	(34)	198	16	17	677	22,510	2,739
Other operating income	237	1,470	380	431	435	284	947	201	430
Operating income	11,351	14,819	12,513	13,790	12,465	15,224	11,960	36,058	14,182
Salaries and related expense	(3,841)	(4,561)	(4,222)	(4,407)	(3,826)	(4,318)	(4,108)	(4,572)	(3,153)
Other operating expenses	(3,699)	(1,223)	(3,834)	(3,803)	(3,349)	(3,640)	(3,090)	(4,168)	(2,889)
Bank Levy	(814)	(777)	(797)	(682)	(705)	(743)	(742)	(650)	(779)
Net impairment	(2,550)	409	880	409	5,882	1,448	(503)	(2,973)	(33)
Earnings before tax	447	8,667	4,540	5,307	10,467	7,971	3,517	23,695	7,328
Income tax expense	(756)	(1,827)	(1,334)	(1,149)	(3,170)	(1,354)	(737)	504	(1,272)
Net earnings from continuing operations	(309)	6,840	3,206	4,158	7,297	6,617	2,780	24,199	6,056
Net gain (loss) from discontinued operations, net of tax	196	273	147	317	206	259	104	83	15
Net earnings	(113)	7,113	3,353	4,475	7,503	6,876	2,884	24,282	6,071
Attributable to									
Shareholders of Arion Bank	(114)	7,112	3,352	4,369	7,514	6,854	2,485	16,409	6,262
Non-controlling interest	1	1	1	106	(11)	22	399	7,873	(191)
Total comprehensive income for the period	(113)	7,113	3,353	4,475	7,503	6,876	2,884	24,282	6,071
Earnings per share from continuing operations									
Basic and diluted earnings per share attributable to the shareholders of Arion Bank (ISK)	(0.15)	3.42	1.60	2.03	3.65	3.30	1.19	8.16	3.12

Balance sheet - 9 quarter summary

ISK million	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015
Assets									
Cash and balances with Central Bank	132,316	151,354	178,593	87,634	85,645	77,108	70,218	48,102	73,289
Loans to credit institutions	94,242	78,250	68,149	80,116	68,257	85,607	91,672	87,491	93,326
Loans to customers	750,947	733,649	720,198	712,422	715,907	713,136	694,004	680,350	678,807
Financial instruments	121,040	109,353	110,673	117,456	128,358	121,246	132,729	133,192	111,190
Investment property	6,903	7,166	5,911	5,358	5,113	6,487	6,382	7,542	7,817
Investments in associates	842	825	818	839	869	904	896	27,299	13,847
Intangible assets	12,755	11,639	11,121	11,057	11,077	9,152	9,153	9,285	9,194
Tax assets	286	413	462	288	241	221	209	205	987
Other assets	25,521	33,762	23,722	20,854	23,014	21,142	23,343	17,577	21,016
Total assets	1,144,852	1,126,411	1,119,648	1,036,024	1,038,479	1,035,003	1,028,606	1,011,043	1,009,475
Liabilities									
Due to credit institutions and Central Bank	7,097	7,644	9,689	7,987	9,375	8,018	11,288	11,387	11,470
Deposits	445,981	437,494	475,641	412,064	431,929	423,089	433,228	469,347	503,155
Financial liabilities at fair value	3,551	5,029	3,922	3,726	5,097	4,722	9,577	7,609	5,511
Tax liabilities	9,303	9,342	8,305	7,293	5,754	3,812	4,722	4,922	6,773
Other liabilities	56,811	65,074	51,678	54,094	52,565	47,079	44,669	49,460	49,222
Borrowings	400,400	380,061	355,633	339,476	326,754	329,885	310,540	256,058	248,172
Subordinated liabilities	-	-	-	-	-	9,553	9,921	10,365	10,378
Total liabilities	923,143	904,644	904,868	824,640	831,474	826,159	823,945	809,149	834,682
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	15,001	13,565	20,197	19,761	1,925	1,739	4,431	4,547	1,679
Retained earnings	130,673	132,167	118,549	115,590	129,153	121,639	114,861	112,378	95,968
Total shareholders equity	221,535	221,593	214,607	211,212	206,939	199,238	195,153	192,786	173,507
Non-controlling interest	174	174	173	172	66	9,605	9,508	9,108	1,287
Total equity	221,709	221,767	214,779	211,384	207,005	208,844	204,661	201,895	174,794
Total liabilities and equity	1,144,852	1,126,411	1,119,648	1,036,024	1,038,479	1,035,003	1,028,606	1,011,043	1,009,475

Net interest income - 9 quarter summary

ISK million

	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015
Interest income									
Cash and balances with Central bank	1,653	2,024	1,383	1,336	1,220	1,764	265	978	821
Loans	11,155	13,373	11,435	12,813	12,312	13,675	13,110	9,605	13,163
Securities	427	515	682	946	1,164	909	1,328	939	984
Other	213	205	224	315	155	177	167	217	180
Interest income	13,448	16,117	13,724	15,410	14,851	16,525	14,870	11,739	15,148
Interest expense									
Deposits	(2,804)	(3,819)	(3,117)	(3,763)	(3,771)	(4,605)	(4,139)	(3,484)	(4,508)
Borrowings	(3,379)	(4,120)	(3,420)	(3,798)	(3,251)	(4,461)	(3,349)	(1,489)	(3,361)
Subordinated loans	-	-	-	-	(343)	(91)	(95)	(98)	(100)
Other	(15)	(18)	(25)	(6)	(54)	(15)	(15)	38	(67)
Interest expense	(6,198)	(7,957)	(6,562)	(7,567)	(7,419)	(9,172)	(7,598)	(5,033)	(8,036)
Net interest income	7,250	8,160	7,162	7,843	7,432	7,353	7,273	6,705	7,112
Interest bearing assets									
Cash and balances with Central Bank	132,316	151,354	178,593	87,634	85,645	77,108	70,218	48,102	73,289
Loans	845,189	811,899	788,347	792,539	784,163	798,743	785,676	767,841	772,134
Securities	75,889	73,077	78,863	82,042	86,198	81,575	81,975	82,715	72,934
Interest bearing assets	1,053,394	1,036,330	1,045,803	962,214	956,006	957,425	937,869	898,657	918,358
Interest bearing liabilities									
Due to credit institutions and Central Bank	7,097	7,644	9,689	7,987	9,375	8,018	11,288	11,387	11,470
Deposits	445,981	437,494	475,641	412,064	431,929	423,089	433,228	469,347	503,155
Financial liabilities at fair value	3,551	5,029	3,922	3,727	5,097	4,722	9,577	7,609	5,511
Borrowings	400,400	380,061	355,633	339,476	326,754	329,885	310,540	256,058	248,172
Subordinated liabilities	-	-	-	-	-	9,553	9,921	10,365	10,378
Interest bearing liabilities	857,028	830,229	844,885	763,252	773,155	775,268	774,554	754,766	778,687
Interest Gap	196,366	206,101	200,918	198,962	182,851	182,157	163,315	143,891	139,671
Net interest margin on interest bearing assets	2.7%	3.1%	2.8%	3.2%	3.1%	3.1%	3.1%	2.9%	3.1%

Loans to customers - 9 quarter summary

ISK million	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015
Loans to customers									
Individuals	354,004	343,402	338,686	337,416	334,647	326,896	323,468	324,619	322,386
Corporates	396,943	390,247	381,512	375,006	381,260	386,240	370,536	355,731	356,421
Total loans to customers	750,947	733,649	720,198	712,422	715,907	713,136	694,004	680,350	678,807
Loans to individuals									
Overdrafts	14,863	13,855	15,218	14,805	15,603	16,569	17,465	16,840	17,809
Credit cards	10,078	10,245	10,080	11,363	10,852	10,932	10,403	10,842	10,574
Mortgage loans	302,406	294,273	288,660	285,784	283,423	275,422	272,279	271,895	272,841
Other loans	33,116	32,609	33,480	34,777	35,314	35,198	35,247	38,058	34,985
Provision on loans	(6,459)	(7,580)	(8,752)	(9,313)	(10,545)	(11,225)	(11,926)	(13,016)	(13,823)
Total loans to individuals	354,004	343,402	338,686	337,416	334,647	326,896	323,468	324,619	322,386
Neither past due nor impaired	333,828	323,075	313,416	312,259	305,461	294,310	294,183	291,277	284,977
Past due but not impaired	18,108	18,473	22,815	21,854	25,092	27,618	23,957	26,532	29,153
Individually impaired (gross)	6,754	7,221	8,708	10,372	12,289	13,826	14,944	17,403	18,149
Impairment amount	(4,686)	(5,367)	(6,253)	(7,069)	(8,195)	(8,858)	(9,616)	(10,593)	(9,893)
Total loans to individuals	354,004	343,402	338,686	337,416	334,647	326,896	323,468	324,619	322,386
Ratios									
Provision for losses/Gross impaired loans	95.6%	105.0%	100.5%	89.8%	85.8%	81.2%	79.8%	74.8%	76.2%
Past due loans but not impaired as % of gross loans	5.0%	5.3%	6.6%	6.3%	7.3%	8.2%	7.2%	7.9%	8.8%
Gross impaired loans/Gross loans	1.9%	2.1%	2.5%	3.0%	3.6%	4.1%	4.5%	5.2%	5.5%

Loans to customers - 9 quarter summary

ISK million

	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015
Loans to corporates									
Overdrafts	20,745	22,174	21,091	19,314	22,015	24,113	24,463	24,248	23,699
Credit cards	1,177	1,199	1,179	1,180	1,243	1,169	1,113	1,054	994
Mortgage loans	18,300	17,810	17,069	16,298	14,729	14,285	13,607	12,889	12,516
Other loans	366,226	357,882	351,129	351,739	358,004	361,062	343,918	334,849	331,758
Provision on loans	(9,505)	(8,818)	(8,956)	(13,525)	(14,731)	(14,389)	(12,565)	(17,309)	(12,546)
Total loans to corporates	396,943	390,247	381,512	375,006	381,260	386,240	370,536	355,731	356,421
Neither past due nor impaired	375,121	370,693	360,993	358,709	362,102	365,939	349,133	337,153	334,863
Past due but not impaired	19,801	17,636	18,130	14,251	17,475	18,152	19,508	17,302	19,374
Individually impaired (gross)	9,349	8,477	8,858	13,258	14,131	14,027	11,756	16,024	12,707
Impairment amount	(7,328)	(6,559)	(6,469)	(11,212)	(12,448)	(11,878)	(9,861)	(14,748)	(10,523)
Total loans to corporates	396,943	390,247	381,512	375,006	381,260	386,240	370,536	355,731	356,421
Provision for losses/Gross impaired loans	101.7%	104.0%	101.1%	102.0%	104.2%	102.6%	106.9%	108.0%	98.7%
Past due loans but not impaired as % of gross loans	4.9%	4.4%	4.7%	3.7%	4.4%	4.6%	5.1%	4.7%	5.3%
Gross impaired loans/Gross loans	2.3%	2.1%	2.3%	3.4%	3.6%	3.5%	3.1%	4.3%	3.5%
Loans to corporates specified by sector:									
Agriculture and forestry	1.6%	1.6%	1.5%	1.6%	1.6%	1.6%	1.6%	1.6%	1.7%
Services	4.4%	4.5%	4.5%	4.6%	4.6%	4.9%	5.4%	5.6%	5.5%
Financial and insurance activities	8.9%	8.5%	9.2%	9.3%	9.3%	9.0%	9.1%	9.4%	9.0%
Industry, energy and manufacturing	7.4%	7.6%	7.6%	7.6%	7.5%	7.6%	6.2%	6.0%	6.0%
Information and communication technology	6.7%	6.9%	7.2%	7.6%	7.6%	7.7%	8.0%	8.7%	7.2%
Public administration, human health and social activities	1.9%	1.9%	2.3%	2.3%	2.4%	2.2%	2.3%	2.3%	2.2%
Real estate activities and construction	31.7%	31.6%	31.3%	30.6%	29.7%	28.7%	28.2%	28.8%	28.4%
Fishing industry	20.0%	20.7%	20.2%	20.4%	20.8%	21.4%	22.6%	21.3%	21.6%
Transportation	3.6%	2.7%	1.8%	1.7%	1.5%	1.6%	1.6%	1.7%	2.8%
Wholesale and retail trade	13.7%	14.0%	14.6%	14.1%	15.1%	15.5%	15.1%	14.6%	15.6%
	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

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

Capital base:

Total equity	221,710	221,767	214,779	211,384	207,005	208,844	204,661	201,895	174,794
Non-controlling interest not eligible for inclusion in CET1 capital	(174)	(174)	(173)	(172)	(66)	(9,605)	(9,508)	(9,108)	(1,287)
Intangible assets	(12,755)	(11,639)	(11,121)	(11,057)	(11,077)	(9,152)	(9,153)	(9,285)	(9,194)
Tax assets	(286)	(413)	(462)	(288)	(241)	(221)	(209)	(205)	(987)
Other statutory deductions	(684)	(106)	(98)	(149)	(1,699)	(515)	(2,921)	(3,151)	(222)
Common equity Tier 1 capital	207,811	209,436	202,926	199,718	193,922	189,350	182,870	180,145	163,104
Non-controlling interest not eligible for inclusion in CET1 capital	174	174	173	172	66	9,605	9,508	9,108	1,287
Tier 1 capital	207,985	209,609	203,098	199,890	193,988	198,956	192,378	189,254	164,391
Subordinated liabilities	-	-	-	-	0	9,553	9,921	10,365	10,378
Regulatory adjustment to Tier 2 capital	-	-	-	-	-	(1,504)	(1,055)	(771)	(597)
Other statutory deductions	-	-	-	-	-	(515)	(2,921)	(3,118)	(189)
General credit risk adjustments	3,950	4,471	4,987	4,557	4,633	-	-	-	-
Tier 2 Capital	3,950	4,471	4,987	4,557	4,633	7,534	5,945	6,476	9,592
Total Capital base	211,935	214,080	208,085	204,447	198,621	206,489	198,323	195,729	173,983

Risk weighted assets

Credit Risk, loans	609,559	585,148	571,727	577,661	621,495	647,815	635,499	567,242	645,358
Credit Risk, securities and other ¹	65,359	61,101	59,042	68,074	42,408	-	-	113,791	-
Counterparty credit risk ²	6,268	6,721	6,708	5,550	-	-	-	-	-
Market risk due to currency imbalance	4,250	2,272	1,709	5,449	2,578	4,046	10,649	38,401	5,255
Market Risk Other	8,237	10,390	15,603	12,966	10,926	9,509	7,994	7,035	7,317
Credit valuation adjustment ¹	2,583	2,770	2,391	2,678	815	-	-	-	-
Operational Risk	86,490	86,490	86,490	86,490	81,441	81,441	81,441	81,441	82,211
Total risk weighted assets	782,746	754,892	743,670	758,868	759,663	742,811	735,583	807,910	740,141

Capital and Risk Weighted Assets

ISK million	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015
Capital ratios									
CET 1 ratio	26.6%	27.7%	27.3%	26.5%	25.5%	25.5%	24.9%	22.3%	22.0%
Tier 1 ratio	26.6%	27.8%	27.3%	26.6%	25.5%	26.8%	26.2%	23.4%	22.2%
Capital adequacy ratio	27.1%	28.4%	28.0%	27.2%	26.1%	27.8%	27.0%	24.2%	23.5%
Leverage ratio									
On-balance sheet exposures	1,127,094	1,100,729	1,094,641	1,011,735	1,010,192	1,010,894	999,855	982,348	989,972
Derivative exposures	12,802	9,934	7,450	8,226	7,298	4,171	3,996	3,789	3,664
Securities financing transaction exposures	10,987	9,014	10,115	9,330	12,683	12,665	16,590	16,287	7,005
Off-balance sheet exposures	97,323	86,171	80,142	83,156	83,711	71,987	90,814	127,675	95,076
Total exposure	1,248,206	1,205,848	1,192,348	1,112,447	1,113,884	1,099,717	1,111,255	1,130,099	1,095,717
Tier 1 capital	207,985	209,609	203,098	199,890	193,988	198,956	192,378	189,254	164,391
Leverage ratio²	16.7%	17.4%	17.0%	18.0%	17.4%	18.1%	17.3%	16.7%	15.0%
Related ratios									
RORWA	1.82%	2.79%	1.79%	2.86%	3.07%	2.56%	1.49%	7.02%	5.10%
RWA/Total assets	68.37%	67.02%	66.42%	72.71%	73.15%	71.77%	71.51%	79.91%	73.32%

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

Operating segments

ISK million

	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015
Retail banking									
Net interest income	3,919	3,925	3,974	3,548	3,713	3,703	4,028	3,687	3,358
Net fee and commission income	1,258	1,152	996	1,009	966	841	721	509	762
Net financial income	-	(32)	51	28	18	42	27	(17)	21
Other operating income	7	3	4	10	6	6	4	(361)	8
Operating income	5,184	5,048	5,025	4,595	4,703	4,592	4,780	3,818	4,149
Operating expense	(1,682)	44	(1,681)	(1,557)	(1,534)	(1,708)	(1,335)	(1,709)	(1,380)
Net impairment	804	382	20	307	7,108	135	(1,993)	475	(391)
Earnings before tax	4,306	5,474	3,364	3,345	10,277	3,019	1,452	2,584	2,378
Total assets	527,181	517,956	483,416	476,369	472,439	466,316	448,547	448,547	440,274
Total liabilities	461,541	452,802	412,555	402,960	401,839	406,994	396,514	396,514	386,929
Allocated equity	65,640	65,154	70,861	73,409	70,600	59,322	52,033	52,033	53,345
Corporate banking									
Net interest income	1,582	1,539	1,656	1,521	1,764	1,566	1,585	1,616	1,627
Net fee and commission income	314	281	176	343	242	241	256	302	239
Net financial income	80	(11)	176	(130)	231	(122)	9	(37)	-
Share of profit of associates	-	-	-	-	-	(1)	1	-	-
Other operating income	-	1,091	-	223	-	69	-	(77)	1
Operating income	1,976	2,900	2,008	1,957	2,237	1,753	1,851	1,804	1,867
Operating expense	(83)	32	(188)	(154)	(121)	(168)	(162)	(161)	(124)
Net impairment	(3,268)	13	819	(27)	(1,345)	1,211	194	(4,509)	(20)
Earnings before tax	(1,375)	2,945	2,639	1,776	771	2,796	1,883	(2,866)	1,723
Total assets	272,670	260,571	250,727	251,822	253,507	255,975	250,275	236,621	238,439
Total liabilities	216,137	201,308	194,286	193,572	194,996	201,706	194,242	180,588	182,968
Allocated equity	56,533	59,263	56,441	58,250	58,511	54,269	56,033	56,033	55,471

Operating segments

ISK million

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

Asset management

Net interest income	124	129	146	120	115	143	157	129	120
Net fee and commission income	867	938	838	999	999	916	949	1,396	946
Net financial income	67	13	41	19	(78)	(15)	7	109	(94)
Other operating income	3	7	7	2	2	5	5	3	4
Operating income	1,061	1,087	1,032	1,140	1,038	1,049	1,118	1,637	976
Operating expense	(319)	(29)	(405)	(383)	(287)	(363)	(389)	(418)	(301)
Net impairment	-	-	-	1	(1)	-	-	-	-
Earnings before tax	742	1,058	627	758	750	686	729	1,219	675
Total assets	123,297	86,026	9,961	5,302	5,106	5,154	5,884	5,884	5,492
Total liabilities	118,604	80,296	3,852	(272)	360	460	1,027	1,027	1,166
Allocated equity	4,693	5,730	6,109	5,574	4,746	4,694	4,857	4,857	4,326
Assets under management	1,029,267	1,026,295	1,065,321	1,054,759	1,008,543	992,740	970,685	996,648	974,476

Investment banking

Net interest income	50	63	69	73	91	108	832	72	91
Net fee and commission income	291	304	333	736	301	447	324	515	345
Net financial income	(21)	(7)	(31)	3	12	-	(115)	1,205	(510)
Share of profit of associates	-	-	-	-	115	-	498	22,419	2,713
Other operating income	-	-	-	-	-	-	321	20	130
Operating income	320	360	371	812	519	555	1,860	24,231	2,769
Operating expense	(156)	(208)	(194)	(192)	(164)	(246)	(337)	(406)	(202)
Net impairment	(39)	7	14	103	155	122	1,324	1,538	(2)
Earnings before tax	125	159	191	723	510	431	2,847	25,363	2,565
Total assets	16,344	18,723	18,947	16,835	18,705	20,407	62,904	62,904	43,943
Total liabilities	15,044	14,823	15,234	13,855	15,911	17,474	22,114	22,114	31,660
Allocated equity	1,300	3,900	3,713	2,980	2,794	2,933	40,790	40,790	12,283

Operating segments

ISK million

	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015
Treasury									
Net interest income	1,300	2,230	1,096	2,275	1,517	1,659	642	1,021	1,566
Net fee and commission income	(91)	(79)	(78)	(87)	(68)	(76)	(114)	(62)	(138)
Net financial income	(18)	(52)	(270)	510	225	(398)	(5)	408	521
Share of profit of associates	-	-	-	-	-	-	-	-	-
Other operating income	-	6	(1)	(5)	78	2	5	396	-
Operating income	1,191	2,105	747	2,693	1,752	1,187	528	1,763	1,949
Operating expense	(71)	327	(47)	(38)	(38)	(63)	(50)	(72)	(53)
Net impairment	-	-	55	4	-	3	-	(396)	396
Earnings before tax	1,120	2,432	755	2,659	1,714	1,127	478	1,295	2,292
Total assets	432,846	585,970	270,995	190,418	194,455	553,229	203,110	179,375	212,676
Total liabilities	375,975	536,759	229,773	158,178	162,965	527,989	182,122	161,154	192,964
Allocated equity	56,871	49,211	41,222	32,240	31,490	25,240	20,988	18,221	19,712
Other divisions and subsidiaries									
Net interest income	306	311	324	367	354	336	176	211	298
Net fee and commission income	1,157	802	962	998	938	1,033	916	937	991
Net financial income	297	2,200	857	(284)	(19)	4,792	128	338	(69)
Net insurance income	760	618	455	1,395	(391)	247	144	760	-
Share of profit of associates	4	(97)	97	120	(83)	24	214	99	-
Other operating income	118	337	164	(905)	1,065	156	589	(1,135)	529
Operating income	2,642	4,171	2,859	1,691	1,864	6,588	2,167	1,210	1,749
Operating expense	(2,098)	(2,257)	(2,230)	(1,943)	(1,451)	(2,021)	(1,646)	(1,340)	(1,479)
Net impairment	(51)	8	(27)	22	(34)	(28)	(25)	(106)	(19)
Earnings before tax	493	1,922	602	(230)	379	4,539	496	(236)	251
Total assets	92,005	83,226	70,247	4,147	(20,808)	35,245	50,166	309	3,521
Total liabilities	60,813	52,583	41,302	5,198	2,175	2,356	30,615	466	3,061
Allocated equity	31,192	30,643	28,945	(1,051)	(22,983)	32,889	19,551	(157)	460

Operating segments

ISK million	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015
Head quarters and elimination									
Net interest income	(31)	(37)	(105)	(62)	(122)	(162)	(147)	(31)	52
Net fee and commission income	69	110	103	(233)	88	126	167	161	147
Net financial income	(1,139)	(136)	406	677	455	(503)	(352)	662	584
Share of profit of associates	13	(803)	(131)	78	(16)	(6)	(36)	(8)	26
Other operating income	110	26	206	129	261	45	23	546	37
Operating income	(978)	(840)	479	589	666	(500)	(345)	1,330	846
Operating expense	(3,131)	(3,693)	(3,311)	(3,628)	(3,594)	(3,689)	(3,279)	(4,369)	(2,626)
Bank levy	(814)	(777)	(797)	(682)	(705)	(743)	(742)	(650)	(779)
Net impairment	3	(1)	(1)	(1)	(1)	5	(3)	25	-
Earnings before tax	(4,920)	(5,311)	(3,630)	(3,722)	(3,634)	(4,927)	(4,369)	(3,664)	(2,559)
Total assets	(319,491)	(426,061)	15,355	26,528	29,665	(462,033)	7,720	27,546	18,795
Total liabilities	(324,971)	(433,927)	7,866	16,003	20,257	(471,979)	(2,689)	17,137	8,845
Allocated equity	5,480	7,866	7,489	10,525	9,408	9,946	10,409	10,409	9,950

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