

# Arion Bank Factbook

31.03.2016

Unaudited

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## KFI - 5 years

ISK million	Q1 2016	2015	2014	2013	2012
<b>Profitability</b>					
Return on equity	5.7%	28.1%	18.6%	9.2%	13.8%
Return on assets	1.1%	5.0%	3.0%	1.4%	1.9%
Return on risk-weighted-assets	1.5%	6.7%	4.0%	1.9%	2.5%
Earnings per share	1.24	20.98	14.23	6.51	8.31
Earnings per share from continuing operations	1.19	20.80	10.82	6.31	7.51
<b>Net interest margin</b>					
Net interest margin on interest bearing assets	3.1%	3.0%	2.8%	2.9%	3.4%
Net interest margin on total assets	2.9%	2.7%	2.6%	2.6%	3.1%
<b>Efficiency</b>					
Cost-to-income ratio	60.7%	32.6%	50.1%	57.3%	49.8%
Cost-to-total assets ratio	2.9%	2.9%	2.9%	2.8%	2.8%
Number of FTE's at year end	1,163	1,147	1,139	1,145	1,190
<b>Asset quality</b>					
Problem loans	2.1%	2.5%	4.4%	6.3%	12.5%
Loans in >90 days overdue	1.6%	2.1%	3.6%	4.5%	6.0%
Provision for losses/Gross impaired loans	91.7%	90.7%	75.6%	67.7%	56.2%
Gross impaired loans/Gross loans	3.7%	4.7%	5.3%	6.5%	17.1%
Past due loans but not impaired as % of gross loans	6.1%	6.2%	7.2%	6.7%	6.5%
Risk weighted assets / Total assets	71.5%	79.9%	74.5%	76.8%	73.0%
<b>Financial strength</b>					
Equity as % of total assets	19.9%	20.0%	17.4%	15.4%	14.5%
<b>Liquidity</b>					
Liquidity coverage ratio (LCR) <sup>1</sup>	153.4%	134.5%	174.0%	123.0%	-
Loans-to-deposits ratio	160.2%	145.0%	142.3%	135.0%	126.3%
Loans-to-deposits ratio (without covered bonds)	125.9%	116.0%	114.0%	106.4%	98.4%
Deposits from customers as % of total funding	70.2%	67.4%	64.4%	64.1%	63.1%
Covered bonds as % of total funding	24.1%	19.5%	18.3%	18.1%	17.6%
<b>Capital</b>					
Tier 1 ratio	26.2%	23.4%	21.8%	19.2%	19.1%
Tier 2 ratio	0.8%	0.8%	4.5%	4.4%	5.2%
Capital adequacy ratio	26.6%	24.2%	26.3%	23.6%	24.3%
Leverage ratio <sup>1</sup>	17.3%	16.7%	15.4%	14.5%	-

1) Figures not available for 2012

## Income statement - 5 year summary

ISK million	Q1 2016	Q1 2015	Q1 2014	Q1 2013	Q1 2012
Interest income	14,870	11,644	12,891	16,472	15,298
Interest expense	(7,597)	(5,861)	(7,408)	(10,184)	(9,084)
<b>Net interest income</b>	<b>7,273</b>	<b>5,783</b>	<b>5,483</b>	<b>6,288</b>	<b>6,214</b>
Fee and commission income	5,240	5,057	4,264	3,660	3,806
Fee and commission expense	(2,021)	(1,300)	(1,116)	(1,211)	(1,470)
<b>Net fee and commission income</b>	<b>3,219</b>	<b>3,757</b>	<b>3,148</b>	<b>2,449</b>	<b>2,336</b>
Net financial income	(301)	7,539	(572)	(827)	1,429
Share of profit of associates	677	4,211	(64)	-	5
Other operating income	1,235	491	982	1,176	947
<b>Operating income</b>	<b>12,103</b>	<b>21,781</b>	<b>8,977</b>	<b>9,086</b>	<b>10,931</b>
Salaries and related expense	(4,108)	(3,492)	(3,450)	(3,322)	(3,045)
Other operating expenses	(3,234)	(2,896)	(2,747)	(3,277)	(2,757)
Bank Levy	(742)	(730)	(660)	(91)	(268)
Net impairment	(503)	1,782	1,967	(322)	(76)
<b>Earnings before tax</b>	<b>3,516</b>	<b>16,445</b>	<b>4,087</b>	<b>2,074</b>	<b>4,785</b>
Income tax expense	(737)	(1,720)	(1,315)	(586)	(1,061)
<b>Net earnings from continuing operations</b>	<b>2,779</b>	<b>14,725</b>	<b>2,772</b>	<b>1,488</b>	<b>3,724</b>
Net gain (loss) from discontinued operations, net of tax	104	183	92	(79)	727
<b>Net earnings</b>	<b>2,883</b>	<b>14,908</b>	<b>2,864</b>	<b>1,409</b>	<b>4,451</b>
<b>Other comprehensive income</b>					
Net gain on AFS financial assets, net of tax	(188)	-	-	-	-
Exchange difference on translating foreign subsidiaries	72	(5)	2	(1)	2
<b>Total comprehensive income for the period</b>	<b>2,767</b>	<b>14,903</b>	<b>2,866</b>	<b>1,408</b>	<b>4,453</b>
<b>Attributable to</b>					
Shareholders of Arion Bank	2,368	14,864	2,808	1,697	4,311
Non-controlling interest	399	44	56	(288)	140
<b>Net earnings</b>	<b>2,767</b>	<b>14,908</b>	<b>2,864</b>	<b>1,409</b>	<b>4,451</b>
<b>Earnings per share from continuing operations</b>					
Basic and diluted earnings per share attributable to the shareholders of Arion Bank (ISK)	1.13	7.34	1.36	0.89	1.79

## Balance sheet - 5 year summary

ISK million	Q1 2016	2015	2014	2013	2012
<b>Assets</b>					
Cash and balances with Central Bank	70,218	48,102	21,063	37,999	29,746
Loans to credit institutions	91,672	87,491	108,792	102,307	101,011
Loans to customers	694,004	680,350	647,508	635,774	566,610
Financial instruments	132,729	133,191	101,828	86,541	137,800
Investment property	6,382	7,542	6,842	28,523	28,919
Investments in associates	896	27,299	21,966	17,929	7,050
Intangible assets	9,153	9,285	9,596	5,383	4,941
Tax assets	209	205	655	818	463
Other assets	23,343	17,578	15,486	23,576	24,135
<b>Total Assets</b>	<b>1,028,606</b>	<b>1,011,043</b>	<b>933,736</b>	<b>938,850</b>	<b>900,675</b>
<b>Liabilities</b>					
Due to credit institutions and Central Bank	11,288	11,387	22,876	28,000	32,990
Deposits	433,228	469,347	454,973	471,866	448,683
Financial liabilities at fair value	9,577	7,609	9,143	8,960	13,465
Tax liabilities	4,722	4,922	5,123	4,924	3,237
Other liabilities	44,669	49,461	47,190	43,667	42,117
Borrowings	310,540	256,058	200,580	204,568	195,085
Subordinated liabilities	9,921	10,365	31,639	31,918	34,220
<b>Total Liabilities</b>	<b>823,945</b>	<b>809,149</b>	<b>771,524</b>	<b>793,903</b>	<b>769,797</b>
<b>Equity</b>					
Share capital and share premium	75,861	75,861	75,861	75,861	75,861
Other reserves	4,431	4,548	1,632	1,637	1,639
Retained earnings	114,861	112,377	83,218	62,591	49,572
<b>Total shareholders Equity</b>	<b>195,153</b>	<b>192,786</b>	<b>160,711</b>	<b>140,089</b>	<b>127,072</b>
Non-controlling interest	9,508	9,108	1,501	4,858	3,806
<b>Total equity</b>	<b>204,661</b>	<b>201,894</b>	<b>162,212</b>	<b>144,947</b>	<b>130,878</b>
<b>Total liabilities and equity</b>	<b>1,028,606</b>	<b>1,011,043</b>	<b>933,736</b>	<b>938,850</b>	<b>900,675</b>

## Net interest income - 5 year summary

ISK million	Q1 2016	Q1 2015	Q1 2014	Q1 2013	Q1 2012
<b>Interest income</b>					
Cash and balances with Central bank	265	142	179	319	171
Loans	13,110	10,509	11,616	13,720	12,884
Securities	1,328	832	971	2,278	2,147
Other	167	161	125	155	96
<b>Interest income</b>	<b>14,870</b>	<b>11,644</b>	<b>12,891</b>	<b>16,472</b>	<b>15,298</b>
<b>Interest expense</b>					
Deposits	(4,139)	(3,147)	(4,448)	(5,560)	(4,935)
Borrowings	(3,349)	(2,394)	(2,629)	(4,265)	(3,646)
Subordinated loans	(95)	(306)	(324)	(335)	(430)
Other	(14)	(14)	(7)	(24)	(73)
<b>Interest expense</b>	<b>(7,597)</b>	<b>(5,861)</b>	<b>(7,408)</b>	<b>(10,184)</b>	<b>(9,084)</b>
<b>Net interest income</b>	<b>7,273</b>	<b>5,783</b>	<b>5,483</b>	<b>6,288</b>	<b>6,214</b>
<b>Net interest margin on interest bearing assets</b>	<b>3.1%</b>	<b>2.6%</b>	<b>2.6%</b>	<b>3.0%</b>	<b>3.1%</b>

## Loans to customers - 5 year summary

ISK million	Q1 2016	2015	2014	2013	2012
<b>Loans to customers</b>					
Individuals	323,468	324,619	321,311	310,491	242,773
Corporates	370,536	355,731	326,197	325,283	323,837
<b>Total loans to customers</b>	<b>694,004</b>	<b>680,350</b>	<b>647,508</b>	<b>635,774</b>	<b>566,610</b>
<b>Loans to individuals</b>					
Overdrafts	17,465	16,840	17,955	18,205	17,236
Credit cards	10,403	10,842	11,065	11,296	10,302
Mortgage loans	272,279	271,895	271,639	258,065	190,897
Other loans	35,247	38,058	33,763	36,133	43,560
Provision on loans	(11,926)	(13,016)	(13,111)	(13,208)	(19,222)
<b>Total loans to individuals</b>	<b>323,468</b>	<b>324,619</b>	<b>321,311</b>	<b>310,491</b>	<b>242,773</b>
Neither past due nor impaired	294,183	291,277	277,859	268,485	200,080
Past due but not impaired	23,957	26,532	32,847	34,607	22,845
Impaired (gross)	14,944	17,403	21,621	19,110	38,023
Impairment amount	(9,616)	(10,593)	(11,016)	(11,711)	(18,175)
<b>Total loans to individuals</b>	<b>323,468</b>	<b>324,619</b>	<b>321,311</b>	<b>310,491</b>	<b>242,773</b>
<b>Ratios:</b>					
Provision for losses/Gross impaired loans	79.8%	74.8%	60.6%	69.1%	50.6%
Past due loans but not impaired as % of gross loans	7.2%	7.9%	9.9%	10.7%	8.8%
Gross impaired loans/Gross loans	4.5%	5.2%	6.5%	5.9%	14.6%

## Loans to customers - 5 year summary

ISK million	Q1 2016	2015	2014	2013	2012
<b>Loans to corporates</b>					
Overdrafts	24,463	24,248	24,420	19,669	18,470
Credit cards	1,113	1,054	943	878	769
Mortgage loans	13,607	12,889	10,406	8,103	4,376
Other loans	343,918	334,849	303,998	312,651	340,781
Provision on loans	(12,565)	(17,309)	(13,570)	(16,018)	(40,559)
<b>Total loans to corporates</b>	<b>370,536</b>	<b>355,731</b>	<b>326,197</b>	<b>325,283</b>	<b>323,837</b>
Neither past due nor impaired	349,133	337,153	308,588	304,880	275,837
Past due but not impaired	19,508	17,302	15,114	9,789	17,851
Individually impaired (gross)	11,756	16,024	13,693	24,029	68,414
Impairment amount	(9,861)	(14,748)	(11,198)	(13,415)	(38,265)
<b>Total loans to corporates</b>	<b>370,536</b>	<b>355,731</b>	<b>326,197</b>	<b>325,283</b>	<b>323,837</b>
<b>Ratios:</b>					
Provision for losses/Gross impaired loans	106.9%	108.0%	99.1%	66.7%	59.3%
Past due loans but not impaired as % of gross loans	5.1%	4.7%	4.5%	2.9%	4.9%
Gross impaired loans/Gross loans	3.1%	4.3%	4.1%	7.1%	18.9%
<b>Loans to corporates specified by sector:</b>					
Agriculture and forestry	1.6%	1.6%	1.7%	1.4%	1.5%
Services	5.4%	5.6%	5.6%	6.1%	5.8%
Financial and insurance activities	9.1%	9.4%	8.5%	8.5%	7.6%
Industry, energy and manufacturing	6.2%	6.0%	7.8%	7.0%	7.0%
Information and communication technology	8.0%	8.7%	7.1%	7.4%	8.9%
Public administration, human health and social activities	2.3%	2.3%	2.4%	2.7%	3.1%
Real estate activities and construction	28.2%	28.8%	24.9%	25.5%	21.3%
Fishing industry	22.6%	21.3%	23.4%	18.7%	20.9%
Transportation	1.6%	1.7%	1.7%	5.8%	6.7%
Wholesale and retail trade	15.1%	14.6%	16.9%	16.9%	17.2%
	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

## Capital and Risk Weighted Assets

ISK million

Q1 2016

2015

2014

2013

2012

### Capital base:

<b>Total equity</b>	204,661	201,894	162,212	144,947	130,878
Non-controlling interest not eligible for inclusion in CET1 capital	(9,507)	(9,108)	(1,501)	(4,858)	(3,806)
Intangible assets	(9,153)	(9,285)	(9,596)	(5,383)	(4,941)
Tax assets	(209)	(205)	(655)	(818)	(463)
Other statutory deductions	(2,921)	(3,151)	(111)	(119)	-
<b>Common equity Tier 1 capital</b>	<b>182,871</b>	<b>180,145</b>	<b>150,349</b>	<b>133,769</b>	<b>121,668</b>
Non-controlling interest not eligible for inclusion in CET1 capital	9,507	9,108	1,501	4,858	3,806
<b>Tier 1 capital</b>	<b>192,378</b>	<b>189,254</b>	<b>151,850</b>	<b>138,627</b>	<b>125,474</b>
Subordinated liabilities	9,921	10,365	31,639	31,918	34,220
Regulatory adjustment to Tier 2 capital	(1,055)	(771)	-	-	-
Other statutory deductions	(2,921)	(3,118)	(101)	(106)	-
<b>Tier 2 Capital</b>	<b>5,945</b>	<b>6,476</b>	<b>31,538</b>	<b>31,812</b>	<b>34,220</b>
<b>Total Capital base</b>	<b>198,323</b>	<b>195,729</b>	<b>183,388</b>	<b>170,439</b>	<b>159,694</b>

### Risk weighted assets

Credit Risk	635,499	681,034	591,994	608,029	557,964
Market Risk FX	10,649	38,401	18,915	31,703	20,063
Market Risk Other	7,994	7,035	2,890	4,993	7,407
Operational Risk	81,441	81,441	82,211	76,097	72,329
<b>Total risk weighted assets</b>	<b>735,583</b>	<b>807,911</b>	<b>696,010</b>	<b>720,822</b>	<b>657,763</b>

### Capital ratios

CET1 ratio using current RWA <sup>2</sup>	24.9%	22.3%	21.6%	-	-
Tier 1 ratio	26.2%	23.4%	21.8%	19.2%	19.1%
Capital adequacy ratio	26.6%	24.2%	26.3%	23.6%	24.3%

### Leverage ratio

On-balance sheet exposures	999,855	982,348	912,303	921,079	-
Derivative exposures	3,996	3,789	1,348	1,929	-
Securities financing transaction exposures	16,590	16,287	10,044	10,381	-
Off-balance sheet exposures	90,814	127,675	59,922	25,199	-
<b>Total exposure</b>	<b>1,111,255</b>	<b>1,130,099</b>	<b>983,617</b>	<b>958,588</b>	<b>-</b>
<b>Tier 1 capital</b>	<b>192,378</b>	<b>189,254</b>	<b>151,850</b>	<b>138,627</b>	<b>125,474</b>
<b>Leverage ratio<sup>1</sup></b>	<b>17.3%</b>	<b>16.7%</b>	<b>15.4%</b>	<b>14.5%</b>	<b>-</b>

### Related ratios

RORWA	1.49%	7.02%	4.00%	1.86%	2.52%
RWA/Total assets	71.51%	79.91%	74.54%	76.78%	73.03%

1) Figures not available for 2012

2) Figures not available for 2013 and 2012



# Arion Bank Factbook

Quarter summaries



## KFI - 9 Quarters

ISK million	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014	Q3 2014	Q2 2014	Q1 2014
<b>Profitability</b>									
Return on equity	5.7%	51.6%	14.2%	10.2%	35.1%	14.8%	13.3%	38.5%	7.8%
Return on assets	1.1%	10.0%	2.5%	1.8%	6.3%	2.6%	2.2%	6.3%	1.2%
Return on risk-weighted-assets	1.5%	12.5%	3.3%	2.4%	8.4%	3.3%	2.9%	8.2%	1.6%
Earnings per share	1.24	8.21	3.13	2.22	7.43	3.05	2.55	7.23	1.40
Earnings per share from continuing operations	1.19	8.16	3.12	2.18	7.34	2.93	2.52	4.01	1.36
<b>Net interest margin</b>									
Net interest margin on interest bearing assets	3.1%	2.9%	3.1%	3.3%	2.6%	2.8%	2.9%	3.1%	2.6%
Net interest margin on total assets	2.9%	2.7%	2.9%	3.0%	2.4%	2.5%	2.7%	2.8%	2.3%
<b>Efficiency</b>									
Cost-to-income ratio	60.7%	24.5%	43.1%	47.5%	29.3%	53.5%	45.0%	40.5%	69.0%
Cost-to-total assets ratio	2.9%	3.5%	2.5%	2.7%	2.6%	3.6%	2.4%	2.9%	2.6%
Number of FTE's at year end	1,163	1,147	1,151	1,123	1,112	1,120	1,135	1,118	1,140
<b>Asset quality</b>									
Problem loans	2.1%	2.5%	3.2%	3.3%	3.2%	4.4%	4.6%	5.4%	6.1%
Loans in >90 days overdue	1.6%	2.6%	2.6%	3.6%	3.6%	3.6%	3.6%	3.1%	4.2%
Provision for losses/Gross impaired loans	91.7%	90.7%	85.5%	83.4%	80.4%	75.6%	67.0%	61.4%	62.9%
Gross impaired loans/Gross loans	3.7%	4.7%	4.4%	4.7%	4.9%	5.3%	6.0%	6.7%	7.0%
Past due loans but not impaired as % of gross loans	6.1%	6.2%	6.9%	10.0%	7.1%	7.2%	6.1%	6.5%	9.0%
Risk weighted assets / Total assets	71.5%	79.9%	73.3%	74.5%	72.5%	74.5%	77.4%	73.9%	77.3%

## KFI - 9 Quarters

ISK million	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014	Q3 2014	Q2 2014	Q1 2014
<b>Financial strength</b>									
Equity as % of total assets	19.9%	20.0%	17.3%	17.3%	17.6%	17.4%	17.0%	16.3%	15.8%
<b>Liquidity</b>									
Liquidity coverage ratio (LCR)	153.4%	134.5%	145.0%	138.0%	192.0%	174.0%	137.1%	184.0%	130.0%
Loans-to-deposits ratio	160.2%	145.0%	134.9%	141.2%	137.7%	142.3%	135.2%	134.3%	136.5%
Loans-to-deposits ratio (without covered bonds)	125.9%	116.0%	108.6%	115.2%	110.1%	114.0%	109.6%	106.1%	108.1%
Deposits from customers as % of total funding	70.2%	67.4%	65.2%	64.0%	62.0%	64.4%	66.4%	64.6%	64.4%
Covered bonds as % of total funding	24.1%	19.5%	17.2%	16.6%	17.2%	18.3%	17.0%	18.2%	18.3%
<b>Capital</b>									
Official CET 1 ratio	25.8%	23.4%	21.4%	21.8%	19.1%	21.8%	20.3%	21.1%	18.2%
Tier 2 ratio	0.8%	0.8%	1.3%	1.4%	2.8%	4.5%	4.3%	4.5%	4.3%
Official capital adequacy ratio	26.6%	24.2%	22.7%	23.2%	21.9%	26.3%	24.6%	25.6%	22.5%
Leverage ratio <sup>1</sup>	17.3%	16.7%	15.0%	15.4%	14.5%	15.4%	-	-	-

1) Figures not available for Q3 2014, Q2 2014 and Q1 2014

## Income statement - 9 quarter summary

ISK million	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014	Q3 2014	Q2 2014	Q1 2014
Interest income	14,870	11,738	15,148	16,016	11,644	10,835	13,155	13,990	12,891
Interest expense	(7,597)	(5,033)	(8,036)	(8,624)	(5,861)	(4,924)	(6,812)	(7,507)	(7,408)
<b>Net interest income</b>	<b>7,273</b>	<b>6,705</b>	<b>7,112</b>	<b>7,392</b>	<b>5,783</b>	<b>5,911</b>	<b>6,343</b>	<b>6,483</b>	<b>5,483</b>
Fee and commission income	5,240	5,625	5,373	5,179	5,057	4,768	4,762	4,653	4,264
Fee and commission expense	(2,021)	(1,867)	(2,081)	(1,502)	(1,300)	(1,578)	(1,236)	(1,208)	(1,116)
<b>Net fee and commission income</b>	<b>3,219</b>	<b>3,758</b>	<b>3,292</b>	<b>3,677</b>	<b>3,757</b>	<b>3,190</b>	<b>3,526</b>	<b>3,445</b>	<b>3,148</b>
Net financial income	(301)	2,668	453	2,184	7,539	1,429	1,994	4,439	(572)
Share of profit of associates	677	22,510	2,739	6	4,211	3,525	53	(16)	(64)
Other operating income	1,235	537	709	1,032	491	1,683	636	2,372	982
<b>Operating income</b>	<b>12,103</b>	<b>36,178</b>	<b>14,305</b>	<b>14,291</b>	<b>21,781</b>	<b>15,738</b>	<b>12,552</b>	<b>16,723</b>	<b>8,977</b>
Salaries and related expense	(4,108)	(4,572)	(3,153)	(3,675)	(3,492)	(3,953)	(2,862)	(3,714)	(3,450)
Other operating expenses	(3,234)	(4,288)	(3,012)	(3,108)	(2,896)	(4,465)	(2,787)	(3,064)	(2,747)
Bank Levy	(742)	(650)	(779)	(659)	(730)	(636)	(633)	(715)	(660)
Net impairment	(503)	(2,973)	(33)	(1,863)	1,782	(742)	876	34	1,967
<b>Earnings before tax</b>	<b>3,516</b>	<b>23,695</b>	<b>7,328</b>	<b>4,986</b>	<b>16,445</b>	<b>5,942</b>	<b>7,146</b>	<b>9,264</b>	<b>4,087</b>
Income tax expense	(737)	504	(1,272)	(647)	(1,720)	(222)	(1,989)	(1,152)	(1,315)
<b>Net earnings from continuing operations</b>	<b>2,779</b>	<b>24,199</b>	<b>6,056</b>	<b>4,339</b>	<b>14,725</b>	<b>5,720</b>	<b>5,157</b>	<b>8,112</b>	<b>2,772</b>
Net gain (loss) from discontinued operations, net of tax	104	83	15	79	183	241	67	6,433	92
<b>Net earnings</b>	<b>2,883</b>	<b>24,282</b>	<b>6,071</b>	<b>4,418</b>	<b>14,908</b>	<b>5,961</b>	<b>5,224</b>	<b>14,545</b>	<b>2,864</b>
<b>Other comprehensive income</b>									
Net gain on AFS financial assets, net of tax	(188)	2,903	-	-	-	-	-	-	-
Exchange difference on translating foreign subsidiaries	72	(34)	277	(225)	(5)	-	(2)	(4)	2
<b>Total comprehensive income for the period</b>	<b>2,767</b>	<b>27,151</b>	<b>6,348</b>	<b>4,193</b>	<b>14,903</b>	<b>5,961</b>	<b>5,222</b>	<b>14,541</b>	<b>2,866</b>
<b>Attributable to</b>									
Shareholders of Arion Bank	2,368	16,409	6,262	4,433	14,864	6,095	5,106	14,455	2,808
Non-controlling interest	399	7,873	(191)	(15)	44	(134)	118	90	56
<b>Net earnings</b>	<b>2,767</b>	<b>24,282</b>	<b>6,071</b>	<b>4,418</b>	<b>14,908</b>	<b>5,961</b>	<b>5,224</b>	<b>14,545</b>	<b>2,864</b>
<b>Earnings per share from continuing operations</b>									
Basic and diluted earnings per share attributable to the shareholders of Arion Bank (ISK)	1.13	9.62	3.12	2.18	7.34	2.93	2.52	4.01	1.36

## Balance sheet - 9 quarter summary

ISK million	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014	Q3 2014	Q2 2014	Q1 2014
<b>Assets</b>									
Cash and balances with Central Bank	70,218	48,102	73,289	33,189	63,575	21,063	33,335	17,361	18,744
Loans to credit institutions	91,672	87,491	93,326	103,815	125,643	108,792	108,621	139,838	95,158
Loans to customers	694,004	680,350	678,807	667,129	649,089	647,508	652,598	637,085	642,341
Financial instruments	132,729	133,191	111,191	111,419	106,675	101,828	99,223	99,271	99,710
Investment property	6,382	7,542	7,817	7,851	7,915	6,842	2,901	6,020	28,503
Investments in associates	896	27,299	13,847	13,987	24,965	21,966	22,025	25,128	17,785
Intangible assets	9,153	9,285	9,194	9,353	9,493	9,596	5,337	5,375	5,371
Tax assets	209	205	987	891	420	655	660	734	409
Other assets	23,343	17,578	21,018	27,177	16,549	15,486	17,471	18,181	25,124
<b>Total Assets</b>	<b>1,028,606</b>	<b>1,011,043</b>	<b>1,009,476</b>	<b>974,811</b>	<b>1,004,324</b>	<b>933,736</b>	<b>942,171</b>	<b>948,993</b>	<b>933,144</b>
<b>Liabilities</b>									
Due to credit institutions and Central Bank	11,288	11,387	11,470	13,961	21,561	22,876	21,131	29,277	25,915
Deposits	433,228	469,347	503,155	472,304	471,271	454,973	482,518	474,229	470,665
Financial liabilities at fair value	9,577	7,609	5,511	4,145	7,311	9,143	6,038	7,646	9,145
Tax liabilities	4,722	4,922	6,773	6,203	6,027	5,123	6,103	4,995	5,263
Other liabilities	44,669	49,461	49,222	56,989	50,794	47,190	43,464	47,232	39,820
Borrowings	310,540	256,058	248,172	241,880	249,751	200,580	191,947	199,882	203,226
Subordinated liabilities	9,921	10,365	10,378	10,884	20,494	31,639	31,205	31,189	31,297
<b>Total Liabilities</b>	<b>823,945</b>	<b>809,149</b>	<b>834,681</b>	<b>806,366</b>	<b>827,209</b>	<b>771,524</b>	<b>782,406</b>	<b>794,450</b>	<b>785,331</b>
<b>Equity</b>									
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	4,431	4,548	1,679	1,402	1,627	1,632	1,633	1,635	1,639
Retained earnings	114,861	112,377	95,968	89,706	98,082	83,218	77,149	72,043	65,400
<b>Total shareholders Equity</b>	<b>195,153</b>	<b>192,786</b>	<b>173,508</b>	<b>166,969</b>	<b>175,570</b>	<b>160,711</b>	<b>154,643</b>	<b>149,539</b>	<b>142,900</b>
Non-controlling interest	9,508	9,108	1,287	1,476	1,545	1,501	5,122	5,004	4,913
<b>Total equity</b>	<b>204,661</b>	<b>201,894</b>	<b>174,795</b>	<b>168,445</b>	<b>177,115</b>	<b>162,212</b>	<b>159,765</b>	<b>154,543</b>	<b>147,813</b>
<b>Total liabilities and equity</b>	<b>1,028,606</b>	<b>1,011,043</b>	<b>1,009,476</b>	<b>974,811</b>	<b>1,004,324</b>	<b>933,736</b>	<b>942,171</b>	<b>948,993</b>	<b>933,144</b>

## Net interest income - 9 quarter summary

ISK million	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014	Q3 2014	Q2 2014	Q1 2014
<b>Interest income</b>									
Cash and balances with Central bank	265	270	183	142	142	201	169	154	179
Loans	13,110	10,313	13,801	14,792	10,509	9,583	11,953	12,658	11,616
Securities	1,328	939	984	777	832	840	845	1,009	971
Other	167	217	180	305	161	210	188	170	125
<b>Interest income</b>	<b>14,870</b>	<b>11,739</b>	<b>15,148</b>	<b>16,016</b>	<b>11,644</b>	<b>10,834</b>	<b>13,155</b>	<b>13,991</b>	<b>12,891</b>
<b>Interest expense</b>									
Deposits	(4,139)	(3,484)	(4,508)	(4,313)	(3,147)	(3,174)	(4,025)	(4,336)	(4,448)
Borrowings	(3,349)	(1,489)	(3,361)	(4,100)	(2,394)	(1,393)	(2,413)	(2,834)	(2,629)
Subordinated loans	(95)	(98)	(100)	(197)	(306)	(318)	(324)	(327)	(324)
Other	(15)	38	(67)	(14)	(14)	(39)	(50)	(12)	(7)
<b>Interest expense</b>	<b>(7,598)</b>	<b>(5,033)</b>	<b>(8,036)</b>	<b>(8,624)</b>	<b>(5,861)</b>	<b>(4,924)</b>	<b>(6,812)</b>	<b>(7,509)</b>	<b>(7,408)</b>
<b>Net interest income</b>	<b>7,273</b>	<b>6,705</b>	<b>7,112</b>	<b>7,392</b>	<b>5,783</b>	<b>5,911</b>	<b>6,343</b>	<b>6,482</b>	<b>5,483</b>
<b>Net interest margin on interest bearing assets</b>	<b>3.1%</b>	<b>2.9%</b>	<b>3.1%</b>	<b>3.3%</b>	<b>2.6%</b>	<b>2.8%</b>	<b>2.9%</b>	<b>3.1%</b>	<b>2.6%</b>

## Loans to customers - 9 quarter summary

ISK million	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014	Q3 2014	Q2 2014	Q1 2014
<b>Loans to customers</b>									
Individuals	323,468	324,619	322,386	315,404	312,211	321,311	320,477	314,038	311,941
Corporates	370,536	355,731	356,421	351,725	336,878	326,197	332,121	323,047	330,400
<b>Total loans to customers</b>	<b>694,004</b>	<b>680,350</b>	<b>678,807</b>	<b>667,129</b>	<b>649,089</b>	<b>647,508</b>	<b>652,598</b>	<b>637,085</b>	<b>642,341</b>
<b>Loans to individuals</b>									
Overdrafts	17,465	16,840	17,809	18,062	18,508	17,955	18,525	18,044	19,003
Credit cards	10,403	10,842	10,574	10,650	10,135	11,065	10,228	9,084	9,669
Mortgage loans	272,279	271,895	272,841	264,681	262,883	271,639	257,122	259,118	259,252
Other loans	35,247	38,058	34,985	34,442	34,272	33,763	47,218	40,477	38,251
Provision on loans	(11,926)	(13,016)	(13,823)	(12,431)	(13,587)	(13,111)	(12,616)	(12,685)	(14,234)
<b>Total loans to individuals</b>	<b>323,468</b>	<b>324,619</b>	<b>322,386</b>	<b>315,404</b>	<b>312,211</b>	<b>321,311</b>	<b>320,477</b>	<b>314,038</b>	<b>311,941</b>
Neither past due nor impaired	294,183	291,277	284,977	273,687	273,560	277,859	282,283	272,704	261,695
Past due but not impaired	23,957	26,532	29,153	33,066	30,391	32,847	28,342	31,143	40,700
Individually impaired (gross)	14,944	17,403	18,149	19,454	19,219	21,621	20,454	20,720	23,653
Impairment amount	(9,616)	(10,593)	(9,893)	(10,803)	(10,959)	(11,016)	(10,602)	(10,529)	(14,107)
<b>Total loans to individuals</b>	<b>323,468</b>	<b>324,619</b>	<b>322,386</b>	<b>315,404</b>	<b>312,211</b>	<b>321,311</b>	<b>320,477</b>	<b>314,038</b>	<b>311,941</b>
<b>Ratios</b>									
Provision for losses/Gross impaired loans	79.8%	74.8%	76.2%	63.9%	70.7%	60.6%	61.7%	61.2%	60.2%
Past due loans but not impaired as % of gross loans	7.2%	7.9%	8.8%	10.1%	9.4%	9.9%	8.6%	9.6%	12.5%
Gross impaired loans/Gross loans	4.5%	5.2%	5.5%	6.0%	5.9%	6.5%	6.2%	6.4%	7.3%

## Loans to customers - 9 quarter summary

ISK million

	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014	Q3 2014	Q2 2014	Q1 2014
<b>Loans to corporates</b>									
Overdrafts	24,463	24,248	23,699	25,272	25,305	24,420	23,453	23,444	23,218
Credit cards	1,113	1,054	994	997	1,004	943	939	716	761
Mortgage loans	13,607	12,889	12,516	11,990	11,601	10,406	8,940	9,199	8,539
Other loans	343,918	334,849	331,758	328,224	311,740	303,998	313,286	304,324	313,154
Provision on loans	(12,565)	(17,309)	(12,546)	(14,758)	(12,772)	(13,570)	(14,497)	(14,636)	(15,272)
<b>Total loans to corporates</b>	<b>370,536</b>	<b>355,731</b>	<b>356,421</b>	<b>351,725</b>	<b>336,878</b>	<b>326,197</b>	<b>332,121</b>	<b>323,047</b>	<b>330,400</b>
Neither past due nor impaired	349,133	337,153	334,863	313,161	317,228	308,588	311,702	300,525	299,368
Past due but not impaired	19,508	17,302	19,374	36,034	16,997	15,114	13,141	11,575	19,244
Impaired (gross)	11,756	16,024	12,707	13,149	13,583	13,693	20,009	23,749	23,248
Impairment amount	(9,861)	(14,748)	(10,523)	(10,619)	(10,930)	(11,198)	(12,731)	(12,802)	(11,460)
<b>Total loans to corporates</b>	<b>370,536</b>	<b>355,731</b>	<b>356,421</b>	<b>351,725</b>	<b>336,878</b>	<b>326,197</b>	<b>332,121</b>	<b>323,047</b>	<b>330,400</b>
Provision for losses/Gross impaired loans	106.9%	108.0%	98.7%	112.2%	94.0%	99.1%	72.5%	61.6%	65.7%
Past due loans but not impaired as % of gross loans	5.1%	4.7%	5.3%	9.9%	4.9%	4.5%	3.8%	3.4%	5.6%
Gross impaired loans/Gross loans	3.1%	4.3%	3.5%	3.6%	3.9%	4.1%	5.8%	7.1%	6.8%
<b>Loans to corporates specified by sector:</b>									
Agriculture and forestry	1.6%	1.6%	1.7%	1.6%	1.6%	1.7%	1.6%	1.5%	1.4%
Services	5.4%	5.6%	5.5%	6.3%	5.6%	5.6%	5.4%	6.3%	6.0%
Financial and insurance activities	9.1%	9.4%	9.0%	8.9%	9.5%	8.5%	8.7%	8.9%	9.6%
Industry, energy and manufacturing	6.2%	6.0%	6.0%	5.6%	6.2%	7.8%	7.4%	7.4%	7.2%
Information and communication technology	8.0%	8.7%	7.2%	7.3%	6.8%	7.1%	6.9%	7.3%	7.1%
Public administration, human health and social activities	2.3%	2.3%	2.2%	2.2%	2.6%	2.4%	1.8%	1.9%	2.1%
Real estate activities and construction	28.2%	28.8%	28.4%	26.6%	24.6%	24.9%	29.5%	28.5%	26.4%
Fishing industry	22.6%	21.3%	21.6%	21.1%	22.9%	23.4%	21.0%	20.9%	18.8%
Transportation	1.6%	1.7%	2.8%	3.2%	3.3%	1.7%	1.9%	1.7%	5.6%
Wholesale and retail trade	15.1%	14.6%	15.6%	17.3%	16.9%	16.9%	15.8%	15.6%	15.8%
	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

	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014	Q3 2014	Q2 2014	Q1 2014
<b>Capital base:</b>									
<b>Total equity</b>	204,661	201,894	174,794	168,445	177,116	162,212	159,766	154,543	147,813
Non-controlling interest not eligible for inclusion in CET1 capital	(9,507)	(9,108)	(1,287)	(1,476)	(1,545)	(1,501)	(5,122)	(5,004)	(4,913)
Intangible assets	(9,153)	(9,285)	(9,194)	(9,353)	(9,493)	(9,596)	(5,337)	(5,374)	(5,371)
Tax assets	(209)	(205)	(987)	(891)	(420)	(655)	(660)	(734)	(409)
Other statutory deductions	(2,921)	(3,151)	(222)	(1,534)	(12,913)	(111)	(125)	(111)	(7,931)
<b>Common equity Tier 1 capital</b>	<b>182,871</b>	<b>180,145</b>	<b>163,104</b>	<b>155,191</b>	<b>152,744</b>	<b>150,349</b>	<b>148,522</b>	<b>143,320</b>	<b>129,189</b>
Non-controlling interest not eligible for inclusion in CET1 capital	9,507	9,108	1,287	1,476	1,545	1,501	5,122	5,004	4,913
<b>Tier 1 capital</b>	<b>192,378</b>	<b>189,254</b>	<b>164,391</b>	<b>156,667</b>	<b>154,290</b>	<b>151,850</b>	<b>153,644</b>	<b>148,324</b>	<b>134,102</b>
Subordinated liabilities	9,921	10,365	10,378	10,884	20,494	31,639	31,205	31,189	31,297
Regulatory adjustment to Tier 2 capital	(1,055)	(771)	(597)	(411)	(684)	-	-	-	-
Other statutory deductions	(2,921)	(3,118)	(189)	(92)	(91)	(101)	(120)	(100)	(120)
<b>Tier 2 Capital</b>	<b>5,945</b>	<b>6,476</b>	<b>9,592</b>	<b>10,381</b>	<b>19,719</b>	<b>31,538</b>	<b>31,085</b>	<b>31,089</b>	<b>31,177</b>
<b>Total Capital base</b>	<b>198,323</b>	<b>195,729</b>	<b>173,983</b>	<b>167,048</b>	<b>174,009</b>	<b>183,388</b>	<b>184,729</b>	<b>179,413</b>	<b>165,279</b>
<b>Risk weighted assets</b>									
Credit Risk	635,499	681,034	645,358	629,774	625,520	591,994	630,866	604,993	618,188
Market Risk FX	10,649	38,401	5,255	6,582	19,413	18,915	18,399	16,317	21,548
Market Risk Other	7,994	7,035	7,317	7,299	1,492	2,890	4,251	4,362	5,932
Operational Risk	81,441	81,441	82,211	82,211	82,211	82,211	76,097	76,097	76,097
<b>Total risk weighted assets</b>	<b>735,583</b>	<b>807,911</b>	<b>740,141</b>	<b>725,866</b>	<b>728,636</b>	<b>696,010</b>	<b>729,613</b>	<b>701,769</b>	<b>721,765</b>
<b>Capital ratios</b>									
CET1 ratio using current RWA <sup>2</sup>	24.9%	22.3%	-	-	-	21.6%	-	-	-
Tier 1 ratio	26.2%	23.4%	21.4%	21.6%	18.8%	21.8%	20.3%	21.1%	18.2%
Capital adequacy ratio	26.6%	24.2%	22.7%	23.2%	21.6%	26.3%	24.6%	25.6%	22.5%

## Capital and Risk Weighted Assets

ISK million	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014	Q3 2014	Q2 2014	Q1 2014
<b>Leverage ratio</b>									
On-balance sheet exposures	999,855	982,348	989,972	958,352	969,329	912,303	-	-	-
Derivative exposures	3,996	3,789	3,664	3,395	2,508	1,348	-	-	-
Securities financing transaction exposures	16,590	16,287	7,005	4,269	10,153	10,044	-	-	-
Off-balance sheet exposures	90,814	127,675	95,076	60,443	80,541	59,922	-	-	-
<b>Total exposure</b>	<b>1,111,255</b>	<b>1,130,099</b>	<b>1,095,717</b>	<b>1,026,459</b>	<b>1,062,531</b>	<b>983,617</b>	-	-	-
<b>Tier 1 capital</b>	<b>192,378</b>	<b>189,254</b>	<b>164,391</b>	<b>156,667</b>	<b>154,290</b>	<b>151,850</b>	<b>153,644</b>	<b>148,324</b>	<b>134,102</b>
<b>Leverage ratio<sup>1</sup></b>	<b>17.3%</b>	<b>16.7%</b>	<b>15.0%</b>	<b>15.4%</b>	<b>14.5%</b>	<b>15.4%</b>	-	-	-
<b>Related ratios</b>									
RORWA	1.49%	7.02%	5.10%	6.02%	9.63%	4.00%	4.20%	4.87%	1.59%
RWA/Total assets	71.51%	79.91%	73.32%	74.46%	72.55%	74.54%	77.44%	73.95%	77.35%

1) Figures not available for Q3 2014, Q2 2014 and Q1 2014

2) Figures not available for Q3 2015, Q2 2015, Q1 2015, Q3 2014, Q2 2014 and Q1 2014

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