

# Arion Bank Factbook

30.09.2015

Unaudited

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## KFI - 5 years

ISK million	9M 2015	2014	2013	2012	2011
<b>Profitability</b>					
Return on equity	21.6%	18.6%	9.2%	13.8%	10.5%
Return on assets	3.8%	3.0%	1.4%	1.9%	1.3%
Return on risk-weighted-assets	5.1%	4.0%	1.9%	2.5%	1.6%
Earnings per share	12.78	14.23	6.51	8.31	10.51
Earnings per share from continuing operations	12.64	10.82	6.31	7.51	3.85
<b>Net interest margin</b>					
Net interest margin on interest bearing assets	3.0%	2.8%	2.9%	3.4%	3.4%
Net interest margin on total assets	2.8%	2.6%	2.6%	3.1%	2.8%
<b>Efficiency</b>					
Cost-to-income ratio	38.4%	50.1%	57.3%	49.8%	52.5%
Cost-to-total assets ratio	2.6%	2.9%	2.8%	2.8%	2.7%
Number of FTE's at year end	1,151	1,120	1,145	1,190	1,158
<b>Asset quality</b>					
Problem loans	3.2%	4.4%	6.3%	12.5%	15.8%
Loans in >90 days overdue	2.6%	3.6%	4.5%	6.0%	10.6%
Provision for losses/Gross impaired loans	85.5%	75.6%	67.7%	56.2%	50.8%
Gross impaired loans/Gross loans	4.4%	5.3%	6.5%	17.1%	18.2%
Past due loans but not impaired as % of gross loans	6.9%	7.2%	6.7%	6.5%	6.7%
Risk weighted assets / Total assets	73.3%	74.5%	76.8%	73.0%	74.5%
<b>Financial strength</b>					
Equity as % of total assets	17.3%	17.4%	15.4%	14.5%	12.8%
<b>Liquidity</b>					
Liquidity coverage ratio (LCR) <sup>1</sup>	145.0%	174.0%	123.0%	-	-
Loans-to-deposits ratio	134.9%	142.3%	135.0%	126.3%	114.6%
Loans-to-deposits ratio (without covered bonds)	108.6%	114.0%	106.4%	98.4%	90.6%
Deposits from customers as % of total funding	65.2%	64.4%	64.1%	63.1%	67.5%
Covered bonds as % of total funding	17.2%	18.3%	18.1%	17.6%	16.2%
<b>Capital</b>					
Tier 1 ratio	21.4%	21.8%	19.2%	19.1%	16.4%
Tier 2 ratio	1.3%	4.5%	4.4%	5.2%	4.8%
Capital adequacy ratio	22.7%	26.3%	23.6%	24.3%	21.2%
Leverage ratio <sup>1</sup>	15.0%	15.4%	14.5%	-	-

1) Figures not available for 2012 and 2011

## Income statement - 5 year summary

ISK million	9M 2015	9M 2014	9M 2013	9M 2012	9M 2011
Interest income	42,808	40,036	43,363	43,463	34,672
Interest expense	(22,521)	(21,727)	(25,050)	(23,329)	(17,836)
<b>Net interest income</b>	<b>20,287</b>	<b>18,309</b>	<b>18,313</b>	<b>20,134</b>	<b>16,836</b>
Fee and commission income	15,609	13,679	11,881	12,089	12,300
Fee and commission expense	(4,883)	(3,560)	(3,597)	(4,036)	(4,726)
<b>Net fee and commission income</b>	<b>10,726</b>	<b>10,119</b>	<b>8,284</b>	<b>8,053</b>	<b>7,574</b>
Net financial income	10,176	5,861	954	1,050	2,327
Other operating income	9,188	3,963	4,035	4,643	3,477
<b>Operating income</b>	<b>50,377</b>	<b>38,252</b>	<b>31,586</b>	<b>33,879</b>	<b>30,214</b>
Salaries and related expense	(10,320)	(10,026)	(9,439)	(8,813)	(8,221)
Other operating expenses	(9,016)	(8,598)	(8,744)	(8,061)	(7,554)
Bank Levy	(2,168)	(2,008)	(300)	(771)	(684)
Net impairment	(114)	2,877	(119)	479	3,759
<b>Earnings before tax</b>	<b>28,759</b>	<b>20,497</b>	<b>12,984</b>	<b>16,713</b>	<b>17,514</b>
Income tax	(3,639)	(4,456)	(2,851)	(3,375)	(3,079)
<b>Net earnings from continuing operations</b>	<b>25,120</b>	<b>16,041</b>	<b>10,133</b>	<b>13,339</b>	<b>14,435</b>
Net gain (loss) from discontinued operations, net of tax	277	6,592	(3)	1,198	(787)
<b>Net earnings</b>	<b>25,397</b>	<b>22,633</b>	<b>10,130</b>	<b>14,537</b>	<b>13,648</b>
<b>Attributable to</b>					
Shareholders of Arion Bank	25,559	22,369	10,230	14,176	13,046
Non-controlling interest	(162)	264	(100)	361	602
<b>Net earnings</b>	<b>25,397</b>	<b>22,633</b>	<b>10,130</b>	<b>14,537</b>	<b>13,648</b>
<b>Other comprehensive income</b>					
Exchange difference on translating foreign subsidiaries	47	(4)	(2)	-	112
<b>Total comprehensive income for the period</b>	<b>25,444</b>	<b>22,629</b>	<b>10,128</b>	<b>14,537</b>	<b>13,760</b>
<b>Earnings per share from continuing operations</b>					
Basic and diluted earnings per share attributable to the shareholders of Arion Bank (ISK)	12.64	7.89	5.12	6.49	6.92

## Balance sheet - 5 year summary

ISK million	9M 2015	2014	2013	2012	2011
<b>Assets</b>					
Cash and balances with Central Bank	73,289	21,063	37,999	29,746	29,200
Loans to credit institutions	93,326	108,792	102,307	101,011	69,103
Loans to customers	678,807	647,508	635,774	566,610	561,550
Financial instruments	111,191	101,828	86,541	137,800	157,659
Investment property	7,817	6,842	28,523	28,919	27,100
Investments in associates	13,847	21,966	17,929	7,050	2,987
Intangible assets	9,194	9,596	5,383	4,941	4,765
Tax assets	987	655	818	463	724
Other assets	21,018	15,486	23,576	24,135	39,033
<b>Total assets</b>	<b>1,009,476</b>	<b>933,736</b>	<b>938,850</b>	<b>900,675</b>	<b>892,121</b>
<b>Liabilities</b>					
Due to credit institutions and Central Bank	11,470	22,876	28,000	32,990	16,160
Deposits	503,155	454,973	471,866	448,683	489,995
Financial liabilities at fair value	5,511	9,143	8,960	13,465	4,907
Tax liabilities	6,773	5,123	4,924	3,237	3,421
Other liabilities	49,222	47,190	43,667	42,117	43,772
Borrowings	248,172	200,580	204,568	195,085	187,203
Subordinated liabilities	10,378	31,639	31,918	34,220	32,105
<b>Total liabilities</b>	<b>834,681</b>	<b>771,524</b>	<b>793,903</b>	<b>769,797</b>	<b>777,563</b>
<b>Equity</b>					
Share capital and share premium	75,861	75,861	75,861	75,861	75,861
Other reserves	1,679	1,632	1,637	1,639	1,637
Retained earnings	95,968	83,218	62,591	49,572	32,950
<b>Total shareholders equity</b>	<b>173,508</b>	<b>160,711</b>	<b>140,089</b>	<b>127,072</b>	<b>110,448</b>
Non-controlling interest	1,287	1,501	4,858	3,806	4,110
<b>Total equity</b>	<b>174,795</b>	<b>162,212</b>	<b>144,947</b>	<b>130,878</b>	<b>114,558</b>
<b>Total liabilities and equity</b>	<b>1,009,476</b>	<b>933,736</b>	<b>938,850</b>	<b>900,675</b>	<b>892,121</b>

## Net interest income - 5 year summary

ISK million	9M 2015	9M 2014	9M 2013	9M 2012	9M 2011
<b>Interest income</b>					
Cash and balances with Central bank	467	501	621	461	381
Loans	39,102	36,227	35,663	36,121	28,036
Securities	2,592	2,825	6,579	6,530	5,722
Other	647	483	500	351	533
<b>Interest income</b>	<b>42,808</b>	<b>40,036</b>	<b>43,363</b>	<b>43,463</b>	<b>34,672</b>
<b>Interest expense</b>					
Deposits	(11,968)	(12,808)	(14,417)	(12,943)	(14,243)
Borrowings	(9,854)	(7,876)	(9,555)	(9,095)	(1,966)
Subordinated loans	(604)	(974)	(996)	(1,169)	(1,404)
Other	(95)	(69)	(82)	(122)	(223)
<b>Interest expense</b>	<b>(22,521)</b>	<b>(21,727)</b>	<b>(25,050)</b>	<b>(23,329)</b>	<b>(17,836)</b>
<b>Net interest income</b>	<b>20,287</b>	<b>18,309</b>	<b>18,313</b>	<b>20,134</b>	<b>16,836</b>
<b>Interest bearing assets</b>					
Cash and balances with Central Bank	73,289	33,335	20,116	16,026	38,000
Loans	772,134	761,219	689,406	660,491	504,496
Securities	72,934	69,113	133,671	120,666	159,606
<b>Interest bearing assets</b>	<b>918,358</b>	<b>863,668</b>	<b>843,193</b>	<b>797,183</b>	<b>702,102</b>
<b>Interest bearing liabilities</b>					
Due to credit institutions and Central Bank	11,470	21,131	28,548	16,459	30,209
Deposits	503,155	482,518	471,768	454,405	511,473
Financial liabilities at fair value	5,511	6,038	9,834	11,122	6,111
Borrowings	248,172	191,947	206,065	192,412	67,317
Subordinated liabilities	10,378	31,205	32,809	32,502	31,875
<b>Interest bearing liabilities</b>	<b>778,687</b>	<b>732,839</b>	<b>749,024</b>	<b>706,900</b>	<b>646,985</b>
<b>Interest Gap</b>	<b>139,671</b>	<b>130,829</b>	<b>94,169</b>	<b>90,283</b>	<b>55,117</b>
<b>Net interest margin on interest bearing assets</b>	<b>3.0%</b>	<b>2.9%</b>	<b>2.9%</b>	<b>3.3%</b>	<b>3.2%</b>

## Loans to customers - 5 year summary

ISK million	9M 2015	2014	2013	2012	2011
<b>Loans to customers</b>					
Individuals	322,386	321,311	310,491	242,773	239,288
Corporates	356,421	326,197	325,283	323,837	322,262
<b>Total loans to customers</b>	<b>678,807</b>	<b>647,508</b>	<b>635,774</b>	<b>566,610</b>	<b>561,550</b>
<b>Loans to individuals</b>					
Overdrafts	17,809	17,955	18,205	17,236	16,353
Credit cards	10,574	11,065	11,296	10,302	14,679
Mortgage loans	272,841	271,639	258,065	190,897	192,869
Capital lease <sup>1</sup>	3,142	2,469	1,513	-	-
Other loans	31,843	31,294	34,620	43,560	28,208
Provision on loans	(13,823)	(13,111)	(13,208)	(19,222)	(12,821)
<b>Total loans to individuals</b>	<b>322,386</b>	<b>321,311</b>	<b>310,491</b>	<b>242,773</b>	<b>239,288</b>
Neither past due nor impaired	284,977	277,859	268,485	200,080	198,441
Past due but not impaired	29,153	32,847	34,607	22,845	23,117
Individually impaired (gross)	18,149	21,621	19,110	38,023	30,392
Impairment amount	(9,893)	(11,016)	(11,711)	(18,175)	(12,662)
<b>Total loans to individuals</b>	<b>322,386</b>	<b>321,311</b>	<b>310,491</b>	<b>242,773</b>	<b>239,288</b>
<b>Ratios:</b>					
Provision for losses/Gross impaired loans	76.2%	60.6%	69.1%	50.6%	42.2%
Past due loans but not impaired as % of gross loans	8.8%	9.9%	10.7%	8.8%	9.2%
Gross impaired loans/Gross loans	5.5%	6.5%	5.9%	14.6%	12.1%

1) Capital lease was included in other loans in 2012 and 2011

## Loans to customers - 5 year summary

ISK million	9M 2015	2014	2013	2012	2011
<b>Loans to corporates</b>					
Overdrafts	23,699	24,420	19,669	18,470	11,375
Credit cards	994	943	878	769	771
Mortgage loans	12,516	10,406	8,103	4,376	3,603
Capital lease <sup>1</sup>	5,778	3,607	1,404	-	-
Other loans	325,980	300,391	311,247	340,781	349,981
Provision on loans	(12,546)	(13,570)	(16,018)	(40,559)	(43,468)
<b>Total loans to corporates</b>	<b>356,421</b>	<b>326,197</b>	<b>325,283</b>	<b>323,837</b>	<b>322,262</b>
Neither past due nor impaired	334,863	308,588	304,880	275,837	258,252
Past due but not impaired	19,374	15,114	9,789	17,851	17,758
Individually impaired (gross)	12,707	13,693	24,029	68,414	80,366
Impairment amount	(10,523)	(11,198)	(13,415)	(38,265)	(34,114)
<b>Total loans to corporates</b>	<b>356,421</b>	<b>326,197</b>	<b>325,283</b>	<b>323,837</b>	<b>322,262</b>
<b>Ratios:</b>					
Provision for losses/Gross impaired loans	98.7%	99.1%	66.7%	59.3%	54.1%
Past due loans but not impaired as % of gross loans	5.3%	4.5%	2.9%	4.9%	5.0%
Gross impaired loans/Gross loans	3.5%	4.1%	7.1%	18.9%	22.6%
<b>Loans to corporates specified by sector:</b>					
Agriculture and forestry	1.7%	1.7%	1.4%	1.5%	1.4%
Services	5.5%	5.6%	6.1%	5.8%	5.3%
Financial and insurance activities	9.0%	8.5%	8.5%	7.6%	6.2%
Industry, energy and manufacturing	6.0%	7.8%	7.0%	7.0%	8.4%
Information and communication technology	7.2%	7.1%	7.4%	8.9%	8.3%
Public administration, human health and social activities	2.2%	2.4%	2.7%	3.1%	2.4%
Real estate activities and construction	28.4%	24.9%	25.5%	21.3%	22.2%
Fishing industry	21.6%	23.4%	18.7%	20.9%	23.8%
Transportation	2.8%	1.7%	5.8%	6.7%	6.3%
Wholesale and retail trade	15.6%	16.9%	16.9%	17.2%	15.7%
	100.0%	100.0%	100.0%	100.0%	100.0%

## Capital and Risk Weighted Assets

ISK million	9M 2015	2014	2013	2012	2011
<b>Capital base</b>					
Share capital and share premium	75,861	75,861	75,861	75,861	75,861
Other reserves	1,679	1,632	1,637	1,639	1,637
Retained earnings	95,968	83,218	62,591	49,572	32,950
Non-controlling interest	1,287	1,501	4,858	3,806	4,110
<b>Total equity</b>	<b>174,795</b>	<b>162,212</b>	<b>144,947</b>	<b>130,878</b>	<b>114,558</b>
Intangible assets	(9,194)	(9,596)	(5,383)	(4,941)	(4,765)
Tax assets	(987)	(655)	(818)	(463)	(724)
Other statutory deductions	(222)	(111)	(119)	-	-
<b>Total Tier 1 capital</b>	<b>164,392</b>	<b>151,850</b>	<b>138,627</b>	<b>125,474</b>	<b>109,069</b>
Subordinated liabilities	10,378	31,639	31,918	34,220	32,105
Regulatory adjustment to Tier 2 capital	(597)	-	-	-	-
Other statutory deductions	(189)	(101)	(106)	-	-
<b>Tier 2 capital</b>	<b>9,592</b>	<b>31,538</b>	<b>31,812</b>	<b>34,220</b>	<b>32,105</b>
<b>Total Capital base</b>	<b>173,984</b>	<b>183,388</b>	<b>170,439</b>	<b>159,694</b>	<b>141,174</b>
<b>Risk weighted assets</b>					
Credit Risk	645,358	591,994	608,029	557,964	543,233
Market Risk FX	5,255	18,915	31,703	20,063	31,990
Market Risk Other	7,317	2,890	4,993	7,407	30,757
Operational Risk	82,211	82,211	76,097	72,329	58,976
<b>Total risk weighted assets</b>	<b>740,141</b>	<b>696,010</b>	<b>720,822</b>	<b>657,763</b>	<b>664,956</b>
<b>Capital ratios</b>					
Official Tier 1 ratio	21.4%	21.8%	19.2%	19.1%	16.4%
Tier 2 ratio	1.3%	4.5%	4.4%	5.2%	4.8%
Capital adequacy ratio	22.7%	26.3%	23.6%	24.3%	21.2%
Leverage ratio <sup>1</sup>	15.0%	15.4%	14.5%	-	-
<b>Related ratios</b>					
RORWA	5.10%	4.00%	1.86%	2.52%	1.64%
RWA/Total assets	73.32%	74.54%	76.78%	73.03%	74.54%

1) Figures not available for 2012, 2011 and 2010



# Arion Bank Factbook

Quarter summaries

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## KFI - 9 Quarters

ISK million	Q3 2015	Q2 2015	Q1 2015	Q4 2014	Q3 2014	Q2 2014	Q1 2014	Q4 2013	Q3 2013
<b>Profitability</b>									
Return on equity	14.2%	10.2%	35.1%	14.8%	13.3%	38.5%	7.8%	7.1%	12.2%
Return on assets	2.5%	1.8%	6.3%	2.6%	2.2%	6.3%	1.2%	1.1%	1.8%
Return on risk-weighted-assets	3.3%	2.4%	8.4%	3.3%	2.9%	8.2%	1.6%	1.4%	2.5%
Earnings per share	3.13	2.22	7.43	3.05	2.55	7.23	1.40	1.39	2.05
Earnings per share from continuing operations	3.12	2.18	7.34	2.93	2.52	4.01	1.36	1.19	2.02
<b>Net interest margin</b>									
Net interest margin on interest bearing assets	3.1%	3.3%	2.6%	2.8%	2.9%	3.1%	2.6%	2.6%	2.7%
Net interest margin on total assets	2.9%	3.0%	2.4%	2.5%	2.7%	2.8%	2.3%	2.3%	2.4%
<b>Efficiency</b>									
Cost-to-income ratio	43.1%	47.5%	29.3%	53.5%	45.0%	40.5%	69.0%	56.5%	48.4%
Cost-to-total assets ratio	2.5%	2.7%	2.6%	3.6%	2.4%	2.9%	2.6%	3.1%	2.3%
Number of FTE's at year end	1,151	1,123	1,112	1,120	1,135	1,118	1,140	1,145	1,139
<b>Asset quality</b>									
Problem loans	3.2%	3.3%	3.2%	4.4%	4.6%	5.4%	6.1%	6.3%	8.2%
Loans in >90 days overdue	2.6%	3.6%	3.6%	3.6%	3.6%	3.1%	4.2%	4.5%	5.6%
Provision for losses/Gross impaired loans	85.5%	83.4%	80.4%	75.6%	67.0%	61.4%	62.9%	67.7%	63.2%
Gross impaired loans/Gross loans	4.4%	4.7%	4.9%	5.3%	6.0%	6.7%	7.0%	6.5%	10.8%
Past due loans but not impaired as % of gross loans	6.9%	10.0%	7.1%	7.2%	6.1%	6.5%	9.0%	6.7%	7.6%
Risk weighted assets / Total assets	73.3%	74.5%	72.5%	74.5%	77.4%	73.9%	77.3%	76.8%	73.7%

## KFI - 9 Quarters

ISK million	Q3 2015	Q2 2015	Q1 2015	Q4 2014	Q3 2014	Q2 2014	Q1 2014	Q4 2013	Q3 2013
<b>Financial strength</b>									
Equity as % of total assets	17.3%	17.3%	17.6%	17.4%	17.0%	16.3%	15.8%	15.4%	15.0%
<b>Liquidity</b>									
Liquidity coverage ratio (LCR) <sup>1</sup>	145.0%	138.0%	192.0%	174.0%	137.1%	184.0%	130.0%	123.0%	-
Loans-to-deposits ratio	134.9%	141.2%	137.7%	142.3%	135.2%	134.3%	136.5%	135.0%	122.1%
Loans-to-deposits ratio (without covered bonds)	108.6%	115.2%	110.1%	114.0%	109.6%	106.1%	108.1%	106.4%	94.9%
Deposits from customers as % of total funding	65.2%	64.0%	62.0%	64.4%	66.4%	64.6%	64.4%	64.1%	63.8%
Covered bonds as % of total funding	17.2%	16.6%	17.2%	18.3%	17.0%	18.2%	18.3%	18.1%	17.8%
<b>Capital</b>									
Official CET 1 ratio	21.4%	21.8%	19.1%	21.8%	20.3%	21.1%	18.2%	19.2%	18.9%
Tier 2 ratio	1.3%	1.4%	2.8%	4.5%	4.3%	4.5%	4.3%	4.4%	4.7%
Official capital adequacy ratio	22.7%	23.2%	21.9%	26.3%	24.6%	25.6%	22.5%	23.6%	23.6%
Leverage ratio <sup>1</sup>	15.0%	15.4%	14.5%	15.4%	-	-	-	14.5%	-

1) Figures not available for Q3 2014, Q2 2014, Q1 2014, Q3 2013, Q2 2013 and Q1 2013

## Income statement - 9 quarter summary

ISK million	Q3 2015	Q2 2015	Q1 2015	Q4 2014	Q3 2014	Q2 2014	Q1 2014	Q4 2013	Q3 2013
Interest income	15,148	16,016	11,644	10,835	13,155	13,990	12,891	13,504	13,314
Interest expense	(8,036)	(8,624)	(5,861)	(4,924)	(6,812)	(7,507)	(7,408)	(8,017)	(7,668)
<b>Net interest income</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>	<b>5,487</b>	<b>5,646</b>
Fee and commission income	5,373	5,179	5,057	4,768	4,762	4,653	4,264	4,562	4,141
Fee and commission expense	(2,081)	(1,502)	(1,300)	(1,578)	(1,236)	(1,208)	(1,116)	(1,623)	(1,155)
<b>Net fee and commission income</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>	<b>2,939</b>	<b>2,986</b>
Net financial income	453	2,184	7,539	1,429	1,994	4,439	(572)	721	658
Other operating income	3,448	1,038	4,702	5,208	689	2,356	918	3,615	1,610
<b>Operating income</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>	<b>12,762</b>	<b>10,900</b>
Salaries and related expense	(3,153)	(3,675)	(3,492)	(3,953)	(2,862)	(3,714)	(3,450)	(4,098)	(2,760)
Other operating expenses	(3,012)	(3,108)	(2,896)	(4,465)	(2,787)	(3,064)	(2,747)	(3,114)	(2,516)
Bank Levy	(779)	(659)	(730)	(636)	(633)	(715)	(660)	(2,572)	(112)
Net impairment	(33)	(1,863)	1,782	(742)	876	34	1,967	(561)	(253)
<b>Earnings before tax</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>	<b>2,417</b>	<b>5,259</b>
Income tax	(1,272)	(647)	(1,720)	(222)	(1,989)	(1,152)	(1,315)	(292)	(1,102)
<b>Net earnings from continuing operations</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>	<b>2,125</b>	<b>4,157</b>
Net gain (loss) from discontinued operations, net of tax	15	79	183	241	67	6,433	92	402	62
<b>Net earnings</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>2,527</b>	<b>4,219</b>
<b>Attributable to</b>									
Shareholders of Arion Bank	6,262	4,433	14,864	6,095	5,106	14,455	2,808	2,789	4,093
Non-controlling interest	(191)	(15)	44	(134)	118	90	56	(262)	126
<b>Net earnings</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>2,527</b>	<b>4,219</b>
<b>Other comprehensive income</b>									
Exchange difference on translating foreign subsidiaries	277	(225)	(5)	-	(2)	(4)	2	(2)	(1)
<b>Total comprehensive income for the period</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>2,525</b>	<b>4,218</b>
<b>Earnings per share from continuing operations</b>									
Basic and diluted earnings per share attributable to the shareholders of Arion Bank (ISK)	3.12	2.18	7.34	2.93	2.52	4.01	1.36	1.19	2.02

## Balance sheet - 9 quarter summary

ISK million	Q3 2015	Q2 2015	Q1 2015	Q4 2014	Q3 2014	Q2 2014	Q1 2014	Q4 2013	Q3 2013
<b>Assets</b>									
Cash and balances with Central Bank	73,289	33,189	63,575	21,063	33,335	17,361	18,744	37,999	20,116
Loans to credit institutions	93,326	103,815	125,643	108,792	108,621	139,838	95,158	102,307	113,202
Loans to customers	678,807	667,129	649,089	647,508	652,598	637,085	642,341	635,774	576,204
Financial instruments	111,191	111,419	106,675	101,828	99,224	99,271	99,710	86,541	154,387
Investment property	7,817	7,851	7,915	6,842	2,901	6,020	28,503	28,523	29,382
Investments in associates	13,847	13,987	24,965	21,966	22,025	25,128	17,785	17,929	14,856
Intangible assets	9,194	9,353	9,493	9,596	5,338	5,374	5,371	5,383	5,348
Tax assets	987	891	420	655	660	734	409	818	702
Other assets	21,018	27,177	16,549	15,485	17,471	18,181	25,124	23,576	22,747
<b>Total assets</b>	<b>1,009,476</b>	<b>974,811</b>	<b>1,004,324</b>	<b>933,735</b>	<b>942,173</b>	<b>948,991</b>	<b>933,144</b>	<b>938,850</b>	<b>936,944</b>
<b>Liabilities</b>									
Due to credit institutions and Central Bank	11,470	13,961	21,561	22,876	21,131	29,277	25,915	28,000	28,548
Deposits	503,155	472,304	471,271	454,973	482,518	474,229	470,665	471,866	471,768
Financial liabilities at fair value	5,511	4,145	7,311	9,143	6,038	7,646	9,145	8,960	9,834
Tax liabilities	6,773	6,203	6,027	5,123	6,103	4,995	5,263	4,924	4,815
Other liabilities	49,222	56,989	50,794	47,190	43,465	47,232	39,820	43,667	42,218
Borrowings	248,172	241,880	249,751	200,580	191,947	199,882	203,226	204,568	206,065
Subordinated liabilities	10,378	10,884	20,494	31,639	31,205	31,189	31,297	31,918	32,809
<b>Total liabilities</b>	<b>834,681</b>	<b>806,366</b>	<b>827,209</b>	<b>771,523</b>	<b>782,406</b>	<b>794,449</b>	<b>785,331</b>	<b>793,904</b>	<b>796,057</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	1,679	1,402	1,627	1,632	1,633	1,635	1,639	1,637	1,637
Retained earnings	95,968	89,706	98,082	83,218	77,149	72,043	65,400	62,591	59,802
<b>Total shareholders equity</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>	<b>140,089</b>	<b>137,300</b>
Non-controlling interest	1,287	1,476	1,545	1,501	5,122	5,004	4,913	4,858	3,587
<b>Total equity</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>144,947</b>	<b>140,887</b>
<b>Total liabilities and equity</b>	<b>1,009,476</b>	<b>974,811</b>	<b>1,004,324</b>	<b>933,735</b>	<b>942,171</b>	<b>948,992</b>	<b>933,144</b>	<b>938,851</b>	<b>936,944</b>

## Net interest income - 9 quarter summary

ISK million

	Q3 2015	Q2 2015	Q1 2015	Q4 2014	Q3 2014	Q2 2014	Q1 2014	Q4 2013	Q3 2013
<b>Interest income</b>									
Cash and balances with Central bank	183	142	142	201	169	154	179	7	158
Loans	13,801	14,792	10,509	9,583	11,953	12,658	11,616	13,269	10,945
Securities	984	777	832	840	845	1,009	971	51	2,095
Other	180	305	161	210	188	170	125	177	116
<b>Interest income</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>13,504</b>	<b>13,314</b>
<b>Interest expense</b>									
Deposits	(4,508)	(4,313)	(3,147)	(3,174)	(4,025)	(4,336)	(4,448)	(4,691)	(4,511)
Borrowings	(3,361)	(4,100)	(2,394)	(1,393)	(2,413)	(2,834)	(2,629)	(3,013)	(2,783)
Subordinated loans	(100)	(197)	(306)	(318)	(324)	(327)	(324)	(338)	(334)
Other	(67)	(14)	(14)	(39)	(50)	(12)	(7)	25	(40)
<b>Interest expense</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>(8,017)</b>	<b>(7,668)</b>
<b>Net interest income</b>	<b>7,112</b>	<b>7,392</b>	<b>5,783</b>	<b>5,910</b>	<b>6,343</b>	<b>6,482</b>	<b>5,483</b>	<b>5,487</b>	<b>5,646</b>
<b>Interest bearing assets</b>									
Cash and balances with Central Bank	73,289	33,189	63,575	21,063	33,335	17,361	18,744	37,999	20,116
Loans	772,134	770,944	774,732	756,300	761,219	776,923	737,498	738,081	689,406
Securities	72,934	75,087	70,550	70,704	69,113	69,147	74,228	63,732	133,671
<b>Interest bearing assets</b>	<b>918,358</b>	<b>879,220</b>	<b>908,856</b>	<b>848,067</b>	<b>863,668</b>	<b>863,431</b>	<b>830,470</b>	<b>839,811</b>	<b>843,193</b>
<b>Interest bearing liabilities</b>									
Due to credit institutions and Central Bank	11,470	13,961	21,561	22,876	21,131	29,277	25,915	28,000	28,548
Deposits	503,155	472,304	471,271	454,973	482,518	474,229	470,665	471,866	471,768
Financial liabilities at fair value	5,511	4,145	7,311	9,143	6,038	7,646	9,145	8,960	9,834
Borrowings	248,172	241,880	249,751	200,580	191,947	199,882	203,226	204,568	206,065
Subordinated liabilities	10,378	10,884	20,494	31,639	31,205	31,189	31,297	31,918	32,809
<b>Interest bearing liabilities</b>	<b>778,687</b>	<b>743,175</b>	<b>770,388</b>	<b>719,210</b>	<b>732,839</b>	<b>742,222</b>	<b>740,248</b>	<b>745,312</b>	<b>749,024</b>
<b>Interest Gap</b>	<b>139,671</b>	<b>136,045</b>	<b>138,468</b>	<b>128,857</b>	<b>130,829</b>	<b>121,209</b>	<b>90,222</b>	<b>94,499</b>	<b>94,169</b>
<b>Net interest margin on interest bearing assets</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>	<b>2.6%</b>	<b>2.7%</b>

## Loans to customers - 9 quarter summary

ISK million	Q3 2015	Q2 2015	Q1 2015	Q4 2014	Q3 2014	Q2 2014	Q1 2014	Q4 2013	Q3 2013
<b>Loans to customers</b>									
Individuals	322,386	315,404	312,211	321,311	320,477	314,038	311,941	310,491	256,626
Corporates	356,421	351,725	336,878	326,197	332,121	323,047	330,400	325,283	319,578
<b>Total loans to customers</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>635,774</b>	<b>576,204</b>
<b>Loans to individuals</b>									
Overdrafts	17,809	18,062	18,508	17,955	18,525	18,044	19,003	18,205	18,263
Credit cards	10,574	10,650	10,135	11,065	10,228	9,084	9,669	11,296	9,890
Mortgage loans	272,841	264,681	262,883	271,639	257,122	259,118	259,252	258,065	205,295
Capital lease <sup>1</sup>	3,142	2,905	2,556	2,469	-	-	-	1,513	-
Other loans	31,843	31,537	31,716	31,294	47,218	40,477	38,251	34,620	37,584
Provision on loans	(13,823)	(12,431)	(13,587)	(13,111)	(12,616)	(12,685)	(14,234)	(13,208)	(14,406)
<b>Total loans to individuals</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>310,491</b>	<b>256,626</b>
Neither past due nor impaired	284,977	273,687	273,560	277,859	282,283	272,704	261,695	268,485	223,228
Past due but not impaired	29,153	33,066	30,391	32,847	28,342	31,143	40,700	34,607	24,230
Individually impaired (gross)	18,149	19,454	19,219	21,621	20,454	20,720	23,653	19,110	22,254
Impairment amount	(9,893)	(10,803)	(10,959)	(11,016)	(10,602)	(10,529)	(14,107)	(11,711)	(13,086)
<b>Total loans to individuals</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>310,491</b>	<b>256,626</b>
<b>Ratios</b>									
Provision for losses/Gross impaired loans	76.2%	63.9%	70.7%	60.6%	61.7%	61.2%	60.2%	69.1%	64.7%
Past due loans but not impaired as % of gross loans	8.8%	10.1%	9.4%	9.9%	8.6%	9.6%	12.5%	10.7%	9.0%
Gross impaired loans/Gross loans	5.5%	6.0%	5.9%	6.5%	6.2%	6.4%	7.3%	5.9%	8.3%

1) Capital lease was included in other loans in 2012 and 2011

## Loans to customers - 9 quarter summary

ISK million	Q3 2015	Q2 2015	Q1 2015	Q4 2014	Q3 2014	Q2 2014	Q1 2014	Q4 2013	Q3 2013
<b>Loans to corporates</b>									
Overdrafts	23,699	25,272	25,305	24,420	23,453	23,444	23,218	19,669	19,010
Credit cards	994	997	1,004	943	939	716	761	878	874
Mortgage loans	12,516	11,990	11,601	10,406	8,940	9,199	8,539	8,103	6,719
Capital lease	5,778	5,438	3,774	3,607	-	-	-	1,404	-
Other loans	325,980	322,786	307,966	300,391	313,286	304,324	313,154	311,247	320,687
Provision on loans	(12,546)	(14,758)	(12,772)	(13,570)	(14,497)	(14,636)	(15,272)	(16,018)	(27,712)
<b>Total loans to corporates</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>	<b>325,283</b>	<b>319,578</b>
Neither past due nor impaired	334,863	313,161	317,228	308,588	311,702	300,525	299,368	304,880	278,435
Past due but not impaired	19,374	36,034	16,997	15,114	13,141	11,575	19,244	9,789	22,445
Individually impaired (gross)	12,707	13,149	13,583	13,693	20,009	23,749	23,248	24,029	44,427
Impairment amount	(10,523)	(10,619)	(10,930)	(11,198)	(12,731)	(12,802)	(11,460)	(13,415)	(25,729)
<b>Total loans to corporates</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>	<b>325,283</b>	<b>319,578</b>
Provision for losses/Gross impaired loans	98.7%	112.2%	94.0%	99.1%	72.5%	61.6%	65.7%	66.7%	62.4%
Past due loans but not impaired as % of gross loans	5.3%	9.9%	4.9%	4.5%	3.8%	3.4%	5.6%	2.9%	6.5%
Gross impaired loans/Gross loans	3.5%	3.6%	3.9%	4.1%	5.8%	7.1%	6.8%	7.1%	12.9%
<b>Loans to corporates specified by sector:</b>									
Agriculture and forestry	1.7%	1.6%	1.6%	1.7%	1.6%	1.5%	1.4%	1.4%	1.4%
Services	5.5%	6.3%	5.6%	5.6%	5.4%	6.3%	6.0%	6.1%	6.4%
Financial and insurance activities	9.0%	8.9%	9.5%	8.5%	8.7%	8.9%	9.6%	8.5%	10.6%
Industry, energy and manufacturing	6.0%	5.6%	6.2%	7.8%	7.4%	7.4%	7.2%	7.0%	7.3%
Information and communication technology	7.2%	7.3%	6.8%	7.1%	6.9%	7.3%	7.1%	7.4%	7.7%
Public administration, human health and social activities	2.2%	2.2%	2.6%	2.4%	1.8%	1.9%	2.1%	2.7%	2.6%
Real estate activities and construction	28.4%	26.6%	24.6%	24.9%	29.5%	28.5%	26.5%	25.5%	24.3%
Fishing industry	21.6%	21.1%	22.9%	23.4%	21.0%	20.9%	18.8%	18.7%	18.8%
Transportation	2.8%	3.2%	3.3%	1.7%	1.9%	1.7%	5.6%	5.8%	6.1%
Wholesale and retail trade	15.6%	17.3%	16.9%	16.9%	15.8%	15.6%	15.8%	16.9%	14.8%



## Capital and Risk Weighted Assets

ISK million	Q3 2015	Q2 2015	Q1 2015	Q4 2014	Q3 2014	Q2 2014	Q1 2014	Q4 2013	Q3 2013
<b>Capital base</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	1,679	1,402	1,627	1,632	1,633	1,635	1,639	1,637	1,637
Retained earnings	95,968	89,706	98,082	83,218	77,149	72,043	65,400	62,591	59,802
Non-controlling interest	1,287	1,476	1,545	1,501	5,122	5,004	4,913	4,858	3,587
<b>Total equity</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>144,947</b>	<b>140,887</b>
Intangible assets	9,194	-9,353	-9,493	-9,596	-5,337	-5,375	-5,371	-5,383	-5,348
Tax assets	987	-891	-420	-655	-660	-734	-409	-818	-702
Other statutory deductions	10,403	-105	-12,913	-111	-125	-110	-7,931	-119	-158
<b>Total Tier 1 capital</b>	<b>195,378</b>	<b>158,096</b>	<b>154,289</b>	<b>151,850</b>	<b>153,643</b>	<b>148,324</b>	<b>134,102</b>	<b>138,627</b>	<b>134,679</b>
Subordinated liabilities	10,378	10,884	20,494	31,639	31,205	31,189	31,297	31,918	32,809
Regulatory adjustment to Tier 2 capital	(597)	(411)	(684)	-	-	-	-	-	-
Other statutory deductions	(189)	(92)	(91)	(101)	(120)	(100)	(120)	(106)	(146)
<b>Total Capital base</b>	<b>204,970</b>	<b>168,477</b>	<b>174,009</b>	<b>183,388</b>	<b>184,728</b>	<b>179,414</b>	<b>165,278</b>	<b>170,439</b>	<b>167,342</b>
<b>Risk weighted assets</b>									
Credit Risk	645,358	629,774	625,520	591,994	630,866	604,993	618,188	608,029	584,912
Market Risk FX	5,255	6,582	19,413	18,915	18,399	16,317	21,548	31,703	27,421
Market Risk Other	7,317	7,299	1,492	2,890	4,251	4,362	5,932	4,993	6,293
Operational Risk	82,211	82,211	82,211	82,211	76,097	76,097	76,097	76,097	72,329
<b>Total risk weighted assets</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>720,822</b>	<b>690,955</b>
<b>Capital ratios</b>									
Official Tier 1 ratio*	21.4%	21.8%	19.1%	21.8%	20.3%	21.1%	18.2%	19.2%	18.9%
Tier 2 ratio	1.3%	1.4%	2.8%	4.5%	4.3%	4.5%	4.3%	4.4%	4.7%
Official Capital adequacy ratio	22.7%	23.2%	21.8%	26.3%	24.6%	25.6%	22.5%	23.6%	23.6%
Leverage ratio <sup>1</sup>	15.0%	15.4%	14.5%	15.4%	-	-	-	14.5%	-
<b>Related ratios</b>									
RORWA	3.31%	6.02%	8.37%	3.35%	2.92%	8.18%	1.59%	1.43%	2.48%
RWA/Total assets	73.32%	74.46%	72.55%	74.54%	77.44%	73.95%	77.35%	76.78%	73.75%

\*Official CET 1 ratio is based on audited or reviewed earnings from the previous quarter in Q1 and Q3

1) Figures not available for 2012, 2011 and 2010

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