

Arion Bank Factbook

31.12.2016

Unaudited

KFI - 5 years

ISK million	2016	2015	2014	2013	2012
Profitability					
Return on equity	10.5%	28.1%	18.6%	9.2%	13.8%
Return on assets	2.1%	5.0%	3.0%	1.4%	1.9%
Return on risk-weighted-assets	2.9%	6.7%	4.0%	1.9%	2.5%
Earnings per share	10.57	20.98	14.23	6.51	8.31
Earnings per share from continuing operations	10.13	20.80	10.82	6.31	7.51
Net interest margin					
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%
Efficiency					
Cost-to-income ratio ¹	57.2%	32.3%	49.8%	56.9%	49.6%
Cost-to-total assets ratio ¹	3.0%	2.9%	2.9%	2.8%	2.8%
Number of FTE's at year end	1,239	1,147	1,139	1,145	1,190
Asset quality					
Problem loans	1.6%	2.5%	4.4%	6.3%	12.5%
Loans in >90 days overdue	1.2%	2.1%	3.6%	4.5%	6.0%
Provision for losses/Gross impaired loans	76.5%	75.8%	62.9%	58.2%	53.0%
Gross impaired loans/Gross loans	3.2%	4.7%	5.3%	6.5%	17.1%
Past due loans but not impaired as % of gross loans	4.9%	6.2%	7.2%	6.7%	6.5%
Risk weighted assets / Total assets	72.7%	79.9%	74.5%	76.8%	73.0%
Financial strength					
Equity as % of total assets	20.4%	20.0%	17.4%	15.4%	14.5%
Liquidity					
Liquidity coverage ratio (LCR) ²	171.3%	134.5%	174.0%	123.0%	-
Loans-to-deposits ratio	172.9%	145.0%	142.3%	135.0%	126.3%
Loans-to-deposits ratio (without covered bonds)	133.8%	116.0%	114.0%	106.4%	98.4%
Deposits from customers as % of total funding ³	54.3%	67.4%	64.4%	64.1%	63.1%
Covered bonds as % of total funding ³	21.2%	19.5%	18.3%	18.1%	17.6%
Capital					
Tier 1 ratio	26.5%	23.4%	21.8%	19.2%	19.1%
Tier 2 ratio	0.6%	0.8%	4.5%	4.4%	5.2%
Capital adequacy ratio	27.1%	24.2%	26.3%	23.6%	24.3%
Leverage ratio ²	18.0%	16.7%	15.4%	14.5%	-

1) Figures for 2012-2015 updated to include net insurance income

2) Figures not available for 2012

Income statement - 5 year summary

ISK million	2016	2015	2014	2013	2012
Interest income	61,655	54,546	50,872	56,867	59,094
Interest expense	(31,755)	(27,554)	(26,652)	(33,067)	(31,952)
Net interest income	29,900	26,992	24,220	23,800	27,142
Fee and commission income	23,887	21,234	18,447	16,443	16,166
Fee and commission expense	(9,909)	(6,750)	(5,138)	(5,220)	(5,418)
Net fee and commission income	13,978	14,484	13,309	11,223	10,748
Net financial income	5,162	12,844	7,290	1,675	2,017
Net insurance income	1,395	760	664	750	685
Share of profit of associates	908	29,466	3,498	1,986	2,405
Other operating income	2,096	1,624	4,668	4,591	6,272
Operating income	53,439	86,169	53,649	44,025	49,269
Salaries and related expense	(16,659)	(14,892)	(13,979)	(13,537)	(12,459)
Other operating expenses	(13,881)	(12,918)	(12,722)	(11,535)	(11,976)
Bank Levy	(2,872)	(2,818)	(2,643)	(2,872)	(1,062)
Net impairment	7,236	(3,087)	2,135	(680)	(4,690)
Earnings before tax	27,263	52,454	26,440	15,401	19,082
Income tax	(6,410)	(3,135)	(4,679)	(3,143)	(3,633)
Net earnings from continuing operations	20,853	49,319	21,761	12,258	15,449
Net gain (loss) from discontinued operations, net of tax	886	360	6,833	399	1,607
Net earnings	21,739	49,679	28,594	12,657	17,056
Attributable to					
Shareholders of Arion Bank	21,147	41,968	28,465	13,019	16,622
Non-controlling interest	592	7,711	129	(362)	434
Total comprehensive income	21,739	49,679	28,594	12,657	17,056
Earnings per share from continuing operations					
Basic and diluted earnings per share attributable to the shareholders of Arion Bank (ISK)	10.13	20.80	10.82	6.31	7.51

Balance sheet - 5 year summary

ISK million	2016	2015	2014	2013	2012
Assets					
Cash and balances with Central Bank	87,634	48,102	21,063	37,999	29,746
Loans to credit institutions	80,116	87,491	108,792	102,307	101,011
Loans to customers	712,422	680,350	647,508	635,774	566,610
Financial instruments	117,456	133,191	101,828	86,541	137,800
Investment property	5,358	7,542	6,842	28,523	28,919
Investments in associates	839	27,299	21,966	17,929	7,050
Intangible assets	11,057	9,285	9,596	5,383	4,941
Tax assets	288	205	655	818	463
Other assets	20,854	17,578	15,486	23,576	24,135
Total assets	1,036,024	1,011,043	933,736	938,850	900,675
Liabilities					
Due to credit institutions and Central Bank	7,987	11,387	22,876	28,000	32,990
Deposits	412,064	469,347	454,973	471,866	448,683
Financial liabilities at fair value	3,726	7,609	9,143	8,960	13,465
Tax liabilities	7,293	4,922	5,123	4,924	3,237
Other liabilities	54,094	49,461	47,190	43,667	42,117
Borrowings	339,476	256,058	200,580	204,568	195,085
Subordinated liabilities	-	10,365	31,639	31,918	34,220
Total liabilities	824,640	809,149	771,524	793,903	769,797
Equity					
Share capital and share premium	75,861	75,861	75,861	75,861	75,861
Other reserves	19,761	4,548	1,632	1,637	1,639
Retained earnings	115,590	112,377	83,218	62,591	49,572
Total shareholders equity	211,212	192,786	160,711	140,089	127,072
Non-controlling interest	172	9,108	1,501	4,858	3,806
Total equity	211,384	201,894	162,212	144,947	130,878
Total liabilities and equity	1,036,024	1,011,043	933,736	938,850	900,675

Net interest income - 5 year summary

ISK million	2016	2015	2014	2013	2012
Interest income					
Cash and balances with Central bank	4,584	2,757	703	628	650
Loans	51,910	47,393	45,810	48,932	49,112
Securities	4,347	3,532	3,664	6,630	8,790
Other	814	864	695	677	542
Interest income	61,655	54,546	50,872	56,867	59,094
Interest expense					
Deposits	(16,278)	(15,453)	(15,982)	(19,108)	(17,769)
Borrowings	(14,858)	(11,344)	(9,270)	(12,568)	(12,572)
Subordinated loans	(529)	(701)	(1,291)	(1,334)	(1,520)
Other	(90)	(56)	(109)	(57)	(91)
Interest expense	(31,755)	(27,554)	(26,652)	(33,067)	(31,952)
Net interest income	29,900	26,992	24,220	23,800	27,142
Interest bearing assets					
Cash and balances with Central Bank	87,634	48,102	21,063	37,999	29,746
Loans	792,539	767,841	756,300	738,081	667,621
Securities	82,042	82,715	70,704	63,732	119,978
Interest bearing assets	962,215	898,657	848,067	839,811	817,345
Interest bearing liabilities					
Due to credit institutions and Central Bank	7,987	11,387	22,876	28,000	32,990
Deposits	412,064	469,347	454,973	471,866	448,683
Financial liabilities at fair value	3,726	7,609	9,143	8,960	13,465
Borrowings	339,476	256,058	200,580	204,568	195,085
Subordinated liabilities	-	10,365	31,639	31,918	34,220
Interest bearing liabilities	763,251	754,766	719,210	745,312	724,443
Interest Gap	198,964	143,891	128,857	94,499	92,902
Net interest margin on interest bearing assets	3.1%	3.0%	2.8%	2.9%	3.4%

Loans to customers - 5 year summary

ISK million	2016	2015	2014	2013	2012
Loans to customers					
Individuals	337,416	324,619	321,311	310,491	242,773
Corporates	375,006	355,731	326,197	325,283	323,837
Total loans to customers	712,422	680,350	647,508	635,774	566,610
Loans to individuals					
Overdrafts	14,805	16,840	17,955	18,205	17,236
Credit cards	11,363	10,842	11,065	11,296	10,302
Mortgage loans	285,784	271,895	271,639	258,065	190,897
Other loans	34,777	38,058	33,763	36,133	43,560
Provision on loans	(9,313)	(13,016)	(13,111)	(13,208)	(19,222)
Total loans to individuals	337,416	324,619	321,311	310,491	242,773
Neither past due nor impaired	312,259	291,277	277,859	268,485	200,080
Past due but not impaired	21,854	26,532	32,847	34,607	22,845
Individually impaired (gross)	10,372	17,403	21,621	19,110	38,023
Impairment amount	(7,069)	(10,593)	(11,016)	(11,711)	(18,175)
Total loans to individuals	337,416	324,619	321,311	310,491	242,773
Ratios:					
Provision for losses/Gross impaired loans	89.8%	74.8%	60.6%	69.1%	50.6%
Past due loans but not impaired as % of gross loans	6.3%	7.9%	9.9%	10.7%	8.8%
Gross impaired loans/Gross loans	3.0%	5.2%	6.5%	5.9%	14.6%

Loans to customers - 5 year summary

ISK million	2016	2015	2014	2013	2012
Loans to corporates					
Overdrafts	19,314	24,248	24,420	19,669	18,470
Credit cards	1,180	1,054	943	878	769
Mortgage loans	16,298	12,889	10,406	8,103	4,376
Other loans	351,739	334,849	303,998	312,651	340,781
Provision on loans	(13,525)	(17,309)	(13,570)	(16,018)	(40,559)
Total loans to corporates	375,006	355,731	326,197	325,283	323,837
Neither past due nor impaired	358,709	337,153	308,588	304,880	275,837
Past due but not impaired	14,251	17,302	15,114	9,789	17,851
Individually impaired (gross)	13,258	16,024	13,693	24,029	68,414
Impairment amount	(11,212)	(14,748)	(11,198)	(13,415)	(38,265)
Total loans to corporates	375,006	355,731	326,197	325,283	323,837
Ratios:					
Provision for losses/Gross impaired loans	102.0%	108.0%	99.1%	66.7%	59.3%
Past due loans but not impaired as % of gross loans	3.7%	4.7%	4.5%	2.9%	4.9%
Gross impaired loans/Gross loans	3.4%	4.3%	4.1%	7.1%	18.9%
Loans to corporates specified by sector:					
Agriculture and forestry	1.6%	1.6%	1.7%	1.4%	1.5%
Services	4.6%	5.6%	5.6%	6.1%	5.8%
Financial and insurance activities	9.3%	9.4%	8.5%	8.5%	7.6%
Industry, energy and manufacturing	7.6%	6.0%	7.8%	7.0%	7.0%
Information and communication technology	7.6%	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	30.6%	28.8%	24.9%	25.5%	21.3%
Fishing industry	20.4%	21.3%	23.4%	18.7%	20.9%
Transportation	1.7%	1.7%	1.7%	5.8%	6.7%
Wholesale and retail trade	14.1%	14.6%	16.9%	16.9%	17.2%
	100.0%	100.0%	100.0%	100.0%	100.0%

Capital and Risk Weighted Assets

ISK million

	2016	2015	2014	2013	2012
Capital base:					
Total equity	211,384	201,894	162,212	144,947	130,878
Non-controlling interest not eligible for inclusion in CET1 capital	(172)	(9,108)	(1,501)	(4,858)	(3,806)
Intangible assets	(11,057)	(9,285)	(9,596)	(5,383)	(4,941)
Tax assets	(288)	(205)	(655)	(818)	(463)
Other statutory deductions	(149)	(3,151)	(111)	(119)	-
Common equity Tier 1 capital	199,718	180,145	150,349	133,769	121,668
Non-controlling interest not eligible for inclusion in CET1 capital	172	9,108	1,501	4,858	3,806
Tier 1 capital	199,890	189,253	151,850	138,627	125,474
Subordinated liabilities	-	10,365	31,639	31,918	34,220
Regulatory adjustment to Tier 2 capital	-	(771)	-	-	-
Other statutory deductions	-	(3,118)	(101)	(106)	-
General credit risk adjustments	4,557	-	-	-	-
Tier 2 Capital	4,557	6,476	31,538	31,812	34,220
Total Capital base	204,447	195,729	183,388	170,439	159,694
Risk weighted assets					
Credit Risk, loans	577,661	567,242	591,994	608,029	557,964
Credit Risk, securities and other ¹	68,074	113,791	-	-	-
Market Risk FX	5,449	38,401	18,915	31,703	20,063
Market Risk Other	12,966	7,035	2,890	4,993	7,407
Credit valuation adjustment	2,678	-	-	-	-
Operational Risk	86,490	81,441	82,211	76,097	72,329
Total risk weighted assets	753,318	807,910	696,010	720,822	657,763
Of which domestic ²	687,921	694,803	-	-	-
Capital ratios					
CET1 ratio using current RWA	26.5%	22.3%	21.6%	-	-
Tier 1 ratio	26.5%	23.4%	21.8%	19.2%	19.1%
Capital adequacy ratio	27.1%	24.2%	26.3%	23.6%	24.3%
Leverage ratio					
On-balance sheet exposures	1,011,735	982,348	912,303	921,079	-
Derivative exposures	8,226	3,789	1,348	1,929	-
Securities financing transaction exposures	9,330	16,287	10,044	10,381	-
Off-balance sheet exposures	83,156	127,675	59,922	25,199	-
Total exposure	1,112,447	1,130,099	983,617	958,588	-
Tier 1 capital	199,890	189,253	151,850	138,627	125,474
Leverage ratio³	18.0%	16.7%	15.4%	14.5%	-
Related ratios					
RORWA	2.86%	7.02%	4.00%	1.86%	2.52%
RWA/Total assets	72.71%	79.91%	74.54%	76.78%	73.03%

1) Credit risk, securities and other not disclosed separately in 2014, 2013 and 2012

2) Not disclosed in 2014, 2013 and 2012

3) Figures not available for 2012

Arion Bank Factbook

Quarter summaries



KFI - 9 Quarters

ISK million	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014
Profitability									
Return on equity	8.6%	14.4%	13.3%	5.7%	51.6%	14.2%	10.2%	35.1%	14.8%
Return on assets	1.7%	2.9%	2.7%	1.1%	10.0%	2.5%	1.8%	6.3%	2.6%
Return on risk-weighted-assets	2.4%	4.0%	3.7%	1.5%	12.5%	3.3%	2.4%	8.4%	3.3%
Earnings per share	2.19	3.75	3.39	1.24	8.21	3.13	2.22	7.43	3.05
Earnings per share from continuing operations	2.03	3.65	3.26	1.19	8.16	3.12	2.18	7.34	2.93
Net interest margin									
Net interest margin on interest bearing assets	3.2%	3.1%	3.1%	3.1%	2.9%	3.1%	3.3%	2.6%	2.8%
Net interest margin on total assets	3.0%	2.9%	2.9%	2.9%	2.7%	2.9%	3.0%	2.4%	2.5%
Efficiency									
Cost-to-income ratio ¹	59.5%	57.6%	52.3%	60.2%	24.2%	42.6%	47.2%	29.1%	53.2%
Cost-to-total assets ratio ¹	3.2%	2.8%	3.1%	2.8%	3.5%	2.4%	2.7%	2.6%	3.6%
Number of FTE's at year end	1,239	1,189	1,199	1,163	1,147	1,151	1,123	1,112	1,120
Asset quality									
Problem loans	1.6%	2.0%	1.9%	2.1%	2.5%	3.2%	3.3%	3.2%	4.4%
Loans in >90 days overdue	1.2%	1.4%	1.4%	1.6%	2.6%	2.6%	3.6%	3.6%	3.6%
Provision for losses/Gross impaired loans	76.5%	78.1%	74.4%	72.9%	75.8%	66.2%	65.7%	66.7%	62.9%
Gross impaired loans/Gross loans	3.2%	3.6%	3.8%	3.7%	4.7%	4.4%	4.7%	4.9%	5.3%
Past due loans but not impaired as % of gross loans	4.9%	5.8%	6.2%	6.1%	6.2%	6.9%	10.0%	7.1%	7.2%
Risk weighted assets / Total assets	72.7%	73.2%	71.8%	71.5%	79.9%	73.3%	74.5%	72.5%	74.5%

KFI - 9 Quarters

ISK million	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014
Financial strength									
Equity as % of total assets	20.4%	19.9%	20.2%	19.9%	20.0%	17.3%	17.3%	17.6%	17.4%
Liquidity									
Liquidity coverage ratio (LCR)	171.3%	194.1%	179.8%	153.4%	134.5%	145.0%	138.0%	192.0%	174.0%
Loans-to-deposits ratio	172.9%	165.7%	168.6%	160.2%	145.0%	134.9%	141.2%	137.7%	142.3%
Loans-to-deposits ratio (without covered bonds)	133.8%	129.3%	132.5%	125.9%	116.0%	108.6%	115.2%	110.1%	114.0%
Deposits from customers as % of total funding	54.3%	55.9%	69.5%	70.2%	67.4%	65.2%	64.0%	62.0%	64.4%
Covered bonds as % of total funding	21.2%	20.4%	25.1%	24.1%	19.5%	17.2%	16.6%	17.2%	18.3%
Capital									
Official CET 1 ratio	26.5%	24.5%	26.8%	25.8%	23.4%	21.4%	21.8%	19.1%	21.8%
Tier 2 ratio	0.6%	0.7%	1.0%	0.8%	0.8%	1.3%	1.4%	2.8%	4.5%
Official capital adequacy ratio	27.1%	25.2%	27.8%	26.6%	24.2%	22.7%	23.2%	21.9%	26.3%
Leverage ratio	18.0%	17.4%	18.1%	17.3%	16.7%	15.0%	15.4%	14.5%	15.4%

1) Figures for 2012-2015 updated to include net insurance income

Income statement - 9 quarter summary

ISK million	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014
Interest income	15,409	14,851	16,525	14,870	11,738	15,148	16,016	11,644	10,835
Interest expense	(7,567)	(7,419)	(9,172)	(7,597)	(5,033)	(8,036)	(8,624)	(5,861)	(4,924)
Net interest income	7,842	7,432	7,353	7,273	6,705	7,112	7,392	5,783	5,911
Fee and commission income	6,451	6,191	6,005	5,240	5,625	5,373	5,179	5,057	4,768
Fee and commission expense	(2,686)	(2,725)	(2,477)	(2,021)	(1,867)	(2,081)	(1,502)	(1,300)	(1,578)
Net fee and commission income	3,765	3,466	3,528	3,219	3,758	3,292	3,677	3,757	3,190
Net financial income	823	844	3,796	(301)	2,668	453	2,184	7,539	1,429
Net insurance income	731	272	247	145	216	156	218	170	178
Share of profit of associates	198	16	17	677	22,510	2,739	6	4,211	3,525
Other operating income	431	435	283	947	201	430	745	248	1,418
Operating income	13,790	12,465	15,224	11,960	36,058	14,182	14,222	21,708	15,651
Salaries and related expense	(4,407)	(3,826)	(4,318)	(4,108)	(4,572)	(3,153)	(3,675)	(3,492)	(3,953)
Other operating expenses	(3,803)	(3,349)	(3,639)	(3,090)	(4,168)	(2,889)	(3,039)	(2,823)	(4,377)
Bank Levy	(682)	(705)	(743)	(742)	(650)	(779)	(659)	(730)	(636)
Net impairment	409	5,882	1,448	(503)	(2,973)	(33)	(1,863)	1,782	(742)
Earnings before tax	5,307	10,467	7,972	3,517	23,695	7,328	4,986	16,445	5,943
Income tax	(1,149)	(3,170)	(1,354)	(737)	504	(1,272)	(647)	(1,720)	(223)
Net earnings from continuing operations	4,158	7,297	6,618	2,780	24,199	6,056	4,339	14,725	5,720
Net gain (loss) from discontinued operations, net of tax	317	206	259	104	83	15	79	183	241
Net earnings	4,475	7,503	6,877	2,884	24,282	6,071	4,418	14,908	5,961
Attributable to									
Shareholders of Arion Bank	4,369	7,514	6,780	2,485	16,409	6,262	4,433	14,864	6,095
Non-controlling interest	106	(11)	97	399	7,873	(191)	(15)	44	(134)
Total comprehensive income for the period	4,475	7,503	6,877	2,884	24,282	6,071	4,418	14,908	5,961
Earnings per share from continuing operations									
Basic and diluted earnings per share attributable to the shareholders of Arion Bank (ISK)	2.03	3.65	3.26	1.19	8.16	3.12	2.18	7.34	2.93

Balance sheet - 9 quarter summary

ISK million	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014
Assets									
Cash and balances with Central Bank	87,634	85,645	77,108	70,218	48,102	73,289	33,189	63,575	21,063
Loans to credit institutions	80,116	68,257	85,607	91,672	87,491	93,326	103,815	125,643	108,792
Loans to customers	712,422	715,907	713,136	694,004	680,350	678,807	667,129	649,089	647,508
Financial instruments	117,456	128,358	121,246	132,729	133,192	111,190	111,420	106,674	101,828
Investment property	5,358	5,113	6,487	6,382	7,542	7,817	7,851	7,915	6,842
Investments in associates	839	869	904	896	27,299	13,847	13,987	24,965	21,966
Intangible assets	11,057	11,077	9,152	9,153	9,285	9,194	9,353	9,493	9,596
Tax assets	288	241	221	209	205	987	891	420	655
Other assets	20,854	23,014	21,142	23,343	17,577	21,016	27,176	16,550	15,485
Total assets	1,036,024	1,038,479	1,035,003	1,028,606	1,011,043	1,009,475	974,812	1,004,324	933,735
Liabilities									
Due to credit institutions and Central Bank	7,987	9,375	8,018	11,288	11,387	11,470	13,961	21,561	22,876
Deposits	412,064	431,929	423,089	433,228	469,347	503,155	472,304	471,271	454,973
Financial liabilities at fair value	3,726	5,097	4,722	9,577	7,609	5,511	4,145	7,311	9,143
Tax liabilities	7,293	5,754	3,812	4,722	4,922	6,773	6,203	6,027	5,123
Other liabilities	54,094	52,565	47,079	44,669	49,460	49,222	56,989	50,794	47,190
Borrowings	339,476	326,754	329,885	310,540	256,058	248,172	241,880	249,751	200,580
Subordinated liabilities	-	-	9,553	9,921	10,365	10,378	10,884	20,494	31,639
Total liabilities	824,640	831,474	826,159	823,945	809,149	834,682	806,367	827,209	771,523
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	19,761	1,925	1,739	4,431	4,547	1,679	1,402	1,627	1,632
Retained earnings	115,590	129,153	121,639	114,861	112,378	95,968	89,706	98,082	83,218
Total shareholders equity	211,212	206,939	199,238	195,153	192,786	173,507	166,969	175,570	160,711
Non-controlling interest	172	66	9,605	9,508	9,108	1,287	1,476	1,545	1,501
Total equity	211,384	207,005	208,844	204,661	201,895	174,794	168,445	177,116	162,212
Total liabilities and equity	1,036,024	1,038,479	1,035,003	1,028,606	1,011,043	1,009,475	974,812	1,004,324	933,735

Net interest income - 9 quarter summary

ISK million

	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014
Interest income									
Cash and balances with Central bank	1,336	1,220	1,764	265	978	821	541	418	445
Loans	12,813	12,312	13,675	13,110	9,605	13,163	14,393	10,233	9,339
Securities	946	1,164	909	1,328	939	984	777	832	840
Other	315	155	177	167	217	180	305	161	210
Interest income	15,410	14,851	16,525	14,870	11,739	15,148	16,016	11,644	10,834
Interest expense									
Deposits	(3,763)	(3,771)	(4,605)	(4,139)	(3,484)	(4,508)	(4,313)	(3,147)	(3,174)
Borrowings	(3,798)	(3,251)	(4,461)	(3,349)	(1,489)	(3,361)	(4,100)	(2,394)	(1,393)
Subordinated loans	-	(343)	(91)	(95)	(98)	(100)	(197)	(306)	(318)
Other	(6)	(54)	(15)	(15)	38	(67)	(14)	(14)	(39)
Interest expense	(7,567)	(7,419)	(9,172)	(7,598)	(5,033)	(8,036)	(8,624)	(5,861)	(4,924)
Net interest income	7,843	7,432	7,353	7,273	6,705	7,112	7,392	5,783	5,911
Interest bearing assets									
Cash and balances with Central Bank	87,634	85,645	77,108	70,218	48,102	73,289	33,189	63,575	21,063
Loans	792,539	784,163	798,743	785,676	767,841	772,134	770,944	774,732	756,300
Securities	82,042	86,198	81,575	81,975	82,715	72,934	75,087	70,550	70,704
Interest bearing assets	962,214	956,006	957,425	937,869	898,657	918,358	879,220	908,856	848,067
Interest bearing liabilities									
Due to credit institutions and Central Bank	7,987	9,375	8,018	11,288	11,387	11,470	13,961	21,561	22,876
Deposits	412,064	431,929	423,089	433,228	469,347	503,155	472,304	471,271	454,973
Financial liabilities at fair value	3,727	5,097	4,722	9,577	7,609	5,511	4,145	7,311	9,143
Borrowings	339,476	326,754	329,885	310,540	256,058	248,172	241,880	249,751	200,580
Subordinated liabilities	-	-	9,553	9,921	10,365	10,378	10,884	20,494	31,639
Interest bearing liabilities	763,252	773,155	775,268	774,554	754,766	778,687	743,175	770,388	719,210
Interest Gap	198,962	182,851	182,157	163,315	143,891	139,671	136,045	138,468	128,857
Net interest margin on interest bearing assets	3.2%	3.1%	3.1%	3.1%	2.9%	3.1%	3.3%	2.6%	2.8%

Loans to customers - 9 quarter summary

ISK million	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014
Loans to customers									
Individuals	337,416	334,647	326,896	323,468	324,619	322,386	315,404	312,211	321,311
Corporates	375,006	381,260	386,240	370,536	355,731	356,421	351,725	336,878	326,197
Total loans to customers	712,422	715,907	713,136	694,004	680,350	678,807	667,129	649,089	647,508
Loans to individuals									
Overdrafts	14,805	15,603	16,569	17,465	16,840	17,809	18,062	18,508	17,955
Credit cards	11,363	10,852	10,932	10,403	10,842	10,574	10,650	10,135	11,065
Mortgage loans	285,784	283,423	275,422	272,279	271,895	272,841	264,681	262,883	271,639
Other loans	34,777	35,314	35,198	35,247	38,058	34,985	34,442	34,272	33,763
Provision on loans	(9,313)	(10,545)	(11,225)	(11,926)	(13,016)	(13,823)	(12,431)	(13,587)	(13,111)
Total loans to individuals	337,416	334,647	326,896	323,468	324,619	322,386	315,404	312,211	321,311
Neither past due nor impaired	312,259	305,461	294,310	294,183	291,277	284,977	273,687	273,560	277,859
Past due but not impaired	21,854	25,092	27,618	23,957	26,532	29,153	33,066	30,391	32,847
Individually impaired (gross)	10,372	12,289	13,826	14,944	17,403	18,149	19,454	19,219	21,621
Impairment amount	(7,069)	(8,195)	(8,858)	(9,616)	(10,593)	(9,893)	(10,803)	(10,959)	(11,016)
Total loans to individuals	337,416	334,647	326,896	323,468	324,619	322,386	315,404	312,211	321,311
Ratios									
Provision for losses/Gross impaired loans	89.8%	85.8%	81.2%	79.8%	74.8%	76.2%	63.9%	70.7%	60.6%
Past due loans but not impaired as % of gross loans	6.3%	7.3%	8.2%	7.2%	7.9%	8.8%	10.1%	9.4%	9.9%
Gross impaired loans/Gross loans	3.0%	3.6%	4.1%	4.5%	5.2%	5.5%	6.0%	5.9%	6.5%

Loans to customers - 9 quarter summary

ISK million	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014
Loans to corporates									
Overdrafts	19,314	22,015	24,113	24,463	24,248	23,699	25,272	25,305	24,420
Credit cards	1,180	1,243	1,169	1,113	1,054	994	997	1,004	943
Mortgage loans	16,298	14,729	14,285	13,607	12,889	12,516	11,990	11,601	10,406
Other loans	351,739	358,004	361,062	343,918	334,849	331,758	328,224	311,740	303,998
Provision on loans	(13,525)	(14,731)	(14,389)	(12,565)	(17,309)	(12,546)	(14,758)	(12,772)	(13,570)
Total loans to corporates	375,006	381,260	386,240	370,536	355,731	356,421	351,725	336,878	326,197
Neither past due nor impaired	358,709	362,102	365,939	349,133	337,153	334,863	313,161	317,228	308,588
Past due but not impaired	14,251	17,475	18,152	19,508	17,302	19,374	36,034	16,997	15,114
Individually impaired (gross)	13,258	14,131	14,027	11,756	16,024	12,707	13,149	13,583	13,693
Impairment amount	(11,212)	(12,448)	(11,878)	(9,861)	(14,748)	(10,523)	(10,619)	(10,930)	(11,198)
Total loans to corporates	375,006	381,260	386,240	370,536	355,731	356,421	351,725	336,878	326,197
Provision for losses/Gross impaired loans	102.0%	104.2%	102.6%	106.9%	108.0%	98.7%	112.2%	94.0%	99.1%
Past due loans but not impaired as % of gross loans	3.7%	4.4%	4.6%	5.1%	4.7%	5.3%	9.9%	4.9%	4.5%
Gross impaired loans/Gross loans	3.4%	3.6%	3.5%	3.1%	4.3%	3.5%	3.6%	3.9%	4.1%
Loans to corporates specified by sector:									
Agriculture and forestry	1.6%	1.6%	1.6%	1.6%	1.6%	1.7%	1.6%	1.6%	1.7%
Services	4.6%	4.6%	4.9%	5.4%	5.6%	5.5%	6.3%	5.6%	5.6%
Financial and insurance activities	9.3%	9.3%	9.0%	9.1%	9.4%	9.0%	8.9%	9.5%	8.5%
Industry, energy and manufacturing	7.6%	7.5%	7.6%	6.2%	6.0%	6.0%	5.6%	6.2%	7.8%
Information and communication technology	7.6%	7.6%	7.7%	8.0%	8.7%	7.2%	7.3%	6.8%	7.1%
Public administration, human health and social activities	2.3%	2.4%	2.2%	2.3%	2.3%	2.2%	2.2%	2.6%	2.4%
Real estate activities and construction	30.6%	29.7%	28.7%	28.2%	28.8%	28.4%	26.6%	24.6%	24.9%
Fishing industry	20.4%	20.8%	21.4%	22.6%	21.3%	21.6%	21.1%	22.9%	23.4%
Transportation	1.7%	1.5%	1.6%	1.6%	1.7%	2.8%	3.2%	3.3%	1.7%
Wholesale and retail trade	14.1%	15.1%	15.5%	15.1%	14.6%	15.6%	17.3%	16.9%	16.9%

Capital and Risk Weighted Assets

ISK million

	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014
Capital base:									
Total equity	211,384	207,005	208,844	204,661	201,895	174,794	168,445	177,116	162,212
Non-controlling interest not eligible for inclusion in CET1 capital	(172)	(66)	(9,605)	(9,508)	(9,108)	(1,287)	(1,476)	(1,545)	(1,501)
Intangible assets	(11,057)	(11,077)	(9,152)	(9,153)	(9,285)	(9,194)	(9,353)	(9,493)	(9,596)
Tax assets	(288)	(241)	(221)	(209)	(205)	(987)	(891)	(420)	(655)
Other statutory deductions	(149)	(1,699)	(515)	(2,921)	(3,151)	(222)	(1,534)	(12,913)	(111)
Common equity Tier 1 capital	199,718	193,922	189,350	182,870	180,145	163,104	155,191	152,744	150,349
Non-controlling interest not eligible for inclusion in CET1 capital*	172	66	9,605	9,508	9,108	1,287	1,476	1,545	1,501
Tier 1 capital	199,890	193,988	198,956	192,378	189,254	164,391	156,667	154,290	151,850
Subordinated liabilities	-	-	9,553	9,921	10,365	10,378	10,884	20,494	31,639
Regulatory adjustment to Tier 2 capital	-	-	(1,504)	(1,055)	(771)	(597)	(411)	(684)	-
Other statutory deductions	-	-	(515)	(2,921)	(3,118)	(189)	(92)	(91)	(101)
General credit risk adjustments	4,557	4,633	-	-	-	-	-	-	-
Tier 2 Capital	4,557	4,633	7,534	5,945	6,476	9,592	10,381	19,719	31,538
Total Capital base	204,447	198,621	206,489	198,323	195,729	173,983	167,048	174,009	183,388
Risk weighted assets									
Credit Risk, loans	577,661	621,495	647,815	635,499	567,242	645,358	629,774	625,520	591,994
Credit Risk, securities and other ¹	68,074	42,408	-	-	113,791	-	-	-	-
Market Risk FX	5,449	2,578	4,046	10,649	38,401	5,255	6,582	19,413	18,915
Market Risk Other	12,966	10,926	9,509	7,994	7,035	7,317	7,299	1,492	2,890
Credit valuation adjustment	2,678	815	-	-	-	-	-	-	-
Operational Risk	86,490	81,441	81,441	81,441	81,441	82,211	82,211	82,211	82,211
Total risk weighted assets	753,318	759,663	742,811	735,583	807,910	740,141	725,866	728,636	696,010
Of which domestic ²	687,921	691,293	-	-	694,803	-	-	-	-

Capital and Risk Weighted Assets

ISK million	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014
Capital ratios									
CET1 ratio using current RWA	27.1%	26.1%	27.8%	27.0%	24.2%	23.5%	23.0%	23.9%	26.3%
Tier 1 ratio	26.5%	25.5%	26.8%	26.2%	23.4%	22.2%	21.6%	21.2%	21.8%
Capital adequacy ratio	27.1%	26.1%	27.8%	27.0%	24.2%	23.5%	23.2%	24.0%	26.3%
Leverage ratio									
On-balance sheet exposures	1,011,735	1,010,192	1,010,894	999,855	982,348	989,972	958,352	969,329	912,303
Derivative exposures	8,226	7,298	4,171	3,996	3,789	3,664	3,395	2,508	1,348
Securities financing transaction exposures	9,330	12,683	12,665	16,590	16,287	7,005	4,269	10,153	10,044
Off-balance sheet exposures	83,156	83,711	71,987	90,814	127,675	95,076	60,443	80,541	59,922
Total exposure	1,112,447	1,113,884	1,099,717	1,111,255	1,130,099	1,095,717	1,026,459	1,062,531	983,617
Tier 1 capital	199,890	193,988	198,956	192,378	189,254	164,391	156,667	154,290	151,850
Leverage ratio³	18.0%	17.4%	18.1%	17.3%	16.7%	15.0%	15.4%	14.5%	15.4%
Related ratios									
RORWA	2.86%	3.07%	2.56%	1.49%	7.02%	5.10%	6.02%	9.63%	4.00%
RWA/Total assets	72.71%	73.15%	71.77%	71.51%	79.91%	73.32%	74.46%	72.55%	74.54%

1) Credit risk, securities and other not disclosed separately in 2014, 2013 and 2012

2) Not disclosed in Q2 2016, Q1 2016, Q3 2015, Q2 2015, Q1 2015 and Q4 2014

3) Figures not available for 2012

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