Financial Statements 30 June 2017

Investor presentation

23 August 2017

Arion Bank

H1 2017 highlights

1. First step in the sale of Arion Bank, largest equity portfolio investment by foreign parties in Icelandic history
2. Lifting of capital controls
3. Kaupthing facility repaid and Arion Bank is now fully market funded
4. Strong earnings and capital position

Developments of the first half of 2017

Changes to the Bank’s ownership

Good financial results and strong capital position

- Strong earnings and stable net interest and net commission income
- Good results from the Bank’s listed equities
- Growth in net insurance income after Vördur joined the Group
- Operating expenses decreased due to one-off revised Depositors’ and Investors’ Guarantee Fund expense
- Full-time positions at Arion Bank (parent company) decreased by 52 from beginning of year, partly because of the outsourcing of IT projects to Nýherji

Sale process of Arion Bank

- In March approximately 30% of Arion Bank was sold to international investment funds. The shares were sold by Kaupthing via its subsidiary Kaupskil
- Represents the largest ever equity portfolio investment by foreign investors in Iceland
- The Bank’s sales process continues and one of the options being considered is a stock market listing

New people in executive positions

- Eva Cederbalk took over from Monica Caneman as chairman of the board of directors
- Iða Brá Benediktsdóttir was appointed managing director of Retail Banking

Developments of the first half of 2017

Success on the international bond market

Continuously improved terms on international credit markets

- Arion Bank issued €300 million in bonds (terms continue to improve)
- The Bank tapped its bond issue from December for an additional €200 million in January, bringing the total issue to €500 million
- Arion Bank paid off the outstanding amount of Kaupthing's US dollar bond, which originally amounted to $747 million
- The Bank has also made smaller issues on the international markets, issuing more than ISK 5 billion during the quarter
- In Iceland, the Bank has continued to successfully issue commercial paper and covered bonds and this remains an important component of the Bank's funding

Euromoney's bank of the year for 2017

- Arion Bank named bank of the year in Iceland by Euromoney
- The financial magazine Global Finance named Arion Bank as best investment bank in Iceland

EUROMONEY
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Arion Bank

Developments of the first half of 2017

Best banking app in Iceland – convenient banking

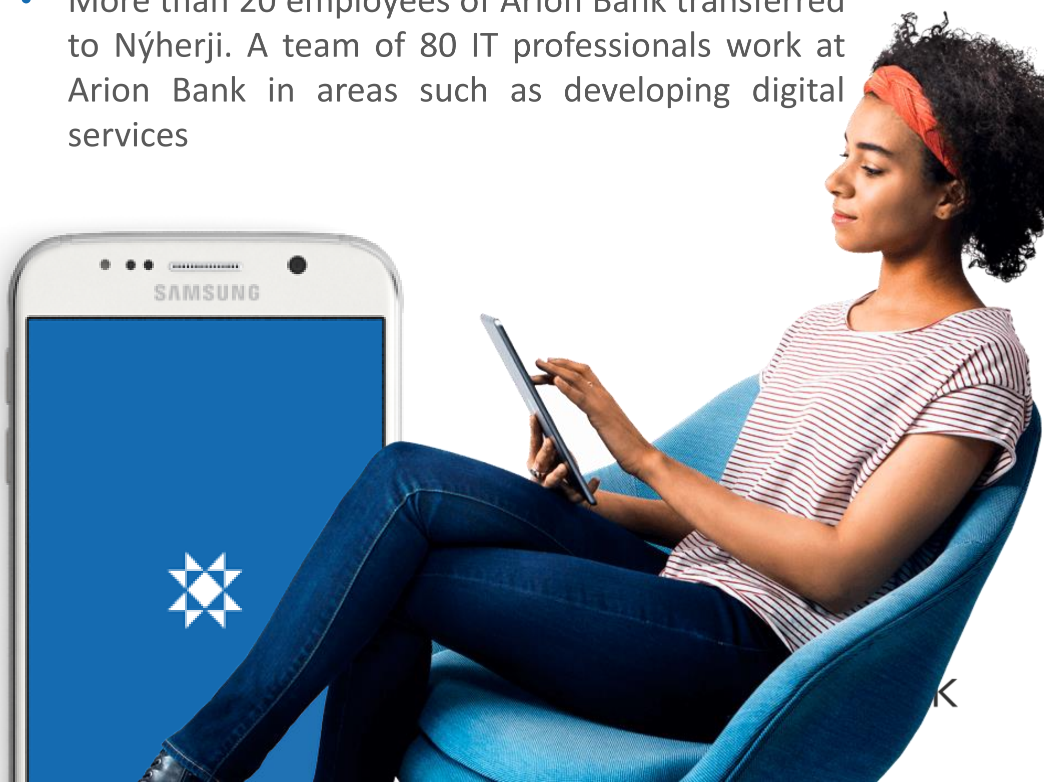
Range of new digital solutions

- The Bank's mortgage application process is now fully digitalized and is much shorter and more straightforward for the customer
- Older mortgages can be refinanced online
- Companies and individuals can now become customers of Arion Bank via our website
- The app now enables you to close and re-open a payment card quickly and easily
- The Einkaklúbbur discount app has now been downloaded by more than 30,000 users

The Arion app is the best banking app in Iceland according to MMR survey

Administration of IT systems outsourced

- In January Arion Bank reached an agreement with Nýherji to outsource the administration of the Bank's IT systems
- More than 20 employees of Arion Bank transferred to Nýherji. A team of 80 IT professionals work at Arion Bank in areas such as developing digital services

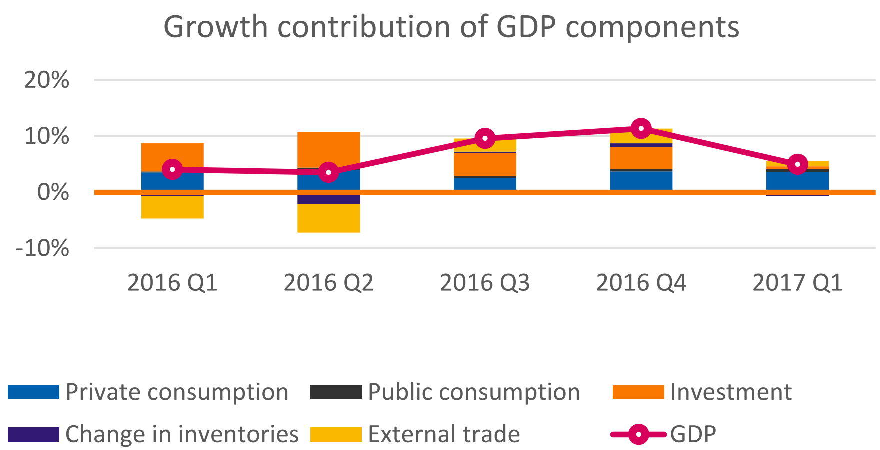


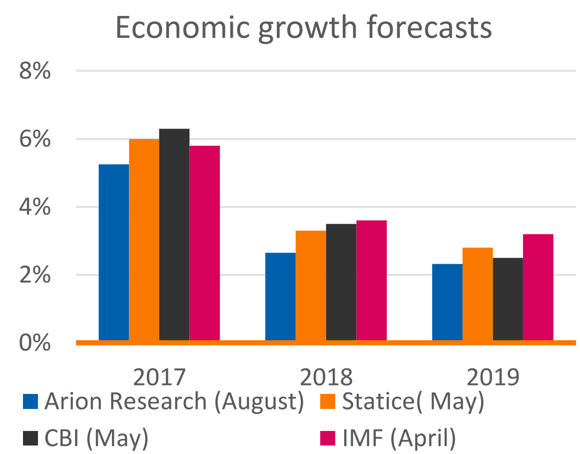
Macroeconomic environment

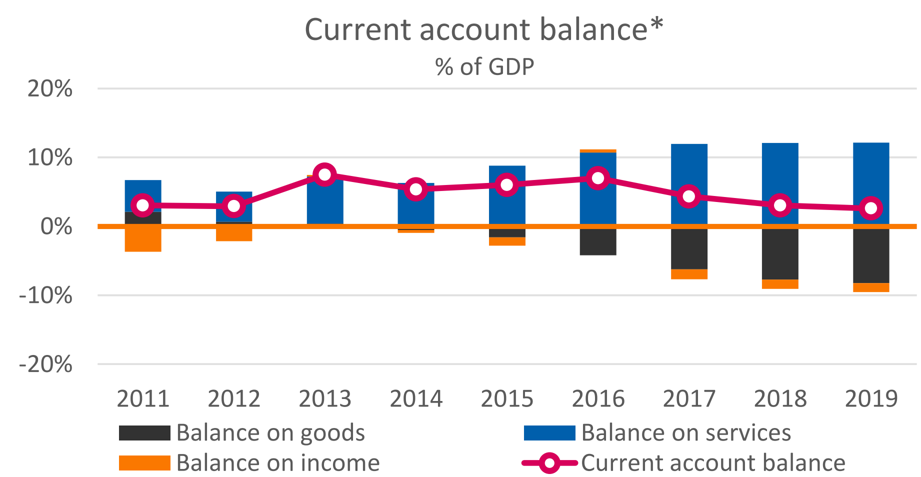
Strong economic growth and favorable outlook

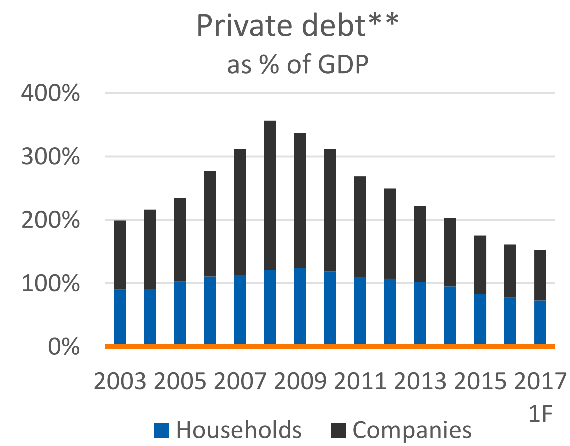
A favorable macro environment for Arion Bank to operate in

- Economic growth in Q1 2017 was 5%, driven by private consumption and service exports
- Analysts expect continued growth in the next two years at least, accompanied by a robust, albeit decreasing, trade surplus
- The economy is well balanced; public and private debt has decreased, investment level has reached its long-term average and, despite strong growth, private consumption as % of nominal GDP has never been lower







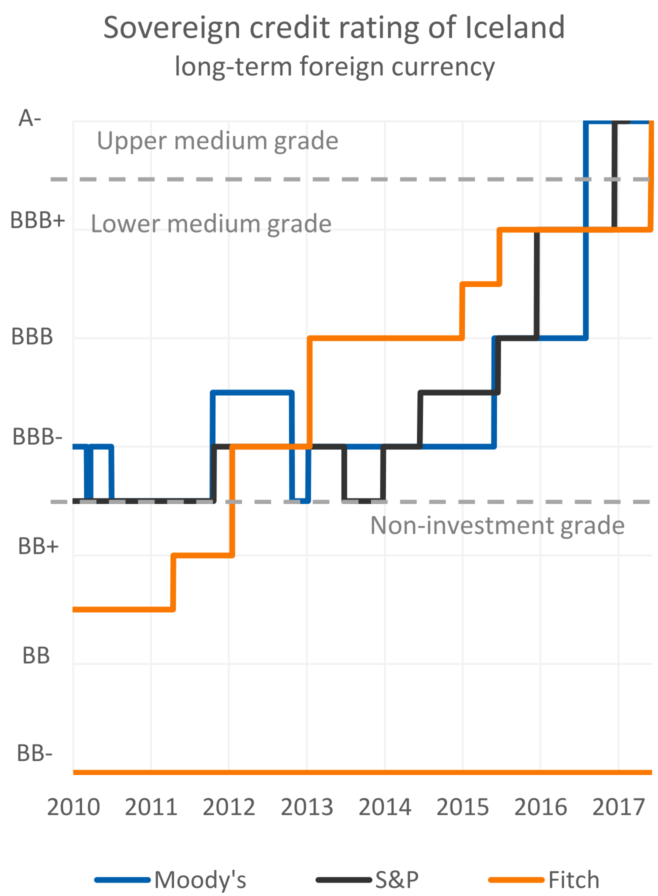


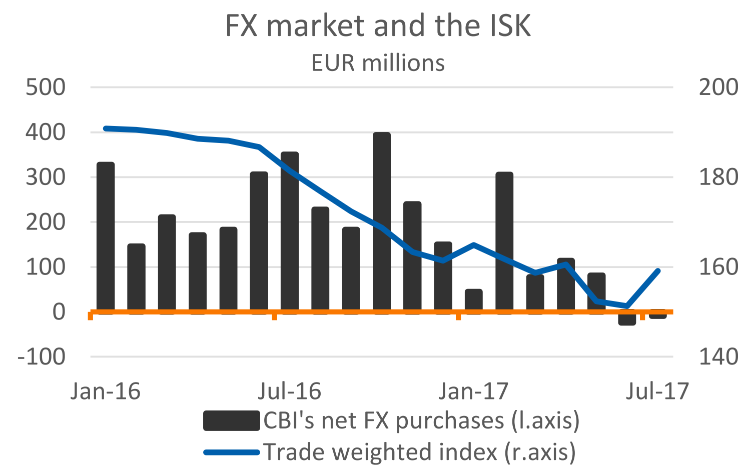
* Arion Research forecast for 2017-2019. ** Non-financial corporate debt.
Sources: Central Bank of Iceland, Statistics Iceland, IMF, Arion Research

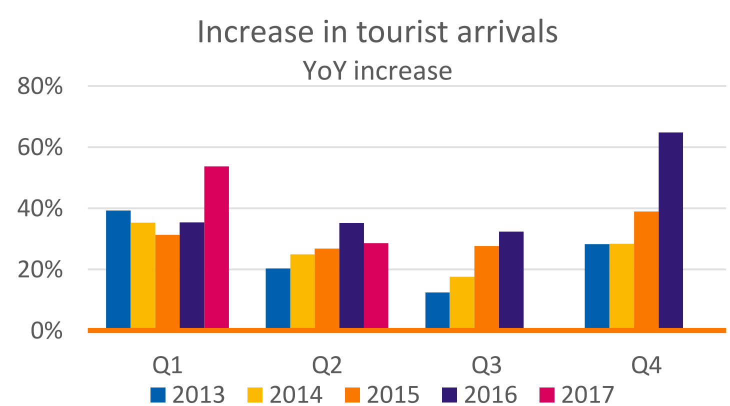
Increased volatility following a liberalized ISK

Following the capital account liberalization in March, volatility in the ISK has increased

- In March capital controls on individuals, firms and pension funds were lifted, resulting in improved credit ratings from all agencies
- Fluctuations in the exchange rate have increased substantially and appreciation is no longer a certainty even though increasing number of tourists are visiting the country
- The CBI has gradually reduced its interventions in the FX market, buying EUR 170m in Q1 compared to EUR 428m in Q1. During the months of June and July the CBI bought ISK to counteract sharp depreciations





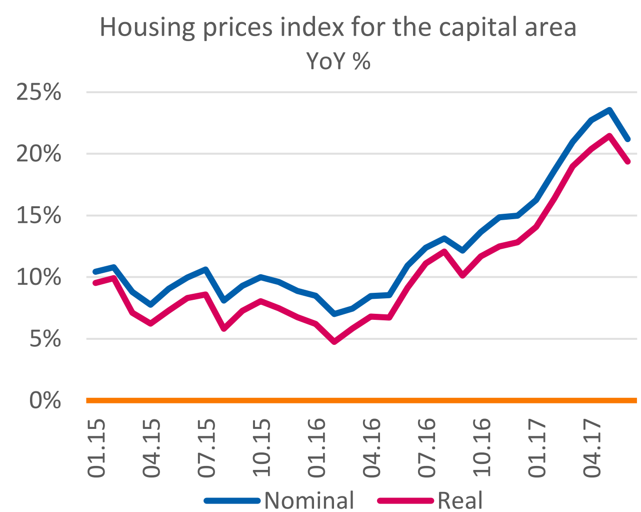


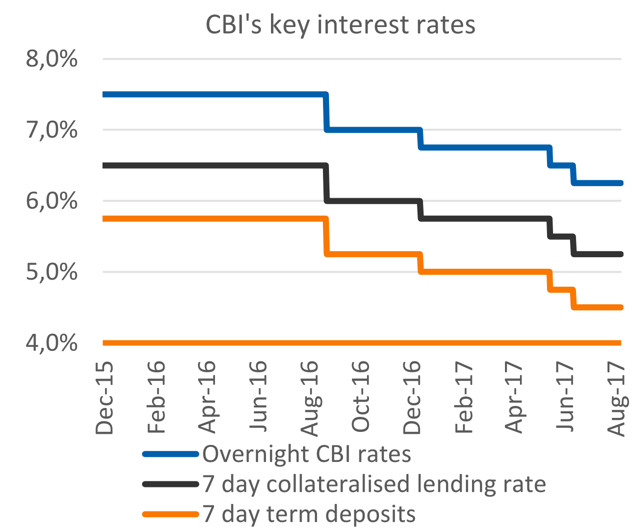
Sources: Moody's, S&P, Fitch, Central Bank of Iceland, Icelandic Tourist Board, Arion Research

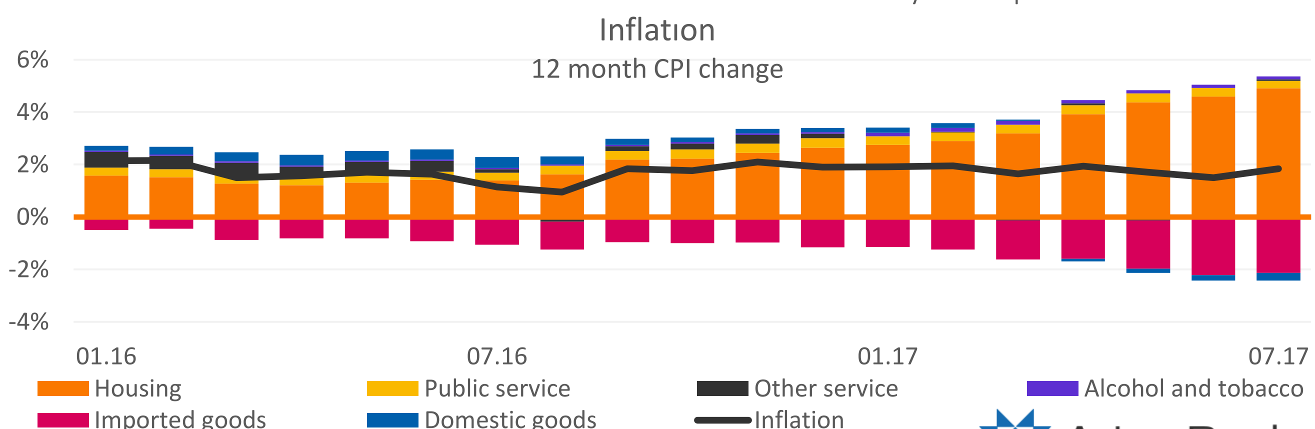
Reduced inflationary pressures brings rate cuts along

The CBI lowered interest rates by a total of 50 bps. in Q2

- Housing prices have appreciated rapidly in the last months as a result of severe supply shortage. At the same time demand is quickly gaining pace, driven by population growth, real wages growth and the tourist boom
- Housing prices are the main driving factor behind inflation while imported goods partly offset the pressure
- In response to improved inflation outlook, mostly attributable to the exchange rate appreciation, the CBI has lowered its interest rates twice this year. The Bank's main interest rates, rates on 7 day term deposits, now stand at 4.6%







Sources: Registers Iceland, Statistics Iceland, Arion Research

Headline figures for H1 2017

Net earnings ISK 10,466 million H1 2016: ISK 9,759 million	CET 1 27.7% 31.12.2016: 26.5%	Cost-to-income ratio 50.6% H1 2016: 56.1%	Problem loans 1.3% 31.12.2016: 1.6%
Return on equity 9.7% H1 2016: 9.5%	Leverage ratio 17.4% 31.12.2016: 18.0%	Number of employees 1,223 31.12.2016: 1,239	Mortgages/ Total loans 39.8% 31.12.2016: 39.2%

Arion Bank

Income statement

Income statement

All amounts in ISK million

Core revenues improve from last year

- Increase in net interest income mainly due to an increase in interest bearing assets
- Stable net commission income compared to H1 last year
- Acquisition of Vördur in late 2016 transforms net insurance income
- Share of profit of associates is negatively affected by developments at United Silicon
- Salaries are relatively stable despite Vördur acquisition
- Other operating expenses decrease significantly due to revised Depositors' and Investors' Guarantee Fund provision
- Positive net impairment both due to individual and corporate customers

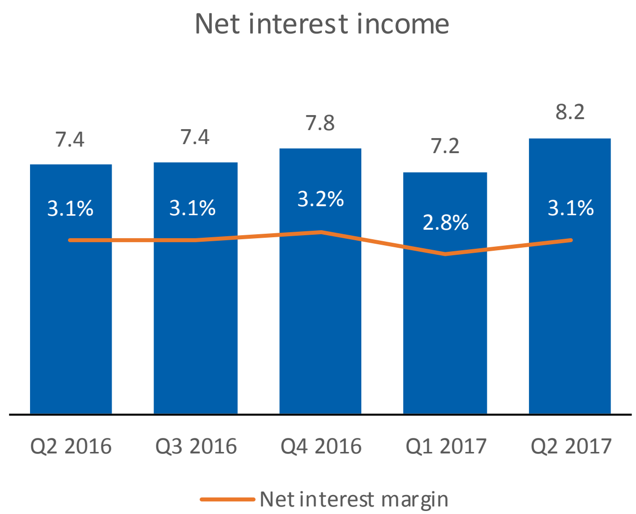
	H1 2017	H1 2016	Diff	Q2 2017	Q2 2016	Diff
Net interest income	15,320	14,626	5%	8,160	7,353	11%
Net commission income	6,838	6,747	1%	3,508	3,528	(1%)
Net financial income	3,205	3,495	(8%)	1,975	3,796	(48%)
Net insurance income	1,053	391	169%	606	246	146%
Share of profit of associates and net impairment	(934)	694	(235%)	(900)	17	-
Other income	1,850	1,230	50%	1,470	284	418%
Operating income	**27,332**	**27,183**	**1%**	**14,819**	**15,224**	**(3%)**
Salaries and related expense	(8,783)	(8,426)	4%	(4,561)	(4,318)	6%
Other operating expenses	(5,057)	(6,730)	(25%)	(1,223)	(3,640)	(66%)
Bank levy	(1,574)	(1,485)	6%	(777)	(743)	5%
Net impairment	1,289	945	36%	409	1,448	(72%)
Net earnings before taxes	**13,207**	**11,487**	**15%**	**8,667**	**7,971**	**9%**
Income tax expense	(3,161)	(2,091)	51%	(1,827)	(1,354)	35%
Net gain from assets held for sale, net of tax	420	363	16%	273	259	5%
Net earnings	**10,466**	**9,759**	**7%**	**7,113**	**6,876**	**3%**

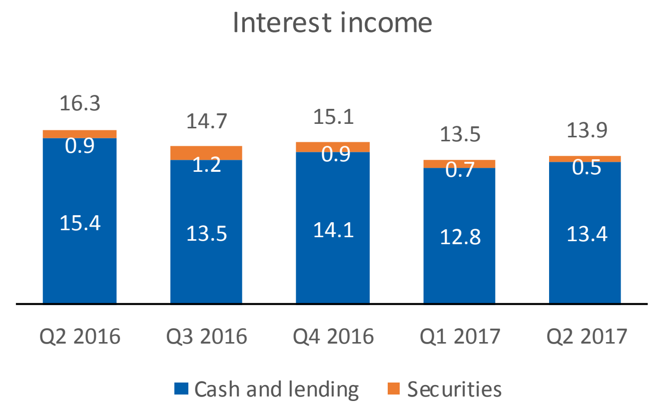
Net interest income

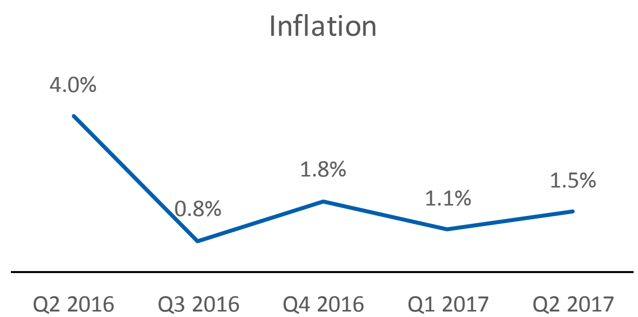
All amounts in ISK billion

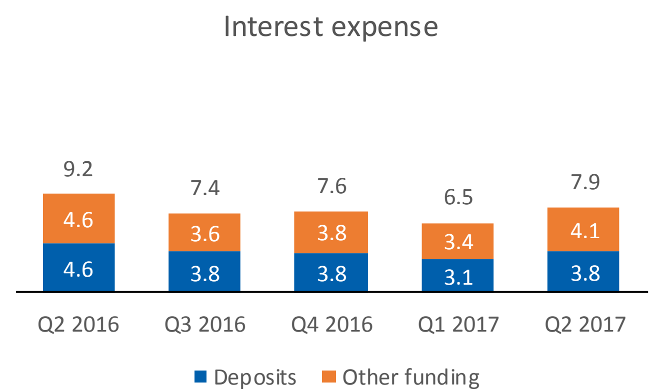
Increasing net interest income supported by stable net interest margin

- Increase in net interest income
  - Increase in NIM
  - Increase in interest-bearing assets from year end 2016 of ISK 88 billion or 8% of total assets, mainly short term
- The increase in net interest margin derives from
  - Responsible lending activities and liquidity management
  - A small increase in inflation which remained low during the period and has been under the Central Bank's target for some time
- Fluctuations in both interest income and expenses heavily affected by inflation









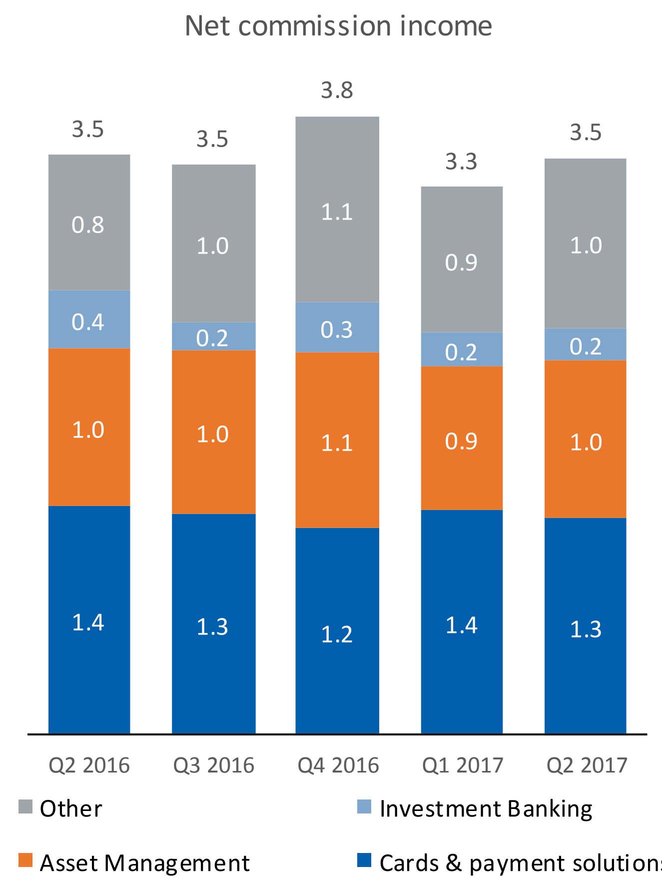
Arion Bank

Net commission income

All amounts in ISK billion

Stable commission base with high growth potential

- High top line revenue growth continues at Valitor but the company is temporarily affected by margin compression, a weak GBP and a strong ISK
    - Top line revenue growth in GBP was 60% and 20% in ISK compared with H1 2016
    - Net fee income at Valitor would be approximately 13% higher at pre Brexit exchange rates
    - Acquisition of IPS and Chip & Pin (effective 1 July) will further strengthen Valitor's position
- Asset Management has a strong position with a stable commission base
- Capital Markets is performing well whilst income from Corporate Finance activities remains volatile
- Other commission income include retail fees and commission which have been increasing. The new branch at Keflavik International Airport has had a positive effect

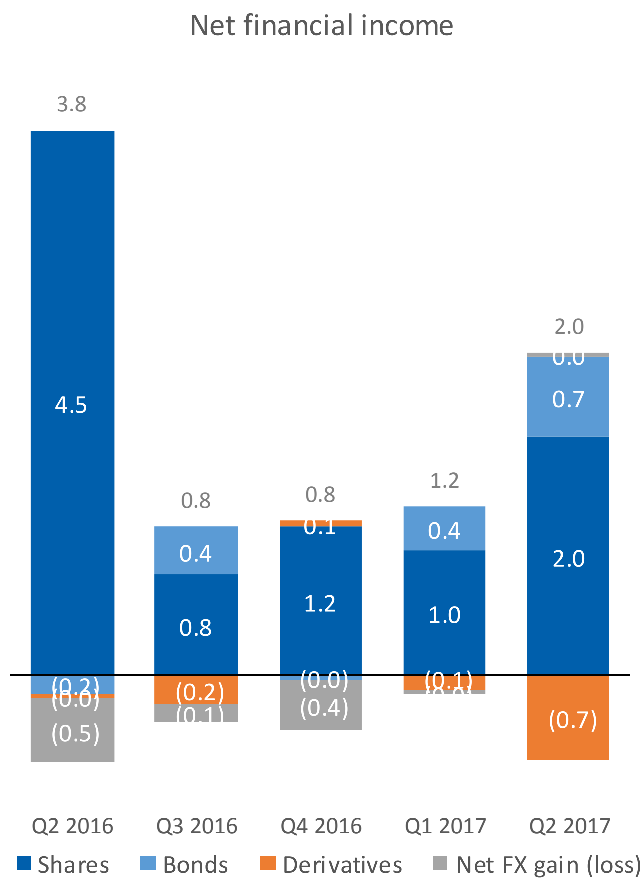


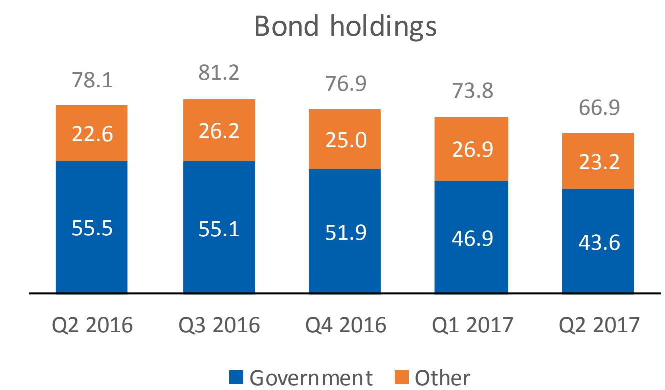
Net financial income

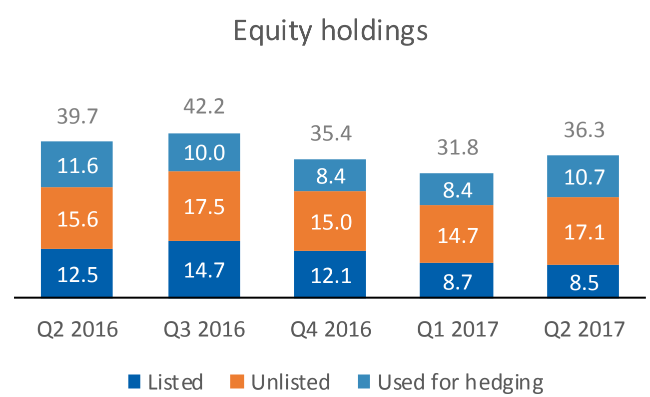
All amounts in ISK billion

Good performance, but return volatility is high

- The Bank’s listed bonds and equity holdings performed well during the period
- The Icelandic stock market index OMXI8 has increased by 3.1% from year end 2016
- The Bank sold all its remaining equity holdings in both Síminn and Reitir during the period and a substantial part of its equity holdings in HB Grandi
- Valuation change in equity holding in Visa Inc. was material during the period
- The ISK strengthened by 3.5% from year end 2016
- Derivative losses are mainly MTM positions in the Bank’s funding activities as the Bank does not use hedge accounting for all funding







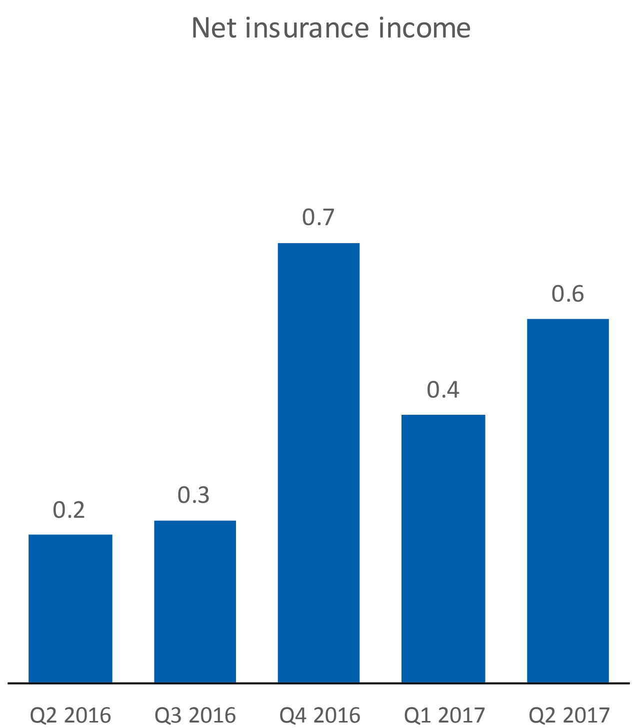
Arion Bank

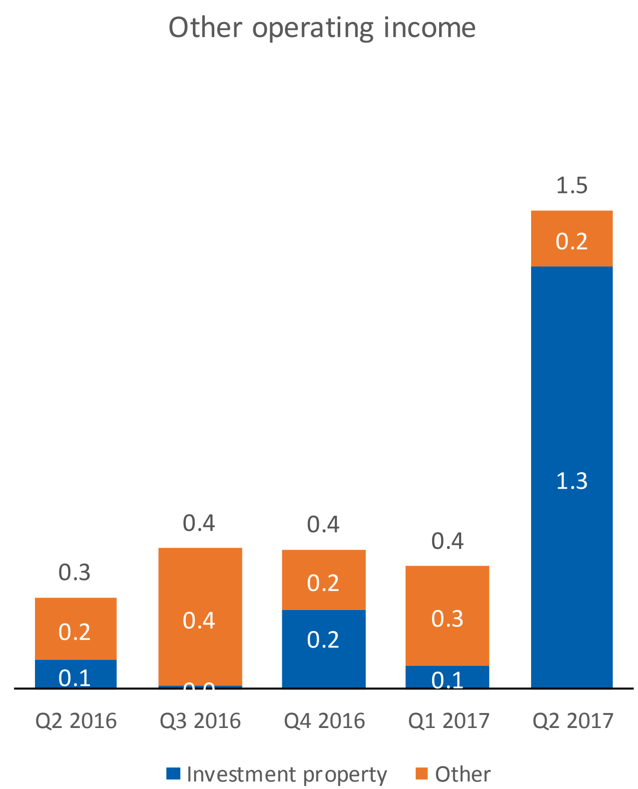
Net insurance income and other income

All amounts in ISK billion

Insurance has become a part of the Bank’s service offering

- Increase in insurance income from Q2 2016 due to acquisition of Vördur in Q4 2016
- Insurance income is expected to increase going forward as insurance products become part of the retail service offering
- Sharp increase in other operating income from investment property due to valuation changes



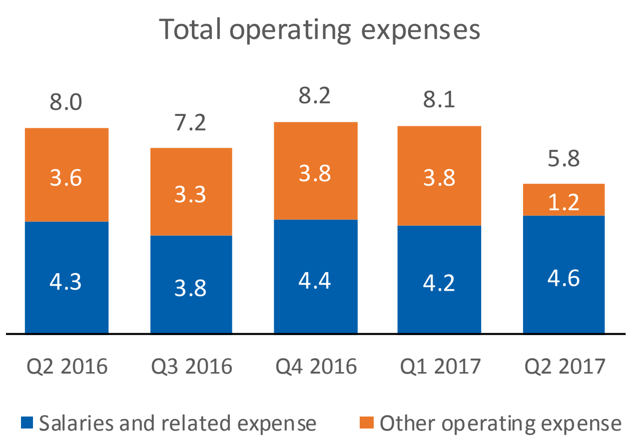


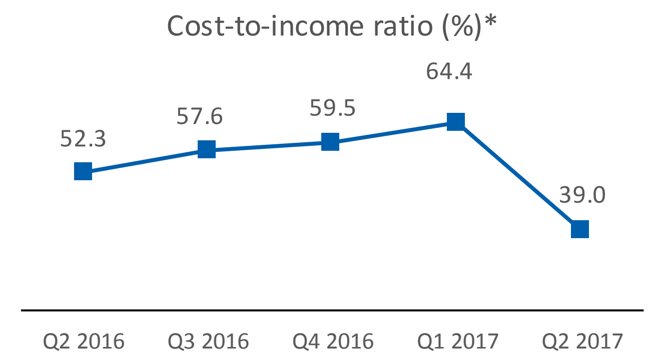
Total operating expenses

All amounts in ISK billion

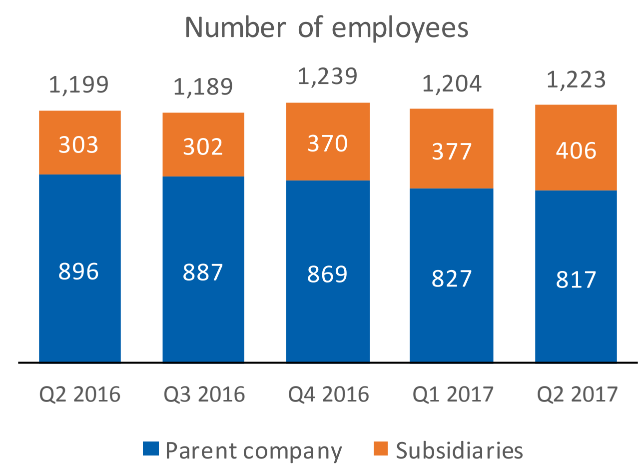
The cost-to-income ratio is positively affected by one-off items

- Decrease in number of full-time employees (FTE's) at Parent company is mainly due to digitalization and outsourcing of IT operations
- FTE's at the group increased by only 24 from the same period last year whilst 67 FTE's were added with the acquisition of Vördur in Q4 2016
- Salaries are stable from Q2 2016 despite a general salary increase in the market
- Reversal of other operating expenses due to previously booked liability of ISK 2.7 billion with the Depositors' and Investors' Guarantee Fund that will not be collected has major effect on other operating expenses
- Other changes in other operating expense from Q2 2016 are mainly Vördur, IT outsourcing and professional services





- Cost-to-income ratio (salaries and related expenses + other operating expenses/operating income)



Balance sheet

Balance sheet

All amounts in ISK billion

Moderate loan growth – successful new bond issues

- The balance sheet grew by 8.7% during the first half, partially due to pre-financing of upcoming bond maturities
- Loans to customers grew by 3.1% from year end 2016
- The pension funds continued aggressive mortgage lending to their policy holders in H1, limiting mortgage lending growth
- Increase in deposits, mainly from retail customers
- New and successful international bond issues during the first half of the year
- Strong liquidity and equity position

Assets	**30.06.2017**	**2016**	**2015**	**2014**	**2013**
Cash & balances with CB	151	88	48	21	38
Loans to credit institutions	78	80	87	109	102
Loans to customers	734	712	680	648	636
Financial assets	109	117	133	102	87
Investment property	7	5	8	7	29
Investments in associates	1	1	27	22	18
Other assets	46	32	27	26	30
Total Assets	**1,126**	**1,036**	**1,011**	**934**	**939**

Liabilities and Equity					
Due to credit institutions & CB	8	8	11	23	28
Deposits from customers	437	412	469	455	472
Other liabilities	79	65	62	61	58
Borrowings	380	339	256	201	205
Subordinated loans	-	-	10	32	32
Shareholders Equity	222	211	193	161	140
Non-controlling interest	0	0	9	2	5
Total Liabilities and Equity	**1,126**	**1,036**	**1,011**	**934**	**939**

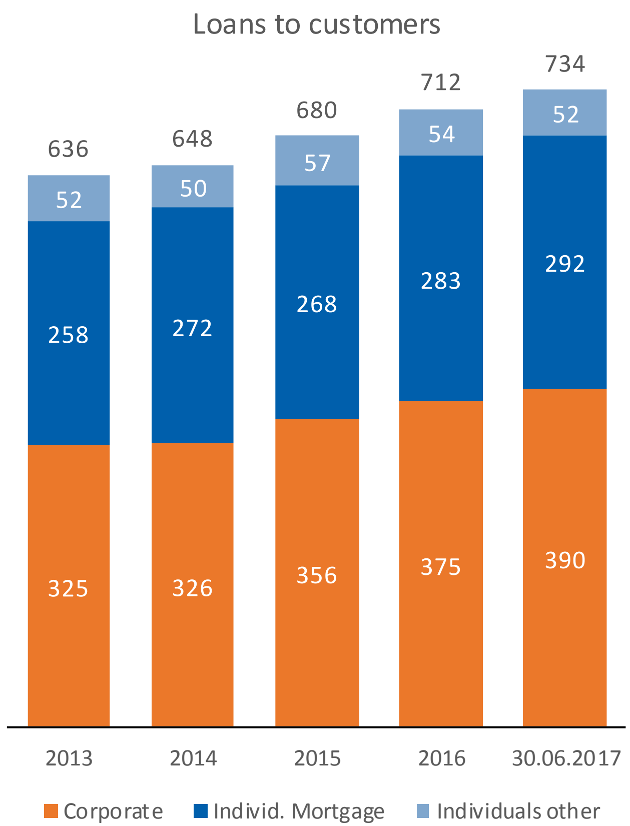
Arion Bank

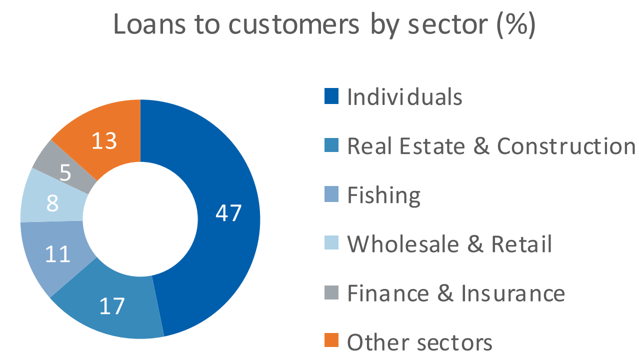
Loans to customers

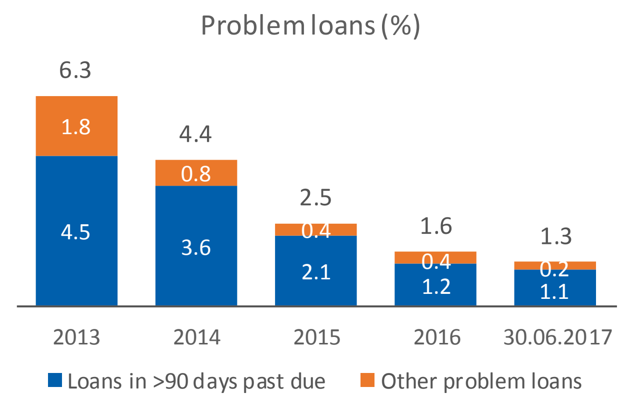
All amounts in ISK billion

Good balance in loans to corporates and individuals

- Loans to corporate customers increased by 4.0% despite a 3.5% strengthening of the ISK.
    - Strengthening of the ISK has a negative effect on loan volumes
- The mortgage portfolio increased by 3.2% during the first half despite strong competition from pension funds
- Good diversification in the corporate loan book
- Problem loans continue to decrease
- Strong pipeline for new corporate lending





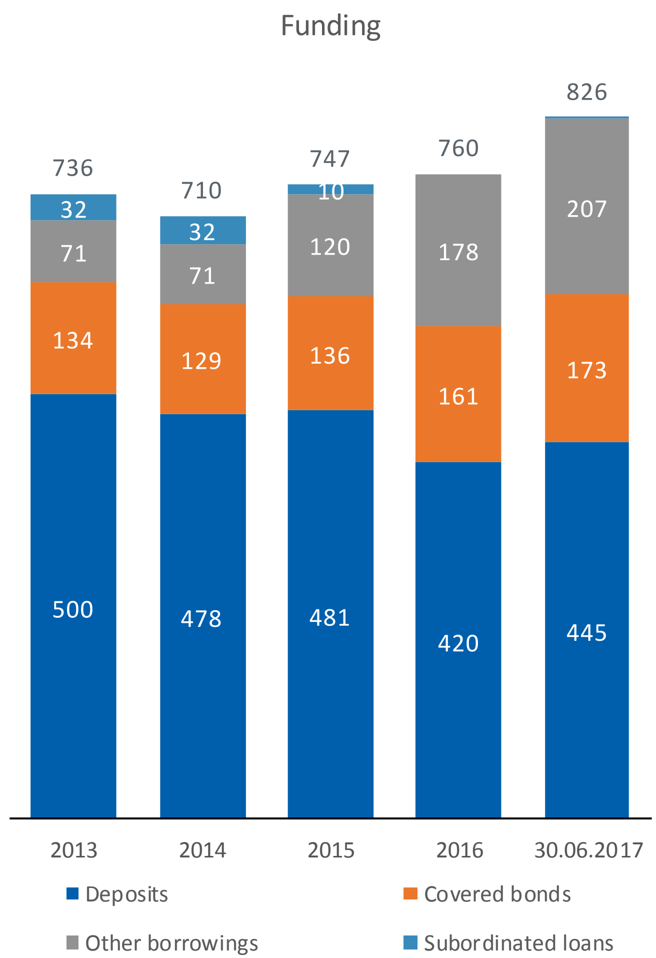


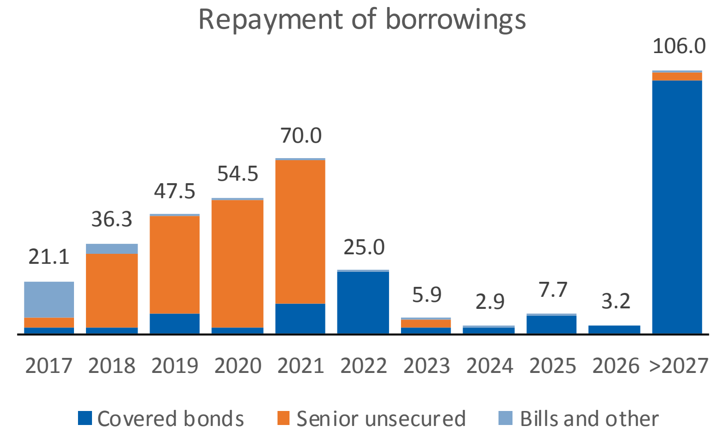
Funding

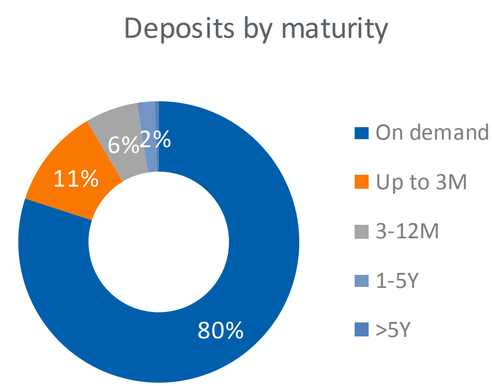
All amounts in ISK billion

Success on the international bond market – Kaupthing facility fully prepaid

- In June the Bank issued new 3 year, EUR 300 million senior unsecured bond or approx. ISK 37 billion at interest cost equal to 0.88% over interbank rates
- The Bank made the final repayment of the USD 747 million resettable note issued to Kaupthing in the beginning of 2016
- In January the Bank issued an additional EUR 200 million tap of the euro benchmark bond issued in December 2016 bringing the total to EUR 500 million or approx. ISK 60 billion
- The Bank continued issuing covered Bonds in the Icelandic market, total of ISK 11.6 billion during H1 2017 and issued smaller private placements in the international market of approx. ISK 5.1 billion

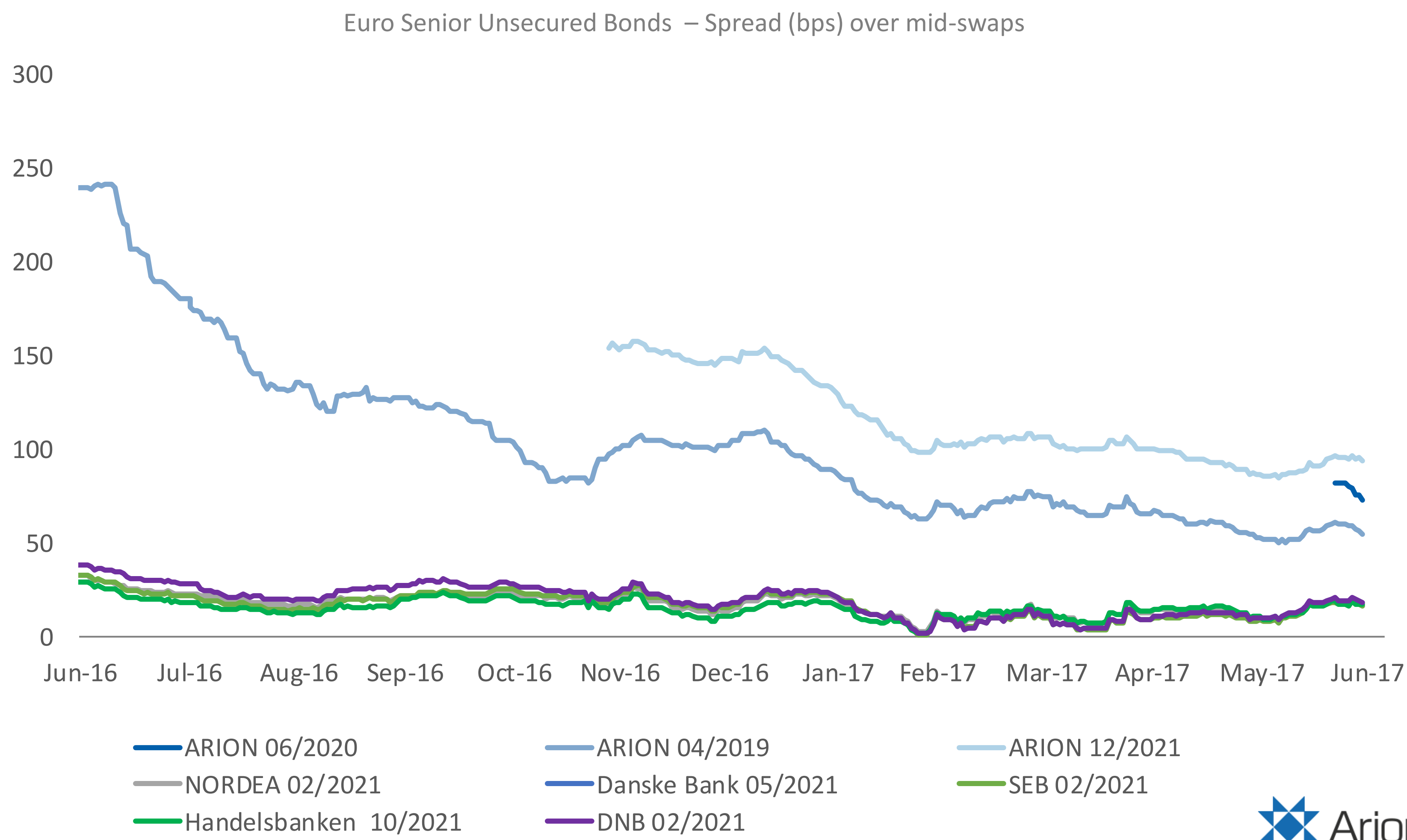






Good performance in the secondary bond market

The spread between Arion Bank and large Nordic banks continues to decrease

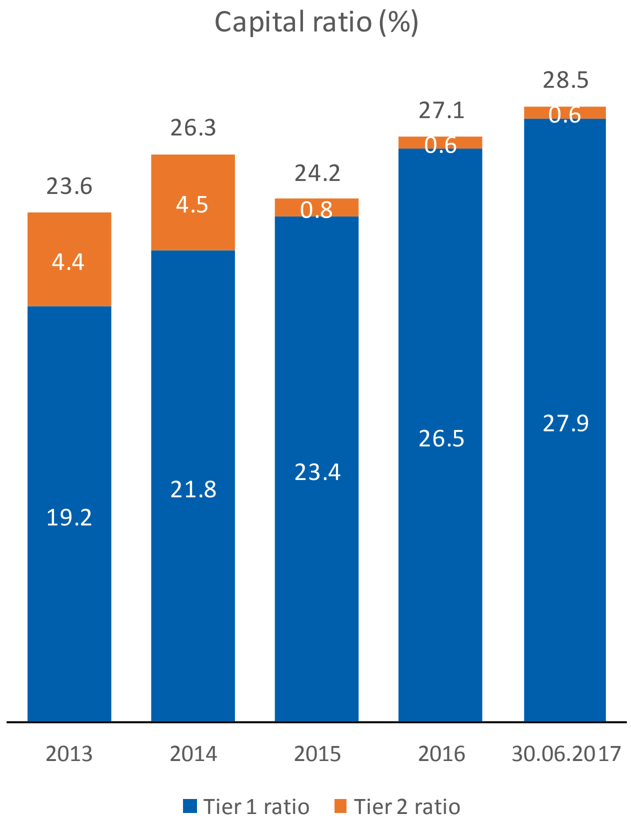


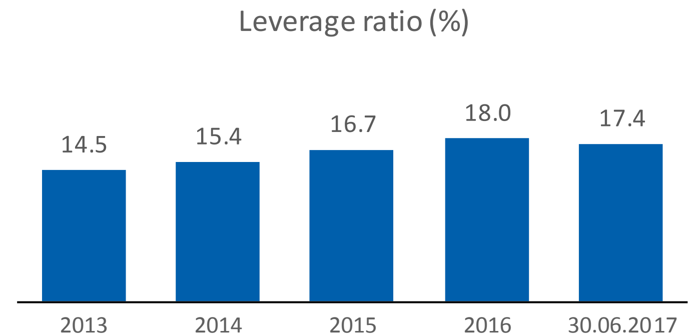
Capital base

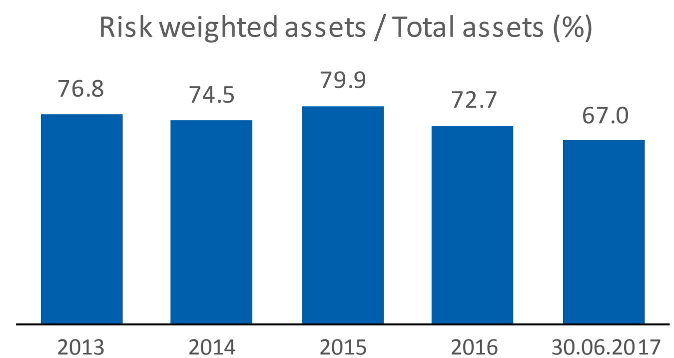
All amounts in ISK billion

Continued strong capital position

- Solid level of capitalization due to strong profit generation
- Risk-weighted assets of 67.0% are calculated on the basis of standardized approach
- The Bank's cash position with the Central Bank has increased considerably in H1 2017. This results in lower leverage ratio and lower risk-weight density
- Tier 2 capital at 30 June 2017 consisted only of collective credit risk adjust-ments

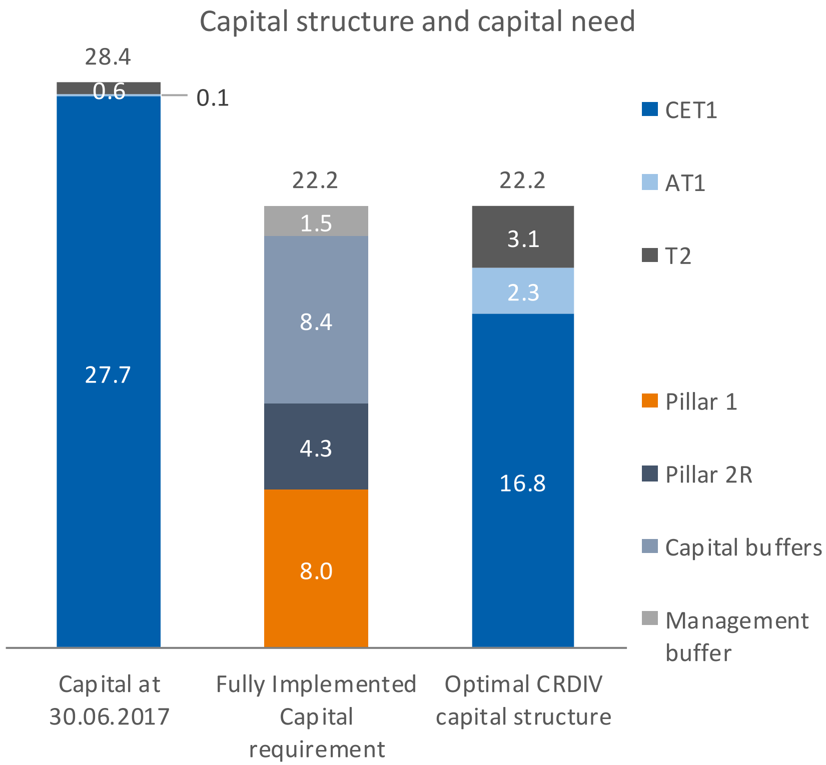






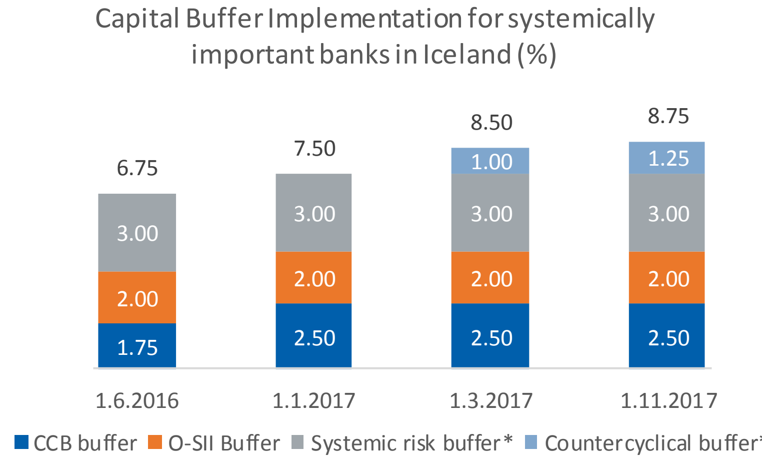
Capital base

Capital structure and requirements



- The Group's capital calculations are based on the Icelandic adoption of the EU Capital Requirement Directive and Regulation (CRD IV/CRR). Article 501 of the CRR, on capital requirement relief for small and medium enterprises, is temporarily excluded in the Icelandic regulation. The Group applies the standardized approach for all risk types.

- In Q4 of 2017, the combined capital buffer requirement will reach 8.4%, based on the Group's current risk profile.
- The FME's SREP result based on the Group's balance sheet as at 31 December 2015, indicates a total regulatory capital requirement of 20.7%, including fully-implemented buffers
- Including a management buffer of 1.5%, the Group had a surplus capital of ISK 46 billion at 30 June 2017



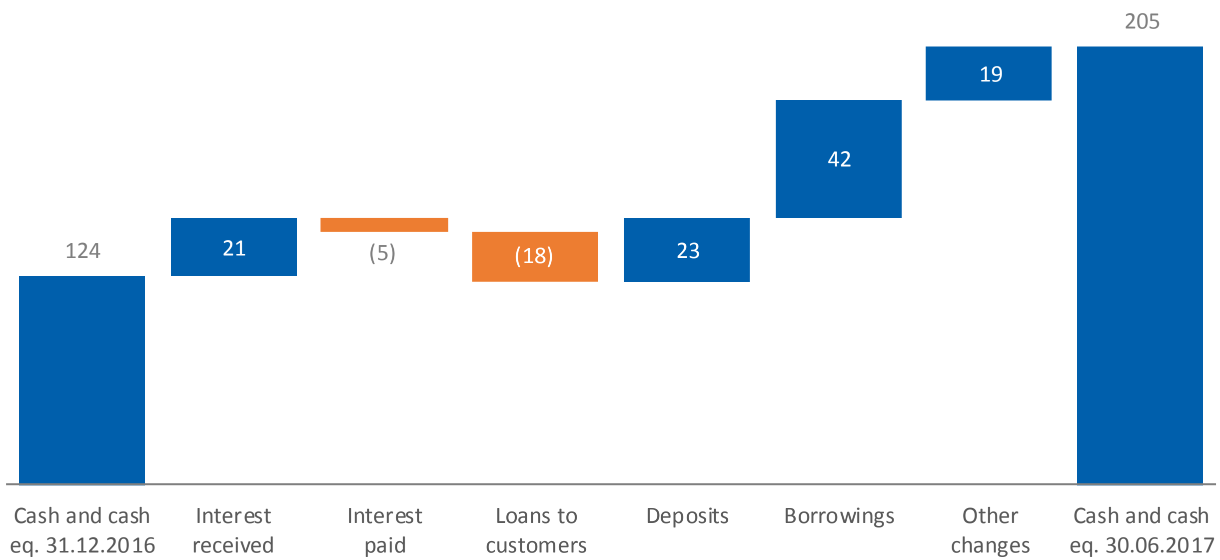
* The effective buffers are calculated using the capital buffer level of each country of exposure, weighted using the corresponding credit risk RWA.

Arion Bank

Cash flow

All amounts in ISK billion

Increased deposits and borrowings increase cash position



- Lending activities increased during Q2 after very low activity during Q1
- New funding mostly from borrowings but deposits increase as well

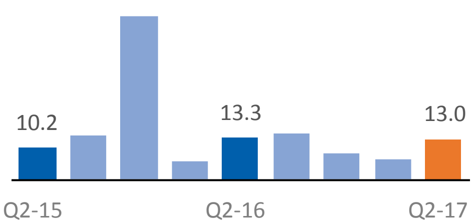
Going forward

1. Arion Bank operates in a strong and growing economy
2. Growth in loan portfolio correlates to the underlying growth in the Icelandic economy
3. Focus on digitalization across both client-facing offerings and automation to further increase efficiency
4. Arion Bank will seek to optimize equity by paying out dividends and acquiring own shares

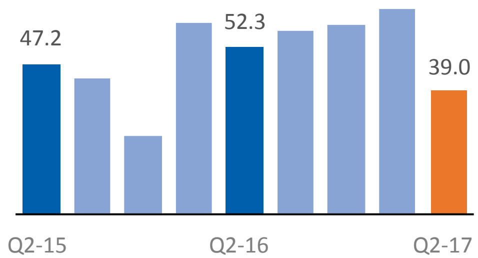
KFI's and adjusted income

Key financial indicators - quarterly

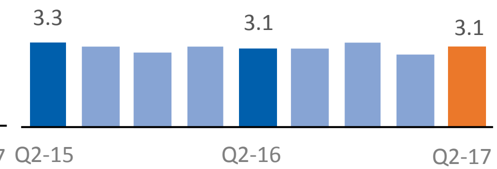
Return on equity (%)



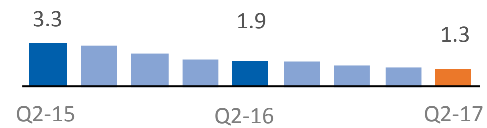
Cost-to-income ratio (%)



Net interest margin (%)

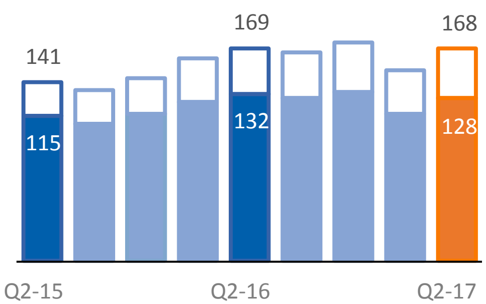


Problem loans* (%)

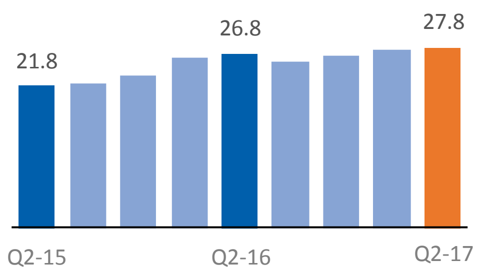


Loans-to-deposits ratio (%)

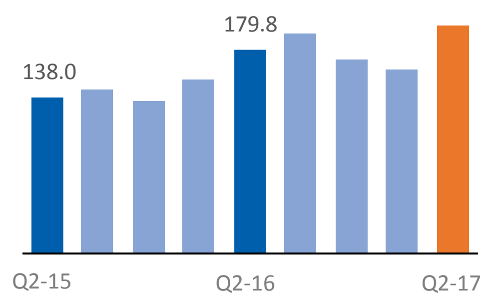
without loans financed with covered bonds



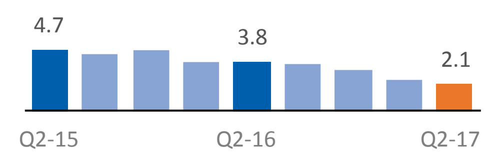
Tier 1 ratio (%)



Liquidity coverage ratio (LCR) (%)



Gross impaired loans/Gross loans (%)

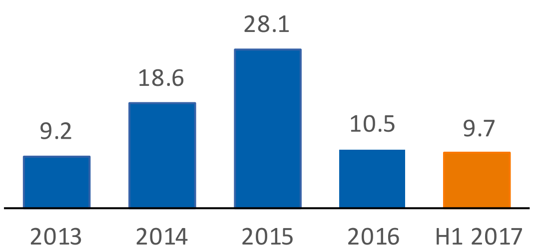


* Problem loans (past due but not impaired loans over 90 days + individually impaired loans) as % of loans to customers

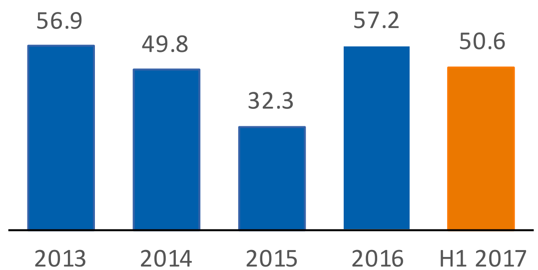
Arion Bank

Key financial indicators - annual

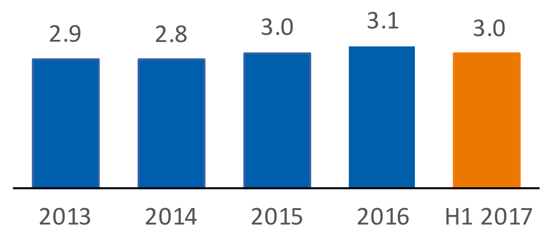
Return on equity (%)



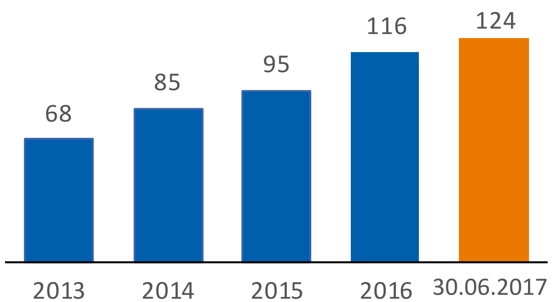
Cost-to-income ratio (%)



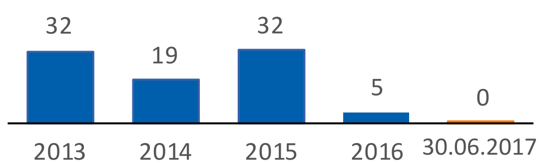
Net interest margin (%)



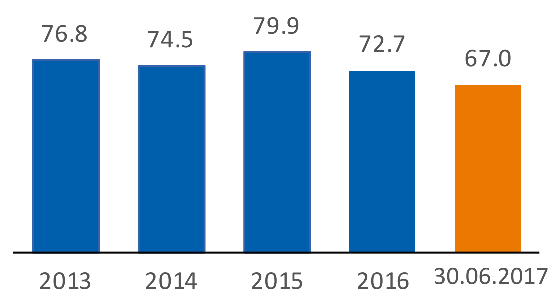
CPI Imbalance – ISK bn.



FX Imbalance – ISK bn.



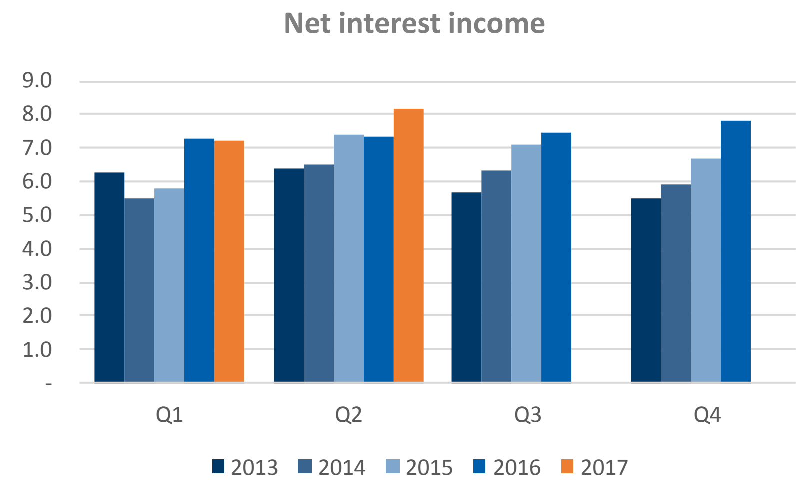
Risk weighted assets/Total assets (%)

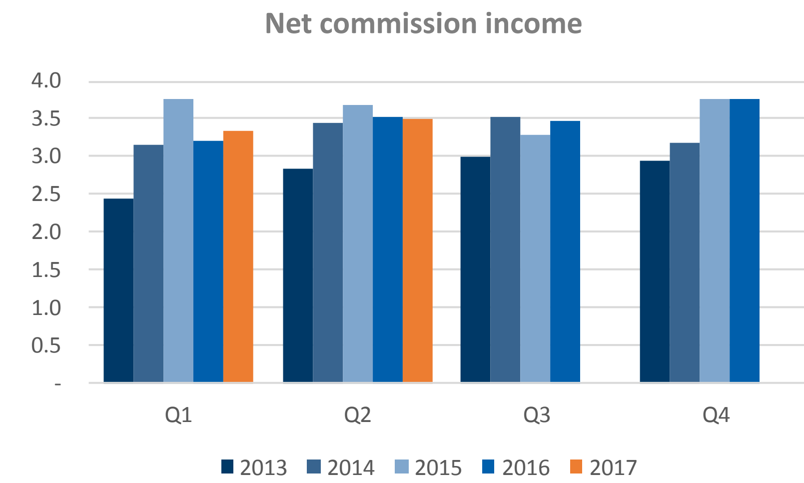


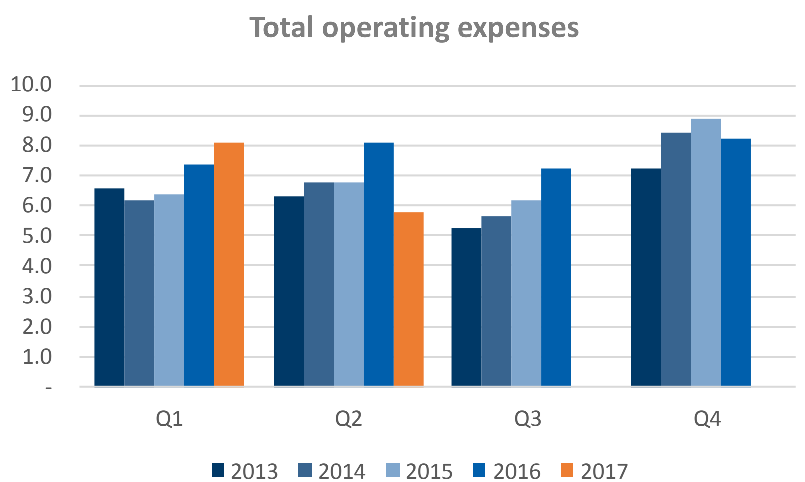
Arion Bank

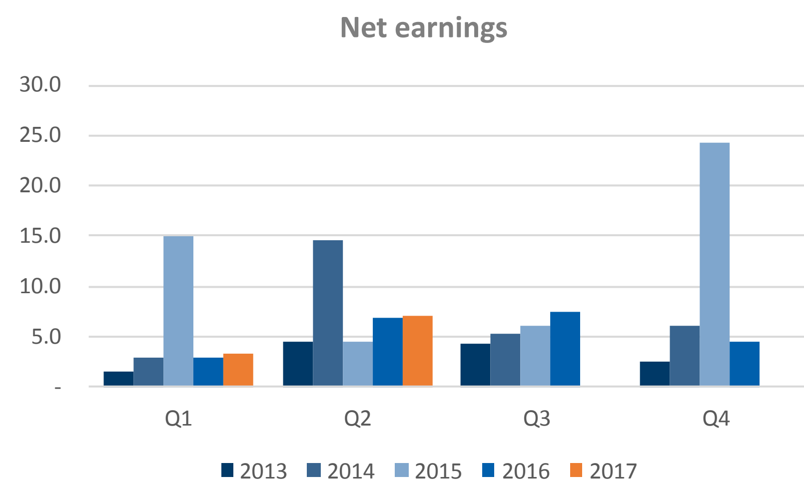
Development of key figures

All amounts in ISK billion









Key figures

All amounts in ISK million

	H1 2017	H1 2016	H1 2015	H1 2014	H1 2013	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016
Operations										
Net interest income	15,320	14,626	13,175	11,966	12,667	8,160	7,160	7,842	7,431	7,353
Net commission income	6,838	6,746	7,434	6,593	5,298	3,508	3,330	3,764	3,467	3,527
Operating income	27,330	27,183	35,930	25,526	20,516	14,820	12,511	13,790	12,465	15,224
Operating expenses	13,840	15,156	13,032	12,801	12,737	5,784	8,056	8,209	7,175	7,958
Net earnings	10,465	9,759	19,322	17,412	5,911	7,114	3,352	4,477	7,503	6,876
Return on equity	9.7%	9.5%	22.8%	23.4%	8.9%	13.0%	6.3%	8.6%	14.4%	13.3%
Net interest margin	3.0%	3.1%	3.0%	2.8%	3.1%	3.1%	2.8%	3.2%	3.1%	3.1%
Return on assets	1.9%	1.9%	4.0%	3.7%	1.3%	2.6%	1.2%	1.7%	2.9%	2.7%
Cost-to-income ratio	50.6%	55.8%	36.3%	50.1%	62.1%	39.0%	64.4%	59.5%	57.6%	52.3%
Cost-to-total assets	2.5%	3.0%	2.7%	2.8%	2.8%	2.1%	3.1%	3.2%	2.8%	3.2%
Balance Sheet										
Total assets	1,126,411	1,035,003	974,812	948,991	929,030	1,126,411	1,119,648	1,036,024	1,038,479	1,035,003
Loans to customers	733,649	713,136	667,129	637,085	567,257	733,649	720,198	712,422	715,907	713,136
Mortgages	309,339	289,707	276,671	268,317	190,008	309,339	302,679	298,971	294,954	289,707
Problem loans	1.3%	1.9%	3.3%	5.4%	8.5%	1.3%	1.5%	1.6%	2.0%	1.9%
RWA/ Total assets	67.0%	71.8%	74.5%	73.9%	72.2%	67.0%	66.4%	72.7%	73.2%	71.8%
Tier 1 ratio	27.8%	26.8%	21.8%	21.1%	19.5%	27.8%	27.3%	26.5%	25.5%	26.8%
Leverage ratio	17.4%	18.1%	-	-	-	17.4%	17.0%	18.0%	17.4%	18.1%
Liquidity coverage ratio	266.2%	179.8%	138.0%	184.0%	-	266.2%	163.5%	171.3%	194.1%	179.8%
Loans to deposits ratio	167.7%	168.6%	141.2%	134.3%	121.5%	167.7%	151.4%	172.9%	165.7%	168.6%

Adjusted income

All amounts in ISK million

Method used for adjusted impairment has most effect

	H1 2017	Adjustment	Adjusted	
Net interest income	15,320	6	15,326	1)
Net commission income	6,838	0	6,838	
Net financial income	3,205	0	3,205	
Net insurance income	1,053	0	1,053	
Share of profit of associates and net imp.	(934)	0	(934)	
Other operating income	1,850	0	1,850	
Operating income	27,332	6	27,338	
Salaries and related expense	(8,783)	0	(8,783)	
Other operating expenses	(5,057)	(1,502)	(6,559)	2)
Bank levy	(1,574)	0	(1,574)	
Net impairment	1,289	(3,386)	(2,097)	3)
Earnings before tax	13,207	(4,882)	8,325	
Income tax	(3,161)	1,270	(1,891)	4)
Net gain from assets held for sale, net of tax	420	0	420	
Net earnings	**10,466**	**(3,612)**	**6,854**	
Key financial indicators:				
Return on equity	9.7%		6.4%	
Cost to income ratio	50.6%		56.1%	
NIM - interest bearing assets	3.0%		3.0%	

1) Interest income from non-core subsidiaries eliminated and interest income calculated on book value of non-core assets
2) One-off revised Depositors' and Investors' Guarantee Fund contribution of ISK 2,669 million, one-off expense from professional services and calculated expense on non-core operation
3) Net impairment fully removed and 0.58% impairment calculated on total loans to customers
4) Calculated income tax effect on adjustments

Arion Bank

Segment information

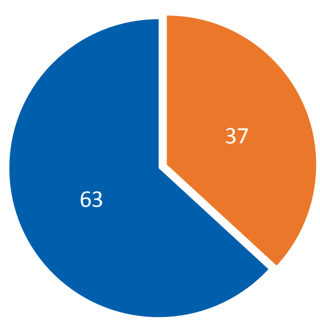
Retail Banking

All amounts in ISK million

Positive development in Retail Banking

- Retail Banking provides a comprehensive range of services. This includes deposits and loans, savings, payment cards, pension savings, insurance, securities and funds. Arion Bank Mortgages Institutional Investor Fund is part of the Retail Banking operations
- To maximize operational efficiency the branch network is divided into six clusters, with the smaller branches capitalizing on the strength of larger units within each cluster
- Retail Banking's 24 branches all around Iceland have a total of more than 100,000 customers

Share of operating income (%)



Income statement and key figures:

	H1 2017	H1 2016	Diff.
Net interest income	7,899	7,731	2%
Net fee and commission income	2,148	1,562	38%
Other operating income	7	10	(30%)
Operating income	**10,073**	**9,372**	**7%**
Operating expense	(1,637)	(3,043)	(46%)
Net impairment	402	(1,858)	-
Earnings before tax	**8,838**	**4,471**	**98%**

	30.06.2017	31.12.2016	Diff.
Loans to customers	477,494	460,420	4%
Deposits from customers	307,552	295,628	4%
Allocated equity	65,154	73,409	(11%)

- Slight increase in net interest income despite strong competition
- Interest income approx. 80% of segment operating income
- Operating expense affected by revised contribution to Depositors' and Investors' Guarantee Fund of ISK 1,733 million

Arion Bank

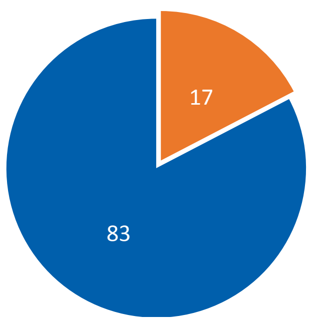
Corporate Banking

All amounts in ISK million

Strong corporate loan book, somewhat affected by stronger ISK

- Corporate Banking provides comprehensive financial services and integrated solutions across the Bank's divisions, to larger corporate clients in Iceland
- Corporate Banking provides a full range of lending products, deposit accounts, payment solutions as well as value added electronic corporate solutions to meet the needs of each customer

Share of operating income (%)



Income statement and key figures:

	H1 2017	H1 2016	Diff.
Net interest income	3,195	3,151	1%
Net fee and commission income	457	497	(8%)
Other operating income	1,091	69	1,481%
Operating income	**4,743**	**3,717**	**28%**
Operating expense	(156)	(330)	(53%)
Net impairment	832	1,405	(41%)
Earnings before tax	**5,419**	**4,792**	**13%**

	30.06.2017	31.12.2016	Diff.
Loans to customers	247,306	242,634	2%
Deposits from customers	23,287	12,223	91%
Allocated equity	59,263	58,250	2%

- Net fee and commission income decreases due to low lending activity, especially in the first quarter
- Positive net impairment mainly due to composition payments
- Operating expense affected by revised contribution to Depositors' and Investors' Guarantee Fund of ISK 198 million

Arion Bank

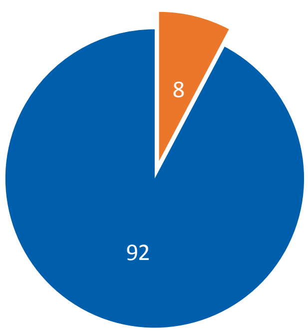
Asset Management

All amounts in ISK million

Largest asset management operation in Iceland

- Asset Management comprises Institutional Asset Management, Private Banking, Investment Services and Pension Fund Administration. Stefnir hf. is included in asset management
- Main distributor of funds managed by Stefnir
- Distributor of international funds
- Administration of pension funds

Share of operating income (%)



Income statement and key figures:

	H1 2017	H1 2016	Diff.
Net interest income	275	300	(8%)
Net fee and commission income	1,776	1,865	(5%)
Other operating income	14	10	40%
Operating income	**2,119**	**2,167**	**(2%)**
Operating expense	(434)	(752)	(42%)
Earnings before tax	**1,685**	**1,415**	**19%**

	30.06.2017	31.12.2016	Diff.
Allocated equity	5,730	5,574	3%
Assets under management	1,026,295	1,054,759	(3%)

- Net fee and commission approx. 90% of segment operating income
- Changes in the market environment are negatively affecting net fee and commission income
- Operating expense affected by revised contribution to Depositors’ and Investors’ Guarantee Fund of ISK 360 million

Arion Bank

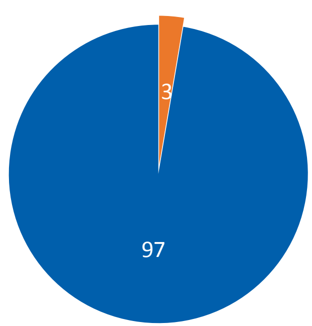
Investment Banking

All amounts in ISK million

Continued focus on fee and commission development

- Investment Banking is divided into Corporate Finance, Capital Markets and Research.
- Corporate Finance is active in supporting clients in deals with investments and divestments of companies and advisory on all other major transactions
- Capital Markets buys and sells securities and FX on behalf of Arion Bank's clients.
- Research is an independent research team covering the Icelandic economy and financial markets.

Share of operating income (%)



Income statement and key figures:

	H1 2017	H1 2016	Δ
Net interest income	132	940	-86%
Net fee and commission income	637	771	-17%
Net financial income	(38)	(115)	-67%
Share of profit of associates	0	498	-100%
Other operating income	0	321	-100%
Operating income	**731**	**2,415**	**-70%**
Operating expense	(402)	(583)	-31%
Net impairment	21	1,446	-99%
Earnings before tax	**350**	**3,278**	**-89%**

	30.06.2017	31.12.2016	Δ
Total assets	18,723	18,947	-1%
Allocated equity	3,900	3,713	5%

- Net fee and commission income main source of operating income
- Decrease in operating income from H1 2016 mainly due to decrease in interest bearing assets and transfer of assets to CEO's office at the beginning of Q2 2016

Arion Bank

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